

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH
NON AUDIT ASSURANCE ENGAGEMENT REPORT ON
DISCLOSURE OF ANNUAL FINANCIAL INFORMATION
FOR THE YEAR ENDED
31 DECEMBER 2020

**INDEPENDENT PRACTITIONER'S ASSURANCE REPORT
TO THE MANAGEMENT OF CHINA CITIC BANK INTERNATIONAL LIMITED
MACAU BRANCH**

We have been engaged to perform a limited assurance engagement on the accompanying Summary Financial Statements, Business Summary Report, Report of the Branch Management and Financial Statements, and Unaudited Disclosure of Financial Information (collectively referred as "Disclosure of Annual Financial Information"), which comprises the balance sheet of China CITIC Bank International Limited Macau Branch ("the Branch") as at 31 December 2020, the related income statement and the cash flow statement for the year then ended, and other disclosures in accordance with Annex 3 of the Guideline on the Disclosure of Financial Information ("Disclosure Rules") set out under Circular No.026/B/2012-DSB/AMCM on 16 November 2012 issued by the Monetary Authority of Macao ("AMCM").

Branch management's Responsibility for the Disclosure of Annual Financial Information

Pursuant to the Disclosure Rules, the Branch management is responsible for the preparation and presentation of the Disclosure of Annual Financial Information in accordance with the Disclosure Rules. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the Disclosure of Annual Financial Information that are free from material misstatements, whether due to fraud or error; applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibility

It is our responsibility to express a conclusion on the Disclosure of Annual Financial Information based on our work performed and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

INDEPENDENT PRACTITIONER'S ASSURANCE REPORT (CONTINUED)

Practitioner's Responsibility (Continued)

We conducted our work in accordance with International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This Standard requires that we plan and perform our work to form the conclusion.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. The extent of procedures selected depends on the practitioner's judgment and our assessment of the engagement risk. Within the scope of our work we performed amongst others the following procedures:

- Comparing the Branch's Disclosure of Annual Financial Information to the requirements of the Disclosure Rules;
- Obtaining an understanding of the Branch's process for compiling its Disclosure of Annual Financial Information with management;
- Agreeing, on a sample basis, data presented in the Branch's Disclosure of Annual Financial Information back to the underlying financial accounting systems or management prepared schedules;
- Agreeing manual adjustments, on a sample basis, to data extracted from the underlying financial accounting systems or management prepared schedules.

Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Disclosure of Annual Financial Information does not comply in all material respects with the Disclosure Rules.

Purpose and Restriction on Use and Distribution

Without modifying our conclusion, we draw attention to the fact that the Disclosure of Annual Financial Information was prepared for the use of the Branch management using the Disclosure Rules designed for this purpose. As a result, the Disclosure of Annual Financial Information may not be suitable for another purpose. This report is not intended to be, and should not be distributed to any other parties or used for any other purpose.

PricewaterhouseCoopers

Macao, 30 April 2021

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH
DISCLOSURE OF ANNUAL FINANCIAL INFORMATION
FOR THE YEAR ENDED
31 DECEMBER 2020

China CITIC Bank International Limited Macau Branch

Summary Financial Statements

(In accordance with the requirements set out in Article 76 of Macau Financial System Act approved by Decree-Law No. 32/93/M of 5 July 1993)

Balance Sheet as at 31 December 2020

			MOP
Assets	Total Amount	Provision, Accumulated Depreciation and Impairment	Net Amount
Cash	-	-	-
Deposits with AMCM	126,183,368.79	-	126,183,368.79
Account Receivable	-	-	-
Due from other local credit institutions	3,093,611.25	-	3,093,611.25
Due from other foreign credit institutions	833,208,401.43	-	833,208,401.43
Gold and Silver	-	-	-
Other Current Assets	-	-	-
Loans and advances to customers	3,854,478,016.96	-	3,854,478,016.96
Placements with local credit institutions	50,000,000.00	-	50,000,000.00
Placements with foreign credit institutions	-	-	-
Shares, Bonds and Equity	-	-	-
Debtors	-	-	-
Other Investments	-	-	-
Financial Investments	-	-	-
Real Estate	-	-	-
Equipment	12,034,267.36	7,050,549.09	4,983,718.27
Deferred Expenses	-	-	-
Pre-opening Expenses	-	-	-
Fixed assets in progress	-	-	-
Other Fixed Assets	10,109,216.44	1,769,113.50	8,340,102.94
Internal and Adjustment accounts	11,623,088.30	-	11,623,088.30
TOTAL	4,900,729,970.53	8,819,662.59	4,891,910,307.94

China CITIC Bank International Limited Macau Branch

Summary Financial Statements

Balance Sheet as at 31 December 2020

MOP

Liabilities	Sub-total	Total
Saving Deposits	213,950,305.54	
Deposits at short notice	-	
Time Deposits	1,026,148,567.49	1,240,098,873.03
Public sector deposits	204,192,592.28	
Due to local credit institutions	-	
Due to other local credit institutions	-	
Foreign currency takings	3,327,047,126.85	
Cheques and orders payable	134,175.68	
Creditors	827,024.74	
Other Liabilities	-	3,532,200,919.55
Internal and Adjustment accounts	10,729,317.14	
Provisions	39,128,045.96	
Capital	50,000,000.00	
Legal Reserve	-	
Voluntary Reserve	-	
Other Reserves	-	99,857,363.10
Profit and loss accumulated balance	(3,968,500.00)	
Profit & Loss for the year	23,721,652.26	19,753,152.26
TOTAL		4,891,910,307.94

China CITIC Bank International Limited Macau Branch

Summary Financial Statements

Operating Result for the year ended 31 December 2020

		MOP	
Debit	Amount	Credit	Amount
Costs of credit operations	15,586,321.22	Income from credit operations	89,257,263.60
Personnel costs		Income from banking services	2,979,696.76
Directors and Supervisory Council Expenses	-	Income from other banking services	898,252.83
Staff Expenses	16,767,792.00	Income from securities and equity investments	-
Fixed Staff Benefits	1,294,931.19	Other banking income	-
Other personnel costs	578,879.60	Income from non-banking operations	-
Third party supply	173,003.04	Operating Loss	-
Third party services	10,274,506.06		
Other banking costs	82,327.15		
Taxation	30.75		
Costs of non-banking operations	-		
Depreciation allowances	2,005,857.37		
Provision allowances	20,201,524.61		
Operating Profit	26,170,040.20		
TOTAL	93,135,213.19	TOTAL	93,135,213.19

Profit and Loss Account for the year ended 31 December 2020

		MOP	
Debit	Amount	Credit	Amount
Operating Loss	-	Operating Profit	26,170,040.20
Losses related to previous years	-	Profit related to previous years	-
Exceptional Losses	-	Exceptional Profits	-
Profit tax provision	2,448,387.94	Provisions charged back	-
Operating Result (Profit)	23,721,652.26	Operating Result (Loss)	-
TOTAL	26,170,040.20	TOTAL	26,170,040.20

Branch Manager
Felix Xia

Finance Manager
Emily Sio

China CITIC Bank International Limited Macau Branch

Summary Financial Statements

MOP

Memorandum items	Amount
Values received for safe keeping	-
Bills for collection	1,297,737.22
Collateral	2,528,542,902.93
Guarantees on account of customers	48,616,000.00
Letters of credit outstanding	-
Bills and acceptance available for discount	-
Deposit paid on behalf of customers	-
Forward exchange contracts - purchases	-
Forward exchange contracts - sales	-
Other memorandum items	1,030,000.00

China CITIC Bank International Limited Macau Branch

Business Summary Report

Under the challenging external environment and basing on Macau local market, our Branch has been proactively promoting the business opportunities from the development of Guangdong-Hong Kong-Macau Greater Bay Area. In 2020, we achieved good operating results.

As at 31 December 2020, our total assets were MOP4,892 million, representing a year-on-year increase of 97%. Out of the total assets, customer loan asset was MOP3,854 million in which has increased sharply by 120% when compared with the previous year and has doubled the historical high of customer loan asset since our Branch was setup. At the same time, our outstanding deposits were MOP1,444 million which was a year-on-year rise of 4.2%. In addition, profit before impairment was about MOP46 million which increased by 13.73% versus that of the same period last year.

In 2020, our Branch has been enriching our products and services. We have acted as the leading bank for one syndicated loan in the local market for the first time. At the same time, we have also made a historic breakthrough for the branch in enterprise overseas bond underwriting.

Looking forward to this new year, we shall continue to enhance our business performance and management, implement risk control mechanisms seriously, improve our own abilities and strive to contribute more to Macau society.

Here, management would like to give our sincere gratitude to all sectors of Macau society and our customers for their great support during the past year.

Felix Xia
Branch Manager

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH
REPORT OF THE BRANCH MANAGEMENT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

REPORT OF THE BRANCH MANAGEMENT

The Branch management have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2020.

Principal place of business

China CITIC Bank International Limited Macau Branch (“the Branch”), is a branch of China CITIC Bank International Limited (“Head Office” or “the Bank”). It is domiciled in Macao and has its registered office and principal place of business at 22 andar B, Finance and IT Center of Macau, No. 300-322 Avenida Doutor Mario Soares, Macao.

Principal activities

The principal activities of the Branch are the provision of commercial banking and related financial services.

Financial statements

The profit of the Branch for the financial year ended 31 December 2020 and the state of the Branch’s affairs at that date are set out in the financial statements on pages 3 to 28.

Property, plant and equipment

Movements in Property, plant and equipment are set out in Note 14 to the financial statements.

Head Office account

Profit for the year of MOP19,753,152 (2019: MOP36,335,709) will be transferred to Head Office account. Other movements in the Head Office account are set out in the statement of changes in Head Office account.

On behalf of the Branch management

Felix Xia

Branch Manager

Macao, 30 April 2021

**INDEPENDENT AUDITOR'S REPORT
TO THE MANAGEMENT OF CHINA CITIC BANK INTERNATIONAL LIMITED
MACAU BRANCH**

We have audited the financial statements of China CITIC Bank International Limited Macau Branch ("the Branch") set out on pages 3 to 28, which comprise the balance sheet as at 31 December 2020, and the income statement, statement of changes in head office account, and cash flow statement for the year then ended, and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

The management is responsible for the preparation and the true and fair presentation of the financial statements in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region. This responsibility includes designing, implementing and maintaining appropriate internal control relevant to the preparation and the true and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and keeping proper and accurate accounting records.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted the audit in accordance with the Auditing Standards and Technical Standards on Auditing issued by the Government of the Macao Special Administrative Region. Those standards require that the auditor complies with relevant ethical requirements and plans and performs the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit includes performing appropriate audit procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures are selected according to the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Branch's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Branch's management, as well as evaluating the overall presentation of the financial statements.

**INDEPENDENT AUDITOR'S REPORT
TO THE MANAGEMENT OF CHINA CITIC BANK INTERNATIONAL LIMITED
MACAU BRANCH (CONTINUED)**

Auditor's responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Branch as at 31 December 2020 and of its operating results and cash flows for the year then ended in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region. The accounting policies used in the preparation of the financial statements for the year ended 31 December 2020 are consistent with those used in the preceding year.

Ng Wai Ying
Certified Public Accountant
PricewaterhouseCoopers

Macao, 30 April 2021

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020
 (Expressed in Macao Patacas)

	Note	2020 MOP	2019 MOP
Interest income	4	89,257,263	99,303,200
Interest expense	4	(15,586,321)	(38,830,694)
Net interest income		<u>73,670,942</u>	<u>60,472,506</u>
Fee and commission income	5	1,963,167	7,380,423
Other operating income		1,914,783	2,281,901
Operating income		<u>77,548,892</u>	<u>70,134,830</u>
Operating expenses	6	(31,177,296)	(29,361,662)
Operating profit before impairment		<u>46,371,596</u>	<u>40,773,168</u>
Loss on disposal of fixed assets		-	(29,005)
Impairment losses (charged)/ written-back on loans and advances to customers	7	(20,201,525)	463,525
Profit before taxation		<u>26,170,071</u>	<u>41,207,688</u>
Income tax charged	8(a)	(2,448,419)	(4,871,979)
Profit for the year		<u><u>23,721,652</u></u>	<u><u>36,335,709</u></u>

Approved by the Branch management on 30 April 2021 and signed on behalf by:

 Felix Xia, Branch Manager

 Emily Sio, Finance Manager

The notes on pages 8 to 28 form part of these financial statements.

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

BALANCE SHEET

AT 31 DECEMBER 2020

(Expressed in Macao Patacas)

	Note	2020 MOP	2019 MOP (Adjusted)
Assets			
Cash and balances with banks	9	836,302,013	557,733,061
Deposits with Autoridade Monetaria de Macau ("AMCM")	10	126,183,369	75,125,410
AMCM Monetary bills	11	49,980,927	64,895,597
Loans and advances to customers	12(a)	3,815,349,970	1,735,073,533
Other assets	13	11,623,089	13,550,606
Property, plant and equipment	14	13,323,821	12,154,462
Total Assets		<u>4,852,763,189</u>	<u>2,458,532,669</u>
Liabilities			
Deposits from customers	15	1,444,291,465	1,386,139,410
Deposits and balances from Head Office	16	3,327,047,127	970,932,686
Current income tax	8(c)	3,089,156	4,872,922
Other liabilities	17	8,582,289	14,220,442
		<u>4,783,010,037</u>	<u>2,376,165,460</u>
Head Office Account			
Establishment fund	18	50,000,000	50,000,000
Retained profits		19,753,152	32,367,209
		<u>69,753,152</u>	<u>82,367,209</u>
Total Head Office Account and Liabilities		<u>4,852,763,189</u>	<u>2,458,532,669</u>

Approved by the Branch management on 30 April 2021 and signed on behalf by:

Felix Xia, Branch Manager

Emily Sio, Finance Manager

The notes on pages 8 to 28 form part of these financial statements.

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

**STATEMENT OF CHANGES IN HEAD OFFICE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2020**

(Expressed in Macao Patacas)

	Establishment fund MOP	Retained profits MOP (Adjusted)	Total MOP
Head Office account at 1 January 2019	50,000,000	38,056,238	88,056,238
Adjustment	-	(3,968,500)	(3,968,500)
Adjusted balance at 1 January 2019	50,000,000	34,087,738	84,087,738
Transfer to Head Office	-	(38,056,238)	(38,056,238)
Profit for the year	-	36,335,709	36,335,709
Head Office account at 31 December 2019	50,000,000	32,367,209	82,367,209
Transfer to Head Office	-	(36,335,709)	(36,335,709)
Profit for the year	-	23,721,652	23,721,652
Head Office account at 31 December 2020	50,000,000	19,753,152	69,753,152

The notes on pages 8 to 28 form part of these financial statements.

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in Macao Patacas)

	Note	2020 MOP	2019 MOP
Operating activities			
Profit before income tax		26,170,071	41,207,688
Adjustments for:			
Depreciation expense	6	2,005,858	1,306,824
Impairment losses charged/ (written-back) on loans and advances to customers	7	20,201,525	(463,525)
Loss on disposal of fixed assets		-	29,005
		<u>48,377,454</u>	<u>42,079,992</u>
Changes in operating assets:			
Placements with bank with original maturity beyond three months		-	140,760
AMCM Monetary bills with original maturity of more than three months		64,895,597	8,010,978
Minimum statutory deposits with AMCM	10	8,113,000	13,903,000
Loans and advances to customers		(2,100,477,962)	164,307,322
Other assets		1,927,518	12,089,437
		<u>(2,025,541,847)</u>	<u>198,451,497</u>
Changes in operating liabilities:			
Deposits from customers		58,152,055	(473,896,514)
Deposits and balances from Head Office		2,356,114,441	82,535,272
Other liabilities		(5,638,154)	(18,602,594)
		<u>2,408,628,342</u>	<u>(409,963,836)</u>

The notes on pages 8 to 28 form part of these financial statements.

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020
 (Expressed in Macao Patacas)

	Note	2020 MOP	2019 MOP
Cash used in operations		431,463,949	(169,432,347)
Income tax paid		(4,232,185)	(5,103,895)
Net cash generated from/ (used in) operating activities		<u>427,231,764</u>	<u>(174,536,242)</u>
Investing activity			
Purchases of Property, plant and equipment	14	(3,175,217)	(12,594,134)
Net cash used in investing activity		<u>(3,175,217)</u>	<u>(12,594,134)</u>
Financing activity			
Retained profits transferred to Head Office		(36,335,709)	(38,056,238)
Net cash used in financing activity		<u>(36,335,709)</u>	<u>(38,056,238)</u>
Net increase/ (decrease) in cash and cash equivalents		387,720,838	(225,186,614)
Cash and cash equivalents at 1 January		<u>601,526,471</u>	<u>826,713,085</u>
Cash and cash equivalents at 31 December	19	<u><u>989,247,309</u></u>	<u><u>601,526,471</u></u>
Cash flows from operating activities include:			
Interest received		90,330,606	98,282,700
Interest paid		<u>(15,397,729)</u>	<u>(43,631,008)</u>

The notes on pages 8 to 28 form part of these financial statements.

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Macao Patacas)

1 General

China CITIC Bank International Limited Macau Branch (“the Branch”) is a branch of China CITIC Bank International Limited (“Head Office” or “the Bank”). The Branch is engaged in commercial banking business and provision of related financial services.

The Branch is registered as a licensed bank under the Macao Financial System Act on 3 October 2005. The Branch domiciled in Macao. The address of its registered office and principal place of business is 22 andar B, Finance and IT Center of Macau, No. 300-322 Avenida Doutor Mario Soares, Macao.

The financial statements have been approved for issue by the management of the Branch on 30 April 2021, it was resolved that Mr Felix Xia and Ms Emily Sio be authorised to sign the financial statements.

2 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented in these financial statements.

(a) Basis of preparation

The financial statements of the Branch have been prepared in accordance with Financial Reporting Standards issued by the Government of Macao Special Administrative Region under Administrative Regulation No. 25/2005 on 9 December 2005 (“MFRS”).

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Branch’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The financial statements have been prepared under the historical cost convention.

The Branch put through a prior year adjustment amounting to MOP3,968,500 in the open retained earnings as at 1 January 2019, to reflect the prior years understatement of bonus expenses. The prior year adjustments made has been reflected in the balance sheet and equity movement.

Financial information extract (only includes line items that were affected):

	As at 31 December 2019, as previously reported MOP	Prior year adjustments MOP	As at 31 December 2019, as restated MOP
Other liabilities	10,251,942	3,968,500	14,220,442
Total liabilities	2,372,196,960	3,968,500	2,376,165,460
Retained profits	36,335,709	(3,968,500)	32,367,209
Total Head Office accounts	86,335,709	(3,968,500)	82,367,209

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Macao Patacas)

2 Significant accounting policies (Continued)

(a) Basis of preparation (Continued)

	As at 1 January 2019, as previously reported MOP	Prior year adjustments MOP	As at 1 January 2019, as restated MOP
Other liabilities	28,854,536	3,968,500	32,823,036
Total liabilities	2,782,392,712	3,968,500	2,786,361,212
Retained profits	38,056,238	(3,968,500)	34,087,738
Total Head Office accounts	88,056,238	(3,968,500)	84,087,738

(i) New standards and interpretations not yet adopted

Effective from 28 March 2020, Financial Reporting Standards issued by the Government of Macau under Administrative Regulation No. 25/2005 on 9 December 2005 ("MFRS") were replaced by Financial Reporting Standards issued by the Directive of Secretaria para a Economia e Finanças No. 44/2020 on 17 March 2020 ("New MFRS"). The New MFRS is mandatory for adoption from the annual period beginning 1 January 2022. The Branch has not early adopted the New MFRS in preparing the financial statements.

None of the standards included in the New MFRS is expected to have a significant effect on the financial statements of the Branch except the following as set out below:

- IAS 1 in the New MFRS

IAS 1, 'Presentation of Financial Statements' in the New MFRS requires to present all non-owner changes in equity either in one statement of comprehensive income or in two statements. The standard also requires the presentation of a statement of financial position (balance sheet) as at the beginning of the earliest comparative period in a complete set of financial statements when the entity applies an accounting policy retrospectively or makes a retrospective restatement. These impact presentation aspects.

- IFRS 9

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard permits to apply the transitional provisions for the adoption.

The Branch does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

The new impairment model also requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Branch has undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of individually assessed impairment allowances.

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

NOTES TO THE FINANCIAL STATEMENTS (Expressed in Macao Patacas)

2 Significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(i) New standards and interpretations not yet adopted

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Branch's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Branch is yet to assess the full impact of above standards and intends to adopt the New MFRS no later than the accounting period beginning on or after 1 January 2022.

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Branch and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Interest income

Interest income for all interest-bearing financial instruments is recognised in the income statement on an accruals basis using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Branch estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

For impaired loans, the accrual of interest income based on the original terms of the loan is discontinued, but any increase in the present value of impaired loans due to the passage of time is reported as interest income.

(ii) Fee and commission income

Fee and commission income, including loan arrangement fee, insurance commission, remittance fee, is recognised on an accrual basis when the corresponding service is provided, except where the fee is charged to cover the costs of a continuing service to, or risk borne for, the customer, or is interest in nature. In these cases, the fee is recognised as income in the accounting period in which the costs or risk is incurred and is accounted for as interest income.

Origination or commitment fees received/paid by the Branch which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Macao Patacas)

2 Significant accounting policies (Continued)

(c) Loans and advances to customers

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Branch does not intend to sell immediately nor in the near term and may recover substantially all of its initial investment, other than because of credit deterioration.

Loans and advances to customers are reported on the balance sheet as at the principal amount outstanding, less impairment losses, if any (see note 2(g)(i)).

All loans and advances are recognised when cash is advanced to borrowers.

(d) AMCM Monetary bills

(i) Classification

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity for which the Branch has the positive intention and ability to hold to maturity, other than (a) those that the Branch, upon initial recognition, designates as at fair value through profit or loss or as available for sale; and (b) those that meet the definition of loans and receivables.

(ii) Recognition and derecognition

The Branch recognises held-to-maturity investments on a trade date basis and derecognises when contractual rights to receive cash flows from it expires or substantially all the risks and rewards of ownership have been transferred.

(iii) Measurement

Investments are measured initially at fair value, which normally will be equal to the transaction price plus transaction costs directly attributable to the acquisition.

Held-to-maturity investments are subsequently measured at amortised costs using the effective interest method less impairment losses, if any (see note 2(g)(ii)).

(e) Financial liabilities

Financial liabilities are measured at amortised cost using the effective interest method.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any (see note 2(g)(iii)).

Gains or losses arising from the retirement or disposal of an item of Property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of Property, plant and equipment, less their estimated residual value, if any, using the straight line method over the estimated useful lives as follows:

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Macao Patacas)

2 Significant accounting policies (Continued)

(f) Property, plant and equipment (Continued)

Leasehold improvements	10 years
Furniture and fixtures	10 years
Office equipment	7 years
Computer equipment	3 - 5 years
Motor vehicle	4 years

Where parts of an item of Property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(g) Impairment of assets

The carrying amount of the Branch's assets is reviewed at each reporting period to determine whether there is objective evidence of impairment. Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Branch about one or more of the following loss events which has an impact on the future cash flows on the assets that can be estimated reliably:

- significant financial difficulty of the issuer or borrower;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the borrower;
- disappearance of an active market for financial assets because of financial difficulties; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, the carrying amount is reduced to the estimated recoverable amount by means of a charge to the income statement.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of loans and receivables and held-to-maturity investments, whose recovery is considered doubtful but not remote. In this case, the impairment losses are recorded using an allowance account. When the Branch is satisfied that recovery is remote, the amount considered irrecoverable is written off against loans and receivables or held-to-maturity investments directly and any amounts held in the allowance account relating to that borrower/investment are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the income statement.

(i) Loans and advances to customers

Impairment losses on loans and advances to customers are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets). Receivables with a short duration are not discounted if the effect of discounting is immaterial.

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Macao Patacas)

2 Significant accounting policies (Continued)

(g) Impairment of assets (Continued)

(i) Loans and advances to customers (Continued)

In determining the amount of impairment losses, the Branch also made reference to the impairment allowance guidelines pursuant to AMCM notice no. 18/93-AMCM. The Branch assesses losses for impaired loans and advances when there is objective evidence that impairment of a loan or portfolio of loans has occurred. The Branch assesses on a case-by-case basis at each reporting date whether there is any objective evidence that a loan is impaired and made individual assessment to arrive at specific provision to such loan. For loans where specific provisions are not individually provided, general provisions are calculated on a collective basis to cover losses which have been incurred but not yet been identified, and such estimation is made reference to the AMCM's Provisioning Guidelines.

(ii) Investments

For held-to-maturity investments, the impairment allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate, where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of impairment losses shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(iii) Property, plant and equipment

Internal and external sources of information are reviewed at each reporting period to identify indications that plant and equipment may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in the income statement whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Macao Patacas)

2 Significant accounting policies (Continued)

(g) Impairment of assets (Continued)

(iii) Property, plant and equipment (Continued)

- Reversals of impairment losses

In respect of assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(h) Leased assets

Where the Branch 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.

(i) Employee benefits

Salaries, annual bonuses, paid annual leave and contributions to defined contribution retirement plans are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(j) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition including cash, balances with banks and other financial institutions, treasury bills, other eligible bills.

(k) Current and deferred income tax

Current and deferred income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case the relevant amounts of tax are recognised directly in equity.

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Macao Patacas)

2 Significant accounting policies (Continued)

(k) Current and deferred income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Branch has the legally enforceable right to set off current tax assets against current tax liabilities and in the case of current tax assets and liabilities, the Branch intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Branch has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Macao Patacas)

2 Significant accounting policies (Continued)

(m) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of the Branch are measured using the currency of the primary economic environment in which the Branch operates (“the functional currency”). The financial statements are presented in Macao Official Patacas (“MOP”), which is the Branch’s presentation currency and functional currency.

(ii) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

(n) Related parties

(a) A person, or a close member of that person’s family, is related to the Branch if that person:

- (i)** has control or joint control over the Branch;
- (ii)** has significant influence over the Branch; or
- (iii)** is a member of the key management personnel of the Branch or the Branch’s parent.

(b) An entity is related to the Branch if any of the following conditions applies:

- (i)** The entity and the Branch are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii)** One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii)** Both entities are joint ventures of the same third party.
- (iv)** One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v)** The entity is a post-employment benefit plan for the benefit of employees of either the Branch or an entity related to the Branch.
- (vi)** The entity is controlled or jointly controlled by a person identified in (a).
- (vii)** A person identified in (a)(i) 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).

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Macao Patacas)

2 Significant accounting policies (Continued)

(n) Related parties (Continued)

(b) An entity is related to the Branch if any of the following conditions applies (Continued):

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 Critical accounting estimates and assumptions

The Branch makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Areas susceptible to changes in essential estimates and judgements, which affect the carrying amount of assets and liabilities, are set out below. The effect of changes to either the key assumptions or other estimation uncertainties will be presented below if it is practicable to determine. It is possible that actual results may require material adjustments to the estimates referred to below.

(a) Impairment allowance for loans and advances to customers

Loan portfolios are reviewed periodically to assess whether impairment losses exist. The Branch makes judgements as to whether there is any objective evidence that a loan portfolio is impaired, i.e. whether there is a decrease in estimated future cash flows. Objective evidence for impairment is described in the accounting policy Note 2(g).

4 Net interest income

	2020 MOP	2019 MOP
Interest income from:		
- loans and advances to customers	88,601,921	96,401,919
- deposits with banks and AMCM	176,140	570,335
- AMCM monetary bills	630,628	1,117,191
- placements with Head Office	(151,426)	1,213,755
	<u>89,257,263</u>	<u>99,303,200</u>
Interest expenses from:		
- deposits and balances from Head Office	3,333,970	11,579,542
- deposits from customers	12,252,351	27,251,152
	<u>15,586,321</u>	<u>38,830,694</u>
Net interest income	<u>73,670,942</u>	<u>60,472,506</u>

All interest income and expenses are arising from financial assets or financial liabilities that are not at fair value through profit or loss for the year ended 31 December 2020 and 31 December 2019.

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Macao Patacas)

5 Fee and commission income

	2020 MOP	2019 MOP
Trade finance business	775,425	6,357,472
Credit facility fee	5,150	67,992
Others	1,182,592	954,959
	<u>1,963,167</u>	<u>7,380,423</u>

Included in the total fee and commission income of MOP1,520,473 (2019: MOP7,375,517) (other than the amounts included in determining the effective interest rate) relating to financial assets and liabilities not at fair value through profit or loss.

6 Operating expenses

	2020 MOP	2019 MOP
Staff costs	18,641,603	16,589,812
Rental expenses	6,926,725	7,375,309
Depreciation (Note 14)	2,005,858	1,306,824
Others	3,603,110	4,089,717
	<u>31,177,296</u>	<u>29,361,662</u>

7 Impairment losses charged/ (written-back) on loans and advances to customers

	2020 MOP	2019 MOP
Impairment losses charged/ (written-back) on loans and advances to customers		
- individually assessed (Note 12(b))	-	-
- collectively assessed (Note 12(b))	20,201,525	(463,525)
	<u>20,201,525</u>	<u>(463,525)</u>

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Macao Patacas)

8 Taxation

Current income tax comprises of Macao complementary tax. According to Macao complementary tax law, Macao complementary tax is levied at progressive rates ranging from 3% to 9% on the taxable income above MOP32,000 but below MOP300,000, and thereafter at a fixed rate at 12%. For the years 2020 and 2019, special tax incentives were provided to effect that tax free income threshold are increased to MOP600,000 respectively, the profit thereafter is charged at a fixed rate of 12%. On 16 April 2020, the Legislative Assembly approved an additional tax incentive to reduce the 2019 complementary tax payment by MOP300,000 as a relief measure for the negative impacts of COVID-19.

(a) Taxation in the income statement represents:

	2020 MOP	2019 MOP
Current tax - Macao complementary tax		
Charge for the year	3,089,156	4,872,922
Additional tax incentives for COVID-19	(300,000)	-
Over-provision from prior years	(340,768)	(972)
	<u>2,448,388</u>	<u>4,871,950</u>
Current tax- overseas		
Withholding tax	31	29
	<u>2,448,419</u>	<u>4,871,979</u>

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2020 MOP	2019 MOP
Profit before taxation	<u>26,170,071</u>	<u>41,207,688</u>
Notional tax on profit before taxation, calculated at Macao		
Complementary Tax rate of 12% (2019: 12%)	3,140,409	4,944,922
Effect of progressive tax rate before 12%	(17,260)	(17,260)
Special complementary tax incentives	(54,740)	(54,740)
Additional tax incentives for COVID-19	(300,000)	-
Over-provision from prior years	(340,768)	(972)
Withholding tax	31	29
Others	20,747	-
Actual tax expense	<u>2,448,419</u>	<u>4,871,979</u>

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Macao Patacas)

8 Taxation (Continued)

(c) Current taxation in the balance sheet represents:

	2020 MOP	2019 MOP
Balance of Macao complementary tax provision	<u>3,089,156</u>	<u>4,872,922</u>

The Branch does not have any significant unprovided deferred taxation as at 31 December 2020 and 31 December 2019.

9 Cash and balances with banks

	2020 MOP	2019 MOP
Balances with banks and other financial institutions maturing within one month	<u>836,302,013</u>	<u>557,733,061</u>

10 Deposits with AMCM

	2020 MOP	2019 MOP
Deposits with AMCM (Note)	<u>126,183,369</u>	<u>75,125,410</u>

Note: According to the statutory requirement, the Branch is required to maintain a minimum deposit balance with AMCM for liquidity purpose. The required daily amount of the MOP current deposit balance in each week should not be less than 70% of the following percentage of the average of the basic liabilities classified by term and calculated in the preceding week:

- (a) 3% on all the liabilities which are repayable on demand;
- (b) 2% on all the liabilities which are repayable within 3 months (3 months inclusive) except for those already counted in (a);
- (c) 1% on all the liabilities which are repayable beyond 3 months.

As at 31 December 2020, the amount of minimum statutory deposit balance with AMCM required for the Branch is MOP23,219,000 (31 December 2019: MOP31,332,000).

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Macao Patacas)

11 AMCM Monetary bills

	2020 MOP	2019 MOP
Unlisted monetary bills issued by AMCM, at amortised cost		
- current	49,980,927	64,895,597

12 Loans and advances to customers

(a) Loans and advances to customers less impairment allowances

	2020 MOP	2019 MOP
Gross loans and advances to customers	3,854,478,017	1,754,000,055
Impairment allowance		
- individually assessed (Note 12(b))	-	-
- collectively assessed (Note 12(b))	(39,128,047)	(18,926,522)
	3,815,349,970	1,735,073,533
Current	1,821,544,393	486,211,043
Non-current	1,993,805,577	1,248,862,490
	3,815,349,970	1,735,073,533

(b) Movement in impairment allowances on loans and advances to customers

	Individually assessed MOP	Collectively assessed MOP	Total MOP
At 1 January 2019	-	19,390,047	19,390,047
Impairment losses credited to income statement (Note 7)	-	(463,525)	(463,525)
At 31 December 2019 (Note 12(a))	-	18,926,522	18,926,522
Impairment losses charged to income statement (Note 7)	-	20,201,525	20,201,525
At 31 December 2020 (Note 12(a))	-	39,128,047	39,128,047

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Macao Patacas)

13 Other assets

	2020 MOP	2019 MOP
Interest receivable	9,712,224	10,785,567
Prepayment and deposits	1,562,355	2,666,457
Others	348,510	98,582
	<u>11,623,089</u>	<u>13,550,606</u>
Current	6,580,170	5,183,877
Non-current	<u>5,042,919</u>	<u>8,366,729</u>
	<u>11,623,089</u>	<u>13,550,606</u>

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Macao Patacas)

14 Property, plant and equipment

	Leasehold improvements MOP	Furniture and fixtures MOP	Office equipment MOP	Computer equipment MOP	Motor vehicle MOP	Total MOP
Cost:						
At 1 January 2020	10,109,216	1,661,481	1,679,752	5,046,078	471,740	18,968,267
Additions	-	-	-	3,175,217	-	3,175,217
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	10,109,216	1,661,481	1,679,752	8,221,295	471,740	22,143,484
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation:						
At 1 January 2020	758,192	257,483	554,917	4,771,473	471,740	6,813,805
Charge for the year (Note 6)	1,010,922	155,637	240,682	598,617	-	2,005,858
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2020	1,769,114	413,120	795,599	5,370,090	471,740	8,819,663
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value:						
At 31 December 2020	8,340,102	1,248,361	884,153	2,851,205	-	13,323,821
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Macao Patacas)

14 Property, plant and equipment (Continued)

	Leasehold improvements MOP	Furniture and fixtures MOP	Office equipment MOP	Computer equipment MOP	Motor vehicle MOP	Total MOP
Cost:						
At 1 January 2019	1,458,773	495,418	1,003,532	5,585,717	471,740	9,015,180
Additions	10,109,216	1,491,678	936,250	56,990	-	12,594,134
Disposal	(1,458,773)	(325,615)	(260,030)	(596,629)	-	(2,641,047)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	10,109,216	1,661,481	1,679,752	5,046,078	471,740	18,968,267
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation:						
At 1 January 2019	1,458,773	445,932	595,835	5,146,743	471,740	8,119,023
Charge for the year (Note 6)	758,192	119,750	207,523	221,359	-	1,306,824
Disposal	(1,458,773)	(308,199)	(248,441)	(596,629)	-	(2,612,042)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	758,192	257,483	554,917	4,771,473	471,740	6,813,805
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value:						
At 31 December 2019	<u>9,351,024</u>	<u>1,403,998</u>	<u>1,124,835</u>	<u>274,605</u>	<u>-</u>	<u>12,154,462</u>

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Macao Patacas)

15 Deposits from customers

	2020 MOP	2019 MOP
Current accounts	106,540,269	86,682,094
Savings deposits	107,410,036	592,247,102
Time, call and notice deposits	1,230,341,160	707,210,214
	<u>1,444,291,465</u>	<u>1,386,139,410</u>
Current	<u>1,444,291,465</u>	<u>1,386,139,410</u>

16 Deposits and balances from Head Office

The amount represents short term deposits from head office, which are unsecured, repayable within one month and bearing interest at the rates ranging from 0% to 2% per annum (2019: 0.25% to 4% per annum).

17 Other liabilities

	2020 MOP	2019 MOP (Adjusted)
Interest payable	1,525,897	1,337,305
Deferred income	1,397,410	7,018,900
Cashier order and bills payable	135,322	68,243
Accounts payable	825,879	965,944
Accrued expenses	556,381	861,550
Bonus accrual	4,141,400	3,968,500
	<u>8,582,289</u>	<u>14,220,442</u>
Current	8,077,762	12,088,065
Non-current	504,527	2,132,377
	<u>8,582,289</u>	<u>14,220,442</u>

Note: As at 31 December 2020, the Branch has recognised bonus provision of MOP4,141,400, of which MOP3,968,500 has been adjusted in the open retained earnings as at 1 January 2019, to reflect the prior years understatement of bonus expenses. The prior year adjustments made has been reflected in the balance sheet and equity movement.

18 Establishment fund

Balance represents the set up capital of the Branch in accordance with Article 23 of Decree Law No.32/93/M (2019: same).

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Macao Patacas)

19 Cash and cash equivalents

(a) Components of cash and cash equivalents in the cash flow statement

	2020 MOP	2019 MOP
Cash and balances with banks	836,302,013	557,733,061
Deposits with AMCM in excess of minimum statutory requirement (Note 10)	102,964,369	43,793,410
AMCM Monetary bills with original maturity within three months	49,980,927	-
	<u>989,247,309</u>	<u>601,526,471</u>

(b) Reconciliation with the balance sheet

	2020 MOP	2019 MOP
Cash and balances with banks	836,302,013	557,733,061
Deposits with AMCM	126,183,369	75,125,410
Unlisted monetary bills issued by AMCM	49,980,927	64,895,597
	<u>1,012,466,309</u>	<u>697,754,068</u>
Amounts shown in the balance sheet		
Less: Amounts of placements and AMCM monetary bills with an original maturity of over 3 months	-	(64,895,597)
Less: Minimum statutory deposits with AMCM (Note 10)	(23,219,000)	(31,332,000)
	<u>989,247,309</u>	<u>601,526,471</u>

20 Contingent liabilities and commitments

	2020 MOP	2019 MOP
Loan commitment	1,030,000	1,030,000
Letter of guarantee	48,616,000	-
Letter of credit	-	30,491,830
	<u>49,646,000</u>	<u>31,521,830</u>

Contingent liabilities and commitments are credit-related instruments which include letters of credits, guarantees and commitments to extend credit. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers.

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21 Operating lease commitments

At 31 December, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2020 MOP	2019 MOP
- Within one year	6,578,519	6,613,951
- After one year but within five years	11,186,517	17,718,892
	<u>17,765,036</u>	<u>24,332,843</u>

The Branch leases two properties and two car-parks under operating leases. The lease for properties typically runs for an initial period of two years to five years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

22 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Branch entered into the following material related party transactions.

During the year, the Branch entered into a number of transactions with the Head Office and other branches, in the normal course of its banking business including, inter alia, lending, the acceptance and placement of inter-bank deposits, correspondent banking transactions and foreign exchange transactions. The transactions were priced based on relevant market rates at the time of each transaction, and were under the same terms as those available to other counterparties and customers of the Branch. In the opinion of the Branch management, these transactions were conducted on normal commercial terms.

- (a) During the year, the Branch earned income and incurred expense on balances with group companies as follows:

	2020 MOP	2019 MOP
Interest income from Head office and other branches	(147,330)	1,301,927
Interest expense to Head office	<u>3,333,970</u>	<u>11,579,542</u>

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NOTES TO THE FINANCIAL STATEMENTS

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22 Material related party transactions (Continued)

- (b) Balances with group companies and related parties included in various balance sheet items are shown as follows:

	2020 MOP	2019 MOP
Due from Head Office and other branches:		
At 1 January	465,169,595	719,785,078
At 31 December	823,539,175	465,169,595
Average for the year	285,214,066	290,497,970
	<hr/>	<hr/>
Interest receivables from Head Office and other branches:		
At 1 January	-	20,440
At 31 December	1,646	-
Average for the year	2,014	5,103
	<hr/>	<hr/>
Deposits and balances from Head Office:		
At 1 January	970,932,686	888,397,414
At 31 December	3,327,047,127	970,932,686
Average for the year	1,852,536,862	722,176,090
	<hr/>	<hr/>
Interest payables to Head Office:		
At 1 January	291,135	57,008
At 31 December	6,867	291,135
Average for the year	3,984	94,813
	<hr/>	<hr/>

No impairment allowances were made in respect of the above placements with related parties.

Key management personnel are deemed to be the members of the Board of Directors of the Head Office which are responsible for the planning, directing and controlling the activities of the Head Office and the Branch. Compensation of key management personnel were borne by the Head Office for both years.

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1 Financial risk management

This section presents information about the Branch's exposure to and its management and control of risks, in particular, the primary risks associated with its use of financial instruments:

- Credit risk: loss resulting from client or counterparty default and arises on credit exposure in all forms, including settlement risk.
- Market risk: risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and market risk comprises currency risk, interest rate risk and other price risk.
- Liquidity and funding risk: risk that the Branch is unable to meet its payment obligations when due, or that it is unable, on an ongoing basis, to borrow funds in the market on an unsecured, or even secured basis at an acceptable price to fund actual or proposed commitments.
- Operational risk: risk arising from matters such as non-adherence to systems and procedures or from frauds resulting in financial or reputation loss.

The Branch has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and limits continually by means of reliable and up-to-date management and information systems. The Branch continually modifies and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. The internal auditors also perform regular audits to ensure compliance with the policies and procedures.

In addition to the Branch's exposure to and management of the aforesaid risks, this note also includes information about the Branch's capital management.

(a) Credit risk management

Credit risk is managed by a regular analysis of the current and potential risk of loss arising from a customer's or counterparty's inability to meet financial obligations. The Branch is exposed to credit risk mainly through its lending. The Branch defines the credit exposure to a customer as the amount of maximum potential loss arising from all these activities. These exposures include both on and off-balance sheet transactions, including unfunded lending commitments such as loan commitments, and letters of credit and financial guarantees.

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1 Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit risk management is effected by monitoring implementation of adopted credit policies that determine the borrower's creditworthiness, credit risks classification, loan application procedure and procedures for lending decisions making. The Branch applies the same credit policy in respect of contingent liabilities as in respect of financial instruments recorded on the balance sheet, based on loan approval procedures, use of limits to reduce risk and monitoring. Credit risk is also minimised by obtaining collateral in the form of pledged assets and guarantees from borrowers and third parties.

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Branch's total exposures. An analysis of loans and advances to customers by industry sectors is disclosed in Note 1(a)(vi).

(i) Credit quality of loans and advances to customers

The credit quality of loans and advances to customers can be analysed as follows:

	2020 MOP	2019 MOP
Gross loans and advances to customers		
- neither past due nor impaired	3,854,478,017	1,754,000,055
- past due but not impaired	-	-
	<u>3,854,478,017</u>	<u>1,754,000,055</u>

The Branch classifies the loans and advances to customers in accordance with the loan classification system required to be adopted for reporting to the AMCM.

Loans and advances with a specific repayment date are classified as past due when the principal or interest is overdue and remains unpaid at the year-end. Loans repayable on demand are classified as past due when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the demand notice, and/or when the loans have remained continuously outside the approved limit advised to the borrower for more than the overdue period in question.

At 31 December 2020 and 2019, none of the loans and advances to customers has been classified as impaired.

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1 Financial risk management (Continued)

(a) Credit risk management (Continued)

(ii) Credit quality of financial assets other than loans and advances to customers

At 31 December 2020 and 2019, the Branch only had held-to-maturity investments in unlisted monetary bills issued by AMCM. None of these assets (2019: Nil) have been past due with respect to either principal or interest.

(iii) Collateral and other credit enhancements

The Branch holds collateral against loans and advances to customers in the form of mortgages over property, cash deposits and guarantees. Collaterals held as security for financial assets other than advances is determined by the nature of the instrument.

The lower of gross loans and advances and the estimate of the fair value of collateral and other credit enhancements held against financial assets is as follows:

	2020 MOP	2019 MOP
Lower of gross loans and advances and the fair value of collaterals and other credit enhancements held against financial assets that are:		
- neither past due nor impaired	2,014,252,906	180,569,827
- past due but not impaired	-	-
	<u>2,014,252,906</u>	<u>180,569,827</u>

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1 Financial risk management (Continued)

(a) Credit risk management (Continued)

(iv) Geographical analysis of loans and advances to customers and commitments

Distribution of loans and advances to customers and commitments by region over or equal 10% of total loans and commitments.

	31 December 2020				
	Gross loans and advances to customers and commitments MOP	Past due or impaired loans and advances to customers MOP	Impaired loans and advances to customers MOP	Individually assessed impairment allowance MOP	Collectively assessed impairment allowance MOP
Region					
Macao SAR	454,651,360	-	-	-	4,614,079
United States	1,964,359,200	-	-	-	19,935,515
British Virgin Islands	1,197,780,000	-	-	-	12,155,802
Total	3,616,790,560	-	-	-	36,705,396

	31 December 2019				
	Gross loans and advances to customers and commitments MOP	Past due or impaired loans and advances to customers MOP	Impaired loans and advances to customers MOP	Individually assessed impairment allowance MOP	Collectively assessed impairment allowance MOP
Region					
Macao SAR	385,661,522	-	-	-	4,159,035
British Virgin Islands	1,203,240,000	-	-	-	12,975,931
Total	1,588,901,522	-	-	-	17,134,966

The geographical analysis is classified based on the countries where the counterparties were incorporated, without taking into account the transfer of risk. In general, risk transfer applies when the exposure is guaranteed by a party situated in an area different from the counterparty.

The portion of collectively assessed impairment allowance of MOP2,422,651 (31 December 2019: MOP1,791,556) was not allocated to the above geographical areas.

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(a) Credit risk management (Continued)

Debt investments (including AMCM Monetary Bills) by geographical areas over or equal 10% of total credit exposure. The carrying value below represents the amount of the financial asset in the balance sheet.

	31 December 2020	
	Debt Investments	
	Notional amounts	Carrying value
	MOP	MOP
Region		
Macao SAR	50,000,000	49,980,927

	31 December 2019	
	Debt Investments	
	Notional amounts	Carrying value
	MOP	MOP
Region		
Macao SAR	65,000,000	64,895,597

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1 Financial risk management (Continued)

(a) Credit risk management (Continued)

(vi) Loans and advances to customers analysed by industry sectors

The information concerning loans and advances to customers by industry sectors is prepared by classifying the loans and advances according to the usage of the loans and advances and is stated gross of any impairment allowances.

	31 December 2020					31 December 2019				
	Gross loans and advances to customers MOP	Past due or impaired loans and advances to customers MOP	Individually assessed impairment allowance MOP	Collectively assessed impairment allowances MOP	Impairment allowance written off during the year MOP	Gross loans and advances to customers MOP	Past due or impaired loans and advances to customers MOP	Individually assessed impairment allowance MOP	Collectively assessed impairment allowances MOP	Impairment allowance written off during the year MOP
Loans and advances for use in Macao										
Industrial, commercial and financial:										
- Wholesale and retail trade	-	-	-	-	-	-	-	-	-	-
- Manufacturing	-	-	-	-	-	-	-	-	-	-
- Others	92,508,088	-	-	939,080	-	-	-	-	-	-
	92,508,088	-	-	939,080	-	-	-	-	-	-
Individuals:										
- Loans and advances for the purchase of other residential properties	4,424,942	-	-	44,919	-	8,774,178	-	-	94,678	-
- Loans and advances for the purchase of other properties for investment purpose	21,010,780	-	-	213,287	-	23,700,847	-	-	255,744	-
	25,435,722	-	-	258,206	-	32,475,025	-	-	350,422	-
Trade finance	352,177,023	-	-	3,575,062	-	370,190,228	-	-	3,994,534	-

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1 Financial risk management (Continued)

(a) Credit risk management (Continued)

(vi) Loans and advances to customers analysed by industry sectors (Continued)

	31 December 2020					31 December 2019				
	Gross loans and advances to customers	Past due or impaired loans and advances to customers	Individually assessed impairment allowance	Collectively assessed impairment allowances	Impairment allowance written off during the year	Gross loans and advances to customers	Past due or impaired loans and advances to customers	Individually assessed impairment allowance	Collectively assessed impairment allowances	Impairment allowance written off during the year
	MOP	MOP	MOP	MOP	MOP	MOP	MOP	MOP	MOP	MOP
Loans and advances for use outside Macao										
Industrial, commercial and financial:										
- Public Construction	-	-	-	-	-	121,324,500	-	-	1,309,151	-
- Others	3,359,899,200	-	-	34,107,418	-	1,203,240,000	-	-	12,983,550	-
	<u>3,359,899,200</u>	<u>-</u>	<u>-</u>	<u>34,107,418</u>	<u>-</u>	<u>1,324,564,500</u>	<u>-</u>	<u>-</u>	<u>14,292,701</u>	<u>-</u>
Individuals:										
- Loans and advances for the purchase of other residential properties	-	-	-	-	-	-	-	-	-	-
- Loans and advances for the purchase of other properties for investment purpose	24,457,984	-	-	248,281	-	26,770,302	-	-	288,865	-
	<u>24,457,984</u>	<u>-</u>	<u>-</u>	<u>248,281</u>	<u>-</u>	<u>26,770,302</u>	<u>-</u>	<u>-</u>	<u>288,865</u>	<u>-</u>
Gross loans and advances to customers	<u>3,854,478,017</u>	<u>-</u>	<u>-</u>	<u>39,128,047</u>	<u>-</u>	<u>1,754,000,055</u>	<u>-</u>	<u>-</u>	<u>18,926,522</u>	<u>-</u>

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**UNAUDITED DISCLOSURE OF FINANCIAL INFORMATION
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1 Financial risk management (Continued)

(a) Credit risk management (Continued)

(vii) Analysis of assets and liabilities by remaining maturity

The following maturity profile is based on the remaining period at the balance sheet date to the contractual maturity date.

	31 December 2020							
	Total MOP	Repayable on demand MOP	Within 1 month MOP	3 months or less but over 1 month MOP	1 year or less but over 3 months MOP	3 years or less but over 1 year MOP	Over 3 years MOP	Undated MOP
Assets								
Cash and balances with banks	836,302,013	836,302,013	-	-	-	-	-	-
Deposits with AMCM	126,183,369	126,183,369	-	-	-	-	-	-
Unlisted monetary bills issued by AMCM	49,980,927	-	-	49,980,927	-	-	-	-
Loans and advances to customers	3,815,349,970	-	259,384,624	376,538,819	1,185,620,950	1,944,418,358	49,387,219	-
Other assets	11,622,999	-	780,249	682,778	5,117,144	4,990,660	52,168	-
Undated assets	13,323,911	-	-	-	-	-	-	13,323,911
Total assets	4,852,763,189	962,485,382	260,164,873	427,202,524	1,190,738,094	1,949,409,018	49,439,387	13,323,911
Liabilities								
Deposits from customers	1,444,291,465	213,950,305	445,533,456	784,807,704	-	-	-	-
Deposits and balances from Head Office	3,327,047,127	38,122,927	3,288,924,200	-	-	-	-	-
Other liabilities	11,516,945	135,322	1,795,007	1,300,939	7,935,650	350,027	-	-
Undated liabilities	154,500	-	-	-	-	-	-	154,500
Total liabilities	4,783,010,037	252,208,554	3,736,252,663	786,108,643	7,935,650	350,027	-	154,500
Asset-liability gap		710,276,828	(3,476,087,790)	(358,906,119)	1,182,802,444	1,949,058,991	49,439,387	

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1 Financial risk management (Continued)

(a) Credit risk management (Continued)

(vii) Analysis of assets and liabilities by remaining maturity (Continued)

	31 December 2019							
	Total MOP	Repayable on demand MOP	Within 1 month MOP	3 months or less but over 1 month MOP	1 year or less but over 3 months MOP (Adjusted)	3 years or less but over 1 year MOP	Over 3 years MOP	Undated MOP
Assets								
Cash and balances with banks	557,733,061	557,733,061	-	-	-	-	-	-
Deposits with AMCM	75,125,410	75,125,410	-	-	-	-	-	-
Unlisted monetary bills issued by AMCM	64,895,597	-	52,943,135	11,952,462	-	-	-	-
Loans and advances to customers	1,735,073,533	-	290,719,212	75,476,482	120,015,349	1,190,256,450	58,606,040	-
Other assets	13,550,516	-	3,059,414	87,616	2,036,847	8,303,893	62,746	-
Undated assets	12,154,552	-	-	-	-	-	-	12,154,552
Total assets	2,458,532,669	632,858,471	346,721,761	87,516,560	122,052,196	1,198,560,343	58,668,786	12,154,552
Liabilities								
Deposits from customers	1,386,139,410	678,929,196	411,666,490	215,327,724	80,216,000	-	-	-
Deposits and balances from Head Office	970,932,686	849,608,186	-	-	121,324,500	-	-	-
Other liabilities	18,938,864	125,036	892,382	1,543,165	14,400,404	1,832,598	145,279	-
Undated liabilities	154,500	-	-	-	-	-	-	154,500
Total liabilities	2,376,165,460	1,528,662,418	412,558,872	216,870,889	215,940,904	1,832,598	145,279	154,500
Asset-liability gap		(895,803,947)	(65,837,111)	(129,354,329)	(93,888,708)	1,196,727,745	58,523,507	

(viii) Analysis on past due assets

As at 31 December 2020 and 31 December 2019, there were no assets that have been past due for more than 3 months.

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1 Financial risk management (Continued)

(b) Market risk management

The Branch's short-term and long-term strategic businesses give rise to market risk exposures from the movements in foreign exchange rates and interest rates. To identify and control various market risk exposures and credit risk concentration in respect of loans and advances to customers of the Branch, the Bank's Credit and Risk Management Committee ("CRMC"), Asset and Liability Committee ("ALCO") and its delegated subcommittees have set up a hierarchy of limits and a series of risk measurements. Hierarchy limits are composed of policy, business and transaction limits. Each hierarchy level has a series of risk measurements like profit and loss limits, position limits and sensitivity limits to alert and trigger adequate actions of different management levels for specific market risk control.

(i) Currency risk

The Branch's foreign exchange risk stems from taking foreign exchange positions. All foreign exchange positions are subject to exposure limits approved by ALCO.

Significant foreign currency exposures (at equivalent in MOP) at the balance sheet date were as follows:

31 December 2020								
	Euro dollars	United States dollars	Pound sterling	Japanese yen	Chinese yuan	Hong Kong dollars	Other currencies	Total
	MOP	MOP	MOP	MOP	MOP	MOP	MOP	MOP
Spot assets	2,213,828	4,308,622,443	6,768	12,015	569,434	388,418,533	988,058	4,700,831,079
Spot liabilities	(2,196,825)	(4,308,662,400)	-	(10,669)	(453,004)	(388,663,656)	(948,153)	(4,700,934,707)
Net long/(short) position	17,003	(39,957)	6,768	1,346	116,430	(245,123)	39,905	(103,628)
31 December 2019								
	Euro dollars	United States dollars	Pound sterling	Japanese yen	Chinese yuan	Hong Kong dollars	Other currencies	Total
	MOP	MOP	MOP	MOP	MOP	MOP	MOP	MOP
Spot assets	571,967,432	1,291,406,348	6,533	11,441	530,272	456,732,543	1,856,024	2,322,510,593
Spot liabilities	(571,940,258)	(1,291,637,861)	(13,847)	(9,786)	(430,745)	(457,075,605)	(1,819,491)	(2,322,927,593)
Net long/(short) position	27,174	(231,513)	(7,314)	1,655	99,527	(343,062)	36,533	(417,000)

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1 Financial risk management (Continued)

(b) Market risk management (Continued)

(i) Currency risk (Continued)

For the foreign exchange currency exposures arising from financial instruments that are denominated in United States dollars (“USD”) or Hong Kong dollars (“HKD”), the Branch considers the risk of movements in exchange rates among MOP, USD and HKD on the Branch’s profits after tax and reserves to be insignificant as MOP and HKD are both pegged to the USD.

In respect of financial instruments denominated in other currencies, the Branch ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. Consequently, the Branch considers the risk of movements in exchange rates of other currencies exposures in existence at that date, on the Branch’s profits after tax and reserves, to be insignificant, assuming that all other variables, in particular interest rates, remain constant.

(ii) Interest rate risk

Interest rate risk primarily results from timing differences in the repricing of interest bearing assets, liabilities and commitments. The Branch’s interest rate position arises mainly from lending activities undertaken. The Bank’s ALCO oversees all interest rate risk arising from the interest rate profile of the Branch’s assets and liabilities. These interest rate risk are comprised of maturity gaps, basis risk among different interest rate benchmarks, yield curve movements, interest rate repricing risk and risk from embedded options, if any. ALCO supervises the interest rate risk of the banking book through gap mismatch reports, sensitivity analysis and various stress testing.

The Branch measures the interest rate risk of the banking book by conducting a sensitivity analysis on the interest rate exposure on a quarterly basis.

The sensitivity analysis, which is based on an interest rate risk profile of assets and liabilities, is used for risk management purposes only. The analysis is based on the following assumptions:

- (1) There is a parallel shift in the yield curve and in interest rates.
- (2) There are no other changes to the portfolio.
- (3) No loan prepayment is assumed as the majority of loans are on a floating base.
- (4) Deposits without fixed maturity dates are assumed to be repriced the next day.

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1 Financial risk management (Continued)

(c) Liquidity risk management

Liquidity risk is the risk that the Branch may not be able to fund an increase in assets or meet obligations as they fall due without incurring unacceptable losses. Such funding liquidity risk arises from the maturity mismatch of the assets and liabilities that the Branch manages.

Liquidity management is conducted at the Group and the Bank levels, and at individual overseas branches and subsidiaries. The Branch is responsible for implementing its own liquidity management policies under the framework established by ALCO of the Bank and local regulatory requirements. The liquidity situation is monitored as a whole by the ALCO. Counterparty limits are set for the Branch in respect of the funding support extended to them. The Branch expects all business units to contribute to the success of managing liquidity under normal and contingency situations by maintaining a rapport with depositors, customers, interbank counterparties, related companies and the regulatory authorities.

The objective of liquidity management is to meet obligations payable under normal and emergency circumstances, to fund asset growth and to comply with the statutory liquidity ratio.

The Branch always maintains a high liquidity ratio in order to meet unexpected increases of customer demand on cash.

The following table indicates the arithmetic mean of liquid assets held and liquidity ratios for the year ended 31 December for the Branch:

	31 December 2020 MOP	31 December 2019 MOP
Minimum weekly amount of cash in hand required to be held	25,839,000	33,917,000
Average weekly amount of cash in hand	77,064,000	88,661,000
Specified liquid assets at the end of each month	850,925,000	747,799,000
	31 December 2020 %	31 December 2019 %
Average ratio of specified liquid asset to total basic liabilities at the end of each month	89	92
One-month liquidity ratio in the last week of each month	78	59
Three-month liquidity ratio in the last week of each month	91	67

The liquid assets held and average liquidity ratio for the period are determined and calculated in accordance with the rules on cash in hand and minimum liquidity requirements as set out and defined in the AMCM Guideline Notice no. 002/2013-AMCM.

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1 Financial risk management (Continued)

(d) Operational risk management

The Bank manages the Branch's operational risk through the Management Committee and the Operational Risk Management Committee. The Management Committee ensures that the Branch is operating properly and managed in accordance with pre-set risk policies and procedures of the Branch. The Operational Risk Management Committee periodically review, update, and test as necessary the operational policies, procedures and contingency plans of the Branch. For better monitoring of the risk, new products and services are evaluated by various functional units before they are approved by the Bank's senior management to ensure that staff, processes and technology can adequately support prior to launching.

(e) Capital management

The Branch's primary objectives when managing capital are to safeguard the Branch's ability to continue as a going concern, so that it can continue to provide returns for the Bank's shareholders and benefits the other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Branch defines "capital" as including all components of Head Office account. On this basis the amount of capital employed at 31 December 2020 was MOP69,753,152 (2019, as restated: MOP82,367,209).

The Branch actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might otherwise be possible with greater gearing and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

2 Other information in relation to positions of Head Office, China CITIC Bank International Limited

The Branch is one of the branches of China CITIC Bank International Limited ("Head Office" or "the Bank") and therefore, it does not require to prepare consolidated accounts. Unless otherwise stated, all information disclosed is extracted from the corresponding information in the most recently available annual consolidated accounts of Head Office of which the Branch is a member.

(a) Consolidated capital adequacy ratios

	31 December 2020 %	31 December 2019 %
Common Equity Tier 1 capital ratio	12.3	14.3
Tier 1 capital ratio	14.9	17.2
Total capital ratio	17.3	20

Capital adequacy ratios ("CAR") comply with in accordance with the Banking (Capital) Rules issued by the Hong Kong Monetary Authority ("HKMA"). The CAR are computed on a consolidated basis covering the Bank and certain of its subsidiaries as required by the HKMA. The Bank has adopted the "standardised approach" for calculating the risk-weighted amount for credit risk and market risk and the "basis indicator approach" for calculating operational risk.

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

**UNAUDITED DISCLOSURE OF FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020**

(Expressed in Macao Patacas)

2 Other information in relation to positions of Head Office, China CITIC Bank International Limited (Continued)

(a) Consolidated capital adequacy ratios (Continued)

	31 December 2020 HK\$	31 December 2019 HK\$
Equity		
Share capital	18,404,013,000	18,404,013,000
Reserves	21,393,369,000	20,275,749,000
Additional equity instruments	7,770,412,000	7,770,412,000
Total equity	<u>47,567,794,000</u>	<u>46,450,174,000</u>

(b) Consolidated assets, liabilities and profit positions

	31 December 2020 HK\$	31 December 2019 HK\$
Total assets	392,898,688,000	361,221,502,000
Total liabilities	345,330,894,000	314,771,328,000
Loans and advances to customers and other accounts	226,789,958,000	193,572,226,000
Deposits and balances of banks and other financial institutions	5,326,408,000	7,121,633,000
Deposits from customers	309,877,016,000	276,872,680,000
Profit before taxation	<u>1,306,088,000</u>	<u>3,333,975,000</u>

(c) List of shareholders with qualifying holdings

Qualifying holdings refers to holding which is owned directly or indirectly by the shareholder and which represents 10% or more of the share capital or voting right of the Bank or, in any other form which confers the possibility to exercise a significant influence over the management of the Bank.

At 31 December 2020, the directors consider the immediate parent of the Bank to be CITIC International Financial Holdings Limited, which is incorporated in Hong Kong, and the ultimate controlling party of the Bank to be CITIC Group Corporation, which is incorporated in the Mainland China.

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2 Other information in relation to positions of Head Office, China CITIC Bank International Limited (Continued)

(d) Members of the company boards

As at the date of this report, the Board of Directors of the Bank comprises:

Executive Directors

Mr. BI Mingqiang (President and Chief Executive Officer)
Mrs. KAN NG Chau Yuk Helen (Alternate Chief Executive Officer)
Mr. BAI Lijun (Alternate Chief Executive Officer)
Mr. TANG Nai Pan (Alternate Chief Executive Officer) (appointed on 20 March 2020)

Non-executive Directors

Mr. FANG Heying
Mr. GUO Danghuai (appointed on 9 April 2020)
Mr. HU Gang (appointed on 4 March 2021)

Independent Non-executive Directors

Ms. LI Shuk Yin Edwina
Mr. TANG Shisheng
Ms. TSANG King Suen Katherine
Mr. WANG Guoliang
Mr. WU Jiesi