CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

REVIEW REPORT ON DISCLOSURE OF ANNUAL FINANCIAL INFORMATION

FOR THE YEAR ENDED

31 DECEMBER 2022

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

We have reviewed the annual financial information of China CITIC Bank International Limited Macau Branch (the "Branch") set out on pages iv to lxvi, which comprises the Business Summary Report, Report of the Branch Management and Financial Statements, Unaudited Disclosure of Financial information, and the note to disclosure of annual financial information (collectively referred as the "Annual Financial Information").

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

The Branch's management is responsible for the preparation and presentation of the Annual Financial Information in accordance with the relevant requirements of the Guideline on the Disclosure of Financial Information and Annex 3 under the Circular No.006/B/2022-DSB/AMCM on 5 August 2022 (the "Circular") issued by the Monetary Authority of Macau ("AMCM") as set out in Note 1 of the Annual Financial Information, and for such internal control as management determines is necessary to enable the preparation of Annual Financial Information that is free from material misstatement, whether due to fraud or error.

Practitioner's responsibility

Our responsibility is to express a conclusion on the Annual Financial Information 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.

We conducted our review in accordance with International Standard on Review Engagements ("ISRE") 2400 (Revised), "Engagements to Review Historical Financial Statements". ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the Annual Financial Information, taken as a whole, is not prepared in all material respects in accordance with the relevant requirements of the Circular issued by the AMCM as set out in Note 1 of the Annual Financial Information. This Standard also requires us to comply with relevant ethical requirements.

A review of Annual Financial Information in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on this Annual Financial Information.

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Annual Financial Information is not prepared, in all material respects, in accordance with the relevant requirements of the Circular issued by the AMCM as set out in Note 1 of the Annual Financial Information.

Restriction on distribution and use

The Annual Financial Information is prepared and presented in connection with the relevant requirements of the Circular issued by the AMCM as set out in Note 1 of the Annual Financial Information. As a result, the Annual Financial Information may not be suitable for another purpose. Our report is intended solely for the management of the Branch and should not be distributed to or used by any other parties for any purpose.

PricewaterhouseCoopers
Certified Public Accountants

Macao, 19 April 2023

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

DISCLOSURE OF ANNUAL FINANCIAL INFORMATION

FOR THE YEAR ENDED

31 DECEMBER 2022

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

NOTE TO DISCLOSURE OF ANNUAL FINANCIAL INFORMATION

1 Basis of preparation

The Disclosure of Annual Financial Information of China CITIC Bank International Limited Macau Branch for the year ended 31 December 2022 has been prepared in accordance with the relevant requirements of the Guideline on Disclosure of Financial Information and Annex 3 under the Circular No.006/B/2022-DSB/AMCM on 5 August 2022 issued by the Autoridade Monetaria de Macao ("AMCM").

The accounting policies used in the preparation of the Disclosure of Annual Financial Information for the year ended 31 December 2022 are consistent with those of the previous financial year ended 31 December 2021 except for the new and amended standards and interpretations adopted and establishment of regulatory reserve (see Note 2 of Report of the Branch Management and Financial Statements).

The Disclosure of Annual Financial Information consists of the following:

China CITIC Bank International Limited Macau Branch

Business Summary Report

Under the challenging economic environment of Macau in 2022, despite the impact on our operating income due to lack of non-interest income from syndicated loans and narrower interest margin of our assets, the credit quality of our assets remained sound. At the same time, our outstanding customer loans and customer deposits as at year-end increased.

In last year, we continued to strengthen our business co-operation with local peer banks and proactively participated in the syndicated projects in Macau market. Going forward, we will grasp the opportunities of the recovery of local economy and enhance our collaboration with the Group and our parent bank in Mainland China, with particular focus on cross-border customers in the Guangdong-Hong Kong-Macau Greater Bay Area to explore collaborative opportunities for businesses like our new bancassurance products.

Last but not least, management would like to give our sincere gratitude to all sectors of Macau society, peers and our customers for their continuous great support to us.

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 2022

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 2022.

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 2022 and the state of the Branch's affairs at that date are set out in the financial statements on pages 3 to 54.

Property, plant and equipment

Movements in Property, plant and equipment are set out in Note 16 to the financial statements.

Head Office account

Profit for the year of MOP12,553,992 (2021: MOP nil) 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, 19 April 2023

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 54, which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, the statement of changes in head office account, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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, 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.

We conducted our audit in accordance with Auditing Standards issued by the Professional Committee of Accountants of the Government of the Macao Special Administrative Region. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 preparation of financial statements that give a true and fair view 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 internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Branch as at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region.

Ng Wai Ying
Certified Public Accountant
PricewaterhouseCoopers

Macao, 19 April 2023

x

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in Macao Patacas)

	Note	2022 MOP	2021 MOP
Interest income	6	78,555,917	73,365,696
Interest expense	6	(36,589,605)	(9,155,959)
Net interest income		41,966,312	64,209,737
Fee and commission income	7	2,038,453	21,392,647
Other operating income		678,863	433,958
Operating income		44,683,628	86,036,342
Operating expenses	8	(33,888,626)	(31,898,152)
Other losses		(352,822)	-
Operating profit before impairment		10,442,180	54,138,190
Written-back of impairment losses of financial assets	9	3,017,867	21,353,052
Profit before taxation		13,460,047	75,491,242
Income tax charged	10(a)	(906,055)	(8,149,984)
Profit and total comprehensive income for the year		12,553,992	67,341,258

Approved by the Branch management on 19 April 2023 and signed on behalf by:

Felix Xia, Branch Manager

Emily Sio, Finance Manager

The notes on pages 8 to 54 form part of these financial statements.

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022
(Expressed in Macao Patacas)

	Note	2022 MOP	2021 MOP
Assets			
Cash and balances with banks	11	222,092,295	521,894,463
Deposits with Autoridade Monetaria de Macau (“AMCM”)	12	65,662,902	141,792,910
AMCM Monetary bills	13	59,501,815	54,982,088
Loans and advances to customers	14(a)	1,843,615,466	1,705,968,307
Other assets	15	1,641,304	3,126,915
Property, plant and equipment	16	8,550,563	10,954,942
Total Assets		2,201,064,345	2,438,719,625
Liabilities			
Deposits from customers and banks	17	1,916,215,349	1,686,529,920
Deposits and balances from Head Office	18	131,732,767	574,506,719
Current income tax	10(c)	2,847,029	9,286,469
Other liabilities	19	14,460,227	51,055,259
		2,065,255,372	2,321,378,367
Head Office Account			
Establishment fund	20	50,000,000	50,000,000
General regulatory reserve	21	13,914,775	-
Retained profits		71,894,198	67,341,258
		135,808,973	117,341,258
Total Head Office Account and Liabilities		2,201,064,345	2,438,719,625

Approved by the Branch management on 19 April 2023 and signed on behalf by:

Felix Xia, Branch Manager

Emily Sio, Finance Manager

The notes on pages 8 to 54 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 2022
(Expressed in Macao Patacas)

	Establishment fund MOP	General Regulatory reserve MOP	Retained profits MOP	Total MOP
Head Office account at 1 January 2021	50,000,000	-	19,753,152	69,753,152
Transfer to Head Office	-	-	(19,753,152)	(19,753,152)
Profit for the year	-	-	67,341,258	67,341,258
Head Office account at 31 December 2021	50,000,000	-	67,341,258	117,341,258
Impacts of New MFRS adoption (Note 3)	-	11,384,962	(5,471,239)	5,913,723
Head Office account at 1 January 2022	50,000,000	11,384,962	61,870,019	123,254,981
Transfer to Regulatory Reserve	-	2,529,813	(2,529,813)	-
Profit and total comprehensive income for the year	-	-	12,553,992	12,553,992
Head Office account at 31 December 2022	50,000,000	13,914,775	71,894,198	135,808,973

The notes on pages 8 to 54 form part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in Macao Patacas)

	Note	2022 MOP	2021 MOP
Operating activities			
Profit before income tax		13,460,047	75,491,242
Adjustments for:			
Depreciation expense	8	2,450,984	2,501,117
Written-back of impairment losses on financial assets	9	(3,017,867)	(21,353,052)
Loss on disposal of fixed assets		352,822	-
		13,245,986	56,639,307
Changes in operating assets:			
AMCM Monetary bills with original maturity of more than three months		(9,993,799)	-
Minimum statutory deposits with AMCM	12	347,000	(3,689,000)
Loans and advances to customers		(124,738,229)	2,130,734,715
Other assets		1,485,611	8,496,174
		(132,899,417)	2,135,541,889
Changes in operating liabilities:			
Deposits from customers and banks		229,685,429	242,238,455
Deposits and balances from Head Office		(442,773,952)	(2,752,540,408)
Other liabilities		(39,176,818)	42,472,970
		(252,265,341)	(2,467,828,983)

The notes on pages 8 to 54 form part of these financial statements.

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in Macao Patacas)

	Note	2022 MOP	2021 MOP
Cash used in operations		(371,918,772)	(275,647,787)
Income tax paid		(8,711,690)	(1,952,671)
Net cash used in operating activities		(380,630,462)	(277,600,458)
Investing activity			
Purchases of Property, plant and equipment	16	(399,427)	(132,238)
Net cash used in investing activity		(399,427)	(132,238)
Financing activity			
Retained profits transferred to Head Office		-	(19,753,152)
Net cash used in financing activity		-	(19,753,152)
Net decrease in cash and cash equivalents		(381,029,889)	(297,485,848)
Cash and cash equivalents at 1 January		698,727,461	996,213,309
Cash and cash equivalents at 31 December	22	317,697,572	698,727,461
Cash flows from operating activities include:			
Interest received		72,602,566	81,356,931
Interest paid		(27,673,539)	(9,243,414)

The notes on pages 8 to 54 form part of these financial statements.

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 19 April 2023, 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 except for the new and amended standards and interpretations adopted in Note 2(a).

(a) Basis of preparation

The financial statements of the Branch have been prepared in accordance with Financial Reporting Standards issued by the Directive of Secretaria para a Economia e Finanças No. 44/2020 on 17 March 2020 ("New 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 4.

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

(i) New and amended standards and interpretations 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 the New MFRS. The New MFRS is mandatory for adoption from the annual period beginning 1 January 2022. The branch has adopted the New MFRS in preparing the financial statements.

The adoption of the New MFRS does not result in significant changes to the Branch's accounting policies applied in the financial statements for the year presented. The following set out the standards and amendments that have significant changes in accounting policies for the current and opening balances reflected in the financial statements.

2 Significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(i) New and amended standards and interpretations adopted (Continued)

- 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 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 in the New MFRS

  IFRS 9, "Financial Instruments" in the New MFRS 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's debt instruments that were previously classified as held-to-maturity/loans and advances to customers which are now measured at amortised cost under IFRS 9.

  IFRS 9 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 fair value through other comprehensive income ("FVOCI"), contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. At initial recognition, impairment allowance is required for ECL resulting from default events that are possible within the next 12 months ("12-month ECL"). In the event of a significant increase in credit risk, an allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument ("lifetime ECL").

  The Branch has undertaken an assessment of how its impairment provisions would be affected by the new model and is expected to result in a decrease in the provision amount due to the adoption of IFRS 9. Nevertheless, Circular No. 012/2021-AMCM issued by AMCM requires the Branch to establish a regulatory reserve based on the credit risk of its financial assts.

(ii) Establishment of regulatory reserve

The regulatory reserve is maintained to satisfy the provisions of the AMCM for prudential supervision purposes by appropriated amounts in respect of losses which the Branch will or may incur on credit exposures in addition to expected credit loss recognised in accordance with AMCM Guideline Notice 012/2021-AMCM. Movements in the regulatory reserve are appropriated directly through retained profits. As at 31 December 2022, the balance of general regulatory reserves is MOP13,914,775 and nil for specific regulatory reserves.

Set out in Note 3 are disclosures relating to the impact, net of tax, of transition to IFRS 9 and establishment of regulatory reserve on the statement of financial position of the Branch.

2 Significant accounting policies (Continued)

(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 accrual 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.

2 Significant accounting policies (Continued)

(c) Financial instruments

Accounting policies applied from 1 January 2022

(i) Classification

From 1 January 2022, the Branch has applied IFRS 9 and classifies its financial assets in the following measurement categories:

– Amortised cost

– Fair value through other comprehensive income ("FVOCI"); or

– Fair value through profit or loss ("FVPL")

The classification depends on the Branch's business model for managing the financial assets and the contractual terms of the cash flows.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Branch commits to purchase or sell the asset. Financial assets are derecognised when the contractual rights to receive the cash flows from the financial asset expire, or when the financial asset together with substantially all the risks and rewards of ownership, have been transferred. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

(iii) Measurement

At initial recognition, the Branch measures financial assets at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets, such as fees and commissions. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

(iv) Debt instruments

Subsequent measurement of debt instruments depends on the Branch's business model for managing the financial asset and the cash flow characteristics of the financial asset. There are three measurement categories into which the Branch classifies its debt instruments:

Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in the credit risk management section of this financial statements. Interest income from these financial assets is included in 'interest income' using the effective interest rate method. Loan origination fees and costs are considered to be adjustments to the loan yield and are recognised in credit fees over the commitment period which it is unlikely that the commitment will be called upon, otherwise, they are recognised in interest income over the term of the resulting loan.

2 Significant accounting policies (Continued)

(c) Financial instruments (Continued)

Accounting policies applied from 1 January 2022 (Continued)

(iv) Debt instruments (Continued)

Fair value through other comprehensive income ("FVOCI")

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVPL, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment, interest revenue and foreign exchange gains and losses which are recognised in profit or loss in the same manner as financial assets measured at amortised cost. On derecognition, cumulative gains and losses previously recognised in other comprehensive income are reclassified from other comprehensive income to profit or loss. Interest income from debt instruments at FVOCI is included in 'interest income' using the effective interest rate method.

Fair value through profit or loss ("FVPL")

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in profit or loss and included in 'net trading income' in the period in which it arises.

(v) Financial liabilities

Financial liabilities are held within a trading portfolio if they have been incurred principally for the purpose of repurchasing in the near term, or form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Trading portfolio liabilities are recognised on a trade date basis and are accounted for at fair value, with changes in fair value and any gains or losses recognised in trading income. Transaction costs are expensed as incurred. Interest is recognised on an accrual basis and included in interest expense.

(vi) Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Branch subsequently measures all equity investments at fair value through profit or loss, except where the Branch's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Branch's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal.

2 Significant accounting policies (Continued)

(c) Financial instruments (Continued)

Accounting policies applied until 31 December 2021

(i) 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(e)).

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

(ii) AMCM Monetary bills

(a) 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.

(b) 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.

(c) 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(e)).

(iii) Financial liabilities

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

2 Significant accounting policies (Continued)

(d) Property, plant and equipment

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

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:

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.

(e) Impairment of financial assets

Accounting policies applied from 1 January 2022

The Branch assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposures arising from loan commitment and financial guarantee contracts. The Branch recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

(i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(ii) the time value of money; and

(iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The exposure of default ("EAD") represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities. The loss given default ("LGD") represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

2 Significant accounting policies (Continued)

(e) Impairment of financial assets (Continued)

Accounting policies applied from 1 January 2022 (Continued)

A 3-Stages approach to impairment for financial assets that are performing at the date of origination or purchase. This approach is summarised as follows:

– Stage 1: The Branch recognises a credit loss allowance at an amount equal to 12-month expected credit losses. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after initial recognition.

– Stage 2: The Branch recognises a credit loss allowance at an amount equal to lifetime expected credit losses for those financial assets which are considered to have experienced a significant increase in credit risk since initial recognition. Allowances for credit losses are higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

– Stage 3: The Branch recognises a credit loss allowance at an amount equal to lifetime expected credit losses, reflecting that financial assets are credit impaired with 100% probability of default. The Branch's definition of default is aligned with the regulatory definition.

Accounting policies applied until 31 December 2021

The carrying amount of the Branch's financial 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 in respect of loans and receivables and held-to-maturity investments 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.

2 Significant accounting policies (Continued)

(e) Impairment of financial assets (Continued)

Accounting policies applied until 31 December 2021 (Continued)

(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.

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.

(f) Impairment of non-financial assets

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

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

2 Significant accounting policies (Continued)

(f) Impairment of non-financial assets

– Calculation of recoverable amount

The recoverable amount of a non-financial 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 time value of money and the risks specific to the asset. Where a non-financial 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 a non-financial 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), and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of a non-financial asset is not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

– Reversal of impairment losses

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

A reversal of impairment losses is limited to the non-financial 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.

(g) Operating leases

Where the Branch has the use of assets held under operating leases, payments made under the leases are charged to the profit and loss 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 profit and loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the profit and loss in the accounting period in which they are incurred.

(h) 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.

(i) 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.

2 Significant accounting policies (Continued)

(j) 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 profit and loss 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.

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 utilisied, 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.

2 Significant accounting policies (Continued)

(k) 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.

(l) 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 profit and loss.

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.

(m) Related parties

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

(a) has control or joint control over the Branch;

(b) has significant influence over the Branch; or

(c) is a member of the key management personnel of the Branch or the Branch's parent.

2 Significant accounting policies (Continued)

(m) Related parties (Continued)

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

(a) 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).

(b) 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).

(c) Both entities are joint ventures of the same third party.

(d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Branch or an entity related to the Branch.

(f) The entity is controlled or jointly controlled by a person identified in (i).

(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(h) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

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 Changes in accounting policies

(a) Reconciliation between the New MFRS and the MFRS

The following tables show the impacts on the financial statements of the branch upon adoption of new and amended standards and interpretations and establishment of regulatory reserve on:

- the statement of financial position at 31 December 2021 (note i)
- the statement of changes in head office account at 31 December 2021 (note ii)

3 Changes in accounting policies (Continued)

(a) Reconciliation between the New MFRS and the MFRS

(i) Reconciliation of statement of financial position at 31 December 2021 and 1 January 2022

	31 December 2021 As originally presented MOP	Effect of adoption of IFRS 9 MOP	Establishment of regulatory reserve MOP	1 January 2022 MOP
ASSETS				
Cash and balances with banks	521,894,463	(30,037)	-	521,864,426
Deposits with AMCM	141,792,910	(47,430)	-	141,745,480
AMCM Monetary bills	54,982,088	(3,200)	-	54,978,888
Loans and advances to customers	1,705,968,307	11,835,278	-	1,717,803,585
Other assets	3,126,915	-	-	3,126,915
Property and equipment	10,954,942	-	-	10,954,942
Total Assets	2,438,719,625	11,754,611	-	2,450,474,236
LIABILITIES				
Deposits from customers and banks	1,686,529,920	-	-	1,686,529,920
Deposits and balances from Head Office	574,506,719	-	-	574,506,719
Current taxation	9,286,469	1,366,195	-	10,652,664
Other liabilities	51,055,259	4,474,693	-	55,529,952
	2,321,378,367	5,840,888	-	2,327,219,255
HEAD OFFICE ACCOUNT				
Establishment fund	50,000,000	-	-	50,000,000
General regulatory reserve	-	-	11,384,962	11,384,962
Retained profits	67,341,258	5,913,723	(11,384,962)	61,870,019
	117,341,258	5,913,723	-	123,254,981
Total Head Office Account and Liabilities	2,438,719,625	11,754,611	-	2,450,474,236

3 Changes in accounting policies (Continued)

(a) Reconciliation between the New MFRS and the MFRS (Continued)

(ii) Reconciliation of statement of changes in head office account at 31 December 2021 and 1 January 2022

	Establishment fund MOP	General regulatory reserve MOP	Retained profits MOP	Total MOP
Head Office account at 31 December 2021 under MFRS	50,000,000	-	67,341,258	117,341,258
Effect of adoption of IFRS 9	-	-	7,279,918	7,279,918
Recognition of current tax liabilities	-	-	(1,366,195)	(1,366,195)
Establishment of regulatory reserve	-	11,384,962	(11,384,962)	-
Head Office account at 1 January 2022 under New MFRS with establishment of regulatory reserve	50,000,000	11,384,962	61,870,019	123,254,981

(b) IFRS 9: Classification and measurement

The following table shows the original measurement categories in accordance with the previous accounting policies and the new measurement categories under IFRS 9 for the Branch's financial assets as at 1 January 2022. There were no changes to the classification and measurement categories under IFRS 9 for the Branch's of financial liabilities as at 1 January 2022.

	Original classification under previous accounting policies	New classification under IFRS 9	Original carrying amount under previous accounting policies MOP	New carrying amount under IFRS 9 MOP
Financial assets				
Cash and balances with banks	Loans & receivables	Amortised cost	521,894,463	521,864,426
Deposits with AMCM	Loans & receivables	Amortised cost	141,792,910	141,745,480
AMCM Monetary bills	Held-to-maturity	Amortised cost	54,982,088	54,978,888
Loans and advances to customers	Loans & receivables	Amortised cost	1,705,968,307	1,717,803,585
			2,424,637,768	2,436,392,379

4 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 of financial asset

Accounting policies applied from 1 January 2022 under IFRS 9

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Branch uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Branch's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of key assumptions and inputs such as significant increase in credit risk, measurement of expected credit loss, forward-looking information are disclosed in the credit risk management section of note 5.

Accounting policies applied until 31 December 2021

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(e).

5 Financial risk management

The Branch manages its risks under the oversight of Branch's Management who has been entrusted by the Head Office with the ongoing responsibilities of driving and implementing the Head Office's risk management framework and governance encompassing the identification, quantification, monitoring, reporting, and mitigation of the risks to which the Branch is exposed.

The Branch follows the Head Office and adopts the Standardised Approach for credit and market risk measurement, and the Basic Indicator Approach for operational risk measurement. The Branch uses the policies, procedures and processes established by the Head Office to identify and set appropriate risk limits, as well as to analyse, control and monitor these risks.

The Branch manages the following main types of risk.

(a) Credit risk management

Credit risk is the risk of financial loss due to the failure of a customer or counterparty to fulfill its contractual obligations. Credit exposure principally arises in loans and advances, debt securities, and treasury bills, as well as in the credit risk from financial arrangements in off-balance sheet financial positions such as loan commitments. The Branch adopts the standards, policies and procedures developed by the Head Office to measure, monitor and mitigate the risk of its lending business. The policies and procedures are reviewed by the Head Office as required, to respond quickly to the changing market environment and to better reflect the risk factors for the Branch's credit considerations.

Credit risk of the Branch is controlled and managed in Head office by the Risk Management Group ("RMG") under the oversight of the Credit Committee, and is reported to the Credit & Risk Management Committee ("CRMC") at the board level on a quarterly basis. These committees provide appropriate oversight of the Branch's risk management practices by defining the Branch's policies and risk appetite, and providing the RMG with the means to implement measures to mitigate credit risk arising from the Branch's adopted strategy.

5 Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit risk embedded in products is identified and measured in product programmes. Credit risk pertaining to individual customers is identified and measured by credit officers utilising internal risk rating models. Credit applications are approved by credit officers under delegated authorities or by the Credit Committee.

The Head office and the Branch mitigates credit risk by taking collateral and entering into offsetting or netting agreements with borrowers and counterparties, as the case may be, should such clauses and agreements be legally established and enforceable.

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. The Branch's portfolio of financial instruments is diversified among geographic, industry and product sectors.

Credit risk for treasury transactions is managed in the same way as the Head office and Branch manages its corporate lending risk. Risk grading is applied to the debt issuers, with individual credit limits set.

The Branch applies the same credit policy in respect of contingent liabilities as in respect of financial instruments recorded on the statement of financial position, based on loan approval procedures, use of limits to reduce risk and monitoring. Credit risk is also mitigated by obtaining collateral in the form of pledged assets and guarantees from borrowers and third parties.

(i) Credit quality

The Branch has adopted a granular 24-grade internal risk rating system (Grades G01-G21 for performing financial assets and Grades G22-G24 for non-performing financial assets) that maps to external credit rating agencies' rating scales. The integration of this framework into the Branch's reporting structure has enabled more granular credit risk reporting, thus enhancing the internal management. The risk rating are assigned according to differing customer segments (manufacturing, trading, property development/investment, etc.) which enables the ranking of the credit quality of each customer and the governing of the credit exposure for individual customers or counterparties.

Customers' risk ratings are reviewed regularly and amendments, where necessary, are implemented promptly, particularly in times of fluctuating market conditions. The Head office also maintains a committee to regularly oversee weaker credits (which have lower risk ratings of G19-G21) to preserve the Branch's quality portfolio.

The table below outlines the Branch's rating scale and the asset quality garde:

Obligor Grade	Asset Quality Grade
G01 – G18	Pass
G19 – G21	Special mention
G22	Substandard
G23	Doubtful
G24	Loss

5 Financial risk management (Continued)

(a) Credit risk management (Continued)

(ii) Exposure of credit risk

The maximum exposure to credit risk at the end of the reporting period, without considering any collateral held or other credit enhancements, is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowances. A summary of the maximum exposure is as follows:

	2022 MOP	2021 MOP
Cash and balances with banks	222,092,295	521,894,463
Deposits with AMCM	65,662,902	141,792,910
AMCM Monetary bills	59,501,815	54,982,088
Loans and advances to customers	1,843,615,466	1,705,968,307
Financial guarantees and other credit related contingent liabilities	57,835,656	52,035,600
Loan commitments and other credit related commitments	313,360,060	341,788,617
	2,562,068,194	2,818,461,985

(iii) Risk concentration

A Credit Risk Concentration Policy is in place and the Branch constantly reviews its loan exposure to monitor the concentration of credit risk relating to customers, countries, market segments and products.

Concentration of credit risk exists when changes in geographic, economic or industry factors affect groups of linked counterparties whose aggregate credit exposure is material in relation to the Branch's total exposures. The Branch's portfolio of financial instrument is diversified along geographical, industry and product sectors.

(a) Geographical analysis of loans and advances to customers

	31 December 2022		
	Gross loans and advances to customers MOP	Impaired loans and advances to customers MOP	Assessed impairment allowance MOP
Region			
Macao SAR	598,522,348	-	35,025
China	401,675,628	-	962,624
British Virgin Islands	345,462,215	-	3,087,312
Hong Kong SAR	356,364,578	-	293,766
Others	146,456,762		487,338
Total	1,848,481,531	-	4,866,065

5 Financial risk management (Continued)

(a) Credit risk management (Continued)

(iii) Risk concentration (Continued)

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

	31 December 2021		
	Gross loans and advances to customers MOP	Impaired loans and advances to customers MOP	Assessed impairment allowance MOP
Region			
Macao SAR	579,275,606	-	7,926,245
China	415,749,944	-	3,577,748
British Virgin Islands	345,371,700	-	2,972,106
Hong Kong SAR	383,346,052	-	3,298,896
Total	1,723,743,302	-	17,774,995

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.

(b) Geographical analysis of debt securities

	31 December 2022 Debt Investments		
	Notional amounts MOP	Carrying value MOP	Assessed impairment allowance MOP
Region			
Macao SAR	60,000,000	59,504,519	2,704

	31 December 2021 Debt Investments		
	Notional amounts MOP	Carrying value MOP	Assessed impairment allowance MOP
Region			
Macao SAR	55,000,000	54,982,088	-

At 31 December 2022 and 31 December 2021, the Branch only had hold-to-collect/held-to-maturity investments in unlisted monetary bills issued by AMCM.

5 Financial risk management (Continued)

(a) Credit risk management (Continued)

(iii) Risk concentration (Continued)

(c) Geographical analysis of loans commitments

	31 December 2022		
	Loan commitments MOP	Impaired loans and advances to customers MOP	Assessed impairment allowance MOP
Region			
Macao SAR	315,656,662	-	2,296,602

	31 December 2021		
	Loan commitments MOP	Impaired loans and advances to customers MOP	Assessed impairment allowance MOP
Region			
Macao SAR	341,788,617	-	-

5 Financial risk management (Continued)

(a) Credit risk management (Continued)

(iii) Risk concentration (Continued)

(d) Industry analysis of loans and advances to customers

	31 December 2022				31 December 2021			
	Gross loans and advances to customers MOP	Impaired loans and advances to customers MOP	Assessed impairment allowances MOP	Impairment allowance written off during the period MOP	Gross loans and advances to customers MOP	Impaired loans and advances to customers MOP	Assessed impairment allowances MOP	Impairment allowance written off during the year MOP
Loans and advances for use in Macao								
Construction and public works	85,385,758	-	-	-	59,241,383	-	610,889	-
Wholesale and retail trade	502,882,590	-	35,025	-	512,493,544	-	5,284,760	-
Personal loans	10,254,000	-	-	-	22,462,435	-	231,630	-
	598,522,348	-	35,025	-	594,197,362	-	6,127,279	-
Loans and advances for use outside Macao								
Manufacturing industries	146,456,762	-	487,338	-	-	-	-	-
Construction and public works	285,182,443	-	289,039	-	309,000,000	-	3,186,364	-
Non-monetary financial institutions	401,675,628	-	962,624	-	401,595,000	-	4,141,190	-
Other industries	396,976,753	-	3,092,039	-	396,871,700	-	4,092,484	-
Personal loans	19,667,597	-	-	-	22,079,240	-	227,678	-
	1,249,959,183	-	4,831,040	-	1,129,545,940	-	11,647,716	-
Gross loans and advances to customers	1,848,481,531	-	4,866,065	-	1,723,743,302	-	17,774,995	-

5 Financial risk management (Continued)

(a) Credit risk management (Continued)

(iii) Risk concentration (Continued)

(e) Credit ratings of debt securities

Credit risk of treasury transactions is managed in the same way as the Bank manages its corporate lending risk, and risk gradings are applied to the counterparties with individual counterparty limits set.

At the reporting date, the credit quality of all investments in debt securities could not be analysed by designation of external credit rating agencies' rating scales and classified as unrated.

(iv) Expected credit losses measurement

Under IFRS 9, expected credit losses allowances are recognised on all financial assets that are debt instruments classified either as amortised or fair value through other comprehensive income and for loan commitments and financial guarantees that are not measured at fair value through profit and loss. The ECL allowances represents an unbiased scenario that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecast future economic conditions. Forward-looking information is explicitly incorporated into the estimation of ECL allowances and expert judgement on economic forecasts becomes one of the important factors to the ECL. In contrast, the incurred loss model incorporated factors, including macroeconomic factors and information about past events and current conditions.

ECL allowances are measured at amounts equal to either: (i) 12-month ECL; or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk ("SICR") since initial recognition. The calculation of ECL allowances is based on the expected value of probability-weighted scenarios with a combination of upside, base and downside scenario(s) to measure the expected cash shortfalls, discounted at the effective interest rate. A cash shortfall is the difference between the contractual cash flows that are due and the cash flows that the Group expects to receive. The calculation of ECL allowances for Stage 3 is based on probability-weighted recovery amount from an impaired financial asset that is determined by evaluating a range of possible outcomes and time value of money.

5 Financial risk management (Continued)

(a) Credit risk management (Continued)

(iv) Expected credit losses measurement (Continued)

The key inputs in the measurement of ECL allowances for Stage 1 and Stage 2 are as follows:

– The probability of default ('PD') is an estimate of the likelihood of default over a given time horizon;

– The loss given default ('LGD') is an estimate of the loss arising in the case where a default occurs at a given time; and

– The exposure at default ('EAD') is an estimate of the exposure at a future default date.

Stage transfer

Stage transfer Stage 1 is comprised of all non-impaired financial assets which have not triggered a SICR since initial recognition. Their credit risk continuously monitored by the Branch and in assessing whether credit risk has increased significantly, the Branch compares the risk of a default occurring on the financial instruments as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of its initial recognition

Stage 2 is comprised of all non-impaired financial assets which have triggered a SICR since initial recognition. The Branch recognises lifetime ECL for stage 2 financial assets. In subsequent reporting periods, if the credit risk of the financial assets improves such that there is no longer a SICR since initial recognition, then the Group reverts to recognising 12 months of ECL as the financial assets have transferred back stage 1.

Stage 3 financial assets are those that the Branch has classified as credit-impaired. The Branch recognises lifetime ECL for all stage 3 financial assets. The Branch classifies financial assets as impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred after its initial recognition. Evidence of impairment includes indications that the borrower is experiencing significant financial difficulties, or a default or delinquency has occurred.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Branch measures ECL considering the risk of default over the remaining life of the financial instrument, even if, for risk management purposes, the Branch has the right to consider a longer period.

The ECL reconciliation summary analyse the key elements that drive the movement of ECL over the reporting period. The key elements included below are:

Financial assets presented in the reconciliation summary comprise cash and balances with banks, deposit with AMCM, AMCM monetary bills, loan and advances to customers, other credit related contingent liabilities.

5 Financial risk management (Continued)

(a) Credit risk management (Continued)

(iv) Expected credit losses measurement (Continued)

Loans and advances to customers

	Stage 1 ECL allowance MOP	Stage 2 ECL allowance MOP	Stage 3 ECL allowance MOP	Total ECL allowance MOP
At 1 January 2022	5,939,717	-	-	5,939,717
Written-back for the year (Note i)	(1,073,652)	-	-	(1,073,652)
At 31 December 2022	4,866,065	-	-	4,866,065

	Stage 1 Gross exposures MOP	Stage 2 Gross exposures MOP	Stage 3 Gross exposures MOP	Total Gross exposures MOP
At 1 January 2022	1,723,743,302	-	-	1,723,743,302
Addition for the year	124,738,229	-	-	124,738,229
At 31 December 2022	1,848,481,531	-	-	1,848,481,531

Financial guarantees, loan commitments and other credit related contingent liabilities

	Stage 1 ECL allowance MOP	Stage 2 ECL allowance MOP	Stage 3 ECL allowance MOP	Total ECL allowance MOP
At 1 January 2022	4,474,693	-	-	4,474,693
Written-back for the year (Note i)	(1,892,907)	-	-	(1,892,907)
At 31 December 2022	2,581,786	-	-	2,581,786

	Stage 1 Gross exposures MOP	Stage 2 Gross exposures MOP	Stage 3 Gross exposures MOP	Total Gross exposures MOP
At 1 January 2022	393,824,217	-	-	393,824,217
Deduction for the year	(20,046,715)	-	-	(20,046,715)
At 31 December 2022	373,777,502	-	-	373,777,502

Note i: Written-back for the year comprises impairment losses attributable to net loans granted during the year as well as changes to model and risk parameters.

5 Financial risk management (Continued)

(a) Credit risk management (Continued)

(iv) Expected credit losses measurement (Continued)

Other financial assets

As at 31 December 2022 and 1 January 2022, the Branch included all of its cash and balances with bank, deposits with AMCM, AMCM monetary bills under stage 1, there is no movement in staging of these financial assets during the year. The branch measured the impairment losses based on expected credit losses in the next 12 months (12-month ECL) and the written-back for the year for cash and balances with bank, deposits with AMCM, AMCM monetary bills is MOP21,628, MOP29,184, MOP496 respectively. The gross exposure of cash and balance with bank and deposit with AMCM during the year decreases by MOP299,793,759 and MOP76,111,762, while the exposure of AMCM Monetary bills increases by MOP4,522,431.

Significant increase in credit risk ("SICR")

An assessment of whether the financial instruments have experienced SICR since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment is rule-based, unbiased and forward-looking, and considers all reasonable and supportable information, including information about past events, current conditions and future economic conditions.

The financial instruments will be considered to have significant increase in credit risk when:

a) The contractual payments of the instruments are with more than 30 days past due; or

b) The credit rating of the financial instrument has been went down by 5 notches since initial recognition; or

c) The financial instruments have been classified as special mention.

5 Financial risk management (Continued)

(a) Credit risk management (Continued)

(iv) Expected credit losses measurement (Continued)

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Branch has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables (the 'base economic scenario') are provided by the Branch's economic experts and include consideration of a variety of external actual and forecast information. The Branch formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios such as 1 upside and 3 downside forecast scenarios.

In particular, the base scenario represents the most likely scenario of continuing the current economic situation; the one upside scenario represents likelihood of further improving the current economic prospect; and the three downside scenarios, namely, mild, medium and severe represents the likelihood of economic downturn of different severities.

Definition of default and credit-impaired assets

The Branch defines a financial asset as in default, which is fully aligned with the definition of credit-impaired under IFRS 9.

In assessing whether a borrower is in default, the Branch considers indicators that are: (i) qualitative – e.g. in breach of financial covenant(s), deceased, insolvent or in long-term forbearance; (ii) quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Branch. These criteria have been applied to all financial assets held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Branch's expected loss calculations. The Branch considers a financial asset to be in default when contractual repayment of principal or payment of interest is past due more than 90 days.

A financial asset is no longer considered in default when all past due amounts, including interest, have been recovered, and it is determined that the principal and interest are fully collectible in accordance with the original or revised contractual terms of the financial assets with all criteria for the impaired classification having been remedied.

Write-off

The Branch writes off a financial asset in whole or in part, when it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. Indicators that there is no reasonable expectation of recovery include: (i) ceasing enforcement activity and (ii) where the Branch's recovery method is enforcing collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

5 Financial risk management (Continued)

(a) Credit risk management (Continued)

(v) Credit quality of financial assets

The Branch and Risk Management Group ("RMG") of Head Office manage and monitor its risks, and has an Asset Quality Classification Policy and Impairment Assessment Policy in place to govern this aspect. There is a professional team dedicated to handling recovery of non-performing loans, which include loan restructuring, taking legal action, repossession and disposal of collateral, etc.

Distribution of financial instruments to which the impairment requirements in IFRS 9 are applied, by credit quality and stage distribution.

	31 December 2022					
	Gross exposure MOP	Value of collateral MOP	Stage 1 ECL MOP	Stage 2 ECL MOP	Stage 3 ECL MOP	Net exposure MOP
Asset classified as Pass						
Cash and balance with bank	222,100,704	-	(8,409)	-	-	222,092,295
Deposits with AMCM	65,681,148	-	(18,246)	-	-	65,662,902
AMCM Monetary bills	59,504,519	-	(2,704)	-	-	59,501,815
Loans and advances to customers	1,848,481,531	538,275,583	(4,866,065)	-	-	1,843,615,466
	2,195,767,902	538,275,583	(4,895,424)	-	-	2,190,872,478

Net exposure is computed by gross exposure and expected credit loss netting off.

5 Financial risk management (Continued)

(a) Credit risk management (Continued)

(v) Credit quality of financial assets (Continued)

	31 December 2021				
	Gross exposure MOP	Value of collateral MOP	General Provision MOP	Specific Provision MOP	Net exposure MOP
Asset classified as Pass					
Cash and balance with bank	521,894,463	-	-	-	521,894,463
Deposits with AMCM	141,792,910	-	-	-	141,792,910
AMCM Monetary bills	54,982,088	-	-	-	54,982,088
Loans and advances to customers	1,723,743,302	557,432,485	(17,774,995)	-	1,705,968,307
	2,442,412,763	557,432,485	(17,774,995)	-	2,424,637,768

(b) Market risk management

Market risk is the risk of loss caused by an adverse change in valuation associated with holding either long or short market positions. The risk arises as a result of market making, underwriting, principal position taking and asset/liability management in interest rate, foreign exchange, equity, credit and commodity markets and their associated derivatives instruments. The treasury business performs asset/liability management function including liquidity risk management, with securities positions intended for liquidity.

The objective of market risk management is to consistently measure and monitor market risk on a timely and unbiased basis in order to better manage the portfolios and, by doing so, optimise financial performance. The business is responsible for managing market risks to meet corporate performance objectives within the market risk limit parameters. The Risk Management Group ("RMG") from Head Office is responsible to independently monitor and report all market risks.

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 Asset-Liability Committee ("ALCO").

5 Financial risk management (Continued)

(b) Market risk management (Continued)

Currency risk (Continued)

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

	31 December 2022							
	Euro dollars MOP	United states dollars MOP	Pound sterlings MOP	Japanese yen MOP	Chinese yuan MOP	Hong Kong dollars MOP	Other currencies MOP	Total MOP
Spot assets	343,301	1,012,933,732	12,091	9,147	3,125,350	964,552,980	17,067	1,980,993,668
Spot liabilities	(332,182)	(1,016,954,527)	(9,578)	(5,672)	(3,056,697)	(966,635,096)	(23,698)	(1,987,017,450)
Net long/(short) position	11,119	(4,020,795)	2,513	3,475	68,653	(2,082,116)	(6,631)	(6,023,782)

	31 December 2021							
	Euro dollars MOP	United States dollars MOP	Pound sterlings MOP	Japanese yen MOP	Chinese yuan MOP	Hong Kong dollars MOP	Other currencies MOP	Total MOP
Spot assets	3,448,235	1,349,791,578	2,693	10,534	1,667,651	832,661,062	926,989	2,188,508,742
Spot liabilities	(3,444,709)	(1,349,425,119)	(20)	(8,442)	(1,463,033)	(833,883,445)	(898,821)	(2,189,123,589)
Net long/(short) position	3,526	366,459	2,673	2,092	204,618	(1,222,383)	28,168	(614,847)

5 Financial risk management (Continued)

(b) Market risk management (Continued)

Currency risk (Continued)

Sensitivity analysis on foreign exchange exposures

The Branch has limited net foreign exchange exposure (except for HKD, USD, and Renminbi ("RMB")) as foreign exchange positions and foreign currency balances arising from customer transactions are normally matched against other customer transactions or transactions with the market. As MOP is pegged to HKD and indirectly pegged to USD, the Branch considers the risk of movements in exchange rates between MOP, HKD and USD to be insignificant.

As at 31 December 2022, if MOP had weakened by 200 basis points against RMB with all other variables held constant, the profit after tax for the year and equity would be insignificant (same in 2021).

Interest rate risk

The Branch's interest rate risk arise from its banking book, ALCO and RMG are responsible in overseeing the interest rate exposure arise from its assets and liabilities management. The function of central treasury units is responsible in managing the interest rate risk using different financial products including interest rate derivatives, under which hedge accounting treatment is adopted. The interest rate risk includes repricing risks, basis risks and yield curve risks, and are governed by the Interest Rate Risk Management Policy for the Banking Book.

The following tables summarise the Branch's exposures to interest rate risks for at the end of the reporting period as referred to earlier of contractual repricing or remaining maturity dates.

5 Financial risk management (Continued)

(b) Market risk management (Continued)

Interest rate risk (Continued)

	31 December 2022					
	3 months or less	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing	Total
	MOP	MOP	MOP	MOP	MOP	MOP
Assets						
Cash and balances with banks	221,467,922	-	-	-	624,373	222,092,295
Deposits with AMCM	65,662,902	-	-	-	-	65,662,902
Unlisted monetary bills issued by AMCM	59,501,815	-	-	-	-	59,501,815
Loans and advances to customers	584,278,973	400,713,004	858,623,489	-	-	1,843,615,466
Other assets	-	-	-	-	1,641,304	1,641,304
Total assets	930,911,612	400,713,004	858,623,489	-	2,265,677	2,192,513,782
Liabilities						
Deposits from customers and banks	938,427,017	947,736,322	-	-	30,052,010	1,916,215,349
Deposits and balances from Head Office	131,732,767	-	-	-	-	131,732,767
Other liabilities	-	-	-	-	14,460,227	14,460,227
Total liabilities	1,070,159,784	947,736,322	-	-	44,512,237	2,062,408,343

5 Financial risk management (Continued)

(b) Market risk management (Continued)

Interest rate risk (Continued)

	31 December 2021					
	3 months or less	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing	Total
	MOP	MOP	MOP	MOP	MOP	MOP
Assets						
Cash and balances with banks	520,342,355	-	-	-	1,552,108	521,894,463
Deposits with AMCM	141,792,910	-	-	-	-	141,792,910
Unlisted monetary bills issued by AMCM	54,982,088	-	-	-	-	54,982,088
Loans and advances to customers	602,260,088	-	1,103,708,217	-	-	1,705,968,305
Other assets	-	-	-	-	3,126,795	3,126,795
Total assets	1,319,377,441	-	1,103,708,217	-	4,678,903	2,427,764,561
Liabilities						
Deposits from customers	800,789,574	814,390,650	-	-	71,349,696	1,686,529,920
Deposits and balances from Head Office and Bank	574,506,719	-	-	-	-	574,506,719
Other liabilities	-	-	-	-	51,055,259	51,055,259
Total liabilities	1,375,296,293	814,390,650	-	-	122,404,955	2,312,091,898

5 Financial risk management (Continued)

(b) Market risk management (Continued)

Interest rate risk (Continued)

Sensitivity analysis on interest rate exposures

As at 31 December 2022, if market interest rates had experienced a 200 basis points parallel up shock, with other variables held constant, the impact on earnings over the next 12 months and the impact on head office account would have been MOP8 million higher and MOP8 million lower respectively. (2021: MOP8 million higher and MOP8 million lower respectively).

(c) Liquidity risk management

Liquidity management is conducted at both Group level and Branch level, the branch is responsible for implementing its own liquidity management policies under the framework established by the ALCO and local regulatory requirements, taking into account their different liquidity risk characteristics. The liquidity situation of overseas branches and subsidiaries falls under the overall supervision of the ALCO. Policy and respective counterparty limits are set for overseas branches and subsidiaries in respect of the funding support extended from the head office. 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 AMCM.

5 Financial risk management (Continued)

(c) Liquidity risk management (Continued)

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

	31 December 2022							
	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	Indefinite MOP	Total MOP
Assets								
Cash and balances with banks	222,092,295	-	-	-	-	-	-	222,092,295
Deposits with AMCM	65,662,902	-	-	-	-	-	-	65,662,902
Unlisted monetary bills issued by AMCM	-	9,993,345	49,508,470	-	-	-	-	59,501,815
Loans and advances to customers	-	134,129,693	420,227,683	400,713,004	775,907,494	112,637,592	-	1,843,615,466
Other assets	-	80,352	78,291	1,471,211	11,330	-	120	1,641,304
Total assets	287,755,197	144,203,390	469,814,444	402,184,215	775,918,824	112,637,592	120	2,192,513,782
Liabilities								
Deposits from customers	138,164,737	712,282,542	118,031,748	947,736,322	-	-	-	1,916,215,349
Deposits and balances from Head Office	52,055,108	79,677,659	-	-	-	-	-	131,732,767
Other liabilities	311,375	3,262,665	1,231,465	8,492,847	906,781	100,594	154,500	14,460,227
Total liabilities	190,531,220	795,222,866	119,263,213	956,229,169	906,781	100,594	154,500	2,062,408,343
Asset-liability gap	97,223,977	(651,019,476)	350,551,231	(554,044,954)	775,012,043	112,536,998	(154,380)	130,105,439

5 Financial risk management (Continued)

(c) Liquidity risk management (Continued)

	31 December 2021							
	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	Indefinite MOP	Total MOP
Assets								
Cash and balances with banks	521,894,463	-	-	-	-	-	-	521,894,463
Deposits with AMCM	141,792,910	-	-	-	-	-	-	141,792,910
Unlisted monetary bills issued by AMCM	-	4,999,971	49,982,117	-	-	-	-	54,982,088
Loans and advances to customers	-	345,582,373	212,595,350	-	1,048,367,534	99,423,050	-	1,705,968,307
Other assets	-	1,242,402	297,957	181,858	1,358,631	45,947	-	3,126,795
Total assets	663,687,373	351,824,746	262,875,424	181,858	1,049,726,165	99,468,997	-	2,427,764,563
Liabilities								
Deposits from customers	216,138,838	242,540,181	413,460,251	759,390,650	-	-	-	1,631,529,920
Deposits from banks	-	-	-	55,000,000	-	-	-	55,000,000
Deposits and balances from Head Office	21,533,219	552,973,500	-	-	-	-	-	574,506,719
Other liabilities	257,186	31,709,099	1,696,344	10,350,816	6,777,647	109,667	154,500	51,055,259
Total liabilities	237,929,243	827,222,780	415,156,595	824,741,466	6,777,647	109,667	154,500	2,312,091,898
Asset-liability gap	425,758,130	(475,398,034)	(152,281,171)	(824,559,608)	1,042,948,518	99,359,330	(154,500)	115,672,665

Analysis on past due exposures

As at 31 December 2022 and 31 December 2021, there were no exposures that have been past due for more than 3 months.

Difference between undiscounted cash flows and carrying amounts

As at 31 December 2022 and 31 December 2021, the difference between the undiscounted cash flows and their carrying amounts on financial liabilities held by the Branch is MOP 31 million and MOP 3 million respectively.

6 Net interest income

	2022 MOP	2021 MOP
Interest income from:		
- loans and advances to customers	72,296,523	73,042,278
- deposits with banks and AMCM	173,991	17,399
- AMCM monetary bills	755,006	52,941
- placements with Head Office	5,330,397	253,078
	78,555,917	73,365,696
Interest expenses from:		
- deposits and balances from Head Office, banks and AMCM	8,480,169	1,812,213
- deposits from customers	28,109,436	7,343,746
	36,589,605	9,155,959
Net interest income	41,966,312	64,209,737

All interest income and expenses are arising from financial assets or financial liabilities that are not measured at fair value through profit or loss for the year ended 31 December 2022 and 31 December 2021.

7 Fee and commission income

	2022 MOP	2021 MOP
Trade finance business	962,630	821,274
Credit facility fee	155,412	19,260,909
Others	920,411	1,310,464
	2,038,453	21,392,647

8 Operating expenses

	2022 MOP	2021 MOP
Staff costs	20,202,280	18,686,519
Occupancy expenses	7,449,194	7,627,600
Depreciation (Note 16)	2,450,984	2,501,117
Others	3,786,168	3,082,916
	33,888,626	31,898,152

9 Written-back of impairment losses on financial assets

	2022			
Written-back/(charge) of impairment loss during the year	Stage 1 MOP	Stage 2 MOP	Stage 3 MOP	Total MOP
Cash and balances with banks	21,628	-	-	21,628
Deposits with AMCM	29,184	-	-	29,184
AMCM Monetary bills	496	-	-	496
Loans and advances to customers	1,073,652	-	-	1,073,652
Financial guarantees, loan commitments and other credit related contingent liabilities	1,892,907	-	-	1,892,907
	3,017,867	-	-	3,017,867

	2021 MOP
Written-back of impairment loss on loans and advances to customers	
- individually assessed (Note 14(b))	-
- collectively assessed (Note 14(b))	(21,353,052)
	(21,353,052)

10 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 2022 and 2021, 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%.

(a) Taxation in the income statement represents:

	2022 MOP	2021 MOP
Current tax – Macao complementary tax		
Charge for the year	1,480,834	9,286,469
Additional tax incentives for COVID-19	-	(300,000)
Over-provision from prior years	(574,779)	(836,512)
	906,055	8,149,957
Current tax- overseas		
Withholding tax	-	27
	906,055	8,149,984

10 Taxation (Continued)

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

	2022 MOP	2021 MOP
Profit before taxation	13,460,047	75,491,242
Notional tax on profit before taxation, calculated at Macao Complementary Tax rate of 12% (2021: 12%)	1,615,206	9,058,949
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	(574,779)	(836,512)
Withholding tax	-	27
Others	(62,372)	299,520
Actual tax expense	906,055	8,149,984

(c) Current taxation in the balance sheet represents:

	2022 MOP	2021 MOP
Balance of Macao complementary tax provision	2,847,029	9,286,469

The Branch does not have any significant unprovided deferred taxation as at 31 December 2022 and 31 December 2021.

11 Cash and balances with banks

	2022 MOP	2021 MOP
Balances with banks and other financial institutions maturing within one month	222,100,704	521,894,463
Less: impairment allowance, stage 1	(8,409)	-
	222,092,295	521,894,463

12 Deposits with AMCM

	2022 MOP	2021 MOP
Deposits with AMCM (Note)	65,681,148	141,792,910
Less: impairment allowance, stage 1	(18,246)	-
	65,662,902	141,792,910

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 2022, the amount of minimum statutory deposit balance with AMCM required for the Branch is MOP19,595,000 (31 December 2021: MOP19,942,000).

13 AMCM Monetary bills

	2022 MOP	2021 MOP
Unlisted monetary bills issued by AMCM, at amortised cost – current	59,504,519	54,982,088
Less: impairment allowance, stage 1	(2,704)	-
	59,501,815	54,982,088

14 Loans and advances to customers

(a) Loans and advances to customers less impairment allowances

	2022 MOP	2021 MOP
Gross loans and advances to customers	1,848,481,531	1,723,743,302
Impairment allowance		
- expected credit loss, stage 1	(4,866,065)	-
- expected credit loss, stage 2	-	-
- expected credit loss, stage 3	-	-
- individually assessed (Note 14(b))	-	-
- collectively assessed (Note 14(b))	-	(17,774,995)
	1,843,615,466	1,705,968,307

14 Loans and advances to customers (Continued)

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

	Stage 1 MOP	Stage 2 MOP	Stage 3 MOP	Total MOP
At 1 January 2022 (Note 5)	5,939,717	-	-	5,939,717
Impairment losses charge / (written back) to income statement (Note 9)	(1,073,652)	-	-	(1,073,652)
At 31 December 2022 (Note 14(a))	4,866,065	-	-	4,866,065

	Individually assessed MOP	Collectively assessed MOP	Total MOP
At 31 December 2020 (Note 14(a))	-	39,128,047	39,128,047
Impairment losses written-back to income statement (Note 9)	-	(21,353,052)	(21,353,052)
At 31 December 2021 (Note 14(a))	-	17,774,995	17,774,995

15 Other assets

	2022 MOP	2021 MOP
Interest receivable	-	1,720,989
Prepayment and deposits	1,565,991	1,366,705
Others	75,313	39,221
	1,641,304	3,126,915

16 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 2022	10,109,216	1,661,481	1,679,752	8,353,533	471,740	22,275,722
Additions	6,500	-	181,016	211,911	-	399,427
Disposal	(9,600)	(467,388)	(271,078)	(2,845,472)	-	(3,593,538)
At 31 December 2022	10,106,116	1,194,093	1,589,690	5,719,972	471,740	19,081,611
Accumulated depreciation:						
At 1 January 2022	2,780,036	568,757	1,034,302	6,465,945	471,740	11,320,780
Charge for the year (Note 8)	1,011,170	145,209	208,905	1,085,700	-	2,450,984
Disposal	(3,361)	(196,253)	(256,325)	(2,784,777)	-	(3,240,716)
At 31 December 2022	3,787,845	517,713	986,882	4,766,868	471,740	10,531,048
Net book value:						
At 31 December 2022	6,318,271	676,380	602,808	953,104	-	8,550,563

NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Macao Patacas)

16 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 2021	10,109,216	1,661,481	1,679,752	8,221,295	471,740	22,143,484
Additions	-	-	-	132,238	-	132,238
At 31 December 2021	10,109,216	1,661,481	1,679,752	8,353,533	471,740	22,275,722
Accumulated depreciation:						
At 1 January 2021	1,769,114	413,120	795,599	5,370,090	471,740	8,819,663
Charge for the year (Note 8)	1,010,922	155,637	238,703	1,095,855	-	2,501,117
At 31 December 2021	2,780,036	568,757	1,034,302	6,465,945	471,740	11,320,780
Net book value:						
At 31 December 2021	7,329,180	1,092,724	645,450	1,887,588	-	10,954,942

17 Deposits from customers and banks

	2022 MOP	2021 MOP
Current accounts	30,052,011	71,349,696
Savings deposits	108,112,727	144,789,142
Time, call and notice deposits	1,778,050,611	1,470,391,082
	1,916,215,349	1,686,529,920

18 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 2.8% to 4.38% per annum (2021: 0% to 0.13% per annum).

19 Other liabilities

	2022 MOP	2021 MOP
Interest payable	-	1,438,443
Deferred income	6,901,159	12,678,562
Cashier order and bills payable	311,375	257,185
Accounts payable	448,780	31,406,538
Accrued expenses	681,127	778,531
Bonus accrual	3,536,000	4,496,000
	11,878,441	51,055,259
Add: impairment allowance, stage 1 for financial guarantees, loan commitments and other credit related contingent liabilities	2,581,786	-
	14,460,227	51,055,259

20 Establishment fund

Balance represents the set up capital of the Branch in accordance with Article 23 of Decree Law No.32/93/M (2021: same).

21 General Regulatory reserve

The regulatory reserve is maintained to satisfy the provisions of the AMCM for prudential supervision purposes in addition to expected credit loss recognized in accordance with AMCM Guideline Notice 012/2021-AMCM. Movements in the regulatory reserve are appropriated directly through unappropriated profits.

22 Cash and cash equivalents

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

	2022 MOP	2021 MOP
Cash and balances with banks	222,100,704	521,894,463
Deposits with AMCM in excess of minimum statutory requirement (Note 12)	46,086,148	121,850,910
AMCM Monetary bills with original maturity within three months	49,510,720	54,982,088
	317,697,572	698,727,461

(b) Reconciliation with the balance sheet

	2022 MOP	2021 MOP
Cash and balances with banks (Note 11)	222,100,704	521,894,463
Deposits with AMCM (Note 12)	65,681,148	141,792,910
AMCM Monetary bills (Note 13)	59,504,519	54,982,088
Amounts shown in the balance sheet	347,286,371	718,669,461
Less: Minimum statutory deposits with AMCM (Note 12)	(19,595,000)	(19,942,000)
Less: AMCM Monetary bills with original maturity of more than three months	(9,993,799)	-
Cash and cash equivalents in the cash flow statement	317,697,572	698,727,461

23 Contingent liabilities and commitments

	2022 MOP	2021 MOP
Loan commitment	315,656,662	341,788,617
Letter of guarantee	58,120,840	52,035,600
	373,777,502	393,824,217

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.

24 Operating lease commitments

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

	2022 MOP	2021 MOP
- Within one year	5,441,226	7,293,422
- After one year but within five years	-	5,418,566
	5,441,226	12,711,988

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

25 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:

	2022 MOP	2021 MOP
Interest income from Head office and other branches	5,333,933	258,259
Interest expense to Head office	8,218,632	1,301,432

25 Material related party transactions (Continued)

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

	2022 MOP	2021 MOP
Due from Head Office and other branches:		
At 1 January	514,348,997	823,539,175
At 31 December	214,786,063	514,348,997
Average for the year	507,834,879	369,555,311
Interest receivables from Head Office and other branches:		
At 1 January	391	1,646
At 31 December	31,604	391
Average for the year	29,672	1,252
Deposits and balances from Head Office:		
At 1 January	574,506,719	3,327,047,127
At 31 December	131,716,068	574,506,719
Average for the year	567,297,602	1,510,000,353
Interest payables to Head Office:		
At 1 January	1,894	6,867
At 31 December	16,699	1,894
Average for the year	46,944	2,862

As at 31 December 2022, the above placements with related parties are in stage 1. As at 31 December 2021, 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.

CHINA CITIC BANK INTERNATIONAL LIMITED MACAU BRANCH

UNAUDITED DISCLOSURE OF FINANCIAL INFORMATION

FOR THE YEAR ENDED

31 DECEMBER 2022

1 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.

2 Credit risk management

Analysis of assets and liabilities by remaining maturity

The maturity profile based on the remaining period at the balance sheet date to the contractual maturity date is disclosed in Note 5(c) in Report of the Branch Management and Financial Statements.

Analysis on past due exposures

Analysis on past due exposures is disclosed in Note 5(c) in Report of the Branch Management and Financial Statements.

3 Liquidity risk

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

	2022 MOP	2021 MOP
Minimum weekly amount of cash in hand required to be held	33,874,000	33,482,000
Average weekly amount of cash in hand	91,026,000	122,701,000
Specified liquid assets at the end of each month	1,214,819,000	1,295,802,000

	2022 %	2021 %
Average ratio of specified liquid asset to total basic liabilities at the end of each month	66	78
One-month liquidity ratio in the last week of each month	149	118
Three-month liquidity ratio in the last week of each month	93	99

4 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.

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

(a) Consolidated capital adequacy ratios (Continued)

	2022 %	2021 %
Common Equity Tier 1 capital ratio	12.0	12.2
Tier 1 capital ratio	16.2	14.9
Total capital ratio	18.6	17.4

Capital adequacy ratios ("CAR") comply 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 "basic indicator approach" for calculating operational risk.

	2022 HK$	2021 HK$
Equity		
Share capital	18,404,013,000	18,404,013,000
Reserves	23,047,414,000	22,827,746,000
Other equity instruments	13,242,724,000	8,554,817,000
Total equity	54,694,151,000	49,786,576,000

(b) Consolidated assets, liabilities and profit positions

	2022 HK$	2021 HK$
Total assets	451,650,934,000	417,472,035,000
Total liabilities	396,956,783,000	367,685,459,000
Loans and advances to customers and other accounts	258,539,927,000	249,416,421,000
Deposits and balances of banks and other financial institutions	9,239,533,000	13,584,427,000
Deposits from customers	340,487,879,000	327,768,033,000
Profit before taxation	2,549,723,000	2,500,399,000

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

(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 2022, 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 People's Republic of China.

(d) Members of the company boards

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

Chairman

Mr. Guo Danghuai

Executive Directors

Mr. BI Mingqiang (President and Chief Executive Officer)
Mrs. KAN NG Chau Yuk Helen (Deputy Chief Executive Officer)
Mr. BAI Lijun (Deputy Chief Executive Officer)

Non-executive Directors

Mr. FANG Heying
Mr. HU Gang

Independent Non-executive Directors

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