Macau Chinese Bank Limited

Disclosure of Financial Information
For the Year Ended 31 December 2024

Index of Financial Information Disclosure

1. Summarised Balance Sheet

31 December 2024

	2024 MOP	2023 MOP (Restated)	1 January 2023 MOP (Restated)
Assets			
Cash and balances with banks	1,753,681,041	2,103,558,004	1,927,978,382
Deposits with Monetary Authority	182,736,414	197,930,464	249,119,541
Placements with banks	1,452,801,817	644,250,921	395,728,829
Monetary bills with Monetary Authority	1,075,824,132	991,906,862	398,528,490
Loans and advances to customers	3,679,323,023	5,418,768,366	7,328,123,488
Receivables and other assets	2,022,937,027	19,662,254	169,570,130
Investments in securities	1,553,057,457	999,333,330	940,280,858
Property and equipment	262,570,357	280,391,886	115,442,961
Investment in a subsidiary	1,598,961	2,231,400	-
Investment property	-	-	175,100,000
Total assets	11,984,530,229	10,658,033,487	11,699,872,679
Liabilities			
Deposits from banks	-	-	534,594,000
Deposits from customers	9,814,224,741	10,287,199,522	10,493,740,484
Payables and other liabilities	32,517,761	81,808,699	111,118,403
Bonds issued	-	184,904,384	180,000,000
Deferred tax liabilities	24,299,935	24,270,836	19,072,696
Total liabilities	9,871,042,437	10,578,183,441	11,338,525,583

1. Summarised Balance Sheet (Continued)

31 December 2024

	2024 MOP	2023 MOP (Restated)	1 January 2023 MOP (Restated)
Shareholders' equity			
Share capital	2,000,000,000	1,000,000,000	800,000,000
Additional paid-in capital	600,000,000	1,000,000,000	-
Legal Reserve	71,871,089	71,871,089	68,311,108
General Regulatory reserve	-	-	43,189,405
Specific Regulatory reserve	-	58,000,000	-
Investment revaluation reserve	7,492,960	531,539	(17,835,918)
Asset revaluation reserve	37,189,518	37,189,518	37,189,518
Committed capital	2,000,000,000	-	-
Accumulated losses	(2,603,065,775)	(2,087,742,100)	(569,507,017)
Total shareholders' equity	2,113,487,792	79,850,046	361,347,096
Total liabilities and shareholders' equity	11,984,530,229	10,658,033,487	11,699,872,679

2. Summarised Income and Other Comprehensive Income Statement

Year ended 31 December 2024

	2024 MOP	2023 MOP (Restated)
Interest income	373,601,519	417,515,343
Interest expense	(347,776,820)	(333,721,918)
Net interest income	25,824,699	83,793,425
Fee and commission income	6,103,776	7,209,444
Fee and commission expenses	(1,030,053)	(1,009,214)
Net fee and commission income	5,073,723	6,200,230
Other operating income and expenses,	3,893,058	(1,545,624)
Net trading loss on investments in securities at fair value through profit or loss	(2,433,138)	(2,646,959)
Operating expenses	(117,730,053)	(115,103,081)
	(85,371,711)	(29,302,009)
Net charge of impairment allowances	(480,529,822)	(1,468,473,502)
Impairment loss on investment in subsidiaries	(4,221,574)	-
Loss before tax	(570,123,107)	(1,497,775,511)
Income tax expense	(29,099)	(2,088,996)
Loss for the year	(570,152,206)	(1,499,864,507)

2. Summerised Income and Other Comprehensive Income Statement (Continued)

Year ended 31 December 2024

	2024 MOP	2023 MOP (Restated)
Loss of the current year	(570,152,206)	(1,499,864,507)
Other comprehensive income		
Other comprehensive income that can be reclassified into the income statement subsequently:		
Investments in debt securities at fair value through other comprehensive income:		
Changes in fair value	2,975,539	3,444,565
Release upon redemption/disposal reclassified to profit or loss	146,876	-
Changes in impairment allowances	(14,054)	15,894,184
Income tax effect	-	(2,508,795)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods, net of tax	3,108,361	16,829,954
Other comprehensive income that cannot be reclassified into the income statement subsequently:		
Investments in equity securities at fair value through other comprehensive income:		
Change in fair value	681,591	2,137,852
Reclassification to retained earnings due to transfer of disposal	3,171,469	-
Impact of income tax	-	(600,349)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax	3,853,060.00	1,537,503
Other comprehensive incomes/(loss) for the year, net of tax	6,961,421	18,367,457
Total comprehensive loss for the year	(563,190,785)	(1,481,497,050)

3. Summarised Statement of Changes in Equity

Year Ended 31 December 2024

	Share capital	Additional paid-in capital (a)	Legal reserve	Regulatory reserve (b)	Investment revaluation reserve (c)	Asset revaluation reserve (d)	Committed capital investment (e)	Accumulated losses	Total equity
	MOP	MOP	MOP	MOP	MOP	MOP	MOP	MOP	MOP
Balance on January 1, 2024 (restated)	1,000,000,000	1,000,000,000	71,871,089	58,000,000	531,539	37,189,518	-	(2,087,742,100)	79,850,046
Loss for the year	-	-	-	-	-	-	-	(570,152,206)	(570,152,206)
Other comprehensive income/(loss) for the year:									
Investments in debt securities:									
Changes in fair value	-	-	-	-	2,975,539	-	-	-	2,975,539
Reclassification to income statement	-	-	-	-	146,876	-	-	-	146,876
Changes in impairment allowances	-	-	-	-	(14,054)	-	-	-	(14,054)
Impact of income tax	-	-	-	-	-	-	-	-	-
Investments in equity securities:									
Change in fair value	-	-	-	-	681,591	-	-	-	681,591
Transfer to retained earnings	-	-	-	-	3,171,469	-	-	(3,171,469)	-
Impact of income tax	-	-	-	-	-	-	-	-	-
Total other comprehensive income for the year	-	-	-	-	6,961,421	-	-	(3,171,469)	3,789,952
Transfer to general regulatory reserve	-	-	-	-	-	-	-	-	-
Transfer to specific regulatory reserve	-	-	-	(58,000,000)	-	-	-	58,000,000	-
Additional paid in capital converted to share capital	1,000,000,000	(1,000,000,000)	-	-	-	-	-	-	-
Contribution from shareholder	-	600,000,000	-	-	-	-	-	-	600,000,000
Committed capital from shareholders	-	-	-	-	-	-	2,000,000,000	-	2,000,000,000
Balance on December 31, 2024	2,000,000,000	600,000,000	71,871,089	-	7,492,960	37,189,518	2,000,000,000	(2,603,065,775)	2,113,487,792

3. Summarised Statement of Changes in Equity (Continued)

(a) Additional paid-in capital represents funds deposited by the Bank's shareholders during 2024, which will be used for capital injection.
(b) Regulatory reserves are established in accordance with the requirements stipulated in Circular No. 012/2021-AMCM issued by the Monetary Authority of Macao.
(c) Investment revaluation refers to the cumulative surplus/(deficit) arising from the revaluation of debt securities measured at fair value with changes recognized in other comprehensive income and equity securities measured at fair value with changes recognized in other comprehensive income.
(d) Property revaluation represents the valuation gain arising from the transfer of owner-occupied properties to investment properties.
(e) Committed capital contributions refer to funds that pledged by the parent company of the Bank's shareholders for capital increase and loss absorption. With the approval of the Monetary Authority of Macao, these funds were eligible to be recognized as Tier 1 capital and included in own funds as of December 31, 2024.

3. Summarised Statement of Changes in Equity (Continued)

Year ended 31 December 2023

	Share capital	Additional paid-in capital	Legal reserve	Regulatory reserve	Investment revaluation reserve	Asset revaluation reserve	Accumulated losses	Total equity
	MOP	MOP	MOP	MOP	MOP	MOP	MOP	MOP
Balance on January 1, 2023	800,000,000	-	68,311,108	43,189,405	(17,835,918)	37,189,518	(466,550,740)	464,303,373
Adjustment for previous years	-	-	-	-	-	-	(102,956,277)	(102,956,277)
Balance on January 1, 2023 (restated)	800,000,000	-	68,311,108	43,189,405	(17,835,918)	37,189,518	(569,507,017)	361,347,096
Loss for the year	-	-	-	-	-	-	(1,499,864,507)	(1,499,864,507)
Other comprehensive income/(loss) for the year:								
Investments in debt securities:								
Change in fair value	-	-	-	-	3,444,565	-	-	3,444,565
Reclassification to income statement	-	-	-	-	-	-	-	-
Change in provision for impairment	-	-	-	-	15,894,184	-	-	15,894,184
Impact of income tax	-	-	-	-	(2,508,795)	-	-	(2,508,795)
Investments in equity securities:								
Change in fair value	-	-	-	-	2,137,852	-	-	2,137,852
Transfer to retained earnings	-	-	-	-	-	-	-	-
Impact of income tax	-	-	-	-	(600,349)	-	-	(600,349)
Total other comprehensive income for the year	-	-	-	-	18,367,457	-	-	18,367,457
Transferred into legal reserve	-	-	3,559,981	-	-	-	(3,559,981)	-
Transfer to general regulatory reserve	-	-	-	(43,189,405)	-	-	43,189,405	-
Transfer to specific regulatory reserve	-	-	-	58,000,000	-	-	(58,000,000)	-
Contribution from shareholder	-	1,000,000,000	-	-	-	-	-	1,000,000,000
Issuance of shares	200,000,000	-	-	-	-	-	-	200,000,000
Balance on December 31, 2023 (restated)	1,000,000,000	1,000,000,000	71,871,089	58,000,000	531,539	37,189,518	(2,087,742,100)	79,850,046

4. Summarised Cashflow Statement

Year ended 31 December 2024

	2024 MOP	2023 MOP (Restated)
Business activities		
Loss before tax	(570,123,107)	(1,497,775,511)
Adjustment items:		
Depreciation of property and equipment	22,045,433	20,871,560
Inventory loss of fixed assets	209,348	-
Net trading loss on investments in securities at fair value through profit or loss	2,433,138	2,646,959
Unrealized exchange difference	(4,443,417)	2,147,855
Net charge of impairment allowances	480,529,822	1,468,473,502
Impairment loss on investment in subsidiaries	4,221,574	-
Interest income from financial investment	(91,838,739)	(64,731,822)
Investment income	(7,545,219)	(642,889)
Interest expense of issued bonds	6,795,616	11,700,000
Deferred Income	(362,625)	(300,972)
Decrease in customer loans and advances	1,257,043,389	517,443,522
(Increase)/decrease in receivables and other assets	(3,274,773)	147,464,474
Net increase in other bank deposits	(16,698,786)	(565,540,757)
Decrease in customer deposits	(472,974,781)	(201,636,578)
Decrease in payables and other liabilities	(49,761,293)	(86,783,704)
Cash flows generated from/ (used in) operating activities	714,333,756	(189,053,043)
Net cash flow generated from/ (used in) operating activities	556,255,580	(246,664,361)
Investment activities		
Purchases of investments in securities	(914,327,153)	(451,951,221)
Proceeds from redemption/disposal of investments in securities	433,635,218	393,770,958
Purchases of items of property and equipment	(4,686,388)	(10,720,485)
Purchases of monetary bills with Monetary Authority	(48,972,351)	(593,619,425)
Investment in a subsidiary	(3,335,999)	(2,231,400)
Net cash flow used in investment activities	(537,686,673)	(664,751,573)

4. Summarised Cashflow Statement (Continued)

Year ended 31 December 2024

	2024 MOP	2023 MOP (Restated)
Financing activities		
Cash paid for redemption of bonds	(184,904,384)	-
Cash paid for repayment of issued bonds and interest	(6,795,616)	(16,604,384)
Proceeds from issue of shares	-	200,000,000
Contribution from a shareholder	600,000,000	1,000,000,000
Net cash flow generated from financing activities	408,300,000	1,183,395,616
Net increase in cash and cash equivalents	426,868,907	271,979,682
Cash and cash equivalents at the beginning of year	2,829,339,982	2,557,360,300
Cash and cash equivalents at the end of year	3,256,208,889	2,829,339,982
Balance analysis of cash and cash equivalents		
Cash equivalents	1,752,247,442	2,093,749,518
Deposits with Monetary Authority	53,867,947	92,190,464
Placements with banks with original maturity of less than three months	1,450,093,500	643,400,000
Balance of cash and cash equivalents at the end of year	3,256,208,889	2,829,339,982

5. Business Development and Management Report

Business Development and Management Report

In 2024, Macau Chinese Bank faced a persistently challenging and volatile operating environment. With strong support from shareholders, regulators, and various sectors from the community, the Bank's employees united to overcome difficulties, mitigate risks, and ensure stable operations, laying a solid foundation for sustainable development.

The Bank underwent an equity restructuring in 2024, introducing two state-owned enterprises from Guangdong as strategic shareholders and significantly increasing its capital base. This move resolved historical issues, enhanced growth momentum, and marked the beginning of a new chapter in high-quality development.

The Bank promoted constantly the establishment of the internal control and risk management system. With the significant achievement obtained in 2023, taking into consideration opinions of professional institutions, combined with various internal and external inspections and rectifications, the Bank continues to refine and optimize all operations and management work. By working hard on a steady basis, tailored strategies for each household were implemented to mitigate gradually existent credit risks, resulting in a notable reduction in non-performing loans and enhanced loan protection measures. Cost-saving initiatives yielded positive results, with a decline in deposit interest expenses, that resulting in optimization of liquidity management, and strictly control of the cost of the deposit. Limited credit resources were strategically allocated to financial bond investments, driving a significant year-on-year increase in investment income.

Despite the incessant cry of apes from the banks, the swift boat has already sailed through thousands of hills. Looking ahead, with strong support from shareholders, regulators, and various sectors from the community, the Bank's employees will continue to prioritize stability, strengthen its capital base, resolve historical issues, improve the top-level structure, consolidate the internal foundation, clarity the development direction and contribute to Macau's economic diversification and the integrated development of Hengqin and Macau.

Chairman of the Board
Cai Binglong
March 31, 2025

6. Supervisory Board Opinion

Supervisory Board Opinion

The Supervisory Board maintained regular communication with the Board of Directors throughout the year of 2024 in compliance with relevant laws and the Articles of Association, which ensured effective access to information and collaborative cooperation.

Having conducted a comprehensive review and analysis of the 2024 Independent Auditor's Report, the Report of the Board of Directors, and other related documents, the Supervisory Board is of the opinion that these reports and documents provide a clear and appropriate reflection of the Bank's assets, operating results, and financial position.

Based on the foregoing, the Supervisory Board hereby confirms that the financial statements submitted by the Board of Directors are recommended for approval at the General Meeting of Shareholders.

Chairperson of the Supervisory Board
Wang Qingping
March 31, 2025

7. Independent Auditor's Report on the Summarised Financial Statements

To the shareholders of The Macau Chinese Bank Limited
(Incorporated in Macau with limited liability by shares)

The accompanying summarised financial statements of The Macau Chinese Bank Limited (the "Bank") set out on pages 3 to 10, which comprises the summarised balance sheet as at 31 December 2024, the summarised income and other comprehensive income statement, summarised statement of changes in equity and the summarised cashflow statement for the year then ended. The summarised financial statements are derived from the audited financial statements of the Bank for the year ended 31 December 2024. We expressed an unmodified opinion on those financial statements in our independent auditor's report dated 31 March 2025. Those financial statements, and the summarised financial statements, do not reflect the effects of events that occurred subsequent to the date of our report 31 March 2025 on those financial statements.

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

Management's Responsibilities for the Summarized Financial Statements
Management is responsible for the preparation of the summarised financial statements in accordance with article 85(1) of Decree Law No. 13/2023.

Auditor's Responsibility
Our responsibility is to express an opinion on the summarised financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing ("ISA") 810, "Engagements to Report on Summary Financial Statements" included in Macau Auditing Standards.

Opinion
In our opinion, the summarised financial statements as derived from the audited financial statements of the Bank for the year ended 31 December 2024 are consistent, in all material respects, with those audited financial statements, in accordance with the Article 85(1) of the Decree-Law No. 13/2023.

Yu Wen Jun, CPA
KPMG
Certified Public Accountants
Unit B&C, 12th Floor
Finance and IT Center of Macau
320 Avenida Doutor Mario Soares
Macau, 31 March 2024

8. List of Shareholders Holding 5% or More

Exceeding 5% of Capital Contributions

Investment in Subsidiaries

	2024	2023
	MOP	MOP
Non-listed Shares, Valued at Cost	5,820,535	2,231,400
Impairment Provision	(4,221,574)	-
Total	1,598,961	2,231,400

As of the end of the reporting period, the specific details of the subsidiaries are as follows:

Company Name	Company Registration Location	Issued Share Capital (RMB)	Equity Percentage Directly Held by Our Bank	Main Business
Zhuhai Ao Hua Yu Technology Co., Ltd.	People's Republic of China	5,000,000	100%	Provision of Information Technology Services

Investment Exceeding 5% of Own Capital

None

9. List of Major Capital Contributors

Major Capital Contributors:

- Nam Yue (Group) Limited (Established in Macau) (98%)
- Wong Garrick Jorge Kar Ho (Resigned on July 3, 2024)
- Ho Hon Cheung (Resigned on July 3, 2024)
- Ho Hon Kong (Resigned on July 3, 2024)
- Lam Ka Vai Carlos (Resigned on July 3, 2024)

10. Names of Key Management Personnel

Shareholders' Meeting Presidium

Chairperson:	Nam Yue (Group) Company Limited
Members:	Hengjian International Investment Holdings (Hong Kong) Limited (Appointed on August 30, 2024)
	Guangdong Holdings Limited (Appointed on August 30, 2024)
	Wong Garrick Jorge Kar Ho (Resigned on August 30, 2024)
	Ho Hon Cheung (Resigned on August 30, 2024)
	Ho Hon Kong (Resigned on August 30, 2024)
	Lam Ka Vai Carlos (Resigned on August 30, 2024)
Secretary:	Yu Peihuan

Supervisory Board

Chairperson:	Wang Qingping
Supervisors:	CSC & Associates, Certified Public Accountants (Represented by Mok Chi Meng)
	Chui Calvin Tinlop

Directors

Chairperson:	Cai Binglong (Appointed on October 4, 2024)
	Liu Shuang Quan (Resigned on August 3, 2024)
Executive Director:	Huang Zhenfu
Directors:	Bai Jie (Appointed on November 6, 2024)
	Gao Tiebing (Appointed on November 6, 2024)
	Li Rongzhou
	Guo Zhihang
	Wong Garrick Jorge Kar Ho (Resigned on August 31, 2024)
	Ho Hon Cheung (Resigned on August 31, 2024)
	Ho Hon Kong (Resigned on August 31, 2024)
	Lam Ka Vai Carlos (Resigned on August 31, 2024)
	Chan Tat Kong (Resigned on April 30, 2024)
Company Secretary:	Yu Peihuan

11. Corporate Governance

Macau Chinese Bank Co., Ltd. (the "Bank") has consistently maintained a high standard of corporate governance in compliance with regulatory requirements. Under the Bank's corporate governance framework, the General Meeting of Shareholders, Board of Directors, Supervisory Board, and Senior Management each have clearly defined responsibilities and accountability mechanisms, ensuring coordinated and effective checks and balances.

Responsibilities of the General Meeting of Shareholders

The General Meeting of Shareholders is responsible for determining the Bank's business policies and major investment plans, reviewing and approving annual financial reports, as well as electing and appointing members of the Board of Directors and Supervisory Board, including independent supervisors.

Responsibilities of the Supervisory Board

The Supervisory Board serves as the oversight body of the Bank, accountable to and reporting to the General Meeting of Shareholders. Its responsibilities include monitoring the performance of duties by both the Board of Directors and senior management, as well as examining and supervising the Bank's financial activities and reporting.

Responsibilities of the Board of Directors

The Board of Directors functions as the Bank's principal decision-making authority, responsible to and reporting to the General Meeting of Shareholders. Its comprehensive duties encompass determining the Bank's business plans and strategic direction, reviewing and approving annual financial budgets, and submitting financial reports to the General Meeting for final approval. The Board is further tasked with establishing fundamental risk management policies and internal control mechanisms, while overseeing their effective implementation. The Board has established an Executive Committee composed of an odd number of directors. This committee is specifically mandated to formulate and implement appropriate policies and guidelines in alignment with shareholder objectives, thereby ensuring the Bank operates in a sound, compliant and efficient manner.

Responsibilities of Senior Management

Senior management is charged with executing Board decisions and coordinating all functional departments to achieve the operational targets set by the Board. In accordance with the risk policies determined by the Board, senior management develops systematic frameworks, processes and methodologies for risk control, establishes and enhances internal organizational structures to ensure effective functioning of internal control mechanisms, and provides adequate human resources to support departmental operations.

11. Corporate Governance (Continued)

Responsibilities of the Business Development Planning Committee

The Business Development Planning Committee operates as a specialized working body under the Board of Directors. Its mandate includes developing detailed business development plans that translate the Board's strategic directives into short, medium and long-term initiatives, overseeing the implementation of these plans, evaluating the alignment between institutional development and business growth, setting annual institutional development objectives, and regularly assessing the effectiveness of the implementation through benchmarking against quantitative and qualitative indicators as well as peer performance, with results reported to the Board.

12. Off-Balance Sheet Items (Excluding Derivatives)

	2024 MOP
Custody Accounts	53,155,837
Collateral Accounts	8,654,511,720
Guarantees and Payment Undertakings	395,812,492
Letters of Credit	-
Other Memorandum Accounts	484,745,270
	9,588,225,319

13. **Derivative Transactions**

None

14. Significant Accounting Policies

General Information

Macau Chinese Bank Limited ("the Bank") is a company limited by shares incorporated in the Macao Special Administrative Region of the People's Republic of China ("Macao"), with its headquarters located in Macao, China. The Bank's immediate holding company is Nam Yue (Group) Company Limited, incorporated in Macao, while its ultimate holding company is Guangdong Nam Yue Group Co., Ltd., incorporated under the laws of the People's Republic of China. The ultimate controlling party is the State-owned Assets Supervision and Administration Commission of Guangdong Provincial People's Government.

The Bank holds a full financial license issued by the Monetary Authority of Macao, with business scope encompassing deposit-taking, lending, trade settlement and financing, provision of guarantees, syndicated loans, currency exchange, investment and wealth management, bond underwriting and distribution, securities agency services, insurance agency services, and safe deposit box services, among other financial services.

Basis of Preparation of Financial Statements

The Bank prepares its financial statements on a going concern basis.

The Bank recorded a net loss of MOP 570 million for the full year 2024. Considering that the Bank's shareholder, Hengjian International Investment Holdings (Hong Kong) Co. Ltd. and its parent company Guangdong Hengjian Investment Holding Co., Ltd. have committed to provide MOP 600 million and MOP 2 billion respectively to replenish the Bank's capital and absorb losses, thereby ensuring the Bank's ability to continue as a going concern for at least 12 months from December 31, 2024, these financial statements have been prepared on a going concern basis.

(1) Statement of Compliance with Macao Financial Reporting Standards

The Bank's financial statements have been prepared in accordance with the Financial Reporting Standards ("FRS") as promulgated by Dispatch No. 44/2020 of the Secretary for Economy and Finance of the Macao Special Administrative Region Government, the ultimate holding company, and Law No. 13/2023. The FRS incorporates the official documents issued by the International Accounting Standards Board in 2015, including financial reporting standards, accounting standards and interpretations. The principal accounting policies adopted by the Bank are set out below.

(2) Financial Year

The Bank's financial year runs from January 1 to December 31 of the Gregorian calendar.

14. Significant Accounting Policies (Continued)

(3) Functional Currency and Presentation Currency

The Bank's functional currency is the Macau Pataca (MOP), which is also the currency used for preparing its financial statements. The determination of the functional currency is based on the denomination and settlement currency of the Bank's principal business revenues and expenditures.

<u>Prior Year Adjustments and Their Impact</u>

(1) Prior Year Adjustments and Their Impact

（a） During the current year, the Bank identified the following two discrepancies in its assessment of recoverable cash flows for customer loans and advances as well as guarantee business in 2023 and prior years: (1) The valuation of loan collateral had not been updated to reflect values as of the balance sheet date; and (2) When measuring expected credit losses using the discounted cash flow model, expected losses were not fully considered for risk exposures not covered by collateral or other credit enhancement measures.

（b） The Bank also discovered the following two discrepancies in the calculation of deferred tax liabilities for 2023 and prior years: (1) Partial reversal of deferred tax liabilities arising from the revaluation increment when investment properties were reclassified back to fixed assets in 2019; and (2) Recognition of deferred tax assets and their offset against deferred tax liabilities for deductible temporary differences arising from fair value adjustments and impairment allowances on securities investments when it was not probable that sufficient taxable profit would be available to utilize the deductible temporary differences.

The Bank has adjusted for these prior year matters in preparing its 2024 annual financial statements.

14. Significant Accounting Policies (Continued)

The impact of these prior year adjustments on the Bank's balance sheet items as at December 31, 2023 is as follows:

	The bank				
	As Previously Reported	Adjustment (1)(a)	Adjustment (1)(b)	Adjustment Summary/Totals	As Restated
Customer Loans and Advances	6,119,769,742	(701,001,376)	-	(701,001,376)	5,418,768,366
Total Affected Assets	**6,119,769,742**	**(701,001,376)**	**-**	**(701,001,376)**	**5,418,768,366**
Accounts Payable and Other Liabilities	25,532,744	56,275,955	-	56,275,955	81,808,699
Deferred Tax Liabilities	11,926,911	-	12,343,925	12,343,925	24,270,836
Total Affected Liabilities	**37,459,655**	**56,275,955**	**12,343,925**	**68,619,880**	**106,079,535**
Unabsorbed Losses	(1,320,635,018)	(757,277,331)	(9,829,751)	(767,107,082)	(2,087,742,100)
Investment Revaluation Reserves	3,045,713	-	(2,514,174)	(2,514,174)	531,539
Total Affected Shareholders' Equity	**(1,317,589,305)**	**(757,277,331)**	**(12,343,925)**	**(769,621,256)**	**(2,087,210,561)**

14. Significant Accounting Policies (Continued)

The effects of the aforementioned prior year adjustments on the Bank's statement of profit or loss and other comprehensive income for the year ended December 31, 2023 are as follows:

	The bank				
	As Previously Reported	Adjustment (1)(a)	Adjustment (1)(b)	Adjustment Summary/Totals	As Restated
Income Tax Benefit/(Expense)	2,890,631	-	(4,979,627)	(4,979,627)	(2,088,996)
Credit Impairment Losses	(809,302,325)	(659,171,177)	-	(659,171,177)	(1,468,473,502)
Impact on Profit or Loss Statement	**(806,411,694)**	**(659,171,177)**	**(4,979,627)**	**(664,150,804)**	**(1,470,562,498)**
Other Comprehensive Income	20,881,631	-	(2,514,174)	(2,514,174)	18,367,457
Impact on Total Comprehensive Loss for the Year	**(785,530,063)**	**(659,171,177)**	**(7,493,801)**	**(666,664,978)**	**(1,452,195,041)**

14. Significant Accounting Policies (Continued)

The effects of these prior year adjustments on the Bank's balance sheet items as at January 1, 2023 are as follows:

	The bank				
	As Previously Reported	Adjustment (1)(a)	Adjustment (1)(b)	Adjustment Summary/Totals	As Restated
Customer Loans and Advances	7,426,229,643	(98,106,155)	-	(98,106,155)	7,328,123,488
Total Affected Assets	**7,426,229,643**	**(98,106,155)**	**-**	**(98,106,155)**	**7,328,123,488**
Deferred Tax Liabilities	14,222,574	-	4,850,122	4,850,122	19,072,696
Total Affected Liabilities	**14,222,574**	**-**	**4,850,122**	**4,850,122**	**19,072,696**
Accumulated Deficit	(466,550,740)	(98,106,155)	(4,850,122)	(102,956,277)	(569,507,017)
Total Affected Shareholders' Equity	**(466,550,740)**	**(98,106,155)**	**(4,850,122)**	**(102,956,277)**	**(569,507,017)**

14. Significant Accounting Policies (Continued)

Significant Accounting Policies

(1) Cash and Cash Equivalents

In the statement of cash flows, cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value, with original maturities typically not exceeding three months.

In the balance sheet, cash and cash equivalents include cash on hand and bank deposits that are unrestricted in use.

(2) Foreign Currency Transactions

The Bank initially measures foreign currency transactions using the functional currency (MOP) exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are subsequently translated at the closing exchange rate as of each reporting date. Any exchange differences arising from the settlement of monetary items or from their translation at period-end rates are recognized in profit or loss.

For non-monetary items carried at historical cost in a foreign currency, the Bank applies the exchange rate at the initial transaction date for translation purposes. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined. Exchange differences arising from the translation of fair-valued non-monetary items are classified consistently with the recognition of the underlying fair value gains or losses - that is, such differences are recognized either in other comprehensive income (if the related fair value changes are recorded in OCI) or in profit or loss (if the fair value changes are recorded in profit or loss).

(3) Financial Assets

(a) Initial Recognition and Classification

The Bank classifies financial assets at initial recognition into distinct categories based on the fundamental criteria: the business model for managing the financial assets, and the contractual cash flow characteristics of the financial assets. The primary classification categories are: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (FVOCI), and financial assets measured at fair value through profit or loss (FVTPL).

For classification under either the amortized cost or FVOCI category, financial assets must satisfy the Solely Payments of Principal and Interest (SPPI) test.

14. Significant Accounting Policies (Continued)

The bank's business model for managing financial assets refers to how the bank manages its financial assets to generate cash flows. The business model determines whether cash flows arise from the collection of contractual cash flows, the sale of financial assets, or a combination of both. All financial assets purchased and sold in the ordinary course of business are recognized on the trade date (i.e., the date the bank commits to purchase or sell the asset). The ordinary course of business refers to the purchase or sale of financial assets that require delivery of the asset within a timeframe typically established by regulations or market practices.

(b) Subsequent Measurement

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

Financial Assets Measured at Amortized Cost (Debt Instruments)

Financial assets are classified as subsequently measured at amortized cost if they meet both of the following conditions:

- The financial asset is held under a business model whose objective is to collect contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and interest on the outstanding principal balance.

Financial assets measured at amortized cost are subsequently measured using the effective interest method and may be subject to impairment. Any gains or losses are recognized in profit or loss when the asset is derecognized, modified, or impaired. Financial assets measured at amortized cost include cash and bank deposits, margin deposits held at the Monetary Authority of Macao, loans to banks, financial notes from the Monetary Authority of Macao, customer loans and advances, securities investments, and financial assets included in receivables and other assets.

Debt securities investments are classified as subsequently measured at fair value with changes recognized in other comprehensive income if they meet both of the following conditions:

- The financial asset is held under a business model whose objective is to collect contractual cash flows and to sell; and
- The contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and interest on the outstanding principal balance.

For debt investments measured at fair value through other comprehensive income, interest income, foreign exchange revaluation, and impairment losses or reversals are recognized in profit or loss, calculated in the same manner as for financial assets measured at amortized cost. Other fair value changes are recorded in other comprehensive income. Upon derecognition, the cumulative fair value changes previously recognized in other comprehensive income are reclassified to profit or loss.

14. Significant Accounting Policies (Continued)

Equity Instruments Measured at Fair Value Through Other Comprehensive Income (FVOCI)

At initial recognition, the Bank may elect to irrevocably classify its equity investments as measured at fair value through other comprehensive income, provided they meet the definition of equity under IAS 32 Financial Instruments under the Financial Reporting Standards (FRS): Presentation and are not held for trading. This classification is determined on an instrument-by-instrument basis.

Subsequent to initial recognition, such financial assets are measured at fair value. Dividend income is recognized in profit or loss, while other gains and losses are recorded in other comprehensive income. Upon derecognition, cumulative gains or losses previously recognized in other comprehensive income are reclassified from other comprehensive income to retained earnings.

Financial Assets Measured at Fair Value Through Profit or Loss (FVTPL)

Financial assets measured at fair value through profit or loss include held-for-trading financial assets, financial assets designated at fair value through profit or loss upon initial recognition and financial assets mandatorily required to be measured at fair value. Financial assets acquired principally for the purpose of selling or repurchasing in the near term are classified as held for trading. Derivative instruments, including separated embedded derivatives, are also categorized as held for trading unless they are designated as effective hedging instruments. Financial assets whose contractual cash flows are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Although debt instruments may meet the criteria for measurement at amortized cost or at fair value through other comprehensive income as specified above, they may be designated at fair value through profit or loss at initial recognition when such designation eliminates or significantly reduces an accounting mismatch.

Financial assets at fair value through profit or loss are presented at fair value in the statement of financial position, with net changes in fair value recognized in the income statement.

(c) Reclassification of Financial Assets

If the bank changes its business model for managing financial assets, although such changes occur infrequently and under exceptional circumstances, all affected financial assets must be reclassified in accordance with the requirements of International Accounting Standard 9 (IAS 9) Financial Instruments under the Financial Reporting Standards (FRS). The reclassification shall be applied prospectively from the effective date of the change. Under IAS 9 of the FRS, reclassification is not permitted for equity instruments designated at fair value through other comprehensive income (FVOCI) or for financial liabilities.

14. Significant Accounting Policies (Continued)

(d) Derecognition of Financial Assets

The primary conditions for the derecognition of a financial asset (or part of a financial asset or part of a similar group of financial assets, as applicable) are:

- The rights to receive cash flows from the asset have expired;
- The bank has transferred its rights to receive cash flows from the asset, or has assumed obligations under a "pass-through" arrangement, fully paying cash flows received to a third party without significant delay; and (a) the bank has transferred almost all the risks and rewards of the asset, or (b) the bank has neither transferred nor retained almost all the risks and rewards of the asset but has transferred control of the asset.

If the bank has transferred its rights to receive cash flows from the asset or entered into a pass-through arrangement, it evaluates whether it has retained the risks and rewards of ownership of the asset and to what extent. If the bank has neither transferred nor retained almost all the risks and rewards of the asset and has not transferred control, it continues to recognize the transferred asset, provided that the bank remains involved with the asset. In this case, the bank also recognizes a related liability. The transferred asset and related liability are measured based on the bank's retained rights and obligations.

If the bank's continued involvement with the transferred asset is in the form of a guarantee, it is measured at the lower of the original carrying amount of the asset and the maximum consideration the bank is required to pay.

(4) Financial Liabilities

(a) Initial Recognition and Measurement

At initial recognition, financial liabilities are measured at fair value. For financial liabilities measured at fair value with changes recognized in profit or loss, related transaction costs are directly recognized in profit or loss; for other categories of financial liabilities, related transaction costs are included in the initial recognition amount.

The bank's financial liabilities include bank deposits, customer deposits, issued bonds, and other financial liabilities.

(b) Subsequent Measurement of Financial Liabilities

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method. If the impact of discounting is not significant, they are reported at cost.

The calculation of amortized cost takes into account any discounts or premiums at acquisition and the necessary expenses or costs that constitute the effective interest rate. The effective interest amortization is recognized in profit or loss.

14. Significant Accounting Policies (Continued)

(c) Derecognition of Financial Liabilities

Financial liabilities are derecognized when the related obligations are fulfilled, canceled, or expire.

If an existing financial liability is replaced by another liability from the same lender but with substantially different terms, or if there is a substantial modification of the terms of the existing liability, such exchanges or modifications are treated as derecognition of the original liability and recognition of the new liability, with the difference between the carrying amounts recognized in profit or loss.

(d) Offsetting of Financial Instruments

Financial assets and financial liabilities may be offset and reported on a net basis in the balance sheet if there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(5) Impairment of Financial Assets

The bank recognizes a provision for expected credit losses for all debt instruments that are not measured at fair value with changes recognized in profit or loss. Expected credit losses are the difference between the contractual cash flows due and all cash flows that the bank expects to receive, discounted at the original effective interest rate. Expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General Approach

For credit risk exposures where there has not been a significant increase in credit risk since initial recognition, expected credit losses are recognized based on the probability of default events occurring within the next 12 months (12-month expected credit losses). For credit risk exposures where there has been a significant increase in credit risk since initial recognition, expected credit losses are recognized for the entire lifetime of the risk exposure, regardless of when the default occurs (lifetime expected credit losses).

The bank assesses the credit risk of financial instruments on each reporting date to determine whether it has significantly increased since initial recognition. In making this assessment, the bank compares the risk of default on the financial instrument on the reporting date with the risk of default at the time of initial recognition, considering reasonable and supportive quantitative and qualitative information, including historical experience and forward-looking information that is obtainable without incurring unreasonable costs or efforts.

For debt investments measured at fair value with changes recognized in other comprehensive income, the bank recognizes a loss allowance in other comprehensive income, with impairment losses or gains recognized in profit or loss for the current period, without reducing the carrying amount of the

14. Significant Accounting Policies (Continued)

financial asset in the balance sheet. On each reporting date, the bank reassesses the external credit ratings of its debt investments.

When a contractual payment is more than 90 days overdue, the bank considers the financial asset to be in default. However, in specific circumstances, prior to any credit enhancements on the financial assets held, if there is internal or external information indicating that the bank is unlikely to receive the full amount of the outstanding contractual amounts, it may also consider the financial asset to be in default. When expected contractual cash flows cannot be reasonably recovered, the financial asset is written off.

Debt investments measured at fair value with changes recognized in other comprehensive income and financial assets measured at amortized cost are subject to impairment under the general approach, categorized into the following stages for measuring expected credit losses, while accounts receivable and contract assets utilize a simplified approach, as detailed below:

Stage 1: If the financial instrument is not considered a credit-impaired asset at initial recognition and there has been no significant increase in credit risk since initial recognition, the loss allowance is for the expected credit losses over the next 12 months.

Stage 2: If the financial instrument is not considered a credit-impaired asset at initial recognition but there has been a significant increase in credit risk since initial recognition, the loss allowance is for the expected credit losses over the entire lifetime of the asset.

Stage 3: If the financial instrument is a credit-impaired asset and future cash flows have been adversely affected by one or more events, the loss allowance is for the expected credit losses over the entire lifetime of the asset.

For financial assets where the bank cannot reasonably expect to fully or partially recover, the bank will perform a full or partial write-off. These financial assets are considered to be derecognized (in full or in part).

The following events are examples that may lead to full or partial write-offs:

- When a borrower declares bankruptcy or is unable to repay, particularly in the case of unsecured exposures, and the liquidator or administrator indicates that there are insufficient resources to satisfy the claims of unsecured creditors.
- There is external evidence (e.g., third-party valuations) indicating that expected cash flows have become irreversible, making it unreasonable for the bank to expect recovery of its assets.
- Mortgages that have been independently assessed as secured are typically written off after the proceeds from the collateral are received, with no further expectation of recovering any amounts through other means.

Financial assets may be written off within a certain timeframe following default. Generally, for portfolios assessed collectively, such as retail mortgages, corporate loans, syndicated loans, other unsecured loans, and overdrafts, the bank will write off financial assets when it determines that they are irrecoverable.

14. Significant Accounting Policies (Continued)

(6) Long-term Equity Investments

(a) Determination of Investment Cost for Long-term Equity Investments

(i) Long-term Equity Investments Formed through Business Combinations

For long-term equity investments in subsidiaries formed through business combinations not under common control, the bank recognizes the fair value of the assets paid, liabilities incurred or assumed, and equity securities issued as the initial investment cost at the date of acquisition.

(ii) Long-term Equity Investments Acquired through Other Means

For long-term equity investments acquired through means other than business combinations, at initial recognition, for long-term equity investments obtained by cash payment, the bank recognizes the actual purchase price paid as the initial investment cost; for long-term equity investments obtained through the issuance of equity securities, the bank recognizes the fair value of the equity securities issued as the initial investment cost.

(b) Subsequent Measurement and Profit or Loss Recognition Method for Long-term Equity Investments

(i) Investments in Subsidiaries

In the bank's individual financial statements, long-term equity investments in subsidiaries are subsequently measured using the cost method. Cash dividends or profits declared by the investee that are attributable to the bank are recognized as current investment income, except for any declared but unpaid cash dividends or profits included in the actual consideration paid at the time of investment.

Investments in subsidiaries are presented at cost less any impairment provisions.

(c) Criteria for Determining Joint Control and Significant Influence Over Investee

Joint control refers to shared control over an arrangement according to relevant agreements, and the relevant activities of that arrangement (i.e., activities that significantly affect the returns of the arrangement) must be decided by consensus among the participating parties sharing control.

In determining whether there is joint control over an investee, the bank typically considers the following factors:

- Whether any participating party can unilaterally control the relevant activities of the investee;
- Whether decisions involving the relevant activities of the investee require unanimous consent from the parties sharing control.

14. Significant Accounting Policies (Continued)

Significant influence refers to the bank's power to participate in the financial and operating policy decisions of the investee but not to control or jointly control those policies with others.

(7) Property, Plant, and Equipment and Depreciation

Property and equipment are reported at cost less accumulated depreciation and any impairment losses. The cost of property and equipment includes their purchase price and any directly attributable costs necessary to bring the asset to the working condition and location for its intended use.

Expenditures incurred after the property and equipment are put into operation, such as repairs and maintenance costs, are generally recognized in profit or loss in the period incurred. Major repair expenditures are capitalized when they meet recognition criteria and are included in the carrying amount of the asset as part replacements. When significant components of property and equipment require periodic replacement, the bank recognizes those components as separate assets with specific useful lives and depreciation.

Depreciation is calculated using the straight-line method, reducing the cost of property and equipment to their residual value over their estimated useful lives, as follows:

Land and Buildings	100 years or remaining useful life (whichever is shorter)
Furniture, Fixtures, and Equipment	3 to 10 years
Computer Equipment	3 to 8 years
Motor Vehicles	10 years

If different parts of property and equipment have varying useful lives, the cost of the asset is reasonably allocated among those parts, and each part is depreciated separately. At least at the end of each financial year, the residual values, useful lives, and depreciation methods are reviewed and adjusted as appropriate.

For property and equipment that have been initially recognized, and any significant components, derecognition occurs when they are disposed of or when it is expected that no future economic benefits will be obtained through their use or disposal. Any gains or losses arising from the disposal or abandonment of assets are recognized in profit or loss in the year of derecognition, with the amount being the difference between the net sale proceeds of the relevant asset and its carrying amount.

(8) Impairment of Non-Financial Assets

When there are indications of impairment, or when it is necessary to perform an annual impairment test on assets (excluding financial assets), an estimate of the recoverable amount of the asset is made. The recoverable amount is the higher of the asset's value in use and its fair value less costs of disposal, determined on an individual asset basis, unless the cash inflows generated by the asset are largely dependent on the cash inflows of other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

14. Significant Accounting Policies (Continued)

Impairment losses are recognized only when the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the specific risks of the asset. Impairment losses are recognized in profit or loss for the period in which they occur and are allocated to the relevant expense categories based on the function of the impaired asset.

At the end of each reporting period, assess whether there are any indications that a previously recognized impairment loss may no longer exist or may have decreased. If such indications exist, estimate the recoverable amount. A previously recognized impairment loss shall be reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. The reversal amount shall not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years. The impairment reversal shall be credited to profit or loss in the period in which it occurs (unless the asset is carried at revalued amount in the financial statements). For assets measured at revalued amounts, the impairment reversal shall be accounted for in accordance with the relevant accounting policy applicable to that revalued asset.

(9) Provisions

Provisions are recognized when the following conditions are met: the bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

When the effect of discounting is significant, the amount recognized for the provision is the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period. The increase in the discounted amount over time is recognized in profit or loss.

(10)Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the bank to reimburse the holder of the contract for a specific amount when a specified debtor fails to make payment in accordance with the original or modified terms of the debt instrument.

Financial guarantee contracts are initially recognized at fair value on the date the guarantee is provided. After initial recognition, the amount of the provision is presented at the higher of the amortized cost after deducting the amortization of the guarantee fees or the expected credit loss provision required for the bank to fulfill its guarantee obligations. Any increase in the liability related to the contract is recognized in profit or loss for the current period.

(11)Measurement of Fair Value

The bank measures certain securities investments at fair value at the end of each reporting period. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The basis for fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place

14. Significant Accounting Policies (Continued)

in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability, and the bank must have access to that principal or most advantageous market. The fair value of an asset or liability is measured using assumptions that market participants would use when pricing the asset or liability, and it assumes that market participants act to maximize their economic benefits.

In measuring the fair value of non-financial assets, consideration is given to the ability of market participants to generate economic benefits through the highest and best use of the asset or by selling it to another market participant that would maximize its value.

The valuation techniques adopted by the bank are appropriate and utilize sufficient data for measuring fair value, maximizing the use of relevant observable inputs while minimizing the use of unobservable inputs. All assets and liabilities measured or disclosed at fair value in the financial statements are classified within the fair value hierarchy based on the lowest level input that is significant to the overall fair value measurement, as follows:

Level 1: Unadjusted quoted prices for identical assets or liabilities in active markets
Level 2: Valuation techniques for which the significant lowest level inputs are observable, either directly or indirectly
Level 3: Valuation techniques for which the significant lowest level inputs are unobservable

For assets and liabilities continuously recognized in the financial statements, the bank reassesses the classification at the end of each reporting period (based on the lowest level inputs significant to the overall fair value measurement) to determine whether a transfer between fair value levels has occurred.

(12)Revenue Recognition

(a) Interest Income

Effective Interest Method

In accordance with IFRS 9, interest income is recorded using the effective interest rate ("EIR") method for all financial assets measured at amortized cost, interest rate derivatives applying hedge accounting, and the related amortization/cycle effects of hedge accounting. Interest income for interest-bearing financial assets measured at fair value through other comprehensive income is also recorded using the EIR method. For all financial liabilities held at amortized cost, interest expense is calculated using the EIR method. The EIR is the rate that exactly discounts the estimated future cash inflows over the expected life of the financial asset or, in appropriate cases, a shorter period, to the net carrying amount of the financial asset.

The EIR (and the amortized cost of financial assets) is calculated by considering transaction costs and any discounts or premiums on the acquisition of financial assets, as well as fees and costs that are components of the EIR. The bank recognizes interest income using a rate that represents the best estimate of the fixed return rate over the expected term of the loan. Therefore, the EIR calculation also considers the potential impact of varying interest rates that may be charged at

14. Significant Accounting Policies (Continued)

different stages of the expected life of the financial asset, as well as other characteristics of the product lifecycle (including prepayments, penalty interest, and fees).

If the cash flows of fixed-rate financial assets or liabilities are expected to be modified for reasons other than credit risk, the changes in future contractual cash flows are discounted using the original EIR, and the carrying amount is adjusted accordingly. The difference between the previous carrying amount and the adjusted amount is recognized on the balance sheet as a positive or negative adjustment to the carrying amount of that financial asset or liability, which increases or decreases interest income or expense calculated using the effective interest method. The bank recognizes interest income on perpetual bonds with fixed dividends according to the effective interest method.

For floating-rate financial instruments, periodically re-estimating cash flows to reflect changes in market interest rates will also change the effective interest rate; however, when the financial instrument is initially recognized at an amount equal to the principal, re-estimating future interest payments does not significantly affect the carrying amount of the asset or liability.

Reporting of Net Interest Income

According to paragraph 82(a) of the "International Accounting Standard 1: Presentation of Financial Statements," under the Financial Reporting Standards (FRS), interest income calculated using the EIR method must be reported separately in the income statement.

Interest and Similar Income or Expense

Net interest income includes interest income and interest expense calculated using the effective interest method. These are disclosed separately under interest income and interest expense in order to provide symmetric and comparable data.

The interest income/expense calculated using the effective interest method by the bank includes interest from the financial instruments listed in Notes 5 and 6 only. Interest income/expense from all financial assets/liabilities measured at fair value with changes recognized in profit or loss is recognized as part of the changes in net trading income from fair value.

Except for financial assets considered to have incurred credit impairment, the bank calculates interest income by applying the EIR to the total carrying amount of the financial assets. When a financial asset incurs credit impairment (and is therefore regarded as "Stage 3"), the bank calculates interest income by applying the EIR to the net amortized cost of the financial asset. If a financial asset recovers and is no longer deemed to be credit impaired, the bank resumes calculating interest income based on the total amount.

For purchased or originated credit-impaired (POCI) financial assets, the bank calculates interest income by determining the credit-adjusted EIR and applying that rate to the amortized cost of the financial asset. The credit-adjusted EIR is the rate that discounts the estimated future cash flows (including credit losses) to the amortized cost of the POCI financial asset at initial recognition.

14. Significant Accounting Policies (Continued)

(b) Fee and Commission Income

The bank generates fee and commission income from a variety of financial services provided to customers. Fee and commission income is recognized at the amount reflecting the consideration to which the bank expects to be entitled in exchange for providing the services.

Performance obligations and their fulfillment timelines are identified and determined at the contract's inception. The bank's revenue contracts typically do not encompass multiple performance obligations, as further explained below.

When the bank provides services to its customers, consideration is invoiced, typically due immediately upon satisfactory provision of services at a specific point in time or upon the completion of the contract period for services rendered over a period of time (unless otherwise stipulated).

The bank generally regards itself as the primary responsible party in its revenue arrangements, as it typically controls the services before they are transferred to customers.

Fee and Commission Income from Services Fulfilled Over Time

Performance obligations fulfilled over time include services such as asset management and custodianship, where the customer receives and consumes the benefits provided by the bank as the bank fulfills its obligations.

The fee and commission income arising from the timely fulfillment of obligations includes:

Fee and Commission Income from Services Fulfilled at a Specific Point in Time

Services provided that meet the bank's performance obligations at a specific point in time are recognized after control of the services has transferred to the customer. This typically occurs upon the completion of the underlying transaction or service, or for costs or components of fees related to specific performance, after the corresponding performance standards have been met. These include costs and commissions incurred due to negotiations with third parties or participation in transaction negotiations, such as arranging/participating in or negotiating the acquisition of shares or other securities, brokerage, and underwriting fees.

The bank typically has a single performance obligation for these services, which is the successful completion of the transactions specified in the contract.

(c) Net Trading Income

Net trading income from financial assets and financial liabilities measured at fair value with changes recognized in profit or loss includes all gains and losses arising from changes in fair value, as well as related interest income or expenses and dividends. This also includes any ineffectiveness recorded in hedging transactions.

14. Significant Accounting Policies (Continued)

(d) Net Gain or Loss on Derecognition of Financial Assets Measured at Amortized Cost or Fair Value through Other Comprehensive Income

The net gain or loss on derecognition of financial assets measured at amortized cost or fair value through other comprehensive income should include the loss or gain recognized as the difference between the carrying amount of the financial asset (including impairment) and the consideration actually received.

(13) Retirement Benefit Plans

The bank operates a defined contribution retirement benefit plan for its employees. Contributions are made according to a certain percentage of the employees' basic salaries, and these contributions are recognized in profit or loss when they are payable.

(14) Income Tax

Income tax comprises current income tax and deferred income tax. Income tax related to items not recognized in profit or loss is also not included in profit or loss and may be recognized in other comprehensive income or directly in equity.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to tax authorities, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period, considering the current interpretations and application guidelines in the country (or region) where the bank operates.

Deferred income tax assets and deferred income tax liabilities are determined based on deductible temporary differences and taxable temporary differences, respectively. Temporary differences refer to the differences between the carrying amount of an asset or liability and its tax base, including deductible losses and tax credits that can be carried forward to future years. The recognition of deferred income tax assets is limited to the amount of taxable income that is likely to be available to offset the deductible temporary differences.

If a single transaction is not a business combination and does not affect accounting profit or taxable income (or deductible losses) at the time of the transaction, and the initially recognized assets and liabilities do not result in equal taxable temporary differences and deductible temporary differences, then the temporary differences arising from that transaction will not result in deferred income tax.
At the end of each reporting period, the bank reviews the carrying amount of deferred income tax assets and will reduce them to the extent that it is no longer probable that sufficient taxable profits will be available to utilize all or part of the deferred income tax assets. At the end of each reporting period, unrecognized deferred income tax assets are reassessed, and the deferred income tax asset is recognized when it is probable that sufficient taxable profits will allow for the recovery of all or part of the deferred income tax asset.

Deferred income tax assets and liabilities are measured at the tax rates expected to be applied during the period in which the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

14. Significant Accounting Policies (Continued)

If there is a legally enforceable right to offset current income tax assets against current income tax liabilities, and the deferred taxes relate to the same taxable entity and the same tax authority, then deferred income tax assets and deferred tax liabilities may be offset against each other.

(15)Leases

Leases in which the lessor retains substantially all the rewards and risks associated with asset ownership are classified as operating leases. When the bank is the lessor, assets leased under operating leases are included in non-current assets, and the rental income from operating leases is recognized on a straight-line basis over the lease term in profit or loss. When the bank is the lessee, rental expenses payable under operating leases are also recognized on a straight-line basis over the lease term in profit or loss.

Prepaid land rents under operating leases are initially recognized at cost and subsequently accounted for on a straight-line basis over the lease term. When it is not possible to reliably allocate rent between land and buildings, the entire rent is included in the cost of financing leases for property and equipment.

(16)Related Parties

A party is considered to be related to the bank in the following circumstances:

(a) The party is an individual or a close family member of that individual who meets any of the following conditions:

(i) Has control or joint control over the Bank;
(ii) Has significant influence over the Bank; or
(iii) Is a member of key management personnel of the Bank or its parent company;
or

(b) The party is an entity that meets any of the following conditions:

(i) The entity and the Bank are members of the same group;
(ii) The entity is an associate or joint venture of another entity (or the parent, subsidiary, or fellow subsidiary of another entity);
(iii) Both the entity and the Bank are joint ventures of the same third party;
(iv) The entity is a joint venture of a third entity and another entity is an associate of the same third entity;
(v) The entity provides post-employment benefit plans for employees of the Bank or its related entities;
(vi) The entity is under the control or joint control of an individual identified in (a);
(vii) An individual identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or its parent); and
(viii) The entity or any member of its group provides key management personnel services to the Bank or its parent company.

14. Significant Accounting Policies (Continued)

Significant Accounting Judgments and Estimates

The preparation of the Bank's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, including the disclosure of contingent liabilities. The uncertainty surrounding these assumptions and estimates could result in material adjustments to the carrying amounts of affected assets or liabilities in the future.

Estimation Uncertainty

The following represents key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, which may result in material adjustments to the carrying amounts of assets and liabilities in subsequent accounting periods.

(1) Financial Asset Impairment Provision

The measurement of impairment losses for all categories of financial assets within the scope of IFRS 9 requires judgment, particularly in estimating the amount and timing of future cash flows and the value of collateral when determining impairment losses and assessing whether there has been a significant increase in credit risk.

These estimates are based on multiple factors, and changes in these factors may result in different levels of loss provisions. The Bank's expected credit loss calculations are outputs of complex models that incorporate numerous underlying assumptions regarding the selection of variables and their interdependencies. The accounting judgments and estimates considered in the expected credit loss model include the following elements:

- The Bank's internal credit rating models, which determine the probability of default corresponding to individual ratings;
- The Bank's assessment of whether credit risk has increased significantly, thereby requiring financial asset provisions to be measured based on lifetime expected credit losses and qualitative evaluations;
- The segmentation of financial assets when assessing expected credit loss on a portfolio basis;
- The development of expected credit loss models, including the selection of various formulas and inputs;
- Forecasts of macroeconomic scenarios, such as the correlation between unemployment levels and collateral values, and their impact on the probability of default, loss given default, and exposure at default; and
- The selection of forward-looking macroeconomic scenarios and their weighted probabilities, which are incorporated into the expected credit loss models as economic inputs. The Bank's policy requires periodic review of these models based on actual loss experience, with adjustments made to the models as necessary.

15. Related Party Transactions

Qualitative Disclosures

(1) Lending Policies to Related Parties

Transactions with related parties conducted by the Bank in the ordinary course of banking business are carried out in compliance with relevant laws and regulations, including notifying the relevant regulatory authorities when required. These transactions, which involve acceptable risk exposures, are conducted on commercial terms and conditions and at market prices.

(2) In accordance with the latest Guideline on Disclosure of Financial Information issued by the Monetary Authority of Macao, Article 12 of Appendix 1 defines related parties as follows:

(c) Any individual or their close relatives [Note 1], if they:
- (iv) Control or jointly control the Bank;
- (v) Have significant influence over the Bank;
- (vi) Hold qualifying shares in the Bank;
- (vii) Are members of the Bank's Board of Directors, Supervisory Board, or the parent company's board;
- (viii) Are key management personnel [Note 2] of the Bank or its parent company, excluding directors or supervisors listed under (iv) above.

(d) Any entity that meets one of the following conditions:
- (i) The entity and the Bank are members of the same group (e.g., parent, subsidiary, or affiliated companies);
- (ii) The entity holds a controlling interest in the Bank;
- (iii) The entity is an associate or joint venture of the Bank (or an associate or joint venture of a group member of the Bank);
- (iv) The Bank is an associate or joint venture of the entity (or an associate or joint venture of group members of that entity);
- (v) Both the entity and the Bank are joint ventures of the same third party;
- (vi) The entity is a joint venture of a third-party entity, and the Bank is an associate of that third-party entity;
- (vii) The Bank is a joint venture of a third-party entity, and the entity is an associate of that third-party entity;

15. Related Party Transactions (Continued)

(viii) The entity is controlled or jointly controlled by a person identified in (a) above;

(ix) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or its parent company);

(x) A person identified in (a)(iv) is a member of the key management personnel of the entity (or its parent company).

[Note 1] A person's close relatives include their spouse, children, parents, stepchildren, stepparents, sons-in-law, daughters-in-law, and parents-in-law.

[Note 2] Key management personnel of an institution are those with the authority and responsibility for planning, directing, and controlling the institution's activities. This includes any directors (whether executive or non-executive) of the institution.

15. Related Party Transactions (Continued)

Quantitative Disclosures – Transactions and Outstanding Balances

During the year ended December 31, 2024, and at the reporting date, significant transactions and balances between the Bank and related parties were as follows:

		2024 MOP	2023 MOP
Amounts received/receivable or (paid)/(payable) with related companies:	Notes		
Lease expenses	(1)	5,774,932	9,945,170
Service fees	(2)	2,484,890	3,577,695
Interest expenses	(3)	2,844,253	8,489,958
Interest income	(4)	-	28,073
Outstanding balances of significant transactions at year-end:			
Customer loans and advances	(5)	-	407,268
Payables and other liabilities	(6)	101,299	112,967
Receivables and other assets	(7)	303,644	1,934,334
Customer deposits:			
Directors of the Bank		493,939	23,473,679
Related companies*		111,005,467	154,123,327

*Related companies include the Bank's immediate holding company and fellow subsidiaries.

Notes:

(1) Lease expenses represent payments made to related companies for leasing office properties at market rates.

(2) Service fees are charged by related companies for consulting services provided to the Bank based on actual costs.

(3) Interest expenses represent interest paid to related companies based on actual deposit rates.

15. Related Party Transactions (Continued)

(4) Interest income represents interest earned on loans extended to related companies.
(5) Certain customer loans and advances were granted to a director of the Bank's immediate holding company.
(6) This balance that is unsecured, interest-free, and payable within 12 months represents payables to a fellow subsidiary for office renovation expenses.
(7) This balance that is unsecured and interest-free represents deposits collected from a fellow subsidiary.

Quantitative Disclosures - Compensation of Key Management Personnel of the Bank

	2024	2023
	MOP	MOP
Short-term employee benefits	1,660,008	1,656,525

The Bank considers that the terms and conditions of these balances and transactions are comparable to those offered to non-related customers in the ordinary course of business.

16. Capital

Qualitative Disclosures

The primary objective of the Bank's capital management is to maintain a strong capital base to support its business development and meet regulatory capital requirements.

The Bank manages its capital structure and makes adjustments in response to changes in economic conditions. In accordance with Macau's banking regulations, the Bank is required to transfer a minimum of 20% of its annual net profit after tax to the legal reserve until the reserve reaches 50% of its issued and paid-up share capital. Thereafter, at least 10% of the annual net profit after tax must continue to be transferred annually until the reserve equals the Bank's issued and paid-up share capital. This reserve may only be distributed under certain limited circumstances as stipulated by law. There were no changes to these objectives, policies, or processes during the years ended December 31, 2024, and December 31, 2023.

Quantitative Disclosures – Own Funds Composition and Capital Adequacy Ratios

(1) Share Capital

	2024 MOP	2023 MOP
Authorized, issued, and fully paid-up share capital:		
20,000,000 shares（2023：10,000,000 shares）		
Ordinary shares at MOP100 per share	2,000,000,000	1,000,000,000

On January 20, 2023, the Bank issued 2,000,000 ordinary shares to its existing shareholders in proportion to their respective existing shareholdings, at MOP100 per share, for a total cash consideration of MOP200, 000,000 before expenses.

On May 27, 2024, the Bank's total share capital was increased by MOP1,000,000,000, fully contributed by Nam Yue (Group) Company Limited, bringing the Bank's total share capital to MOP2,000,000,000.

16、Capital (Continued)

(2) Own Funds Composition

	2024 MOP (In thousands of MOP)
Tier 1 Capital Components:	
Eligible ordinary share capital	2,000,000.00
Accumulated profits/(losses)	(2,603,065.78)
Revaluation reserves of financial assets at fair value through other comprehensive income/(loss)	44,682.48
Other reserves, of which:	
Legal reserve	71,871.09
Deductions, of which:	
Unrealized property revaluation reserves	(37,189.52)
Additional Tier 1 Capital Components:	
Additional paid-in capital	600,000.00
Committed capital contributions	2,000,000.00
Total Tier 1 Capital	2,076,298.27
Tier 2 Capital Components:	
Accounting reserves	46,641.02
Total Tier 2 Capital	46,641.02
Total Capital	2,122,939.29

16. Capital (Continued)

(3) Calculation of Capital Adequacy Ratios

	2024 MOP (In thousands of MOP)
Total credit risk-weighted assets (a)	7,001,636.61
Total market risk-weighted assets (b)	367,668.26
Total operational risk-weighted assets (c)	285,109.44
Total Tier 1 capital (d)	2,076,298.27
Total capital (e)	2,122,939.29
Tier 1 capital adequacy ratio (f) (f)= (d) / [(a)+ (b)+ (c)]	27.13%
Total capital adequacy ratio (g) (g)= (e) / [(a)+ (b)+ (c)]	27.73%

<u>Quantitative Disclosures - Capital Adequacy Ratios of Consolidated Group and Principal Branches</u>

Not applicable.

17. Credit Risk

Qualitative Disclosures

Impairment of Financial Assets

The Bank recognizes expected credit loss provisions ("ECLs") for all debt instruments not measured at fair value through profit or loss. Expected credit losses represent the present value difference between contractual cash flows due under the contract and all cash flows the Bank expects to receive, discounted at an approximation of the original effective interest rate. Expected cash flows include those expected to be generated from the sale of held collateral or other credit enhancements integral to the contractual terms.

For credit and other financial investment assets (excluding trading financial assets), the Bank calculates regulatory provisions and establishes regulatory reserves in accordance with the Monetary Authority of Macao Notice No. 012/2021-AMCM. When accounting provisions for these assets are insufficient to meet regulatory requirements, the difference shall be allocated from retained earnings to establish regulatory reserves that are non-distributable.

General Approach for Measuring Expected Credit Losses

Key parameters for ECL measurement:

(1) Probability of Default ("PD"): The likelihood of a debtor defaulting within a specified future period.

(2) Loss Given Default ("LGD"): The proportion of asset loss relative to exposure at default when a debtor defaults.

(3) Exposure at Default ("EAD"): The expected risk exposure at a future default point of a debtor.

In addition to historical loss patterns of its credit portfolio, the Bank considers multiple forward-looking macroeconomic scenarios (such as local unemployment rates, retail loan default rates, and property price indices in Macau) when assessing credit losses. Based on the macroeconomic scenarios and assumptions of current operations, credit portfolio, and local economic environment, the Bank categorizes into three specific economic conditions with the following weightings:

	Weighting %
Favorable scenario	20%
Baseline scenario	50%
Adverse scenario	30%

17. Credit Risk (Continued)

The Bank allocates weightings according to the probability of each selected scenario occurring and forecasts macroeconomic indicators for each specific scenario. Based on these forecasts, the Bank builds models correlating with key parameters, calculates key parameters for each scenario, and ultimately computes the weighted average of ECLs across multiple macroeconomic scenarios.

Based on whether credit risk has increased significantly, the Bank classifies financial assets subject to impairment calculation into the following three expected credit loss stages:

Stage 1: No significant increase in credit risk since initial recognition;
Generally, includes contracts with payment arrears not exceeding 30 days.

Stage 2: Significant increase in credit risk since initial recognition but no default occurred;
Generally, includes contracts with payment arrears exceeding 30 days but less than 90 days.

Stage 3: Default has occurred;
Generally, financial assets are considered in default when payment is 90 days overdue. However, the Bank may also classify financial assets as default in specific circumstances when internal or external information indicates the Bank is unlikely to recover the full outstanding contractual amount, prior to considering any credit enhancements held.

Based on the expected credit loss stages of each debtor and the parameters obtained, including default probability, loss given default, exposure at default, and forward-looking factor adjustments, the expected credit losses for financial assets are measured and recognized as follows:

(1) Stage 1: For credit risk exposures where there has been no significant increase in credit risk since initial recognition, expected credit losses are recognized based on the credit losses that may occur from default events within the next 12 months (12-month expected credit losses).
(2) Stage 2 and 3: For credit risk exposures where there has been a significant increase in credit risk since initial recognition, expected credit losses must be recognized for the remaining term of the risk exposure, regardless of when the default occurs (lifetime expected credit losses).

The Bank continuously evaluates the ongoing appropriateness of judgments and assumptions used in ECLs measurement. When reviews identify scenario deficiencies in model design or new risks (e.g., unanticipated economic changes) not originally incorporated, management overlays are applied to reflect their impact on ECLs measurement, macroeconomic scenarios, and weightings.

17. Credit Risk (Continued)

Credit Risk Management

According to the Monetary Authority of Macao Notices No. 012/2021-AMCM and No. 008/2024-AMCM, the Bank classifies credit assets into five categories—Normal, Special Mention, Substandard, Doubtful, and Loss—based on their credit risk status:

（a） Normal Category---The debtor is able to fulfill the contract, with no objective evidence indicating that principal and interest cannot be repaid on time and in full. There are no signs of credit impairment for the asset.

（b） Special Mention Category---The debtor currently has the ability to repay principal and interest, and the asset has not experienced credit impairment; however, there are factors that may adversely affect the performance of the contract.

（c） Substandard Category---The debtor shows significant repayment problems, and reliance on normal income is no longer sufficient to repay principal and interest in full. The asset has experienced credit impairment.

In any case, credit assets that are overdue by more than 90 days must be classified as substandard, doubtful, or loss categories.

（d） Doubtful Category---The debtor is unable to repay principal and interest in full, and the asset has significantly experienced credit impairment. In any case, credit assets that are overdue by more than 270 days must be classified as doubtful or loss categories.

（e） Loss Category---After taking all possible measures or necessary legal proceedings, only a minimal portion of the asset can be recovered, or the entire asset is lost.

In any case, credit assets that are overdue by more than 360 days must be classified as loss category.

All non-performing accounts (i.e., classified as substandard, doubtful, or loss) should have their minimum specific provision calculated at the end of each quarter based on the remaining balance after deducting the realizable amount from tangible collateral or security. This provision should be adjusted quarterly according to the classification changes.

Classification	Specific Provision Rate
Substandard	40%
Doubtful	80%
Loss	100%

17. Credit Risk (Continued)

The Bank's credit risk management principles are primarily focused on maintaining the high quality of loans. In accordance with regulatory requirements and credit risk management guidelines, we ensure that potential risks of varying levels and forms across all types of loans are thoroughly identified and assessed.

The Bank has also established credit risk policies to guide lending officers in evaluating loan applications. These policies require staff to maintain a sharp risk awareness, understand the nature of risks, pursue reasonable risk-adjusted returns, strictly adhere to banking guidelines, know their customers well, assess their repayment capacity, and avoid over-reliance on customer collateral as the primary source of debt repayment.

The Bank's credit risk management guidelines include restrictions on excessive concentration of loans in specific industries or clients, as well as loans related to shareholders, directors, and senior management. Additionally, the guidelines prohibit lending to customers with poor track records, including those who have previously had loans written off, undergone debt restructuring, been subject to debt recovery actions, or faced legal proceedings. Loans intended for illegal purposes or in violation of regulatory rules are also strictly prohibited.

17. Credit Risk (Continued)

Quantitative Disclosures

(1) Geographical Distribution Risk

(a) Risk analysis by region with customer loans and advances and securities investment balances exceeding 10%

On December 31, 2024
(In thousands of MOP)

Geographical Distribution	Debt Securities	Customer Loans & Loan Commitments	Derivative Instruments	Expected Credit Loss("ECL") Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	General Regulatory Reserves	Impaired Customer Loans and Advances
Macao SAR								
− Banks	319,827	-	-	10	-	-	-	-
− Government/ Public Sector	11,015	-	-	-	-	-	-	-
− Others	-	3,818,570	-	16,310	9,973	1,758,837	-	2,502,831
Hong Kong SAR								
− Banks	786,306	-	-	426	-	-	-	-
− Government/ Public Sector	-	-	-	-	-	-	-	-
− Others	82,919	583,779	-	4,115	-	228,811	-	255,058
Mainland China								
− Banks	5,655	-	-	-	-	-	-	-
− Government/ Public Sector	76,321	-	-	277	-	-	-	-
− Others	18,006	1,414,537	-	1,617	-	453,431	-	1,286,869
Cayman Islands								
− Banks	-	-	-	-	-	-	-	-
− Government/ Public Sector	-	-	-	-	-	-	-	-
− Others	21,126	294,786	-	-	13,274	180,352	-	169,417
Other Regions								
− Banks	243,417	-	-	97	-	-	-	-
− Government/ Public Sector	-	-	-	-	-	-	-	-
− Others	-	216,103	-	1,414	-	9,919	-	9,919
Total	1,564,594	6,327,775	-	24,266	23,247	2,631,350	-	4,224,094

17. Credit Risk (Continued)

(b) Customer Loans and Advances by Geographical Distribution

On December 31, 2024
(In thousands of MOP)

		Expected Credit Loss("ECL")				
	Customer Loans and Advances	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	General Regulatory Reserves	Impaired Customer Loans and Advances
Macao SAR	3,818,570	16,310	9,973	1,758,837	-	2,502,831
Hong Kong SAR	583,779	4,087	-	228,811	-	255,058
Mainland China	1,414,537	1,583	-	434,827	-	1,286,869
Cayman Islands	294,786	-	13,274	169,417	-	169,417
Others	206,227	1,413	-	9,919		9,919
Total	6,327,775	23,394	23,247	2,601,811	-	4,224,094

(2) Customer Loans and Advances by Industry Sector

On December 31, 2024
(In thousands of MOP)

		Expected Credit Loss("ECL")				
	Customer Loans and Advances	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	General Regulatory Reserves	Impaired Customer Loans and Advances
Agriculture & Fisheries	124,935	-	-	100,076	-	123,586
Mining Industry	0	-	-	-	-	-
Manufacturing Industry	245,520	878	-	64,689	-	196,977
Electricity, Gas & Water Supply	0	-	-	-	-	-
Construction & Public Works	1,434,832	2,899	2,816	851,238	-	1,317,981
Wholesale & Retail Trade	734,859	2,665	293	186,104	-	560,390
Restaurants, Hotels & Related Services	92,011	50	-	61,117	-	79,198
Transport, Storage & Communications	0	-	-	-	-	-
Non-monetary Financial Institutions	0	-	-	-	-	-
Gaming	0	-	-	-	-	-
MICE (Meetings, Incentives, Conventions & Exhibitions)	0	-	-	-	-	-
Education	27,419	257	-	-	-	-
Information Technology	211,239	-	5,111	72,335	-	157,040
Other Industries	1,925,183	8,286	13,469	780,990	-	1,085,809
Personal Loans	1,531,778	8,359	1,558	485,262	-	703,112
Total	6,327,775	23,394	23,247	2,601,811	-	4,224,094

17. Credit Risk (Continued)

(3) Aging Analysis of Past-Due Assets

The Bank writes off exposures, either in full or in part, when it determines that recovery is no longer reasonably expected. Write-offs are triggered by circumstances including bankruptcy, irreversible deterioration in expected cash flows, and there is no further expectation of recovering the collateralized loan. The Bank typically writes off such portfolios - including retail mortgages, corporate loans, syndicated loans, other unsecured loans and overdrafts - when they are deemed irrecoverable. These measures help maintain accurate financial reporting and reflect the true value of the Bank's assets on the balance sheet.

The Bank has established partial or full impairment provisions for specific non-performing loans. In accordance with the Bank's credit risk policy and upon approval by the Board of Directors, these loans may qualify for partial or full write-off, or completely divested in the upcoming fiscal year, in order to reduce the Bank's on-balance-sheet non-performing loan balances.

The bank has made provisions for impairment on certain overdue assets, both partially and fully. According to the bank's credit risk policy, with approval from the shareholders' meeting and the board of directors, these overdue assets are eligible to be partially or fully written off,

The aging analysis of past-due assets for customer loans, advances and securities investments is as follows:

17. Credit Risk (Continued)

On December 31, 2024
(In thousands of MOP)

		Past-Due Status			Expected Credit Loss ("ECL")		
	Securities Investments	Total Past-Due Loans	% of Total Loans	Collateral Value	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL
Past Due:							
- 3 to 6 months	-	392,038	6.26%	3,765,376	-	-	93,564
- 6 months to 1 year	-	572,993	9.15%	1,762,991	-	-	283,966
- over 1 year	13,145	2,900,761	46.34%	5,337,440	-	-	2,067,926
Total	13,145	3,865,792	61.76%	10,865,808	-	-	2,445,457

17. Credit Risk (Continued)

(4) Credit Quality Analysis of Regulated Credit and Other Financial Assets

(In thousands of MOP)

			Expected Credit Loss (ECL)			
	Credit Balance	Collateral Value	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Regulatory Reserve
Credit Assets:						
Pass	1,560,153	2,813,746	19,685	-	-	-
Special Mention	497,414	2,351,152	3,708	22,492	-	-
Substandard	748,504	6,133,724	-	-	269,538	-
Doubtful	566,763	1,714,516	-	-	275,258	-
Loss	2,954,940	5,385,916	-	-	2,057,015	-
Total Credit Assets	6,327,775	18,399,054	23,394	23,247	2,601,811	-
Bond Investments:						
Pass	1,551,449		872	-	-	-
Special Mention	-		-	-	-	-
Substandard	-		-	-	-	-
Doubtful	-		-	-	-	-
Loss	13,145		-	-	29,539	-
Subtotal	1,564,594		872	-	29,539	-
Deposits and Interbank Borrowings:						
Pass	1,452,928		126	-	-	-
Special Mention	-		-	-	-	-
Substandard	-		-	-	-	-
Doubtful	-		-	-	-	-
Loss	-		-	-	-	-
Subtotal	1,452,928		126	-	-	-
AMCM Financial Notes:						
Pass	1,076,027		203	-	-	-
Special Mention			-	-	-	-
Substandard	-		-	-	-	-
Doubtful	-		-	-	-	-
Loss	-		-	-	-	-
Subtotal	1,076,027		203	-	-	-
GRAND TOTAL	10,352,990		24,594	23,247	2,631,350	-

*Classification is based on the definitions of credit and other financial investments under the Monetary Authority of Macao Notice No. 012/2021-AMCM.

18. Market Risk

Qualitative Disclosure

Market risk refers to the risk of losses in the Bank's on- and off-balance sheet positions due to adverse movements in market prices (such as interest rates, exchange rates, commodity prices, and equity prices). Market risk exists in both the Bank's trading and non-trading activities.

The Bank's interest rate risk primarily includes structural interest rate risk arising from commercial banking activities and risks associated with its funding and trading positions. The risks and management of interest rate and foreign exchange exposures are detailed in other sections of this report. On the other hand, the Bank considers the market risk arising from equity price fluctuations to be immaterial, as the Bank does not invest in equities.

The Bank utilizes interest rate gap reports and foreign exchange net long or short position reports as the primary tools for monitoring and managing market risk.

Quantitative Disclosure - Capital Requirements

The following data reflects the capital requirements for market risk, calculated in accordance with the Monetary Authority of Macao Notice No. 011/2015-AMCM:

	On December 31, 2024 (In thousands of MOP)
Capital Requirements for Market Risk:	
Specific risk of bonds and bond-related derivatives	13,033.42
General market risk of bonds, bond-related derivatives, and interest rate risk	15,735.23
Equity risk	-
Foreign exchange risk	644.82
Commodity risk	-
Total capital requirements for all categories of market risk	29,413.46

See also:
- Interest Rate Risk
- Foreign Exchange Risk
- Equity Risk
- Commodity Risk

19. Interest Rate Risk

Qualitative Disclosure

The Bank's interest rate risk primarily arises from incompatibility between the interest rates and maturities of interest-earning assets and interest-bearing liabilities at the repricing date. The Bank's interest-earning assets and interest-bearing liabilities are mainly denominated in Hong Kong Dollar (HKD), US Dollar (USD), Chinese Yuan (CNY) and Macau Pataca (MOP), and The Asset and Liability Management Committee evaluates deposit and loan pricing policies, proposes optimization recommendations, and reports to senior management. Since HKD and MOP loans constitute the majority of the Bank's portfolio, loan interest rates are benchmarked against the best lending rates in Hong Kong and Macao, while deposit rates are set based on market conditions and the Bank's liquidity position.

For measurement purposes, prepayment scenarios are not considered, and the repricing dates for various assets and liabilities are assumed as follows:
(1) Fixed-rate items: The maturity date of the respective assets and liabilities.
(2) Floating-rate items: The interest rate adjustment dates specified by counterparties.

The Bank employs the following methods to manage interest rate risk:
(1)Regularly monitoring macroeconomic factors that may affect Hong Kong and Macao's best lending rates;
(2)Optimizing the timing differences in the repricing dates (or contractual maturities) of interest-earning assets and interest-bearing liabilities;
(3)Maintaining the interest rate spread between interest-earning assets and interest-bearing liabilities within an acceptable range; and
(4)Calculating interest rate risk on a monthly basis.

Quantitative Disclosure – Economic Value of Interest Rate Fluctuations

The following data, based on the Guideline on Management of Interest Rate Risk issued by the Monetary Authority of Macao, reflects the net impact of interest rate fluctuations on the Bank's economic value across major currencies, assuming a parallel shift of 200 basis points multiplied by specific weighting factors.

19. Interest Rate Risk (Continued)

	On December 31, 2024 (In thousands of MOP)
Currency	
MOP	2,297.36
HKD	28,513.78
USD	28,757.52
CNY	(3,192.79)

20. Operational Risk

The objective of operational risk management is to minimize losses arising from inadequate or failed internal processes, human resource allocation, IT systems, or external events, including power outages, floods, earthquakes, and terrorist attacks.

The Bank's daily business operations are primarily supported by various IT systems and established procedures. All employees must undergo internal system training and on-the-job instruction before assuming their designated roles to mitigate operational risks stemming from insufficient experience. To reduce human errors and prevent internal fraud or external fraudulent activities, the Bank consistently enforces a policy of segregation of duties and dual control, requiring every transaction to be verified and approved by two employees with different authority levels.

21. Foreign Exchange Risk

Qualitative Disclosure - Risk Management Objectives and Policies

The daily management of the Bank's foreign exchange risk falls under the responsibility of the Asset and Liability Management Committee. The Bank's foreign exchange risk arises from foreign exchange transactions and commercial banking activities. All foreign currency positions are monitored in accordance with limits approved by the Board of Directors. Fluctuations in foreign exchange rates may expose the bank to potential losses. To mitigate risks associated with long and short foreign currency positions, the Treasury Department regularly submits reports on net long or short positions to the Asset and Liability Management Committee and senior management for review, enabling timely hedging decisions if necessary.

Since the majority of the Bank's assets and liabilities are denominated in Macau Pataca (MOP), Hong Kong Dollar (HKD), and US Dollar (USD)—all of which are pegged to each other—the bank does not face significant currency risk.

The Bank's foreign currency long or short positions for the year are detailed in this report.

Quantitative Disclosure

(1) Net Long and Short Foreign Currency Positions

(a) Net long/(short) positions in currencies other than MOP are as follows:

	On December 31, 2024 (In thousands of MOP)
HKD	(1,578,253.75)
CNY	(7,958.39)
USD	899,259.86
Other Currencies	(101.83)

(b) Foreign exchange positions exceeding 10% of the Bank's total exposure:

	Spot Assets (In thousands of MOP)	Spot Liabilities (In thousands of MOP)	Net Position (In thousands of MOP)
HKD		(1,578,253.75)	(1,578,253.75)
USD	899,259.86		899,259.86

21. Foreign Exchange Risk (Continued)

(2) Forward Purchases and Sales

No such investments.

22. Equity Risk

No such investments.

23. Commodity Risk

No such transactions.

24. Liquidity Risk

Qualitative Disclosures – Risk Management Objectives and Policies

Liquidity risk refers to the risk that the Bank may not be able to obtain sufficient funds at a reasonable cost in a timely manner to meet its obligations as they come due, fulfill other payment obligations, and satisfy other funding needs required for normal business operations.

Liquidity risk management refers to the entire process of identifying, measuring, monitoring, and controlling liquidity risk. The Bank shall adhere to the principle of prudence, fully identifying, effectively measuring, continuously monitoring, and appropriately controlling liquidity risk across the whole Bank, as well as in various business lines and operational processes. This ensures that the Bank maintains sufficient funds to support asset growth and meet payment obligations for maturing debts, whether under normal operating conditions or in stressed situations.

The Bank establishes and improves its liquidity risk management system by formulating liquidity risk management policies, enabling effective identification, measurement, monitoring, and control of liquidity risk. This ensures that the Bank's liquidity needs can be met in a timely manner at a reasonable cost.

Liquidity risk management policies and procedures may include but not limited to the following:
(a) Identification, measurement, and monitoring of liquidity risk;
(b) Liquidity risk limit management;
(c) Risk appetite for liquidity risk management;
(d) Intraday liquidity risk management;
(e) Funding management;
(f) Management of high-quality liquid assets;
(g) Stress testing;
(h) Contingency funding plans;
(i) Liquidity risk management for cross-border and cross-institutional activities, as well as for major currencies;
(j) Ongoing monitoring and analysis of potential factors affecting liquidity risk, as well as the impact of other risk categories on liquidity risk.

24. Liquidity Risk (Continued)

Quantitative Disclosures

(1) Maturity Analysis of Financial Assets and Liabilities

On December 31, 2024

(In thousands of MOP)

	On Demand	Within 1 Month	1 - 3 Months	3 Months - 1 Year	1 Year - 3 Years	Over 3 Years	No Maturity	Total
Financial Assets								
Cash and bank deposits	1,752,208,094	1,472,947	-	-	-	-	-	1,753,681,041
Deposits with the Monetary Authority of Macao as reserves	53,867,947	-	-	-	-	-	128,868,467	182,736,414
Placements with banks	-	1,234,101,817	218,700,000	-	-	-	-	1,452,801,817
Financial Notes Deposited with the Monetary Authority of Macao	-	659,082,014	318,363,456	98,378,662	-	-	-	1,075,824,132
Customers loans and advances	175,783,997	77,562,237	170,737,291	648,578,922	373,291,848	545,454,936	1,687,913,792	3,679,323,023
Investment securities	-	-	367,602,083	239,844,640	877,792,890	65,607,562	2,210,282	1,553,057,457
Other financial assets	12,682,581	-	-	1,715,616	-	-	-	14,398,197
	1,994,542,619	1,972,219,015	1,075,402,830	988,517,840	1,251,084,738	611,062,498	1,818,992,541	9,711,822,081

24. Liquidity Risk (Continued)

	On Demand	Within 1 Month	1 - 3 Months	3 Months - 1 Year	1 Year - 3 Years	Over 3 Years	No Maturity	Total
Financial Liabilities								
Deposits from customers	818,142,609	1,386,333,490	4,570,075,578	2,970,442,792	67,018,565	2,100,637	-	9,814,113,671
Deposits from public sector entities	65	-	-	-	-	-	-	65
Deposits from holding and associated companies	23,176	38,930	39,971	8,928	-	-	-	111,005
Bonds issued	-	-	-	-	-	-	-	-
Other financial liabilities	11,460,423	350,015	2,119,090	6,752,498	-	-	-	20,682,026
	829,626,273	1,386,722,435	4,572,234,639	2,977,204,218	67,018,565	2,100,637	-	9,834,906,767
Net Position	1,164,916,346	585,496,580	(3,496,831,809)	(1,988,686,378)	1,184,066,173	608,961,861	1,818,992,541	(123,084,686)
Letters of guarantee issue	1,000,000	500,000	-	40,000,000	-	-	354,312,492	395,812,492

Note: For customers loans and advances, the "No Maturity" amount refers to the portion that is credit-impaired or overdue by more than one month.

24. Fund Liquidity Risk (Continued)

(2) Other Quantitative Disclosures

(a) Weekly Average Liquidity

	2024 (In thousands of MOP)
Minimum required liquid assets	163,611.69
Weekly average liquid assets	462,310.59

The weekly average liquidity is calculated in accordance with the requirements of the Monetary Authority of Macao using specified ratios (e.g., 3% for demand deposits, 2% for deposits with maturities less than 3 months, and 1% for deposits with maturities over 3 months).

(b) Liquid Assets for Solvency Purposes

	2024 (In thousands of MOP)
Specific liquid assets	12,416,935.03
Basic liabilities	20,148,750.67
Ratio of designated liquid assets to basic liabilities	61.63%

(c) Average Liquidity Ratios

	2024
1-month average liquidity ratio	181.80%
3-month average liquidity ratio	96.97%

25. Other Information

Operating Lease Commitments

As Lessee

The Bank leases certain office premises under operating lease arrangements with remaining lease terms ranging from one to seven years (2023: one to eight years). As at the end of the reporting period, the Bank's future minimum lease payments under irrevocable operating leases and their maturity are as follows:

	2024 MOP	2023 MOP
Within 1 year	9,000,059	13,153,195
1 to 5 years (inclusive)	22,804,216	24,227,416
Over 5 years	8,514,672	14,704,976
	40,318,947	52,085,587