DBS BANK (HONG KONG) LIMITED - MACAU BRANCH

ANNUAL REPORT 2023

DBS BANK (HONG KONG) LIMITED - MACAU BRANCH

Contents

DBS BANK (HONG KONG) LIMITED - MACAU BRANCH

BUSINESS REPORT

The Branch reported a strong growth in net profit of 407% to MOP39.6 million from a year ago. Total income amounted to MOP84.9 million, 54% or MOP29.6 million higher than last year, driven mainly by higher net interest income from better interest rate margin. Total expenses were largely stable year on year at MOP41.6 million.

There was release of general allowances of MOP2.8 million and charge of specific allowances of MOP1.2 million, resulting in net release of MOP1.6 million under credit and other losses. As a result, profit before income tax was MOP45 million, growth of 411% compared to last year.

Due to the high interest rate environment, gross loans and advances decreased by MOP0.8 billion to MOP3.6 billion while customer deposits were largely stable at MOP2.1 billion.

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 4 to 46 which comprise the statement of financial position as at 31 December 2023, and the income statement, the statement of comprehensive income, the statement of changes in reserve and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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 MANAGEMENT OF DBS BANK (HONG KONG) LIMITED - MACAU BRANCH (CONTINUED)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of DBS Bank (Hong Kong) Limited - Macau Branch as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region.

Li Ching Lap Bernard
Certified Public Accountant
PricewaterhouseCoopers

Macao, 25 March 2024

DBS BANK (HONG KONG) LIMITED - MACAU BRANCH

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 MOP'000	2022 MOP'000
Interest income	4	260,783	87,905
Interest expense	4	(179,325)	(41,385)
Net interest income		81,458	46,520
Net fee and commission (expense)/income	5	(1,524)	2,422
Other income	6	5,001	6,392
Total income		84,935	55,334
Total expenses	7	(41,591)	(42,306)
Profit before allowances for credit and other losses		43,344	13,028
Allowances release/(charge) for credit and other losses	8	1,624	(4,232)
Profit before income tax		44,968	8,796
Income tax expense	9	(5,321)	(973)
Profit for the year		39,647	7,823

Fong Kuok Chang
Chief Representative

Ho Chan Yieng
Alternate Chief Representative

The notes on pages 10 to 46 form part of these financial statements.

DBS BANK (HONG KONG) LIMITED - MACAU BRANCH

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 MOP'000	2022 MOP'000
Profit for the year	39,647	7,823
Other comprehensive income		
Items that may be reclassified subsequently to income statement		
Transferred to income statement	-	-
Total comprehensive income	39,647	7,823

The notes on pages 10 to 46 form part of these financial statements.

DBS BANK (HONG KONG) LIMITED - MACAU BRANCH

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	2023 MOP'000	2022 MOP'000
ASSETS			
Cash and balances with banks	10	139,738	203,203
Deposits with Autoridade Monetaria de Macao ("AMCM")	11	112,072	162,609
Amount due from Head Office	17	53,768	91,224
AMCM monetary bills	12	508,972	449,107
Loans and advances to customers	13	3,635,143	4,432,691
Other assets	14	20,331	126,277
Fixed assets	15	1,149	1,225
		4,471,173	5,466,336
LIABILITIES			
Deposits from customers	16	2,075,908	2,086,376
Due to banks		5,776	5,834
Amount due to Head Office	17	2,268,000	3,194,336
Other liabilities	18	59,645	162,294
Current income tax liabilities	19	5,384	683
		4,414,713	5,449,523
NET ASSETS		56,460	16,813
REPRESENTED BY			
Reserves			
Regulatory reserves			
General reserve		42,948	49,572
Specific reserve		-	-
Retained earnings		13,512	(32,759)
		56,460	16,813

Fong Kuok Chang
Chief Representative

Ho Chan Yieng
Alternate Chief Representative

The notes on pages 10 to 46 form part of these financial statements.

DBS BANK (HONG KONG) LIMITED - MACAU BRANCH

STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2023

	Regulatory reserves MOP'000	Retained earnings MOP'000	Total Reserves MOP'000
Balance at 1 January 2023	49,572	(32,759)	16,813
Transfer from regulatory reserves	(6,624)	6,624	-
Total comprehensive income	-	39,647	39,647
Balance at 31 December 2023	42,948	13,512	56,460
Balance at 1 January 2022	-	195	195
Impact of adopting New MFRS – IFRS 9 on 1 January 2022	-	8,795	8,795
Transfer to regulatory reserves	49,572	(49,572)	-
Total comprehensive income	-	7,823	7,823
Balance at 31 December 2022	49,572	(32,759)	16,813

The regulatory reserves are maintained in accordance with requirements of Circular No. 012/2021 issued by AMCM.

The notes on pages 10 to 46 form part of these financial statements.

DBS BANK (HONG KONG) LIMITED - MACAU BRANCH

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 MOP'000	2022 MOP'000
Cash flows from operating activities			
Profit before income tax		44,968	8,796
Adjustment for non-cash items:			
Depreciation	15	596	324
Allowances (release)/charge for credit and other losses	8	(1,624)	4,232
Profit before changes in operating assets and liabilities		43,940	13,352
Increase/(decrease) in:			
Deposits from customers		(10,468)	(107,754)
Other liabilities		(102,559)	(199,111)
Amount due to Head Office		(926,336)	2,991,632
Due to banks		(58)	(24,117)
Decrease/(increase) in:			
Loans and advances to customers		799,059	(3,584,620)
Minimum deposits with AMCM		3,976	8,304
Other assets		106,020	224,298
Net cash used in operating activities before income tax		(86,426)	(678,016)
Macao complementary tax paid		(662)	-
Net cash used in operating activities		(87,088)	(678,016)
Cash flows from investing activity			
Purchase of fixed assets	15	(520)	(1,061)
Net change in cash and cash equivalents		(87,608)	(679,077)
Cash and cash equivalents at 1 January		867,194	1,546,271
Cash and cash equivalents at 31 December		779,586	867,194

The notes on pages 10 to 46 form part of these financial statements.

CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

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.

	2023 MOP'000	2022 MOP'000
Cash and balances with banks	139,753	203,211
Deposits with AMCM in excess of minimum requirement	77,090	123,650
Amount due from Head Office	53,768	91,224
AMCM monetary bills	508,975	449,109
	779,586	867,194

The notes on pages 10 to 46 form part of these 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.

The financial statements were approved for issue by the Branch's management on 25 March 2024.

2 Summary of material accounting policies

The following is a summary of the material accounting policies applied by the Branch and, except where noted, 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 the Macao Special Administrative Region under Directive No. 44/2020 of the Secretary for Economy and Finance (the "MFRS").

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

The preparation of financial statements in conformity with MFRS requires management to exercise judgement, use estimates and make assumptions in the application of policies and in reporting the 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.

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

(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.

2 Summary of significant accounting policies (Continued)

(c) Financial assets

Initial recognition, classification and subsequent measurement

Purchases and sales of all financial assets are recognised on the date that the Branch enters into the contractual arrangements with counterparties.

Financial assets are initially recognized at fair value, which is generally the transaction price.

IFRS 9 categorises debt-like financial assets based on the business model within which the assets are managed, and whether the assets constitute a “basic lending arrangement” where their contractual cash flows represent solely payments of principal and interest (“SPPI”). Interest is defined as consideration for the time value of money, credit risk, other basic lending risks and may include a profit margin.

Debt instruments are measured at amortised cost when they are in a “hold to collect” (“HTC”) business model and have contractual cash flows that are SPPI in nature. The objective of a HTC business model is to collect contractual principal and interest cash flows. Sales are incidental to the objective and expected to be either insignificant or infrequent.

Reclassification of financial assets

Reclassification of financial assets are prohibited unless the Branch changes its business model for managing financial assets. In practice, this is expected to be infrequent.

Offsetting

Financial assets and liabilities are presented net when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle them on a net basis, or realise the asset and settle the liability simultaneously.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when they have been transferred together with substantially all risks and rewards of ownership.

(d) Impairment

Expected Credit Loss (“ECL”)

ECL are recognised for all financial assets held at amortised cost, debt instruments measured at FVOCI, guarantees and undrawn credit commitments. It represents the present value of expected cash shortfalls over the residual term of a financial asset, guarantee or undrawn commitment.

At initial recognition, allowance is required for ECL resulting from possible default events that may occur within the next 12 months (“12-month ECL”). In the event of a significant increase in credit risk, allowance is required for ECL resulting from possible default events over the expected life of the instrument (“lifetime ECL”).

The ECL recognised follows the three-stage model: financial instruments where 12-month ECL is recognised are considered Stage 1; financial instruments which experience a significant increase in credit risk are in Stage 2; and financial instruments with objective evidence of default or credit-impaired are in Stage 3.

2 Summary of significant accounting policies (Continued)

(d) Impairment (Continued)

Expected Credit Loss ("ECL") (Continued)

- **Stage 1** – Financial instruments are classified as Stage 1 at initial recognition and will remain under Stage 1 unless they experience a significant increase in credit risk or become credit impaired. 12-month ECL is recognised for these instruments.

- **Stage 2** – Financial instruments which experience a significant increase in credit risk (SICR) subsequent to initial recognition, but are not yet credit-impaired, will migrate from Stage 1 to Stage 2. Lifetime ECL is recognised for these instruments.

ECL for stage 1 and stage 2 assets are also known as general allowances.

Significant increase in credit risk ("SICR"): SICR is assessed by comparing the risk of default at reporting date to the risk of default at origination using a range of qualitative and quantitative factors.

For wholesale exposures, a financial instrument is deemed to have experienced a significant increase in credit risk when:

– the observed change in its probability of default ("PD"), as observed by downgrades in the Branch's internal credit risk rating for this instrument between origination and reporting dates, is more than pre-specified thresholds; or

– it is placed on internal credit "watchlists" for closer scrutiny of developing credit issues.

For retail exposures, days past due is the main driver, supplemented with a PD-based criterion. In any event, all retail and wholesale exposures that are more than 30 days past due are presumed to have experienced a significant increase in credit risk, unless assessed otherwise, and are classified as Stage 2.

Instruments in Stage 2 that no longer exhibit a significant increase in credit risk will be transferred back to Stage 1.

- **Stage 3** – Financial instruments that become credit-impaired with evidence of default, i.e. non-performing assets, are transferred to Stage 3.

Lifetime ECL is recognised for these assets. ECL for Stage 3 assets are also known as specific allowances.

A Stage 3 exposure that is restructured can be upgraded to Stage 2 if there are reasonable grounds to conclude that the obligor is able to service future principal and interest payments in accordance with the restructured terms. Stage 3 financial assets are written off, in whole or in part, when the Branch has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of future recoveries.

Measurement of ECLs

ECL are unbiased and probability-weighted estimates of credit losses determined by evaluating a range of possible outcomes, considering past events, current conditions and assessments of future economic conditions at the reporting date. The ECL associated with a financial instrument is typically a product of the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") discounted using the original effective interest rate to the reporting date.

2 Summary of significant accounting policies (Continued)

(d) Impairment (Continued)

Expected Credit Loss ("ECL") (Continued)

- PD – Point-in-time (based on current conditions, adjusted to take into account estimates of future conditions that will impact PD) estimate of the likelihood of default.

- LGD – Estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Branch would expect to receive, including recoveries from collaterals.

- EAD – Estimate of the expected credit exposure at time of default, taking into account repayments of principal and interest as well as expected drawdowns on undrawn credit commitments and potential pay-outs on guarantees issued.

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD, LGD and EAD. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively.

In most instances, expected remaining maturity is the same as the remaining contractual life which represents the maximum contractual period over which the Branch is exposed to the credit risk of the borrower.

ECL Modelling- Point-in-Time and Forward-Looking Adjustments

The Branch leverages the models and parameters implemented under the Basel II Internal Ratings-Based ("IRB") framework where possible, with appropriate modifications to meet IFRS 9 requirements.

Other relevant historical information, loss experience or proxies will be utilised for portfolios without appropriate Basel models and parameters, with a view to maximise the use of available information that is reliable and supportable.

For the wholesale portfolios, credit risk cycle indices ("CCIs") have been developed for the key industries and geographies which are then used as inputs to convert the generally more through-the-cycle PDs derived from Basel models / parameters into the point-in-time equivalents, as well as to incorporate forward-looking information. LGDs are determined using historical loss data, which are adjusted for both the latest and forecasted recovery experience.

The Branch relies on a Monte-Carlo simulation approach to consider over 100 probability-weighted forward-looking scenarios in estimating ECL. This involves simulations of alternative CCI scenarios to arrive at an unbiased ECL estimate that are meant to cover all possible good and bad scenarios based on known estimates and currently available information.

For retail portfolios, historical loss experience is used in conjunction with the forecast loss rates.

(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.

2 Summary of significant accounting policies (Continued)

(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) Financial liabilities

Initial recognition, classification and subsequent measurement

Financial liabilities are initially recognised at fair value. The Branch generally classifies and measures its financial liabilities in accordance with the purpose for which the financial liabilities are incurred and managed.

Financial liabilities are carried at amortised cost using the effective interest method. These comprise predominantly the Branch's deposit portfolio under "Deposits from customers" and "Due to banks" and "Other liabilities".

Derecognition

A financial liability is derecognized from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

(h) 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.

2 Summary of significant accounting policies (Continued)

(i) 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.

(j) 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.

(k) 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.

(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.

Employee entitlement to annual leave is recognised when they accrue to employees. A provision is made for the estimated liability for annual utilized leave as a result of services rendered by employees up to the end of the reporting period.

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.

3 Critical accounting estimates and assumptions (Continued)

(a) Impairment of financial assets

It is the Branch's policy to recognise, through charges against profit, allowances in respect of estimated and inherent credit losses in its portfolio as described in Note 2(d).

ECLs are unbiased and 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, which will necessarily involve the use of judgement.

The Stage 1 and Stage 2 allowances are determined after taking into account historical data and management's assessment of the current economic and credit environment, country and portfolio risks, as well as industry practices.

In estimating Stage 3 ECL allowances, the Branch assesses the gap between borrowers' obligations to the Branch and their repayment ability. The assessment takes into account various factors, including the economic or business outlook, the future profitability of the borrowers and the liquidation value of collateral. Such assessment requires considerable judgement.

(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 Interest Income

	2023 MOP'000	2022 MOP'000
Cash and balances with banks and due from Head office	4,925	7,189
Loans and advances to customers	238,196	76,827
AMCM Monetary bills	17,662	3,889
Total interest income	260,783	87,905
Deposits from customers	(40,612)	(9,907)
Interest expense on affiliate-related liability	(138,713)	(31,478)
Total interest expense	(179,325)	(41,385)
Net interest income	81,458	46,520
Comprising:		
-Interest income from financial assets at amortised cost	260,783	87,905
-Interest expense from financial liabilities not at FVPL	(179,325)	(41,385)
Total	81,458	46,520

5 Net fee and commission (expense)/income

	2023 MOP'000	2022 MOP'000
Fee and commission income	2,929	3,311
Less: Fee and commission expense	(4,453)	(889)
Net fee and commission (expense)/income	(1,524)	2,422

Comprising of:		
- Loan and trade related	(3,129)	722
- Others [(a)]	1,605	1,700
Net fee and commission (expense)/income	(1,524)	2,422

(a) Includes remittances, deposit related fees and other miscellaneous income

Of which:		
Fee and commission income arising from:		
- Financial assets or financial liabilities not at FVPL	1,354	1,623
Fee and commission expense arising from:		
- Financial assets or financial liabilities not at FVPL	(4,453)	(889)

6 Other income

	2023 MOP'000	2022 MOP'000
Net trading income from foreign exchange	3,128	4,299
Others	1,873	2,093
Other income	5,001	6,392

7 Total expenses

	Note	2023 MOP'000	2022 MOP'000
Employee benefits			
- Salaries and other staff costs		20,458	19,761
- Retirement benefit costs		1,606	1,533
Computerisation expenses		4,098	3,952
Management service fees		5,266	7,281
Rental of premises		3,274	3,507
Auditor's remuneration		443	442
Depreciation	15	596	324
Other operating expenses		5,850	5,506
		41,591	42,306

8 Allowances charge/(release) for credit and other losses

	2023 MOP'000	2022 MOP'000
Specific allowances		
Loans and advances to customers	1,207	-
Others [(a)]	-	-
	1,207	-
General allowances		
Loans and advances to customers	(2,718)	4,153
Others [(a)]	(113)	79
	(2,831)	4,232

(a) Includes allowances for off-balance sheet exposures, other assets, deposits with AMCM, AMCM Monetary bills and due from banks.

8 Allowances charge/(release) for credit and other losses (Continued)

In MOP'000	General allowances (Non-impaired) Stage 1	Stage 2	Specific allowances (Impaired) Stage 3	Total
2023				
Assets				
Cash and balances with banks	15	-	-	15
Deposits with AMCM	4	-	-	4
AMCM monetary bills	3	-	-	3
Loans and advances to customers	1,559	1,817	1,207	4,583
Other assets	58	-	-	58
Liabilities				
ECL on guarantees and other off balance sheet exposures	17	-	-	17
Total	1,656	1,817	1,207	4,680

In MOP'000	General allowances (Non-impaired) Stage 1	Stage 2	Specific allowances (Impaired) Stage 3	Total
2022				
Assets				
Cash and balances with banks	8	-	-	8
Deposits with AMCM	3	-	-	3
AMCM monetary bills	2	-	-	2
Loans and advances to customers	5,855	239	-	6,094
Other assets	89	-	-	89
Liabilities				
ECL on guarantees and other off balance sheet exposures	108	-	-	108
Total	6,065	239	-	6,304

8 Allowances charge/(release) for credit and other losses (Continued)

In MOP'000	General allowances (Non-impaired) Stage 1	Stage 2	Specific allowances (Impaired) Stage 3	Total
2023				
Balance at 1 January				
Allowances for credit and other losses	6,065	239	-	6,304
Transfer to (from)	(92)	21	71	-
- Stage 1	(92)	21	71	-
- Stage 2	-	-	-	-
- Stage 3	-	-	-	-
Net portfolio change	(96)	1,244	-	1,148
Remeasurements	(4,221)	313	1,136	(2,772)
Net write-offs	-	-	-	-
Exchange and other movements	-	-	-	-
Balance at 31 December	1,656	1,817	1,207	4,680
Charge/(release) in the income statement	(4,409)	1,578	1,207	(1,624)

In MOP'000	General allowances (Non-impaired) Stage 1	Stage 2	Specific allowances (Impaired) Stage 3	Total
2022				
Balance at 1 January				
Allowances for credit and other losses	2,072	-	-	2,072
Transfer to (from)	(487)	487	-	-
- Stage 1	(487)	487	-	-
- Stage 2	-	-	-	-
- Stage 3	-	-	-	-
Net portfolio change	4,951	7	-	4,958
Remeasurements	(471)	(255)	-	(726)
Net write-offs	-	-	-	-
Exchange and other movements	-	-	-	-
Balance at 31 December	6,065	239	-	6,304
Charge in the income statement	3,993	239	-	4,232

9 Income tax expense

	2023 MOP'000	2022 MOP'000
Current income tax expense	5,363	640
Deferred income tax (credit)/expense	(42)	333
	5,321	973

The deferred income tax (credited)/charged to the income statement comprises the following temporary differences:

	2023 MOP'000	2022 MOP'000
Tax impact on adoption of IFRS 9 charged to equity	-	(1,200)
Depreciation allowances	(42)	(11)
Utilization of tax loss	-	1,544
	(42)	333

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 2023, the special tax incentive is provided to effect that the tax free income threshold is increased from MOP32,000 to MOP 600,000 and the profit thereafter being taxed at a fixed rate of 12%. 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:

	2023 MOP'000	2022 MOP'000
Profit before income tax	44,968	8,796
Tax calculated at 12%	5,396	1,056
Effect of progressive tax rate before 12%	(17)	(17)
Special complementary tax incentives	(55)	(55)
Under/(Over) provision for prior years	1	(10)
Expenses not deductible for tax purposes	(5)	-
Others	1	(1)
Income tax expense	5,321	973

10 Cash and balances with banks

	2023 MOP'000	2022 MOP'000
Cash in hand	47,553	34,631
Balances with banks	92,200	168,580
Allowances for credit and other losses	(15)	(8)
	139,738	203,203

11 Deposits with AMCM

	2023 MOP'000	2022 MOP'000
Balance with AMCM	112,076	162,612
Allowances for credit and other losses	(4)	(3)
	112,072	162,609

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

At 31 December 2023, the minimum deposit required were MOP34,986,000 (2022: MOP38,962,000).

12 AMCM monetary bills

	2023 MOP'000	2022 MOP'000
Monetary bills issued by AMCM, at amortised cost	508,975	449,109
Allowances for credit and other losses	(3)	(2)
	508,972	449,107

13 Loans and advances to customers

	2023 MOP'000	2022 MOP'000
Gross loans and advances to customers	3,639,726	4,438,785
Less: Specific allowances	(1,207)	-
General allowances	(3,376)	(6,094)
	3,635,143	4,432,691

14 Other assets

	2023 MOP'000	2022 MOP'000
Accrued interest receivables	3,774	5,413
Acceptances (Note 18)	6,624	120,324
Deferred tax assets	53	11
Others [1]	9,880	529
	20,331	126,277

1 The balance as at 31 December 2023 included allowance for credit and other losses of MOP58,000 for acceptances (2022: MOP89,000).

15 Fixed assets

	Furniture, fixtures and equipment MOP'000	Motor vehicles MOP'000	Total MOP'000
Cost:			
As at 1 January 2023	6,424	372	6,796
Additions	520	-	520
Disposals	-	-	-
As at 31 December 2023	6,944	372	7,316
Accumulated depreciation:			
As at 1 January 2023	5,317	254	5,571
Charge for the year	522	74	596
Written back on disposals	-	-	-
As at 31 December 2023	5,839	328	6,167
Net book value:			
As at 31 December 2023	1,105	44	1,149

	Furniture, fixtures and equipment MOP'000	Motor vehicles MOP'000	Total MOP'000
Cost:			
As at 1 January 2022	5,395	372	5,767
Additions	1,061	-	1,061
Disposals	(32)	-	(32)
As at 31 December 2022	6,424	372	6,796
Accumulated depreciation:			
As at 1 January 2022	5,099	180	5,279
Charge for the year	250	74	324
Written back on disposals	(32)	-	(32)
As at 31 December 2022	5,317	254	5,571
Net book value:			
As at 31 December 2022	1,107	118	1,225

16 Deposits from customers

	2023 MOP'000	2022 MOP'000
Demand deposits and current accounts	497,744	608,923
Savings deposits	419,618	603,548
Time and call deposits	1,158,546	873,905
	2,075,908	2,086,376

17 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.

18 Other liabilities

	2023 MOP'000	2022 MOP'000
Accrued interest payable	22,410	10,830
Acceptances (Note 14)	6,624	120,324
Other liabilities and provisions [1]	30,611	31,140
	59,645	162,294

1 The balance as at 31 December 2023 included allowance for credit and other losses of MOP17,000 for guarantees and other off-balance sheet exposures (2022: MOP108,000).

19 Taxation

(a) Current income tax liabilities

	2023 MOP'000	2022 MOP'000
Current income tax liabilities	5,384	683

(b) Deferred income tax

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

	2023 MOP'000	2022 MOP'000
Included in "Other assets" (Note 14)	53	11

19 Taxation (Continued)

The movement on the deferred tax assets are as follows:

	2023 MOP'000	2022 MOP'000
As at 1 January	11	1,544
Deferred income tax credited/(charged) to income statement (Note 9)	42	(333)
Deferred income tax charged to equity	-	(1,200)
	53	11

Deferred tax assets are attributable to the following items:

	2023 MOP'000	2022 MOP'000
Deferred tax assets		
Depreciation allowances	42	11

20 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:

	2023 MOP'000	2022 MOP'000
Transaction-related contingencies	1,027,447	1,012,008
Trade-related contingencies	59,979	169,686
Other commitments which are unconditionally cancellable	3,106,926	2,991,396
	4,194,352	4,173,090

(b) Lease commitments

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

	2023 MOP'000	2022 MOP'000
Not later than one year	1,410	1,410
Later than one year and not later than five years	1,058	2,468
	2,468	3,878

21 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 establishes 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 the risk of lending, pre-settlement and settlement risk of foreign exchange and debt securities.

Credit Risk Management

The Branch follows the Head Office's approach to credit risk management which 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 (CCRPs) 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 guides, 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 DBSH's CCRPs and are adapted to reflect different credit environments and portfolio risk profiles.

21 Financial risk management (Continued)

(a) Credit risk (Continued)

Credit Risk Management (Continued)

- ***Risk Methodologies***

Credit risk is managed by thoroughly understanding our wholesale 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 integral parts of DBS' credit risk management process, and we use an array of rating models for our wholesale and retail portfolios. Most of these models are built internally by DBSH using DBSH's loss data.

Wholesale borrowers are assessed individually and 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 units, and are independently assessed by the credit risk managers.

Pre-settlement credit risk for trade products arising from a counterparty potentially defaulting on its obligations is quantified by evaluation of the marked-to-market value plus potential future exposure. This is included within the Head Office's overall credit limits to counterparties for internal risk management.

- ***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 through the requirements of DBSH's CCRPs.

Transfer risk limits for individually reviewed countries are set based on country-specific business considerations as well as the acceptable potential loss according to DBSH's Risk Appetite.

21 Financial risk management (Continued)

(a) Credit risk (Continued)

Credit Risk Management (Continued)

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

Responsible financing, covering environmental, social and governance (ESG), remains a key focus area which impacts our financing, investing and risk management decisions across DBSH. DBSH recognizes the material impact of our financing and investments on environment and communities and the key role financial institutions can play in assisting customers to manage ESG issues and transition to low carbon economy. DBSH's net zero targets and increasing recognition of ESG risks reflects the Head Office's efforts to decarbonize its portfolio and focus on long-term sustainable clients.

DBSH considers ESG risk management as critical to ensure a sustainable lending and investment portfolio. Following establishment of DBSH's Board Sustainability Committee and incorporation of environmental risk considerations into the Head Office's Risk Appetite statement in 2022, DBSH further enhanced the Group Responsible Financing Standard documents which provide the overarching approach to responsible financing and enhanced assessment required when financing transactions with elevated ESG risks. The requirements of this Standard represent the minimum standards for DBSH, and it has also sought alignment, where possible, with international standards and best practices. Where significant ESG issues are identified, escalation is required to Institutional Banking Group Sustainability and Risk Management ESG teams 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 either driven by regulators or 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 business, operations, risk management 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.

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 an secondary source of repayment. This includes, but is 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.

21 Financial risk management (Continued)

(a) *Credit risk (Continued)*

Credit Risk Mitigants (Continued)

- ***Collateral Received (Continued)***

Policies are in place to determine the eligibility of collateral for credit risk mitigation. Collateral is generally diversified and periodic valuations of collateral are required.

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 and due from banks.

Collateral is generally not sought for these assets.

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.

21 Financial risk management (Continued)

(a) *Credit risk (Continued)*

(i) Loans and advances to customers by credit quality

	As at 31 December 2023			
	Stage 1 MOP'000	Stage 2 MOP'000	Stage 3 MOP'000	Total MOP'000
Neither past due nor impaired				
-Pass	3,539,712	46,803	-	3,586,515
-Special Mention	-	3,002	-	3,002
Past due but not impaired	-	8,678	-	8,678
Impaired				
Substandard	-	-	-	-
Doubtful	-	-	41,531	41,531
Loss	-	-	-	-
	3,539,712	58,483	41,531	3,639,726

In February 2024, the Branch downgraded a loan of MOP 11.7 million to substandard as a result of customer's credit deterioration. There was no adverse profit and loss impact from this downgrade.

	As at 31 December 2022			
	Stage 1 MOP'000	Stage 2 MOP'000	Stage 3 MOP'000	Total MOP'000
Neither past due nor impaired				
-Pass	4,293,053	119,319	-	4,412,372
-Special Mention	-	-	-	-
Past due but not impaired	26,413	-	-	26,413
Impaired				
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
	4,319,466	119,319	-	4,438,785

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

21 Financial risk management (Continued)

(a) *Credit risk (Continued)*

(ii) Loans and advances to customers analysed by geographic area

As at 31 December 2023	Neither past due nor impaired MOP'000	Past due but not impaired MOP'000	Impaired MOP'000	Specific allowances MOP'000	General allowances MOP'000
Macau	527,881	8,678	41,531	1,207	2,199
Hong Kong	2,560	-	-	-	5
China	3,059,076	-	-	-	1,172
	3,589,517	8,678	41,531	1,207	3,376

As at 31 December 2022	Neither past due nor impaired MOP'000	Past due but not impaired MOP'000	Impaired MOP'000	Specific allowances MOP'000	General allowances MOP'000
Macau	603,407	26,413	-	-	2,375
Hong Kong	34,489	-	-	-	174
China	3,774,476	-	-	-	3,545
	4,412,372	26,413	-	-	6,094

21 Financial risk management (Continued)

(a) Credit risk (Continued)

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

(1) Loans and advances to customers that were neither past due nor impaired

	As at 31 December 2023 MOP'000	As at 31 December 2022 MOP'000
Agriculture and fisheries	-	-
Mining industries	-	-
Manufacturing	33,372	16,865
Electricity, gas and water	-	-
Construction and public works	34,894	52,159
Wholesale and retail trade	272,377	336,430
Restaurants, hotels and similar	-	-
Transport, warehousing and communications	-	-
Non-monetary financial institutions	-	-
Gaming	-	-
Exhibition and conference	-	-
Education	-	-
Information technology	3,059,076	3,774,476
Other industries	185,677	227,229
Personal loans	4,121	5,213
	3,589,517	4,412,372

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

	As at 31 December 2023 MOP'000	As at 31 December 2022 MOP'000
Agriculture and fisheries	-	-
Mining industries	-	-
Manufacturing	8,678	-
Electricity, gas and water	-	-
Construction and public works	-	-
Wholesale and retail trade	-	2,111
Restaurants, hotels and similar	-	-
Transport, warehousing and communications	-	-
Non-monetary financial institutions	-	-
Gaming	-	-
Exhibition and conference	-	-
Education	-	-
Information technology	-	-
Other industries	-	24,302
Personal loans	-	-
	8,678	26,413

21 Financial risk management (Continued)

(a) Credit risk (Continued)

(iii) Loans and advances to customers analysed by industry groups (Continued)

(3) Impaired loans and advances to customers

	As at 31 December 2023 MOP'000	As at 31 December 2022 MOP'000
Agriculture and fisheries	-	-
Mining industries	-	-
Manufacturing	-	-
Electricity, gas and water	-	-
Construction and public works	-	-
Wholesale and retail trade	-	-
Restaurants, hotels and similar	-	-
Transport, warehousing and communications	-	-
Non-monetary financial institutions	-	-
Gaming	-	-
Exhibition and conference	-	-
Education	-	-
Information technology	-	-
Other industries	41,531	-
Personal loans	-	-
	41,531	-

As at 31 December 2023	More than 1 month MOP'000
Gross impaired loans and advances	41,531
Specific allowances	(1,207)
	40,324
Impaired loans and advances covered by collateral	40,324
% of gross loans and advances to customers	1.14

As at 31 December 2022	More than 1 month MOP'000
Gross impaired loans and advances	-
Specific allowances	-
	-
Impaired loans and advances covered by collateral	-
% of gross loans and advances to customers	-

21 Financial risk management (Continued)

(a) Credit risk (Continued)

(iv) Analysis of allowances

	As at 31 December 2023			
	Stage 1 MOP'000	Stage 2 MOP'000	Stage 3 MOP'000	Total MOP'000
Neither past due nor impaired				
-Pass	1,559	62	-	1,621
-Special Mention	-	454	-	454
Past due but not impaired	-	1,301	-	1,301
Impaired				
Substandard	-	-	-	-
Doubtful	-	-	1,207	1,207
Loss	-	-	-	-
	1,559	1,817	1,207	4,583

	As at 31 December 2022			
	Stage 1 MOP'000	Stage 2 MOP'000	Stage 3 MOP'000	Total MOP'000
Neither past due nor impaired				
-Pass	5,665	239	-	5,904
-Special Mention	-	-	-	-
Past due but not impaired	190	-	-	190
Impaired				
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
	5,855	239	-	6,094

21 Financial risk management (Continued)

(a) Credit risk (Continued)

(iv) Analysis of allowances (Continued)

Specific allowances

	As at 1 January 2023 MOP'000	Charge to income statement MOP'000	As at 31 December 2023 MOP'000
Agriculture and fisheries	-	-	-
Mining industries	-	-	-
Manufacturing	-	-	-
Electricity, gas and water	-	-	-
Construction and public works	-	-	-
Wholesale and retail trade	-	-	-
Restaurants, hotels and similar	-	-	-
Transport, warehousing and communications	-	-	-
Non-monetary financial institutions	-	-	-
Gaming	-	-	-
Exhibition and conference	-	-	-
Education	-	-	-
Information technology	-	-	-
Other industries	-	1,207	1,207
Personal loans	-	-	-
	-	1,207	1,207

	As at 1 January 2022 MOP'000	Charge to income statement MOP'000	As at 31 December 2022 MOP'000
Agriculture and fisheries	-	-	-
Mining industries	-	-	-
Manufacturing	-	-	-
Electricity, gas and water	-	-	-
Construction and public works	-	-	-
Wholesale and retail trade	-	-	-
Restaurants, hotels and similar	-	-	-
Transport, warehousing and communications	-	-	-
Non-monetary financial institutions	-	-	-
Gaming	-	-	-
Exhibition and conference	-	-	-
Education	-	-	-
Information technology	-	-	-
Other industries	-	-	-
Personal loans	-	-	-
	-	-	-

21 Financial risk management (Continued)

(a) Credit risk (Continued)

(iv) Analysis of allowances (Continued)

General allowances

	As at 1 January 2023 MOP'000	Charge to income statement MOP'000	As at 31 December 2023 MOP'000
Agriculture and fisheries	-	-	-
Mining industries	-	-	-
Manufacturing	104	1,731	1,835
Electricity, gas and water	-	-	-
Construction and public works	241	(215)	26
Wholesale and retail trade	1,306	(1,105)	201
Restaurants, hotels and similar	-	-	-
Transport, warehousing and communications	-	-	-
Non-monetary financial institutions	-	-	-
Gaming	-	-	-
Exhibition and conference	-	-	-
Education	-	-	-
Information technology	3,545	(2,373)	1,172
Other industries	898	(756)	142
Personal loans	-	-	-
	6,094	(2,718)	3,376

	As at 1 January 2022 MOP'000	Charge to income statement MOP'000	As at 31 December 2022 MOP'000
Agriculture and fisheries	-	-	-
Mining industries	-	-	-
Manufacturing	139	(35)	104
Electricity, gas and water	-	-	-
Construction and public works	261	(20)	241
Wholesale and retail trade	1,038	268	1,306
Restaurants, hotels and similar	-	-	-
Transport, warehousing and communications	-	-	-
Non-monetary financial institutions	-	-	-
Gaming	-	-	-
Exhibition and conference	-	-	-
Education	-	-	-
Information technology	-	3,545	3,545
Other industries	459	439	898
Personal loans	44	(44)	-
	1,941	4,153	6,094

21 Financial risk management (Continued)

(a) Credit risk (Continued)

(v) Maturity analysis on assets and liabilities

The carrying amounts of assets and liabilities analysed by the remaining period as at 31 December 2023 and 31 December 2022 to the contractual maturity dates are as follows:

As at 31 December 2023	Repayable on demand MOP'000	Less than 1 month MOP'000	Over 1 month but less than 3 months MOP'000	Over 3 months but less than 1 year MOP'000	Over 1 year but less than 3 years MOP'000	Over 3 years MOP'000	Balancing MOP'000	Total MOP'000
Assets								
- Cash and balances with banks	139,738	-	-	-	-	-	-	139,738
- Amount due from Head Office	53,768	-	-	-	-	-	-	53,768
- AMCM monetary bills	508,972	-	-	-	-	-	-	508,972
- Loans and advances to customers	61,058	110,291	1,344,629	61,852	1,952,339	57,273	47,701	3,635,143
	763,536	110,291	1,344,629	61,852	1,952,339	57,273	47,701	4,337,621
Liabilities								
- Deposits from customers	917,447	354,171	279,129	525,161	-	-	-	2,075,908
- Due to banks	5,776	-	-	-	-	-	-	5,776
- Amount due to Head Office	416,454	-	-	1,851,546	-	-	-	2,268,000
	1,339,677	354,171	279,129	2,376,707	-	-	-	4,349,684

21 Financial risk management (Continued)

(a) Credit risk (Continued)

(v) Maturity analysis on assets and liabilities (Continued)

As at 31 December 2022	Repayable on demand MOP'000	Less than 1 month MOP'000	Over 1 month but less than 3 months MOP'000	Over 3 months but less than 1 year MOP'000	Over 1 year but less than 3 years MOP'000	Over 3 years MOP'000	Balancing MOP'000	Total MOP'000
Assets								
- Cash and balances with banks	203,203	-	-	-	-	-	-	203,203
- Amount due from Head Office	91,224	-	-	-	-	-	-	91,224
- AMCM monetary bills	449,107	-	-	-	-	-	-	449,107
- Loans and advances to customers	85,267	293,501	1,282,535	546,589	2,116,263	82,159	26,377	4,432,691
	828,801	293,501	1,282,535	546,589	2,116,263	82,159	26,377	5,176,225
Liabilities								
- Deposits from customers	1,212,556	317,701	190,302	365,817	-	-	-	2,086,376
- Due to banks	5,834	-	-	-	-	-	-	5,834
- Amount due to Head Office	1,012,635	-	-	2,181,701	-	-	-	3,194,336
	2,231,025	317,701	190,302	2,547,518	-	-	-	5,286,546

21 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 related factors.

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

As at 31 December 2023	USD MOP'000	HKD MOP'000	CNY MOP'000	Others MOP'000	Total MOP'000
MOP equivalents					
Spot assets	3,087,535	696,505	21,662	18,916	3,824,618
Spot liabilities	(3,080,057)	(805,758)	(20,365)	(17,765)	(3,923,945)
Net position	7,478	(109,253)	1,297	1,151	(99,327)

As at 31 December 2022	USD MOP'000	HKD MOP'000	CNY MOP'000	Others MOP'000	Total MOP'000
MOP equivalents					
Spot assets	4,028,853	696,167	21,313	96,663	4,842,996
Spot liabilities	(4,020,084)	(815,649)	(19,982)	(95,516)	(4,951,231)
Net position	8,769	(119,482)	1,331	1,147	(108,235)

21 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 prepayment assumption applied, and non-maturity deposits are assumed not to be repriced under earning perspective. The IRRBB exposures are measured on a monthly basis.

(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 operates in, the characteristics of the businesses as well as our economic and regulatory environment.

Operational Risk Management

The Branch follows the Head Office's approach to operational risk management which 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 outsourcing and ecosystem partnership.

- **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 adopt one 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.

21 Financial risk management (Continued)

(c) Operational risk (Continued)

Operational Risk Management (Continued)

- **Risk Methodologies (Continued)**

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. This 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. Technology risk capabilities will be uplifted to support the Technology Risk Management Uplift program in:

(a) the implementation of the risk appetite;
(b) improve risk management and governance;
(c) enhance the resiliency and reliability of technology infrastructure and systems;
(d) increase the depth of objective independent challenge during incident recovery and incident root causes analysis; and
(e) accelerate and uplift technology risk awareness.

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.

21 Financial risk management (Continued)

(c) Operational risk (Continued)

Operational Risk Management (Continued)

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. The Head Office continues to explore opportunities to enhance business resilience, drawing from lessons learned from past incidents.

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.

21 Financial risk management (Continued)

(c) Operational risk (Continued)

Operational Risk Management (Continued)

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.

The Head Office has in place an operational risk landscape profile which provides the Board and senior management with an integrated view of the Head Office's operational risk profile periodically, across key operational risk areas and business lines.

(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.

Liquidity risk control measures, such as liquidity-related ratios, are complementary tools to the 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.

21 Financial risk management (Continued)

(d) Liquidity risk (Continued)

	2023 MOP'000	2022 MOP'000
The arithmetic mean of the minimum weekly amount of cash in hand that is required to be held during the year	56,595	63,768
The arithmetic mean of the amount of cash in hand during the year	188,897	197,468
The arithmetic mean of the specified liquid assets at the end of each month during the year	1,866,531	1,679,885
	%	%
The average ratio of specified liquid assets to total basic liabilities at the end of each month during the year	80.7	71.3
The arithmetic mean of one-month liquidity ratio in the last week of each month during the year	845.5	495.8
The arithmetic mean of three-month liquidity ratio in the last week of each month during the year	474.6	162.3

22 Material related party transactions

(a) Head Office, Intermediate Holding Company and fellow subsidiary

As part of the Branch's normal course of business, it enters into various transactions with Head Office, Intermediate Holding Company and fellow subsidiary on normal commercial terms. These transactions include interbank placements, taking of deposits, 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. These transactions must be conducted on arm's length basis using credit standards, terms and conditions that are comparable to similar transactions with non-affiliates.

During the financial year, the Branch did not acquire any portfolio of loans and advances to customers (2022: MOP3,774.5 million) and nil undrawn commitment (2022: MOP80 million) from Intermediate Holding Company.

22 Material related party transactions (Continued)

(a) Head Office, Intermediate Holding Company and fellow subsidiary (Continued)

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:

	2023 MOP'000	2022 MOP'000
Interest income	1,174	6,283
Interest expense	(138,713)	(31,478)
Fee and commission expense	(4,453)	(845)
Other income	1,411	1,539
Total expenses charged	(11,341)	(12,717)

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

	2023 MOP'000	2022 MOP'000
Amount due from Head Office	53,768	91,224
Amount due to Head Office	2,268,000	3,194,336
Other liabilities	14,643	7,373

(iii) Contingent liabilities with Head Office, Intermediate Holding Company and fellow subsidiary:

As at 31 December 2023, total contingent liabilities with Head Office, Intermediate Holding Company and fellow subsidiary amounted to MOP1,025.3 million (2022: MOP1,000.9 million).

(b) Key management personnel

For the year ended 31 December 2023 and 2022, the Branch had banking and non-banking transactions with key management personnel of the Branch and their close family members. These transactions, including the taking of deposit and extension of credit card and other loan facilities, were made in the ordinary course of business and on commercial terms, and were not material.

Compensation of key management personnel:

	2023 MOP'000	2022 MOP'000
Short-term employee benefits	2,695	2,294
Post-employment benefits	212	191
	2,907	2,485

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 2023	As at 31 December 2022
Capital Adequacy Ratios		
Common Equity Tier 1	18.4%	16.5%
Tier 1	18.9%	17.1%
Total	20.1%	18.4%

2 Other financial information

	For the year ended 31 December 2023 HK$'M	For the year ended 31 December 2022 HK$'M
Profit before income tax	8,611	6,658

	As at 31 December 2023 HK$'M	As at 31 December 2022 HK$'M
Total assets	467,621	475,875
Total liabilities	420,893	432,432
Gross loans and advances to customers	265,880	279,660
Due to banks	8,560	10,793
Deposits and balances from customers	390,599	394,360
Total equity	46,728	43,443

3 Directors

The directors, including executive directors ("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)
Nancy Sau Ling TSE (INED)
LIU Chee Ming (INED)
HO Hing Yuen, David (INED) (resigned on 26 April 2023)

In accordance with the articles of association of the Bank, Ms. Nancy Sau Ling TSE will retire from office at the forthcoming Annual General Meeting and, being eligible, offer herself for re-election.