2022
Annual Report

HAITONG

HAITONG BANK, S.A.

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Lisbon | PORTUGAL
Registered Share Capital: 863 278 725 euros
Corporate Registration
and Tax Payer Number: 501 385 932

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" Non-ESEF compliant version. In case of discrepancies between this version and the official ESEF package, the latter prevails."

MANAGEMENT REPORT

Chairman and CEO Review

Haitong Bank has delivered on its targets with a solid set of results amidst many uncertainties that affected our business in 2022: the extended lockdowns in China hindered the progress of our Chinese related business and the ramifications of the war brought new headwinds to our activities in Europe and Latin America.

That scenario called for swift responses in adjusting the risk appetite and shield the Bank from potential disruptions. That explained the relatively slower first half of the year, which was followed by a strong second half. The Net Profit reached EUR 11.1 million in 2022, well above the EUR 3.6 million, in 2021.

The Bank also expanded the asset base, with Total Assets standing at EUR 3.4 billion, 24.4% above the previous year. The asset growth of EUR 670 million in 2022 was mostly related to the loan and securities portfolios. The Bank has been able to grow assets, keeping asset quality indicators at record levels with a NPL ratio of 1.2% and the NPE ratio at 0.5%. The Bank did not register any new defaults during the past year and credit impairment was immaterial.

From a Capital perspective, the Bank maintains a solid position with a CET1 Ratio of 17.4% and Total Capital of 21.8%.

Alongside growing the balance-sheet, the Bank has also taken further steps to diversify its funding sources, increase the maturity and reducing costs. In 2022, Haitong Bank launched inaugural bond issues both in the EUR and the USD markets, benefitting from an investment grade rating through a Shareholder guarantee. We will continue on this trend to improve the funding structure through innovation and transformation.

The resilience of the Bank shows that the business model is working. Our current position is the result of a continuous commitment from the Shareholder. It also results from the contribution of the Board of Directors that this year will reach the end of its 3-year mandate. During this mandate, the Bank has consolidated its profitability, reinforced its sustainability and took strategic steps with the opening of the Macau Branch and the Paris office. It also emerged from the pandemic in a healthy condition, creating shareholder value and strategic optionality.

As Haitong Bank celebrates 30 years in 2023, it is well positioned to take advantage of growth opportunities and move into the next step of its development in full strategic alignment with the Shareholder and Group.

Wu Min
CEO

Lin Yong
Chairman


HAITONG

KEY INDICATORS

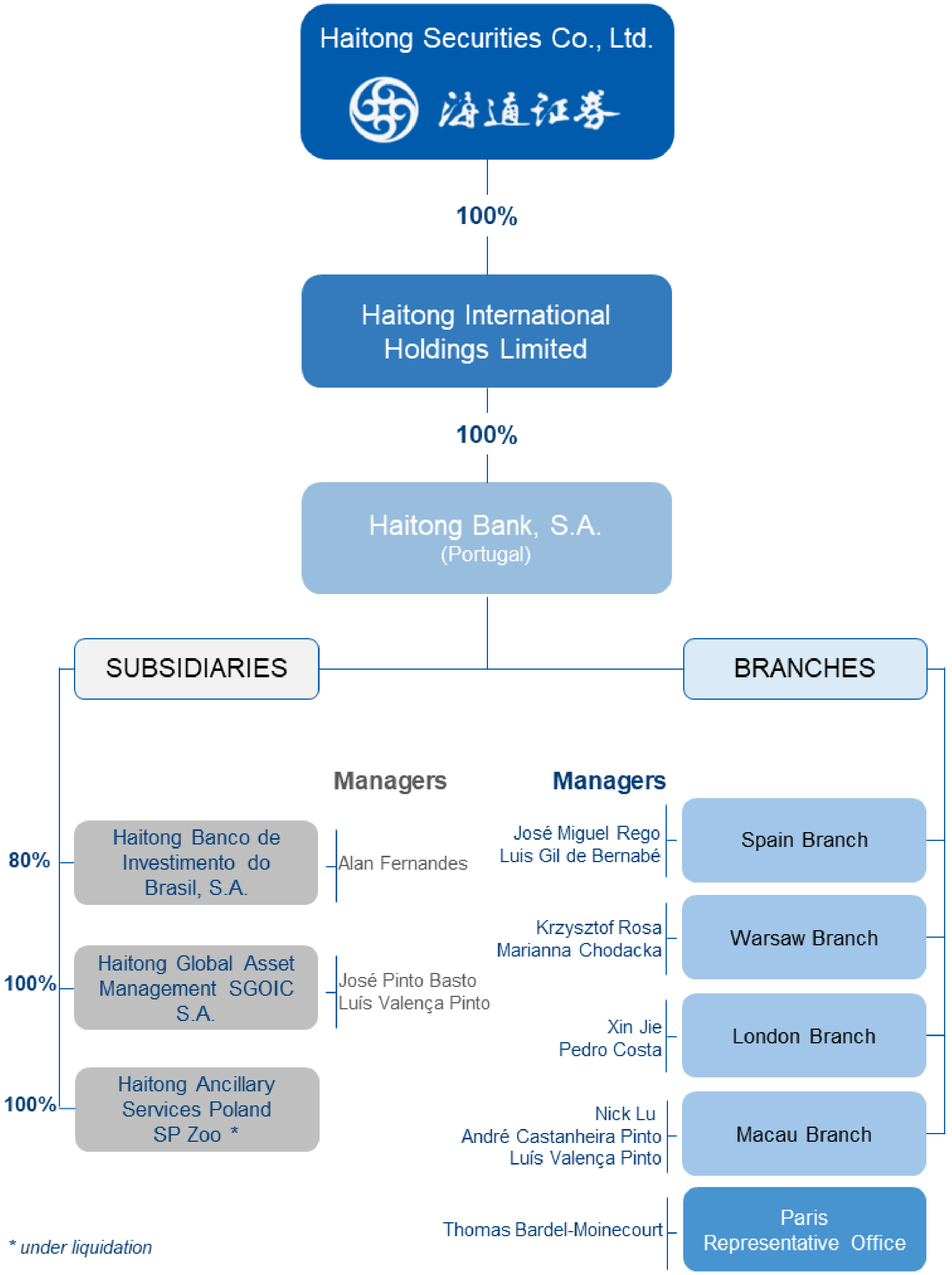
(million euros)

	2022 December	2021 December	2020 December
Balance Sheet			
Total Assets	3,416	2,747	2,801
Total Liabilities	2,788	2,140	2,203
Total Equity	628	607	598
Results			
Banking Income	74	89	82
Operating Costs	-61	-60	-58
Operating Profit	13	29	24
Impairment and Provisions	0	-20	-12
Net Profit / (Loss)	11	4	2
Profitability			
Return on average shareholders' equity (ROE)	1.8%	0.6%	0.3%
Income before tax and non-controlling interests / Average equity (1)	2.1%	1.4%	1.8%
Return on average net assets (ROA)	0.3%	0.1%	0.1%
Income before tax and non-controlling interests / Average net asset (1)	0.4%	0.3%	0.4%
Banking Income / Average net assets (1)	2.3%	3.3%	2.9%
Efficiency			
Operating costs / Banking income (Cost to Income ratio) (1)	82.9%	67.7%	71.3%
Staff Costs / Banking Income (1)	53.5%	41.8%	41.9%
Credit Quality			
Loan Portfolio (gross)	786	632	432
Loan Loss Charge	1	3	2
Non-Performing Loans Ratio	1.2%	2.1%	1.9%
Non-Performing Loans Coverage	64.6%	42.1%	51.5%
Solvency			
CET1 ratio (phased-in)	17.4%	18.9%	22.7%
Total capital ratio (phased-in)	21.8%	23.6%	28.5%
CET1 ratio (fully-loaded)	17.3%	18.8%	22.6%
Total capital ratio (fully-loaded)	21.8%	23.5%	28.4%
Leverage			
Leverage Ratio (phased-in)	12.2%	17.0%	15.6%
Leverage Ratio (fully-loaded)	12.2%	17.0%	15.5%
Liquidity Position			
Net Stable Funding Ratio (NSFR)	145%	142%	157%
Liquidity Coverage Ratio (LCR)	236%	183%	259%
Loans to deposits ratio ((Gross loans - provisions) / customer deposits) (1)	107%	63%	41%
Total Headcount	357	357	362

(1) Bank of Portugal Reference Indicators (Notice 23/2011)

ORGANISATIONAL STRUCTURE

With a presence in Iberia, the UK, Poland, Brazil, France and Macau, Haitong Bank is committed to serving its domestic corporate and institutional clients alongside a growing Chinese Client base through a team of nearly three hundred and fifty professionals.



Senior Management

Board of Directors

Chairman

Lin Yong

Chief Executive Officer and Executive Board Member

- Treasury & Fixed Income
- Corporate Solutions
- CEO Office
- Human Resources
- Finance

Wu Min

Executive Board Member

- CEO of Haitong Banco de Investimento do Brasil, S.A.

Alan Fernandes

Executive Board Member

- Capital Markets
- Structured Finance
- M&A
- Corporate Derivatives Desk
- Asset Management
- Haitong Global Asset Management SGOIC S.A.

Miguel Guiomar

Executive Board Member

- Compliance & AML-FT
- Legal
- Special Portfolio Management
- IT, Online Banking & Administrative
- Internal Audit

Nuno Carvalho

Executive Board Member

- Risk Management
- Rating
- Operations

Vasco Câmara Martins

Non-Executive Board Member

António Domingues

Non-Executive Board Member

Martina García

Non-Executive Board Member

Pan Guangtao

Non-Executive Board Member

Paulo Martins

Non-Executive Board Member

Vincent Camerlynck

Non-Executive Board Member

Zhang Xinjun

Senior Managers with Seat on the Executive Committee

- *Head of Finance Department*

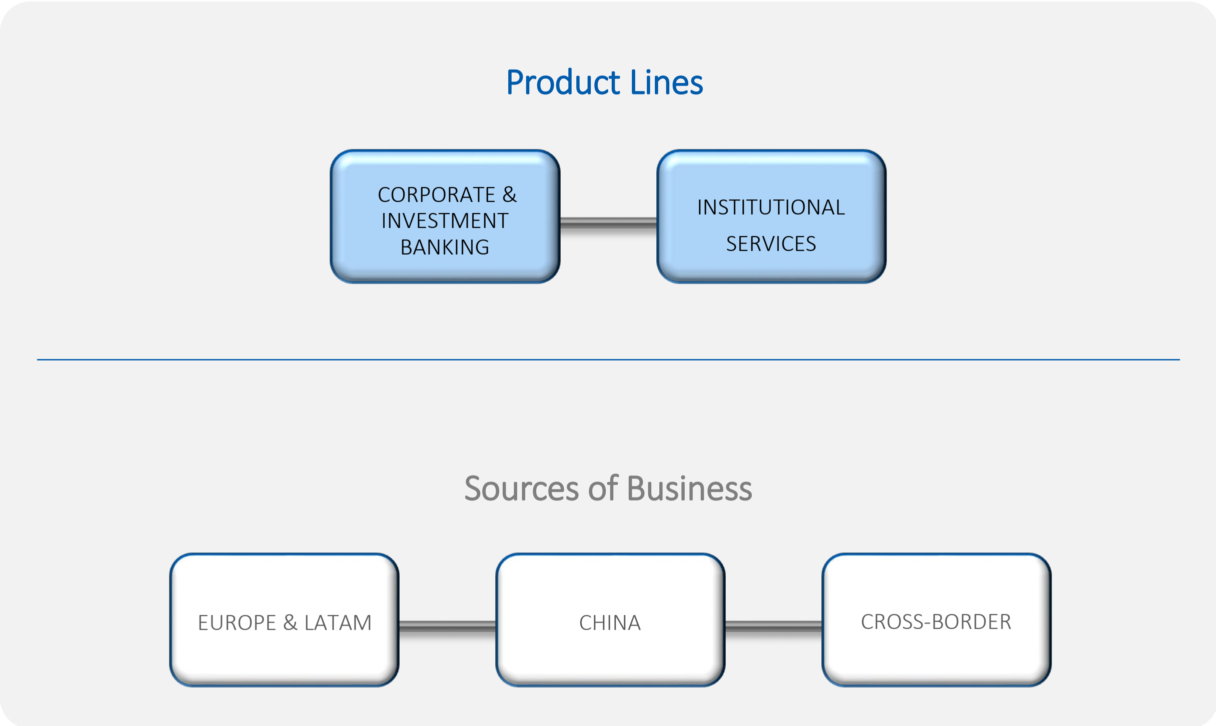
António Pacheco

- *Head of CEO Office and Branch Manager of the London Branch*
- *Secretary to the Executive Committee and Board of Directors*

Pedro Costa

BUSINESS STRATEGY

Haitong Bank's strategy is to connect clients and business opportunities across its broad network, combining its long-standing expertise in Europe and Latin America with Haitong Group's China angle.



Haitong Bank' strategy is underpinned by 3 drivers:

- Historical franchises in Iberia, Poland, UK and Brazil;
- A China angle, reinforced by the Macau Branch; and
- A cross-border focus.

Product

Business Model

CORPORATE & INVESTMENT BANKING

Corporate Derivatives

Hedging Solutions
Commodities
Interest Rate
Foreign Exchange

Capital Markets

Cross-border Eurobonds
Domestic bonds
Short-term debt instruments
Advisory on ECM transactions

STRUCTURED FINANCE — CORPORATE DERIVATIVES — M&A ADVISORY — CAPITAL MARKETS

Structured Finance

Corporate Lending
Collateralised asset finance
Project finance
Acquisition finance
Guarantees

M&A Advisory

Sell-side and buy-side advisory
Advisory on asset disposals
Company valuations

INSTITUTIONAL SERVICES

Global Asset Management

Cross-asset experience: Equities, Fixed Income and Quant
Local experience: Europe and China
Discretionary mandates and Funds management
Private Equity

FIXED INCOME — GLOBAL ASSET MANAGEMENT

Fixed Income

Fixed Income trading and market making
Distribution to institutional clients
Syndication
Fixed Income Banking Book management

CORPORATE SOLUTIONS

Overview

The Corporate Solutions Division is responsible for corporate client coverage and business origination. This Division partners with clients to ensure the best corporate and investment banking solutions that meet their needs.

Haitong Bank holds a unique business positioning combining a differentiating China angle with a deep-rooted presence in various domestic markets in Europe and Latin America.

Strategy

The Corporate Solutions Division plays a pivotal role in the Bank's strategy underpinned by the sustainable growth of the client franchise in the various regions where it has a presence.

Activity Highlights

Overall, clients' activity has picked up throughout 2022 despite the challenging macroeconomic environment. Senior Bankers have been further engaging with existing and new corporate clients, which have entrusted the Bank with increasing levels of activity in multiple products.

In 2022, the Corporate Solutions Team operated in strict coordination with the various product areas, promoting a full strategic alignment between the Clients and the Bank's product areas:

- **Structured Finance:** the Bank continued to expand its credit portfolio with bespoke solutions to clients in multiple sectors. These included collateralised lending, asset financing (including real estate), acquisition financing and syndicated loans;
- **Capital Markets:** continuing support on the origination of capital markets domestic deals. These included bond offerings and short-term instruments, such as commercial paper. These deals involved five currencies (EUR, USD, CNY, PLN and BRL) and took place in Europe, Asia and in America;
- **M&A Advisory:** the Bank has been leveraging its solid reputation in advisory services, with a consistent growth of the pipeline of both sell-side and buy-side deals, alongside cross-border opportunities and China-related transactions;
- **Corporate Derivatives:** the Bank has significantly expanded the number of corporate counterparties seeking hedging solutions for multiple risk exposures. The Bank offered bespoke hedging solutions (mostly interest rates, FX and commodities) alongside its recognised electronic platform for plain vanilla products;
- **Savings Products**: The Corporate Solutions Team has been supporting the distribution of the Bank's savings products, namely time deposits for corporates and the managed equity and fixed income funds.

INSIGHTS

A dedicated team with extensive **client relationships** and **market experience**, offering a unique **China angle**

CONNECTING CLIENTS TO PRODUCTS

NETWORK

Our network provides **local and global expertise** to help clients achieve their goals and objectives

SOLUTIONS

We deliver **tailored solutions** to meet the needs of clients regardless of **size**, industry or **business priorities**

Capital Markets

Overview

The Capital Markets Division comprises the origination, structuring and execution of market-oriented debt and equity instruments. The Bank provides its services to corporates, financial institutions, public companies and state-related entities.

In the Debt Capital Markets (DCM) area, the Bank engages in structuring debt instruments, namely domestic debt issues and cross-border issues, especially related to China and other emerging markets, as well as hybrid products, green, sustainable, sustainability-linked bonds, project bonds, commercial paper programmes and liability management.

The Equity Capital Markets (ECM) area comprises privatisations, initial public offerings (IPOs), capital increases, takeover offers and delistings, as well as equity-linked instruments, such as convertible bonds for corporate clients.

Strategy

The Capital Markets business area is mainly focused on DCM activities with residual ECM origination on a case-by-case analysis.

The DCM business strategy is based on two pillars: (i) an historical franchise (local debt issuance in Portugal, Spain, Poland, Brazil and Macau), leveraging on its local underwriting, structuring and distribution capabilities; and (ii) China-related business, leveraging on Haitong's group-wide origination and Haitong Bank's underwriting, structuring and distribution capabilities.

The Bank is well positioned to play the "China House" role, leveraging on its prominence over the last four years in EUR and USD-denominated transactions for Chinese issuers. In addition, the Bank leverages on the Group's unique access to Asian pools of demand.

OFFERING

- Cross-border EUR and USD bonds structuring and underwriting
- Bond issuance for local market
- Short-term debt instruments
- Participation in equity business opportunities

Banking Income Amount

€ 13m

Weight in Total Banking Income

18%

2022 Market Review

Debt Capital Markets (DCM)

After a period that had been marked by a capital rush, 2022 saw issuers retreat from global bond markets, and borrowers opting to reduce fundraising as rising interest rates brought the era of cheap debt financing to an end. Wider market volatility, triggered by high inflation and the prospect of a global recession taking hold in 2023, also weighed on funding decisions, making primary markets harder to navigate.

According to Refinitiv, overall global debt capital markets activity totalled USD 8.3 trillion during 2022, down 19% when compared to 2021 and the slowest annual period of DCM activity since 2019. The number of new offerings brought to market during 2022 totalled 26,625, which represented a 12% decline year-on-year and a three-year low.

Global Investment Grade corporate debt offerings totalled USD 4.1 trillion during 2022, a 13% decrease compared to 2021 levels and the slowest annual period for global high-grade corporate debt since 2019. Global High Yield debt activity during 2022 reached USD 133.2 billion, a decrease of 80% compared to 2021 and the slowest annual period for global high-yield issuance since 2008. High-yield offerings from issuers in the United States, Canada, United Kingdom and France accounted for 76% of 2022 issuances, down slightly from 77% a year ago.

DCM activity from Financials, Government & Agency issuers accounted for 78% of the issuance during 2022, up from 73% in 2021. Global debt issuance, excluding Financials, Government & Agency, totalled USD 1.8 trillion year 2022, down 35% compared to 2021 and accounted for 22% of overall issuance, down from 27% a year ago.

International bond offerings totalled USD 3.6 trillion in 2022, a 30% decrease compared to the previous year. Debt from emerging market corporate issuers totalled USD 225.8 billion in 2022, down 42% compared to the previous year. Corporate debt issuers from India, Brazil, Thailand and Malaysia accounted for 60% of emerging markets activity. Asia local currency bond offerings totalled USD 3.4 trillion in 2022, a 4% increase compared to the previous year and the strongest full year period for issuance since records began in 1980.

According to Dealogic, ESG issuance totalled USD 692 billion in 2022 compared with USD 872 billion during 2021, reflecting a decrease of 21% YoY, a lower figure than the drop of 30% in overall bond market supply.

Sovereigns, Supranationals and Agencies (SSAs) have been the most active issuers of ESG bonds in 2022, raising USD 278 billion via these products, accounting for 40% of total deal amount. Corporates have sold USD 210 billion of ESG bonds and FIGs have sold USD 191 billion. ESG asset- and mortgage-backed transactions accounted for the remainder.

Equity Capital Markets (ECM)

According to Refinitiv, Equity Capital Markets activity totalled USD 487.5 billion in 2022, a 62% decrease compared to 2021 and the slowest annual period for global equity capital markets activity since 2003. By number of issues, nearly 4,450 ECM offerings were brought to market in 2022, a 39% decrease compared to a year ago and a ten-year low.

As a percentage of global ECM, the United States accounted for 17% of overall issuance, with proceeds down 78% compared to the previous year. Issuers from China raised USD 186.7 billion, a decrease of 43% compared with levels seen a year ago.

Global initial public offerings, excluding SPACs, totalled USD 148.0 billion during 2022, a decrease of 64% compared to the previous year and the slowest annual period for global IPOs since 2016. Total proceeds of IPOs on US exchanges totalled USD 8 billion during full year 2022, a 95% decline compared to the previous year and the slowest period for new US listings since 1990. China-domiciled IPOs totalled USD 71.1 billion during 2022, down 34% compared to 2021 levels.

Global convertible offerings totalled USD 68.2 billion in 2022, a decline of 63% compared to the previous year and the lowest annual level since 2012, accounting for 14% of global ECM activity.

Global secondary offering activity totalled USD 271.3 billion in 2022, a 61% decrease compared to the previous year and the slowest annual period for capital raising since 2003. Just over 2,800 follow-on issues were priced in 2022, a 39% decline compared to 2021, which ranked as the largest full-year for secondary offerings, by number, since records began in 1980.

Activity Highlights

In **Portugal,** Haitong Bank's DCM activity in 2022 was marked by a leading position on 13 transactions, acting among other as:

- Sole Global Coordinator of a public bond subscription and exchange offer by Futebol Clube do Porto - Futebol, SAD, which totalled EUR 50 million;
- Sole Global Coordinator of a public subscription offer of Sport Lisboa e Benfica – Futebol, SAD, with a total of EUR 60 million;
- Joint Global Coordinator of the Mota-Engil, SGPS, S.A. EUR 70 million public sustainability-linked bond issue, with a 5-year tenor placed through a public exchange and subscription offer;
- Arranger and Dealer of a EUR 20 million commercial paper programme of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.;
- Arranger and Dealer in the renewal of Luz Saúde, S.A. commercial paper programme that was increased to EUR 30 million; and
- Manager in Haitong Bank's USD 150 million bonds due 2027 and EUR 230 million bonds due 2025, both guaranteed by Haitong Securities Co., Ltd..

In January 2022, Euronex - the company that owns the Lisbon Stock Exchange - announced the winners of the 11th edition of the Euronext Lisbon Awards 2022. Mota-Engil SGPS, S.A.'s EUR 110 million sustainability-linked public bond, in which Haitong Bank acted as Joint Global Coordinator, was granted the "Finance for the Future" award. This 5-year tenor bond, issued in December 2021, was the first ESG public bond offering by a Portuguese corporate company.

In **Poland**, the total value of corporate bond issues in 2022 decreased by approximately 36% YoY. Excluding one big transaction at the end of 2022 carried out by Cyfrowy Polsat (settlement in January 2023), the market decline would had been much deeper, almost 52% YoY.

The reasons for the market standstill were primarily the very high level of interest rates (WIBOR rates are still above 7%) on the one hand, and outflows from investment funds (one of the largest buyers of bonds in the market) on the other. High WIBOR rates are the result of interest rates hikes by the National Bank of Poland in order to curb inflation, which has affected all European economies. In turn, outflows from mutual funds are mainly the result of losses resulting from positions in bonds with a fixed interest rate.

Despite very difficult market conditions and the Bank's selective approach to potential issuers from a credit risk point of view, the Warsaw Branch organized a PLN 130 million 2-year bond issue for Polska Grupa Farmaceutyczna, a member of Pelion Group - one of the largest pharmaceuticals distributors in Poland and CEE.

The Polish Equity Capital Market was brought to a nearly complete freeze, with just one new company joining the market. The value of IPOs on the Warsaw Stock Exchange dropped to a mere EUR 8 million in 2022, which compares to nearly EUR 2 billion in 2021. Furthermore, almost all IPO candidates facing bids in 2022 have suspended or abandoned their IPO plans due to adverse equity market conditions.

The debt market in Spain was no exception in regards to the global effects of high inflation, the aggressive interest rate hike cycle, and the war in Ukraine, which led to a significant cost increase for issuers and a high level of risk aversion and uncertainty for investors, who shifted their investment strategy towards a "flight-to-quality" approach. As a result, the Spanish high-yield market, the MARF, experienced the worst year in its history with only one corporate issue (Grenergy, EUR 52 million, 5-year 4.00%, in April) representing a 90% reduction in issuance volumes comparing to 2021 (EUR 410 million) and the promissory notes' market limited to tenors of no more than 3 months and reducing the outstanding balance to circa 50%.

As a result of the volatility and uncertainty in the capital markets, the year was particularly difficult for DCM Spain, with some important mandated transactions being postponed.

The Bank's activity in Spain continued with the execution of existing mandates, primarily consisting in the placement of promissory notes on MARF, such as:

- A Promissory Note Programme of EUR 100 million for Via Celere, a Real Estate company. Haitong Bank acted as Dealer;
- A Commercial Paper Programme of EUR 75 million for Tradebe, an Environmental services and waste management company. Haitong Bank acted as Dealer; and
- A Commercial Paper Programme of EUR 30 million for Copasa, a Construction, development of infrastructures and provision of urban, logistic, and energy services company. Haitong Bank acted as Dealer.

Two significant factors shaped the capital markets in Brazil, in 2022: the spike in interest rates that were at 13.25% by year-end, and the presidential elections. As for the fixed income market, despite the surge in interest rates, there was still a strong demand by investors for new issuances, especially investment grade papers, with debt issuance volumes reaching approximately BRL 395 billion in 2022, a reduction of 8% from the same period last year. Once again, fixed-income debentures stood out and accounted for approximately BRL 236 billion in 2022, or 60% of the total.

In terms of distribution, the main asset holders continue to be the banks coordinating the issuances, mutual funds and pension funds.

Haitong Bank in Brazil acted as the Sole Bookrunner and was able to place the following transaction:

- BRL 50 million 4-year local CRI (Real Estate Securitization) of Embraed, which was entirely sold to investors.

Haitong Bank continues to successfully bring borrowers from China to the international debt capital markets via both public and private placement formats (in EUR, USD and RMB) having participated in 39 transactions, which totalled an aggregated issuance amount of USD 5.9 billion, RMB 6.65 billion and EUR 280 million.

The cross-border DCM Team acted as a Joint Global Coordinator, Joint Lead Manager and Joint Bookrunner in the following transactions, among others:

- The reopening of the Chengdu Jingkai Guotou Investment Group Co., Ltd.'s 5.3% notes due 2024, following strong investor appetite with a tap in the amount of USD 200 million, bringing the total amount outstanding to USD 500 million; and
- A USD 200 million 4.7% notes issuance due in 2025 by Zhengzhou Airport Economy Zone Xinggang Investment Group Co., Ltd..

In **Macau**, Haitong Bank's Branch took a Joint Lead role in 13 deals, which were listed on ChongWa (Macau) Financial Asset Exchange CO., Ltd (MOX) and participated in 5 green bond issues, which shows Haitong Bank's endeavours in promoting modern financial development in Macau and green financing projects.

The client base of the Macau Branch is mainly composed of local government financing vehicles (LGFVs), with Haitong Bank also participating in sovereign bond issuances and Shanghai Free Trade Zone (FTZ) bond issuances as highlighted below:

- Joint Lead Manager and Joint Bookrunner in the RMB 3 billion sovereign bond issuance by the Ministry of Finance of China in Macau during September 2022. This was the second offshore yuan bond issued in Macau by the MOF, which comprised two tranches (2.2% RMB 2 billion two-year bond and 2.28% RMB 1 billion three-year bond). This was also the first sovereign bond cleared by the Macao Central Securities Depository and Clearing (MCSD). The Macau Branch acted as one of the Joint Lead Managers in this sovereign bond, and expanded the scope of investors by introducing European investors; and
- Joint Global Coordinator in the FTZ dual tranche bond issuance (a 2.98% RMB 1 billion three-year bond and a 3% EUR 50 million 366-day bond) by Lingang Wings Inc., guaranteed by Shanghai Lingang Economic Development (Group) Co., Ltd., which was the first green bond with dual currency issuance in FTZ. The Macau Branch DCM Team participated in 5 FTZ bond issues with an aggregate amount of RMB 2.7 billion and EUR 50 million.

The DCM Team in Macau Branch also assisted Haitong Bank in successfully issuing a 5-year USD 150 million senior unsecured bond guaranteed by Haitong Securities Co., Ltd.. The bonds were priced at US Treasuries + 116.6 basis points, which was considered a competitive level under the prevailing market conditions. The transaction showcases a segment of the Asian bond market for Chinese-owned European entities, and demonstrates that the Asian market is open to transactions from European issuers with an Asian connection.

The Macau Branch will continue to capture business flows in the Greater Bay area, and take advantage of Haitong's worldwide presence and deep knowledge of the Chinese market, so as to strengthen its presence in the offshore bond business for Chinese issuers, especially for LGFVs.

SOE | CHINA

THE CENTRAL PEOPLE'S GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA

Dual-tranche
¥ 1,000,000,000 2.2% Bonds due 2024
¥ 2,000,000,000 2.28% Bonds due 2025

Joint Lead Manager, Joint Bookrunner
2022

HAITONG

SOE | CHINA

CEDSI 经开国投
CHENGDU JINGKAI GUOTOU INVESTMENT GROUP CO., LTD.

Reopening of the 5.3% Bonds due 2024, in the amount of US$200,000,000

US$ 500,000,000
Joint Global Coordinator, Joint Lead Manager, Joint Bookrunner
2022

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FIG | PORTUGAL

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Fixed Rate Senior Guaranteed Notes due 2027

US$ 150,000,000
Manager
2022

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SPORTS & ENTERTAINMENT | PORTUGAL

BENFICA SAD

Public Bond Offer

€ 60,000,000
Sole Global Coordinator
2022

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AWARD

EURONEXT LISBON AWARDS 2022

MOTA-ENGIL

Finance for the Future

Sustainability-linked Bonds
€110,000,000
2021-2026

Joint Global Coordinator
2022

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CONSTRUCTION & REAL ESTATE | BRAZIL

EMBRAED EMPREENDIMENTOS

Real Estate Securitization (CRI)

R$ 50,000,000
Sole Lead Bookrunner
2022

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SOE | CHINA

JZBD

3.20% Bonds due 2025

US$ 300,000,000
Joint Lead Manager, Joint Bookrunner
2022

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SPORTS & ENTERTAINMENT | PORTUGAL

FCP

Public Bond and Exchange Offer

€ 50,000,000
Sole Global Coordinator
2022

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SOE | CHINA

赣州城投集团 Ganzhou Urban Investment Group

6.00% Sustainable Bonds due 2025

US$ 250,000,000
Joint Lead Manager, Joint Bookrunner
2022

HAITONG

SOE | CHINA

LINGANG GROUP

Dual-tranche Green Bonds
¥ 1,000,000,000 2.98% due 2025
€ 50,000,000 3.00% due 2023

Joint Global Coordinator, Joint Lead Manager, Joint Bookrunner

2022

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HEALTHCARE | POLAND

PGF

Bond Issue

PLN 130,000,000

Global Arranger

2022

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SOE | CHINA

XI HAI AN 2019 LIMITED
With the Benefit of a Keepwell Deed provided by
海发集团 QDHF
Backed by SBLC issued by
Evergrowing Bank Co., Ltd Qingdao Branch

4.5% Bonds due 2025

¥ 1,330,000,000

Joint Global Coordinator, Joint Lead Manager, Joint Bookrunner

2022

HAITONG

CONSTRUCTION & REAL ESTATE | SPAIN

vía célere
Casas que innovan tu vida

Commercial Paper Programme

€ 100,000,000

Dealer

2022

HAITONG

CONSTRUCTION & REAL ESTATE | SPAIN

COPASA

Commercial Paper Programme

€ 30,000,000

Dealer

2022

HAITONG

HEALTHCARE | PORTUGAL

LUZ SAÚDE

Commercial Paper Programme

€ 30,000,000

Arranger, Dealer

2022

HAITONG

2023 Outlook

After a long spell of issuing into a market supported by central bank bond acquisitions and rock-bottom interest rates, the Debt Capital Markets became less certain in 2022, as interest rates and yields rocketed in response to a range of macroeconomic and geopolitical shocks, from the spike in inflation to the effects of the invasion of Ukraine.

As we move into 2023, the macro environment will remain challenging, and the potential for a mild recession or stagflation in certain economies is high. In anticipation of unforeseen economic issues and as inflation begins to moderate, market conditions and investor sentiment should improve, which will open the window for more opportunistic issues going forward.

Apart from the influence of central banks, a trend will persist in 2023: the importance of environmental, social and governance finance. In 2023, there will be a growing number of issuers announcing that they are switching their bond programme to ESG-related issuance.

Regarding ECM, it is hoped that a period of investor engagement following on from a better-than-expected US inflation will continue into 2023, and that a cycle of global rate hikes will peak in the middle of next year. This would provide greater opportunities for equity capital market deals throughout the year.

Structured Finance

Overview

With a long track record and expertise in project finance, acquisition finance and other credit transactions, the Structured Finance Division develops financing solutions and provides services to its clients through the following main activities:

- Structuring, arranging and underwriting debt facilities – mainly focusing on structured finance solutions and China-related transactions, including acquisition finance and project finance-related deals in the real estate, infrastructure and energy sectors;
- Structuring of financing operations through bond issues under a project finance regime ("Project Bonds");
- Financial advisory services;
- Post-closing services – portfolio management and agency roles; and
- Bank guarantees.

Strategy

Haitong Bank's Structured Finance business proposition and strategy are driven by the potential for China-related new business origination as well as by the Bank's local positioning and execution capabilities in Europe and LatAm.

Taking advantage of Haitong Bank's expertise in project finance and in the infrastructure sector, a particular focus is placed on cross-border business opportunities in coordination with Haitong Group and other investors.

OFFERING

- Asset Finance
- Project finance / Project bonds
- Acquisition finance
- Corporate lending / Bridge financing

Banking Income Amount	Weight in Total Banking Income
€ 21m	29%

Activity Highlights

While the impacts of the COVID-19 pandemic have faded throughout the year, in 2022, the war in Ukraine and the persistent inflation have posed new global economic challenges.

Against this backdrop of continued economic uncertainties, Haitong Bank's Structured Finance Division business activity retained a good dynamic and achieved positive global performance, both in terms of banking income and credit growth.

Momentum remained particularly strong in the real estate sector, which continued to present a significant volume of business opportunities, particularly in the hospitality and residential sectors, and in the energy sector, which was not severely impacted by the pandemic and may benefit from the current energy crisis. During this period, several transactions were successfully closed in Portugal, Spain, Poland and Brazil. This was made possible through well-coordinated commercial efforts and a focus on value-added transactions for both the Bank and its clients. In addition, several other transactions have earned internal credit approval and are now being implemented with a view to reaching financial closing in 2023.

With the opening of the Macau Branch and the team gradually on board, the China-related business became more active with an approved transaction related to a leading carrier-neutral data centre company which is developing rapidly in mainland China and South East Asia. On top of that, there are a number of transactions in the pipeline, including oil & gas, commercial real estate, and internet companies.

In Europe, the focus has been on real estate, industry, energy and corporate loans, with Structured Finance screening several financing opportunities. A few good examples of this approach are the financings granted for the acquisition of a prime location, beachfront hotel and for a high-profile real estate mixed-use development, both in the Lisbon area, and for the acquisition of a manufacturing business for the aviation sector in Spain. The European activity was also marked by the successfully closing of two new deals originated in the UK and France in the oil & gas sector for an international portfolio of liquid bulk storage terminals and for a German-based major supplier of global technology systems for the cars industry. In Poland, a very positive performance was also registered, with 4 new transactions reaching financial closing in the telecoms, oil & gas and real estate sectors.

In Brazil, the Structured Finance activity was highly positive in 2022 despite the spike in interest rates. It should be noted that several transactions were concluded with particular focus on the agribusiness and energy sectors, amounting to about BRL 450 million.

Active and prudent management of the Bank's existing credit and agency portfolio has also continued to be one of the most relevant tasks in this product area, from both a risk and return perspectives.

Overall, in the Structured Finance activity, the Bank continues to position itself as a solution provider to clients guided by a flexible and constructive approach with a focus on value-added transactions.

CONSTRUCTION & REAL ESTATE — BRAZIL / PORTUGAL

Senior Loan Facility

€ 18,500,000

Mandated Lead Arranger

2022

HAITONG

CONSTRUCTION & REAL ESTATE — U.S.A., U.K. / PORTUGAL

Term Loan Facility for the development of a real estate project in Lisbon

€ 60,000,000

Mandated Lead Arranger

2022

HAITONG

INFRASTRUCTURE & TRANSPORT — SPAIN

Loan facility

€ 9,000,000

Arranger, Lender

2022

HAITONG

ENERGY — BRAZIL

Loan

R$ 70,000,000

Lender

2022

HAITONG

OIL & GAS — POLAND

Syndicated Loan Facility

PLN 320,000,000

Lender

2022

HAITONG

2023 Outlook

The Structured Finance business outlook for 2023 remains positive despite rising economic and inflationary risks, given the strong pipeline of deals in several regions and sectors.

The opening of the Macau Branch and the local presence in France widened Haitong Bank's geographic coverage and enhanced access to business opportunities in markets with great potential for Structured Finance activity.

Based on strong expertise and a long track record in structured finance activities, together with an established international presence, the focus will be on value-added transactions for the Bank and its clients. Haitong Bank's Structured Finance Division provides one of the main products the Bank offers to its clients. As such, it is intended to keep growing in a balanced way and in compliance with the Bank's risk appetite framework with a view to building a healthy credit portfolio that may allow for a recurrent source of revenues.

Mergers and Acquisitions

Overview

Haitong Bank's M&A Division provides financial advisory services on the acquisition, sale or merger of companies. This Division also provides services such as valuations, restructuring and feasibility studies. The Bank's M&A Division leverages on a team of experienced professionals with a strong local network and long-standing execution track-record in several geographies. The M&A team supports Chinese companies in the execution of their internationalisation strategy in Europe and Latin America.

Strategy

Haitong Bank's M&A business has become more cross-border in an increasingly competitive environment. In this context, the Bank is broadening its geographical scope to provide these services on a more global and integrated scale.

As such, the dissolution of the local M&A divisions in Portugal and Spain and the creation of a new division called "Sino-EU M&A Department", responsible for all Haitong Bank M&A business between China and the Eurozone, was implemented in 2022.

OFFERING

- Sell-side and buy-side advisory
- Valuations
- Restructuring and Feasibility Studies

Banking Income Amount

€ 15m

Weight in Total Banking Income

20%

2022 Market Review

During 2022, global M&A figures fell short of the heights achieved in 2021, as expected, as activity was bound to cool down. Figures registered a slight decrease of 3% YoY in terms of the value of completed transactions, totalling EUR 3.3 trillion, according to Mergermarket. As such, and in spite of major geopolitical and financial headwinds stemming from multiple factors, such as rising geopolitical tension, slowing growth, persistent inflationary pressures, high interest rates, and supply chain disruption, the activity was resilient mainly in the first half of 2022.

The European and Iberian deal-making environment did not follow the global trend, with Europe posting a 13% YoY increase in terms of the value of completed transactions, reaching EUR 1.1 trillion. The Iberia region posted EUR 57 billion of completed transactions during 2022, with 1,174 deals completed, which represented a 31% increase YoY.

In Poland, the M&A market totalled 169 completed transactions during 2022 (+11.2% YoY). The value of completed transactions amounted to circa EUR 11.3 billion. Energy was the most popular sector, accounting for 14.2% of total completed transactions in 2022, followed by healthcare at 10.1% and computer software at 7.7%.

In the UK, the M&A market totalled 2,010 completed transactions during 2022 (-13% YoY). The value of the completed M&A transactions amounted to circa EUR 224 billion (-27% YoY).

In Brazil, the M&A market totalled 1,752 completed transactions during 2022 (-7.8% YoY). The value of the disclosed completed M&A transactions amounted to circa EUR 81.0 billion (BRL 440.4 billion, -39.9% YoY in BRL).

Activity Highlights

In **Iberia**, Haitong Bank was very active in the M&A market and was directly involved in a landmark transaction in the organized food service sector. The Team also acted as Financial Adviser in other relevant local transactions, having been able to successfully complete four deals, as follows:

- Haitong Bank advised Ibersol Group in the sale of its 159 Burger King restaurants in Iberia to Restaurant Brands Iberia ("RBI") and its main shareholder Cinven for EUR 260 million. The deal encompassed the acquisition of 121 Burger King restaurants in Portugal and 38 in Spain, a historical transaction in the Iberian sector. Ibersol is one of the main casual dining companies in Iberia and RBI is the largest Burger King operator in Iberia, holding the master franchise rights for the Burger King brand in Spain and Portugal;
- Haitong Bank advised Sonae Capital in the sale of an 80% stake in an operational biomass cogeneration plant in Portugal to SDCL Energy Efficiency Income Trust (SEEIT). The plant generates heat and power from sustainably sourced biomass and supplies onsite heat to an industrial facility manufacturing medium-density fibreboard ("MDF") owned by Sonae Arauco PT ("SAPT");
- Haitong Bank advised the shareholders of Cirelius, S.A. in the disposal of this company, dedicated to the sale and distribution to the B2B market of heating, ventilation, and air conditioning (HVAC) system solutions for residential construction; and
- In connection to the sale of Tecnatom, signed in 2021, Haitong Bank continued to provide services to the sellers (Iberdrola and Naturgy) in 2022, in order to reach the successful closing of the transaction in the first quarter of 2023.

Additionally, Haitong Bank advised:

- Aquaplus, in the sale of a brownfield solar PV farm located in Cuenca (Spain) to Sonnedix, the International Renewable Energy Producer (REP). Aquaplus is a family owned industrial conglomerate with several investments in renewable energy assets and concessions. The transaction was signed in December 2022 and its completion is subject to customary approvals; and

- The shareholders of Cargacoches, in the capital increase of Acciona Generación Renovable, directly related to the equity raising and sale of a majority stake of Cargacoches (also advised by the Bank's M&A Team in 2021). Cargacoches is a Spanish electric vehicle ("EV") infrastructure operator that was interested in the incorporation of an investor with the aim of developing a leading Independent EV Charging Infrastructure Network in Spain.

In the **UK**, despite challenging political headwinds, the M&A Team assisted a number of Chinese corporate clients on cross-border M&A mandates, mainly in the industrial and technology sectors. The Team has been exploring Chinese-related M&A ideas with a few UK Private Equity firms, and has been working closely with its colleagues in China, Poland and Portugal on various M&A and fundraising projects. On the domestic front, the UK M&A Team advised a fund manager on raising GBP 50 million from an institutional investor for its Alternative Investment Fund strategy. The Team was also mandated to advise a Professional Services firm on a GBP 200 million fundraise from an institutional investor – both transactions are expected to close in 2023.

In **Poland**, the M&A Team assisted NexoTech, a Polish company providing maintenance and development services for the fibre optic broadband networks, in the sale of 100% of their shares to SPIE SA - a French company engaged in the industrial services sector.

In **Brazil**, the M&A advisory activity went through an adjustment period in 2022, during which an experienced professional team in dealing with Chinese SOEs or Chinese investors was hired. As a consequence, 2022 was a year for building pipeline for the M&A practice in Brazil. The Team was awarded 4 mandates, 3 of them sell sides and 1 buy side, mainly coming from Brazilian conglomerates or worldwide reputed infrastructure fund managers. This confirms that the Brazilian market has quickly realized that, while Haitong has an advantage with Chinese SOEs, it is not limited to supporting the latter in buy-side transactions.

2023 Outlook

Despite the challenging environment pointing to a slowdown of deal-making activity, with acquirers assessing risk more thoroughly and the end of an era of cheap deal financing, the Bank's M&A Teams remains optimistic about 2023 due to a sound pipeline of ongoing projects in the different regions where it is present. The Teams also believe that the long-term M&A outlook remains promising, with key drivers of growth such as digital transformation, health care, and ESG considerations continuing to encourage cash rich companies to pursue deals.

In Iberia, as expected, the outlook is mixed, benefiting from a large number of deal completions to take place and investor trading activity more focused on their own equity.

In the UK, the Team is focused on completing a few domestic projects and are already discussing a few pipeline projects with the teams in Iberia and China. Generally speaking, the UK M&A Team anticipates that UK corporates are more likely to consider divestments and Chinese corporates more likely to consider cross-border projects in the second half of 2023, assuming that the macroeconomic environment and financing markets become more accommodating. The Team also expects that the easing of China's COVID testing requirements may be a catalyst to generate more international travel and spark more serious inquiries into cross-border investments.

In Poland, the macroeconomic situation, including the outlook for the M&A market, is expected to start improving again in the second half of 2023. The Polish M&A Team is currently working on a solid pipeline of projects with a high probability of execution in the industrial, leisure, and services sectors.

In Brazil, the objective is to strengthening the M&A team, increase the number of mandates under execution and reinforce the local market perception that Haitong is the right and only entry point to the Chinese capital investment community, being the only Chinese investment bank operating in Latin America.

CONSUMER & RETAIL | SPAIN, PORTUGAL

ibersol grupo

Sale of the Burger King restaurants operated by Ibersol to Restaurant Brands Iberia

€ 259,700,000

Financial Adviser

2022

HAITONG

ENERGY | PORTUGAL

SONAE CAPITAL

Sale of 80% in SIAF (Biomass Cogen) to SDCL Energy Efficiency Income Trust

Financial Adviser

2022

HAITONG

CONSUMER & RETAIL | PORTUGAL

CIRELIUS

Sale of 100% of Cirelius S.A. to Arbonia AG

Financial Adviser

2022

HAITONG

ENERGY | SPAIN

IBERDROLA Naturgy

Financial Advisory to Iberdrola and Naturgy in the sale of their stake in Tecnatom

Financial Adviser

2022

HAITONG

ENERGY | SPAIN

AQUAPLUS

Sale of a 3MW solar PV portfolio in Spain of Aquaplus to Sonnedix España (Pending Completion)

€ 14,498,000

Financial Adviser

2022

HAITONG

TMT | POLAND

NT NexoTech

SPIE

Acquisition of 100% shares

Financial Adviser

2022

HAITONG

Fixed Income

Overview

Haitong Bank's Fixed Income Division acts as a portfolio manager team for trading and banking book portfolios, a "product factory" and as a distribution platform for debt products and OTC derivatives. The Division provides a strong local and global market knowledge working as an international platform, capturing deal flow between clients in different regions, while remaining an important player in the relevant domestic markets where the Bank is present.

Fixed Income's main areas of operation allow the Team to acquire significant expertise in the target markets and ensure a strong distribution capability of debt products to institutional clients globally.

The Fixed Income Division is present in Portugal, Spain, Poland, Macau and Brazil, covering Haitong Bank's Banking Book management, Trading/Flow, Fixed Income Institutional Sales and Syndication.

Strategy

The Fixed Income Division is focused on adding the Chinese Angle to its current offer to become an important player in Chinese products. Building a strong bridge with Chinese teams and having dynamic teams in its different offices will enable the Bank to create important synergies and become an execution hub of cross-border business opportunities from different regions.

OFFERING

- Fixed Income Trading and Debt Market Making
- Fixed Income Banking Book management
- OTC Derivatives to Institutional Clients
- Distribution to Institutional Clients

Banking Income Amount

€ 18m

Weight in Total Banking Income

24%

Activity Highlights

2022 began in a global context of recovery from the COVID-19 pandemic, economic growth and data pointing to higher inflation, leading to an interest rate hike trend in Europe and the US, as well as some volatility in credit spreads supported by a positive performance in China.

The outbreak of the war in Ukraine in late February boosted inflation at the same time that, due to a sharp rise in energy prices, fears of future stagflation or possible recession began to emerge. Under this scenario, the Fixed Income market was extremely volatile with a widening of credit spread and the need for Central banks to control a higher than expected Inflation by increasing reference rates.

The overall context caused a drop in the Fixed Income flow and led to a more conservative approach on trading positions and investment decisions.

Trading/Flow

2022 was a year of increased volatility across all asset classes including interest rates. The war in Ukraine gave rise to new challenges since the market had prepared itself for a strong rebound in the post-COVID period. The market positioning for higher inflation and higher rates on a new monetary policy framework was not sufficient. The rise in energy prices brought deflationary forces into the field and mixed feelings about the monetary policy, which became clearer only during the fourth quarter. Hence the poor performance of stocks and the widening of credit spreads, which led to a significant slowdown in the flow activity, with investors taking some risk off the table with the high-yield segment practically shutting down.

As we approached 2023, the crossover index was already far from reaching its peak of 695 basis points last year, and is now trading at a low of 400 basis points. Although most investors still focused on the short to medium term investments, the foreseeing end of rate hikes during the first half of 2023 will likely lead them to invest in longer duration assets.

Banking Book Management

2022 marked the exit from the negative interest rate policies by the central banks in developed markets. This placed a significant weight on both yields and spreads, which led to significant losses on the major fixed income indexes (as an example, the Benchmark Euro Aggregate posted losses of 17%, while its US equivalent posted losses of 13%). After a first half of a very modest activity, activity did not resume until the end of the third quarter, allowing the Banking Book to place some investments at wider spreads and higher interest rates.

For 2023, rates and spreads are expected to remain volatile over the coming six months, especially as the market digested the withdrawal of the Quantitative Easing stimulus that was implemented in the last few years.

Sales to Institutional Clients

The business has felt the hard landing in the global fixed income flow whose overall volumes fell close to 50%, due to uncertainty over interest rates and historically low credit spreads.

Despite this backdrop, the Team managed to increase the number of active clients and kept its focus on short-term debt placements and on identifying demand for new capital markets debt issue projects.

Syndication and Institutional Sales

In terms of primary market transactions, 2022 was marked by the impacts of the Russian invasion of Ukraine and by the return of inflation to North American and European blocs. This context translated into a significant rise in interest rates, reflecting the expectation of a change in monetary policy, the widening of credit spreads (especially until September) and the devaluations that occurred in the main equity markets, together with greater volatility in the markets. All of these factors contributed to a much lower issuance volume compared to previous years. In this market context, the Syndication Team was mainly focused on placing Haitong Bank's issues, as well as investment grade Chinese issues. During this period, Haitong Bank issued the following bonds:

- the first, in February, amounted to EUR 230 million, with a 3-year maturity and floating rate; and
- the second, in May, in the amount of USD 150 million with a 5-year term and at a fixed rate.

In May, Haitong Unitrust also issued bonds amounting to USD 200 million and 3-year maturity. Regarding Chinese issuers, it is worth mentioning the issue of bonds, in the amount of USD 200 million and 3-year maturity, carried out by Zhengzhou Airport Economy Zone Xinggang Investment Group Co., Ltd in March this year. At the same time, the Fixed Income Team, together with DCM Team, continued to make efforts to obtain new mandates, some already in the pipeline (both in China and in Iberia), to be executed as market conditions allow, which is expected to happen during the first half of 2023.

The Institutional Sales activity faced a challenging year with almost no activity in DCM deals and with Clients adopting a very conservative approach to the market. Nevertheless, the Team was able to increase the number of open investor accounts and kept the proximity with the existing client platform. For 2023, an increase in flow business is expected due to higher volatility and a light return on DCM activity once market foresees a stabilization in monetary policy and macroeconomic data.

Fixed Income in Poland

Geopolitical tensions in Europe have caused significant uncertainty on the Polish investment market. This extraordinary situation continued to negatively affect all segments of the asset management sector. In the second semester, all Polish investment funds faced outflows. The Fixed Income market remained highly volatile as many investors traded on momentum, due to concerns related to long-term prospects in the bond market, driven by expectations of rising inflation and interest rates.

During the second half of the year, the Fixed Income team in Poland registered a higher number of transactions. Especially in the last quarter, many investors started investing in POLGBs (Poland Government Bonds), which resulted in a much better result. The Team also observed clients' interest in hedging interest rate risk. In their opinion, this trend will continue throughout 2023.

Fixed Income in Brazil

2022 was marked by the end of the monetary tightening process of the economy. As a result, the BCB increased the official interest rate (Selic) by 450 basis points, to 13.75%. This movement stimulated local investors to shift their investments towards the fixed income market. As a result, the fixed income asset class achieved historical issuance records, whereas local IPOs were absent.

In 2022, high-grade corporate debt had a good performance, with large inflows into this asset class. The fixed-income funds accounted for 45.1% (vs. 38.3% in 2021) of the buyers of the total amount issued, while pension funds accounted for 6.5%. The remainder was purchased by the banks who participated as lead managers.

The total value of the local capital market until October 2022 was BRL 444 billion (including BRL 226 million in debentures and BRL 100 billion in structured products) which is almost the same level as in 2021.

The initial strategy was to accelerate the investment trajectory by making the most of market conditions. As a result, in 2022, the Fixed Income activity started the implementation of two Investment books, leading to greater participation in the local corporate debt market.

Regarding Fixed income Sales activity, the Distribution Team has focused on mapping portfolio managers that have investment mandates suitable for local issuances, such as local bonds issued by Haitong Bank (Letras Financeiras). The results related to this activity were quite satisfactory, as the Bank raised approximately BRL 200 million in a public offering and BRL 300 million via direct issuances to its target investors.

For 2023, it is expected nominal interest rates to remain at high levels, which will continue to attract investors to fixed income issuances. The Team's strategy is to maintain the issuance of Letras Financeiras by prioritizing direct issuances and, if necessary, to seek public distribution deals.

Corporate Derivatives

Overview

Haitong Bank's Derivatives Desk covers several asset classes such as interest rates, FX and commodities, providing corporate clients with tailor-made solutions to optimise their hedging strategy against an increase in interest rates, exchange rate variations between payments and receipts of their products and in fixing the cost/sale price of raw materials.

The Team has close to 20 years of combined experience in all Derivatives-related areas, such as Structured Finance and Project Finance, and maintains direct contact with Finance Managers and CFOs of the most prestigious listed and non-listed companies in Portugal, Spain, Poland and Brazil.

Strategy

Haitong Bank's Derivatives Desk aims to support companies to protect their balance sheets against financial variables that may negatively affect their profits, allowing them to focus on their core business, lock in the margin in their products, and, above all, protect the value for their shareholders.

OFFERING

- Corporate Hedging Solutions
- Commodities
- Interest Rates
- FX

Banking Income Amount

€ 7m

Weight in Total Banking Income

9%

Activity Highlights

2022 was an exceptional year for the Corporate Derivatives Desk as a result of several factors. Firstly, the market volatility, especially in FX, provided numerous opportunities for the Desk to execute profitable trades. The Team's ability to quickly adapt to changing market conditions and make strategic decisions allowed to capitalize on these opportunities and generate a P&L of EUR 3.4 million (70% above budget) and close about 400 transactions.

Secondly, the Desk's client base has been growing steadily, creating synergies with other areas of the Bank. This has allowed the Desk to increase its revenue and provide added value to its clients through a wider range of services. Moreover, the Desk has been able to establish a permanent relationship with its clients, which has been a key driver in successfully increasing volume and finding new trading opportunities.

Thirdly, the rise in interest rates helped to mitigate the impact of the Project Finance portfolio, which helped to drastically reduce funding consumption, reducing CVA and provisions.

2023 Outlook

In 2023, Haitong Bank’s Corporate Derivatives Desk is well-positioned to capitalize on the emerging opportunities in the FX and commodities markets. The desk is focused on onboarding new clients and pursuing value-added deals to further expand its portfolio. The Bank is also committed to supporting its clients by providing tailor-made hedging solutions that will help preserve their business margins. With a strong track record and a clear strategy, the Haitong Bank Corporate Derivatives Desk is poised for continued success in the coming year.

Asset Management

Overview

The Asset Management Division acts as an Investment Manager on a range of different mandates and asset portfolios with a view to maximizing absolute returns in the long-term, taking into account the risk profile defined by each mandate and the limits established for them.

Strategy

The strategy is to expand this business activity in both the equities and the fixed income portfolios. The Bank's strong track record in the European equity portfolio is a key comparative advantage to drive AuM upwards, combined with the enhancement of the fixed income reach of Haitong Group.

OFFERING

- Discretionary Management
- Fixed Income Fund
- Quantitative strategies

Banking Income Amount

€ 4m

Weight in Total Banking Income

6%

2022 Market Review

2022 was a very demanding year for market players, as it marked the end of a bull market that had lasted over a decade, since the 2008-09 global financial crisis. Investors found it hard to find a safe place to invest, whether conservative with a focus on high-quality bonds or aggressive with a focus on the most volatile technology stocks. Both US Treasuries and the S&P500 closed the year in negative territory, which had occurred only five times in the past 100 years.

The year began with a growing post-COVID global economic recovery as supply chain issues started to ease. Global markets reflected this optimism, with major indices hitting historic highs in November and December 2021. Inflation rates were on the rise, but central banks were reluctant to raise rates, believing that it was transitory and would decline as the economy normalized.

However, markets began to slide earlier in the year as inflation rose and tensions between Russia and Ukraine escalated though the sectors with the best performance in January proved resilient throughout the year. Crude oil surged as geopolitical tensions rose, and on February 24, Russia invaded Ukraine, creating a new supply chain crisis, as well as global instability and apprehension. The price of crude oil reached USD 129 in March, thus ending the transient inflation theory.

During the second quarter, investors were confronted with worrying news on several fronts. On the one hand, inflation rates rose worldwide, reaching values that had only been seen in the 1980s. Central banks began to warn of the possibility of more aggressive hikes, and the US yield curve reversed between 2 and 10 years, which has been an indicator of past recessions. As investors were digesting these news, the markets plummeted, and most major indices worldwide dropped more than 20% below their peak highs.

The situation worsened in Europe and the UK when Russia cut gas supplies to Europe, causing the euro to fall below parity with the dollar for the first time in 20 years. In China, economic data resulted in a surprising cut in interest rates, raising concerns that the crisis in China's real estate market could spread to the entire financial system.

The fourth quarter began with a change in leadership in the UK, but investors quickly rejected the new prime minister's economic plan. Furthermore, economic forecasts during the fourth quarter suggested that most countries would come close to a recession in 2023, with a recovery towards the end of the year. Global indices recovered about half of the year's losses.

Overall, 2022 brought investors back to fundamentals, looking for demanding businesses with solid and predictable profits, trading at reasonable valuations as markets shifted their gaze from growth to value. It was a challenging year, but investors will be better prepared for future market fluctuations.

Activity Highlights

In 2022, the Asset Management Division performed its activity with the goal of providing high-performing asset management strategies for its clients. One of the main challenges was the transition of clients from the discretionary portfolio management mandate structure to the investment fund structure in Luxembourg with a similar tactical asset allocation. Although it is a laborious process, the Team is succeeding in implementing this change.

The excellent performance of the asset management strategies compared to the competition has been a critical factor in the Division's success. As a reference, the discretionary portfolio management (Flexible and Aggressive profiles) and the Luxembourg investment funds (White Fleet III – Haitong Flexible Fund and Haitong Aggressive Fund), both with majority exposure to equities, had a performance of – 2.95% (Flexible Profile), - 2.53% (Aggressive Profile) and Luxembourg Haitong White Fleet Funds of -3.61%, when compared with a more negative performance of Euro Stoxx 50 Index of -11.74%. Additionally, the management of Fixed Income products, more focused on offshore Chinese Bonds, consolidating the Team's capabilities, also leveraging on the synergies between Europe and China on both the commercial and investment management structures.

Regarding Quant Strategies, the focus was on the continuous management of a 60/40 target allocation structure mainly invested through ETFs for an expedite access to Equity and Fixed Income worldwide exposure. As part of the efforts to expand the range of investment options for clients, the Asset Management Division is also considering launching of a new fixed-income alternative investment fund after its integration in Haitong Global Asset Management, SGOIC, S.A..

2023 Outlook

As we look ahead to 2023, the market has a sense of optimism. We anticipate robust results that could surpass those of the previous year underpinning the Team's confidence, strength and capabilities, as well as the solid track record of the asset management strategies. This outlook is based on several factors, including an expected moderation of inflation as the economy slows, a weakening labour market, the continued easing of supply chain pressures, successful diversification of Europe's energy supply and energy sources and a smooth transition from the COVID-zero policy in China.

While it is likely that developed economies will experience a mild recession in 2023, we believe that both stocks and bonds present attractive opportunities. The turbulence witnessed among financial markets during 2022 resulted in a broad-based sell-off in equity markets, leaving some stocks with strong earnings potential trading at very low valuations. We see particular potential in European stocks and in emerging markets' equities. Additionally, we have a higher level of confidence with respect to lower priced equities in terms of valuations that have already priced in a significant amount of negative news. Overall, we believe there is also potential in the bond market, which we have not seen in over a decade.

Private Equity

Overview

Haitong Global Asset Management, SGOIC, S.A. (HGAM) - previously Haitong Capital - SCR, S.A. - currently manages one private equity fund dedicated to the buyout/capital development market segment across Europe.

HGAM leverages on sector and geographical expertise to support companies wishing to expand their businesses. The ultimate goal is to provide investors with an absolute return on their investments.

Historically, this business area has managed a combination of seed capital from the Group and funds raised from external Tier I investors.

Strategy

HGAM is changing its business model, with the aim of focusing on broad asset management activities beyond the pure private equity focus. From a legal standpoint, the change of the business scope occurred during the first quarter of 2022 after completing the sale of HGAM´s last portfolio company. In the fourth quarter of the year, another milestone was accomplished with the implementation of a new IT system for portfolio management that will support HGAM´s enlarged scope of activity.

Going forward, HGAM will incorporate the asset management business that has been carried out by Haitong Bank.

HGAM's strategy will rely on a combination of European and Chinese expertise to invest in sectors that can benefit from the dynamics of both regions.

OFFERING

- Growth Capital Fund

Banking Income Amount	Weight in Total Banking Income
€ 1m	1%

Activity Highlights

In 2022, HGAM completed the liquidation of two Private Equity Funds: Haitong Infrastructure Fund I and FCR PME/Novo Banco.

Inflows from the Funds´ investment portfolios totalled circa EUR 17.9 million. Out of this amount, circa EUR 9.8 million resulted from the disposal of Epedal, Nexxpro, Cristalmax, Ach. Brito and Ramos Ferreira. The remaining EUR 8.1 million was derived from distributions made to the Haitong Private Equity Fund, namely from its portfolio funds - Armilar III and ESID.

Throughout the year, HGAM maintained a hands-on management approach focused on the value creation of the portfolio of companies.

In 2022, the private equity activity posted a net profit of EUR 223 thousand and total equity amounted to EUR 56 million.

2023 Outlook

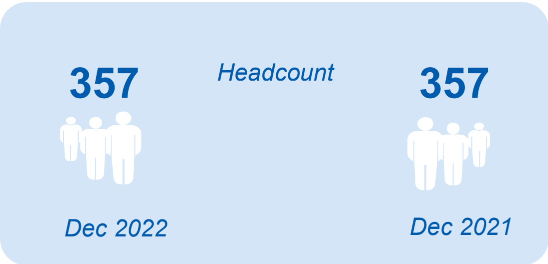
Haitong Bank is currently implementing a reorganisation within HGAM following the changes to the business model, approved by the regulator. Such a transformation process should be finalized in 1Q2023 and will refocus HGAM on broader asset management activities.

People

Human Resources

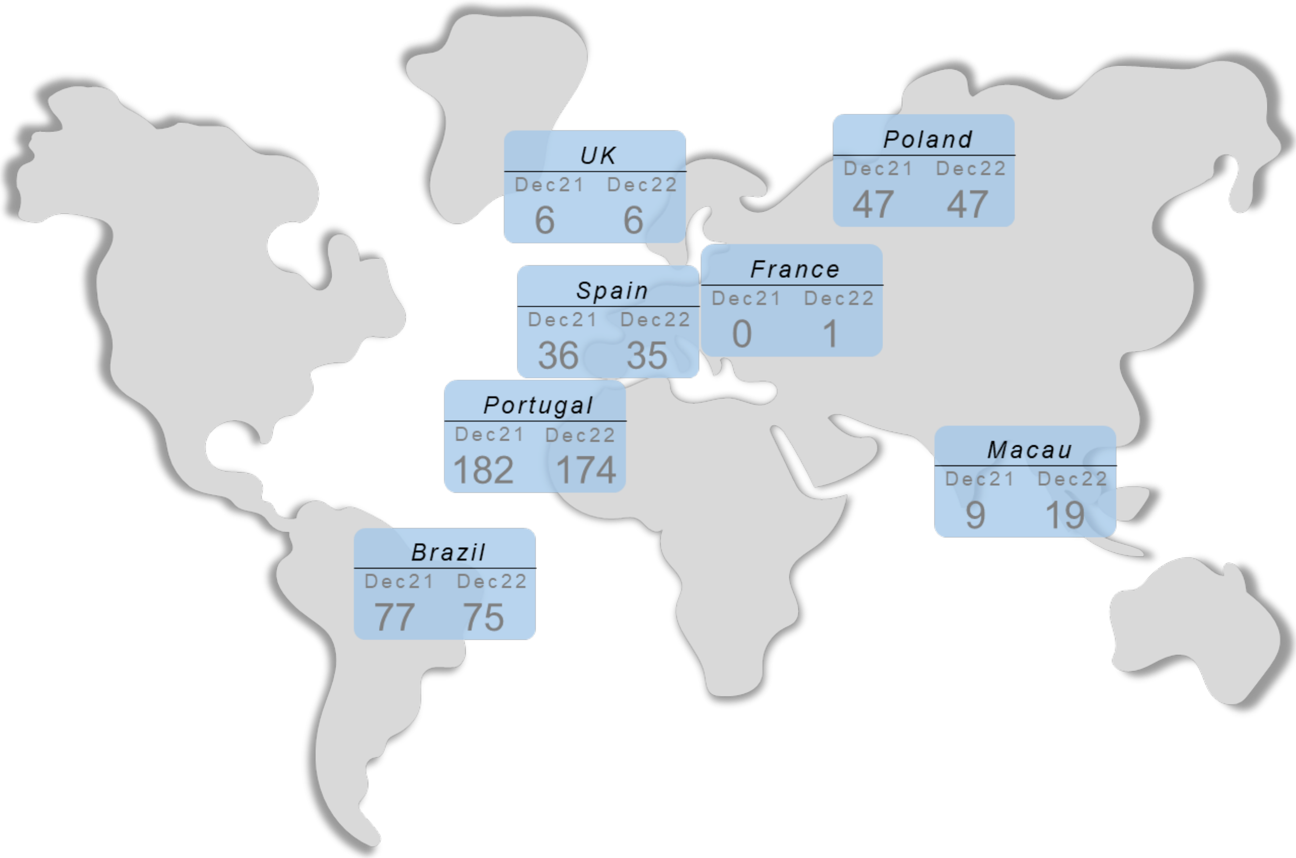
The Importance of Human Capital

Haitong Bank recognizes Human Capital as a core asset. The Bank believes in acquiring the best talent, developing the existing workforce, promoting teamwork and encouraging individual achievement through career and mobility opportunities.

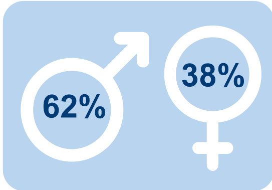


Human Resources plays a fundamental role in the coordination of the Bank's strategy with the adequacy of the required workforce, which includes an active participation in the expansion into new markets. Moreover, Human Resources aims to increase the efficiency of the Bank's workforce, by promoting mobility solutions, which lead to an improved front-office /back-office ratio and increased motivation and engagement.

In 2022, Human Resources continued its commitment to developing talent, and identifying and recruiting the ideal candidates for each job opportunity. Haitong Bank's headcount remained the same, when compared to 2021, although the distribution by geography reflects an increase of the Bank's workforce in new offices, such as France and Macau. This adjustment in staff is aligned with the business strategy of strengthening specific teams across the locations where the Bank operates.



We embrace diversity and inclusion, working together to support the communities where the Bank operates in the various geographies. The Bank continues to support equal opportunity principles. Currently, women represent 38% of the Bank's total workforce. There are also a considerable number of female employees in senior positions at the Bank.



Geography	Avg age	Avg length of service (years)	Male	Female
Portugal	43.2	12.4	101	73
Spain	42.9	10.5	25	10
UK	42.0	4.8	4	2
Poland	41.6	6.5	29	18
Brazil	46.4	10.2	50	25
Macau	32.4	0.5	13	6
France	51.0	1.0	1	0
Haitong Bank Average	**42.7**	**10.2**		

Human Resources as a Business Partner

The strategic alignment of the Human Resources function with the Bank's short-term goals and business positioning has highlighted the need to optimize the workforce through internal mobility. As such, promoting the change of roles within and across divisions before starting an external recruitment process contributes to higher levels of motivation and retention.

Human Resources also plays a key role in succession planning, which focuses on identifying and developing an alternative talent pool for the Bank's most important and critical roles. In accordance with applicable regulations, the Bank proactively develops and monitors this key staff to ensure the right people are in the right positions at the right time, in order to meet the demands of the business strategy and fulfil leadership responsibilities.

Activity Highlights

During the first half of 2022, Haitong Bank returned to on-site work. Considering the easing of the COVID-19 pandemic contingencies and the gradual return of the status to normality, remote work has ceased to be the default option for the Bank's employees. However, there are still remote arrangements in place at any given time, allowing for efficient alignment between business needs and a flexible work model.

Human Resources continued to support the Bank's senior management, the supervisory boards and their respective committees. The main milestones achieved by HR in this period were:

- The execution of talent acquisition processes, including forecasting hiring needs, candidates sourcing (internal and external) and managing recruitment processes;
- The participation in several university events and career fairs. These initiatives enable the continuous development of the Bank's Employer Branding and provide direct access to attracting young talent;

- Monitoring Performance Management and increasing the Bank's overall achievement results, by helping employees to improve their strengths and aim for improved performance;
- The continuous investment in learning and developing the workforce, providing new online courses and customized training plans;
- The continuous focus on key priorities, such as manager training, learning and development, succession planning and employee engagement;
- Improved daily HR services, with a constant focus on efficient data administration and reporting and managing payroll and benefits; and
- Increased and effective communication, and leading with responsive, empathetic communications and policies that helped our workforce feel informed and supported.

2023 Outlook

To be a Business Partner, it is crucial to be proactive in responding to the many challenges that lie ahead.

Some of HR's short-term goals include the following:

- Attracting and recruiting the best talent available to ensure the Bank has the right people with the right skills;
- Supporting the leadership's strategic and business initiatives and providing meaningful solutions for Human Resources challenges;
- Building on the knowledge, skills and abilities of our workforce and helping them develop and achieve their potential;
- Designing and implementing a culture of connection, using innovative digital platforms to establish and consolidate new models of collaboration and productivity;
- Focusing on our talent-sourcing processes and continuously increasing the Bank's visibility on social media recruiting platforms;
- Promoting cross-border mobility across the different geographies where the Bank operates, as new initiatives may present new opportunities for workforce mobility;
- Continually improve efficiency in central tasks such as workforce and organisational management; and
- Supporting the Bank's subsidiaries and branches to grow in their markets, while ensuring compliance with the Group's guidelines, policies and procedures.

Financial Performance

MACROECONOMIC OVERVIEW

2022 Market Review

Global growth was undermined in 2022 - the year of inflation, the war in Ukraine, and the most aggressive interest hikes by central banks in 20 years. At the start of 2022, the world GDP was expected to grow at a pace of 4.3% (Bloomberg consensus). The latest estimates point towards 3.1% in 2022 (vs. 6.1% in 2021), followed by a further deceleration to a pace of 2.1% GDP growth in 2023.

Based on the latest estimates, GDP growth softened in 2022 in the major economies with the US GDP growing 3.1% (vs. 6.1% in 2021) and the Eurozone advancing 3.3% (vs. 5.4% in 2021). China is expected to grow by 3.0% in 2022 (vs. 8.4% in 2021). Due to strong exports on the back of a weak euro, the Portuguese GDP is expected to advance by 6.6% in 2022 (vs. 5.4% in 2021). The Spanish GDP could be outperforming the Eurozone with GDP growth of 4.6% in 2022 (vs. 5.1% in 2021).

Emerging economies were challenged by slower economic growth in China, high inflation, and the war in Ukraine. A deceleration is also expected for 2022 in Brazil, where the GDP is expected to grow by 3.0% (vs. 4.8% in 2021). Even with the proximity to the conflict in Ukraine, the GDP of Poland is expected to advance by 4.8% in 2022 (vs. 5.7% in 2021).

The COVID-19 pandemic was downgraded to an endemic disease situation in most of the western economies. However, in Asia, especially in China, the virus continued to disrupt the economy.

Due to the war in Ukraine, a spike in energy and food prices added more pressure on global inflation. The reopening of many economies in 2022 continued to cause disruptions in the global supply chain and inflation, mainly in 1H2022. The impact of higher energy and food prices was more evident in 2H2022 in Europe.

World consumer prices were already rising in 2021 (4.7%) and consensus estimates they will reach 7.5% by 2022. In both Europe and the US, CPI inflation reached the highest levels since the 1980s peaking at 10.7% YoY by October 2022 in the Eurozone and 9.1% YoY by June 2022 in the US. Due to the slower pace of growth in China with GDP expected to grow 3%, inflation is expected to increase by 2.1% in 2022, according to consensus estimates.

Most of the central banks in the Western economies were left behind the curve to keep inflation close to the target in 2022. The delay in response to higher-than-expected inflation led the FED, the ECB, and the Bank of England, among other major central banks, to start an aggressive cycle of interest hikes since 1H2022. In fact, the last time the FED promoted a 75 basis points (bps) hike in the benchmark fund rate was in 1994, and the ECB adopted the same pace for the first time since the monetary union in 1999. At the end of 2022, the FED fund rate reached 4.5% (+425 bps), the ECB's main refinancing rate 2.5% (+250 bps), and the BOE's bank rate 3.5% (+340 bps).

The central banks of Brazil and Poland also promoted large rate hikes in 2022. The Selic rate in Brazil reached 13.75% (+450 bps), and the reference rate in Poland was upped to 6.75% (+400 bps) by the end of 2022.

Despite the aggressive tightening pace of central banks, real interest rates in 2022 remained the most negative since the 1980s in developed economies due to rising inflation. The main economic indicators such as employment, retail sales, industrial production, and housing prices were still resilient in 2022. Most of the business and consumer confidence indicators weakened in 2H2022 with the perspective of higher interest rates.

The resilience of the economy, especially the labour market, was one of the sources of persistent inflation in developed economies in 2022. The unemployment rate in the Eurozone reached the lowest on record at 6.6% in 2022, while the US unemployment rate fell to 3.6% in 2022 and was at its lowest level since 1970.

Another source of inflationary force was the continuing fiscal expansion in major economies in 2022. According to preliminary indicators, the US budget deficit is expected to slow down to 4.4% of GDP in 2022 (vs. 10.8% of GDP in 2021). Public spending in the Eurozone is also expected to keep the budget balance with a deficit of 3.8% of GDP in 2022 (vs. 5.1% of GDP in 2021).

Due to the EU agreement to ease fiscal targets until 2024, and the ongoing investment cycle of the EU NextGeneration funds, sovereign debt credit ratings in the Eurozone were maintained or even improved in 2022. The sovereign debt credit rating of Portugal was upgraded by a notch according to S&P (to BBB+ with a stable outlook) and to Fitch (to BBB+ with a stable outlook). Even with the cost of higher premiums in Euro bond markets, the sovereign debt credit rating of Italy was maintained as an investment grade in 2022 (Moody's Baa3/negative outlook; S&P BBB/stable outlook; and Fitch BBB/stable outlook).

The yield of 10-year benchmark government bonds was marked by the highest volatility in 5 years during 2022. Due to the cycle of rate hikes by the major central banks, the US 10-year Treasury Note's yield advanced to 3.875% (+225 bps in 2022). The German 10-year Bund's yield jumped to 2.50% (+268 bps in 2022).

In Asia, the yield of Chinese 10-year government bonds denominated in US dollars advanced to 3.6% by December 2022 vs. 0.7% at end of 2021.

Credit markets in the euro area were affected by the ECB's cycle of higher nominal interest rates in 2022. The spreads of 10-year government bonds of Portugal vs. 10-year German Bunds widened from 37 bps to 101 bps and the equivalent Spanish government bond spread widened from 34 bps to 108 bps in 2022.

Equity markets also experienced one of the largest losses since the COVID-19 pandemic and benchmark indexes like the US S&P 500 lost 19.4% and the European Eurostoxx50 fell 11.7%, in 2022.

Commodity markets performed in mixed directions with the CRB Index dropping 4.1% in 2022, led by industrial metals (-7.6%). Crude oil prices according to Brent oil advanced 10.5% to USD 85.9/per barrel in 2022.

In currency markets (table below), the US dollar advanced 5.8% vs. the euro to 1.07 in 2022. The FED was the first major central bank to hike interest rates at a fast pace and the USD outperformed the major currencies in 2022. Emerging market currencies were exposed to volatility and the Brazilian real gained 5.1% vs the USD in 2022, due to the strength of exports (agricultural commodities and crude oil). The proximity to the war in Ukraine and the cost of higher energy prices led to the devaluation of 8.4% of the Polish zloty in 2022. The Chinese Yuan weakened to CNY/USD 6.90 (-8.5%) in 2022, in line with the performance of liquid currencies.

Foreign Exchange Markets (FX rate and % change)				
		2021	2022	% Change
US	Dollar Index	95.67	103.52	8.2%
Euro	USD/EUR	1.14	1.07	-5.8%
UK	USD/GBP	0.84	0.89	5.2%
China	CNY/USD	6.36	6.90	8.5%
Brazil	BRL/USD	5.57	5.29	-5.1%
Poland	PLN/USD	4.04	4.38	8.4%

Souce: Bloomberg | Analysis: Haitong Bank | Last update: 12/31/2022

2023 Outlook

Soft or hard landing? A deceleration of global economic activity is largely priced in consensus expectations for GDP growth of 2.1% in 2023.

In our view, one of the main risks is related to the possibility of central banks hiking interest rates beyond the consensual expectations in the event of persistent inflation in 1H2023. In this case, a hard-landing recession may not be underestimated in our opinion.

Following an imbalanced reopening of the global economy between 2021 and 2022, world GDP grew at a larger pace than the potential 3%. Inflation gained traction in 2022 with strong demand and supply-side shocks (disruptions in the global supply chain and the war in Ukraine).

Due to these unforeseen events, the ECB and the FED are still projecting inflation above the 2% target in 2023 and 2024, according to the latest official projections. According to the FED, the core-PCE inflation should decelerate from 4.8% in 2022 to 3.5% in 2023 and 2.5% in 2024. The ECB projects the average CPI easing to 6.3% in 2023 (vs. 8.4% in 2022) and 3.4% in 2024.

According to the consensus estimates available, the ECB should increase the refi rate to a terminal rate of 3.25% in 1H2023 (vs. 2.5% in December 2022), and the FED is expected to reach a terminal rate of 4.75% in 1H2023 (vs. 4.5% in December 2022).

In our risk scenario with more persistent inflation and soft-landing of the economy in 1H2023, the benchmark rates may reach a terminal rate of 4% in the Eurozone and 5.25% in the US.

Gross Domestic Product (%) - Consensus					
	2019	2020	2021	2022	2023
World	**2.8%**	**-3.1%**	**6.1%**	*3.1%*	*2.1%*
Euro Area	**1.4%**	**-6.4%**	**5.4%**	*3.3%*	*-0.1%*
US	**2.3%**	**-3.4%**	**5.7%**	*1.9%*	*0.3%*
Portugal	**2.7%**	**-8.4%**	**5.4%**	*6.6%*	*0.5%*
Spain	**2.0%**	**-10.8%**	**5.1%**	*4.6%*	*1.0%*
UK	**1.6%**	**-11.0%**	**8.5%**	*4.4%*	*-0.9%*
Poland	**4.7%**	**-2.5%**	**5.7%**	*4.8%*	*0.7%*
Brazil	**1.4%**	**-4.4%**	**4.8%**	*3.0%*	*0.8%*
China	**6.0%**	**2.2%**	**8.4%**	*3.0%*	*4.8%*

**Consensus according to Bloomberg Jan 23 | Bold = Actual; Italic = Consensus*
Source: Bloomberg

The uncertainty on the magnitude and length of the monetary cycle is likely to keep most financial asset classes exposed to significant volatility, particularly in 1H2023, in our view.

We expect the benchmark 10-year US Treasury note yield to move to a range between 3.0% to 4.5%, and the 10-year German bund yield to advance to the range of 1.5% to 3.0% in 2023. With the outlook for weak world GDP growth, we expect the US dollar and the Euro to prevail as liquidity havens in 2023. The Euro is expected to keep a range of EUR/USD 1.00-1.10 with downside risk in case of further geopolitical tensions with Russia. In our view, emerging market currencies should remain volatile in 1H2023 with possible improvements in 2H2023 on the back of the reopening of the Chinese economy and some recovery in commodity markets.

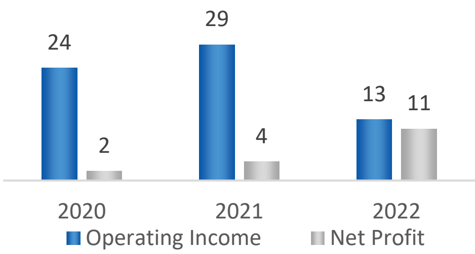
Credit rating agencies refrained from any major changes in Eurozone sovereign debt ratings in 2022 since fiscal deterioration was not based on pre-pandemic structural imbalances in most countries. In our view, downside risks for sovereign credit ratings will become more visible in case of delays in fiscal rebalancing until 2024 (EU's agreement). We expect a limited risk of downgrades in Portugal (S&P BBB+/stable; Moody's Baa2/stable; and Fitch BBB+/stable) and Spain (S&P A/stable; Moody's Baa1/stable; and Fitch A-/stable) in 2023 due to the support from the EU and the ECB. A hard-landing recession could pose a risk of a downgrade for Italy's sovereign credit rating (S&P BBB/stable; Moody's Baa3/negative; and Fitch BBB/stable) and a source of volatility in the EUR bond markets in 2023. In our view, the ECB's Transmission Protection Instrument announced in 2022 may be tested in the case of a hard recession and extreme volatility in euro financial markets in 2023.

We anticipate challenging economic prospects in 2023 with a risk of recession in both Europe and the United States in 1H2023. A positive note is the reopening of the Chinese economy, which should support emerging economies and commodity markets.

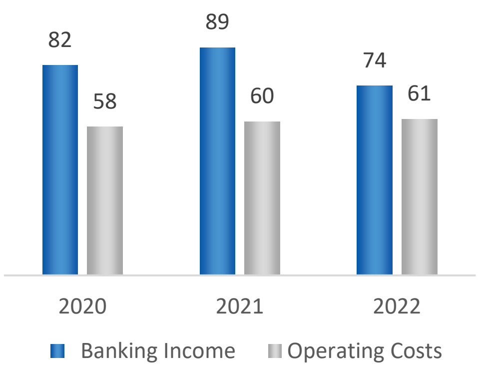
Financial Overview

Haitong Bank's Net Profit reached EUR 11.1 million in 2022, exceeding last year's EUR 3.6 million. The Bank was able to successfully manage the challenging backdrop, with the war in Ukraine and the continuous lockdowns in China, by reducing the risk appetite of its activity and reinforcing its risk monitoring. As a result, no material impairment charges were recorded in 2022, allowing for an encouraging rise in the year's Net Profit.

Operating Income and Net Profit (EUR million)



Banking Income and Operating Costs (EUR million)

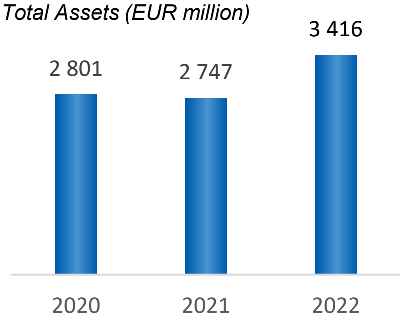


The consolidated Banking Income reached EUR 74 million (17% below YoY) by the end of the year, which compares with EUR 89 million in 2021. Despite the adverse first half of the year, Haitong Bank's business activity significantly improved during the second half of 2022, with the important contribution from the Fixed Income and M&A businesses, resulting from the upturn in the Brazilian treasury activity and from the increasing flow from China-related business.

The Operating Costs slightly increased YoY and amounted to EUR 61 million in 2022. Strict cost discipline remains one of the most important guidelines for senior management, in order to improve the Bank's profitability. However and due to subdued revenues, operating profitability stood at EUR 13 million, lower than the EUR 29 million reached in the same period last year.

The Bank succeeded in expanding performing assets, with Total Assets standing at EUR 3.4 billion, 24.4% above the EUR 2.7 billion reached by the end of 2021. The asset growth of EUR 670 million in 2022 was mostly related to the Loan and Securities portfolios. The Loan Portfolio grew by 24% compared to December 2021, reaching EUR 772 million. The Structured Finance division was particularly active in closing several transactions, despite the prudent risk origination approach. Furthermore, Trading Assets benefitted from the restarting of trading activity in Brazil.

Total Assets (EUR million)



Regarding Asset Quality, the Bank showed solid indicators in 2022, with the NPL ratio at 1.2% and the NPE ratio at 0.5%. Regarding Capital, the Bank maintained a strong position with a CET1 Ratio of 17.4% and Total Capital of 21.8%.

On the funding side, the Bank continued to successfully diversify its funding sources, increasing average maturity and decreasing cost of funding. In 2022, the Bank successfully entered the international capital markets with two bond issues targeting different investor bases. Firstly, in February, Haitong Bank successfully issued Senior Notes in the amount of EUR 230 million at a variable rate and with a maturity of 3 years. Then, in May, the Bank issued bonds in the amount of USD 150 million at a fixed rate, with a 5-year maturity. These issuances were part of several initiatives with a goal to reduce the funding cost and both benefitted from a guarantee of Haitong Securities Co. Ltd., allowing both deals to be granted an investment-grade credit rating of BBB by S&P.

During 2022, two resolutions were passed to increase Haitong Bank's share capital, resulting from the conversion of the rights attributed to the Portuguese State, which were then acquired by Haitong International Holdings Limited, the Bank's sole voting shareholder. These rights were issued under the REAID *(Regime Especial aplicável aos Ativos por Impostos Diferidos* – Deferred Tax Assets Special Regime), approved by Law no. 61/2014 of August 26, as amended by Law no. 98/2019 of September 4 and related to the fiscal years of 2015 and 2016.

On July 1st, the first share capital increase was effected through the incorporation of the special reserve established under Article 8(1) of the REAID, in the amount of EUR 2,630,305.00 through the issuance of 526,061 ordinary shares, corresponding to the number of conversion rights previously attributed to the Portuguese State, with a nominal value of EUR 5.00 each. The share capital increase had a premium of EUR 757,961.57, which was incorporated in a special reserve subject to the regime of legal reserve under the terms of article 295 of the Portuguese Commercial Companies Code.

On December 6th, the second share capital increase was effected through the incorporation of the special reserve established under Article 8(1) of the REAID, in the amount of EUR 15,879,420.00, by the issuance of 3,175,884 ordinary shares, with a nominal value of EUR 5.00 each, corresponding to the number of conversion rights previously attributed to the Portuguese State.

As a result, the Bank's share capital now amounts to EUR 863,278,725.00 and the Bank's Articles of Association have been amended accordingly.

Corporate Events

- In January 2022, through public deed, formally started the liquidation process of Haitong Ancillary Services.
- In January 2022, Haitong Banco de Investimento do Brasil S.A. fully subscribed to the capital increase of Fundo FI Multimercado Treasury, which corresponded to an investment of BRL 15 million.
- In March 2022, Haitong Banco de Investimento do Brasil S.A. fully subscribed to the capital increase of Fundo FI Multimercado Treasury, which corresponded to an investment of BRL 70 million.
- In June 2022, Haitong Bank, S.A. concluded the establishment of a representative office in France (Paris).
- In July 2022, a resolution was passed to increase the share capital of Haitong Bank, S.A. in EUR 2,630,305.00 to EUR 847,399,305.00. This share capital increase, in the form of incorporation of a special reserve, resulted from the conversion of the rights attributed to the Portuguese State, which were acquired by Haitong International Holdings Limited, the Bank's sole voting shareholder, relating to the fiscal year 2015, issued under the REAID (Regime Especial aplicável aos Ativos por Impostos Diferidos – Deferred Tax Assets Special Regime).
- In October 2022, the sole asset of Haitong Ancillary Services was sold. The liquidation process of that company is expected to be completed in the first quarter of 2023.
- In December 2022, a resolution was passed to increase the share capital of Haitong Bank S.A. by EUR 15,879,420.00 to a total of EUR 863,278,725.00. This share capital increase, in the form of incorporation of a special reserve, resulted from the conversion of the rights attributed to the Portuguese State, which were acquired by Haitong International Holdings Limited, the Bank's sole voting shareholder, relating to the fiscal year 2016, issued under the REAID (Regime Especial aplicável aos Ativos por Impostos Diferidos – Deferred Tax Assets Special Regime).
- As a result of the withdrawal of the United Kingdom from the European Union and the end of the transition period that followed, Haitong Bank London Branch was operating under a Temporary Permissions Regime while moving from the EU passporting Regime to the UK full regulatory regime. In February 2023, the UK regulator, Financial Conduct Authority (FCA), notified Haitong Bank that it was minded to approve the Bank's application for Part 4A Permission. The requested UK regulatory permissions should be effective from March 2023.

Rating

On October 28, 2021, Standard & Poor's ("S&P") revised Haitong Bank's rating Outlook upward from "Negative" to "Stable" and reaffirmed the Bank's long-term credit rating at "BB" and the short-term credit rating at "B". According to S&P, the Outlook revision to "Stable" recognizes the Bank's resilience amid the pandemic and easing operating risks in the Portuguese banking system. S&P took a positive view of the continued efforts of the Bank's management to strengthen the domestic franchise, rebalance its funding profile, and develop its cross-border activity with Chinese customers to diversify its revenue base and to sustain and provide better stability to its operating profitability. Finally, S&P's belief is that the continuous support from the Bank's parent company will continue to sustain Haitong Bank's credit profile in the coming years while it remains focused on the ongoing restructuring of its operating model.

On September 16, 2022, S&P reaffirmed the Bank's long-term credit rating at "BB" and the short-term credit rating at "B". The rating Outlook was maintained at "Stable".

On January 25, 2023, S&P reiterated its last revision, maintaining the Bank's long-term credit rating at "BB" and the short-term credit rating at "B", as well as the rating Outlook at "Stable".

TREASURY

2022 Market Review

The year was marked by the most aggressive interest rate hike cycle in over four decades by the ECB and the FED in order to curb inflation.

Unexpected supply shocks, particularly those stemming from the war in Ukraine, remained the main source of risk for the global economy. Commodity prices soared, with Europe bearing the brunt of the Russian-induced energy shortages. Supply chain issues also drove inflation, with production capacity weakened by shortages of labour and components.

On the other hand, the COVID-19 pandemic was a persistent but manageable risk with the availability of vaccines and treatments.

The adverse combination of high inflation and the prospect of further monetary tightening by central banks continued to weigh on business confidence. Indicators of economic activity in Europe and the US were below the waterline at the end of the year, having slowed continuously since 2Q2022. Global economic and financial imbalances became more pronounced towards the end of the year, with the prospect of a recession triggered by the need to control inflation in developed countries.

In FX markets, flight-to-quality flows favoured the USD and the Euro devaluated by about 6% against the USD.

10-year Yields				
Country	Beginning 2022	2022 Lows	2022 Highs	End of 2022
Germany	-0.182%	-0.124% (Jan)	2.565% (Dec)	2.565%
Italy	1.170%	1.204% (Jan)	4.784% (Oct)	4.698%
Spain	0.563%	0.585% (Jan)	3.649% (Dec)	3.649%
Portugal	0.462%	0.499% (Jan)	3.579% (Dec)	3.579%
Greece	1.315%	1.296% (Jan)	5.055% (Oct)	4.565%
USA	1.510%	1.510% (Jan)	4.244% (Oct)	3.877%

Source: Haitong Bank.

In Brazil, economic activity in the first half of the year was stronger than expected, driven by the services sector. After the economy reopened following the end of pandemic-related restrictions and despite a slowdown in the last two quarters, GDP growth in 2022 is expected to be around 3.0%, which is significantly higher than expected at the end of 2022. In retrospect, some important bank research predicted negative growth for last year. That said, current expectations for 2023 are around 0.8% GDP growth.

In this scenario of higher GDP growth, the unemployment rate dropped during the year and could be close to 8.0%, which, by some metrics, is considered full employment in Brazil. There has also been growth in real incomes, which will recover inflationary losses from 2021 and 2022.

As a result, the Brazilian Central Bank raised the SELIC rate by another 450 basis points to 13.75% (higher than expected 12 months ago) in order to manage inflation expectations for 2023 and especially 2024, which are still above the target. With the global normalisation of supply, and especially with other central banks tightening financial conditions, the BCB is aware that its goal of achieving the inflation target may be easier in the future. Inflation expectations for 2023 are around 5.5%, with a terminal SELIC rate of 12.5%. The current account deficit is at 3.2% of GDP, but it is fully financed by foreign direct investment. Moreover, a deficit of USD 60 billion and an inflow of USD 80 billion are expected. The lower growth in 2023 could reduce this current account deficit to 2.5% of GDP next year.

Finally, President Lula has sent mixed signals to the market. The market is concerned about the future of fiscal policy and the sustainability of the debt trajectory. Currently, at the macro level, the tax reform and the new fiscal architecture to replace the expenditure ceiling law are the most important discussions for 2023.

Activity Highlights

During the year, Haitong Bank maintained a very comfortable liquidity position with a balanced funding mix.

The Bank successfully completed two bond issues: EUR 230 million in February with a maturity of 3 years and USD 150 million in May with a maturity of 5 years. These issues enabled the Bank to extend the average maturity of its debt and to diversify its funding sources.

Retail Deposits

The Bank continued to raise funds through online retail deposit platforms. This channel proved to be a stable source of funding with a positive impact on the NSFR and LCR ratios. In 2022, the Bank started to source retail deposits in one more European market, which contributed to the diversification of its funding sources.

In addition, the Bank continued to pursue several initiatives to improve the quality of the retail deposit offering, such as the analysis of new markets and, more recently, a proprietary homebanking platform.

Eurosystem Refinancing

During the year, the Bank continued to closely monitor the ECB's monetary policy decisions and increased the eligible assets, thereby improving its funding capacity. In December TLTRO III.2 operation matured.

In Brazil, the focus was on broadening the investor base by diversifying funding sources and maintaining the liquidity buffer at a comfortable level (around BRL 2.0 billion) to support and maintain the pace of activity, as well as its liquidity and funding indicators.

2023 Outlook

The Treasury's main objective for 2023 is to continue to ensure the liquidity required to develop the Bank's business plan, with a particular focus on optimising funding costs. The Bank is also committed to maintaining a stable and diversified funding structure, consisting mainly of retail funding, long-term funding through bond issues and/or syndicated loans, and also through the use of the monetary policy instruments available through the ECB, in particular the Eurosystem.

Risk Management

Governance

The Board of Directors is the ultimate responsible for Haitong Bank's Risk Management Framework. The Board of Directors is fully aware of the types of risks to which the Bank is exposed and the processes used to identify, evaluate, monitor and control those risks, as well as the legal obligations and the duties to which the institution is subject. It is accountable for the establishment and maintenance of an appropriate and effective risk management structure.

The current structure and relevant Committees for the Bank's Risk Management are summarized below.

Risk Committee

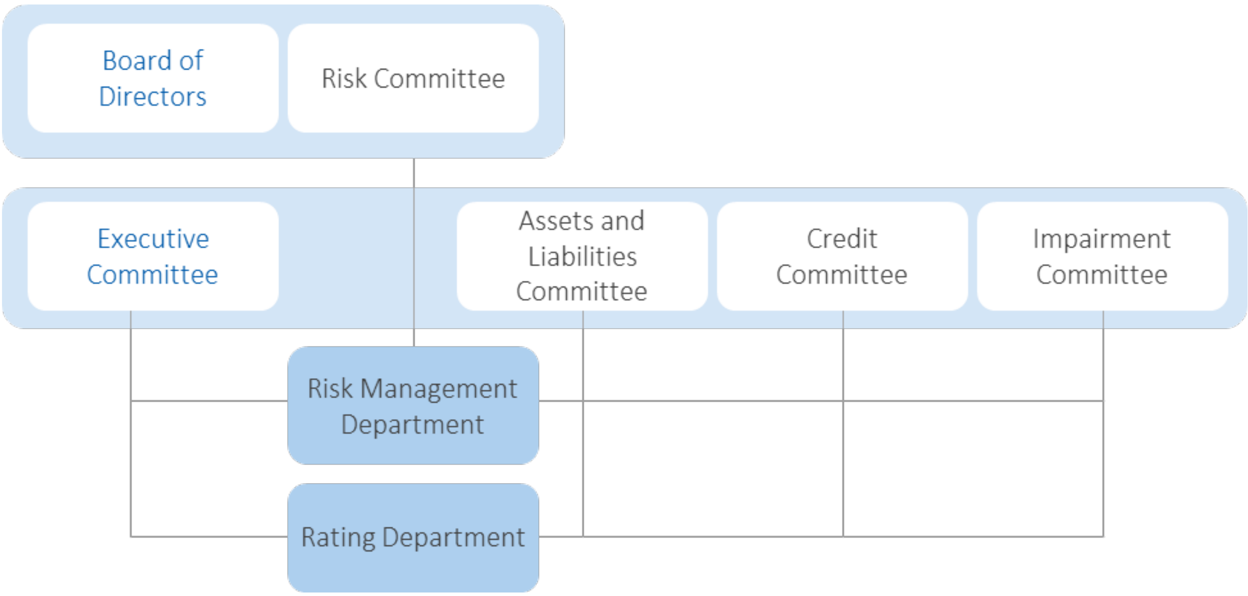
The Risk Committee's mission is to continuously monitor the development and implementation of the Bank's risk strategy/appetite and verify whether they are compatible with a sustainable strategy in the medium and long-term.

Assets and Liabilities Committee

The Assets and Liabilities Committee's ("ALCO") mission is to advise the Executive Committee on the management of the Bank's assets and liabilities, including the oversight of capital and liquidity/funding planning, asset and liability risk management, internal pricing and investment policy, in alignment with the Bank's business strategy and the regulatory requirements.

Risk Management Department

As an independent control function, the Risk Management Department, being actively involved in all material decisions and aligned with parent guidelines and practices, aims to enable the Bank to make informed decisions and ensure that the risk policies approved by the Board of Directors are duly implemented and followed.



Rating Department

Together with the Risk Management Department, the Rating Department is part of the Risk Control Function of Haitong Bank. The Rating Department plays a key role in supporting the Bank's decision-making process at the Credit Committee and Executive Committee and assisting the Impairment Committee in its individual basis impairment assessment.

Credit Committee

The Credit Committee is the Bank's committee established by the Executive Committee with the authorization of the Board of Directors that is responsible for issuing non-binding opinions regarding operations that shall be submitted, respectively, for the Executive Committee's or for the Board of Directors' assessment in accordance with the Risk Appetite framework ("RAF") approved by the Board of Directors.

Impairment Committee

The Impairment Committee of Haitong Bank is responsible for the analysis and proposal of impairment amounts to be assigned to credit clients subject to individual analysis.

Risk Appetite

Haitong Bank's strategy is to connect clients and business opportunities across its broad network, combining long-standing expertise in Europe and Latin America with the Group's cross-border origination with a China Angle. Haitong Bank is committed to serving its European and Latin American corporate and institutional clients alongside a growing Chinese client base.

As a Corporate and Institutional Bank, the primary business fronts are the following: DCM, Structured Finance, M&A Advisory, Fixed Income, Corporate Derivatives and Asset Management.

Haitong Bank acknowledges that its risk management function is a key factor in the accomplishment of its strategic objectives. The Bank's overall risk vision assessment rests on the following three guiding principles:

- **Capital:** Haitong Bank aims to maintain prudent capital buffers on top of both internal and regulatory capital requirements;
- **Liquidity and Funding**: Haitong Bank as a whole, and all its subsidiaries individually, aim to maintain a solid short-term position and a sustainable medium- to long-term funding profile; and
- **Earnings**: The Group has the goal of generating recurrent earnings to guarantee its sustainability and a reasonable level of profitability for shareholders.

Credit Risk

Credit risk is the potential financial loss arising from the failure of an obligor or counterparty to honour its contractual obligation. As the major risk category to which the Bank is exposed, credit risk management and control are supported by a complete system that permits its identification, assessment, measurement and reporting.

MANAGEMENT PRACTICES

Credit portfolio management is carried out as an ongoing process that requires full coordination between the various teams/functions responsible for the management of risk during the different stages of the credit process.

Internal Ratings

At Haitong Bank, the internal ratings, which measure the 1-year probability of default, are assigned using the internal rating tools sponsored by Standard & Poor's ('S&P'). Although centralized at the headquarters, the internal rating assignment is carried out by an experienced pool of analysts located in Lisbon, Madrid, Warsaw and São Paulo.

Monitoring

The credit risk monitoring and control activities aim to quantify and control the evolution of credit risk to allow the early detection of situations where there is a deterioration of risk, as well as to outline global strategies for credit portfolio management.

In this context, and with the central goal of complying with the risk appetite framework established by the Board of Directors, the credit risk monitoring function is considered one of the key pillars of the Bank's risk management and control system.

Credit Recovery Process

Haitong Bank's Special Portfolio Management Division manages the Bank's non-performing exposures, proposing and implementing the restructuring and or credit recovery strategies with the objective of maximizing credit recovery.

ASSET QUALITY

Loan Portfolio

Portfolio breakdown

In December 2022, the loan portfolio (gross exposure) amounted to EUR 786 million, which represents an increase of approximately EUR 153 million compared to December 2021.

The breakdown of the loan portfolio by asset class reveals the growing importance of the international lending activity of the Bank.

Loan Portfolio Asset Classes and Geographic Breakdown (EUR thousand)

	December 2022			December 2021		
	Domestic	International	Total	Domestic	International	Total
Loan Portfolio[1]	257,342	528,253	785,595	222,483	409,748	632,231
Specialized Lending	160,681	140,859	301,540	159,021	110,085	**269,106**
Corporate	47,279	350,763	398,042	59,568	253,903	**313,471**
Others	49,382	36,631	86,013	3,894	45,760	**49,654**

[1] *Gross of provisions - Source: Haitong Bank*

Loan Portfolio Asset Classes by Industry

	December 2022				December 2021			
	Specialized Lending	Corporate	Others	Total	Specialized Lending	Corporate	Others	Total
TOTAL	**38.6%**	**50.6%**	**10.8%**	**100.0%**	**42.6%**	**49.6%**	**7.8%**	**100.0%**
Real Estate	10.9%	0.0%	5.0%	**15.9%**	8.7%	0.0%	2.3%	**11.0%**
Power	12.1%	9.3%	0.0%	**21.4%**	14.8%	3.7%	0.0%	**18.5%**
Transportation Infrastructure	13.6%	5.3%	0.0%	**18.9%**	18.8%	0.3%	0.0%	**19.1%**
Telecoms	0.0%	6.8%	0.0%	**6.8%**	0.0%	8.0%	0.0%	**8.0%**
Commercial & Professional Services	0.0%	7.9%	0.0%	**7.9%**	0.0%	6.7%	0.0%	**6.7%**
Health Care	0.0%	1.0%	0.0%	**1.0%**	0.0%	7.3%	0.0%	**7.3%**
Non-Bank Financial Institutions	0.0%	0.0%	5.8%	**5.8%**	0.0%	0.0%	0.0%	**0.0%**
Agribusiness & Commodity Foods	0.0%	3.3%	0.0%	**3.3%**	0.0%	3.8%	0.0%	**3.8%**
Retailing	0.0%	2.6%	0.0%	**2.6%**	0.0%	3.2%	0.0%	**3.2%**
Automobiles & Components	0.0%	2.6%	0.0%	**2.6%**	0.0%	0.0%	0.0%	**0.0%**
Capital Goods	0.0%	2.2%	0.0%	**2.2%**	0.0%	1.7%	0.0%	**1.7%**
Construction & Engineering	0.0%	1.0%	0.0%	**1.0%**	0.0%	3.6%	0.0%	**3.6%**
Chemicals	0.0%	1.9%	0.0%	**1.9%**	0.0%	2.4%	0.0%	**2.4%**
Rental & Leasing	1.8%	0.0%	0.0%	**1.8%**	0.0%	0.0%	0.0%	**0.0%**
Building Materials	0.0%	0.0%	0.0%	**0.0%**	0.0%	2.0%	0.0%	**2.0%**
Paper & Forest Products	0.0%	1.0%	0.0%	**1.0%**	0.0%	2.9%	0.0%	**2.9%**
Oil & Gas	0.0%	3.2%	0.0%	**3.2%**	0.0%	0.0%	0.0%	**0.0%**
Agricultural Cooperatives	0.0%	1.0%	0.0%	**1.0%**	0.0%	1.3%	0.0%	**1.3%**
Containers & Packaging	0.0%	0.7%	0.0%	**0.7%**	0.0%	0.8%	0.0%	**0.8%**
Transportation	0.2%	0.5%	0.0%	**0.7%**	0.3%	1.0%	0.0%	**1.3%**
Funds & Asset Managers	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	5.3%	**5.3%**
Others	0.0%	0.3%	0.0%	**0.3%**	0.0%	0.9%	0.2%	**1.1%**

Source: Haitong Bank.

Internal Rating Profile

Haitong Bank uses internal rating models to support credit decisions, credit risk monitoring and impairment measurement. The loan portfolio was distributed by internal ratings as shown in the table below.

Loan Portfolio Rating Profile

	December 2022	December 2021
[aaa+; a-]	2.8%	2.1%
[bbb+; bbb-]	10.7%	15.5%
[bb+; bb-]	65.7%	50.3%
[b+; b-]	20.8%	32.2%

As a percentage of non-default rated gross portfolio
Source: Haitong Bank.

Risk Indicators

Credit Risk Indicators (EUR thousand)

	December 2022	December 2021
Loan Portfolio	**785,595**	632,231
Non-Performing Loans (NPL)	**9,766**	13,181
NPL Ratio	1.2%	2.1%
Impairment for NPL	**6,310**	5,517
NPL coverage	64.6%	41.9%
Gross Exposure	**2,679,463**	2,282,209
Non-performing exposures (NPE) (1)	**13,244**	23,382
NPE Ratio	0.5%	1.0%
NPE Impairment Coverage	52.2%	25.9%
Forborne Exposures (1)	**60,314**	61,446
Of which performing exposure (%)	84.1%	72.6%

(1) The Bank follows the criteria set for non-performing and forborne exposures on EBA's Final Report on Guidelines on Management of Non-Performing and Forborne exposures (EBA/GL/2018/06), as of 21 October 2018, and classification defined on the Part 2 – Template Related Instruction of Annex V – Reporting on Financial Information included in the Commission Implementing Regulation (EU) 2018/1627, of 09 October 2018, amending Implementing Regulation (EU) No. 680/2014, as regards prudent valuation for supervisory reporting.

Source: Haitong Bank

The improvement of the non-performing exposure (NPE) ratio to 0.5% from 1.0% and the improvement of the non-performing loans (NPL) ratio to 1.2% in December 2022 from 2.1% in December 2021, results from the prudent standards followed at credit origination and the measures undertaken throughout the year to reduce the non-performing exposures of the Bank.

Fixed Income Assets

Portfolio breakdown

The fixed income portfolio as of December 2022 with a net total of EUR 1,763 million, representing an increase of EUR 623 million when compared with December 2021, as a result of the reinforcement of sovereign debt portfolios.

Fixed Income Portfolio by Sector (EUR thousand)

	December 2022	December 2021
Total	**1,762,578**	**1,139,288**
Governments	1,248,597	632,160
Banks	80,304	82,621
Real Estate	76,931	76,172
Construction & Engineering	44,875	30,739
Power	41,456	36,617
Non-Bank Financial Institutions	30,639	53,710
Telecoms	26,929	29,050
Capital Goods	26,468	16,739
Health Care	21,958	24,037
Water Utilities	20,802	11,205
Agribusiness & Commodity Foods	20,399	20,924
Oil & Gas	17,404	13,993
Automobiles & Components	16,870	20,499
Funds & Asset Managers	15,997	0
Retailing	14,108	11,620
Chemicals	11,913	9,551
Food, Beverage & Tobacco	10,510	7,456
Metals & Mining	9,447	11,708
Hotels & Gaming	7,394	17,767
Consumer Durables & Apparel	5,135	3,185
Transportation	3,629	5,098
Paper & Forest Products	2,723	19,690
Building Materials	1,782	0
Technology Hardware & Equipment	1,742	0
Commercial & Professional Services	1,456	4,545
Transportation Infrastructure	1,419	202
Others	1,691	0

Source: Haitong Bank.

Internal Rating Profile

In December 2022, the rating profile of the Bank's fixed income portfolio was the following:

Fixed Income Portfolio Rating Profile

	December 2022	December 2021
[aaa; a-]	7.9%	5.8%
[bbb+; bbb-]	26.6%	32.0%
[bb+; bb-]	61.9%	59.3%
[b+; b-]	3.7%	2.9%

As a percentage of non-default rated portfolio
Source: Haitong Bank.

Derivatives Portfolio

Portfolio Breakdown

The counterparty risk exposure in the Bank's portfolio of interest rate and exchange rate derivatives amounted to EUR 101 million in December 2022, which represents a decrease of EUR 69 million in comparison with December 2021.

In terms of the breakdown by counterparty risk sector, in December 2022, 28% of the global exposure relates to transactions in Transportation Infrastructure, followed by 22% in Banks' counterparties.

Derivatives Portfolio by sector (EUR thousand)

	December 2022	December 2021
Total	**101,006**	**169,796**
Transportation Infrastructure	28,128	69,296
Banks	21,821	22,569
Non-Bank Financial Institutions	16,689	6,273
Chemicals	15,308	13,675
Food, Beverage & Tobacco	10,229	16,583
Paper & Forest Products	5,235	5,008
Construction & Engineering	857	646
Power	729	5,678
Broker Dealers	355	6,250
Agribusiness & Commodity Foods	108	10,333
Oil & Gas	14	5,291
Metals & Mining	0	6,352
Others	1,533	1,842

Source: Haitong Bank.

Internal Rating Profile

The Bank mainly takes counterparty credit risk in derivatives while providing hedge solutions to the corporate clients (also encompassing project finance entities). Thus, in December 2022, the Bank's total exposure to derivative instruments was primarily focused on interest rate swaps.

Derivatives Portfolio Rating Profile

	December 2022	December 2021
[aaa; a-]	26.7%	14.1%
[bbb+; bbb-]	29.7%	43.6%
[bb+; bb-]	24.3%	29.5%
[b+; b-]	19.4%	12.7%

As a percentage of non-default rated portfolio
Source: Haitong Bank.

MARKET RISK

Market risk corresponds to the possibility of occurrence of losses in on- and off-balance sheet positions resulting from adverse movements in market prices, such as equity, interest rates or foreign exchange rates and credit spreads. In the development of its activities, Haitong Bank is exposed to market risk in the trading and banking books.

Haitong Bank has in place policies, procedures and systems for market risk management, enabling the assessment and control of all the relevant market risk factors to which the Bank is exposed.

The identification, measurement, monitoring, control and reporting of the Bank's market risk are the responsibility of the Market Risk Control unit, which works in full independence of the Bank's business areas.

In organizational terms, Market Risk Control functions are spread geographically over the Group's different entities, which have the appropriate skills to evaluate the specific activities and risks incurred by each entity.

To provide the organisation with a clear understanding of the market risks incurred and its compliance with the approved risk appetite, the Bank uses a comprehensive set of risk metrics, and respective limits, complemented by stop loss and concentration limits. These risk metrics include Value at Risk (VaR) and sensitivity metrics for interest rates, credit spreads, foreign exchange rates, equity prices and volatility.

TRADING BOOK RISK

Management Practices

Haitong Bank estimates the potential change in the market value of the trading book positions, by considering an historical simulation VaR, based on a 10-day holding period and a 1-year historical observations and a 99% confidence interval.

As of December 2022, Haitong Bank's VaR amounted to EUR 10.4 million, representing an increase of EUR 4.5 million when compared with December 2021.

Value at Risk by Risk Factor (EUR million)

	December 2022	December 2021
Foreign Exchange	10.1	4.7
Interest Rate	0.6	0.6
Equity and Commodities	0.0	0.0
Credit Spread	0.6	1.3
Covariance	-0.9	-0.7
Global VaR	**10.4**	**5.9**

Source: Haitong Bank.

BANKING BOOK RISKS

Other risks in the banking book arise from adverse movements in interest rates, credit spreads and in the market value of equity securities and real estate in non-trading exposures on the balance sheet.

Interest Rate Risk

Interest rate risk in the banking book (IRRBB) refers to the current or prospective risk to the Bank's capital and earnings arising from adverse movements in interest rates that affect the Bank's banking book positions.

Haitong Bank aims to capture all material sources of IRRBB and assess the potential effect of market changes on the scope of its activities, and manage IRRBB by measuring the sensitivity of the economic value of its banking book and the sensitivity of its net interest margin expected in a 1-year time horizon.

Changes in interest rates can affect the underlying economic value of the Bank's assets, liabilities and off-balance sheet instruments, because the present value of future cash flows changes when interest rates change. Changes in interest rates also affect a bank's earnings by increasing or decreasing its net interest income (NII).

As of December 2022, the impact on the banking book economic value, under a parallel shock on the yield curve of +/- 200 bps was estimated at EUR 23.4 million. A floor of -100 bps was applied to the yield curve to prevent unrealistic scenarios of extremely negative interest rates.

Credit Spread Risk

The credit spread, which reflects the ability of an issuer to meet its obligations up to their maturity, is one of the factors considered in the assets' valuation. It represents the difference between the interest rate of a risky asset and the interest rate of a risk-free asset in the same currency and with the same maturity.

The Bank is also subject to other types of risk in the banking book, namely the risk of equity holdings and the risk of mutual funds. These risks may broadly be described as the probability of a loss resulting from an adverse change in the market value of these financial instruments.

PENSION FUND RISK

The pension fund risk stems from the possibility that the pension plan liabilities exceed the value of the pension fund portfolio of assets in such a way that Haitong Bank is required to make an extraordinary contribution to the pension fund. Otherwise, if the pension fund portfolio of assets' return is in line with the liabilities evolution, Haitong Bank is expected only to make the regular annual contribution (the pension plan normal cost).

Operational Risk

Operational risk may be defined as the probability of occurrence of events with a negative impact on earnings or capital resulting from inadequate internal procedures or their negligent application, inadequacy or failure of information systems, staff behaviour, or external events. Legal and IT risks are included in this definition. Operational risk is considered as the sum of the operational and information systems risks.

Management Practices

Operational risk is managed through a set of procedures that standardise, systematise and measure the frequency of actions aimed at the identification, monitoring, control and mitigation of this risk. The priority in operational risk management is to identify and mitigate or eliminate risk sources.

The management methodologies in place are supported by the principles issued by the Basel Committee for operational risk and ECB Guidelines on ICT Risk Assessment.

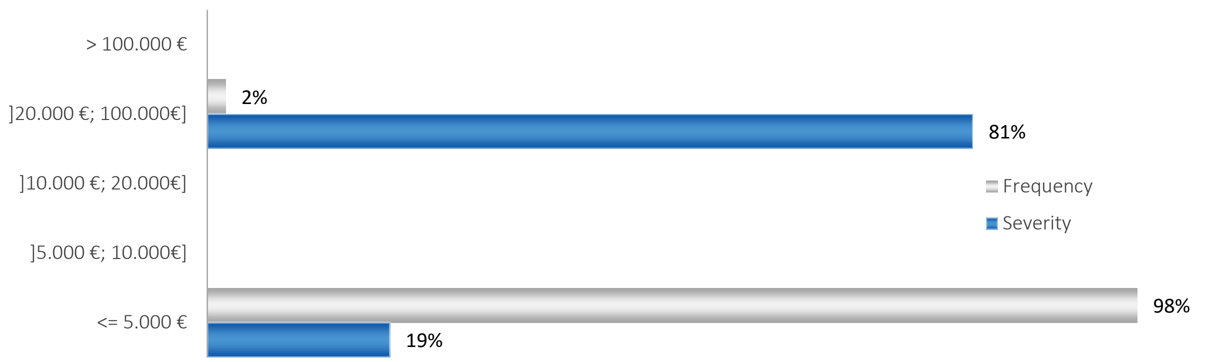
The operational risk management model is supported by an exclusively dedicated structure within the organisation which is responsible for the following processes:

- Identification and assessment of processes, risks and controls through risk and control self-assessment exercises;
- Identification and assessment of operational risks in new products, services and in the Bank's IT environment, including the need to implement new controls to mitigate identified risks;
- Identification, analysis and reporting of operational risk events;
- Monitoring risk through a selected set of risk indicators; and
- Calculation of capital requirements in accordance with the Standardized Approach.

OPERATIONAL RISK ANALYSIS

The operational risk events identified are reported to permit their full and systematic categorization and the monitoring of follow-up mitigation actions. Every event is classified in accordance with the risk categories defined in the Bank of Portugal, by business lines and by Basel event types.

Distribution of frequency and severity of events by loss amount

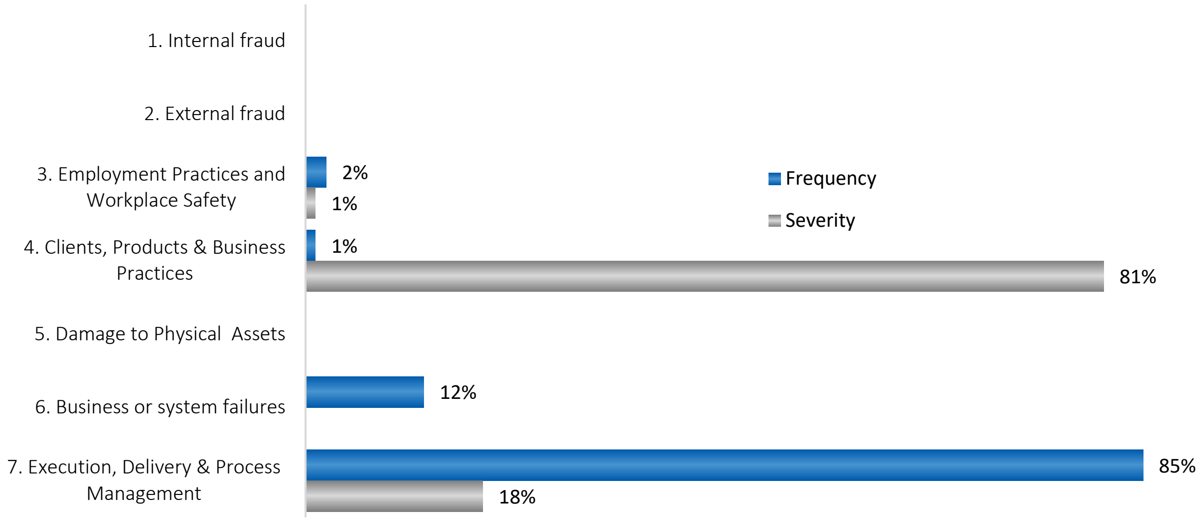


Source: Haitong Bank

In 2022 98% of the Bank's loss events was below EUR 5,000.

Following Basel's event classification, in 2022, 85% of total reported events were related with the Execution, Delivery & Process Management event type, with 18% of reported losses associated with this risk. The Clients, Products & Business Practices event type was the one with highest loss amount in 2022, representing 81% of the total losses from operational risks.

Distribution of frequency and severity of events by event type



Liquidity Risk

Liquidity risk arises from an institution's present or future inability to meet all payment obligations when they come due or secure such resources only at an excessive cost.

Management Practices

Liquidity and funding management is a key element in Haitong Bank's business strategy and a fundamental pillar, together with capital management, in supporting its strength and resilience.

Liquidity management and Haitong Bank's funding strategy are the responsibility of the Executive Committee which ensures the management of the Bank's liquidity in an integrated way, with the treasuries of all Haitong Bank's entities.

In order to provide protection against unexpected fluctuations and based on a solid organizational and governance model, Haitong Bank's liquidity risk management envisages delivering appropriate term and structure of funding consistent with the following principles:

- Ensure the ability to meet obligations as they come due in a timely manner and at a reasonable cost;
- Comply with regulatory standards on liquidity in each geography the Bank operates in;
- Ensure full alignment with liquidity and funding risk appetite;
- Make available a sufficient immediate liquidity buffer to ensure the ability to react to any event of stress that could restrict the ability to access financial markets under both normal and stressed conditions;
- Develop a diversified investors' base and maintain access to a variety of alternative funding sources, while minimising the cost of funding; and
- Continuously develop an appropriate internal framework for the identification, measurement, limitation, monitoring and mitigation of liquidity risk.

LIQUIDITY POSITION

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) is established by the CRD IV (Directive 2013/36/EU) and it is designed to promote short-term resilience of a bank's liquidity risk profile by measuring how adequate the stock of high-quality liquid assets (that can be easily converted into cash) is to meet liquidity needs for a 30 calendar day liquidity stress scenario.

As of December 2022, Haitong Bank reached an LCR of 236%, which represents a resilient short-term liquidity position, comfortably complying with regulatory standards.

Liquidity Coverage Ratio (EUR thousand)

	December 2022	December 2021
High-Quality Liquid Assets	615,793	670,542
30 days Net Outflow	261,353	365,824
Liquidity Coverage Ratio	236%	183%

Source: Haitong Bank.

Net Stable Funding Ratio

The Basel Committee on Banking Supervision established the Net Stable Funding Ratio (NSFR) in October 2014 within the scope of the Basel III regulatory reform. The NSFR was translated into European Union law by Regulation (EU) 2019/876, entering into force from June 2021.

The NSFR constitutes a structural measure that aims at fostering longer-term stability by incentivizing banks to adequately manage their maturity mismatches by funding long-term assets with long-term liabilities.

As of December 2022, Haitong Bank reached an NSFR of 145%, ensuring an adequate medium- to long-term funding profile.

Liquidity Coverage Ratio

	December 2022	December 2021
Net Stable Funding Ratio	145%	142%

Source: Haitong Bank.

Capital Management

Capital management seeks to guarantee Haitong Bank's sound solvency and profitability under the strategic objectives and the risk appetite set by the Board of Directors. Therefore it is of critical importance to Haitong Bank's financial stability and sustainability.

Management Practices

The capital management practices and guidelines are shaped to accomplish the business' strategic goals and the risk appetite set by the Board of Directors. Accordingly, with the objective of maintaining capital that is suitable in quantity and quality, Haitong Bank has in place a capital management framework based on the following objectives:

- Promote the sustainable growth of activity by creating enough capital to withstand the increase of assets;
- Meet the minimum requirements established by the supervising entities in relation to capital adequacy; and
- Ensure the achievement of the strategic goals set by the Group in relation to capital adequacy and risk appetite.

Complementing the regulatory focus, Haitong Bank periodically executes an internal risk-based capital self-assessment (ICAAP) that consists of a forward-looking measurement of the material risks incurred by Haitong Bank (including the ones not covered by Pillar 1 regulatory capital).

Additionally, Haitong Bank, as part of its capital management policy, performs a Recovery Plan, which provides the escalation path for crisis management governance and identifies the list of actions and strategies designed to respond to a capital stress event.

REGULATORY CAPITAL AND LEVERAGE RATIOS

Solvency

Regulatory capital requirements are determined by the Bank of Portugal under the CRR II (Regulation EU nº 876/2019 amending Regulation EU nº 575/2013) and CRD V (Directive EU nº 878/2019 amending Directive EU nº 2013/36/EU). Under these regulatory frameworks, capital requirements are set in consideration of the level of risk that the Bank is exposed to, which is measured through both risk-weighted assets (RWAs) and leverage.

The regulation provides for a transitional period to exclude some elements previously included (phase-out) and include/deduct new elements (phase-in) in which institutions may accommodate the new requirements. The transitional period for the majority of the elements ended in 2017, with the exception of the deferred tax assets generated prior to 1 January 2014, IFRS9 transition adjustment and both the subordinated debt and all the hybrid instruments not eligible as own funds under the new regulations, which had a longer period (until the end of 2022).

Under this regulatory framework, the minimum CET1 ratio is 4.5%, the minimum Tier1 ratio is 6% and the minimum Total Capital Ratio is 8%. In addition, these minimum ratios are supplemented by the capital conservation buffer. CRD IV requirements permitted banks to phase in the impact of this buffer, beginning on 1 January 2016, in increments of 0.625% per year until reaching 2.5% of RWAs on 1 January 2019.

Also related to the CRD IV capital buffers, in November 2016 the Bank of Portugal decided to impose a capital surcharge on six Portuguese banking groups classified as O-SIIs (Other Systemically Important Institutions) in the scope of its annual revision of the identification of the imposition of capital buffers, pursuant to Article 138-R (2) of the Legal Framework of Credit Institutions and Financial Companies (RGICSF). Haitong Bank is excluded from the scope of application of this macro-prudential buffer.

The regulation also provides a counter-cyclical capital buffer of up to 2.5% to be imposed in the event that national supervisors deem it necessary in order to counteract excessive credit growth in the jurisdictions under their supervision. As of 31st December 2022, the Bank of Portugal decided not to impose any additional counter-cyclical capital buffer, by setting it at 0% of the total risk exposure amount to domestic counterparties. This decision is subject to revision on a quarterly basis.

In addition to the above-mentioned capital buffers, as of 1 July, 2018, Haitong Bank became subject to an additional requirement with a specific add-on, determined and revised under the Supervisory Review and Evaluation Process performed by the Bank of Portugal.

As of December 2022, Haitong Bank's capital ratios were calculated under CRR II (Regulation EU nº 876/2019 amending Regulation EU nº 575/2013) and CRD V (Directive EU nº 878/2019 amending Directive EU nº 2013/36/EU). The capital ratios under the Standard Approach, on both a transitional and fully-loaded basis, are shown in the following table.

Solvency Ratios

	December 2022		December 2021	
	Phased-in	Fully-loaded	Phased-in	Fully-loaded
CET1 ratio	17.4%	17.3%	18.9%	18.8%
Tier 1 ratio	21.7%	21.7%	23.5%	23.4%
Total capital ratio	21.8%	21.8%	23.6%	23.5%

Source: Haitong Bank.

The prudent capital management implemented by Haitong Bank has allowed the maintenance of a solid capital position.

Leverage

As a supplementary measure, the CRR/CRD framework introduced a non-risk based leverage ratio. The leverage ratio compares Tier 1 capital to a measure of leverage exposure, aiming to constrain the build-up of excessive leverage in the banking sector and to backstop the existing risk-weighted capital requirements with a simple, non-risk-weighted measure.

As of December 2022, Haitong Bank's leverage ratios, calculated under the Basel III / CRR II methodology on both a transitional and fully-loaded basis, are shown in the following table.

Leverage Ratios

	December 2022	December 2021
Phased-in	12.2%	17.0%
Fully-loaded	12.2%	17.0%

Source: Haitong Bank.

FINANCIAL REPORT

Consolidated Financial Statements and Notes to the Consolidated Financial Statements

These consolidated financial statements are a free translation into English of the original Portuguese version. In case of doubt or misinterpretation, the Portuguese version will prevail.

1. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement for the financial years ended on the 31st December 2022 and 2021

(thousand euros)

	Notes	31.12.2022	31.12.2021
Interest and similar income	5	120 909	76 878
Interest and similar expenses	5	106 509	47 251
Financial margin		**14 400**	**29 627**
Fees and commissions income	6	45 475	60 149
Fees and commissions expenses	6	(4 317)	(4 339)
Net trading income	7	25 385	(18 939)
Net income from other financial instruments at fair value through profit or loss	8	(595)	6 369
Net gain/(loss) from derecognition of financial assets measured at fair value through other comprehensive income	9	604	(682)
Net gains / (losses) from foreign exchange differences	10	(6 360)	8 161
Net gain/(loss) from derecognition of financial assets measured at amortised cost	11	713	10 805
Other operating income and expense	12	(1 244)	(1 915)
Operating Income		**74 061**	**89 236**
Employee costs	13	39 604	37 326
Administrative costs	15	15 396	16 774
Depreciations and amortisations	24 and 25	6 360	6 296
Provisions	30	(2 160)	9 434
Net impairment loss on financial assets	30	2 006	10 984
Operating expenses		**61 206**	**80 814**
Profit / (Loss) before Income Tax		**12 855**	**8 422**
Income tax			
Current tax	31	3 870	2 954
Deferred tax	31	(1 958)	1 112
		1 912	**4 066**
Net Profit / (Loss) for the period		**10 943**	**4 356**
Attributable to shareholders of the parent company		**11 107**	**3 552**
Attributable to non-controlling interests	34	**(164)**	**804**
		10 943	**4 356**
Basic Income per Share (in euros)	16	0,07	0,02
Diluted Income per Share (in euros)	16	0,07	0,02

The following notes form an integral part of these consolidated financial statements

The Director of the Finance Department

The Board of Directors

Consolidated Statement of Comprehensive Income for the financial years ended on the 31st December 2022 and 2021

(thousand euros)

	31.12.2022	31.12.2021
Net income for the period		
Attributable to shareholders of the parent company	11 107	3 552
Attributable to non-controlling interests	(164)	804
	10 943	4 356
Other comprehensive income for the period		
Items that will not be reclassified to profit and loss		
Actuarial gains/(losses), net of taxes	11 182	5 307
	11 182	5 307
Items that may be reclassified to profit and loss		
Exchange differences net of taxes		
Foreign currency translation differences for foreign operations	11 484	988
Net gains/(losses) on hedges of net investments in foreign operatons (see Note 38)	-	(515)
Other comprehensive income from associates	-	1
Fair value changes of debt instruments measured at fair value through other comprehensive income net of taxes	(8 644)	(976)
	2 840	(502)
Total comprehensive income/(loss) for the period	24 965	9 161
Attributable to shareholders of the parent company	22 792	8 597
Attributable to non-controlling interests	2 173	564
	24 965	9 161

The following notes form an integral part of these consolidated financial statements

The Director of the Finance Department

The Board of Directors

Consolidated Statement of Financial Position as at the 31st December 2022 and 2021

(thousand euros)

	Notes	31.12.2022	31.12.2021
Assets			
Cash and cash equivalents	17	25 828	488 544
Financial assets at fair value through profit or loss		811 079	455 753
Financial assets held for trading		794 541	435 954
Securities	18	745 603	346 040
Derivative financial assets	19	48 938	89 914
Non-trading financial assets mandatorily at fair value through profit or loss		16 538	19 799
Securities	20	16 518	19 777
Loans and advances to customers	22	20	22
Financial assets at fair value through other comprehensive income	20	295 493	259 769
Financial assets measured at amortised cost		1 983 622	1 207 036
Securities	20	721 519	532 773
Loans and advances to banks	21	490 318	54 022
Loans and advances to customers	22	771 785	620 241
Non-current assets held-for-sale	23	-	6 538
Other tangible assets	24	14 678	9 975
Intangible assets	25	2 666	3 618
Tax assets		132 440	120 051
Current income tax assets	31	22 550	24 819
Deferred income tax assets	31	109 890	95 232
Other assets	26	150 314	195 368
Total Assets		**3 416 120**	**2 746 652**
Liabilities			
Financial liabilities held for trading		39 556	75 638
Securities	18	97	1 036
Derivative financial liabilities	19	39 459	74 602
Financial liabilities measured at amortised cost		2 643 228	1 950 147
Resources of credit institutions	27	1 354 051	759 397
Resources of customers	28	747 140	1 164 000
Debt securities issued	29	542 037	26 750
Provisions	30	19 111	19 939
Tax liabilities		13 270	7 568
Current income tax liabilities	31	7 476	7 267
Deferred income tax liabilities	31	5 794	301
Other liabilities	32	72 919	86 513
Total Liabilities		**2 788 084**	**2 139 805**
Equity			
Share capital	33	863 279	844 769
Share premium	33	8 796	8 796
Other equity instruments	33	105 042	108 773
Fair-value reserves	34	(10 605)	(1 926)
Other reserves and retained earnings	34	(370 665)	(376 071)
Net profit/(loss) for the period attributable shareholders of the parent company		11 107	3 552
Total equity attributable to the shareholders of the parent company		**606 954**	**587 893**
Non-controlling interests	34	21 082	18 954
Total Equity		**628 036**	**606 847**
Total Equity and Liabilities		**3 416 120**	**2 746 652**

The following notes form an integral part of these consolidated financial statements

The Director of the Finance Department

The Board of Directors

Consolidated Statement of Changes in Equity for the financial years ended on the 31st December 2022 and 2021

(thousand euros)

	Share Capital	Share Premium	Other equity instruments	Fair-value reserves	Other Reserves, Retained Earnings and Other Comprehensive Income	Net profit/(loss) for the period attributable shareholders of the parent company	Equity attributable to shareholders of the parent company	Non-controlling interests	Total Equity
Balance as at 31 December 2020	844 769	8 796	108 773	(1 391)	(383 292)	1 641	579 296	18 793	598 089
Other movements recorded directly in equity (see Notes 34 and 37):									
Changes in fair value, net of taxes	-	-	-	(535)	-	-	(535)	(441)	(976)
Other comprehensive income of associates	-	-	-	-	1	-	1	-	1
Exchange differences, net of taxes	-	-	-	-	272	-	272	201	473
Actuarial gains/ (losses), net of taxes	-	-	-	-	5 307	-	5 307	-	5 307
Net profit / (loss) for the period	-	-	-	-	-	3 552	3 552	804	4 356
Total comprehensive income for the period	**-**	**-**	**-**	**(535)**	**5 580**	**3 552**	**8 597**	**564**	**9 161**
Transfers for reserves and retained earnings (see Note 33)	-	-	-	-	1 641	(1 641)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	(403)	(403)
Balance as at 31 December 2021	844 769	8 796	108 773	(1 926)	(376 071)	3 552	587 893	18 954	606 847
Other movements recorded directly in equity (see Notes 34 and 37):	-	-	-	-	-	-	-	-	-
Changes in fair value, net of taxes	-	-	-	(8 679)	-	-	(8 679)	35	(8 644)
Exchange differences, net of taxes	-	-	-	-	9 182	-	9 182	2 302	11 484
Actuarial gains/ (losses), net of taxes	-	-	-	-	11 182	-	11 182	-	11 182
Net profit / (loss) for the period	-	-	-	-	-	11 107	11 107	(164)	10 943
Total comprehensive income for the period	**-**	**-**	**-**	**(8 679)**	**20 364**	**11 107**	**22 792**	**2 173**	**24 965**
Share capital increase	18 510	-	-	-	(18 510)	-	-	-	-
Transfers for reserves and retained earnings (see Note 33)	-	-	-	-	3 552	(3 552)	-	-	-
Reimbursement of other equity instrument (see Note 33)	-	-	(3 731)	-	-	-	(3 731)	-	(3 731)
Dividends to non-controlling interests	-	-	-	-	-	-	-	(45)	(45)
Balance as at 31 December 2022	863 279	8 796	105 042	(10 605)	(370 665)	11 107	606 954	21 082	628 036

The following notes form an integral part of these consolidated financial statements

The Director of the Finance Department

The Board of Directors

Consolidated Cash Flow Statement for the financial years ended on the 31st December 2022 and 2021

(thousand euros)

	Notes	31.12.2022	31.12.2021
Cash flows from operating activities			
Interests received		104 786	113 320
Interests paid		(106 509)	(30 333)
Fees and commissions received		45 453	62 375
Fees and commissions paid		(4 317)	(4 339)
Loans recovery		637	10 483
Cash payments to employees and suppliers		(64 992)	(59 213)
		(24 942)	**92 293**
Changes in operating assets and liabilities:			
Trading financial assets and liabilities		(369 666)	169 866
Loans and advances to banks		(435 782)	60 218
Resources of other credit institutions		594 272	182 212
Loans and advances to customers		(153 748)	(202 672)
Resources of costumers		(417 242)	(78 341)
Hedging derivatives		-	151
Other operating assets and liabilities		54 483	9 357
Net cash flow from operating activities			
before income tax		**(752 625)**	**233 084**
Income taxes paid		(1 028)	(2 992)
		(753 653)	**230 092**
Net cash flows from investment activities			
Acquisition of shares in subsidiaries and associated companies		-	(500)
Sale of investments in subsidiaries and associates		-	1
Purchase of securities		(469 780)	(591 234)
Sale and repaymentsof securities		251 683	393 859
Purchase of fixed assets		(1 586)	(1 197)
Sale of of fixed assets		2	-
		(219 681)	**(199 071)**
Cash flows from financing activities			
Debt securities issued	29	519 422	15 898
Reimbursement of debt securities issued	29	(4 135)	(52 856)
Reimbursement of subordinated liabilities		-	(403)
Reimbursement of other equity instruments	33	(3 731)	-
Net cash flow from financing activities		**511 556**	**(37 361)**
Net changes in cash and equivalents		**(461 778)**	**(6 340)**
Cash and equivalents at the beginning for the year		488 545	494 885
Cash and equivalents at the end for the year		26 767	488 545
		(461 778)	**(6 340)**
Cash and equivalents includes:			
Cash	17	7	9
Deposits at central banks	17	3 008	457 666
Deposits at other credit institutions	17	23 752	30 870
Total		**26 767**	**488 545**

The following notes form an integral part of these consolidated financial statements

The Director of the Finance Department

The Board of Directors

2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Haitong Bank, S.A.

NOTE 1 – ACTIVITY AND GROUP STRUCTURE

Haitong Bank, S.A. (Bank or Haitong Bank) is an investment bank based in Portugal, Lisbon, at Rua Alexandre Herculano, n. º 38. The Bank is duly authorised by the Portuguese authorities, central banks and regulators in order to carry out its business in Portugal and in the countries where it operates through international financial branches.

The Institution was established in February 1983 as an Investment Company, as a foreign investment in Portugal under the company name FINC – Sociedade Portuguesa Promotora de Investimentos, S.A.R.L.. In the 1986 financial year, the Company became part of the Grupo Espírito Santo, under the name Espírito Santo – Sociedade de Investimentos, S.A..

In order to widen the scope of its business, the Institution has obtained a license from the Portuguese official bodies for its conversion into an Investment Bank, by means of Ordinance no. 366/92 of November 23rd, published in the Portuguese Official Gazette – Series II – no. 279, of December 3rd. Its business as an Investment Bank started on the 1st of April, 1993, under the company name Banco ESSI, S.A..

In the 2000 financial year, Banco Espírito Santo, S.A acquired the whole of BES Investimento's share capital in order to reflect all existing synergies between both institutions in its consolidated accounts.

On the 3rd of August, 2014, following the implementation of a resolution measure by the Bank of Portugal, applied to Banco Espirito Santo, S.A., the Bank became held by Novo Banco, S.A..

Haitong International Holdings Limited acquired the whole of BES Investimento's share capital on September 2015, and the Bank's company name was thereby changed into Haitong Bank, S.A..

Haitong Bank currently operates through its headquarters in Lisbon, as well as through branches in London, Warsaw and Madrid, and subsidiaries in Brazil. In June 2022, Haitong Bank, S.A. concluded the establishment of a representative office in France.

Haitong Bank's financial statements are consolidated by Haitong International Holdings Limited, based in Li Po Chun Chambers, n.º 189, Des Voeux Road Central, in Hong Kong.

The Group companies where the Bank holds, directly or indirectly, voting rights grater or equal to 20%, or over which the Bank exercises control or has significant influence, and that were included in the consolidated financial statements, are presented as follows:

	Incorporation date	Acquisition date	Headquarters	Activity	% Economic interest	Consolidation method
Haitong Bank SA	**1983**	**-**	**Portugal**	**Bank**	**100%**	**Full Consolidation**
Haitong Global Asset Management SGOIC S.A.	1988	1996	Portugal	Venture capital	100%	Full Consolidation
Haitong Ancillary Services	2004	2021	Poland	Banking Ancillary Services	100%	Full Consolidation
Haitong Banco de Investimento do Brasil S.A.	2000	2000	Brazil	Investment bank	80%	Full Consolidation
FI Multimercado Treasury	2005	2005	Brazil	Investment fund	80%	Full Consolidation
Haitong Negócios S.A.	2004	2004	Brazil	Asset management	80%	Full Consolidation
Haitong do Brasil DTVM, SA	2009	2010	Brazil	Asset management	80%	Full Consolidation
Haitong Securities do Brasil S.A.	2000	2000	Brazil	Brokerage house	80%	Full Consolidation

In 2013, Haitong Bank started a simplification plan for its group. Several measures were taken within the scope of such process, including the disposal and merger of several holdings. The simplification process continued 2022, and the main changes made to the group's structure are set forth below.

Subsidiaries

- In January 2022, through public deed, formally started the liquidation process of Haitong Ancillary Services.
- In January 2022 the Haitong Banco de Investimento do Brasil S.A. fully subscribed the capital increase of Fundo FI Multimercado Treasury, which corresponded to an investment of 15,000 thousand reais.
- In March 2022 the Haitong Banco de Investimento do Brasil S.A. fully subscribed the capital increase of Fundo FI Multimercado Treasury, which corresponded to an investment of 70,000 thousand reais.

During 2022, the movements related to acquisitions, sales and other investments and reimbursements in subsidiary and associated companies are detailed as follows:

(thousand euros)

	31.12.2022	
	Acquisitions	
	Other Investments(a)	Total
Subsidiaries		
FI Multimercado Treasury	15 704	15 704
	15 704	**15 704**

(a) Share capital increases, supplementary capital and loans to companies.

During the 2021 financial year, the movements related to acquisitions, sales and other investments and reimbursements in subsidiary and associated companies are detailed as follows:

(thousand euros)

	31.12.2021					
	Acquisitions			Disposals		
	Acquisition cost	Other Investments (a)	Total		Other Reimbursements (a)	Total
Subsidiaries						
Haitong Ancillary Services Sp Zoo	500	-	500	-	-	-
FI Multimercado Treasury	-	4 883	4 883	-	-	-
	500	**4 883**	**5 383**	-	-	-
Associates	-	-	-	-	-	-
Fundo Espírito Santo IBERIA I	-	-	-	-	1	1
Total	**500**	**4 883**	**5 383**	-	1	1

(a) Share capital increases, supplementary capital and loans to companies.

During the 2022 financial year, there was no movements regarding acquisitions and disposals of investments in subsidiaries and associates.

NOTE 2 – MAIN ACCOUNTING POLICIES

2.1. BASES OF PREPARATION

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of the 19th of July, 2002, and Notice no. 1/2005 of the Bank of Portugal (revoked by Bank of Portugal Notice no. 5/2015), the consolidated financial statements of Haitong Bank, S.A., (Bank, Haitong Bank or Group) are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union.

The IFRS comprise the accounting standards issued by the International Accounting Standards Board (IASB), as well as the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and by their predecessor bodies.

Haitong Bank's consolidated financial statements set forth herein refer to the year ended on the 31st December, 2022, which have been prepared in accordance with the IFRS in force, as adopted in the European Union until the 31st December, 2022.

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1st January 2022. The accounting policies in this note were consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period.

The consolidated financial statements are denominated in thousands of euros, rounded to the nearest thousand, and have been prepared in accordance with the historical cost principle, with the exception of the assets and liabilities accounted for at fair value, such as financial derivatives, financial assets and liabilities at fair value through profit and loss and financial assets and liabilities at fair value through other comprehensive income.
Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount or fair value less costs to sell.

The preparation of financial statements in accordance with the IFRS requires the Group to make judgements and estimates, as well as to use assumptions affecting the implementation of the accounting policies and the amounts corresponding to income, expenses, assets and liabilities. Any changes to such assumptions, or any difference thereof comparing to reality may have an impact on the current estimates and judgements. The areas involving a higher degree of judgement or complexity, or in which significant assumptions and estimates are used when preparing the consolidated financial statements, are analysed in Note 3.

The consolidated financial statements herein have been approved in the Board of Directors meeting held on the 1 of March, 2023.

2.2. BASIS OF CONSOLIDATION

The consolidated financial statements set forth herein reflect the assets, liabilities, income and expenses of Haitong Bank and its subsidiaries (Group or Haitong Bank Group), and the profit or loss attributable to the Group concerning the financial holdings in associates.

The accounting policies have been consistently implemented by all the Group companies in the periods covered by these consolidated financial statements.

Subsidiaries

Subsidiaries are entities (including investment funds) controlled by the Group. The Group controls an entity when it holds the power to direct the relevant activities of the entity, and when it is exposed or entitled to the variability in the returns resulting from its involvement with such entity, and may get hold of such returns through its power over the relevant business of such entity (de facto control). The subsidiaries’ financial statements are comprised in the consolidated financial statements from the date in which the Group acquires control, until the date when such control ceases to exist.

The accumulated losses of a subsidiary are attributed to non-controlling interests in the proportions held, which could imply the recognition of negative non-controlling interests.

In a step acquisition transaction resulting in the acquisition of control, any previous minority holding is reassessed at fair value against income statement when calculating goodwill. Upon a partial sale resulting in the loss of control over a subsidiary, any remaining minority holding is reassessed at fair value on the date of the sale, and the profit or loss resulting from such reassessment is accounted for in the income statement.

Associates

Associates are all companies over which the Group holds the right to exercise significant influence, namely over its financial and operating policies, but which the Group does not control. It is normally assumed that the Group has significant influence when it holds the power of exercising over 20% of the voting rights of the associate. However, even when the Group's voting rights are below 20%, it may exercise significant influence by participating in the management of the associate or in the composition of the Administration bodies with executive powers.

The existence of significant influence by the Group is usually evidenced in one or more of the following ways:

- Representation on the Board of Directors or equivalent governing body of the investee;
- Participation on the policy-making process, including participation in decisions about dividends or other distributions;
- Material transactions between the Group and the investee;
- Interchange of the management team;
- Provision of essential technical information.

Investments in associates are accounted for in the consolidated financial statements of the Bank through the equity method, from the moment when the Group acquires significant influence until the moment it ceases to exist. The statement of financial positions value of investments in associates comprises the amount of the corresponding goodwill as determined in the acquisitions, and is shown net of possible impairment losses.

In a step acquisition transaction resulting in the acquisition of significant influence, any previously held stake in that entity is reassessed at fair value through the income statement upon the first implementation of the equity method.

When the amount of the accumulated losses incurred by an associate and attributable to the Group is equal to or exceeds the book value of the holding and of any other medium and long term interests in such associate, the equity method is interrupted, except if the Group is legally or constructively obliged to recognise such losses, or if the Group has made payments on behalf of the associate.

The gains or losses incurred in the sale of share capital in associates are accounted for against income statement, even if such sale does not result in the loss of significant influence.

Goodwill

The goodwill resulting from the acquisitions carried out until the 1st of January, 2004, is deducted from the shareholders' equity, as per the option granted by IFRS 1, adopted by the Group on the date of transition to the IFRS.

Acquisitions of subsidiaries and associates occurred from the 1st of January, 2004, to the 31st of December, 2009 have been accounted for by the Group using the purchase method. The acquisition cost includes the fair values – determined as at the date of purchase – of the assets and equity instruments transferred, and of the liabilities assumed or incurred, plus costs directly attributable to the acquisition.

The goodwill represented the difference between the so determined cost of acquisition of the holding and the fair value attributable to the assets, liabilities and acquired contingent liabilities.

From the 1st of January, 2010, and as per IFRS 3 – Business Combinations, the Group calculates goodwill as the difference between the fair value of the cost of acquisition of the holding held, including the fair value of any previous minority holding, and the fair value attributable to the acquired assets and assumed liabilities. Fair values are determined on the date of acquisition. Costs directly attributable to the acquisition are recognised upon the acquisition in costs of the financial year.

On the date of acquisition, the Group recognises as non-controlling interests the amounts corresponding to the proportion of fair value of the acquired assets and assumed liabilities without the respective goodwill portion. Therefore, the goodwill recognised in the consolidated financial statements herein corresponds solely to the portion attributable to the Bank's shareholders.

In accordance with IFRS 3 – Business Combinations, the positive goodwill is accounted for as an asset at its cost and is not amortised. In the case of investments in associates, goodwill is comprised in the corresponding statement of financial positions value, determined based on the equity method. Negative goodwill is directly recognised in income statement on the period of the acquisition.

The recoverable amount of the goodwill accounted for as an asset is reviewed on an annual basis, regardless of whether there is evidence of impairment. Any losses determined by impairment are recognised in the income statement. The recoverable amount is the larger amount out of the value in use and the market value deducted from selling costs. The value in use is determined by discounting future estimated cash flows, based on a rate reflecting market conditions, time value and risks associated with the business.

Transactions with non-controlling interests

The acquisition of non-controlling interests which do not result in a change in control over a subsidiary is accounted for as a transaction with shareholders and, therefore, no additional goodwill resulting arising from such transaction shall be recognised. The difference between the acquisition cost and the statement of financial positions value of the acquired non-controlling interests is directly recognised in reserves. Similarly, gains or losses arising from disposals of non-controlling interests which do not result in the loss of control over a subsidiary are always recognised against reserves.

The gains or losses arising from the dilution or sale of part of a financial holding in a subsidiary, with the loss of control, are recognised by the Group in the income statement.

Translation of financial statements in foreign currency

The financial statements of each of the Group's subsidiaries and associates are prepared using their functional currency, which is defined as the currency of the economy in which such subsidiaries and associates operate. The Group's consolidated financial statements are prepared in euros, which is Haitong Bank's functional currency.

The Group's financial statements whose functional currency is other than euro are translated into euros, in accordance with the following criteria:

- Assets and liabilities are converted at the exchange rate as at the date of the statement of financial positions;
- Income and expenses are converted based on the application of exchange rates approximated to the real rates as at the date of each transaction;

- Exchange rate differences determined between the conversion amount in euros of the financial position at the beginning of the year and its amount converted at the exchange rate in force as at the date of statement of financial position to which the consolidated accounts relate are accounted for against reserves. Similarly, regarding the subsidiaries' and associated companies' results, the exchange differences arising from the translation of income and expenses at the rates ruling at the dates of the transactions and that determined at the statement of financial position date are recorded in reserves. As at the date of the company's divestiture, such differences are recognised in income statement as an integral part of the gain or loss arising from the divestiture.

Balances and transactions eliminated on consolidation

The balances and transactions between companies of the Group, including any unrealised gains or losses arising from intra-group transactions, are eliminated on the consolidation process, except for the cases where the unrealised losses reveal an impairment which should be recognised in the consolidated accounts.
Unrealised gains arising from transactions with associates are eliminated proportionally to the Group's holding in such associates. Unrealised losses are also eliminated, but only in the cases where they do not reveal an impairment.

2.3. FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are converted at the exchange rate in force as at the date of the transaction. The monetary assets and liabilities denominated in foreign currency are converted into Euros at the exchange rate in force at the date of the statement of financial position. The exchange rate differences arising from such conversion are recognised in income statement.

Non-monetary assets and liabilities accounted for at historical cost, denominated in foreign currency, are converted at the exchange rate as at the transaction date. Non-monetary assets and liabilities denominated in foreign currency accounted for at fair value are converted at the exchange rate in force as at the date of determination of the fair value. The exchange rate differences resulting thereof are recognised in profit and loss.

2.4. FINANCIAL INSTRUMENTS

2.4.1 Financial assets classification

At the initial recognition, financial assets are classified into one of the following categories:

a) Financial assets at amortised cost;
b) Financial assets at fair value through other comprehensive income; or
c) Financial assets at fair values through profit or loss:

i. Financial assets held for trading
ii. Non-trading financial assets mandatorily at fair value through profit or loss
iii. Financial assets designated at fair value through profit or loss

Financial assets classification and measurement depends on the SPPI test results (assessment if the contractual cash flows characteristics, in order to conclude if it corresponds solely payments of principal and interests) and on the business model.

a) Financial assets measured at amortised cost

A financial asset is classified under the category “Financial assets at amortised cost” if both the following conditions are met:

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and;
ii. The contractual terms of the financial asset establish cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The “Financial assets at amortised cost” category includes mainly Loans and advances to banks, Loans and advances to customers, and Debt securities.

b) Financial assets at fair value through other comprehensive income

A financial asset is classified under the category of “Financial assets at fair value through other comprehensive income” if both of the following conditions are met:

i. The financial asset is held within a business model whose objective is to both collect contractual cash flows and sell financial assets and;
ii. The contractual cash flows occur on specified dates and are solely payments of principal and interest on the principal amount outstanding (SPPI).

In addition, in the initial recognition of a capital instrument that is not held for trading, nor a contingent consideration by an acquirer in a concentration of activities to which IFRS 3 applies, the Group may irrevocably choose to classify it in the category of “Financial assets at fair value through other comprehensive income". This option is exercised on a case-by-case basis, investment by investment and is only available for financial instruments that comply with the definition of equity instruments set forth in IAS 32 and can not be used for financial instruments whose classification as a capital instrument in the issuer is made under the exceptions provided in paragraphs from 16A to 16D of IAS 32. The Bank did not adopt this irrevocable option under IAS 32, and only debt securities were classified in this category.

c) Financial assets at fair value through profit or loss

A financial asset is classified in the category of “Financial assets at fair value through profit and loss” if the business model defined by the Bank for its management or because of the characteristics of its contractual cash flows is not appropriate to be classified in the previous categories.

In addition, the Bank may irrevocably designate a financial asset that meets the criteria to be classified as "Financial assets at amortised cost" or "Financial assets at fair value through other comprehensive income", at fair value through profit or loss, at the time of its initial recognition, if that eliminates or significantly reduces an accounting mismatch, which would otherwise result from the measurement of assets or liabilities or from the recognition of gains and losses thereon on different bases. The Group did not adopt this irrevocable option, having classified in this category:

- financial assets in the sub-category "Financial assets at fair value through profit or loss - financial assets held for trading", when:

  i. are originated or acquired for the purpose of trading in the short term;
  ii. are part of a group of financial instruments identified and managed jointly for which there is evidence of recent actions with the aim of achieving gains in the short term;
  iii. are derivative instruments which do not comply with the definition of a financial guarantee and have not been designated as hedging instruments.

- financial assets in the sub-category of "Financial assets at fair value through profit or loss - Non-trading financial assets mandatorily at fair value through profit or loss" when:

  i. debt instruments whose cash flows do not originate cash flows on specific dates, which are only payments of principal and interest on the amount of outstanding capital (SPPI).
  ii. equity instruments, which do not classify as held for trading.

Gains and losses on financial assets and liabilities at fair value through profit or loss, namely, changes in fair value and interest on trading derivatives, as well as the dividends received from these portfolios, are recognised as "Net income from other financial instruments at fair value through profit or loss" in the income statement.

Business model evaluation for financial assets management

In relation to the evaluation of the business model, this does not depend on intentions for an individual instrument, but on a portfolio of instruments, taking into account the frequency, value, sales frequency in previous years, the reasons for such sales and expectations regarding future sales. Infrequent sales, or close to the maturity of the asset and those due to increases in the credit risk of financial assets or to manage concentration risk, among others, may be compatible with the model of holding assets for the collection of contractual cash flows.

Evaluation if the contractual cash flows correspond to solely payments of principal and interest (SPPI)

If a financial asset contains a contractual clause which may modify the timing or value of contractual cash flows (such as early amortization clauses or extension of duration), the Group determines whether the cash flows that will be generated during the life of the instrument, due to the exercise of the contractual clause, are only payments of principal and interest on the value of the capital outstanding.

The contractual conditions of financial assets that, at the time of initial recognition, have an effect on cash flows or depend on the occurrence of exceptional or highly improbable events (such as settlement by the issuer) do not prevent their classification in the portfolios at cost amortised or at fair value through other comprehensive income.

Initial recognition

At initial recognition all financial instruments are recognised at their fair value. For financial instruments that are not recognised at fair value through profit or loss, the fair value is adjusted by adding or subtracting the transaction costs directly attributable to their acquisition or issue. In the case of instruments at fair value through profit or loss, directly attributable transaction costs are recognised immediately in profit or loss.

Transaction costs are defined as expenses directly attributable to the acquisition or disposal of a financial asset or to the issue or assumption of a financial liability that would not have been incurred if the Group had not realized the transaction.

Subsequent measurement

After initial recognition, the Group measures financial assets at amortised cost, at fair value through other comprehensive income, at fair value through profit or loss or at cost.

The fair value of quoted financial assets is their current bid price. In the absence of a quotation, the Bank estimates the fair value using (i) valuation methodologies, such as the use of prices of recent transactions, similar and carried out under market conditions, discounted cash flow techniques and customized option valuation models in order to reflect the particularities and circumstances of the instrument, and (ii) valuation assumptions based on market information. These methodologies also incorporate credit risk and counterparty risk. These methodologies may require the use of assumptions or judgments in the estimate of fair value.

The income and expenses of financial instruments at amortised cost are recognised in accordance with the following criteria:

a) Interest is recognised in the income statement using the effective interest rate of the instrument on the gross book value of the instrument (except for assets with impairment, where the interest rate is applied on the net book value of impairment).
b) Other changes in value will be recognised as income or expense when the instrument is derecognised from the balance sheet, when it is reclassified, and in the case of financial assets, when there are impairment losses or recovery gains.

Income and expenses of financial instruments at fair value through profit or loss are recognised according to the following criteria:

a) Changes in fair value are recognised directly in profit or loss, separating between the portion attributable to the income of the instrument, which is recognised as interest or as dividends according to their nature, and the remainder, which is recognised as results in the corresponding account.
b) Interests on debt instruments are measured using the effective interest rate method.

Income and expenses from financial instruments at fair value through other comprehensive income are recognised according to the following criteria:

a) Interest has a procedure equal to that of assets at amortised cost.
b) Foreign exchange differences are recognised in income statement.
c) Impairment losses or gains on its recovery are recognised in the income statement.
d) The remaining changes in value are recognised in other comprehensive income.

Thus, when a debt instrument is measured at fair value through other comprehensive income, the amounts recognised in profit or loss for the period are the same as those that would be recognised if measured at amortised cost.

When a debt instrument measured at fair value through other comprehensive income is derecognised from the balance sheet, the gain or loss recognised in other comprehensive income is reclassified to income for the year.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or change does not result in derecognition of the financial asset in accordance with the policy adopted by the Bank, the Bank recalculates the gross amount of the financial asset and recognises a gain or loss arising from the difference from the previous amortised cost against profit or loss. The gross amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows discounted at the original effective interest rate of the asset.

Reclassifications between categories of financial instruments

Only if the Group decides to change its business model for the management of a portfolio of financial assets. In this case, all financial assets affected would be reclassified in accordance with the requirements of IFRS 9. This reclassification would be applied prospectively from the date of reclassification. According to the approach of IFRS 9, changes in the business model generally occur very infrequently. Financial liabilities cannot be reclassified between portfolios.

Derecognition criteria

The Bank derecognises a financial asset in the following situations:

a) when transferring that asset and, as a result of such transfer, all the risks and benefits of that asset are transferred to another entity;
b) when a significant change in the counterparty structure of that asset occur;
c) when a significant change on the asset terms and conditions occur.

Loans written-off

The Group write off a loan when it does not have reasonable expectations to recovering a financial asset in its entirety or a portion thereof. This registration occurs after all the recovery actions developed by the Group prove to be fruitless. Loans written off are recognised in off-balance sheet accounts.

Purchase or originated credit impaired assets

Purchase or originated credit impaired (POCI) assets are credit-impaired assets on initial recognition. An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset.

The two events that lead to the originations of a POCI exposure are presented as follows:

- financial assets arising from a recovery process, where there have been changes to the terms and conditions of the original agreement, which presented objective evidence of impairment that resulted in its derecognition and recognition of a new contract that reflects the credit losses incurred;
- financial assets acquired with a significant discount, that the existence of a significant discount reflects credit losses incurred at the time of its initial recognition.

On initial recognition, POCI assets do not carry an impairment loss. Instead, lifetime expected credit losses are incorporated into the calculation of the effective interest rate. Consequently, at initial recognition, the gross book value of POCI (initial balance) is equal to the net book value before being recognised as POCI (difference between the initial balance and total discounted cash flows).

Impairment of financial assets

The Group determines impairment losses on debt instruments measured at amortised cost and at fair value through comprehensive income, as well as for other exposures that have associated credit risk such as bank guarantees and commitments.

The IFRS 9 requirements aim to recognise expected losses, assessed on an individual and collective basis, taking into account all reasonable, reliable and reasoned information available, without incurring undue costs or efforts, at each reporting date, including forward-looking information.

The impairment losses of debt instruments in the exercise are recognised as a cost under the heading Impairment of Financial Assets in the Income Statement. The Group registers the impairment losses on debt instruments measured at amortised cost against a cumulative balance sheet impairment account, which reduces the book value of the asset. The Group recognises the impairment losses on debt instruments measured at fair value through Other Comprehensive Income against the fair value reserve, whereby its recognition does not reduce the balance sheet value of the financial instruments.

Impairment losses on exposures that have associated credit risk and which are not debt instruments are registered by means of a provision under "Provisions" in the liability side. Increases and reversals are recorded against under the heading Provisions net of annulments.

Impairment Model

Under IFRS 9, the Group determines the expected credit losses (ECL) using a forward-looking model. The expected credit losses over the lifetime of financial instruments are required to be measured through a loss allowance. Accordingly, the calculation of ECL incorporates macroeconomic factors, as well as other forward-looking information, whose changes impact expected losses.

The instruments subject to impairment are divided into three stages, taking into account their level of credit risk since its initial recognition, as follows:

- **Stage 1 – Performing**: financial assets for which there was no significant increase in credit risk from the moment of initial recognition. In this case, the impairment will reflect ECL resulting from default events that may occur in the next 12 months after the reporting date;
- **Stage 2 – Under Performing**: financial assets for which there was a significant increase in credit risk has occurred since the initial recognition but for which there is no objective evidence of impairment. In this stage, impairment will reflect the ECL resulting from default events that may occur over the expected residual life of the instrument;
- **Stage 3 – Non Performing**: financial assets for which there is objective evidence of impairment as a result of events that resulted in losses. In this case, the impairment amount will reflect the ECL over the expected residual life of the instrument.

The collective model implemented by the Group is applicable to all instruments classified in Stage 1 that do not show any warning signals, as well to determine the minimum lifetime expected credit losses, in the case of exposures with a significant increase in credit risk (Stage 2) since initial recognition, but which are not considered to be impaired.

In addition, the top 20 performing largest debtors are annually subject to an individual analysis, in order to trace early warning signals that may indicate the need to transfer to Stage 2.

Stage 2 exposures are analysed individually, confirming that there are no indications of unlikeliness to pay of the debtor and the events considered by Capital Requirements Regulations (CRR) in its definition of default and by IFRS 9 in the definition of impaired financial instruments, which could determine a transfer to Stage 3. Stage 2 exposures are subject to the application of a lifetime impairment rate to determine the minimum impairment rate applicable to financial instruments, using a lifetime collective model. All Stage 3 clients are subject to an individual impairment analysis.

At initial recognition, any instrument is allocated to Stage 1, except for purchased or originated credit impaired (POCI) financial instruments which are allocated to Stage 3. For each reporting date, an assessment of the change in the risk of a default occurring over the expected life of the financial instrument is performed.

A change in the risk of default may result in a transfer from Stage 1 to Stage 2 or to Stage 3. As long as the risk of default of a financial asset is low or has not increase significantly since initial recognition, it remains in Stage 1 with a 12-months ECL. Otherwise, if there is a significant increase in credit risk compared with the initial recognition, the result would be a transfer into Stage 2 and, consequently to the recognition of the lifetime ECL over the residual life of the financial asset. A transfer into Stage 3 is required when objective evidence for a credit loss appears.

When a financial asset is no longer assessed to be impaired (Stage 3), it is reclassified to Stage 2, after its due probation period. It is assumed that when a financial asset recovers from Stage 3, it will still have a demonstrated significant increase in credit risk since initial recognition and must therefore be included in Stage 2. From that date on, the impairment will continue to be recognised based on lifetime expected credit losses.

A probation period was established for a financial asset ceases to be classified in Stage 3, which is defined as 3 months from the moment that the obligor is no longer past due more than 90 days on any material credit obligation, if applicable, and no indication of unlikeliness to pay applies. The probation period for non-performing forborne exposures is longer (12 months). Performing forborne exposures should accomplish a minimum 24 months period in order to be reclassified on Stage 1, whereas throughout that period the debt sustainability should be proved.

Note 38 – Risk Management discloses the inputs of the Group’s collective impairment model, as well as the adjustments made to incorporate forward-looking information.

Expected Credit Losses

According to the IFRS 9, the expected credit loss for financial assets is the present value of the difference between (1) the contractual cash flows that are due to an entity under the contract, and (2) the cash flows that the entity expects to receive.

The recognition of an impairment allowance is required on financial assets measured on an Amortised Cost (AC) or Fair Value through Other Comprehensive Income (FVOCI) basis. Given that, the financial asset types that should have impairment assessment are the following:

- Loans and advances to customers;
- Loans and advances to banks;
- Debt securities;
- Debtors and other receivables;
- Cash and cash equivalents.

In addition, in accordance with IFRS 9, the Bank includes in the calculation of the expected credit losses for the guarantees provided and commitments given, and for other assets.

The expected credit losses correspond to estimates of credit loss that will be determined as follows:

- Financial assets with no signs of impairment at the reporting date (Stage 1 – Performing): correspond to expected credit losses that result from a default event that may occur within 12 months after the reporting date (credit losses expected at 12 months);
- Financial assets with a significant increase in credit risk or with impairment at the reporting date (Stage 2 – Under Performing and Stage 3 – Non Performing): correspond to the expected lifetime credit losses calculated by the difference between the gross accounting value and the net present value of the estimated cash flows weighted, for assets in Stage 2, by the prospect of default;
- Unused credit commitments: the amount of the unused commitment as of the reference date multiplied by the credit conversion factor, the probability of default and the loss given default;
- Financial guarantees: the net present value of expected repayments less the amounts that the Bank expects to recover.

Significant increase in credit risk

Under IFRS 9, in order to determine whether there has been a significant increase in credit risk since the initial recognition of the financial instrument, the Group considers all relevant information available without incurring undue costs or efforts.

The Group identifies the occurrence of a significant increase in credit risk exposure through three approaches: (i) comparison between the current rating and the rating at the time of contract recognition, considering a deterioration of four notches or more (ii) identification of internally defined backstops (warning signals) and (iii) early warning signals (EWS) assessment in order to trace certain events and/or circumstances that could indicate a SICR.

The internal warning signals are the following: (i) delay of payments (including capital, interest, fees or other charges) of more than 30 days; (ii) registration of at least one customer’s loan in arrears in the Central Credit Register (CCR) from Banco de Portugal; (iii) debt restructuring towards a debtor facing and/or about to face financial difficulties in meeting its financial commitments (with no indication of unlikeliness to pay); (iv) overdue debts to tax agency, social security and/or to employees; (v) clients with warning signals activated in the last three months; and (vi) other specific situations (ad-hoc) criteria). The Group identifies a SICR in the following circumstances: (a) debtors with one of the triggers (i), (iii), (v) and (vi) activated; and (b) debtors with triggers (ii) and (iv) simultaneously activated.

Early warning signals (EWS) assessment includes the annual review by the Impairment Committee and Executive Committee of the Top 20 performing largest exposures in order to confirm that the largest debtors do not display any warning signals that convene a transfer to Stage 2.

The Group implemented the internal procedure to quarterly elaborate an EWS assessment, covering all clients classified in Stage 1, thus enabling the timely manner identification of indicators which suggest a significant increase in credit risk, and also encompassing all clients classified in Stage 1 and 2, allowing for the timely manner identification of indicators that may suggest unlikeliness of payments by the debtors.

According with internal procedures defined by the Group, when there is a significant increase in the credit risk of a debtor, the financial instruments are subject to individual analysis, confirming that there are no indications of unlikeliness to pay of the debtor and the events considered by CRR in its definition of default and by IFRS 9 in the definition of impaired financial instruments, which could cause transfer to Stage 3. The exposures properly classified in Stage 2 are subject to the use of a lifetime impairment rate determined using a lifetime collective model to determine the minimum impairment rate applicable to financial instruments.

Default definition

Under IFRS 9, the Group considers its financial assets to be in default by applying the same used definition that is applied for prudential purposes. Thus, Haitong Bank Group defined default as incorporating the following criteria: 1) material exposures which are more than 90-days past due; 2) the debtor is assessed as unlikely to pay credit obligations, without collateral claim, regardless of the existence of any past due amount or of the number of days past due; and 3) if 20% of the exposures of one obligor are determined as non-performing, all other exposures should be considered non-performing (“pulling effect”).

In what regards unlikeliness to pay criteria, the Group addresses the following situations: i) distressed restructurings; ii) clients with loans written-off of interest or capital; iii) the Group sells the credit obligation at a material (more than 5%) credit-related economic loss; iv) the obligor has been placed (or is likely to be placed) in bankruptcy or similar creditor’s protection; v) interest related to credit obligations is no longer recognised (non-accrued status) in the income statement (part or under conditionality); and vi) other conditions (ad-hoc) that may suggest unlikeliness of payments by the debtor.

The definition of default adopted by the Group complies with article 178 of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and follows the European Banking Association (“EBA”) definition of non-performing exposures (“NPE”) requirements according to its final report on the application of definition of default (EBA/GL/2016/07).

Forbearance definition

The internal definition of forbearance follows the ECB guidance, consisting of concessions extended to any exposure towards a debtor facing or about to face difficulties in meeting its financial commitments. An exposure can only be forborne if the debtor is facing financial difficulties that have led the Group to make some kind of concession.
A concession may entail a loss for the Group and shall refer to either of the following actions:

i. a modification of the previous terms and conditions of a contract that the debtor is considered unable to comply with due to financial difficulties resulting in insufficient debt service ability and that would not have been granted had the debtor not been experiencing such difficulties;
ii. a total or partial refinancing of a troubled debt contract, that would not have been granted had the debtor not been experiencing financial difficulties.

When granting forbearance measures to performing exposures with significant increase in credit risk, the Group assesses whether these measures lead to a reclassification of that exposure as non-performing, being this assessment subject to compliance with the following conditions:

a) If the difference between the net present values of cash flows before and after the restructuring arrangement exceeds a certain threshold (1%), the exposure is considered to be non-performing;

b) If there are other indicators that may suggest an unlikeliness to pay of the debtor.

The definition of forbearance followed by the Group follows the guidance to Banks on Non-Performing Loans by the European Central Bank (from March 2017), which addresses the concept of forborne exposures, and Bank of Portugal's Carta Circular CC/2018/00000062 (from November 2018), addressing the criteria and principles for calculating expected credit losses under IFRS 9, which includes the timely and appropriate identification of forborne exposures.

2.4.2 Hedge accounting

The Group designates derivatives to hedge its exposure to foreign exchange risk, resulting from investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative hedging instruments are stated at fair value and gains and losses on revaluation are recognised in accordance with the hedge accounting model adopted by the Group. A hedge relationship exists when:

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- the effectiveness of the hedge can be reliably measured;
- the hedge is assessed in a continuous basis and highly effective throughout the reporting period;
- for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative financial instrument is used to hedge foreign exchange variations arising from monetary assets or liabilities, no hedge accounting model is applied. Any gain or loss associated to the derivative is recognised through profit and loss, as well as changes in currency risk of the monetary items.

Hedge effectiveness

For a hedge relationship to be classified as such according to IFRS 9, effectiveness has to be demonstrated. As such, the Group performs prospective tests at the beginning date of the initial hedge, if applicable and retrospective tests in order to demonstrate at each reporting period the effectiveness of the hedging relationships, demonstrating that the variations in fair value of the hedging instrument are hedged by the fair value variations of the hedged item in the portion assigned to the risk covered. Any ineffectiveness is recognised immediately in profit and loss when incurred.

Hedge of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. The hedge is done using a forward currency instrument. Any exchange gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is immediately recognised in profit and loss. Gains and losses accumulated in equity related to the investment in a foreign operation and to the associated hedge operation are recognised in equity and transferred to profit and loss, on the disposal of the foreign operation as part of the gain or loss from the disposal.

2.4.3 Financial liabilities

Classification, initial recognition and subsequent measurement

At initial recognition, financial liabilities are classified in one of the following categories:

- Financial liabilities at amortised cost;
- Financial liabilities at fair value through profit or loss;

Financial liabilities at fair value through profit or loss

Classification

Financial liabilities classified under "Financial liabilities at fair value through profit or loss" include:

a) Financial liabilities held for trading

In this balance are classified the issued liabilities with the purpose of repurchasing it in the near term, the ones that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or is a derivative.

b) Financial liabilities designated at fair value through profit or loss ("Fair Value Option")

The Group may irrevocably assign a financial liability at fair value through profit or loss at the time of its initial recognition if at least one of the following conditions is met:

- The financial liability is managed, evaluated and reported internally at its fair value;
- The designation eliminates or significantly reduces the accounting mismatch of transactions.

Structured products issued by the Group follow are measured at fair value through profit or loss, due to the fact that such structured products always fall within one out of the aforementioned conditions.

The fair value of quoted financial liabilities is their quoted value. In the absence of a quotation, the Group calculates fair value by using valuation techniques considering assumptions based on market information, including in determining the issuer´s own credit risk.

If the Group repurchases an issued debt, it shall be derecognised from the consolidated statement of financial positions, and the difference between the liability's carry amount and the purchase value is accounted for in income statement.

Initial recognition and subsequent measurement

Considering that the transactions carried out by the Group in the normal course of its business are made in market conditions, financial liabilities at fair value through profit or loss are initially recognised at fair value with the costs or income associated with the transactions recognised in profit or loss at the initial moment.

Subsequent changes in the fair value of these financial liabilities are recognised as follows:

- The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income;
- The remaining amount of change in the fair value of the liability shall be presented in profit or loss.
- The accrual of interest and the premium / discount (when applicable) is recognised on "Interest expense and similar charges" based on the effective interest rate of each transaction.

Financial liabilities at amortised cost

Classification

Financial liabilities that were not classified at fair value through profit or loss, or correspond to financial guarantee contracts, are measured at amortised cost.

The category "Financial liabilities at amortised cost" includes Resources of credit institutions, Resources of customers and Debt securities issued.

Initial recognition and subsequent measurement

Financial liabilities at amortised cost are initially recognised at fair value, plus transaction costs, and are subsequently measured at amortised cost. Interests on financial liabilities at amortised cost are recognised on "Interest expense and similar charges", based on the effective interest rate method.

Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

Derecognition of financial liabilities

The Group derecognises financial liabilities when they are cancelled or extinct.

2.4.4 Interest recognition

Interest income and expense for financial instruments measured at amortised cost are recognised in "Interest and similar income" and "Interest expense and similar charges" (Net interest income) through the effective interest rate method. The interest at the effective rate related to financial assets at fair value through other comprehensive income are also recognised in net interest income.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

For calculating the effective interest rate, the Group estimates futures cash flows considering all contractual terms of the financial instrument (for example: early payment options) but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction, except for assets and liabilities at fair value through profit and loss.

Interest income recognised in income associated with contracts classified in stage 1 and 2 are determined by applying the effective interest rate for each contract on its gross book value. The gross balance of a contract is its amortised cost, before deducting the respective impairment. For financial assets included in stage 3, interests are recognised in the income statement based on its net book value (less impairment). The interest recognition is always made in a prospective way, i.e. for financial assets entering in stage 3 interests are recognised on the amortised cost (net of impairment) in subsequent periods.

For purchase or originated credit impaired assets (POCIs), the effective interest rate reflects the expected credit losses in determining the expected future cash flows receivable from the financial asset.

2.4.5 Financial guarantees

Contracts that require the issuer to make payments to compensate the holder for losses incurred as a result of non-compliance with the contractual terms of debt instruments, such as payment of the respective principal and / or interest, are considered as financial guarantees.

The financial guarantees issued are initially recognised at fair value. Subsequently, these guarantees are measured by the higher (i) fair value initially recognised and (ii) the amount of any obligation arising from the guarantee agreement, measured at the balance sheet date. Any change in the amount of the obligation associated with financial guarantees issued is recognised in the income statement.

The financial guarantees issued by the Group usually have a defined maturity and a periodic commission charged in advance, which varies according to the counterparty risk, amount and period of the contract. On that basis, the fair value of the guarantees at the date of their initial recognition is approximately null considering that the agreed conditions are market. Accordingly, the amount recognised on the date of the engagement equals the amount of the initial commission received which is recognised in the income statement during the period to which it relates. Subsequent commissions are recognised in profit and loss in the period to which they relate.

2.5. ASSETS SOLD WITH REPURCHASE AGREEMENT AND SECURITIES LENDING

Securities sold subject to repurchase agreement (repos) at a fixed price or at a price equal to that of the sale plus interest inherent to the maturity of the transaction are not derecognised from the statement of financial position. The corresponding liability is accounted for in amounts due to banks or to customers, as appropriate. The difference between the sale value and the repurchase value is treated as interest and is deferred while the agreement is in force, using the effective interest rate method.

Securities bought with a resale agreement (reverse repos) at a fixed price or at a price equal to that of the sale plus interest inherent to the maturity of the transaction are not recognised in the statement of financial position, and the purchase value is accounted for as loans and advances to banks or customers, as appropriate. The difference between the purchase value and the resale value is treated as interest and is deferred while the agreement is in force, using the effective interest rate method.

Securities assigned through loan agreements are not derecognised from the statement of financial positions, being classified and measured in accordance with the accounting policy applicable. Securities received through loan agreements are not recognised in the statement of financial positions.

2.6 EQUITY INSTRUMENTS

An instrument is classified as equity instrument only if:

i. The instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable conditions for the issuer; and
ii. The instrument will or may be settled in the issuer's own equity instruments, it is either a non-derivative that includes no contractual obligation on the issuer to deliver a variable number of its own equity instruments or a derivative that will be settled only by the issuer exchanging a fixed amount in cash or another financial asset for a fixed number of its own equity instruments.

Costs directly attributable to the issuing of equity instruments are accounted for under equity, as a deduction to the issuing amount. Amounts paid and received by the purchase and sale of equity instruments are accounted for under equity, net of transaction costs.
When declared, distributions to holders of an equity instrument are deducted directly from equity as dividends.

2.7 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are presented in statement of financial position at net value when there is a legal possibility of offsetting the recognised amounts and there is an intent of settlement thereof by their net value, or to simultaneously realise the asset and settle the liability.

2.8 NON-CURRENT ASSETS HELD-FOR-SALE AND ASSETS FROM DISCONTINUING OPERATIONS

Non-current assets or groups of non-current assets held for sale (group of assets to be disposed together in a single transaction, and directly associated liabilities which include at least one non-current asset) and discontinued operations are classified as held-for-sale when exists the intention to realise the a sale transaction (including those acquired exclusively with the purpose to sell), the assets or disposal groups are available for immediate sale and the sale is highly likely to occur, accordingly to IFRS 5 requirements. In order to the sale to be considered highly probable, the Group must be committed to a plan to sell the asset (or disposal group) and should be expected the sale to qualify for derecognition within one year from the date of classification.
Immediately prior to the initial classification of the asset (or disposal group) as held-for-sale, the measurement of non-current assets (or of all the Group's assets and liabilities) is carried out in accordance with the relevant IFRS in force. Subsequently, such assets or disposal groups are re-measured at the lower of their carrying value and fair value less costs to sell.

2.9 OTHER TANGIBLE ASSETS

The Group's other tangible assets are measured at cost, less their corresponding accumulated amortisations and impairment losses. The cost includes expenses directly attributable to the acquisition of the assets.
The subsequent costs with other tangible assets are only recognised when it is probable that future economic benefits associated with them will flow to the Group. All repair and maintenance costs are charged to the income statement during the period in which they are incurred, on the accrual basis.

Land is not amortised. The amortisations of other tangible assets are calculated based on the straight-line method, at the following amortisation rates reflecting the expected useful life of the goods.

	Number of Years
Owned Real Estate	35 to 50
Improvements in leasehold property	5 to 10
Computer Equipment	3 to 8
Indoor Installations	5 to 12
Furniture and supplies	3 to 10
Safety Equipment	4 to 10
Tools and Machines	4 to 10
Transportation Material	4 to 5
Other Equipment	5

As defined in IAS 36, when there is evidence that an asset may be impaired, its recoverable amount is required to be estimated, and an impairment loss shall be recognised whenever the net value of an asset exceeds its recoverable amount. Any impairment losses are recognised in the income statement.

The recoverable amount is determined as the highest amount between its net selling price and its value in use, the latter being calculated based on the net present value of the estimated future cash flows expected to be obtained from the continued use of the asset and of its disposal at the end of its useful life.

2.10 INTANGIBLE ASSETS

Costs incurred with the purchase, production and development of software are capitalised, as well as additional expenses required for its deployment, which are borne by the Group. Such costs are amortised on a linear basis throughout the expected useful life of such assets, which usually ranges from 3 to 8 years.
Costs directly related to the development of software applications are recognised and accounted for as intangible assets if they are expected to create future economic benefits beyond one financial year.
All remaining charges associated with Information Technology services are recognised as costs when incurred.

2.11 LEASE TRANSACTIONS (IFRS 16)

The Group adopted IFRS 16 – “Lease transactions” on 1 January 2019, replacing IAS 17 – “Lease transactions”, which was in force until 31 December 2018. The Group did not adopt any of the requirements of IFRS 16 in prior periods.
At inception of a contract, the Banks assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either:
  - the Bank has the right to operate the asset; or
  - the Bank designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

The Group chose not to apply this standard to short-term lease contracts which are less or equal to one year, and to lease contracts where the underlying asset has no significant amount (up to € 5,000). The option of not applying this standard to intangible assets leases of also used.

As a lessee

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

When the Bank acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Bank is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Bank applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Bank applies IFRS 15 to allocate the consideration in the contract.

The Bank recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'. The accounting policies applicable to the Bank as a lessor in the comparative period were not different from IFRS 16. However, when the Bank was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

2.12 EMPLOYEE BENEFITS

Pensions

Portugal

Following the signature of the Collective Labor Agreement ("Acordo Coletivo de Trabalho" (ACT)) for the banking sector and its subsequent amendments resulting from the 3 tripartite agreements described in Note 14, pension funds and other mechanisms were set up to cover liabilities assumed with pensions on retirement, disability, survival and health-care benefits.

The liabilities' coverage is assured, for the Bank, by pension funds managed by GNB - Sociedade Gestora de Fundos de Pensões, SA.

In Portugal, there are two defined benefit pension plans which are provided to the employees. The first plan results from the abovementioned ACT agreement and foreseen by its clauses 94th and 103rd. The second plan is complementary and was applicable for its participants and beneficiaries until the 30th of December of 2020. From this date, this plan exists exclusively for the respective beneficiaries and eventual future beneficiaries, by death of those. Defined benefit plans cover pension benefits to be received by employees during retirement, usually dependent on one or more factors such as age, years of service and salary level. On 30th of December of 2020, a new defined contribution plan was introduced, for which the previous participants of the complimentary plan were transferred – former employees with vested rights, as well as active employees.

The retirement pension liabilities are calculated semiannually, in 31 December and 30 June of each year, for each plan individually, using the Projected Unit Credit Method, being annually reviewed by qualified independent actuaries. The discount rate used in this calculation is determined with reference to market rates associated with high-quality corporate bonds, denominated in the currency in which the benefits will be paid out and with a maturity similar to the expiry date of the plan's liabilities.

The Group determines the net interest income / expense for the period incurred with the pension plan by multiplying the plan's net assets / liabilities (liabilities net of the fair value of the fund's assets) by the discount rate used to measure the retirement pension liabilities referred to above. On that basis, the net interest income / expense was determined based on the interest cost on the retirement pension liabilities net of the expected return on the funds' assets, both calculated using the discount rate applied in the determination of the retirement pension liabilities.

Re-measurement gains and losses, namely (i) actuarial gains and losses arising due to differences between actuarial assumptions used and real values verified (experience adjustments) and changes in actuarial assumptions and (ii) gains and losses arising due to the difference between the expected return on the fund's assets and the actual investment returns, are recognised in equity under the caption other comprehensive income.

The Group recognises as a cost in the income statement a net total amount that includes (i) current service costs, (ii) net interest income / expense with the pension fund, (iii) the effect of early retirement, (iv) past service costs, and (v) the effect of settlements or curtailments occurring during the period. The net interest income / expense with the pension plan is recognised as interest and similar income or interest expense and similar charges, depending on its nature. Early retirement costs correspond to increases in liabilities due to employees retiring before turning 65 years-old (normal retirement age foreseen in the ACT) and which forms the basis of the actuarial calculation of pension fund liabilities. Whenever the possibility of the early retirement provided for in the pension fund regulation is invoked, the responsibilities of same must be incremented by the value of the actuarial calculation of the liabilities corresponding to the period between the early retirement and the employee turning 65 years-old. In the event of a settlement or unwind in a defined benefit plan, the difference between (i) the present value of the defined benefit obligation determined at the settlement date and (ii) the settlement amount, including the value of the plan assets to be transferred; is recorded in "Personnel costs".

The Group makes payments to the funds in order to assure their solvency, the minimum levels set by Banco de Portugal being: (i) the liability with pensioners must be totally funded at the end of each period, and (ii) the liability relating to past service costs for active employees must be funded at a minimum level of 95%.

The Group assesses the recoverability of any excess in a fund regarding he retirement pension liabilities, based on the expectation of reductions in future contributions or on the reimbursement of contributions made.

Other Geographies

In the remaining geographies, namely Spain, United Kingdom, Poland and Brazil, the Group provides defined contribution pension plans. In these cases, the contributions are previously defined and the benefits assigned at retirement will depend on the amount of the contributions made and the accumulated income.

Health-care benefits

Portugal

The Group provides to its banking employees health-care benefits through a specific Social-Medical Assistance Service. This Social-Medical Assistance Service (Serviço de Assistência Médico-Social, SAMS) is an autonomous entity which is managed by the respective Union.

SAMS provides its beneficiaries services and/or contributions with medical assistance expenses, diagnostics, medication, hospitalization and surgeries, in accordance with its funding availability and internal regulations.

Arising from the signature of the new Collective Labor Agreement (ACT) on 5 July 2016, published in Labor Bulletin (Boletim do Trabalho) no. 29, of 8 August 2016, the Group's contributions to SAMS as from 1 February 2017, correspond to a fixed amount (as per Annex VI of the new ACT) for each employee, 14 times a year.

The calculation and recognition of the Group's liability with post-retirement health-care benefits is similar to the calculation and recognition of the pension liability described above. These benefits are covered by the Pension Fund, which presently covers all liabilities with pensions and health-care benefits.

Other Geographies

In the remaining geographies, the Group provides local medical plans to its workforce that are complimentary to the national health services provided in each of the respective geography.

Long-term service bonuses

In Portugal, under the new ACT, signed at the 5th July 2016, the long-term service bonus was replaced by a career bonus, payable immediately prior to the employee´s retirement date, if the employee retires at the service of the Group, corresponding to 1.5 of his/her salary at the time of its payment.

The career bonus is accounted for by the Group in accordance with IAS 19, as a long-term employee benefit. The remeasurement effects and past service costs of this benefit are recognised in the income statement for the year, as occurred with the accounting model for long-term service bonuses.

The amount of the Group's liabilities with this career bonus is likewise periodically estimated based on the Projected Unit Credit Method. The actuarial assumptions used are based on expectations of future salary increases and mortality tables. The discount rate used in this calculation is determined applying the same methodology described above for retirement pensions.

Variable remuneration paid to employees

In accordance with IAS 19 - Employee benefits, variable remuneration (profit sharing, bonuses and others) granted to employees and, possibly, to executive members of administration bodies, is accounted for in profit or loss of its respective financial year.

2.13 INCOME TAXES

Income taxes comprise current and deferred taxes. Income taxes are recognised in income statement, unless when relating to items not directly recognised in equity, in which case they are also accounted for against equity. Taxes recognised in equity, as a result of the reassessment of financial assets at fair value through other comprehensive income, are subsequently recognised in income statement when the gains and losses which were in their origin are recognised in income statement.

Current taxes are those expected to be paid based on the taxable income which is calculated in accordance with the existing tax rules and by using the tax rate enacted or substantially enacted in each jurisdiction.

Deferred taxes are calculated in accordance with the liability method based on the statement of financial positions, on the temporary differences between the carry amount of assets and liabilities and their tax base, by using the tax rates which have been enacted or substantially enacted on the date of the statement of financial position in each jurisdiction and which are expected to be applied once the temporary differences are reversed.

Deferred tax liabilities are recognised for all taxable temporary differences, except for goodwill not deductible for tax purposes, of the differences arising out of the initial recognition of assets and liabilities which affect neither accounting profit nor taxable profit, and of differences relating to investments in subsidiaries insofar as it is not likely that they reverse in the future. Deferred tax assets are only recognised insofar as it is expected that there will be taxable profit in the future which will absorb the tax losses carried forward and the deductible temporary differences. The Group offsets assets and liabilities by deferred taxes for each subsidiary, every time (i) the income tax of each subsidiary to be paid to the Tax Authorities is determined on a net basis, i.e., offsetting current asset and liability taxes, and (ii) taxes are collected by the same Tax Authority over the same tax entity. This offsetting is therefore made at the level of each subsidiary, reflecting the asset balance in the consolidated balance sheet the sum of the values of the subsidiaries that present deferred tax assets and the liability balance in the consolidated balance sheet the sum of the values of the subsidiaries that present deferred tax liabilities.

2.14 PROVISIONS

Provisions are recognised when (i) the Group has a current, legal or constructive obligation, (ii) it is likely that its payment will be required and (iii) when the amount of such obligation may be estimated in a reliable manner.

When the effect of the passage of time (discounting) is material, the provision corresponds to the net present value of the expected future payments, discounted at an appropriate rate considering the risk associated with the obligation.

If it is not likely for payment to be required, it is a contingent liability. Contingent liabilities are only subject to disclosure, unless the likelihood of their realization is remote. Provisions for restructuring are recognised once the Group approves a formal and detailed restructuring plan, and such restructuring has been commenced or publically announced on the reference date of the financial statements.

A provision for onerous contracts is recognised when the expected benefits of a formal contract are lower than the costs that the Group will inevitably incur in order to meet the obligations arising therefrom. This provision is measured based on the current lowest value between the contract termination costs or the net estimated costs of continuing the contract.

2.15 RECOGNITION OF FEE AND COMMISSION INCOME

Income from services and commissions are recognised when (or as) a performance obligation is fulfilled by transferring a service, based on the transaction price associated with that performance obligation, as follows:

Income from services and commissions obtained for the performance of a given performance obligation, such as commissions in loan syndications, are recognised in profit or loss when each of the performance obligations has been completed;

Income from services and commissions obtained for the performance obligations fulfilled over time are recognised in profit or loss over the period in which these performance obligations are fulfilled;

Income from services and commissions which are an integral part of the effective interest rate of a financial instrument are accounted for in income statement by the effective interest rate method.

2.16 SEGMENT REPORTING

The Group adopted IFRS 8 – Operating Segments for the disclosure of financial information by operating segments (see Note 4).

An operating segment is a component of the Group: (i) which engages in business activities from which it may earn revenues and incur expenses; (ii) whose operating results are regularly reviewed by the Group's chief operating decision makers to make decisions on the allocation of resources to the segment and assess its performance; and (iii) for which discrete financial information is available.

2.17 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to shareholders of the parent company by the weighted average number of ordinary shares outstanding, with the exclusion of the average number of own shares held by the Group.

For the calculation of diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to reflect the effect of all dilutive potential ordinary shares, such as those arising out of convertible debt and of options granted to employees over own shares. The effect of the dilution is a decrease in earnings per share, resulting from the assumption that the convertible instruments are converted or that the granted options are exercised.

2.18 CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and its equivalents encompass the amounts accounted for in the statement of financial position whose maturity is less than three months from the date of acquisition/contract, which include cash, deposits in Central Banks and in other credit institutions.

NOTE 3 – MAIN ESTIMATES AND JUDGEMENTS USED IN THE PREPARATION OF FINANCIAL STATEMENTS

The IFRS set forth a range of accounting treatments and require the Board of Directors to make the necessary judgements and estimates to decide on the most appropriate accounting treatment. These estimates were made considering the best information available at the date of preparation of the financial statements, considering the context of uncertainly that results from the impact of Russia-Ukraine conflict in the current economic scope. The Group's main accounting estimates and judgements used thereby when applying the accounting principles are laid down in this Note with the purpose of improving the understanding on how the implementation thereof affects the Group's reported results and their disclosure.

A broader description of the main accounting policies used by the Group is shown in Note 2 to the consolidated financial statements.

Whereas in many situations there are alternatives to the accounting treatment adopted by the Board of Directors, the results reported by the Group could have differed if it adopted a different treatment. The Board of Directors believes that it made the appropriate choices, and that the financial statements give an adequate description of the Group's financial position and of the result of its operations in all material respects.

3.1. IMPAIRMENT LOSSES ON FINANCIAL ASSETS AT AMORTISED COST AND DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group periodically reviews financial assets at amortised cost and debt at fair value through other comprehensive income in order to accurately evaluate the existence of impairment, as referred on Note 2.4.1.

Individual analysis

Taking into consideration the specific characteristics of the credit portfolio, the Group decided that the main approach for impairment calculation is the individual analysis, taking into account relevant and particular factors that may justify an eventual adjustment to the impairment rate.

The Risk Management Department identifies all exposures subject to individual analysis, encompassing Top 20 performing largest exposures, all under-performing (Stage 2) and non-performing (Stage 3) exposures, and ensures that they are subject of analysis by the Impairment Committee and Executive Committee. In the case of Stage 1 exposures, the individual analysis is carried out in order to confirm that the Top 20 largest exposures doesn't show any warning signals that causes a reclassification to Stage 2. Stage 2 exposures are analysed individually, in order to verify the absence of indicative unlikeliness to pay of the debtor and the events considered by Capital requirements Regulations (CRR) in its definition of default and by standard IFRS 9 in the definition of impaired financial instruments, which could cause transfer to Stage 3.

The documentation supporting the individual analysis of cases to be discussed at the Impairment Committee and Executive Committee includes: a) historical information (exposure by contract and type, impairment rates in force, collateral and respective valuation); and b) recovery scenarios with expected cash flows discounted to the current date, using the effective interest rate that was determined at initial recognition, in order to obtain expected credit losses.

The recovery scenarios should be influenced by future prospects contemplating not only the most probable scenario but also alternative scenarios. For each of the scenarios presented, the respective assumptions and respective explanation is assured based on the activity of the company (incorporating data from the historical financial statements, certain events and other financial estimates when available), the value of collaterals (including the respective valuation methodologies) and sale or execution thereof. The recovery scenarios are weighted by their probability of occurrence.

Thus, the individual analysis' process is subject to various estimates and evaluations, including recoveries' predictions and existing collaterals valuation.

The use of scenarios or alternative methodologies with other assumptions and estimates could result in different levels of impairment losses recognised, with a consequent impact on the Group's results.

Collective analysis

Impairment assessment on the collective basis is based upon the evaluation of the net present value of the expected cash flows for each loan, using pre-defined risk parameters supported by external information.

Taking into account the specificities of Haitong Bank Group credit portfolio, the collective model is based on external information for all the key risk parameters used. The main parameters used are: (i) Probability of Default (PD), (ii) Loss Given Default (LGD), (iii) Collateral haircut, and (iv) Credit Conversion Factor (CCF) for off-balance exposures.

- Probability of Default (PD) reflects the likelihood of default. The Group takes into account Standard & Poor's (S&P) provided PD, whereas the rating assigning process is performed internally based on the S&P methodology, which ensures the alignment between internal risk management and the process of impairment calculation.
- Loss Given Default (LGD) is the magnitude of loss at the time of default. The Group applies LGD based on Moody's benchmarks (recovery rates) covering a wide historical period.
- Collateral Haircut is based on the regulatory capital requirements (CRR) eligibility criteria and haircut.
- Credit Conversion Factor (CCF) is based on the CRR where CCF applies to all guarantees and lines of credit (off-balance exposures).

The Group updated the inputs of the collective model regarding the incorporation of forward-looking information, according to the information presented in Note 39 – Risk Management.

3.2. INCOME TAXES

The Group is subject to the payment of income taxes in various jurisdictions. Determining the aggregate amount of income taxes requires certain interpretations and estimates. There are several transactions and calculations for which determining the final amount of tax to be paid is uncertain throughout the normal course of business.

Other interpretations and estimates could result in a different level of income taxes recognised in the period, whether current or deferred.

The historical loss calculation in recent years justifies an assessment of the recoverability of deferred tax assets, but these results are significantly affected by extraordinary situations (eg. restructuring) that are not expected to occur in future years.

The assessment of the recoverability of deferred tax assets (including the rate at which they shall be realised) was carried out by the Bank based on projections of its future taxable profit, such projections being specified from a business plan.

The estimate of future taxable profit involves a significant level of judgment regarding the future development of the Group's activity and the timing of execution of temporary differences. For such purpose, several assumptions were adopted, in particular the analysis of several scenarios due to a uncertainty about the fiscal treatment of a set of Bank realities.

Tax Authorities are required to review the calculation of the basis of assessment, made by the Bank, for a period of four years, except where any deduction or tax credit has been made, where the time-limit is the exercise of that right. Hence, there is a possibility that the basis of assessment will be corrected, mainly due to differences in the interpretation of the tax legislation. However, it is the Bank's Boards of Directors belief that there will be no additional settlements of significant value in the context of the financial statements.

3.3. PENSIONS AND OTHER EMPLOYEE BENEFITS

Determining responsibilities for retirement pensions requires the use of assumptions and estimates, including actuarial projections, estimated profitability of investments and other factors which could impact on expenses and responsibilities of the pensions plan.

Any changes to such assumptions could have a significant impact on the determined amounts.

3.4. FAIR VALUE OF FINANCIAL DERIVATIVES AND ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Fair values are based on listed market prices when available; otherwise fair value is determined with reference to similar recent arm's length transaction prices, or in accordance with valuation methodologies based on discounted future cash flows techniques, by taking into account the market conditions, temporal value, yield curve and volatility factors. Such methodologies further incorporate own credit risk as well as the counterparty's credit risk. Such methodologies may require the use of assumptions or judgements when estimating fair value.

Hence, the use of different methodologies or of different assumptions or judgements when applying a certain model could result in financial results that are different from the results reported.

3.5. CLASSIFICATION AND MEASUREMENT

The classification and measurement of financial assets depends on the results of the SPPI test (analysis of the characteristics of the contractual cash flows to determine if they correspond only to payments of principal and interest on the outstanding capital) and the test of the business model.

The Group determines the business model at a level that reflects how financial asset groups are managed together to achieve a specific business objective. This evaluation requires judgment, since the following aspects, among others, have to be considered: the way in which the performance of assets is evaluated; the risks that affect the performance of the assets and way these risks are managed; and how asset managers are rewarded.

The Group monitors the financial assets measured at amortised cost and at fair value through other comprehensive income that are derecognised prior to their maturity to understand the underlying reasons for their disposal and to determine whether they are consistent with the purpose of the business model defined for those assets. This monitoring is part of a process of continuous evaluation made by the Group of the business model of the financial assets that remain in the portfolio, to determine if it is adequate and, if it is not, if there was a change in the business model and consequently a prospective change classification of these financial assets.

NOTE 4 – SEGMENT REPORTING

4.1. DESCRIPTION OF BUSINESS AREAS

Each operating segment comprises the following activities, products, customers and structures of the Group:

Mergers and Acquisitions

The Mergers and Acquisitions (M&A) Division provides financial advisory services on the acquisition, sale or merger of companies. This division also provides services such as valuations, and restructuring and feasibility studies.

Capital Markets

The Capital Markets Division comprises the origination, structuring and execution of market-oriented debt and equity instruments. The Bank provides its services to corporates, financial institutions, public companies and state-related entities.

In the Debt Capital Markets (DCM) area, the Bank engages in structuring debt instruments, namely domestic debt issues and cross-border issues, especially related to China and emerging markets, as well as hybrid products, and convertible bonds.

Equity capital market transactions are explored on an opportunistic basis and comprise mainly capital increases, takeover offers and listings for corporate clients.

Corporate Derivatives

Haitong Bank's Corporate Derivatives Desk covers several asset classes such as interest rates, FX and commodities, assisting companies in the immunization of their balance against financial variables that may negatively affect their profits, allowing them to focus on their core business and lock in the margin in their products. Consequently, companies can optimize their hedging strategy against the increase in interest rates, the exchange variations between payments and receipts of their products, and in fixing the cost / sale price of raw materials.

Fixed Income

With dedicated Trading, Syndication, and Distribution teams, the Fixed Income Division offers market-making services for corporate and sovereign debt securities, multi-product international distribution, syndication capacity for different debt products and the production of tailor-made products for institutional clients. Its presence in various geographies and the combination of its origination and distribution capacity stimulate the identification of new business opportunities and promote cross-border activity.

Fixed income is also responsible for managing Haitong Bank´s Banking and trading books portfolio in accordance with the investment policies and pre-defined limits established by the Executive Committee.

The Fixed Income Division in Brazil aims to manage several risk factors, to which the Bank is locally exposed, such as: fixed interest rates, inflation, FX, and equities. The Fixed Income activity in Brazil also comprises the management of risks originated through the proprietary portfolio alongside its strategy (trading and banking books) or through other risk factors' gaps resulting from the Bank's commercial or Sales activities, following the shareholders' guidance and in accordance with the investment policies established by the Executive Committee and the Board of Directors of Haitong Brasil.

Equities

The Equities Division, through the Warsaw Branch, offers an order execution service focused on shares of European and emerging markets issuers aimed at European investors.

The Equities Division supports its business activity on the research produced by the Polish Research Division and offers a platform to support the Branch's investment banking activities through the distribution of new equity issues and follow-on transactions.

Structured Finance

The Structured Finance Division develops financing solutions for its Clients, namely under the form of acquisition / leverage finance, project finance, or corporate and asset-based loans, and provides financial advisory services and arranging and agency services for financing operations.

Corporate Solutions

The Corporate Solutions Division is responsible for establishing relationships with clients in various sectors and for identifying business opportunities and attracting business to the Bank’s product areas.

This unit will also monitor cross-border opportunities with a view to ensuring a business liaison between the Groups’ various geographies.

Treasury

The Treasury Division is responsible for ensuring an appropriate level of funding to meet the Bank's and the Group's current and future funding needs, as well as for maintaining and managing an appropriate level of liquidity to meet the financial liabilities.

Additionally, the Treasury Division manages the Bank's proprietary HQLA portfolio.

Private Equity

This business segment undertakes to provide support to the private corporate initiative, by promoting productive investment, which is mostly financed by equity.

Corporate Centre

The Corporate Centre does not correspond to a business area; it is a combination of corporate structures ensuring basic functions of global management for the Group, such as those associated with the management and supervisory bodies, Compliance, CEO Office, Finance, Customers, among others.

Special Portfolio Management

The purpose of the Special Portfolio Management Division (“SPM”) is to manage all the nonperforming exposures classified by the IFRS9 criteria in which the Bank is involved.

This Division shall also manage all credit operations, in which the Bank is solely involved as an agent, in case the operations are in default or classified as nonperforming.

Other

Includes all remaining segments of the Group’s Management Information model, which in accordance with the provisions laid down in IFRS 8 are not subject to mandatory individualization (Research Division, Asset Management and other revenue centres).

4.2. CRITERIA FOR THE ATTRIBUTION OF THE BUSINESS AND OF THE RESULTS TO THE SEGMENTS

The financial information set forth for each segment has been prepared by reference to the criteria used for the preparation of internal information, on the basis of which the Group's decisions are made, as provided by the IFRS 8.

The accounting policies used when preparing the information concerning the operating segments are those used when preparing the financial statements herein, as referred to in Note 2.

Measurement of profits or losses from the segments

The Group uses the profit/loss before tax as a measurement tool for the performance assessment of each operating segment.

Haitong Bank's Structures dedicated to the Segment

Haitong Bank's business encompasses all operating segments, therefore being subject to disaggregation accordingly.

For the purpose of allocating financial information, the following principles are used: (i) origination of transactions, i.e., the business originated by the commercial structures dedicated to the segment is allocated to each segment, even if the Group makes a subsequent strategic decision to securitize some of these assets originating therefrom; (ii) allocation of direct costs from commercial and central structures dedicated to the segment; (iii) allocation of indirect costs (central support and IT services) determined in accordance with 7 specific parameters and with the internal Information Management model; (iv) allocation of credit risk determined in accordance with the impairment model.

Transactions between legally autonomous units of the Group are carried out at market prices; the price of provisions between the structures of each unit, such as the prices set for the provision or internal assignment of funds, is determined by the margins process referred to above (which vary according to the strategic relevance of the instrument and the balance of the structures between the fundraising and the credit assignment roles); the remaining transactions are allocated to the segments in accordance with the Management Information internal model.

The services rendered by the various units of the Corporate Centre are governed by SLAs (Service Level Agreements).

Interest income and expenses

Since the Group's activities are exclusively related to the financial sector, a substantial amount of generated revenue results from the difference between interests received from its assets and interest borne by the raised financial resources. This situation and the fact that the segments' activity is assessed by management through negotiated or predetermined margins for each instrument, leads to the profits of the brokerage activity being presented, as permitted by IFRS 8, paragraph 23, by the net value of interest, under the designation of Financial Income.

Net profit/(loss) from fee and commission

In accordance with the policy defined by the Group, net profit/(loss) from fee and commission is recognised in the moment that the service is delivered to its customers.

Investments consolidated under the equity method

Investments in associates which are consolidated under the equity method are comprised in the segment designated 'Other', for Haitong Bank's associates. For investments in associates of other entities of the Group, such entities are allocated to the segments they relate to.

Non-current assets

The Corporate Centre segment comprises non-current assets, which, as foreseen in IFRS 8, comprise Other tangible assets, Intangible assets and real estate received as payment in kind not yet falling into the classification of Non-current assets held-for-sale.

Deferred tax assets

The Income tax component is an element for the generating of the Group's income statement which does not have an effect on the assessment of the Operating Segments. Deferred tax assets are allocated to the Corporate Centre segment.

Domestic and International Areas

In the presentation of the financial information by geographical areas, the operating units making up the International Area are the Branches in London, Spain, Macau and Poland, as well as the subsidiaries in the consolidation perimeter, with the allocation being made by the Headquarters' country (see Note 1).

The statement of financial position and economical items concerning the international area are those shown in the financial statements of such units, along with their corresponding consolidation eliminations and adjustments.

(thousand euros)

	31.12.2022												
	Structured Finance	Special Portfolio Management	Mergers and Acquisitions	Capital Markets	Corporate Derivatives	Fixed Income	Equities	Private Equity	Treasury	Corporate Solutions	Corporate Centre	Other	Total
Net interest income	13 325	230	(9)	(6)	(4)	(6 375)	(101)	(6)	1 793	(7)	2 038	3 522	14 400
Net fees and comissions	5 532	332	14 355	13 805	(45)	4 131	576	849	(2 649)	1 809	(1 300)	4 199	41 594
COMERCIAL OPERATING INCOME	18 857	562	14 346	13 799	(49)	(2 244)	475	843	(856)	1 802	738	7 721	55 994
Results on financial operation	1 684	2 169	187	47	7 309	20 242	(2)	45	(3 373)	-	(3 841)	(111)	24 356
Costs Deducting Banking Income	(365)	-	(13)	(28)	(150)	(397)	(16)	(18)	(1 363)	(1)	(3 898)	(40)	(6 289)
Intersegment Operating Income	1 076	(1 073)	-	(810)	(201)	218	-	1	1 910	39	(1 332)	172	-
TOTAL OPERATING INCOME	21 252	1 658	14 520	13 008	6 909	17 819	457	871	(3 682)	1 840	(8 333)	7 742	74 061
Operation expenses	3 284	713	3 788	2 610	1 597	4 513	1 282	683	1 049	1 663	38 700	1 478	61 360
Staff costs	2 368	484	2 739	2 134	849	2 181	729	442	501	1 366	24 757	1 054	39 604
General administration expenses	781	181	793	360	585	2 033	479	131	487	167	9 029	370	15 396
Depreciations and Amortisations	135	48	256	116	163	299	74	110	61	130	4 914	54	6 360
Gross income	17 968	945	10 732	10 398	5 312	13 306	(825)	188	(4 731)	177	(47 033)	6 264	12 701
Impairment and Provisions	(1 980)	181	175	(604)	46	(521)	7	111	840	-	1 905	(6)	154
Credit impairment	(758)	(390)	-	-	-	-	-	-	(139)	-	28	(3)	(1 262)
Securities impairment	1 119	-	-	(1)	-	(487)	-	-	(27)	-	(312)	-	292
Net provisions and other impairment	(2 341)	571	175	(603)	46	(34)	7	111	1 006	-	2 189	(3)	1 124
Income before taxes	15 988	1 126	10 907	9 794	5 358	12 785	(818)	299	(3 891)	177	(45 128)	6 258	12 855

(thousand euros)

	31.12.2021												
	Structured Finance	Special Portfolio Management	Mergers and Acquisitions	Capital Markets	Corporate Derivatives	Fixed Income	Equities	Private Equity	Treasury	Corporate Solutions	Corporate Centre	Other	Total
Net interest income	9 922	(128)	(8)	37	(3)	23 601	(41)	(2)	(5 595)	(2)	30	1 816	29 627
Net fees and comissions	6 706	410	21 167	12 811	1 176	3 612	4 171	1 886	(2 813)	3 454	256	4 024	56 860
COMERCIAL OPERATING INCOME	16 628	282	21 159	12 848	1 173	27 213	4 130	1 884	(8 408)	3 452	286	5 840	86 487
Results on financial operation	10 075	551	17	(747)	4 362	(7 832)	(1)	2 974	2 139	-	(2 877)	81	8 742
Costs Deducting Banking Income	(665)	-	(84)	(21)	(84)	(439)	(23)	(23)	(971)	-	(3 313)	(370)	(5 993)
Intersegment Operating Income	833	(833)	-	(386)	(712)	674	1	-	302	-	(104)	225	-
TOTAL OPERATING INCOME	26 871	-	21 092	11 694	4 739	19 616	4 107	4 835	(6 938)	3 452	(6 008)	5 776	89 236
Operation expenses	2 852	1 076	4 355	2 153	1 593	5 093	1 999	1 020	1 207	1 506	35 845	1 697	60 396
Staff costs	2 162	578	3 124	1 486	760	2 485	969	747	446	1 174	22 169	1 226	37 326
General administration expenses	556	462	962	547	695	2 293	902	157	677	164	8 974	385	16 774
Depreciations and Amortisations	134	36	269	120	138	315	128	116	84	168	4 702	86	6 296
Gross income	24 019	(1 076)	16 737	9 541	3 146	14 523	2 108	3 815	(8 145)	1 946	(41 853)	4 079	28 840
Impairment and Provisions	1 685	(679)	(79)	(10 546)	15	(493)	-	(973)	(470)	-	(8 939)	61	(20 418)
Credit impairment	(1 716)	(325)	-	-	-	-	-	(972)	-	-	364	51	(2 598)
Securities impairment	4 389	-	-	(10 150)	-	(501)	-	-	(96)	-	-	-	(6 358)
Net provisions and other impairment	(988)	(354)	(79)	(396)	15	8	-	(1)	(374)	-	(9 303)	10	(11 462)
Income before taxes	25 704	(1 755)	16 658	(1 005)	3 161	14 030	2 108	2 842	(8 615)	1 946	(50 792)	4 140	8 422

The reporting of secondary segments is made in accordance with the geographical location of the various business units of the Group:

(thousand euros)

	31.12.2022				
	Portugal	Rest of the Europe	America	Asia	Total
Net income	(9 893)	18 171	(382)	3 211	11 107
Net asset	1 781 732	484 763	1 136 002	13 623	3 416 120
Investments in assets					
tangible	325	375	118	87	905
intangible	516	125	40	-	681

(thousand euros)

	31.12.2021				
	Portugal	Rest of the Europe	America	Asia	Total
Net income	5 716	(5 558)	3 394	-	3 552
Net asset	1 703 219	427 222	616 211	-	2 746 652
Investments in assets	-	-	-		
tangible	166	194	27	-	387
intangible	712	30	160	-	902

NOTE 5 – FINANCIAL MARGIN

This heading's amount is composed of:

(thousand euros)

	31.12.2022			31.12.2021		
	From assets/liabilities at amortised cost and at fair-value through other comprehensive income	From assets/liabilities at fair-value through profit and loss	Total	From assets/liabilities at amortised cost and at fair-value through other comprehensive income	From assets/liabilities at fair-value through profit and loss	Total
Interest and similar income						
Interest from loans and advances to customers	39 764	-	39 764	21 143	-	21 143
Interest from deposits and investments in credit institutions	6 092	-	6 092	1 080	-	1 080
Interest from financial assets at fair value through other comprehensive income	15 093	-	15 093	6 618	-	6 618
Interest from financial assets at fair-value through profit and loss	-	42 884	42 884	-	39 486	39 486
Interest from debt securities at amortised cost	16 795	-	16 795	8 440	-	8 440
Other interest and similar income	281	-	281	111	-	111
	78 025	42 884	120 909	37 392	39 486	76 878
Interest and similar expenses						-
Interest from deposits from central banks and other credit institutions	30 778	-	30 778	16 359	-	16 359
Interest from debt securities issued	22 531	-	22 531	2 717	-	2 717
Interest from customers accounts	52 410	-	52 410	27 476	-	27 476
Interest from leasing	412	-	412	329	-	329
Other interest and similar expenses	378	-	378	370	-	370
	106 509	-	106 509	47 251	-	47 251
						-
	(28 484)	42 884	14 400	(9 859)	39 486	29 627

As at December 31st , 2022 interest and similar income includes an amount of 5 501 thousand euros and 278 thousand euros concerning contracts flagged as stage 2 and stage 3, respectively (December 31st, 2021,: 6 508 thousand euros and 2 121 thousand euros, respectively).

The heading Interest and similar income – Interest from deposits and investment in credit institutions has a negative cost of 98 thousand euros associated with TLTRO III operations (December 31st, 2021: 467 thousand euros).

For each TLTRO III tranche, the effective interest rate for the year 2022 is being periodised. This interest rate considers the interest rates applicable to each operation in the elapsed period, according to the Bank's estimate of the achievement of targets variation in the volume of eligible credit defined by the ECB. The targets have ended with the last observable period in December 2021, and have been achieved.

NOTE 6 – NET FEES AND COMMISSIONS INCOME

This heading's amount is composed of:

(thousand euros)

	31.12.2022	31.12.2021
Fees and commissions income		
From banking services	34 224	51 595
From guarantees provided	1 666	1 571
From transactions with securities	9 585	6 983
	45 475	60 149
Fees and commissions expenses		
From banking services rendered by third parties	1 814	1 984
From transactions with securities	1 881	1 510
From guarantees received	277	398
Other fee and comission expenses	345	447
	4 317	4 339
/	41 158	55 810

As at December 31st, 2022, the income regarding fees and commission included 24 003 thousand euros (December 31st, 2021: 39 519 thousand euros) concern Haitong Group related parties (Note 36).

As at December 31st, 2022, the amount of fees and commissions present the following distribution, by geographical segment:

(thousand euros)

	31.12.2022	31.12.2021
Fees and commissions income		
China	28 004	29 276
Portugal	5 496	8 207
Poland	2 234	6 880
Virgin Islands	2 082	3 701
Spain	1 980	2 477
Brazil	1 929	2 277
Luxembourg	992	2 102
Cayman Islands	730	1 702
United Kingdom	502	1 291
Others	1 526	2 236
	45 475	60 149

NOTE 7 – NET TRADING INCOME

This heading's amount is composed of:

(thousand euros)

	31.12.2022	31.12.2021
Trading assets and liabilities		
Securities		
Bonds and other fixed-income securities		
Issued by public entities	(19 626)	(97 557)
Of other entities	(2 383)	1 583
Shares	171	(107)
	(21 838)	(96 081)
Financial derivatives		
Foreign-exchange contracts	11 425	(4 677)
Interest rates contracts	35 280	81 594
Equity/indexes contracts	254	(778)
Other	264	1 003
	47 223	77 142
	25 385	(18 939)

NOTE 8 – NET INCOME FROM OTHER INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

This heading's amount is composed of:

(thousand euros)

	31.12.2022	31.12.2021
Assets and liabilities at fair value through profit or loss		
Securities		
Loans and advances to customers	(2)	-
Shares	240	1 043
Other variable-income securities	(833)	5 326
	(595)	6 369

NOTE 9 – NET GAIN/(LOSS) FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT FAIR VALUE TRHOUGH OTHER COMPREHENSIVE INCOME

This heading's amount is composed of:

(thousand euros)

	31.12.2022	31.12.2021
Bonds and other fixed-income securities		
Of other entities	604	(682)
	604	(682)

NOTE 10 – NET GAINS / (LOSSES) FROM FOREIGN EXCHANGE DIFFERENCES

This heading's amount is composed of:

(thousand euros)

	31.12.2022 Total	31.12.2021 Total
Currency revaluation	(6 360)	8 161
	(6 360)	**8 161**

On the 31st of December 2022 and 2021, this heading includes results arising out of the exchange rate revaluation of monetary assets and liabilities denominated in foreign currency, in accordance with the accounting policy set forth in Note 2.3., and the results of foreign exchange derivatives.

NOTE 11 – NET GAIN/(LOSS) FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

As at the December 31st , 2022 and 2021, this heading's amount is composed of:

(thousand euros)

	31.12.2022	31.12.2021
Loans recoveries	637	10 483
Sale of investments at amortised cost	76	322
	713	**10 805**

NOTE 12 – OTHER OPERATING INCOME AND EXPENSES

This heading's amount is composed of:

(thousand euros)

	31.12.2022	31.12.2021
Other customer services	1 904	1 052
Direct and Indirect taxes	(3 633)	(3 565)
Investment in branches, associates and joint ventures	-	265
Non-financial assets	195	(625)
Financial assets held for sale	442	297
Other operating results	(152)	661
	(1 244)	(1 915)

Direct and indirect taxes include:

- 1,480 thousand euros concerning the cost associated with the Bank Levy (1,271 thousand euros at 31 December2021), established pursuant to Law no. 55-A/2010, of the 31st of December.
- 1,195 thousand euros concerning the cost associated with Social Integration and Contribution Programs for the Financing of Social Security (PIS/CONFINS) (December 31, 2021: 1,313 thousand euros), created through art. 239 of the 1988 Constitution and Complementary Laws 7, of September 7, 1970, and 8, of December 3, 1970; and by Complementary Law 70 of 12/30/1991.

NOTE 13 – EMPLOYEE COSTS

This heading's amount is composed of:

(thousand euros)

	31.12.2022	31.12.2021
Wages and salaries		
Remuneration	30 200	28 322
Career benefits (Note 14)	(21)	(21)
Changes from termination agreements	248	220
Unwind - Change in Plan	-	(127)
Expenses with retirement pensions (Note 14)	137	210
Other mandatory social charges	6 113	5 693
Other expenses	2 927	3 029
	39 604	37 326

The costs with remuneration and other benefits granted to key management employees of the Haitong Bank Group are distributed as follows:

(thousand euros)

	Board of Directors	Identified Staff (1)	Total
December 2022			
Remunerations and other short-term benefits	1 809	9 203	11 012
Variable remunerations	870	1 266	2 136
Total	**2 679**	**10 469**	**13 148**
December 2021			
Remunerations and other short-term benefits	1 744	8 158	9 902
Variable remunerations	801	1 205	2 006
Total	**2 545**	**9 363**	**11 908**

(1) Excluding Board of Directors

The category "Identified Staff" considers the staff whose actions have a material impact on the Bank's risk profile ("Identified Staff").

On the 31st of December 2022 and 2021, Haitong Bank Group did not present any credit granted to its Management Bodies.

Per professional category, the average number of employees of the Haitong Bank Group can be analysed as follows:

	31.12.2022	31.12.2021
Directors	187	187
Management	3	3
Specific roles	141	143
Administrative roles	24	21
Support roles	10	10
	365	364

As at the 31st of December 2022 and 2021, the Group had a total of 357 employees in both periods.

NOTE 14 – EMPLOYEES BENEFITS

Retirement pensions and healthcare benefits

Pension and health-care benefits In compliance with the Collective Labor Agreement ("Acordo Coletivo de Trabalho", ACT) for the banking sector established with the unions, the Bank undertook the commitment to grant its employees, or their families, pensions on retirement, disability and survival. These payments consist of a percentage that increases in accordance with the years of service, applied to each year's negotiated salary table for the active work force.

Arising from the signature of the new Collective Labor Agreement ("Acordo Coletivo de Trabalho", ACT) on 5 July 2016, published in Labor Bulletin (Boletim do Trabalho) no. 29, of 8 August 2016, the Group's contributions to SAMS as from 1 February 2017, correspond to a fixed amount (as per Annex VI of the new ACT) for each employee, 14 times a year.

The measurement and recognition of the Group's liability with post-retirement health-care benefits is similar to the measurement and recognition of the pension liability. These benefits are covered by the Pension Fund, which currently covers all liabilities with pensions and health-care benefits.

For employees hired until 31 December 2008, the retirement pension and the disability, survival and death pensions consecrated under the ACT, as well as the liabilities for health-care benefits (SAMS), are covered by a closed pension fund, managed by GNB – Sociedade Gestora de Fundos de Pensões, S.A.

Protection of employees in the event of maternity, paternity and adoption, as well as old age, is covered by the General Social Security Regime, given that with the publication of Decree-Law no. 1A/2011, of 3 January, all banking employees who were beneficiaries of "CAFEB – Caixa de Abono de Família dos Empregados Bancários" were integrated in the General Social Security Regime as from 1 January 2011.

Employees hired after 31 December 2008 are covered by the Portuguese General Social Security Regime.

Retirement pensions of banking employees integrated in the General Social Security Regime within the scope of the 2nd tripartite agreement continue to be calculated in accordance with the provisions of the ACT and other conventions; however, banking employees are entitled to receive a pension under the General Regime, that takes into account the number of years of contributions under that regime. The banks are responsible for the difference between the pension determined in accordance with the provisions of the ACT and that which the banking employees are entitled to receive from the General Social Security Regime.

The contribution rate is 26.6%, 23.6% paid by the employer and 3% paid by the employees to the General Social Security Regime on the behalf of Caixa de Abono de Família dos Empregados Bancários (CAFEB), abolished by said Decree-law. In consequence of this change, pension entitlements of active employees are to be covered on the terms defined under the General Social Security Regime, for the length of their employment between 1 January 2011 and their retirement date. The differential required to make up the pension guaranteed under the ACT is paid by the Banks.

At the end of financial year 2011 and pursuant to the 3rd tripartite agreement, it was decided to transfer, definitively and irreversibly, to the General Social Security Regime all the banks' liabilities with pensions in payment to retirees and pensioners that were in that condition as at 31 December 2011 at constant values (0% discount rate) for the component foreseen in the "Instrumento de Regulação Colectiva de Trabalho" (IRCT) applicable to banking employees, including the eventualities of death, disability and survival. The liabilities relating to the updating of pension amounts, pension benefits other than those to be borne by Social Security, health-care contributions to SAMS, death allowances and deferred survivor's pensions will remain under the banks' responsibility, with the corresponding funding being met through the respective pension funds.

The agreement further established that the financial institutions' pension fund assets relating to the part allocated to the satisfaction responsibilities for those pensions, be transferred to the State.

The main assumptions used in the calculation of liabilities are as follows:

	Assumptions	
	31.12.2022	31.12.2021
Financial Assumptions		
Expected return rates	4,23%	1,47%
Discount rate	4,23%	1,47%
Pension growth rates	0,50%	0,50%
Salary growth rates	0,75%	0,75%
Demographic Assumptions and Assessment Methods		
Mortality table		
Men	TV 88/90	TV 88/90
Women	TV 88/90 -3 years	TV 88/90 -3 years
Actuarial valuation method	Project Unit Credit Method	

Disability decrements are not included in the calculation of responsibilities. The discount rate used as reference to the 31st of December, 2022, was based on: (i) the development sustained by the main indices concerning high quality corporate bonds and (ii) the duration of the responsibilities (17 years).

Recipients of the pensions plan are disaggregated as follows:

	31.12.2022	31.12.2021
Active workers	90	94
Former employees with vested rights	81	79
Retired	46	42
Survivors	10	12
TOTAL	227	227

Former employees with vested rights refer to employees who ceased their activity in the Group in 2022 and 2021 and maintained the pension plan rights.

The IAS 19 application implies the following liabilities and coverage levels, which shall be reported on the 31st of December 2022 and 2021:

(thousand euros)

	31.12.2022	31.12.2021
Net Assets / (Liabilities) recognised in the statement of financial position		
Liabilities as at 31st of December		
Pensioners and former employees with vested rights	25 177	35 934
Active workers	7 739	14 132
	32 916	50 066
Balance of funds as at 31st of December	49 786	56 260
Excess of coverage / Contributions to the fund	16 870	6 194
Assets / (Liabilities) in the statement of financial position (see Note 26 and 32)	16 870	6 194
Acummulated actuarial gains / losses recognised in other comprehensive income	23 957	35 223

Retired includes the former employees, with vested rights acquired under the Social Plan.

The evolution of liabilities regarding retirement pensions and healthcare benefits is analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Liabilities at the beginning of the period	**50 066**	**52 754**
Current service cost (see Note 13)	137	210
Interest expenses	730	629
Participants contributions	86	87
Actuarial (gains)/losses	(17 388)	(2 849)
-Changes in assumptions	(19 692)	(2 707)
- Experience (Gains)/losses	2 304	(142)
Pensions paid by the fund	(963)	(858)
Unwind - Change in Plan	-	(127)
Changes from termination agreements (see Note 13)	248	220
Liabilities at the end of the period	**32 916**	**50 066**

On 30th of December of 2020, after obtaining authorization from the Insurance and Pension Funds Supervisory Authority, a new defined contribution plan was introduced, for which the previous participants of the voluntary and complementary plan were transferred – former employees with vested rights, as well as active employees. This change was accounted for as a settlement of the defined benefits plan, having been recorded in accordance with the accounting policy described in Note 2.12. In this sense, the responsibilities and the corresponding assets of the plan to be transferred were reduced with reference to December 30, 2021, with the difference being recorded in "Personnel Costs" (Note 13).

Considering the questions raised regarding the terms in which the conversion mentioned above has been processed, and following the contacts established with the Bank and the Management Company, ASF issued a further authorisation, allowing an amendment to the constitutive contract. In order to ensure the certainty of the operation and mitigate the possibility of litigation with the Authority in question, the Bank has signed, on the 11th of February, 2022, the subesquent amendment, resulting in the reinforcement of the inical credits owed to the participants in the amount of 292 thousand euros.

Considering the situation on the 31st of December 2021, the analysis to the sensibility and alterations of the actuarial assumptions revealed the following impacts:

- An increase in the discount rate of 25 base points would have represented a reduction in liabilities of approximately 1,254 thousand euros. A discount rate decrease of the same proportion would have represented an increase in liabilities of approximately 1,301 thousand euros;
- An increase of 25 base points in the growth of salaries and pensions would have represented an increase in liabilities of approximately 1,468 thousand euros. A decrease in the growth of salaries of the same proportion would have represented a decrease in liabilities of approximately 1,408 thousand euros.

The evolution of value regarding the pension funds on the financial years ending on the 31st of December 2021 and 2020, may be analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Pension Funds at the beginning of the period	**56 260**	**53 072**
Real income of the fund	(5 305)	3 160
Group contributions	-	799
Participants contributions	86	87
Benefits paid	(963)	(858)
Transfers from liabilities	(292)	-
Pension Funds at the end of the period	**49 786**	**56 260**

Pension fund assets can be analysed as follows:

	% Portfolio	
	31.12.2022	31.12.2021
Bonds	64,60%	59,70%
Shares	28,40%	31,70%
Alternative investment	5,20%	5,70%
Liquidity	1,80%	2,90%
Total	**100%**	**100%**

The assets of the funds are valued at fair value.

An adequacy exercise was carried out between the Pension Fund's assets and liabilities, taking into account the investment, contribution and financing policies intended by the associate, which gave rise to the investment strategy. The VaR of the ratio between the fund's financial assets and the pension plan's liabilities is estimated periodically throughout the year to monitor whether the expected level of volatility between the fund's financial assets and the pension plan's liabilities fits within the budget for risk defined by the Bank.

On the 31st of December 2022 and 2021 the funds did not contain securities issued by entities of the Group.

The evolution of accumulated actuarial deviations reflected in other comprehensive income may be analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Deferred actuarial gains / (losses) as at 1st January	**35 223**	**40 590**
- Actuarial assumptions changes	(19 692)	(2 707)
- (Gains)/losses in experience	8 426	(2 660)
Deferred actuarial deviations as at 31st of December	**23 957**	**35 223**

The costs of the financial year with retirement pensions and healthcare benefits may be analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Current service cost (see Note 13)	137	210
Interest Expenses / (Income)	(87)	(13)
Expenses of the period	**50**	**197**

The earnings / costs of the interests are recognised according at net value in interest and similar income / expenses.

The evolution of the net assets / (liabilities) on the balance regarding the financial years ending on the 31st of December 2022 and 2021 may be analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Opening balance	**6 194**	**318**
Year expenses	(50)	(197)
Actuarial gains / (losses) recognised in other comprehensive income	11 266	5 367
Group contributions	-	799
Changes in termination agreements	(248)	(220)
Unwind - Change in Plan	-	127
Transfer to other funds	(292)	-
Final Balance	**16 870**	**6 194**

The evolution of liabilities and fund balances, as well as the earnings and losses of experience in the last 5 years shall be analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Liabilities	(32 916)	(50 066)	(52 754)	(84 043)	(72 659)
Funds balances	49 786	56 260	53 072	78 792	69 641
(Under) / over funded liabilities	**16 870**	**6 194**	**318**	**(5 251)**	**(3 018)**
Experience (gains) / losses from liabilities	2 304	(142)	(1 352)	(2 088)	12
Experience (gains) / losses from plan assets	6 122	(2 518)	(1 733)	(5 796)	5 213

Career bonuses

On the 31st of December, 2022 and 2021, the liabilities assumed by the Group and the costs recognised in the periods with the career bonus are the following:

(thousand euros)

	31.12.2022	31.12.2021
Liabilities at the begining of the period	**595**	**616**
Period expenses (See Note 13)	(21)	(21)
Liabilities at the end of the period (see Note 32)	**574**	**595**

The actuarial assumptions used for calculation of liabilities are identical for calculation of retirement pensions (when applicable).

The liability regarding career bonuses is registered in other liabilities (see Note 33).

NOTE 15 – ADMINISTRATIVE COSTS

This heading's amount is composed of:

(thousand euros)

	31.12.2022	31.12.2021
Communications and expedition	3 281	4 159
Rents and leases	506	560
Travels and representation costs	459	-
Maintenance and related services	784	604
Insurance	150	123
Advertising and publications	100	111
Legal and litigation	269	139
IT services	3 333	4 474
Temporary labour	10	9
Independent labour	898	532
Other specialised services	3 620	4 224
Other expenses	1 986	1 839
	15 396	**16 774**

The Other Specialised Services heading includes, among others, the costs with external consultants and auditors. The item Other Costs includes, among others, the costs with security and surveillance, information, training costs and costs with external suppliers.

Services agreed with the Company of Statutory Auditors and the auditors, according to the provisions of article 508-F of the Commercial Companies Code, are as follows:

(thousand euros)

	31.12.2022	31.12.2021
Statutory audit of annual accounts (Haitong Bank)	492	456
Statutory audit of annual accounts (subsidiaries)	160	149
Other reliability assurance services	74	57
Other non-statutory audit services	71	179
Total value of agreed services	**797**	**841**

Values shown are before taxes. The fees related to the statutory audit of annual accounts correspond to those agreed for the year 2022. The fees presented for the remaining services relate to amounts billed during the 2022 financial year.

NOTE 16 – EARNINGS PER SHARE

Basic earnings per share

The basic earnings per share are calculated by the division of the result to be attributed to the shareholders of the Bank by the average number of ordinary shares issued during the year, excluding the average number of shares bought and held in portfolio as own shares.

(thousand euros)

	31.12.2022	31.12.2021
Consolidated net income attributable to shareholders of the parent company[(1)]	11 107	3 552
Weighted average number of ordinary shares outstanding (thousand)	**169 435**	**168 954**
Basic earnings per share attributable to shareholders of the parent company (euros)	**0,07**	**0,02**

(1) Net profit/ (loss) for the period attributable to the equity holders of the Bank adjusted by the interest paid from perpetual subordinated bonds atributtable to the period (that are recorded as a change in reserves).

Diluted earnings per share

The diluted earnings per share are calculated by adjusting the effect of all the potential ordinary diluting shares to the considered average number of existing ordinary shares and to the net result attributed to the bank shareholders.

On the 31st December, 2022, and 2021, the Bank holds instruments issued without diluting effect, therefore diluted earnings per share equals basic earnings per share.

NOTE 17 – CASH AND CASH EQUIVALENTS

As at the 31st December, 2022, and 31st December, 2021, this heading is analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Cash	7	9
Bank of Portugal	30	457 539
Other central banks	2 978	127
	3 008	**457 666**
Deposits at other credit institutions		
in Portugal		
Demand deposits	4 255	4 698
	4 255	**4 698**
Deposits at other credit institutions abroad		
Demand deposits	19 497	26 172
	19 497	**26 172**
	26 767	**488 545**
Impairment losses (Note 30)	(939)	(1)
	25 828	**488 544**

The 'Demand deposits in central banks – Bank of Portugal' heading, includes deposits with a mandatory nature, intended to comply with the legal minimum cash deposits requirements. In accordance with Regulation (EU) no. 1358/2011 of the European Central Bank, of the 14th of December, 2011, the mandatory minimum deposits in demand deposits in the Bank of Portugal, are paid and represent 1% of the deposits and debt securities with maturity up to 2 years, whereof are excluded deposits and debt securities from entities subject to the minimum reserve requirement scheme of the European System of Central Banks. On the 31st December, 2022, the average rate of return of such deposits was 2,50% (31st of December, 2021: 0.00%).

The compliance with mandatory minimum deposits, for a specific observation period, is effected by taking into account the medium amount of the balances of the deposits with the Bank of Portugal throughout the aforementioned period. The balance of the account with the Bank of Portugal as at the 31st December, 2022, has been comprised in the maintenance period from the 15th of June, 2022, to the 26th of July, 2022, which corresponded a mandatory minimum reserve amounting to 1,818 thousand euros (31st of December, 2021: 2,739 thousand euros).

NOTE 18 – FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING – SECURITIES

As at 31st December 2022 and 31st December 2021, the heading of trading financial assets and liabilities is as follows:

(thousand euros)

	31.12.2022	31.12.2021
Financial assets held-for-trading		
Bonds and other fixed-income securities		
From public issuers	711 470	312 157
From other issuers	34 098	33 843
Shares	35	40
	745 603	**346 040**
Financial liabilities held-for-trading		
Short selling	97	1 036
	97	**1 036**

As at 31st December 2022, the heading of financial assets held for trading includes 493,143 thousand euros in securities pledged as collateral by the Group (96,128 thousand euros as at 31st of December 2021) (see Note 35).

As at 31st December 2022 and 31st December 2021, the analysis of financial assets held-for-trading, by residual maturity period, is as follows:

(thousand euros)

	31.12.2022	31.12.2021
Up to three months	5 124	7 292
From three months to one year	5 980	1 354
From one to five years	58 441	85 127
More than five years	676 023	252 227
Undetermined period	35	40
	745 603	**346 040**

In accordance with the accounting policy described in Note 2.4.1, trading financial assets and liabilities are bought for the purpose of short-term trading, regardless of their maturity.

As at 31st December 2022 and 31st December 2021, the heading of financial assets held-for-trading, concerning quoted and unquoted securities, is divided as follows:

(thousand euros)

	31.12.2022			31.12.2021		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Bonds and other fixed-income securities						
Issued by public entities	968	710 502	711 470	3 129	309 028	312 157
Issued by other entities	30 829	3 269	34 098	33 155	688	33 843
Shares	35	-	35	40	-	40
Total book value	**31 832**	**713 771**	**745 603**	**36 324**	**309 716**	**346 040**

Unquoted securities issued by public entities refers mainly to Brazilian public debt instruments, which, despite being quoted, are valued according to internal model and are therefore presented as unquoted securities.

Additionally, the Bank performs Backtesting on all operations carried out and has never observed losses or divergences in relation to the valuation methodology.

The short selling represents securities sold by the Group, which had been purchased under a reverse repurchase agreement. In accordance with the accounting policy described in Note 2.5, securities purchased under a repurchase agreement are not recognised in the statement of financial positions. If such securities are sold, the Group recognises a financial liability equivalent to the fair-value of the assets which shall be returned in pursuance of the repurchase agreement.

NOTE 19 – DERIVATIVES

As at 31s31st December 2022 and 31st December 2021, financial derivatives heading is analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Derivatives financial assets		
Trading derivatives		
Foreign-exchange contracts	7 559	24 426
Interest-rate contracts	41 161	63 386
Other contracts	218	2 102
	48 938	89 914
Derivatives financial liabilities		
Trading derivatives		
Foreign-exchange contracts	7 405	19 033
Interest-rate contracts	31 836	53 505
Other contracts	218	2 064
	39 459	74 602
	9 479	15 312

As at 31st December 2022 and 31st December 2021, trading financial derivatives is analysed as follows:

(thousand euros)

	31.12.2022			31.12.2021		
	Notional	Fair value		Notional	Fair value	
		Positive	Negative		Positive	Negative
Foreign-exchange contracts						
Forward		4 168	4 455		20 365	12 447
- buy	105 236			824 794		
- sell	105 244			824 677		
Currency Swaps		1 100	557		660	3 337
- buy	142 988			309 110		
- sell	142 544			311 972		
Currency Futures		-	-		-	-
- buy	43 618			170 583		
- sell	67 988			236 879		
Currency Interest Rate Swaps		1 178	1 222		2 027	2 105
- buy	2 288			26 173		
- sell	2 440			26 173		
Currency Options		1 113	1 171		1 374	1 144
- buy	217 951			256 703		
- sell	232 552			274 747		
	1 062 849	7 559	7 405	3 261 811	24 426	19 033
Interest-rate contracts						
Interest Rate Swaps		40 657	31 333		62 907	53 023
- buy	897 504			1 108 608		
- sell	897 504			1 108 608		
Interest Rate Caps & Floors		504	503		479	482
- buy	32 197			53 574		
- sell	32 197			53 574		
Interest Rate Futures		-	-		-	-
- buy	99 012			286 535		
- sell	323 132			332 323		
	2 281 546	41 161	31 836	2 943 222	63 386	53 505
Contracts on shares/indexes						
Equity / Index Swaps		218	218		2 102	2 064
- buy	3 256			13 516		
- sell	3 256			13 516		
Equity / Index Options		-	-		-	-
- buy	5 764			-		
Equity / Index Futures		-	-		-	-
- sell	3 255			3 516		
	15 531	218	218	30 548	2 102	2 064
Total	3 359 926	48 938	39 459	6 235 581	89 914	74 602

As at 31st31st December 2022 and 31st December 2021, the analysis of trading financial derivatives, by residual maturity period, is as follows:

(thousand euros)

	31.12.2022			31.12.2021		
	Notional		Fair Value (net)	Notional		Fair Value (net)
	Sale	Purchase		Sale	Purchase	
Up to three months	520 950	436 035	(172)	916 897	959 065	1 725
From three months to one year	178 374	188 445	(59)	753 160	744 662	3 354
From one to five years	729 202	720 858	9 888	854 085	755 337	10 023
More than five years	381 586	204 476	(178)	661 842	590 533	210
	1 810 112	**1 549 814**	**9 479**	**3 185 984**	**3 049 597**	**15 312**

As at 31stDecember 2022 and 31st of December 2021, derivatives, both assets and liabilities, include operations collateralized by the constitution of collateral accounts in order to ensure the fair value hedge of the active and liability exposures contracted between the Bank and several financial institutions. The balances related to these collateral are recorded under "Other assets - collateral deposited under clearing agreements" (Note 26) and "Other liabilities - collateral deposited under clearing agreements" (Note 32).

NOTE 20 – SECURITIES

As at December 31st 2022 and December 31st 2021, this heading is analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Non-trading financial assets mandatorily at fair value through profit or loss		
Bonds and other fixed-income securities		
From other issuers	-	745
Shares	12 647	4 881
Other variable income securities	3 871	14 151
	16 518	19 777
Financial assets at fair value through other comprehensive income		
Bonds and other fixed-income securities		
From public issuers	92 975	44 679
From other issuers	202 518	215 090
	295 493	259 769
Financial assets measured at amortised cost		
Securities		
Bonds and other fixed-income securities		
From public issuers	444 153	251 236
From other issuers	277 366	281 537
	721 519	532 773
	1 033 530	812 319

In accordance with the accounting policy described in Note 2.4, the Group regularly assesses whether there is objective evidence of impairment in the investment securities portfolios, following the judgement criteria described in Note 3.1.

As at 31st December 2022 and 31st December 2021, the portfolio of Financial assets at fair value through other comprehensive income is analysed as follows:

(thousand euros)

	Cost (1)	Fair value reserve		Impairment (Note 30)	Book value
		Positive	Negative		
Bonds and other fixed-income securities					
Issued by public entities	96 921	140	(3 626)	(460)	92 975
Issued by other entities	215 316	500	(12 469)	(829)	202 518
Balance as at 31 December 2022	**312 237**	**640**	**(16 095)**	**(1 289)**	**295 493**
Bonds and other fixed-income securities					
Issued by public entities	48 076	-	(3 175)	(223)	44 678
Issued by other entities	216 345	809	(1 449)	(614)	215 091
Balance as at 31 December 2021	**264 421**	**809**	**(4 624)**	**(837)**	**259 769**

(1) Amortised cost

As at 31st December 2022 and 31st December 2021, the portfolio of financial assets at amortised cost is analysed as follows:

(thousand euros)

	Cost (1)	Impairment (Note 30)	Book value
Bonds and other fixed-income securities			
Issued by public entities	444 577	(424)	444 153
Issued by other entities	278 604	(1 238)	277 366
Balance as at 31 December 2022	**723 181**	**(1 662)**	**721 519**
Bonds and other fixed-income securities			
Issued by public entities	251 469	(233)	251 236
Issued by other entities	282 514	(977)	281 537
Balance as at 31st December 2021	**533 983**	**(1 210)**	**532 773**

(1) Amortised cost

As at 31st December 2022, the heading of Financial assets includes 661,988 thousand euros (31st December 2021: 407,603 thousand euros) in securities pledged as collateral by the Group (see Note 35).

As at 31st December 2022 and 31st December 2021, the analysis of securities portfolios by maturity period, is presented as follows:

(thousand euros)

	31.12.2022	31.12.2021
Up to three months	41 338	38 278
From three months to one year	140 901	81 343
From one to five years	768 302	526 683
More than five years	82 989	146 983
Undetermined period	-	19 032
	1 033 530	**812 319**

As at 31st December 2022 and 31st December 2021, the heading of securities, concerning quoted and unquoted securities, is divided as follows:

(thousand euros)

	31.12.2022			31.12.2021		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Securities						
Bonds and other fixed-income securities						
Issued by public entities	436 787	100 341	537 128	261 571	34 344	295 915
Issued by other entities	318 323	161 561	479 884	312 987	184 385	497 372
Shares	5	12 642	12 647	8	4 873	4 881
Other variable-income securities	-	3 871	3 871	-	14 151	14 151
Total book value	**755 115**	**278 415**	**1 033 530**	**574 566**	**237 753**	**812 319**

Unquoted securities issued by public entities refers mainly to Brazilian public debt instruments, which, despite being quoted, are valued according to internal model and are therefore presented as unquoted securities.

Additionally, the Bank performs Backtesting on all operations carried out and has never observed losses or divergences in relation to the valuation methodology.

NOTE 21 - LOANS AND ADVANCES TO BANKS

As at 31st December 2022 and 31st December 2021, this heading is analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Loans and advances to banks in Portugal		
Deposits	5 893	56
Interbank money market	436 666	2 500
	442 559	2 556
Loans and advances to banks abroad		
Deposits	56	-
Reverse repos	19 180	5 138
Very short-term deposits	28 543	43 683
Other loans and advances	-	3 561
	47 779	52 382
	490 338	54 938
Impairment losses (Note 30)	(20)	(916)
	490 318	54 022

As at 31st December 2022 and 31st December 2021, the analysis of loans and advances to banks, by residual maturity period, is presented as follows:

(thousand euros)

	31.12.2022	31.12.2021
Up to three months	481 889	52 437
From three months to one year	8 449	2 501
	490 338	54 938

NOTE 22 – LOANS AND ADVANCES TO CUSTOMERS

As at 31st December 2022 and 31st December 2021, this heading is analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
At fair value throught profit and loss		
Overdue loans and interest		
Up to 90 days	-	22
For more than 90 days	22	-
	22	22
Revaluation at fair value	(2)	-
	20	22
At Amortised cost		
Domestic loans		
Corporate		
Loans	214 245	325 770
Retail		
Mortgage loans	2	142
	214 247	325 912
Foreign loans		
Corporate		
Loans	568 880	268 408
Reverse repos	-	33 389
Retail		
Other credits	-	1
	568 880	301 798
Overdue loans and interest		
For more than 90 days	2 448	4 499
	2 448	4 499
	785 575	632 209
Impairment losses (Note 30)	(13 790)	(11 968)
	771 785	620 241
	771 805	620 263

As at 31st December 2022 and 31st December 2021, the analysis of loans and advances to customers, by residual maturity period, is presented as follows:

(thousand euros)

	31.12.2022	31.12.2021
Up to three months	2 130	44 990
From three months to one year	24 258	35 149
From one to five years	496 796	269 917
More than five years	259 943	277 654
Undetermined period	2 470	4 521
	785 597	632 231

NOTE 23 - NON-CURRENT ASSETS HELD-FOR-SALE

As at 31st December 2022 and 2021, this heading is analysed as follows:

(thousand euros)

	31.12.2021
Properties	6 538
	6 538

On October 2022, the property in Poland held by Haitong Ancillary Services (formerly Polish Hotel Company) was sold, this was the only non-current asset held for sale. Proceeds from the sale were recognised under Other operating income and expense.

The company entered the liquidation process in January 2022 which is expected to be completed in the first quarter of 2023.

NOTE 24 – OTHER TANGIBLE ASSETS

As at 31 st December 2022 and 31st December 2021, this heading is analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Real Estate		
For own use	1	1
Improvements in leasehold property	8 299	7 435
	8 300	**7 436**
Equipment		
IT equipment	11 884	11 465
Indoor installations	2 025	2 115
Furniture	3 020	2 458
Machinery and tools	1 094	1 019
Motor vehicles	327	269
Security equipment	272	262
Others	299	235
	18 921	**17 823**
	27 221	**25 259**
Work in progress		
Improvements in leasehold property	-	1 217
Equipment	-	480
	-	**1 697**
Right-of-use		
Buildings	21 396	13 780
Vehicles	353	576
IT equipment	84	112
	21 833	**14 468**
	49 054	**41 424**
Accumulated depreciations	(34 376)	(31 449)
	14 678	**9 975**

The movement in this heading was as follows:

(thousand euros)

			Right-of-use				
	Real estate	Equipment	Buildings	IT equipment	Vehicles	Work in progress	Total
Acquisition cost							
Balance as at 31 December 2020	7 329	17 685	12 143	95	661	1 551	39 464
Acquisitions	89	152	-	-	-	146	387
Write-offs / sales	-	(134)	-	-	-	-	(134)
Transfers	-	109	-	-	-	-	109
Exchange differences and other movements	18	11	1 637	17	(85)	-	1 598
Balance as at 31 December 2021	7 436	17 823	13 780	112	576	1 697	41 424
Acquisitions	-	713	-	-	-	192	905
Write-offs / sales	-	(702)	-	-	-	-	(702)
Transfers	929	967	-	-	-	(1 889)	7
Exchange differences and other movements	(65)	120	7 616	(28)	(223)	-	7 420
Balance as at 31 December 2022	8 300	18 921	21 396	84	353	-	49 054
Depreciations							
Balance as at 31 December 2020	5 898	16 519	6 004	71	379	-	28 871
Depreciations of period	468	521	3 271	29	170	-	4 459
Depreciation of discontinued operations	-	(134)	-	-	-	-	(134)
Exchange differences and other movements	15	25	(1 440)	(70)	(277)	-	(1 747)
							-
Balance as at 31 December 2021	6 381	16 931	7 835	30	272	-	31 449
Depreciations of period	525	727	3 258	27	117	-	4 654
Write-offs / sales	-	(701)	-	-	-	-	(701)
Exchange differences and other movements	82	73	(973)	(17)	(191)	-	(1 026)
							-
Balance as at 31 December 2022	6 988	17 030	10 120	40	198	-	34 376
							-
							-
Net book value as at 31 December 2022	1 312	1 891	11 276	44	155	-	14 678
							-
Net book value as at 31 December 2021	1 055	892	5 945	82	304	1 697	9 975

NOTE 25 – INTANGIBLE ASSETS

As at 31st December 2022 and 31st December 2021, this heading is analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Software	35 806	34 121
Others	1 009	998
	36 815	35 119
Work in progress	507	1 394
	37 322	36 513
Accumulated amortisations	(34 656)	(32 895)
	(34 656)	(32 895)
	2 666	3 618

The movement in this heading was as follows:

(thousand euros)

	Goodwill	Software	Other fixed assets	Work in progress	Total
Acquisition cost					
Balance as at 31st December 2020	**9 859**	**34 182**	**999**	**743**	**45 783**
Acquisitions:					
Purchased from third parties	-	142	-	760	902
Write-offs / sales	-	(220)	-	-	(220)
Transfers from discontinued operations	-	-	-	(109)	(109)
Other movements	(9 859)	-	-	-	(9 859)
Exchange differences	-	17	(1)	-	16
Balance as at 31st December 2021	**-**	**34 121**	**998**	**1 394**	**36 513**
Acquisitions:					
Purchased from third parties	-	286	-	395	681
Write-offs / sales	-	(54)	-	-	(54)
Transfers	-	1 279	-	(1 287)	(8)
Exchange differences and other movements	-	174	11	5	190
Balance as at 31 December 2022	**-**	**35 806**	**1 009**	**507**	**37 322**
Amortizations					
Balance as at 31st December 2020	**-**	**30 342**	**924**	**-**	**31 266**
Amortizations of the period	-	1 827	10	-	1 837
Write-offs / sales	-	(220)	-	-	(220)
Exchange differences and other movements	-	12	-	-	12
Balance as at 31st December 2021	**-**	**31 961**	**934**	**-**	**32 895**
Amortizations of the period	-	1 695	11	-	1 706
Write-offs / sales	0	- 53	0	0	-53
Exchange differences and other movements	-	106	2	-	108
Balance as at 31 December 2022	**-**	**33 709**	**947**	**-**	**34 656**
Impairment					
Balance as at 31st December 2020	**9 859**	**-**	**-**	**-**	**9 859**
Other movements	(9 859)	-	-	-	(9 859)
Balance as at 31st December 2021	**-**	**-**	**-**	**-**	**-**
Balance as at 31 December 2022	**-**	**-**	**-**	**-**	**-**
Net balance as at 31st December 2022	**-**	**2 097**	**62**	**507**	**2 666**
Net balance as at 31st December 2021	**-**	**2 160**	**64**	**1 394**	**3 618**

NOTE 26 – OTHER ASSETS

As at 31st December 2022 and 31st December 2021, the Other Assets heading is analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Debtors and other assets		
Collateral deposited under collateral agreements (Note 19)	29 095	59 434
Public sector	57 336	66 417
Deposits placed under margin accounts (futures contracts)	3 159	1 779
Other sundry debtors	15 673	16 562
Loans and derivatives receivables	17 286	9 937
	122 549	154 129
Impairment losses for debtors and other investments (Note 30)	(12 441)	(11 306)
	110 108	**142 823**
Other assets		
Gold, other precious metals, numismatic, medals		
and other liquid assets	780	2 627
Other assets	5 389	5 374
	6 169	**8 001**
Income receivable	**(1)**	**(3)**
Prepayments and deferred costs	**7 190**	**3 166**
Other sundry assets		
Exchange transactions pending settlement	5	2 835
Market securities transactions pending settlement	2 709	12 211
Retirement pensions	16 870	6 194
Other transactions pending settlement	7 264	20 141
	26 848	**41 381**
	150 314	**195 368**

As at 31st December 2022 Public sector includes (i) an amount of 23,459 thousand euros (19,699 thousand euros as at 31 December 2021) related with a tax contingency, until 2014 (Note 35); (ii) and 10,505 thousand euros relating to ongoing tax proceedings since 2015; (ii) and 10,505 thousand euros relating to ongoing tax proceedings since 2015. This item also includes the value of the security deposit made to the Directorate-General for the Treasury and Finance under the tax credit (confirmed by the Tax and Customs Authority) inherent to REAID in the amount of 5,934 thousand euros. Note that the variation that occurred in 2022 refers to the reimbursement of the security deposit to Haitong Bank by the Portuguese Tax Authority in the amount of 16,585 thousand euros, as a result of the shareholder's decision to acquired rights from the Portuguese State under the REAID (tax credit) for the years 2015 and 2016

Stock exchange transactions pending settlement refer to transactions with securities recorded at the trade date pending settlement.

NOTE 27 – RESOURCES OF CREDIT INSTITUTIONS

The resources of credit institutions heading is presented as follows:

(thousand euros)

	31.12.2022	31.12.2021
Resources of central banks		
Banco de Portugal	298 418	319 350
	298 418	**319 350**
Resources of other credit institutions		
Domestic		
Repurchase agreements	25 179	18
	25 179	**18**
Foreign		
Deposits	-	10 608
Loans	2 425	1 898
Repurchase agreements	618 521	22 577
Other resources	409 508	404 946
	1 030 454	**440 029**
	1 354 051	**759 397**

The balance Repurchase agreements corresponds to repo operations carried out in the money market and is a tool for the Bank's treasury management.

As at 31st December 2022 and 31st December 2021, the analysis of resources of credit institutions by residual maturity period is as follows:

(thousand euros)

	31.12.2022	31.12.2021
Up to three months	894 125	21 980
From three months to one year	36 959	32 134
From one to five years	391 719	678 297
More than five years	31 248	26 986
	1 354 051	**759 397**

NOTE 28 – RESOURCES OF CUSTOMERS

The balance of the resources of customers heading is composed, with regard to its nature, as follows:

(thousand euros)

	31.12.2022	31.12.2021
Repayable on demand		
Demand deposits	55 247	91 060
Time deposits		
Fixed-term deposits	667 763	792 427
Other resources		
Repurchase agreements	22 623	50 278
Other Deposits	1 500	1 467
Other	7	228 768
	24 130	**280 513**
	747 140	**1 164 000**

As at 31st December 2022 and 31st December 2021, the analysis of due to customers by residual maturity period is as follows:

(thousand euros)

	31.12.2022	31.12.2021
Demand deposits	55 247	91 060
Fixed-term deposits		-
Up to 3 months	198 860	155 645
3 to 12 months	307 296	390 611
1 to 5 years	161 607	246 171
	667 763	792 427
Other resources		
Up to 3 months	24 130	46 436
3 to 12 months	-	39 026
1 to 5 years	-	195 051
	24 130	280 513
	747 140	**1 164 000**

NOTE 29 – DEBT SECURITIES ISSUED

The debt securities issued heading can be divided as follows:

(thousand euros)

	31.12.2022	31.12.2021
Debt securities issued		
Other Bonds	542 037	26 750
	542 037	**26 750**

The fair-value of the portfolio regarding debt securities issued is presented in Note 37.

During the first semester of 2022, Haitong Bank Group issued securities amounting to 519,422 thousand euros (31st of December 2021: 26 749 thousand euros) and reimbursed debt securities of 4,135 thousand euros (31st of December 2021: 52,948 thousand euros).

The main characteristics of the debit securities issued is as follows:

(thousand euros)

31.12.2022						
Issuer	Designation	Currency	Issue Date	Book Value	Maturity	Interest Rate
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - IPCA BRINTLAG0001	BRL	2022	1 788	2024	IPCA 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - IPCA BRINTLAG0019	BRL	2022	29	2024	IPCA 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0027	BRL	2022	2	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0035	BRL	2022	92	2024	CDI 97%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0043	BRL	2022	47	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0050	BRL	2022	25	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0068	BRL	2022	6	2024	CDI 97%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0076	BRL	2022	17	2024	CDI 97%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0084	BRL	2022	57	2024	CDI 97,5%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0092	BRL	2022	68	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG00A3	BRL	2022	4	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG00B1	BRL	2022	3	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG00C9	BRL	2022	25	2024	CDI 97%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG00D7	BRL	2022	55	2024	CDI 97%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG00E5	BRL	2022	27	2024	CDI 97,5%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG00F2	BRL	2022	28	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG00G0	BRL	2022	22	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG00H8	BRL	2022	5	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG00I6	BRL	2022	6	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG00J4	BRL	2022	7	2024	CDI 97%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG00K2	BRL	2022	61	2024	CDI 98%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG00L0	BRL	2022	3	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG00M8	BRL	2022	119	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG00N6	BRL	2022	95	2024	CDI 97,5%

(thousand euros)

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Issuer	Designation	Currency	Issue Date	Book Value	Maturity	Interest Rate
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG00O4	BRL	2022	6	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG00P1	BRL	2022	35	2024	CDI 98%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG00Q9	BRL	2022	11	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG00R7	BRL	2022	50	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG00S5	BRL	2022	3	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG00T3	BRL	2022	24	2024	CDI 97%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG00U1	BRL	2022	27	2024	CDI 95%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG00V9	BRL	2022	31	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG00W7	BRL	2022	5	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG00X5	BRL	2022	35	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG00Y3	BRL	2022	37	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG00Z0	BRL	2022	15	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0100	BRL	2022	32	2024	CDI 98%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0118	BRL	2022	38	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0126	BRL	2022	4	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0134	BRL	2022	22	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0142	BRL	2022	15	2024	CDI 97%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0159	BRL	2022	28	2024	CDI 95%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0167	BRL	2022	15	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0175	BRL	2022	2	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0183	BRL	2022	6	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0191	BRL	2022	9	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG01A1	BRL	2022	81	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG01B9	BRL	2022	32	2024	CDI 98%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG01C7	BRL	2022	47	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG01D5	BRL	2022	8	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG01E3	BRL	2022	1	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG01F0	BRL	2022	16	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG01G8	BRL	2022	7	2024	CDI 97%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG01H6	BRL	2022	57	2024	CDI 95%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG01I4	BRL	2022	4	2024	CDI 96%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG01J2	BRL	2022	6	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG01K0	BRL	2022	5	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG01L8	BRL	2022	42	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG01M6	BRL	2022	2	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG01N4	BRL	2022	9	2024	CDI 97,5%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG01O2	BRL	2022	18	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG01P9	BRL	2022	11	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG01Q7	BRL	2022	49	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG01R5	BRL	2022	37	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG01S3	BRL	2022	151	2024	CDI 98%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG01T1	BRL	2022	13	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG01U9	BRL	2022	18	2024	PRÉ 100%

(thousand euros)

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Issuer	Designation	Currency	Issue Date	Book Value	Maturity	Interest Rate
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG01V7	BRL	2022	-	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG01W5	BRL	2022	42	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG01X3	BRL	2022	1	2024	CDI 97%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG01Y1	BRL	2022	5	2024	CDI 96%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG01Z8	BRL	2022	28	2024	CDI 95%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0209	BRL	2022	11	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0217	BRL	2022	4	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0225	BRL	2022	35	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0233	BRL	2022	2	2024	CDI 97,5%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0241	BRL	2022	37	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0258	BRL	2022	100	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0266	BRL	2022	4	2024	CDI 97%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0274	BRL	2022	18	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0282	BRL	2022	32	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0290	BRL	2022	10	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG02A9	BRL	2022	10	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG02B7	BRL	2022	60	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG02C5	BRL	2022	2	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG02D3	BRL	2022	20	2024	CDI 98%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG02E1	BRL	2022	23	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG02F8	BRL	2022	51	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG02G6	BRL	2022	66	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG02H4	BRL	2022	2	2024	CDI 95%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG02I2	BRL	2022	3	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG02J0	BRL	2022	6	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG02K8	BRL	2022	1	2024	CDI 97%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG02L6	BRL	2022	1	2024	CDI 96%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG02M4	BRL	2022	37	2024	CDI 95%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG02N2	BRL	2022	36	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG02O0	BRL	2022	17	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG02P7	BRL	2022	2	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG02Q5	BRL	2022	4	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG02R3	BRL	2022	28	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG02S1	BRL	2022	28	2024	CDI 98%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG02T9	BRL	2022	111	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG02U7	BRL	2022	22	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG02V5	BRL	2022	41	2024	CDI 98%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG02W3	BRL	2022	13	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG02X1	BRL	2022	16	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG02Y9	BRL	2022	4	2024	CDI 96%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG02Z6	BRL	2022	12	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0308	BRL	2022	35	2024	CDI 95%

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Issuer	Designation	Currency	Issue Date	Book Value	Maturity	Interest Rate
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0316	BRL	2022	4	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0324	BRL	2022	3	2024	CDI 97%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0332	BRL	2022	8	2024	CDI 98%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0340	BRL	2022	87	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0357	BRL	2022	33	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0365	BRL	2022	22	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0373	BRL	2022	5	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0381	BRL	2022	46	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0399	BRL	2022	7	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG03A7	BRL	2022	11	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG03B5	BRL	2022	30	2024	CDI 98%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG03C3	BRL	2022	2	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG03D1	BRL	2022	117	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG03E9	BRL	2022	77	2024	CDI 97%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG03F6	BRL	2022	12	2024	CDI 95%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG03G4	BRL	2022	2	2024	CDI 96%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG03H2	BRL	2022	45	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG03I0	BRL	2022	13	2024	CDI 98%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG03J8	BRL	2022	40	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG03K6	BRL	2022	4	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG03L4	BRL	2022	4	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG03M2	BRL	2022	9	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG03N0	BRL	2022	11	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG03O8	BRL	2022	9	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG03P5	BRL	2022	33	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG03Q3	BRL	2022	3	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG03R1	BRL	2022	36	2024	CDI 98%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG03S9	BRL	2022	37	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG03T7	BRL	2022	8	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG03U5	BRL	2022	26	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG03V3	BRL	2022	4	2024	CDI 97%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG03W1	BRL	2022	5	2024	CDI 95%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG03X9	BRL	2022	31	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG03Y7	BRL	2022	5	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG03Z4	BRL	2022	108	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0407	BRL	2022	8	2024	CDI 97,5%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0415	BRL	2022	4	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0423	BRL	2022	10	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0431	BRL	2022	57	2024	CDI 98%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0449	BRL	2022	5	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0456	BRL	2022	4	2024	CDI 97,5%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0464	BRL	2022	2	2024	PRÉ 100%

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Issuer	Designation	Currency	Issue Date	Book Value	Maturity	Interest Rate
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0472	BRL	2022	55	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0480	BRL	2022	2	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0498	BRL	2022	15	2024	CDI 96%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG04A5	BRL	2022	4	2024	CDI 97%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG04B3	BRL	2022	85	2024	CDI 95%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG04C1	BRL	2022	14	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG04D9	BRL	2022	2	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG04E7	BRL	2022	31	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG04F4	BRL	2022	24	2024	CDI 95%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG04G2	BRL	2022	5	2024	CDI 96%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG04H0	BRL	2022	43	2024	CDI 97%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG04I8	BRL	2022	36	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG04J6	BRL	2022	2	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG04K4	BRL	2022	41	2024	CDI 97,5%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG04L2	BRL	2022	10	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG04M0	BRL	2022	100	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG04N8	BRL	2022	34	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG04O6	BRL	2022	6	2024	CDI 96%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG04P3	BRL	2022	389	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG04Q1	BRL	2022	107	2024	CDI 98%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG04R9	BRL	2022	63	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG04S7	BRL	2022	9	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG04T5	BRL	2022	99	2024	CDI 97,5%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG04U3	BRL	2022	5	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG04V1	BRL	2022	2	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG04W9	BRL	2022	17	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG04X7	BRL	2022	5	2024	CDI 96%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG04Y5	BRL	2022	8	2024	CDI 97%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG04Z2	BRL	2022	5	2024	CDI 95%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0506	BRL	2022	3	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0514	BRL	2022	5	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0522	BRL	2022	16	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0530	BRL	2022	42	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0548	BRL	2022	37	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0555	BRL	2022	234	2024	CDI 97,5%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0563	BRL	2022	9	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0571	BRL	2022	36	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0589	BRL	2022	4	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0597	BRL	2022	30	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG05A2	BRL	2022	98	2024	CDI 95%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG05B0	BRL	2022	137	2024	CDI 97%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG05C8	BRL	2022	5	2024	CDI 96%

(thousand euros)

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Issuer	Designation	Currency	Issue Date	Book Value	Maturity	Interest Rate
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG05D6	BRL	2022	140	2024	CDI 98%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG05E4	BRL	2022	115	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG05F1	BRL	2022	3	2024	CDI 95%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG05G9	BRL	2022	11	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG05H7	BRL	2022	433	2024	CDI 98%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG05I5	BRL	2022	129	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG05J3	BRL	2022	73	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG05K1	BRL	2022	37	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG05L9	BRL	2022	58	2024	CDI 97,5%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG05M7	BRL	2022	26	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG05N5	BRL	2022	48	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG05O3	BRL	2022	98	2024	CDI 97%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG05P0	BRL	2022	112	2024	CDI 95%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG05Q8	BRL	2022	93	2024	CDI 98%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG05R6	BRL	2022	120	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG05S4	BRL	2022	48	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG05T2	BRL	2022	16	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG05U0	BRL	2022	40	2024	CDI 97%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG05V8	BRL	2022	35	2024	CDI 95%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG05W6	BRL	2022	5	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG05X4	BRL	2022	5	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG05Y2	BRL	2022	31	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG05Z9	BRL	2022	14	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0605	BRL	2022	5	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0613	BRL	2022	3	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0621	BRL	2022	37	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0639	BRL	2022	316	2024	CDI 98%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0647	BRL	2022	42	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0654	BRL	2022	23	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0662	BRL	2022	65	2024	CDI 95%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0670	BRL	2022	72	2024	CDI 97%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0688	BRL	2022	15	2024	CDI 96%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0696	BRL	2022	45	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG06A0	BRL	2022	418	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG06B8	BRL	2022	9	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG06C6	BRL	2022	47	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG06D4	BRL	2022	4	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG06E2	BRL	2022	211	2024	CDI 98%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG06F9	BRL	2022	61	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG06G7	BRL	2022	11	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG06H5	BRL	2022	2	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG06I3	BRL	2022	37	2024	CDI 98%

(thousand euros)

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Issuer	Designation	Currency	Issue Date	Book Value	Maturity	Interest Rate
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG06J1	BRL	2022	77	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG06K9	BRL	2022	37	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG06L7	BRL	2022	19	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG06M5	BRL	2022	53	2024	CDI 98%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG06N3	BRL	2022	5	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG06O1	BRL	2022	5	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG06P8	BRL	2022	17	2024	CDI 97%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG06Q6	BRL	2022	21	2024	CDI 95%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG06R4	BRL	2022	408	2024	CDI 98%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG06S2	BRL	2022	39	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG06T0	BRL	2022	20	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG06U8	BRL	2022	7	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG06V6	BRL	2022	75	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG06W4	BRL	2022	18	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG06X2	BRL	2022	24	2024	CDI 98%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG06Y0	BRL	2022	50	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG06Z7	BRL	2022	5	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0704	BRL	2022	10	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0712	BRL	2022	3	2024	CDI 95%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0720	BRL	2022	64	2024	CDI 97%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0738	BRL	2022	776	2024	CDI 98%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0746	BRL	2022	178	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0753	BRL	2022	24	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0761	BRL	2022	18	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0779	BRL	2022	5	2024	CDI 96%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG0787	BRL	2022	12	2024	CDI 95%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG0795	BRL	2022	13	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG07A8	BRL	2022	36	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG07B6	BRL	2022	62	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG07C4	BRL	2022	110	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG07D2	BRL	2022	33	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG07E0	BRL	2022	177	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG07F7	BRL	2022	92	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG07G5	BRL	2022	17	2024	CDI 95%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG07H3	BRL	2022	176	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG07I1	BRL	2022	33	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG07J9	BRL	2022	11	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG07K7	BRL	2022	62	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG07L5	BRL	2022	36	2024	CDI 97,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG07M3	BRL	2022	46	2024	CDI 98%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG07N1	BRL	2022	5	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG07O9	BRL	2022	30	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG07P6	BRL	2022	28	2024	CDI 95%

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Issuer	Designation	Currency	Issue Date	Book Value	Maturity	Interest Rate
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG07Q4	BRL	2022	5	2024	CDI 97%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG07R2	BRL	2022	289	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG07S0	BRL	2022	2	2024	CDI 95%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLAG07T8	BRL	2022	43	2024	PRÉ 100%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG07U6	BRL	2022	154	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG07V4	BRL	2022	2	2024	CDI 95%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG07W2	BRL	2022	176	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG07X0	BRL	2022	9	2024	CDI 95%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLAG07Y8	BRL	2022	173	2024	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLC07652	BRL	2022	30	2024	CDI 97%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLC07660	BRL	2022	116	2024	CDI 97%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLC07678	BRL	2022	147	2024	CDI 97%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLC076L3	BRL	2022	20	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLC076N9	BRL	2022	25	2024	PRÉ 100%
HT_BR	LCA PRE RES 4410 LCA NOVA PRE RES 4410 - 2 BRINTLC076O7	BRL	2022	18	2024	PRÉ 100%
HT_BR	LF LETRA FINANCEIRA HAITONG BRINTLLFI2O5	BRL	2018	2 425	2023	IPCA 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5S9	BRL	2021	213	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5T7	BRL	2021	2 132	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5U5	BRL	2021	426	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5V3	BRL	2021	640	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5W1	BRL	2021	2 132	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5X9	BRL	2021	1 066	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5Y7	BRL	2021	128	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5Z4	BRL	2021	297	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI609	BRL	2021	551	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI617	BRL	2021	1 229	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI625	BRL	2021	42	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI633	BRL	2021	106	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI641	BRL	2021	159	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI658	BRL	2021	74	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI666	BRL	2021	529	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI674	BRL	2021	4 285	2024	IPCA 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI682	BRL	2021	1 236	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI690	BRL	2021	2 061	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6A5	BRL	2021	206	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6B3	BRL	2021	309	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6C1	BRL	2021	1 545	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6D9	BRL	2021	515	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6E7	BRL	2021	205	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6I8	BRL	2021	102	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6K4	BRL	2022	222	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6L2	BRL	2022	404	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6M0	BRL	2022	859	2024	CDI 100%

(thousand euros)

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Issuer	Designation	Currency	Issue Date	Book Value	Maturity	Interest Rate
HT_BR	LF NOVA LF HAITONG BRINTLLFI6N8	BRL	2022	455	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6O6	BRL	2022	81	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6P3	BRL	2022	505	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6Q1	BRL	2022	5 844	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6R9	BRL	2022	403	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6T5	BRL	2022	201	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6U3	BRL	2022	202	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6V1	BRL	2022	182	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6W9	BRL	2022	81	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6X7	BRL	2022	404	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6Y5	BRL	2022	121	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6Z2	BRL	2022	141	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI708	BRL	2022	161	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI716	BRL	2022	202	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI724	BRL	2022	303	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI732	BRL	2022	807	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI740	BRL	2022	464	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI757	BRL	2022	1 009	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI773	BRL	2022	1 211	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI781	BRL	2022	706	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI799	BRL	2022	1 167	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7A3	BRL	2022	3 460	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7B1	BRL	2022	422	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7C9	BRL	2022	4 909	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7D7	BRL	2022	1 670	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7E5	BRL	2022	1 589	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7F2	BRL	2022	865	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7G0	BRL	2022	791	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7H8	BRL	2022	1 385	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7I6	BRL	2022	791	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7J4	BRL	2022	789	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7K2	BRL	2022	6 227	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7L0	BRL	2022	1 807	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7M8	BRL	2022	3 084	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7N6	BRL	2022	668	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7O4	BRL	2022	3 817	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7P1	BRL	2022	1 712	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7Q9	BRL	2022	1 475	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7R7	BRL	2022	2 754	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7S5	BRL	2022	20	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7T3	BRL	2022	59	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7U1	BRL	2022	1 373	2026	CDI 100%

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Issuer	Designation	Currency	Issue Date	Book Value	Maturity	Interest Rate
HT_BR	LF NOVA LF HAITONG BRINTLLFI7V9	BRL	2022	489	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7X5	BRL	2022	489	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7Z0	BRL	2022	4 865	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI807	BRL	2022	2 909	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI815	BRL	2022	775	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI823	BRL	2022	193	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI831	BRL	2022	386	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI849	BRL	2022	338	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI856	BRL	2022	384	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI864	BRL	2022	2 489	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI872	BRL	2022	5 738	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI880	BRL	2022	668	2026	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI898	BRL	2022	24	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI8A1	BRL	2022	4 327	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI8B9	BRL	2022	29 879	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI8C7	BRL	2022	9 654	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI8D5	BRL	2022	2 807	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI8E3	BRL	2022	3 417	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI8F0	BRL	2022	185	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI8G8	BRL	2022	460	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI8H6	BRL	2022	3 212	2024	CDI 113,5%
HT_BR	LF NOVA LF HAITONG BRINTLLFI8I4	BRL	2022	918	2024	CDI 113,5%
HT_BR	LF NOVA LF HAITONG BRINTLLFI8J2	BRL	2022	367	2024	CDI 113,5%
HT_BR	LF NOVA LF HAITONG BRINTLLFI8K0	BRL	2022	91	2024	CDI 113,5%
HT_BR	LF NOVA LF HAITONG BRINTLLFI8L8	BRL	2022	274	2026	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI8M6	BRL	2022	1 259	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI8N4	BRL	2022	1 419	2025	CDI 100%
HB_PT	HAITIB Float 02/08/25 Corp	EUR	2022	230 082	2025	EURIBOR 3M +1.45%
HB_PT	HAITIB 4 05/29/27 Corp	USD	2022	140 769	2027	4%
Total				542 037		

As at 31st of December 2022 and 2021, the residual duration of the debt securities issued is as follows:

(thousand euros)

	31.12.2022	31.12.2021
Up to three months	6 737	172
From three months to one year	5 617	8 750
From one to five years	529 683	17 828
	542 037	26 750

As at 31st of December 2022 and 2021, reconciliation of the flows this financing activity is as follows:

(thousand euros)

	31.12.2022	31.12.2021
Opening balance	**26 750**	**64 862**
Cash Flows	515 287	(36 958)
Others	-	(1 154)
Closing balance	**542 037**	**26 750**

NOTE 30 – PROVISIONS AND IMPAIRMENT

As at 31st December 2022 and 31st December 2021, the Provisions heading presents the following movements:

(thousand euros)

	Provisions for other risks and charges	Provisions for guarantees and other undertakings	Total
Balance as at 31st December 2020	8 779	12 144	20 923
Net charge of the period	9 635	(199)	9 434
Write back	(51)	(10 997)	(11 046)
Foreign exchange differences and others	592	36	628
Balance as at 31st December 2021	18 955	984	19 939
Net charge of the period	(2 857)	697	(2 160)
Write back	(1 613)	-	(1 613)
Foreign exchange differences and others	2 954	(9)	2 945
Balance as at 31st December 2022	17 439	1 672	19 111

These provisions are meant to cover possible contingencies related to the activity of the Group.

The movements in impairment losses can be analysed as follows:

(thousand euros)

	31.12.2021	Net charge of the period	Stage 3	Exchange differences and others	31.12.2022
Cash and cash equivalents (Note 17)	1	996	-	(58)	939
Financial assets measured at fair value through OCI (Note 20)	837	(723)	(43)	1 218	1 289
Financial assets measured at Amortised cost					
Loan and advances to banks (Note 21)	916	(1 008)	-	112	20
Loan and advances to customers (Note 22)	11 968	1 260	(38)	600	13 790
Securities (Note 20)	1 210	431	-	21	1 662
Other assets (Note 26)	11 306	1 050	-	85	12 441
	26 238	**2 006**	**(81)**	**1 978**	**30 141**

(thousand euros)

	31.12.2020	Net charge of the period	Write back	Stage 3	Exchange differences and others	31.12.2021
Cash and cash equivalents (Note 17)	-	1	-	-	-	1
Financial assets measured at fair value through OCI (Note 20)	3 607	(1 632)	(5 177)	(120)	4 159	837
Financial assets measured at Amortised cost						
Loan and advances to banks (Note 21)	500	374	-	-	42	916
Loan and advances to customers (Note 22)	11 990	2 598	(2 781)	7	154	11 968
Securities (Note 20)	10 875	7 989	(17 658)	-	4	1 210
Intagible assets (Note 25)	9 859	-	(9 859)	-	-	-
Investments in associated companies	340	-	(340)	-	-	-
Other assets (Note 26)	9 688	1 654	(182)	-	146	11 306
	46 859	**10 984**	**(35 997)**	**(113)**	**4 505**	**26 238**

NOTE 31 – INCOME TAXES

The Bank and its subsidiaries domiciled in Portugal are subject to taxation in accordance with the corporate income tax code (CIT code) and to local taxes.

Income taxes (current or deferred) are recognised in the income statement except in cases where the underlying transactions have been reflected in equity items. In these situations, the corresponding tax is also charged to equity, not affecting the net result for the period.

The current tax of 2022 and 2021 were calculated based on a nominal corporate income tax rate and Municipal Surcharge of 22.5%, in accordance with Law no. 82-B/2014, of 31st of December, and Law no. 2/2007, of 15th of January. Additionally there is a State Surcharge which corresponds to an additional rate of 3% of the taxable profit between 1,500 and 7,500 thousand euros, 5% of the profit between 7,500 and 35,000 thousand euros, 9% of any profit which exceeds this amount (if applicable).

Deferred taxes are calculated based on tax rates anticipated to be in force at the temporary differences reversal date, which corresponds to the rates enacted or substantively enacted at the balance sheet date. Thus, for the first half of 2022 deferred tax was calculated at the rate of 26.24%.

Regarding activity in Portugal, Law No. 98/2019 was published on 4 September 2019, which changed the tax regime applicable to the impairment of financial and credit institution. That law establishes in article 4 an adaptation period of 5 years beginning on or after 1 January 2019, pursuant to which the regime in force on the date of entry into force of this law remains applicable, unless there is communication addressed to the Director-General of the Portuguese Tax Authority of the option for the definitive regime. Bearing in mind that for the 2022 financial year this regime was optional, the Bank has not yet joined it. Therefore, the Bank considered, for the purpose of calculating taxable income and the recording and analysis of the recoverability of deferred tax assets with reference to December 31, 2022, that the amount of credit impairment and provisions for guarantees recorded, that is deductible for the purposes of CIT (Corporate Income Tax), corresponds to the amount of deductible impairments/provisions that would have been calculated if the reference to Banco de Portugal Notice 3/95 remained in force.

Special Scheme Applicable to Deferred Tax Assets

In 2014, Haitong Bank joined the special scheme applicable to deferred tax assets (REAID) related to impairment losses in credits and post-employment or long-term employee benefits, established by Law no. 61/2014, of August 26th. For the purpose of this scheme, the conversion of the mentioned assets in tax credits is expected in the following situations:

- Determining net losses;
- Voluntary winding-up, court insolvency or, when applicable, with the withdrawal of the corresponding authorisation by the competent supervising authority.

It should be noted that, pursuant to Law No. 23/2016, of August 19, REAID is no longer applied to deferred tax assets relating to expenses and negative equity changes accounted for in tax periods beginning on or after the 1st of January 2016. The tax credit recorded in the accounts with reference to 31st of December 2022, which also includes reimbursements already made by the Portuguese Tax Authority and the respective special reserve, can be analysed in the table below::

(thousand euros)

Year	Tax Credit	Special Reverve
2015	5 281	5 809
2016	20 529	22 582
2017	9 060	9 966
2018	233	255
2020	433	476
2021	(15 078)	-
2022	(5 414)	(16 585)
Total	**15 044**	**22 503**

The tax credit and the respective special reserve were recorded during the year following that of the tax credit year, booked in a current tax asset and other reserves item, respectively.

In 2021, the Bank received relating to a tax credit from the Portuguese Tax Authority, with reference to the years 2015 and 2016, in the amount of 15 078 thousand euros.

In turn, during the 2022, the Bank received the tax credit confirmed by the Portuguese Tax Authority, with reference to the 2017 and 2018, in the amount of 5,414 thousand euros.

In pursuance of the abovementioned scheme, the Bank issues conversion rights corresponding to securities that grant the Government the right to request Haitong Bank to issue and deliver ordinary shares at no charge, following the increase in share capital through the inclusion of the reserve value. However, Haitong Bank´s shareholder is granted the right to acquire those conversion rights in accordance with Ordinance no. 293-A/2016 of 18th of November.

It should be noted, in 2022, the Bank's shareholder exercised the potestative right to acquire the conversion rights attributed to the State under the special regime of deferred taxes related on 2015 and 2016. In this way, the value of the special reserve decreases in proportion to the number of rights acquired by the shareholder from the Portuguese State (16,585 thousand euros).

In the event that the shareholder do not exercise the right to acquire the conversion rights issued and attributed to the Portuguese State within the period established for that purpose, in the year in which the State exercises these rights, it will require the Bank to increase its capital by incorporating the amount of the special reserve and consequent issue and free delivery of ordinary shares representing the capital stock of the Bank, and it may be necessary to adjust the amount of the reserve initially constituted.

Indeed, for each financial year it will be important to recalculate the reference value of the rights and if it is different from the nominal value of the shares, it will be necessary to adjust the value of the special reserve. If this were to occur in 2023, and taking into account the amounts of the financial statements as at 31 December 2022, as well as the amount of tax credits converted by reference to the years 2017, 2018 and 2020 it would be necessary to increase special reserve in an estimated value of 10,913 thousand euros.

The amount of assets by deferred taxes converted into tax credit, the establishment of the special reserve and the issuing and granting of conversion rights to the Government must be subject to certification by a statutory auditor.

As Haitong Bank has determined, in its individual accounts, a positive net result with reference at 31 December 2022 there is no possible converts' part of the deferred taxes covered by this regime into tax credit in this year.

In July 2019 and January 2020, the Bank was notified of the final Reports of the Tax Authority's inspection services, issued for 2015 and 2016, respectively. In these reports, certain procedures adopted by the Bank, namely in association with special regime for differed taxes (REAID) are being challenged.

In this sense, following the Bank disagreement with these corrections, in November 2019, an administrative complaint was submit regarding the 2015 Tax Inspection Report and in April 2020, an administrative complaint was submit regarding the 2016 inspection report. Currently, the corrections in question are being contested in a hierarchical appeal.

On January 2021, the Bank received the 2017 and 2018 tax inspection report issued by the Tax Authority's inspection services. In this report, similarly to what happened in the 2015 and 2016 tax inspection reports, some procedures adopted by the Bank with regard to the application of REAID are raised.

The Bank disagreeing with these corrections, so in 2021, submitted an administrative complaint for the Tax Inspection Report of 2017 and 2018.

Finally, it is also noted that, within the scope of the tax inspection for the years 2015 ,2016, 2017 and 2018, the Tax Authority made corrections to the tax credit of these years in the amount of 14,611 thousand euros (of a total amount of 35,103 thousand euros).

The Bank's management considers that the procedures performed in those years are compliant with the legislation in force, and therefore estimates that it is not likely that the Tax Authority's position will prevail. Even so, if this correction occur, it would materialize in the recognition of deferred tax assets. In addition, the Board of Directors believes that any corrections that may arise, related to the years inspected, will not have a material impact either on the Bank's capital or on the Bank's results in fiscal year 2022, as its affect tax losses that have not yet been used and for which deferred tax losses have been not recognised.

As of 1 January 2019, the Bank adopted the new interpretative standard of IAS 12 - IFRIC 23 - 'Uncertainty over Income Tax Treatments' - which to recommend the measurement requirements and recognition to be applied in the event of uncertainties regarding the acceptance of a given tax treatment by the Tax Administration concerning income tax and should reflect the entity's best estimate of the presumed outcome of the situation under discussion. This estimated value based on the expected value or the most probable value should be recorded by the entity as an asset or liability for income tax based on IAS 12 and not by IAS 37.

The activity of branches abroad is incorporated in the Bank's accounts for determining the taxable profit. Although, the profit of those branches is subject to taxation in the countries where they are established, local taxes are deductible to the taxes to be paid in Portugal, in accordance with art. 91º of CIT Code, when applicable. The branches' profits are subject to local taxation at the following nominal rates.

(thousand euros)

Branch	Nominal income tax rate
London	19%
Madrid	30%
Warsaw	19%
Macau	12%

The subsidiary located in Brazil, are subject to tax on their profits under the terms established in the tax rules in force in Brazil, thus in this country profits are subject to nominal rates situated between 34% and 45%.

As at 31st of December 2022 and 2021, current tax assets and liabilities can be analysed as follows:

(thousand euros)

	Asset		Liabiity	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Corporate income tax	7 506	4 361	(7 476)	(7 267)
Tax Credit (Special Scheme for Deferred Taxes)	15 044	20 458	-	-
Current tax asset / (liability)	**22 550**	**24 819**	**(7 476)**	**(7 267)**

The variation that occurred in 2022 in the tax credit under the Special Regime of DTA concerns the receipt by the Portuguese Tax Authority, during the 2022, of the 2017 and 2018 tax credit.

According to legislation in force, as mentioned, Haitong Bank shareholder may exercise the rights to acquire conversion rights until three years from the conversion confirmation of the deferred tax assets into tax credit by the Tax Authority, which, in the case of the 2017 and 2018, it will be until January 2024.

Deferred tax assets and liabilities recognised in the statement of financial position in 2022 and 2021 can be analysed as follows:

(thousand euros)

	Asset		Liability		Net	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Derivative financial instruments	10 554	4 994	-	-	10 554	4 994
Securities	4 556	1 561	-	-	4 556	1 561
Loans and advances to customers	23 809	27 998	-	-	23 809	27 998
Provisions	3 871	5 776	-	-	3 871	5 776
Pension Fund and Long-term employee benefits	5 342	5 047	-	-	5 342	5 047
Other	5 324	(3 387)	(5 794)	(301)	(470)	(3 688)
Tax losses carried forward	56 434	53 243	-	-	56 434	53 243
Net deferred tax asset / (liability)	**109 890**	**95 232**	**(5 794)**	**(301)**	**104 096**	**94 931**

The Group only recognises deferred tax assets in relation to reportable tax losses when it considers that they are expected to be recovered in the near future. Of the total deferred tax assets of tax losses, 31,560 thousand euros relate to Haitong Bank in Portugal and the remaining amount corresponds to Brazil.

It should be noted that the tax losses of 2017 and 2018 of Haitong Bank in Portugal did not booked any deferred tax assets, which can be used until the year 2024 and 2025, respectively. This analysis to tax losses utilization takes into account the exceptional measures to the COVID-19 pandemic under the terms of Law No. 27-A / 2020 (Supplementary State Budget for 2020), as well as the measures provided for in the State Budget Law for 2023 (Law No. 24-D/2022 of 30 December).

Additionally, Law No. 24-D/2022 of December 30 was published, approving the State Budget for 2023, under which the time limitation for the deduction of tax losses calculated in a given tax period is eliminated. Changes to the reporting period apply to tax periods beginning on or after January 1, 2023, as well as to tax losses calculated in tax periods prior to January 1, 2023 whose deduction period is still in progress at that date. However, it should be noted that the new deadline does not apply to tax losses calculated in tax periods prior to January 1, 2023 in which one of the situations provided for in paragraph 1 of article 6 of the applicable special regime has occurred to deferred tax assets (namely, in the event of a negative net result).

The movements in deferred taxes, in the balance sheet, had the following impacts:

(thousand euros)

	31.12.2022	31.12.2021
Opening balance	94 931	94 369
Recognised in profit or loss	1 958	(1 112)
Recognised in fair value reserves	3 024	1 006
Recognised in other reserves	(2)	(183)
Foreign exchange variation and others	4 185	851
Closing balance (Asset / (Liability))	104 096	94 931

Tax recognised in the income statement and reserves during 2022 and 2021 financial years had the following source:

(thousand euros)

	31.12.2022		31.12.2021	
	Recognised in profit or loss	Recognised in reserves	Recognised in profit or loss	Recognised in reserves
Deferred Taxes				
Derivative financial instruments	(5 146)	-	316	-
Securities	-	(3 024)	(1 506)	(1 006)
Loans and advances to customers	4 340	-	5 428	-
Provisions	58	-	(468)	-
Pension Fund	(137)	2	988	-
Other	(442)	-	(4 866)	183
Tax losses carried forward	(631)	-	1 220	-
	(1 958)	(3 022)	1 112	(823)
Current Taxes	3 870	-	2 954	-
Total recognised tax	1 912	(3 022)	4 066	(823)

Reconciliation of the tax rate, concerning the recognised amount in the income statement, can be analysed as follows:

(thousand euros)

	31.12.2022		31.12.2021	
	%	Value	%	Value
Profit or loss before tax and Non-controlling interests		12 855		8 422
Income tax rate of Haitong Bank	26,2		26,2	
Tax determined based on the income tax rate of Haitong Bank		3 373		2 210
Difference in the tax rate of subsidiaries	18,2	2 342	42,2	3 556
Tax-exempt dividends	(1,8)	(232)	(10,6)	(896)
Tax benefits	(0,3)	(43)	(0,9)	(79)
Impairment of subsidiaries	(19,9)	(2 558)	-	-
Bank Levy	3,3	421	1,7	147
Unrecognized tax losses	-	-	(20,7)	(1 745)
Tax losses used	1	60	(0,6)	(51)
Branches' income tax	12,5	1 604	11,8	991
Differences arising from consolidation	(8,7)	(1 123)	(7,0)	(592)
Other movements according to the tax estimation	(16,6)	(2 130)	2,8	232
Autonomous taxation	1,5	198	2,9	241
Other	0,0	-	0,6	52
	14,9	1 912	48,4	4 066

NOTE 32 – OTHER LIABILITIES

As at 31st December 2022 and 31st December 2021, the Other liabilities heading is analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Creditors and other resources		
Public sector	13 622	11 316
Deposited collateral under collateral agreements (Note 20)	10 019	10 270
Sundry creditors	-	-
Leasing liabilities	973	1 489
Creditors from transactions with securities	7 694	4 881
Suppliers	11 811	7 096
Other sundry creditors	5 320	9 959
	49 439	**45 011**
Accrued expenses		
Career bonuses (see Note 14)	574	595
Other accrued expenses	7 554	8 887
	8 128	**9 482**
Deferred income	**368**	**388**
Other sundry liabilities		
Stock exchange transactions pending settlement	3 432	11 381
Foreign exchange transactions pending settlement	1 076	4 664
Other transactions pending settlement	10 476	15 587
	14 984	**31 632**
	72 919	**86 513**

As at 31st December 2022 and 31st December 2021, the headings regarding Stock exchange transactions pending settlement refer to transactions with securities pending settlement.

NOTE 33 – CAPITAL, SHARE PREMIUM AND OTHER CAPITAL INSTRUMENTS

Ordinary shares

Until August 3rd 2014 the Bank was part of Grupo Banco Espírito Santo, S.A.

On the 3rd of August 2014, the Bank of Portugal applied a resolution action to Banco Espírito Santo, S.A., shareholder of 100% of the capital of the Bank, and established Novo Banco, S.A., with the share capital of 4.9 billion euros, which incorporated assets of Banco Espírito Santo, S.A. selected by the Bank of Portugal. In this regard, the Bank, its branches and subsidiaries were transferred to Novo Banco, S.A.

On the 7th of September 2015, the capital of the Bank was fully purchased by Haitong International Holdings Limited.

On the 17th of December 2015, the Bank increased its capital in 100,000 thousand euros, through the issuance of 20,000,000 shares with the nominal value of 5 euros each, fully subscribed and paid-up by Haitong International Holdings Limited.

On the 22nd of May 2017, the Bank increased its capital in 40,000 thousand euros, through the issuance of 8,000,000 shares with the nominal value of 5 euros each, fully subscribed and paid-up by Haitong International Holdings Limited.

On the 25th of May 2017, the Bank increased its capital in 20,000 thousand euros, through the issuance of 4,000,000 shares with the nominal value of 5 euros each, fully subscribed and paid-up by Haitong International Holdings Limited.

On the 13th of June 2017, the Bank increased its capital in 160,000 thousand euros, through the issuance of 32,000,000 shares with the nominal value of 5 euros each, fully subscribed and paid-up by Haitong International Holdings Limited.

On the 26th of June 2017, the Bank increased its capital in 160,000 thousand euros, through the issuance of 32,000,000 shares with the nominal value of 5 euros each, resulted from a in the conversion of a shareholder loan in the amount of 80,000 thousand euros and the conversion of the Fixed Rate Perpetual Deeply Subordinated Additional Tier 1 Resettable Instruments, amounting to 80,000 thousand euros, which was fully subscribed and paid-up by Haitong International Holdings Limited.

On the 31st of August 2017, the Bank increased its capital in 38,500 thousand euros, through the issuance of 7,700,000 shares with the nominal value of 5 euros each, fully subscribed and paid-up by Haitong International Holdings Limited.

In 2022 two resolutions have been passed to increase the share capital of Haitong Bank S.A. by 2,630 thousand euros in the 1st of July 2022, and by 15,879 thousand euros in December 2022 to 863,279 thousand euros. This share capital increase, in the form of incorporation of a special reserve, resulted from the conversion of the rights attributed to the Portuguese State and which were acquired by Haitong International Holdings Limited, the Bank's sole voting shareholder, relating to the fiscal year 2015, issued under the REAID (Regime Especial aplicável aos Ativos por Impostos Diferidos – Deferred Tax Assets Special Regime).

As at 31st December 2022 and 31st December 2021, the share capital of Haitong Bank amounts to 863,279 thousand euros (December 2021: 844,769 thousand euros) and is represented by 172,655,745 shares (December 2021: 168,953,800 shares) with the nominal value of 5 euros each, fully held by Haitong International Holdings Limited.

Share premiums

As at 31st December 2022 and 31st December 2021, share premiums are represented by 8,796 thousand euros, corresponding to the amount paid by shareholders in the increase of capital of previous years.

Other equity instruments

During October 2010 the Group issued perpetual subordinated bonds with conditioned interest in the overall amount of 50 million euros. These bonds have a noncumulative conditioned interest, payable only if and when declared by the Board of Directors.

This conditioned interest, corresponding to the applicable annual rate of 8.5% on nominal value, is paid biannually. These securities may be fully, but not partially, reimbursed after the 15th of September 2015, relying solely on the choice of Haitong Bank, upon approval of the Bank of Portugal. These bonds are considered a capital instrument in accordance with the accounting policy described in Note 2.6 due to their characteristics.

During the year of 2011, 46,269 thousand euros in other capital instruments were cancelled due to a transaction regarding owned instruments.

In March 2018, the Bank issued perpetual instruments eligible as additional own funds of level 1 (Additional Tier 1), in the overall amount of USD 130,000 thousand, corresponding to 105,042 thousand euros, identified as "Fixed Rate Perpetual Deeply Subordinated Additional Tier 1 Resettable Instruments". Such bonds have a non-cumulative conditional interest which is payable only if and when reported by the Board of Directors. Due to their features, such bonds are deemed to be capital instruments, in accordance with the accounting policy laid down in Note 2.6.

These bonds are subordinated in relation to any liability of Haitong Bank and *pari passu* regarding any identical subordinated bonds that may be issued by the Bank.

During 2022, and 2021, the Group haven't paid interest.

As at 20th April 2022, the Bank have fully early repaid these Bonds, at the repayment price, corresponding to the nominal value of 3,731 thousand euros.

NOTE 34 – FAIR-VALUE RESERVES, OTHER RESERVES, RETAINED EARNINGS AND NON-CONTROLLING INTERESTS

Legal reserve, fair-value reserves and other reserves

Legal reserves can only be used to cover accumulated loss carryover or to increase capital. Under Portuguese legislation applicable to the banking sector (Article 97 of RGICSF [Legal Framework of Credit Institutions and Financial Companies]), the Bank is required to set-up annually a legal reserve equal to a minimum of 10% of annual profits until the reserve equals the share capital.

Fair-value reserves represent the possible capital gains and losses in relation to the financial assets through other comprehensive income portfolio, net of impairment recognised in the income statement of the year and/or previous years. The value of this reserve is presented net of deferred tax.

The other reserves heading includes the special reserve, under REAID, in the amount corresponding to 22,504 thousand euros for December 2022 (December 2021: 39,089 thousand euros).

The movements of these headings were the following:

(thousand euros)

	Fair Value reserves			Other reserves and retained earnings				
	Revaluation reserves	Income tax reserves	Total fair value reserve	Legal Reserve	Actuarial gains/losses (net of taxes)	Exchange differences	Other reserves and retained earnings	Total Other reserves and retained earnings
Balance as at 31 December 2020	(1 677)	286	(1 391)	39 878	(32 777)	(178 400)	(211 993)	(383 292)
Actuarial gains/losses (net of taxes)	-	-	-	-	5 307	-	-	5 307
Changes in fair value (net of taxes)	(1 541)	1 006	(535)	-	-	-	-	-
Foreign exchange differences	-	-	-	-	-	272	-	272
Other comprehensive income of associates	-	-	-	-	-	-	1	1
Transfer to reserves	-	-	-	-	-	-	1 641	1 641
Balance as at 31 December 2021	(3 218)	1 292	(1 926)	39 878	(27 470)	(178 128)	(210 351)	(376 071)
Actuarial gains/losses (net of taxes)	-	-	-	-	11 182	-	-	11 182
Changes in fair value (net of taxes)	(11 703)	3 024	(8 679)	-	-	-	-	-
Foreign exchange differences	-	-	-	-	-	9 182	-	9 182
Transfer to reserves								
Share capital increase	-	-	-	-	-	-	(18 510)	(18 510)
Balance as at 31 December 2022	(14 921)	4 316	(10 605)	39 878	(16 288)	(168 946)	(225 309)	(370 665)

The movement of the fair-value reserve, net of deferred taxes and non-controlling interests can be analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Opening balance	(1 926)	(1 391)
Fair value changes	(10 980)	(593)
Disposals of the period	-	683
Impairment recognised in the period	(723)	(1 631)
Deferred taxes recognised in reserves during the period	3 024	1 006
Closing balance	(10 605)	(1 926)

Non-controlling interests

The Non-controlling interests heading information per subsidiary is as follows:

(thousand euros)

	31.12.2022		31.12.2021	
	Balance sheet	Income statement	Balance sheet	Income statement
Haitong Banco de Investimento do Brasil S.A.	5 130	(901)	8 096	1 298
Haitong Securities do Brasil S.A.	3 597	295	2 950	(79)
Haitong Negócios S.A.	6 245	202	5 409	137
FI Multimercado Treasury	4 516	175	1 114	(568)
Others	1 594	65	1 385	16
	21 082	(164)	18 954	804

The movement of Non-controlling interests of the periods ended on the 31st December 2022 and 31st December 2021, can be analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Opening balance	18 954	18 793
Dividends paid	(45)	(403)
Changes in fair value reserve	35	(441)
Exchange difference and other	2 302	201
Net income for the period	(164)	804
Closing balance	21 082	18 954

NOTE 35 – CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS

As at 31st December 2022 and 2021 off-balance elements are as follows:

(thousand euros)

	31.12.2022	31.12.2021
Contingent liabilities		
Guarantees and stand by letters of credit	151 279	133 392
Assets pledged as collateral	1 097 104	482 643
	1 248 383	**616 035**
Commitments		
Irrevocable commitments	164 360	162 193
	164 360	162 193

The rendered guarantees and sureties are banking transactions that do not necessarily represent any outflow for the Group.

As at 31st December 2022 and 31st of December 2021, the heading of financial assets pledged as collateral includes:

- Securities pledged as collateral to the Bank of Portugal (i) within the scope of the Large-Value Payment System, amounting to 10,000 thousand euros as at the 31st December 2022 (31st of December, 2021: 10,000 thousand euros), (ii) within the scope of target long-term refinancing operations, amounting to 301,733 thousand euros (31st of December, 2021: 321,639 thousand euros) and (iii) 73,856 thousand euros of collaterals not discounted, being the total of securities eligible for rediscount with the Bank of Portugal amounted to 420,726 thousand euros as at the 31st December 2022 (31st of December, 2021: 391,500 thousand euros); and (iv) within the scope of Interbank Clearing System [Sistema de Compensação Interbancária], amounting to 1,500 thousand euros (31st of December, 2021: 2,500 thousand euros);
- Securities pledged as collateral to the Portuguese Securities Market Commission within the Investor Compensation Scheme in the amount of 108 thousand euros (31st of December 2021: 109 thousand euros);
- Securities pledged as collaterals to Fundo de Garantia de Depósitos [Deposit Guarantee Fund] in the amount of 105 thousand euros (31st of December 2021: 108 thousand euros);
- Securities pledged as collateral within the scope of transactions with repurchase agreements: 655,655 thousand euros (31st of December 2021: 74,977 thousand euros);
- Securities pledged as collateral within the scope of derivatives compensation contracts 51,797 thousand euros (31st of December 2021: 50,846 thousand euros).

Additionally, the off-balance elements related to banking services provided are as follows:

(thousand euros)

	31.12.2022	31.12.2021
Liabilities related to services provided		
Commercial paper programmes agency	35 500	64 450
Other responsabilities related with services provided	622 721	379 512
	658 221	**443 962**

Banco Espírito Santo (BES), Novo Banco and Haitong Bank (and, in some cases, supervisory authorities, auditors and former directors from BES) have been sued in civil proceedings associated with facts of the former Grupo Espírito Santo (GES).

Within this framework, Haitong Bank is currently a defendant in a proceeding associated with the share capital increase of BES, which took place in June 2014.

As regards to this legal proceeding (case brought by several investment funds), after the decision of the trial court to declare that the case had been “abandoned”, the Lisbon Court of Appeal revoked that decision and ordered the continuation of the proceeding. Two of the Defendants in this proceeding appealed to the Supreme Court of Justice that confirmed the decision of the Court of Appeal. Extraordinary Review Appeals were filed with the Constitutional Court, all of them maintaining the previously decided by the Lisbon Court of Appeal. The legal procedure returned to the trial court (1st instance) for the continuation of said procedure, and now the appointment of the preliminary hearing is yet to be awaited.

Haitong Bank is also a Defendant in 9 proceedings, nearly all of which are associated with issues of financial instruments of GES’s entities.

In note 35, in what concerns the 2022 half-yearly accounts, it is stated that, in the opinion of Haitong Bank’s Legal Department and of the external lawyers to whom the proceedings have been entrusted, such proceedings do not have legal sustainability, wherefore it is considered unlikely that any judgment will be made against Haitong Bank in relation thereto. Such opinion is hereby reasserted.

Such opinion has been supported by several judicial decisions.

In fact, of the 78 cases filed against the Bank regarding the issue of commercial paper and other financial instruments by GES’ entities, 48 cases have already been res judicata with the total acquittal of Haitong Bank and 21 cases having been withdrawn by the Claimants.

On the 16th July 2019, Haitong Bank has been notified of a new legal action brought against itself and several former board members of BES, regarding commercial paper issued by Espírito Santo International and Rioforte in 2013 and 2014.

Such legal action has been submitted by a credit recovery fund (Fundo de Recuperação de Créditos “FRC – INQ – Papel Comercial ESI e Rio Forte”) to which have been assigned the claims submitted by certain holders of ESI and Rioforte commercial paper, which amounts up to 517,500,099.71 euros, plus interests. Haitong Bank presented its written defence on the 25th June 2020. The Bank is waiting for the preliminary hearing to be scheduled by the Court.

In the opinion of the external lawyers to whom this proceeding, brought by FRC, has been entrusted, such proceeding does not have a solid legal sustainability and therefore it is considered unlikely that any judgment will be made against Haitong Bank.

Following the above stated, Haitong Bank did not establish any provision related to such legal proceedings.

Without prejudice of the above mentioned regarding the successful outcome for Haitong Bank from such proceedings, and in order to comply with the applicable accounting rules, it is not possible to achieve an amount of expected losses which could eventually arise for Haitong Bank, individually considered, once such legal proceedings are brought against several entities and not only against Haitong Bank.

On July 2021, Haitong Bank has been fined by the Portuguese Securities Exchange Commission (“CMVM”) in connection with Haitong Bank’s participation as agent in the commercial paper issuance of ESI and Rio Forte between September 2013 and February 2014.

CMVM considered that Haitong Bank (referred to as, at the time of the facts, Banco Espírito Santo de Investimento, S.A.) had a causal contribution for Banco Espírito Santo, S.A. – In Liquidation to disclose to its customers that subscribed commercial paper issued by ESI, between September and December 2013, and by Rio Forte, between 9 January and 24 February 2014, information memoranda containing information that was not true, not complete, not up-to-date and not lawful, hence violating the duty to provide quality information, provided for in article 7. of the Portuguese Securities Code.

The breach, with intent, of the duty to provide quality information, provided for in article 7 of the Portuguese Securities Code, constitutes the practice of a very serious offence, under the terms of article 389, no. 1, a), of the Portuguese Securities Code, punishable by a fine of 25,000.00 to 5,000,000.00 euros, under the terms of article 388, no. 1, a), of the Portuguese Securities Code, in each of the cases (ESI and Rio Forte).

In view of the circumstances of the case, the Board of Directors of CMVM decided to impose on Haitong Bank a single fine in the amount of 300,000 euros, suspended its execution regarding the amount of 100,000 euros, for the period of two years.

Haitong Bank understands that CMVM's decision has no grounds, legally nor factually, and, therefore, has contested the administrative decision towards the Judicial Court on September 2021.

On 15 February 2022, the Court of First Instance has considered unfounded and rejected the contestation filled by Haitong Bank and applied to it a single joint fine in the amount of 400,000 euros, partially suspending its execution in the amount of 200,000 euros for a period of 2 years.

Haitong Bank understood that the decision of the Court of First Instance had no legal or factual basis and, for this reason, appealed from it, on March 2022, to the Lisbon Court of Appeal.

On July 14, 2022, Haitong Bank was notified of the Lisbon Court of Appeal decision, being the appeal filed by Haitong Bank considered as totally unfounded. On 28 July 2022, Haitong Bank appealed of this decision to the Portuguese Constitutional Court.

On 09 June 2022, Haitong Bank was served of a civil legal action brought against itself, with a claim value of 4,905,460.96 euros, filled by REDITUS GESTÃO, S.A. and GREENDRY LDA, (Claimants), within Lisbon's first instance civil court of law. The Claimants argue that the Bank breached its obligations as an Escrow Agent.

Haitong Bank presented its defence on 31 August 2022 and the Claimants presented their response (Réplica) on 13 December 2022. The Bank's external lawyers to whom this lawsuit has been entrusted, understand that the Claimants' alleged grounds have no legal or factual basis whatsoever.

In Brazil, the constitutionality of the law applicable to the levy of contributions to the Social Integration Program ("PIS") and Social Security Financing ("Cofins") on other revenues other than those arising from the sale of goods and the provision of services. Supported by a court decision, the entities of the Group in Brazil, deposit monthly the amounts subject to judicial discussion and deliver directly to the Tax Authorities only those amounts that affect service revenues, which are not the object of this discussion. The amounts subject to judicial deposits are recorded in the balance sheet, under other assets. It is the Group's understanding, based on the opinions of its legal advisors, that the possibility of suffering a court decision against the Bank is less than 50%.

Resolution Fund

Resolution measure applied to Banco Espírito Santo, S.A

On 3 August 2014, in order to safeguard the stability of the financial system, Banco de Portugal applied a resolution measure to Banco Espírito Santo, SA (BES) in accordance with the provisions of subparagraph b) of nº1. Article 145.º C of the General Regime for Credit Institutions and Financial Companies (RGICSF), in the form of partial transfer of assets, liabilities, off-balance sheet items and assets under management to a transition bank, Novo Banco, SA (Novo Banco) , constituted by determination of the Bank of Portugal of the same date. In line with community regulations, Novo Banco's capitalization was ensured by the Resolution Fund (FR), created by Decree-Law no. 31-A/2012, of 10 February. As provided for in the aforementioned Decree-Law, the resources of the Resolution Fund come from the payment of contributions owed by the institutions participating in the Fund and from the contribution to the banking sector. Additionally, it is also foreseen that whenever these resources prove to be insufficient for the fulfilment of their obligations, other means of financing may be used, namely: (i) special contributions from credit institutions; and (ii) amounts from loans.

Following the resolution measure, Novo Banco, SA's capital needs of 4,900 million euros were determined, with the capital subscription carried out by the Resolution Fund being financed essentially by obtaining financing from the Portuguese State (3,900 million euros) and eight institutions participating in the Fund (700 million euros), which does not include the Bank.

On 18 October 2017, the Resolution Fund announced the conclusion of the process of selling 75% of the share capital of Novo Banco, SA to Lone Star, whose selection had been communicated by Banco de Portugal on 31 March 2017 agreed conditions include the existence of a contingent capitalization mechanism, under which the Resolution Fund undertakes to make capital injections up to a maximum total amount of 3,890 million euros in the event that certain cumulative conditions materialize. As at 31 December 2022, Novo Banco is owned by Nani Holdings S.G.P.S, S.A, by the Resolution Fund and by the Portuguese State, with a share capital percentage of 75% and 23.44% and 1.56%, respectively.

On October 2, 2017, the Portuguese State signed a Framework Agreement with the Resolution Fund, for a maximum period of eleven years, which provides for the availability of the necessary funds to ensure compliance with the responsibilities assumed within the scope of the sale process of the Novo Banco, with an annual limit of 850 million euros.

The Framework Agreement establishes that the responsibilities assumed by the Resolution Fund under it can only be satisfied after all amounts due under the loans granted by the Portuguese State and the banking syndicate have been paid, in the amounts of 3,900 million euros and 700 millions euros, respectively.

On the same day, the Portuguese State and the Resolution Fund signed a credit agreement up to a maximum amount of 1,000,000 thousand euros, with an annual use limit of 850,000 thousand euros and maturity on 31 December 2046.

According to the statement of December 23, 2021 from the Resolution Fund, the value of payments made under the contingent capitalization mechanism made between 2018 and 2021 amounted to 3,405 million euros, having been made using the financing described and with the resources available from the Resolution Fund.

Resolution measure applied to Banif - Banco Internacional do Funchal, S.A.

On 19 December 2015, the Board of Directors of Banco de Portugal resolved to declare that BANIF – Banco Internacional do Funchal, SA ('BANIF') was “at risk or in a situation of insolvency”, initiating an urgent resolution process in the modality of total or partial disposal of its activity which resulted in the disposal on 20 December 2015 to Banco Santander Totta, SA of the assets, liabilities and off-balance sheet items managed by BANIF for the total amount of 150 million euros.

The assets that were not sold were transferred to an asset management vehicle, called Oitante, S.A. (Oitante), created specifically for this purpose, whose sole shareholder is the Resolution Fund. For this purpose, Oitante issued debt bonds in the amount of 746 million euros, which were fully acquired by BST, with a guarantee provided by the Resolution Fund and a counter-guarantee by the Portuguese State.

The operation involved public support of around 2,255 million euros to cover future contingencies, of which 489 million euros assumed by the Resolution Fund and 1,766 million euros directly by the Portuguese State, as a result of the options agreed between the Portuguese authorities, the European bodies and the BST, for the delimitation of the perimeter of the assets and liabilities sold.

Financing of the Resolution Fund

In a public statement dated September 28, 2016, the Resolution Fund announced that it had agreed with the Ministry of Finance to review the 3,900 million euros loan originally granted to the Resolution Fund in 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the loan's maturity was intended to ensure the Resolution Fund's ability to meet its obligations through its regular income, regardless of any contingencies to which the Resolution Fund is exposed. On the same day, the Cabinet of the Minister of Finance also announced that increases in liabilities arising from the materialization of future contingencies will determine the adjustment of the maturity of State and Bank loans to the Resolution Fund, in order to maintain the contributory effort required from the sector banking at current levels. According to the Resolution Fund communiqué of March 21, 2017:

- “The conditions of the loans obtained by the Fund to finance the resolution measures applied to Banco Espírito Santo, S.A. and to Banif – Banco Internacional do Funchal, S.A. were changed.” These loans amount to 4,953 million euros, of which 4,253 million euros were granted by the State and 700 million euros were granted by a banking syndicate.
- Those loans now mature in December 2046, without prejudice to the possibility of early repayment based on the use of the Resolution Fund's revenues. The maturity period will be adjusted in terms that guarantee the Resolution Fund's ability to fully meet its obligations based on regular income and without the need for special contributions or any other type of extraordinary contributions.
- The review of loan conditions aimed at ensuring the sustainability and financial balance of the Resolution Fund, based on a stable, predictable and affordable charge for the banking sector.
- The new conditions allow the full payment of the Resolution Fund's responsibilities, as well as the respective remuneration, without the need to resort to special contributions or any other type of extraordinary contributions by the banking sector”.

According to the 2021 Resolution Fund Report and Accounts (latest available):

- The Fund has negative own resources of 7 208 million euros;
- The Resolution Fund is not required to present a positive net position. In the event of insufficient resources, the Resolution Fund may receive special contributions, by determination of the member of the Government responsible for the area of finance, under the terms of article 153-I of the RGICSF, and no contributions of this nature are foreseen, in particular after reviewing the above-described Resolution Fund financing conditions;

- Regarding the contingent capital mechanism, and with regard to future periods, it is considered that there is significant uncertainty regarding the relevant parameters for the determination of possible future liabilities, either for its increase or for its reduction, under the terms of the relative agreement to the contingent capitalization mechanism with Novo Banco.
- As of December 31, 2020, the Resolution Fund is cited as a defendant or a counter-interest in several lawsuits related to resolution measures. Legal actions related to the application of resolution measures have no legal precedent, which makes it impossible to use case law in their assessment, as well as a reliable estimate of the possible contingent financial effect associated.
- The Resolution Fund also has other contingent liabilities related to the following situations:
  - Guarantee provided on bonds issued by Oitante, whose value as at 31 December 2020 amounts to 200 million euros;
  - Application of the principle that no creditor of the credit institution under resolution will be able to assume a greater loss than it would have assumed if that institution had gone into liquidation;
  - Neutralization of possible negative effects of future decisions, arising from the resolution process, which result in liabilities or contingencies for Novo Banco;
  - Limit on payments under the contingent capitalization mechanism;
  - Treatment, in light of the CCA signed with Novo Banco, of the effects arising from any discretionary decision by Novo Banco to reverse its previous decision to adhere to the transitional regime related to the introduction of IFRS 9;
  - Treatment, in light of the CCA concluded with Novo Banco, of the effects arising from Novo Banco's intention not to make use of the regime provided for in Regulation (EU) 2020/873 of the European Parliament and of the Council, of 24 June 2020;
  - Impact of READD on the 25% stake in Novo Banco;
  - Other contingent liabilities arising from the agreements for the sale of Novo Banco.

At the present date, there is no estimate regarding the total value of any losses to be incurred by the Resolution Fund resulting from the process of sale of Novo Banco, from the disputes associated with the BES resolution process, including within the scope of the so-called “process of the injured parties of the BES” and attempts to resolve the same, any losses resulting from the resolution of Banif and charges related to the respective processes.

In order to meet its responsibilities, the Resolution Fund has receipts from initial and periodic contributions from participating institutions (including Haitong Bank) and from contributions to the banking sector established by Law No. 55-A/2010. There is also the possibility for the Government to determine, by decree that special contributions be made in situations provided for by law, specifically in the event that the Resolution Fund does not have its own resources to fulfil its obligations.

Pursuant to the provisions of Decree-Law no. 24/2013, which establishes the functioning of the Resolution Fund, the Bank has been making mandatory contributions since 2013, as provided for in the aforementioned diploma.

In 2022, the Bank made periodic contributions to the Resolution Fund and to the banking sector in the amounts of 517 thousand euros and 1 480 thousand euros, respectively, which are recognised as costs in accordance with IFRIC 21 – Fees.

On 3 November 2015, Banco de Portugal issued a Circular Letter under which it is clarified that the periodic contribution to the Resolution Fund must be recognised as a cost at the time of the occurrence of the event that creates the obligation to pay the contribution, that is, on the last day of April of each year, as stipulated in article 9 of Decree-Law no. in the year in which it becomes due, pursuant to IFRIC 21 - Fees. On November 15, 2015, the Resolution Fund issued a statement stating: "it is further clarified that it is not foreseeable that the Resolution Fund will propose the creation of a special contribution to finance the resolution measure applied to BES. The possible collection of a special contribution appears, therefore, to be remote."

The financial statements as at 30 June 2022 reflect the Board of Directors' expectation that the Bank, as an entity participating in the Resolution Fund, will not be required to make special contributions or any other type of extraordinary contributions to finance the resolution measures applied to BES and to Banif or any other liability or contingent liability assumed by the Resolution Fund in the context of the aforementioned measures, taking into account:

- the conditions defined within the scope of the renegotiation in March 2017 of the loans that the Resolution Fund obtained to finance resolution measures, including the extension of the maturity period to December 31, 2046 and the possibility of adjusting this period, having as objective to ensure that the Resolution Fund is able to fully meet its obligations based on regular income and without the need for special contributions or any other type of extraordinary contributions by the banking sector; and
- public announcements made by the Resolution Fund and the Office of the Minister of Finance, which refer to the objective of ensuring that such contributions will not be necessary.

NOTE 36 – RELATED PARTIES TRANSACTIONS

The Group's related parties transactions as at 31st December 2022 and 31st December 2021, as well as the respective expenses and income recognised in the year, are summarized as follows:

(thousand euros)

	31.12.2022					
	Assets			Liabilities	Income	Expenses
	Credit	Others	Total			
Subsidiaries and associates of shareholders						
HAITONG INTERNATIONAL SECURITIES CO LTD	-	-	-	-	531	-
HAITONG INTERNATIONAL (UK) LIMITED	-	-	-	54	-	-
HAITONG INVESTMENT IRELAND PLC	45 511	2 412	47 923	8 270	607	916
HAITONG PRIVATE EQUITY FUND	-	114	114	5 842	222	1
TOTAL	45 511	2 526	48 037	14 166	1 360	917

(thousand euros)

	31.12.2022					
	Assets			Liabilities	Income	Expenses
	Credit	Others	Total			
Subsidiaries and associates of shareholders						
HAITONG INTERNATIONAL STRATEGIC INVESTMENT	-	-	-	-	8 000	-
HAITONG SECURITIES	-	-	-	-	24 000	-
HAITONG INTERNATIONAL SECURITIES CO LTD	-	1 297	1 297	-	3 918	1
HAITONG INNOVATION SECURITIES INVESTMENT CO LTD	-	-	-	-	1 500	-
HAITONG INTERNATIONAL SECURITIES GROUP LIMITED	-	-	-	-	2 102	-
HAITONG INTERNATIONAL SECURITIES USA INC	-	-	-	-	-	-
UNICAM LIMITED	-	-	-	69	-	576
HAITONG INTERNATIONAL (UK) LIMITED	-	-	-	-	1 292	-
HAITONG INVESTMENT IRELAND PLC	-	4 298	4 298	288 616	1 717	8 107
HAITONG PRIVATE EQUITY FUND	-	-	-	5 118	15	-
TOTAL	-	5 595	5 595	293 803	42 544	8 684

As at 31st December 2022, the income heading includes 24,003 thousand euros concerning fee and commission income heading from banking services (31st of December 2021: 39,519 thousand euros).

The value of Haitong Group transactions with related entities in which the Administrator and/or family have significant influence, in the period ended December 31, 2022 and in December 2021, as well as the respective costs and income recognised in the period, are summarized as follows:

(thousand euros)

	31.12.2022						
	Assets			Guarantees	Liabilities	Income	Expenses
	Securities	Others	Total				
Entities with relevant influence							
Mota Engil SGPS	14 919	-	14 919	-	18	217	198
TOTAL	**14 919**	**-**	**14 919**	**-**	**18**	**217**	**198**

(thousand euros)

	31.12.2022						
	Assets			Guarantees	Liabilities	Income	Expenses
	Securities	Others	Total				
Entities with relevant influence							
Nos Comunicações S.A.	-	-	-	-	17	7 843	8 013
Mota Engil SGPS	11 839	10	11 849	29 000	10	1 175	17
GamaLife - Companhia de Seguros de Vida, S.A.	-	-	-	-	-	140	-
TOTAL	**11 839**	**10**	**11 849**	**29 000**	**27**	**9 158**	**8 030**

NOTE 37 – FAIR-VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair-value of financial assets and liabilities

Haitong Bank Group estimates the fair value of its instruments based on prices quoted in active markets or, when such prices are not available, based on valuation techniques following standard valuation models such as discounted cash flows and option pricing models. The valuation models' parameter inputs are based on observable data, when available, derived from prices of financial instruments actively traded or based on indicative broker quotes.

The Group performs valuation adjustments to reflect counterparty credit risk (CVA) for uncollateralized derivatives assets considering the current exposure, loss given default and the probability of default. This probability of default is based on the Group's credit risk assessment model or market information where applicable.

The fair-value of financial assets and liabilities for the Group is analysed:

(thousand euros)

	Amortised cost	Valued at Fair Value			Total book value	Fair Value
		Level 1	Level 2	Level 3		
Balance as at 30 June 2022						
Cash and cash equivalents	25 828	-	-	-	25 828	25 828
Financial assets at fair value through profit or loss						
Financial assets held for trading						
Securities	-	31 832	713 771	-	745 603	745 603
Derivative financial assets	-	-	48 404	534	48 938	48 938
Non-trading financial assets mandatorily at fair value through						
Securities	-	5	7 953	8 560	16 518	16 518
Loans and advances to customers	-	-	-	20	20	20
Financial assets at fair value through other comprehensive	-	121 510	84 712	89 271	295 493	295 493
Financial assets measured at amortised cost						
Securities	721 519	-	-	-	721 519	675 804
Loans and advances to banks	490 318	-	-	-	490 318	490 318
Loans and advances to customers	771 785	-	-	-	771 785	763 967
Financial Assets	**2 009 450**	**153 347**	**854 840**	**98 385**	**3 116 022**	**3 062 489**
Financial liabilities held for trading						
Securities	-	97	-	-	97	97
Derivative financial liabilities	-	-	39 237	222	39 459	39 459
Financial liabilities measured at amortised cost						
Resources of credit institutions	1 354 051	-	-	-	1 354 051	1 354 051
Resources of customers	747 140	-	-	-	747 140	747 140
Debt securities issued	542 037	-	-	-	542 037	535 311
Financial Liabilities	**2 643 228**	**97**	**39 237**	**222**	**2 682 784**	**2 676 058**
Balance as at 31st December 2021						
Cash and cash equivalents	488 544	-	-	-	488 544	488 544
Financial assets at fair value through profit or loss						
Financial assets held for trading						
Securities	-	36 326	309 714	-	346 040	346 040
Derivative financial assets	-	-	89 565	349	89 914	89 914
Non-trading financial assets mandatorily at fair value through						
Securities	-	753	7 546	11 478	19 777	19 777
Loans and advances to customers	-	-	-	22	22	22
Financial assets at fair value through other comprehensive	-	128 517	38 012	93 240	259 769	259 769
Financial assets measured at amortised cost						
Securities	532 773	-	-	-	532 773	526 128
Loans and advances to banks	54 022	-	-	-	54 022	54 022
Loans and advances to customers	620 241	-	-	-	620 241	614 908
Financial Assets	**1 695 580**	**165 596**	**444 837**	**105 089**	**2 411 102**	**2 399 124**
Financial liabilities held for trading						
Securities	-	1 036	-	-	1 036	1 036
Derivative financial liabilities	-	-	74 272	330	74 602	74 602
Financial liabilities measured at amortised cost						
Resources of credit institutions	759 397	-	-	-	759 397	759 397
Resources of customers	1 164 000	-	-	-	1 164 000	1 164 000
Debt securities issued	26 750	-	-	-	26 750	26 750
Financial Liabilities	**1 950 147**	**1 036**	**74 272**	**330**	**2 025 785**	**2 025 785**

Fair-value Hierarchy

The Bank's financial instruments are classified under the three levels defined in IFRS 13 according to the following:

Level 1 – Instruments valued using quoted prices observed in active and liquid markets. These include government bonds, credit bonds and exchange traded equities and derivatives.

Level 2 – Instruments valued using valuation techniques based on observable market inputs, quotes prices for similar instruments in active markets or for identical instruments in markets that are neither active nor liquid. These includes bonds, plain vanilla OTC derivatives, less liquid equities and funds valued at Net Asset Values (NAV) published daily by the fund manager and with possibility of daily redemption. The OTC derivatives includes financial instruments traded in OTC (over-the-counter), in which the counterparty has signed agreements of collateral (ISDA with CSA – Credit Support Annex), with very small Minimum Transfer Amount (MTS), which allows to mitigate the counterparty's Credit Risk while the CVA (Credit Value Adjustment) does not have a significant impact on the instrument valuation. Additionally, it also includes financial derivatives traded in OTC, without CSA, but the percentage of information not observed in market (e.g.: Internal Rating, Probability of Default determined by internal models, etc.) within the CVA valuation is not meaningful in what concerns the value of derivative as a whole. It is considered as significant when the value of CVA is higher than 5%.

Level 3 – Instruments measured using valuation techniques based on non-observable market inputs and that do not comply with the requirements to be classified under Level 1 nor Level 2. These include non-plain vanilla OTC derivatives valued based on non-observable market inputs or on indicative prices published by third parties, distressed and highly illiquid bonds, funds valued at Net Asset Values (NAV) published by the fund manager without possibility of daily redemption and private equity placements. In the Level 3 are included financial instruments traded in OTC market with counterparties which Haitong Bank doesn't have CSA signed and the percentage of unobservable data incorporated in CVA valuating is considered significant in the total value of the derivative (value of CVA has a weight higher than 5% of the value of derivate).

For financial instruments recorded in the balance sheet at fair value, the movement occurred between 31st December 2022 and 31st December 2021 in assets and liabilities classified in level 3 is as follows:

(thousand euros)

	Financial assets held for trading	Financial assets mandatory at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Total
	Derivative financial assets	Securities	Loans and advances		
Balance as at 31st December 2021	**19**	**11 478**	**22**	**93 240**	**104 759**
Results recognized in Net Interest Margin	-	-	-	4 829	**4 829**
Net trading income and from other financial instruments at fair value through profit or loss	502	(1 792)	(2)	-	**(1 292)**
Net gains/(losses) derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	138	**138**
Impairment on other financial assets net of reversal and recoveries	-	-	-	1 348	**1 348**
Other fair value changes	(13)	572	-	468	**1 027**
Fair value reserve changes	-	-	-	(1 214)	**(1 214)**
Acquisitions	-	-	-	61 082	**61 082**
Sales	-	(1 635)	-	(11 000)	**(12 635)**
Reimbursements	-	(63)	-	(58 754)	**(58 817)**
Derivatives financial flows	(271)	-	-	-	**(271)**
Transfers from other levels	75	-	-	-	**75**
Transfers to other levels	-	-	-	(866)	**(866)**
Balance as at 31 December 2022	**312**	**8 560**	**20**	**89 271**	**98 163**

In 2022, based on the assessment of the market liquidity of the securities, Investment Securities of 866 thousand euros were transferred from Level 3 to Level 2.

With regard to derivative instruments, in 2022, 75 thousand euros were transferred from Level 2 to Level 3, whose CVA impact on the derivative's valuation increased to more than 5%.

Based on the assessment of the market liquidity of the securities, Investment Securities of 4 564 thousand euros of Investment Securities transferred from Level 1 to Level 2. In regards to Trading Securities, 1 273 thousand were transferred from Level 1 to Level 2 and 657 thousand from Level 2 to Level 1.

(thousand euros)

	Financial assets held for trading	Financial assets mandatory at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Total
	Derivative financial assets	Securities	Loans and advances		
Balance as at 31st December 2020	-	28 017	-	114 631	142 648
Results recognized in Net Interest Margin	-	-	-	7 702	**7 702**
Net trading income and from other financial instruments at fair value through profit or loss	-	5 308	-	-	**5 308**
Net gains/(losses) derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	37	**37**
Impairment on other financial assets net of reversal and recoveries	-	-	-	(2 389)	**(2 389)**
Other fair value changes	-	4 154	-	(3 003)	**1 151**
Fair value reserve changes	-	-	-	2 843	**2 843**
Acquisitions	-	-	22	38 845	**38 867**
Sales	-	(26 016)	-	(8 814)	**(34 830)**
Reimbursements	-	15	-	(52 871)	**(52 856)**
Transfers from other levels	19	-	-	-	**19**
Transfers to other levels	-	-	-	(3 741)	**(3 741)**
Balance as at 31 December 2021	19	11 478	22	93 240	104 759

º

In 2021, based on the assessment of the market liquidity of the securities, trading assets of 3,741 thousand euros were transferred from Level 3 to Level 2. With regard to derivative instruments, in 2021, 19 thousand euros were transferred from Level 2 to Level 3, whose CVA impact on the derivative's valuation increased to more than 5%.

The main parameters used during the first half of 2022 in what concerns valuation models were the following:

Yield curves

The short-term rates set out below reflects indicative values of deposit interest rates and/or futures. Swap rates are used in the long-term tenors of the interest curve:

(%)

	31.12.2022			31.12.2021		
	EUR	USD	GBP	EUR	USD	GBP
Overnight	1,89	4,32	3,44	-0,58	0,07	0,18
1 month	1,88	4,46	3,47	-0,55	0,10	0,19
3 months	2,13	4,77	3,87	-0,50	0,12	0,08
6 months	2,69	5,16	4,37	-0,46	0,00	0,47
1 year	3,69	4,76	4,69	-0,15	0,35	0,88
3 years	3,31	4,33	4,56	0,01	0,93	1,30
5 years	3,24	4,02	4,32	0,13	1,35	1,29
7 years	3,20	3,90	4,13	0,30	1,46	1,23
10 years	3,20	3,84	3,99	0,50	1,57	1,20
15 years	3,14	3,81	3,91	0,55	1,70	1,18
20 years	2,92	3,74	3,83	1,76	1,76	1,15

Credit spreads

Credit spreads curves and recovery rates used by the Group are sourced on a daily basis from Markit. The table below reflects the evolution of the main CDS indices:

(thousand euros)

Index	Series	3 years	5 years	7 years	10 years
31.12.2022					
CDX USD Main	31	56,90	82,00	101,70	117,80
iTraxx Eur Main	30	66,40	90,60	107,50	123,20
iTraxx Eur Senior Financial	30	-	99,30	-	128,90
31.12.2021					
CDX USD Main	31	28,59	49,00	68,55	89,00
iTraxx Eur Main	30	26,82	47,76	66,67	87,05
iTraxx Eur Senior Financial	30	-	54,86	-	85,86

Interest rate volatilities

The following figures reflect at-the-money implied volatilities:

(%)

	31.12.2022			31.12.2021		
	EUR	USD	GBP	EUR	USD	GBP
1 year	99,45	92,63	127,11	24,37	55,24	56,00
3 years	123,34	143,55	169,91	55,12	78,12	73,59
5 years	124,84	143,58	167,18	67,01	81,28	76,60
7 years	121,78	135,76	158,58	69,13	81,30	76,81
10 years	115,50	125,08	147,39	70,29	79,65	75,64
15 years	106,94	109,68	130,46	68,11	76,08	73,60

Foreign exchange rate and volatilities

The table below reflects ECB's (European Central Bank) foreign exchange rates fixings and at-the-money implied volatilities:

	Exchange Rate		Volatiliy (%)				
	31.12.2022	31.12.2021	1 month	3 months	6 months	9 months	1 year
EUR/USD	1,0666	1,1326	8,56	8,76	8,40	8,26	8,16
EUR/GBP	0,8869	0,8403	7,44	7,67	7,75	7,84	7,91
EUR/CHF	0,9847	1,0331	5,75	6,02	6,05	6,11	6,14
EUR/PLN	4,6808	4,5969	7,23	7,72	8,08	8,30	8,44
EUR/CNY	7,3582	7,1947	9,00	8,80	8,48	8,32	8,23
USD/BRL a)	5,2865	5,5713	19,17	19,25	19,10	19,00	18,97

a) Determined based on EUR/USD and EUR/BRL

Equity Indexes

The evolution of the main equity indices and the corresponding volatilities are summarized in the following table:

The main methods and assumptions used in the abovementioned valuation of the fair-value of financial assets and liabilities are analysed as follows:

(thousand euros)

	Quotation			Historical volatility (%)		Implied volatility (%)
	31.12.2022	31.12.2021	Range %	1 month	3 months	
DJ Euro Stoxx 50	3 794	4 298	(12)	16,17	19,27	19%
PSI 20	5 726	5 569	3	11,27	16,45	-
IBEX 35	8 229	8 714	(6)	12,67	16,72	-
DAX	13 924	15 885	(12)	15,08	19,53	19%
S&P 500	3 585	4 766	(25)	19,57	25,43	20%
BOVESPA	19 436	104 882	17	22,81	25,19	25%

Cash and cash equivalents and Loans and advances to banks

The statement of financial position value of these financial instruments is considered a reasonable assumption of the corresponding fair-value due to their associated short timeframe.

Loans and advances to customers

The fair-value of loans and advances to customers is estimated based on the update of expected cash flows and interest, by taking into account market spreads for similar transactions (if they were entered into in the current moment) considering that the instalments are paid in compliance with the deadlines contractually agreed upon.

Resources of other credit institutions

The balance-sheet value of these financial instruments is considered a reasonable assumption of the corresponding fair-value due to their associated short timeframe.

Resources of customers

The fair-value of these financial instruments is determined based on the update of expected cash flows in capital and interest, considering that the payments are in compliance with the deadlines agreed upon contract. Considering that the applicable interest rates are of variable nature and the maturity period of the deposits is substantially inferior to one year, there are no measurable differences in fair-value.

Debt securities issued and Subordinated Liabilities

The fair-value of these instruments is based in market prices, when available. When unavailable, the fair-value it is estimated based on the update of expected cash flows in capital and interest regarding these instruments in the future.

NOTE 38 – RISK MANAGEMENT

As an independent control function, the Risk Management Department, being actively involved in all material decisions and aligned with parent guidelines and practices, aims to enable the Bank to make informed decisions and ensure that the risk policies approved by the Board of Directors are duly implemented and followed.

Credit Risk

The Credit Risk results from the possibility of financial losses arising from the default of the customer or counterparty in relation to the contractual financial obligations established with the Group in the scope of its credit activity. Credit risk is mainly present in traditional banking products - loans, guarantees and loan commitments given - and in derivative products - swaps, forwards and options (counterparty risk).

The Group's credit portfolios are permanently monitored, with interaction between the business teams and risk management throughout the sequential stages of the credit cycle.

The monitoring of the Group's credit risk profile is regularly monitored, namely, in what concerns the evolution of credit exposure, delinquency ratios and provisioning, and concentration metrics.

The Group also controls the approved credit limits and assures the proper functioning of mechanisms related with the credit approval process.

Calculation of ECL

The IFRS 9 standard outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition. According to Haitong Bank Group model, Expected Credit Loss (ECL) is determined as per the detailed information included in chapter 2.4.1., Impairment of Financial Assets and Financial Model:

- **Stage 1 – Performing**: Impairment assessment is carried out based 12-month expected credit loss (ECL). ECL is determined as the exposure as of the reference date multiplied by the 12-month probability of default and the loss given default;
- **Stage 2 – Under Performing**: Impairment assessment will reflect the ECL resulting from default events that may occur over the expected residual life of the instrument;
- **Stage 3 – Non Performing**: Impairment assessment will reflect the ECL over the expected residual life of the instrument.

Inputs in the measurement of ECL

As a result of the characteristics of the Group's portfolio (reduced number of transactions and high heterogeneity), the calculation of the ECL has as the main vector of measurement the individual analysis assessment. Under the collective model, which is applied to financial instruments classified in Stage 1 and to determine the minimum impairment rate applicable to financial instruments classified in Stage 2, the key inputs for ECL measurement are the following:

- Probability of Default (PD): describes the likelihood of default. Haitong Bank takes in account the PD provided by from S&P, whereas the rating assigning process is performed internally based on the S&P methodology. This assures the alignment between the internal risk management and the impairment calculation process.
- Loss Given Default (LGD): is the magnitude of the loss at the time of a default. The Bank applies the LGD based on Moody's LGD benchmarks covering a wide historical period.

- Exposure at Default (EAD): the expected exposure in the event of a default. The calculation of EAD depends of the asset type.

Regarding undrawn loan commitments and financial guarantees, the amount considered in the calculation of impairment at each stage results from the exposure as of the reference date weighted by the credit conversion factor (according with CRR – *Capital Requirements Regulation*).

Forward-Looking Information

The Group maintained a simplified approach in what regards the incorporation of forward-looking information (the "forward-looking exercise"), namely to anticipate the recognition of expected credit losses, grounded to the characteristics and size of the Group, and based on a principle of proportionality.

As part of the forward-looking exercise, the Group adjusted the through-the-cycle probabilities of default ("TTC PD"), incorporating prospective macroeconomic information, and generated "point-in-time" probabilities of default ("PiT PD"), which are more precise and adequate to a point in time. The TTC PD are the default probabilities provided by S&P, having the Group developed a methodology to estimate PiT PD, based on the Scalar Factor concept, i.e., a coefficient that enables the conversion of TTC PD into PiT PD.

The Group's forward-looking exercise applies to the collective impairment model and also covers exposures with a significant increase in credit risk, i.e., classified in Stage 2, namely whenever economic projections are available. The forward-looking exercise was based on a multi-scenario approach weighted by the respective probability of occurrence.

The forward-looking exercise relied on a multiple-scenario approach (base, optimist and downside), incorporating different economic conditions and their likelihoods. The multiple scenarios cover the period between 2022 and 2024. The scenarios were mainly determined with reference to external forecasts from Bank of Portugal, regularly published in its Economic Bulletins, IMF's projections dated October 2022 and *Conselho de Finanças Públicas* projections dated September 2022, which are representative of the Bank's view of future Portuguese economic conditions for the calculation of allowance of credit losses, and which ensure the alignment and consistency of the model with the Regulator's macroeconomic predictions.

The annual update of the forward-looking exercise as of December 2022 led to an increase of impairment of approximately 107 thousand euros.

Haitong Bank also carried out a sensitivity analysis, as of 31 December 2022, based on the impact assessment of a 10% variation in external parameters considered in the collective model for the calculation of expected credit losses (PD and LGD). Finally, a +10% shock was applied to the PiT PD and the LGD parameters, verifying that the impact on expected credit losses would result in an increase of around 689 thousand euros and 1.075 thousand euros, respectively.

The financial instruments subject to standard IFRS 9 impairment requirements are presented below, detailed by stage, as of December 31st, 2022 and December 31st, 2021.

(thousand euros)

Asset Type	31.12.2022												
	Stage 1					Total Stage 1	Stage 2				Total Stage 2	Stage 3	Total Stage 3
	Low to Fair risk [aaa+;a-]	Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Doubtful [lccc]	Not rated		Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Doubtful [lccc]	Not rated		Impaired [d]	
Loans and advances to customers	21 733	702 161	-	-	2	723 896	51 933	-	-	-	51 933	9 768	9 768
Guarantees	11 827	118 648	-	-	-	130 475	-	-	18 112	-	18 112	2 692	2 692
Debt Securities	138 262	897 156	-	-	-	1 035 418	-	-	-	-	-	-	-
Loans and advances to banks	468 658	21 680	-	-	-	490 338	-	-	-	-	-	-	-
Cash and cash equivalents	15 432	5 832	-	-	1 696	22 960	-	3 800	-	-	3 800	-	-
Debtors and other assets	7	1 861	285	41	13 467	15 661	-	-	-	-	-	17 298	17 298
Total	655 919	1 747 338	285	41	15 165	2 418 748	51 933	3 800	18 112	-	73 845	29 758	29 758

(thousand euros)

Classe de Ativos	31.12.2021										
	Stage 1				Total Stage 1	Stage 2			Total Stage 2	Stage 3	Total Stage 3
	Low to Fair risk [aaa+;a-]	Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Not rated		Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Not rated		Impaired [d]	
Loans and advances to customers	12 370	504 395	-	33 532	550 297	68 753	-	-	68 753	13 181	13 181
Guarantees	-	114 002	-	-	114 002	-	13 746	-	13 746	5 644	5 644
Debt Securities	43 008	747 491	-	3 609	794 108	-	-	-	-	4 296	4 296
Loans and advances to banks	43 683	3 478	-	4 216	51 377	-	-	3 561	3 561	-	-
Cash and cash equivalents	482 293	6 220	-	23	488 536	-	-	-	-	-	-
Debtors and other assets	-	818	913	14 819	16 550	-	-	-	-	9 949	9 949
Total	581 354	1 376 404	913	56 199	2 014 870	68 753	13 746	3 561	86 060	33 070	33 070

As of December 31, 2022, the majority of non-rated exposures relates to other debtors transactions. As of December 31, 2021, the majority of non-rated exposures (59.4%) was related to buy-sell backs transactions with sovereign debt serving as underlying.

As of December 31st, 2022, the maximum exposure to credit risk of financial assets not subject to impairment requirements amounts to 3 million euros, corresponding to exposures to Central banks.

The table below compiles all financial instruments at amortised cost by industry, stage and days of delay as December 31st, 2022 and December 31st, 2021:

(thousand euros)

31.12.2022										
	Stage 1						Stage 2		Stage 3	
Financial instruments at Amortised cost (including financial guarantees) by industry, stage and past due status	No overdue		More than 181 days (1)		No overdue		No overdue		More than 181 days	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Agribusiness & Commodity Foods	40 109	287	-	-	5 670	161	-	-	-	-
Agricultural Cooperatives	7 696	42	-	-	-	-	-	-	-	-
Automobiles & Components	31 815	60	-	-	-	-	-	-	-	-
Banks	540 413	86	1 617	1 617	3 800	938	-	-	-	-
Building Materials	-	-	191	191	-	-	12	12	-	-
Capital Goods	49 542	89	40	40	-	-	-	-	-	-
Chemicals	23 717	725	-	-	-	-	-	-	-	-
Commercial & Professional Services	59 006	415	92	92	-	-	4 916	1 111	-	-
Construction & Engineering	115 808	368	407	407	-	-	762	239	2 448	2 444
Consumer Durables & Apparel	4 483	88	-	-	-	-	-	-	-	-
Containers & Packaging	5 350	105	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	2 365	46	-	-	-	-	-	-	-	-
Funds & Asset Managers	14 412	15	-	-	-	-	-	-	-	-
Governments	445 808	424	214	214	-	-	-	-	-	-
Health Care	7 947	43	-	-	-	-	-	-	-	-
Hotels & Gaming	-	-	-	-	-	-	-	-	2 127	2 127
Household & Personal Products	38	17	-	-	-	-	-	-	-	-
Investment Holdings	1	-	-	-	-	-	-	-	-	-
Media & Entertainment	-	-	94	94	-	-	-	-	-	-
Metals & Mining	15 421	17	-	-	-	-	-	-	-	-
Non Bank Financial Institutions	50 640	150	-	-	-	-	-	-	-	-
Oil & Gas	39 299	187	-	-	-	-	-	-	-	-
Paper & Forest Products	10 334	45	60	60	-	-	-	-	-	-
Power	167 472	964	57	57	36 521	3 526	-	-	-	-
Real Estate	183 385	1 899	166	166	3 754	278	-	-	-	-
Rental & Leasing	13 917	76	-	-	-	-	-	-	-	-
Retailing	34 336	230	-	-	-	-	-	-	-	-
Technology Hardware & Equipment	-	-	-	-	-	-	7 395	40	-	-
Telecoms	70 112	293	-	-	18 112	453	-	-	-	-
Transportation	4 051	22	-	-	1 182	22	-	-	-	-
Transportation Infrastructure	141 280	201	-	-	4 806	301	2 185	729	9 891	3 569
Water Utilities	17 737	143	-	-	-	-	-	-	-	-
Others	3 844	623	3 235	3 235	-	-	-	-	-	-
Total	2 100 338	7 660	6 173	6 173	73 845	5 679	15 270	2 131	14 466	8 140

(1) Resulting from the specific characteristics of the Receivables portfolio, a simplified approach based on the days past due (and therefore standardized in Stage 1) is applied.

(thousand euros)

Financial instruments at Amortised cost (including financial guarantees) by industry, stage and past due status	31.12.2021									
	Stage 1						Stage 2		Stage 3	
	No overdue		More than 181 days [1]		No overdue		No overdue		More than 181 days	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Agribusiness & Commodity Foods	39 890	344	-	-	5 419	260	-	-	-	-
Agricultural Cooperatives	8 146	19	-	-	-	-	-	-	-	-
Automobiles & Components	11 610	21	-	-	-	-	-	-	-	-
Banks	561 205	98	1 661	1 661	3 561	879	-	-	-	-
Broker Dealers	545	-	-	-	-	-	-	-	-	-
Building Materials	12 533	38	192	192	-	-	12	12	-	-
Capital Goods	23 028	34	40	40	-	-	-	-	-	-
Chemicals	23 574	634	-	-	-	-	-	-	-	-
Commercial & Professional Services	40 047	321	86	86	-	-	5 567	670	-	-
Construction & Engineering	127 272	528	407	407	-	-	902	210	5 489	2 190
Consumer Durables & Apparel	4 799	25	-	-	-	-	-	-	-	-
Containers & Packaging	4 759	54	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	4 228	79	-	-	-	-	-	-	-	-
Funds & Asset Managers	33 389	-	-	-	-	-	-	-	-	-
Governments	277 181	263	214	214	-	-	-	-	-	-
Health Care	51 206	180	-	-	-	-	-	-	-	-
Hotels & Gaming	-	-	-	-	-	-	-	-	2 127	2 127
Household & Personal Products	38	5	-	-	-	-	-	-	-	-
Investment Holdings	25	-	-	-	-	-	-	-	-	-
Media & Entertainment	-	-	94	94	-	-	-	-	-	-
Metals & Mining	13 930	15	-	-	-	-	-	-	-	-
Non Bank Financial Institutions	26 558	36	-	-	-	-	2 728	-	-	-
Oil & Gas	13 874	58	-	-	-	-	-	-	-	-
Paper & Forest Products	26 297	222	60	60	-	-	-	-	-	-
Power	111 350	416	57	57	29 582	2 587	-	-	-	-
Real Estate	126 248	1 005	166	166	3 751	345	-	-	-	-
Retailing	27 231	213	-	-	-	-	-	-	-	-
Telecoms	67 614	220	-	-	13 746	84	-	-	-	-
Transportation	6 597	50	-	-	1 635	122	-	-	-	-
Transportation Infrastructure	90 653	79	-	-	28 366	764	2 036	781	9 891	2 861
Water Utilities	11 439	102	-	-	-	-	-	-	-	-
Others	3 321	887	3 181	3 181	-	-	-	-	-	-
Total	1 748 587	5 946	6 158	6 158	86 060	5 041	11 245	1 673	17 507	7 178

(1) Resulting from the specific characteristics of the Receivables portfolio, a simplified approach based on the days past due (and therefore standardized in Stage 1) is applied.

In the following section is presented the gross exposure by asset type, impairment stage and internal rating bucket.

Loans and advances to customers

The table below presents a summary of the portfolio of loans and advances to customers of Haitong Bank Group, as of December 31st, 2022 and December 31st, 2021:

(thousand euros)

Loans and advances to customers		31.12.2022				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	21 733	-	-	-	21 733
Monitoring	[bbb+;b-]	702 161	51 933	-	-	754 094
Impaired	[d]	-	-	7 590	2 156	9 746
Not rated		2	-	-	-	2
Gross carrying amount		**723 896**	**51 933**	**7 590**	**2 156**	**785 575**
Imparidade (Note 30)		3 192	4 288	5 580	730	13 790
Carrying amount		**720 704**	**47 645**	**2 010**	**1 426**	**771 785**
Fair Value Trough Profit and Loss						
Impaired	[d]	-	-	22	-	22
Gross carrying amount		**-**	**-**	**22**	**-**	**22**
Revaluation		-	-	(2)	-	(2)
Carrying amount		**-**	**-**	**20**	**-**	**20**
Total gross carrying amount		**723 896**	**51 933**	**7 612**	**2 156**	**785 597**
Loss allowance		3 192	4 288	5 580	730	13 790
Revaluation		-	-	(2)	-	(2)
Total Carrying amount		**720 704**	**47 645**	**2 030**	**1 426**	**771 805**

(thousand euros)

Loans and advances to customers		31.12.2021				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	12 370	-	-	-	12 370
Monitoring	[bbb+;b-]	504 395	68 753	-	-	573 148
Impaired	[d]	-	-	10 960	2 199	13 159
Not rated		33 532	-	-	-	33 532
Gross carrying amount		**550 297**	**68 753**	**10 960**	**2 199**	**632 209**
Imparidade (Note 30)		2 373	4 078	5 470	47	11 968
Carrying amount		**547 924**	**64 675**	**5 490**	**2 152**	**620 241**
Fair Value Trough Profit and Loss						
Impaired	[d]	-	-	22	-	22
Gross carrying amount		**-**	**-**	**22**	**-**	**22**
Carrying amount		**-**	**-**	**22**	**-**	**22**
Total gross carrying amount		**550 297**	**68 753**	**10 982**	**2 199**	**632 231**
Loss allowance		2 373	4 078	5 470	47	11 968
Total Carrying amount		**547 924**	**64 675**	**5 512**	**2 152**	**620 263**

Guarantees

The table below presents a summary of the portfolio of guarantees granted to clients of Haitong Bank Group, as of 31st December 2022 and December 31st, 2021:

(thousand euros)

Guarantees		31.12.2022				
		Stage 1	Stage 2	Stage 3	POCI	Total
Low to fair risk	[aaa+;a-]	11 827	-	-	-	**11 827**
Monitoring	[bbb+;b-]	118 648	-	-	-	**118 648**
Doubtful	[lccc]	-	18 112	-	-	**18 112**
Impaired	[d]	-	-	2 692	-	**2 692**
Total gross carrying amount		**130 475**	**18 112**	**2 692**	**-**	**151 279**
Imparidade (Note 30)		138	453	340	-	**931**
Total Carrying amount		**130 337**	**17 659**	**2 352**	**-**	**150 348**

(thousand euros)

Guarantees		31.12.2021				
		Stage 1	Stage 2	Stage 3	POCI	Total
Monitoring	[bbb+;b-]	114 002	-	-	-	**114 002**
Doubtful	[lccc]	-	13 746	-	-	**13 746**
Impaired	[d]	-	-	5 644	-	**5 644**
Total gross carrying amount		**114 002**	**13 746**	**5 644**	**-**	**133 392**
Imparidade (Note 30)		96	84	415	-	**595**
Total Carrying amount		**113 906**	**13 662**	**5 229**	**-**	**132 797**

Debt securities

The table below presents a summary of the portfolio of debt securities at amortised cost and at fair value through other comprehensive income of Haitong Bank Group, as of December 31st, 2022 and December 31st, 2021:

(thousand euros)

FVOCI and Amortised cost debt Securities		31.12.2022				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	103 200	-	-	-	**103 200**
Monitoring	[bbb+;b-]	619 981	-	-	-	**619 981**
Gross carrying amount		**723 181**	**-**	**-**	**-**	**723 181**
Imparidade (Note 30)		1 662	-	-	-	**1 662**
Carrying amount		**721 519**	**-**	**-**	**-**	**721 519**
Fair Value through Other Comprehensive Income						
Low to fair risk	[aaa+;a-]	35 062	-	-	-	**35 062**
Monitoring	[bbb+;b-]	277 175	-	-	-	**277 175**
Gross carrying amount		**312 237**	**-**	**-**	**-**	**312 237**
Imparidade (Note 30)		1 289	-	-	-	**1 289**
Revaluation		(15 455)	-	-	-	**(15 455)**
Carrying amount		**295 493**	**-**	**-**	**-**	**295 493**
Total gross carrying amount		**1 035 418**	**-**	**-**	**-**	**1 035 418**
Loss allowance		2 951	-	-	-	2 951
Revaluation		(15 455)	-	-	-	(15 455)
Total Carrying amount		**1 017 012**	**-**	**-**	**-**	**1 017 012**

(thousand euros)

FVOCI and Amortised cost debt Securities		31.12.2021				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	9 507	-	-	-	9 507
Monitoring	[bbb+;b-]	524 476	-	-	-	524 476
Gross carrying amount		**533 983**	**-**	**-**	**-**	**533 983**
Imparidade (Note 30)		1 210	-	-	-	1 210
Carrying amount		**532 773**	**-**	**-**	**-**	**532 773**
Fair Value through Other Comprehensive Income		-	-	-	-	-
Low to fair risk		33 501	-	-	-	33 501
Monitoring	[bbb+;b-]	223 015	-	-	-	223 015
Impaired	[d]	-	-	-	4 296	4 296
Not rated		3 609	-	-	-	3 609
Gross carrying amount		**260 125**	**-**	**-**	**4 296**	**264 421**
Imparidade (Note 30)		800	-	-	37	837
Revaluation		(3 815)	-	-	-	(3 815)
Carrying amount		**255 510**	**-**	**-**	**4 259**	**259 769**
Total gross carrying amount		**794 108**	**-**	**-**	**4 296**	**798 404**
Loss allowance		2 010	-	-	37	2 047
Revaluation		(3 815)	-	-	-	(3 815)
Total Carrying amount		**788 283**	**-**	**-**	**4 259**	**792 542**

Cash equivalents

The table below presents a summary of the cash equivalents portfolio of Haitong Bank Group, as of December 31st, 2022 and December 31st, 2021:

(thousand euros)

Cash equivalents		31.12.2022				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	15 432	-	-	-	15 432
Monitoring	[bbb+;b-]	5 832	-	-	-	5 832
Substandard	[ccc+;ccc]	-	3 800	-	-	3 800
Not rated		1 696	-	-	-	1 696
Total gross carrying amount		**22 960**	**3 800**	**-**	**-**	**26 760**
Loss allowance (Note 30)		1	938	-	-	939
Total Carrying amount		**22 959**	**2 862**	**-**	**-**	**25 821**

Cash equivalents		31.12.2021				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	482 293	-	-	-	482 293
Monitoring	[bbb+;b-]	6 220	-	-	-	6 220
Not rated		23	-	-	-	23
Total gross carrying amount		488 536	-	-	-	488 536
Loss allowance (Note 30)		1	-	-	-	1
Total Carrying amount		488 535	-	-	-	488 535

Loans and advances to banks

The table below presents a summary of the portfolio of loans and advances to banks of Haitong Bank Group, as of December 31st, 2022 and December 31st, 2021:

(thousand euros)

Loans and advances to Banks		31.12.2022				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	468 658	-	-	-	468 658
Monitoring	[bbb+;b-]	21 680	-	-	-	21 680
Total gross carrying amount		490 338	-	-	-	490 338
Imparidade (Note 30)		20	-	-	-	20
Total Carrying amount		490 318	-	-	-	490 318

(thousand euros)

Loans and advances to Banks		31.12.2021				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	43 683	-	-	-	43 683
Monitoring	[bbb+;b-]	3 478	-	-	-	3 478
Not rated		4 216	3 561	-	-	7 777
Total gross carrying amount		51 377	3 561	-	-	54 938
Imparidade (Note 30)		37	879	-	-	916
Total Carrying amount		51 340	2 682	-	-	54 022

Debtors and other assets

The table below presents a summary of the portfolio of debtors and other assets portfolio of Haitong Bank Group, as of December 31st, 2022 and December 31st, 2021:

(thousand euros)

Debtors and other assets		31.12.2022				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	7	-	-	-	**7**
Monitoring	[bbb+;b-]	1 861	-	-	-	**1 861**
Substandard	[ccc+;ccc]	285	-	-	-	**285**
Doubtful	[lccc]	41	-	-	-	**41**
Impaired	[d]	-	-	7 407	9 891	**17 298**
Not rated		13 466	-	-	-	**13 466**
Total gross carrying amount		**15 660**	**-**	**7 407**	**9 891**	**32 958**
Imparidade (Note 30)		8 820	-	52	3 569	**12 441**
Total Carrying amount		**6 840**	**-**	**7 355**	**6 322**	**20 517**

(thousand euros)

Debtors and other assets		31.12.2021				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Monitoring	[bbb+;b-]	818	-	-	-	**818**
Substandard	[ccc+;ccc]	913	-	-	-	**913**
Impaired	[d]	-	-	58	9 891	**9 949**
Not rated		14 819	-	-	-	**14 819**
Total gross carrying amount		**16 550**	**-**	**58**	**9 891**	**26 499**
Imparidade (Note 30)		8 387	-	58	2 861	**11 306**
Total Carrying amount		**8 163**	**-**	**-**	**7 030**	**15 193**

Throughout 2022, an exposure in the amount of 18.8 million euros has been transferred from Stage 2 (lifetime expected credit loss) to Stage 1 (12 month expected credit loss).

The use of credit protection is a key element of the risk policy and credit decision process, influencing the acceptance criteria, the decision levels, and the pricing.

The main risk mitigation techniques used by the Group are financial pledges (funded credit protection – financial collateral in the form of securities and cash) and personal guarantees (unfunded credit protection with substitution effect).

Haitong Bank Group follows the prescription of CRR in what concerns collateral haircuts for impairment calculation. Thus, instead of using the collateral value, the Group considers the collateral value after haircut application.

Frequency and methods of collateral valuation depends on the nature of the collateral. For listed equity securities and debt securities, valuation occurs on a daily basis using market prices.

The pledge of bank accounts valuation takes place on a quarterly basis according to information provided by the depositary bank.

Regarding pledges over non-listed equity securities, pledges over equipment and mortgages valuation, it is done at least on an annual basis and it is based on financial information of the borrower or on valuation reports of external entities (e.g. real estate).

As of December 31st, 2022, the amount of financial instruments with no losses identified, due to credit risk's mitigation techniques (i.e. whenever the exposure at default net of collateral is equal to zero), was 12,749 thousand euros, accounted under guarantees and securities.

The table below disaggregates the financial instrument and financial guarantees' gross exposure, and exposure at default (EAD) separately for each stage and POCI.

(thousand euros)

31.12.2022									
Rating bucket		Stage 1		Stage 2		Stage 3		POCI	
		Gross Exposure	EAD	Gross Exposure	EAD	Gross Exposure	EAD	Gross Exposure	EAD
Low to fair risk	[aaa+;a-]	655 919	643 738	-	-	-	-	-	-
Monitoring	[bbb+;b-]	1 747 338	1 548 026	51 933	51 760	-	-	-	-
Substandard	[ccc+;ccc]	285	285	3 800	3 800	-	-	-	-
Doubtful	[lccc]	41	41	18 112	9 056	-	-	-	-
Impaired	[d]	-	-	-	-	17 711	17 321	12 047	12 047
Not rated		15 165	15 161	-	-	-	-	-	-
Total		2 418 748	2 207 251	73 845	64 616	17 711	17 321	12 047	12 047

(thousand euros)

31.12.2021									
Rating bucket		Stage 1		Stage 2		Stage 3		POCI	
		Gross Exposure	EAD	Gross Exposure	EAD	Gross Exposure	EAD	Gross Exposure	EAD
Low to fair risk	[aaa+;a-]	581 354	580 919	-	-	-	-	-	-
Monitoring	[bbb+;b-]	1 376 403	1 260 064	68 753	65 510	-	-	-	-
Substandard	[ccc+;ccc]	913	913	13 746	6 873	-	-	-	-
Impaired	[d]	-	-	-	-	16 684	15 855	16 386	16 386
Not rated		56 200	19 703	3 561	3 561	-	-	-	-
Total		2 014 870	1 861 599	86 060	75 944	16 684	15 855	16 386	16 386

Breakdown of Non-Performing and Forborne Exposures

In accordance with the definitions set out in Annex V to Commission Implementing Regulation (EU) 2018/1627 of 8 October 2018, amending Implementing Regulation (EU) No 680/2014 as regards prudent valuation for supervisory reporting, the Group discloses the non-performing exposures and the forborne exposures.

The definitions of non-performing and forborne exposures are provided under section 2.4.1.

In this sense, as at December 31st, 2022 and December 31st, 2021, the breakdown of performing and non-performing exposures was as follows:

(thousand euros)

	31.12.2022			31.12.2021		
	Gross amount and Revaluations	Impairment, Negative revaluations and Provisions	Coverage	Gross amount and Revaluations	Impairment, Negative revaluations and Provisions	Coverage
Performing exposures	2 666 219	12 459	0,5%	2 258 827	9 866	0,4%
Non-Performing exposures (NPE)	13 244	6 915	52,2%	23 382	6 049	25,9%
Banking Book Debt Securities	-	-	-	4 296	37	0,9%
Loans and advances to customers	9 766	6 310	64,6%	13 181	5 517	41,9%
Guarantees	2 692	340	12,6%	5 644	415	7,4%
Loan commitments	786	265	33,7%	261	80	30,7%
Total	2 679 463	19 374	0,7%	2 282 209	15 915	0,7%
NPE ratio	0,5%			1,0%		
NPL ratio	1,2%			2,1%		

As at December 31st, 2022 and December 31st, 2021, the breakdown of performing and non-performing forborne exposures was as follows:

(thousand euros)

	31.12.2022			31.12.2021		
	Gross amount and Revaluations	Impairment, Negative revaluations and Provisions	Coverage	Gross amount and Revaluations	Impairment, Negative revaluations and Provisions	Coverage
Performing exposures	2 615 468	8 193	0,3%	2 214 231	6 165	0,3%
Performing Forborne exposures	50 751	4 266	8,4%	44 596	3 701	8,3%
Loans and advances to customers	50 751	4 266	8,4%	44 596	3 701	8,3%
Non-Performing Forborne exposures	9 563	5 606	58,6%	16 850	5 134	30,5%
Banking Book Debt Securities	-	-	-	4 296	37	0,9%
Loans and advances to customers	8 777	5 341	60,9%	12 293	5 017	40,8%
Loan commitments	786	265	33,7%	261	80	30,7%
Non-Performing exposures	3 681	1 309	35,6%	6 532	915	14,0%
Total	2 679 463	19 374	0,7%	2 282 209	15 915	0,7%

Concentration risk

Concerning the concentration risk - that is, the risk arising from the possibility of exposure or from a group of exposures sharing common or interrelated risk factors that produce losses large enough to affect the Group's solvency - Haitong Bank has internal limits established for the largest single-name exposures. Regular monitoring of these limits, together with regulatory limits, strengthens the Group's monitoring framework for the concentration of credit risk.

The breakdown of loans and advances to customers, financial assets held for trading and securities, by sector of activity, as of December 31st, 2022 and December 31st, 2021, is as follows:

(thousand euros)

	31.12.2022							
	Loans and advances to customers				Financial assets held-for-trading		Securities	
	Gross amount		Impairment		Securities	Derivative financial assets	Gross amount	Impairment
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans				
Agribusiness & Commodity Foods	25 548	-	337	-	278	9	20 231	110
Agricultural Cooperatives	7 696	-	42	-	-	-	-	-
Automobiles & Components	20 165	-	38	-	-	-	16 912	42
Banks	-	-	-	-	4 047	13 261	76 383	126
Broker Dealers	-	-	-	-	494	430	-	-
Building Materials	-	-	-	-	1 782	-	-	-
Capital Goods	17 596	-	62	-	3 336	-	23 159	27
Chemicals	14 968	-	48	-	3 842	9 621	8 097	26
Commercial & Professional Services	61 686	-	1 391	-	601	-	939	5
Construction & Engineering	5 607	2 468	60	2 444	1 292	441	43 977	359
Consumer Durables & Apparel	-	-	-	-	-	-	5 202	67
Containers & Packaging	5 350	-	105	-	-	-	-	-
Food, Beverage & Tobacco	2 365	-	46	-	-	1 178	10 522	12
Funds & Asset Managers	-	-	-	-	1 600	-	26 235	15
Governments	1 231	-	-	-	711 469	-	538 012	884
Health Care	7 946	-	43	-	-	-	22 078	120
Hotels & Gaming	2 127	-	2 127	-	-	-	7 445	1
Media & Entertainment	-	-	-	-	1 197	4	-	-
Metals & Mining	-	-	-	-	-	-	9 459	12
Non Bank Financial Institutions	45 626	-	146	-	3 866	6 945	26 855	82
Oil & Gas	25 102	-	125	-	3 269	-	14 197	62
Paper & Forest Products	7 572	-	41	-	-	458	2 727	3
Power	167 448	-	4 383	-	1 692	137	39 894	129
Real Estate	124 397	-	589	-	791	29	81 189	489
Rental & Leasing	13 917	-	76	-	-	-	-	-
Retailing	20 210	-	212	-	-	-	14 126	18
Software	-	-	-	-	-	-	5	-
Technology Hardware & Equipment	-	-	-	-	1 742	-	-	-
Telecoms	53 086	-	200	-	1 430	237	25 663	164
Transportation	5 232	-	44	-	657	-	2 998	26
Transportation Infrastructure	148 250	-	1 231	-	1 419	16 188	-	-
Water Utilities	-	-	-	-	799	-	20 176	172
Others	2	-	-	-	-	-	-	-
TOTAL	783 127	2 468	11 346	2 444	745 603	48 938	1 036 481	2 951

(thousand euros)

	31.12.2021								
	Loans and advances to customers					Financial assets held-for-trading		Securities	
	Gross amount		Impairment		Revaluation	Securities	Derivative financial assets	Gross amount	Impairment
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans	Overdue loans				
Agribusiness & Commodity Foods	24 290	-	508	-	-	-	5 156	21 019	96
Agricultural Cooperatives	8 146	-	19	-	-	-	522	-	-
Automobiles & Components	-	-	-	-	-	181	-	20 286	43
Banks	-	-	-	-	-	8 527	15 093	73 080	114
Broker Dealers	-	-	-	-	-	-	285	-	-
Building Materials	12 532	-	38	-	-	-	-	-	-
Capital Goods	10 453	-	11	-	-	169	-	16 088	58
Chemicals	14 954	-	46	-	-	1 016	8 045	8 038	6
Commercial & Professional Services	42 449	-	720	-	-	3 196	-	1 512	4
Construction & Engineering	20 519	2 372	338	1 985	54	1 508	-	29 534	262
Consumer Durables & Apparel	-	-	-	-	-	-	-	3 201	17
Containers & Packaging	4 759	-	54	-	-	-	-	-	-
Food, Beverage & Tobacco	4 228	-	79	-	-	863	5 039	6 596	4
Funds & Asset Managers	33 389	-	-	-	-	-	-	12 513	-
Governments	1 593	-	-	-	-	312 156	-	320 489	485
Health Care	45 913	-	152	-	-	851	-	23 300	115
Hotels & Gaming	-	2 127	-	2 127	-	405	-	17 444	32
Media & Entertainment	-	-	-	-	-	-	3	-	-
Metals & Mining	-	-	-	-	-	2 017	4 085	9 707	15
Non Bank Financial Institutions	-	-	-	-	-	558	3 590	50 142	70
Oil & Gas	-	-	-	-	-	177	1 739	13 874	57
Paper & Forest Products	18 331	-	202	-	-	-	270	19 745	55
Power	116 902	-	2 954	-	-	513	3 089	36 191	87
Real Estate	69 597	-	556	-	-	-	-	82 782	308
Retailing	19 986	-	200	-	-	3 005	-	7 245	13
Software	-	-	-	-	-	-	-	8	-
Telecoms	50 406	-	181	-	-	1 683	52	26 855	62
Transportation	8 232	-	173	-	-	974	-	4 068	33
Transportation Infrastructure	120 963	-	1 624	-	-	202	42 946	-	-
Water Utilities	-	-	-	-	-	-	-	10 649	111
Others	144	-	1	-	-	8 039	-	-	-
TOTAL	627 786	4 499	7 856	4 112	54	346 040	89 914	814 366	2 047

The breakdown of loans and advances to customers, financial assets held for trading and securities, by country risk, as of December 31st, 2022 and December 31st, 2021, is as follows:

(thousand euros)

Country	31.12.2022								
	Loans and advances to customers					Financial assets held-for-trading		Securities	
	Gross amount		Impairment		Revaluation				
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans	Overdue loans	Securities	Derivative financial assets	Gross amount	Impairment
Bermuda	-	-	-	-	-	799	-	-	-
Brazil	121 737	969	5 242	969	-	711 216	9 925	186 778	1 034
Bulgaria	-	-	-	-	-	-	-	10 972	22
Canada	-	-	-	-	-	186	-	-	-
China	-	-	-	-	-	5 076	-	137 579	727
Cyprus	-	-	-	-	-	-	-	9 237	8
Czech republic	-	-	-	-	-	-	-	10 165	19
Finland	-	-	-	-	-	-	-	2 727	3
France	-	-	-	-	-	610	1 142	60 113	53
Germany	20 165	-	38	-	-	-	4 244	10 155	22
Greece	-	-	-	-	-	-	-	22 702	43
Hong kong	-	-	-	-	-	6 915	-	-	-
Hungary	-	-	-	-	-	-	-	17 908	15
Ireland	45 626	-	146	-	-	-	299	-	-
Italy	-	-	-	-	-	2 163	-	177 976	281
Japan	-	-	-	-	-	723	-	-	-
Luxembourg	90 864	-	595	-	-	-	-	32 554	19
Netherlands	-	-	-	-	-	3 988	-	-	-
Poland	94 894	1 499	188	1 475	-	288	29	34 065	176
Portugal	211 714	-	3 231	-	-	6 691	17 024	199 709	425
Romania	-	-	-	-	-	-	-	23 847	30
Singapore	-	-	-	-	-	278	-	-	-
Spain	137 622	-	1 638	-	-	3 173	9 415	77 731	29
Sweden	-	-	-	-	-	-	-	7 783	15
Switzerland	-	-	-	-	-	841	-	-	-
United Kingdom	60 503	-	268	-	-	-	6 860	14 480	30
United States	-	-	-	-	-	1 433	-	-	-
Virgin islands (british)	-	-	-	-	-	1 223	-	-	-
Others	2	-	-	-	-	-	-	-	-
TOTAL	783 127	2 468	11 346	2 444	-	745 603	48 938	1 036 481	2 951

(thousand euros)

Country	31.12.2021								
	Loans and advances to customers					Financial assets held-for-trading		Securities	
	Gross amount		Impairment		Revaluation	Securities	Derivative financial assets	Gross amount	Impairment
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans	Overdue loans				
Belgium	-	-	-	-	-	-	53	-	-
Bermuda	-	-	-	-	-	668	-	-	-
Brazil	119 416	866	4 989	501	-	309 582	16 728	102 449	529
Bulgaria	-	-	-	-	-	-	-	11 559	21
China	-	-	-	-	-	5 060	-	139 632	483
Cyprus	-	-	-	-	-	-	-	9 344	11
Czech republic	-	-	-	-	-	-	-	1 950	1
Finland	-	-	-	-	-	-	-	2 761	3
France	-	-	-	-	-	2 017	424	21 614	32
Germany	5 844	-	30	-	-	1 824	6 177	17 701	18
Greece	-	-	-	-	-	-	-	17 884	55
Hong kong	-	-	-	-	-	3 196	-	1 915	1
Hungary	-	-	-	-	-	-	-	10 566	8
Ireland	-	-	-	-	-	-	3 568	-	-
Italy	-	-	-	-	-	3 915	-	132 202	137
Japan	-	-	-	-	-	573	-	-	-
Luxembourg	30 481	-	61	-	-	-	-	21 353	12
Netherlands	-	-	-	-	-	1 566	-	10 287	19
Poland	75 773	1 506	88	1 484	54	778	-	54 207	225
Portugal	240 199	2 127	1 641	2 127	-	3 460	53 102	196 203	400
Romania	-	-	-	-	-	-	-	24 118	29
Singapore	-	-	-	-	-	863	-	-	-
Spain	101 802	-	872	-	-	6 314	8 765	10 898	18
Sweden	-	-	-	-	-	39	-	7 834	14
Switzerland	-	-	-	-	-	503	-	-	-
United Kingdom	54 127	-	174	-	-	3 409	1 025	14 713	29
United States	-	-	-	-	-	558	72	-	-
Virgin islands (british)	-	-	-	-	-	1 715	-	5 176	2
Others	144	-	1	-	-	-	-	-	-
TOTAL	627 786	4 499	7 856	4 112	54	346 040	89 914	814 366	2 047

Russia-Ukraine Conflict

The Russia-Ukraine conflict has disrupted global economic conditions and triggered turmoil in financial and credit markets.

The Group carried out an internal risk assessment of the banking book borrowers and the related immediate impacts of the conflict, excluding second and third tier indirect impacts and compounding effects. This analysis was carried out by the Front-Office units, which contacted the Bank's customers in order to assess the impacts through the “Early Warning Signals” Questionnaire.

Although the overall implications of the conflict are not fully known, nor are the indirect effects likely to be quantified or predicted, the general conclusion is that at present date none of the borrowers analysed has suffered a severe impact from the conflict.

The conclusions of the internal risk assessment were presented by the Risk Management Department to the Executive Committee, Risk Committee and Board of Directors.

Market risk

Market risk is defined as the possibility of occurrence of losses in on and off balance sheet positions resulting from adverse movements in market prices, specifically, equity, interest rates, foreign exchange rates and credit spreads. In the development of its activities, Haitong Bank is exposed to market risk in both its trading and banking books.

The main mechanism to manage trading market risk is the application of the risk appetite policy, of which the limit framework is a key component. The Bank sets group-wide value-at-risk (VaR) limits for market risk in the trading book.

VaR is a quantitative measure of the potential loss of fair value positions due to market movements and it should not be exceeded in a defined period of time and with a defined confidence level. Haitong Bank estimates VaR by taking actual historical changes in the market variables over one-year time interval, a ten-day time horizon and revalues every position for each market scenario considering a 99% confidence level.

(thousand euros)

	31.12.2022				31.12.2021			
	December	Average	Maximum	Minimum	December	Average	Maximum	Minimum
Foreign Exchange Risk	10 123	7 618	10 584	5 969	4 747	4 142	13 078	1 393
Interest Rate Risk	550	708	1 218	191	550	812	1 625	187
Shares	8	7	10	4	16	12	57	-
Credit spread	604	655	420	420	1 269	1 759	2 871	205
Covariance	(908)	n.a.	n.a.	n.a.	(678)	n.a.	n.a.	n.a.
Global VaR	**10 377**	**7 786**	**10 377**	**6 478**	**5 905**	**6 551**	**13 078**	**3 836**

Source: Haitong Bank

The following table shows the average interest rates verified for the Bank's major categories of financial assets and liabilities, for the financial years ended on December 31, 2022 and 2021, as well as the respective average balances and interest for the financial year:

(thousand euros)

	31.12.2022			31.12.2021		
	Average balance of the period	Interest of the period	Average interest rate	Average balance of the period	Interest of the period	Average interest rate
Monetary assets	561 757	6 092	1,08%	536 588	1 080	0,20%
Loans and advances to customers	729 567	39 764	5,45%	352 464	21 143	6,00%
Investment in securities	741 386	74 772	10,09%	815 887	54 544	6,69%
Collateral accounts	57 926	281	0,49%	75 675	111	0,15%
Financial assets	**2 090 636**	**120 909**	**5,78%**	**1 780 614**	**76 878**	**4,32%**
Monetary resources	1 008 547	30 778	3,05%	688 194	16 359	2,38%
Resources of customers	922 290	52 410	5,68%	1 140 615	27 476	2,41%
Liabilities represented by securities	439 167	22 531	5,13%	46 214	2 717	5,88%
Other resources	18 009	790	4,39%	26 555	699	2,63%
Financial liabilities	**2 388 013**	**106 509**	**4,46%**	**1 901 578**	**47 251**	**2,48%**
Financial Result		**14 400**			**29 627**	

Considering that, the foreign exchange open risk position is the main source of market risk, Haitong Bank closely manages the exposures by currency. As of December 2022 and December 2021, the exposure of assets and liabilities by currency was as follows:

(thousand euros)

	31.12.2022			31.12.2021		
	Spot	Forward	Net Exposure	Spot	Forward	Net Exposure
AOA	7	-	7	-	-	-
AUD	14	-	14	14	-	14
BRL	91 343	14 226	105 568	78 800	16 692	95 492
CAD	36	-	36	59	-	59
CHF	22	-	22	364	-	364
CNY	12 149	-	12 149	12 455	-	12 455
DKK	201	-	201	201	-	201
GBP	37 059	(37 523)	(464)	37 997	(38 193)	(196)
HKD	(777)	-	(777)	(1 273)	1 386	113
JPY	41	-	41	79	-	79
MOP	5 177	-	5 177	5 171	-	5 171
MXN	10	-	10	115	-	115
NOK	11	-	11	12	-	12
PLN	59 275	(33 307)	25 969	87 353	(60 502)	26 851
SEK	36	-	36	89	-	89
TRY	1	-	1	-	-	-
USD	38 012	(36 727)	1 285	120 423	(118 887)	1 536
Total	**242 617**	**(93 331)**	**149 286**	**341 859**	**(199 504)**	**142 355**

Note: asset (liability)

The main source of FX risk of Haitong Bank comes from its foreign subsidiary Haitong Banco de Investimento do Brasil S.A.

Non-trading market risk arises primarily from activities outside of our trading units, in the banking book, and from certain off balance sheet items, embedding considerations of different accounting treatments of transactions. The most significant risk in the banking book is the changes in the interest rate risk (IRRBB).

Haitong Bank aims to capture all material sources of interest rate risk and assess the effect of market changes on the scope of its activities, and manage IRRBB by measuring the sensitivity of the economic value of its banking book and the sensitivity of its net interest margin expected in a given time horizon.

To measure the economic value, the Bank uses a run-off balance sheet, where existing assets and liabilities are not replaced as they mature, whether for net interest income metric, the Bank follows a stable balance sheet model, where maturing contracts are replaced like for like, but with rates equal to be forward rates at the time of maturing.

As of December 2022 and 2021, the repricing profile of the Bank for interest rate risk sensitive positions was the following:

(thousand euros)

Tenor	31.12.2022			31.12.2021		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Up to 3 months	1 230 605	(1 379 015)	(148 410)	1 087 523	(544 947)	542 576
3 to 6 months	274 841	(461 926)	(187 085)	314 894	(552 222)	(237 328)
6 to 12 months	287 198	(123 321)	163 877	204 419	(282 264)	(77 845)
1 to 5 years	651 417	(280 952)	370 465	522 926	(627 320)	(104 394)
More than 5 years	106 392	(50 397)	55 995	114 438	(136)	114 302
Total	**2 550 453**	**(2 295 611)**	**254 842**	**2 244 200**	**(2 006 889)**	**237 311**

Hence the impact of different shocks in the yield curves, measured by the economic value of equity and the net interest income was as follows:

(thousand euros)

Scenarios	31.12.2022		31.12.2021	
	Delta EVE	Delta NII	Delta EVE	Delta NII
+200 bps	(23 379)	4 355	(21 990)	(5 317)
-200 bps	6 999	(4 355)	2 106	5 317
Parallel up	(24 865)	n.a.	(19 577)	n.a.
Parallel down	8 130	n.a.	1 718	n.a.
Steepener	1 382	n.a.	7 489	n.a.
Flattener	(7 063)	n.a.	6 801	n.a.
Short rates up	(13 780)	n.a.	(22 876)	n.a.
Short rates down	5 150	n.a.	7 509	n.a.
% Total Capital	4,36%	0,86%	4,05%	0,98%
% Tier 1 Capital	4,65%	0,86%	4,23%	0,98%

Source: Haitong Bank

Reference interest rate reforms

Regulation (EU) 2016/1011 of the European Parliament and of the Council (known as the EU Benchmark Regulation or BMR) established a common framework to ensure that benchmark interest rates meet certain requirements that guarantee their reliability and efficiency as well as protect the consumer and investor, which implied a set of reforms, currently underway, of the reference interest rates with different implications for the activities of financial institutions.

The Bank holds fallback provisions in its contracts in accordance with market practice to respond to a discontinuity in rates. As of December 31, 2022, there are no financing contracts whose contract rate is associated with Libor rates that are expected to be discontinued. The Bank holds derivatives whose rates are expected to be discontinued and the respective contractual amendments are being negotiated. The contracts in question are under ISDA contracts.

The benchmark reform in Poland replaces the WIBOR index with the WIRON index. From December 2022, banks may use the WIRON index, while a gradual implementation of the index to contracts and financial instruments is planned for 2023. From 2025, it is planned to use the WIRON indicator widely. WIRON is transaction index developer on the basis of deposit transactions concluded by data providers (9 data submitters) with banks, financial institutions and large enterprises.

The Bank recognizes credit exposures with maturity after 2025, therefore, part of the exposure will be subject to the WIRON index, however, it accounts for less than 10% of total current credit risk exposures. On the other hand, no interest rate derivatives go beyond the tenor and mandatory change to WIRON (2025) will not apply. Therefore, there is no need to amend the contracts with customers on these products.

Hedge accounting

On 30th May, 2021 the management strategy have changed, and the Hedge accounting was discontinued. The table below includes the detail of results with hedging instruments used and accounted, on 31st December 2021:

(thousand euros)

	31.12.2021				
	Notional	Book value		Change in fair value (a)	Currency translation reserve
		Assets	Liabilities		
Hedging of net investments in foreign entities					
Hedging instruments					
Foreign exchange risk					
Forward	-	-	-	(698)	(698)
Hedged Itens					
Haitong Banco de Investimento do Brasil S.A	n.a	n.a	n.a	785	785
Total	-	-	-	87	87

(a) Changes in fair value used to calculate the ineffectiveness of the hedge

(thousand euros)

	31.12.2021	
	Gains / (Losses) realised in Other comprehensive income	Ineffectiveness recognized in Income statement (a)
Hedging of net investments in foreign entities		
Hedging instruments		
Foreign exchange risk		
Forward	(698)	1

(a) Net gains/(losses) from hedge accounting

Liquidity risk

Liquidity risk arises from an institution's present or future inability to meet all payment obligations when they come due or secures such resources only at an excessive cost.

Within the scope of the risk vision statement approved by the Board of Directors, Haitong Bank as whole, and all its subsidiaries individually aim to maintain a solid short-term liquidity position and a sustainable medium and long-term funding profile.

To achieve these goals, Haitong Bank seeks to develop a diversified investors' base, ensuring access to alternative funding sources and instruments, and keeping an adequate funding structure to finance its activity.

Haitong Bank's liquidity and funding management is under the direct responsibility of the Executive Committee, advised by the Assets and Liabilities Committee (ALCO). Local treasury teams ensure liquidity daily management in each of the Bank's liquidity hubs (Lisbon, S. Paulo and Warsaw), under the global coordination of Hationg Bank's CEO.

The Bank manages its liquidity by establishing a liquidity risk policy, monitoring a set of liquidity risk metrics, including prudential liquidity ratios, stress testing and liquidity contingency plans, and by setting limits consistent with the Bank's liquidity risk appetite and regulatory requirements.

As of 31 December2022, the Bank held 616 million Euros of High Quality Liquid Assets (671 million Euros in 31 December 2021), of which 458 million were available deposits in Central Banks (454 million Euros in 31 December 2021). The remainder of the High Quality Liquid Assets (HQLA) was mainly composed by sovereign debt of European Union countries and by Brazilian Government bonds denominated in Brazilian Reais owned by Haitong Bank subsidiary in Brazil.

In 31 December2022, Haitong Bank held a surplus of 354 million Euros of its 30 days stressed net outflows, which corresponded to a LCR of 236% (183% on 31 December 2021) comfortably above both regulatory and internal limits.

(thousand euros)

Liquidity Coverage Ratio	December 2022	December 2021
High Quality Liquid Assets	616	671
Surplus over stressed net outflows	355	305
Liquidity Coverage Ratio	**236%**	**183%**

Haitong Bank funding from the Bank of Portugal amounts to 302 million Euros at 31 December2022 (322 million Euros at December of 2021) obtained through the Targeted Longer-Term Refinancing Operations (TLTRO) and Pandemic Emergency Longer-Term Refinancing Operations (PELTRO) facilities, maturing in 2023 and 2024.

During 2022, Haitong Bank's main sources of funding were secured facilities provided by the Central Bank, long term facilities provided by banks, debt securities issued both by Haitong Bank and by the Brazilian subsidiary, sales with repurchase agreements (repos) and deposits from clients (households, corporate and institutional clients).

In market stress situations where the value of derivatives is significantly impacted, additional collateral amounts may be required from Haitong Bank due to master netting agreements (e.g. ISDA) and margin agreements (e.g. Credit Support Annex) entered into with financial institutions. Derivatives positions and collateral received and posted are detailed in notes 19 and 27, respectively.

As of 31st December 2022, contractual undiscounted cash flows of financial assets and liabilities present the following structure:

(thousand euros)

	31.12.2022						
	On demand	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Assets							
Cash and cash equivalents	25 828	-	-	-	-	-	25 828
Financial assets held-for-trading (Securities)	-	21 595	22 485	193 779	1 194 133	-	1 431 992
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	16 518	16 518
Financial assets at fair value through other comprehensive income	-	26 509	99 763	187 059	248 915	-	562 246
Financial assets at amortised cost	-	5 061	22 856	37 180	697 673	-	762 770
Loans and advances to banks	462 739	19 241	8 436	-	-	-	490 416
Loans and advances to customers	971	29 860	144 528	600 603	183 358	-	959 320
Derivatives Instruments	-	233 965	59 639	156 783	12 142	27 584	490 113
	489 538	336 231	357 707	1 175 404	2 336 221	44 102	4 739 203
Liabilities							
Resources from credit institutions	139 747	774 775	55 160	440 288	50 452	-	1 460 422
Resources from customers	60 205	204 289	315 741	180 813	-	-	761 048
Debt securities issued	-	8 710	16 909	593 014	-	-	618 633
Financial liabilities held-for-trading (Securities)	96	-	-	-	-	-	96
Derivatives Instruments	-	226 356	56 545	139 555	5 477	9 830	437 763
	200 048	1 214 130	444 355	1 353 670	55 929	9 830	3 277 962

As of 31st of December 2021, contractual undiscounted cash flows of financial assets and liabilities presented the following structure:

(thousand euros)

	31.12.2021						
	On demand	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Assets							
Cash and cash equivalents	488 544	-	-	-	-	-	488 544
Financial assets held-for-trading (Securities)	-	17 623	14 481	199 327	352 844	1 225	585 500
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	745	-	19 032	19 777
Financial assets at fair value through other comprehensive income	-	22 530	65 327	180 245	55 345	-	323 447
Financial assets at amortised cost	-	24 860	43 457	358 832	135 862	-	563 011
Loans and advances to banks	-	51 739	2 463	-	-	-	54 202
Loans and advances to customers	-	61 341	84 241	436 374	159 026	-	740 982
Derivatives Instruments	-	501 963	319 738	149 576	138 220	59 433	1 168 930
	488 544	680 056	529 707	1 325 099	841 297	79 690	3 944 393
Liabilities							
Resources of other credit institutions	7	29 683	63 735	722 227	57 945	-	873 597
Resources of customers	92 527	233 663	371 399	490 928	-	-	1 188 517
Debt securities issued	-	172	9 785	22 220	-	-	32 177
Financial liabilities held-for-trading (Securities)	1 036	-	-	-	-	-	1 036
Derivatives Instruments	-	495 213	314 316	144 532	131 925	10 270	1 096 256
	93 570	758 731	759 235	1 379 907	189 870	10 270	3 191 583

The derivatives undiscounted cash flows are calculated as gross cash flows of each side of the deal, not considering any net positions.

Operational risk

Operational Risk corresponds to the possible loss resulting from inadequate internal procedures or its negligent application, inadequacy or failure of information systems, staff behaviour or external events. Legal risks are included in this definition. Legal and IT risks are included in this definition. Operational risk is therefore considered as the sum of operational, information systems and compliance risks.

The Bank has in place a framework to ensure the standardization and systematization of the regular activities regarding the identification, assessment, response/ mitigation, monitoring, and control and report of operational risk. A team within the Risk Management Department is exclusively dedicated to the management of this framework.

Capital Management and Solvency Ratio

The main purposes of capital management in the Group are (i) to promote sustainable growth of activity by creating enough capital to withstand the increase of assets, (ii) meet the minimum requirements established by the supervising entities in relation to capital adequacy and (iii) ensure the achievement of the strategic goals set by Group in relation to capital adequacy.

Regulatory capital requirements are determined by the Bank of Portugal under the CRR (Regulation EU nº 876/2019 amending Regulation EU nº 575/2013) and CRD IV (Directive EU nº 878/2019 amending Directive EU nº 2013/36/EU). Under these regulatory frameworks, capital requirements are set in consideration of the level of risk that the Bank is exposed to, which is measured through both risk weighted assets (RWAs) and leverage.

The regulation provides for a transitional period to exclude some elements previously included (phase-out) and include/deduct new elements (phase-in) in which institutions may accommodate the new requirements. The transitional period for the majority of the elements ended in 2017, with the exception of the deferred tax assets generated prior to 1 January 2014, IFRS9 transition adjustment and both the subordinated debt and all the hybrid instruments not eligible as own funds under the new regulations, which have a longer period (until the end of 2022).

Under this regulatory framework, the minimum CET1 ratio is 4.5%, the minimum Tier1 ratio is 6% and the minimum Total Capital Ratio is 8%. In addition, these minimum ratios are supplemented by the capital conservation buffer. CRD IV requirements permitted banks to phase in the impact of this buffer, beginning on 1 January 2016, in increments of 0.625% per year until reaching 2.5% of RWAs on 1 January 2019.

Also related to the CRD IV capital buffers, in November 2016 the Bank of Portugal decided to impose a capital surcharge on six Portuguese banking groups classified as O-SIIs (Other Systemically Important Institutions) in the scope of its annual revision of the identification of the imposition of capital buffers, pursuant to Article 138-R (2) of the Legal Framework of Credit Institutions and Financial Companies (RGICSF). Haitong Bank is excluded from the scope of application of this macro-prudential buffer.

The regulation also provides a counter-cyclical capital buffer of up to 2.5% to be imposed in the event that national supervisors deem it necessary in order to counteract excessive credit growth. As of 31st December 2022, the Bank of Portugal decided not to impose any additional counter-cyclical capital buffer, by setting it at 0% of the total risk exposure amount to domestic counterparties. This decision is subject to revision on a quarterly basis.

In addition to the above-mentioned capital buffers, as of 1 July 2018 Haitong Bank became subject to an additional requirement with a specific add-on, determined and revised under the Supervisory Review and Evaluation Process performed by the Bank of Portugal. As of February 1st 2022, Bank of Portugal, as the authority responsible for supervision on a consolidated basis of Haitong Bank, SA, communicated the decision regarding the annual supervisory review and evaluation process (SREP 2021), according to which it assigns to Haitong Bank a specific own funds requirement of 4%, to be met at all times from the 1st of July of 2022 onwards, determined under the combined provisions of Article 116C (1), (2)(a), (3)(b) and (4) of the RGICSF.

At the moment and for reporting purposes related to prudential effects before the supervising authorities, the Group uses the Standard method for handling credit risk and operational risk ("The Standardized Approach" - TSA method).

The following table summarizes the capital adequacy of the Haitong Bank S.A. Group as at 31st December 2022 and 31st of December 2021:

(thousand euros)

	31.12.2022		31.12.2021	
	Phased-in	Fully-loaded	Phased-in	Fully-loaded
CET1 ratio	17,4%	17,3%	18,9%	18,8%
Tier 1 ratio	21,7%	21,7%	23,5%	23,4%
Total Capital ratio	21,8%	21,8%	23,6%	23,5%

Source: Haitong Bank

NOTE 39 – ACCOUNTINGS STANDARDS AND RECENT INTERPRETATIONS

Standards, interpretations, amendments and revisions that came into force in this year

Up to the date of approval of these financial statements, the following accounting standards, interpretations, amendments and revisions have been endorsed by the European Union, with mandatory application for the financial year beginning on January 1, 2022:

Standard / Interpretation	Applicable in the European Union for financial years beginning on or after	
Amendment to IFRS 3	1-jan-22	This amendment corresponds to the update of the reference to the 2018 conceptual framework; additional requirements for analysis of obligations under IAS 37 or IFRIC 21 at the acquisition date; and explicit clarification that contingent assets are not recognised in a business combination.
Amendment to IAS 16 – “Proceeds before intended use”	1-jan-22	This amendment corresponds to an adjustment to IAS 16 for the prohibition of deduction from the cost of a tangible asset of income related to the sale of products before the asset is available for use.
Amendment to IAS 37 - Onerous Contracts		This amendment corresponds to the clarification that costs of fulfilling a contract correspond to costs directly related to the contract.
Annual Improvements 2018-2020	1-jan-22	They essentially correspond to amendments to the following standards: - IFRS 1 – practical expedient that allows a subsidiary that adopts IFRS for the first time at a later date than its parent company to choose to measure the cumulative translation differences in relation to all foreign operating units by the amount that would be included in the company's financial statements parent, based on the parent company's transition date to IFRS; - IFRS 9 – clarifies the fees that must be included in the 10% test for the purposes of derecognition of a financial liability; - IAS 41 – removes the requirement to exclude tax-related cash flows in the measurement at fair value.

There were no significant effects on the Group's financial statements for the year ended December 31, 2022, as a result of the adoption of the aforementioned standards, interpretations, amendments and revisions.

Standards, interpretations, amendments and revisions that will take effect in future years

The following accounting standards and interpretations, with mandatory application in future financial years, were, until the date of approval of these financial statements, approved ("endorsed") by the European Union:

Standard / Interpretation	Applicable in the European Union for financial years beginning on or after	
IFRS 17 - Insurance Contracts	1-jan-23	These amendments correspond to a set of updates to the various standards mentioned, namely - IFRS 3 - update of the reference to the 2018 conceptual framework; additional requirements for analyzing obligations under IAS 37 or IFRIC 21 at the acquisition date; and explicit clarification that contingent assets are not recognised in a business combination. - IAS 16 – prohibition of deduction from the cost of a tangible asset of income related to the sale of products before the asset is available for use - IAS 37 – clarification that costs of fulfilling a contract correspond to costs directly related to the contract - Annual improvements 2018-2020 essentially correspond to amendments to 4 standards, IFRS 1, IFRS 9, IFRS 16 and IAS 41.
Amendment to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1-jan-23	This standard establishes, for insurance contracts within its scope of application, the principles for their recognition, measurement, presentation and disclosure. This standard replaces standard IFRS 4 - Insurance Contracts.
Amendment to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2 – Disclosure of Accounting Policies	1-jan-23	This amendment published by the IASB in February 2021 changes the definition of an accounting estimate for a monetary amount in the financial statements subject to measurement uncertainty.
Amendment to IAS 12 Income Taxes – Deferred Taxes	1-jan-23	This amendment published by the IASB in February 2021 clarifies that material accounting policies should be disclosed, rather than significant accounting policies, having introduced examples for identifying material accounting policy.
Amendment to IFRS 17 – Insurance contracts – initial application of IFRS 17 and IFRS 9 – comparative information	1-jan-23	This amendment published by the IASB in December 2021 introduces changes to comparative information to be presented when an entity adopts both IFRS 17 and IFRS 9 simultaneously.

These standards, although endorsed by the European Union, were not adopted by the Group in 2022, as their application is not yet mandatory. As a result of the application of the aforementioned standards, no relevant impacts are expected.

Standards, interpretations, amendments and revisions not yet adopted by the European Union

The following accounting standards and interpretations have been issued by the IASB and are not yet endorsed by the European Union:

Standard / Interpretation	Applicable in the European Union for financial years beginning on or after	
Amendments to IAS 1 Standard Presentation of financial statements – Classification of liabilities as current and non-current; Deferral of application date; Non-current liabilities with covenants	1-jan-24	These amendments published by the IASB clarify the classification of liabilities as current and non-current by analyzing the existing contractual conditions at the reporting date. The amendment relating to non-current liabilities with covenants clarified that only the conditions that must be fulfilled before or on the reference date of the financial statements are relevant for the purposes of classification as current/non-current, further postponing the date of application to January 1, 2024
Amendment to IAS 16 – Leases – Lease liability in a sale and leaseback transaction	1-jan-24	This amendment published by the IASB in September 2022 clarifies how a lessee seller accounts for a sale and leaseback transaction that meets the criteria of IFRS 15 to be classified as a sale.

These standards have not yet been endorsed by the European Union and, as such, were not applied by the Group in the year ended December 31, 2022.

Regarding these standards and interpretations, issued by the IASB but not yet endorsed by the European Union, it is not estimated that their future adoption will have significant impacts on the attached financial statements.

INDIVIDUAL FINANCIAL STATEMENTS AND NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

These individual financial statements are a free translation to English from the original Portuguese version. In case of doubt or misinterpretation, the Portuguese version will prevail.

1. INDIVIDUAL FINANCIAL STATEMENTS

Individual Income Statement for the financial years ended on the 31st December 2022 and 2021

(thousand euros)

	Notes	31.12.2022	31.12.2021
Interest and similar income	4	43 408	20 629
Interest and similar expense	4	22 624	12 679
Financial margin		**20 784**	**7 950**
Dividend income	5	178	1 610
Fees and commissions income	6	43 528	58 153
Fees and commissions expenses	6	(4 011)	(4 101)
Net trading income	7	10 228	(2 382)
Net Income from other financial instruments at fair value trought profit or loss	8	238	1 033
Net gains/(losses) from derecognition of financial assets measured at fair value through other comprehensive income	9	604	(692)
Net gains/(losses) from foreign exchange differences	10	(6 748)	1 361
Net gain /(loss) from derecognition of financial assets measured at amortised cost	11	3	1 620
Other Operating income and expense	12	(588)	797
Operating Income		**64 216**	**65 349**
Employee costs	13	30 902	28 198
Administrative costs	15	11 233	13 434
Depreciations and amortisations	23 and 24	5 084	5 140
Provisions	30	74	409
Net impairment loss on financial assets	30	(7 638)	4 278
Operating expenses		**39 655**	**51 459**
Profit / (Loss) before Income Tax		**24 561**	**13 890**
Income tax			
Current tax	31	2 437	490
Deferred tax	31	2 909	4 250
		5 346	**4 740**
Net Profit / (Loss) for the year		**19 215**	**9 150**
Basic Income per Share (in euros)	16	0,11	0,05
Diluted Income per Share (in euros)	16	0,11	0,05

The following notes form an integral part of these financial statements

The Director of the Finance Department

The Board of Directors

Individual Statement of Comprehensive Income the financial years ended on the 31st December 2022 and 2021

(thousand euros)

	31.12.2022	31.12.2021
Net income of the year	19 215	9 150
Other comprehensive income for the year		
Items that will not be reclassified to profit and loss		
Actuarial gains/(losses), net of taxes	11 182	5 307
	11 182	5 307
Items that may be reclassified to profit and loss		
Fair value changes of debt instruments measured at fair value through other comprehensive income	(8 819)	1 228
	(8 819)	1 228
Total comprehensive income/(loss) of the year	21 578	15 685

The following notes form an integral part of these financial statements

Individual Statement of Financial Position as at the 31st December 2022 and 2021

(thousand euros)

	Notes	31.12.2022	31.12.2021
Assets			
Cash and cash equivalents	17	14 888	473 251
Financial assets at fair value through profit or loss		85 987	123 500
Financial assets held-for-trading		73 399	109 572
Securities	18	34 387	36 458
Derivative financial assets	19	39 012	73 114
Non-trading financial assets mandatorily at fair value through profit or loss		12 588	13 928
Securities	20	12 568	13 906
Loans and advances to customers	22	20	22
Financial assets at fair value through other comprehensive income	20	188 690	207 071
Financial assets measured at amortised cost		1 792 978	1 076 037
Loans and advances to banks	21	471 139	49 429
Loans and advances to customers	22	655 290	517 943
Securities	20	666 549	508 665
Other tangible assets	23	11 964	6 987
Intangible assets	24	2 105	2 991
Investments in associated companies	25	156 221	146 474
Tax assets		82 348	80 484
Current income tax assets	31	17 086	21 242
Deferred income tax assets	31	65 262	59 242
Other assets	26	99 445	159 582
Total Assets		**2 434 626**	**2 276 377**
Liabilities			
Financial liabilities held for trading		38 575	74 190
Securities	18	96	1 036
Derivative financial assets	19	38 479	73 154
Financial liabilities measured at amortised cost		1 708 635	1 522 539
Resources of credit institutions	27	842 834	716 811
Resources of customers	28	494 949	805 728
Debt securities issued	29	370 852	-
Provisions	30	3 635	4 256
Tax liabilities		11 753	5 035
Current income tax liabilities	31	5 959	5 035
Deferred income tax liabilities	31	5 794	-
Other liabilities	32	49 557	65 733
Total Liabilities		**1 812 155**	**1 671 753**
Equity			
Share capital	33	863 279	844 769
Share premium	33	8 796	8 796
Other equity instruments	33	105 042	108 773
Fair-value reserves	34	(9 433)	(614)
Other reserves and retained income	34	(364 428)	(366 250)
Net profit/(loss) of the year		19 215	9 150
Total equity		**622 471**	**604 624**
Total Equity and Liabilities		**2 434 626**	**2 276 377**

The following notes form an integral part of these financial statements

The Director of the Finance Department — The Board of Directors

Individual Statement of Changes in Equity for the financial years ended on the 31st December 2022 and 2021

(thousand euros)

	Share Capital	Share preium	Other equity instruments	Fair value reserve	Other Reserves, Retained Income and Other Comprehensive Income	Total	Net profit / (loss) for the year	Total equity
Balance as at 31st of December 2020	844 769	8 796	108 773	(1 842)	(359 523)	(361 365)	(12 034)	588 939
Balance as at 1st of January 2021	844 769	8 796	108 773	(1 842)	(359 523)	(361 365)	(12 034)	588 939
Other movements directly recorded in equity (see Note 34):								
Changes in fair value, net of taxes	-	-	-	1 228	-	1 228	-	1 228
Actuarial gains / (losses) net of taxes	-	-	-	-	5 307	5 307	-	5 307
Net profit / (loss) for the period	-	-	-	-	-	-	9 150	9 150
Total of comprehensive income of the year	-	-	-	1 228	5 307	6 535	9 150	15 685
Reserve establishment	-	-	-	-	(12 034)	(12 034)	12 034	-
Balance as at 31st of December 2021	844 769	8 796	108 773	(614)	(366 250)	(366 864)	9 150	604 624
Other movements directly recorded in equity (see Note 34):								
Changes in fair value, net of taxes	-	-	-	(8 819)	-	(8 819)	-	(8 819)
Actuarial gains / (losses) net of taxes	-	-	-	-	11 182	11 182	-	11 182
Net profit / (loss) for the period	-	-	-	-	-	-	19 215	19 215
Total of comprehensive income of the year	-	-	-	(8 819)	11 182	2 363	19 215	21 578
Share capital increase (see Note 33)	18 510	-	-	-	(18 510)	(18 510)	-	-
Reimbursement of other equity instrument (see Note 33)	-	-	(3 731)	-	-	-	-	(3 731)
Reserve establishment	-	-	-	-	9 150	9 150	(9 150)	-
Balance as at 31st of December 2022	863 279	8 796	105 042	(9 433)	(364 428)	(373 861)	19 215	622 471

The following notes form an integral part of these financial statements

Individual Cash Flow Statement for the financial years ended on the 31st December 2022 and 2021

(thousand euros)

	Notes	31.12.2022	31.12.2021
Cash flows from operating activities			
Interests received		39 273	14 877
Interests paid		(11 952)	(15 216)
Fees and commission received		43 268	60 303
Fees and commission paid		(4 011)	(4 101)
Loans recovery		3	1 298
Cash payments to employees and suppliers		(47 877)	(46 522)
		18 704	**10 639**
Changes in operating assets and liabilities:			
Trading financial assets and liabilities		10 786	(10 577)
Loans and advances to banks		(420 710)	(47 036)
Resources of other credit institutions		121 500	587 295
Loans and advances to customers		(138 253)	(202 743)
Resources of costumers		(314 438)	(183 429)
Other operating assets and liabilities		53 931	13 904
Net cash flow from operating activities before income tax		**(668 480)**	**168 053**
Income taxes paid		2 643	(1 911)
		(665 837)	**166 142**
Net cash flows from investment activities			
Acquisition of shares in subsidiaries and associated companies		-	(500)
Dividends received		178	1 610
Purchase of securities		(312 275)	(409 562)
Sale and reimbursement of securities		161 788	245 828
Purchase of fixed assets		(1 367)	(1 098)
Sale of of fixed assets		3	-
		(151 673)	**(163 722)**
Cash flows from financing activities			
Debt securities issued	29	363 816	-
Reimbursement of other equity instruments	33	(3 731)	-
Net cash flow from financing activities		**360 085**	**-**
Net changes in cash and equivalents		**(457 425)**	**2 420**
Cash and equivalents at the beginning of the year		473 252	470 832
Cash and equivalents at the end of the year		15 827	473 252
		(457 425)	**2 420**
Cash and equivalents includes:			
Cash	17	5	8
Demand deposit at central banks	17	2 981	457 556
Deposits at other credit institutions	17	12 841	15 688
Total		**15 827**	**473 252**

The following notes form an integral part of these financial statements

2. NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

NOTE 1 – ACTIVITY

Haitong Bank, S.A. (Bank or Haitong Bank) is an investment bank based in Portugal, Lisbon, at Rua Alexandre Herculano, n.º 38. The Bank is duly authorised by the Portuguese authorities, central banks and regulators in order to carry out its business in Portugal and in the countries where it operates through international financial branches.

The Institution was established in February 1983 as an Investment Company, as a foreign investment in Portugal under the company name FINC – Sociedade Portuguesa Promotora de Investimentos, S.A.R.L.. In the 1986 financial year, the Company became part of the Grupo Espírito Santo, under the name Espírito Santo – Sociedade de Investimentos, S.A..

In order to widen the scope of its business, the Institution has obtained a license from the Portuguese official bodies for its conversion into an Investment Bank, by means of Ordinance no. 366/92 of November 23rd, published in the Portuguese Official Gazette – Series II – no. 279, of December 3rd. Its business as an Investment Bank started on the 1st of April, 1993, under the company name Banco ESSI, S.A..

In the 2000 financial year, Banco Espírito Santo, S.A acquired the whole of BES Investimento's share capital in order to reflect all existing synergies between both institutions in its individual accounts.

On the 3rd of August, 2014, following the implementation of a resolution measure by the Bank of Portugal, applied to Banco Espirito Santo, S.A., the Bank became held by Novo Banco, S.A..

Haitong International Holdings Limited acquired the whole of BES Investimento's share capital on September 2015, and the Bank's company name was thereby changed into Haitong Bank, S.A..

Haitong Bank currently operates through its headquarters in Lisbon, as well as through branches in London, Warsaw, Macau and Madrid, and subsidiaries in Brazil and Poland. In June 2022, Haitong Bank, S.A. concluded the establishment of a representative office in France.

Haitong Bank's financial statements are consolidated by Haitong Internacional Holdings Limited, based in Li Po Chun Chambers, n.º 189, Des Voeux Road Central, in Hong Kong.

NOTE 2 – MAIN ACCOUNTING POLICIES

2.1. BASES OF PREPARATION

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of the 19th of July, 2002, and Notice no. 1/2005 of the Bank of Portugal (revoked by Bank of Portugal Notice no. 5/2015), the individual financial statements of Haitong Bank, S.A., (Bank or Haitong Bank) are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union.

The IFRS comprise the accounting standards issued by the International Accounting Standards Board (IASB), as well as the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and by their predecessor bodies.

Haitong Bank's individual financial statements set forth herein refer to the year ended on the 31st December, 2022, which have been prepared in accordance with the IFRS in force, as adopted in the European Union until the 31st December, 2022.

The Bank has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1st January 2022. The accounting policies in this note were consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period.

The individual financial statements are denominated in thousands of euros, rounded to the nearest thousand, and have been prepared in accordance with the historical cost principle, with the exception of the assets and liabilities accounted for at fair value, such as financial derivatives, financial assets and liabilities at fair value through profit and loss and financial assets and liabilities at fair value through other comprehensive income.

Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount or fair value less costs to sell.

The preparation of financial statements in accordance with the IFRS requires the Bank to make judgements and estimates, as well as to use assumptions affecting the implementation of the accounting policies and the amounts corresponding to income, expenses, assets and liabilities. Any changes to such assumptions, or any difference thereof comparing to reality may have an impact on the current estimates and judgements. The areas involving a higher degree of judgement or complexity, or in which significant assumptions and estimates are used when preparing the consolidated financial statements, are analysed in Note 3.

The individual financial statements herein have been approved in the Board of Directors meeting held on the 1 of March, 2023.

2.2. FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are converted at the exchange rate in force as at the date of the transaction. The monetary assets and liabilities denominated in foreign currency are converted into Euros at the exchange rate in force at the date of the statement of financial position. The exchange rate differences arising from such conversion are recognised in income statement.

Non-monetary assets and liabilities accounted for at historical cost, denominated in foreign currency, are converted at the exchange rate as at the transaction date. Non-monetary assets and liabilities denominated in foreign currency accounted for at fair value are converted at the exchange rate in force as at the date of determination of the fair value. The exchange rate differences resulting thereof are recognised in profit and loss.

2.3. FINANCIAL INSTRUMENTS

2.3.1 Financial assets classification

At the initial recognition, financial assets are classified into one of the following categories:

a) Financial assets at amortised cost;
b) Financial assets at fair value through other comprehensive income; or
c) Financial assets ate fair values through profit or loss:

   i. Financial assets held for trading
   ii. Non-trading financial assets mandatorily at fair value through profit or loss
   iii. Financial assets designated at fair value through profit or loss

Financial assets classification and measurement depends on the SPPI test results (assessment if the contractual cash flows characteristics, in order to conclude if it corresponds solely payments of principal and interests) and on the business model.

a) Financial assets measured at amortised cost

A financial asset is classified under the category “Financial assets at amortised cost” if both the following conditions are met:

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and;
ii. The contractual terms of the financial asset establish cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The “Financial assets at amortised cost” category includes mainly Loans and advances to banks, Loans and advances to customers, and Debt securities.

b) Financial assets at fair value through other comprehensive income

A financial asset is classified under the category of “Financial assets at fair value through other comprehensive income” if both of the following conditions are met:

i. The financial asset is held within a business model whose objective is to both collect contractual cash flows and sell financial assets and;
ii. The contractual cash flows occur on specified dates and are solely payments of principal and interest on the principal amount outstanding (SPPI).

In addition, in the initial recognition of a capital instrument that is not held for trading, nor a contingent consideration by an acquirer in a concentration of activities to which IFRS 3 applies, the Bank may irrevocably choose to classify it in the category of " Financial assets at fair value through other comprehensive income ". This option is exercised on a case-by-case basis, investment by investment and is only available for financial instruments that comply with the definition of equity instruments set forth in IAS 32 and can not be used for financial instruments whose classification as a capital instrument in the issuer is made under the exceptions provided in paragraphs from 16A to 16D of IAS 32. The Bank did not adopt this irrevocable option under IAS 32, and only debt securities were classified in this category.

c) Financial assets at fair value through profit or loss

A financial asset is classified in the category of “Financial assets at fair value through profit and loss” if the business model defined by the Bank for its management or because of the characteristics of its contractual cash flows is not appropriate to be classified in the previous categories.

In addition, the Bank may irrevocably designate a financial asset that meets the criteria to be classified as "Financial assets at amortised cost" or "Financial assets at fair value through other comprehensive income", at fair value through profit or loss, at the time of its initial recognition, if that eliminates or significantly reduces an accounting mismatch, which would otherwise result from the measurement of assets or liabilities or from the recognition of gains and losses thereon on different bases. The Bank did not adopt this irrevocable option, having classified in this category:

- financial assets in the sub-category "Financial assets at fair value through profit or loss - financial assets held for trading", when:

  i. are originated or acquired for the purpose of trading in the short term;
  ii. are part of a group of financial instruments identified and managed jointly for which there is evidence of recent actions with the aim of achieving gains in the short term;
  iii. are derivative instruments which do not comply with the definition of a financial guarantee and have not been designated as hedging instruments.

- financial assets in the sub-category of "Financial assets at fair value through profit or loss - financial assets not held for trading necessarily at fair value through profit and loss" when:

  i. debt instruments whose cash flows do not originate cash flows on specific dates, which are only payments of principal and interest on the amount of outstanding capital (SPPI).
  ii. equity instruments, which do not classify as held for trading.

Gains and losses on financial assets and liabilities at fair value through profit or loss, namely, changes in fair value and interest on trading derivatives, as well as the dividends received from these portfolios, are recognised as "Net income from other financial instruments at fair value through profit or loss "in the income statement.

Business model evaluation for financial assets management

In relation to the evaluation of the business model, this does not depend on intentions for an individual instrument, but on a portfolio of instruments, taking into account the frequency, value, sales frequency in previous years, the reasons for such sales and expectations regarding future sales. Infrequent sales, or close to the maturity of the asset and those due to increases in the credit risk of financial assets or to manage concentration risk, among others, may be compatible with the model of holding assets for the collection of contractual cash flows.

Evaluation if the contractual cash flows correspond to solely payments of principal and interest (SPPI)

If a financial asset contains a contractual clause which may modify the timing or value of contractual cash flows (such as early amortization clauses or extension of duration), the Bank determines whether the cash flows that will be generated during the life of the instrument, due to the exercise of the contractual clause, are only payments of principal and interest on the value of the capital outstanding.

The contractual conditions of financial assets that, at the time of initial recognition, have an effect on cash flows or depend on the occurrence of exceptional or highly improbable events (such as settlement by the issuer) do not prevent their classification in the portfolios at cost amortised or at fair value through other comprehensive income.

Initial recognition

At initial recognition all financial instruments are recognised at their fair value. For financial instruments that are not recognised at fair value through profit or loss, the fair value is adjusted by adding or subtracting the transaction costs directly attributable to their acquisition or issue. In the case of instruments at fair value through profit or loss, directly attributable transaction costs are recognised immediately in profit or loss.

Transaction costs are defined as expenses directly attributable to the acquisition or disposal of a financial asset or to the issue or assumption of a financial liability that would not have been incurred if the Bank had not realized the transaction.

Subsequent measurement

After initial recognition, the Bank measures financial assets at amortised cost, at fair value through other comprehensive income, at fair value through profit or loss or at cost.

The fair value of quoted financial assets is their current bid price. In the absence of a quotation, the Bank estimates the fair value using (i) valuation methodologies, such as the use of prices of recent transactions, similar and carried out under market conditions, discounted cash flow techniques and customized option valuation models in order to reflect the particularities and circumstances of the instrument, and (ii) valuation assumptions based on market information. These methodologies also incorporate credit risk and counterparty risk. These methodologies may require the use of assumptions or judgments in the estimate of fair value.

The income and expenses of financial instruments at amortised cost are recognised in accordance with the following criteria:

a) Interest is recognised in the income statement using the effective interest rate of the instrument on the gross book value of the instrument (except for assets with impairment, where the interest rate is applied on the net book value of impairment).
b) Other changes in value will be recognised as income or expense when the instrument is derecognised from the balance sheet, when it is reclassified, and in the case of financial assets, when there are impairment losses or recovery gains.

Income and expenses of financial instruments at fair value through profit or loss are recognised according to the following criterias:

a) Changes in fair value are recognised directly in profit or loss, separating between the portion attributable to the income of the instrument, which is recognised as interest or as dividends according to their nature, and the remainder, which is recognised as results in the corresponding account.
b) Interests on debt instruments are measured using the effective interest rate method.

Income and expenses from financial instruments at fair value through other comprehensive income are recognised according to the following criteria:

a) Interest has a procedure equal to that of assets at amortised cost.
b) Foreign exchange differences are recognised in income statement.
c) Impairment losses or gains on its recovery are recognised in the income statement.
d) The remaining changes in value are recognised in other comprehensive income.

Thus, when a debt instrument is measured at fair value through other comprehensive income, the amounts recognised in profit or loss for the period are the same as those that would be recognised if measured at amortised cost.

When a debt instrument measured at fair value through other comprehensive income is derecognised from the balance sheet, the gain or loss recognised in other comprehensive income is reclassified to income for the year.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or change does not result in derecognition of the financial asset in accordance with the policy adopted by the Bank, the Bank recalculates the gross amount of the financial asset and recognises a gain or loss arising from the difference from the previous amortised cost against profit or loss. The gross amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows discounted at the original effective interest rate of the asset.

Reclassifications between categories of financial instruments

Only if the Bank decides to change its business model for the management of a portfolio of financial assets. In this case, all financial assets affected would it reclassified in accordance with the requirements of IFRS 9. This reclassification would be applied prospectively from the date of reclassification. According to the approach of IFRS 9, changes in the business model generally occur very infrequently. Financial liabilities cannot be reclassified between portfolios.

Derecognition criteria

The Bank derecognises a financial asset in the following situations:

a) when transferring that asset and, as a result of such transfer, all the risks and benefits of that asset are transferred to another entity;
b) when a significant change in the counterparty structure of that asset occur;
c) when a significant change on the asset terms and conditions occur.

Loans written-off

The Bank write off a loan when it does not have reasonable expectations to recovering a financial asset in its entirety or a portion thereof. This registration occurs after all the recovery actions developed by the Bank prove to be fruitless. Loans written off are recognised in off-balance sheet accounts.

Purchase or originated credit impaired assets

Purchase or originated credit impaired (POCI) assets are credit-impaired assets on initial recognition. An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset.

The two events that lead to the originations of a POCI exposure are presented as follows:

- financial assets arising from a recovery process, where there have been changes to the terms and conditions of the original agreement, which presented objective evidence of impairment that resulted in its derecognition and recognition of a new contract that reflects the credit losses incurred;
- financial assets acquired with a significant discount, that the existence of a significant discount reflects credit losses incurred at the time of its initial recognition.

On initial recognition, POCI assets do not carry an impairment loss. Instead, lifetime expected credit losses are incorporated into the calculation of the effective interest rate. Consequently, at initial recognition, the gross book value of POCI (initial balance) is equal to the net book value before being recognised as POCI (difference between the initial balance and total discounted cash flows).

Impairment of financial assets

The Bank determines impairment losses on debt instruments measured at amortised cost and at fair value through comprehensive income, as well as for other exposures that have associated credit risk such as bank guarantees and commitments.

The IFRS 9 requirements aim to recognise expected losses, assessed on an individual and collective basis, taking into account all reasonable, reliable and reasoned information available, without incurring undue costs or efforts, at each reporting date, including forward-looking information.

The impairment losses of debt instruments in the exercise are recognised as a cost under the heading Impairment of Financial Assets in the Income Statement. The Bank registers the impairment losses on debt instruments measured at amortised cost against a cumulative balance sheet impairment account, which reduces the book value of the asset. The Bank recognises the impairment losses on debt instruments measured at fair value through Other Comprehensive Income against the fair value reserve, whereby its recognition does not reduce the balance sheet value of the financial instruments.

Impairment losses on exposures that have associated credit risk and which are not debt instruments are registered by means of a provision under "Provisions" in the liability side. Increases and reversals are recorded against under the heading Provisions net of annulments.

Impairment Model

Under IFRS 9, the Bank determines the expected credit losses (ECL) using a forward-looking model. The expected credit losses over the lifetime of financial instruments are required to be measured through a loss allowance. Accordingly, the calculation of ECL incorporates macroeconomic factors, as well as other forward-looking information, whose changes impact expected losses.

The instruments subject to impairment are divided into three stages, taking into account their level of credit risk since its initial recognition as follows:

- **Stage 1 – Performing**: financial assets for which there was no significant increase in credit risk from the moment of initial recognition. In this case, the impairment will reflect ECL resulting from default events that may occur in the next 12 months after the reporting date;

- **Stage 2 – Under Performing**: financial assets for which there was a significant increase in credit risk has occurred since the initial recognition but for which there is no objective evidence of impairment. In this stage, impairment will reflect the ECL resulting from default events that may occur over the expected residual life of the instrument;
- **Stage 3 – Non Performing**: financial assets for which there is objective evidence of impairment as a result of events that resulted in losses. In this case, the impairment amount will reflect the ECL over the expected residual life of the instrument.

The collective model implemented by the Bank is applicable to all instruments classified in Stage 1 that do not show any warning signals, as well to determine the minimum lifetime expected credit losses, in the case of exposures with a significant increase in credit risk (Stage 2) since initial recognition, but which are not considered to be impaired.

In addition, the top 20 performing largest debtors are annually subject to an individual analysis, in order to trace early warning signals that may indicate the need to transfer to Stage 2.

Stage 2 exposures are analysed individually, confirming that there are no indications of unlikeliness to pay of the debtor and the events considered by Capital Requirements Regulations (CRR) in its definition of default and by IFRS 9 in the definition of impaired financial instruments, which could determine a transfer to Stage 3. Stage 2 exposures are subject to the application of a lifetime impairment rate to determine the minimum impairment rate applicable to financial instruments, using a lifetime collective model. All Stage 3 clients are subject to an individual impairment analysis.

At initial recognition, any instrument is allocated to Stage 1, except for purchased or originated credit impaired (POCI) financial instruments which are allocated to Stage 3. For each reporting date, an assessment of the change in the risk of a default occurring over the expected life of the financial instrument is performed.

A change in the risk of default may result in a transfer from Stage 1 to Stage 2 or to Stage 3. As long as the risk of default of a financial asset is low or has not increase significantly since initial recognition, it remains in Stage 1 with a 12-months ECL. Otherwise, if there is a significant increase in credit risk compared with the initial recognition, the result would be a transfer into Stage 2 and, consequently to the recognition of the lifetime ECL over the residual life of the financial asset. A transfer into Stage 3 is required when objective evidence for a credit loss appears.

When a financial asset is no longer assessed to be impaired (Stage 3), it is reclassified to Stage 2, after its due probation period. It is assumed that when a financial asset recovers from Stage 3, it will still have a demonstrated significant increase in credit risk since initial recognition and must therefore be included in Stage 2. From that date on, the impairment will continue to be recognised based on lifetime expected credit losses.

A probation period was established for a financial asset ceases to be classified in Stage 3, which is defined as 3 months from the moment that the obligor is no longer past due more than 90 days on any material credit obligation, if applicable, and no indication of unlikeliness to pay applies. The probation period for non-performing forborne exposures is longer (12 months). Performing forborne exposures should accomplish a minimum 24 months period in order to be reclassified on Stage 1, whereas throughout that period the debt sustainability should be proved.

Note 38 – Risk Management discloses the inputs of the Bank's collective impairment model, as well as the adjustments made to incorporate forward-looking information.

Expected Credit Losses

According to the IFRS 9, the expected credit loss for financial assets is the present value of the difference between (1) the contractual cash flows that are due to an entity under the contract, and (2) the cash flows that the entity expects to receive.The recognition of an impairment allowance is required on financial assets measured on an Amortised Cost (AC) or Fair Value through Other Comprehensive Income (FVOCI) basis. Given that, the financial asset types that should have impairment assessment are the following:

- Loans and advances to customers;
- Loans and advances to banks;
- Debt securities;
- Debtors and other receivables;
- Cash and cash equivalents.

In addition, in accordance with IFRS 9, the Bank includes in the calculation of the expected credit losses for the guarantees provided and commitments given, and for other assets.

The expected credit losses correspond to estimates of credit loss that will be determined as follows:

- Financial assets with no signs of impairment at the reporting date (Stage 1 – Performing): correspond to expected credit losses that result from a default event that may occur within 12 months after the reporting date (credit losses expected at 12 months);
- Financial assets with a significant increase in credit risk or with impairment at the reporting date (Stage 2 – Under Performing and Stage 3 – Non Performing): correspond to the expected lifetime credit losses calculated by the difference between the gross accounting value and the net present value of the estimated cash flows weighted, for assets in Stage 2, by the prospect of default;
- Unused credit commitments: the amount of the unused commitment as of the reference date multiplied by the credit conversion factor, the probability of default and the loss given default;
- Financial guarantees: the net present value of expected repayments less the amounts that the Bank expects to recover.

Significant increase in credit risk

Under IFRS 9, in order to determine whether there has been a significant increase in credit risk since the initial recognition of the financial instrument, the Bank considers all relevant information available without incurring undue costs or efforts.

The Bank identifies the occurrence of a significant increase in credit risk exposure through three approaches: (i) comparison between the current rating and the rating at the time of contract recognition, considering a deterioration of four notches or more (ii) identification of internally defined backstops (warning signals) and (iii) early warning signals (EWS) assessment in order to trace certain events and/or circumstances that could indicate a SICR.

The internal warning signals are the following: (i) delay of payments (including capital, interest, fees or other charges) of more than 30 days; (ii) registration of at least one customer's loan in arrears in the Central Credit Register (CCR) from Banco de Portugal; (iii) debt restructuring towards a debtor facing and/or about to face financial difficulties in meeting its financial commitments (with no indication of unlikeliness to pay); (iv) overdue debts to tax agency, social security and/or to employees employees; (v) clients with warning signals activated in the last three months; and (vi) other specific situations (ad-hoc) criteria). The Bank identifies a SICR in the following circumstances: (a) debtors with one of the triggers (i), (iii), (v) and (vi) activated; and (b) debtors with triggers (ii) and (iv) simultaneously activated.

Early Warning Signals (EWS) assessment includes the annual review by the Impairment Committee and Executive Committee of the Top 20 performing largest exposures in order to confirm that the largest debtors do not display any warning signals that convene a transfer to Stage 2.

The Bank implemented the internal procedure to quarterly elaborate an EWS assessment, covering all clients classified in Stage 1, thus enabling the timely identification of indicators which suggest a significant increase in credit risk, and also encompassing all clients classified in Stage 1 and 2, allowing for the timely manner identification of indicators that may suggest unlikeliness of payments by the debtors.

According with internal procedures defined by the Bank, when there is a significant increase in the credit risk of a debtor, the financial instruments are subject to individual analysis, confirming that there are no indications of unlikeliness to pay of the debtor and the events considered by CRR in its definition of default and by IFRS 9 in the definition of impaired financial instruments, which could cause transfer to Stage 3. The exposures properly classified in Stage 2 are subject to the use of a lifetime impairment rate determined using a lifetime collective model to determine the minimum impairment rate applicable to financial instruments.

Default definition

Under IFRS 9, the Bank considers its financial assets to be in default by applying the same used definition that is applied for prudential purposes. Thus, Haitong Bank defined default as incorporating the following criteria: 1) material exposures which are more than 90-days past due; 2) the debtor is assessed as unlikely to pay credit obligations, without collateral claim, regardless of the existence of any past due amount or of the number of days past due; and 3) if 20% of the exposures of one obligor are determined as non-performing, all other exposures should be considered non-performing ("pulling effect").

In what regards unlikeliness to pay criteria, the Bank addresses the following situations: i) distressed restructurings; ii) clients with loans written-off of interest or capital; iii) the Bank sells the credit obligation at a material (more than 5%) credit-related economic loss; iv) the obligor has been placed (or is likely to be placed) in bankruptcy or similar creditor's protection; v) interest related to credit obligations is no longer recognised (non-accrued status) in the income statement (part or under conditionality); and vi) other conditions (ad-hoc) that may suggest unlikeliness of payments by the debtor.

The definition of default adopted by the Bank complies with article 178 of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and follows the European Banking Association ("EBA") definition of non-performing exposures ("NPE") requirements according to its final report on the application of definition of default (EBA/GL/2016/07).

Forbearance definition

The internal definition of forbearance follows the ECB guidance, consisting of concessions extended to any exposure towards a debtor facing or about to face difficulties in meeting its financial commitments. An exposure can only be forborne if the debtor is facing financial difficulties that have led the Bank to make some kind of concession.

A concession may entail a loss for the Bank and shall refer to either of the following actions:

- **a)** a modification of the previous terms and conditions of a contract that the debtor is considered unable to comply with due to financial difficulties resulting in insufficient debt service ability and that would not have been granted had the debtor not been experiencing such difficulties;
- **b)** a total or partial refinancing of a troubled debt contract, that would not have been granted had the debtor not been experiencing financial difficulties.

When granting forbearance measures to performing exposures with significant increase in credit risk, the Bank assesses whether these measures lead to a reclassification of that exposure as non-performing, being this assessment subject to compliance with the following conditions:

- **a)** If the difference between the net present values of cash flows before and after the restructuring arrangement exceeds a certain threshold (1%), the exposure is considered to be non-performing;
- **b)** If there are other indicators that may suggest an unlikeliness to pay of the debtor.

The definition of forbearance followed by the Bank follows the guidance to Banks on Non-Performing Loans by the European Central Bank (from March 2017), which addresses the concept of forborne exposures, and Bank of Portugal's Carta Circular CC/2018/00000062 (from November 2018), addressing the criteria and principles for calculating expected credit losses under IFRS 9, which includes the timely and appropriate identification of forborne exposures.

2.3.2 Financial liabilities

Classification, initial recognition and subsequent measurement

At initial recognition, financial liabilities are classified in one of the following categories:

- Financial liabilities at amortised cost;
- Financial liabilities at fair value through profit or loss.

Financial liabilities at fair value through profit or loss

Classification

Financial liabilities classified under "Financial liabilities at fair value through profit or loss" include:

a) Financial liabilities held for trading

In this balance are classified the issued liabilities with the purpose of repurchasing it in the near term, the ones that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or is a derivative.

b) Financial liabilities designated at fair value through profit or loss ("Fair Value Option")

The Bank may irrevocably assign a financial liability at fair value through profit or loss at the time of its initial recognition if at least one of the following conditions is met:

- The financial liability is managed, evaluated and reported internally at its fair value;
- The designation eliminates or significantly reduces the accounting mismatch of transactions.

Structured products issued by the Bank follow are measured at fair value through profit or loss, due to the fact that such structured products always fall within one out of the aforementioned conditions.

The fair value of quoted financial liabilities is their quoted value. In the absence of a quotation, the Bank calculates fair value by using valuation techniques considering assumptions based on market information, including in determining the issuer´s own credit risk.

If the Bank repurchases an issued debt, it shall be derecognised from the individual statement of financial positions, and the difference between the liability's carry amount and the purchase value is accounted for in income statement.

Initial recognition and subsequent measurement

Considering that the transactions carried out by the Bank in the normal course of its business are made in market conditions, financial liabilities at fair value through profit or loss are initially recognised at fair value with the costs or income associated with the transactions recognised in profit or loss at the initial moment.

Subsequent changes in the fair value of these financial liabilities are recognised as follows:

- The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income;
- The remaining amount of change in the fair value of the liability shall be presented in profit or loss.

The accrual of interest and the premium / discount (when applicable) is recognised on "Interest expense and similar charges" based on the effective interest rate of each transaction.

Financial liabilities at amortised cost

Classification

Financial liabilities that were not classified at fair value through profit or loss, or correspond to financial guarantee contracts, are measured at amortised cost.

The category "Financial liabilities at amortised cost" includes Resources of credit institutions, Resources of customers and Debt securities issued.

Initial recognition and subsequent measurement

Financial liabilities at amortised cost are initially recognised at fair value, plus transaction costs, and are subsequently measured at amortised cost. Interests on financial liabilities at amortised cost are recognised on "Interest expense and similar charges", based on the effective interest rate method.

Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

Derecognition of financial liabilities

The Bank derecognises financial liabilities when they are cancelled or extinct.

2.3.3 Interest recognition

Interest income and expense for financial instruments measured at amortised cost are recognised in "Interest and similar income" and "Interest expense and similar charges" (Net interest income) through the effective interest rate method. The interest at the effective rate related to financial assets at fair value through other comprehensive income are also recognised in net interest income.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

For calculating the effective interest rate, the Bank estimates futures cash flows considering all contractual terms of the financial instrument (for example: early payment options) but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction, except for assets and liabilities at fair value through profit and loss.

Interest income recognised in income associated with contracts classified in stage 1 and 2 are determined by applying the effective interest rate for each contract on its gross book value. The gross balance of a contract is its amortised cost, before deducting the respective impairment. For financial assets included in stage 3, interests are recognised in the income statement based on its net book value (less impairment). The interest recognition is always made in a prospective way, i.e. for financial assets entering in stage 3 interests are recognised on the amortised cost (net of impairment) in subsequent periods.

For purchase or originated credit impaired assets (POCIs), the effective interest rate reflects the expected credit losses in determining the expected future cash flows receivable from the financial asset.

2.3.4 Financial guarantees

Financial guarantees are contracts which require its issuing entity to make payments to reimburse the holder for incurred losses resulting from breaches of the contractual terms set forth in debt instruments, namely the payment of the corresponding capital and/or interest.

Issued financial guarantees are initially recognised at their fair value. Subsequently, such guarantees are measured at the higher of (i) the initially recognised fair value and (ii) the amount of any financial obligation arising as a result of guarantee contracts, measured at the statement of financial positions date. Any change in the amount of the liability relating to guarantees is taken to the income statement

Financial guarantees issued by the Bank usually have a set maturity and a periodic fee charged in advance, which varies in accordance with the counterparty risk, amount and maturity date of the contract. On that basis, the guarantees' fair value as at the date of initial recognition thereof is approximately zero, by considering that the agreed conditions are market conditions. Therefore, the amount recognised at the contract date is equal to the amount of the initial received fee, which is recognised in income statement for the period thereof. Subsequent fees are recognised in income statement for the period to which they relate.

2.4 ASSETS SOLD WITH REPURCHASE AGREEMENT AND SECURITIES LENDING

Securities sold subject to repurchase agreement (repos) at a fixed price or at a price equal to that of the sale plus interest inherent to the maturity of the transaction are not derecognised from the statement of financial position. The corresponding liability is accounted for in amounts due to banks or to customers, as appropriate. The difference between the sale value and the repurchase value is treated as interest and is deferred while the agreement is in force, using the effective interest rate method.

Securities bought with a resale agreement (reverse repos) at a fixed price or at a price equal to that of the sale plus interest inherent to the maturity of the transaction are not recognised in the statement of financial position, and the purchase value is accounted for as loans and advances to banks or customers, as appropriate. The difference between the purchase value and the resale value is treated as interest and is deferred while the agreement is in force, using the effective interest rate method.

Securities assigned through loan agreements are not derecognised from the statement of financial positions, being classified and measured in accordance with the accounting policy applicable. Securities received through loan agreements are not recognised in the statement of financial positions.

2.5 EQUITY INSTRUMENTS

An instrument is classified as equity instrument only if:

i. The instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable conditions for the issuer; and
ii. The instrument will or may be settled in the issuer's own equity instruments, it is either a non-derivative that includes no contractual obligation on the issuer to deliver a variable number of its own equity instruments or a derivative that will be settled only by the issuer exchanging a fixed amount in cash or another financial asset for a fixed number of its own equity instruments.

Costs directly attributable to the issuing of equity instruments are accounted for under equity, as a deduction to the issuing amount. Amounts paid and received by the purchase and sale of equity instruments are accounted for under equity, net of transaction costs.

When declared, distributions to holders of an equity instrument are deducted directly from equity as dividends.

2.6 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are presented in statement of financial position at net value when there is a legal possibility of offsetting the recognised amounts and there is an intent of settlement thereof by their net value, or to simultaneously realise the asset and settle the liability.

2.7 NON-CURRENT ASSETS HELD-FOR-SALE AND ASSETS FROM DISCONTINUING OPERATIONS

Non-current assets or groups of non-current assets held for sale (group of assets to be disposed together in a single transaction, and directly associated liabilities which include at least one non-current asset) and discontinued operations are classified as held-for-sale when exists the intention to realise the a sale transaction (including those acquired exclusively with the purpose to sell), the assets or disposal groups are available for immediate sale and the sale is highly likely to occur, accordingly to IFRS 5 requirements.In order to the sale to be considered highly probable, the Bank must be committed to a plan to sell the asset (or disposal group) and should be expected the sale to qualify for derecognition within one year from the date of classification.

Immediately prior to the initial classification of the asset (or disposal group) as held-for-sale, the measurement of non-current assets (or of all the Bank's assets and liabilities) is carried out in accordance with the relevant IFRS in force. Subsequently, such assets or disposal groups are re-measured at the lower of their carrying value and fair value less costs to sell.

2.8 OTHER TANGIBLE ASSETS

The Bank other tangible assets are measured at cost, less their corresponding accumulated amortisations and impairment losses. The cost includes expenses directly attributable to the acquisition of the assets.
The subsequent costs with other tangible assets are only recognised when it is probable that future economic benefits associated with them will flow to the Bank. All repair and maintenance costs are charged to the income statement during the period in which they are incurred, on the accrual basis.
Land is not amortised. The amortisations of other tangible assets are calculated based on the straight-line method, at the following amortisation rates reflecting the expected useful life of the goods.

(thousand euros)

	Number of Years
Owned Real Estate	50
Improvements in leasehold property	10
Computer Equipment	4 a 5
Indoor Installations	5 a 12
Furniture and supplies	4 a 10
Safety Equipment	4 a 10
Tools and Machines	4 a 10
Transportation Material	4
Other Equipment	5

As defined in IAS 36, when there is evidence that an asset may be impaired, its recoverable amount is required to be estimated, and an impairment loss shall be recognised whenever the net value of an asset exceeds its recoverable amount. Any impairment losses are recognised in the income statement.

The recoverable amount is determined as the highest amount between its net selling price and its value in use, the latter being calculated based on the net present value of the estimated future cash flows expected to be obtained from the continued use of the asset and of its disposal at the end of its useful life.

2.9 INTANGIBLE ASSETS

Costs incurred with the purchase, production and development of software are capitalised, as well as additional expenses required for its deployment, which are borne by the Bank. Such costs are amortised on a linear basis throughout the expected useful life of such assets, which usually ranges from 3 to 8 years.
Costs directly related to the development of software applications are recognised and accounted for as intangible assets if they are expected to create future economic benefits beyond one financial year.
All remaining charges associated with Information Technology services are recognised as costs when incurred.

2.10 LEASE TRANSACTIONS (IFRS 16)

The Bank adopted IFRS 16 – Lease transactions on 1 January 2019, replacing IAS 17 – Lease transactions, which was in force until 31 December 2019. The Bank did not adopt any of the requirements of IFRS 16 in prior periods.
At inception of a contract, the Banks assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either:
    - the Bank has the right to operate the asset; or
    - the Bank designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

The Bank chose not to apply this standard to short-term lease contracts which are less or equal to one year, and to lease contracts where the underlying asset has no significant amount (up to € 5,000). The option of not applying this standard to intangible assets leases was also used.

As a lessee

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

When the Bank acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Bank is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Bank applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Bank applies IFRS 15 to allocate the consideration in the contract.

The Bank recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other income’. The accounting policies applicable to the Bank as a lessor in the comparative period were not different from IFRS 16. However, when the Bank was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

2.11 . EMPLOYEE BENEFITS

Pensions

Portugal

Following the signature of the Collective Labor Agreement (“Acordo Coletivo de Trabalho” (ACT)) for the banking sector and its subsequent amendments resulting from the 3 tripartite agreements described in Note 14, pension funds and other mechanisms were set up to cover liabilities assumed with pensions on retirement, disability, survival and health-care benefits.

The liabilities’ coverage is assured, for the Bank, by pension funds managed by GNB - Sociedade Gestora de Fundos de Pensões, SA.

In Portugal, there are two defined benefit pension plans which are provided to the employees. The first plan results from the abovementioned ACT agreement and foreseen by its clauses 94th and 103rd. The second plan is complimentary and was applicable for its participants and beneficiaries until the 30th of December of2021. From this date, this plan exists exclusively for the respective beneficiaries and eventual future beneficiaries, by death of those. Defined benefit plans cover pension benefits to be received by employees during retirement, usually dependent on one or more factors such as age, years of service and salary level. On 30th of December of2021, a new defined contribution plan was introduced, for which the previous participants of the complimentary plan were transferred – former employees with vested rights, as well as active employees.

The retirement pension liabilities are calculated semiannually, in 31 December and 30 June of each year, for each plan individually, using the Projected Unit Credit Method, being annually reviewed by qualified independent actuaries. The discount rate used in this calculation is determined with reference to market rates associated with high-quality corporate bonds, denominated in the currency in which the benefits will be paid out and with a maturity similar to the expiry date of the plan’s liabilities.

The Bank determines the net interest income / expense for the period incurred with the pension plan by multiplying the plan's net assets / liabilities (liabilities net of the fair value of the fund's assets) by the discount rate used to measure the retirement pension liabilities referred to above. On that basis, the net interest income / expense was determined based on the interest cost on the retirement pension liabilities net of the expected return on the funds' assets, both calculated using the discount rate applied in the determination of the retirement pension liabilities.

Re-measurement gains and losses, namely (i) actuarial gains and losses arising due to differences between actuarial assumptions used and real values verified (experience adjustments) and changes in actuarial assumptions and (ii) gains and losses arising due to the difference between the expected return on the fund's assets and the actual investment returns, are recognised in equity under the caption other comprehensive income.

The Bank recognises as a cost in the income statement a net total amount that includes (i) current service costs, (ii) net interest income / expense with the pension fund, (iii) the effect of early retirement, (iv) past service costs, and (v) the effect of settlements or curtailments occurring during the period. The net interest income / expense with the pension plan is recognised as interest and similar income or interest expense and similar charges, depending on its nature. Early retirement costs correspond to increases in liabilities due to employees retiring before turning 65 years-old (normal retirement age foreseen in the ACT) and which forms the basis of the actuarial calculation of pension fund liabilities. Whenever the possibility of the early retirement provided for in the pension fund regulation is invoked, the responsibilities of same must be incremented by the value of the actuarial calculation of the liabilities corresponding to the period between the early retirement and the employee turning 65 years-old. In the event of a settlement or unwind in a defined benefit plan, the difference between (i) the present value of the defined benefit obligation determined at the settlement date and (ii) the settlement amount, including the value of the plan assets to be transferred; is recorded in "Personnel costs".

The Bank makes payments to the funds in order to assure their solvency, the minimum levels set by Banco de Portugal being: (i) the liability with pensioners must be totally funded at the end of each period, and (ii) the liability relating to past service costs for active employees must be funded at a minimum level of 95%.

The Bank assesses the recoverability of any excess in a fund regarding he retirement pension liabilities, based on the expectation of reductions in future contributions or on the reimbursement of contributions made..

Other Geographies

In the remaining geographies, namely Spain, United Kingdom and Poland, the Bank provides defined contribution pension plans. In these cases, the contributions are previously defined and the benefits assigned at retirement will depend on the amount of the contributions made and the accumulated income.

Health-care benefits

Portugal

The Bank provides to its banking employees health-care benefits through a specific Social-Medical Assistance Service. This Social-Medical Assistance Service (Serviço de Assistência Médico-Social, SAMS) is an autonomous entity which is managed by the respective Union.

SAMS provides its beneficiaries services and/or contributions with medical assistance expenses, diagnostics, medication, hospitalization and surgeries, in accordance with its funding availability and internal regulations.

Arising from the signature of the new Collective Labor Agreement (ACT) on 5 July 2016, published in Labor Bulletin (Boletim do Trabalho) no. 29, of 8 August 2016, the Bank's contributions to SAMS as from 1 February 2017, correspond to a fixed amount (as per Annex VI of the new ACT) for each employee, 14 times a year.

The calculation and recognition of the Bank's liability with post-retirement health-care benefits is similar to the calculation and recognition of the pension liability described above. These benefits are covered by the Pension Fund, which presently covers all liabilities with pensions and health-care benefits.

Other Geographies

In the remaining geographies, the Bank provides local medical plans to its workforce that are complimentary to the national health services provided in each of the respective geography.

Long-term service bonuses

In Portugal, under the new ACT, signed at the 5th July 2016, the long-term service bonus was replaced by a career bonus, payable immediately prior to the employee´s retirement date, if the employee retires at the service of the Bank, corresponding to 1.5 of his/her salary at the time of its payment.

The career bonus is accounted for by the Bank in accordance with IAS 19, as a long-term employee benefit. The remeasurement effects and past service costs of this benefit are recognised in the income statement for the year, as occurred with the accounting model for long-term service bonuses.

The amount of the Bank 's liabilities with this career bonus is likewise periodically estimated based on the Projected Unit Credit Method. The actuarial assumptions used are based on expectations of future salary increases and mortality tables. The discount rate used in this calculation is determined applying the same methodology described above for retirement pensions.

Variable remuneration paid to employees

In accordance with IAS 19 - Employee benefits, variable remuneration (profit sharing, bonuses and others) granted to employees and, possibly, to executive members of administration bodies, is accounted for in profit or loss of its respective financial year.

2.12 INCOME TAXES

Income taxes comprise current and deferred taxes. Income taxes are recognised in income statement, unless when relating to items not directly recognised in equity, in which case they are also accounted for against equity. Taxes recognised in equity, as a result of the reassessment of financial assets at fair value through other comprehensive income, are subsequently recognised in income statement when the gains and losses which were in their origin are recognised in income statement..

Current taxes are those expected to be paid based on the taxable income which is calculated in accordance with the existing tax rules and by using the tax rate enacted or substantially enacted in each jurisdiction.

Deferred taxes are calculated in accordance with the liability method based on the statement of financial positions, on the temporary differences between the carry amount of assets and liabilities and their tax base, by using the tax rates which have been enacted or substantially enacted on the date of the statement of financial position in each jurisdiction and which are expected to be applied once the temporary differences are reversed.

Deferred tax liabilities are recognised for all taxable temporary differences, except for goodwill not deductible for tax purposes, of the differences arising out of the initial recognition of assets and liabilities which affect neither accounting profit nor taxable profit, and of differences relating to investments in subsidiaries insofar as it is not likely that they reverse in the future. Deferred tax assets are only recognised insofar as it is expected that there will be taxable profit in the future which will absorb the tax losses carried forward and the deductible temporary differences.

2.13 PROVISIONS

Provisions are recognised when (i) the Bank has a current, legal or constructive obligation, (ii) it is likely that its payment will be required and (iii) when the amount of such obligation may be estimated in a reliable manner.
When the effect of the passage of time (discounting) is material, the provision corresponds to the net present value of the expected future payments, discounted at an appropriate rate considering the risk associated with the obligation.
If it is not likely for payment to be required, it is a contingent liability. Contingent liabilities are only subject to disclosure, unless the likelihood of their realization is remote. Provisions for restructuring are recognised once the Bank approves a formal and detailed restructuring plan, and such restructuring has been commenced or publically announced on the reference date of the financial statements.
A provision for onerous contracts is recognised when the expected benefits of a formal contract are lower than the costs that the Bank will inevitably incur in order to meet the obligations arising therefrom. This provision is measured based on the current lowest value between the contract termination costs or the net estimated costs of continuing the contract.

2.14 RECOGNITION OF FEE AND COMMISSION INCOME

Income from services and commissions are recognised when (or as) a performance obligation is fulfilled by transferring a service, based on the transaction price associated with that performance obligation, as follows:

- Income from services and commissions obtained for the performance of a given performance obligation, such as commissions in loan syndications, are recognized in profit or loss when each of the performance obligations has been completed;
- Income from services and commissions obtained for the performance obligations fulfilled over time are recognised in profit or loss over the period in which these performance obligations are fulfilled;

Income from services and commissions which are an integral part of the effective interest rate of a financial instrument are accounted for in income statement by the effective interest rate method.

2.15 SEGMENT REPORTING

According to paragraph 4 of IFRS 8 – Operating segments, the Bank is exempt from submitting a report on an individual basis by segement, since the individual financial stataments are presented together with the individual financial statements.

2.16 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to shareholders of the parent company by the weighted average number of ordinary shares outstanding, with the exclusion of the average number of own shares held by the Bank.

For the calculation of diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to reflect the effect of all dilutive potential ordinary shares, such as those arising out of convertible debt and of options granted to employees over own shares. The effect of the dilution is a decrease in earnings per share, resulting from the assumption that the convertible instruments are converted or that the granted options are exercised.

2.17 CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and its equivalents encompass the amounts accounted for in the statement of financial position whose maturity is less than three months from the date of acquisition/contract, which include cash, deposits in Central Banks and in other credit institutions.

2.18 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

These assets are recorded at historical cost, being subject to periodic analyses of impairment. Dividends are recorded as an income in the year in which its distribution is decided by the subsidiaries and associated companies.

Subsidiaries

Subsidiaries are entities controlled by the Bank. The Bank controls an entity when it has the power to designate the relevant activities of the entity, and when it is exposed, or has rights, to the variability of returns arising from its involvement with that entity and can take control of them through the power it holds over the relevant activities of that entity (de facto control).

Financial investments in associates

Associated companies are entities over which the Bank has significant influence, but does not exercise control over their financial and operational policy. The Bank is presumed to exercise significant influence when it holds more than 20% of the associate's voting rights. If the Bank holds, directly or indirectly, less than 20% of the voting rights, it is assumed that the Bank does not have significant influence, except when this influence can be clearly demonstrated.

Impairment

The recoverable value of investments in subsidiaries and associates is assessed annually, with reference to the end of each year or whenever there are signs of a possible loss in value. Impairment losses are determined based on the difference between the recoverable value of investments in subsidiaries or associates and their book value. Identified impairment losses are recorded against profit or loss, being subsequently reversed through profit or loss if there is a reduction in the amount of the estimated loss in a subsequent period. The recoverable amount is determined based on the greater between the value in use of the assets and the fair value less costs to sell, being calculated using valuation methodologies, supported by discounted cash flow techniques, comparable multiples, considering the conditions markets, time value and business risks.

NOTE 3 – MAIN ESTIMATES AND JUDGEMENTS USED IN THE PREPARATION OF FINANCIAL STATEMENTS

The IFRS set forth a range of accounting treatments and require the Board of Directors to make the necessary judgements and estimates to decide on the most appropriate accounting treatment. The Bank main accounting estimates and judgements used thereby when applying the accounting principles are laid down in this Note with the purpose of improving the understanding on how the implementation thereof affects the Bank reported results and their disclosure.

A broader description of the main accounting policies used by the Bank is shown in Note 2 to the individual financial statements.

Whereas in many situations there are alternatives to the accounting treatment adopted by the Board of Directors, the results reported by the Bank could have differed if it adopted a different treatment. The Board of Directors believes that it made the appropriate choices, and that the financial statements give an adequate description of the Bank financial position and of the result of its operations in all material respects.

3.1. IMPAIRMENT LOSSES ON FINANCIAL ASSETS AT AMORTISED COST AND DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Bank periodically reviews financial assets at amortised cost and debt at fair value through other comprehensive income in order to accurately evaluate the existence of impairment, as referred on Note 2.3.1.

Individual analysis

Taking into consideration the specific characteristics of the credit portfolio, the Bank decided that the main approach for impairment calculation is the individual analysis, taking into account relevant and particular factors that may justify an eventual adjustment to the impairment rate.

The Risk Management Department identifies all exposures subject to individual analysis, encompassing Top 20 performing largest exposures, all under-performing (Stage 2) and non-performing (Stage 3) exposures, and ensures that they are subject of analysis by the Impairment Committee and Executive Committee. In the case of Stage 1 exposures, the individual analysis is carried out in order to confirm that the Top 20 largest exposures doesn't show any warning signals that causes a reclassification to Stage 2. Stage 2 exposures are analysed individually, in order to verify the absence of indicative unlikeliness to pay of the debtor and the events considered by Capital requirements Regulations (CRR) in its definition of default and by standard IFRS 9 in the definition of impaired financial instruments, which could cause transfer to Stage 3.

The documentation supporting the individual analysis of cases to be discussed at the Impairment Committee and Executive Committee includes: a) historical information (exposure by contract and type, impairment rates in force, collateral and respective valuation); and b) recovery scenarios with expected cash flows discounted to the current date, using the effective interest rate that was determined at initial recognition, in order to obtain expected credit losses.

The recovery scenarios should be influenced by future prospects contemplating not only the most probable scenario but also alternative scenarios. For each of the scenarios presented, the respective assumptions and respective explanation is assured based on the activity of the company (incorporating data from the historical financial statements, certain events and other financial estimates when available), the value of collaterals (including the respective valuation methodologies) and sale or execution thereof. The recovery scenarios are weighted by their probability of occurrence.

Thus, the individual analysis' process is subject to various estimates and evaluations, including recoveries' predictions and existing collaterals valuation.

The use of scenarios or alternative methodologies with other assumptions and estimates could result in different levels of impairment losses recognised, with a consequent impact on the Bank's results.

Collective analysis

Impairment assessment on the collective basis is based upon the evaluation of the net present value of the expected cash flows for each loan, using pre-defined risk parameters supported by external information.

Taking into account the specificities of Haitong Bank credit portfolio, the collective model is based on external information for all the key risk parameters used. The main parameters used are: (i) Probability of Default (PD), (ii) Loss Given Default (LGD), (iii) Collateral haircut, and (iv) Credit Conversion Factor (CCF) for off-balance exposures.

- Probability of Default (PD) reflects the likelihood of default. The Bank takes into account Standard & Poor's (S&P) provided PD, whereas the rating assigning process is performed internally based on the S&P methodology, which ensures the alignment between internal risk management and the process of impairment calculation.
- Loss Given Default (LGD) is the magnitude of loss at the time of default. The Bank applies LGD based on Moody's benchmarks (recovery rates) covering a wide historical period.
- Collateral Haircut is based on the regulatory capital requirements (CRR) eligibility criteria and haircut.
- Credit Conversion Factor (CCF) is based on the CRR where CCF applies to all guarantees and lines of credit (off-balance exposures).

The Bank updated the inputs of the collective model regarding the incorporation of forward-looking information, according to the information presented in Note 38 – Risk Management.

3.2. INCOME TAXES

The Bank is subject to the payment of income taxes in various jurisdictions. Determining the aggregate amount of income taxes requires certain interpretations and estimates. There are several transactions and calculations for which determining the final amount of tax to be paid is uncertain throughout the normal course of business.

Other interpretations and estimates could result in a different level of income taxes recognised in the period, whether current or deferred.

The historical loss calculation in recent years justifies an assessment of the recoverability of deferred tax assets, but these results are significantly affected by extraordinary situations (eg. restructuring) that are not expected to occur in future years.

The assessment of the recoverability of deferred tax assets (including the rate at which they shall be realized) was carried out by the Bank based on projections of its future taxable profit, such projections being specified from a business plan.

The estimate of future taxable profit involves a significant level of judgment regarding the future development of the Bank's activity and the timing of execution of temporary differences. For such purpose, several assumptions were adopted, in particular the analysis of several scenarios due to a uncertainty about the fiscal treatment of a set of Bank realities.

Tax Authorities are required to review the calculation of the basis of assessment, made by the Bank, for a period of four years, except where any deduction or tax credit has been made, where the time-limit is the exercise of that right. Hence, there is a possibility that the basis of assessment will be corrected, mainly due to differences in the interpretation of the tax legislation. However, it is the Bank's Boards of Directors belief that there will be no additional settlements of significant value in the context of the financial statements.

3.3. IMPAIRMENT LOSSES IN SUBSIDIARIES AND ASSOCIATED COMPANIES

Investments in subsidiaries and associated companies are analysed periodically for the purpose of identifying signs of impairment. If any, the impairment is determined in accordance with the rules set forth in IAS 36. In the absence of an available market value (price book value), the recoverable amount is normally determined based on discounted value techniques using a discount rate that considers the risk associated with unit to be tested. The determination of the future cash flows to be discounted and the discount rate to be used involves judgment. Changes in expected cash flows and in the discount rates to be used could lead to different conclusions from those that formed the basis of the preparation of these financial statements.

3.4. PENSIONS AND OTHER EMPLOYEE BENEFITS

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, responsabilities discount rate, and other factors that could impact the cost and liability of the pension plan.

Any changes to such assumptions could have a significant impact on the determined amounts.

3.5. FAIR VALUE OF FINANCIAL DERIVATIVES AND ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Fair values are based on listed market prices when available; otherwise fair value is determined with reference to similar recent arm's length transaction prices, or in accordance with valuation methodologies based on discounted future cash flows techniques, by taking into account the market conditions, temporal value, yield curve and volatility factors. Such methodologies further incorporate own credit risk as well as the counterparty's credit risk. Such methodologies may require the use of assumptions or judgements when estimating fair value.

Consequently, the use of a different model or different assumptions or judgements in applying a particular model may have produced different financial results from the ones reported.

3.6. CLASSIFICATION AND MEASUREMENT

The classification and measurement of financial assets depends on the results of the SPPI test (analysis of the characteristics of the contractual cash flows to determine if they correspond only to payments of principal and interest on the outstanding capital) and the test of the business model.

The Bank determines the business model at a level that reflects how financial asset groups are managed together to achieve a specific business objective. This evaluation requires judgment, since the following aspects, among others, have to be considered: the way in which the performance of assets is evaluated; the risks that affect the performance of the assets and way these risks are managed; and how asset managers are rewarded.

The Bank monitors the financial assets measured at amortised cost and at fair value through other comprehensive income that are derecognised prior to their maturity to understand the underlying reasons for their disposal and to determine whether they are consistent with the purpose of the business model defined for those assets. This monitoring is part of a process of continuous evaluation made by the Bank of the business model of the financial assets that remain in the portfolio, to determine if it is adequate and, if it is not, if there was a change in the business model and consequently a prospective change classification of these financial assets.

NOTE 4 – FINANCIAL MARGIN

This heading's amount is composed of:

(thousand euros)

	31.12.2022			31.12.2021		
	Assets/Liabilities at Amortised Cost and at fair value through other comprehensive income	Assets/Liabilities at Fair Value Through Profit or Loss	Total	Assets/Liabilities at Amortised Cost and at fair value through other comprehensive income	Assets/Liabilities at Fair Value Through Profit or Loss	Total
Interest and similar income						
Interest from loans and advances to customers	24 171	-	24 171	9 606	-	9 606
Interest from deposits and investments in credit institutions	2 676	-	2 676	518	-	518
Interest from financial assets at fair value through other comprehensive income	5 236	-	5 236	2 506	-	2 506
Interest from financial assets at fair-value through profit and loss	-	963	963	-	889	889
Interest from debt securities measured at amortised cost	9 854	-	9 854	6 926	-	6 926
Other interest and similar income	508	-	508	184	-	184
	42 445	**963**	**43 408**	**19 740**	**889**	**20 629**
Interest and similar expenses						
Interest from deposits from central banks and other credit institutions	8 228	-	8 228	3 201	-	3 201
Interest from debt securities issued	7 036	-	7 036	-	-	-
Interest from customers accounts	6 803	-	6 803	9 007	-	9 007
Interest from leasing	180	-	180	102	-	102
Other interest and similar expenses	377	-	377	369	-	369
	22 624	**-**	**22 624**	**12 679**	**-**	**12 679**
	19 821	**963**	**20 784**	**7 061**	**889**	**7 950**

As at the 31st of December, 2022, interest and similar income includes an amount of 101 thousand euros and 75 thousand euros concerning contracts flagged as stage 2 and stage 3, respectively (31st of December,2021: 491 thousand euros and 38 thousand euros).

The heading Interest and similar income – Interest from deposits and investment in credit institutions has a negative cost of 467 thousand euros associated with TLTRO III operations.

For each TLTRO III tranche, the effective interest rate for the year 2022 is being periodized. This interest rate considers the interest rates applicable to each operation in the elapsed period, according to the Bank's estimate of the achievement of targets variation in the volume of eligible credit defined by the ECB. The targets have ended with the last observable period in December 2022, and have been achieved.

NOTE 5 – INCOME FROM EQUITY INSTRUMENTS

This heading's amount is composed of:

(thousand euros)

	31.12.2022	31.12.2021
Dividend income		
HAITONG BANCO DE INVESTIMENTO DO BRASIL S.A.	178	1 610
	178	**1 610**

NOTE 6 – NET FEES AND COMMISSIONS INCOME

Impairment of financial assets

This heading's amount is composed of:

(thousand euros)

	31.12.2022	31.12.2021
Fees and commissions income		
From banking services	32 781	49 983
From guarantees provided	1 219	1 187
From transactions with securities	9 528	6 983
	43 528	58 153
Fees and commissions expenses		
From banking services rendered by third parties	1 814	2 018
From transactions with securities	1 575	1 238
From guarantees received	277	398
Other fee and comission expenses	345	447
	4 011	4 101
	39 517	54 052

As at December 31st, 2022, the income regarding fees and commission included 24,003 thousand euros (31st of December 2021: 39,519 thousand euros) concern Haitong Group related parties (Note 37).

As at 31st December 2022 and2021, the amount of fees and commissions present the following distribution, by operational segment:

(thousand euros)

	31.12.2022	31.12.2021
Fees and commissions income		
Capital Markets Division	13 560	12 729
Mergers and Acquisitions Division	14 349	21 102
Structured Finance Division	4 588	5 215
Equities Division	800	4 526
Fixed Income Currency and Commodities Division	4 990	4 504
Treasury Division	40	3
Corporate Solutions	1 809	3 454
Corporate Derivatives	-	1 220
Other	3 392	5 400
	43 528	**58 153**

Mergers and Acquisitions

The Mergers and Acquisitions (M&A) Division provides financial advisory services on the acquisition, sale or merger of companies. This division also provides services such as valuations, and restructuring and feasibility studies.

Capital Markets

The Capital Markets Division comprises the origination, structuring and execution of market-oriented debt and equity instruments. The Bank provides its services to corporates, financial institutions, public companies and state-related entities.

In the Debt Capital Markets (DCM) area, the Bank engages in structuring debt instruments, namely domestic debt issues and cross-border issues, especially related to China and emerging markets, as well as hybrid products, and convertible bonds.

Equity capital market transactions are explored on an opportunistic basis and comprise mainly capital increases, takeover offers and listings for corporate clients.

Corporate Derivatives

Haitong Bank's Corporate Derivatives Desk covers several asset classes such as interest rates, FX and commodities, assisting companies in the immunization of their balance against financial variables that may negatively affect their profits, allowing them to focus on their core business and lock in the margin in their products. Consequently, companies can optimize their hedging strategy against the increase in interest rates, the exchange variations between payments and receipts of their products, and in fixing the cost / sale price of raw materials.

Fixed Income

With dedicated Trading, Syndication, and Distribution teams, the Fixed Income Division offers market-making services for corporate and sovereign debt securities, multi-product international distribution, syndication capacity for different debt products and the production of tailor-made products for institutional clients. Its presence in various geographies and the combination of its origination and distribution capacity stimulate the identification of new business opportunities and promote cross-border activity.

Fixed income is also responsible for managing Haitong Bank´s Banking and trading books portfolio in accordance with the investment policies and pre-defined limits established by the Executive Committee.

Equities

The Equities Division, through the Warsaw Branch, offers an order execution service focused on shares of European and emerging markets issuers aimed at European investors.

The Equities Division supports its business activity on the research produced by the Polish Research Division and offers a platform to support the Branch's investment banking activities through the distribution of new equity issues and follow-on transactions.

Structured Finance

The Structured Finance Division develops financing solutions for its Clients, namely under the form of acquisition / leverage finance, project finance, or corporate and asset-based loans, and provides financial advisory services and arranging and agency services for financing operations.

Corporate Solutions

The Corporate Solutions Division is responsible for establishing relationships with clients in various sectors and for identifying business opportunities and attracting business to the Bank’s product areas.

This unit will also monitor cross-border opportunities with a view to ensuring a business liaison between the Groups’ various geographies.

Treasury

The Treasury Division is responsible for ensuring an appropriate level of funding to meet the Bank's and the Group's current and future funding needs, as well as for maintaining and managingan appropriate level of liquidity to meet the financial liabilities.

Additionally, the Treasury Division manages the Bank's proprietary HQLA portfolio.

Private Equity

This business segment undertakes to provide support to the private corporate initiative, by promoting productive investment, which is mostly financed by equity.

Corporate Centre

The Corporate Centre does not correspond to a business area; it is a combination of corporate structures ensuring basic functions of global management for the Group, such as those associated with the management and supervisory bodies, Compliance, CEO Office, Finance, Customers, among others.

Special Portfolio Management

The purpose of the Special Portfolio Management Division (“SPM”) is to manage all the nonperforming exposures classified by the IFRS9 criteria in which the Bank is involved.

This Division shall also manage all credit operations, in which the Bank is solely involved as an agent, in case the operations are in default or classified as nonperforming.

Other

Includes all remaining segments of the Group's Management Information model, which in accordance with the provisions laid down in IFRS 8 are not subject to mandatory individualization (Research Division, Asset Management and other revenue centres).

As at 31th of December 2022 and 2021, the amount of fees and commissions present the following distribution, by geographical segment:

thousand euros)

	31.12.2022	31.12.2021
Fees and commissions income		
China	28 004	29 276
Virgin Islands	5 496	8 207
Portugal	2 234	6 880
Hong Kong	2 082	3 701
Poland	1 980	2 477
Luxembourg	458	553
Bermuda	992	2 277
Spain	730	2 102
Ireland	502	1 291
Others	1 050	1 389
	43 528	**58 153**

NOTE 7 – NET TRADING INCOME

This heading's amount is composed of:

(thousand euros)

	31.12.2022	31.12.2021
Assets and liabilities held for trading		
Securities held for trading		
Bonds and other fixed income securities		
Issued by public entities	134	(429)
Of other entities	(1 036)	(16)
Shares	(5)	(21)
	(907)	(466)
Financial derivatives held for trading		
Foreign-exchange contracts	6 257	(1 878)
Interest rates contracts	4 355	(383)
Equity/indexes contracts	254	(724)
Other	269	1 069
	11 135	(1 916)
	10 228	(2 382)

NOTE 8 – NET INCOME FROM OTHER INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

This heading's amount is composed of:

(thousand euros)

	31.12.2022	31.12.2021
Assets and liabilities at fair value through profit or loss		
Securities		
Loans and advances to customers	(2)	-
Other variable income securities	240	1 033
	238	1 033

NOTE 9 – NET GAIN/(LOSS) FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT FAIR VALUE TRHOUGH OTHER COMPREHENSIVE INCOME

This heading's amount is composed of:

(thousand euros)

	31.12.2022	31.12.2021
Bonds and other fixed income securities		
Of other entities	604	(692)
	604	**(692)**

NOTE 10 – NET GAINS / (LOSSES) FROM FOREIGN EXCHANGE DIFFERENCES

This heading's amount is composed of:

(thousand euros)

	31.12.2022	31.12.2021
Currency revaluation	(6 748)	1 361
	(6 748)	1 361

On the 31st of December 2022 and 2021, this heading includes results arising out of the exchange rate revaluation of monetary assets and liabilities denominated in foreign currency, in accordance with the accounting policy set forth in Note 2.2, and the results of foreign exchange derivatives.

NOTE 11 – NET GAIN/(LOSS) FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

This heading's amount is composed of:

(thousand euros)

	31.12.2022	31.12.2021
Loans recoveries	3	1 298
Sale of investments at amortised cost	-	322
	3	1 620

NOTE 12 – OTHER OPERATING RESULTS

This heading's amount is composed of:

(thousand euros)

	31.12.2022	31.12.2021
Other customer services	72	811
Direct and Indirect taxes	(2 347)	(2 163)
Non-financial assets	195	(19)
Sub-leasing	488	343
Other operating results	1 004	1 825
	(588)	797

Direct and indirect taxes include 1,480 thousand euros concerning the cost associated with the Bank Levy (2021: 1,271 thousand euros), established pursuant to Law no. 55-A/2010, of the 31st of December (see Note 31).

NOTE 13 – EMPLOYEE COSTS

This heading's amount is composed of:

(thousand euros)

	31.12.2022	31.12.2021
Wages and salaries		
Remuneration	25 044	22 268
Career benefits (see Note 14)	(166)	77
Changes from termination agreements (see Note 14)	248	220
Unwind - Change in Plan	-	(127)
Expenses with retirement pensions (see Note 14)	137	210
Other mandatory social charges	4 689	4 314
Other expenses	950	1 236
	30 902	28 198

The costs with remuneration and other benefits granted to key management employees of the Haitong Bank are distributed as follows:

(thousand euros)

	Board of Directors	Identified Staff (1)	Total
2022			
Remuneration and other short-term benefits	1 467	7 045	8 512
Variable remuneration	764	1 184	1 948
Total	**2 231**	**8 229**	**10 460**
2021			
Remunerations and other short-term benefits	1 406	6 515	7 921
Variable remunerations	720	907	1 627
Total	**2 126**	**7 422**	**9 548**

(1) Excluding Board of Directors

The category "Identified Staff" considers the staff whose actions have a material impact on the Bank's risk profile ("Identified Staff").

On December 31st, 2022 and December 31st,2021, the Haitong Bank did not present any credit granted to its Management Bodies.

Per professional category, the average number of employees of the Haitong Bank can be analysed as follows:

	31.12.2022	31.12.2021
Directors	140	139
Management	3	3
Specific roles	110	111
Administrative roles	17	14
Support roles	10	10
	280	277

As at 31 December 2022 and2021, the Bank had a total of 278 and 273 employees on its staff, respectively.

NOTE 14 – EMPLOYEES BENEFITS

Retirement pensions and healthcare benefits

Pension and health-care benefits In compliance with the Collective Labor Agreement ("Acordo Coletivo de Trabalho", ACT) for the banking sector established with the unions, the Bank undertook the commitment to grant its employees, or their families, pensions on retirement, disability and survival. These payments consist of a percentage that increases in accordance with the years of service, applied to each year's negotiated salary table for the active work force.

Arising from the signature of the new Collective Labor Agreement ("Acordo Coletivo de Trabalho", ACT) on 5 July 2016, published in Labor Bulletin (Boletim do Trabalho) no. 29, of 8 August 2016, the Bank's contributions to SAMS as from 1 February 2017, correspond to a fixed amount (as per Annex VI of the new ACT) for each employee, 14 times a year.

The measurement and recognition of the Bank's liability with post-retirement health-care benefits is similar to the measurement and recognition of the pension liability. These benefits are covered by the Pension Fund, which currently covers all liabilities with pensions and health-care benefits.

For employees hired until 31 December 2008, the retirement pension and the disability, survival and death pensions consecrated under the ACT, as well as the liabilities for health-care benefits (SAMS), are covered by a closed pension fund, managed by GNB – Sociedade Gestora de Fundos de Pensões, S.A.

Protection of employees in the event of maternity, paternity and adoption, as well as old age, is covered by the General Social Security Regime, given that with the publication of Decree-Law no. 1A/2011, of 3 January, all banking employees who were beneficiaries of "CAFEB – Caixa de Abono de Família dos Empregados Bancários" were integrated in the General Social Security Regime as from 1 January 2011.

Employees hired after 31 December 2008 are covered by the Portuguese General Social Security Regime.

Retirement pensions of banking employees integrated in the General Social Security Regime within the scope of the 2nd tripartite agreement continue to be calculated in accordance with the provisions of the ACT and other conventions; however, banking employees are entitled to receive a pension under the General Regime, that takes into account the number of years of contributions under that regime. The banks are responsible for the difference between the pension determined in accordance with the provisions of the ACT and that which the banking employees are entitled to receive from the General Social Security Regime.

The contribution rate is 26.6%, 23.6% paid by the employer and 3% paid by the employees to the General Social Security Regime on the behalf of Caixa de Abono de Família dos Empregados Bancários (CAFEB), abolished by said Decree-law. In consequence of this change, pension entitlements of active employees are to be covered on the terms defined under the General Social Security Regime, for the length of their employment between 1 January 2011 and their retirement date. The differential required to make up the pension guaranteed under the ACT is paid by the Banks.

At the end of financial year 2011 and pursuant to the 3rd tripartite agreement, it was decided to transfer, definitively and irreversibly, to the General Social Security Regime all the banks' liabilities with pensions in payment to retirees and pensioners that were in that condition as at 31 December 2011 at constant values (0% discount rate) for the component foreseen in the "Instrumento de Regulação Colectiva de Trabalho" (IRCT) applicable to banking employees, including the eventualities of death, disability and survival. The liabilities relating to the updating of pension amounts, pension benefits other than those to be borne by Social Security, health-care contributions to SAMS, death allowances and deferred survivor's pensions will remain under the banks' responsibility, with the corresponding funding being met through the respective pension funds.

The agreement further established that the financial institutions' pension fund assets relating to the part allocated to the satisfaction responsibilities for those pensions, be transferred to the State.

The main assumptions used in the calculation of liabilities are as follows:

	Assumptions	
	31.12.2022	31.12.2021
Financial Assumptions		
Expected return rates	4,23%	1,47%
Discount rate	4,23%	1,47%
Pension growth rates	0,50%	0,50%
Salary growth rates	0,75%	0,75%
Demographic Assumptions and Assessment Methods		
Mortality table		
Men	TV 88/90	TV 88/90
Women	TV 88/90 - 3 years	TV 88/90 - 3 years
Actuarial valuation method	Project Unit Credit Method	

Disability decrements are not included in the calculation of responsibilities. The discount rate used as reference to the 31st of December, 2022, was based on: (i) the development sustained by the main indices concerning high quality corporate bonds and (ii) the duration of the responsibilities (17 years).

Recipients of the pensions plan are disaggregated as follows:

	31.12.2022	31.12.2021
Active workers	90	94
Former employees with vested rights	81	79
Retired	46	42
Survivors	10	12
TOTAL	227	227

Former employees with vested rights refer to employees who ceased their activity in the Bank in 2022 and 2021 and maintained the pension plan rights.

The IAS 19 application implies the following liabilities and coverage levels, which shall be reported on the 31st of December 2022 and 2021:

(thousand euros)

	31.12.2022	31.12.2021
Net Assets / (Liabilities) recognised in the statement of financial position		
Liabilities as at 31st of December		
Pensioners and former employees with vested rights	25 177	35 934
Active workers	7 739	14 134
	32 916	50 068
Balance of the Funds at 31 December	49 786	56 262
Excess of coverage / (Contributions to the fund)	16 870	6 194
Assets / (Liabilities) in the statement of financial position (see Note 27)	16 870	6 194
Acummulated actuarial gains / losses recognised in other comprehensive income	23 957	35 223

Retired includes the former employees, with vested rights acquired under the Social Plan.

The evolution of liabilities regarding retirement pensions and healthcare benefits is analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Liabilities at the beginning of the year	50 068	52 756
		-
Current service cost (see Note 13)	137	210
Interest expenses	730	629
Participants contributions	86	87
Actuarial (gains)/losses	(17 388)	(2 849)
-Changes in assumptions	(19 692)	(2 707)
- Experience (Gains)/losses	2 304	(142)
Pensions paid by the fund	(963)	(858)
Unwind - Change in Plan	-	(127)
Changes from termination agreements (see Note 13)	248	220
Liabilities at the end of the year	32 918	50 068

On 30th of December of 2020, after obtaining authorization from the Insurance and Pension Funds Supervisory Authority, a new defined contribution plan was introduced, for which the previous participants of the complementary plan were transferred – former employees with vested rights, as well as active employees. This change was accounted for as a settlement of the defined benefits plan, having been recorded in accordance with the accounting policy described in Note 2.12. In this sense, the responsibilities and the corresponding assets of the plan to be transferred were reduced with reference to December 30, 2021, with the difference being recorded in “Personnel Costs” (Note 13).

Considering the questions raised regarding the terms in which the conversion mentioned above has been processed, and following the contacts established with the Bank and the Management Company, ASF issued a further authorisation, allowing an amendment to the constitutive contract. In order to ensure the certainty of the operation and mitigate the possibility of litigation with the Authority in question, the Bank has signed, on the 11th of February, 2022, the subesquent amendment, resulting in the reinforcement of the inical credits owed to the participants in the amount of 292 thousand euros.

Considering the situation on the 31st of December 2022, the analysis to the sensibility and alterations of the actuarial assumptions revealed the following impacts:

- An increase in the discount rate of 25 base points would have represented a reduction in liabilities of approximately 1,254 thousand euros. A discount rate decrease of the same proportion would have represented an increase in liabilities of approximately 1,301 thousand euros;
- An increase of 25 base points in the growth of salaries and pensions would have represented an increase in liabilities of approximately 1,468 thousand euros. A decrease in the growth of salaries of the same proportion would have represented a decrease in liabilities of approximately 1,408 thousand euros.

The evolution of value regarding the pension funds on the financial years ending on the 31st of December 2022 and 2021, may be analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Pension Funds at the beginning of the year	**56 262**	**53 072**
Real income of the fund	(5 307)	3 162
Bank contributions	-	799
Participants contributions	86	87
Benefits paid	(963)	(858)
Transfer of responsabilities	(292)	-
Pension Funds at the end of the year	**49 786**	**56 262**

The assets of the pension funds may be analysed in the following manner:

	% Portfolio	
	31.12.2022	31.12.2021
Bonds	64,60%	59,70%
Shares	28,40%	31,70%
Alternative investment	5,20%	5,70%
Liquidity	1,80%	2,90%
Total	**100%**	**100%**

The assets of the funds are valued at fair value.

An adequacy exercise was carried out between the Pension Fund's assets and liabilities, taking into account the investment, contribution and financing policies intended by the associate, which gave rise to the investment strategy. The VaR of the ratio between the fund's financial assets and the pension plan's liabilities is estimated periodically throughout the year to monitor whether the expected level of volatility between the fund's financial assets and the pension plan's liabilities fits within the budget for risk defined by the Bank.

On the 31st of December 2022 and 2021 the funds did not contain securities issued by entities of the Bank.

The evolution of accumulated actuarial deviations reflected in other comprehensive income may be analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Accumulated actuarial gains / (losses) as at 1st January	**35 223**	**40 590**
- Actuarial assumptions changes	(19 692)	(2 707)
- (Gains)/losses in experience	8 426	(2 660)
Accumulated actuarial deviations as at 31st of December	**23 957**	**35 223**

The costs of the financial year with retirement pensions and healthcare benefits may be analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Current service cost (See Note 13)	137	210
Interest Expenses / (Income)	(87)	(13)
Expenses of the period	**50**	**197**

The earnings / costs of the interests are recognised according at net value in interest and similar income / expenses.

The evolution of the net assets / (liabilities) on the balance regarding the financial years ending on the 31st of December 2022 and 2021 may be analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Opening balance	**6 194**	**316**
Year expenses	(50)	(197)
Actuarial gains / (losses) recognised in other comprehensive income	11 266	5 367
Bank contributions	-	801
Changes in termination agreements (see Note 13)	(248)	(220)
Unwind - Change in Plan	-	127
Transfer of responsabilities	(292)	-
Closing balance	**16 870**	**6 194**

The evolution of liabilities and fund balances, as well as the earnings and losses of experience in the last 5 years shall be analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Liabilities	(32 916)	(50 068)	(52 756)	(84 043)	(72 659)
Funds balances	49 786	56 262	53 072	78 792	69 641
(Under) / over funded liabilities	**16 870**	**6 194**	**316**	**(5 251)**	**(3 018)**
Experience (gains) / losses from liabilities	2 304	(142)	(1 352)	(2 088)	12
Experience (gains) / losses from plan assets	6 122	(2 518)	(1 733)	(5 796)	5 213

Career bonuses

On the 31st of December, 2022 and 2021, the liabilities assumed by the Bank and the costs recognised in the periods with the career bonus are the following:

(thousand euros)

	31.12.2022	31.12.2021
Liabilities at the begining of the period	**693**	616
Year expenses (See Note 13)	(166)	77
Liabilities at the end of the period (see Note 33)	**527**	**693**

The actuarial assumptions used for calculation of liabilities are identical for calculation of retirement pensions (when applicable).

The responsibility regarding career bonuses is registered in Other assets in 2022 (see Note 26), and in Other liabilities in 2021 (see Note 32).

NOTE 15 – ADMINISTRATIVE COSTS

This heading's amount is composed of:

(thousand euros)

	31.12.2022	31.12.2021
Lease and rental	389	520
Marketing and advertisement	71	68
Press releases and expedition	2 823	3 478
Maintenance and related services	461	422
Insurances	52	58
Legal and litigation	177	95
Specialised services		
IT services	2 398	3 828
Temporary labour	10	9
Independent work	897	520
Other specialised services	2 587	3 527
Other expenses	1 368	909
	11 233	**13 434**

The Other Specialised Services heading includes, among others, the costs with external consultants and auditors. The item Other Costs includes, among others, the costs with security and surveillance, information, training costs and costs with external suppliers.

Services agreed with the Company of Statutory Auditors and the auditors, according to the provisions of article 508-F of the Commercial Companies Code, are as follows:

(thousand euros)

	31.12.2022	31.12.2021
Statutory audit of annual accounts (Haitong Bank)	492	456
Other reliability assurance services	64	48
Other non-statutory audit services	71	179
Total amount of agreed services	**627**	**683**

Values shown are before taxes. The fees related to the statutory audit of annual accounts correspond to those agreed for the year 2022. The fees presented for the remaining services relate to amounts billed during the 2022 financial year.

NOTE 16 – EARNINGS PER SHARE

Basic earnings per share

The basic earnings per share are calculated by the division of the result to be attributed to the shareholders of the Bank by the average number of ordinary shares issued during the year, excluding the average number of shares bought and held in portfolio as own shares.

(thousand euros)

	31.12.2022	31.12.2021
Net Profit / (Loss) (1)	19 215	9 150
Weighted average number of ordinary shares outstanding (thousands)	**169 435**	**168 954**
Basic earnings per share attributable to equity holders of the Bank (in euro)	**0,11**	**0,05**

(1) Net profit/ (loss) for the period attributable to the equity holders of the Bank adjusted by the interest paid from perpetual subordinated bonds atributtable to the period (that are recorded as a change in reserves).

Diluted earnings per share

The diluted earnings per share are calculated by adjusting the effect of all the potential ordinary diluting shares to the considered average number of existing ordinary shares and to the net result attributed to the bank shareholders.

On the 31st of December, 2022 and 2021, the Bank holds instruments issued without diluting effect, therefore diluted earnings per share equals basic earnings per share.

NOTE 17 – CASH AND CASH EQUIVALENTS

As at the 31st of December, 2022 and2021, this heading is analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Cash	5	8
Demand deposit at central banks		
Bank of Portugal	30	457 538
Other central banks	2 951	18
	2 981	**457 556**
Deposits at other credit institutions in Portugal		
Demand deposits	4 238	4 676
	4 238	**4 676**
Deposits at other credit institutions abroad		
Demand deposits	8 603	11 012
	8 603	**11 012**
	15 827	**473 252**
Impairment Losses (Nota 31)	(939)	(1)
	14 888	**473 251**

The 'Demand deposits in central banks – Bank of Portugal' heading, includes deposits with a mandatory nature, intended to comply with the legal minimum cash deposits requirements. In accordance with Regulation (EU) no. 1358/2011 of the European Central Bank, of the 14th of December, 2011, the mandatory minimum deposits in demand deposits in the Bank of Portugal, are paid and represent 1% of the deposits and debt securities with maturity up to 2 years, whereof are excluded deposits and debt securities from entities subject to the minimum reserve requirement scheme of the European System of Central Banks. On the 31st of December, 2022, the average rate of return of such deposits was 2,50% (31st of December,2021: 0.00%).

The compliance with mandatory minimum deposits, for a specific observation period, is effected by taking into account the medium amount of the balances of the deposits with the Bank of Portugal throughout the aforementioned period. The balance of the account with the Bank of Portugal as at the 31th of December, 2022, has been comprised in the maintenance period from the 21st of December, 2022, to the 7th of February, 2023, which corresponded a mandatory minimum reserve amounting to 1,818 thousand euros (31st of December,2021: 2,739 thousand euros).

NOTE 18 – FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING - SECURITIES

As at 31st of December 2022 and2021, the heading of trading financial assets and liabilities is as follows:

(thousand euros)

	31.12.2022	31.12.2021
Financial assets held-for-trading		
Securities		
Bonds and other fixed-income securities		
From public issuers	253	2 575
From other issuers	34 099	33 843
Shares	35	40
	34 387	**36 458**
Financial liabilities held-for-trading		
Securities		
Short-selling	96	1 036
	96	**1 036**

As at 31st of December 2022 and 2021, the analysis of financial assets held-for-trading, by residual maturity period, is as follows:

(thousand euros)

	31.12.2022	31.12.2021
Up to three months	5 124	6 461
From three months to one year	5 265	1 354
From one to five years	23 262	22 680
More than five years	701	5 923
Undetermined period	35	40
	34 387	**36 458**

In accordance with the accounting policy described in Note 2.3.1, trading financial assets and liabilities are bought for the purpose of short-term trading, regardless of their maturity.

As at 31st of December 2022 and 2021, the heading of financial assets held-for-trading, concerning quoted and unquoted securities, is divided as follows:

(thousand euros)

	31.12.2022			31.12.2021		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Securities						
Bonds and other fixed income securities						
Issued by public entities	254	-	254	2 524	51	2 575
Issued by other entities	30 828	3 270	34 098	33 156	687	33 843
Shares	35	-	35	40	-	40
Total book value	**31 118**	**3 269**	**34 387**	**35 720**	**738**	**36 458**

As at 31 December 2022, the caption includes «9,979 thousand euros of securities given as guarantee by the Bank (31 December2021: 23,997 thousand euros).

Additionally, the Bank performs Backtesting on all operations carried out and has never observed losses or divergences in relation to the valuation methodology.

Short sales represent securities sold by the Bank, which had been acquired under a repurchase agreement. In accordance with the accounting policy described in Note 2.4, securities purchased with a repurchase agreement are not recognised in the balance sheet. If they are sold, the Bank recognises a financial liability equivalent to the fair value of the assets that must be returned under the resale agreement.

NOTE 19 – DERIVATIVES

As at 31st of December 2022 and 2021, financial derivatives heading is analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Trading derivatives (assets)		
Foreign-exchange contracts	7 241	14 937
Interest-rate contracts	31 553	56 075
Other contracts	218	2 102
	39 012	73 114
Trading derivatives (liabilities)		
Interest-rate contracts	6 765	17 585
Equity / index contracts	31 496	53 505
Other contracts	218	2 064
	38 479	73 154
	533	(40)

As at 31st of December 2022 and 2021, trading financial derivatives is analysed as follows:

(thousand euros)

	31.12.2022			31.12.2021		
	Notional	Fair value		Notional	Fair value	
		Positive	Negative		Positive	Negative
Foreign-exchange contracts						
Forward		4 149	4 172		11 700	11 593
- buy	93 852			543 877		
- sell	93 859			543 760		
Currency Swaps		1 100	557		660	3 337
- buy	142 988			309 110		
- sell	142 544			311 972		
Currency Interest Rate Swaps		1 178	1 222		2 027	2 105
- buy	2 288			26 173		
- sell	2 440			26 173		
Currency Options		814	814		550	550
- buy	177 245			180 443		
- sell	199 555			197 869		
	854 771	**7 241**	**6 765**	**2 139 377**	**14 937**	**17 585**
Interest rate contracts						
Interest Rate Swaps		31 049	30 993		55 596	53 023
- buy	765 042			950 820		
- sell	765 042			950 820		
Interest Rate Caps & Floors		504	503		479	482
- buy	32 197			53 574		
- sell	32 197			53 574		
Interest Rate Futures		-	-		-	-
- buy	17 088			14 800		
- sell	53 720			23 899		
	1 665 286	**31 553**	**31 496**	**2 047 487**	**56 075**	**53 505**
Equity / index contracts						
Equity / Index Swaps		218	218		2 102	2 064
- buy	3 256			13 516		
- sell	3 256			13 516		
Equity / Index Options		-	-		-	-
- buy	5 764			-	-	-
Equity / Index Futures		-	-		-	-
- sell	3 255			3 516		
	15 531	**218**	**218**	**30 548**	**2 102**	**2 064**
Total	**2 535 588**	**39 012**	**38 479**	**4 217 412**	**73 114**	**73 154**

As at 31st of December 2022 and 2021, the analysis of trading financial derivatives, by residual maturity period, is as follows:

(thousand euros)

	31.12.2022			31.12.2021		
	Notional		Fair Value (net)	Notional		Fair Value (net)
	Sale	Purchase		Sale	Purchase	
Up to three months	439 122	385 624	50	592 456	561 145	(2 639)
From three months to one year	127 830	125 333	41	530 456	528 944	(127)
From one to five years	524 440	524 288	621	594 081	594 120	2 588
More than five years	204 476	204 475	(179)	408 105	408 105	138
	1 295 868	1 239 720	533	2 125 098	2 092 314	(40)

As at 31st of December 2022 and 2021, derivatives, both assets and liabilities, include operations collateralized by the constitution of collateral accounts in order to ensure the fair value hedge of the active and liability exposures contracted between the Bank and several financial institutions. The balances related to these collateral are recorded under "Other assets - collateral deposited under clearing agreements" (Note 26) and "Other liabilities - collateral deposited under clearing agreements" (Note 32).

NOTE 20 – SECURITIES

As at 31st of December 2022 and 2021, this heading is analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Non-trading financial assets mandatorily at fair value through profit or loss		
Securities		
Shares	12 568	4 722
Other variable income securities	-	9 184
	12 568	13 906
Financial assets at fair value through other comprehensive income		
Securities		
Bonds and other fixed-income securities		
From public issuers	13 526	7 039
From other issuers	175 164	200 032
	188 690	207 071
Financial assets measured at amortised cost		
Securities		
Bonds and other fixed-income securities		
From public issuers	420 915	251 236
From other issuers	245 634	257 429
	666 549	508 665
	867 807	729 642

In accordance with the accounting policy described in Note 2.3, the Bank regularly assesses whether there is objective evidence of impairment in the investment securities portfolios, following the judgement criteria described in Note 3.1.

The portfolio of Financial assets at fair value through other comprehensive income is analysed as follows:

(thousand euros)

	Cost (1)	Fair value reserve		Impairment (Note 31)	Book value
		Positive	Negative		
Bonds and other fixed-income securities					
Issued by public entities	14 675	-	(1 135)	(14)	13 526
Issued by other entities	187 507	475	(12 128)	(690)	175 164
Balance as at 31st December 2022	**202 182**	**475**	**(13 263)**	**(704)**	**188 690**
Bonds and other fixed-income securities					
Issued by public entities	7 154	-	(105)	(10)	7 039
Issued by other entities	201 270	578	(1 305)	(511)	200 032
Balance as at 31st December 2021	**208 424**	**578**	**(1 410)**	**(521)**	**207 071**

(1) Amortised cost

The portfolio of financial assets at amortised cost is analysed as follows:

(thousand euros)

	Cost (1)	Impairment (Note 31)	Book value
Bonds and other fixed-income securities			
Issued by public entities	421 212	(297)	420 915
Issued by other entities	246 660	(1 026)	245 634
Balance as at 31st December 2022	**667 872**	**(1 323)**	**666 549**
Bonds and other fixed-income securities			
Issued by public entities	251 469	(233)	251 236
Issued by other entities	258 294	(865)	257 429
Balance as at 31st December 2021	**509 763**	**(1 098)**	**508 665**

(1) Amortised cost

As at 31st of December 2022, the heading of financial assets includes: 590,971 thousand euros (31st December2021: 398,782 thousand euros) in securities pledged as collateral by the Bank.

As at 31st of December 2022 and 2021, the analysis of securities portfolios by maturity period, is presented as follows:

(thousand euros)

	31.12.2022	31.12.2021
Up to three months	24 820	38 277
From three months to one year	75 967	72 598
From one to five years	683 172	461 174
More than five years	71 280	143 687
Undetermined period	12 568	13 906
	867 807	729 642

As at 31st of December 2022 and 2021, the heading of securities, concerning quoted and unquoted securities, is divided as follows:

(thousand euros)

	31.12.2022			31.12.2021		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Securities						
Bonds and other fixed-income securities						
Issued by public entities	433 253	1 188	434 441	258 275	-	258 275
Issued by other entities	318 323	102 475	420 798	310 894	146 567	457 461
Shares	5	12 563	12 568	8	4 714	4 722
Other variable-income securities	-	-	-	-	9 184	9 184
Total book value	751 581	116 226	867 807	569 177	160 465	729 642

Additionally, the Bank performs Backtesting on all operations carried out and has never observed losses or divergences in relation to the valuation methodology.

NOTE 21 - LOANS AND ADVANCES TO BANKS

As at 31st of December 2022 and 2021, this heading is analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Loans and advances to banks in Portugal		
Deposits	5 893	56
Interbank monetary market	436 667	2 500
	442 560	2 556
Loans and advances to banks abroad		
Deposits	56	-
Sales with repurchase agreements	-	545
Very short-term deposits	28 543	43 683
Other loans and advances	15 077	18 638
	43 676	62 866
	486 236	65 422
Impairment losses (Note 30)	(15 097)	(15 993)
	471 139	49 429

As at 31st of December 2022 and 2021, the analysis of loans and advances to banks, by residual maturity period, is presented as follows:

(thousand euros)

	31.12.2022	31.12.2021
Up to three months	462 710	47 845
From three months to one year	8 449	2 500
Undetermined period	15 077	15 077
	486 236	65 422

NOTE 22 – LOANS AND ADVANCES TO CUSTOMERS

As at 31st of December 2022 and 2021, this heading is analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
At fair value throught profit and loss		
Overdue loans and interest		
Up to 90 days	-	22
For more than 90 days	22	-
	22	22
Loans fair value revaluation	(2)	-
	20	22
At Amortised cost		
Domestic loans		
Loans	210 479	325 638
Retail		
Mortgage loans	2	142
	210 481	325 780
Foreign loans		
Corporate		
Loans	449 981	162 988
Operations with reverse repo	-	33 389
Retail		
Mortgage loans	-	1
	449 981	196 378
Overdue loans and interest		
For more than 90 days	73 258	72 916
	73 258	72 916
	733 720	595 074
Impairment losses (Note 31)	(78 430)	(77 131)
	655 290	517 943
	655 310	517 965

As at 31st of December 2022 and 2021, the analysis of loans and advances to customers, by residual maturity period, is presented as follows:

(thousand euros)

	31.12.2022	31.12.2021
Up to three months	2	144
From three months to one year	-	-
From one to five years	16 263	95 771
More than five years	644 198	426 244
Undetermined period	73 279	72 937
	733 742	595 096

NOTE 23 – OTHER TANGIBLE ASSETS

As at 31st of December 2022 and 2021, this heading is analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Real Estate		
Improvements in leasehold property	6 283	5 633
	6 283	5 633
Equipment		
IT equipment	11 217	10 932
Indoor installations	2 025	2 115
Furniture	2 785	2 244
Machinery and tools	820	804
Motor vehicles	147	68
Security equipment	270	261
Others	297	229
	17 561	16 653
	23 844	22 286
Work in progress		
Improvements in leasehold property	-	1 217
Equipment	-	480
	-	1 697
	23 844	23 983
Right of use		
Property	17 032	11 268
Vehicles	354	578
Equipment	85	112
	17 471	11 958
	41 315	35 941
Accumulated depreciation	(29 351)	(28 954)
	11 964	6 987

The movement in this heading was as follows:

(thousand euros)

	Property	Equipment	Right of use			Work in progress	Total
			Property	Equipment	Vehicles		
Acquisition cost							
Balance as at 31st December 2020	5 544	16 597	10 569	95	661	1 551	35 017
Acquisitions	89	121	-	-	-	146	356
Write offs / Sales	-	(65)	-	-	-	-	(65)
Exchange variation and other movements	-	-	699	17	(83)	-	633
Balance as at 31st December 2021	5 633	16 653	11 268	112	578	1 697	35 941
Acquisitions	-	618	-	-	-	168	786
Write offs / Sales	-	(626)	-	-	-	-	(626)
Transfers	929	919	-	-	-	(1 865)	(17)
Exchange variation and other movements	(279)	(3)	5 764	(27)	(224)	-	5 231
Balance as at 31st December 2022	6 283	17 561	17 032	85	354	-	41 315
Depreciations							
Balance as at 31st December 2020	4 608	15 911	5 105	71	379	-	26 074
Depreciations of the year	242	360	2 729	29	170	-	3 530
Write offs / Sales	-	(65)	-	-	-	-	(65)
Exchange variation and other movements	-	12	(251)	(70)	(276)	-	(585)
Balance as at 31st December 2021	4 850	16 218	7 583	30	273	-	28 954
Depreciations of the year	291	532	2 634	27	117	-	3 601
Write offs / Sales	-	(624)	-	-	-	-	(624)
Exchange variation and other movements	(90)	-	(2 283)	(17)	(190)	-	(2 580)
Balance as at 31st December 2022	5 051	16 126	7 934	40	200	-	29 351
Net book value as at 31st December 2022	1 232	1 435	9 098	45	154	-	11 964
Net book value as at 31st December 2021	783	435	3 685	82	305	1 697	6 987

NOTE 24 – INTANGIBLE ASSETS

As at 31st of December 2022 and 2021, this heading is analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Goodwill	-	-
Purchased from third parties		
Software	34 165	32 655
Others	916	916
	35 081	33 571
Work in progress	376	1 342
	35 457	34 913
Accumulated depreciation	(33 352)	(31 922)
	(33 352)	(31 922)
	2 105	2 991

The movement in this heading was as follows:

(thousand euros)

	Software	Other	Work in progress	Total
Acquisition cost				
Balance as at 31st December 2020	32 525	916	742	34 183
Acquisitions:				
Write-offs / sales	142	-	600	742
Transfers	(12)	-	-	(12)
Balance as at 31st December 2021	32 655	916	1 342	34 913
Acquisitions:				
Purchased from third parties	285	-	296	581
Write-offs / sales	(54)	-	-	(54)
Transfers	1 279	-	(1 262)	17
Balance as at 31st December 2022	34 165	916	376	35 457
Accumulated depreciation				
Balance as at 31st December 2020	29 408	916	-	30 324
Amortisations of the financial year	1 610	-	-	1 610
Write-offs / sales	(12)	-	-	(12)
Balance as at 31st December 2021	31 006	916	-	31 922
Amortisations of the financial year	1 483	-	-	1 483
Write-offs / sales	(53)	-	-	(53)
Balance as at 31st December 2022	32 436	916	-	33 352
Net book value as at 31st December 2022	1 729	-	376	2 105
Net book value as at 31st December 2021	1 649	-	1 342	2 991

NOTE 25 – INVESTMENTS IN ASSOCIATED COMPANIES

Financial information regarding associated companies is presented in the following table:

(thousand euros)

	31.12.2022				31.12.2021			
	Number of shares	by the bank	Par Value (Euro)	Acquisition Cost	Number of shares	by the bank	Par Value (Euro)	Acquisition Cost
Subsidiaries								
HAITONG BANCO DE INVESTIMENTO DO BRASIL S.A.	101 870 930	80,00%	0,35	174 496	101 870 930	80%	0,32	174 496
HAITONG GLOBAL ASSET MANAGEMENT SGOIC S.A.	5 000 000	100,00%	5,00	42 660	5 000 000	100%	5,00	42 660
HAITONG ANCILLARY SERVICES	109 472	100,00%	21,36	2 199	109 472	100%	21,75	2 199
				219 355				**219 355**
Impairment losses (Note 30)				(63 134)				(72 881)
				156 221				**146 474**

During the period 2022, the balance Investments in subsidiaries and associates presented the following changes:

- In December 2022, Haitong Banco de Investimento do Brasil, S.A. approved the payment of interest on own capital in the amount of 1,260 thousand reais. From this amount 80% will be received by Haitong Bank S.A (see Note 5).

During the period 2021, the balance Investments in subsidiaries and associates presented the following changes:

- In December 2022, Haitong Banco de Investimento do Brasil, S.A. approved the payment of interest on own capital in the amount of 12 700 thousand reais. From this amount 80% will be received by Haitong Bank S.A (see Note 5).
- In June, 2021, Haitong Bank, S.A. has acquired 50.5% of Polish Hotel Company (PHC) by the amount of 500 thousand euros. In November of the same year, the PHC changed its corporate name as well as its object and it is in the processing of dissolution since January 2022.

In 2022, the Bank recognised an impairment reversal of 9,081 thousand euros (in 2021 an impairment increase of 8,526 thousand euros was recognised) for the investment in Haitong Banco de Investimento do Brasil S.A.

In 2022, the Bank recognised an impairment charge of 666 thousand euros (in 2021 904 thousand euros impairment charge was recognised) for the investment in Haitong Ancillary Sevices.

NOTE 26 – OTHER ASSETS

As at 31st of December 2022 and 2021, the Other Assets heading is analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Debtors and other assets		
Collateral deposited under collateral agreements (Note 19)	28 865	59 433
Supplies, supplementary capital instalments and subordinated assets	-	4 475
Public sector	13 727	30 619
Deposits placed under margin accounts (futures contracts)	3 159	1 779
Loans and derivatives receivables	17 286	9 937
Other sundry debtors	14 873	15 664
	77 910	121 907
Impairment losses for debtors and other investments (Note 31)	(11 730)	(10 554)
	66 180	**111 353**
Other assets		
Gold, other precious metals, numismatic, medals		
and other liquid assets	780	2 627
Other assets	5 113	5 126
	5 893	**7 753**
Income receivable	**152**	**150**
Prepayments and deferred costs	**859**	**504**
Other sundry assets		
Exchange transactions pending settlement	436	2 745
Market securities transactions pending settlement	2 698	10 684
Other transactions pending settlement	6 357	20 199
	9 491	**33 628**
Retirement Benefits (Note 14)	16 870	6 194
	99 445	159 582

Stock exchange transactions pending settlement refer to transactions with securities recorded at the trade date pending settlement.

This item also includes the value of the security deposit made to the Directorate-General for the Treasury and Finance under the tax credit (confirmed by the Tax and Customs Authority) inherent to REAID in the amount of 5,934 thousand euros. Note that the variation that occurred in 2022 refers to the reimbursement of the security deposit to Haitong Bank by the Portuguese Tax Authority in the amount of 16,585 thousand euros, as a result of the shareholder's decision to acquired rights from the Portuguese State under the REAID (tax credit) for the years 2015 and 2016.

NOTE 27 – RESOURCES OF CREDIT INSTITUTIONS

The resources of credit institutions heading is presented as follows:

(thousand euros)

	31.12.2022	31.12.2021
Resources of central banks		
Banco de Portugal	298 418	319 350
	298 418	319 350
Resources of other credit institutions		
Domestic		
Deposits	25 179	18
	25 179	18
Foreign		
Deposits	376 334	375 481
Repurchase agreements	142 903	21 962
	519 237	397 443
	842 834	716 811

The balance Repurchase agreements corresponds to repo operations carried out in the money market and is a tool for the Bank's treasury management.

As at 31st of December 2022 and 2021, the analysis of resources of credit institutions by residual maturity period is as follows:

(thousand euros)

	31.12.2022	31.12.2021
Up to three months	418 506	21 980
From three months to one year	36 959	21 526
From one to five years	387 369	673 305
	842 834	716 811

NOTE 28 – RESOURCES OF CUSTOMERS

The balance of the resources of customers heading is composed, with regard to its nature, as follows:

(thousand euros)

	31.12.2022	31.12.2021
Repayable on demand		
Demand deposits	55 867	91 080
Time deposits		
Fixed-term deposits	432 704	442 198
Other resources		
Repurchase agreements	4 871	42 165
Other Deposits	1 500	1 517
Other	7	228 768
	6 378	**272 450**
	494 949	**805 728**

As at 31st of December 2022 and2021, the analysis of due to customers by residual maturity period is as follows:

(thousand euros)

	31.12.2022	31.12.2021
Demand deposits	55 867	91 080
Fixed-term deposits		
Up to 3 months	181 299	153 161
3 to 12 months	179 265	204 051
1 to 5 years	72 140	84 986
	432 704	442 198
Other resources		
Up to 3 months	6 378	77 399
1 to 5 years	-	195 051
	6 378	272 450
	494 949	**805 728**

NOTE 29 – DEBT SECURITIES ISSUED

As at 31st of December 2022 and 2021, the debt securities issued presents the following:

(thousand euros)

	31.12.2022	31.12.2021
Debt securities issued		
Euro Medium Term Notes	370 852	-
	370 852	**-**

The fair value of the debt securities issued is shown in Note 37.

During 2022, the Haitong Bank Group issued 363,816 thousand euros of securities.

The essential features of these resources break down as follows:

(thousand euros)

				31.12.2022		
Issuer	Designation	Currency	Issue Date	Book Value	Maturity	Interest Rate
HB_PT	HAITIB Float 02/08/25 Corp	EUR	2022	230 082	2025	EURIBOR 3M +1.45%
HB_PT	HAITIB 4 05/29/27 Corp	USD	2022	140 770	2027	4%
Total				**370 852**		

The residual duration of Liabilities represented by securities, on December 31, 2022, is as follows:

(thousand euros)

	31.12.2022	31.12.2021
From one to five years	370 852	-
	370 852	**-**

As at 31 December 2022, the reconciliation of flows from this financing activity is as follows:

(thousand euros)

	31.12.2022	31.12.2021
Opening Balance	-	
Cash flows	363 816	
Other changes	7 036	
Closing Balance	**370 852**	**-**

NOTE 30 – PROVISIONS AND IMPAIRMENT

As at 31st of December 2022 and 2021, the Provisions heading presents the following movements:

(thousand euros)

	Provisions for other risks and charges	Provisions for guarantees and other undertakings	TOTAL
Balance as at 31st December 2020	1 940	12 861	14 801
Net charge of the period	413	(4)	409
Write back	-	(10 997)	(10 997)
Foreign exchange differences and others	-	43	43
Balance as at 31st December 2021	2 353	1 903	4 256
Net charge of the period	(113)	187	74
Write back	(795)	-	(795)
Foreign exchange differences and others	-	100	100
Balance as at 31st December 2022	1 445	2 190	3 635

These provisions are meant to cover possible contingencies related to the activity of the Bank.

The movements in impairment losses can be analysed as follows:

(thousand euros)

	31.12.2021	Net charge of the period	Write back	Stage 3	Exchange differences and others	31.12.2022
Cash and cash equivalents (Note 17)	1	997	-	-	(59)	939
Financial assets measured at fair value through other comprehensive income (Note 20)	521	186	-	-	(3)	704
Financial assets measured at Amortised cost						
Securities (Note 20)	1 098	210	-	-	15	1 323
Loan and advances to banks (Note 21)	15 993	(1 009)	-	-	113	15 097
Loan and advances to customers (Note 22)	77 131	624	-	-	675	78 430
Investments in associated companies (Note 25)	72 881	(9 747)	-	-	-	63 134
Other assets (Note 26)	10 554	1 101	-	-	75	11 730
	178 179	**(7 638)**	**-**	**-**	**816**	**171 357**

(thousand euros)

	31.12.2020	Net charge of the period	Write back	Stage 3	Exchange differences and others	31.12.2021
Cash and cash equivalents (Note 17)	-	-	-	-	1	1
Financial assets measured at fair value through other comprehensive income (Note 20)	3 238	2 453	(5 177)	-	7	521
Financial assets measured at Amortised cost						
Securities (Note 20)	10 728	8 025	(17 658)	-	3	1 098
Loan and advances to banks (Note 21)	15 566	385	-	-	42	15 993
Loan and advances to customers (Note 22)	79 818	(265)	(3 102)	11	669	77 131
Investments in associated companies (Note 25)	80 503	(7 622)	-	-	-	72 881
Other assets (Note 26)	8 763	1 302	-	-	489	10 554
	198 616	**4 278**	**(25 937)**	**11**	**1 211**	**178 179**

NOTE 31 – INCOME TAXES

The Bank is subject to taxation in accordance with the corporate income tax code (CIT code) and to local taxes.

Income taxes (current or deferred) are recognised in the income statement except in cases where the underlying transactions have been reflected in equity items. In these situations, the corresponding tax is also charged to equity, not affecting the net result for the period.

The current tax of 2022 and 2021 were calculated based on a nominal corporate income tax rate and Municipal Surcharge of 22.5%, in accordance with Law no. 82-B/2014, of 31st of December, and Law no. 2/2007, of 15th of January. Additionally there is a State Surcharge which corresponds to an additional rate of 3% of the taxable profit between 1,500 and 7,500 thousand euros, 5% of the profit between 7,500 and 35,000 thousand euros, 9% of any profit which exceeds this amount (if applicable).

Deferred taxes are calculated based on tax rates anticipated to be in force at the temporary differences reversal date, which corresponds to the rates enacted or substantively enacted at the balance sheet date. Thus, for the year 2022 deferred tax was calculated at the rate of 26,24%.

Regarding activity in Portugal, Law No. 98/2019 was published on 4 September 2019, which changed the tax regime applicable to the impairment of financial and credit institution. That law establishes in article 4 an adaptation period of 5 years beginning on or after 1 January 2019, pursuant to which the regime in force on the date of entry into force of this law remains applicable, unless there is communication addressed to the Director-General of the Portuguese Tax Authority of the option for the definitive regime. Bearing in mind that for the 2022 financial year this regime was optional, the Bank has not yet joined it. Therefore, the Bank considered, for the purpose of calculating taxable income and the recording and analysis of the recoverability of deferred tax assets with reference to December 31, 2022, that the amount of credit impairment and provisions for guarantees recorded, that is deductible for the purposes of CIT (Corporate Income Tax), corresponds to the amount of deductible impairments/provisions that would have been calculated if the reference to Banco de Portugal Notice 3/95 remained in force.

Special Scheme Applicable to Deferred Tax Assets

In 2014, Haitong Bank joined the special scheme applicable to deferred tax assets (REAID) related to impairment losses in credits and post-employment or long-term employee benefits, established by Law no. 61/2014, of August 26th. For the purpose of this scheme, the conversion of the mentioned assets in tax credits is expected in the following situations:

- Determining net losses;
- Voluntary winding-up, court insolvency or, when applicable, with the withdrawal of the corresponding authorisation by the competent supervising authority.

It should be noted that, pursuant to Law No. 23/2016, of August 19, REAID is no longer applied to deferred tax assets relating to expenses and negative equity changes accounted for in tax periods beginning on or after the 1st of January 2016. The tax credit recorded in the accounts with reference to 31st of December 2022, which also includes reimbursements already made by the Portuguese Tax Authority and the respective special reserve, can be analysed in the table below:

(thousand euros)

Year	Tax Credit	Special Reserve
2015	5 281	5 809
2016	20 529	22 582
2017	9 060	9 966
2018	233	255
2020	433	476
2021	(15 078)	
2022	(5 414)	(16 585)
Total	**15 044**	**22 503**

The tax credit and the respective special reserve were recorded during the year following that of the tax credit year, booked in a current tax asset and other reserves item, respectively.

In 2021, the Bank received relating to a tax credit from the Portuguese Tax Authority, with reference to the years 2015 and 2016, in the amount of 15 078 thousand euros.

In turn, during the 2022, the Bank received the tax credit confirmed by the Portuguese Tax Authority, with reference to the 2017 and 2018, in the amount of 5,414 thousand euros.

In pursuance of the abovementioned scheme, the Bank issues conversion rights corresponding to securities that grant the Government the right to request Haitong Bank to issue and deliver ordinary shares at no charge, following the increase in share capital through the inclusion of the reserve value. However, Haitong Bank´s shareholder is granted the right to acquire those conversion rights in accordance with Ordinance no. 293-A/2016 of 18th of November.

It should be noted, in 2022, the Bank's shareholder exercised the potestative right to acquire the conversion rights attributed to the State under the special regime of deferred taxes related on 2015 and 2016. In this way, the value of the special reserve decreases in proportion to the number of rights acquired by the shareholder from the Portuguese State (16,585 thousand euros).

In the event that the shareholder do not exercise the right to acquire the conversion rights issued and attributed to the Portuguese State within the period established for that purpose, in the year in which the State exercises these rights, it will require the Bank to increase its capital by incorporating the amount of the special reserve and consequent issue and free delivery of ordinary shares representing the capital stock of the Bank, and it may be necessary to adjust the amount of the reserve initially constituted.

Indeed, for each financial year it will be important to recalculate the reference value of the rights and if it is different from the nominal value of the shares, it will be necessary to adjust the value of the special reserve. If this were to occur in 2023, and taking into account the amounts of the financial statements as at 31 December 2022, as well as the amount of tax credits converted by reference to the years 2017, 2018 and 2020 it would be necessary to increase special reserve in an estimated value of 10,913 thousand euros

The amount of assets by deferred taxes converted into tax credit, the establishment of the special reserve and the issuing and granting of conversion rights to the Government must be subject to certification by a statutory auditor.

As Haitong Bank has determined, in its individual accounts, a positive net result with reference at 31 December 2022 there is no possible converts' part of the deferred taxes covered by this regime into tax credit in this year.

In July 2019 and January 2020, the Bank was notified of the final Reports of the Tax Authority's inspection services, issued for 2015 and 2016, respectively. In these reports, certain procedures adopted by the Bank, namely in association with special regime for differed taxes (REAID) are being challenged.

In this sense, following the Bank disagreement with these corrections, in November 2019, an administrative complaint was submit regarding the 2015 Tax Inspection Report and in April 2020, an administrative complaint was submit regarding the 2016 Inspection Report. Currently, the corrections in question are being contested in a hierarchical appeal.

On January 2021, the Bank received the 2017 and 2018 Tax Inspection Report issued by the Tax Authority's Inspection services. In this report, similarly to what happened in the 2015 and 2016 Tax Inspection Reports, some procedures adopted by the Bank with regard to the application of REAID are raised.

The Bank disagreeing with these corrections, so in 2021, submitted an administrative complaint for the Tax Inspection report of 2017 and 2018. Currently, the corrections in question are being contested in a hierarchical appeal.

Finally, it is also noted that, within the scope of the tax inspection for the years 2015 ,2016, 2017 and 2018, the tax authority made corrections to the tax credit of these years in the amount of 14,611 thousand euros (of a total amount of 35,103 thousand euros).

The Bank's management considers that the procedures performed in those years are compliant with the legislation in force, and therefore estimates that it is not likely that the Tax Authority's position will prevail. Even so, if this correction occur, it would materialize in the recognition of deferred tax assets. In addition, the Board of Directors believes that any other corrections that may arise, related to the years inspected, will not have a material impact either on the Bank's capital or on the Bank's results in fiscal year 2022, as essentially its affect tax losses that have not yet been used and for which deferred tax assets have not been recognised.

As of 1 January 2019, the Bank adopted the new interpretative standard of IAS 12 - IFRIC 23 - 'Uncertainty over Income Tax Treatments' - which to recommend the measurement requirements and recognition to be applied in the event of uncertainties regarding the acceptance of a given tax treatment by the Tax Administration concerning income tax and should reflect the entity's best estimate of the presumed outcome of the situation under discussion. This estimated value based on the expected value or the most probable value should be recorded by the entity as an asset or liability for income tax based on IAS 12 and not by IAS 37.

The activity of branches abroad is incorporated in the Bank's accounts for determining the taxable profit. Although, the profit of those branches is subject to taxation in the countries where they are established, local taxes are deductible to the taxes to be paid in Portugal, in accordance with art. 91º of CIT Code", when applicable. The branches' profits are subject to local taxation at the following nominal rates:

Branch	Nominal income tax rate
London	19%
Madrid	30%
Warsaw	19%
Macau	12%

As at 31st of December 2022 and 2021, current tax assets and liabilities can be analysed as follows:

(thousand euros)

	Asset		Liability	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Corporate income tax	2 042	784	(5 959)	(5 035)
Tax Credit (Special Scheme for Deferred Taxes)	15 044	20 458	-	-
Current tax asset / (liability)	**17 086**	**21 242**	**(5 959)**	**(5 035)**

The variation that occurred in 2022 in the tax credit under the Special Regime of DTA concerns the receipt by the Portuguese Tax Authority, during the 2022, of the 2017 and 2018 tax credit.

According to legislation in force, as mentioned, Haitong Bank shareholder may exercise the rights to acquire conversion rights until three years from the conversion confirmation of the deferred tax assets into tax credit by the Tax Authority, which, in the case of the 2017 and 2018, it will be until January 2024.

Deferred tax assets and liabilities recognised in the statement of financial position in 2022 and 2021 can be analysed as follows:

(thousand euros)

	Asset		Passivo		Net	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Securities	3 356	218	-	-	3 356	218
Loans and advances to customers	20 977	25 306	-	-	20 977	25 306
Provisions	193	358	-	-	193	358
Pension Fund and Long-term employee benefits	5 342	5 047	-	-	5 342	5 047
Other	3 834	(3 247)	(5 794)	-	(1 960)	(3 247)
Tax losses carried forward	31 560	31 560	-	-	31 560	31 560
Deferred tax asset/ (liability)	**65 262**	**59 242**	**(5 794)**	**-**	**59 468**	**59 242**

The Bank only recognises deferred tax assets in relation to reportable tax losses when it considers that they are expected to be recovered in the near future. It should be noted that the tax losses of 2017 and 2018 did not booked any deferred tax assets, which can be used until the year 2024 and 2025, respectively. This analysis totax losses utilization takes into account the exceptional measures to the COVID-19 pandemic under the terms of Law No. 27-A / 2020 (Supplementary State Budget for 2020), as well as the measures provided for in the State Budget Law for 2023 (Law No. 24-D/2022 of 30 December).

Additionally, Law No. 24-D/2022 of December 30 was published, approving the State Budget for 2023, under which the time limitation for the deduction of tax losses calculated in a given tax period is eliminated. Changes to the reporting period apply to tax periods beginning on or after January 1, 2023, as well as to tax losses calculated in tax periods prior to January 1, 2023 whose deduction period is still in progress at that date. However, it should be noted that the new deadline does not apply to tax losses calculated in tax periods prior to January 1, 2023 in which one of the situations provided for in paragraph 1 of article 6 of the applicable special regime has occurred to deferred tax assets (namely, in the event of a negative net result).The movements in deferred taxes, in the balance sheet, can be presented as follows:

(thousand euros)

+	31.12.2022	31.12.2021
Opening balance	59 242	64 362
Recognised in profit or loss	(2 909)	(4 250)
Recognised in fair value reserves	3 137	(437)
Recognised in other reserves	(2)	-
Foreign exchange variation and others	-	(433)
Closing balance (Asset / (Liability))	**59 468**	**59 242**

Tax recognised in the income statement and reserves during 2022 and 2021 financial years had the following source:

(thousand euros)

	31.12.2022		31.12.2021	
	Recognised in profit or loss	Recognised in reserves	Recognised in profit or loss	Recognised in reserves
Deferred Taxes				
Securities	-	(3 137)	-	437
Loans and advances to customers	4 168	-	1 639	-
Provisions	164	-	(195)	-
Pension Fund and Long-term employee benefits	(137)	2	988	-
Others	(1 286)	-	(997)	-
Tax loss carried forward	-	-	2 815	-
	2 909	**(3 135)**	**4 250**	**437**
Current Taxes	2 437	-	490	-
Total recognised taxes	**5 346**	**(3 135)**	**4 740**	**437**

Reconciliation of the tax rate, concerning the recognised amount in the income statement, can be analysed as follows:

(thousand euros)

		31.12.2022		31.12.2021	
		%	Value	%	Value
Profit or loss before taxes			**24 561**		**13 890**
Income tax rate of Haitong Bank		26,2		26,2	
Tax determined based on the income tax rate of Haitong Bank			6 445		3 645
Impairment of subsidiaries		(10,4)	(2 558)	0,0	-
Bank Levy		1,7	421	1,1	147
Other movements according to the tax estimation		(3,1)	(763)	(2,0)	(281)
Autonomous taxation	tax losses generated in the year	0,8	196	1,7	239
Branches' income tax		6,5	1 605	7,1	990
		21,8	**5 346**	**34,1**	**4 740**

NOTE 32 – OTHER LIABILITIES

As at 31st of December 2022 and 2021, the Other liabilities heading is analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Creditors and other resources		
Public sector	2 398	2 557
Deposited collateral under collateral agreements (Note 19)	10 019	10 270
Sundry creditors		
Creditors from transactions with securities	5 320	9 928
Suppliers	937	1 442
Lease liability	9 449	4 302
Other sundry creditors	1 554	1 821
	29 677	**30 320**
Accrued expenses		
Career bonuses (see Note 14)	527	693
Other accrued expenses	5 812	6 419
	6 339	**7 112**
Deferred income	**302**	**365**
Other sundry liabilities		
Stock exchange transactions pending settlement	2 695	10 672
Foreign exchange transactions pending settlement	436	2 742
Other transactions pending settlement	10 108	14 522
	13 239	**27 936**
	49 557	**65 733**

As at 31st of December 2022 and 2021, the headings regarding Stock exchange transactions pending settlement refer to transactions with securities pending settlement.

NOTE 33 – CAPITAL, SHARE PREMIUM AND OTHER CAPITAL INSTRUMENTS

Ordinary shares

Until August 3rd 2014 the Bank was part of Grupo Banco Espírito Santo, S.A.

On the 3rd of August 2014, the Bank of Portugal applied a resolution action to Banco Espírito Santo, S.A., shareholder of 100% of the capital of the Bank, and established Novo Banco, S.A., with the share capital of 4.9 billion euros, which incorporated assets of Banco Espírito Santo, S.A. selected by the Bank of Portugal. In this regard, the Bank, its branches and subsidiaries were transferred to Novo Banco, S.A.

On the 7th of September 2015, the capital of the Bank was fully purchased by Haitong International Holdings Limited.

On the 17th of December 2015, the Bank increased its capital in 100,000 thousand euros, through the issuance of 20,000,000 shares with the nominal value of 5 euros each, fully subscribed and paid-up by Haitong International Holdings Limited.

On the 22nd of May 2017, the Bank increased its capital in 40,000 thousand euros, through the issuance of 8,000,000 shares with the nominal value of 5 euros each, fully subscribed and paid-up by Haitong International Holdings Limited.

On the 25th of May 2017, the Bank increased its capital in 20,000 thousand euros, through the issuance of 4,000,000 shares with the nominal value of 5 euros each, fully subscribed and paid-up by Haitong International Holdings Limited.

On the 13th of June 2017, the Bank increased its capital in 160,000 thousand euros, through the issuance of 32,000,000 shares with the nominal value of 5 euros each, fully subscribed and paid-up by Haitong International Holdings Limited.

On the 26th of June 2017, the Bank increased its capital in 160,000 thousand euros, through the issuance of 32,000,000 shares with the nominal value of 5 euros each, resulted from a in the conversion of a shareholder loan in the amount of 80,000 thousand euros and the conversion of the Fixed Rate Perpetual Deeply Subordinated Additional Tier 1 Resettable Instruments, amounting to 80,000 thousand euros, which was fully subscribed and paid-up by Haitong International Holdings Limited.

In 2022 two resolutions have been passed to increase the share capital of Haitong Bank S.A. by 2,630 thousand euros in the 1st of July 2022, and by 15,879 thousand euros in December 2022 to 863,279 thousand euros. This share capital increase, in the form of incorporation of a special reserve, resulted from the conversion of the rights attributed to the Portuguese State and which were acquired by Haitong International Holdings Limited, the Bank's sole voting shareholder, relating to the fiscal year 2015, issued under the REAID (Regime Especial aplicável aos Ativos por Impostos Diferidos – Deferred Tax Assets Special Regime).

As at 31st December 2022 and 31st December 2021, the share capital of Haitong Bank amounts to 863,279 thousand euros (December 2021: 844,769 thousand euros) and is represented by 172,655,745 shares (December 2021: 168,953,800 shares) with the nominal value of 5 euros each, fully held by Haitong International Holdings Limited.

Share premiums

As at 31th December 2022 and 2021, share premiums are represented by 8,796 thousand euros, corresponding to the amount paid by shareholders in the increase of capital of previous years.

Other equity instruments

During October 2010 the Bank issued perpetual subordinated bonds with conditioned interest in the overall amount of 50 million euros. These bonds have a noncumulative conditioned interest, payable only if and when declared by the Board of Directors.

This conditioned interest, corresponding to the applicable annual rate of 8.5% on nominal value, is paid biannually. These securities may be fully, but not partially, reimbursed after the 15th of September 2015, relying solely on the choice of Haitong Bank, upon approval of the Bank of Portugal. These bonds are considered a capital instrument in accordance with the accounting policy described in Note 2.5 due to their characteristics.

During the year of 2011, 46,269 thousand euros in other capital instruments were cancelled due to a transaction regarding owned instruments.

In March 2018, the Bank issued perpetual instruments eligible as additional own funds of level 1 (Additional Tier 1), in the overall amount of USD 130,000 thousand, corresponding to 105,042 thousand euros, identified as "Fixed Rate Perpetual Deeply Subordinated Additional Tier 1 Resettable Instruments". Such bonds have a non-cumulative conditional interest which is payable only if and when reported by the Board of Directors. Due to their features, such bonds are deemed to be capital instruments, in accordance with the accounting policy laid down in Note 2.5.

These bonds are subordinated in relation to any liability of Haitong Bank and *pari passu* regarding any identical subordinated bonds that may be issued by the Bank.

In 2022 and 2021, the Bank did not pay interest.

On April 20, 2022, the Bank proceeded with the full early repayment of these bonds, at the repayment price, corresponding to the nominal value of 3,731 thousand euros.

NOTE 34 – FAIR-VALUE RESERVES, OTHER RESERVES, RETAINED EARNINGS AND NON-CONTROLLING INTERESTS

Legal reserve, fair-value reserves and other reserves

Legal reserves can only be used to cover accumulated loss carryover or to increase capital. Under Portuguese legislation applicable to the banking sector (Article 97 of RGICSF [Legal Framework of Credit Institutions and Financial Companies]), the Bank is required to set-up annually a legal reserve equal to a minimum of 10% of annual profits until the reserve equals the share capital.

Fair-value reserves represent the possible capital gains and losses in relation to the financial assets trough other comprehensive income portfolio, net of impairment recognised in the income statement of the year and/or previous years. The value of this reserve is presented net of deferred tax.

The heading of other reserves includes the special reserve under REAID in the amount corresponding to 22,504 thousand euros in December 2022 (39,089 thousand euros in December 2021).

The movements of these headings were the following:

(thousand euros)

	Fair Value reserves			Other reserves and retained earnings			
	Available for-sale financial assets	Income tax reserves	Total fair value reserve	Legal reserve	Actuarial deviations (net of taxes)	Other reserves and retained earnings	Total Other reserves and retained earnings
Balance as at 31st December 2020	**(2 497)**	**655**	**(1 842)**	**39 878**	**(32 776)**	**(366 625)**	**(359 523)**
Actuarial deviations net of taxes	-	-	-	-	5 307	-	5 307
Fair value changes	1 665	(437)	1 228	-	-	-	-
Transfer to reserves	-	-	-	-	-	(12 034)	(12 034)
Balance as at 31st December 2021	**(832)**	**218**	**(614)**	**39 878**	**(27 469)**	**(378 659)**	**(366 250)**
Actuarial deviations net of taxes	-	-	-	-	11 182	-	11 182
Fair value changes	(11 956)	3 137	(8 819)	-	-	-	-
Transfer to reserves	-	-	-	-	-	9 150	9 150
Share capital increase	-	-	-	-	-	(18 510)	(18 510)
Balance as at 31st December 2022	**(12 788)**	**3 355**	**(9 433)**	**39 878**	**(16 287)**	**(388 019)**	**(364 428)**

The movement of the fair-value reserve, net of deferred taxes and non-controlling interests can be analysed as follows:

(thousand euros)

	31.12.2022	31.12.2021
Opening Balance	**(614)**	**(1 842)**
Fair value changes	(12 142)	(788)
Impairment recognised in the period (Note 30)	186	2 453
Deferred taxes recognised in reserves during the period	3 137	(437)
Closing balance	**(9 433)**	**(614)**

NOTE 35 – CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS

As at 31st of December 2022 and 2021, off-balance elements are as follows:

(thousand euros)

	31.12.2022	31.12.2021
Contingent liabilities		
Guarantees and stand by letters of credit	132 224	124 135
Assets pleged as collateral	540 938	423 722
	673 162	**547 857**
Commitments		
Irrevocable commitments	164 360	158 929
	164 360	**158 929**

The rendered guarantees and sureties are banking transactions that do not necessarily represent any outflow for the Bank.

As at 31st of December 2022, the heading of financial assets pledged as collateral includes:

- Securities pledged as collateral to the Bank of Portugal (i) within the scope of the Large-Value Payment System, amounting to 10,000 thousand euros as at the 31st of December 2022 (31st of December2021: 10,000 thousand euros), (ii) within the scope of target long-term refinancing operations, amounting to 301,733 thousand euros (31st of December2021: 321,639 thousand euros) and (iii) 73,856 thousand euros of collaterals not discounted, being the total of securities eligible for rediscount with the Bank of Portugal amounted to 420,726 thousand euros as at the 31st of December 2022 (31st of December2021: 368,286 thousand euros) and (iv) within the scope of the Interbank Clearing System in the amount of 1,500 thousand euros (31 December 2021: 2,500 thousand euros);
- Securities pledged as collateral to the Portuguese Securities Market Commission within the Investor Compensation Scheme in the amount of 105 thousand euros (31st of December2021: 109 thousand euros).
- Securities pledged as collaterals to Fundo de Garantia de Depósitos [Deposit Guarantee Fund] in the amount of 108 thousand euros (31st of December2021: 108 thousand euros).
- Securities pledged as collateral within the scope of transactions with repurchase agreements: 151,406 thousand euros (31st of December2021: 66,901 thousand euros).

Additionally, the off-balance elements related to banking services provided are as follows:

(thousand euros)

	31.12.2022	31.12.2021
Liabilities related to services provided		
Commercial paper agency	35 500	64 450
Other responsabilities related with services provided	573 686	337 363
	609 186	401 813

Banco Espírito Santo (BES), Novo Banco and Haitong Bank (and, in some cases, supervisory authorities, auditors and former directors from BES) have been sued in civil proceedings associated with facts of the former Grupo Espírito Santo (GES).

Within this framework, Haitong Bank is currently a defendant in a proceeding associated with the share capital increase of BES, which took place in June 2014.

As regards to this legal proceeding (case brought by several investment funds), after the decision of the trial court to declare that the case had been "abandoned", the Lisbon Court of Appeal revoked that decision and ordered the continuation of the proceeding. Two of the Defendants in this proceeding appealed to the Supreme Court of Justice that confirmed the decision of the Court of Appeal. Extraordinary Review Appeals were filed with the Constitutional Court, all of them maintaining the previously decided by the Lisbon Court of Appeal. The legal procedure returned to the trial court (1st instance) for the continuation of said procedure, and now the appointment of the preliminary hearing is yet to be awaited.

Haitong Bank is also a Defendant in 9 proceedings, nearly all of which are associated with issues of financial instruments of GES's entities.

In note 35, in what concerns the 2022 half-yearly accounts, it is stated that, in the opinion of Haitong Bank's Legal Department and of the external lawyers to whom the proceedings have been entrusted, such proceedings do not have legal sustainability, wherefore it is considered unlikely that any judgment will be made against Haitong Bank in relation thereto. Such opinion is hereby reasserted.

Such opinion has been supported by several judicial decisions.

In fact, of the 78 cases filed against the Bank regarding the issue of commercial paper and other financial instruments by GES' entities, 48 cases have already been res judicata with the total acquittal of Haitong Bank and 21 cases having been withdrawn by the Claimants.

On the 16th July 2019, Haitong Bank has been notified of a new legal action brought against itself and several former board members of BES, regarding commercial paper issued by Espírito Santo International and Rioforte in 2013 and 2014.

Such legal action has been submitted by a credit recovery fund (Fundo de Recuperação de Créditos "FRC – INQ – Papel Comercial ESI e Rio Forte") to which have been assigned the claims submitted by certain holders of ESI and Rioforte commercial paper, which amounts up to € 517,500,099.71, plus interests. Haitong Bank presented its written defence on the 25th June 2020. The Bank is waiting for the preliminary hearing to be scheduled by the Court.

In the opinion of the external lawyers to whom this proceeding, brought by FRC, has been entrusted, such proceeding does not have a solid legal sustainability and therefore it is considered unlikely that any judgment will be made against Haitong Bank.

Following the above stated, Haitong Bank did not establish any provision related to such legal proceedings.

Without prejudice of the above mentioned regarding the successful outcome for Haitong Bank from such proceedings, and in order to comply with the applicable accounting rules, it is not possible to achieve an amount of expected losses which could eventually arise for Haitong Bank, individually considered, once such legal proceedings are brought against several entities and not only against Haitong Bank.

On July 2021, Haitong Bank has been fined by the Portuguese Securities Exchange Commission ("CMVM") in connection with Haitong Bank's participation as agent in the commercial paper issuance of ESI and Rio Forte between September 2013 and February 2014.

CMVM considered that Haitong Bank (referred to as, at the time of the facts, Banco Espírito Santo de Investimento, S.A.) had a causal contribution for Banco Espírito Santo, S.A. – In Liquidation to disclose to its customers that subscribed commercial paper issued by ESI, between September and December 2013, and by Rio Forte, between 9 January and 24 February 2014, information memoranda containing information that was not true, not complete, not up-to-date and not lawful, hence violating the duty to provide quality information, provided for in article 7. of the Portuguese Securities Code.

The breach, with intent, of the duty to provide quality information, provided for in article 7 of the Portuguese Securities Code, constitutes the practice of a very serious offence, under the terms of article 389, no. 1, a), of the Portuguese Securities Code, punishable by a fine of €25,000.00 to €5,000,000.00, under the terms of article 388, no. 1, a), of the Portuguese Securities Code, in each of the cases (ESI and Rio Forte).

In view of the circumstances of the case, the Board of Directors of CMVM decided to impose on Haitong Bank a single fine in the amount of €300,000, suspended its execution regarding the amount of €100,000, for the period of two years.

Haitong Bank understands that CMVM's decision has no grounds, legally nor factually, and, therefore, has contested the administrative decision towards the Judicial Court on September 2021.

On 15 February 2022, the Court of First Instance has considered unfounded and rejected the contestation filled by Haitong Bank and applied to it a single joint fine in the amount of €400,000, partially suspending its execution in the amount of €200,000 for a period of 2 years.

Haitong Bank understood that the decision of the Court of First Instance had no legal or factual basis and, for this reason, appealed from it, on March 2022, to the Lisbon Court of Appeal.

On July 14, 2022, Haitong Bank was notified of the Lisbon Court of Appeal decision, being the appeal filed by Haitong Bank considered as totally unfounded. On 28 July 2022, Haitong Bank appealed of this decision to the Portuguese Constitutional Court.

On 09 June 2022, Haitong Bank was served of a civil legal action brought against itself, with a claim value of € 4,905,460.96, filled by REDITUS GESTÃO, S.A. and GREENDRY LDA, (Claimants), within Lisbon's first instance civil court of law. The Claimants argue that the Bank breached its obligations as an Escrow Agent.

Haitong Bank presented its defense on 31 August 2022 and the Claimants presented their response (*Réplica*) on 13 December 2022. The Bank's external lawyers to whom this lawsuit has been entrusted, understand that the Claimants' alleged grounds have no legal or factual basis whatsoever.

Resolution Fund

Resolution measure applied to Banco Espírito Santo, S.A

On 3 August 2014, in order to safeguard the stability of the financial system, Banco de Portugal applied a resolution measure to Banco Espírito Santo, SA (BES) in accordance with the provisions of subparagraph b) of nº1. Article 145.º C of the General Regime for Credit Institutions and Financial Companies (RGICSF), in the form of partial transfer of assets, liabilities, off-balance sheet items and assets under management to a transition bank, Novo Banco, SA (Novo Banco) , constituted by determination of the Bank of Portugal of the same date. In line with community regulations, Novo Banco's capitalization was ensured by the Resolution Fund (FR), created by Decree-Law no. 31-A/2012, of 10 February. As provided for in the aforementioned Decree-Law, the resources of the Resolution Fund come from the payment of contributions owed by the institutions participating in the Fund and from the contribution to the banking sector. Additionally, it is also foreseen that whenever these resources prove to be insufficient for the fulfilment of their obligations, other means of financing may be used, namely: (i) special contributions from credit institutions; and (ii) amounts from loans.

Following the resolution measure, Novo Banco, SA's capital needs of 4,900 million euros were determined, with the capital subscription carried out by the Resolution Fund being financed essentially by obtaining financing from the Portuguese State (3,900 million euros) and eight institutions participating in the Fund (700 million euros), which does not include the Bank.

On 18 October 2017, the Resolution Fund announced the conclusion of the process of selling 75% of the share capital of Novo Banco, SA to Lone Star, whose selection had been communicated by Banco de Portugal on 31 March 2017 agreed conditions include the existence of a contingent capitalization mechanism, under which the Resolution Fund undertakes to make capital injections up to a maximum total amount of 3,890 million euros in the event that certain cumulative conditions materialize. As at 31 December 2022, Novo Banco is owned by Nani Holdings S.G.P.S, S.A, by the Resolution Fund and by the Portuguese State, with a share capital percentage of 75% and 23.44% and 1.56%, respectively.

On October 2, 2017, the Portuguese State signed a Framework Agreement with the Resolution Fund, for a maximum period of eleven years, which provides for the availability of the necessary funds to ensure compliance with the responsibilities assumed within the scope of the sale process of the Novo Banco, with an annual limit of 850 million euros.

The Framework Agreement establishes that the responsibilities assumed by the Resolution Fund under it can only be satisfied after all amounts due under the loans granted by the Portuguese State and the banking syndicate have been paid, in the amounts of 3,900 million euros and 700 and millions of euros, respectively.

On the same day, the Portuguese State and the Resolution Fund signed a credit agreement up to a maximum amount of 1,000,000 m.euros, with an annual use limit of 850,000 m.euros and maturity on 31 December 2046.

According to the statement of December 23, 2021 from the Resolution Fund, the value of payments made under the contingent capitalization mechanism made between 2018 and 2021 amounted to 3,405 million euros, having been made using the financing described and with the resources available from the Resolution Fund.

Resolution measure applied to Banif - Banco Internacional do Funchal, S.A.

On 19 December 2015, the Board of Directors of Banco de Portugal resolved to declare that BANIF – Banco Internacional do Funchal, SA ('BANIF') was “at risk or in a situation of insolvency”, initiating an urgent resolution process in the modality of total or partial disposal of its activity which resulted in the disposal on 20 December 2015 to Banco Santander Totta, SA of the assets, liabilities and off-balance sheet items managed by BANIF for the total amount of 150 million euros.

The assets that were not sold were transferred to an asset management vehicle, called Oitante, S.A. (Oitante), created specifically for this purpose, whose sole shareholder is the Resolution Fund. For this purpose, Oitante issued debt bonds in the amount of 746 million euros, which were fully acquired by BST, with a guarantee provided by the Resolution Fund and a counter-guarantee by the Portuguese State.

The operation involved public support of around 2,255 million euros to cover future contingencies, of which 489 million euros assumed by the Resolution Fund and 1,766 million euros directly by the Portuguese State, as a result of the options agreed between the Portuguese authorities, the European bodies and the BST, for the delimitation of the perimeter of the assets and liabilities sold.

Financing of the Resolution Fund

In a public statement dated September 28, 2016, the Resolution Fund announced that it had agreed with the Ministry of Finance to review the €3,900 million loan originally granted to the Resolution Fund in 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the loan's maturity was intended to ensure the Resolution Fund's ability to meet its obligations through its regular income, regardless of any contingencies to which the Resolution Fund is exposed. On the same day, the Cabinet of the Minister of Finance also announced that increases in liabilities arising from the materialization of future contingencies will determine the adjustment of the maturity of State and Bank loans to the Resolution Fund, in order to maintain the contributory effort required from the sector banking at current levels. According to the Resolution Fund communiqué of March 21, 2017:

- “The conditions of the loans obtained by the Fund to finance the resolution measures applied to Banco Espírito Santo, S.A. and to Banif – Banco Internacional do Funchal, S.A. were changed.” These loans amount to €4,953 million, of which €4,253 million were granted by the State and €700 million were granted by a banking syndicate.
- Those loans now mature in December 2046, without prejudice to the possibility of early repayment based on the use of the Resolution Fund's revenues. The maturity period will be adjusted in terms that guarantee the Resolution Fund's ability to fully meet its obligations based on regular income and without the need for special contributions or any other type of extraordinary contributions.
- The review of loan conditions aimed at ensuring the sustainability and financial balance of the Resolution Fund, based on a stable, predictable and affordable charge for the banking sector.
- The new conditions allow the full payment of the Resolution Fund's responsibilities, as well as the respective remuneration, without the need to resort to special contributions or any other type of extraordinary contributions by the banking sector”.

According to the 2021 Resolution Fund Report and Accounts (latest available):

- The Fund has negative own resources of 7 208 million euros;
- The Resolution Fund is not required to present a positive net position. In the event of insufficient resources, the Resolution Fund may receive special contributions, by determination of the member of the Government responsible for the area of finance, under the terms of article 153-I of the RGICSF, and no contributions of this nature are foreseen, in particular after reviewing the above-described Resolution Fund financing conditions;
- Regarding the contingent capital mechanism, and with regard to future periods, it is considered that there is significant uncertainty regarding the relevant parameters for the determination of possible future liabilities, either for its increase or for its reduction, under the terms of the relative agreement to the contingent capitalization mechanism with Novo Banco.
- As of December 31, 2020, the Resolution Fund is cited as a defendant or a counter-interest in several lawsuits related to resolution measures. Legal actions related to the application of resolution measures have no legal precedent, which makes it impossible to use case law in their assessment, as well as a reliable estimate of the possible contingent financial effect associated.
- The Resolution Fund also has other contingent liabilities related to the following situations:
  - Guarantee provided on bonds issued by Oitante, whose value as at 31 December 2020 amounts to 200 million euros;
  - Application of the principle that no creditor of the credit institution under resolution will be able to assume a greater loss than it would have assumed if that institution had gone into liquidation;
  - Neutralization of possible negative effects of future decisions, arising from the resolution process, which result in liabilities or contingencies for Novo Banco;
  - Limit on payments under the contingent capitalization mechanism;
  - Treatment, in light of the CCA signed with Novo Banco, of the effects arising from any discretionary decision by Novo Banco to reverse its previous decision to adhere to the transitional regime related to the introduction of IFRS 9;
  - Treatment, in light of the CCA concluded with Novo Banco, of the effects arising from Novo Banco's intention not to make use of the regime provided for in Regulation (EU) 2020/873 of the European Parliament and of the Council, of 24 June 2020;
  - Impact of READD on the 25% stake in Novo Banco;
  - Other contingent liabilities arising from the agreements for the sale of Novo Banco.

At the present date, there is no estimate regarding the total value of any losses to be incurred by the Resolution Fund resulting from the process of sale of Novo Banco, from the disputes associated with the BES resolution process, including within the scope of the so-called “process of the injured parties of the BES” and attempts to resolve the same, any losses resulting from the resolution of Banif and charges related to the respective processes.

In order to meet its responsibilities, the Resolution Fund has receipts from initial and periodic contributions from participating institutions (including Haitong Bank) and from contributions to the banking sector established by Law No. 55-A/2010. There is also the possibility for the Government to determine, by decree that special contributions be made in situations provided for by law, specifically in the event that the Resolution Fund does not have its own resources to fulfil its obligations.

Pursuant to the provisions of Decree-Law no. 24/2013, which establishes the functioning of the Resolution Fund, the Bank has been making mandatory contributions since 2013, as provided for in the aforementioned diploma.

In 2022, the Bank made periodic contributions to the Resolution Fund and to the banking sector in the amounts of 517 thousand euros and 1 480 thousand euros, respectively, which are recognised as costs in accordance with IFRIC 21 – Fees.

On 3 November 2015, Banco de Portugal issued a Circular Letter under which it is clarified that the periodic contribution to the Resolution Fund must be recognised as a cost at the time of the occurrence of the event that creates the obligation to pay the contribution, that is, on the last day of April of each year, as stipulated in article 9 of Decree-Law no. in the year in which it becomes due, pursuant to IFRIC 21 - Fees. On November 15, 2015, the Resolution Fund issued a statement stating: "it is further clarified that it is not foreseeable that the Resolution Fund will propose the creation of a special contribution to finance the resolution measure applied to BES. The possible collection of a special contribution appears, therefore, to be remote."

The financial statements as at 30 June 2022 reflect the Board of Directors' expectation that the Bank, as an entity participating in the Resolution Fund, will not be required to make special contributions or any other type of extraordinary contributions to finance the resolution measures applied to BES and to Banif or any other liability or contingent liability assumed by the Resolution Fund in the context of the aforementioned measures, taking into account:

- the conditions defined within the scope of the renegotiation in March 2017 of the loans that the Resolution Fund obtained to finance resolution measures, including the extension of the maturity period to December 31, 2046 and the possibility of adjusting this period, having as objective to ensure that the Resolution Fund is able to fully meet its obligations based on regular income and without the need for special contributions or any other type of extraordinary contributions by the banking sector; and
- public announcements made by the Resolution Fund and the Office of the Minister of Finance, which refer to the objective of ensuring that such contributions will not be necessary.

NOTE 36 – RELATED PARTIES TRANSACTIONS

The Bank's related parties transactions as at 31st of December 2022 and 2021, as well as the respective expenses and income recognised in the year, are summarized as follows:

(thousand euros)

	31.12.2022					
	Assets		Guarantees	Liabilities	Income	Expenses
	Others	Total				
Subsidiaries						
HAITONG BANCO DE INVESTIMENTO DO BRASIL SA	305	305	14 587	-	453	-
HAITONG CAPITAL - SCR, S.A.	-	-	-	55 440	252	169
TOTAL	305	305	14 587	55 440	705	169

(thousand euros)

	31.12.2021					
	Assets		Guarantees	Liabilities	Income	Expenses
	Others	Total				
Subsidiaries						
HAITONG BANCO DE INVESTIMENTO DO BRASIL SA	2 106	2 106	14 387	28	1 761	-
HAITONG CAPITAL - SCR, S.A.	-	-	-	57 622	231	107
TOTAL	2 106	2 106	14 387	57 650	1 992	107

The Bank's related parties transactions the group Haitong as at 31st of December 2022 and2021, as well as the respective expenses and income recognised in the year, are summarized as follows:

(thousand euros)

	31.12.2022								
	Assets					Garantees	Liabilities	Income	Expenses
	Loans	Credit	Securities	Others	Total				
Subsidiaries and associates									
HAITONG SECURITIES	-	-	-	-	-	-	-	22 000	-
HAITONG INTERNATIONAL SECURITIES CO LTD	-	-	-	-	-	-	-	531	-
HAITONG INNOVATION SECURITIES INVESTMENT CO LTD	-	-	-	-	-	-	-	1 000	-
HAITONG INVESTMENT IRELAND PLC	-	45 772	-	299	46 072	-	1 331	1 791	1 264
HAITONG PRIVATE EQUITY FUND	-	-	-	-	-	-	6 774	452	5
TOTAL	-	45 772	-	299	46 072	-	8 105	25 774	1 264

(thousand euros)

	31.12.2021								
	Assets					Garantees	Liabilities	Income	Expenses
	Loans	Credit	Securities	Others	Total				
Subsidiaries and associates									
HAITONG INTERNATIONAL STRATEGIC INVESTMENT	-	-	-	-	-	-	-	8 000	-
HAITONG SECURITIES	-	-	-	-	-	-	-	24 000	-
HAITONG INTERNATIONAL SECURITIES CO LTD	-	-	-	1 297	1 297	-	-	3 918	1
HAITONG INNOVATION SECURITIES INVESTMENT CO LTD	-	-	-	-	-	-	-	1 500	-
HAITONG INTERNATIONAL SECURITIES GROUP LIMITED	-	-	-	-	-	-	-	2 102	-
HAITONG INTERNATIONAL (UK) LIMITED	-	-	-	-	-	-	69	-	576
HAITONG INTERNATIONAL ADVISORY COMPANY LIMITED	-	-	-	-	-	-	-	1 292	-
HAITONG INVESTMENT IRELAND PLC	-	-	-	4 298	4 298	2 728	288 616	1 718	8 107
HAITONG PRIVATE EQUITY FUND	-	-	-	-	-	-	5 118	15	-
TOTAL	-	-	-	5 595	5 595	2 728	293 803	42 544	8 684

As at 31st December, 2021, the income regarding fees and commission included 24,003 thousand euros (31st December,2021: 39,519 thousand euros) concern Haitong Group related parties.

The value of Haitong Bank transactions with related entities in which the Administrator and/or family have significant influence, in the period ended December 31, 2022, as well as the respective costs and income recognised in the year, are summarized as follows:

(thousand euros)

	31.12.2022						
	Assets			Guarantees	Liabilities	Income	Expenses
	Securities	Others	Total				
Entities with relevant influence							
Mota Engil SGPS	14 919	-	14 919	-	18	217	198
TOTAL	**14 919**	**-**	**14 919**	**-**	**18**	**217**	**198**

(thousand euros)

	31.12.2021						
	Assets			Guarantees	Liabilities	Income	Expenses
	Securities	Others	Total				
Entities with relevant influence							
Nos Comunicações S.A.	-	-	-	-	17	7 843	8 013
Mota Engil SGPS	11 839	10	11 849	29 000	10	1 175	17
GamaLife - Companhia de Seguros de Vida, S.A.	-	-	-	-	-	140	-
TOTAL	11 839	10	11 849	29 000	27	9 158	8 030

NOTE 37 – FAIR-VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair-value of financial assets and liabilities

Haitong Bank estimates the fair value of its instruments based on prices quoted in active markets or, when such prices are not available, based on valuation techniques following standard valuation models such as discounted cash flows and option pricing models. The valuation models' parameter inputs are based on observable data, when available, derived from prices of financial instruments actively traded or based on indicative broker quotes.

The Bank performs valuation adjustments to reflect counterparty credit risk (CVA) for uncollateralized derivatives assets considering the current exposure, loss given default and the probability of default. This probability of default is based on the Bank's credit risk assessment model or market information where applicable.

The fair-value of financial assets and liabilities for the Bank is analysed as follows:

(thousand euros)

	Amortised cost	Valuated at fair value			Total book value	Fair value
		Level 1	Level 2	Level 3		
Balance as at 31st December 2021						
Cash and cash equivalents	14 888	-	-	-	14 888	14 888
Financial assets at fair value through profit or loss						
Financial assets held-for-trading						
Securities	-	31 118	3 269	-	34 387	34 387
Derivative financial assets	-	-	38 478	534	39 012	39 012
Non-trading financial assets mandatorily at fair value through profit or loss						
Securities	-	5	7 953	4 610	12 568	12 568
Loans and advances to customers	-	-	-	20	20	20
Financial assets at fair value through other comprehensive income	-	117 976	8 797	61 917	188 690	188 690
Financial assets measured at amortised cost						
Securities	666 549	-	-	-	666 549	621 932
Loans and advances to banks	471 139	-	-	-	471 139	471 139
Loans and advances to customers	655 290	-	-	-	655 290	652 519
Financial Assets	**1 807 866**	**149 099**	**58 497**	**67 081**	**2 082 543**	**2 035 155**
Financial liabilities held for trading						
Securities	-	96	-	-	96	96
Derivative financial assets	-	-	38 257	222	38 479	38 479
Financial liabilities measured at amortised cost						
Resources of credit institutions	842 834	-	-	-	842 834	842 834
Resources of customers	494 949	-	-	-	494 949	494 949
Debt securities issued	370 852	-	-	-	370 852	361 864
Financial liabilities	**1 708 635**	**96**	**38 257**	**222**	**1 747 210**	**1 738 222**
Balance as at 31st December 2020						
Cash and cash equivalents	473 251	-	-	-	473 251	473 251
Financial assets at fair value through profit or loss						
Financial assets held-for-trading						
Securities	-	35 719	739	-	36 458	36 458
Derivative financial assets	-	-	72 765	349	73 114	73 114
Non-trading financial assets mandatorily at fair value through profit or loss						
Securities	-	8	7 546	6 352	13 906	13 906
Loans and advances to customers	-	-	-	22	22	22
Financial assets at fair value through other comprehensive income	-	123 873	3 667	79 531	207 071	207 071
Financial assets measured at amortised cost						
Securities	508 665	-	-	-	508 665	509 526
Loans and advances to banks	49 429	-	-	-	49 429	49 429
Loans and advances to customers	517 943	-	-	-	517 943	515 974
Financial assets	**1 549 288**	**159 600**	**84 717**	**86 254**	**1 879 859**	**1 878 751**
Financial liabilities held for trading						
Securities	-	1 036	-	-	1 036	1 036
Derivative financial assets	-	-	72 824	330	73 154	73 154
Financial liabilities measured at amortised cost						
Resources of credit institutions	716 811	-	-	-	716 811	716 811
Resources of customers	805 728	-	-	-	805 728	805 728
Financial liabilities	**1 522 539**	**1 036**	**72 824**	**330**	**1 596 729**	**1 596 729**

Fair-value Hierarchy

The Bank's financial instruments are classified under the three levels defined in IFRS 13 according to the following:

Level 1 – Instruments valued using quoted prices observed in active and liquid markets. These include government bonds, credit bonds and exchange traded equities and derivatives.

Level 2 – Instruments valued using valuation techniques based on observable market inputs, quotes prices for similar instruments in active markets or for identical instruments in markets that are neither active nor liquid. These includes bonds, plain vanilla OTC derivatives, less liquid equities and funds valued at Net Asset Values (NAV) published daily by the fund manager and with possibility of daily redemption. The OTC derivatives includes financial instruments traded in OTC (over-the-counter), in which the counterparty has signed agreements of collateral (ISDA with CSA – Credit Support Annex), with very small Minimum Transfer Amount (MTS), which allows to mitigate the counterparty's Credit Risk while the CVA (Credit Value Adjustment) does not have a significant impact on the instrument valuation. Additionally, it also includes financial derivatives traded in OTC, without CSA, but the percentage of information not observed in market (e.g.: Internal Rating, Probability of Default determined by internal models, etc.) within the CVA valuation is not meaningful in what concerns the value of derivative as a whole. It is considered as significant when the value of CVA is higher than 5%.

Level 3 – Instruments measured using valuation techniques based on non-observable market inputs and that do not comply with the requirements to be classified under Level 1 nor Level 2. These include non-plain vanilla OTC derivatives valued based on non-observable market inputs or on indicative prices published by third parties, distressed and highly illiquid bonds, funds valued at Net Asset Values (NAV) published by the fund manager without possibility of daily redemption and private equity placements. In the Level 3 are included financial instruments traded in OTC market with counterparties which Haitong Bank doesn't have CSA signed and the percentage of unobservable data incorporated in CVA valuating is considered significant in the total value of the derivative (value of CVA has a weight higher than 5% of the value of derivate).

For financial instruments recorded in the balance sheet at fair value, the movement occurred between December 31st , 2022 and December 31st ,2021 in assets and liabilities classified in level 3 is as follows:

(thousand euros)

	Financial assets held for trading	Financial assets mandatory at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Total
	Derivative financial assets	Securities	Loans		
Opening Balance	19	6 352	22	79 531	85 924
Results recognized in Net Interest Margin	-	-	-	2 598	2 598
Net trading income and from other financial instruments at fair value through profit or loss	502	(3)	(2)	-	497
Net gains/(losses) derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	119	119
Impairment on other financial assets net of reversal and recoveries	-	-	-	(41)	(41)
Other fair value changes	(13)	(104)	-	(726)	(843)
Fair value reserve changes	-	-	-	(819)	(819)
Acquisitions	-	-	-	38 396	38 396
Sales	-	(1 635)	-	-	(1 635)
Reimbursements	-	-	-	(56 275)	(56 275)
Derivatives financial flows	(271)	-	-	-	(271)
Transfers from other levels	75	-	-	-	75
Transfers to other levels	-	-	-	(866)	(866)
Closing Balance	312	4 610	20	61 917	66 859

In 2022, based on the assessment of the market liquidity of the securities, trading assets of 866 thousand euros were transferred from Level 3 to Level 2.

Regarding derivative instruments, in 2022, 75 thousand euros were transferred from Level 2 to Level 3, whose CVA impact on the derivative's valuation became greater than 5%.

Based on the assessment of the securities' market liquidity, financial assets at fair value through other comprehensive income of 4,564 thousand from Level 1 to Level 2 and trading assets of 1,273 thousand from Level 1 to Level 2 and assets of 657 thousand trading from Level 2 to Level 1.

(thousand euros)

	Financial assets held for trading	Financial assets mandatory at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Total
	Derivative financial assets	Securities	Loans		
Opening Balance	-	1 975	-	92 150	94 125
Results recognized in Net Interest Margin	-	-	-	1 073	1 073
Net trading income and from other financial instruments at fair value through profit or loss	-	278	-	-	278
Net gains/(losses) derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	37	37
Impairment on other financial assets net of reversal and recoveries	-	-	-	(2 292)	(2 292)
Other fair value changes	-	4 099	-	(3 134)	965
Fair value reserve changes	-	-	-	2 904	2 904
Acquisitions	-	-	22	38 845	38 867
Sales	-	-	-	(1 400)	(1 400)
Reimbursements	-	-	-	(45 541)	(45 541)
Derivatives financial flows	-	-	-	-	-
Transfers from other levels	19	-	-		19
Transfers to other levels	-	-	-	(3 741)	(3 741)
Closing Balance	19	6 352	22	79 531	85 924

In 2021, based on the assessment of the market liquidity of the securities, 3,741 thousand euros from Level 2 to Level 3.

Regarding derivative instruments, in 2021, 19.3 thousand euros were transferred from Level 3 to Level 2, whose CVA impact on the derivative's valuation became less than 5%.

The main parameters used, during 2022, in the valuation models were the following:

Yield curves

The short-term rates set out below reflect indicative values of deposit interest rates and/or futures. Swap rates are used in the long-term of the interest curve:

(thousand euros)

	31.12.2022			31.12.2021		
	EUR	USD	GBP	EUR	USD	GBP
Overnight	1,89	4,32	3,44	-0,58	0,07	0,18
1 month	1,88	4,46	3,47	-0,55	0,10	0,19
3 months	2,13	4,77	3,87	-0,50	0,12	0,08
6 months	2,69	5,16	4,37	-0,50	0,00	0,47
1 year	3,69	4,76	4,69	-0,46	0,35	0,88
3 years	3,31	4,33	4,56	-0,15	0,93	1,30
5 years	3,24	4,02	4,32	0,01	1,35	1,29
7 years	3,20	3,90	4,13	0,13	1,46	1,23
10 years	3,20	3,84	3,99	0,30	1,57	1,20
15 years	3,14	3,81	3,91	0,50	1,70	1,18
20 years	2,92	3,74	3,83	0,55	1,76	1,15

Source: Haitong Bank

Credit spreads

Credit spreads curves and recovery rates used by the Bank are sourced on a daily basis from Markit. The table below reflects the evolution of the main CDS indices:

(thousand euros)

Index	Series	3 year	5 year	7 year	10 year
2022					
CDX USD Main	31	56,90	82,00	101,70	117,80
iTraxx Eur Main	30	66,40	90,60	107,50	123,20
iTraxx Eur Senior Financial	30	-	99,30	-	128,90
2021					
CDX USD Main	31	28,59	49,00	68,55	89,00
iTraxx Eur Main	30	26,82	47,76	66,67	87,05
iTraxx Eur Senior Financial	30	-	54,86	-	85,86

Interest rate volatilities

The following figures reflect at-the-money implied volatilities:

(thousand euros)

	31.12.2022			31.12.2021		
	EUR	USD	GBP	EUR	USD	GBP
1 ano	99,45	92,63	127,11	24,37	55,24	56,00
3 years	123,34	143,55	169,91	55,12	78,12	73,59
5 years	124,84	143,58	167,18	67,01	81,28	76,60
7 years	121,78	135,76	158,58	69,13	81,30	76,81
10 years	115,50	125,08	147,39	70,29	79,65	75,64
15 years	106,94	109,68	130,46	68,11	76,08	73,60

Source: Haitong Bank

Foreign exchange rate and volatilities

The table below reflects ECB's (European Central Bank) foreign exchange rates fixings and at-the-money implied volatilities:

	Quotation		Volatiliy (%)				
	31.12.2022	31.12.2021	1 month	3 months	6 months	9 months	1 year
EUR/USD	1,0666	1,1326	8,5550	8,7600	8,3975	8,2600	8,1600
EUR/GBP	0,8869	0,8403	7,4400	7,6675	7,7475	7,8400	7,9075
EUR/CHF	0,9847	1,0331	5,7500	6,0150	6,0500	6,1100	6,1425
EUR/PLN	4,6808	4,5969	7,2250	7,7200	8,0800	8,2950	8,4425
EUR/CNY	7,3582	7,1947	8,9950	8,7950	8,4825	8,3150	8,2275
USD/BRL a)	5,2865	5,5713	19,1670	19,2520	19,1030	18,9975	18,9720

Equity Indexes

The evolution of the main equity indices and the corresponding volatilities are summarized in the following table:

(thousand euros)

	Prices			Historical volatility (%)		Implied volatility (%)
	31.12.2022	31.12.2021	% Variation	1 month	3 months	
DJ Euro Stoxx 50	3 794	4 298	(12)	16,17	19,27	18,70
PSI 20	5 726	5 569	(3)	11,27	16,45	-
IBEX 35	8 229	8 714	(6)	12,67	16,72	-
DAX	13 924	15 885	(12)	15,08	19,53	18,72
S&P 500	3 585	4 766	(25)	19,57	25,43	19,84
BOVESPA	19 436	104 822	17	22,81	25,19	24,85

Source: Haitong Bank

The main methods and assumptions used in the abovementioned valuation of the fair-value of financial assets and liabilities are analysed as follows:

Cash and cash equivalents and Loans and advances to banks

The statement of financial position value of these financial instruments is considered a reasonable assumption of the corresponding fair-value due to their associated short timeframe.

Loans and advances to customers

The fair-value of loans and advances to customers is estimated based on the update of expected cash flows and interest, by taking into account market spreads for similar transactions (if they were entered into in the current moment) considering that the instalments are paid in compliance with the deadlines contractually agreed upon.

Resources of other credit institutions

The balance-sheet value of these financial instruments is considered a reasonable assumption of the corresponding fair-value due to their associated short timeframe.

Resources of customers

The fair-value of these financial instruments is determined based on the update of expected cash flows in capital and interest, considering that the payments are in compliance with the deadlines agreed upon contract. Considering that the applicable interest rates are of variable nature and the maturity period of the deposits is substantially inferior to one year, there are no measurable differences in fair-value.

Debt securities issued and Subordinated Liabilities

The fair-value of these instruments is based in market prices, when available. When unavailable, the fair-value it is estimated based on the update of expected cash flows in capital and interest regarding these instruments in the future.

NOTE 38 – RISK MANAGEMENT

As an independent control function, the Risk Management Department, being actively involved in all material decisions and aligned with parent guidelines and practices, aims to enable the Bank to make informed decisions and ensure that the risk policies approved by the Board of Directors are duly implemented and followed.

Credit Risk

The Credit Risk results from the possibility of financial losses arising from the default of the customer or counterparty in relation to the contractual financial obligations established with the Bank in the scope of its credit activity. Credit risk is mainly present in traditional banking products - loans, guarantees and loan commitments given - and in derivative products - swaps, forwards and options (counterparty risk).

The Bank's credit portfolios are permanently monitored, with interaction between the business teams and risk management throughout the sequential stages of the credit cycle.

The monitoring of the Bank's credit risk profile is regularly monitored, namely, in what concerns the evolution of credit exposure, delinquency ratios and provisioning, and concentration metrics.

The Bank also controls the approved credit limits and assures the proper functioning of mechanisms related with the credit approval process.

Calculation of ECL

The IFRS 9 standard outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition. According to Haitong Bank model, Expected Credit Loss (ECL) is determined as per the detailed information included in chapter 2.3.1., Impairment of Financial Assets and Financial Model.

- Stage 1 – Performing: Impairment assessment is carried out based 12-month expected credit loss (ECL). ECL is determined as the exposure as of the reference date multiplied by the 12-month probability of default and the loss given default;
- Stage 2 – Under Performing: Impairment assessment will reflect the ECL resulting from default events that may occur over the expected residual life of the instrument;
- Stage 3 – Non Performing: Impairment assessment will reflect the ECL over the expected residual life of the instrument.

Inputs in the measurement of ECL

As a result of the characteristics of the Bank's portfolio (reduced number of transactions and high heterogeneity), the calculation of the ECL has as the main vector of measurement the individual analysis assessment. Under the collective model, which is applied to financial instruments classified in Stage 1 and to determine the minimum impairment rate applicable to financial instruments classified in Stage 2, the key inputs for ECL measurement are the following:

- Probability of Default (PD): describes the likelihood of default. Haitong Bank takes in account the PD provided by S&P, whereas the rating assigning process is performed internally based on the S&P methodology. This assures the alignment between the internal risk management and the impairment calculation process.
- Loss Given Default (LGD): is the magnitude of the loss at the time of a default. The Bank applies the LGD based on Moody's LGD benchmarks covering a wide historical period.
- Exposure at Default (EAD): the expected exposure in the event of a default. The calculation of EAD depends of the asset type.

Regarding undrawn loan commitments and financial guarantees, the amount considered in the calculation of impairment at each stage results from the exposure as of the reference date weighted by the credit conversion factor (according with CRR – Capital Requirements Regulation).

Forward-Looking Information

The Bank maintained a simplified approach in what regards the incorporation of forward-looking information (the "forward-looking exercise"), namely to anticipate the recognition of expected credit losses, grounded to the characteristics and size of the Bank, and based on a principle of proportionality.

As part of the forward-looking exercise, the Bank adjusted the through-the-cycle probabilities of default ("TTC PD"), incorporating prospective macroeconomic information, and generated "point-in-time" probabilities of default ("PiT PD"), which are more precise and adequate to a point in time. The TTC PD are the default probabilities provided by S&P, having the Bank developed a methodology to estimate PiT PD, based on the Scalar Factor concept, i.e., a coefficient that enables the conversion of TTC PD into PiT PD.

The Bank's forward-looking exercise applies to the collective impairment model and also covers exposures with a significant increase in credit risk, i.e., classified in Stage 2, namely whenever economic projections are available. The forward-looking exercise was based on a multi-scenario approach weighted by the respective probability of occurrence.

The forward-looking exercise relied on a multiple-scenario approach (base, optimist and downside) incorporating different economic conditions and their likelihoods. The multiple scenarios cover the period between 2022 and 2024. The scenarios were mainly determined with reference to external forecasts from Bank of Portugal, regularly published in its Economic Bulletins, IMF's projections dated October 2022 and *Conselho de Finanças Públicas* projections dated September 2022, which are representative of the Bank's view of future Portuguese economic conditions for the calculation of allowance of credit losses, and which ensure the alignment and consistency of the model with the Regulator's macroeconomic predictions.

The annual update of the forward-looking exercise as of 31 December 2022 led to an increase of impairment of approximately 215 thousand euros.

Haitong Bank also carried out a sensitivity analysis, as of 31 December 2022, based on the impact assessment of a 10% variation in external parameters considered in the collective model for the calculation of expected credit losses (PD and LGD). Finally, a +10% shock was applied to the PiT PD and the LGD parameters, verifying that the impact on expected credit losses would result in an increase of around 680 thousand euros and 718 thousand euros, respectively.

The financial instruments subject to standard IFRS 9 impairment requirements are presented below, detailed by stage, as of December 31st, 2022 and December 31st, 2021.

(thousand euros)

Asset Type	31.12.2022										
	Stage 1				Total Stage 1	Stage 2			Total Stage 2	Stage 3	Total Stage 3
	Low to Fair risk [aaa+;a-]	Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Not rated		Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Doubtful [lccc]		Impaired [d]	
Loans and advances to customers	21 733	629 606	-	2	651 341	4 936	-	-	4 936	77 465	77 465
Guarantees	11 827	117 705	-	-	129 532	-	-	-	-	2 692	2 692
Securities	138 262	731 792	-	-	870 054	-	-	-	-	-	-
Loans and advances to banks	468 659	2 500	-	-	471 159	-	-	-	-	15 077	15 077
Cash and cash equivalents	7 146	4 876	-	-	12 022	-	3 800	-	3 800	-	-
Debtors and other assets	7	1 861	285	12 708	14 861	-	-	-	-	17 298	17 298
Total	**647 634**	**1 488 340**	**285**	**12 710**	**2 148 969**	**4 936**	**3 800**	**-**	**8 736**	**112 532**	**112 532**

(thousand euros)

Asset Type	31.12.2021										
	Stage 1				Total Stage 1	Stage 2			Total Stage 2	Stage 3	Total Stage 3
	Low to Fair risk [aaa+;a-]	Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Not rated		Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Doubtful [lccc]		Impaired [d]	
Loans and advances to customers	12 370	443 464	-	33 533	489 367	27 908	-	-	27 908	77 821	77 821
Guarantees		118 441	50	-	118 491	-	-	-	-	5 644	5 644
Securities	43 008	671 569	-	3 610	718 187	-	-	-	-	-	-
Loans and advances to banks	43 683	3 101	-	-	46 784	-	-	3 561	3 561	15 077	15 077
Cash and cash equivalents	468 416	4 817	-	11	473 244	-	-	-	-	-	-
Debtors and other assets	-	862	882	13 908	15 652	-	-	-	-	9 949	9 949
Total	**567 477**	**1 242 254**	**932**	**51 062**	**1 861 725**	**27 908**	**-**	**3 561**	**31 469**	**108 491**	**108 491**

As of December 31, 2022, the majority of non-rated exposures relates to other debtors transactions. As of December 31, 2021, the majority of non-rated exposures (65.4%) was related to buy-sell backs transactions with sovereign debt serving as underlying.

As of December 31st, 2022, the maximum exposure to credit risk of financial assets not subject to impairment requirements amounts to 3 million euros, corresponding to exposures to Central banks.

The table below compiles all financial instruments at amortised cost by industry, stage and days of delay as December 31st, 2022 and December 31st, 2021.

(thousand euros)

Amortised Costs financial instruments (including Financial Guarantees) by past due status	31.12.2022									
	Stage 1				Stage 2		Stage 3			
	No overdue		More than 181 days (1)		No overdue		No overdue		More than 181 days	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Automobiles & Components	31 815	60	-	-	-	-	-	-	-	-
Banks	526 658	1 135	1 616	1 616	3 800	938	-	-	15 077	15 077
Broker Dealers	-	-	-	-	-	-	-	-	-	-
Building Materials	-	-	191	191	-	-	12	12	-	-
Capital Goods	49 542	89	40	40	-	-	-	-	2 200	2 200
Chemicals	23 065	74	-	-	-	-	-	-	-	-
Commercial & Professional Services	59 006	415	92	92	-	-	4 916	1 111	3 116	3 116
Construction & Engineering	115 808	368	407	407	-	-	762	239	1 479	1 475
Funds & Asset Managers	14 412	15	-	-	-	-	-	-	-	-
Governments	422 443	297	214	214	-	-	-	-	-	-
Health Care	7 947	43	-	-	-	-	-	-	-	-
Hotels & Gaming	-	-	-	-	-	-	-	-	5 950	5 950
Investment Holdings	1	-	-	-	-	-	-	-	-	-
Media & Entertainment	-	-	94	94	-	-	-	-	-	-
Metals & Mining	8 761	11	-	-	-	-	-	-	-	-
Non Bank Financial Institutions	50 559	150	-	-	-	-	-	-	242	242
Oil & Gas	31 673	145	-	-	-	-	-	-	10 324	10 324
Paper & Forest Products	2 727	3	60	60	-	-	-	-	-	-
Power	147 678	884	57	57	-	-	-	-	-	-
Real Estate	183 385	1 899	166	166	3 754	278	-	-	44 583	44 583
Rental & Leasing	13 917	76	-	-	-	-	-	-	-	-
Retailing	34 336	230	-	-	-	-	-	-	-	-
Technology Hardware & Equipment	-	-	-	-	-	-	7 395	40	-	-
Telecoms	64 801	283	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	1 182	22	-	-	6 563	6 563
Transportation Infrastructure	141 280	201	-	-	-	-	-	-	9 891	3 569
Water Utilities	8 719	94	-	-	-	-	-	-	-	-
Others	2115	616	3 202	3 202	-	-	-	-	-	-
TOTAL	1 940 648	7 088	6 139	6 139	8 736	1 238	13 085	1 402	99 425	93 099

(1) Resulting from the specific characteristics of the Receivables portfolio, a simplified approach based on the days past due (and therefore standardized in Stage 1) is applied.

.(thousand euros)

Amortised Costs financial instruments (including Financial Guarantees) by past due status	31.12.2021									
	Stage 1				Stage 2		Stage 3			
	No overdue		More than 181 days (1)		No overdue		No overdue		More than 181 days	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Automobiles & Components	11 610	21	-	-	-	-	-	-	-	-
Banks	555 811	1 131	1 661	1 661	3 561	879	-	-	15 077	15 077
Broker Dealers	545	-	-	-	-	-	-	-	-	-
Building Materials	12 533	38	192	192	-	-	12	12	-	-
Capital Goods	23 028	34	40	40	-	-	-	-	2 200	2 200
Chemicals	22 992	52	-	-	-	-	-	-	-	-
Commercial & Professional Services	40 047	321	86	86	-	-	5 567	670	2 785	2 785
Construction & Engineering	127 272	528	407	407	-	-	902	210	1 552	1 530
Funds & Asset Managers	33 389	-	-	-	-	-	-	-	-	-
Governments	277 181	263	214	214	-	-	-	-	-	-
Health Care	51 206	180	-	-	-	-	-	-	-	-
Hotels & Gaming	50	-	-	-	-	-	-	-	5 950	5 950
Investment Holdings	25	-	-	-	-	-	-	-	-	-
Media & Entertainment	-	-	94	94	-	-	-	-	-	-
Metals & Mining	8 836	11	-	-	-	-	-	-	-	-
Non Bank Financial Institutions	26 510	36	-	-	-	-	2 728	-	242	242
Oil & Gas	13 874	58	-	-	-	-	-	-	10 324	10 324
Paper & Forest Products	7 938	19	60	60	-	-	-	-	-	-
Power	111 350	416	57	57	-	-	-	-	-	-
Real Estate	126 248	1 005	166	166	3 751	345	-	-	44 715	44 715
Retailing	27 231	213	-	-	-	-	-	-	-	-
Telecoms	67 584	220	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	1 635	122	-	-	6 524	6 524
Transportation Infrastructure	90 653	79	-	-	22 522	254	-	-	9 891	2 861
Water Utilities	8 210	85	-	-	-	-	-	-	-	-
Others	3 054	757	3 147	3 147	-	-	-	-	-	-
Total	**1 647 177**	**5 467**	**6 124**	**6 124**	**31 469**	**1 600**	**9 209**	**892**	**99 260**	**92 208**

(1) Resulting from the specific characteristics of the Receivables portfolio, a simplified approach based on the days past due (and therefore standardized in Stage 1) is applied.

In the following section is presented the gross exposure by asset type, impairment stage and internal rating bucket.

Loans and advances to customers

The table below presents a summary of the portfolio of loans and advances to customers of Haitong Bank as of of December 31st, 2022 and December 31st, 2021:

(thousand euros)

Loans and advances to customers		31.12.2022				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	21 733	-	-	-	21 733
Monitoring	[bbb+;b-]	629 606	4 936	-	-	634 542
Impaired	[d]	-	-	75 287	2 156	77 443
Not rated		2	-	-	-	2
Gross carrying amount		651 341	4 936	75 287	2 156	733 720
Loss allowance (note 30)		2 667	300	74 733	730	78 430
Carrying amount		648 674	4 636	554	1 426	655 290
Fair Value Trough Profit and Loss						-
Impaired	[d]	-	-	22	-	22
Gross carrying amount		-	-	22	-	22
Revaluation		-	-	(2)	-	(2)
Carrying amount		-	-	20	-	20
Total gross carrying amount		651 341	4 936	75 309	2 156	733 742
Loss allowance		2 667	300	74 733	730	78 430
Total revaluation		-	-	(2)	-	(2)
Total Carrying amount		648 674	4 636	574	1 426	655 310

(thousand euros)

Loans and advances to customers		31.12.2021				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	12 370	-	-	-	12 370
Monitoring	[bbb+;b-]	443 464	27 908	-	-	471 372
Impaired	[d]	-	-	75 600	2 199	77 799
Not rated		33 533	-	-	-	33 533
Gross carrying amount		489 367	27 908	75 600	2 199	595 074
Loss allowance (note 30)		1 721	721	74 642	47	77 131
Carrying amount		487 646	27 187	958	2 152	517 943
Fair Value Trough Profit and Loss						-
Impaired	[d]	-	-	22	-	22
Gross carrying amount		-	-	22	-	22
Carrying amount		-	-	22	-	22
Total gross carrying amount		489 367	27 908	75 622	2 199	595 096
Loss allowance		1 721	721	74 642	47	77 131
Total Carrying amount		487 646	27 187	980	2 152	517 965

Guarantees

The table below presents a summary of the portfolio of guarantees granted to clients of Haitong Bank as of of December 31st, 2022 and December 31st, 2021:

(thousand euros)

Guarantees		31.12.2022				
		Stage 1	Stage 2	Stage 3	POCI	Total
Low to fair risk		11 827	-	-	-	**11 827**
Monitoring	[bbb+;b-]	117 705	-	-	-	**117 705**
Impaired	[d]	-	-	2 692	-	**2 692**
Total gross carrying amount		**129 532**	**-**	**2 692**	**-**	**132 224**
Loss allowance (note 30)		1 107	-	340	-	**1 447**
Total Carrying amount		**128 425**	**-**	**2 352**	**-**	**130 777**

(thousand euros)

Guarantees		31.12.2021				
		Stage 1	Stage 2	Stage 3	POCI	Total
Monitoring	[bbb+;b-]	118 441	-	-	-	**118 441**
Substandard	[ccc+;ccc]	50	-	-	-	**50**
Impaired	[d]	-	-	5 644	-	**5 644**
Total gross carrying amount		**118 491**	**-**	**5 644**	**-**	**124 135**
Loss allowance (note 30)		1 099	-	415	-	**1 514**
Total Carrying amount		**117 392**	**-**	**5 229**	**-**	**122 621**

Debt securitites

The table below presents a summary of the portfolio of banking book debt securities at amortised cost and at fair value through other comprehensive income of Haitong Bank, as of December 31st, 2022 and December 31st , 2021:

(thousand euros)

FVOCI and Amortised cost Debt Securities		31.12.2022				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	103 201	-	-	-	**103 201**
Monitoring	[bbb+;b-]	564 671	-	-	-	**564 671**
Gross carrying amount		**667 872**	**-**	**-**	**-**	**667 872**
Loss allowance (note 30)		1 323	-	-	-	**1 323**
Carrying amount		**666 549**	**-**	**-**	**-**	**666 549**
Fair Value through Other Comprehensive Income						
Low to fair risk	[aaa+;a-]	35 061	-	-	-	**35 061**
Monitoring	[bbb+;b-]	167 121	-	-	-	**167 121**
Gross carrying amount		**202 182**	**-**	**-**	**-**	**202 182**
Loss allowance (note 30)		704	-	-	-	**704**
Revaluation		(12 788)	-	-	-	**(12 788)**
Carrying amount		**188 690**	**-**	**-**	**-**	**188 690**
Total gross carrying amount		**870 054**	**-**	**-**	**-**	**870 054**
Loss allowance		2 027	-	-	-	**2 027**
Total Revaluation		(12 788)	-	-	-	**(12 788)**
Total Carrying amount		**855 239**	**-**	**-**	**-**	**855 239**

(thousand euros)

FVOCI and Amortised cost Debt Securities		31.12.2021				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	9 507	-	-	-	9 507
Monitoring	[bbb+;b-]	500 256	-	-	-	500 256
Gross carrying amount		509 763	-	-	-	509 763
Loss allowance (note 30)		1 098	-	-	-	1 098
Carrying amount		508 665	-	-	-	508 665
Fair Value through Other Comprehensive Income						-
Low to fair risk	[aaa+;a-]	33 501	-	-	-	33 501
Monitoring	[bbb+;b-]	171 313	-	-	-	171 313
Not rated		3 610	-	-	-	3 610
Gross carrying amount		208 424	-	-	-	208 424
Loss allowance (note 30)		521	-	-	-	521
Revaluation		(832)	-	-	-	(832)
Carrying amount		207 071	-	-	-	207 071
Total gross carrying amount		718 187	-	-	-	718 187
Loss allowance		1 619	-	-	-	1 619
Total Revaluation		(832)	-	-	-	(832)
Total Carrying amount		715 736	-	-	-	715 736

Cash equivalents

The table below presents a summary of the cash equivalents portfolio of Haitong Bank, as of December 31st, 2022 and December 31st, 2021:

(thousand euros)

Cash equivalents		31.12.2022				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	7 146	-	-	-	7 146
Monitoring	[bbb+;b-]	4 876	-	-	-	4 876
Substandard	[ccc+;ccc]	-	3 800	-	-	3 800
Total gross carrying amount		12 022	3 800	-	-	15 822
Loss allowance (Note 30)		1	938	-	-	939
Total Carrying amount		12 021	2 862	-	-	14 883

(thousand euros)

Cash equivalents		31.12.2021				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	468 416	-	-	-	468 416
Monitoring	[bbb+;b-]	4 817	-	-	-	4 817
Not rated		11	-	-	-	11
Total gross carrying amount		473 244	-	-	-	473 244
Loss allowance (Note 30)		1	-	-	-	1
Total Carrying amount		473 243	-	-	-	473 243

Loans and advances to banks

The table below presents a summary of the portfolio of loans and advances to banks of Haitong Bank, as of December 31st, 2022 and December 31st, 2021:

(thousand euros)

Loans and advances to Banks		31.12.2022 Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	468 659	-	-	-	468 659
Monitoring	[bbb+;b-]	2 500	-	-	-	2 500
Impaired	[d]	-	-	15 077	-	15 077
Total gross carrying amount		471 159	-	15 077	-	486 236
Loss allowance (note 30)		20	-	15 077	-	15 097
Total Carrying amount		471 139	-	-	-	471 139

(thousand euros)

Loans and advances to Banks		31.12.2021 Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	43 683	-	-	-	43 683
Monitoring	[bbb+;b-]	3 101	-	-	-	3 101
Impaired	[d]	-	-	15 077	-	15 077
Not rated		-	3 561	-	-	3 561
Total gross carrying amount		46 784	3 561	15 077	-	65 422
Loss allowance (note 30)		37	879	15 077	-	15 993
Total Carrying amount		46 747	2 682	-	-	49 429

Debtors and other assets

The table below presents a summary of the debtors and other assets portfolio of Haitong Bank, as of December 31st, 2022 and December 31st, 2021:

(thousand euros)

Debtors and other assets		31.12.2022 Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	7	-	-	-	**7**
Monitoring	[bbb+;b-]	1 861	-	-	-	**1 861**
Substandard	[ccc+;ccc]	285	-	-	-	**285**
Impaired	[d]	-	-	7 407	9 891	**17 298**
Not rated		12 708	-	-	-	**12 708**
Total gross carrying amount		**14 861**	**-**	**7 407**	**9 891**	**32 159**
Loss allowance (note 30)		8 109	-	52	3 569	**11 730**
Total Carrying amount		**6 752**	**-**	**7 355**	**6 322**	**20 429**

(thousand euros)

Debtors and other assets		31.12.2021 Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Monitoring	[bbb+;b-]	862	-	-	-	**862**
Substandard	[ccc+;ccc]	882	-	-	-	**882**
Impaired	[d]	-	-	58	9 891	**9 949**
Not rated		13 908	-	-	-	**13 908**
Total gross carrying amount		**15 652**	**-**	**58**	**9 891**	**25 601**
Loss allowance (note 30)		7 635	-	58	2 861	**10 554**
Total Carrying amount		**8 017**	**-**	**-**	**7 030**	**15 047**

Throughout 2022, an exposure in the amount of 18.8 million euros has been transferred from Stage 2 (lifetime expected credit loss) to Stage 1 (12 month expected credit loss).

The use of credit protection is a key element of the risk policy and credit decision process, influencing the acceptance criteria, the decision levels, and the pricing.

The main risk mitigation techniques used by the Group are financial pledges (funded credit protection – financial collateral in the form of securities and cash) and personal guarantees (unfunded credit protection with substitution effect).

Haitong Bank follows the prescription of CRR in what concerns collateral haircuts for impairment calculation. Thus, instead of using the collateral value, the Group considers the collateral value after haircut application.

Frequency and methods of collateral valuation depends on the nature of the collateral. For listed equity securities and debt securities, valuation occurs on a daily basis using market prices.

The pledge of bank accounts valuation takes place on a quarterly basis according to information provided by the depositary bank.

Regarding pledges over non-listed equity securities, pledges over equipment and mortgages valuation, it is done at least on an annual basis and it is based on financial information of the borrower or on valuation reports of external entities.

As of December 31st, 2022, the amount of financial instruments with no losses identified, due to credit risk's mitigation techniques (i.e. whenever the exposure at default net of collateral is equal to zero), was 12,749 thousand euros, accounted under loans and advances to customers and guarantees.

The table below disaggregates the financial instrument and financial guarantees' gross exposure, and exposure at default (EAD) separately for each stage and POCI.

(thousand euros)

Rating bucket		31.12.2022							
		Stage 1		Stage 2		Stage 3		POCI	
		Gross Exposure	EAD	Gross Exposure	EAD	Gross Exposure	EAD	Gross Exposure	Exposure at Default
Low to fair risk	[aaa+;a-]	647 634	635 451	-	-	-	-	-	-
Monitoring	[bbb+;b-]	1 488 340	1 330 911	4 936	4 763	-	-	-	-
Substandard	[ccc+;ccc]	285	285	3 800	3 800	-	-	-	-
Impaired	[d]	-	-	-	-	100 485	99 905	12 047	12 047
Not Rated		12 710	12 710	-	-	-	-	-	-
Total		**2 148 969**	**1 979 357**	**8 736**	**8 563**	**100 485**	**99 905**	**12 047**	**12 047**

(thousand euros)

Classe de rating		31.12.2021							
		Estágio 1		Estágio 2		Estágio 3		POCI	
		Exposição Bruta	EAD	Exposição Bruta	EAD	Exposição Bruta	EAD	Exposição Bruta	EAD
Low to fair risk	[aaa+;a-]	567 477	567 042	-	-	-	-	-	-
Monitoring	[bbb+;b-]	1 242 254	1 136 178	27 908	25 178	-	-	-	-
Substandard	[ccc+;ccc]	932	932	-	-	-	-	-	-
Impaired	[d]	-	-	-	-	96 401	95 394	12 090	12 090
Not rated		51 062	18 335	3 561	3 561	-	-	-	-
Total		1 861 725	1 722 487	31 469	28 739	96 401	95 394	12 090	12 090

Breakdown of Non-Performing and Forborne Exposures

In accordance with the definitions set out in Annex V to Commission Implementing Regulation (EU) 2018/1627 of 8 October 2018, amending Implementing Regulation (EU) No 680/2014 as regards prudent valuation for supervisory reporting, the Bank discloses the non-performing exposures and the forborne exposures.

The definitions of non-performing and forborne exposures are provided under section 2.3.1.

In this sense, as of December 31st, 2022 and December 31st, 2021 the breakdown of performing and non-performing exposures was as follows:

(thousand euros)

	31.12.2022			31.12.2021		
	Gross amount and Revaluations	Impairment, Negative revaluations and Provisions	Coverage	Gross amount and Revaluations	Impairment, Negative revaluations and Provisions	Coverage
Performing exposures	2 334 798	7 538	0,3%	2 054 226	6 385	0,3%
Non-Performing exposures (NPE)	96 018	91 143	94,9%	98 803	90 261	91,4%
Loans and advances to customers	77 463	75 461	97,4%	77 821	74 689	96,0%
Loans and advances to Banks	15 077	15 077	100,0%	15 077	15 077	100,0%
Guarantees	2 692	340	12,6%	5 644	415	7,4%
Loan commitments	786	265	33,7%	261	80	30,7%
Total	2 430 816	98 681	4,1%	2 153 029	96 646	4,5%
NPE ratio	4,0%			9,0%		
NPL ratio	10,6%			13,1%		

As of December 31st, 2022 and December 31st, 2021 the breakdown of performing and non-performing forborne exposures was as follows:

(thousand euros)

	31.12.2022			31.12.2021		
	Gross amount and Revaluations	Impairment, Negative revaluations and Provisions	Coverage	Gross amount and Revaluations	Impairment, Negative revaluations and Provisions	Coverage
Performing exposures	2 331 044	7 260	0,3%	2 050 475	6 040	0,3%
Performing Forborne exposures	3 754	278	7,4%	3 751	345	9,2%
Loans and advances to customers	3 754	278	7,4%	3 751	345	9,2%
Non-Performing Forborne exposures	78 227	75 728	96,8%	78 060	74 769	95,8%
Loans and advances to customers	77 441	75 463	97,4%	77 799	74 689	96,0%
Loan commitments	786	265	33,7%	261	80	30,7%
Non-Performing exposures	17 791	15 415	86,6%	20 743	15 492	74,7%
Total	2 430 816	98 681	4,1%	2 153 029	96 646	4,5%

Concentration risk

Concerning the concentration risk - that is, the risk arising from the possibility of exposure or from a group of exposures sharing common or interrelated risk factors that produce losses large enough to affect the Bank's solvency - Haitong Bank has internal limits established for the largest single name exposures. Regular monitoring of these limits, together with regulatory limits, strengthens the bank's monitoring framework for the concentration of credit risk.

The breakdown of loans and advances to customers, financial assets held for trading and securities, by sector of activity, for the years ended December 31st, 2022 and December 31st, 2021, is as follows:

(thousand euros)

Industry	31.12.2022							
	Loans and advances to customers				Financial assets held for trading		Securities	
	Gross amount		Impairment					
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans	Securities	Derivative financial assets	Gross amount	Impairment
Agribusiness & Commodity Foods	-	-	-	-	278	-	-	-
Automobiles & Components	20 165	-	38	-	-	-	16 912	42
Banks	-	-	-	-	4 047	13 251	76 383	126
Broker Dealers	-	-	-	-	494	144	-	-
Building Materials	-	-	-	-	1 782	-	-	-
Capital Goods	18 796	1 000	1 262	1 000	3 336	-	23 159	27
Chemicals	14 968	-	48	-	3 842	-	8 097	26
Commercial & Professional Services	61 686	3 116	1 391	3 116	601	-	-	-
Construction & Engineering	5 627	1 479	60	1 475	1 292	441	43 977	359
Containers & Packaging	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	-	-	-	-	-	1 178	6 383	4
Funds & Asset Managers	-	-	-	-	1 599	-	22 364	15
Governments	1 231	-	-	-	253	-	434 750	309
Health Care	7 946	-	43	-	-	-	14 044	76
Hotels & Gaming	2 127	3 823	2 127	3 823	-	-	7 445	2
Media & Entertainment	-	-	-	-	1 197	4	-	-
Metals & Mining	-	-	-	-	-	-	9 459	12
Non Bank Financial Institutions	45 626	242	146	242	3 866	6 945	26 855	82
Oil & Gas	17 476	10 324	83	10 324	3 269	-	14 197	62
Paper & Forest Products	-	-	-	-	-	458	2 727	4
Power	118 179	-	816	-	1 692	137	30 940	87
Real Estate	124 397	44 583	589	44 583	792	28	81 189	489
Renting and location	13 917	-	76	-	-	-	-	-
Retailing	20 210	-	212	-	-	-	14 126	18
Software	-	-	-	-	-	-	5	-
Technology Hardware & Equipment	-	-	-	-	1 742	-	-	-
Telecoms	47 817	-	190	-	1 430	238	25 663	164
Transportation	1 182	6 563	22	6 563	657	-	-	-
Transportation Infrastructure	141 258	-	201	-	1 419	16 188	-	-
Water Utilities	-	-	-	-	799	-	11 158	123
Others	2	-	-	-	-	-	-	-
TOTAL	662 610	71 130	7 304	71 126	34 387	39 012	869 833	2 027

(thousand euros)

Industry	31.12.2021								
	Loans and advances to customers					Financial assets held for trading		Securities	
	Gross amount		Impairment		Revaluation				
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans	Overdue loans	Securities	Derivative financial assets	Gross amount	Impairment
Agribusiness & Commodity Foods	-	-	-	-	-	-	157	-	-
Automobiles & Components	-	-	-	-	-	181	-	18 420	34
Banks	-	-	-	-	-	8 527	14 923	72 335	114
Broker Dealers	-	-	-	-	-	-	217	-	-
Building Materials	12 533	-	38	-	-	-	-	-	-
Capital Goods	11 785	868	1 344	868	-	169	-	11 793	21
Chemicals	14 954	-	46	-	-	1 016	49	8 038	6
Commercial & Professional Services	42 449	2 785	721	2 785	-	3 196	-	-	-
Construction & Engineering	17 447	1 507	179	1 484	54	1 508	-	29 534	262
Food, Beverage & Tobacco	-	-	-	-	-	863	1 994	6 596	4
Funds & Asset Managers	33 389	-	-	-	-	-	-	7 546	-
Governments	1 593	-	-	-	-	2 574	-	282 636	272
Health Care	45 913	-	152	-	-	851	-	23 300	115
Hotels & Gaming	-	5 951	-	5 951	-	405	-	17 444	31
Media & Entertainment	-	-	-	-	-	-	3	-	-
Metals & Mining	-	-	-	-	-	2 017	4 085	9 707	15
Non Bank Financial Institutions	-	242	-	242	-	558	3 590	50 141	70
Oil & Gas	-	10 324	-	10 324	-	177	1 739	13 874	58
Paper & Forest Products	-	-	-	-	-	-	270	19 745	55
Power	87 320	-	367	-	-	513	3 089	32 612	68
Real Estate	69 597	44 715	556	44 715	-	-	-	82 782	308
Retailing	19 986	-	200	-	-	3 005	-	7 245	13
Software	-	-	-	-	-	-	-	8	-
Telecoms	50 406	-	180	-	-	1 683	52	26 855	62
Transportation	1 635	6 524	122	6 524	-	974	-	-	-
Transportation Infrastructure	113 083	-	332	-	-	202	42 946	-	-
Water Utilities	-	-	-	-	-	-	-	10 649	111
Others	144	-	1	-	-	8 039	-	-	-
TOTAL	522 234	72 916	4 238	72 893	54	36 458	73 114	731 260	1 619

The breakdown of loans and advances to customers, financial assets held for trading and securities, by country risk, for the years ended December 31st, 2022 and December 31st, 2021, is as follows:

(thousand euros)

Country	31.12.2022								
	Loans and advances to customers					Financial assets held for trading		Securities	
	Gross amount		Impairment		Revaluation				
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans	Overdue loans	Securities	Derivative financial assets	Gross amount	Impairment
Bermuda	-	-	-	-	-	799	-	-	-
Brazil	-	3 117	-	3 117	-	-	-	20 130	110
Bulgaria	-	-	-	-	-	-	-	10 972	22
Canada	-	-	-	-	-	186	-	-	-
China	-	-	-	-	-	5 076	-	137 579	727
Cyprus	-	-	-	-	-	-	-	9 237	7
Czech Republic	-	-	-	-	-	-	-	10 165	19
Finland	-	-	-	-	-	-	-	2 727	3
France	-	-	-	-	-	610	1 142	60 113	53
Germany	20 165	-	38	-	-	-	4 244	10 155	22
Greece	-	-	-	-	-	-	-	22 702	44
Hong Kong	-	-	-	-	-	6 915	-	-	-
Hungary	-	-	-	-	-	-	-	17 908	15
Ireland	45 626	-	146	-	-	-	299	-	-
Italy	-	-	-	-	-	2 163	-	177 977	281
Japan	-	-	-	-	-	723	-	-	-
Luxembourg	90 865	-	595	-	-	-	-	32 554	19
Panama	-	-	-	-	-	-	-	-	-
Poland	94 913	1 479	188	1 475	-	288	28	34 065	176
Portugal	211 714	49 260	3 231	49 260	-	6 690	17 024	199 709	425
Romania	-	-	-	-	-	-	-	23 846	30
Singapore	-	-	-	-	-	278	-	-	-
Spain	138 822	17 274	2 838	17 274	-	3 173	9 415	77 731	29
Sweden	-	-	-	-	-	-	-	7 783	15
Switzerland	-	-	-	-	-	841	-	-	-
United Kingdom	60 503	-	268	-	-	-	6 860	14 480	30
United States	-	-	-	-	-	1 433	-	-	-
Virgin Islands (British)	-	-	-	-	-	1 223	-	-	-
Others	2	-	-	-	-	-	-	-	-
TOTAL	662 610	71 130	7 304	71 126	-	34 387	39 012	869 833	2 027

(thousand euros)

Country	31.12.2020								
	Loans and advances to customers					Financial assets held for trading		Securities	
	Gross amount		Impairment		Revaluation				
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans	Overdue loans	Securities	Derivative financial assets	Gross amount	Impairment
Belgium	-	-	-	-	-	-	53	-	-
Bermuda	-	-	-	-	-	668	-	-	-
Brazil	12 532	2 785	38	2 785	-	-	-	19 344	101
Bulgaria	-	-	-	-	-	-	-	11 559	21
China	-	-	-	-	-	5 060	-	139 632	483
Cyprus	-	-	-	-	-	-	-	9 344	11
Czech Republic	-	-	-	-	-	-	-	1 950	1
Finland	-	-	-	-	-	-	-	2 761	3
France	-	-	-	-	-	2 017	424	21 614	32
Germany	5 844	-	30	-	-	1 824	6 177	17 700	18
Greece	-	-	-	-	-	-	-	17 884	55
Hong kong	-	-	-	-	-	3 196	-	1 915	1
Hungary	-	-	-	-	-	-	-	10 566	8
Ireland	-	-	-	-	-	-	3 569	-	-
Italy	-	-	-	-	-	3 915	-	132 202	137
Japan	-	-	-	-	-	573	-	-	-
Luxembourg	30 482	-	62	-	-	-	-	21 353	12
Netherlands	-	-	-	-	-	1 566	-	10 289	19
Poland	75 772	1 508	88	1 484	54	778	-	54 207	225
Portugal	240 199	51 481	1 641	51 482	-	3 460	53 102	196 203	400
Romania	-	-	-	-	-	-	-	24 118	29
Singapore	-	-	-	-	-	863	-	-	-
Spain	103 134	17 142	2 204	17 142	-	6 314	8 765	10 898	18
Sweden	-	-	-	-	-	39	-	7 834	14
Switzerland	-	-	-	-	-	503	-	-	-
United Kingdom	54 127	-	174	-	-	3 409	1 024	14 712	29
United States	-	-	-	-	-	558	-	-	-
Virgin Islands (British)	-	-	-	-	-	1 715	-	5 176	2
Others	144	-	1	-	-	-	-	-	-
TOTAL	522 234	72 916	4 238	72 893	54	36 458	73 114	731 261	1 619

Russia-Ukraine Conflict

The Russia-Ukraine conflict has disrupted global economic conditions and triggered turmoil in financial and credit markets.

The Group carried out an internal risk assessment of the banking book borrowers and the related immediate impacts of the conflict, excluding second and third tier indirect impacts and compounding effects. This analysis was carried out by the Front-Office units, which contacted the Bank's customers in order to assess the impacts through the “Early Warning Signals” Questionnaire.

Although the overall implications of the conflict are not fully known, nor are the indirect effects likely to be quantified or predicted, the general conclusion is that at present date none of the borrowers analyzed has suffered a severe impact from the conflict.

The conclusions of the internal risk assessment were presented by the Risk Management Department to the Executive Committee, Risk Committee and Board of Directors.

Market risk

Market risk is the possibility of losses resulting from adverse movements in market prices, such as equity, interest rates, foreign exchange rates and credit spreads.

The Bank estimates the potential losses in its trading book and for the overall commodity and foreign currency positions using the historical Value at Risk (VaR) methodology, calculated considering a 99% confidence level, an investment period of 10 business days and 1 year of historical observation.

(thousand euros)

	31.12.2022				31.12.2021			
	December	Average	Maximum	Minimum	December	Average	Maximum	Minimum
Foreign Exchange Risk	10 098	7 618	10 584	5 969	6 800	4 142	13 078	1 393
Interest Rate Risk	479	509	1 191	171	403	812	1 625	187
Shares	8	10	24	4	10	12	57	-
Credit spread	604	521	2 181	284	616	1 759	2 871	205
Covariance	(1 272)	n.a.	n.a.	n.a.	(811)	n.a.	n.a.	n.a.
Global VaR	**9 916**	**6 427**	**12 855**	**459**	**5 905**	**6 551**	**13 078**	**3 836**

The following table presents the average interest rates as well as the average balances and interest for the period, relating to the Banks's major financial asset and liability categories, for the periods ended at December 31st 2021 and 2021, as well as the respective average balances and interest of the period:

(thousand euros)

	31.12.2022			31.12.2021		
	Average balance of the period	Interest of the period	Average interest rate	Average balance of the period	Interest of the period	Average interest rate
Monetary assets	513 928	2 676	0,52%	500 033	518	0,10%
Loans and advances to customers	675 225	24 171	3,58%	479 159	9 606	2,00%
Investment in securities	412 538	16 053	3,89%	419 330	10 321	2,46%
Collateral accounts	61 163	508	0,83%	76 048	184	0,24%
Financial assets	**1 662 855**	**43 408**	**2,61%**	**1 474 570**	**20 629**	**1,40%**
Monetary resources	818 004	8 228	1,01%	402 331	3 201	0,80%
Deposits from customers	621 670	6 803	1,09%	853 891	9 007	1,05%
Liabilities represented by securities	326 655	7 036	2,15%	-	-	0,00%
Other resources	18 009	557	3,09%	13 699	471	3,44%
Financial liabilities	**1 784 338**	**22 624**	**1,27%**	**1 269 921**	**12 679**	**1,00%**
Financial result		**20 784**			**7 950**	

As of 31st December 2022 and 31st December 2021, the exposure of assets and liabilities by currency in regards to the foreign exchange risk was as follows:

(thousand euros)

	31.12.2022			31.12.2021		
	Spot	Forward	Net Exposure	Spot	Forward	Net Exposure
AOA	7	-	7	-	-	-
AUD	14	-	14	14	-	14
BRL	110 857	-	110 857	103 550	21	103 571
CAD	36	-	36	35	-	35
CHF	22	-	22	364	-	364
CNY	12 143	-	12 143	12 455	-	12 455
DKK	201	-	201	201	-	201
GBP	37 059	(37 523)	(464)	37 991	(38 192)	(201)
HKD	(777)	-	(777)	(1 273)	1 386	113
JPY	41	-	41	44	-	44
MOP	5 177	-	5 177	5 171	-	5 171
MXN	10	-	10	14	-	14
NOK	11	-	11	12	-	12
PLN	57 038	(33 307)	23 731	86 810	(60 502)	26 308
SEK	36	-	36	89	-	89
TRY	1	-	1	-	-	-
USD	23 713	(22 501)	1 212	103 241	(102 216)	1 025
Total	**245 589**	**(93 331)**	**152 258**	**348 720**	**(199 504)**	**149 216**

Note: asset / (liability)

The main source of FX risk of Haitong Bank comes from its foreign subsidiary Haitong Banco de Investimento do Brasil S.A. Haitong Bank measures interest rate risk in the banking book using income based (NII: Net Interest Income) and value based (EVE: Economic Value of Equity) metrics.

Under the Economic Value of Equity measure, the Bank assesses the impact on the present value of cash flows due to an interest rate movement, considering the current balance sheet run-off profile.

As of December 2022 and 2021, the Bank maintain similar interest-rate risk sensitive assets and liabilities in the banking book. The repricing profile can be presented bellow:

(thousand euros)

Tenor	31.12.2022			31.12.2021		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Up to 3 months	1 024 975	(891 180)	133 795	982 309	(498 799)	483 510
3 to 6 months	265 982	(436 599)	(170 617)	274 199	(427 278)	(153 079)
6 to 12 months	209 604	(116 954)	92 650	196 634	(142 048)	54 586
1 to 5 years	624 930	(250 809)	374 121	457 866	(412 322)	45 544
More than 5 years	34 224	-	34 224	110 926	(29)	110 897
Total	**2 159 715**	**(1 695 542)**	**464 173**	**2 021 934**	**(1 480 476)**	**541 458**

The impact on the banking book portfolio economic value, under several scenarios was as follows:

(thousand euros)

Time Bucket	December 2021		December 2020	
	Delta EVE	Delta NII	Delta EVE	Delta NII
+200 bps	(21 325)	4 524	(24 590)	(6 990)
-200 bps	5 071	(4 524)	13 740	6 990
Parallel up	(21 427)	n.a.	(25 150)	n.a.
Parallel down	5 116	n.a.	14 060	n.a.
Steepener	1 332	n.a.	7 560	n.a.
Flattener	(6 810)	n.a.	7 020	n.a.
Short rates up	(12 070)	n.a.	(26 060)	n.a.
Short rates down	3 378	n.a.	14 460	n.a.
% Total Capital	3,77%	0,13%	4,54%	1,29%
% Tier 1 Capital	3,79%	0,13%	4,82%	1,29%

Source: Haitong Bank

Reference interest rate reforms

Regulation (EU) 2016/1011 of the European Parliament and of the Council (known as the EU Benchmark Regulation or BMR) established a common framework to ensure that benchmark interest rates meet certain requirements that guarantee their reliability and efficiency as well as protect the consumer and investor, which implied a set of reforms, currently underway, of the reference interest rates with different implications for the activities of financial institutions.

The Bank holds fallback provisions in its contracts in accordance with market practice to respond to a discontinuity in rates. As of December 31, 2022, there are no financing contracts whose contract rate is associated with Libor rates that are expected to be discontinued. The Bank holds derivatives whose rates are expected to be discontinued and the respective contractual amendments are being negotiated. The contracts in question are under ISDA contracts.

The benchmark reform in Poland replaces the WIBOR index with the WIRON index. From December 2022, banks may use the WIRON index, while a gradual implementation of the index to contracts and financial instruments is planned for 2023. From 2025, it is planned to use the WIRON indicator widely. WIRON is transaction index developer on the basis of deposit transactions concluded by data providers (9 data submitters) with banks, financial institutions and large enterprises.

The Bank recognizes credit exposures with maturity after 2025, therefore, part of the exposure will be subject to the WIRON index, however, it accounts for less than 10% of total current credit risk exposures. On the other hand, no interest rate derivatives go beyond the tenor and mandatory change to WIRON (2025) will not apply. Therefore, there is no need to amend the contracts with customers on these products.

Liquidity risk

Liquidity risk arises from an institution’s present or future inability to meet all payment obligations when they come due or secures such resources only at an excessive cost.

Within the scope of the risk vision statement approved by the Board of Directors, Haitong Bank as whole and all its subsidiaries individually aim to maintain a solid short-term liquidity position and sustainable medium and long-term funding profile.

To achieve these goals, Haitong Bank seeks to develop a diversified investors' base, ensuring access to alternative funding sources and instruments, and keeping an adequate funding structure to finance its activity.

Haitong Bank's liquidity and funding management is under the direct responsibility of the Executive Committee, advised by the Assets and Liabilities Committee (ALCO). Local treasury teams ensure liquidity daily management in each of the Bank's liquidity hubs (Lisbon and Warsaw), under the global coordination of Haitong Bank's CEO.

The Bank manages its liquidity by establishing a liquidity risk policy, monitoring a set of liquidity risk metrics, including prudential liquidity ratios, stress testing and liquidity contingency plans, and by setting limits consistent with the Bank's liquidity risk appetite and regulatory requirements.

As of 31 December 2022, the Bank held 565 million Euros of High Quality Liquid Assets (548 million Euros in 31 December2021), of which 432 million were available demand deposits at the Bank of Portugal (454 million Euros in 31 December 2021). The remainder of the High Quality Liquid Assets (HQLA) was mainly composed by sovereign debt of European Union countries.

In 31 December 2022, Haitong Bank held a surplus of 381 million Euros of its 30 days stressed net outflows, which corresponded to a LCR of 307% (212% on 31 December 2021) comfortably above both regulatory and internal limits.

(thousand euros)

Liquidity Coverage Ratio	31.12.2022	31.12.2021
High Quality Liquid Assets	565	548
Surplus over stressed net outflows	381	289
Liquidity coverage Ratio	**307%**	**212%**

Haitong Bank funding from the Bank of Portugal amounts to 302 million Euros on 31 December 2022 (332 million Euros at the end of2021) obtained through the Targeted Longer-Term Refinancing Operations and Pandemic Emergency Longer-Term Refinancing Operations facilities, maturing in 2023 and 2024.

During 2022, Haitong Bank's main sources of funding were secured facilities provided by the Central Bank, long term facilities provided by banks, debt securities issued both by Haitong Bank and by the Brazilian subsidiary, sales with repurchase agreements (repos) and deposits from clients (households, corporate and institutional clients). In market stress situations where the value of derivatives is significantly impacted, additional collateral amounts may be required from Haitong Bank due to master netting agreements (e.g. ISDA) and margin agreements (e.g. Credit Support Annex) entered into with financial institutions. Derivatives positions and collateral received and posted are detailed in notes 19 and 27, respectively.

As of 31st of December 2022, contractual undiscounted cash flows of financial assets and liabilities present the following structure:

(thousand euros)

	31.12.2022						
	On demand	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Assets							
Cash and cash equivalents	14 888	-	-	-	-	-	**14 888**
Financial assets held-for-trading (Securities)	-	5 088	5 271	26 005	4 304	-	**40 668**
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	12 568	**12 568**
Financial assets at fair value through other comprehensive income	-	25 000	41 040	121 311	27 795	-	**215 146**
Financial assets at amortised cost	-	-	35 505	562 334	110 539	-	**708 378**
Loans and advances to banks	462 739	-	8 436	-	-	-	**471 175**
Loans and advances to customers	3	15 927	96 086	548 506	111 224	-	**771 746**
Derivatives Instruments	-	232 087	52 621	26 056	12 142	27 354	**350 260**
	477 630	**278 102**	**238 959**	**1 284 212**	**266 004**	**39 922**	**2 584 829**
Liabilities							
Resources from credit institutions	131 133	290 463	51 561	424 128	-	-	**897 285**
Resources from customers	69 205	175 670	180 467	71 929	-	-	**497 271**
Debt securities issued	-	1 870	11 017	393 657	-	-	**406 544**
Financial liabilities held-for-trading (Securities)	96	-	-	-	-	-	**96**
Derivatives Instruments	-	225 646	52 673	24 664	5 477	9 830	**318 290**
	200 434	**693 649**	**295 718**	**914 378**	**5 477**	**9 830**	**2 119 486**

As of 31st of December2021, contractual undiscounted cash flows of financial assets and liabilities present the following structure:

(thousand euros)

	31.12.2021						
	On demand	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Assets							
Cash and cash equivalents	473 251	-	-	-	-	-	**473 251**
Financial assets held-for-trading (Securities)	-	6 601	2 048	24 081	7 809	-	**40 538**
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	13 906	**13 906**
Financial assets at fair value through other comprehensive income	-	21 357	43 043	123 240	32 786	-	**220 426**
Financial assets at amortised cost	-	24 521	39 636	332 908	135 862	-	**532 927**
Loans and advances to banks	601	46 355	2 500	-	-	-	**49 456**
Loans and advances to customers	-	40 904	63 072	374 091	88 025	-	**566 092**
Derivatives Instruments	-	398 329	126 958	70 838	14 334	56 926	**667 385**
	473 851	**538 066**	**277 257**	**925 158**	**278 816**	**70 832**	**2 563 979**
Liabilities	-	-	-	-	-	-	**-**
Resources from credit institutions	7	28 283	22 000	701 268	-	-	**751 559**
Resources from customers	92 546	222 631	204 448	294 455	-	-	**814 080**
Debt securities issued	-	-	-	-	-	-	**-**
Financial liabilities held-for-trading (Securities)	1 036	-	-	-	-	-	**1 036**
Derivatives Instruments	-	405 280	121 296	46 450	1 281	10 270	**584 577**
	93 590	**656 195**	**347 744**	**1 042 173**	**1 281**	**10 270**	**2 151 253**

The derivatives undiscounted cash flows are calculated as gross cash flows of each side of the deal, not considering any net positions.

Operational risk

Operational Risk corresponds to the possible loss resulting from inadequate internal procedures or its negligent application, inadequacy or failure of information systems, staff behavior or external events. Legal risks are included in this definition. Legal and IT risks are included in this definition. Operational risk is therefore considered as the sum of operational, information systems and compliance risks.

The Bank has in place a framework to ensure the standardization and systematization of the regular activities regarding the identification, assessment, response/ mitigation, monitoring, and control and report of operational risk. A team within the Risk Management Department is exclusively dedicated to the management of this framework.

Capital Management and Solvency Ratio

The main purposes of capital management in the Bank are (i) to promote sustainable growth of activity by creating enough capital to withstand the increase of assets, (ii) meet the minimum requirements established by the supervising entities in relation to capital adequacy and (iii) ensure the achievement of the strategic goals set by Bank in relation to capital adequacy.

In prudential terms, the Bank is subject to inspection by the Bank of Portugal who, in accordance with the EU Directive on capital adequacy, establishes the necessary regulations in this regard that must be fulfilled by the different institutions under their inspection. These regulations establish a minimum rate for the own funds total in relation to the requirements associated with the undertaken risks, which the institutions must comply with.

At the moment and for reporting purposes related to prudential effects before the supervising authorities, the Bank uses the Standard method for handling credit risk and operational risk ("The Standardized Approach" - TSA method).

The following table summarises the capital adequacy of the Haitong Bank S.A. as at 31st of December 2022 and 31st of December2021:

(%)

	31.12.2022		31.12.2021	
	Phased-in	Fully-loaded	Phased-in	Fully-loaded
CET1 ratio	21,7%	21,7%	22,7%	22,6%
Tier 1 ratio	26,6%	26,6%	27,8%	27,8%
Total capital ratio	26,6%	26,6%	27,8%	27,8%

The assumptions used in the capital adequacy calculations are described in chapter IT & Internal Control | Risk Management | Solvency in the Management Report.

NOTE 39 – ACCOUNTINGS STANDARDS AND RECENT INTERPRETATIONS

Standards, interpretations, amendments and revisions that came into force in this year

Up to the date of approval of these financial statements, the following accounting standards, interpretations, amendments and revisions have been endorsed by the European Union, with mandatory application for the financial year beginning on January 1, 2022:

Standard / Interpretation	Applicable in the European Union for financial years beginning on or after	
Amendment to IFRS 3	1-jan-22	This amendment corresponds to the update of the reference to the 2018 conceptual framework; additional requirements for analysis of obligations under IAS 37 or IFRIC 21 at the acquisition date; and explicit clarification that contingent assets are not recognised in a business combination.
Amendment to IAS 16 – "Proceeds before intended use"	1-jan-22	This amendment corresponds to an adjustment to IAS 16 for the prohibition of deduction from the cost of a tangible asset of income related to the sale of products before the asset is available for use.
Amendment to IAS 37 - Onerous Contracts		This amendment corresponds to the clarification that costs of fulfilling a contract correspond to costs directly related to the contract.
Annual Improvements 2018-2020	1-jan-22	They essentially correspond to amendments to the following standards: - IFRS 1 – practical expedient that allows a subsidiary that adopts IFRS for the first time at a later date than its parent company to choose to measure the cumulative translation differences in relation to all foreign operating units by the amount that would be included in the company's financial statements parent, based on the parent company's transition date to IFRS; - IFRS 9 – clarifies the fees that must be included in the 10% test for the purposes of derecognition of a financial liability; - IAS 41 – removes the requirement to exclude tax-related cash flows in the measurement at fair value.

There were no significant effects on the Bank's financial statements for the year ended December 31, 2022, as a result of the adoption of the aforementioned standards, interpretations, amendments and revisions.

Standards, interpretations, amendments and revisions that will take effect in future years

The following accounting standards and interpretations, with mandatory application in future financial years, were, until the date of approval of these financial statements, approved (“endorsed”) by the European Union:

Standard / Interpretation	Applicable in the European Union for financial years beginning on or after	
IFRS 17 - Insurance Contracts	1-jan-23	These amendments correspond to a set of updates to the various standards mentioned, namely - IFRS 3 - update of the reference to the 2018 conceptual framework; additional requirements for analyzing obligations under IAS 37 or IFRIC 21 at the acquisition date; and explicit clarification that contingent assets are not recognised in a business combination. - IAS 16 – prohibition of deduction from the cost of a tangible asset of income related to the sale of products before the asset is available for use - IAS 37 – clarification that costs of fulfilling a contract correspond to costs directly related to the contract - Annual improvements 2018-2020 essentially correspond to amendments to 4 standards, IFRS 1, IFRS 9, IFRS 16 and IAS 41.
Amendment to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates	1-jan-23	This standard establishes, for insurance contracts within its scope of application, the principles for their recognition, measurement, presentation and disclosure. This standard replaces standard IFRS 4 - Insurance Contracts.
Amendment to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2 – Disclosure of Accounting Policies	1-jan-23	This amendment published by the IASB in February 2021 changes the definition of an accounting estimate for a monetary amount in the financial statements subject to measurement uncertainty.
Amendment to IAS 12 Income Taxes – Deferred Taxes	1-jan-23	This amendment published by the IASB in February 2021 clarifies that material accounting policies should be disclosed, rather than significant accounting policies, having introduced examples for identifying material accounting policy.
Amendment to IFRS 17 – Insurance contracts – initial application of IFRS 17 and IFRS 9 – comparative information	1-jan-23	This amendment published by the IASB in December 2021 introduces changes to comparative information to be presented when an entity adopts both IFRS 17 and IFRS 9 simultaneously.

These standards, although endorsed by the European Union, were not adopted by the Bank in 2022, as their application is not yet mandatory. As a result of the application of the aforementioned standards, no relevant impacts are expected.

Standards, interpretations, amendments and revisions not yet adopted by the European Union

The following accounting standards and interpretations have been issued by the IASB and are not yet endorsed by the European Union:

Standard / Interpretation	Applicable in the European Union for financial years beginning on or after	
Amendments to IAS 1 Standard Presentation of financial statements – Classification of liabilities as current and non-current; Deferral of application date; Non-current liabilities with covenants	1-jan-24	These amendments published by the IASB clarify the classification of liabilities as current and non-current by analyzing the existing contractual conditions at the reporting date. The amendment relating to non-current liabilities with covenants clarified that only the conditions that must be fulfilled before or on the reference date of the financial statements are relevant for the purposes of classification as current/non-current, further postponing the date of application to January 1, 2024
Amendment to IAS 16 – Leases – Lease liability in a sale and leaseback transaction	1-jan-24	This amendment published by the IASB in September 2022 clarifies how a lessee seller accounts for a sale and leaseback transaction that meets the criteria of IFRS 15 to be classified as a sale.

These standards have not yet been endorsed by the European Union and, as such, were not applied by the Group in the year ended December 31, 2022.

Regarding these standards and interpretations, issued by the IASB but not yet endorsed by the European Union, it is not estimated that their future adoption will have significant impacts on the attached financial statements.

CORPORATE GOVERNANCE REPORT

This report constitutes an integral part of Haitong Bank's 2022 Annual Report and aims to disclose the structure and corporate governance practices adopted by Haitong Bank, S.A.. This report was prepared in accordance with Article 70/2 of the Portuguese Companies Code and Articles 7 and 29-H of the Portuguese Securities Code.

PART I – SHAREHOLDER STRUCTURE

1. Capital Structure (Article 29-H/1/a)

As at 31 December 2022, the share capital of the Bank was EUR 863,278,725.00 (eight hundred and sixty-three million, two hundred and seventy-eight thousand, seven hundred and twenty-five euros), fully subscribed and paid up. The share capital is divided into 172,655,745 (one hundred and seventy-two million, six hundred and fifty-five thousand and seven hundred and forty-five) shares registered and book-entry with a nominal value of EUR 5.00 (five euros) each.

Haitong International Holdings Limited, a Hong-Kong based subsidiary of Haitong Securities Co., Ltd., holds 100% of the Bank's share capital with voting rights, corresponding to 172,655,741 (one hundred and seventy two million, six hundred and fifty-five thousand and seven hundred and forty-one) shares. The remaining 4 (four) shares are held by Haitong International Global Strategic Investment Limited (incorporated in the Cayman Islands); Haitong Capital International Investment Co., Ltd (incorporated in Hong Kong); Haitong Innovation International Capital Management Co., Ltd (incorporated in the Cayman Islands); and Haitong Capital International Investment Fund L.P. (incorporated in the Cayman Islands).

The Bank's share capital is entirely represented by ordinary shares.

2. Restrictions on the transfer of shares (Article 29-H/1/b)

The Articles of Association of the Bank do not provide for restrictions on the transferability of shares.

3. Possible restrictions on voting rights, such as limitations on the voting rights dependent on holding a certain number or percentage of shares, deadlines imposed on the right to vote, or key rights of patrimonial content (Article 29-H/1/f)

Pursuant to the Bank's Articles of Association, Shareholders or groups of shareholders who hold a minimum of one hundred shares at least five days prior to the date of the Bank's Annual General Meeting are entitled to participate in the meeting. Each shareholder or group of shareholders who hold one hundred shares are entitled to one vote.

4. Rules governing the appointment and replacement of members of the management body and the amendment of the Articles of Association (Article 29-H/1/h)

The members of the Board of Directors are selected and approved at the General Meeting. There are no specific rules concerning the replacement of Board Members. Any replacements shall be made in accordance with the terms set out in the Portuguese Commercial Companies Code.

There are no specific rules concerning changes to the Bank's Articles of Association. Any such changes shall be made under the general terms foreseen in the Portuguese Commercial Companies Code.

5. Powers of the management body, particularly with regards to resolutions on capital increases (Article 29-H/1/i)

The Board of Directors does not hold any powers with regard to resolutions on capital increases.

6. Agreements between the Bank and members of the management body or senior staff which foresee indemnity payments in case of unilateral termination of the employment contract by the employee or dismissal with no cause (Article 29-H/1/k)

The Bank did not enter into any of these agreements.

7. Shares and Bonds held by members of the Board of Directors and Supervisory Board

Annex referred to in paragraph 5 of Article 447 of the Portuguese Companies Code

Shareholders / Bondholders	Securities	Securities held as of 31/Dec/2021	Transactions in 1Y2022			Securities held as of 31/Dec/2022
			Date	Acquisitions	Disposals	
Lin Yong	**Haitong International Securities Group Limited** - Ordinary Shares	7,863,768	23/03/2022	249,919 (Note 1)	-	9,753,977
			24/03/2022	398,010 (Note 2)	-	
			23/06/2022	851,169 (Note 3)	-	
			30/09/2022	391,111 (Note 5)	-	
	Haitong International Securities Group Limited - Share Options	5,311,863	23/06/2022	531,186 (Note 4)	-	5,356,809
			03/10/2022	400,000 (Note 6)	-	
			10/11/2022		886,240 (Note 7)	
	Haitong International Securities Group Limited - Awarded Shares (unvested)	1,757,049	23/03/2022	-	249,919 (Note 1)	718,009
			24/03/2022	-	398,010 (Note 2)	
			30/09/2022	-	391,111 (Note 5)	
Wu Min	-	-	-	-	-	-
Alan do Amaral Fernandes	-	-	-	-	-	-
António Domingues	-	-	-	-	-	-
Martina Garcia	-	-	-	-	-	-
Miguel Guiomar	-	-	-	-	-	-
Nuno Miguel Sousa Figueiredo Carvalho	-	-	-	-	-	-
Pan Guangtao	-	-	-	-	-	-
Paulo José Lameiras Martins	-	-	-	-	-	-
Vasco Câmara Pires dos Santos Martins	-	-	-	-	-	-
Vincent Marie L. Camerlynck	-	-	-	-	-	-
Xinjun Zhang (Jeff Zhang)	**Haitong International Securities Group Limited** - Ordinary Shares	869,784	23/06/2022	86,978 (Note 8)	-	956,762
	Haitong International Securities Group Limited - Share Options	2,206,526	23/06/2022	220,651 (Note 4)	-	2,073,278
			03/10/2022	200,000 (Note 6)	-	
			10/11/2022	-	553,899 (Note 7)	
	Haitong International Securities Group Limited - Awarded Shares (unvested)	0	-	-	-	0
Cristina Maria da Costa Pinto	-	-	-	-	-	-
Maria do Rosário Mayoral Robles Machado Simões Ventura	-	-	-	-	-	-
Mário Paulo Bettencourt de Oliveira	-	-	-	-	-	-
Paulo Ribeiro da Silva	-	-	-	-	-	-
Deloitte & Associados, SROC, S.A.	-	-	-	-	-	-

Notes:
Note 1: 249,919 unvested awarded shares were vested on 23/3/2022
Note 2: 398,010 unvested awarded shares were vested on 24/3/2022
Note 3: 851,169 bonus shares were allotted under the bonus issue on 23/6/2022
Note 4: Adjustment made upon completion of bonus issue on 23/6/2022
Note 5: 391,111 unvested awarded shares were vested on 30/9/2022
Note 6: Grant of share options
Note 7: Lapse of share options
Note 8: 86,978 bonus shares were allotted under the bonus issue on 23/6/2022

PART II – CORPORATE BODIES AND COMMITTEES

As of 31 December 2022

General Meeting Board

President
Maria João Ricou

Secretary
David Ramalhete

Supervisory Board

Chair
Maria do Rosário Ventura
Members
Mário Bettencourt
Cristina Pinto
Alternate
Paulo Ribeiro da Silva

Statutory Auditor

Member in office
Deloitte & Associados, SROC, S.A.[1]

Board of Directors

Chair
Lin Yong

Members
Wu Min
Alan Fernandes
António Domingues
Martina García
Miguel Guiomar
Nuno Carvalho
Pan Guangtao
Paulo Martins
Vasco Câmara Martins
Vincent Camerlynck
Zhang Xinjun (Jeff)

Secretary
Pedro Costa

Remuneration Committee

Chair
Martina Garcia
Members
Lin Yong
António Domingues
Vincent Camerlynck

Risk Committee

Chair
Vincent Camerlynck
Members
António Domingues
Pan Guangtao

Internal Audit Committee

Chair
António Domingues
Members
Vincent Camerlynck
Zhang Xinjun (Jeff)
Paulo Martins

Corporate Governance Committee

Chair
António Domingues
Members
Lin Yong
Vincent Camerlynck

Executive Committee

CEO
Wu Min

Members
Alan Fernandes
Miguel Guiomar
Nuno Carvalho
Vasco Câmara Martins

Senior Managers with a Seat on the Executive Committee
António Pacheco
Pedro Costa

Secretary
Pedro Costa

Credit Committee

Voting Members (*Eight voting members - including the Moderator*)
Additional Members
Head of Risk Management Function

Impairment Committee

Voting Members (*Four voting members - including the Chair*)
Non-Voting Members

Assets and Liabilities Committee

Voting Members (*Nine voting members - including the Chair*)

IBK Global Adoption Committee

Voting Members (*Six voting members - including the Chair – Executive Board Member responsible for Investment Banking*)
Additional Members
Head of Risk Management Function
Head of Compliance Function

New Business Committee

Chair
Executive Bord Member responsible for Risk Management
Other Voting Members – including the Chair
Deputy Head of CEO Office
Head of Finance
Head of Legal
Head of IT
Head of Operations
Non-Voting Members
Head of Risk Management Function
Head of Compliance Function
Data Protection Officer

[1] Deloitte & Associados, SROC, S.A. was represented by João Carlos Henriques Gomes Ferreira until 12 December 2022, when the Bank received a letter appointing Luís Eduardo Marques dos Santos as its new representative.

8. General Meeting

Composition of the General Meeting Board

Under the terms of article 7 of the Bank's Articles of Association, the General Meeting Board is composed of one Chair and one Secretary appointed by the General Meeting for a period of three years and they can always be re-elected, provided that all due legal requirements are met.

The General Meeting Board is composed as follows:

Chair	Maria João Ricou
Secretary	David Luís Marques Ramalhete

Voting Rights

Under the terms of the Bank's Articles of Association, the General Meeting is made up of all shareholders who within 5 (five) business days prior to the date of the respective General Meeting and in relation to at least one hundred shares: (i) register the shares in their name in the Bank's register of shares; or (ii) in case of dematerialized shares, provide evidence of a respective deposit or registration into a de-materialized securities account with a financial intermediate.

Each lot of one hundred shares corresponds to one vote. Under the terms of the Bank's Articles of Association, resolutions of the General Meeting shall require absolute majority of the votes cast at each meeting, except where the law or the Articles of Association require a qualified majority.

The Bank has a single voting Shareholder and in 2022 all Shareholder resolutions were taken via written resolution.

The General Meeting deliberates on matters specially assigned by law or the Articles of Association – including the election of corporate bodies, the approval of the annual report and accounts for the year, distribution of profits and capital increases – as well as, if so requested by the Board of Directors, management matters of the Bank.

9. Management and Supervision

9.1. Governance Model

The Bank currently has in place a governance model that includes a Board of Directors *(Conselho de Administração)* and a Supervisory Board *(Conselho Fiscal)*, with a separate Statutory Auditor *(Revisor Oficial de Contas)*. This is the so-called Latin model of corporate governance, considered the most suitable model taking into consideration the Bank's situation in 2022.

The Board of Directors, which includes an Executive Committee to which the Board has delegated broad management powers to carry out day-to-day activity, is responsible for the management of the company.

Four specialised committees, responsible for monitoring specific issues, operate within the Board of Directors.

9.2. Board of Directors

The Bank´s Articles of Association do not contain any rules governing procedural or material requirements related to the appointment or replacement of members of the Board of Directors. The RGICSF (Regime Geral das Instituições de Crédito e Sociedades Financeiras) lays down the suitability requisites (integrity, professional qualifications, independence and availability) that the members of the Management and Supervisory Board must possess to exercise the respective functions.

Pursuant to the provisions of article 30-A(2) of the RGICSF the most updated version of the "Policy on the Selection and Assessment of Members of the Management and Supervisory bodies and Key Function Holders", which contains the legal requirements and requisites applicable to the members of the Board of Directors, was approved by the General Meeting on April 29, 2022.

The composition of the Board of Directors and of its advisory committees as at December 31, 2022 is presented in the organizational chart included on the beginning of Part II of this report, following the Board of Directors approval of the composition of the Executive Committee and of the consultative committees of the Board of Directors on August 2, 2020, the latter having been partly updated on July 7, 2021.

The date of the first term of office and qualification of each of the Non-Executive Members is identified in the following table:

Composition of the Board of Directors (Non-Executive Members)	First Term of Office Starting Date	Qualification
Lin Yong	Apr-16	Non-Independent
Martina García	Jul-20	Independent*
Pan Guangtao	Nov-15	Non-Independent
Zhang Xinjun	Jan-18	Non-Independent
Vincent Camerlynck	Nov-16	Independent*
António Domingues	Jan -18	Independent*
Paulo Martins	Jul-20	Non-Independent
% of Non-independent Members		**57,14%**
% of Independent Members		**42,86%**

** Without prejudice to the other criteria for assessing the quality of "Independent", particularly those arising from joint recommendations of the ESMA (European Securities and Markets Authority) and EBA (European Banking Authority) of July 2, 2021 (EBA / GL / 2021 / 06) and those resulting from the "Guide to fit and proper assessments" published by the ECB (European Central Bank) in December 2021, the qualification indicated in the table reflects the internal judgment of the Board of Directors of Haitong Bank, S.A..*
Pursuant to Annex I (18.1) of the CMVM Regulation 4/2013, a member of the Board of Directors is considered to be independent if he or she is not associated with any specific interest group and is not in any circumstance likely to affect his or her exemption from analysis or decision, particularly by virtue of:
a) Having been an employee of the company or of a company controlled by it or with which there has been a group relationship in the preceding three years;
b) Having, in the preceding three years, rendered services or established a significant commercial relationship with the company or a company controlled by it or with which there has been a group relationship, whether directly or as member, administrator, director or officer of a corporate entity;
c) Being a beneficiary of remuneration paid by the company or by a company controlled by it or with which there has been a group relationship, besides the remuneration derived from the exercise of directorship functions;
d) Living under a common law union or being the spouse, relative or direct relative up to the 3rd degree of lineage, inclusive, of directors or natural persons who are the direct or indirect holders of a qualified holding;
e) Being the holder of a qualified holding or the representative of a shareholder with a qualified holding.
The directors concerned are not covered by any of the situations referred to in sub-paragraphs a) to e) which constitute the norm in question

The professional qualifications and other curricular details of each member of the Board of Directors is presented in Annex 1 to this Corporate Governance Report.

There is no family relationship between the members of the Board of Directors.

The Board of Directors met 23 (twenty-three) times in 2022, including 19 electronic meetings.

During 2022, the Board of Directors was composed as follows:

Board of Directors		2022 Attendance
Chair	Lin Yong	23/23
Executive Members	Wu Min	23/23
	Alan Fernandes	23/23
	Miguel Guiomar	23/23
	Nuno Carvalho	23/23
	Vasco C. Martins	23/23
Non-Executive Members	António Domingues	23/23
	Martina García	23/23
	Pan Guangtao	23/23
	Paulo Martins	23/23
	Vincent Camerlynck	23/23
	Zhang Xinjun	23/23

9.3 Executive Committee

On August 2, 2020, the Board of Directors approved the current composition of the Executive Committee.

The organization chart on the beginning of Part II of this report presents the composition of the Board of Directors, indicating the members who make up the Executive Committee.

The Board of Directors delegates to the Chair of the Executive Committee (CEO) the powers to distribute the responsibilities among the members of the Executive Committee.

Executive Committee		Main areas of responsibility from January 1, 2022
Chair		
	Wu Min	CEO Office Treasury and Fixed Income Corporate Solutions Human Resources Finance
Members		
	Alan Fernandes	Haitong Brazil
	Nuno Carvalho	Compliance & AML-FT Legal Special Portfolio Management IT, Online Banking & Administrative
	Vasco Câmara Martins	Risk Management Rating Operations
	Miguel Guiomar	M&A Capital Markets Structured Finance Asset Management Corporate Derivatives Haitong Global Asset Management SGOIC S.A.

All the members of the Executive Committee play an active role in the day-to-day management of the Bank's business, having under their stewardship one or more specific business areas, in accordance with the respective profile and with individual expertise, and corresponding to the distribution of responsibilities that at any moment best contributes to that body's effective balanced functioning.

The Executive Committee normally meets on a weekly basis to deal with matters of general interest relating to the Bank and its subsidiaries.

The Executive Committee met a total 101 times in 2022, including 49 electronic meetings.

During 2022, the Executive Committee was composed as follows:

Executive Committee		2022 Attendance
CEO		
	Wu Min	101/101
Members		
	Alan Fernandes	97/101
	Miguel Guiomar	101/101
	Nuno Carvalho	98/101
	Vasco C. Martins	99/101

The individual and collective ongoing assessment of the management body of the Bank is carried out by the Corporate Governance Committee.

The professional qualifications and other curricular details of each member of the Executive Committee and the list of positions occupied in other companies and other important functions is presented in the Annex to this Corporate Governance Report.

9.4 Consultative Committees of the Board of Directors

Risk Committee

The purpose of the Risk Committee is to continuously monitor the development and implementation of the risk strategy and the risk appetite of the Bank, and verifying whether these are compatible with a sustainable strategy in the medium and long term, in addition to the action program and budget approved, while advising the Executive Committee in these areas.

Among the competences of the Risk Committee, the following should be noted:

- Advising the Board of Directors on the risk appetite and risk strategy of the Bank, both current and future, and taking into account all categories of risk, ensuring its alignment with the business strategy, objectives, corporate culture and values;
- Assisting the Board of Directors in supervising the execution of the risk strategy of the Bank and in the fulfilment of its respective limits;
- Periodically reviewing the risk profile, risk policies and strategies of the Bank;

- Assessing the consistency between the business model, strategy, recovery plan, remuneration policies, and the budget, as well as the efficiency and effectiveness of the structure, procedures and instruments associated with the implementation and execution of the strategies regarding risk;
- Issuing recommendations on adjustments to the risk strategy resulting from changes in the business model, market developments or business context where the Bank operates;
- Analysing and evaluating the methodology and its results to support the process of identification, evaluation and measurement of risks;
- Examining scenarios, including stress tests, in order to determine their impact on the risk profile of the Bank and to assess the resilience of the changes within the institution caused by idiosyncratic, systemic or mixed factors;
- Analyzing whether the conditions of the products offered and services provided to clients take into consideration the transaction model and risk strategy of the Bank, and, if necessary, submitting a correction plan to the Board of Directors whenever, as a result of such analysis, it is established that said conditions do not appropriately reflect the risks;
- Establishing if the incentives set forth in the remuneration policy of the Bank take into consideration risk, capital, liquidity and the expectations regarding results, including revenue dates;
- Establishing the framework for reporting on risk matters to the Board of Directors;
- Ensuring the existence of effective procedures for monitoring risk, and internal control deficiencies related to the risk management framework;
- Specifying and reviewing the conditions of authority and independence to support the exercise of responsibilities for risk management, including the adoption of the work plan of the risk management function;
- Reviewing and periodically monitoring the scope and nature of the activities carried out by the Haitong Bank Group, related to risk management; and
- Ensuring that the risk management function has adequate resources for the adequate performance of its duties.

The Risk Committee is composed of 3 (three) non-executive members of the Board of Directors who are not members of the Executive Committee and are appointed by the Board of Directors. The majority of these members is independent.

During 2022, the Risk Committee met a total of 9 (nine) times, including 1 (one) electronic meeting, having received logistical and technical support from the CEO Office with secretarial services being administered by this office.

During 2022, the Risk Committee was composed as follows:

Risk Committee		Attendance (present or represented)
Chair		
	Vincent Camerlynck	9/9
Members		
	António Domingues	9/9
	Pan Guangtao	9/9

Remuneration Committee

The purpose of the Remuneration Committee is (i) to provide informed and independent judgements concerning the remuneration policy and practices of the Bank and its affiliates, as well as the incentives created for risk, capital and liquidity management purposes; and (ii) to prepare decisions pertaining to remuneration, including those with implications in terms of the Bank's risks and risk management in which must be approved by the Shareholders´ General Meeting and by the Board of Directors.

Among the competences of the Remuneration Committee, the following should be noted:

- Drawing up proposals and recommendations to the Shareholders' General Meeting on the setting of the remuneration of the members of the Board of Directors and Supervisory Board, and of the officers with the highest total remuneration in the Bank, in addition to overseeing directly the remuneration of the senior officers heading the independent control functions (internal audit, risk management, and compliance);
- Assessing the compliance of members of the Board of Directors who perform executive functions with the criteria set out in the Remuneration Policy, such as approved by the Shareholder's General Meeting;
- Providing all necessary assistance and issuing recommendations to support the approval process by the Board of Directors of the Board of Directors of the Bank's general remuneration policy and its affiliates, promoting its revision whenever this is needed;
- Assessing the mechanisms adopted to ensure that the remuneration system properly takes into account all types of risks, liquidity and capital levels and that the overall remuneration policy is in line with the business strategy, objectives, corporate culture and values, and the long-term interest of the Bank;
- Testing the capacity of the remuneration system implemented to react to external and internal events, using various possible scenarios and back testing the model used for such purpose;
- Carrying out an annual assessment of the impact of the remuneration practices of branches and offshore establishments (subsidiaries), with the support of the Risk and Compliance functions, in particular regarding the risk management issues, with special emphasis on the Bank's capital and liquidity risks;
- Ensuring that a revision of the Bank's and its subsidiaries' Remuneration Policy and its implementation, with the support of the Bank's Human Resources area, Legal area and the Control Functions areas, is conducted at least once a year, with a view to guaranteeing: (i) that the policy is effectively implemented; (ii) that the remuneration payments are adequate and consistent with the Bank's risk profile and long-term objectives; (iii) that the policy complies with the legislation and regulations in force as well as with the relevant national and international principles and recommendations;
- Issuing an annual report about the Remuneration Policy, including all the measures needed to correct eventual deficiencies detected whose implementation responsibility lies on the Board of Directors and Supervisory Board. This report must be submitted to the Board of Directors, Supervisory Board and Shareholders' General Meeting;
- Reporting to the Shareholders' General Meeting concerning the exercise of its functions once a year, including the delivery of a reasoned opinion on the adequacy of the Remuneration Policy and any amendments thereto which it may deem necessary; and
- Attending the Shareholders' General Meetings in which the Remuneration Policy is on the agenda, and providing any information requested by the Shareholders' General Meeting.

On July 7, 2021, the Board of Directors approved the proposal for the Remuneration Committee's latest Composition.

The Remuneration Committee is composed of 4 (four) non-executive members of the Board of Directors, who are not members of the Executive Committee and are appointed by the Board of Directors. The majority of these members is independent.

During 2022, the Remuneration Committee met a total of 3 (three) times, including 1 (one) electronic meeting, having received logistical and technical support from the CEO Office, with secretarial services being administered by this office.

During 2022, the Remuneration Committee was composed as follows:

Remuneration Committee		Attendance (present or represented)
Chair		
	Martina García	3/3
Members		
	António Domingues	3/3
	Lin Yong	3/3
	Vincent Camerlynck	3/3

Corporate Governance Committee

The purpose of the Corporate Governance Committee is responsible for following up the application and for ensuring the full effectiveness of: (i) the Policy on the Selection and Assessment of Members of the Management and Supervisory Bodies and Key Function Holders "Selection and Assessment Policy"; (ii) the Internal Succession Policy for Members of the Management and Supervisory Bodies and Key Function Holders "Succession Policy"; (iii) the Conflicts of Interest Prevention and Management Regulation; (iv) the Related Parties Regulation; and (v) the Governance System and Bank's Internal Controls.

Among the competences of the Corporate Governance Committee, the following are highlighted and summarized:

- Within the scope of the Selection and Assessment Policy, the Corporate Governance Committee is particularly responsible for:
  - Identifying and recommending the candidates for officers in the Board of Directors and in the Supervisory Board, evaluating the boards' composition in terms of reputation, knowledge, expertise, diversity and experience, preparing a description of the functions and qualifications for the offices under consideration and evaluating the time to be dedicated to the exercise of the relevant functions;
  - Making the initial assessment of the suitability of the candidates for members of the Board of Directors or of the Supervisory Board, of the candidates for Branch Managers and of the candidates for key function holders, taking into account the following criteria: reputation, professional skills, independence and availability;
  - Preparing the initial assessment report on the suitability of the respective candidate, designated the "initial Assessment Report", with the minimum content set out in the Selection and Assessment Policy;

- Presenting the Initial Assessment Report, in case the candidate is included on a list submitted for approval to the Shareholders' General Meeting, to the Chair of the Shareholders' General Meeting of the Bank, as well as informing the shareholders of the suitability requirements for the persons to be appointed, as provided in the Selection and Assessment Policy;
- Carrying out an ongoing assessment of the individual suitability of the members of the Board of Directors, as provided in the Selection and Assessment Policy annually and whenever new facts or events determining the need for a suitability reassessment come to the knowledge of the Corporate Governance Committee or of the Board of Directors;
- Carrying out an annual ongoing assessment of the collective suitability of the members of the Board of Directors, as provided in the Selection and Assessment Policy;
- Carrying out on an annual and ongoing assessment of the individual suitability of the Key Function Holders, as provided in the Selection and Assessment Policy;
- Reviewing and endorsing the report on the individual and the collective suitability of the members of the Board of Directors prepared by an external consultant;
- Reassessing, in 2022, the rules provided in the Selection and Assessment Policy in respect of the diversity in the management functions and submitting a proposal to the Bank's General Meeting for the maintenance, modification or elimination of such rules;
- Identifying and recommending, in its Initial Assessment Report on the management staff, the candidates to management positions and assess the composition of said staff, namely in terms of diversity;
- Appointing one Board Member to coordinate the development, by the Bank, of a program for the follow up of the Bank's female managers and employees with high potential, with a view to implementing the Selection and Assessment Policy in relation to gender diversity; and
- Biannually reviewing the Selection and Assessment Policy, submitting recommendations for its improvement to the Board of Directors.

- Within the scope of the Succession Policy, the Corporate Governance Committee appraises and reviews:
  - A report of all transactions involving Related Parties, at least every quarter;
  - The Related Parties List, prior to approval from the Board of Directors;
  - An annual report on its activity of prevention and remedying of conflicts of interest, containing at least the information provided for in the Related Parties Regulation.
- Within the scope of the Conflicts of Interest Regulation, the Corporate Governance Committee is particularly responsible for making a regular assessment of the Regulation and monitoring its implementation, as well as for proposing any updates thereto;
- Within the exercise of its functions regarding the corporate governance and internal control systems, the Corporate Governance Committee should, in an annual basis:
  - Assess the suitability of the Bank's Corporate Governance to develop the defined business strategy and to support the implementation of an efficient internal control system;

- Propose measures to improve the Bank's Corporate Governance to the Board of Directors, namely, its structures, distribution of competences among the executive board members, reporting lines and functioning of the corporate bodies, taking into account the relevant laws and regulations, as well as the relevant guidelines and best practices in the banking industry.

- Within the exercise of its functions, the Corporate Governance Committee seeks to prevent the decision-making process in the Board of Directors and the Supervisory Board from being controlled by one individual or a small group of individuals, to the detriment of the interests of the Bank as a whole.

During 2022, the Corporate Governance Committee met a total of 9 (nine) times, including 4 (four) electronic meetings, received logistical and technical support from the CEO Office, with secretarial services being administered by this office.

During 2022, the Corporate Governance Committee was composed as follows:

Corporate Governance Committee		Attendance (present or represented)
Chair		
	António Domingues	9/9
Members		
	Vincent Camerlynck	9/9
	Lin Yong	9/9

Internal Audit Committee

The purpose of the Internal Audit Committee is to ensure that the Internal Audit Function is effective, ongoing and independent. Furthermore, this Committee aims to ensure that the Internal Audit Function is provided with material, human and financial resources appropriate to comprehensively pursue the mission entrusted to it and for promoting the authority of this function across the Bank and the Haitong Bank Group.

Among the competences of the Internal Audit Committee, the following should be noted:

- Assessing the Annual Plan, Training and Budget proposals for the function to be submitted to the Board of Directors for approval;
- Taking any decision necessary in order to fully implement the budget and training plan of the Internal Audit function;
- Requesting and assessing the results of quality reviews to the Internal Audit Function;
- Convening meetings with the Head of the Internal Audit function in order to discuss and monitor the Audit Plan and its respective conclusions; and
- Taking any other decisions that do not fall under the specific responsibilities of the Board of Directors and the Supervisory Board and that are necessary for the proper operation of the Internal Audit function.

The Internal Audit Committee is composed of 4 (four) non-executive members of the Board of Directors, who do not form part of the Executive Committee. The majority of its members must be independent and they are appointed by the Board of Directors.

During 2022, the Internal Audit Committee met a total of 7 (seven) times, including 2 (two) electronic meetings, received logistical and technical support from the CEO Office, with secretarial services being administered by this office.

During 2022, the Internal Audit Committee was composed as follows:

. Internal Audit Committee		Attendance (present or represented)
Chair		
	António Domingues	7/7
Members		
	Vincent Camerlynck	7/7
	Paulo Martins	7/7
	Zhang Xinjun	7/7

9.5 Other Committees

Credit Committee

The Credit Committee was established by the Executive Committee with the authorization of the Board of Directors. This committee is responsible for assessing and issuing recommendations to the Executive Committee on operations involving credit or counterparty risk regarding operations.

This Committee has advisory powers according to the Credit Committee's Decision Framework approved by the Executive Committee.

The Executive Committee will set up and periodically review the Credit Committee's Decision Framework in order to assure its full alignment with the Bank's credit strategy.

The Credit Committee is composed of 8 (eight) members (including the Moderator), with voting rights, the Head of the Risk Management Function ("HRMF"), a Support Assistant, and a Secretary. The members are nominated by the Chief Executive Officer ("CEO") and appointed by the Executive Committee. The HRMF, the Support Assistant, and the Secretary do not have voting rights. The Credit Committee may decide to call upon external persons to take part in the meetings.

During 2022, the Credit Committee held 39 (thirty-nine) meetings with an addition of 12 (twelve) electronic decisions, with secretarial services being administered by the Legal Department

Impairment Committee

The Impairment Committee of Haitong Bank, S.A. is responsible for analysing and deciding on the individual impairment of financial instruments and or other assets subject to individual impairment, accounted at the amortized costs and/ or the Fair Value through Other Comprehensive Income ("FVOCI") and with impairments triggers (i.e., Under Performing and Non-Performing exposures). In addition, the Impairment Committee shall analyse the adequacy of the impairment of the most significant exposures of the Bank.

This Committee is also responsible for analysing and deciding on cash-flow scenarios to be used on financial instruments valuation accounted at Fair Value through P/L when the cash-flows are not certain according to its contractual terms.

This Committee has consultative powers and issues, in relation to the above-mentioned analyses, recommendations for consideration and approval by the Executive Committee. The duties of the Impairment Committee cover all entities of the Haitong Bank Group.

The Impairment Committee is composed of (i) 4 (four) voting members (including the Chair), all of them appointed by the Executive Committee, and (ii) non-voting members to be designed by the Chair of the Committee.

During 2022, the Impairment Committee held 11 (eleven) meetings, with secretarial services being administered by the Legal Department.

Investment Banking Global Adoption Committee

The purpose of the Investment Banking Global Adoption Committee "IBK Global Adoption Committee" is to approve all prospective Investment Banking mandates in relation to proposed transactions or new clients that do not involve credit or market risk.

The IBK Global Adoption Committee is established by the Executive Committee with the authorization of the Board of Directors.

Among the competences of the IBK Global Adoption Committee, the following should be noted:

- Serving as a discussion forum on the overall direction of the investment banking business, cross-border matters and prospective transactions;
- Approving all prospective Investment Banking mandates in relation to proposed transactions or new clients that do not involve credit nor market risk, but can involve settlement risks. This includes all Merger & Acquisitions ("M&A"), Equity Capital Markets ("ECM"), Debt Capital Markets ("DCM"), and Corporate Derivatives transactions in which the Bank is associated, with the exception of mandates involving Privileged Information that the Chair of the Committee considers that should not be submitted to this Committee, as well as transactions involving Related Parties. In such cases, the proposed mandate should be approved by the Executive Committee;
- Approving other advisory mandates and agency agreements;
- Approving of proposals where the Bank has reputational risk or settlement risk for the areas and desks identified above; and
- Identifying restrictions to be implemented throughout the Bank and its subsidiaries.

The IBK Global Adoption Committee is composed of: the Executive Board Member with the responsibility for Investment Banking, who chairs the Committee (the "Chair"); the Executive Board Member with the responsibility of Brazil; the manager of the Spain Branch; the Global Head of Capital Markets; the manager of the Warsaw Branch; a Haitong Banco de Investimento do Brasil, S.A. representative with the responsibility of China Business Development; the Head of the Risk Management Function; the Head of Compliance Function and a Secretary.

During 2022, the IBK Global Adoption Committee analysed and decided on 151 (one hundred and fifty-one) transactions, with secretarial services being administered by the Legal Department.

New Business Committee

The purpose of the New Business Committee is to encourage, promote and analyse new ideas, new business or support initiatives and new products, acting as a brainstorming forum and providing all the necessary means to support the development of these proposals.

After an overall assessment, such ideas and initiatives will be submitted for approval and implementation by the Executive Committee.

The New Business Committee is stablished by the Executive Committee with the authorization of the Board of de Directors.

Amongst the competences of the New Business Committee, the following should be noted:

- Encouraging, promoting and analysing new ideas, new business or support initiatives and new products, acting as a brainstorming forum and providing all the necessary means to support their respective development based on the following key elements: Strategy; Business Plan; Risk; Balance Sheet needs; Finance; Infrastructure; Operations; Compliance framework; and Human Resources; and
- To present for the approval of the Executive Committee the proposals analysed and advise the Executive Committee on that regard.

The New Business Committee is chaired by the Board Member responsible for Risk Management. Other members include the Deputy Head of CEO Office, the Head of Finance, the Head of Legal, the Head of IT, the Head Operations, the Head of Risk Management Function, the Head of Compliance Function and the Data Protection Officer. External persons can be called to attend the meetings if deemed necessary and suitable.

During 2022, no meetings of the New Business Committee occurred.

Assets and Liabilities Committee

The purpose of the Assets and Liabilities Committee is to be a consultative forum of the Executive Committee, advising it on matters related to Capital, Funding and Liquidity.

The Assets and Liabilities Committee has the following responsibilities:

- Supporting the Executive Committee in the definition of Capital and Liquidity/Funding Strategy in alignment with the Bank's overall business strategy, and regulatory requirements;
- Monitoring the liquidity and funding positions considering the Bank's operating model while managing the spread between interest income and interest expense;
- Supporting the Executive Committee in the definition of Market Risk, Interest Rate Risk, FX Risk, Liquidity Risk and Capital Adequacy policies and tolerance levels;
- Revising the Bank's funding needs and evaluate alternative funding sources as per Treasury Department´s advice;
- Evaluating liquidity and capital risk exposures to stress scenarios and the Banks' Liquidity Contingency Plan;
- Coordinating Regulatory Reporting: FCP; ICAAP; ILAAP; Recovery Plan;
- Proposing the Internal Pricing Mechanism Policy to the Executive Committee;
- Reviewing asset allocation for the whole balance sheet;
- Supporting the Executive Committee in the definition of the Bank's investment policy in relation its investment portfolio; and
- Monitoring the Investment Portfolio's performance, benchmarking, total return, risk adjusted returns, and opportunity cost return.

The Assets and Liabilities Committee is chaired by the Executive Board Member responsible for the Brazilian subsidiary and supported by the Executive Board Member responsible for the Risk Management function. Other members include the Heads of the Treasury Department, Risk Management Department, the Finance Department, the CEO Office, the Structured Finance Division, the Fixed Income Division, and the Corporate Derivatives Desk.

During 2022, the Assets and Liabilities Committee held 5 (five) meetings, with secretarial services being administered by the CEO Office.

Supervisory Board

In accordance with article 15 of the Articles of Association, the Supervisory Board is composed of three permanent members, one of whom shall be appointed as Chair, and one alternate. The Supervisory Board was elected for a three-year period (2020-2022).

The Supervisory Board's key powers include:

- Supervising the Bank's management and being entitled to request any information from the Executive Committee whenever it so deems necessary;
- Ensuring compliance with the law and the Bank's Articles of Association;
- Inspecting the correctness of the accounting books and records their supporting documentation;
- Verifying the size of cash and stocks of goods or valuables of any description belonging to the Bank or received by way of security, deposit or otherwise;
- Verifying whether the accounting policies and valuation criteria adopted by the Bank lead to an accurate valuation of its assets and results;
- Convening the General Meeting when its direction is under an obligation to convene it, but fails to do so;
- Monitoring the process of preparation and disclosure of financial information and submit recommendations or proposals to ensure its integrity;
- Drawing up each year a report on its inspection actions and issue an opinion on the report, accounts and proposals submitted by the Board of Directors;
- Informing the Board of Directors of the outcome of the legal review of the accounts and explain how it contributed to the integrity of the process of preparation and disclosure of financial information, as well as the role performed by the Supervisory Board in this process;
- Receiving reports of breaches submitted by shareholders, employees or other persons;
- Retaining the services of any experts to assist one or several of its members in performing their duties, provided that the retaining and remuneration of these experts must take into account the significance of the matters entrusted to them and the economic condition of the Bank;
- In respect of the Statutory Auditor: (i) promoting the appointment of a Statutory Auditor or firm of Statutory Auditors to the General Meeting, duly substantiating its proposal; (ii) supervising the review of the Bank's accounts and related documents; (iii) assessing the opinion of the Statutory Auditor concerning the suitability and effectiveness of internal controls underlying the process of preparation and disclosure of financial information; (iv) scrutinizing the independence of the Statutory Auditor or the firm of Statutory Auditors in accordance with the law and, in particular, in respect of provision of other additional services;
- Issuing an annual opinion in regard to: (i) the effectiveness, suitability and consistency of the internal control, risk management and audit systems; (ii) the anti-money laundering and terrorist financing internal control system;
- Issuing opinions and consents required by law, in particular, prior opinion in relation to the Code of Conduct of Haitong Bank, S.A.;
- Promoting periodic and independent assessments to be performed by external entities regarding the conduct and values of the board;

- Identifying and assessing the respective needs regarding its composition and organization;
- Implementing supporting committees required to efficiently perform of its competences;
- Participating in the assessment process of the performance of internal control functions and its representatives according to the law;
- Ensuring liability, integrity, consistency, completeness, validity, timeliness, accessibility and granularity of all information produced by the institution, within the scope of its competences;
- Executing monitoring actions within its competences by maintaining a multiannual plan of activities, approved and updated in which includes a description of material, technical and human means required to assist the members of the Supervisory Board when exercising its functions;
- Monitoring and analysing any wrongdoing (Wistleblowing) submission;
- Issuing all reports and assessments/opinions which are included in the Self-Assessment reports under Notice 3/2020 of the Bank of Portugal; and
- Performing any other duties assigned to it under the law, the regulations or the Bank's Articles of Association.

The members of the Supervisory Board must make any direct reports to the Bank of Portugal, which are mandatory under the law or any other regulations or regulatory provisions and must report to the Public Prosecution Service any offences that may come to their knowledge and correspond to offences subject to prosecution by the Public Prosecution Service.

During 2022, the Supervisory Board held 51 (fifth-one) meetings:

Supervisory Board		Attendance
Chair		
	Maria do Rosário Mayoral Robles Machado Simões Ventura	51/51
Members		
	Cristina Maria da Costa Pinto	51/51
	Mário Paulo Bettencourt de Oliveira	51/51
Alternate		
	Paulo Ribeiro da Silva	0/51

In addition to participating in the Supervisory Board meetings, with secretarial services provided by a member of the Legal Department, Members of the Supervisory Board were present at 3 (three) meetings of the Board of Directors, at 5 (five) meetings of the Internal Audit Committee, at 5 (five) meetings of the Corporate Governance Committee, at 8 (eight) meetings of the Risk Committee, and at 1 (one) meeting of the Remuneration Committee.

In terms of article 414(5) of the Portuguese Commercial Companies Code, independent within the meaning of a company means a person who is not associated with any group of specific interests of the company, nor are there any of circumstances capable of affecting his / her impartiality of analysis or decision, namely by virtue of:

a) Being the holder or acting in the name or on behalf of the holders of qualified holdings of 2% or more of the company’s capital; or
b) Having been re-elected for more than two terms of office, continuous or interspersed.

The following table identifies the Supervisory Board members who, not being associated with any group of specific interests of the company, as at December 31, 2022 comply or do not comply with the independence criteria in terms of the abovementioned sub-paragraphs (a) or (b):

Satisfaction of independence criteria of the members of the Supervisory Board		(a)	(b)
Chair			
	Maria do Rosário Mayoral Robles Machado Simões Ventura	Complies	Complies
Members			
	Cristina Maria da Costa Pinto	Complies	Complies
	Mário Paulo Bettencourt de Oliveira	Complies	Does not comply
Alternate			
	Paulo Ribeiro da Silva	--	--

As qualificações profissionais e outros elementos curriculares de cada um dos membros do Conselho Fiscal, assim como a lista dos cargos exercidos noutras sociedades e outras funções relevantes exercidas são apresentados no Anexo 1 ao presente Relatório de Governo da Sociedade.

9.6 Statutory Auditor

The entity responsible for auditing the accounts is appointed pursuant to the Policy on the Selection and Appointment of the Statutory Auditor and on the hiring on non-audit services. Deloitte & Associados, SROC, S.A. – which is part of the international network of Deloitte Touche Tohmatsu Limited and registered at the CMVM under no. 231 – was re-appointed as the Bank's Statutory Auditor by the General Meeting, as per the proposal of the Supervisory Board, on July 17, 2020 for the 2020-2022 period. Deloitte was represented by Mr. João Carlos Henriques Gomes Ferreira. On December 12, 2022, the Bank received a letter from Deloitte with the appointment of Mr. Luís Eduardo Marques dos Santos as Deloitte's new representative.

9.7 External Auditor

The External Auditor is appointed by the Executive Committee. Deloitte & Associados, SROC, S.A. – which is part of the international network of Deloitte Touche Tohmatsu Limited and registered at the CMVM under no. 231 – was first appointed as the Bank's External Auditor by the Executive Committee on June 14, 2016. In the preceding years, the Bank had a different external auditor.

The Supervisory Board is responsible for the evaluation of the Statutory Auditor / External Auditor.

As at December 31, 2022, the remuneration attributable to Deloitte and its network is composed as follows, according to the nature and the company to which services were provided:

(thousand euros)	Consolidated 31.12.2022	Individual 31.12.2022
Statutory audit of annual accounts (Haitong Bank)	492	492
Statutory audit of annual accounts (subsidiaries)	160	-
Other reliability assurance services	74	64
Other non-statutory audit services	71	71
Total value of agreed services	**797**	**627**

PART III – INTERNAL ORGANISATION

10. Articles of Association

See point 4.

11. Reporting of Irregularities

The Supervisory Board is responsible, according to the terms of article 420(1)(j) of the Portuguese Commercial Companies Code, for the receiving the communications of irregularities presented by employees, customers, shareholders and any other entities.

The Whistleblowing Regulation of the Bank was updated by the Board of Directors on March 2, 2022.

Employees must communicate to the Supervisory Board any willful or negligent events or behaviours in which they detect or are aware of, or have justified suspicions of so, that may suggest a breach of a legal obligation of the Bank or one of its employees. According to the Bank's regulation, employees may also inform their line manager of any wrongdoing or irregular behaviour which might come to their knowledge. The communication of an irregularity shall be made orally (in which case, a written report shall be prepared and signed by those who are physically present) or in writing and be treated with confidentiality. The report must contain all the details and information that the employee has available, including the identification of the individual(s) accused or involved; the wrongdoing(s) observed; a description of the events or indications subject to reporting; and whether it is possible to obtain evidence or not.

The communications of irregularities are received, opened and processed by the Head of the Compliance Department, who prepares an investigation report to be submitted to the Board of Directors. The Board of Directors, having heard the other members of the Supervisory Board, when deemed necessary, shall decide on what course of action to take.

12. Internal control

The Bank has in place an effective internal control system that is populated by the relevant control areas as set out in Notice 3/2020 of the Bank of Portugal.

The Bank's internal control system is based on the objectives and guidelines defined by the Board of Directors and the Internal Audit Committee, corresponding to a structure that includes a Risk Management Function (includes Operational Risk and a Rating Department), an Internal Audit Function and a Compliance Function.

The Head of the Internal Audit Function is directly dependent on the Board of Directors, reporting functionally to the Board of Directors, the Internal Audit Committee and the Supervisory Board, and operationally to the Executive Board Member responsible for monitoring the Function. All the Internal Audit Function activities carried out in the entities constituting the Haitong Bank Group are coordinated and supervised by the Internal Audit Function of Haitong Bank, so as to guarantee an adequate consistency of the internal audit practices and supporting norms, compliance with the professional and regulatory requirements of the Function and a consolidated and global evaluation of the Internal Control system of the Haitong Bank Group. The affiliate in Brazil (Haitong Banco de Investimento do Brasil, S.A.) is the only structure that has its own internal audit team.

The reporting line of the Risk Management Function is the Board of Directors and the Supervisory Board. The Head of the Risk Management Function and the Head of the Rating Department report hierarchically and functionally to the Executive Director responsible for risk control. The risk team in Lisbon has direct risk management responsibilities in the branches in Spain in the United Kingdom and Macau, while the Branch in Poland has a local risk management team acting with Lisbon oversight. The Brazil subsidiary also has a local risk management team acting with Lisbon oversight.

The Compliance Function reports hierarchically to the Executive Director and functionally to the Board of Directors of the Bank, as well as to its Supervisory Board. Local heads of branches and subsidiaries of the respective units located in the geographies where the Bank is present report functionally to the Head of the Compliance Function. As at the date of this report, there are compliance officers in the branches in Spain, United Kingdom, Poland and Macau and in the affiliate in Brazil (Haitong Banco de Investimento do Brasil, S.A.).

The Supervisory Board (see also section 9.4), in full coordination with the Internal Audit Committee, supervises, and evaluates the effectiveness of the risk management, the internal control and the internal audit systems, notably with regard to the process of preparation and disclosure of financial information, without breaching its independence, to which end it shall: (i) assess the operational procedures with a view to ascertaining whether the respective activities are efficiently managed through appropriate risk management and comprehensive accounting and financial information; (ii) monitor the annual activity reports of the control functions, conveying to the Board of Directors any recommendations it may deem appropriate on the matters concerned by these reports; (iii) hold periodic meetings with the Control Functions; and (iv) request, at any time, any document or information, written or oral, which it may consider relevant without having to submit any request to the Board of Directors and such body may not prevent the direct access to the information or relevant document by the Supervisory Board.

The CEO Office and the Finance Department are responsible for preparing the Bank's semi-annual and annual reports and accounts. The process takes place in permanent dialogue with the Executive Committee and persons with lead responsibilities in the departments involved. The documents to be disclosed and their timing – depending on the specific document – require express approval of the shareholder (annual report and accounts) and / or the Board of Directors (semi-annual report and accounts). The Representative for Investor Relations is responsible for the release of the financial information.

13. Risk control

The Board of Directors is ultimately responsible for the Bank's Risk Management Framework.

The Risk Committee (see section 9.4) is responsible for monitoring the development and implementation of the risk strategy and the risk appetite of the Bank and verifying whether they are compatible with a sustainable strategy in the medium and long-term.

As an independent control function, the Risk Management Department supports the Bank in making informed decisions and ensures implementation of and compliance with the risk policies approved by the management body.

14. Investor relations

The main functions of the Representative for Investor Relations are assuring authorities and the market that the Bank is compliant with legal and regulatory reporting obligations and responding to requests for information from investors, bondholders, financial analysts and other agents.

Since 2018, Mr. Pedro Alexandre Martins Costa is the Representative for Investor Relations.

Within the scope of regulatory reporting obligations, the dissemination of information within the framework of "privileged information", the preparation of annual and semi-annual reports and accounts should be emphasized.

All public information about the Bank can be requested to the Representative for Investor Relations through the contact indicated on the Bank's website.

15. Website

The Bank's website is as follows: www.haitongib.com

The location where the information about the firm, its status as a public limited company, the registered office and the other details referred to in article 171 of the Commercial Companies Code is provided: http://www.haitongib.com/en/about-haitong/legal-information

The place where information is provided on the identity of members of the corporate bodies and the market relations representative:

http://www.haitongib.com/en/about-haitong/corporate-information

http://www.haitongib.com/en/contacts/

The place where the financial statements of the previous five years are made available:

https://www.haitongib.com/en/investor-relations/annual-report/

PART IV - REMUNERATION

The following information is provided in order to ensure compliance with the provisions of article 47 of Notice 3/2020 of the Bank of Portugal.

The full version of the Bank's Remuneration Policy may be consulted on Haitong Bank's website at Remuneration Policy in which was approved by the Bank's Shareholder on April 29, 2022.

a) Aggregate quantitative information on remuneration paid in 2022 to senior management and members of staff whose functions have a material impact on the Bank's risk profile:

(euros)

	Total	Supervisory Board	Non-Executive	Executive	Business Areas	Support Functions	Control Functions
Number of members	84	3	7	5	23	30	16
Fixed Remuneration	11,011,860	53,667	360,000	1,809,057	3,200,734	3,986,928	1,601,475
Variable Remuneration	2,136,418	0	0	870,238	537,189	576,242	152,749
Total Remuneration	**13,148,279**	**53,667**	**360,000**	**2,679,296**	**3,737,923**	**4,563,170**	**1,754,224**

b) Amounts of variable remuneration paid in 2022, separated by upfront payments and deferred parts:

(euros)

	Total	Supervisory Board	Non-Executive	Executive	Business Areas	Support Functions	Control Functions
Number of members	84	3	7	5	23	30	16
Variable Remuneration paid in 2022 - Upfront	1,244,895	0	0	521,121	325,478	311,913	86,383
Variable Remuneration paid in 2022 - Deferred Parts	891,523	0	0	349,117	211,711	264,329	66,366

c) Amounts of outstanding deferred remuneration, separated by "due to vest in the current (2023) financial year" and "due to vest in future financial years":

(euros)

	Total	Supervisory Board	Non-Executive	Executive	Business Areas	Support Functions	Control Functions
Number of members	84	3	7	5	23	30	16
Due to vest in current (2023) financial year (1)	932,997	0	0	338,134	231,513	296,117	67,233
Due to vest in future financial years (1)	979,942	0	0	431,100	235,201	260,414	53,226

(1) The payment of deferred parts of variable remuneration is not vested and might be subject to post-risk adjustments i.e. malus and/or clawback, as per the Bank's Remuneration Policy.

d) Amounts of deferred remuneration paid during the 2022 financial year, reduced through performance adjustments:

There was no reduction in the amounts of deferred remuneration paid during the 2022 financial year through performance adjustments.

e) Paid guaranteed variable remuneration during the 2022 financial year, and the number of beneficiaries of those awards:

No guaranteed variable remuneration was paid during the 2022 financial year.

f) Amounts of severance payments awarded during the 2022 financial year, number of beneficiaries and highest such award to a single person:

The total amount of severance payments made in 2022 was EUR 1,053,914 for a total of 10 beneficiaries. The highest amount awarded to a single person was EUR 310,000.

g) Number of Employees remunerated with EUR 1 million or more in the 2022 financial year, with the remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and for remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million.

In 2022, there was one employee with a total remuneration between EUR 1 million and EUR 1.5 million.

PART V – TRANSACTIONS WITH RELATED PARTIES

The Related Parties Regulation of Haitong Bank, S.A. lays down the internal procedures and limitations for approval of transactions between the Bank or/and companies in a parent-subsidiary or/and group relationship with the Bank and a related party.

In line with article 33 of the Bank of Portugal Notice 3/2020, the Bank set out a Related Parties List that is submitted for the Corporate Governance Committee endorsement quarterly and for the Board of Director's approval.

For this purpose, according to the Bank's Related Parties Regulation, as well as in line with the above mentioned legislation and with IAS 24, "related parties" means any person or entity that is identified as follows: (i) Qualified participants of the institution and other persons or entities covered by the regime provided for in article 109 of the RGICSF; (ii) Members of the Board of Directors and of the Supervisory Board; (iii) Relatives of members of the Board of Directors and Supervisory Board Members, such as: spouse, civil partner, parents, step-parents; parents-in-law; children; stepchildren; and children-in-law; (iv) Companies in which a member of the Board of Directors and of the Supervisory Board, and/or the Relatives of members of the Board of Directors and Supervisory Board Members: a) holds a qualified participation equal to or greater than 10% of the capital or voting rights; or in which, b) these people have significant influence; or c) hold management positions and or/and supervisory functions; (v) Entities having an economic interdependence relationship with the Bank, due to cross-linked relationship of stakes or due to a close connection that would cause contamination in case of one entity facing financial problems; and, (vi) Persons and/or entities (including depositors, debtors, creditors, group entities, staff of the Bank or of other group entities) having the ability to influence the Bank's management and engage in transactions or commercial relationships in favorable conditions and/or in any way different from the market standards.

The Related Parties Regulation of the Bank was approved by the Board of Directors on July 19, 2022.

Any Related Party Transaction approval must follow:

a) Transactions involving Related Parties should be processed as per the procedure applicable to the given type of transaction, by the internal units responsible for its review, approval, control and execution, with the following additional requirements;
b) Save for the exceptions listed in point c. below, any transaction with a Related Party shall be subject to:
    - Opinion from the Risk Function and from the Compliance Function (that will be provided in the course of the ordinary internal process, as per the transaction type and applicable procedures, namely given in the form of an Advice in the approval documents);
    - Opinion by the Supervisory Board;
    - Approval by majority of 2/3 of the Members of the Board of Directors;
    - Reporting and minimum quarterly review by the CGC.

The Board of Directors approval must always be the last sign-off for a Related Party Transaction and will take into consideration the endorsements of the above-mentioned Corporate Bodies and Control Functions' Opinions.

c) Transactions with Related Parties that do not involve credit granting, nor the assumption of any credit or market risks and are:
    - Financial advisory services, not strictly of a banking nature; or
    - The provision of advisory services regarding benchmarking information on specific sectors / activities, such as insightful market research, industry trends, business strategies, financial forecasts, comparable case studies and others; or
    - The provision of advisory services on alternative investment opportunities and investment portfolio diversification; or
    - Investment Banking (M&A and ECM / DCM) transactions in which the Bank provides sector analysis, reviews of assets located outside mainland China, supervises and coordinates teams of experts on due diligence covering specific areas such as accounting, tax, legal and personnel matters; or
    - Transactions regarding fundraising in international markets.

Those transactions are exempt from an Opinion by the Supervisory Board and shall be submitted to the IBK Global Adoption Committee for information purposes, or other applicable internal procedures, receive a favourable opinion from the Compliance and Risk Departments and shall be approved by the Executive Committee, by a majority of 2/3 of its Members, and subject to further reporting and minimum quarterly review by the CGC and Supervisory Board, and annually to the Board of Directors.

d) All transactions with Related Parties must be carried out under market conditions. When it is not possible to determine the market conditions applicable to a given transaction with a Related Party, the Bank will apply a comparability benchmark (as defined in an internal procedure for that purpose) to assess market conditions. The goal is to make sure that the Bank does not apply more favourable conditions to Related Parties than those that would be granted to Non-Related Party customers or counterparties in similar transactions.

These rules ensure stringent control over compliance with the legal rules set out in the RGICSF, including the arm’s-length rule and prevention of conflicts of interest.

The majority of the related parties’ transactions concluded in 2022 consisted of financial advisory services and other transactions without credit or market risk for the Bank, to the amount of close to EUR 23.5 million and corresponding to 38 (thirty-eight) transactions. Furthermore, 3 (three) other related party transactions were analyzed but were still awaiting final approval. These transactions observed the rules set out in paragraph 7(c) of the Related Parties’ Regulation as they fell within the above-mentioned requirements.

As for the Related Party Transactions bearing market or credit risk, there were 7 (seven) transactions that were analysed individually. All transactions were unanimously approved by the respective corporate body, not having been objected or subject to conditions in the year of 2022, and no causes for concern were found regarding the topics of conflict of interests or compliance with market conditions.

ANNEX

BOARD OF DIRECTORS

Board of Directors of Haitong Bank, S.A.	Professional Experience	Academic Background	Positions in Haitong Group companies	Positions in companies outside the Haitong Group
 **Lin Yong** Chair	Doctor Lin Yong has 27 years of work experience in the investment banking industry. He joined Haitong Securities Co., Ltd in 1996 and was a general manager of the Investment Banking Department of Haitong Securities from 2001 to 2007. Since 2011, Doctor Lin has been the Deputy Chairman and the Chief Executive Officer of Haitong International Securities Group Limited based in Hong Kong. He is one of the first set of sponsor representatives of the China Securities Regulatory Committee and has been an Assistant Professor at the Management College of Xiamen University since 2010. Doctor Lin Yong has been a Non-Executive Board Member of Haitong Bank since April 2016 and became the Chairman in October 2017	Doctor Lin Yong gained a PhD in Economics from Xi'an Jiaotong University in 2004.	• CEO of Haitong International Holdings Limited • Deputy Chairman and CEO of Haitong International Securities Group Limited • Assistant to General Manager of Haitong Securities Company Limited • Non-Executive Board Member and Chair of the Board of Directors of Haitong Banco de Investimento do Brasil, S.A.	• Hong Kong Financial Services Development Council • Hong Kong Trade Development Council
 **Wu Min** Chief Executive Officer (CEO)	Mr. Wu Min has substantial experience in management functions in the financial services industry. After having worked as a fixed income investment manager in Taiyang Securities Co., LTD. and Jinyuan Securities Co., LTD., Mr. Wu Min worked as a general manager for the bond-financing department in Haitong Securities Co. Ltd from 2005 to 2017. Mr. Wu Min founded the largest Debt Capital Market ("DCM") team in China with over 500 professionals, underwriting around RMB 500 billion bond in 2014, 2015 and 2016, with a client coverage network encompassing all the Chinese corporations and enterprises with credit rating above AA- and an institutional sales network, covering over 3,000 institutional accounts.	Mr. Wu Min has a strong European academic background, with degrees from well-regarded UK universities. Mr. Wu Min obtained his bachelor's degree in International Trade & Finance from Sichuan University in 2000. Subsequently, in 2001, he obtained a Master's in Investment & Finance from Middlesex University and in 2003 a Master's in Mathematical Trading & Finance from London City University. Mr. Wu Min holds the following certifications: – Registered with the China Securities Regulatory Commission (since 2003) – Qualified Trader License in China Inter-Bank Market (since 2005)	• Non-Executive Board Member of Haitong Banco de Investimento do Brasil, S.A. • Director of Haitong Investment Ireland p.l.c.	n.a.

Board of Directors of Haitong Bank, S.A.	Professional Experience	Academic Background	Positions in Haitong Group companies	Positions in companies outside the Haitong Group
 **Alan Fernandes** Executive Director	Mr. Alan Fernandes has more than 31 years of professional experience in the financial sector. He has strong experience in Structured Finance involving all infrastructure sectors, including private-public partnerships, and has had an active role in the privatisation of companies in the electricity, telecommunications, mining and natural gas distribution sectors in Brazil, including the privatization process of natural gas services in the State of São Paulo. He was also deeply involved in the restructuring of the energy sector in Brazil (distribution, transmission and generation). Mr. Alan Fernandes has also deep experience in M&A and Capital Markets covering different sectors in Brazil and abroad. Mr. Alan Fernandes has been an Executive Board Member of Haitong Bank since March 2013 and an Executive Board Member of Haitong Brasil since March 2014. He has also been the Chief Executive Officer of Haitong Brasil since April 2016. Previously Mr. Fernandes worked for Banco Itaú S.A., Banco Itaú BBA S.A., Unibanco S.A., Algar Telecom S.A., Deloitte & Touche Tohmatsu and the BNDES.	Mr. Alan Fernandes gained a degree in mechanical engineering from Federal University of Rio de Janeiro and Aeronautical Engineering from ITA, the Technological Institute of Aeronautics, with a specialization in finance from IBMEC.	• CEO of Haitong Banco de Investimento do Brasil S.A. • Executive Board Member of Haitong do Brasil DTVM, S.A. • Executive Board Member of Haitong Securities do Brasil, S.A. • Executive Board Member of Haitong Negócios, S.A.	• Executive Board Member of ABBI (Brazilian Association of International Branks)
 **António Domingues** Non-Executive Director	Mr. António Domingues has extensive experience in the banking sector. Over the past 30 years he has held Senior Management roles in different institutions such as CGD (Chairman of the Board of Directors and of the Executive Committee), BPI (Deputy CEO and CFO at Banco BPI) and Companhia de Seguros Allianz Portugal, S.A. (member of the Board of Directors). Mr. António Domingues was also Vice-Chairman of BPI S.A., Vice-Chairman of BFA-Banco de Fomento de Angola and of BCI - Banco Comercial e de Investimentos, S.A., Deputy General Director of the BPA - Banco Português do Atlântico inFrance; Adviser in the Department of Foreign Affairs of the Bankof Portugal; Economist at the Ministry of Industry and Energy and a member of the Board of Directors of NOS,S.A. Currently Mr. Domingues is a Non-Executive Board Member and member of the Audit Committee of Banco Ctt.	Mr. Domingues has a degree in Economics from the Instituto Superior de Economia in Lisbon.	n.a.	• Non-Executive Board Member of Banco Ctt

Board of Directors of Haitong Bank, S.A.	Professional Experience	Academic Background	Positions in Haitong Group companies	Positions in companies outside the Haitong Group
 **Martina García** Non-Executive Director	Doctor Martina Garcia has over 20 years of experience in international economic policy. In March 2022, she became the CEO of CSFI, a London-based think tank for financial services innovation. Prior to this post, she was heading the international markets strategy team at the London Stock Exchange Group (LSEG) where she developed jointly with the Shanghai Stock Exchange the Shanghai-London Stock Connect launched in 2019. Before joining LSEG, she was Deputy Director for Banking and Financial Sector Analysis at Her Majesty's Treasury, the UK finance minister, where she led the negotiation and implementation of the post-crisis banking regulatory framework. Doctor Garcia has been a non-Executive Board Member of Haitong Bank since August 2020.	Doctor Garcia gained a PhD in agricultural economics at Impertial College (formely Wye College) in 1997. Her first degree in Economics was obtained at the Universidad Autonoma de Barcelona.	n.a.	• CEO at Centre for the Study of Financial Innovation at the London Institute of Banking and Finance
 **Miguel Guiomar** Executive Director	Mr. Miguel Guiomar has over 30 years of experience in the investment banking industry. He is currently responsible for the Investment Banking areas and the Chairman of the IBK Global Adoption Committee. Mr. Guiomar was previously responsible for implementing Haitong Bank's Capital Markets strategy for Portugal, Spain, Poland, Brazil and China Cross-Border. Prior to this, Mr. Guiomar was based in Brazil and was responsible for implementing Haitong Bank's Debt and Equity Capital Markets strategy for Brazil and the Americas (New York) and a member of the Executive Committee of Haitong Bank Brazil. Prior to joining Haitong Bank in 2008, Mr. Guiomar was Managing Director at Banco Finantia, where he headed the bank's Debt Capital Markets operations for Emerging Markets (LatAm and Russia / CIS), performing various roles throughout his 17 years at Finantia ranging from Fixed Income Sales, Emerging Markets Trading and Syndicate to Head of the bank's Private Banking Division. Mr. Guiomar has been appointed to the Board of Directors of Haitong Bank as an Executive Board Member for the 2020-2022 mandate.	Business Administration Degree from Catholic University of Portugal (Lisbon) and a Post-Graduate Program (IEP) from INSEAD (Fontainbleau).	n.a.	• Board Member of the Portugal - China Chamber of Commerce • Board Member of the Proteger Grândola Association

Board of Directors of Haitong Bank, S.A.	Professional Experience	Academic Background	Positions in Haitong Group companies	Positions in companies outside the Haitong Group
 Nuno Carvalho Executive Director	Mr. Nuno Carvalho has over 23 years of professional experience in the Legal and Financial sectors, particularly in Investment Banking, as a Lawyer, MLRO or Head of Compliance, having also held a number of other Corporate Functions such as Investor Relations and Representative with the CMVM. Mr. Carvalho re-joined the Bank in 2017, from Barclays Capital Investment Banking, and was appointed to the Board of Directors in May 2018.	Mr. Carvalho has a law degree from the University of Lisbon, Faculty of Law and a Post-Graduate degree in Accounting and Finance from ISCTE Business School, Lisbon.	• Non-Executive Board Member of Haitong Banco de Investimento do Brasil, S.A. • Director of Haitong Inventment Ireland p.l.c	n.a.
 Pan Guangtao Non-Executive Director	Mr. Pan has 29 years of experience in the securities industry, including 4 years in information system development and management and 25 years in equity and derivatives investment. Mr. Pan was appointed Assistant General Manager of Haitong Securities in March 2017. He originally joined the company in 2002 and has had management roles in the Equity Investment Department and Asset Management Department.	Mr. Pan graduated in 1994 with a degree in Mechatronics and Engineering from Shanghai University of Engineering Science and gained an MBA in China Commerce from Macau University of Science and Technology.	• Assistant General Manager of Haitong Securities Co. Ltd. • Board Member of the Haitong Innovation Securities Investment Company Limited • Chairman of Proprietary Investment and FICC Committees of Haitong Securities Co. Ltd.	• Member of Trading Committee of CFFEX (China Financial Futures Exchange) • Member of OTC Market Committee of SAC (Securities Association of China)

Board of Directors of Haitong Bank, S.A.	Professional Experience	Academic Background	Positions in Haitong Group companies	Positions in companies outside the Haitong Group
 **Paulo Martins** Non-Executive Director	Mr. Paulo Martins was the Global Head of Corporate Finance from 2009 to 2019, leading a team across Haitong Bank geographies and having played a major role in several landmark M&A transactions. Since joining Haitong Bank, Mr. Martins liaised with many renowned institutions, including key clients, establishing strong relationships with them. On 31 December 2019, Mr. Paulo Martins, resigned to his executive functions in the Board of Directors of Haitong Bank, S.A.. Mr. Paulo Martins has been appointed to the Board of Directors of Haitong Bank as a Non-Executive Board Member for the 2020-2022 mandate.	Mr. Martins graduated in Industrial Production Engineering from the Universidade Nova de Lisboa and has a Post-Graduation in Management from the ISCTE - Instituto Superior de Ciências e Trabalho de Empresas, in Lisbon.	n.a.	• Partner at Rational Dreams, Lda. • Non-Executive Board Member at Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. • Non-Executive Board Member at Parama, Unipessoal, Lda.
 **Vasco C. Martins** Executive Director	Mr. Vasco Câmara Martins has more than 22 years of experience working in Financial Institutions. A significant part of the roles held (from the past 10 years) were senior managerial positions in Risk Management with leading functions. Mr. Vasco Câmara Martins was appointed to the Board of Directors of Haitong Bank as an Executive Board Member in September 2018.	Mr. Vasco Câmara Martins holds an Inter-Alpha Banking Program from INSEAD, a Master's of Science in Finance from Instituto Superior de Ciências do Trabalho e da Empresa (ISCTE), a Post- Graduate qualification in Financial Institutions from Centro de Investigação de Activos e Mercados Financeiros (CEMAF) and a degree in Management, from Lusíada University.	n.a.	n.a.

Board of Directors of Haitong Bank, S.A.	Professional Experience	Academic Background	Positions in Haitong Group companies	Positions in companies outside the Haitong Group
 **Vincent Camerlynck** Non-Executive Director	Mr. Vincent Camerlynck has 36 years of extensive global business, management and board experience in capital markets and the asset management industry. During this time, he worked for some renowned investments banks (HSBC, Goldman Sachs, BNP Paribas) in the major financial markets (NY, London, HK and Paris). Mr. Vincent Camerlynck currently serves on a number of Boards as an Independent Non- Executive Director and provides advisory services on Asset Management matters.	Mr. Camerlynck has a law degree from University of Leuven (Belgium) and a Master's in Economics from University of Louvain la Neuve (Belgium) and in International and Comparative Politics from London School of Economics (England).	n.a.	• Non-Executive Board Member of C Worldwide Asset Management • Non-Executive Board Member of CAPFI Delen Asset Management NV • Non-Executive Board Member Equity Trustees UK
 **Zhang Xinjun** **(Jeff Zhang)** Non-Executive Director	Mr. Zhang is currently the Chief Financial Officer of Haitong Securities Co. Ltd. and has 21 years of experience in the Financial, Treasury and Risk departments of Haitong Group. He joined Haitong Securities Co. Ltd. in 2001 and he moved first to Haitong International Holdings Limited as CFO in 2007 and then to Haitong International Securities Group Limited in 2010. He was the Deputy CEO of Haitong International Holdings Limited since 2015 until he moved back to Haitong Securities in 2018.	Mr. Zhang has a degree in Economics (Accounting) and a Master's in Management (Accounting) from Nankai University, in China.	• Non-Executive Board Member of Fullgoal Fund Management CO., LTD. • CFO of Haitong Securities Company Limited (P.R. China) • Non-Executive Board Member of Haitong International Limited • CFO of Haitong International Holdings Limited (Hong Kong) • Director of Haitong Investment Ireland p.l.c.	n.a.

SUPERVISORY BOARD

Supervisory Board of Haitong Bank, S.A.	Professional Experience	Academic Background	Positions in Haitong Group companies	Positions in companies outside the Haitong Group
Maria do Rosário Ventura Chair of the Supervisory Board	Ms. Maria do Rosário Ventura has extensive experience in the financial sector, having worked at Banco Mello and later Millennium BCP from 1982 to 2002. From 2002 to 2004 she was a Senior member of the Portuguese Government – Secretary of State for Commerce, Services and industry. From 2004 to 2005 Ms. Ventura was Chairman of the Board of EMPORDEF Group, State Owned Defense Contractor. From 2005 to 2016 Ms. Ventura has held several CFO and member of the Board Of Directors positions in large Portuguese companies, namely in EFACEC Group and EPAL, the biggest water supply company in Portugal.	Ms. Maria do Rosário Ventura obtained her degree in Management from the Universidade Católica in 1982 and her AMP – Advanced Management Program from IESE in 2006.	n.a.	• Chair of the Supervisory Board of Bondalti Capital, S.A.
Cristina Costa Pinto Member of the Supervisory Board	Ms. Cristina Costa Pinto is a tax consultant and has been working for Pinheiro Pinto Consultadoria, Lda. since 2010. From that year Ms. Costa Pinto has also been working as a professor at the Catholic University and at the Católica Porto Business School.	Ms. Cristina Costa Pinto obtained her management degree from the Faculdade de Economia at Oporto University in 2007, having also obtained a law degree from the Catholic University Law School in 2014.	n.a	• Member of the Supervisory Board of Banco L.J. Carregosa, S.A. • Member of the Supervisory Board of Sogrape SGPS, S.A. • Member of the Supervisory Board of Super Bock Group SGPS, S.A. Member of the Supervisory Board of Mota-Engil SGPS, S.A. • Professor at Universidade Católica Portuguesa • Consultant at Pinheiro Pinto Consultoria Lda.

Supervisory Board of Haitong Bank, S.A.	Professional Experience	Academic Background	Positions in Haitong Group companies	Positions in companies outside the Haitong Group
Mário Bettencourt de Oliveira Member of the Supervisory Board	Doctor Mário de Oliveira is an auditor and partner at Ribeiro da Cunha Associados - Sociedade de Revisores Oficiais de Contas. He has been an auditor since 2001.	Doctor Mário de Oliveira obtained his degree in economics from the Faculdade de Economia at Oporto University in 1996. He obtained a master's degree in economics and science and technology management in 2004 from ISEG. Doctor Mário de Oliveira has also obtained several postgraduate degrees in economics (in 2000 from ISCTE) and in commercial law and securities law (in 2005 from the Catholic University and in 2006 from the University of Lisbon), as well as several professional training courses. In 2019, Doctor Mário de Oliveira has accomplished his PhD in Economic and Organizational Sociology from ISEG.	• Member of the Supervisory Board of Haitong Global Asset Management, SGOIC, S.A.	• Member of the Supervisory Board of Silvip - Sociedade Gestora de Organismos de Investimento Coletivo, S.A. • Alternate Member of the Supervisory Board of: Agroleite de Canha - Sociedade Agro-Pecuária, Lda.; Bigempire, S.A.; Coruche 1A Fotovoltaica, S.A.; Coruche 1B Fotovoltaica, S.A.; Coruche 1C Fotovoltaica, S.A.; DMC, Lda; Dunas Capital, S.A.; Duncap - Consultoria e Mediação Imobiliária, S.A.; EGEO Internacional, SGPS, S.A.; EGEO Oil Gestão e Investimentos SGPS, S.A.; EGEO, SGPS, S.A.; Esporão, S.A. / Finagra – Soc. Industrial e Agrícola, S.A.; G2ER - Energia Solar One, S.A.; Gesparte - Soc. de Gestão, Partic. e Auditoria, S.A.; Gotan, SGPS, S.A.; Grow Advisory, S.A.; Grow Energy Invest, S.A.; Grow Solar UPP, S.A.; Grow UPAC, S.A; Grow Solar PV Poland, S.A.; Grow Energy Management, Lda; Imobiliária Construtora Grão Pará, S.A.; IMOSPEL - Compra e Venda de Imóveis, S.A.; JHR - Sociedade Gestora de Participações Sociais, Lda.; Lake Louise, Atividades Turísticas, S.A.; Machrent, S.A.; Masaveu investimentos, SGPS, S.A; Monte da Várzea - Sociedade Agrícola e Florestal, S.A.; MQP - SGPS, S.A.; MQP AMBIENTE, SGPS, S.A.; MURÇAS, S.A.; N.R.D.- Núcleo de Rádio-Diagnóstico, S.A.; Newcapital SGPS, S.A.; Novo Banco dos Açores, S.A.; Pinhal dos Corvos - Sociedade Agrícola e Florestal, S.A.; Quinta do Ameal - Sociedade Agrícola, S.A.; Rectius - Sociedade de Investimento Imobiliário, S.A.; Rendimento Seguro - Investimentos Imobiliários, S.A.; RISGIL - Gestão Imobiliária, S.A.; Soc. Administração de Bens Monte da Várzea do Moinho, S.A.; Sociedade Agrícola da Carregueira do Mato, S.A.; Stellamare, S.A.; Spimo - Soc. Prom. de Empreendimentos Imobiliários, S.A.; Montiqueijo - Queijos de Montemuro, Lda.; Palácio da Quinta Administração de Bens, S.A.

Supervisory Board of Haitong Bank, S.A.	Professional Experience	Academic Background	Positions in Haitong Group companies	Positions in companies outside the Haitong Group
Paulo Ribeiro da Silva Alternate Member of the Supervisory Board	Mr. Ribeiro da Silva is an auditor and partner at JM Ribeiro da Cunha e Associados. Mr. Ribeiro da Silva has been an auditor since 1994.	Mr. Ribeiro da Silva obtained his degree in accounting and management from ISCAL (Lisbon) in 1990. Mr. Silva also acquired a degree in financial auditing in 1993 from ISCAL, a postgraduate degree in computer security & auditing and in corporate finance from ISCTE in 2000 as well as several training courses.	• Alternate Member of Conselho Fiscal da Haitong Capital, SCR, S.A..	• Member of the Supervisory Board of ACP – Mobilidade, Sociedade de Seguros de Assistência, S.A.; • Statutory Auditor of: 4 Travellers, Lda.; Azicapital - SGPS. S.A.; Azicoast - Empreendimentos Turísticos, Lda.; Azigep - SGPS, S.A.; Azilis - Empreendimentos Hoteleiros, S.A.; Azimar - Investimentos Turísticos, S.A.; Azinor - Comércio Internacional e Representações, Lda.; Azinor - Middle East, SGPS, S.A.; Azinor - Sociedade Gestora de Participações Sociais, S.A; Azinor Consulting & Services, S.A.; Azinor Distribuição SGPS, S.A.; Azinor Finance – SGPS, S.A.; Azinor Imobiliária, Lda.; Azinor Intercontinental, Lda. (ZFM); Azinor Turismo, SGPS, S.A; Azioni – Mobiliário e Decoração, S.A.; Azipalace – Investimentos Turísticos, S.A.; Aziparque - Empreendimentos Turísticos, S.A.; Azitejo - Empreendimentos Turísticos, S.A.; Azitrust Comércio Internacional e Investimentos, Lda.; Bread & Friends Company, Lda.; Câmara Municipal de Sintra; Carl & Dittgen, S.A.; Chatoyant, Lda.; Copta - Companhia Portuguesa de Turismo do Algarve, S.A.; Deigest - SGPS, S.A.; Domus Tagus - Turismo e Lazer, Lda.; Du Tage - Animação Turística e Lazer, Lda.; Exfa - Sociedade de Iniciativas Turísticas, S.A.; Forus Premium Projects, S.A.; Gamalife – Companhia de Seguros de Vida, S.A.; Garotel - Sociedade de Iniciativas Turísticas, S.A.; Hotel Paris·- Sociedade Hoteleira e Turística, S.A.; Intra Douro - Investimentos Turísticos, S.A.; Ivol Sociedade de Investimentos Hoteleiros, S.A.; Mascota Imobiliária, S.A.; Modus Turis Empreendimentos Turísticos, Lda.; Município de Alcobaça; Nazgest – SGPS, S.A.; Património Crescente - Investimentos Turísticos, S.A.; Sana Hotels Portugal, S.A.; Sep Sancho - Equipamentos Pecuários e Construção, S.A.; Sérgio Martins - Com. Prod. p/ Agric. e Pecuária, Lda.; Serviços Municipalizados de Sintra; Sesimbrotel Sociedade de Iniciativas Turísticas, S.A.; SMA - Serviços Municipalizados de Alcobaça; Sociedade de Banhos Miramar S. Julião da Barra, Lda.; Sociedade Hoteleira de Sete-Rios, S.A.; Trigo "In Situ" Torre Vasco da Gama, S.A.; Vanguarda - Mobiliário e Decoração, Lda.; Villageplace – Promoção Imobiliária, Lda.; Wellness Concepts, Lda.

ANNEXES

NON-FINANCIAL INFORMATION AND DIVERSITY

Haitong Bank incorporates Environment, Social and Governance (ESG) principles in its business activities. The Bank is committed to sustainable growth, not only in terms of supporting the activities of its Clients that promote sustainable solutions, but also within the Bank's operations. We embrace diversity and inclusion, working together to support the communities where the Bank operates in the various regions. The Bank, with the support of the shareholder, promotes the best standards of Governance, supported by robust risk management and controls, alongside a culture of checks and balances and independence among corporate bodies.

This section discusses the development, performance, and impact of Haitong Bank Group's activities in relation to environmental, social and worker issues; equality between women and men; non-discrimination; respect for human rights; corruption and bribery prevention.

Environment

Haitong Bank is a Credit Institution and Financial Intermediary, operating mostly in the Investment Banking Sector, with minimal exposure to retail customers. It has no significant infrastructure and a limited headcount and hence has a very limited environmental footprint.

Notwithstanding this limited footprint, Haitong Bank is committed to operating based on sustainable and environmentally friendly practices. In 2022, Haitong Bank generated 2.9 tons of recycled paper, thereby reducing its ecological footprint.

Minimizing its environmental footprint is of utmost importance for the Bank, both in terms of reducing the environmental impact and costs. It is with this purpose that the Bank continuously seeks to implement new measures related to the reduction of energy, water and materials consumption.

Social Responsibility

The Bank develops its activity in accordance with international principles and best practices in the field of Social Responsibility, respecting and fulfilling management commitments regarding the contribution to more sustainable development – from an ESG point of view. The Bank is committed to respecting internationally recognized human rights in the development of its relationships with its Clients, suppliers, partners and communities where it operates, seeking to avoid or mitigate the direct or indirect adverse impacts of its activity.

Haitong Bank is strongly committed to complying with social and environmental regulations and best practices for the industry. The Bank also supports and encourages all Employees to become involved with charitable work; however, charitable contributions may not be awarded in cases where they could influence a business decision.

In 2022, Haitong Bank remained committed to its social responsibilities and continued to participate, support, and encourage its employees and related parties to be active and fully engaged.

Together with Junta de Freguesia da Estrela, Haitong Bank in Lisbon donated medications and medical material, in the amount of EUR 1,000, to be sent to Ukraine. The Bank's employees also donated food, clothing, and home appliances to be distributed to Ukrainian people in Portugal. The Bank also supported Comunidade Vida e Paz, by collecting winter clothes to donate to the homeless, and participated in the annual collection of the Portuguese League Against Cancer, raising funds from its employees and making a donation of EUR 5,000.

In Brazil, Haitong Bank donated BRL 5,600 to the Centro de Defesa dos Direitos Humanos de Petrópolis to help the city of Petrópolis (Rio de Janeiro), affected by landslides and flash flooding as a consequence of torrential rainfall. Haitong Bank also used its tax credits to support social projects through the Tax Incentive Law to help families living in the disadvantaged outskirts of São Paulo.

In Poland, the Warsaw Branch funded a prize for the laureate of the 6th edition of the "Competition for the best diploma thesis in the field of contemporary economic cooperation of the Republic of Poland with the People's Republic of China" organized by the Polish Chinese Business Council.

In Macau, the Branch supported the local area's recycling initiative "Electronic and Electrical Equipment Recycling Program" by sending old office printer toner cartridges, broken laptop batteries and dry cells for recycling. Moreover, the Macau Branch also participated in two events by invitation of the Macau Association of Banks and co-organized by the Macau Environmental Protection Bureau: the "World Earth Hour 2022 " and the "Summer Casual Wear, Energy Saving 2022".

Employee-Related Issues

Please see the "People" section of the Management Report.

Workplace environment

The Bank promotes mutual respect and equal treatment and opportunities among all Employees, valuing diversity within the organization. The Bank implements internal policies, regulations and procedures to prevent and combat harassment in the workplace. The Employees shall not practice any type of discrimination, based on criteria such as ethnicity, gender identity, sexual orientation, religion, creed, culture, nationality, disability, political or ideological orientation, education, marital status or others, accepting and respecting the right to difference. Employees must act with the highest ethical standards and refrain from any behaviour that may be considered offensive to others. The Bank's Employees must reject any abusive behaviour whose purpose or effect is to disturb or embarrass a person, thereby affecting their dignity or creating an intimidating, hostile, degrading, humiliating or destabilizing environment. Employees must reject any unwanted sexual behaviour, whether verbal, non-verbal or physical, with the purpose or effect referred to in the above paragraph. All Employees are encouraged to report any wrongdoings of which they may become aware of or have a well-founded suspicion. The reception and treatment of any wrongdoing reports is made in accordance with the Bank's internal policies, regulations and procedures and must at all times be independent and anonymous.

Equality and Diversity

The Bank is committed to diversity of skills, geography and generations in the composition of its corporate bodies. It puts a special focus on gender diversity in its management bodies in order to promote equal opportunities and socially responsible behaviour within the Bank. Diversity in general fosters efficiency and a climate of constructive challenge and discussion among senior management.

In Haitong Bank's "Policy on the Selection and Assessment of Members of the Management and Supervisory Bodies and Key Function Holder" P06_SELECTIONASSESSMENT-POLICY.PDF (HAITONGIB.NET)) the Bank commits to a 30% female representation in the following by 2022:

- The Board of Directors;
- The Supervisory Board;
- Overall key function positions.

Haitong Bank has succeeded in reaching the target established in the aforementioned policy, by the end of 2022, as around 31% of the Bank's management bodies' and key function positions were held by women. At the same date, women represented 38% of the total workforce (see detailed information on People chapter on the Management Report) and there are also a considerable number of female employees in senior positions at the Bank.

Corruption and Bribery Prevention

The Bank has approved an Anti-Bribery Policy aimed at establishing specific internal guidance for the prevention of bribery. This is based on national and international legal provisions including, but not limited to, the Portuguese Laws on bribery prevention, the Organisation for Economic Cooperation and Development (OECD) Convention on bribery of foreign public officials in international business transactions, the Convention on the fight against bribery involving officials of the European Communities or officials of member states of the European Union, the Criminal Law Convention on bribery of the Council of Europe and the United Nations Convention against bribery.

Given the Bank's presence and/or operations in different geographies, this policy also encompasses a set of anti-bribery rules and principles in force in such jurisdictions, notwithstanding the obligation of each employee to acknowledge the anti-bribery laws applicable in each case and take the necessary steps to comply with such laws. In this respect, the following acts in force in the United States and the United Kingdom, respectively, are particularly noteworthy: the U.S. Foreign Corrupt Practices Act and the UK Bribery Act.

Overall Assessment

Haitong Bank understands that a serious commitment to Environmental, Social and Governance (ESG) matters is key to its success and is working to incorporate them into its overall business strategy. In 2022, Haitong Bank fully implemented various initiatives to achieve this goal, consistent with the Bank's size, exposure and limited footprint, and will continue to integrate its commitment to sustainable growth into the internal policies, principles and processes.

EARNINGS DISTRIBUTION PROPOSAL

Considering that, as of 31 December 2022, the Bank showed a consolidated net profit of EUR 11,107,177.48 (eleven million, one hundred and seven thousand, one hundred and seventy seven euros and forty eight cents) and an individual net profit of EUR 19,215,071.97 (nineteen million, two hundred and fifteen thousand, seventy one euros and ninety seven cents), the Board of Directors proposes to the Annual General Meeting that the net profit showed in the individual accounts be allocated to:

- Other Reserves and Retained Earnings: EUR 19,215,071.97 (nineteen million, two hundred and fifteen thousand, seventy one euros and ninety seven cents);
- Total: EUR 19,215,071.97 (nineteen million, two hundred and fifteen thousand, seventy one euros and ninety seven cents).

Declaration of Conformity

In accordance with Article 29 - G (1-c) of the Portuguese Securities Code, the Members of the Board of Directors of Haitong Bank, S.A. hereby declare that, to the best of their knowledge:

a) The consolidated financial statements of Haitong Bank, S.A. for the year ended on 31 December 2022 were prepared in accordance with the legally applicable accounting standards and with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of July 19th, as set forth in Article 29 - G (3) of the Portuguese Securities Code;

b) The financial statements referred to in paragraph a) above give a true and fair view of Haitong Bank, S.A. and consolidated companies' assets, liabilities, equity and earnings;

c) The Management Report describes faithfully Haitong Bank, S.A. and consolidated companies' business evolution, performance and financial position for the year of 2022, and includes a description of the main risks and uncertainties that could affect the business.

Lisbon, March 1st, 2023

Lin Yong
Chairman of the Board of Directors

Wu Min
Chief Executive Officer

Alan do Amaral Fernandes
Executive Board Member

José Miguel Aleixo Nunes Guiomar
Executive Board Member

Nuno Miguel Sousa Figueiredo Carvalho
Executive Board Member

Vasco Câmara Pires dos Santos Martins
Executive Board Member

António Domingues
Non-Executive Board Member

Ana Martina Garcia Raoul-Jourde
Non-Executive Board Member

Pan Guangtao
Non-Executive Board Member

Paulo José Lameiras Martins
Non-Executive Board Member

Vincent Marie L. Camerlynck
Non-Executive Board Member

Zhang Xinjun
Non-Executive Board Member

SUMMARY OF THE SELF-ASSESSMENT REPORT OF SUPERVISORY BOARD

Supervisory Board of Haitong Bank, S.A.

Summary of the Self-Assessment Report

Pursuant to Notice no. 3/2020 of 15 July 2020 issued by the Bank of Portugal (the "Notice"), the Supervisory Board must prepare a summary of the annual self-assessment report (the "Report"), which is disclosed as an annex to the annual financial statements of Haitong Bank, S.A. (the "Bank"). As required by the Notice, the report assesses the adequacy and effectiveness of the Bank's organisational culture and governance, and of the internal control systems, between 1 december 2021 and 30 november 2022 (the "**Reference Period**"). This assessment was carried out to the Bank on a standalone basis and at group level, including the Bank's Branches in Poland, Spain, United Kingdom and Macau and Haitong Banco de Investimento do Brasil affiliate.

In its assessment, as described in its Report, the Supervisory Board adopted the following methodology and carried out the following tasks:

a) Regular participation of the Supervisory Board in meetings of the Bank's corporate bodies and internal committees, such as the Board of Directors, the Internal Audit Committee, the Risk Committee and the Corporate Governance Committee. In total, the Supervisory Board held 40 (forty) meetings during the Reference Period. Of these meetings, 4 were held with the head of the Internal Audit function, 4 with the head of the Compliance function, 3 with the head of the Risk Control function, 4 with the head of the financial department and 6 with representatives of the auditor Deloitte, The Supervisory Board also participated in 4 meetings of the Internal Audit Committee, 4 meetings of the Corporate Governance Committee, 7 meetings of the Risk Committee, 1 meeting of the Remuneration Committee and 2 meetings of the Bank's Board of Directors. Thus, most meetings of the Supervisory Board during the Reference Period were held with representatives of the Bank and Committees, who are directly involved in promoting an organizational culture and implementing internal control and governance systems, which demonstrates an involvement significant part of the Audit Committee in the matters addressed by the Notice;
b) Training sessions held in connection to the implementation of the Notice;
c) Consultation of the Bank's internal control procedures manual, to the extent necessary to carry out the assessment under the terms of the Notice;
d) Meetings with the heads of the Compliance, Internal Audit and Risk Control Functions, as well as with representatives from Haitong Banco de Investimento do Brasil, S.A.;

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e) Review of the reports issued by the internal control functions concerning the Bank and Haitong Banco de Investimento do Brasil, S.A., and discussion of the conclusions with the persons responsible for these reports;
f) Identification and monitoring of the status of deficiencies identified in previous control reports and respective corrective measures;
g) Review of the external auditor's assessment of the internal control system and discussion of its conclusions with the representatives of the external auditor;
h) At the request of the Supervisory Board, analysis and discussion of the external auditor's assessment of the processes of preparation of the prudential and financial reports, the processes of preparation of information disclosed to the public and of the adequacy of compliance with the duties of disclosing information to the public.

Regarding the Bank's internal control system, the Supervisory Board considered aspects related to each control function, such as responsibilities, organisational chart, resources, independence, and other matters that have been raised internally and externally.

As to the Bank's organisational culture, the Supervisory Board draws attention to the work developed by the internal control functions in order to promote a solid and transparent organisational culture, accessible to all the Bank employees, adequate to the size of the Bank's structure and successful in increasing the robustness and effectiveness of controls in risk mitigation, as well as in the identification of potential opportunities for improvement.

During the Reference Period, the Supervisory Board stresses the proactive approach to risk assessment, to the planning of activities with a view to finding the best corrective measures for the situations identified as deficiencies or opportunities for improvement, such approach being a common feature in the actions developed by the internal control functions.

The Supervisory Board issued its Report, dated 28 december 2022, relative to the Reference Period, having issued a clear, detailed and substantiated opinion on the adequacy and effectiveness of the Bank's organisational culture and governance and internal control systems, in accordance with Notice no. 3/2020, of 15 July, of the Bank of Portugal.

In its Report, the Supervisory Board came to a satisfactory assessment of the adequacy and effectiveness of the Bank's internal control and governance systems and of its organisational culture. The situations detected, although naturally requiring regular monitoring by the internal control functions, do not, in general, call into question the adequacy and effectiveness of the Bank's corporate governance and internal control systems or its organisational culture.

In the Bank's assessment reports, the Board of Directors concluded that the internal control functions have the resources, authority and skills required to perform their duties independently and effectively. In relation to the heads of the control functions, the Board of Directors noted that they participate in the various internal committees, such as the Risk Committee, Internal Audit Committee and Corporate Governance Committee, which allows for regular dialogue with the Bank's non-executive directors.

Regarding the Remuneration Policies, the Board of Directors concluded that these are consistent across the Haitong Bank, S.A. group.

In what concerns the organisational culture of the Bank, the Board of Directors highlighted the support provided to the internal activities with a view to promoting an organisational culture of compliance with the applicable regulatory requirements. In particular, the Board of Directors drew attention to the Code of Conduct approved by the Bank, as well as to the existence of internal regulations that promote a culture of professionalism, transparency and integrity.

Lisbon, 17 February 2023

THE SUPERVISORY BOARD

Maria do Rosário Ventura - Chair

Assinado por: **Mário Paulo Bettencourt de Oliveira**
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CHAVE MÓVEL

Mário Bettencourt de Oliveira - Member

Cristina Maria Costa Pinto - Member

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Report and Opinion of the Supervisory Board

Haitong Bank, S.A.

for financial year 2022

To the Shareholder of Haitong Bank, S.A.,

In accordance with the applicable legislation, we hereby present our report on the audit performed by the Supervisory Board to the Management Report, the individual and the consolidated financial statements and the proposal for the distribution of the year's results presented by the Board of Directors of Haitong Bank (hereinafter Haitong) for the year ended 31 December 2022.

The members of the Supervisory Board appointed for the 2020-2022 three-year period took office on 17 July 2020 upon notification by the Bank of Portugal that the legal requirements set forth in Article 30b (3) of the Legal Framework of Credit Institutions and Financial Companies ("*Regime Geral das Instituições de Crédito e Sociedades Financeiras*") approved by Decree-Law no. 298/92 of 31 December had been met.

Haitong's Supervisory Board, as part of its designated functions, monitored, in accordance with the law and the company's articles of association, the development of Haitong's management and business activity, namely:

(i) assessed the adequacy and effectiveness of the risk management, internal control and internal audit systems, as well as the Bank's organisational culture;

(ii) attended Board of Directors meetings whenever invited;

(iii) took part in the meetings of the Internal Audit, Risk, and Corporate Governance Committees;

(iv) reviewed management information documents submitted by the Board of Directors;

(v) monitored the verification of the accounting records and underlying support documents to the extent considered necessary.

(vi) assessed the accounting policies and valuation criteria adopted by Haitong; and

(vii) held meetings with the Statutory Auditor, whenever necessary, on the assessment of the accounting policies and valuation criteria adopted by Haitong, which always provided the information required.

In accordance with the applicable legislation, the Supervisory Board also assessed the Auditor's Report and Statutory Audit Certification ("*Certificação Legal de Contas*") prepared by the Statutory Auditor (Deloitte & Associados, SROC, S.A.) on the individual and consolidated financial statements for financial year 2022 and took note of the Additional Report on said financial statements submitted by the Statutory Auditor to the Supervisory Board, with which the Supervisory Board agrees. The Supervisory Board also analysed the Management Report submitted by the Board of Directors, and considers that the report complies with the applicable legal and statutory requirements and duly mentions the main aspects of Haitong's activity in 2022, both in individual and in consolidated terms.

The Supervisory Board highlights the following:

- The disclosures made by the Bank in Note 31 to the consolidated financial statements concerning the impacts arising from the tax policy, and the interactions with the Tax and Customs Authority;

- On 28 December 2022 the Supervisory Board issued its Report, including a clear, detailed and reasoned opinion on the adequacy and effectiveness of the organisational culture and the governance and internal control systems of Haitong Bank, S.A. in the period of 1 December 2021 to 30 November 2022, in accordance with the Bank of Portugal Notice no. 3/2020, of 15 July. A summary of this report is attached to Haitong's 2022 Annual Report.

- Among the corporate events occurred in 2022 and described in the Management Report, the Supervisory Board highlights, in January 2022, the formal beginning of the liquidation process of Haitong Ancillary Services and the full subscription made by Haitong Banco de Investimento do Brasil S.A. of the capital increase of Fundo FI Multimercado Treasury, corresponding to an investment of 15 million reais; in March 2022 Haitong Banco de Investimento do Brasil S.A. fully subscribed to the capital increase of Fundo FI Multimercado Treasury, corresponding to an investment of 70 million reais;

- In June 2022, the process of opening a representative office in Paris was completed;

- In July 2022, a resolution was passed to increase the share capital of Haitong Bank S.A. by €2,630,305.00, to €847,399,305.00. In December 2022, a resolution was passed to increase the share capital of Haitong Bank S.A. by €15,879,420.00, to a total of €863,278,725.00. These capital increases, in the form of incorporation of a special reserve, resulted from the conversion of the rights issued under the Special Regime applicable to Deferred Tax Assets ("REAID"), relative to fiscal years 2015 and 2016, respectively, which were attributed to the Portuguese State and acquired by Haitong International Holdings Limited, the Bank's sole voting shareholder.

- The description of relevant audit issues and other issues at both individual and consolidated level that are reported in the Statutory Audit Certification and Audit Report.

In light of the above, it is the opinion of the Supervisory Board that the following should be approved:

- The Management Report and remaining individual and consolidated reporting documents relative to the financial year ended on 31 December 2022;

- The proposal submitted by the Board of Directors on the allocation of the net profit for the year 2022, in the amount of 19,215,071.97 euros.

Lisbon, 10 March 2023

THE SUPERVISORY BOARD

Maria do Rosário Ventura

Maria do Rosário Mayoral Robles Machado Simões Ventura
(Chairman)

Mário Paulo Bettencourt de Oliveira

Cristina Maria da Costa Pinto.

Declaration of Conformity with the Financial Information Reported

The present declaration is submitted under the terms of Article 29-G (1-c) and 3) of the Portuguese Securities Code

The Supervisory Board hereby declares that, to the best of its knowledge:

- The information referred to in Article 29-G (1-c) and 3) of the Portuguese Securities Code as at 31 December 2022 was prepared in accordance with the applicable accounting standards, providing a true and fair view of the assets and liabilities, the financial situation and the results of Haitong and the companies included within its consolidated scope; and

- The management report faithfully details the evolution of the business and the performance and position of Haitong and the companies included within its consolidation scope, and contains a description of the main risks and uncertainties faced within the framework of ongoing activities.

Lisbon, 10 March 2023

THE SUPERVISORY BOARD

Maria do Rosário Mayoral Robles Machado Simões Ventura
(Chairman)

Mário Paulo Bettencourt de Oliveira

Cristina Maria da Costa Pinto.

Annual report on the activity of the Supervisory Board in 2022

Pursuant to the provisions of Article 420-1(g) of the Portuguese Commercial Companies Code ("*Código das Sociedades Comerciais*") and point 5 (1 B-h)) of the Regulations of the Supervisory Board of Haitong, the Supervisory Board hereby presents its report on the supervisory works carried out in 2022.

1. Introduction

The following are the main powers and responsibilities of the Supervisory Board, in accordance with its Regulations:

i. Monitoring the activity of Haitong, watching over compliance with the Law and the company's Articles of Association, and supervising the management of the company;

ii. Supervising compliance with accounting policies and with the process of preparing and disclosing financial information, as well as reviewing Haitong's accounting books and records;

iii. Monitoring and supervising the effectiveness of the governance and internal control and risk management systems, as well as the organisational culture;

iv. Proposing the appointment of a Statutory Auditor or firm of Statutory Auditors to the General Meeting; and

v. Supervising the independence of the Statutory Auditor, namely regarding the provision of non-audit services.

2. Activities carried out by the Supervisory Board in 2022

i. Monitoring Haitong's activity, ensuring compliance with the law and the company's Articles of Association, and supervising the company's management.

In 2022 the Supervisory Board held 51 meetings with the presence of all of its members. Of

these meetings, 4 were held with the head of the Internal Audit function, 4 with the head of the Compliance function, 3 with the head of the Risk Control function, 4 with the head of the

Finance department and 6 with representatives of the Deloitte, the statutory auditor. The Supervisory Board also participated in 4 meetings of the Internal Audit Committee, 4 meetings of the Corporate Governance Committee, 8 meetings of the Risk Committee, 1 meeting of the Remuneration Committee and 2 meetings of the Bank's Board of Directors.

The Supervisory Board had access to all the information requested and obtained all the documents and clarifications from all the persons from which this was requested.

ii. Supervising compliance with accounting policies and with the process of preparing and disclosing financial information and the statutory audit

The Supervisory Board monitored compliance with accounting policies and the reliability of financial information via the financial information provided by the Finance Division and by the Statutory Auditor (Deloitte & Associados, SROC, S.A.). Several meetings were held with the auditors, in which the reports were analysed and the audit procedures and conclusions were assessed.

The Supervisory Board analysed the accounting documents and the statutory audit certification for financial year 2022, having issued a favourable opinion on these documents.

iii. Monitoring and supervising the effectiveness of the internal control and risk management systems

The Supervisory Board monitored and assessed the adequacy of the internal control, risk management, internal audit and compliance systems, within the scope of its responsibilities, via meetings and information reporting by the heads of said functions in Haitong. The Supervisory Board also monitored and assessed the work carried out by the Bank's Statutory Auditor (Deloitte & Associados, SROC, S.A.) within the assessment of the Governance and Internal Control Systems, and organisational culture, and on 28 December issued its opinion on the adequacy of the internal control system, based on the terms of Article 56 of the Bank of Portugal Notice 3/2020, of 15 July.

iv. Monitoring the activity of the Internal Audit Function

Throughout 2021, the Supervisory Board supervised the activity of the Internal Audit Function, which reports functionally to the Internal Audit Committee and Supervisory Board and hierarchically to the Executive Director responsible for the Function. The Supervisory Board approved the budget and activity plan and regularly monitored the execution of the Internal Audit Function activity plan, having received the information deemed necessary for carrying out its duties.

v. Monitoring the activity of Haitong's Statutory Auditor

The Supervisory Board regularly monitored throughout 2022 the activities developed by the Statutory Auditor, via the critical assessment of the documents drafted within the scope of its functions. The Statutory Auditor confirmed to the Supervisory Board that it had found no irregularities concerning the performance of its duties and that it had no obstacles in pursuing those duties.

During financial year 2022 the Supervisory Board assessed the provision of non-audit services and confirmed that the independence of the Statutory Auditor had been safeguarded.

vi. Monitoring of Haitong's business with related parties

The Supervisory Board monitored the enforcement of the related-party transactions policy during 2022. The majority of the Transactions carried out with related parties in 2022 concerned financial advisory services and other transactions not involving credit or market risk for Haitong.

vii. Whistleblowing

The Supervisory Board is responsible for receiving wrongdoing reports submitted by employees, clients, shareholders, or any other entity, as provided for in Article 420-j) of the Portuguese Commercial Companies Code. In March 2022 the Whistleblowing policy was updated. During financial year 2022 the Supervisory Board did not receive any wrongdoing reports.

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Throughout 2021, the Supervisory Board supervised the activity of the Internal Audit Function, which reports functionally to the Internal Audit Committee and Supervisory Board and hierarchically to the Executive Director responsible for the Function. The Supervisory Board approved the budget and activity plan and regularly monitored the execution of the Internal Audit Function activity plan, having received the information deemed necessary for carrying out its duties.

v. Monitoring the activity of Haitong's Statutory Auditor

The Supervisory Board regularly monitored throughout 2022 the activities developed by the Statutory Auditor, via the critical assessment of the documents drafted within the scope of its functions. The Statutory Auditor confirmed to the Supervisory Board that it had found no irregularities concerning the performance of its duties and that it had no obstacles in pursuing those duties.

During financial year 2022 the Supervisory Board assessed the provision of non-audit services and confirmed that the independence of the Statutory Auditor had been safeguarded.

vi. Monitoring of Haitong's business with related parties

The Supervisory Board monitored the enforcement of the related-party transactions policy during 2022. The majority of the Transactions carried out with related parties in 2022 concerned financial advisory services and other transactions not involving credit or market risk for Haitong.

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STATUTORY AUDITOR'S REPORT AND AUDIT REPORT
(Amounts stated in thousands of euros – t.euros)

(Free translation of a report originally issued in Portuguese language: in case of discrepancies the Portuguese version will always prevail)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Haitong Bank, S.A. (the "Bank") and of its subsidiaries (the "Group"), which comprise the consolidated financial position as at 31 December 2022 (that presents a total of 3,416,120 t.euros and total equity of 628,036 t.euros, including a net income attributable to the shareholders of the Bank of 11,107 t.euros), the consolidated statements of income, of comprehensive income, of changes in equity and of cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Haitong Bank, S.A. as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section. We are independent from the entities that constitute the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas code of ethics.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's responses to the most significant assessed risks of material misstatement**
Impairment for financial assets (Notes 2.4.1, 3.1, 20, 22 and 30)	
As of 31 December 2022, the Group has recorded accumulated impairment losses for financial assets booked at amortised cost (loans to customers and securities) and at fair value through other comprehensive income in the amount of 18,413 t.euros ("Impairment losses for credit risk"), relating to: (i) loans to costumers (13,790 t.euros); (ii) guarantees and other commitments (1,672 t.euros); (iii) securities recorded at amortised cost (1,662 t.euros); (iv) securities recorded at fair value through other comprehensive income (1,289 t.euros). The impairment losses for credit risk represent management's best estimate of the expected losses at the reference date of the financial statements, considering the rules laid out in IFRS 9 - Financial Instruments ("IFRS 9"). According to IFRS 9, the Group classifies its financial assets classified at amortized cost and at fair value through other comprehensive income in stages, based on the existence (or not) of a significant increase in its credit risk since initial recognition, or of impairment triggers. This classification determines, among other aspects, the type of analysis (individual or collective) to perform, as well as the parameters used by the Group in the calculation of collective impairment. Considering the characteristics of the Group's loan and securities portfolios classified at amortised cost and at fair value through other comprehensive income, a significant part of its portfolios are subject to individual analysis, to conclude on the appropriate classification in Stages and to determine the individual impairment loss, if applicable.	We analysed the relevant internal control procedures implemented by the Group in the process of determining impairment losses for credit risk. We reviewed the Group's documentation related to the methodology for determining individual and collective impairment losses, and analysed its reasonableness considering the requirements of IFRS 9. We selected a sample of financial assets booked at amortised cost (loans to customers and securities) and at fair value through other comprehensive income and of guarantees and other commitments. For the selected sample we analysed, as applicable: • the classification in Stages, considering the criteria defined by the Group; • the reasonableness of the estimated impairment losses recorded in the financial statements for loans with impairment triggers, based on the review of the Group's judgments on the economic and financial situation of clients, valuation of the collaterals received and perspectives on the evolution of their activity and on the future management of those loans by the Group. For the selected sample of financial assets subject to collective impairment analysis, we analysed the reasonableness of the impairment losses calculated according to the methodology and assumptions defined by the Group. We reviewed the disclosures related to this subject, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's responses to the assessed risks of material misstatement**
Impairment for financial assets (Notes 2.4.1, 3.1, 20, 22 and 30)	
The classification of financial assets in Stages and the determination of impairment losses for credit risk through individual analysis inherently has a strong judgmental component from management about the information available, namely in the identification of significant increases in credit risk and in estimating the present value of the amount that the Group expects to recover from the financial assets, that incorporates also assumptions about future events that may not occur as expected and reflects management's intentions at each moment regarding management and future holding of the assets. The impairment losses in the scope of the collective analysis are based on a model that relies on several aspects, including the characteristics of the Group's loan portfolio, the classification of loans in stages, including the assessment of the existence of significant increase in credit risk since initial recognition and risk parameters such as probability of default and loss given default. In face of the above, considering the use of judgments by management, and taking into account the materiality of the amounts in the context of the financial statements, the determination of impairment for financial assets at amortised cost (securities and loans) and at fair value through other comprehensive income and the provisions for guarantees and other commitments were considered a key audit matter.	

Description of the most significant risks of material misstatement identified	Summary of the auditor's responses to the assessed risks of material misstatement
Recoverability of deferred tax assets (Notes 2.13, 3.2 and 31)	
As of 31 December 2022, the Group has recorded deferred tax assets in the amount of 109,890 t.euros, of which: • 65,262 t.euros originated by the Bank, essentially related with: i) temporary differences (33,702 t.euros); ii) tax losses carried forward (31,560 t.euros), essentially originated in 2015 and 2016, which may be used until 2029 and 2030, respectively, and the use cannot exceed 65% of taxable income in each year. • 44,628 t.euros originated by the activity of the subsidiary Haitong Banco de Investimento do Brasil, of which 24,874 t.euros related with tax losses carried forward. In accordance with IAS 12 - Income Taxes, deferred tax assets can only be recorded up to the extent that it is probable that future taxable profit will be available in the estimated dates for their reversal. The Group prepared a forecast of its future taxable profit to assess the recoverability of deferred tax assets. This estimate is judgmental by nature and depends on the assumptions made by management to estimate the evolution of profits before taxes and its interpretation of the tax legislation, including what concerns deferred tax assets in the scope of the Special Regime applicable to deferred tax assets and the tax deductibility of certain costs. To this extent, the recoverability of deferred tax assets is dependent on the Group's ability to generate the estimated results, and the confirmation of its interpretation of the tax legislation. Any deviations from the estimation of future results or changes in the tax legislation or its interpretation may have a material impact on the recoverability of deferred tax assets. Given the materiality of deferred tax assets in the consolidated financial statements and the need to use judgments by management in the preparation of the estimates to determine their recoverability, this area was considered a key audit matter.	We analysed the relevant internal control procedures implemented by the Group in the process of assessing the recoverability of deferred tax assets. We reviewed the methodology and the main assumptions considered by the Group to estimate the evolution of pre-tax profits and the taxable income in the period covered by its recoverability analysis. We reviewed the interpretation of the relevant tax legislation considered by the Group in the estimation of future taxable profits, including those in the scope of the Special Regime Applicable to Deferred Tax Assets and the acceptance, for taxes purposes, of certain costs. We reviewed the calculations prepared by the Group to demonstrate the recoverability of deferred tax assets, taking into account the understanding of the assumptions and the review of the interpretation of the tax legislation described above. We reviewed the disclosures related to this matter, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	Summary of the auditor's responses to the assessed risks of material misstatement
Resolution Fund (Note 35)	
As described in further detail in note 35 to the financial statements, following the resolution measures applied to Banco Espírito Santo, S.A. (BES) and Banif – Banco Internacional do Funchal, S.A. (Banif), as of 31 December 2022 the Resolution Fund owned 23.44 % of the share capital of Novo Banco, S.A. and the total share capital of Oitante, S.A.. In this context, it obtained loans from the Portuguese State and from a banking syndicate (in which the Bank does not participate) and assumed other responsibilities and contingent liabilities, including those related to the litigation associated with these processes, as well as to a contingent capital mechanism defined in the sale in 2017 of 75% of the share capital of Novo Banco, S.A. to Lone Star. In October 2017 the Portuguese State and the Resolution Fund entered into a framework agreement with the purpose of making available financial means to the Resolution Fund to fulfil the contractual obligations within the scope of the sale of 75% of Novo Banco to Loan Star mentioned above. This framework agreement also refers that the intention to keep the stability of the contribution efforts over the banking sector. In order to reimburse these loans and to meet other responsibilities already assumed or that may have to be assumed, the Resolution Fund has essentially the revenue from the periodic contributions from participating institutions (including the Bank) and the contribution over the banking sector. It is also established the possibility of the member of the Portuguese Government responsible for the finance area to determine, by ministerial order, that the participating institutions make special contributions in the situations established for it in the applicable legislation, particularly in the event that the Resolution Fund does not have enough own resources for the fulfilment of its obligations. According to the latest Report and Accounts available from the Resolution Fund, the Resolution Fund's own resources as of 31 December 2021 were negative.	We analysed the public communications on this matter released by the Resolution Fund until the date of our report. We analysed the public communications from the Resolution Fund and of the Office of the Finance Ministry of 28 September 2016 and the public communication of the Resolution Fund of 21 March 2017, relating to the new conditions of the loans from the Portuguese State and the syndicated loan to the Resolution Fund and the corresponding impact on its sustainability and financial balance. We analysed the public announcement and content of the resolution of the Council of Ministers on 2 October 2017, which authorised the formalisation by the Portuguese State, as ultimate grantor of financial stability, of a framework agreement with the Resolution Fund, intended to made available the financial resources to the Resolution Fund to satisfy contractual obligations in connection with the sale of 75% of Novo Banco's share capital to Lone Star. We analysed the framework agreement established between the Portuguese State and the Resolution Fund. We read the last Report and Accounts of the Resolution Fund that refers to the year 2021. We reviewed the accounting framework of the contributions to the Resolution Fund. We reviewed the disclosures included in the financial statements related to this matter.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's responses to the assessed risks of material misstatement**
Resolution Fund (Note 35)	
The annual contributions to the Resolution Fund and the contribution over the banking sector are recognised as losses on an annual basis, as set out in IFRIC 21 – Levies. The financial statements as of 31 December 2022 reflect management's expectation that no special contributions or any other extraordinary contributions will be required from the Bank in order to finance the resolution measures applied to BES and Banif or any other liability or contingent liability assumed by the Resolution Fund, considering: – The conditions established in the scope of the renegotiation, announced in March 2017, of the loans obtained by the Resolution Fund to finance the referred resolution measures, including the extension of the maturity date to 31 December 2046 and the possibility to adjust that date, with the purpose of guaranteeing the capacity of the Resolution Fund to fully meet its obligations based on regular revenues and without the need to resort to special contributions or any other type of extraordinary contributions from the banking sector; and – The public communications issued by the Resolution Fund and by the Office of the Portuguese Minister of Finance, which refer as an objective ensuring that such contributions will not be necessary. Given the responsibilities of the Resolution Fund and the judgements of management as described above, this area was considered a key audit matter.	

Responsibilities of management and supervisory body for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that give a true and fair view of the consolidated financial position, financial performance and cash flows in accordance with the International Financial Reporting Standards as endorsed by the European Union (IFRS);

- the preparation of the management report, including the corporate governance report and the non-financial demonstration, in accordance with applicable laws and regulations;

- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

- the adoption of accounting policies and principles appropriate in the circumstances; and

- assessing the Group's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Group's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;

- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

- determine, from the matters communicated to those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter;

- provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, which measures were taken to eliminate or reduce such threats or which safeguards were applied.

Our responsibility also includes the verification that the information contained in the management report is consistent with the consolidated financial statements, and the verification of the requirements as provided in numbers 4 and 5 of article 451.º of the Portuguese Companies' Code relating to the corporate governance report, as well as the verification that a non-financial demonstration was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the European Single Electronic Format (ESEF)
The consolidated financial statements of Haitong Bank, S.A. for the year ended 31 December 2022 must comply with the applicable requirements set out in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (“ESEF Regulation”).

Management is responsible for the preparation and disclosure of the annual report in accordance with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements, included in the annual report, are presented in accordance with the requirements set out in the ESEF Regulation.

Our procedures were performed according to the Technical Application Guide of Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors) on reporting in the ESEF and included, among others:

- obtaining an understanding of the financial reporting process, including the presentation of the annual report in valid XHTML format; and

- identification and assessment of the risks of material misstatement associated with the tagging of information from the consolidated financial statements in XBRL format using iXBRL technology. This assessment was based on an understanding of the process implemented by the Bank to tag the information.

In our opinion, the consolidated financial statements included in the annual report are presented, in all material respects, in accordance with the requirements set out in the ESEF Regulation.

On the management report

Pursuant to article 451, number 3.e), of the Portuguese Companies’ Code (“Código das Sociedades Comerciais”), it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge of the Group, we have not identified any material misstatements. As established in article 451, number 7, of the Portuguese Companies’ Code this opinion is not applicable to the non-financial demonstration included in the management report.

On the corporate governance report

Pursuant to article 451, number 4, of the Portuguese Companies’ Code (“Código das Sociedades Comerciais”), we conclude that the corporate governance report includes the elements required to the Group under the terms of article 29-H of the Portuguese Securities Code (“Código dos Valores Mobiliários”), and we have not identified any material misstatements on the information disclosed therein, which, accordingly, complies with the requirements of items c), d), f), h), i) and l) of that article.

On the non-financial demonstration

We inform that the Group included in its management report the non-financial demonstration established in the article 508 G of the Portuguese Companies’ Code (“Código das Sociedades Comerciais”).

On the additional matters provided in article 10 of Regulation (UE) 537/2014

Pursuant to article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of 16 April 2014, in addition to the key audit matters mentioned above, we also report on the following:

- We were appointed statutory auditors of the Bank in the shareholders’ general meeting held on 16 November 2016, to conclude the ongoing mandate until the end of 2016. We were reappointed auditors of the Bank in the shareholder’s general meeting held on 17 July 2020 for a mandate from 2020 to 2022.

- Management has confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs, we maintained professional skepticism and we designed audit procedures to respond to the risk of material misstatements in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement on the consolidated financial statements due to fraud.

- We confirm that the audit opinion issued is consistent with the additional report that we prepared and delivered to the Group’s supervisory body as of this date.

- We declare that we have not provided any prohibited services as described in former article 77, number 8, of the Ordem dos Revisores Oficiais de Contas statutes (Legal Regime of the Portuguese Statutory Auditors) and the article 5. number 1, of the Regulation (EU) 537/2014, and we have remained independent from the Bank in conducting the audit.

Lisbon, 10 March 2023

Deloitte & Associados, SROC S.A.
Represented by Luís Eduardo Marques dos Santos, ROC
OROC Registration n.º 1684
CMVM Registration n.º 20161294

EXPLANATION ADDED FOR TRANSLATION

(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC S.A. internal procedures, the report is not to be signed. In the event of discrepancies, the Portuguese language version prevails.)

STATUTORY AUDITOR'S REPORT AND AUDIT REPORT (INDIVIDUAL FINANCIAL STATEMENTS)

STATUTORY AUDITOR'S REPORT AND AUDIT REPORT

(Amounts expressed in thousands of euros – t.euros)

(Free translation of a report originally issued in Portuguese language: In case of discrepancies the Portuguese version will always prevail)

REPORT ON THE AUDIT OF THE INDIVIDUAL FINANCIAL STATEMENTS

Opinion

We have audited the accompanying individual financial statements of Haitong Bank, S.A. (the "Bank"), which comprise the statement of financial position as at 31 December 2022 (that presents a total of 2,434,626 t.euros and total equity of 622,471 t.euros, including a net income of 19,215 t.euros), the individual statements of income, of comprehensive income, of changes in equity and of cash flow for the year then ended, and the accompanying notes to the individual financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of Haitong Bank, S.A. as at 31 December 2022 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section below. We are independent from the Bank in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas code of ethics.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's responses to the assessed risks of material misstatement**
Impairment for financial assets (Notes 2.3.1, 3.1, 20, 22 and 30)	
As of 31 December 2022, the Bank has recorded accumulated impairment losses for financial assets booked at amortised cost (loans to customers and securities) and at fair value through other comprehensive income in the amount of 82,647 t.euros ("Impairment losses for credit risk"), relating to: (i) Loans to costumers (78,430 t.euros); (ii) guarantees and other commitments (2,190 t.euros); (iii) securities recorded at amortised cost (1,323 t.euros); (iv) securities recorded at fair value through other comprehensive income (704 t.euros). The impairment losses for credit risk represent management's best estimate of the expected losses at the reference date of the financial statements, considering the rules laid out in IFRS 9 - Financial Instruments ("IFRS 9"). According to IFRS 9, the Bank classifies its financial assets classified at amortized cost and at fair value through other comprehensive income in stages, based on the existence (or not) of a significant increase in its credit risk since initial recognition, or of impairment triggers. This classification determines, among other aspects, the type of analysis (individual or collective) to perform, as well as the parameters used by the Bank in the calculation of collective impairment. Considering the characteristics of the Bank's loan and securities portfolios classified at amortised cost and at fair value through other comprehensive income, a significant part of its assets are subject to individual analysis, to conclude on the appropriate classification in Stages and to determine the individual impairment loss, if applicable.	We analysed the relevant internal control procedures implemented by the Bank in the process of determining impairment losses for credit risk. We reviewed the Bank's documentation related to the methodology for determining individual and collective impairment losses, and analysed its reasonableness considering the requirements of IFRS 9. We selected a sample of financial assets classified at amortised cost (loans to customers and securities) and at fair value through other comprehensive income and of guarantees and other commitments. For the selected sample we analysed, as applicable: • the classification in Stages, considering the criteria defined by the Bank; • the reasonableness of the estimated impairment losses recorded in the financial statements for loans with impairment triggers, based on the review of the Bank's judgments on the economic and financial situation of clients, valuation of the collaterals received and perspectives on the evolution of their activity and on the future management of those loans by the Bank. For the selected sample of financial assets subject to collective impairment analysis, we analysed the reasonableness of the impairment losses calculated according to the methodology and assumptions defined by the Bank. We reviewed the disclosures related to this subject, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's responses to the assessed risks of material misstatement**
Impairment for financial assets (Notes 2.3.1, 3.1, 20, 22 and 30)	
The classification of financial assets in Stages and the determination of impairment losses for credit risk through individual analysis inherently has a strong judgmental component from management about the information available, namely in the identification of significant increases in credit risk or impairment triggers and in estimating the present value of the amount that the Bank expects to recover from the financial assets, that incorporates also assumptions about future events that may not occur as expected and reflects management's intentions at each moment regarding management and future holding of the assets. The impairment losses determined in the scope of the collective analysis are based on a model that relies on several aspects, including the characteristics of the Bank's loans portfolio, the classification of loans in stages, including the assessment of the existence of significant increase in risk since initial recognition and risk parameters such as probability of default and loss given default. In face of the above, considering the use of judgments by management, and taking into account the materiality of the amounts in the context of the financial statements, the determination of impairment for financial assets at amortised cost (loans to customers and securities) and at fair value through other comprehensive income and the provisions for guarantees and other commitments were considered a key audit matter.	

<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor’s responses to the assessed risks of material misstatement</th></tr>
<tr><td colspan="2">Recoverability of deferred tax assets (Notes 2.12, 3.2 and 31)</td></tr>
<tr><td>As of 31 December 2022, the Bank has recorded deferred tax assets in the amount of 65,262 t.euros, essentially related with:
(i) temporary differences (33,702 t.euros);
(ii) tax losses carried forward (31,560 t.euros), essentially originated in 2015 and 2016, which may be used until 2029 and 2030, respectively, and the use cannot exceed 65% of taxable income in each of those years.

In accordance with IAS 12 - Income Taxes, deferred tax assets can only be recorded up to the extent that it is probable that future taxable profit will be available in the estimated dates for their reversal.

The Bank prepared a forecast of its future taxable profit to assess the recoverability of deferred tax assets. This estimate is judgmental by nature and depends on the assumptions made by management to estimate the evolution of profits before taxes and its interpretation of the tax legislation, including what concerns deferred tax assets in the scope of the Special Regime applicable to deferred tax assets and the tax deductibility of certain costs.

To this extent, the recoverability of deferred tax assets is dependent on the Bank’s ability to generate the estimated results, and the confirmation of its interpretation of the tax legislation.

Any deviations from the estimation of future results or changes in the tax legislation or its interpretation may have a material impact on the recoverability of deferred tax assets.

Given the materiality of deferred tax assets in the individual financial statements and the use of judgements by management in the preparation of the estimates to determine their recoverability, this area was considered a key audit matter.</td><td>We analysed the relevant internal control procedures implemented by the Bank in the process of assessing the recoverability of deferred tax assets.

We reviewed the methodology and the main assumptions considered by the Bank to estimate the evolution of pre-tax profits and the taxable income in the period covered by its recoverability analysis.

We reviewed the interpretation of the relevant tax legislation considered by the Bank in the estimation of future taxable profits, including those in the scope of the Special Regime Applicable to Deferred Tax Assets and the acceptance, for taxes purposes, of certain costs.

We reviewed the calculations prepared by the Bank to demonstrate the recoverability of deferred tax assets, taking into account the understanding of the assumptions and the review of the interpretation of the tax legislation described above.

We reviewed the disclosures related to this matter, considering the applicable accounting framework.</td></tr>
</table>

Description of the most significant risks of material misstatement identified	Summary of the auditor's responses to the assessed risks of material misstatement
Resolution Fund (Note 35)	
As described in further detail in note 35 to the financial statements, following the resolution measures applied to Banco Espírito Santo, S.A. (BES) and Banif – Banco Internacional do Funchal, S.A. (Banif), as of 31 December 2022 the Resolution Fund owned 23.44% of the share capital of Novo Banco, S.A. and the total share capital of Oitante, S.A.. In this context, it obtained loans from the Portuguese State and from a banking syndicate (in which the Bank does not participate) and assumed other responsibilities and contingent liabilities, including those related to the litigation associated with these processes, as well as to a contingent capital mechanism defined in the sale in 2017 of 75% of the share capital of Novo Banco, S.A. to Lone Star. In October 2017 the Portuguese State and the Resolution Fund entered into a framework agreement with the purpose of making available financial means to the Resolution Fund to fulfil the contractual obligations within the scope of the sale of 75% of Novo Banco to Loan Star mentioned above. This framework agreement also refers the intention to keep the stability of the contribution efforts over the banking sector. In order to reimburse these loans and to meet other responsibilities already assumed or that may have to be assumed, the Resolution Fund has essentially the revenue from the periodic contributions from participating institutions (including the Bank) and the contribution over the banking sector. It is also established the possibility of the member of the Portuguese Government responsible for the finance area to determine, by ministerial order, that the participating institutions make special contributions in the situations established for it in the applicable legislation, particularly in the event that the Resolution Fund does not have enough own resources for the fulfilment of its obligations. According to the latest Report and Accounts available from the Resolution Fund, the Resolution Fund's own resources as of 31 December 2021 were negative. The annual contributions to the Resolution Fund and the contribution over the banking sector are recognised as losses on an annual basis, as set out in IFRIC 21 – Levies.	We analysed the public communications on this matter released by the Resolution Fund until the date of our report. We analysed the public communications of the Resolution Fund and of the Office of the Finance Ministry of 28 September 2016 and the public communication of the Resolution Fund of 21 March 2017, relating to the new conditions of the loans from the Portuguese State and the syndicated loan to the Resolution Fund and the corresponding impact on its sustainability and financial balance. We analysed the public announcement and content of the resolution of the Council of Ministers on 2 October 2017, which authorised the formalisation by the Portuguese State, as ultimate grantor of financial stability, of a framework agreement with the Resolution Fund, intended to made available the financial resources to the Resolution Fund to satisfy contractual obligations in connection with the sale of 75% of Novo Banco's share capital to Lone Star. We analysed the framework agreement established between the Portuguese State and the Resolution Fund. We read the last Report and Accounts of the Resolution Fund that refers to the year 2021. We reviewed the accounting framework of the contributions to the Resolution Fund. We reviewed the disclosures included in the financial statements related to this matter.

Description of the most significant risks of material misstatement identified	Summary of the auditor's responses to the assessed risks of material misstatement
Resolution Fund (Note 35)	
The financial statements as of 31 December 2022 reflect management's expectation that no special contributions or any other extraordinary contributions will be required from the Bank in order to finance the resolution measures applied to BES and Banif or any other liability or contingent liability assumed by the Resolution Fund, considering: - The conditions established in the scope of the renegotiation, announced in March 2017, of the loans obtained by the Resolution Fund to finance the referred resolution measures, including the extension of the maturity date to 31 December 2046 and the possibility to adjust that date, with the purpose of guaranteeing the capacity of the Resolution Fund to fully meet its obligations based on regular revenues and without the need to resort to special contributions or any other type of extraordinary contributions from the banking sector; and - The public communications issued by the Resolution Fund and by the Office of the Portuguese Minister of Finance, which refer as an objective ensuring that such contributions will not be necessary. Given the responsibilities of the Resolution Fund and the judgements of management as described above, this area was considered a key audit matter.	

Other matters

The accompanying individual financial statements refer to the activity of the Bank at the individual level and have been prepared for approval and publication in accordance with the legislation in force. As indicated in Note 2.18, financial investments in subsidiaries and associates are recorded at acquisition cost less impairment losses. The accompanying individual financial statements do not include the effect of full consolidation, nor the application of the equity method, which will be done in consolidated financial statements to be approved and published separately.

Responsibilities of management and supervisory body for the individual financial statements

Management is responsible for:

- the preparation of individual financial statements that give a true and fair view of the Bank's financial position, financial performance and cash flows in accordance with the International Financial Reporting Standards as endorsed by the European Union (IFRS);

- the preparation of the management report, including the corporate governance report and the non-financial demonstration, in accordance with applicable laws and regulations;

- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

- the adoption of accounting policies and principles appropriate in the circumstances; and

- assessing the Bank's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Bank's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the individual financial statements

Our responsibility is to obtain reasonable assurance about whether the individual financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these individual financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the individual financial statements, including the disclosures, and whether the individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiency in internal control that we identify during our audit;

- determine, from the matters communicated to those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the individual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter;

- provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, which measures were taken to eliminate or reduce such threats or which safeguards were applied.

Our responsibility also includes the verification that the information contained in the Management report is consistent with the individual financial statements and the verification of the requirements as provided in numbers 4 and 5 of article 451 of the Portuguese Companies Code relating to the corporate governance report, as well as the verification that a non-financial demonstration was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the European Single Electronic Format (ESEF)

The individual financial statements of Haitong Bank, S.A. for the year ended 31 December 2022 must comply with the applicable requirements set out in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (“ESEF Regulation”).

Management is responsible for the preparation and disclosure of the annual report in accordance with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance about whether the individual financial statements, included in the annual report, are presented in accordance with the requirements set out in the ESEF Regulation.

Our procedures were performed according to the Technical Application Guide of Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors) on reporting in the ESEF and included obtaining an understanding of the financial reporting process, including submitting the annual report in valid XHTML format.

In our opinion, the individual financial statements included in the annual report are presented, in all material respects, in accordance with the requirements set out in the ESEF Regulation.

On the Management report

Pursuant to article 451, number 3.e) of the Portuguese Companies' Code (“Código das Sociedades Comerciais”), it is our opinion that the Management report was prepared in accordance with the applicable law and regulatory requirements and the information contained therein is consistent with the audited individual financial statements and, having regard to our knowledge of the Bank, we have not identified material misstatements. As established in article 451, number 7, of the Portuguese Companies’ Code, this opinion is not applicable to the non-financial demonstration included in the management report.

On the Corporate governance report

Pursuant to article 451, number 4, of the Portuguese Companies’ Code (“Código das Sociedades Comerciais”), we conclude that the corporate governance report includes the elements required to the Bank under the terms of article 29-H of the Portuguese Securities Code (“Código dos Valores Mobiliários”), and we have not identified any material misstatements on the information disclosed therein which, accordingly, complies with the requirements of items c), d), f), h), i) and l) of that article.

On the non-financial demonstration

We inform that the Bank included in its management report the non-financial demonstration established in article 508 G of the Portuguese Companies’ Code (“Código das Sociedades Comerciais”).

On the additional matters provided in article 10 of Regulation (UE) 537/2014

Pursuant to article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of April 16th, 2014, in addition to the key audit matters mentioned above, we also report on the following:

- We were appointed statutory auditors of the Bank in the shareholders' general meeting held on 16 November 2016, to conclude the ongoing mandate until the end of 2016. We were reappointed auditors of the Bank in the shareholder's general meeting held on 17 July 2020 for a mandate from 2020 to 2022.

- Management has confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the individual financial statements. In planning and executing our audit in accordance with ISAs, we maintained professional skepticism and we designed audit procedures to respond to the risk of material misstatements in the individual financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the individual financial statements due to fraud.

- We confirm that the audit opinion issued is consistent with the additional report that we prepared and delivered to the Bank's supervisory body as of this date.

- We declare that we have not provided any prohibited services as described in former article 77, number 8, of the Ordem dos Revisores Oficiais de Contas statutes (Legal Regime of the Portuguese Statutory Auditors) and the article 5. Number 1, of the Regulation (EU) 537/2014, and we have remained independent from the Bank in conducting the audit.

Lisbon, 10 March 2023

Deloitte & Associados, SROC S.A.
Represented by Luís Eduardo Marques dos Santos, ROC
OROC Registration n.º 1684
CMVM Registration n.º 20161294

EXPLANATION ADDED FOR TRANSLATION

(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC S.A. internal procedures, the report is not to be signed. In the event of discrepancies, the Portuguese language version prevails.)

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