HAITONG

2020

Annual Report

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HAITONG BANK, S.A.
Edifício Quartzo – Rua Alexandre Herculano, 38 | 1269-180 Lisbon | PORTUGAL
Registered Share Capital: 844 769 000 euros
Corporate Registration and Tax Payer Number: 501 385 932

Management Report

Financial Report

Annexes

Chairman and CEO's Review

The world has faced its largest health crisis in a generation with shockwaves across the global economy and our societies.

Although the macroeconomic impacts of the pandemic will likely persist over the next few years, there is a general sense of optimism that medical science together with economic organisations, governments and regulators will help us navigate our way out of the current storm.

Haitong Bank's activities in 2020 reflected these challenging conditions, particularly in the first half of the year, where the initial lockdowns significantly impacted both our Asia-related business as well as our domestic operations in Europe and LatAm.

As we adapted to a new business and work environment, the Bank showed a record recovery in the second half of the year, more than doubling the Banking Income generated in the first half. This rebound was driven by the China-related business, together with other credit activities, and a recovery of capital markets.

Haitong Bank therefore emerges from 2020 in good shape, posting positive net income for the FY2020, maintaining a solid operating profit, improving asset quality and continuing to enjoy Capital and Liquidity levels well above the regulatory thresholds.

Total Banking Income for the year was EUR 82 million. This figure, although representing a 25% drop from 2019, shows a strong recovery from the EUR 24 million generated in the first half of 2020. As the Bank maintained a strict cost awareness, Operating Costs decreased by almost 20% to EUR 58 million, leading to a solid Operating Income of EUR 24 million. Haitong Bank has shown tremendous resilience during these times that contributed to the break-even goal, with a Net Profit in 2020 of EUR 1.6 million.

Although we have operated in extremely adverse circumstances, the strategy of maintaining a healthy Balance Sheet will allow the Bank to emerge from this crisis with its strong Capital and Liquidity levels intact. Also, since the Bank is not exposed to retail and commercial banking activities, it is relatively protected from moratoriums and other credit-related deterioration.

By the end of 2020, Haitong Bank had Total Assets of EUR 2.8 billion and Capital of EUR 598 million, corresponding to a CET1 ratio of 22.7% and Total Capital ratio of 28.5%. The NPL ratio continued to be one of the lowest in the industry at 1.9%, breaking its previous record of 3.6% in 2019.

The Bank has been addressing the current crisis from a strong position not only in terms of its Balance Sheet but also from a business model perspective with seamless integration at a Group level. This allows us to be optimistic about the future recovery.

As we approach a new normal, the Bank will continue to optimize its business drivers: Expanding the Balance Sheet taking into consideration both the asset side, in terms of new credit generation and investments, and the liability side by optimizing the funding mix.

As we set our targets for the future, we know that we will only be able to cover the road ahead with the continuous trust and support from our clients globally in Asia, Europe and Latin America, together with the perseverance of our employees and the support from our shareholder.

Wu Min
CEO

Lin Yong
Chairman

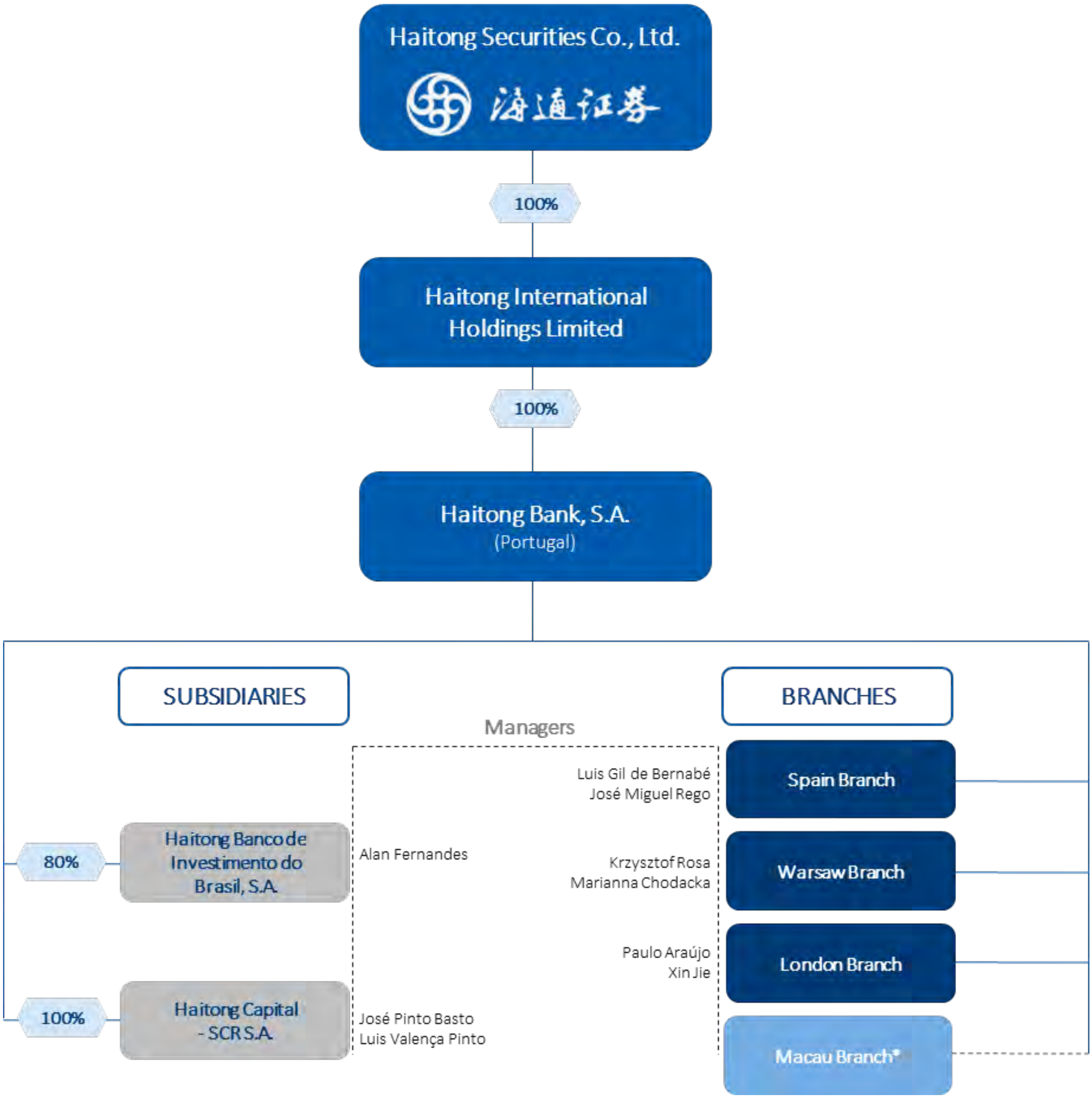
Key Indicators

(million euros)

	Dec. 2020	Dec. 2019	Dec. 2018
Balance Sheet			
Total Assets	2,801	2,607	2,895
Total Liabilities	2,203	1,991	2,279
Total Equity	598	616	616
Results			
Banking Income	82	108	99
Operating Costs	58	72	78
Operating Income	24	36	21
Impairment and Provisions	-12	-23	-26
Net Profit	2	8	1
Profitability			
Return on average shareholders' equity (ROE)	0.3%	1.2%	0.2%
Income before tax and non-controlling interests / Average equity (1)	1.8%	2.0%	-1.8%
Return on average net assets (ROA)	0.1%	0.3%	-0.2%
Income before tax and non-controlling interests / Average net asset (1)	0.4%	0.4%	-0.3%
Banking Income / Average net assets (1)	2.9%	3.9%	3.0%
Efficiency			
Operating costs / Banking income (Cost to Income ratio) (1)	71.3%	67.0%	82.0%
Staff Costs / Banking Income (1)	41.9%	41.3%	46.9%
Credit Quality			
Loan Portfolio (gross)	432	327	536
Loan Loss Charge	2	2	19
Non-Performing Loans Ratio	1.9%	3.6%	8.2%
Non-Performing Loans Coverage	51.5%	40.6%	35.1%
Solvency			
CET1 ratio (phased-in)	22.7%	28.4%	22.9%
Total capital ratio (phased-in)	28.5%	35.9%	28.9%
CET1 ratio (fully-loaded)	22.6%	28.2%	22.6%
Total capital ratio (fully-loaded)	28.4%	35.5%	28.5%
Leverage			
Leverage Ratio (phased-in)	15.6%	19.8%	18.6%
Leverage Ratio (fully-loaded)	15.5%	19.7%	18.4%
Liquidity Position			
Net Stable Funding Ratio (NSFR)	157%	181%	116%
Liquidity Coverage Ratio (LCR)	259%	537%	426%
Loans to deposits ratio ((Gross loans - provisions) / customer deposits) (1)	41%	31%	187%
Total Headcount	362	364	389

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

Organisational Structure



* *Pending AMCM approval*

Through its operations located in Iberia, the UK, Poland and Brazil, Haitong Bank is committed to serving its domestic corporate and institutional clients alongside a growing Chinese Client base through a team of nearly four hundred professionals.

Senior Management

Board of Directors

Lin Yong

Chairman

Wu Min

Chief Executive Officer

Treasury & Fixed Income
Corporate Solutions
CEO Office
Human Resources
Finance

Alan Fernandes

Executive Board Member

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

Miguel Guiomar

Executive Board Member

Capital Markets
Structured Finance
M&A
Corporate Derivatives Desk
Asset Management
Haitong Capital – SCR, S.A.

Nuno Carvalho

Executive Board Member

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

Vasco Câmara Martins

Executive Board Member

Risk Management
Rating
Operations

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

Non-Executive Board Member

Senior Managers with Seat on the Executive Committee

António Pacheco

Head of Finance

Pedro Costa

Head of CEO Office

Head of Corporate Solutions

Secretary to the Executive Committee and Board of Directors

Note: Board of Directors' mais areas of responsibility from January 1st, 2021

Business Strategy

Haitong Bank's strategy is to connect clients and business opportunities across its broad network, combining long-standing expertise in Europe and LatAm with the Group's cross-border origination skills with a China Angle.

The Bank's strategy is underpinned by 3 drivers:

- *its domestic franchise in Iberia, Poland, UK and Brazil,*
- *its China Angle,*
- *the cross-border business among these regions as well as China.*

PRODUCT

Business Model

DEBT FINANCING

DCM

- Cross-border Eurobonds structuring and underwriting
- Local bonds issuance
- Short-term debt instruments

STRUCTURED FINANCE

- Project Finance / Project Bonds
- Acquisition Finance
- Corporate Lending / Bridge Financing
- Guarantees

MARKET-RELATED

FIXED INCOME

- Fixed Income Trading and Debt Market Making
- Fixed Income Banking Book Management
- Distribution to Institutional Clients
- Syndication

INVESTMENT SERVICES

Asset Management

- Cross-asset Experience: Equity, Fixed Income and Quant
- Local expertise: Europe and China
- Discretionary Mandates and Fund management

Private Equity

- Infrastructure fund
- Growth capital funds

CORPORATE DERIVATIVES

Corporate Derivatives Desk

- Corporate Hedging Solutions

ADVISORY

M&A ADVISORY

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

Corporate Solutions

OVERVIEW

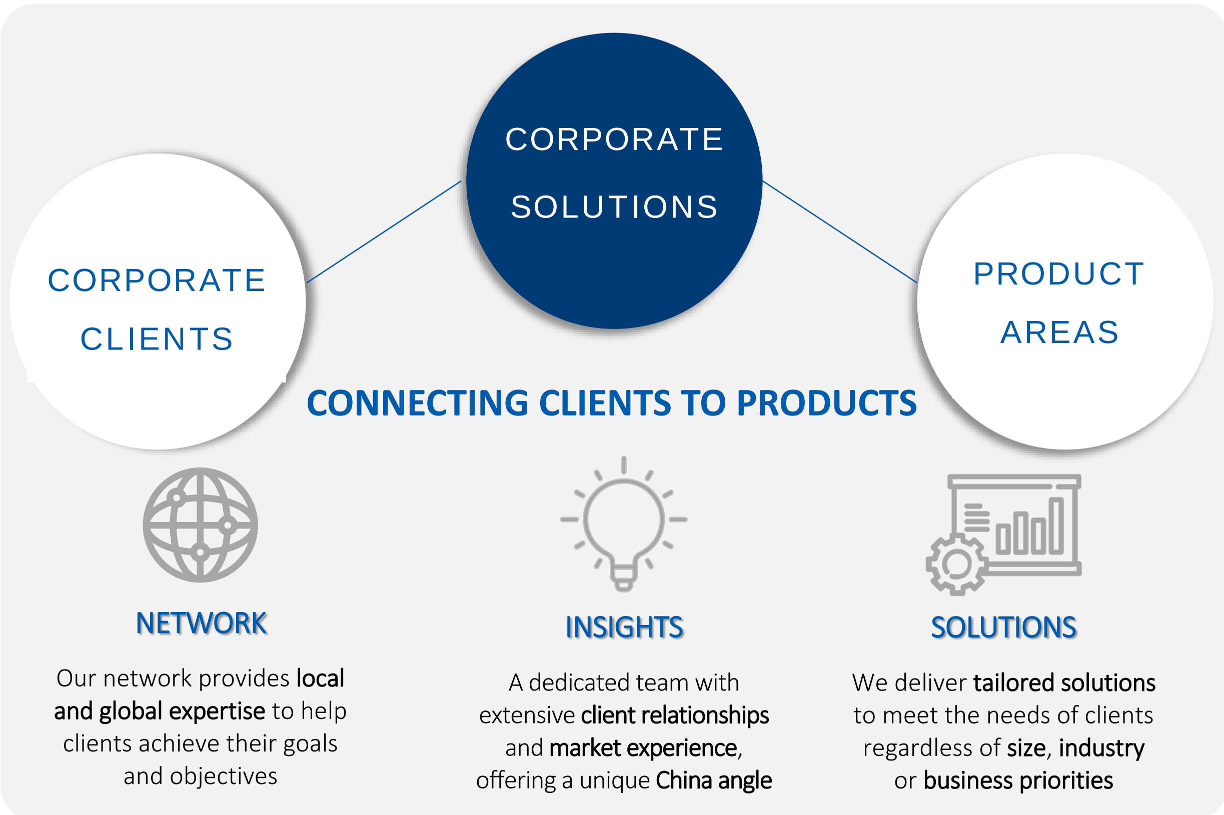
The Corporate Solutions division was created as a way to further strengthen client relationships across Haitong Bank. Through our team of bankers we have increased our ability to give a more differentiated service to our clients. The bankers' approach is client centered and with the goal to offer the most appropriate financial solutions within Haitong Bank's scope.

With a strong and motivated team, during 2020 Haitong Bank has expanded the client coverage footprint and intends to continuing doing so, while at the same time strengthening our relationships with existing clients. The origination capacity of our team of bankers together with a strong partnership with all product areas is key to leverage our banking product while delivering the best solutions and offers to our clients.

ACTIVITY HIGHLIGHTS

A sizable growth of the pipeline of new projects the bankers have being working on was achieved, with accountability having improved through the development of the new CRM model. At the end of 2020, there was a sizable YoY increase in the number of potential transactions in the pipeline at various stages of development.

The activity was mostly centred on originating and executing M&A transactions and preparing and finalising structured finance transactions, where the Bank's pipeline is particularly strong as we enter in 2021. The activity in Debt Capital Markets (DCM) has also been intense with several completed transactions and with several potential new transactions in the pipeline. The corporate derivatives activity has also been growing, with its new platform being presented to several potential new users. This could also present an interesting growth option.



Capital Markets

OVERVIEW

The Capital Markets Division comprises 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, project bonds, commercial paper programmes and liability management.

33%

Weight in Total Banking Income

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

OFFERING

- *Cross-border Euro and USD bonds structuring and underwriting*
- *Bond Issuance for local market*
- *Short-term debt instruments*
- *Participation in Equity opportunities*

STRATEGY

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

Well positioned to play the "China House" role

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

The Bank is well positioned to play the "China House" role, leveraging on its prominence over the last 3 years in EUR denominated transactions for Chinese issuers. In addition, the Bank leverages on the Group's unique access to Asian pools of demand.

€27.3m

Banking Income Amount

2020 MARKET REVIEW

The coronavirus triggered a pandemic which impacted and affected every single nation, economy and citizen. Countries and societies across the world responded to this health crisis by imposing national lockdowns and restricting international cross-border movement of people and trade. Global GDPs shrank as international trading fell sharply in the first half of the year.

Debt Capital Markets (DCM)

COVID-19 reshaped global financial markets and the international debt capital markets proved to be a significant part of the fight against the virus, as they showed extreme resilience. International bonds enjoyed a record year of new issuances in 2020. New bond volumes across most developed and emerging bond markets posted all-time high volumes. Institutional investors' demand in all risk asset classes more than matched the huge financing needs required in 2020 to mitigate the risks presented by the coronavirus.

Overall, global debt capital markets activity totalled USD 10.2 trillion during the full year of 2020, a 31% increase compared to 2019 and the strongest annual period for global debt capital markets activity since 1980, when the first records were registered. The number of new offerings brought to the market in 2020 surpassed 25,000 for the first time on record. The first three quarters of 2020 ranked as the largest quarters for global debt issuance, by proceeds and by number of offerings ever recorded.

Global Investment grade corporate debt offerings totalled USD 4.8 trillion. Five out of the top ten all-time months for global investment grade debt offerings took place during 2020, powered by the US dollar marketplace, which saw a record USD 1.9 trillion in annual issuances. With four consecutive quarters surpassing USD 100 billion in issuances, global high yield debt activity during the full year of 2020 reached USD 547.4 billion. According to figures compiled by Refinitiv and The Climate Bonds Initiative, green bonds issuances totalled USD 222.2 billion in 2020, a 26% increase compared to the previous year levels and an all-time record. Bolstered by the emergence of sustainability and social bonds, annual debt issuance from SSA (Sovereign, Supranational and Agency) issuers totalled a record USD 2.9 trillion, up 55% from 2019.

International bond offerings totalled a record USD 5.2 trillion during the full year of 2020, a 29% increase when compared to 2019 and an all-time high. International offerings from issuers in Germany, France and the United Kingdom accounted for 21% of overall issuances, on par with a year ago. Debt from emerging market corporate issuers totalled USD 367.4 billion during 2020, up 6% when compared to 2019 and an all-time high. Corporate debt issuers from India, Brazil, Russia, and Mexico accounted for 45% of activity.

Despite the macro headwinds in Asia, local currency bond offerings totalled USD 2.7 trillion in 2020, a 24% increase vs 2019 and the strongest full year period for these issuances on record. 2020 volumes also marked the second consecutive year for Asian primary markets to realize record year-on-year growth.

China's annual issuances for 2020 corresponded to USD 207.1 billion, slightly lagging behind the historical high of USD 214.9 billion seen in 2019 and the second highest on record of USD 208.3 billion registered in 2017. China only saw a small decline in the corporate sector, with the 2020 annual issuances from Chinese corporates coming in at USD 121.0 billion, compared to the USD 132.9 billion seen in 2019. The shrinkage in the real estate sector may have contributed to the fall of corporate volumes, as the sector's annual issuances were downsized significantly from USD 65.5 billion to USD 50.2 billion, according to Bond Radar's database. In contrast, the Chinese IT sector was boosted from USD 7.8 billion in 2019 to USD 14.7 billion in 2020. The Chinese financial sector saw modest growth in 2020, ending the year with a total size of USD 55.5 billion, against volumes of USD 51.8 billion in 2019.

The measures taken globally by central banks to support economies through asset purchases, in particular, were widely attributed to having ensured a benign environment for issuers throughout the year, with only brief periods of exceptions such as the period surrounding the US election in November. Monetary policy makers seem committed to further supporting the recovery, thus helping to avoid a premature stimulus withdrawal, as emergency fiscal spending tapers off.

Brazilian debt capital markets overall went through a difficult period during Q3 and Q4 as the uncertainty regarding the duration of the COVID-19 crisis and the interest rates at record lows made investors seek better returns. In addition, the Brazilian Government published Decree No. 10.305, reducing the financial transactions tax (IOF) rate to zero on loan transactions (bi-lateral deals) contracted between April and December of 2020, adversely affecting the primary debt capital market transactions due to the all-in cost.

Despite the COVID-19 pandemic that plagued the already struggling economies of Latin America, the region managed to issue USD 136.2 billion of new paper in 2020, the second largest annual result ever. This is proof that investors' appetite for the region is still abundant, especially as most governments rallied together during the pandemic to mitigate and lessen its impacts.

The region's largest economy, Brazil, was the second most frequent issuer of the year with USD 27.6 billion. However, President Bolsonaro's government received international criticism for taking inadequate action against the pandemic, leaving Brazil's economy and currency exposed.

Equity Capital Markets (ECM)

The year was a veritable roller coaster for financial assets, with market valuations being driven by the news about the pandemic. Global equities seesawed throughout the year, reflecting the prevailing sentiment at the time. The Dow Jones proved to be a good bellwether – it hit its lowest print of the year on 23 March at 18,591.93. As the year drew to a close, however, the index hit its highest-ever level on 17 December to a record close of 30,303.37.

With almost every country around the world unleashing massive fiscal and monetary stimulus to mitigate recessions brought on by lockdowns and slowing global growth, financial assets have gained bullish momentum. Asian stock and credit markets saw a strong rebound in the second half of the year. During December, China's SHSZ300, Korean's KOSPI, India's Sensex30 and Nifty50 all reached new historical highs, while Vietnam's HNX30 extended its growth and the Hang Sang Index was seen stuck on the 26,000 plateau.

Equity capital markets activity totalled USD 1.1 trillion during the full year of 2020, a 56% increase compared to 2019 and the strongest annual period for global equity capital markets activity since records began in 1980. By number of issues, over 6,100 ECM offerings were brought to the market during 2020, a 33% increase compared to the previous year and an all-time record.

Global IPOs, excluding SPACs, totalled USD 222.3 billion during the full year of 2020, a 25% increase compared to last year and the strongest annual period for global IPOs since 2014. IPOs on US exchanges increased 71% during 2020, while China-domiciled IPOs totalled USD 93.9 billion during the year, i.e. more than doubled the 2019 levels, equivalent to a ten-year high.

Global secondary offering activity totalled USD 663.1 billion during the full year of 2020, a 72% increase compared to the previous year and the strongest annual period for capital raising since records began in 2009.

Global convertible offerings totalled USD 188.5 billion in 2020, accounting for 18% of the global equity capital markets activity. Convertible offerings reached the highest levels since records began in 1980. Convertible offerings from companies in the Technology, Industrial, and Healthcare sectors accounted for 52% of overall issuances during the full year of 2020.

Issuers from the United States raised USD 356.7 billion in the global equity capital markets in 2020, an increase of 74% compared with levels seen in 2019. As a percentage of global ECM issuances, the United States accounted for 33% of overall issuances, up from the 30% recorded during the full year of 2019. Equity capital markets' offerings from issuers in Asia Pacific totalled a record USD 370.6 billion during 2020, a 67% increase compared to 2019 levels. Offerings by China-domicile issuers, which accounted for 26% of the 2020 ECM activity, increased 90% compared to the previous year. ECM offerings from EMEA issuers registered a 32% increase vs 2019.

ACTIVITY HIGHLIGHTS

Haitong Bank continues to successfully bring Chinese borrowers to the international debt capital markets via both public and private placements (both in Euros and US dollars) having participated in several transactions in 2020. Some of the cross-border DCM transactions successfully closed by Haitong Bank include:

- The issue by Chengdu Xiangcheng Investment Group Co., Ltd. of EUR 130 million 3.80% notes due 2023;
- Two bond issues by Three Gorges Finance I (Cayman Islands) Ltd.: USD 500 million 1.30% guaranteed notes due 2025 and USD 500 million 2.15% guaranteed notes due 2030;
- Two bond issues by Tongren International Investment Co., Ltd.: USD 80 million 7.80% notes due 2023 and its reopening in the amount of USD 70 million;
- The issue by Weifang Binhai Investment Development Co., Ltd. of EUR 100 million 5.0% notes due 2021;
- The issue by Huangshan Tourism Group Co., Ltd. of EUR 230 million 0.9% credit enhanced bonds due 2025 with the benefit of an irrevocable standby letter of credit issued by Bank of China Limited;
- Two bond issues by Neijiang Investment Holding Group Co., Ltd.: USD 75 million 4.5% guaranteed notes due 2023 and USD 95 million 7.5% notes due 2023.

In Portugal, Haitong Bank's DCM activity in 2020 was marked by the leadership of: Sport Lisboa e Benfica – Futebol, SAD's (Benfica SAD) public bond subscription offer; CUF, S.A.'s (CUF) waiver consent; and Sata Air Açores – Sociedade Açoriana de Transportes Aéreos, S.A.'s (SATA) guaranteed commercial paper programme.

In July, Benfica SAD successfully concluded a public offer of bonds for a total amount of EUR 50 million. Final total demand reached more than EUR 69 million, via approximately 3,688 investors. The new bonds mature in July 2023 and have a fixed rate coupon of 4.00% per annum, payable semi-annually. This was Benfica SAD's tenth bond issue in the capital markets. Haitong Bank acted as Sole Global Coordinator in this transaction.

Although the effects and implications of the COVID-19 pandemic were still difficult to accurately estimate in September, CUF decided to anticipate the possible negative impact it could have on its financial performance and presented a proposal to the respective bondholders for the amendment of the financial covenant for 2020 in the terms and conditions of four of their outstanding bond issues. CUF's consent solicitations were approved for all four bond issues by almost 100% of the votes, which represented more than two thirds of the outstanding notes' amounts thus making this a very successful process. Haitong Bank acted as Joint Consent Solicitation Agent.

In October, SATA signed a commercial paper programme with Haitong Bank in the amount of EUR 49.5 million. The commercial paper programme benefits from an irrevocable and unconditional guarantee by the Região Autónoma dos Açores. Haitong Bank acted as Arranger, Dealer and Paying Agent of this Programme.

Regarding ECM activity in Portugal, in June 2020, 12,550,000 shares of Olimpo Real Estate Portugal, SIGI, S.A., representing the total share capital of the company, were admitted to trading on the Multilateral Trading Facility Euronext Access, a non-regulated market operated by Euronext Lisbon. The listing reference price per share was EUR 4.00. Haitong Bank acted as Listing Sponsor of this transaction.

The global pandemic affected all markets including Poland, where the corporate bond market was idle from March until the end of August 2020, with very few transactions. In this context it was very important to adjust the Bank's strategy to the new market environment and support clients through higher underwriting commitments than before.

As a result of this adjustment, the Warsaw Branch concluded several bond transactions, including one for a healthcare & drugs distribution company – PGF (PLN 130 million) –, two bond issues for a specialized company in providing employers with innovative solutions in the area of sports and recreation – Benefit (PLN 100 million) –, and, together with another bank, a bond issue for a developer operating in several European countries – HB Reavis (PLN 85 million). The total amount of financing was PLN 315 million, which represented an increase of over 20% when compared to 2019. It is also important to stress that the Bank's final exposure was less than 50% of the committed amounts. Despite the severe competition in the Polish DCM market, the Bank has been steadily improving its brand and recognition among investors and issuers due to its innovative products and structures, and also through marketing actions via positive exposure in the Polish media.

Regarding the ECM area in Poland, after two years of virtually non-existent IPO activity, the last four months of 2020 brought a revival to the Polish ECM environment. The huge success of the Allegro IPO in Warsaw (one of the largest offerings in Europe in 2020) was followed by a few other, well-oversubscribed IPOs. The transactions on WSE focused on three segments: game development, e-commerce and biotech.

In Spain, 2020 was a challenging but ultimately successful year for the Bank's DCM activity. During the year, the Bank had to adapt to the new market conditions in order to continue executing mandates despite the adverse environment in the debt capital markets. Ultimately, Haitong Bank was able to consolidate its position as a relevant player in the Spanish debt capital markets.

The DCM activity in Spain started the year with the same high level of operations as in the end of 2019, but during the second quarter of 2020, the market was strongly impacted by the pandemic. This increased market uncertainty led to a significant reduction of the strong liquidity that had been seen in 2019. Due to the delays resulting from the lockdown, most transactions were only closed during the second half of 2020.

In response to the pandemic crisis, the Spanish Government deployed measures to improve the situation. The main measure was the Instituto de Crédito Oficial ("ICO") guaranteed lines of approximately EUR 100 billion. The ECB also activated liquidity measures; however, the high yield market was very illiquid and so only investment grade names were able to take advantage of such measures and access the debt capital markets.

The Spanish Branch continues its success in:

i. The renewable energy sector: the Branch was awarded the mandate for two green bonds. In addition, Haitong Bank was able to enhance its credentials in this area and successfully executed two debt advisory transactions in the renewable energy sector;

ii. Short-term corporate financing: Haitong Bank had an active role in five different commercial paper programmes / issuances;

iii. Long-term corporate financing: Haitong Bank has been active despite the challenging market environment and executed the largest corporate issue and the only green bond listed in the MARF (Mercado Alternativo de Renta Fija).

The most important transactions executed by the Spanish Branch were the following:

- EUR 200 million Green Bond for Audax Renovables, an independent company that generates electricity using 100% renewable sources, in addition to selling electricity and gas. Haitong Bank acted as Joint Global Coordinator;
- EUR 200 million Commercial Paper Programme for Sacyr, a listed international construction and infrastructure company. Haitong Bank was one of the Dealers of the programme;
- EUR 100 million Commercial Paper Programme for Vía Célere, a real estate company. Haitong Bank was one of the Dealers of the programme;
- EUR 75 million Commercial Paper Programme for Tradebe, an environmental services and waste management company. Haitong Bank was one of the Dealers of the programme;
- EUR 32.5 million debt advisory for Haizea SOPEF, a windmill turbine engineering company. Haitong Bank acted as the Adviser for the company in the refinancing and restructuring of their debt;
- EUR 30 million Commercial Paper Programme for Copasa, a construction company focused on the development of infrastructures and the provision of urban, logistic and energy services. Haitong Bank was one of the Dealers of the programme;
- EUR 20 million Green Bridge-to-Bond for Audax Renovables. Haitong Bank acted as Global Coordinator and Bookrunner. This transaction paved the way for the EUR 200 million green bond referred above;
- EUR 9.7 million Private Placement for Reden Solar, an integrated producer of solar energy. Haitong Bank acted as Placement Agent and Sole Bookrunner.

Despite the challenging year, Haitong Bank's subsidiary in Brazil successfully priced the following deals:

- BRL 20 million referring to a 9-year term debenture for Ventos de São Clemente Holding S.A.;
- BRL 489 million referring to a 1-year term promissory note for Celesc Distribuição S.A.;
- BRL 1 billion referring to 3-year, 5-year and 7-year term debentures for Companhia de Saneamento Básico do Estado de São Paulo – SABESP;
- BRL 90 million referring to a 4-year term debenture for Brinox Metalúrgica S.A.;
- BRL 30 million referring to a 3-year term debenture for Sonora Estância S.A.;
- BRL 30 million referring to a 3-year term debenture for Alcoeste Bioenergia Fernandópolis S.A..

CHINA

SOE | CHINA

Chengdu Xiangcheng Investment Group Co., Ltd. (成都香城投資集團有限公司)

3.80% Bonds due 2023

€ 130,000,000

Manager, Placing Agent

2020

HAITONG

CONSTRUCTION & REAL ESTATE / INFRASTRUCTURE & TRANSPORT | CHINA

潍坊滨海投资发展有限公司
WEIFANG BINHAI INVESTMENT DEVELOPMENT CO., LTD.

5.0% Bonds due 2021

€ 100,000,000

Sole Global Coordinator, Joint Lead Manager, Joint Bookrunner

2020

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TOURISM | CHINA

黄山旅游集团

0.9% credit enhanced bonds due 2025

€ 230,000,000

Joint Lead Manager, Joint Bookrunner

2020

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PORTUGAL

SPORTS & ENTERTAINMENT | PORTUGAL

BENFICA SAD

Public Bond Offer

€ 50,000,000

Global Coordinator

2020

HAITONG

INFRASTRUCTURE & TRANSPORT | PORTUGAL

sata

GOVERNO DOS AÇORES

Commercial Paper Programme of SATA guaranteed by the Regional Government of Azores

€ 49,500,000

Arranger, Dealer

2020

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CONSTRUCTION & REAL ESTATE | PORTUGAL

Ores Portugal

Technical Listing

€ 12,550,000

Listing Sponsor

2020

HAITONG

POLAND

HEALTHCARE | POLAND

PGF

Bond Issue

PLN 130,000,000

Arranger

2020

HAITONG

SERVICES | POLAND

BENEFIT systems

Bond Issue

PLN 100,000,000

Global Arranger

2020

HAITONG

CONSTRUCTION & REAL ESTATE | POLAND

hbreavis

Bond Issue

PLN 85,000,000

Co-Arranger

2020

HAITONG

SPAIN

ENERGY — SPAIN

audax renovables

Green Bond

€ 200,000,000

Joint Global Coordinator

2020

HAITONG

INFRASTRUCTURE & TRANSPORT — SPAIN

sacyr

Commercial Paper Programme

€ 200,000,000

Dealer

2020

HAITONG

CONSTRUCTION & REAL ESTATE — SPAIN

vía célere

Casas que innovan tu vida

Promissory Note Programme

€ 100,000,000

Dealer

2020

HAITONG

BRAZIL

ENERGY — BRAZIL

Celesc Distribuição S.A.

Commercial Paper

R$ 489,000,000

Joint Bookrunner

2020

HAITONG

SERVICES — BRAZIL

sabesp

Debenture

R$ 1,000,000,000

Joint Bookrunner

2020

HAITONG

CONSUMER & RETAIL — BRAZIL

BRINOX

Debenture

R$ 90,000,000

Joint Bookrunner, Lender

2020

HAITONG

2021 OUTLOOK

Looking ahead, the consensual view is that the upward pressure on bond yields and the steepening of yield curves experienced at the end of 2020 will be limited in time. The combination of low yields with current inflation levels is a matter that worries market participants. The EU Council and the Parliament have reached an agreement on the largest ever long-term financial package. Once adopted, a total of EUR 1.8 trillion will be made available between 2021 and 2027 to help rebuild a post-COVID-19 Europe.

In Portugal and Spain, the outlook for debt capital markets in 2021 is dependent on the measures taken by the EU government to support the economies' recovery and the maintenance of the stimulus package. We expect frequent issuers to tap the markets with benchmark deals as in previous years and other well-known Iberian names to come to the market to secure cash for the financing needs required to mitigate the risks presented by the coronavirus.

For 2021, in Poland, we expect interest rates to remain low and an increasing inflow in investment funds, which will bring a slow recovery. Changing the allocation of funds from deposits to the bond and equity capital markets should have a positive impact in the decisions of corporate clients to procure financing through bond issues. The Polish IPO market can be expected to remain favourable in 2021, in particular for issuers representing the new/digital economy segments.

Haitong Brazil's team expects a gradual return of investor confidence in the beginning of 2021 following the implementation of a well-synchronized fiscal adjustment process, the end of the measures implemented by Decree No. 10,305 and mass-vaccination against the COVID-19 pandemic in Brazil. In this sense, the outlook for the local capital market business is positive, and the team has identified a very robust pipeline. In the short run, we see several opportunities of local corporate bonds for non-investment grade clients especially from the following sectors: infrastructure, retail, real estate, agribusiness, consumption, health and education.

Structured Finance

OVERVIEW

A Structured Finance and Infrastructure Specialist with a China Angle

20%

Weight in Total Banking Income

With a long track record and expertise in project finance, acquisition finance and other credits, 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 China-related transactions and structured finance solutions, including acquisition finance and project finance-related deals in the real estate, nfrastructure and energy sectors;
- Structuring of financing operations through bond issues under a project finance regime ("Project Bonds");
- Financial advisory services – namely in connection with PPP projects' structuring and bidding processes;
- Post-closing services – portfolio management and agency roles;
- Performance and payment 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

- *Project Finance / Project Bonds*
- *Acquisition Finance*
- *Corporate Lending / Bridge Financing*
- *Bank Guarantees*

€15.9m

Banking Income Amount

ACTIVITY HIGHLIGHTS

In a year unavoidably marked by the COVID-19 pandemic, Haitong Bank's Structured Finance activity showed very positive dynamics with a substantial increase on the number of deals closed in comparison with 2019 and a robust pipeline of new business opportunities.

The business area achieved in 2020 a total banking income of EUR 16 million and a cost-to-income ratio of 12%, ending the period with a gross profit of over EUR 14 million.

In 2020, a total of 10 deals in the amount of EUR 166 million have been successfully closed in Europe by Haitong Bank, covering the real estate, telecoms, construction and students housing sectors in Portugal, Spain and Poland.

Notwithstanding the negative effects of the COVID-19 pandemic, this achievement reflects the good performance of the Structured Finance activity as a result of the increased and coordinated commercial efforts between the product area and the various geographies where the Bank has a presence.

In Portugal, from the business origination perspective, a reference should be made to the good coordination with the Corporate Solutions Department and its senior bankers who have intensified the dialogue with the Portuguese corporate space allowing for the origination and closing of several new structured finance deals with some of the most relevant corporate names in the country and for the reaffirmation of Haitong Bank as a specialist and reliable partner on the lending activity.

The China-related business has also remained very active with a number of deals in the pipeline. Among these opportunities are several potential lending transactions in the UK with some top tier Chinese real estate development companies.

In addition,the active and careful management of the Bank's existing portfolio of credits and agency services, from both a risk and return perspectives have also kept being one of the most relevant tasks for this product area.

Overall, the Bank continues to position itself as a structured financing solution provider guided by a constructive approach and a focus on added value transactions.

Despite the extremely challenging environment brought by the COVID-19 pandemic, the Structured Finance activity in Brazil was highly positive in the year. One should highlight the granting of financing and guarantees to companies in the Agribusiness, Logistics and Industrial sectors, among others, in the amount of approximately BRL 500 million.

Structured Finance continues to collaborate with Capital Markets area, generating synergies and seeking mandates for combined transactions. In 2020, Structured Finance and Capital Markets participated together in four distinct debt capital market transactions where the Bank acted as Bookrunner and Lender.

At the same time, the Bank continues to seek to position itself with investors, mainly Chinese and European, interested in closing structured financing transactions and in partaking in the infrastructure sector, namely in the energy generation and transmission, sanitation, highways and waste management sectors.

CONSTRUCTION & REAL ESTATE | PORTUGAL

SONAE SIERRA

Loan Facility under the form of a Commercial Paper to Sierra European Retail Real Estate Assets Holdings B.V.

€ 15,000,000

Lender, Arranger

2020

HAITONG

CONSTRUCTION & REAL ESTATE | BRAZIL, PORTUGAL

SUPREMO
SECIL CIMENTOS

Cross Border Loan to Supremo Cimentos, S.A.

€ 12,500,000

Mandated Lead Arranger

2020

HAITONG

TMT | SPAIN

BT

Senior Loan to Cartera Ruby, S.L.

€ 89,500,000

Hedge Provider

2020

HAITONG

CONSTRUCTION & REAL ESTATE | PORTUGAL

MOTA-ENGIL

Senior Loan to Mota-Engil, Engenharia e Construção, SA

€ 15,000,000

Mandated Lead Arranger

2020

HAITONG

CONSTRUCTION & REAL ESTATE | PORTUGAL

VALEO

Loan to Vstudent Portugal, S.A.

€ 16,000,000

Mandated Lead Arranger

2020

HAITONG

ENERGY | SPAIN

haizea windgroup

Senior Loan to Haizea Sopef, S.L.

€ 32,650,000

Mandated Lead Arranger

2020

HAITONG

ENERGY | BRAZIL

Celesc Distribuição S.A.

Commercial Paper

R$ 489,000,000

Joint Bookrunner

2020

HAITONG

ENERGY | BRAZIL

STEELCONS

Loan

R$ 49,200,000

Lender

2020

HAITONG

PACKAGING | BRAZIL

ADAMI S/A

Export Credit Note

R$ 40,000,000

Lender

2020

HAITONG

2021 OUTLOOK

The business prospects remain quite positive for 2021, based on the reaffirmation of Haitong Bank’s Structured Finance activity, namely in Portugal, Spain and Brazil, where the Bank´s presence in the lending space was significantly enhanced in 2020 with an increasing number of deals approved and closed and the consequent setting up of relevant new commercial relationships.

The pipeline of new structured finance deals remains strong and growing where the real estate / accommodation, energy and infrastructure sectors are currently among the more representative ones in terms of new business opportunities.

The positive business prospects for Haitong Bank’s Structured Finance activity are also supported by the Bank’s unique positioning with a long established international footprint and as part of a strong Chinese financial group, where the Structured Finance business is one of the key products within the full range of investment banking services the Bank offers to its clients.

In Brazil, the expectations for 2021 are for an increase in the closing and disbursement of new transactions given the prospect of a more robust economic environment with reduced impact from the COVID-19 pandemic.

Mergers and Acquisitions

OVERVIEW

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, restructuring, and feasibility studies.

Haitong Bank's dynamic M&A Division leverages upon a team of experienced professionals with a longstanding local network and a strong execution track record in several geographies.

OFFERING

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

STRATEGY

Global institutional and strategic investors constitute an important part of the Bank's client base, taking advantage of Haitong Group's strong position in various markets, including support provided to Chinese companies in executing their internationalization strategy in Europe and Latin America.

24%

Weight in Total Banking Income

Local Player with a China Angle

2020 MARKET REVIEW

Amid the social and economic disruptions caused by COVID-19, global Mergers & Acquisitions (M&A) activity in 2020 decreased by circa 16% YoY, in terms of the volume of completed transactions. However, a number of very large transactions, particularly in the second half of the year, held up the overall value totalling USD 3.2 trillion (down 7% YoY), according to Mergermarket. Instead, companies turned to the debt and equity markets to shore up their balance sheets, with a significant volume of high yield bond issuances and secondary equity offerings, and a return of special purpose acquisition companies (SPACs), particularly in the US.

The most active M&A sector in 2020 was Technology, Media, & Telecommunications (TMT), which climbed 57% by value YoY, accounting for more than a quarter of overall global activity. The next two best performing sectors in the year were the Energy, Mining & Utilities sector and the Industrials & Chemicals sector. However, all three sectors showed significant drops in terms of deal volumes. In spite of the pandemic, and armed with a purported USD 1.7 trillion of dry powder, global Private Equity firms managed to more or less retain their activity levels, spending just over USD 600 billion. Cross-border transactions represented 40% of total completed transactions at a global level in value terms, representing an aggregate value of USD 1.3 trillion.

€19.3m

Banking Income Amount

With restrictions limiting international travel, the majority of European M&A transactions in 2020 was conducted internally. Foreign investment into Europe fell significantly: international investors accounted for 38% of the total value of European deals, and only 15% of the volume, representing its lowest value share for 5 years and lowest volume share for 10 years, according to Mergermarket. In stark contrast, last year it was reported that cross-border transactions were actually the main catalyst for the European M&A market, accounting for 75% of the total value of completed transactions.

According to Mergermarket, Portugal fared better than most European countries in 2020, with a handful of very large cross-border investments. Whilst deal volumes did fall, Portugal registered a 26% increase in deals by value compared to 2019, rising to nearly EUR 9 billion, of which 90% related to cross-border transactions. Importantly, much of this increase (40%) corresponded to the largest deal, the EUR 4 billion acquisition of toll road company Brisa. The Spanish M&A market reported similar lower levels of M&A activity, with reductions of approximately 38% and 35% by value and volume, respectively. The same was true for the UK M&A market, which was further compounded by the ongoing Brexit negotiations and with deal volumes declining 30% by 3Q2020 compared with the same period in 2019.

Outside Europe, the number of M&A deals in Brazil from January to November 2020 reached 909 announced transactions, according to a survey report prepared by PwC Brazil. During this period, despite the COVID-19 pandemic affecting the country's economy harder in the first half of the year, the number of closed deals was 14% higher compared to the same period of 2019. The Information Technology (IT) sector was responsible for more than 40% of these transactions, driven by significant changes in consumer habits in the period.

ACTIVITY HIGHLIGHTS

The M&A activity in 2020 was affected by the uncertainty stemming from the pandemic's impact on the global economy, particularly during the first half of the year, leading to the postponement of divestment and investment decisions. Nevertheless, Haitong Bank was very active in the Portuguese M&A market and was engaged as the financial advisor in several transactions, successfully reaching the completion of one deal and the signing of another deal, as follows:

- Financial advisor to Mota-Engil on the sale of Mercado do Bom Sucesso to a consortium between Mercado Prime (Amorim family, with an 80% stake) and Sonae Sierra (20%). Mercado do Bom Sucesso is an emblematic city-market located in Avenida da Boavista, in Oporto. The market was renovated in 2009 and is nowadays a commercial and tourist reference point in the city, including retail and office areas, as well as a hotel;
- Financial advisor to China Communications Construction Company (CCCC), one of the largest infrastructure groups in the world, in the investment in Mota-Engil SGPS, S.A. Within the scope of the agreement, CCCC agreed to acquire from Mota Gestão e Participações SGPS, S.A. a relevant minority stake in Mota-Engil (pending completion).

In Spain, Haitong Bank continued to grow, and during 2020 the Bank was directly involved with a number of Chinese SOE investments in this country and other relevant local transactions, namely acting as:

- Financial advisory to Iberdrola and Naturgy on the divestment of their stake in two engineering companies, Empresarios Agrupados and Ghesa. Both companies are global leading independent engineering firms with over 45 years in the industry and are involved in nuclear, thermoelectric and renewables projects worldwide;
- Financial advisory to Aldesa in the sale of a majority stake to CRCC International Investment Group Limited. Aldesa is one of top 10 construction groups in Spain and Mexico and has completed more than 2,000 projects worldwide with a robust presence in Europe and LatAm;

- Financial advisory to China Three Gorges Europe (CTG Europe) in the acquisition of a solar PV portfolio from X-Elio. The portfolio is comprised of 13 assets already in operation with a total installed capacity of 572MW located in Spain. The transaction is expected to be completed by the end of January 2021.

In the UK, Haitong Bank continues to focus on advising the professional services and financial services sectors, in particular by raising capital (LP funds, credit facilities and equity). Also, the M&A Team in the UK continues to support other Haitong Group geographies, in particular the Beijing and Lisbon Teams. Recent cross-border projects included assisting three Chinese clients with their varying acquisition processes for sizeable UK-based waste management and renewable energy businesses. Deals in these sectors highlight the reality that not all industries have been impacted by the lockdowns due to the pandemic nor by the uncertainty of the Brexit negotiations in 2020. The UK Team also provided support to its Chinese clients looking to raise capital in the UK. Following the senior loan refinancing of the Greenland Group, the UK Team continues to work closely with the Bank's Structured Finance team on other opportunities.

In Poland, Haitong Bank participated in a number of sell and buy-side transactions having successfully carried out two transactions:

- Advisory services to the owners of WDB BU S.A. (a leading insurance broker in Poland) on the sale of 100% stake to PIB Group (a leading insurance broker in the UK, a portfolio company of Carlyle private equity fund);

- Advisory to the owners of Kontomatik (fintech, with AI-powered technology for real-time analysis of financial history) on the sale of their stake to certain undisclosed investors.

In light of the temporary COVID-19 lockdown in the country, the Polish Team expects to conclude some deals in 2021 that were assigned to this Team during 2020.

The M&A team in Brazil supported several Chinese players who were interested in investing in the Energy and O&G sectors during 2020, namely in the preliminary evaluation of several opportunities in the country. These transactions were postponed due to the pandemic or otherwise did not progress given risk/return of the investments being below the threshold required by these investors. Domestically, the M&A team in Brazil acted as sell-side advisor to companies in the water and sewage, cosmetics, energy, and retail sectors. These transactions, which accelerated in the second semester of 2020, should be concluded in the coming months. Also, the local M&A Team put in place strategies to improve its origination in the middle market with the development of new partnerships across the country.

2021 OUTLOOK

The combination of the COVID-19 pandemic and consequent global macroeconomic hangover will undoubtedly continue to affect economic activity in 2021. However, the new vaccines offer the promise of a return to higher sustained levels of potential M&A deals, led by the more resilient businesses looking to access synergies, innovation, and new routes to market and supply chains. Such opportunities should be supported by the significant amount of capital to be deployed by fund managers and the continued low interest rates environment globally. The Bank anticipates a positive year for this activity based on a more encouraging deal pipeline and the closing of 2020 transactions, which were put on hold due to the temporary COVID-19 lockdowns.

CONSTRUCTION & REAL ESTATE — PORTUGAL

MOTA-ENGIL

Financial advisory to Mota-Engil on the disposal of Mercado do Bom Sucesso to Mercado Prime (Amorim Family) and Sonae Sierra

Financial Adviser
2020
HAITONG

CONSTRUCTION & REAL ESTATE — CHINA / PORTUGAL

CCCC

Acquisition of a minority stake of Mota-Engil SGPS, S.A.
(Pending Completion)

Financial Adviser
2020
HAITONG

CONSTRUCTION & REAL ESTATE — SPAIN

aldesa

Sale of majority stake to CRCC International Investment Group Ltd. a wholly owned subsidiary of China Railway Construction Corporation Ltd.

Financial Adviser
2020
HAITONG

ENERGY — SPAIN

IBERDROLA Naturgy

Financial Advisory to Iberdrola and Naturgy in the sale of their stake in Empresarios Agrupados Group and Ghesa to China Energy Engineering Group Planning & Engineering Co. Ltd

Financial Adviser
2020
HAITONG

ENERGY — CHINA / SPAIN

中国三峡 China Three Gorges Corporation

Financial Advisory to CTG Europe in the acquisition of a 572MW Solar PV Portfolio to X-Elio
(Pending completion)

Financial Adviser
2020
HAITONG

FIG — PORTUGAL / SPAIN

NOVO ACTIVOS FINANCIEROS ESPAÑA

Financial advisory on the sale of 100% of Novo Activos Financieros España to Trea Asset Management

Financial Adviser
2020
HAITONG

FIG — POLAND

WDB BROKERSKA GRUPA UBEZPIECZENIOWA

Sale of WDB to PIB Group

Financial Adviser
2020
HAITONG

FINTECH — POLAND

KONTOMATIK

Sale of Kontomatik by Kreditech

Financial Adviser
2020
HAITONG

Fixed Income, Currency and Commodities

OVERVIEW

The Fixed Income, Currency and Commodities (FICC) Division (rebranded as Fixed Income Division from January 1st, 2021 onwards) remains an important player in Haitong Bank's key markets (Iberia, Poland, Brazil and the UK). This Division works as a 'product factory' and as a distribution platform for debt products and OTC derivatives, bringing strong local knowledge to an international platform level and capturing the flow between clients in different regions.

9%

Weight in Total Banking Income

The FICC main areas of operation allow the Team to acquire significant expertise in the target markets and ensure a strong distribution capability of OTC derivatives and debt products to our institutional and corporate client base.

The FICC team covers four areas:

- Institutional Clients Sales Desk
- Fixed Income Trading and Debt Market Making
- Syndication
- Corporate Derivatives

OFFERING

- *Flow Bond Trading and Sales*
- *Debt products placement*
- *Corporate Derivatives*

STRATEGY

€7.3m

Banking Income Amount

FICC will continue to follow Haitong Bank's strategic guidelines, making the necessary effort and developments to strengthen our local position in different geographies and add the Chinese Angle to our current offer. By building a strong connection with Chinese local teams and having dynamic teams in our different offices, we can create important synergies and become an execution hub crossing flow and business opportunities between different geographies.

An execution hub of cross-border business opportunities from different geographies

ACTIVITY HIGHLIGHTS

Trading and Sales

During 1H2020, the Iberian Teams had to adjust its activity rapidly to focus on clients' liquidity needs by trying to find a market to place their bonds, especially during the months of March and April. During this period we reduced the risk in our portfolios and balance the activity by taking advantage of markets volatility. European policies, both from the ECB and the Council, helped to stabilize markets and the FICC Teams was able to diminish risk by repositioning in IG front-end bonds. The Team had a decent summer regarding market direction with a tightening movement in prices and spreads that drove valuations to a stable plateau. Contrary to global forecasts, the US elections had less impact than expected in global markets, thus setting the tone for a benign scenario going into 2021. In 2020, there was a hard landing in new debt issues activity with strong impact in the sales team activity. Nevertheless, the Team was able to increase the number of active clients, keep the same level of flow turnover, engage actively in all projects, and provide accurate and relevant market reading and information for the pitches the Bank was involved in.

In Poland, the Team positioned to took advantage of volatility and of the various changes in market conditions occurred during the year, thus was able to reach the objectives and attain a positive performance. During the first semester of 2020 there was a 140 basis points cut in the base rate (to 0.1%), which led investors to look and invest into riskier assets with higher yields. In mid 2020, Poland started to sell COVID Bonds with higher yields, which presented as a good alternative for clients, compared to the POLGBS. In the second half of the year, international assets have offloaded some weight in the Polish bonds. This move, alongside low liquidity of local banks, had a significant influence on wider spreads. By the end of the year, clients showed a more active stance in the markets. At the same time, custodian banks in Poland introduced negative rates on cash accounts, which have triggered customers to adopt a more aggressive approach towards investments.

It is worthy of note that during the second semester, the Bank has registered client activity similar to that of 2019. For this outcome it was essential to persevere in active contact with clients both on the secondary corporate debt market as well as on POLGB's, resulting in slightly better results than before the pandemic. The FICC Team in the Warsaw Branch will uphold its strategy to be close to clients and provide them with a professional service.

The capital markets in Brazil during 2020 was marked by a beginning of the year with a couple of new primary market deals with strong placement within investors and by a last window of opportunity in the month of December highlighted by the return of fixed income Deals once again with strong demand from institutional investor. The remaining of the year was marked by an environment where capital markets where close and all debt deal were made via Loan directly with Banks balance sheet. The market face a general widen in the spreads and a general risk aversion by the Institutional investors.

The distribution team in Brazil acted in response to solicitations for sounding several names in order to analyze the viability of such name's distribution, however in many cases it were not suitable for distribution amongst our clients/institutional investors.

Moreover, the Team's performance had a positive impact in funding obtained directly for Haitong's Brazil treasury and an excellence performance in the distribution of the BRL 1 billion SABESP new bond issue, amongst Institutional investors.

Syndication

In terms of primary deals in both the Iberian and Chinese markets, 2020 was marked by the COVID-19 negative effects on the economy and financial markets.

First, the Bank faced several weeks of closed markets that readjusted in terms of pricing with an expected increase in spreads, especially for the high yield sector vs investment grade. When markets reopened, one saw a different path for the investment grade and high yield sectors.

Taking advantage of central banks' support packages of liquidity, there was a record number of new issues in the investment grade segment, with these companies trying to issue as much as possible to guarantee funding for this year and consequently avoid another period of insufficient funding should markets close again.

Conversely, the high yield sector has continued to see new issues' volumes very subdued and below normal levels. The vast majority of Haitong Bank's issuers belong to this segment so the number of new issues in 2020 was significantly reduced.

The Team continued to organize meetings (in a digital format due to contagion risks) between companies and investors to discuss the changing business prospects and each company's financial situation. JM Saúde was one of the issuers who requested we liaise with investors. Pursuant to that request, the Team successfully carried out a waiver consent solicitation with investors.

On the second half of 2020, one saw a return to the markets of several investment grade companies and also some China issuers tapping the market. The syndicate team actively participated in every pitch made by the Bank's DCM Team by providing accurate market reading and pricing. It also contributed to the execution of deals including marketing, roadshow organization, pricing, and allocation. The Bank was active in both private placements and benchmark transactions such as: Weifang 5% October 2021, EUR 100 million deal; Chengdu Xiangcheng 3.8% October 2023, EUR 130 million deal; and Taizhou Urban Construction 2.65% October 2023, USD 500 million deal.

Corporate Derivatives

Regarding derivatives, the activity was heavily penalized in commodities, namely in the energy sector, and volatility also affected other underlying assets such as FX and interest rates. With the worsening of the mark-to-market of some instruments in clients' portfolios, the credit exposure consequently increased and the Team had to suspend the activity with some of them. The Bank was very affected in what regards CVAs and funding costs with clients with whom it does not have a CSA agreement in place. By June, the Team already had about 70% of the goals achieved, i.e. the Team was having one of the best years ever in terms of budget execution. The second semester was marked mainly by FX restructuring with the rebalancing of some portfolios and reduced activity in rates. Given the circumstances, it was a very positive year, with the Team ending 2020 with around 90% of the budget reached.

In 2020, with the worsening of the COVID-19 pandemic, the Brazilian coroporate derivatives activity went through big challenges of managing the strategy and expanding revenue. These challenges were mainly linked to the amount of business and limited access to counterparties and customers.

During the first quarter of the year, the Team has focused on specific customers in order to generate revenue through services (FX / Fees). By the second quarter, there were some organizational measures that allowed the credit pipeline to grow, namely by increasing internal limits to continue expanding the customer base.

The priority was to present cases which could have synergies and a combination of gains through cross-selling (Derivatives + Loans / DCM). The agribusiness and energy sectors were the sectors that presented the most relevant opportunities (risk x return). BSBIOS (Biofuels), Grupo Montesanto Tavares (Coffee), Usina Sonora (Ethanol and Sugar), and Usina Alcoeste (Ethanol and Sugar) were some examples of Derivatives and Loan transactions carried out in cooperation with the DCM Division.

Expectations were exceeded in 2020 and, in addition to seasonal opportunities (when spreads opened at the height of the global health crisis), the result was handed out in a flexible and consistent way through the expansion of the customer base in the subsidiary.

2021 OUTLOOK

The year 2021 will be challenging due to the continuous effects of the COVID-19 pandemic and its impacts on the economy, and consequently on the performance of the main financial assets.

Under this environment, the newly branded Fixed Income Division will maintain its goal of developing the ability to provide its customers with a high quality and efficient product within the market and technological trends. Based on our experience and performance in the capital market, we aim to strengthen the Division's distribution capacity with greater proximity to investor boosting the capacity to originate and structuring of new debt deals as well as increasing the turnover.

Starting on January 2021 the Division will also be responsible for managing bank's investment portfolios. This change in mandate will allow the Fixed Income activity to be centered in one Division, increasing synergies and boosting the Bank's presence in the fixed income space.

Fixed Income Division will be relevant as a product factory as well as a distribution platform for Haitong Bank, being a cornerstone between the Bank's different departments.

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 maximising absolute returns in the long term, taking into account the risk profile defined by each mandate and the limits established for them.

OFFERING

- *Discretionary Portfolio Management*
- *Fixed Income Fund*
- *New initiatives: Quantitative strategies*

STRATEGY

The strategy is to expand this business activity by increasing Assets under Management (AuM) both in the equities and in fixed income portfolio.

4%

Weight in Total Banking Income

The Bank's strong performance track record in the European equities portfolio for over 19 years is a key comparative advantage to drive AuM upwards.

Leveraging on a long and successful track record

2020 MARKET REVIEW

2020 was a year that investors will hardly forget. The year began with fears that the economic cycle was maturing, aggravated by tensions between the two major economic forces: the US and China. The general conviction was that Central Banks' intervention around the world was coming to an end, after several years of loose monetary policies.

However, the event that marked the year was the worst global pandemic of the century, in addition to the surprisingly brief bear market position that accompanied it. In the beginning of March, when the virus became global, markets sold off sharply in a way only comparable with the Great Financial Crisis of 2007-2008. Markets fell over 30%, with the VIX (Volatility Index) raising above 80%.

The merit of what happened next has to be attributed to Central Banks and, consequently, to Governments. The FED slashed its key interest rate to zero and launched a decisive wide range of actions to stabilize markets with ample liquidity. The majority of Central Banks around the globe took similar actions.

Importantly as well were the US Government's actions in late March, namely the approval by the US Congress of a USD 2.2 trillion stimulus package. The urgency and size of the plan to support the economy partly explains the faster and stronger recovery in the US than in Europe – although, in July, the European Union also approved a recovery plan of USD 2 trillion. Nevertheless, the rebound in financial markets was much faster and stronger than the day-to-day economic reality.

With the debt markets' performance under control via several asset purchase programs from Central Banks, it was possible to see a recovery of the equity markets, which was also led by the new economy stocks, the larger US technological and digital companies taking the US indices to new all-time highs. Additionally, the vaccine discovery fueled the last leg of the bull market, making it a global event.

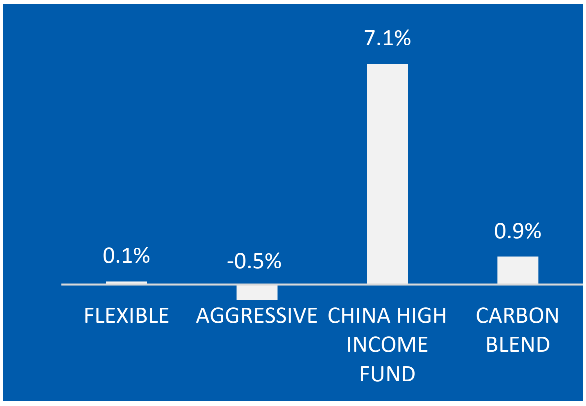
€3.2m

Banking Income Amount

ACTIVITY HIGHLIGHTS

The performance of most of the Bank's strategies ended the year in positive territory. The 2H2020 recovery of the financial markets helped almost all asset classes, but the highlight goes to the Haitong China High Income Bond Fund. This Fund, which completed its first 3 years of track record in December 2020, ended the year with a performance of more than 7% and a much better sharpe ratio than its benchmark.

2020 Performance of HB's Strategies

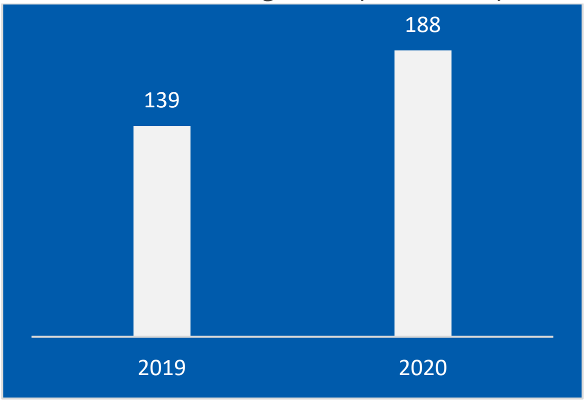


Source: Haitong Bank

2020 was particularly challenging for the money raising activity. With travels banned and social distancing imposed for most of the year, the marketing activity had to reinvent itself and adapt to the pandemic backdrop. The team stayed focused and, with the help of internet platforms, kept a close relationship with clients, continued developing new money raising initiatives, and participated in some webinars to promote its products. Against all odds, Assets under Management (AuM) grew by 36% throughout the year with the Chinese fixed income strategies leading the increase.

Difficult and challenging years like 2020 are key when building a track record. We believe that in that sense, last year was very positive and reinforced the quality of the Team's long standing performance history by confirming its capacity to remain focused and resilient in the face of adversity.

HB Assets under Management (EUR million)



Source: Haitong Bank

2021 OUTLOOK

From where we stand today, 2021 perspectives are still very misty. Nevertheless, we believe that the pandemic will be beaten and its negative economic effects overcome, with a more visible economic recovery in 2H2021. The markets have already anticipated some of this more optimistic scenario but volatility should nevertheless be lower. If a more optimistic scenario materializes, we expect the fund raising activity to become even more successful leading total AuM to more ambitious levels while performance on the different strategies converges up to their historical averages.

We expect to develop the business on the High Net Worth segment of the Wealth Management space in 2021 using the global footprint and expertise of the Haitong Group.

At the same time, we expect the AM activity to benefit from a more comprehensive distribution strategy. Our products will be, for the first time, available at global distribution platforms like Allfunds, amongst others, giving our products increased and global visibility and accessibility.

Private Equity

OVERVIEW

Haitong Capital manages a portfolio of equity stakes in private companies.

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 Haitong Bank Group and funds raised from external Tier I investors.

Besides its own equity, the firm manages three private equity funds dedicated to the infrastructure and buyout/capital development market segments across Europe.

The company is now changing its business model, with the aim of focusing on broad asset management activities beyond the pure private equity focus.

Playing a Sino-European role in the market

The business scope change involves several corporate updates and the approval of the regulator, pursuant to the filing with the CMVM that has already occurred.

4%

Weight in Total Banking Income

STRATEGY

OFFERING

- *Growth Capital Fund*

Haitong Capital leverages on its sector and geographical expertise to support companies wishing to expand their businesses.

Haitong Capital holds a differentiated positioning within the East-West trade space. The firm's strategy is composed of a combination of European and Chinese expertise to invest in sectors that can benefit from the dynamics of both worlds.

€3.5m

Banking Income Amount

ACTIVITY HIGHLIGHTS

During 2020, the activity of Haitong Capital was strongly influenced by the COVID-19 pandemic and its impact over the portfolio companies. The implementation of value preservation measures occurred across the portfolio to ensure business continuity. During the first half, some companies saw their activity reduced, or even suspended, but by the summer, all portfolio companies had resumed their production plans.

Taking into account the advanced stage of maturity of the current funds under management – ES Iberia I Fund (liquidation phase), Haitong Infrastructure Fund (liquidation phase), and FCR – PME / Novo Banco (to mature in 2021, after having its term extended by one year) –, the deal flow sourcing activities were not maximised. Follow-on investments were completed for an aggregate equity amount close to EUR 347 thousand.

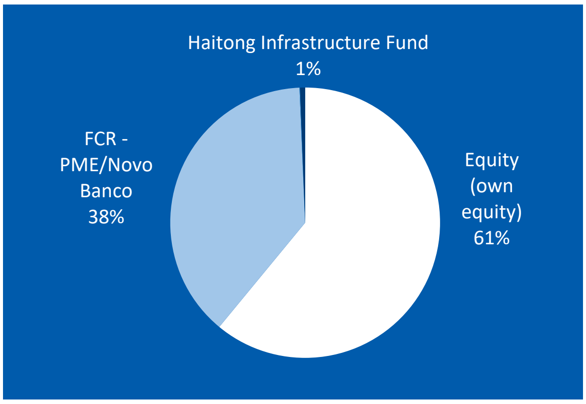
Aggregate inflows from the investment portfolios totalled EUR 3.4 million. From this total, disposals represented a cumulative amount of EUR 1.3 million, mainly generated by the exits from Coporgest and Enkrott. The remaining inflows represented EUR 2.1 million, mostly explained by the reimbursement of shareholder loans and related interest payment and dividends payment. Within these, the dividend payments from Fondo PPP Italia stand out as the most relevant contributor with an amount close to EUR 1 million.

Haitong Capital maintained a hands-on management approach focused on the value creation of the portfolio of companies.

In December, the fair market valuation of the investment portfolio reached EUR 34.8 million. This represents a 5.0% appreciation when compared with EUR 33.3 million calculated in December 2019, on a like-for-like basis. However, should we include dividends and accrued interests resulting from the same group of securities, the amount would have been EUR 36.4 million, representing an annual appreciation of 9.3%.

In 2020, the private equity activity posted a net profit of EUR 1.5 million and total equity amounted to EUR 54.2 million.

Breakdown of Funds under Management (Dec. 2020)



Source: Haitong Capital.

2021 OUTLOOK

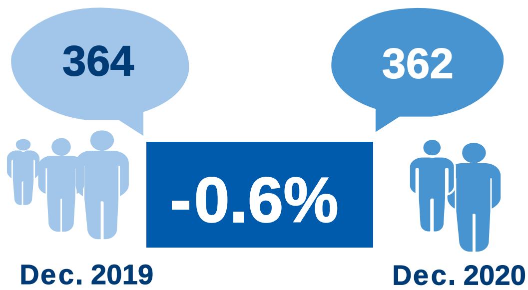
Haitong Bank is implementing a reorganisation in Haitong Capital - Sociedade de Capital de Risco, S.A. with a change in its business model. Going forward, and upon the regulator's approval, it is expected that Haitong Capital will focus on broad asset management activities beyond the pure private equity focus.

PEOPLE

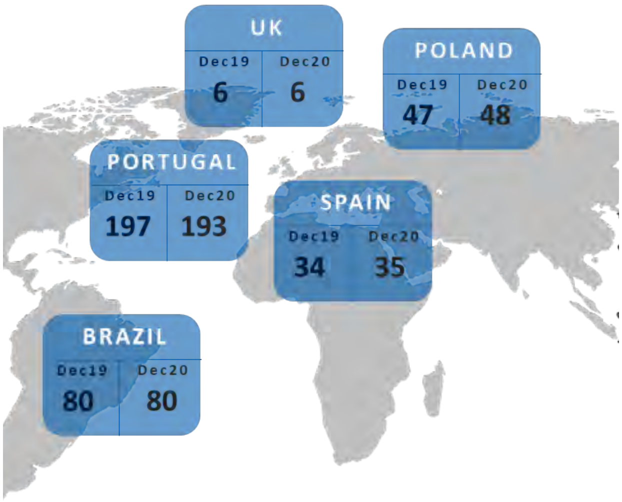
Human Capital

The effects of the global ongoing COVID-19 pandemic have dramatically changed the way businesses around the world operate, putting an increased focus on the importance and safety of people as the most valuable asset of any firm. Now more than ever, Haitong Bank's HR strategy follows the vision of a lean, solid and sustainable Bank. HR is committed to build a talent base which is fully aligned with the Bank's Corporate Values, making efforts to identify and recruit the ideal candidates for every job opening. During 2020, Haitong Bank's headcount saw a slight decrease as a result of expected turnover of staff in the different locations where the Bank operates. Despite of the market contraction featured by the COVID-19 pandemic, there was no reduction of the Bank's workforce. The Bank kept its focus on the business strategy and strengthened specific teams across the different locations.

Headcount 2020



Headcount Evolution by Region (2020)



Haitong Bank continues to support gender equality principles. Currently, women represent 38% of the total workforce. There are also a considerable number of female employees in senior positions at the Bank, which compares favourably within the industry in terms of leadership positions.

Employee Headcount by Gender and Region

Source: Haitong Bank

Employee Headcount Average Age

	Average (years)	
	Age	Lenght of service
UK	40.0	8.4
Spain	45.0	13.2
Poland	38.7	6.4
Brazil	44.5	10.0
Portugal	42.0	11.6
Average	**42.5**	**10.6**

Source: Haitong Bank

HAITONG BANK'S RESPONSE TO COVID-19

In March 2020, in the midst of the global spread of the COVID-19 pandemic, Haitong Bank took proactive measures and successfully activated its contingency plan, enabling digital solutions to its workforce with no recorded downtimes.

We acted fast on the face of COVID-19, making unprecedented adjustments to the way we work. Our two essential goals were to safeguard the staff's health and safety and to continue to serve our clients. Since the beginning of the pandemic and throughout the whole of 2020, the Bank was able to successfully keep close to 90% of the staff working remotely from their homes, in fully functioning environments, as close as possible to normality. We currently operate with minimum staff in our locations, who handle key functions that ensure that some of the Bank's critical daily processes run smoothly.

In this new environment, Haitong Bank adopted and increased safety measures, such as:

- Increased the frequency of sanitisation of our office premises;
- Implementation of additional controls, such as temperature checks for all incoming staff in offices and installation of acrylic dividers for onsite staff workstations;
- Constant supply of adequate protective equipment such as face masks and alcohol-based sanitising gel;
- Provided employees with continuous guidance on the steps that must be taken when entering and leaving the Bank's premises.

Human Resources will continue to focus on the wellbeing and safety of the employees. As we live through the COVID-19 pandemic, our focus is also on helping our workforce align with the Bank's business strategy and help our colleagues to prepare for a recovery scenario.

ACTIVITY HIGHLIGHTS

The HR Department continued to support the Bank's Senior Management, the Board of Directors and their respective Committees. The main milestones achieved by HR in this period were:

- Played a pivotal role as business partner and focal point of the crisis response team;
- Executed talent acquisition, including forecasting hiring needs, candidates sourcing (internal and external) and global selection and recruitment processes;
- Improved HR services, with a constant focus on efficient reporting and data administration;
- Supported the Corporate Governance and Remuneration Committees in the implementation of new and updated policies;
- Together with other major national Credit Institutions, HR represented Haitong Bank in the annual negotiations with the Banking Sector unions for 2020;
- Accelerated digital transformations as the shift to remote working became a priority;
- Increased communication in global uncertainty, leading with responsive, empathetic communications and policies that helped our workforce feel informed and supported.

2021 OUTLOOK

The priorities of HR reflect the unparalleled effects of COVID-19. These include safeguarding the experience and well-being of employees, helping leaders to develop new management and leadership skills to support remote working, managing performance and productivity in a remote environment and introducing agile ways of working that will last beyond the crisis.

Some of our short-term goals include the following:

- Promoting well-being solutions, in order to help employees become healthier and more resilient, both physically and mentally;
- Continued focus on attracting and recruiting the best talent available to ensure the Bank has the right people with the right skills;
- Building on the knowledge, skills and abilities of our workforce and helping them develop and achieve their potential;
- Simplifying talent management processes by converging to more effective and digital solutions;
- A continued focus on central tasks such as workforce and organisational management, and global mobility;
- Constant focus on our talent sourcing processes and continuously increasing the Bank's visibility on social media recruiting platforms;
- Continue optimising existing administrative processes, driving increased efficiency, increased automation, consistent data and excellent response times.

Haitong Bank will continue to pursue these goals, cultivating a leaner, more innovative HR function that focuses on developing and championing programs that support the changing needs of our business and employees.

FINANCIAL PERFORMANCE

Macroeconomic Overview

2020 MARKET REVIEW

2020 was mostly a dark year for the world with the human distress caused by the COVID-19 pandemic and a legacy of economic and financial imbalances, which will possibly require more than a couple of years, in our view, to register a full recovery.

On a positive note, three vaccines with a high degree of efficacy to generate an immune response (Pfizer/BioNTech, Moderna, AstraZeneca) were approved for emergency mass inoculation. China, Russia, India, and Brazil also rolled out emergency immunization programs with locally developed vaccines between December 2020 and early January 2021.

Gross Domestic Product Growth

	2019 (1)	2020	2021	2022
World	**2.8%**	**-3.5%**	*5.2%*	*3.9%*
Euro Area	**1.3%**	**-7.2%**	*4.3%*	*4.0%*
UK	**1.5%**	**-10.6%**	*4.5%*	*5.7%*
Portugal	**2.3%**	**-7.6%**	*4.7%*	*4.3%*
Spain	**2.0%**	**-11.0%**	*5.8%*	*5.6%*
Poland	**4.5%**	**-2.8%**	*3.7%*	*4.4%*
US	**2.2%**	**-3.5%**	*4.1%*	*3.4%*
Brazil	**1.4%**	-4.5%	*3.5%*	*2.5%*
China	**6.0%**	**2.3%**	*8.4%*	*5.5%*

**Consensus according to Bloomberg Feb21 | Bold=Actual | Italic=Consensus*
Source: Bloomberg

Global economic recovery after the first wave of COVID-19 in 2020 was led by China where the mitigation of the outbreak was more successful compared to other large and populous countries and the official GDP for 2020 stood at 2.3%. Emerging and Developing Asia, also favored by the Chinese economic rebound, continued to lead global GDP performance in 2020 with more successful control on infections, limiting GDP to drop -1.7% vs. -3.3% for Emerging Economies, and -5.8% in Advanced Economies, according to the IMF's World Economic Outlook of October 2020.

The worst performance of the World economy in a time of peace was marked by a possible 4% to 5% contraction in GDP during 2020, according to consensus estimates (Bloomberg).

A so-called "W" shaped economic activity curve has been predominant since 2Q2020. Moreover, the pandemic marked the uneven performance across diferent economic sectors.

Since 2Q2020, governments and central banks in every affected nation have engaged in unprecedented efforts to mitigate the pandemic, support economic activity with fiscal stimulus, and provide liquidity for the financial institutions (aiming to reduce strains in credit flows into the real economy). Moreover, these supports are still flowing into the real economy during 2021 in our view.

Debt to GDP ratios jumped in every nation with a larger budget deficit in 2020, according to the European Commissionand the GDP ratio of the Euro area crossed the threshold to 102.7% in 2020 (vs 86% in 2019).

Credit spreads of peripheral Euro nations narrowed in 2020 with the EU's fiscal support program and with the additional liquidity deriving from the measures taken by the ECB to manage the pandemic. The UK and the EU reached an agreement regarding the Brexit by the end of December 2020.

The yield of 10-year benchmark government bonds declined in developed economies during 2020 with the outlook of the prolonged adoption of low interest rate policies by central banks in 2020-2023. The US 10-year Treasury Note's yield fell to 0.91% by the end of December 2020, followed by a narrowing of the German 10-year bund's yield to -0.57%.

In August 2020, the Federal Reserve Board of the US announced a decision to leave the benchmark interest rate near zero for a longer period to foster stronger economic growth even if inflation breaches the target of 2.0%.

In Asia, the yield of Chinese 10-year government bonds denominated in US dollars fell 22 basis points to 0.38% in 2020 with the outlook of strong economic rebound with low inflation and strong Yuan Renminbi.

In currency markets (table below), the US dollar resumed a weakening trend in 2020 with the outlook of low interest rates combined with strong fiscal and external deficits for a prolonged time.

Foreign Exchange Markets (FX rate and % Change)

		2019	2020	% (20-19)
US	Dollar Index	96.39	89.94	-6.7%
Euro	USDEUR	1.12	1.22	8.9%
UK	USDGBP	1.33	1.37	3.1%
China	CNYUSD	6.96	6.53	-6.3%
Brazil	BRLUSD	4.02	5.19	29.0%
Poland	PLNUSD	3.79	3.73	-1.6%

Source: Bloomberg | Analysis: Haitong Bank

2021 OUTLOOK

We expect economic activity to advance at a volatile pace in 2021 and 2022 until the pandemic outbreaks are declared over by the World Health Organization. However, we expect global GDP to advance at a fast pace in the range of 4.0% to 6% in 2021. The COVID-19 pandemic remains the major risk for the global economy in our view. Geopolitical risks were reduced for 2021 with the orderly Brexit, the new US administration elected in November 2020 and the outlook of less aggressive US-China relations in our opinion.

Based on the outlook of gains in the scale of production, distribution, and vaccination in developed nations in 2021, we expect some degree of herd immunity[1] to be achieved in 2H2021. Our view is that a full economic and social recovery will depend on the ability of medical technology to limit the risks of the coronavirus to similar levels of the influenza virus.

We expect further disconnection of financial market participants regarding the positive financial markets performance vs. the need to address a post-pandemic fiscal and monetary normalization in 2021. In such an outlook, especially in developed nations and China, we believe the downside risks for financial market asset classes seem to be postponed for 2022. We also expect emerging markets and commodities to be favored by inflows during 2021 in a weak US dollar scenario with low interest rates in developed markets.

Credit rating agencies refrained from major changes in sovereign debt ratings in 2020 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 solid economic reactivation, weak fiscal performance in the post-pandemic period, and persistent imbalances in financial institutions' balance sheets (including central banks). We expect a limited risk of downgrades in Portugal and Spain in 2021 due to the support from the EU and the ECB.

The global unemployment rate is expected to remain high during 1H2021 but lower than the levels seen during the Great Recession (2008-2009). Furthermore, household income is supported by many governments' pandemic aid programs, thus reducing the income distress compared to previous recessions. Due to the uncertainties caused by the lockdowns and social distancing, household savings reached the highest levels in over 20 years (up to 20% of disposable income during 2020) in Europe and the US (where high-frequency data is more available). In case of an earlier return to normalization, we expect a strong rebound in the global economy led by household consumption that should not be underestimated. In our opinion, a consumer-based recovery with a strong savings rate may trigger higher confidence in investment by the private sector and improve the outlook for governments, central banks, and financial institutions to address the financial legacy of the pandemic.

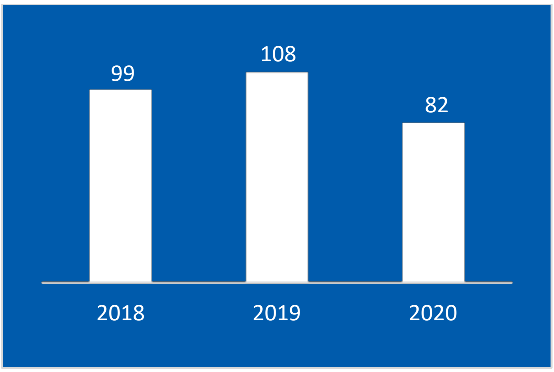
[1] According to epidemiologic studies, the so-called herd immunity is reached when at least 50% of the population becomes immune to a contagious disease (50% to 80% depending on the disease according to the Johns Hopkins Bloomberg School of Public Health).

Financial Overview

During 2020, Haitong Bank has shown a good level of resilience to the impacts of Covid-19 due to the nature of its corporate and institutional business: despite the adverse backdrop, the Bank was able to close the year slightly above the break-even point, reaching a net profit of EUR 1.6 million. The support from the Haitong Group was key in achieving this performance, as well as the continuous commitment to strengthen the franchise with domestic clients.

Banking Income reached EUR 82 million in 2020, down 25% YoY, mainly on the back of a significant drop in fees and commissions (-26% YoY), lower net margin (-17% YoY) and higher market losses (13% YoY). The pandemic has created a very challenging economic and business environment that has negatively impacted Haitong Bank's performance, particularly during the first half. The initial lockdowns in Asia in early 2020 had an immediate impact on the Bank's China-related business, particularly in Capital Markets, which has been one of the strongest contributors to Banking Income over recent years. However, the stronger second half of the year particularly on Structured Finance, M&A and DCM which allowed to offset the first half's underperformance.

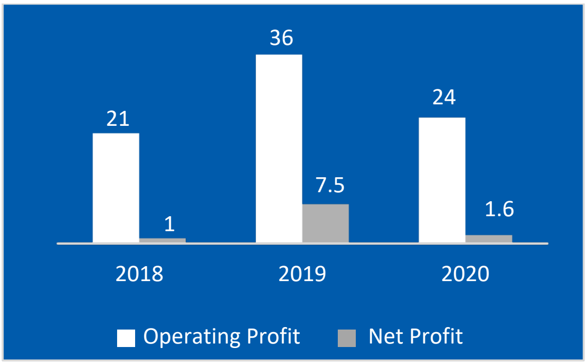
Banking Income



Source: Haitong Bank.

Despite lower revenues, Haitong Bank was able to keep a positive operating profitability. Operating Income reached EUR 23 million in 2020, 35% below the EUR 36 million profit in 2019. Operating Costs stood at EUR 58 million in 2020, down 20% vs the EUR 72 million registered in 2019, mostly due to the decrease in both Staff and Administrative Costs, particularly Travel and Specialized Services.

Operating Income and Net Results

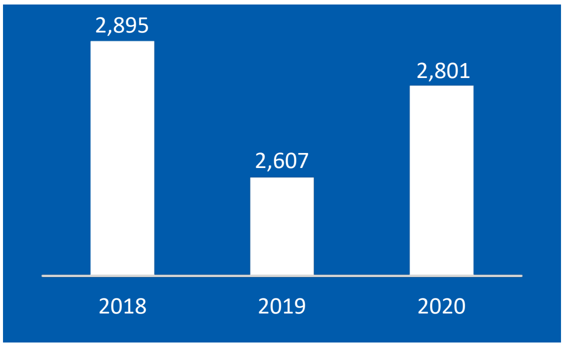


Source: Haitong Bank.

Impairment and provisions maintained its downward trend, benefiting from the important work done in the previous years to improve asset quality, reaching EUR 12 million, below the EUR 23 million registered in 2019. The NPL ratio stood at 1.9% by the end of 2020, showing an improvement vs the 3.6% ratio in 2019. This is the result of prudent standards followed at the credit origination front and the measures undertaken throughout the year to reduce the non-performing loans/exposures of the Bank.

Haitong Bank was also able to expand its balance sheet, a key objective for its future development. By the end of 2020, Haitong Bank's Total Assets reached EUR 2.8 billion, a 7.5% growth YoY. For the first time in several years, the Bank's credit portfolio has registered an increase of 33%, reaching EUR 420 million. The securities portfolio also increased during the year.

Total Assets



Source: Haitong Bank.

All in all, Haitong Bank has faced the current crisis supported by a strong position, not only in terms of balance sheet, but also in terms of capital and liquidity.

Corporate Events

On **JANUARY 28, 2020,** the merger of Haitong do Brasil Participações Ltda in Haitong Negócios, S.A. was approved.

On **JULY 17, 2020,** Haitong Bank's Sole Shareholder decided to nominate the following Officers to the Corporate Bodies for the 2020/2022 triennium, following the Bank of Portugal's decision disclosed to the market on 7 July 2020:

GENERAL MEETING BOARD

Chair: Maria João de Oliveira Ricou Mora do Vale.

Secretary: David Luís Marques Ramalhete.

BOARD OF DIRECTORS

Chair: Lin Yong.

Members: Wu Min; Alan Fernandes; Miguel Guiomar; Nuno Carvalho; Vasco Câmara Martins; António Domingues; Martina García; Pan Guangtao; Paulo Martins; Vincent Camerlynck; Xinjun Zhang.

EXECUTIVE COMMITTEE

Chair: Wu Min.

Members: Alan Fernandes; Miguel Guiomar; Nuno Carvalho; Vasco Câmara Martins.

SUPERVISORY BOARD

Chair: Maria do Rosário Mayoral Robles Machado Simões Ventura.

Members: Mário Paulo Bettencourt de Oliveira; Cristina Maria da Costa Pinto.

Alternate: Paulo Ribeiro da Silva.

STATUTORY AUDITOR

DELOITTE & ASSOCIADOS, SROC, S.A., represented by Mr. João Carlos Henriques Gomes Ferreira.

Treasury

2020 MARKET REVIEW

2020 will be remembered undoubtedly by the surge and global spread of the new COVID-19 pandemic.

In the beginning of 2020, expectations remained fairly positive, despite some uncertainties regarding the Brexit agreement and the US elections. Trade tensions between the US and China seemed to ease and the EU monetary policy was expected to be maintained. With the exponential surge of COVID-19 in China and consequent measures to contain the spread, global economy started showing some signs of slowing down, as many economies were dependent on Chinese suppliers. Quickly, the spread reached western countries leading them to implement lockdown measures to attempt to contain the spread. At this stage, EU peripheral countries suffered the most both with the virus and their Government yields which surged on the back of a fly-to-quality behaviour by investors. Consequently, the ECB implemented several liquidity measures to support the economy and designed a massive Post-COVID-19 recovery plan, although it was only approved in December 2020. The Fed and BoE cut rates twice, to 0.00% and to 0.10%, respectively.

On a second stage, mainly post summer, fear of a second wave of contagion grew globally and the expected fast economic recovery was replaced by swoosh-shaped recovery. Some lockdown measures were reinstated in the surge of the second wave, but most importantly, consumption behaviour has dramatically changed making the recovery harder and slower. During this period, some additional monetary policy measures were taken and record amounts were spent, both in the EU and the US, in order to maintain economies afloat. Government bond yields maintained record low levels supported by massive asset purchase programmes, despite some volatility added by the extended negotiations on the EU – UK Brexit deal and also by former President Trump's rhetoric over the COVID-19 pandemic and consequent trade tensions with China and the EU.

10-year Yields				
Country	Beginning 2020	2020 Highs	2020 Lows	End 2020
Germany	-0.228%	-0.162% (Jan)	-0.861% (Mar)	-0.575%
Italy	1.408%	2.422% (Mar)	0.516% (Dec)	0.539%
Spain	0.438%	1.211% (Mar)	-0.021% (Dec)	0.040%
Portugal	0.407%	1.432% (Mar)	-0.062% (Dec)	0,022%
Greece	1.394%	3.667% (Mar)	0.548% (Dec)	0.613%
USA	1.877%	1.877% (Jan)	0.507% (Aug)	0.913%

Source: Haitong Bank.

In Brazil, by the end of 2019, the expectation of the economic scenario for the year ahead was very constructive positive. After achieving an important milestone on approving the Social Security reform, there were clear indications that the scenario for Brazil would be of strong growth in a low inflation environment.

However, during the carnival festivals, in February 2020, the COVID-19 outbreak hit the markets in US and Europe, which started to change the perspectives for the scenario ahead.

The Brazilian government and the Brazilian Central Bank launched several contention actions in order to face the health and economic crises. Social distancing measures and lockdowns were enforced across the country to attempt to contain the spread of the virus and to not overload the health care system.

The Government and the Congress approved an unprecedented Emergency Relief Program of around 10% of GDP which was focused on income transfers and measures to keep employment and avoid layoffs.

In addition, the Brazilian Central Bank cut the interest rate to a record low, at 2.00%, and implemented several steps to assure liquidity to the banking system.

In the 2Q2020 the effects of fiscal stimulus started to hit the real economy and some sectors began to bounce back. At first, the recovery was concentrated in the retail and industrial sectors, which were boosted by the income injection and external demand. The recovery of the services sector started to rebound in the 2H2020 with softer social distancing measures.

The final picture of the Brazilian economy lays down on an almost "V Shaped" recovery but counting on a challenging fiscal outlook as the deficit in the public accounts was very high, compromising the debt/GDP trajectory.

Inflation on the year-end started to be pressured by food prices, pushed by commodity price dynamics and by the devaluation of the local currency. For the following months, a cooling down of inflation is expected due to the moderation of the disposable income with the possible end of the emergency fiscal transfers.

ACTIVITY HIGHLIGHTS

During 2020, the Bank maintained a very comfortable liquidity position combined with stable funding costs.

In order to achieve a stable and cost effective funding structure, Haitong Bank successfully refinanced an existing Intragroup financing facility, lengthening the average term of debt and improving regulatory liquidity ratios.

To optimize liquidity and minimize funding costs, Haitong Bank reimburse partially EUR 75 million of long term debt.

Retail Deposits

During 2020 the Bank continued to source funds through an online retail deposit platform. This channel has proved to be a stable source of funding with positive effects on NSFR and LCR ratios.

The COVID-19 pandemic had a negative impact on the amounts sourced through this platform from March to April. However a significant recovery occurred until the end of the year, resulting in an increase YoY of 14.0%.

In 2020, the Bank took several initiatives to improve the quality of the offer in the platform, such as the change to online process, the project to receive such deposits in the Haitong´s Bank Madrid branch, as well as analysed alternatives to diversify the current retail deposits sourcing.

Eurosystem Refinancing

Haitong Bank participated in the TLTRO III auction in March, which provided a 3-year financing at zero cost.

In Brazil, the main focus has been the enlargement of investors' base via the diversification of the sources of funding.

The Bank has been able to increase its access to Institutional Investors, Corporate Clients and retail platforms, allowing access to the most suitable instruments to fund its activities.

2021 OUTLOOK

Treasury's main goal for 2021 is to continue to ensure the liquidity needed to develop the Bank's Business Plan, with a particular focus on reducing the funding cost and also through a stable and diversified funding structure, mainly composed by retail funding, long term financing through sindicated loans and/or bond issuances and also through the usage of the monetary policy instruments available through the ECB, in particular the Eurosystem.

Rating

On April 8, 2020, S&P announced a revision of the Bank's Outlook from "Stable" to "Negative". S&P reaffirmed that the long-term credit rating was maintained at "BB" and the short-term credit rating at "B".

On November 17, 2020, S&P reaffirmed the Bank's long-term credit rating at "BB" and the short-term credit rating at "B". The Outlook remained "Negative".

According to S&P, the "Negative" Outlook derives from the current situation originated by the COVID-19 pandemic, and is in line with the other Portuguese banks. According to S&P, this health crisis, which could last longer and be more widespread than currently envisaged, should continue adding pressure on revenue sources and credit losses, which S&P believes might amplify downside risks for Haitong Bank.

On July 7, 2020, S&P has also reaffirmed the credit rating of Haitong Banco de Investimento do Brasil, at "BB-" with a stable Outlook (brAAA/Stable on the local scale).

This was a reflection of its significant revenue contribution and its position as the hub for the LatAm operations of the Haitong Bank Group. Furthermore, capital levels were in line with the average of other investment banks in Brazil and the subsidiary's liquidity levels comfortably cover short-term needs.

The stable Outlook attributed by S&P to the rating of Haitong Brazil for the next 12 months reflects the Outlook on the foreign currency sovereign rating of Brazil (BB-/Stable/B) and its importance as a core subsidiary to Haitong Bank.

HAITONG BANK, S.A.	Counterparty Credit Rating
April 8th, 2020	BB / Negative / B
November 17th, 2020	BB / Negative / B

Risk Management

Governance

The Board of Directors is the ultimate responsible for Haitong Bank's Risk Management Framework. The Board of Directors is 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.

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

Risk Committee

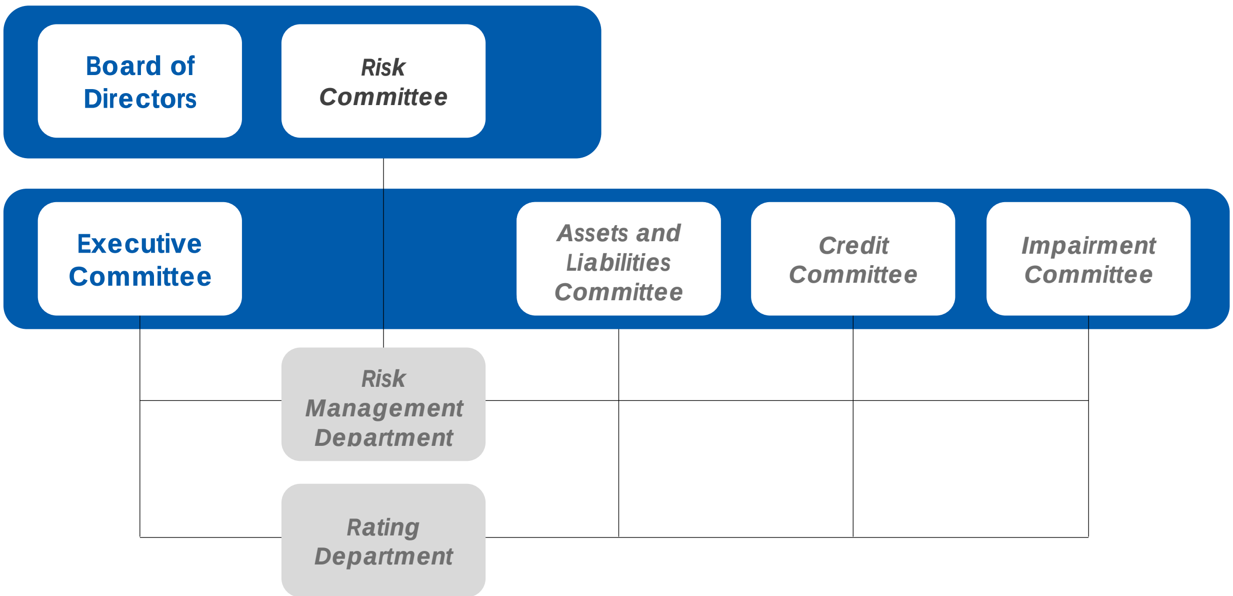
The Risk Committee's mission is to continuously monitor the development and implementation of the Bank's risk strategy/appetite and verify whether they are compatible with a sustainable strategy in the medium and long-term.

Assets and Liabilities Committee

The Assets and Liabilities Committee ("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 and the asset and liability risk management, internal transfer pricing and investment policy, in alignment with the Bank's business strategy and 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 impairment assessment on an individual basis.

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:

- Assessing and deciding on operations involving risk taking for the Bank within the Credit Committee's Decision Framework established by the Executive Committee;
- Issuing non-binding opinions regarding operations that fall outside of: (i) the Credit Committee's Decision Framework approved by the Executive Committee; or (ii) the Risk Appetite Framework ("RAF") approved by the Board of Directors – in these cases operations shall be submitted, respectively, for the Executive Committee's or for the Board of Directors' assessment.

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 focus is on: DCM, Structured Finance, M&A Advisory, FICC and Asset Management.

Haitong Bank acknowledges that its risk management function is a key factor for the prudent delivery of its strategic objectives. Haitong 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.
- **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, 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 as one of the key pillars of the Bank 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 the credit recovery.

ASSET QUALITY

Loan Portfolio

Portfolio breakdown

In December 2020, the loan portfolio (gross exposure) amounted to EUR 432 million, which represents an increase of approximately EUR 105 million compared to December 2019.

Loan Portfolio Asset Classes and Geographic Breakdown (EUR thousand)

	December 2020		
	Domestic	International	Total
Loan Portfolio[1]	**143,984**	**288,046**	**432,030**
Specialized Lending	126,784	34,311	**161,095**
Corporate	13,038	240,783	**253,821**
Others	4,162	12,952	**17,114**

	December 2019		
	Domestic	International	Total
Loan Portfolio[1]	**160,071**	**166,657**	**326,728**
Specialized Lending	149,627	46,210	**195,837**
Corporate	2,127	120,427	**122,554**
Others	8,317	20	**8,337**

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

The breakdown of the loan portfolio by asset class reveals the growing importance of the international lending activity of the Bank. The most notable fact that emerges from the evolution of the Loan Portfolio is the growth of the Bank's corporate segment in 2020, which has more than doubled in comparison to the previous year, mainly driven by new credit deals in Spain and Brazil. As a result, there has been a continuing decrease of the Specialized Lending in proportion to the Bank's overall credit portfolio, and whose exposures to the Transportation Infrastructure and Power sectors also involving lesser amounts in comparison to 2019.

Loan Portfolio Asset Classes by Industry

	December 2020			
	Specialized Lending	Corporate	Others	Total
TOTAL	**37.3%**	**58.6%**	**4.1%**	**100.0%**
Transportation Infrastructure	23.3%	0.5%	0.0%	**23.8%**
Power	13.5%	8.4%	0.0%	**21.9%**
Metals & Mining	0.0%	13.4%	0.0%	**13.4%**
Telecoms	0.0%	6.4%	0.0%	**6.4%**
Paper & Forest Products	0.0%	5.2%	0.0%	**5.2%**
Construction & Engineering	0.0%	7.8%	0.0%	**7.8%**
Agribusiness & Commodity Foods	0.0%	3.2%	0.0%	**3.2%**
Building Materials	0.0%	2.9%	0.0%	**2.9%**
Capital Goods	0.0%	2.7%	0.0%	**2.7%**
Commercial & Professional Services	0.0%	2.7%	0.0%	**2.7%**
Transportation	0.4%	2.7%	0.0%	**3.1%**
Funds & Asset Managers	0.0%	0.0%	2.5%	**2.5%**
Water Utilities	0.0%	0.0%	0.0%	**0.0%**
Others	0.1%	2.7%	1.6%	**4.4%**

	December 2019			
	Specialized Lending	Corporate	Others	Total
TOTAL	**59.8%**	**37.6%**	**2.6%**	**100.0%**
Transportation Infrastructure	34.8%	0.9%	0.0%	**35.7%**
Power	24.2%	0.0%	0.0%	**24.2%**
Metals & Mining	0.0%	22.1%	0.0%	**22.1%**
Telecoms	0.0%	0.0%	0.0%	**0.0%**
Paper & Forest Products	0.0%	5.5%	0.0%	**5.5%**
Construction & Engineering	0.0%	4.9%	0.0%	**4.9%**
Agribusiness & Commodity Foods	0.0%	1.7%	0.0%	**1.7%**
Building Materials	0.0%	0.0%	0.0%	**0.0%**
Capital Goods	0.0%	0.3%	0.0%	**0.3%**
Commercial & Professional Services	0.2%	0.8%	0.0%	**1.0%**
Transportation	0.6%	0.3%	0.0%	**0.9%**
Funds & Asset Managers	0.0%	0.0%	0.0%	**0.0%**
Water Utilities	0.0%	0.2%	0.0%	**0.2%**
Others	0.0%	0.9%	2.6%	**3.5%**

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 2020	December 2019
[aaa+; a-]	0.5%	0.8%
[bbb+; bbb-]	16.4%	21.0%
[bb+; bb-]	36.6%	23.1%
[b+; b-]	46.6%	55.1%

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

Risk Indicators

Throughout 2020, Haitong Bank continued to pursue a reduction strategy for non-performing loans (NPL), as well as a conservative approach with regards to the impairment coverage of its credit portfolio.

Credit Risk Indicators (EUR thousand)

	December 2020	December 2019
Loan Portfolio	**432,030**	**326,728**
Non-Performing Loans (NPL)	**8,005**	**11,883**
NPL Ratio	1.9%	3.6%
Impairment for NPL	**4,123**	**4,830**
NPL coverage	51.5%	40.6%
Gross Exposure	**1,870,321**	**1,804,837**
Non-performing exposures (NPE) (1)	**64,581**	**91,658**
NPE Ratio	3.5%	5.1%
NPE Impairment Coverage	44.1%	49.4%
Forborne Exposures (1)	**117,008**	**64,860**
Of which performing exposure (%)	88.0%	68.7%

(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 loan (NPL) ratio to 1.9% and the non-performing exposure (NPE) to 3.5% in December 2020 results from the prudent standards followed at credit origination and the measures undertaken throughout the year to reduce the non-performing loans of the Bank.

Fixed Income Assets

Portfolio breakdown

The fixed income portfolio ended 2020 with a net total of EUR 1,250 million, representing an increase of EUR 299 million when compared with December 2019, as a result, not only from the increase of European and Brazilian sovereign debt portfolios but also deriving from the participation in debt placements of international corporate clients, namely from Europe and China.

Fixed Income Portfolio by Sector (EUR thousand)

	December 2020	December 2019
Total	1,249,910	951,251
Governments	840,197	696,029
Real Estate	77,120	85,791
Transportation	54,604	1,367
Banks	27,215	4,733
Non Bank Financial Institutions	26,635	0
Construction & Engineering	23,634	56,412
Health Care	20,987	1,074
Retailing	20,860	573
Power	20,400	20,804
Technology Hardware & Equipment	19,713	22,289
Hotels & Gaming	17,410	0
Capital Goods	16,578	11,896
Automobiles & Components	14,955	226
Oil & Gas	13,894	22,628
Agribusiness & Commodity Foods	9,367	0
Metals & Mining	8,902	3,737
Telecoms	8,692	120
Building Materials	8,348	8,719
Paper & Forest Products	7,256	6,253
Commercial & Professional Services	1,261	6,883
Others	11,882	1,717

Source: Haitong Bank.

Internal Rating Profile

In December 2020, the rating profile of the Bank's fixed income portfolio was the following:

Fixed Income Portfolio Rating Profile

	December 2020	December 2019
[aaa; a-]	3.0%	0.3%
[bbb+; bbb-]	26.5%	23.5%
[bb+; bb-]	66.5%	74.3%
[b+; b-]	4.0%	1.9%

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, exchange rate, credit and equity derivatives amounted to EUR 143 million in 2020, which represents an increase of EUR 17 million in comparison with December 2019, mainly due to the increase of derivatives in the Transportation sector.

In terms of the breakdown by counterparty risk sector, in 2020, 42% of the global exposure relates to transactions in Transportation Infrastructure, followed by 28% in Transportation's counterparties.

Derivatives Portfolio by sector (EUR thousand)

	December 2020	December 2019
Total	**142,952**	**125,603**
Transportation Infrastructure	60,622	63,857
Transportation	40,105	4,750
Banks	10,395	32,683
Food, Beverage & Tobacco	5,721	4,735
Oil & Gas	5,582	1,061
Power	5,061	6,142
Non Bank Financial Institutions	6,314	3,670
Broker Dealers	3,187	5,073
Agribusiness & Commodity Foods	3,047	2,869
Paper & Forest Products	214	754
Others	2,704	9

Source: Haitong Bank.

The Bank mainly takes counterparty credit risk in derivatives while providing hedge solutions to the corporate clients (also encompassing project finance entities). Thus, in 2020, the Bank's total exposure to derivative instruments focused on interest rate swaps and on commodity swaps.

Internal Rating Profile

Derivatives Portfolio Rating Profile

	December 2020	December 2019
[aaa+;a-]	7.9%	17.0%
[bbb+;bbb-]	46.1%	52.7%
[bb+;bb-]	7.9%	11.2%
[b+;b-]	38.1%	19.0%

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

MARKET RISK

Market risk is 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 to.

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.

The Market Risk Control unit is responsible for analysing the relevant factors for each type of risk using statistical techniques; measuring market volatility, analysing depth and liquidity indicators, and simulating the transactions value under different market conditions.

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 estimate 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 2020 Haitong Bank's VaR amounted to EUR 4.8 million, representing an increase of EUR 1.0 million when compared with December 2019.

Value at Risk by Risk Factor (EUR million)

	December 2020	December 2019
Foreign Exchange	1.9	1.7
Interest Rate	0.4	1.0
Equity and Commodities	0.0	0.5
Credit Spread	2.7	1.2
Covariance	-0.3	-0.6
Global VaR	**4.8**	**3.8**

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 change when interest rates change. Change in interest rates also affect a bank's earnings by increasing or decreasing its net interest income (NII).

As of December 2020, the impact on the banking book economic value, under a parallel shock on the yield curve of +/- 200 bps was estimated at EUR 14.46 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). In order to mitigate the risk of a mismatch between the liabilities and the portfolio of assets, Haitong Bank has implemented a strategic asset allocation to the pension fund based on an Asset Liability Modelling exercise and has in place a governance structure that regularly monitors the pension scheme solvency evolution (liabilities growth vs. portfolio of assets).

In December 2020, based on a favourable opinion of Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF), one of Haitong Bank's pension fund was converted into a defined contribution plan. This change has a favourable impact on the Bank's exposure to this risk.

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, information systems and compliance 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, recognised as reflecting the best practices in this area.

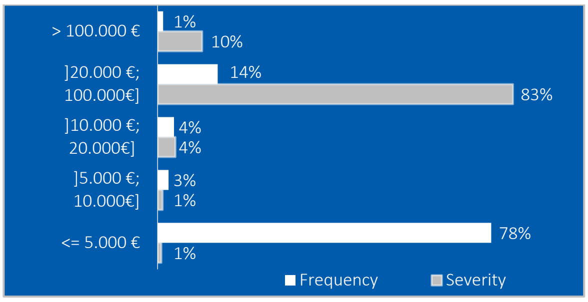
The operational risk management model is supported by an exclusively dedicated structure within the organisation which is responsible for the following processes:

- 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;
- 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's Risk Assessment Model, by business lines and by Basel event types.

Distribution of frequency and severity of events by individual loss bucket

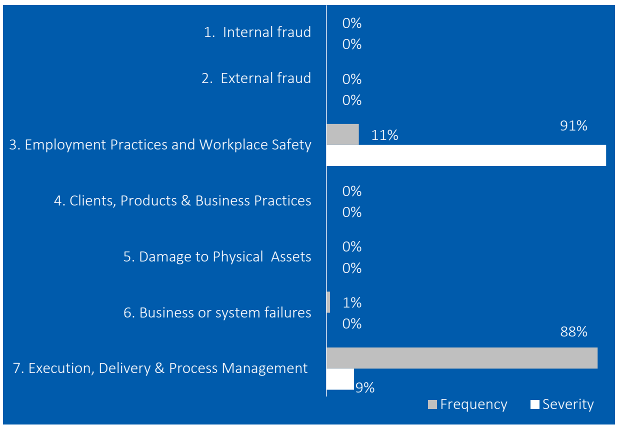


Source: Haitong Bank.

A great majority of the event recorded in 2020 (78%) refer to event losses below EUR 5,000.

Following Basel's event classification, in 2020, 88% of total reported events were related with Execution, Delivery & Process Management event type, however, only for 9% of these events reported were losses. Employment Practices and Workplace Safety events was the event type with higher loss severity accounting for 91% of total reported losses, with these losses generated in Haitong's Brazilian subsidiary.

Distribution of frequency and severity of events by event type



Source: Haitong Bank.

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, 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.

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 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 2020, Haitong Bank reached an LCR of 259%, which represents a resilient short-term liquidity position, comfortably complying with regulatory standards.

Liquidity Coverage Ratio (EUR thousand)

	December 2020	December 2019
High-Quality Liquid Assets	738,419	885,719
30 days Net Outflow	285,123	164,981
Liquidity Coverage Ratio	259%	537%

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 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 2020, Haitong Bank reached a NSFR of 157%, ensuring an adequate medium- to long-term funding profile.

NSFR

	December 2020	December 2019
Net Stable Funding Ratio	157%	181%

Source: Haitong Bank.

The NSFR ratio presented above is based on Haitong Bank's interpretation of the Basel Committee on Banking Supervision NSFR rules.

In May 2019, Regulation (EU) 2019/876 of the European Parliament and of the Council was published, amending Regulation (EU) 575/2013 (CRR), with a specific chapter dedicated to the NSFR, which shall be applied from June 2021.

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 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 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.

Complementing the regulatory focus, Haitong Bank periodically executes an internal risk-based capital self-assessment (ICAAP) that consists of a forward-looking measurement of all 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 (Regulation EU nº 575/2013) and CRD IV (Directive 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 2021).

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 Portugal. As of 31st December 2020, 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. 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 annually revised under the Supervisory Review and Evaluation Process performed by the Bank of Portugal.

As of December 2020, Haitong Bank's capital ratios were calculated under the CRR (Regulation EU nº 575/2013) and CRD IV (Directive 2013/36/EU) Standard Approach on both a transitional and fully-loaded basis, and are shown in the following table.

Solvency Ratios

	December 20	
	Phased-in	Fully-loaded
CET1 ratio	22.7%	22.6%
Tier 1 ratio	28.4%	28.3%
Total capital ratio	28.5%	28.4%

	December 19	
	Phased-in	Fully-loaded
CET1 ratio	28.4%	28.2%
Tier 1 ratio	35.7%	35.4%
Total capital ratio	35.9%	35.5%

Source: Haitong Bank.

The prudent capital management implemented by Haitong Bank has allowed the strengthening of solvency levels, ensuring a highly 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 2020, Haitong Bank's leverage ratios, calculated under the Basel III Standard Approach on both a transitional and fully-loaded basis, are shown in the following table.

Leverage Ratios

	December 20	December 19
Phased-in	15.6%	19.8%
Fully-loaded	15.5%	19.7%

Source: Haitong Bank

The leverage ratio is based on Haitong Bank's current understanding of the regulatory framework.

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 2020 and 2019

(thousand euros)

	Notes	31.12.2020	31.12.2019
Interest and similar income	5	62 093	80 678
Interest and similar expenses	5	35 418	48 595
Financial margin		**26 675**	**32 083**
Fees and commissions income	6	65 806	87 965
Fees and commissions expenses	6	(5 713)	(7 253)
Net trading income	7	(15 093)	453
Net income from other financial instruments at fair value through profit or loss	8	2 657	7 555
Net gain/(loss) from derecognition of financial assets measured at fair value through other comprehensive income	9	2 497	2 524
Net gains/(losses) from hedge accounting	19	1	(28)
Net gains / (losses) from foreign exchange differences	10	8 518	(6 073)
Net gain/(loss) from derecognition of financial assets measured at amortised cost	11	3 016	301
Other operating income and expense	12	(6 437)	(9 142)
Operating Income		**81 927**	**108 385**
Employee costs	13	34 135	44 721
Administrative costs	15	16 783	19 582
Depreciations and amortisations	24 and 25	7 258	8 151
Provisions	31	5 695	1 678
Net impairment loss on financial assets	31	6 730	11 600
Net impairment loss on other assets	31	-	9 859
Operating expenses		**70 601**	**95 591**
Share of profit of associates	26	(379)	(200)
Profit / (Loss) before Income Tax		**10 947**	**12 594**
Income tax			
Current tax	32	2 161	2 970
Deferred tax	32	6 429	8 036
		8 590	**11 006**
Net profit of continued operations		**2 357**	**1 588**
Net profit of discontinued operations	34	-	6 291
Net Profit / (Loss) for the year		**2 357**	**7 879**
Attributable to shareholders of the parent company		**1 641**	**7 508**
Attributable to non-controlling interests	36	**716**	**371**
		2 357	**7 879**
Basic Income per Share (in euros)	16	0.01	0.04
Diluted Income per Share (in euros)	16	0.01	0.04

The Director of the Finance Department

The Board of Directors

Consolidated Statement of Comprehensive Income for the financial years ended on the 31st December 2020 and 2019

(thousand euros)

	31.12.2020	31.12.2019
Net income for the year		
Attributable to shareholders of the parent company	1 641	7 508
Attributable to non-controlling interests	716	371
	2 357	**7 879**
Other comprehensive income for the year		
Items that will not be reclassified to profit and loss		
Actuarial gains/(losses), net of taxes	(1 041)	(3 456)
	(1 041)	**(3 456)**
Items that may be reclassified to profit and loss		
Exchange differences net of taxes		
Foreign currency translation differences for foreign operations	(37 464)	(1 331)
Net gains/(losses) on hedges of net investments in foreign operatons (see Note 40)	20 711	(3 551)
Own credit risk effect on liabilities valuation net of taxes	-	58
Other comprehensive income from associates	363	(272)
Comprehensive income from discontinued operations net of taxes	-	(87)
Fair value changes of debt instruments measured at fair value through other comprehensive income net of taxes	(2 200)	1 002
	(18 590)	**(4 181)**
Total comprehensive income/(loss) for the year	**(17 274)**	**242**
Attributable to shareholders of the parent company	**(10 104)**	**(77)**
Attributable to non-controlling interests	**(7 170)**	**319**
	(17 274)	**242**

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

Consolidated Statement of Financial Position as at the 31st December 2020 and 2019

(thousand euros)

	Notes	31.12.2020	31.12.2019
Assets			
Cash and cash equivalents	17	494 885	637 829
Financial assets at fair value through profit or loss		805 416	623 801
Financial assets held for trading		770 119	586 295
Securities	18	627 057	437 572
Derivative financial assets	19	143 062	148 723
Non-trading financial assets mandatorily at fair value through profit or loss		35 297	37 506
Securities	20	35 297	37 399
Loans and advances to customers	22	-	107
Financial assets at fair value through other comprehensive income	20	160 756	177 187
Financial assets measured at amortised cost		996 653	795 839
Securities	20	461 453	335 755
Loans and advances to banks	21	115 160	145 470
Loans and advances to customers	22	420 040	314 614
Hedging derivatives	19	151	-
Non-current assets held-for-sale	23	1 699	2 244
Other tangible assets	24	10 593	12 777
Intangible assets	25	4 658	6 967
Investments in associated companies	26	-	15
Tax assets		118 189	156 702
Current income tax assets	32	22 490	40 364
Deferred income tax assets	32	95 699	116 337
Other assets	27	208 414	193 549
Total Assets		**2 801 414**	**2 606 910**
Liabilities			
Financial liabilities held for trading		221 787	281 660
Securities	18	79 083	132 758
Derivative financial liabilities	19	142 704	148 902
Financial liabilities measured at amortised cost		1 870 363	1 540 734
Resources of credit institutions	28	577 996	302 248
Resources of customers	29	1 227 505	1 041 374
Debt securities issued	30	64 862	197 112
Hedging derivatives	19	-	300
Provisions	31	20 923	21 309
Tax liabilities		6 519	7 988
Current income tax liabilities	32	5 189	7 044
Deferred income tax liabilities	32	1 330	944
Other liabilities	33	83 733	139 377
Total Liabilities		**2 203 325**	**1 991 368**
Equity			
Share capital	35	844 769	844 769
Share premium	35	8 796	8 796
Other equity instruments	35	108 773	108 773
Fair-value reserves	36	(1 391)	468
Other reserves and retained earnings	36	(383 292)	(380 914)
Net profit/(loss) for the year attributable shareholders of the parent company		1 641	7 508
Total equity attributable to the shareholders of the parent company		**579 296**	**589 400**
Non-controlling interests	36	18 793	26 142
Total Equity		**598 089**	**615 542**
Total Equity and Liabilities		**2 801 414**	**2 606 910**

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 2020 and 2019

(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 2018	**844 769**	**8 796**	**108 773**	**(173)**	**(373 847)**	**1 159**	**589 477**	**26 029**	**615 506**
Other movements recorded directly in equity (see Notes 36 and 40):									
Changes in fair value, net of taxes	-	-	-	641	-	-	641	361	1 002
Other comprehensive income of associates	-	-	-	-	(272)	-	(272)	-	(272)
Exchange differences, net of taxes	-	-	-	-	(4 469)	-	(4 469)	(413)	(4 882)
Own credit risk changes	-	-	-	-	58	-	58	-	58
Actuarial gains/ (losses), net of taxes	-	-	-	-	(3 456)	-	(3 456)	-	(3 456)
Transfer of comprehensive income from discontinuing operations	-	-	-	-	(87)	-	(87)	-	(87)
Net profit / (loss) for the period	-	-	-	-	-	7 508	7 508	371	7 879
Total comprehensive income for the period	**-**	**-**	**-**	**641**	**(8 226)**	**7 508**	**(77)**	**319**	**242**
Transfers for reserves and retained earnings (see Note 36)	-	-	-	-	1 159	(1 159)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	(206)	(206)
Balance as at 31 December 2019	**844 769**	**8 796**	**108 773**	**468**	**(380 914)**	**7 508**	**589 400**	**26 142**	**615 542**
Other movements recorded directly in equity (see Notes 36 and 40):									
Changes in fair value, net of taxes	-	-	-	(1 859)	-	-	(1 859)	(341)	(2 200)
Other comprehensive income of associates	-	-	-	-	363	-	363	-	363
Exchange differences, net of taxes	-	-	-	-	(9 208)	-	(9 208)	(7 545)	(16 753)
Actuarial gains/ (losses), net of taxes	-	-	-	-	(1 041)	-	(1 041)	-	(1 041)
Net profit / (loss) for the period	-	-	-	-	-	1 641	1 641	716	2 357
Total comprehensive income for the period	**-**	**-**	**-**	**(1 859)**	**(9 886)**	**1 641**	**(10 104)**	**(7 170)**	**(17 274)**
Transfers for reserves and retained earnings	-	-	-	-	7 508	(7 508)	-	-	-
Transactions with non-controlling interests (see Note 36)	-	-	-	-	-	-	-	(179)	(179)
Balance as at 31 December 2020	**844 769**	**8 796**	**108 773**	**(1 391)**	**(383 292)**	**1 641**	**579 296**	**18 793**	**598 089**

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

Consolidated Cash Flow Statement for the financial years ended on the 31st December 2020 and 2019

(thousand euros)

	Notes	31.12.2020	31.12.2019
Cash flows from operating activities			
Interests received		87 820	107 338
Interests paid		(46 433)	(35 984)
Fees and commissions received		67 732	87 985
Fees and commissions paid		(5 713)	(7 253)
Loans recovery		3 016	134
Cash payments to employees and suppliers		(57 514)	(71 831)
		48 908	**80 389**
Changes in operating assets and liabilities:			
Resources at central banks		2 382	(642)
Trading financial assets and liabilities		(237 814)	1 608
Loans and advances to banks		44 087	(19 172)
Resources of other credit institutions		274 804	(57 186)
Loans and advances to customers		(124 435)	213 196
Resources of costumers		182 017	(22 238)
Hedging derivatives		(451)	300
Other operating assets and liabilities		(81 006)	(8 822)
Net cash flow from operating activities before income tax		**108 492**	**187 433**
Income taxes paid		5 404	(2 757)
		113 896	**184 676**
Net cash flows from investment activities			
Sale of investments in subsidiaries and associates		-	12 000
Purchase of securities		(686 371)	(519 532)
Sale and repaymentsof securities		552 596	597 761
Purchase of fixed assets		(2 780)	(2 986)
Sale of of fixed assets		1 075	160
		(135 480)	**87 403**
Cash flows from financing activities			
Debt securities issued	30	36 751	36 190
Reimbursement of debt securities issued	30	(155 550)	(12 132)
Reimbursement of subordinated liabilities	36	(179)	(206)
Net cash flow from financing activities		**(118 978)**	**23 852**
Net changes in cash and equivalents		**(140 562)**	**295 931**
Cash and equivalents at the beginning for the year		631 876	335 945
Cash and equivalents at the end for the year		491 314	631 876
		(140 562)	**295 931**
Cash and equivalents includes:			
Cash	17	463 076	612 016
Deposits at other credit institutions	17	31 809	25 813
(-) Minimum Reserves	17	(3 571)	(5 953)
Total		**491 314**	**631 876**

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

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.

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.

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 Capital - SCR, S.A.	1988	1996	Portugal	Venture capital	100%	Full Consolidation
Fundo Espírito Santo IBERIA I	2004	2004	Portugal	Venture capital fund	46%	Equity method
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 Negocios, SA	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 throughout 2020, and the main changes made to the group's structure are set forth below.

Subsidiaries

- On January 28, 2020, the merger of Haitong do Brasil Participações Ltda in Haitong Negócios, SA was approved.

During the 2020 financial year, there was no movements regarding acquisitions and disposals of investments in subsidiaries and associates. During the 2019 financial year, the movements regarding acquisitions and disposals of investments in subsidiaries and associates are presented as follows:

(thousand euros)

	31.12.2019	
	Disposals	
	Sale amount	Gains/ (losses) in sales/disposals
Subsidiaries		
Haitong Investment Ireland PLC (Note 34)	12 000	1 967
SES Iberia	3	-
Total	**12 003**	**1 967**

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 financial year ended on the 31st of December, 2020, which have been prepared in accordance with the IFRS in force, as adopted in the European Union until the 31st of December, 2020.

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1st January 2020. 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 25 of February, 2021.

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 transations 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 amortized 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 amortized 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 amortized 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 Group may irrevocably designate a financial asset that meets the criteria to be classified as "Financial assets at amortized 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 recognized 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 amortized 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 amortized 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 amortized 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 derecognized 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 amortized 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 recognized 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 recognized if measured at amortized cost.

When a debt instrument measured at fair value through other comprehensive income is derecognized 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 recognizes a gain or loss arising from the difference from the previous amortized 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 rewards of that asset are transferred to another entity when a change is found to be significant under the terms and conditions of that asset;
b) when transferring the asset and, following this transfer, all the risks and benefits of the asset are transferred to another entity considered when there is a significant change in the terms and conditions of the asset;
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 amortized 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 recognize 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 recognized 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 amortized cost against a cumulative balance sheet impairment account, which reduces the book value of the asset.

The Group recognizes 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 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:

- 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, 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. 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 recognized 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). Note that 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 40 – 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 Amortized 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 assumed, 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 debtor's credit under a dispute 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) debts to tax agency, social security and/or to employees overdue; (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 identification of indicators that may suggest a reduced likelihood 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 protection; v) interest related to credit obligations is no longer recognized (non-accrued status) in the income statement (part or under conditionality); and vi) other conditions (ad-hoc) that may suggest reduced likelihood of payments by the debtor.

The definition of default followed by the Group follows 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 includes 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 address 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; and
- 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 recognized 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 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.

2.7. 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).

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 Bank recognizes 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.

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 as follows:

- Income from services and commissions obtained from the performance of a significant act, such as commissions in the syndication of loans, are recognised in income once the significant act has been completed;
- Income from services and commissions obtained as the services are being provided are recognised in income for the relevant period;

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. Cash and cash equivalents exclude mandatory deposits held with Central Banks.

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 Covid-19 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 amortized 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 analyzed 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 collateral (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 recognized, 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"'s) PD's, 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 40 – Risk Management.

The new procedures and criteria considered by the Group in the preparation of accounting estimates in the context of the coronavirus pandemic ("Covid-19"), as well as the analysis of the impacts of Covid-19 in the definition of IFRS 9 risk Stage, classification of significant increase in credit risk or default, and definition of impairment, are detailed in Note 41 - Impact of Pandemic Covid-19.

The use of scenarios or alternative methodologies with other assumptions and estimates, namely as to the effects of the coronavirus pandemic ("Covid-19"), could result in different levels of impairment losses recognized, and a consequent impact on the Group's results.

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.

On the other hand, the Bank accounts for deferred taxes in accordance with the policy set forth in Note 2.13, whereby deferred tax assets are accounted for only insofar as it is expected that there will be taxable profit in the future, which are able to absorb tax losses carried forward and deductible temporary differences.

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 (see note 32). However, it is the belief of the Bank's Board of Directors and its subsidiaries, that there will be no significant corrections to income taxes state on financial statements, with a material impact on its equity and results.

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 amortized cost and at fair value through other comprehensive income that are derecognized 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 of the operating segments comprise the following activities, products, customers and structures of the Group:

Mergers and Acquisitions Division

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, restructuring and feasibility studies.

Capital Markets Division

The Capital Markets Division comprises 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, project bonds and commercial paper programmes.

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

Fixed Income, Currency and Commodities Division

The purpose of the FICC Division is to provide a professional, differentiated and high-quality product and service to institutional and corporate clients as well as provide Haitong Bank with a multi-client and international distribution platform.

With dedicated Trading, Syndication, Distribution and Derivatives teams, the FICC Division offers "Market Making" services for corporate and sovereign debt securities, distribution and syndication of debt products with the international base of institutional investors. The FICC, through the derivative teams, is also responsible for structuring and distributing tailor-made hedging instruments (on different types of assets and currencies), for corporate and institutional clients, offering a wide range of products with payoffs "Plain vanilla" and structured.

Equities Division

Equities Division provides a global execution for European investors with a wide customized execution solutions available for our institutional clients. Following the collaboration agreement signed with Haitong International the potential for the distribution of our Polish and Asian product research have also been reinforced.

Structured Finance Division

The mission of the Structured Finance Division is to develop financing solutions to its Clients, namely under the form of acquisition / leverage finance, asset based and project finance loans, as well as the provision of financial advisory services in the deals structuring and public tenders involving bidding processes and / or the provision of arranging and agency services for financing operations.

Corporate Solutions

The purpose of corporate solutions division is to establish relationships with clients in various sectors and to identify business opportunities and attract business to the bank's product areas.

This unit will also monitor cross border opportunities with a view to ensure a business liaison between the group's various geographies.

Treasury Division

The purpose of the Treasury Division is to ensure an appropriate level of funding to meet the Bank's and the Group's current and future funding needs, as well as to maintain and manage an appropriate level of liquidity to meet the financial liabilities.

Additionally, the purpose of the Treasury Division is also to manage the Bank's proprietary HQLA portfolio effectively and efficiently.

Private Equity

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

Corporate Centre

The business area is not exactly an operating segment. It is a combination of corporate transversal structures ensuring basic functions of global management for the Group, such as those associate with the Administration 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 credit operations in which the Bank is involved as finance provider, which under the IFRS9 criteria, are categorized as nonperforming.

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

Global Markets

The mission of the Global Markets Division is to manage any market risks of several risk factors to which the Bank is exposed, such as: fixed interest rates, inflation, FX, equities, etc., which originate through the proprietary portfolio and strategy of the Global Markets area (trading and banking) or through other gaps in risk factors resulting from the Bank's commercial or Sales activities.

Other

Includes all remaining segments of the Group's Management Information model, which, in accordance with the provisions laid down in IFRS 8, is not subject to mandatory individualisation (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 interest 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 recognized 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 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)

	31.12.2020												
	Structured Finance	Special Portfolio Management	Mergers and Acquisitions	Capital Markets	FICC	Equities	Global Markets	Private Equity	Treasury	Corporate Solutions	Corporate Centre	Other	Total
Net interest income	7 673	(651)	(8)	3 456	625	(54)	20 821	-	(7 213)	(4)	79	1 951	26 675
Net fees and comissions	6 298	488	19 332	23 879	4 331	4 791	(196)	1 118	(3 974)	807	(324)	3 783	60 333
COMERCIAL OPERATING INCOME	13 971	(163)	19 324	27 335	4 956	4 737	20 625	1 118	(11 187)	803	(245)	5 734	87 008
Results on financial operation	2 070	(5)	(1)	(2)	5 104	(18)	(7 144)	2 353	(801)	(2)	(109)	(69)	1 376
Costs Deducting Banking Income	(414)	-	(73)	(26)	(198)	(31)	(696)	(13)	(470)	-	(4 816)	(99)	(6 836)
Intersegment Operating Income	320	(320)	-	-	(2 599)	-	(27)	-	3 440	-	(886)	72	-
TOTAL OPERATING INCOME	15 947	(488)	19 250	27 307	7 263	4 688	12 758	3 458	(9 018)	801	(6 056)	5 638	81 548
Operation expenses	1 968	1 105	4 823	2 488	5 327	1 907	1 477	932	1 737	1 656	33 104	1 652	58 176
Staff costs	1 597	661	3 246	1 875	2 734	823	505	742	864	1 351	18 571	1 166	34 135
General administration expenses	261	407	1 301	485	2 119	945	905	143	786	164	8 927	340	16 783
Depreciations and Amortisations	110	37	276	128	474	139	67	47	87	141	5 606	146	7 258
Gross income	13 979	(1 593)	14 427	24 819	1 936	2 781	11 281	2 526	(10 755)	(855)	(39 160)	3 986	23 372
Impairment and Provisions	(3 523)	(249)	(386)	(1 837)	(226)	(8)	253	(36)	(980)	-	(5 349)	(84)	(12 425)
Credit impairment	(2 217)	-	-	-	-	-	(1)	(52)	-	-	179	(74)	(2 165)
Securities impairment	360	-	-	(1 773)	(199)	-	255	-	(1 033)	-	-	-	(2 390)
Net provisions and other impairment	(1 666)	(249)	(386)	(64)	(27)	(8)	(1)	16	53	-	(5 528)	(10)	(7 870)
Income before taxes	10 456	(1 842)	14 041	22 982	1 710	2 773	11 534	2 490	(11 735)	(855)	(44 509)	3 902	10 947

(thousand euros)

	31.12.2019											
	Structured Finance	Special Portfolio Management	Mergers and Acquisitions	Capital Markets	FICC	Equities	Global Markets	Private Equity	Treasury	Corporate Centre	Other	Total
Net interest income	7 880	(1 716)	(10)	5 846	712	(76)	15 819	(1)	(1 493)	(121)	5 243	32 083
Net fees and comissions	8 429	866	19 126	41 142	7 999	4 925	(303)	910	(4 653)	(875)	3 346	80 912
COMERCIAL OPERATING INCOME	16 309	(850)	19 116	46 988	8 711	4 849	15 516	909	(6 146)	(996)	8 589	112 995
Results on financial operation	(17)	(159)	52	11	5 334	(8)	(2 503)	5 918	(3 035)	(5 305)	550	838
Costs Deducting Banking Income	(345)	-	(112)	(5)	(187)	(22)	(696)	(19)	358	(4 245)	(374)	(5 647)
Intersegment Operating Income	(1 009)	1 009	1 347	2	(2 758)	-	(65)	-	997	280	196	(1)
TOTAL OPERATING INCOME	14 938	-	20 403	46 996	11 100	4 819	12 252	6 808	(7 826)	(10 266)	8 961	108 185
Operation expenses	2 514	1 155	5 250	2 563	6 481	2 186	1 711	1 527	1 925	44 140	3 002	72 454
Staff costs	1 925	738	3 261	1 853	3 504	813	622	1 193	1 048	27 750	2 014	44 721
General administration expenses	451	350	1 655	554	2 270	1 207	925	278	742	10 423	727	19 582
Depreciations and Amortisations	138	67	334	156	707	166	164	56	135	5 967	261	8 151
Gross income	12 424	(1 155)	15 153	44 433	4 619	2 633	10 541	5 281	(9 751)	(54 406)	5 959	35 731
Impairment and Provisions	657	(271)	(79)	(10 014)	(435)	-	124	(10 909)	56	(2 151)	(115)	(23 137)
Credit impairment	(1 190)	-	-	-	8	-	2	(785)	-	86	(115)	(1 994)
Securities impairment	843	-	-	(10 046)	(100)	-	122	-	79	-	-	(9 102)
Net provisions and other impairment	1 004	(271)	(79)	32	(343)	-	-	(10 124)	(23)	(2 237)	-	(12 041)
Income before taxes	13 081	(1 426)	15 074	34 419	4 184	2 633	10 665	(5 628)	(9 695)	(56 557)	5 844	12 594

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

(thousand euros)

	31.12.2020			
	Portugal	Rest of the Europe	America	Total
Net income	(13 528)	12 714	2 455	1 641
Net asset	1 617 594	209 328	974 492	2 801 414
Investments in assets				
tangible	1 664	452	100	2 216
intangible	386	-	178	564

(thousand euros)

	31.12.2019			
	Portugal	Rest of the Europe	America	Total
Net income	(13 381)	20 317	572	7 508
Net asset	1 684 676	49 641	872 593	2 606 910
Investments in associates	15	-	-	15
Investments in assets				
tangible	591	105	263	959
intangible	1 930	3	94	2 027

NOTE 5 – FINANCIAL MARGIN

This heading's amount is composed of:

(thousand euros)

	31.12.2020			31.12.2019		
	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	15 252	-	15 252	21 339	-	21 339
Interest from deposits and investments in credit institutions	3 659	-	3 659	10 219	-	10 219
Interest from financial assets at fair value through other comprehensive income	1 026	-	1 026	3 565	-	3 565
Interest from financial assets at fair-value through profit and loss	-	37 400	37 400	-	39 912	39 912
Interest from debt securities at amortised cost	4 597	-	4 597	5 406	-	5 406
Other interest and similar income	159	-	159	237	-	237
	24 693	**37 400**	**62 093**	**40 766**	**39 912**	**80 678**
Interest and similar expenses						
Interest from deposits from central banks and other credit institutions	12 561	-	12 561	17 985	-	17 985
Interest from debt securities issued	3 696	-	3 696	14 868	-	14 868
Interest from customers accounts	18 042	-	18 042	14 682	-	14 682
Interest from leasing	248	-	248	305	-	305
Other interest and similar expenses	871	-	871	755	-	755
	35 418	**-**	**35 418**	**48 595**	**-**	**48 595**
	(10 725)	**37 400**	**26 675**	**(7 829)**	**39 912**	**32 083**

As at December 31st, 2020, interest and similar income includes an amount of 13 680 thousand euros and 963 thousand euros concerning contracts flagged as stage 2 and stage 3, respectively (2019: 4,517 thousand euros and 2,204 thousand euros, respectively).

NOTE 6 – NET FEES AND COMMISSIONS INCOME

This heading's amount is composed of:

(thousand euros)

	31.12.2020	31.12.2019
Fees and commissions income		
From banking services	49 858	40 845
From guarantees provided	1 603	3 241
From transactions with securities	14 345	43 879
	65 806	**87 965**
Fees and commissions expenses		
From banking services rendered by third parties	2 309	1 503
From transactions with securities	1 482	1 483
From guarantees received	518	494
Other fee and comission expenses	1 404	3 773
	5 713	**7 253**
	60 093	**80 712**

As at December 31st, 2020, the income regarding fees and commission included 36,768 thousand euros (2019: 30,942 thousand euros) concern Haitong Group related parties (Note 38).

As at December 31st, 2020, the amount of fees and commissions present the following distribution, by geographical segment:

(thousand euros)

	31.12.2020	31.12.2019
Fees and commissions income		
China	28 153	38 287
Virgin Islands	12 329	11 501
Hong Kong	6 722	11 462
Portugal	3 992	10 493
Spain	3 931	2 462
Bermuda	2 318	2 534
Poland	2 013	944
Brazil	1 369	638
Ireland	451	2 198
Others	4 528	7 446
	65 806	**87 965**

NOTE 7 – NET TRADING INCOME

This heading's amount is composed of:

	31.12.2020	31.12.2019
Trading assets and liabilities		
Securities		
Bonds and other fixed-income securities		
Issued by public entities	3 432	2 320
Of other entities	2 126	969
Shares	782	477
	6 340	**3 766**
Financial derivatives		
Foreign-exchange contracts	68 499	28 441
Interest rates contracts	(89 078)	(31 474)
Equity/indexes contracts	(699)	(716)
Credit default contracts	550	(47)
Other	(705)	483
	(21 433)	**(3 313)**
	(15 093)	**453**

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

This heading's amount is composed of:

(thousand euros)

	31.12.2020	31.12.2019
Securities		
Loans and advances to customers	(12)	(124)
Shares	(672)	4 700
Other variable-income securities	3 342	2 977
	2 658	**7 553**
Financial liabilities at fair value through profit or loss		
Debt securities issued	-	2
	-	**2**
	2 658	**7 555**

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)

	31.12.2020	31.12.2019
Bonds and other fixed-income securities		
Issued by public entities	2 099	2 443
Of other entities	398	81
	2 497	**2 524**

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

This heading's amount is composed of:

(thousand euros)

	31.12.2020	31.12.2019
Currency revaluation	8 518	(6 073)
	8 518	**(6 073)**

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 31st of December, 2020 and 2019, this heading's amount is composed of:

(thousand euros)

	31.12.2020	31.12.2019
Loans recoveries	3 016	167
Sale of loans and advances to customers	-	134
	3 016	**301**

NOTE 12 – OTHER OPERATING INCOME AND EXPENSES

This heading's amount is composed of:

(thousand euros)

	31.12.2020	31.12.2019
Other customer services	240	199
Direct and Indirect taxes	(4 323)	(3 208)
Other operating results	(2 684)	(6 394)
Non-financial assets	(34)	(63)
Sub-leasing	364	324
	(6 437)	**(9 142)**

Direct and indirect taxes include 1,669 thousand euros concerning the cost associated with the Bank Levy (2019: 1,840 thousand euros), established pursuant to Law no. 55-A/2010, of the 31st of December.

As at the December 31, 2020, the balance Other operating income and expenses includes, among other costs, the followings:

I. 1,544 thousand euros related to Contributions to the National Resolution Fund and to the EU Resolution Fund (1,531 thousand euros at 31 December 2019);

II. 387 thousand euros related to Contributions to the Loan Guarantee Fund applicable to the subsidiary Haitong Banco de Investimento do Brasil S.A. (118 thousand euros as at 31 December 2019);

As at the December 31, 2019, the balance Other operating income and expenses also includes 3,949 thousand euros related with the repurchase of the debt security issued by Haitong Bank, fully owned by Haitong Investment Ireland PLC.

NOTE 13 – EMPLOYEE COSTS

This heading's amount is composed of:

(thousand euros)

	31.12.2020	31.12.2019
Wages and salaries		
Remuneration	30 000	32 981
Career benefits (Note 14)	77	54
Changes from termination agreements (see Note 14)	754	475
Unwind - Change in Plan	(5 110)	-
Expenses with retirement pensions (Note 14)	687	717
Other mandatory social charges	5 809	6 448
Other expenses	1 918	4 046
	34 135	**44 721**

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	Other key management staff	Total
2020			
Remunerations and other short-term benefits	1 514	12 706	14 220
Variable remunerations	450	1 649	2 099
Total	**1 964**	**14 355**	**16 319**
2019			
Remunerations and other short-term benefits	1 945	9 915	11 860
Variable remunerations	412	1 425	1 837
Total	**2 357**	**11 340**	**13 697**

The category "Other Key Employees" considers Managing Directors, Executive Directors, and other members of staff whose actions have a material impact on the Bank's risk profile ("Identified Staff").

On the 31st of December 2020 and 2019, 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 analyzed as follows:

	31.12.2020	31.12.2019
Directors	192	202
Management	3	3
Specific roles	140	135
Administrative roles	20	22
Support roles	12	12
	367	**374**

As at the 31st of December 2020 and 2019, the Group had a total of 362 and 364 employees.

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	
	31.12.2020	31.12.2019
Financial Assumptions		
Expected return rates	1.20%	1.52%
Discount rate	1.20%	1.52%
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, 2020, was based on: (i) the development sustained by the main indices concerning high quality corporate bonds and (ii) the duration of the responsibilities (21 years).

Recipients of the pensions plan are disaggregated as follows:

	31.12.2020	31.12.2019
Active workers	100	101
Former employees with vested rights	76	77
Retired	36	34
Survivors	10	10
TOTAL	**222**	**222**

Former employees with vested rights refer to employees who ceased their activity in the Group in 2020 and 2019 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 2020 and 2019:

(thousand euros)

	31.12.2020	31.12.2019
Net Assets / (Liabilities) recognised in the statement of financial position		
Liabilities as at 31st of December		
Pensioners and former employees with vested rights	35 384	52 095
Active workers	17 370	31 948
	52 754	**84 043**
Balance of funds as at 31st of December	**53 072**	**78 792**
Excess of coverage / Contributions to the fund	318	(5 251)
Assets / (Liabilities) in the statement of financial position (see Note 27 and 33)	**318**	**(5 251)**
Acummulated actuarial gains / losses recognised in other comprehensive income	40 590	38 004

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

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

(thousand euros)

.	31.12.2020	31.12.2019
Liabilities at the beginning of the period	**84 043**	**72 659**
Current service cost (see Note 13)	687	717
Interest expenses	1 272	1 678
Participants contributions	87	89
Actuarial (gains)/losses	4 319	9 184
-Changes in assumptions	5 671	11 272
- Experience (Gains)/losses	(1 352)	(2 088)
Pensions paid by the fund	(771)	(759)
Unwind - Change in Plan	(37 637)	-
Changes from termination agreements (see Note 13)	754	475
Liabilities at the end of the period	**52 754**	**84 043**

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, 2020, with the difference being recorded in "Personnel Costs" (Note 13).

Considering the situation on the 31st of December 2020, 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 2,660 thousand euros. A discount rate decrease of the same proportion would have represented an increase in liabilities of approximately 2,794 thousand euros;

- An increase of 25 base points in the growth of salaries and pensions would have represented an increase in liabilities of approximately 3,077 thousand euros. A decrease in the growth of salaries of the same proportion would have represented a decrease in liabilities of approximately 2,915 thousand euros.

The evolution of value regarding the pension funds on the financial years ending on the 31st of December 2020 and 2019, may be analysed as follows:

(thousand euros)

	31.12.2020	31.12.2019
Pension Funds at the beginning of the period	**78 792**	**69 641**
Real income of the fund	2 987	7 457
Group contributions	4 504	2 364
Participants contributions	87	89
Benefits paid	(771)	(759)
Unwind - Change in Plan	(32 527)	-
Pension Funds at the end of the period	**53 072**	**78 792**

In early 2021, the Group made an extraordinary contribution for the fund in the amount of 799 thousand euros, therefore, the fund is now in the amount of 54,501 thousand euros, thereby representing a liability financing level of 102,12%.

The assets of the pension funds may be analysed in the following manner:

	% Portfolio	
	2020	2019
Bonds	59.60%	59.80%
Shares	32.40%	31.00%
Alternative investment	5.90%	6.50%
Liquidity	2.10%	2.70%
Total	**100%**	**100%**

The assets of the funds are valued at fair value.

On the 31st of December 2020 and 2019 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)

	31.12.2020	31.12.2019
Deferred actuarial gains / (losses) as at 1st January	**38 004**	**34 616**
- Actuarial assumptions changes	5 671	11 272
- (Gains)/losses in experience	(3 085)	(7 884)
Deferred actuarial deviations as at 31st of December	**40 590**	**38 004**

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

(thousand euros)

	31.12.2020	31.12.2019
Current service cost (see Note 13)	687	717
Interest Expenses / (Income)	18	17
Expenses of the period	**705**	**734**

The earnings / costs of the interests are recognized 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 2020 and 2019 may be analysed as follows:

(thousand euros)

	31.12.2020	31.12.2019
Opening balance	**(5 251)**	**(3 018)**
Year expenses	(705)	(734)
Actuarial gains / (losses) recognised in other comprehensive income	(2 586)	(3 388)
Group contributions	4 504	2 364
Changes in termination agreements	(754)	(475)
Unwind - Change in Plan	5 110	-
Final Balance	**318**	**(5 251)**

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)

	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
Liabilities	(52 754)	(84 043)	(72 659)	(72 070)	(70 735)
Funds balances	53 072	78 792	69 641	72 552	67 349
(Under) / over funded liabilities	**318**	**(5 251)**	**(3 018)**	**482**	**(3 386)**
Experience (gains) / losses from liabilities	(1 352)	(2 088)	12	(143)	(7 655)
Experience (gains) / losses from plan assets	(1 733)	(5 796)	5 213	(1 176)	6 013

Career bonuses

On the 31st of December, 2020 and 2019, the liabilities assumed by the Group and the costs recognized in the periods with the career bonus are the following:

(thousand euros)

	31.12.2020	31.12.2019
Liabilities at the begining of the period	**539**	**485**
Period expenses (See Note 13)	77	54
Liabilities at the end of the period (see Note 33)	**616**	**539**

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)

	31.12.2020	31.12.2019
Communications and expedition	4 406	4 822
Rents and leases	715	740
Travels and representation costs	265	1 180
Maintenance and related services	611	806
Insurance	137	265
Advertising and publications	114	100
Legal and litigation	182	147
Specialised services		
IT services	3 833	4 132
Temporary labour	9	22
Independent labour	707	667
Other specialised services	3 960	4 530
Other expenses	1 844	2 171
	16 783	**19 582**

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)

	31.12.2020	31.12.2019
Statutory audit of annual accounts (Haitong Bank)	385	382
Statutory audit of annual accounts (subsidiaries)	147	91
Other reliability assurance services	48	153
Other non-statutory audit services	123	180
Total value of agreed services	**703**	**806**

Values shown are before taxes. The fees related to the statutory audit of annual accounts correspond to those agreed for the year 2020. The fees presented for the remaining services relate to amounts billed during the 2020 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)

	31.12.2020	31.12.2019
Consolidated net income attributable to shareholders of the parent company (1)	1 641	7 508
Weighted average number of ordinary shares outstanding (thousand)	**168 954**	**168 954**
Basic earnings per share attributable to shareholders of the parent company (euros)	**0.01**	**0.04**

(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, 2020 and 2019, 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, 2020 and 2019, this heading is analysed as follows:

(thousand euros)

	31.12.2020	31.12.2019
Cash	7	8
Demand deposit at central banks		
Bank of Portugal	446 535	611 915
Other central banks	16 534	93
	463 069	**612 008**
Deposits at other credit institutions in Portugal		
Demand deposits	5 037	3 765
	5 037	**3 765**
Deposits at other credit institutions abroad		
Demand deposits	26 772	22 048
	26 772	**22 048**
	494 885	**637 829**
Impairment losses (Note 31)	-	-
	494 885	**637 829**

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, 2020, the average rate of return of such deposits was 0,00% (31st of December, 2019: 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 of December, 2020, has been comprised in the maintenance period from the 16th of December, 2020, to the 26th of January, 2021, which corresponded a mandatory minimum reserve amounting to 3,571 thousand euros (31st of December, 2019: 5,953 thousand euros).

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

As at 31st of December 2020 and 2019, the heading of trading financial assets and liabilities is as follows:

(thousand euros)

	31.12.2020	31.12.2019
Financial assets held-for-trading		
Bonds and other fixed-income securities		
From public issuers	603 870	412 057
From other issuers	23 125	25 495
Shares	62	20
	627 057	**437 572**
Financial liabilities held-for-trading		
Short selling	79 083	132 758
	79 083	**132 758**

As at 31st December 2020, the heading of financial assets held for trading includes 442,667 thousand euros in securities pledged as collateral by the Group (217,064 thousand euros as at 31st of December 2019) (see Note 38).

As at 31st of December 2020 and 2019, the analysis of financial assets held-for-trading, by residual maturity period, is as follows:

(thousand euros)

	31.12.2020	31.12.2019
Up to three months	1 578	3 830
From three months to one year	13 444	2 378
From one to five years	255 815	120 498
More than five years	356 158	310 846
Undetermined period	62	20
	627 057	**437 572**

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 of December 2020 and 2019, the heading of financial assets held-for-trading, concerning quoted and unquoted securities, is divided as follows:

(thousand euros)

	31.12.2020			31.12.2019		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Bonds and other fixed-income securities						
Issued by public entities	5 075	598 795	603 870	4 141	407 916	412 057
Issued by other entities	18 028	5 097	23 125	14 144	11 351	25 495
Shares	62	-	62	20	-	20
Total book value	**23 165**	**603 892**	**627 057**	**18 305**	**419 267**	**437 572**

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.

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 31st of December 2020 and 2019, financial derivatives heading is analysed as follows:

(thousand euros)

	31.12.2020	31.12.2019
Derivatives financial assets		
Trading derivatives		
Foreign-exchange contracts	17 493	4 183
Interest-rate contracts	90 168	126 077
Other contracts	35 401	18 463
	143 062	**148 723**
Derivatives financial liabilities		
Trading derivatives		
Foreign-exchange contracts	18 450	5 011
Interest-rate contracts	88 064	125 825
Other contracts	36 190	18 066
	142 704	**148 902**
	358	**(179)**
Hedging Derivatives		
Derivatives financial assets		
Foreign-exchange contracts	**151**	**-**
	151	**-**
Derivatives financial liabilities		
Foreign-exchange contracts	**-**	**300**
	-	**300**
	151	**(300)**

As at 31st of December 2020 and 2019, trading financial derivatives is analysed as follows:

(thousand euros)

	31.12.2020			31.12.2019		
	Notional	Fair value		Notional	Fair value	
		Positive	Negative		Positive	Negative
Foreign-exchange contracts						
Forward	-	6 809	7 579	-	287	1 290
- buy	252 083			89 193		
- sell	251 714			89 194		
Currency Swaps		1 321	1 270		939	436
- buy	244 150			188 248		
- sell	244 292			188 157		
Currency Futures		-	-		-	-
- buy	26 880			402 911		
- sell	126 726			146 962		
Currency Interest Rate Swaps		8 782	8 953	-	2 616	2 944
- buy	23 186			66 250		
- sell	23 186			66 250		
Currency Options		581	648		341	341
- buy	160 744			177 835		
- sell	185 330			208 870		
	1 538 291	**17 493**	**18 450**	**1 623 870**	**4 183**	**5 011**
Interest-rate contracts						
Interest Rate Swaps		89 604	87 496		124 628	124 368
- buy	1 564 396			2 556 051		
- sell	1 564 396			2 556 051		
Interest Rate Caps & Floors		564	568		1 449	1 457
- buy	65 773			88 334		
- sell	59 701			81 594		
Interest Rate Futures		-	-	-	-	-
- buy	694 409			1 290 223		
- sell	707 958			1 188 496		
	4 656 633	**90 168**	**88 064**	**7 760 749**	**126 077**	**125 825**
Contracts on shares/indexes						
Equity / Index Swaps		35 401	36 190		15 285	14 934
- buy	109 065			159 800		
- sell	109 065			159 734		
Equity / Index Futures		-	-		-	-
- buy	-			7 061		
- sell	3 053			3 095		
	221 183	**35 401**	**36 190**	**329 690**	**15 285**	**14 934**
Credit agreements						
Credit Default Swaps		-	-	-	3 178	3 132
- buy	615			63 229		
- sell	615			97 629		
	1 230	**-**	**-**	**160 858**	**3 178**	**3 132**
Total	**6 417 337**	**143 062**	**142 704**	**9 875 167**	**148 723**	**148 902**

As at 31st of December 2020 and 2019, the analysis of trading financial derivatives, by residual maturity period, is as follows:

(thousand euros)

	31.12.2020			31.12.2019		
	Notional		Fair Value	Notional		Fair Value
	Sale	Purchase	(net)	Sale	Purchase	(net)
Up to three months	458 382	419 921	1 572	618 277	543 588	2 333
From three months to one year	695 252	875 580	(1 047)	1 306 987	1 930 294	(2 034)
From one to five years	1 053 290	755 813	(2 219)	1 631 228	1 581 418	(1 672)
More than five years	1 069 111	1 089 988	2 052	1 229 540	1 033 835	1 194
	3 276 035	**3 141 302**	**358**	**4 786 032**	**5 089 135**	**(179)**

a) Hedging Derivatives

As at 31st of December 2020 and 2019, the analysis of Hedging Derivatives, by residual maturity period, is as follows:

(thousand euros)

	31.12.2020		
	Notional		Fair Value
	Sell	Buy	
Up to three months	75 665	75 738	151
	75 665	**75 738**	**151**

(thousand euros)

	31.12.2019		
	Notional		Fair Value
	Sell	Buy	
Up to three months	105 048	104 444	(300)
	105 048	**104 444**	**(300)**

As at 31st of December 2020 and 2019, 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 27) and "Other liabilities - collateral deposited under clearing agreements" (Note 33).

As at 31st of December 2020, the hedge ineffectiveness recognised in income statement is 1 thousand euros.

As at 31st of December 2020, the hedge accounting relationships are analysed in Note 40.

NOTE 20 – SECURITIES

As at 31st of December 2020 and 2019, this heading is analysed as follows:

(thousand euros)

	31.12.2020	31.12.2019
Non-trading financial assets mandatorily at fair value through profit or loss		
Bonds and other fixed-income securities		
From other issuers	703	759
Shares	1 511	2 273
Other variable income securities	33 083	34 367
	35 297	**37 399**
Financial assets at fair value through other comprehensive income		
Bonds and other fixed-income securities		
From public issuers	18 479	88 991
From other issuers	142 277	88 196
	160 756	**177 187**
Financial assets measured at amortised cost		
Securities		
Bonds and other fixed-income securities		
From public issuers	209 797	194 981
From other issuers	251 656	140 774
	461 453	**335 755**
	657 506	**550 341**

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 of December 2020 and 2019, 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	17 780	791	-	(92)	18 479
Issued by other entities	148 055	886	(3 149)	(3 515)	142 277
Balance as at 31 December 2020	**165 835**	**1 677**	**(3 149)**	**(3 607)**	**160 756**
Bonds and other fixed-income securities					
Issued by public entities	86 695	2 663	-	(367)	88 991
Issued by other entities	91 452	1 962	(2 328)	(2 890)	88 196
Balance as at 31 December 2019	**178 147**	**4 625**	**(2 328)**	**(3 257)**	**177 187**

(1) Amortised cost

As at 31st of December 2020 and 2019, the portfolio of financial assets at amortized cost is analysed as follows:

(thousand euros)

	Cost (1)	Impairment (Note 31)	Book value
Bonds and other fixed-income securities			
Issued by public entities	209 964	(167)	209 797
Issued by other entities	262 364	(10 708)	251 656
Balance as at 31st December 2020	**472 328**	**(10 875)**	**461 453**
Bonds and other fixed-income securities			
Issued by public entities	195 129	(148)	194 981
Issued by other entities	149 325	(8 551)	140 774
Balance as at 31st December 2019	**344 454**	**(8 699)**	**335 755**

(1) Amortised cost

As at 31st December 2020, the heading of Financial assets includes 339,045 thousand euros (31st December 2019: 318,291 thousand euros) in securities pledged as collateral by the Group (see Note 38).

As at 31st of December 2020 and 2019, the analysis of securities portfolios by maturity period, is presented as follows:

(thousand euros)

	31.12.2020	31.12.2019
Up to three months	31 531	23 634
From three months to one year	207 655	108 994
From one to five years	307 212	361 140
More than five years	76 518	19 936
Undetermined period	34 590	36 637
	657 506	**550 341**

As at 31st of December 2020 and 2019, the heading of securities, concerning quoted and unquoted securities, is divided as follows:

(thousand euros)

	31.12.2020			31.12.2019		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Securities						
Bonds and other fixed-income securities						
Issued by public entities	213 572	14 704	228 276	210 214	73 758	283 972
Issued by other entities	134 734	259 902	394 636	26 017	203 712	229 729
Shares	9	1 502	1 511	13	2 260	2 273
Other variable-income securities	-	33 083	33 083	-	34 367	34 367
Total statement of financial position value	**348 315**	**309 191**	**657 506**	**236 244**	**314 097**	**550 341**

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.

NOTE 21 - LOANS AND ADVANCES TO BANKS

As at 31st of December 2020 and 2019, this heading is analysed as follows:

(thousand euros)

	31.12.2020	31.12.2019
Loans and advances to banks in Portugal		
Deposits	56	56
Very short-term deposits	-	6 231
	56	**6 287**
Loans and advances to banks abroad		
Reverse repos	112 353	133 957
Very short-term deposits	-	2 255
Other loans and advances	3 251	18 586
	115 604	**154 798**
	115 660	**161 085**
Impairment losses (Note 31)	(500)	(15 615)
	115 160	**145 470**

As at 31st of December 2020 and 2019, the analysis of loans and advances to banks, by residual maturity period, is presented as follows:

(thousand euros)

	31.12.2020	31.12.2019
Up to three months	69 005	146 009
From three months to one year	46 655	-
Undetermined period	-	15 076
	115 660	**161 085**

NOTE 22 – LOANS AND ADVANCES TO CUSTOMERS

As at 31st of December 2020 and 2019, this heading is analysed as follows:

(thousand euros)

	31.12.2020	31.12.2019
At fair value throught profit and loss		
Overdue loans and interest		
For more than 90 days	-	233
	-	**233**
	-	**233**
Revaluation at fair value	-	(126)
	-	**107**
At amortized cost		
Domestic loans		
Corporate		
Loans	229 524	157 942
Retail		
Mortgage loans	411	469
	229 935	**158 411**
Foreign loans		
Corporate		
Loans	187 580	163 334
Reverse repos	10 856	1 132
Other loans	-	1 613
Retail		
Other credits	13	20
	198 449	**166 099**
Overdue loans and interest		
For more than 90 days	3 646	1 985
	3 646	**1 985**
	432 030	**326 495**
Impairment losses (Note 31)	(11 990)	(11 881)
	420 040	**314 614**
	420 040	**314 721**

As at 31st of December 2020 and 2019, the analysis of loans and advances to costumers, by residual maturity period, is presented as follows:

(thousand euros)

	31.12.2020	31.12.2019
Up to three months	424	1 621
From three months to one year	-	74 423
From one to five years	197 670	54 455
More than five years	230 290	194 013
Undetermined period	3 646	2 216
	432 030	**326 728**

NOTE 23 - NON-CURRENT ASSETS HELD-FOR-SALE

As at 31st of December 2020 and 2019, this heading is analysed as follows:

(thousand euros)

	31.12.2020	31.12.2019
Subsidiaries acquired exclusively for resale purposes	1 699	2 244
	1 699	**2 244**

Non-current assets held-for-sale only includes the investment in Polish Hotel Company. The Group has implemented a plan for the immediate sale of this subsidiary. However, due to market conditions, it was not possible to carry out the divestiture within the period originally foreseen.

The Group continues to make efforts to conclude the sale of the company, despite the Covid19 extremely negative impact on the sector. After the suspended negotiations with the potential buyer with whom advanced negotiations occurred, in the second half of the year, another investor was identified, with whom negotiations have been taking place and the transaction is expected to be completed during the first half of 2021.

NOTE 24 – OTHER TANGIBLE ASSETS

As at 31st of December 2020 and 2019, this heading is analysed as follows:

(thousand euros)

	31.12.2020	31.12.2019
Real Estate		
For own use	1	954
Improvements in leasehold property	7 328	8 056
	7 329	**9 010**
Equipment		
IT equipment	11 285	11 227
Indoor installations	2 117	2 432
Furniture	2 456	2 520
Machinery and tools	1 082	1 032
Motor vehicles	267	408
Security equipment	262	288
Others	216	180
	17 685	**18 087**
	25 014	**27 097**
Work in progress		
Improvements in leasehold property	1 077	-
Equipment	474	-
	1 551	**-**
Right-of-use		
IT equipment	95	97
Vehicles	661	1 139
Buildings	12 143	10 110
	12 899	**11 346**
	39 464	**38 443**
Accumulated depreciations	(28 871)	(25 666)
	10 593	**12 777**

The movement in this heading was as follows:

(thousand euros)

	Real estate	Equipment	Right-of-use Buildings	Right-of-use IT equipment	Right-of-use Vehicles	Work in progress	Total
Acquisition cost							
Balance as at 31 December 2018	**10 023**	**18 290**	**-**	**-**	**-**	**23**	**28 336**
Acquisitions	352	548	-	-	-	59	959
Write-offs / sales	(1 367)	(753)	-	-	-	-	(2 120)
Transfers	59	23	-	-	-	(82)	-
IFRS 16 adoption impact	-	-	10 219	94	1 080	-	11 393
Exchange differences and other movements	(57)	(21)	(109)	3	59	-	(125)
Balance as at 31 December 2019	**9 010**	**18 087**	**10 110**	**97**	**1 139**	**-**	**38 443**
Acquisitions	1	664	-	-	-	1 551	2 216
Write-offs / sales	(675)	(801)	-	-	-	-	(1 476)
Transfers	-	95	-	-	-	-	95
IFRS 16 adoption impact	-	-	-	-	-	-	-
Exchange differences and other movements	(1 007)	(360)	2 033	(2)	(478)	-	186
Balance as at 31 December 2020	**7 329**	**17 685**	**12 143**	**95**	**661**	**1 551**	**39 464**
Depreciations							
Balance as at 31 December 2018	**6 748**	**16 224**	**-**	**-**	**-**	**-**	**22 972**
Depreciations of period	472	912	2 916	46	524	-	4 870
Depreciation of discontinued operations	(1 362)	(720)	-	-	-	-	(2 082)
Exchange differences and other movements	(27)	(25)	(10)	-	(32)	-	(94)
Balance as at 31 December 2019	**5 831**	**16 391**	**2 906**	**46**	**492**	**-**	**25 666**
Depreciations of period	516	699	3 343	37	257	-	4 852
Write-offs / sales	-	(401)	-	-	-	-	(401)
Exchange differences and other movements	(449)	(170)	(245)	(12)	(370)	-	(1 246)
Balance as at 31 December 2020	**5 898**	**16 519**	**6 004**	**71**	**379**	**-**	**28 871**
Net book value as at 31 December 2020	**1 431**	**1 166**	**6 139**	**24**	**282**	**1 551**	**10 593**
Net book value as at 31 December 2019	**3 179**	**1 696**	**7 204**	**51**	**647**	**-**	**12 777**

NOTE 25 – INTANGIBLE ASSETS

As at 31st of December 2020 and 2019, this heading is analysed as follows:

(thousand euros)

	31.12.2020	31.12.2019
Goodwill	9 859	9 859
Purchased from third parties		
Software	34 182	34 594
Others	999	916
	35 181	**35 510**
Work in progress	743	626
	45 783	**45 995**
Accumulated amortisations	(31 266)	(29 169)
Impairment losses (Note 31)	(9 859)	(9 859)
	(41 125)	**(39 028)**
	4 658	**6 967**

As at 31st of December 2020 and 2019, the impairment recorded is the total amount of the Goodwill, related with Haitong Capital – Sociedade de Capital de Risco, S.A.

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 2018	**9 859**	**32 932**	**916**	**572**	**44 279**
Acquisitions:					
Desenvolvidas internamente	-	-	-	-	-
Purchased from third parties	-	1 879	-	148	2 027
Write-offs / sales	-	(133)	-	(94)	(227)
Charge off	-	-	-	-	-
Transfers from discontinued operations	-	-	-	-	-
Exchange differences and other movements	-	(84)	-	-	(84)
Balance as at 31st December 2019	**9 859**	**34 594**	**916**	**626**	**45 995**
Acquisitions:					
Internally developed	-	-	-	-	-
Purchased from third parties	-	269	83	212	564
Write-offs / sales	-	-	-	-	-
Utilizações	-	-	-	-	-
Transfers	-	-	-	(95)	(95)
Exchange differences and other movements	-	(681)	-	-	(681)
Balance as at 31st December 2020	**9 859**	**34 182**	**999**	**743**	**45 783**
Amortizations					
Balance as at 31st December 2018	**-**	**25 120**	**916**	**-**	**26 036**
Amortizations of the period	-	3 281	-	-	3 281
Depreciation of discontinued operations	-	-	-	-	-
Write-offs / sales	-	(105)	-	-	(105)
Transfers from discontinued operations	-	-	-	-	-
Exchange differences and other movements	-	(43)	-	-	(43)
Balance as at 31st December 2019	**-**	**28 253**	**916**	**-**	**29 169**
	-				
Amortizations of the period	-	2 397	9	-	2 406
Write-offs / sales	-	-	-	-	-
Discontinued Activity Transfers	-	-	-	-	-
Exchange differences and other movements	-	(308)	(1)	-	(309)
Balance as at 31st December 2020	**-**	**30 342**	**924**	**-**	**31 266**
Impairment					
Balance as at 31st December 2018	**-**	**-**	**-**	**-**	**-**
Impairment losses	9 859	-	-	-	9 859
Balance as at 31st December 2019	**9 859**	**-**	**-**	**-**	**9 859**
Impairment losses	-	-	-	-	-
Balance as at 31st December 2020	9 859	-	-	-	9 859
Net balance as at 31st December 2020	-	3 840	75	743	4 658
Net balance as at 31st December 2019	-	6 341	-	626	6 967

NOTE 26 – INVESTMENTS IN ASSOCIATED COMPANIES

Financial information regarding associated companies is presented in the following table:

(thousand euros)

	Assets		Liabilities		Equity		Income		Net income	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Fundo Espírito Santo IBERIA I	63	38	66	6	(3)	32	-	3	(825)	(436)

(thousand euros)

	Aquisition cost		% held		Book Value		Net income from the associated companies attributable to the Group	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Fundo Espírito Santo IBERIA I	2 766	2 766	46%	46%	340	355	(379)	(200)
	2 766	**2 766**			**340**	**355**	**(379)**	**(200)**
Impairment (See Note 31)					**(340)**	**(340)**		
					-	**15**		

The movement of this heading is as follows:

	31.12.2020	31.12.2019
Opening balance	15	487
Net Income from associated companies	(379)	(200)
Other comprehensive income from associates	364	(272)
Closing balance	**-**	**15**

NOTE 27 – OTHER ASSETS

As at 31st of December 2020 and 2019, the Other Assets heading is analysed as follows:

(thousand euros)

	31.12.2020	31.12.2019
Debtors and other assets		
Collateral deposited under collateral agreements (Note 19)	118 249	99 598
Supplies, supplementary capital instalments and subordinated assets	-	21
Public sector	31 183	39 975
Deposits placed under margin accounts (futures contracts)	2 535	4 176
Other sundry debtors	24 377	11 431
Loans and derivatives receivables	10 552	11 240
	186 896	166 441
Impairment losses for debtors and other investments (Note 31)	(9 688)	(8 012)
	177 208	**158 429**
Other assets		
Gold, other precious metals, numismatic, medals and other liquid assets	52	3 184
Other assets	5 372	5 474
	5 424	**8 658**
Income receivable	**15**	**19**
Prepayments and deferred costs	**2 733**	**3 169**
Other sundry assets		
Exchange transactions pending settlement	4 272	1 484
Market securities transactions pending settlement	9 790	18 585
Retirement pensions (Note 14)	318	-
Other transactions pending settlement	8 654	3 205
	23 034	**23 274**
	208 414	**193 549**

As at 31st of December, 2020 includes an amount of 19,049 thousand euros (26,232 thousand euros as at 31 December 2019) related with a tax contingency (Note 37).

Stock exchange transactions pending settlement refer to transactions with securities recorded at the trade date pending settlement.

NOTE 28 – RESOURCES OF CREDIT INSTITUTIONS

The resources of credit institutions heading is presented as follows:

(thousand euros)

	31.12.2020	31.12.2019
Resources of central banks		
Banco de Portugal	110 600	22 000
	110 600	**22 000**
Resources of other credit institutions		
Domestic		
Repurchase agreements	18	397
	18	**397**
Foreign		
Deposits	7 945	-
Repurchase agreements	428 361	236 223
Other resources	31 072	43 628
	467 378	**279 851**
	577 996	**302 248**

As at 31st of December 2020 and 2019, the analysis of resources of credit institutions by residual maturity period is as follows:

(thousand euros)

	31.12.2020	31.12.2019
Up to three months	467 396	221 336
From one to five years	110 600	44 872
More than five years	-	36 040
	577 996	**302 248**

NOTE 29 – RESOURCES OF CUSTOMERS

The balance of the resources of customers heading is composed, with regard to its nature, as follows:

(thousand euros)

	31.12.2020	31.12.2019
Repayable on demand		
Demand deposits	72 995	48 640
Time deposits		
Fixed-term deposits	598 274	330 543
Other resources		
Repurchase agreements	4 661	13 824
Other Deposits	1 015	510
Other	550 560	647 857
	556 236	**662 191**
	1 227 505	**1 041 374**

As at 31st of December 2020 and 2019, the analysis of due to customers by residual maturity period is as follows:

(thousand euros)

	31.12.2020	31.12.2019
Demand deposits	72 995	48 640
Fixed-term deposits		
Up to 3 months	425 201	122 908
3 to 12 months	130 148	142 368
1 to 5 years	42 925	65 267
	598 274	330 543
Other resources		
Up to 3 months	5 683	14 341
3 to 12 months	21 737	-
1 to 5 years	528 816	647 850
	556 236	662 191
	1 227 505	**1 041 374**

NOTE 30 – DEBT SECURITIES ISSUED

The debt securities issued heading can be divided as follows:

(thousand euros)

	31.12.2020	31.12.2019
Debt securities issued		
Other Bonds	64 862	197 112
	64 862	**197 112**

The fair-value of the portfolio regarding debt securities issued is presented in Note 39.

During 2020, Haitong Bank Group issued securities amounting to 8,187 thousand euros (31st of December 2019: 36,190 thousand euros) and reimbursed debt securities of 141,392 thousand euros were (31st of December 2019: 12,132 thousand euros).

The main characteristics of the debit securities issued is as follows:

(thousand euros)

Issuer	Designation	Currency	Issue Date	31.12.2020 Book Value	Maturity	Interest Rate
HT_BR	LF LETRA FINANCEIRA HAITONG BRINTLLFI2O5	BRL	2018	1 628	2023	IPCA 100%
HT_BR	LF LETRA FINANCEIRA HAITONG BRINTLLFI4V6	BRL	2019	34	2021	CDI 110%
HT_BR	LF LETRA FINANCEIRA HAITONG BRINTLLFI4W4	BRL	2019	5 007	2021	CDI 110,5%
HT_BR	LF LETRA FINANCEIRA HAITONG BRINTLLFI4X2	BRL	2019	1 335	2021	CDI 110,5%
HT_BR	LF LETRA FINANCEIRA HAITONG BRINTLLFI4Y0	BRL	2019	334	2021	CDI 110,5%
HT_BR	LF LETRA FINANCEIRA HAITONG BRINTLLFI4Z7	BRL	2019	1 635	2021	CDI 110,5%
HT_BR	LF LETRA FINANCEIRA HAITONG BRINTLLFI500	BRL	2019	33	2021	CDI 110,5%
HT_BR	LF LETRA FINANCEIRA HAITONG BRINTLLFI518	BRL	2019	1 666	2021	CDI 110,5%
HT_BR	LF LETRA FINANCEIRA HAITONG BRINTLLFI526	BRL	2019	593	2021	CDI 100%
HT_BR	LF LETRA FINANCEIRA HAITONG BRINTLLFI534	BRL	2019	1 318	2021	CDI 100%
HT_BR	LF LETRA FINANCEIRA HAITONG BRINTLLFI542	BRL	2019	2 075	2021	CDI 100%
HT_BR	LF LETRA FINANCEIRA HAITONG BRINTLLFI559	BRL	2019	2 932	2021	CDI 100%
HT_BR	LF LETRA FINANCEIRA HAITONG BRINTLLFI567	BRL	2019	6 753	2021	CDI 100%
HT_BR	LF LETRA FINANCEIRA HAITONG BRINTLLFI575	BRL	2019	823	2021	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI583	BRL	2019	230	2021	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI591	BRL	2019	89	2021	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5A7	BRL	2019	651	2021	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5B5	BRL	2019	814	2021	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5C3	BRL	2019	162	2022	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5D1	BRL	2020	23	2022	CDI 116%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5E9	BRL	2020	354	2022	CDI 116%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5I0	BRL	2020	1 187	2022	CDI 132%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5K6	BRL	2020	1 066	2022	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5L4	BRL	2020	513	2022	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5M2	BRL	2020	173	2022	CDI 130%
HT_BR	LF NOVA LF HAITONG MTM BRINTLLFI5N0	BRL	2020	1 573	2022	CDI 130%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5O8	BRL	2020	314	2022	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5P5	BRL	2020	1 884	2022	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5Q3	BRL	2020	1 099	2022	CDI 100%
HT_BR	LFG LTEL HAITONG BRINTLLFI5R1	BRL	2020	28 564	2021	SELIC - LFT 100%
				64 862		

As at 31st of December 2020 and 2019, the residual duration of the debt securities issued is as follows:

(thousand euros)

	31.12.2020	31.12.2019
Up to three months	-	4 055
From three months to one year	54 886	154 793
From one to five years	9 976	38 264
	64 862	**197 112**

As at 31st of December 2020 and 2019, reconciliation of the flows this financing activity is as follows:

(thousand euros)

	31.12.2020	31.12.2019
Opening balance	**197 112**	**162 612**
Cash Flows	(118 799)	24 058
Fair Value adjustments	-	(60)
Others	(13 451)	10 502
Closing balance	**64 862**	**197 112**

NOTE 31 – PROVISIONS AND IMPAIRMENT

As at 31st of December 2020 and 2019, 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 2018	**13 377**	**1 825**	**15 202**
Net charge of the period	2 392	(714)	1 678
Write back	(575)	-	(575)
Transfer from discontinued operations	-	14 199	14 199
Foreign exchange differences and others	(9 199)	4	(9 195)
Balance as at 31st December 2019	**5 995**	**15 314**	**21 309**
Net charge of the period	5 440	255	5 695
Write back	(1 684)	(3 320)	(5 004)
Foreign exchange differences and others	(969)	(108)	(1 077)
Balance as at 31st December 2020	**8 782**	**12 141**	**20 923**

These provisions are meant to cover possible contingencies related to the activity of the Group.

The movements in impairment losses can be analyzed as follows:

(thousand euros)

	31.12.2019	Net charge of the period	Write back	Stage 3	Exchange differences and others	31.12.2020
Cash and cash equivalents (Note 17)	-	62	-	-	(62)	-
Financial assets measured at fair value through OCI (Note 20)	3 257	262	(449)	83	454	3 607
Financial assets measured at amortized cost						
Loan and advances to banks (Note 21)	15 615	(53)	(15 077)	-	15	500
Loan and advances to customers (Note 22)	11 881	2 166	(224)	4	(1 837)	11 990
Securities (Note 20)	8 699	2 127	-	77	(28)	10 875
Intagible assets (Note 25)	9 859	-	-	-	-	9 859
Investments in associated companies (Note 26)	340	-	-	-	-	340
Other assets (Note 27)	8 012	2 166	-	-	(490)	9 688
	57 663	**6 730**	**(15 750)**	**164**	**(1 948)**	**46 859**

(thousand euros)

	31.12.2018	Net charge of the period	Write back	Stage 3	Exchange differences and others	31.12.2019
Cash and cash equivalents (Note 17)	1	-	-	-	(1)	-
Financial assets measured at fair value through OCI (Note 20)	1 842	793	(152)	(189)	963	3 257
Financial assets measured at amortized cost						
Loan and advances to banks (Note 21)	15 584	23	-	-	8	15 615
Loan and advances to customers (Note 22)	21 585	1 994	(11 882)	(28)	212	11 881
Securities (Note 20)	448	8 309	(58)	-	-	8 699
Intagible assets (Note 25)	-	9 859	-	-	-	9 859
Investments in associated companies (Note 26)	340	-	-	-	-	340
Other assets (Note 27)	8 781	481	(1 285)	-	35	8 012
	48 581	**21 459**	**(13 377)**	**(217)**	**1 217**	**57 663**

NOTE 32 – 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 2020 and 2019 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 1.5 and 7.5 million euros, 5% of the profit between 7.5 and 35 million 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 2020 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 2020 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, 2020, 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.

The Bank's self-assessment declarations relating to the 2020 and previous financial years are subject to inspection and possible adjustment by the Tax Authorities for a period of four years, except where any deduction or tax credit has been made, where the term is the exercise of that right. As a result, additional tax assessments may be possible due to different interpretations of 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.

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.

As at 31st of December 2015, Haitong Bank determined a tax credit of 5,281 thousand euros, which corresponds to a special reserve of 5,809 thousand euros recorded during the year of 2016.

As at 31st of December 2016, Haitong Bank determined a tax credit of 20,529 thousand euros, which corresponds to a special reserve of 22,582 thousand euros recorded during the year of 2017.

As at 31st of December 2017, Haitong Bank determined a tax credit of 9,060 thousand euros, which corresponds to a special reserve of 9,966 thousand euros recorded during the year of 2018.

As at 31st of December 2018, Haitong Bank determined a tax credit of 232 thousand euros, which corresponds to a special reserve of 255 thousand euros recorded during the year of 2019.

Note that, in pursuance of the abovementioned scheme, such conversion rights correspond 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 shareholders are granted the right to acquire those conversion rights in accordance with Ordinance no. 293-A/2016 of 18th of November.

In the event that the shareholders 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 the year of 2020 it will be necessary 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 2021, and taking into account the amounts of the financial statements as at 31 December 2020, as well as the amount of tax credits converted by reference to the years 2015, 2016, 2017 and 2018 it would be necessary to increase special reserve in an estimated value of 19,250 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 shall be certified by the certified public accountant.

At 31st of December 2020, Haitong Bank has a negative result within its individual financial statements. So, it should, in 2021, and after approval of the accounts, convert part of the deferred taxes assets covered by this special regime, in proportion between net income and equity, as well as proceed with the constitution of a special reserve and issue of conversion rights into shares representing the share capital attributable to the Portuguese State

It is important to note that, in accordance with Law no. 23/2016 of 19th of August, the special scheme applicable to deferred tax assets (REAID) stopped being applicable to expenses and other negative asset variations accounted for in previous tax periods starting on or after the 1st of January 2016.

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.

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, it is Bank intention to submit 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 two years in the amount of 14,611 thousand euros (of a total amount of 35,103 thousand euros). Thus, that tax credit would be reclassified to the item of deferred tax assets.

The Bank's management considers that the procedures adopted 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 2020, as its affect tax losses that have not yet been used for which deferred tax losses have been not recognized.

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%

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 2020 and 2019, current tax assets and liabilities can be analyzed as follows:

(thousand euros)

	Asset		Liabiity	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Corporate income tax	2 465	5 261	(5 189)	(7 044)
Tax Credit (Special Scheme for Deferred Taxes)	20 025	35 103	-	-
Current tax asset / (liability)	**22 490**	**40 364**	**(5 189)**	**(7 044)**

The reduction occurred in 2020, in the line "tax credit", refers to the receipt of tax credit under REAID, by the Portuguese Tax Authorities, with reference to the years 2015 and 2016. According to legislation in force, Haitong Bank shareholders 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 2015, it will be until July 2022.

Deferred tax assets and liabilities recognized in the statement of financial position in 2020 and 2019 can be analyzed as follows:

(thousand euros)

	Asset		Liability		Net	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Derivative financial instruments	4 057	(945)	-	-	4 057	(945)
Securities	246	(702)	(1 370)	(1 502)	(1 124)	(2 204)
Loans and advances to customers	33 489	47 935	68	575	33 557	48 510
Provisions	2 037	1 362	(8)	-	2 029	1 362
Pension Fund and Long-term employee benefits	6 028	5 478	-	-	6 028	5 478
Other	(4 243)	1	(20)	(17)	(4 263)	(16)
Tax losses carried forward	54 085	63 208	-	-	54 085	63 208
Deferred tax asset/(liability)	**95 699**	**116 337**	**(1 330)**	**(944)**	**94 369**	**115 393**
Net deferred tax asset / (liability)	**95 699**	**116 337**	**(1 330)**	**(944)**	**94 369**	**115 393**

The Group only recognizes 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, 34 375 thousand euros (in 2020) 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 did not booked deferred tax assets, which can be used until the year 2024 and 2025, respectively. The period of 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).

The movements in deferred taxes, in the balance sheet, had the following impacts:

(thousand euros)

	31.12.2020	31.12.2019
Opening balance	115 393	127 122
Recognised in profit or loss	(6 429)	(8 036)
Recognised in fair value reserves	1 291	(964)
Recognised in other reserves	(5 823)	(125)
Foreign exchange variation and others	(10 063)	(2 604)
Closing balance (Asset / (Liability))	**94 369**	**115 393**

Tax recognised in the income statement and reserves during 2020 and 2019 financial years had the following source:

(thousand euros)

	31.12.2020		31.12.2019	
	Recognised in profit or loss	Recognised in reserves	Recognised in profit or loss	Recognised in reserves
Deferred Taxes				
Derivative financial instruments	(1 791)	-	9 813	-
Securities	490	(1 029)	320	965
Loans and advances to customers	16 148	-	20 257	-
Provisions	(381)	-	(544)	-
Pension Fund	829	(1 545)	(1 698)	124
Other	(9 644)	7 106	210	-
Tax losses carried forward	778	-	(20 322)	-
	6 429	4 532	8 036	1 089
Current Taxes	2 161	-	2 970	-
Total recognised tax	**8 590**	**4 532**	**11 006**	**1 089**

Reconciliation of the tax rate, concerning the recognised amount in the income statement, can be analysed as follows:

(thousand euros)

	31.12.2020		31.12.2019	
	%	Value	%	Value
Profit or loss before tax and Non-controlling interests		**10 947**		**12 594**
Income tax rate of Haitong Bank	26.2		21.0	
Tax determined based on the income tax rate of Haitong Bank		2 873		2 645
Difference in the tax rate of subsidiaries	22.5	2 461	41.4	5 210
Tax-exempt dividends	(4.2)	(458)	(3.2)	(409)
Tax benefits	(0.6)	(65)	(1.8)	(223)
Capital gains	-	-	(18.6)	(2 347)
Tax rate difference	-	-	5.0	626
Impairment of subsidiaries	81	8 846	5.5	688
Bank Levy	5.7	624	4.6	580
Unrecognized tax losses	-	-	41.3	5 199
Tax losses used (but with no deferred tax asset recognised)	-	-	(0.7)	(91)
Branches' income tax	14.2	1 551	3.5	444
Differences arising from consolidation	(68.6)	(7 505)	(6.9)	(867)
Other movements according to the tax estimation	(0.7)	(74)	(1.4)	(174)
Autonomous taxation	1.9	213	3.0	376
Other	1.1	124	(5.2)	(651)
	78.3	**8 590**	**87.5**	**11 006**

NOTE 33 – OTHER LIABILITIES

As at 31st of December 2020 and 2019, the Other liabilities heading is analysed as follows:

(thousand euros)

	31.12.2020	31.12.2019
Creditors and other resources		
Public sector	10 786	11 422
Deposited collateral under collateral agreements (Note 20)	12 260	33 773
Sundry creditors		
Leasing liabilities	6 719	8 238
Creditors from transactions with securities	15 253	16 309
Suppliers	1 051	1 300
Other sundry creditors	4 540	7 384
	50 609	**78 426**
Accrued expenses		
Career bonuses (see Note 14)	616	539
Other accrued expenses	9 333	8 444
	9 949	**8 983**
Deferred income	**317**	**154**
Other sundry liabilities		
Stock exchange transactions pending settlement	10 291	23 009
Foreign exchange transactions pending settlement	298	-
Other transactions pending settlement	12 269	23 554
	22 858	**46 563**
Retirement pensions (see Note 14)	**-**	**5 251**
	83 733	**139 377**

As at 31st of December 2020 and 2019, the headings regarding Stock exchange transactions pending settlement refer to transactions with securities pending settlement.

NOTE 34 – DISCONTINUED OPERATIONS

On September 30th, 2019, Haitong Bank has entered into an agreement with its parent company, Haitong International Holdings Limited, an entity fully owned by Haitong Securities Co., Ltd., to sell and transfer the entirety of the shares representing the share capital of its wholly owned subsidiary Haitong Investment Ireland p.l.c.. Having at that date the transaction pending to previous standard conditions as well as to the non-opposition of the relevant stakeholders. The sale was completed on December 19, 2019. The sale price was € 12,000 thousand euros.

As a consequence of this decision, the assets and liabilities of this entity were reclassified to the "Assets and liabilities of discontinuing units". Also in accordance with the requirements of IFRS 5 - "Non-current assets held for sale and discontinued operations", the results generated by this entity is presented in a single line of the Income Statements ("Net profit of discontinued operations").

The Group, until the closing date of the operation, based on the provisions of IFRS 5 has measured these discontinued assets at the lower of two amounts: book value or fair value less costs to sell. As such, and as shown below, the 2019 result of discontinuing operations is decomposed as follows:

	(thousand euros)
	31.12.2019
Sell price	12 000
Investment Ireland PLC Equity as of December 19, 2019	10 033
Consolidated Gain	1 967
(+) Haitong Investment Ireland PLC Net Losses of the period	3 713
(+) Consolidation Adjustments	611
Haitong Investment Ireland PLC Net Profit of discontinuing operations	**6 291**
Net Profit of discontinuing operations	**6 291**

For consolidation purposes of the discontinued operations assets and liabilities, the intragroup transactions with impact in the statement of financial position are eliminated.

NOTE 35 – 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.

As at 31st of December 2020 and 2019, the share capital of Haitong Bank amounts to 844,769 thousand euros and is represented by 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 2020 and 2019, 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.

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.

As at 31st of December 2020 and 2019, 3,731 thousand euros regarding these bonds are in circulation. In the year of 2020 and 2019 the Group haven't paid interest.

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.

NOTE 36 – 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 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 2018	**(132)**	**(41)**	**(173)**	**39 878**	**(28 280)**	**(164 723)**	**(220 722)**	**(373 847)**
Actuarial gains/losses (net of taxes)	-	-	-	-	(3 456)	-	-	(3 456)
Own credit risk change	-	-	-	-	-	-	58	58
Changes in fair value (net of taxes)	1 605	(964)	641	-	-	-	-	-
Foreign exchange differences	-	-	-	-	-	(4 469)	-	(4 469)
discontinuing operations	-	-	-	-	-	-	(87)	(87)
associates	-	-	-	-	-	-	(272)	(272)
Transfer to reserves	-	-	-	-	-	-	1 159	1 159
Balance as at 31 December 2019	**1 473**	**(1 005)**	**468**	**39 878**	**(31 736)**	**(169 192)**	**(219 864)**	**(380 914)**
Actuarial gains/losses (net of taxes)	-	-	-	-	(1 041)	-	-	(1 041)
Changes in fair value (net of taxes)	(3 150)	1 291	(1 859)	-	-	-	-	-
Foreign exchange differences	-	-	-	-	-	(9 208)	-	(9 208)
associates	-	-	-	-	-	-	363	363
Transfer to reserves	-	-	-	-	-	-	7 508	7 508
Balance as at 31 December 2020	**(1 677)**	**286**	**(1 391)**	**39 878**	**(32 777)**	**(178 400)**	**(211 993)**	**(383 292)**

The movement of the fair-value reserve, net of deferred taxes and non-controlling interests can be analysed as follows:

(thousand euros)

	31.12.2020	31.12.2019
Opening balance	**468**	**(173)**
Fair value changes	(986)	3 334
Disposals of the period	(2 426)	(2 523)
Impairment recognised in the period	262	794
Deferred taxes recognised in reserves during the period	1 291	(964)
Closing balance	**(1 391)**	**468**

Non-controlling interests

The Non-controlling interests heading information per subsidiary is as follows:

(thousand euros)

	31.12.2020		31.12.2019	
	Balance sheet	Income statement	Balance sheet	Income statement
Haitong Banco de Investimento do Brasil S.A.	9 142	1 386	11 720	109
Haitong Securities do Brasil S.A.	2 999	(51)	4 300	66
Haitong Negócios S.A.	4 569	(632)	4 276	134
Haitong do Brasil Participações Ltda	-	-	2 998	74
FI Multimercado Treasury	729	24	970	57
Others	1 354	(11)	1 878	(69)
	18 793	**716**	**26 142**	**371**

The movement of Non-controlling interests of the periods ended on the 31st of December 2020 and 2019, can be analysed as follows:

(thousand euros)

	31.12.2020	31.12.2019
Opening balance	**26 142**	**26 029**
Dividends paid	(179)	(206)
Changes in fair value reserve	(341)	361
Exchange difference and other	(7 545)	(413)
Net income for the period	716	371
Closing balance	**18 793**	**26 142**

NOTE 37 – CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS

As at 31st of December 2020 and 2019, off-balance elements are as follows:

(thousand euros)

	31.12.2020	31.12.2019
Contingent liabilities		
Guarantees and stand by letters of credit	142 768	130 227
Assets pledged as collateral	774 229	649 545
	916 997	**779 772**
Commitments		
Irrevocable commitments	58 010	12 082
	58 010	**12 082**

The rendered guarantees and sureties are banking transactions that do not necessarily represent any outflow for the Group.

As at 31st of December 2020 and 31st of December 2019, 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 2020(31st of December, 2019: 10,000 thousand euros), (ii) within the scope of target long-term refinancing operations, amounting to 110,600 thousand euros (31st of December, 2019: 22,000 thousand euros) and (iii) 177,152 thousand euros of collaterals not discounted, being the total of securities eligible for rediscount with the Bank of Portugal amounted to 368,286 thousand euros as at the 31st of December 2020 (31st of December, 2019: 162,148 thousand euros);

- Securities pledged as collateral to the Portuguese Securities Market Commission within the Investor Compensation Scheme in the amount of 109 thousand euros (31st of December 2019: 109 thousand euros).

- Securities pledged as collaterals to Fundo de Garantia de Depósitos [Deposit Guarantee Fund] in the amount of 107 thousand euros (31st of December 2019: 100 thousand euros).

- Securities pledged as collateral within the scope of transactions with repurchase agreements: 445,850 thousand euros (31st of December 2019: 392,516 thousand euros).

- Securities pledged as collateral within the scope of derivatives compensation contracts 30,410 thousand euros (31st of December 2019: 62,447 thousand euros).

Additionally, the off-balance elements related to banking services provided are as follows:

(thousand euros)

	31.12.2020	31.12.2019
Liabilities related to services provided		
Commercial paper programmes agency	87 500	155 700
Other responsabilities related with services provided	475 316	475 990
	562 816	**631 690**

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 a defendant in a proceeding associated with the capital increase of BES, which took place in June 2014. In fact, there were 2 proceedings associated with the capital increase of BES, however, the Court has ruled not to prosecute due to "abandonment" in both of the aforesaid proceedings. The prosecution have appealed both deliberations to higher courts instances and in one of these proceedings the Supreme Court of Justice says that there is a double standard in relation to the decision of the lower court and the Lisbon Court of Appeal [Tribunal da Relação de Lisboa].

However, in this legal proceeding the claimant (DECO) filed an extraordinary appeal for determination of jurisprudence, having been admitted such appeal and the proceedings continued. As the case returned to the judge of the trial court (1st instance) in charge of the case, a sentence was handed down in which it was judged by the "rejection" of the initial petition due to the lack of legitimacy conditions of the Claimant. An appeal was filed to the Lisbon Court of Appeal against this sentence and a singular decision has already been issued to dismiss the appeal as unfounded. Regarding this decision was made a Complaint *(Reclamação para Conferência)*. A decision is pending on this Complaint, by the Lisbon Court of Appeal.as regards the other legal proceeding (case brought by several Funds), after the decision of the trial court to declare that the case had been "abandonment", 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 to the Constitutional Court, all of them maintaining the previously decided by the Lisbon Court of Appeal. The legal procedure return to the trial court (1st instance) lawsuit for the continuation of its terms, awaiting the appointment of a prior hearing.

Haitong Bank is also a defendant in 14 proceedings, nearly all of which are associated with issues of commercial paper of GES's entities.

In note 38, in what concerns the 2019 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 by GES' entities, 43 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.

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 papel and amounts to € 517.500.099,71 million Euro. Haitong Bank presented its written defense 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 FCR, 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.

In Brazil, there is a judicial discussion around the constitutionality of the law applicable to the contributions of PIS ("Programa de Integração Social") and COFINS ("Financiamento da Seguridade Social) taxes which falls over other income that is not originated from sale of goods or from services rendered. Based on a court decision, all Brazilian group entities are monthly depositing to the court the amount under discussion and only are assessing to Tax Authorities the amount of tax related to services rendered, which are not under such discussion. The amounts subject to judicial deposit are recorded on Balance Sheet, in other assets. It's the understanding of the Group, based on external legal opinions, that the chances to obtain an unfavourable judicial decision against the Bank are below 50%, which supports the Group decision to not record any provision for this contingency. At 31 December 2020, the accumulated amount of the mentioned nonassessed contributions, but judicially deposited by the group was 19,049 thousand euros.

Following the above stated, Haitong Bank did not establish any provision related to such legal proceedings.

Resolution Fund

Resolution measures applied to Banco Espírito Santo, S.A. and BANIF – Banco Internacional do Funchal, S.A.

The Board of Directors of the Bank of Portugal decided, on 3rd of August 2014, to apply a resolution measure to Banco Espírito Santo, S.A. ("BES"), having the generality of the activity and net worth of BES been transferred to Novo Banco, S.A. In line with EU regulations, the capitalisation of Novo Banco was secured by the Resolution Fund, established by Decree-Law No. 31-A/2012 of 10 February. As provided for in said Decree-Law, the Resolution Fund's resources come from contributions paid by the institutions participating in the Fund and from the banking sector contribution. Moreover, legislation provides that whenever these resources prove insufficient to fulfil obligations, other means of financing can be use, including: (i) special contributions from credit institutions; and (ii) from loans taken out.

Following the resolution measure, the capital needs of Novo Banco were calculated at 4,900 million euros, having the capital subscription held by the Resolution Fund been funded by the Portuguese State (3,900 million euros) and by eight financial institutions participants of the Fund (700 million euros), in which the Bank is not included(not including the Bank).Subsequently, in view of the resolution process of Banco Espírito Santo, S.A., Bank of Portugal resolved, as announced on 29th of December 2015, the transfer of responsibility to Resolution Fund of "…possible negative outcomes of future decisions, arising from the resolution process [of Banco Espírito Santo, S.A.], with responsibilities or contingencies as a result.".

On July 2016, the Resolution Fund stated that it would analyse and assess the necessary steps to be taken following the disclosure of the results of the independent valuation exercise, performed to estimate the level of credit recovery by each creditor class in the hypothetical scenario of a normal insolvency proceeding of BES as at 3rd of August 2014. Pursuant to applicable law, if at the completion of BES's winding-up, it is concluded that creditors, whose credits have not been transferred to Novo Banco suffered a loss higher than the loss they would have hypothetically suffered if BES had initiated its winding-up process immediately before the resolution measure was adopted, such creditors will have the right to receive the difference from the Resolution Fund.

Following BES resolution, there is a relevant set of legal actions in progress against the Resolution Fund. According to Note 23 of the 2018 Resolution Fund Annual Report, “Lawsuits related to the application of resolution measures do not have legal precedents, which makes it impossible to use jurisprudence in their assessment, as well as a reliable estimate of any associated contingent financial effect. However, on March 12, 2019, a judgment was handed down by the Administrative Court of Círculo de Lisboa, unanimously by its twenty judges, which confirmed the constitutionality of the resolution's legal regime and the full legality of the resolution measure applied to BES on December 3. August 2014. Also by judgment of the Supreme Administrative Court, of March 13, 2019, a decision on the merits was rendered entirely in favour of the Resolution Fund related to the impugnation of the Novo Banco sale process. The Steering Committee, supported by the opinion of the lawyers who ensure the sponsorship of these actions and in view of the legal and procedural information available so far, considers that there is no evidence to support its belief that the probability of success is greater than the probability of failure".

On October 18, 2017, the Resolution Fund announced the conclusion of the sale process of 75% of Novo Banco, SA's share capital to Lone Star, whose selection had been communicated by Banco de Portugal on March 31, 2017. The Agreed conditions include the existence of a contingent capitalization mechanism, under which the Resolution Fund undertakes to carry out capital injections up to the maximum total amount of 3,890,000 thousand euros in the event of certain cumulative conditions materializing.In a statement dated June 17, 2019, the Resolution Fund released a set of clarifications related to the payment due in 2019 under the contingent capitalization agreement entered into with Novo Banco, namely:

- In order for payments to be made by the Resolution Fund (limited to a maximum of 3,890 million euros during the entire life of the mechanism), it is necessary for losses on the assets covered by the contingent mechanism to occur and for Novo Banco's capital ratios to be level below the agreed reference thresholds;
- The payment to be made by the Resolution Fund corresponds to the lowest amount between the accumulated losses on the covered assets and the amount necessary to restore the capital ratios above the minimum reference threshold;
- The reference capital ratios are, in the years 2017, 2018 and 2019, anchored to the regulatory requirements applicable to Novo Banco (ratio of 11.25% and 12.75%, respectively, for CET1 and Tier I), but , as of 2020, the reference ratio corresponds to a CET1 ratio of 12%;
- The initial reference value of the portfolio that integrates the contingent capitalization mechanism was 7,838 million euros at 30 June 2016 (book value of the respective assets, net of impairments), and the value of the portfolio at 31 December in 2018, it amounted to approximately 3,920 million euros (book value of the respective assets net of impairments);
- The accumulated losses for the assets covered and the respective management, between 30 June 2016 (the reference date of the mechanism) and 31 December 2019, correspond to 2,661 million euros. Of this amount, the Resolution Fund paid in 2018, in accordance with the terms and conditions of the contingent capitalization mechanism, approximately 792 million euros, so the amount of losses not supported by the Fund was, at the end of 2018, approximately 1,869 million euros;
- The amount required for Novo Banco's capital ratios to remain at the agreed levels in 2018 is 1,149 million euros. The amount payable by the Resolution Fund results from the comparison between the amount of 1,869 million euros (accumulated loss on covered assets not supported by the Fund) and the amount of 1,149 million euros and corresponds to the lowest of these values, i.e., Euros 1,149 million euros.

On May 24, 2018, the Resolution Fund announced that on the same date the payment to Novo Banco, SA of the amount of approximately 791,695 thousand euros, resulting from the application of the aforementioned contingent capitalization mechanism relating to the results disclosed for 2017, having used own resources for this purpose, complemented by an additional State loan in the amount of 430,000 thousand euros, under the framework agreement signed between the Portuguese State and the Resolution Fund in October 2017.

On May 6, 2019, the Resolution Fund made a payment to Novo Banco of the amount calculated for the financial year of 2018 in the amount of 1,149 million Euros, using its own resources for this purpose and using a loan from the State of 850 million euros. Euros which corresponds to the maximum financing limit agreed. Thus, the amount paid by the Resolution Fund to Novo Banco in two years was 1,941 million euros.

According to the 2018 Resolution Fund Report and Accounts, "With regard to future periods, it is considered that there is significant uncertainty as to the relevant parameters for determining any future liabilities, whether for their increase or reduction , under the terms of the contingent capitalization mechanism agreement with Novo Banco ".

According to a notice issued by the Resolution Fund on 4 June 2020, the payment made by the Resolution Fund to Novo Banco in May 2020, in the amount of 1 035 million euros, results from the execution of the 2017 agreements, under the process of the sale of the 75% stake of the Resolution Fund in Novo Banco, complying with all the procedures and limits defined therein.

In the same notice, the Resolution Fund also clarifies that the "Resolution Fund and Novo Banco initiated an arbitration proceeding to clarify the treatment that should be given, under the Contingent Capital Agreement, of the effects of Novo Banco's decision to waiver the transitional regime it currently benefits from and which aims to reduce the impact of the introduction of IFRS 9 on the credit institutions' own funds. This issue falls within the scope of the implementation of the Contingent Capital Agreement, which sets the maximum amount of payments to be made by the Resolution Fund at 3 890 million euros. Thus, even if the arbitration proceeding were to have an unfavourable outcome for the Resolution Fund's claims, its effects would fall under the maximum limit of 3 890 million euros in accordance with the Contingent Capital Agreement. The above arbitral proceedings therefore do not represent an additional risk compared to the ceiling of 3 890 million euros. "

Thus, considering the payments already made and the amount of the provision recorded in 2019, the remaining amount that can still be used amounts to 912 million euros.

As at 31 December 2020, Novo Banco is held by Lone Star and the Resolution Fund, with a share capital of 75% and 25%, respectively.

Novo Banco, adhered to the Special Regime applicable to Deferred Tax Assets (REAID), provided under Law No. 61/2014, of 26 August, having had the confirmation of the conversion of deferred tax assets into tax credits by the Tax and Customs Authority, for the tax periods of 2015 and 2016, in exchange for the conversion rights attributed to the State. If the Resolution Fund does not exercise its right to acquire the conversion rights attributed to the State, which expires in 2022, the State may become a shareholder of Novo Banco SA up to a stake of 2.71% of Novo Banco's share capital, while diluting the Resolution Fund's shareholding position. According to the Resolution Fund's 2019 annual report, under the terms of the Sale and Subscription Agreement of 75% of share capital of Novo Banco with Lone Star on October 17, 2017, the effect of dilution associated with REAID shall exclusively affect the Resolution Fund's stake. According to note 21, although subject to certain assumptions, that the processes in progress for the conversion of deferred tax assets into tax credits with reference to the 2017 and 2018 may correspond to about 7.6 percentage points of the share capital of Novo Banco. These effects may impact the Resolution Fund's shareholder position in Novo Banco.

Resolution measures applied to Banif - Banco Internacional do Funchal, S.A.

Additionally, Bank of Portugal established, on 19th and 20th of December 2015, a resolution measure was applied over on BANIF – Banco Internacional do Funchal, S.A ("BANIF"). The operation involved State support, including 489 million euros taken over by the Resolution Fund, funded through a loan agreement granted by the Portuguese State. Moreover, the Resolution Fund provided a guarantee relative to bonds issued by the vehicle constituted in the scope of BANIF's resolution, in the amount of 746 million euros, counter-guaranteed by the Portuguese State.

General features

To repay the loans received and other liabilities it may be required to assume relative to the above mentioned resolution measures, the Resolution Fund is financed through the periodic and special contributions of the participating institutions (including the Bank) and from the contribution on the banking sector. Under article 153-I of Decree-Law No. 345/98, of 9 November, if the resources of the Resolution Fund are insufficient to meet its obligations, participating institutions may be called upon, via a separate statute, to make special contributions. The amounts, instalments, deadlines and other terms of those contributions shall also be defined by said statute.

As part of the application of these measures, the Resolution Fund borrowed and assumed other contingent liabilities and responsibilities, in particular:

- The loans obtained from the State recorded on December 31, 2018 the amounts made available (i) in 2014 to finance the resolution measure applied to BES (3,900 million euros); (ii) to finance Banif's loss absorption (353 million euros); (iii) under the framework agreement signed with the State in October 2017, for the financing of measures under the contingent capital mechanism (430 million euros, to which are added 850 million euros of additional funding requested in 2019, as previously described);

- Other financing granted by institutions participating in the Resolution Fund in the amount of 700 million euros, in which the Bank does not participate, within the scope of the application of BES's resolution measure;

- Underwriting by the Resolution Fund of Tier 2 issuance to be carried out by Novo Banco, up to the amount of 400 million euros (this underwriting did not materialize, because the issue was placed with third parties as announced by Novo Banco on 29 July 2018);

- The effects of applying the principle that no credit institution of the credit institution under resolution can assume a greater loss than it would have if it had gone into liquidation;

- The negative effects of the resolution process resulting in additional responsibilities or contingencies for Novo Banco that have to be neutralized by the Resolution Fund;

- Legal proceedings against the Resolution Fund;

- Guarantee provided to the bonds issued by Oitante S.A. This guarantee is counter-guaranteed by the Portuguese State;

- Contingent capital mechanism, in which Lone Star has the right to claim from the Resolution Fund the financing costs, losses and provisioning with the assets belonging to that portfolio, up to a maximum amount of 3,890 million euros, subordinated the fulfillment of the conditions described above, including a reduction in the CET1 capital ratio to less than 8% -13%;

- The Portuguese State may inject capital into Novo Banco, under some conditions and via different instruments, in the event that the total capital ratio reaches values below the capital requirements defined under the SREP, as referred to in the respective European Commission Decision.

According to Note 21 of the 2019 Resolution Fund Annual Report, the Resolution Fund considers that, at the date, there are no elements that allow a reliable estimate of the potential financial effect of these potential liabilities.

On September 28, 2016, the Resolution Fund issued a statement stating that the maturity of the loan due on December 31, 2017 would be adjusted to ensure the Fund's ability to fully meet its obligations based on the his regular income, regardless of the contingencies to which he is exposed, nor the need to collect extraordinary contributions.

According to the FR statement of March 21, 2017:

- "The conditions for loans obtained by the Fund to finance the resolution measures applied to Banco Espírito Santo, SA and Banif - Banco Internacional do Funchal, SA have been changed." These loans amount to 4,953 million euros, of which 4,253 million euros granted by the State and 700 million euros 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 will be adjusted in terms that guarantee the Resolution Fund's ability to fully meet its obligations based on regular revenues and without the need for recourse to special contributions or any other type of extraordinary contributions.

- The review of loan conditions aimed to ensure 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 liabilities to be ensured, as well as the respective remuneration, without the need for recourse to special contributions or any other type of extraordinary contributions by the banking sector ".

On the other hand, and in the context of the sale process of Novo Banco, SA, on October 2, 2017, the Council of Ministers approved a resolution in which it authorized the conclusion, by the Portuguese State, as the final guarantor of financial stability, of an agreement with the Resolution Fund, with a view to making financial resources available to the Resolution Fund, if and when deemed necessary, for the satisfaction of contractual obligations that may eventually arise from the sale of the 75% stake in Novo Mercado Banco, SA It is also mentioned that the respective reimbursement will bear in mind that one of the objectives of this agreement is to ensure the stability of the contributory effort that falls on the banking sector, that is, without the need to be charged, to the participants of the Resolution Fund, contributions special or any other type of extraordinary contributions.

The Resolution Fund's own resources had a negative balance of 7,021 million euros, according to the latest accounts published with the 2019 Resolution Fund Report and Accounts.

In order to meet its responsibilities, the Resolution Fund has revenues from contributions, initial and periodic, from participating institutions (including Haitong Bank) and the contribution on the banking sector established by Law No. 55-A / 2010. It is also foreseen the possibility for the Government to determine, by ordinance, that special contributions be made in the situations provided for by law, specifically in the event that the Resolution Fund does not have its own resources to fulfill its obligations.

In accordance with Decree-Law No. 24/2013 that determines the operation of the Resolution Fund, the Bank has provided mandatory contributions since 2013 pursuant to the aforementioned Decree.

On 3rd of November 2015, Bank of Portugal issued a Circular-Letter according to which the periodical contribution for the Resolution Fund must be recognised as cost at the time of the event that originates mandatory contribution payments, which is in the last day of April of each year, pursuant to article no. 9 of Decree-Law No. 24/2013 of 19 February, ensuring that the Bank recognises the contribution as an expense in the year it is due.

On 15th of November 2015, the Resolution Fund issued a press release stating: "it is further explained that it is unlikely that the Resolution Fund shall propose the establishment of a special contribution for the financing of the resolution measure applied to BES. Therefore, the chance of a possible charge of a special contribution is far-flung."

The regime provided for in Decree-Law No. 24/2013 establishes that Banco de Portugal sets, by instruction, the rate to be applied each year on the basis of the objective levy of periodic contributions. Banco de Portugal Instruction No. 24/2019, published on December 16, 2019, set the base rate to be in force in 2020 for the determination of periodic contributions to the FR at 0.06% compared to the rate of 0.057% that was in force in 2019.

As of 2015, the Bank also started to make contributions within the scope of the establishment of the European Resolution Fund, with contributions made in 2020 amounting to 974 thousand euros.

In 2020, the Bank made periodic contributions to the Resolution Fund and the banking sector in the amounts of 570 thousand euros and 1,669 thousand euros, respectively, which are recognized as costs under the terms set out in IFRIC 21 - Fees.

The COVID-19 pandemic, duration and effects, constitute a context of additional uncertainty regarding the resulting impacts, as shown in the opinion of the Novo Banco's external auditor included in the Novo Banco's Annual Report and Accounts for the first half of 2020 and in the opinion of the board Banco de Portugal's audit report included in the Resolution Fund's 2019 Report and Accounts.

NOTE 38 – RELATED PARTIES TRANSACTIONS

The Group's related parties transactions as at 31st of December 2020 and 31st of December 2019, as well as the respective expenses and income recognized in the year, are summarized as follows:

(thousand euros)

	31.12.2020					
	Assets					
	Others	Total	Guarantees	Liabilities	Income	Expenses
Shareholders						
HAITONG INTERNATIONAL HOLDINGS LIMITED	-	-	-	-	-	12
Subsidiaries and associates of shareholders						
HAITONG INTERNATIONAL STRATEGIC INVESTMENT	2 970	2 970	-	-	8 000	-
HAITONG SECURITIES	-	-	-	-	16 500	-
HAITONG INTERNATIONAL SECURITIES CO LTD	686	686	-	-	778	-
HAITONG INNOVATION SECURITIES INVESTMENT CO LTD	-	-	-	-	1 500	-
HAITONG INTERNATIONAL SECURITIES GROUP LIMITED	-	-	-	-	2 318	-
HAITONG INTERNATIONAL SECURITIES USA INC	-	-	-	-	2	-
HAITONG INTERNATIONAL SECURITIES CO LTD	880	880	-	-	3 926	-
UNICAM LIMITED	2 471	2 471	-	-	3 000	-
HAITONG INTERNATIONAL (UK) LIMITED	-	-	-	-	-	502
HAITONG INVESTMENT IRELAND PLC	9 199	9 199	15 099	689 936	17 431	27 432
TOTAL	**16 206**	**16 206**	**15 099**	**689 936**	**53 455**	**27 946**

	31.12.2019					
	Assets					
	Others	Total	Guarantees	Liabilities	Income	Expenses
Shareholders						
HAITONG INTERNATIONAL HOLDINGS LIMITED	-	-	-	-	1 968	-
Subsidiaries and associates of shareholders						
HAITONG INTERNATIONAL STRATEGIC INVESTMENT	-	-	-	-	5 000	-
HAITONG SECURITIES	7	7	-	-	13 408	-
HAITONG INTERNATIONAL SECURITIES CO LTD	1 789	1 789	-	-	5 491	-
HAITONG INNOVATION SECURITIES INVESTMENT CO LTD	-	-	-	-	1 500	-
HAITONG INTERNATIONAL SECURITIES GROUP LIMITED	-	-	-	-	2 534	-
HAITONG INTERNATIONAL SECURITIES USA INC	-	-	-	-	9	-
UNICAM LIMITED	-	-	-	-	3 000	-
HAITONG INTERNATIONAL (UK) LIMITED	-	-	-	145	16	413
HAITONG INVESTMENT IRELAND PLC	24 762	24 762	21 458	703 142	-	-
TOTAL	**26 558**	**26 558**	**21 458**	**703 287**	**32 926**	**413**

As at 31st December 2020, the income heading includes 36,768 thousand euros concerning fee and commission income heading from banking services (31st of December 2019: 30,942 thousand euros).

NOTE 39 – 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 analyzed

(thousand euros)

	Amortised cost	Valued at Fair Value			Total book value	Fair Value
		Level 1	Level 2	Level 3		
Balance as at 31 December 2020						
Cash and cash equivalents	494 885	-	-	-	494 885	494 885
Financial assets at fair value through profit or loss		-				
Financial assets held for trading		-				
Securities	-	23 165	603 892	-	627 057	627 057
Derivative financial assets	-	-	141 256	1 806	143 062	143 062
Non-trading financial assets mandatorily at fair value through profit or loss		-				
Securities	-	715	6 565	28 017	35 297	35 297
Loans and advances to customers	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	31 421	14 704	114 631	160 756	160 756
Financial assets measured at amortised cost		-				
Securities	461 453	-	-	-	461 453	449 115
Loans and advances to banks	115 160	-	-	-	115 160	115 160
Loans and advances to customers	420 040	-	-	-	420 040	415 231
Financial Assets	**1 491 538**	**55 301**	**766 417**	**144 454**	**2 457 710**	**2 440 563**
Financial liabilities held for trading						
Securities	-	-	79 083	-	79 083	79 083
Derivative financial liabilities	-	-	140 898	1 806	142 704	142 704
Financial liabilities measured at amortised cost						
Resources of credit institutions	577 996	-	-	-	577 996	577 996
Resources of customers	1 227 505	-	-	-	1 227 505	1 227 505
Debt securities issued	64 862	-	-	-	64 862	64 862
Hedging derivatives	-	-	-	-	-	-
Financial Liabilities	**1 870 363**	**-**	**219 981**	**1 806**	**2 092 150**	**2 092 150**
Balance as at 31st December 2019						
Cash and cash equivalents	637 829	-	-	-	637 829	637 829
Financial assets at fair value through profit or loss						
Financial assets held for trading						
Securities	-	18 305	419 267	-	437 572	437 572
Derivative financial assets	-	-	137 870	10 853	148 723	148 723
Non-trading financial assets mandatorily at fair value through profit or loss						
Securities	-	776	6 749	29 874	37 399	37 399
Loans and advances to customers	-	-	-	107	107	107
Financial assets at fair value through other comprehensive income	-	40 487	81 432	55 268	177 187	177 187
Financial assets measured at amortised cost						
Securities	335 755	-	-	-	335 755	323 003
Loans and advances to banks	145 470	-	-	-	145 470	145 470
Loans and advances to customers	314 614	-	-	-	314 614	310 154
Financial Assets	**1 433 668**	**59 568**	**645 318**	**96 102**	**2 234 656**	**2 217 444**
Financial liabilities held for trading						
Securities	-	1 995	130 763	-	132 758	132 758
Derivative financial liabilities	-	-	140 649	8 253	148 902	148 902
Financial liabilities measured at amortised cost						
Resources of credit institutions	302 248	-	-	-	302 248	302 248
Resources of customers	1 041 374	-	-	-	1 041 374	1 041 374
Debt securities issued	197 112	-	-	-	197 112	197 112
Hedging derivatives	-	-	300	-	300	300
Financial Liabilities	**1 540 734**	**1 995**	**271 712**	**8 253**	**1 822 694**	**1 822 694**

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, 2019 and December 31st, 2020 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
	Securities	Derivative financial assets	Securities	Loans and advances		
Balance as at 31st December 2019	**-**	**2 600**	**29 874**	**107**	**55 268**	**87 849**
Results recognized in Net Interest Margin	-	-	-	-	1 691	**1 691**
Net trading income and from other financial instruments at fair value through profit or loss	-	(4 935)	2 627	(12)	3	**(2 317)**
Net gains/(losses) derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	-	(831)	**(831)**
Impairment on other financial assets net of reversal and recoveries	-	-	-	-	(372)	**(372)**
Other fair value changes	-	-	(1 210)	(7)	(5 665)	**(6 882)**
Fair value reserve changes	-	-	-	-	179	**179**
Acquisitions	-	-	-	-	97 463	**97 463**
Sales	-	-	(683)	-	(23 686)	**(24 369)**
Reimbursements	-	-	(2 591)	(88)	(12 574)	**(15 253)**
Derivatives financial flows	-	2 897	-	-	-	**2 897**
Transfers from other levels	-	-	-	-	3 155	**3 155**
Transfers to other levels	-	(562)	-	-	-	**(562)**
Balance as at 31 December 2020	**-**	**-**	**28 017**	**-**	**114 631**	**142 648**

(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
	Securities	Derivative financial assets	Securities	Loans and advances to costumers		
Balance as at 31st December 2018	**17 528**	**(7 497)**	**28 913**	**5 783**	**94 894**	**139 621**
Results recognized in Net Interest Margin	366	-	-	-	2 247	**2 613**
Net trading income and from other financial instruments at fair value through profit or loss	7	5 707	6 296	(125)	-	**11 885**
Net gains/(losses) derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	-	1 220	**1 220**
Impairment on other financial assets net of reversal and recoveries	-	-	-	-	441	**441**
Other fair value changes	16	(2 027)	(81)	-	(258)	**(2 350)**
Fair value reserve changes	-	-	-	(52)	560	**508**
Acquisitions	-	-	-	-	17 109	**17 109**
Sales	(17 917)	-	-	-	-	**(17 917)**
Reimbursements	-	-	(5 254)	(5 499)	(53 029)	**(63 782)**
Derivatives financial flows	-	999	-	-	-	**999**
Transfers from discontinuing activities	-	3 497	-	-	-	**3 497**
Transfers from other levels	-	1 977	-	-	-	**1 977**
Transfers to other levels	-	(56)	-	-	(7 916)	**(7 972)**
Balance as at 31st December 2019	**-**	**2 600**	**29 874**	**107**	**55 268**	**87 849**

In 2020 accordingly with the liquidity assessment of the securities, 632 thousands euros of securities were transferred from Level 1 to Level 2, and 3.155 thousands from Level 2 to Level 3. During the year were transferred from Level 2 to Level 1 4.381 thousands euros.

As for the Derivatives Instruments 562 thousands euros were transferred from Level 3 to Level 2 due to the CVA have a weight lower than 5% of derivatives market value.

The main parameters used during 2020 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:

(%)

	31.12.2020			31.12.2019		
	EUR	USD	GBP	EUR	USD	GBP
Overnight	-0.56	0.08	0.03	-0.48	1.56	0.68
1 month	-0.50	0.14	0.02	-0.48	1.77	0.70
3 months	-0.50	0.23	0.03	-0.43	1.92	0.79
6 months	-0.50	0.17	0.03	-0.36	1.77	0.88
1 year	-0.51	0.17	0.00	-0.34	1.72	0.82
3 years	-0.51	0.16	0.09	-0.24	1.64	0.82
5 years	-0.46	0.43	0.19	-0.12	1.72	0.88
7 years	-0.39	0.66	0.28	0.02	1.78	0.94
10 years	-0.27	0.94	0.40	0.21	1.88	1.02
15 years	-0.07	1.22	0.53	0.47	2.01	1.10
20 years	0.01	1.35	0.58	0.61	2.08	1.13
25 years	0.01	1.41	0.59	0.65	2.11	1.12
30 years	-0.03	1.44	0.58	0.64	2.10	1.11

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:

(basis points)

Index	Series	3 years	5 years	7 years	10 years
Year 2020					
CDX USD Main	**31**	29.94	49.90	70.50	90.93
iTraxx Eur Main	**30**	30.60	47.93	65.99	86.31
iTraxx Eur Senior Financial	**30**	-	59.01	-	-
Year 2019					
CDX USD Main	**31**	54.19	87.75	112.99	132.62
iTraxx Eur Main	**30**	55.63	87.37	111.31	131.15
iTraxx Eur Senior Financial	**30**	-	108.52	-	-

Interest rate volatilities

The following figures reflect at-the-money implied volatilities:

(%)

	31.12.2020			31.12.2019		
	EUR	USD	GBP	EUR	USD	GBP
1 year	15.09	19.03	20.29	58.64	58.64	46.03
3 years	21.11	25.05	31.30	59.17	59.17	50.00
5 years	28.06	37.52	39.21	59.66	59.66	53.48
7 years	34.26	48.72	45.21	59.60	59.60	55.77
10 years	41.19	57.70	51.21	59.83	59.83	57.41
15 years	46.66	61.92	55.37	59.15	59.15	56.56

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 (%)				
	31.12.2020	31.12.2019	1 month	3 months	6 months	9 months	1 year
EUR/USD	1.2271	1.1234	6.86	6.59	6.45	6.42	6.39
EUR/GBP	0.8990	0.8508	8.04	7.64	7.26	7.13	6.98
EUR/CHF	1.0802	1.0854	4.44	4.66	4.85	5.03	5.16
EUR/PLN	4.5597	4.2568	7.83	6.93	6.39	6.04	5.79
EUR/CNY	8.0225	7.8205	6.17	6.39	6.37	6.41	6.44
USD/BRL a)	5.1940	4.0197	21.20	19.33	18.48	17.86	17.46

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:

	Quotation			Historical volatility (%)		Implied volatility (%)
	31.12.2020	31.12.2019	Range %	1 month	3 months	
DJ Euro Stoxx 50	3 553	3 745	(5.14)	13.27	21.62	18.44
PSI 20	4 898	5 214	(6.06)	17.03	20.33	-
IBEX 35	8 074	9 549	(15.45)	18.26	24.88	-
DAX	13 719	13 249	3.55	14.97	22.50	20.88
S&P 500	3 756	3 231	16.26	9.45	18.74	17.34
BOVESPA	119 017	115 645	2.92	16.43	22.72	25.72

The main methods and assumptions used in the abovementioned valuation of the fair-value of financial assets and liabilities are analyzed 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 40 – 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 other contingent liabilities - 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's 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).

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.

Within the scope of the forward-looking exercise, the Group adjusted the through-the-cycle probabilities of default ("TTC PD's"), incorporating prospective macroeconomic information, and generated "point-in-time" probabilities of default ("PiT PD's"), which are more precise and adequate to a point in time. The TTC PD's are the default probabilities provided by S&P, having the Group developed a methodology to estimate PiT PD's, based on the Scalar Factor concept, i.e., a coefficient that enables the conversion of TTC PD's into PiT PD's.

The Group's forward-looking exercise applies to the collective impairment model also covering exposures with a significant increase in credit risk, i.e, classified in Stage 2, namely whenever economic projections are available (2020, 2021 and 2022). The forward-looking exercise relied on two scenarios (baseline and severe case), weighted by their respective likelihood of occurrence.

Such exercise incorporated prospective information from Bank of Portugal, available for the period between 2020 and 2022, particularly macroeconomic data underlying both scenarios, in order to ensure the alignment and consistency of the model with the Regulator's predictions. The macroeconomic information under the baseline and severe scenarios corresponds generally to the data published for Portugal by Bank of Portugal within its Economic Bulletin of July 2020, with the exception of information on the unemployment rate in the base, which corresponds to data published by Bank of Portugal in the Economic Bulletin of October 2020.

According to the central scenario projections, the Portuguese Gross Domestic Product (GDP) should register an annual average of -9.5% in 2020, followed by a growth rate of 5.2% and 3.8% in 2021 and 2022, respectively. The severe scenario incorporates a new wave of the Covid-19 pandemic, leading to a second lockdown in late 2020. In this approach, the GDP is expected to register an average annual growth rate of -13% in 2020, being expected a growth rate of 1.7% afterwards and 3.5% in 2021 and 2022, respectively. The macroeconomic projections are compiled in the table below:

Macroeconomic Scenarios	Baseline				Severe			
	2019	2020	2021	2022	2019	2020	2021	2022
Gross domestic produt	2,2	-9,5	5,2	3,8	2,2	-13,1	1,7	3,5
Private consumption	2,2	-8,9	7,7	3	2,2	-13	3,8	3,1
Public consumption	1,1	0,6	0,7	0,8	1,1	1,1	1,7	-0,6
Gross fixed capital formation	6,3	-11,1	5	4,5	6,3	-19	-6,6	8,4
Imports	5,2	-22,4	13,5	8,5	5,2	-27,9	5,3	10,7
Exports	3,7	-25,3	11,5	11,2	3,7	-29,9	5,5	11,6
Consumer prices	0,3	0,1	0,8	1,1	0,3	0	0,7	0,9
Unemployment rate	6,5	7,5	8,9	7,6	6,5	11,4	11,4	9,9

Fonte: Estimates of Bank of Portugal according to the Economic Bulletin of June 2020 (exception made for the 2020e unemployment rate, which follows the projections of Bank of Portugal according to the Economic Bulletin of October 2020).

The update of the forward-looking exercise had a global impact (increase) in impairment losses in the amount of approximately 411 thousand euros as of December 2020.

Haitong Bank also carried out a sensitivity analysis, 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's and LGD's). Finally, a 10% shock was applied to the PD PiT and the LGD parameters, verifying that the impact on expected credit losses would result in an increase of around 900 thousand euros and 1,302 thousand euros, respectively.

The financial instruments subject to standard IFRS 9 impairment requirements are presented below, detailed by stage, as of December 31st, 2020 and December 31st, 2019.

(thousand euros)

Asset Type	31.12.2020									
	Stage 1					Stage 2			Stage 3	
	Low to Fair risk [aaa+;a-]	Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Not rated	Total Stage 1	Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Total Stage 2	Impaired [d]	Total Stage 3
Loans and advances to customers	2 083	279 447	-	11 684	293 214	130 811	-	130 811	8 005	8 005
Guarantees	-	100 932	-	8 449	109 381	-	15 076	15 076	18 311	18 311
Debt Securities	29 477	564 504	-	3 455	597 436	-	-	-	40 727	40 727
Loans and advances to banks	-	112 409	-	-	112 409	-	3 251	3 251	-	-
Cash and cash equivalents	487 947	6 931	-	-	494 878	-	-	-	-	-
Debtors and other assets	7	934	5 084	18 338	24 363	-	-	-	10 566	10 566
Total	**519 514**	**1 065 157**	**5 084**	**41 926**	**1 631 681**	**130 811**	**18 327**	**149 138**	**77 609**	**77 609**

(thousand euros)

Asset Type	31.12.2019									
	Stage 1					Stage 2			Stage 3	
	Low to Fair risk [aaa+;a-]	Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Not rated	Total Stage 1	Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Total Stage 2	Impaired [d]	Total Stage 3
Loans and advances to customers	-	219 778	-	18 705	238 483	76 362	-	76 362	11 883	11 883
Guarantees	-	104 359	-	450	104 809	1 940	-	1 940	23 478	23 478
Debt Securities	-	469 331	-	9 857	479 188	-	-	-	43 413	43 413
Loans and advances to banks	2 255	140 244	-	-	142 499	-	3 509	3 509	15 077	15 077
Cash and cash equivalents	632 188	5 633	-	-	637 821	-	-	-	-	-
Debtors and other assets	1	2 130	285	8 992	11 408	-	-	-	11 263	11 263
Total	**634 444**	**941 475**	**285**	**38 004**	**1 614 208**	**78 302**	**3 509**	**81 811**	**105 114**	**105 114**

As of December 31, 2020, the maximum exposure to credit risk of financial assets not subject to impairment requirements amounts to 463 million euros, corresponding to exposures to central banks.

The table below compiles all financial instruments at amortized cost by industry, stage and days of delay as of December 31, 2020.

(thousand euros)

Financial instruments at amortized cost (including financial guarantees) by industry, stage and past due status	31.12.2020									
	Stage 1				Stage 2		Stage 3			
	No overdue		More than 181 days		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	18 211	94	-	-	4 996	307	-	-	190	180
Automobiles & Components	11 458	21	-	-	-	-	-	-	-	-
Banks	646 982	282	1 589	1 589	3 251	488	-	-	-	-
Building Materials	20 970	223	192	192	-	-	12	12	-	-
Capital Goods	31 344	61	40	40	-	-	-	-	-	-
Chemicals	576	576	-	-	-	-	-	-	-	-
Commercial & Professional Services	11 260	225	86	86	-	-	4 282	1 071	-	-
Construction & Engineering	86 503	438	407	407	9 420	187	1 192	281	1 564	1 545
Consumer Durables & Apparel	3 146	32	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	404	38	-	-	-	-	-	-	-	-
Governments	220 107	177	214	214	-	-	-	-	-	-
Health Care	5 327	28	-	-	-	-	-	-	-	-
Hotels & Gaming	50	-	-	-	-	-	-	-	2 127	1 156
Household & Personal Products	13	3	-	-	-	-	-	-	-	-
Investment Holdings	25	-	-	-	-	-	-	-	-	-
Media & Entertainment	7	3	94	94	-	-	-	-	-	-
Metals & Mining	13 684	15	-	-	57 931	2 295	-	-	-	-
Non Bank Financial Institutions	24 845	40	-	-	-	-	15 099	10 824	-	-
Oil & Gas	13 326	54	-	-	-	-	-	-	-	-
Paper & Forest Products	25 469	202	60	60	-	-	-	-	-	-
Power	89 121	627	57	57	26 923	2 351	-	-	-	-
Real Estate	65 182	439	166	166	3 751	322	-	-	-	-
Retailing	13 801	17	-	-	-	-	-	-	-	-
Software	20	10	-	-	-	-	-	-	-	-
Technology Hardware & Equipment	-	-	-	-	-	-	27 267	9 726	-	-
Telecoms	34 804	156	-	-	15 076	82	-	-	-	-
Transportation	36 977	118	-	-	1 621	120	-	-	-	-
Transportation Infrastructure	74 848	316	-	-	26 169	588	2 100	806	10 316	1 640
Water Utilities	3 486	19	-	-	-	-	-	-	-	-
Others	10 486	821	3 113	3 113	-	-	-	-	-	-
Total	**1 473 288**	**5 036**	**6 018**	**6 018**	**149 138**	**6 740**	**49 952**	**22 720**	**14 197**	**4 521**

(thousand euros)

Financial instruments at amortized cost (including financial guarantees) by industry, stage and past due status	31.12.2019											
	Stage 1						Stage 2		Stage 3			
	No overdue		1 - 29 days		More than 181 days		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	Gross carrying amount	Loss allowance
Agribusiness & Commodity Foods	-	-	-	-	-	-	5 469	326	268	217	-	-
Banks	812 514	259	-	-	1 650	1 650	3 509	524	21 469	14 199	15 077	15 077
Broker Dealers	1 132	-	-	-	-	-	-	-	-	-	-	-
Building Materials	8 805	86	-	-	192	192	-	-	13	13	-	-
Capital Goods	6 358	4	-	-	40	40	-	-	1 060	222	-	-
Chemicals	813	813	-	-	-	-	-	-	-	-	-	-
Commercial & Professional Services	10 657	229	-	-	105	105	-	-	4 778	1 168	-	-
Construction & Engineering	69 610	172	-	-	407	407	1 940	49	46	46	1 985	1 626
Food, Beverage & Tobacco	772	79	-	-	-	-	-	-	-	-	-	-
Governments	195 129	148	2 574	1	214	214	-	-	-	-	-	-
Health Care	15	-	-	-	-	-	-	-	-	-	-	-
Hotels & Gaming	50	-	-	-	-	-	-	-	2 127	1 086	-	-
Household & Personal Products	6	1	-	-	-	-	-	-	-	-	-	-
Media & Entertainment	7	2	-	-	94	94	-	-	-	-	-	-
Metals & Mining	80 635	1 308	-	-	-	-	-	-	-	-	-	-
Non Bank Financial Institutions	2 143	-	-	-	-	-	-	-	-	-	-	-
Paper & Forest Products	17 920	175	-	-	60	60	-	-	-	-	-	-
Power	52 390	444	-	-	57	57	34 927	3 638	-	-	-	-
Real Estate	76 045	233	-	-	166	166	4 143	280	-	-	-	-
Software	393	5	-	-	-	-	-	-		-	-	-
Technology Hardware & Equipment	-	-	-	-	-	-	-	-	27 060	8 118	-	-
Telecoms	19 941	178	-	-	-	-	-	-	-	-	-	-
Transportation	8	-	-	-	-	-	1 930	68	635	-	-	-
Transportation Infrastructure	84 063	425	-	-	-	-	29 893	491	14 010	1 123	-	-
Water Utilities	514	3	-	-	-	-	-	-	-	-	-	-
Others	3 739	448	-	-	3 196	3 252	-	-	-	-	-	-
Total	**1 443 659**	**5 012**	**2 574**	**1**	**6 181**	**6 237**	**81 811**	**5 376**	**71 466**	**26 192**	**17 062**	**16 703**

In the following section is presented the gross exposure by asset type, impairment stage and internal rating bucket.

Loans and advances to costumers

The table below presents a summary of the portfolio of loans and advances to costumers of Haitong Bank Group, as of 31st of December 2020 and 2019:

(thousand euros)

Loans and advances to customers		31.12.2020				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	2 083	-	-	-	**2 083**
Monitoring	[bbb+;b-]	279 447	130 811	-	-	**410 258**
Impaired	[d]	-	-	8 005	-	**8 005**
Not rated		11 684	-	-	-	**11684**
Gross carrying amount		**293 214**	**130 811**	**8 005**	**-**	**432 030**
Loss allowance (Note 31)		1 697	6 169	4 124	-	**11 990**
Carrying amount		**291 517**	**124 642**	**3 881**	**-**	**420 040**
Fair Value Trough Profit and Loss						
Impaired	[d]	-	-	-	-	**-**
Gross carrying amount		**-**	**-**	**-**	**-**	**-**
Revaluation		-	-	-	-	**-**
Carrying amount		**-**	**-**	**-**	**-**	**-**
Total gross carrying amount		**293 214**	**130 811**	**8 005**	**-**	**432 030**
Loss allowance		1 697	6 169	4 124	-	11 990
Revaluation		-	-	-	-	-
Total Carrying amount		**291 517**	**124 642**	**3 881**	**-**	**420 040**

(thousand euros)

Loans and advances to customers		31.12.2019				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Monitoring	[bbb+;b-]	219 778	76 362	-	-	**296 140**
Impaired	[d]	-	-	11 013	637	**11 650**
Not rated		18 705	-	-	-	**18 705**
Gross carrying amount		**238 483**	**76 362**	**11 013**	**637**	**326 495**
Loss allowance (Note 31)		2 374	4 803	4 703	1	**11 881**
Carrying amount		**236 109**	**71 559**	**6 310**	**636**	**314 614**
Fair Value Trough Profit and Loss						
Impaired	[d]	-	-	233	-	**233**
Gross carrying amount		**-**	**-**	**233**	**-**	**233**
Revaluation		-	-	(126)	-	**(126)**
Carrying amount		**-**	**-**	**107**	**-**	**107**
Total gross carrying amount		**238 483**	**76 362**	**11 246**	**637**	**326 728**
Loss allowance		2 374	4 803	4 703	**1**	11 881
Revaluation		-	-	(126)	-	(126)
Total Carrying amount		**236 109**	**71 559**	**6 417**	**636**	**314 721**

Guarantees

The table below presents a summary of the portfolio of guarantees granted to clients of Haitong Bank Group, as of 31st of December 2020 and 2019:

(thousand euros)

Guarantees		31.12.2020				
		Stage 1	Stage 2	Stage 3	POCI	Total
Monitoring	[bbb+;b-]	100 932	-	-	-	**100 932**
Doubtful	[lccc]	-	15 076	-	-	**15 076**
Impaired	[d]	-	-	18 311	-	**18 311**
Not rated		8 449	-	-	-	**8 449**
Total gross carrying amount		**109 381**	**15 076**	**18 311**	**-**	**142 768**
Loss allowance (Note 31)		387	82	11 513	-	**11 982**
Total Carrying amount		**108 994**	**14 994**	**6 798**	**-**	**130 786**

(thousand euros)

Guarantees		31.12.2019				
		Stage 1	Stage 2	Stage 3	POCI	Total
Monitoring	[bbb+;b-]	104 359	1 940	-	-	**106 299**
Impaired	[d]	-	-	23 478	-	**23 478**
Not rated		450	-	-	-	**450**
Total gross carrying amount		**104 809**	**1 940**	**23 478**	**-**	**130 227**
Loss allowance (Note 31)		545	49	14 720	-	**15 314**
Total Carrying amount		**104 264**	**1 891**	**8 758**	**-**	**114 913**

Debt securities

The table below presents a summary of the portfolio of debt securities at amortized cost and at fair value through other comprehensive income of Haitong Bank Group, as of December 31, 2020 and 2019:

(thousand euros)

FVOCI and Amortised cost debt Securities		31.12.2020				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	7 089	-	-	-	**7 089**
Monitoring	[bbb+;b-]	436 167	-	-	-	**436 167**
Impaired	[d]	-	-	27 267	-	**27 267**
Not rated		1 805	-	-	-	**1 805**
Gross carrying amount		**445 061**	**-**	**27 267**	**-**	**472 328**
Loss allowance (Note 31)		1 149	-	9 726	-	**10 875**
Carrying amount		**443 912**	**-**	**17 541**	**-**	**461 453**
Fair Value through Other Comprehensive Income						
Low to fair risk		22 388	-	-	-	**22 388**
Monitoring	[bbb+;b-]	128 337	-	-	-	**128 337**
Impaired	[d]	-	-	7 978	5 482	**13 460**
Not rated		1 650	-	-	-	**1 650**
Gross carrying amount		**152 375**	**-**	**7 978**	**5 482**	**165 835**
Loss allowance (Note 31)		604	-	2 846	157	**3 607**
Revaluation		1 489	-	(2 961)	-	**(1 472)**
Carrying amount		**153 260**	**-**	**2 171**	**5 325**	**160 756**
Total gross carrying amount		**597 436**	**-**	**35 245**	**5 482**	**638 163**
Loss allowance		1 753	-	12 572	157	14 482
Revaluation		1 489	-	(2 961)	-	(1 472)
Total Carrying amount		**597 172**	**-**	**19 712**	**5 325**	**622 209**

(thousand euros)

FVOCI and Amortised cost debt Securities		31.12.2019				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Monitoring	[bbb+;b-]	317 394	-	-	-	**317 394**
Impaired	[d]	-	-	27 060	-	**27 060**
Gross carrying amount		**317 394**	**-**	**27 060**	**-**	**344 454**
Loss allowance (Note 31)		581	-	8 118	-	**8 699**
Carrying amount		**316 813**	**-**	**18 942**	**-**	**335 755**
Fair Value through Other Comprehensive Income						
Monitoring	[bbb+;b-]	151 938	-	-	-	**151 938**
Impaired	[d]	-	-	7 918	8 435	**16 353**
Not rated		9 856	-	-	-	**9 856**
Gross carrying amount		**161 794**	**-**	**7 918**	**8 435**	**178 147**
Loss allowance (Note 31)		739	-	2 375	143	**3 257**
Revaluation		4 493	-	(2 196)	-	**2 297**
Carrying amount		**165 548**	**-**	**3 347**	**8 292**	**177 187**
Total gross carrying amount		**479 188**	**-**	**34 978**	**8 435**	**522 601**
Loss allowance		1 320	-	10 493	143	11 956
Revaluation		4 493	-	(2 196)	-	2 297
Total Carrying amount		**482 361**	**-**	**22 289**	**8 292**	**512 942**

Cash equivalents

The table below presents a summary of the cash equivalents portfolio of Haitong Bank Group, as of as of 31st December 2020 and 2019:

(thousand euros)

Cash equivalents		31.12.2020 Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	487 947	-	-	-	**487 947**
Monitoring	[bbb+;b-]	6 931	-	-	-	**6 931**
Total gross carrying amount		**494 878**	**-**	**-**	**-**	**494 878**
Total Carrying amount		**494 878**	**-**	**-**	**-**	**494 878**

(thousand euros)

Cash equivalents		31.12.2019 Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	632 188	-	-	-	**632 188**
Monitoring	[bbb+;b-]	5 633	-	-	-	**5 633**
Total gross carrying amount		**637 821**	**-**	**-**	**-**	**637 821**
Total Carrying amount		**637 821**	**-**	**-**	**-**	**637 821**

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 31st December 2020 and 2019:

(thousand euros)

Loans and advances to Banks		31.12.2020 Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Monitoring	[bbb+;b-]	112 409	-	-	-	112 409
Substandard	[ccc+;ccc]	-	3 251	-	-	**3 251**
Not rated		-	-	-	-	**-**
Total gross carrying amount		**112 409**	**3 251**	**-**	**-**	**115 660**
Loss allowance (Note 31)		11	489	-	-	**500**
Total Carrying amount		**112 398**	**2 762**	**-**	**-**	**115 160**

(thousand euros)

Loans and advances to Banks		31.12.2019 Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	2 255	-	-	-	**2 255**
Monitoring	[bbb+;b-]	140 244	-	-	-	**140 244**
Substandard	[ccc+;ccc]	-	3 509	-	-	**3 509**
Impaired	[d]	-	-	15 077	-	**15 077**
Total gross carrying amount		**142 499**	**3 509**	**15 077**	**-**	**161 085**
Loss allowance (Note 31)		14	524	15 077	-	**15 615**
Total Carrying amount		**142 485**	**2 985**	**-**	**-**	**145 470**

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 31st December 2020 and 2019:

(thousand euros)

Debtors and other assets		31.12.2020				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	7	-	-	-	7
Monitoring	[bbb+;b-]	934	-	-	-	**934**
Substandard	[ccc+;ccc]	5 084	-	-	-	**5 084**
Impaired	[d]	-	-	248	10 318	**10 566**
Not rated		18 338	-	-	-	**18 338**
Total gross carrying amount		**24 363**	**-**	**248**	**10 318**	**34 929**
Loss allowance (Note 31)		7 810	-	238	1 640	**9 688**
Total Carrying amount		**16 553**	**-**	**10**	**8 678**	**25 241**

(thousand euros)

Debtors and other assets		31.12.2019				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	1	-	-	-	**1**
Monitoring	[bbb+;b-]	2 130	-	-	-	**2 130**
Substandard	[ccc+;ccc]	285	-	-	-	**285**
Impaired	[d]	-	-	337	10 926	**11 263**
Not rated		8 992	-	-	-	**8 992**
Total gross carrying amount		**11 408**	**-**	**337**	**10 926**	**22 671**
Loss allowance (Note 31)		7 736	-	276	-	**8 012**
Total Carrying amount		**3 672**	**-**	**61**	**10 926**	**14 659**

Throughout 2020, there were not any financial assets since initial recognition for which the expected credit losses have been transfer from Stage 2 to Stage 1 (lifetime expected credit losses to 12 month expected credit losses).

As at 31st of December 2019, the modified financial assets that did not result in derecognition are analysed as follows:

(thousand euros)

Financial assets modified during the year	31.12.2019
Amortised cost before changes	**994**
Impairment losses befores changes	(152)
Net amortised cost before changes	**842**
Net gain / (loss)	(41)
Others	1
Amortized cost after changes	**802**
Impairment losses after changes	-
Net amortized cost after changes	**802**

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).

Other types of guarantees are also used, which, while not eligible as risk mitigating for purposes of calculating regulatory capital requirements, effectively reduce the credit risk to which the Group is subject. In this respect, we highlight the personal guarantees provided by company's partners ("shareholders") in certain financing operations.

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).

The maximum exposure to credit risk at the end of the period and without taking into account any risk mitigating techniques was already been presented on the previous pages. As of December 31 2020, 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 13,725 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		31.12.2020							
		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-]	519 514	519 515	-	-	-	-	-	-
Monitoring	[bbb+;b-]	1 065 156	847 991	130 811	128 070	-	-	-	-
Substandard	[ccc+;ccc]	5 084	5 085	18 327	10 789	-	-	-	-
Impaired	[d]	-	-	-	-	61 809	59 222	15 800	15 800
Not rated		41 927	22 990	-	-	-	-	-	-
Total		**1 631 681**	**1 395 581**	**149 138**	**138 859**	**61 809**	**59 222**	**15 800**	**15 800**

(thousand euros)

Rating bucket		31.12.2019							
		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-]	634 444	634 444	-	-	-	-	-	-
Monitoring	[bbb+;b-]	941 476	747 202	78 302	74 204	-	-	-	-
Substandard	[ccc+;ccc]	285	285	3 509	3 509	-	-	-	-
Impaired	[d]	-	-	-	-	85 116	81 367	19 998	19 998
Not rated		38 003	36 252	-	-	-	-	-	-
Total		**1 614 208**	**1 418 183**	**81 811**	**77 713**	**85 116**	**81 367**	**19 998**	**19 998**

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 definition of non-performing exposures are provided under section 2.4.1.

Forborne exposures shall be debt contracts in respect of which forbearance measures have been applied. Forbearance measures consist of concessions towards a debtor that is experiencing, or about to experience, difficulties in meeting its financial commitments ("financial difficulties). Exposures shall not be treated as forborne where the debtor is not in financial difficulties.

In this sense, as at December 31, 2020, the breakdown of performing and non-performing exposures was as follows:

	31.12.2020			31.12.2019		
	Gross amount	Impairment, Negative revaluations and Provisions	Coverage	Gross amount	Impairment, Negative revaluations and Provisions	Coverage
Performing exposures	**1 805 738**	**10 603**	**0,6%**	**1 713 179**	**9 637**	**0,6%**
Non-Performing exposures (NPE)	**64 581**	**28 512**	**44,1%**	**91 658**	**45 264**	**49,4%**
Banking Book Debt Securities	37 767	12 729	33,7%	41 217	10 636	25,8%
Loans and advances to customers	8 005	4 124	51,5%	11 883	4 830	40,6%
Loans and advances to Banks	-	-	0,0%	15 077	15 077	100,0%
Guarantees	18 311	11 513	62,9%	23 478	14 720	62,7%
Loan commitments	498	146	29,3%	3	1	33,3%
Total	**1 870 319**	**39 115**	**2,1%**	**1 804 837**	**54 901**	**3,0%**
NPE ratio	**3,5%**			**5,1%**		
NPL ratio	**1,9%**			**3,6%**		

As at December 31, 2020 and 2019, the breakdown of performing and non-performing forborne exposures was as follows:

	31.12.2020			31.12.2019		
	Gross amount	Impairment, Negative revaluations and Provisions	Coverage	Gross amount	Impairment, Negative revaluations and Provisions	Coverage
Performing exposures	**1 702 717**	**5 140**	**0,3%**	**1 668 640**	**5 392**	**0,3%**
Performing Forborne exposures	**103 021**	**5 463**	**5,3%**	**44 539**	**4 245**	**9,5%**
Loans and advances to customers	103 021	5 463	5,3%	44 539	4 245	9,5%
Non-Performing Forborne exposures	**13 985**	**4 426**	**31,6%**	**20 321**	**4 974**	**24,5%**
Banking Book Debt Securities	5 482	156	2,8%	8 435	143	1,7%
Loans and advances to customers	8 005	4 124	51,5%	11 883	4 830	40,6%
Loan commitments	498	146	29,3%	3	1	33,3%
Non-Performing exposures	**50 596**	**24 086**	**47,6%**	**71 337**	**40 290**	**56,5%**
Total	**1 870 319**	**39 115**	**2,1%**	**1 804 837**	**54 901**	**3,0%**

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 costumers, financial assets held for trading and securities, by sector of activity, for the years ended 31st December 2020 and 31st December 2019, is as follows:

(thousand euros)

	31.12.2020								
	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	13 791	-	352	-	-	-	1 908	9 416	49
Automobiles & Components	-	-	-	-	-	1 760	1 857	13 225	30
Banks	-	-	-	-	-	3 311	21 532	23 937	32
Broker Dealers	-	-	-	-	-	-	2 041	-	-
Building Materials	12 464	-	64	-	-	-	-	8 506	158
Capital Goods	11 804	-	25	-	-	216	-	16 549	187
Chemicals	-	-	-	-	-	223	368	-	-
Commercial & Professional Services	11 814	-	712	-	-	-	-	1 420	2
Construction & Engineering	32 254	1 519	311	1 499	-	2 163	-	21 754	221
Consumer Durables & Apparel	-	-	-	-	-	-	-	3 145	32
Food, Beverage & Tobacco	404	-	38	-	-	358	8 983	-	-
Funds & Asset Managers	10 856	-	1	-	-	-	-	9 354	-
Governments	2 083	-	1	-	-	603 870	-	236 595	269
Health Care	-	-	-	-	-	203	-	20 891	107
Hotels & Gaming	-	2 127	-	1 156	-	-	-	17 492	32
Insurance	-	-	-	-	-	923	-	-	-
Media & Entertainment	-	-	-	-	-	514	-	-	-
Metals & Mining	57 931	-	2 295	-	-	-	-	8 912	11
Non Bank Financial Institutions	-	-	-	-	-	1 865	6 278	24 811	40
Oil & Gas	-	-	-	-	-	622	3 967	13 326	55
Paper & Forest Products	22 647	-	198	-	-	4 464	214	2 795	3
Power	94 625	-	2 794	-	-	1 234	4 614	19 279	114
Real Estate	13 114	-	491	-	-	395	86	79 042	391
Retailing	-	-	-	-	-	2 030	-	18 852	23
Software	-	-	-	-	-	-	-	9	-
Technology Hardware & Equipment	-	-	-	-	-	-	-	32 285	12 572
Telecoms	27 814	-	143	-	-	1 745	67	6 960	13
Transportation	13 422	-	208	-	-	633	33 594	54 079	108
Transportation Infrastructure	102 937	-	1 699	-	-	528	57 553	-	-
Water Utilities	-	-	-	-	-	-	-	6 256	33
Others	424	-	3	-	-	-	-	23 098	-
TOTAL	**428 384**	**3 646**	**9 335**	**2 655**	**-**	**627 057**	**143 062**	**671 988**	**14 482**

(thousand euros)

	31.12.2019								
	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	5 469	-	325	-	-	-	2 249	-	-
Automobiles & Components	-	-	-	-	-	227	7	-	-
Banks	-	-	-	-	-	1 643	68 615	3 107	17
Broker Dealers	1 132	-	-	-	-	-	8 852	-	-
Building Materials	-	-	-	-	-	-	-	8 805	86
Capital Goods	1 060	-	222	-	-	3 604	-	8 435	143
Commercial & Professional Services	3 532	-	658	-	-	-	-	6 913	30
Construction & Engineering	13 739	2 218	40	1 626	126	6 580	-	50 067	215
Containers & Packaging	-	-	-	-	-	373	-	-	-
Food, Beverage & Tobacco	772	-	79	-	-	-	2 797	-	-
Funds & Asset Managers	-	-	-	-	-	620	-	11 165	-
Governments	2 573	-	1	-	-	411 696	-	284 486	514
Health Care	-	-	-	-	-	1 074	-	-	-
Hotels & Gaming	2 127	-	1 086	-	-	-	-	-	-
Investment Holdings	-	-	-	-	-	362	-	-	-
Media & Entertainment	-	-	-	-	-	34	-	-	-
Metals & Mining	72 295	-	1 291	-	-	223	-	3 532	17
Non Bank Financial Institutions	-	-	-	-	-	-	14	-	-
Oil & Gas	-	-	-	-	-	1 051	125	21 678	101
Paper & Forest Products	17 882	-	175	-	-	6 253	469	-	-
Power	79 272	-	3 984	-	-	868	5 554	20 000	64
Real Estate	4 143	-	280	-	-	216	-	88 366	276
Retailing	-	-	-	-	-	573	-	-	-
Software	-	-	-	-	-	-	-	13	-
Technology Hardware & Equipment	-	-	-	-	-	-	-	32 782	10 493
Telecoms	-	-	-	-	-	120	-	-	-
Transportation	2 567	-	69	-	-	1 367	222	-	-
Transportation Infrastructure	116 945	-	2 038	-	-	688	59 819	-	-
Water Utilities	514	-	3	-	-	-	-	-	-
Others	488	-	4	-	-	-	-	22 948	-
TOTAL	**324 510**	**2 218**	**10 255**	**1 626**	**126**	**437 572**	**148 723**	**562 297**	**11 956**

The breakdown of loans and advances to costumers, financial assets held for trading and securities, by country risk, for the years ended 31st December 2020 and 31st December 2019, is as follows:

(thousand euros)

Country	31.12.2020								
	Loans and advances to customers					Financial assets held-for-trading		Securities	
	Gross amount		Impairment		Revaluati				
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans	Overdue loans	Securities	Derivative financial assets	Gross amount	Impairment
Andorra	-	-	-	-	-	-	112	-	-
Brazil	118 857	-	4 393	-	-	599 424	3 979	79 376	583
Bulgaria	-	-	-	-	-	-	-	1 435	4
China	-	-	-	-	-	223	-	119 226	12 850
Cyprus	-	-	-	-	-	-	-	9 449	12
Finland	-	-	-	-	-	-	-	2 795	3
France	-	-	-	-	-	508	4 097	17 929	28
Germany	57 931	-	2 295	-	-	217	3 877	5 051	6
Hong kong	-	-	-	-	-	-	-	1 805	19
Ireland	-	-	-	-	-	-	6 278	-	-
Italy	-	-	-	-	-	925	-	101 451	90
Luxembourg	-	-	-	-	-	395	-	29 906	11
Netherlands	-	-	-	-	-	101	-	-	-
Poland	21 848	1 519	57	1 499	-	8 995	214	49 238	250
Portugal	141 447	2 127	1 406	1 156	-	8 431	102 854	219 507	580
Romania	-	-	-	-	-	-	-	8 060	10
Spain	87 877	-	1 181	-	-	6 016	14 495	3 642	4
Sweden	-	-	-	-	-	-	-	7 884	14
Switzerland	-	-	-	-	-	358	-	-	-
United Kingdom	-	-	-	-	-	1 047	7 156	8 146	15
United States	-	-	-	-	-	417	-	-	-
Virgin islands (british)	-	-	-	-	-	-	-	7 088	3
Others	424	-	3	-	-	-	-	-	-
TOTAL	**428 384**	**3 646**	**9 335**	**2 655**	**-**	**627 057**	**143 062**	**671 988**	**14 482**

(thousand euros)

Country	31.12.2019								
	Loans and advances to customers					Financial assets held-for-trading		Securities	
	Gross amount		Impairment		Revaluatio				
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans	Overdue loans	Securities	Derivative financial assets	Gross amount	Impairment
Andorra	-	-	-	-	-	-	68	-	-
Belgium	-	-	-	-	-	-	165	-	-
Brazil	88 307	-	5 754	-	-	407 916	12 356	132 143	757
China	-	-	-	-	-	-	-	131 288	10 751
France	-	-	-	-	-	300	4 840	1	-
Germany	72 295	-	1 291	-	-	-	8 834	-	-
Italy	-	-	-	-	-	109	-	96 053	72
Luxembourg	-	-	-	-	-	-	-	4 702	-
Poland	-	2 217	-	1 626	126	14 428	264	16 168	79
Portugal	155 896	1	2 338	-	-	10 784	94 365	165 099	297
Spain	6 391	-	869	-	-	2 747	8 748	-	-
Sweden	-	-	-	-	-	11	-	-	-
United Kingdom	1 132	-	-	-	-	-	19 083	-	-
Others	489	-	3	-	-	1 277	-	2 052	-
TOTAL	**324 510**	**2 218**	**10 255**	**1 626**	**126**	**437 572**	**148 723**	**547 506**	**11 956**

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)

	31.12.2020					31.12.2019			
	December	Average	Maximum	Minimum		December	Average	Maximum	Minimum
Foreign Exchange Risk	1 926	3 236	3 995	1 684		1 720	2 344	2 427	1 810
Interest Rate Risk	420	838	1 825	333		953	673	1 008	560
Shares	23	52	1 895	-		534	437	341	410
Credit spread	2 736	2 131	4 888	771		1 191	1 255	2 194	1 068
Covariance	(262)	-	-	-		(554)	n.a.	n.a.	n.a.
Global VaR	**4 843**	**6 129**	**7 580**	**4 052**	**-**	**3 844**	**4 403**	**5 682**	**3 535**

The following table presents the average interest rates as well as the average balances and interest for the period, relating to the Group's major financial asset and liability categories, for the periods ended at December 31st 2020 and 2019, as well as the respective average balances and interest of the period:

(thousand euros)

	31.12.2020			31.12.2019		
	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	596 585	3 659	0.61%	618 767	10 219	1.65%
Loans and advances to customers	352 464	15 252	4.32%	421 837	21 339	5.06%
Investment in securities	803 180	43 023	5.34%	967 467	48 883	5.05%
Collateral accounts	211 810	159	0.07%	123,061	237	0.19%
Financial assets	**1 964 039**	**62 093**	**3.15%**	**2 131 132**	**80 678**	**3.79%**
Monetary resources	503 855	12 561	2.49%	818 314	17 985	2.20%
Resources of customers	1 086 172	18 042	1.66%	411 962	14 682	3.56%
Liabilities represented by securities	92 033	3 696	4.00%	166 538	14 868	8.93%
Other resources	125 950	1 119	0.89%	119 140	1 060	0.89%
Financial liabilities	**1 808 010**	**35 418**	**1.95%**	**1 515 954**	**48 595**	**3.21%**
Financial Result		**26 675**			**32 083**	

As of 31st December 2020 and 2019, the exposure of assets and liabilities by currency in regards to the foreign exchange risk was as follows:

(thousand euros)

	31.12.2020			31.12.2019		
	Spot	Forward	Net Exposure	Spot	Forward	Net Exposure
AUD	14	-	14	14	-	14
BRL	30 434	(11 815)	18 620	80 825	(54 470)	26 355
CAD	56	-	56	(7)	-	(7)
CHF	94	-	94	184	-	184
CNY	(275)	-	(275)	(266)	-	(266)
CZK	24	-	24	25	-	25
DKK	209	-	209	208	-	208
GBP	(1 922)	-	(1 922)	(1 188)	-	(1 188)
HKD	(1 574)	2 189	615	398	-	398
HUF	15	-	15	17	-	17
JPY	92	-	92	97	-	97
MOP	(4)	-	(4)	-	-	-
MXN	112	-	112	134	-	134
NOK	23	-	23	23	-	23
PLN	70 218	(70 083)	135	22 368	-	22 368
SEK	97	-	97	81	-	81
SGD	-	-	-	1	-	1
TRY	13	-	13	16	-	16
USD	150 122	(158 944)	(8 822)	125 347	(140 880)	(15 533)
ZAR	-	-	-	-	-	-
	247 748	**(238 653)**	**9 095**	**228 277**	**(195 350)**	**32 927**

Note: asset (liability)

Source : Haitong Bank

The main source of FX risk of Haitong Bank comes from its foreign subsidiary Haitong Banco de Investimento do Brasil S.A. To hedge the risk of the high volatility of the EUR/BRL exchange rate, Haitong Bank enters into short-term derivatives transactions with a third party buying EUR and selling BRL forward (e.g. EUR/BRL NDF), thus creating a short forward position in BRL. The main risk factor of this BRL forward position is the EUR/BRL exchange rate, being the remaining risk factors the EUR and BRL interest rates. As such, there is a clear and observable relation between the hedged item and the hedging instrument. Haitong Bank establishes the hedge ratio between the asset value and the BRL amount sold in the derivatives transactions, aiming to keep a hedge ratio of 1:1.

As 31st December 2020 and 2019, the information of net investments, considered by the Group in total or partial hedging strategies on subsidiaries and on hedging instruments used, is the following:

(thousand euros)

	31.12.2020				
	Currency	Net investment Currency	Hedging instruments Currency	Net investment Euros	Hedging instruments Euros
Company					
Haitong Banco de Investimento do Brasil S.A	BRL	482 252	482 252	75 947	75 947

(thousand euros)

	31.12.2019				
	Currency	Net investment Currency	Hedging instruments Currency	Net investment Euros	Hedging instruments Euros
Company					
Haitong Banco de Investimento do Brasil S.A	BRL	474 366	474 366	105 048	105 048

The information on the gains and losses in exchange rates on the derivatives to cover the investments in foreign institutions, accounted for as exchange differences, is presented in the statement of changes in equity. These hedging relationships were considered effective during 2020, as referred in the accounting policy 2.4.2.

Haitong Bank measures interest rate risk in the banking book using both 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 31st December 2020 and 2019, the Bank maintain similar interest-rate risk sensitive assets and liabilities in the banking book. The repricing profile presented below:

(thousand euros)

	31 December 2020					
	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years	Total
Assets	1 524 046	293 177	299 039	393 605	93 813	2 603 680
Liabilities	(1 204 751)	(516 102)	(184 902)	(455 996)	(1 122)	(2 362 873)
Gap	**319 295**	**(222 925)**	**114 137**	**(62 391)**	**92 691**	**240 807**

(thousand euros)

	31 December 2019					
	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years	Total
Assets	1 045 000	144 000	182 000	399 000	11 000	1 781 000
Liabilities	(1 087 000)	(44 000)	(77 000)	(360 000)	(1 000)	(1 569 000)
Gap	**(42 000)**	**100 000**	**105 000**	**39 000**	**10 000**	**212 000**

The impact on the banking book portfolio economic value and earnings-metrics, under several scenarios was as follows:

(thounsand euros)

Scenarios	31.12.2020		31.12.2019	
	Delta EVE	Delta NII	Delta EVE	Delta NII
+200 bps	14 459	1 158	10 419	(1 468)
-200 bps	4 054	(1 158)	(4 923)	1 468
Parallel up	11 917		15 663	
Parallel down	3 106		(9 100)	
Steepener	(5 066)		(4 022)	
Flattener	(4 587)		(3 755)	
Short rates up	14 028		15 380	
Short rates down	(2 972)		(8 807)	
% Total Capital	2.73%		1.97%	
% Tier 1 Capital	2.65%		2.96%	

Hedge accounting

As at 31st of December 2020 and 2019, the table below includes the detail of the hedging and hedged instruments used in the Group's hedging strategies and accounted at the Balance sheet item - Hedging derivatives:

(thousand euros)

	31.12.2020				
	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	75 665	151	-	28 080	28 079
Hedged Itens					
Haitong Banco de Investimento do Brasil S.A	n.a	n.a	n.a	(29 918)	(29 918)
Total	**75 665**	**151**	**-**	**(1 838)**	**(1 839)**

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

(thousand euros)

	31.12.2019				
	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	105 048	-	300	(4 523)	(4 495)
Hedged Itens					
Haitong Banco de Investimento do Brasil S.A	n.a	n.a	n.a	(917)	(917)
Total	**105 048**	**-**	**300**	**(5 440)**	**(5 412)**

(A) Changes in fair value used to calculate the ineffectiveness of the hedge

The table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income, with reference to 31st of December 2020 and 2019:

(thousand euros)

	31.12.2020	
	Gains / (Losses) realised in Other comprehensive income	Ineffectiveness recognised in Income statement (a)
Hedging of net investments in foreign entities		
Hedging instruments		
Foreign exchange risk		
Forward	28 079	1

(a) Net gains/(losses) from hedge accounting

(thousand euros)

	31.12.2019	
	Gains / (Losses) realised in Other comprehensive income	Ineffectiveness recognised in Income statement (a)
Hedging of net investments in foreign entities		
Hedging instruments		
Foreign exchange risk		
Forward	(4 495)	(28)

(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 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. The Head of Treasury is in charge of the operational management of liquidity, with local teams ensuring liquidity daily management in each of the Bank's treasury hubs (Lisbon, São Paulo and Warsaw).

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 2020, the Bank held 738 million Euros of High Quality Liquid Assets (886 million Euros in 31 December 2019), of which 459 million were available demand deposits in the Bank of Portugal (606 million Euros in 31 December 2019). 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 December 2020, Haitong Bank held a surplus of 453 million Euros of its 30 days stressed net outflows, which corresponded to a LCR of 259% (537% on 31 December 2019) comfortably above both regulatory and internal limits.

Liquidity Coverage Ratio	December 2020	December 2019
High Quality Liquid Assets	738	886
Surplus over stressed net outflows	453	721
Liquidity Coverage Ratio	**259%**	**537%**

Haitong Bank funding from the Bank of Portugal amounts to 111 million Euros at 31 December 2020 (22 million Euros at the end of 2019) obtained through the Targeted Longer-Term Refinancing Operations facility, maturing in 2022 and 2023.

In 2020, Haitong Bank's main sources of funding were wholesale facilities provided by a Haitong Securities Group company, debt securities issued by the Brazilian subsidiary, sales with repurchase agreements (repos) and deposits from clients (households and corporate 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 2020, contractual undiscounted cash flows of financial assets and liabilities present the following structure:

(thousand euros)

	31.12.2020						
	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	494 885	-	-	-	-	-	494 885
Financial assets held-for-trading (Securities)	-	17 279	34 192	407 686	379 374	-	838 531
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	703	-	34 594	35 297
Financial assets at fair value through other comprehensive income	-	11 774	48 510	124 043	20 143	-	204 470
Financial assets at amortised cost	-	28 845	182 269	205 269	71 962	-	488 345
Loans and advances to banks	-	69 005	46 656	-	-	-	115 661
Loans and advances to customers	-	89 784	98 103	173 445	146 369	-	507 701
Derivatives Instruments	-	563 079	134 044	165 031	216 386	118 249	1 196 789
	494 885	779 766	543 774	1 076 177	834 234	152 843	3 881 679
Liabilities							
Resources from credit institutions	15 348	413 691	3 834	179 689	55 789	-	668 351
Resources from customers	73 753	185 925	182 070	813 414	-	-	1 255 162
Debt securities issued	-	-	56 400	10 903	-	-	67 303
Financial liabilities held-for-trading (Securities)	-	44 838	34 246	-	-	-	79 084
Derivatives Instruments	-	532 956	156 594	126 351	234 508	12 260	1 062 669
	89 101	1 177 410	433 144	1 130 357	290 297	12 260	3 132 569

As of 31st December 2019, contractual undiscounted cash flows of financial assets and liabilities present the following structure:

(thousand euros)

	31.12.2019						
	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	637 829	-	-	-	-	-	637 829
Financial assets held-for-trading (Securities)	-	16 253	15 388	239 554	329 565	-	600 760
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	37	806	-	36 644	37 487
Financial assets at fair value through other comprehensive income	-	8 348	26 679	165 710	17 654	-	218 391
Financial assets at amortised cost	-	22 927	95 070	223 825	-	-	341 822
Loans and advances to banks	-	148 552	-	-	-	-	148 552
Loans and advances to customers	-	5 016	102 072	129 117	205 218	-	441 423
Derivatives Instruments	-	528 331	756 284	205 224	85 201	99 598	1 674 638
	637 829	729 427	995 530	964 236	637 638	136 242	4 100 902
Liabilities							
Resources of other credit institutions	1 384	221 891	2 592	68 115	102 488	-	396 470
Resources of customers	49 057	138 957	145 144	724 176	-	-	1 057 334
Debt securities issued	-	4 073	158 892	42 165	-	-	205 130
Financial liabilities held-for-trading (Securities)	828	134 005	-	-	-	-	134 833
Derivatives Instruments	-	528 664	758 163	204 896	85 090	30 940	1 607 753
	51 269	1 027 590	1 064 791	1 039 352	187 578	30 940	3 401 520

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 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 575/2013) and CRD IV (Directive 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 2021).

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 Portugal. As of 31st December 2020, 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. 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 annually revised under the Supervisory Review and Evaluation Process performed by the Bank of Portugal.

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 of December 2020 and 31st of December 2019:

	31.12.2020		31.12.2019	
	Phased-in	Fully-loaded	Phased-in	Fully-loaded
CET1 ratio	22,7%	22,6%	28,4%	28,2%
Tier 1 ratio	28,4%	28,3%	35,7%	35,4%
Total Capital ratio	28,5%	28,4%	35,9%	35,5%

The assumptions used in the capital adequacy calculations are described in chapter Risk Management | Solvency in the Management Report.

NOTE 41 – IMPACT OF COVID – 19 PANDEMIC

Measures to support the economy

Portugal

Credit lines guaranteed by the Portuguese State

In the context of the epidemic caused by the new Coronavirus, the Portuguese Government created lines of support for the economy that allow companies to access credit on favorable terms. This support has been made available in a phased manner and distributed in specific lines for different business sectors. These lines are guaranteed by the Portuguese State in 90% in the case of credit granted to micro and small companies and in 80% in the case of larger companies.

Credit moratoriums[1]

The Portuguese Government, through Decree-Law no. 10-J / 2020, of 26 March ("Decree-Law"), introduced exceptional measures, in particular, addressed to families and companies due to the economic and financial impacts deriving from contraction of economic activity due to COVID 19. The measures aims to defer the fulfillment of the obligations of the beneficiaries towards the financial system.

<u>Initial version of the Decree Law No 10-J/2020, of 26 March</u>

The initial version, approved on 26 March 2020, the exceptional measures were applicable, in essence, to credit operations granted by credit institutions, financial companies of credit, investment companies, financial leasing companies, factoring companies and companies that grant mutual guarantees (sociedades de garantia mútua), all of them which operates in Portugal.

The measures are the following:

a) extension to be applied – for a period equal to the duration of this measure – to credit agreements with principal to be paid at the end of the contract and in effect on the date of entry into force of the Decree-Law. This extension also applies, under the same terms, to all related elements, including interest, collateral, including those provided through insurance or securities;
b) in respect of credit agreements with partial repayment of principal or partial maturity of other monetary sums, this Decree-Law also provides for a suspension – for the period in which the measure is in effect – of the payment of principal, income and interest with maturity scheduled until the end of that period. The contractual plan for the partial payment of principal, income, interest, fees and other charges is automatically extended for a period identical to that of the suspension;
c) prohibits the revocation of contracted credit lines, as well as the extension.

In addition to the measures mentioned above, it is also possible to provide guarantees by the State and by other public law legal persons provided that certain requirements are met in order to guarantee credit operations and ensuring liquidity to the companies.

The measures were valid until 30 September 2020.

[1] For further information, please consult:
https://www.bportugal.pt/page/o-banco-de-portugal-e-o-covid-19

In the initial version of the Decree-Law, the regime was applicable to companies which (i) had head office in Portugal; (ii) by reference to 18 march 2020, were not in delay or breaching pecuniary obligations for more than 90 days before the relevant credit institution (or in case they were in breach, such breach did not meet certain materiality requirements) and were not subject to an insolvency procedure or similar proceedings; (iii) had a regular situation before Social Security and Tax Authority. The sole proprietors, private social solidarity institutions, non-profit associations and other entities from the social economy were also beneficiaries of such measures. The measures are applicable to mortgages loans for private housing for long-term residence entered into by individuals who, in particular, were in prophylactic isolation or which have been subject to reduction of the normal period of work.

<u>Amendments to Decree-Law No 10-J/2020, of 26 March</u>

The Decree-Law was subject to five amendments, which took place on 11.04.2020, 17.06.2020, 25.07.2020, 30.09.2020 e 01.01.2021, respectively.

The amendments were, essentially, the following:

a) the validity of the measures was extended until 30 September 2021;
b) the scope of the operations that are covered by the measures have been extended. Now, financial leasing

operations and consumer credit to be used to financing professional and academic training are covered by the measures;

c) bank customers that have not requested this aid, but still wish to do so, must communicate their intention to the credit institutions by 31 March 2021;

d) the conditions for access to the moratorium have been altered by broadening the scope of bank customers that may request the application of the moratorium. We highlight the following situations:
   - Consumers who do not reside in Portugal and meet all other conditions may now benefit from the public moratorium;
   - Situations associated with loss of income (preventive or sickness isolation or providing assistance to children or grandchildren, as described in Decree-Law No 10-A/2020 of 13 March 2020, reduction of the normal working period or suspended employment contract, unemployment registered with the Portuguese Institute for Employment and Vocational Training, workers eligible for benefiting from extraordinary support to the reduction of the economic activity of self-employed workers, workers of entities whose business establishment or activity has been ordered to be closed during the declared state of emergency) are now included whether they apply to the borrower or to another household member;
   - In addition to the loss of income referred to in the previous paragraph, the public moratorium may also apply to borrowers who experience a temporary loss of at least 20% of their overall household income as a result of the COVID-19 pandemic;
   - Changes have also been made to the condition relating to the contributory and tax situation of bank customers (consumers, businesses, individual entrepreneurs and other beneficiary entities) has been relaxed. The beneficiaries that have an irregular situation below € 5.000 before the Social Security and Tax Authority may benefit from the measures.

e) companies belonging to sectors of activity particularly affected by the COVID-19 pandemic benefit from an automatic extension of the term of loans already covered by the moratorium for 12 months.

Based on this framework, the Bank provides credit moratorium designed to protect, namely, of corporate companies, which fulfil the requirements of the law. By reference to 31 December 2021, the Bank have received one moratorium request under the Decree-Law No 10-J/2020, of 26 March.

International

In Brazil, in order to reduce the impact of the effects of the pandemic caused by the coronavirus on the Brazilian economy, the Central Bank of Brazil (BACEN) and the Ministry of Economy, through the National Bank for Economic and Social Development (BNDES) and other agents under his management, adopted a series of measures to guarantee the smooth functioning of the National Financial System (NFS) and the balance of the Brazilian economy in general.

Compulsory Deposit - BACEN

BACEN, through Circular 3,993, of March 23, 2020, reduced the reserve requirement rate on time deposits from 25% to 17%. Compulsory deposits are resources that financial institutions are required by regulation to maintain deposited with BACEN, and their reduction has the immediate effect of increasing NFS liquidity. This measure would remain in effect until December 2020, but was extended through Resolution No. 21, of October 2, 2020, and the expectation is that as of April 2021, the rate will rise to 20% and remain at this level. .

Loan backed by financial bills guaranteed by credit operations (LTEL-LFG)

Among the measures taken by BACEN, we highlight the one established by Resolution No. 4,795, of April 2, 2020, which allowed the granting of loans to financial institutions with the guarantee of financial assets and securities that were part of the financial institution's assets, through Special Temporary Liquidity Line - Guaranteed Financial Bills (LTEL - LFG). The measure was intended to ensure the maintenance of adequate liquidity levels in the NFS, contributing to the normal functioning of the credit market.

Standstill – BNDES

BNDES approved different economic measures in 2020 in order to mitigate the social and economic impacts of the new coronavirus (covid-19) pandemic that Brazil is weathering. Among the BNDES additional transversal measures focused on the private sector, we highlight the standstill measures for direct and indirection operations (Circular SUP/ADIG nº 26/2020-BNDES e Circular SUP/ADIG nº 26/2020-BNDES).

These measures created the possibility of granting a six-month suspension on loan repayments (principal and compensatory interest), both in direct and indirect transfers, by companies affected by the crisis, a measure known as "standstill". The granting of this temporary suspension of payments of principal and compensatory interest will not result in changes to the final term of the debt amortization period or to the interest rate of the operation. The indirect transactions include those where there is an intermediary financial institution between BNDES and the borrower, in general due to the lack of BNDES branches in the borrower's location. In this case, only accredited financial institutions may participate in indirect financing transactions. They are responsible for analyzing the financing, the risks of financial default, and all the business issues for granting the financing. In this type of financing, BNDES grants to borrowers the same possibility for suspension of payments as is offered in direct transactions. To this end, it is necessary to forward the request to the financial agent with whom the transaction was contracted.

Adoption of new procedures and criteria in the preparation of accounting estimates in the context of the COVID-19 pandemic

In the context of the current crisis caused by the spread of the COVID-19 pandemic, several supervisors and regulators, including the European Central Bank, the European Securities and Markets Authority (ESMA), the European Banking Authority (EBA) and the International Accounting Standards Board (IASB) issued guidelines, and recommendations to ensure the consistency and comparability of the metrics, principles and requirements provided for in the International Financial Reporting Standards (IFRS), in particular regarding IFRS 9 - Financial Instruments.

In this context, the following main guidelines and recommendations should be highlighted:

- Statement on the application of the prudential framework regarding default, forbearance and IFRS 9, in the light of the COVID – 19 measures, issued by EBA on 25 March 2020;
- IFRS 9 and COVID-19 - Accounting for expected credit losses applying IFRS 9 - Financial Instruments in light of the current uncertainty resulting from the COVID-19 pandemic, issued on 27 March 2020 by IAS;
- On 27 March 2020, BSBC (Basel Committee on Banking Supervision) decided to postpone the implementation date of the Basel III standards for one year;
- Guidelines on legislative and non-legislative moratoria on loan repayments applied in the COVID-19 crisis, issued by EBA on 2 April 2020 (EBA / GL / 2020/02) and updated on 25 June 2020 and 2 December 2020;
- IFRS 9 in the context of the coronavirus pandemic (COVID-19), issued on 1 April 2020 by the ECB:
- Duties to provide Information to customers on the public moratorium, approved by DL no. 10-J/2020 of 26 March, and on private moratoriums, issued on 28 April 2020 by the Bank of Portugal (Notice No. 2/2020);
- Guidelines on supervisory reporting and disclosure requirements in compliance with CRR "quick fix" in response to the COVID-19 pandemic, issued by EBA on 11 August 2020 (EBA/GL/2020/11).

On 8 April 2020, Bank of Portugal approved the Circular Letter No. CC/2020/00000022 implementing the European Banking Authority guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19, amended by Circular Letter No. CC/2020/00000051 of 29 July 2020. These Guidelines establish the terms and conditions that the extension of payment terms inherent in credit obligations, associated with public and private moratoria created in the context of the COVID-19 pandemic, should fulfil in order not to trigger classification as default of the obligor, nor the definition of forbearance measure, in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (the 'CRR') and the EBA Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013. These Guidelines also establish the documentation that institutions should keep on the moratoria, as well as the information that institutions are expected to share with their competent authorities and that these should report to the EBA.

Analysis of the impacts of the COVID - 19 pandemic in the definition of the IFRS 9 Risk Stage, classification of customers with significant increase in credit risk or default and impairment calculation.

In order to timely and effectively address the potential impacts of the COVID-19 pandemic outbreak, the Group implemented a wide range of procedures as described below:

- Internal assessment of the COVID-19 impact by activity sector through the consolidation of information collected from sectoral research studies published by Standard & Poor's, Moody's and the Confederação Empresarial de Portugal, and under which all customers corresponding to sectors internally classified as "very high risk" (i.e., the ones which are more exposed to the reduction of consumer discretionary expenditure and/or vulnerable to global supply chain disruption) were temporarily avoided, and special care has been given to current exposures of customers belonging to these sectors.

- Considering the uncertainties raised by the pandemic, a new risk assessment questionnaire ("COVID-19 Questionnaire") was internally developed, applicable to all customers where the Group takes or expects to take risks, being a critical piece of information within the credit risk's approval process. This questionnaire incorporates responses to sensitive topics, including the effects of the pandemic on customer's activity, particularly at the level of demand, production capacity, lay-off and suppliers, along with the analysis of the most up-to-date financial economic information available, together with estimates of revenue, EBITDA margin, results, cash reserves (and existing credit lines) and current debt.

- Also with the objective of identifying, evaluating and monitoring the impact in terms of credit risk, the Rating Department continued the process of rating assignment and rating update of the Bank's clients, taking into account the specific conditions of each sector and the potential adverse impacts determined from the COVID-19 pandemic, and, as well, the information specifically gathered about the Group's clients, namely those collected out of the COVID-19 Questionnaire, which were incorporated in to the rating assignment process.

- The Group adopted the guidelines and criteria of the European Banking Authority within the response measures framework taken by EU governments and bodies to address the adverse systemic impact of the COVID-19 pandemic, relative to the legislative and non-legislative loan moratoria which was applied following the crisis, in particular on the implementation of the prudential framework for the identification and classification of defaulted loans, exposures subject to forbearance measures, and also applying the adequate accounting treatment envisaged by the IFRS 9.

- The Group continued to categorize the exposures as performing and non-performing, and subject to forbearance measures, according to the applicable requirements. However, when temporary easing measures are adopted internally, under legislative and non-legislative moratoriums, they do not automatically have a negative impact on the credit risk of a Group's client, as these measures may not automatically result in the reclassification of loans from a prudential perspective, as long as the moratoriums are preventive and not addressed to any specific debtors, neither adapted by any individual circumstances. Thus, the application of a moratorium is not regarded as a restructuring measure or, therefore, an urgent restructuring. Thus, in such cases, it should not be referred to a form of reduction of the financial obligation and therefore cannot be interpreted as an indication of a low likelihood of repayment (for the purposes of considering a debtor in a default under the CRR). Finally, the application of an individual measure and the renegotiation of loans based on the specific situation of the debtor are classified by the Group as a restructuring measure ("forbearance") if the CRR's requirements are met in a case-by-case assessment.

- The Group paid special attention to exposures that were the subject of temporary easing measures within the scope of legislative and non-legislative moratoria, namely, with regard to the effective monitoring of the fulfillment of the expected payments, under the revised debt repayment schedule in order to timely identify indicators of reduced likelihood of payment, namely through the responses to the "Early Warning Signals" Questionnaire.

- The Risk Department maintained the internal Risk Appetite Framework report to the Executive Committee and to the Risk Committee, emphasizing the analysis of exposures subject to temporary easing measures under legislative and non-legislative moratoriums.

- The Group changed the Regulation of the Impairment Committee, allowing the individual analysis procedure of clients who benefited from temporary easing measures in the scope of the COVID-19 pandemic, in order to confirm the staging adequacy under IFRS 9, as well as the confirmation that there is no evidence of reduced likelihood of payment by debtors, particularly after the end of the moratoria.

- The Group proceeded the annual review by the Impairment committee of the top 20 largest performing exposures in order to confirm that the largest debtors do not display any warning signals that indicate a transfer to Stage 2 under IFRS 9.

- The Group updated the forward-looking information underlying the collective impairment model, incorporating the most recent economic predictions, views and the effects of the COVID-19 pandemic, namely in what regards the PiT PD's update, as described in the section "Forward-looking information". For this purpose, two prospective macroeconomic scenarios (baseline and severe scenario) were considered, supported by Banco de Portugal's macroeconomic projections. The weighting of the aforementioned scenarios is prudent, considering the following structure: baseline scenario (66.67%); downside scenario (33.33%). With reference to the position at the end of December, the consolidated impact on the amount of impairment resulting from the component related to the forward-looking update of the collective impairment model, reflecting the change in the PiT PD's that result from the incorporation of the new macroeconomic scenarios, was in the amount of around 411 thousand euros.

- The Risk Committee analyzed the cases of the Group's largest debtors subject to forbearance restructuring measures in 2020, as well as other measures related to COVID-19, which represent an overall amount of 80.055 thousand euros as of December 31, 2020.

The Group follows the reporting and disclosure requirements of exposures subject to temporary easing measures, in accordance with the applicable requirements.

Operations subject to legislative and non-legislative moratorium and new loans granted under new public guarantee systems introduced in response to the COVID – 19 crisis

The following table characterize the only transaction of the Group that, as at 31 December 2020, was subject to a legislative moratorium, since the Group did not grant non-legislative moratoriums, nor did it grant loans under new public guarantee systems introduced in response to the COVID – 19 crisis.

The detail contained in the above mentioned table, in what regards moratoriums, includes the presentation of the exposure structure by customer segment, performing / non performing status, classification in Stage 2 (operations with a significant increase in credit risk since the initial recognition, but without credit impairment), existence of restructuring due to financial difficulties, constituted impairments and residual term of default.

As at December 31, 2020, the breakdown of exposures subject to legislative and other measures was as follows:

(thousand euros)

Exposures subject to EBA compliant measures (legislative and nonlegislative)	31.12.2020					
	Performing and Underperforming		Non-Performing			Total
	Gross carrying amount	Of which: instruments with significant increase in credit risk since initial recognition, but without objective signs of impairment (Stage 2)	Gross carrying amount	Of which: exposures subject to restructuring measures	Of which: Exposures with reduced likelihood of repayment but which are not past due or are past due <= 90 days	
Loans and advances to costumers						
Gross exposure	**30 972**	**22 125**	**1 149**	**-**	**1 149**	**32 121**
subject to legislative moratoria	1 621	-	-	-	-	1 621
subject to other flexibilization measures	29 351	22 125	1 146	-	1 146	30 497
Loss allowance	**1 671**	**1 297**	**336**	**-**	**336**	**2 007**
subject to legislative moratoria	120	120	-	-	-	120
subject to other flexibilization measures	1 551	1 297	336	-	336	1 887
Net exposure	**29 301**	**20 828**	**813**	**-**	**813**	**30 114**

A staging analysis under IFRS 9 regarding exposures subject to a legal moratorium and other measures reveals that there have been no changes due to the adoption of these measures.

As at December 31, 2020, the breakdown of exposures subject to legislative and other measures by residual maturity of moratoria was as follows:

(thousand euros)

Residual maturity of the moratoria	31.12.2020						
	Up to 3 months	From 3 months to 6 months	From 6 months to 9 months	From 9 months to 12 months	From 12 months to 18 months	More than 18 months	Total
Loans and advances to costumers							
subject to legislative moratoria	1 621	-	-	-	-	-	1 621
subject to other flexibilization measures	30 497	-	-	-	-	-	30 497
Total	**32 118**	-	-	-	-	-	**32 118**

The Group does not have any newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis.

Use of judgments and estimates in the preparation of financial statements

The preparation of the consolidated financial statements requires using judgments, preparing estimates are making certain assumptions to determine the value of assets and liabilities and the amount of contingent assets and liabilities disclosed at the balance sheet date, as well as the amounts of revenue and expenses during the reporting date.

The main judgments and estimates adopted in the context of preparing these consolidated financial statements are described in Note 3.

The COVID-19 pandemic significantly increased the degree of uncertainty in the estimates made and reinforced the need to use expert judgment to assess how these estimates are influenced by the current macroeconomic situation, mainly in what concerns to the calculation of impairments for financial assets and non-financial assets.

Although the estimates have been prepared based on the best information available with respect to the current and prospective context, the final outcome may differ from the values currently estimated.

Going concern assumption

The Group's financial statements have been prepared on a going concern basis, as the Executive Committee considers that the Group has the adequate resources to continue operations and business in the foreseeable future. The evaluation carried out by the Executive Committee was based on a wide range of information related to current and future conditions, including projections on future profitability, liquidity, capital requirements and funding sources. The Executive Committee regularly prepares projections based on different scenarios, including adverse and stress scenarios. The COVID-19 pandemic introduced an increased level of uncertainty in these projections and the need to take into account the impact on the Group's operations, its profitability, capital and liquidity.

Contingency plan

To deal with the COVID – 19 pandemic, the Group adopted a set of contingency measures planned and designed to ensure the protection of people and the continuity of activity, including, among others, the recommendations of health authorities, telework and segregation of teams, trying to maximize the resilience of the organization.

In this context, the Group activated the Contingency Plan, according to the Business Continuity Plan. This plan was updated and adapted specifically to the current pandemic scenario, with a specific Crisis Management Office being created for this purpose. Thus, in line with the guidelines issued by the authorities and supervisory entities, with which the Group maintains regular contacts, an action plan was designed to protect Customers and Employees, minimize the chances of contagion and ensure the operational continuity of business.

Impacts on the income statement

The main impacts of the COVID-19 pandemic on profitability are as follows:

- Financial Margin - The COVID-19 pandemic had the main impact on a delay on the new loans deployment, comparing with the initial business plan, with the consequent impact on the reduction of interest received;
- Commissions - Commissions related to the banking business, in particular commissions related to the structuring of debt instruments and commissions related to financial advisory processes, were significantly penalized, due to changes in market conditions and the postponement or suspension of discretionary projects;
- Results on financial operations – Results on financial operations was penalized due to the deterioration of the counterparty credit risk (CVA) on derivative financial instruments;
- Other operating results - Other operating results were penalized by the introduction, in 2020, of the additional solidarity contribution to be applied on the banking sector, aiming to finance the costs of public measures to the impact of the actual crisis caused by the COVID – 19 pandemic;
- Operating costs - The impacts of the COVID-19 pandemic on operating costs were mainly in other administrative expenses. On the one hand, there were savings associated not only with travel, hotel and representation expenses that did not materialize, but also related to the reduction of current activity and the decline in demand observed in several discretionary projects that were suspended or postponed. In contrast, the COVID-19 pandemic led to the recognition of additional costs with the purchase of protective material, computer equipment and cleaning services;
- Impairments for credit - The recessive macroeconomic scenario led to the deterioration of credit risk parameters and to the recognition of additional impairments;
- Other impairments and provisions - The impact of the COVID-19 pandemic was also felt in impairments for other financial assets, since the revision of credit risk parameters led to extraordinary impairment reinforcements for debt instruments , guarantees and commitments.

Taxes - No impacts related to the derecognition of deferred tax assets were recognized. The analysis performed leads to the conclusion that all deferred tax assets recognized on 31 December 2020 are recoverable. It should be noted that the assessment of the recoverability of deferred tax assets in Portugal was carried out based on the regulatory framework provided for in Law 27 -A / 2020, of July 24, 2020, approved under the Supplementary Budget for 2020, which includes a set of additional measures to deal with the contraction of the economic situation in Portugal following the COVID – 19 pandemic. The approved Law provides the suspension in 2020 and 2021 of the period for deducting existing tax losses on 1 January 2020. Additionally, the period for the recoverability of deferred tax assets recognized as a result of tax losses generated in 2020 and 2021 has been extended by 5 years to 12 years.

Capital and liquidity requirements

A reverse stress test was performed as part of the annual recovery plan update exercise. This exercise considered a specific Covid-19 adverse scenario related to the pandemic. This scenario assumed a hypothetical severe evolution of the economy that jeopardizes the financial viability of the institution in the absence of the adoption of recovery measures. This adverse scenario is only achieve upon an extreme default increase in 6 month. The implausibility of this scenario in such a short timeframe and magnitude confirms the solid capital position of Haitong Bank Group.

On the liquidity side, several liquidity monitoring actions were taken (Lisbon and Brazil). In Lisbon, due to the resilient liquidity short-term position and adequate funding structure there was no need to implement any corrective measures, increasing surveillance monitoring, implementing liquidity assessments with conservative scenarios and giving preference to eligible assets for the Central Bank funding on the assumption of new risks. In Brazil, besides improvements in liquidity surveillance monitoring the funding structure was strengthened by an increase in the average deposits maturity and by using central bank instruments available to face Covid-19 pandemic.

NOTE 42 – 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, 2020:

Standard / Interpretation	Applicable in the European Union for financial years beginning on or after	
Amendments to references to the Framework in IFRS	1-jan-20	IFRS 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32, IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 34, IAS 37, IAS 37, in accordance with references to the revised Conceptual Framework in March 2018. The revised Conceptual Framework includes revised definitions of an asset and a liability and new guidance on measurement, derecognition, presentation and disclosure.
Amendment to IAS 1 and IAS 8 – Definição de material	1-jan-20	Corresponds to amendments to clarify the definition of material in IAS 1. The definition of material in IAS 8 now refers to IAS 1. The amendment changes the definition of material in other standards to ensure consistency. The information is material if, by its omission, distortion or concealment, it is reasonably expected to influence the decisions of the primary users of the financial statements based on the financial statements.

Standard / Interpretation	Applicable in the European Union for financial years beginning on or after	
Amendment to IFRS 3 - Definition of business	1-jan-20	Corresponds to amendments to the definition of business, seeking to clarify the identification of business acquisition or acquisition of a group of assets. The revised definition further clarifies the definition of a business's output as the supply of goods or services to customers. The changes include examples for identifying a business acquisition.
Amendments to IFRS 9, IAS 39 and IFRS 7 - reform of benchmark interest rates (IBOR Reform)	1-jan-20	Corresponds to amendments to IFRS 9, IAS 39 and IFRS 7 related to the benchmark interest rate reform project (known as "IBOR reform"), in order to reduce the potential impact of changes in reference interest rates on financial reporting, namely hedge accounting.
Amendment to IFRS 16 – Leases – Covid 19 Related Rent Concessions	1-june-20	This amendment introduces an optional practical expedient whereby tenants are exempted from analyzing whether income concessions, typically income suspensions or reductions, related to the "COVID-19" pandemic correspond to contractual modifications.

No significant effects were recorded in the Group's financial statements for the year ended December 31, 2020, as a result of the adoption of the standards, interpretations, amendments and revisions referred to above.

Standards, interpretations, amendments and revisions that will take effect in future years

The following accounting standards and interpretations, which have to be applied in future financial years, have been endorsed by the European Union up to the date of approval of these financial statements:

Standard / Interpretation	Applicable in the European Union for financial years beginning on or after	
Amendments to IFRS 9, IAS 39 and IFRS 7 – 2nd Stage -reform of benchmark interest rates (IBOR Reform)	1-jan-21	Corresponds to additional amendments to IFRS 9, IAS 39 and IFRS 7, issued on August 27, 2020, related to the second stage of the benchmark interest rate reform project (known as "IBOR reform"), referring to changes in reference interest rates and impacts on changes in financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures.
Amendment to IFRS 4 Insurance Contracts – deferral of IFRS 9	1-jan-21	Corresponds to the amendment to IFRS 4 that prolongs the deferral of application of IFRS 9 for initial years on or after January 1, 2023.

These standards, although endorsed by the European Union, were not adopted by the Group in 2020, 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 that will take effect in future years

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	
IFRS 17 - Insurance Contracts	1-jan-23	This standard establishes, for insurance contracts within its scope, the principles for their recognition, measurement, presentation and disclosure. This standard replaces IFRS 4 - Insurance Contracts.
Amendment to IAS 1 Presentation of financial statements - Classification of liabilities as current and non-current	1-jan-23	Esta emenda publicada pelo IASB clarifica a classificação dos passivos como correntes e não correntes analisando as condições contratuais existentes à data de reporte.
Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements 2018-2020	1-jan-22	These amendments correspond to a set of updates to the various standards mentioned, namely - IFRS 3 - update of the reference to the 2018 conceptual structure; additional requirements for analyzing obligations under IAS 37 or IFRIC 21 on the acquisition date; and explicit clarification that contingent assets are not recognized in a business combination. - IAS 16 - prohibition of deducting the cost of a tangible asset from 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 correspond essentially to amendments to 4 standards, IFRS 1, IFRS 9, IFRS 16 and IAS 41

These standards have not yet been endorsed by the European Union and as such have not been applied by the Group for the year ended 31 December 2020.

With respect to these standards and interpretations, issued by the IASB but not yet endorsed by the European Union, it is not estimated that the adoption of these standards will significantly impact the Group financial statements.

Report and Opinion of the Supervisory Board

Haitong Bank, S.A.

Financial year 2020

(Free translation of a report originally issued in Portuguese language: in case of doubt the Portuguese version will always prevail)

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 2020.

The members of the Supervisory Board appointed for the 2020-2022 three-year period took office on 17 July 2020 after notifying the Bank of Portugal that the legal requirements set forth in Article 30-B (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 the 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 2020 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 activities in 2020, both in individual and in consolidated terms.

The Supervisory Board highlights the following:

- The impacts of the pandemic caused by the COVID-19 virus are detailed in the Management Report and in Note 41 to the financial statements;

- On 30 December 2020, the Bank introduced a new, defined contribution, pension plan, to which, after authorisation from the *Autoridade de Supervisão de Seguros e Fundos de Pensões* (ASF, the Insurance and Pension Funds Supervisory Authority), all the participants not yet pensioners of the supplementary pension plan – both those no longer working at Haitong, with vested rights, and those who are active employees at the service of the Bank – were transferred. The details of this arrangement are disclosed in Note 14 to the consolidated financial statements;

- The disclosures made by the Bank in Note 32 to the consolidated financial statements concerning the impacts arising from the tax policy, and the interactions with the Tax and Customs Authority;

- On 1 March 2021 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 period of 1 January 2020 to 31 January 2021, in accordance with the Bank of Portugal Notice no. 3/2020, of 15 July. A summary of this report is attached to Haitong's 2020 Annual Report.

- 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 documents should be approved:

- The Management Report and remaining individual and consolidated reporting documents relative to the financial year ended on 31 December 2020;

- The proposal submitted by the Board of Directors on the allocation of the individual net loss for financial year 2020, in the amount of 12,033,896.55 euros.

Lisbon, 18 March 2021

THE SUPERVISORY BOARD

Maria do Rosário Mayoral Robles Machado Simões Ventura
(Chair)

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 245 (1-c)) of the Portuguese Securities Code.

The Supervisory Board hereby declares that, to the best of its knowledge:

- The information referred to in Article 245 (1-a)) of the Portuguese Securities Code as at 31 December 2020 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 consolidation 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, 18 March 2021

THE SUPERVISORY BOARD

Maria do Rosário Mayoral Robles Machado Simões Ventura
(Chair)

Mário Paulo Bettencourt de Oliveira

Cristina Maria da Costa Pinto

Annual report on the activity of the Supervisory Board in 2020

Pursuant to the provisions of Article 420-1(g) of the Portuguese Commercial Companies Code ("*Código das Sociedades Comerciais*") and Article 2-1(h) of the Regulations of the Supervisory Board of Haitong, the Supervisory Board hereby presents its report on the supervisory works carried out in 2020.

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 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;

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 2020

i. Monitoring Haitong's activity, ensuring compliance with the law and the company's Articles of Association, and supervising the company's management

In 2020 the Supervisory Board held 54 meetings with the presence of all of its members. Of the 54 meetings, 4 were held with the Internal Audit Committee, 5 with the Corporate Governance Committee, 6 with the Risk Committee, 3 with the head of the Internal Audit function department, 11 with the head of the Compliance function, 2 with the head of the

Risk Control function department, 7 with representatives of the auditor Deloitte, 5 with the Board of Directors of Haitong and 1 with the Board of Directors of Haitong Banco de Investimento do Brasil, S.A..

The Supervisory Board had access to all the information requested and obtained all the documents and clarifications it asked for.

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 2020, 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 Internal Control and Governance Systems, and organisational culture, and 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 2020, 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 monitored the launch of the tender and development of the process for the selection and appointment of the Statutory Auditor of Haitong for the 2020-2022 period, having in due time submitted its substantiated proposal to the Bank's shareholder, which approved it in the General Meeting of 17 July 2020.

The Supervisory Board regularly monitored throughout 2020 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 the financial year 2020, 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 businesses with related parties

The Supervisory Board monitored the enforcement of the related-party transactions policy during 2020. The majority of the transactions carried out with related parties in 2020 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 September 2020 the Whistleblowing policy was updated (the last update had taken place in October 2018). During financial year 2020 the Supervisory Board did not receive any wrongdoing reports.

To conclude, the Supervisory Board expresses its recognition to the Board of Directors and to all the employees of Haitong for the cooperation provided throughout the performance of its functions.

Lisbon, 18 March 2021

THE SUPERVISORY BOARD

Maria do Rosário Mayoral Robles Machado Simões Ventura
(Chair)

Mário Paulo Bettencourt de Oliveira

Cristina Maria da Costa Pinto.

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 2020 (that presents a total of 2,801,414 t.euros and total equity of 598,089 t.euros, including a net income attributable to the shareholders of the Bank of 1,641 t.euros), the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement 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 2020 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 31)	
As of 31 December 2020, the Group has recorded accumulated impairment losses for financial assets (securities and loans) in the amount of 38,613 t.euros ("Impairment losses for credit risk"), relating to: (i) guarantees and other commitments (12,141 t.euros); (ii) loans to costumers (11,990 t.euros); (iii) securities recorded at amortised cost (10,875 t.euros); (iv) securities recorded at fair value through other comprehensive income (3,607 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 losses. 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 and at fair value through other comprehensive income (securities and loans) and 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 a 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 31)	
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. In 2020, this analysis took into consideration the effects of the Covid-19 pandemic in the clients’ credit risk. The impairment losses in the scope of the collective calculation 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 and at fair value through other comprehensive income (securities and loans) 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 32)	
As of 31 December 2020, the Group has recorded deferred tax assets in the amount of 95,699 t.euros, of which: • 64,362 t.euros originated by the Bank, essentially related with: i) temporary differences (29,987 t.euros); ii) tax losses carried forward (34,375 t.euros), essentially originated in 2015, 2016 and 2019. As a result of the changes introduced to the Corporate Income Tax Code by Law No. 27-A / 2020, of July 24 (Supplementary State Budget for 2020), the tax losses assessed in 2015, 2016 and 2019 may be used until 2029, 2030 and 2026, not exceeding 70% of the taxable profit in each of those years. • 30,941 t.euros originated by the activity of the subsidiary Haitong Banco de Investimento do Brasil, of which 19,710 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.	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 reasonableness of the interpretation of the relevant tax legislation considered by the Group in the estimation of future taxable profits. We reviewed the reasonableness of 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
Recoverability of deferred tax assets (Notes 2.13, 3.2 and 32)	
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.	

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 37)	
As described in further detail in note 37 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 2019 the Resolution Fund owned 25% 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 2019 were negative.	Analysis of public communications on this matter released by the Resolution Fund until the date of our report. Analysis of 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. Analysis of 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 2019. 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 37)	
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 2020 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 management report

Pursuant to article 451, n.º 3, al. 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 the article 451.º, n.º , of the Portuguese Companies' Code this audit report 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 245-A 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 m) 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 508.º-G article 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 article 77, number 8, of the Ordem dos Revisores Oficiais de Contas statutes (Legal Regime of the Portuguese Statutory Auditors) and we have remained independent from the Group in conducting the audit.

Lisbon, 18 March 2021

Deloitte & Associados, SROC S.A.
Represented by João Carlos Henriques Gomes Ferreira, ROC

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.)

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 2020 and 2019

(thousand euros)

	Notes	31.12.2020	31.12.2019
Interest and similar income	4	16 355	26 559
Interest and similar expense	4	13 611	14 107
Financial margin		**2 744**	**12 452**
Dividend income	5	715	824
Fees and commissions income	6	62 876	83 411
Fees and commissions expenses	6	(5 336)	(6 993)
Net trading income	7	2 818	3 521
Net Income from other financial instruments at fair value trought profit or loss	8	(316)	936
Net gains/(losses) from derecognition of financial assets measured at fair value through other comprehensive income	9	2 497	2 457
Net gains/(losses) from foreign exchange differences	10	25 699	(11 923)
Net gain /(loss) from derecognition of financial assets measured at amortised cost	11	864	265
Other Operating income and expense	12	(4 438)	3 369
Operating Income		**88 123**	**88 319**
Employee costs	13	23 955	32 770
Administrative costs	15	13 527	14 965
Depreciations and amortisations	24 and 25	6 099	6 617
Provisions	31	2 537	446
Net impairment loss on financial assets	31	41 020	13 282
Operating expenses		**87 138**	**68 080**
Profit / (Loss) before Income Tax		**985**	**20 239**
Income tax			
Current tax	32	885	725
Deferred tax	32	12 134	9 172
		13 019	**9 897**
Net Profit / (Loss) for the year		**(12 034)**	**10 342**
Basic Income per Share (in euros)	16	-0,07	0,06
Diluted Income per Share (in euros)	16	-0,07	0,06

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 2020 and 2019

(thousand euros)

	31.12.2020	31.12.2019
Net income of the year	**(12 034)**	**10 342**
Other comprehensive income for the year		
Items that will not be reclassified to profit and loss		
Actuarial gains/(losses), net of taxes	(1 041)	(3 456)
	(1 041)	**(3 456)**
Items that may be reclassified to profit and loss		
Exchange differences net of taxes	-	-
Fair value changes of debt instruments measured at fair value through other comprehensive income	(497)	(800)
	(497)	**(800)**
Total comprehensive income/(loss) of the year	**(13 572)**	**6 086**

The following notes form an integral part of these financial statements

Individual Statement of Financial Position as at the 31st December 2020 and 2019

(thousand euros)

	Notes	31.12.2020	31.12.2019
Assets			
Cash and cash equivalents	17	470 832	633 518
Financial assets at fair value through profit or loss		175 439	175 218
Financial assets held-for-trading		166 890	166 023
Securities	18	27 655	29 656
Derivative financial assets	19	139 235	136 367
Non-trading financial assets mandatorily at fair value through profit or loss		8 549	9 195
Securities	20	8 549	9 088
Loans and advances to customers	22	-	107
Financial assets at fair value through other comprehensive income	20	117 253	57 036
Financial assets measured at amortised cost		762 342	572 763
Loans and advances to banks	21	2 819	11 526
Loans and advances to customers	22	317 003	231 021
Securities	20	442 520	330 216
Non-current assets held-for-sale	23	1 699	2 244
Other tangible assets	24	8 943	8 547
Intangible assets	25	3 859	5 628
Investments in associated companies	26	136 653	170 365
Tax assets		84 034	112 082
Current income tax assets	32	19 672	35 986
Deferred income tax assets	32	64 362	76 096
Other assets	27	178 158	143 548
Total Assets		**1 939 212**	**1 880 949**
Liabilities			
Financial liabilities held for trading		139 188	138 037
Securities	18	-	1 962
Derivative financial assets	19	139 188	136 075
Financial liabilities measured at amortised cost		1 121 992	1 002 906
Resources of credit institutions	28	132 217	25 012
Resources of customers	29	989 775	977 894
Provisions	31	14 801	17 342
Tax liabilities		4 886	6 447
Current income tax liabilities	32	4 886	6 447
Other liabilities	33	69 406	113 706
Total Liabilities		**1 350 273**	**1 278 438**
Equity			
Share capital	34	844 769	844 769
Share premium	34	8 796	8 796
Other equity instruments	34	108 773	108 773
Fair-value reserves	35	(1 842)	(1 345)
Other reserves and retained income	35	(359 523)	(368 824)
Net profit/(loss) of the year		(12 034)	10 342
Total equity		**588 939**	**602 511**
Total Equity and Liabilities		**1 939 212**	**1 880 949**

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 2020 and 2019

(thousand euros)

	Share Capital	Share premium	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 2018	**844 769**	**8 796**	**108 773**	**(545)**	**(360 802)**	**(361 347)**	**(4 566)**	**596 425**
Other movements directly recorded in equity (see Note 35):								
Changes in fair value, net of taxes	-	-	-	(800)	-	(800)	-	(800)
Actuarial gains / (losses) net of taxes	-	-	-	-	(3 456)	(3 456)	-	(3 456)
Net profit / (loss) for the period	-	-	-	-	-	-	10 342	10 342
Total of comprehensive income of the year	**-**	**-**	**-**	**(800)**	**(3 456)**	**(4 256)**	**10 342**	**6 086**
Issuance of other equity instruments (see Note 34):	-	-	-	-	-	-	-	-
Reserve establishment	-	-	-	-	(4 566)	(4 566)	4 566	-
Balance as at 31st of December 2019	**844 769**	**8 796**	**108 773**	**(1 345)**	**(368 824)**	**(370 169)**	**10 342**	**602 511**
Other movements directly recorded in equity (see Note 35):								
Changes in fair value, net of taxes	-	-	-	(497)	-	(497)	-	(497)
Actuarial gains / (losses) net of taxes	-	-	-	-	(1 041)	(1 041)	-	(1 041)
Net profit / (loss) for the period	-	-	-	-	-	-	(12 034)	(12 034)
Total of comprehensive income of the year	**-**	**-**	**-**	**(497)**	**(1 041)**	**(1 538)**	**(12 034)**	**(13 572)**
Reserve establishment	-	-	-	-	10 342	10 342	(10 342)	-
Balance as at 31st of December 2020	**844 769**	**8 796**	**108 773**	**(1 842)**	**(359 523)**	**(361 365)**	**(12 034)**	**588 939**

The following notes form an integral part of these financial statements

Individual Cash Flow Statement for the financial years ended on the 31st December 2020 and 2019

(thousand euros)

	Notes	31.12.2020	31.12.2019
Cash flows from operating activities			
Interests received		22 821	29 331
Interests paid		(13 017)	(11 714)
Fees and commission received		64 282	83 886
Fees and commission paid		(5 336)	(6 993)
Loans sales and recoveries		864	-
Cash payments to employees and suppliers		(45 439)	(52 227)
		24 175	**42 283**
Changes in operating assets and liabilities:			
Resources at central banks		2 382	(642)
Trading financial assets and liabilities		23 813	22 320
Loans and advances to banks		8 729	(7 587)
Resources of other credit institutions		107 367	(37 001)
Loans and advances to customers		(86 569)	396 914
Resources of costumers		11 439	(57 369)
Other operating assets and liabilities		(84 095)	141 109
Net cash flow from operating activities before income tax		**7 241**	**500 027**
Income taxes paid		13 868	(450)
		21 109	**499 577**
Net cash flows from investment activities			
Sale of investments in subsidiaries and associates		-	12 000
Dividends received		715	824
Purchase of securities		(337 790)	(339 706)
Sale and reimbursement of securities		157 784	403 604
Purchase of fixed assets		(2 501)	(2 627)
Sale of of fixed assets		379	62
		(181 413)	**74 157**
Cash flows from financing activities			
Reimbursement of debt securities issued	30	-	(258 291)
Net cash flow from financing activities		**-**	**(258 291)**
Net changes in cash and equivalents		**(160 304)**	**315 443**
Cash and equivalents at the beginning of the year		627 565	312 122
Cash and equivalents at the end of the year		467 261	627 565
		(160 304)	**315 443**
Cash and equivalents includes:			
Cash	17	462 919	611 923
Deposits at other credit institutions	17	7 913	21 595
(-) Minimum Reserves	17	(3 571)	(5 953)
Total		**467 261**	**627 565**

The following notes form an integral part of these financial statements

2. NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

Haitong Bank, S.A.

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 and Madrid, and subsidiaries in Brazil.

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 19 July 2002 from the European Council and Parliament, and its adoption into Portuguese Law through Decree-Law no. 35/2005, of 17 February 2005, and Regulation no. 5/2015, of 7 December 2015 from the Bank of Portugal, Haitong Bank is required to prepare its financial statements in accordance with the International Financial Reporting Standards (IFRS), as established by 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 financial year ended on the 31st of December, 2020, which have been prepared in accordance with the IFRS in force, as adopted in the European Union until the 31st of December, 2020.

The Bank has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1st January 2020. The accounting policies in this note were consistently to all entities of the Bank and are consistent with those used in the preparation of the financial statements of the previous period.

These individual financial statements are expressed in thousands of euro, rounded to the nearest thousand, and have been prepared under the historical cost convention, except for assets and the liabilities accounted for at fair value, namely, derivative contracts, financial assets and financial liabilities at fair value through profit and loss and 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 conformity with IFRS requires the application of judgment and the use of estimates and assumptions by management that affects the process of applying the Bank's accounting policies and the reported amounts of income, expenses, assets and liabilities. Changes in the such assumptions or actual results that in the future may differ from those considered in the current financial statements may have an impact over the estimates and judgements reported. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The individual financial statements herein have been approved in the Board of Directors meeting held on the 25th of February 2021

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 amortized 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 amortized 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 amortized 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 amortized 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. On the transition date and on December 31, 2019, 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 recognized 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 amortized 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 amortized 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 amortized 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 derecognized 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 amortized 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 recognized 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 recognized if measured at amortized cost.

When a debt instrument measured at fair value through other comprehensive income is derecognized 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 recognizes a gain or loss arising from the difference from the previous amortized 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 rewards of that asset are transferred to another entity when a change is found to be significant under the terms and conditions of that asset;
b) when transferring the asset and, following this transfer, all the risks and benefits of the asset are transferred to another entity considered when there is a significant change in the terms and conditions of the asset;
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 amortized 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 recognize 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 recognized 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 amortized cost against a cumulative balance sheet impairment account, which reduces the book value of the asset. The Bank recognizes 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 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:

- **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, 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. 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 recognized 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). Note that 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 39 – 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 Amortized 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;
- 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 assumed, 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 debtor’s credit under a dispute 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) debts to tax agency, social security and/or to employees overdue; (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 clients classified in Stage 1, thus enabling the timely identification of indicators which suggest a significant increase in credit risk, and also encompassing clients classified in Stage 1 and 2, allowing for the timely identification of indicators that may suggest a reduced likelihood 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 protection; v) interest related to credit obligations is no longer recognized (non-accrued status) in the income statement (part or under conditionality); and vi) other conditions (ad-hoc) that may suggest reduced likelihood of payments by the debtor.

The definition of default followed by the Bank follows 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 includes 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:

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 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 address 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.

	Number of Years
Owned Real Estate	10
Improvements in leasehold property	4 a 5
Computer Equipment	5 a 12
Indoor Installations	4 a 10
Furniture and supplies	4 a 10
Safety Equipment	4 a 10
Tools and Machines	4
Transportation Material	5
Other Equipment	0

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 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 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 recognizes 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.

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 as follows:

- Income from services and commissions obtained from the performance of a significant act, such as commissions in the syndication of loans, are recognised in income once the significant act has been completed;
- Income from services and commissions obtained as the services are being provided are recognised in income for the relevant period;

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 statements 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. Cash and cash equivalents exclude mandatory deposits held with Central Banks.

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.

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 amortized 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. 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 analyzed 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) scenarios with expected cash flows discounted to the current date, using the applicable debt cost rate in each period, 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 collateral (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 recognized, 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"'s) PD's, 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 39 – Risk Management.

The new procedures and criteria considered by the Bank in the preparation of accounting estimates in the context of the coronavirus pandemic ("Covid-19"), as well as the analysis of the impacts of Covid-19 in the definition of IFRS 9 risk Stage, classification of significant increase in credit risk or default, and definition of impairment, are detailed in Note 40 - Impact of Pandemic Covid-19.

The use of scenarios or alternative methodologies with other assumptions and estimates, namely as to the effects of the coronavirus pandemic ("Covid-19"), could result in different levels of impairment losses recognized, and a consequent impact on the Bank's results.

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.

On the other hand, the Bank accounts for deferred taxes in accordance with the policy set forth in Note 2.12, whereby deferred tax assets are accounted for only insofar as it is expected that there will be taxable profit in the future, which are able to absorb tax losses carried forward and deductible temporary differences.

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 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 (see note 32). However, it is the belief of the Bank's Board of Directors and its subsidiaries, that there will be no significant corrections to income taxes state on financial statements, with a material impact on its equity and results.

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, 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 amortized cost and at fair value through other comprehensive income that are derecognized 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)

	31.12.2020			31.12.2019		
	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	9 027	-	9 027	14 950	-	14 950
Interest from deposits and investments in credit institutions	48	-	48	204	-	204
Interest from risk management derivatives	-	-	-	-	-	-
Interest from financial assets at fair value through other comprehensive income	1 086	-	1 086	3 376	-	3 376
Interest from financial assets at fair-value through profit and loss	-	1 438	1 438	-	2 386	2 386
Interest from debt securities measured at amortised cost	4 597	-	4 597	5 406	-	5 406
Other interest and similar income	159	-	159	237	-	237
	14 917	**1 438**	**16 355**	**24 173**	**2 386**	**26 559**
Interest and similar expenses						
Interest from deposits from central banks and other credit institutions	536	-	536	26	-	26
Interest from risk management derivatives	-	-	-	-	-	-
Interest from debt securities issued	-	-	-	3 197	-	3 197
Interest from customers accounts	12 052	-	12 052	10 012	-	10 012
Interest from leasing	152	-	152	117	-	117
Other interest and similar expenses	871	-	871	755	-	755
	13 611	**-**	**13 611**	**14 107**	**-**	**14 107**
	1 306	**1 438**	**2 744**	**10 066**	**2 386**	**12 452**

As at the 31st of December, 2020, interest and similar income includes an amount of 6,361 thousand euros and 82 thousand euros concerning contracts flagged as stage 2 and stage 3, respectively (31st of December, 2019: 649 thousand euros and 235 thousand euros).

NOTE 5 – INCOME FROM EQUITY INSTRUMENTS

This heading's amount is composed of:

(thousand euros)

	31.12.2020	31.12.2019
Dividend income		
HAITONG BANCO DE INVESTIMENTO DO BRASIL S.A.	715	824
	715	**824**

NOTE 6 – NET FEES AND COMMISSIONS INCOME

This heading's amount is composed of:

(thousand euros)

	31.12.2020	31.12.2019
Fees and commissions income		
From banking services	47 564	37 564
From guarantees provided	967	1 968
From transactions with securities	14 345	43 879
	62 876	**83 411**
Fees and commissions expenses		
From banking services rendered by third parties	2 218	1 503
From transactions with securities	1 196	1 223
From guarantees received	518	494
Other fee and comission expenses	1 404	3 773
	5 336	**6 993**
	57 540	**76 418**

As at 31st December, 2020, the income regarding fees and commission included 36,168 thousand euros (31st December, 2019: 29,667 thousand euros) concern Haitong Group related parties (Note 37).

As at 31st December 2020 and 2019, the amount of fees and commissions present the following distribution, by operational segment:

(thousand euros)

	31.12.2020	31.12.2019
Fees and commissions income		
Capital Markets Division	23 627	41 112
Mergers and Acquisitions Division	19 124	18 721
Structured Finance Division	4 805	6 371
Equities Division	5 202	5 673
Fixed Income Currency and Commodities Division	4 720	7 234
Global Markets	-	30
Treasury Division	16	7
Corporate Solutions	800	-
Other	4 582	4 263
	62 876	**83 411**

Mergers and Acquisitions Division

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, restructuring and feasibility studies.

Capital Markets Division

The Capital Markets Division comprises 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, project bonds and commercial paper programmes.

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

Fixed Income Currency and Commodities Division

The purpose of the FICC Division is to provide a professional, differentiated and high-quality product and service to institutional and corporate clients as well as provide Haitong Bank with a multi-client and international distribution platform.

With dedicated Trading, Syndication, Distribution and Derivatives teams, the FICC Division offers "Market Making" services for corporate and sovereign debt securities, distribution and syndication of debt products with the international base of institutional investors. The FICC, through the derivative teams, is also responsible for structuring and distributing tailor-made hedging instruments (on different types of assets and currencies), for corporate and institutional clients, offering a wide range of products with payoffs "Plain vanilla" and structured.

Equities Division

Equities Division provides a global execution for European investors with a wide customized execution solutions available for our institutional clients. Following the collaboration agreement signed with Haitong International the potential for the distribution of our Polish and Asian product research have also been reinforced.

Structured Finance Division

The mission of the Structured Finance Division is to develop financing solutions to its Clients, namely under the form of acquisition / leverage finance, asset based and project finance loans, as well as the provision of financial advisory services in the deals structuring and public tenders involving bidding processes and / or the provision of arranging and agency services for financing operations

Corporate Solutions

The purpose of corporate solutions division is to establish relationships with clients in various sectors and to identify business opportunities and attract business to the bank's product areas.

This unit will also monitor cross border opportunities with a view to ensure a business liaison between the group's various geographies.

Treasury Division

The purpose of the Treasury Division is to ensure an appropriate level of funding to meet the Bank's and the Group's current and future funding needs, as well as to maintain and manage an appropriate level of liquidity to meet the financial liabilities.

Additionally, the purpose of the Treasury Division is also to manage the Bank's proprietary HQLA portfolio effectively and efficiently.

Global Markets

The mission of the Global Markets Division is to manage any market risks of several risk factors to which the Bank is exposed, such as: fixed interest rates, inflation, FX, equities, etc., which originate through the proprietary portfolio and strategy of the Global Markets area (trading and banking) or through other gaps in risk factors resulting from the Bank's commercial or Sales activities.

Special Portfolio Management

The purpose of the Special Portfolio Management Division ("SPM") is to manage all credit operations in which the Bank is involved as finance provider, which under the IFRS9 criteria, are categorized as nonperforming.

This division shall also manage all credit operations in which the Bank is solely involved as 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, is not subject to mandatory individualisation (Research Division, Asset Management and other revenue centres).

As at 31th of December 2020 the amount of fees and commissions present the following distribution, by geographical segment:

(thousand euros)

	31.12.2020	31.12.2019
Fees and commissions income		
China	28 153	37 922
Hong Kong	6 722	11 462
Portugal	3 992	10 493
Virgin Islands	12 329	10 165
Bermuda	2 318	2 534
Spain	3 931	2 462
Poland	2 013	944
Brazil	1 369	638
Ireland	451	2 198
United Kingdom	255	1 895
Luxembourg	296	1 200
Others	1 047	1 498
	62 876	**83 411**

NOTE 7 – NET TRADING INCOME

This heading's amount is composed of:

(thousand euros)

	31.12.2020	31.12.2019
Assets and liabilities held for trading		
Securities held for trading		
Bonds and other fixed income securities		
Issued by public entities	775	62
Of other entities	374	837
Shares	27	(131)
	1 176	**768**
Financial derivatives held for trading		
Foreign-exchange contracts	1 889	4 116
Interest rates contracts	(424)	(514)
Equity/indexes contracts	367	(1 423)
Credit default contracts	473	(47)
Other	(663)	621
	1 642	**2 753**
	2 818	**3 521**

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

This heading's amount is composed of:

(thousand euros)

	31.12.2020	31.12.2019
Assets and liabilities at fair value through profit or loss		
Securities		
Loans and advances to customers	(12)	(123)
Other variable income securities	(304)	1 059
	(316)	**936**

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)

	31.12.2020	31.12.2019
Bonds and other fixed income securities		
Issued by public entities	2 099	2 442
Of other entities	398	15
	2 497	**2 457**

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

This heading's amount is composed of:

(thousand euros)

	31.12.2020	31.12.2019
Currency revaluation	25 699	(11 923)
	25 699	**(11 923)**

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

As at the 31st of December, 2020 and 2019, this heading's amount is composed of:

(thousand euros)

	31.12.2020	31.12.2019
Sale of loans and advances to customers	390	99
Loans recoveries	474	-
Sale of investments at amortised cost	-	166
	864	**265**

NOTE 12 – OTHER OPERATING RESULTS

This heading's amount is composed of:

(thousand euros)

	31.12.2020	31.12.2019
Other customer services	127	185
Direct and Indirect taxes	(2 924)	(2 384)
Other operating results	(1 972)	(5 915)
Non-current assets held-for-sale (Note 23)	-	11 175
Non-financial assets	(33)	(62)
Sub-leasing	364	370
	(4 438)	**3 369**

Direct and indirect taxes include 1,669 thousand euros concerning the cost associated with the Bank Levy (2019: 1,840 thousand euros), established pursuant to Law no. 55-A/2010, of the 31st of December (see Note 32).

As at the December 31, 2020, the balance Other operating income and expenses includes, among other costs,1,544 thousand euros related to Contributions to the Resolution Fund (1,531 thousand euros at 31 December 2019). As at the December 31, 2019, the balance Other operating income and expenses also includes 3.949 thousand euros related with the repurchase of the debt security issued by Haitong Bank, fully owned by Haitong Investment Ireland PLC.

NOTE 13 – EMPLOYEE COSTS

This heading's amount is composed of:

(thousand euros)

	31.12.2020	31.12.2019
Wages and salaries		
Remuneration	22 822	24 859
Career benefits (see Note 14)	77	54
Changes from termination agreements (see Note 14)	754	475
Unwind - Change in Plan	(5 110)	-
Expenses with retirement pensions (see Note 14)	687	717
Other mandatory social charges	4 406	4 586
Other expenses	319	2 079
	23 955	**32 770**

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	Other Key Management staff	Total
2020			
Remuneration and other short-term benefits	1 174	10 951	12 125
Variable remuneration	390	1 430	1 820
Total	**1 564**	**12 381**	**13 945**
2019			
Remunerations and other short-term benefits	1 605	9 147	10 752
Variable remunerations	312	1 261	1 573
Total	**1 917**	**10 408**	**12 325**

The category "Other Key Employees" considers Managing Directors, Executive Directors, and other members of staff whose actions have a material impact on the Bank's risk profile ("Identified Staff").

On December 31st, 2020 and December 31st, 2019, 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:

	31.12.2020	31.12.2019
Directors	139	147
Management	3	3
Specific roles	111	104
Administrative roles	14	16
Support roles	12	12
	279	**282**

As at the 31st of December, 2020, the Bank had a total of 276 employees.

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	
	31.12.2020	31.12.2019
Financial Assumptions		
Expected return rates	1,20%	1,52%
Discount rate	1,20%	1,52%
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, 2020, was based on: (i) the development sustained by the main indices concerning high quality corporate bonds and (ii) the duration of the responsibilities (21 years).

Recipients of the pensions plan are disaggregated as follows:

	31.12.2020	31.12.2019
Active w orkers	100	101
Former employees w ith vested rights	76	77
Retired	38	34
Survivors	14	10
TOTAL	**228**	**222**

Former employees with vested rights refer to employees who ceased their activity in the Bank in 2020 and 2019 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 2020 and 2019:

(thousand euros)

	31.12.2020	31.12.2019
Net Assets / (Liabilities) recognised in the statement of financial position		
Liabilities as at 31st of December		
Pensioners and former employees with vested rights	35 384	52 095
Active workers	17 372	31 948
	52 756	**84 043**
Balance of the Funds at 31 December	**53 072**	**78 792**
Excess of coverage / (Contributions to the fund)	316	(5 251)
Assets / (Liabilities) in the statement of financial position (see Note 33)	**316**	**(5 251)**
Acummulated actuarial gains / losses recognised in other comprehensive income	40 590	38 004

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)

	31.12.2020	31.12.2019
Liabilities at the beginning of the year	**84 043**	**72 659**
Current service cost (see Note 13)	687	717
Interest expenses	1 274	1 678
Participants contributions	87	89
Actuarial (gains)/losses	4 319	9 184
-Changes in assumptions	5 671	11 272
- Experience (Gains)/losses	(1 352)	(2 088)
Pensions paid by the fund	(771)	(759)
Unwind - Change in Plan	(37 637)	-
Changes from termination agreements (see Note 13)	754	475
Liabilities at the end of the year	**52 756**	**84 043**

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, 2020, with the difference being recorded in "Personnel Costs" (Note 13).

Considering the situation on the 31st of December 2020, 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 2,660 thousand euros. A discount rate decrease of the same proportion would have represented an increase in liabilities of approximately 2,794 thousand euros;
- An increase of 25 base points in the growth of salaries and pensions would have represented an increase in liabilities of approximately 3,077 thousand euros. A decrease in the growth of salaries of the same proportion would have represented a decrease in liabilities of approximately 2,915thousand euros.

The evolution of value regarding the pension funds on the financial years ending on the 31st of December 2020 and 2019, may be analysed as follows:

(thousand euros)

	31.12.2020	31.12.2019
Pension Funds at the beginning of the year	**78 794**	**69 641**
Real income of the fund	2 985	7 459
Bank contributions	4 504	2 364
Participants contributions	87	89
Benefits paid	(771)	(759)
Unwind - Change in Plan	(32 527)	-
Pension Funds at the end of the year	**53 072**	**78 794**

In early 2021, the Bank made an extraordinary contribution for the fund in the amount of 799 thousand euros, therefore, the fund is now in the amount of 54,501 thousand euros, thereby representing a liability financing level of 102,12%.

The assets of the pension funds may be analysed in the following manner:

	% Portfolio	
	31.12.2020	31.12.2019
Bonds	59.60%	59.80%
Shares	32.40%	31.00%
Alternative investment	5.90%	6.50%
Liquidity	2.10%	2.70%
Total	**100%**	**100%**

The assets of the funds are valued at fair value.

On the 31st of December 2020 and 2019 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)

	31.12.2020	31.12.2019
Accumulated actuarial gains / (losses) as at 1st January	**38 004**	**34 616**
- Actuarial assumptions changes	5 671	11 272
- (Gains)/losses in experience	(3 085)	(7 884)
Accumulated actuarial deviations as at 31st of December	**40 590**	**38 004**

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

(thousand euros)

	31.12.2020	31.12.2019
Current service cost (See Note 13)	687	717
Interest Expenses / (Income)	18	17
Expenses of the period	**705**	**734**

The earnings / costs of the interests are recognized 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 2020 and 2019 may be analysed as follows:

(thousand euros)

	31.12.2020	31.12.2019
Opening balance	**(5 251)**	**(3 018)**
Year expenses	(705)	(734)
Actuarial gains / (losses) recognised in other comprehensive income	(2 586)	(3 388)
Bank contributions	4 502	2 364
Changes in termination agreements (see Note 13)	(754)	(475)
Unwind - Change in Plan	5 110	-
Closing balance	**316**	**(5 251)**

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)

	31.12.2020	31.12.2019	31.12.2018	31.12.2017	31.12.2016
Liabilities	(52 756)	(84 043)	(72 659)	(72 070)	(70 735)
Funds balances	53 072	78 792	69 641	72 552	67 349
(Under) / over funded liabilities	**316**	**(5 251)**	**(3 018)**	**482**	**(3 386)**
Experience (gains) / losses from liabilities	(1 352)	(2 088)	12	(143)	(7 655)
Experience (gains) / losses from plan assets	(1 733)	(5 796)	5 213	(1 176)	6 013

Career bonuses

On the 31st of December, 2020 and 2019, the liabilities assumed by the Bank and the costs recognised in the periods with the career bonus are the following:

(thousand euros)

	31.12.2020	31.12.2019
Liabilities at the begining of the period	**539**	**485**
Year expenses (See Note 13)	77	54
Liabilities at the end of the period (see Note 33)	**616**	**539**

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 2020 (see Note 24), and in Other liabilities in 2019 (see Note 33).

NOTE 15 – ADMINISTRATIVE COSTS

This heading's amount is composed of:

(thousand euros)

	31.12.2020	31.12.2019
Lease and rental	599	629
Marketing and advertisement	77	35
Press releases and expedition	3 783	4 116
Travelling and representation	193	918
Maintenance and related services	505	670
Insurances	72	176
Legal and litigation	163	131
Specialised services		
IT services	3 084	3 227
Temporary labour	9	21
Independent work	707	630
Other specialised services	3 243	3 237
Other expenses	1 092	1 175
	13 527	**14 965**

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)

	31.12.2020	31.12.2019
Statutory audit of annual accounts (Haitong Bank)	385	382
Other reliability assurance services	42	92
Other non-statutory audit services	123	133
Total amount of agreed services	**550**	**607**

Values shown are before taxes. The fees related to the statutory audit of annual accounts correspond to those agreed for the year 2020. The fees presented for the remaining services relate to amounts billed during the 2020 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)

	31.12.2020	31.12.2019
Net Profit / (Loss) [1]	(12 034)	10 342
Weighted average number of ordinary shares outstanding (thousands)	**168 954**	**168 954**
Basic earnings per share attributable to equity holders of the Bank (in euro)	**-0.07**	**0.06**

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, 2020 and 2019, 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, 2020 and 2019, this heading is analysed as follows:

(thousand euros)

	31.12.2020	31.12.2019
Cash	5	6
Demand deposit at central banks		
Bank of Portugal	446 535	611 914
Other central banks	16 379	3
	462 914	**611 917**
Deposits at other credit institutions in Portugal		
Demand deposits	4 361	3 271
	4 361	**3 271**
Deposits at other credit institutions abroad		
Demand deposits	3 552	18 324
	3 552	**18 324**
	470 832	**633 518**

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, 2020, the average rate of return of such deposits was 0,00% (31st of December, 2019: 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, 2020, has been comprised in the maintenance period from the 16th of December, 2020, to the 26th of January, 2021, which corresponded a mandatory minimum reserve amounting to 3,571 thousand euros (31st of December, 2019: 5,953 thousand euros).

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

As at 31st of December 2020 and 2019, the heading of trading financial assets and liabilities is as follows:

(thousand euros)

	31.12.2020	31.12.2019
Financial assets held-for-trading		
Securities		
Bonds and other fixed-income securities		
From public issuers	4 469	4 141
From other issuers	23 124	25 495
Shares	62	20
	27 655	**29 656**
Financial liabilities held-for-trading		
Securities		
Short-selling	-	1 962
	-	**1 962**

As at 31st of December 2020 and 2019, the analysis of financial assets held-for-trading, by residual maturity period, is as follows:

(thousand euros)

	31.12.2020	31.12.2019
Up to three months	575	3 714
From three months to one year	4 932	1 470
From one to five years	18 675	23 069
More than five years	3 411	1 383
Undetermined period	62	20
	27 655	**29 656**

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 2020 and 2019, the heading of financial assets held-for-trading, concerning quoted and unquoted securities, is divided as follows:

(thousand euros)

	31.12.2020			31.12.2019		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Securities						
Bonds and other fixed income securities						
Issued by public entities	4 469	-	4 469	4 141	-	4 141
Issued by other entities	18 027	5 097	23 124	14 145	11 350	25 495
Shares	62	-	62	20	-	20
Total book value	**22 558**	**5 097**	**27 655**	**18 306**	**11 350**	**29 656**

The heading of financial assets held for trading includes 14,833 thousand euros in securities pledged as collateral by the Group (3,714 thousand euros as at 31st of December 2019) (see Note 37).

The short selling represents securities sold by the Bank, which had been purchased under a reverse repurchase agreement. In accordance with the accounting policy described in Note 2.4, securities purchased under a repurchase agreement are not recognised in the statement of financial position. If those securities are sold, the Bank 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 31st of December 2020 and 2019, financial derivatives heading is analysed as follows:

(thousand euros)

	31.12.2020	31.12.2019
Trading derivatives (assets)		
Foreign-exchange contracts	15 523	4 183
Interest-rate contracts	88 311	113 721
Other contracts	35 401	18 463
	139 235	**136 367**
Trading derivatives (liabilities)		
Interest-rate contracts	15 123	4 307
Equity / index contracts	87 876	113 702
Other contracts	36 189	18 066
	139 188	**136 075**
	47	**292**

As at 31st of December 2020 and 2019, trading financial derivatives is analysed as follows:

(thousand euros)

	31.12.2020			31.12.2019		
	Notional	Fair value		Notional	Fair value	
		Positive	Negative		Positive	Negative
Foreign-exchange contracts						
Forward		5 207	4 688		287	587
- buy	224 173			166 943		
- sell	223 732			167 547		
Currency Swaps	-	1 321	1 270		940	436
- buy	244 150			188 248		
- sell	244 292			188 157		
Currency Interest Rate Swaps		8 782	8 953		2 616	2 943
- buy	23 186			66 250		
- sell	23 186			66 250		
Currency Options		213	212		340	341
- buy	140 457			177 835		
- sell	165 042			208 870		
	1 288 218	**15 523**	**15 123**	**1 230 100**	**4 183**	**4 307**
Interest rate contracts						
Interest Rate Swaps	-	87 747	87 308		112 272	112 245
- buy	1 356 879			2 192 963		
- sell	1 356 879			2 192 963		
Interest Rate Caps & Floors	-	564	568		1 449	1 457
- buy	65 773			88 334		
- sell	59 701			81 594		
Interest Rate Futures	-					
- buy	-			-		
- sell	3 537			4 670		
	2 842 769	**88 311**	**87 876**	**4 560 524**	**113 721**	**113 702**
Equity / index contracts						
Equity / Index Swaps		35 401	36 189		15 285	14 934
- buy	109 065			159 799		
- sell	109 065			159 733		
Equity / Index Options		-	-		-	-
- buy	-			-		
- sell	-			-		
Equity / Index Futures		-	-		-	-
- sell	3 053			3 095		
	221 183	**35 401**	**36 189**	**322 627**	**15 285**	**14 934**
Credit default contracts						
Credit Default Swaps		-	-		3 178	3 132
- buy	615			63 229		
- sell	615			97 629		
	1 230	**-**	**-**	**160 858**	**3 178**	**3 132**
Total	**4 353 400**	**139 235**	**139 188**	**6 274 109**	**136 367**	**136 075**

As at 31st of December 2020 and 2019, the analysis of trading financial derivatives, by residual maturity period, is as follows:

(thousand euros)

	31.12.2020			31.12.2019		
	Notional		Fair Value (net)	Notional		Fair Value (net)
	Sale	Purchase		Sale	Purchase	
Up to three months	329 972	321 694	505	310 879	297 744	11
From three months to one year	578 666	556 040	(606)	789 318	729 787	360
From one to five years	588 771	588 797	(1 968)	1 054 060	1 053 080	(1 271)
More than five years	691 694	697 766	2 116	1 016 250	1 022 991	1 192
	2 189 103	**2 164 297**	**47**	**3 170 507**	**3 103 602**	**292**

As at 31st of December 2020 and 2019, 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 27) and "Other liabilities - collateral deposited under clearing agreements" (Note 33).

NOTE 20 – SECURITIES

As at 31st of December 2020 and 2019, this heading is analysed as follows:

(thousand euros)

	31.12.2020	31.12.2019
Non-trading financial assets mandatorily at fair value through profit or loss		
Securities		
Shares	59	63
Other variable income securities	8 490	9 025
	8 549	**9 088**
Financial assets at fair value through other comprehensive income		
Securities		
Bonds and other fixed-income securities		
From public issuers	-	15 233
From other issuers	117 253	41 803
	117 253	**57 036**
Financial assets measured at amortised cost		
Securities		
Bonds and other fixed-income securities		
From public issuers	209 797	194 981
From other issuers	232 723	135 235
	442 520	**330 216**
	568 322	**396 340**

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	-	-	-	-	-
Issued by other entities	122 988	573	(3 070)	(3 238)	117 253
Balance as at 31st December 2020	**122 988**	**573**	**(3 070)**	**(3 238)**	**117 253**
Bonds and other fixed-income securities					
Issued by public entities	15 148	97	-	(12)	15 233
Issued by other entities	46 242	335	(2 258)	(2 516)	41 803
Balance as at 31st December 2019	**61 390**	**432**	**(2 258)**	**(2 528)**	**57 036**

(1) Amortised cost

The portfolio of financial assets at amortized cost is analysed as follows:

(thousand euros)

	Cost (1)	Impairment (Note 31)	Book value
Bonds and other fixed-income securities			
Issued by public entities	209 964	(167)	209 797
Issued by other entities	243 284	(10 561)	232 723
Balance as at 31st December 2020	**453 248**	**(10 728)**	**442 520**
Bonds and other fixed-income securities			
Issued by public entities	195 129	(148)	194 981
Issued by other entities	143 758	(8 523)	135 235
Balance as at 31st December 2019	**338 887**	**(8 671)**	**330 216**

(1) Amortised cost

As at 31st of December 2020, the heading of financial assets includes: 325,359 thousand euros (31st December 2019: 210,109 thousand euros) in securities pledged as collateral by the Bank.

As at 31st of December 2020 and 2019, the analysis of securities portfolios by maturity period, is presented as follows:

(thousand euros)

	31.12.2020	31.12.2019
Up to three months	31 530	23 635
From three months to one year	201 203	98 353
From one to five years	254 298	248 487
More than five years	72 742	16 777
Undetermined period	8 549	9 088
	568 322	**396 340**

As at 31st of December 2020 and 2019, the heading of securities, concerning quoted and unquoted securities, is divided as follows:

(thousand euros)

	31.12.2020			31.12.2019		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Securities						
Bonds and other fixed-income securities						
Issued by public entities	209 797	-	209 797	210 213	1	210 214
Issued by other entities	131 484	218 492	349 976	-	177 038	177 038
Shares	9	50	59	13	50	63
Other variable-income securities	-	8 490	8 490	-	9 025	9 025
Total book value	**341 290**	**227 032**	**568 322**	**210 226**	**186 114**	**396 340**

NOTE 21 - LOANS AND ADVANCES TO BANKS

As at 31st of December 2020 and 2019, this heading is analysed as follows:

(thousand euros)

	31.12.2020	31.12.2019
Loans and advances to banks in Portugal		
Deposits	56	56
Very short-term deposits	-	6 231
	56	**6 287**
Loans and advances to banks abroad		
Very short-term deposits	-	2 255
Other loans and advances	18 329	18 585
	18 329	**20 840**
Impairment losses (Note 31)	(15 566)	(15 601)
	2 819	**11 526**

As at 31st of December 2020 and 2019, the analysis of loans and advances to banks, by residual maturity period, is presented as follows:

(thousand euros)

	31.12.2020	31.12.2019
Up to three months	3 252	12 050
Undetermined period	15 077	15 077
	18 329	**27 127**

NOTE 22 – LOANS AND ADVANCES TO CUSTOMERS

As at 31st of December 2020 and 2019, this heading is analysed as follows:

(thousand euros)

	31.12.2020	31.12.2019
At fair value throught profit and loss		
Overdue loans and interest		
Up to 90 days	-	-
For more than 90 days	-	233
	-	**233**
Loans fair value revaluation	-	(126)
	-	**107**
At amortized cost		
Domestic loans		
Loans	229 538	158 121
Retail		
Mortgage loans	411	469
	229 949	**158 590**
Foreign loans		
Corporate		
Loans	82 958	79 319
Operations with reverse repo	10 856	1 132
Other credits	-	1 613
Retail		
Mortgage loans	13	20
	93 827	**82 084**
Overdue loans and interest		
For more than 90 days	73 045	75 084
	73 045	**75 084**
	396 821	**315 758**
Impairment losses (Note 31)	(79 818)	(84 737)
	317 003	**231 021**
	317 003	**231 128**

As at 31st of December 2020 and 2019, the analysis of loans and advances to costumers, by residual maturity period, is presented as follows:

(thousand euros)

	31.12.2020	31.12.2019
Up to three months	424	1 621
From one to five years	140 338	79 532
More than five years	183 014	159 521
Undetermined period	73 045	75 317
	396 821	**315 991**

NOTE 23 - NON-CURRENT ASSETS HELD-FOR-SALE

As at 31st of December 2020 and 2019, this heading is analysed as follows:

(thousand euros)

	31.12.2020	31.12.2019
POLISH HOTEL COMPANY	1 699	2 244
	1 699	**2 244**

Non-current assets held-for-sale only includes the investment in Polish Hotel Company. The Bank has implemented a plan for the immediate sale of this subsidiary. However, due to market conditions, it was not possible to carry out the divestiture within the period originally foreseen.

The Bank continues to make efforts to conclude the sale of the company, despite the Covid19 extremely negative impact on the sector. After the suspended negotiations with the potential buyer with whom advanced negotiations occurred, in the second half of the year, another investor was identified, with whom negotiations have been taking place and the transaction is expected to be completed during the first half of 2021.

The movement in this heading was as follows:

(thousand euros)

	31.12.2020	31.12.2019
Opening balance	**2 244**	**153 358**
PHC reduction	(545)	(289)
Additional capital reimbursement	-	(150 000)
Sell price of HAITONG INVESTMENT IRELAND PLC+	-	(12 000)
Net gains /(loss) from selling HAITONG INVESTMENT IRELAND PLC+ (Note 12)	-	11 175
Closing balance	**1 699**	**2 244**

NOTE 24 – OTHER TANGIBLE ASSETS

As at 31st of December 2020 and 2019, this heading is analysed as follows:

(thousand euros)

	31.12.2020	31.12.2019
Real Estate		
Improvements in leasehold property	5 544	5 543
	5 544	**5 543**
Equipment		
IT equipment	10 878	10 776
Indoor installations	2 117	2 432
Furniture	2 244	2 236
Machinery and tools	816	816
Motor vehicles	68	68
Security equipment	261	252
Others	213	179
	16 597	**16 759**
	22 141	**22 302**
Work in progress		
Improvements in leasehold property	1 077	-
Equipment	474	-
	1 551	**-**
	23 692	**22 302**
Right of use		
Property	10 569	7 889
Equipment	95	97
Vehicles	661	1 139
	11 325	**9 125**
	35 017	**31 427**
Accumulated depreciation	(26 074)	(22 880)
	8 943	**8 547**

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 2018	**6 446**	**16 973**	**-**	**-**	**-**	**23**	**23 442**
Acquisitions	352	343	-	-	-	-	695
Write offs / Sales	(1 255)	(579)	-	-	-	-	(1 834)
Transfers	-	23	-	-	-	(23)	-
IFRS 16 adoption impact	-	-	**7 900**	**94**	**1 080**	-	9 074
Exchange variation and other movements	-	(1)	(11)	3	59	-	50
Balance as at 31st December 2019	**5 543**	**16 759**	**7 889**	**97**	**1 139**	**-**	**31 427**
Acquisitions	1	563	-	-	-	1 551	2 115
Write offs / Sales	-	(725)	-	-	-	-	(725)
Exchange variation and other movements	-	-	2 680	(2)	(478)	-	2 200
Balance as at 31st December 2020	**5 544**	**16 597**	**10 569**	**95**	**661**	**1 551**	**35 017**
Depreciations							
Balance as at 31st December 2018	**5 461**	**15 590**	**-**	**-**	**-**	**-**	**21 051**
Depreciations of the year	130	714	**2 246**	**46**	**524**	-	3 660
Write offs / Sales	(1 255)	(545)	-	-	-	-	(1 800)
Exchange variation and other movements	-	(25)	**26**	**-**	**(32)**	-	(31)
Balance as at 31st December 2019	**4 336**	**15 734**	**2 272**	**46**	**492**	**-**	**22 880**
Depreciations of the year	272	523	2 856	37	256	-	3 944
Write offs / Sales	-	(346)	-	-	-	-	(346)
Exchange variation and other movements	-	-	(23)	(12)	(369)	-	(404)
Balance as at 31st December 2020	**4 608**	**15 911**	**5 105**	**71**	**379**	**-**	**26 074**
Net book value as at 31st December 2020	**936**	**686**	**5 464**	**24**	**282**	**1 551**	**8 943**
Net book value as at 31st December 2019	**1 207**	**1 025**	**5 617**	**51**	**647**	**-**	**8 547**

NOTE 25 – INTANGIBLE ASSETS

As at 31st of December 2020 and 2019, this heading is analysed as follows:

(thousand euros)

	31.12.2020	31.12.2019
Purchased from third parties		
Software	32 525	32 256
Others	916	916
	33 441	**33 172**
Work in progress	742	625
	34 183	**33 797**
Accumulated depreciation	(30 324)	(28 169)
	(30 324)	**(28 169)**
	3 859	**5 628**

The movement in this heading was as follows:

(thousand euros)

	Software	Other	Work in progress	Total
Acquisition cost				
Balance as at 31st December 2018	**30 557**	**916**	**571**	**32 044**
Acquisitions:				
Purchased from third parties	1 878	-	54	1 932
Write-offs / sales	(133)	-	-	(133)
Exchange rate variation and other movements	(46)	-	-	(46)
Balance as at 31st December 2019	**32 256**	**916**	**625**	**33 797**
Acquisitions:				
Purchased from third parties	269	-	117	386
Balance as at 31st December 2020	**32 525**	**916**	**742**	**34 183**
Accumulated depreciation				
Balance as at 31st December 2018	**24 425**	**916**	**-**	**25 341**
Amortisations of the financial year	2 957	-	-	2 957
Write-offs / sales	(105)	-	-	(105)
Exchange rate variation and other movements	(24)	-	-	(24)
Balance as at 31st December 2019	**27 253**	**916**	**-**	**28 169**
Amortisations of the financial year	2 155	-	-	2 155
Balance as at 31st December 2020	**29 408**	**916**	**-**	**30 324**
Net book value as at 31st December 2020	**3 117**	**-**	**742**	**3 859**
Net book value as at 31st December 2019	**5 003**	**-**	**625**	**5 628**

NOTE 26 – INVESTMENTS IN ASSOCIATED COMPANIES

Financial information regarding associated companies is presented in the following table:

(thousand euros)

	31.12.2020				31.12.2019			
	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%	0,31	174 496	101 870 930	80,0%	0,44	174 496
HAITONG CAPITAL - SCR, S.A.	5 000 000	100,00%	5,00	42 660	5 000 000	100,0%	5,00	42 660
				217 156				**217 156**
Impairment losses (Note 31)				(80 503)				(46 791)
				136 653				**170 365**

During the period 2020, the balance Investments in subsidiaries and associates presented the following changes:

- In December 2020, Haitong Banco de Investimento do Brasil, S.A. approved the payment of interest on own capital in the amount of 5 700 thousand reais. From this amount 80% will be received by Haitong Bank S.A (see Note 5).

During the period 2019, the balance Investments in subsidiaries and associates presented the following changes:

- In December 2019, Haitong Banco de Investimento do Brasil, S.A. approved the payment of interest on own capital in the amount of 4 650 thousand reais. From this amount 80% will be received by Haitong Bank S.A (see Note 5).

In 2020 the Bank recognized an impairment increase of 33 712 thousand euros (in 2019 the Bank recognized an impairment increase of 3 278 thousand euros) for the investment in Haitong Banco de Investimento do Brasil S.A.

NOTE 27 – OTHER ASSETS

As at 31st of December 2020 and 2019, the Other Assets heading is analysed as follows:

(thousand euros)

	31.12.2020	31.12.2019
Debtors and other assets		
Collateral deposited under collateral agreements (Note 19)	118 249	88 692
Public sector	4 204	4 276
Deposits placed under margin accounts (futures contracts)	2 535	4 176
Loans and derivatives receivables	10 362	10 972
Other sundry debtors	23 404	10 174
	158 754	118 290
Impairment losses for debtors and other investments (Note 31)	(8 763)	(6 796)
	149 991	**111 494**
Other assets		
Gold, other precious metals, numismatic, medals and other liquid assets	52	3 184
Other assets	5 125	5 127
	5 177	**8 311**
Income receivable	**48**	**63**
Prepayments and deferred costs	**574**	**358**
Other sundry assets		
Exchange transactions pending settlement	4 146	1 466
Market securities transactions pending settlement	9 275	18 521
Other transactions pending settlement	8 631	3 335
	22 052	**23 322**
Retirement Benefits (Note 14)	316	-
	178 158	**143 548**

Stock exchange transactions pending settlement refer to transactions with securities recorded at the trade date pending settlement.

NOTE 28 – RESOURCES OF CREDIT INSTITUTIONS

The resources of credit institutions heading is presented as follows:

(thousand euros)

	31.12.2020	31.12.2019
Resources of central banks		
Banco de Portugal	110 600	22 000
	110 600	**22 000**
Resources of other credit institutions		
Domestic		
Deposits	18	397
	18	**397**
Foreign		
Repurchase agreements	21 599	2 615
	21 599	**2 615**
	132 217	**25 012**

As at 31st of December 2020 and 2019, the analysis of resources of credit institutions by residual maturity period is as follows:

(thousand euros)

	31.12.2020	31.12.2019
Up to three months	21 599	3 012
From one to five years	110 600	22 000
	132 199	**25 012**

NOTE 29 – RESOURCES OF CUSTOMERS

The balance of the resources of customers heading is composed, with regard to its nature, as follows:

(thousand euros)

	31.12.2020	31.12.2019
Repayable on demand		
Demand deposits	73 098	51 122
Time deposits		
Fixed-term deposits	360 441	277 416
Other resources		
Repurchase agreements	4 661	988
Other Deposits	1 015	510
Other	550 560	647 858
	556 236	**649 356**
	989 775	**977 894**

As at 31st of December 2020 and 2019, the analysis of due to customers by residual maturity period is as follows:

(thousand euros)

	31.12.2020	31.12.2019
Demand deposits	73 098	51 122
Fixed-term deposits		
Up to 3 months	176 460	118 353
3 to 12 months	141 056	118 284
1 to 5 years	42 925	40 779
	360 441	277 416
Other resources		
Up to 3 months	5 683	1 505
3 to 12 months	21 737	-
1 to 5 years	528 816	647 851
	556 236	649 356
	989 775	**977 894**

NOTE 30 – DEBT SECURITIES ISSUED

The main characteristics of the debit securities issued is as follows:

(thousand euros)

Issuer	Designation	Currency	Issue Date	Maturity	Interest Rate
HT Bank	HTB FLOATING RATE DEC18 (HTB-S-905)	EUR	2018	2021	1,35%

The fair-value of the portfolio regarding debt securities issued is presented in Note 38.

During 2019, Haitong Bank repurchase the amount of 258,291 thousand euros of debt securities issued, and there were no securities issued.

NOTE 31 – PROVISIONS AND IMPAIRMENT

As at 31st of December 2020 and 2019, 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 2018	**11 408**	**68 401**	**79 809**
Net charge of the period	42	404	446
Write back	(211)	(52 587)	(52 798)
Foreign exchange differences and others	(10 124)	9	(10 115)
Balance as at 31st December 2019	**1 115**	**16 227**	**17 342**
Net charge of the period	2 249	288	2 537
Write back	(1 424)	(3 320)	(4 744)
Foreign exchange differences and others	-	(334)	(334)
Balance as at 31st December 2020	**1 940**	**12 861**	**14 801**

These provisions are meant to cover possible contingencies related to the activity of the Bank.

The movements in impairment losses can be analyzed as follows:

(thousand euros)

	31.12.2019	Net charge of the period	Write back	Stage 3	Exchange differences and others	31.12.2020
Cash and cash equivalents (Note 17)	-	62	-	-	(62)	-
Financial assets measured at fair value through other comprehensive income (Note 20)	2 528	1 139	(449)	23	(3)	3 238
Financial assets measured at amortized cost						
Securities (Note 20)	8 671	1 989	-	77	(9)	10 728
Loan and advances to banks (Note 21)	15 601	(54)	-	-	19	15 566
Loan and advances to customers (Note 22)	84 737	2 017	(4 875)	-	(2 061)	79 818
Investments in associated companies (Note 26)	46 791	33 712	-	-	-	80 503
Other assets (Note 27)	6 796	2 155	-	-	(188)	8 763
	165 124	**41 020**	**(5 324)**	**100**	**(2 304)**	**198 616**

(thousand euros)

	31.12.2018	Net charge of the period	Write back	Stage 3	Exchange differences and others	31.12.2019
Financial assets measured at fair value through other comprehensive income (Note 20)	669	1 858	-	-	1	2 528
Financial assets measured at amortized cost						
Securities (Note 20)	447	8 280	(56)	-	-	8 671
Loan and advances to banks (Note 21)	15 574	18	-	-	9	15 601
Loan and advances to customers (Note 22)	88 860	(314)	(3 989)	2	178	84 737
Investments in associated companies (Note 26)	43 513	3 278	-	-	-	46 791
Other assets (Note 27)	6 562	162	-	-	72	6 796
	155 625	**13 282**	**(4 045)**	**2**	**260**	**165 124**

NOTE 32 – 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 2020 and 2019 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 1.5 and 7.5 million euros, 5% of the profit between 7.5 and 35 million 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 2020 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 2020 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, 2020, 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.

The Bank's self-assessment declarations relating to the 2020 and previous financial years are subject to inspection and possible adjustment by the Tax Authorities for a period of four years, except where any deduction or tax credit has been made, where the term is the exercise of that right. As a result, additional tax assessments may be possible due to different interpretations of 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.

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.

As at 31st of December 2015, Haitong Bank determined a tax credit of 5,281 thousand euros, which corresponds to a special reserve of 5,809 thousand euros recorded during the year of 2016.

As at 31st of December 2016, Haitong Bank determined a tax credit of 20,529 thousand euros, which corresponds to a special reserve of 22,582 thousand euros recorded during the year of 2017.

As at 31st of December 2017, Haitong Bank determined a tax credit of 9,060 thousand euros, which corresponds to a special reserve of 9,966 thousand euros recorded during the year of 2018.

As at 31st of December 2018, Haitong Bank determined a tax credit of 232 thousand euros, which corresponds to a special reserve of 255 thousand euros recorded during the year of 2019.

Note that, in pursuance of the abovementioned scheme, such conversion rights correspond 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 shareholders are granted the right to acquire those conversion rights in accordance with Ordinance no. 293-A/2016 of 18th of November.

In the event that the shareholders 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 the year of 2020 it will be necessary 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 2021, and taking into account the amounts of the financial statements as at 31 December 2020, as well as the amount of tax credits converted by reference to the years 2015, 2016, 2017 and 2018 it would be necessary to increase special reserve in an estimated value of 19,250 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 shall be certified by the certified public accountant.

At 31st of December 2020, Haitong Bank has a negative result within its individual financial statements. So, it should, in 2021, and after approval of the accounts, convert part of the deferred taxes assets covered by this special regime, in proportion between net income and equity, as well as proceed with the constitution of a special reserve and issue of conversion rights into shares representing the share capital attributable to the Portuguese State.

It is important to note that, in accordance with Law no. 23/2016 of 19th of August, the special scheme applicable to deferred tax assets (REAID) stopped being applicable to expenses and other negative asset variations accounted for in previous tax periods starting on or after the 1st of January 2016.

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.

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, it is Bank intention to submit 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 two years in the amount of 14,611 thousand euros (of a total amount of 35,103 thousand euros). Thus, that tax credit would be reclassified to the item of deferred tax assets.

The Bank’s management considers that the procedures adopted 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 2020, 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%

As at 31st of December 2020 and 2019, current tax assets and liabilities can be analyzed as follows:

(thousand euros)

	Asset		Liability	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Corporate income tax	(353)	883	(4 886)	(6 447)
Tax Credit (Special Scheme for Deferred Taxes)	20 025	35 103	-	-
Current tax asset / (liability)	**19 672**	**35 986**	**(4 886)**	**(6 447)**

The reduction occurred in 2020, in the line "tax credit", refers to the receipt of tax credit under REAID, by the Portuguese Tax Authorities, with reference to the years 2015 and 2016. According to legislation in force, Haitong Bank shareholders 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 2015, it will be until July 2022.

Deferred tax assets and liabilities recognized in the statement of financial position as 31st of December 2020 and 31st December 2019 can be analyzed as follows:

(thousand euros)

	Asset	
	31.12.2020	31.12.2019
Securities	655	479
Loans and advances to customers	27 384	35 471
Provisions	163	293
Pension Fund and Long-term employee benefits	6 028	5 478
Other	(4 243)	-
Tax losses carried forward	34 375	34 375
Net deferred tax asset / (liability)	**64 362**	**76 096**

The Bank only recognizes 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 deferred tax assets, which can be used until the year 2024 and 2025, respectively. The period of 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).

The movements in deferred taxes, in the balance sheet, can be presented as follows:

(thousand euros)

	31.12.2020	31.12.2019
Opening balance	76 096	87 235
Recognised in profit or loss	(12 134)	(9 172)
Recognised in fair value reserves	176	272
Recognised in other reserves	1 545	(124)
Foreign exchange variation and others	(1 321)	(2 115)
Closing balance (Asset / (Liability))	**64 362**	**76 096**

Tax recognised in the income statement and reserves during 2019 and 2019 financial years had the following sources:

(thousand euros)

	31.12.2020		31.12.2019	
	Recognised in profit or loss	Recognised in reserves	Recognised in profit or loss	Recognised in reserves
Deferred Taxes				
Securities	-	(176)	-	(272)
Loans and advances to customers	12 726	-	13 080	-
Provisions	130	-	815	-
Pension Fund and Long-term employee benefits	829	(1 545)	(1 699)	124
Others	(1 551)	-	-	-
Tax loss carried forward	-	-	(3 024)	-
	12 134	**(1 721)**	**9 172**	**(148)**
Current Taxes	885	-	725	-
Total recognised taxes	**13 019**	**(1 721)**	**9 897**	**(148)**

Reconciliation of the tax rate, concerning the recognised amount in the income statement, can be analysed as follows:

(thousand euros)

	31.12.2020		31.12.2019	
	%	Value	%	Value
Profit or loss before taxes		**985**		**20 239**
				-
Income tax rate of Haitong Bank	26,2		21,0	-
Tax determined based on the income tax rate of Haitong Bank		258		4 250
Capital gains	0,0	-	(11,6)	(2 347)
Unrecognized tax losses	0,0	-	25,7	5 199
Impairment of subsidiaries	898,1	8 846	3,4	688
Bank Levy	63,4	624	2,9	580
Tax rate difference	0,0	-	3,1	626
Other movements according to the tax estimation	156,1	1 538	1	149
Au tax losses generated in the year	20,5	202	1,9	376
Branches' income tax	157,5	1 551	2,2	444
Ot tax losses	0,0	-	(0,3)	(68)
	1321,7	**13 019**	**49,0**	**9 897**

NOTE 33 – OTHER LIABILITIES

As at 31st of December 2020 and 2019, the Other liabilities heading is analysed as follows:

(thousand euros)

	31.12.2020	31.12.2019
Creditors and other resources		
Public sector	3 654	3 043
Deposited collateral under collateral agreements (Note 19)	12 260	30 940
Sundry creditors		
Creditors from transactions with securities	15 253	16 309
Suppliers	1 049	1 300
Lease liability	5 965	6 540
Other sundry creditors	2 072	1 955
	40 253	**60 087**
Accrued expenses		
Career bonuses (see Note 14)	616	539
Other accrued expenses	6 942	6 762
	7 558	**7 301**
Deferred income	**264**	**35**
Other sundry liabilities		
Stock exchange transactions pending settlement	9 240	18 488
Foreign exchange transactions pending settlement	298	-
Other transactions pending settlement	11 793	22 544
	21 331	**41 032**
Retirement pensions (Note 14)	**-**	**5 251**
	69 406	**113 706**

As at 31st of December 2020 and 2019, the headings regarding Stock exchange transactions pending settlement refer to transactions with securities pending settlement.

NOTE 34 – 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.

As at 31st of December 2020, the share capital of Haitong Bank amounts to 844,769 thousand euros and is represented by 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 2020 and 2019, 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.

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.

As at 31th of December 2020, 3,731 thousand euros regarding these bonds are in circulation. In the year of 2020 and 2019 the Bank haven't paid interest.

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.

NOTE 35 – 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 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 2018	**(752)**	**207**	**(545)**	**39 878**	**(28 279)**	**(372 401)**	**(360 802)**
Actuarial deviations net of taxes	-	-	-	-	(3 456)	-	(3 456)
Fair value changes	(1 072)	272	(800)	-	-	-	-
Transfer to reserves	-	-	-	-	-	(4 566)	(4 566)
Balance as at 31st December 2019	**(1 824)**	**479**	**(1 345)**	**39 878**	**(31 735)**	**(376 967)**	**(368 824)**
Actuarial deviations net of taxes	-	-	-	-	(1 041)	-	(1 041)
Fair value changes	(673)	176	(497)	-	-	-	-
Transfer to reserves	-	-	-	-	-	10 342	10 342
Balance as at 31st December 2020	**(2 497)**	**655**	**(1 842)**	**39 878**	**(32 776)**	**(366 625)**	**(359 523)**

The movement of the fair-value reserve, net of deferred taxes and non-controlling interests can be analysed as follows:

(thousand euros)

	31.12.2020	31.12.2019
Opening Balance	**(1 345)**	**(545)**
Fair value changes	(4 309)	(5 387)
Disposals of the period	2 497	2 457
Impairment recognised in the period (Note 31)	1 139	1 858
Deferred taxes recognised in reserves during the period	176	272
Closing balance	**(1 842)**	**(1 345)**

NOTE 36 – CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS

As at 31st of December 2020 and 2019, off-balance elements are as follows:

(thousand euros

	31.12.2020	31.12.2019
Contingent liabilities		
Guarantees and stand by letters of credit	128 467	107 972
Assets pleged as collateral	326 224	198 297
	454 691	**306 269**
Commitments		
Irrevocable commitments	54 746	8 818
	54 746	**8 818**

The rendered guarantees and sureties are banking transactions that do not necessarily represent any outflow for the Bank.

As at 31st of December 2020, 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 2020(31st of December, 2019: 10,000 thousand euros), (ii) within the scope of target long-term refinancing operations, amounting to 110,600 thousand euros (31st of December, 2019: 22,000 thousand euros) and (iii) 177,152 thousand euros of collaterals not discounted, being the total of securities eligible for rediscount with the Bank of Portugal amounted to 368,286 thousand euros as at the 31st of December 2020 (31st of December, 2019: 209,853 thousand euros);

- Securities pledged as collateral to the Portuguese Securities Market Commission within the Investor Compensation Scheme in the amount of 109 thousand euros (31st of December 2019: 109 thousand euros).

- Securities pledged as collaterals to Fundo de Garantia de Depósitos [Deposit Guarantee Fund] in the amount of 107 thousand euros (31st of December 2019: 100 thousand euros).

- Securities pledged as collateral within the scope of transactions with repurchase agreements: 28,372 thousand euros (31st of December 2019: 3,715 thousand euros).

Additionally, the off-balance elements related to banking services provided are as follows:

(thousand euros)

	31.12.2020	31.12.2019
Liabilities related to services provided		
Commercial paper agency	87 500	155 700
Other responsabilities related with services provided	455 067	469 447
	542 567	**625 147**

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 a defendant in a proceeding associated with the capital increase of BES, which took place in June 2014. In fact, there were 2 proceedings associated with the capital increase of BES, however, the Court has ruled not to prosecute due to "abandonment" in both of the aforesaid proceedings. The prosecution have appealed both deliberations to higher courts instances and in one of these proceedings the Supreme Court of Justice says that there is a double standard in relation to the decision of the lower court and the Lisbon Court of Appeal [Tribunal da Relação de Lisboa].

However, in this legal proceeding the claimant (DECO) filed an extraordinary appeal for determination of jurisprudence, having been admitted such appeal and the proceedings continued. As the case returned to the judge of the trial court (1st instance) in charge of the case, a sentence was handed down in which it was judged by the "rejection" of the initial petition due to the lack of legitimacy conditions of the Claimant. An appeal was filed to the Lisbon Court of Appeal against this sentence and a singular decision has already been issued to dismiss the appeal as unfounded. Regarding this decision was made a Complaint (Reclamação para Conferência). A decision is pending on this Complaint, by the Lisbon Court of Appeal.As regards the other legal proceeding (case brought by several Funds), after the decision of the trial court to declare that the case had been "abandonment", 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 to the Constitutional Court, all of them maintaining the previously decided by the Lisbon Court of Appeal. The legal procedure return to the trial court (1st instance) lawsuit for the continuation of its terms, awaiting the appointment of a prior hearing.

Haitong Bank is also a defendant in 14 proceedings, nearly all of which are associated with issues of commercial paper of GES's entities.

In note 38, in what concerns the 2019 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 by GES' entities, 43 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.

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 papel and amounts to € 517.500.099,71 million Euro. Haitong Bank presented its written defense 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 FCR, 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.

Resolution Fund

Resolution measures applied to Banco Espírito Santo, S.A. and BANIF – Banco Internacional do Funchal, S.A.

The Board of Directors of the Bank of Portugal decided, on 3rd of August 2014, to apply a resolution measure to Banco Espírito Santo, S.A. ("BES"), having the generality of the activity and net worth of BES been transferred to Novo Banco, S.A. In line with EU regulations, the capitalisation of Novo Banco was secured by the Resolution Fund, established by Decree-Law No. 31-A/2012 of 10 February. As provided for in said Decree-Law, the Resolution Fund's resources come from contributions paid by the institutions participating in the Fund and from the banking sector contribution. Moreover, legislation provides that whenever these resources prove insufficient to fulfil obligations, other means of financing can be use, including: (i) special contributions from credit institutions; and (ii) from loans taken out.

Following the resolution measure, the capital needs of Novo Banco were calculated at 4,900 million euros, having the capital subscription held by the Resolution Fund been funded by the Portuguese State (3,900 million euros) and by eight financial institutions participants of the Fund (700 million euros), in which the Bank is not included(not including the Bank).Subsequently, in view of the resolution process of Banco Espírito Santo, S.A., Bank of Portugal resolved, as announced on 29th of December 2015, the transfer of responsibility to Resolution Fund of "…possible negative outcomes of future decisions, arising from the resolution process [of Banco Espírito Santo, S.A.], with responsibilities or contingencies as a result.".

On July 2016, the Resolution Fund stated that it would analyse and assess the necessary steps to be taken following the disclosure of the results of the independent valuation exercise, performed to estimate the level of credit recovery by each creditor class in the hypothetical scenario of a normal insolvency proceeding of BES as at 3rd of August 2014. Pursuant to applicable law, if at the completion of BES's winding-up, it is concluded that creditors, whose credits have not been transferred to Novo Banco suffered a loss higher than the loss they would have hypothetically suffered if BES had initiated its winding-up process immediately before the resolution measure was adopted, such creditors will have the right to receive the difference from the Resolution Fund.

Following BES resolution, there is a relevant set of legal actions in progress against the Resolution Fund. According to Note 23 of the 2018 Resolution Fund Annual Report, “Lawsuits related to the application of resolution measures do not have legal precedents, which makes it impossible to use jurisprudence in their assessment, as well as a reliable estimate of any associated contingent financial effect. However, on March 12, 2019, a judgment was handed down by the Administrative Court of Círculo de Lisboa, unanimously by its twenty judges, which confirmed the constitutionality of the resolution's legal regime and the full legality of the resolution measure applied to BES on December 3. August 2014. Also by judgment of the Supreme Administrative Court, of March 13, 2019, a decision on the merits was rendered entirely in favour of the Resolution Fund related to the impugnation of the Novo Banco sale process. The Steering Committee, supported by the opinion of the lawyers who ensure the sponsorship of these actions and in view of the legal and procedural information available so far, considers that there is no evidence to support its belief that the probability of success is greater than the probability of failure".

On October 18, 2017, the Resolution Fund announced the conclusion of the sale process of 75% of Novo Banco, SA's share capital to Lone Star, whose selection had been communicated by Banco de Portugal on March 31, 2017. The Agreed conditions include the existence of a contingent capitalization mechanism, under which the Resolution Fund undertakes to carry out capital injections up to the maximum total amount of 3,890,000 thousand euros in the event of certain cumulative conditions materializing.In a statement dated June 17, 2019, the Resolution Fund released a set of clarifications related to the payment due in 2019 under the contingent capitalization agreement entered into with Novo Banco, namely:

- In order for payments to be made by the Resolution Fund (limited to a maximum of 3,890 million euros during the entire life of the mechanism), it is necessary for losses on the assets covered by the contingent mechanism to occur and for Novo Banco's capital ratios to be level below the agreed reference thresholds;
- The payment to be made by the Resolution Fund corresponds to the lowest amount between the accumulated losses on the covered assets and the amount necessary to restore the capital ratios above the minimum reference threshold;
- The reference capital ratios are, in the years 2017, 2018 and 2019, anchored to the regulatory requirements applicable to Novo Banco (ratio of 11.25% and 12.75%, respectively, for CET1 and Tier I), but , as of 2020, the reference ratio corresponds to a CET1 ratio of 12%;
- The initial reference value of the portfolio that integrates the contingent capitalization mechanism was 7,838 million euros at 30 June 2016 (book value of the respective assets, net of impairments), and the value of the portfolio at 31 December in 2018, it amounted to approximately 3,920 million euros (book value of the respective assets net of impairments);
- The accumulated losses for the assets covered and the respective management, between 30 June 2016 (the reference date of the mechanism) and 31 December 2019, correspond to 2,661 million euros. Of this amount, the Resolution Fund paid in 2018, in accordance with the terms and conditions of the contingent capitalization mechanism, approximately 792 million euros, so the amount of losses not supported by the Fund was, at the end of 2018, approximately 1,869 million euros;
- The amount required for Novo Banco's capital ratios to remain at the agreed levels in 2018 is 1,149 million euros. The amount payable by the Resolution Fund results from the comparison between the amount of 1,869 million euros (accumulated loss on covered assets not supported by the Fund) and the amount of 1,149 million euros and corresponds to the lowest of these values, i.e., Euros 1,149 million euros.

On May 24, 2018, the Resolution Fund announced that on the same date the payment to Novo Banco, SA of the amount of approximately 791,695 thousand euros, resulting from the application of the aforementioned contingent capitalization mechanism relating to the results disclosed for 2017, having used own resources for this purpose, complemented by an additional State loan in the amount of 430,000 thousand euros, under the framework agreement signed between the Portuguese State and the Resolution Fund in October 2017.

On May 6, 2019, the Resolution Fund made a payment to Novo Banco of the amount calculated for the financial year of 2018 in the amount of 1,149 million Euros, using its own resources for this purpose and using a loan from the State of 850 million euros. Euros which corresponds to the maximum financing limit agreed. Thus, the amount paid by the Resolution Fund to Novo Banco in two years was 1,941 million euros.

According to the 2018 Resolution Fund Report and Accounts, "With regard to future periods, it is considered that there is significant uncertainty as to the relevant parameters for determining any future liabilities, whether for their increase or reduction , under the terms of the contingent capitalization mechanism agreement with Novo Banco ".

According to a notice issued by the Resolution Fund on 4 June 2020, the payment made by the Resolution Fund to Novo Banco in May 2020, in the amount of 1 035 million euros, results from the execution of the 2017 agreements, under the process of the sale of the 75% stake of the Resolution Fund in Novo Banco, complying with all the procedures and limits defined therein.

In the same notice, the Resolution Fund also clarifies that the "Resolution Fund and Novo Banco initiated an arbitration proceeding to clarify the treatment that should be given, under the Contingent Capital Agreement, of the effects of Novo Banco's decision to waiver the transitional regime it currently benefits from and which aims to reduce the impact of the introduction of IFRS 9 on the credit institutions' own funds. This issue falls within the scope of the implementation of the Contingent Capital Agreement, which sets the maximum amount of payments to be made by the Resolution Fund at 3 890 million euros. Thus, even if the arbitration proceeding were to have an unfavourable outcome for the Resolution Fund's claims, its effects would fall under the maximum limit of 3 890 million euros in accordance with the Contingent Capital Agreement. The above arbitral proceedings therefore do not represent an additional risk compared to the ceiling of 3 890 million euros. "

Thus, considering the payments already made and the amount of the provision recorded in 2019, the remaining amount that can still be used amounts to 912 million euros.

As at 31 December 2020, Novo Banco is held by Lone Star and the Resolution Fund, with a share capital of 75% and 25%, respectively.

Novo Banco, adhered to the Special Regime applicable to Deferred Tax Assets (REAID), provided under Law No. 61/2014, of 26 August, having had the confirmation of the conversion of deferred tax assets into tax credits by the Tax and Customs Authority, for the tax periods of 2015 and 2016, in exchange for the conversion rights attributed to the State. If the Resolution Fund does not exercise its right to acquire the conversion rights attributed to the State, which expires in 2022, the State may become a shareholder of Novo Banco SA up to a stake of 2.71% of Novo Banco's share capital, while diluting the Resolution Fund's shareholding position. According to the Resolution Fund's 2019 annual report, under the terms of the Sale and Subscription Agreement of 75% of share capital of Novo Banco with Lone Star on October 17, 2017, the effect of dilution associated with REAID shall exclusively affect the Resolution Fund's stake. According to note 21, although subject to certain assumptions, that the processes in progress for the conversion of deferred tax assets into tax credits with reference to the 2017 and 2018 may correspond to about 7.6 percentage points of the share capital of Novo Banco. These effects may impact the Resolution Fund's shareholder position in Novo Banco.

Resolution measures applied to Banif - Banco Internacional do Funchal, S.A.

Additionally, Bank of Portugal established, on 19th and 20th of December 2015, a resolution measure was applied over on BANIF – Banco Internacional do Funchal, S.A ("BANIF"). The operation involved State support, including 489 million euros taken over by the Resolution Fund, funded through a loan agreement granted by the Portuguese State. Moreover, the Resolution Fund provided a guarantee relative to bonds issued by the vehicle constituted in the scope of BANIF's resolution, in the amount of 746 million euros, counter-guaranteed by the Portuguese State.

General features

To repay the loans received and other liabilities it may be required to assume relative to the above mentioned resolution measures, the Resolution Fund is financed through the periodic and special contributions of the participating institutions (including the Bank) and from the contribution on the banking sector. Under article 153-I of Decree-Law No. 345/98, of 9 November, if the resources of the Resolution Fund are insufficient to meet its obligations, participating institutions may be called upon, via a separate statute, to make special contributions. The amounts, instalments, deadlines and other terms of those contributions shall also be defined by said statute.

As part of the application of these measures, the Resolution Fund borrowed and assumed other contingent liabilities and responsibilities, in particular:

- The loans obtained from the State recorded on December 31, 2018 the amounts made available (i) in 2014 to finance the resolution measure applied to BES (3,900 million euros); (ii) to finance Banif's loss absorption (353 million euros); (iii) under the framework agreement signed with the State in October 2017, for the financing of measures under the contingent capital mechanism (430 million euros, to which are added 850 million euros of additional funding requested in 2019, as previously described);
- Other financing granted by institutions participating in the Resolution Fund in the amount of 700 million euros, in which the Bank does not participate, within the scope of the application of BES's resolution measure;
- Underwriting by the Resolution Fund of Tier 2 issuance to be carried out by Novo Banco, up to the amount of 400 million euros (this underwriting did not materialize, because the issue was placed with third parties as announced by Novo Banco on 29 July 2018);
- The effects of applying the principle that no credit institution of the credit institution under resolution can assume a greater loss than it would have if it had gone into liquidation;
- The negative effects of the resolution process resulting in additional responsibilities or contingencies for Novo Banco that have to be neutralized by the Resolution Fund;
- Legal proceedings against the Resolution Fund;
- Guarantee provided to the bonds issued by Oitante S.A. This guarantee is counter-guaranteed by the Portuguese State;

- Contingent capital mechanism, in which Lone Star has the right to claim from the Resolution Fund the financing costs, losses and provisioning with the assets belonging to that portfolio, up to a maximum amount of 3,890 million euros, subordinated the fulfillment of the conditions described above, including a reduction in the CET1 capital ratio to less than 8% -13%;
- The Portuguese State may inject capital into Novo Banco, under some conditions and via different instruments, in the event that the total capital ratio reaches values below the capital requirements defined under the SREP, as referred to in the respective European Commission Decision.

According to Note 21 of the 2019 Resolution Fund Annual Report, the Resolution Fund considers that, at the date, there are no elements that allow a reliable estimate of the potential financial effect of these potential liabilities.

On September 28, 2016, the Resolution Fund issued a statement stating that the maturity of the loan due on December 31, 2017 would be adjusted to ensure the Fund's ability to fully meet its obligations based on the his regular income, regardless of the contingencies to which he is exposed, nor the need to collect extraordinary contributions.

According to the FR statement of March 21, 2017:

- “The conditions for loans obtained by the Fund to finance the resolution measures applied to Banco Espírito Santo, SA and Banif - Banco Internacional do Funchal, SA have been changed.” These loans amount to 4,953 million euros, of which 4,253 million euros granted by the State and 700 million euros 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 will be adjusted in terms that guarantee the Resolution Fund's ability to fully meet its obligations based on regular revenues and without the need for recourse to special contributions or any other type of extraordinary contributions.
- The review of loan conditions aimed to ensure 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 liabilities to be ensured, as well as the respective remuneration, without the need for recourse to special contributions or any other type of extraordinary contributions by the banking sector ”.

On the other hand, and in the context of the sale process of Novo Banco, SA, on October 2, 2017, the Council of Ministers approved a resolution in which it authorized the conclusion, by the Portuguese State, as the final guarantor of financial stability, of an agreement with the Resolution Fund, with a view to making financial resources available to the Resolution Fund, if and when deemed necessary, for the satisfaction of contractual obligations that may eventually arise from the sale of the 75% stake in Novo Mercado Banco, SA It is also mentioned that the respective reimbursement will bear in mind that one of the objectives of this agreement is to ensure the stability of the contributory effort that falls on the banking sector, that is, without the need to be charged, to the participants of the Resolution Fund, contributions special or any other type of extraordinary contributions.

The Resolution Fund's own resources had a negative balance of 7,021 million euros, according to the latest accounts published with the 2019 Resolution Fund Report and Accounts.

In order to meet its responsibilities, the Resolution Fund has revenues from contributions, initial and periodic, from participating institutions (including Haitong Bank) and the contribution on the banking sector established by Law No. 55-A / 2010. It is also foreseen the possibility for the Government to determine, by ordinance, that special contributions be made in the situations provided for by law, specifically in the event that the Resolution Fund does not have its own resources to fulfill its obligations.

In accordance with Decree-Law No. 24/2013 that determines the operation of the Resolution Fund, the Bank has provided mandatory contributions since 2013 pursuant to the aforementioned Decree.

On 3rd of November 2015, Bank of Portugal issued a Circular-Letter according to which the periodical contribution for the Resolution Fund must be recognised as cost at the time of the event that originates mandatory contribution payments, which is in the last day of April of each year, pursuant to article no. 9 of Decree-Law No. 24/2013 of 19 February, ensuring that the Bank recognises the contribution as an expense in the year it is due.

On 15th of November 2015, the Resolution Fund issued a press release stating: "it is further explained that it is unlikely that the Resolution Fund shall propose the establishment of a special contribution for the financing of the resolution measure applied to BES. Therefore, the chance of a possible charge of a special contribution is far-flung."

The regime provided for in Decree-Law No. 24/2013 establishes that Banco de Portugal sets, by instruction, the rate to be applied each year on the basis of the objective levy of periodic contributions. Banco de Portugal Instruction No. 24/2019, published on December 16, 2019, set the base rate to be in force in 2020 for the determination of periodic contributions to the FR at 0.06% compared to the rate of 0.057% that was in force in 2019.

As of 2015, the Bank also started to make contributions within the scope of the establishment of the European Resolution Fund, with contributions made in 2020 amounting to 974 thousand euros.

In 2020, the Bank made periodic contributions to the Resolution Fund and the banking sector in the amounts of 570 thousand euros and 1,669 thousand euros, respectively, which are recognized as costs under the terms set out in IFRIC 21 - Fees.

The COVID-19 pandemic, duration and effects, constitute a context of additional uncertainty regarding the resulting impacts, as shown in the opinion of the Novo Banco's external auditor included in the Novo Banco's Annual Report and Accounts for the first half of 2020 and in the opinion of the board Banco de Portugal's audit report included in the Resolution Fund's 2019 Report and Accounts.

NOTE 37 – RELATED PARTIES TRANSACTIONS

The Bank's related parties transactions as at 31st of December 2020 and 2019, as well as the respective expenses and income recognized in the year, are summarized as follows:

(thousand euros)

	31.12.2020					
	Assets					
	Others	Total	Guarantees	Liabilities	Income	Expenses
Subsidiaries						
HAITONG BANCO DE INVESTIMENTO DO BRASIL SA	703	703	13 852	-	802	539
HAITONG CAPITAL - SCR, S.A.	125	125	-	31 101	229	129
TOTAL	**828**	**828**	**13 852**	**31 101**	**1 031**	**668**

(thousand euros)

	31.12.2019					
	Assets					
	Others	Total	Guarantees	Liabilities	Income	Expenses
Subsidiaries						
HAITONG BANCO DE INVESTIMENTO DO BRASIL SA	747	747	10 696	-	946	1 413
HAITONG CAPITAL - SCR, S.A.	-	-	-	29 511	100	45
SES IBERIA PRIVATE EQUITY, SA	-	-	-	-	4	-
TOTAL	**747**	**747**	**10 696**	**29 511**	**1 050**	**1 458**

The Bank's related parties transactions the group Haitong as at 31st of December 2020 and 2019, as well as the respective expenses and income recognized in the year, are summarized as follows:

(thousand euros)

	31.12.2020					
	Assets					
	Others	Total	Garantees	Liabilities	Income	Expenses
HAITONG INTERNATIONAL HOLDINGS LIMITED	-	-	-	-	-	12
Subsidiaries and associates						
HAITONG INTERNATIONAL STRATEGIC INVESTMENT	2 970	2 970	-	-	7 400	-
HAITONG SECURITIES	-	-	-	-	16 500	-
HAITONG INTERNATIONAL SECURITIES CO LTD	686	686	-	-	778	-
HAITONG INNOVATION SECURITIES INVESTMENT CO LTD	-	-	-	-	1 500	-
HAITONG INTERNATIONAL SECURITIES GROUP LIMITED	-	-	-	-	2 318	-
HAITONG INTERNATIONAL SECURITIES USA INC	-	-	-	-	2	-
HAITONG INTERNATIONAL SECURITIES CO LTD	880	880	-	-	3 926	-
UNICAM LIMITED	2 471	2 471	-	-	3 000	-
HAITONG INTERNATIONAL (UK) LIMITED	-	-	-	-	-	502
HAITONG INVESTMENT IRELAND PLC	9 199	9 199	15 099	689 936	17 430	27 432
TOTAL	**16 206**	**16 206**	**15 099**	**689 936**	**52 854**	**27 946**

(thousand euros)

	31.12.2019					
	Assets					
	Others	Total	Garantees	Liabilities	Income	Expenses
Shareholders						
HAITONG INTERNATIONAL HOLDINGS LIMITED	-	-	-	-	1 968	-
Subsidiaries and associates						
HAITONG INTERNATIONAL STRATEGIC INVESTMENT	-	-	-	-	3 725	-
HAITONG SECURITIES	7	7	-	-	13 408	-
HAITONG INTERNATIONAL SECURITIES CO LTD	1 789	1 789	-	-	5 491	-
HAITONG INNOVATION SECURITIES INVESTMENT CO LTD	-	-	-	-	1 500	-
HAITONG INTERNATIONAL SECURITIES GROUP LIMITED	-	-	-	-	2 534	-
HAITONG INTERNATIONAL SECURITIES USA INC	-	-	-	-	9	-
UNICAM LIMITED	-	-	-	-	3 000	-
HAITONG INTERNATIONAL (UK) LIMITED	-	-	-	145	16	413
HAITONG INVESTMENT IREKAND PLC	24 762	24 762	21 458	703 142	9 023	29 193
TOTAL	**26 558**	**26 558**	**21 458**	**703 287**	**40 674**	**29 606**

As at 31st December, 2020, the income regarding fees and commissions in 2020 included 45,385 thousand euros that relate to deals originated with China-related counterparties. From this total, 36,168 thousand euros concern Haitong Group related parties.

NOTE 38 – 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 the Banks's financial liabilities in the form of structured notes incorporates Haitong Bank's own credit risk adjustment in the form of Debt Valuation Adjustment (DVA). This adjustment is performed by discounting cash flows considering a risk free yield curve and a credit spread. As Haitong Bank does not have a credit default swap level observable in the market, the credit spread is estimated based on proxies.

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 2020						
Cash and cash equivalents	470 832	-	-	-	470 832	470 832
Financial assets at fair value through profit or loss						
Financial assets held-for-trading						
Securities	-	22 558	5 097	-	27 655	27 655
Derivative financial assets	-	-	137 429	1 806	139 235	139 235
Non-trading financial assets mandatorily at fair value through profit or loss						
Securities	-	9	6 565	1 975	8 549	8 549
Loans and advances to customers	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	25 103	-	92 150	117 253	117 253
Securities	442 520	-	-	-	442 520	437 782
Loans and advances to banks	2 819	-	-	-	2 819	2 819
Loans and advances to customers	317 003	-	-	-	317 003	315 034
Financial Assets	**1 233 174**	**47 670**	**149 091**	**95 931**	**1 525 866**	**1 519 159**
Financial liabilities held for trading						
Securities	-	-	-	-	-	-
Derivative financial assets	-	-	137 382	1 806	139 188	139 188
Financial liabilities measured at amortised cost	-	-	-	-	-	-
Resources of credit institutions	132 217	-	-	-	132 217	132 217
Resources of customers	989 775	-	-	-	989 775	989 775
Financial liabilities	**1 121 992**	**-**	**137 382**	**1 806**	**1 261 180**	**1 261 180**
Balance as at 31st December 2019						
Cash and cash equivalents	633 518	-	-	-	633 518	633 518
Financial assets at fair value through profit or loss						
Financial assets held-for-trading						
Securities	-	18 306	11 350	-	29 656	29 656
Derivative financial assets	-	-	125 514	10 853	136 367	136 367
Non-trading financial assets mandatorily at fair value through profit or loss						
Securities	-	13	6 754	2 321	9 088	9 088
Loans and advances to customers	-	-	-	107	107	107
Financial assets at fair value through other comprehensive income	-	15 233	7 675	34 128	57 036	57 036
Financial assets measured at amortised cost						
Securities	330 216	-	-	-	330 216	330 280
Loans and advances to banks	11 526	-	-	-	11 526	11 526
Loans and advances to customers	231 021	-	-	-	231 021	228 536
Financial assets	**1 206 281**	**33 552**	**151 293**	**47 409**	**1 438 535**	**1 436 114**
Financial liabilities held for trading						
Securities	-	1 962	-	-	1 962	1 962
Derivative financial assets	-	-	127 822	8 253	136 075	136 075
Financial liabilities measured at amortised cost						
Resources of credit institutions	25 012	-	-	-	25 012	25 012
Resources of customers	977 894	-	-	-	977 894	977 894
Debt securities issued	-	-	-	-	-	-
Financial liabilities	**1 002 906**	**1 962**	**127 822**	**8 253**	**1 140 943**	**1 140 943**

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, 2019 and December 31st , 2020 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	**2 600**	**2 321**	**107**	**34 128**	**39 156**
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	(4 935)	(346)	(12)	3	(5 290)
Net gains/(losses) derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	4	4
Impairment on other financial assets net of reversal and recoveries	-	-	-	(81)	(81)
Other fair value changes	-	-	(7)	1 110	1 103
Fair value reserve changes	-	-	-	95	95
Acquisitions	-	-	-	81 365	81 365
Sales	-	-	-	(17 045)	(17 045)
Reimbursements	-	-	(88)	(11 657)	(11 745)
Derivatives financial flows	2 897	-	-	-	2 897
Transfers from other levels	-	-	-	3 155	3 155
Transfers to other levels	(562)	-	-	-	(562)
Closing Balance	**-**	**1 975**	**-**	**92 150**	**94 125**

(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
	Securities	Derivative financial assets	Securities	Loans		
Opening Balance	**17 723**	**(1 767)**	**2 496**	**284**	**72 187**	**90 923**
Results recognized in Net Interest Margin	364	-	-	-	2 247	2 611
Net trading income and from other financial instruments at fair value through profit or loss	9	305	(175)	(177)	-	(38)
Impairment on other financial assets net of reversal and recoveries	-	-	-	-	189	189
Other fair value changes	16	(2 076)	-	-	72	(1 988)
Fair value reserve changes	-	-	-	-	337	337
Acquisitions	-	-	-	-	17 109	17 109
Sales	-	-	-	-	-	-
Reimbursements	(18 112)	-	-	-	(50 097)	(68 209)
Derivatives financial flows	-	3 931	-	-	-	3 931
Transfers from other levels	-	2 182	-	-	-	2 182
Transfers to other levels	-	25	-	-	(7 916)	(7 891)
Closing Balance	**-**	**2 600**	**2 321**	**107**	**34 128**	**39 156**

In 2020 accordingly with the liquidity assessment of the securities, 632 thousands euros of securities were transferred from Level 1 to Level 2, and 3.155 thousands from Level 2 to Level 3.

As for the Derivatives Instruments 562 thousands euros were transferred from Level 3 to Level 2 due to the CVA have a weight lower than 5% of derivatives market value. The main parameters used during 2020 in what concerns 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:

(%)

	31.12.2020			31.12.2019		
	EUR	USD	GBP	EUR	USD	GBP
Overnight	-0,56	0,08	0,03	-0,48	1,56	0,68
1 month	-0,50	0,14	0,02	-0,48	1,77	0,70
3 months	-0,50	0,23	0,03	-0,43	1,92	0,79
6 months	-0,50	0,17	0,03	-0,36	1,77	0,88
1 year	-0,51	0,17	0,00	-0,34	1,72	0,82
3 years	-0,51	0,16	0,09	-0,24	1,64	0,82
5 years	-0,46	0,43	0,19	-0,12	1,72	0,88
7 years	-0,39	0,66	0,28	0,02	1,78	0,94
10 years	-0,27	0,94	0,40	0,21	1,88	1,02
15 years	-0,07	1,22	0,53	0,47	2,01	1,10
20 years	0,01	1,35	0,58	0,61	2,08	1,13
25 years	0,01	1,41	0,59	0,65	2,11	1,12
30 years	-0,03	1,44	0,58	0,64	2,10	1,11

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:

(basis points)

Index	Series	3 year	5 year	7 year	10 year
2020					
CDX USD Main	**31**	29,94	49,90	70,50	90,93
iTraxx Eur Main	**30**	30,60	47,93	65,99	86,31
iTraxx Eur Senior Financial	**30**	-	59,01	-	-
2019					
CDX USD Main	**31**	54,19	87,75	112,99	132,62
iTraxx Eur Main	**30**	55,63	87,37	111,31	131,15
iTraxx Eur Senior Financial	**30**	-	108,52	-	-

Interest rate volatilities

The following figures reflect at-the-money implied volatilities:

(%)

	31.12.2020			31.12.2019		
	EUR	USD	GBP	EUR	USD	GBP
1 ano	15,09	19,03	20,29	58,64	58,64	46,03
3 years	21,11	25,05	31,30	59,17	59,17	50,00
5 years	28,06	37,52	39,21	59,66	59,66	53,48
7 years	34,26	48,72	45,21	59,60	59,60	55,77
10 years	41,19	57,70	51,21	59,83	59,83	57,41
15 years	46,66	61,92	55,37	59,15	59,15	56,56

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 (%)				
	31.12.2020	31.12.2019	1 month	3 months	6 months	9 months	1 year
EUR/USD	1,2271	1,1234	6,86	6,59	6,45	6,42	6,39
EUR/GBP	0,8990	0,8508	8,04	7,64	7,26	7,13	6,98
EUR/CHF	1,0802	1,0854	4,44	4,66	4,85	5,03	5,16
EUR/PLN	4,5597	4,2568	7,83	6,93	6,39	6,04	5,79
EUR/CNY	8,0225	7,8205	6,17	6,39	6,37	6,41	6,44
USD/BRL a)	5,1940	4,0197	21,20	19,33	18,48	17,86	17,46

a) Calculation based in EUR/USD and EUR/BRL exchange rates

Equity Indexes

The evolution of the main equity indices and the corresponding volatilities are summarized in the following table:

	Prices			Historical volatility (%)		Implied volatility (%)
	31.12.2020	31.12.2019	% Variation	1 month	3 months	
DJ Euro Stoxx 50	3 553	3 745	- 5,1	13,27	21,62	18,44
PSI 20	4 898	5 214	- 6,1	17,03	20,33	-
IBEX 35	8 074	9 549	- 15,5	18,26	24,88	-
DAX	13 719	13 249	3,5	14,97	22,50	20,88
S&P 500	3 756	3 231	16,3	9,45	18,74	17,34
BOVESPA	119 017	115 645	2,9	16,43	22,72	25,72

The main methods and assumptions used in the abovementioned valuation of the fair-value of financial assets and liabilities are analyzed 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 39 – 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 other contingent liabilities - 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's 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).

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.

Within the scope of the forward-looking exercise, the Bank adjusted the through-the-cycle probabilities of default ("TTC PD's"), incorporating prospective macroeconomic information, and generated "point-in-time" probabilities of default ("PiT PD's"), which are more precise and adequate to a point in time. The TTC PD's are the default probabilities provided by S&P, having the Bank developed a methodology to estimate PiT PD's, based on the Scalar Factor concept, i.e., a coefficient that enables the conversion of TTC PD's into PiT PD's.

The Bank's forward-looking exercise applies to the collective impairment model also covering exposures with a significant increase in credit risk, i.e, classified in Stage 2, namely whenever economic projections are available (2020, 2021 and 2022). The forward-looking exercise relied on two scenarios (baseline and severe case), weighted by their respective likelihood of occurrence.

Such exercise incorporated prospective information from Bank of Portugal, available for the period between 2020 and 2022, particularly macroeconomic data underlying both scenarios, in order to ensure the alignment and consistency of the model with the Regulator's predictions. The macroeconomic information under the baseline and severe scenarios corresponds generally to the data published for Portugal by Bank of Portugal within its Economic Bulletin of July 2020, with the exception of information on the unemployment rate in the base, which corresponds to data published by Bank of Portugal in the Economic Bulletin of October 2020.

According to the central scenario projections, the Portuguese Gross Domestic Product (GDP) should register an annual average of -9.5% in 2020, followed by a growth rate of 5.2% and 3.8% in 2021 and 2022, respectively. The severe scenario incorporates a new wave of the Covid-19 pandemic, leading to a second lockdown in late 2020. In this approach, the GDP is expected to register an average annual growth rate of -13% in 2020, being expected a growth rate of 1.7% afterwards and 3.5% in 2021 and 2022, respectively. The macroeconomic projections are compiled in the table below:

Macroeconomic Scenarios	Baseline				Severe			
	2019	2020	2021	2022	2019	2020	2021	2022
Gross domestic produt	2,2	-9,5	5,2	3,8	2,2	-13,1	1,7	3,5
Private consumption	2,2	-8,9	7,7	3	2,2	-13	3,8	3,1
Public consumption	1,1	0,6	0,7	0,8	1,1	1,1	1,7	-0,6
Gross fixed capital formation	6,3	-11,1	5	4,5	6,3	-19	-6,6	8,4
Imports	5,2	-22,4	13,5	8,5	5,2	-27,9	5,3	10,7
Exports	3,7	-25,3	11,5	11,2	3,7	-29,9	5,5	11,6
Consumer prices	0,3	0,1	0,8	1,1	0,3	0	0,7	0,9
Unemployment rate	6,5	7,5	8,9	7,6	6,5	11,4	11,4	9,9

Source: Estimates of Bank of Portugal according to the Economic Bulletin of June 2020 (exception made for the 2020e unemployment rate, which follows the projections of Bank of Portugal according to the Economic Bulletin of October 2020).

The update of the forward-looking exercise had a global impact (increase) in impairment losses in the amount of approximately 321 thousand euros as of December 2020.

Haitong Bank also carried out a sensitivity analysis, 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's and LGD's). 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 830 thousand euros and 1,050 thousand euros, respectively.

The financial instruments subject to standard IFRS 9 impairment requirements are presented below, detailed by stage, as of December 31st, 2020 and December 31st, 2019.

(thousand euros)

Asset Type	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]		Impaired [d]	
Loans and advances to customers	2 083	216 893	-	11 280	230 256	89 472	-	89 472	77 093	77 093
Guarantees	-	101 706	-	8 450	110 156	-	-	-	18 311	18 311
Securities	29 476	508 058	-	3 457	540 991	-	-	-	35 245	35 245
Loans and advances to banks	-	56	-	-	56	-	3 252	3 252	15 077	15 077
Cash and cash equivalents	465 519	5 308	-	-	470 827	-	-	-	-	-
Debtors and other assets	7	995	5 054	17 336	23 392	-	-	-	10 374	10 374
Total	**497 085**	**833 016**	**5 054**	**40 523**	**1 375 678**	**89 472**	**3 252**	**92 724**	**156 100**	**156 100**

(thousand euros)

Asset Type	Stage 1					Stage 2			Stage 3	
	Low to Fair risk [aaa+;a-]	Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Not rated	Total Stage 1	Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Total Stage 2	Impaired [d]	Total Stage 3
Loans and advances to customers	-	190 099	-	4 194	194 293	35 966	-	35 966	85 732	85 732
Guarantees	-	82 105	-	450	82 555	1 939	-	1 939	23 478	23 478
Securities	-	365 299	-	-	365 299	-	-	-	34 978	34 978
Loans and advances to banks	2 254	6 287	-	-	8 541	-	3 509	3 509	15 077	15 077
Cash and cash equivalents	629 388	4 124	-	-	633 512	-	-	-	-	-
Debtors and other assets	1	2 074	285	7 801	10 161	-	-	-	10 985	10 985
Total	**631 643**	**649 988**	**285**	**12 445**	**1 294 361**	**37 905**	**3 509**	**41 414**	**170 250**	**170 250**

As of December 31, 2020, the maximum exposure to credit risk of financial assets not subject to impairment requirements amounts to 463 million euros, corresponding to exposures to central banks.

The table below compiles all financial instruments at amortized cost by industry, stage and days of delay as of December 31, 2020.

(thousand euros)

Amortised Costs financial instruments (including Financial Guarantees) by past due status	31.12.2020									
	Stage 1				Stage 2		Stage 3			
	No overdue		More than 181 days		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	11 458	21	-	-	-	-	-	-	-	-
Banks	524 520	1 117	1 589	1 589	3 251	488	-	-	15 077	15 077
Broker Dealers	-	-	-	-	-	-	-	-	-	-
Building Materials	20 970	223	192	192	-	-	12	12	-	-
Capital Goods	31 344	61	40	40	-	-	-	-	2 200	2 200
Chemicals	-	-	-	-	-	-	-	-	-	-
Commercial & Professional Services	11 099	225	86	86	-	-	4 603	1 392	2 757	2 757
Construction & Engineering	74 580	385	407	407	-	-	1 192	281	1 564	1 545
Containers & Packaging	-	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	-	-	-	-	-	-	-	-	-	-
Funds & Asset Managers	10 856	1	-	-	-	-	-	-	-	-
Governments	220 107	177	214	214	-	-	-	-	-	-
Health Care	5 327	28	-	-	-	-	-	-	-	-
Hotels & Gaming	50	-	-	-	-	-	-	-	5 950	5 950
Insurance	-	-	-	-	-	-	-	-	-	-
Investment Holdings	25	-	-	-	-	-	-	-	-	-
Media & Entertainment	7	3	94	94	-	-	-	-	-	-
Metals & Mining	8 912	11	-	-	57 931	2 295	-	-	-	-
Non Bank Financial Institutions	24 814	40	-	-	-	-	15 099	10 824	242	242
Oil & Gas	13 326	54	-	-	-	-	-	-	10 324	10 324
Paper & Forest Products	2 795	3	60	60	-	-	-	-	-	-
Power	77 810	535	57	57	-	-	-	-	-	-
Real Estate	65 182	439	166	166	3 751	322	-	-	44 879	44 879
Retailing	13 801	17	-	-	-	-	-	-	-	-
Software	20	10	-	-	-	-	-	-	-	-
Technology Hardware & Equipment	-	-	-	-	-	-	27 268	9 727	-	-
Telecoms	34 774	156	-	-	-	-	-	-	-	-
Transportation	25 176	30	-	-	1 621	120	-	-	6 639	6 639
Transportation Infrastructure	67 621	62	-	-	26 170	588	-	-	10 316	1 640
Others	10 110	690	3 079	3 079	-	-	-	-	-	-
Total	**1 254 684**	**4 288**	**5 984**	**5 984**	**92 724**	**3 813**	**48 174**	**22 236**	**99 948**	**91 253**

(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	31.12.2019											
	Stage 1						Stage 2		Stage 3			
	No overdue		1 - 29 days		More than 181 days		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	Gross carrying amount	Loss allowance
Banks	686 719	1 359	-	-	1 661	1 650	3 509	523	21 458	14 200	15 077	15 077
Broker Dealers	1 132	-	-	-	-	-	-	-	-	-	-	-
Building Materials	8 805	86	-	-	192	192	-	-	13	13	-	-
Capital Goods	6 358	4	-	-	40	40	-	-	1 060	222	2 200	2 200
Chemicals	-	-	-	-	-	-	-	-	4 308	4 308	-	-
Commercial & Professional Services	4 318	190	-	-	105	105	-	-	5 427	1 816	3 892	3 892
Construction & Engineering	55 872	132	-	-	407	407	1 940	49	46	46	1 985	1 626
Containers & Packaging	-	-	-	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	-	-	-	-	-	-	-	-	-	-	-	-
Governments	195 129	148	2 574	1	214	214	-	-	-	-	-	-
Health Care	15	-	-	-	-	-	-	-	-	-	-	-
Hotels & Gaming	50	-	-	-	-	-	-	-	-	-	5 950	5 950
Insurance	-	-	-	-	-	-	-	-	-	-	-	-
Media & Entertainment	7	2	-	-	94	94	-	-	-	-	-	-
Metals & Mining	74 647	1 303	-	-	-	-	-	-	-	-	-	-
Non Bank Financial Institutions	368	-	-	-	-	-	-	-	-	-	242	242
Oil & Gas	-	-	-	-	-	-	-	-	-	-	10 324	10 324
Paper & Forest Products	1	-	-	-	60	60	-	-	-	-	-	-
Power	45 340	423	-	-	57	57	-	-	-	-	-	-
Real Estate	76 045	233	-	-	166	166	4 143	280	-	-	44 879	44 879
Retailing	-	-	-	-	-	-	-	-	-	-	-	-
Software	393	5	-	-	-	-	-	-	-	-	-	-
Technology Hardware & Equipment	-	-	-	-	-	-	-	-	27 060	8 118	-	-
Telecoms	-	-	-	-	-	-	-	-	-	-	-	-
Transportation	8	-	-	-	-	-	1 930	68	-	-	7 252	7 252
Transportation Infrastructure	73 554	68	-	-	-	-	29 892	491	10 926	-	-	-
Others	3 404	354	-	-	3 154	3 154	-	-	-	-	-	-
Total	**1 232 165**	**4 307**	**2 574**	**1**	**6 150**	**6 139**	**41 414**	**1 411**	**70 298**	**28 723**	**91 801**	**91 442**

(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 costumers

The table below presents a summary of the portfolio of loans and advances to costumers of Haitong Bank as of 31st of December 2020 and 31st of December 2019:

Loans and advances to customers		31.12.2020				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	2 083	-	-	-	**2 083**
Monitoring	[bbb+;b-]	216 893	89 472	-	-	**306 365**
Impaired	[d]	-	-	77 093	-	**77 093**
Not rated	Not Rated	11 280	-	-	-	**11 280**
Total gross carrying amount		**230 256**	**89 472**	**77 093**	**-**	**396 821**
Loss allowance		1 019	3 324	75 475	-	**79 818**
Total revaluation		-	-	-	-	**-**
Total Carrying amount		**229 237**	**86 148**	**1 618**	**-**	**317 003**

Loans and advances to customers		31.12.2019				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Monitoring	[bbb+;b-]	190 099	35 966	-	-	**226 065**
Impaired	[d]	-	-	85 499	-	**85 499**
Not rated	Not Rated	4 194	-	-	-	**4 194**
Gross carrying amount		**194 293**	**35 966**	**85 499**	**-**	**315 758**
Loss allowance (Note 31)		1 707	839	82 191	-	**84 737**
Carrying amount		**192 586**	**35 127**	**3 308**	**-**	**231 021**
Fair Value Trough Profit and Loss						
Impaired	[d]	-	-	233	-	**233**
Gross carrying amount		**-**	**-**	**233**	**-**	**233**
Revaluation		**-**	**-**	(126)	-	**(126)**
Carrying amount		**-**	**-**	**107**	**-**	**107**
Total gross carrying amount		**194 293**	**35 966**	**85 732**	**-**	**315 991**
Loss allowance		1 707	839	82 191	-	**84 737**
Total revaluation		-	-	(126)	-	**(126)**
Total Carrying amount		**192 586**	**35 127**	**3 415**	**-**	**231 128**

Guarantees

The table below presents a summary of the portfolio of guarantees granted to clients of Haitong Bank as of 31st of December 2020 and 31st of December 2019:

Guarantees		31.12.2020				
		Stage 1	Stage 2	Stage 3	POCI	Total
Monitoring	[bbb+;b-]	101 706	-	-	-	**101 706**
Impaired	[d]	-	-	18 311	-	**18 311**
Not rated	Not Rated	8 450	-	-	-	**8 450**
Total gross carrying amount		**110 156**	**-**	**18 311**	**-**	**128 467**
Loss allowance (Note 31)		1 186	-	11 513	-	**12 699**
Total Carrying amount		**108 970**	**-**	**6 798**	**-**	**115 768**

Guarantees		31.12.2019				
		Stage 1	Stage 2	Stage 3	POCI	Total
Monitoring	[bbb+;b-]	82 105	1 939	-		**84 044**
Impaired	[d]	-	-	23 478		**23 478**
Not rated	Not Rated	450	-	-		**450**
Total gross carrying amount		**82 555**	**1 939**	**23 478**		**107 972**
Loss allowance (Note 31)		1 449	**49**	14 720		**16 218**
Total Carrying amount		**81 106**	**1 890**	**8 758**		**91 754**

Debt securitites

The table below presents a summary of the portfolio of banking book debt securities at amortized cost and at fair value through other comprehensive income of Haitong Bank, as of 31st December 2020 and 31st of December 2019:

Debt Securities		31.12.2020				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortized Cost						
Low to fair risk	[aaa+;a-]	7 088	-	-	**-**	**7 088**
Monitoring	[bbb+;b-]	417 087	-	-	**-**	**417 087**
Impaired	[d]	-	-	27 267	**-**	**27 267**
Not rated	Not Rated	1 806	-	-	**-**	**1 806**
Gross carrying amount		**425 981**	**-**	**27 267**	**-**	**453 248**
Loss allowance (Note 31)		1 002	-	9 726	-	**10 728**
Carrying amount		**424 979**	**-**	**17 541**	**-**	**442 520**
Fair Value through Other Comprehensive Income						
Low to fair risk	[aaa+;a-]	22 388	-	-	-	**22 388**
Monitoring	[bbb+;b-]	90 971	-	-	-	**90 971**
Impaired	[d]	-	-	7 978	-	**7 978**
Not rated	Not Rated	1 651	-	-	-	**1 651**
Gross carrying amount		**115 010**	**-**	**7 978**	**-**	**122 988**
Loss allowance (Note 31)		392	-	2 846	-	**3 238**
Revaluation		425	-	(2 922)	-	**(2 497)**
Carrying amount		**115 043**	**-**	**2 210**	**-**	**117 253**
Total gross carrying amount		**540 991**	**-**	**35 245**	**-**	**576 236**
Loss allowance		1 394	-	12 572	-	**13 966**
Total Revaluation		425	-	(2 922)	-	**(2 497)**
Total Carrying amount		**540 022**	**-**	**19 751**	**-**	**559 773**

Debt Securities		31.12.2019				
		Stage 1	Stage 2	Stage 3	POCI	Total
Custo amortizado						
Monitoring	[bbb+;b-]	311 827	-	-	-	**311 827**
Impaired	[d]	-	-	27 060	-	**27 060**
Gross carrying amount		**311 827**	**-**	**27 060**	**-**	**338 887**
Loss allowance (Note 31)		553	-	8 118	-	**8 671**
Carrying amount		**311 274**	**-**	**18 942**	**-**	**330 216**
Fair Value through Other Comprehensive Income						
Monitoring	[bbb+;b-]	53 472	-	-	-	**53 472**
Gross carrying amount		**53 472**	**-**	**7 918**	**-**	**61 390**
Loss allowance (Note 31)		153	-	2 375	-	**2 528**
Revaluation		371	(2 197)	-	-	**(1 826)**
Carrying amount		**53 690**	**(2 197)**	**5 543**	**-**	**57 036**
Total gross carrying amount		**365 299**	**-**	**34 978**	**-**	**400 277**
Loss allowance		706	-	10 493	-	**11 199**
Total Revaluation		371	(2 197)	-	-	**(1 826)**
Total Carrying amount		**364 964**	**(2 197)**	**24 485**	**-**	**387 252**

Cash equivalents

The table below presents a summary of the cash equivalents portfolio of Haitong Bank, as of as of 31st December 2020 and 31st of December 2019:

Cash equivalents		31.12.2020				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	465 519	-	-	**-**	**465 519**
Monitoring	[bbb+;b-]	5 308	-	-	**-**	**5 308**
Total gross carrying amount		**470 827**	**-**	**-**	**-**	**470 827**
Total Carrying amount		**470 827**	**-**	**-**	**-**	**470 827**

Cash equivalents		31.12.2019				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	629 388	-	-	**-**	**629 388**
Monitoring	[bbb+;b-]	4 124	-	-	**-**	**4 124**
Total gross carrying amount		**633 512**	**-**	**-**	**-**	**633 512**
Total Carrying amount		**633 512**	**-**	**-**	**-**	**633 512**

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 31st December 2020 and 31st of December 2019:

Loans and advances to Banks		31.12.2020				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Monitoring	[bbb+;b-]	56	-	-	**-**	**56**
Substandard	[ccc+;ccc]	-	3 252	-	**-**	**3 252**
Impaired	[d]	-	-	15 077	**-**	**15 077**
Total gross carrying amount		**56**	**3 252**	**15 077**	**-**	**18 385**
Loss allowance (Note 31)		**-**	489	15 077	**-**	**15 566**
Total Carrying amount		**56**	**2 763**	**-**	**-**	**2 819**

Loans and advances to Banks		31.12.2019				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	2 254	-	-	-	**2 254**
Monitoring	[bbb+;b-]	6 287	-	-	-	**6 287**
Substandard	[ccc+;ccc]	-	3 509	-	-	**3 509**
Impaired	[d]	-	-	15 077	-	**15 077**
Total gross carrying amount		**8 541**	**3 509**	**15 077**	**-**	**27 127**
Loss allowance (Note 31)		1	523	15 077	-	**15 601**
Total Carrying amount		**8 540**	**2 986**	**-**	**-**	**11 526**

Debtors and other assets

The table below presents a summary of the debtors and other assets portfolio of Haitong Bank, as of 31st December 2020 and 31st of December 2019:

Debtors and other assets		31.12.2020				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	7	-	-	-	**7**
Monitoring	[bbb+;b-]	995	-	-	-	**995**
Substandard	[ccc+;ccc]	5 054	-	-	-	**5 054**
Impaired	[d]	-	-	58	10 316	**10 374**
Not rated		17 336	-	-	-	**17 336**
Total gross carrying amount		**23 392**	**-**	**58**	**10 316**	**33 766**
Loss allowance (Note 31)		7 065	-	58	1 640	**7 123**
Total Carrying amount		**16 327**	**-**	**-**	**8 676**	**25 003**

(thousand euros)

Debtors and other assets		31.12.2019				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	1	-	-	-	**1**
Monitoring	[bbb+;b-]	2 074	-	-	-	**2 074**
Substandard	[ccc+;ccc]	285	-	-	-	**285**
Impaired	[d]	-	-	59	10 926	**10 985**
Not rated		7 801	-	-	-	**7 801**
Total gross carrying amount		**10 161**	**-**	**59**	**10 926**	**21 146**
Loss allowance (Note 31)		6 737	-	59	-	**6 796**
Total Carrying amount		**3 424**	**-**	**-**	**10 926**	**14 350**

Throughout 2020, there were not any financial assets since initial recognition for which the expected credit losses have been transfer from Stage 2 to Stage 1 (lifetime expected credit losses to 12 month expected credit losses).

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 technique used by the Bank are financial pledges (funded credit protection – financial collateral in the form of securities and cash) and personal guarantees (unfunded credit protection with substitution effect).

Other types of guarantees are also used, which, while not eligible as risk mitigating for purposes of calculating regulatory capital requirements, effectively reduce the credit risk to which the Bank is subject. In this respect, we highlight the personal guarantees provided by company's partners ("shareholders") in certain financing operations.

Haitong Bank follows the prescription of CRR in what concerns collateral haircuts for impairment calculation. Thus, instead of using the collateral value, the Bank 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).

The maximum exposure to credit risk at the end of the period and without taking into account any risk mitigating techniques was already been presented on the previous pages. As of December 31, 2020, 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 10 335 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		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-]	497 085	497 085	-	-	-	-	-	-
Monitoring	[bbb+;b-]	833 016	738 563	89 472	86 732	-	-	-	-
Substandard	[ccc+;ccc]	5 054	5 055	3 251	3 251	-	-	-	-
Doubtful	[lccc]	-	-	-	-	-	-	-	-
Impaired	[d]	-	-	-	-	145 785	143 033	10 316	10 316
Not Rated		40 521	21 716	-	-	-	-	-	-
Total		**1 375 676**	**1 262 419**	**92 723**	**89 983**	**145 785**	**143 033**	**10 316**	**10 316**

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 definition of non-performing exposures are provided under section 2.3.1.

Forborne exposures shall be debt contracts in respect of which forbearance measures have been applied. Forbearance measures consist of concessions towards a debtor that is experiencing, or about to experience, difficulties in meeting its financial commitments ("financial difficulties). Exposures shall not be treated as forborne where the debtor is not in financial difficulties.

In this sense, as at December 31, 2020 and 2019 the breakdown of performing and non-performing exposures was as follows:

	31.12.2020			31.12.2019		
	Gross amount	Impairment, Negative revaluations and Provisions	Coverage	Gross amount	Impairment, Negative revaluations and Provisions	Coverage
Performing exposures	**1,489,032**	**7,363**	**0.5%**	**1,349,301**	**5,280**	**0.4%**
Non-Performing exposures (NPE)	**146,793**	**114,819**	**78.2%**	**157,071**	**122,608**	**78.1%**
Banking Book Debt Securities	35,813	12,608	35.2%	32,781	10,493	32.0%
Loans and advances to customers	77,093	75,475	97.9%	85,732	82,317	96.0%
Loans and advances to Banks	15,077	15,077	100.0%	15,077	15,077	100.0%
Cash & Cash Equivalents	0	0	0.0%	0	0	0.0%
Guarantees	18,311	11,513	62.9%	23,478	14,720	62.7%
Loan commitments	498	146	29.3%	3	1	33.3%
Total	**1,635,825**	**122,182**	**7.5%**	**1,506,372**	**127,888**	**8.5%**
NPE ratio	**9.0%**			**10.4%**		
NPL ratio	**19.4%**			**27.1%**		

As at December 31, 2020 and 2019 the breakdown of performing and non-performing forborne exposures was as follows:

	31.12.2020			31.12.2019		
	Gross amount	Impairment, Negative revaluations and Provisions	Coverage	Gross amount	Loss allowance	Coverage
Performing exposures	**1,427,350**	**4,746**	**0.3%**	**1,345,158**	**4,973**	**0.4%**
Performing Forborne exposures	**61,683**	**2,616**	**4.2%**	**4,143**	**280**	**6.8%**
Loans and advances to customers	61,683	2,616	4.2%	4,143	280	6.8%
Non-Performing Forborne exposures	**77,591**	**75,621**	**97.5%**	**85,735**	**82,318**	**96.0%**
Banking Book Debt Securities	0	0	0.0%	0	0	0.0%
Loans and advances to customers	77,093	75,475	97.9%	85,732	82,317	96.0%
Loan commitments	498	146	29.3%	3	1	33.3%
Non-Performing exposures	**69,201**	**39,198**	**56.6%**	**71,336**	**40,290**	**56.5%**
Total	**1,635,825**	**122,181**	**7.5%**	**1,506,372**	**127,861**	**8.5%**

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 costumers, financial assets held for trading and securities, by sector of activity, for the years ended 31st December 2020 and 31st December 2019, is as follows:

(thousand euros)

Industry	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
Agribusiness & Commodity Foods	-	-	-	-	-	-	274	-	-
Automobiles & Components	-	-	-	-	-	1 760	-	11 457	21
Banks	-	-	-	-	-	3 310	21 683	21 945	26
Broker Dealers	-	-	-	-	-	-	2 041	-	-
Building Materials	12 464	-	64	-	-	-	-	8 506	158
Capital Goods	13 268	736	1 489	736	-	216	-	11 067	31
Chemicals	-	-	-	-	-	223	-	-	-
Commercial & Professional Services	11 974	2 757	1 033	2 757	-	-	-	-	-
Construction & Engineering	10 911	1 519	70	1 499	-	2 163	-	21 754	221
Containers & Packaging	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	-	-	-	-	-	358	8 863	-	-
Funds & Asset Managers	10 855	-	1	-	-	-	-	6 565	-
Governments	2 083	-	1	-	-	4 469	-	218 024	177
Health Care	-	-	-	-	-	203	-	20 891	107
Hotels & Gaming	-	5 950	-	5 951	-	-	-	17 492	32
Insurance	-	-	-	-	-	923	-	-	-
Media & Entertainment	-	-	-	-	-	514	-	-	-
Metals & Mining	57 931	-	2 294	-	-	-	-	8 912	11
Non Bank Financial Institutions	-	242	-	242	-	1 865	6 278	24 811	40
Oil & Gas	-	10 324	-	10 324	-	623	3 967	13 326	54
Paper & Forest Products	-	-	-	-	-	4 464	214	2 795	3
Power	67 703	-	443	-	-	1 234	4 614	8 371	25
Real Estate	13 114	44 879	491	44 879	-	395	86	79 042	391
Retailing	-	-	-	-	-	2 030	-	18 852	23
Software	-	-	-	-	-	-	-	9	-
Technology Hardware & Equipment	-	-	-	-	-	-	-	32 285	12 572
Telecoms	27 814	-	143	-	-	1 744	67	6 960	13
Transportation	1 621	6 638	121	6 638	-	633	33 595	49 222	59
Transportation Infrastructure	93 613	-	640	-	-	528	57 553	-	-
Others	425	-	2	-	-	-	-	-	-
TOTAL	**323 776**	**73 045**	**6 792**	**73 026**		**27 655**	**139 235**	**582 286**	**13 964**

(thousand euros)

Industry	31.12.2019							
	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
Automobiles & Components	-	-	-	-	-	-	226	-
Banks	-	-	-	-	-	-	1 643	58 529
Broker Dealers	1 132	-	-	-	-	-	-	8 852
Building Materials	-	-	-	-	-	-	-	-
Capital Goods	2 656	604	1 818	604	-	-	3 604	-
Chemicals	4 310	-	4 310	-	-	-	-	-
Commercial & Professional Services	3 407	3 892	1 295	3 892	-	-	-	-
Construction & Engineering	-	2 217	-	1 626	-	126	6 580	-
Containers & Packaging	-	-	-	-	-	-	373	-
Food, Beverage & Tobacco	-	-	-	-	-	-	-	2 797
Funds & Asset Managers	-	-	-	-	-	-	620	-
Governments	2 573	-	1	-	-	-	3 779	-
Health Care	-	-	-	-	-	-	1 074	-
Hotels & Gaming	-	5 950	-	5 950	-	-	-	-
Investment Holdings	-	-	-	-	-	-	362	-
Media & Entertainment	-	-	-	-	-	-	34	-
Metals & Mining	72 295	-	1 291	-	-	-	223	-
Non Bank Financial Institutions	42	200	42	200	-	-	-	-
Oil & Gas	-	10 324	-	10 324	-	-	1 051	125
Paper & Forest Products	-	-	-	-	-	-	6 253	470
Power	44 345	-	346	-	-	-	868	5 554
Real Estate	4 143	44 879	280	44 879	-	-	216	-
Retailing	-	-	-	-	-	-	574	-
Software	-	-	-	-	-	-	-	-
Technology Hardware & Equipment	-	-	-	-	-	-	-	-
Telecoms	-	-	-	-	-	-	120	-
Transportation	1 931	7 251	68	7 252	-	-	1 367	222
Transportation Infrastructure	103 351	-	556	-	-	-	689	59 818
Others	489	-	3	-	-	-	-	-
TOTAL	**240 674**	**75 317**	**10 010**	**74 727**	**-**	**126**	**29 656**	**136 367**

The breakdown of loans and advances to costumers, financial assets held for trading and securities, by country risk, for the years ended 31st December 2020 and 31st December 2019, is as follows:

(thousand

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
Andorra	-	-	-	-	-	-	112	-	-
Belgium	-	-	-	-	-	-	-	-	-
Brazil	12 464	2 757	64	2 757	-	22	-	12 772	66
Bulgaria	-	-	-	-	-	-	-	1 435	4
China	-	-	-	-	-	223	-	119 226	12 851
Cyprus	-	-	-	-	-	-	-	9 449	11
Finland	-	-	-	-	-	-	-	2 795	3
France	-	-	-	-	-	508	4 146	17 929	28
Germany	57 931	-	2 295	-	-	217	3 926	5 051	6
Hong kong	-	-	-	-	-	-	-	1 805	18
Ireland	-	-	-	-	-	-	6 278	-	-
Italy	-	-	-	-	-	926	-	101 339	90
Luxembourg	-	-	-	-	-	395	-	15 477	11
Netherlands	-	-	-	-	-	101	-	-	-
Panama	-	-	-	-	-	-	-	-	-
Poland	21 848	1 519	57	1 500	-	8 995	214	49 239	250
Portugal	141 446	51 760	1 406	51 760	-	8 431	102 854	210 950	580
Romania	-	-	-	-	-	-	-	8 060	10
Spain	89 662	17 009	2 968	17 009	-	6 016	14 496	3 642	4
Sweden	-	-	-	-	-	-	-	7 884	14
Switzerland	-	-	-	-	-	358	-	-	-
United Kingdom	-	-	-	-	-	1 047	7 209	8 146	15
United States	-	-	-	-	-	416	-	-	-
Virgin islands (british)	-	-	-	-	-	-	-	7 087	3
Others	425	-	2	-	-	-	-	-	-
TOTAL	**323 776**	**73 045**	**6 792**	**73 026**	**-**	**27 655**	**139 235**	**582 286**	**13 964**

(thousand euros)

Industry	31.12.2019								
	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
Andorra	-	-	-	-	-	-	-	-	68
Belgium	-	-	-	-	-	-	-	-	164
Brazil	-	3 892	-	-	3 892	-	-	-	-
Colombia	-	-	-	-	-	-	-	300	4 840
France	72 295	-	-	1 292	-	-	-	-	8 834
Germany	-	-	-	-	-	-	-	109	-
Luxembourg	-	2 217	-	-	1 626	-	126	14 428	265
Panama	158 122	52 331	-	5 603	52 331	-	-	10 784	94 365
Poland	-	-	-	-	-	-	-	-	-
Portugal	8 636	16 877	-	3 115	16 878	-	-	2 747	8 748
Spain	-	-	-	-	-	-	-	11	-
United Kingdom	1 132	-	-	-	-	-	-	-	19 083
Others	489	-	-	-	-	-	-	1 277	-
TOTAL	**240 674**	**75 317**		**10 010**	**74 727**	**-**	**126**	**29 656**	**136 367**

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)

	31.12.2020				31.12.2019			
	December	Average	Maximum	Minimum	December	Average	Maximum	Minimum
Foreign Exchange Risk	1 671	3 171	3 789	1 671	4 818	8 889	11 039	4 818
Interest Rate Risk	139	115	316	26	85	105	64	85
Shares	-	-	-	-	10	41	30	10
Credit spread	1 580	948	1 628	135	68	185	146	68
Covariance	(226)				(8)			
Global VaR	**3 164**	**4 118**	**5 100**	**1 697**	**4 973**	**9 093**	**11 213**	**4 973**

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 2020 and 2019, as well as the respective average balances and interest of the period:

(thousand euros)

	31.12.2020			31.12.2019		
	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	456 466	48	0.01%	502 362	204	0.04%
Loans and advances to customers	337 900	9 027	2.67%	544 397	14 950	2.75%
Investment in securities	371 032	7 121	1.92%	580 106	11 168	1.93%
Collateral accounts	185 953	159	0.09%	133 519	237	0.18%
Financial assets	**1 351 351**	**16 355**	**1.21%**	**1 760 384**	**26 559**	**1.51%**
Monetary resources	104 746	536	0.51%	498 224	26	0.01%
Deposits from customers	942 858	12 052	1.28%	1 040 258	10 012	0.96%
Liabilities represented by securities	-	-	0.00%	229 167	3 197	1.40%
Other resources	28 482	1 023	3.59%	18 630	872	4.68%
Financial liabilities	**1 076 086**	**13 611**	**1.26%**	**1 786 279**	**14 107**	**0.79%**
Financial result		**2 744**			**12 452**	

As of 31st December 2020 and 31st December 2019, the exposure of assets and liabilities by currency in regards to the foreign exchange risk was as follows:

(thousand euros)

	31.12.2020			31.12.2019		
	Spot	Forward	Net Exposure	Spot	Forward	Net Exposure
AUD	14	-	14	14	-	14
BRL	(85)	(71 933)	(72 018)	(367)	(105 048)	(105 415
CAD	33	-	33	(33)	-	(33)
CHF	216	-	216	184	-	184
CNY	(284)	-	(284)	(267)	-	(267)
CZK	24	-	24	25	-	25
DKK	209	-	209	208	-	208
GBP	(1 156)	-	(1 156)	(1 197)	-	(1 197
HKD	(1 601)	1 592	(10)	398	-	398
HUF	16	-	16	17	-	17
JPY	54	-	54	56	-	56
MOP	(34)	-	(34)	-	-	-
MXN	16	-	16	21	-	21
NOK	23	-	23	23	-	23
PLN	64 875	(64 238)	637	22 368	-	22 368
SEK	101	-	101	81	-	81
SGD	-	-	-	1	-	1
TRY	13	-	13	16	-	16
USD	94 938	(93 249)	1 690	89 593	(88 971)	622
	157 372	**(227 828)**	**(70 456)**	**111 141**	**(194 019)**	**(82 878)**

Note: asset / (liability)

It should be noted that the amounts of BRL position in long term are high, resulting from the economic coverage of the exposure of the investee in Brazil. The Bank hedges a net investment in a foreign entity in an amount proportional to the percentage held in the capital.

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 2020 and 2019, the Bank maintain similar interest-rate risk sensitive assets and liabilities in the banking book. The repricing profile can be presented bellow:

(thousand euros)

	31.12.2020				
	Up to 3months	3 to 6months	6 to 12months	1 to 5years	More than5 years
Assets	788 406	204 597	199 753	288 500	77 657
Liabilities	(775 321)	(46 020)	(110 094)	(185 376)	(155)
Gap	13 085	158 577	89 659	103 124	77 502

(thousand euros)

	31.12.2019				
	Up to 3months	3 to 6months	6 to 12months	1 to 5years	More than5 years
Assets	786 227	142 844	175 086	253 188	2 703
Liabilities	(525 151)	(42 820)	(75 851)	(341 048)	-
Gap	261 076	100 024	99 235	(87 860)	2 703

The impact on the banking book portfolio economic value, under several scenarios was as follows:

(thousand euros)

Time Bucket	December 2020		December 2019	
	Delta EVE	Delta NII	Delta EVE	Delta NII
+200 bps	17378.1	(495.9)	3654.0	(4818.2)
-200 bps	(2581.3)	495.9	(1283.7)	4818.2
Parallel up	18184.6	n.a.	3877.5	n.a.
Parallel down	(10073.5)	n.a.	(2280.1)	n.a.
Steepener	(4955.7)	n.a.	(1910.6)	n.a.
Flattener	(4609.1)	n.a.	(1761.3)	n.a.
Short rates up	17769.6	n.a.	5446.7	n.a.
Short rates down	(9835.0)	n.a.	(3052.3)	n.a.

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. The Head of Treasury is in charge of the operational management of liquidity, with local teams ensuring liquidity daily management in each of the Bank's treasury hubs (Lisbon and Warsaw).

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 2020, the Bank held 649 million Euros of High Quality Liquid Assets (782 million Euros in 31 December 2019), of which 459 million were available demand deposits at the Bank of Portugal (606 million Euros in 31 December 2019). The remainder of the High Quality Liquid Assets (HQLA) was mainly composed by sovereign debt of European Union countries.

In 31 December 2020, Haitong Bank held a surplus of 429 million Euros of its 30 days stressed net outflows, which corresponded to a LCR of 294% (787% on 31 December 2019) comfortably above both regulatory and internal limits.

Liquidity Coverage Ratio	31.12.2020	31.12.2019
High Quality Liquid Assets	649	782
Surplus over stressed net outflows	429	682
Liquidity coverage Ratio	**294%**	**787%**

Haitong Bank funding from the Bank of Portugal amounts to 111 million Euros on 31 December 2020 (22 million Euros at the end of 2019) obtained through the Targeted Longer-Term Refinancing Operations facility, maturing in 2022 and 2023.

In 2020, Haitong Bank's main sources of funding were wholesale facilities provided by a Haitong Securities Group company, sales with repurchase agreements (repos) and deposits from clients (households and corporate clients).

Haitong Bank enters into derivative transactions with corporate clients and financial institutions, most of which under master netting agreements (e.g. ISDA) and margin agreements (e.g. Credit Support Annex). In market stress situations where the value of derivatives is significantly impacted, additional collateral amounts may be required from Haitong Bank. Derivatives positions and collateral received and posted are detailed in notes 19 and 27, respectively.

As of 31st of December 2020, contractual undiscounted cash flows of financial assets and liabilities present the following structure:

(thousand euros)

	31.12.2020						
	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	470 832	-	-	-	-	-	470 832
Financial assets held-for-trading (Securities)	-	735	5 499	19 870	7 779	-	33 883
Non-trading financial assets mandatorily at fair value through profit or los:	-	-	-	-	-	8 549	8 549
Financial assets at fair value through other comprehensive income	-	10 975	46 520	69 023	-	-	126 518
Financial assets at amortised cost	-	26 669	175 329	186 638	71 893	-	460 529
Loans and advances to banks	-	2 819	-	-	-	-	2 819
Loans and advances to customers	-	71 725	65 393	123 159	74 612	-	334 889
Derivatives Instruments	-	429 108	84 120	122 238	50 323	115 355	801 144
	470 832	542 031	376 861	520 928	204 607	123 904	2 239 163
Liabilities							
Resources from credit institutions	15 348	7 165	-	110 600	-	-	133 113
Resources from customers	73 753	166 051	156 335	610 785	-	-	1 006 924
Debt securities issued	-	-	-	-	-	-	-
Financial liabilities held-for-trading (Securities)	-	-	-	-	-	-	-
Derivatives Instruments	-	435 422	106 255	123 495	50 644	12 260	728 076
	89 101	608 638	262 590	844 880	50 644	12 260	1 868 113

As of 31st December 2019, contractual undiscounted cash flows of financial assets and liabilities present the following structure:

(thousand euros)

	31.12.2019						
	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	633 518	-	-	-	-	-	633 518
Financial assets held-for-trading (Securities)	-	3 972	2 278	24 825	2 729	-	33 804
Non-trading financial assets mandatorily at fair value through profit or los:	-	-	-	-	-	9 088	9 088
Financial assets at fair value through other comprehensive income	-	7 500	9 733	33 365	16 940	-	67 538
Financial assets at amortised cost	-	22 807	94 693	216 793	-	-	334 292
Loans and advances to banks	-	11 974	-	-	-	-	11 974
Loans and advances to customers	-	4 437	92 010	90 280	79 694	-	266 420
Derivatives Instruments	-	500 634	390 004	195 396	85 090	86 811	1 257 935
	633 518	551 323	588 717	560 658	184 452	95 900	2 614 569
Liabilities							
Resources of other credit institutions	988	2 615	-	22 000	-	-	25 603
Resources of customers	51 935	121 313	120 447	697 673	-	-	991 368
Debt securities issued	-	-	-	-	-	-	-
Financial liabilities held-for-trading (Securities)	828	1 135	-	-	-	-	1 962
Derivatives Instruments	-	500 634	390 004	195 396	85 090	30 940	1 202 064
	53 751	625 697	510 451	915 069	85 090	30 940	2 220 998

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 2020 and 31st of December 2019:

	31.12.2020		31.12.2019	
	Phased-in	Fully-loaded	Phased-in	Fully-loaded
CET1 ratio	29.0%	29.0%	34.9%	34.9%
Tier 1 ratio	35.9%	35.8%	43.1%	42.9%
Total capital ratio	35.9%	35.8%	43.1%	42.9%

The assumptions used in the capital adequacy calculations are described in chapter IT & Internal Control | Risk Management | Solvency in the Management Report.

NOTE 40 – IMPACT OF COVID–19 PANDEMIC

Measures to support the economy

Credit lines guaranteed by the Portuguese State

In the context of the epidemic caused by the new Coronavirus, the Portuguese Government created lines of support for the economy that allow companies to access credit on favorable terms. This support has been made available in a phased manner and distributed in specific lines for different business sectors. These lines are guaranteed by the Portuguese State in 90% in the case of credit granted to micro and small companies and in 80% in the case of larger companies.

Credit moratoriums

The Portuguese Government, through Decree-Law no. 10-J / 2020, of 26 March ("Decree-Law"), introduced exceptional measures, in particular, addressed to families and companies due to the economic and financial impacts deriving from contraction of economic activity due to COVID 19. The measures aims to defer the fulfillment of the obligations of the beneficiaries towards the financial system.

Initial version of the Decree Law No 10-J/2020, of 26 March

The initial version, approved on 26 March 2020, the exceptional measures were applicable, in essence, to credit operations granted by credit institutions, financial companies of credit, investment companies, financial leasing companies, factoring companies and companies that grant mutual guarantees (*sociedades de garantia mútua*), all of them which operates in Portugal.

The measures are the following:

a) extension to be applied – for a period equal to the duration of this measure – to credit agreements with principal to be paid at the end of the contract and in effect on the date of entry into force of the Decree-Law. This extension also applies, under the same terms, to all related elements, including interest, collateral, including those provided through insurance or securities;

b) in respect of credit agreements with partial repayment of principal or partial maturity of other monetary sums, this Decree-Law also provides for a suspension – for the period in which the measure is in effect – of the payment of principal, income and interest with maturity scheduled until the end of that period. The contractual plan for the partial payment of principal, income, interest, fees and other charges is automatically extended for a period identical to that of the suspension;
c) prohibits the revocation of contracted credit lines, as well as the extension.

In addition to the measures mentioned above, it is also possible to provide guarantees by the State and by other public law legal persons provided that certain requirements are met in order to guarantee credit operations and ensuring liquidity to the companies.

The measures were valid until 30 September 2020.

In the initial version of the Decree-Law, the regime was applicable to companies which (i) had head office in Portugal; (ii) by reference to 18 march 2020, were not in delay or breaching pecuniary obligations for more than 90 days before the relevant credit institution (or in case they were in breach, such breach did not meet certain materiality requirements) and were not subject to an insolvency procedure or similar proceedings; (iii) had a regular situation before Social Security and Tax Authority. The sole proprietors, private social solidarity institutions, non-profit associations and other entities from the social economy were also beneficiaries of such measures. The measures are applicable to mortgages loans for private housing for long-term residence entered into by individuals who, in particular, were in prophylactic isolation or which have been subject to reduction of the normal period of work.

<u>Amendments to Decree-Law No 10-J/2020, of 26 March</u>

The Decree-Law was subject to five amendments, which took place on 11.04.2020, 17.06.2020, 25.07.2020, 30.09.2020 e 01.01.2021, respectively.

The amendments were, essentially, the following:

a) the validity of the measures was extended until 30 September 2021;
b) the scope of the operations that are covered by the measures have been extended. Now, financial leasing operations and consumer credit to be used to financing professional and academic training are covered by the measures;
c) bank customers that have not requested this aid, but still wish to do so, must communicate their intention to the credit institutions by 31 March 2021;
d) the conditions for access to the moratorium have been altered by broadening the scope of bank customers that may request the application of the moratorium. We highlight the following situations:

- Consumers who do not reside in Portugal and meet all other conditions may now benefit from the public moratorium;

- Situations associated with loss of income (preventive or sickness isolation or providing assistance to children or grandchildren, as described in Decree-Law No 10-A/2020 of 13 March 2020, reduction of the normal working period or suspended employment contract, unemployment registered with the Portuguese Institute for Employment and Vocational Training, workers eligible for benefiting from extraordinary support to the reduction of the economic activity of self-employed workers, workers of entities whose business establishment or activity has been ordered to be closed during the declared state of emergency) are now included whether they apply to the borrower or to another household member;

- In addition to the loss of income referred to in the previous paragraph, the public moratorium may also apply to borrowers who experience a temporary loss of at least 20% of their overall household income as a result of the COVID-19 pandemic;
- Changes have also been made to the condition relating to the contributory and tax situation of bank customers (consumers, businesses, individual entrepreneurs and other beneficiary entities) has been relaxed. The beneficiaries that have an irregular situation below € 5.000 before the Social Security and Tax Authority may benefit from the measures.

e) companies belonging to sectors of activity particularly affected by the COVID-19 pandemic benefit from an automatic extension of the term of loans already covered by the moratorium for 12 months.

Based on this framework, the Bank provides credit moratorium designed to protect, namely, of corporate companies, which fulfil the requirements of the law. By reference to 31 December 2021, the Bank have received one moratorium request under the Decree-Law No 10-J/2020, of 26 March.

Adoption of new procedures and criteria in the preparation of accounting estimates in the context of the COVID-19 pandemic

In the context of the current crisis caused by the spread of the COVID-19 pandemic, several supervisors and regulators, including the European Central Bank, the European Securities and Markets Authority (ESMA), the European Banking Authority (EBA) and the International Accounting Standards Board (IASB) issued guidelines, and recommendations to ensure the consistency and comparability of the metrics, principles and requirements provided for in the International Financial Reporting Standards (IFRS), in particular regarding IFRS 9 - Financial Instruments.

In this context, the following main guidelines and recommendations should be highlighted:

- Statement on the application of the prudential framework regarding default, forbearance and IFRS 9, in the light of the COVID-19 measures, issued by EBA on 25 March 2020;
- IFRS 9 and COVID-19 - Accounting for expected credit losses applying IFRS 9 - Financial Instruments in light of the current uncertainty resulting from the COVID-19 pandemic, issued on 27 March 2020 by IAS;
- On 27 March 2020, BSBC (Basel Committee on Banking Supervision) decided to postpone the implementation date of the Basel III standards for one year;
- Guidelines on legislative and non-legislative moratoria on loan repayments applied in the COVID-19 crisis, issued by EBA on 2 April 2020 (EBA / GL / 2020/02) and updated on 25 June 2020 and 2 December 2020;
- IFRS 9 in the context of the coronavirus pandemic (COVID-19), issued on 1 April 2020 by the ECB;
- Duties to provide Information to customers on the public moratorium, approved by DL no. 10-J/2020 of 26 March, and on private moratoriums, issued on 28 April 2020 by the Bank of Portugal (Notice No. 2/2020);
- Guidelines on supervisory reporting and disclosure requirements in compliance with CRR “quick fix” in response to the COVID-19 pandemic, issued by EBA on 11 August 2020 (EBA/GL/2020/11).

On 8 April 2020, Bank of Portugal approved the Circular Letter no. CC/2020/000000022 implementing the European Banking Authority guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19, amended by Circular Letter No. CC/2020/00000051 of 29 July 2020. These Guidelines establish the terms and conditions that the extension of payment terms inherent in credit obligations, associated with public and private moratoria created in the context of the COVID-19 pandemic, should fulfil in order not to trigger classification as default of the obligor, nor the definition of forbearance measure, in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (the 'CRR') and the EBA Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013. These Guidelines also establish the documentation that institutions should keep on the moratoria, as well as the information that institutions are expected to share with their competent authorities and that these should report to the EBA.

Analysis of the impacts of the COVID-19 pandemic in the definition of the IFRS 9 Risk Stage, classification of customers with significant increase in credit risk or default and impairment calculation.

In order to timely and effectively address the potential impacts of the COVID-19 pandemic outbreak, the Bank implemented a wide range of procedures as described below:

- Internal assessment of the COVID-19 impact by activity sector through the consolidation of information collected from sectoral research studies published by Standard & Poor's, Moody's and the Confederação Empresarial de Portugal, and under which all customers corresponding to sectors internally classified as "very high risk" (i.e., the ones which are more exposed to the reduction of consumer discretionary expenditure and/or vulnerable to global supply chain disruption) were temporarily avoided, and special care has been given to current exposures of customers belonging to these sectors.
- Considering the uncertainties raised by the pandemic, a new risk assessment questionnaire ("COVID-19 Questionnaire") was internally developed, applicable to all customers where the Bank takes or expects to take risks, being a critical piece of information within the credit risk's approval process. This questionnaire incorporates responses to sensitive topics, including the effects of the pandemic on customer's activity, particularly at the level of demand, production capacity, lay-off and suppliers, along with the analysis of the most up-to-date financial economic information available, together with estimates of revenue, EBITDA margin, results, cash reserves (and existing credit lines) and current debt.
- Also with the objective of identifying, evaluating and monitoring the impact in terms of credit risk, the Rating Department continued the process of rating assignment and rating update of the Bank's clients, taking into account the specific conditions of each sector and the potential adverse impacts determined from the COVID-19 pandemic, and, as well, the information specifically gathered about the Bank's clients, namely those collected out of the COVID-19 Questionnaire, which were incorporated in to the rating assignment process.
- The Bank adopted the guidelines and criteria of the European Banking Authority within the response measures framework taken by EU governments and bodies to address the adverse systemic impact of the COVID-19 pandemic, relative to the legislative and non-legislative loan moratoria which was applied following the crisis, in particular on the implementation of the prudential framework for the identification and classification of defaulted loans, exposures subject to forbearance measures, and also applying the adequate accounting treatment envisaged by the IFRS 9.
- The Bank continued to categorize the exposures as performing and non-performing, and subject to forbearance measures, according to the applicable requirements. However, when temporary easing

measures are adopted internally, under legislative and non-legislative moratoriums, they do not automatically have a negative impact on the credit risk of a Bank's client, as these measures may not automatically result in the reclassification of loans from a prudential perspective, as long as the moratoriums are preventive and not addressed to any specific debtors, neither adapted by any individual circumstances. Thus, the application of a moratorium is not regarded as a restructuring measure or, therefore, an urgent restructuring. Thus, in such cases, it should not be referred to a form of reduction of the financial obligation and therefore cannot be interpreted as an indication of a low likelihood of repayment (for the purposes of considering a debtor in a default under the CRR). Finally, the application of an individual measure and the renegotiation of loans based on the specific situation of the debtor are classified by the Bank as a restructuring measure ("forbearance") if the CRR's requirements are met in a case-by-case assessment.

- The Bank paid special attention to exposures that were the subject of temporary easing measures within the scope of legislative and non-legislative moratoria, namely, with regard to the effective monitoring of the fulfillment of the expected payments, under the revised debt repayment schedule in order to timely identify indicators of reduced likelihood of payment, namely through the responses to the “Early Warning Signals” Questionnaire.

- The Risk Department maintained the internal Risk Appetite Framework report to the Executive Committee and to the Risk Committee, emphasizing the analysis of exposures subject to temporary easing measures under legislative and non-legislative moratoriums.

- The Bank changed the Regulation of the Impairment Committee, allowing the individual analysis procedure of clients who benefited from temporary easing measures in the scope of the COVID-19 pandemic, in order to confirm the staging adequacy under IFRS 9, as well as the confirmation that there is no evidence of reduced likelihood of payment by debtors, particularly after the end of the moratoria.

- The Bank proceeded the annual review by the Impairment committee of the top 20 largest performing exposures in order to confirm that the largest debtors do not display any warning signals that indicate a transfer to Stage 2 under IFRS 9.

- The Bank updated the forward-looking information underlying the collective impairment model, incorporating the most recent economic predictions, views and the effects of the COVID-19 pandemic, namely in what regards the PiT PD’s update, as described in the section “Forward-looking information”. For this purpose, two prospective macroeconomic scenarios (baseline and severe scenario) were considered, supported by Banco de Portugal's macroeconomic projections. The weighting of the aforementioned scenarios is prudent, considering the following structure: baseline scenario (66.67%); downside scenario (33.33%). With reference to the position at the end of December, the consolidated impact on the amount of impairment resulting from the component related to the forward-looking update of the collective impairment model, reflecting the change in the PiT PD’s that result from the incorporation of the new macroeconomic scenarios, was in the amount of around 321 thousand euros.

- The Risk Committee analyzed the cases of the Bank's largest debtors subject to forbearance restructuring measures in 2020, as well as other measures related to COVID-19, which represent an overall amount of 57.931 thousand euros as of December 31, 2020.

- The Bank follows the reporting and disclosure requirements of exposures subject to temporary easing measures, in accordance with the applicable requirements.

Operations subject to legislative and non-legislative moratorium and new loans granted under new public guarantee systems introduced in response to the COVID-19 crisis

The following table characterize the only transaction of the Bank that, as at 31 December 2020, was subject to a legislative moratorium, since the Bank did not grant non-legislative moratoriums, nor did it grant loans under new public guarantee systems introduced in response to the COVID-19 crisis.

The detail contained in the above mentioned table, in what regards moratoriums, includes the presentation of the exposure structure by customer segment, performing / non performing status, classification in Stage 2 (operations with a significant increase in credit risk since the initial recognition, but without credit impairment), existence of restructuring due to financial difficulties, constituted impairments and residual term of default.

As at December 31, 2020, the breakdown of exposures subject to legislative and other measures was as follows:

(thousand euros)

Exposures subject to EBA compliant measures (legislative and nonlegislative)	31.12.2020					
	Performing and Underperforming		Non-Performing			Total
	Gross carrying amount	Of which: instruments with significant increase in credit risk since initial recognition, but without objective signs of impairment (Stage 2)	Gross carrying amount	Of which: exposures subject to restructuring measures	Of which: Exposures with reduced likelihood of repayment but which are not past due or are past due <= 90 days	
Loans and advances to costumers						
Gross exposure	**1 621**	**-**	**1 146**	**-**	**1 146**	**2 767**
subject to legislative moratoria	1 621	-	-	-	-	1 621
subject to other flexibilization measures	-	-	1 146	-	1 146	1 146
Loss allowance	**120**	**120**	**336**	**-**	**336**	**456**
subject to legislative moratoria	120	120	-	-	-	120
subject to other flexibilization measures	-	-	336	-	336	336
Net exposure	**1 501**	**(120)**	**810**	**-**	**810**	**2 311**

A staging analysis under IFRS 9 regarding exposures subject to a legal moratorium and other measures reveals that there have been no changes due to the adoption of these measures.

As at December 31, 2020, the breakdown of exposures subject to legislative and other measures by residual maturity of moratoria was as follows:

(thousand euros)

Residual maturity of the moratoria	31.12.2020						
	Up to 3 months	From 3 months to 6 months	From 6 months to 9 months	From 9 months to 12 months	From 12 months to 18 months	More than 18 months	Total
Loans and advances to costumers							
subject to legislative moratoria	1 621	-	-	-	-	-	1 621
subject to other flexibilization measures	1 146	-	-	-	-	-	1 146
Total	**2,767**	**-**	**-**	**-**	**-**	**-**	**2,767**

The Bank does not have any newly originated loans and advances subject to public guarantee schemes in the context of the COVID-19 crisis.

Use of judgments and estimates in the preparation of financial statements

The preparation of the consolidated financial statements requires using judgments, preparing estimates are making certain assumptions to determine the value of assets and liabilities and the amount of contingent assets and liabilities disclosed at the balance sheet date, as well as the amounts of revenue and expenses during the reporting date.

The main judgments and estimates adopted in the context of preparing these consolidated financial statements are described in Note 3.

The COVID-19 pandemic significantly increased the degree of uncertainty in the estimates made and reinforced the need to use expert judgment to assess how these estimates are influenced by the current macroeconomic situation, mainly in what concerns to the calculation of impairments for financial assets and non-financial assets.

Although the estimates have been prepared based on the best information available with respect to the current and prospective context, the final outcome may differ from the values currently estimated.

Going concern assumption

The Bank's financial statements have been prepared on a going concern basis, as the Executive Committee considers that the Bank has the adequate resources to continue operations and business in the foreseeable future. The evaluation carried out by the Executive Committee was based on a wide range of information related to current and future conditions, including projections on future profitability, liquidity, capital requirements and funding sources. The Executive Committee regularly prepares projections based on different scenarios, including adverse and stress scenarios. The COVID-19 pandemic introduced an increased level of uncertainty in these projections and the need to take into account the impact on the Bank's operations, its profitability, capital and liquidity.

Contingency plan

To deal with the COVID-19 pandemic, the Bank adopted a set of contingency measures planned and designed to ensure the protection of people and the continuity of activity, including, among others, the recommendations of health authorities, telework and segregation of teams, trying to maximize the resilience of the organization.

In this context, the Bank activated the Contingency Plan, according to the Business Continuity Plan. This plan was updated and adapted specifically to the current pandemic scenario, with a specific Crisis Management Office being created for this purpose. Thus, in line with the guidelines issued by the authorities and supervisory entities, with which the Bank maintains regular contacts, an action plan was designed to protect Customers and Employees, minimize the chances of contagion and ensure the operational continuity of business.

Impacts on the income statement

The main impacts of the COVID-19 pandemic on profitability are as follows:

- Financial Margin - The COVID-19 pandemic had the main impact on a delay on the new loans deployment, comparing with the initial business plan, with the consequent impact on the reduction of interest received;
- Commissions - Commissions related to the banking business, in particular commissions related to the structuring of debt instruments and commissions related to financial advisory processes, were significantly penalized, due to changes in market conditions and the postponement or suspension of discretionary projects;
- Results on financial operations – Results on financial operations was penalized due to the deterioration of the counterparty credit risk (CVA) on derivative financial instruments;
- Other operating results - Other operating results were penalized by the introduction, in 2020, of the additional solidarity contribution to be applied on the banking sector, aiming to finance the costs of public measures to the impact of the actual crisis caused by the COVID-19 pandemic;
- Operating costs - The impacts of the COVID-19 pandemic on operating costs were mainly in other administrative expenses. On the one hand, there were savings associated not only with travel, hotel and representation expenses that did not materialize, but also related to the reduction of current activity and the decline in demand observed in several discretionary projects that were suspended or postponed. In contrast, the COVID-19 pandemic led to the recognition of additional costs with the purchase of protective material, computer equipment and cleaning services;
- Impairments for credit - The recessive macroeconomic scenario led to the deterioration of credit risk parameters and to the recognition of additional impairments;
- Other impairments and provisions - The impact of the COVID-19 pandemic was also felt in impairments for other financial assets, since the revision of credit risk parameters led to extraordinary impairment reinforcements for debt instruments , guarantees and commitments;
- Taxes - No impacts related to the derecognition of deferred tax assets were recognized. The analysis performed leads to the conclusion that all deferred tax assets recognized on 31 December 2020 are recoverable. It should be noted that the assessment of the recoverability of deferred tax assets in Portugal was carried out based on the regulatory framework provided for in Law 27 -A / 2020, of July 24, 2020, approved under the Supplementary Budget for 2020, which includes a set of additional measures to deal with the contraction of the economic situation in Portugal following the COVID-19 pandemic. The approved Law provides the suspension in 2020 and 2021 of the period for deducting existing tax losses on 1 January 2020. Additionally, the period for the recoverability of deferred tax assets recognized as a result of tax losses generated in 2020 and 2021 has been extended by 5 years to 12 years.

Capital and liquidity requirements

A reverse stress test was performed as part of the annual recovery plan update exercise. This exercise considered a specific Covid-19 adverse scenario related to the pandemic. This scenario assumed a hypothetical severe evolution of the economy that jeopardizes the financial viability of the institution in the absence of the adoption of recovery measures. This exercise identified credit risk as the most material risk for the Bank, with this adverse scenario projected to a significant NPEs increase at the end of the first quarter of 2021. Given the magnitude in such a short timeframe and the implausibility of this scenario, it confirms the solid capital position of Haitong Bank.

On the liquidity side, several liquidity monitoring actions were taken. Due to the resilient liquidity short-term position and adequate funding structure there was no need to implement any corrective measures, increasing surveillance monitoring, implementing liquidity assessments with conservative scenarios and giving preference to eligible assets for the Central Bank funding on the assumption of new risks.

NOTE 41 – ACCOUNTING 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, 2020:

Standard / Interpretation	Applicable in the European Union for financial years beginning on or after	
Amendments to references to the Framework in IFRS	1-jan-20	IFRS 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32, IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 34, IAS 37, IAS 37, in accordance with references to the revised Conceptual Framework in March 2018. The revised Conceptual Framework includes revised definitions of an asset and a liability and new guidance on measurement, derecognition, presentation and disclosure.
Amendment to IAS 1 and IAS 8 – Definição de material	1-jan-20	Corresponds to amendments to clarify the definition of material in IAS 1. The definition of material in IAS 8 now refers to IAS 1. The amendment changes the definition of material in other standards to ensure consistency. The information is material if, by its omission, distortion or concealment, it is reasonably expected to influence the decisions of the primary users of the financial statements based on the financial statements.
Amendment to IFRS 3 - Definition of business	1-jan-20	Corresponds to amendments to the definition of business, seeking to clarify the identification of business acquisition or acquisition of a group of assets. The revised definition further clarifies the definition of a business's output as the supply of goods or services to customers. The changes include examples for identifying a business acquisition.
Amendments to IFRS 9, IAS 39 and IFRS 7 - reform of benchmark interest rates (IBOR Reform)	1-jan-20	Corresponds to amendments to IFRS 9, IAS 39 and IFRS 7 related to the benchmark interest rate reform project (known as “IBOR reform”), in order to reduce the potential impact of changes in reference interest rates on financial reporting, namely hedge accounting.
Amendment to IFRS 16 – Leases – Covid 19 Related Rent Concessions	1-june-20	This amendment introduces an optional practical expedient whereby tenants are exempted from analyzing whether income concessions, typically income suspensions or reductions, related to the “COVID-19” pandemic correspond to contractual modifications.

No significant effects were recorded in the Bank's financial statements for the year ended December 31, 2020, as a result of the adoption of the standards, interpretations, amendments and revisions referred to above.

Standards, interpretations, amendments and revisions that will take effect in future years

The following accounting standards and interpretations, which have to be applied in future financial years, have been endorsed by the European Union up to the date of approval of these financial statements:

Standard / Interpretation	Applicable in the European Union for financial years beginning on or after	
Amendments to IFRS 9, IAS 39 and IFRS 7 – 2nd Stage -reform of benchmark interest rates (IBOR Reform)	1-jan-21	Corresponds to additional amendments to IFRS 9, IAS 39 and IFRS 7, issued on August 27, 2020, related to the second stage of the benchmark interest rate reform project (known as "IBOR reform"), referring to changes in reference interest rates and impacts on changes in financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures.
Amendment to IFRS 4 Insurance Contracts – deferral of IFRS 9	1-jan-21	Corresponds to the amendment to IFRS 4 that prolongs the deferral of application of IFRS 9 for initial years on or after January 1, 2023.

These standards, although endorsed by the European Union, were not adopted by the Bank in 2020, 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 that will take effect in future years

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	
IFRS 17 - Insurance Contracts	1-jan-23	This standard establishes, for insurance contracts within its scope, the principles for their recognition, measurement, presentation and disclosure. This standard replaces IFRS 4 - Insurance Contracts.
Amendment to IAS 1 Presentation of financial statements - Classification of liabilities as current and non-current	1-jan-23	Esta emenda publicada pelo IASB clarifica a classificação dos passivos como correntes e não correntes analisando as condições contratuais existentes à data de reporte.
Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements 2018-2020	1-jan-22	These amendments correspond to a set of updates to the various standards mentioned, namely - IFRS 3 - update of the reference to the 2018 conceptual structure; additional requirements for analyzing obligations under IAS 37 or IFRIC 21 on the acquisition date; and explicit clarification that contingent assets are not recognized in a business combination. - IAS 16 - prohibition of deducting the cost of a tangible asset from 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 correspond essentially to amendments to 4 standards, IFRS 1, IFRS 9, IFRS 16 and IAS 41

These standards have not yet been endorsed by the European Union and as such have not been applied by the Bank for the year ended 31 December 2020.

With respect to these standards and interpretations, issued by the IASB but not yet endorsed by the European Union, it is not estimated that the adoption of these standards will significantly impact the Bank financial statements

Report and Opinion of the Supervisory Board

Haitong Bank, S.A.

Financial year 2020

(Free translation of a report originally issued in Portuguese language: in case of doubt the Portuguese version will always prevail)

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 2020.

The members of the Supervisory Board appointed for the 2020-2022 three-year period took office on 17 July 2020 after notifying the Bank of Portugal that the legal requirements set forth in Article 30-B (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 the 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 2020 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 activities in 2020, both in individual and in consolidated terms.

The Supervisory Board highlights the following:

- The impacts of the pandemic caused by the COVID-19 virus are detailed in the Management Report and in Note 41 to the financial statements;

- On 30 December 2020, the Bank introduced a new, defined contribution, pension plan, to which, after authorisation from the *Autoridade de Supervisão de Seguros e Fundos de Pensões* (ASF, the Insurance and Pension Funds Supervisory Authority), all the participants not yet pensioners of the supplementary pension plan – both those no longer working at Haitong, with vested rights, and those who are active employees at the service of the Bank – were transferred. The details of this arrangement are disclosed in Note 14 to the consolidated financial statements;

- The disclosures made by the Bank in Note 32 to the consolidated financial statements concerning the impacts arising from the tax policy, and the interactions with the Tax and Customs Authority;

- On 1 March 2021 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 period of 1 January 2020 to 31 January 2021, in accordance with the Bank of Portugal Notice no. 3/2020, of 15 July. A summary of this report is attached to Haitong's 2020 Annual Report.

- 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 documents should be approved:

- The Management Report and remaining individual and consolidated reporting documents relative to the financial year ended on 31 December 2020;

- The proposal submitted by the Board of Directors on the allocation of the individual net loss for financial year 2020, in the amount of 12,033,896.55 euros.

Lisbon, 18 March 2021

THE SUPERVISORY BOARD

Maria do Rosário Mayoral Robles Machado Simões Ventura
(Chair)

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 245 (1-c)) of the Portuguese Securities Code.

The Supervisory Board hereby declares that, to the best of its knowledge:

- The information referred to in Article 245 (1-a)) of the Portuguese Securities Code as at 31 December 2020 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 consolidation 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, 18 March 2021

THE SUPERVISORY BOARD

Maria do Rosário Mayoral Robles Machado Simões Ventura
(Chair)

Mário Paulo Bettencourt de Oliveira

Cristina Maria da Costa Pinto

Annual report on the activity of the Supervisory Board in 2020

Pursuant to the provisions of Article 420-1(g) of the Portuguese Commercial Companies Code ("*Código das Sociedades Comerciais*") and Article 2-1(h) of the Regulations of the Supervisory Board of Haitong, the Supervisory Board hereby presents its report on the supervisory works carried out in 2020.

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 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;

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 2020

i. Monitoring Haitong's activity, ensuring compliance with the law and the company's Articles of Association, and supervising the company's management

In 2020 the Supervisory Board held 54 meetings with the presence of all of its members. Of the 54 meetings, 4 were held with the Internal Audit Committee, 5 with the Corporate Governance Committee, 6 with the Risk Committee, 3 with the head of the Internal Audit function department, 11 with the head of the Compliance function, 2 with the head of the

Risk Control function department, 7 with representatives of the auditor Deloitte, 5 with the Board of Directors of Haitong and 1 with the Board of Directors of Haitong Banco de Investimento do Brasil, S.A..

The Supervisory Board had access to all the information requested and obtained all the documents and clarifications it asked for.

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 2020, 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 Internal Control and Governance Systems, and organisational culture, and 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 2020, 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 monitored the launch of the tender and development of the process for the selection and appointment of the Statutory Auditor of Haitong for the 2020-2022 period, having in due time submitted its substantiated proposal to the Bank's shareholder, which approved it in the General Meeting of 17 July 2020.

The Supervisory Board regularly monitored throughout 2020 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 the financial year 2020, 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 businesses with related parties

The Supervisory Board monitored the enforcement of the related-party transactions policy during 2020. The majority of the transactions carried out with related parties in 2020 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 September 2020 the Whistleblowing policy was updated (the last update had taken place in October 2018). During financial year 2020 the Supervisory Board did not receive any wrongdoing reports.

To conclude, the Supervisory Board expresses its recognition to the Board of Directors and to all the employees of Haitong for the cooperation provided throughout the performance of its functions.

Lisbon, 18 March 2021

THE SUPERVISORY BOARD

Maria do Rosário Mayoral Robles Machado Simões Ventura
(Chair)

Mário Paulo Bettencourt de Oliveira

Cristina Maria da Costa Pinto.

STATUTORY AUDITOR’S 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 2020 (that presents a total of 1,939,212 t.euros and total equity of 588,939 t.euros, including a net loss of 12,034 t.euros), the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the accompanying notes to the 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 2020 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 31)	
As of 31 December 2020, the Bank has recorded accumulated impairment losses for financial assets (securities and loans) in the amount of 106,645 t.euros ("Impairment losses for credit risk"), relating to: (i) Loans to costumers (79,818 t.euros); (ii) guarantees and other commitments (12,861 t.euros); (iii) securities recorded at amortised cost (10,728 t.euros); (iv) securities recorded at fair value through other comprehensive income (3,328 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 losses. 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 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 Bank in the process of determining impairment losses for credit risk. We reviewed the Bank's documentation related to the methodology for determining the 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 and at fair value through other comprehensive income (securities and loans) and 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 a 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.

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 31)	
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 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. In 2020, this analysis took into consideration the effects of the Covid-19 pandemic in the clients' credit risk. The impairment losses in the scope of the collective calculation 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 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 and at fair value through other comprehensive income (securities and loans) and the provisions for guarantees and other commitments were considered a key audit matter.	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
Recoverability of deferred tax assets (Notes 2.12, 3.2 and 32)	
As of 31 December 2020, the Bank has recorded deferred tax assets in the amount of 64,362 t.euros, essentially related with: (i) temporary differences (29,987 t.euros); (ii) tax losses carried forward (34,375 t.euros), essentially originated in 2015, 2016 and 2019. As a result of the changes introduced to the Corporate Income Tax Code by Law No. 27-A/2020, of July 24 (Supplementary State Budget for 2020), the tax losses assessed in 2015, 2016 and 2019 may be used until 2029, 2030 and 2026, not exceeding 70% of the taxable profit 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.	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 reasonableness of the interpretation of the relevant tax legislation considered by the Bank in the estimation of future taxable profits. We reviewed the reasonableness of 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.

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 36)	
As described in further detail in note 36 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 2019 the Resolution Fund owned 25% 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 2019 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.	Analysis of public communications on this matter released by the Resolution Fund until the date of our report. Analysis of 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. Analysis of 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 2019. 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 36)	
The financial statements as of 31 December 2020 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 2.19, 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 (IFRS) as endorsed by the European Union;

- 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.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 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 the article 451.º, n.º , of the Portuguese Companies' Code this audit report 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 245-A 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 m) of that article.

On the non-financial demonstration

We inform that the Bank included in its management report the non-financial demonstration established in the 508.º-G article 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 article 77, number 8, of the Ordem dos Revisores Oficiais de Contas statutes (Legal Regime of the Portuguese Statutory Auditors) and we have remained independent from the Bank in conducting the audit.

Lisbon, 18 March 2021

Deloitte & Associados, SROC S.A.
Represented by João Carlos Henriques Gomes Ferreira, ROC

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.)

Corporate Governance Report

This report constitutes an integral part of Haitong Bank's 2020 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 245-A of the Portuguese Securities Code.

PART I – SHAREHOLDER STRUCTURE

1. Capital Structure (Article 245-A/1/a)

As at 31 December 2020, the share capital of the Bank was EUR 844,769,000.00 (eight hundred and forty four million, seven hundred and sixty nine thousand euros), fully subscribed and paid up. The share capital is divided into 168,953,800 (one hundred and sixty eight million, nine hundred and fifty three thousand and eight hundred) 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 close to 100% (168,953,796 - one hundred and sixty eight million, nine hundred and fifty three thousand and seven hundred and ninety six) of the share capital of the Bank with voting rights. 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 245-A/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 245-A/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 245-A/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 245-A/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 245-A/1/l)

The Bank is not aware of the existence of these agreements.

7. Shares and Bonds held by members of the Board of Directors and Supervisory bodies

Annex referred to in paragraph 5 of Article 447 of the Portuguese Companies Code

Shareholders / Bondholders	Securities	Securities held as of 31/12/2019	Transactions in 2020			Securities held as of 31/12/2020
			Date	Acquisitions	Disposals	
Lin Yong	**Haitong International Securities Group Limited** - Ordinary Shares	5,978,183	19/03/2020	132,536 (Note 1)		
			23/03/2020	249,918 (Note 2)		
			13/05/2020	177,729 (Note 3)		
			02/06/2020	144,189 (Note 4)		6,682,555
	Haitong International Securities Group Limited - Share Options	4,311,260	02/06/2020	7,719 (Note 5)		
			25/06/2020	900,000 (Note 6)		5,218,979
	Haitong International Securities Group Limited - Awarded Shares (unvested)	1,237,749	19/03/2020		132,536 (Note 1)	
			23/03/2020		249,918 (Note 2)	
			24/04/2020	1,194,029 (Note 7)		
			13/05/2020		177,729 (Note 3)	1,871,595
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	680,720	19/03/2020	37,345 (Note 8)		
			13/05/2020	67,650 (Note 9)		
			02/06/2020	16,418 (Note 4)		802,133
	Haitong International Securities Group Limited - Share Options	2,306,842	02/06/2020	4,130 (Note 5)		
			25/06/2020	200,000 (Note 6)		2,510,972
	Haitong International Securities Group Limited - Awarded Shares (unvested)	172,646	19/03/2020		37,345 (Note 8)	
			13/05/2020		67,650 (Note 9)	67,651
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: 132,534 unvested awarded shares were vested on 19/3/2020
Note 2: 249,918 unvested awarded shares were vested on 23/3/2020
Note 3: 177,729 unvested awarded shares were vested on 13/5/2020
Note 4: Scrip Dividend
Note 5: Share option adjustment as a result of the allotment of ordinary shares under the second interim dividend for the year ended 31 December 2019 in the form of scrip dividend
Note 6: Grant of share options
Note 7: Grant of awarded shares
Note 8: 37,345 unvested awarded shares were vested on 19/3/2020
Note 9: 67,650 unvested awarded shares were vested on 13/5/2020

As of 31 December 2020

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
Vincent Camerlynck

Members
António Domingues
Lin Yong

Risk Committee

Chair
Vincent Camerlynck

Members
António Domingues
Pan Guangtao
Martina García

Internal Audit Committee

Chair
António Domingues

Members
Vincent Camerlynck
Zhang Xinjun (Jeff)
Paulo Martins

Corporate Governance Committee

Chair
António Domingues

Members
Vincent Camerlynck
Lin Yong

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 (8)
Head of Risk Management Function
Moderator
Secretary
Suport Assistant

Impairment Committee

Chair
Voting Members (4)
Non-Voting Members (1)
Secretary

Assets and Liabilities Committee

Chair
Voting Members (8)
Non-Voting Members (1)
Secretary

IBK Global Adoption Committee

Voting Members (6)

Chair
IBK Executive Board Member

Secretary

Members
Head of Risk Management Function
Head of Compliance Function

New Business Committee

Chair
Head of CEO Office

Members
Head of Finance
Head of IT
Head of Legal
Head of Operations

Non-recurrent Members
To be appointed by the Chair on case by case basis, dependent on topic

Mandatory Members
Head of Risk Management Function
Head of Compliance Function
Head of Data Protection Office

Secretary

[1] Deloitte & Associados, SROC, S.A. nominated João Carlos Henriques Gomes Ferreira

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 legal requirements are met.

The Chair and Secretary of the General Meeting Board were appointed on 17 July 2020 by Shareholder Resolution for the three-year term of office period of 2020-2022.

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 de-materialized 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 2020 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 current situation of the Bank.

The Board of Directors, which includes an Executive Committee to which the Board delegated broad management powers to conduct day-to-day activity, is responsible for management of the company.

Four specialised committees function within the Board of Directors, which are responsible for monitoring specific matters.

9.2. Board of Directors

The Statutes 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 14 February 2020.

On 17 July 2020, the Shareholder approved the appointment of the corporate bodies for the 2020-2022 term of office, including the Chair and Secretary of the General Meeting, the members of the Board of Directors and of the Supervisory Board and the Statutory Auditor.

The composition of the Board of Directors and of its advisory committees as at 31 December 2020 is presented in the organizational chart included on the beginning of Part II of this report.

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 26 September 2017 (EBA / GL / 2017 / 12) and those resulting from the "Guide to fit and proper assessments" published by the ECB (European Central Bank) in May 2017, the qualification indicated in the table reflects the internal judgment of the Board of Directors of Haitong Bank, S.A..

Pursuant to 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 11 (eleven) times (including 5 electronic meetings) in 2020, 6 meetings of which were held after the new Board of Directors took office.

	Board of Directors	2020 Attendance
Chair	Lin Yong	11/11
Executive Members	Wu Min	11/11
	Alan Fernandes	11/11
	Miguel Guiomar	6/6*
	Nuno Carvalho	11/11
	Vasco C. Martins	11/11
Non-Executive Members	António Domingues	11/11
	Martina García	6/6*
	Pan Guangtao	11/11
	Paulo Martins	6/6*
	Poon Mo Yiu	5/5**
	Vincent Camerlynck	11/11
	Zhang Xinjun	11/11

**Members took office on July 17th 2020*
***Member resigned office on July 17th 2020*

9.3 Executive Committee

On 3 August 2020, the Board of Directors approved the composition of the Executive Committee and of the consultative committees of the Board of Directors.

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.

On 28 December 2020, the CEO approved a redistribution of the responsibilities among the members of the Executive Committee for the remaining mandate, effective on the same date.

Executive Committee	Main areas of responsibility from 1st January 2021
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 & Administrative
Vasco Câmara Martins	Risk Management Rating Operations
Miguel Guiomar	M&A Capital Markets Structured Finance Asset Management Corporate Derivatives Haitong Capital

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 68 times in 2020, including 18 electronic meetings:

Executive Committee		2020 Attendance
CEO	Wu Min	68/68
Members	Alan Fernandes	68/68
	Miguel Guiomar	34/34*
	Nuno Carvalho	68/68
	Vasco C. Martins	64/68

**Mr. Miguel Guiomar took office on July 17th, 2020*

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 Annex 1 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 institution, 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.

Amongst the competences of the Risk Committee, the following are highlighted:

- To advise the Board of Directors on the risk appetite and risk strategy of the Bank, both current and future, taking into account all categories of risk, ensuring its alignment with the business strategy, objectives, corporate culture and values;
- To assist the Board of Directors in supervising the execution of the risk strategy of the Bank and in the fulfilment of its respective limits;
- To periodically review the risk profile, risk policies and strategies of the institution;
- To assess 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;
- To issue recommendations on adjustments to the risk strategy resulting from changes in the business model, market developments or business context where the Bank operates;
- To analyse and evaluate the methodology and its results to support the process of identification, evaluation and measurement of risks;

- To examine 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;
- To analyse if the conditions of the products offered and services provided to clients take into consideration the business model and risk strategy of the Bank;
- To establish 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;
- To establish the framework for reporting on risk to the Board of Directors;
- To ensure the existence of effective procedures for monitoring risk, and monitoring internal control deficiencies related to the risk management framework;
- To specify and review 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, ensuring it has adequate resources for the performance of its duties; and
- To review and periodically monitor the scope and nature of the activities carried out by the Haitong Bank Group, related to risk management.

The Risk 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 2020, the Risk Committee held 8 (eight) meetings, received logistical and technical support from the CEO Office with secretarial services being administered by this office.

During 2020, the Risk Committee was composed as follows:

Risk Committee		Attendance (present or represented)
Chair	Vincent Camerlynck	8/8
Members	António Domingues	8/8
	Martina Garcia	3/3*
	Pan Guangtao	8/8

** Ms. Martina Garcia was appointed a member of the RC on August 3, 2020.*

Remuneration Committee

The purpose of the Remuneration Committee is to make informed and independent judgements on the Bank's and the Haitong Bank Group's remuneration policies and practices, as well as on the incentives created for risk, capital and liquidity management purposes, and prepare the decisions pertaining to remuneration, including decisions with implications in terms of the Bank's risks and risk management, which must be made by the General Meeting.

Amongst the competences of the Remuneration Committee, the following are highlighted:

- To draw up proposals and recommendations 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;
- To assess the compliance of members of the Board of Directors who perform executive functions with the criteria set out in the Remuneration Policy of the Members of the Management and Supervisory Bodies;
- To provide all necessary assistance and issuing recommendations to support the approval process by the Board of Directors of the Bank's general remuneration policy and its affiliates, promoting its revision when needed;
- To assess the mechanisms and systems 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;

- To test the capacity of the remuneration system implemented to react to external and internal events; and
- To ensure the implementation, adequacy and annual revision of the Remuneration Policy of the Bank and its subsidiaries.

The Remuneration 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 2020, the Remuneration Committee held 3 (three) meetings (including one electronic meeting), received logistical and technical support from the CEO Office, with secretarial services being administered by this office.

During 2020, the Remuneration Committee was composed as follows:

Remuneration Committee		**Attendance** (present or represented)
Chair	Vincent Camerlynck	3/3
	António Domingues	3/3
Members	Lin Yong	1/1*
	Poon Mo Yiu	2/2*

**Following the new mandate approval, Doctor Lin Yong was appointed a member of the RemCo on August 3, 2020, replacing Mr. Poon Mo Yiu, who attended 2/2 of the RemCo meetings in 2020.*

Corporate Governance Committee

The purpose of the Corporate Governance Committee is to monitor the application and ensure the full effectiveness of the "Selection and Assessment Policy", the "Succession Policy", the "Conflicts of Interest Policy", the "Related Parties Policy", and the Governance System and Bank's Internal Controls.

Amongst the competences of the Corporate Governance Committee, the following are highlighted and summarized:

- To identify and recommend the candidates for Officers, evaluate the boards' composition, prepare a description of the functions and qualifications for the offices under consideration and evaluate the time to be dedicated to the exercise of the relevant functions;
- To make the initial assessment of the suitability of the candidates for members of the Board of Directors or of the Supervisory Board, Branch Managers and of the candidates for key function holders and presenting it to the Shareholder Meeting;
- To annually carry out an ongoing assessment of the individual and collective suitability of the members of the Board of Directors and of the Supervisory Board and of the key function holders;
- To review and endorse a report on the individual and the collective suitability of the members of the Board of Directors and of the Supervisory Board prepared by an external consultant;
- To appraise and review the execution of the Succession Plan of the Bank and to report on the individual evaluation of each of the candidates to successors to key function holders identified within the Succession Plan;
- To issue a prior and reasoned opinion on any Relevant Business with a related party and provide a decision regarding the execution of the projected Relevant Business (*see Part V of the Corporate Governance Report*);
- To make a regular assessment of the Conflicts of Interest Policy and monitor its implementation, as well as for proposing any updates; and
- To annually 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, as well as to propose measures to improve the Bank's Corporate Governance to the Board of Directors.

The Corporate Governance Committee is composed of 3 (three) non-executive members of the Board of Directors, who do not form part of the Executive Committee. The majority of its members is independent and they are appointed by the Board of Directors.

During 2020, the Corporate Governance Committee held 13 (thirteen) meetings (5 electronic), received logistical and technical support from the CEO Office, with secretarial services being administered by this office.

During 2020, the Corporate Governance Committee was composed as follows:

Corporate Governance Committee		Attendance (present or represented)
Chair	António Domingues	13/13
Members	Vincent Camerlynck	13/13
	Lin Yong	13/13

Internal Audit Committee

The purpose of the Internal Audit Committee is to ensure that the Internal Audit Function is effective, ongoing and independent, 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.

Amongst the competences of the Internal Audit Committee, the following are highlighted:

- To approve the proposal for the Annual Plan, Training and Budget for the function;
- To take any decision necessary to fully implement the budget and training plan of the Internal Audit function;
- To request and assess the results of quality reviews to the Internal Audit Function;
- To discuss and monitor the Audit Plan with the Head of the Internal Audit function; and
- To take any other decisions necessary for the proper operation of the Internal Audit function that do not fall under the specific responsibilities of the Board of Directors or Supervisory Board.

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 2020, the Internal Audit Committee held 5 (five) meetings, received logistical and technical support from the CEO Office, with secretarial services being administered by this office.

During 2020, the Internal Audit Committee was composed as follows:

Internal Audit Committee		Attendance (present or represented)
Chair	António Domingues	5/5
Members	Vincent Camerlynck	5/5
	Paulo Martins	3/3*
	Zhang Xinjun	5/5

**Following the new mandate approval, Mr. Paulo Martins was appointed a member of the IAC on August 3, 2020*

9.5 Other Committees

Credit Committee

The purpose of the Credit Committee is to decide on operations involving credit risk taking for the Bank.

More specifically, the Credit Committee responsibilities are:

- To assess and decide on the approval of operations involving risk taking for the Bank within the Credit Committee's Decision Framework established by the Executive Committee; and
- To issue non-binding opinions regarding operations that fall outside of (i) the Credit Committee's Decision Framework, which have to be approved at the Executive Committee; or (ii) the Risk Appetite Framework approved by the Board of Directors, which have to be approved at the Board of Directors.

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, 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 2020 the Credit Committee held 60 (sixty) meetings, with secretarial services being administered by the CEO Office and the Legal Department.

Impairment Committee

The purpose of the Impairment Committee is to analyse the individual impairment of financial instruments, 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).

This Committee has deliberative powers as part of its duties established by the Executive Committee. The duties of the Impairment Committee cover all entities of the Haitong Bank Group.

Amongst the competences of the Impairment Committee, the following are highlighted:

- To analyse and decide on the level of impairment to be granted to financial instruments accounted at the amortized costs and/or the FVOCI and with impairments triggers (i.e., Under-Performing and Non-Performing exposures);
- To analyse and decide on cash-flows scenarios to be used on financial instruments valuation accounted at Fair Value thought P/L when the cash-flows are not certain according to its contractual terms;
- To discuss at least every six months all above-mentioned positions identified by the Risk Management Department. The managers in charge of managing the exposures are responsible for presenting the impairment proposals, which should be duly justified and documented;
- To have the conclusions reached by the Impairment Committee presented at the Executive Committee by the Finance and Risk Management Departments;
- To review the 20 largest corporate exposures on an annual basis; and
- To approve the annual update/monitoring exercises of the collective impairment analysis model performance by the Risk Management Department.

The Impairment Committee is composed of 4 (four) voting members (including the Chair), all of them appointed by the Executive Committee; non-voting members to be designed by the Chair of the Committee and the Secretary.

During 2020, the Impairment Committee held 14 (fourteen) meetings, with secretarial services being administered by the Legal Department.

Investment Banking Global Adoption Committee

The purpose of the 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.

Amongst the competences of the Investment Banking Global Adoption Committee, the following are highlighted:

- To serve as a discussion forum on the overall direction of the investment banking business, cross-border matters and prospective transactions;
- To approve all prospective Investment Banking mandates in relation to proposed transactions or new clients that do not involve credit nor market risk. This includes all Merger & Acquisitions ("M&A"), Equity Capital Markets ("ECM") and Debt Capital Markets ("DCM") transactions with 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. In such cases, the

mandate shall be approved by the Executive Committee;

- To approve other advisory mandates;
- To approve proposals where the Bank has solely a reputational risk;
- To identify restrictions to be implemented throughout the Bank and its subsidiaries.

The Investment Banking 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; one manager of Spanish Branch; the manager of Warsaw Branch; Global Head of M&A; CEO Office representative; the Head of the Risk Management Function; the Global Head of Compliance and a Secretary.

During 2020, the Investment Banking Global Adoption Committee has analysed and decided on 101 (one hundred and 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.

Amongst the competences of the New Business Committee, the following are highlighted:

- 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 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, considering the internal New Product Approval procedure.

The New Business Committee is chaired by the Head of the CEO Office. Other members include the Global Coordinators of each product area, the Head of Risk Management Department, CEO Office representatives (China Business Development, Business Development and Business Management), the Data Protection Officer (DPO), the Head of Compliance, and the Secretary. Whenever New Product proposals are on the agenda, participants from all the Support and Control Functions shall be present. External persons can be called to take part in the meetings if deemed necessary and suitable.

During 2020, the New Business Committee held 4 (four) meetings, with secretarial services being administered by the CEO Office and the Legal Department.

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.

Amongst the competences of the Assets and Liabilities Committee, the following are highlighted:

- To support the Executive Committee in the definition of Capital and Liquidity/Funding Strategy in alignment with the Bank's overall business, strategy, and regulatory requirements;
- To monitor the liquidity and funding positions considering the Bank's operating model while managing the spread between interest income and interest expense;
- To support the Executive Committee in the definition of Market Risk, Interest Rate Risk, FX

Risk, Liquidity Risk and Capital Adequacy policies and tolerance levels;

- To revise the funding needs and evaluate alternative funding sources as per Treasury advice;
- To evaluate liquidity and capital risk exposures to stress scenarios and the Banks' Liquidity Contingency Plan;
- To coordinate Regulatory Reporting: FCP; ICAAP; ILAAP; Recovery Plan;
- To propose the Internal Pricing Mechanism Policy to the Executive Committee;
- To review Asset allocation for the whole balance sheet;
- To support the Executive Committee in the definition of the investment policy in relation to the Bank's investment portfolio; and
- To monitor 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. Other members include the Executive Board Member responsible for Risk Management, the Treasury Department Head, the Global Head of Risk Management Department, the Global Head of the Finance Department, the Head of the CEO Office, the Head of Corporate Solutions, the Global Head of Structured Finance, and the Global Head of the Fixed Income Division.

During 2020, the Assets and Liabilities Committee held 3 (three) 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 full members, one of whom shall be appointed as Chair, and an alternate". The Supervisory Board shall be elected for a three-year period. The elected members are deemed to be sworn in after the nomination appointment and will continue to perform their duties until the election of those replacing them.

The General Meeting of 17 July 2020 elected members of the Supervisory Board to the 2020-2022 term of office.

The Supervisory Board's key powers are:

- To supervise the Bank's management and being entitled to request any information from the Executive Committee whenever it so deems necessary;
- To ensure compliance with the law and the company's Articles of Association;
- To inspect the correctness of the accounting books, records and their supporting documentation;
- To verify 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;
- To verify whether the accounting policies and valuation criteria adopted by the company lead to an accurate valuation of its assets and results;
- To convene the General Meeting when its direction is under an obligation to convene it, but fails to do so;
- To monitor the process of preparation and disclosure of financial information and submit recommendations or proposals to ensure its integrity;
- To draw 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;
- To inform 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;

- To examine the effectiveness of the risk management system, the internal control system and the internal audit system, if any, 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; and (iii) hold periodic meetings with the Control Functions;
- To receive reports of breaches submitted by shareholders, employees or other persons;
- To retain 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 company;
- To propose the appointment of a Statutory Auditor or firm of Statutory Auditors to the General Meeting, duly substantiating its proposal;
- To supervise the review of the company's accounts and related documents;
- To assess the opinion of the Statutory Auditor on the suitability and effectiveness of internal controls underlying the process of preparation and disclosure of financial information;
- To scrutinise 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;
- To issue an annual opinion on:
  - The effectiveness, suitability and consistency of the internal control, risk management and audit systems;
  - The anti-money laundering and terrorist financing internal control system.

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 2020, the Supervisory Board has held 54 (fifty four) meetings, 31 (thirty one) of which were held after the commencement of the 2020-2022 term of office:

Supervisory Board		**Attendance**
Chair	Maria do Rosário Mayoral Robles Machado Simões Ventura	54/54
Members	Cristina Maria da Costa Pinto	54/54
	Mário Paulo Bettencourt de Oliveira	54/54
Alternate	Paulo Ribeiro da Silva	0/54

From the 54 (fifty four) meetings, with secretarial services provided by a member of the Legal Department,5 (five) meetings were held with the Board of Directors, 4 (four) meetings were held with the Internal Audit Committee, 5 (five) meetings were held with the Corporate Governance Committee, 6 (six) meetings were held with the Risk Committee, and 1 (one) meeting was held with 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 31 December 2020 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	-	-

The professional qualifications and other curricular details of each member of the Supervisory Board and the list of positions occupied in other companies and other important functions is presented in Annex 1 to this Corporate Governance Report.

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. 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 17 July 2020 for the 2020-2022 period. Deloitte is represented by Mr. João Carlos Henriques Gomes Ferreira.

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 14 June 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 31 December 2020, the remuneration attributable to Deloitte and its network, to the amount of EUR 703 thousand is composed as follows, according to the nature and the company to which services were provided:

(thousand euros)

	31.12.2020
Statutory audit of annual accounts (Haitong Bank)	385
Statutory audit of annual accounts (subsidiaries)	147
Other reliability assurance services	48
Other non-statutory audit services	123
Total value of agreed services	**703**

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 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 Policy of the Bank was updated in September 2020.

Employees must communicate to the Supervisory Board any wilful or negligent events or behaviours 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 policy, 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) 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 and in the United Kingdom, while the branch in Poland has a local risk management team acting with Lisbon oversight. The Brazil subsidiary has also has a local risk management team acting with Lisbon oversight.

The Compliance Function reports hierarchically to the Executive Director and functionally to the full 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, and Poland and in the affiliate in Brazil (Haitong Banco de Investimento do Brasil).

The Supervisory Board, in full coordination with the Internal Audit Committee, supervises and evaluates this internal control system by:

- Assessing the operational procedures in order to ascertain whether the respective activities are efficiently managed through appropriate risk management and comprehensive accounting and financial information;
- Monitoring the annual activity reports by each of the control functions; and
- Holding periodic meetings with the heads of the control functions, and conveys to the Board of Directors any recommendations it may deem appropriate.

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 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 to make informed decisions and ensures implementation of and compliance with the risk policies approved by the management body.

For further details, please refer to Risk Management section in the Management Report.

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 emphasised.

All public information about the Bank can be requested from 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

16. Fixed remuneration

Annual amounts paid by Haitong Bank, S.A. or companies under its control in 2020 to each of the members of the Bank's corporate bodies:

Board Of Directors

(euros)

Executive Members of the Board of Directors	Haitong Bank and Branches	Subsidiaries and Affiliates	Total
Wu Min	552,210	-	552,210
José Miguel Aleixo Nunes Guiomar[(1)]	111,983	-	111,983
Nuno Miguel Sousa Figueiredo Carvalho	254,183	-	254,183
Vasco Câmara Pires Santos Martins	255,201	-	255,201
Alan do Amaral Fernandes	-	340,000	340,000
Total	**1,173,577**	**340,000**	**1,513,577**

(1) Appointed an Executive Board Member on 17th July 2020

(euros)

Independent Non-Executive Board of Directors	Haitong Bank and Branches	Subsidiaries and Affiliates	Total
António Domingues	110,000		110,000
Vincent Camerlynck	110,000		110,000
Paulo Martins [(1)]	27,500		27,500
Martina Garcia [(1)]	27,500		27,500
Total	**275,000**		**275,000**

(1) Appointed NED on 17th July 2020

Note: The non-executive (and non-independent) Board members who perform functions at Haitong Securities Group and/or at Haitong International Securities are not authorized, in accordance with local legislation, to receive remuneration for their position at Haitong Bank.

Supervisory Board

(euros)

Supervisory Board Members	Haitong Bank and Branches Total Remuneration
Maria do Rosário Simões Ventura	19,292
Mário Paulo Bettencourt de Oliveira	20,000
Cristina Maria da Costa Pinto	18,375
Total[(1)]	**57,667**

(1) Maria do Rosário Simões Ventura was appointed Chair of the SB on 03 August 2020. The annual remunerations for 2020 were adjusted due to increased attendance of the Supervisory Board in meetings (including Board of Directors and respective Committees' meetings) that was not foreseen.

General Meeting Board

(euros)

General Meeting Chair	15,000

Statutory Auditors

(euros)

Statutory Auditors	Haitong Bank and Branches Total Remuneration
Deloitte e Associados SROC S.A.	385,200

17. Variable remuneration attributed to Bank's corporate bodies

a) General remarks

The Executive Members of the Board of Directors may be entitled to receive a variable remuneration pursuant to the terms of the remuneration policy. Under the terms of the remuneration policy, the variable remuneration is subject to deferral, i.e., one part thereof is paid in the year in which it is attributed and another over subsequent years

No variable remuneration was attributed to other members of the Bank's corporate bodies.

b) Variable remuneration for the year 2018

No variable remuneration was attributed in 2018.

c) Variable remuneration for the year 2019

(euros)

Executive Members of the Board of Directors	VR attributed in 2019 and paid in 2019	VR attributed in 2019 and paid in 2020
Wu Min	162,000	43,200
Nuno Miguel Sousa Figueiredo Carvalho	90,000	24,000
Vasco Câmara Pires Santos Martins	30,000	8,000
Alan do Amaral Fernandes	60,000	14,520
Total	**342,000**	**89,720**

d) Variable remuneration for the year 2020

(euros)

Executive Members of the Board of Directors	VR attributed in 2020	VR attributed in 2020 and paid in 2020	Deferred amount of VR attributed in 2020
Wu Min	370,000	222,000	148,000
José Miguel Aleixo Nunes Guiomar (1)	135,000	81,000	54,000
Nuno Miguel Sousa Figueiredo Carvalho	180,000	108,000	72,000
Vasco Câmara Pires Santos Martins	100,000	60,000	40,000
Alan do Amaral Fernandes	100,000	60,000	40,000
Total	**885,000**	**531,000**	**354,000**

(1) Amount attributed and paid before being appointed EB

1) Relevant Staff of the Bank or companies under its control

a) Fixed and variable remunerations paid by Haitong Bank, S.A. or companies under its control in 2020 to Control Functions Staff:

(euros)

Control Function	Fixed Remuneration	VR attributed in 2019 and paid in 2020	VR attributed in 2020
Risk Control Function	830,907	6,644	155,987
Compliance Function	839,581	7,103	118,081
Internal Audit Function	552,318	7,273	94,941

(euros)

Control Function	VR attributed in 2020 and paid in 2020	Deferred amount of VR attributed in 2020
Risk Control Function	99,213	38,820
Compliance Function	69,015	25,741
Internal Audit Function	58,236	24,978

b) Fixed and variable remunerations paid by Haitong Bank, S.A. or companies under its control in 2020 to other members of staff whose actions have a material impact on the risk profile of the institution ("Identified Staff")

(euros)

Employees	Fixed Remuneration	VR attributed in 2019 and paid in 2020	VR attributed in 2020
Identified Staff 1	8,159,571	194,524	1,770,929

(euros)

Employees	VR attributed in 2020 and paid in 2020	Deferred amount of VR attributed in 2020
Identified Staff 1	1,076,439	697,989

(1) This includes the staff approved as Identified Staff by the Corporate Governance Committee in 2020

2) Number of Relevant Staff hired by the Bank or by companies under its control in 2020

New Staff	Nr.
Risk Control Function	4
Compliance Function	0
Internal Audit Function	0
Other Identified Staff	0

3) Payments made in 2020 by the Bank or by companies under its control to Board members that resigned their mandate or for early termination of the labour contract, Identified Staff or Control Functions Staff, with the number of beneficiaries of such payments and the largest payment made:

(euros)

Employees Departures	Nr.	Amount
Board Members	0	0
Risk Control Function	3	40,828
Compliance Function	0	0
Internal Audit Function	0	0
Identified Staff	0	0

The largest payment made was 26,011 euros.

4) Payments made in 2020 by the Bank or by companies under its control to Board Members related to expatriation allowances:

(euros)

Executive Members of the Board of Directors	From Current Year	From Previous Years	Total
CEO	83,203		83,203

PART V – TRANSACTIONS WITH RELATED PARTIES

The Bank's Policy of Transactions with Related Parties ("Policy") 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. The Corporate Governance Committee is responsible for the assessment and approval of related parties' transactions. For this purpose, according to the Bank's Policy and in line with IAS 24 and article 33 of the Bank of Portugal Notice 3/2020, "related parties" are (i) members of management or supervisory bodies of the Bank; (ii) key function holders and senior managing directors of the Bank; (iii) any person or entity, independently of the legal status they have, holding a family, business or legal tie with the persons referred to in (i) and (ii); (iv) entities holding qualified participations in the Bank; (v) companies where members of the Board of Directors or Supervisory Board (or any family members) hold a qualified participation; and (vi) depositors, creditors or debtors of the Bank having a position that allow them to influence management.

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 Policy describes the procedure to be followed regarding these transactions: a Prior Notice needs to be provided to the Corporate Governance Committee with a description of the envisaged transaction, before this Committee issues an opinion on the business.

The Corporate Governance Committee Regulations define that the Committee is responsible for issuing a prior and reasoned opinion on any Related Party Transaction (the outcome being one of "no objections raised", "conditions imposed" or "objections raised"), based on an assessment of compliance with the arm's-length rules and with the Bank's Conflicts of Interest Policy.

In what concerns Transactions with Related Parties that are companies from the Haitong Group (i.e., Haitong Securities Co. Ltd and all the companies under its control), the Related Parties' Policy was updated in order to include a set of requirements that optimize and facilitate the process of approval of business with these particular companies. As such, the criteria set out in number 2.2 of the Related Parties' Policy defines that it is accepted that the Corporate Governance Committee will not raise objections to transactions with this type of companies that refer to advisory services and transactions that do not bear any credit or market risk for the Bank. Consequently, the requirements of no. 2.2 of the Policy eliminate the need to submit the Prior Notice of these transactions to the Committee as described in the Policy. The majority of the related parties' transactions concluded in 2020 consisted of financial advisory services and other transactions without credit or market risk for the Bank, to the amount of close to EUR 31.5 million and corresponding to 41 (forty-one) transactions. These transactions were presented to the Corporate Governance Committee with a solely informative purpose, as they fell within the above-mentioned Related Parties' Policy requirements.

As for the Related Party Transactions that fell outside the scope of the framework, there were six transactions that were analysed individually. All members of the Corporate Governance Committee unanimously endorsed those 6 (six) transactions, meaning that the Committee did not object nor approve with conditions any Related Party Transaction carried out in the year 2020.

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 25 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 Member and Deputy Chairman of Haitong International Securities Group Limited Assistant to General Manager of Haitong Securities Company Limited Non-Executive Board Member of Haitong Banco de Investimento do Brasil, S.A.	Hong Kong Financial Services 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. Non-Executive Board Member 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 27 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 S. 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 Alan 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.	Non-Executive Member of Empresa Brasileira de Projectos, S.A. – EBP
 **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 and Economist at the Ministry of Industry and Energy.Currently, he is a member of the Board of Directors of NOS,S.A.,	Mr. Domingues has a degree in Economics from the Instituto Superior de Economia in Lisbon.	n.a.	Non-Executive Board Member of NOS, S.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
 **Martina García** *Non-Executive Director*	Doctor Martina Garcia has over 20 years of experience in international economic policy. She is currently head of international markets strategy at the London Stock Exchange Group (LSEG) where she developed jointly with the Shanghai Stock Exchange the Shanghai-London Stock Connect launched in 2019. Prior to joining LSEG, she was Deputy Director for Banking and Financial Sector Analysis at Her Majesty's Treasury, the UK finance ministry, where she led the negotiation and implementation of the post-crisis banking regulatory framework. Prior to the financial crisis, Doctor Martina Garcia was a trade and development policy expert working at the OECD where she launched the joint WTO-OECD Aid for Trade initiative in 2006. Doctor Martina Garcia has been a non-Executive Board Member of Haitong Bank since August 2020.	Doctor Garcia gained a PhD in agricultural economics at Imperial College (formely Wye College) in 1997. Her first degree in Economics was obtained at the Universidad Autonoma de Barcelona.	n.a.	Head of International Markets Strategy at London Stock Exchange Group
 **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 of Haitong Bank and the Chairman of the Investment Banking Committee. Mr. Miguel 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. Miguel 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-Brazil Chamber of Commerce Board Member of the Portugal - China Chamber of Commerce

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 22 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. Non-Executive Board Member of Haitong Inventment Ireland p.l.c	n.a.
 **Pan Guangtao** *Non-Executive Director*	Mr. Pan has 26 years of experience in the securities industry, including 4 years in information system development and management and 22 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. Deputy Chairman of Proprietary Investment Committee of Haitong Securities Co. Ltd. General Manager of Equity Investment and Trading Department of Haitong Securities Co. Ltd.	Member of Trading Committee of CFFEX (China Financial Futures Exchange)
 **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 and Manager at Rational Dreams, Lda.

Board of Directors of Haitong Bank, S.A.	Professional Experience	Academic Background	Positions in Haitong Group companies	Positions in companies outside the Haitong Group
 **Vasco C. Martins** *Executive Director*	Mr. Vasco Câmara Martins has extensive experience of working in Financial Institutions, approximately 20 years, in multiple Risk Management roles, with a particular focus on the (Risk related) activities pursued by the Bank. A significant part of the roles held by Mr. Vasco Martins (from the past 10 years) were senior managerial positions in Risk Management, with Lead Functions and direct reporting to the Board of Directors.	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.
 Vincent Camerlynck *Non-Executive Director*	Mr. Vincent Camerlynck has 34 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 to business leaders by leveraging on his deep understanding of the asset management industry's fundamentals and business and change management experience.	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 19 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) Non-Executive Board Member 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 Bank Group companies	Positions in companies outside the Haitong Bank 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.
Mário Bettencourt de Oliveira *Member of the Supervisory Board*	Doctor Mário de Oliveira is an auditor and partner at Ribeiro da Cunha da 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 Capital, SCR, S.A.	Member of the Supervisory Board of Silvip - Sociedade Gestora de Organismos de Investimento Coletivo, S.A. Alternative Member of the supervisoty Board of the: Agência de Gestão da Tesouraria e da Dívida Pública - IGCP, E.P.E.; 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.; 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 - Vendas e Marketing, S.A.; Esporão, 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.; Imobiliária Construtora Grão Pará, S.A.; IMOSPEL-Compra e Venda de Imóveis, S.A.; JHR - Sociedade Gestora de Participações Sociais, S.A.; 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.; Multiparques a céu aberto-Camp., Carav. em Parques, 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.; SILIMO - Sociedade Imobiliária, S.A.; Soc. Administação de Bens Monte da Várzea do Moinho, S.A.; Sociedade Agrícola da Carregueira do Mato, S.A.; STDA - Sociedade Turística do Alentejo; STELLAMARE, S.A.

Supervisory Board of Haitong Bank, S.A.	Professional Experience	Academic Background	Positions in Haitong Bank Group companies	Positions in companies outside the Haitong Bank Group
Cristina 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 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 Limitada
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.	n.a.	Member of the Supervisory Board of the: GamaLife - Companhia de Seguros de Vida, S.A. (ex - GNB – Companhia de Seguros de Vida, S.A.); ACP – Mobilidade, Sociedade de Seguros de Assistência, S.A.; 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 - Sociedade Gestora de Participações Sociais, S.A; Azinor Cconsulting & Services, S.A.; Azinor Distribuição SGPS, S.A.; Azinor Finance – SGPS, S.A.; Azinor Lmobiliária, 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.; 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.; 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.; Portas de Lisboa - Soc. de Invest. Imobiliários, S.A.; Portas de Lisboa Dois - Soc. de Invest. Imobiliários, S.A.; Sana Hotels Portugal, S.A.; Sep Sancho - Equipamentos Pecuários e Construção, S.A.; Sérgio Martins - Com. Prod. p/ Agric. e Pecuária, Lda.; 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

(Article 508º G – Portuguese Corporate Code)

This section discusses the development, performance, position and impact of Haitong 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.

Social Responsibility

Haitong Bank endeavours to ensure that it has, at all times, a responsible relationship with all its stakeholders, particularly Employees, Customers, and Shareholders. It aims to develop its activities alongside a sound culture of social responsibility and to contribute to the social benefit and development of the sectors and communities with which it interacts in the course of its activities.

In 2020, the world faced its largest health crisis in a generation shockwaves across the global economy with caused by the COVID-19 pandemic that originated unseen human distress and a legacy of economic and financial imbalances. It will require more than a couple of years, in our view, to register a full recovery to pre-pandemic levels.

The effects of the global ongoing COVID-19 pandemic have dramatically changed the way businesses around the world operate, putting an increased focus on the importance and safety of people as the most valuable asset of any firm. Haitong Bank started to manage this crisis by taking several measures to prioritize the health of its employees and their families, and to be prepared operationally to serve its clients by putting in place its business continuity plan. Circa 90% of its employees started working remotely and special teams were created to closely monitoring developments and coordinate responses.

During 2020, Haitong Bank has shown a good level of resilience to the impacts of Covid-19 due to the nature of its corporate and institutional business.

During the year, Haitong Bank remained committed to its social responsibilities and has continued to participate, support and encourage its employees and related parties to be active and fully engaged.

In February 2020, the Bank approved a policy to support charity institutions and social causes, giving priority to children at risk. The support should be given namely through: 1) the promotion of good social practices, internally and externally; (ii) involvement of employees in social causes; and (iii) monetary donations.

The Haitong Bank in Lisbon donated EUR 1,900 in sports equipment to the Futsal teams of a social housing estate club called "Grupo Desportivo e Cultural Fonsecas e Calçada", to be used by 13- to 15-year-old children. The Bank has also donated EUR 5,000 to the Portuguese League Against Cancer, and its employees raised EUR 320 to donate to the same institution.

In the context of the crisis caused by the COVID19 pandemic, Haitong Bank in Lisbon acquired 1,000 full-face visors, worth EUR 4,920, were donated to the National Health Service, to protect health professionals from Covid-19 contagion.

In partnership with the Fosun Foundation, Rio Bravo and Guide Investimento, Haitong Bank in Brazil donated 9,600 COVID-19 PCR tests, testing equipment and 2,000 masks for hospital teams to the Federal District Government Health Department.

Between May and June, basic food baskets and hygiene and cleaning kits were donated in partnership with 5 social institutions from the city of São Paulo.

In association with the McDia Feliz Project, Haitong Bank participated in the annual campaign of the Ronald McDonald Institute, which develops health and education initiatives for Brazilian children and young people, as well as research aimed at increasing the cure ratios for child cancer.

Through the TUCCA institutions and the Ayrton Senna Institute, Haitong Bank helped five social centres that work with needy families in the city of São Paulo - Casa do Zezinho, Instituto Reciclar, Liga Solidária, Obra do Berço and Vocação.

In December, Haitong Bank used its tax credits to support social projects through the Tax Incentive Law. These projects helped families living in vulnerable conditions in the deprived peripheral areas of São Paulo.

In Poland, Haitong Bank donated a prize to the laureate of the 4th 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.

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, such as the secure and confidential destruction of documentation. Haitong Bank generated 2 tons of recycled paper, thereby reducing its ecological footprint, through the safe and confidential destruction of documents.

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.

Employee-Related Issues

Please see “People” section of the Management Report.

Equality and Diversity

The Bank advocates diversity of skills, geography and generations in the composition of its corporate bodies. It puts a special focus on gender diversity in the Bank's management bodies in order to promote equal opportunities and socially responsible behaviour at the Bank. Diversity in general promotes efficiency and an atmosphere of constructive challenge and debate amongst senior management.

In the Bank’s “Policy on the Selection and Assessment of Members of the Management and Supervisory Bodies and Key Function Holder” (https://www.haitongib.net/media/2913/06-policy-on-the-selection-and-assessment-fev2020.pdf) Haitong Bank commits to having 30% of women represented in the following by 2022:

- The Board of Directors
- The Supervisory Board
- In overall key function positions.

Currently, women represent 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. Within the Bank's management bodies, around 25% are represented by women.

Corruption and Bribery Prevention

Haitong Bank is an international financial institution active in multiple geographies and jurisdictions. As such, its responsibility is to ensure that its employees conduct themselves with the utmost integrity and due diligence while carrying out their activities. As per the Bank's Code of Conduct, employees must perform their functions according to the highest standards of professionalism, competence, due diligence and loyalty, and in strict compliance with the relevant legal and regulatory provisions in force in the geographies where they operate.

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: U.S. Foreign Corrupt Practices Act and the UK Bribery Act.

Overall Assessment

Haitong Bank understands that a serious commitment with Environmental, Social and Governance (ESG) matters is key to the Bank's success and incorporates them as part of its overall business strategy. In 2020, Haitong Bank has fully embraced various initiatives to achieve this goal, consistently with the Bank's size, exposure and limited footprint, and going forward will continue to integrate its commitment to a sustainable growth into the internal policies, principles and processes.

Supervisory Board of Haitong Bank, S.A.

Summary of the Self-Assessment Report

(Free translation of a report originally issued in Portuguese language: in case of doubt the Portuguese version will always prevail)

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 January 2020 and 31 January 2021 (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 and the United Kingdom.

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 60 (sixty) meetings during the Reference Period, of which 44 (forty-four) were held at the invitation of the Board of Directors and the members of the Internal Audit, Risk and Corporate Governance Committees, and also held meetings with the presence of representatives of the Internal Audit, Compliance and Risk Control functions and with the representatives of the external auditor. In summary, around 73% of the meetings of the Supervisory Board during the Reference Period were held with representatives of the Bank and Committees directly involved in promoting an organisational culture and implementing internal control and governance systems, which demonstrates a significant involvement of the Supervisory Board in the matters dealt with in 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.;

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 01 March 2021, 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, 12 March 2021

THE SUPERVISORY BOARD

Maria do Rosário Ventura - Chair

Mário Bettencourt de Oliveira - Member

Cristina Maria Costa Pinto - Member

Earnings Distribution Proposal

Considering that, as of 31 December 2020, the Bank showed a consolidated net profit of EUR 1,641,431.83 (one million, six hundred and forty-one thousand, four hundred and thirty-one euros and eighty three cents) and an individual net loss of EUR 12,033,896.55 (twelve million, thirty-three thousand, eight hundred and ninety-six euros and fifty-five cents), the Board of Directors proposes to the Annual General Meeting that the net loss showed in the individual accounts be allocated to:

- Other Reserves and Retained Earnings: EUR -12,033,896.55 (twelve million, thirty-three thousand, eight hundred and ninety-six euros and fifty-five cents);
- Total: EUR -12,033,896.55 (twelve million, thirty-three thousand, eight hundred and ninety-six euros and fifty-five cents).

Declaration of Conformity

In accordance with Article 245, number 1, paragraph 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 individual financial statements of Haitong Bank, S.A. for the year ended on 31 December 2020 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 245, number 3, of the Portuguese Securities Code;
b) The consolidated financial statements of Haitong Bank, S.A. for the year ended on 31 December 2020 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 245, number 3, of the Portuguese Securities Code;
c) The financial statements referred to in paragraphs a) and b) above give a true and fair view of Haitong Bank, S.A. and consolidated companies' assets, liabilities, equity and earnings;
d) The Management Report describes faithfully Haitong Bank, S.A. and the consolidated companies' business evolution, performance and financial position for the year ended on 31 December 2020, and includes a description of the main risks and uncertainties that could affect the business.

Lisbon, 25 February 2021

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 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*

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