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1 – MACAO MACROECONOMIC ENVIRONMENT

In 2019 the real Gross Domestic Product ("GDP") of Macao Special Administrative Region ("Macao" or "Macao SAR") decreased at an annual rate of 4.75%\(^1\) (in 2018, Macao had registered an annual growth of the real GDP of 4.7%) in a context of deceleration of the economy of the People’s Republic of China ("PRC", “China” or “Mainland China”) with an annual growth rate of the real GDP of 6.1% in 2019 (6.8% in 2018) amidst a world scenario of continued trade and geopolitical tensions.

The negative growth experienced by Macao in 2019 was mainly due to decreases in investment, with a strong decline of the private construction investment, and in the exports of services.

The Gaming and Tourism sectors continue to have a key position in Macao’s economy. However, their revenues also declined in 2019.

Gaming revenues decreased by 3.5% in 2019 to MOP 293,312 Million due to China’s economic slowdown and the social unrest in Hong Kong.

Although the number of visitors to Macao increased in 2019, reaching 39.4 Million, their spending and the average length of their stays decreased, with the tourism revenues, of MOP 64,077 Million in 2019, showing a reduction of 8% in relation to 2018.

Despite these decreases, liquidity continue to flow to the economy. The PRC Government and the Macao SAR Government promoted the development of the fixed income market in Macao with the issue of sovereign bonds by the Ministry of Finance of China in Macao in a total of RMB 2 Billion (BNU was Joint Lead Manager and Joint Bookrunner in this issue). Several other bonds were also issued and listed in Macao in 2019.

The unemployment rate, already low, decreased even further to reach a mere 1.7% at the end of 2019, (1.8% in 2018), increasing therefore the upward pressure on wages and the difficulties of hiring staff in this full employment environment.

The inflation rate for 2019 was 2.75% (3.01% in 2018).

Real GDP per-capita reached MOP 645,438 (equivalent to USD 80,463). At the end of 2019, Macao continued to record, as in previous years, a significant Current Account surplus.

The Government of Macao kept on registering strong fiscal surpluses and the financial reserves of Macao SAR reached an impressive MOP 580 billion (USD 72.3 billion) at the end of 2019.

\(^1\) Except otherwise indicated, the source for all the macroeconomic data for Macao is the Government of Macao SAR Statistics and Census Service
2 – BNU AT A GLANCE AND HIGHLIGHTS IN 2019

Banco Nacional Ultramarino, S.A (“BNU”) has been in Macao since 1902, year when it opened its first branch. It has always had a strong involvement with Macao with a vital contribution to the development of this region as well as playing a significant role in the connection of Portugal and of the Portuguese Speaking Countries (“PSCs”) with the Asian markets.

BNU performs a dual role as it is a commercial bank and it has the responsibility of issuing bank notes, role performed on its own for many years and now, since 1995, co-shared with the Bank of China.

At the end of 2019:

BNU had **260,768** customers

Had a total of **20** Branches in Macao and **1** in Hengqin

Employed **485** (full time equivalent staff)

---

2 Total counted per CIF – Client Information File
Granted a total of gross credit of **MOP 24,234.0 Million**

Had a total of customer deposits of **MOP 36,678.5 Million**

Registered a net profit of **MOP 634.4 Million**
2.1 - SIGNIFICANT MILESTONES IN 2019

January

- Visits to three Portuguese Speaking Countries (PSCs): Mozambique, Angola and Cape Verde as part of a delegation headed by the Macao Monetary Authority (AMCM) together with Bank of China (BOC) to promote Macao as a financial platform between China and the PSCs fostering the use of the Chinese currency (RMB) in transactions between the parties. The program included meetings with the PSCs visited countries’ Central Banks, Commercial Banks, Banking Associations, Chambers of Commerce and Business Associations.
- BNU App’s new service – card activation for non-BOL clients.
- Instant transfers to Macao Slot via BOL (BNU Online Banking).
- Launch of BOL as another communication channel with personal clients.
- Launch of Cashier Orders and Gift Cheques with QR code.
- Queuing System enquiry available in BNU App and BNU online.

February

- The Government of the People’s Republic of China (PRC) promulgated the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (GBA).
- Car Park Frictionless - Launch of the E-park app for BNU UnionPay credit cards, allowing also the payment through the recognition of the car license plate by the car park camera.
- Broadened our Merchant services in the acquiring side facilitating their acceptance of MPay, WeChat Pay and Alipay.

<table>
<thead>
<tr>
<th>LOCAL E-PAYMENT METHODS</th>
<th>CHINESE MAINLAND E-PAYMENT METHODS</th>
</tr>
</thead>
<tbody>
<tr>
<td>澳門通 MACAU Pass</td>
<td>支付宝 ALIPAY</td>
</tr>
<tr>
<td>MPay</td>
<td>WeChat Pay</td>
</tr>
</tbody>
</table>
March

- Contactless features extended to all credit and debit cards.

April

- Three days visit of the President of Portugal to the PRC at the invitation of the PRC’s President, Mr. Xi Jinping, and signature of a memorandum of understanding for strengthening the strategic dialogue between the two countries.
- One day visit of the President of Portugal to Macao.
- Meetings between BNU and a delegation from Macao University (UMAC) to discuss Green Finance and issues of Green Bonds, the RMB business and featured finance for the PSCs.
- Extension of the UnionPay QR transaction flow to the Consumer Presented Mode. (The Merchant presented Mode had already been launched in 2018).

Green Finance meeting - RMB, Green Bond and featured finance for Portuguese Speaking Countries
May

- Launching of the MPay App linked to current and savings accounts through which our customers can make mobile payments.
- Co-Manager in MGM China Holdings Limited’s Senior Notes issue of a total of USD 1.5 Billion.
- Meetings between BNU, a delegation from the International Market Research Faculty of the Ministry of Commerce of the PRC and the Information Department of IPIM (Macao Trade and Investment Promotion Institute) to discuss the RMB business in the PSCs.
- BNU participates as a Speaker in the Macao Investment Cooperation Forum - Promotion Meeting of "Three Centers" on China-Portugal Platform for the PSCs. BNU also attended a related Seminar with Central Banks and financial specialists from China and the PSCs.
- Faster transfers in HKD to other local banks with SWIFT Messages.

June

- Bonds Issue by the Republic of Portugal, the first country of the Euro zone to issue foreign debt in the Chinese currency, in a total of 2 Billion Renminbis.
- Launching of Financial Leasing by BNU.
- Participation in the Seminar The Guangdong-Hong Kong- Macao Greater Bay Area and the opportunities for the PSCs organized by the newspaper Plataforma Macao.
- Creation of a Large Corporates Division dedicated to the provision of more focused banking services to selective non-gaming corporate clients.
- Creation of a Corporate Division fully dedicated to SMEs.

July

- Participation in a Macao’s business delegation of more than 30 people headed by the President of IPIM in the 14th Meeting of Entrepreneurs for Economic and Trade Cooperation between China and the PSCs held in São Tomé and Príncipe. The Meeting, held since 2005 in a Portuguese Speaking Country on a rotating basis, was also attended, among others, by delegations from the China Council for the Promotion of International Trade, by several regional Government entities of China and by the China-Portuguese Development Cooperation Fund.
• Joint Lead Manager and Joint Bookrunner in the issue of sovereign debt by the Ministry of Finance of China in Macao of a total of RMB 2 Billion; BNU also placed part of these Bonds through its commercial network.

• Participation in a three days visit to a GBA city - Jiangmen in the Guangdong Province – to investigate its business environment and to promote the economic and trade cooperation between Macao, Jiangmen and other cities in the GBA.

• Participation also with a Presentation in the Macao SAR Featured Finance and Wealth Management Forum to share the features of Financial Leasing Products and BNU’s services regarding this product and to promote the business between China and the PSCs.

• Participation in the Forum on Chain and Franchise Business – Opportunities for International Brands – Finance Advice for Franchise Business at the Macao Franchising Fair.

August

• Launch of Apple Pay in Macao. BNU was one of the first two Banks to launch Apple Pay for credit cards (UnionPay) in Macao and the only one to launch it for debit cards.

• Meeting with BOC to follow-up on the Protocol signed in 2015 and identify further areas of cooperation, such as, among others, syndicated loans, promotion of Macao as the RMB Clearing Center for the PSCs, cooperation on Bond operations.

September

• One Belt, One Road Initiative (BRI) multi-lateral agreement signed with ICBC Beijing to include BNU as part of the financial group to provide financing to Chinese companies interested in expanding their business along the BRI countries.

• Further automation of Autopay instructions received through online banking.
Visits with AMCM, the Macao Economic Bureau, IPIM and the Macao Association of Banks to three Greater Bay Area Cities: Shenzhen, Huizhou and Dongguan, to promote Macao Financial Services in Mainland China.

Participated in a Conference about Macao and the GBA organized by Plataforma Macao in Vila Nova de Gaia, in Portugal and in a debate with Portuguese Companies to promote business opportunities in the region.

Mystery Customer Program carried out to assess the quality of the Banks’ products and the level of satisfaction of its customers.

Participation also with a Presentation at the Macao Financial Leasing Business Environment Study Group Exchange Meeting and Dinner organized by the Macao Association of Banks to share BNU’s contribution and services on promoting Financial Leasing in Macao.

Improvement of Business On Line Banking with the implementation of a new multi-language support, new application forms and the addition of One Time Password Application.

October

Issue of the 20th Anniversary Commemorative Note to celebrate the Handover of Macao to China in December 1999.

Signature of a Protocol between BNU and IPIM to promote the business between China and the PSCs.

Participated, in cooperation with the Macao Platform (a platform to build the Economic and Trade Cooperation Services between China and the PSCs) and CGD in several meetings in Portugal with companies from Mainland China, Macao and Portugal related with the Greater Bay Area promotion.
- Participated in a 4 days visit to Chengdu, the capital of the Chinese Province of Sichuan, with the Industry and Commerce Association of Macao to explore Chengdu’s business environment and promote BNU as crucial channel to enlarge the business cooperation between China and the PSCs also enhanced by the role of Macao as a trade platform between China and the PSCs.

- Participated in the 2019 Summit on Chinese Central SOEs\(^3\) Supporting Macao as a Co-operation Platform between China and the Portuguese-speaking Countries.

- Participated in the 24\(^{th}\) Macao International Trade & Investment Fair (24\(^{th}\) MIF) and in the 2019 Portuguese Speaking Countries Products and Services Exhibition (Macao) (2019 PLPEX), a three days event, attended by more than 70,000 visitors, to promote the exchange and cooperation among companies from China, other countries along the One Belt, One Road, the PSCs and the rest of the world and the Macao’s role as a Platform to foster the Economic and Trade Cooperation between China and the PSCs. Sponsored, together with Banco Interatlântico, a Group Bank in Cape Verde, the promotion of Cape Verde and of the advantages of investing in this country, the invited country of this event.

- Launch of Stock Trading Online in BNU App.

- Participated in the Macao International Auto show, as it reactivated its car loan business, developing harmonious relationships with different car dealers and offering competitive interest rates.

November

- BNU attended the 2\(^{nd}\) China International Import Expo in Shanghai and the BNU’s CEO was invited to speak at the Forum for Macao Investment Cooperation - Presentation on the Trade Cooperation Services Platform between China and the PSCs.

- BNU sponsored and participated (represented by its Parent Bank’s CGD) at the Portugal-China Gala Dinner in Lisbon.

- Guest speaker at the Seminar Special Featured Financial System of Macao – Challenges and Opportunities, held at the AMCM’s

\(^3\) State-Owned Enterprises
Auditorium where the role of Macao as the RMB Settlement Platform for the PSCs was discussed.

- Launch of BNU App Online Game to stimulate more users and downloads.
- Installation of SWIFT Security Patch and of SWIFT Release 7.2.70.

Macau Investment Cooperation Forum – Promotion for the Platform Services of the Commercial and Trade Co-operation Service Platform between China and PSC

December

- Mr. Ho Iat Seng sworn as the fifth-term Chief Executive of Macao SAR, at a ceremony officiated by Chinese President Xi Jinping celebrating also the 20th anniversary of Macao’s return to China.
- Joint Bookrunner in Wynn Macao Limited’s Senior Notes Issue of a total of USD 1 Billion.
- 2nd follow-up meeting with BOC Macao to follow-up on the progress of the cooperation between the two Banks, as per the Protocol signed on June 2015 to promote business between China and the PSCs.
- Migration of several cards statements to e-Statement (Paperless projects).
- Launch of the newly redesigned BNU website with a brand new image and new features including the Function “Call me back”.

Special Featured Financial System of Macau – Challenges and Opportunities Conference
3 – FINANCIAL PERFORMANCE

3.1 - BALANCE SHEET

BNU’s net assets were slightly reduced, down by MOP 339 Million, i.e., less than 1% (0.6%), at the end of December 2019 in comparison with the end of December 2018. Total liabilities decreased by MOP 737 Million (1.5%) and shareholder’s equity increased by MOP 398 Million (5.6%).

<table>
<thead>
<tr>
<th>Balance Sheet</th>
<th>2018</th>
<th>2019</th>
<th>Change</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>2,003.5</td>
<td>2,192.8</td>
<td>189.3</td>
<td>9.4%</td>
</tr>
<tr>
<td>Deposits with AMCM</td>
<td>750.5</td>
<td>669.6</td>
<td>(80.9)</td>
<td>-10.8%</td>
</tr>
<tr>
<td>Certificates of indebtedness issued by the Macau government</td>
<td>8,994.7</td>
<td>9,377.0</td>
<td>382.4</td>
<td>4.3%</td>
</tr>
<tr>
<td>Cheques and others due for collection</td>
<td>91.3</td>
<td>71.0</td>
<td>(20.3)</td>
<td>-22.2%</td>
</tr>
<tr>
<td>Demand deposits with credit institutions</td>
<td>1,086.3</td>
<td>715.5</td>
<td>(370.8)</td>
<td>-34.1%</td>
</tr>
<tr>
<td>Placements and call and time deposits with credit institutions</td>
<td>10,852.7</td>
<td>12,554.7</td>
<td>1,702.0</td>
<td>15.7%</td>
</tr>
<tr>
<td>Credit granted</td>
<td>26,812.8</td>
<td>24,137.1</td>
<td>(2,675.7)</td>
<td>-10.0%</td>
</tr>
<tr>
<td>Shares, bonds and equity</td>
<td>4,952.7</td>
<td>5,507.9</td>
<td>555.2</td>
<td>11.2%</td>
</tr>
<tr>
<td>Debtors/Accounts receivable</td>
<td>177.7</td>
<td>171.8</td>
<td>(5.9)</td>
<td>-3.3%</td>
</tr>
<tr>
<td>Financial investments</td>
<td>8.9</td>
<td>8.9</td>
<td>(0.0)</td>
<td>0.0%</td>
</tr>
<tr>
<td>Property, equipment and other fixed assets</td>
<td>1,991.9</td>
<td>1,992.6</td>
<td>0.8</td>
<td>0.0%</td>
</tr>
<tr>
<td>Internal and adjustment accounts &amp; other current assets</td>
<td>195.2</td>
<td>179.8</td>
<td>(15.4)</td>
<td>-7.9%</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>57,918.3</strong></td>
<td><strong>57,578.8</strong></td>
<td><strong>(339.5)</strong></td>
<td><strong>-0.6%</strong></td>
</tr>
<tr>
<td>Bank notes in circulation</td>
<td>9,252.3</td>
<td>9,813.0</td>
<td>560.7</td>
<td>6.1%</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>27,871.2</td>
<td>28,675.1</td>
<td>803.9</td>
<td>2.9%</td>
</tr>
<tr>
<td>Government deposits</td>
<td>11,286.3</td>
<td>8,003.4</td>
<td>(3,283.0)</td>
<td>-29.1%</td>
</tr>
<tr>
<td>Amounts due to credit institutions</td>
<td>1,164.7</td>
<td>2,619.1</td>
<td>1,454.4</td>
<td>124.9%</td>
</tr>
<tr>
<td>Cheques and Payment orders payable</td>
<td>1.9</td>
<td>27.6</td>
<td>25.7</td>
<td>1369.4%</td>
</tr>
<tr>
<td>Creditors</td>
<td>220.9</td>
<td>94.4</td>
<td>(126.5)</td>
<td>-57.3%</td>
</tr>
<tr>
<td>Internal and adjustment accounts &amp; other liabilities</td>
<td>671.8</td>
<td>529.4</td>
<td>(142.4)</td>
<td>-21.2%</td>
</tr>
<tr>
<td>Provisions for risks</td>
<td>295.2</td>
<td>264.8</td>
<td>(30.4)</td>
<td>-10.3%</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>50,764.3</strong></td>
<td><strong>50,026.8</strong></td>
<td><strong>(737.5)</strong></td>
<td><strong>-1.5%</strong></td>
</tr>
<tr>
<td>Share Capital</td>
<td>2,000.0</td>
<td>2,000.0</td>
<td>-</td>
<td>0.0%</td>
</tr>
<tr>
<td>Reserves</td>
<td>4,642.8</td>
<td>4,917.6</td>
<td>274.8</td>
<td>5.9%</td>
</tr>
<tr>
<td>Net profit for the period</td>
<td>511.2</td>
<td>634.4</td>
<td>123.2</td>
<td>24.1%</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td><strong>7,154.0</strong></td>
<td><strong>7,552.0</strong></td>
<td><strong>398.0</strong></td>
<td><strong>5.6%</strong></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES + EQUITY</strong></td>
<td><strong>57,918.3</strong></td>
<td><strong>57,578.8</strong></td>
<td><strong>(339.5)</strong></td>
<td><strong>-0.6%</strong></td>
</tr>
</tbody>
</table>
Credit to Customers

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>Gross credit granted</td>
<td>26,910.9</td>
<td>24,234.0</td>
<td>(2,676.9)</td>
</tr>
<tr>
<td>Provisions</td>
<td>(98.0)</td>
<td>(96.8)</td>
<td>(1.2)</td>
</tr>
<tr>
<td>Net credit</td>
<td>26,812.8</td>
<td>24,137.1</td>
<td>(2,675.7)</td>
</tr>
</tbody>
</table>

Net credit to customers totalled MOP 24,137.1 Million, representing a reduction of almost 10% over the end of 2018.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>Housing loans</td>
<td>14,041.7</td>
<td>14,740.4</td>
<td>698.7</td>
</tr>
</tbody>
</table>

There was a significant progression in terms of new loans, especially in terms of housing loans, but this increase did not fully compensate the significant credit prepayments and repayments of syndicated loans and other loans to companies.

Loan-to-Deposit Ratio

Because of the decrease of the credit, the Loan-to-Deposit ratio decreased from 68.5% at the end of 2018 to 65.8% at the end of 2019.
Credit Quality

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overdue credit (&gt;90 days)</td>
<td>281.5</td>
<td>345.8</td>
<td>64.3</td>
</tr>
<tr>
<td>Total credit</td>
<td>26,910.9</td>
<td>24,234.0</td>
<td>(2,676.9)</td>
</tr>
<tr>
<td>Overdue credit/total credit</td>
<td>1.0%</td>
<td>1.4%</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

The quality of the Credit to Customers remained good with a ratio of Overdue Credit /Total Credit of 1.4%. There was a slight deterioration in relation to 2018 also due to the reduction of the total credit.

Debt Securities Portfolio

The debt securities portfolio, the only item under “Shares, bonds and equity”, increased by 11.2% reaching MOP 5,507.9 Million. All the issuers are either governments, investment grade rated banks or gaming concessionaires.

Deposits

<table>
<thead>
<tr>
<th>Deposits from customers (exclusive of government)</th>
<th>2018</th>
<th>2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>27,871.2</td>
<td>28,675.1</td>
<td>803.9</td>
</tr>
</tbody>
</table>

Deposits from customers (exclusive of government), increased by 2.9% in relation to the end of 2018 reaching MOP 28,675.1 Million at the end of 2019. The weight of Customer Deposits in the total liabilities also increased from 54.9% (2018) to 57.3% (2019), confirming the commitment and trust of our customers in BNU as a Bank directed to the retail market operating for the benefit of households and companies.

Deposits from government sectors, more volatile in terms of the price factor, decreased at the end of 2019 in comparison to the end of 2018.
Shareholder’s Equity

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>2,000.0</td>
<td>2,000.0</td>
<td>-</td>
</tr>
<tr>
<td>Other reserves</td>
<td>4,642.8</td>
<td>4,917.6</td>
<td>274.8</td>
</tr>
<tr>
<td>Net profit for the year</td>
<td>511.2</td>
<td>634.4</td>
<td>123.2</td>
</tr>
<tr>
<td><strong>Total shareholder’s equity</strong></td>
<td><strong>7,154.0</strong></td>
<td><strong>7,552.0</strong></td>
<td><strong>398.0</strong></td>
</tr>
</tbody>
</table>

Shareholder’s equity increased by MOP 398 Million to 7,552 Million at the end of 2019, an increase of 5.6%.

3.2 - INCOME STATEMENT

Net Interest Income and Dividends

Net Interest Income and Dividends increased by 8.4% in 2019, reaching MOP 873.3 Million.

This was due to the decrease of the interest expenses, which decreased by 22.9%. Interest income, in spite of the decrease of the credit granted to customers, proved its resilience decreasing only marginally by 1.6%.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net margin</td>
<td>804.5</td>
<td>883.6</td>
<td>79.1</td>
</tr>
<tr>
<td>Interest income</td>
<td>1,236.0</td>
<td>1,216.3</td>
<td>(19.7)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(431.5)</td>
<td>(332.8)</td>
<td>98.8</td>
</tr>
<tr>
<td>Debt securities</td>
<td>(5.5)</td>
<td>(10.5)</td>
<td>(5.0)</td>
</tr>
<tr>
<td>Net margin</td>
<td>804.5</td>
<td>883.6</td>
<td>79.1</td>
</tr>
<tr>
<td>Interest income</td>
<td>1,236.0</td>
<td>1,216.3</td>
<td>(19.7)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(431.5)</td>
<td>(332.8)</td>
<td>98.8</td>
</tr>
<tr>
<td>Debt securities</td>
<td>(5.5)</td>
<td>(10.5)</td>
<td>(5.0)</td>
</tr>
<tr>
<td>Gain on disposal of investments in debt securities</td>
<td>-</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>Dividend income</td>
<td>1.0</td>
<td>0.2</td>
<td>(0.8)</td>
</tr>
<tr>
<td><strong>Net interest income and dividends</strong></td>
<td><strong>800.0</strong></td>
<td><strong>873.3</strong></td>
<td><strong>73.2</strong></td>
</tr>
</tbody>
</table>

Net Fees and Commissions Income

Net income from fees and commission remained practically unchanged, down by less than MOP 56,000 (less than 0.4%) amidst an increasingly competitive banking environment.
Bancassurance fees registered a good performance, increasing by almost 36% in 2019.

### Income from Other Banking Services

Income from other Banking Services, a category which refers to the Profits in Foreign Exchange (FX) including the Profits on the revaluation of FX Positions, decreased by MOP 20.4 Million. However, due to a very favourable scenario of the exchange rates variation in 2018, these profits were higher in that year than what is to be expected on a recurring basis.

### Other Profits and Losses

The aggregated total of all the sub-categories that integrate this group shows a favourable evolution in 2019 of MOP 8.0 Million.

---

**Fees and commissions income**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>Change</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>321.2</td>
<td>313.8</td>
<td>(7.4)</td>
<td>(2.3)</td>
<td></td>
</tr>
<tr>
<td>Costs</td>
<td>173.8</td>
<td>166.9</td>
<td>(6.9)</td>
<td>(4.0)</td>
<td></td>
</tr>
</tbody>
</table>

**Net fees and commissions**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>Change</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>147.4</td>
<td>146.9</td>
<td>(0.6)</td>
<td>(0.4)</td>
<td></td>
</tr>
</tbody>
</table>

**Bancassurance fees**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>Change</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>23.0</td>
<td>31.2</td>
<td>8.2</td>
<td>(35.6)</td>
<td></td>
</tr>
</tbody>
</table>

**Income from other banking services/ FX net Profits**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>Change</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>83.8</td>
<td>63.5</td>
<td>(20.4)</td>
<td>(24.3)</td>
<td></td>
</tr>
</tbody>
</table>

**Other banking income**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>Change</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>22.0</td>
<td>25.0</td>
<td>3.0</td>
<td>(13.7)</td>
<td></td>
</tr>
<tr>
<td>Costs</td>
<td>(4.6)</td>
<td>(4.7)</td>
<td>(0.1)</td>
<td>(2.8)</td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>6.1</td>
<td>3.3</td>
<td>(2.8)</td>
<td>(45.1)</td>
<td></td>
</tr>
<tr>
<td>Costs</td>
<td>(4.6)</td>
<td>(4.7)</td>
<td>(0.1)</td>
<td>(2.8)</td>
<td></td>
</tr>
</tbody>
</table>

**Income from non-banking operations**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>Change</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>1.7</td>
<td>1.9</td>
<td>(0.2)</td>
<td>(12.0)</td>
<td></td>
</tr>
<tr>
<td>Costs</td>
<td>(24.6)</td>
<td>(16.6)</td>
<td>8.1</td>
<td>(32.7)</td>
<td></td>
</tr>
</tbody>
</table>

**Other costs and losses**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>Change</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>(1.7)</td>
<td>(1.9)</td>
<td>(0.2)</td>
<td>(12.0)</td>
<td></td>
</tr>
<tr>
<td>Costs</td>
<td>(24.6)</td>
<td>(16.6)</td>
<td>8.1</td>
<td>(32.7)</td>
<td></td>
</tr>
</tbody>
</table>

**Taxation**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>Change</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>(1.7)</td>
<td>(1.9)</td>
<td>(0.2)</td>
<td>(12.0)</td>
<td></td>
</tr>
<tr>
<td>Costs</td>
<td>(24.6)</td>
<td>(16.6)</td>
<td>8.1</td>
<td>(32.7)</td>
<td></td>
</tr>
</tbody>
</table>

**Total other profit and loss**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>Change</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>(2.8)</td>
<td>5.2</td>
<td>8.0</td>
<td>(287.3)</td>
<td></td>
</tr>
</tbody>
</table>
Operating Costs

Operating costs, as a total, hardly changed in 2019 in relation to 2018 (increase of 0.2%).

<table>
<thead>
<tr>
<th>MOP Million</th>
<th>2018</th>
<th>2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overheads</td>
<td>333.2</td>
<td>335.3</td>
<td>2.1</td>
</tr>
<tr>
<td>Personnel costs</td>
<td>216.7</td>
<td>227.0</td>
<td>10.4</td>
</tr>
<tr>
<td>Remuneration of Board of Directors &amp; inspection</td>
<td>9.8</td>
<td>9.1</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>181.9</td>
<td>190.3</td>
<td>8.4</td>
</tr>
<tr>
<td>Benefits</td>
<td>22.2</td>
<td>25.0</td>
<td>2.9</td>
</tr>
<tr>
<td>Others</td>
<td>2.8</td>
<td>2.7</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Third party services &amp; supplies</td>
<td>116.5</td>
<td>108.3</td>
<td>(8.2)</td>
</tr>
<tr>
<td>Depreciation allowances</td>
<td>62.5</td>
<td>61.0</td>
<td>(1.5)</td>
</tr>
<tr>
<td>Total operating costs</td>
<td>395.7</td>
<td>396.3</td>
<td>0.6</td>
</tr>
</tbody>
</table>

The biggest variation in absolute terms relates to Salaries and Wages (Board remuneration is not included in this category). They increased by MOP 8.4 Million (4.6%), as more employees were hired, mainly to reinforce the commercial areas and the internal control areas, to keep up with inflation and also due to the upward pressure on salaries in a full employment economy like Macao.

Other benefits paid to employees also increased.

Third party services and supplies decreased by 7.1% (MOP 8.2 Million) showing the success of a policy of reducing these costs.

The variations in depreciations were in line with the investment plan forecast.

Provisions

Net Provision charges decreased also in relation to 2018, which was also due to the decrease of the 1% generic provisions due to the reduction of credit.

<table>
<thead>
<tr>
<th>MOP Million</th>
<th>2018</th>
<th>2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Charge) / reversal of general provision for credit</td>
<td>18.7</td>
<td>30.4</td>
<td>11.6</td>
</tr>
<tr>
<td>(Charge) / reversal of specific provision for credit</td>
<td>(75.9)</td>
<td>(12.8)</td>
<td>63.1</td>
</tr>
<tr>
<td>Recoveries of bad debts written-off</td>
<td>7.4</td>
<td>9.8</td>
<td>2.4</td>
</tr>
<tr>
<td>Net provision (charge) / reversal</td>
<td>(49.8)</td>
<td>27.3</td>
<td>77.1</td>
</tr>
</tbody>
</table>

ANNUAL REPORT 2019
2019 Results and Net Profit for the Year

Because of the above factors, total gross profit for the year reached MOP 719.8 Million, an increase of MOP 136.8 Million over 2018 (23.5%). Net profit for 2019, i.e., after the provision for taxes, was MOP 634.4 Million, an increase of MOP 123.2 Million (24.1%).

3.3 - RATIOS

PROFITABILITY AND EFFICIENCY

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE (gross) (1)</td>
<td>10.7%</td>
<td>12.6%</td>
<td>17.5%</td>
</tr>
<tr>
<td>ROE (net) (2)</td>
<td>9.4%</td>
<td>11.1%</td>
<td>18.1%</td>
</tr>
<tr>
<td>ROA (gross) (3)</td>
<td>0.9%</td>
<td>1.2%</td>
<td>33.1%</td>
</tr>
<tr>
<td>ROA (net) (4)</td>
<td>0.8%</td>
<td>1.1%</td>
<td>33.8%</td>
</tr>
<tr>
<td>Cost-to-Income (5)</td>
<td>38.5%</td>
<td>36.4%</td>
<td>-5.4%</td>
</tr>
<tr>
<td>Cost-to-Income Core (6)</td>
<td>35.2%</td>
<td>32.9%</td>
<td>-2.3%</td>
</tr>
</tbody>
</table>

Improvement of all the profitability and efficiency ratios in 2019.

(1) ROE – Return on Equity - Income before tax/average shareholder’s equity (average of the previous year-end and the current year-end balances, excluding property revaluation reserve).

(2) ROE (net) – Return on Equity (net) - Income after tax/average shareholder’s equity (average of the previous year-end and the current year-end balances, excluding property revaluation reserve).

(3) ROA – Return on Assets - Income before tax/average net assets (average of the previous year-end and the current year-end balances).

(4) ROA (net) – Return on Assets (net) - Income after tax/average net assets (average of the previous year-end and the current year-end balances).

(5) Cost-to-Income - Operating Costs (the sum of Personnel Costs, Third Party Supplies and Third Party Services and Depreciation Allowances)/Operating Income (the sum of Net Interest Income and Dividends, Net Fees and Commissions Income, Income from Other Banking Services and Other Profits and Losses).
(6) Cost-to-Income Core - Sum of Personnel Costs, Third Party Supplies and Third Party Services/the sum of Net Interest Income and Dividends, Net Fees and Commissions Income.

CREDIT QUALITY

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overdue Loans/Total Loans (7)</td>
<td>1.0%</td>
<td>1.4%</td>
<td>36.4%</td>
</tr>
<tr>
<td>Provisions/Overdue Loans (8)</td>
<td>139.7%</td>
<td>104.6%</td>
<td>-25.1%</td>
</tr>
</tbody>
</table>

Credit quality indicators remained good despite a slight deterioration

(7) Credit granted to customers with instalments more than 90 days overdue/Total of credit granted to customers.

(8) Sum of specific and general provisions/Credit granted to customers with instalments more than 90 days overdue.

LOAN-TO-DEPOSIT RATIO

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan-to-deposit Ratio (9)</td>
<td>68.7%</td>
<td>66.1%</td>
<td>-3.9%</td>
</tr>
</tbody>
</table>

Decrease of the Loan-to-deposit Ratio due to the decrease of credit.

(9) Gross credit granted / Customers deposits (includes Government deposits) from customers and Government.

SOLVENCY

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solvency Ratio (10)</td>
<td>19.3%</td>
<td>20.7%</td>
<td>7.4%</td>
</tr>
</tbody>
</table>

Further improvement of the already high solvency ratio.

(10) Own funds/Risk-weighted exposures (including credit risk, market risk and operational risk), calculated in accordance with AMCM Notice No. 011/2015-AMCM. The minimum requirement set out by AMCM is 8%.
4 – APPROVAL OF ALLOCATION OF NET PROFIT AND DISTRIBUTION OF DIVIDENDS

As per the recommendation of the Board of Directors and with the favorable opinion of the sole Supervisor, in the Annual General Meeting (AGM) of the Shareholders that took place on March 27, 2020 at which the Balance Sheet and the Income Statement for the financial year ended December 31, 2019 showing a net profit of six hundred and thirty four million, four hundred and twenty nine thousand, five hundred Patacas and forty three cents (MOP 634,429,500.43) were approved, the following allocation of the net profit was approved:

- To transfer to legal reserves, as per Article 35th of the Articles of Association and per Article 60th of the Legal Regime of Macao Financial System, the amount of sixty three million, four hundred and forty two thousand, nine hundred and fifty Patacas and four cents (MOP 63,442,950.04); and

- To distribute to the shareholders, as dividends, the amount of five hundred and seventy million, nine hundred and eighty six thousand, five hundred and fifty Patacas and thirty nine cents (MOP 570,986,550.39).

It was also approved to distribute to the shareholders, as additional dividends, the amount of twenty two million, eight hundred and eighty nine thousand, three hundred and seventy five and thirty-one cents (MOP 22,889,375.31) included in the item Other Reserves.
5 – ACTIVITY OVERVIEW

5.1 - RETAIL BANKING

It includes the banking activity with personal clients, small Individual Entrepreneurs/Sole Proprietorships and micro SMEs. It includes housing loans, consumer loans, other loans to the clients it serves, deposits from its client basis, credit cards and fees collected from the services provided. It is served by a network of 20 branches in Macao, the newest one being the one at the University of Macao opened in October 2018.

The focus in 2019 was on increasing customer loyalty and potentiating the opportunities for cross selling, increasing the number of new clients, especially among the younger segments of the population, diversifying the services offered and intensifying the digital involvement of the clients with the Bank. To that effect, the Bank launched several campaigns and offered new digital platforms and mobile Apps.

In 2019 this segment:

- Significantly increased the Housing Loans business, with an increase of the Housing Loans of 5% in relation to the end of 2018, in a scenario of a reduced supply of new residential properties;

- Successfully reactivated the car loan business;

- Launched the SMEs loan & Insurance package business in branches to serve better this type of clients and to further diversify its activity; and

- Increased significantly its bancassurance business, in partnership with Fidelidade, providing insurance products to its clients with a substantial growth in protection plans (fire insurance and mortgage protection) and in savings products.
5.2 - PRIVATE BANKING
In 2019, the Private Banking platform continued to offer personalised quality services with a variety of financial solutions including Mutual Funds, Bonds, Discretionary Asset Management and tailored Private Banking products to this segment of clients based on a strong commitment to risk management.

This activity is also leveraged on the extensive global network of the CGD Group with BNU receiving and offering cross referrals from and to other Group Banks providing in this way an additional coverage of tailored financial services to its own clients and the Group’s clients.

5.3 - CORPORATE BANKING
Corporate banking covers all banking business related to corporations and large corporate groups and companies, either large or the SMEs not covered by retail banking, and related to the Government public sector. It covers loans and credit facilities, including the ones granted through syndicated facilities, deposits received, financial leasing and other banking business carried out with these entities.

In June 2019, BNU’s Corporate Area was reinforced with the segregation of one of the existing divisions into two new divisions: one to cover the business with selective non-gaming clients and the other dedicated to the provision of banking services to SMEs not covered by retail banking. The total of Corporate Divisions is therefore now three.

BNU’s Corporate Divisions also benefited of the revamp in 2019 of the Business Online Banking (BOB) site and the creation of BOB application forms that facilitated the clients’ applications to these channels.
5.3.1 - DCOR1

DCOR1 is the new division created to stimulate our focus in the banking business with local SMEs. In 2019, BNU held several seminars to promote banking services to SMEs and because of these more focused services, the credit and deposits portfolios related to these customers increased as well as other banking products and the bancassurance business.

5.3.2 - DCOR2

This Division focuses on the provision of comprehensive banking services to businesses of the Gaming and Hospitality Sector (G&H) as well as to the public sector.

In 2019, the gross gaming and the tourism revenues decreased slightly. Mass market gaming revenues overtook the ones from the VIP market, evidencing a transition of the gaming sector to a more diversified and sustainable industry.

Continuing the trend initiated in previous years, loans and credit facilities to this sector decreased in 2019 because of the significant prepayments/early repayments of these facilities that were in some cases partially replaced by bonds issues. In order to increase the relationship with this sector, BNU launched new banking services and intensified its penetration in others like payroll processing, direct debits, provision of further electronic payment channels, provision of financial leasing and underwriting and purchasing bonds issues. BNU participated as a Co-Manager in the 2019 Senior Notes issue by MGM China Holdings Limited and as Joint Bookrunner in the 2019 Senior Notes Issue by Wynn Macao Limited.

Cooperating with the Macao Government’s Initiative of a “5 Year Plan of Digital Services”, a number of digitalized projects was developed with various government departments with most of them completed in 2019, and with some to be finished in 2020, delivering increased efficiency, accuracy and convenience to the Bank’s clients while simplifying the manual work.

5.3.3 - DCORL

DCORL is the new division dedicated to the non-gaming large corporates. In 2019, the Division was very active attending several seminars and forums, exploring business opportunities between Macao, the other GBA area cities, including Hengqin, leveraging also in our Branch in this city,

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4 Please refer also to the 2019 Milestones section
5 Please refer also to the 2019 Milestones section
and the Portuguese Speaking Countries (PSCs) promoting several banking products and introducing new ones like the financial leasing and green financing.

The Division continued to prospect several opportunities in the Hong Kong Syndicated Loan market. However, this business was unfortunately affected by the social unrest in Hong Kong. Another area explored was financing opportunities for investors from Macao in Portugal and other PSCs and from investors from the PSCs in Macao and in the GBA.

5.4 - HENGQIN BRANCH

The activity of the Hengqin Branch really took off in 2019 with the total credit granted reaching MOP 315.5 Million, increasing by 167% in relation to 2018. Funding of its activities relies heavily on the allocation of capital and on borrowings from BNU Macao.

The Branch aims at taking advantage of the Greater Bay Area growth and of the business opportunities, it presents, especially by catering to the financial needs of investors from Macao and Hong Kong.

The Bank’s involvement with its HQ branch keeps increasing with cross referral business and the goal is for the HQ branch to provide a full range of financial services and to enhance clients’ experiences through digital and information technologies.

The main difficulties faced by the Branch relate to the constant change in the regulations and in the reporting requirements, thereby posing a challenge, as more investments are needed to upgrade the systems to comply fully with the local authorities’ requirements. Furthermore, due to geographical reasons and limited human resources, the Branch is currently only providing services of financial support to clients within the Zhuhai city for new property development.

5.5 - TREASURY

2019 was a year of positive performance for most of the commodities and equity indexes, driven by a general decrease of interest rates and a better global liquidity dynamic.

Hong Kong economic activity weakened significantly in 2019 due to the rising trade tensions and social unrest that started over the summer. Hong Kong Monetary Authority lowered its base rate by 25 basis points three times in a row from 2.75% to 2.00%, tracking the similar moves of the US Federal Reserve rate and as a way to face the contraction of the economy.
The interbank rates remained stable, net capital outflows were limited and market expectations of the HKD/USD exchange rate eased to the lower limit of the peg but the exchange rate remained well anchored.

Treasury continued to invest its surplus liquidity on a well-diversified bond portfolio with a focus on fixed rate bonds, EUR bonds and corporate bonds.

5.6 - CREDIT RECOVERY AREA

During the year of 2019 and in spite of the more unfavourable market conditions, the Credit Recovery Area (ARCRE) was able to recover a higher amount of credits than in 2018 (over 4% higher).

A new Policy regarding the follow-up and recovery of credit was also published, consolidating in a single document all the principles necessary to run this area more efficiently.

Several system enhancements were also implemented in order to improve the automation and control over this area and additional system enhancements and automations have been identified and included in the plan of action for 2020. Moreover, a new negotiation team will be formed in the first quarter of 2020 with the aim of further improving both the quality and efficiency of our daily operations and customer support.

5.7 - A DIGITAL BNU

In 2019, BNU continued to be at the forefront of offering cutting-edge products and services to its customers.

This turn to digital is being accelerated by younger, tech-savvy generations like millennials and Generation Z who are quickly becoming banks’ largest addressable market.

Building global digital platforms is critical if we desire our customers to recognize BNU as “My Bank”, a bank that knows their individual needs and offers them the products and services they lack, when and where they want them.

The Bank keeps also investing in the digitalisation of processes and in its simplification and automation.
5.7.1 - CARDS CENTER DIVISION

In 2019, the Cards Centre Division of BNU, CRECA, continued to introduce new digital features to make everyday payments and banking easier.

The Bank finished the implementation of the contactless cards project. All credit and debit cards were embedded with contactless features, while merchant POS terminal machines were enabled to accept contactless cards of all card brands.

The UnionPay QR transaction flow was extended to the Consumer Presented Mode (The Merchant Presented Mode had already been launched in 2018).

Being one of the most innovative banks in the market, BNU made also great investments in mobile payment services.

The Mpay Express payment was launched, linking the MPay App to current and savings accounts and allowing our customers to make mobile payments in this convenient and safe way.

BNU was also one of the first two Banks to launch Apple Pay for credit cards (UnionPay) and the only one to launch it for debit cards.

The Bank also broadened our merchant services, facilitating them with the acceptance of e-payment channels like Macao Pass, MPay, WeChat Pay and Alipay. In 2020, BNU will further enrich its client services and satisfaction with more digital payment features, bringing extended convenience and enhanced service experiences to the quality of the daily life of the Bank’s esteemed customers.

5.7.2 - PHONE AND ONLINE BANKING

2019 was a very fruitful year for this area with its highlight in the incorporation of new online platforms as communication channels.

With enquiries now handled through multiple channels, including the telephone hotline, emails and WeChat besides face-to-face contacts, BNU is able to provide reliable assistance and accurate support to all its valued customers through several platforms.

BNU Call Centre also assumed a supporting role with extensive telemarketing work to help with the Bank’s multiple promotional campaigns.

Various system enhancements were also made in both Business Online Banking and Personal Online Banking, as well as in the BNU App to take advantage of the available technologies and making banking more accessible.
The revamp of Business Online Banking included the implementation of a new multi-languages support, the creation of new application forms and the addition of the One Time Password (OTP) authentication.

Online Stock Trading was also initiated in the BNU App.

At the end of the year a newly redesigned BNU website with a brand new image and new features including the Function “Call me back” was also launched.

The Bank will continue to launch new processes and improve its channels making it easier for our customers to bank with us. As more customers gravitate towards the use of mobile applications, BNU will continue to train its staff in the new processes and technologies.

5.8 - MARKETING

Campaigns and Promotions

2019 was a very active year in terms of marketing and communication campaigns mainly due to the development of new products and services for our clients, both for individuals and companies, in digital and non-digital channels. Several campaigns and promotions were launched aimed at increasing public awareness, loyalty and the number of products per client so that BNU can be the first bank chosen by more customers. These included:

1. Campaigns related with the launch of new mobile payment services - MPay, associated with BNU current and savings accounts, and Apple Pay, launched in partnership with UnionPay debit and credit cards. In fact, BNU was one of the only two Banks to launch Apple Pay in Macao for credit cards and the only one to launch it for debit cards.

2. Promotions related with the launch of the third phase of the BNU App that included new services such as card activation, stock trading online and push up messages.

3. The introduction of a new product for companies - Financial Leasing, with BNU also promoting it at several conferences in which it participated as a Speaker:
   3.1. Guangdong - Hong Kong - Macao, Greater Bay Area Financial Forum;
   3.2. Financial Leasing - Its origin, laws and commercial activities;

6 Please refer also to the 2019 Milestones
3.3. Macao SAR Featured Finance and Wealth Management Forum; and

3.4. Forum on Chain and Franchise Business Opportunities of International Brands.

4. Continued focus in housing loan’s promotion, highlighting special benefits for Macao Mortgage Loans as well as for Housing Loans in Portugal.

5. Extension of the UnionPay QR code mobile payments to the Consumer Presented Mode.

6. Communicating to BNU UnionPay credit cardholders the E-Park app for easier convenience when parking.

7. Offer of better interest rates for online depositors.

8. Strong focus on credit card promotions to increase credit card spending and customer loyalty.

9. Launching a Pre-approved Personal Loan as well as participating in the International Automobile Exposition with an attractive Car Loan offer.

10. Organizing a dedicated seminar to promote BNU Mutual Funds followed by a campaign to incentivize this type of business.

11. Special campaigns for SMEs involving both price reductions and new loan products covering all business lines and different needs.

12. Direct mail marketing to newly established SMEs informing them about BNU financial services.

Advancing the role of BNU as a Banking partner for the business between the Greater Bay Area (GBA) and the Portuguese Speaking Countries (PSCs)\(^7\)

1. BNU helped to organize and participated in several visits to the PSCs and to the GBA:
   a. To Mozambique, Angola and Cape Verde together with AMCM and BOC;
   b. To São Tomé and Príncipe, with IPIM (Macao Trade and Investment Promotion Institute) and Forum Macao, related with the Annual Meeting of Entrepreneurs for Economic and Trade Cooperation between China and the PSCs;
   c. To Portugal, in cooperation with the Macao Platform and CGD, related with the GBA promotion among Portuguese companies and the promotion of Mainland China Companies in the PSCs; and

\(^7\) Please refer also to the 2019 Milestones
d. To three GBA cities, Shenzhen, Huizhou and Dongguan, to promote Macao’s Financial Services in Mainland China.

2. Participated in the MIF/PLPEX international fair to promote BNU’s corporate financial services among PSCs and PRC companies; the invited country was Cape Verde, co-sponsored by BNU and Banco Interatlântico, with also a jointly produced leaflet highlighting the advantages of investing in Cape Verde.

3. Signed a Protocol with IPIM to promote the business between China and the PSCs.

4. Participated as a Speaker in the following Seminars:
   a. Seminar “Special Featured Financial System of Macao - Challenges and Opportunities”, held at the AMCM’s Auditorium where the role of Macao as the RMB Settlement Platform for the PSCs was discussed;
   b. Forum for Macao Investment Cooperation - Presentation on the Trade Cooperation Services Platform between China and the PSCs; and
   c. Seminar “The Guangdong-Hong Kong-Macao Greater Bay Area and the opportunities for the PSCs” organized by the newspaper Plataforma Macao.

5. Signed a multi-lateral agreement with ICBC Beijing to include BNU as part of the financial group to provide financing to Chinese companies interested in expanding their business under the One Belt, One Road Initiative (BRI).

6. Promoted CGD’s advantages as the biggest bank in Portugal and as a Government owned bank to play a key role in the development of the business between the PRC and the PSCs.

**Improving Communication with Customers and other Services**

Digital communication has also been a strong focus during 2019 in which several initiatives were carried out in order to reach more clients and especially Generation Z:

1. Increase of Facebook posts, covering not only products and campaigns promotions but also other BNU activities under the Corporate Social Responsibility Program and the Go Green Project.

2. Improvement of WeChat automatic reply upon client enquiries.

3. Launch of an Online Game to increase BNU App users.

4. Insurance campaigns with more attractive benefits in online channels.

5. Branch queuing system enquiry available in BNU App and BNU website.
6. Launch of a new institutional website, with a brand new image and features, namely the “Call me back” function that allows customers to request the bank contact for a designated purpose.

**We listen to our Customers - Monitoring Market changes and Customer Service Quality**

Monitoring market changes and the Bank’s customer service quality are very important to continue developing our products and services in addition to improving our internal processes in order to maintain a sustainable growth.

The Bank provides several channels, one of them being our 24-hour Service Hotline, for customers to register their suggestions and complaints that are analyzed and followed up in a dedicated committee.

As in previous years, BNU also carried out a “Mystery Customer Program” to assess the quality of its customer service and its available products. In 2019, this Program had the support of an external company and several improvements were implemented. Conclusions are also carefully analyzed and measures are taken to improve the customer’s experience and satisfaction.

**Volunteering and Social Responsibility**

Marketing and Human Resources are two of the key areas involved in organizing and promoting volunteering experiences for all employees. Marketing is also very much involved in the organization of the BNU green, social, sponsoring and other sustainability activities. For full details, please refer to the Sustainability Report.

**5.9 - INTERNAL CONTROL**

The internal control system is the set of strategies, principles, processes, systems, policies, rules and procedures established in BNU to ensure:

1. Performance objectives, i.e., the efficient and profitable performance of the activity over the medium and long term;
2. Information objectives through the existence of financial and managerial information which is accurate, complete, reliable and delivered on a timely manner to support the decision-making and control processes; and
3. Compliance objectives guaranteeing the observance of all the applicable legal and regulatory dispositions and requirements, the prevention of money laundering and the
financing of terrorism and the adherence to high standards and practices of professionalism and ethical behavior.

The internal control system is based on the Compliance function, the risk management function and the internal audit function, which are carried out by divisions that operate transversally across the Bank.

The management of the internal control systems is also attributed to certain structural Bodies as detailed in the Corporate Governance chapter.

5.9.1 - COMPLIANCE

In 2019, the Compliance Department continued to ensure the coordination of the overall management of the compliance risk in BNU and the safeguard of the proper implementation of all procedures adopted by the Bank to prevent Money Laundering and the Financing of Terrorism. The Compliance Department continued to reinforce and strengthen the adherence to legal and regulatory requirements and to promote actions that contribute to an organizational culture of compliance, supported by high standards of ethics and integrity by carrying out the following key initiatives:

- Compliance risk monitoring, assessment, counselling and audit;
- Transactions’ monitoring and screening;
- Oversight of market conduct compliance;
- Code of Conduct and Conflict-of-Interest Prevention and Management Policy monitoring; and
- Bank-wide trainings on Code of Conduct, Anti-Money Laundering and Countering Financing of Terrorism and compliance requirements.

5.9.2 - RISK MANAGEMENT

BNU adopts a prudent and proactive risk management strategy ensuring the adoption of the best practices in all risk management areas.

The person ultimately in charge of BNU's risk management function is the CRO (Chief Risk Officer), who is also a member of the Executive Committee and of the Board of Directors of BNU. BNU's CRO is globally responsible for monitoring the bank's risk management framework and in particular for ensuring the adequate and effective operation of the risk management function.
The Risk Management Division is the area responsible for the management and control of the bank's financial and non-financial risks (except for the legal and compliance risks, funding risk and IT risk), with the objectives of:

- Achieving stability, short-term liquidity and long-term solvency and a solid risk management framework; and
- Performing assessment, oversight, control and reporting functions on the financial and non-financial risks to which the Bank is exposed remaining always aligned with the risk appetite approved by the Board of Directors.

**Principal developments in 2019**

The major developments regarding the risk management practices in BNU in 2019 were the following:

- The strengthening of the risk management function governance framework, including implementing new corporate policies and reviewing and updating the existing ones regarding credit risk, market risks, liquidity risk, operational risk, country risk, the Internal Capital Adequacy and Assessment Process (ICAAP) and Stress Tests;

- The establishment of a standardized monthly risk-reporting framework. Within this framework there are two sub-reports: 1) The Integrated Risk Report and 2) The Impairment, Non-Performing, Portfolio Monitoring Reports;

- The implementation of the monthly layout standard, a project among all the entities in the CGD group to establish a reporting model of month-end liquidity and interest rate risk data with a monthly liquidity report to be generated automatically for analysis purposes;

- The development of studies of the past performance of sight and savings deposits (Non-Maturity Deposits) with the aim of reinforcing BNU's liquidity projections; and

- The revision of the housing loan scoring model with the update of several variables and scoring factors to reflect the bank's latest business strategy and risk appetite.
RISKS BY TYPES

1. OVERALL

At least once a year, BNU reviews its Risk Appetite Statement (RAS) ensuring that it is aligned with all the regulatory requirements and the best market practices in order to guarantee the Bank’s profitability and the satisfaction of its stakeholders in a sustainable way with an appropriate level of risk. The Board of Directors approves this periodic RAS review.

The RAS consists of 32 metrics covering key risks relevant to the Bank’s activity including Solvency Risk, Business and Strategy Risk, Credit Risk, Concentration Risk, Liquidity and Funding Risks, Interest Rate Risk, Foreign Exchange Risk, Market Risks, Sovereign Risk, Operational Risk and consolidated risk metrics within the group.

In 2019, several metrics within the RAS were updated and all the RAS metrics were calculated and monitored against their limits.

Other developments in 2019

As referred, the standardized monthly risk report framework was introduced in 2019, with two sub-reports: The Integrated Risk Report and the Impairment, Non-Performing and Portfolio Monitoring Report.

The Integrated Risk Report includes a macroeconomic overview (past, current and future months), different risk metrics, trends and analysis of the large monthly deviations of the metrics used for credit risk, liquidity risk, interest rate risk, market risks and operational risk. The Impairment, Non-Performing and Portfolio Monitoring Report includes the breakdowns of the credit metrics and the levels and details of the top clients in each of these credit metrics.

In 2019, the Risk Management Division also coordinated the Internal Capital Adequacy and Assessment Process (ICAAP) questionnaire involving other areas of the Bank in order to determine the internal risk perception of each business unit. A new policy related to ICAAP was implemented, which has reinforced the existing ICAAP process.

The Risk Management Division, in collaboration with the Information Technology Division and the Compliance Division, also carried out an overall risk assessment on each new product/service before they were launched in the market.
2. CREDIT RISK AND CONCENTRATION RISK

The Risk Management Division is responsible for assessing and controlling the loan portfolio credit risk, which is based on the use of aggregate exposure levels, Non-Performing Exposures (NPE), Non-Performing Loans (NPL), coverage ratios and on other credit risk metrics.

In 2019, the Bank continued to use the IFRS 9 credit impairment model, with the calculation of the impairment based on the borrowers’ creditworthiness and on the level of protection of the existing collateral. The credit impairment model continued to be governed by the collective and individual impairment as described below:

- Collective impairment: the expected losses per risk sub-segment are assessed on exposures that are not considered in the individual impairment. They include assets with similar risk characteristics (credit segment, type of collateral, payments history, ratings and scoring models); and

- Individual impairment: an individual assessment is made on customers with exposures considered individually significant to the bank. This process involves the collaboration of several BNU’s units, such as the Commercial Units, the Credit Risk Division and the Credit Recovery Area with the Risk Management Division bearing the ultimate responsibility for the procedure and the final assessment as a whole.

Other related credit risk reports carried out monthly by the Risk Management Division include bank exposures by products and sectors, bad debt by products, overdue by instalments and outstanding, Loan to Value ratio (LTV), negative equity etc.

To comply with the local regulatory requirements, a Mortgage Lending Scenario Analysis for the bank’s mortgage portfolio was reported twice in 2019. These analyses involve several aspects such as the Macao property market and the interest rate environment, LTV and the impact on the LTV assuming different percentages drops of the market value of the property, different debt-servicing ratios and the impact if lending rates increase by different percentages.

In terms of concentration risk, the Risk Management Division also monitors the top exposures of clients or of groups of connected clients as well as their concentration level in relation to the bank’s own funds.
3. MARKET RISKS and FOREIGN EXCHANGE RISK

Market risks consider the potential negative impacts in profit and loss or in the Bank’s capital originated by unfavorable price movements or market rates fluctuations.

Value-at-Risk (VaR) was assessed on a daily basis for all types of market risks (interest rate risk, bonds risk, exchange rates risk and volatility risk), using the historical simulation method and the different confidence levels dependent on the objectives for holding the portfolios. Two alternative market risks metrics were also used: the ES (expected shortfall) and the 3W (three worst scenarios).

The Foreign exchange risk was individually controlled and assessed on a daily basis regarding all the banking activities and the Foreign Exchange Open positions and the VaR were monitored on a daily basis.

The statistical results above were also back-tested by comparing the predictive values calculated from the risk model with the actual data on the daily changes of the bank’s portfolio, in order to monitor the performance of the risk models used by the Bank.

The Risk Management Division monitored all the Market Risks and Foreign Exchange metrics on a daily basis and any limit breaches and corrective actions were closely followed up. In 2019, the process was enhanced by implementing a new corporate policy that defines the rules of reporting, timings and action rules regarding market risks limits breaches.

4. INTEREST RATE RISK

The interest rate risk is the risk incurred when adverse interest rates movements affect the bank’s earnings and the economic value of capital.

The bank continued to measure interest rate risks using interest rate gap models, duration gaps and sensitivity of the economic capital value (by assuming different parallel shocks in interest rates) in 2019. In addition, two risk metrics: the economic value of equity at risk (var. ±50bp) as a percentage of Own Funds and the Impact on earnings of 12-months’ accumulated repricing gap (var. ±50bp) were closely monitored on a monthly basis.

To comply with the local regulatory requirements, an Interest Rate Risk Return report was submitted four times in 2019. Specifically, interest rate sensitive assets, liabilities and off-balance sheet positions in the banking book for MOP, HKD and USD positions (and also other positions...
that represent more than 5% of the bank’s assets and liabilities) are assessed in different time bands. Moreover, an analysis of interest rate exposures at a shock of 200 basis points parallel shift was carried out by applying factors to the net weighted position in each time band.

5. LIQUIDITY RISK

Liquidity risk involves the possibility of a gap or mismatch between the bank’s assets and liabilities, due to the nature of commercial banking activities (i.e., borrow short and lend long).

Different tools were used to assess and manage the liquidity risk in BNU. The Contractual liquidity gap and the Structural liquidity gap were assessed and controlled, incorporating also the studies on the past performance of depositors in terms of current and savings accounts carried out by the Parent Bank - CGD. Several liquidity ratios were calculated and closely monitored, such as the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). In addition, Maturity Mismatching Analysis and Stress Tests were carried out to analyze the bank’s cash inflows, outflows and the accumulated cash flows in future periods.

Following the guidelines on the Management of Liquidity Risk issued by AMCM, the Risk Management Division calculated and monitored the internal liquidity ratios and stock of liquid assets on a daily basis.

To comply with CGD’s Risk Framework, several exercises were continually done in 2019, including 1) the daily Single Supervisor Mechanism (“SSM”), which monitored the daily liquidity evolution and the largest counterparties; 2) the annual SSM exercise was performed during one week straight as requested by the European Central Bank (“ECB”), as an extension of the daily SSM; and 3) Additional Liquidity Monitoring Metrics (ALMM), which cover information on the concentrations of funds, cost of funds and roll over of funding.

The Liquidity Contingency Plan (LCP) was also reviewed and updated from several perspectives in 2019. First, several liquidity ratios defined in the risk appetite statement and other liquidity ratios were incorporated as the early warning indicators (EWI). Secondly, the different trigger levels of each EWI were reviewed and updated to reflect the latest business activities and the risk tolerance of the Bank. Finally, all these changes were assessed by back testing. A drill exercise regarding the Liquidity Contingency Plan was also done and several actions and listings of simulated transactions for the drill exercise were evaluated.
6. OPERATIONAL RISK

The Bank’s operational risk involves the risks of negative impacts on results or capital arising from failures in the analysis, processing or settlement of operations, from internal and external fraud, usage of subcontracted resources, internal inefficient decision-making processes, insufficient or inadequate human resources, or the inoperability of infrastructures.

Operational risk management comprises four stages: identification, evaluation, monitoring & communication and mitigation. In 2019, the Bank continued to strengthen the operational risk management through the following:

- The identification and collection of events and losses from operational risks and the validation of processes to ensure the accuracy and completeness of the operational risk event information.

- Key Risk Indicators (KRI), the metric used for regular and proactive monitoring the exposure to operational risk, helping to detect in a timely manner the processes where risk exposure is increasing ensuring the timely establishment of mitigation measures. To reflect the changing business environment, the Bank carried out the review of the existing KRIs and proposed their update.

- Self-assessment of risks and controls to complement the information collected about the occurred events, characterizing the operational risk profile of the processes based on the sensitivity and experience of the respondents/assessors. The Bank’s processes must be subject to a self-assessment exercise carried out at least every three years while the processes in which the control may be insufficient in relation to the level of risk ascertained are subject to self-assessment exercises carried out at least annually.

The Bank executed the self-assessment for eleven processes in 2019. Based on the responses obtained, the bank determines the results for the whole process (Low, Moderate, Material and High) and after combining it with the evaluation by Internal Audit, the process is established in an evaluation matrix according to their classification for monitoring the risk as per the pre-defined tolerance value.
7. COUNTRY RISK and SOVEREIGN RISK

Country risk is associated with the economic, social and political conditions within a foreign obligator’s home country/jurisdiction. For instance, deteriorating economic conditions or political and social unrest in a foreign country may affect the ability of a borrower in that country to fulfil his obligations.

In 2019, the whole process of country risk management in BNU was reviewed and updated. An individual country analysis was implemented for each country for which the Bank had an exposure to, which was used to determine the internal risk level of the country. The country risk exposure reporting system and the country risk stress tests were also analyzed on a monthly and quarterly basis respectively.

Regarding sovereign risk, three metrics were closely monitored throughout the year, namely the Duration of Sovereign bond portfolio, the Exposure to national sovereign risk (in Macao, including also the public sector) and the Sovereign debt exposure (excluding Macao) as a percentage of Own Funds.

8. OTHER RISKS

For reputational risk, four Customer Service Quality Committees (CSQC) were held in BNU in 2019. The Risk Management Division analyzed the statistics, details, the action plans of the complaint cases received, the customer’s suggestions and compliments and presented these results during the CSQC meetings.

For business and strategy risk, three metrics were closely monitored throughout the year: the Return on Equity (ROE), the Return on Assets (ROA) and the Cost-to-Income (recurrent).

For solvency risk, three metrics were closely monitored throughout the year: the Total capital ratio, the Risk-Weighted assets for credit risk and the Leverage ratio.

OBJECTIVES FOR 2020

As in previous years, 2020 will also be a particularly challenging year for the Risk Management Division and the Bank as a whole. The following were identified as the main objectives for 2020:
➢ Continue to strengthen the risk management culture, the risk management function and the risk awareness in the Bank.
➢ Review all the risk limits and update/implement new limits if necessary.
➢ Review and update all existing models in the Bank.
➢ Introduce new risk concepts and implement new models such as the Risk-Adjusted Pricing, Behavioral maturity/repricing models and Additional Valuation Adjustments (AVA).
➢ Implementation of the Internal Liquidity Adequacy and Assessment Process (ILAAP).
➢ Review and update the recovery plan.

5.9.3 - INTERNAL AUDIT

During 2019, the Internal Audit Department continued to provide independent and objective assurance as well as consulting functions by evaluating and improving the effectiveness of the risk management, control and governance processes through a systematic and disciplined approach to help the Bank to accomplish its objectives. The major works carried out can be categorized into:

- Audit Actions (both planned and unplanned).
- Continuous Auditing.
- Investigations (especially on fraud and phishing cases).
- Test of Controls on Macro-Processes.
- Giving opinions on internal rules & guidelines and on Bank’s projects from the viewpoint of internal control, as well as participating in various security committees including the Cyber Security Committee (CBSC) and the Information Systems Security Group (ISSG).

Changes in technology in the financial industry will continue to be one of the most significant disruption with impact on both business and strategic risks. Therefore, it is essential that Internal Audit keeps up with the technological and business environment changes. BNU’s Internal Audit continues to invest in people with knowledge of technology-based audits and of data analysis techniques. Furthermore, during 2019 a new internal audit management software to increase work consistency and efficiency was installed and implemented.
5.10 - CREDIT RISK DIVISION

Credit Risk is the risk associated with the financial losses derived from or the degree of uncertainty associated with the ability of a customer/counterparty to meet its obligations.

Given the nature of the banking activity, credit risk is very relevant and, notwithstanding its interconnection with other risks, it represents one of the largest parts of the Bank’s overall exposure to risk.

BNU’s Credit Risk Division (DICRE) analysis, issues opinions and decides (up to a certain level and risk conditions) on credit granting transactions or other transactions involving exposures of the Bank pursuant to the Bank’s Credit Regulations and the delegation of powers in force from time to time.

During 2019, and in order to centralize the credit decision, DICRE was also made responsible for the whole credit granting process, either through the proposal to the Executive Board of the definition of the parameters on which the delegated decision must be made or through the case-by-case analysis or decision of each transaction.

Methodology

BNU, as a wholly owned Subsidiary of CGD, has implemented all the guidelines used by its Parent Bank in the risk identification and assessment of its credit operations. These guidelines cover all customer segments and involve the risk analysis prior to the initial decision making involved in granting credit, the monitoring of the loan/exposure throughout its life and the need to gather and maintain the necessary relevant data:

- At the point of origination, all credit operations must be economically viable, comply with BNU’s credit policy, satisfy the capital requirements regulations in terms of the use of the Bank’s own funds and the defined solvency ratio and be aligned with the Bank’s overall risk strategy ensuring also they are in line with BNU’s risk appetite framework.

- The credit granting analysis and decision must also take into consideration among other factors: (i) the purpose and the specific conditions of the actual operations to be financed; (ii) the good standing, business, technical and financial capacity of the borrowers and their representatives; (iii) their previous relationships with BNU, the CGD Group and the financial system in general, as well as the global amount of their existing exposures to the Bank, the CGD Group and the financial system.
• The amount and maturity of each transaction must be commensurate with its nature, purpose and with the material conditions of the actual underlying transaction

• The conditions of each credit operation regarding guarantees and interest rates must be defined according to the degree of credit risk involved and the client's overall relationship with BNU and the CGD Group, always taking also into account the Bank's credit policy.

• For clients with a more significant level of exposure, or with other increased risk criteria/triggers, the credit risk evaluation, in addition to incorporating both financial information and qualitative elements, is also subject to an individual analysis by a team of analysts who prepare credit risk analysis reports and issue an opinion on the credit risk. This individual analysis includes (i) the consideration of several up-to-date information on defaults and incidents towards BNU, the CGD Group and the rest of the banking system, tax and other liabilities towards the Government or the public sector, pledges, lawsuits, etc. (ii) the assessment of the managerial capacity of the company; (iii) duly consideration of the reasonableness of the proposal, (iv) the evaluation of the repayment ability of the borrowers/projects, adjusting the repayment profile when the risk is considered manageable and (v) the proper consideration of credit risk mitigating factors such as guarantees, covenants, etc.

• The credit analysis is always based on the economic group the proponent belongs to, collecting information on all the relevant connected parties in the same group, their risk assessment and their existing exposures. It also includes the analysis of the borrower’s sector of economic activity.

5.11 - OPERATIONAL SUPPORT DIVISION

BNU’s path to a growing digitalization includes also the digitalization, automation and simplification of processes to improve the efficiency and competitiveness of the Bank and enhance the services provided to our customers.

BNU’s Operational Support Division (DIOPE) was one of the major areas involved in this path in 2019 and was responsible for the following initiatives, amongst others:

1. The launch of Cashier Order and Gift Cheques with QR codes in the Cheque Clearing Automation system (CCAS);
2. The automation of the Online Auto Pay instructions in the Bank Auto pay system;
3. The streamlining of the process of HKD transfers to local banks with SWIFT messages (MT 103), reducing in this way the receiving time by the beneficiary; and
4. The installation of the SWIFT Security Patch and SWIFT Alliance Access Update 7.2.7.0., enabling a more effective and efficient operation of the Bank’s SWIFT system.

DIOPE also carried out all the required testing for the successful launch of the Financial Leasing by the Bank in June 2019.

BNU also issued the 20th Anniversary Commemorative Bank Note of the Handover of Macao to China. This is a very meaningful Bank Note for the residents of Macao, illustrating the return of Macao to China in 1999. Since then, Macao registered a considerable development changing into an International city.

5.12 - PROCUREMENT
In 2019, the Procurement Division of BNU (PECON) revised the procurement policies in order to centralize the Bank’s procurement and purchasing processes and achieved substantial costs savings and efficiencies in the acquisition of supplies and services remaining well under budget.

It also finalized the selection of a new procurement software embracing also a digital solution for this area.

5.13 - HUMAN RESOURCES
In 2019, the Human Resources area (REHUM) worked in the implementation of a new HR system, which will be launched in the beginning of 2020. This system will produce further automation and will provide better management information.

Several measures were taken to retain quality staff including also studies subsidy programs and as a result, there was a significant decrease in the turnover rate.

To strength our recruitment advantage in the new generations, the Bank participated in career roadshows organized by local universities and in the Youth Career Expo 2019. The Bank also co-operated with local universities, Macau Institute of Financial Services (IFS) and the Education and Youth Affairs Bureau (DSEJ) to offer internship opportunities to college and universities’ students.
5.14 - ORGANIZATION AND PROCEDURES

The area of Organization and Procedures (ORGAP) continued to collaborate with all BNU areas to develop and review periodically a list of repository of policy and procedures for the implementation of CGD’s global standards and for regulatory and compliance requirements throughout 2019. In addition to policy and procedure matters, along the year, ORGAP also played the role of project management office for the following:

- Process optimization through the Branch efficiency project;
- Process turnaround time analysis of key business and operation processes to ensure the best customer experience and identify improvement opportunities;
- Annual Business Continuity Management;
- Central Archiving Phase II (backlog scanning); and
- Common Reporting Standard (CRS): remediation and reporting of low value accounts and other customers’ entities

5.15 - IT SYSTEMS

The Bank continued to invest heavily in technology to keep up with its technology savvy customers. The BNU App was enriched with more features like stock trading and foreign bank notes requisition. Online banking was also revamped for both companies and individuals.

The bank also completed the contactless cards issuing and acquiring for VISA, Master, UnionPay, and American Express. The Bank was also one of the first two banks to launch the Apple Pay in Macau for credit cards and the only one to launch it for debit cards.

Both UnionPay debit and credit cards support the UnionPay QR Code payment, UnionPay credit card also supports the E-Park and savings account can support the top up and express payment for e-wallet MPay.

The Bank continues to work with more parties to provide more mobile payment services.

In line with the business growth, we are upgrading the critical systems to expand the capacity. The Bank also complies fully with the Cybersecurity Law and has also invested in the continuous upgrade of the IT infrastructures, enhancing network performance, functionality, expandability and efficiency.
5.16 - FINANCIAL CONTROL AND CORPORATE DEVELOPMENT DIVISION

The Financial Control & Corporate Development Division (DIFCC) incorporates the Departments of Accounting, Planning & Management Information and Corporate Development.

During 2019, DIFCC continued to ensure that the Bank complied with all the Local Accounting Standards, CGD’s Accounting Standards for Consolidation purposes, the Group Accounting Policies and all the statutory requirements delivering accurate and timely financial reporting.

DIFCC also monitored the Bank’s performance, evaluating the degree of achievement of the financial and strategic plans and goals of BNU, producing valuable information for management purposes too.

Financial information is prepared according both to the Financial Reporting Standards issued by the Macao SAR and to the Financial Reporting Standards adopted by the Parent Bank CGD in the accounts and financial statements provided for consolidation purposes.

The main works performed in the Division, either on a regular basis, or specific for the year can be summarized into:

- Ensuring precise financial record keeping and producing, processing and developing financial information on the Bank’s activity;
- Providing timely, accurate and smooth reporting to the local Authorities, to CGD and for disclosure purposes;
- Implementation of IFRS 16 Leases for grouping to parent company;
- Coordinating BNU’s strategic planning activities, recommending objectives and preparing the Funding and Capital Plans and Budgets;
- Revising the Funding and Capital Plan (FCP) when required;
- Monitoring and tracking actual financial performance and its deviations in relation to the FCP and to the goals of the Bank;
- Providing several reports and other information for management purposes;
- Providing information to CEXEC and participating in several meetings and attending and presenting information in some of them;
- Evaluating profitability and cost benefit analysis of products and lines of business;
• Working with the different business units providing them with financial and product information;

• Providing studies and analysis of potential business opportunities; and

• Participating in projects led by CGD to provide more granular and detailed information in a more automated way and in the implementation of these projects such as the Corporate Information Platform Project.
6 – CORPORATE GOVERNANCE

6.1 - TOP MANAGEMENT

Organic Structure of Top Management

Top Management of BNU - Macao includes:

- Board of Directors;
- Executive Committee;
- Remuneration Commission;
- Audit and Internal Control Commission;
- Risk Commission;
- Asset and Liability Committee;
- Cybersecurity Committee;
- Operational Risk and Internal Control Committee;
- Credit Committee;
The general organic structure includes the following divisions:

- Personal Banking Division;
- Large Corporate Division;
- Corporate Banking Division/Team 1;
- Corporate Banking Division/Team 2;
- Operational Support Division;
- Risk Management Division;
- Credit Risk Division;
- Financial Control & Corporate Development Division;
- Treasury Division;
- Information System Division; and
- Hengqin Branch

6.1.1 - CADMI – Board of Directors (Conselho de Administração)

The Board of Directors is the ultimate administrative, management and decision-making body, being its responsibility to represent, manage, direct and supervise the Bank, as well as the performance of all the acts necessary to achieve its mission objectives.

The following are non-alienable duties of the Board of Directors:

a) To approve the strategies, plans and general policies of the Bank, especially the annual and multiannual budget and Strategic Planning;

b) Approve the investment policy;

c) Change or modify the Bank’s structure;

d) Acquisitions of equity participations in a percentage over 20% of the acquired company’s shareholders equity or when the acquisition price is in excess of 10 million Patacas. For acquisitions of equity stakes or assets representing a branch of activity or business unit (and in additional to the approval circuits and delegation of powers already in place), BNU Macao will inform CGD's Compliance Area and Restructuring Office prior to the execution of the operation in order to assure full compliance with the Commitment at stake; and

e) Acquisition of assets, tangibles or intangibles, or substantial third party services contracts, or others, in the name of the Bank. It is considered a substantial contract when it implies
a payment in excess of 40 million Patacas or other contracts specifically referred in the “BNU Board of Directors Regulations”.

The Board of Directors is formed by a number of members as specified by the General Assembly, within the limits set by the Bank’s statutes. Any person or company, not necessarily shareholders, can be members of the board.

Currently, the Board of Directors is composed of 3 to 9 members and has the following composition:

* President – CGD nominated person
* Vice-President – President of the BNU Executive Committee; and
* Six members – three members of the BNU Executive Committee, two members of the CGD Executive Committee, and one independent person.

6.1.2 - CEXEC – Executive Committee (Comissão Executiva)

The Executive Committee is a specialized committee of the Board of Directors with executive functions for taking binding decisions for the Bank, according to the delegated powers.

Such power delegation may include all the powers of the Board of Directors except those that legally, statutorily or according to the “BNU Board of Directors Regulations” cannot be delegated.

The Executive Committee is formed by a number of members designated by the Board of Directors, not less than three, chaired by one of the vice-presidents of the Board of Directors.

Currently, the Executive Committee is formed by the following members:

* President – Vice-President of BNU’s Board of Directors;
* Member – a member of BNU’s Board of Directors primarily responsible for internal administration and operational function;
* Member – a member of BNU’s Board of Directors primarily responsible for commercial activity; and
* Member – a member of BNU’s Board of Directors primarily responsible for IT & e-banking operations.
6.1.2.1 - President of the Executive Committee (Presidente da Comissão Executiva)

Without detriment of the duties specifically assigned to the Executive Committee, as a collegial body, the President of the Executive Committee (Presidente da Comissão Executiva) shall:

i. Summon and chair the meetings of the Executive Committee, setting up the respective agenda and ensure the execution of the decisions taken;

ii. Coordinate the relationship between the Executive Committee and the Board of Directors and submit to this one the proposals of the Executive Committee;

iii. Submit to the Board of Directors the Executive Committee proposal about the Bank’s annual budget as well as the big investments;

iv. Coordinate the relationship between the Executive Committee and the Board of Directors’ delegated committees, attending the respective meetings whenever deemed convenient;

v. Oversee the promotional activities of an institutional nature;

vi. Promote, organize, manage and chair representative and institutional events and assure the external representation on such events.

The President of Executive Committee, assuming the role of Chief Executive Officer (CEO), has the primary responsibility over:

- AUDIT – Internal Audit
- DICRE – Credit Risk Division
- DIFCC – Financial Control and Corporate Development Division
- TREAS – Treasury Division
- REHUM – Human Resources
- Representative Offices
- MARKT – Marketing & Public Relations

6.1.2.2 - Member of Executive Committee (Vogal da Comissão Executiva)

The Member of the Executive Committee (Vogal da Comissão Executiva) who as an Executive Director (ED) is responsible for the functions of internal administration and operations and also acts as the Chief Risk Officer (CRO) has the primary responsibility over:
- DIOP – Operational Support Division
- DIRIS – Risk Management Division
- COMOF – Compliance Office
- ORGAP – Organization & Procedures
- PECON – Procurement (Supplies & Facilities)

The role of this ED is to design, develop and implement operational strategic plans for the Bank in a cost-effective and time-efficient manner as well as being responsible for the day-to-day operation of the Bank.

6.1.2.3 - Member of the Executive Committee (Vogal da Comissão Executiva)

The Member of the Executive Committee (Vogal da Comissão Executiva) who as an Executive Director (ED) is responsible for the commercial activity has the primary responsibility over:

- DBANK – Personal Banking Division
- DCORL – Large Corporate Division
- DCOR1 – Corporate Banking Division/Team 1
- DCOR2 – Corporate Banking Division/Team 2
- AGHQN – Hengqin Branch

The role of this ED is to design, develop and implement business strategic plans for the Bank in a cost-effective and profit driven manner as well as being responsible for the day-to-day business development of the Bank.

6.1.2.4 - Member of the Executive Committee (Vogal da Comissão Executiva)

The Member of the Executive Committee (Vogal da Comissão Executiva) who as an Executive Director (ED) is responsible for IT and e-banking operations has the primary responsibility over:

- SINFO – Information Systems Division
- PHOBG – Phone Banking Call Center
- CRECA – Card Center
- ARCRE – Credit Recovery Area
- ARSCA – Archiving & Scanning Area

The role of this ED is to design, develop and implement strategic plans in a cost-effective and operation efficient driven manner for the day-to-day IT and e-banking operations of the Bank.

6.1.3 - CACI – Audit and Internal Control Commission (Comissão de Auditoria e Controlo Interno)

1. Composition of the Commission

1.1. The Audit and Internal Control Commission shall be composed of 3 (three) to 6 (six) Members, as set out by the Board of Directors.

1.2. The members of the Audit and Internal Control Commission are appointed by the Board of Directors, from among Directors who are not members of the Executive Committee and members of the Supervisory Board.

1.3. The members of the Audit and Internal Control Commission must have the appropriate professional qualifications and experience to carry out the respective duties.

2. Competences

2.1. Without prejudice to the legal powers attributed to the Supervisory Board and the responsibilities of the Risk Commission, it is incumbent upon the Audit and Internal Control Commission to:

a) Monitor the activity of the BNU Executive Committee;
b) Ensure compliance with all the legal and regulatory provisions, BNU by-laws and regulations issued by the supervisory authorities, as well as internally instituted general policies, standards and practices;
c) Monitor (i) the process of preparation and disclosure of financial information, (ii) the appropriateness and compliance with the policies, criteria and accounting practices adopted by BNU, in accordance with the applicable accounting standard; (iii) the statutory audit and other work performed by the Statutory Auditor/External Auditor;
d) Evaluate and promote the effectiveness and efficiency of the Internal Audit Function,
ensuring the direct functional reporting of this function;

e) Conduct a critical appraisal of BNU’s Internal Control System, accompanying the complementary autonomous evaluations that are assigned to the Internal Audit Function, in accordance with the Macao Financial System Legal Framework, as well as Article 21.7) of Bank of Portugal Notice 5/2008 and ensuring that its effectiveness and completeness contribute to the effectiveness and efficiency of the Internal Control System; and

f) Evaluate the independence of the Statutory Auditor Company, including the monitoring of the contracting of additional audit services to be provided by that company to BNU. Ensure the independence of the Statutory Auditors and the Entities within their Network, namely when they are providing additional non-audit services to BNU.

2.2. The powers conferred on the Audit and Internal Control Commission cover all BNU.

2.3. In the performance of the competences referred to in section 2.1(b), it is incumbent upon the Audit and Internal Control Commission to:

a) Promote in BNU the pursuit of the fundamental objectives in matters of internal control and compliance and reputational risk management set by the Monetary Authority of Macao, and, provided this does not violate any legal or regulatory rule, including any notices and directives issued by AMCM, which are in force or will be in force in Macao, the ones set by Bank of Portugal and the European Central Bank in their supervisory directives applicable to credit institutions and financial companies;

b) Be aware of prudential reports relating to the non-consolidated and consolidated BNU’s activity;

c) Be aware of all inspection actions carried out by Monetary Authority of Macao and other entities on RAEM in the strict exercise of their powers;

d) To take note of the annual reports provided for under the Macao Financial System Legal Framework, as well as the directives of the Monetary Authority of Macao, and in accordance with Articles 16/1/b), 17/1/f) and 22/1/c) of Bank of Portugal Notice 5/2008, to be prepared by the Risk Management, Compliance and Internal Audit Functions and monitored by the Internal Control function;

e) To take note of the annual opinion(s) issued by the Supervisory Board on the adequacy and effectiveness of the internal control system and the opinion of the Statutory Auditor(s) on the internal control system underlying the process of preparing and disclosing financial information, pursuant to the above Notice; and
f) To take note of the Compliance and Risk Management Functions activity plans after their approval by the Risk Commission.

2.4. In the performance of the competences referred to in section 2.1(c), it is incumbent upon the Audit and Internal Control Commission to:

(a) Review BNU financial statements, the individual and consolidated activity and the opinions of the external auditor/statutory auditor on them;
(b) Evaluate the reliability of the accounting information disclosed internally and externally;
(c) Review the calculation of income taxes; and
(d) Following up on the activities and issuing an opinion on the external audit activity plans to be reviewed and approved by the Supervisory Board.

2.5. In the performance of the competences referred to in section 2.1(d), the Audit and Internal Control Commission shall have the following responsibilities in relation to BNU:

a) Approving the internal audit activity plans, after the Supervisory Board issues its opinion on them and ensuring their follow-up;
b) Obtaining regular and updated information on the areas or subjects covered by the audits carried out by the Internal Audit Division;
c) Reviewing the activities carried out each semester by the Internal Audit Division;
d) Monitoring the evolution of the main processes under the responsibility of the Internal Audit Division, in particular those related to the adequacy and qualification of human resources and technological innovation;
e) Reviewing the conclusions of the respective audit actions and conveying to the Executive Committee and the Supervisory Board any recommendations it may deem appropriate regarding the matters audited; and
f) Monitoring on its own recommendations to address deficiencies reported in the audit reports concerning the certification of the effectiveness of the internal control system.

2.6. In the performance of the competences referred to in section 2.1(f), the Audit and Internal Control Commission also has the following responsibilities, concerning BNU:

(a) Monitor and supervise the activity of the Statutory Auditor/External Auditor; and
(b) Deliver an opinion to the Supervisory Board on the contracting of the Statutory Auditors and the Entities within its Network, for additional non-audit services to be provided to BNU, to assure the independence and compliance with applicable laws and regulations to which the activity of Statutory Auditors is subject.

2.7. The Audit and Internal Control Commission shall immediately report to the Board of Directors any detected situations that it considers to be of high risk.

2.8. The Audit and Internal Control Commission shall establish internal communication procedures with the Board of Directors, the Executive Committee, the other Special Committees and the Supervisory Board.

3. Meetings

3.1. The Audit and Internal Control Commission shall meet regularly, on a quarterly basis, as well as whenever convened by its Chairman or by any of its members.

3.2. The meetings of the Audit and Internal Control Commission shall be convened at least 5 (five) days in advance, except in cases where the Audit and Internal Control Commission needs to hold an emergency meeting to issue opinions on matters within its competence, with explicit mention of the matters on the agenda. The schedule of meetings, with date and time, approved at a meeting of the Audit and Internal Control Commission or communicated by the Chairman of the Committee is equivalent to the convening of the corresponding meetings.

3.3. The meetings of the Audit and Internal Control Commission shall be convened at least 5 (five) days in advance, except in cases where the Audit and Internal Control Commission needs to hold an emergency meeting to issue opinions on matters within its competence, with explicit mention of the matters on the agenda. The schedule of meetings, with date and time, approved at a meeting of the Audit and Internal Control Commission or communicated by the Chairman of the Committee is equivalent to the convening of the corresponding meetings.

3.4. Meetings can be convened through e-mail or by a simple verbal notification, including by telephone.

3.5. The agenda is determined by the Chairman of the Audit and Internal Control Commission, and any member of the Commission may request the inclusion of items on the agenda, which
should be addressed to the Chairman as soon as possible before the date of the meeting and accompanied by their supporting elements.

3.6. Supporting documents necessary for the meetings shall be delivered to all members of the Audit and Internal Control Commission at least five (5) days prior to the meeting date, preferably, simultaneously with the convened call or, if this is not possible, well enough in advance to allow its timely analysis by the members of the Audit and Internal Control Commission.

3.7. Except in cases where a different location is designated in the respective notice, meetings of the Audit and Internal Control Commission shall be held at BNU's head office.

3.8. The meetings of the Audit and Internal Control Commission may be held using telematics means, such as videoconference or conference call, provided that BNU ensures the authenticity of the representations and the security of the communications, and keeps a record of the contents and of the respective participants.

3.9. The meetings of the Audit and Internal Control Commission shall be presided by the Chairman, or if he cannot attend, by a member of the Commission elected by the other members.

3.10. The BNU’s Secretary (or his designee) shall support the functioning of the Audit and Internal Control Commission and the holding of its meetings.

3.11. In addition to the members of the Audit and Internal Control Commission, Directors or third parties can also may be present at their meetings, provided they are invited or authorized by the Chairman or his/her substitute at such meeting, due to the contents of the subjects to be discussed.

4. Minutes

4.1 Minutes shall be kept of all meetings of the Audit and Internal Control Commission, which shall include the proposals presented, the discussions, comments and contributions made by its Members and all participants of the BNU Directorates and CGD during the resolutions adopted, expressly stating the respective justification/basic rationale and any explanations of vote made by the Members during the meeting.
4.2 It shall be incumbent upon the Secretary, or his appointee, to circulate the meeting minutes to all members of the Audit and Internal Control Commission who attended the respective meetings, for analysis, approval and signature, in the shortest possible time after the respective meeting or at the immediately subsequent meeting.

4.3 All minutes of the meetings of the Audit and Internal Control Commission shall be kept in hard copy, in the corresponding minutes’ book, and computerized copies of those minutes must also be extracted and archived in a secure and restricted-access file.

4.4 The minutes shall be drawn up in English, without prejudice to the possibility, where necessary, of preparing translations into other language.

5. Support Structures

5.1 The Audit and Internal Control Commission may propose to the Chairman of the Board of Directors, in accordance with the budgeted amount, the hiring of services of technicians and specialists that they deem necessary for the performance of their duties.

5.2 The Audit and Internal Control Commission may appoint, when it deems necessary, one or more supporting elements with experience in the areas of their competence, to provide information and perform works with a view to substantiating its analyses and conclusions.

6.1.4 - CRISC – Risk Commission (Comissão de Risco)

1. Competences and functions:

a) Evaluate and promote the effectiveness of the Risk and Compliance Functions;

b) Monitor BNU's risk strategy and risk appetite, on an individual and consolidated basis;

c) Advise the Board of Directors on the Credit Institution’s current and future risk strategy and overall risk strategy, taking into account all types of risks, financial and non-financial, in order to ensure that they are in harmony with the business strategy, objectives, culture and corporate values of the institution and CGD Group;
d) Assist the Board of Directors in supervising the execution of BNU’s risk strategy, on an individual and consolidated basis, by the top management;

e) Supervise the consistency between all important products and services offered to customers, as well as the institution’s business model and risk strategy, and submit to the Board of Directors remediation plans when from that analysis the referred conditions do not adequately reflect the risks;

f) Analyze whether the conditions of the products and services offered to customers take into account BNU’s business model and risk strategy, on an individual and consolidated basis, and submit to the Board of Directors a remediation plan, when from that analysis the referred conditions do not adequately reflect the risks;

g) Examine whether the incentives established in BNU remuneration policy, on an individual and consolidated basis, take into account the risks, capital, liquidity and expectations regarding results;

h) Monitor management policies of all risks related to the activity of BNU, financial and non-financial, namely the business and strategy, solvency, liquidity, interest rate, credit, market, pension fund, operational, IT, compliance and reputation risks;

i) Advise the Board of Directors of BNU on the current and future generic policies of BNU regarding the assumption, management, control, coverage and reduction of risk factors;

j) Analyze specific risk categories, namely those of credit and those referring to the Macao Financial System Act, as well as those referring to the applicable Macao Monetary Authority directives, and also those referring to Articles 115-N to 115-V of the General Regime of Credit Institutions and Financial Companies (RGICSF), monitoring and assessing the risks of non-compliance with the obligations to which BNU is subject;

k) Review the adequacy of resource allocation to risk management as regulated in the Macao Financial System Act, in the applicable directives of the Macao Monetary Authority, and also in the Legal Framework of Credit Institutions and Financial Companies and other Portuguese and European legislation in force;
l) Assess and promote the effectiveness and efficiency of the internal control processes at BNU, particularly through the evaluation of the recommendations of the Risk Area, the Compliance Function, the first line of defense, internal or external auditors, and of the regulator. Monitor the proper implementation of the measures adopted;

m) Evaluate the processes, methodologies and asset valuation models as well external credit ratings and approving the most significant aspects of the credit rating as well risk estimation;

n) Analyze a set of possible scenarios, which include the stress scenarios, to assess how the institution's risk profile reacts to external and internal events;

o) Follow up the models in force to estimate the risk and to calculate the Own Funds;

p) Provide comments on the appointment of external consultants that the Sole Supervisor decides to hire to provide advisory or support services;

q) Monitor the rating and scoring models;

r) Evaluate the action plans prepared by the risk management and compliance functions in relation to all risks;

s) Monitor the corporate policies regarding the management of all risks related with BNU’s activities, on an individual and consolidated basis, financial and non-financial, namely liquidity, interest rate, foreign exchange, market, credit, operational and IT, without prejudice to the powers of the Sole Supervisor in these matters; and

t) Perform any other functions assigned to the risk committee foreseen in the Macao Financial System Act, as well as in the applicable Macao Monetary Authority directives, and also in paragraph 1 of article 115-L of General Regime of Credit Institutions and Financial Companies, provided they do not violate any legal or regulatory rules, including any notices and directives issued by AMCM, which are in force or will be in force in Macao.
6.1.5 - RECO – Remuneration Commission (Comissão de Remunerações)

1. **Object**

The present Regulation of the Remuneration Commission of BNU establishes its organizational rules, competence and operation, in addition to the legal and statutory provisions.

2. **Approval term**

This Regulation was approved by the Executive Committee of the Board of Directors of BNU at a meeting held on 31st December 2019, the start date of term and this approval was duly notified to the Chairman of the Board of the General Meeting, Board of Directors, Audit Committee and Remuneration Commission of BNU.

Notwithstanding its formal approval on the above-mentioned date, all resolutions of the Remuneration Commission that have been taken in light of this regulation shall remain in force indefinitely.

3. **Appointment and Composition**

The members of the Remuneration Commission of BNU are appointed by the General Meeting, which shall also appoint its Chairman.

The Remuneration Commission is composed of 3-6 (three to six) members, shareholders or non-shareholders.

The members of the Remuneration Commission of BNU shall have the appropriate professional qualifications and experience to carry out their duties.

The members of the Remuneration Commission of BNU may not be part of the Board of Directors and must observe the incompatibilities and comply with the independence requirements applicable to them under the law and banking regulations.

Prior to the performance of their duties, the members of the Remuneration Commission of BNU shall enter into a confidentiality agreement with the Bank, including the duty of secrecy, undertaking to keep confidential the work and resolutions of the Bank’s Governing Bodies and their commissions, the affairs of BNU in matters related to their management, as well as any remaining data and information that they become aware of in carrying out their tasks.
4. **Binding Nature**

This Regulation binds all members of the Remuneration Commission of BNU.

Any member of the Remuneration Commission of BNU that is to be appointed on a date after the approval date of this Regulation shall be automatically and unconditionally subject to it, without the need for any act or formality of adhesion for this purpose.

5. **Competences**

(a) RECO is entrusted and assigned to assist BNU’s General Meeting of Shareholders, the Board of Directors and the Executive Commission in respect of the assessment, evaluation and/or review of performance of members of BNU’s Governing Bodies and/or of BNU staff (including holders of relevant positions), for the purposes of suitability assessment and remuneration levels, mechanisms and payment.

All references to any commission, group, board and/or collegial body made in any policy of the Bank, which was enacted and is in force, for the purpose of establishing requirements for suitability assessment, remuneration levels, mechanisms and/or payment methods, irrespective of the nomenclature used therein, shall be considered as a reference to RECO.

(b) Specifically the Remuneration Commission has the following competences, including, but not limited to:

5.1 **Remuneration Policy**

a) Promote the analysis and annual assessment of the application of any Remuneration Policy(ies) effective in the Bank, including, but not limited to, the Remuneration Policy of the Members of BNU’s Governing Bodies and, namely:

- Review and update any such Remuneration Policy(ies) to be submitted to the General Meeting, in articulation with existing legal and corporate provisions;
- Propose to the General Meeting the establishment of remuneration values and to determine the remuneration of the members of the Governing Bodies, in their fixed and variable components, to the extent applicable;

b) Identify any effects resulting from the application of the Remuneration Policy in the capital and liquidity risk management of BNU that recommend a revision thereof;

c) Identify updates, revisions and other adjustment measures deemed appropriate;
d) Issue the annual declaration on the remuneration policy of the members of the Board of Directors and of the Audit Committee to be submitted for the approval of the General Meeting, in compliance with the applicable legislation and regulations; and

e) Consult the Heads of audit, compliance and risk management units and any other units, from whom the contributions considered relevant for the purposes of the preceding may be requested.

5.2 Assessment

5.2.1 Annual Assessment

a) Assess, on a yearly basis, the structure, dimension, composition and performance of the Governing Bodies and their Commissions.

b) Evaluate, on a yearly basis, the knowledge, skills and experience of each of the members of the management and supervisory bodies. In particular, for the Executive Committee, the criteria to be used in this process shall include an appropriate consideration of the merits, individual performance and contribution to the efficiency of the Executive Committee.

c) Establish and submit to the General Meeting, for approval, the qualitative assessment criteria to be applied to the Members of the Governing Bodies.

d) Develop and apply annually a performance assessment model according to the qualitative assessment criteria approved by the General Meeting.

e) Submit to the General Meeting an individual opinion on the assessment process, as well as an overall report on the assessment.

Under the process of assessment of the members of the Governing Bodies, the Remuneration Commission shall have to monitor the progress of the Bank’s results throughout the year and assess its performance for the purpose of weighing and determining the variable component of the relevant remuneration.

In order to carry out its responsibilities inherent to the mentioned process, the Remuneration Commission shall have to comply with the following quantitative criteria:

i) Solvency, comprising: solvency ratio, credit default ratios and real estate obtained by way of credit recovery;
ii- Profitability, comprising: return on equity (ROE), financial margin, impairment and risk adjusted return (RAROC);

iii- Efficiency: cost to income ratio;

iv- Market position: BNU’s market share; and

v- Liquidity, taking into account: the conversion of balance sheet customer funds into credit ratio and maturity of medium/long-term debt.

Qualitative criteria shall also be taken into account, namely:

i- Level of customers' complaints;

ii- BNU’s reputation indicators.

5.2.2. Profile Assessment

Formulate and transmit to the General Meeting recommendations on candidates for members of the management and supervisory bodies, assessing their profile in terms of knowledge, skills, diversity and experience.

6. Rights and Duties

6.1 Not with standing other rights provided for in the Law, the members of the Remuneration Commission of the General Meeting have the right to obtain the information deemed indispensable to the performance of their duties through the Chairman of the Remuneration Commission of the General Meeting.

6.2 Not with standing other duties provided for in the Law, the members of the Remuneration Commission of the General Meeting have the duty to:

(a) Act in accordance with high standards of professional diligence, impartiality, care and loyalty in the pursuit of BNU’s interest;

(b) Participate in the meetings of the Remuneration Committee of the General Meeting, justifying, in due time, the impossibility of such presence; and
(c) Keep the facts and information of which they become aware by reason of their positions secret, except in those cases in which the disclosure is permitted by Law.

6.3 By resolution of its members and in accordance with the previously budgeted amount, the Remuneration Commission of BNU of the General Meeting may hire the services of technicians and experts deemed necessary for the performance of its duties.

6.4 The Remuneration Commission of BNU shall assess any difficulties and obstacles identified in the performance of its duties and shall make all efforts to take appropriate measures to remove those difficulties and obstacles to its acts in the performance of its duties.

6.5 The Remuneration Commission of BNU supervises the compliance with the rules applicable to its members, in particular, those provided for in this Regulation.

6.6 The Remuneration Commission of BNU shall prepare an annual report on the activities carried out by it and the contribution of its members, to be submitted to the Annual General Meeting of BNU.

7. **Meetings**

7.1 The Remuneration Commission of BNU shall meet on a quarterly basis, as well as whenever it is called by its Chairman or at the request of any of its members.

7.2 Except in cases where the Remuneration Commission of BNU has to meet in emergency to solve issues within its competence, the meetings of the Board shall be called, at least seven, 7 (seven) days in advance, with an express mention of the issues to be dealt with.

7.3 These notices may be made through written document (mail or electronic mail) or by simple verbal, even telephone, communication.

7.4 As a rule, the preparatory documents required for the meetings whose prior examination is deemed convenient shall be delivered, at least, 5 (five) days in advance of the date of the meeting. The Chairman of the Remuneration Commission shall promptly make available to each member of the Remuneration Commission of the General Meeting the preparatory
documents required for the meetings that have been sent to him under the terms of this paragraph.

7.5 The meetings of the Remuneration Commission of BNU may be held using telematics means, such as videoconference or telephone conference, provided that BNU ensures the authenticity of the statements and the security of the communications with the record of their contents and participants.

7.6 The meetings of the Remuneration Commission of BNU of the General Meeting shall be chaired by the respective Chairman, or, in their absence or impediment, by the member of the Commission elected for that purpose by the other members.

7.7 The person to be appointed by the Chairman of the Remuneration Commission for this purpose shall support the operation of the Remuneration Commission of BNU and the holding of its meetings.

8. **Resolutions**

8.1 The resolutions of the Remuneration Commission of BNU shall be taken by a simple majority of the votes of its members.

8.2 Each member of the Remuneration Commission of BNU shall be entitled to 1 (one) vote. The Chairman shall have a casting vote in the event of a tie.

9. **Minutes**

9.1 All the minutes of the meetings of the Remuneration Commission of BNU shall be stored in physical format in the corresponding minutes' book, and digitized copies thereof shall also be extracted to be filed in a secure and restricted archive.

9.2 The minutes shall be drawn up in Portuguese, without prejudice to the possibility, when necessary, of translations into English.
10. **Support Structures**
The Remuneration Commission of BNU may designate, when it deems necessary, one or more support elements, with experience acquired in the areas of its competence, to provide information and develop work in order to substantiate its analysis and conclusions, provided that the respective costs be incorporated in BNU’s budget.

11. **Conflicts of Interest**
The members of the Remuneration Commission of BNU may not vote on matters in which they have, on their own account or of a third party, an interest in conflict with the interest of BNU.

12. **Interpretation**
The interpretation of the provisions of this Regulation shall be in accordance with the legal and statutory rules in force.

13. **Amendments**
Any amendments to this Regulation, whether by modification or deletion of some of its articles or by introduction of new provisions, shall be approved by a majority of the members of the Remuneration Commission of BNU and reported to the Chairmen of the Board of the General Meeting, the Board of Directors, the Executive Committee, the Audit Committee and the Remuneration Commission of BNU, in compliance with the Remuneration Policy in force.

6.1.6 - **ALCO – Asset and Liability Committee**
The Asset/Liability management policy falls under the authority of the Executive Committee, who in turn assigns to ALCO the authority for its formulation, revision, implementation and administration and other duties as deemed necessary. Ultimate responsibility for effective asset/liability management rests with the Executive Committee.

The Executive Committee will review the minutes of the Asset/Liability Committee at least on a quarterly basis.
1. **Purpose and Main Goals of the Asset / Liability Committee**

The purpose of the asset and liabilities committee is to control the various risks assumed by the Bank in order to ensure a sound financial situation while allowing for the expansion of the Bank’s activity on a sustainable way.

More specifically, the ALCO processes and policy aim to achieve the following main goals:

a) To develop the asset/liability process and related procedures;

b) To measure and manage the various risks facing the Bank on a consistent basis;

c) To establish guidelines to meet various applicable regulatory rules and comply with requirements from supervisory bodies, namely in matters such as capital, solvability and liquidity;

d) To form a consistent, centralized and integrated policy for the management of Bank’s financial position and planning, taking into consideration the policies defined by all areas (investments, lending, operations, etc.); and

e) To oversee the maintenance of a management information system that supplies, on a timely basis, the information and data necessary for the Committee to fulfil its role as well as promoting training for BNU staff in matters related to the ALM process;

The ALCO process is primarily focused on the following main risks:

a) **Balance Sheet interest rate risk**, i.e. the risk that changes in assets or liabilities interest rates will negatively affect the earnings stream of the Bank;

b) **Price risk (also called valuation or market risk)**, i.e. the risks that changes in market prices (e.g. interest rates, exchange rates, assets valuation) will negatively affect the value of portfolio assets and liabilities, as well as that of capital;

c) **Liquidity risk**, i.e., the risk that the financial flows generated by assets and liabilities are insufficient to satisfy commitments with depositors and other creditors, including an outlook on the mismatches between liabilities and assets, foreseeing the exercise of options in both cases (e.g. withdrawals or early reimbursements);

d) **Credit Risk** - risk that some loans and investments may not be repaid (default risk); implications of the asset mix on risk-based capital and of the asset quality on the ability to leverage the bank’s capital; and

e) **Regulatory risk**, i.e., the risk of not fulfilling directives from the supervisory bodies and the resulting potential negative consequences.
Other Risks:

Other risks may be measured from time to time. However, their importance is also key to the Bank’s continued operations, namely:

a) **Strategic Risk** - The risk from making adverse business decisions;
b) **Reputation Risk** - the risk from adverse public opinion and its effect on the Bank;
c) **Event Risk** - risk that changes in laws, regulations, or other external factors may result in losses to the Bank;
d) **Operational Risk** - risk that errors made in the course of conducting business will result in losses;
e) **Compliance Risk** - the risk from violations or non-conformance with laws, rules, policies (regulatory or internal) and ethical standards;
f) **Yield Curve or Mismatch Risk** - risk of adverse consequences from a change in interest rates that arise due to differences in the timing of when those interest rate changes affect the Bank’s assets and liabilities; and
g) **Basis Risk** - risk that different reference rates for the same repricing period change differently.

2. **Duties of the Asset Liability Committee**

The items cited below do not necessarily represent an all-inclusive list of Committee’s duties, given the dynamic nature of its responsibilities. On a regular basis, the Committee should:

a) Hold a formal meeting at least once in two months. Informal meetings will be held on an as needed basis.
b) Monitor and discuss the status and results of implemented asset/liability management strategies and tactics.
c) Review the current and prospective liquidity positions and monitor alternative funding sources.
d) Review measurement reports on various risks that can be measured with a reasonable degree of effort. Compare simulated exposures of these risks to policy limits. Discuss and report on the impact of major funding shifts and changes in overall investment and lending strategies.
e) Review the current and prospective capital levels (risk-based as well as leverage capital) to determine sufficiency in relation to: expected growth, interest rate risk, price risk, and asset mix/quality.
f) Maintain and review contingency plans to handle unexpected situation regarding liquidity.

g) Prepare, for approval by CEXEC, proposals on strategic guidelines regarding BNU’s management policy for balance sheet interest rate risk and market risk, establishing indicators, limits and guidelines.

h) Develop scenarios on the evolution of the main variables determining balance sheet interest rate risk and market risks (e.g. interest rates, exchange rates) and establish adequate action plans.

i) Prepare, for approval by CEXEC, proposals on strategic guidelines regarding the Bank’s capital ratios, funding and capital management policy, in a regulatory and economic viewpoint;

j) Review outlook for interest rates and economy at both local and international levels;

k) Develop alternative and deemed appropriate strategies, which take into account changes in:
   • Interest rate and exchange rate levels and trends;
   • Deposit and loan products and related markets; and
   • Economic outlook and monetary and fiscal policy.

l) Develop parameters for the pricing and maturity distributions of deposits, loans and investments.

m) Report the minutes each quarter to the Executive Committee.

In addition, the Committee will ensure that it is aware of the overall financial performance of the Bank, and therefore, will keep abreast of significant changes/trends in its financial results. In this regard it may:

- Review actual financial results (net interest income and non-interest income) and asset/liability distribution versus budget.
- Measure performance against established standards and, if appropriate against peer group data.
- Review the annual budget.

3. Committee Members

The Committee will consist of the following members:

a) The Chief Executive Officer that chairs the Committee. In his absence the Committee is chaired by the Chief Risk Officer (CRO);
b) The Chief Risk Officer (CRO);

c) Treasury (TREAS);

d) Personal Banking Division (DBANK);

e) Private Banking & Institutional Clients (PBANK);

f) Corporate Banking Division/Team 1 (DCOR1);

g) Corporate Banking Division/Team 1 (DCOR2);

h) Risk Management Division (DIRIS);

i) Financial Control and Corporate Development Division (DIFCC);

j) Card Centre (CRECA);

k) Marketing & Public Relations (MARKT);

l) ALCO Support Structure;

m) Other Organs of the Bank whenever necessary can be invited to participate in the meetings;

n) BNU Hengqin Branch (AGHQN);

o) Credit Risk Division (DICRE).

4. **ALCO’s Support Structure**

The ALCO’s Support Structure is by elements from DIRIS, TREAS and DIFCC.

ALCO has a Support Structure that ensures adequate preparation of ALCO meetings, namely in what concerns the selection and treatment of information and indicators to be analyzed, and that also brings consistency and continuity to actions and initiatives that are to be developed within the scope of ALM process.

The ALCO’s Support Structure is responsible for collecting and analysing relevant information for ALCO, preparing report drafts to be submitted to the Executive Committee and monitoring the follow-up of ALCO deliberations, making regular status assessments.

Each member represented in ALCO is a privileged contact point on matters related to ALM, and coordinates his action with ALCO’s Support Structure.
5. **Indicators to be Analyzed by ALCO on a Regular Basis**

Indicators to be discussed at each ALCO meeting are collected by the Support Structure and distributed to participants at least three working days before the meeting date.

**Framework of BNU Activity**

a) Economic and financial situation and outlook.

b) Monetary and credit aggregates evolution.

c) Projections for interest rates developments.

**Balance Sheet and Income Statement**

a) Deposits, credit and ratios evolution (e.g. Loan-to-Deposits ratio, overdue credit ratios).

b) Market share.

c) Income Statement evolution, operating income evolution (not aggregate), revenues by product and by units, ratios (e.g. ROA, ROE).

**Liquidity**

a) Liquidity situation and wholesale funding.

b) Funding costs evolution with reference to benchmark.

c) Liquidity ratio, maturity gaps and other liquidity risk indicators.

**Market Risk and Portfolio Management**

a) Investment portfolio management and negotiation indicators (strategy, performance).

b) Shares portfolio indicators (e.g. valuations).

c) Market risk indicators (e.g. VaR, BpV) and portfolio guidelines achievement.

d) Foreign exchange exposure indicators.

**Balance Sheet Interest Rate Risk**

Interest rate gaps and other balance sheet interest rate indicators.

**Capital and Compliance Indicators**

a) Capital ratios.

b) Other regulatory ratios and indicators, aggregate and separate.
**6.1.7 - CCRED – Credit Committee (Comité de Crédito)**

The Credit Committee and all the other credit decision-making organs have a scope and terms defined in the **Credit Regulations** (Regulamento de Crédito do BNU, S.A.) approved by the Board of Directors.

These specific regulations define the guidelines and limits of competence for the approval of credit facilities, banking guarantees and all the other transactions that BNU, S.A. is authorized to perform with its customers, either retail, corporate or group of corporate customers, under the local Banking Regulations.

To ensure a swift, efficient and safe decision-making process, the following levels of decision are set up by the credit regulations:

- Chairman together with one Executive Director of the shareholder CGD;
- Chairman together with another Executive Director;
- President of the Executive Committee together with another Executive Director;
- Credit Committee;
- Credit Risk Division;
- Credit Sub-Committee of Commercial Banking Division;
- Credit Sub-Committee of Personal Banking Division;
- General Manager of Operational Support Division (DIOPE) and the Head of Loans Administration (ALOAN);
- Branches Management;

The said Credit Regulations establish also the rules governing the decision-making organs and their respective Limits of Authority.

**6.1.8 - CBSC – Cybersecurity Committee**

1. **Purpose and Main Goals of the Cybersecurity Committee**

In consideration of the continuous popularity of Cybersecurity Attacks in the world, it is necessary to monitor the coming threats in a preventive approach and therefore the Cybersecurity Committee (CBSC) was established. While the CBSC has the same objective as the Electronic
Banking Security Committee (EBSC), it replaces the latter with a larger scope of topics and issues covered in an extent targeting specifically the Cybersecurity related atmosphere.

CBSC aims to improve security control in order to minimize the risks to the lowest level while protecting the bank’s interest from preventable losses.

It also enhances CEXEC and Heads of Divisions / Departments' understanding and oversight of Cybersecurity affairs that might affect the Bank.

2. **Functions and Tasks**

The CBSC will take up the responsibilities of vulnerabilities and threats assessment and it issues analysis and solutions and defines policies and procedures implementation, together with documents and reports writing.

The span of functions and tasks of the CBSC should cover discussion, review of development progress, issues analysis, solutions and policies and protection measures related to the following topics:

- Vulnerabilities and Threats.
- Smart or Mobile Devices related issues (including New Payment Methodologies).
- Cybersecurity Attacks (including Phishing and Social Engineering).
- Cybersecurity Trends and Incidents in the world.
- Other Cybersecurity related topics.

3. **Committee Membership**

This Committee includes the following members:

All CEXEC Directors

Head of AUDIT (and System Audit)

Head of COMOF

Head of DBANK

Head of MARKT
Head of ORGAP
Head of PECON
Head of SINFO
Head of CRECA
Head of PHOBG
Head of CGD Cyber Security

4. **Meetings**

The Cybersecurity Committee shall meet quarterly or as convened by CEXEC.

CGD Chief Information Security Officer (CISO) is invited to participate in the Meetings.

5. **Minutes**

Minutes of the Cybersecurity Committee meetings will be prepared, containing the main issues discussed and the decisions taken.

6.1.9 - **ROCI – Operational Risk & Internal Control Committee (Risco Operacional & Controlo Interno)**

1. **Purpose and Main Goals of the Operational Risk & Internal Control Committee**

The Operational Risk and Internal Control Committee coordinates, monitors, assesses and debates issues related to operational risk management and internal control.

2. **Functions and Tasks**

This Committee is responsible for:

- Proposing the risk profile that the Bank must follow, the strategy and the risk management policies;
- Verifying the compliance with the risk management policies and strategies;
• Verifying if the global risk level is in accordance with the original established limit;
• Monitoring the results in all areas of the implemented methodology, including the loss data collection process, self-assessment of risks and controls and risk indicators;
• Checking the adequacy of the Internal Control System; and
• Approving the proposed action plans in order to mitigate operational risk and strengthen the internal control system and reports this to the Board and to the Executive Committee.

3. Committee Membership

This Committee includes the following members:

• Executive Committee members;
• Heads, or their substitutes, of the following units:
  o DIRIS;
  o COMOF
  o DIFCC;
  o SINFO;
  o SECAD;
• The Head of AUDIT, participating as an observer.
• The Heads of other structures of the Bank or Of the Group may be involved, depending on the subjects under discussion.

4. Meeting

The Committee shall comply with the following:

• Adopt a quarterly basis, or meet whenever the members of the Executive Committee deem it necessary;
• Invite CGD ROCI Committee to participate in a bi-yearly basis;
• Submit decisions subject to the approval of the Board with supporting information; and
• Have the meetings supported by the Operational Risk and Internal Control Area, which is responsible for:
  o Preparing an agenda of the issues to be addressed;
- Calling the permanent members and other elements, according to the subjects;
- Distributing documents by the participants to support the issues to be addressed within 24 hours prior to the meetings; and
- Preparing and distributing by the participants the documents related with the matters discussed and the minutes of the meetings.
7 – BNU 2019 SUSTAINABILITY REPORT

7.1 - OUR SUSTAINABILITY STRATEGY – COMMITMENTS TO STAKEHOLDERS

BNU’s strategy is focused on the growth and the creation of value for its major stakeholders ensuring simultaneously an utmost compliance with high ethical principles, with all applicable legislations and regulations and with the Bank’s very strict Code of Conduct while adopting a very prudent and preventive management in terms of risk.

Our stakeholders are our employees, our customers, the Government and all the entities that regulate us, the society and the communities that we serve and the planet where we all live.

*All the figures refer to the Consolidated Activity of BNU*
7.1.1 - Commitments to Stakeholders – Employees

The management of the human capital of BNU, its most valuable asset, reflects the policies and objectives in place:

1) Adherence to a stringent Code of Conduct, updated at least once a year, followed by all employees with their knowledge on the Code of Conduct being assessed yearly;

2) Respecting human rights in the workplace with an approach towards hiring, pay and career development geared to attract and motivate the very best people, regardless of age, gender, ethnicity or any other factor not related to experience or performance and promoting an all-inclusive culture;

3) Employees’ Development providing training internally, either on the job, or through our online learning portal and our training centre and through external courses. Training covers matters such as Compliance, and anti-money laundering, sanctions, good conduct, anti-bribery and corruption, security and other features of debit and credit cards, data protection and privacy issues, cybersecurity and banking techniques;

4) Promotion of a culture of teamwork and rewarding performance towards the achievement of the Bank’s goals (through bonuses and commercial incentives);

5) The employees’ health and well-being in and outside their working environment encouraging healthy and fitness habits also through the promotion of several sports activities attended by employees; and

6) Employees’ benefits in addition to the legally required ones such as preferential interest rates in housing loans, comprehensive medical insurance policies and pension plan.

BNU commitment to gender and age diversity is evident in the following statistics representing the Bank’s workforce distribution as at December 31, 2019:

From a total of 520 (permanent and part time) employees at the end of 2019, 61% are women:
Women occupy 50% of senior management positions and 66% of other management positions.

We support gender diversity in other ways too and in 2019 we created a dedicated comfortable space for new mothers in our main building.
Employees by Age Group

- < 30 years: 18%
- From 30 to 50 years: 57%
- > 50 years: 25%

Total: 520 employees

Employees Functional Distribution by Age Group

- Executive Committee: Total= 4
  - < 30 years: 0
  - From 30 to 50 years: 1
  - > 50 years: 3

- Senior Management: Total= 29
  - < 30 years: 4
  - From 30 to 50 years: 15
  - > 50 years: 14

- Management: Total= 89
  - < 30 years: 2
  - From 30 to 50 years: 12
  - > 50 years: 38

- Technical staff: Total= 24
  - < 30 years: 2
  - From 30 to 50 years: 12
  - > 50 years: 24

- Supervisor + Officer: Total= 98
  - < 30 years: 0
  - From 30 to 50 years: 16
  - > 50 years: 33

- Clerks: Total= 83
  - < 30 years: 0
  - From 30 to 50 years: 16
  - > 50 years: 68

- Auxiliary: Total= 4
  - < 30 years: 0
  - From 30 to 50 years: 4
  - > 50 years: 0

New Hires by Age Group and by Gender

- > 50 years: Total= 5
  - Female: 3
  - Male: 2

- From 30 to 50 years (>=30 and <=50): Total= 20
  - Female: 20
  - Male: 24

- < 30 years: Total= 26
  - Female: 17
  - Male: 26
The Bank also invests in the development of Employees by providing training to all functions as it can be shown in the statistics below which exclude on the job training and outside courses:

### Average Hours of Training by Functional Title

<table>
<thead>
<tr>
<th>Functional Title</th>
<th>Average Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Committee</td>
<td>12.0</td>
</tr>
<tr>
<td>Senior Management</td>
<td>11.9</td>
</tr>
<tr>
<td>Management</td>
<td>14.9</td>
</tr>
<tr>
<td>Technical staff</td>
<td>13.9</td>
</tr>
<tr>
<td>Supervisor + Officer</td>
<td>18.9</td>
</tr>
<tr>
<td>Clerks</td>
<td>9.3</td>
</tr>
<tr>
<td>Auxiliary</td>
<td>1.3</td>
</tr>
</tbody>
</table>

### Average hours spent on trainings by each gender:

- **Male**: 11.7 hours
- **Female**: 15.2 hours
7.1.2 - Commitments to Stakeholders – Customers

BNU places its Customers at the heart of its activity aiming for a sustainable growth of its client base, long lasting relationships and their loyalty.

<table>
<thead>
<tr>
<th>Customers</th>
<th>Credit to Customers (Gross)</th>
<th>Customers Deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>#260,871</td>
<td>MOP 24,234 Million</td>
<td>MOP 36,368 Million</td>
</tr>
</tbody>
</table>

To achieve that focus on the customer the Bank:

- Creates products and services suitable to the profiles of its customers.
- Listens to its customers:
  - On their views on our products and services, either in person or through other channels including the phone; and
  - By providing a system for their complaints which are then evaluated and replied to with follow up correction procedures if required.
- Regularly evaluates the quality of its products and services, testing them also through initiatives like “The Mystery Customer”.
- Commits fully and strictly follows policies to ensure the protection of the security and privacy of the customer’s data.

7.1.3 - Commitments to Stakeholders – Shareholders

- Responsible, Sustainable and Recurrent Results

Net Income grew 24% with a prudent, responsible, sustainable and proactive management in terms of risk (MOP 634.4 MM in 2019 vs MOP 511.2 MM in 2018).
# Ratios and KPIs

## Return on Equity (ROE)

Return on Equity (ROE) – Income after tax/average shareholder’s equity (average of the previous year end and the current year end balances, excluding the property revaluation reserve).

## Cost-to-Income

Cost-to-Income – Operating Costs (the sum of Personnel Costs, Third Party Supplies and Third Party Services and Depreciation Allowances)/Operating Income (the sum of Net Interest Income and Dividends, Net Fees and Commissions Income, Income from Other Banking Services and Other Profits and Losses).

## Cost-to-Income Core

Cost-to-Income Core – Sum of Personnel Costs, Third Party Supplies and Third Party Services/ the sum of Net Interest Income and Dividends, Net Fees and Commissions Income.

## Overdue Loans / Total Loans

Overdue Loans / Total Loans – Credit granted to Customers with instalments more than 90 days overdue /Total of Credit granted to Customers.

### Ratios and KPIs

<table>
<thead>
<tr>
<th></th>
<th>31-12-2018</th>
<th>31-12-2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Return on Equity (ROE)</strong></td>
<td>9.4%</td>
<td>11.1%</td>
</tr>
<tr>
<td><strong>Efficiency</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost-to-Income</td>
<td>38.5%</td>
<td>36.4%</td>
</tr>
<tr>
<td>Cost-to-Income Core</td>
<td>35.2%</td>
<td>32.9%</td>
</tr>
<tr>
<td><strong>Overdue Loans / Total Loans</strong></td>
<td>1.1%</td>
<td>1.4%</td>
</tr>
<tr>
<td><strong>Provisions / Overdue Loans</strong></td>
<td>139.7%</td>
<td>104.6%</td>
</tr>
<tr>
<td><strong>Solvency Ratio</strong></td>
<td>19.3%</td>
<td>20.7%</td>
</tr>
</tbody>
</table>

---

![Net Income 2019 vs 2018](image-url)
**Provisions / Overdue Loans** – Sum of specific and general provisions/Credit granted to Customers with instalments more than 90 days overdue.

**Solvency Ratio** – Is the ratio between the own funds to the risk-weighted exposures (including credit risk, market risk and operational risk), calculated in accordance with AMCM Notice No. 011/2015-AMCM. The minimum requirement set out by AMCM is 8%.

- In 2020 dividends of MOP 593.9 MM were paid to the shareholders.

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7.1.4 - **Commitments to Stakeholders – Community**

In 2019, BNU carried out and supported several actions of Social Inclusion and Solidarity and sponsored cultural organizations and events with a total community investment of MOP 4.4 Million. The Bank also has a Volunteering Policy with the employees of the Bank engaged as volunteers in many events and projects.

- **Social Inclusion, Solidarity and Volunteering**
  
  The Bank’s Initiatives within this scope included:

  - Donations to charities, rehabilitation centres and contributions to fundraising events for these entities;

  - Participation by employees in the distribution of 750 baskets with essential goods to vulnerable families;

  - Donation of funds and participation in several charitable events such as the “Walk for a Million”;

---
Employees’ blood donation programs and visits to senior care centres;

Sponsoring, supporting and employees’ participation in sports activities that promote the general well-being (Sports fun day also sponsored by CESL Asia, Portuguese Speaking Boy Scouts of Macao, traditional Dragon Boat races, Football team of Casa de Portugal);
o Supporting and raising awareness through the opening of solidarity accounts for the collection of funds sent to the Mozambique’s population affected by Tropical Cyclone Idai; and

![Solidarity Accounts](image)

o Contributing with a percentage of the expenses carried out by customers using BNU Affinity Credit Cards for solidarity activities.

![Solidarity Initiative](image)

- **Initiatives to Promote and Foster Knowledge**

  o Offering Scholarships for courses at Macao’s Institute for Tourism Studies, Macao Institute of Management, Macao University of Science and Technology (MUST), University of Saint Joseph, Macao Polytechnic Institute and BNU Academic Prize scholarships at the University of Macao;

  o Promoting financial literacy by organizing a seminar on financial matters; and

  o Sponsoring the Global Management Challenge at Macao Management Association, the teaching of the Portuguese language at Macao Portuguese School, the Summer Course of the Portuguese Language at the University of Macao and offering prizes for the winners of the Portuguese language eloquence competition at the University of Macao.
• Sponsoring and Promoting Culture
  o Sponsoring several cultural events: Macao Youth Symphony Orchestra’s New Year Concert, Portuguese Painter’s Exhibition at Macao Military Club, Portuguese Speaking Countries Film Festival, Macao Sound & Image Challenge International Festival, Ricardo Araújo Pereira’s Show at Instituto Português do Oriente (IPOR) and the production by Locanda Films of the series, *The Resistents – Portraits of Macao*;
  o Sponsoring the Portugal’s Day commemorations at the Portuguese Consulate;
  o Paying annual contributions for Cultural Organizations like IPOR for the promotion of the Portuguese language and culture and for The Macao Financial Community Standing Committee; and
  o Promoting financial literacy by organizing a seminar on financial matters.
• **Supporting Environmental Protection and awareness thereof**
  o Contributing and Participating in the 2019 MGM Macao Eco Trail Hiker, an event advocating the concept of protecting the environment and healthy living;
  o “Go Green” a project which aims to reduce the paper consumption namely though the reduction of paper credit cards and account statements through their replacement by electronic statements; and
Supporting the Environmental Protection Bureau of the Macao Government (DSPA) on the recycling of traditional boxes of Mooncakes and Lai Si envelopes, which are widely offered amongst the population during the Mid-Autumn Festival and the Chinese New Year, promoting their collection and delivering them to recycling centres.

7.1.5 - Commitments to Stakeholders – The Government, Regulatory Entities and the Society

- **Tax Contribution**
  BNU contributes economically and socially to Macao and China by paying all taxes borne by its activity.

- **Strong Responsible Banking Governance Model**
  BNU has a strong responsible banking governance model strictly complying with all the applicable laws and regulations and abiding by principles of transparency and accountability.
  The entire Bank’s activity is guided by Policies and Procedures ensuring a strong corporate culture towards the achievement of an ethical behaviour, responsible business practices and sustainable banking. In this regard, we notice in particular:
  - A strict Code of Conduct is in force. It is mandatorily followed by all the staff and, as referred before, all the employees are provided with training on it and their knowledge assessed through a test at least yearly;
The prevention and identification of situations of corruption and bribery attempts as per anti-corruption policies and procedures, on which all employees are also trained and yearly assessed and rejection of corruption in all forms;

- Strict internal control mechanisms with regular audits carried out by the Bank’s independent audit function; and

- No fines, non-monetary penalties or any other sanctions have ever been applied to the Bank for not complying with laws and regulations.

7.1.6 - Commitments to Stakeholders – Suppliers

An ethical behaviour taking also into consideration environmental protection issues is also pursued in the way the Bank engages with its suppliers.

- Preference is given to local suppliers; in 2019, from a total of 105.4 MM MOP paid to suppliers, 84% were paid to local suppliers and the use of Small and Medium businesses is also encouraged.

- The Bank’s approach to suppliers follows policies of management and evaluation of suppliers according to criteria set out by the Compliance and Procurement areas of the Bank that include the evaluation of the prospective suppliers’ business practices and policies.

7.1.7 - Commitments to Stakeholders – Environment

BNU is committed to the environment and has actively implemented measures to reduce its ecological footprint, such as:

- Reduction of plastic usage in general with the abolition of plastic cups and bottles;

- Reduction of paper consumption and promoting the digitalization’s growth as also mentioned in the Green Project referred above;

- Reduction of water and energy consumption through the use of pressure taps or sensor taps and the use of LED or lower consumption lights and lamps;

- Participating in Recycling Initiatives and environmental awareness projects such as the ones referred above in the Commitments to the Community section; and

- Celebrating the Earth Hour, a global movement dedicated to raise awareness for global climate change and to protect the planet, also supported by the Macao Government, by switching off all External lights, including the Signage, and all non-essential internal lights for one hour twice a year.
8 – GOVERNING AND AUDITING BODIES

Board of the General Meeting

Chairman: Joaquim Jorge Perestrelo Neto Valente
Vice-Chairman: Liu Chak Wan

Board of Directors

Chairman: CAIXA GERAL DE DEPÓSITOS, S.A., represented by José João Guilherme

Vice-Chairman: Carlos Manuel Sobral Cid da Costa Álvares

Members: Tou Kei San
Tse See Fan Paul
Ieong Kim Man
João Paulo Tudela Martins
Vítor Fernando Guerreiro do Rosário
Francisco Ravara Cary
Executive Committee

President: Carlos Manuel Sobral Cid da Costa Álvares

Members: Tou Kei San
Ieong Kim Man
Vítor Fernando Guerreiro do Rosário

Sole Supervisor: CSC & ASSOCIATES AUDITORS
represented by Chui Sai Cheong

Company Secretary: Pedro Afonso Correia Branco
9 – FINANCIAL STATEMENTS

BANCO NACIONAL ULTRAMARINO, S.A.

BALANCE SHEET AS OF DECEMBER 31, 2019

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>GROSS ASSETS</th>
<th>PROVISIONS, AMORTIZATIONS AND NET VALUE</th>
<th>NET ASSETS</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH</td>
<td>2,192,798,848.20</td>
<td>-</td>
<td>2,192,798,848.20</td>
</tr>
<tr>
<td>DEPOSITS WITH AMCM</td>
<td>669,570,472.73</td>
<td>-</td>
<td>669,570,472.73</td>
</tr>
<tr>
<td>CERTIFICATES OF INDEBTEDNESS ISSUED BY THE MACAU GOVERNMENT</td>
<td>9,377,034,490.33</td>
<td>-</td>
<td>9,377,034,490.33</td>
</tr>
<tr>
<td>ACCOUNTS RECEIVABLE</td>
<td>71,019,527.77</td>
<td>-</td>
<td>71,019,527.77</td>
</tr>
<tr>
<td>DEMAND DEPOSITS WITH OTHER CREDIT INSTITUTIONS IN MACAU</td>
<td>373,876,725.30</td>
<td>-</td>
<td>373,876,725.30</td>
</tr>
<tr>
<td>DEMAND DEPOSITS WITH OTHER CREDIT INSTITUTIONS ABROAD</td>
<td>341,897,069.68</td>
<td>-</td>
<td>341,897,069.68</td>
</tr>
<tr>
<td>GOLD AND SILVER</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>OTHER CURRENT ASSETS</td>
<td>2,306,867.82</td>
<td>-</td>
<td>2,306,867.82</td>
</tr>
<tr>
<td>CREDIT GRANTED</td>
<td>24,233,988,036.43</td>
<td>98,848,314.67</td>
<td>24,137,141,721.76</td>
</tr>
<tr>
<td>PLACEMENTS WITH CREDIT INSTITUTIONS IN MACAU</td>
<td>4,055,550,000.00</td>
<td>-</td>
<td>4,055,550,000.00</td>
</tr>
<tr>
<td>DEPOSITS AT CALL AND TIME DEPOSITS WITH CREDIT INSTITUTIONS ABROAD</td>
<td>7,559,166,323.31</td>
<td>-</td>
<td>7,559,166,323.31</td>
</tr>
<tr>
<td>SHARES, BONDS AND EQUITY</td>
<td>5,507,879,522.59</td>
<td>-</td>
<td>5,507,879,522.59</td>
</tr>
<tr>
<td>INVESTMENT OF ASSIGNED FUNDS</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>DEBTORS</td>
<td>171,754,917.48</td>
<td>-</td>
<td>171,754,917.48</td>
</tr>
<tr>
<td>OTHER PLACEMENTS</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>FINANCIAL INVESTMENTS</td>
<td>8,941,436.04</td>
<td>-</td>
<td>8,941,436.04</td>
</tr>
<tr>
<td>PROPERTY</td>
<td>2,031,484,924.48</td>
<td>113,684,579.06</td>
<td>1,917,800,345.42</td>
</tr>
<tr>
<td>EQUIPMENT</td>
<td>172,356,777.19</td>
<td>129,761,109.94</td>
<td>42,595,667.25</td>
</tr>
<tr>
<td>DEFERRED COST</td>
<td>119,456,623.55</td>
<td>89,014,643.77</td>
<td>30,442,979.78</td>
</tr>
<tr>
<td>START-UP EXPENDITURE</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>FIXED ASSETS IN PROGRESS</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>OTHER FIXED ASSETS</td>
<td>1,833,731.65</td>
<td>-</td>
<td>1,833,731.65</td>
</tr>
<tr>
<td>INTERNAL AND ADJUSTMENT ACCOUNTS</td>
<td>177,479,530.38</td>
<td>-</td>
<td>177,479,530.38</td>
</tr>
</tbody>
</table>

TOTAL  58,068,174,723.93  429,338,847.44  57,578,838,876.49
### BALANCE SHEET AS OF DECEMBER 31, 2019

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>SUB-TOTAL</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Notes in Circulation</td>
<td></td>
<td>9,812,976,600.00</td>
</tr>
<tr>
<td>Current Deposits</td>
<td>21,408,128,338.60</td>
<td></td>
</tr>
<tr>
<td>Deposits at Call</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Time Deposits</td>
<td>7,266,992,007.67</td>
<td>28,675,120,349.27</td>
</tr>
<tr>
<td>Government Deposits</td>
<td>8,003,352,292.75</td>
<td></td>
</tr>
<tr>
<td>Amounts Due to Credit Institutions in Macau</td>
<td>315,823,164.65</td>
<td></td>
</tr>
<tr>
<td>Amounts Due to Other Local Entities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Amounts Due to Credit Institutions Abroad</td>
<td>2,303,291,728.36</td>
<td></td>
</tr>
<tr>
<td>Assigned Funds</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cheques and Orders Payable</td>
<td>27,580,453.35</td>
<td></td>
</tr>
<tr>
<td>Creditors</td>
<td>94,417,908.15</td>
<td></td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>140,633,442.83</td>
<td>10,885,098,988.09</td>
</tr>
<tr>
<td>Internal and Adjustment Accounts</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Provisions for Risks</td>
<td>264,842,054.97</td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td>2,000,000,000.00</td>
<td></td>
</tr>
<tr>
<td>Other Reserves</td>
<td>4,917,564,075.53</td>
<td>6,917,564,075.53</td>
</tr>
<tr>
<td>Net Profit Brought Forward</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net Profit for the Year</td>
<td>634,429,500.43</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL** 57,578,838,076.49

### INCOME STATEMENT AS OF DECEMBER 31, 2019

<table>
<thead>
<tr>
<th>DEBIT</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Credit Operations</td>
<td>332,711,907.18</td>
</tr>
<tr>
<td>Personnel Costs</td>
<td>227,038,165.21</td>
</tr>
<tr>
<td>Remuneration of Board of Directors and Supervisory Committee</td>
<td>9,073,086.35</td>
</tr>
<tr>
<td>Salaries and Wages</td>
<td>190,290,731.02</td>
</tr>
<tr>
<td>Benefits</td>
<td>25,022,512.35</td>
</tr>
<tr>
<td>Others</td>
<td>2,651,835.49</td>
</tr>
<tr>
<td>Third Party Supply</td>
<td>9,122,951.70</td>
</tr>
<tr>
<td>Third Party Services</td>
<td>99,188,984.40</td>
</tr>
<tr>
<td>Other Banking Costs</td>
<td>183,476,322.91</td>
</tr>
<tr>
<td>Taxation</td>
<td>1,873,454.51</td>
</tr>
<tr>
<td>Costs of Non-Banking Operations</td>
<td>4,703,376.60</td>
</tr>
<tr>
<td>Depreciation Allowances</td>
<td>60,995,483.78</td>
</tr>
<tr>
<td>Provision Allowances</td>
<td>16,092,948.82</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>676,402,050.02</td>
</tr>
</tbody>
</table>

**TOTAL** 1,611,646,460.13

<table>
<thead>
<tr>
<th>CREDIT</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from Credit Operations</td>
<td>1,204,145,589.43</td>
</tr>
<tr>
<td>Income from Banking Services</td>
<td>383,701,688.58</td>
</tr>
<tr>
<td>Income from Other Banking Services</td>
<td>53,403,567.05</td>
</tr>
<tr>
<td>Income from Securities and Equity Investments</td>
<td>1,878,528.49</td>
</tr>
<tr>
<td>Other Banking Income</td>
<td>25,018,533.84</td>
</tr>
<tr>
<td>Income from Non-Banking Operations</td>
<td>3,349,252.74</td>
</tr>
<tr>
<td>Operating Loss</td>
<td>-</td>
</tr>
</tbody>
</table>

**TOTAL** 1,611,646,460.13
### PROFIT AND LOSS ACCOUNT AS OF DECEMBER 31, 2019

<table>
<thead>
<tr>
<th>DEBIT</th>
<th>AMOUNT</th>
<th>CREDIT</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATING LOSS</td>
<td>-</td>
<td>OPERATING PROFIT</td>
<td>676,402,955.02</td>
</tr>
<tr>
<td>LOSSES RELATED TO PREVIOUS YEARS</td>
<td>88,568,938.01</td>
<td>PROFIT RELATED TO PREVIOUS YEARS</td>
<td>43,411,543.07</td>
</tr>
<tr>
<td>EXCEPTIONAL LOSSES</td>
<td>-</td>
<td>EXCEPTIONAL PROFITS</td>
<td>-</td>
</tr>
<tr>
<td>PROFIT TAX PROVISION</td>
<td>85,385,097.66</td>
<td>PROVISIONS USED UP</td>
<td>88,568,938.01</td>
</tr>
<tr>
<td>PROFIT FOR THE YEAR</td>
<td>634,429,500.43</td>
<td>LOSS FOR THE YEAR</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>808,383,536.10</td>
<td>TOTAL</td>
<td>808,383,536.10</td>
</tr>
</tbody>
</table>

**HEAD OF ACCOUNTING**

CECILIA KOU

**PRESIDENT OF EXECUTIVE COMMITTEE**

CARLOS MANUEL SOBRAL CID DA COSTA ÁLVARES
10 – SHAREHOLDERS WITH QUALIFIED HOLDINGS

List of the shareholders with qualifying holdings

- Caixa Geral de Depósitos, S.A. ----------------------------------------------- 99.425 %
11 – EQUITY INVESTMENTS

List of the institutions in which they have holdings in excess of 5% in the share capital, or over 5% of their own funds, with an indication of the respective percentage.

- None
12 – SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

Banco Nacional Ultramarino, S.A. (the “Bank”) is a limited liability company by shares incorporated in Macao Special Administrative Region ("Macao SAR"), is a licensed bank authorised under the laws of Macao SAR and is supervised by the Autoridade Monetária de Macao ("AMCM"). The registered office of the Bank is located at Av. Almeida Ribeiro, No. 22, Macao.

The primary activities of the Bank are the provision of banking and related financial services in Macao under the regulations of the AMCM. The holding company (with a 99.425% direct ownership) and the ultimate holding company of the Bank is Caixa Geral de Depósitos, S.A., a state-owned bank incorporated in Portugal.

Basis of Preparation

These financial statements have been prepared in accordance with Financial Reporting Standards promulgated by the Macao SAR ("Macao Financial Reporting Standards").

These financial statements have been prepared under the historical cost convention, except for land and buildings, which have been measured at fair value. These financial statements are presented in Macao Patacas ("MOP"), which is also the functional currency of the Bank. All values are rounded to the nearest MOP except when otherwise indicated.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Bank and when the revenue can be measured reliably, on the following bases:

(a) Interest income is recognised in the statement of profit or loss as it is accrued on a timely basis, except in the case of non-accrual loans and advances to customers where interest is recorded in an off-balance sheet account and is not recognised in the statement of profit or loss.
Non-accrual loans and advances to customers represent the credit exposures, which are overdue for more than three months. Interest income from non-accrual loans and advances to customers is directly credited to the statement of profit or loss when the interest is subsequently recovered.

(b) Fees and commission income are recognised when services are provided.

(c) Dividend income is recognised when the right to receive payment has been established.

**Loans and advances to customers**

Loans and advances to customers are stated in the statement of financial position after deducting specific and general provisions for impairment losses. Provisions are made against specific advances when management has doubts on the ultimate recoverability of principal or interest. Specific provision is made to reduce the carrying amount of loans and advances to customers, net of any collateral, to the expected net realisable value based on management's assessment of the potential losses on those identified advances. A general impairment provision of 1% for all loans and advances to customers and contingent liabilities is made. The provisions are made with reference to the rules and regulations of AMCM, and are based on estimates made by the management of the Bank, which are reviewed periodically.

Loans and advances together with the associated provisions are written off when there is no realistic prospect of future recovery and all collaterals have been realised or have been transferred to the Bank.

**Investments in securities**

Investments in listed and unlisted equity securities are stated at cost less any impairment losses.

Investments in debt securities are stated at amortised cost less any identified impairment losses.

The Bank assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired. If objective evidence of impairment exists, the amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the recoverable amount estimated by management, and is
recognised in the statement of profit or loss. Impairment losses are reversed through the statement of profit or loss (but only up to the extent of the carrying amount had the impairment not been recognised) if the subsequent increase in recoverable amounts of the investments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

**Provision for country risk**

Provisions for cross border exposures are set aside and are maintained with reference to the requirements of AMCM.

**Off balance sheet derivative financial instruments**

Derivative financial instruments including interest rate swaps, forward foreign exchange contracts and foreign exchange swap contracts are used primarily to hedge the Bank’s exposures to interest rate and foreign exchange risks, arising from operational, financing and investment activities.

The interest arising from the interest rate derivative instruments is recognised as interest income or interest expense in the statement of profit or loss. The gain or loss arising from the settlement of foreign exchange derivative instruments is recognised in the statement of profit or loss in the period in which they arise. The derivative financial instruments are recorded off balance sheet.

**Property and equipment and depreciation**

Property and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the
Bank recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Land and buildings are measured at fair value less any subsequent accumulated depreciation and impairment losses.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation surplus or deficit is dealt with as a movement in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

With the exception of freehold land, depreciation is calculated on a straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

- **Freehold land:** Not depreciated
- **Freehold buildings:** 2%
- **Leasehold land and buildings:** Over the shorter of the lease terms and 2%
- **Freehold and leasehold improvements and software:** 2% to 33⅓%
- **Office equipment, furniture and fixtures:** 10% to 50%

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.
Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys a right to use the asset.

Leases are classified as finance leases whenever the terms of the lease transfer to the Bank substantially all the rewards and risks incidental to ownership of a leased item. All other leases are classified as operating leases.

Operating lease payments, net of any incentives received from the lessor, are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease terms.

Lease payments which cannot be allocated reliably between the land and buildings elements are included in the cost of the land and buildings as a finance lease in property and equipment.

Impairment

The Bank assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If such an indication exists, the Bank makes an estimate of the asset's recoverable amount.

An impairment loss is recognised in the statement of profit or loss whenever the carrying amount of an asset to which it belongs, exceeds its recoverable amount. The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of the impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. The reversal of the impairment loss is credited to the statement of profit or loss in the year in which it arises.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period,
taking into consideration interpretations and practices prevailing in the countries in which the Bank operates.

Deferred tax is provided using the liability method, on temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine the deferred tax.

Deferred tax liabilities are provided in full while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**Foreign currencies**

These financial statements are presented in Macao Patacas, which is the Bank’s functional currency. Each entity of the Bank located outside of Macao determines its own functional currency and items included in the financial statements of each such entity are measured using that functional currency. Foreign currency transactions recorded by the Bank and its entities located outside of Macao are initially recorded using their respective functional currency rates prevailing at the dates of transactions. Monetary assets and liabilities are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

The functional currencies of the branches outside of Macao are currencies other than MOP. As at the end of the reporting period, the assets and liabilities of the Hengqin branch are translated into Macao Patacas at the exchange rates prevailing at the end of the reporting period and the statements of profit or loss are translated into Macao Patacas at the monthly average exchange rates during the year. The resulting exchange difference is recognised in equity and accumulated in the translation reserve. On disposal of such branches, the component of equity relating to the branch is recognised in the statement of profit or loss.

**Employee benefits**

**Defined benefit plan**

The Bank operates a closed defined benefit pension plan which requires contributions to be made to a separately administered fund. The benefits are partially prefunded. The assets of the plan are held separately from those of the Bank under the control of a trustee. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurement arising from the defined benefit pension plan is recognised immediately in the statement of profit or loss in the period in which it occurs.

**Defined contribution plan**

The Bank operates a defined contribution retirement benefits plan, which employees can choose to join on a voluntary basis. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable. The assets of the plan are held separately from those of the Bank in an independently administered fund. The Bank's employer contributions vest fully with the employees when contributed into the defined contribution retirement benefit plan, except when there are employees who leave the plan prior to vesting fully in the contributions, the contributions payable by the Bank are reduced by the amount of forfeited contributions.
Other employee benefits

Social society scheme

The resident employees of the Bank are required to participate in a central social security scheme operated by the Social Security Fund of Macao SAR. The Bank is required to contribute a fixed amount of its payroll costs to the central social security scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central social security scheme.

Provisions

A provision is recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at management’s best estimate of the expenditure required to settle the obligation at the end of each reporting period, and are discounted to present value where the effect of the time value is material.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and short-term funds, including cash, deposits with AMCM and current accounts with banks and other financial institutions, placements with banks and other financial institutions with original maturity at or within three months.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash and short-term funds, including cash, deposits with AMCM and placements with banks and other financial institutions.
13 – SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

**Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

**Impairment provisions on loans and advances to customers**

The impairment provisions on loans and advances to customers comprise specific and general impairment provisions.

In determining the specific impairment provision, management estimates the impairment loss on loans and advances to customers in order to reflect such loans and advances in the financial statements at their estimated net recoverable amounts based on the Bank's historical loss experience on bad debt collection and its professional judgement and with reference to the requirements of AMCM. Where the realisation of collateral and actual cash flows received from the borrowers are subject to future economic uncertainty, actual recovery from the doubtful debts may differ from the estimated amounts.

In determining the general impairment provision, the impairment amount, calculated with reference to the requirements of AMCM, is provided against the total gross loans and advances to customers and contingent liabilities at the end of the reporting period.

**Provisions for country risk**

According to "Guideline on Management of Country risk" dated 10 January 2008 issued by AMCM, the regulated institutions should set aside adequate country risk provisions according
to management’s assessment of the probability of losses arising from the cross-border exposures.

Provisions for country risk are currently considered to be nil.

In determining the provision for country risk, the amount calculated, if any, based on the quantitative and qualitative factors of that country is provided against the cross-border placements with banks and other financial institutions and loans and advances to customers at the end of the reporting period.
14 – AUDITORS’ REPORT

Independent Auditor’s Report on the Summary Financial Statements

To the shareholders of Banco Nacional Ultramarino, S.A.

(Incorporated in Macao with limited liability by shares)

We have audited the financial statements of Banco Nacional Ultramarino, S.A. for 2019 in accordance with Auditing Standards and Technical Auditing Standards of the Macao Special Administrative Region. In our auditor’s report dated 23 March 2020, we expressed an unmodified opinion on these financial statements.

The audited financial statements referred to above comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The accompanying summary financial statements set out on pages [93] to [95] prepared by the management is a summary of the audited financial statements. In our opinion, the summary financial information is consistent, in all material respects, with the audited financial statements.

For a better understanding of the financial position and financial performance of Banco Nacional Ultramarino, S.A. and the scope of our audit, the summary financial information should be read in conjunction with the audited financial statements and our independent auditor’s report.

Bao, King To

Registered Auditor

Ernst & Young

Macao

23 March 2020
Shareholders:

In accordance with article 32 e) of the Articles of Association, the Board of Directors of Banco Nacional Ultramarino, S.A. submitted to the Sole Supervisor, the Balance Sheet, Accounts and Annual Report in relation to the Bank’s operation in year 2019. In addition, the external auditor’s report as prepared by «Ernst & Young – Auditeores» for the Bank in relation to its activity in the same year was also provided.

During the year, the Sole Supervisor had maintained regular contacts with the Board of Directors, consulted on the Bank’s activity and always received the collaboration as well as necessary clarification in an efficient manner.

After reviewing the documents as presented by the Board of Directors, it was found that the documents reflected clearly the financial and economic situation of the Bank.

The Report of the Board of Directors also explained clearly the business development of the Bank’s activity in the referred year of operation.

The Sole Supervisor had also reviewed the external auditors’ report and found that the report reflected truly the financial situation and performance of the Bank as at close of business on 31 December 2019 as well as the result of the activity for the year ended and which were prepared under the accounting principles applicable on banking activity.

As such, the Sole Supervisor decided to recommend the approval of:

1. The balance sheet and profit and loss account;
2. The annual report of the Board of Directors.

Macao, 25 March 2020

The Sole Supervisor

CSC & ASSOCIATES, AUDITORS

Represented by Chui Sai Cheong
16 – MOST IMPORTANT ADDRESSES

CAIXA GERAL DE DEPÓSITOS
Av. João XXI, 63
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BANCO NACIONAL ULTRAMARINO, S.A.

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E-mail: enquiry@bnu.com.mo
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SWIFT: BNULMOMX

Credit Card Center
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Macao
Tel.: 28335533 Fax: 28713119
## BNU Branch Network

<table>
<thead>
<tr>
<th>Branch Name</th>
<th>Address</th>
<th>Contact Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main Branch</strong></td>
<td>Av. Almeida Ribeiro, 22</td>
<td>Tel.: 28355111 Fax: 28355130</td>
</tr>
<tr>
<td><strong>Iao Hon</strong></td>
<td>Rua 1 do Bairro Iao Hon, Edf Iao Kai</td>
<td>Tel.: 28571921 Fax: 28400395</td>
</tr>
<tr>
<td><strong>Kinglight Garden</strong></td>
<td>Rua de Bragança Nº. 329, R/C Edf. Kinglight Garden (AI/AH), Taipa</td>
<td>Tel.: 28838028; 28839555 Fax: 28839328</td>
</tr>
<tr>
<td><strong>Mercado Vermelho</strong></td>
<td>Av. Almirante Lacerda, Nº. 90-92</td>
<td>Tel.: 28371166 Fax: 28211619</td>
</tr>
<tr>
<td><strong>Sidónio Pais</strong></td>
<td>Av. Sidónio Pais, Nº. 20-20A</td>
<td>Tel.: 28584436 Fax: 28524589</td>
</tr>
<tr>
<td><strong>Chun Fok</strong></td>
<td>Rua do Pai Kok Nº 18-28, R/C Chun Fok Village 2nd Fase, Taipa</td>
<td>Tel.: 28825892; 28825895 Fax: 28825799</td>
</tr>
<tr>
<td><strong>São Lourenço</strong></td>
<td>Rua da Praia do Manduco, Nº 3, R/C, A</td>
<td>Tel.: 28572259 Fax: 28933200</td>
</tr>
<tr>
<td><strong>Fai Chi Kei</strong></td>
<td>Rua Comandante João Belo, No.23 R/C Edf. Teng Pou Kok</td>
<td>Tel.: 28260165 Fax: 28260637</td>
</tr>
<tr>
<td><strong>China Plaza</strong></td>
<td>Avenida da Praia Grande, Nº 754, China Plaza, R/C D &amp; E, Macao</td>
<td>Tel.: 28718625; 28715668 Fax: 28718623</td>
</tr>
<tr>
<td><strong>Horta e Costa</strong></td>
<td>Av. Horta e Costa, Nº 80A</td>
<td>Tel.: 28517962 Fax: 28527853</td>
</tr>
<tr>
<td><strong>Taipa (Flower City)</strong></td>
<td>Rua de Coimbra, No.105 ,Taipa</td>
<td>Tel.: 28833633; 28833815 Fax: 28833622</td>
</tr>
<tr>
<td><strong>Nova City</strong></td>
<td>Avenida da Kwong Tung, Nº 732, R/C I, Taipa, Macao</td>
<td>Tel.: 28842531; 28842532 Fax: 28842535</td>
</tr>
</tbody>
</table>
Areia Preta
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