



**BANCO COMERCIAL PORTUGUÊS, S. A.
MACAU BRANCH**

DISCLOSURE OF FINANCIAL INFORMATION

31 DECEMBER 2022

(Circular No. 006/B/2022-DSB/AMCM)

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DISCLOSURE OF INFORMATION

The information presented hereinafter concerning Banco Comercial Português, S. A. Macau Branch (the Branch) and its Banking Group to which it belongs is disclosed under and is in compliance with Circular No. 006/B/2022-DSB/AMCM of the Monetary Authority of Macau ('AMCM') (Guideline on Disclosure of Financial Information).

The Branch's policy on this matter is available and can also be consulted.

The information enclosed on pages 5 to 46 of this document is consistent with our Report and Financial Statements for the year ended 31 December 2022 and the relative information otherwise published or in any way supplied to the AMCM and, in what concerns the Group information, other regulators.

The Financial Statements provided here has been reviewed by the Branch's external auditors.

The information or any other remarks belonging to the Branch's books or practices are duly marked along these pages with the tag '*Macau Branch*'.

The figures regarding year 2021 in this document correspond to the statutory accounts as at that date. These figures are presented exclusively for comparative purposes and have not been restated following the adoption of IFRS 9, with reference to 1 January 2022, as allowed by IFRS 9.

The Management of the Branch

SUMMARY OF THE ACTIVITY REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (MACAU BRANCH)

In 2022, the global GDP recorded a slowdown, because of the negative economic impact from Russia's military aggression against Ukraine, namely through the increase of energy and food prices. The steep rise in inflation rate prompted the Federal Reserve to start increasing the interest rates to 4.5%, in the end of 2022. The European Central Bank and Central Banks from other countries also started the interest rate hikes.

In 2023, the International Monetary Fund (IMF) predicts that the global economy will maintain its deceleration trajectory, with a growth rate of 2.9%, below its historical average of 3.8%.

China's GDP grew 3% in 2022, below the official target of 5.5% and the second slowest pace since 1976. For 2023, the Government set a target of 5% growth, stemmed by the end of the covid restrictions.

In 2022, the economic activity in Macao was strongly influenced by the covid-zero policy adopted in Mainland China, with a decrease in GDP of 26.8%, largely driven by the reduction in the number of tourists from Mainland China. Followed by the end of the covid restrictions decided in December 2022, the University of Macau projected that Macao's economy could grow by as much as 44% in 2023.

In 2022, BCP Macao Branch successfully continued implementing its growth strategy oriented to:

- The Branch acted as a support platform for companies doing business in Macao and in Mainland China.
- Financing of local and International corporate customers.
- Trade finance operations to support companies with exports to and/or imports from China.
- Attracting companies with international trade operations with China.
- Attracting Chinese clients wishing to invest in Portugal, both individually and at the business.
- Promoting contacts between the Investment Banking area of Millennium bcp and Chinese companies seeking investment opportunities in the Portuguese-speaking countries.

Net income reached 123 million Patacas in 2022, 2.5% higher than in 2021. This overperformance was mainly due to the increase in net interest income (+11.3%) and the increase in non-interest income (+8.1%) that more than offset the increase in impairment losses on loans and commitments (+155.6%) and in operating costs (+14.6%), mainly in staff as a result of the headcount growth.

Net interest income amounted to 182.1 million Patacas in 2022, compared to 163.6 million Patacas recorded in 2021 (+11.3%). This positive performance was mainly due to the increase in loans to customers, which reached MOP 7,948.7 million (net amount) at the end of 2022 (+7%), mainly through the participation of the Macao Branch in syndicated loans granted to large corporate companies.

Customer deposits amounted to 4,139.6 million Patacas as of December 31, 2022, up 1.5% from the 4,077 million Patacas recorded at the end of the previous year. The increase in interest rates during 2022 supported the growth in customers deposits.

For 2023, BCP Macao Branch will continue its prudent growth strategy, approved in 2020, focused on offering its customers superior products and services. However, this strategy could be greatly affected by the negative repercussions on the economy and international financial markets caused by the continued war between Russia and Ukraine and other geopolitical uncertainties.

We would like to conclude by thanking all our customers, employees, Macao SAR Authorities and other stakeholders for the continued trust and confidence in our work.

The Management of
Banco Comercial Português, Macao Branch
Constantino Mousinho
General Manager

INDEPENDENT AUDITOR'S REPORT

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

TO THE BRANCH MANAGEMENT OF BANCO COMERCIAL PORTUGUÊS, S.A. MACAU BRANCH

We have audited the financial statements of Banco Comercial Português, S.A. Macau Branch (the "Branch") set out on pages 3 to 43, which comprise the statement of financial position as at 31 December 2022, statement of profit or loss and other comprehensive income, the statement of changes in reserves and head office account, the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Branch Management's Responsibility for the Financial Statements

The Branch management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Financial Reporting Standards of Macau Special Administrative Region, the People's Republic of China ("Macau SAR") approved by the Order of the Secretary for Economy and Finance No. 44/2020, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with the Standards on Auditing approved by the Professional Committee of Accountants under the Notice No. 2/2021/CPC. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Branch management, 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 BRANCH MANAGEMENT OF BANCO COMERCIAL PORTUGUÊS, S.A.
MACAU BRANCH - continued

Opinion

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Branch as at 31 December 2022, and of its financial results and cash flows for the year then ended in accordance with the Financial Reporting Standards of Macau SAR approved by the Order of the Secretary for Economy and Finance No. 44/2020.



Kuan Ho Weng
Certified Public Accountant
Partner

Deloitte Touche Tohmatsu - Sociedade de Auditores
Macau

09 MAY 2023

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ENDED 31 DECEMBER
(MACAU BRANCH)**

| | NOTES | 31 Dec 2022 MOP | 31 Dec 2021 MOP |
|---|-------|--------------------|--------------------|
| Interest income | 5 | 280,649,820 | 382,133,729 |
| Interest expense | 5 | (98,569,849) | (218,549,170) |
| Net interest income | | 182,079,971 | 163,584,559 |
| Net fee and commission income | 6 | 2,214,248 | 4,497,030 |
| Net foreign exchange gains | | 3,534,939 | 1,763,406 |
| Other operating income | | 3,084,603 | 1,911,385 |
| Total operating income | | 190,913,761 | 171,756,380 |
| Staff costs | 7 | (21,305,646) | (18,048,013) |
| Other administrative costs | 8 | (8,608,967) | (8,338,318) |
| Depreciation and amortisation | 9 | (1,623,176) | (1,079,307) |
| Other operating expenses | | (497,741) | (477,275) |
| Operating profit before impairment losses | | 158,878,231 | 143,813,467 |
| Net charge for impairment losses on loans and commitments | 17 | (19,169,343) | (7,500,000) |
| Profit before income tax | | 139,708,888 | 136,313,467 |
| Income tax | 10 | (16,693,067) | (16,285,617) |
| Profit and total other comprehensive income for the year | | 123,015,821 | 120,027,850 |

STATEMENT OF FINANCIAL POSITION (MACAU BRANCH)

| | NOTES | 31 Dec 2022 MOP | 31 Dec 2021 MOP |
|--|-------|----------------------|-----------------------|
| <u>ASSETS</u> | | | |
| Cash and balances with the Monetary Authority of Macao | 11 | 87,774,245 | 87,391,153 |
| Balances with credit institutions repayable on demand | 12 | 74,531,610 | 41,112,787 |
| Other loans and advances to credit institutions | 13 | 1,480,678,782 | 9,705,445,650 |
| Loans and advances to customers | 14 | 7,948,708,323 | 7,430,459,851 |
| Property and equipment | 15 | 2,902,726 | 3,208,538 |
| Intangible assets | 16 | 1,334,736 | 1,534,824 |
| Other assets | | 4,648,756 | 4,548,662 |
| TOTAL ASSETS | | 9,600,579,178 | 17,273,701,465 |
| <u>LIABILITIES</u> | | | |
| Deposits from credit institutions | 18 | 5,230,044,499 | 13,048,687,319 |
| Deposits from customers | 19 | 4,139,586,156 | 4,077,017,758 |
| Income tax liabilities | 10 | 17,257,775 | 16,925,816 |
| Other liabilities | | 52,407,696 | 11,042,722 |
| Total liabilities | | 9,439,296,126 | 17,153,673,615 |
| <u>RESERVES AND HEAD OFFICE ACCOUNT</u> | | | |
| Total Reserves and Head Office account * | | 161,283,052 | 120,027,850 |
| TOTAL LIABILITIES AND HEAD OFFICE ACCOUNT | | 9,600,579,178 | 17,273,701,465 |
| * Included the regulatory reserve required Monetary Authority of Macau ("AMCM"): | | | |
| - General | | 38,267,231 | - |
| - Specific | | - | - |
| Total regulatory reserve | | 38,267,231 | - |

**STATEMENT OF CHANGES IN RESERVES AND HEAD OFFICE ACCOUNT ENDED 31 DECEMBER 2022
(MACAU BRANCH)**

| | Retained earnings MOP | Regulatory reserves MOP | Total MOP |
|--|-----------------------------|-------------------------------|---------------|
| At 1 January 2021 | 72,972,291 | - | 72,972,291 |
| Profit transferred to Head Office | (72,972,291) | - | (72,972,291) |
| Profit for the year | 120,027,850 | - | 120,027,850 |
| At 31 December 2021 and 1 January 2022 | 120,027,850 | - | 120,027,850 |
| Impact of adopting New MFRSs | 20,219,416 | - | 20,219,416 |
| Transfer from retained earnings to regulatory reserves (Note) | (20,219,416) | 20,219,416 | - |
| At 1 January 2022, as adjusted | 120,027,850 | 20,219,416 | 140,247,266 |
| Profit transferred to Head Office | (101,980,035) | - | (101,980,035) |
| Profit for the year | 123,015,821 | - | 123,015,821 |
| Transfer from retained earnings to regulatory reserves (Note) | (18,047,815) | 18,047,815 | - |
| At 31 December 2022 | 123,015,821 | 38,267,231 | 161,283,052 |

Note : The Branch follows AMCM requirement to maintain regulatory reserves in excess of the Branch's impairment allowance for loans and advances to customers and financial guarantee contracts estimated through the transfer of retained profits to other reserves. As at 31 December 2022, an amount of MOP38,267,231 (1 January 2022: MOP20,219,416) was included in regulatory reserves which are not distributable under AMCM's requirement. The transfers from retained profits to other reserves were due to the increase in required regulatory reserves during the years.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER (MACAU BRANCH)

| | NOTES | <u>2022</u> MOP | <u>2021</u> MOP |
|--|-------|----------------------|----------------------|
| CASH FLOW ARISING FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 139,708,888 | 136,313,467 |
| <u>Adjustments:</u> | | | |
| Depreciation and amortisation | 9 | 1,623,176 | 1,079,307 |
| Charge of impairment losses on loans and commitments | | 19,169,343 | 7,500,000 |
| Interest income | 5 | (280,649,820) | (382,133,729) |
| Interest expense | 5 | 98,569,849 | 218,549,170 |
| Gain on fixed assets disposal | | (49,512) | - |
| | | <u>(21,628,076)</u> | <u>(18,691,785)</u> |
| <u>(Increase)/decrease in operating assets:</u> | | | |
| Other loans and advances to credit institutions (more than 3 months) | | 7,302,893,348 | 1,609,497,245 |
| Loans and advances to customers | | (505,880,646) | (292,424,315) |
| Other assets | | (721,685) | (496,825) |
| <u>Increase/(decrease) in operating liabilities:</u> | | | |
| Deposits from credit institutions | | (7,800,960,765) | (1,720,596,638) |
| Deposits from customers | | 44,969,025 | (293,992,424) |
| Other liabilities | | 43,892,362 | 3,375,257 |
| CASH USED IN OPERATIONS | | <u>(915,808,361)</u> | <u>(694,637,700)</u> |
| Interest paid | | (98,652,531) | (252,292,884) |
| Interest received | | 292,164,340 | 327,789,994 |
| Tax paid | 10 | (16,361,108) | (9,639,168) |
| NET CASH USED IN FROM OPERATIONS | | <u>(760,285,736)</u> | <u>(647,471,543)</u> |
| CASH FLOW ARISING FROM INVESTING ACTIVITIES | | | |
| Acquisition of property and equipment | 15 | (942,076) | (2,257,263) |
| Acquisition of intangible assets | 16 | (175,200) | (594,652) |
| Proceeds from disposal of fixed assets | | 49,512 | - |
| NET CASH USED IN INVESTING ACTIVITIES | | <u>(1,067,764)</u> | <u>(2,851,915)</u> |
| CASH ARISING FROM FINANCING ACTIVITY | | | |
| Distribution to the Head office | | (101,980,035) | (72,972,291) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (863,333,535) | (723,295,749) |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | | 2,399,411,560 | 3,122,707,309 |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER | | <u>1,536,078,025</u> | <u>2,399,411,560</u> |
| REPRESENTED BY: | | | |
| Cash and balances with the Monetary Authority of Macau | 11 | 87,774,245 | 87,391,153 |
| Balances with credit institutions repayable on demand | 12 | 74,531,610 | 41,112,787 |
| Other loans and advances to credit institutions | | 1,373,772,170 | 2,270,907,620 |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER | | <u>1,536,078,025</u> | <u>2,399,411,560</u> |

NOTES TO THE FINANCIAL STATEMENTS

1. STATUS OF THE BRANCH

Banco Comercial Português, S. A. – Macau Branch (the Branch) is the Macau Branch of Banco Comercial Português, S. A. ('BCP' or the 'Head-Office') since 11 May 2010 and has its registered office and principal place of business in Macau at Avenida Comercial de Macau, Quarteirão 5, Lote A, Finance and IT Centre of Macau Building, 19. G-I.

The Branch provides banking and other related financial services.

(Previously to 11 May 2010, since 1 July 1993, the Branch had been an offshore branch of BCP).

2. SIGNIFICANT ACCOUNTING POLICIES (MACAU BRANCH)

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements as set out in Macau Financial System Act (Decree-Law No. 32/93/M) and the Macau Financial Reporting Standards issued under Administrative Regulation No. 44/2020 of the Macau SAR.

Application of Amendments to Macau Financial Reporting Standards

The Financial Reporting Standards of Macau SAR was approved by Order of the Secretary for Economy and Finance No. 44/2020 (the "New MFRSs") have come into effect on 28 March 2020 and has replaced the Financial Reporting Standards of Macau SAR as stated in Annex II of Administrative Regulation No.25/2005 (the "MFRSs").

The MFRSs had adopted a selection of standards from the 2004 edition of the International Financial Reporting Standards (the "IFRS") including framework for Preparation and Presentation of financial statements as well as 16 standards. The New MFRSs, on the other hand, have adopted the Conceptual Framework for Financial Reporting and all of the standards and interpretations from the 2015 edition of the IFRS.

The New MFRSs are effective for annual periods beginning on or after 1 January 2022.

The following New MFRSs (Conceptual Framework for Financial Reporting and all of the standards and interpretations from the 2015 edition of the IFRS) are the standards that are effective on or after 1 January 2022:

| | |
|--------|---|
| IAS* 1 | - Presentation of Financial Statement |
| IAS 2 | - Inventories |
| IAS 7 | - Statement of Cash Flows |
| IAS 8 | - Accounting Policies, Changes in Accounting Estimates and Errors |
| IAS 10 | - Events after the Reporting Period |
| IAS 12 | - Income Taxes |
| IAS 16 | - Property, Plant and Equipment |
| IAS 17 | - Leases |

| | |
|--------------------------|---|
| IAS 19 | - Employee Benefits |
| IAS 20 | - Accounting for Government Grants and Disclosure of Government Assistance |
| IAS 21 | - The Effects of Changes in Foreign Exchange Rates |
| IAS 23 | - Borrowing Costs |
| IAS 24 | - Related Party Disclosures |
| IAS 26 | - Accounting and Reporting by Retirement Benefit Plans |
| IAS 27 | - Separate Financial Statements |
| IAS 28 | - Investments in Associates and Joint Ventures |
| IAS 29 | - Financial Reporting in Hyperinflationary Economies |
| IAS 32 | - Financial Instruments: Presentation |
| IAS 33 | - Earnings per Share |
| IAS 34 | - Interim Financial Reporting |
| IAS 36 | - Impairment of Assets |
| IAS 37 | - Provisions, Contingent Liabilities and Contingent Assets |
| IAS 38 | - Intangible Assets |
| IAS 39 | - Financial Instruments: Recognition and Measurement |
| IAS 40 | - Investment Property |
| IAS 41 | - Agriculture |
| IFRS 1 | - First-time adoption of International Financial Reporting Standards |
| IFRS 2 | - Share-based Payment |
| IFRS 3 | - Business Combinations |
| IFRS 4 | - Insurance Contracts |
| IFRS 5 | - Noncurrent Assets Held for Sale and Discontinued Operations |
| IFRS 6 | - Exploration for and Evaluation of Mineral Resources |
| IFRS 7 | - Financial Instruments: Disclosures |
| IFRS 8 | - Operating Segments |
| IFRS 9 | - Financial Instruments |
| IFRS 10 | - Consolidated Financial Statements |
| IFRS 11 | - Joint Arrangements |
| IFRS 12 | - Disclosure of Interests in Other Entities |
| IFRS 13 | - Fair Value Measurement |
| IFRS 14 | - Regulatory Deferral Accounts |
| IFRS 15 | - Revenue from Contracts with Customers |
| IFRIC** Interpretation 1 | - Changes in Existing Decommissioning, Restoration and Similar Liabilities |
| IFRIC Interpretation 2 | - Members' Shares in Co-operative Entities and Similar Instruments |
| IFRIC Interpretation 4 | - Determining whether an Arrangement Contains a Lease |
| IFRIC Interpretation 5 | - Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds |
| IFRIC Interpretation 6 | - Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment |
| IFRIC Interpretation 7 | - Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies |
| IFRIC Interpretation 10 | - Interim Financial Reporting and Impairment |
| IFRIC Interpretation 12 | - Service Concession Arrangements |
| IFRIC Interpretation 14 | - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |

| | |
|-------------------------|--|
| IFRIC Interpretation 16 | - Hedges of a Net Investment in a Foreign Operation |
| IFRIC Interpretation 17 | - Distributions of Non-cash Assets to Owners |
| IFRIC Interpretation 19 | - Extinguishing Financial Liabilities with Equity Instruments |
| IFRIC Interpretation 20 | - Stripping Costs in the Production Phase of a Surface Mine |
| IFRIC Interpretation 21 | - Levies |
| SIC*** Interpretation 7 | - Introduction of the Euro |
| SIC Interpretation 10 | - Government Assistance-No Specific Relation to Operating Activities |
| SIC Interpretation 15 | - Operating Leases-Incentives |
| SIC Interpretation 25 | - Income Taxes-Changes in the Tax Status of an Entity or its Shareholders |
| SIC Interpretation 27 | - Evaluating the Substance of Transactions Involving the Legal Form of a Lease |
| SIC Interpretation 29 | - Service Concession Arrangements: Disclosures |
| SIC Interpretation 32 | - Intangible Assets-Web Site Costs |

*International Accounting Standards ("IAS")

**International Financial Reporting Interpretations Committee ("IFRIC")

*** Standard Interpretations Committee ("SIC")

The Branch management considered the application of IFRS 7, IFRS 9 and IFRS 15 would have material changes as described below.

IFRS 7

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Branch's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or financial results of the Branch, comparative information has been included/ revised where appropriate.

IFRS 9

The Branch has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under expected credit loss ("ECL") model) retrospectively to instruments that have not been derecognised as at 1 January 2022 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2022. The difference between carrying amounts as at 31 December 2021 and the carrying amounts as at 1 January 2022 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under MFRSs.

Accounting policies resulting from application of IFRS 9 are disclosed in note 3.

The following table shows the reconciliation of the original measurement (including impairment) to the new measurement (including impairment) determined in accordance IFRS 9 for each class of the Branch's financial assets as at 1 January 2022.

BANCO COMERCIAL PORTUGUÊS, S. A. – MACAU BRANCH
DISCLOSURE OF INFORMATION (Circular No. 006/B/2022-DSB/AMCM)

| | Notes | Original carrying amount MOP | Remeasurement MOP | New carrying amount under IFRS 9 MOP |
|--|-------|---------------------------------|--------------------------|--|
| Financial assets | | | | |
| Cash and balances with the Monetary Authority of Macau | 11 | 87,391,153 | - | 87,391,153 |
| Balances with credit institutions repayable on demand | 12 | 41,112,787 | - | 41,112,787 |
| Other loans and advances to credit institutions | 13 | 9,705,445,650 | - | 9,705,445,650 |
| Loans and advances to customers | 14 | 7,430,459,851 | 24,318,163 | 7,454,778,014 |
| Other assets | | 4,548,662 | - | 4,548,662 |
| | | | <u>24,318,163</u> | |
| Financial liabilities | | | | |
| Deposits from credit institutions | | 13,048,687,319 | - | 13,048,687,319 |
| Deposits from customers | | 4,077,017,758 | - | 4,077,017,758 |
| Other Liabilities | | 11,042,722 | 4,098,747 | 15,141,469 |
| Net amount | | | <u>20,219,416</u> | |

Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2022. Accordingly, the information presented for 2021 continues to be reported under MFRSs and thus may not be comparable with the current period. The remeasurement of expected credit loss on loan and advances to customers and direct credit substitutes and undrawn loan commitments are MOP24,318,163 and MOP4,098,747 respectively.

IFRS 15

The Branch has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 Revenue and the related interpretations. The Branch has applied IFRS 15 retrospectively with the cumulative effect (if any) of initially applying this Standard recognised at the date of initial application, 1 January 2022. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated.

Furthermore, in accordance with the transition provisions in IFRS 15, the Branch has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2022. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and the related interpretations.

The Branch recognises fee and commission income which arise from contracts with customers.

Information about the Branch's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in note 2.6 and 2.7 respectively.

IFRS 15 has no significant impact on the Branch's existing accounting policies on revenue recognition for the above revenue source except for additional disclosures as required by IFRS 15. The application of IFRS 15 has had no material impact on the Branch's retained profits as at 1 January 2022.

Except as described above, the application of the New MFRSs in the current period has had no material impact on the Branch's financial positions and performance for the current and prior years and/or on the disclosures set out in these financial statements.

2.2 Basis of preparation of the financial statements

The Branch is part of the Banco Comercial Português, S.A.. It is registered as a branch under the Financial System Act under the Supervision of the Monetary Authority of Macau ("AMCM"), accordingly, it is not a separate legal entity. These financial statements have been prepared from the books and records of the Branch, which contain evidence of all transactions entered into locally.

The financial statements are prepared in Macau Patacas ("MOP"), which is the Branch's functional currency.

The measurement basis used in the preparation of the financial statements is historical cost, except for derivative financial instruments which have been measured at fair value.

The preparation of financial statements in conformity with New MFRSs requires the Branch's management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity or where assumptions and estimates are considered to be significant are presented in note 3.

2.3 Financial assets

A. Classification and subsequent measurement of financial assets (upon application of IFRS 9)

Financial assets are measured initially at fair value. All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Branch commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at amortised cost

Financial assets that are held within a business model whose objective is to collect contractual cash flows, and that have contractual terms give rise on specified dates to cash flows that are solely

payments of principal and interest on the principal amount outstanding, are measured at amortised cost.

After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired; For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired. The effective interest rate amortisation is included in interest income in the profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ("FVTPL") include all financial assets that are neither financial assets at amortised cost nor financial assets at fair value through other comprehensive income.

Financial assets at FVTPL are carried in the statement of financial position at fair value with changes in fair value presented as net foreign exchange gains in the statement of profit or loss and other comprehensive income. These net fair value changes include interest earned on these financial assets.

Impairment of financial assets (*upon application of IFRS 9*)

Measurement of ECL

The Branch recognizes a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including loans and advances, loan commitments and financial guarantee contracts). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

The application of the ECL model will result in three stages of financial assets:

- Stage 1: the operations in which there is no significant increase in credit risk since its initial recognition are classified in this stage. Impairment losses associated with operations classified in this stage correspond to expected credit losses resulting from a default event that may occur within 12 months after the reporting date (12-month expected credit losses);
- Stage 2: the operations in which there is a significant increase in credit risk since its initial recognition but are not impaired are classified in this stage.

Significant increase in credit risk (SICR) is determined according to a set of mostly quantitative, but also qualitative criteria. These criteria are mainly based on the risk grade of customers, according to

the BCP Group's Rating Master Scale, and on its evolution in order to detect significant increases in credit risk/Probability of Default (PD), complemented by other information regarding the customers' behaviour towards the financial system.

Impairment losses associated with operations classified in this stage correspond to the expected credit losses resulting from default events that may occur over the expected residual life of the operations (lifetime expected credit losses).

– Stage 3: impaired operations are classified in this stage. Impairment losses associated with operations classified in this stage correspond to lifetime expected credit losses.

Definition of financial assets in default and impaired

All customers who meet at least one of the following conditions are marked as default and, consequently, as Non-performing (“NPE”):

a) Delay over 90 days of material payment:

- Amounts of principal, interest or fees not paid on the due date that, cumulatively, represent:

- i) more than Euros 100 equivalent (retail) or more than Euros 500 equivalent (non-retail); and,
- ii) more than 1% of the total debt (direct liabilities).

After these two conditions are met, and if the client remains in this situation for more than 90 consecutive days, it is classified as default (or Risk Grade 15 (GR15)).

The existence of a material payment delay gives rise to a default classification (GR15) of all holders of the operation (or operations).

b) Signs of low probability of payment:

- i. Credit restructuring due to financial difficulties with loss of value;
- ii. Delay after restructuring due to financial difficulties;
- iii. Recurrence of restructuring due to financial difficulties;
- iv. Credit with signs of impairment (or stage 3 of IFRS 9);
- v. Insolvency or equivalent proceedings;
- vi. Litigation;
- vii. Obligors that are guarantors of a defaulted exposure
- viii. Credit sales with losses;
- ix. Credit fraud;
- x. Obligors under a non-accrual status;
- xi. Breach of covenants in a credit agreement;
- xii. Contagion of default in an economic group;
- xiii. Cross default in BCP Group.

Customers representing high risk and exposure for which objective signs of impairment exist (Stage 3) are submitted to an individual impairment analysis. That individual analysis is a regular process of assigning a recovery expectation concerning all the exposures, as well as of a term expected for the recovery. The impairment amount for each client is based, essentially, in the prospects of repayment and repayment term, concerning monetary, financial or physical assets.

This process is based on the elements that are relevant for the impairment assessment, namely:

- Financial and economic data based on the Client's most recent accounting statements.

- Qualitative data that characterizes the Client’s situation in what concerns the economic viability of the business.
- Projected cash-flows for clients that are analyzed in a ‘going concern’ perspective.
- Creditworthiness track-record of the Client within the BCP Group and the financial system.

Collateral and guarantees data are of particular importance, especially in real estate companies and in cases for which economic viability is reduced (“gone concern” approach). The BCP Group has a conservative approach towards the treatment of collateral, materialized in the use of haircuts, aiming at incorporating the assets’ devaluation risk, the costs inherent to the disposal and the maintenance costs and term until the sale completion.

For each client, the impairment is calculated as the difference between the respective exposure and the sum of the expected cash-flows for the various operations, discounted at the effective interest rate of each operation.

The credits that are not subject to individual impairment analysis are grouped, taking into consideration their risk features and impairment assessment is based on homogeneous populations (collective analysis), defined in accordance with the client’s risk grade and segment.

Expected credit losses (ECL) are determined as follows:

- financial assets with no signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that the BCP Group expects to receive;
- financial assets with impairment at the reporting date: the difference between the gross book value and the present value of the estimated cash flows;
- unused credit commitments: the present value of the difference between the resulting contractual cash flows if the commitment is made and the cash flows that the BCP Group expects to receive;
- financial guarantees: the current value of the expected repayments less the amounts that the BCP Group expects to recover.

The main inputs used to measure ECLs on a collective basis include the following variables:

- Probability of Default – PD;
- Loss Given Default – LGD; and,
- Exposure at Default – EAD.

These parameters are obtained through internal statistical models and other relevant historical data, similar to the data used in the exiting regulatory models but adapted according to the requirements of IFRS 9.

- PDs are estimated based on a certain historical period and are calculated based on statistical models. These models are based on the BCP Group’s internal data including both quantitative and qualitative factors. If there is a change in the risk of the counterparty or exposure, the associated PD will also vary.

The risk grades are a relevant input for determining the PD associated with each exposure.

The BCP Group collects performance and default indicators about their credit risk exposures by types of customers and products.

- LGD is the magnitude of the loss that is expected to occur if an exposure goes into default. The BCP Group estimates the LGD parameters based on the historical recovery rates after entry into default. The LGD models consider the associated collaterals, the counterparty activity sector, the time since default, as well as the recovery costs. In the case of contracts secured by real estate, it is expected that the LTV (loan-to-value) ratios are a parameter of high relevance in the determination of LGD.

- The EAD represents the expected exposure in case the customer defaults. The BCP Group obtains the EAD values from the counterparty's current exposure and potential changes to its current value as a result of the contractual conditions. For commitments and financial guarantees, the value of the EAD will consider both the amount of credit used and the expectation of future amounts that may be used in accordance with the agreement.

As described above, except for financial assets that consider a 12-month PD as a result of not presenting a significant increase in credit risk, the BCP Group will calculate the ECL value considering the risk of default during the maximum contractual maturity period of the contract, even if, for the purpose of risk management, it is considered to be a longer period. The maximum contractual period shall be considered as the period up to the date on which the BCP Group has the right to require payment or terminate the commitment or guarantee.

The BCP Group adopted as a residual term criterion for renewable operations, when in stage 2, a term of 5 years. This term was determined based on the behavioral models of this type of product. According to these models, the maximum period of repayment of these operations is the 5 years considered conservatively in the scope of the calculation of credit impairment.

The BCP Group uses models to forecast the evolution of the most relevant parameters for the expected credit losses, namely probability of default, which incorporate forward-looking information. The incorporation of forward-looking information is carried out in the relevant elements considered for the calculation of expected credit losses (ECL).

In particular, the PD point-in-time (PDpit) considered for the determination of the probability of performing exposures at the reference date becoming defaulted exposures considers the expected values for a set of macroeconomic variables.

In December 2022 the BCP Group carried out an update of the macroeconomic scenarios and of the corresponded adjustment of the parameters considered in the collective impairment model.

Overlays

In order to comply with the Supervisors' guidelines, namely regarding to the identification and measurement of credit risk in the context of uncertainty associated with the current geopolitical crisis, the disruption in distribution chains, rising energy costs and inflationary pressures, the BCP Group proceeded to record additional impairments in relation to the current models of collective impairment calculation (overlays).

The exercise carried out was based on an analysis of potential migrations from customers identified as having the highest risk for Stage 2 and Stage 3, with the greatest impact on the corporate segment.

Since this is an amount that is calculated globally, recognition is made at the aggregate level in the financial statements of the head-office in Portugal.

The Branch also complies with AMCM requirement to maintain regulatory reserve in excess of the Branch's impairment allowance for loans and advances. When the minimum provision under the relevant AMCM rules is higher than the impairment allowance made under the Branch's accounting policy which is in accordance with IFRS 9, the Branch transfers the additionally required amount from retained profits to regulatory reserves.

Write-off

Financial assets are written off with related impairment allowances (either partially or in full) when there is no realistic prospect of recovery. This is the case when the Branch determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Financial assets written off may still be subject to enforcement activities under the Branch's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

B. Loans and advances to customers (*before application of IFRS 9*)

Loans and advances to customers include loans and advances which are not intended to be sold in the short term and are recognised when cash is advanced to borrowers.

Loans and advances to customers are initially recognised at fair value, which normally will be equal to the transaction price plus directly attributable transaction costs and fees, and are subsequently measured at amortised cost using the effective interest method, less impairment losses, if any.

These assets are derecognised when the contractual rights to receive the cash flows from the loans and advances expire, or where the assets together with substantially all the risks and rewards of ownership, have been transferred.

Impairment

In accordance with the terms of Administrative Regulation No. 25/2005 of the Macau SAR, the valuation and provisioning of loans and advances to customers are set out by the Monetary Authority of Macau as follows:

Specific provision for loan losses

Specific provision is made when there is evidence that loans and advances to customers will not be fully recoverable and is intended to cover specific credit risks. This provision is presented as a deduction against credit granted. The adequacy of this provision is reviewed regularly by the Branch and the Head Office taking into consideration the existence of asset-backed guarantees, the overdue period and the customer's current financial position.

General provision for loan losses

This provision is intended to cover latent bad and doubtful debts which are present in any loan portfolio, including off-balance sheet commitment, but which have not been specifically identified as such. The general provision for loan losses is calculated in accordance with Notice No. 18/93 of AMCM.

Changes in the provisions are recognised in the statement of profit or loss and other comprehensive income.

Write-off of loans

Loans and advances are written-off when it is determined that the loans are uncollectible. For collateralised loans, the write-off occurs for the unrecoverable amount when the funds arising from the execution of the respective collateral is effectively received. This write-off is carried out only for loans that are considered not to be recoverable and have been fully provided. An amount recovered from loans and advances that have already been written off will be recognised as income in the statement of profit or loss and other comprehensive income.

2.4 Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Branch has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Branch has transferred substantially all the risks and rewards of the asset, or (b) the Branch has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

All the following three conditions are required to meet for "pass-through" arrangement: (a) the Branch has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset; (b) the Branch is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; (c) the Branch has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

When the Branch has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Branch's continuing involvement in the asset. In that case, the Branch also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Branch has retained.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

2.5 Financial liabilities

Financial liabilities include money market transactions, deposits from customers and from other credit institutions, and other liabilities. These financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, while derivative financial instruments are recognised at fair value and subsequently remeasured at fair value.

Financial liabilities at FVTPL includes other financial liabilities designated at FVTPL. Financial liabilities designated at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid.

The Branch derecognises financial liabilities when the obligation specified in the contract is discharged, cancelled or expired.

2.6 Revenue recognition (upon application of IFRS 15)

The Branch adopts five step process for recognising revenue from contracts with customers:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when, or as, the entity satisfies a performance obligation

The Branch recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a service that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Branch's performance as the Branch performs;
- the Branch's performance creates or enhances an asset that the customer controls as the Branch performs; or
- the Branch's performance does not create an asset with an alternative use to the Branch and the Branch has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Interest income and expense for all interest-bearing financial instruments are recognized in the profit or loss on an accruals basis using the effective interest method. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Interest income and expense *(before application of IFRS 15)*

Interest income and expense for financial instruments measured at amortised cost using the effective interest method are recognised in the statement of profit or loss and other comprehensive income on an accrual basis.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, for a short period, to the net carrying amount of the financial asset.

When calculating the effective interest rate, the Branch estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Specifically regarding the accounting policy for interest on overdue loans, the following aspects are considered:

- Interest income for overdue loans secured by collateral is accounted for as income up to the limit of the valuation of the collateral valued on a prudent basis. This income is recorded as interest income assuming that there is a reasonable probability of recoverability; and
- Interest accrued and not paid for loans overdue for more than 90 days that are not covered by collateral is written-off and recognised only when received, on the basis that its recoverability is considered to be remote.

2.7 Fee and commission income *(before application of IFRS 15)*

Fee and commission income arising from services provided by the Branch is recognised when the services are rendered such as remittance fees, while fee and commission income arising from services that are provided over a certain period of time are accrued over that period, such as financial guarantees and documentary credits issued.

2.8 Property and equipment

Property and equipment are stated at acquisition cost net of the accumulated depreciation and impairment losses, if any. Subsequent costs are recognised as a separate asset only when it is probable that future economic benefits will flow to the Branch.

Depreciation is calculated to write off the cost of property and equipment using straight-line method over their estimated useful lives as follows:

| | <u>Number of years</u> |
|-------------------------------------|------------------------|
| Improvements to leasehold buildings | 10 |
| Equipment | 4 to 10 |

The useful life of an asset and its residual value, if any, are reviewed annually.

2.9 Intangible assets

Software

The Branch records the costs associated with software acquired from external entities as intangible assets. These assets are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated on straight-line basis over an estimated useful life of three years. The Branch does not capitalise internal costs arising from software development.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and deposits with credit institutions having less than three months of maturity at acquisition.

Cash and cash equivalents include the Branch's deposit maintained in AMCM Fast Payment System (FPS) Platform, mandatory deposits and monetary bills with the AMCM having less than three months of maturity at acquisition.

Monetary bills are measured at amortised cost using the effective interest method.

2.11 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.12 Foreign currency transactions

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the statement of financial position date. Foreign exchange gains and losses are recognised in the statement of profit or loss and other comprehensive income.

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

2.13 Provisions and contingent liabilities

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

Where it is not probable that an outflow of economic benefits will be recognised, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the

probability of outflow of economic benefit is remote. Possible obligations whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.14 Off-balance sheet financial instruments

Off-balance sheet financial instruments include mainly derivatives arising from forward, swap and option transactions undertaken by the Branch in the foreign exchange and interest rate markets. Realised gain or loss on derivatives is recognised as net foreign exchange gains or losses in the statement of profit or loss and other comprehensive income upon the settlement of forward, swap and option transactions.

2.15 Related Parties

For the purpose for these financial statements, related parties include:

- a) Any person or any close family member of that person if that person:
 - i. Has control or joint control over the Branch;
 - ii. Has significant influence over the Branch;
 - iii. Holds a qualifying holding in the Branch;
 - iv. Is a member of supervisory board of the Branch or of a parent of the Branch; or
 - v. Is a member of key management personnel, other than a member of the supervisory board as identified in sub-item (iv) above, of the Branch or of a parent of the Branch.

- b) An entity if any of the following conditions applied:
 - i. That entity and the Branch are members of the same group (e.g. parent, subsidiary and fellow subsidiary).
 - ii. That entity holds a qualifying holding in the Branch.
 - iii. That entity is controlled or jointly controlled by a person identified in (a).
 - iv. A person identified in (a)(i) has significant influence over that entity or is a member of the key management personnel of that entity (or of a parent of that entity).
 - v. A person identified in (a)(iv) is a member of the key management personnel of that entity (or of a parent of that entity).

3. CRITICAL ACCOUNTING ESTIMATES NOTES TO THE FINANCIAL STATEMENTS (MACAU BRANCH)

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

Impairment of financial assets

The Branch reviews its credit portfolios to assess impairment. The measurement of impairment losses across all categories of credit asset requires judgment, in particular, the estimation of the amount and timing of future cash flows and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances such as 12-month ECL, lifetime ECL and in accordance with accounting policies as set out in note 2.3.

4. FINANCIAL RISK MANAGEMENT

The risks associated with the financial instruments include liquidity risk, credit risk, market risk (foreign currency risk, interest rate risk and other price risk). The management of the Branch manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Credit Risk

Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfill their obligations.

Credit granting is based on prior classification of the customers' risk and on thorough assessment of the level of protection provided by the underlying collateral. In order to do so, a single risk-notation system has been introduced, the Rating Master Scale, based on the expected probability of default, allowing greater discrimination in the assessment of the customers and better establishment of the hierarchies of the associated risk.

The Rating Master Scale also identifies those customers showing worsening credit capacity and, in particular, those classified as being in default. All rating and scoring models used by the Branch have been duly calibrated for the Rating Master Scale. The protection-level concept has been introduced as a crucial element of evaluation of the effectiveness of the collateral in credit-risk mitigation, leading to more active collateralization of loans and more adequate pricing of the risk incurred.

The evaluation of the risk associated to the loan portfolio and quantification of the respective expected losses considers the following methodological approaches:

a) Collaterals and Guarantees

On the risk evaluation of an operation or of a group of operations, the mitigation elements associated to those operations are considered in accordance with the rules and internal procedures requirements, also reflecting the experience of the loan's recovery areas and the Legal Department opinions with respect to the entailment of the various mitigation instruments.

The collaterals and the relevant guarantees can be aggregated in the following categories:

- financial collaterals, real estate collaterals or other collaterals;
- receivables;
- first demand guarantees, issued by banks or other entities;
- personal guarantees;
- credit derivatives.

b) Risk grades

Aiming at an adequate assessment of credit risk, the BCP Group defined a set of macro segments and segments which are treated through different rating systems and models that relate the internal risk grades and the clients' PD, ensuring a risk assessment that considers the clients' specific features in terms of their respectively risk profiles.

The assessment made by these rating systems and models result in the assignment of a risk grade of the Master Scale to each client. The Master Scale has fifteen grades, where the last three correspond to relevant downgrades of the clients' credit quality and are referred to by "procedural risk grades": 13, 14 and 15, that correspond, in this order, to situations of increased severity in terms of probability of default and risk grade 15 to a Default situation.

The non-procedural risk grades are attributed by the rating systems through automatic decision models (retail clients) or by the Rating Division – a unit which is independent from the credit analysis and decision areas and bodies - and are reviewed/updated periodically or whenever this is justified by events.

The following table lists the equivalence between the internal rating levels (Rating Master Scale) and the external ratings of the international rating agencies:

| Internal risk grade | External ratings | | | |
|---------------------|------------------|------|---------|------------|
| | Fitch | S&P | Moody's | DBRS |
| 1 | AAA | AAA | Aaa | AAA |
| 1 | AA+ | AA+ | Aa1 | AA (high) |
| 2 | AA | AA | Aa2 | AA |
| 2 | AA- | AA- | Aa3 | AA (low) |
| 3 | A+ | A+ | A1 | A (high) |
| 3 | A | A | A2 | A |
| 4 | A- | A- | A3 | A (low) |
| 4 | BBB+ | BBB+ | Baa1 | BBB (high) |
| 5 | BBB | BBB | Baa2 | BBB |
| 6 | BBB- | BBB- | Baa3 | BBB (low) |
| 7 | BB+ | BB+ | Ba1 | BB (high) |
| 8 | BB | BB | Ba2 | BB |
| 9 | BB- | BB- | Ba3 | BB (low) |
| 10 | B+ | B+ | B1 | B (high) |
| 11 | B | B | B2 | B |
| 12 | ≤ B- | ≤ B- | ≤ B3 | ≤ B- |

(i) Maximum exposure to credit risk before collateral held or other credit enhancements

The table below shows the maximum exposure to credit risk for the components at the end of the reporting period. The maximum exposure is based on the carrying amounts net of offset and losses allowance.

| | 2022 MOP | 2021 MOP |
|--|-----------------------|-----------------------|
| Cash and balances with the Monetary Authority of Macau | 87,774,245 | 87,391,153 |
| Balances with credit institutions repayable on demand | 74,531,610 | 41,112,787 |
| Other loans and advances to credit institutions | 1,480,678,782 | 9,705,445,650 |
| Loans and advances to customers | 7,948,708,323 | 7,430,459,851 |
| Loan commitments | 2,142,582,165 | 3,012,290,347 |
| Guarantees granted | 43,378,259 | 38,015,546 |
| | <u>11,777,653,384</u> | <u>20,314,715,334</u> |

(ii) Loans and advances to customers (gross)

| | 31 December 2022 | | | |
|---|----------------------|--------------------|-------------------|----------------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | MOP | MOP | MOP | MOP |
| Movement in loans and advances to customers (gross): | | | | |
| At 1 January 2022 | 6,685,946,166 | 832,033,076 | - | 7,517,979,242 |
| Transfer to Stage 1 | 215,477,195 | (215,477,195) | - | - |
| Transfer to Stage 2 | - | - | - | - |
| Transfer to Stage 3 | - | (88,115,172) | 88,115,172 | - |
| Net change on exposure (including exchange adjustments) | (308,122,464) | 78,495 | 330,835 | (307,713,134) |
| New loans and advances originated or purchased | 1,374,002,673 | 54,124,939 | 2,258,791 | 1,430,386,403 |
| Loans and advances that have been derecognised | (347,111,120) | (258,144,026) | (152,997) | (605,408,143) |
| Write off | - | - | - | - |
| Recoveries of amount previously written off | - | - | - | - |
| At 31 December 2022 | <u>7,620,192,450</u> | <u>324,500,117</u> | <u>90,551,801</u> | <u>8,035,244,368</u> |

(iii) Amounts arising from ECL for Loans and advances to customers

| | 31 December 2022 | | | |
|--|------------------|----------------------------------|------------------------------|--------------|
| | 12-month ECL | Lifetime ECL not credit-impaired | Lifetime ECL credit-impaired | Total |
| | MOP | MOP | MOP | MOP |
| Movement in impairment allowances: | | | | |
| At 1 January 2022 | 20,557,813 | 42,643,414 | - | 63,201,227 |
| Transfer to 12-month ECL | 15,326,302 | (15,326,302) | - | - |
| Transfer to Lifetime ECL not credit-impaired | - | - | - | - |
| Transfer to Lifetime ECL credit-impaired | - | (1,226,927) | 1,226,927 | - |
| Net remeasurement of loss allowance (including exchange adjustments) | (13,455,527) | (2,427,627) | 44,269,199 | 28,386,045 |
| New financial assets originated or purchased | 2,313,220 | 3,799,780 | - | 6,113,000 |
| Financial assets that have been derecognized | (5,988,103) | (5,176,124) | - | (11,164,227) |
| Write off | - | - | - | - |
| Recoveries of amount previously written off | - | - | - | - |
| At 31 December 2022 | 18,753,705 | 22,286,214 | 45,496,126 | 86,536,045 |

(iv) Credit quality

Loan and advances to customers

The following table sets out information about the overdue status of loans and advances to customers.

| | 31 December 2022 | 31 December 2021 |
|------------------------|------------------|------------------|
| | MOP | MOP |
| Current | 7,944,692,567 | 7,517,979,242 |
| Past due up to 30 days | - | - |
| Past due 31-60 days | - | - |
| Past due 61-90 days | - | - |
| Past due over 90 days | 90,551,801 | - |
| | 8,035,244,368 | 7,517,979,242 |

Market Risk

Market risks consist of the potential losses that might occur in a given portfolio as a result of changes in exchange rates and/or in the prices of the various financial instruments of portfolio, considering not only the correlations between those instruments but also their volatility.

Market risk assessment and management

BCP Group in monitoring and control of market risk existing in the diverse portfolios uses an integrated risk measurement that includes the main types of market risk identified by the Branch: generic risk (including interest rate risk and FX risk). The daily measurement of general market risk (relative to interest rate risk, exchange rate risk, equity risk and price risk of credit default swaps) by the Group uses a VaR (value-at-risk) model, considering a time horizon of 10 business days and a significance level of 99%.

In order to check the appropriateness of the internal VaR model for the assessment of the risks involved in the positions held, several validations are conducted over time, of different scopes and frequency, which include back testing, the estimation of the effects of diversification and the analysis of the comprehensiveness of the risk factors.

Besides being followed by the Head Office risk function on an integrated global basis, the Branch also monitors its market risk and interest rate risk by using the banking returns related to risks submitted to the AMCM. Through this model, computed at least once every quarter, the Branch is able to determine the sensitivity of its positions to changes in interest rates as well as the amount of capital that would be necessary to cover such scope of risk.

Interest rate risk

At 31 December 2022

| | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Non- interest bearing | Total |
|--|------------------|------------------|--------------------|--------------|-----------------|-----------------------------|------------------|
| | MOP'000 | MOP'000 | MOP'000 | MOP'000 | MOP'000 | MOP'000 | MOP'000 |
| Assets | | | | | | | |
| Cash and balances with the Monetary Authority of Macau | 86,934 | - | - | - | - | 840 | 87,774 |
| Balances with credit institutions repayable on demand | 16,512 | - | - | - | - | 58,020 | 74,532 |
| Other loans and advances to credit institutions | 496,809 | 882,240 | 101,630 | - | - | - | 1,480,679 |
| Loans and advances to customers | 1,621,471 | 1,326,691 | 4,680,993 | - | 319,553 | - | 7,948,708 |
| Other assets | - | - | - | - | - | 8,886 | 8,886 |
| Total assets | 2,221,726 | 2,208,931 | 4,782,623 | - | 319,553 | 67,746 | 9,600,579 |
| Liabilities | | | | | | | |
| Deposits from credit institutions | 636,474 | 360,758 | 4,232,581 | - | - | 231 | 5,230,044 |
| Deposits from customers | 578,464 | 881,196 | 1,628,235 | 952 | - | 1,050,739 | 4,139,586 |
| Other liabilities | - | - | - | - | - | 69,666 | 69,666 |
| Total liabilities | 1,214,938 | 1,241,954 | 5,860,816 | 952 | - | 1,120,636 | 9,439,296 |
| Total interest sensitivity gap | 1,006,788 | 966,977 | (1,078,193) | (952) | 319,553 | (1,052,890) | 161,283 |

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At 31 December 2021

| | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Non- interest bearing | Total |
|--|------------------|------------------|------------------|--------------------|------------------|-----------------------------|-------------------|
| | MOP'000 | MOP'000 | MOP'000 | MOP'000 | MOP'000 | MOP'000 | MOP'000 |
| Assets | | | | | | | |
| Cash and balances with the Monetary Authority of Macau | 86,772 | - | - | - | - | 619 | 87,391 |
| Balances with credit institutions repayable on demand | 21,404 | - | - | - | - | 19,709 | 41,113 |
| Other loans and advances to credit institutions | 818,612 | 1,469,607 | 104,419 | 4,568,657 | 2,744,151 | - | 9,705,446 |
| Loans and advances to customers | 1,239,992 | 1,330,234 | 4,523,401 | - | 336,833 | - | 7,430,460 |
| Other assets | - | - | - | - | - | 9,292 | 9,292 |
| Total assets | 2,166,780 | 2,799,841 | 4,627,820 | 4,568,657 | 3,080,984 | 29,620 | 17,273,702 |
| Liabilities | | | | | | | |
| Deposits from credit institutions | 258,432 | 428,857 | 3,809,691 | 5,796,538 | 2,744,037 | 11,132 | 13,048,687 |
| Deposits from customers | 563,879 | 959,988 | 1,586,782 | 554 | - | 965,815 | 4,077,018 |
| Other liabilities | - | - | - | - | - | 27,969 | 27,969 |
| Total liabilities | 822,311 | 1,388,845 | 5,396,473 | 5,797,092 | 2,744,037 | 1,004,916 | 17,153,674 |
| Total interest sensitivity gap | 1,344,469 | 1,410,996 | (768,653) | (1,228,435) | 336,947 | (975,296) | 120,028 |

The Branch's interest rate risk is mainly caused by the time difference when the interest rate is re-set due to holdings of interest-bearing assets, liabilities and other off-balance sheet financial items. On 31 December 2022, if the interest rate increases by 100 pips on that day (2021: 100 pips), and other factors remain unchanged, the Branch's after-tax profit will increase relatively by MOP 10,684,722 (2021: increase by MOP 9,638,851).

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Currency risk

At 31 December 2022

| | MOP | HKD | USD | EUR | Others | Total |
|--|-----------------|------------------|------------------|------------------|----------------|------------------|
| | MOP'000 | MOP'000 | MOP'000 | MOP'000 | MOP'000 | MOP'000 |
| Assets | | | | | | |
| Cash and balances with the Monetary Authority of Macau | 87,318 | 421 | 27 | - | 8 | 87,774 |
| Balances with credit institutions repayable on demand | 7,218 | 41,020 | 12,683 | 2,061 | 11,550 | 74,532 |
| Other loans and advances to credit institutions | - | 130,935 | 996,662 | 127,655 | 225,427 | 1,480,679 |
| Loans and advances to customers | 63,262 | 871,528 | 999,528 | 6,014,390 | - | 7,948,708 |
| Other assets | 5,546 | 774 | 306 | 2,019 | 241 | 8,886 |
| Total assets | 163,344 | 1,044,678 | 2,009,206 | 6,146,125 | 237,226 | 9,600,579 |
| Liabilities | | | | | | |
| Deposits from credit institutions | 121,172 | - | - | 5,108,872 | - | 5,230,044 |
| Deposits from customers | 92,066 | 429,046 | 2,347,639 | 1,038,578 | 232,257 | 4,139,586 |
| Other liabilities | 23,487 | 135 | 30,874 | 8,194 | 6,976 | 69,666 |
| Total liabilities | 236,725 | 429,181 | 2,378,513 | 6,155,644 | 239,233 | 9,439,296 |
| Net currency exposure | (73,381) | 615,497 | (369,307) | (9,519) | (2,007) | 161,283 |

At 31 December 2021

| | MOP | HKD | USD | EUR | Others | Total |
|--|-----------------|------------------|------------------|-------------------|----------------|-------------------|
| | MOP'000 | MOP'000 | MOP'000 | MOP'000 | MOP'000 | MOP'000 |
| Assets | | | | | | |
| Cash and balances with the Monetary Authority of Macau | 87,159 | 196 | 27 | - | 9 | 87,391 |
| Balances with credit institutions repayable on demand | 9,370 | 21,120 | 2,546 | 2,481 | 5,596 | 41,113 |
| Other loans and advances to credit institutions | - | 3,708 | 1,412,456 | 8,031,463 | 257,819 | 9,705,446 |
| Loans and advances to customers | 33,661 | 985,874 | 574,913 | 5,836,012 | - | 7,430,460 |
| Other assets | 5,320 | 1,174 | 352 | 2,435 | 11 | 9,292 |
| Total assets | 135,510 | 1,012,072 | 1,990,294 | 13,872,391 | 263,435 | 17,273,702 |
| Liabilities | | | | | | |
| Deposits from credit institutions | 131,173 | - | 185,178 | 12,732,336 | - | 13,048,687 |
| Deposits from customers | 82,796 | 374,273 | 2,188,470 | 1,171,905 | 259,574 | 4,077,018 |
| Other liabilities | 20,174 | 95 | 2,856 | 2,003 | 2,841 | 27,969 |
| Total liabilities | 234,143 | 374,368 | 2,376,504 | 13,906,244 | 262,415 | 17,153,674 |
| Net currency exposure | (98,633) | 637,704 | (386,210) | (33,853) | 1,020 | 120,028 |

Sensitivity analysis

The currencies to which the Branch had significant exposure at the reporting dates on its monetary financial assets and liabilities included Hong Kong Dollars ("HKD"), United States Dollars ("USD") and Euro Dollar ("EUR"). Since Macau Patacas is linked to the HKD and HKD is linked to the USD, management considered the Branch's exposure to HKD and USD is minimal. As such, no sensitivity analysis is presented.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the EUR exchange rate, with all other variable held constant, on the Branch's profit after tax.

(Equivalent in Macau Patacas)

Increase/(decrease) in profit before taxation

| Change in EUR Exchange rate | <u>2022</u> MOP'000 | <u>2021</u> MOP'000 |
|-----------------------------|------------------------|------------------------|
| 5% | (419) | (1,490) |
| (5%) | 419 | 1,490 |

Liquidity risks

Liquidity risk reflects the Branch's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risks).

Liquidity risk assessment and management

Evaluation of the Branch's liquidity risk is carried out using indicators defined by the supervisory authorities on a regular basis and other internal metrics for which exposure limits are also defined.

Besides being followed by the BCP Group risk function on an integrated global basis, and the support given by the Head-Office in this particular aspect by providing the liquidity as needed, the Branch has also its own liquidity risk management policy. Under this policy, the Branch manages its liquidity needs namely through maturity mismatch analysis over a series of time-bands as determined by the local regulator (AMCM).

The following maturity profile is based on the remaining period at the statement of financial position date to the contractual maturity date.

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| | Repayable on demand | 3 months or less | 3 months to 1 year | 1 year to 5 years | Over 5 years | Undated or overdue | Total |
|---|------------------------|---------------------|-----------------------|----------------------|-----------------|--------------------------|------------------|
| | MOP'000 | MOP'000 | MOP'000 | MOP'000 | MOP'000 | MOP'000 | MOP'000 |
| Assets | | | | | | | |
| Cash and balances with the Monetary Authority of Macau | 87,774 | - | - | - | - | - | 87,774 |
| Balances with credit institutions repayable on demand | 74,532 | - | - | - | - | - | 74,532 |
| Other loans and advances to credit institutions | - | 1,379,049 | 101,630 | - | - | - | 1,480,679 |
| Loans and advances to customers | 223,013 | 31,790 | 681,905 | 5,996,463 | 970,481 | 45,056 | 7,948,708 |
| Other assets | 241 | 2,004 | 944 | - | - | 5,697 | 8,886 |
| Total assets | 385,560 | 1,412,843 | 784,479 | 5,996,463 | 970,481 | 50,753 | 9,600,579 |
| Liabilities | | | | | | | |
| Deposits from credit institutions | 231 | 120,941 | 644,133 | 4,143,416 | 321,323 | - | 5,230,044 |
| Deposits from customers | 1,050,745 | 1,459,654 | 1,628,235 | 952 | - | - | 4,139,586 |
| Other liabilities | - | 33,549 | 19,839 | - | - | 16,278 | 69,666 |
| Total liabilities | 1,050,976 | 1,614,144 | 2,292,207 | 4,144,368 | 321,323 | 16,278 | 9,439,296 |
| Asset-liability gap | (665,416) | (201,301) | (1,507,728) | 1,852,095 | 649,158 | 34,475 | 161,283 |

At 31 December 2021

| | Repayable on demand | 3 months or less | 3 months to 1 year | 1 year to 5 years | Over 5 years | Undated or overdue | Total |
|---|------------------------|---------------------|-----------------------|----------------------|------------------|--------------------------|-------------------|
| | MOP'000 | MOP'000 | MOP'000 | MOP'000 | MOP'000 | MOP'000 | MOP'000 |
| Assets | | | | | | | |
| Cash and balances with the Monetary Authority of Macau | 87,391 | - | - | - | - | - | 87,391 |
| Balances with credit institutions repayable on demand | 41,113 | - | - | - | - | - | 41,113 |
| Other loans and advances to credit institutions | - | 2,288,219 | 104,419 | 4,568,657 | 2,744,151 | - | 9,705,446 |
| Loans and advances to customers | 110,847 | 214,415 | 158,136 | 2,680,748 | 4,266,314 | - | 7,430,460 |
| Other assets | 11 | 2,066 | 1,179 | - | - | 6,036 | 9,292 |
| Total assets | 239,362 | 2,504,700 | 263,734 | 7,249,405 | 7,010,465 | 6,036 | 17,273,702 |
| Liabilities | | | | | | | |
| Deposits from credit institutions | 11,132 | 687,289 | 3,809,691 | 5,796,538 | 2,744,037 | - | 13,048,687 |
| Deposits from customers | 965,821 | 1,523,861 | 1,586,782 | 554 | - | - | 4,077,018 |
| Other liabilities | - | 5,246 | 18,386 | - | - | 4,336 | 27,968 |
| Total liabilities | 976,953 | 2,216,396 | 5,414,859 | 5,797,092 | 2,744,037 | 4,336 | 17,153,674 |
| Asset-liability gap | (737,591) | 288,304 | (5,151,125) | ,452,313 | 4,266,428 | 1,700 | (737,591) |

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The tables below summarise the maturity profile, which is based on the remaining period of the Branch's financial liabilities based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the consolidated statement of financial position as the tables incorporate all cash flows relating to both principal and interest.

At 31 December 2022

| | Repayable on demand | 3 months or less | 3 months to 1 year | 1 year to 5 years | Over 5 years | Undated or overdue | Total |
|-----------------------------------|------------------------|---------------------|-----------------------|----------------------|-----------------|-----------------------|------------------|
| | MOP'000 | MOP'000 | MOP'000 | MOP'000 | MOP'000 | MOP'000 | MOP'000 |
| Liabilities | | | | | | | |
| Deposits from credit institutions | 231 | 124,526 | 755,798 | 4,530,482 | 327,242 | - | 5,738,279 |
| Deposits from customers | 1,050,745 | 1,462,009 | 1,650,470 | 955 | - | - | 4,164,179 |
| Other liabilities | - | 33,549 | 19,839 | - | - | - | 53,388 |
| Total liabilities | 1,050,976 | 1,620,084 | 2,426,107 | 4,531,437 | 327,242 | - | 9,955,846 |

At 31 December 2021

| | Repayable on demand | 3 months or less | 3 months to 1 year | 1 year to 5 years | Over 5 years | Undated or overdue | Total |
|-----------------------------------|------------------------|---------------------|-----------------------|----------------------|------------------|-----------------------|-------------------|
| | MOP'000 | MOP'000 | MOP'000 | MOP'000 | MOP'000 | MOP'000 | MOP'000 |
| Liabilities | | | | | | | |
| Deposits from credit institutions | 11,132 | 687,296 | 3,917,207 | 5,779,261 | 2,738,332 | - | 13,133,228 |
| Deposits from customers | 965,821 | 1,523,970 | 1,587,965 | 554 | - | - | 4,078,310 |
| Other liabilities | - | 5,246 | 18,386 | - | - | - | 23,632 |
| Total liabilities | 976,953 | 2,216,512 | 5,523,558 | 5,779,815 | 2,738,332 | - | 17,235,170 |

Off-balance sheet items

| | At 31 December 2022 | | | |
|--|---------------------|------------------|--------------|------------------|
| | No later than | | | Total |
| | 1 year | 1-5 years | Over 5 years | |
| | MOP'000 | MOP'000 | MOP'000 | MOP'000 |
| Loan commitments | 565,803 | 1,576,779 | - | 2,142,582 |
| Guarantees, acceptances and other financial facilities | 23,481 | 19,897 | - | 43,378 |
| Total | 589,284 | 1,596,676 | - | 2,185,960 |

| | At 31 December 2021 | | | |
|---|-------------------------|------------------|----------------|------------------|
| | No later than 1 year | 1-5 years | Over 5 years | Total |
| | MOP'000 | MOP'000 | MOP'000 | MOP'000 |
| Loan commitments | 1,229,052 | 1,671,255 | 111,983 | 3,012,290 |
| Guarantees, acceptances and other financial facilities | 17,348 | 20,668 | - | 38,016 |
| Total | 1,246,400 | 1,691,923 | 111,983 | 3,050,306 |

Fair value and fair value hierarchy

Fair value

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques.

Valuation techniques include net present value, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other parameters used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price of the financial instrument that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the reporting date.

Observable prices or model inputs are usually available in the market for listed debt securities and derivatives. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Fair value hierarchy

The following table presents the fair value of the Branch's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using level 2 inputs i.e. observable inputs which fail to meet level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs. This category includes all instruments for which the valuation technique includes inputs that are

not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

| | At 31 December 2022 | | | |
|------------------------------|---------------------|------------|---------|------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | MOP'000 | MOP'000 | MOP'000 | MOP'000 |
| Financial assets | | | | |
| Other assets | - | 624 | - | 624 |
| | - | 624 | - | 624 |
| Financial liabilities | | | | |
| Other liabilities | - | 757 | - | 757 |
| | - | 757 | - | 757 |
| | | | | |
| | At 31 December 2021 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| | MOP'000 | MOP'000 | MOP'000 | MOP'000 |
| Financial assets | | | | |
| Other assets | - | 299 | - | 299 |
| | - | 299 | - | 299 |
| Financial liabilities | | | | |
| Other liabilities | - | 232 | - | 232 |
| | - | 232 | - | 232 |

There was no transfer between level 1, level 2 and level 3 of the fair value hierarchy for financial assets and liabilities which are recorded at fair value during 2022 and 2021.

The carrying amounts of the Branch's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2022 and 31 December 2021

Operational Risk

Operational risk is understood to be the potential loss resulting from the failures or inadequacies in internal procedures, persons or systems and also the potential losses resulting from external events.

Operational risk assessment and management

The approach to operational risk management is based on the business and support 'end-to-end' processes. Process management is the responsibility of the Process Owners, who are the first parties

responsible for evaluation of the risks and for strengthening the performance within the scope of their processes. The Process Owners are responsible for keeping up to date all the relevant documentation concerning the processes, for ensuring the real adequacy of all the existing controls through direct supervision or by delegation on the departments responsible for the controls in question, for coordinating and taking part in the 'risk self-assessment' exercises, and for detecting and implementing improvement opportunities, including mitigating measures for the more significant exposures.

In the operational risk management implemented in the Head Office, there is a systematic process of gathering information on operational losses, which defines on a systematic form, the causes and the effects associated to an eventual detected loss. From the analysis of the historical information and its relationships, processes involving greater risk are identified and mitigation measures are launched to reduce the critical exposures.

5. NET INTEREST INCOME

| | <u>2022</u> MOP | <u>2021</u> MOP |
|--------------------------------------|---------------------|----------------------|
| Interest income | | |
| Interest on loans and advances | | |
| to customers | 205,995,513 | 162,383,078 |
| Interest on other loans and advances | | |
| to credit institutions | 74,654,307 | 219,750,651 |
| | <u>280,649,820</u> | <u>382,133,729</u> |
| Interest expense | | |
| Interest on deposits from customers | (33,560,231) | (8,680,864) |
| Interest on deposits from | | |
| credit institutions | (65,009,618) | (209,868,306) |
| | <u>(98,569,849)</u> | <u>(218,549,170)</u> |
| Net interest income | <u>182,079,971</u> | <u>163,584,559</u> |

6. NET FEE AND COMMISSION INCOME

| | <u>2022</u> MOP | <u>2021</u> MOP |
|---|--------------------|--------------------|
| Fee and commission income | | |
| From financial guarantees and | | |
| documentary credits issued | 967,085 | 960,068 |
| From banking services rendered | 2,405,163 | 4,562,700 |
| | <u>3,372,248</u> | <u>5,522,768</u> |
| Fee and commission expenses | | |
| From banking services rendered to third | | |
| parties | (1,158,000) | (1,025,738) |
| Net fee and commission income | <u>2,214,248</u> | <u>4,497,030</u> |

7. STAFF COSTS

| | <u>2022</u> MOP | <u>2021</u> MOP |
|-----------------------------------|--------------------|--------------------|
| Remuneration | 20,701,743 | 17,575,158 |
| Mandatory social security charges | 590,135 | 460,507 |
| Voluntary social security charges | 13,768 | 12,348 |
| | <u>21,305,646</u> | <u>18,048,013</u> |

8. OTHER ADMINISTRATIVE COSTS

| | <u>2022</u> MOP | <u>2021</u> MOP |
|--------------------------------------|--------------------|--------------------|
| Water, electricity and fuel | 89,383 | 104,593 |
| Equipment maintenance and repair | 63,217 | 43,142 |
| Insurance | 222,808 | 201,400 |
| Auditor's remuneration | 517,902 | 484,358 |
| System services and maintenance | 743,379 | 783,135 |
| Rental expenses | 4,425,538 | 4,150,311 |
| Telecommunications and postages | 496,863 | 573,737 |
| Office management and supplies | 752,425 | 705,650 |
| Professional and consulting services | 688,033 | 627,191 |
| Others | 609,419 | 664,801 |
| | <u>8,608,967</u> | <u>8,338,318</u> |

9. DEPRECIATION AND AMORTISATION

| | <u>2022</u> MOP | <u>2021</u> MOP |
|-------------------------------------|--------------------|--------------------|
| Intangible assets (note 16) | | |
| - software | <u>375,288</u> | <u>351,665</u> |
| Property and equipment (note 15) | | |
| Improvements to leasehold buildings | 764,372 | 513,518 |
| Equipment | | |
| - Furniture and equipment | 32,798 | 7,021 |
| - Computer equipment | 202,402 | 100,378 |
| - Interior installations | 33,359 | 9,313 |
| - Motor vehicles | 181,028 | 78,033 |
| - Security equipment | 33,929 | 19,379 |
| | <u>1,247,888</u> | <u>727,642</u> |
| | <u>1,623,176</u> | <u>1,079,307</u> |

10. INCOME TAX

Income tax liabilities

| | <u>2022</u> MOP | <u>2021</u> MOP |
|----------------------------------|--------------------|--------------------|
| As at 1 January | 16,925,816 | 10,279,367 |
| Tax paid during the year | (16,361,108) | (9,639,168) |
| Provision taking during the year | 16,693,067 | 16,285,617 |
| As at 31 December | <u>17,257,775</u> | <u>16,925,816</u> |

The tax is calculated in accordance with the relative regulation of Macau Complementary Tax rate (i.e. maximum 12%) as well as the tax relief granted in the Macau Budget of the respective year. Moreover, tax liabilities may include the provisions for prior years.

Income tax expense

The amount of taxation charged to the statement of profit or loss and other comprehensive income represents:

| | <u>2022</u> MOP | <u>2021</u> MOP |
|-------------------------|--------------------|--------------------|
| Macau complementary tax | | |
| Provision for the year | <u>16,693,067</u> | <u>16,285,617</u> |

The tax charge for the year can be reconciled to profit before tax per the statement of profit or loss and other comprehensive income as follows:

| | <u>2022</u> MOP | <u>2021</u> MOP |
|--------------------------------------|--------------------|--------------------|
| Profit before income tax | <u>139,708,888</u> | <u>136,313,467</u> |
| Complementary tax at 12% (2021: 12%) | 16,765,067 | 16,357,617 |
| Others | (72,000) | (72,000) |
| Income tax expense | <u>16,693,067</u> | <u>16,285,617</u> |

11. CASH AND BALANCES WITH THE MONETARY AUTHORITY OF MACAU

| | <u>2022</u> MOP | <u>2021</u> MOP |
|---|--------------------|--------------------|
| Cash | 786,127 | 559,142 |
| Deposits at the Monetary Authority of Macau | <u>86,988,118</u> | <u>86,832,011</u> |
| | <u>87,774,245</u> | <u>87,391,153</u> |

12. BALANCES WITH CREDIT INSTITUTIONS REPAYABLE ON DEMAND

| | <u>2022</u> MOP | <u>2021</u> MOP |
|------------------------------|--------------------|--------------------|
| Credit institutions in Macau | 25,343,236 | 25,213,140 |
| Credit institutions abroad | 49,188,374 | 15,899,647 |
| | <u>74,531,610</u> | <u>41,112,787</u> |

13. OTHER LOANS AND ADVANCES TO CREDIT INSTITUTIONS

| | <u>2022</u> MOP | <u>2021</u> MOP |
|----------------------------|----------------------|----------------------|
| Credit institutions abroad | <u>1,480,678,782</u> | <u>9,705,445,650</u> |

14. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers:

| | <u>2022</u> MOP | <u>2021</u> MOP |
|---|----------------------|----------------------|
| Loans and advances to customers (gross) | 8,035,244,368 | 7,517,979,242 |
| Impairment allowances | (86,536,045) | - |
| Provisions | - | (87,519,391) |
| | <u>7,948,708,323</u> | <u>7,430,459,851</u> |

15. PROPERTY AND EQUIPMENT

The movements of property and equipment are analysed as follows:

| | Balance on 1 Jan 2022 MOP | Acquisitions / Charges MOP | Disposal / Write-offs MOP | Balance on 31 Dec 2022 MOP |
|-------------------------------------|---------------------------------|----------------------------------|---------------------------------|----------------------------------|
| Cost | | | | |
| Improvements to leasehold buildings | 6,027,048 | - | - | 6,027,048 |
| Equipment | | | | |
| - Furniture and equipment | 1,575,790 | - | - | 1,575,790 |
| - Computer equipment | 1,567,819 | 324,107 | (64,500) | 1,827,426 |
| - Interior installations | 357,205 | - | - | 357,205 |
| - Motor vehicles | 863,758 | 617,969 | (473,594) | 1,008,133 |
| - Security equipment | 349,788 | - | - | 349,788 |
| Works of art | 94,408 | - | - | 94,408 |
| | <u>10,835,816</u> | <u>942,076</u> | <u>(538,094)</u> | <u>11,239,798</u> |
| Accumulated depreciation | | | | |
| Improvements to leasehold buildings | 4,283,662 | 764,372 | - | 5,048,034 |
| Equipment | | | | |
| - Furniture and equipment | 1,418,912 | 32,798 | - | 1,451,710 |
| - Computer equipment | 1,003,511 | 202,402 | (64,500) | 1,141,413 |
| - Interior installations | 67,621 | 33,359 | - | 100,980 |
| - Motor vehicles | 694,687 | 181,028 | (473,594) | 402,121 |
| - Security equipment | 158,885 | 33,929 | - | 192,814 |
| | <u>7,627,278</u> | <u>1,247,888</u> | <u>(538,094)</u> | <u>8,337,072</u> |
| | | (note 9) | | |
| Net book value | | | | <u><u>2,902,726</u></u> |

BANCO COMERCIAL PORTUGUÊS, S. A. – MACAU BRANCH
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| | Balance on 1 Jan 2021 MOP | Acquisitions / Charges MOP | Disposal / Write-offs MOP | Balance on 31 Dec 2021 MOP |
|-------------------------------------|---------------------------------|----------------------------------|---------------------------------|----------------------------------|
| Cost | | | | |
| Improvements to leasehold buildings | 4,956,808 | 1,070,240 | - | 6,027,048 |
| Equipment | | | | |
| - Furniture and equipment | 1,437,894 | 161,846 | (23,950) | 1,575,790 |
| - Computer equipment | 1,343,157 | 562,027 | (337,365) | 1,567,819 |
| - Interior installations | 73,510 | 288,550 | (4,855) | 357,205 |
| - Motor vehicles | 863,758 | - | - | 863,758 |
| - Security equipment | 175,188 | 174,600 | - | 349,788 |
| Works of art | 94,408 | - | - | 94,408 |
| | 8,944,723 | 2,257,263 | (366,170) | 10,835,816 |
| Accumulated depreciation | | | | |
| Improvements to leasehold buildings | 3,770,144 | 513,518 | - | 4,283,662 |
| Equipment | | | | |
| - Furniture and equipment | 1,435,841 | 7,021 | (23,950) | 1,418,912 |
| - Computer equipment | 1,240,498 | 100,378 | (337,366) | 1,003,510 |
| - Interior installations | 63,163 | 9,313 | (4,855) | 67,621 |
| - Motor vehicles | 616,654 | 78,033 | - | 694,687 |
| - Security equipment | 139,507 | 19,379 | - | 158,886 |
| | 7,265,807 | 727,642 (note 9) | (366,171) | 7,627,278 |
| Net book value | | | | 3,208,538 |

16. INTANGIBLE ASSETS

The movements of intangible assets are analysed as follows:

| | Balance on 1 Jan 2022 MOP | Acquisitions / Charges MOP | Write-offs MOP | Balance on 31 Dec 2022 MOP |
|--------------------------|---------------------------------|----------------------------------|-------------------|----------------------------------|
| Cost | | | | |
| Software | 4,805,881 | 175,200 | - | 4,981,081 |
| Accumulated amortisation | | | | |
| Software | 3,271,057 | 375,288 | - | 3,646,345 |
| Net book value | | | | 1,334,736 |

BANCO COMERCIAL PORTUGUÊS, S. A. – MACAU BRANCH
DISCLOSURE OF INFORMATION (Circular No. 006/B/2022-DSB/AMCM)

| | Balance on 1 Jan 2021 MOP | Acquisitions / Charges MOP | Write-offs MOP | Balance on 31 Dec 2021 MOP |
|--------------------------|---------------------------------|----------------------------------|-------------------|----------------------------------|
| Cost | | | | |
| Software | 4,275,374 | 594,652 | (64,145) | 4,805,881 |
| Accumulated amortisation | | | | |
| Software | 2,983,537 | 351,665 | (64,145) | 3,271,057 |
| Net book value | | | | <u>1,534,824</u> |

17. IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

| | <u>2022</u> MOP | <u>2021</u> MOP |
|---|---------------------|---------------------|
| Movements in impairment allowances on financial instruments: | | |
| Loan and advance to customers | | |
| At 31 December 2021/ 2020 | (87,519,391) | (80,019,391) |
| Impact on new MFRS adoption | 24,318,163 | - |
| At 1 January | (63,201,228) | (80,019,391) |
| Impairment losses charged to profit or loss | (23,334,818) | (7,500,000) |
| At 31 December | <u>(86,536,046)</u> | <u>(87,519,391)</u> |
| Direct credit substitutes and undrawn loan commitments | | |
| At 31 December 2021/ 2020 | - | - |
| Impact on new MFRS adoption | (4,098,747) | - |
| At 1 January | (4,098,747) | - |
| Impairment losses reversed in profit or loss | 3,255,393 | - |
| At 31 December | <u>(843,354)</u> | <u>-</u> |

18. DEPOSITS FROM CREDIT INSTITUTIONS

| | <u>2022</u> MOP | <u>2021</u> MOP |
|--|----------------------|-----------------------|
| Deposits from credit institutions abroad | <u>5,230,044,499</u> | <u>13,048,687,319</u> |

19. DEPOSITS FROM CUSTOMERS

| | <u>2022</u> MOP | <u>2021</u> MOP |
|---------------------|----------------------|----------------------|
| Repayable on demand | 1,050,744,745 | 965,820,932 |
| Term deposits | 3,088,841,411 | 3,111,196,826 |
| | <u>4,139,586,156</u> | <u>4,077,017,758</u> |

20. NON-CANCELLABLE OPERATING LEASE COMMITMENTS

| | <u>2022</u> MOP | <u>2021</u> MOP |
|--------------|--------------------|--------------------|
| Up to 1 year | 2,031,571 | 2,062,471 |

21. RELATED PARTY TRANSACTIONS (MACAU BRANCH)

21.1 Definition of basic terms

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Related party (non-exhaustive definition – see note 2.15 of ‘Significant Accounting Policies’)

A party is related to an entity if the party, directly and indirectly, controls, is controlled by, or is under common control with, the entity.

A related party relationship might exist between entities when they are members of the same group either as a parent, a subsidiary or a fellow subsidiary.

Conflicts of interest

Conflicts of interest arise when an entity unduly benefits (directly or indirectly) from a transaction due to being in a relation of control with or having a significant influence over a related party.

21.2 Related party transactions

Because conflicts of interest may result more easily when transactions between related parties are at stake, it is of great importance that all transactions with related parties are conducted free of conflicts of interest, i.e. based on terms and conditions that are equally favorable when compared to transactions between unrelated parties, and the parties refrain from entering into transactions that unrelated parties would not.

21.3 Terms and conditions of related party lending

Within Banco Comercial Português, S. A. (BCP) Group, the terms and conditions inherent in related party lending are as much as possible in usual economic terms, i.e. on arm's length basis, and subject to the same analysis and approval procedures as if the transactions were done with unrelated parties.

Conflicts of interest are, on the other hand, governed by the Group's Code of Conduct.

21.4 Disclosures

The significant transactions and balances with the Head Office and parties stated in the note 15, arising from the Branch's course of business, are disclosed as follows.

i) Balances and transactions with Head Office

Statement of Financial Position at the year ended 31 December

| | <u>2022</u> MOP | <u>2021</u> MOP |
|---|----------------------|----------------------|
| Assets | | |
| Balances with credit institutions repayable on demand | 27,391,625 | 11,510,987 |
| Other loans and advances to credit institutions | 1,416,568,695 | 9,687,364,738 |
| Other assets | 1,151,991 | 298,861 |
| Total | <u>1,445,112,311</u> | <u>9,699,174,586</u> |
| Liabilities | | |
| Deposits from credit institutions | 5,230,044,499 | 5,551,015,694 |
| Other liabilities | 5,893,471 | 722,541 |
| Total | <u>5,235,937,970</u> | <u>5,551,738,235</u> |

Statement of profit or loss and other comprehensive income for the year ended 31 December

| | <u>2022</u> MOP | <u>2021</u> MOP |
|------------------|--------------------|--------------------|
| Interest income | <u>70,698,642</u> | <u>217,409,046</u> |
| Interest expense | <u>9,695,156</u> | <u>223,743</u> |

Off- Balance Sheet Exposures at the year ended 31 December

| | <u>2022</u> MOP | <u>2021</u> MOP |
|-------------------------|--------------------|----------------------|
| Exchange rate contracts | | |
| Purchases | 449,869,095 | 510,220,404 |
| Sales | 450,110,000 | 509,854,591 |
| Total | <u>899,979,095</u> | <u>1,020,074,995</u> |

ii) Balances and transactions with other related parties

Statement of Financial Position at the year ended 31 December

| | <u>2022</u> MOP | <u>2021</u> MOP |
|-----------------------------------|--------------------|----------------------|
| Assets | | |
| Loans and advances to customers | 356,822,834 | 379,725,422 |
| Total | <u>356,822,834</u> | <u>379,725,422</u> |
| Liabilities | | |
| Deposits from customers | 10,982,344 | 26,452,496 |
| Deposits from credit institutions | - | 7,312,493,979 |
| Total | <u>10,982,344</u> | <u>7,338,946,475</u> |

Statement of profit or loss and other comprehensive income for the year ended 31 December

| | <u>2022</u> MOP | <u>2021</u> MOP |
|------------------|--------------------|--------------------|
| Interest income | <u>7,482,616</u> | <u>8,262,123</u> |
| Interest expense | <u>55,356,953</u> | <u>209,614,823</u> |

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

iii) Key management personnel

The remuneration of key management personnel, which is included in "staff costs", is as follows:

| | <u>2022</u> MOP | <u>2021</u> MOP |
|---------------------|--------------------|--------------------|
| Remuneration | 8,789,181 | 8,677,307 |
| Retirement benefits | 125,856 | 122,309 |
| | <u>8,915,037</u> | <u>8,799,616</u> |

LIST OF SHAREHOLDERS WITH QUALIFIED HOLDINGS IN BANCO COMERCIAL PORTUGUÊS, S. A.

| NAME | % OF SHARE CAPITAL | % OF VOTING RIGHTS |
|---|-------------------------------|-------------------------------|
| Fosun Group Chiado (Luxembourg) S.a.r.l. | 29.95% | 29.95% |
| Sonangol Group Sonangol-Sociedade Nacional de Combustíveis de Angola, EP | 19.49% | 19.49% |

Note:

According with the definition adopted by the Monetary Authority of Macau (AMCM), a qualifying holding is a holding which is owned directly or indirectly by the shareholder and which represents 10% or more of the share capital or voting rights of the credit institution or which confers, in any other form, the possibility to exercise a significant influence over the management of the credit institution.

NAMES OF MEMBERS OF BOARDS OF BANCO COMERCIAL PORTUGUÊS, S. A.

BOARD OF THE GENERAL MEETING

| | |
|---------------------------|-------------------|
| Pedro Rebelo de Sousa | Chairman |
| Octávio Castelo Paulo | Vice-Chairman |
| Ana Patrícia Moniz Macedo | Company Secretary |

BOARD OF DIRECTORS

| | |
|--|---------------|
| Nuno Manuel da Silva Amado | Chairman |
| Jorge Manuel Baptista Magalhães Correia | Vice-Chairman |
| Valter Rui Dias de Barros | Vice-Chairman |
| Miguel Maya Dias Pinheiro | Vice-Chairman |
| Altina de Fátima Sebastian Gonzalez Villamarin | Member |
| Ana Paula Alcobia Gray | Member |
| Cidália Maria Mota Lopes | Member |
| Fernando da Costa Lima | Member |
| João Nuno de Oliveira Jorge Palma | Member |
| José Miguel Bensliman Schorcht da Silva Pessanha | Member |
| Lingjiang Xu | Member |
| Lingzi Yuan (Smilla Yuan) | Member |
| Maria José Henriques Barreto de Matos de Campos | Member |
| Miguel de Campos Pereira de Bragança | Member |
| José Pedro Rivera Ferreira Malaquias | Member |
| Rui Manuel da Silva Teixeira | Member |
| Xiaoxu Gu (Julia Gu) | Member |

EXECUTIVE COMMITTEE

| | |
|--|---------------|
| Miguel Maya Dias Pinheiro | Chairman |
| Miguel de Campos Pereira de Bragança | Vice-Chairman |
| João Nuno de Oliveira Jorge Palma | Vice-Chairman |
| Rui Manuel da Silva Teixeira | Member |
| José Miguel Bensliman Schorcht da Silva Pessanha | Member |
| Maria José Henriques Barreto de Matos de Campos | Member |

REMUNERATIONS AND WELFARE BOARD

| | |
|---|----------|
| José António Figueiredo Almaça | Chairman |
| Jorge Manuel Baptista Magalhães Correia | Member |
| Valter Rui Dias de Barros | Member |

STRATEGIC BOARD (SB)

| | |
|---|--------------------------------|
| Nuno Manuel da Silva Amado | Members due to their functions |
| Jorge Manuel Baptista Magalhães Correia | Members due to their functions |
| Valter Rui Dias de Barros | Members due to their functions |
| Miguel Maya Dias Pinheiro | Members due to their functions |

AUDIT COMMITTEE

| | |
|--|------------------|
| Cidália Maria Mota Lopes | Chairwoman |
| Fernando da Costa Lima | Member |
| Valter Rui Dias de Barros | Member |
| Altina de Fátima Sebastian Gonzalez Villamarin | Alternate member |

NAMES OF MEMBERS OF THE MANAGEMENT OF THE MACAU BRANCH OF BANCO COMERCIAL PORTUGUÊS, S. A.

| | |
|----------------------------|------------------------|
| Constantino Alves Mousinho | General Manager |
| Leung Chi Wai | Deputy General Manager |
| Vong Sau Mui | Deputy General Manager |
| Chan Fong Mei | Deputy General Manager |

OFF-BALANCE SHEET EXPOSURES OTHER THAN DERIVATIVES TRANSACTIONS AT THE YEAR ENDED 31 DECEMBER (MACAU BRANCH)

| | 2022 MOP | 2021 MOP |
|--|------------------------------|------------------------------|
| Credit substitutes | 43,378,259 | 38,015,546 |
| Transaction-related contingencies | - | - |
| Acceptances and other trade-related contingencies | - | - |
| Note issuance facilities, revolving underwriting facilities and other similar facilities | - | - |
| Forward asset purchases | - | - |
| Unpaid portion of partly paid shares and other securities | - | - |
| Forward deposits | - | - |
| Asset sales with repurchase option | - | - |
| Undrawn credit facilities and other commitments to extend credit | 2,142,582,165 | 3,012,290,347 |
| Other off-balance sheet items | 19,470,999,853 | 16,354,968,345 |
| TOTAL | <u>21,656,960,277</u> | <u>19,405,274,238</u> |

DERIVATIVES TRANSACTIONS (MACAU BRANCH)

| | 2022 MOP | 2021 MOP |
|--|------------------------------|------------------------------|
| Exchange rate contracts | | |
| Forward purchases | 449,869,095 | 510,220,404 |
| Forward sales | 450,110,000 | 509,854,591 |
| Interest rate contracts | | |
| Purchases | - | - |
| Sales | - | - |
| Equities contracts | - | - |
| Commodities contracts | - | - |
| Others | - | - |
| TOTAL | <u>899,979,095</u> | <u>1,020,074,995</u> |
| TOTAL OFF-BALANCE SHEET EXPOSURES | <u>22,556,939,372</u> | <u>20,425,349,233</u> |

CREDIT RISK WEIGHTED AMOUNTS OF THE DERIVATIVES TRANSACTIONS

(in accordance with Notice no. 011/2015-AMCM)

| | 2022 MOP | 2021 MOP |
|-------------------------|------------------|------------------|
| Exchange rate contracts | 5,122,288 | 5,401,065 |
| Interest rate contracts | - | - |
| Equities contracts | - | - |
| Commodities contracts | - | - |
| Others | - | - |
| TOTAL | 5,122,288 | 5,401,065 |

NET FAIR VALUE OF THE DERIVATIVES TRANSACTIONS

| | 2022 MOP | 2021 MOP |
|-------------------------|------------------|---------------|
| Exchange rate contracts | (133,473) | 66,852 |
| Interest rate contracts | - | - |
| Equities contracts | - | - |
| Commodities contracts | - | - |
| Others | - | - |
| TOTAL | (133,473) | 66,852 |

LOANS AND ADVANCES TO CUSTOMERS BY GEOGRAPHIC DISTRIBUTION (MACAU BRANCH)

| | 31 Dec 2022 MOP | 31 Dec 2021 MOP |
|------------------------|----------------------|----------------------|
| British Virgin Islands | 80,277,179 | 80,161,694 |
| Cayman Islands | - | 87,364,287 |
| China | 191,103,252 | 138,358,127 |
| Germany | 224,868,369 | 265,271,439 |
| Hong Kong | 1,753,432,093 | 1,225,563,571 |
| Macau | 243,174,640 | 419,069,276 |
| Netherlands | 5,305,988,900 | 5,188,679,229 |
| Portugal | 12,096,578 | - |
| Spain | 105,950,242 | 50,312,862 |
| United States | 118,355,115 | 63,198,757 |
| | 8,035,244,368 | 7,517,979,242 |
| Impairment allowances | (86,536,045) | - |
| Provisions | - | (87,519,391) |
| | 7,948,708,323 | 7,430,459,851 |

CREDIT EXPOSURES BY GEOGRAPHIC DISTRIBUTION AS OF 31 DECEMBER 2022 (MACAU BRANCH)

Loans and advances to customers

| | Gross Amount | | ECL | | Net Total |
|------------------------|----------------------|-------------------|--------------------|-------------------|----------------------|
| | Stage 1 & 2 MOP | Stage 3 MOP | Stage 1 & 2 MOP | Stage 3 MOP | MOP |
| British Virgin Islands | 80,277,179 | - | 14,353 | - | 80,262,826 |
| China | 191,103,252 | - | 643,718 | - | 190,459,534 |
| Germany | 224,868,369 | - | 17,643,804 | - | 207,224,565 |
| Hong Kong | 1,663,412,718 | 90,019,375 | 8,393,819 | 45,341,292 | 1,699,696,982 |
| Macau | 242,640,214 | 532,426 | 8,019,042 | 154,834 | 234,998,764 |
| Netherlands | 5,305,988,900 | - | 4,437,389 | - | 5,301,551,511 |
| Portugal | 12,096,578 | - | 595,866 | - | 11,500,712 |
| Spain | 105,950,242 | - | 610,240 | - | 105,340,002 |
| United States | 118,355,115 | - | 681,688 | - | 117,673,427 |
| | 7,944,692,567 | 90,551,801 | 41,039,919 | 45,496,126 | 7,948,708,323 |

Guarantees and undrawn commitments

| | Gross Amount | | ECL | | Net Total |
|---------------|----------------------|----------------|--------------------|----------------|----------------------|
| | Stage 1 & 2 MOP | Stage 3 MOP | Stage 1 & 2 MOP | Stage 3 MOP | MOP |
| China | 41,842,464 | - | 9,610 | - | 41,832,854 |
| Hong Kong | 40,425,234 | - | 210,471 | - | 40,214,763 |
| Macau | 236,023,772 | - | 311,647 | - | 235,712,125 |
| Netherlands | 1,818,923,463 | - | 233,012 | - | 1,818,690,451 |
| Portugal | 5,316,010 | - | - | - | 5,316,010 |
| Spain | 1,150,122 | - | 2,082 | - | 1,148,040 |
| United States | 42,279,359 | - | 76,533 | - | 42,202,826 |
| | 2,185,960,424 | - | 843,355 | - | 2,185,117,069 |

LOANS AND ADVANCES TO CUSTOMERS BY INDUSTRY DISTRIBUTION (MACAU BRANCH)

| | 31 Dec 2022 | 31 Dec 2021 |
|-------------------------------------|-----------------------------|-----------------------------|
| | MOP | MOP |
| Mining industries | 76,846,456 | 95,895,610 |
| Manufacturing industries | 282,041,307 | 37,215,149 |
| Electricity, gas and water | 51,157,248 | 87,364,287 |
| Construction and public works | 344,031,940 | 440,761,572 |
| Wholesale and retail trade | 396,673,970 | 234,882,585 |
| Restaurants, hotels and similar | - | 215,584,661 |
| Non-monetary financial institutions | 4,097,581,841 | 4,120,332,020 |
| Other industries | 2,761,634,617 | 2,281,925,779 |
| Personal loans | 25,276,989 | 4,017,579 |
| | <u>8,035,244,368</u> | <u>7,517,979,242</u> |
| Impairment allowances | (86,536,045) | - |
| Provisions | - | (87,519,391) |
| | <u>7,948,708,323</u> | <u>7,430,459,851</u> |

**LOANS AND ADVANCES AND EXPECTED CREDIT LOSS (ECL) BY INDUSTRY DISTRIBUTION
AS OF 31 DECEMBER 2022**

| | Gross Amount | | ECL | | Net Total |
|-------------------------------------|-----------------------------|--------------------------|--------------------------|--------------------------|-----------------------------|
| | Stage 1 & 2 MOP | Stage 3 MOP | Stage 1 & 2 MOP | Stage 3 MOP | MOP |
| Mining industries | 76,846,456 | - | 60,704 | - | 76,785,752 |
| Manufacturing industries | 282,041,307 | - | 346,329 | - | 281,694,978 |
| Electricity, gas and water | 51,157,248 | - | 166,257 | - | 50,990,991 |
| Construction and public works | 254,012,565 | 90,019,375 | 870,952 | 45,341,292 | 297,819,696 |
| Wholesale and retail trade | 396,673,970 | - | 4,157,324 | - | 392,516,646 |
| Non-monetary financial institutions | 4,097,581,841 | - | 20,632,292 | - | 4,076,949,549 |
| Other industries | 2,761,634,617 | - | 11,013,741 | - | 2,750,620,876 |
| Personal loans | 24,744,563 | 532,426 | 3,792,320 | 154,834 | 21,329,835 |
| | <u>7,944,692,567</u> | <u>90,551,801</u> | <u>41,039,919</u> | <u>45,496,126</u> | <u>7,948,708,323</u> |

PAST DUE EXPOSURES – LOANS AND ADVANCES TO CUSTOMERS

| | 31 Dec 2022 | % * | 31 Dec 2021 | % * |
|---|---------------------|-----|-------------|-----|
| | MOP | | MOP | |
| More than 3 months but less than 6 months | 90,551,801 | 1.1 | - | - |
| More than 6 months but less than 1 year | - | - | - | - |
| More than 1 year | - | - | - | - |
| | <u>90,551,801</u> | 1.1 | <u>-</u> | - |
| Mitigation from collaterals | (532,426) | | - | |
| Net past due exposures | <u>90,019,375</u> | | <u>-</u> | |
| Impairment allowances to past due exposures | <u>(45,496,126)</u> | | <u>-</u> | |

* % on total loans to customers (gross)

CREDIT QUALITY ANALYSIS UNDER REGULATORY ASSET CLASSIFICATION AS OF 31 DECEMBER 2022

Asset Classification as per notice no. 012/2021-AMCM:

| Asset Classification | MOP | | |
|----------------------|--|--------------------------|----------------------------|
| | <u>On Balance Sheet</u> Loans and advances to customers | <u>Off-Balance Sheet</u> | Other financial investment |
| Pass | 7,971,672,230 | 43,378,259 | - |
| Special Mention | - | - | - |
| Substandard | 91,215,010 | - | - |
| Doubtful | - | - | - |
| Loss | - | - | - |
| Total | 8,062,887,240 | 43,378,259 | - |

ASSETS MATURITY ANALYSIS (MACAU BRANCH)

LOANS AND ADVANCES TO CUSTOMERS

| | 31 Dec 2022 | 31 Dec 2021 |
|--|-----------------------------|-----------------------------|
| | MOP | MOP |
| On demand (Overdrafts) | 224,305,357 | 113,511,619 |
| Within 1 month | 32,098,135 | - |
| More than 1 month but not more than 3 months | 2,876,509 | 216,189,912 |
| More than 3 months but not more than 1 year | 683,008,945 | 159,218,037 |
| More than 1 year but not more than 3 years | 2,240,864,599 | 2,201,199,749 |
| More than 3 years | 4,852,090,823 | 4,827,859,925 |
| Indefinite period | - | - |
| | <u>8,035,244,368</u> | <u>7,517,979,242</u> |
| Impairment allowance | (86,536,045) | - |
| Provisions | - | (87,519,391) |
| | <u>7,948,708,323</u> | <u>7,430,459,851</u> |

BALANCES, OTHER LOANS AND ADVANCES WITH CREDIT INSTITUTIONS

| | 31 Dec 2022 MOP | 31 Dec 2021 MOP |
|--|-----------------------------|-----------------------------|
| On demand | 74,531,610 | 41,112,787 |
| Within 1 month | 496,808,637 | 818,612,058 |
| More than 1 month but not more than 3 months | 882,240,463 | 1,469,606,757 |
| More than 3 months but not more than 1 year | 101,629,682 | 104,419,012 |
| More than 1 year but not more than 3 years | - | 4,568,656,862 |
| More than 3 years | - | 2,744,150,961 |
| Indefinite period | - | - |
| | <u><u>1,555,210,392</u></u> | <u><u>9,746,558,437</u></u> |

CERTIFICATES OF DEPOSIT HELD

| | 31 Dec 2022 MOP | 31 Dec 2021 MOP |
|--|--------------------|--------------------|
| On demand | - | - |
| Within 1 month | - | - |
| More than 1 month but not more than 3 months | - | - |
| More than 3 months but not more than 1 year | - | - |
| More than 1 year but not more than 3 years | - | - |
| More than 3 years | - | - |
| Indefinite period | - | - |
| | <u><u>-</u></u> | <u><u>-</u></u> |

SECURITIES ISSUED BY THE MACAU SAR GOVERNMENT AND/OR AMCM

| | 30 Dec 2022 MOP | 31 Dec 2021 MOP |
|--|--------------------|--------------------|
| On demand | - | - |
| Within 1 month | - | - |
| More than 1 month but not more than 3 months | - | - |
| More than 3 months but not more than 1 year | - | - |
| More than 1 year but not more than 3 years | - | - |
| More than 3 years | - | - |
| Indefinite period | - | - |
| | <u><u>-</u></u> | <u><u>-</u></u> |

SECURITIES ISSUED BY THE MACAU SAR GOVERNMENT AND/OR AMCM

| | 31 Dec 2022 MOP | 31 Dec 2021 MOP |
|--|--------------------|--------------------|
| On demand | - | - |
| Within 1 month | - | - |
| More than 1 month but not more than 3 months | - | - |
| More than 3 months but not more than 1 year | - | - |
| More than 1 year but not more than 3 years | - | - |
| More than 3 years | - | - |
| Indefinite period | - | - |
| | <u>-</u> | <u>-</u> |

OTHER SECURITIES

| | 31 Dec 2022 MOP | 31 Dec 2021 MOP |
|--|--------------------|--------------------|
| On demand | - | - |
| Within 1 month | - | - |
| More than 1 month but not more than 3 months | - | - |
| More than 3 months but not more than 1 year | - | - |
| More than 1 year but not more than 3 years | - | - |
| More than 3 years | - | - |
| Indefinite period | - | - |
| | <u>-</u> | <u>-</u> |

LIABILITIES MATURITY ANALYSIS (MACAU BRANCH)

DEPOSITS FROM CREDIT INSTITUTIONS

| | 31 Dec 2022 MOP | 31 Dec 2021 MOP |
|--|----------------------|-----------------------|
| On demand | 231,350 | 11,131,824 |
| Within 1 month | 120,940,931 | 258,432,407 |
| More than 1 month but not more than 3 months | - | 428,856,858 |
| More than 3 months but not more than 1 year | 644,133,236 | 3,809,690,751 |
| More than 1 year but not more than 3 years | 876,290,865 | 5,796,538,615 |
| More than 3 years | 3,588,448,117 | 2,744,036,864 |
| Indefinite period | - | - |
| | <u>5,230,044,499</u> | <u>13,048,687,319</u> |

DEPOSITS FROM PUBLIC SECTOR ENTITIES

| | 31 Dec 2022 MOP | 31 Dec 2021 MOP |
|--|--------------------|--------------------|
| On demand | - | - |
| Within 1 month | 332,582,963 | 337,575,674 |
| More than 1 month but not more than 3 months | - | - |
| More than 3 months but not more than 1 year | - | - |
| More than 1 year but not more than 3 years | - | - |
| More than 3 years | - | - |
| Indefinite period | - | - |
| | <u>332,582,963</u> | <u>337,575,674</u> |

DEPOSITS FROM HOLDING AND ASSOCIATED COMPANIES

| | 31 Dec 2022 MOP | 31 Dec 2021 MOP |
|--|--------------------|--------------------|
| On demand | - | 1,359,341 |
| Within 1 month | - | - |
| More than 1 month but not more than 3 months | - | - |
| More than 3 months but not more than 1 year | - | - |
| More than 1 year but not more than 3 years | - | - |
| More than 3 years | - | - |
| Indefinite period | - | - |
| | <u>-</u> | <u>1,359,341</u> |

DEPOSITS FROM NON-BANK CUSTOMERS

| | 31 Dec 2022 MOP | 31 Dec 2021 MOP |
|--|----------------------|----------------------|
| On demand | 1,050,744,745 | 964,461,591 |
| Within 1 month | 245,874,639 | 226,296,026 |
| More than 1 month but not more than 3 months | 881,196,540 | 959,989,269 |
| More than 3 months but not more than 1 year | 1,628,234,882 | 1,586,781,898 |
| More than 1 year but not more than 3 years | 952,387 | 553,959 |
| More than 3 years | - | - |
| Indefinite period | - | - |
| | <u>3,807,003,193</u> | <u>3,738,082,743</u> |

CERTIFICATES OF DEPOSITS ISSUED

| | 31 Dec 2022 MOP | 31 Dec 2021 MOP |
|--|--------------------|--------------------|
| On demand | - | - |
| Within 1 month | - | - |
| More than 1 month but not more than 3 months | - | - |
| More than 3 months but not more than 1 year | - | - |
| More than 1 year but not more than 3 years | - | - |
| More than 3 years | - | - |
| Indefinite period | - | - |
| | <hr/> | <hr/> |
| | <hr/> | <hr/> |

OTHER SECURITIES ISSUED

| | 31 Dec 2022 MOP | 31 Dec 2021 MOP |
|--|--------------------|--------------------|
| On demand | - | - |
| Within 1 month | - | - |
| More than 1 month but not more than 3 months | - | - |
| More than 3 months but not more than 1 year | - | - |
| More than 1 year but not more than 3 years | - | - |
| More than 3 years | - | - |
| Indefinite period | - | - |
| | <hr/> | <hr/> |
| | <hr/> | <hr/> |

FOREIGN EXCHANGE POSITIONS AS OF 31 DECEMBER 2022 (MACAU BRANCH)

| SPOT POSITION [LONG (+); SHORT (-)] | MOP'000 |
|---|-------------------|
| CURRENCIES | |
| Macau Pataca (MOP) | (324,943.24) |
| Australian Dollar (AUD) | 977.07 |
| Canadian Dollar (CAD) | 595.96 |
| Chinese Yuan (CNY) | 172.64 |
| Euro (EUR) | 14,502.38 |
| Hong Kong Dollar (HKD) | 673,353.68 |
| Japanese Yen (JPY) | 1.06 |
| South African Rand (ZAR) | (0.45) |
| Swiss Franc (CHF) | 554.30 |
| British Pound (GBP) | (747.06) |
| USA Dollar (USD) | (364,225.44) |
| | |
| FORWARD POSITION [LONG (+); SHORT (-)] | |
| Macau Pataca (MOP) | - |
| Hong Kong Dollar (HKD) | (450,110.00) |
| USA Dollar (USD) | 449,869.10 |
| | |
| NET POSITION (ALL CURRENCIES) | - |
| NET POSITION (ALL FOREIGN CURRENCIES) | 324,943.24 |

BREAKDOWN OF FOREIGN CURRENCIES WHICH NET POSITION (IN ABSOLUTE TERMS) EXCEEDS 10% OF TOTAL FOREIGN CURRENCIES NET POSITION (MACAU BRANCH)

| CURRENCIES | MOP'000 | | |
|--|---------------------|---------------------|---------------------|
| | HKD | EUR | USD |
| ASSETS | | | |
| Cash and balances with the Monetary Authority of Macau | 421.51 | - | 27.46 |
| Balances with credit institutions repayable on demand | 41,019.77 | 2,061.08 | 12,682.59 |
| Other loans and advances to credit institutions | 130,934.83 | 127,655.27 | 996,661.78 |
| Loans and advances to customers | 929,384.06 | 6,041,971.38 | 1,004,610.68 |
| Property and equipment | 5.37 | - | - |
| Intangible assets | - | - | - |
| Other assets | 769.15 | 2,018.94 | 305.81 |
| SPOT ASSETS | 1,102,534.69 | 6,173,706.67 | 2,014,288.32 |
| LIABILITIES | | | |
| Deposits from credit institutions | - | 5,108,872.22 | - |
| Deposits from customers | 429,046.08 | 1,038,578.41 | 2,347,639.25 |
| Income tax liabilities | - | - | - |
| Other liabilities | 134.93 | 11,753.66 | 30,874.51 |
| SPOT LIABILITIES | 429,181.01 | 6,159,204.29 | 2,378,513.76 |
| Net Cash Position | 673,353.69 | 14,502.38 | (364,225.44) |
| Forward Purchase (+) / Sale (-) | (450,110.00) | - | 449,869.10 |
| NET POSITION | 223,243.68 | 14,502.38 | 85,643.66 |

SELECTED LIQUIDITY INDICATORS FOR THE YEAR OF 2022 (MACAU BRANCH)

| | MOP'000 |
|--|--------------|
| Arithmetic mean of the minimum weekly amount of cash in hand during the reporting period (2022) | 73,785.31 |
| Arithmetic mean of the average weekly amount of cash in hand during the reporting period (2022) | 86,134.21 |
| Arithmetic mean of the specified liquid assets at the end of each month during the reporting period (2022) | 1,838,452.19 |
| Average ratio of specified liquid asset to total basic liabilities at the end of each month during the reporting period (2022) | 50% |
| Arithmetic mean of its one-month liquidity ratio in the last week of each month during the reporting period (2022) | 104% |
| Arithmetic mean of its three-month liquidity ratio in the last week of each month during the reporting period (2022) | 82% |

CONSOLIDATED INFORMATION AS OF 31 DECEMBER 2022 – KEY INDICATORS OF BANCO COMERCIAL PORTUGUÊS, S. A. GROUP

| | IN MOP (MILLIONS) @8.5673 | IN EURO (MILLIONS) OR % |
|--|--|--|
| BALANCE SHEET | | |
| Total assets | 769,866 | 89,861 |
| Loans to customers (net) | 481,465 | 56,198 |
| Balance sheet customer funds | 661,824 | 77,250 |
| Deposits and other resources from customers | 650,318 | 75,907 |
| Loans to customers (net)/Balance sheet customer funds | | 72.7% |
| Total liabilities | 719,139 | 83,940 |
| Total equity | 50,727 | 5,921 |
| PROFITABILITY | | |
| Net operating revenues | 24,571 | 2,868 |
| Operating costs | 9,193 | 1,073 |
| Impairment and provisions | 9,047 | 1,056 |
| Income tax | | |
| Current | 942 | 110 |
| Deferred | 1,671 | 195 |
| Non-controlling interests | (668) | (78) |
| Net income attributable to shareholders of the Bank | 1,773 | 207 |
| Return on average shareholders' equity (ROE) | | 4.0% |
| Return on average assets (ROA) | | 0.1% |
| Net interest margin | | 2.5% |
| Net operating revenues/Average net assets | | 3.0% |
| Cost to income (Operating costs/Net operating revenues) | | 37.4% |
| Staff costs/Net operating revenues | | 19.7% |
| CAPITAL – according to indicators published in BCP's Semi-Annual Report as of 31 Dec 2022 | | |
| Own funds | 62,361 | 7,279 |
| Total risk weighted assets | 369,276 | 43,103 |
| SOLVENCY RATIOS | | |
| CET I | | 12.6% |
| Tier I | | 13.8% |
| Total | | 16.9% |

OTHER INFORMATION

None.