

# **BANCO COMERCIAL DE MACAU, S. A.**

**REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

## CONTENTS

Note	Description	Page
	<b>Report of the Board of Directors for the year ended 31 December 2021</b>	<b>4</b>
	<b>Independent Auditor's Report to the Shareholders</b>	<b>7</b>
	<b>Income Statement</b>	<b>9</b>
	<b>Balance Sheet</b>	<b>10</b>
	<b>Statement of Changes in Equity</b>	<b>11</b>
	<b>Cash Flow Statement</b>	<b>12</b>
	<b>Notes to the Financial Statements</b>	<b>13</b>
<b>1</b>	<b>General information</b>	<b>13</b>
<b>2</b>	<b>Summary of significant accounting policies</b>	<b>13</b>
2.1	Basis of preparation	13
2.2	Foreign currency translation	17
2.2.1	Functional and presentation currency	17
2.2.2	Transactions and balances	17
2.3	Interest income and expense	18
2.4	Fee and commission income and expense	18
2.5	Dividend income	19
2.6	AMCM monetary bills	19
2.7	Financial assets	19
2.7.1	Financial assets designated at fair value through profit or loss (FVTPL)	19
2.7.2	Held-to-maturity investments (HTM)	19
2.7.3	Available-for-sale investments (AFS)	20
2.7.4	Reclassification of financial assets	20
2.7.5	Recognition and measurement of financial assets	20
2.7.6	Other investments	21
2.8	Impairment of financial assets	21
2.9	Financial liabilities	22
2.10	Derivative financial instruments	22
2.11	Repossessed assets	23
2.12	Intangible assets	23
2.13	Premises and other fixed assets	24
2.14	Employee benefits	25
2.15	Provisions	25
2.16	Current and deferred income tax	26
2.17	Operating leases	26
2.18	Cash and cash equivalents	27
2.19	Dividend	27
2.20	Financial guarantee contracts	27
2.21	Balance with AMCM	27
<b>3</b>	<b>Critical accounting estimates and judgments</b>	<b>28</b>
3.1	Impairment allowances on loans and advances to customers	28
3.2	Fair value of financial instruments	28
<b>4</b>	<b>Net interest income</b>	<b>29</b>
<b>5</b>	<b>Net fee and commission income</b>	<b>29</b>
<b>6</b>	<b>Dividend income</b>	<b>30</b>
<b>7</b>	<b>Net trading income</b>	<b>30</b>
<b>8</b>	<b>Other operating income</b>	<b>30</b>

## CONTENTS (continued)

9	Operating expenses	31
10	Impairment losses on loans and advances to customers	31
11	Income tax expense	32
12	Dividend	32
13	Cash and balances with banks	33
14	Loans and advances to customers	33
15	Movement of provisions for loans and advances to customers	33
16	Derivative financial instruments	34
17	Investment securities – Held-to-maturity	34
18	Other investments	34
19	Intangible assets	35
20	Premises and other fixed assets	36
21	Other assets	38
22	Deferred income tax	38
23	Deposits from customers	39
24	Certificate of deposit issued	39
25	Other liabilities	39
26	Contingent liabilities and commitments	40
27	Related party transactions	40
28	Share capital	42
29	Legal reserves	43
30	Notes to cash flow statement	43

**BANCO COMERCIAL DE MACAU, S. A.**  
**REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2021**

The Board of Directors of Banco Comercial de Macau, S. A. (the 'Bank' or 'BCM') submits its report together with the audited financial statements for the year ended 31 December 2021.

**Principal activities**

BCM is a limited liability company by shares incorporated and domiciled in the Macau Special Administrative Region ('MSAR' or 'Macau'), where it is engaged in general banking business by providing retail, commercial banking, wealth management, bancassurance, and other related financial services to its customers.

**Results and appropriations**

The results of the Bank for the year ended 31 December 2021 are set out in the Income Statement on page 9.

The Board of Directors recommends the payment of a dividend of MOP50,000,000 (2020: MOP75,000,000).

**Shareholders' equity**

Movements in shareholders' equity of the Bank during the year are set out in the Statement of Changes in Equity on page 11.

**BANCO COMERCIAL DE MACAU, S. A.**  
**REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2021**  
(Continued)

**Directors**

The following persons were appointed as Directors at the Annual General Meeting ('AGM') held on 19 March 2019 for the triennium 2019-2022 and continue in office or as of the date of this report:

David Shou-Yeh Wong	(Chairman)
Hon-Hing Wong (Derek Wong)	
Gary Pak-Ling Wang	
Harold Tsu-Hing Wong	
Pak-Hung Lau	
Alick Yuk-Fai Chiu	(Executive Director, resigned with effect from 10 September 2021)
Chit-Kwan Wong (Vincent Wong)	(Executive Director, Appointed with effect from 10 September 2021)

**Directors' interests in contracts**

None of the Directors had a beneficial interest in any contract of significance to the business of the Bank to which the Bank, any of its holding companies or fellow subsidiaries, was a party during the year.

**Directors' interests in equities or debentures**

At no time during the year was the Bank, any of its holding companies or fellow subsidiaries, a part of any arrangement to enable the Bank's Directors to acquire benefits by means of the acquisition of shares or debentures of the Bank.

**Events subsequent to balance sheet date**

The Board of Directors is not aware of any event that has occurred since the end of the financial year that has significantly affected the Bank.

**BANCO COMERCIAL DE MACAU, S. A.**  
**REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2021**  
(Continued)

**Management contracts**

The Bank entered into an agreement ('Computer and Administrative Services Agreement' or the 'Agreement') with Dah Sing Bank, Limited ('DSB'), commencing on 1 November 2006, with indefinite duration, regarding the provision of services by DSB, BCM's parent company, to the Bank.

The Bank shall pay to DSB, for services rendered to the Bank, per DSB's periodic billing. DSB and the Bank shall review the fees at the end of each year.

Under the terms of the agreement, either party can terminate it by giving notice in writing to the other party if the other party commits any material breach of any terms of the agreement and shall have failed to remedy the breach within 30 days after the receipt of the request in writing.

In addition, the Bank enters into various outsourcing arrangements with unrelated parties in the areas of security, provision of electronic and brokerage services and others. The terms of these agreements are set in accordance with the Guideline on Outsourcing issued by Autoridade Monetaria de Macau ('AMCM') under Circular N<sup>o</sup>. 032/B/2009-DSB/AMCM.

These arrangements are entered into with the objectives to facilitate the operation of the Bank, improve the quality and diversify the range of services provided to customers.

**Auditors**

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for reappointment.

**By and on behalf of the Board**

(signed on the original)

**Pak-Hung Lau**  
(Chief Executive Officer and Director)

(signed on the original)

**Gary Pak-Ling Wang**  
(Director)

Macau, 23 February 2022

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE SHAREHOLDERS OF BANCO COMERCIAL DE MACAU, S. A.**  
(Incorporated in Macau with limited liability by shares)

We have audited the financial statements of Banco Comercial de Macau, S. A. ('Bank' or 'BCM') set out on pages 9 to 43, which comprise the balance sheet as at 31 December 2021, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and explanatory notes.

**Directors' responsibility for the financial statements**

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

**Auditor's responsibility**

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

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

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

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

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE SHAREHOLDERS OF BANCO COMERCIAL DE MACAU, S. A.**  
(Incorporated in Macau with limited liability by shares)  
(continued)

**Audit opinion**

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of Banco Comercial de Macau, S. A. as at 31 December 2021 and of its operating results and cash flows for the year then ended in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region. The accounting policies used in the preparation of the financial statements for the year ended 31 December 2021 are consistent with those used in the preceding year.

(signed on the original)

Ng Wai Ying  
Certified Public Accountant  
PricewaterhouseCoopers

Macau, 23 February 2022



**BANCO COMERCIAL DE MACAU, S. A.**  
**FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER**

	Note	2021	2020
Interest income		434,943	538,912
Interest expense		<u>(149,896)</u>	<u>(243,751)</u>
<b>Net interest income</b>	4	<b>285,047</b>	<b>295,161</b>
Fee and commission income		74,043	76,550
Fee and commission expense		<u>(28,059)</u>	<u>(31,941)</u>
<b>Net fee and commission income</b>	5	<b>45,984</b>	<b>44,609</b>
Dividend income	6	4,969	36
Net trading income	7	8,308	6,728
Other operating income	8	11,312	11,516
<b>Operating income</b>		<u><b>355,620</b></u>	<u><b>358,050</b></u>
<b>Operating expenses</b>	9	<b>(219,757)</b>	<b>(219,935)</b>
<b>Operating profit before bad debt provisions</b>		<u><b>135,863</b></u>	<u><b>138,115</b></u>
Loss on disposal of premises and other fixed assets		(94)	(70)
Impairment losses on loans and advances to customers	10	(55,201)	(46,111)
Recoveries of loans and interest previously written off		1,464	3,050
<b>Profit before income tax</b>		<u><b>82,032</b></u>	<u><b>94,984</b></u>
Income tax expense	11	(9,504)	(10,844)
<b>Profit for the year</b>		<u><b>72,528</b></u>	<u><b>84,140</b></u>
<b>Attributable to:</b>			
Shareholders of the Bank		<u>72,528</u>	<u>84,140</u>
<b>Dividends</b>			
Proposed dividend	12	<u>50,000</u>	<u>75,000</u>

The notes on pages 13 to 43 are an integral part of these financial statements.

**BANCO COMERCIAL DE MACAU, S. A.**  
**FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**BALANCE SHEET AS AT 31 DECEMBER**

	Note	2021	2020
<b>Assets</b>			
Cash and balances with banks	13	1,024,880	1,026,564
Balance with AMCM		426,198	345,773
AMCM monetary bills maturing within 12 months		949,358	1,348,176
Placements with and loans and advances to banks maturing within 12 months		3,256,249	2,752,123
Loans and advances to customers	14	14,367,978	14,259,751
Investment securities – Held-to-maturity	17	1,119,023	1,754,851
Other investments	18	38,095	37,926
Intangible assets	19	12,002	7,605
Premises and other fixed assets	20	85,479	88,042
Other assets	21	22,909	43,192
Deferred tax assets	22	4,115	-
<b>Total assets</b>		<b>21,306,286</b>	<b>21,664,003</b>
<b>Liabilities</b>			
Balances and deposits from banks maturing within 12 months		75,593	138,277
Deposits from customers	23	18,407,811	19,343,906
Certificate of deposit issued	24	620,081	-
Other liabilities	25	162,110	141,466
Current income tax liabilities		13,994	11,185
Provisions		98	98
<b>Total liabilities</b>		<b>19,279,687</b>	<b>19,634,932</b>
<b>Equity</b>			
Share capital	28	225,000	225,000
Share premium		50,000	50,000
Legal reserve	29	225,000	225,000
Reserve for share-based compensation		1,146	1,146
Retained earnings		1,525,453	1,527,925
<b>Total equity</b>		<b>2,026,599</b>	<b>2,029,071</b>
<b>Total liabilities and equity</b>		<b>21,306,286</b>	<b>21,664,003</b>

Approved and authorized for issue by the Board of Directors on 23 February 2022.

[\(signed on the original\)](#)  
 \_\_\_\_\_  
 David Shou-Yeh Wong (Chairman)

[\(signed on the original\)](#)  
 \_\_\_\_\_  
 Hon-Hing Wong (Derek Wong)

[\(signed on the original\)](#)  
 \_\_\_\_\_  
 Gary Pak-Ling Wang

[\(signed on the original\)](#)  
 \_\_\_\_\_  
 Harold Tsu-Hing Wong

[\(signed on the original\)](#)  
 \_\_\_\_\_  
 Pak-Hung Lau (Chief Executive Officer)

[\(signed on the original\)](#)  
 \_\_\_\_\_  
 Chit-Kwan Wong (Vincent Wong)

The notes on pages 13 to 43 are an integral part of these financial statements.

**BANCO COMERCIAL DE MACAU, S. A.****FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**STATEMENT OF CHANGES IN EQUITY**

	Share Capital (Note 28)	Share Premium	Legal Reserve (Note 29)	Reserve for Share-based Compensation	Retained Earnings	Total Equity
<b>Balance as at 1 January 2020</b>	<b>225,000</b>	<b>50,000</b>	<b>225,000</b>	<b>1,146</b>	<b>1,643,785</b>	<b>2,144,931</b>
2019 Dividend	-	-	-	-	(200,000)	<b>(200,000)</b>
Net profit for the year	-	-	-	-	84,140	<b>84,140</b>
<b>Balance as at 31 December 2020 and 1 January 2021</b>	<b>225,000</b>	<b>50,000</b>	<b>225,000</b>	<b>1,146</b>	<b>1,527,925</b>	<b>2,029,071</b>
2020 Dividend (Note 12)	-	-	-	-	(75,000)	<b>(75,000)</b>
Net profit for the year	-	-	-	-	72,528	<b>72,528</b>
<b>Balance as at 31 December 2021</b>	<b>225,000</b>	<b>50,000</b>	<b>225,000</b>	<b>1,146</b>	<b>1,525,453</b>	<b>2,026,599</b>

The notes on pages 13 to 43 are an integral part of these financial statements.

**BANCO COMERCIAL DE MACAU, S. A.**  
**FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER**

	Note	2021	2020
<b>Cash flows from operating activities</b>			
Interest income received		557,038	556,179
Interest expense paid		(161,651)	(268,914)
Dividends received		4,969	36
Net fee and commission income received		46,467	44,975
Net trading income received		3,866	2,357
Recoveries of loans and interest previously written off		1,464	3,050
Other operating income received		11,264	11,509
Other operating expenses paid		(200,914)	(204,027)
Income tax paid		(10,810)	(22,899)
<b>Net cash flows from operating activities before changes in operating assets and operating liabilities</b>		<b>251,693</b>	<b>122,266</b>
<b>Changes in operating assets and operating liabilities</b>			
Net (increase)/decrease in AMCM monetary bills with original maturity of more than 3 months and balance with AMCM		(9,641)	831,786
Net (increase)/decrease in placements with and loans and advances to banks with original maturity of more than 3 months		(5,568)	268,594
Net (increase)/decrease in loans and advances to customers		(130,149)	969,835
Net decrease in other operating assets		14,559	17,223
Net decrease in balances and deposits from banks		(62,680)	(400,812)
Net decrease in deposits from customers		(304,262)	(732,913)
Net increase/(decrease) in other operating liabilities		19,460	(45,248)
<b>Net cash flows (used in)/from operating assets and operating liabilities</b>		<b>(478,281)</b>	<b>908,465</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		(9,303)	(5,383)
Purchase of premises and other fixed asset		(5,341)	(12,774)
Proceeds from disposal of premises and other fixed assets		48	8
Purchase of held-to-maturity investments		(1,006,211)	(2,267,160)
Proceeds from redemption of held-to-maturity investments		1,533,195	1,839,500
<b>Net cash flows from/(used in) investing activities</b>		<b>512,388</b>	<b>(445,809)</b>
<b>Net cash flows from financing activities</b>			
Dividend paid		(75,000)	(200,000)
<b>Net cash flows used in financing activities</b>		<b>(75,000)</b>	<b>(200,000)</b>
<b>Net increase in cash and cash equivalents</b>		<b>210,800</b>	<b>384,922</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>3,061,767</b>	<b>2,598,480</b>
<b>Exchange impact on cash and cash equivalents</b>		<b>(23,524)</b>	<b>78,365</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>3,249,043</b>	<b>3,061,767</b>
<b>Cash and cash equivalents comprise:</b>			
Cash and balances with banks		1,056,601	954,620
AMCM monetary bills and placements with and loans and advances to banks with original maturity up to 3 months		2,192,442	2,107,147
<b>Total cash and cash equivalents as at 31 December</b>	30	<b>3,249,043</b>	<b>3,061,767</b>

Note: The comparative figure has been reclassified to conform with current year's presentation.

The notes on pages 13 to 43 are an integral part of these financial statements.

**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**1 General information**

Banco Comercial de Macau, S. A. (the 'Bank' or 'BCM') is incorporated and domiciled in Macau where it provides a wide range of financial services including retail, commercial and institutional banking businesses. The Bank is a limited liability company by shares. The address of its registered office is Avenida da Praia Grande N° 572, Macau.

In its retail banking activities, the Bank handles individual customers' deposits (current, savings and term deposit accounts) and provides consumer and housing loans, overdrafts, credit cards, bancassurance products, and other banking services such as remittances.

In its commercial business and institutional oriented activities, the Bank handles current and term deposit accounts as well as property, business, project and trade finance facilities, and bank guarantees for corporate, institutional and high net worth customers.

The Bank also provides wealth management products, bancassurance and stock trading services to various segments of its clientele.

BCM's immediate and ultimate holding companies are Dah Sing Bank, Limited ('DSB') and Dah Sing Financial Holdings Limited ('DSFH') respectively, both of which are incorporated and domiciled in Hong Kong. DSFH is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The financial regulatory authority is the Autoridade Monetaria de Macau ('AMCM').

These financial statements are presented in thousands of Macau Patacas ('MOP'), unless otherwise stated.

These financial statements have been approved for issue by the Board of Directors on 23 February 2022.

**2. Summary of significant accounting policies**

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

**2.1 Basis of preparation**

The financial statements of the Bank have been prepared in accordance with the Financial Reporting Standards issued by the Government of Macau Special Administrative Region under Administrative Regulation N° 25/2005 on 9 December 2005 ('MFRS').

**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**2 Summary of significant accounting policies** (continued)

**2.1 Basis of preparation** (continued)

MFRS requires the following International Financial Reporting Standards ('IFRS') issued by the International Accounting Board ('IASB') and International Accounting Standards ('IAS') issued by its predecessor International Accounting Standards Committee ('IASC') be applied in the preparation of financial statements:

IFRS 1:	First-time adoption of IFRS
IAS 1:	Presentation of financial statements
IAS 7:	Cash flow statements
IAS 8:	Accounting policies, changes in accounting estimates and errors
IAS 10:	Events after the balance sheet date
IAS 12:	Income taxes
IAS 16:	Property, plant and equipment
IAS 17:	Leases
IAS 18:	Revenue
IAS 21:	The effects of changes in foreign exchange rates
IAS 23:	Borrowing costs
IAS 36:	Impairment of assets
IAS 37:	Provisions, contingent liabilities and contingent assets
IAS 38:	Intangible assets

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale investments, measured at fair value, and financial assets designated as at fair value through profit or loss.

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

**New standards and interpretations not yet adopted**

Effective from 28 March 2020, MFRS under Administrative Regulation No. 25/2005 on 9 December 2005 were replaced by Financial Reporting Standards issued by the Directive of Secretaria para a Economia e Finanças No. 44/2020 on 17 March 2020 ('New MFRS') which are available for early adoption prior to 2022. The New MFRS, which include new IFRS having been announced for adoption as of 2015 (including those standards with an effective date after 1 January 2015), are mandatory for adoption no later than the annual period beginning 1 January 2022. The Bank has not early adopted the New MFRS in preparing this set of financial statements.

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

**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**2 Summary of significant accounting policies** (continued)

**2.1 Basis of preparation** (continued)

**New standards and interpretations not yet adopted** (continued)

**IAS 1 – Presentation of Financial Statements**

IAS 1 requires an entity to present all non-owner changes in equity either in one statement of comprehensive income or in two statements, namely the income statement and the other comprehensive income statement. The standard also requires the presentation of a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when the entity applies an accounting policy retrospectively or makes a retrospective restatement. These impacts are related to presentation aspects.

**IAS 40 – Investment Property**

IAS 40 applies to the accounting for property (land and/or buildings) held to earn rentals or for capital appreciation (or both). Investment properties are initially measured at cost and, with some exceptions. Investment properties may be subsequently measured using a cost model or fair value model, with changes in the fair value under the fair value model being recognized in profit or loss.

The Bank will apply cost model to account for the investment properties. As at 1 January 2022, the Bank will recognize investment properties with a total cost of approximately MOP13 million and an accumulated depreciation of approximately MOP5 million which are currently recorded as part of premises and other fixed assets per requirements of New MFRS.

**IFRS 9 – Financial Instruments**

IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard permits an entity to apply the transitional provisions set out in the standard for adoption of the standard.

With respect to the Bank's investments in debt securities currently held in the held-to-maturity category with a total carrying value of approximately MOP1,119 million as at 31 December 2021, the Bank considers that the full portfolio qualifies for classification at amortized cost on retrospective basis.

**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**2 Summary of significant accounting policies** (continued)

**2.1 Basis of preparation** (continued)

**New standards and interpretations not yet adopted** (continued)

IFRS 9 – Financial Instruments (continued)

With respect to the Bank's investments in equity securities with a total carrying value of MOP38,095,000 as at 31 December 2021, the Bank plans to elect the irrevocable option to designate these investments as fair value through other comprehensive income ('FVTOCI') on transition to IFRS 9. This will give rise to a change in accounting policy as gains or losses realized will no longer be reported in the income statement, but will instead be recorded in the investment revaluation reserve and transferred to retained earnings, after adjusting for tax impact. The surplus on revaluation of the investments to be classified as FVOCI amounts to MOP670,000 and will be recognized as the opening balance of investments and revaluation reserve on 1 January 2022.

There will be no impact on the Bank's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Bank does not have such liabilities.

Under the expected credit loss ('ECL') model of IFRS 9, it will no longer be necessary for a loss event to occur before an impairment loss is recognized. Instead, an entity is required to recognize and measure either a 12-month ECL or a lifetime ECL, depending on the credit performance of a financial asset, changes in circumstances and outlook. The ECL model applies to financial assets classified at amortized cost, debt instruments measured at FVTOCI, lease receivables, loan commitments and certain financial guarantee contracts. The Bank expects that the application of the ECL model will result in an earlier recognition of credit losses.

Based on the assessments undertaken to date, the Bank anticipates that if it had adopted the new ECL impairment requirements at 31 December 2021, the accumulated impairment loss provision at that date would have decreased by approximately 37% or MOP98 million from MOP265 million recognized under the existing provision policy to MOP167 million. As a consequence, an adjustment of approximately MOP98 million (before adjusting for tax effect) will be made to increase the opening balances of net assets and retained earnings of the Bank as at 1 January 2022. Nevertheless, per the requirements of Circular No. 012/2021 issued by AMCM and more specifically the determination and maintenance of provisions for credit risk and the requirement to maintain a regulatory reserve per the AMCM rules, the adoption of the new ECL impairment treatment will not result in an increase in the amount of distributable profit of the Bank as at 1 January 2022.

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



**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**2 Summary of significant accounting policies** (continued)

**2.1 Basis of preparation** (continued)

**New standards and interpretations not yet adopted** (continued)

IFRS 13 – Fair Value Measurement

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. There will be additional disclosures on the fair values of financial assets and financial liabilities under the new standard.

**2.2 Foreign currency translation**

**2.2.1 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the ‘functional currency’). The financial statements are presented in Macau Patacas as the functional and presentation currency best reflecting the economic substance of the events relevant to the Bank.

**2.2.2 Transactions and balances**

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in the amortized cost are recognized in the income statement, and other changes in the carrying amount are recognized in equity.

Translation differences in the fair value of monetary securities denominated in foreign currency carried at fair value through profit or loss are reported in the income statement as part of the fair value gain or loss.

**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**2 Summary of significant accounting policies (continued)**

**2.3 Interest income and expense**

Interest income, the principal source of revenue of the Bank, and interest expense, the main financial cost incurred by the Bank, are recognized in the income statement for all instruments measured at amortized cost, available-for-sale securities and certain financial assets/liabilities designated at fair value through profit or loss using the effective interest method.

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

Interest income or expense arising from entering into interest rate swaps ('IRS'), recognized as off-balance sheet financial instruments, are also included in interest income or expense on a net basis.

Once a financial asset has been written down upon the recognition of a specific provision, interest is recognized on a cash basis in accordance with Notice N° 18/93 AMCM.

**2.4 Fee and commission income and expense**

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognized as revenue when the syndication has been completed and the Bank retained no part of the loan package for itself or retained a part at the same effective interest rate as the other participants. Commissions and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-apportioned basis. Asset management fees related to investment funds are recognized ratably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period. Performance linked fees or fee components are recognized when the performance criteria are fulfilled.

**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**2 Summary of significant accounting policies** (continued)

**2.5 Dividend income**

Dividends are recognized in the income statement when the Bank's right to receive payment has been established.

**2.6 AMCM monetary bills**

AMCM monetary bills are debt instruments issued by AMCM for which the Bank's management has the intention and ability to hold to maturity. Monetary bills are purchased at a discount and stated at amortized cost in the face of the balance sheet. Discounts are accreted up to maturity on a straight-line basis, which approximates, due to relatively short tenors, the effective interest rate method, and reported as interest income in the income statement. The carrying amount of monetary bills shall include accrued interest.

**2.7 Financial assets**

The Bank classifies its financial assets in the following categories: financial assets designated at fair value through profit or loss, held-to-maturity investments, and available-for-sale investments

**2.7.1 Financial assets designated at fair value through profit or loss**

A financial asset is typically designated at FVTPL at inception if it meets the following criteria:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring the financial assets or recognizing the gains and losses on them on different bases;
- it is managed and evaluated on a fair value basis, as it is the case of equity investments, in accordance with a documented risk management or investment strategy, and this is the basis on which information about the assets is provided internally to the key management personnel such as the Board of Directors and Chief Executive Officer; or
- it contains one or more embedded derivatives where the characteristics and risks of the embedded derivatives are not closely related to the host contracts.

**2.7.2 Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. If the Bank were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be treated and reclassified as available-for-sale. The carrying amount of held-to-maturity investments shall include accrued interest.

**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**2 Summary of significant accounting policies** (continued)

**2.7 Financial assets** (continued)

**2.7.3 Available-for-sale investments**

Available-for-sale financial assets are non-derivative assets that are either designated in this category or not classified in any of other categories.

Available-for-sale investments are those intended to be held for an indefinite period of time, which, nevertheless, may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Unrealized gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity until the financial asset is derecognized or impaired, at which time the cumulative gain or loss previously recognized in equity should be recognized in the income statement.

Interest of available-for-sale investments is recognized in the income statement. Dividends are recognized in the income statement when the Bank's right to receive payment is established.

**2.7.4 Reclassification of financial assets**

The Bank may choose to reclassify financial assets that would meet the definition of loans and receivables and held-to-maturity categories out of available-for-sale category if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortized cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows shall require adjustment in effective interest rates prospectively.

**2.7.5 Recognition and measurement of financial assets**

Purchases and sales of financial assets are recognized on trade date -- the date on which the Bank commits to purchase or sell the asset.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets, which are carried at fair value through profit or loss, are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership and the transfer qualifies for de-recognition.

**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**2 Summary of significant accounting policies** (continued)

**2.7 Financial assets** (continued)

**2.7.5 Recognition and measurement of financial assets** (continued)

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost less any impairment loss using the effective interest method. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise.

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired. At this time the cumulative gain or loss previously recognized in the equity is recognized in the income statement. However, interest calculated using the effective interest method and foreign gains and losses on monetary assets classified as available-for-sale are recognized in the income statement.

**2.7.6 Other investments**

Miscellaneous investments are classified as other investments and stated at cost less impairment.

**2.8 Impairment of financial assets**

Impairment of financial assets is governed in Macau by Notice N<sup>o</sup> 18/93 AMCM and applies solely to the Bank's exposures to non-bank customers.

A financial asset is impaired when the payment of interest or commission thereon or the payment of principal is past due for more than 3 months. When a financial asset is impaired, a minimum specific provision needs to be set up. The amount is determined based on the financial asset carrying amount, net of the realizable value of any existing and duly formalized tangible collateral, also taking into consideration the time period in which payments have been delayed, in the following manner:

- delayed over 3 months but less than or equal to 12 months: 40%;
- delayed over 12 months but less than or equal to 18 months: 80%;
- delayed over 18 months: 100%.

**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**2 Summary of significant accounting policies** (continued)

**2.8 Impairment of financial assets** (continued)

Where management considers it necessary, additional provisions may be made on impaired financial assets if the expected recovery amount is less than the carrying value of the loan net of specific provisions.

For the assets representing advances to non-bank customers not included above, i.e. which are not past due for more than 3 months, a general provision of not less than 1% of the aggregated value needs to be set aside. General provisions also apply to certain off-balance sheet instruments such as bank guarantees and similar contracts.

Specific and general provisions are recognized in the income statement and deducted from the carrying amount of impaired financial assets in the balance sheet.

The Bank assesses at each balance sheet date whether there is objective evidence that its AFS and HTM securities are impaired. These financial assets are impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in income statement – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

**2.9 Financial liabilities**

Financial liabilities are initially recognized at fair value net of transaction costs incurred and subsequently stated at amortized cost. Any difference between proceeds net of transaction costs and the redemption value is recognized in the income statement over the life of the financial liabilities using the effective interest method.

**2.10 Derivative financial instruments**

The Bank enters into derivative transactions in the foreign exchange and interest rate markets, namely foreign exchange contracts and interest rate swaps ('IRS'), with the principal aim of hedging other transactions, either assets or liabilities. IRS are treated as off-balance sheet financial instruments, with interest income or expenses recorded in the income statement. The interest income and expenses on IRS are settled on a net basis.

**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**2 Summary of significant accounting policies** (continued)

**2.10 Derivative financial instruments** (continued)

Accordingly, interest income and expense on IRS are presented on a net basis in the income statement. Interest receivable and payable are also presented on a net basis in the balance sheet.

Unrealized gains or losses on forward foreign exchange contracts which are marked to market are recognized in the income statement and included, respectively, in other assets or other liabilities in the balance sheet.

**2.11 Repossessed assets**

Repossessed collateral assets are accounted as 'Assets held for sale' and reported in 'Other assets' and the relevant loans are derecognized. The repossessed collateral assets are measured at lower of carrying amount and fair value less costs to sell.

**2.12 Intangible assets**

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful life of three years.

Cost associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software products so that it will be available for use;
- management intends to complete the software products and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software products will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**2 Summary of significant accounting policies** (continued)

**2.12 Intangible assets** (continued)

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over 3 years.

**2.13 Premises and other fixed assets**

Premises and other fixed assets are stated at historical cost less depreciation.

Historical cost includes expenditure that is directly attributable to the acquisition of the items of property and equipment. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of premises and other tangible fixed assets is calculated using the straight-line method to allocate the cost over their estimated useful lives, as follows:

• Buildings	2%	50 Years
• Heavy repairs and improvements	33.3%	3 Years
• Computer equipment (hardware)	25%	4 Years
• Motor vehicles	20%	5 Years
• Furniture, fittings and other equipment	10%- 25%	4-10 Years

No depreciation is charged in respect of freehold land and items of property and equipment under development.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains or losses on disposal are determined by comparing proceeds with carrying amount. These are recognized in the income statement as other operating expenses.



**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**2 Summary of significant accounting policies** (continued)

**2.14 Employee benefits**

The Bank sponsors a defined contribution pension plan, which is funded by payments by the Bank and its employees to an insurance company, which administers the plan. The plan is registered under and supervised by AMCM. The plan was established and is governed in accordance with Macau Decree-Law 6/99/M of 8 February 1999. Contributions to the plan are recognized as employee benefit expense when they fall due. The Bank has no further payment obligations once the contributions have been made.

Upon an employee's resignation, the Bank's payments to the defined contribution pension plan may be forfeited by the employee depending on their length of service with the Bank. Any amounts forfeited by the employees are maintained in a residual account with the pension provider and are used to offset the Bank's future contributions.

The Bank also offers healthcare insurance-based benefits to its employees who are providing service to the Bank. Healthcare benefits are prepaid annually when renewing the insurance policy and charged over the next 12 months.

**2.15 Provisions**

Provisions are recognized when there is 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 has been reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**2 Summary of significant accounting policies** (continued)

**2.16 Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Bank operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the Macau tax authority.

Deferred income tax is recognized using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilized.

The tax effects of income tax losses available for carry forward are recognized as an asset when it is probable that future taxable benefits will be available against which these losses can be utilized.

**2.17 Operating Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives from the lessor) including up-front payment made for leasehold land and land use rights, are charged to the income statement on a straight-line basis over the period of the lease.

Where the Bank is a lessor under operating leases, assets leased out are included in premises and other fixed assets in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned premises and other fixed assets. Rental income (net of any incentives given to lessees) is recognized on a straight-line basis over the lease term.

**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**2 Summary of significant accounting policies** (continued)

**2.18 Cash and cash equivalents**

Cash and cash equivalents comprise cash, balances with banks and AMCM, items in course of collection from other banks, AMCM monetary bills, and placements with and loans and advances to banks with original maturities of 3 months or less and are subject to insignificant risk of changes in value.

**2.19 Dividend**

Dividend distribution to the Bank's shareholders is recognized as a liability in the Bank's financial statements in the period in which the dividends are approved by the Bank's shareholders.

**2.20 Financial guarantee contracts**

Financial guarantee contracts are contracts that require the issuer to make stipulated payments to reimburse the holder for an incurred loss because a third party failed to fulfill its obligations through either specified payments or the warrant of specific projects.

Financial guarantees are carried off balance sheet.

**2.21 Balance with AMCM**

In accordance with AMCM Notice N<sup>o</sup> 6/93, the Bank is required to maintain a minimum regulatory deposit balance with AMCM for liquidity purposes. The required weekly average of the MOP deposit account should not be less than 70% of the following:

- 3% on all liabilities repayable on demand;
- 2% on all liabilities repayable within 3 months (inclusive), except for those already counted above; and
- 1% on liabilities repayable beyond 3 months.

**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**3 Critical accounting estimates and judgments**

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**3.1 Impairment allowances on loans and advances to customers**

The Bank periodically reviews its loan portfolios to identify and assess bad and doubtful debts at least on a quarterly basis. In determining whether a provision should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Specific provisions are made against individual loans and advances as and when the management has doubts on the ultimate recoverability of the principal or interest in full. The provision is made to reduce the carrying value of advances to customers, net of any collateral, to the expected net realizable value based on the assessment of the management of the potential losses on those identified advances, and with reference to the requirements of AMCM.

On assessing general provision, the Bank refers to the requirements of AMCM and applies judgment on the external credit environment to determine the appropriate level of general provision.

**3.2 Fair value of financial instruments**

Fair value is defined as the value at which positions could be closed or sold in a transaction with a willing and knowledgeable counterparty. The majority of the Bank's financial instruments reported at fair value are based on quoted and observable market prices. There is a risk that quoted market prices may not be representative of fair value in illiquid markets.

**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**4 Net interest income**

**Interest income**

	<b>2021</b>	<b>2020</b>
<b>Interest received and receivable on:</b>		
Current account with AMCM	9	1,109
AMCM monetary bills	2,830	33,762
Placements with and loans and advances to banks	11,501	36,541
Investment securities	21,949	24,712
Loans and advances to customers	396,981	440,410
Other interest income	1,673	2,378
<b>Total interest income</b>	<b>434,943</b>	<b>538,912</b>

**Interest expense**

**Interest paid and payable on:**

Balances and deposits from banks	2,200	1,383
Deposits from customers	145,794	241,578
Other interest expense	1,902	790
<b>Total interest expense</b>	<b>149,896</b>	<b>243,751</b>

<b>Net interest income</b>	<b>285,047</b>	<b>295,161</b>
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**5 Net fee and commission income**

**Fee and commission income**

	<b>2021</b>	<b>2020</b>
<b>Fee and commission income from:</b>		
Bank guarantees granted	2,637	2,675
Trade finance	775	710
Securities trading and custodian services	15,088	13,740
Commitment fees	1,360	1,266
Credit card operations	24,187	26,050
Cheques and payment orders issued	1,004	1,401
Insurance sales	16,652	19,592
Other fee and commission income	12,340	11,116
<b>Total fee and commission income</b>	<b>74,043</b>	<b>76,550</b>

**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**5 Net fee and commission income** (continued)

**Fee and commission expense**

	<b>2021</b>	<b>2020</b>
<b>Fee and commission expense on:</b>		
Custodian services	167	179
Auto finance	1,708	2,493
Correspondent banks	797	618
Securities trading	6,807	6,526
Credit card operations	18,580	22,125
<b>Total fee and commission expense</b>	<b>28,059</b>	<b>31,941</b>
<b>Net fee and commission income</b>	<b>45,984</b>	<b>44,609</b>

**6 Dividend income**

	<b>2021</b>	<b>2020</b>
Listed companies	-	-
Unlisted companies	4,969	36
<b>Total dividend income</b>	<b>4,969</b>	<b>36</b>

**7 Net trading income**

	<b>2021</b>	<b>2020</b>
Net trading income		
- Foreign exchange	8,308	6,728
<b>Net trading income</b>	<b>8,308</b>	<b>6,728</b>

**8 Other operating income**

	<b>2021</b>	<b>2020</b>
Services rendered to third parties	1,041	1,024
Property rental	3,152	3,152
Other operating income	7,119	7,340
<b>Total other operating income</b>	<b>11,312</b>	<b>11,516</b>

**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**9 Operating expenses**

	<b>2021</b>	<b>2020</b>
<b>Staff costs:</b>		
Directors' remuneration	9,381	9,883
Wages, salaries and bonus	118,453	114,954
Pension costs	7,572	7,741
Others	10,711	13,214
<b>Property costs:</b>		
Rental of premises	7,308	7,572
Other property costs	1,609	1,581
<b>Amortization and depreciation:</b>		
Amortization of intangible assets	4,926	5,228
Depreciation for premises and other fixed assets	12,179	11,900
<b>Other operating expenses:</b>		
Advertising and promotion expenses	4,213	3,891
Computer expenses	19,059	17,917
Other operating expenses	24,346	26,054
<b>Total operating expenses</b>	<b><u>219,757</u></b>	<b><u>219,935</u></b>

**10 Impairment losses on loans and advances to customers**

	<b>2021</b>	<b>2020</b>
<b>Specific provisions</b>		
Charged to the income statement	9,824	58,491
Recoveries	(7,005)	(1,079)
<b>Net charge to income statement</b>	<b><u>2,819</u></b>	<b><u>57,412</u></b>
<b>General provisions</b>		
<b>Net charge/(credit) to income statement</b>	<b><u>52,382</u></b>	<b><u>(11,301)</u></b>
<b>Total impairment losses on loans and advances to customers</b>	<b><u>55,201</u></b>	<b><u>46,111</u></b>

**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**11 Income tax expense**

Current tax comprises of Macao complementary tax. According to Macao complementary tax law, Macao complementary tax is levied at progressive rates ranging from 3% to 9% on the taxable income above MOP32,000 but below MOP300,000, and thereafter at a fixed rate at 12%. For 2020 and 2021, a special tax incentive is provided to the effect that tax free income threshold is increased from MOP32,000 to MOP600,000 and the profit thereafter is to be axed at a fixed rate of 12%. On 29 April 2021, the Legislative Assembly approved an additional tax incentive to reduce the 2020 complementary tax payment by MOP300,000. The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the Macao complementary tax rate applicable to the profits of the Bank, which is set out below:

	<b>2021</b>	<b>2020</b>
Current income tax expense	13,619	10,844
Deferred income tax (Note 22)	(4,115)	-
<b>Total tax expense</b>	<b>9,504</b>	<b>10,844</b>

	<b>2021</b>	<b>2020</b>
<b>Profit before tax</b>	<b>82,032</b>	<b>94,984</b>
Tax calculated at 12% (2020: 12%)	9,844	11,398
(Over)/under provision in previous years	(12)	12
Effect of the progressive tax rate below 12%	(17)	(17)
Special complementary tax incentive	(55)	(55)
Additional tax incentive for COVID-19	-	(300)
Income not subject to tax	(361)	(368)
Expenses not deductible for tax purposes	4,220	174
Tax credits for impairment provision on loans and advances to customers	(4,115)	-
<b>Total tax expense</b>	<b>9,504</b>	<b>10,844</b>

**12 Dividend**

On 25 March 2021, the shareholders had approved an appropriation of dividend of MOP75,000,000 for the year ended 31 December 2020. The dividend was paid during 2021 as an appropriation of retained earnings for the year ended 31 December 2021.

At a meeting of the Board of directors of the Bank held on 23 February 2022, the directors proposed to pay a dividend of MOP50,000,000 for the year ended 31 December 2021. This proposed dividend is not reflected as a dividend payable in these financial statements but will be reflected as an appropriation of retained earnings for the year ending 31 December 2022 upon the approval of the shareholders in the Annual General Meeting.



**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**13 Cash and balances with banks**

<b>As at 31 December</b>	<b>2021</b>	<b>2020</b>
Cash	307,891	287,905
Balances with banks	716,989	738,659
	<b><u>1,024,880</u></b>	<b><u>1,026,564</u></b>

**14 Loans and advances to customers**

<b>As at 31 December</b>	<b>2021</b>	<b>2020</b>
Loans and advances to customers	14,633,012	14,471,467
Specific provisions (Note 15)	(67,624)	(66,688)
General provisions (Note 15)	(197,410)	(145,028)
<b>Net loans and advances to customers</b>	<b><u>14,367,978</u></b>	<b><u>14,259,751</u></b>

<b>As at 31 December</b>	<b>2021</b>	<b>2020</b>
Maturing within 12 months	2,808,460	2,473,643
Maturing beyond 12 months	11,559,518	11,786,108
<b>Net loans and advances to customers</b>	<b><u>14,367,978</u></b>	<b><u>14,259,751</u></b>

**15 Movement of provisions for loans and advances to customers**

	<b>Specific provisions</b>	<b>General provisions</b>	<b>Total provisions</b>
Balance as at 1 January 2020	12,524	156,329	168,853
Amounts written off	(3,248)	-	(3,248)
Net charge for the year	57,412	(11,301)	46,111
<b>Balance as at 31 December 2020</b>	<b><u>66,688</u></b>	<b><u>145,028</u></b>	<b><u>211,716</u></b>
Balance as at 1 January 2021	66,688	145,028	211,716
Amounts written off	(1,883)	-	(1,883)
Net charge for the year	2,819	52,382	55,201
<b>Balance as at 31 December 2021</b>	<b><u>67,624</u></b>	<b><u>197,410</u></b>	<b><u>265,034</u></b>

**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

<b>16</b>	<b>Derivative financial instruments</b>		
	Foreign exchange derivatives as at 31 December	<b>2021</b>	<b>2020</b>
	Currency forwards purchase (notional value)	247,416	283,584
	Currency forwards sale (notional value)	(247,412)	(281,778)
	Currency options purchased (notional)	-	-
	Currency options written (notional)	-	-
		<u>                    </u>	<u>                    </u>
<b>17</b>	<b>Investment securities – Held-to-maturity</b>		
	As at 31 December	<b>2021</b>	<b>2020</b>
	Debt securities (listed)	366,939	171,646
	Debt securities (unlisted)	752,084	1,583,205
		<u>1,119,023</u>	<u>1,754,851</u>
	Market value	<u>1,111,006</u>	<u>1,748,001</u>
	Maturing within 12 months	661,475	1,540,705
	Maturing beyond 12 months	457,548	214,146
		<u>1,119,023</u>	<u>1,754,851</u>
<b>18</b>	<b>Other investments</b>		
	As at 31 December	<b>2021</b>	<b>2020</b>
	Unlisted equity securities, at cost	38,095	37,926
		<u>                    </u>	<u>                    </u>

**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**19 Intangible assets**

	<b>Software and banking systems</b>
<b>Opening net book amount as at 1 January 2020</b>	<b>7,305</b>
Additions	5,528
Disposals	(145)
Amortization charged	(5,083)
<b>Closing net book amount as at 31 December 2020</b>	<b><u>7,605</u></b>
 <b>As at 31 December 2020</b>	
Cost	70,973
Accumulated amortization	(63,368)
<b>Net book amount</b>	<b><u><u>7,605</u></u></b>
 <b>Opening net book amount as at 1 January 2021</b>	
	<b>7,605</b>
Additions	9,323
Disposals	(20)
Amortization charged	(4,906)
<b>Closing net book amount as at 31 December 2021</b>	<b><u>12,002</u></b>
 <b>As at 31 December 2021</b>	
Cost	80,277
Accumulated amortization	(68,275)
<b>Net book amount</b>	<b><u><u>12,002</u></u></b>

**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**20 Premises and other fixed assets**

	Premises	Premises improvements	Furniture and equipment	Total
<b>As at 1 January 2020</b>				
Cost	107,058	70,173	75,149	252,380
Accumulated depreciation	(44,603)	(65,030)	(60,056)	(169,689)
<b>Net book amount</b>	<b>62,455</b>	<b>5,143</b>	<b>15,093</b>	<b>82,691</b>
<b>Opening net book amount as at 1 January 2020</b>	<b>62,455</b>	<b>5,143</b>	<b>15,093</b>	<b>82,691</b>
Additions	8,877	3,927	4,533	17,337
Write-offs/disposals	-	(1,360)	(3,203)	(4,563)
Depreciation charged	(2,203)	(2,387)	(2,833)	(7,423)
<b>Closing net book amount as at 31 December 2020</b>	<b>69,129</b>	<b>5,323</b>	<b>13,590</b>	<b>88,042</b>
<b>As at 31 December 2020 and 1 January 2021</b>				
Cost	115,935	72,740	76,478	265,153
Accumulated depreciation	(46,806)	(67,417)	(62,888)	(177,111)
<b>Net book amount</b>	<b>69,129</b>	<b>5,323</b>	<b>13,590</b>	<b>88,042</b>

**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**20 Premises and other fixed assets (continued)**

	Premises	Premises improvements	Furniture and equipment	Total
<b>Opening net book amount as at 1 January 2021</b>	<b>69,129</b>	<b>5,323</b>	<b>13,590</b>	<b>88,042</b>
Additions	-	5,270	4,489	9,759
Write-offs/disposals	-	(1,113)	(3,305)	(4,418)
Depreciation charged	(2,290)	(3,081)	(2,533)	(7,904)
<b>Closing net book amount as at 31 December 2021</b>	<b>66,839</b>	<b>6,399</b>	<b>12,241</b>	<b>85,479</b>

**As at 31 December 2021**

Cost	115,935	76,897	77,662	270,494
Accumulated depreciation	(49,096)	(70,498)	(65,421)	(185,015)
<b>Net book amount</b>	<b>66,839</b>	<b>6,399</b>	<b>12,241</b>	<b>85,479</b>

**The net book amount of premises comprises:**

	2021	2020
Leaseholds in Macau	64,277	66,488
Freeholds in Macau	2,562	2,641
<b>Net book amount</b>	<b>66,839</b>	<b>69,129</b>

**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**21 Other assets**

<b>As at 31 December</b>	<b>2021</b>	<b>2020</b>
Repossessed assets	1,500	13,757
Accounts receivable and prepayments	13,276	18,999
Others	8,133	10,436
	<u>22,909</u>	<u>43,192</u>

**22 Deferred income tax**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

<b>As at 31 December</b>	<b>2021</b>	<b>2020</b>
Deferred tax assets to be recovered after more than 12 months	<u>4,115</u>	<u>-</u>

**The net movement on the deferred income tax asset is as follows:**

	<b>2021</b>	<b>2020</b>
<b>As at 1 January</b>	-	-
Recognized in the income statement (Note 11)	4,115	-
<b>As at 31 December</b>	<u>4,115</u>	<u>-</u>
<b>Deferred income tax assets/(liabilities)</b>	<b>Impairment on loan and advances to customers</b>	<b>Total</b>
<b>As at 1 January 2020</b>	-	-
Charged to the income statement	-	-
<b>As at 31 December 2020</b>	<u>-</u>	<u>-</u>
<b>As at 1 January 2021</b>	-	-
Credited to the income statement	4,115	4,115
<b>As at 31 December 2021</b>	<u>4,115</u>	<u>4,115</u>

**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**23 Deposits from customers**

<b>As at 31 December</b>	<b>2021</b>	<b>2020</b>
Current deposit accounts	2,447,098	3,012,039
Savings deposit accounts	4,792,502	4,803,086
Time deposit accounts	11,168,211	11,528,781
<b>Total deposits from customers</b>	<b>18,407,811</b>	<b>19,343,906</b>

<b>As at 31 December</b>	<b>2021</b>	<b>2020</b>
Maturing within 12 months	18,379,460	19,340,066
Maturing beyond 12 months	28,351	3,840
	<b>18,407,811</b>	<b>19,343,906</b>

**24 Certificate of deposit issued**

<b>As at 31 December</b>	<b>2021</b>	<b>2020</b>
Maturing within 12 months	620,081	-

**25 Other liabilities**

<b>As at 31 December</b>	<b>2021</b>	<b>2020</b>
Accrued expenses and other payables	26,002	25,140
Deferred income	77,895	84,441
Others	58,213	31,885
	<b>162,110</b>	<b>141,466</b>

**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**26 Contingent liabilities and commitments**

As at 31 December 2021 and 2020, the Bank did not have any capital commitments.

<b>Credit commitments as at 31 December</b>	<b>2021</b>	<b>2020</b>
Bank guarantees	298,084	316,224
Trade related contingencies	29,315	12,751
Other commitments	1,211,111	1,168,419
<b>Total credit commitments</b>	<b>1,538,510</b>	<b>1,497,394</b>

  

<b>Operating lease commitments as at 31 December</b>	<b>2021</b>	<b>2020</b>
Less than 12 months	5,906	5,339
Between 1 to 5 years	9,470	11,182
Over 5 years	3,153	4,798
<b>Total operating lease commitments</b>	<b>18,529</b>	<b>21,319</b>

**27 Related party transactions**

The Bank is controlled by Dah Sing Bank, Limited ('DSB', the immediate holding company), a licensed bank incorporated in Hong Kong, which directly owns 78% of the equity of the Bank. Other shareholders are DSB BCM (1) Limited and DSB BCM (2) Limited, each is directly holding 11% equity interest in the Bank, and both are wholly owned subsidiaries of DSB. The ultimate holding company of the Bank is Dah Sing Financial Holdings Limited ('DSFH'), a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited. In the ordinary course of the Bank's business, the Bank enters into transactions with fellow subsidiaries of DSFH which include Macau Insurance Company Limited and Macau Pension Fund Management Company Limited, in addition to transactions with DSB.



**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**27 Related party transactions** (continued)

**Immediate holding company**

<b>Balances as at 31 December</b>	<b>2021</b>	<b>2020</b>
Balances and placements with and loans and advances to banks	3,786,516	3,305,159
Investment securities – held-to-maturity	-	104,738
<b>Receivables or prepaid expenses:</b>		
Other receivables or prepaid expenses	275	998
<b>Liabilities:</b>		
Balances and deposits from banks	74,171	138,277
Certificate of deposit issued	516,873	-
<b>Payables or deferred income:</b>		
Management fee	361	804
Other payables or deferred income	662	1,292
<b>Off balance sheet items</b>		
Currency options (notional amount)	-	-
<b>For the year ended 31 December</b>	<b>2021</b>	<b>2020</b>
<b>Income:</b>		
Interest on placements with and loans and advances to banks	11,445	34,458
Interest on investment securities held-to-maturity	316	1,934
Other operating income/management fee	2,236	1,728
<b>Expenses:</b>		
Interest on balances and deposits from banks	117	1,070
Interest on certificate of deposit issued	1,873	-
Other operating expense/management fee	2,655	2,961

**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

<b>27</b>	<b>Related party transactions</b> (continued)		
	<b>Fellow subsidiaries</b> (continued)		
	<b>Balances as at 31 December</b>	<b>2021</b>	<b>2020</b>
	<b>Receivables or prepaid expenses:</b>		
	Other receivables or prepaid expenses	588	628
	<b>Liabilities:</b>		
	Deposits from customers	<u>188,575</u>	<u>133,462</u>
	<b>For the year ended 31 December</b>	<b>2021</b>	<b>2020</b>
	<b>Income:</b>		
	Fee and commission and operating income	12,819	13,139
	<b>Expenses:</b>		
	Interest on deposits from customers	882	1,473
	Fee and commission and operating expenses	<u>2,611</u>	<u>3,378</u>
<b>28</b>	<b>Share capital</b>		
		<b>2021</b>	<b>2020</b>
	<b>Authorized 900,000 shares at MOP250 each</b>	<u>225,000</u>	<u>225,000</u>
	<b>Issued and fully paid:</b>	<b>2021</b>	<b>2020</b>
	<b>Ordinary shares of MOP250 each</b>		
	<b>As at 1 January and 31 December</b>		
	Number of shares (thousand)	900	900
	Share capital	<u>225,000</u>	<u>225,000</u>

**BANCO COMERCIAL DE MACAU, S. A.**  
**NOTES TO THE FINANCIAL STATEMENTS**

All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

**29 Legal reserve**

Movements in legal reserve are included in the statement of changes in equity on page 11 of the financial statements.

The legal reserve represents the amount set aside from retained earnings and is not distributable to the Bank's shareholders. Article 60<sup>o</sup> of the Macau Financial System Act requires credit institutions incorporated in Macau transfer at least 20% of their net annual profits to their legal reserve account until that fund amounts to half of the share capital. Once the amount referred to in the preceding sentence has been reached, credit institutions shall transfer at least 10% of their annual net profits to the legal reserve account until the reserve fund is equal to the share capital.

The Bank's legal reserve had been built up to its ceiling prior to the current year and there was no further transfer made in the year ended 31 December 2021 (2020: Same).

**30 Notes to cash flow statement**

Analysis of balances of cash and cash equivalents:

	<b>2021</b>	<b>2020</b>
Cash (Note 13)	307,891	287,905
Balances with banks (Note 13)	716,989	738,659
Balance with AMCM	426,198	345,773
Minimum statutory cash requirement	(394,477)	(417,717)
<b>Total cash and balances with banks</b>	<b><u>1,056,601</u></b>	<b><u>954,620</u></b>
<b>With original maturity up to 3 months:</b>		
AMCM monetary bills	-	420,000
Placements with and loans and advances to banks	2,192,442	1,687,147
<b>Total AMCM monetary bills and placements with and loans and advances to banks</b>	<b><u>2,192,442</u></b>	<b><u>2,107,147</u></b>
<b>Total cash and cash equivalents as at 31 December</b>	<b><u>3,249,043</u></b>	<b><u>3,061,767</u></b>