



## HAITONG BANK, MACAU BRANCH

Disclosure of Financial Information – 31 December 2023

(Circular No. 004/B/2024-DSB/AMCM)



## Table of Contents

1	DISCLOSURE OF INFORMATION .....	5
2	BRIEF MANAGEMENT REPORT .....	6
3	STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023.....	7
4	MACAU BRANCH STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED AT 31 DECEMBER 2023 .....	8
5	STATEMENT OF CHANGES IN HEAD OFFICE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2023 .....	9
6	MACAU BRANCH STATEMENT OF CASH FLOW FOR THE YEAR ENDED AT 31 DECEMBER 2023 .....	10
7	MAIN ACCOUNTING POLICIES OF THE MACAU BRANCH.....	11
7.1	BASIS OF PREPARATION.....	11
7.2	SIGNIFICANT ACCOUNTING POLICIES .....	11
7.2.1	Financial assets .....	11
7.2.2	Impairment of financial assets .....	12
7.2.3	Income and expense .....	14
7.2.4	Cash and cash equivalents.....	15
7.2.5	Foreign currency transactions.....	15
7.2.6	Income tax .....	16
7.2.7	Property and equipment .....	16
7.2.8	Intangible assets.....	17
7.2.9	Impairment of non-financial assets .....	17
7.2.10	Operating leases.....	17
7.2.11	Employee benefits .....	17
7.2.12	Provisions and contingent liabilities .....	18
7.2.13	Related Parties .....	18
8	INDEPENDENT AUDITOR'S REPORT .....	19
9	LIST OF SHAREHOLDERS OF HAITONG BANK WITH QUALIFYING HOLDINGS .....	20
10	MEMBERS OF COMPANY BOARDS OF HAITONG BANK .....	20
11	MEMBERS OF THE MANAGEMENT OF MACAU BRANCH.....	22
12	HAITONG BANK CONSOLIDATED STATEMENT FOR THE FINANCIAL POSITION AS AT 31 DECEMBER 2023 AND 31 DECEMBER 2022.....	22
13	CONSOLIDATED CAPITAL ADEQUACY RATIO OF HAITONG BANK .....	23
14	RELATED PARTY TRANSACTIONS .....	23
15	OFF BALANCE SHEET EXPOSURES OTHER THAN DERIVATIVES.....	24

16 DERIVATIVES TRANSACTIONS .....24

17 CREDIT RISK.....25

18 MARKET RISK / FOREIGN EXCHANGE RISK.....28

19 INTEREST RATE RISK.....29

20 OPERATIONAL RISK.....31

21 LIQUIDITY RISK.....32

22 COMPARATIVES .....35

## 1 DISCLOSURE OF INFORMATION

This information is disclosed under Circular No. 004/B/2024-DSB/AMCM and together with the 2023 financial statements of Haitong Bank, Macau Branch (“Macau Branch”) fulfil the disclosure obligations outlined in the aforementioned Circular.

The information concerning the financial statements of the Macau Branch set out on pages 7 to 10, which comprise the statement of the Branch’s financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, statement of changes in head office account, and the statement of cash flow, as well as the summary of significant accounting policies extracted from the Macau Branch audited financial statements for the year ended at 31 December 2023.

The disclosed information relates to the Macau Branch and to its head office Haitong Bank, S.A.. For the sake of clarity, the information related to the Macau Branch is labelled as “Macau Branch” and the information concerning the head office on a consolidated or integrated basis is presented as “Haitong Bank” or “Haitong Bank Group”.

## 2 BRIEF MANAGEMENT REPORT

The year 2023 has been a period of significant growth and strategic advancement for Haitong Bank, Macau Branch (the “Macau Branch” or “Branch”). Despite challenges posed by global economic uncertainties and evolving market dynamics, we have successfully navigated through the year, achieving key milestones and consolidating our business model in alignment with our business plan.

The Macau Branch has increased its performance in the Debt Capital Markets (DCM), represented by an increased participation in international bond issuances. In this regard, it is worth mentioning the support to the development of the Macau bond market by serving as Joint Lead Manager for twenty one deals listed on the ChongWa (Macao) Financial Asset Exchange (MOX). Furthermore, the involvement in the issuance of sustainable labelled bonds highlights the commitment to cope with new standards and expectations towards the integration of ESG considerations into business operations.

The Fixed Income department has provided pricing and market-making services for all the bonds issued in the Macau Central Securities Depository and Clearing Limited (MCSD), establishing itself as the first market-maker and it was with great honour that our Branch was recognized by MCSD with the “Secondary Market Contribution Award”.

In regards to Merger & Acquisitions (M&A), our Branch, in cooperation with Haitong Securities and the rest of Haitong Group, has secured new mandates in relevant sectors such as fine chemicals, renewable energy covering major investment destinations in Europe and Latin America.

The Macau Branch has also provided support to other Group entities in their financing endeavours across Asian markets, thereby demonstrating its strategic significance in the overarching strategy of Haitong Bank.

The financial results as of the 2023 year end reflect the solidity, the effectiveness and performance of our local teams and the support provided by Haitong Group. By year-end 2023, the Macau Branch's total assets amounted to MOP194,463,384, and total liabilities amounted to MOP17,378,875. In 2023, the Macau Branch achieved a net profit, after-tax, of MOP69,637,146.

Looking forward to 2024, the Branch is poised to further consolidate its growth trajectory, expand its local business operations, unveil new products and services, and continuously improve its operation and reinforce control functions.

These results would not have been possible without the continuous effort of our team, the trust of our clients, the strength of Haitong brand and the ongoing cooperation and availability of the local regulatory agencies and authorities. To all of them, we extend our most sincere gratitude.

### 3 STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

(MOP)

	2023	2022 (Reclassified)
<b>Assets</b>		
Cash and balances with banks	181 579 716	97 778 026
Deposits with AMCM	736 613	90 066
Other tangible assets	10 802 361	13 349 243
Intangible assets	139 870	99 756
Other assets	1 204 824	5 378 070
<b>Total Assets</b>	<b>194 463 384</b>	<b>116 695 161</b>
<b>Liabilities</b>		
Other liabilities	(7 963 071)	(5 542 908)
Current income tax liabilities	(9 415 804)	(3 704 890)
<b>Total Liabilities</b>	<b>(17 378 875)</b>	<b>(9 247 798)</b>
<b>Head Office Account</b>		
Establishment fund	(50 000 000)	(50 000 000)
Retained earnings and other reserves *	(107 634 255)	(37 997 109)
Head Office Account	(19 450 254)	(19 450 254)
<b>Total Head Office Account</b>	<b>(177 084 509)</b>	<b>(107 447 363)</b>
<b>Total Liabilities and Head Office Account</b>	<b>(194 463 384)</b>	<b>(116 695 161)</b>
 * Included the regulatory reserve required by Monetary Authority of Macau ("AMCM"):		
- General	-	-
- Specific	-	-
<b>Total regulatory reserve</b>	<b>-</b>	<b>-</b>

#### 4 MACAU BRANCH STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED AT 31 DECEMBER 2023

	(MOP)	
	2023	2022
Interest income	3 456 590	494 121
Fee and commission income	150 371 333	60 027 377
Fee and commission expense	(43 702 466)	(150)
Net fee and commission income	106 668 867	60 027 227
Gain/ (loss) from foreign exchange differences	1 053 631	(1 291 071)
<b>Total operating income</b>	<b>111 179 088</b>	<b>59 230 277</b>
Staff costs	(20 392 801)	(15 563 006)
General and administrative expenses	(9 766 222)	(8 668 545)
Depreciation and amortisation	(2 739 985)	(2 752 370)
<b>Operating profit before impairment allowance</b>	<b>78 280 080</b>	<b>32 246 356</b>
Net reversal/(charge) of impairment allowance on financial assets	771 222	(772 274)
<b>Profit before Income Tax</b>	<b>79 051 302</b>	<b>31 474 082</b>
Income tax	(9 414 156)	(3 704 890)
<b>Profit for the year and total other comprehensive income</b>	<b>69 637 146</b>	<b>27 769 192</b>



## 5 STATEMENT OF CHANGES IN HEAD OFFICE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2023

(MOP)

	Establishment	Retained earnings and other reserves			Head Office	Total
	fund	Retained earnings	General regulatory reserve	Specific regulatory reserve	Account	
<b>At 1 January 2022</b>	<b>50 000 000</b>	<b>10 227 917</b>	-	-	<b>3 144 063</b>	<b>63 371 980</b>
Profit for the year	-	27 769 192	-	-	-	27 769 192
Changes in Head Office account	-	-	-	-	16 306 191	16 306 191
<b>At 31 December 2022</b>	<b>50 000 000</b>	<b>37 997 109</b>	-	-	<b>19 450 254</b>	<b>107 447 363</b>
Profit for the year	-	69 637 146	-	-	-	69 637 146
<b>At 31 December 2023</b>	<b>50 000 000</b>	<b>107 634 255</b>	-	-	<b>19 450 254</b>	<b>177 084 509</b>

## 6 MACAU BRANCH STATEMENT OF CASH FLOW FOR THE YEAR ENDED AT 31 DECEMBER 2023

(MOP)

	2023	2022
Cash flow from operating activities		
Profit before tax	79 051 302	31 474 082
<u>Adjustments</u>		
Depreciation and amortisation	2 739 985	2 752 370
Interest income	(3 456 590)	(494 121)
Net reversal/(charge) of impairment allowance on financial assets	(771 222)	772 274
Exchange difference	(1 295 857)	-
	<u>76 267 618</u>	<u>34 504 605</u>
Increase in balances with banks with original maturity beyond three months	-	(50 000 000)
Increase in minimum statutory deposit with AMCM	(298 594)	(13 168)
<u>Decrease in operating assets:</u>		
Other assets	4 944 778	3 316 270
<u>Increase in operating liabilities:</u>		
Other liabilities	2 420 163	3 087 508
Cash flow generated from/ (used in) operations	<u>83 333 965</u>	<u>(9 104 785)</u>
Interest received	2 706 095	19 080
Income tax paid	(3 703 242)	(1 312 898)
Net cash flow generated from/ (used in) operating activities	<u>82 336 818</u>	<u>(10 398 603)</u>
Cash flow from investing activities		
Acquisition of property and equipment	(108 613)	(16 051 735)
Acquisition of intangible assets	(124 604)	(149 634)
Net cash flow used in investing activities	<u>(233 217)</u>	<u>(16 201 369)</u>
Cash flow from financing activities		
Advances received from Head Office	-	16 306 191
Net cash flow from financing activities	<u>-</u>	<u>16 306 191</u>
Net increase/ (decrease) in cash and cash equivalents	82 103 601	(10 293 781)
Exchange differences in respect of cash and cash equivalents	1 295 857	-
Cash and cash equivalents at beginning of year	47 379 883	57 673 664
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>130 779 341</u>	<u>47 379 883</u>

The 2022 comparative figures have been restated to conform to current year's presentation.

## 7 MAIN ACCOUNTING POLICIES OF THE MACAU BRANCH

### 7.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Financial Reporting Standards issued by the Government of Macao Special Administrative Region under Administrative Regulation No. 44/2020 on 27 March 2020 (“MFRS”).

The Branch is part of Head Office and it is registered as a branch under the Financial System Act under the Supervision of the AMCM, accordingly, it is not a separate legal entity. These financial statements have been prepared from the books and records of the Branch, which contain evidence of all transactions entered into locally.

The measurement basis used in the preparation of the financial statements is historical cost.

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

### 7.2 SIGNIFICANT ACCOUNTING POLICIES

#### 7.2.1 Financial assets

##### Classification and subsequent measurement of financial assets

Financial assets are measured initially at fair value. All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Branch commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

##### Financial assets at amortised cost

Financial assets that are held within a business model whose objective is to collect contractual cash flows, and that have contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at amortised cost.

After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the

credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired. The effective interest rate amortisation is included in interest income in the profit or loss.

### 7.2.2 Impairment of financial assets

#### Measurement of Expected Credit Loss ("ECL")

The Branch recognises impairment allowances for the ECL model on the following financial instruments:

- ⌘ Bank balances and balances with the Monetary Authority of Macau;
- ⌘ Account receivables.

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

#### Exposure at Default x Probability of Default x Loss Given Default

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

STAGE	DESCRIPTION	IMPAIRMENT LOSS
1	Credit risk on the financial instrument has not increased significantly since initial recognition	12-month ECL
2	Credit risk on the financial instrument has increased significantly since initial recognition	Lifetime ECL
3	Financial instrument that is considered as credit-impaired	Lifetime ECL

12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Life-time ECL is the ECL that results from all possible default events over the expected life of the financial instrument.

The Branch recognises a loss allowance equal to 12-month ECL unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECL.

A discount factor considering the adjusted maturity and effective interest rate is used to account for the time value of money in the ECL model.

#### Significant increase in credit risk ("SICR")

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Branch compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. The Branch considers the following criteria in its credit deterioration assessment processes, which differentiate an account between stage 1 and stage 2:

- ⊕ Notch difference analysis of internal or external rating change
- ⊕ Number of days past due

Financial instruments with default criteria (stage 3 criteria) will be classified as stage 3, which includes the following:

- ⊕ Default ratings observed in external ratings
- ⊕ Number of days past due

The Branch considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and ratings.

ECL is re-measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Branch recognises an impairment loss or reversal for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

#### Presentation of allowance for ECL in the Branch's statement of financial position

Loss allowances for ECL are presented in the statement of financial position as a deduction from the gross carrying amount.

#### Write-off

Financial assets are written off with related impairment allowances (either partially or in full) when there is no realistic prospect of recovery. This is the case when the Branch determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Financial assets written off may still be subject to enforcement activities under the Branch's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

#### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- ⊕ the rights to receive cash flows from the asset have expired; or
- ⊕ the Branch has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Branch has substantially transferred all the risks and rewards of the asset, or (b) the Branch has neither substantially transferred nor retained all the risks and rewards of the asset, but has transferred control of the asset.

All the following three conditions are required to meet for "pass-through" arrangement: (a) the Branch has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset; (b) the Branch is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; (c) the Branch has an obligation to remit any cash flows it collects on behalf of the eventual recipients without

material delay.

When the Branch has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither substantially transferred nor retained all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Branch's continuing involvement in the asset. In that case, the Branch also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Branch has retained.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

### 7.2.3 Income and expense

#### Interest income and expenses

Interest income and expense for all interest-bearing financial instruments are recognised in the profit or loss on an accrual basis using the effective interest method. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

#### Fee and commission income and expenses

The Branch adopts a five-step process for recognising revenue from contracts with customers:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when, or as, the entity satisfies a performance obligation

The Branch recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a service that is distinct or a series of distinct services that are substantially the same. Fee and commission income from agency services and advisory services recognised at a point in time under transaction-based arrangements when service has been fully provided to the customer. Agency services relates to services such as assisting meetings and identifying investors for the customers, while advisory services relates to services such as providing consulting services and conducting market research.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- ⌚ the customer simultaneously receives and consumes the benefits provided by the Branch's performance as the Branch performs;
- ⌚ the Branch's performance creates or enhances an asset that the customer controls as the Branch performs; or
- ⌚ the Branch's performance does not create an asset with an alternative use to the Branch and the Branch has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Fee and commission expenses are charged to profit or loss during the reporting period in which they are incurred.

#### 7.2.4 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents encompass the amounts accounted for in the statement of financial position whose maturity is less than three months from the date of acquisition, which includes balances with banks and AMCM excluding the minimum statutory deposit.

#### 7.2.5 Foreign currency transactions

##### Functional and presentation currency

In view of the Branch's development and business operations in Macau, the Branch management assessed the functional currency of the Branch and determined that Macau Patacas ("MOP") reflects the economic substance of the Branch and its business activities as a Branch in Macau providing banking and related financial services. Accordingly, the functional currency of the Branch is Macau Patacas. The financial statements are presented in MOP. MOP is the Branch's presentation currency and functional currency.

##### Transactions and balances

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the statement of financial position date. Foreign exchange gains and losses are recognised in the statement of profit or loss and other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

### 7.2.6 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Branch's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is recognised on the differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available, and against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Branch expects, at the statement of financial position date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Branch intends to settle its current tax assets and liabilities on a net basis.

### 7.2.7 Property and equipment

Property and equipment are stated at acquisition cost net of the accumulated depreciation and impairment losses, if any. Subsequent costs are recognised as a separate asset only when it is probable that future economic benefits will flow to the Branch.



Depreciation is calculated to write off the cost of property and equipment using a straight-line method over their estimated useful lives as follows:

	NUMBER OF YEARS
Improvements to leasehold buildings	10
Equipment	4 to 10

The useful life of an asset and its residual value, if any, are reviewed annually.

### 7.2.8 Intangible assets

#### Software

The Branch records the costs associated with software acquired from external entities as intangible assets. These assets are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated on straight-line basis over an estimated useful life of three years. The Branch does not capitalise internal costs arising from software development.

### 7.2.9 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the non-financial asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, non-financial assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

### 7.2.10 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are expensed in the income statement on a straight-line basis over the period of the lease.

### 7.2.11 Employee benefits

Salaries and bonuses are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

### 7.2.12 Provisions and contingent liabilities

Provisions are recognised when (i) the Branch 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 realisation is remote.

### 7.2.13 Related Parties

For the purpose for these financial statements, related parties include:

**a)** Any person or any close family member of that person if that person:

- a. Has control or joint control over the Branch;
- b. Has significant influence over the Branch;
- c. Holds a qualifying holding in the Branch;
- d. Is a member of the Supervisory Board of the Branch or of a parent of the Branch; or
- e. Is a member of key management personnel, other than a member of the Supervisory Board as identified in sub-item (d) above, of the Branch or of a parent of the Branch.

**b)** An entity if any of the following conditions apply:

- a. That entity and the Branch are members of the same group (e.g. parent, subsidiary and fellow subsidiary);
- b. That entity holds a qualifying holding in the Branch;
- c. That entity is controlled or jointly controlled by a person identified in (a);
- d. A person identified in (a)(a) has significant influence over that entity or is a member of the key management personnel of that entity (or of a parent of that entity);
- e. A person identified in (a)(d) is a member of the key management personnel of that entity (or of a parent of that entity).

## 8 INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of Haitong Bank, Macau Branch set out on pages 3 to 29, which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in head office account and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

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

Li Ching Lap Bernard

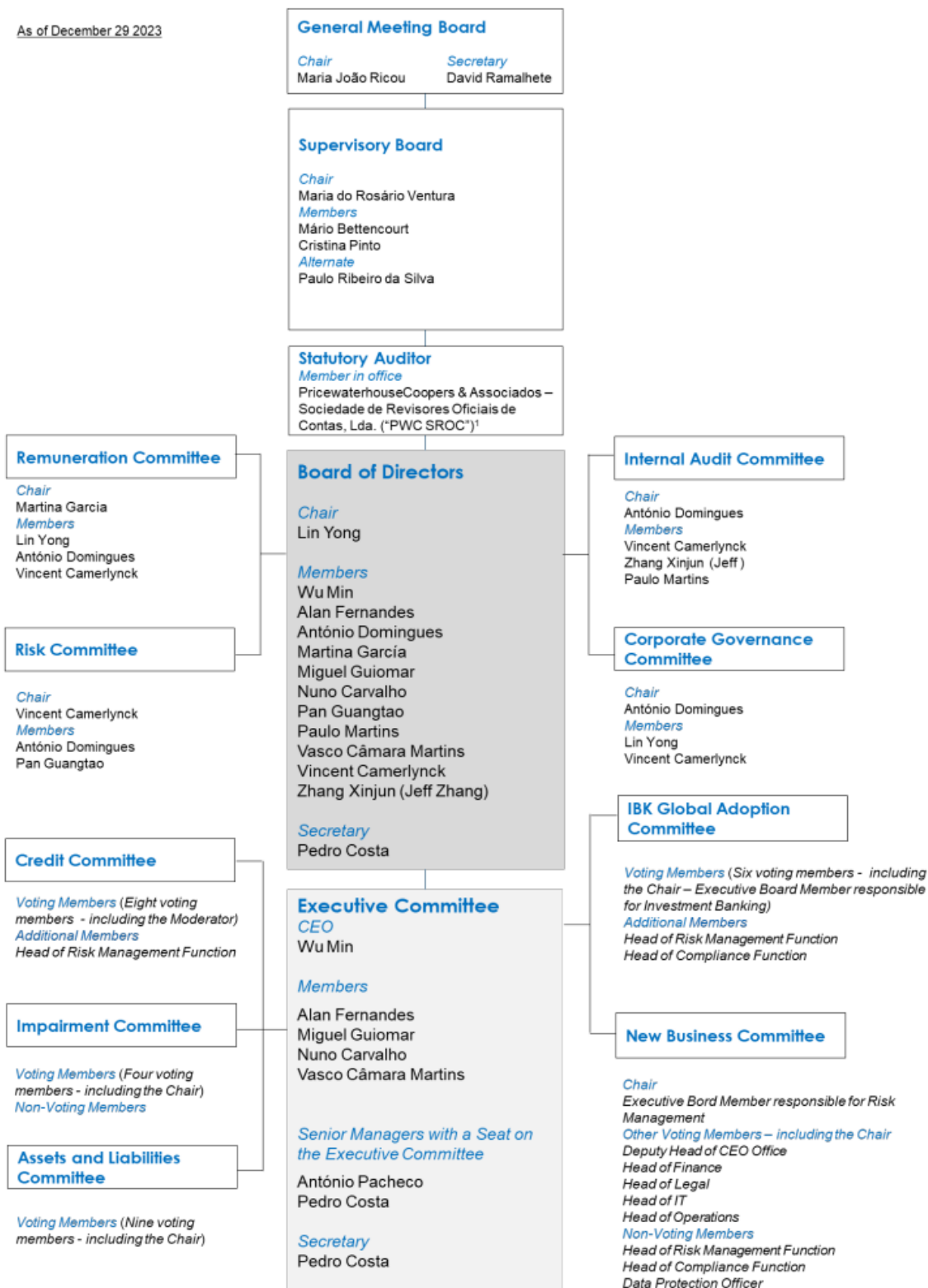
Certified Public Accountant

PricewaterhouseCoopers

## 9 LIST OF SHAREHOLDERS OF HAITONG BANK WITH QUALIFYING HOLDINGS

Haitong International Holdings Limited, a Hong-Kong based wholly-owned subsidiary of Haitong Securities Co., Ltd., holds 100% of the Bank's share capital with voting rights.

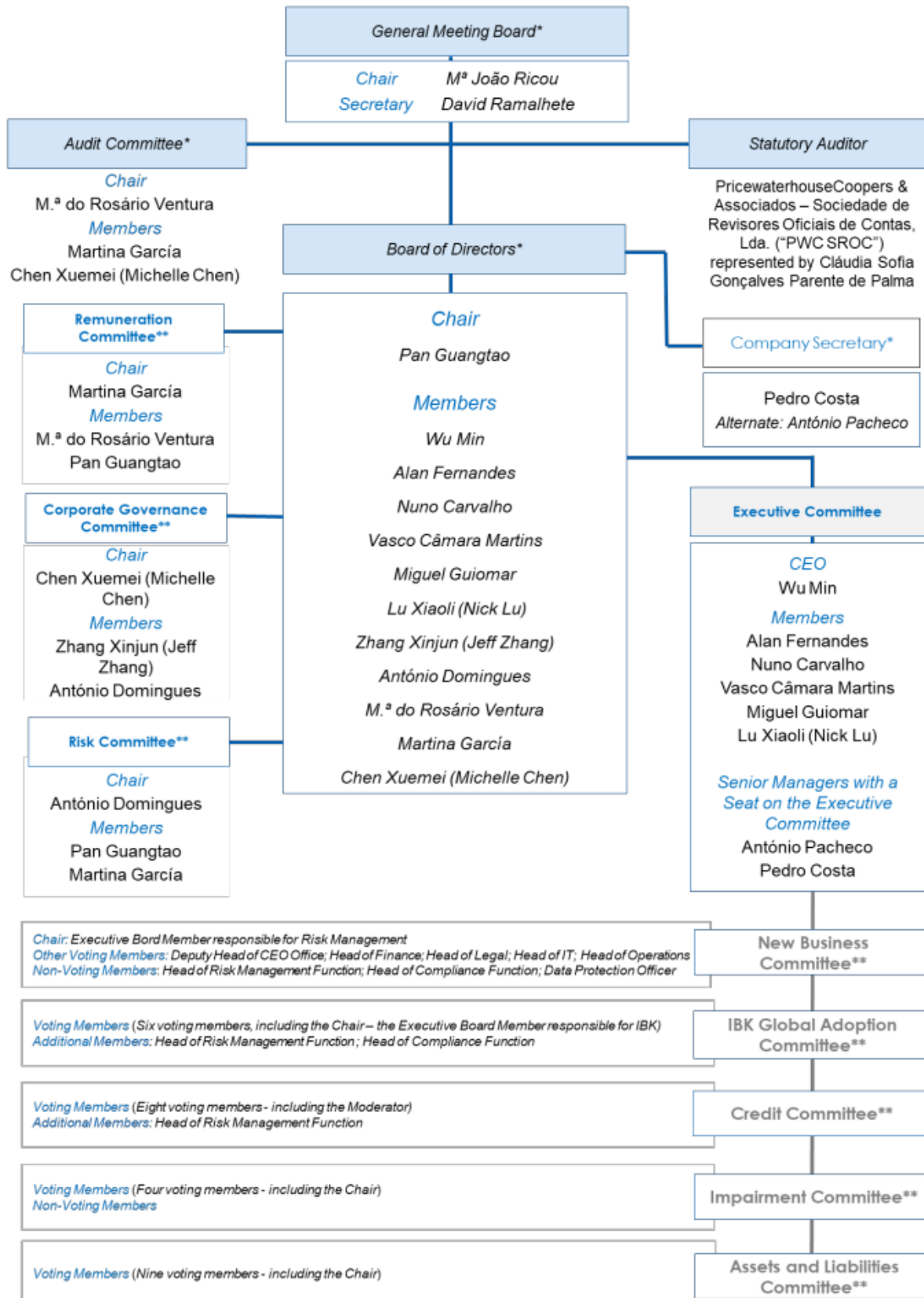
## 10 MEMBERS OF COMPANY BOARDS OF HAITONG BANK



<sup>1</sup> PWC SROC represented by Cláudia Sofia Parente Gonçalves da Palma

\*New Governance Structure approved on December 29, 2023 by the Bank's Shareholder.

\*\*The Committees at Board Level, the Executive Committee and its Committees were set on January 17, 2024 by the Board of Directors and by the Executive Committee.



## 11 MEMBERS OF THE MANAGEMENT OF MACAU BRANCH

### General Manager

Lu Xiaoli

### Branch Managers

Luís Valença Pinto

André Castanheira Pinto

## 12 HAITONG BANK CONSOLIDATED STATEMENT FOR THE FINANCIAL POSITION AS AT 31 DECEMBER 2023 AND 31 DECEMBER 2022

(thousand EUROS)

	31.12.2023	31.12.2022
<b>Assets</b>		
Cash and cash equivalents	17 164	25 828
Financial assets at fair value through profit or loss	893 703	811 079
Financial assets held for trading	880 215	794 541
Securities	848 480	745 603
Derivative financial assets	31 735	48 938
Non-trading financial assets mandatorily at fair value through profit or loss	13 488	16 538
Securities	13 464	16 518
Loans and advances to customers	24	20
Financial assets at fair value through other comprehensive income	226 584	295 493
Financial assets measured at amortised cost	2 090 669	1 983 622
Securities	818 722	721 519
Loans and advances to banks	583 288	490 318
Loans and advances to customers	688 659	771 785
Other tangible assets	11 883	14 678
Intangible assets	1 814	2 666
Tax assets	127 643	132 440
Current income tax assets	21 806	22 550
Deferred income tax assets	105 837	109 890
Other assets	129 182	150 314
<b>Total Assets</b>	<b>3 498 642</b>	<b>3 416 120</b>
<b>Liabilities</b>		
Financial liabilities held for trading	25 878	39 556
Securities	846	97
Derivative financial liabilities	25 032	39 459
Financial liabilities measured at amortised cost	2 726 784	2 643 228
Resources of credit institutions	916 921	1 354 051
Resources of customers	1 174 221	747 140
Debt securities issued	635 642	542 037
Provisions	9 867	19 111
Tax liabilities	14 451	13 270
Current income tax liabilities	8 657	7 476
Deferred income tax liabilities	5 794	5 794
Other liabilities	69 233	72 919
<b>Total Liabilities</b>	<b>2 846 213</b>	<b>2 788 084</b>
<b>Equity</b>		
Share capital	871 278	863 279
Share premium	8 796	8 796
Other equity instruments	105 042	105 042
Fair-value reserves	(4 876)	(10 605)
Other reserves and retained earnings	(367 854)	(370 665)
Net profit/(loss) for the period attributable shareholders of the parent company	17 262	11 107
<b>Total equity attributable to the shareholders of the parent company</b>	<b>629 648</b>	<b>606 954</b>
Non-controlling interests	22 781	21 082
<b>Total Equity</b>	<b>652 429</b>	<b>628 036</b>
<b>Total Equity and Liabilities</b>	<b>3 498 642</b>	<b>3 416 120</b>

### 13 CONSOLIDATED CAPITAL ADEQUACY RATIO OF HAITONG BANK

As of December 2023, Haitong Bank's capital ratios were calculated under CRR (Regulation EU no. 575/2013) and CRD V (Directive EU no 2013/36/EU). The capital ratios under the Standard Approach are shown in the following table.

	DECEMBER 2023		DECEMBER 2022	
	PHASED-IN	FULLY-LOADED	PHASED-IN	FULLY-LOADED
CET1 ratio	19.0%	19.0%	17.4%	17.3%
Tier 1 ratio	23.7%	23.7%	21.7%	21.7%
Total capital ratio	23.8%	23.8%	21.8%	21.8%

### 14 RELATED PARTY TRANSACTIONS

The Macau Branch follows Haitong Bank's Regulation of Transactions with Related Parties which lays down the internal procedures and limitations for approval of transactions between the Bank or companies in a parent-subsidiary or group relationship with the Bank and a related party.

These rules aim to ensure stringent control over compliance with the legal rules, including the arm's-length principle and prevention of conflicts of interest.

The Macau Branch discloses below the respective related parties' balances:

(MOP)

RELATED PARTIES		31 DECEMBER 2023				
	ASSETS		ESTABLISHMENT FUND	HEAD OFFICE ACCOUNT	PROFIT	LOSS
	CASH AND CASH EQUIVALENTS	TOTAL				
Head Office						
Haitong Bank, S.A.	110 549 680	110 549 680	50 000 000	19 450 254	1 963 200	-
Ultimate parent company						
Haitong Securities Co., Ltd.	-	-	-	-	78 328 200	-
Subsidiaries and associates of shareholders						
Haitong International Finance Holdings Limited	-	-	-	-	3 929 062	-
Haitong Innovation Securities Investment	-	-	-	-	8 723 400	
Haitong Investment Ireland plc.	-	-	-	-	-	43 666 600
TOTAL	110 549 680	110 549 680	50 000 000	19 450 254	92 943 862	43 666 600

(MOP)

RELATED PARTIES		31 DECEMBER 2022				
	ASSETS		ESTABLISHMENT FUND	HEAD OFFICE ACCOUNT	PROFIT	LOSS
	CASH AND CASH EQUIVALENTS	TOTAL				
<b>Head Office</b>						
Haitong Bank, S.A.	44 563 775	44 563 775	50 000 000	19 450 254	1 412	-
<b>Total</b>	<b>44 563 775</b>	<b>44 563 775</b>	<b>50 000 000</b>	<b>19 450 254</b>	<b>1 412</b>	<b>-</b>

## 15 OFF BALANCE SHEET EXPOSURES OTHER THAN DERIVATIVES

The Macau Branch has no off-balance sheet exposures.

(MOP)

OFF-BALANCE SHEET EXPOSURES	31 DECEMBER 2023	31 DECEMBER 2022
Credit substitutes	-	-
Transaction-related contingencies;	-	-
Acceptances and other trade-related contingencies;	-	-
Note issuance facilities, revolving underwriting facilities and other similar facilities;	-	-
Forward asset purchases;	-	-
Unpaid portion of partly paid shares and other securities;	-	-
Forward deposits;	-	-
Asset sales with repurchase option;	-	-
Undrawn credit facilities and other commitments to extend credit;	-	-
Other off-balances-sheet items.	-	-

## 16 DERIVATIVES TRANSACTIONS

The Macau Branch has no derivative balances.

(MOP)

DERIVATIVES TRANSACTIONS	31 DECEMBER 2023	31 DECEMBER 2022
Exchange rate contracts	-	-
Interest rate contract	-	-
Equities contracts	-	-
Commodities contracts	-	-
Others	-	-

(MOP)

CREDIT RISK WEIGHTED AMOUNTS OF DERIVATIVES	31 DECEMBER 2023	31 DECEMBER 2022
Exchange rate contracts	-	-



## 17 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 Macau Branch does not engage in credit taking business activities, the exposure to this risk category is minimal.

Past Due and Credit-impaired exposures at Haitong Bank are defined as follows.

Past Due exposures are those where clients have failed to make payments of principal, interest or fees for more than 30 days in accordance with the contractual terms of their facilities but do not meet the credit impaired criteria described below.

Credit-impaired exposure includes all exposures classified as non-performing exposures (“NPE”) in accordance with the European Banking Authority’s requirements on the application of the definition of default under Article 178 of Regulation (EU) no. 575/2013, which includes the days past due criteria (over 90-days) and whenever a debtor is assessed as unlikely to pay its debt obligations in full, without realisation of collateral, and regardless of the existence of any past due amount or the number of days past due.

The table below reflects the credit risk geographic distribution of exposures of the Macau Branch as at 31 December 2023 and 31 December 2022:

(MOP)

GEOGRAPHIC DISTRIBUTION OF EXPOSURES		OF WHICH				31 DECEMBER 2023
Countries and Regions	Loan and advances to customers	Overdue loans	Impaired loans	Individually assessed impairment provision	Additional provision under AMCM rules	
-	-	-	-	-	-	-
-	-	-	-	-	-	-

(MOP)

GEOGRAPHIC DISTRIBUTION OF EXPOSURES		OF WHICH				31 DECEMBER 2022
Countries and Regions	Loan and advances to customers	Overdue loans	Impaired loans	Individually assessed impairment provision	Additional provision under AMCM rules	
-	-	-	-	-	-	-
-	-	-	-	-	-	-

The table below reflects the credit risk industry distribution of exposures of the Macau Branch as at 31 December 2023 and 31 December 2022:

(MOP)

INDUSTRY DISTRIBUTION OF EXPOSURES	31 DECEMBER 2023	31 DECEMBER 2022
Agriculture and fisheries	-	-
Mining industries	-	-
Manufacturing industries	-	-
Electricity, gas and water	-	-
Construction and public works	-	-
Wholesale and retail trade	-	-
Restaurants, hotels and similar	-	-
Transport, warehouse and communications	-	-
Non-monetary financial institutions	-	-
Gaming	-	-
Exhibition and conference	-	-
Education	-	-
Information technology	-	-
Other industries	-	-
Personal loans	-	-
<b>Total</b>	-	-

The table below reflects the credit risk ageing analysis of accounting past due exposures of the Macau Branch as at 31 December 2023 and 31 December 2022:

(MOP)

	31 DECEMBER 2023		31 DECEMBER 2022	
LOANS AND ADVANCES TO BANKS THAT HAVE BEEN PAST DUE FOR PERIODS OF:	% OF TOTAL LOANS	AMOUNT	% OF TOTAL LOANS	AMOUNT
more than 3 months but not more than 6 months	-	-	-	-
more than 6 months but not more than 1 year	-	-	-	-
more than 1 year	-	-	-	-
Total	-	-	-	-
Collateral	-	-	-	-
ECL	-	-	-	-

(MOP)

	31 DECEMBER 2023		31 DECEMBER 2022	
LOANS AND ADVANCES TO NON-BANK CUSTOMERS THAT HAVE BEEN PAST DUE FOR PERIODS OF:	% OF TOTAL LOANS	AMOUNT	% OF TOTAL LOANS	AMOUNT
more than 3 months but not more than 6 months	-	-	-	-
more than 6 months but not more than 1 year	-	-	-	-
more than 1 year	-	-	-	-
Total	-	-	-	-
Collateral	-	-	-	-
ECL	-	-	-	-

(MOP)

	31 DECEMBER 2023	31 DECEMBER 2022
OTHER ASSETS THAT HAVE BEEN PAST DUE FOR PERIODS OF:	AMOUNT	AMOUNT
<b>Account receivables</b>		
more than 3 months but not more than 6 months	15 500	1 517 821
more than 6 months but not more than 1 year	-	2 388 360
more than 1 year	-	-
<b>Total</b>	<b>15 500</b>	<b>3 906 181</b>

The table below reflects the credit quality analysis under regulatory asset classification of the Macau Branch as at 31 December 2023 and 31 December 2022:

(MOP)

CREDIT QUALITY ANALYSIS UNDER REGULATORY ASSET CLASSIFICATION							31 DECEMBER 2023
	Outstanding Balance	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Net amount	General Provision according to Notice no.012/2021-AMCM	Collateral
<b>Loans and advances to banks</b>							
Pass	-	-	-	-	-	-	-
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-
<b>Loans and advances to non-bank customers</b>							
Pass	-	-	-	-	-	-	-
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-
<b>Other assets</b>							
Pass	1 207 582	(2 758)	-	-	1 204 824	-	-
Special Mention	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>1 207 582</b>	<b>(2 758)</b>	<b>-</b>	<b>-</b>	<b>1 204 824</b>	<b>-</b>	<b>-</b>

(MOP)

CREDIT QUALITY ANALYSIS UNDER REGULATORY ASSET CLASSIFICATION								31 DECEMBER 2022
	Outstanding Balance	Stage 1 ECL	Stage 2 ECL	Stage 3 ECL	Net amount	General Provision according to Notice no.012/2021- AMCM	Collateral	
Loans and advances to banks								
Pass	-	-	-	-	-	-	-	
Special Mention	-	-	-	-	-	-	-	
Substandard	-	-	-	-	-	-	-	
Doubtful	-	-	-	-	-	-	-	
Loss	-	-	-	-	-	-	-	
Loans and advances to non-bank customers								
Pass	-	-	-	-	-	-	-	
Special Mention	-	-	-	-	-	-	-	
Substandard	-	-	-	-	-	-	-	
Doubtful	-	-	-	-	-	-	-	
Loss	-	-	-	-	-	-	-	
Other assets								
Pass	6 142 048	(763 978)	-	-	5 378 070	-	-	
Special Mention	-	-	-	-	-	-	-	
Substandard	-	-	-	-	-	-	-	
Doubtful	-	-	-	-	-	-	-	
Loss	-	-	-	-	-	-	-	
TOTAL	6 142 048	(763 978)	-	-	5 378 070	-	-	

## 18 MARKET RISK / FOREIGN EXCHANGE 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, the Macau Branch is mainly exposed to variations in foreign exchange.

The Macau Branch considers the potential changes to the market value of the trading book positions, by considering an historical simulation of the value at risk (VaR), based on a 10-day holding period and a 1-year historical observations, as well as a 99% confidence interval.

The Macau Branch has the following analysis of foreign currency as of 31 December 2023 and 31 December 2022:

(Equivalent in MOP)						
	31 DECEMBER 2023					
	MOP	EUR	USD	HKD	CNY	Others
<b>Assets</b>						
Cash and balances with banks	57 780 569	53 428 756	57 120 924	19 323	13 230 144	-
Deposits with AMCM	736 613					
Other tangible assets	10 802 361	-	-	-	-	-
Intangible assets	139 870	-	-	-	-	-
Other assets	464 527	-	207 728	333 036	192 372	7 161
<b>Liabilities</b>						
Other liabilities	(7 157 356)	-	-	(805 715)	-	-
Income tax liabilities	(9 415 804)	-	-	-	-	-
<b>TOTAL (net open positions long or short)</b>	<b>53 350 780</b>	<b>53 428 756</b>	<b>57 328 652</b>	<b>(453 356)</b>	<b>13 422 516</b>	<b>7 161</b>

(Equivalent in MOP)						
	31 DECEMBER 2022					
	MOP	EUR	USD	HKD	CNY	
<b>Assets</b>						
Cash and balances with banks	53 129 462	8 190 354	36 374 832	-	83 378	
Deposits with AMCM	90 066					
Other tangible assets	13 349 243	-	-	-	-	
Intangible assets	99 756	-	-	-	-	
Other assets	670 077	-	4 707 993	-	-	
<b>Liabilities</b>						
Other liabilities	(4 686 355)	-	-	(785 115)	(71 438)	
Income tax liabilities	(3 704 890)	-	-	-	-	
<b>TOTAL (net open positions long or short)</b>	<b>58 947 359</b>	<b>8 190 354</b>	<b>41 082 825</b>	<b>(785 115)</b>	<b>11 940</b>	

## 19 INTEREST RATE RISK

Haitong Bank aims to capture all material sources of interest rate risk in the banking book (IRRBB) 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.

There are three main sources of IRRBB: repricing risk (or gap risk), basis risk and optionality risk (automatic and behavioural).

- ⌘ **Repricing risk:** It arises from the term structure of banking book instruments, and describes the risk arising from the timing of instrument rate changes. Since rate resets on different instruments occur at different tenors, the risk to the Bank arises when the rate of interest paid on liabilities increases before the rate of interest received on assets. Unless hedged in terms of tenor and amount, the Bank may be exposed to a period of reduced or negative interest margins, or may experience changes in the relative economic values of assets and liabilities. The extent of gap risk depends also on whether changes to the term structure of interest rates occur consistently across the yield curve (parallel risk) or differentially by period (non-parallel risk).
- ⌘ **Basis risk:** It describes the impact of relative changes in interest rates for financial instruments that have similar tenors but are repriced using different interest rate indices (for instance an asset repriced off Euribor 3M funded by a liability repriced off Euribor 6M).
- ⌘ **Option risk:** It arises from option derivative positions or from the optional elements embedded in many bank assets, liabilities and off-balance sheet items, where the Bank or its customers can alter the level and timing of their cash flows.

### Main interest rate risk in the banking book metrics

The management, measurement and control of IRRBB risk and metrics is performed by Haitong Bank for each subsidiary, its branches (including the Macau Branch), and in full consolidation. The set of metrics used in the group is homogeneous to ensure consistent measurement. However, the range of specific metrics implemented in each subsidiary depends on the dimensions and risk factors identified as relevant by each subsidiary in its IRRBB self-assessment, based on the individual features and nature of its business, its balance sheet structure and the complexity of the markets in which it operates.

IRRBB metrics are calculated under various scenarios and provide a static and /or dynamic overview of the balance sheet exposures and net interest margin in response to adverse interest rate movements. The main metrics are as follows:

- ⌘ **Repricing gap:** It measures the difference between the volume of sensitive assets and liabilities, on and off the balance sheet, that re-price (i.e. that mature or are subject to rate revisions) at certain times.
- ⌘ **Economic value and its sensitivity:** Economic value of the equity (EVE) is the difference between the present value of assets and the present value of liabilities of the banking book, excluding own equity and other instruments that do not generate interest. The present value is calculated by discounting projected cash flows of assets and liabilities with the appropriate discount curve. EVE sensitivity is calculated as the difference between the EVE in a selected interest rates scenario and the EVE calculated in the baseline scenario. Therefore, EVE can have as many sensitivities as scenarios considered. This metric enables the identification of long-term risk, and so supplements net interest income.
- ⌘ **Net interest income and its sensitivity:** Net interest income is calculated as the difference between the interest income as percentage of assets and the interest cost of the liabilities of the banking book in a determined time horizon (the Bank's standard being one year). Its sensitivity reflects the impact of changes in interest rates on net interest income in the given time horizon. Net interest income sensitivity is calculated as the difference between the net interest income in a selected scenario and the net interest income in the baseline scenario. Therefore, the net interest income can have as many sensitivities as scenarios considered. This metric enables the identification of short-term risk, and supplements economic value of equity (EVE) sensitivity.

The measurement and reporting of the interest rate risk on internal value and earnings is monitored, at least, on a monthly basis, based on the European Banking Authority's (EBA) GL 2018/02 final report on guidelines on the management of interest rate risk arising from non-trading book activities, using the previous month's closing data.

### Methodologies

For the economic value, Haitong Bank uses a run-off balance sheet, where existing assets and liabilities are not replaced as they mature, whether for earnings metrics, Haitong 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.

Other assumptions used in both calculations are as follows:

- ⌘ All cash flows from all interest rate-sensitive assets, liabilities and off-balance sheet items in the banking book are included in the calculation, i.e., assets, liabilities and off-balance sheet items in the non-trading book, excluding assets deducted from CET1 capital, e.g. real estate or intangible assets or equity exposures in the non-trading book.
- ⌘ Repricing is said to occur at the earliest date at which either the Bank or its counterparty is entitled to unilaterally change the interest rate, or at which the rate on a floating rate instrument changes automatically in response to a change in an external benchmark.
- ⌘ Any interest payment or principal on fixed rate instruments that has not yet been repaid and any spread component of interest payments of floating rate instruments that has not yet been repaid and which do not reprice must be slotted until their contractual maturity, whether the principal has been repriced or not.
- ⌘ Floating rate instruments are assumed to reprice fully at the first reset date, hence, the entire principal amount is slotted into the bucket in which that date falls, with no additional slotting of notional repricing cash flows to later time buckets.
- ⌘ Instruments that are non-maturity instruments like current account and nostro or vostro accounts are projected to the fifth day after the reference date.
- ⌘ If a non-performing exposure (NPE) ratio is above the materiality threshold of 2%, NPEs should be included, as they are considered as interest rate sensitive instruments reflecting expected cash flows and their timing.
- ⌘ There are no drawdowns on fixed rate loans commitments.

Cash flows are discounted using a zero coupon risk-free curves for each currency. The curve should not include instrument-specific or entity-specific credit spread or liquidity spreads (e.g. Swaps curves).

## 20 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.

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 Haitong Bank Group management methodologies in place are supported by the principles issued by the Basel Committee, recognised as reflecting the best practices in this area.

The operational risk management model is supported by an exclusively dedicated structure within the Haitong Bank Group 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;
- ⌘ Calculation of capital requirements in accordance with the Standardised Approach; and
- ⌘ Reporting of operational risk events to permit their full and systematic categorisation and the monitoring of follow-up mitigation actions.

As at 31 December 2023, the Macau Branch has no record of operational risk events.

## 21 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.

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

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

To provide protection against unexpected fluctuations and based on a solid organisational and governance model, Haitong Bank 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 investor 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.



The table below reflects the liquidity risk maturity analysis on assets and liabilities of the Macau Branch as 31 December 2023 and 31 December 2022:

(MOP)

MATURITY ANALYSIS ON ASSETS AND LIABILITIES							31 DECEMBER 2023
Assets	On demand	Within 1 month	>1 Month < 3 months	>3 Months < 1 Year	>1 Year < 3 Years	> 3 years	Undated/ overdue
Loans and advances to customers;	-	-	-	-	-	-	-
Cash and balances with banks;	124 666 992	5 687 460	-	51 225 264	-	-	-
Deposits with AMCM;	736 613	-	-	-	-	-	-
Certificates of deposit held;	-	-	-	-	-	-	-
Securities issued by Macao SAR Government and/or AMCM;	-	-	-	-	-	-	-
Other securities;	-	-	-	-	-	-	-
Other tangible assets;	-	-	-	-	-	-	10 802 361
Intangible assets;	-	-	-	-	-	-	139 870
Other assets;	192 372	119 546	180 585	698 371	-	-	13 950
<b>Total assets</b>	<b>125 595 977</b>	<b>5 807 006</b>	<b>180 585</b>	<b>51 923 635</b>	<b>-</b>	<b>-</b>	<b>10 956 181</b>
	On demand	Within 1 month	>1 Month < 3 months	>3 Months < 1 Year	>1 Year < 3 Years	> 3 years	Undated/ overdue
Liabilities							
Deposits and balances of banks and financial institutions	-	-	-	-	-	-	-
Deposits from public sector entities	-	-	-	-	-	-	-
Deposits from holding and associated companies	-	-	-	-	-	-	-
Deposits from non-bank customers	-	-	-	-	-	-	-
Certificates of deposits issued	-	-	-	-	-	-	-
Other securities issued	-	-	-	-	-	-	-
Other liabilities	-	(1 728 604)	(606 688)	(391 400)	-	(5 236 379)	-
Income tax liabilities	-	-	-	(9 415 804)	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>(1 728 604)</b>	<b>(606 688)</b>	<b>(9 807 204)</b>	<b>-</b>	<b>(5 236 379)</b>	<b>-</b>
<b>Net liquidity gap</b>	<b>125 595 977</b>	<b>4 078 402</b>	<b>(426 103)</b>	<b>42 116 431</b>	<b>-</b>	<b>(5 236 379)</b>	<b>10 956 181</b>

(MOP)

MATURITY ANALYSIS ON ASSETS AND LIABILITIES							31 DECEMBER 2022
Assets	On demand	Within 1 month	>1 Month < 3 months	>3 Months < 1 Year	>1 Year < 3 Years	> 3 years	Undated/ overdue
Loans and advances to customers;	-	-	-	-	-	-	-
Cash and balances with banks;	47 302 985	-	-	50 475 041	-	-	-
Deposits with AMCM;	90 066	-	-	-	-	-	-
Certificates of deposit held;	-	-	-	-	-	-	-
Securities issued by Macao SAR Government and/or AMCM;	-	-	-	-	-	-	-
Other securities;	-	-	-	-	-	-	-
Other tangible assets;	-	-	-	-	-	-	13 349 243
Intangible assets;	-	-	-	-	-	-	99 756
Other assets;	-	1 495 512	-	725 249	-	-	3 157 309
<b>Total assets</b>	<b>47 393 051</b>	<b>1 495 512</b>	<b>-</b>	<b>51 200 290</b>	<b>-</b>	<b>-</b>	<b>16 606 308</b>
	On demand	Within 1 month	>1 Month < 3 months	>3 Months < 1 Year	>1 Year < 3 Years	> 3 years	Indefinite period
Liabilities							
Deposits and balances of banks and financial institutions	-	-	-	-	-	-	-
Deposits from public sector entities	-	-	-	-	-	-	-
Deposits from holding and associated companies	-	-	-	-	-	-	-
Deposits from non-bank customers	-	-	-	-	-	-	-
Certificates of deposits issued	-	-	-	-	-	-	-
Other securities issued	-	-	-	-	-	-	-
Other liabilities	(414 315)	(1 025 051)	(157 835)	(462 238)	-	(3 483 469)	-
Income tax liabilities	-	-	-	(3 704 890)	-	-	-
<b>Total liabilities</b>	<b>(414 315)</b>	<b>(1 025 051)</b>	<b>(157 835)</b>	<b>(4 167 128)</b>	<b>-</b>	<b>(3 483 469)</b>	<b>-</b>
<b>Net liquidity gap</b>	<b>46 978 736</b>	<b>470 461</b>	<b>(157 835)</b>	<b>47 033 162</b>	<b>-</b>	<b>(3 483 469)</b>	<b>16 606 308</b>

The table below reflects the liquidity risk indicators of the Macau Branch as at 31 December 2023 and 31 December 2022.

(MOP)

LIQUIDITY RISK INDICATORS		31 DECEMBER 2023
Arithmetic mean of the minimum weekly amount of cash in hand that is required to be held during the year		85 512
Arithmetic mean of the average weekly amount of cash in hand during the year		166 833
Arithmetic mean of the specified liquid assets at the end of each month during the year		73 318 300
Average ratio of specified liquid asset to total basic liabilities at the end of each month during the year		950%
Arithmetic mean of its one-month liquidity ratio in the last week of each month during the year		18 937%
Arithmetic mean of its three-month liquidity ratio in the last week of each month during the year		7 893%

(MOP)

LIQUIDITY RISK INDICATORS	31 DECEMBER 2022
Arithmetic mean of the minimum weekly amount of cash in hand that is required to be held during the year	11 450
Arithmetic mean of the average weekly amount of cash in hand during the year	90 667
Arithmetic mean of the specified liquid assets at the end of each month during the year	46 326 200
Average ratio of specified liquid asset to total basic liabilities at the end of each month during the year	4 906%
Arithmetic mean of its one-month liquidity ratio in the last week of each month during the year	14 187%
Arithmetic mean of its three-month liquidity ratio in the last week of each month during the year	8 719%

## 22 COMPARATIVES

The 2022 comparative figures have been reclassified to conform to current year's presentation.

(MOP)

IMPACT TO THE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022	Previously stated	Reclassification	Reclassified
Cash and balances with banks	97,387,228	390,798	97,778,026
Deposits with AMCM	-	90,066	90,066
Other assets	5,858,934	(480,864)	5,378,070