HAITONG

Interim Report 2022

HAITONG BANK, S.A.

Edifício Quartzo Rua Alexandre Herculano, 38
1269-180 Lisbon | PORTUGAL
Registered Share Capital: 847 399 305 euros
Corporate Registration
and Tax Payer Number: 501 385 932

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MANAGEMENT REPORT

FINANCIAL REPORT

ANNEXES

KEY INDICATORS

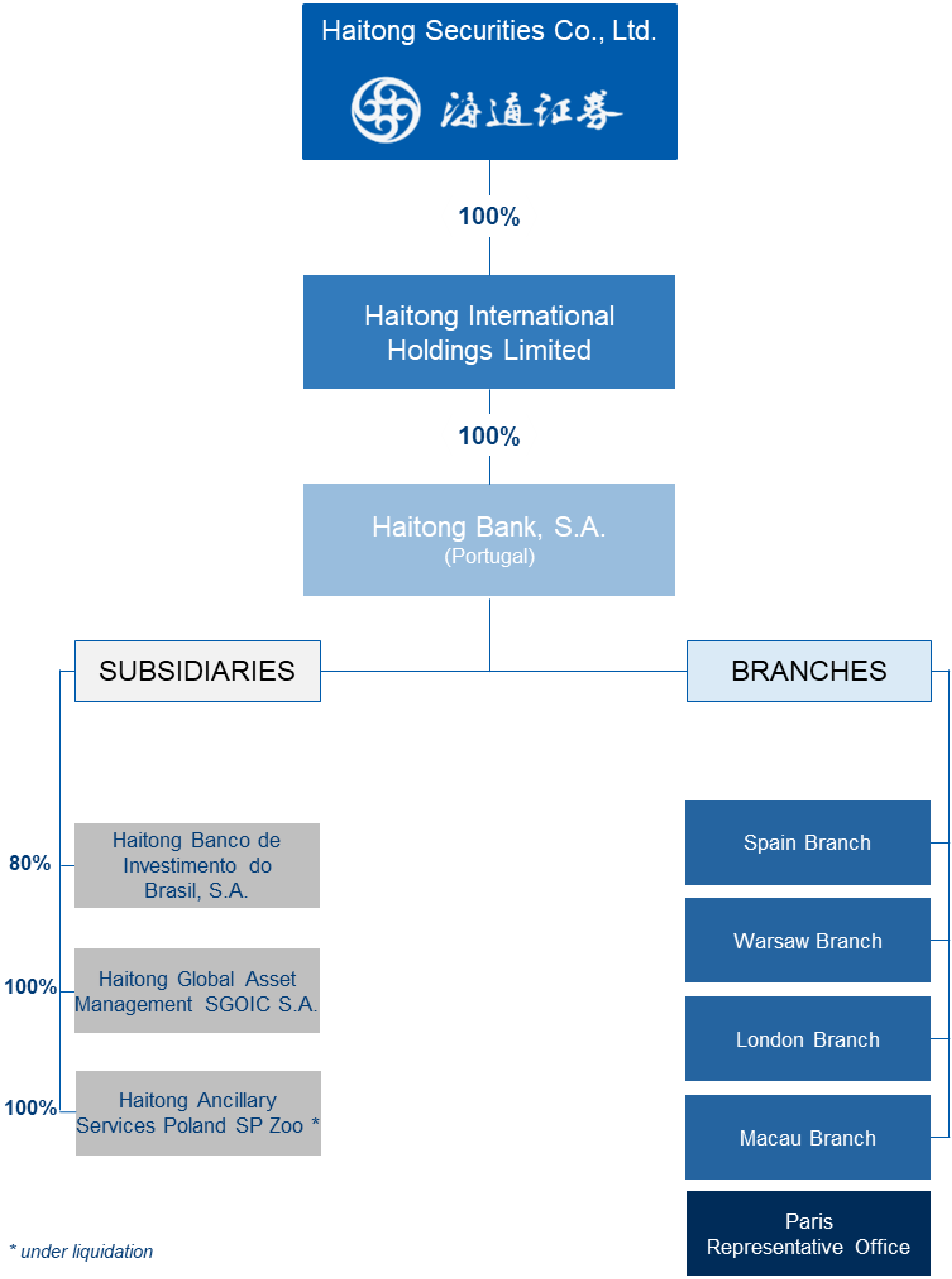
(million euros)

	2022 June	2021 December	2021 June
Balance Sheet			
Total Assets	3 129	2 747	2 833
Total Liabilities	2 514	2 140	2 216
Total Equity	615	607	616
Results			
Banking Income	22	89	44
Operating Costs	-30	-60	-29
Operating Profit	-8	29	15
Impairment and Provisions	4	-20	-9
Net Profit / (Loss)	-4	4	3
Profitability			
Return on equity (ROE)	-1.5%	0.6%	0.8%
Income before tax and non-controlling interests / Average equity (1)	-1.7%	1.4%	2.1%
Return on assets (ROA)	-0.3%	0.1%	0.2%
Income before tax and non-controlling interests / Average net asset (1)	-0.4%	0.3%	0.5%
Banking Income / Average net assets (1)	1.5%	3.3%	3.2%
Efficiency			
Operating costs / Banking income (Cost to Income ratio) (1)	140%	68%	65%
Staff Costs / Banking Income (1)	91%	42%	40%
Credit Quality			
Loan Portfolio (gross)	757	632	577
Loan Loss Charge	-0.2	3	1
Non-Performing Loans Ratio	1.3%	2.1%	4.5%
Non-Performing Loans Coverage	58.4%	42.1%	17.7%
Solvency			
CET1 ratio (phased-in)	18.0%	18.9%	21.1%
Total capital ratio (phased-in)	22.5%	23.6%	26.3%
CET1 ratio (fully-loaded)	18.0%	18.8%	21.0%
Total capital ratio (fully-loaded)	22.5%	23.5%	26.3%
Leverage			
Leverage Ratio (phased-in)	15.0%	17.0%	15.7%
Leverage Ratio (fully-loaded)	15.0%	17.0%	15.6%
Liquidity Position			
Net Stable Funding Ratio (NSFR)	144%	142%	180%
Liquidity Coverage Ratio (LCR)	257%	183%	266%
Loans to deposits ratio ((Gross loans - provisions) / customer deposits) (1)	74%	63%	58%
Total Headcount	358	357	368

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

ORGANISATIONAL STRUCTURE

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



** under liquidation*

SENIOR MANAGEMENT

Board Directors

LIN YONG

Chairman

WU MIN

Chief Executive Officer and Executive Board Member

Treasury & Fixed Income
Corporate Solutions
CEO Office
Human Resources
Finance

ALAN FERNANDES

Executive Board Member

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

MIGUEL GUIOMAR

Executive Board Member

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

NUNO CARVALHO

Executive Board Member

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

VASCO CÂMARA MARTINS

Executive Board Member

Risk Management
Rating
Operations

ANTÓNIO DOMINGUES

Non-Executive Board Member

MARTINA GARCÍA

Non-Executive Board Member

PAN GUANGTAO

Non-Executive Board Member

PAULO MARTINS

Non-Executive Board Member

VINCENT CAMERLYNCK

Non-Executive Board Member

ZHANG XINJUN

Non-Executive Board Member

Senior Managers with Seat on the Executive Committee

ANTÓNIO PACHECO

Head of Finance

PEDRO COSTA

*Head of CEO Office and Branch Manager of the London Branch**

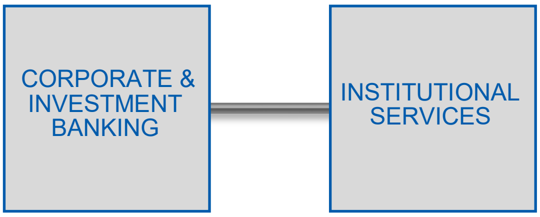
Secretary to the Executive Committee and Board of Directors

*Pending FCA – Financial Conduct Authority approval

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



Sources of Business

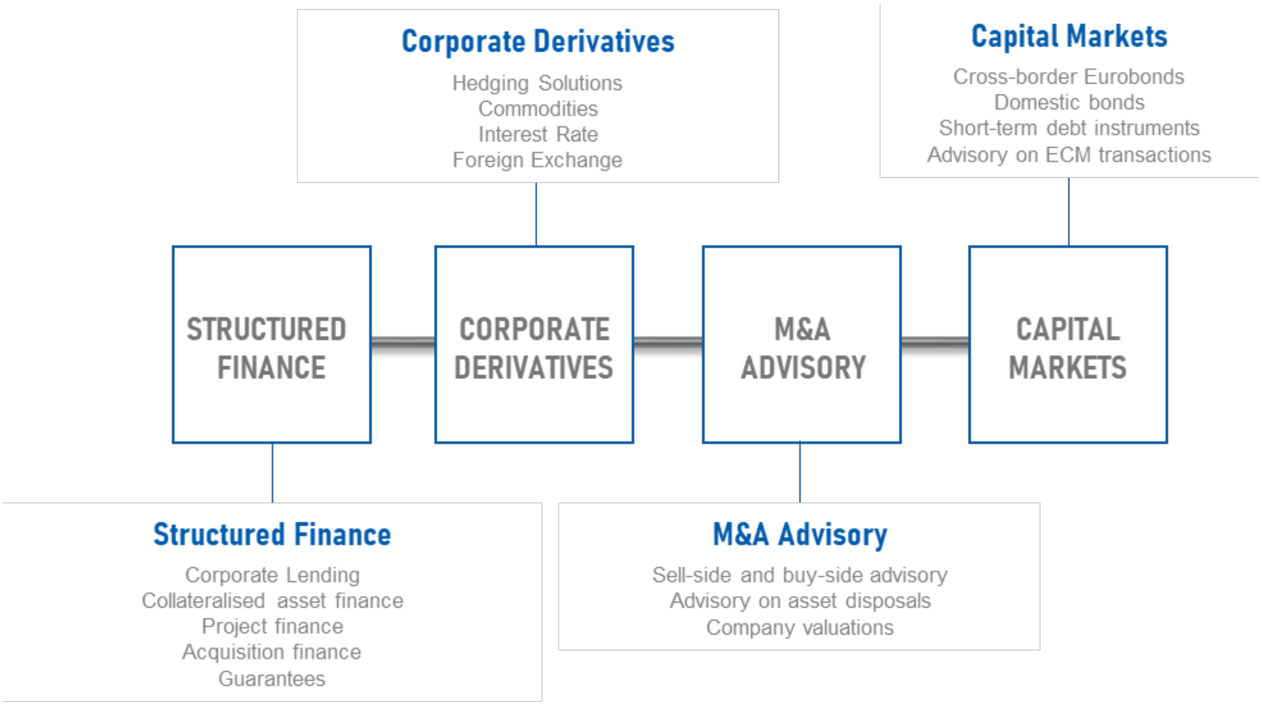
Haitong Bank' strategy is underpinned by 3 drivers:

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

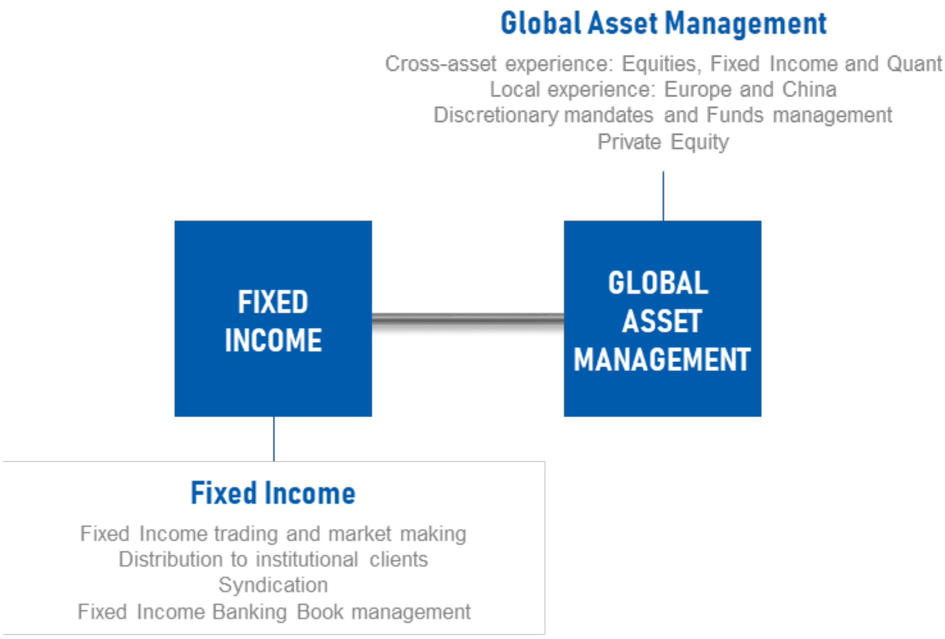
Product

BUSINESS MODEL

CORPORATE & INVESTMENT BANKING



INSTITUTIONAL SERVICES



CORPORATE SOLUTIONS

Overview

The Corporate Solutions Division is the primary client-facing team, responsible for 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 was a unique business positioning combining a differentiating China angle with a deep-rooted presence in various domestic markets in Europe and Latin America.

Strategy

Corporate Solutions plays a central role in the Bank's Strategy underpinned by the sustainable growth of the client franchise in the various regions.

INSIGHTS

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

NETWORK

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

SOLUTIONS

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

Activity Highlights

Corporate Solutions operates in strict coordination with the various product areas in full strategic alignment between the Bank's product areas and the clients:

- **Structured Finance:** the Bank continued to expand its credit portfolio through bespoke solutions to clients in multiple sectors. These included collateralised lending, asset finance, including real estate, acquisition finance, and syndicated loans;
- **Capital Markets:** provided continued support for the origination of capital markets domestic deals alongside China DCM transactions. These included bond offerings and short-term instruments, such as commercial paper. The Bank continued to seek new opportunities despite the challenging conditions in European Capital Markets during the first half of 2022;
- **M&A Advisory:** there has been a consistent growth in the pipeline of both sell-side and buy-side deals, alongside cross-border opportunities and China-related transactions. M&A business opportunities were the main source of activity in 1H2022. The Bank has been leveraging its solid reputation in advisory services;
- **Corporate Derivatives:** Haitong Bank has significantly expanded the number of corporate counterparties seeking hedging solutions for multiple risk exposures in 1H2022. The Bank offered bespoke hedging solutions alongside its recognised electronic platform for plain vanilla products;
- **Savings Products:** Corporate Solutions has been working with the Treasury Department to support the expansion and diversification of the Bank's funding sources. Corporate Solutions has also been working together with the Asset Management Division to support the distribution of the Bank's equity and fixed income funds, as well as portfolio management.

Despite the challenging landscape in European financial markets in 1H2022, the overall clients' activity improved compared to the same period of last year. Senior Bankers engaged in products and services with higher potential to meet the needs of Haitong Bank's clients amid the more volatile economic and financial outlook in 2022.

CAPITAL MARKETS

Overview

The Capital Markets Division comprises the origination, structuring and execution of market-oriented debt and equity instruments. The Bank provides its services to corporates, financial institutions, public companies and state-related entities. In the Debt Capital Markets (DCM) area, the Bank engages in structuring debt instruments, namely domestic debt issues and cross-border issues, especially related to China and other emerging markets, as well as hybrid products, green bonds, sustainability linked bonds, project bonds, commercial paper programmes and liability management. The Equity Capital Markets (ECM) area comprises privatisations, initial public offerings (IPOs), capital increases, takeover offers and delistings as well as equity-linked instruments, such as convertible bonds for corporate clients.

Strategy

The Capital Markets business area is mainly focused on DCM activities with residual ECM origination on a case-by-case b. The DCM business strategy is based on two pillars: (i) Local Franchise (local debt issuance in Portugal, Spain, Poland, Brazil and Macau), leveraging on its local underwriting, structuring and distribution capabilities; and (ii) China-Related Business, leveraging on Haitong Group-wide origination strengths and Haitong Bank's underwriting, structuring and distribution capacity. The Bank is well positioned to play the "China House" role, leveraging on its prominence over the last 3 years in EUR denominated transactions for Chinese issuers. In addition, the Bank leverages on the Group's unique access to Asian pools of demand.

Banking Income Amount

€6.1 m

Weight in Total Banking Income

28%

Offering

Cross-border EUR and USD bonds structuring and underwriting

Bond issuance for local market

Short-term debt instruments

Participation in equity business opportunities

1H2022 Market Review

Debt Capital Markets (DCM)

Given mass vaccination and the prospect of less impactful COVID-19 waves, there was a strong outlook for 2022. However, the pandemic continued to influence international debt capital markets in the first half of this year, particularly in China, and the emergence of the Russia-Ukraine war impacted the economic and Capital Markets recovery that was initiated in 2021.

Stock markets around the world slumped during 1H2022 due to the economic uncertainty that rose along with the war in Europe, a lockdown-induced recession in Asia's biggest economy, stubbornly high inflation, and several major central banks pursuing the most aggressive series of policy rate increases in decades.

Overall, global DCM activity totalled USD 4.8 trillion during 1H2022, down by 14% when compared to the same period last year (“1H2021”) and the slowest opening period for DCM activity since 1H2019. The number of new offerings brought to market during 1H2022 totalled 14,143, which represented a 7% decline compared to a year ago and a two-year low. DCM issuance during the second quarter of 2022 (“2Q2022”) decreased by 19% in value and 5% in number of issues compared to the first quarter of this year (“1Q2022”).

Global Investment Grade corporate debt offerings totalled USD 2.3 trillion during 1H2022, a 7% decrease compared to 2021 levels and the slowest first half for global high-grade corporate debt since 2019. Investment Grade debt issuance totalled USD 952.1 billion during 2Q2022, with a 29% decline compared to 1Q2022 and the first sub-USD 1 trillion quarter for new offerings since 4Q2020.

The Global High-Yield debt activity during 1H2022 decreased by 78% when compared to 1H2021, totalling USD 91.9 billion, with the slowest opening half for global high-yield issuance since 2009. High-yield offerings from issuers in the United States, the United Kingdom, the Netherlands and Australia accounted for 74% of the 1H2022 issuance, up from 70% in the same period last year.

According to figures compiled by Refinitiv and The Climate Bonds Initiative, green bond issuance decreased by 5% in comparison to a year ago levels, totalling USD 229.0 billion during 1H2022. Despite that, the 2Q2022 marked the sixth consecutive quarter to surpass USD 100 billion. Agency, sovereign, and supranational debt issuance totalled USD 1.6 trillion during 1H2022, down 5% from a year ago.

International bond offerings totalled USD 2.2 trillion in 1H2022, a 28% year-on-year decrease. Emerging market issuer debt amounted to USD 120.0 billion in the first half of 2022, 48% lower than a year ago. It should also be noted that corporate debt issuers from India, Thailand, Brazil and Malaysia accounted for 61% of the emerging market activity in 1H2022.

In the first half of 2022, Asia’s local currency bond offerings totalled USD 1.9 trillion, a 23% increase from the previous year, representing the strongest first half for issuance since records began in 1980. China’s Yuan offerings have increased by 30% compared to 1H2021 and the Japanese Yen offerings have decreased 21% compared to 1H2021, totalling JPY10.1 trillion and representing a six-year low.

Equity Capital Markets (ECM)

ECM activity had the slowest first half opening for global equity capital markets since 2005, totalling USD 237.0 billion in 1H2022, a 67% decrease compared to 1H2021. By number of issues, just over 2,000 ECM offerings were brought to market during 1H2022, the lowest figure in 10 years and a 48% decrease compared to a year ago. Global capital raising during 2Q2022 decreased by 10% compared to the first quarter of this year and marks the slowest quarter for global ECM issuance since the 4Q2011.

Issuers from China raised USD 83.4 billion in the global equity capital markets during 1H2022, a decrease of 55% compared with levels seen a year ago, but still counted as the largest percentage of global ECM during a first-half period on record.

Global initial public offering activity, excluding SPACs, totalled USD 71.5 billion during 1H2022, a decrease of 67% compared to year-ago levels and the slowest first half for global IPOs since 2020. Total proceeds for IPOs on US stock exchanges totalled USD 4.3 billion during 1H2022, a 95% decline compared to a year ago, while China-domiciled IPOs totalled USD 30.5 billion during 1H2022, down 50% compared to 2021 levels.

Global secondary offering activity totalled USD 138.7 billion during 1H2022, a 63% decrease compared to a year ago and the slowest opening period for capital raising since 2005. Just over 1,300 follow-on issues were priced during 1H2022, a 48% decline compared to 1H2021, which ranked as the largest first half for secondary offerings, by number, since records began in 1980.

Activity Highlights

Haitong Bank continues to use its expertise in the international debt capital markets to support Chinese borrowers in both public and private bond placements. The cross-border DCM team successfully closed the following transactions:

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

Haitong Bank acted as a Joint Global Coordinator, Joint Lead Manager and Joint Bookrunner in both these transactions.

In Portugal, Haitong Bank’s activity in 1H2022 continued to mark its way with diverse closed transactions in DCM. The DCM team in Portugal successfully concluded the following deals, among others:

- A EUR 20 million commercial paper programme for Semapa – Sociedade de Investimento e Gestão, SGPS, S.A. in which Haitong Bank acted as Arranger and Dealer;
- EUR 50 million 5.25% bonds due 2025 through a Public Bond and Exchange Offer by Futebol Clube do Porto – Futebol SAD in which Haitong Bank acted as Sole Global Coordinator;
- Renewal and programme amount increase to EUR 30 million of Luz Saúde, S.A.’s commercial paper programme in which Haitong Bank was Arranger and Dealer;
- EUR 60 million 4.60% bonds due 2025 through a Public Bond Offer by Sport Lisboa e Benfica – Futebol SAD in which Haitong Bank acted as Sole Global Coordinator;
- Haitong Bank’s USD 150 million bonds due 2027 and EUR 230 million bonds due 2025, both guaranteed by Haitong Securities Co., Ltd. and issued through private placements, in which the DCM team in Portugal acted as Manager.

In January, the company that owns the Lisbon Stock Exchange announced the winners of the 11th edition of the Euronext Lisbon Awards 2022. Mota-Engil SGPS, S.A.’s EUR 100 million sustainability-linked Public Bond, in which Haitong Bank acted as Joint Global Coordinator, won the “Finance for the Future” award. The 5-year tenor bond, issued in December 2021, was the first ESG public bond offer by a Portuguese corporate company.

In Spain, the debt capital market suffered from a contraction that had not been observed in decades. With inflation surpassing the peak levels of the last decade and interest rate hikes that pushed swap rates significantly across the curve, a recession scenario is increasingly likely.

This backdrop translated into a retreat of DCM investors who: (i) are prioritizing the cash position over investments; and (ii) have made a "flight to quality" by mainly investing in highly liquid government or investment grade bonds. As a result, in 2021 the Mercado Alternativo de Renta Fija “MARF” had corporate bond issues (excluding securitisations and FIG issues) worth more than EUR 500 million and as of 30 June 2022, the figure was below EUR 100 million.

However, Spain’s DCM team continued working on ongoing mandates, namely placements of promissory notes in the MARF for Vía Célere and Copasa, as well as commercial paper placements for Tradebe.

In addition, during 1H2022, the Team successfully won mandates and has been working on their execution, despite the debt and macroeconomic outlook. Potential transactions include:

- New bond issuances in MARF as well as in European markets;
- Several debt advisory transactions for Spanish corporates.

In Poland, the value of all corporate bond issues in 1H2022 decreased by approximately 60% compared to the same period last year. Such a low comparable value of issues last occurred in 2Q2020, when the market halted after the introduction of pandemic-related restrictions.

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

As far as the Polish Equity Capital Markets are concerned, the market has been brought to a nearly complete freeze, with the value of IPOs on the Warsaw Stock Exchange dropping to a mere EUR 8 million during 1H2022 which compares to nearly EUR 1.3 billion in 1H2021. Almost all IPO candidates facing bids in 2022 have suspended or abandoned their IPO plans due to adverse equity market conditions.

In Brazil, fundraising in debt capital markets reached BRL 202 billion in 1H2022, up 25% from the same period last year. Once again, fixed-income debentures stood out and accounted for BRL 134 billion in 1H2022, or 66% of the total.

In terms of distribution, the main asset holders continue to be intermediaries and other participants linked to issuances, mutual funds and pension funds. Under this scenario, Haitong Bank in Brazil was able to place the following transaction:

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

One significant factor that shaped the Brazilian market was the spike in interest rates that jumped from 4.25% in 1H2021 to 13.25% in 1H2022. This hike has made fixed income assets much more attractive compared to shares, therefore impacting the IPO market. While 2021 reached a record for the last decade, with 46 successful IPO offers totalling BRL 66 billion, there were no IPOs completed in 1H2022, with 23 offers being cancelled.

As for the fixed income market, despite the surge in interest rates, there is still a strong demand by investors for new issuances, especially high-grade papers.

The Macau Branch started its business activities in late 2021. During 1H2022, the Macau Branch continued to successfully bring Chinese borrowers to the international debt capital markets and participated in 10 overseas US dollar bonds issuance transactions with an aggregated issuance amount of USD 1.83 billion. The Macau Branch has taken a joint lead role in three deals which were listed on MOX (ChongWa (Macau) Financial Asset Exchange Co., Ltd.) during 1H2022 and one of which was a green bond issuance. The following participations are noteworthy:

- Joint Global Coordinator in assisting the Zhoukou Urban Construction Investment Development Limited Company in connection with its successful offshore bond issuance of USD 120 million due 2025;
- Joint Bookrunner in assisting the Qingdao Jiaozhou Bay Development Group Co., Ltd., in connection with its successful offshore green bond issuance of USD 300 million due 2025.

The Macau Branch team also assisted Haitong Bank, S.A. in the issue of 5-year USD 150 million senior unsecured bonds guaranteed by Haitong Securities Co., Ltd., which was the first five-year US dollar bond issuance by a Chinese-funded securities company in 2022. It should be noted that this bond had the narrowest five-year maturity credit spreads among Chinese-funded US dollar bonds in April 2022.

The 2021 Policy Address of Macau highlighted the acceleration of the modernization of the financial sector in Macau by developing the bond market. As the first investment bank present in Macau, Haitong Bank's Macau Branch plays a key role in bridging the region with international markets and bringing more diversified underlying assets for local banks to enrich their investment portfolio, including investment grade and high-yield state-owned corporate bonds.

SOE CHINA

CHONGQING HECHUAN CITY CONSTRUCTION INVESTMENT (GROUP) CO., LTD.
(重慶市合川城市建設投資（集團）有限公司)

6.00% Bonds due 2025

US$ 207,000,000

Joint Lead Manager, Joint Bookrunner

2022

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SOE CHINA

兴港投资
XING GANG INVESTMENT

ZHENGZHOU AIRPORT ECONOMY ZONE XINGGANG INVESTMENT GROUP CO., LTD.
(鄭州航空港興港投資集團有限公司)
(Incorporated with limited liability in the People's Republic of China)

4.7% Bonds due 2025

US$ 200,000,000

Joint Global Coordinator, Joint Lead Manager, Joint Bookrunner

2022

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FIG PORTUGAL

HAITONG

Fixed Rate Senior Guaranteed Notes due 2027

US$ 150,000,000

Manager

2022

HAITONG

SOE | CHINA

CHENGDU JINGKAI GUOTOU INVESTMENT GROUP CO., LTD.

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

US$ 500,000,000

Joint Global Coordinator, Joint Lead Manager, Joint Bookrunner

2022

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SOE | CHINA

JZBD

3.20% Bonds due 2025

US$ 300,000,000

Joint Lead Manager, Joint Bookrunner

2022

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AWARD

EURONEXT LISBON AWARDS 2022

MOTA-ENGIL

Finance for the Future

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

Joint Global Coordinator

2022

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HEALTHCARE | PORTUGAL

LUZ SAÚDE

Commercial Paper Programme

€ 30,000,000

Arranger, Dealer

2022

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SPORTS & ENTERTAINMENT | PORTUGAL

BENFICA SAD

Public Bond Offer

€ 60,000,000

Sole Global Coordinator

2022

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CONSTRUCTION & REAL ESTATE | BRAZIL

EMBRAED EMPREENDIMENTOS

Real Estate Securitization (CRI)

R$ 50,000,000

Sole Lead Bookrunner

2022

HAITONG

SPORTS & ENTERTAINMENT | PORTUGAL

FCP

Public Bond and Exchange Offer

€ 50,000,000

Sole Global Coordinator

2022

HAITONG

CONSTRUCTION & REAL ESTATE | SPAIN

vía célere
Casas que innovan tu vida

Commercial Paper Programme

€ 100,000,000

Dealer

2022

HAITONG

CONSTRUCTION & REAL ESTATE | SPAIN

COPASA

Commercial Paper Programme

€ 30,000,000

Dealer

2022

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2H2022 Outlook

While economic uncertainty may have peaked in 1H2022, it has the potential to contribute to volatility and impact market performance for the remainder of the year.

The outlook on the Eurozone continues to be adverse. The Russia-Ukraine war shows no sign of resolution, inflation pressures are increasing, the ECB has turned hawkish and peripheral risk is back in focus as Italian bond spreads widen.

Nonetheless, provided energy prices remain subdued and a recession is avoided, European economies have the potential to maintain trend-like economic growth. Europe's exposure to financials and cyclically sensitive sectors such as industrials, materials and energy, and relatively small exposure to technology, should be an advantage as economic activity picks up and geopolitical risks subside.

In Brazil, the scenario for 2H2022 is becoming increasingly challenging as we get closer to the presidential elections in October. The increasing volatility is strengthening the concentration in high-grade issuances and, as a result of this, Haitong Bank in Brazil is pursuing transactions in both the investment grade and high-yield debt markets.

In Macau, Haitong Bank's branch will continue to capture the business flow in the Greater Bay Area, while taking advantage of Haitong Group's worldwide presence and deep knowledge of the Chinese market, which strengthen the existing offshore bond business for Chinese issuers, especially for LGFVs. Moreover, the Macau Branch has completed the accounts opening of MCSD (Macau Central Securities Depository), MOX, and related clearing bank accounts during 1H2022 which will facilitate the sourcing of bond issuance on MCSD during 2H2022. The potential MCSD deals can stimulate the development of the bond market in Macau and bolster the local financial development.

STRUCTURED FINANCE

Overview

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

- Structuring, arranging and underwriting debt facilities – mainly focusing on 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
- Performance and payment bank guarantees.

Strategy

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

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

Banking Income Amount

€9.2 m

Weight in Total Banking Income

42%

Offering

Asset Finance

Project finance / Project bonds

Acquisition finance

Corporate lending / Bridge financing

Bank guarantees

Activity Highlights

During 1H2022, the Structured Finance activity performed very positively globally, surpassing the business targets for the period.

The impact of the COVID-19 pandemic on the Structured Finance activity has lessened during the first few months of 2022, resulting in a good performance across the various geographies in which the Bank is present, despite the economic uncertainties resulting from the current Russia-Ukraine conflict and the rising inflation.

The momentum has remained particularly strong in the real estate sector, which continued to experience significant growth, especially in the hospitality and residential sectors. The energy sector, which was not particularly impacted by the pandemic, remained strong during the current energy crisis. During this period, several transactions were successfully closed in Portugal, Spain, Poland and Brazil. This was made possible by well-coordinated commercial efforts combined with a focus on value-added transactions for both the Bank and its clients.

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

The China-related business has remained active with a number of opportunities being developed and assessed, namely in the UK, where the real estate development and the energy sectors keep attracting Chinese investment.

The active and careful management of the Bank's existing portfolio of credits and agency services, from both a risk and return perspectives, has also remained one of the most relevant tasks for this product area.

In Europe, there has been a significant focus on corporate loans in the real estate, manufacturing, and energy sectors, with Structured Finance screening several financing opportunities. Some good examples of this approach are the financings granted for the acquisition of a prime location beachfront hotel in the Lisbon area and a manufacturing components business for the aviation sector in Spain.

In Brazil, despite the challenging environment brought about by the spike in inflation, the economy and the credit market has shown some resilience. Under such a scenario, the Structured Finance area activity was highly positive, taking into consideration the closing of several transactions in an amount of approximately BRL 300 million, with a diversified focus in the agribusiness, retail and infrastructure sectors. The Structured Finance business area is expected to perform better during 2H2022 even in a scenario where interest rates will increase due to inflation and some impacts on the economy may be created by the Brazilian presidential election.

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

2H2022 Outlook

For 2H2022, the business prospects remain positive despite the increased economic and inflationary risk, as Structured Finance expects to complete a number of deals, which have merited internal credit approval during the first semester.

The pipeline of new Structured Finance deals remains significant and very dynamic. The real estate, accommodation, infrastructure and energy sectors are currently among the more representative ones in terms of new business opportunities.

CONSTRUCTION & REAL ESTATE — BRAZIL / PORTUGAL

Estoril Eden Hotel Apartamentos Suite Hotel

Senior Loan Facility

€ 18,500,000

Mandated Lead Arranger

2022

HAITONG

ENERGY — BRAZIL

BSBIOS Energia Renovável

Loan

R$ 60,000,000

Lender

2022

HAITONG

CONSTRUCTION & REAL ESTATE — POLAND

DL Invest Group

Credit Facility

Sole Arranger

2022

HAITONG

MERGERS AND ACQUISITIONS

Overview

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

Strategy

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

As such, the local M&A Divisions in Portugal and Spain have been terminated and it was created a new Division called "Sino-EU M&A Department", which is responsible for all Haitong Bank M&A business between China and the Eurozone.

Banking Income Amount

€1.9 m

Weight in Total Banking Income

9%

Offering

Sell-side and buy-side advisory

Advisory services on asset disposals

Company valuations

1H2022 Market Review

According to Mergermarket, during 1H2022, global M&A activity registered an increase of 6% YoY in terms of the value of completed transactions, totalling USD 1.8 trillion. In Europe, the M&A market followed the global trend, posting a 6% YoY increase in terms of value of completed transactions, reaching USD 554 billion.

The Iberia region registered USD 32 billion of completed transactions during 1H2022, with 448 deals completed, which represents an 18% increase YoY.

In the UK, the M&A market totalled 878 completed transactions during 1H2022 vs 1,152 transactions during the same period in 2021. The value of M&A transactions completed amounted to USD 152 billion. Earlier this year, the UK economy had grown confidently above its pre-pandemic size and most sectors of the economy were growing. However, since the war in Ukraine, the UK growth has deteriorated, growing 0.8% in 1Q2022 and being likely flat in 2Q2022.

In Poland, the M&A market totalled 91 completed transactions during 1H2022 which represents a 3% YoY decline in terms of the number of transactions (94 deals). In value, the M&A market increased 20% YoY (USD 6.1 billion vs. USD 5.1 million). Overall, the Polish economy still seems to be quite resilient to the COVID-19 pandemic and the war in Ukraine, maintaining a positive GDP growth, which should contribute to a good flow in M&A activity.

The M&A market in Brazil totalled USD 26.9 billion in the 1H2022, which represented an increase of approximately 27% in comparison with 1H2021. During 1H2022, 293 transactions were completed, up 44% from the same period in 2021. The most active sectors were Internet, Software and IT Services, Industry-Specific Software, Business & Professional Support and Other Financial Services.

Activity Highlights

In Iberia, Haitong Bank advised Sonae Capital on the sale of an 80% stake in an operational biomass cogeneration plant in Portugal to SDCL Energy Efficiency Income Trust (SEEIT). The plant generates heat and power from sustainably sourced biomass and supplies onsite heat to an industrial facility manufacturing medium-density fibreboard (“MDF”) owned by Sonae Arauco PT (“SAPT”). The transaction was completed in April.

Haitong Bank also advised the Portuguese state-owned company Parpública, Participações Públicas, SGPS, S.A. in the reprivatisation of a 71.73% stake in the share capital of Efacec Power Solutions SGPS, S.A. – a Portuguese integrated engineering, industrial and technology solutions group partially nationalised in July 2020 – to DST, SGPS, S.A. - a Portugal-based industrial group focused on engineering and construction. The reprivatization is subject to a number of conditions precedent and is expected to be closed during 2H2022.

Additionally, Haitong Bank acted as a sell-side adviser to Iberdrola and Naturgy in Spain in the sale of their stakes in Tecnatom (transaction pending completion by the end of 2021).

During 1H2022, the UK M&A team provided preliminary advice to a Chinese corporate client on a potential acquisition in the UK Industrial sector, working closely with the China team in Lisbon. The Team has also supported the Polish branch on a cross-border transaction, introducing potential strategic investors, including private equity companies. On the domestic front, the UK team continues to advise an Asset Manager on a EUR 100 million fundraise in the Alternative Investments sector and on a secondary portfolio transaction.

In Poland, during 1H2022, the Bank's Warsaw Branch acted as a sell-side advisor to the owners of NexoTech, a leading Polish provider of maintenance and installation services of fibre optic and copper broadband networks on the sale of 100% of the shares to SPIE (transaction pending completion by the end of 2021). In addition to the closed NexoTech transaction, the Team has been working on a few ongoing mandates including one for a cross-border transaction in Germany.

In Brazil, with an emphasis on M&A transactions with a Chinese angle, Haitong Bank has been working in various origination initiatives in the energy (power transmission and generation), heavy construction, logistics and water and sanitation sectors. Two mandates (sell-side and buy-side) were secured in 1H2022 and four others are under consideration.

2H2022 Outlook

Haitong Bank is optimistic regarding the performance in 2H2022 due to a robust pipeline of ongoing projects in the various regions.

In Iberia the outlook is, as expected, mixed, benefiting from an important number of deal completions expected to take place and a robust deal-making activity from domestic entities, even though the economic growth forecast has been dampened, reflecting the impact of the war in Ukraine.

In the UK, M&A confidence may well continue to be impacted by continued supply-side constraints, to which we add concerns over elevated levels of inflation and uncertainty over the direction and duration of monetary and fiscal decisions by policy makers. It is expected to see more corporates conducting strategic reviews and non-core spin-offs, providing opportunities for Private Equity. From a sector perspective, the TMT sector should continue to generate the highest levels of deal activity, as was the case in the first half of the year, driven by continued corporate requirements for digital transformation.

In Poland, the M&A market for 2H2022 looks positive with a number of envisaged transactions in the pipeline. The ongoing mandates are in the following sectors: medical technological, leisure, and industrial equipment.

In Brazil, Haitong Bank has deepened its local presence and improved its local market credentials as a tier Chinese Investment Bank operating in Latin America, following the recent execution of a mandate with China Southern Power Grid International (HK) Co., Limited ("CSGI"). Since then, large local and international funds, as well as local infrastructure groups have increasingly solicited the Bank's services in Brazil. This is contributing to a possible execution of the existing pipeline during 2H2022.

ENERGY | PORTUGAL

SONAE CAPITAL

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

Financial Adviser

2022

HAITONG

ENERGY | PORTUGAL

PARPÚBLICA
PARTICIPAÇÕES PÚBLICAS (SGPS) S.A.

Reprivatisation of 71.73% of the share capital of Efacec Power Solutions to DST Group
(pending completion)

Financial Adviser

2022

HAITONG

ENERGY | SPAIN

IBERDROLA Naturgy

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

Financial Adviser

2022

HAITONG

TMT | POLAND

NT NexoTech

SPIE

Acquisition of 100% shares

Financial Adviser

2022

HAITONG

FIXED INCOME

Overview

The Fixed Income Division operates 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 Team provides a strong local knowledge and 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 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 the necessary endeavours to add the Chinese Angle to its current offer while aiming to become an important player in Chinese products. By building a strong bridge with Chinese local teams and having dynamic teams in its different offices, the Bank will be able to create important synergies and become an execution hub of cross-border business opportunities from different regions.

Banking Income Amount

€3.2 m

Weight in Total Banking Income

15%

Offering

Fixed Income Trading and Debt Market Making

Fixed Income Banking Book management

OTC Derivatives to Institutional Clients

Distribution to Institutional Clients

Syndication

Activity Highlights

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

The outbreak of the Russia-Ukraine war in late February boosted inflation at the same time that, due to a sharp rise in energy prices, early fears of future stagflation or possible recession began to emerge. Based on these events, the Fixed Income market was much more volatile and the uncertainty surrounding the economic performance led to a generalized widening of credit spreads.

The overall context caused a drop in the Fixed Income flow and led to a more conservative approach on the trading positions and the investment decisions. The ECB's future announcements regarding monetary policy together with macro-economic data are expected to bring some clarification. However, credit and interest rate markets will remain volatile.

Trading/Flow

The first half of the year saw a spike in volatility across all asset classes including interest rates. The war in Ukraine gave rise to new challenges since the market had prepared itself for a strong rebound in the post-COVID period. The positioning for higher inflation and higher rates on a new monetary policy framework was not sufficient. The sharp rise in energy prices brought deflationary forces into the field as well, which led to losses in stocks and wider credit spreads. On the other hand, the widening in spreads led to a significant slowdown in the flow activity, with investors taking some risk off the table early on and looking for opportunistic deals in primary markets, mostly in the investment grade segment since the high-yield segment was practically shut down.

Entering into 2H2022 with Crossover Index close to 600 points, we are seeing some bottom fishing in the front end, especially in less energy-intensive sectors. Notwithstanding, any tightening might come only after the Summer when a more clear picture regarding inflation trends and potential recession is available.

Banking Book Management

1H2022 was a very negative period for fixed income markets. During this period, the main fixed income indexes posted negative total returns of over -10% with high-yield issuers being the most penalised ones. This was mainly due to the monetary policy normalisation which was exacerbated by the unexpected Russia-Ukraine conflict. These two events combined introduced a significant amount of volatility that refrained Fixed Income from taking additional risks. Only in 2H2022 it will be possible to resume banking book investments, as wider spreads and rates are expected to stabilize in order to balance the increased economic risks.

Sales to Institutional Clients

The business has felt the hard landing in the global fixed income flow where volumes have overall dropped almost 50%, following uncertainty regarding interest rates and historically low credit spreads.

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

Syndication

Regarding primary market transactions, 1H2022 was marked by the effects of the Russian invasion of Ukraine and by inflationary concerns in the American and European blocs. This led to a sharp rise in interest rates, reflecting the expectations of a shift in monetary policy, the rise in credit spreads and drops in the main equity markets - all of this combined with higher volatility in the markets. All of those 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 Haitong Bank's issues and in Chinese investment grade issues.

In this period, it is worth highlighting the issues of Haitong Bank: the first in February this year, in the amount of EUR 230 million for 3 years at floating-rate, and the second one in May, amounting to USD 150 million for 5 years at fixed rate. Also in May, Haitong Unitrust issued a 3-year USD 200 million bond.

Regarding Chinese issuers, it is noteworthy the Zhengzhou Airport Economy Zone Xinggang Investment Group Co., Ltd 3-year USD 200 million issue in March this year.

At the same time, the Fixed Income team continued to develop pitches for new mandates, some of which are already in the pipeline (in both China and Iberia) and will be implemented when market conditions allow, which is expected during 2H2022.

Fixed Income in Poland

Concerns around the COVID-19 pandemic and geopolitical tensions in Europe have also led to uncertainty in the Polish investment market. This extraordinary situation has negatively affected all segments of the asset management sector. Some of the financial investors have temporarily postponed decisions about trading. All of the polish investment funds, as well as global bond funds, faced significant outflows from the beginning of this year, among others, as government bond yields have risen significantly in recent months. The Fixed Income market has been very volatile since many investors trade on momentum out of concerns on the long-term outlook in a context of rising inflation and interest rates.

Foreign investors are still in risk-off mode due to concerns on understated inflation. However, in June several relevant market participants unwound some bets on rate hikes from last year, which triggered many stop-losses and a low level of liquidity. As a result of this situation, Haitong Bank supported its customers' orders by covering their flows without taking any risk.

During 1H2022, far fewer transactions were registered and on the corporate bond market the interest for new transactions was very weak. Additionally, new issues are expected in the third and fourth quarters. It was witnessed a significant increase of hedging transactions by clients against the risk of an increase in interest rates. These interest rate increases are likely to continue for the remainder of the year and into the next.

Fixed Income in Brazil

The Fixed Income Sales team in Brazil continued to act in response to solicitations for sounding out several corporate names in order to analyse the viability of distributing those clients' offerings – yet, in many cases, the capital markets were not competitive. Nevertheless, the Fixed Income team successfully distributed a securitization bond issued by Embraed aiming at enhancing the Bank's presence in this type of deal.

Moreover, the distribution team continued to focus on raising funding by offering local Haitong bonds to institutional clients with competitive conditions.

In 2H2022, more institutional investors are also expected to participate in Fixed Income offers despite the high volatility and political uncertainty in this semester.

CORPORATE DERIVATIVES

Overview

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

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

Strategy

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

Banking Income Amount

€3.9 m

Weight in Total Banking Total

18%

Offering

Corporate Hedging Solutions

Commodities

Interest Rates

FX

Activity Highlights

In Iberia, during 1H2022, the Corporate Derivatives Desk experienced significant growth compared with the same period of 2021, having been mostly concentrated in foreign exchange (FX), due to the volatility observed in the markets, with the war in Ukraine, a rise in energy prices and inflation. Despite the sharp rise in interest rates, the volume kept unchanged in terms of new transactions in this underlying backdrop. There was about 30% growth YoY in terms of the number of new OTC deals, whereas volumes increased 5-fold (EUR 2.7 billion).

Moreover, the Team has increased the loyalty of many clients through its FX online platform, which has already proven to be one of the best in the market in terms of pricing and tailor-made features for corporates.

In Brazil, throughout 1H2022, the Corporate Derivatives and FX team took advantage of the BRL appreciation against the USD to expand the business with specific niche customers in terms of both volume and revenues. The overall results of the area reached a record level, as service revenues (Exchange / Fees) became even more relevant than in the previous year.

2H2022 Outlook

In Iberia, more interest rate and commodities deals are expected in 2H2022. The Corporate Derivatives strategy involves the selective allocation of capital in ratings that fall under the Bank’s Risk Appetite Framework in Portugal, Spain, Poland, Brazil and Macau. With the opening of the Macau Branch, increasing synergies with China are expected by introducing this type of products in this market via OTC.

In Brazil, in 2H2022, the Team expects to diversify the sources of revenue, expanding the FX derivatives flow business with corporate clients. The Team will focus on synergies and cross-selling, while seeking new opportunities in the main sectors of the Brazilian economy.

ASSET MANAGEMENT

Overview

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

Strategy

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

The Bank's strong performance track record in the European equities portfolio for over 20 years is a key comparative advantage to drive AuM.

Banking Income Amount

€0.6 m

Weight in Total Banking Total

3%

Offering

Discretionary Management

Fixed Income Fund

Quantitative strategies

1H2022 Market Review

During 1H2022, global markets faced a rare combination of factors that led both the Equity and Fixed Income markets to negative territory. After a very positive performance of the Equity segment in 2021, markets had to deal with the imminent inflation threat, which Fixed Income had already started to price in. Additionally, the war in Ukraine fuelled higher energy and commodity prices, leading to the rising interest rates as a late reaction from central banks in order to try to contain the most negative consequences of inflation.

Indeed, central banks started to indicate a more aggressive rate tightening, in an attempt to be perceived as “ahead of the curve”. Following the example of a few central banks in emerging economies (Brazil, Mexico, Russia and South Korea), that had already started to raise rates last year, the US Federal Reserve significantly changed its stance. It did so by starting to hike rates in its March 2022 meeting, pointing towards further tightening (towards a Fed Funds Rate above 3%) and by initiating the contraction of its balance sheet (Quantitative Tightening) at a rapid pace of nearly USD 95 billion per month. In Europe, the war in Ukraine has further clouded the economic outlook, with the impacts of escalating energy and commodity prices. As a result of this, the ECB hesitated to act forcibly against inflation.

In this context, the shift in the monetary policy stance has led to a rapid rise in bond yields, which have reached levels not seen for a long time: 3% in 10-year US Treasury yields and 1.5% in 10-year German government bonds. The USD continued to appreciate against most currencies, in particular against the EUR (8.5% in 1H2022), as European markets have been penalised by higher rates, soaring energy prices, and the negative economic impacts of the Russia-Ukraine war. Credit spreads have also widened appreciably, reflecting more growth concerns. Stock markets performed rather poorly, with valuations being hit by higher bond yields and lower growth expectations. Both S&P500 and EuroStoxx50 lost around 20% during this period, while indices that had started the year with more stretched valuations (such as Nasdaq, for example) have performed even worse. The Tech, Real Estate and Retail sectors were the most affected, while the Energy and some defensive sectors (Telecom, Healthcare) performed better.

China seems to be in a cycle of its own. With the economy performing poorly since the middle of last year, the PBOC has increased its support through lower rates and the increase of credit lending. On the other hand, fiscal spending has been kept at high levels and investment in infrastructure has been brought forward to help stabilize growth. Nevertheless, the effects of the regulatory tightening (in the technological sector and on real estate property developers) continue to be felt, despite some recent easing. The economy took a further hit in the second quarter due to a new COVID outbreak, which forced the Chinese authorities to close many cities, including Beijing and Shanghai. The “Zero-COVID” policy remains a key risk to China’s economic recovery.

Activity Highlights

The performance of the Chinese bond strategies was quite positive, especially in an environment of rising US bond yields and wider credit spreads. The Chinese USD High-yield market continued to perform poorly this year, being negatively impacted by the defaults and liquidity stress among Chinese property developers. However, the Bank's flagship Luxembourg Fund - Haitong China High Income Fund - was up 4.3% since the beginning of the year. The Fund continued to focus on the LGFV segment (Local Government Financing Vehicles), which has provided for steady returns while remaining relatively immune to market volatility, as it remains underpinned by the fact that fiscal support will continue to come from infrastructure spending.

The equity strategies, albeit posting quite negative returns, performed relatively well when compared with bond and equity index returns. The Aggressive European Equity strategy was down 10.04%, still better than the almost 20% decrease in EuroStoxx50. The flexible equity strategy lost 7.6% during 1H2022 – which compares well to bond indices, both in Euros and US dollars, which lost more than 10%, in either Sovereign, Investment Grade and High-yield segments.

In spite of the good performance of the China debt strategies, market volatility caused the Bank's Funds to experience small redemptions. On the European equity strategies, the reduction in AuM is due to market effects, evidencing the resilience of the current client base. On the positive side, it is worth highlighting both the USD appreciation and the positive performance of the China Debt strategies. Overall, total Assets under Management declined 3% from EUR 158 million at the end of 2021 to EUR 152 million at the end of 1H2022.

2H2022 Outlook

The outlook for 2H2022 is full of uncertainty, the largest one being inflation, at nearly a four-decade high (above 8% in both US and Europe) and whose future trajectory is still unknown. If inflation does not come down, it may force central banks to act in a more decisive way and, if that would be the case, the risks of them overtightening and triggering a recession will increase. This is the source of concern that financial markets have started to price in in the end of the semester. In addition, the conflict in Ukraine shall continue to cap economic growth in Europe, and the impacts on energy and commodity prices cannot be overlooked, as rumours of Russia cutting off gas supplies to Europe have recently surfaced.

Additionally, company earnings may correct from here, but it is not expected that equity markets perform as poorly as they did in 1H2022, nor that bond yields climb so quickly.

More COVID outbreaks also cannot be ruled out. These would mostly affect China, given that the government is sticking to its "Zero-COVID" policy. If that would be the case, more stimulus from the Chinese authorities would be expected, in order to support economic growth and stabilize financial markets, especially ahead of the 20th National Congress of the Chinese Communist Party in October.

From a corporate perspective, Haitong Global Asset Management - SGOIC is expected to be fully operational with the asset management activities, currently developed in the Bank, fully migrated. This will represent an upgrade in the quality and the scope of the services provided which should be, together with a more comprehensive distribution strategy, a significant contribution to the increase of Assets under Management.

PRIVATE EQUITY

Overview

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

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

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

Strategy

HGAM is changing its business model, aiming to focus on broad asset management activities beyond the pure private equity focus. From a legal standpoint, the business scope change occurred during 1Q2022 after completing the sale of HGAM's last portfolio company in January 2022.

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

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

Banking Income Amount

€0.5 m

Weight in Total Banking Total

2%

Offering

Growth Capital Fund

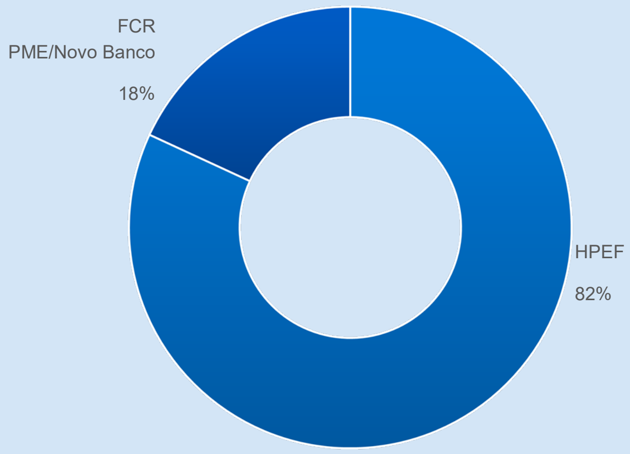
Activity Highlights

During 1H2022, the management company completed the liquidation of Haitong Infrastructure Fund I and disposed of two portfolio companies (Nexxpro and Epedal) held by FCR PME/Novo Banco Fund, which is currently under a liquidation process.

Inflows from the Funds' investment portfolios totalled circa EUR 13.1 million. Out of this amount, circa EUR 6.2 million resulted from the disposal of Epedal and Nexxpro and the remaining EUR 6.9 million derived from the Funds' portfolio of investees, namely Armilar II and ESID.

In 1H2022, the private equity activity posted a net profit of EUR 0.2 million and total equity amounted to EUR 56 million.

Breakdown of Funds under Management (June 2022)



Fonte: Haitong Global Asset Mangement.

2H2022 Outlook

Haitong Bank is implementing a reorganisation in HGAM with a change in its business model, approved by the regulator. This transformational process is expected to occur in 3Q2022 and will refocus HGAM on broad asset management activities.

People

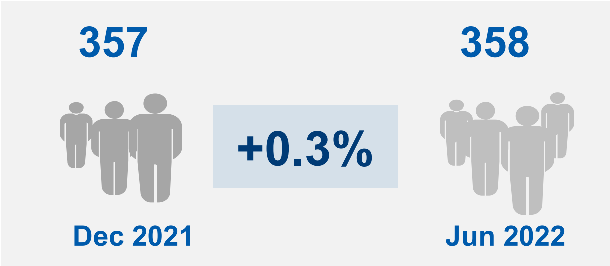
HUMAN RESOURCES

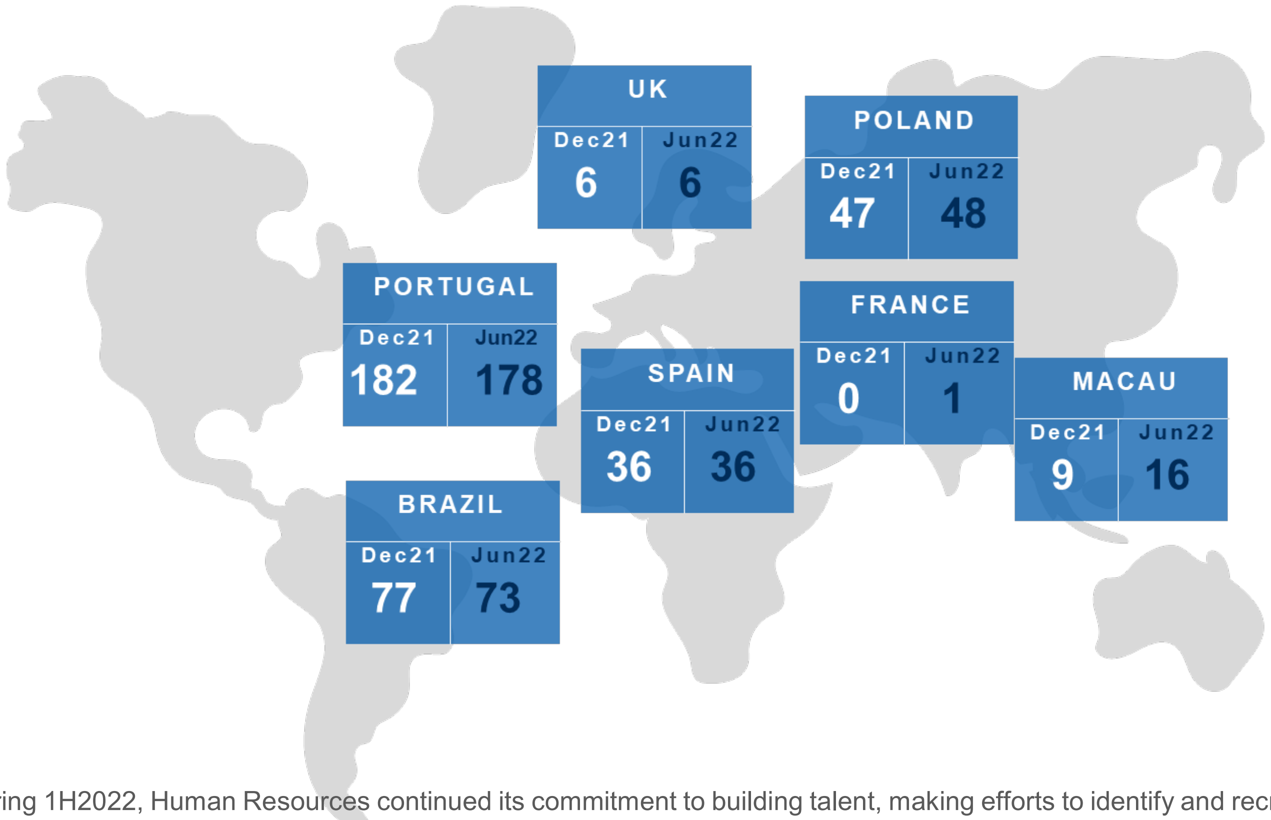
The Importance of Human Capital

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

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

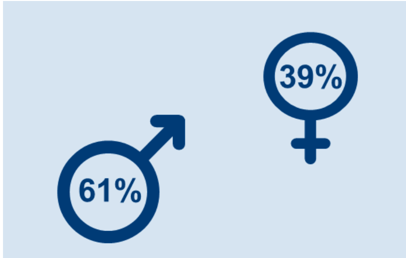
Headcount 1H2022





During 1H2022, Human Resources continued its commitment to building talent, making efforts to identify and recruit the ideal candidates for every job opening. In this period, Haitong Bank's headcount saw a small increase due to the Bank's positioning in its business strategy and the strengthening of specific teams in the various locations.

Human Resources embraces diversity and inclusiveness, working together to support the communities of the various regions where the Bank operates. Haitong Bank continues to support equal opportunity principles. Currently, women represent 39% of the total workforce. There is also a considerable number of female employees in senior positions at the Bank.



Geography	Age	Avg length of service (years)	Male	Female
PORTUGAL	42.5	12.5	101	77
SPAIN	43.7	11.7	27	9
UK	45.5	9.9	4	2
POLAND	40.7	6.8	29	19
BRAZIL	46.2	10.9	45	28
MACAU	32.0	0.6	10	6
FRANCE	50.7	0.5	1	0
HAITONG BANK AVERAGE	**42.7**	**10.7**		

Human Resources as a Business Partner

The strategic alignment of the Human Resources function with the Bank's short-term goals and business positioning has highlighted the need to optimize the workforce through internal mobility. Promoting change in roles within and across divisions before starting an external recruitment process helps to increase the level of motivation and retention of employees.

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

In 1H2022, Haitong Bank initiated the process of inviting staff back to the workplace. Considering the easing of the pandemic constraints and the gradual return to normality, remote work has ceased to be the default option for all employees, although remote arrangements are still in place at any given moment, ensuring effective alignment between business needs and flexible work.

Activity Highlights

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

- The participation in virtual career fairs for top universities, combining a strategy of improving the Bank's Employer Branding and attracting young talent;
- Talent acquisition processes, including forecasting hiring needs, candidate sourcing (internal and external) and global selection and recruitment processes;
- Monitoring Performance Management and increasing the Bank's overall results, by helping employees to improve their strengths and aim for improved performance;
- A continuous investment in learning and developing Human Capital, by adapting to new learning formats (online courses) and providing customized training plans;
- Improving daily HR services, with a constant focus on efficient data administration and reporting and managing payroll and benefits.

2H2022 Outlook

Being an efficient HR Business Partner requires a proactive response to the many challenges ahead. Some of the short-term goals include the following:

- A continued focus on attracting and recruiting the best talent available to ensure the Bank has the right people with the right skills;
- Providing support to the leadership's strategic and business initiatives, while also providing meaningful solutions for Human Resources challenges;
- Building on the knowledge, skills and abilities of the Bank's workforce and helping them develop and achieve their potential;
- Designing and implementing a culture of connection, using innovative digital platforms to establish and consolidate new models of collaboration and productivity;
- Maintaining a constant focus on talent sourcing processes and continually increasing the Bank's visibility on social media recruitment platforms;
- A continued focus on central tasks such as workforce and organisational management, and global mobility;
- Supporting the Bank's subsidiaries and branches to grow in their markets, while maintaining the same guidelines, policies and procedures as the Head Office.

SOCIAL RESPONSIBILITY

The Bank develops its activity in accordance with international principles and best practices in the field of Social Responsibility, respecting and fulfilling management commitments with regard to contributing to a more sustainable development – from an Environment, Social and Governance (ESG) standpoint. The Bank is committed to respecting internationally recognized human rights in the development of its relationships with its clients, suppliers, partners and in the communities where it operates, seeking to avoid or mitigate the direct or indirect adverse impacts of its activity. The Bank is strongly committed to complying with social and environmental regulations, as well as the best practices for the industry. The Bank supports and encourages all employees to become involved with charitable work. However, charitable contributions may not be awarded if they might influence a business decision.

During 1H2022, Haitong Bank remained committed to its social responsibilities by continuing to participate, support and encourage its employees and related parties to be active and fully engaged.

Together with Junta de Freguesia da Estrela, Haitong Bank in Lisbon donated medications and medical equipment in the amount of EUR 1,000 to be sent to Ukraine. The Bank's employees also donated food, clothes and home appliances to be distributed to Ukrainians in Portugal.

Haitong Bank in Brazil donated BRL 5,600 to the Centro de Defesa dos Direitos Humanos de Petrópolis in order to help the city of Petrópolis (Rio de Janeiro) that was affected by landslides and flash flooding, due to a torrential rainfall. The Bank also used its tax credits to support social projects through the Tax Incentive Law, helping families living in vulnerable conditions in the deprived peripheral areas of São Paulo.

In Poland, the Warsaw Branch funded a prize for the laureate of the 6th edition of the "Competition for the best diploma thesis in the field of contemporary economic cooperation of the Republic of Poland with the People's Republic of China" organized by the Polish Chinese Business Council.

During 1H2022, the Macau Branch supported the local area's recycling initiative - "Electronic and Electrical Equipment Recycling Program"- by sending office printer toner cartridges, broken laptop batteries and dry cells for recycling under a local program.

The Macau Branch also participated in two activities at the invitation of the Macau Association of Banks and co-organized by the Macau Environmental Protection Bureau: (i) the "World Earth Hour 2022" event, aiming to turn off all non-essential lighting at facilities for one hour for energy conservation on June 5, 2022; and (ii) the "Summer Casual Wear, Energy Saving 2022", encouraging staff to wear casual clothes to support environmental protection and energy saving from June 6 to August 31, 2022.

Financial Performance

MACROECONOMIC OVERVIEW

1H2022 Market Review

A combination of unique events in 1H2022 has triggered the conditions for a possible deceleration of the global GDP in 2H2022. In particular, the prospect of higher central bank interest rates in order to fight inflation led to a strong wave of risk aversion among market participants in the form of a strong correction in global equities and bond markets in 1H2022. The war in Ukraine and the soft economic activity in China caused by the anti-COVID lockdowns also reduced market participants' risk appetite for global economic performance in 2022. As such, consensus estimates for the world GDP in 2022 fell from 4.4% in December 2021 to 3.2% in June 2022.

On the other hand, employment conditions and private consumption remained strong in western economies. The COVID-19 pandemic moved to a state of endemic disease and inflation grew to the highest levels since the 1980s, during 1H2022. The unemployment rate in the Eurozone fell to the lowest on record since 1998, at 6.6% in May 2022 vs. 7.0% in December 2021. Similarly, the US unemployment rate also fell to the lowest level since the late 1960s at 3.6% in June 2022 vs. 4.2% in December 2021.

Gross Domestic Product (%) - Consensus					
	2019	**2020**	**2021**	**2022**	**2023**
World	**2.9%**	**-3.1%**	**6.1%**	*3.2%*	*3.2%*
Euro Area	**1.6%**	**-6.3%**	**5.4%**	*2.7%*	*1.9%*
US	**2.3%**	**-3.4%**	**5.7%**	*2.5%*	*1.8%*
Portugal	**2.7%**	**-8.4%**	**5.4%**	*5.6%*	*2.0%*
Spain	**2.1%**	**-10.8%**	**5.1%**	*4.3%*	*2.8%*
UK	**1.7%**	**-9.3%**	**7.2%**	*3.5%*	*1.0%*
Poland	**4.7%**	**-2.2%**	**5.9%**	*4.6%*	*2.8%*
Brazil	**1.2%**	**-3.9%**	**4.8%**	*1.2%*	*1.1%*
China	**6.0%**	**2.2%**	**8.1%**	*4.1%*	*5.2%*

**Consensus according to Bloomberg) Jun22 | Bold = Actual | Itálic = Consensus*
Source: Bloomberg

The persisting distress in the global supply chain, which is sustaining high inflation since 2021, was aggravated by the war in Ukraine and led many central banks to accelerate the pace of monetary normalization in 1H2022.

According to the view of most central banks, the current inflation cycle is caused by a combination of supply shock and strong household consumption that occurs during a period of extremely low unemployment rates. Achieving lower inflation in this macroeconomic scenario requires softer consumer spending (tighter monetary policy) and supportive conditions for fixed investment in new capacity (credit conditions for enterprises or fiscal stimulus). Governments in developed economies reinforced the outlook of fiscal spending on infrastructure projects, especially in the energy transition in Europe – with the NextGenerationEU plan - and the US - with the infrastructure bill. The war in Ukraine also supported plans for new expenditure on national military defence in European NATO members for the next years.

Since March 2022, the US Federal Reserve (FED) resumed a cycle of monetary normalization and increased the benchmark fund rate by 150 basis points to a range of 1.50%-1.75% by June 2022. During its last meeting in June, the European Central Bank (ECB) announced a strategy to bring forward the beginning of the monetary normalization from late 2022 to July. The Bank of England (BoE) promoted four rate hikes of 25 basis points in 1H2022 and its bank rate of 1.25% is expected to reach 2.75% by December 2022, according to market-implied rates.

Non-core central banks, like the Central Bank of Brazil and the Bank of Poland, also advanced with a strong tightening of monetary conditions in 1H2022. Brazil's Selic rate reached 13.25% (+400 basis points comparing to December 2021) and the Polish monetary authorities increased the reference rate by 425 basis points to 6.50% in 1H2022.

Credit conditions deteriorated in 1H2022 with the yield of the benchmark 10Y US Treasury note spiking to 3.01% in June 2022 vs. 1.51% in December 2021 and the 10Y German bunds advancing to 1.34% in June 2022 vs. -0.18% in December 2021. The credit spreads of investment grade non-financial corporations in Europe measured by the iTraxx Main doubled to 119 basis points in June 2022 vs. 59 basis points in December 2021. Liquidity conditions for high-yield European companies worsened to the levels seen in March 2020 (COVID-19) and the spread of iTraxx Crossover reached 584 basis points in June 2022 vs. 242 basis points in December 2021.

A so-called fragmentation of peripheral Euro sovereign debt securities from the core Euro markets emerged as a risk during 1H2022. The spread of Italian 10Y bonds vs. the 10Y German Bund widened to 242 basis points on June 14th and the ECB held an emergency meeting on June 15th to announce a decision to adopt new anti-fragmentation instruments by using the balance sheet of PEPP - the EUR 1.85 trillion Pandemic Emergency Purchasing Program. The ECB ceased new purchases in the PEPP balance sheet in June 2022 but decided to reinvest the redemptions in the portfolio, including the design of new anti-fragmentation instruments to be announced in 3Q2022.

Volatility in core financial markets of developed economies caused spillovers in emerging markets and commodity prices in 1H2022. Moreover, the war in Ukraine since February 2022 and the challenging post-COVID reopening in Asian countries has led to further imbalances in global economic activity, especially in the trade of goods, and inflation.

Several global economic indicators pointed to mixed directions in 2Q2022 after reaching a peak in activity in 1Q2022. According to the Global Manufacturing PMI index, business confidence in manufacturing activity softened to 52.2 by June 2022 (vs. 54.3 in December 2021). The CRB commodities index touched the historical high of 644 points in May 2022 and eased to 597 points in June 2022 (-0.6% YTD and +5.2% YoY). The trade of goods measured by the CBP index of world trade volume dropped 1.1% YTD by April 2022 (+3.0% YoY), strongly impacted by the lockdowns in China and the high global freight costs. Crude oil prices moved from USD77.5/barrel in December 2021 to USD133.9/barrel in March 2022 and eased to USD115/barrel in June 2022 (+48.5% YTD and +53.2% YoY).

Foreign exchange markets were affected by the war in Ukraine and the risks related to the higher interest rates, particularly in the US, during 1H2022. The USD Index reached a 20-year high of 105 points in June 2022 (+9.4% YTD and 13.3% YoY) with the global flow of funds seeking more liquid and risk-free asset classes.

During 1H2022, credit rating agencies were mostly muted with no change in the sovereign credit rating and outlook in the geographies where the Bank is exposed, including China, Portugal, Spain, Poland, and Brazil.

Economic activity in Portugal and Spain gained momentum in 1Q2022 and showed some resilience in 2Q2022. According to consensus estimates, both Portugal and Spain are expected to outperform GDP growth in comparison with the Eurozone in 2022 and 2023. The spreads of 10Y sovereign bonds of Portugal and Spain were affected by the distress in EUR bond markets in June 2022. The spreads of 10Y Portuguese government bonds widened 43 basis points to 108 basis points in June 2022 (vs. 10Y German Bund) and the equivalent 10Y Spanish government bond widened 34 basis points to 109 basis points in June 2022.

Foreign Exchange Markets (FX rate and % Change)

		2021	1H22	% YTD
US	Dollar Index	95,67	104,69	9,4%
Euro	USDEUR	1,14	1,05	-7,8%
UK	USDGBP	1,35	1,22	-10,0%
China	CNYUSD	6,36	6,70	5,4%
Brazil	BRLUSD	5,57	5,26	-5,7%
Poland	PLNUSD	4,04	4,48	11,1%

Source: Bloomberg | Analysis: Haitong Bank SA | Last update: 6/31/2022

However, the spreads of Portugal and Spain remain in line with the range of 100-130 basis points seen in investment grade credit markets in 1H2019 when the US Fed was tightening monetary conditions and the Euro area was at risk of economic stagnation.

Economic activity in China improved at the end of 1H2022 with exports jumping 16.9% YoY and imports advancing 4.0% YoY in May 2022. Domestic consumption weakened with the lockdown restrictions and retail sales dropped 6.7% YoY until May 2022. The People's Bank of China announced further measures to support the domestic economy with a 25 basis point cut in the reserve requirement ratio to 11.25% in April 2022. The yield of 10Y Chinese government bonds in EUR advanced to 3.1% in June 2022 vs. 0.7% in December 2021 and the 5Y CDS spreads in USD widened to 86.4 basis points in June 2022 (vs. 40.3 basis points in December 2021).

2H2022 Outlook

The world economic outlook for 2H2022 became more uncertain with the prevalence of risks related to the impact of the war in Ukraine (regarding energy and food supply), an imbalanced reopening of the economies with the weakening of the COVID-19 pandemic, and the consequences of monetary normalization in the US and Europe.

The persistent occurrence of supply-side shocks should keep inflation above the target of the majority of central banks in developed economies until 2H2023. The global economy continues to grow beyond its structural capacity in 2022 in terms of capital and labour. Furthermore, monetary authorities have no options in their mandates to reduce inflationary pressures other than tightening liquidity conditions in 2H2022 and 1H2023.

A cycle of higher interest rates, especially in the US, should increase the cost of opportunity for riskier asset classes in 2H2022 and 2023. Market participants priced the risk of monetary normalization by leading the yield of the 10Y US Treasury note to the highest point since 1Q2011 at 3.47% on June 14th, 2022. The US Federal Reserve is expected to hike the fund rate from the range of 1.50%-1.75% in June 2022 to 3.25%-3.50% by December 2022, according to consensus projections (Bloomberg, July 2022).

In Europe, the ECB announced the first rate hike since 2011 in July 2022 (50 basis points), with an outlook of the refi-rate moving from 0% in June 2022 to 1.25% by December 2022, according to consensus (Bloomberg, July 2022).

Due to the expectations of higher interest rates in the US, the strength of the greenback is expected to persist in 2H2022, with particular risk for the EUR to test below parity vs. the USD. The Bank's projections point to the EUR/USD in the range of 1.00-1.05 in 2022 and the Dollar Index in the range of 105-110 in 2H2022 (+10% to +15% YoY).

The USD Index reached its highest level in 20 years in 1H2022 and all developed market currencies devalued against the USD. A few commodity currencies like the Brazilian real outperformed and gained 5.3% in 1H2022. However, it the outlook for emerging market currencies is expect to become more biased on the negative side in 2H2022 if further correction in developed markets' financial conditions occurs. Commodity prices are also exposed to higher volatility in 2H2022 due to the combination of slower global economic growth, the war in Ukraine, and higher interest rates. The crude oil price, measured by the Brent oil, is also expected to move in the range of USD95-130 per barrel in 2H2022 (vs. the average of USD106 per barrel in 1H2022), according to consensus (Bloomberg).

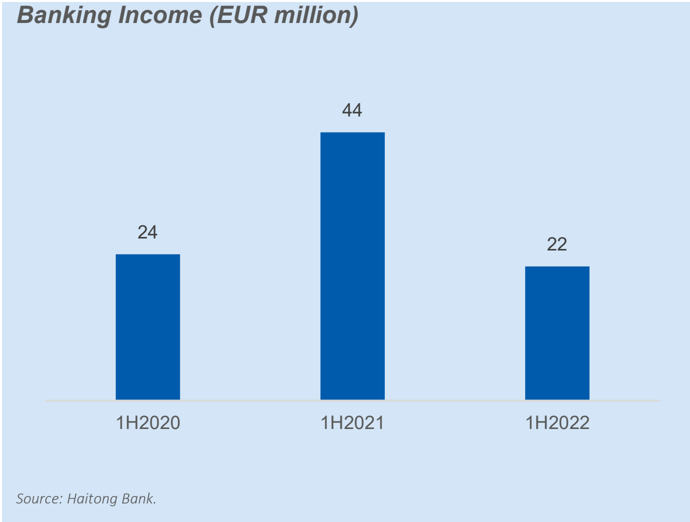
Credit conditions in the Eurozone should remain less favourable for corporate issuers with the ECB strategy to cease the purchasing of new assets on the balance sheet and to shield the EUR sovereign securities from the risk of fragmentation. A trend of deterioration in the credit rating of corporate issuers is one of the risks in the global capital markets.

Due to the commitment of fiscal support from the EU, including the continuing flow of the NextGenerationEU funds, the sovereign debt rating of peripheral Euro markets is expected to remain unchanged with the maintenance of the grade and outlook for the sovereign credit ratings of Portugal (S&P BBB/stable; Moody's Baa3/positive; and Fitch BBB/stable) and Spain (S&P A/negative; Moody's Baa1/stable; and A-/stable) in 2H2022.

FINANCIAL OVERVIEW

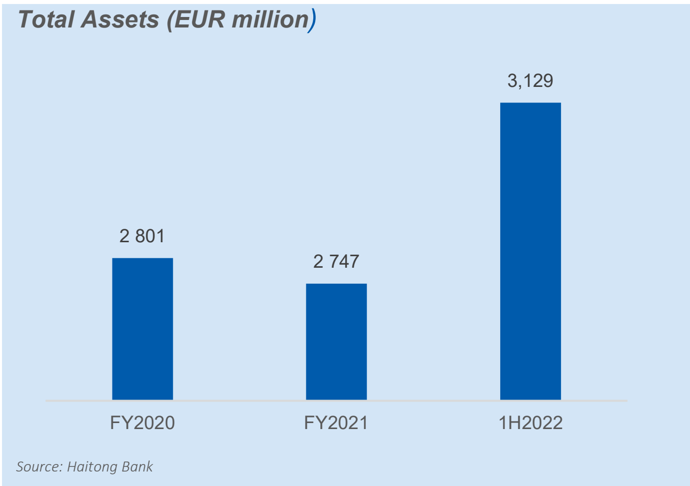
The global economy has suffered a significant slowdown during 1H2022 resulting from the Russia-Ukraine conflict and the unexpected inflationary pressures, which are aggravating the already unbalanced "post-pandemic" backdrop. The COVID-19 pandemic risk is being placed second at the moment. However, in China, new lockdowns have been imposed, thus contributing to a slowdown in the Chinese economy.

The Bank's performance in 1H2022 was heavily penalised by the aforementioned factors, in particular by the slowdown of the China-related business. By the end of 1H2022, the Banking Income reached EUR 21.7 million, a 51% decrease compared to the same period of last year. The China-related business was the major factor behind a weaker performance in the first semester, due to COVID-related lockdowns in several Chinese cities, which negatively affected M&A, DCM and Group transactions. On the other hand, domestic franchises have been performing well, despite the current market volatility, in particular Structured Finance, Fixed Income and Corporate Derivatives.



The operating costs rose 6% in 1H2022 compared to the same period last year, reaching EUR 30.5 million. The underperformance of the revenues together with the rise in operating costs led to operating losses of EUR 8.8 million, significantly below the EUR 15.4 million profit recorded in the same period of last year. Net losses reached EUR 4.5 million, with reversal of impairment and provisions in the same period amounting to EUR 3.6 million.

The Bank succeeded in expanding performing assets, with Total Assets standing at EUR 3.1 billion, 13.9% above the EUR 2.7 billion reached by the end of 2021. The Asset growth of EUR 383 million during 1H2022 was mostly related to the Loan and Securities portfolios. The Loan Portfolio grew by 20% compared to December 2021, reaching EUR 744 million. The Structured Finance division was particularly active in closing several transactions, despite the prudent risk origination approach. The NPL ratio remained at low levels reaching 1.3% as well as the NPE standing at 0.5%. Regarding Capital, the Bank maintains a strong position with a CET1 Ratio of 18.0% and Total Capital of 22.5%.



On the funding side, the Bank continued to successfully diversifying its sources of funding, increasing average maturity and decreasing the average cost of funding. In 1H2022, the Bank successfully entered the international capital markets with two bond issues targeting different investor bases. Firstly, in February, Haitong Bank issued successfully Senior Notes in the amount of EUR 230 million at a variable rate and with a maturity of 3 years. Then, in May, the Bank issued bonds in the amount of USD 150 million at a fixed rate, with a 5-year maturity. These issuances were part of several initiatives taken in order to reduce the funding cost and both have the guarantee of Haitong Securities Co. Ltd., allowing for both deals to be granted an investment grade credit rating of BBB by S&P.

As of July 1st, 2022, a resolution has been passed to increase Haitong Bank's share capital, resulting 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. These were issued under the REAID (Regime Especial aplicável aos Ativos por Impostos Diferidos – Deferred Tax Assets Special Regime) approved by Law no. 61/2014 of August 26, as amended by Law no. 98/2019 of September 4 and related to the fiscal year 2015.

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

As a result, the Bank's share capital now amounts to EUR 847,399,305.00 and the Bank's Articles of Association have been amended accordingly.

The new shares issued under the share capital increase were fully allocated to the Bank's sole voting shareholder, Haitong International Holdings Limited, a company incorporated in Hong Kong, a subsidiary of Haitong Securities Co., Ltd. (a company whose shares are admitted to trading on the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited), by virtue of this company having acquired all the conversion rights that were attributed to the Portuguese State relating to the 2015 fiscal year, under the terms and for the purposes of number 2 of article 10 of REAID.

CORPORATE EVENTS

- In January 2022, Haitong Bank S.A. started the liquidation process of Haitong Ancillary Services (Poland).
- In January 2022, Haitong Banco de Investimento do Brasil S.A. fully subscribed the capital increase of Fundo FI Multimercado Treasury, which corresponded to an investment of 15,000 thousand reais.
- In March 2022, Haitong Banco de Investimento do Brasil S.A. fully subscribed the capital increase of Fundo FI Multimercado Treasury, which corresponded to an investment of 70,000 thousand reais.
- In June 2022, Haitong Bank, S.A. concluded the establishment of a representative office in France.
- In July 2022, a resolution has been passed to increase the share capital of Haitong Bank S.A. by EUR 2,630,305.00, to EUR 847,399,305.00. This share capital increase, in the form of incorporation of a special reserve, resulted from the conversion of the rights attributed to the Portuguese State 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).

RATING

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

Since then and until the end of 1H2022, no additional revisions were made.

TREASURY

1H2022 Market Review

During the first half of 2022 (1H2022), supply-side shocks, especially those derived from the war in Ukraine, remained the major source of risk for the global economy. The COVID-19 pandemic was a persistent but manageable risk given the availability of vaccines and treatments. Inflation has been the major source of economic distress and is still gaining ground with the impact of the war.

The growth in economic activity in Europe was affected by the spike in inflation, lower business and consumer confidence and rising Euribor rates, which are already being priced in by bond markets.

Given the prospects of a protracted energy crisis caused by the war in Ukraine, the ECB has also signalled the end of the asset purchase program in June 2022 and subsequent rate hikes in the second half of 2022 (2H2022).

In FX markets, flight to quality flows favoured the USD and the Euro devaluated 8.3% against the USD in 1H2022 (from 1.1326 to 1.0387).

10-year Yields				
Country	Beginning 2022	2022 Lows	2022 Highs	End 1H 2022
Germany	-0.182%	-0.124% (Jan)	1.767% (Jun)	1.333%
Italy	1.170%	1.204% (Jan)	4.171% (Jun)	3.257%
Spain	0.563%	0.585% (Jan)	3.110% (Jun)	2.418%
Portugal	0.462%	0.499% (Jan)	3.100% (Jun)	2.408%
Greece	1.315%	1.296% (Jan)	4.688% (Jun)	3.606%
USA	1.510%	1.510% (Jan)	3.476%(Jun)	3.016%

Source: Haitong Bank.

In Brazil, the 1H2022 was marked by a stronger than expected recovery in economic activity as well as political and institutional instability.

On the economic front, and despite tighter financial conditions, high credit supply and renewed fiscal stimulus programs significantly contributed to GDP growth in the first half of the year. The breakdown of the data, however, still shows an uneven recovery dynamic across sectors.

Regarding inflation, stronger-than-expected growth, imbalances in supply chains and higher commodity prices contributed to more pressured inflation. Although many other recent shocks have mounted, core measures continue to suggest that price increases tend to be more persistent than expected.

Furthermore, changes in global production chains, as well as the increased market concentration imposed by the pandemic, are possibly contributing to higher inflation. Against this backdrop, we expect the ECB to continue to increase rates and bring the SELIC rate closer to 14% by the end of the year.

Public finances, on the other hand, continued to benefit from stronger growth and higher inflation. The federal tax collections continue to surprise on the upside, supported primarily by taxes on imported and/or manufactured goods. Additionally, the more intensive use of online sales channels during the pandemic is expected to contribute to a greater formalization of private sector revenues and thus support tax collection. Although recent developments are favourable, the consensus among analysts is that public debt will continue to rise in the coming years on the back of a lower growth outlook and the escalation of electoral populism.

Finally, on the political front, Brazil has experienced stronger political unrest and institutional instability as a result of the presidential elections run and an escalation of electoral populism.

Activity Highlights

During 1H2022, the Bank maintained a very comfortable liquidity position and benefited from decreasing funding costs.

The Bank successfully concluded two bond issues: EUR 230 million in February, with a 3-year maturity, and USD 150 million in May, with a 5-year maturity. These issues allowed the Bank to extend the average maturity of the debt, reduce the average cost of funding and diversify its funding sources.

Retail Deposits

During 1H2022 the Bank continued to source funds through online retail deposit platforms, with overall volumes increasing significantly during this period. This channel has proved to be a stable source of funding with positive effects on NSFR and LCR ratios.

The Bank has pursued a number of initiatives aimed at improving the quality of retail deposit offerings, including the analysis of new markets and, more recently, a proprietary home banking platform.

Treasury activity in Brazil acted in order to anticipate the maturity of deposits, taking into account the investor trend to shift its portfolio to fixed income from riskier asset classes, following the increase in benchmark interest rate, a movement that must persist during the 2H2022.

Other Financing Sources

The Bank continued to closely monitor the ECB's monetary policy decisions and increased the eligible assets, improving its funding capacity.

The 1H2022 in Brazil highlights the debt securities sold to institutional investors, aligned with the strategic orientations to expand the investor base and the diversification of funding sources.

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

Throughout 1H2022, funding management in Brazil met its objectives of holding the liquidity/funding indexes and keeping the available liquidity buffer (around BRL 1.9 billion at the end of the semester) at comfortable levels, while also allowing the Bank to keep its activities without any alert or liquidity indicators loss.

2H2022 Outlook

The main goal of the Treasury Department for 2022 is to continue to ensure the liquidity needed to develop the Bank's Business Plan, with a particular focus on reducing funding costs. The Bank aims to pursue this through a stable and diversified funding structure, mainly consisting of retail funding, long-term financing through syndicated loans and/or bond issuances, as well as 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 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:

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

Impairment Committee

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

Risk Appetite

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

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

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

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

Credit Risk

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

MANAGEMENT PRACTICES

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

Internal Ratings

At Haitong Bank, the internal ratings, which measure the 1-year probability of default, are assigned using the internal rating tools sponsored by Standard & Poor's ("S&P"). Although centralized at the headquarters, the internal rating assignment is carried out by an experienced pool of analysts located in Lisbon, 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 2022, the loan portfolio (gross exposure) amounted to EUR 757 million, which represents an increase of approximately EUR 125 million compared to December 2021.

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

Loan Portfolio Asset Classes and Geographic Breakdown (EUR thousand)

	June 2022			December 2021		
	Domestic	International	Total	Domestic	International	Total
Loan Portfolio[1]	**273 375**	**483 726**	**757 101**	**222 483**	**409 802**	**632 285**
Specialized Lending	168 965	155 775	**324 740**	159 021	110 085	**269 106**
Corporate	55 150	290 353	**345 503**	59 568	253 957	**313 525**
Others	49 260	37 598	**86 858**	3 894	45 760	**49 654**

[1] Gross of provisions - Source: Haitong Bank

Loan Portfolio Asset Classes by Industry

	June 2022				December 2021			
	Specialized Lending	Corporate	Others	Total	Specialized Lending	Corporate	Others	Total
TOTAL	**42.9%**	**45.7%**	**11.4%**	**100.0%**	**42.6%**	**49.6%**	**7.8%**	**100.0%**
Real Estate	12.6%	0.0%	5.2%	**17.8%**	8.7%	0.0%	2.3%	**11.0%**
Power	12.9%	3.4%	0.0%	**16.3%**	14.8%	3.7%	0.0%	**18.5%**
Transportation Infrastructure	15.3%	0.3%	0.0%	**15.6%**	18.8%	0.3%	0.0%	**19.1%**
Telecoms	0.0%	8.2%	0.0%	**8.2%**	0.0%	8.0%	0.0%	**8.0%**
Commercial & Professional Services	0.0%	7.1%	0.0%	**7.1%**	0.0%	6.7%	0.0%	**6.7%**
Health Care	0.0%	6.3%	0.0%	**6.3%**	0.0%	7.3%	0.0%	**7.3%**
Non-Bank Financial Institutions	0.0%	0.0%	6.0%	**6.0%**	0.0%	0.0%	0.0%	**0.0%**
Agribusiness & Commodity Foods	0.0%	2.9%	0.0%	**2.9%**	0.0%	3.8%	0.0%	**3.8%**
Retailing	0.0%	2.7%	0.0%	**2.7%**	0.0%	3.2%	0.0%	**3.2%**
Capital Goods	0.0%	2.5%	0.0%	**2.5%**	0.0%	1.7%	0.0%	**1.7%**
Construction & Engineering	0.0%	2.0%	0.0%	**2.0%**	0.0%	3.6%	0.0%	**3.6%**
Chemicals	0.0%	2.0%	0.0%	**2.0%**	0.0%	2.4%	0.0%	**2.4%**
Rental & Leasing	1.9%	0.0%	0.0%	**1.9%**	0.0%	0.0%	0.0%	**0.0%**
Building Materials	0.0%	1.7%	0.0%	**1.7%**	0.0%	2.0%	0.0%	**2.0%**
Paper & Forest Products	0.0%	1.6%	0.0%	**1.6%**	0.0%	2.9%	0.0%	**2.9%**
Oil & Gas	0.0%	1.5%	0.0%	**1.5%**	0.0%	0.0%	0.0%	**0.0%**
Agricultural Cooperatives	0.0%	1.3%	0.0%	**1.3%**	0.0%	1.3%	0.0%	**1.3%**
Transportation	0.2%	0.7%	0.0%	**0.9%**	0.3%	1.0%	0.0%	**1.3%**
Funds & Asset Managers	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	5.3%	**5.3%**
Others	0.0%	1.5%	0.2%	**1.7%**	0.0%	1.7%	0.2%	**1.9%**

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 2022	December 2021
[aaa+; a-]	3.0%	2.1%
[bbb+; bbb-]	11.9%	15.5%
[bb+; bb-]	66.1%	50.3%
[b+; b-]	19.0%	32.2%

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

Risk Indicators (EUR thousand)

	June 2022	December 2021
Loan Portfolio	**757 101**	**632 285**
Non-Performing Loans (NPL)	**9 649**	**13 235**
NPL Ratio	1.3%	2.1%
Impairment for NPL	**5 631**	**5 571**
NPL coverage	58.4%	42.1%
Gross Exposure	**2 600 568**	**2 282 263**
Non-performing exposures (NPE) (1)	**13 464**	**23 436**
NPE Ratio	0.5%	1.0%
NPE Impairment Coverage	45.9%	26.0%
Forborne Exposures (1)	**63 409**	**61 446**
Of which performing exposure (%)	84.6%	72.6%

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

Source: Haitong Bank

The improvement of the non-performing exposure (NPE) ratio from 1% in December 2021 to 0.5% in June 2022 results from the prudent standards followed at credit origination and the measures undertaken throughout the year to reduce the non-performing exposures of the Bank.

Fixed Income Assets

Portfolio breakdown

The fixed income portfolio ended 1H2022 with a net total of EUR 1,221 million, representing an increase of EUR 81 million when compared with December 2021, as a result of the increase of European and Brazilian sovereign debt portfolios partly offset by the participation in debt placements of clients from Europe.

Fixed Income Portfolio by Sector (EUR thousand)

	June 2022	December 2021
Total	**1 220 562**	**1 139 288**
Governments	756 112	632 160
Real Estate	82 262	76 172
Banks	71 197	82 621
Non Bank Financial Institutions	55 868	53 710
Power	38 107	36 617
Telecoms	30 370	29 050
Agribusiness & Commodity Foods	24 507	20 924
Water Utilities	21 219	11 205
Construction & Engineering	21 206	30 739
Health Care	20 609	24 037
Oil & Gas	18 268	13 993
Automobiles & Components	17 477	20 499
Capital Goods	12 086	16 739
Chemicals	10 130	9 551
Metals & Mining	9 560	11 708
Hotels & Gaming	7 184	17 767
Food, Beverage & Tobacco	6 843	7 456
Transportation	5 113	5 098
Consumer Durables & Apparel	3 224	3 185
Paper & Forest Products	2 709	19 690
Building Materials	1 269	0
Media & Entertainment	1 185	0
Commercial & Professional Services	979	4 545
Retailing	640	11 620
Others	2 438	202

Source: Haitong Bank.

Internal Rating Profile

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

Fixed Income Portfolio Rating Profile

	June 2022	December 2021
[aaa; a-]	12.5%	5.8%
[bbb+; bbb-]	30.1%	32.0%
[bb+; bb-]	54.1%	59.3%
[b+; b-]	3.3%	2.9%

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

Derivatives Portfolio

Portfolio Breakdown

The counterparty risk exposure in the Bank's portfolio of interest rate, exchange rate, credit and equity derivatives amounted to EUR 126 million in June 2022, which represents a decrease of EUR 44 million in comparison with December 2021.

In terms of the breakdown by counterparty risk sector, in June 2022, 33% of the global exposure relates to transactions in Transportation Infrastructure, followed by 15% in Banks' counterparties.

Derivatives Portfolio by sector (EUR thousand)

	June 2022	December 2021
Total	**125 668**	**169 796**
Transportation Infrastructure	41 702	69 296
Banks	18 586	22 569
Chemicals	17 538	13 675
Food, Beverage & Tobacco	14 707	16 583
Non-Bank Financial Institutions	11 186	6 273
Paper & Forest Products	5 481	5 008
Metals & Mining	4 737	6 352
Building Materials	3 420	301
Construction & Engineering	3 049	646
Power	2 677	5 678
Broker Dealers	318	6 250
Oil & Gas	282	5 291
Agribusiness & Commodity Foods	92	10 333
Others	1 893	1 541

Source: Haitong Bank.

Internal Rating Profile

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

Derivatives Portfolio Rating Profile

	June 2022	December 2021
[aaa; a-]	17.6%	14.1%
[bbb+; bbb-]	34.9%	43.6%
[bb+; bb-]	27.4%	29.5%
[b+; b-]	20.1%	12.7%

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

Market Risk

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

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

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

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

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

TRADING BOOK RISK

Management Practices

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

As of June 2022, Haitong Bank's VaR amounted to EUR 7.0 million, representing an increase of EUR 1.1 million when compared with December 2021.

Value at Risk by Risk Factor (EUR million)

	June 2022	December 2021
Foreign Exchange	6.8	4.7
Interest Rate	0.4	0.6
Equity and Commodities	0.0	0.0
Credit Spread	0.6	1.3
Covariance	-0.8	-0.7
Global VaR	**7.0**	**5.9**

Source: Haitong Bank.

BANKING BOOK RISKS

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

Interest Rate Risk

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

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

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

As of June 2022, the impact on the banking book economic value, under a parallel shock on the yield curve of +/-200 bps was estimated at EUR 15.9 million. A floor of -100 bps was applied to the yield curve to prevent unrealistic scenarios of extremely negative interest rates.

Credit Spread Risk

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

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

PENSION FUND RISK

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

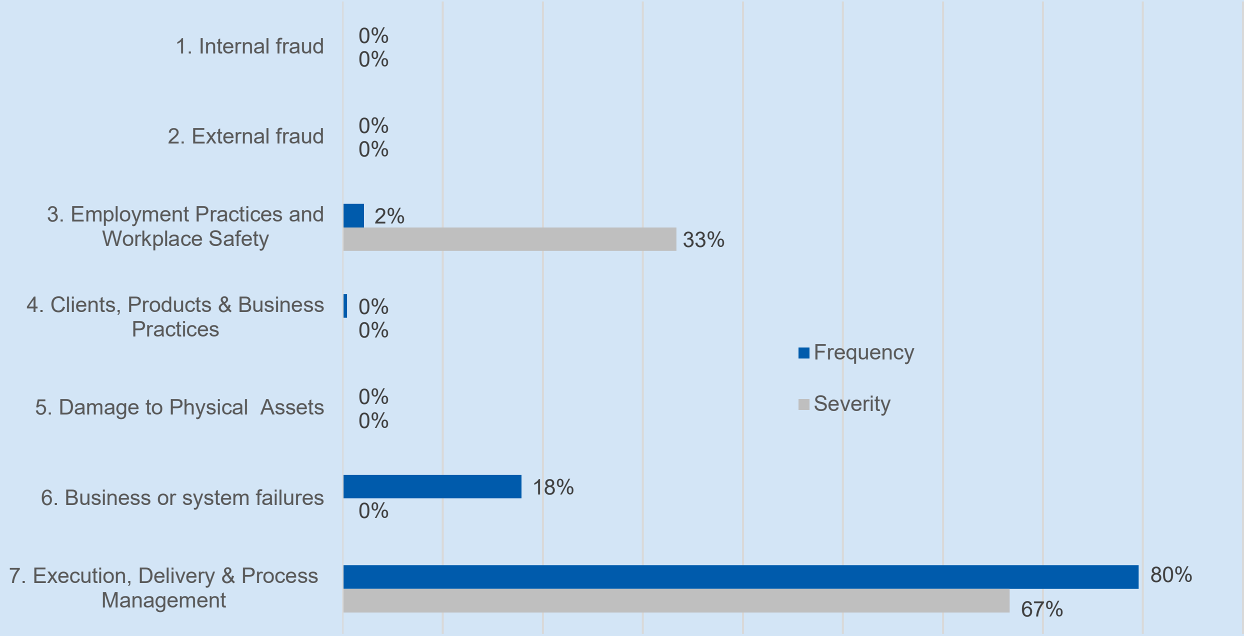
OPERATIONAL RISK ANALYSIS

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.

The events recorded in 1H2022 were all below EUR 5,000.

Following Basel's event classification, in 1H2022, 80% of total reported events were related with the Execution, Delivery & Process Management event type, with 67% of reported losses associated with this risk. The Employment Practices and Workplace Safety suffered a decrease in the number of events and their impact when compared with 2021, nevertheless it was the second event type with the highest losses, representing 33% 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 an appropriate funding structure, in accordance with the following principles:

- Ensuring the ability to meet obligations as they come due in a timely manner and at a reasonable cost;
- Complying with regulatory standards on liquidity in each geography the Bank operates in;
- Ensuring full alignment with liquidity and funding risk appetite;
- Making 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;

- Developing a diversified investors' base and maintain access to a variety of alternative funding sources, while minimising the cost of funding; and
- Continuously developing 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 2022, Haitong Bank reached an LCR of 257%, which represents a resilient short-term liquidity position, comfortably complying with regulatory standards.

Liquidity Coverage Ratio (EUR thousand)

	June 2022	December 2021
High-Quality Liquid Assets	798 096	670 542
30 days Net Outflow	310 392	365 824
Liquidity Coverage Ratio	257%	183%

Source: Haitong Bank.

Net Stable Funding Ratio

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

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

As of June 2022, Haitong Bank reached an NSFR of 144%, ensuring an adequate medium- to long-term funding profile.

Liquidity Coverage Ratio

	June 2022	December 2021
Net Stable Funding Ratio	144%	157%

Source: Haitong Bank.

Capital Management

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

Management Practices

The capital management practices and guidelines are shaped with the aim of accomplishing 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:

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

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

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

REGULATORY CAPITAL AND LEVERAGE RATIOS

Solvency

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

The regulation provides for a transitional period to exclude some elements previously included (phase-out) and include/deduct new elements (phase-in) in which institutions may accommodate the new requirements. The transitional period for the majority of the elements ended in 2017, with the exception of the deferred tax assets generated prior to 1 January 2014, IFRS9 transition adjustment and both the subordinated debt and all the hybrid instruments not eligible as own funds under the new regulations, which had a longer period (until the end of 2021).

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

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

The regulation also provides a counter-cyclical capital buffer of up to 2.5% to be imposed in the event that national supervisors deem it necessary in order to counteract excessive credit growth in the jurisdictions under their supervision. As of June 30th, 2022, the Bank of Portugal decided not to impose any additional /counter-cyclical capital buffer, by setting it at 0% of the total risk exposure amount. This decision is subject to revision on a quarterly basis.

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

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

Solvency Ratios

	June 2022		December 2021	
	Phased-in	**Fully-loaded**	**Phased-in**	**Fully-loaded**
CET1 ratio	18.0%	18.0%	18.9%	18.8%
Tier 1 ratio	22.4%	22.4%	23.5%	23.4%
Total capital ratio	22.5%	22.5%	23.6%	23.5%

Source: Haitong Bank.

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

Leverage

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

As of June 2022, Haitong Bank's leverage ratios, calculated under the Basel III Standard Approach on both a transitional and fully-loaded basis, are shown in the following table.

Leverage Ratios

	June 2022	December 2021
Phased-in	15.0%	17.0%
Fully-loaded	15.0%	17.0%

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 2022 and 2021

(thousand euros)

	Notes	30.06.2022	30.06.2021
Interest and similar income	5	48 171	34 134
Interest and similar expenses	5	40 270	18 777
Financial margin		**7 901**	**15 357**
Fees and commissions income	6	13 262	27 059
Fees and commissions expenses	6	(3 043)	(2 684)
Net trading income	7	7 581	(9 009)
Net income from other financial instruments at fair value through profit or loss	8	(234)	4 205
Net gain/(loss) from derecognition of financial assets measured at fair value through other comprehensive income	9	1	54
Net gains / (losses) from foreign exchange differences	10	(1 312)	408
Net gain/(loss) from derecognition of financial assets measured at amortised cost	11	569	8 994
Other operating income and expense	12	(3 020)	(274)
Operating Income		**21 705**	**44 110**
Employee costs	13	19 752	17 775
Administrative costs	15	7 486	7 681
Depreciations and amortisations	24 and 25	3 237	3 211
Provisions	30	(3 418)	(910)
Net impairment loss on financial assets	30	(162)	9 993
Operating expenses		**26 895**	**37 750**
Profit / (Loss) before Income Tax		**(5 190)**	**6 360**
Income tax			
Current tax	31	2 240	3 273
Deferred tax	31	(2 956)	(122)
			-
		(716)	**3 151**
Net Profit / (Loss) for the period		**(4 474)**	**3 209**
Attributable to shareholders of the parent company		**(4 524)**	**2 292**
Attributable to non-controlling interests	34	**50**	**917**
		(4 474)	**3 209**
Basic Income per Share (in euros)	16	-0,03	0,01
Diluted Income per Share (in euros)	16	-0,03	0,01

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 2022 and 2021

(thousand euros)

	30.06.2022	30.06.2021
Net income for the period		
Attributable to shareholders of the parent company	(4 524)	2 292
Attributable to non-controlling interests	50	917
	(4 474)	**3 209**
Other comprehensive income for the period		
Items that will not be reclassified to profit and loss		
Actuarial gains/(losses), net of taxes	8 134	6 216
	8 134	**6 216**
Items that may be reclassified to profit and loss		
Exchange differences net of taxes		
Foreign currency translation differences for foreign operations	15 590	7 870
Net gains/(losses) on hedges of net investments in foreign operatons (see Note 38)	-	(697)
Other comprehensive income from associates	-	1
Fair value changes of debt instruments measured at fair value through other comprehensive income net of taxes	(7 421)	1 798
	8 169	**8 972**
Total comprehensive income/(loss) for the period	**11 829**	**18 397**
Attributable to shareholders of the parent company	**8 769**	**16 088**
Attributable to non-controlling interests	**3 060**	**2 309**
	11 829	**18 397**

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

Consolidated Statement of Financial Position as at the 30th June 2022 and 31st December 2021

(thousand euros)

	Notes	30.06.2022	31.12.2021
Assets			
Cash and cash equivalents	17	668 912	488 544
Financial assets at fair value through profit or loss		469 475	455 753
Financial assets held for trading		451 717	435 954
Securities	18	370 795	346 040
Derivative financial assets	19	80 922	89 914
Non-trading financial assets mandatorily at fair value through profit or loss		17 758	19 799
Securities	20	17 736	19 777
Loans and advances to customers	22	22	22
Financial assets at fair value through other comprehensive income	20	220 470	259 769
Financial assets measured at amortised cost		1 426 811	1 207 036
Securities	20	655 335	532 773
Loans and advances to banks	21	27 082	54 022
Loans and advances to customers	22	744 394	620 241
Non-current assets held-for-sale	23	6 398	6 538
Other tangible assets	24	8 651	9 975
Intangible assets	25	3 433	3 618
Tax assets		132 762	120 051
Current income tax assets	31	25 867	24 819
Deferred income tax assets	31	106 895	95 232
Other assets	26	192 277	195 368
Total Assets		**3 129 189**	**2 746 652**
Liabilities			
Financial liabilities held for trading		74 931	75 638
Securities	18	992	1 036
Derivative financial liabilities	19	73 939	74 602
Financial liabilities measured at amortised cost		2 331 299	1 950 147
Resources of credit institutions	27	881 776	759 397
Resources of customers	28	970 388	1 164 000
Debt securities issued	29	479 135	26 750
Provisions	30	17 970	19 939
Tax liabilities		7 160	7 568
Current income tax liabilities	31	6 855	7 267
Deferred income tax liabilities	31	305	301
Other liabilities	32	82 884	86 513
Total Liabilities		**2 514 244**	**2 139 805**
Equity			
Share capital	33	844 769	844 769
Share premium	33	8 796	8 796
Other equity instruments	33	105 042	108 773
Fair-value reserves	34	(9 234)	(1 926)
Other reserves and retained earnings	34	(351 918)	(376 071)
Net profit/(loss) for the period attributable shareholders of the parent company		(4 524)	3 552
Total equity attributable to the shareholders of the parent company		**592 931**	**587 893**
Non-controlling interests	34	22 014	18 954
Total Equity		**614 945**	**606 847**
Total Equity and Liabilities		**3 129 189**	**2 746 652**

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

The Director of the Finance Department

The Board of Directors

Consolidated Statement of Changes in Equity for the periods ended on the 30th June 2022, 31st December 2021 and 30th June 2021

(thousand euros)

	Share Capital	Share Premium	Other equity instruments	Fair-value reserves	Other Reserves, Retained Earnings and Other Comprehensive Income	Net profit/(loss) for the period attributable shareholders of the parent company	Equity attributable to shareholders of the parent company	Non-controlling interests	Total Equity
Balance as at 31 December 2020	**844 769**	**8 796**	**108 773**	**(1 391)**	**(383 292)**	**1 641**	**579 296**	**18 793**	**598 089**
Balance as at 1 January 2021	**844 769**	**8 796**	**108 773**	**(1 391)**	**(383 292)**	**1 641**	**579 296**	**18 793**	**598 089**
Other movements recorded directly in equity (see Notes 34 and 37):									
Changes in fair value, net of taxes	-	-	-	1 962	-	-	1 962	(164)	1 798
Other comprehensive income of associates	-	-	-	-	1	-	1	-	1
Exchange differences, net of taxes	-	-	-	-	5 617	-	5 617	1 556	7 173
Actuarial gains/ (losses), net of taxes	-	-	-	-	6 216	-	6 216	-	6 216
Net profit / (loss) for the period	-	-	-	-	-	2 292	2 292	917	3 209
Total comprehensive income for the period	**-**	**-**	**-**	**1 962**	**11 834**	**2 292**	**16 088**	**2 309**	**18 397**
Transfers for reserves and retained earnings (see Note 33)	-	-	-	-	1 641	(1 641)	-	-	-
Balance as at 30 June 2021	**844 769**	**8 796**	**108 773**	**571**	**(369 817)**	**2 292**	**595 384**	**21 102**	**616 486**
Balance as at 1 July 2021	**844 769**	**8 796**	**108 773**	**571**	**(369 817)**	**2 292**	**595 384**	**21 102**	**616 486**
Other movements recorded directly in equity (see Notes 34 and 37):									
Changes in fair value, net of taxes	-	-	-	(2 497)	-	-	(2 497)	(277)	(2 774)
Exchange differences, net of taxes	-	-	-	-	(5 345)	-	(5 345)	(1 355)	(6 700)
Actuarial gains/ (losses), net of taxes	-	-	-	-	(909)	-	(909)	-	(909)
Net profit / (loss) for the period	-	-	-	-	-	1 260	1 260	(113)	1 147
Total comprehensive income for the period	**-**	**-**	**-**	**(2 497)**	**(6 254)**	**1 260**	**(7 491)**	**(1 745)**	**(9 236)**
Dividends to non-controlling interests	-	-	-	-	-	-	-	(403)	(403)
Balance as at 31 December 2021	**844 769**	**8 796**	**108 773**	**(1 926)**	**(376 071)**	**3 552**	**587 893**	**18 954**	**606 847**
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 (see Notes 34 and 37):	-	-	-	-	-	-	-	-	-
Changes in fair value, net of taxes	-	-	-	(7 308)	-	-	(7 308)	(113)	(7 421)
Exchange differences, net of taxes	-	-	-	-	12 467	-	12 467	3 123	15 590
Actuarial gains/ (losses), net of taxes	-	-	-	-	8 134	-	8 134	-	8 134
Net profit / (loss) for the period	-	-	-	-	-	(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 (see Note 33)	-	-	-	-	3 552	(3 552)	-	-	-
Reimbursement of other equity instrument (see Note 33)	-	-	(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**

Consolidated Cash Flow Statement for the financial years ended on the 30th June 2022 and 2021

(thousand euros)

	Notes	30.06.2022	30.06.2021
Cash flows from operating activities			
Interests received		37 331	39 769
Interests paid		(21 030)	(10 996)
Fees and commissions received		12 806	26 975
Fees and commissions paid		(3 043)	(2 684)
Loans recovery		530	7 702
Cash payments to employees and suppliers		(35 370)	(30 105)
		(8 776)	**30 661**
Changes in operating assets and liabilities:			
Resources at central banks		724	306
Trading financial assets and liabilities		(7 226)	(69 138)
Loans and advances to banks		28 551	106 814
Resources of other credit institutions		124 405	227 463
Loans and advances to customers		(120 697)	(145 247)
Resources of costumers		(205 875)	(107 681)
Hedging derivatives		-	151
Other operating assets and liabilities		13 771	22 421
Net cash flow from operating activities before income tax		**(175 123)**	**65 750**
Income taxes paid		(3 212)	(2 353)
		(178 335)	**63 397**
Net cash flows from investment activities			
Acquisition of shares in subsidiaries and associated companies		-	500
Sale of investments in subsidiaries and associates		-	1
Purchase of securities		(196 663)	(254 525)
Sale and repaymentsof securities		114 995	138 707
Purchase of fixed assets		(1 225)	(254)
		(82 893)	**(115 571)**
Cash flows from financing activities			
Debt securities issued	29	446 622	11 241
Reimbursement of debt securities issued	29	(572)	(11 297)
Reimbursement of other equity instruments		(3 731)	-
Net cash flow from financing activities		**442 319**	**(56)**
Net changes in cash and equivalents		**181 091**	**(52 230)**
Cash and equivalents at the beginning for the year		485 806	491 314
Cash and equivalents at the end for the year		666 897	439 084
		181 091	**(52 230)**
Cash and equivalents includes:			
Cash	17	7	-
Deposits at central banks	17	634 047	420 863
Deposits at other credit institutions	17	34 858	21 486
(-) Minimum Reserves	17	(2 015)	(3 265)
Total		**666 897**	**439 084**

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

2. Notes to the Consolidated Financial Statements

Haitong Bank, S.A.

NOTE 1 – ACTIVITY AND GROUP STRUCTURE

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

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

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

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

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

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

Haitong Bank currently operates through its headquarters in Lisbon, as well as through branches in London, Warsaw and Madrid, and subsidiaries in Brazil.

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

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

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

In 2013, Haitong Bank started a simplification plan for its group. Several measures were taken within the scope of such process, including the disposal and merger of several holdings. The simplification process continued throughout 2020, and the main changes made to the group's structure are set forth below.

Subsidiaries

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

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

(thousand euros)

	30.06.2022	
	Acquisitions	
	Other Investments (a)	Total
Subsidiaries		
FI Multimercado Treasury	15 704	15 704
	15 704	**15 704**

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

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

(thousand euros)

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

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

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 of June, 2022, which have been prepared in accordance with the IFRS in force, as adopted in the European Union until the 30th of June, 2022. 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 Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1st January 2022. The accounting policies in this note were consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period.

The consolidated financial statements are denominated in thousands of euros, rounded to the nearest thousand, and have been prepared in accordance with the historical cost principle, with the exception of the assets and liabilities accounted for at fair value, such as financial derivatives, financial assets and liabilities at fair value through profit and loss and financial assets and liabilities at fair value through other comprehensive income.

Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount or fair value less costs to sell.

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

The consolidated financial statements herein have been approved in the Board of Directors meeting held on the 24 of August, 2022.

2.2. BASIS OF CONSOLIDATION

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

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

Subsidiaries

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

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

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

Associates

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

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

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

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

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

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

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

Goodwill

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

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

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

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

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

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

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

Transactions with non-controlling interests

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

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

Translation of financial statements in foreign currency

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

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

- Assets and liabilities are converted at the exchange rate as at the date of the statement of financial positions;

- Income and expenses are converted based on the application of exchange rates approximated to the real rates as at the date of each transaction;

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

Balances and transactions eliminated on consolidation

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

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

2.3. FOREIGN CURRENCY TRANSACTIONS

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

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

2.4. FINANCIAL INSTRUMENTS

2.4.1 FINANCIAL ASSETS CLASSIFICATION

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

a) Financial assets at amortized cost;
b) Financial assets at fair value through other comprehensive income; or
c) Financial assets at fair values through profit or loss:
    i. Financial assets held for trading
    ii. Non-trading financial assets mandatorily at fair value through profit or loss
    iii. Financial assets designated at fair value through profit or loss

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

a) Financial assets measured at amortised cost

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

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

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

b) Financial assets at fair value through other comprehensive income

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

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

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

c) Financial assets at fair value through profit or loss

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

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

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

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

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

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

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

Business model evaluation for financial assets management

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

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

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

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

Initial recognition

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

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

Subsequent measurement

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

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

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

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

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

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

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

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

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

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

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

Reclassifications between categories of financial instruments

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

Derecognition criteria

The Bank derecognises a financial asset in the following situations:

a) when transferring that asset and, as a result of such transfer, all the risks and rewards of that asset are transferred to another entity when a change is found to be significant under the terms and conditions of that asset;
b) when transferring the asset and, following this transfer, all the risks and benefits of the asset are transferred to another entity considered when there is a significant change in the terms and conditions of the asset;

c) when a significant change on the asset terms and conditions occur.

Loans written-off

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

Purchase or originated credit impaired assets

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

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

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

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

Impairment of financial assets

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

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

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

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

Impairment Model

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

The instruments subject to impairment are divided into three stages, taking into account their level of credit risk:

- **Stage 1 – Performing**: financial assets for which there was no significant increase in credit risk from the moment of initial recognition. In this case, the impairment will reflect ECL resulting from default events that may occur in the next 12 months after the reporting date;

- **Stage 2 – Under Performing**: financial assets for which there was a significant increase in credit risk has occurred since the initial recognition but for which there is no objective evidence of impairment. In this stage, impairment will reflect the ECL resulting from default events that may occur over the expected residual life of the instrument;

- **Stage 3 – Non Performing**: financial assets for which there is objective evidence of impairment as a result of events that resulted in losses. In this case, the impairment amount will reflect the ECL over the expected residual life of the instrument.

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

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

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

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

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

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

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

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

Expected Credit Losses

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

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

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

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

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

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

Significant increase in credit risk

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

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

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

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

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

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

Default definition

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

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

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

Forbearance definition

The internal definition of forbearance follows the ECB guidance, consisting of concessions extended to any exposure towards a debtor facing or about to face difficulties in meeting its financial commitments. An exposure can only be forborne if the debtor is facing financial difficulties that have led the Group to make some kind of concession.

A concession may entail a loss for the Group and shall refer to either of the following actions:

(i) a modification of the previous terms and conditions of a contract that the debtor is considered unable to comply with due to financial difficulties resulting in insufficient debt service ability and that would not have been granted had the debtor not been experiencing such difficulties;

(ii) a total or partial refinancing of a troubled debt contract, that would not have been granted had the debtor not been experiencing financial difficulties.

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

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

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

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

2.4.2 HEDGE ACCOUNTING

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

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

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

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

Hedge effectiveness

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

Hedge of a net investment in a foreign operation

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

2.4.3 FINANCIAL LIABILITIES

Classification, initial recognition and subsequent measurement

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

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

Financial liabilities at fair value through profit or loss

Classification

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

a) Financial liabilities held for trading

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

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

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

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

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

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

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

Initial recognition and subsequent measurement

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

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

- The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income;
- The remaining amount of change in the fair value of the liability shall be presented in profit or loss.

The accrual of interest and the premium / discount (when applicable) is recognised on "Interest expense and similar charges" based on the effective interest rate of each transaction.

Financial liabilities at amortised cost

Classification

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

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

Initial recognition and subsequent measurement

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

Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

Derecognition of financial liabilities

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

2.4.4 INTEREST RECOGNITION

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

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

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

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

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

2.4.5 FINANCIAL GUARANTEES

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

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

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

2.5. ASSETS SOLD WITH REPURCHASE AGREEMENT AND SECURITIES LENDING

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

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

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

2.6 EQUITY INSTRUMENTS

An instrument is classified as equity instrument only if:

i) The instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable conditions for the issuer; and

ii) The instrument will or may be settled in the issuer's own equity instruments, it is either a non-derivative that includes no contractual obligation on the issuer to deliver a variable number of its own equity instruments or a derivative that will be settled only by the issuer exchanging a fixed amount in cash or another financial asset for a fixed number of its own equity instruments.

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

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

2.7 OFFSETTING FINANCIAL INSTRUMENTS

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

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

Non-current assets or groups of non-current assets held for sale (group of assets to be disposed together in a single transaction, and directly associated liabilities which include at least one non-current asset) and discontinued operations are classified as held-for-sale when exists the intention to realise the a sale transaction (including those acquired exclusively with the purpose to sell), the assets or disposal groups are available for immediate sale and the sale is highly likely to occur, accordingly to IFRS 5 requirements. In order to the sale to be considered highly probable, the Group must be committed to a plan to sell the asset (or disposal group) and should be expected the sale to qualify for derecognition within one year from the date of classification.

Immediately prior to the initial classification of the asset (or disposal group) as held-for-sale, the measurement of non-current assets (or of all the Group's assets and liabilities) is carried out in accordance with the relevant IFRS in force. Subsequently, such assets or disposal groups are re-measured at the lower of their carrying value and fair value less costs to sell.

2.9 OTHER TANGIBLE ASSETS

The Group's other tangible assets are measured at cost, less their corresponding accumulated amortisations and impairment losses. The cost includes expenses directly attributable to the acquisition of the assets.

The subsequent costs with other tangible assets are only recognised when it is probable that future economic benefits associated with them will flow to the Group. All repair and maintenance costs are charged to the income statement during the period in which they are incurred, on the accrual basis.

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

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

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

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

2.10 INTANGIBLE ASSETS

Costs incurred with the purchase, production and development of software are capitalised, as well as additional expenses required for its deployment, which are borne by the Group. Such costs are amortised on a linear basis throughout the expected useful life of such assets, which usually ranges from 3 to 8 years.

Costs directly related to the development of software applications are recognised and accounted for as intangible assets if they are expected to create future economic benefits beyond one financial year.

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

2.11 LEASE TRANSACTIONS (IFRS 16)

The Group adopted IFRS 16 – "Lease transactions" on 1 January 2019, replacing IAS 17 – "Lease transactions", which was in force until 31 December 2018. The Group did not adopt any of the requirements of IFRS 16 in prior periods.

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

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

- the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

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

  - the Bank has the right to operate the asset; or
  - the Bank designed the asset in a way that predetermines how and for what purpose it will be used.

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

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

As a lessee

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

As a lessor

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

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

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

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

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

2.12 EMPLOYEE BENEFITS

Pensions

Portugal

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

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

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

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

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

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

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

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

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

Other Geographies

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

Health-care benefits

Portugal

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

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

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

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

Other Geographies

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

Long-term service bonuses

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

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

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

Variable remuneration paid to employees

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

2.13 INCOME TAXES

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences, except for goodwill not deductible for tax purposes, of the differences arising out of the initial recognition of assets and liabilities which affect neither accounting profit nor taxable profit, and of differences relating to investments in subsidiaries insofar as it is not likely that they reverse in the future. Deferred tax assets are only recognised insofar as it is expected that there will be taxable profit in the future which will absorb the tax losses carried forward and the deductible temporary differences.

The Group offsets assets and liabilities by deferred taxes for each subsidiary, every time (i) the income tax of each subsidiary to be paid to the Tax Authorities is determined on a net basis, i.e., offsetting current asset and liability taxes, and (ii) taxes are collected by the same Tax Authority over the same tax entity. This offsetting is therefore made at the level of each subsidiary, reflecting the asset balance in the consolidated balance sheet the sum of the values of the subsidiaries that present deferred tax assets and the liability balance in the consolidated balance sheet the sum of the values of the subsidiaries that present deferred tax liabilities.

2.14 PROVISIONS

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

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

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

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

2.15 RECOGNITION OF FEE AND COMMISSION INCOME

Income from services and commissions are recognised as follows:

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

- Income from services and commissions obtained as the services are being provided are recognised in income for the relevant period;

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

2.16 SEGMENT REPORTING

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

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

2.17 EARNINGS PER SHARE

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

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

2.18 CASH AND CASH EQUIVALENTS

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

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

The IFRS set forth a range of accounting treatments and require the Board of Directors to make the necessary judgements and estimates to decide on the most appropriate accounting treatment. These estimates were made considering the best information available at the date of preparation of the financial statements, considering the context of uncertainly that results from the impact of Covid-19 in the current economic scope. The Group's main accounting estimates and judgements used thereby when applying the accounting principles are laid down in this Note with the purpose of improving the understanding on how the implementation thereof affects the Group's reported results and their disclosure.

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

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

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

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

Individual analysis

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

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

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

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

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

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

Collective analysis

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

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

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

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

The new procedures and criteria considered by the Group in the preparation of accounting estimates in the context of the coronavirus pandemic ("Covid-19"), as well as the analysis of the impacts of Covid-19 in the definition of IFRS 9 risk Stage, classification of significant increase in credit risk or default, and definition of impairment, are detailed in Note 40 - Impact of Pandemic Covid-19.

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

3.2. INCOME TAXES

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

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

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

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

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

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

Tax Authorities are required to review the calculation of the basis of assessment, made by the Bank, for a period of four years, except where any deduction or tax credit has been made, where the time-limit is the exercise of that right. Hence, there is a possibility that the basis of assessment will be corrected, mainly due to differences in the interpretation of the tax legislation. 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 amortized cost and at fair value through other comprehensive income that are derecognized prior to their maturity to understand the underlying reasons for their disposal and to determine whether they are consistent with the purpose of the business model defined for those assets. This monitoring is part of a process of continuous evaluation made by the Group of the business model of the financial assets that remain in the portfolio, to determine if it is adequate and, if it is not, if there was a change in the business model and consequently a prospective change classification of these financial assets.

NOTE 4 – SEGMENT REPORTING

4.1. DESCRIPTION OF BUSINESS AREAS

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

Merges 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, restructuring and feasibility studies

Capital Markets

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

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

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

Corporate Derivatives

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

Fixed Income

The purpose of the Fixed Income Division is to provide a professional, differentiated and high-quality product and service to institutional and corporate clients, as well as provide Haitong Bank with a strong multi-client and international distribution platform. Its presence in various geographies and the combination of its origination and distribution capacity stimulate the identification of new business opportunities and promotes cross border activity.

With dedicated Trading, Syndication, Distribution, the Fixed Income Division offers market-making services for corporate and sovereign debt securities, multi-product international distribution, syndication capacity for different products and tailor-made products for institutional clients.

Fixed income is also responsible for managing Haitong Bank's Banking books in accordance with the investment policies established by the Executive Committee.

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

Equities

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

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

Structured Finance

The mission of the Structured Finance Division is to develop financing solutions for its Clients, namely under the form of acquisition / leverage finance, project finance, or corporate and asset-based loans, as well as to provide financial advisory services and arranging and agency services for financing operations.

Corporate Solutions

The purpose of the Corporate Solutions Division is to establish relationships with clients in various sectors and to identify business opportunities and attract business to the Bank's product areas.

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

Treasury

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

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

Private Equity

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

Corporate Centre

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

Special Portfolio Management

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

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

Other

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

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

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

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

Measurement of profits or losses from the segments

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

Haitong Bank's Structures dedicated to the Segment

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

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

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

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

Interest income and expenses

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

Net profit/(loss) from fee and commission

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

Investments consolidated under the equity method

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

Non-current assets

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

Deferred tax assets

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

Domestic and International Areas

In the presentation of the financial information by geographical areas, the operating units making up the International Area are the Branches in London, Spain, 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)

	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)**

(thousand euros)

	30.06.2021												
	Structured Finance	Special Portfolio Management	Mergers and Acquisitions	Capital Markets	FICC	Equities	Global Markets	Private Equity	Treasury	Corporate Solutions	Corporate Centre	Other	Total
Net interest income	4 361	(199)	(3)	36	(1)	13 262	(18)	(1)	(2 553)	(1)	-	474	15 357
Net fees and comissions	4 486	236	6 153	4 914	1 201	2 227	2 010	1 391	(1 510)	800	(127)	3 206	24 987
COMERCIAL OPERATING INCOME	**8 847**	**37**	**6 150**	**4 950**	**1 200**	**15 489**	**1 992**	**1 390**	**(4 063)**	**799**	**(127)**	**3 680**	**40 344**
Results on financial operation	9 150	13	30	34	1 315	(7 035)	-	2 951	2 406	-	(1 824)	573	7 613
Costs Deducting Banking Income	(435)	-	(29)	(21)	(14)	(204)	(11)	(9)	(155)	-	(2 918)	(53)	(3 849)
Intersegment Operating Income	50	(50)	-	-	(473)	(42)	1	-	34	-	447	35	2
TOTAL OPERATING INCOME	**17 612**	**-**	**6 151**	**4 963**	**2 028**	**8 208**	**1 982**	**4 332**	**(1 778)**	**799**	**(4 422)**	**4 235**	**44 110**
Operation expenses	**1 287**	**372**	**2 384**	**1 156**	**827**	**2 559**	**923**	**395**	**620**	**823**	**16 434**	**887**	**28 667**
Staff costs	1 092	333	1 792	756	419	1 285	433	266	238	662	9 860	639	17 775
General administration expenses	135	20	458	341	339	1 116	425	71	339	78	4 158	201	7 681
Depreciations and Amortisations	60	19	134	59	69	158	65	58	43	83	2 416	47	3 211
Gross income	**16 325**	**(372)**	**3 767**	**3 807**	**1 201**	**5 649**	**1 059**	**3 937**	**(2 398)**	**(24)**	**(20 856)**	**3 348**	**15 443**
Impairment and Provisions	**873**	**18**	**(11)**	**(10 155)**	**15**	**(396)**	**(1)**	**15**	**(100)**	**-**	**588**	**71**	**(9 083)**
Credit impairment	(712)	(12)	-	-	-	(1)	-	-	-	-	10	62	(653)
Securities impairment	1 295	-	-	(10 165)	-	(294)	-	-	5	-	-	-	(9 159)
Net provisions and other impairment	290	30	(11)	10	15	(101)	(1)	15	(105)	-	578	9	729
Income before taxes	**17 198**	**(354)**	**3 756**	**(6 348)**	**1 216**	**5 253**	**1 058**	**3 952**	**(2 498)**	**(24)**	**(20 268)**	**3 419**	**6 360**

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

(thousand euros)

	30.06.2022				
	Portugal	Rest of the Europe	America	Asia	Total
Net income	(11 998)	4 553	(439)	3 360	(4 524)
Net asset	1 982 550	426 488	706 616	13 535	3 129 189
Investments in assets					
tangible	241	279	21	87	628
intangible	471	125	1	-	597

(thousand euros)

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

NOTE 5 – FINANCIAL MARGIN

This heading's amount is composed of:

(thousand euros)

	Period of six months ended at					
	30.06.2022			30.06.2021		
	From assets/liabilities at amortised cost and at fair-value through other comprehensive income	From assets/liabilities at fair-value through profit and loss	Total	From assets/liabilities at amortised cost and at fair-value through other comprehensive income	From assets/liabilities at fair-value through profit and loss	Total
Interest and similar income						
Interest from loans and advances to customers	16 971	-	16 971	9 027	-	9 027
Interest from deposits and investments in credit institutions	2 809	-	2 809	614	-	614
Interest from financial assets at fair value through other comprehensive income	4 887	-	4 887	1 024	-	1 024
Interest from financial assets at fair-value through profit and loss	-	16 347	16 347	-	21 138	21 138
Interest from debt securities at amortised cost	7 080	-	7 080	2 257	-	2 257
Other interest and similar income	77	-	77	74	-	74
	31 824	**16 347**	**48 171**	**12 996**	**21 138**	**34 134**
Interest and similar expenses						-
Interest from deposits from central banks and other credit institutions	6 694	-	6 694	6 545	-	6 545
Interest from debt securities issued	6 025	-	6 025	1 111	-	1 111
Interest from customers accounts	27 165	-	27 165	10 823	-	10 823
Interest from leasing	150	-	150	85	-	85
Other interest and similar expenses	236	-	236	213	-	213
	40 270	**-**	**40 270**	**18 777**	**-**	**18 777**
	(8 446)	**16 347**	**7 901**	**(5 781)**	**21 138**	**15 357**

As at June 30th, 2022, interest and similar income includes an amount of 4 740 thousand euros and 164 thousand euros concerning contracts flagged as stage 2 and stage 3, respectively (June 30th, 2021,: 2,809 thousand euros and 1 241 thousand euros, respectively).

The heading Interest and similar income – Interest from deposits and investment in credit institutions has a negative cost of 274 thousand euros associated with TLTRO III operations (June 30th, 2021: 220 thousand euros).

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

NOTE 6 – NET FEES AND COMMISSIONS INCOME

This heading's amount is composed of:

(thousand euros)

	Period of six months ended at	
	30.06.2022	30.06.2021
Fees and commissions income		
From banking services	5 825	24 022
From guarantees provided	809	770
From transactions w ith securities	6 628	2 267
	13 262	**27 059**
Fees and commissions expenses		
From banking services rendered by third parties	1 494	1 511
From transactions w ith securities	1 217	736
From guarantees received	129	201
Other fee and comission expenses	203	236
	3 043	**2 684**
	10 219	**24 375**

As at June 30th, 2022, the income regarding fees and commission included 531 thousand euros (June 30th, 2022: 16.902 thousand euros) concern Haitong Group related parties (Note 36).

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

(thousand euros)

	30.06.2022	30.06.2021
Fees and commissions income		
China	3 229	8 397
Portugal	3 205	3 184
Virgin Islands	1 931	7 954
Poland	1 447	1 029
Brazil	1 075	257
Spain	807	253
Luxembourg	572	938
Cayman Islands	295	-
Ireland	234	-
Others	467	5 047
	13 262	**27 059**

NOTE 7 – NET TRADING INCOME

This heading's amount is composed of:

	Period of six months ended at	
	30.06.2022	30.06.2021
Trading assets and liabilities		
Securities		
Bonds and other fixed-income securities		
Issued by public entities	(25 814)	(43 380)
Of other entities	(2 332)	1 257
Shares	522	299
	(27 624)	**(41 824)**
Financial derivatives		
Foreign-exchange contracts	5 773	2 122
Interest rates contracts	28 804	30 291
Equity/indexes contracts	600	(544)
Credit default contracts	-	-
Other	28	946
	35 205	**32 815**
	7 581	**(9 009)**

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	
	30.06.2022	30.06.2021
Assets and liabilities at fair value through profit or loss		
Shares	412	686
Other variable-income securities	(646)	3 519
	(234)	**4 205**

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	
	30.06.2022	30.06.2021
Bonds and other fixed-income securities		
Issued by public entities	-	54
Of other entities	1	-
	1	**54**

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

This heading's amount is composed of:

(thousand euros)

	Period of six months ended at	
	30.06.2022	30.06.2021
Currency revaluation	(1 312)	408
	(1 312)	**408**

This heading includes results arising out of the exchange rate revaluation of monetary assets and liabilities denominated in foreign currency, in accordance with the accounting policy set forth in Note 2.3., and the results of foreign exchange derivatives.

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

As at the June 30th , 2022 and 2021, this heading's amount is composed of:

(thousand euros)

	Period of six months ended at	
	30.06.2022	30.06.2021
Loans recoveries	530	7 702
Sale of loans and advances to customers	-	1 292
Sale of investments at amortised cost	39	-
	569	**8 994**

NOTE 12 – OTHER OPERATING INCOME AND EXPENSES

This heading's amount is composed of:

(thousand euros)

	Period of six months ended at	
	30.06.2022	30.06.2021
Other customer services	345	611
Direct and Indirect taxes	(2 361)	(2 202)
Other operating results	(1 256)	1 162
Non-financial assets	88	(5)
Sub-leasing	164	160
	(3 020)	**(274)**

Direct and indirect taxes include 1,480 thousand euros concerning the cost associated with the Bank Levy (1,056 thousand euros at 30 June 2021), established pursuant to Law no. 55-A/2010, of the 31st of December.

As at the June 30th, 2022, the balance Other operating income and expenses includes, among other, the followings:

i) a cost of 1,347 thousand euros related to Contributions to the National Resolution Fund and to the EU Resolution Fund (1,101 thousand euros at 30 June 2021);

ii) a cost of 487 thousand euros related to Contributions to the Loan Guarantee Fund applicable to the subsidiary Haitong Banco de Investimento do Brasil S.A. (331 thousand euros as at 30 June 2021);

NOTE 13 – EMPLOYEE COSTS

This heading's amount is composed of:

(thousand euros)

	Period of six months ended at	
	30.06.2022	30.06.2021
Wages and salaries		
Remuneration	14 596	13 622
Career benefits (Note 14)	(21)	(30)
Changes from termination agreements	64	(127)
Unwind - Change in Plan	-	120
Expenses with retirement pensions (Note 14)	69	110
Other mandatory social charges	3 313	2 892
Other expenses	1 731	1 188
	19 752	**17 775**

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 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**
June 2021			
Remunerations and other short-term benefits	830	3 714	4 544
Variable remunerations	800	1 160	1 960
Total	**1 630**	**4 874**	**6 504**

(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 2022 and 2021, Haitong Bank Group did not present any credit granted to its Management Bodies.

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

	30.06.2022	31.12.2021	30.06.2021
Directors	187	187	189
Management	3	3	3
Specific roles	141	143	144
Administrative roles	24	21	20
Support roles	10	10	11
	362	**364**	**363**

As at the 30th June 2022, the Group had a total of 362 employees on its staff, compared to 364 in December 2021 and 363 in June 2021.

NOTE 14 – EMPLOYEES BENEFITS

Retirement pensions and healthcare benefits

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

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

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

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

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

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

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

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

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

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

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

	Assumptions	
	30.06.2022	30.06.2021
Financial Assumptions		
Expected return rates	3,50%	1,60%
Discount rate	3,50%	1,60%
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 year with retirement pensions and healthcare benefits may be analysed as follows:

(thousand euros)

	30.06.2022	30.06.2021
Current service cost (see Note 13)	69	110
Interest Expenses / (Income)	(43)	(7)
Expenses of the period	**26**	**103**

Career bonuses

On the 30th June, 2022, 31st of December, 2021 and 30th June, 2021, the liabilities assumed by the Group and the costs recognized in the periods with the career bonus are the following:

(thousand euros)

	30.06.2022	31.12.2021	30.06.2021
Liabilities at the begining of the period	**595**	**586**	**616**
Period expenses (See Note 13)	(21)	9	(30)
Liabilities at the end of the period (see Note 32)	**574**	**595**	**586**

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 32).

NOTE 15 – ADMINISTRATIVE COSTS

This heading's amount is composed of:

(thousand euros)

	Period of six months ended at	
	30.06.2022	30.06.2021
Communications and expedition	2 323	2 129
Rents and leases	159	436
Travels and representation costs	-	90
Maintenance and related services	314	213
Insurance	60	45
Advertising and publications	60	56
Legal and litigation	149	30
Specialised services		
IT services	1 590	2 107
Temporary labour	2	3
Independent labour	447	148
Other specialised services	1 346	1 591
Other expenses	1 036	833
	7 486	**7 681**

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 16 – EARNINGS PER SHARE

Basic earnings per share

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

(thousand euros)

	Period of six months ended at	
	30.06.2022	30.06.2021
Consolidated net income attributable to shareholders of the parent company[(1)]	(4 524)	2 292
Weighted average number of ordinary shares outstanding (thousand)	**168 954**	**168 954**
Basic earnings per share attributable to shareholders of the parent company (euros)	**-0,03**	**0,01**

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

NOTE 17 – CASH AND CASH EQUIVALENTS

As at the 30th June, 2022, and 31st December, 2021, this heading is analysed as follows:

(thousand euros)

	30.06.2022	31.12.2021
Cash	7	9
Demand deposit at central banks		
Bank of Portugal	621 244	457 539
Other central banks	12 803	127
	634 047	**457 666**
Deposits at other credit institutions in Portugal		
Demand deposits	10 876	4 698
	10 876	**4 698**
Deposits at other credit institutions abroad		
Demand deposits	23 982	26 172
	23 982	**26 172**
	668 912	**488 545**
Impairment losses (Note 30)	-	(1)
	668 912	**488 544**

The 'Demand deposits in central banks – Bank of Portugal' heading, includes deposits with a mandatory nature, intended to comply with the legal minimum cash deposits requirements. In accordance with Regulation (EU) no. 1358/2011 of the European Central Bank, of the 14th of December, 2011, the mandatory minimum deposits in demand deposits in the Bank of Portugal, are paid and represent 1% of the deposits and debt securities with maturity up to 2 years, whereof are excluded deposits and debt securities from entities subject to the minimum reserve requirement scheme of the European System of Central Banks. On the 30th June, 2022, the average rate of return of such deposits was 0,00% (31st of December, 2021: 0.00%).

The compliance with mandatory minimum deposits, for a specific observation period, is effected by taking into account the medium amount of the balances of the deposits with the Bank of Portugal throughout the aforementioned period. The balance of the account with the Bank of Portugal as at the 30th of June, 2022, has been comprised in the maintenance period from the 15th of June, 2022, to the 26th of July, 2022, which corresponded a mandatory minimum reserve amounting to 2,015 thousand euros (31st of December, 2021: 2,739 thousand euros).

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

As at 30th June 2022 and 31st December 2021, the heading of trading financial assets and liabilities is as follows:

(thousand euros)

	30.06.2022	31.12.2021
Financial assets held-for-trading		
Bonds and other fixed-income securities		
From public issuers	337 179	312 157
From other issuers	33 578	33 843
Shares	38	40
	370 795	**346 040**
Financial liabilities held-for-trading		
Short selling	992	1 036
	992	**1 036**

As at 30th June 2022 , the heading of financial assets held for trading includes 102,835 thousand euros in securities pledged as collateral by the Group (96,128 thousand euros as at 31st of December 2021) (see Note 35).

As at 30th June 2022 and 31st December 2021, the analysis of financial assets held-for-trading, by residual maturity period, is as follows:

(thousand euros)

	30.06.2022	31.12.2021
Up to three months	-	7 292
From three months to one year	7 072	1 354
From one to five years	98 121	85 127
More than five years	265 564	252 227
Undetermined period	38	40
	370 795	**346 040**

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

As at 30th June 2022 and 31st December 2021, the heading of financial assets held-for-trading, concerning quoted and unquoted securities, is divided as follows:

(thousand euros)

	30.06.2022			31.12.2021		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Bonds and other fixed-income securities						
Issued by public entities	3 811	333 368	337 179	3 129	309 028	312 157
Issued by other entities	30 987	2 591	33 578	33 155	688	33 843
Shares	38	-	38	40	-	40
Total book value	**34 836**	**335 959**	**370 795**	**36 324**	**309 716**	**346 040**

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

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

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

NOTE 19 – DERIVATIVES

As at 30th June 2022 and 31st December 2021, financial derivatives heading is analysed as follows:

(thousand euros)

	30.06.2022	31.12.2021
Derivatives financial assets		
Trading derivatives		
Foreign-exchange contracts	31 962	24 426
Interest-rate contracts	48 488	63 386
Other contracts	472	2 102
	80 922	**89 914**
Derivatives financial liabilities		
Trading derivatives		
Foreign-exchange contracts	36 357	19 033
Interest-rate contracts	37 111	53 505
Other contracts	471	2 064
	73 939	**74 602**
	6 983	**15 312**

As at 30th June 2022 and 31st December 2021, trading financial derivatives is analysed as follows:

(thousand euros)

	30.06.2022			31.12.2021		
	Notional	Fair value		Notional	Fair value	
		Positive	Negative		Positive	Negative
Foreign-exchange contracts						
Forward		15 084	21 948		20 365	12 447
- buy	441 173			824 794		
- sell	447 787			824 677		
Currency Swaps		3 750	1 174		660	3 337
- buy	272 197			309 110		
- sell	269 785			311 972		
Currency Futures		-	-		-	-
- buy	247 641			170 583		
- sell	287 210			236 879		
Currency Interest Rate Swaps		9 466	9 572		2 027	2 105
- buy	14 018			26 173		
- sell	14 560			26 173		
Currency Options		3 662	3 663		1 374	1 144
- buy	332 681			256 703		
- sell	350 574			274 747		
	2 677 626	**31 962**	**36 357**	**3 261 811**	**24 426**	**19 033**
Interest-rate contracts						
Interest Rate Swaps		48 222	36 845		62 907	53 023
- buy	975 584			1 108 608		
- sell	975 584			1 108 608		
Interest Rate Caps & Floors		266	266		479	482
- buy	52 150			53 574		
- sell	52 150			53 574		
Interest Rate Futures		-	-		-	-
- buy	166 291			286 535		
- sell	331 940			332 323		
	2 553 699	**48 488**	**37 111**	**2 943 222**	**63 386**	**53 505**
Contracts on shares/indexes						
Equity / Index Swaps		472	471		2 102	2 064
- buy	13 572			13 516		
- sell	13 572			13 516		
Equity / Index Options		-	-		-	-
- buy	6 092			-		
Equity / Index Futures		-	-		-	-
- sell	3 131			3 516		
	36 367	**472**	**471**	**30 548**	**2 102**	**2 064**
Total	**5 267 692**	**80 922**	**73 939**	**6 235 581**	**89 914**	**74 602**

As at 30th June 2022 and 31st December 2021, the analysis of trading financial derivatives, by residual maturity period, is as follows:

(thousand euros)

	30.06.2022			31.12.2021		
	Notional		Fair Value	Notional		Fair Value
	Sale	Purchase	(net)	Sale	Purchase	(net)
Up to three months	843 842	800 233	(682)	916 897	959 065	1 725
From three months to one year	609 861	566 101	(3 802)	753 160	744 662	3 354
From one to five years	952 320	934 761	11 655	854 085	755 337	10 023
More than five years	340 271	220 303	(188)	661 842	590 533	210
	2 746 294	**2 521 398**	**6 983**	**3 185 984**	**3 049 597**	**15 312**

As at 30th of June 2022 and 31st of December 2021, derivatives, both assets and liabilities, include operations collateralized by the constitution of collateral accounts in order to ensure the fair value hedge of the active and liability exposures contracted between the Bank and several financial institutions. The balances related to these collateral are recorded under "Other assets - collateral deposited under clearing agreements" (Note 26) and "Other liabilities - collateral deposited under clearing agreements" (Note 32).

NOTE 20 – SECURITIES

As at June 30th 2022 and December 31st 2021, this heading is analysed as follows:

(thousand euros)

	30.06.2022	31.12.2021
Non-trading financial assets mandatorily at fair value through profit or loss		
Bonds and other fixed-income securities		
From other issuers	-	745
Shares	13 300	4 881
Other variable income securities	4 436	14 151
	17 736	**19 777**
Financial assets at fair value through other comprehensive income		
Bonds and other fixed-income securities		
From public issuers	51 303	44 679
From other issuers	169 167	215 090
	220 470	**259 769**
Financial assets measured at amortised cost		
Securities		
Bonds and other fixed-income securities		
From public issuers	374 000	251 236
From other issuers	281 335	281 537
	655 335	**532 773**
	893 541	**812 319**

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

As at 30th June 2022 and 31st December 2021, the portfolio of Financial assets at fair value through other comprehensive income is analysed as follows:

(thousand euros)

	Cost (1)	Fair value reserve		Impairment (Note 30)	Book value
		Positive	Negative		
Bonds and other fixed-income securities					
Issued by public entities	56 374	-	(4 810)	(261)	51 303
Issued by other entities	179 119	617	(9 946)	(623)	169 167
Balance as at 30 June 2022	**235 493**	**617**	**(14 756)**	**(884)**	**220 470**
Bonds and other fixed-income securities					
Issued by public entities	48 076	-	(3 175)	(223)	44 678
Issued by other entities	216 345	809	(1 449)	(614)	215 091
Balance as at 31 December 2021	**264 421**	**809**	**(4 624)**	**(837)**	**259 769**

(1) Amortised cost

As at 30th June 2022 and 31st December 2021, the portfolio of financial assets at amortized cost is analysed as follows:

(thousand euros)

	Cost (1)	Impairment (Note 30)	Book value
Bonds and other fixed-income securities			
Issued by public entities	374 291	(291)	374 000
Issued by other entities	282 447	(1 112)	281 335
Balance as at 30 June 2022	**656 738**	**(1 403)**	**655 335**
Bonds and other fixed-income securities			
Issued by public entities	251 469	(233)	251 236
Issued by other entities	282 514	(977)	281 537
Balance as at 31st December 2021	**533 983**	**(1 210)**	**532 773**

(1) Amortised cost

As at 30th June 2022, the heading of Financial assets includes 556,818 thousand euros (31st December 2021: 407,603 thousand euros) in securities pledged as collateral by the Group (see Note 35).

As at 30th June 2022 and 31st December 2021, the analysis of securities portfolios by maturity period, is presented as follows:

(thousand euros)

	30.06.2022	31.12.2021
Up to three months	4 436	38 278
From three months to one year	79 199	81 343
From one to five years	643 914	526 683
More than five years	152 690	146 983
Undetermined period	13 302	19 032
	893 541	**812 319**

As at 30th June 2022 and 31st December 2021, the heading of securities, concerning quoted and unquoted securities, is divided as follows:

(thousand euros)

	30.06.2022			31.12.2021		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Securities						
Bonds and other fixed-income securities						
Issued by public entities	383 975	41 328	425 303	261 571	34 344	295 915
Issued by other entities	279 023	171 479	450 502	312 987	184 385	497 372
Shares	9	13 291	13 300	8	4 873	4 881
Other variable-income securities	-	4 436	4 436	-	14 151	14 151
Total book value	**663 007**	**230 534**	**893 541**	**574 566**	**237 753**	**812 319**

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

NOTE 21 - LOANS AND ADVANCES TO BANKS

As at 30th June 2022 and 31st December 2021, this heading is analysed as follows:

(thousand euros)

	30.06.2022	31.12.2021
Loans and advances to banks in Portugal		
Deposits	56	56
Interbank money market	2 500	2 500
	2 556	**2 556**
Loans and advances to banks abroad		
Deposits	5 972	-
Reverse repos	15 635	5 138
Very short-term deposits	-	43 683
Other loans and advances	3 900	3 561
	25 507	**52 382**
	28 063	**54 938**
Impairment losses (Note 30)	(981)	(916)
	27 082	**54 022**

As at 30th June 2022 and 31st December 2021, the analysis of loans and advances to banks, by residual maturity period, is presented as follows:

(thousand euros)

	30.06.2022	31.12.2021
Up to three months	25 562	52 437
From three months to one year	2 501	2 501
	28 063	**54 938**

NOTE 22 – LOANS AND ADVANCES TO CUSTOMERS

As at 30th June 2022 and 31st December 2021, this heading is analysed as follows:

(thousand euros)

	30.06.2022	31.12.2021
At fair value throught profit and loss		
Overdue loans and interest		
Up to 90 days	-	22
For more than 90 days	22	-
	22	**22**
At amortized cost		
Domestic loans		
Corporate		
Loans	338 700	325 770
Retail		
Mortgage loans	136	142
	338 836	**325 912**
Foreign loans		
Corporate		
Loans	415 489	268 408
Reverse repos	271	33 389
Retail		
Other credits	-	1
	415 760	**301 798**
Overdue loans and interest		
For more than 90 days	2 484	4 499
	2 484	**4 499**
	757 080	**632 209**
Impairment losses (Note 30)	(12 686)	(11 968)
	744 394	**620 241**
	744 416	**620 263**

As at 30th June 2022 and 31st December 2021, the analysis of loans and advances to costumers, by residual maturity period, is presented as follows:

(thousand euros)

	30.06.2022	31.12.2021
Up to three months	18 639	44 990
From three months to one year	39 038	35 149
From one to five years	418 820	269 917
More than five years	278 099	277 654
Undetermined period	2 506	4 521
	757 102	**632 231**

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

As at 30th June 2022 and 31st December 2021, this heading is analysed as follows:

(thousand euros)

	30.06.2022	31.12.2021
Properties	6 398	6 538
	6 398	**6 538**

Non-current assets held for sale include only one property in Poland held by Haitong Ancillary Services (formerly Polish Hotel Company). The Group has implemented a plan for the immediate sale of this asset. However, given the market conditions, it was not possible to complete the sale within the period initially foreseen.

Different investors have shown interest, with whom the bank has been negotiating in order to complete the sale operation in the shortest amount of time.

The company entered the liquidation process in January 2022.

NOTE 24 – OTHER TANGIBLE ASSETS

As at 30th June 2022 and 31st December 2021, this heading is analysed as follows:

(thousand euros)

	30.06.2022	31.12.2021
Real Estate		
For own use	1	1
Improvements in leasehold property	8 378	7 435
	8 379	**7 436**
Equipment		
IT equipment	11 852	11 465
Indoor installations	2 029	2 115
Furniture	3 028	2 458
Machinery and tools	1 069	1 019
Motor vehicles	334	269
Security equipment	272	262
Others	286	235
	18 870	**17 823**
	27 249	**25 259**
Work in progress		
Improvements in leasehold property	-	1 217
Equipment	46	480
	46	**1 697**
Right-of-use		
IT equipment	114	112
Vehicles	472	576
Buildings	13 179	13 780
	13 765	**14 468**
	41 060	**41 424**
Accumulated depreciations	(32 409)	(31 449)
	8 651	**9 975**

The movement in this heading was as follows:

(thousand euros)

	Real estate	Equipment	Right-of-use Buildings	Right-of-use IT equipment	Right-of-use Vehicles	Work in progress	Total
Acquisition cost							
Balance as at 31 December 2020	**7 329**	**17 685**	**12 143**	**95**	**661**	**1 551**	**39 464**
Acquisitions	89	152	-	-	-	146	387
Write-offs / sales	-	(134)	-	-	-	-	(134)
Transfers	-	109	-	-	-	-	109
Exchange differences and other movements	18	11	1 637	17	(85)	-	1 598
Balance as at 31 December 2021	**7 436**	**17 823**	**13 780**	**112**	**576**	**1 697**	**41 424**
Acquisitions	-	440	-	-	-	188	628
Write-offs / sales	-	(479)	-	-	-	-	(479)
Transfers	929	918	-	-	-	(1 839)	8
Exchange differences and other movements	14	168	(601)	2	(104)	-	(521)
Balance as at 30 June 2022	**8 379**	**18 870**	**13 179**	**114**	**472**	**46**	**41 060**
Depreciations							
Balance as at 31 December 2020	**5 898**	**16 519**	**6 004**	**71**	**379**	**-**	**28 871**
Depreciations of period	468	521	3 271	29	170	-	4 459
Depreciation of discontinued operations	-	(134)	-	-	-	-	(134)
Exchange differences and other movements	15	25	(1 440)	(70)	(277)	-	(1 747)
Balance as at 31 December 2021	**6 381**	**16 931**	**7 835**	**30**	**272**	**-**	**31 449**
Depreciations of period	292	339	1 654	14	64	-	2 363
Write-offs / sales	-	(479)	-	-	-	-	(479)
Exchange differences and other movements	161	107	(1 092)	-	(100)	-	(924)
Balance as at 30 June 2022	**6 834**	**16 898**	**8 397**	**44**	**236**	**-**	**32 409**
Net book value as at 30 June 2022	**1 545**	**1 972**	**4 782**	**70**	**236**	**46**	**8 651**
Net book value as at 31 December 2021	**1 055**	**892**	**5 945**	**82**	**304**	**1 697**	**9 975**

NOTE 25 – INTANGIBLE ASSETS

As at 30th June 2022 and 31st December 2021, this heading is analysed as follows:

(thousand euros)

	30.06.2022	31.12.2021
Software	36 060	34 121
Others	1 013	998
	37 073	**35 119**
Work in progress	290	1 394
	37 363	**36 513**
Accumulated amortisations	(33 930)	(32 895)
Impairment losses (Note 30)	-	-
	(33 930)	**(32 895)**
	3 433	**3 618**

The movement in this heading was as follows:

(thousand euros)

	Goodwill	Software	Other fixed assets	Work in progress	Total
Acquisition cost					
Balance as at 31st December 2020	**9 859**	**34 182**	**999**	**743**	**45 783**
Acquisitions:					
Purchased from third parties	-	142	-	760	902
Write-offs / sales	(9 859)	(220)	-	-	(10 079)
Transfers from discontinued operations	-	-	-	(109)	(109)
Exchange differences and other movements	-	17	(1)	-	16
Balance as at 31st December 2021	**-**	**34 121**	**998**	**1 394**	**36 513**
Acquisitions:					
Write-offs / sales	-	418	-	179	597
Other Movements	-	1 281	-	(1 290)	(9)
Balance as at 30 June 2022	**-**	**36 060**	**1 013**	**290**	**37 363**
Amortizations					
Balance as at 31st December 2020	**-**	**30 342**	**924**	**-**	**31 266**
	-	-	-		-
Amortizations of the period	-	1 827	10	-	1 837
Write-offs / sales	-	(220)	-	-	(220)
Exchange differences and other movements	-	12	-	-	12
Balance as at 31st December 2021	**-**	**31 961**	**934**	**-**	**32 895**
Amortizations of the period	-	868	6	-	874
Exchange differences and other movements	-	158	3	-	161
Balance as at 30 June 2022	**-**	**32 987**	**943**	**-**	**33 930**
					-
Impairment	-	-	-	-	-
					-
Balance as at 31st December 2020	**9 859**	**-**	**-**	**-**	**9 859**
Write off	(9 859)	-	-	-	(9 859)
Balance as at 31st December 2021	**-**	**-**	**-**	**-**	**-**
Balance as at 30 June 2022	**-**	**-**	**-**	**-**	**-**
					-
Net balance as at 30 June 2022	**-**	**3 073**	**70**	**290**	**3 433**
Net balance as at 31st December 2021	**-**	**2 160**	**64**	**1 394**	**3 618**

NOTE 26 – OTHER ASSETS

As at 30th June 2022 and 31st December 2021, the Other Assets heading is analysed as follows:

(thousand euros)

	30.06.2022	31.12.2021
Debtors and other assets		
Collateral deposited under collateral agreements (Note 19)	49 478	59 434
Public sector	74 171	66 417
Deposits placed under margin accounts (futures contracts)	5 500	1 779
Other sundry debtors	17 391	16 562
Loans and derivatives receivables	9 891	9 937
	156 431	154 129
Impairment losses for debtors and other investments (Note 30)	(12 484)	(11 306)
	143 947	**142 823**
Other assets		
Gold, other precious metals, numismatic, medals and other liquid assets	1 545	2 627
Other assets	5 398	5 374
	6 943	**8 001**
Income receivable	**-**	**(3)**
Prepayments and deferred costs	**8 466**	**3 166**
Other sundry assets		
Exchange transactions pending settlement	4 211	2 835
Market securities transactions pending settlement	1 117	12 211
Retirement pensions	14 091	6 194
Other transactions pending settlement	13 502	20 141
	32 921	**41 381**
	192 277	**195 368**

As at 30th June 2022 includes an amount of 23,586 thousand euros (19,699 thousand euros as at 31 December 2021) related with a tax contingency (Note 35). 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 22,519 thousand euros.

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

NOTE 27 – RESOURCES OF CREDIT INSTITUTIONS

The resources of credit institutions heading is presented as follows:

(thousand euros)

	30.06.2022	31.12.2021
Resources of central banks		
Banco de Portugal	318 825	319 350
	318 825	**319 350**
Resources of other credit institutions		
Domestic		
Repurchase agreements	-	18
	-	**18**
Foreign		
Deposits	2 380	10 608
Loans	2 434	1 898
Repurchase agreements	147 199	22 577
Other resources	410 938	404 946
	562 951	**440 029**
	881 776	**759 397**

As at 30th June 2022 and 31st December 2021, the analysis of resources of credit institutions by residual maturity period is as follows:

(thousand euros)

	30.06.2022	31.12.2021
Up to three months	135 470	21 980
From three months to one year	310 204	32 134
From one to five years	402 571	678 297
More than five years	33 531	26 986
	881 776	**759 397**

NOTE 28 – RESOURCES OF CUSTOMERS

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

(thousand euros)

	30.06.2022	31.12.2021
Repayable on demand		
Demand deposits	41 730	91 060
Time deposits		
Fixed-term deposits	879 261	792 427
Other resources		
Repurchase agreements	47 791	50 278
Other Deposits	1 599	1 467
Other	7	228 768
	49 397	**280 513**
	970 388	**1 164 000**

As at 30th June 2022 and 31st December 2021, the analysis of due to customers by residual maturity period is as follows:

(thousand euros)

	30.06.2022	31.12.2021
Demand deposits	41 730	91 060
Fixed-term deposits		
Up to 3 months	266 239	155 645
3 to 12 months	417 347	390 611
1 to 5 years	195 675	246 171
	879 261	792 427
Other resources		
Up to 3 months	42 212	46 436
3 to 12 months	7 185	39 026
1 to 5 years	-	195 051
	49 397	280 513
	970 388	**1 164 000**

NOTE 29 – DEBT SECURITIES ISSUED

The debt securities issued heading can be divided as follows:

(thousand euros)

	30.06.2022	31.12.2021
Debt securities issued		
Other Bonds	479 135	26 750
	479 135	**26 750**

The fair-value of the portfolio regarding debt securities issued is presented in Note 37.

During the first semester of 2022, Haitong Bank Group issued securities amounting to 446,622 thousand euros (31st of December 2021: 26 749 thousand euros) and reimbursed debt securities of 572 thousand euros (31st of December 2021: 52,948 thousand euros).

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

(thousand euros)

				30.06.2022		
Issuer	Designation	Currency	Issue Date	Book Value	Maturity	Interest Rate
HT_BR	LF NOVA LF HAITONG BRINTLLFI6U3	BRL	2022	1 058	2025	CDI 100%
HT_PT	HAITIB Float 02/08/25 Corp	EUR	2022	229 092	2025	Euribor 3 months + 1.45%
HT_PT	HAITIB 4 05/29/27 Corp	USD	2022	144 492	2027	Fixed rate 4%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6L2	BRL	2022	2 119	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6N8	BRL	2022	2 384	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7N6	BRL	2022	3 504	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7M8	BRL	2022	16 179	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7V9	BRL	2022	2 567	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7O4	BRL	2022	20 001	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7P1	BRL	2022	8 969	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7Q9	BRL	2022	7 732	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7R7	BRL	2022	14 434	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7S5	BRL	2022	103	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6O6	BRL	2022	424	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6K4	BRL	2022	1 166	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6P3	BRL	2022	2 648	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6R9	BRL	2022	2 114	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6Q1	BRL	2022	30 655	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6T5	BRL	2022	1 057	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7T3	BRL	2022	309	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7J4	BRL	2022	4 132	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7X5	BRL	2022	2 560	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7U1	BRL	2022	7 195	2026	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7B1	BRL	2022	2 216	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7C9	BRL	2022	25 750	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI799	BRL	2022	6 121	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7A3	BRL	2022	18 152	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7Z0	BRL	2022	25 518	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI807	BRL	2022	15 262	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI831	BRL	2022	2 025	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI815	BRL	2022	4 068	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7D7	BRL	2022	8 759	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7E5	BRL	2022	8 337	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7F2	BRL	2022	4 538	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6V1	BRL	2022	952	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI823	BRL	2022	1 014	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI849	BRL	2022	1 772	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI856	BRL	2022	2 016	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI864	BRL	2022	13 058	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI872	BRL	2022	30 100	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI880	BRL	2022	3 500	2026	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6X7	BRL	2022	2 115	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI757	BRL	2022	5 288	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6Z2	BRL	2022	740	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI724	BRL	2022	1 586	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6Y5	BRL	2022	635	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI708	BRL	2022	846	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI773	BRL	2022	6 345	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI732	BRL	2022	4 230	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI740	BRL	2022	2 432	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6W9	BRL	2022	423	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI716	BRL	2022	1 058	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6M0	BRL	2022	4 504	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI781	BRL	2022	3 700	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7H8	BRL	2022	7 264	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7G0	BRL	2022	4 151	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7I6	BRL	2022	4 145	2025	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7K2	BRL	2022	32 667	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI7L0	BRL	2022	9 481	2024	CDI 100%

NOTE 30 – PROVISIONS AND IMPAIRMENT

As at 30th June 2022 and 31st December 2021, the Provisions heading presents the following movements:

(thousand euros)

	Provisions for other risks and charges	Provisions for guarantees and other undertakings	Total
Balance as at 31st December 2020	**8 782**	**12 141**	**20 923**
Net charge of the period	(615)	(295)	(910)
Write back	(10)	-	(10)
Foreign exchange differences and others	689	12	701
Balance as at 30 June 2021	**8 846**	**11 858**	**20 704**
Net charge of the period	10 262	82	10 344
Write back	(41)	(10 995)	(11 036)
Foreign exchange differences and others	(97)	24	(73)
Balance as at 31st December 2021	**18 970**	**969**	**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	**17 031**	**939**	**17 970**

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

The movements in impairment losses can be analyzed as follows:

(thousand euros)

	31.12.2021	Net charge of the period	Stage 3	Exchange differences and others	30.06.2022
Cash and cash equivalents (Note 17)	1	15	-	(16)	-
Financial assets measured at fair value through OCI (Note 20)	837	(1 130)	(42)	1 219	884
Financial assets measured at amortized cost					
Loan and advances to banks (Note 21)	916	(30)	-	95	981
Loan and advances to customers (Note 22)	11 968	(153)	11	860	12 686
Securities (Note 20)	1 210	141	-	52	1 403
Other assets (Note 26)	11 306	995	-	183	12 484
	26 238	**(162)**	**(31)**	**2 393**	**28 438**

(thousand euros)

	31.12.2020	Net charge of the period	Write back	Stage 3	Exchange differences and others	31.12.2021
Cash and cash equivalents (Note 17)	-	-	-	-	1	1
Financial assets measured at fair value through OCI (Note 20)	3 607	1 334	(3)	(66)	1 180	6 052
Financial assets measured at amortized cost						
Loan and advances to banks (Note 21)	500	94	-	-	16	610
Loan and advances to customers (Note 22)	11 990	654	(2 781)	34	557	10 454
Securities (Note 20)	10 875	7 826	-	-	9	18 710
Intagible assets (Note 25)	9 859	-	-	-	-	9 859
Investments in associated companies	340	-	(340)	-	-	-
Other assets (Note 26)	9 688	85	-	-	144	9 917
	46 859	**9 993**	**(3 124)**	**(32)**	**1 907**	**55 603**

(thousand euros)

	31.06.2021	Net charge of the period	Write back	Stage 3	Exchange differences and others	31.12.2021
Cash and cash equivalents (Note 17)	1	1	-	-	(1)	1
Financial assets measured at fair value through OCI (Note 20)	6 052	(2 966)	(5 174)	(54)	2 979	837
Financial assets measured at amortized cost						
Loan and advances to banks (Note 21)	610	280	-	-	26	916
Loan and advances to customers (Note 22)	10 454	1 944	-	(27)	(403)	11 968
Securities (Note 20)	18 710	163	(17 658)	-	(5)	1 210
Intagible assets (Note 25)	9 859	-	(9 859)	-	-	-
Investments in associated companies	-	-	-	-	-	-
Other assets (Note 26)	9 917	1 569	(182)	-	2	11 306
	55 603	**991**	**(32 873)**	**(81)**	**2 598**	**26 238**

NOTE 31 – INCOME TAXES

The Bank and its subsidiaries domiciled in Portugal are subject to taxation in accordance with the corporate income tax code (CIT code) and to local taxes.

Income taxes (current or deferred) are recognised in the income statement except in cases where the underlying transactions have been reflected in equity items. In these situations, the corresponding tax is also charged to equity, not affecting the net result for the period.

The current tax in June 2022 and 2021 were calculated based on a nominal corporate income tax rate and Municipal Surcharge of 22.5%, in accordance with Law no. 82-B/2014, of 31st of December, and Law no. 2/2007, of 15th of January. Additionally there is a State Surcharge which corresponds to an additional rate of 3% of the taxable profit between 1,500 and 7,500 thousand euros, 5% of the profit between 7,500 and 35,000 thousand euros, 9% of any profit which exceeds this amount (if applicable).

Deferred taxes are calculated based on tax rates anticipated to be in force at the temporary differences reversal date, which corresponds to the rates enacted or substantively enacted at the balance sheet date. Thus, for the first half of 2022 deferred tax was calculated at the rate of 26.24%.

Regarding activity in Portugal, Law No. 98/2019 was published on 4 September 2019, which changed the tax regime applicable to the impairment of financial and credit institution. That law establishes in article 4 an adaptation period of 5 years beginning on or after 1 January 2019, pursuant to which the regime in force on the date of entry into force of this law remains applicable, unless there is communication addressed to the Director-General of the Portuguese Tax Authority of the option for the definitive regime. Bearing in mind that for the 2022 financial year this regime was optional, the Bank has not yet joined it. Therefore, the Bank considered, for the purpose of calculating taxable income and the recording and analysis of the recoverability of deferred tax assets with reference June 2022 that the amount of credit impairment and provisions for guarantees recorded, that is deductible for the purposes of CIT (Corporate Income Tax), corresponds to the amount of deductible impairments/provisions that would have been calculated if the reference to Banco de Portugal Notice 3/95 remained in force.

Special Scheme Applicable to Deferred Tax Assets

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

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

The tax credit recorded in the accounts with reference June 2022 as well as the respective special reserve, can be analysed as follows:

(thousand euros)

Year	Tax Credit	Special Reserve
2015	5 281	5 809
2016	20 529	22 582
2017	9 060	9 966
2018	233	256
2020	433	476
Total	**35 536**	**39 089**

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.

Additionally, in 2020, the bank receipted tax credit under REAID, by the Portuguese Tax Authorities, with reference to the years 2015 and 2016 the amount of 15 078 thousand euros.

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

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

Indeed, for 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 2022, and taking into account the amounts of the financial statements as at 31 December 2021, as well as the amount of tax credits converted by reference to the years 2015 until 2018 and 2020 it would be necessary to increase special reserve in an estimated value of 20,115 thousand euros.

The amount of assets by deferred taxes converted into tax credit, the establishment of the special reserve and the issuing and granting of conversion rights to the Government shall be certified by the certified public accountant.

As Haitong Bank has determined, in its individual accounts, a positive net result with reference at 31 December 2021 there is no possible converts' part of the deferred taxes covered by this regime into tax credit in this year.

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

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

In this sense, following the Bank disagreement with these corrections, in November 2019, an administrative complaint was submit regarding the 2015 Tax Inspection Report and in April 2020, an administrative complaint was submit regarding the 2016 inspection report.

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

The Bank disagreeing with these corrections, so in 2021, 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 two years in the amount of 14,611 thousand euros (of a total amount of 35,103 thousand euros). Thus, that tax credit would be reclassified to the item of deferred tax assets.

The Bank's management considers that the procedures adopted in those years are compliant with the legislation in force, and therefore estimates that it is not likely that the Tax Authority's position will prevail. Even so, if this correction occur, it would materialize in the recognition of deferred tax assets. In addition, the Board of Directors believes that any corrections that may arise, related to the years inspected, will not have a material impact either on the Bank's capital or on the Bank's results with reference June 2022, as its affect tax losses that have not yet been used anf for which deferred tax losses have been not recognized.

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

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

Branch	Nominal income tax rate
London	19%
Madrid	30%
Warsaw	19%
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 2022 and 31st of December 2021, current tax assets and liabilities can be analyzed as follows:

(thousand euros)

	Asset		Liabiity	
	30.06.2022	31.12.2021	30.06.2022	31.12.2021
Corporate income tax	5 409	4 361	(6 855)	(7 267)
Tax Credit (Special Scheme for Deferred Taxes)	20 458	20 458	-	-
Current tax asset / (liability)	**25 867**	**24 819**	**(6 855)**	**(7 267)**

According to legislation in force, Haitong Bank shareholders may exercise the rights to acquire conversion rights until three years from the conversion confirmation of the deferred tax assets into tax credit by the Tax Authority. For the period of 2015, the right to acquire conversion rights from shareholders was executed on the 1st of June 2022 (nore 22)

Deferred tax assets and liabilities recognized in the statement of financial position as 30th of June 2022 and in 2021 can be analyzed as follows:

(thousand euros)

	Asset		Liability		Net	
	30.06.2022	31.12.2021	30.06.2022	31.12.2021	30.06.2022	31.12.2021
Derivative financial instruments	7 206	4 994	-	-	7 206	4 994
Securities	4 462	1 561	-	-	4 462	1 561
Loans and advances to customers	27 652	27 998	-	-	27 652	27 998
Provisions	4 171	5 776	-	-	4 171	5 776
Pension Fund and Long-term employee benefits	5 435	5 047	-	-	5 435	5 047
Other	(869)	(3 387)	(305)	(301)	(1 174)	(3 688)
Tax losses carried forward	58 838	53 243	-	-	58 838	53 243
Net deferred tax asset / (liability)	**106 895**	**95 232**	**(305)**	**(301)**	**106 590**	**94 931**

The Group only recognizes deferred tax assets in relation to reportable tax losses when it considers that they are expected to be recovered in the near future. Of the total deferred tax assets of tax losses, 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 deferred tax assets, which can be used until the year 2024 and 2025, respectively. The period of tax losses utilization takes into account the exceptional measures to the COVID-19 pandemic under the terms of Law No. 27-A / 2020 (Supplementary State Budget for 2020).

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

(thousand euros)

	30.06.2022	31.12.2021	30.06.2021
Opening balance	94 931	95 870	94 369
Recognised in profit or loss	2 956	(1 234)	122
Recognised in fair value reserves	2 810	1 402	(396)
Recognised in other reserves	42	(183)	-
Foreign exchange variation and others	5 851	(924)	1 775
Closing balance (Asset / (Liability))	**106 590**	**94 931**	**95 870**

Tax recognised in the income statement and reserves as at 30th of June 2022 and 30th of June 2021 had the following source:

(thousand euros)

	30.06.2022		30.06.2021	
	Recognised in profit or loss	Recognised in reserves	Recognised in profit or loss	Recognised in reserves
Deferred Taxes				
Derivative financial instruments	(1 360)	-	2 046	-
Securities	-	(2 809)	(703)	226
Loans and advances to customers	594	-	489	-
Provisions	(95)	-	104	-
Pension Fund	(185)	(43)	-	-
Other	88	-	(1 183)	170
Tax losses carried forward	(1 998)	-	(875)	-
	(2 956)	**(2 852)**	**(122)**	**396**
Current Taxes	2 240	-	3 273	-
Total recognised tax	**(716)**	**(2 852)**	**3 151**	**396**

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

(thousand euros)

	30.06.2022		30.06.2021	
	%	Value	%	Value
Profit or loss before tax and Non-controlling interests		**(5 190)**		**6 360**
Income tax rate of Haitong Bank	21,0		26,2	
Tax determined based on the income tax rate of Haitong Bank		(1 090)		-
Difference in the tax rate of subsidiaries	15,1	(781)	42,2	1 335
Tax-exempt dividends	0,0	-	(10,6)	2 221
Tax benefits	0,0	-	(0,9)	(67)
Bank Levy	(6,0)	311	1,7	100
Unrecognized tax losses	4	515	(20,7)	(432)
Tax losses used	(1)	59	(0,6)	-
Branches' income tax	(20,5)	1 066	11,8	183
Differences arising from consolidation	(2,3)	117	(7,0)	(107)
Other movements according to the tax estimation	6,4	(1 073)	2,8	(278)
Autonomous taxation	(3,1)	160	2,9	138
Other	0,0	-	0,6	58
	13,9	**(716)**	**48,4**	**3 151**

NOTE 32 – OTHER LIABILITIES

As at 30th June 2022 and 31st December 2021, the Other liabilities heading is analysed as follows:

(thousand euros)

	30.06.2022	31.12.2021
Creditors and other resources		
Public sector	12 652	11 316
Deposited collateral under collateral agreements (Note 20)	15 280	10 270
Sundry creditors		
Leasing liabilities	1 662	1 489
Creditors from transactions with securities	9 500	4 881
Suppliers	5 858	7 096
Other sundry creditors	6 645	9 959
	51 597	**45 011**
Accrued expenses		
Career bonuses (see Note 14)	574	595
Other accrued expenses	8 344	8 887
	8 918	**9 482**
Deferred income	**342**	**388**
Other sundry liabilities		
Stock exchange transactions pending settlement	1 865	11 381
Foreign exchange transactions pending settlement	5 018	4 664
Other transactions pending settlement	15 144	15 587
	22 027	**31 632**
	82 884	**86 513**

As at 30th June 2022 and 31st December 2021, the headings regarding Stock exchange transactions pending settlement refer to transactions with securities pending settlement.

NOTE 33 – CAPITAL, SHARE PREMIUM AND OTHER CAPITAL INSTRUMENTS

Ordinary shares

Until August 3rd 2014 the Bank was part of Grupo Banco Espírito Santo, S.A.

On the 3rd of August 2014, the Bank of Portugal applied a resolution action to Banco Espírito Santo, S.A., shareholder of 100% of the capital of the Bank, and established Novo Banco, S.A., with the share capital of 4.9 billion euros, which incorporated assets of Banco Espírito Santo, S.A. selected by the Bank of Portugal. In this regard, the Bank, its branches and subsidiaries were transferred to Novo Banco, S.A.

On the 7th of September 2015, the capital of the Bank was fully purchased by Haitong International Holdings Limited.

On the 17th of December 2015, the Bank increased its capital in 100,000 thousand euros, through the issuance of 20,000,000 shares with the nominal value of 5 euros each, fully subscribed and paid-up by Haitong International Holdings Limited.

On the 22nd of May 2017, the Bank increased its capital in 40,000 thousand euros, through the issuance of 8,000,000 shares with the nominal value of 5 euros each, fully subscribed and paid-up by Haitong International Holdings Limited.

On the 25th of May 2017, the Bank increased its capital in 20,000 thousand euros, through the issuance of 4,000,000 shares with the nominal value of 5 euros each, fully subscribed and paid-up by Haitong International Holdings Limited.

On the 13th of June 2017, the Bank increased its capital in 160,000 thousand euros, through the issuance of 32,000,000 shares with the nominal value of 5 euros each, fully subscribed and paid-up by Haitong International Holdings Limited.

On the 26th of June 2017, the Bank increased its capital in 160,000 thousand euros, through the issuance of 32,000,000 shares with the nominal value of 5 euros each, resulted from a in the conversion of a shareholder loan in the amount of 80,000 thousand euros and the conversion of the Fixed Rate Perpetual Deeply Subordinated Additional Tier 1 Resettable Instruments, amounting to 80,000 thousand euros, which was fully subscribed and paid-up by Haitong International Holdings Limited.

On the 31st of August 2017, the Bank increased its capital in 38,500 thousand euros, through the issuance of 7,700,000 shares with the nominal value of 5 euros each, fully subscribed and paid-up by Haitong International Holdings Limited.

As at 30th June 2022 and 31st December 2021, the share capital of Haitong Bank amounts to 844,769 thousand euros and is represented by 168,953,800 shares with the nominal value of 5 euros each, fully held by Haitong International Holdings Limited.

Share premiums

As at 30th June 2022 and 31st December 2021, share premiums are represented by 8,796 thousand euros, corresponding to the amount paid by shareholders in the increase of capital of previous years.

Other equity instruments

During October 2010 the Group issued perpetual subordinated bonds with conditioned interest in the overall amount of 50 million euros. These bonds have a noncumulative conditioned interest, payable only if and when declared by the Board of Directors.

This conditioned interest, corresponding to the applicable annual rate of 8.5% on nominal value, is paid biannually. These securities may be fully, but not partially, reimbursed after the 15th of September 2015, relying solely on the choice of Haitong Bank, upon approval of the Bank of Portugal. These bonds are considered a capital instrument in accordance with the accounting policy described in Note 2.6 due to their characteristics.

During the year of 2011, 46,269 thousand euros in other capital instruments were cancelled due to a transaction regarding owned instruments.

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 2021, and the first half of 2022, the Group haven't paid interest. As at 20th April 2022, the Bank have fully early repaid these Bonds, at the repayment price, corresponding to the nominal value of 3,731 thousand euros.

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

NOTE 34 – FAIR-VALUE RESERVES, OTHER RESERVES, RETAINED EARNINGS AND NON-CONTROLLING INTERESTS

Legal reserve, fair-value reserves and other reserves

Legal reserves can only be used to cover accumulated loss carryover or to increase capital. Under Portuguese legislation applicable to the banking sector (Article 97 of RGICSF [Legal Framework of Credit Institutions and Financial Companies]), the Bank is required to set-up annually a legal reserve equal to a minimum of 10% of annual profits until the reserve equals the share capital.

Fair-value reserves represent the possible capital gains and losses in relation to the financial assets trough other comprehensive income portfolio, net of impairment recognised in the income statement of the year and/or previous years. The value of this reserve is presented net of deferred tax.

The other reserves heading includes the special reserve, under REAID, in the amount corresponding to 39,089 thousand euros.

The movements of these headings were the following:

(thousand euros)

	Fair Value reserves			Other reserves and retained earnings				
	Revaluation reserves	Income tax reserves	Total fair value reserve	Legal Reserve	Actuarial gains/losses (net of taxes)	Exchange differences	Other reserves and retained earnings	Total Other reserves and retained earnings
Balance as at 31 December 2020	**(1 677)**	**286**	**(1 391)**	**39 878**	**(32 777)**	**(178 400)**	**(211 993)**	**(383 292)**
Actuarial gains/losses (net of taxes)	-	-	-	-	6 216	-	-	6 216
Changes in fair value (net of taxes)	2 357	(396)	1 961	-	-	-	-	-
Foreign exchange differences	-	-	-	-	-	5 617	-	5 617
Other comprehensive income of associates	-	-	-	-	-	-	1	1
Transfer to reserves	-	-	-	-	-	-	1 641	1 641
Balance as at 30 June 2021	**680**	**(110)**	**570**	**39 878**	**(26 561)**	**(172 783)**	**(210 351)**	**(369 817)**
Actuarial gains/losses (net of taxes)	-	-	-	-	(909)	-	-	(909)
Own credit risk change	-	-	-	-	-	-	-	-
Changes in fair value (net of taxes)	(3 898)	1 402	(2 496)	-	-	-	-	-
Foreign exchange differences	-	-	-	-	-	(5 345)	-	(5 345)
Balance as at 31 December 2021	**(3 218)**	**1 292**	**(1 926)**	**39 878**	**(27 470)**	**(178 128)**	**(210 351)**	**(376 071)**
Actuarial gains/losses (net of taxes)	-	-	-	-	8 134	-	-	8 134
Changes in fair value (net of taxes)	(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)**

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

(thousand euros)

	30.06.2022	31.12.2021
Opening balance	**(1 926)**	**(1 391)**
Fair value changes	(8 992)	(593)
Disposals of the period	3	683
Impairment recognised in the period	(1 129)	(1 631)
Deferred taxes recognised in reserves during the period	2 810	1 006
Closing balance	**(9 234)**	**(1 926)**

Non-controlling interests

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

(thousand euros)

	30.06.2022		31.12.2021	
	Balance sheet	Income statement	Balance sheet	Income statement
Haitong Banco de Investimento do Brasil S.A.	5 884	(258)	8 096	1 298
Haitong Securities do Brasil S.A.	3 558	123	2 950	(79)
Haitong Negócios S.A.	6 352	56	5 409	137
FI Multimercado Treasury	4 607	99	1 114	(568)
Others	1 613	30	1 385	16
	22 014	**50**	**18 954**	**804**

The movement of Non-controlling interests of the periods ended on the 30th June 2022 and 31st December 2021, can be analysed as follows:

(thousand euros)

	30.06.2022	31.12.2021	30.06.2021
Opening balance	**18 954**	**21 102**	**18 793**
Dividends paid	-	(403)	-
Changes in fair value reserve	(113)	(277)	(164)
Exchange difference and other	3 123	(1 355)	1 556
Net income for the period	50	(113)	917
Closing balance	**22 014**	**18 954**	**21 102**

NOTE 35 – CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS

As at 30th of June 2022 and 31st of December 2021 off-balance elements are as follows:

(thousand euros)

	30.06.2022	31.12.2021
Contingent liabilities		
Guarantees and stand by letters of credit	131 401	133 392
Assets pledged as collateral	607 360	482 643
	738 761	**616 035**
Commitments		
Irrevocable commitments	147 732	162 193
	147 732	**162 193**

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

As at 30th of June 2022 and 31st of December 2021, the heading of financial assets pledged as collateral includes:

- Securities pledged as collateral to the Bank of Portugal (i) within the scope of the Large-Value Payment System, amounting to 10,000 thousand euros as at the 30th of June 2022 (31st of December, 2021: 10,000 thousand euros), (ii) within the scope of target long-term refinancing operations, amounting to 321,388 thousand euros (31st of December, 2021: 321,639 thousand euros) and (iii) 11,434 thousand euros of collaterals not discounted, being the total of securities eligible for rediscount with the Bank of Portugal amounted to 378,604 thousand euros as at the 30th of June 2022 (31st of December, 2021: 391,500 thousand euros); and (iv) within the scope of Interbank Clearing System [Sistema de Compensação Interbancária], amounting to 2,500 thousand euros;

- Securities pledged as collateral to the Portuguese Securities Market Commission within the Investor Compensation Scheme in the amount of 109 thousand euros (31st of December 2021: 109 thousand euros);
- Securities pledged as collaterals to Fundo de Garantia de Depósitos [Deposit Guarantee Fund] in the amount of 108 thousand euros (31st of December 2021: 108 thousand euros);
- Securities pledged as collateral within the scope of transactions with repurchase agreements: 210,797 thousand euros (31st of December 2021: 74,977 thousand euros);
- Securities pledged as collateral within the scope of derivatives compensation contracts 51,025 thousand euros (31st of December 2021: 50,846 thousand euros).

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

(thousand euros)

	30.06.2022	31.12.2021
Liabilities related to services provided		
Commercial paper programmes agency	48 600	64 450
Other responsabilities related with services provided	373 768	379 512
	422 368	**443 962**

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

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

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

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

In note 37, in what concerns the 2022 half-yearly accounts, it is stated that, in the opinion of Haitong Bank’s Legal Department and of the external lawyers to whom the proceedings have been entrusted, such proceedings do not have legal sustainability, wherefore it is considered unlikely that any judgment will be made against Haitong Bank in relation thereto. Such opinion is hereby reasserted.

Such opinion has been supported by several judicial decisions.

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

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

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

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

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

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

On July 2021, Haitong Bank has been fined by the Portuguese Securities Exchange Commission (“CMVM”) in connection with Haitong Bank’s participation as agent in the commercial paper issuance of ESI and Rio Forte between September 2013 and February 2014.

CMVM considered that Haitong Bank (referred to as, at the time of the facts, Banco Espírito Santo de Investimento, S.A.) had a causal contribution for Banco Espírito Santo, S.A. – In Liquidation to disclose to its customers that subscribed commercial paper issued by ESI, between September and December 2013, and by Rio Forte, between 9 January and 24 February 2014, information memoranda containing information that was not true, not complete, not up-to-date and not lawful, hence violating the duty to provide quality information, provided for in article 7. of the Portuguese Securities Code.

The breach, with intent, of the duty to provide quality information, provided for in article 7 of the Portuguese Securities Code, constitutes the practice of a very serious offence, under the terms of article 389, no. 1, a), of the Portuguese Securities Code, punishable by a fine of €25,000.00 to €5,000,000.00, under the terms of article 388, no. 1, a), of the Portuguese Securities Code, in each of the cases (ESI and Rio Forte).

In view of the circumstances of the case, the Board of Directors of CMVM decided to impose on Haitong Bank a single fine in the amount of €300,000, suspended its execution regarding the amount of €100,000, for the period of two years.

Haitong Bank understands that CMVM's decision has no grounds, legally nor factually, and, therefore, has contested the administrative decision towards the Judicial Court on September 2021.

On 15 February 2022, the Court of First Instance has considered unfounded and rejected the contestation filled by Haitong Bank and applied to it a single joint fine in the amount of €400,000, partially suspending its execution in the amount of €200,000 for a period of 2 years.

Haitong Bank understood that the decision of the Court of First Instance had no legal or factual basis and, for this reason, appealed from it, on March 2022, to the Lisbon Court of Appeal.

On July 14, 2022, Haitong Bank was notified of the Lisbon Court of Appeal decision, being the appeal filed by Haitong Bank considered as totally unfounded. Haitong Bank will appeal of such decision to the Constitutional Court.

On 09 June 2022, Haitong Bank was served of a civil legal action brought against itself, with a claim value of € 4,905,460.96, filled by REDITUS GESTÃO, S.A. and GREENDRY LDA, (Claimants), within Lisbon's first instance civil court of law. The Claimants argue that the Bank breached its obligations as an Escrow Agent.

Haitong Bank will present its defence and 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 (Note 26). The amounts subject to judicial deposits are recorded in the balance sheet, under other assets. It is the Group's understanding, based on the opinions of its legal advisors, that the possibility of suffering a court decision against the Bank is less than 50%.

Resolution Fund

Resolution measure applied to Banco Espírito Santo, S.A

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

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

On 18 October 2017, the Resolution Fund announced the conclusion of the process of selling 75% of the share capital of Novo Banco, SA to Lone Star, whose selection had been communicated by Banco de Portugal on 31 March 2017 agreed conditions include the existence of a contingent capitalization mechanism, under which the Resolution Fund undertakes to make capital injections up to a maximum total amount of 3,890 million euros in the event that certain cumulative conditions materialize. As at 31 December 2021, Novo Banco is owned by Nani Holdings S.G.P.S, S.A, by the Resolution Fund and by the Portuguese State, with a share capital percentage of 75% and 23.44% and 1.56%, respectively.

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

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

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

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

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

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

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

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

Financing of the Resolution Fund

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

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

According to the 2020 Resolution Fund Report and Accounts (latest available):

- The Fund has negative own resources of 7,315 million euros;
- The Resolution Fund is not required to present a positive net position. In the event of insufficient resources, the Resolution Fund may receive special contributions, by determination of the member of the Government responsible for the area of finance, under the terms of article 153-I of the RGICSF, and no contributions of this nature are foreseen. , in particular after reviewing the above-described Resolution Fund financing conditions;
- Regarding the contingent capital mechanism, and with regard to future periods, it is considered that there is significant uncertainty regarding the relevant parameters for the determination of possible future liabilities, either for its increase or for its reduction, under the terms of the relative agreement to the contingent capitalization mechanism with Novo Banco.
- As of December 31, 2020, the Resolution Fund is cited as a defendant or a counter-interest in several lawsuits related to resolution measures. Legal actions related to the application of resolution measures have no legal precedent, which makes it impossible to use case law in their assessment, as well as a reliable estimate of the possible contingent financial effect associated.
- The Resolution Fund also has other contingent liabilities related to the following situations:
  - Guarantee provided on bonds issued by Oitante, whose value as at 31 December 2020 amounts to 200 million euros;
  - Application of the principle that no creditor of the credit institution under resolution will be able to assume a greater loss than it would have assumed if that institution had gone into liquidation;
  - Neutralization of possible negative effects of future decisions, arising from the resolution process, which result in liabilities or contingencies for Novo Banco;
  - Limit on payments under the contingent capitalization mechanism;

- Treatment, in light of the CCA signed with Novo Banco, of the effects arising from any discretionary decision by Novo Banco to reverse its previous decision to adhere to the transitional regime related to the introduction of IFRS 9;
- Treatment, in light of the CCA concluded with Novo Banco, of the effects arising from Novo Banco's intention not to make use of the regime provided for in Regulation (EU) 2020/873 of the European Parliament and of the Council, of 24 June 2020;
- Impact of READD on the 25% stake in Novo Banco;
- Other contingent liabilities arising from the agreements for the sale of Novo Banco.

At the present date, there is no estimate regarding the total value of any losses to be incurred by the Resolution Fund resulting from the process of sale of Novo Banco, from the disputes associated with the BES resolution process, including within the scope of the so-called “process of the injured parties of the BES” and attempts to resolve the same, any losses resulting from the resolution of Banif and charges related to the respective processes.

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

Pursuant to the provisions of Decree-Law no. 24/2013, which establishes the functioning of the Resolution Fund, the Bank has been making mandatory contributions since 2013, as provided for in the aforementioned diploma.

In 2022, the Bank made periodic contributions to the Resolution Fund and to the banking sector in the amounts of 517 thousand euros and 1 480 thousand euros, respectively, which are recognized 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 recognized as a cost at the time of the occurrence of the event that creates the obligation to pay the contribution, that is, on the last day of April of each year, as stipulated in article 9 of Decree-Law no. in the year in which it becomes due, pursuant to IFRIC 21 - Fees. On November 15, 2015, the Resolution Fund issued a statement stating: “it is further clarified that it is not foreseeable that the Resolution Fund will propose the creation of a special contribution to finance the resolution measure applied to BES. The possible collection of a special contribution appears, therefore, to be remote.”

The financial statements as at 30 June 2022 reflect the Board of Directors' expectation that the Bank, as an entity participating in the Resolution Fund, will not be required to make special contributions or any other type of extraordinary contributions to finance the resolution measures applied to BES and to Banif or any other liability or contingent liability assumed by the Resolution Fund in the context of the aforementioned measures, taking into account:

- the conditions defined within the scope of the renegotiation in March 2017 of the loans that the Resolution Fund obtained to finance resolution measures, including the extension of the maturity period to December 31, 2046 and the possibility of adjusting this period, having as objective to ensure that the Resolution Fund is able to fully meet its obligations based on regular income and without the need for special contributions or any other type of extraordinary contributions by the banking sector; and
- public announcements made by the Resolution Fund and the Office of the Minister of Finance, which refer to the objective of ensuring that such contributions will not be necessary.

NOTE 36 – RELATED PARTIES TRANSACTIONS

The Group's related parties transactions as at 30th June 2022 and 31st December 2021, as well as the respective expenses and income recognized in the year, are summarized as follows:

(thousand euros)

	30.06.2022						
	Assets						
	Credit	Others	Total	Guarantees	Liabilities	Income	Expenses
Subsidiaries and associates of shareholders							
HAITONG INTERNATIONAL SECURITIES CO LTD	-	-	-	-	-	531	-
HAITONG INTERNATIONAL (UK) LIMITED	-	-	-	-	54	-	-
HAITONG INVESTMENT IRELAND PLC	45 511	2 412	47 923	-	8 270	607	916
HAITONG PRIVATE EQUITY FUND	-	114	114	-	5 842	222	1
TOTAL	**45 511**	**2 526**	**48 037**	**-**	**14 166**	**1 360**	**917**

(thousand euros)

	31.12.2021						
	Assets						
	Credit	Others	Total	Guarantees	Liabilities	Income	Expenses
Subsidiaries and associates of shareholders							
HAITONG INTERNATIONAL STRATEGIC INVESTMENT	-	-	-	-	-	8 000	-
HAITONG SECURITIES	-	-	-	-	-	24 000	-
HAITONG INTERNATIONAL SECURITIES CO LTD	-	1 297	1 297	-	-	3 918	1
HAITONG INNOVATION SECURITIES INVESTMENT CO LTD	-	-	-	-	-	1 500	-
HAITONG INTERNATIONAL SECURITIES GROUP LIMITED	-	-	-	-	-	2 102	-
HAITONG INTERNATIONAL SECURITIES USA INC	-	-	-	-	-	-	-
UNICAM LIMITED	-	-	-	-	69	-	576
HAITONG INTERNATIONAL (UK) LIMITED	-	-	-	-	-	1 292	-
HAITONG INVESTMENT IRELAND PLC	-	4 298	4 298	2 728	288 616	1 717	8 107
TOTAL	**-**	**5 595**	**5 595**	**2 728**	**288 685**	**42 529**	**8 684**

As at 30th June 2022, the income heading includes 531 thousand euros concerning fee and commission income heading from banking services (31st of December 2021: 39,519 thousand euros).

The value of Haitong Group transactions with related entities in which the Administrator and/or family have significant influence, in the period ended June 30, 2022 and in December 2021, as well as the respective costs and income recognized in the period, are summarized as follows:

(thousand euros)

	30.06.2022						
	Assets						
	Securities	Others	Total	Guarantees	Liabilities	Income	Expenses
Entities with relevant influence							
Nos Comunicações S.A.	-	-	-	-	9	132	487
Mota Engil SGPS	14 957	-	14 957	-	15	358	1
GamaLife - Companhia de Seguros de Vida, S.A.	-	-	-	-	-	7	-
TOTAL	**14 957**	**-**	**14 957**	**-**	**24**	**497**	**488**

(thousand euros)

	30.06.2022						
	Assets						
	Securities	Others	Total	Guarantees	Liabilities	Income	Expenses
Entities with relevant influence							
Nos Comunicações S.A.	-	-	-	-	17	7 843	8 013
Mota Engil SGPS	11 839	10	11 849	29 000	10	1 175	17
GamaLife - Companhia de Seguros de Vida, S.A.	-	-	-	-	-	140	-
TOTAL	**11 839**	**10**	**11 849**	**29 000**	**27**	**9 158**	**8 030**

NOTE 37 – FAIR-VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair-value of financial assets and liabilities

Haitong Bank Group estimates the fair value of its instruments based on prices quoted in active markets or, when such prices are not available, based on valuation techniques following standard valuation models such as discounted cash flows and option pricing models. The valuation models' parameter inputs are based on observable data, when available, derived from prices of financial instruments actively traded or based on indicative broker quotes.

The Group performs valuation adjustments to reflect counterparty credit risk (CVA) for uncollateralized derivatives assets considering the current exposure, loss given default and the probability of default. This probability of default is based on the Group's credit risk assessment model or market information where applicable.

The fair-value of financial assets and liabilities for the Group is analyzed:

(thousand euros)

	Amortised cost	Valued at Fair Value			Total book value	Fair Value
		Level 1	Level 2	Level 3		
Balance as at 30 June 2022						
Cash and cash equivalents	668 912	-	-	-	668 912	668 912
Financial assets at fair value through profit or loss						
Financial assets held for trading						
Securities	-	34 836	335 959	-	370 795	370 795
Derivative financial assets	-	-	79 303	1 619	80 922	80 922
Non-trading financial assets mandatorily at fair value through profit or loss						
Securities	-	9	7 827	9 900	17 736	17 736
Loans and advances to customers	-	-	-	22	22	22
Financial assets at fair value through other comprehensive income	-	106 553	55 606	58 311	220 470	220 470
Financial assets measured at amortised cost						
Securities	655 335	-	-	-	655 335	526 128
Loans and advances to banks	27 082	-	-	-	27 082	27 082
Loans and advances to customers	744 394	-	-	-	744 394	737 353
Financial Assets	**2 095 723**	**141 398**	**478 695**	**69 852**	**2 785 668**	**2 649 420**
Financial liabilities held for trading						
Securities	-	992	-	-	992	992
Derivative financial liabilities	-	-	73 447	492	73 939	73 939
Financial liabilities measured at amortised cost						
Resources of credit institutions	881 776	-	-	-	881 776	881 776
Resources of customers	970 388	-	-	-	970 388	970 388
Debt securities issued	479 135	-	-	-	479 135	479 348
Financial Liabilities	**2 331 299**	**992**	**73 447**	**492**	**2 406 230**	**2 406 443**
Balance as at 31st December 2021						
Cash and cash equivalents	488 544	-	-	-	488 544	488 544
Financial assets at fair value through profit or loss						
Financial assets held for trading						
Securities	-	36 326	309 714	-	346 040	346 040
Derivative financial assets	-	-	89 565	349	89 914	89 914
Non-trading financial assets mandatorily at fair value through profit or loss						
Securities	-	753	7 546	11 478	19 777	19 777
Loans and advances to customers	-	-	-	22	22	22
Financial assets at fair value through other comprehensive income	-	128 517	38 012	93 240	259 769	259 769
Financial assets measured at amortised cost						
Securities	532 773	-	-	-	532 773	526 128
Loans and advances to banks	54 022	-	-	-	54 022	54 022
Loans and advances to customers	620 241	-	-	-	620 241	614 908
Financial Assets	**1 695 580**	**165 596**	**444 837**	**105 089**	**2 411 102**	**2 399 124**
Financial liabilities held for trading						
Securities	-	1 036	-	-	1 036	1 036
Derivative financial liabilities	-	-	74 272	330	74 602	74 602
Financial liabilities measured at amortised cost						
Resources of credit institutions	759 397	-	-	-	759 397	759 397
Resources of customers	1 164 000	-	-	-	1 164 000	1 164 000
Debt securities issued	26 750	-	-	-	26 750	26 750
Financial Liabilities	**1 950 147**	**1 036**	**74 272**	**330**	**2 025 785**	**2 025 785**

Fair-value Hierarchy

The Bank's financial instruments are classified under the three levels defined in IFRS 13 according to the following:

Level 1 – Instruments valued using quoted prices observed in active and liquid markets. These include government bonds, credit bonds and exchange traded equities and derivatives.

Level 2 – Instruments valued using valuation techniques based on observable market inputs, quotes prices for similar instruments in active markets or for identical instruments in markets that are neither active nor liquid. These includes bonds, plain vanilla OTC derivatives, less liquid equities and funds valued at Net Asset Values (NAV) published daily by the fund manager and with possibility of daily redemption. The OTC derivatives includes financial instruments traded in OTC (over-the-counter), in which the counterparty has signed agreements of collateral (ISDA with CSA – Credit Support Annex), with very small Minimum Transfer Amount (MTS), which allows to mitigate the counterparty's Credit Risk while the CVA (Credit Value Adjustment) does not have a significant impact on the instrument valuation. Additionally, it also includes financial derivatives traded in OTC, without CSA, but the percentage of information not observed in market (e.g.: Internal Rating, Probability of Default determined by internal models, etc.) within the CVA valuation is not meaningful in what concerns the value of derivative as a whole. It is considered as significant when the value of CVA is higher than 5%.

Level 3 – Instruments measured using valuation techniques based on non-observable market inputs and that do not comply with the requirements to be classified under Level 1 nor Level 2. These include non-plain vanilla OTC derivatives valued based on non-observable market inputs or on indicative prices published by third parties, distressed and highly illiquid bonds, funds valued at Net Asset Values (NAV) published by the fund manager without possibility of daily redemption and private equity placements. In the Level 3 are included financial instruments traded in OTC market with counterparties which Haitong Bank doesn't have CSA signed and the percentage of unobservable data incorporated in CVA valuating is considered significant in the total value of the derivative (value of CVA has a weight higher than 5% of the value of derivate).

For financial instruments recorded in the balance sheet at fair value, the movement occurred between 30th June 2022 and 31st December 2021 in assets and liabilities classified in level 3 is as follows:

(thousand euros)

	Financial assets held for trading	Financial assets mandatory at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Total
	Derivative financial assets	Securities	Loans and advances		
Balance as at 31st December 2021	**19**	**11 478**	**22**	**93 240**	**104 759**
Results recognized in Net Interest Margin	-	-	-	(16 549)	**(16 549)**
Net trading income and from other financial instruments at fair value through profit or loss	(7)	(923)	-	-	**(930)**
Net gains/(losses) derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	4	**4**
Impairment on other financial assets net of reversal and recoveries	-	-	-	1 132	**1 132**
Other fair value changes	1	962	-	1 481	**2 444**
Fair value reserve changes	-	-	-	(560)	**(560)**
Acquisitions	-	-	-	14 878	**14 878**
Sales	-	(1 635)	-	(38 227)	**(39 862)**
Reimbursements	-	18	-	8 696	**8 714**
Derivatives financial flows	(8)	-	-	-	**(8)**
Transfers from other levels	1 122	-	-	-	**1 122**
Transfers to other levels	-	-	-	(5 784)	**(5 784)**
Balance as at 30 June 2022	**1 127**	**9 900**	**22**	**58 311**	**69 360**

In 2022, based on the assessment of the market liquidity of the securities, Financial assets at fair value through other comprehensive income of 5,784 thousand euros were transferred from Level 3 to Level 2 and trading assets of 1,471, thousands of euros from Level 2 to Level 1. Based on the assessment of the market liquidity of the securities, Financial assets at fair value through other comprehensive income of were transferred 5,028 thousand euros from Level 1 to Level 2 and trading assets of 2,243 thousand euros form Level 1 to Level 2. With regard to derivative instruments, in 2022, 1,121 thousand euros were transferred from Level 2 to Level 3, whose CVA impact on the derivative's valuation increased to more than 5%.

(thousand euros)

	Financial assets held for trading	Financial assets mandatory at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Total
	Derivative financial assets	Securities	Loans and advances		
Balance as at 31st December 2020	**-**	**28 017**	**-**	**114 631**	**142 648**
Results recognized in Net Interest Margin	-	-	-	7 702	**7 702**
Net trading income and from other financial instruments at fair value through profit or loss	-	5 308	-	-	**5 308**
Net gains/(losses) derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	37	**37**
Impairment on other financial assets net of reversal and recoveries	-	-	-	(2 389)	**(2 389)**
Other fair value changes	-	4 154	-	(3 003)	**1 151**
Fair value reserve changes	-	-	-	2 843	**2 843**
Acquisitions	-	-	22	38 845	**38 867**
Sales	-	(26 016)	-	(8 814)	**(34 830)**
Reimbursements	-	15	-	(52 871)	**(52 856)**
Transfers from other levels	19	-	-	-	**19**
Transfers to other levels	-	-	-	(3 741)	**(3 741)**
Balance as at 31 December 2021	**19**	**11 478**	**22**	**93 240**	**104 759**

In 2021, based on the assessment of the market liquidity of the securities, trading assets of 3,741 thousand euros were transferred from Level 3 to Level 2. With regard to derivative instruments, in 2021, 19 thousand euros were transferred from Level 2 to Level 3, whose CVA impact on the derivative's valuation increased to more than 5%.

The main parameters used during the first half of 2022 in what concerns valuation models were the following:

Yield curves

The short-term rates set out below reflects indicative values of deposit interest rates and/or futures. Swap rates are used in the long-term tenors of the interest curve:

(%)

	30.06.2022			31.12.2021		
	EUR	USD	GBP	EUR	USD	GBP
Overnight	-0,59	1,58	1,22	-0,58	0,07	0,18
1 month	-0,51	1,79	1,23	-0,55	0,10	0,19
3 months	-0,20	2,29	1,69	-0,50	0,12	0,08
6 months	0,26	2,94	2,26	-0,50	0,00	0,47
1 year	1,43	3,62	2,74	-0,46	0,35	0,88
3 years	1,55	3,21	2,84	-0,15	0,93	1,30
5 years	1,79	3,04	2,74	0,01	1,35	1,29
7 years	1,96	3,02	2,65	0,13	1,46	1,23
10 years	2,17	3,04	2,59	0,30	1,57	1,20
15 years	2,35	3,11	2,56	0,50	1,70	1,18
20 years	2,27	3,09	2,51	0,55	1,76	1,15
30 years	1,98	2,87	2,43	0,48	1,71	1,09

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
30.06.2022					
CDX USD Main	**31**	77,90	101,20	119,20	133,10
iTraxx Eur Main	**30**	96,40	118,60	134,30	147,00
iTraxx Eur Senior Financial	**30**	-	128,40	-	155,00
31.12.2021					
CDX USD Main	**31**	28,59	49,00	68,55	89,00
iTraxx Eur Main	**30**	26,82	47,76	66,67	87,05
iTraxx Eur Senior Financial	**30**	-	54,86	-	85,86

Interest rate volatilities

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

(%)

	30.06.2022			31.12.2021		
	EUR	USD	GBP	EUR	USD	GBP
1 year	118,20	144,18	122,59	24,37	55,24	56,00
3 years	123,39	149,15	145,73	55,12	78,12	73,59
5 years	118,10	137,25	140,95	67,01	81,28	76,60
7 years	112,59	128,51	129,84	69,13	81,30	76,81
10 years	105,47	117,08	118,88	70,29	79,65	75,64
15 years	96,20	104,44	108,14	68,11	76,08	73,60

Foreign exchange rate and volatilities

The table below reflects ECB's (European Central Bank) foreign exchange rates fixings and at-the-money implied volatilities:

	Exchange Rate		Volatiliy (%)				
	30.06.2022	31.12.2021	1 month	3 months	6 months	9 months	1 year
EUR/USD	1,0484	1,1326	9,43	9,13	8,96	8,89	8,81
EUR/GBP	0,8608	0,8403	7,63	7,75	7,76	7,75	7,75
EUR/CHF	1,0012	1,0331	7,86	7,66	7,43	7,28	7,26
EUR/PLN	4,6985	4,5969	9,19	9,10	9,02	8,93	8,89
EUR/CNY	7,0090	7,1947	8,21	8,34	8,17	8,07	8,04
USD/BRL a)	5,2571	5,5713	18,92	20,78	20,57	20,04	19,77

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 analyzed as follows:

	Quotation			Historical volatility (%)		Implied volatility (%)
	30.06.2022	31.12.2021	Range %	1 month	3 months	
DJ Euro Stoxx 50	3 455	4 298	(19,62)	24,84	30,02	26,70
PSI 20	6 045	5 569	8,53	21,57	19,53	-
IBEX 35	8 099	8 714	(7,06)	21,76	24,86	-
DAX	12 784	15 885	(19,52)	23,96	29,26	26,96
S&P 500	3 611	4 766	(24,24)	28,03	26,57	26,44
BOVESPA	18 099	104 822	8,63	26,83	29,95	25,19

Cash and cash equivalents and Loans and advances to banks

The statement of financial position value of these financial instruments is considered a reasonable assumption of the corresponding fair-value due to their associated short timeframe.

Loans and advances to customers

The fair-value of loans and advances to customers is estimated based on the update of expected cash flows and interest, by taking into account market spreads for similar transactions (if they were entered into in the current moment) considering that the instalments are paid in compliance with the deadlines contractually agreed upon.

Resources of other credit institutions

The balance-sheet value of these financial instruments is considered a reasonable assumption of the corresponding fair-value due to their associated short timeframe.

Resources of customers

The fair-value of these financial instruments is determined based on the update of expected cash flows in capital and interest, considering that the payments are in compliance with the deadlines agreed upon contract. Considering that the applicable interest rates are of variable nature and the maturity period of the deposits is substantially inferior to one year, there are no measurable differences in fair-value.

Debt securities issued and Subordinated Liabilities

The fair-value of these instruments is based in market prices, when available. When unavailable, the fair-value it is estimated based on the update of expected cash flows in capital and interest regarding these instruments in the future.

NOTE 38 – RISK MANAGEMENT

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

Credit Risk

The Credit Risk results from the possibility of financial losses arising from the default of the customer or counterparty in relation to the contractual financial obligations established with the Group in the scope of its credit activity. Credit risk is mainly present in traditional banking products - loans, guarantees and other contingent liabilities - and in derivative products - swaps, forwards and options (counterparty risk).

The Group's credit portfolios are permanently monitored, with interaction between the business teams and risk management throughout the sequential stages of the credit cycle.

The monitoring of the Group's credit risk profile is regularly monitored, namely, in what concerns the evolution of credit exposure, delinquency ratios and provisioning, and concentration metrics.

The Group also controls the approved credit limits and assures the proper functioning of mechanisms related with the credit approval process.

Calculation of ECL

The IFRS 9 standard outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition. According to Haitong Bank Group model, Expected Credit Loss (ECL) is determined as per the detailed information included in chapter 2.4.1., Impairment of Financial Assets and Financial Model:

- **Stage 1 – Performing**: Impairment assessment is carried out based 12-month expected credit loss (ECL). ECL is determined as the exposure as of the reference date multiplied by the 12-month probability of default and the loss given default;

- **Stage 2 – Under Performing**: Impairment assessment will reflect the ECL resulting from default events that may occur over the expected residual life of the instrument;

- **Stage 3 – Non Performing**: Impairment assessment will reflect the ECL over the expected residual life of the instrument.

Inputs in the measurement of ECL

As a result of the characteristics of the Group's portfolio (reduced number of transactions and high heterogeneity), the calculation of the ECL has as the main vector of measurement the individual analysis assessment. Under the collective model, which is applied to financial instruments classified in Stage 1 and to determine the minimum impairment rate applicable to financial instruments classified in Stage 2, the key inputs for ECL measurement are the following:

- Probability of Default (PD): describes the likelihood of default. Haitong Bank takes in account the PD's from S&P, whereas the rating assigning process is performed internally based on the S&P methodology. This assures the alignment between the internal risk management and the impairment calculation process.
- Loss Given Default (LGD): is the magnitude of the loss at the time of a default. The Bank applies the LGD based on Moody's LGD benchmarks covering a wide historical period.
- Exposure at Default (EAD): the expected exposure in the event of a default. The calculation of EAD depends of the asset type.

Regarding undrawn loan commitments and financial guarantees, the amount considered in the calculation of impairment at each stage results from the exposure as of the reference date weighted by the credit conversion factor (according with CRR).

Forward-Looking Information

The Group maintained a simplified approach in what regards the incorporation of forward-looking information (the “forward-looking exercise”), namely to anticipate the recognition of expected credit losses, grounded to the characteristics and size of the Group, and based on a principle of proportionality.

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

The Group's forward-looking exercise applies to the collective impairment model 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 relied on a multiple-scenario approach incorporating different economic conditions and their likelihoods. The multiple scenarios cover the period between 2021 and 2023. The scenarios were mainly determined with reference to external forecasts from Bank of Portugal, regularly published in its Economic Bulletins, 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 had no impact on impairment losses as of June 2022, considering that, for conservative reasons, the Group decided to keep unchanged the forward-looking adjustments in force.

Haitong Bank also carried out a sensitivity analysis, as of 31 December 2021, based on the impact assessment of a 10% variation in external parameters considered in the collective model for the calculation of expected credit losses (PD's and LGD's). Finally, a 10% shock was applied to the PiT PD and the LGD parameters, verifying that the impact on expected credit losses would result in an increase of around 512 thousand euros and 930 thousand euros, respectively.

The financial instruments subject to standard IFRS 9 impairment requirements are presented below, detailed by stage, as of June 30th, 2022 and December 31st, 2021.

(thousand euros)

Asset Type	30.06.2022										
	Stage 1				Total Stage 1	Stage 2			Total Stage 2	Stage 3	Total Stage 3
	Low to Fair risk [aaa+;a-]	Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Not rated		Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Not rated		Impaired [d]	
Loans and advances to customers	22 500	669 940	-	407	692 847	54 606	-	-	54 606	9 649	9 649
Guarantees	-	110 695	-	-	110 695	-	18 016	-	18 016	2 690	2 690
Debt Securities	127 903	763 862	-	-	891 765	466	-	-	466	-	-
Loans and advances to banks	5 972	18 190	-	-	24 162	-	-	3 901	3 901	-	-
Cash and cash equivalents	656 055	12 429	-	420	668 904	-	-	1	1	-	-
Debtors and other assets	14	2 010	40	15 315	17 379	-	-	-	-	9 903	9 903
Total	**812 444**	**1 577 126**	**40**	**16 142**	**2 405 752**	**55 072**	**18 016**	**3 902**	**76 990**	**22 242**	**22 242**

(thousand euros)

Asset Type	31.12.2021										
	Stage 1					Total Stage 1	Stage 2		Total Stage 2	Stage 3	Total Stage 3
	Low to Fair risk [aaa+;a-]	Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Doubtful [lccc]	Not rated		Monitoring [bbb+;b-]	Substandard [ccc+;ccc]		Impaired [d]	
Loans and advances to customers	12 370	504 395	-	33 532	33 532	583 829	68 753	-	68 753	13 181	13 181
Guarantees	-	114 002	-	-	-	114 002	-	13 746	13 746	5 644	5 644
Debt Securities	43 008	747 491	-	3 609	3 609	797 717	-	-	-	4 296	4 296
Loans and advances to banks	43 683	3 478	-	4 216	4 216	55 593	-	-	-	-	-
Cash and cash equivalents	482 293	6 220	-	23	23	488 559	-	-	-	-	-
Debtors and other assets	-	818	913	14 819	14 819	31 369	-	-	-	9 949	9 949
Total	**581 354**	**1 376 404**	**913**	**56 199**	**56 199**	**2 071 069**	**68 753**	**13 746**	**82 499**	**33 070**	**33 070**

As of June 30, 2022, the maximum exposure to credit risk of financial assets not subject to impairment requirements amounts to 634 million euros, corresponding to exposures to Central banks.

The table below compiles all financial instruments at amortized cost by industry, stage and days of delay as June 30, 2022 and December 31, 2021.

(thousand euros)

Financial instruments at amortized cost (including financial guarantees) by industry, stage and past due status	30.06.2022										
	Stage 1					Stage 2		Stage 3			
	No overdue		1 - 29 days	More than 181 days (1)		No overdue		No overdue		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	40 985	298	-	-	-	5 906	169	-	-	-	-
Agricultural Cooperatives	9 574	21	-	-	-	-	-	-	-	-	-
Automobiles & Components	11 531	21	-	-	-	-	-	-	-	-	-
Banks	717 345	100	-	1 651	1 651	3 901	963	-	-	-	-
Building Materials	12 566	23	-	192	192	-	-	12	12	-	-
Capital Goods	30 196	42	-	40	40	-	-	-	-	-	-
Chemicals	24 372	730	-	-	-	-	-	-	-	-	-
Commercial & Professional Services	52 140	367	-	94	94	-	-	4 596	243	-	-
Construction & Engineering	122 109	415	16	407	407	-	-	760	232	2 484	2 475
Consumer Durables & Apparel	5 124	75	-	-	-	-	-	-	-	-	-
Containers & Packaging	5 561	61	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	3 688	69	-	-	-	-	-	-	-	-	-
Funds & Asset Managers	271	1	-	-	-	-	-	-	-	-	-
Governments	371 092	268	-	214	214	-	-	-	-	-	-
Health Care	53 263	186	-	-	-	-	-	-	-	-	-
Hotels & Gaming	-	-	-	-	-	-	-	2 127	2 127	-	-
Household & Personal Products	38	13	-	-	-	-	-	-	-	-	-
Investment Holdings	25	-	-	-	-	-	-	-	-	-	-
Media & Entertainment	-	-	-	94	94	-	-	-	-	-	-
Metals & Mining	14 828	16	-	-	-	-	-	-	-	-	-
Non Bank Financial Institutions	73 524	176	-	-	-	-	-	-	-	-	-
Oil & Gas	25 699	119	-	-	-	-	-	-	-	-	-
Paper & Forest Products	14 867	127	-	60	60	-	-	-	-	-	-
Pow er	116 105	427	16	57	57	37 623	3 246	-	-	-	-
Real Estate	208 742	1 913	-	166	166	3 752	325	-	-	-	-
Rental & Leasing	14 349	75	-	-	-	-	-	-	-	-	-
Retailing	20 175	206	-	-	-	-	-	-	-	-	-
Telecoms	79 640	254	-	-	-	18 016	107	-	-	-	-
Transportation	5 261	27	-	-	-	1 407	112	-	-	-	-
Transportation Infrastructure	109 634	110	-	-	-	5 919	477	2 350	902	9 891	3 557
Water Utilities	18 799	140	-	-	-	-	-	-	-	-	-
Others	2 955	647	-	3 260	3 260	-	-	-	-	-	-
Total	**2 164 458**	**6 927**	**32**	**6 235**	**6 235**	**76 524**	**5 399**	**9 845**	**3 516**	**12 375**	**6 032**

(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 amortized cost (including financial guarantees) by industry, stage and past due status	31.12.2021									
	Stage 1				Stage 2		Stage 3			
	No overdue		More than 181 days		No overdue		No overdue		More than 181 days	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Agribusiness & Commodity Foods	39 890	344	-	-	5 419	260	-	-	-	-
Agricultural Cooperatives	8 146	19	-	-	-	-	-	-	-	-
Automobiles & Components	11 610	21	-	-	-	-	-	-	-	-
Banks	561 205	98	1 661	1 661	3 561	879	-	-	-	-
Broker Dealers	545	-	-	-	-	-	-	-	-	-
Building Materials	12 533	38	192	192	-	-	12	12	-	-
Capital Goods	23 028	34	40	40	-	-	-	-	-	-
Chemicals	23 574	634	-	-	-	-	-	-	-	-
Commercial & Professional Services	40 047	321	86	86	-	-	5 567	670	-	-
Construction & Engineering	127 272	528	407	407	-	-	902	210	5 489	2 190
Consumer Durables & Apparel	4 799	25	-	-	-	-	-	-	-	-
Containers & Packaging	4 759	54	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	4 228	79	-	-	-	-	-	-	-	-
Funds & Asset Managers	33 389	-	-	-	-	-	-	-	-	-
Governments	277 181	263	214	214	-	-	-	-	-	-
Health Care	51 206	180	-	-	-	-	-	-	-	-
Hotels & Gaming	-	-	-	-	-	-	-	-	2 127	2 127
Household & Personal Products	38	5	-	-	-	-	-	-	-	-
Investment Holdings	25	-	-	-	-	-	-	-	-	-
Media & Entertainment	-	-	94	94	-	-	-	-	-	-
Metals & Mining	13 930	15	-	-	-	-	-	-	-	-
Non Bank Financial Institutions	26 558	36	-	-	-	-	2 728	-	-	-
Oil & Gas	13 874	58	-	-	-	-	-	-	-	-
Paper & Forest Products	26 297	222	60	60	-	-	-	-	-	-
Pow er	111 350	416	57	57	29 582	2 587	-	-	-	-
Real Estate	126 248	1 005	166	166	3 751	345	-	-	-	-
Retailing	27 231	213	-	-	-	-	-	-	-	-
Telecoms	67 614	220	-	-	13 746	84	-	-	-	-
Transportation	6 597	50	-	-	1 635	122	-	-	-	-
Transportation Infrastructure	90 653	79	-	-	28 366	764	2 036	781	9 891	2 861
Water Utilities	11 439	102	-	-	-	-	-	-	-	-
Others	3 321	887	3 181	3 181	-	-	-	-	-	-
Total	**1 748 587**	**5 946**	**6 158**	**6 158**	**86 060**	**5 041**	**11 245**	**1 673**	**17 507**	**7 178**

(1) Resulting from the specific characteristics of the Receivables portfolio, a simplified approach based on the days past due (and therefore standardized in Stage 1) is applie

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

Loans and advances to costumers

The table below presents a summary of the portfolio of loans and advances to costumers of Haitong Bank Group, as of June 30th, 2022 and December 31st, 2021:

(thousand euros)

Loans and advances to customers		30.06.2022				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	22 500	-	-	-	**22 500**
Monitoring	[bbb+;b-]	669 940	54 606	-	-	**724 546**
Impaired	[d]	-	-	7 449	2 178	**9 627**
Not rated		407	-	-	-	**407**
Gross carrying amount		**692 847**	**54 606**	**7 449**	**2 178**	**757 080**
Imparidade (Note 30)		2 727	4 329	5 590	40	**12 686**
Carrying amount		**690 120**	**50 277**	**1 859**	**2 138**	**744 394**
Fair Value Trough Profit and Loss						
Impaired	[d]	-	-	22	-	**22**
Gross carrying amount		**-**	**-**	**22**	**-**	**22**
Carrying amount		**-**	**-**	**22**	**-**	**22**
Total gross carrying amount		**692 847**	**54 606**	**7 471**	**2 178**	**757 102**
Loss allowance		2 727	4 329	5 590	**40**	12 686
Total Carrying amount		**690 120**	**50 277**	**1 881**	**2 138**	**744 416**

(thousand euros)

Loans and advances to customers		31.12.2021				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	12 370	-	-	-	**12 370**
Monitoring	[bbb+;b-]	504 395	68 753	-	-	**573 148**
Impaired	[d]	-	-	10 960	2 199	**13 159**
Not rated		33 532	-	-	-	**33532**
Gross carrying amount		**550 297**	**68 753**	**10 960**	**2 199**	**632 209**
Imparidade (Note 30)		2 373	4 078	5 470	47	**11 968**
Carrying amount		**547 924**	**64 675**	**5 490**	**2 152**	**620 241**
Fair Value Trough Profit and Loss						
Impaired	[d]	-	-	22	-	**22**
Gross carrying amount		**-**	**-**	**22**	**-**	**22**
Carrying amount		**-**	**-**	**22**	**-**	**22**
Total gross carrying amount		**550 297**	**68 753**	**10 982**	**2 199**	**632 231**
Loss allowance		2 373	4 078	5 470	**47**	11 968
Total Carrying amount		**547 924**	**64 675**	**5 512**	**2 152**	**620 263**

Guarantees

The table below presents a summary of the portfolio of guarantees granted to clients of Haitong Bank Group, as of 30th of June 2022 and December 31st, 2021:

(thousand euros)

Guarantees		30.06.2022				
		Stage 1	Stage 2	Stage 3	POCI	Total
Monitoring	[bbb+;b-]	110 695	-	-	-	**110 695**
Substandard	[ccc+;ccc]	-	18 016	-	-	**18 016**
Impaired	[d]	-	-	2 690	-	**2 690**
Total gross carrying amount		**110 695**	**18 016**	**2 690**	**-**	**131 401**
Imparidade (Note 30)		99	107	349	-	**555**
Total Carrying amount		**110 596**	**17 909**	**2 341**	**-**	**130 846**

(thousand euros)

Guarantees		31.12.2021				
		Stage 1	Stage 2	Stage 3	POCI	Total
Monitoring	[bbb+;b-]	114 002	-	-	-	**114 002**
Substandard	[ccc+;ccc]	-	15 076	-	-	**15 076**
Doubtful	[lccc]	-	13 746	-	-	**13 746**
Impaired	[d]	-	-	5 644	-	**5 644**
Total gross carrying amount		**114 002**	**13 746**	**5 644**	**-**	**133 392**
Imparidade (Note 30)		96	84	415	-	**595**
Total Carrying amount		**113 906**	**13 662**	**5 229**	**-**	**132 797**

Debt securities

The table below presents a summary of the portfolio of debt securities at amortized cost and at fair value through other comprehensive income of Haitong Bank Group, as of June 30th, 2022 and December 31st, 2021:

(thousand euros)

FVOCI and Amortised cost debt Securities		30.06.2022				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	94 364	-	-	-	**94 364**
Monitoring	[bbb+;b-]	562 374	-	-	-	**562 374**
Gross carrying amount		**656 738**	**-**	**-**	**-**	**656 738**
Imparidade (Note 30)		1 403	-	-	-	**1 403**
Carrying amount		**655 335**	**-**	**-**	**-**	**655 335**
Fair Value through Other Comprehensive Income						
Low to fair risk	[aaa+;a-]	33 539	-	-	-	**33 539**
Monitoring	[bbb+;b-]	201 488	-	-	466	**201 954**
Gross carrying amount		**235 027**	**-**	**-**	**466**	**235 493**
Imparidade (Note 30)		872	-	-	12	**884**
Revaluation		(14 139)	-	-	-	**(14 139)**
Carrying amount		**220 016**	**-**	**-**	**454**	**220 470**
Total gross carrying amount		**891 765**	**-**	**-**	**466**	**892 231**
Loss allowance		2 275	-	-	12	2 287
Revaluation		(14 139)	-	-	-	(14 139)
Total Carrying amount		**875 351**	**-**	**-**	**454**	**875 805**

(thousand euros)

FVOCI and Amortised cost debt Securities		31.12.2021				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	9 507	-	-	-	**9 507**
Monitoring	[bbb+;b-]	524 476	-	-	-	**524 476**
Gross carrying amount		**533 983**	**-**	**-**	**-**	**533 983**
Imparidade (Note 30)		1 210	-	-	-	**1 210**
Carrying amount		**532 773**	**-**	**-**	**-**	**532 773**
Fair Value through Other Comprehensive Income		-	-	-	-	-
Low to fair risk		33 501	-	-	-	**33 501**
Monitoring	[bbb+;b-]	223 015	-	-	-	**223 015**
Impaired	[d]	-	-	-	4 296	**4 296**
Not rated		3 609	-	-	-	**3 609**
Gross carrying amount		**260 125**	**-**	**-**	**4 296**	**264 421**
Imparidade (Note 30)		800	-	-	37	**837**
Revaluation		(3 815)	-	-	-	**(3 815)**
Carrying amount		**255 510**	**-**	**-**	**4 259**	**259 769**
Total gross carrying amount		**794 108**	**-**	**-**	**4 296**	**798 404**
Loss allowance		2 010	-	-	37	2 047
Revaluation		(3 815)	-	-	-	(3 815)
Total Carrying amount		**788 283**	**-**	**-**	**4 259**	**792 542**

Cash equivalents

The table below presents a summary of the cash equivalents portfolio of Haitong Bank Group, as of June 30th, 2022 and December 31st, 2021:

(thousand euros)

Cash equivalents		30.06.2022				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	656 055	-	-	-	**656 055**
Monitoring	[bbb+;b-]	12 429	-	-	-	**12 429**
Not rated		420	1	-	-	**421**
Total gross carrying amount		**668 904**	**1**	**-**	**-**	**668 905**
Total Carrying amount		**668 904**	**1**	**-**	**-**	**668 905**

(thousand euros)

Cash equivalents		31.12.2021				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	482 293	-	-	-	**482 293**
Monitoring	[bbb+;b-]	6 220	-	-	-	**6 220**
Not rated		23	-	-	-	**23**
Total gross carrying amount		**488 536**	**-**	**-**	**-**	**488 536**
Loss allowance (Note 30)		1	-	-	-	**1**
Total Carrying amount		**488 535**	**-**	**-**	**-**	**488 535**

Loans and advances to banks

The table below presents a summary of the portfolio of loans and advances to banks of Haitong Bank Group, as of June 30th, 2022 and December 31st, 2021:

(thousand euros)

Loans and advances to Banks		30.06.2022				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	5 972	-	-	-	**5 972**
Monitoring	[bbb+;b-]	18 190	-	-	-	**18 190**
Not rated		-	3 901	-	-	**3 901**
Total gross carrying amount		**24 162**	**3 901**	**-**	**-**	**28 063**
Imparidade (Note 30)		18	963	-	-	**981**
Total Carrying amount		**24 144**	**2 938**	**-**	**-**	**27 082**

(thousand euros)

Loans and advances to Banks		31.12.2021 Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Monitoring	[bbb+;b-]	3 478	-	-	-	**3 478**
Not rated		4 216	3 561	-	-	**7 777**
Total gross carrying amount		**51 377**	**3 561**	**-**	**-**	**54 938**
Imparidade (Note 30)		37	879	-	-	**916**
Total Carrying amount		**51 340**	**2 682**	**-**	**-**	**54 022**

Debtors and other assets

The table below presents a summary of the portfolio of debtors and other assets portfolio of Haitong Bank Group, as of June 30th, 2022 and December 31st, 2021:

(thousand euros)

Debtors and other assets		30.06.2022 Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	14	-	-	-	14
Monitoring	[bbb+;b-]	2 010	-	-	-	**2 010**
Substandard	[ccc+;ccc]	40	-	-	-	**40**
Doubtful	[lccc]	9	-	-	-	**9**
Impaired	[d]	-	-	12	9 891	**9 903**
Not rated		15 306	-	-	-	**15 306**
Total gross carrying amount		**17 379**	**-**	**12**	**9 891**	**27 282**
Imparidade (Note 30)		8 915	-	12	3 557	**12 484**
Total Carrying amount		**8 464**	**-**	**-**	**6 334**	**14 798**

(thousand euros)

Debtors and other assets		31.12.2021 Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Monitoring	[bbb+;b-]	818	-	-	-	**818**
Substandard	[ccc+;ccc]	913	-	-	-	**913**
Impaired	[d]	-	-	58	9 891	**9 949**
Not rated		14 819	-	-	-	**14 819**
Total gross carrying amount		**16 550**	**-**	**58**	**9 891**	**26 499**
Imparidade (Note 30)		8 387	-	58	2 861	**11 306**
Total Carrying amount		**8 163**	**-**	**-**	**7 030**	**15 193**

Throughout 2022, an exposure in the amount of 22.7 million euros has been transferred from Stage 2 (lifetime expected credit loss) to Stage 1 (12 month expected credit loss).

The use of credit protection is a key element of the risk policy and credit decision process, influencing the acceptance criteria, the decision levels, and the pricing.

The main risk mitigation techniques used by the Group are financial pledges (funded credit protection – financial collateral in the form of securities and cash) and personal guarantees (unfunded credit protection with substitution effect).

Haitong Bank Group follows the prescription of CRR in what concerns collateral haircuts for impairment calculation. Thus, instead of using the collateral value, the Group considers the collateral value after haircut application.

Frequency and methods of collateral valuation depends on the nature of the collateral. For listed equity securities and debt securities, valuation occurs on a daily basis using market prices.

The pledge of bank accounts valuation takes place on a quarterly basis according to information provided by the depositary bank.

Regarding pledges over non listed equity securities, pledges over equipment and mortgages valuation, it is done at least on an annual basis and it is based on financial information of the borrower or on valuation reports of external

As of June 20, 2022, the amount of financial instruments with no losses identified, due to credit risk's mitigation techniques (i.e. whenever the exposure at default net of collateral is equal to zero), was 19,373 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)

30.06.2022									
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-]	812 444	811 255	-	-	-	-	-	-
Monitoring	[bbb+;b-]	1 577 126	1 340 444	54 606	53 839	-	-	466	466
Substandard	[ccc+;ccc]	40	40	18 016	9 008	-	-	-	-
Doubtful	[lccc]	9	9	-	-	-	-	-	-
Impaired	[d]	-	-	-	-	10 173	9 956	12 069	12 069
Not rated		16 133	15 738	3 902	3 901	-	-	-	-
Total		**2 405 752**	**2 167 486**	**76 524**	**66 748**	**10 173**	**9 956**	**12 535**	**12 535**

(thousand euros)

31.12.2021									
Rating bucket		Stage 1		Stage 2		Stage 3		POCI	
		Gross Exposure	EAD	Gross Exposure	EAD	Gross Exposure	EAD	Gross Exposure	EAD
Low to fair risk	[aaa+;a-]	581 354	580 919	-	-	-	-	-	-
Monitoring	[bbb+;b-]	1 376 403	1 260 064	68 753	65 510	-	-	-	-
Substandard	[ccc+;ccc]	913	914	13 746	6 873	-	-	-	-
Impaired	[d]	-	-	-	-	16 684	15 855	16 386	16 386
Not rated		56 200	19 703	3 561	3 561	-	-	-	-
Total		**2 014 870**	**1 861 600**	**86 060**	**75 944**	**16 684**	**15 855**	**16 386**	**16 386**

Breakdown of Non-Performing and Forborne Exposures

In accordance with the definitions set out in Annex V to Commission Implementing Regulation (EU) 2018/1627 of 8 October 2018, amending Implementing Regulation (EU) No 680/2014 as regards prudent valuation for supervisory reporting, the Group discloses the non-performing exposures and the forborne exposures.

The definitions of non-performing and forborne exposures are provided under section 2.4.1.

In this sense, as at June 30, 2022 and December 31, 2021, the breakdown of performing and non-performing exposures was as follows:

	30.06.2022			31.12.2021		
	Gross amount	Impairment, Negative revaluations and Provisions	Coverage	Gross amount	Impairment, Negative revaluations and Provisions	Coverage
Performing exposures	**2,587,106**	**10,731**	**0.4%**	**2,258,827**	**9,866**	**0.4%**
Non-Performing exposures (NPE)	**13,464**	**6,177**	**45.9%**	**23,436**	**6,103**	**26.0%**
Banking Book Debt Securities	0	0	0.0%	4,296	37	0.9%
Loans and advances to customers	9,649	5,630	58.3%	13,235	5,571	42.1%
Guarantees	2,690	349	13.0%	5,644	415	7.4%
Loan commitments	1,125	198	17.6%	261	80	30.7%
Total	**2,600,570**	**16,908**	**0.7%**	**2,282,263**	**15,969**	**0.7%**
NPE ratio	**0.5%**			**1.0%**		
NPL ratio	**1.3%**			**2.1%**		

As at June 30, 2022 and December 31, 2021, the breakdown of performing and non-performing forborne exposures was as follows:

	30.06.2022			31.12.2021		
	Gross amount	Impairment, Negative revaluations and Provisions	Coverage	Gross amount	Impairment, Negative revaluations and Provisions	Coverage
Performing exposures	**2,533,442**	**6,503**	**0.3%**	**2,214,231**	**6,165**	**0.3%**
Performing Forborne exposures	**53,664**	**4,228**	**7.9%**	**44,596**	**3,701**	**8.3%**
Loans and advances to customers	53 198	4 216	7.9%	44 596	3 701	8.3%
Non-Performing Forborne exposures	**9,744**	**4,821**	**49.5%**	**16,850**	**5,134**	**30.5%**
Banking Book Debt Securities	0	0	0.0%	4,296	37	0.9%
Loans and advances to customers	8 619	4 623	53.6%	12 293	5 017	40.8%
Loan commitments	1 125	198	17.6%	261	80	30.7%
Non-Performing exposures	**3,720**	**1,356**	**36.5%**	**6,586**	**969**	**14.7%**
Total	**2,600,570**	**16,908**	**0.7%**	**2,282,263**	**15,969**	**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 costumers, financial assets held for trading and securities, by sector of activity, for the end of June 30th, 2022 and December 31st, 2021, is as follows:

(thousand euros)

	30.06.2022							
	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	22 296	-	379	-	-	37	24 595	88
Agricultural Cooperatives	9 575	-	21	-	-	214	-	-
Automobiles & Components	-	-	-	-	-	-	17 516	39
Banks	-	-	-	-	7 568	23 707	63 753	124
Broker Dealers	-	-	-	-	-	547	-	-
Building Materials	12 566	-	23	-	1 269	2 322	-	-
Capital Goods	18 609	-	21	-	97	-	12 022	32
Chemicals	14 960	-	46	-	1 401	10 985	8 735	7
Commercial & Professional Services	53 751	-	445	-	979	-	185	-
Construction & Engineering	12 899	2 506	132	2 475	1 976	1 382	34 517	285
Consumer Durables & Apparel	-	-	-	-	-	-	3 265	41
Containers & Packaging	5 561	-	61	-	-	-	-	-
Food, Beverage & Tobacco	3 688	-	69	-	382	9 454	6 465	4
Funds & Asset Managers	271	-	1	-	993	1	12 264	-
Governments	1 348	-	-	-	336 393	-	421 308	528
Health Care	48 044	-	159	-	293	-	20 420	105
Hotels & Gaming	2 127	-	2 127	-	-	-	7 235	1
Media & Entertainment	-	-	-	-	1 186	94	-	-
Metals & Mining	-	-	-	-	-	170	9 575	15
Non Bank Financial Institutions	45 372	-	138	-	4 580	4 036	51 363	75
Oil & Gas	11 098	-	57	-	3 729	-	14 601	61
Paper & Forest Products	12 120	-	124	-	-	2 305	2 712	3
Power	123 475	-	3 600	-	728	1 311	37 484	106
Real Estate	135 216	-	698	-	-	-	97 957	491
Rental & Leasing	14 296	-	74	-	850	-	-	-
Retailing	20 175	-	206	-	640	-	-	-
Software	-	-	-	-	-	-	9	-
Telecoms	62 456	-	200	-	4 732	55	25 727	89
Transportation	6 668	-	140	-	2 013	-	3 125	26
Transportation Infrastructure	117 889	-	1 489	-	510	24 302	-	-
Water Utilities	-	-	-	-	391	-	20 995	167
Others	136	-	1	-	85	-	-	-
TOTAL	**754 596**	**2 506**	**10 211**	**2 475**	**370 795**	**80 922**	**895 828**	**2 287**

(thousand euros)

	31.12.2021								
	Loans and advances to customers					Financial assets held-for-trading		Securities	
	Gross amount		Impairment		Revaluation	Securities	Derivative financial assets	Gross amount	Impairment
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans	Overdue loans				
Agribusiness & Commodity Foods	24 290	-	508	-	-	-	5 156	-	21 019
Automobiles & Components	8 146	-	19	-	-	-	522	-	-
Banks	-	-	-	-	-	181	-	-	20 286
Broker Dealers	-	-	-	-	-	8 527	15 093	-	73 080
Building Materials	-	-	-	-	-	-	285	-	-
Capital Goods	12 532	-	38	-	-	-	-	-	-
Chemicals	10 453	-	11	-	-	169	-	-	16 088
Commercial & Professional Services	14 954	-	46	-	-	1 016	8 045	-	8 038
Construction & Engineering	42 449	-	720	-	-	3 196	-	-	1 512
Consumer Durables & Apparel	20 519	2 372	338	1 985	54	1 508	-	-	29 534
Food, Beverage & Tobacco	4 759	-	54	-	-	-	-	-	-
Funds & Asset Managers	4 228	-	79	-	-	863	5 039	-	6 596
Governments	33 389	-	-	-	-	-	-	-	12 513
Health Care	1 593	-	-	-	-	312 156	-	-	320 489
Hotels & Gaming	45 913	-	152	-	-	851	-	-	23 300
Insurance	-	2 127	-	2 127	-	405	-	-	17 444
Media & Entertainment	-	-	-	-	-	-	3	-	-
Metals & Mining	-	-	-	-	-	2 017	4 085	-	9 707
Non Bank Financial Institutions	-	-	-	-	-	558	3 590	-	50 142
Oil & Gas	-	-	-	-	-	177	1 739	-	13 874
Paper & Forest Products	18 331	-	202	-	-	-	270	-	19 745
Power	116 902	-	2 954	-	-	513	3 089	-	36 191
Real Estate	69 597	-	556	-	-	-	-	-	82 782
Retailing	19 986	-	200	-	-	3 005	-	-	7 245
Software	-	-	-	-	-	-	-	-	8
Technology Hardware & Equipment	-	-	-	-	-	-	-	-	-
Telecoms	50 406	-	181	-	-	1 683	52	-	26 855
Transportation	8 232	-	173	-	-	974	-	-	4 068
Transportation Infrastructure	120 963	-	1 624	-	-	202	42 946	-	-
Water Utilities	-	-	-	-	-	-	-	-	10 649
Others	144	-	1	-	-	8 039	-	-	-
TOTAL	**627 642**	**4 499**	**7 855**	**4 112**	**54**	**338 001**	**89 914**	**-**	**803 717**

The breakdown of loans and advances to costumers, financial assets held for trading and securities, by country risk, for the years ended 30th June 2022 and 31st December 2021, is as follows:

(th

Country	30.06.2022							
	Loans and advances to customers					Financial assets held-for-trading		Secu
	Gross amount		Impairment		Revaluation	Securities	Derivative financial assets	Gross amount
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans	Overdue loans			
Belgium	-	-	-	-	-	-	164	-
Bermuda	-	-	-	-	-	391	-	-
Brazil	141 346	1 008	5 410	1 008	-	334 103	13 984	116 603
Bulgaria	-	-	-	-	-	-	-	11 029
China	-	-	-	-	-	2 234	-	159 794
Cyprus	-	-	-	-	-	-	-	9 226
Czech republic	-	-	-	-	-	-	-	1 945
Finland	-	-	-	-	-	-	-	2 712
France	-	-	-	-	-	2 755	2 900	45 835
Germany	7 920	-	41	-	-	1 586	7 225	9 930
Greece	-	-	-	-	-	-	-	22 714
Hong kong	-	-	-	-	-	979	-	2 066
Hungary	-	-	-	-	-	-	-	10 505
Ireland	45 372	-	139	-	-	-	1 988	-
Italy	-	-	-	-	-	1 884	-	127 439
Japan	-	-	-	-	-	1 129	-	-
Luxembourg	33 204	-	73	-	-	-	-	21 337
Netherlands	-	-	-	-	-	1 448	-	10 380
Poland	96 661	1 498	172	1 467	-	449	-	43 644
Portugal	248 042	-	3 528	-	-	8 013	28 289	175 514
Romania	-	-	-	-	-	-	-	24 209
Singapore	-	-	-	-	-	382	-	-
Spain	119 061	-	606	-	-	9 144	24 296	73 015
Sweden	-	-	-	-	-	-	-	7 733
Switzerland	-	-	-	-	-	355	-	-
United Kingdom	62 854	-	241	-	-	94	2 076	14 572
United States	-	-	-	-	-	4 580	-	-
Virgin islands (british)	-	-	-	-	-	1 269	-	5 626
Others	136	-	1	-	-	-	-	-
TOTAL	**754 596**	**2 506**	**10 211**	**2 475**	**-**	**370 795**	**80 922**	**895 828**

(thousand euros)

Country	31.12.2021								
	Loans and advances to customers					Financial assets held-for-trading		Securities	
	Gross amount		Impairment		Revaluation	Securities	Derivative financial assets	Gross amount	Impairment
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans	Overdue loans				
Belgium	-	-	-	-	-	-	53	-	-
Bermuda	-	-	-	-	-	668	-	-	-
Brazil	119 416	866	4 989	501	-	309 582	16 728	102 449	529
Bulgaria	-	-	-	-	-	-	-	11 559	21
China	-	-	-	-	-	5 060	-	139 632	483
Cyprus	-	-	-	-	-	-	-	9 344	11
Czech republic	-	-	-	-	-	-	-	1 950	1
Finland	-	-	-	-	-	-	-	2 761	3
France	-	-	-	-	-	2 017	424	21 614	32
Germany	5 844	-	30	-	-	1 824	6 177	17 701	18
Greece	-	-	-	-	-	-	-	17 884	55
Hong kong	-	-	-	-	-	3 196	-	1 915	1
Hungary	-	-	-	-	-	-	-	10 566	8
Ireland	-	-	-	-	-	-	3 568	-	-
Italy	-	-	-	-	-	3 915	-	132 202	137
Japan	-	-	-	-	-	573	-	-	-
Luxembourg	30 481	-	61	-	-	-	-	21 353	12
Netherlands	-	-	-	-	-	1 566	-	10 287	19
Poland	75 773	1 506	88	1 484	54	778	-	54 207	225
Portugal	240 199	2 127	1 641	2 127	-	3 460	53 102	196 203	400
Romania	-	-	-	-	-	-	-	24 118	29
Singapore	-	-	-	-	-	863	-	-	-
Spain	101 802	-	872	-	-	6 314	8 765	10 898	18
Sweden	-	-	-	-	-	39	-	7 834	14
Switzerland	-	-	-	-	-	503	-	-	-
United Kingdom	54 127	-	174	-	-	3 409	1 025	14 713	29
United States	-	-	-	-	-	558	72	-	-
Virgin islands (british)	-	-	-	-	-	1 715	-	5 176	2
Others	144	-	1	-	-	-	-	-	-
TOTAL	**627 786**	**4 499**	**7 856**	**4 112**	**54**	**346 040**	**89 914**	**814 366**	**2 047**

Russia-Ukraine Conflict

As the Russia-Ukraine conflict is disrupting economic conditions and financial and credit markets, the Bank has prepared an internal risk assessment of the portfolio and the immediate impacts of the Russia-Ukraine conflict (excluding the second and third-tier impacts and their compound effects).

The global implications of the conflict are yet to be fully known, however the overall conclusion is that none of the borrowers are currently suffering severe impact from the Russia-Ukraine conflict.

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)

	30.06.2022				31.12.2021			
	December	Average	Maximum	Minimum	December	Average	Maximum	Minimum
Foreign Exchange Risk	6 800	5 443	6 844	4 516	6 800	4 142	13 078	1 393
Interest Rate Risk	403	430	677	289	403	812	1 625	187
Shares	10	14	24	10	10	12	57	0
Credit spread	616	1 110	1 820	315	616	1 759	2 871	205
Covariance	(811)	n.a.	n.a.	n.a.	(811)	n.a.	n.a.	n.a.
Global VaR	**7 018**	**6 537**	**7 471**	**5 300**	**5 905**	**6 551**	**23 325**	**3 836**

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 2022 and December 2021, the exposure of assets and liabilities by currency was as follows:

(thousand euros)

	30.06.2022			31.12.2021		
	Spot	Forward	Net Exposure	Spot	Forward	Net Exposure
AUD	15	-	15	14	-	14
BRL	99 509	11 977	111 486	78 800	16 692	95 492
CAD	39	-	39	59	-	59
CHF	521	-	521	364	-	364
CNY	13 317	-	13 317	12 455	-	12 455
DKK	201	-	201	201	-	201
GBP	46 228	(47 155)	(927)	37 997	(38 193)	(196)
HKD	(1 101)	1 122	21	(1 273)	1 386	113
JPY	41	-	41	79	-	79
MOP	6 052	-	6 052	5 171	-	5 171
MXN	14	-	14	115	-	115
NOK	11	-	11	12	-	12
PLN	72 469	(46 084)	26 385	87 353	(60 502)	26 851
SEK	38	-	38	89	-	89
TRY	1	-	1	-	-	-
USD	(16 561)	19 818	3 257	120 423	(118 887)	1 536
	220 794	**(60 322)**	**160 472**	**341 859**	**(199 504)**	**142 355**

Note: asset (liability)

The main source of FX risk of Haitong Bank comes from its foreign subsidiary Haitong Banco de Investimento do Brasil S.A. Depending on the management strategy, Haitong Bank fully or partially hedges the net investment in its foreign entity, by entering into short-term derivative transactions with a third party.

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 2022 and December 2021, the repricing profile of the Bank for interest rate risk sensitive positions was the following:

(thousand euros)

	30.06.2022					
	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years	Total
Assets	1 165 789	445 639	149 272	728 470	149 645	2 638 815
Liabilities	(723 185)	(548 573)	(612 641)	(556 253)	(56 097)	(2 496 749)
Gap	**442 604**	**(102 934)**	**(463 369)**	**172 217**	**93 548**	**142 066**

(thousand euros)

	31.12.2021					
	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years	Total
Assets	1 087 523	314 894	204 419	395 630	241 735	2 244 201
Liabilities	(544 947)	(552 222)	(282 264)	(623 420)	(4 036)	(2 006 889)
Gap	**542 576**	**(237 328)**	**(77 845)**	**(227 790)**	**237 699**	**237 312**

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	30.06.2022		31.12.2021	
	Delta EVE	Delta NII	Delta EVE	Delta NII
+200 bps	(15 900)	(4 645)	21 990	(5 317)
-200 bps	(3 069)	2 671	(2 106)	5 317
Parallel up	(13 261)	(5 180)	19 577	-
Parallel down	(9 234)	3 206	(1 718)	-
Steepener	(6 376)	1 873	(7 489)	-
Flattener	918	(4 565)	(6 801)	-
Short rates up	(2 155)	(5 544)	22 876	-
Short rates down	(10 702)	3 571	(7 509)	-
% Total Capital	2.93%	0.85%	4.05%	0.98%
% Tier 1 Capital	2.45%	0.86%	4.23%	n.a.

The following table presents the average interest rates as well as the average balances and interest for the period, relating to the Group's major financial asset and liability categories, for the periods ended at June 30th 2022 and 31st December 2021 as well as the respective average balances and interest of the period:

(thousand euros)

	30.06.2022			31.12.2021		
	Average balance of the period	Interest of the period	Average interest rate	Average balance of the period	Interest of the period	Average interest rate
Monetary assets	670 337	2 809	0.84%	536 588	1 080	0.20%
Loans and advances to customers	697 440	16 971	4.91%	352 464	21 143	6.00%
Investment in securities	635 580	28 314	8.98%	815 887	54 544	6.69%
Collateral accounts	60 591	77	0.26%	75,675	111	0.15%
Financial assets	**2 063 948**	**48 171**	**4.91%**	**1 780 614**	**76 878**	**4.91%**
Monetary resources	826 059	6 694	1.63%	688 194	16 359	2.38%
Resources of customers	1 025 490	27 165	5.34%	1 140 615	27 476	2.41%
Liabilities represented by securities	350 496	6 025	3.47%	46 214	2 717	5.88%
Other resources	14 113	386	5.52%	26 555	699	2.63%
Financial liabilities	**2 216 158**	**40 270**	**5.34%**	**1 901 578**	**47 251**	**5.34%**
Financial Result		**7 901**			**29 627**	

Hedge accounting

On 30th May, 2021 the management strategy have changed, and the Hedge accounting was discontinued. The table below includes the detail of results with hedging instruments used and accounted, on 31th December 2021:

(thousand euros)

	31.12.2021				
	Notional	Book value		Change in fair value (A)	Currency translation reserve
		Assets	Liabilities		
Hedging of net investments in foreign entities					
Hedging instruments					
Foreign exchange risk					
Forward	-	-	-	(698)	(698)
Hedged Itens					
Haitong Banco de Investimento do Brasil S.A	n.a	n.a	n.a	785	785
Total	**-**	**-**	**-**	**87**	**87**

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

(thousand euros)

	31.12.2021	
	Gains / (Losses) realised in Other comprehensive income	Ineffectiveness recognised in Income statement (A)
Hedging of net investments in foreign entities		
Hedging instruments		
Foreign exchange risk		
Forward	(698)	1

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

Liquidity risk

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

Within the scope of the risk vision statement approved by the Board of Directors, Haitong Bank as whole, and all its subsidiaries individually aim to maintain a solid short-term liquidity position and a sustainable medium and long-term funding profile.

To achieve these goals, Haitong Bank seeks to develop a diversified investors' base, ensuring access to alternative funding sources and instruments, and keeping an adequate funding structure to finance its activity.

Haitong Bank's liquidity and funding management is under the direct responsibility of the Executive Committee, advised by the Assets and Liabilities Committee (ALCO). Local treasury teams ensure liquidity daily management in each of the Bank's liquidity hubs (Lisbon, S. Paulo and Warsaw), under the global coordination of Hationg Bank's CEO.

The Bank manages its liquidity by establishing a liquidity risk policy, monitoring a set of liquidity risk metrics, including prudential liquidity ratios, stress testing and liquidity contingency plans, and by setting limits consistent with the Bank's liquidity risk appetite and regulatory requirements.

As of 30 June 2022, the Bank held 798 million Euros of High Quality Liquid Assets (671 million Euros in 31 December 2021), of which 629 million were available demand deposits in Central Banks (454 million Euros in 31 December 2021). The remainder of the High Quality Liquid Assets (HQLA) was mainly composed by sovereign debt of European Union countries and by Brazilian Government bonds denominated in Brazilian Reais owned by Haitong Bank subsidiary in Brazil.

In 30 June 2022, Haitong Bank held a surplus of 488 million Euros of its 30 days stressed net outflows, which corresponded to a LCR of 257% (183% on 31 December 2021) comfortably above both regulatory and internal limits.

Liquidity Coverage Ratio	June 2022	December 2021
High Quality Liquid Assets	798	671
Surplus over stressed net outflows	488	305
Liquidity Coverage Ratio	**257%**	**183%**

Haitong Bank funding from the Bank of Portugal amounts to 322 million Euros at 30 June 2022 (322 million Euros at December of 2021) obtained through the Targeted Longer-Term Refinancing Operations (TLTRO) and Pandemic Emergency Longer-Term Refinancing Operations (PELTRO) facilities, maturing in 2022, 2023 and 2024.

In the first half of 2022, Haitong Bank's main sources of funding were secured facilities provided by the Central Bank, long term facilities provided by banks, debt securities issued both by Haitong Bank and by the Brazilian subsidiary, sales with repurchase agreements (repos) and deposits from clients (households, corporate and institutional clients).

In market stress situations where the value of derivatives is significantly impacted, additional collateral amounts may be required from Haitong Bank due to master netting agreements (e.g. ISDA) and margin agreements (e.g. Credit Support Annex) entered into with financial institutions. Derivatives positions and collateral received and posted are detailed in notes 19 and 27, respectively.

As of 30th June 2022, contractual undiscounted cash flows of financial assets and liabilities present the following structure:

(thousand euros)

	30.06.2022						
	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	668 912	-	-	-	-	-	668 912
Financial assets held-for-trading (Securities)	-	13 947	47 434	233 449	364 667	38	659 535
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	17 736	17 736
Financial assets at fair value through other comprehensive income	-	31 498	19 080	184 671	60 125	-	295 373
Financial assets at amortised cost	-	16 482	43 351	530 341	95 130	-	685 304
Loans and advances to banks	22 443	2 929	2 482	-	-	-	27 853
Loans and advances to customers	4 407	25 718	140 517	533 435	195 430	-	899 508
Derivatives Instruments	-	534 859	404 605	316 189	45 779	46 953	1 348 384
	695 762	625 433	657 469	1 798 085	761 131	64 728	4 602 607
Liabilities							
Resources from credit institutions	128 449	16 872	319 423	431 483	56 400	-	952 627
Resources from customers	48 843	302 393	437 264	219 624	-	-	1 008 124
Debt securities issued	-	2 464	29 454	511 815	-	-	543 733
Financial liabilities held-for-trading (Securities)	992	-	-	-	-	-	992
Derivatives Instruments	-	536 952	402 041	285 243	45 788	15 280	1 285 303
	178 284	858 681	1 188 181	1 448 165	102 188	15 280	3 790 779

As of 31st of December 2021, contractual undiscounted cash flows of financial assets and liabilities presented the following structure:

(thousand euros)

	31.12.2021						
	On demand	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Assets							
Cash and cash equivalents	488 544	-	-	-	-	-	488 544
Financial assets held-for-trading (Securities)	-	17 623	14 481	199 327	352 844	1 225	585 500
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	745	-	19 032	19 777
Financial assets at fair value through other comprehensive income	-	22 530	65 327	180 245	55 345	-	323 447
Financial assets at amortised cost	-	24 860	43 457	358 832	135 862	-	563 011
Loans and advances to banks	-	51 739	2 463	-	-	-	54 202
Loans and advances to customers	-	61 341	84 241	436 374	159 026	-	740 982
Derivatives Instruments	-	501 963	319 738	149 576	138 220	59 433	1 168 930
	488 544	680 056	529 707	1 325 099	841 297	79 690	3 944 393
Liabilities							
Resources of other credit institutions	7	29 683	63 735	722 227	57 945	-	873 597
Resources of customers	92 527	233 663	371 399	490 928	-	-	1 188 517
Debt securities issued	-	172	9 785	22 220	-	-	32 177
Financial liabilities held-for-trading (Securities)	1 036	-	-	-	-	-	1 036
Derivatives Instruments	-	495 213	314 316	144 532	131 925	10 270	1 096 256
	93 570	758 731	759 235	1 379 907	189 870	10 270	3 191 583

The derivatives undiscounted cash flows are calculated as gross cash flows of each side of the deal, not considering any net positions.

Operational risk

Operational Risk corresponds to the possible loss resulting from inadequate internal procedures or its negligent application, inadequacy or failure of information systems, staff behavior or external events. Legal risks are included in this definition. Legal and IT risks are included in this definition. Operational risk is therefore considered as the sum of operational, information systems and compliance risks.

The Bank has in place a framework to ensure the standardization and systematization of the regular activities regarding the identification, assessment, response/ mitigation, monitoring, and control and report of operational risk. A team within the Risk Management Department is exclusively dedicated to the management of this framework.

Capital Management and Solvency Ratio

The main purposes of capital management in the Group are (i) to promote sustainable growth of activity by creating enough capital to withstand the increase of assets, (ii) meet the minimum requirements established by the supervising entities in relation to capital adequacy and (iii) ensure the achievement of the strategic goals set by Group in relation to capital adequacy.

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

The regulation provides for a transitional period to exclude some elements previously included (phase-out) and include/deduct new elements (phase-in) in which institutions may accommodate the new requirements. The transitional period for the majority of the elements ended in 2017, with the exception of the deferred tax assets generated prior to 1 January 2014, IFRS9 transition adjustment and both the subordinated debt and all the hybrid instruments not eligible as own funds under the new regulations, which have a longer period (until the end of 2021).

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

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

The regulation also provides a counter-cyclical capital buffer of up to 2.5% to be imposed in the event that national supervisors deem it necessary in order to counteract excessive credit growth in Portugal. As of 30th June 2022, the Bank of Portugal decided not to impose any additional counter-cyclical capital buffer, by setting it at 0% of the total risk exposure amount. This decision is subject to revision on a quarterly basis.

In addition to the above-mentioned capital buffers, as of 1 July 2018 Haitong Bank became subject to an additional requirement with a specific add-on, determined and annually revised under the Supervisory Review and Evaluation Process performed by the Bank of Portugal. As of 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 of June 2022 and 31st of December 2021:

	30.06.2022		31.12.2021	
	Phased-in	Fully-loaded	Phased-in	Fully-loaded
CET1 ratio	18,0%	18,0%	18,9%	18,8%
Tier 1 ratio	22,4%	22,4%	23,5%	23,4%
Total Capital ratio	22,5%	22,5%	23,6%	23,5%

NOTE 39 – SUBSEQUENT EVENTS

In the 1st of July 2022, a resolution has been passed to increase the share capital of Haitong Bank S.A. by EUR 2,630,305.00, to EUR 847,399,305.00. This share capital increase, in the form of incorporation of a special reserve, resulted from the conversion of the rights attributed to the Portuguese State 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).

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 2022 relating to Haitong Bank, S.A. and the companies included in its consolidation perimeter have not been audited.

Lisbon, 24 August 2022

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)

Xinjun Zhang
(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/2021	Transactions in 1H2022			Securities held as of 30/Jun/2022
			Date	Acquisitions	Disposals	
Lin Yong	**Haitong International Securities Group Limited** - Ordinary shares	7 863 768	23/03/2022	249,919 [Note 1]	-	
			24/03/2022	398,010 [Note 2]	-	
			23/06/2022	851,169 [Note 3]	-	9 362 866
	Haitong International Securities Group Limited - Share Options	5 311 863	23/06/2022	531,186 [Note 4]	-	5 843 049
	Haitong International Securities Group Limited - Awarded Shares (unvested)	1 757 049	23/03/2021	-	249,919 [Note 1]	
			24/03/2021	-	398,010 [Note 2]	1 109 120
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	**Haitong International Securities Group Limited** - Ordinary shares	869 784	23/06/2022	86,978 [Note 5]	-	956 762
	Haitong International Securities Group Limited - Share Options	2 206 526	23/06/2022	220,651 [Note 6]	-	2 427 177
	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	-	-	-	-	-	-
Deloitte & Associados, SROC, S.A.	-	-	-	-	-	-

Notes:
Note 1: 249,919 unvested awarded shares were vested on 23/3/2022
Note 2: 398,010 unvested awarded shares were vested on 24/3/2021
Note 3: 851,169 bonus shares were allotted under the bonus issue on 23/6/2022
Note 4: Adjustment made upon completion of bonus issue on 23/6/2022
Note 5: 86,978 bonus shares were allotted under the bonus issue on 23/6/2022
Note 6: Adjustment made upon completion of bonus issue on 23/6/2022

CORPORATE BODIES AND COMMITTEES

As of 30 June 2022

General Meeting Board

President
Maria João Ricou

Secretary
David Ramalhete

Supervisory Board

Chair
Maria do Rosário Ventura
Members
Mário Bettencourt
Cristina Pinto
Alternate
Paulo Ribeiro da Silva

Statutory Auditor

Member in office
Deloitte & Associados, SROC, S.A.[1]

Remuneration Committee

Chair
Martina Garcia
Members
Lin Yong
António Domingues
Vincent Camerlynck

Risk Committee

Chair
Vincent Camerlynck
Members
António Domingues
Pan Guangtao

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

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

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*)

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

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
Voting Members
Deputy Head of CEO Office
Head of Finance
Head of Legal
Head of IT
Head of Operations
Non-Voting Members
Head of Risk Management Function
Head of Compliance Function
Data Protection Officer

[1] *Deloitte & Associados, SROC, S.A. nominated João Carlos Henriques Gomes Ferreira*

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 2022 were prepared in accordance with the legally applicable accounting standards and with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of July 19th, as set forth in Article 29 - 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 2022, and includes a description of the main risks and uncertainties that could affect the business.

Lisbon, 24 August 2022

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Xinjun Zhang
(Non-Executive Board Member)

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