DBS BANK (HONG KONG) LIMITED - MACAU BRANCH

ANNUAL REPORT 2021

DBS BANK (HONG KONG) LIMITED - MACAU BRANCH

CONTENTS

DBS BANK (HONG KONG) LIMITED - MACAU BRANCH

BALANCE SHEET AS AT 31 DECEMBER 2021

MOP

Assets	**Total assets**	**Provision, accumulated depreciation and impairments**	**Net total assets**
Cash	47,323,695.76		47,323,695.76
Deposits with AMCM	164,788,448.54		164,788,448.54
Interbank assets with local credit institutions	78,421,638.58		78,421,638.58
Interbank assets with credit institutions abroad	863,022,657.63		863,022,657.63
Loans and advances	854,165,076.57		854,165,076.57
Applications in local credit institutions	439,980,782.09		439,980,782.09
Equipment	1,646,325.50	1,545,121.83	101,203.67
Installation expenditure	3,129,731.14	2,968,257.12	161,474.02
Other fixed assets	991,135.97	765,102.47	226,033.50
Internal and adjustment accounts	364,088,068.57		364,088,068.57
Total	2,817,557,560.35	5,278,481.42	2,812,279,078.93

DBS BANK (HONG KONG) LIMITED - MACAU BRANCH

BALANCE SHEET AS AT 31 DECEMBER 2021

MOP

Liabilities	Sub-total	Total
Demand deposits and saving accounts	1,692,333,065.02	
Call deposits	84,869.63	
Time deposits	501,712,232.07	2,194,130,166.72
Interbank liabilities to local credit institutions	29,951,440.95	
Interbank liabilities to credit institutions abroad	202,704,465.68	
Cheques and orders payable	25,521,317.94	
Other liabilities	333,271,627.29	591,448,851.86
Internal and adjustment accounts	14,437,979.13	
Exposure provisions	12,067,273.01	26,505,252.14
Results from previous financial periods	11,212,917.73	
Result for the year	(11,018,109.52)	194,808.21
Total		2,812,279,078.93

MOP

Memorandum accounts	Total
Bills for collection	41,745,775.49
Collaterals	8,023,864,518.27
Guarantees on account of customers	23,402,608.84
Letter of credit outstanding	389,170,557.13
Forward exchange contracts purchase	-
Forward exchange contracts sale	-
Other memorandum items	1,821,665,513.00

DBS BANK (HONG KONG) LIMITED - MACAU BRANCH

PROFIT & LOSS STATEMENT FOR THE YEAR ENDED 2021

Operating profit & loss

MOP

Debit	**Amount**	**Credit**	**Amount**
Costs of credit operations	1,837,125.95	Income from credit operations	24,179,244.11
Personnel costs		Income from banking services	3,107,113.53
Staff remuneration	16,831,424.06	Income from other banking services	4,010,583.31
Staff welfare	1,837,626.03	Other banking income	2,332,042.13
Other staff costs	152,944.93	Operating loss	12,910,988.99
Third party supply	363,411.02		
Third party services	23,359,501.65		
Other banking costs	1,535,471.42		
Taxation	161,170.00		
Costs of non-banking operations	192,788.05		
Depreciation allowances	268,508.96		
Provision allowances	-		
Operating profit	-		
Total	46,539,972.07	Total	46,539,972.07

Profit & loss account

MOP

Debit	**Amount**	**Credit**	**Amount**
Operating loss	12,910,988.99	Operating profit	-
Loss related to previous year	-	Profit related to previous years	48,879.47
Profit tax provision	(1,844,000.00)	Provisions used up	-
Profit for the year	-	Loss for the year	11,018,109.52
Total	11,066,988.99	Total	11,066,988.99

DBS BANK (HONG KONG) LIMITED - MACAU BRANCH

BUSINESS REPORT

The Branch recorded a net loss of MOP11 million in 2021, which was mainly due to less interest and fee income received. Net interest income decreased by 37% to MOP22 million, while other operating income also decreased by 22% to MOP9 million. The total expenses were maintained at MOP45 million which were comparable with last year. Total loans and advances decreased by 10% to MOP0.85 billion. Total customer deposits decreased by 8% to MOP2.19 billion, and net total assets were at MOP2.81 billion, a slight decrease of 4%.

DBS BANK (HONG KONG) LIMITED
MACAU BRANCH

INDEPENDENT AUDITOR'S REPORT
TO THE MANAGEMENT OF DBS BANK (HONG KONG) LIMITED
- MACAU BRANCH

We have audited the financial statements of DBS Bank (Hong Kong) Limited - Macau Branch (the "Branch") set out on pages 7 to 22 which comprise the balance sheet as at 31 December 2021, and the income statement, statement of changes in reserve and cash flow statement for the year then ended, and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on the audit work we have performed and to report our opinion solely to you, as a body, 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 the audit in accordance with General Auditing Standards issued by the Government of the Macao Special Administrative Region. Those standards require that the auditor complies with relevant ethical requirements and plans and performs the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

Audit opinion

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

Ng Wai Ying
Certified Public Accountant
PricewaterhouseCoopers

Macao, 15 March 2022

DBS BANK (HONG KONG) LIMITED - MACAU BRANCH

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	**2021** **MOP'000**	2020 MOP'000
Interest income		**24,179**	47,314
Interest expense		**(1,837)**	(11,995)
Net interest income		**22,342**	35,319
Net fee and commission income	4	**3,499**	6,441
Other income	4	**4,592**	4,889
Total income		**30,433**	46,649
Total expenses	5	**(43,344)**	(44,079)
(Loss)/profit before provisions		**(12,911)**	2,570
Provision write-back for bad and doubtful debts	11	**49**	9,745
(Loss)/profit before income tax		**(12,862)**	12,315
Income tax credit/(expense)	6	**1,844**	(1,102)
(Loss)/profit for the year		**(11,018)**	11,213

Pun Kai, Leo
Bank Representative

Ho Chan Yieng
Bank Representative

The notes on pages 10 to 22 form part of these financial statements.

DBS BANK (HONG KONG) LIMITED - MACAU BRANCH

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Notes	2021 MOP'000	2020 MOP'000
ASSETS			
Cash and balances with banks	7	**164,587**	211,020
Deposits with Autoridade Monetaria de Macao ("AMCM")	8	**164,788**	158,339
Amount due from Head Office	15	**824,181**	911,091
AMCM monetary bills	9	**439,981**	419,980
Loans and advances to customers	10	**842,098**	940,644
Other assets	12	**352,197**	268,791
Fixed assets	13	**488**	700
		2,788,320	2,910,565
LIABILITIES			
Deposits from customers	14	**2,194,130**	2,388,522
Due to banks		**29,951**	-
Amount due to Head Office	15	**202,704**	225,992
Other liabilities	16	**361,298**	283,394
Current income tax liabilities		**42**	1,444
		2,788,125	2,899,352
NET ASSETS		**195**	11,213
REPRESENTED BY			
Reserve		**195**	11,213

Pun Kai, Leo
Bank Representative

Ho Chan Yieng
Bank Representative

The notes on pages 10 to 22 form part of these financial statements.

DBS BANK (HONG KONG) LIMITED - MACAU BRANCH

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	**2021** **MOP'000**	2020 MOP'000
Cash flows from operating activities			
(Loss)/profit before income tax		**(12,862)**	12,315
Adjustment for non-cash items:			
Depreciation	13	**269**	290
Provision write-back for bad and doubtful debts	11	**(49)**	(9,745)
Loans and advances to customers written off	11	**-**	(1,101)
(Loss)/profit before changes in operating assets and liabilities		**(12,642)**	1,759
Decrease in loans and advances to customers		**98,595**	984,272
Decrease/(increase) in minimum deposits with AMCM	8	**3,157**	(8,691)
Increase in other assets		**(81,862)**	(19,024)
(Decrease)/increase in deposits from customers		**(194,392)**	524,893
Increase in other liabilities		**77,904**	10,813
Decrease in amount due to Head Office		**(23,288)**	(758,485)
Increase in due to banks		**29,951**	-
Cash (outflow)/inflow from operating activities before income tax		**(102,577)**	735,537
Macao complementary tax paid		**(1,102)**	(3,296)
Cash (outflow)/inflow from operating activities		**(103,679)**	732,241
Cash flows from investing activities			
Purchase of fixed assets	13	**(57)**	(100)
Cash outflow from transfer to Head Office	17	**-**	(27,070)
(Decrease)/increase in cash and cash equivalents		**(103,736)**	705,071
Cash and cash equivalents at 1 January		**1,650,007**	944,936
Cash and cash equivalents at 31 December		**1,546,271**	1,650,007

Analysis of the balances of cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition.

	Notes	**2021** **MOP'000**	2020 MOP'000
Cash and balances with banks	7	**164,587**	211,020
Deposits with AMCM in excess of minimum requirement	8	**117,522**	107,916
Amount due from Head Office	15	**824,181**	911,091
AMCM monetary bills	9	**439,981**	419,980
		1,546,271	1,650,007

The notes on pages 10 to 22 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 General Information

The principal activities of DBS Bank (Hong Kong) Limited - Macau Branch (the “Branch”) are the provision of banking and related financial services. The address of the Branch’s registered office is Rua Santa Clara 5-7E, Lojas C, D, Edif. Ribeiro Macao.

The Branch‘s head office is DBS Bank (Hong Kong) Limited (“Head Office”) which is incorporated and domiciled in Hong Kong. DBS Diamond Holdings Ltd. is the immediate holding company and DBS Bank Ltd is the intermediate holding company (“Intermediate Holding Company”) of DBS Bank (Hong Kong) Limited. The ultimate holding company is DBS Group Holdings Ltd (“DBSH”) which is listed, incorporated and domiciled in the Republic of Singapore.

2 Summary of significant accounting policies

The following is a summary of the principal accounting policies applied by the Branch and are consistent with those applied in the previous financial year.

(a) Basis of preparation

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

The financial statements are presented in Macao Official Patacas and rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements requires management to exercise judgement, use estimates and make assumptions that affect the application of policies and reported amounts in the financial statements. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from these estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement and complexity, are disclosed in note 3.

New standards and interpretations effective for future periods

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

The significant new standards and Interpretations that are applicable to the Branch in future reporting periods, and which have not been early-adopted, include:

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

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

New standards and interpretations effective for future periods (continued)

New MFRS – IFRS 9 Financial Instruments ("IFRS 9")
IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, requires a timely recognition of expected credit losses of financial assets; and introduces new rules for hedge accounting. The standard permits the application of the transitional provisions for the adoption.

(i) Classification and measurement
IFRS 9 introduces a new model that categorises debt type financial assets based on the business model within which the assets are managed, and whether the contractual cash flows from the financial assets solely represent the payment of principal and interest. Subsequent changes in fair value from non-trading equity instruments can be taken through profit or loss or other comprehensive income, as elected. The Branch does not have any equity instruments that would be affected. The Branch has assessed the impact and expects the classification and measurement will not have significant impact on initial application.

(ii) Impairment

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

Under IFRS 9 in the New MFRS, ECL will be assessed using an approach which classifies financial assets into three stages, each of which is associated with an ECL requirement that is reflective of the assessed credit risk profile in each instance.

- A financial asset is classified under Stage 1 if it was not credit-impaired upon origination and there has not been a significant increase in its credit risk since inception. A provision for 12-month ECL is required.
- A financial asset is classified under Stage 2 if it was not credit-impaired upon origination but has since suffered a significant increase in credit risk. A provision for life-time ECL is required.
- A financial asset which has been credit-impaired with objective evidence of default is classified under Stage 3. The assessed ECL is expected to be unchanged from the existing specific allowances taken for such assets.

ECL are probability-weighted amounts determined by evaluating a range of possible outcomes and taking into account past events, current conditions and assessments of future economic conditions. This will necessarily involve the use of judgement. The transitional impact is a decrease of approximately MOP10 million in the loan loss allowances for assets classified at amortized cost and at FVOCI.

In accordance with requirements of Circular No. 012/2021 issued by AMCM and more specifically the determination and maintenance of provisions for credit risk and the requirement to maintain a regulatory reserve per the AMCM rules, the adoption of the new ECL impairment treatment would not result in an increase in the amount of distributable profit of the Branch as at 1 January 2022.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

New standards and interpretations effective for future periods (continued)

<u>New MFRS – IFRS 9 Financial Instruments (“IFRS 9”) (continued)</u>
(iii) Hedge accounting

IFRS 9 introduces a principles-based approach to assessing hedge effectiveness. It is not expected to have material impact to the Branch’s financial statements.

(b) Income recognition

(i) Interest income and interest expense

Interest income and interest expense are recognised on a time-proportionate basis using the effective interest method. The calculation includes significant fees and transaction costs that are integral to the effective interest rate, as well as premiums or discounts.

Interest income is not recognised on non-accrual loans. Non-accrual loans represent loans and advances to customers, the repayments of which are overdue for more than three months or are overdue for less than three months but the management has doubt on the ultimate recoverability of principal or interest in full.

(ii) Fee and commission income

Fee and commission income is generally recognised on the completion of a transaction. For a service that is provided over a period of time, fee and commission income is recognised over the period during which the related service is provided or credit risk is undertaken.

Fee and commission income is recorded net of expenses directly related to it.

(c) Loans and advances to customers and other assets

Loans and advances to customers, interest receivable and other assets are stated in the balance sheet after deducting specific and general provisions for bad and doubtful debts.

Letters of credit are recorded off-balance sheet as contingent liabilities upon issuance, and the corresponding payables to the beneficiaries and receivables from the applicants are recognised on-balance sheet upon acceptance of the underlying documents.

(d) Provision for bad and doubtful debts

The Branch internally classifies loans and advances to customers into five categories largely based on an assessment of the borrowers’ capacity to repay and on the degree of doubt about the collectability of interest and/or principal. The periods that payments of interest and/or principal have been overdue are also taken into account when classifying the advances to customers.

Specific provisions are made against the principal amounts of loans net of the value of any tangible security held where, in the opinion of the management of the Branch, recoverability of principal or interest in full is uncertain. A general provision of 1% for all advances to customers and contingent liabilities is made. General provision relates to exposures not separately identified but known from experience to exist in the credit portfolio. The provisions are made with reference to the requirements of AMCM and are based on estimates made by the management of the Branch, which are reviewed periodically.

2 Summary of significant accounting policies (continued)

(d) Provision for bad and doubtful debts (continued)

Both specific and general provisions are deducted from "Loans and advances to customers" in the balance sheet. When there is no realistic prospect of recovery, the outstanding debt is written off.

(e) AMCM monetary bills

Monetary bills are debt securities issued by the AMCM. These securities are stated at cost adjusted for the amortisation of premiums or discounts arising on acquisition over the periods to maturity, less provision for diminution in their value which is other than temporary. The amortisation of premiums and discounts arising on acquisition of monetary bills is included as part of interest income. Provisions are made for the amount of the carrying value which the Branch does not expect to recover and are recognised as an expense in the income statement as they arise.

(f) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method over the estimated useful lives of between 3 and 8 years.

Subsequent expenditure relating to fixed assets that has already been recognised is added to the carrying amount of the asset only when it is probable that the future economic benefit associated with the item can be measured reliably. Other subsequent expenditure is recognised as maintenance expense in the income statement during the financial year in which it is incurred.

Fixed assets are subject to an impairment review if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable.

Upon disposal, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

(g) Foreign currency treatment

(i) Functional and presentation currency

Items in the financial statements are measured using the currency of the primary economic environment in which the Branch operates. The financial statements are presented in Macao Official Patacas ("MOP"), which is the functional currency of the Branch.

(ii) Foreign currency transactions and balances

Transactions in foreign currencies are measured using exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into MOP at the exchange rate as at the end of the reporting period. Foreign exchange differences arising from this translation are recognised in the income statement.

(h) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition including cash and balances with banks, AMCM deposits in excess of minimum requirement, amount due from Head Office and AMCM monetary bills.

2 Summary of significant accounting policies (continued)

(i) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment that has to be made to the lessor is recognised as an expense in the period the termination takes place.

(j) Current and deferred taxes

Current income tax for current and prior periods is recognised as the amount expected to be paid or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Tax assets and liabilities of the same type (current or deferred) are offset when a legal right of offset exists and settlement in this manner is intended.

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax assets recognised takes into account the likelihood the amount that can be used to offset payables taxes for future profits.

(k) Derivative financial instruments

Derivative financial instruments arise from foreign exchange rate contracts and option transactions undertaken by the Branch in the foreign exchange market. Derivative transactions measured at fair value and classified as other assets and other liabilities in the balance sheet. The changes in fair value are recognised in the income statement.

(l) Employee benefits

Employee benefits, which include base pay, cash bonuses, share-based compensation, contribution to defined contribution plans and other staff related allowances, are recognised in the income statement when incurred. For defined contribution plans, contributions are made to administered funds on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Branch has no further payment obligations.

NOTES TO THE FINANCIAL STATEMENTS

3 Critical accounting estimates and assumptions

The Branch's accounting policies and use of estimates are integral to the reported results. Certain accounting estimates require management's judgement in determining the appropriate methodology for valuation of assets and liabilities. Procedures are in place to ensure that methodologies are reviewed and revised as appropriate. The Branch believes its estimates for determining the valuation of its assets and liabilities are appropriate.

(a) Provision for bad and doubtful debts

The Branch periodically reviews its loan portfolios to assess the existing specific and general provisioning levels. In determining whether a provision for loans and advances to customers should be recorded, the Branch makes reference to the requirements of AMCM and the classification of loans and advances to customers which are based on the management's assessment of the potential losses on those identified advances to customers.

(b) Current and deferred income taxes

Judgement is involved in determining the provision for current and deferred income taxes. The Branch recognises current tax liabilities for expected tax issues based on reasonable estimates of whether additional taxes will be due, and recognises deferred tax assets for amount of tax losses ascertained could be utilized within the expiry date.

4 Net fee and commission income and other income

	2021	2020
	MOP'000	MOP'000
Fee and commission income	**3,499**	6,527
Less: Fee and commission expense	**-**	(86)
Net fee and commission income	**3,499**	6,441
Net trading income from foreign exchange	**2,260**	2,546
Others	**2,332**	2,343
Other income	**4,592**	4,889

5 Total expenses

	Note	**2021**	2020
		MOP'000	MOP'000
Employee benefits		**18,722**	18,994
Computerisation expenses		**8,304**	8,523
Management service fees		**5,787**	5,949
Rental of premises		**3,529**	3,538
Auditor's remuneration		**354**	270
Depreciation	13	**269**	290
Other operating expenses		**6,379**	6,515
		43,344	44,079

NOTES TO THE FINANCIAL STATEMENTS

6 Income tax (credit)/expense

Current tax comprises of Macao complementary tax. According to Macao complementary tax law, Macao complementary tax is levied at progressive rates ranging from 3% to 9% on the taxable income above MOP32,000 but below MOP300,000, and thereafter at a fixed rate at 12%. For the year 2021 and year 2020, the special tax incentive is provided to effect that the tax free income threshold is increased from MOP32,000 to MOP600,000 and the profit thereafter being taxed at a fixed rate of 12%. On 30 April 2021, the Legislative Assembly approved an additional tax incentive to reduce 2020's complementary tax payment by MOP300,000. The tax on the Branch's profit before tax differs from the theoretical amount that would arise using the Macao complementary tax rate applicable to profits of the Branch and as follows:

	2021 MOP'000	2020 MOP'000
(Loss)/profit before income tax	**(12,862)**	12,315
Deferred tax assets calculated at 12%	**(1,544)**	-
Tax calculated at 12%	**-**	1,478
Effect of progressive tax rate before 12%	**-**	(17)
Special complementary tax incentives	**-**	(55)
Additional tax incentives	**(300)**	(300)
Overprovision in prior years written back	**-**	(8)
Others	**-**	4
Income tax (credit)/expense	**(1,844)**	1,102

The Branch recognised deferred income tax assets of MOP1,544,000 in respect of tax losses amounting to MOP12,862,000 that can be carried forward for 3 years (2020: Nil).

7 Cash and balances with banks

	2021 MOP'000	2020 MOP'000
Cash in hand	**47,324**	38,545
Balances with banks	**117,263**	172,475
	164,587	211,020

NOTES TO THE FINANCIAL STATEMENTS

8 Deposits with AMCM

	2021 MOP'000	2020 MOP'000
Balance with AMCM	**164,788**	158,339

According to the statutory requirement, the Branch is required to maintain a minimum deposit balance with AMCM for liquidity purposes. The required MOP current deposit balance should not be less than 70% of the aggregate of the following amount:

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

At 31 December 2021, the minimum deposit required were MOP47,266,000 (2020: MOP50,423,000).

9 AMCM monetary bills

	2021 MOP'000	2020 MOP'000
Monetary bills issued by AMCM, at amortised cost	**439,981**	419,980

10 Loans and advances to customers

	2021 MOP'000	2020 MOP'000
Gross loans and advances to customers	**854,165**	941,867
Trade bills	**-**	10,893
Less: Specific provision (note 11)	**-**	-
General provision (note 11)	**(12,067)**	(12,116)
	842,098	940,644

DBS BANK (HONG KONG) LIMITED - MACAU BRANCH

NOTES TO THE FINANCIAL STATEMENTS

11 Provision for bad and doubtful debts

	Specific provision MOP'000	General provision MOP'000	Total MOP'000
2021			
As at 1 January 2021	**-**	**12,116**	**12,116**
Write-back to income statement	**-**	**(49)**	**(49)**
Amounts written off	**-**	**-**	**-**
As at 31 December 2021 (note 10)	**-**	**12,067**	**12,067**
2020			
As at 1 January 2020	1,144	21,818	22,962
Write-back to income statement	(43)	(9,702)	(9,745)
Amounts written off	(1,101)	-	(1,101)
As at 31 December 2020 (note 10)	-	12,116	12,116

12 Other assets

	2021 MOP'000	2020 MOP'000
Accrued interest receivables	**1,126**	1,208
Acceptances (Note 16)	**329,971**	256,455
Deferred tax assets (Note 6)	**1,544**	-
Others	**19,556**	11,128
	352,197	268,791

13 Fixed assets

	Furniture, fixtures and equipment MOP'000	**Motor vehicles MOP'000**	**Total MOP'000**
Cost:			
As at 1 January 2021	**5,338**	**372**	**5,710**
Additions	**57**	**-**	**57**
As at 31 December 2021	**5,395**	**372**	**5,767**
Accumulated depreciation:			
As at 1 January 2021	**4,905**	**105**	**5,010**
Charge for the year	**194**	**75**	**269**
As at 31 December 2021	**5,099**	**180**	**5,279**
Net book value:			
As at 31 December 2021	**296**	**192**	**488**

	Furniture, fixtures and equipment MOP'000	Motor vehicles MOP'000	Total MOP'000
Cost:			
As at 1 January 2020	5,238	372	5,610
Additions	100	-	100
As at 31 December 2020	5,338	372	5,710
Accumulated depreciation:			
As at 1 January 2020	4,689	31	4,720
Charge for the year	216	74	290
As at 31 December 2020	4,905	105	5,010
Net book value:			
As at 31 December 2020	433	267	700

NOTES TO THE FINANCIAL STATEMENTS

14 Deposits from customers

	2021	2020
	MOP'000	MOP'000
Demand deposits and current accounts	**787,728**	752,917
Savings deposits	**904,605**	1,063,328
Time and call deposits	**501,797**	572,277
	2,194,130	2,388,522

15 Amount due from/to Head Office

During the year, the Branch entered into transactions with Head Office in the ordinary course of its banking business.

All balances are unsecured and repayable on demand and bearing interest rates as determined from time to time by Head Office.

16 Other liabilities

	2021	2020
	MOP'000	MOP'000
Accrued interest payable	**104**	253
Acceptance (Note 12)	**329,971**	256,455
Other liabilities and provisions	**31,223**	26,686
	361,298	283,394

17 Transfer to Head Office

During the year, the Branch did not transfer any profit from its retained earnings (2020: MOP27,070,000) to Head Office.

NOTES TO THE FINANCIAL STATEMENTS

18 Off-balance sheet exposures

(a) Contingent liabilities and commitments

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments:

	2021	2020
	MOP'000	MOP'000
Transaction-related contingencies	**20,234**	7,166
Trade-related contingencies	**392,340**	376,288
Other commitments which are unconditionally cancellable	**1,821,666**	2,524,321
	2,234,240	2,907,775

(b) Lease commitments

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are as follows:

	2021	2020
	MOP'000	MOP'000
Not later than one year	**699**	1,679
Later than one year and not later than five years	**-**	699
	699	2,378

19 Material related party transactions

As part of the Branch's normal course of business, it enters into various transactions with Head Office and Intermediate Holding Company on normal commercial terms. These transactions include interbank placements, taking of deposits, derivative financial instruments and contingent liabilities and commitments.

The Head Office has policies on credit processing for its affiliates, as well as transactions with its affiliates and related parties. Affiliated-related transactions must be conducted on arm's length basis using credit standards, terms and conditions that are comparable to similar transactions with non-affiliates.

Information relating to income and expenses from these transactions during the year and balances outstanding as at 31 December are set out below:

(i) Income and expenses with Head Office and Intermediate Holding Company:

	2021	2020
	MOP'000	MOP'000
Interest income	**757**	815
Interest expense	**(140)**	(5,534)
Other income	**1,650**	1,543
Total expenses charged	**(15,543)**	(15,761)

(ii) Balances with Head Office and Intermediate Holding Company as at 31 December:

	2021	2020
	MOP'000	MOP'000
Amount due from Head Office	**824,181**	911,091
Amount due to Head Office	**202,704**	225,992
Other liabilities	**5**	-
	202,709	225,992

(iii) Contingent liabilities with Head Office and fellow subsidiary:

As at 31 December 2021, total contingent liabilities with Head Office and fellow subsidiary amounted to MOP12,773,000 (2020: MOP1,829,000).

UNAUDITED SUPPLEMENTARY INFORMATION

The following disclosures are prepared in accordance with the "Guideline on Disclosure of Financial Information" issued by AMCM.

1 Financial Risk Management

Risk governance

Under the risk management approach, the Board of Directors, through the Board Risk Management Committee (BRMC), sets risk appetite, oversees the establishment of enterprise-wide risk management policies and processes, and set risk appetite limits to guide the Head Office's risk taking.

(a) Credit risk

Credit risk arises from the Branch's daily activities in various businesses. These activities include lending to retail, corporate and institutional customers. It includes both the risk of lending as well as the pre-settlement and settlement risk of foreign exchange, derivatives and debt securities.

Credit Risk Management
The Head Office's approach to credit risk management comprises the following building blocks:

- ***Policies***

The dimensions of credit risk and the scope of its application are defined in DBSH's Credit Risk Management Policy. Senior management sets the overall direction and policy for managing credit risk at the enterprise level.

DBSH's Core Credit Risk Policies (CCRP) established for Consumer Banking/Wealth Management and Institutional Banking set forth the principles by which DBS conducts its credit risk management and control activities. These policies, supplemented by a number of operational standards and guidelines, ensure consistency in identifying, assessing, underwriting, measuring, reporting and controlling credit risk across DBS, and provide guidance in the formulation of business-specific and/or location-specific credit risk policies and standards.

The operational standards and guides are established to provide greater details on the implementation of the credit principles within the CCRPs and are adapted to reflect different credit environments and portfolio risk profiles.

- ***Risk Methodologies***

Credit risk is managed by thoroughly understanding our customers – the businesses they are in, as well as the economies in which they operate. It is also managed through statistical models and data analytics for retail customers.

The assignment of credit risk ratings and setting of lending limits are an integral part of DBS' credit risk management process, and we use an array of rating models for our corporate and retail portfolios. Most of these models are built internally by DBSH using DBSH's loss data.

Wholesale borrowers are assessed individually and are further reviewed and evaluated by experienced credit risk managers who consider the relevant credit risk factors in the final determination of the borrower's risk. For some portfolios within the SME segment, DBS also uses a programme-based approach to achieve a balanced management of risks and rewards. Retail exposures are assessed using internally and externally available customer behaviour records. Credit applications are proposed by the business unit, and are independently assessed by credit risk managers.

1 Financial Risk Management (continued)

(a) *Credit risk (continued)*

Pre-settlement credit risk for trade products arising from a counterparty potentially defaulting on its obligations is generally quantified by evaluation of the market price plus potential future exposure.

The Head Office actively monitors and manages its exposure to counterparties in over-the-counter ("OTC") derivative trades to protect its balance sheet in the event of a counterparty default. DBSH has processes to guide handling of specific wrong-way risk transactions.

- ***Concentration Risk Management***

The Head Office's risk management processes aim to ensure that an acceptable level of risk diversification is maintained across the Head Office on an ongoing basis. Limits are established and regularly monitored in respect of country exposures and major industry groups, as well as for single counterparty exposures.

- ***Country Risk***

Country risk refers to the risk of loss due to events in a specific country (or a group of countries). This includes political, exchange rate, economic, sovereign and transfer risks. The Head Office manages country risk as part of concentration risk management.

Transfer risk limits for priority countries are set based on country-specific strategic business considerations as well as the acceptable potential loss.

- ***Environmental, Social and Governance Risk***

Responsible financing, covering Environmental, Social and Governance (ESG) issues, is a topic of increasing importance that affects investing and lending decisions at Head Office. The Head Office recognises that our financing practices have an impact on society and failure of our customers to appropriately manage ESG issues can directly impact their operations and long-term economic viability, and the communities and environment in which they operate.

The Head Office adopts DBSH's Responsible Financing Standard that documents the overarching approach to responsible financing and additional assessment required when entering into transactions with elevated ESG risks. The requirements of this Standard represent the minimum standards. Where significant ESG issues are identified, escalation is required to the relevant Global Industry Specialist and IBG Sustainability in DBSH for further guidance prior to approval by the Credit Approving Authority.

- ***Credit Stress Testing***

The Head Office performs various types of credit stress tests which are directed by the regulators or driven by internal requirements and management. Credit stress tests are performed at the total portfolio or sub-portfolio level and are generally conducted to assess the impact of changing economic conditions on asset quality, earnings performance, and capital adequacy and liquidity.

- ***Processes, Systems and Reports***

The end-to-end credit process is continually being reviewed and improved through various front-to-back initiatives involving the business units, the operations units, the Risk Management Group and other key stakeholders.

Non-performing assets

The Branch classifies its credit facilities as 'Performing Assets' or 'Non-performing assets'.

In general, impairment allowance is made when there is objective evidence of impairment as a result of the occurrence of loss events that will have an impact on the estimated future cash flows.

1 Financial Risk Management (continued)

(a) *Credit risk (continued)*

When required, the Branch will take possession of collateral and dispose of them as soon as practicable. Realised proceeds are used to reduce the outstanding indebtedness.

Credit Risk Mitigants

- ***Collateral Received***

Where possible, the Head Office takes collateral as a secondary source of repayment. This includes, but not limited to, cash, marketable securities, real estate, trade receivables, inventory, equipment, and other physical and/or financial collateral. The Head Office may also take fixed and floating charges on the assets of borrowers.

Policies are in place to determine the eligibility of collateral for credit risk mitigation. The Head Office's collateral is generally diversified and periodic valuations of collateral are required.

For derivatives, repurchase agreements (repo) and other repo-style transactions with financial market counterparties, collateral arrangements are typically covered under market-standard documentation, such as International Swaps & Derivatives Association (ISDA) Agreements and Master Repurchase Agreements. The collateral received is marked-to-market on a frequency that the Head Office and the counterparties mutually agreed upon. This is governed by internal guidelines with respect to collateral eligibility. In the event of a default, the credit risk exposure is reduced by master-netting arrangements where the Head Office is allowed to offset what the Head Office owes a counterparty against what is due from that counterparty in a netting-eligible jurisdiction.

In times of difficulty, the Head Office will review the customer's specific situation and circumstances to assist them in restructuring their financial obligations.

Maximum exposure to credit risk

The maximum exposure to credit risk for financial assets recognised on the statement of financial position is the carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount the Branch would have to pay if the instrument is called upon. For undrawn facilities, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

Analysis of Collateral

Whilst the Branch's maximum exposure to credit risk is the carrying amount of the assets or, in the case of off-balance sheet instruments, the amount guaranteed, committed, accepted or endorsed, the likely exposure may be lower due to offsetting collateral, credit guarantees and other actions taken to mitigate the Branch's exposure.

The description of collateral for each class of financial asset is set out below:

Balances with central banks, government securities and treasury bills, due from banks and bank and corporate debt securities

Collateral is generally not sought for these assets.

Derivatives

The Head Office maintains collateral agreements and enters into master netting agreements with most of the counterparties for derivative transactions.

Loans and advances to customers, contingent liabilities and commitments

Certain loans and advances to customers, contingent liabilities and commitments are typically collateralised to a substantial extent. In particular, residential mortgage exposures are generally fully secured by residential properties. Income-producing real estate, which is a sub-set of the Specialised Lending exposure, are fully secured by the underlying assets financed.

UNAUDITED SUPPLEMENTARY INFORMATION

1 Financial Risk Management (continued)

(a) ***Credit risk (continued)***

Loans and advances to customers by credit quality

	2021 MOP'000	2020 MOP'000
Neither past due nor impaired	**853,353**	930,007
Past due but not impaired	**-**	14,818
Impaired	**812**	7,935
	854,165	952,760

Past due loans are customer loans overdue up to 90 days; whereas impaired loans are non-performing loans subject to specific provision.

Loans and advances to customers analysed by geographic area

2021	**Neither past due nor impaired MOP'000**	**Past due but not impaired MOP'000**	**Impaired MOP'000**	**Specific provision MOP'000**	**General provision MOP'000**
Macau	**758,355**	**-**	**812**	**-**	**10,724**
Hong Kong	**39,341**	**-**	**-**	**-**	**556**
China	**30,900**	**-**	**-**	**-**	**437**
Others	**24,757**	**-**	**-**	**-**	**350**
	853,353	**-**	**812**	**-**	**12,067**

2020	Neither past due nor impaired MOP'000	Past due but not impaired MOP'000	Impaired MOP'000	Specific provision MOP'000	General provision MOP'000
Macau	855,061	14,818	7,935	-	11,155
Hong Kong	29,213	-	-	-	375
China	39,484	-	-	-	506
Others	6,249	-	-	-	80
	930,007	14,818	7,935	-	12,116

DBS BANK (HONG KONG) LIMITED - MACAU BRANCH

UNAUDITED SUPPLEMENTARY INFORMATION

1 Financial Risk Management (continued)

(a) Credit risk (continued)

Loans and advances to customers analysed by industry groups

(i) Analysis of loans and advances to customers that were neither past due nor impaired

	2021 MOP'000	2020 MOP'000
Manufacturing	**74,004**	84,752
Construction and public works	**52,614**	54,588
Trade (wholesale and retail)	**453,206**	548,596
Restaurants, hotels and similar	**-**	-
Transport, warehouse and communications	**-**	-
Personal housing loans	**7,840**	13,896
Personal credits	**13,353**	13,373
Others	**252,336**	214,802
	853,353	930,007

(ii) Loans and advances to customers that were past due but not impaired

	Past due		
2021	**Less than 1 month MOP'000**	**1-2 months MOP'000**	**Total MOP'000**
Manufacturing	**-**	**-**	**-**
Construction and public works	**-**	**-**	**-**
Trade (wholesale and retail)	**-**	**-**	**-**
Restaurants, hotels and similar	**-**	**-**	**-**
Transport, warehouse and communications	**-**	**-**	**-**
Personal housing loans	**-**	**-**	**-**
Personal credits	**-**	**-**	**-**
Others	**-**	**-**	**-**
	-	**-**	**-**

UNAUDITED SUPPLEMENTARY INFORMATION

1 Financial Risk Management (continued)

(a) Credit risk (continued)

Loans and advances to customers analysed by industry groups (continued)

(ii) Loans and advances to customers that were past due but not impaired (continued)

	Past due		
2020	Less than 1 month MOP'000	1-2 months MOP'000	Total MOP'000
Manufacturing	14,755	-	14,755
Construction and public works	-	-	-
Trade (wholesale and retail)	-	-	-
Restaurants, hotels and similar	-	-	-
Transport, warehouse and communications	-	-	-
Personal housing loans	63	-	63
Personal credits	-	-	-
Others	-	-	-
	14,818	-	14,818

(iii) Impaired loans and advances to customers

	2021 MOP'000	2020 MOP'000
Manufacturing	**-**	-
Construction and public works	**-**	-
Trade (wholesale and retail)	**812**	5,053
Restaurants, hotels and similar	**-**	-
Transport, warehouse and communications	**-**	-
Personal housing loans	**-**	-
Personal credits	**-**	-
Others	**-**	2,882
	812	7,935

UNAUDITED SUPPLEMENTARY INFORMATION

1 Financial Risk Management (continued)

(a) Credit risk (continued)

Loans and advances to customers analysed by industry groups (continued)

(iii) Impaired loans and advances to customers (continued)

2021	**More than 1 year MOP'000**
Gross impaired loans and advances	**812**
Specific provision	**-**
	812
Impaired loans and advances covered by collateral	**812**
% of gross loans and advances to customers	**0.10**

2020	More than 1 year MOP'000
Gross impaired loans and advances	7,935
Specific provision	-
	7,935
Impaired loans and advances covered by collateral	7,935
% of gross loans and advances to customers	0.83

UNAUDITED SUPPLEMENTARY INFORMATION

1 Financial Risk Management (continued)

(a) Credit risk (continued)

Analysis of specific provision

	As at 1 January 2021 MOP'000	**Net charge/ (release) to income statement MOP'000**	**As at 31 December 2021 MOP'000**
Manufacturing	-	-	-
Construction and public works	-	-	-
Trade (wholesale and retail)	-	-	-
Restaurants, hotels and similar	-	-	-
Transport, warehouse and communications	-	-	-
Personal housing loans	-	-	-
Personal credits	-	-	-
Others	-	-	-
	-	-	-

	As at 1 January 2020 MOP'000	Net charge/ (release) to income statement MOP'000	As at 31 December 2020 MOP'000
Manufacturing	1,144	(1,144)	-
Construction and public works	-	-	-
Trade (wholesale and retail)	-	-	-
Restaurants, hotels and similar	-	-	-
Transport, warehouse and communications	-	-	-
Personal housing loans	-	-	-
Personal credits	-	-	-
Others	-	-	-
	1,144	(1,144)	-

UNAUDITED SUPPLEMENTARY INFORMATION

1 Financial Risk Management (continued)

(a) Credit risk (continued)

Analysis of general provision

	As at 1 January 2021 MOP'000	**Net charge/ (release) to income statement MOP'000**	**As at 31 December 2021 MOP'000**
Manufacturing	**1,087**	**(41)**	**1,046**
Construction and public works	**889**	**(145)**	**744**
Trade (wholesale and retail)	**7,035**	**(626)**	**6,409**
Restaurants, hotels and similar	**-**	**-**	**-**
Transport, warehouse and communications	**-**	**-**	**-**
Personal housing loans	**179**	**(68)**	**111**
Personal credits	**171**	**18**	**189**
Others	**2,755**	**813**	**3,568**
	12,116	**(49)**	**12,067**

	As at 1 January 2020 MOP'000	Net charge/ (release) to income statement MOP'000	As at 31 December 2020 MOP'000
Manufacturing	5,255	(4,168)	1,087
Construction and public works	596	293	889
Trade (wholesale and retail)	10,895	(3,860)	7,035
Restaurants, hotels and similar	-	-	-
Transport, warehouse and communications	-	-	-
Personal housing loans	209	(30)	179
Personal credits	151	20	171
Others	4,712	(1,957)	2,755
	21,818	(9,702)	12,116

UNAUDITED SUPPLEMENTARY INFORMATION

1 Financial Risk Management (continued)

(a) Credit risk (continued)

The carrying amounts of assets and liabilities analysed by the remaining period as at 31 December to the contractual maturity dates are as follows:

2021	Repayable on demand MOP'000	Less than 1 month MOP'000	3 months or less but over 1 month MOP'000	1 year or less but over 3 months MOP'000	3 years or less but over 1 year MOP'000	After 3 years MOP'000	Balancing MOP'000	Total MOP'000
Assets								
- Cash and balances with banks	164,587	-	-	-	-	-	-	164,587
- Amount due from Head Office	824,181	-	-	-	-	-	-	824,181
- AMCM monetary bills	-	439,981	-	-	-	-	-	439,981
- Loans and advances to customers	102,319	206,430	88,851	174,287	147,789	121,610	812	842,098
	1,091,087	646,411	88,851	174,287	147,789	121,610	812	2,270,847
Liabilities								
- Deposits from customers	1,692,418	150,282	192,131	159,299	-	-	-	2,194,130
- Due to banks	29,951	-	-	-	-	-	-	29,951
- Amount due to Head Office	202,704	-	-	-	-	-	-	202,704
	1,925,073	150,282	192,131	159,299	-	-	-	2,426,785

UNAUDITED SUPPLEMENTARY INFORMATION

1 Financial Risk Management (continued)

(a) Credit risk (continued)

2020	Repayable on demand MOP'000	Less than 1 month MOP'000	3 months or less but over 1 month MOP'000	1 year or less but over 3 months MOP'000	3 years or less but over 1 year MOP'000	After 3 years MOP'000	Balancing MOP'000	Total MOP'000
Assets								
- Cash and balances with banks	211,020	-	-	-	-	-	-	211,020
- Amount due from Head Office	911,091	-	-	-	-	-	-	911,091
- AMCM monetary bills	-	379,981	39,999	-	-	-	-	419,980
- Loans and advances to customers	111,696	160,649	171,362	170,228	175,834	142,807	8,068	940,644
	1,233,807	540,630	211,361	170,228	175,834	142,807	8,068	2,482,735
Liabilities								
- Deposits from customers	1,816,329	168,950	240,620	162,623	-	-	-	2,388,522
- Amount due to Head Office	225,992	-	-	-	-	-	-	225,992
	2,042,321	168,950	240,620	162,623	-	-	-	2,614,514

1 Financial Risk Management (continued)

(b) Market risk

Market risk is the risk of loss arising from adverse changes in interest rates, foreign exchange rates, equity prices, credit spreads and commodity prices, as well as their correlations and implied volatilities.

The Head Office's Market Risk Management Policy sets out the overall approach towards market risk management. The Policy is supported by standards and guides, which facilitates the identification, measurement, control, monitoring and reporting of market risk in a consistent manner. They also set out the overall approach, requirements and controls governing market risk stress testing.

The Hong Kong Market and Liquidity Risk Committee (HK MLRC), which reports to the Hong Kong Risk Executive Committee, oversees the Head Office's effectiveness of market and liquidity risk management framework including policies, models, systems, processes, information and methodologies.

Majority of the Branch's market risk arises from (i) positions taken for client-facilitation; (ii) positions taken to manage the interest rate risk of the retail and commercial banking assets and liabilities; (iii) debt securities held for liquidity risk management.

Foreign exchange risk

The table below summarizes the Branch's assets and liabilities at carrying amounts, categorized by currency:

2021	**USD MOP'000**	**HKD MOP'000**	**CNY MOP'000**	**Others MOP'000**	**Total MOP'000**
Macau Patacas equivalents					
Spot assets	**1,182,688**	**810,252**	**24,461**	**141,720**	**2,159,121**
Spot liabilities	**(1,178,140)**	**(926,360)**	**(23,007)**	**(140,829)**	**(2,268,336)**
Forward purchases	**-**	**-**	**-**	**-**	**-**
Forward sales	**-**	**-**	**-**	**-**	**-**
Net position	**4,548**	**(116,108)**	**1,454**	**891**	**(109,215)**

2020	USD MOP'000	HKD MOP'000	CNY MOP'000	Others MOP'000	Total MOP'000
Macau Patacas equivalents					
Spot assets	1,294,096	825,987	38,906	148,650	2,307,639
Spot liabilities	(1,289,314)	(915,946)	(37,515)	(147,703)	(2,390,478)
Forward purchases	-	-	-	-	-
Forward sales	-	-	-	-	-
Net position	4,782	(89,959)	1,391	947	(82,839)

UNAUDITED SUPPLEMENTARY INFORMATION

1 Financial Risk Management (continued)

(b) Market risk (continued)

Interest rate risk in the banking book

Interest rate risk in the banking book (IRRBB) arises from mismatches in the interest rate profile of assets, liabilities, and capital instruments. Considering the size of Macau Branch loans and deposits, there is no loan prepayments assumption applied, and non-maturity deposits assumed not to be repriced under the 1-year net interest income impact simulation. The IRRBB exposures are measured on a monthly basis.

The Branch simulates the 1-year net interest income impact under various interest rate scenarios in which market interest rates move up/down 100/200 basis points. Behavioral assumptions are applied when managing the interest rate risk of administrated rate products. The following sets out the changes in projected net interest income under adverse scenarios.

	2021 Change in projected net interest income MOP'000	2020 Change in projected net interest income MOP'000
Worst case scenarios		
Market rate down 100 bps	**(4,782)**	(2,908)
Market rate down 200 bps	**(8,841)**	(6,443)

UNAUDITED SUPPLEMENTARY INFORMATION

1 Financial Risk Management (continued)

(c) Operational risk

Operational risk is inherent in our business activities and may arise from inadequate or failed internal processes, people or systems, or from external events.

The Branch's objective is to keep operational risk at appropriate levels, taking into account the markets the Branch operate in, the characteristics of the businesses as well as our economic and regulatory environment.

Operational Risk Management
The Head Office's approach to operational risk management comprises the following building blocks:

- **Policies**

The Head Office Operational Risk Management (ORM) Policy sets our overall approach for managing operational risk in a structured, systematic and consistent manner.

There are policies, standards, tools and programmes in place to govern ORM practices in the Head Office. These include corporate operational risk policies and standards that are owned by the respective corporate oversight and control functions. The key policies address risk areas relating to technology, compliance, fraud, money laundering, financing of terrorisms and sanctions, new product and outsourcing.

- **Risk Methodologies**

The Head Office adopts the standardised approach to compute operational risk regulatory capital.

To manage and control operational risk, we use various tools including risk and control self-assessment, operational risk event management and key risk indicator monitoring.

The Head Office's three lines of defence adoptone common risk taxonomy, and a consistent risk assessment approach to managing operational risks. Risk and control self-assessment is conducted by each business or support unit to identify key operational risk and assess the effectiveness of internal controls. When control issues are identified, the units develop action plans and track the resolution of the issues.

Operational risk events are classified in accordance with Basel standards. Such events, including any significant incidents that may impact the Head Office's reputation, must be reported based on certain established thresholds. Key risk indicators with pre-defined escalation triggers are employed to facilitate risk monitoring in a forward-looking manner.

Additional methodologies are in place to address subject-specific risks, including, but not limited to, the following:

Technology risk
Information Technology (IT) risk is managed through an enterprise technology risk approach. It covers risk identification, assessment, mitigation, monitoring and reporting. In addition, the appropriate governance, IT policies and standards, control processes and risk mitigation programmes are in place to support the risk management approach.

1 Financial Risk Management (continued)

(c) Operational risk (continued)

Similarly, cybersecurity risk is managed through the same enterprise risk management approach. It cuts across all lines of business, and it takes a collective team effort to proactively address cybersecurity threats. Since January 2019, the Head Office has established a one stop competency centre for all cybersecurity related matters, and drive deep collaboration with the management of many other types of risks including operational risks and data protection/data privacy risks.

Compliance risk
Compliance risk refers to the risk of the Branch not being able to successfully conduct our business because of any failure to comply with laws, regulatory requirements, industry codes or standards of business and professional conduct applicable to the financial sector.

This includes, in particular, laws and regulations applicable to the licensing and conducting of banking or other financial businesses, financial crime such as anti-money laundering and countering the financing of terrorism, fraud and bribery/corruption. We maintain a compliance programme designed to identify, assess, measure, mitigate and report on such risks through a combination of policy and relevant systems and controls.

The Head Office also provides relevant training and implements assurance processes. We strongly believe in the need to promote a strong compliance culture as well, and this is developed through the leadership of our Board and senior management.

Fraud risk
The Head Office has established minimum standards for our business and support units to prevent, detect, investigate and remediate fraud and related events. This is based on the Fraud Management Programme, through which standards are implemented at the unit and geographical levels. These standards aim to provide end-to-end management for fraud and related issues within the Branch.

Money laundering, financing of terrorism and sanctions risks
There are minimum standards for the Head Office's business and support units to mitigate and manage our actual and/or potential exposure to money laundering, terrorist financing, sanctions, corruption, or other illicit financial activities. Accountabilities have also been established for the protection of the Branch's assets and reputation, as well as the interests of our customers and shareholders.

New product and outsourcing and ecosystem partnership risks
Each new product, service or outsourcing arrangement or ecosystem partnership is subject to a risk review and sign-off process, where relevant risks are identified and assessed. Variations of existing products or services and existing outsourcing arrangements and ecosystem partnerships are also subject to a similar process.

Other mitigation programmes
A robust business continuity management programme is in place to ensure that essential banking services can continue in the event of unforeseen events or business disruptions. This includes a crisis management plan to enable quick response to manage incidents.

Exercises are conducted annually, simulating different scenarios to test business continuity plans and crisis management protocol. The effectiveness of these exercises as well as the Head Office's business continuity readiness are communicated and attested by senior management to the BRMC on an annual basis.

1 Financial Risk Management (continued)

(c) Operational risk (continued)

To mitigate losses from specific risk events which are unexpected and significant, the Head Office purchases group-wide insurance policies under the Group Insurance Programme. These include policies relating to crime and professional indemnity, directors and officers liability, cyber risk, property damage and business interruption, general liability and terrorism.

- **Processes, systems and reports**

Robust internal control processes and systems are integral to identifying, monitoring, managing and reporting operational risk.

All units are responsible for the day-to-day management of operational risk in their products, processes, systems and activities, in accordance with the variance frameworks and policies. The RMG Operational Risk unit and other corporate oversight and control functions:
- Oversee and monitor the effectiveness of operational risk management,
- Assess key operational risk issues with the units,
- Report and/or escalate key operational risks to risk committees with recommendations on appropriate risk mitigation strategies.

The Head Office implemented an integrated governance, risk and compliance system with aligned risk assessment methodology, common taxonomy and unified processes for the three lines of defence.

(d) Liquidity risk

Liquidity risk arises from its obligations to honor withdrawals of deposits, repayments of borrowed funds at maturity, and commitments to extend loans to our customers. The Branch seeks to manage its liquidity in a manner that ensures that its liquidity obligations would continue to be honored under normal as well as adverse circumstances.

The Head Office Liquidity Risk Management Policy sets out the overall approach towards liquidity risk management and describes the range of strategies employed by the Branch to manage its liquidity. These strategies include maintaining an adequate liquidity buffer, having diversified sources of liquidity, and having robust internal control processes. In the event of a potential or actual crisis, the Head Office has in place a set of liquidity contingency and recovery plans to ensure that we maintain adequate liquidity.

The primary measure used to manage liquidity within the tolerance defined by the HK MLRC for the Branch is cash flow maturity mismatch analysis. This form of analysis is performed on a regular basis under normal and adverse scenarios. It assesses the adequacy of the counterbalancing capacity to fund or mitigate any cash flow shortfalls that may occur as forecasted in the cash flow movements across successive time bands. To ensure that liquidity is managed in line with the Risk Appetite, core parameters such as the types of scenarios, the survival period and the minimum level of liquid assets, are pre-specified for monitoring and control. Robust internal control processes and systems support our overall approach for identifying, measuring, aggregating, controlling and monitoring liquidity risk of the Branch.

UNAUDITED SUPPLEMENTARY INFORMATION

1 Financial Risk Management (continued)

(d) Liquidity risk (continued)

Liquidity risk control measures, such as liquidity-related ratios, are complementary tools for cash flow maturity mismatch analysis and they are performed regularly to obtain deeper insights and finer control over the liquidity profile of the Branch.

Oversight relating to the management of liquidity risk across the Head Office, including the Branch, is provided by the HK MLRC, which reports to the Hong Kong Risk Executive Committee. The Hong Kong Asset and Liability Committee regularly reviews the balance sheet composition, trends in loans and deposits, utilization of wholesale funding, momentum in business activities, market competition, economic outlooks, market conditions and other factors that may affect liquidity in the continual refinement of the Branch's funding strategy.

	2021	2020
	MOP'000	MOP'000
The arithmetic mean of the minimum weekly amount of cash in hand that is required to be held during the year	**67,758**	64,699
The arithmetic mean of the amount of cash in hand during the year	**193,188**	189,901
The arithmetic mean of the specified liquid assets at the end of each month during the year	**1,830,256**	1,562,830
	%	%
The average ratio of specified liquid asset to total basic liabilities at the end of each month during the year	**73.5**	64.6
The arithmetic mean of one-month liquidity ratio in the last week of each month during the year	**382.6**	316.7
The arithmetic mean of three-month liquidity ratio in the last week of each month during the year	**83.0**	117.9

DBS BANK (HONG KONG) LIMITED

CONSOLIDATED INFORMATION

1 Capital adequacy ratios

The capital adequacy ratios were compiled in accordance with the Banking (Capital) Rules issued by the Hong Kong Monetary Authority.

	As at 31 December 2021	As at 31 December 2020
Capital Adequacy Ratios		
Common Equity Tier 1	**16.5%**	15.8%
Tier 1	**17.1%**	16.4%
Total	**19.0%**	18.2%

2 Other financial information

	For the year ended 31 December 2021	For the year ended 31 December 2020
	HK$'M	HK$'M
Profit before income tax	**5,670**	5,145

	As at 31 December 2021	As at 31 December 2020
	HK$'M	HK$'M
Total assets	**447,808**	484,159
Total liabilities	**404,766**	442,349
Gross loans and advances to customers	**242,401**	197,624
Due to banks	**7,927**	15,806
Deposits and balances from customers	**373,933**	404,801
Total equity	**43,042**	41,810

3 Directors

The directors, including Executive Director ("ED"), non-executive directors ("NED") and independent non-executive directors ("INED") of the Bank during the year and up to the date of this report are:

Seah Lim Huat, Peter (NED) – Chairman
Piyush Gupta (NED) – Vice Chairman
J. E. Sebastian Paredes Muirragui (ED) – Chief Executive
Dominic Chiu Fai Ho (INED)
Kwok Kwok Chuen (INED) (resigned on 17 January 2021)
Nancy Sau Ling Tse (INED)
Liu Chee Ming (INED)
Ho Hing Yuen, David (INED)

In accordance with the articles of association of the Bank, Ms. Nancy Sau Ling Tse and Mr. Ho Hing Yuen, David will retire from office at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.