

BANCO COMERCIAL DE MACAU, S. A.

**REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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BANCO COMERCIAL DE MACAU, S. A.
REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2020

The Board of Directors of Banco Comercial de Macau, S. A. (the 'Bank' or 'BCM') submits its report together with the audited financial statements for the year ended 31 December 2020.

Principal activities

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

Results and appropriations

The results of the Bank for the year ended 31 December 2020 are set out in the Income Statement on page 9.

The Board of Directors recommends the payment of a dividend of MOP75,000,000 (2019: MOP200,000,000).

Shareholders' equity

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

BANCO COMERCIAL DE MACAU, S. A.
REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2020
(Continued)

Directors

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

David Shou-Yeh Wong	(Chairman)
Hon-Hing Wong (Derek Wong)	
Gary Pak-Ling Wang	
Harold Tsu-Hing Wong	
Yiu-Fai Kong (Eddie Kong)	(Chief Executive Officer, resigned with effect from 16 January 2020)
Pak-Hung Lau	(Chief Executive Officer, appointed after the AGM with effect from 16 January 2020)
Alick Yuk-Fai Chiu	

Directors' interests in contracts

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

Directors' interests in equities or debentures

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

Events subsequent to balance sheet date

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

BANCO COMERCIAL DE MACAU, S. A.
REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2020
(Continued)

Management contracts

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

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

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

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

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

Auditors

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

By and on behalf of the Board

(signed on the original)

Pak-Hung Lau
(Chief Executive Officer and Director)

(signed on the original)

Gary Pak-Ling Wang
(Director)

Macau, 24 February 2021

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

We have audited the financial statements of Banco Comercial de Macau, S. A. ('Bank' or 'BCM') set out on pages 9 to 41, which comprise the balance sheet as at 31 December 2020, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and explanatory notes.

Directors' responsibility for the financial statements

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

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, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

Audit opinion

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of Banco Comercial de Macau, S. A. as at 31 December 2020 and of its operating results and cash flows for the year then ended in accordance with Financial Reporting Standards issued by the Government of the Macao Special Administrative Region. The accounting policies used in the preparation of the financial statements for the year ended 31 December 2020 are consistent with those used in the preceding year.

(signed on the original)

Ng Wai Ying
Certified Public Accountant
PricewaterhouseCoopers

Macau, 24 February 2021

BANCO COMERCIAL DE MACAU, S. A.
FINANCIAL STATEMENTS

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

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER

	Note	2020	2019
Interest income		538,912	606,713
Interest expense		<u>(243,751)</u>	<u>(265,330)</u>
Net interest income	4	295,161	341,383
Fee and commission income		76,550	89,674
Fee and commission expense		<u>(31,941)</u>	<u>(39,936)</u>
Net fee and commission income	5	44,609	49,738
Dividend income	6	36	1,583
Net trading income	7	6,728	11,378
Other operating income	8	11,516	10,822
Operating income		<u>358,050</u>	<u>414,904</u>
Operating expenses	9	(219,935)	(212,888)
Operating profit before bad debt provisions		<u>138,115</u>	<u>202,016</u>
Loss on disposal of premises and other fixed assets		(70)	(1)
Impairment losses on loans and advances to customers	10	(46,111)	(8,541)
Recoveries of loans and interest previously written off		3,050	1,752
Profit before income tax		<u>94,984</u>	<u>195,226</u>
Income tax expense	11	(10,844)	(23,179)
Profit for the year		<u>84,140</u>	<u>172,047</u>
Attributable to:			
Shareholders of the Bank		<u>84,140</u>	<u>172,047</u>
Dividends			
Proposed dividend	12	<u>75,000</u>	<u>200,000</u>

The notes on pages 13 to 41 are an integral part of these financial statements.

BANCO COMERCIAL DE MACAU, S. A.
FINANCIAL STATEMENTS

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

BALANCE SHEET AS AT 31 DECEMBER

	Note	2020	2019
Assets			
Cash and balances with banks	13	1,026,564	1,164,591
Balance with AMCM		345,773	328,799
AMCM monetary bills maturing within 12 months		1,348,176	2,292,618
Placements with and loans and advances to banks maturing within 12 months		2,752,123	2,334,090
Loans and advances to customers	14	14,259,751	15,345,496
Investment securities – Held-to-maturity	17	1,754,851	1,338,003
Other investments	18	37,926	38,058
Intangible assets	19	7,605	7,305
Premises and other fixed assets	20	88,042	82,691
Other assets	21	43,192	61,095
Total assets		21,664,003	22,992,746
Liabilities			
Balances and deposits from banks maturing within 12 months		138,277	539,629
Deposits from customers	22	19,343,906	20,101,443
Other liabilities	23	141,466	183,405
Current income tax liabilities		11,185	23,240
Provisions		98	98
Total liabilities		19,634,932	20,847,815
Equity			
Share capital	26	225,000	225,000
Share premium		50,000	50,000
Legal reserve	27	225,000	225,000
Reserve for share-based compensation		1,146	1,146
Retained earnings		1,527,925	1,643,785
Total equity		2,029,071	2,144,931
Total liabilities and equity		21,664,003	22,992,746

Approved and authorized for issue by the Board of Directors on 24 February 2021.

(signed on the original)
 David Shou-Yeh Wong (Chairman)

(signed on the original)
 Hon-Hing Wong (Derek Wong)

(signed on the original)
 Gary Pak-Ling Wang

(signed on the original)
 Harold Tsu-Hing Wong

(signed on the original)
 Pak-Hung Lau (Chief Executive Officer)

(signed on the original)
 Alick Yuk-Fai Chiu

The notes on pages 13 to 41 are an integral part of these financial statements.

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

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

STATEMENT OF CHANGES IN EQUITY

	Share Capital (Note 26)	Share Premium	Legal Reserve (Note 27)	Reserve for Share-based Compensation	Retained Earnings	Total Equity
Balance as at 1 January 2019	225,000	50,000	225,000	1,135	1,671,738	2,172,873
Provision for equity-settled share-based compensation	-	-	-	11	-	11
2018 Dividend	-	-	-	-	(200,000)	(200,000)
Net profit for the year	-	-	-	-	172,047	172,047
Balance as at 31 December 2019 and 1 January 2020	225,000	50,000	225,000	1,146	1,643,785	2,144,931
2019 Dividend (Note 12)	-	-	-	-	(200,000)	(200,000)
Net profit for the year	-	-	-	-	84,140	84,140
Balance as at 31 December 2020	225,000	50,000	225,000	1,146	1,527,925	2,029,071

The notes on pages 13 to 41 are an integral part of these financial statements.

BANCO COMERCIAL DE MACAU, S. A.
FINANCIAL STATEMENTS

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER

	Note	2020	2019
Cash flows from operating activities			
Interest income received		556,179	587,928
Interest expense paid		(268,914)	(246,510)
Dividends received		36	1,583
Net fee and commission income received		44,975	49,956
Net trading income received		6,861	11,540
Recoveries of loans and interest previously written off		3,050	1,752
Other operating income received		11,509	10,817
Other operating expenses paid		(204,027)	(220,681)
Income tax paid		(22,899)	(30,295)
Net cash flows from operating activities before changes in operating assets and operating liabilities		126,770	166,090
Changes in operating assets and operating liabilities			
Net decrease in AMCM monetary bills with original maturity of more than 3 months and balance with AMCM		831,786	234,768
Net decrease in placements with and loans and advances to banks with original maturity of more than 3 months		268,594	140,225
Net decrease/(increase) in loans and advances to customers		1,043,696	(715,824)
Net decrease/(increase) in other operating assets		17,223	(22,983)
Net (decrease)/increase in balances and deposits from banks		(400,812)	172,907
Net (decrease)/increase in deposits from customers		(732,913)	792,567
Net decrease in other operating liabilities		(45,248)	(868)
Net cash flows from operating assets and operating liabilities		982,326	600,792
Cash flows from investing activities			
Purchase of intangible assets		(5,383)	(3,537)
Purchase of premises and other fixed asset (net of amounts written off)		(12,774)	(7,547)
Proceeds from disposal of premises and other fixed assets		8	5
Purchase of held-to-maturity investments		(2,267,160)	(1,109,597)
Proceeds from redemption of held-to-maturity investments		1,839,500	959,459
Net cash flows used in investing activities		(445,809)	(161,217)
Net cash flows from financing activities			
Dividend paid		(200,000)	(200,000)
Net cash flows used in financing activities		(200,000)	(200,000)
Net increase in cash and cash equivalents		463,287	405,665
Cash and cash equivalents at the beginning of the year		2,598,480	2,192,815
Cash and cash equivalents at the end of the year		3,061,767	2,598,480
Cash and cash equivalents comprise:			
Cash and balances with banks		954,620	1,065,402
AMCM monetary bills and placements with and loans and advances to banks with original maturity up to 3 months		2,107,147	1,533,078
Total cash and cash equivalents as at 31 December	28	3,061,767	2,598,480

The notes on pages 13 to 41 are an integral part of these financial statements.

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

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

1 General information

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

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

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

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

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

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

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

These financial statements have been approved for issue by the Board of Directors on 24 February 2021.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

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

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

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

New standards and interpretations not yet adopted

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

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

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

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

New standards and interpretations not yet adopted (continued)

IAS 1 – Presentation of financial statements

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

IFRS 9 – Financial instruments

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

The Bank is still conducting a detailed assessment of the requirements of IFRS 9 relating to classification and measurement of financial assets, but does not expect the new guidance to have a significant impact on the Bank's financial statements.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses. It applies to financial assets classified at amortized cost, debt instruments measured at fair value through other comprehensive income, contract assets under IFRS 15 - Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts. The Bank is assessing how its impairment provisions would be affected by the relevant new requirements.

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

IFRS 13 – Fair value measurement

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Bank is currently determining the disclosures required for fair value measurement and valuation approach under the new standard.

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

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

New standards and interpretations not yet adopted (continued)

IFRS 15 – Revenue from contracts with customers

IFRS 15 will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Bank is currently assessing the effects of applying the new standard on the financial statements and has identified the following areas that are likely to be affected:

- revenue from service
- accounting for certain costs incurred in fulfilling a contract

The Bank is yet to assess the full impact of above standards and intends to adopt the New MFRS in the accounting period beginning on 1 January 2022.

2.2 Foreign currency translation

2.2.1 Functional and presentation currency

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

2.2.2 Transactions and balances

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.3 Interest income and expense

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

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

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

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

2.4 Fee and commission income and expense

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

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

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

2 Summary of significant accounting policies (continued)

2.5 Dividend income

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

2.6 AMCM monetary bills

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

2.7 Financial assets

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

2.7.1 Financial assets designated at fair value through profit or loss (FVTPL)

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

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

2.7.2 Held-to-maturity investments (HTM)

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

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

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

2 Summary of significant accounting policies (continued)

2.7 Financial assets (continued)

2.7.3 Available-for-sale investments (AFS)

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

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

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

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

2.7.4 Reclassification of financial assets

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

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

2.7.5 Recognition and measurement of financial assets

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

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

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

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2 Summary of significant accounting policies (continued)

2.7 Financial assets (continued)

2.7.5 Recognition and measurement of financial assets (continued)

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

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

2.7.6 Other investments

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

2.8 Impairment of financial assets

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.8 Impairment of financial assets (continued)

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

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

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

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

2.9 Financial liabilities

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

2.10 Derivative financial instruments

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

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

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

2 Summary of significant accounting policies (continued)

2.10 Derivative financial instruments (continued)

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

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

2.11 Repossessed assets

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

2.12 Intangible assets

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.12 Intangible assets (continued)

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

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

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

2.13 Premises and other fixed assets

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

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

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

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

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

BANCO COMERCIAL DE MACAU, S. A.
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2 Summary of significant accounting policies (continued)

2.13 Premises and other fixed assets (continued)

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

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

2.14 Employee benefits

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

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

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

2.15 Provisions

Provisions are recognized when there is a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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

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

BANCO COMERCIAL DE MACAU, S. A.
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All amounts in thousands of Macau Patacas (MOP) unless otherwise stated

2 Summary of significant accounting policies (continued)

2.16 Current and deferred income tax

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

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

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

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

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

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

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

2.17 Operating Leases

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

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

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

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

2 Summary of significant accounting policies (continued)

2.18 Cash and cash equivalents

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

2.19 Dividend

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

2.20 Financial guarantee contracts

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

Financial guarantees are carried off balance sheet.

2.21 Balance with AMCM

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

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

BANCO COMERCIAL DE MACAU, S. A.
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3 Critical accounting estimates and judgments

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

3.1 Impairment allowances on loans and advances to customers

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

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

3.2 Fair value of financial instruments

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

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

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4 Net interest income

Interest income

	2020	2019
Interest received and receivable on:		
Current account with AMCM	1,109	2,184
AMCM monetary bills	33,762	47,568
Placements with and loans and advances to banks	36,541	49,902
Investment securities	24,712	31,484
Loans and advances to customers	440,410	472,497
Other interest income	2,378	3,078
Total interest income	538,912	606,713

Interest expense

Interest paid and payable on:

Balances and deposits from banks	1,383	1,552
Deposits from customers	241,578	263,563
Other interest expense	790	215
Total interest expense	243,751	265,330

Net interest income	295,161	341,383
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5 Net fee and commission income

Fee and commission income

	2020	2019
Fee and commission income from:		
Bank guarantees granted	2,675	2,612
Trade finance	710	987
Securities trading and custodian services	13,740	6,947
Commitment fees	1,266	2,744
Credit card operations	26,050	39,664
Cheques and payment orders issued	1,401	1,688
Insurance sales	19,592	21,880
Other fee and commission income	11,116	13,152
Total fee and commission income	76,550	89,674

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5 Net fee and commission income (continued)

Fee and commission expense

	2020	2019
Fee and commission expense on:		
Custodian services	179	79
Auto finance	2,493	2,968
Correspondent banks	618	491
Securities trading	6,526	3,213
Credit card operations	22,125	33,185
Total fee and commission expense	31,941	39,936
Net fee and commission income	44,609	49,738

6 Dividend income

	2020	2019
Listed companies	-	-
Unlisted companies	36	1,583
Total dividend income	36	1,583

7 Net trading income

	2020	2019
Net trading income		
- Foreign exchange	6,728	11,378
Net trading income	6,728	11,378

8 Other operating income

	2020	2019
Services rendered to third parties	1,024	1,012
Property rental	3,152	2,868
Other operating income	7,340	6,942
Total other operating income	11,516	10,822

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9 Operating expenses

	2020	2019
Staff costs:		
Directors' remuneration	9,883	11,333
Wages, salaries and bonus	114,954	111,034
Pension costs	7,741	6,873
Others	13,214	10,313
Property costs:		
Rental of premises	7,572	6,851
Other property costs	1,581	1,325
Amortization and depreciation:		
Amortization of intangible assets	5,228	5,429
Depreciation for premises and other fixed assets	11,900	13,113
Amortization for leasehold land and land use rights	-	1
Other operating expenses:		
Advertising and promotion expenses	3,891	4,775
Computer expenses	17,917	16,429
Other operating expenses	26,054	25,412
Total operating expenses	<u>219,935</u>	<u>212,888</u>

10 Impairment losses on loans and advances to customers

	2020	2019
Specific provisions		
Charged to the income statement	58,491	4,805
Recoveries	(1,079)	(1,998)
Net charge to income statement	<u>57,412</u>	<u>2,807</u>
General provisions		
Net (credit)/charge to income statement	<u>(11,301)</u>	<u>5,734</u>
Total impairment losses on loans and advances to customers	<u>46,111</u>	<u>8,541</u>

BANCO COMERCIAL DE MACAU, S. A.
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11 Income tax expense

Current tax comprises of Macao complementary tax. According to Macao complementary tax law, Macao complementary tax is levied at progressive rates ranging from 3% to 9% on the taxable income above MOP32,000 but below MOP300,000, and thereafter at a fixed rate at 12%. For 2019 and 2020, a special tax incentive is provided to the effect that tax free income threshold is increased from MOP32,000 to MOP600,000 and the profit thereafter being taxed at a fixed rate of 12%. On 16 April 2020, the Legislative Assembly approved an additional tax incentive to reduce the 2019 complementary tax payment by MOP300,000 as a relief measure for the negative impacts of COVID-19. The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the Macao complementary tax rate applicable to the profits of the Bank, which is set out below:

	2020	2019
Current income tax expense	10,844	23,179
Total tax expense	10,844	23,179

	2020	2019
Profit before tax	94,984	195,226
Tax calculated at 12% (2019: 12%)	11,398	23,427
Under provision in previous years	12	2
Effect of the progressive tax rate below 12%	(17)	(17)
Special complementary tax incentive	(55)	(55)
Additional tax incentive for COVID-19	(300)	-
Income not subject to tax	(368)	(304)
Expenses not deductible for tax purposes	174	126
Total tax expense	10,844	23,179

12 Dividend

On 27 March 2020, the shareholders had approved an appropriation of dividend of MOP200,000,000 for the year ended 31 December 2019. The dividend was paid during 2020 as an appropriation of retained earnings for the year ended 31 December 2020.

At a meeting held on 24 February 2021, the directors proposed to pay a dividend of MOP75,000,000 for the year ended 31 December 2020. This proposed dividend is not reflected as a dividend payable in these financial statements but will be reflected as an appropriation of retained earnings for the year ending 31 December 2021 upon the approval of the shareholders in the Annual General Meeting.

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13 Cash and balances with banks

As at 31 December	2020	2019
Cash	287,905	236,221
Balances with banks	738,659	928,370
	<u>1,026,564</u>	<u>1,164,591</u>

14 Loans and advances to customers

As at 31 December	2020	2019
Loans and advances to customers	14,471,467	15,514,349
Specific provisions (Note 15)	(66,688)	(12,524)
General provisions (Note 15)	(145,028)	(156,329)
Net loans and advances to customers	<u>14,259,751</u>	<u>15,345,496</u>

As at 31 December	2020	2019
Maturing within 12 months	2,473,643	2,690,009
Maturing beyond 12 months	11,786,108	12,655,487
Net loans and advances to customers	<u>14,259,751</u>	<u>15,345,496</u>

15 Movement of provisions for loans and advances to customers

	Specific provisions	General provisions	Total provisions
Balance as at 1 January 2019	12,802	150,595	163,397
Amounts written off	(3,085)	-	(3,085)
Net charge for the year	2,807	5,734	8,541
Balance as at 31 December 2019	<u>12,524</u>	<u>156,329</u>	<u>168,853</u>
Balance as at 1 January 2020	12,524	156,329	168,853
Amounts written off	(3,248)	-	(3,248)
Net charge/(credit) for the year	57,412	(11,301)	46,111
Balance as at 31 December 2020	<u>66,688</u>	<u>145,028</u>	<u>211,716</u>

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16	Derivative financial instruments		
	Foreign exchange derivatives as at 31 December	2020	2019
	Currency forwards purchase (notional value)	283,584	196,284
	Currency forwards sale (notional value)	(281,778)	(195,151)
	Currency options purchased (notional)	-	-
	Currency options written (notional)	-	-
		<u> </u>	<u> </u>
17	Investment securities – Held-to-maturity		
	As at 31 December	2020	2019
	Debt securities (listed)	171,646	-
	Debt securities (unlisted)	1,583,205	1,338,003
		<u>1,754,851</u>	<u>1,338,003</u>
	Market value	<u>1,748,001</u>	<u>1,315,719</u>
	Maturing within 12 months	1,540,705	1,146,637
	Maturing beyond 12 months	214,146	191,366
		<u>1,754,851</u>	<u>1,338,003</u>
18	Other investments		
	As at 31 December	2020	2019
	Unlisted equity securities, at cost	37,926	38,058
		<u> </u>	<u> </u>

BANCO COMERCIAL DE MACAU, S. A.
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19 Intangible assets

	Software and banking systems
Opening net book amount as at 1 January 2019	9,196
Additions	3,538
Disposals	-
Amortization charged	(5,429)
Closing net book amount as at 31 December 2019	7,305
 As at 31 December 2019	
Cost	65,591
Accumulated amortization	(58,286)
Net book amount	7,305
 Opening net book amount as at 1 January 2020	
	7,305
Additions	5,528
Disposals	(145)
Amortization charged	(5,083)
Closing net book amount as at 31 December 2020	7,605
 As at 31 December 2020	
Cost	70,973
Accumulated amortization	(63,368)
Net book amount	7,605

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20 Premises and other fixed assets

	Premises	Premises improvements	Furniture and equipment	Total
As at 1 January 2019				
Cost	107,058	66,509	71,266	244,833
Accumulated depreciation	(42,490)	(59,527)	(56,256)	(158,273)
Net book amount	64,568	6,982	15,010	86,560
Opening net book amount as at 1 January 2019	64,568	6,982	15,010	86,560
Additions	-	3,664	5,586	9,250
Write-offs/disposals	-	-	(1,703)	(1,703)
Depreciation charged	(2,113)	(5,503)	(3,800)	(11,416)
Closing net book amount as at 31 December 2019	62,455	5,143	15,093	82,691
As at 31 December 2019				
Cost	107,058	70,173	75,149	252,380
Accumulated depreciation	(44,603)	(65,030)	(60,056)	(169,689)
Net book amount	62,455	5,143	15,093	82,691

BANCO COMERCIAL DE MACAU, S. A.
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20 Premises and other fixed assets (continued)

	Premises	Premises improvements	Furniture and equipment	Total
Opening net book amount as at 1 January 2020	62,455	5,143	15,093	82,691
Additions (Note)	8,877	3,927	4,533	17,337
Write-offs/disposals	-	(1,360)	(3,203)	(4,563)
Depreciation charged	(2,203)	(2,387)	(2,833)	(7,423)
Closing net book amount as at 31 December 2020	69,129	5,323	13,590	88,042

As at 31 December 2020

Cost	115,935	72,740	76,478	265,153
Accumulated depreciation	(46,806)	(67,417)	(62,888)	(177,111)
Net book amount	69,129	5,323	13,590	88,042

The net book amount of premises comprises:

	2020	2019
Leaseholds in Macau	66,488	59,736
Freeholds in Macau	2,641	2,719
Net book amount	69,129	62,455

Note: The acquisition of premises of MOP8,877,000 in the year of 2020 is related to the foreclosed assets taken up for the Bank's own use (2019: Nil)

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21	Other assets		
	As at 31 December	2020	2019
	Repossessed assets	13,757	27,288
	Accounts receivable and prepayments	18,999	19,679
	Others	10,436	14,128
		<u>43,192</u>	<u>61,095</u>
22	Deposits from customers		
	As at 31 December	2020	2019
	Current deposit accounts	3,012,039	2,779,791
	Savings deposit accounts	4,803,086	4,410,277
	Time deposit accounts	11,528,781	12,911,375
	Total deposits from customers	<u>19,343,906</u>	<u>20,101,443</u>
	As at 31 December	2020	2019
	Maturing within 12 months	19,340,066	20,100,917
	Maturing beyond 12 months	3,840	526
		<u>19,343,906</u>	<u>20,101,443</u>
23	Other liabilities		
	As at 31 December	2020	2019
	Accrued expenses and other payables	25,140	21,640
	Deferred income	84,441	91,498
	Others	31,885	70,267
		<u>141,466</u>	<u>183,405</u>

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24 Contingent liabilities and commitments

As at 31 December 2020 and 2019, the Bank did not have any capital commitments.

Credit commitments as at 31 December	2020	2019
Bank guarantees	316,224	307,763
Trade related contingencies	12,751	10,870
Other commitments	1,168,419	1,631,665
Total credit commitments	1,497,394	1,950,298

Operating lease commitments as at 31 December	2020	2019
Less than 12 months	5,339	5,143
Between 1 to 5 years	11,182	12,968
Over 5 years	4,798	6,306
Total operating lease commitments	21,319	24,417

25 Related party transactions

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

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25 Related party transactions (continued)

The following transactions were carried out with related parties:

Immediate holding company

Balances as at 31 December	2020	2019
Balances and placements with and loans and advances to banks	3,305,159	2,919,895
Investment securities – held-to-maturity	104,738	105,184
Receivables or prepaid expenses:		
Other receivables or prepaid expenses	998	1,375
Liabilities:		
Balances and deposits from banks	138,277	539,629
Payables or deferred income:		
Management fee	804	705
Other payables or deferred income	1,292	695
Off balance sheet items		
Currency options (notional amount)	-	-
For the year ended 31 December	2020	2019
Income:		
Interest on placements with and loans and advances to banks	34,458	45,339
Interest on investment securities held-to-maturity	1,934	2,184
Other operating income/management fee	1,728	25
Expenses:		
Interest on balances and deposits from banks	1,070	1,489
Other operating expense/management fee	2,961	2,143

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25	Related party transactions (continued)		
	Fellow subsidiaries		
	Balances as at 31 December	2020	2019
	Receivables or prepaid expenses:		
	Other receivables or prepaid expenses	628	656
	Liabilities:		
	Deposits from customers	<u>133,462</u>	<u>192,004</u>
	For the year ended 31 December	2020	2019
	Income:		
	Fee and commission and operating income	13,139	12,777
	Expenses:		
	Interest on deposits from customers	1,473	2,727
	Fee and commission and operating expenses	<u>3,378</u>	<u>3,903</u>
26	Share capital		
		2020	2019
	Authorized 900,000 shares at MOP250 each	<u>225,000</u>	<u>225,000</u>
	Issued and fully paid:	2020	2019
	Ordinary shares of MOP250 each		
	As at 1 January and 31 December		
	Number of shares (thousand)	900	900
	Share capital	<u>225,000</u>	<u>225,000</u>

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27 Legal reserve

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

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

The Bank's legal reserve had been built up to its ceiling prior to the current year and there was no further transfer made in the year ended 31 December 2020 (2019: Same).

28 Notes to cash flow statement

Analysis of balances of cash and cash equivalents:

	2020	2019
Cash (Note 13)	287,905	236,221
Balances with banks (Note 13)	738,659	928,370
Balance with AMCM	345,773	328,799
Minimum statutory cash requirement	<u>(417,717)</u>	<u>(427,988)</u>
Total cash and balances with banks	<u>954,620</u>	<u>1,065,402</u>
With original maturity up to 3 months:		
AMCM monetary bills	420,000	538,250
Placements with and loans and advances to banks	<u>1,687,147</u>	<u>994,828</u>
Total AMCM monetary bills and placements with and loans and advances to banks	<u>2,107,147</u>	<u>1,533,078</u>
Total cash and cash equivalents as at 31 December	<u>3,061,767</u>	<u>2,598,480</u>