The Bank of East Asia, Limited,
Macau Branch

Disclosure of financial information
for the six months ended
30th June 2022

Balance sheet as at 30th June 2022

(Expressed in Macau Patacas)

Assets	As at 30th June 2022 MOP	As at 31st December 2021 MOP
Cash and balances with banks	219,068,692	543,189,506
Placements with banks	37,274,977	40,000,611
Monetary bills	269,890,179	-
Loans and advances to customers and other accounts	7,263,960,521	7,512,457,864
Less: Provision for loans and advances	(59,249,681)	-
Other assets	684,427	684,950
Fixed assets	126,083,911	129,333,300
	7,857,713,026	8,225,666,231
Liabilities and reserves		
Deposits and balances of banks	5,136,423,591	5,180,717,920
Deposits from customers	2,209,222,546	2,536,972,590
Other accounts and provisions	41,986,339	23,632,775
Current taxation	8,604,473	8,791,884
Deferred tax liabilities	8,396,195	8,513,884
	7,404,633,144	7,758,629,053
Establishment fund	221,251,000	221,251,000
Regulatory reserve	13,691,508	72,187,370
Transfer of regulatory reserve to retained profits	59,135,165	-
Retained profits	159,002,209	173,598,808
	7,857,713,026	8,225,666,231

Income statement
for the 6 months ended 30th June 2022
(Expressed in Macau Patacas)

	6 months ended 30th June 2022 MOP	*6 months ended 30th June 2021* MOP
Interest income	84,699,065	82,634,922
Interest expense	(16,639,807)	(19,286,279)
Net interest income	68,059,258	63,348,643
Fee and commission income	8,419,068	4,711,982
Other operating income	446,838	943,075
Net trading profit	-	9,328
Operating income	76,925,164	69,013,028
Operating expenses	(35,161,779)	(42,186,576)
Operating profit before impairment losses	41,763,385	26,826,452
(Charge of) / release of impairment losses	(56,025,779)	2,737,920
(Loss) / profit before taxation	(14,262,394)	29,564,372
Income tax	(334,205)	(3,317,906)
(Loss) / profit after taxation	(14,596,599)	26,246,466

Cash flow statement
for the 6 months ended 30th June 2022
(Expressed in Macau Patacas)

	6 months ended 30th June 2022 MOP	*6 months ended* 30th June 2021 MOP
Operating activities		
Loss before taxation	(14,262,394)	29,564,372
Adjustments for:		
Depreciation	4,605,670	4,652,668
Charge for impairment losses	55,886,351	-
Release of impairment losses	-	(2,727,024)
Operating profit before changes in working capital	46,229,627	31,490,016
Decrease/ (increase) in operating assets:		
Placements with banks and other financial institutions with original maturity over three months	(4,897,752)	3,302,313
Monetary bills with original maturity over three months	-	(73,072)
Trading assets	-	658
Loans and advances to customers	256,404,130	(8,402,574)
Accrued interest and other accounts	(4,578,867)	(2,957,379)
Increase/ (decrease) in operating liabilities:		
Deposits and balances of banks	(44,294,329)	219,720,627
Deposits from customers	(327,750,044)	(314,896,326)
Trading liabilities	-	(991)
Other accounts and provisions	18,382,621	2,766,669
Net cash used in operations	(60,504,614)	(69,050,059)
Complementary tax paid	-	-
Net cash used in operating activities	(60,504,614)	(69,050,059)

Cash flow statement
for the 6 months ended 30th June 2022 (continued)

(Expressed in Macau Patacas)

	6 months ended 30th June 2022 MOP	*6 months ended 30th June 2021 MOP*
Investing activity		
Purchase of fixed assets	(1,356,282)	(5,513,279)
Net cash used in investing activity	(1,356,282)	(5,513,279)
Net decrease in cash and cash equivalents	(61,860,896)	(74,563,338)
Cash and cash equivalents at 1st January	579,572,550	670,390,040
	517,711,654	595,826,702
Cash flow from operating activities include:		
Interest received	92,935,294	83,409,203
Interest paid	15,194,522	20,555,157
Components of cash and cash equivalents in the cash flow statement		
Cash and balances with banks	219,175,879	385,656,952
Placements with banks (original maturity within three	37,275,596	40,179,750
Monetary bills (original maturity within three months)	269,890,179	170,000,000
	526,341,654	595,826,702
Cash and balances with banks (original maturity over three months)	(8,630,000)	-
	517,711,654	595,826,702

Off-balance-sheet exposures for the 6 months ended 30th June 2022

(Expressed in Macau Patacas)

(a) *Contingent liabilities and commitments*

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

	As at 30th June 2022	As at 31st December 2021
	MOP	MOP
Direct credit substitutes	35,699,007	57,920,375
Trade-related contingencies	3,692,357	8,044,967
Undrawn credit facilities	1,027,515,268	929,888,075
	1,066,906,632	995,853,417

Contingent liabilities and commitments are credit-related instruments which include acceptances, letters of credit and guarantees. The contractual amounts represent the amounts at risk should the contract be fully drawn upon and the client default. Since a significant portion of guarantees and commitments is expected to expire without being drawn upon, the total of the contract amounts is not representative of future liquidity requirements.

Autoridade Monetária de Macau ("AMCM") requires that general provision be maintained at 1% of the guarantees given by the credit institutions. Specific provisions on contingent credit are made when there is evidence that the guarantees given by the credit institutions are not fully recoverable.

(b) *Capital commitments*

Capital commitments outstanding at 30th June 2022 not provided for in the financial statements were as follows:

	As at 30th June 2022	As at 31st December 2021
	MOP	MOP
Authorised and contracted for	829,607	827,316

Off-balance-sheet exposures
for the 6 months ended 30th June 2022
(Expressed in Macau Patacas)

(c) Operating lease commitments

At 30th June 2022, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30th June 2022 MOP	As at 31st December 2021 MOP
Within 1 year	3,219,354	3,051,288
After 1 year but within 5 years	11,881,113	12,665,031
After 5 years	-	791,043
	15,100,467	16,507,362

The Branch leases a number of properties under operating leases. The leases typically run for an initial period of two to five years, with an option to renew. None of the leases includes contingent rentals.

(d) Derivatives

Derivatives refer to financial contracts whose value depends on the value of one or more underlying assets or indices.

The Branch normally has derivatives arise from forward and swap transactions undertaken in the foreign exchange and equity markets. The notional amounts of these instruments indicate the volume of transactions outstanding at the end of the reporting period; they do not represent amounts at risk.

Credit risk weighted amount refers to the amount as computed in accordance with AMCM Guideline Notice 013/93-AMCM on capital adequacy and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 50% for exchange rate and interest rate contracts and from 0% to 100% for other derivative contracts.

As at 30th June 2022, the Branch has no any derivative contracts.

Accounting policies

(a) Statement of compliance

This disclosure of financial information has been prepared in accordance with the requirements as set out in the Guidelines on Disclosure of Financial Information issued by the AMCM.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis, except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- financial instruments classified as trading and designated at fair value through profit or loss or at fair value through other comprehensive income (note (e)).

The preparation of financial statements in conformity with FRSs issued by the Macau SAR requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Translation of foreign currencies

Foreign currency transactions during the year are translated into Macau Patacas at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at balance sheet date are translated into Macau Patacas at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Accounting policies (continued)

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Branch and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit and loss account as follows:

Interest income for all interest-bearing financial instruments held at either FVOCI or amortised cost is recognised in the profit and loss account on an accruals basis using the effective interest method.

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

For financial assets that is not credit-impaired, when calculating the effective interest rate, the Branch estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

For financial assets that were purchased or originated as credit-impaired on initial recognition, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses. If the financial asset that have become credit-impaired subsequent to initial recognition, the interest income is calculated by applying the effective interest rate to the amortised cost of the financial assets. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Fee and commission income is recognised in the profit and loss account when the corresponding service is provided, except where the fee is charged to cover the costs of a continuing service to, or risk borne for, the customer, or is interest in nature. In these cases, the fee is recognised as income in the accounting period in which the costs or risk is incurred and is accounted for as interest income.

Origination or commitment fees received by the Branch which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If it is uncertain that a loan commitment will result in draw-down of a loan, then the related loan commitment fee is recognized as revenue on a straight-line basis over the commitment period.

(e) Financial instruments

(i) Initial recognition

The Branch recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets at fair value through profit (“FVTPL”), investment securities classified as measured at amortised cost or at fair value through other comprehensive income (“FVOCI”), derivative transaction or debts issued are recognised using trade date accounting. Other financial assets and financial liabilities are recognised using settlement date accounting.

Accounting policies (continued)

(e) Financial instruments (continued)

(i) Initial recognition (continued)

Financial instruments are measured initially at fair value, which normally will be equal to the transaction price plus, in case of a financial asset or financial liability not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset or issue of the financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

Any gains and losses arising from changes in fair value of the financial assets or financial liabilities at fair value through profit or loss are recorded from the date of initial recognition.

(ii) Classification and measurement

Financial assets

The Branch classifies its financial assets into different categories at initial recognition. It is classified as measured at amortized cost, FVTPL or FVOCI.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt instruments is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Branch may irrevocably elect to present subsequent changes in fair value in other comprehensive income.

All other financial assets are classified as measured at FVTPL.

Financial liability

Financial liabilities, other than trading liabilities and those designated at fair value through profit or loss, are measured at amortised cost using the effective interest method.

Accounting policies (continued)

(e) Financial instruments (continued)

(iii) Fair value measurement principles

The fair value of financial instruments is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the end of the reporting period.

(iv) Derecognition

The Branch derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership, have been transferred.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement. Any cumulative gain/loss recognised in other comprehensive income in respect of equity investment securities designated as FVOCI is not recognised in the income statement on derecognition of such securities.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired. The Branch uses the weighted average method to determine realised gains and losses to be recognised in the profit and loss account on derecognition.

Accounting policies (continued)

(v) Modifications of financial assets and financial liabilities

If the terms of a financial asset are modified, the Branch evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (note (e)(iv)) and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Branch recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the income statement. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

The Branch derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the income statement

(vi) Offsetting

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

(vii) Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that includes both the derivative and a host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. The embedded derivatives are separated from the host contract and accounted for as a derivative when (a) the economic characteristics and risks of the embedded derivative are not closely related to the host contract; and (b) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in the profit and loss account.

When the embedded derivative is separated, the host contract is accounted for in accordance with note (ii) above.

Accounting policies (continued)

(f) Fixed assets and depreciation

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (note (g)(ii)).

Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Branch. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal.

Depreciation is calculated on a straight-line basis to write off the assets over their estimated useful lives from 4 to 50 years.

(g) Impairment of assets

(i) Financial instruments

The Branch recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Cash and balances with banks
- Placements with banks
- Monetary bills
- Loans and advances to customers
- Financial guarantee contracts issued
- Loan commitments issued

The Branch measures loss allowances for 12-month or lifetime ECL using a 3-stage approach as follows:

stage	*Description*	*Impairment Loss Allowance Measurement*
1	Performing	12-month ECL
2	Performing but with credit risk increased significantly at reporting date since its initial recognition	Lifetime ECL
3	Non-performing	Lifetime ECL

Accounting policies (continued)

12-month ECL is the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Branch adopts the criteria of stage allocation as follows:

<table>
<tr><td colspan="2">5-Grade Asset classification</td><td>Stage Allocation</td></tr>
<tr><td>Pass</td><td>General(i.e. do not meet the Branch’s criteria of “Significant Increase of Credit Risk”)</td><td>1</td></tr>
<tr><td></td><td>Meet the Branch’s criteria of “Significant Increase of Credit Risk”</td><td>2</td></tr>
<tr><td colspan="2">Special Mention</td><td>2</td></tr>
<tr><td colspan="2">Substandard</td><td rowspan="3">3</td></tr>
<tr><td colspan="2">Doubtful</td></tr>
<tr><td colspan="2">Loss</td></tr>
</table>

The criteria of “significant increase of credit risk” has taken into consideration of two key factors:

1. The exposure has a significant deterioration of internal or external rating as compared with the rating at the time when the exposure was originated; and

2. The rating of the exposure falls out of the “Low-Credit Risk Threshold” that is equivalent to the globally understood definition of “investment grade”

Measurement of ECL

ECL are a probability-weighted estimate of credit losses under different economic scenarios. They are measured as:

Exposure at Default x Probability of Default x Loss Given Default

Credit-impaired financial assets

At each reporting date, the Branch assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Accounting policies (continued)

Evidence that a financial asset is credit-impaired includes but not limited to the following observable data:

- significant financial difficulty of the borrower or issuer;

- a breach of contract such as a default or past due event;

- the restructuring of a loan or advance by the Branch on terms that the Branch would not consider otherwise;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

- loan commitments and financial guarantee contracts: generally, as a provision on the liabilities side; and

- debt instruments measured at FVOCI: no loss allowance is presented in the statement of financial position because the carrying amount of these assets is their fair value, inclusive of any ECL. However, the loss allowance is recognised in the fair value reserve and disclosed separately.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Branch determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Branch's procedures for recovery of amounts due.

Accounting policies (continued)

(ii) Fixed assets and other assets

Internal and external sources of information are reviewed at each end of the reporting period to identify indications that fixed assets or other assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Recognition of impairment losses

An impairment loss is recognised in the profit and loss account whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversal are recognised.

(h) Operating leases

When the Branch has the use of assets under operating leases, payments made under the leases are charged to the profit and loss account in equal instalments over the accounting periods covered by the lease term.

Accounting policies (continued)

(i) Repossession of assets

In the recovery of impaired loans and advances, the Branch may take repossession of the collateral assets through court proceedings or voluntary delivery of possession by the borrowers. In accordance with the Branch's accounting policy set out in note (g), impairment allowances for impaired loans and advances are maintained after taking into account the net realisable value of the collateral assets, usually resulting in a partial write-off of the loans and advances against impairment allowances. Repossessed assets are reported under other assets if it is highly probable that their carrying amount will be recovered through a sale transaction rather than through continuing use and the assets are available for sale in its present condition. Related loans and advances are then written off.

Repossessed assets are recognised at the lower of the amount of the related loans and advances and fair value less costs to sell at the date of exchange. They are not depreciated or amortised.

Impairment losses on initial classification and on subsequent remeasurement are recognised in the profit and loss account.

(j) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the profit and loss account except to the extent that they relate to items recognised directly in reserve, in which case the relevant amount of tax are recognised in reserve.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Accounting policies (continued)

(k) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Branch issues a financial guarantee to customers, the fair value of the guarantee fees received is initially recognised as deferred income within other accounts and provisions.

The deferred income is amortised in the profit and loss account over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note (k)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Branch under the guarantee, and (ii) the amount of that claim on the Branch is expected to exceed the amount currently carried in other accounts and provisions in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

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

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(l) Employee benefits

Employee entitlements to salaries, annual bonuses, contributions to defined contribution retirement plans and the cost to the Branch of non-monetary benefits are recognised when they accrue to employees. Employee entitlements to sick leave and maternity leave are recognised when the absences occur.

Contributions to the Mandatory Provident Fund of The Bank of East Asia, Limited, as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance in respect of Hong Kong staff members, are charged to the profit and loss account when incurred.

Accounting policies (continued)

(m) Related parties

a) A person, or a close member of that person's family, is related to the Branch if that person:

i. has control or joint control over the Branch;

ii. has significant influence over the Branch; or

iii. is a member of the key management personnel of the Branch or the Branch's Head Office.

b) An entity is related to the Branch if any of the following conditions applies:

i. The entity and the Branch are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

iii. Both entities are joint ventures of the same third party.

iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

v. The entity is a post-employment benefit plan for the benefit of employees of either the Branch or an entity related to the Branch.

vi. The entity is controlled or jointly controlled by a person identified in (a).

vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the Branch or to the Branch's Head Office.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(n) AMCM Monetary bills

AMCM Monetary bills are stated at their face value less any unamortised discount in the balance sheet. Discounts are amortised to the profit and loss account on a straight-line basis.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Significant related party transactions

(Expressed in Macau Patacas)

(a) Amounts due from / (to) Head Office and other related parties

During the period, the Branch entered into transactions with its Head Office and certain other branches and subsidiaries of The Bank of East Asia, Limited in the ordinary course of its banking business. In the opinion of management, the transactions were conducted on an arm's length basis. Included in the following balance sheet captions are balances with Head Office and other branches and subsidiaries:

	Head Office	*Other branches*	*Subsidiaries*
Cash and balances with banks	35,799,824	4,611,819	190,845
Placements with banks	3,415,096	-	-
Other accounts	19,771	-	115
Less: expected credit loss	(500)	-	-
	39,234,191	4,611,819	190,960
Establishment fund	221,251,000	-	-
Deposits and balances of banks	4,396,534,000	-	10,389,591
Other accounts and provisions	3,392,330	-	-
	4,621,177,330	-	10,389,591

The establishment fund of the Branch is interest-free and with no fixed repayment terms.

(b) Related party transactions

Operating losses for the period from 1st January to 30th June 2022 are stated after taking into account significant transactions with Head Office and other branches and subsidiaries as follows:

	6 months ended 30th June 2022 MOP
Interest income	15,256
Interest expense	(9,986,933)
	(9,986,933)

Credit risk management

(Expressed in Macau Patacas)

Credit risk arises from the possibility that a customer or counterparty in a transaction may default.

The Branch has established policies and procedures to identify, measure, monitor and control credit risk. In this connection, guidelines for management of credit risk have been laid down in the Credit Manual. These guidelines stipulate delegated lending authorities, credit extension criteria, credit monitoring process, 20-grade loan classification system, credit recovery and provisioning policy. They are reviewed and enhanced on an on-going basis to cater for the market change, statutory requirement and best practice risk management processes.

The Branch has laid down policies and procedures to evaluate the potential credit risk of a particular counterparty or transaction and to approve the transaction. The Branch has different internal rating systems that are applied to each counterparty. The Branch monitors its concentration risk by adopting appropriate risk control measures, such as setting limits on exposures to different industries and loan portfolios.

The Branch also has a review process to ensure that the level of review and approval is proper and will depend on the size of the facility and rating of the credit. The Branch undertakes on-going credit analysis and monitoring at several levels. The policies are designed to promote early detection of counterparty, industry or product exposures that require special monitoring. The overall portfolio risk as well as individual impaired loans and potential impaired loans are monitored on a regular basis.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance and adjustment of mark to market value if applicable.

The Branch's credit risk is primarily attributable to loans and advances to customers.

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue and remains unpaid at the year-end. Loans repayable by regular instalments are treated as overdue when an instalment payment is overdue and remains unpaid at year-end. Loans repayable on demand are classified as overdue either when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the demand notice, and/or when the loans have remained continuously outside the approved limit advised to the borrower for more than the overdue period in question.

Loans and advances are classified as impaired when the principal or interest is overdue for more than 90 days or if objective evidence of impairment exists.

Credit risk management (continued)

(Expressed in Macau Patacas)

(a) Geographical distribution of credit risk exposures

The geographical distribution is based on the countries where the counterparties were operated or located after taking into account any transfer of risk. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

Exposures to individual countries or jurisdictions, groups of countries or regions within countries amounting to 10% or more of the relevant major types of credit exposures at end of the reporting period are shown as follows:

	As at 30th June 2022					
	Loans	*Undrawn Commitments*	*Loans and undrawn commitments provision*	*Net loans and undrawn commitments*	*Debt securities*	*Financial derivatives*
	MOP	MOP	MOP	MOP	MOP	MOP
Region						
Macau						
-Banks	-	-	-	-	-	-
-Governments	27,201,347	122,705,133	(35,750)	149,906,480	269,890,179	-
-Public sectors	-	100,000,000	(14,647)	99,985,353	-	-
-Others	3,892,398,410	642,211,319	(631,805)	4,533,977,924	-	-
Hong Kong						
-Banks	-	-	-	-	-	-
-Governments	-	-	-	-	-	-
-Public sectors	-	-	-	-	-	-
-Others	2,013,383,022	97,931,616	(57,784,324)	2,053,530,314	-	-
China						
-Banks	729,073,653	-	(530)	729,073,123	-	-
-Governments	-	-	-	-	-	-
-Public sectors	-	-	-	-	-	-
-Others	491,049,725	64,667,200	(152,293)	555,564,632	-	-
Others						
-Banks	80,834,000	-	(9,511)	80,824,489	-	-
-Governments	-	-	-	-	-	-
-Public sectors	-	-	-	-	-	-
-Others	-	-	-	-	-	-
	7,233,940,157	1,027,515,268	(58,628,860)	8,202,826,565	269,890,179	-

Credit risk management (continued)

(Expressed in Macau Patacas)

Geographic region with higher than or equal to 10% of the total loans and advances to customers at balance sheet date are shown as follows:

	As at 30th June 2022			
	Gross Balance	*Stage 1& 2 Provision*	*Stage 3 Provision*	*Net Balance*
	MOP	MOP	MOP	MOP
Macau	4,054,328,757	(600,937)	-	4,053,727,820
Hong Kong	1,878,654,021	(57,730,262)	-	1,820,923,759
People's Republic of China	1,220,123,379	(152,813)	-	1,219,970,566
Others	80,834,000	(9,511)	-	80,824,489
	7,233,940,157	(58,493,523)	-	7,175,446,634

(b) Industry distribution on loans and advances to customers

The following table shows the industry distribution of the loans and advances at the balance sheet date:

	As at 30th June 2022			
	Gross Balance	*Stage 1& 2 Provision*	*Stage 3 Provision*	*Net Balance*
	MOP	MOP	MOP	MOP
Agriculture and fisheries	-	-	-	-
Mining industries	-	-	-	-
Manufacturing industries	663,999	(154)	-	663,845
Electricity, gas and water	-	-	-	-
Construction and public work	1,720,994,641	(57,461,554)	-	1,663,533,087
Wholesale and retail trade	687,278,825	(122,464)	-	687,156,361
Restaurants, hotels and similar	2,781,123,557	(136,727)	-	2,780,986,830
Transport, warehousing and communications	5,510,823	(1,726)	-	5,509,097
Non monetary financial institutions	647,005,928	(411,009)	-	646,594,919
Gaming	-	-	-	
Exhibition and conference	-	-	-	
Education	-	-	-	
Information technology	588,159	(109)	-	588,050
Other industries	52,726,170	(4,160)	-	52,722,010
Personal loans	1,338,048,055	(355,620)	-	1,337,692,435
	7,233,940,157	(58,493,523)	-	7,175,446,634

Credit risk management (continued)

(Expressed in Macau Patacas)

(c) Analysis on assets and liabilities by remaining maturity

	As at 30th June 2022							
	Repayable on demand	*Within 1 month*	*3 months or less but over 1 month*	*1 year or less but over 3 months*	*3 years or less but over 1 year*	*Over 3 years*	*Undated or overdue*	*Total*
	MOP	MOP	MOP	MOP	MOP	MOP	MOP	MOP
Assets								
Cash and balances with banks	219,175,879	-	-	-	-	-	-	219,175,879
Placements with banks	-	34,613,830	2,661,766	-	-	-	-	37,275,596
Monetary bills	-	170,000,000	99,890,179	-	-	-	-	269,890,179
Trading assets	-	-	-	-	-	-	-	-
Loans and advances to customers and other accounts	79,585,415	1,349,349,233	153,707,351	1,306,491,769	1,968,494,465	2,402,602,313	3,729,975	7,263,960,521
Other assets	-	-	-	-	-	-	684,950	684,950
Fixed assets	-	-	-	-	-	-	126,083,911	126,083,911
	298,761,294	1,553,963,063	256,259,296	1,306,491,769	1,968,494,465	2,402,602,313	130,498,836	7,917,071,036
Liabilities								
Deposits and balances of banks	10,389,591	1,495,284,000	103,000,000	422,300,000	3,105,450,000	-	-	5,136,423,591
Deposits from customers	947,726,888	264,781,326	669,796,957	326,917,375	-	-	-	2,209,222,546
Trading liabilities	-	-	-	-	-	-	-	-
Other accounts and provisions	10,408,862	8,539,961	5,214,806	4,708,872	-	-	13,113,836	41,986,337
Current taxation	-	-	-	8,662,052	-	-	-	8,662,052
Deferred tax liabilities	-	-	-	-	-	-	4,040,797	4,040,797
	968,525,341	1,768,605,287	778,011,763	762,588,299	3,105,450,000	-	17,154,633	7,400,335,323
Net (outflow) / inflow	(669,764,047)	(214,642,224)	(521,752,467)	543,903,470	(1,136,955,535)	2,402,602,313	113,344,203	516,735,713

Credit risk management (continued)

(Expressed in Macau Patacas)

(d) ***Ageing analysis of accounting past due exposures***

The aging analysis of loans and advances to customers that have been past due is as follows:

	As at 30th June 2022	
	Gross loans and advances to customer MOP	*Provision* MOP
Gross loans and advances to customer that have been past due for:		
- More than 3 months but not more than 6 months	-	-
- More than 6 months but not more than 1 year	-	-
- More than 1 year	2,356,452	-
	2,356,452	-
% of total loans and advances to customers	0.03%	
Value of collateral	3,560,000	

As at 30th June 2022, there were no other assets that have been past due for more than 3 months.

Credit risk management (continued)
(Expressed in Macau Patacas)

(e) Credit quality analysis under regulatory asset classification

	As at 30th June 2022									
	12-month ECL			Lifetime ECL Not credit-impaired			Lifetime ECL Credit-impaired			Total
	Balance	Provision	Collateral	Balance	Provision	Collateral	Balance	Provision	Collateral	Total balance
	MOP	MOP	MOP	MOP	MOP	MOP	MOP	MOP	MOP	MOP
Loans and advances to customers										
Grades 1-15: Pass	6,857,146,821	(1,073,819)	12,976,231,161	2,060,000	-	-	-	-	-	6,859,206,821
Grades 16 -17: Special Mention	-	-	-	372,376,884	(57,419,704)	2,163,410	-	-	-	372,376,884
Grade 18: Substandard	-	-	-	-	-	-	-	-	-	-
Grade 19: Doubtful	-	-	-	-	-	-	2,356,452	-	3,560,000	2,356,452
Grade 20: Loss	-	-	-	-	-	-	-	-	-	-
	6,857,146,821	(1,073,819)	12,976,231,161	374,436,884	(57,419,704)	2,163,410	2,356,452		3,560,000	7,233,940,157

Foreign exchange risk management

(Expressed in Macau Patacas)

The Branch's foreign currency positions arise from foreign exchange dealing, commercial banking operations and structural foreign currency exposures. All foreign currency positions are managed within limits approved by the Head Office.

The Branch has no significant foreign currency risk because its business is principally conducted in Macau and most of the transactions are denominated in the Branch's functional currency, Hong Kong dollar and United States dollar. Since both the MOP and Hong Kong dollar is pegged to the United States dollar, the Branch's exposure to foreign currency risk in respect of the bank balances denominated in United States dollars is considered to be minimal.

The Branch has an established control framework with respect to the measurement of foreign currency risk. This framework includes the submission of foreign currency position to Risk Management Department on a daily basis.

The following table indicates the net long/(short) position of currencies other than MOP:

	As at 30th June 2022 MOP
HKD	5,716,203,710
RMB	(251,544)
USD	(5,771,750)
Other currencies	(323,365)

(a) Analysis on foreign currencies with net position constitute not less than 10% of the total net position in all currencies:

	Transaction currencies As at 30th June 2022			
Assets	*HKD*	*RMB*	*USD*	*Others*
Cash and balances with banks	6,017,513,187	39,476,964	580,696,589	17,094,112
Placements with banks	23,348	-	-	-
Loans and advances to customers and other accounts	12,602,075	(39,722,503)	(586,418,766)	(17,453,466)
Spot assets	6,030,138,610	(245,539)	(5,722,177)	(359,354)
Liabilities				
Deposits and balances of banks	435,035	(6,005)	(49,573)	35,989
Deposits from customers	-	-	-	-
Other accounts and provisions	(314,369,935)	-	-	-
Spot liabilities	(313,934,900)	(6,005)	(49,573)	35,989
Net long/(short) position	5,716,203,710	(251,544)	(5,771,750)	(323,365)

Liquidity risk management

(Expressed in Macau Patacas)

The purpose of liquidity management is to ensure sufficient cash flows are available to meet all financial commitments and to capitalise on opportunities for business expansion. This includes the Branch's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature, to comply with the statutory liquidity ratio, and to make new loans and investments as opportunities arise.

The Branch manages liquidity risk by holding sufficient liquid assets (e.g. cash and placements with banks and other financial institutions) of appropriate quality to ensure that short term funding requirements are covered within prudent limits.

The management of the Branch's liquidity risk is governed by the liquidity risk management policies and principle as approved by the Board of Directors or the Asset and Liability Management Committee of the Group. The local Asset and Liability Management Committee is delegated by the Asset and Liability Management Committee of the Group to oversee the Branch's liquidity risk management. The Group's Asset and Liability Management Committee sets the strategy, policy and limits for managing liquidity risk and the means for ensuring that such strategy and policy are implemented. Regular meeting is held by local Asset and Liability Management Committee to review the compliance status of the monitoring matrix established and the needs of change in strategy and policy.

The following table summarised the key quantitative indicators for liquidity risk for the 6 months ended 30th June 2022:

		MOP thousand
(a)	The arithmetic mean of the minimum weekly amount of cash in hand that is required to be held	53,095
(b)	The arithmetic mean of the average weekly amount of cash in hand	297,895
(c)	The arithmetic mean of the specified liquid assets at the end of each month	596,563
(d)	The average ratio of specified liquid asset to total basic liabilities at the end of month	36.06%
(e)	The arithmetic mean of its one-month liquidity ratio in the last week of each month	96.35%
(f)	The arithmetic mean of its three-month liquidity ratio in the last week of each month	40.05%

The above ratios and figures calculations are computed based on the data extracted from the weekly and monthly returns submitted to AMCM.

Other information in relation to positions of The Bank of East Asia, Limited and its subsidiaries

(Expressed in Hong Kong dollars)

The Branch is one of the branches of The Bank of East Asia, Limited ("BEA") and therefore, it is not required to prepare consolidated accounts. Unless otherwise stated, all information disclosed below is extracted from the corresponding information in the most recently available annual audited consolidated financial statements of BEA of which the Branch is a member.

The audited consolidated financial statements can be accessed through various channels, including its website (http://www.hkbea.com). For more comprehensive understanding of the financial position and results of operations of BEA, the information disclosed below should be read in conjunction with the audited consolidated financial statements.

(a) Consolidated capital adequacy ratio

	As at 30th June 2022
	%
Common Equity Tier 1 capital ratio	15.7
Tier 1 capital ratio	17.7
Total capital ratio	20.2

Capital adequacy ratios are compiled in accordance with the Banking (Capital) Rules ("the Capital Rules") issued by the Hong Kong Monetary Authority ("HKMA"). The Bank has adopted the foundation internal ratings- based approach for the calculation of the risk-weighted assets for credit risk and the internal models approach for the calculation of market risk and standardised approach for operational risk.

The basis of consolidation for regulatory purposes is different from the basis of consolidation for accounting purposes. Subsidiaries included in consolidation for regulatory purposes are specified in a notice from the HKMA in accordance with section 3C of the Capital Rules. Subsidiaries not included in consolidation for regulatory purposes are non-financial companies and the securities and insurance companies that are authorised and supervised by a regulator and are subject to supervisory arrangements regarding the maintenance of adequate capital to support business activities comparable to those prescribed for authorised institutions under the Capital Rules and the Banking Ordinance. The Bank's shareholdings in these subsidiaries are deducted from its Tier 1 capital and Tier 2 capital subject to the thresholds as determined in accordance with Part 3 of the Capital Rules.

Other information in relation to positions of The Bank of East Asia, Limited and its subsidiaries (continued)
(Expressed in Hong Kong dollars)

(b) Capital and reserves

	As at 30th June 2022 HKD million
Total capital	41,791
Total reserves	54,177

(c) Consolidated assets, liabilities and profits position

	As at 30th June 2022 HKD million
Total assets	908,211
Total liabilities	801,886
Gross loans and advances to customers	551,372
Deposits and balances of banks	34,531
Deposits from customers	644,564
Profit before taxation	1,802

Other information in relation to positions of The Bank of East Asia, Limited and its subsidiaries (continued)

(Expressed in Hong Kong dollars)

(d) List of shareholders with qualifying holdings

As at 30th June 2022, the interests or short positions of substantial shareholders and other persons in the shares and underlying shares of the Bank as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance ("SFO") were as follows:

Long positions in ordinary shares of the Bank:

Name	*Capacity and nature*	*No. of shares*	*% of issued voting Shares*
Sumitomo Mitsui Banking Corporation	Beneficial owner	574,516,317[1]	21.37
Sumitomo Mitsui Financial Group, Inc.	Interest of corporation	574,516,317[1]	21.37
Criteria Caixa, S.A., Sociedad Unipersonal	Beneficial owner	508,519,684[2]	18.91
Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa"	Interest of corporation	508,519,684[2]	18.91
Guoco Management Company Limited	Beneficial owner	435,691,137[3.4]	16.21[5]
Guoco Group Limited	Interest of corporation	435,691,137[3]	16.21
GuoLine Overseas Limited	Interest of corporation	435,691,137[3]	16.21[5]
GuoLine Capital Assets Limited	Interest of corporation	435,691,137[3]	16.21
QUEK Leng Chan	Interest of corporation	435,691,137[3]	16.21
Hong Leong Investment Holdings Pte. Ltd.	Interest of corporation	435,691,137[4]	16.21
Davos Investment Holdings Private Limited	Interest of corporation	435,691,137[4]	16.21
KWEK Leng Kee	Interest of corporation	435,691,137[4]	16.21

Other information in relation to positions of The Bank of East Asia, Limited and its subsidiaries (continued)

(Expressed in Hong Kong dollars)

Notes:

1 *Sumitomo Mitsui Financial Group, Inc. owned a 100% interest in Sumitomo Mitsui Banking Corporation. Sumitomo Mitsui Financial Group, Inc. was deemed to be interested in the 574,516,317 shares of the Bank held by Sumitomo Mitsui Banking Corporation.*

2 *As at 30th June, 2022, Fundación Bancaria Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" ("la Caixa") owned a 100% interest in Criteria Caixa, S.A., Sociedad Unipersonal ("Criteria Caixa"). "la Caixa" was deemed to be interested in the 508,519,684 shares of the Bank held by Criteria Caixa.*

3 *The references to 435,691,137 shares of the Bank in Notes 3 and 4 relate to the same block of shares. Guoco Management Company Limited was the beneficial owner of 435,691,137 shares. GuoLine Overseas Limited held a 71.88% interest in Guoco Group Limited which in turn owned a 100% interest in Guoco Management Company Limited. GuoLine Capital Assets Limited was deemed to be interested in the 435,691,137 shares held by Guoco Management Company Limited by virtue of its 100% interest in GuoLine Overseas Limited. GuoLine Overseas Limited and Guoco Group Limited were all deemed to be interested in the 435,691,137 shares held by Guoco Management Company Limited.*

QUEK Leng Chan was deemed to be interested in the 435,691,137 shares held by Guoco Management Company Limited by virtue of his 49.11% interest in GuoLine Capital Assets Limited.

4 *The references to 435,691,137 shares of the Bank in Notes 3 and 4 relate to the same block of shares. GuoLine Capital Assets Limited was 34.49% held by Hong Leong Investment Holdings Pte. Ltd. which was in turn 33.59% held by Davos Investment Holdings Private Limited. Hong Leong Investment Holdings Pte. Ltd. and Davos Investment Holdings Private Limited were deemed to be interested in the 435,691,137 shares held by Guoco Management Company Limited by virtue of their interests in GuoLine Capital Assets Limited.*

KWEK Leng Kee was deemed to be interested in the 435,691,137 shares held by Guoco Management Company Limited by virtue of his 41.92% interest in Davos Investment Holdings Private Limited.

5 *GuoLine Overseas Limited is a wholly-owned subsidiary of GuoLine Capital Assets Limited and Guoco Management Company Limited is a wholly-owned subsidiary of Guoco Group Limited. With the filing of the substantial shareholder notices by GuoLine Capital Assets Limited and Guoco Group Limited, GuoLine Overseas Limited and Guoco Management Company Limited do not need to file their respective substantial shareholder notices under the "wholly-owned group exemption" as provided in the SFO.*

Other information in relation to positions of The Bank of East Asia, Limited and its subsidiaries (continued)

(Expressed in Hong Kong dollars)

(e) Board of Directors (As at 8th August 2022)

The Board of Directors of the Bank comprises:

Executive Directors

Dr. the Hon. Sir David LI Kwok-po *(Executive Chairman)*
Mr. Adrian David LI Man-kiu *(Co-Chief Executive)*
Mr. Brian David LI Man-bun *(Co-Chief Executive)*

Non-executive Directors

Professor Arthur LI Kwok-cheung *(Deputy Chairman)*
Mr. Aubrey LI Kwok-sing
Mr. Winston LO Yau-lai
Mr. Stephen Charles LI Kwok-sze
Dr. Daryl NG Win-kong
Mr. Masayuki OKU
Dr. Francisco Javier SERRADO TREPAT

Independent Non-executive Directors

Dr. Allan WONG Chi-yun *(Deputy Chairman)*
Dr. the Hon. Rita FAN HSU Lai-tai
Mr. Meocre LI Kwok-wing
Dr. the Hon. Henry TANG Ying-yen
Dr. Delman LEE
Mr. William Junior Guilherme DOO
Dr. David MONG Tak-yeung