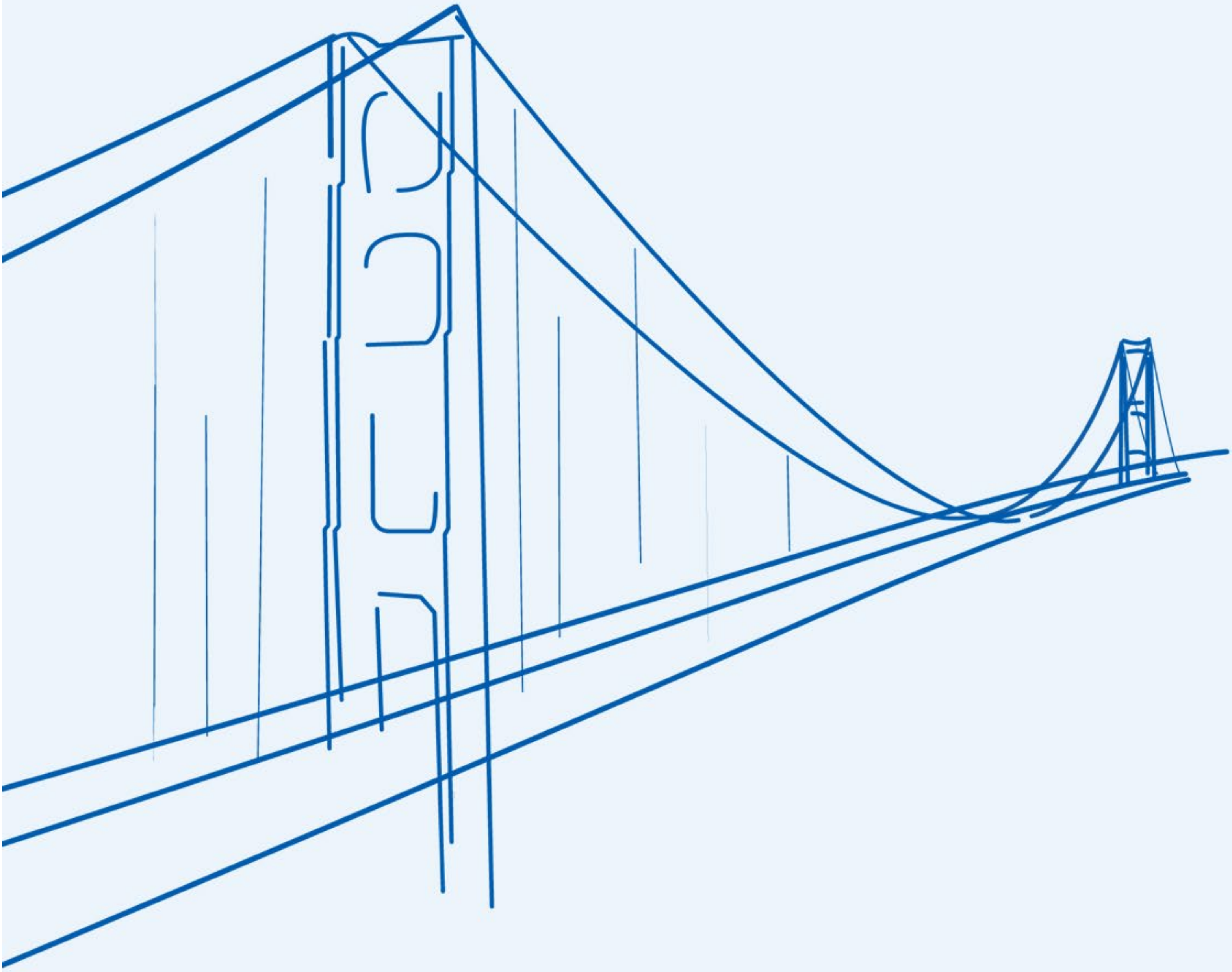
Interim Report | 2023



HAITONG

HAITONG BANK, S.A.

Edifício Quartzo Rua Alexandre Herculano, 38
1269-180 Lisbon | PORTUGAL
Registered Share Capital: 863 278 725 euros
Corporate Registration
and Tax Payer Number: 501 385 932

PORTUGAL

Haitong Bank, S.A
Rua Alexandre Herculano, 38
1269 -180 Lisbon | Portugal
Phone: + 351 21 319 69 00
Email: info.haitongbank@haitongib.com

SPAIN

Haitong Bank, S.A., Spain Branch
Paseo de la Castellana 52, 1st floor
28046 Madrid | Spain
Phone: + 34 914005400
Email: info.spainbranch@haitongib.com

POLAND

Haitong Bank, S.A., Warsaw Branch
Zlota 59, floor V - 00-120
Warsaw | Poland
(Entrance “Lumen” from Jana Pawła II Avenue)
Phone: + 48 22 347 4000
Email: info.warsawbranch@haitongib.com

UNITED KINGDOM

Haitong Bank, S.A., London Branch
8 Finsbury Circus, 3rd floor EC2M 7EA
London | United Kingdom
Phone: +44 207 4569191
Email: info.ukbranch@haitongib.com

BRAZIL

Haitong Banco de Investimento do Brasil, S.A
Av. Brigadeiro Faria Lima, 3729 – 8th floor
Itaim Bibi, CEP 04538-905, Sao Paulo | Brazil
Phone: + 55 11 3074 7444
Email: info.haitongbrazil@haitongib.com.br

MACAU

Haitong Bank, S.A., Macau Branch
Avenida Doutor Mário Soares, 300 – 322
Finance and IT Centre of Macau 20th floor, F | Macau
Phone: +853 8290 1000
Email: info.macaubranch@haitongib.com

FRANCE

Haitong Bank, S.A., Paris Representative Office
10, Avenue Franklin Roosevelt
75008 Paris | France
Tel. +331 43 87 49 30
Email: Info.paris@haitongib.com

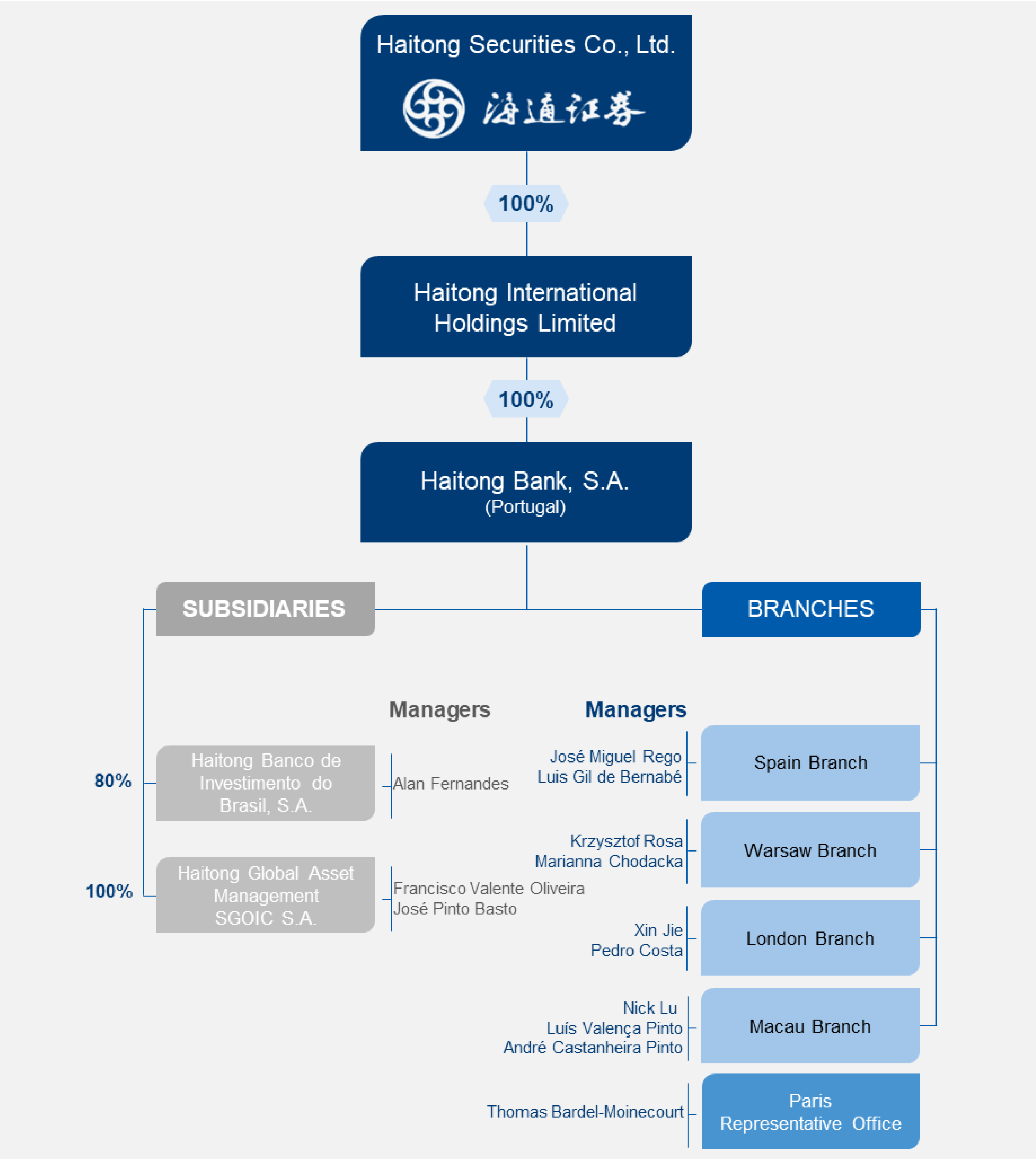
KEY INDICATORS

(million euros)

	2023 June	2022 December	2022 June
Balance Sheet			
Total Assets	3,474	3,416	3,129
Total Liabilities	2,832	2,788	2,514
Total Equity	642	628	615
Results			
Banking Income	35	74	22
Operating Costs	-29	-61	-30
Operating Profit	6	13	-8
Impairment and Provisions	0	0	4
Net Profit / (Loss)	5	11	-4
Profitability			
Return on average shareholders' equity (ROE)	1.4%	1.8%	-1.5%
Income before tax and non-controlling interests / Average equity (1)	1.8%	2.1%	-1.7%
Return on average net assets (ROA)	0.3%	0.3%	-0.3%
Income before tax and non-controlling interests / Average net asset (1)	0.3%	0.4%	-0.4%
Banking Income / Average net assets (1)	2.1%	2.3%	1.5%
Efficiency			
Operating costs / Banking income (Cost to Income ratio) (1)	83.0%	82.9%	140.4%
Staff Costs / Banking Income (1)	54.3%	53.5%	91.0%
Credit Quality			
Loan Portfolio (gross)	871	786	757
Loan Loss Charge	0.3	1.3	-0.2
Non-Performing Loans Ratio	1.0%	1.2%	1.3%
Non-Performing Loans Coverage	62.9%	64.6%	58.4%
Solvency			
CET1 ratio (phased-in)	15.5%	17.4%	18.0%
Total capital ratio (phased-in)	19.6%	21.8%	22.5%
CET1 ratio (fully-loaded)	15.5%	17.3%	18.0%
Total capital ratio (fully-loaded)	19.6%	21.8%	22.5%
Leverage			
Leverage Ratio (phased-in)	10.9%	12.2%	15.0%
Leverage Ratio (fully-loaded)	10.9%	12.2%	15.0%
Liquidity Position			
Net Stable Funding Ratio (NSFR)	124%	145%	144%
Liquidity Coverage Ratio (LCR)	191%	236%	257%
Loans to deposits ratio ((Gross loans - provisions) / customer deposits) (1)	121%	107%	74%
Total Headcount	364	357	358

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

ORGANISATIONAL STRUCTURE



Senior Management

Board of Directors

Chairman

Lin Yong

Chief Executive Officer and Executive Board Member

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

Wu Min

Executive Board Member

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

Alan Fernandes

Executive Board Member

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

Miguel Guiomar

Executive Board Member

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

Nuno Carvalho

Executive Board Member

- Risk Management
- Rating
- Operations

Vasco Câmara Martins

Non-Executive Independent Board Member

António Domingues

Non-Executive Independent Board Member

Martina García

Non-Executive Board Member

Pan Guangtao

Non-Executive Board Member

Paulo Martins

Non-Executive Independent Board Member

Vincent Camerlynck

Non-Executive Board Member

Zhang Xinjun

Senior Managers with a Seat on the Executive Committee

Head of the Finance Department

António Pacheco

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

Pedro Costa

Business Strategy

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

PRODUCT LINES

CORPORATE & INVESTMENT BANKING	INSTITUTIONAL SERVICES

SOURCES OF BUSINESS

EUROPE & LATIN AMERICA	CHINA	CROSS-BORDER

Haitong Bank's strategy is underpinned by three main drivers:

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

Through its operations in Portugal, Spain, the UK, Poland, Brazil, Macau and Paris, Haitong Bank is committed to serving its domestic, corporate and institutional clients alongside a growing Chinese client base.

The Bank's competitive differentiator lies in its China cross-border capabilities combined with long-standing expertise in European and Latin American markets. Its mission is to provide first-rate service to Clients and to further develop the Group's franchise in Western markets while creating shareholder value. This encompasses a strong sense of capital preservation and consistent profitability driven by a conscious risk taking approach and an effective cost base, in full compliance with rules and regulations.

The Bank is committed to sustainably supporting its Clients' activities, ensuring that all clients are treated equally, that their legal interests and confidentiality are protected, and that high quality and efficient services are provided at all times.

Haitong Bank conducts its activities guided by a corporate culture shaped by its core values of Transparency, Meritocracy, Perseverance and Integrity. Earning the trust and respect from Clients and other stakeholders, particularly Regulators, is the cornerstone of the Bank's collective goal for success. This goal is supported by a coherent rules-based organization, with a clear code of conduct, strategy, and governance framework.

PRODUCT

BUSINESS MODEL

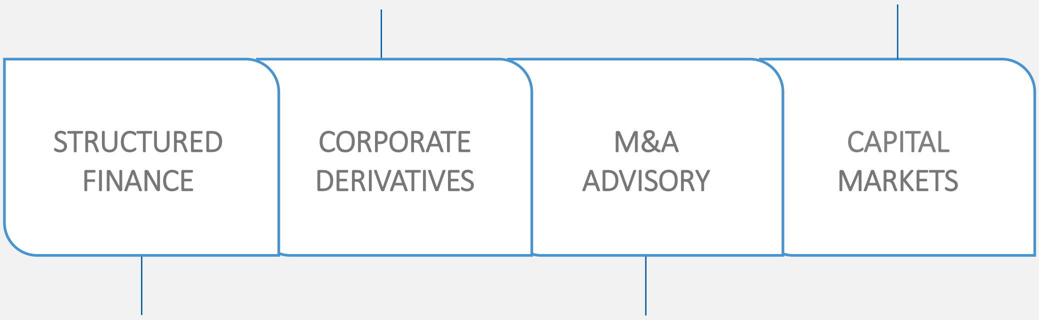
CORPORATE & INVESTMENT BANKING

Corporate Derivatives

Hedging Solutions
Commodities
Interest Rate
FX

Capital Markets

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



Structured Finance

Corporate Lending
Collateralised asset finance
Project finance
Acquisition finance
Guarantees

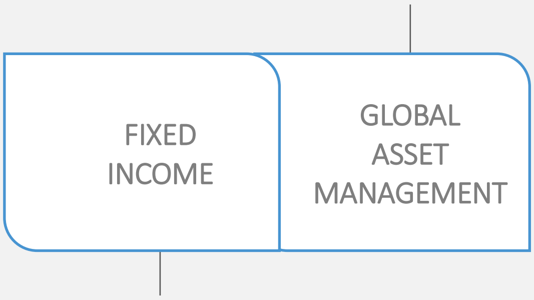
M&A Advisory

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

INSTITUTIONAL SERVICES

Global Asset Management

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



Fixed Income

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

Corporate Solutions

Overview

The Corporate Solutions Division is responsible for managing corporate client coverage and business origination. This Division partners with clients to ensure the best corporate and investment banking solutions that meet their needs. Haitong Bank holds a unique business positioning that combines a differentiating China angle with a deep-rooted presence in various domestic markets in Europe and Latin America.

Strategy

The Corporate Solutions Division plays a central role in the Bank's strategy, underpinned by the sustainable growth of its client base in the various regions where it operates.

Activity Highlights

Overall, client activity has picked up throughout the first semester despite the challenging macroeconomic environment. Senior Bankers have continued to collaborate with existing and new corporate clients, who have entrusted the Bank with increasing levels of activity in multiple products.

The Corporate Solutions team works closely with the various product areas, promoting a comprehensive strategic alignment between the Bank's Clients and product areas:

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

INSIGHTS

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

CORPORATE CLIENTS	CORPORATE SOLUTIONS	PRODUCT AREAS

CONNECTING CLIENTS TO PRODUCTS

NETWORK

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

SOLUTIONS

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

Capital Markets

Overview

The Capital Markets Division comprises the origination, structuring and execution of market-oriented debt and equity instruments. The Bank provides its services to corporates, financial institutions, public companies and state-related entities. In the Debt Capital Markets (DCM) area, the Bank engages in structuring debt instruments, namely domestic debt issues and cross-border issues, especially related to China and other emerging markets, as well as hybrid products, ESG bonds, project bonds, commercial paper programmes, and liability management. Equity Capital Markets (ECM) transactions are explored on a case-by-case basis, mainly comprising capital increases, takeover offers, equity-linked instruments, and listings and delistings for corporate clients.

Strategy

The Capital Markets business area is mainly focused on DCM activities with residual ECM origination analysed on a case-by-case basis. The DCM business strategy is based on two pillars: (i) Historical franchise (local debt issuance in Portugal, Spain, Poland, Brazil and in Macau), leveraging on its local underwriting, structuring and distribution capabilities; and (ii) China-related business, leveraging on Haitong's 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 four years in EUR and USD-denominated transactions for Chinese issuers. In addition, the Bank leverages on Haitong Group's unique access to Asian pools of demand.

OFFERING

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

Banking Income

€4.3m

Weight in Total

12%

1H2023 Market Review

Debt Capital Markets (DCM)

After a sobering 2022 marked by high market volatility and the impacts of the Russia-Ukraine war, investors entered 2023 with a cautious sentiment, as the macroeconomic environment remained challenging with interest rates and yields continuing to spike, in response to the persistent inflation.

Despite the challenging context, markets have powered through in the first half of this year, pointing to a still-resilient economy and signalling that the bear market period might be over.

Overall, global DCM activity totalled USD 4.7 trillion in 1H2023, down by 5% when compared to the same period of last year ("1H2022") and representing the slowest opening period for DCM activity since 2019. The number of new offerings brought to market during 1H2023 totalled 14,000, which represented a 6% decline compared to a year ago and a three-year low. In the second quarter of 2023 ("2Q2023"), DCM issuance decreased by 9% when compared to the first quarter of this year ("1Q2023").

Global Investment Grade corporate debt offerings totalled USD 2.4 trillion during 1H2023, up by 1% year-on-year. However, Investment Grade debt issuance registered a 5% decline in 2Q2023 compared to 1Q2023. Moreover, European Investment Grade supply registered a 20% increase compared to 1H2022.

The Global High-Yield debt activity during 1H2023 totalled USD 119.5 billion, an increase of 30%, when compared to 1H2022, marking a two-year high. High-yield offerings from issuers in the United States, Germany, and Canada accounted for 75% of the 1H2023 issuance, up from 66% in the same period last year.

According to figures compiled by Refinitiv and The Climate Bonds Initiative, green bond issuance increased by 19% year-on-year, totalling USD 270.9 billion during 1H2023 – being the strongest first half in terms of issuance volume since records began in 2015. The 2Q2023 marked the second consecutive quarterly issuance record, with an 11% increase compared to 1Q2023. Green bonds remained the dominant ESG label in nearly all sectors, and the trend of declining social and sustainability-linked bond issuance continued through 2Q2023. Regionally, Europe accounted for more than half of all ESG-labelled bonds, followed by North America and Asia.

International bond offerings totalled USD 2.4 trillion in 1H2023, a 5% year-on-year increase. Emerging market issuer debt amounted to USD 139.7 billion in 1H2023, up 7% year-on-year. It should also be noted that corporate debt issuers from India, Thailand, and Saudi Arabia accounted for 56% of the emerging market activity in 1H2023.

In the first half of 2023, Asia's local currency bond offerings totalled USD 1.7 trillion, a 13% decrease year-on-year, representing the slowest opening period in two years. China's Yuan offerings have decreased by 15% compared to 1H2022 and the Japanese Yen offerings increased by 12% compared to the same period last year, making it a two-year high and totalling JPY 11.4 trillion.

Issuance volumes remained at a low in Europe, mainly focused on corporate Investment Grade and Sovereigns, as a consequence of the "flight-to-quality" movement of investors, together with their focus on short maturities.

Equity Capital Markets (ECM)

ECM activity had the strongest opening period activity in two years, totalling USD 274.5 billion in 1H2023, a 13% increase compared to 1H2022. By number of issues, just over 2,300 ECM offerings were brought to market during 1H2023, up 10% from 1H2022, when the lowest figure in 10 years was registered. Global capital raising during 2Q2023 decreased by 4% compared to 1Q2023, despite registering a 4% increase in the number of new issues.

Issuers from China raised USD 75.5 billion in the global equity capital markets during 1H2023, a decrease of 18% compared to levels seen a year ago, and the lowest percentage of global ECM activity during a first half since 2021. As a percentage, the United States accounted for one quarter of overall issuances, with proceeds doubling compared to 1H2022.

Global initial public offering activity, excluding SPACs, totalled USD 57.0 billion during 1H2023, which represented a decrease of 22% compared to 1H2022 levels and the slowest opening period for global IPOs since 2016. Total proceeds for IPOs on US stock exchanges totalled USD 8.8 billion during 1H2023, representing a 22% increase compared to a year ago and the strongest opening period for capital raising since 2021, a two-year high with proceeds doubling for the same period. China-domiciled IPOs totalled USD 30.7 billion during 1H2023, down 3% year-on-year.

Global secondary offering activity totalled USD 172.2 billion during 1H2023, a 22% increase compared to a year ago and the strongest opening period for capital raising since 2021. In addition, just over 1,560 follow-on issues were priced during 1H2023, a 14% increase compared to 1H2022.

Activity Highlights

Iberia

In Portugal, Haitong Bank's DCM activity in 1H2023 was marked by the diversity of the transactions closed, having acted, among others, as:

- Sole Global Coordinator in the EUR 50 million 5.75% bonds due 2026, through a Public Bond and Exchange Offer by Sport Lisboa e Benfica – Futebol SAD, with final demand reaching EUR 121.2 million, i.e. 2.4x of the issued amount;
- Sole Global Coordinator in the EUR 55 million 6.25% bonds due 2026, through a Public Bond and Exchange Offer by Futebol Clube do Porto – Futebol SAD, with final demand reaching over EUR 75 million, i.e. ca. 1.4x of the issued amount;
- Arranger and Dealer of Mota-Engil, SGPS, S.A.'s EUR 30 million commercial paper programme;
- Listing Sponsor, on the ECM side, in the technical listing of 37,000,000 shares of Atrium BIRE SIGI, S.A., representing the total share capital of the company, which 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 3.12.

Haitong Bank's DCM and Fixed Income teams also organized two Iberian non-deal roadshows for Portuguese corporates, allowing institutional investors to meet with the senior management of the companies, via a series of in-person and virtual meetings.

In Spain, the debt capital market continued the trend of 2H2022 throughout 1H2023, clearly conditioned by interest rate hikes and macroeconomic uncertainty.

The high-yield market represented by MARF (Mercado Alternativo de Renta Fija) remained with limited activity, with outstanding note volumes declining and no corporate bond issuances except for an exchange offer by Empresa Naviera Elcano at the end of June. Local investors also remained reluctant to invest in illiquid issues.

In parallel, Haitong Bank's DCM team in Spain continued to develop its activity in the financial advisory landscape and private placement of debt transactions. Based on this strategy, the team achieved the following milestones:

- Mandated to advise on the structuring and placement of capex debt for the leading online lottery distribution company in Spain and Mexico;
- Structuring and raising debt for the refinancing of a real estate asset of offices and production centres in Spain;
- Working on a private placement of a green bond for a renewable energy company;
- Working on a private placement for an industrial company in the renewable energy equipment sector.

Poland

The Polish debt market has also been affected by geopolitical tensions in Europe, as well as by the high interest and inflation rates and outflows from bond funds during 1H2023. As a result of the loss of interest from both companies financing themselves via bond issues and investors buying debt instruments, the number of transactions in this segment of the financial market in Poland dropped.

Despite the difficult backdrop, Haitong Bank's DCM team in Poland obtained a mandate from a local company owned by a large German capital group to issue bonds worth up to EUR 35 million. The works are in progress and the transaction settlement should take place in the second half of the year.

Brazil

In Brazil, issuance in debt capital markets reached approximately BRL 127 billion during 1H2023, a reduction of 33% from the same period of last year. Once again, fixed income debentures stood out and accounted for BRL 78 billion in 1H2023, i.e. 61% of the total volume.

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

A significant factor shaping the DCM market during 1H2023 in Brazil was the financial problems of two frequent issuers, which led to a drastic reduction in demand for new issuances. Nevertheless, despite this factor, the demand started to rise again toward the end of 1H2023, pointing to a trend of a much more heated market during the second half of the year.

Macau

Despite being a relatively new player in the market, Haitong Bank's Macau Branch has been successful in bringing Chinese borrowers to the international debt capital markets. In 1H2023, the Branch participated in 22 overseas USD bonds and Shanghai Free Trade Zone (Pearl) Bond issuance transactions, with a total issuance amount of USD 1.25 billion and RMB 15.81 billion. This shows that the Branch has been able to establish itself as a key player in the international debt capital markets and successfully leveraged its expertise to facilitate Chinese borrowers' participation in international bond issuances.

In addition, the Macau Branch played a Joint Lead role in ten deals that were listed on MOX (ChongWa (Macau) Financial Asset Exchange Co., Ltd.) during 1H2023, helping to support the development of the bond market in Macau, which is one of the priority developments for the Macau government. Macau's Branch has been able to play a key role in facilitating the bond market in Macau and has demonstrated its commitment to supporting the region's economic growth.

Furthermore, Macau’s DCM team participated in three green bond issuances during 1H2023, thus strengthening the Branch's commitment to environmental, social, and governance (ESG) considerations, which have become increasingly important in the financial industry.

Overall, the Macau Branch has made significant progress in its business activities in a short period of time. Its successful participation in international bond issuances, support for the development of the bond market in Macau, and commitment to ESG considerations demonstrate its ability to adapt to changing market conditions and its commitment to sustainable growth.

SOE | CHINA

CHOUZHOU INTERNATIONAL INVESTMENT LIMITED

义乌市国有资本运营有限公司

YIWU STATE-OWNED CAPITAL OPERATION CO., LTD.

5.70% Green Bonds due 2026

US$ 400,000,000

Joint Lead Manager, Joint Bookrunner

2023

HAITONG

SPORTS & ENTERTAINMENT | PORTUGAL

BENFICA SAD

Public Bond & Exchange Offer

€ 50,000,000

Sole Global Coordinator

2023

HAITONG

SOE | CHINA

中航国际融资租赁有限公司

3.75% Green Bonds due 2026

¥ 1,100,000,000

Joint Global Coordinator, Joint Lead Manager, Joint Bookrunner

2023

HAITONG

CONSTRUCTION & REAL ESTATE | PORTUGAL

ATRIUM BIRE, SIGI, S.A.

Technical Listing

€ 37,000,000

Listing Sponsor

2023

HAITONG

SOE | CHINA

Taishan City Investment Co., Limited

泰山城市投資有限公司

TAIAN CITY DEVELOPMENT AND INVESTMENT CO., LTD.

7.95% Bonds due 2024

US$ 120,000,000

Joint Lead Manager, Joint Bookrunner

2023

HAITONG

CONSTRUCTION & REAL ESTATE | PORTUGAL

MOTA-ENGIL

Commercial Paper Programme

€ 30,000,000

Arranger, Dealer

2023

HAITONG

FIG | CHINA

Haitong International Finance Holdings Limited
(incorporated with limited liability in the British Virgin Islands)
unconditionally and irrevocably guaranteed by
海通证券股份有限公司
HAITONG SECURITIES CO., LTD.

3.4% Bonds due 2026

¥ 4,000,000,000
Joint Global Coordinator, Joint Lead Manager, Joint Bookrunner
2023
HAITONG

SPORTS & ENTERTAINMENT | PORTUGAL

Public Bond and Exchange Offer

€ 55,000,000
Sole Global Coordinator
2023
HAITONG

SOE | CHINA

HCG 湖州城市集团
HUZHOU CITY INVESTMENT DEVELOPMENT GROUP CO., LTD.

5.68% Green Bonds due 2026

US$ 300,000,000
Joint Lead Manager, Joint Bookrunner
2023
HAITONG

SOE | CHINA

LONG TOU
TAIYUAN LONGCHENG DEVELOPMENT INVESTMENT GROUP CO., LTD.

4.30% Bonds due 2026

¥ 2,040,000,000
Joint Lead Manager, Joint Bookrunner
2023
HAITONG

SOE | CHINA

SHAOXING SHANGYU STATE-OWNED CAPITAL INVESTMENT AND OPERATION CO., LTD.

4.35% Bonds due 2025

¥ 1,360,000,000
Joint Lead Manager, Joint Bookrunner
2023
HAITONG

2H2023 Outlook

The first half of 2023 continued to be marked by high volatility, which along with four banks failing in the US and one in Europe, has made investor interest become more selective, and risk appetite more refined.

However, global shares gained in 1H2023 with big tech entities leading as the best performers, followed by semiconductors, cruise lines, airlines, automakers, homebuilders and hardware companies, especially in developed markets, notably the US, while emerging markets stocks lagged.

As we move into 2H2023 and as the geopolitical uncertainty is expected to continue, with central banks signalling that there is more work to be done in the continuous fight against inflation, there are still challenges ahead for the remainder of the year. Nevertheless, as the second quarter saw a slight drop in market volatility and with the American Federal Reserve (FED) being the first to pause interest rate hikes in June, after more than a year of consecutive rate increases, sentiment for global growth has improved and there is hope that the turmoil might be coming to an end.

The Capital Markets teams expect higher activity by executing the mandates awarded and by exploring additional opportunities with issuers needing to refinance debt already repaid or still to be repaid in 2023 or due in 2024.

Structured Finance

Overview

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

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

Strategy

Haitong Bank's Structured Finance's 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 Latin America.

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

OFFERING

- Asset Finance
- Project finance/Project bonds
- Acquisition Finance
- Corporate Lending / Bridge Financing

Banking Income

€11m

Weight in Total

32%

Activity Highlights

During the first half of 2023, the Structured Finance business achieved a total banking income of over EUR 11 million on a global basis, surpassing the targets for the period. This achievement reflects the effectiveness of the Bank's strategy and the successful execution of the Structured Finance business.

In a very competitive landscape, the Structured Finance activity faced significant market volatility, especially in sectors more sensitive to the macroeconomic uncertainties driven by the persistent inflation trend aggravated by the current conflict in Europe. On the one hand, this context has required constant market monitoring and careful selection of business opportunities in order to mitigate potential adverse impacts. On the other hand, the pricing pressures and a general competitive environment entailed the need to differentiate and focus on delivering value-added bespoke solutions to Clients.

Benefiting from the Bank's global presence and the coordinated efforts between product and geographies, the Structured Finance business has increased its geographical diversification, having closed new deals in Europe, Asia, Brazil and Australia. The contributions from the more recent teams in Macau and Paris, together with the other locations where the Bank has a longer and more consolidated presence, have played a vital role in the origination of new opportunities in different markets and jurisdictions.

From a sector perspective, positive dynamics have been experienced in the real estate and infrastructure sectors, as well as in the corporate lending, acquisition and leverage finance areas. In Portugal, the Bank has capitalized on the long-established relationship with clients and closed two new deals with relevant corporate names.

In Brazil, despite the challenging environment brought by high interest rates, during the 1H2023 the credit markets showed some resilience and the Structured Finance area activity was highly positive, taking into consideration the closing of several transactions in an amount of approximately BRL 700 million with a diversified sectoral risk profile.

In Poland, Haitong Bank's Warsaw Branch completed two syndicated credit transactions in the chemical and telecommunications sector.

In Asia, the Macau Branch has been tapping into the loan market with good results. In the first half of the year, three transactions have been originated in Macau and closed by the Structured Finance team, with the amount totalling USD 74 million in the sectors of data centre, oil and gas, and mining.

On top of the deals closed up to date, several other transactions have received internal credit approval during the first semester and are now going through the execution phase to reach financial closing before year-end.

The effective management of the Bank's existing portfolio of loans and agency services remained a priority for the Structured Finance activity, from both a risk and return perspective. The Bank is committed to proactively monitoring such portfolios to ensure the stability and profitability of its credit operations.

Overall, in the Structured Finance activity, the Bank continues to position itself as a solution provider to clients guided by a flexible and constructive approach with a focus on value-added transactions. This approach has allowed Haitong Bank to address complex client requirements, as well as strengthen its position as a trusted financial partner.

TMT | PORTUGAL

GRUPO VISABEIRA

Senior Debt Facilities to Visabeira Global, SGPS

€ 450,000,000

Lender

2023

HAITONG

SERVICES | CHINA

CHINDATA GROUP

Syndicated Loan Facility to Data Centre Operator

US$ 500,000,000

Lender

2023

HAITONG

TMT | POLAND

Grupa Polsat Plus

Syndicated Loan Facility

PLN 8,255,000,000
&
€ 506,000,000

Lender

2023

HAITONG

CONSUMER & RETAIL | BRAZIL

ZAMP

Commercial Notes under ICVM 160
BRL 125,0 MM

R$ 50,000,000

Lender

2023

HAITONG

2H2023 Outlook

For the second half of 2023, the business prospects remain positive despite the persisting uncertain macroeconomic framework, as Structured Finance expects to complete several deals that have received internal credit approval during the first semester.

The pipeline of new Structured Finance deals remains significant and very dynamic with great geographical and sectorial diversification.

Haitong Bank will keep focusing on value-added transactions to enhance its competitiveness in the Structured Finance market. By delivering innovative and customized solutions, the Bank aims to differentiate itself and attract clients seeking unique financing options.

Mergers and Acquisitions

Overview

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

Strategy

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

The "Sino-EU M&A Department" was created in 2022 and is responsible for all of the Bank's M&A business between China and the Eurozone, in addition to local business.

OFFERING

- Sell-side and buy-side advisory
- Valuations

Banking Income

€1.4m

Weight in Total

4%

1H2023 Market Review

During 1H2023, global M&A figures took a significant step back compared to the levels achieved in 1H2022. Published figures confirmed a decrease of 41% year-on-year in terms of the value of completed transactions, totalling EUR 1.2 trillion, according to Merger Market, on the back of increases in interest rates, worsening of credit conditions, and the continuation of the conflict in Ukraine.

The first half of 2023 was complex and marked by uncertainty generated from doubts regarding financial institutions' stability, closely linked to Credit Suisse's fall and subsequent merger with UBS, as well as uncertainty regarding China's economic recovery post-pandemic – both factors hindering investor appetite.

European and Iberian deal-making environments suffered more than the global market, largely due to the proximity to the conflict in Ukraine. In Europe, there was a decrease of 52% year-on-year in terms of the value of completed transactions, reaching a total of EUR 312 billion, and an 18% decrease in the number of transactions to 6,886. The Iberia region posted EUR 19 billion of completed transactions during 1H2023, which represented a 47% decrease year-on-year and a 30% decrease in the number of completed transactions to 520 deals.

The China cross-border M&A reached a total of 311 transactions in 1H2023, which represents a 35% drop year-on-year (420 transactions in 1H2022). The total completed deal value reached USD 14.5 billion, representing a decrease of 26% year-on-year (USD 18.3 billion in 1H2022). Geopolitical risks and stronger scrutiny towards Chinese companies and investments were the main factors contributing to this downturn. However, high-level interactions between China and other countries added to the expectations of recovery in the Chinese economy following the relaxing of zero-COVID measures, and which may lead to the growth of Chinese overseas M&A activity during 2H2023.

In Poland, the M&A market totalled 127 completed transactions in 1H2023, which represented 40% of total completed transactions in the same period of last year, in terms of volume. Regarding value, the M&A market decreased by ca. 18% year-on-year - it reached USD 5 billion in 1H2023 vs USD 6.1 billion in 1H2022. Despite the macroeconomic environment of general economic slowdown and high inflation, as well as the geopolitical situation, the Polish economy still seems to be quite resilient. This is expected to contribute to a rebound in the deal flow in M&A activity in the coming months.

The UK economy had a slow start to the year as inflation weighed and many sectors of the economy were stagnant. The UK M&A market totalled 1,150 transactions during 1H2023, compared to 1,331 transactions during the same period in 2022. There were lower levels of domestic M&A and of inbound and outbound M&A deals. The value of completed M&A transactions amounted to GBP 43 billion, significantly lower than GBP 108 billion in the same period of last year, as this period was characterised by much smaller-than-average deal sizes across a wide range of industries.

In Brazil, the M&A activity in 1H2023 slowed down due to political uncertainties, high-interest rates, and inflation. Negotiations have been fiercer between buyers and sellers, with the adoption of multiples at levels lower than those practised over the last few years. Despite the decrease in the value of completed transactions in the first semester of this year (USD 13 billion compared to USD 27 billion in the same period of last year), companies and capitalized funds remain focused on carrying out and developing business in Brazil. At the same time, Brazilian assets are cheaper, especially for foreign investors, due to the exchange rate. These factors, added to the expectation of a gradual recovery of the national economy, point to an optimistic scenario, which indicates the expectation of a new increase in M&A deals in 2H2023.

Activity Highlights

In Iberia, Haitong Bank was involved in a landmark transaction in the bicycle frame sector and acted as Financial Adviser in other relevant domestic and cross-border transactions. The Bank was able to successfully reach the completion of a domestic deal in Portugal and a cross-border deal with a Spanish target, as follows:

- Haitong Bank advised the Portuguese-listed company Semapa in the acquisition of Triangle's, a reference player in the production of e-bike frames worldwide that leverages on unparalleled levels of automation in the market. This acquisition is a relevant step forward for Semapa in its new strategic cycle of diversification, investing in future proof sectors and combining objectives of decarbonization and sustainability with strong growth perspectives. The transaction was successfully closed in June 2023 and represents a landmark deal in the sector;
- Haitong Bank acted as a sell-side advisor to Aquaplus in the sale of a brownfield solar PV farm located in Cuenca (Spain) to Sonnedix, the International Renewable Energy Producer (REP), which was pending completion by the end of 2022 and has been closed in January 2023.

Haitong Bank's Sino-EU team, alongside the Warsaw team, also advised CSIC Longjiang GH Gas Turbine (GHGT) in the acquisition of a Gas Turbine business from Volkswagen's subsidiary MAN Energy Solutions, including two production facilities in Germany and Switzerland. The carve-out transaction documents were signed in June 2023 and are subject to approvals from the relevant regulators in China and Germany.

During 1H2023, Haitong Bank's UK M&A advisory team was mainly focused on two transactions in the legal services sector, both with a primary fundraise and a secondary buy-out component. One of the transactions is expected to close shortly after the period-end and the other one was postponed to 4Q2023. As usual, and during 1H2023, the team supported other geographies in Lisbon, São Paulo and Warsaw on cross-border M&A projects.

In Brazil, the M&A team helped consolidate Haitong Bank's presence in the local market with several initiatives, some mandates and projects delivered. Most of these initiatives had a China and Portugal angle, but the team also developed some mandates in the energy market with Brazilian companies. During 1H2023, the team advised PowerChina on the acquisition of a 344MW solar power plant from a local developer. Currently, the team has four mandates under negotiation and is progressing in the development of four other projects.

INDUSTRIALS / ENVIRONMENT — PORTUGAL	ENERGY — SPAIN	INDUSTRIALS — CHINA / GERMANY
SEMAPA	AQUAPLUS	GH TURBINE MAN Energy Solutions
Acquisition of 100% of Triangle's Cycling Equipments, S.A.	Sale of a 3MW solar PV portfolio in Spain of Aquaplus to Sonnedix España	Acquisition of the gas turbine business from MAN Energy Solutions (Pending Completion)
€ 178,700,000	€ 14,498,000	
Financial Adviser	Financial Adviser	Exclusive Buy-Side Financial Advisor
2023	2023	2023
HAITONG	HAITONG	HAITONG

2H2023 Outlook

Despite the challenging conditions experienced during 1H2023, Haitong Bank remains optimistic for the second half of 2023 due to a promising pipeline of ongoing projects in the different regions where it is present. Also, as stated previously, long-term M&A prospects should remain promising, with major deal drivers such as digital transformation, energy transition, healthcare, and ESG considerations continuing to encourage cash-rich companies to pursue deals.

In Iberia, the outlook is broadly optimistic as both Portugal and Spain are expected to enjoy GDP growth above the Euro Area and inflation has shown a slowdown in recent times. Nonetheless, investor appetite can be severely impacted by uncertainty regarding the conflict in Ukraine and economic conditions in the larger countries in Europe. However, trends such as energy transition and digital transformation are expected to still be fairly active going forward.

In spite of the challenging market conditions for Chinese overseas M&A activities, the Sino-EU team has managed to secure five new buy-side mandates from Chinese clients and build up a solid pipeline in different industries including TMT, Consumer, Construction, Renewable Energy, and Industrials. In 2H2023, the Sino-EU team will continue the execution of the current mandates and is confident it will have at least one transaction completed before the end of the year. At the same time, the team will continue to leverage on the resources across different regions and offices to scout potential transaction opportunities in different sectors.

In Poland, the M&A market for 2H2023 should gradually become more positive with several envisaged transactions in the pipeline, notably in renewables, digital economy – mainly e-commerce and e-travel – and industrial goods sectors.

With persistent high inflation in the UK and thus no immediate end in sight for rising interest rates, the market seems divided on whether the UK will continue its anaemic growth or tip into a mild recession, with much of the drag from higher interest rates still to be felt. Buyers are expected to maintain a more cautious approach towards M&A deals and continue to adapt to how they finance transactions. Nevertheless, it is already possible to observe some activity from buyers looking to pursue core strategic deals, as well as other opportunities on a case-by-case basis.

For 2H2023, the Brazilian team expects to continue consolidating Haitong Bank's position in the M&A market, developing contracts with Chinese companies, as well as Brazilian ones, in the energy and infrastructure sectors.

Fixed Income

Overview

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

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

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

Strategy

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

OFFERING

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

Banking Income

€5.1m

Weight in Total

15%

Activity Highlights

Portugal, Spain and Macau

Trading/Flow

2023 was expected to bring more clarity on the central banks' monetary policies, as well as a significant rebound in Chinese economic activity post-COVID. However, the volatility in interest rates reached new highs as the several bank failures in March led to fears of a global financial meltdown and increasing chances of more accommodating monetary policies, which in the end did not materialise due to sticky inflation and the financial systems' robustness.

Lately, macroeconomic data and relatively benign bank earnings meant that interest rate risk has not translated into any material credit risk. Both investment grade and high-yield credit indexes are trading at year-to-date tights, at levels seen before the Silicon Valley Bank and Credit Suisse failure in March.

Most investors have been focusing on short-term investments, taking solace in being close to reaching peak rates in both the Euro Zone and the US. Going forward, the risks are on somewhat stretched valuations, with some concerns regarding commercial real estate and compression in companies' margins, which could take a toll on the most leveraged sectors.

On the positive side, a rebound in the Chinese economy during the second semester can be expected, especially if the latest announcements of supportive fiscal and regulatory policies are brought forward.

The presence of a Fixed Income team in Macau should also be highlighted, in that it provides the Fixed Income Division with more insight into the Asian market. Thus, it allows the Bank to have closer contact with Asian clients and be able to be more active in Asian bonds market making.

Banking Book

Following a stubbornly volatile 2022 with steep losses for Fixed Income Investors, the first half of 2023 showed the first signs of recovery with a 2.25% year-to-date return for both EUR and USD bond investors. After last year's losses, both the EUR and USD bond market indexes incorporated a very interesting yield which, coupled with stable spreads, provided the necessary cushion to mitigate the higher risk-free rates on both sides of the Atlantic.

Credit wise, there is still a positive rating momentum for European issuers as they benefit from the strong economic data. On the other hand, Chinese real estate defaults continue to create hurdles in the local economy. During 1H2023, high-yield supply was above last year's total, leaving a positive tone for this sector and the overall market.

Despite this positive momentum, many high-yield issuers have over-relied on debt for the last few years due to the low rates and spreads. As this effect unfolds, many companies are expected to experience margin pressure and face more struggles to maintain their credit profile stable.

Syndication /Sales

Regarding primary market transactions, 1H2023 was significantly impacted by the effects of the inflationary concerns in the American and European blocs and the subsequent central banks' response. This led to a sharp rise in interest rates, reflecting the shift in monetary policies, the rise in credit spreads, and the drops in the main equity markets – in addition to higher volatility in the markets as a whole. All of these factors contributed to a much lower volume of new issuances than in previous years.

In this market context, the Syndication team was essentially involved in developing pitches to new mandates and in organizing non-deal roadshows for Iberian companies with the aim of tapping the markets. In this period, it is worth highlighting the non-deal roadshows of Mota-Engil and José de Mello Capital, including both group events and one-on-one events in Lisbon and Madrid, and the several pitches made for new mandates. Some of these are already in the pipeline and expected to be implemented once market conditions allow, which is estimated to occur during 2H2023.

Moreover, the Sales team increased the number of clients active to trade, with special relevance to the Asian clients onboarded by the Fixed Income team in Macau.

Brazil

The first half of 2023 was challenging for the Brazilian Fixed Income market. As the country experienced the transition to a newly elected president, the period was marked by heightened uncertainty and volatility. Nevertheless, Brazilian assets, especially those with sovereign risk exposure, performed well in 1H2023.

Rates improved (both nominal and real), the BRL appreciated, and domestic stocks had a good performance. This positive movement is in tandem with improving inflation expectations, and there is increasing optimism that the Brazilian Central Bank (BCB) could start cutting rates at the beginning of 2H2023. Corporate credit spreads, on the other hand, widened significantly. Default events of a few high-grade issuers triggered a strong risk-off movement in corporate credit bonds. The main holders of this asset class are the Corporate Credit Investment Funds: with a strong need for cash to meet client withdrawals, these Funds ended up putting enormous selling pressure on credit securities. Since demand was not able to keep up with the offer, spreads widened, and liquidity plummeted. The prospective scenario is far from clear, as there are many issuers already struggling to keep profitability in the current high-interest rates environment, with financial costs pressuring profit margins.

In this context of widening credit spreads, the Fixed Income team was able to identify good opportunities in high-grade names, as well as increase the Bank's exposure to Brazilian corporate bonds. Another effect of this uncertain and volatile scenario was an increase in demand for bonds of high-grade banks, in a flight-to-quality movement. The team took advantage of this shift in investor appetite and met its funding needs through the issuance of notes to institutional investors.

In 2H2023, if the good momentum persists both with regard to current and expected inflation, the BCB is likely to start cutting interest rates and avoid a hard-landing scenario. Economic growth has also surprised on the upside and near-term GDP forecasts are being revised accordingly. If this optimism is validated, a possible result would be the recovery of credit spreads and the corporate bond market liquidity.

Poland

During 1H2023, geopolitical tensions in Europe continued to cause uncertainty in the Polish investment market. This extraordinary situation caused a continuous negative impact on all segments, especially in terms of liquidity. In any case, some Polish investment funds began to see inflows, despite the fixed income market continuing to be highly volatile. For 4Q2023, investors expect lower inflation, and forecasts for interest rate cuts are growing.

In the first half of the year, the Fixed Income team in Poland recorded significantly more transactions than in 2H2022. Especially in the second quarter, many investors started investing in Polish Government Bonds (POLGB), which ensued in positive results.

Based on the growing investors' demand for corporate bonds, the number of new debt capital market deals is expected to increase during 2H2023.

Corporate Derivatives

Overview

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

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

Strategy

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

OFFERING

- Corporate Hedging Solutions
- Commodities
- Interest Rates
- FX

Banking Income

€0.5m

Weight in Total

1%

Activity Highlights

Since the beginning of 2023, with the exception of March, the volatility of major currency pairs in the financial markets has shown signs of steadying. This stabilization has had a significant impact on the hedging activity with Corporates, leading to a notable reduction in hedging transactions and subsequently affecting the revenues generated from Foreign Exchange (FX) operations compared to the previous year, 2022.

In terms of interest rates, there has been consistent stability, albeit at higher levels. Most clients proactively undertook hedging strategies during 2022, either by directly engaging with the lenders for converting their loans to fixed rates or by utilizing interest rate swaps. As a result of this, the expectation is that there will be limited activity in these underlying assets in 2H2023, except for some deals in the pipeline originating from the Structured Finance Department.

Regarding the commodities market, the Corporate Derivatives Desk is currently engaged in a series of ongoing efforts to address the underlyings that have had the most significant impact on corporates over the past year. These diligent efforts aim to establish suitable risk mitigation strategies and hedging mechanisms for commodities that have been particularly volatile or were influenced by external factors.

In terms of financial performance, derivative activities involving companies have experienced a sharp decline in 2023 compared to the previous year. This decline is reflected in the overall revenues generated from these activities. However, this decrease can be expected to be mitigated and compensated for during the second half of the year. Various strategies and measures are being explored to potentially regain lost ground and enhance profitability in the derivatives market.

In Brazil, the first half of 2023 has been promising for Haitong Brazil's Corporate Derivatives activity with the maintenance of the client portfolio. An essential driver of this activity's revenue in this period has been the strategic mix between foreign exchange FX and derivatives transactions. By offering a comprehensive range of FX products and derivative solutions, the Bank captured opportunities across some market conditions. This well-balanced approach allowed the team to capitalize on favourable market movements with customers, resulting in revenues of BRL 4.6 million for the first half of 2023.

2H2023 Outlook

Despite the decline in derivative activities with corporates, there is an expectation of recovery and improved performance in the second half of 2023. The Iberian Corporate Derivatives area continues to actively seek new clients with the objective of increasing and diversifying its customer base in 2H2023.

In Brazil, the team's main objective for the second half of 2023 is to further expand the client base. There is an understanding of the importance of expanding the market reach to ensure long-term growth and sustainability. Moving forward, the team's focus on expanding the client base will ensure that the Bank remains on track to fulfil the objectives established for 2023.

ASSET MANAGEMENT

Overview

The Asset Management Division acts as an Investment Manager on a range of different mandates and asset portfolios with a view to maximizing absolute returns in the long term, taking into account the risk profile defined by each mandate. An enhancement of the discretionary portfolio management activity was performed during 1H2023, with the establishment of a new fee structure according to clients' risk profiles and assets under management.

Strategy

The strategic focus is to expand the business activity in Alternative Investment Funds (via the Haitong Global Asset Management, SGOIC, S.A. license) and Discretionary Portfolio Management (Aggressive, Flexible, Defensive profiles and tailor-made portfolios), including Investment Management mandates (UCITS funds based in Luxembourg and Unit Links distributed in Portugal), with worldwide exposure to the different asset classes, particularly to equities and fixed income portfolios. The Bank's strong track record in the European equities portfolio is a key comparative advantage to drive Asset under Management upwards, combined with the enhancement of the fixed income reach of Haitong Group.

OFFERING

- Discretionary Portfolio Management
- Quantitative strategies

Banking Income

€0.6m

Weight in Total

2%

1H2023 Market Review

After an extremely difficult 2022, when traditional asset classes posted quite negative returns, the first half of 2023 proved equally challenging, although returns stabilized and bonds and equities performed well.

Indeed, the start of the year showed a strong scepticism from most investors, who were fearing that the aggressiveness of policy tightening among major central banks could lead to a recession. However, economic data was not as bad as expected. In Europe, growth was soft but consumer confidence remained healthy and benefitted from rapidly falling energy prices. The US job market was highly resilient in the first half of 2023, sustaining consumption and expectations of a longer economic cycle. In China, the reopening after the zero-COVID policy meant that the economic rebound was very strong during the first quarter. After that, there were signs that the Chinese economy was struggling to sustain this rebound in economic activity: the industrial sector remained weak in spite of strong government spending on infrastructure, as the restructuring of the property sector was still ongoing, and consumption was unable to maintain the first quarter's momentum considering that the negative impacts of the pandemic to confidence were bigger than expected and savings accumulated were not as high as hoped for. Nevertheless, the economic situation in China has improved, and government officials are ready to implement more fiscal and monetary measures in order to support the economic recovery.

Inflation and monetary policies have been the theme in markets for some time. Facing more resilient growth and stubborn inflation, central banks remained hawkish for longer and hiked rates throughout the first half of 2023. The FED raised rates by 0.75%, to 5.25%, while the ECB set the deposit rate at 3.5%, compared to 2% at the end of last year. Headline inflation has fallen at a quick pace since last year, but core CPIs' decline has been more modest. In either case, both measures remain well above the targets set by central banks.

The collateral effect of rising interest rates and bond yields was felt through the fallout of some regional banks in the United States (Silicon Valley Bank and Signature Bank in March, and First Republic Bank in early May), which led to a wave of concerns in the financial system that also resulted in the bailout of Credit Suisse. Nevertheless, the swift intervention of the FED and Swiss authorities helped stabilize financial markets and facilitate the return of confidence. Although it was rather surprising how easily investors shrugged off these events, better economic activity and a solid 1Q2023 earnings season eased the process. Long-term bond yields wobbled during the first semester of 2023, but ended more or less where they had started the year – it was the short end of the curve that was penalized as central banks proceeded with their interest rate hiking path.

In equities, the 1H2023 was one the strongest semesters on record, especially in the US, with S&P500 gaining 16% and Nasdaq 30%, boosted by the roaring advent of the AI theme. In Europe, returns were also solid, this time led by growth mega caps, such as luxury goods companies, cyclical sectors and banks, while energy and interest rate-sensitive sectors (real estate, utilities) underperformed.

Activity Highlights

During 1H2023, several changes were implemented in the Asset Management Division, taking into account the increasing role of Haitong Global Asset Management, SGOIC, S.A. (HGAM) as the Global Asset Management subsidiary of Haitong Bank. Regarding the Discretionary Portfolio Management of private and corporate clients, a new segmented fee structure (management and custody) according to clients' risk profile and assets under management was defined and implemented. Moreover, the discretionary portfolio management service offer relies on profiled portfolios (Aggressive, Flexible and Defensive) as well as tailor-made portfolios and, during this period, corresponding clients were previously contacted and legally informed about the main changes to be implemented, which became effective on May 1st. Additionally, during the month of June, the assignment of these clients' contractual positions from Haitong Bank to HGAM was executed and implemented on July 1st.

It is worth highlighting the very positive performance of the managed strategies, not only in absolute terms, but also when compared to their market peers. In fact, the Flexible and Aggressive discretionary portfolio management profiles had a performance of +8.23% and +14.19% since the beginning of the year, respectively. In parallel, the returns achieved by the Luxembourg UCITS Investment Funds – White Fleet III Haitong Flexible Fund and Aggressive Fund – reached +7.25% and +12.25%, respectively, while the main index for European Equities and Fixed Income performed positively with the EuroStoxx 50 Index and EuroStoxx 600 Index reaching +15.96% and +8.96%, respectively, and the Bloomberg Euro-Aggregate Index performing +2.25%.

In what concerns the Quant Strategies, the focus on the management of a 60/40 target allocation structure mainly invested through ETFs was maintained, enabling a worldwide exposure to Equities and Fixed Income. The return achieved in the 1H2023 was +3.12%.

2H2023 Outlook

For the remainder of 2023, inflation and central bank action should continue to be at the forefront of investors' concerns.

The ECB and the FED should reach peak rates during the summer, however, it may be difficult for them to revert policy soon after, since inflation should continue to decline only gradually. Financial markets are currently pricing in a soft-landing scenario, where central banks would be able to orchestrate a slowdown in inflation towards their targets, while preventing the economy from falling into recession. However, the risk of monetary policies becoming too tight and companies and families being unable to withstand such high rates is present, as well as the possibility to witness a material hit to growth or more banking problems. Nevertheless, we remain constructive in stock markets, especially in Europe, where valuations are more attractive. Bonds have become an increasingly attractive investment opportunity, especially in short-term maturities, due to the current inversion of yield curves.

Private Equity

Overview

Haitong Global Asset Management, SGOIC, S.A. (HGAM) currently manages one private equity fund dedicated to the buyout/capital development market segment across Europe ("HPEF") and is structuring a new private equity fund, focused on real estate assets. HGAM leverages on the sector and geographical expertise to support companies wishing to expand their businesses. The ultimate goal of the company 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 Group and funds raised from external Tier I investors.

Strategy

HGAM's expertise in structuring and managing private equity funds is a fundamental skill to leverage on in order to best serve clients' interests and investment goals.

Nonetheless and with the purpose of enlarging the scope of its activities, HGAM has initiated the management activity of Alternative Investment Funds with the formal approval by the Portuguese Securities Market Authority (CMVM) of the new Haitong China Bond Fund. This fund is the first flagship product that will invest in USD Offshore Chinese Bonds, benefitting from HGAM's consolidated team management capabilities together with Haitong Group's expertise.

Additionally, the assignment of a contractual position of discretionary portfolio management of corporate and private clients from Haitong Bank to HGAM was implemented on July 1st, meaning that HGAM will continue to incorporate the asset management business that has been carried out by Haitong Bank into its activities.

HGAM's strategy for 2H2023 will rely on a combination of European and Chinese expertise to invest in sectors that can benefit from the dynamics of both regions.

OFFERING

- Buyout/ Capital Development Fund
- Alternative Investment Funds

Banking Income

€0.3m

Weight in Total

1%

Activity Highlights

Throughout the first half of 2023, HGAM maintained a hands-on management approach focused on the value creation of the portfolio of companies.

Inflows totalled circa EUR 6 million, resulting from the disposal of one investee and the distribution of funds from the remaining HPEF's portfolio.

In the first half of 2023, the private equity activity posted a net profit of EUR 479.8 thousand and total equity amounted to EUR 56.5 million.

2H2023 Outlook

HGAM will incorporate the remaining activities of Haitong Bank's Asset Management Division in order to focus on asset management, in particular on Discretionary Portfolio mandates, Alternative Investment Funds, and Private Equity Funds, striving to broaden client reach and product offering.

PEOPLE

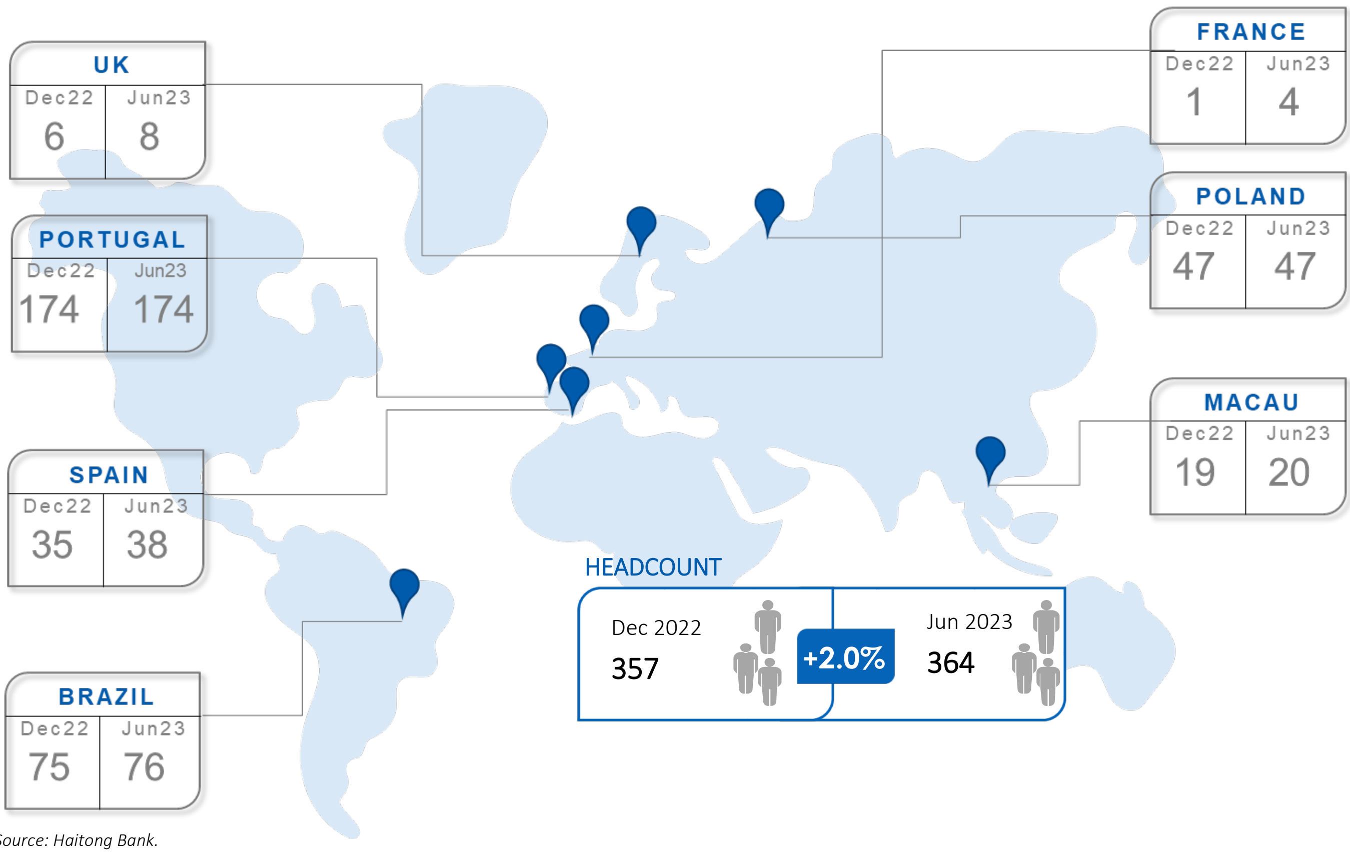
HUMAN RESOURCES

The Importance of Human Capital

Haitong Bank recognizes Human Capital as a key asset. The Bank is committed to attracting and retaining top talent, developing the skills of its workforce, and promoting a culture of teamwork and individual achievement.

The Human Resources Department (HR) plays a vital role in aligning the Bank's strategy with its workforce needs. This role includes actively participating in the expansion into new markets and regions, as well as the goal to increase the efficiency of the workforce by promoting mobility solutions, leading to improved front-office/back-office ratios and increased motivation and engagement.

During the first half of 2023, HR continued its commitment to developing talent, making efforts to identify and recruit the ideal candidates for each vacancy. As a result of this focus, Haitong Bank's headcount increased in this period, as the Bank further aligned itself towards its business strategy and reinforced several teams across its various locations.



Source: Haitong Bank.

The Bank embraces diversity and inclusion, striving to support the communities where it operates across different regions. Equal opportunity principles are ingrained within the Bank's values, with women representing 37% of the total workforce. Additionally, the Bank has a considerable number of women employees in senior positions, further exemplifying its commitment towards gender diversity and leadership.

Geography	Avg age	Avg length of service (years)	No. Men	No. Women
Portugal	43.5	12.7	101	73
Spain	41.6	9.9	29	9
United Kingdom	40.3	4.0	5	3
Poland	41.8	6.6	25	19
Brazil	46.6	10.3	51	25
Macau	33.0	0.9	13	7
France	32.5	0.3	4	0
Average length of service (years)	**43.0**	**10.2**	63%	37%

Source: Haitong Bank.

Activity Highlights

During the first half of 2023, HR continued to play a pivotal role in supporting the Bank's supervisory bodies, senior management, and their respective committees. Some accomplishments by HR included:

- Engaging in career fairs for reference universities, thus strategically enhancing the Bank's Employer Branding efforts and with the view to attracting promising young talent;
- Managing talent acquisition processes, which encompasses proactive forecasting of hiring needs, sourcing candidates from both internal and external pools, and implementing rigorous global selection and recruitment procedures;
- Monitoring Performance Management to enhance the Bank's overall performance, empowering employees to leverage their strengths and achieve improved results;
- Continuing to invest in learning and initiatives for the Bank’s Human Capital, adapting to new learning formats such as online courses, and designing personalized training plans;
- Promoting a culture of meritocracy by recognizing and rewarding employees based on their skills, performance, and contribution to the Bank's success;
- Enhancing the efficiency of daily HR services and operations by prioritizing streamlined data administration and reporting, as well as managing payroll and benefits effectively.

2H2023 Outlook

As HR strives to effectively support the Bank's business, it is imperative to be proactive in addressing the forthcoming challenges. HR's short-term goals encompass the following:

- Maintaining an emphasis on attracting and recruiting exceptional talent to ensure that the Bank is equipped with individuals possessing the required skills and expertise;
- Providing efficient support for the leadership's strategic and business initiatives, arranging innovative solutions to address Human Resources challenges;
- Building on the knowledge, skills and abilities of our workforce and helping them develop and achieve their potential;
- Developing and implementing a culture of connectivity, leveraging innovative digital platforms to foster new models of collaboration and productivity;
- Maintaining a constant focus on our talent sourcing processes, with a continuous drive to enhance the Bank's visibility on social media recruiting platforms;
- Ensuring ongoing attention to core functions such as workforce and organizational management, as well as global mobility;
- Assisting the Bank's subsidiaries, branches and representative offices in expanding their presence in their respective markets, while also upholding consistent guidelines, policies, regulations and procedures from the Head Office.

Social Responsibility

Portugal

Haitong Bank in Lisbon helped support the victims of the Turkey and Syria earthquake, through the Portuguese Red Cross, with a donation of EUR 5,000, adding to the EUR 715 donation made by its staff.

Haitong Bank in Lisbon also helped support the Portuguese Institute of Oncology of Lisbon (IPO) with a donation of EUR 300.

Brazil

Haitong Brazil joined the Solidarity Campaign for the victims of the rains on the northern coast of São Paulo. In partnership with its staff, the Bank was able to collect BRL 3,940. This amount was given to the São Paulo Social Fund, which then provided the purchase of the necessary goods.

Moreover, Haitong Brazil used its tax credits from the previous fiscal year to support social projects initiated/executed as of the first quarter of 2023, through the Tax Incentive Law. These projects help families in vulnerable, low-income and unemployment situations, residing in the peripheral and deprived areas of São Paulo.

Poland

Haitong Bank's Warsaw Branch donated a prize to the laureate of the 7th 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.

Macau

Haitong Bank's Macau Branch joined the "Red Pocket Envelope Recycling Program" co-organized by The Macau Association of Banks (ABM) from January 27th to February 12th, with the purpose of recycling and reusing red pocket Lunar New Year red envelopes.

FINANCIAL PERFORMANCE

MACROECONOMIC OVERVIEW

1H2023 Market Review

A key question dominated the expectations for the first half of 2023: will the global economy head into a soft or a hard landing with the major central banks fighting inflation with the highest interest rates in developed economies since 2008?

Risk aversion among market participants was also marked by the intervention of the US FED in two regional banks affected by liquidity conditions and the SNB (Swiss National Bank) intervention to save Credit Suisse (acquired by UBS with the support of SNB). Both events occurred in March 2023 and caused the highest levels of volatility in US and European bond markets since 2009. According to the FED's 2023 Stress Test on the systemically relevant institutions in the US, released in June 2023, the risk from regional banks was considered very limited. Risk spreads of financial institutions in EUR credit markets spiked in March 2023 and returned to the lows since 1Q2022 in June 2023. On the other hand, 5-year credit default swaps (CDS) spreads of senior bonds issued by investment grade financial institutions (iTraxx Senior Financial index) reached 131 basis points in March 2023 and narrowed to 85 basis points in June 2023 (vs. 97 basis points in December 2022).

In 1H2023, the global economy proved to be more resilient to those developments than expected, especially in the US where the Federal Reserve's fund rate reached 5.25% in May 2023. After 10 consecutive rate hikes since March 2022, the FED fund rate was increased by 500 basis points. However, the US economy continued to advance in every quarter since 2Q2022 and sustained a pace of 1.8% year-on-year GDP growth by 1Q2023 (vs. 0.9% YoY in 4Q2022). Consensus expectations (Bloomberg survey) strongly changed the outlook for the 2023 US GDP from a recession or stagnation of 0.3% in December 2022 to a 1.3% growth by June 2023.

Consensus projections (Bloomberg, July 2023) are also currently suggesting a deceleration of the world inflation measured by CPI (consumer price index) from 8.8% in 2022 to 5.5% in 2023 and 3.5% in 2024.

Inflation remained resilient in most Western countries, particularly in Europe where core inflation remained above 5% since October 2022 (5.4% year-on-year in June 2023 vs. the ECB's target of 2%). The US inflation measured by the FED's benchmark core-PCE eased from the 4-decade peak of 5.2% in 4Q2022 and stagnated in the range of 4.6% since December 2022 (4.62% year-on-year in May 2023), also well above the target of 2%.

In Europe, the ECB continued to hike the main refinancing rate up to 4.0% in June 2023, after eight consecutive upward movements since July 2022, totalling 400 basis points. The economic activity in the Eurozone was softer compared to the US with weaker than expected manufacturing activity in Germany and slowing growth in the services sector activity of the Euro area in 2Q2023. However, the unemployment rate remained at its lowest since the inception of the monetary union at 6.5% by May 2023.

In the UK, the Bank of England continued to reduce liquidity conditions with the core-CPI inflation persisting above 8% year-on-year by the end of 1H2023 (8.7% year-on-year in May 2023) and the BOE's own projections of 5.4% headline inflation in 2023. The benchmark BOE rate reached 5.0% in June 2023 and the monetary authority signalled the possibility of further adjustments in 3Q2023, according to the statement of the last decision in June 2023.

On the back of the slower-than-expected reopening of the Chinese economy during 1H2023, global economic growth has been supported by the upside surprise in the US and European economic resilience in our view. The world economy advanced at a pace of 3.1% in 2022, slightly above the potential of 3.0%, and is expected by consensus to grow below par at 2.6% in 2023 (Bloomberg, July 2023).

A year after the beginning of the war in Ukraine, the European Union managed to secure gas supplies without major disruptions in the energy sector, with global prices of energy and food commodities mostly returning to pre-war levels. Such normalization was supportive of a strong decline in headline inflation for most of the Western economies in 1H2023. The reopening of the Chinese economy also eliminated the distress in the global supply chain and its impact on inflation, in our view.

Emerging economies are still challenged by slower growth in China, high inflation, higher interest rates in developed markets, and the war in Ukraine. A deceleration is also expected for 2023 in Brazil where the GDP is expected to grow by 2.0% (vs. 3.0% in 2022). Economic activity in Poland has been slowing down due to the weak manufacturing activity in Germany and the impact of higher domestic and EUR interest rates. According to consensus, the Polish GDP is expected to advance at a pace of 0.9% in 2023 vs. 4.9% in 2022.

In Brazil, the key central bank interest rate, the Selic rate, remained unchanged at the high of 6 years of 13.75% since September 2022. Inflation eased from 12% in 2Q2022 to 3.8% by June 2023 (vs. the target of 3.25% in 2023) and the outlook of some rate cuts is currently priced in consensus expectations (12.25% by December 2023, according to Bloomberg in July 2023).

In Poland, the Bank of Poland kept the reference rate unchanged at 6.75% since September 2022 and signalled the maintenance of the rate until at least the end of 3Q2023. Inflation in Poland eased from 17% year-on-year in 4Q2022 to 13.1% year-on-year in 2Q2023 but remains well above the Bank of Poland target of 2.5% (with ca. 100 basis points tolerance).

Economic activity in China has been weaker than expected following the reopening of the economy in 2Q2023 and inflation remained largely subdued in 1H2023 (0.2% year-on-year by May 2023). Official data showed GDP jumping from 2.9% year-on-year in 4Q2022 to 4.5% year-on-year in 1Q2023 when the economy was partially reopened from the prolonged restrictions of the COVID-19 pandemic. Consensus estimates are pointing to an acceleration of GDP growth to 7.4% year-on-year in 2Q2023 and 5.5% in 2023. However, the domestic economic activity remained soft with construction and consumer demand weaker than in the pre-pandemic period. The People’s Bank of China cut the reserve requirement ratio to 10.75% (-25 basis points) in March 2023 and announced measures to support the credit to the construction sector during 1H2023.

Due to the EU agreement to ease fiscal targets until 2024, and the ongoing investment cycle of the EU NextGen fund, sovereign debt credit ratings in the Eurozone were kept stable or even improved in 1H2023. The outlook of the sovereign debt credit rating of Portugal was changed from stable to positive, possibly anticipating an upgrade by one notch according to Moody’s (currently at Baa2). Even with the cost of higher yields in Euro bond markets, the sovereign debt credit rating of Italy was maintained as an investment grade in 1H2023 (Moody’s Baa3/negative outlook; S&P BBB/stable outlook; and Fitch BBB/stable outlook).

The yields of 10-year benchmark government bonds were marked by further volatility during 1H2023 (the highest in 5 years). The yield of the 10-year US Treasury notes closed 1H2023 at 3.84% and near the levels of 3.87% seen at the end of 2022. However, during the semester, the bond tested the lows of 3.31% due to the fear of a recession (March-April) and a high of 4.06% when the consensus projections increased the possibility of a soft landing in 2023 at the end of June 2023. The yield of the German 10-year bunds advanced to 2.49% by the end of 1H2023 vs. 2.36% in December 2023, also moving with strong volatility between the low of 2.0% and the high of 2.75% during the semester.

In Asia, the yield of Chinese 10-year government bonds denominated in US dollars softened by 30 basis points s to 3.2% by the end of 1H2023.

Sovereign bond markets were favourable for peripheral Euro issuers in 1H2023. The spreads of 10-year government bonds of Portugal vs. 10-year German Bunds narrowed 29.3 basis points to 72.1 basis points and the equivalent Spanish government bond spread compressed 9.3 basis points to 99.1 basis points in 1H2023. Italy's 10-year spread to German bunds dropped 45.5 basis points to 167.8 basis points by the end of 1H2023.

The outlook of a soft landing of the economy and the strong performance of labour markets in the US and Europe favoured the major equity indexes in 1H2023. The S&P500 gained 15.9% and the Eurostoxx 50 advanced 16% in 1H2023.

Commodity markets weakened with the outlook of slower global GDP growth and high interest rates in USD during 1H2023. The CRB index declined 1.7% year-to-date in 1H2023 led by energy (-11.6% year-to-date) and industrial metals (-8.5% year-to-date). Crude oil prices according to Brent oil collapsed 12.8% year-to-date to USD 74.9/per barrel by the end of 1H2023.

In currency markets, the Euro advanced to 1.09 vs. the US dollar in 1H2023 (+1.9% year-to-date). The Dollar Index dropped 0.6% year-to-date to 102.9 in 1H2023 with the expectation that the FED is approaching the end of the interest rate hiking cycle in 3Q2023. Emerging market currencies performed in mixed directions and the Brazilian real gained 9.4% year-to-date vs the USD in 1H2023, due to the maintenance of high interest rates and the successful decline in CPI inflation near the central bank target. Following a similar trend, the Polish zloty advanced 7.1% year-to-date vs. the USD in 1H2023. Due to the weaker-than-expected economic reactivation and the outlook of low interest rates by the PBOC, the Chinese Yuan weakened to CNYUSD7.25 (-5.1% year-to-date) in 1H2023.

Foreign Exchange Markets (FX rate and % Change)

		2022	Jun 2023	% Change
US	Dollar Index	103.52	102.91	-0.6%
Euro	USD/EUR	1.07	1.09	1.9%
UK	USD/GBP	0.89	0.86	-2.9%
China	CNY/USD	6.90	7.25	5.1%
Brazil	BRL/USD	5.29	4.79	-9.4%
Poland	PLN/USD	4.38	4.06	-7.1%

Source: Bloomberg | Analysis: Haitong Bank | Last update: 30/06/2023

2H2023 Outlook

We expect some softening of the global economic activity in 2H2023 without the recession that was anticipated at the end of 2022. In fact, the resilience of employment conditions, particularly in the services sector, in the US and in Europe, are expected to balance the continuing weakness in cyclical manufacturing activity until 1H2024.

During the 3 years following the COVID-19 pandemic and the increasing geopolitical tensions including barriers to the global trade of goods, global manufacturing activity is experiencing a strong reshuffling in the form of reshoring (returning to the original geography), nearshoring (dislocating to near and more affordable locations) and "friend-shoring" (moving to locations where trade sanctions and issues related to the access of technology are less likely to occur). Such rebalancing in the global industrial activity is also challenged by the higher cost of financing in developed economies and reduces the outlook of fast recovery of the global GDP in 2H2023 and 1H2024, in our view.

The monetary policies in the US, Eurozone, and the UK should move toward higher rates until 3Q2023 and remain close to the highs since 2008 until at least 3Q2024 in our main scenario. We expect the FED to hike the fund rate to a range of 5.50% to 5.75% until September 2023 (vs. 5.25% by June 2023). The ECB should hike the main refi rate to the range of 4.25% to 4.50% by September 2023 (vs. 4.00% in June 2023). Moreover, the BOE is expected to increase the bank rate from 5.0% in June 2023 to a range of 5.50% to 6.0% until the end of 3Q23.

Inflation remained higher than expected during 1H2023, leading us to revise upward the outlook of terminal interest rates by the FED and the ECB for additional 25 basis points to 50 basis points in 2023. On the other hand, the outlook of GDP growth improved by 50 basis points to 75 basis points since the 2022 Annual Report in the US and Eurozone. The reopening of the Chinese economy remains largely imbalanced, but the pace of growth is expected to gain traction in 2H2023, especially with the possibility of further government-led stimulus to support domestic activity. Consensus improved the Chinese GDP projections from 4.8% in December 2022 to 5.5% by June 2023.

Gross Domestic Product (%) - Consensus					
	2020	2021	2022	2023	2024
World	-2.8%	6.3%	3.4%	*2.6%*	*2.7%*
Euro Area	-6.0%	5.3%	3.4%	*0.6%*	*1.0%*
US	-2.8%	5.9%	2.1%	*1.3%*	*0.7%*
Portugal	-8.3%	5.9%	6.8%	*2.1%*	*1.5%*
Spain	-11.3%	5.5%	5.5%	*2.0%*	*1.5%*
UK	-11.0%	8.5%	4.3%	*0.2%*	*0.8%*
Poland	-2.0%	6.9%	5.1%	*0.9%*	*2.7%*
Brazil	-3.3%	5.2%	2.9%	*2.1%*	*1.5%*
China	2.2%	8.4%	3.0%	*5.5%*	*4.8%*

** *Consensus according to Bloomberg Jul23 |Bold=Actual; Italic=Consensus - Source: Bloomberg*

The full impact of the monetary tightening cycle in the US and Europe should materialize during 2H2023 and 1H2024 due to the lags of transmission from the benchmark interest rates into the credit conditions in the economy. Riskier asset classes remain vulnerable to volatility due to the softening of GDP and the higher carry cost in liquid currencies like the USD, EUR and GBP in 2H2023, in our opinion.

We expect the benchmark 10-year US Treasury note yield to move to a range between 3.50% and 4.25%, and the 10-year German bund yield to advance to the range of 2.25% to 3.00% in 2H2023. With the outlook of weakness in world GDP growth, we foresee the US dollar and the Euro to prevail as liquidity havens in 2H2023. The Euro is expected to advance to a range of EURUSD1.10-EURUSD1.15 with the ECB continuing to hike interest rates higher and for longer than expected in December 2022. In our view, emerging market currencies should remain volatile with possible improvements in 2H2023 on the back of the reopening of the Chinese economy and some recovery in commodities markets.

Credit rating agencies refrained from major changes in Eurozone's sovereign debt ratings in 1H2023 since fiscal conditions improved with better-than-expected growth in 2022 and 1H2023. Higher-than-expected inflation also increased tax revenues and contributed to lower fiscal deficits in the Eurozone in 2H2023. In our view, downside risks for sovereign credit ratings will become more visible in case of delays in fiscal rebalancing until 2024 (EU's agreement). The team does not expect the risk of downgrades in Portugal (S&P BBB+/stable; Moody's Baa2/Positive; and Fitch BBB+/stable) and Spain (S&P A/stable; Moody's Baa1/stable; and Fitch A-/stable) in 2023. A hard-landing recession could be a risk of a downgrade for Italy's sovereign credit rating (S&P BBB/stable; Moody's Baa3/negative; and Fitch BBB/stable) and France (S&P AA/negative; Moody's Aa2/stable; and Fitch AA-/stable). The ECB's Transmission Protection Instrument announced in 2022 may be tested in the case of a hard recession and extreme volatility in euro financial markets in 2H2023, in our view. However, such risk declined during 1H2023 with the outlook of a soft landing of the Eurozone's economy in 2023.

Our view on the global economy is more positive compared to the Annual Report of 2022. Despite the continuing war in Ukraine, the persistent inflation, and higher-than-expected interest rates, the outlook for growth improved in 2023. We foresee softer growth in 2H2023 and 1H2024 followed by stronger economic activity in 2H2024, sponsored by the possibility of rate cuts in 4Q2024 with inflation moving to the central banks' targets in 2025.

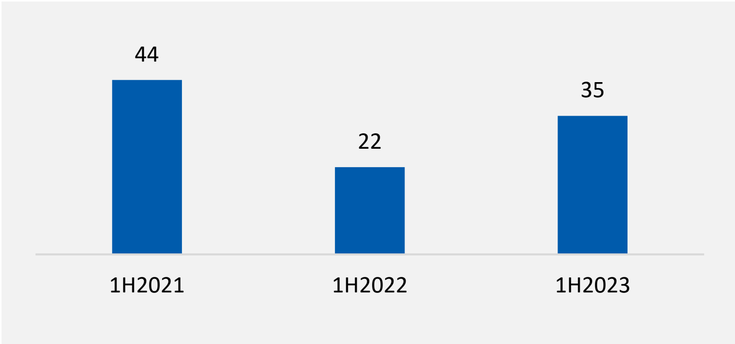
Financial Overview

In the first half of 2023, Haitong Bank reached a Net Profit of EUR 4.5 million, a substantial increase compared to the loss of EUR 4.5 million recorded in the same period of last year.

During this period, the Bank's overall performance was significantly better than last year's. Banking Income reached EUR 35 million, 60% higher year-on-year. With the Chinese economy partially reopening only in 2Q2023 from the prolonged restrictions against the COVID-19 pandemic, the China-related business progressed slower than expected, impacting the M&A and DCM business areas. Regarding the local franchises, the Structured Finance business performed well in the period, with several deals being closed in Portugal, Poland, Brazil and Asia-Pacific. On the other hand, the Fixed Income portfolios were penalised by their fixed-rate exposures in the context of increasing interest rates.

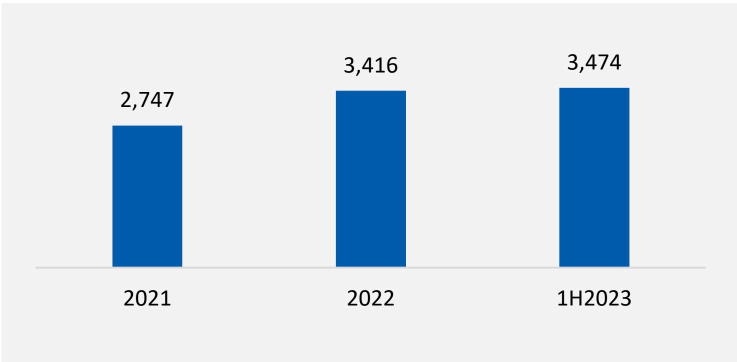
Operating Costs, of EUR 29 million, showed a 5% decrease year-on-year, allowing for a positive Operating Result of EUR 6 million, significantly above the EUR 9 million Operating Loss in the same period of last year. With no material Impairment and Provision charges, the Bank was profitable in the first half of the year.

Banking Income (EUR million)



The Bank continued to pursue its strategic goal of expanding its balance sheet, with Total Assets standing at EUR 3.5 billion, 2% above the EUR 3.4 billion by the end of 2022. The Investment Portfolio, in the amount of EUR 1.2 billion increased by 16% compared to December 2022, while the Trading Portfolio remained relatively stable. The Loan Portfolio grew by 11% compared to December 2022, reaching EUR 857 million on the back of several transactions closed in the period, notably by the Structured Finance Division, despite the prudent risk origination approach.

Total Assets (EUR million)

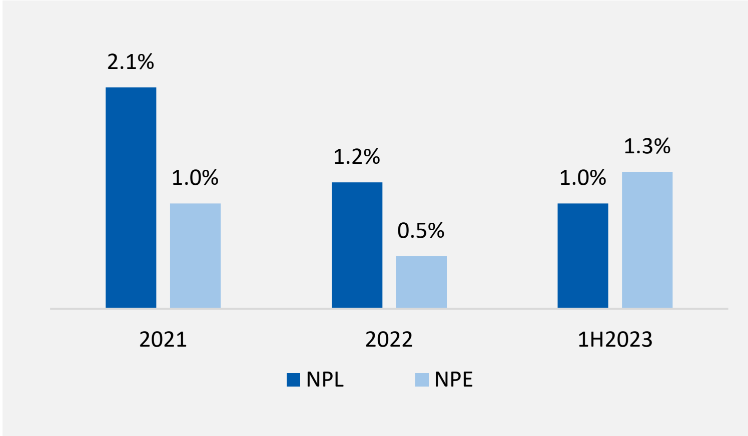


The Bank's Asset Quality remained at high levels during 1H2023 with the NPL and NPE ratios reaching 1.0% and 1.3%, respectively. Regarding Capital, the Bank maintains a strong position with a CET1 Ratio of 15.5% and Total Capital of 19.6%.

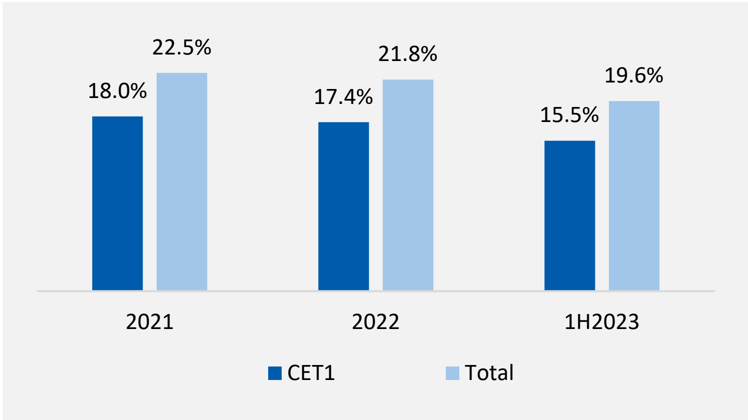
Regarding the Bank's strategic developments, the highlight was the upgrade of the regulatory permissions in the London Branch. In 2022, the Bank initiated a new regulatory process with the Portuguese Authorities and the UK Regulator – the Financial Conduct Authority (FCA) – with the aim of moving from the EU passporting regime to the UK full regulatory regime, alongside an expansion of the permitted activities. This process has been successfully completed in 2023 and the FCA approved new regulatory permissions (Part 4A Permission) in February 2023, effective March 1, 2023, for the Bank to perform Structured Finance, M&A Advisory, and Fixed Income activities in London.

This was a major milestone for Haitong Bank, enabling it to strengthen its strategic presence in the main European markets as part of its strategy to connect clients with business opportunities across its broad network with a differentiating China angle.

Asset Quality Ratios



Solvency Ratios



Corporate Events

- Haitong Bank's London Branch received the FCA approval on the Bank's application to the UK Full Regulatory Regime in March 2023.
- In May 2023, Haitong Bank, S.A. concluded the liquidation process of Haitong Ancillary Services Poland SP Zoo.

Rating

Haitong Bank, S.A.	Counterparty Credit Rating
January 25, 2023	BB / Stable / B
September 16, 2022	BB / Stable / B
October 28, 2021	BB / Stable / B

On January 25, 2023, S&P reaffirmed Haitong Bank's long-term credit rating at "BB" and its "Stable" outlook.

TREASURY

1H2023 Market Review

Throughout the first half of 2023, the global economic landscape continued to be shaped by key forces that emerged in 2022. These forces, including central banks' tight monetary stances to combat inflation, the surge in commodity prices, and the geopolitic fragmentation that was triggered by Russia's conflict in Ukraine, exerted a continued influence on economic activity.

Furthermore, the unexpected failures of two specialized regional banks in the United States in March 2023 and the subsequent loss of confidence in Credit Suisse - a globally significant bank - caused disruption in the financial markets. These events raised concerns regarding financial stability and prompted heightened scrutiny and regulatory responses to address the vulnerabilities exposed by these incidents.

By the end of the semester, economic activity indicators showed mixed trends, with manufacturing activity further weakening, especially in Europe according to PMI surveys. However, the resilience of the services sectors and job market indicators (employment and wages) continued to beat expectations and reaffirmed the central banks’ view of high interest rates prevailing until at least the end of the third quarter of 2024.

		10-year Yields		
Country	End of 2022	2023 Lows	2023 Highs	End 1st Half 2023
Germany	2.565%	2.016% (Jan)	2.746% (Feb)	2.390%
Italy	4.698%	3.753% (Jan)	4.608% (Feb)	4.068%
Spain	3.649%	2.956% (Jan)	3.719% (Mar)	3.381%
Portugal	3.579%	2.868% (Jan)	3.615% (Mar)	3.111%
Greece	4.565%	3.523% (Jun)	4.611% (Jan)	3.650%
USA	3.877%	3.308% (Apr)	4.059% (Mar)	3.840%

Source: Haitong Bank.

In Brazil, the first semester of 2023 was driven by two important economic events:

- The new fiscal framework was finally presented, setting limits for the future of the fiscal policy in Brazil and preventing a scenario of tremendous deterioration in fiscal soundness;
- Inflation readings are decreasing and inflation expectations for 2024 (3.9%) and 2025 (3.6%) are anchored again. For 2023, inflation may be around 5.0%. The very restrictive monetary policy in Brazil (Real Interest Rates above 8%) has started to produce good results.

As a consequence:

- Interest rate futures are sharply lower compared with December 2022. The 1-year Swap is 230 basis points lower at 10.35%. The market forecast is that Selic will be back to 9.0% at the beginning of 2025;
- BRL was one of the best performers in the first semester of 2023. It has gained around 9.5% against USD. It has just lost to MXN 3.00% and COP 5.42%.

Despite the very restrictive monetary policy that is affecting services and retail sales, GDP in Brazil may grow by 2% this year, driven again by agriculture.

In the credit market, the high-interest rates with the consequential deterioration in non-performing loans, plus the events of corporate defaults of big companies such as Lojas Americanas and Light, have affected the total credit growth. In total, it has grown 10% during the last twelve months up until May 2023.

Activity Highlights

Despite a challenging economic outlook, the Bank maintained a comfortable liquidity position with a balanced funding mix during the first half of 2023.

Moreover, the Bank was able to increase retail and corporate deposits and also use collateral to source funds in the money markets.

Retail Deposits

During 1H2023, the Bank continued to source funds through online retail deposit platforms, with overall volumes increasing significantly during this period. In fact, this channel has proven to be a stable source of funding with positive effects on the NSFR and LCR ratios.

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

Eurosystem Refinancing

The Bank continued to closely monitor the monetary policy decisions of the ECB and increased the eligible assets, thereby improving its funding capacity. During the semester, two main operations matured (PELTRO in January and TLTRO III.3 in March).

Brazil

In Brazil, there was a focus on the diversification of platforms to distribute deposits.

The Bank also increased the participation of LCAs (Letras de Crédito Agrícola) in its liabilities, taking advantage of the loan portfolio exposures to the agriculture sector, which makes the Bank eligible for this kind of issuance. These types of securities are a cheaper source of funding due to their tax exemption to the investor.

2H2023 Outlook

The Treasury Department’s main goal for 2H2023 is to continue to ensure the liquidity needed to develop the Bank’s Business Plan, with a particular focus on managing the funding cost and also on continuing to pursue a stable and diversified funding structure, mainly composed of retail funding, long-term financing through syndicated loans and/or bond issuances, and also through the usage of the monetary policy instruments available through the ECB, in particular the Eurosystem.

Risk Management

Governance

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

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

Risk Committee

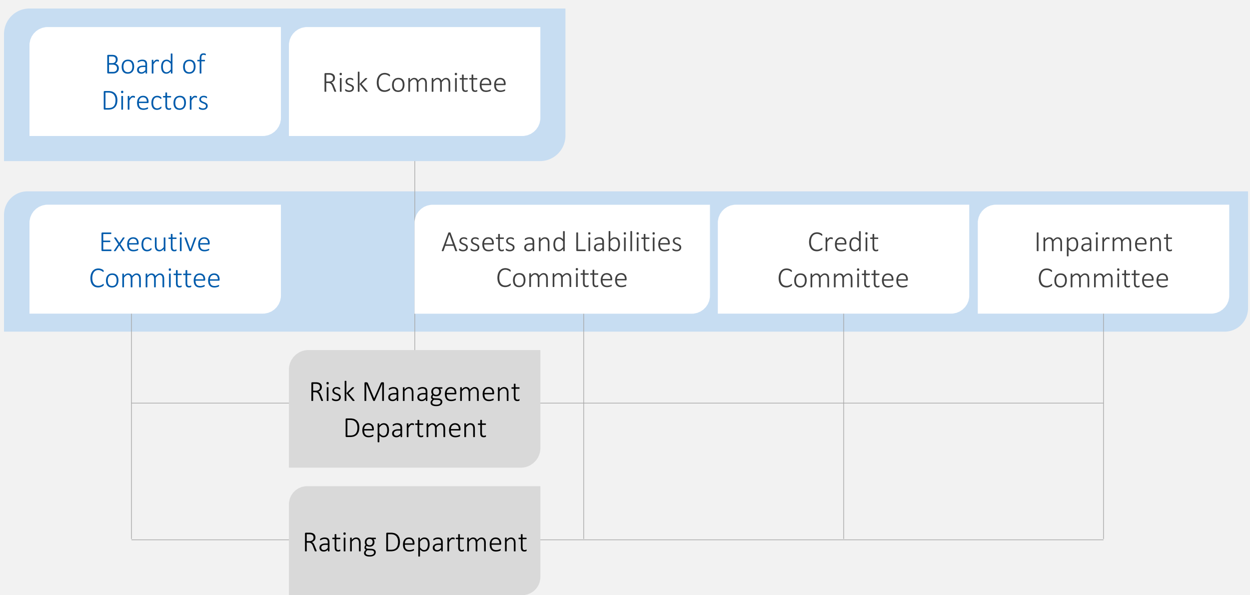
The Risk Committee's mission is to continuously monitor the development and implementation of the Bank's risk strategy/appetite and verify whether they are compatible with a sustainable strategy in the medium and long term.

Assets and Liabilities Committee

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

Risk Management Department

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



Rating Department

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

Credit Committee

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

Impairment Committee

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

Risk Appetite

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

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

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

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

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

Internal Ratings

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

Monitoring

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

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

Credit Recovery Process

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

ASSET QUALITY

Loan Portfolio

Portfolio breakdown

In June 2023, the loan portfolio (gross exposure) amounted to EUR 871 million, which represents an increase of approximately EUR 85 million compared to December 2022.

Loan Portfolio Asset Classes and Geographic Breakdown (EUR thou*sand)*

	June 2023			December 2022		
	Domestic	International	Total	Domestic	International	Total
Loan Portfolio[1]	**331 531**	**538 987**	**870 518**	**257 342**	**528 253**	**785 595**
Specialized Lending	149 247	120 457	**269 704**	160 681	140 859	**301 540**
Corporate	131 852	383 894	**515 746**	47 279	350 763	**398 042**
Others	50 432	34 636	**85 068**	49 382	36 631	**86 013**

[1] Gross of provisions - Source: Haitong Bank

Loan Portfolio Asset Classes by Industry

	June 2023				December 2022			
	Specialized Lending	Corporate	Others	Total	Specialized Lending	Corporate	Others	Total
TOTAL	**31.0%**	**59.3%**	**9.7%**	**100.0%**	**38.6%**	**50.6%**	**10.8%**	**100.0%**
Power	10.5%	9.0%	0.0%	**19.5%**	12.1%	9.3%	0.0%	**21.4%**
Transportation Infrastructure	11.7%	4.9%	0.0%	**16.6%**	13.6%	5.3%	0.0%	**18.9%**
Real Estate	4.9%	2.2%	4.4%	**11.5%**	10.9%	0.0%	5.0%	**15.9%**
Telecoms	0.0%	8.8%	0.0%	**8.8%**	0.0%	6.8%	0.0%	**6.8%**
Commercial & Professional Services	0.0%	8.2%	0.0%	**8.2%**	0.0%	7.9%	0.0%	**7.9%**
Oil & Gas	2.2%	4.1%	0.0%	**6.3%**	0.0%	3.2%	0.0%	**3.2%**
Non-Bank Financial Institutions	0.0%	0.0%	5.3%	**5.3%**	0.0%	0.0%	5.8%	**5.8%**
Chemicals	0.0%	3.4%	0.0%	**3.4%**	0.0%	1.9%	0.0%	**1.9%**
Metals & Mining	0.0%	3.4%	0.0%	**3.4%**	0.0%	0.0%	0.0%	**0.0%**
Construction & Engineering	0.0%	2.7%	0.0%	**2.7%**	0.0%	1.0%	0.0%	**1.0%**
Automobiles & Components	0.0%	2.6%	0.0%	**2.6%**	0.0%	2.6%	0.0%	**2.6%**
Retailing	0.0%	2.3%	0.0%	**2.3%**	0.0%	2.6%	0.0%	**2.6%**
Capital Goods	0.0%	1.9%	0.0%	**1.9%**	0.0%	2.2%	0.0%	**2.2%**
Health Care	0.0%	1.6%	0.0%	**1.6%**	0.0%	1.0%	0.0%	**1.0%**
Rental & Leasing	1.6%	0.0%	0.0%	**1.6%**	1.8%	0.0%	0.0%	**1.8%**
Agribusiness & Commodity Foods	0.0%	1.3%	0.0%	**1.3%**	0.0%	3.3%	0.0%	**3.3%**
Food, Beverage & Tobacco	0.0%	1.3%	0.0%	**1.3%**	0.0%	0.0%	0.0%	**0.0%**
Agricultural Cooperatives	0.0%	0.8%	0.0%	**0.8%**	0.0%	1.0%	0.0%	**1.0%**
Containers & Packaging	0.0%	0.5%	0.0%	**0.5%**	0.0%	0.7%	0.0%	**0.7%**
Paper & Forest Products	0.0%	0.1%	0.0%	**0.1%**	0.0%	1.0%	0.0%	**1.0%**
Transportation	0.1%	0.0%	0.0%	**0.1%**	0.2%	0.5%	0.0%	**0.7%**
Others	0.0%	0.2%	0.0%	**0.2%**	0.0%	0.3%	0.0%	**0.3%**

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

	June 2023	December 2022
[aaa+; a-]	2.3%	2.8%
[bbb+; bbb-]	13.5%	10.7%
[bb+; bb-]	64.4%	65.7%
[b+; b-]	19.8%	20.8%

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

Risk Indicators

Credit Risk Indicators (EUR thousand)

	June 2023	December 2022
Loan Portfolio	**870 518**	**785 595**
Non-Performing Loans (NPL)	**8 935**	**9 766**
NPL Ratio	1.0%	1.2%
Impairment for NPL	**5 621**	**6 310**
NPL coverage	62.9%	64.6%
Gross Exposure	**2 707 306**	**2 679 463**
Non-performing exposures (NPE) (1)	**34 316**	**13 244**
NPE Ratio	1.3%	0.5%
NPE Impairment Coverage	28.1%	52.2%
Forborne Exposures (1)	**63 422**	**60 314**
Of which performing exposure (%)	84.6%	84.1%

(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 Loans (NPL) ratio, from 1.2% in December 2022 to 1.0% in June 2023, 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 the first half of 2023 with a net total of EUR 1.979 million, representing an increase of EUR 216 million when compared with December 2022, as a result of the increase of sovereign debt and corporate investment portfolios.

Fixed Income Portfolio by Sector (EUR thousand)

	June 2023	December 2022
Total	**1 978 805**	**1 762 578**
Governments	1 268 101	1 248 597
Real Estate	113 264	76 931
Banks	99 928	80 304
Food, Beverage & Tobacco	53 172	10 510
Power	44 550	41 456
Construction & Engineering	35 238	44 875
Retailing	33 241	14 108
Chemicals	32 927	11 913
Health Care	31 938	21 958
Automobiles & Components	30 213	16 870
Telecoms	27 394	26 929
Metals & Mining	26 693	9 447
Water Utilities	22 253	20 802
Non-Bank Financial Institutions	21 785	30 639
Commercial & Professional Services	19 633	1 456
Transportation Infrastructure	17 717	1 419
Oil & Gas	17 699	17 404
Transportation	15 687	3 629
Agribusiness & Commodity Foods	14 391	20 399
Funds & Asset Managers	14 117	15 997
Capital Goods	12 229	26 468
Hotels & Gaming	9 324	7 394
Consumer Durables & Apparel	7 298	5 135
Paper & Forest Products	3 839	2 723
Technology Hardware & Equipment	185	1 742
Building Materials	129	1 782
Others	5 860	1 691

Source: Haitong Bank

Internal Rating Profile

In June 2023, the rating profile of the Bank's fixed income portfolio was the following:

Fixed Income Portfolio Rating Profile

	June 2023	December 2022
[aaa; a-]	7.3%	7.9%
[bbb+; bbb-]	25.6%	26.6%
[bb+; bb-]	64.8%	61.9%
[b+; b-]	2.3%	3.7%

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

Derivatives Portfolio

Portfolio Breakdown

The counterparty risk exposure in the Bank's portfolio of interest rate and exchange rate derivatives amounted to EUR 60 million in June 2023, which represents a decrease of EUR 41 million in comparison with December 2022.

In terms of the breakdown by counterparty risk sector, in June 2023, 43% of the global exposure relates to transactions in Transportation Infrastructure, followed by 18% in Chemicals' counterparties.

Derivatives Portfolio by sector (EUR thousand)

	June 2023	December 2022
Total	**60 219**	**101 006**
Transportation Infrastructure	26 042	28 128
Chemicals	10 622	15 308
Banks	9 677	21 821
Non-Bank Financial Institutions	6 304	16 689
Paper & Forest Products	4 866	5 235
Oil & Gas	782	14
Power	346	729
Broker Dealers	339	355
Agribusiness & Commodity Foods	153	108
Food, Beverage & Tobacco	121	10229
Construction & Engineering	0	857
Metals & Mining	0	0
Others	967	1 533

Source: Haitong Bank

Internal Rating Profile

The Bank mainly takes counterparty credit risk in derivatives while providing hedge solutions to corporate clients (also encompassing project finance entities). Thus, in June 2023, the Bank's total exposure to derivative instruments focused on interest rate swaps.

Derivatives Portfolio Rating Profile

	June 2023	December 2022
[aaa; a-]	20.0%	26.7%
[bbb+; bbb-]	55.9%	29.7%
[bb+; bb-]	17.9%	24.3%
[b+; b-]	6.2%	19.4%

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

MARKET RISK

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

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

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

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

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

TRADING BOOK RISK

Management Practices

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

As of June 2023, Haitong Bank's VaR amounted to EUR 11.0 million, representing an increase of EUR 0.6 million when compared with December 2022.

Value at Risk by Risk Factor (EUR million)

	June 2023	December 2022
Foreign Exchange Risk	11.1	10.1
Interest Rate Risk	0.8	0.6
Shares	0.0	0.0
Credit spread	0.3	0.6
Covariance	-1.3	-0.9
Global VaR	**11.0**	**10.4**

Source: Haitong Bank

BANKING BOOK RISKS

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

Interest Rate Risk

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

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

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

As of June 2023, the impact on the banking book economic value, under a parallel shock on the yield curve of +/- 200 basis points was estimated at EUR 19.8 million.

Credit Spread Risk

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

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

PENSION FUND RISK

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

Operational Risk

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

Management Practices

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

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

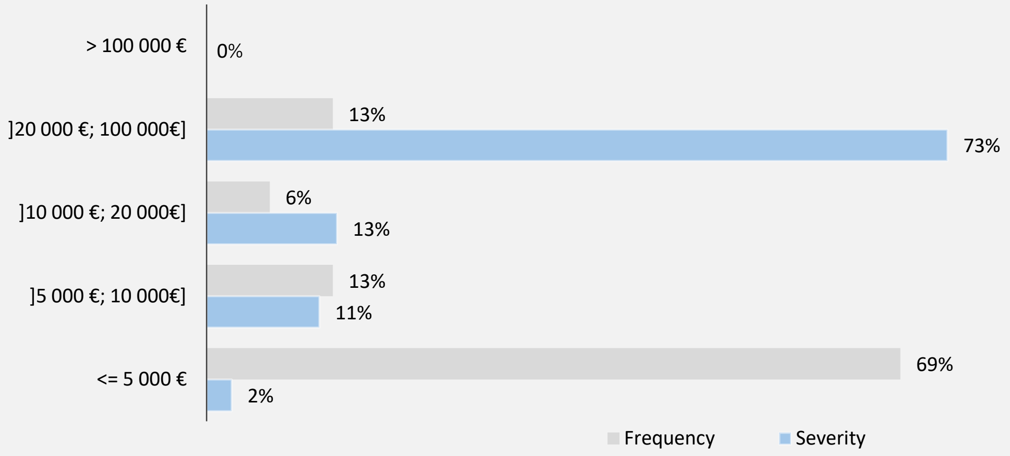
The operational risk management model is supported by an exclusively dedicated structure within the organisation which is responsible for the following processes:

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

OPERATIONAL RISK ANALYSIS

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

Distribution of frequency and severity of events by loss amount

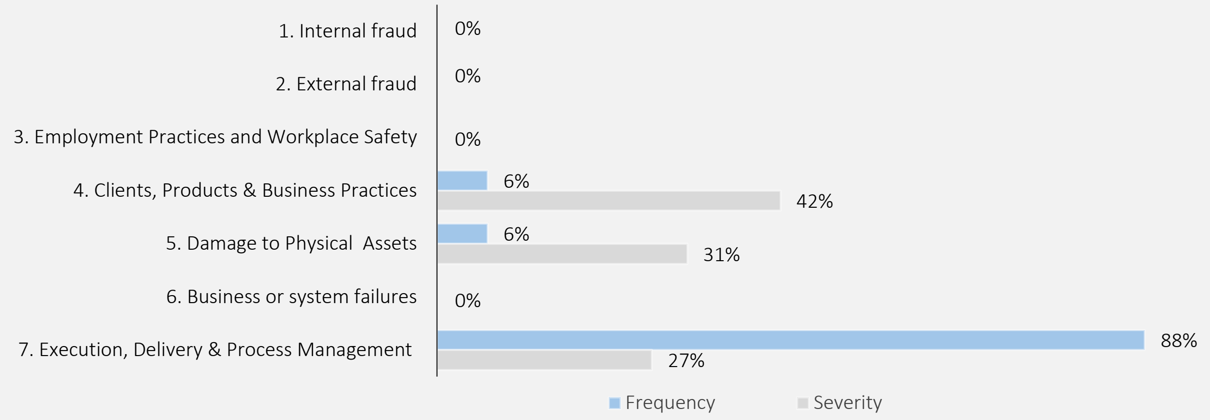


Source: Haitong Bank

By June 2023, 69% of the Bank's loss events were below EUR 5,000.

Following Basel's event classification, in the first half of 2023, 88% of total reported events were related with the "Execution, Delivery & Process Management" event type, which corresponded to 27% of reported losses associated with this risk. The "Clients, Products & Business Practices" event type was the one with highest loss amount by June 2023, representing 42% of the total losses from operational risks.

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 management, in supporting its strength and resilience.

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

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

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

LIQUIDITY POSITION

Liquidity Coverage Ratio

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

As of June 2023, Haitong Bank reached an LCR of 191%, which represents a resilient short-term liquidity position, comfortably complying with regulatory standards.

Liquidity Coverage Ratio (EUR thousand)

	June 2023	December 2022
High-Quality Liquid Assets	513 697	615 793
30 days Net Outflow	268 809	261 353
Liquidity Coverage Ratio	191%	236%

Source: Haitong Bank

Net Stable Funding Ratio

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

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

As of June 2023, Haitong Bank reached an NSFR of 124%, ensuring an adequate medium- to long-term funding profile.

Net Stable Funding Ratio

	June 2023	December 2022
Net Stable Funding Ratio	124%	145%

Source: Haitong Bank

CAPITAL MANAGEMENT

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

Management Practices

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

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

Complementing the regulatory focus, Haitong Bank periodically executes an internal risk-based capital self-assessment (ICAAP) that consists of a forward-looking measurement of the material risks to which Haitong Bank is exposed (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 V (Directive EU nº 2013/36/EU). Under these regulatory frameworks, capital requirements are set in consideration of the level of risk that the Bank is exposed to, which is measured through both risk-weighted assets (RWAs) and leverage.

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

Under this regulatory framework, the minimum CET1 ratio is 4.5%, the minimum Tier 1 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 allowed banks to phase in the impact of this buffer, beginning on January 1, 2016, in increments of 0.625% per year until reaching 2.5% of RWAs on January 1, 2019.

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

The regulation also provides a counter-cyclical capital buffer of up to 2.5% to be imposed in the event that national supervisors deem it necessary in order to counteract excessive credit growth in the jurisdictions under their supervision. As of June 30, 2023, the Bank of Portugal decided not to impose any additional counter-cyclical capital buffer, by setting it at 0% of the total risk exposure amount to domestic counterparties. This decision is subject to revision on a quarterly basis.

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

As of June 2023, Haitong Bank's capital ratios were calculated under CRR (Regulation EU No. 575/2013) and CRD V (Directive EU 2013/36/EU). The capital ratios under the Standard Approach, on both a transitional and fully-loaded basis, are shown in the following table.

Solvency Ratios

	June 2023		December 2022	
	Phased-in	Fully-loaded	Phased-in	Fully-loaded
CET1 ratio	15.5%	15.5%	17.4%	17.3%
Tier 1 ratio	19.5%	19.5%	21.7%	21.7%
Total capital ratio	19.6%	19.6%	21.8%	21.8%

Source: Haitong Bank

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

Leverage

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

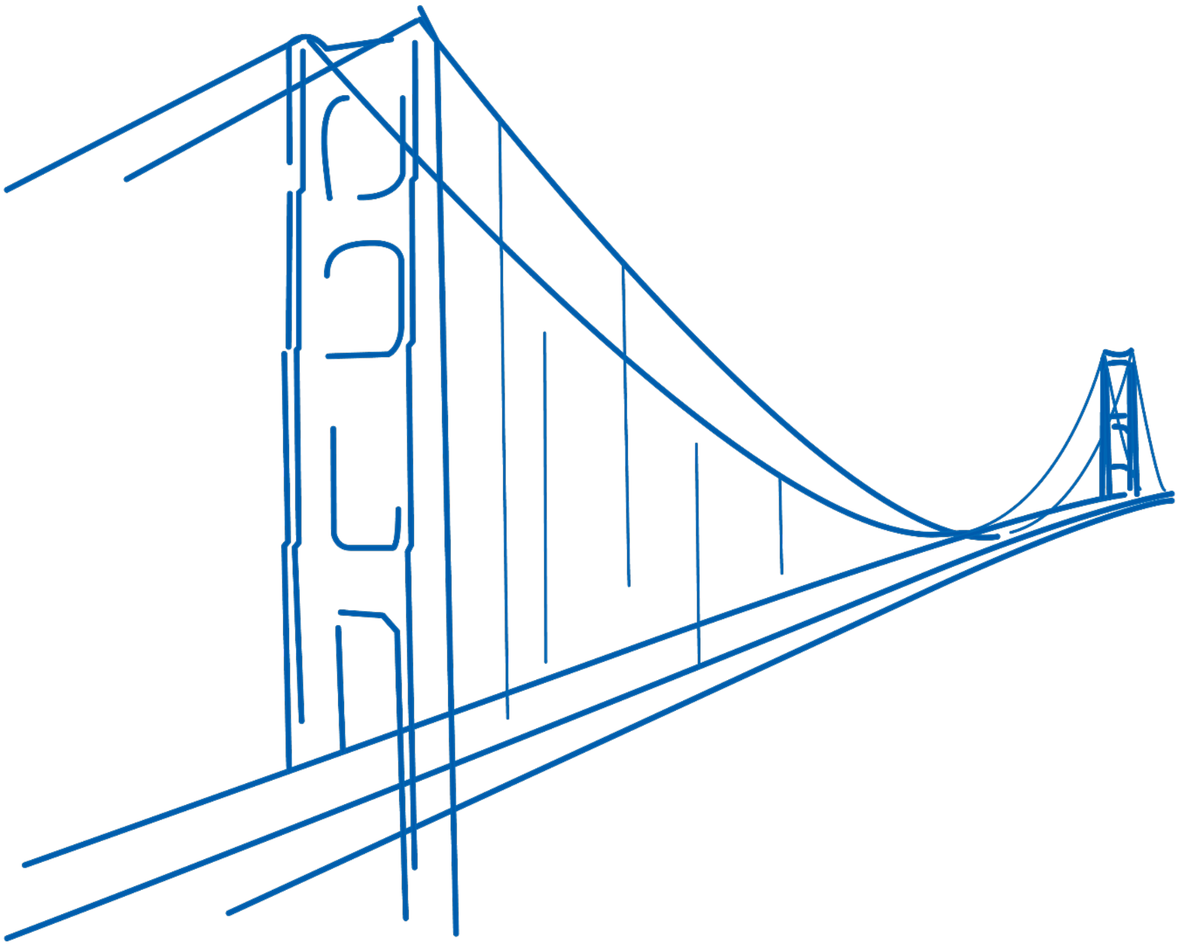
As of June 2023, Haitong Bank's leverage ratios, calculated under the Basel III / CRR II methodology on both a transitional and fully-loaded basis, are shown in the following table.

Leverage Ratios

	June 2023	December 2022
Phased-in	10.9%	12.2%
Fully-loaded	10.9%	12.2%

Source: Haitong Bank

FINANCIAL REPORT



Consolidated Financial Statements and Notes to the Consolidated Financial Statements

1. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement for the periods of six months ended on the 30th June 2023 and 2022

(thousand euros)

	Notes	30.06.2023	30.06.2022
Interest and similar income	5	108 891	48 171
Interest and similar expenses	5	92 410	40 270
Financial margin		**16 481**	**7 901**
Fees and commissions income	6	10 304	13 262
Fees and commissions expenses	6	(1 449)	(3 043)
Net trading income	7	4 000	7 581
Net income from other financial instruments at fair value through profit or loss	8	(131)	(234)
Net gain/(loss) from derecognition of financial assets measured at fair value through other comprehensive income	9	193	1
Net gains/(losses) from hedge accounting	10	15	-
Net gains / (losses) from foreign exchange differences	11	(962)	(1 312)
Net gain/(loss) from derecognition of financial assets measured at amortised cost	12	1 480	569
Other operating income and expense	13	4 878	(3 020)
Operating Income		**34 809**	**21 705**
Employee costs	14	18 908	19 752
Administrative costs	16	7 027	7 486
Depreciations and amortisations	25 and 26	2 959	3 237
Provisions	31	(1 889)	(3 418)
Net impairment loss on financial assets	31	2 263	(162)
Operating expenses		**29 268**	**26 895**
Profit / (Loss) before Income Tax		**5 541**	**(5 190)**
Income tax			
Current tax	32	2 387	2 240
Deferred tax	32	(1 221)	(2 956)
		1 166	**(716)**
Net Profit / (Loss) for the period		**4 375**	**(4 474)**
Attributable to shareholders of the parent company		**4 530**	**(4 524)**
Attributable to non-controlling interests	35	**(155)**	**50**
		4 375	**(4 474)**
Basic Income per Share (in euros)	17	0,03	-0,03
Diluted Income per Share (in euros)	17	0,03	-0,03

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

The Director of the Finance Department The Board of Directors

Consolidated Statement of Comprehensive Income for the periods of six months ended on the 30th June 2023 and 2022

(thousand euros)

	Notes	30.06.2023	30.06.2022
Net income for the period			
Attributable to shareholders of the parent company		5 570	(4 524)
Attributable to non-controlling interests		(155)	50
		5 415	(4 474)
Other comprehensive income for the period			
Items that will not be reclassified to profit and loss			
Remeasurements of defined benefit liabilities	35	(287)	8 134
		(287)	8 134
Items that may be reclassified to profit and loss			
Exchange differences			
Foreign currency translation differences for foreign operations	35	7 184	15 590
Fair value changes of debt instruments measured at fair value through other comprehensive income net of taxes	35	2 479	(7 421)
		9 663	8 169
Total other comprehensive income for the period		9 376	16 303
Total comprehensive income/(loss) for the period		14 791	11 829
Attributable to shareholders of the parent company		13 509	8 769
Attributable to non-controlling interests		1 282	3 060
		14 791	11 829

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

The Director of the Finance Department

The Board of Directors

Consolidated Statement of Financial Position as at the 30th June 2022 and 31st December 2022

(thousand euros)

	Notes	30.06.2023	31.12.2022
Assets			
Cash and cash equivalents	18	20 951	25 828
Financial assets at fair value through profit or loss		859 200	811 079
Financial assets held for trading		842 175	794 541
Securities	19	802 293	745 603
Derivative financial assets	20	39 882	48 938
Non-trading financial assets mandatorily at fair value through profit or loss		17 025	16 538
Securities	22	17 004	16 518
Loans and advances to customers	24	21	20
Financial assets at fair value through other comprehensive income	22	266 403	295 493
Financial assets measured at amortised cost		2 032 373	1 983 622
Securities	22	910 132	721 519
Loans and advances to banks	23	265 036	490 318
Loans and advances to customers	24	857 205	771 785
Other tangible assets	25	12 832	14 678
Intangible assets	26	2 085	2 666
Tax assets		136 449	132 440
Current income tax assets	32	23 208	22 550
Deferred income tax assets	32	113 241	109 890
Other assets	27	143 633	150 314
Total Assets		**3 473 926**	**3 416 120**
Liabilities			
Financial liabilities held for trading		35 206	39 556
Securities	19	1 289	97
Derivative financial liabilities	20	33 917	39 459
Financial liabilities measured at amortised cost		2 697 275	2 643 228
Resources of credit institutions	28	995 477	1 354 051
Resources of customers	29	1 108 904	747 140
Debt securities issued	30	592 894	542 037
Provisions	31	18 998	19 111
Tax liabilities		13 721	13 270
Current income tax liabilities	32	7 927	7 476
Deferred income tax liabilities	32	5 794	5 794
Other liabilities	33	66 939	72 919
Total Liabilities		**2 832 139**	**2 788 084**
Equity			
Share capital	34	863 279	863 279
Share premium	34	8 796	8 796
Other equity instruments	34	105 042	105 042
Fair-value reserves	35	(8 127)	(10 605)
Other reserves and retained earnings	35	(354 097)	(370 665)
Net profit/(loss) for the period attributable shareholders of the parent company		4 530	11 107
Total equity attributable to the shareholders of the parent company		**619 423**	**606 954**
Non-controlling interests	35	22 364	21 082
Total Equity		**641 787**	**628 036**
Total Equity and Liabilities		**3 473 926**	**3 416 120**

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

The Director of the Finance Department

The Board of Directors

Consolidated Statement of Changes in Equity for the periods ended on the 30th June 2023, 31st December 2022 and 30th June 2022

(thousand euros)

	Notes	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 2021		844 769	8 796	108 773	(1 926)	(376 071)	3 552	587 893	18 954	606 847
Balance as at 1 January 2022		844 769	8 796	108 773	(1 926)	(376 071)	3 552	587 893	18 954	606 847
Other movements recorded directly in equity:										
Changes in fair value	35	-	-	-	(7 308)	-	-	(7 308)	(113)	(7 421)
Exchange differences	35	-	-	-	-	12 467	-	12 467	3 123	15 590
Actuarial gains/ (losses)	35	-	-	-	-	8 134	-	8 134	-	8 134
Net profit / (loss) for the period	35	-	-	-	-	-	(4 524)	(4 524)	50	(4 474)
Total comprehensive income for the period		-	-	-	(7 308)	20 601	(4 524)	8 769	3 060	11 829
Transfers for reserves and retained earnings	34	-	-	-	-	3 552	(3 552)	-	-	-
Reimbursement of other equity instrument	34	-	-	(3 731)	-	-	-	(3 731)	-	(3 731)
Balance as at 30 June 2022		844 769	8 796	105 042	(9 234)	(351 918)	(4 524)	592 931	22 014	614 945
Balance as at 1 July 2022		844 769	8 796	105 042	(9 234)	(351 918)	(4 524)	592 931	22 014	614 945
Other movements recorded directly in equity:										
Changes in fair value	35	-	-	-	(1 371)	-	-	(1 371)	148	(1 223)
Exchange differences	35	-	-	-	-	(3 285)	-	(3 285)	(821)	(4 106)
Actuarial gains/ (losses)	35	-	-	-	-	3 048	-	3 048	-	3 048
Net profit / (loss) for the period	35	-	-	-	-	-	15 631	15 631	(214)	15 417
Total comprehensive income for the period		-	-	-	(1 371)	(237)	15 631	14 023	(887)	13 136
Share capital increase		18 510	-	-	-	(18 510)	-	-	-	-
Dividends to non-controlling interests	34	-	-	-	-	-	-	-	(45)	(45)
Balance as at 31 December 2022		863 279	8 796	105 042	(10 605)	(370 665)	11 107	606 954	21 082	628 036
Balance as at 1 January 2023		863 279	8 796	105 042	(10 605)	(370 665)	11 107	606 954	21 082	628 036
Other movements recorded directly in equity:										
Changes in fair value	35	-	-	-	2 478	-	-	2 478	1	2 479
Exchange differences	35	-	-	-	-	5 748	-	5 748	1 436	7 184
Actuarial gains/ (losses)	35	-	-	-	-	(287)	-	(287)	-	(287)
Net profit / (loss) for the period	35	-	-	-	-	-	4 530	4 530	(155)	4 375
Total comprehensive income for the period		-	-	-	2 478	5 461	4 530	12 469	1 282	13 751
Transfers for reserves and retained earnings	34	-	-	-	-	11 107	(11 107)	-	-	-
Balance as at 30 June 2023		863 279	8 796	105 042	(8 127)	(354 097)	4 530	619 423	22 364	641 787

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

The Director of the Finance Department

The Board of Directors

Consolidated Cash Flow Statement for the financial periods ended on the 30th June 2023 and 2022

(thousand euros)

	Notes	30.06.2023	30.06.2022
Cash flows from operating activities			
Interests received		107 165	37 331
Interests paid		(96 608)	(20 880)
Fees and commissions received		10 623	12 806
Fees and commissions paid		(1 449)	(3 043)
Loans recovery		1 443	530
Cash payments to employees and suppliers		(27 691)	(35 370)
		(6 517)	**(8 626)**
Changes in operating assets and liabilities:			
Trading financial assets and liabilities		(47 286)	(7 226)
Loans and advances to banks		225 922	28 551
Resources of other credit institutions		(357 237)	124 405
Loans and advances to customers		(85 705)	(120 697)
Resources of customers		378 481	(205 875)
Other operating assets and liabilities		9 897	15 009
Net cash flow from operating activities			
before income tax		**117 555**	**(174 459)**
Income taxes paid		(2 371)	(3 212)
		115 184	**(177 671)**
Net cash flows from investment activities			
Purchase of securities		(292 122)	(196 663)
Sale and repaymentsof securities		135 465	114 995
Purchase of fixed assets		(262)	(1 225)
Sale of fixed assets		9	-
		(156 910)	**(82 893)**
Cash flows from financing activities			
Debt securities issued	29	41 699	446 622
Reimbursement of debt securities issued	29	(2 979)	(572)
Reimbursement of other equity instruments	33	-	(3 731)
Rents paid for leasing operations		(1 890)	(1 388)
Net cash flow from financing activities		**36 830**	**440 931**
Net changes in cash and equivalents		**(4 896)**	**180 367**
Cash and equivalents at the beginning for the year		26 767	488 545
Cash and equivalents at the end for the year		21 871	668 912
		(4 896)	**180 367**
Cash and equivalents includes:			
Cash	17	6	7
Deposits at central banks	17	3 899	634 047
Deposits at other credit institutions	17	17 966	34 858
Total		**21 871**	**668 912**

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 Espírito Santo, S.A., the Bank became held by Novo Banco, S.A..

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

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

Haitong Bank's London Branch received the FCA approval of the Bank's application to the UK Full Regulatory Regime in March 2023.

Haitong Bank's financial statements are consolidated by Haitong International Holdings Limited, based in Li Po Chun Chambers, n.º 189, Des Voeux Road Central, in Hong Kong. Haitong Securities CO., LTD., is the entity at the maximum level of consolidation (ultimate parent company).

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**	**Investment Bank**	**100%**	**Full consolidation**
Haitong Global Asset Management SGOIC S.A.	1988	2005	Portugal	Asset management	100%	Full consolidation
Haitong Banco de Investimento do Brasil S.A.	1973	2000	Brazil	Investment Bank	80%	Full consolidation
FI Multimercado Treasury	2005	2005	Brazil	Investment fund	80%	Full consolidation
Haitong Negócios, SA	1996	1999	Brazil	Holding company	80%	Full consolidation
Haitong do Brasil DTVM S.A.	2009	2009	Brazil	Asset management	80%	Full consolidation
Haitong Securities do Brasil S.A.	1973	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 2023, and the main changes made to the group's structure are set forth below.

Subsidiaries

- In May 2023, Haitong Bank, S.A. concluded the liquidation process of Haitong Ancillary Services Poland SP Zoo.

During the period of six months of 2023, the movements related to acquisitions, sales and other investments and reimbursements in subsidiary and associated companies are detailed as follows:

(thousand euros)

	30.06.2023	
	Reimbursements	
	Other Investments (a)	Total
Subsidiaries		
Haitong Ancillary Services	1 759	1 759
Total	**1 759**	**1 759**

(a) Liquidation

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

(thousand euros)

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

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

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 period ended on the 30th June, 2023, which have been prepared in accordance with the IFRS in force in the European Union at 1st of January, 2023. This consolidated financial statements disclosures are in accordance with the requirements set by IAS 34 and do not include all the information to be published in the annual financial statements.

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 August 28, 2023 and are still pending approval by the sole Shareholder. However, it is expected that they will be approved with no changes. The financial statements for the previous year were approved by the single Shareholder on Abril 25, 2023.

2.2. BASIS OF CONSOLIDATION

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

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

Subsidiaries

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

The accounting policies of subsidiaries are changed, whenever necessary, in order to ensure that they are consistently applied by all Group companies.

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 over a subsidiary that constitutes a business, 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.

When the Group ceases to have control, any remaining interests in the entity are remeasured to fair value on that date, with the change in book value recognized in profit or loss for the year. The fair value corresponds to the initial book value, for the purposes of subsequent measurement of the remaining interest as an associate, joint venture or financial asset. Additionally, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets and liabilities. This may imply that amounts previously recognized in other comprehensive income are reclassified to profit or loss for the year.

Associates

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

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

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

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

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

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

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

Transactions with non-controlling interests

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

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

Translation of financial statements in foreign currency

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

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

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

Balances and transactions eliminated on consolidation

The balances and transactions between companies of the Group, including any unrealised gains or losses arising from intra-group transactions, are eliminated on the consolidation process, except for the cases where the unrealised losses reveal an impairment which should be recognised in the consolidated accounts.

Unrealised gains arising from transactions with associates are eliminated proportionally to the Group's holding in such associates. Unrealised losses are also eliminated, but only in the cases where they do not reveal an impairment.

2.3. FOREIGN CURRENCY TRANSACTIONS

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

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

2.4. FINANCIAL INSTRUMENTS

2.4.1 Financial assets classification

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

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

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

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

a) Financial assets measured at amortised cost

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

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

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

b) Financial assets at fair value through other comprehensive income

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

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

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

c) Financial assets at fair value through profit or loss

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

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

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

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

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

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

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

Business model evaluation for financial assets management

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

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

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

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

Initial recognition

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

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

Subsequent measurement

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

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

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

a) Interest is recognised in the income statement using the effective interest rate of the instrument on the gross book value of the instrument (except for assets with impairment, where the interest rate is applied on the net book value of impairment).

b) Other changes in value will be recognised as income or expense when the instrument is derecognised from the balance sheet, when it is reclassified, and in the case of financial assets, when there are impairment losses or recovery gains.

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

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

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

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

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

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

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

Reclassifications between categories of financial instruments

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

Derecognition criteria

The Bank derecognises a financial asset in the following situations:

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

Loans written-off

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

Purchase or originated credit impaired assets

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

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

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

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

Impairment of financial assets

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

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

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

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

Impairment Model

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

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

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

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

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

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

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

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

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

A probation period was established for when a financial asset ceases to be classified in Stage 3, which is defined as 3 months from the moment that the obligor is no longer past due more than 90 days on any material credit obligation, if applicable, and no indication of unlikeliness to pay applies. The probation period for non-performing forborne exposures is longer (12 months). Performing forborne exposures should accomplish a minimum 24-month 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 Group's collective impairment model, as well as the adjustments made to incorporate forward-looking information.

Expected Credit Losses

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

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

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

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

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

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

Significant increase in credit risk

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

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

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

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

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

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

Default definition

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

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

The definition of default adopted by the Group complies with article 178 of the CRR and follows the European Banking Association ("EBA") definition of non-performing exposures ("NPE") requirements according to its final report on the application of definition of default (EBA/GL/2016/07).

Forbearance definition

The internal definition of forbearance , i.e., which were subject to restructuring measures due to the debtor's financial difficulties, follows the regulatory definition. Forbearance measure is a concession by the Bank towards an obligor that is experiencing or is likely to experience 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 a 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 forbearance adopted by the Group follows article 47.º B of the CRR, the principles of the European Central Bank and the reference criteria applicable to forborne exposures set by Bank of Portugal under the Carta Circular CC/2018/0000062, from November 2018.

2.4.2 Hedge accounting

The Group uses financial derivatives as a financial risk management tool, mainly on hedge interest rate risk. When these transactions meet certain IFRS requirements, they qualify for hedge accounting. All other derivatives are classified as trading derivatives.

The Group accordingly applies the provisions of IFRS 9 for hedge accounting.

The Group maintains the hedging relationship documentation, which includes the identification of the hedging instrument and of the hedged element, the nature of the risk to be hedged and the way in which the Group assesses whether the hedging relationship meets the requirements of hedging effectiveness. To ensure that the effectiveness requirement is met:

a) There must be an economic relationship between the hedged item and the hedging instrument,
b) the credit risk of the hedged item's counterparty or of the hedging instrument should not have a dominant effect on changes in value resulting from said economic relationship, and
c) the coverage ratio of the hedge accounting relationship, understood as the share of the item hedged by the hedging instrument, must be the same as the coverage ratio used for management purposes.

Fair value hedge

In a fair value hedging operation of an asset or liability, the balance sheet value of this asset or liability, determined based on the respective accounting policy, is adjusted in order to reflect the variation in its fair value attributable to the hedged risk.

Variations in the fair value of hedge derivatives are recognised in the income statement, together with the variations in fair value of the hedged assets or liabilities, attributable to the hedged risk.

If the hedge no longer meets the criteria of enforceability of the hedge accounting the derivative financial instrument is transferred to the trading portfolio and hedge accounting is discontinued prospectively. Regarding the hedging asset or liability, the adjustment to the book value of the hedged instrument is amortised in results for the remaining period of useful life of the hedged item.

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.

As for derivative financial instruments, the interest component inherent to the fair value variation of fair value hedging derivatives is recognized in interest income or cost. As for the remaining derivatives, the interest component resulting from the change in fair value will not be separated, beeing classified in the income statement of assets and liabilities held for trading.

2.4.5 Financial guarantees

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

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

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

2.5. ASSETS SOLD WITH REPURCHASE AGREEMENT AND SECURITIES LENDING

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

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

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

2.6 EQUITY INSTRUMENTS

An instrument is classified as equity instrument only if:

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

Costs directly attributable to the issuing of equity instruments are accounted for under equity, as a deduction to the issuing amount. Amounts paid and received by the purchase and sale of equity instruments are accounted for under equity, net of transaction costs.

When declared, distributions to holders of an equity instrument are deducted directly from equity as dividends.

2.7 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are presented in statement of financial position at net value when there is a legal possibility of offsetting the recognised amounts and there is an intent of settlement thereof by their net value, or to simultaneously realise the asset and settle the liability. This legal possibility cannot depend on future events, and must be enforceable in the course of the Group's activity, or even in the event of insolvency or bankruptcy of the Group or its counterparties.

2.8 OTHER TANGIBLE ASSETS

The Group's other tangible assets are measured at cost, less their corresponding accumulated depreciations 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 depreciations of other tangible assets are calculated based on the straight-line method, at the following depreciations 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.

Gains or losses on the sale of assets are determined by the difference between the realizable value and the book value of the asset, and are recognized in the consolidated income statement.

2.9 INTANGIBLE ASSETS

Intangible assets are only recognized when: i) they are identifiable; ii) it is likely that they will generate future economic benefits; and iii) its cost can be reliably measured.

Haitong only recognizes intangible assets related to software. 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. 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.

Expenditure on internal software development is recorded as an expense when incurred, whenever it is not possible to distinguish the research phase from the development phase, or it is not possible to reliably determine the costs incurred in each phase or the probability of economic benefits flowing to the Group.

The useful lives of intangible assets are reviewed in each financial report, so that amortization practiced is in accordance with the consumption patterns of the assets. Changes to useful lives are treated as a change in accounting estimate and are applied prospectively.

All remaining charges associated with Information Technology services are recognised as costs when incurred.

2.10 LEASE TRANSACTIONS (IFRS 16)

At inception of a contract, the Banks assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either:
  - the Bank has the right to operate the asset; or
  - the Bank designed the asset in a way that predetermines how and for what purpose it will be used.

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

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

As a lessee

The Bank recognises a right-of-use asset in Other Tangible Assets and a lease liability in Other Liabilities 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 subsequently measured, increased by interest cost and reduced by rent payments to the lessor, being 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 15, pension funds and other mechanisms were set up to cover liabilities assumed with pensions on retirement, disability, survival and health-care benefits.

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

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

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

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

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

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

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

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

Other Geographies

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

Health-care benefits

Portugal

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

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

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

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

Other Geographies

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

Long-term service bonuses

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

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

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

Variable remuneration paid to employees

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

2.12 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. 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.

2.13 CONTINGENT ASSETS

Contingent assets are not recognised in the financial statements and are disclosed when a future economic inflow of resources is probable.

2.14 PROVISIONS

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

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

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

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

2.15 RECOGNITION OF FEE AND COMMISSION INCOME

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

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

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

2.16 SEGMENT REPORTING

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

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

2.17 EARNINGS PER SHARE

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

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

2.18 CASH AND CASH EQUIVALENTS

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

2.19 SUBSEQUENT EVENTS

The Group analyses events occurred after the balance sheet date, i.e., favourable and/or unfavourable events that occur between the balance sheet date and the date the financial statements were authorized for issue. In this context, two types of events can be identified:

i) those that provide evidence of conditions that existed at the balance sheet date (events after the balance sheet date that give rise to adjustments); and,
ii) those that are indicative of the conditions that arose after the balance sheet date (events after the balance sheet date that do not give rise to adjustments).

Events occurred after the date of the financial statements that are not considered as adjustable events, if significant, are disclosed in the notes to the consolidated financial statements.

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

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

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

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

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

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

Individual analysis

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

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

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

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

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

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

Collective analysis

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

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

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

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

3.2. INCOME TAXES

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

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

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

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

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

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

3.3. PENSIONS AND OTHER EMPLOYEE BENEFITS

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

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

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

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

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

3.5. CLASSIFICATION AND MEASUREMENT

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

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

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

NOTE 4 – SEGMENT REPORTING

4.1. DESCRIPTION OF BUSINESS AREAS

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

Mergers and Acquisitions

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

Capital Markets

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

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

Equity Capital Market (ECM) transactions are explored on a case-by-case basis, according to the opportunities that arise, mainly comprising capital increases, takeover offers, equity-linked instruments, and listings and delisting for corporate clients.

Corporate Derivatives

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

Fixed Income

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

The Fixed Income Division is also responsible for managing Haitong Bank's banking and trading book portfolios, in accordance with the investment policies and pre-defined limits established by the Executive Committee.

The Fixed Income Division in Brazil aims to manage several risk factors to which the Bank is locally exposed, such as fixed interest rates, inflation, FX, and equities. The Fixed Income activity in Brazil also comprises the risk originating management through the proprietary portfolio alongside its strategy (trading and banking books), following the internal guidance and in accordance with the investment policies established by the Executive Committee and the Board of Directors of Haitong Brazil.

Equities

The Equities Division, discontinued in January 2023, offered an order execution service focused on shares of European and emerging markets issuers aimed at European investors through the Warsaw Branch.

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

Structured Finance

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

Corporate Solutions

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

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

Treasury

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

Additionally, the Treasury Division is responsible for managing the Bank's proprietary HQLA portfolio.

Private Equity

This business segment, carried out via the Bank's subsidiary Haitong Global Asset Management, SGOIC, S.A., undertakes to provide support to the private corporate initiative, by promoting productive investment, which is mostly financed by equity.

Corporate Centre

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

Special Portfolio Management

The purpose of the Special Portfolio Management Division (SPM) is to manage all the non-performing exposures, according to IFRS9 criteria, in which the Bank is involved.

This Division also manages all credit operations in which the Bank is solely involved as an agent, in case the operations are in default or classified as non-performing.

Other

Includes all remaining segments of the Group's Management Information model, which in accordance with the provisions laid down in IFRS8 are not subject to mandatory individualization (Asset Management and other revenue centres, including the Research Division that was discontinued in the Warsaw Branch in January 2023).

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

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

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

Measurement of profits or losses from the segments

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

Haitong Bank's Structures dedicated to the Segment

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

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

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

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

Interest income and expenses

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

Net profit/(loss) from fee and commission

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

Investments consolidated under the equity method

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

Non-current assets

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

Deferred tax assets

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

Domestic and International Areas

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

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

(thousand euros)

	Period of six months ended at 30.06.2023												
	Structured Finance	Special Portfolio Management	Mergers and Acquisitions	Capital Markets	Corporate Derivatives	Fixed Income	Equities	Private Equity	Treasury	Corporate Solutions	Corporat e Centre	Other	Total
Net interest income	8 094	(2)	(17)	(9)	(1)	1 492	(22)	-	5 514	(12)	1 446	(2)	16 481
Net fees and comissions	3 067	109	1 435	4 359	(48)	(116)	29	421	(491)	4	(569)	668	8 868
COMERCIAL OPERATING INCOME	**11 161**	**107**	**1 418**	**4 350**	**(49)**	**1 376**	**7**	**421**	**5 023**	**(8)**	**877**	**666**	**25 349**
Results on financial operation	104	10 056	(6)	1	557	4 058	(2)	25	(894)	-	36	2	13 937
Costs Deducting Banking Income	(155)	11	(10)	(5)	(12)	(470)	(5)	(6)	(322)	-	(3 470)	(33)	(4 477)
Intersegment Operating Income	(84)	90	-	-	16	158	-	(93)	357	25	(474)	5	-
TOTAL OPERATING INCOME	**11 026**	**10 264**	**1 402**	**4 346**	**512**	**5 122**	**-**	**347**	**4 164**	**17**	**(3 031)**	**640**	**34 809**
Operation expenses	**1 499**	**424**	**2 381**	**1 362**	**1 023**	**2 354**	**260**	**253**	**511**	**1 053**	**17 260**	**514**	**28 894**
Staff costs	1 232	286	1 877	1 121	647	1 249	88	168	252	908	10 763	317	18 908
General administration expenses	195	113	388	192	295	980	157	78	234	82	4 124	189	7 027
Depreciations and Amortisations	72	25	116	49	81	125	15	7	25	63	2 373	8	2 959
Gross income	**9 527**	**9 840**	**(979)**	**2 984**	**(511)**	**2 768**	**(260)**	**94**	**3 653**	**(1 036)**	**(20 291)**	**126**	**5 915**
Impairment and Provisions	**(1 533)**	**254**	**7**	**72**	**-**	**(2 005)**	**-**	**4**	**(20)**	**-**	**2 851**	**(4)**	**(374)**
Credit impairment	(9)	(51)	-	-	-	-	-	-	(1)	-	31	-	(30)
Securities impairment	(582)	-	-	-	-	(1 852)	-	-	(13)	-	166	-	(2 281)
Net provisions and other impairment	(942)	305	7	72	-	(153)	-	4	(6)	-	2 654	(4)	1 937
Income before taxes	**7 994**	**10 094**	**(972)**	**3 056**	**(511)**	**763**	**(260)**	**98**	**3 633**	**(1 036)**	**(17 440)**	**122**	**5 541**

(thousand euros)

	Period of six months ended at 30.06.2022												
	Structured Finance	Special Portfolio Management	Mergers and Acquisitions	Capital Markets	Corporate Derivatives	Fixed Income	Equities	Private Equity	Treasury	Corporate Solutions	Corporate Centre	Other	Total
Net interest income	5 984	52	(2)	(2)	(3)	(797)	(54)	-	(114)	-	652	2 185	7 901
Net fees and comissions	2 697	202	1 916	6 962	(26)	404	490	467	(2 071)	6	(1 060)	577	10 564
COMERCIAL OPERATING INCOME	**8 681**	**254**	**1 914**	**6 960**	**(29)**	**(393)**	**436**	**467**	**(2 185)**	**6**	**(408)**	**2 762**	**18 465**
Results on financial operation	199	929	53	(1)	4 155	3 894	2	23	(604)	-	(1 011)	26	7 665
Costs Deducting Banking Income	(168)	-	(23)	(24)	(92)	(10)	(8)	(15)	(692)	(1)	(3 284)	(106)	(4 423)
Intersegment Operating Income	482	(482)	-	(807)	(137)	(307)	-	-	752	29	473	(5)	(2)
TOTAL OPERATING INCOME	**9 194**	**701**	**1 944**	**6 128**	**3 897**	**3 184**	**430**	**475**	**(2 729)**	**34**	**(4 230)**	**2 677**	**21 705**
Operation expenses	**1 677**	**388**	**1 848**	**1 420**	**802**	**2 291**	**933**	**305**	**365**	**843**	**18 886**	**717**	**30 475**
Staff costs	1 353	244	1 368	1 188	433	1 089	610	178	322	699	11 748	520	19 752
General administration expenses	249	120	346	171	295	1 032	283	69	(3)	77	4 681	166	7 486
Depreciations and Amortisations	75	24	134	61	74	170	40	58	46	67	2 457	31	3 237
Gross income	**7 517**	**313**	**96**	**4 708**	**3 095**	**893**	**(503)**	**170**	**(3 094)**	**(809)**	**(23 116)**	**1 960**	**(8 770)**
Impairment and Provisions	**(29)**	**630**	**132**	**(547)**	**46**	**(175)**	**7**	**116**	**(103)**	**-**	**3 505**	**(2)**	**3 580**
Credit impairment	(524)	685	-	-	-	-	-	-	(138)	-	130	(1)	152
Securities impairment	1 133	-	-	(1)	-	(148)	-	-	5	-	-	-	989
Net provisions and other impairment	(638)	(55)	132	(546)	46	(27)	7	116	30	-	3 375	(1)	2 439
Income before taxes	**7 488**	**943**	**228**	**4 161**	**3 141**	**718**	**(496)**	**286**	**(3 197)**	**(809)**	**(19 611)**	**1 958**	**(5 190)**

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

(thousand euros)

	30.06.2023				
	Portugal	Rest of the Europe	America	Asia	Total
Net income	(3 620)	6 902	(440)	1 688	4 530
Net asset	1 745 597	385 319	1 260 455	82 555	3 473 926
Investments in assets					
tangible	26	38	4	2	70
intangible	159	2	18	14	193

(thousand euros)

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

NOTE 5 – FINANCIAL MARGIN

This heading's amount is composed of:

(thousand euros)

	Period of six months ended at					
	30.06.2023			30.06.2022		
	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	29 349	-	29 349	16 971	-	16 971
Interest from deposits and investments in credit institutions	6 496	-	6 496	2 809	-	2 809
Interest from financial assets at fair value through other comprehensive income	11 721	-	11 721	4 887	-	4 887
Interest from financial assets at fair-value through profit and loss	-	45 221	45 221	-	16 347	16 347
Interest from debt securities at amortised cost	15 340	-	15 340	7 080	-	7 080
Other interest and similar income	764	-	764	77	-	77
	63 670	**45 221**	**108 891**	**31 824**	**16 347**	**48 171**
Interest and similar expenses						-
Interest from deposits from central banks and other credit institutions	48 814	-	48 814	6 694	-	6 694
Interest from debt securities issued	21 061	-	21 061	6 025	-	6 025
Interest from customers accounts	21 421	-	21 421	27 165	-	27 165
Interest from leasing	323	-	323	150	-	150
Other interest and similar expenses	791	-	791	236	-	236
	92 410	**-**	**92 410**	**40 270**	**-**	**40 270**
	(28 740)	**45 221**	**16 481**	**(8 446)**	**16 347**	**7 901**

As at June 30th , 2023 interest and similar income includes an amount of 2 822 thousand euros and 641 thousand euros concerning contracts flagged as stage 2 and stage 3, respectively (June 30th , 2022,: 4 740 thousand euros and 164 thousand euros, respectively).

The heading Interest and similar income – Interest from deposits and investment in credit institutions has a cost of 647 thousand euros associated with TLTRO III operations (June 30th, 2022: negative cost of 274 thousand euros).

For each TLTRO III tranche, the effective interest rate is being periodised. This interest rate considers the interest rates applicable to each operation in the elapsed period, according to the Bank's estimate of the achievement of targets variation in the volume of eligible credit defined by the ECB.

NOTE 6 – NET FEES AND COMMISSIONS INCOME

This heading's amount is composed of:

(thousand euros)

	Period of six months ended at	
	30.06.2023	30.06.2022
Fees and commissions income		
From banking services	4 250	5 825
From guarantees provided	843	809
From transactions with securities	5 211	6 628
	10 304	**13 262**
Fees and commissions expenses		
From banking services rendered by third parties	64	1 494
From transactions with securities	1 083	1 217
From guarantees received	179	129
Other fee and comission expenses	123	203
	1 449	**3 043**
	8 855	**10 219**

As at June 30th, 2023, the income regarding fees and commission included 624 thousand euros (June 30th, 2022: 531 thousand euros) concern Haitong Group related parties (Note 37).

As at June 30th, 2023 and 2022, the amount of fees and commissions present the following distribution, by geographical segment:

(thousand euros)

	Period of six months ended at	
	30.06.2023	30.06.2022
Fees and commissions income		
China	2 477	3 229
Portugal	4 282	3 205
Poland	566	1 931
Virgin Islands	595	1 447
Spain	378	1 075
Brazil	746	807
Luxembourg	600	572
Cayman Islands	230	295
Ireland	171	-
United Kingdom	138	234
Others	121	467
	10 304	**13 262**

NOTE 7 – NET TRADING INCOME

This heading's amount is composed of:

(thoudand euros)

	Period of six months ended at	
	30.06.2023	30.06.2022
Trading assets and liabilities		
Securities		
Bonds and other fixed-income securities		
Issued by public entities	2 568	(25 814)
Of other entities	613	(2 332)
Shares	261	522
	3 442	**(27 624)**
Financial derivatives		
Foreign-exchange contracts	(2 223)	5 773
Interest rates contracts	3 967	28 804
Equity/indexes contracts	(709)	600
Other	(477)	28
	558	**35 205**
	4 000	**7 581**

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

This heading's amount is composed of:

(thousand euros)

	Period of six months ended at	
	30.06.2023	30.06.2022
Financial assets at fair value through profit or loss		
Securities		
Shares	(375)	412
Other variable-income securities	244	(646)
	(131)	**(234)**

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)

	Period of six months ended at	
	30.06.2023	30.06.2022
Bonds and other fixed-income securities		
Issued by public entities	193	-
Of other entities	-	1
	193	1

NOTE 10 – NET GAINS/(LOSSES) FROM HEDGE ACCOUNTING

This heading's amount is composed of:

(thousand euros)

	Period of six months ended at 30.06.2023
Net gains/(losses) from hedge accounting	
Hedging derivatives (Note 21)	523
Hedged items (Note 22)	(508)
	15

NOTE 11 – NET GAINS / (LOSSES) FROM FOREIGN EXCHANGE DIFFERENCES

This heading's amount is composed of:

(thousand euros)

	Period of six months ended at	
	30.06.2023	30.06.2022
Currency revaluation	(962)	(1 312)
	(962)	(1 312)

On the 30th of June 2023 and 2022, 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 12 – NET GAIN/(LOSS) FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

As at the June 30th, 2023 and 2022, this heading's amount is composed of:

(thousand euros)

	Period of six months ended at	
	30.06.2023	30.06.2022
Loans recoveries	1 443	530
Gains/Losses on Amortized Cost Investments	37	39
	1 480	**569**

NOTE 13 – OTHER OPERATING INCOME AND EXPENSES

This heading's amount is composed of:

(thousand euros)

	Period of six months ended at	
	30.06.2023	30.06.2022
Other customer services	25	345
Direct and Indirect taxes	(2 859)	(2 361)
Non-financial assets	(28)	88
Sub-leasing	224	164
Other operating results	7 516	(1 256)
	4 878	(3 020)

Direct and indirect taxes include:

- 2,009 thousand euros concerning the cost associated with the Bank Levy (1,480 thousand euros at 30th June 2022), established pursuant to Law no. 55-A/2010, of the 31st of December.
- 445 thousand euros concerning the cost associated with Social Integration and Contribution Programs for the Financing of Social Security (PIS/CONFINS) (June 30th, 2022: 489 thousand euros), created through art. 239 of the 1988 Constitution and Complementary Laws 7, of September 7, 1970, and 8, of December 3, 1970; and by Complementary Law 70 of 12/30/1991.

NOTE 14 – EMPLOYEE COSTS

This heading's amount is composed of:

(thousand euros)

	Period of six months ended at	
	30.06.2023	30.06.2022
Wages and salaries		
Remuneration	14 573	14 585
Career benefits (Note 15)	24	(10)
Changes from termination agreements	19	64
Expenses with retirement pensions (Note 15)	11	69
Other mandatory social charges	3 108	3 313
Other expenses	1 173	1 731
	18 908	**19 752**

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

(thousand euros)

	Board of Directors	Identified Staff (1)	Total
June 2023			
Remunerations and other short-term benefits	904	5 103	6 007
Variable remunerations	957	1 689	2 646
Total	**1 861**	**6 792**	**8 653**
June 2022			
Remunerations and other short-term benefits	898	4 584	5 482
Variable remunerations	863	1 122	1 985
Total	**1 761**	**5 706**	**7 467**

(1) Excluding Board of Directors

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

On the 30th of June 2023 and 2022, Haitong Bank Group did not present any credit granted to its Management Bodies.

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

	30.06.2023	31.12.2022	30.06.2022
Directors	182	187	187
Management	3	3	3
Specific roles	145	141	141
Administrative roles	22	24	24
Support roles	10	10	10
	362	**365**	**365**

As at the 30th of June 2023, the Group had a total of 362 employees, compared to 365 in December and June 2022.

NOTE 15 – 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	
	30.06.2023	30.06.2022
Financial Assumptions		
Discount rate	4,04%	3,50%
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	

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

(thousand euros)

	30.06.2023	30.06.2022
Current service cost (see Note 14)	11	69
Interest Expenses / (Income)	(357)	(43)
Expenses of the period	**(346)**	**26**

Career bonuses

On the 30th of June, 2023, 31st of December, 2022 and 30th of June, 2022, the liabilities assumed by the Group and the costs recognised in the periods with the career bonus are the following:

(thousand euros)

	30.06.2023	31.12.2022	30.06.2022
Liabilities at the begining of the period	**429**	**600**	**610**
Period expenses (See Note 14)	24	(171)	(10)
Liabilities at the end of the period (see Note 33)	**453**	**429**	**600**

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 16 – ADMINISTRATIVE COSTS

This heading's amount is composed of:

(thousand euros)

	Period of six months ended at	
	30.06.2023	30.06.2022
Communications and expedition	1 456	2 323
Rents and leases	382	159
Travels and representation costs	249	96
Maintenance and related services	329	314
Insurance	61	60
Advertising and publications	30	60
Legal and litigation	93	149
Specialised services		
IT services	1 652	1 590
Temporary labour	10	2
Independent labour	287	447
Other specialised services	1 572	1 346
Other expenses	906	940
	7 027	7 486

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.

NOTE 17 – 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 period, excluding the average number of shares bought and held in portfolio as own shares.

(thousand euros)

	30.06.2023	30.06.2022
Consolidated net income attributable to shareholders of the parent company[(1)]	4 530	(4 524)
Weighted average number of ordinary shares outstanding (thousand)	**172 656**	**168 954**
Basic earnings per share attributable to shareholders of the parent company (euros)	**0,03**	**-0,03**

(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 30th June, 2023, and 2022, the Bank holds instruments issued without diluting effect, therefore diluted earnings per share equals basic earnings per share.

NOTE 18 – CASH AND CASH EQUIVALENTS

As at the 30th June, 2023, and 31st December, 2022, this heading is analysed as follows:

(thousand euros)

	30.06.2023	31.12.2022
Cash	6	7
Demand deposit at central banks		
Bank of Portugal	-	30
Other central banks	3 899	2 978
	3 899	**3 008**
Deposits at other credit institutions		
in Portugal		
Demand deposits	5 152	4 255
	5 152	**4 255**
Deposits at other credit institutions abroad		
Demand deposits	12 814	19 497
	12 814	**19 497**
	21 871	**26 767**
Impairment losses (Note 31)	(920)	(939)
	20 951	**25 828**

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 30th June, 2023, the average rate of return of such deposits was 3,50% (31st of December, 2022: 2.50%).

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 30th June, 2023, has been comprised in the maintenance period from the 21st of June, 2023, to the 1st of August, 2023, which corresponded a mandatory minimum reserve amounting to 1,835 thousand euros (31st of December, 2022: 1,818 thousand euros).

NOTE 19 – FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING – SECURITIES

As at 30th June 2023 and 31st December 2022, the heading of trading financial assets and liabilities is as follows:

(thousand euros)

	30.06.2023	31.12.2022
Financial assets held-for-trading		
Bonds and other fixed-income securities		
From public issuers	766 146	711 470
From other issuers	36 125	34 098
Shares	22	35
	802 293	745 603
Financial liabilities held-for-trading		
Short selling	1 289	97
	1 289	97
	803 582	745 700

As at 30th June 2023, the heading of financial assets held for trading includes 642,130 thousand euros in securities pledged as collateral by the Group (493,143 thousand euros as at 31st of December 2022) (see Note 36).

As at 30th June 2023 and 31st December 2022, the analysis of financial assets held-for-trading, by residual maturity period, is as follows:

(thousand euros)

	30.06.2023	31.12.2022
Up to three months	4 705	5 124
From three months to one year	4 985	5 980
From one to five years	93 555	58 441
More than five years	699 026	676 023
Undetermined period	22	35
	802 293	745 603

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 30th June 2023 and 31st December 2022, the heading of financial assets held-for-trading, concerning quoted and unquoted securities, is divided as follows:

(thousand euros)

	30.06.2023			31.12.2022		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Securities						
Bonds and other fixed-income securities						
Issued by public entities	2 408	763 738	766 146	968	710 502	711 470
Issued by other entities	30 796	5 329	36 125	30 829	3 269	34 098
Shares	22	-	22	35	-	35
Total book value	**33 226**	**769 067**	**802 293**	**31 832**	**713 771**	**745 603**

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

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

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

NOTE 20 – DERIVATIVES

As at 30th June 2023 and 31st December 2022, financial derivatives heading is analysed as follows:

(thousand euros)

	30.06.2023	31.12.2022
Derivatives financial assets		
Trading derivatives		
Foreign-exchange contracts	1 004	7 559
Interest-rate contracts	38 717	41 161
Other contracts	161	218
	39 882	48 938
Derivatives financial liabilities		
Trading derivatives		
Foreign-exchange contracts	4 469	7 405
Interest-rate contracts	29 287	31 836
Other contracts	161	218
	33 917	39 459
	5 965	9 479

As at 30th June 2023 and 31st December 2022, trading financial derivatives is analysed as follows:

(thousand euros)

	30.06.2023			31.12.2022		
	Notional	Fair value		Notional	Fair value	
		Positive	Negative		Positive	Negative
Foreign-exchange contracts						
Forward		121	2 998		4 168	4 455
- buy	106 093			105 236		
- sell	106 093			105 244		
Currency Swaps		1	421		1 100	557
- buy	79 726			142 988		
- sell	80 220			142 544		
Currency Futures		-	-		-	-
- buy	138 915			43 618		
- sell	205 729			67 988		
Currency Interest Rate Swaps		-	-		1 178	1 222
- buy	-			2 288		
- sell	-			2 440		
Currency Options		882	1 050		1 113	1 171
- buy	85 545			217 951		
- sell	78 250			232 552		
	880 571	1 004	4 469	1 062 849	7 559	7 405
Interest-rate contracts						
Interest Rate Swaps		38 311	28 881		40 657	31 333
- buy	907 121			897 504		
- sell	907 121			897 504		
Interest Rate Caps & Floors		406	406		504	503
- buy	24 752			32 197		
- sell	24 752			32 197		
Interest Rate Futures		-	-		-	-
- buy	282 930			99 012		
- sell	177 067			323 132		
	2 323 743	38 717	29 287	2 281 546	41 161	31 836
Contracts on shares/indexes						
Equity / Index Swaps		161	161		218	218
- buy	3 244			3 256		
- sell	3 244			3 256		
Equity / Index Options		-	-		-	-
- buy	5 370			5 764		
Equity / Index Futures		-	-		-	-
- sell	3 719			3 255		
	15 577	161	161	15 531	218	218
Total	3 219 891	39 882	33 917	3 359 926	48 938	39 459

As at 30th June 2023 and 31st December 2022, the analysis of trading financial derivatives, by residual maturity period, is as follows:

(thousand euros)

	30.06.2023			31.12.2022		
	Notional		Fair Value (net)	Notional		Fair Value (net)
	Sale	Purchase		Sale	Purchase	
Up to three months	481 522	399 614	(3 231)	520 950	436 035	(172)
From three months to one year	304 796	309 321	(2 845)	178 374	188 445	(59)
From one to five years	585 863	705 697	12 053	729 202	720 858	9 888
More than five years	214 015	219 063	(12)	381 586	204 476	(178)
	1 586 196	**1 633 695**	**5 965**	**1 810 112**	**1 549 814**	**9 479**

As at 30th of June 2023 and 31st of December 2022, 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 21 – HEDGING DERIVATIVES

As at June 30th 2023, this heading is analysed as follows:

(thousand euros)

			30.06.2023						
			Hedging instrument			Hedged instrument			
Hedged risk	Derivative product	Associated financial asset / liability	Notional	Assets (1)	Fair value change in hedging instruments in the period	Assets (1)	Accumulated fair value adjustments in the hedged item	Fair value change in hedged items in the period	Net gains/(losses) from hedge accounting
Interest rate	Futures	Debt instruments	23 700	-	523	38 802	(508)	(508)	15

(1) Book value of hedging and hedged instruments excluding hedging adjustments and impairment

The variations in fair value associated to the assets described above and the respective hedge derivatives are entered in the income statement of the period in the caption of Net gains/(losses) from hedge accounting (Note 10). With regard to the fair value of futures, this is reflected in the caption of Other Assets (Note 27).

NOTE 22 – SECURITIES

As at June 30th 2023 and December 31st 2022, this heading is analysed as follows:

(thousand euros)

	30.06.2023	31.12.2022
Non-trading financial assets mandatorily at fair value through profit or loss		
Shares	12 640	12 647
Other variable income securities	4 364	3 871
	17 004	16 518
Financial assets at fair value through other comprehensive income		
Bonds and other fixed-income securities		
From public issuers	38 767	92 975
From other issuers	227 636	202 518
	266 403	295 493
Financial assets measured at amortised cost		
Bonds and other fixed-income securities		
From public issuers	463 188	444 153
From other issuers	446 944	277 366
	910 132	721 519
	1 193 539	1 033 530

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 30th June 2023 and 31st December 2022, 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	Fair value hedge		
Bonds and other fixed-income securities						
Issued by public entities	40 241	469	(1 757)	-	(187)	38 766
Issued by other entities	241 050	864	(11 699)	(214)	(2 364)	227 637
Balance as at 30 June 2023	281 291	1 333	(13 456)	(214)	(2 551)	266 403
Bonds and other fixed-income securities						
Issued by public entities	96 921	140	(3 626)	-	(460)	92 975
Issued by other entities	215 316	500	(12 469)	-	(829)	202 518
Balance as at 31 December 2022	312 237	640	(16 095)	-	(1 289)	295 493

(1) Amortised cost

As at 30th June 2023 and 31st December 2022, the portfolio of financial assets at amortised cost is analysed as follows:

(thousand euros)

	Cost (1)	Fair value hedge	Impairment (Note 31)	Book value
Bonds and other fixed-income securities				
Issued by public entities	463 756	-	(568)	463 188
Issued by other entities	449 541	(294)	(2 303)	446 944
Balance as at 31 June 2023	**913 297**	**(294)**	**(2 871)**	**910 132**
Bonds and other fixed-income securities				
Issued by public entities	444 577	-	(424)	444 153
Issued by other entities	278 604	-	(1 238)	277 366
Balance as at 31 December 2022	**723 181**	**-**	**(1 662)**	**721 519**

(1) Amortised cost

As at 30th June 2023, the heading of Financial assets includes 813,790 thousand euros (31st December 2022: 661,988 thousand euros) in securities pledged as collateral by the Group (see Note 36).

As at 30th June 2023 and 31st December 2022, the analysis of securities portfolios by maturity period, is presented as follows:

(thousand euros)

	30.06.2023	31.12.2022
Up to three months	4 982	24 820
From three months to one year	268 873	140 901
From one to five years	771 388	768 302
More than five years	131 292	82 989
Undetermined period	17 004	16 518
	1 193 539	1 033 530

As at 30th June 2023 and 31st December 2022, the heading of securities, concerning quoted and unquoted securities, is divided as follows:

(thousand euros)

	30.06.2023			31.12.2022		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Securities						
Bonds and other fixed-income securities						
Issued by public entities	421 576	80 379	501 955	436 787	100 341	537 128
Issued by other entities	422 383	252 197	674 580	318 323	161 561	479 884
Shares	11	12 629	12 640	5	12 642	12 647
Other variable-income securities	-	4 364	4 364	-	3 871	3 871
Total book value	**843 970**	**349 569**	**1 193 539**	**755 115**	**278 415**	**1 033 530**

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

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

NOTE 23 - LOANS AND ADVANCES TO BANKS

As at 30th June 2023 and 31st December 2022, this heading is analysed as follows:

(thousand euros)

	30.06.2023	31.12.2022
Loans and advances to banks in Portugal		
Deposits	5 756	5 893
Interbank money market	258 840	436 666
	264 596	442 559
Loans and advances to banks abroad		
Deposits	38	56
Reverse repos	427	19 180
Very short-term deposits	-	28 543
	465	47 779
	265 061	490 338
Impairment losses (Note 31)	(25)	(20)
	265 036	490 318

As at 30th June 2023 and 31st December 2022, the analysis of loans and advances to banks, by residual maturity period, is presented as follows:

(thousand euros)

	30.06.2023	31.12.2022
Up to three months	256 823	481 889
From three months to one year	8 238	8 449
	265 061	490 338

NOTE 24 – LOANS AND ADVANCES TO CUSTOMERS

As at 30th June 2023 and 31st December 2022, this heading is analysed as follows:

(thousand euros)

	30.06.2023	31.12.2022
At fair value throught profit and loss		
Overdue loans and interest		
For more than 90 days	23	22
	23	**22**
Revaluation at fair value	(2)	(2)
	21	**20**
At Amortised cost		
Domestic loans		
Corporate		
Loans	217 288	214 245
Retail		
Mortgage loans	1	2
	217 289	**214 247**
Foreign loans		
Corporate		
Loans	649 521	568 880
	649 521	**568 880**
Overdue loans and interest		
For more than 90 days	3 687	2 448
	3 687	**2 448**
	870 497	**785 575**
Impairment losses (Note 31)	(13 292)	(13 790)
	857 205	**771 785**
	857 226	**771 805**

As at 30th June 2023 and 31st December 2022, the analysis of loans and advances to customers, by residual maturity period, is presented as follows:

(thousand euros)

	30.06.2023	31.12.2022
Up to three months	1	2 130
From three months to one year	-	24 258
From one to five years	542 115	496 796
More than five years	324 694	259 943
Undetermined period	3 710	2 470
	870 520	**785 597**

NOTE 25 – OTHER TANGIBLE ASSETS

As at 30th June 2023 and 31st December 2022, this heading is analysed as follows:

(thousand euros)

	30.06.2023	31.12.2022
Real Estate		
For own use	1	1
Improvements in leasehold property	8 435	8 299
	8 436	**8 300**
Equipment		
IT equipment	11 895	11 884
Indoor installations	2 025	2 025
Furniture	3 022	3 020
Machinery and tools	1 128	1 094
Motor vehicles	339	327
Security equipment	273	272
Others	308	299
	18 990	**18 921**
	27 426	**27 221**
Right-of-use		
Buildings	21 792	21 396
Vehicles	296	353
IT equipment	86	84
	22 174	**21 833**
	49 600	**49 054**
Accumulated depreciations	(36 768)	(34 376)
	12 832	**14 678**

The movement in this heading was as follows:

(thousand euros)

	Real estate	Equipment	Right-of-use			Work in progress	Total
			Buildings	IT equipment	Vehicles		
Acquisition cost							
Balance as at 31 December 2021	7 436	17 823	13 780	112	576	1 697	41 424
Acquisitions	-	713	-	-	-	192	905
Write-offs / sales	-	(702)	-	-	-	-	(702)
Transfers	929	967	-	-	-	(1 889)	7
Exchange differences and other movements	(65)	120	7 616	(28)	(223)	-	7 420
Balance as at 31 December 2022	8 300	18 921	21 396	84	353	-	49 054
Acquisitions	-	69	-	-	-	-	69
Write-offs / sales	-	(86)	-	-	-	-	(86)
Exchange differences and other movements	136	86	396	2	(57)	-	563
Balance as at 30 June 2023	8 436	18 990	21 792	86	296	-	49 600
Depreciations							
Balance as at 31 December 2021	6 381	16 931	7 835	30	272	-	31 449
Depreciations of period	525	727	3 258	27	117	-	4 654
Write-offs / sales	-	(701)	-	-	-	-	(701)
Exchange differences and other movements	82	73	(973)	(17)	(191)	-	(1 026)
Balance as at 31 December 2022	6 988	17 030	10 120	40	198	-	34 376
Depreciations of period	209	367	1 540	12	36	-	2 164
Write-offs / sales	-	(85)	-	-	-	-	(85)
Exchange differences and other movements	134	62	178	-	(61)	-	313
Balance as at 30 June 2023	7 331	17 374	11 838	52	173	-	36 768
Net book value as at 30 June 2023	1 105	1 616	9 954	34	123	-	12 832
Net book value as at 31 December 2022	1 312	1 891	11 276	44	155	-	14 678

NOTE 26 – INTANGIBLE ASSETS

As at 30th June 2023 and 31st December 2022, this heading is analysed as follows:

(thousand euros)

	30.06.2023	31.12.2022
Purchased from third parties		
Software	36 200	35 806
Others	1 015	1 009
	37 215	36 815
Work in progress	415	507
	37 630	37 322
Accumulated amortisations	(35 545)	(34 656)
	(35 545)	(34 656)
	2 085	2 666

The movement in this heading was as follows:

(thousand euros)

	Software	Other fixed assets	Work in progress	Total
Acquisition cost				
Balance as at 31 December 2021	34 121	998	1 394	36 513
Acquisitions:				
Purchased from third parties	286	-	395	681
Write-offs / sales	(54)	-	-	(54)
Transfers	1 279	-	(1 287)	(8)
Exchange differences	174	11	5	190
Balance as at 31 December 2022	35 806	1 009	507	37 322
Acquisitions:				
Purchased from third parties	16	-	177	193
Write-offs / sales	-	-	(8)	(8)
Transfers	266	-	(266)	-
Exchange differences	112	6	5	123
Balance as at 30 June 2023	36 200	1 015	415	37 630
Amortizations				
Balance as at 31 December 2021	31 961	934	-	32 895
Amortizations of the period	1 695	11	-	1 706
Write-offs / sales	(53)	-	-	(53)
Exchange differences	106	2	-	108
Balance as at 31 December 2022	33 709	947	-	34 656
Amortizations of the period	789	6	-	795
Exchange differences	92	2	-	94
Saldo a 30 de Junho 2023	34 590	955	-	35 545
Net balance as at 30th June 2023	1 610	60	415	2 085
Net balance as at 31st December 2022	2 097	62	507	2 666

NOTE 27 – OTHER ASSETS

As at 30th June 2023 and 31st December 2022, the Other Assets heading is analysed as follows:

(thousand euros)

	30.06.2023	31.12.2022
Debtors and other assets		
Collateral deposited under collateral agreements (Note 20)	19 532	29 095
Public sector	63 520	57 336
Deposits placed under margin accounts (futures contracts)	3 591	3 159
Other sundry debtors	15 496	15 673
Loans and derivatives receivables	16 780	17 286
	118 919	122 549
Impairment losses for debtors and other investments (Note 31)	(12 420)	(12 441)
	106 499	**110 108**
Other assets		
Gold, other precious metals, numismatic, medals		
and other liquid assets	1 020	780
Other assets	5 407	5 389
	6 427	**6 169**
Income receivable	**(2)**	**(1)**
Prepayments and deferred costs	**7 036**	**7 190**
Other sundry assets		
Exchange transactions pending settlement	500	5
Market securities transactions pending settlement	3 271	2 709
Retirement pensions	16 960	16 870
Other transactions pending settlement	2 942	7 264
	23 673	**26 848**
	143 633	**150 314**

As at 30th June 2023 Public sector includes (i) an amount of 25,871 thousand euros (23,459 thousand euros as at 31 December 2022) related with a tax contingency, until 2014 (Note 35); (ii) and 10,505 thousand euros relating to ongoing tax proceedings since 2015; This item also includes the value of the security deposit made to the Directorate-General for the Treasury and Finance under the tax credit (confirmed by the Tax and Customs Authority) inherent to REAID in the amount of 5,934 thousand euros.

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)

	30.06.2023	31.12.2022
Resources of central banks		
Banco de Portugal	85 208	298 418
	85 208	**298 418**
Resources of other credit institutions		
Domestic		
Deposits	25 375	25 179
	25 375	**25 179**
Foreign		
Deposits	2 087	2 668
Repurchase agreements	622 646	618 521
Other resources	260 161	409 265
	884 894	**1 030 454**
	995 477	**1 354 051**

The balance Repurchase agreements corresponds to repo operations carried out in the money market and is a tool for the Bank's treasury management.

As at 30th June 2023 and 31st December 2022, the analysis of resources of credit institutions by residual maturity period is as follows:

(thousand euros)

	30.06.2023	31.12.2022
Up to three months	690 293	894 125
From three months to one year	-	36 959
From one to five years	272 697	391 719
More than five years	32 487	31 248
	995 477	**1 354 051**

NOTE 29 – RESOURCES OF CUSTOMERS

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

(thousand euros)

	30.06.2023	31.12.2022
Repayable on demand		
Demand deposits	35 337	55 247
	35 337	**55 247**
Time deposits		
Fixed-term deposits	671 676	667 763
	671 676	**667 763**
Other resources		
Repurchase agreements	400 317	22 623
Other Deposits	1 574	1 500
Other	-	7
	401 891	**24 130**
	1 108 904	**747 140**

As at 30th June 2023 and 31st December 2022, the analysis of due to customers by residual maturity period is as follows:

(thousand euros)

	30.06.2023	31.12.2022
Demand deposits	35 337	55 247
Fixed-term deposits		
Up to 3 months	268 604	198 860
3 to 12 months	253 274	307 296
1 to 5 years	149 798	161 607
	671 676	667 763
Other resources		
Up to 3 months	308 241	24 130
3 to 12 months	43 714	-
1 to 5 years	49 936	-
	401 891	24 130
	1 108 904	**747 140**

NOTE 30 – DEBT SECURITIES ISSUED

The debt securities issued heading can be divided as follows:

(thousand euros)

	30.06.2023	31.12.2022
Debt securities issued		
Other Bonds	592 894	542 037
	592 894	**542 037**

The fair-value of the portfolio regarding debt securities issued is presented in Note 38.

During the first semester of 2023, Haitong Bank Group issued securities amounting to 41,699 thousand euros (31st of December 2022: 519,422 thousand euros) and reimbursed debt securities of 3,717 thousand euros (31st of December 2021: 4,135 thousand euros).

The main characteristics of the debit securities issued during 2023 are as follows:

Issuer	Designation	Currency	30.06.2023			
			Issue Date	Book Value	Maturity	Interest Rate
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG07Z5	BRL	2023	147	2025	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG0803	BRL	2023	50	2025	CDI 97
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG0811	BRL	2023	6	2025	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG0829	BRL	2023	22	2025	CDI 98
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG0837	BRL	2023	103	2025	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG0845	BRL	2023	359	2025	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG0852	BRL	2023	4	2025	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG0860	BRL	2023	35	2025	CDI 97
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG0878	BRL	2023	18	2025	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG0886	BRL	2023	15	2025	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG0894	BRL	2023	2	2025	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG08A6	BRL	2023	39	2025	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG08B4	BRL	2023	2	2025	CDI 97,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG08C2	BRL	2023	39	2025	CDI 98
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG08D0	BRL	2023	34	2025	CDI 98
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG08E8	BRL	2023	17	2025	CDI 97,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG08F5	BRL	2023	25	2025	CDI 98
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG08G3	BRL	2023	37	2025	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG08H1	BRL	2023	11	2025	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG08I9	BRL	2023	43	2025	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG08J7	BRL	2023	43	2025	CDI 97
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG08K5	BRL	2023	10	2025	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG08L3	BRL	2023	9	2025	CDI 98
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG08M1	BRL	2023	20	2025	CDI 97,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG08N9	BRL	2023	214	2025	CDI 97,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG08O7	BRL	2023	73	2025	CDI 98
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG08P4	BRL	2023	2	2025	CDI 98
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG08Q2	BRL	2023	49	2025	CDI 98
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG08R0	BRL	2023	43	2025	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG08S8	BRL	2023	48	2025	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG08T6	BRL	2023	3	2025	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG08U4	BRL	2023	125	2025	CDI 98
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG08V2	BRL	2023	48	2025	CDI 98
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - BRINTLAG08W0	BRL	2023	8	2025	CDI 97,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG08X8	BRL	2023	2	2025	CDI 97,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG08Y6	BRL	2023	10	2024	CDI 98
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG08Z3	BRL	2023	370	2024	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0902	BRL	2023	57	2024	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0910	BRL	2023	214	2024	CDI 97
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0928	BRL	2023	119	2024	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0936	BRL	2023	90	2024	CDI 98
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0944	BRL	2023	166	2024	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0951	BRL	2023	709	2024	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0969	BRL	2023	316	2024	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0977	BRL	2023	17	2024	CDI 97,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0985	BRL	2023	11	2024	CDI 98
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0993	BRL	2023	68	2024	CDI 98
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG09A4	BRL	2023	18	2024	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG09B2	BRL	2023	50	2024	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG09C0	BRL	2023	38	2024	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG09D8	BRL	2023	55	2024	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG09E6	BRL	2023	280	2024	CDI 97
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG09F3	BRL	2023	25	2024	CDI 98

Issuer	Designation	Currency	30.06.2023			
			Issue Date	Book Value	Maturity	Interest Rate
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG09G1	BRL	2023	20	2024	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG09H9	BRL	2023	108	2024	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG09I7	BRL	2023	48	2024	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG09J5	BRL	2023	411	2024	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG09K3	BRL	2023	2	2023	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG09L1	BRL	2023	10	2023	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG09M9	BRL	2023	3	2023	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG09N7	BRL	2023	19	2023	CDI 98
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG09O5	BRL	2023	3	2023	CDI 98
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG09P2	BRL	2023	8	2023	CDI 97,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG09Q0	BRL	2023	98	2023	CDI 97,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG09R8	BRL	2023	34	2023	CDI 98
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG09S6	BRL	2023	2	2023	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG09T4	BRL	2023	40	2023	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG09U2	BRL	2023	165	2023	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG09V0	BRL	2023	5	2023	CDI 98
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG09W8	BRL	2023	14	2023	CDI 97,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG09X6	BRL	2023	6	2023	CDI 97,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG09Y4	BRL	2023	4	2023	CDI 98
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG09Z1	BRL	2023	34	2023	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0A02	BRL	2023	8	2023	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0A10	BRL	2023	37	2023	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0A28	BRL	2023	169	2023	CDI 97
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0A36	BRL	2023	175	2023	CDI 98
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0A44	BRL	2023	2	2023	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0A51	BRL	2023	187	2023	PRÉ 100
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0A69	BRL	2023	4	2023	CDI 98
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0A77	BRL	2023	5	2023	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0A85	BRL	2023	76	2023	CDI 98
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0A93	BRL	2023	172	2023	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0AA9	BRL	2023	2	2023	CDI 98
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0AB7	BRL	2023	50	2023	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0AC5	BRL	2023	4	2023	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0AD3	BRL	2023	73	2023	CDI 94
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0AE1	BRL	2023	9	2023	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0AF8	BRL	2023	116	2023	CDI 93
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0AG6	BRL	2023	23	2023	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0AH4	BRL	2023	77	2023	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0AI2	BRL	2023	42	2025	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0AJ0	BRL	2023	5	2025	CDI 92
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0AK8	BRL	2023	77	2025	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0AL6	BRL	2023	2	2025	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0AM4	BRL	2023	126	2025	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0AN2	BRL	2023	27	2025	CDI 92
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0AO0	BRL	2023	39	2025	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0AP7	BRL	2023	86	2025	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0AQ5	BRL	2023	35	2025	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0AR3	BRL	2023	19	2025	CDI 93
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0AT9	BRL	2023	10	2025	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0AU7	BRL	2023	42	2025	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0AV5	BRL	2023	77	2025	CDI 94,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0AW3	BRL	2023	71	2025	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0AX1	BRL	2023	6	2025	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0AY9	BRL	2023	11	2025	CDI 93
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0AZ6	BRL	2023	49	2025	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0B01	BRL	2023	136	2025	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0B19	BRL	2023	126	2025	CDI 94
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0B27	BRL	2023	31	2025	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0B35	BRL	2023	7	2025	CDI 93

Issuer	Designation	Currency	30.06.2023			
			Issue Date	Book Value	Maturity	Interest Rate
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0B43	BRL	2023	23	2025	CDI 93
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0B50	BRL	2023	15	2025	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0B68	BRL	2023	49	2025	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0B76	BRL	2023	65	2025	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0B84	BRL	2023	20	2025	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0B92	BRL	2023	38	2025	CDI 94
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0BA7	BRL	2023	73	2025	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0BB5	BRL	2023	52	2025	CDI 93
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0BC3	BRL	2023	2	2025	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0BD1	BRL	2023	42	2025	CDI 94,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0BE9	BRL	2023	2	2025	CDI 94
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0BF6	BRL	2023	29	2025	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0BG4	BRL	2023	57	2025	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0BH2	BRL	2023	17	2025	CDI 94
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0BI0	BRL	2023	37	2025	CDI 93
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0BJ8	BRL	2023	2	2025	CDI 94
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0BK6	BRL	2023	40	2025	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0BL4	BRL	2023	61	2025	CDI 92
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0BM2	BRL	2023	38	2025	CDI 92
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0BN0	BRL	2023	69	2025	CDI 92
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0BO8	BRL	2023	24	2025	CDI 93
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0BP5	BRL	2023	19	2025	CDI 90
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0BQ3	BRL	2023	14	2025	CDI 91
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0BR1	BRL	2023	19	2025	CDI 92
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0BS9	BRL	2023	184	2025	CDI 93
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0BT7	BRL	2023	148	2025	CDI 94
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0BU5	BRL	2023	2	2025	CDI 92,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0BV3	BRL	2023	19	2025	CDI 93
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0BW1	BRL	2023	11	2025	CDI 91
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0BX9	BRL	2023	42	2025	CDI 92
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0BY7	BRL	2023	280	2025	CDI 94
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0BZ4	BRL	2023	10	2025	CDI 89
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0C00	BRL	2023	16	2025	CDI 90
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0C18	BRL	2023	10	2025	CDI 89
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0C26	BRL	2023	107	2025	CDI 90,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0C34	BRL	2023	10	2025	CDI 87,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0C42	BRL	2023	258	2025	CDI 88,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0C59	BRL	2023	42	2025	CDI 90,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0C67	BRL	2023	4	2025	CDI 87,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0C75	BRL	2023	18	2025	CDI 87,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0C83	BRL	2023	48	2025	CDI 90,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0C91	BRL	2023	204	2025	CDI 90,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0CA5	BRL	2023	20	2025	CDI 90,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0CB3	BRL	2023	244	2025	CDI 90,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0CC1	BRL	2023	10	2025	CDI 90,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0CD9	BRL	2023	2	2025	CDI 90,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0CE7	BRL	2023	20	2025	CDI 90,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0CF4	BRL	2023	40	2025	CDI 88,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0CG2	BRL	2023	4	2025	CDI 89,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0CH0	BRL	2023	4	2025	CDI 90,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0CI8	BRL	2023	2	2025	CDI 87,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0CJ6	BRL	2023	348	2025	CDI 90,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0CK4	BRL	2023	7	2025	CDI 90,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0CL2	BRL	2023	8	2025	CDI 88,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0CM0	BRL	2023	37	2025	CDI 89,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0CN8	BRL	2023	12	2025	CDI 87,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0CO6	BRL	2023	18	2025	CDI 90,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0CP3	BRL	2023	80	2025	CDI 90,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0CQ1	BRL	2023	11	2025	CDI 90,5

Issuer	Designation	Currency	30.06.2023			
			Issue Date	Book Value	Maturity	Interest Rate
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0CR9	BRL	2023	421	2025	CDI 87,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0CS7	BRL	2023	48	2025	CDI 90,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0CT5	BRL	2023	34	2025	CDI 90,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0CU3	BRL	2023	7	2025	CDI 90,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0CV1	BRL	2023	38	2025	CDI 87,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0CW9	BRL	2023	49	2025	CDI 90,5
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0CX7	BRL	2023	420	2025	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0CY5	BRL	2023	36	2025	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0CZ2	BRL	2023	75	2025	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0D09	BRL	2023	3	2025	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0D17	BRL	2023	6	2025	CDI 93
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0D25	BRL	2023	279	2025	CDI 94
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0D33	BRL	2023	14	2025	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0D41	BRL	2023	25	2025	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0D58	BRL	2023	42	2025	CDI 93
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0D66	BRL	2023	175	2025	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0D74	BRL	2023	2	2025	CDI 94
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0D82	BRL	2023	3	2025	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0D90	BRL	2023	154	2025	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0DA3	BRL	2023	106	2025	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0DB1	BRL	2023	13	2025	CDI 93
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0DC9	BRL	2023	11	2025	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0DE5	BRL	2023	5	2025	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0DF2	BRL	2023	268	2025	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0DG0	BRL	2023	7	2025	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0DH8	BRL	2023	101	2025	CDI 93
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0DI6	BRL	2023	162	2025	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0DJ4	BRL	2023	16	2025	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0DM8	BRL	2023	65	2025	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0DQ9	BRL	2023	54	2025	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0DR7	BRL	2023	17	2025	CDI 94
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0DS5	BRL	2023	100	2025	CDI 93
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0DT3	BRL	2023	58	2025	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0DU1	BRL	2023	10	2025	CDI 93
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLAG0DV9	BRL	2023	13	2025	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLC07V60	BRL	2023	14	2025	CDI 95
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLC07V86	BRL	2023	86	2025	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLC07W51	BRL	2023	63	2025	CDI 93
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLC07W69	BRL	2023	8	2025	CDI 96
HT_BR	LCA RES 4410 LCA NOVA RES 4410 - DESAGIADO - BRINTLC07WC7	BRL	2023	6	2025	CDI 96
HT_BR	LCI RES 4410 LCI NOVA 4410 D - BRINTLLCB007	BRL	2023	8	2023	CDI 96
HT_BR	LCI RES 4410 LCI NOVA 4410 D - BRINTLLCB015	BRL	2023	61	2023	CDI 96
HT_BR	LCI RES 4410 LCI NOVA 4410 D - BRINTLLCB023	BRL	2023	88	2023	CDI 95
HT_BR	LCI RES 4410 LCI NOVA 4410 D - BRINTLLCB031	BRL	2023	50	2023	CDI 93
HT_BR	LCI RES 4410 LCI NOVA 4410 D - BRINTLLCB049	BRL	2023	108	2023	CDI 94
HT_BR	LCI RES 4410 LCI NOVA 4410 D - BRINTLLCB056	BRL	2023	67	2023	CDI 96
HT_BR	LCI RES 4410 LCI NOVA 4410 D - BRINTLLCB064	BRL	2023	91	2023	CDI 96
HT_BR	LCI RES 4410 LCI NOVA 4410 D - BRINTLLCB072	BRL	2023	272	2023	CDI 93
HT_BR	LCI RES 4410 LCI NOVA 4410 D - BRINTLLCB080	BRL	2023	291	2023	CDI 96
HT_BR	LCI RES 4410 LCI NOVA 4410 D - BRINTLLCB098	BRL	2023	67	2023	CDI 95
HT_BR	LCI RES 4410 LCI NOVA 4410 D - BRINTLLCB0A8	BRL	2023	51	2023	CDI 96
HT_BR	LCI RES 4410 LCI NOVA 4410 D - BRINTLLCB0B6	BRL	2023	177	2023	CDI 96
HT_BR	LCI RES 4410 LCI NOVA 4410 D - BRINTLLCB0C4	BRL	2023	12	2023	CDI 96
HT_BR	LCI RES 4410 LCI NOVA 4410 D - BRINTLLCB0D2	BRL	2023	2	2023	CDI 93
HT_BR	LCI RES 4410 LCI NOVA 4410 D - BRINTLLCB0E0	BRL	2023	45	2023	CDI 94
HT_BR	LCI RES 4410 LCI NOVA 4410 D - BRINTLLCB0F7	BRL	2023	74	2023	CDI 93
HT_BR	LCI RES 4410 LCI NOVA 4410 D - BRINTLLCB0G5	BRL	2023	303	2023	CDI 95
HT_BR	LCI RES 4410 LCI NOVA 4410 D - BRINTLLCB0H3	BRL	2023	39	2023	CDI 96
HT_BR	LCI RES 4410 LCI NOVA 4410 D - BRINTLLCB0I1	BRL	2023	504	2023	CDI 93

Issuer	Designation	Currency	30.06.2023			
			Issue Date	Book Value	Maturity	Interest Rate
HT_BR	LCI RES 4410 LCI NOVA 4410 D - BRINTLLCB0J9	BRL	2023	618	2023	CDI 96
HT_BR	LCI RES 4410 LCI NOVA 4410 D - BRINTLLCB0K7	BRL	2023	29	2023	CDI 96
HT_BR	LCI RES 4410 LCI NOVA 4410 D - BRINTLLCB0L5	BRL	2023	11	2023	CDI 95
HT_BR	LF NOVA LF HAITONG - BRINTLLFI8O2	BRL	2023	1 016	2026	CDI 91
HT_BR	LF NOVA LF HAITONG DESAGIADA - BRINTLLFI8P9	BRL	2023	3 334	2025	CDI 92
HT_BR	LF NOVA LF HAITONG - BRINTLLFI8Q7	BRL	2023	13 809	2025	CDI 90
HT_BR	LF NOVA LF HAITONG - BRINTLLFI8R5	BRL	2023	1 232	2025	IPCA 100
HT_BR	LF NOVA LF HAITONG - BRINTLLFI8S3	BRL	2023	5 679	2025	CDI 100

NOTE 31 – PROVISIONS AND IMPAIRMENT

As at 30th June 2023 and 31st December 2022, 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 31 December 2021	**18 955**	**984**	**19 939**
Net charge of the period	(3 375)	(43)	(3 418)
Write back	(1 278)	-	(1 278)
Foreign exchange differences and others	2 714	13	2 727
Balance as at 30 June 2022	**17 016**	**954**	**17 970**
Net charge of the period	518	740	1 258
Write back	(335)	-	(335)
Foreign exchange differences and others	240	(22)	218
Balance as at 31 December 2022	**17 439**	**1 672**	**19 111**
Net charge of the period	(2 650)	761	(1 889)
Write back	(48)	-	(48)
Foreign exchange differences and others	1 735	89	1 824
Balance as at 30 June 2023	**16 476**	**2 522**	**18 998**

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

The movements in impairment losses can be analysed as follows:

(thousand euros)

	31.12.2022	Net charge of the period	Write back	Stage 3	Exchange differences and others	30.06.2023
Cash and cash equivalents (Note 18)	939	-	-	-	(19)	920
Financial assets measured at fair value through OCI (Note 22)	1 289	1 119	-	50	93	2 551
Financial assets measured at Amortised cost						
Loan and advances to banks (Note 23)	20	5	-	-	-	25
Loan and advances to customers (Note 24)	13 790	30	(1 035)	14	493	13 292
Securities (Note 22)	1 662	1 162	-	-	47	2 871
Other assets (Note 27)	12 441	(53)	(25)	-	57	12 420
	30 141	**2 263**	**(1 060)**	**64**	**671**	**32 079**

(thousand euros)

	30.06.2021	Net charge of the period	Stage 3	Exchange differences and others	31.12.2022
Cash and cash equivalents (Note 18)	1	981	-	(43)	939
Financial assets measured at fair value through OCI (Note 22)	883	407	(1)	-	1 289
Financial assets measured at Amortised cost					
Loan and advances to banks (Note 23)	981	(979)	-	18	20
Loan and advances to customers (Note 24)	12 685	1 413	(49)	(259)	13 790
Securities (Note 22)	1 403	290	-	(31)	1 662
Other assets (Note 27)	12 485	55	-	(99)	12 441
	28 438	**2 167**	**(50)**	**(414)**	**30 141**

(thousand euros)

	31.12.2021	Net charge of the period	Stage 3	Exchange differences and others	30.06.2022
Cash and cash equivalents (Note 18)	-	15	-	(15)	1
Financial assets measured at fair value through OCI (Note 22)	837	(1 130)	(42)	1 218	883
Financial assets measured at Amortised cost					
Loan and advances to banks (Note 23)	916	(30)	-	95	981
Loan and advances to customers (Note 24)	11 968	(153)	11	859	12 685
Securities (Note 22)	1 210	141	-	52	1 403
Other assets (Note 27)	11 306	994	-	185	12 485
	26 238	**(163)**	**(31)**	**2 394**	**28 438**

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 June 2023 and 2022 were calculated based on a nominal corporate income tax rate and Municipal Surcharge of 22.5%, in accordance with Law no. 82-B/2014, of 31st of December, and Law no. 2/2007, of 15th of January. Additionally there is a State Surcharge which corresponds to an additional rate of 3% of the taxable profit between 1,500 and 7,500 thousand euros, 5% of the profit between 7,500 and 35,000 thousand euros, 9% of any profit which exceeds this amount (if applicable).

Deferred taxes are calculated based on tax rates anticipated to be in force at the temporary differences reversal date, which corresponds to the rates enacted or substantively enacted at the balance sheet date. Thus, for June 2023 deferred tax was calculated at the rate of 26.24%.

Regarding activity in Portugal, Law No. 98/2019 was published on 4 September 2019, which changed the tax regime applicable to the impairment of financial and credit institution. That law establishes in article 4 an adaptation period of 5 years beginning on or after 1 January 2019, pursuant to which the regime in force on the date of entry into force of this law remains applicable, unless there is communication addressed to the Director-General of the Portuguese

Tax Authority of the option for the definitive regime. Bearing in mind that for the 2022 financial year this regime was optional, the Bank has not yet joined it. Therefore, the Bank considered, for the purpose of calculating taxable income and the recording and analysis of the recoverability of deferred tax assets with reference to June 30, 2023, that the amount of credit impairment and provisions for guarantees recorded, that is deductible for the purposes of CIT (Corporate Income Tax), corresponds to the amount of deductible impairments/provisions that would have been calculated if the reference to Banco de Portugal Notice 3/95 remained in force.

Special Scheme Applicable to Deferred Tax Assets

In 2014, Haitong Bank joined the special scheme applicable to deferred tax assets (REAID) related to impairment losses in credits and post-employment or long-term employee benefits, established by Law no. 61/2014, of August 26th. For the purpose of this scheme, the conversion of the mentioned assets in tax credits is expected in the following situations:

- Determining net losses;
- Voluntary winding-up, court insolvency or, when applicable, with the withdrawal of the corresponding authorisation by the competent supervising authority.

It should be noted that, pursuant to Law No. 23/2016, of August 19, REAID is no longer applied to deferred tax assets relating to expenses and negative equity changes accounted for in tax periods beginning on or after the 1st of January 2016. The tax credit recorded in the accounts with reference to June 2023, which also includes reimbursements already made by the Portuguese Tax Authority and the respective special reserve, can be analysed in the table below:

(thousand euros)

Year	Tax Credit	Special Reserve
2015	5 281	5 809
2016	20 529	22 582
2017	9 060	9 966
2018	233	255
2020	433	476
2021	(15 078)	
2022	(5 414)	(16 585)
Total	**15 044**	**22 503**

The tax credit and the respective special reserve were recorded during the year following that of the tax credit year, booked in a current tax asset and other reserves item, respectively.

In 2021, the Bank received relating to a tax credit from the Portuguese Tax Authority, with reference to the years 2015 and 2016, in the amount of 15 078 thousand euros.

In turn, in 2022, the Bank received the tax credit confirmed by the Portuguese Tax Authority, with reference to the 2017 and 2018, in the amount of 5,414 thousand euros.

In pursuance of the abovementioned scheme, the Bank issues conversion rights corresponding to securities that grant the Government the right to request Haitong Bank to issue and deliver ordinary shares at no charge, following the increase in share capital through the inclusion of the reserve value. However, Haitong Bank´s shareholder is granted the right to acquire those conversion rights in accordance with Ordinance no. 293-A/2016 of 18th of November.

It should be noted, in 2022, the Bank's shareholder exercised the potestative right to acquire the conversion rights attributed to the State under the special regime of deferred taxes related on 2015 and 2016. In this way, the value of the special reserve decreases in proportion to the number of rights acquired by the shareholder from the Portuguese State (16,585 thousand euros).

In the event that the shareholder do not exercise the right to acquire the conversion rights issued and attributed to the Portuguese State within the period established for that purpose, in the year in which the State exercises these rights, it will require the Bank to increase its capital by incorporating the amount of the special reserve and consequent issue and free delivery of ordinary shares representing the capital stock of the Bank, and it may be necessary to adjust the amount of the reserve initially constituted.

Indeed, for each financial year it will be important to recalculate the reference value of the rights and if it is different from the nominal value of the shares, it will be necessary to adjust the value of the special reserve. If this were to occur in 2023, and taking into account the amounts of the financial statements as at 31 December 2022, as well as the amount of tax credits converted by reference to the years 2017, 2018 and 2020 it would be necessary to increase special reserve in an estimated value of 10,913 thousand euros.

The amount of assets by deferred taxes converted into tax credit, the establishment of the special reserve and the issuing and granting of conversion rights to the Government must be subject to certification by a statutory auditor.

As Haitong Bank has determined, in its individual accounts, a positive net result with reference at 31 December 2022 there was no possible converts' part of the deferred taxes covered by this regime into tax credit in this year.

In July 2019 and January 2020, the Bank was notified of the final Reports of the Tax Authority's inspection services, issued for 2015 and 2016, respectively. In these reports, certain procedures adopted by the Bank, namely in association with special regime for differed taxes (REAID) are being challenged.

In this sense, following the Bank disagreement with these corrections, in November 2019, an administrative complaint was submit regarding the 2015 Tax Inspection Report and in April 2020, an administrative complaint was submit regarding the 2016 inspection report. Currently, the corrections in question are being contested in Judicial Claim to the year 2015 and a hierarchical appeal to the year 2016.

On January 2021, the Bank received the 2017 and 2018 tax inspection report issued by the Tax Authority's inspection services. In this report, similarly to what happened in the 2015 and 2016 tax inspection reports, some procedures adopted by the Bank with regard to the application of REAID are raised.

The Bank disagreeing with these corrections, so in 2021, submitted an administrative complaint for the Tax Inspection Report of 2017 and 2018.

Finally, it is also noted that, within the scope of the tax inspection for the years 2015 ,2016, 2017 and 2018, the Tax Authority made corrections to the tax credit of these years in the amount of 14,611 thousand euros (of a total amount of 35,103 thousand euros).

The Bank's management considers that the procedures performed in those years are compliant with the legislation in force, and therefore estimates that it is not likely that the Tax Authority's position will prevail. Even so, if this correction occur, it would materialize in the recognition of deferred tax assets. In addition, the Board of Directors believes that any corrections that may arise, related to the years inspected, will not have a material impact either on the Bank's capital or on the Bank's results in June 2023, as its affect tax losses that have not yet been used and for which deferred tax losses have been not recognised.

As of 1 January 2019, the Bank adopted the new interpretative standard of IAS 12 - IFRIC 23 - 'Uncertainty over Income Tax Treatments' - which to recommend the measurement requirements and recognition to be applied in the event of uncertainties regarding the acceptance of a given tax treatment by the Tax Administration concerning income tax and should reflect the entity's best estimate of the presumed outcome of the situation under discussion. This estimated value based on the expected value or the most probable value should be recorded by the entity as an asset or liability for income tax based on IAS 12 and not by IAS 37.

The activity of branches abroad is incorporated in the Bank's accounts for determining the taxable profit. Although, the profit of those branches is subject to taxation in the countries where they are established, local taxes are deductible to the taxes to be paid in Portugal, in accordance with art. 91º of CIT Code, when applicable. The branches' profits are subject to local taxation at the following nominal rates.

Branch	Nominal income tax rate
London	19%
Madrid	30%
Warsaw	19%
Macau	12%

The subsidiary located in Brazil, are subject to tax on their profits under the terms established in the tax rules in force in Brazil, thus in this country profits are subject to nominal rates situated between 34% and 45%.

As at 30th of June 2023 and 2022, current tax assets and liabilities can be analysed as follows:

(thousand euros)

	Asset		Liabiity	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Corporate income tax	8 164	7 506	(7 927)	(7 476)
Tax Credit (Special Scheme for Deferred Taxes)	15 044	15 044	-	-
Net current tax assets/(liability)	**23 208**	**22 550**	**(7 927)**	**(7 476)**

According to legislation in force, as mentioned, Haitong Bank shareholder may exercise the rights to acquire conversion rights until three years from the conversion confirmation of the deferred tax assets into tax credit by the Tax Authority, which, in the case of the 2017 and 2018, it will be until January 2024.

Deferred tax assets and liabilities recognised in the statement of financial position in June 2023 and 2022 can be analysed as follows:

(thousand euros)

	Asset		Liability		Net	
	30.06.2023	31.12.2022	30.06.2023	31.12.2022	30.06.2023	31.12.2022
Derivative financial instruments	(9 283)	10 554	-	-	(9 283)	10 554
Securities	3 703	4 556	-	-	3 703	4 556
Loans and advances to customers	23 256	23 809	-	-	23 256	23 809
Provisions	4 178	3 871	-	-	4 178	3 871
Pension Fund and Long-term employee benefits	5 342	5 342	-	-	5 342	5 342
Other	5 879	5 324	(5 794)	(5 794)	85	(470)
Tax losses carried forward	80 166	56 434	-	-	80 166	56 434
Net deferred tax asset / (liability)	**113 241**	**109 890**	**(5 794)**	**(5 794)**	**107 447**	**104 096**

The Bank only recognises deferred tax assets in relation to reportable tax losses when it considers that they are expected to be recovered in the near future. Of the total deferred tax assets of tax losses, 31,560 thousand euros relate to Haitong Bank in Portugal and the remaining amount corresponds to Brazil.

It should be noted that the tax losses of 2017 and 2018 of Haitong Bank in Portugal did not booked any deferred tax assets, which can be used until the year 2024 and 2025, respectively. This analysis to tax losses utilization takes into account the exceptional measures to the COVID-19 pandemic under the terms of Law No. 27-A / 2020 (Supplementary State Budget for 2020), as well as the measures provided for in the State Budget Law for 2023 (Law No. 24-D/2022 of 30 December).

Additionally, Law No. 24-D/2022 of December 30 was published, approving the State Budget for 2023, under which the time limitation for the deduction of tax losses calculated in a given tax period is eliminated. Changes to the reporting period apply to tax periods beginning on or after January 1, 2023, as well as to tax losses calculated in tax periods prior to January 1, 2023 whose deduction period is still in progress at that date. However, it should be noted that the new deadline does not apply to tax losses calculated in tax periods prior to January 1, 2023 in which one of the situations provided for in paragraph 1 of article 6 of the applicable special regime has occurred to deferred tax assets (namely, in the event of a negative net result).

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

(thousand euros)

	30.06.2023	31.12.2022	30.06.2022
Opening balance	104 096	94 931	94 931
Recognised in profit or loss	1 221	1 958	2 956
Recognised in fair value reserves	(859)	3 024	2 810
Recognised in other reserves	-	(2)	42
Foreign exchange variation and others	2 989	4 185	5 851
Closing balance (Asset / (Liability))	**107 447**	**104 096**	**106 590**

Tax recognised in the income statement and reserves in June 2023 and 2022 financial years had the following source:

(thousand euros)

	Period of six months ended at			
	30.06.2023		30.06.2022	
	Recognised in profit or loss	Recognised in reserves	Recognised in profit or loss	Recognised in reserves
Deferred Taxes				
Derivative financial instruments	19 792	-	(1 360)	-
Securities	-	859	-	(2 809)
Loans and advances to customers	790	-	594	-
Provisions	(315)	-	(95)	-
Pension Fund	-	-	(185)	(43)
Other	(271)	-	88	-
Tax losses carried forward	(21 217)	-	(1 998)	-
	(1 221)	**859**	**(2 956)**	**(2 852)**
Current Taxes	2 387	-	2 240	-
Total recognised tax	**1 166**	**859**	**(716)**	**(2 852)**

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

(thousand euros)

	30.06.2023		30.06.2022	
	%	Value	%	Value
Profit or loss before tax and Non-controlling interests		**5 541**		**(5 190)**
Income tax rate of Haitong Bank	26,2		21,0	
Tax determined based on the income tax rate of Haitong Bank		1 454		(1 090)
Difference in the tax rate of subsidiaries	3,3	184	15,1	(781)
Bank Levy	8,8	489	(6,0)	311
Unrecognized tax losses	-	-	4,4	515
Tax losses used	-	-	(1,1)	59
Branches' income tax	14,7	815	(20,5)	1 066
Differences arising from consolidation	(22,7)	(1 259)	(2,3)	117
Other movements according to the tax estimation	(11,2)	(622)	6,4	(1 073)
Autonomous taxation	1,9	105	(3,1)	160
	21,0	**1 166**	**13,9**	**(716)**

NOTE 33 – OTHER LIABILITIES

As at 30th June 2023 and 31st December 2022, the other liabilities heading is analysed as follows:

(thousand euros)

	30.06.2023	31.12.2022
Creditors and other resources		
Public sector	15 717	13 622
Deposited collateral under collateral agreements (Note 20)	14 726	10 019
Sundry creditors		
Leasing liabilities	10 585	11 811
Creditors from transactions with securities	1 101	5 320
Suppliers	743	973
Other sundry creditors	7 456	7 694
	50 328	**49 439**
Accrued expenses		
Career bonuses (see Note 15)	453	429
Other accrued expenses	7 057	7 699
	7 510	**8 128**
Deferred income	**449**	**368**
Other sundry liabilities		
Stock exchange transactions pending settlement	1 672	3 432
Foreign exchange transactions pending settlement	486	1 076
Other transactions pending settlement	6 494	10 476
	8 652	**14 984**
	66 939	**72 919**

As at 30th June 2023 and 31st December 2022, 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.

In 2022 two resolutions have been passed to increase the share capital of Haitong Bank S.A. by 2,630 thousand euros in the 1st of July 2022, and by 15,879 thousand euros in December 2022 to 863,279 thousand euros. This share capital increase, in the form of incorporation of a special reserve, resulted from the conversion of the rights attributed to the Portuguese State and which were acquired by Haitong International Holdings Limited, the Bank's sole voting shareholder, relating to the fiscal year 2015, issued under the REAID (Regime Especial aplicável aos Ativos por Impostos Diferidos – Deferred Tax Assets Special Regime).

As at 30th June 2023 and 31st December 2022, the share capital of Haitong Bank amounts to 863,279 thousand euros and is represented by 172,655,745 shares with the nominal value of 5 euros each, fully held by Haitong International Holdings Limited.

Share premiums

As at 30th June 2023 and 31st December 2022, 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 b 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.

As at 20th April 2022, the Bank have fully early repaid these Bonds, at the repayment price, corresponding to the nominal value of 3,731 thousand euros.

In March 2018, the Bank issued perpetual instruments eligible as additional own funds of level 1 (Additional Tier 1), in the overall amount of USD 130,000 thousand, corresponding to 105,042 thousand euros, identified as "Fixed Rate Perpetual Deeply Subordinated Additional Tier 1 Resettable Instruments". Such bonds have a non-cumulative conditional interest which is payable only if and when reported by the Board of Directors. Due to their features, such bonds are deemed to be capital instruments, in accordance with the accounting policy laid down in Note 2.6.

These bonds are subordinated in relation to any liability of Haitong Bank and *pari passu* regarding any identical subordinated bonds that may be issued by the Bank.

During 2023, and 2022, the Group haven't paid interest.

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 through other comprehensive income portfolio, net of impairment recognised in the income statement of the period and/or previous years. The value of this reserve is presented net of deferred tax.

The other reserves heading includes the special reserve, under REAID, in the amount corresponding to 22,504 thousand euros for June 2023 and December 2022.

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 2021	(3 218)	1 292	(1 926)	39 878	(27 470)	(178 128)	(210 351)	(376 071)
Actuarial gains/losses	-	-	-	-	8 134	-	-	8 134
Changes in fair value	(10 118)	2 810	(7 308)	-	-	-	-	-
Foreign exchange differences	-	-	-	-	-	12 467	-	12 467
Transfer to reserves	-	-	-	-	-	-	3 552	3 552
Balance as at 30 June 2022	(13 336)	4 102	(9 234)	39 878	(19 336)	(165 661)	(206 799)	(351 918)
Actuarial gains/losses	-	-	-	-	3 048	-	-	3 048
Changes in fair value	(1 585)	214	(1 371)	-	-	-	-	-
Foreign exchange differences	-	-	-	-	-	(3 285)	-	(3 285)
Share capital increase							(18 510)	(18 510)
Balance as at 31 December 2022	(14 921)	4 316	(10 605)	39 878	(16 288)	(168 946)	(225 309)	(370 665)
Actuarial gains/losses	-	-	-	-	(287)	-	-	(287)
Changes in fair value	3 337	(859)	2 478	-	-	-	-	-
Foreign exchange differences	-	-	-	-	-	5 748	-	5 748
Transfer to reserves	-	-	-	-	-	-	11 107	11 107
Balance as at 30 June 2023	(11 584)	3 457	(8 127)	39 878	(16 575)	(163 198)	(214 202)	(354 097)

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

(thousand euros)

	30.06.2023	31.12.2022
Opening balance	(10 605)	(1 926)
Fair value changes	2 218	(10 980)
Impairment recognised in the period	1 119	(723)
Deferred taxes recognised in reserves during the period	(859)	3 024
Closing balance	(8 127)	(10 605)

Non-controlling interests

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

(thousand euros)

	30.06.2023		31.12.2022	
	Balance sheet	Income statement	Balance sheet	Income statement
Haitong Banco de Investimento do Brasil S.A.	9 410	(771)	5 130	(901)
Haitong Securities do Brasil S.A.	3 975	134	3 597	295
Haitong Negócios S.A.	6 986	290	6 245	202
FI Multimercado Treasury	212	126	4 516	175
Others	1 781	66	1 594	65
	22 364	(155)	21 082	(164)

The movement of Non-controlling interests of the periods ended on the 30th June 2023 and 31st December 2022, can be analysed as follows:

(thousand euros)

	30.06.2023	31.12.2022	30.06.2022
Opening balance	**21 082**	**22 014**	**18 954**
Dividends paid	-	(45)	-
Changes in fair value reserve	1	148	(113)
Exchange difference and other	1 436	(821)	3 123
Net income for the period	(155)	(214)	50
Closing balance	**22 364**	**21 082**	**22 014**

NOTE 36 – CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS

As at 30th June 2023 and 31st December 2022 off-balance elements are as follows:

(thousand euros)

	30.06.2023	31.12.2022
Contingent liabilities		
Guarantees and stand by letters of credit	171 629	151 279
Assets pledged as collateral	1 392 928	1 097 104
	1 564 557	**1 248 383**
Commitments		
Irrevocable commitments	155 476	164 360
	155 476	**164 360**

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

As at 30th June 2023 and 31st of December 2022, the heading of financial assets pledged as collateral includes:

- Securities pledged as collateral to the Bank of Portugal (i) within the scope of the Large-Value Payment System, amounting to 10,000 thousand euros as at the 30th June 2022 (31st of December, 2022: 10,000 thousand euros), (ii) within the scope of target long-term refinancing operations, amounting to 85,536 thousand euros (31st of December, 2022: 301,733 thousand euros) and (iii) 198,055 thousand euros of collaterals not discounted, being the total of securities eligible for rediscount with the Bank of Portugal amounted to 334,071 thousand euros as at the 30th June 2023 (31st of December, 2022: 420,726 thousand euros); and (iv) within the scope of Interbank Clearing System [Sistema de Compensação Interbancária], amounting to 2,000 thousand euros (31st of December, 2022: 1,500 thousand euros);
- Securities pledged as collateral to the Portuguese Securities Market Commission within the Investor Compensation Scheme in the amount of 209 thousand euros (31st of December 2022: 108 thousand euros);
- Securities pledged as collaterals to Fundo de Garantia de Depósitos [Deposit Guarantee Fund] in the amount of 104 thousand euros (31st of December 2022: 105 thousand euros);
- Securities pledged as collateral within the scope of transactions with repurchase agreements: 1,058,063 thousand euros (31st of December 2022: 655,655 thousand euros);

- Securities pledged as collateral within the scope of derivatives compensation contracts 38,052 thousand euros (31st of December 2021: 51,797 thousand euros).

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

(thousand euros)

	30.06.2023	31.12.2022
Liabilities related to services provided		
Commercial paper programmes agency	37 800	35 500
Other responsabilities related with services provided	177 970	614 798
	215 770	**650 298**

Banco Espírito Santo (BES), Novo Banco and Haitong Bank (and, in some cases, supervisory authorities, auditors and former directors from BES) have been sued in civil proceedings associated with facts of the former Grupo Espírito Santo (GES).

Within this framework, Haitong Bank is currently a defendant in a proceeding associated with the share capital increase of BES, which took place in June 2014.

As regards to this legal proceeding (case brought by several investment funds), after the decision of the trial court to declare that the case had been "abandoned", the Lisbon Court of Appeal revoked that decision and ordered the continuation of the proceeding. Two of the Defendants in this proceeding appealed to the Supreme Court of Justice that confirmed the decision of the Court of Appeal. Extraordinary review and Constitutional Court appeals were filed, all of them maintaining the previously decided by the Lisbon Court of Appeal. The legal procedure returned to the trial court (1st instance) for the continuation of said procedure, and now the appointment of the preliminary hearing is yet to be awaited.

Haitong Bank is also a Defendant in 9 proceedings, all associated with issues of financial instruments of GES's entities.

In note 35, regarding the 2022 annual accounts, it is stated that, in the opinion of Haitong Bank's Legal Department and of the external lawyers to whom the proceedings have been entrusted, such proceedings do not have legal sustainability, wherefore it is considered unlikely that any judgment will be made against Haitong Bank in relation thereto. Such opinion is hereby reasserted.

Such opinion has been supported by several judicial decisions.

In fact, of the 78 cases filed against the Bank regarding the issue of commercial paper and other financial instruments by GES' entities, 48 cases have already been res judicata with the total acquittal of Haitong Bank and 21 cases having been withdrawn by the Claimants.

On the 16th July 2019, Haitong Bank has been notified of a new legal action brought against itself and several former board members of BES, regarding commercial paper issued by Espírito Santo International and Rioforte in 2013 and 2014.

Such legal action has been submitted by a credit recovery fund (Fundo de Recuperação de Créditos "FRC – INQ – Papel Comercial ESI e Rio Forte") to which have been allegedly assigned the claims submitted by certain holders of ESI and Rioforte commercial paper, which amounts up to € 517,500,099.71, plus interests. Haitong Bank presented its written defence on the 25th June 2020. The Bank is waiting for the preliminary hearing to be scheduled by the Court.

In the opinion of the external lawyers to whom this proceeding, brought by FRC, has been entrusted, such proceeding does not have a solid legal sustainability and therefore it is considered unlikely that any judgment will be made against Haitong Bank.

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

Without prejudice of the above mentioned regarding the successful outcome for Haitong Bank from such proceedings, and in order to comply with the applicable accounting rules, it is not possible to achieve an amount of expected losses which could eventually arise for Haitong Bank, individually considered, once such legal proceedings are brought against several entities and not only against Haitong Bank.

On July 2021, Haitong Bank has been fined by the Portuguese Securities Exchange Commission ("CMVM") in connection with Haitong Bank's participation as agent in the commercial paper issuance of ESI and Rio Forte between September 2013 and February 2014. CMVM considered that Haitong Bank (referred to as, at the time of the facts, Banco Espírito Santo de Investimento, S.A.) had a causal contribution for Banco Espírito Santo, S.A. – In Liquidation to disclose to its customers that subscribed commercial paper issued by ESI, between September and December 2013, and by Rio Forte, between 9 January and 24 February 2014, information memoranda containing information that was not true, not complete, not up-to-date and not lawful, hence violating the duty to provide quality information, provided for in article 7. of the Portuguese Securities Code. The breach, with intent, of such duty to provide quality information is subject to a penalty of €25,000.00 to €5,000,000.00, in each of the cases (ESI and Rio Forte) and the Board of Directors of CMVM decided to impose on Haitong Bank a single fine in the amount of €300,000, suspending its execution regarding the amount of €100,000, for the period of two years.

Haitong Bank has contested the administrative decision towards the Judicial Court and on 15 February 2022, the Court of First Instance rejected the defense filled by Haitong Bank and applied a single joint fine in the amount of €400,000, partially suspending its execution in the amount of €200,000 for a period of 2 years. Haitong Bank appealed from such decision to the Lisbon Court of Appeal, being such appeal considered totally unfounded and kept the contested decision. Haitong Bank has appealed of this decision to the Portuguese Constitutional Court and on 13 July 2023 has been notified of the non-admission of such appeal.

On 9 June 2022, Haitong Bank was served of a civil legal action brought against itself, with a claim value of € 4,905,460.96, filled by REDITUS GESTÃO, S.A. and GREENDRY LDA, (Claimants), within Lisbon's first instance civil court of law. The Claimants argue that the Bank breached its obligations as an Escrow Agent.

Haitong Bank presented its defense on 31 August 2022 and the Claimants presented their response (*Réplica*) on 13 December 2022. The Bank's external lawyers to whom this lawsuit has been entrusted, understand that the Claimants' alleged grounds have no legal or factual basis whatsoever.

In Brazil, the constitutionality of the law applicable to the levy of contributions to the Social Integration Program ("PIS") and Social Security Financing ("Cofins") on other revenues other than those arising from the sale of goods and the provision of services. Supported by a court decision, the entities of the Group in Brazil, deposit monthly the amounts subject to judicial discussion and deliver directly to the Tax Authorities only those amounts that affect service revenues, which are not the object of this discussion. The amounts subject to judicial deposits are recorded in the balance sheet, under other assets. It is the Group's understanding, based on the opinions of its legal advisors, that the possibility of suffering a court decision against the Bank is less than 50%.

Resolution Fund

Resolution measure applied to Banco Espírito Santo, S.A

On 3 August 2014, in order to safeguard the stability of the financial system, Banco de Portugal applied a resolution measure to Banco Espírito Santo, SA (BES) in accordance with the provisions of subparagraph b) of nº1. Article 145.º C of the General Regime for Credit Institutions and Financial Companies (RGICSF), in the form of partial transfer of assets, liabilities, off-balance sheet items and assets under management to a transition bank, Novo Banco, SA (Novo Banco) , constituted by determination of the Bank of Portugal of the same date. In line with community regulations, Novo Banco's capitalization was ensured by the Resolution Fund (FR), created by Decree-Law no. 31-A/2012, of 10 February. As provided for in the aforementioned Decree-Law, the resources of the Resolution Fund come from the payment of contributions owed by the institutions participating in the Fund and from the contribution to the banking sector. Additionally, it is also foreseen that whenever these resources prove to be insufficient for the fulfilment of their obligations, other means of financing may be used, namely: (i) special contributions from credit institutions; and (ii) amounts from loans.

Following the resolution measure, Novo Banco, SA's capital needs of 4,900 million euros were determined, with the capital subscription carried out by the Resolution Fund being financed essentially by obtaining financing from the Portuguese State (3,900 million euros) and eight institutions participating in the Fund (700 million euros), which does not include the Bank.

On 18 October 2017, the Resolution Fund announced the conclusion of the process of selling 75% of the share capital of Novo Banco, SA to Lone Star, whose selection had been communicated by Banco de Portugal on 31 March 2017 agreed conditions include the existence of a contingent capitalization mechanism, under which the Resolution Fund undertakes to make capital injections up to a maximum total amount of 3,890 million euros in the event that certain cumulative conditions materialize. As at 30 June 2023, Novo Banco is owned by Nani Holdings S.G.P.S, S.A, by the Resolution Fund and by the Portuguese State, with a share capital percentage of 75% and 19.31% and 5.69%, respectively.

On October 2, 2017, the Portuguese State signed a Framework Agreement with the Resolution Fund, for a maximum period of eleven years, which provides for the availability of the necessary funds to ensure compliance with the responsibilities assumed within the scope of the sale process of the Novo Banco, with an annual limit of 850 million euros.

The Framework Agreement establishes that the responsibilities assumed by the Resolution Fund under it can only be satisfied after all amounts due under the loans granted by the Portuguese State and the banking syndicate have been paid, in the amounts of 3,900 million euros and 700 millions euros, respectively.

On the same day, the Portuguese State and the Resolution Fund signed a credit agreement up to a maximum amount of 1,000,000 thousand euros, with an annual use limit of 850,000 thousand euros and maturity on 31 December 2046.

According to the statement of December 23, 2021 from the Resolution Fund, the value of payments made under the contingent capitalization mechanism made between 2018 and 2021 amounted to 3,405 million euros, having been made using the financing described and with the resources available from the Resolution Fund.

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

On 19 December 2015, the Board of Directors of Banco de Portugal resolved to declare that BANIF – Banco Internacional do Funchal, SA ('BANIF') was “at risk or in a situation of insolvency”, initiating an urgent resolution process in the modality of total or partial disposal of its activity which resulted in the disposal on 20 December 2015 to Banco Santander Totta, SA of the assets, liabilities and off-balance sheet items managed by BANIF for the total amount of 150 million euros.

The assets that were not sold were transferred to an asset management vehicle, called Oitante, S.A. (Oitante), created specifically for this purpose, whose sole shareholder is the Resolution Fund. For this purpose, Oitante issued debt bonds in the amount of 746 million euros, which were fully acquired by BST, with a guarantee provided by the Resolution Fund and a counter-guarantee by the Portuguese State.

The operation involved public support of around 2,255 million euros to cover future contingencies, of which 489 million euros assumed by the Resolution Fund and 1,766 million euros directly by the Portuguese State, as a result of the options agreed between the Portuguese authorities, the European bodies and the BST, for the delimitation of the perimeter of the assets and liabilities sold.

Financing of the Resolution Fund

In a public statement dated September 28, 2016, the Resolution Fund announced that it had agreed with the Ministry of Finance to review the 3,900 million euros loan originally granted to the Resolution Fund in 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the loan's maturity was intended to ensure the Resolution Fund's ability to meet its obligations through its regular income, regardless of any contingencies to which the Resolution Fund is exposed. On the same day, the Cabinet of the Minister of Finance also announced that increases in liabilities arising from the materialization of future contingencies will determine the adjustment of the maturity of State and Bank loans to the Resolution Fund, in order to maintain the contributory effort required from the sector banking at current levels. According to the Resolution Fund communiqué of March 21, 2017:

- “The conditions of the loans obtained by the Fund to finance the resolution measures applied to Banco Espírito Santo, S.A. and to Banif – Banco Internacional do Funchal, S.A. were changed.” These loans amount to 4,953 million euros, of which 4,253 million euros were granted by the State and 700 million euros were granted by a banking syndicate.
- Those loans now mature in December 2046, without prejudice to the possibility of early repayment based on the use of the Resolution Fund's revenues. The maturity period will be adjusted in terms that guarantee the Resolution Fund's ability to fully meet its obligations based on regular income and without the need for special contributions or any other type of extraordinary contributions.
- The review of loan conditions aimed at ensuring the sustainability and financial balance of the Resolution Fund, based on a stable, predictable and affordable charge for the banking sector.
- The new conditions allow the full payment of the Resolution Fund's responsibilities, as well as the respective remuneration, without the need to resort to special contributions or any other type of extraordinary contributions by the banking sector”.

According to the 2022 Resolution Fund Report and Accounts (latest available):

- The Fund has negative own resources of 7 208 million euros;
- The Resolution Fund is not required to present a positive net position. In the event of insufficient resources, the Resolution Fund may receive special contributions, by determination of the member of the Government responsible for the area of finance, under the terms of article 153-I of the RGICSF, and no contributions of this nature are foreseen, in particular after reviewing the above-described Resolution Fund financing conditions;
- Regarding the contingent capital mechanism, and with regard to future periods, it is considered that there is significant uncertainty regarding the relevant parameters for the determination of possible future liabilities,

either for its increase or for its reduction, under the terms of the relative agreement to the contingent capitalization mechanism with Novo Banco.

- As of December 31, 2020, the Resolution Fund is cited as a defendant or a counter-interest in several lawsuits related to resolution measures. Legal actions related to the application of resolution measures have no legal precedent, which makes it impossible to use case law in their assessment, as well as a reliable estimate of the possible contingent financial effect associated.

- The Resolution Fund also has other contingent liabilities related to the following situations:
  - Guarantee provided on bonds issued by Oitante, whose value as at 31 December 2020 amounts to 200 million euros;
  - Application of the principle that no creditor of the credit institution under resolution will be able to assume a greater loss than it would have assumed if that institution had gone into liquidation;
  - Neutralization of possible negative effects of future decisions, arising from the resolution process, which result in liabilities or contingencies for Novo Banco;
  - Limit on payments under the contingent capitalization mechanism;
  - Treatment, in light of the CCA signed with Novo Banco, of the effects arising from any discretionary decision by Novo Banco to reverse its previous decision to adhere to the transitional regime related to the introduction of IFRS 9;
  - Treatment, in light of the CCA concluded with Novo Banco, of the effects arising from Novo Banco's intention not to make use of the regime provided for in Regulation (EU) 2020/873 of the European Parliament and of the Council, of 24 June 2020;
  - Impact of READD on the 25% stake in Novo Banco;
  - Other contingent liabilities arising from the agreements for the sale of Novo Banco.

At the present date, there is no estimate regarding the total value of any losses to be incurred by the Resolution Fund resulting from the process of sale of Novo Banco, from the disputes associated with the BES resolution process, including within the scope of the so-called “process of the injured parties of the BES” and attempts to resolve the same, any losses resulting from the resolution of Banif and charges related to the respective processes.

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

Pursuant to the provisions of Decree-Law no. 24/2013, which establishes the functioning of the Resolution Fund, the Bank has been making mandatory contributions since 2013, as provided for in the aforementioned diploma.

In 2023, the Bank made periodic contributions to the Resolution Fund and to the banking sector in the amounts of 357 thousand euros and 2 009 thousand euros, respectively, which are recognised as costs in accordance with IFRIC 21 – Fees.

On 3 November 2015, Banco de Portugal issued a Circular Letter under which it is clarified that the periodic contribution to the Resolution Fund must be recognised as a cost at the time of the occurrence of the event that creates the obligation to pay the contribution, that is, on the last day of April of each year, as stipulated in article 9 of Decree-Law no. in the year in which it becomes due, pursuant to IFRIC 21 - Fees. On November 15, 2015, the Resolution Fund issued a statement stating: “it is further clarified that it is not foreseeable that the Resolution Fund will propose the creation of a special contribution to finance the resolution measure applied to BES. The possible collection of a special contribution appears, therefore, to be remote.”

The financial statements as at 30 June 2023 reflect the Board of Directors' expectation that the Bank, as an entity participating in the Resolution Fund, will not be required to make special contributions or any other type of extraordinary contributions to finance the resolution measures applied to BES and to Banif or any other liability or contingent liability assumed by the Resolution Fund in the context of the aforementioned measures, taking into account:

- the conditions defined within the scope of the renegotiation in March 2017 of the loans that the Resolution Fund obtained to finance resolution measures, including the extension of the maturity period to December 31, 2046 and the possibility of adjusting this period, having as objective to ensure that the Resolution Fund is able to fully meet its obligations based on regular income and without the need for special contributions or any other type of extraordinary contributions by the banking sector; and
- public announcements made by the Resolution Fund and the Office of the Minister of Finance, which refer to the objective of ensuring that such contributions will not be necessary.

NOTE 37 – RELATED PARTIES TRANSACTIONS

The Group's related parties transactions as at 30th June 2023 and 31st December 2022, as well as the respective expenses and income recognised in the period, are summarized as follows:

(thousand euros)

	30.06.2023					
	Assets			Liabilities	Income	Expenses
	Credit	Others	Total			
Subsidiaries and associates of shareholders						
HAITONG INTERNATIONAL (UK) LIMITED	-	-	-	23	-	-
HAITONG INTERNATIONAL FINANCE HOLDINGS LIMITED	-	140	140	-	453	-
HAITONG INVESTMENT IRELAND PLC	45 671	375	46 046	4 126	1 519	30
HAITONG PRIVATE EQUITY FUND	-	-	-	11 143	218	59
TOTAL	45 671	515	46 186	15 292	2 190	89

(thousand euros)

	31.12.2022					
	Assets			Liabilities	Income	Expenses
	Credit	Others	Total			
Subsidiaries and associates of shareholders						
HAITONG SECURITIES	-	-	-	-	22 000	-
HAITONG INTERNATIONAL SECURITIES CO LTD	-	-	-	-	531	-
HAITONG INNOVATION SECURITIES INVESTMENT CO LTD	-	-	-	-	1 000	-
HAITONG INVESTMENT IRELAND PLC	45 772	299	46 071	1 331	1 791	1 264
HAITONG PRIVATE EQUITY FUND	-	-	-	6 774	452	5
TOTAL	45 772	299	46 071	8 105	25 774	1 269

As at 30th June 2023, the income heading includes 624 thousand euros concerning fee and commission income heading from banking services (31st of December 2022: 24,003 thousand euros).

The value of Haitong Group transactions with related entities in which the Administrator and/or family have significant influence, in the period ended June 30, 2023 and in December 2022, as well as the respective costs and income recognised in the period, are summarized as follows:

(thousand euros)

	30.06.2023					
	Assets			Liabilities	Income	Expenses
	Loans	Securities	Total			
Entities with relevant influence						
Mota Engil SGPS	1 083	-	1 083	2 445	343	106
Semapa - Sociedade de Investimento e Gestão SGPS SA	-	-	-	18	1 071	-
TOTAL	1 083	-	1 083	2 463	1 414	106

(thousand euros)

	31.12.2022					
	Assets			Liabilities	Income	Expenses
	Loans	Securities	Total			
Entities with relevant influence						
Mota Engil SGPS	-	14 919	14 919	18	217	198
TOTAL	-	14 919	14 919	18	217	198

NOTE 38 – FAIR-VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair-value of financial assets and liabilities

Haitong Bank Group estimates the fair value of its instruments based on prices quoted in active markets or, when such prices are not available, based on valuation techniques following standard valuation models such as discounted cash flows and option pricing models. The valuation models' parameter inputs are based on observable data, when available, derived from prices of financial instruments actively traded or based on indicative broker quotes.

The Group performs valuation adjustments to reflect counterparty credit risk (CVA) for uncollateralized derivatives assets considering the current exposure, loss given default and the probability of default. This probability of default is based on the Group's credit risk assessment model or market information where applicable.

The fair-value of financial assets and liabilities for the Group is analysed:

(thousand euros)

	Amortised cost	Valued at Fair Value			Total book value	Fair Value
		Level 1	Level 2	Level 3		
Balance as at 30 June 2023						
Cash and cash equivalents	20 951	-	-	-	20 951	20 951
Financial assets at fair value through profit or loss						
Financial assets held for trading						
Securities	-	33 226	764 250	4 817	802 293	802 293
Derivative financial assets	-	-	33 766	6 116	39 882	39 882
Non-trading financial assets mandatorily at fair value through profit or loss						
Securities	-	11	8 246	8 747	17 004	17 004
Loans and advances to customers	-	-	-	21	21	21
Financial assets at fair value through other comprehensive income	-	141 254	33 243	91 906	266 403	266 403
Financial assets measured at amortised cost						
Securities	910 132	-	-	-	910 132	884 228
Loans and advances to banks	265 036	-	-	-	265 036	265 036
Loans and advances to customers	857 205	-	-	-	857 205	850 072
Financial Assets	**2 053 324**	**174 491**	**839 505**	**111 607**	**3 178 927**	**3 145 890**
Financial liabilities held for trading						
Securities	-	1 289	-	-	1 289	1 289
Derivative financial liabilities	-		33 756	161	33 917	33 917
Financial liabilities measured at amortised cost						
Resources of credit institutions	995 477	-	-	-	995 477	995 477
Resources of customers	1 108 904	-	-	-	1 108 904	1 108 904
Debt securities issued	592 894	-	-	-	592 894	583 514
Financial Liabilities	**2 697 275**	**1 289**	**33 756**	**161**	**2 732 481**	**2 723 101**
Balance as at 31 December 2022						
Cash and cash equivalents	25 828	-	-	-	25 828	25 828
Financial assets at fair value through profit or loss						
Financial assets held for trading						
Securities	-	31 832	713 771	-	745 603	745 603
Derivative financial assets	-	-	48 404	534	48 938	48 938
Non-trading financial assets mandatorily at fair value through profit or loss						
Securities	-	5	7 953	8 560	16 518	16 518
Loans and advances to customers	-	-	-	20	20	20
Financial assets at fair value through other comprehensive income	-	121 510	84 712	89 271	295 493	295 493
Financial assets measured at amortised cost						
Securities	721 519	-	-	-	721 519	675 804
Loans and advances to banks	490 318	-	-	-	490 318	490 318
Loans and advances to customers	771 785	-	-	-	771 785	763 967
Financial Assets	**2 009 450**	**153 347**	**854 840**	**98 385**	**3 116 022**	**3 062 489**
Financial liabilities held for trading						
Securities	-	97	-	-	97	97
Derivative financial liabilities	-	-	39 237	222	39 459	39 459
Financial liabilities measured at amortised cost						
Resources of credit institutions	1 354 051	-	-	-	1 354 051	1 354 051
Resources of customers	747 140	-	-	-	747 140	747 140
Debt securities issued	542 037	-	-	-	542 037	535 311
Financial Liabilities	**2 643 228**	**97**	**39 237**	**222**	**2 682 784**	**2 676 058**

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 30th June 2023 and 31st December 2022 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 31 December 2022	**-**	**312**	**8 560**	**20**	**89 271**	**98 163**
Results recognized in Net Interest Margin	-	-	-		1 662	**1 662**
Net trading income and from other financial instruments at fair value through profit or loss	39	(225)	(91)	1	-	**(276)**
Net gains/(losses) derecognition of financial assets measured at fair value through other comprehensive income	39	-	-	-	350	**389**
Impairment on other financial assets net of reversal and recoveries	-	-	-	-	1 688	**1 688**
Other fair value changes	179	366	278	-	4 071	**4 894**
Fair value reserve changes	-	-	-	-	(1 977)	**(1 977)**
Acquisitions	4 560	-	-	-	12 250	**16 810**
Sales	-	-	-	-	(3 169)	**(3 169)**
Reimbursements	-	-	-	-	(15 968)	**(15 968)**
Derivatives financial flows	-	(365)	-	-	-	**(365)**
Transfers from other levels	-	5 954	-	-	3 728	**9 682**
Transfers to other levels	-	(87)	-	-	-	**(87)**
Balance as at 30 June 2023	**4 817**	**5 955**	**8 747**	**21**	**91 906**	**111 446**

In 2023, based on the assessment of the market liquidity of the securities, Investment Securities of 3,728 thousand euros were transferred from Level 2 to Level 3.

Regarding derivative instruments, from 2022 to the end of June 2023, 87 thousand euros were transferred from Level 3 to Level 2, whose CVA impact on the valuation of the derivative now exceeds 5% and 5,954 thousand euros from Level 2 to Level 3, whose CVA impact on the valuation of the derivative became less than 5%.

Based on the assessment of the market liquidity of the securities, 4,451 thousand euros of Investment Securities were transferred from Level 1 to Level 2, 3,728 thousand euros from Level 2 to Level 3, and 4,530 thousand euros from Level 2 to Level 1.

(thousand euros)

	Financial assets held for trading	Financial assets mandatory at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Total
	Derivative financial assets	Securities	Loans and advances		
Balance as at 31 December 2021	**19**	**11 478**	**22**	**93 240**	**104 759**
Results recognized in Net Interest Margin	-	-		4 829	**4 829**
Net trading income and from other financial instruments at fair value through profit or loss	502	(1 792)	(2)	-	**(1 292)**
Net gains/(losses) derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	138	**138**
Impairment on other financial assets net of reversal and recoveries	-	-	-	1 348	**1 348**
Other fair value changes	(13)	572	-	468	**1 027**
Fair value reserve changes	-	-	-	(1 214)	**(1 214)**
Acquisitions	-	-	-	61 082	**61 082**
Sales	-	(1 635)	-	(11 000)	**(12 635)**
Reimbursements	-	(63)	-	(58 754)	**(58 817)**
Derivatives financial flows	(271)	-	-	-	**(271)**
Transfers from other levels	75	-	-	-	**75**
Transfers to other levels	-	-	-	(866)	**(866)**
Balance as at 31 December 2022	**312**	**8 560**	**20**	**89 271**	**98 163**

In 2022, based on the assessment of the market liquidity of the securities, Investment Securities of 866 thousand euros were transferred from Level 3 to Level 2.

With regard to derivative instruments, in 2022, 75 thousand euros were transferred from Level 2 to Level 3, whose CVA impact on the derivative's valuation increased to more than 5%.

Based on the assessment of the market liquidity of the securities, Investment Securities of 4 564 thousand euros of Investment Securities transferred from Level 1 to Level 2. In regards to Trading Securities, 1 273 thousand were transferred from Level 1 to Level 2 and 657 thousand from Level 2 to Level 1.

The main parameters used during the first half of 2023 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:

(%)

	30.06.2023			31.12.2022		
	EUR	USD	GBP	EUR	USD	GBP
Overnight	3.40	5.07	6.41	1.89	4.32	3.44
1 month	3.40	5.15	6.76	1.88	4.46	3.47
3 months	3.58	5.27	6.80	2.13	4.77	3.87
6 months	3.90	5.38	6.85	2.69	5.16	4.37
1 year	4.06	5.37	6.34	3.69	4.76	4.69
3 years	3.61	4.38	5.31	3.31	4.33	4.56
5 years	3.26	3.92	5.00	3.24	4.02	4.32
7 years	3.10	3.95	4.95	3.20	3.90	4.13
10 years	3.01	3.86	5.04	3.20	3.84	3.99
15 years	2.96	3.79	5.19	3.14	3.81	3.91
20 years	2.81	3.72	5.32	2.92	3.74	3.83

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
30.06.2023					
CDX USD Main	31	43.10	66.20	-	106.60
iTraxx Eur Main	30	47.98	73.72	-	111.24
iTraxx Eur Senior Financial	30	-	85.31	-	109.18
31.12.2022					
CDX USD Main	31	56.90	82.00	101.70	117.80
iTraxx Eur Main	30	66.40	90.60	107.50	123.20
iTraxx Eur Senior Financial	30	-	99.30	-	128.90

Interest rate volatilities

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

(%)

	30.06.2023			31.12.2022		
	EUR	USD	GBP	EUR	USD	GBP
1 year	88.30	99.80	143.05	99.45	92.63	127.11
3 years	121.61	143.82	161.20	123.34	143.55	169.91
5 years	118.84	136.41	159.69	124.84	143.58	167.18
7 years	112.51	126.11	151.53	121.78	135.76	158.58
10 years	104.78	113.96	139.81	115.50	125.08	147.39
15 years	95.87	99.77	126.36	106.94	109.68	130.46

Source: Haitong Bank

Foreign exchange rate and volatilities

The table below reflects ECB's (European Central Bank) foreign exchange rates fixings and at-the-money implied volatilities:

Fixing	Exchange Rate		Volatiliy (%)				
	30.06.2023	31.12.2022	1 month	3 months	6 months	9 months	1 year
EUR/USD	1.0866	1.0666	6.43	6.46	6.53	6.59	6.67
EUR/GBP	0.8583	0.8869	5.59	5.82	6.12	6.32	6.44
EUR/CHF	0.9788	0.9847	3.98	4.28	4.55	4.74	4.86
EUR/PLN	4.4388	4.6808	6.37	6.49	6.61	6.69	6.77
EUR/CNY	7.8983	7.3582	6.05	6.32	6.23	6.28	6.28
USD/BRL a)	5.2788	5.2865	6.43	6.46	6.53	6.59	6.67

a) Determined based on EUR/USD and EUR/BRL

Equity Indexes

The evolution of the main equity indices and the corresponding volatilities are summarized in the following table:

The main methods and assumptions used in the abovementioned valuation of the fair-value of financial assets and liabilities are analysed as follows:

	Quotation			Historical volatility (%)		Implied volatility (%)
	30.06.2023	31.12.2022	Range %	1 month	3 months	
DJ Euro Stoxx 50	3 794	3 794	0%	16,12	19,63	13,61
PSI 20	5 726	5 726	0%	12,29	13,99	-
IBEX 35	8 229	8 229	0%	12,67	16,72	-
DAX	13 924	13 924	0%	11,20	13,05	13,52
S&P 500	3 585	3 585	0%	10,55	12,46	12,45
BOVESPA	19 436	19 436	0%	15,90	18,48	19,73

Source: Haitong Bank

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 Group in the scope of its credit activity. Credit risk is mainly present in traditional banking products - loans, guarantees and loan commitments given - and in derivative products - swaps, forwards and options (counterparty risk).

The Group's credit portfolios are permanently monitored, with interaction between the business teams and risk management throughout the sequential stages of the credit cycle.

The Group's credit risk profile is regularly monitored, namely, in what concerns the evolution of credit exposure, delinquency ratios and provisioning, and concentration metrics.

The Group also controls the approved credit limits and assures the proper functioning of mechanisms related with the credit approval process.

Calculation of ECL

The IFRS 9 standard outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition. According to Haitong Bank Group model, Expected Credit Loss (ECL) is determined as per the detailed information included in chapter 2.4.1., Impairment of Financial Assets and Financial Model:

- **Stage 1 – Performing**: Impairment assessment is carried out based 12-month expected credit loss (ECL). ECL is determined as the exposure as of the reference date multiplied by the 12-month probability of default and the loss given default;
- **Stage 2 – Under Performing**: Impairment assessment will reflect the ECL resulting from default events that may occur over the expected residual life of the instrument;
- **Stage 3 – Non Performing**: Impairment assessment will reflect the ECL over the expected residual life of the instrument.

Inputs in the measurement of ECL

As a result of the characteristics of the Group's portfolio (reduced number of transactions and high heterogeneity), the calculation of the ECL has as the main vector of measurement the individual analysis assessment. Under the collective model, which is applied to financial instruments classified in Stage 1 and to determine the minimum impairment rate applicable to financial instruments classified in Stage 2, the key inputs for ECL measurement are the following:

- Probability of Default (PD): describes the likelihood of default. Haitong Bank takes in account the PD provided by from S&P, whereas the rating assigning process is performed internally based on the S&P methodology. This assures the alignment between the internal risk management and the impairment calculation process.
- Loss Given Default (LGD): is the magnitude of the loss at the time of a default. The Bank applies the LGD based on Moody's LGD benchmarks covering a wide historical period.

- Exposure at Default (EAD): the expected exposure in the event of a default. The calculation of EAD depends of the asset type.

Regarding undrawn loan commitments and financial guarantees, the amount considered in the calculation of impairment at each stage results from the exposure as of the reference date weighted by the credit conversion factor (according with CRR).

Forward-Looking Information

The Group maintained a simplified approach in what regards the incorporation of forward-looking information (the "forward-looking exercise"), namely, to anticipate the recognition of expected credit losses, grounded to the characteristics and size of the Group, and based on a principle of proportionality.

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

The Group's forward-looking exercise applies to the collective impairment model and also covers exposures with a significant increase in credit risk, i.e., classified in Stage 2, namely whenever economic projections are available. The forward-looking exercise was based on a multi-scenario approach weighted by the respective probability of occurrence.

The forward-looking exercise relied on a multiple-scenario approach (base, optimist and downside), incorporating different economic conditions and their likelihoods. The multiple scenarios cover the period between 2022 and 2024. The scenarios were mainly determined with reference to external forecasts from Bank of Portugal, regularly published in its Economic Bulletins, IMF's projections dated October 2022 and *Conselho de Finanças Públicas* projections dated September 2022, which are representative of the Bank's view of future Portuguese economic conditions for the calculation of allowance of credit losses, and which ensure the alignment and consistency of the model with the Regulator's macroeconomic predictions.

The annual update of the forward-looking exercise as of December 2022 led to an increase of impairment of approximately 107 thousand euros.

Haitong Bank also carried out a sensitivity analysis, as of 31 December 2022, based on the impact assessment of a 10% variation in external parameters considered in the collective model for the calculation of expected credit losses (PD and LGD). Finally, a +10% shock was applied to the PiT PD and the LGD parameters, verifying that the impact on expected credit losses would result in an increase of around 689 thousand euros and 1.075 thousand euros, respectively.

The financial instruments subject to standard IFRS 9 impairment requirements are presented below, detailed by stage, as of June 30th, 2023 and December 31st, 2022.

(thousand euros)

30.06.2023													
	Stage 1						Stage 2					Stage 3	
Asset Type	Low to Fair risk [aaa+;a-]	Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Doubtful [lccc]	Not rated	Total Stage 1	Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Doubtful [lccc]	Not rated	Total Stage 2	Impaired [d]	Total Stage 3
Loans and advances to customers	19 751	789 735	-	-	2	809 488	52 097	-	-	-	52 097	8 935	8 935
Guarantees	15 564	137 170	-	-	-	152 734	-	1 910	-	-	1 910	16 985	16 985
Debt Securities	138 574	1 027 406	-	-	-	1 165 980	20 935	2 541	-	-	23 476	5 132	5 132
Loans and advances to banks	262 134	2 927	-	-	-	265 061	-	-	-	-	-	-	-
Cash and cash equivalents	10 218	7 920	-	-	-	18 138	-	-	-	-	-	3 727	3 727
Debtors and other assets	-	1 633	-	-	13 850	15 483	-	-	-	-	-	16 793	16 793
Total	446 241	1 966 791	-	-	13 852	2 426 884	73 032	4 451	-	-	77 483	51 572	51 572

(thousand euros)

31.12.2022													
	Stage 1						Stage 2					Stage 3	
Asset Type	Low to Fair risk [aaa+;a-]	Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Doubtful [lccc]	Not rated	Total Stage 1	Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Doubtful [lccc]	Not rated	Total Stage 2	Impaired [d]	Total Stage 3
Loans and advances to customers	21 733	702 161	-	-	2	723 896	51 933	-	-	-	51 933	9 768	9 768
Guarantees	11 827	118 648	-	-	-	130 475	-	-	18 112	-	18 112	2 692	2 692
Debt Securities	138 262	897 156	-	-	-	1 035 418	-	-	-	-	-	-	-
Loans and advances to banks	468 658	21 680	-	-	-	490 338	-	-	-	-	-	-	-
Cash and cash equivalents	15 432	5 832	-	-	1 696	22 960	-	3 800	-	-	3 800	-	-
Debtors and other assets	7	1 861	285	41	13 467	15 661	-	-	-	-	-	17 298	17 298
Total	655 919	1 747 338	285		15 165	2 418 748	51 933	3 800	18 112	-	73 845	29 758	29 758

As of June 30, 2023, and December 31, 2022, most of non-rated exposures relates to other debtors transactions. As of June 30, 2023, the maximum exposure to credit risk of financial assets not subject to impairment requirements amounts to 3.9 million euros (December 31, 2022: 3 million euros) corresponding to exposures to Central banks.

The table below compiles all financial instruments at amortised cost by industry, stage and days of delay as of June 30th, 2023 and December 31st, 2022:

(thousand euros)

Financial instruments at Amortised cost (including financial guarantees) by industry, stage and past due status	30.06.2023										
	Stage 1					Stage 2		Stage 3			
	No overdue		1 - 29 days	More than 181 days (1)		No overdue		Sem dias de atraso		More than 181 days	
	Gross carrying amount	Loss allowance	Gross carrying amount	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Agribusiness & Commodity Foods	20 015	144	-	-	-	5 075	139	-	-	-	-
Agricultural Cooperatives	6 571	36	-	-	-	-	-	-	-	-	-
Automobiles & Components	37 749	88	-	-	-	-	-	-	-	-	-
Banks	324 082	115	-	1 645	1 645	-	-	3 727	920	-	-
Building Materials	-	-	-	190	190	-	-	12	12	-	-
Capital Goods	43 376	125	-	40	40	-	-	-	-	-	-
Chemicals	46 426	820	-	-	-	-	-	-	-	-	-
Commercial & Professional Services	87 023	493	-	95	95	-	-	3 293	1 149	-	-
Construction & Engineering	149 637	591	-	407	407	-	-	557	212	1 560	1 556
Consumer Durables & Apparel	-	-	-	-	-	4 451	556	-	-	-	-
Containers & Packaging	4 761	94	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	40 003	90	-	-	-	-	-	-	-	-	-
Funds & Asset Managers	14 132	15	-	-	-	-	-	-	-	-	-
Governments	464 613	568	-	214	214	-	-	-	-	-	-
Health Care	18 101	99	-	-	-	-	-	-	-	-	-
Hotels & Gaming	-	-	-	-	-	-	-	-	-	2 127	2 127
Household & Personal Products	38	19	-	-	-	-	-	-	-	-	-
Media & Entertainment	4	-	-	94	94	-	-	-	-	-	-
Metals & Mining	50 329	90	-	-	-	-	-	-	-	-	-
Non Bank Financial Institutions	50 767	152	-	-	-	-	-	-	-	-	-
Oil & Gas	68 798	331	-	-	-	-	-	-	-	-	-
Paper & Forest Products	5 030	16	-	60	60	-	-	-	-	-	-
Power	190 618	1 074	-	57	57	38 179	3 532	-	-	-	-
Real Estate	196 038	1 876	7	142	142	3 755	278	-	-	-	-
Rental & Leasing	13 794	75	-	-	-	-	-	-	-	-	-
Retailing	53 561	336	-	-	-	-	-	-	-	-	-
Technology Hardware & Equipment	-	-	-	-	-	-	-	6 889	38	-	-
Telecoms	93 456	336	-	-	-	-	-	16 077	1 369	-	-
Transportation	14 436	79	-	-	-	959	14	-	-	-	-
Transportation Infrastructure	150 134	219	-	-	-	4 129	242	2 284	877	9 891	3 626
Water Utilities	11 370	62	-	-	-	8 558	188	-	-	-	-
Others	2 071	599	-	3 218	3 218	-	-	-	-	-	-
Total	2 156 933	8 542	7	6 162	6 162	65 106	4 949	32 839	4 577	13 578	7 309

(1) Resulting from the specific characteristics of the Receivables portfolio, a simplified approach based on the days past due (and therefore standardized in Stage 1) is applied.

(thousand euros)

Financial instruments at Amortised cost (including financial guarantees) by industry, stage and past due status	31.12.2022									
	Stage 1						Stage 2		Stage 3	
	No overdue		More than 181 days[1]		No overdue		No overdue		More than 181 days	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Agribusiness & Commodity Foods	40 109	287	-	-	5 670	161	-	-	-	-
Agricultural Cooperatives	7 696	42	-	-	-	-	-	-	-	-
Automobiles & Components	31 815	60	-	-	-	-	-	-	-	-
Banks	540 413	86	1 617	1 617	3 800	938	-	-	-	-
Building Materials	-	-	191	191	-	-	12	12	-	-
Capital Goods	49 542	89	40	40	-	-	-	-	-	-
Chemicals	23 717	725	-	-	-	-	-	-	-	-
Commercial & Professional Services	59 006	415	92	92	-	-	4 916	1 111	-	-
Construction & Engineering	115 808	368	407	407	-	-	762	239	2 448	2 444
Consumer Durables & Apparel	4 483	88	-	-	-	-	-	-	-	-
Containers & Packaging	5 350	105	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	2 365	46	-	-	-	-	-	-	-	-
Funds & Asset Managers	14 412	15	-	-	-	-	-	-	-	-
Governments	445 808	424	214	214	-	-	-	-	-	-
Health Care	7 947	43	-	-	-	-	-	-	-	-
Hotels & Gaming	-	-	-	-	-	-	-	-	2 127	2 127
Household & Personal Products	38	17	-	-	-	-	-	-	-	-
Investment Holdings	1	-	-	-	-	-	-	-	-	-
Media & Entertainment	-	-	94	94	-	-	-	-	-	-
Metals & Mining	15 421	17	-	-	-	-	-	-	-	-
Non Bank Financial Institutions	50 640	150	-	-	-	-	-	-	-	-
Oil & Gas	39 299	187	-	-	-	-	-	-	-	-
Paper & Forest Products	10 334	45	60	60	-	-	-	-	-	-
Power	167 472	964	57	57	36 521	3 526	-	-	-	-
Real Estate	183 385	1 899	166	166	3 754	278	-	-	-	-
Rental & Leasing	13 917	76	-	-	-	-	-	-	-	-
Retailing	34 336	230	-	-	-	-	-	-	-	-
Technology Hardware & Equipment	-	-	-	-	-	-	7 395	40	-	-
Telecoms	70 112	293	-	-	18 112	453	-	-	-	-
Transportation	4 051	22	-	-	1 182	22	-	-	-	-
Transportation Infrastructure	141 280	201	-	-	4 806	301	2 185	729	9 891	3 569
Water Utilities	17 737	143	-	-	-	-	-	-	-	-
Others	3 844	623	3 235	3 235	-	-	-	-	-	-
Total	**2 100 338**	**7 660**	**6 173**	**6 173**	**73 845**	**5 679**	**15 270**	**2 131**	**14 466**	**8 140**

(1) Resulting from the specific characteristics of the Receivables portfolio, a simplified approach based on the days past due (and therefore standardized in Stage 1) is applied.

The following section presents the gross exposure categorized by asset type, impairment stage, and internal rating bucket.

Loans and advances to customers

The table below presents a summary of the portfolio of loans and advances to customers of Haitong Bank Group, as of June 30th, 2023 and December 31st, 2022:

(thousand euros)

		30.06.2023				
Loans and advances to customers		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	19 751	-	-	-	**19 751**
Monitoring	[bbb+;b-]	789 736	52 097	-	-	**841 833**
Impaired	[d]	-	-	6 757	2 155	**8 912**
Not rated		1	-	-	-	**1**
Gross carrying amount		**809 488**	**52 097**	**6 757**	**2 155**	**870 497**
Loss allowance (Note 31)		3 466	4 206	4 600	1 020	**13 292**
Carrying amount		**806 022**	**47 891**	**2 157**	**1 135**	**857 205**
Fair Value Trough Profit and Loss						
Impaired	[d]	-	-	23	-	**23**
Gross carrying amount		**-**	**-**	**23**	**-**	**23**
Revaluation		-	-	(2)	-	**(2)**
Carrying amount		**-**	**-**	**21**	**-**	**21**
Total gross carrying amount		**809 488**	**52 097**	**6 780**	**2 155**	**870 520**
Loss allowance (Note 31)		3 466	4 206	4 600	1 020	**13 292**
Revaluation		-	-	(2)	-	**(2)**
Total Carrying amount		**806 022**	**47 891**	**2 178**	**1 135**	**857 226**

(thousand euros)

		31.12.2022				
Loans and advances to customers		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	21 733	-	-	-	**21 733**
Monitoring	[bbb+;b-]	702 161	51 933	-	-	**754 094**
Impaired	[d]	-	-	7 590	2 156	**9 746**
Not rated		2	-	-	-	**2**
Gross carrying amount		**723 896**	**51 933**	**7 590**	**2 156**	**785 575**
Loss allowance (Note 31)		3 192	4 288	5 580	730	**13 790**
Carrying amount		**720 704**	**47 645**	**2 010**	**1 426**	**771 785**
Fair Value Trough Profit and Loss						
Impaired	[d]	-	-	22	-	**22**
Gross carrying amount		**-**	**-**	**22**	**-**	**22**
Revaluation		-	-	(2)	-	**(2)**
Carrying amount		**-**	**-**	**20**	**-**	**20**
Total gross carrying amount		**723 896**	**51 933**	**7 612**	**2 156**	**785 597**
Loss allowance (Note 31)		3 192	4 288	5 580	730	**13 790**
Revaluation		-	-	(2)	-	**(2)**
Total Carrying amount		**720 704**	**47 645**	**2 030**	**1 426**	**771 805**

Guarantees

The table below presents a summary of the portfolio of guarantees granted to clients of Haitong Bank Group, as of 30th June 2023 and December 31st, 2022:

(thousand euros)

Guarantees		30.06.2023				
		Stage 1	Stage 2	Stage 3	POCI	Total
Low to fair risk	[aaa+;a-]	15 564	-	-	-	**15 564**
Monitoring	[bbb+;b-]	137 170	-	-	-	**137 170**
Substandard	[ccc+;ccc]	-	1 910	-	-	**1 910**
Impaired	[d]	-	-	16 985	-	**16 985**
Total gross carrying amount		**152 734**	**1 910**	**16 985**	**-**	**171 629**
Loss allowance (Note 31)		197	144	1 670	-	**2 011**
Total Carrying amount		**152 537**	**1 766**	**15 315**	**-**	**169 618**

(thousand euros)

Guarantees		31.12.2022				
		Stage 1	Stage 2	Stage 3	POCI	Total
Low to fair risk	[aaa+;a-]	11 827	-	-	-	**11 827**
Monitoring	[bbb+;b-]	118 648	-	-	-	**118 648**
Substandard	[ccc+;ccc]	-	18 112	-	-	**18 112**
Impaired	[d]	-	-	2 692	-	**2 692**
Total gross carrying amount		**130 475**	**18 112**	**2 692**	**-**	**151 279**
Loss allowance (Note 31)		138	453	340	-	**931**
Total Carrying amount		**130 337**	**17 659**	**2 352**	**-**	**150 348**

Debt securities

The table below presents a summary of the portfolio of debt securities at amortised cost and at fair value through other comprehensive income of Haitong Bank Group, as of June 30th, 2023 and December 31st, 2022:

(thousand euros)

FVOCI and Amortised cost debt Securities		30.06.2023				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	103 373	-	-	-	**103 373**
Monitoring	[bbb+;b-]	798 825	8 558	-	-	**807 383**
Substandard	[ccc+;ccc]	-	2 541	-	-	**2 541**
Gross carrying amount		**902 198**	**11 099**	**-**	**-**	**913 297**
Loss allowance (Note 31)		2 272	599	-	-	**2 871**
Fair Value Hedge		(294)				**(294)**
Carrying amount		**899 632**	**10 500**	**-**	**-**	**910 132**
Fair Value through Other Comprehensive Income						
Low to fair risk	[aaa+;a-]	35 201	-	-	-	**35 201**
Monitoring	[bbb+;b-]	228 581	12 377	-	-	**240 958**
Impaired	[d]	-	-	5 132	-	**5 132**
Gross carrying amount		**263 782**	**12 377**	**5 132**	**-**	**281 291**
Loss allowance (Note 31)		900	277	1 374	-	**2 551**
Revaluation		(10 830)	-	(1 293)	-	**(12 123)**
Fair Value Hedge		(214)				**(214)**
Carrying amount		**251 838**	**12 100**	**2 465**	**-**	**266 403**
Total gross carrying amount		**1 165 980**	**23 476**	**5 132**	**-**	**1 194 588**
Loss allowance (Note 31)		3 172	876	1 374	-	**5 422**
Revaluation		(10 830)	-	(1 293)	-	**(12 123)**
Fair Value Hedge		(508)	-	-	-	**(508)**
Total Carrying amount		**1 151 470**	**22 600**	**2 465**	**-**	**1 176 535**

(thousand euros)

FVOCI and Amortised cost debt Securities		31.12.2022				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	103 200	-	-	-	**103 200**
Monitoring	[bbb+;b-]	619 981	-	-	-	**619 981**
Gross carrying amount		**723 181**	**-**	**-**	**-**	**723 181**
Loss allowance (Note 31)		1 662	-	-	-	**1 662**
Carrying amount		**721 519**	**-**	**-**	**-**	**721 519**
Fair Value through Other Comprehensive Income						
Low to fair risk	[aaa+;a-]	35 062	-	-	-	**35 062**
Monitoring	[bbb+;b-]	277 175	-	-	-	**277 175**
Gross carrying amount		**312 237**	**-**	**-**	**-**	**312 237**
Loss allowance (Note 31)		1 289	-	-	-	**1 289**
Revaluation		(15 455)	-	-	-	**(15 455)**
Carrying amount		**295 493**	**-**	**-**	**-**	**295 493**
Total gross carrying amount		**1 035 418**	**-**	**-**	**-**	**1 035 418**
Loss allowance (Note 31)		2 951	-	-	-	**2 951**
Revaluation		(15 455)	-	-	-	**(15 455)**
Total Carrying amount		**1 017 012**	**-**	**-**	**-**	**1 017 012**

Cash equivalents

The table below presents a summary of the cash equivalents portfolio of Haitong Bank Group, as of June 30th, 2023 and December 31st, 2022:

(thousand euros)

Cash equivalents		30.06.2023				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	10 218	-	-	-	**10 218**
Monitoring	[bbb+;b-]	7 920	-	-	-	**7 920**
Impaired	[d]	-	-	3 727	-	**3 727**
Total gross carrying amount		**18 138**	**-**	**3 727**	**-**	**21 865**
Loss allowance (Note 31)		-	-	920	-	**920**
Total Carrying amount		**18 138**	**-**	**2 807**	**-**	**20 945**

(thousand euros)

Cash equivalents		31.12.2022				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	15 432	-	-	-	**15 432**
Monitoring	[bbb+;b-]	5 832	-	-	-	**5 832**
Substandard	[ccc+;ccc]	-	3 800	-	-	**3 800**
Not rated		1 696	-	-	-	**1 696**
Total gross carrying amount		**22 960**	**3 800**	**-**	**-**	**26 760**
Loss allowance (Note 31)		1	938	-	-	**939**
Total Carrying amount		**22 959**	**2 862**	**-**	**-**	**25 821**

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 June 30th, 2023 and December 31st, 2022:

(thousand euros)

Loans and advances to Banks		30.06.2023 Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	262 134	-	-	-	262 134
Monitoring	[bbb+;b-]	2 927	-	-	-	2 927
Total gross carrying amount		265 061	-	-	-	265 061
Loss allowance (Note 31)		25	-	-	-	25
Total Carrying amount		265 036	-	-	-	265 036

(thousand euros)

Loans and advances to Banks		31.12.2022 Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	468 658	-	-	-	468 658
Monitoring	[bbb+;b-]	21 680	-	-	-	21 680
Total gross carrying amount		490 338	-	-	-	490 338
Loss allowance (Note 31)		20	-	-	-	20
Total Carrying amount		490 318	-	-	-	490 318

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 June 30th, 2023 and December 31st, 2022:

(thousand euros)

Debtors and other assets		30.06.2023 Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Monitoring	[bbb+;b-]	1 632	-	-	-	1 632
Impaired	[d]	-	-	6 902	9 891	16 793
Not rated		13 851	-	-	-	13 851
Total gross carrying amount		15 483	-	6 902	9 891	32 276
Loss allowance (Note 31)		8 744	-	50	3 626	12 420
Total Carrying amount		6 739	-	6 852	6 265	19 856

(thousand euros)

Debtors and other assets		31.12.2022 Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	7	-	-	-	7
Monitoring	[bbb+;b-]	1 861	-	-	-	1 861
Substandard	[ccc+;ccc]	285	-	-	-	285
Doubtful	[lccc]	41	-	-	-	41
Impaired	[d]	-	-	7 407	9 891	17 298
Not rated		13 467	-	-	-	13 467
Total gross carrying amount		15 660	-	7 407	9 891	32 958
Loss allowance (Note 31)		8 820	-	52	3 569	12 441
Total Carrying amount		6 840	-	7 355	6 322	20 517

During 2023, the following stage moves occurred:

- A total of 24.9 million euros have been transferred to stage 3, of which 19.8 million euros from stage 2;
- A total of 14.3 million euros have been transferred to stage 2 from stage 1.

The use of credit protection is a key element of the risk policy and credit decision process, influencing the acceptance criteria, the decision levels, and the pricing.

The main risk mitigation techniques used by the Group are financial pledges (funded credit protection – financial collateral in the form of securities and cash) and personal guarantees (unfunded credit protection with substitution effect).

Haitong Bank Group follows the prescription of CRR in what concerns collateral haircuts for impairment calculation. Thus, instead of using the collateral value, the Group considers the collateral value after haircut application.

Frequency and methods of collateral valuation depends on the nature of the collateral. For listed equity securities and debt securities, valuation occurs on a daily basis using market prices.

The pledge of bank accounts valuation takes place on a quarterly basis according to information provided by the depositary bank.

Regarding pledges over non-listed equity securities, pledges over equipment and mortgages valuation, it is done at least on an annual basis and it is based on financial information of the borrower or on valuation reports of external entities (e.g. real estate).

As of June 30th, 2023, the amount of financial instruments with no losses identified, due to credit risk's mitigation techniques (i.e. whenever the exposure at default net of collateral is equal to zero), was 12,872 thousand euros, accounted under guarantees and securities.

The table below disaggregates the financial instrument and financial guarantees' gross exposure, and exposure at default (EAD) separately for each stage and POCI.

(thousand euros)

		30.06.2023							
Rating bucket		Stage 1		Stage 2		Stage 3		POCI	
		Gross Exposure	EAD	Gross Exposure	EAD	Gross Exposure	EAD	Gross Exposure	EAD
Low to fair risk	[aaa+;a-]	446 242	433 085	-	-	-	-	-	-
Monitoring	[bbb+;b-]	1 966 792	1 824 334	73 032	72 836	-	-	-	-
Substandard	[ccc+;ccc]	-	-	4 451	4 451	-	-	-	-
Impaired	[d]	-	-	-	-	39 526	31 285	12 046	12 047
Not rated		13 850	13 849	-	-	-	-	-	-
Total		**2 426 884**	**2 271 268**	**77 483**	**77 287**	**39 526**	**31 285**	**12 046**	**12 047**

(thousand euros)

31.12.2022									
Rating bucket		Stage 1		Stage 2		Stage 3		POCI	
		Gross Exposure	EAD	Gross Exposure	EAD	Gross Exposure	EAD	Gross Exposure	EAD
Low to fair risk	[aaa+;a-]	655 919	643 738	-	-	-	-	-	-
Monitoring	[bbb+;b-]	1 747 338	1 548 026	51 933	51 760	-	-	-	-
Substandard	[ccc+;ccc]	285	285	3 800	3 800	-	-	-	-
Impaired	[d]	-	-	-	-	17 709	17 321	12 047	12 047
Not rated		15 165	15 161	-	-	-	-	-	-
Total		**2 418 748**	**2 207 251**	**73 845**	**64 616**	**17 709**	**17 321**	**12 047**	**12 047**

Breakdown of Non-Performing and Forborne Exposures

In accordance with the definitions set out in Annex V to Commission Implementing Regulation (EU) 2018/1627 of 8 October 2018, amending Implementing Regulation (EU) No 680/2014 as regards prudent valuation for supervisory reporting, the Group discloses the non-performing exposures and the forborne exposures.

The definitions of non-performing and forborne exposures are provided under section 2.4.1.

In this sense, as of June 30th, 2023 and December 31st, 2022, the breakdown of performing and non-performing exposures was as follows:

(thousand euros)

	30.06.2023			31.12.2022		
	Gross amount and Revaluations	Impairment and Provisions	CoverageCoverage	Gross amount and Revaluations	Impairment and Provisions	Coverage
Performing exposures	2 672 990	12 554	0.5%	2 666 219	12 459	0.5%
Non-Performing exposures (NPE)	34 317	9 629	28.1%	13 244	6 915	52.2%
Banking Book Debt Securities	3 840	1 374	35.8%	-	-	0.0%
Loans and advances to customers	8 935	5 622	62.9%	9 766	6 310	64.6%
Cash & Cash Equivalents	3 727	920	24.7%	-	-	0.0%
Guarantees	16 985	1 670	9.8%	2 692	340	12.6%
Loan commitments	830	43	5.2%	786	265	33.7%
Total	2 707 307	22 183	0.8%	2 679 463	19 374	0.7%
NPE ratio	1.3%			0.5%		
NPL ratio	1.0%			1.2%		

As of June 30th, 2023 and December 31st, 2022, the breakdown of performing and non-performing forborne exposures was as follows:

(thousand euros)

	30.06.2023			31.12.2022		
	Gross amount and Revaluations	Impairment and Provisions	Coverage	Gross amount and Revaluations	Impairment and Provisions	Coverage
Performing exposures	2 619 311	7 952	0.3%	2 615 468	8 193	0.3%
Performing Forborne exposures	53 679	4 602	8.6%	50 751	4 266	8.4%
Banking Book Debt Securities	2 541	411	16.2%	-	-	0.0%
Loans and advances to customers	51 138	4 191	8.2%	50 751	4 266	8.4%
Non-Performing Forborne exposures	9 744	5 665	58.1%	9 563	5 606	58.6%
Loans and advances to customers	8 914	5 622	63.1%	8 777	5 341	60.9%
Loan commitments	830	43	5.2%	786	265	33.7%
Non-Performing exposures	24 573	3 964	16.1%	3 681	1 309	35.6%
Total	2 707 307	22 183	0.8%	2 679 463	19 374	0.7%

Concentration risk

Concerning the concentration risk - that is, the risk arising from the possibility of exposure or from a group of exposures sharing common or interrelated risk factors that produce losses large enough to affect the Group's solvency - Haitong Bank has internal limits established for the largest single-name exposures. Regular monitoring of these limits, together with regulatory limits, strengthens the Group's monitoring framework for the concentration of credit risk.

The breakdown of loans and advances to customers, financial assets held for trading and securities, by sector of activity, as of June 30th, 2023 and December 31st, 2022, is as follows:

(thousand euros)

Industry	30.06.2023							
	Loans and advances to customers				Financial assets held-for-trading		Securities	
	Gross amount		Impairment					
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans	Securities	Derivative financial assets	Gross amount	Impairment
Agribusiness & Commodity Foods	11 535	-	209	-	910	41	13 555	74
Agricultural Cooperatives	6 571	-	36	-	-	-	-	-
Automobiles & Components	22 218	-	45	-	274	230	30 031	92
Banks	-	-	-	-	10 134	10 873	89 933	138
Broker Dealers	-	-	-	-	-	839	-	-
Building Materials	-	-	-	-	129	-	-	-
Capital Goods	16 408	-	106	-	842	-	11 404	17
Chemicals	29 349	-	94	-	4 132	5 954	28 857	61
Commercial & Professional Services	71 716	-	1 451	-	-	-	19 815	98
Construction & Engineering	21 716	1 581	229	1 556	1 179	-	34 303	222
Consumer Durables & Apparel	-	-	-	-	-	-	7 738	440
Containers & Packaging	4 761	-	94	-	-	-	-	-
Food, Beverage & Tobacco	11 126	-	38	-	-	-	53 252	80
Funds & Asset Managers	-	-	-	-	-	-	26 742	15
Governments	858	-	-	-	766 147	-	502 708	755
Health Care	13 559	-	74	-	-	-	32 102	163
Hotels & Gaming	-	2 127	-	2 127	1 868	-	7 507	2
Insurance	-	-	-	-	269	-	-	-
Media & Entertainment	-	-	-	-	432	-	-	-
Metals & Mining	29 500	-	56	-	-	-	26 782	89
Non Bank Financial Institutions	45 818	-	147	-	1 846	6 547	20 165	226
Oil & Gas	54 985	-	271	-	3 947	278	13 812	61
Paper & Forest Products	1 181	-	6	-	-	46	3 849	10
Power	169 240	-	4 362	-	1 209	24	44 893	1 552
Real Estate	100 360	-	572	-	822	20	117 246	556
Rental & Leasing	13 794	-	75	-	343	-	-	-
Retailing	20 379	-	214	-	179	-	33 183	121
Software	-	-	-	-	-	-	11	-
Technology Hardware & Equipment	-	-	-	-	185	-	-	-
Telecoms	76 458	-	244	-	1 839	17	25 717	162
Transportation	959	-	14	-	766	-	15 003	82
Transportation Infrastructure	144 318	-	1 272	-	-	15 013	17 814	97
Water Utilities	-	-	-	-	24	-	22 539	309
Others	1	-	-	-	4 817	-	-	-
Total	**866 810**	**3 708**	**9 609**	**3 683**	**802 293**	**39 882**	**1 198 961**	**5 422**

(thousand euros)

Industry	31.12.2022							
	Loans and advances to customers				Financial assets held-for-trading		Securities	
	Gross amount		Impairment		Securities	Derivative financial assets	Gross amount	Impairment
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans				
Agribusiness & Commodity Foods	25 548	-	337	-	278	9	20 231	110
Agricultural Cooperatives	7 696	-	42	-	-	-	-	-
Automobiles & Components	20 165	-	38	-	-	-	16 912	42
Banks	-	-	-	-	4 047	13 261	76 383	126
Broker Dealers	-	-	-	-	494	430	-	-
Building Materials	-	-	-	-	1 782	-	-	-
Capital Goods	17 596	-	62	-	3 336	-	23 159	27
Chemicals	14 968	-	48	-	3 842	9 621	8 097	26
Commercial & Professional Services	61 686	-	1 391	-	601	-	939	5
Construction & Engineering	5 607	2 468	60	2 444	1 292	441	43 977	359
Consumer Durables & Apparel	-	-	-	-	-	-	5 202	67
Containers & Packaging	5 350	-	105	-	-	-	-	-
Food, Beverage & Tobacco	2 365	-	46	-	-	1 178	10 522	12
Funds & Asset Managers	-	-	-	-	1 600	-	26 235	15
Governments	1 231	-	-	-	711 469	-	538 012	884
Health Care	7 946	-	43	-	-	-	22 078	120
Hotels & Gaming	2 127	-	2 127	-	-	-	7 445	1
Insurance	-	-	-	-	-	-	-	-
Media & Entertainment	-	-	-	-	1 197	4	-	-
Metals & Mining	-	-	-	-	-	-	9 459	12
Non Bank Financial Institutions	45 626	-	146	-	3 866	6 945	26 855	82
Oil & Gas	25 102	-	125	-	3 269	-	14 197	62
Paper & Forest Products	7 572	-	41	-	-	458	2 727	3
Power	167 448	-	4 383	-	1 692	137	39 894	129
Real Estate	124 397	-	589	-	791	29	81 189	489
Rental & Leasing	13 917	-	76	-	-	-	-	-
Retailing	20 210	-	212	-	-	-	14 126	18
Software	-	-	-	-	-	-	5	-
Technology Hardware & Equipment	-	-	-	-	1 742	-	-	-
Telecoms	53 086	-	200	-	1 430	237	25 663	164
Transportation	5 232	-	44	-	657	-	2 998	26
Transportation Infrastructure	148 250	-	1 231	-	1 419	16 188	-	-
Water Utilities	-	-	-	-	799	-	20 176	172
Others	2	-	-	-	-	-	-	-
Total	**783 127**	**2 468**	**11 346**	**2 444**	**745 603**	**48 938**	**1 036 481**	**2 951**

The breakdown of loans and advances to customers, financial assets held for trading and securities, by country risk, as of June 30th, 2023 and December 31st, 2022, is as follows:

(thousand euros)

Country	30.06.2023							
	Loans and advances to customers				Financial assets held-for-trading		Securities	
	Gross amount		Impairment		Securities	Derivative financial assets	Gross amount	Impairment
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans				
Australia	29 500	-	56	-	-	-	-	-
Bermuda	-	-	-	-	24	-	-	-
Brazil	105 674	-	5 119	-	768 938	7 010	277 993	3 155
Bulgaria	-	-	-	-	-	-	11 123	22
Canada	-	-	-	-	183	-	-	-
China	19 331	-	61	-	1 977	-	139 877	1 075
Cyprus	-	-	-	-	-	-	9 118	8
Czech republic	-	-	-	-	-	-	10 257	19
Finland	-	-	-	-	-	-	2 678	4
France	8 042	-	44	-	2 149	467	69 699	83
Germany	25 735	-	69	-	2 254	711	10 500	22
Greece	-	-	-	-	-	-	22 656	43
Hong kong	-	-	-	-	3 890	-	11 444	5
Hungary	-	-	-	-	-	-	10 378	14
Ireland	45 818	-	147	-	-	290	-	-
Italy	-	-	-	-	2 298	-	178 274	286
Japan	-	-	-	-	897	-	-	-
Luxembourg	61 654	-	332	-	82	-	44 330	27
Macau	-	-	-	-	637	-	-	-
Netherlands	19 149	-	105	-	844	-	42 832	38
Poland	142 728	1 581	397	1 556	274	298	32 678	180
Portugal	235 102	2 127	1 374	2 127	10 101	15 100	179 485	286
Romania	-	-	-	-	-	-	23 937	32
Singapore	-	-	-	-	910	-	-	-
Spain	157 103	-	1 851	-	3 687	3 398	90 126	53
Sweden	-	-	-	-	-	-	7 682	10
Swiss Confederation	-	-	-	-	599	-	-	-
United Kingdom	14 973	-	48	-	-	6 446	14 569	30
United States	2 000	-	6	-	1 677	6 162	9 325	30
Virgin islands (british)	-	-	-	-	872	-	-	-
Others	1	-	-	-	-	-	-	-
TOTAL	**866 810**	**3 708**	**9 609**	**3 683**	**802 293**	**39 882**	**1 198 961**	**5 422**

(thousand euros)

Country	31.12.2022								
	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				
Bermuda	-	-	-	-	-	799	-	-	-
Brazil	121 737	969	5 242	969	-	711 216	9 925	186 778	1 034
Bulgaria	-	-	-	-	-	-	-	10 972	22
Canada	-	-	-	-	-	186	-	-	-
China	-	-	-	-	-	5 076	-	137 579	727
Cyprus	-	-	-	-	-	-	-	9 237	8
Czech republic	-	-	-	-	-	-	-	10 165	19
Finland	-	-	-	-	-	-	-	2 727	3
France	-	-	-	-	-	610	1 142	60 113	53
Germany	20 165	-	38	-	-	-	4 244	10 155	22
Greece	-	-	-	-	-	-	-	22 702	43
Hong kong	-	-	-	-	-	6 915	-	-	-
Hungary	-	-	-	-	-	-	-	17 908	15
Ireland	45 626	-	146	-	-	-	299	-	-
Italy	-	-	-	-	-	2 163	-	177 976	281
Japan	-	-	-	-	-	723	-	-	-
Luxembourg	90 864	-	595	-	-	-	-	32 554	19
Netherlands	-	-	-	-	-	3 988	-	-	-
Poland	94 894	1 499	188	1 475	-	288	29	34 065	176
Portugal	211 714	-	3 231	-	-	6 691	17 024	199 709	425
Romania	-	-	-	-	-	-	-	23 847	30
Singapore	-	-	-	-	-	278	-	-	-
Spain	137 622	-	1 638	-	-	3 173	9 415	77 731	29
Sweden	-	-	-	-	-	-	-	7 783	15
Switzerland	-	-	-	-	-	841	-	-	-
United Kingdom	60 503	-	268	-	-	-	6 860	14 480	30
United States	-	-	-	-	-	1 433	-	-	-
Virgin islands (british)	-	-	-	-	-	1 223	-	-	-
Others	2	-	-	-	-	-	-	-	-
TOTAL	783 127	2 468	11 346	2 444	-	745 603	48 938	1 036 481	2 951

Russia-Ukraine Conflict

The Russia-Ukraine conflict has disrupted global economic conditions and triggered turmoil in financial and credit markets.

The Group carried out an internal risk assessment of the banking book borrowers and the related immediate impacts of the conflict, excluding second and third tier indirect impacts and compounding effects. This analysis was carried out by the Front-Office units, which contacted the Bank's customers in order to assess the impacts through the "Early Warning Signals" Questionnaire.

Although the overall implications of the conflict are not fully known, nor are the indirect effects likely to be quantified or predicted, the general conclusion is that at present date none of the borrowers analysed has suffered a severe impact from the conflict.

The conclusions of the internal risk assessment were presented by the Risk Management Department to the Executive Committee, Risk Committee and Board of Directors.

Market risk

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

The main mechanism to manage trading market risk is the application of the risk appetite policy, of which the limit framework is a key component. The Bank sets group-wide value-at-risk (VaR) limits for market risk in the trading book.

VaR is a quantitative measure of the potential loss of fair value positions due to market movements and it should not be exceeded in a defined period of time and with a defined confidence level. Haitong Bank estimates VaR by taking actual historical changes in the market variables over one-year time interval, a ten-day time horizon and revalues every position for each market scenario considering a 99% confidence level.

(thousand euros)

	30.06.2023				31.12.2022			
	June	Average	Maximum	Minimum	December	Average	Maximum	Minimum
Foreign Exchange Risk	11 149	10 506	12 770	9 596	10 123	7 623	10 584	5 969
Interest Rate Risk	802	1 262	2 943	231	550	708	1 218	191
Shares	6	6	9	5	8	7	10	4
Credit spread	261	450	717	180	604	655	882	420
Covariance	(1 256)	n.a.	n.a.	n.a.	(908)	n.a.	n.a.	n.a.
Global VaR	**10 962**	**12 225**	**16 439**	**10 011**	**10 377**	**8 994**	**12 694**	**6 584**

Source: Haitong Bank

The following table shows the average interest rates verified for the Bank's major categories of financial assets and liabilities, for the financial periods ended on June 30, 2023 and December 31, 2022, as well as the respective average balances and interest for the financial period:

(thousand euros)

	30.06.2023			31.12.2022		
	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	294 923	6 496	4.44%	561 757	6 092	1.08%
Loans and advances to customers	795 390	29 349	7.44%	729 567	39 764	5.45%
Investment in securities	1 848 794	72 282	7.88%	741 386	74 772	10.09%
Collateral accounts	28 770	764	5.36%	57 926	281	0.49%
Financial assets	**2 967 877**	**108 891**	**7.40%**	**2 090 636**	**120 909**	**5.78%**
Monetary resources	1 048 511	48 814	9.39%	1 008 547	30 778	3.05%
Resources of customers	891 658	21 421	4.84%	922 290	52 410	5.68%
Liabilities represented by securities	541 866	21 061	7.84%	439 167	22 531	5.13%
Other resources	14 778	1 114	15.20%	18 009	790	4.39%
Financial liabilities	**2 496 813**	**92 410**	**7.46%**	**2 388 013**	**106 509**	**4.46%**
Financial Result		**16 481**			**14 400**	

Considering that, the foreign exchange open risk position is the main source of market risk, Haitong Bank closely manages the exposures by currency. As of June 2023 and December 2022, the exposure of assets and liabilities by currency was as follows:

(thousand euros)

	30.06.2023			31.12.2022		
	Spot	Forward	Net Exposure	Spot	Forward	Net Exposure
AOA	4	-	4	7	-	7
AUD	14	-	14	14	-	14
BRL	97 417	15 384	112 802	91 343	14 226	105 568
CAD	36	-	36	36	-	36
CHF	(87)	-	(87)	22	-	22
CNY	12 626	-	12 626	12 149	-	12 149
DKK	200	-	200	201	-	201
GBP	(1 508)	-	(1 508)	37 059	(37 523)	(464)
HKD	(443)	-	(443)	(777)	-	(777)
JPY	37	-	37	41	-	41
MOP	5 169	-	5 169	5 177	-	5 177
MXN	11	-	11	10	-	10
NOK	10	-	10	11	-	11
PLN	55 878	(31 657)	24 220	57 038	(33 307)	23 732
SEK	34	-	34	36	-	36
TRY	-	-	-	1	-	1
USD	63 032	(63 240)	(208)	38 012	(36 727)	1 285
Total	**232 430**	**(79 513)**	**152 917**	**240 380**	**(93 331)**	**147 049**

Note: asset (liability)

The main source of FX risk of Haitong Bank comes from its foreign subsidiary Haitong Banco de Investimento do Brasil S.A.

Non-trading market risk arises primarily from activities outside of our trading units, in the banking book, and from certain off balance sheet items, embedding considerations of different accounting treatments of transactions. The most significant risk in the banking book is the changes in the interest rate risk (IRRBB).

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

To measure the economic value, the Bank uses a run-off balance sheet, where existing assets and liabilities are not replaced as they mature, whether for net interest income metric, the Bank follows a stable balance sheet model, where maturing contracts are replaced like for like, but with rates equal to be forward rates at the time of maturing.

As of June 2023 and December 2022, the repricing profile of the Bank for interest rate risk sensitive positions was the following:

(thousand euros)

Tenor	30.06.2023			31.12.2022		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Up to 3 months	1 135 829	(1 246 668)	(110 838)	1 230 605	(1 379 015)	(148 410)
3 to 6 months	412 733	(308 619)	104 114	274 841	(461 926)	(187 085)
6 to 12 months	287 463	(185 393)	102 070	287 198	(123 321)	163 877
1 to 5 years	583 233	(353 136)	230 096	651 417	(280 952)	370 465
More than 5 years	130 162	(111 202)	18 960	106 392	(50 397)	55 995
Total	2 549 420	(2 205 019)	344 402	2 550 453	(2 295 611)	254 842

Hence the impact of different shocks in the yield curves, measured by the economic value of equity and the net interest income was as follows:

(thounsand euros)

Scenarios	30.06.2023		31.12.2022	
	Delta EVE	Delta NII	Delta EVE	Delta NII
+200 bps	(19 841)	(2 918)	(23 379)	4 355
-200 bps	3 356	2 918	6 999	(4 355)
Parallel up	(20 977)	n.a.	(24 865)	n.a.
Parallel down	3 727	n.a.	8 130	n.a.
Steepener	1 439	n.a.	1 382	n.a.
Flattener	(8 015)	n.a.	(7 063)	n.a.
Short rates up	(13 452)	n.a.	(13 780)	n.a.
Short rates down	2 471	n.a.	5 150	n.a.
% Total Capital	3.76%	0.55%	4,36%	0,81%
% Tier 1 Capital	4.00%	0.56%	4,65%	0,81%

Source: Haitong Bank

Reference interest rate reforms

Regulation (EU) 2016/1011 of the European Parliament and of the Council (known as the EU Benchmark Regulation or BMR) established a common framework to ensure that benchmark interest rates meet certain requirements that guarantee their reliability and efficiency as well as protect the consumer and investor, which implied a set of reforms, currently underway, of the reference interest rates with different implications for the activities of financial institutions.

The Bank holds fallback provisions in its contracts in accordance with market practice to respond to a discontinuity in rates. As of June 30, 2023, there are no financing contracts whose contract rate is associated with Libor rates that are expected to be discontinued. The Bank holds derivatives whose rates are expected to be discontinued and the respective contractual amendments are being negotiated. The contracts in question are under ISDA contracts.

The benchmark reform in Poland replaces the WIBOR index with the WIRON index. From December 2022, banks may use the WIRON index, while a gradual implementation of the index to contracts and financial instruments is planned for 2023. From 2025, it is planned to use the WIRON indicator widely. WIRON is transaction index developer on the basis of deposit transactions concluded by data providers (9 data submitters) with banks, financial institutions and large enterprises.

The Bank recognizes credit exposures with maturity after 2025, therefore, part of the exposure will be subject to the WIRON index, however, it accounts for less than 10% of total current credit risk exposures. On the other hand, no interest rate derivatives go beyond the tenor and mandatory change to WIRON (2025) will not apply. Therefore, there is no need to amend the contracts with customers on these products.

Liquidity risk

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

Within the scope of the risk vision statement approved by the Board of Directors, Haitong Bank as whole, and all its subsidiaries individually aim to maintain a solid short-term liquidity position and a sustainable medium and long-term funding profile.

To achieve these goals, Haitong Bank seeks to develop a diversified investors' base, ensuring access to alternative funding sources and instruments, and keeping an adequate funding structure to finance its activity.

Haitong Bank's liquidity and funding management is under the direct responsibility of the Executive Committee, advised by the Assets and Liabilities Committee (ALCO). Local treasury teams ensure liquidity daily management in each of the Bank's liquidity hubs (Lisbon, S. Paulo and Warsaw), under the global coordination of Hationg Bank's CEO.

The Bank manages its liquidity by establishing a liquidity risk policy, monitoring a set of liquidity risk metrics, including prudential liquidity ratios, stress testing and liquidity contingency plans, and by setting limits consistent with the Bank's liquidity risk appetite and regulatory requirements.

As of 30 June 2023, the Bank held 514 million Euros of High Quality Liquid Assets (616 million Euros in 31 December 2022), of which 254 million were available deposits in Central Banks (459 million Euros in 31 December 2022). 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 30 June 2023, Haitong Bank held a surplus of 245 million Euros of its 30 days stressed net outflows, which corresponded to a LCR of 191% (236% on 31 December 2021) comfortably above both regulatory and internal limits.

(million euros)

Liquidity Coverage Ratio	June 2023	December 2022
High Quality Liquid Assets	514	616
Surplus over stressed net outflows	245	354
Liquidity Coverage Ratio	**191%**	**236%**

Haitong Bank funding from the Bank of Portugal amounts to 86 million Euros at 30 June 2023 (302 million Euros at December of 2021) obtained through the Targeted Longer-Term Refinancing Operations (TLTRO) and Main Refinancing Operations, maturing in 2023 and 2024.

During 2023, Haitong Bank's main sources of funding were long term facilities provided by banks, debt securities issued both by Haitong Bank and by the Brazilian subsidiary, sales with repurchase agreements (repos), deposits from clients (households, corporate and institutional clients) and secured facilities provided by the Central Bank.

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 mostly with financial institutions. Derivatives positions and collateral received and posted are detailed in notes 20 and 27, respectively.

As of 30st June 2023, contractual undiscounted cash flows of financial assets and liabilities present the following structure:

(thousand euros)

	30.06.2023						
	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	20 951	-	-	-	-	-	20 951
Financial assets held-for-trading (Securities)	-	6 524	7 192	159 559	1 245 914	-	1 419 189
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	17 004	17 004
Financial assets at fair value through other comprehensive income	-	7 058	63 562	216 045	53 942	-	340 607
Financial assets at amortised cost	-	14 609	244 219	615 303	80 749	-	954 880
Loans and advances to banks	-	256 883	8 409	-	-	-	265 292
Loans and advances to customers	-	35 766	143 674	731 442	187 528	-	1 098 410
Derivatives Instruments	-	180 083	108 673	154 177	10 471	19 512	472 916
	20 951	500 923	575 729	1 876 526	1 578 604	36 516	4 589 249
Liabilities							
Resources from credit institutions	591 116	107 750	16 034	307 213	126 802	-	1 148 915
Resources from customers	89 998	518 605	303 277	220 692	-	-	1 132 572
Debt securities issued	-	5 794	93 322	566 615	-	-	665 731
Financial liabilities held-for-trading (Securities)	1 289	-	-	-	-	-	1 289
Derivatives Instruments	-	180 693	111 230	134 295	4 099	14 716	445 033
	682 403	812 842	523 863	1 228 815	130 901	14 716	3 393 540

As of 31st of December 2022, contractual undiscounted cash flows of financial assets and liabilities presented the following structure:

(thousand euros)

	31.12.2022						
	On demand	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Assets							
Cash and cash equivalents	25 828	-	-	-	-	-	25 828
Financial assets held-for-trading (Securities)	-	21 595	22 485	193 779	1 194 133	-	1 431 992
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	16 518	16 518
Financial assets at fair value through other comprehensive income	-	26 509	99 763	187 059	248 915	-	562 246
Financial assets at amortised cost	-	5 061	22 856	37 180	697 673	-	762 770
Loans and advances to banks	462 739	19 241	8 436	-	-	-	490 416
Loans and advances to customers	971	29 860	144 528	600 603	183 358	-	959 320
Derivatives Instruments	-	233 965	59 639	156 783	12 142	27 584	490 113
	489 538	**336 231**	**357 707**	**1 175 404**	**2 336 221**	**44 102**	**4 739 203**
Liabilities							
Resources of other credit institutions	139 747	774 775	55 160	440 288	50 452	-	1 460 422
Resources of customers	60 205	204 289	315 741	180 813	-	-	761 048
Debt securities issued	-	8 710	16 909	593 014	-	-	618 633
Financial liabilities held-for-trading (Securities)	96	-	-	-	-	-	96
Derivatives Instruments	-	226 356	56 545	139 555	5 477	9 830	437 763
	200 048	**1 214 130**	**444 355**	**1 353 670**	**55 929**	**9 830**	**3 277 962**

The derivatives undiscounted cash flows are calculated as gross cash flows of each side of the deal, not considering any net positions.

Operational risk

Operational Risk corresponds to the possible loss resulting from inadequate internal procedures or its negligent application, inadequacy or failure of information systems, staff behaviour or external events. Legal risks are included in this definition. Operational risk is therefore considered as the sum of operational and information systems (IT) 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 EU nº 2013/36/EU). Under these regulatory frameworks, capital requirements are set in consideration of the level of risk that the Bank is exposed to, which is measured through both risk weighted assets (RWAs) and leverage.

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

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

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

The regulation also provides a counter-cyclical capital buffer of up to 2.5% to be imposed in the event that national supervisors deem it necessary in order to counteract excessive credit growth. As of 30 June 2023, the Bank of Portugal decided not to impose any additional counter-cyclical capital buffer, by setting it at 0% of the total risk exposure amount to domestic counterparties. This decision is subject to revision on a quarterly basis.

In addition to the above-mentioned capital buffers, as of 1 July 2018 Haitong Bank became subject to an additional requirement with a specific add-on, determined and revised under the Supervisory Review and Evaluation Process performed by the Bank of Portugal. As of February 1st 2022, Bank of Portugal, as the authority responsible for supervision on a consolidated basis of Haitong Bank, SA, communicated the decision regarding the annual supervisory review and evaluation process (SREP 2021), according to which it assigns to Haitong Bank a specific own funds requirement of 4%, to be met at all times from the 1st of July of 2022 onwards, determined under the combined provisions of Article 116C (1), (2)(a), (3)(b) and (4) of the RGICSF.

At the moment and for reporting purposes related to prudential effects before the supervising authorities, the Group uses the Standard method for handling credit risk and operational risk ("The Standardized Approach" - TSA method).

The following table summarizes the capital adequacy of the Haitong Bank S.A. Group as at 30th June 2023 and 31st of December 2022:

	30.06.2023		31.12.2022	
	Phased-in	Fully-loaded	Phased-in	Fully-loaded
CET1 ratio	15.5%	15.5%	17.4%	17.3%
Tier 1 ratio	19.5%	19.5%	21.7%	21.7%
Total Capital ratio	19.6%	19.6%	21.8%	21.8%

Source: Haitong Bank

Statement of the Auditing of the Accounts

Under no. 4 of article 8 of the Securities Code, we declare that the financial information for the first half of 2023 relating to Haitong Bank, S.A. and the companies included in its consolidation perimeter has not been audited.

Lisbon, August 28, 2023

Lin Yong
(Chairman of the Board of Directors)

Wu Min
(Chief Executive Officer)

Alan do Amaral Fernandes
(Executive Board Member)

Nuno Miguel Sousa Figueiredo Carvalho
(Executive Board Member)

José Miguel Aleixo Nunes Guiomar
(Executive Board Member)

Vasco Câmara Pires dos Santos Martins
(Executive Board Member)

António Domingues
(Non-Executive Board Member)

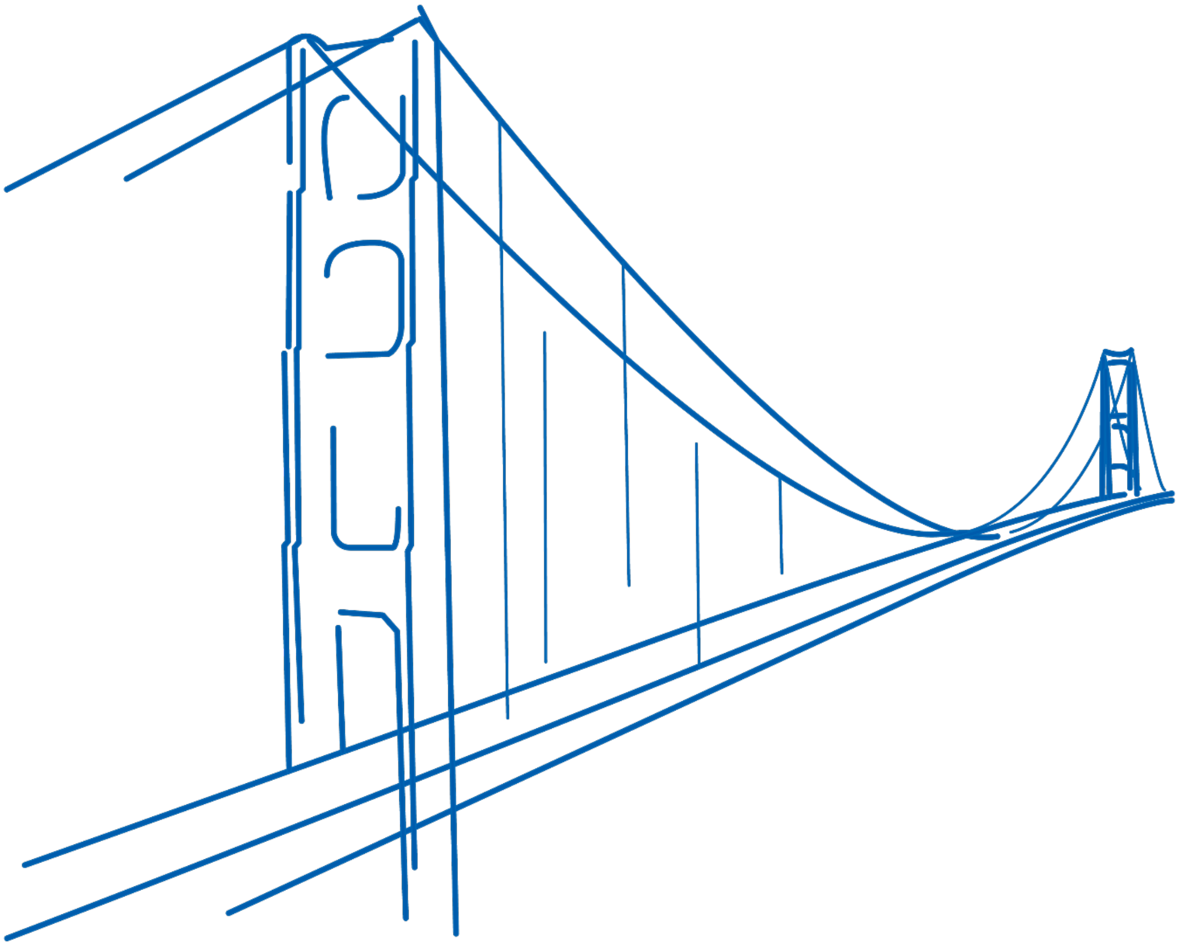
Ana Martina Garcia Raoul-Jourde
(Non-Executive Board Member)

Pan Guangtao
(Non-Executive Board Member)

Paulo José Lameiras Martins
(Non-Executive Board Member)

Vincent Marie L. Camerlynck
(Non-Executive Board Member)

Zhang Xinjun
(Non-Executive Board Member)



ANNEXES

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/Dec/2022	Transactions in 1H2023			Securities held as of 30/Jun/2023
			Date	Acquisitions	Disposals	
Lin Yong	**Haitong International Securities Group Limited** - Ordinary Shares	9 753 977	24/03/2023	398 009 (Note 1)		10 151 986
	Haitong International Securities Group Limited - Share Options	5 356 809	23/06/2023	42 582 (Note 2)		5 399 391
	Haitong International Securities Group Limited - Awarded Shares (unvested)	718 009	24/03/2023		398 009 (Note 1)	320 000
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	-	-	-	-	-	-
Zhang Xinjun (Jeff Zhang)	**Haitong International Securities Group Limited** - Ordinary Shares	956 762				956 762
	Haitong International Securities Group Limited - Share Options	2 073 278	23/06/2023	16 481 (Note 2)		2 089 759
	Haitong International Securities Group Limited - Awarded Shares (unvested)	0				
Cristina Maria da Costa Pinto	-	-	-	-	-	-
Maria do Rosário Mayoral Robles Machado Simões Ventura	-	-	-	-	-	-
Mário Paulo Bettencourt de Oliveira	-	-	-	-	-	-
Paulo Ribeiro da Silva	-	-	-	-	-	-
PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. (“PWC SROC”)	-	-	-	-	-	-

Notes:
Note 1: 398 009 unvested awarded shares were vested on 24/3/2023
Note 2: Adjustment made upon completion of rights issue on 23/6/2023

CORPORATE BODIES AND COMMITTEES

As of 30 June 2023

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
PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. ("PWC SROC")[1]

Board of Directors

Chair
Lin Yong

Members
Wu Min
Alan Fernandes
António Domingues
Martina García
Miguel Guiomar
Nuno Carvalho
Pan Guangtao
Paulo Martins
Vasco Câmara Martins
Vincent Camerlynck
Zhang Xinjun (Jeff)

Secretary
Pedro Costa

Remuneration Committee

Chair
Martina Garcia
Members
Lin Yong
António Domingues
Vincent Camerlynck

Risk Committee

Chair
Vincent Camerlynck
Members
António Domingues
Pan Guangtao

Internal Audit Committee

Chair
António Domingues
Members
Vincent Camerlynck
Zhang Xinjun (Jeff)
Paulo Martins

Corporate Governance Committee

Chair
António Domingues
Members
Lin Yong
Vincent Camerlynck

Executive Committee

CEO
Wu Min

Members
Alan Fernandes
Miguel Guiomar
Nuno Carvalho
Vasco Câmara Martins

Senior Managers with a Seat on the Executive Committee
António Pacheco
Pedro Costa

Secretary
Pedro Costa

Credit Committee

Voting Members (Eight voting members - including the Moderator)
Additional Members
Head of Risk Management Function

Impairment Committee

Voting Members (Four voting members - including the Chair)
Non-Voting Members

Assets and Liabilities Committee

Voting Members (Nine voting members - including the Chair)

IBK Global Adoption Committee

Voting Members (Six voting members - including the Chair – Executive Board Member responsible for Investment Banking)
Additional Members
Head of Risk Management Function
Head of Compliance Function

New Business Committee

Chair
Executive Bord Member responsible for Risk Management
Other Voting Members – including the Chair
Deputy Head of CEO Office
Head of Finance
Head of Legal
Head of IT
Head of Operations
Non-Voting Members
Head of Risk Management Function
Head of Compliance Function
Data Protection Officer

[1] *PWC SROC represented by Cláudia Sofia Parente Gonçalves da Palma*

DECLARATION OF CONFORMITY

In accordance with Article 29 - J (1-c) of the Portuguese Securities Code, the Members of the Board of Directors of Haitong Bank, S.A. hereby declare that, to the best of their knowledge:

a) The consolidated financial statements of Haitong Bank, S.A. for the six months ended on 30 June 2023 were prepared in accordance with the legally applicable accounting standards and with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of July 19th, as set forth in Article 29 - J (3) of the Portuguese Securities Code;

b) The financial statements referred to in paragraph a) above give a true and fair view of Haitong Bank, S.A. and consolidated companies' assets, liabilities, equity and earnings;

c) The Management Report describes faithfully Haitong Bank, S.A. and consolidated companies' business evolution, performance and financial position for the first six months of 2023, and includes a description of the main risks and uncertainties that could affect the business.

Lisbon, August 28, 2023

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