HAITONG

2024

INTERIM REPORT

HAITONG BANK, S.A.

Edifício Quartzo Rua Alexandre Herculano, 38
1269-180 Lisbon | PORTUGAL
Registered Share Capital: 871 277 660 euros
Corporate Registration
and Tax Number: 501 385 932

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MANAGEMENT REPORT

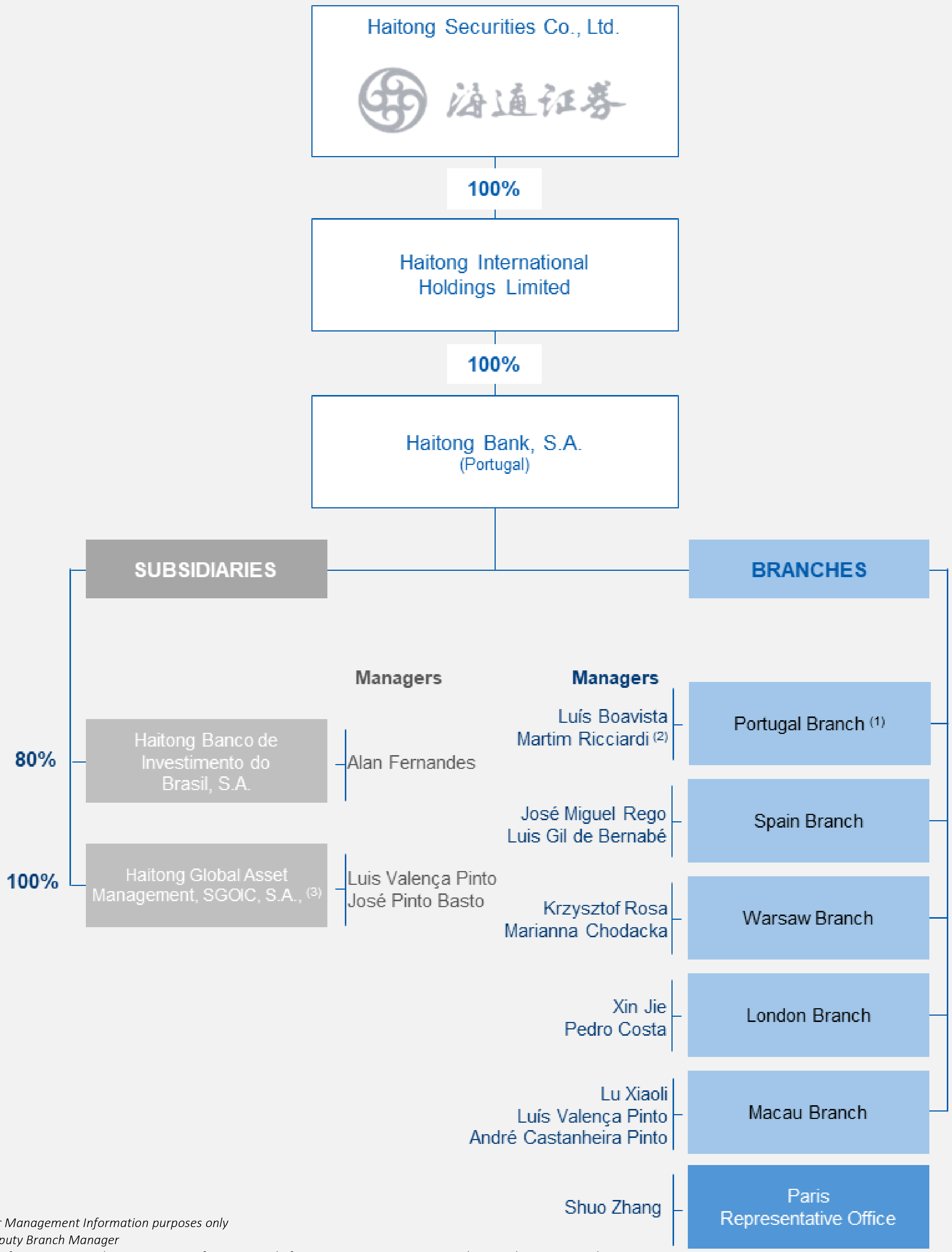
Key Indicators

(EUR million)

	June 2024	December 2023	June 2023
Balance Sheet			
Total Assets	3 663	3 499	3 474
Total Liabilities	3 014	2 846	2 832
Total Equity	649	652	642
Results			
Banking Income	35	76	35
Operating Costs	-29	-60	-29
Operating Profit	6	16	6
Impairment and Provisions	2	11	0
Net Profit / Loss	5	17	5
Profitability			
Return on average shareholders' equity (ROE)	1.6%	2.7%	1.4%
Income before tax and non-controlling interests / Average equity (1)	2.6%	4.2%	1.8%
Return on average net assets (ROA)	0.3%	0.5%	0.3%
Income before tax and non-controlling interests / Average net asset (1)	0.5%	0.8%	0.3%
Banking Income / Average net assets (1)	1.9%	2.2%	2.1%
Efficiency			
Operating costs / Banking income (Cost to Income ratio) (1)	82.5%	79.2%	83.0%
Staff Costs / Banking Income (1)	55.2%	52.5%	54.3%
Credit Quality			
Loan Portfolio (gross)	715	696	871
Loan Loss Charge	-0.0	-3.1	0.3
Non-Performing Loans Ratio	1.1%	1.2%	1.0%
Non-Performing Loans Coverage	47.6%	48.4%	62.9%
Solvency			
CET1 ratio	19.3%	19.0%	15.5%
Total capital ratio	24.2%	23.8%	19.6%
Leverage			
Leverage Ratio	11.0%	11.5%	10.9%
Liquidity Position			
Net Stable Funding Ratio (NSFR)	149%	151%	124%
Liquidity Coverage Ratio (LCR)	387%	275%	191%
Loans to deposits ratio ((Gross loans - provisions) / customer deposits) (1)	69%	84%	121%
Total Headcount	337	356	364

(1) Banco de Portugal Reference Indicators (Notice 23/2011)

ORGANISATIONAL STRUCTURE



(1) For Management Information purposes only
(2) Deputy Branch Manager
(3) As of June 30, 2024, the appointment of a new Board of Directors was in progress, pending regulatory approval

Senior Management

Board of Directors

Chairman of the Board of Directors

Pan Guangtao

Chief Executive Officer and Executive Board Member

Wu Min

- Subsidiary and Branch Management *
- CEO Office
- Human Resources
- Finance
- Cross Border Business *

Executive Board Member

Alan Fernandes

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

Executive Board Member

Miguel Guiomar

- Portugal Branch *
- Fixed Income *
- Treasury *

Executive Board Member

Nuno Carvalho

- Compliance & AML-FT
- Legal
- CISO *
- Special Portfolio Management
- IT Department & Cyber Security *
- Online Banking

Executive Board Member

Vasco Câmara Martins

- Risk Management
- Rating
- Operations

Executive Board Member

Lu Xiaoli (Nick Lu)

- Macau Branch
- Headquarter Business Coordination *

** Subject to Banco de Portugal approval*

Non-Executive Board Member

António Domingues

Non-Executive Board Member

Maria do Rosário Ventura

Non-Executive Board Member

Martina García

Non-Executive Board Member

Zhang Xinjun (Jeff Zhang)

Non-Executive Board Member

Chen Xuemei (Michelle Chen)

Senior Managers with a Seat on the Executive Committee

- Head of CEO Office
- London Branch Manager
- Company Secretary
- Investor Relations

Pedro Costa

- Head of the Finance Department
- Company Secretary Alternate

António Pacheco

Business Strategy

Haitong Bank is a Corporate and Investment Bank committed to supporting clients on the several domestic markets where it operates and on cross-border transactions.

The Bank's strategy is to connect clients and business opportunities across its broad network, combining a long-standing expertise in Europe and Latin America with a prominent Chinese heritage.

FOOTPRINT

EUROPE | GREATER CHINA | LATIN AMERICA

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

- Historical franchises in Europe and Latin America;
- A China angle, through the Macau Branch and Group connectivity; and
- A cross-border focus, leveraging on the extensive footprint.

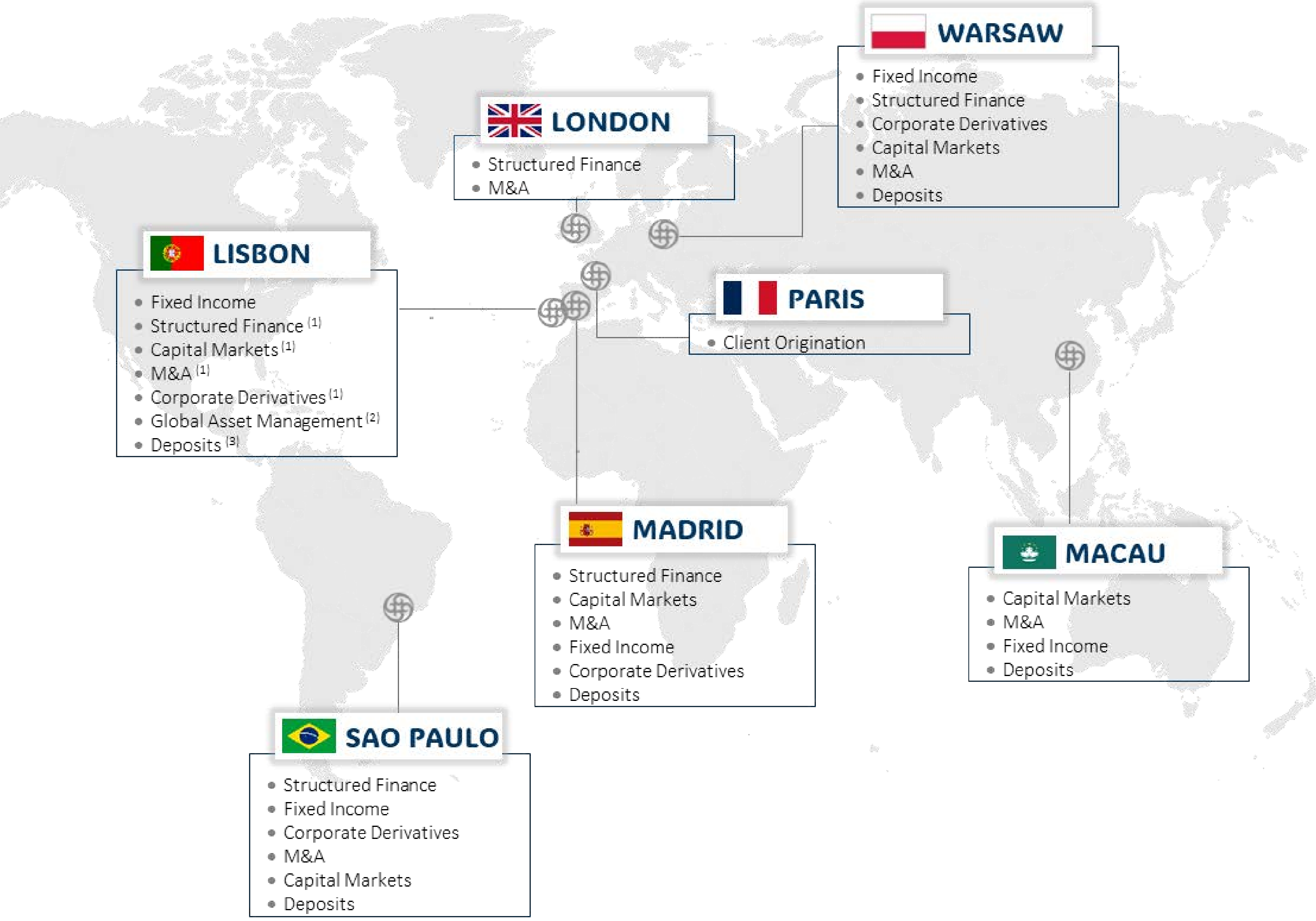
Over recent years, the Bank has followed a consistent strategy as a corporate and investment bank well anchored on its franchises in Europe, Latin America, and China. This positioning has allowed the Bank to improve its resilience and differentiation versus other Western and Chinese competitors.

The Bank's mission is to provide first-class services to its Clients, to further develop the Group's global franchise and create shareholder value. This encompasses a strong sense of capital preservation and consistent profitability driven by a conscious risk-taking approach and an effective cost base, in full compliance with rules and regulations.

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

The Bank is committed to sustainably supporting its Clients' activities, ensuring equal treatment and guaranteeing that their Clients' legal interests and confidentiality are protected, and that high quality and efficient services are provided at all times. Through its Client Coverage Teams, the Bank strategically engages Clients to understand their financial needs, offer bespoke solutions, and ensure a seamless and professional experience.

Business and Regional Presence



(1) Under Portugal Branch (established for Management Information purposes only)
(2) Through Haitong Global Asset Management, SGOIC, S.A. subsidiary
(3) Under Headquarter Function, together with Treasury and Control and Support Functions

Product

Business Model

STRUCTURED FINANCE

Corporate lending
Collateralised asset finance
Project finance
Acquisition finance
Guarantees

FIXED INCOME

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

CAPITAL MARKETS

Eurobonds (EUR/USD)
Domestic bonds (multicurrency)
Short-term debt instruments
Advisory on ECM transactions

M&A ADVISORY

Sell-side and buy-side advisory
Company valuations
Restructuring advisory
Feasibility studies

CORPORATE DERIVATIVES

Hedging solutions
Commodities
Interest rates
Foreign exchange

INVESTMENT SERVICES

Global Asset Management
Cross-asset Experience (Equities, Fixed Income and Quant)
Local Expertise: Europe and China
Discretionary Mandates and Fund Management

Deposits
Retail, Corporate and Institutional

STRUCTURED FINANCE

Overview

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

- Structuring, arranging and underwriting debt facilities – acquisition finance, project finance, asset-based/development finance, bank guarantees and other structured finance solutions for corporate Clients;
- Structuring of financing operations through bond issues under a project finance regime ("Project Bonds");
- Post-closing services – portfolio management and agency roles;
- Financial advisory services – namely in connection with project finance deals and with the design of financing solutions for acquisitions, refinancing and other investments.

Strategy

Haitong Bank's Structured Finance Division is driven by the goal of delivering innovative and customized solutions to its Clients. With a global footprint encompassing a local presence in Europe, Brazil and China, the Bank is committed to addressing clients' specific needs and strengthening its position as a trusted financial partner.

Through continued dedication and expertise, Haitong Bank's Structured Finance activity is grounded on a constructive approach and flexibility with a view to providing value-added transactions for its Clients.

OFFERING

- Project finance / Project bonds
- Acquisition finance
- Asset-based / development finance
- Corporate lending / Bridge financing
- Bank guarantees

Banking Income
€11.5 million

Weight in Total Banking Income
33%

Activity Highlights

During 1H2024, Haitong Bank's Structured Finance activity achieved a total banking income of EUR 11.5 million, surpassing the business targets for the period. This positive achievement reflects the effectiveness of the Bank's strategies and the successful execution of the Structured Finance business, which benefits from the Bank's global presence and coordinated efforts between products and different geographies. This has allowed for geographical diversification and for closing new deals in several markets and jurisdictions.

In 1H2024, the Structured Finance activity was faced with a highly competitive environment and significant market volatility, similar to previous periods. This context required constant market monitoring and careful selection of business opportunities to mitigate potential adverse impacts while preserving the established business targets. Moreover, the persisting pressures led to the need to differentiate and focus on delivering value-added bespoke propositions to the Bank's clients.

The goals of business growth and diversification have also been driven by strengthening the Structured Finance Teams in the regions where Haitong Bank operates, namely through a permanent exchange of knowledge and expertise among the various teams and geographies.

From a sector perspective, positive dynamics were observed in the telecoms, oil and gas and energy sectors. In Portugal, one new deal was closed in the renewable energy sector while several other transactions have been originated in the infrastructure and real estate sectors. In Spain, a notable activity increase has been observed, especially in the telecoms sector, where a number of high-profile transactions have come to the market. During the period, four new deals amounting to EUR 75 million reached financial closing in Spain and France.

In the UK, Haitong Bank broadened its Structured Finance business scope to a wide range of sectors, completing a funding participation transaction in the oil and gas sector and joining a syndicate of banks to provide acquisition financing for a UK-listed company acquiring European assets from a leading peer.

In Poland, Haitong Bank's Warsaw Branch completed one new transaction in the financial sector.

In Asia, the Macau Branch worked on several transactions in the oil and gas sectors while other business opportunities are currently being developed with the participation of the Export Credit Agency in China.

In Brazil, despite the challenging environment brought by the high interest rates, the credit market showed some resilience, especially considering the huge increment in Fixed Income issuances in the Capital Markets at lower margins. Under such a scenario, the Structured Finance activity was impacted by the fierce competition coming from the demand brought by the asset managers, leading to the closing of transactions in the amount of approximately BRL 90 million.

Overall, with the aim of ensuring the stability and profitability of its credit operations, a proactive monitoring and effective management of the Bank's existing portfolio of loans and agency services has also remained a priority for the Structured Finance activity.

During 1H2024, Haitong Bank continued to position itself as a solutions provider for clients in the Structured Finance area, adopting a flexible and constructive approach with a focus on value-added transactions. This strategy has enabled the Bank to meet specific client needs and solidify its reputation as a trusted financial partner.

ENERGY PORTUGAL

Loan Facility to MaxSolar - Greenvolt Group

€ 20,000,000

Mandated Lead Arranger

2024

HAITONG

FIG POLAND

MOBILIZE FINANCIAL SERVICES
RCI Banque S.A.
Branch in Poland

Loan Facility

PLN 120,000,000

Sole Arranger

2024

HAITONG

TMT U.K. / SPAIN

Senior Secured Debt

€ 4,400,000,000

Lead Arranger

2024

HAITONG

OIL & GAS U.K.

Funded Participation Agreement in relation to a Prepayment Facility Agreement between Cobra and Shell entities

US$ 1,200,000,000

Funded Participant

2024

HAITONG

AUTO FRANCE

Syndicated Loan for the Acquisition of a Vehicle Filtration Business Unit by PACP

€ 210,000,000

Lender

2024

HAITONG

CONSUMER GOODS BRAZIL

Exports Finance Syndicated Loan

US$ 372,000,000

Lender

2024

HAITONG

2H2024 Outlook

With a very dynamic and increasingly diversified pipeline of new Structured Finance deals, both from a geographical and sectorial perspective, the outlook for the second half of the year remains positive, as several deals that received internal credit approval in the first semester are expected to be closed during 2H2024, allowing for the achievement of the year's business targets.

To enhance Haitong Bank's competitiveness in the Structured Finance market, special emphasis will continue to be placed on tailor-made, value-added transactions. Moreover, in order to stand out and attract clients seeking unique financing options, the Bank will continue to offer innovative and customized solutions.

Fixed Income

Overview

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

These multiple areas of activity allow the Fixed Income Team to acquire significant expertise in the target markets and ensure a strong distribution capability of debt products to institutional clients globally.

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

Strategy

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

OFFERING

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

Banking Income
€8.4 million

Weight in Total Banking Income
24%

Activity Highlights

Portugal and Spain

Banking Book Management

2023 was marked by an increase in interest rates in developed markets, and by the Main Refinancing Rate reaching 4.50% in September and the Fed Funds Rate Lower and Higher Bound reaching 5.25% and 5.50%, respectively, in July. However, during the last quarter of that year, the rates and spreads decreased, hence the market priced in the end of central banks' tightening cycle and forecasted rate cuts throughout 2024.

During 1H2024, the economic data supported a 'higher-for-longer' stance in interest rates from central banks, materializing in just one rate cut by the ECB in June to a Main Refinancing Rate of 4.25%. In terms of credit, spreads remained stable with High Yield spreads trading in a range of +/-30 basis points versus the end of 2023, and Investment Grade spreads in a range of +/- 10 basis points.

Moreover, the Benchmark Euro Aggregate posted losses of 1.21% in 1H2024 (compared to gains of 7% in 2023), while its US equivalent generated losses of 0.71% (compared to gains of 5.5% in 2023).

Within this market environment, Banking Book activity was more dynamic during 1Q2024, allowing investments to be made at higher spreads.

In 2H2024, spreads are expected to remain stable, while interest rates should experience some volatility, especially when considering the uncertainty on the timing of rate cuts by the ECB and the FED. Despite the ongoing fears of untamed inflation, the Fixed Income Team will continue to pursuit the best investment opportunities that comply with the Bank's strategy.

Trading / Client Flow

1H2024 brought some volatility in interest rates, as the first cut by the FED was significantly postponed from what the markets were pricing. 'Stickier-than-expected' inflation and a stronger economy delaying the soft-landing scenario led investors to reprice the cut towards September rather than March with higher yields setting in. Markets are now pricing between two to three rate cuts until year-end with the ECB failing to decisively set its policy apart from the FED, despite much weaker growth.

Regarding credit spreads, a much more benign semester had materialized, with plenty of new issues, new money inflow into fixed income funds, tighter spreads, and even with less idiosyncratic risks than initially expected in the 'higher-for-longer' monetary policy backdrop.

Looking in particular to the Chinese market, 1H2024 has also been marked by a limited supply of offshore bonds from China issuers, with the PBOC keeping an 'easy' monetary policy and cutting the Reserve Ratio Requirements (RRR) by 50 basis points in January. China banks also cut the 5-year base Loan Prime Rate (LPR) by 25 basis points in January, to support the economy.

Moreover, the Chinese government has published multiple policies to boost the economy, as real estate investment, retail, and manufacturing activity was still undergoing a slowing cycle.

The 12-month SHIBOR rate declined from 2.58% to 2.05% in the first half of 2024. At the same time, the onshore 1Y CNY-USD cross currency swap (CCS) declined from -2,400 basis points in the beginning of 2024 to -2,900 basis points by end of June, which helped keep the interest of offshore investors in swapping USD to CNY to invest onshore CNY debts, being government bonds and bank certificates of deposits their main target.

The record low CNY funding cost in 1H2024 led China issuers to choose refinancing deals in the onshore bond market. The limited supply from China issuers was only partly made up of issues from Korea and Japan, as well as from Southeast Asia. Investors, however, kept chasing high-quality credit bonds in the Asia market.

The client flow activity remained resilient with interesting turnover, having the Fixed Income Team managed to increase the number of active clients in Europe and Asia.

Syndication / Sales

Regarding primary market transactions, 1H2024 was a continuation of the trend verified in the last quarter of 2023: the rates and spreads decreased, and the market conditions allowed the return of fixed income to the primary market, where a record number of deals occurred both across Europe and the US. Nonetheless, this positive factor was, to some extent, mitigated by the trend observed by many fixed income investors of a specific focus on benchmark issues, which is not feasible for most of the Bank's issuer base. The increasing competition by other banks, namely in relation to loans to issuers, with lower spreads than those that can be achieved in the bond market, also impacted new issuances.

In this context, the Bank was involved in two bonds issued by Portuguese issuers placed in the Retail and Institutional markets: i) Vista Alegre, maturing in 2029, with a EUR 60 million issue, and ii) CUF, with a EUR 60 million bond issue also maturing in 2029. The Bank was also involved as the sole arranger of the consent solicitation for Greenvolt's EUR 100 million bond issue maturing in 2028, following the change of control after KKR's purchase of that issuer.

In Spain, the Bank led the Sacyr EUR 101 million 2027 tap issue, increasing its total amount to EUR 130 million and placing it across Haitong Bank's institutional client base.

The Team expects that the interest rates and credit spreads should continue to decrease in 2H2024, although at a slower pace than the one registered in the last few months, thus benefiting primary markets. Nonetheless, this positive factor should, to some extent, be mitigated by the trend of particular focus on benchmark issues, as well as by the increasing competition from other banks.

Poland

1H2024 was positive for the Polish financial market. Thanks to the newly elected government, Poland got access to PLN 27 billion (USD 6.72 billion) of European Union funds, which had been held earlier because of a dispute between the EU and the former government. This caused the PLN exchange rate against the EUR and USD to appreciate, while other currencies of the CE-3 region showed the opposite trend. Also, the favourable sentiment in the global markets and the growth expected interest rate disparity between Poland and the Euro Area strengthened the Polish currency.

During 1Q2024, an inflow of foreign capital invested in Polish securities was recorded in the amount of PLN 41.6 billion. The level of the foreign portfolio investment was determined by the inflow of investments in both debt securities and equity securities, amounting to PLN 36.7 billion and PLN 4.9 billion, respectively. Shorter-term government bond yields rose and the yield for longer-term bonds declined. Due to the uncertainty of the interest rates' path, the Polish Branch clients preferred to invest in fixed 5-year and floaters' bonds, as well as orders on bond spreads between 5 and 10 years. There was also a bigger appetite on corporate bonds with floating coupons during 1H2024, with several offers having been made for both financial and private customers.

Brazil

In 1H2024, the Brazilian economy experienced modest GDP growth (2.5%), driven primarily by the agricultural sector and some recovery in the services sector. Industrial production showed signs of stagnation, with minor fluctuations. Inflation remained a concern, with the rate exceeding the Brazilian central bank's target of 3.00% year-on-year, reaching 4.00% year-on-year due to rising food and fuel prices. This prompted the central bank to maintain a cautious monetary policy, keeping interest rates relatively high to combat inflation.

The Brazilian Central Bank decided to halt its easing cycle at a rate of 10.50% after raising rates to 13.75% during 2023. During 1H2024, the market priced in significant risk premiums across the entire yield curve (100 basis points in the mid-section of the interest rate curve and 135 basis points at the longer maturities) due to political uncertainty and concerns about the government's ability to adhere to the fiscal plan and avoid breaching the debt ceiling in 2024. However, discussions emerged about potential rate cuts if inflationary pressures were registered in the second half of the year, having the currency shown signs of easing.

On the foreign exchange front, there was significant pressure from investors, driven by concerns over the government's loose fiscal policy and increased spending on social programs, as well as doubts about the debt framework. As a result, the BRL depreciated 15.3% against USD in 1H2024, starting the year at BRL 4.9183 and ending the semester at BRL 5.59.

Externally, exports performed well, particularly in commodities such as soybeans, iron ore, and oil, contributing to a positive trade balance and providing some support to the currency and international reserves. Despite this, investment levels remained relatively low due to ongoing political uncertainty and structural issues within the Brazilian economy. Efforts to attract foreign direct investment continued, with mixed results.

In this scenario, the Brazil Fixed Income Team was very active in sovereign bonds, trading more than BRL 11 billion in 1H2024.

Capital Markets

Overview

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

Strategy

The Capital Markets business area is mainly focused on DCM activities. The DCM business strategy is based on two pillars: (i) Historical franchise (local debt issuance in Portugal, Spain, Poland, Brazil and in Macau), leveraging on its local underwriting, structuring and distribution capabilities; and (ii) China-related business, backed by Haitong's group-wide origination capabilities and Haitong Bank's underwriting, structuring and distribution competences. The Bank is well positioned to play the "China House" role, leveraging on its prominence over the last five years in EUR and USD-denominated transactions for Chinese issuers. In addition, the Bank leverages on Haitong Group's unique access to Asian pools of demand.

OFFERING

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

Banking Income

€10.0 million

Weight in Total Banking Income

29%

1H2024 Market Review

Debt Capital Markets (DCM)

At the halfway point of the year, and after the turmoil experienced in 2023, market activity continued the trend initiated in 4Q2023, when investor sentiment improved as consumer prices increases slowed down, and market activity picked up.

Bond issuance volumes have increased as the global economy appears more stable, but markets were still experiencing heightened volatility, triggered by persistent inflation, high interest rates and geopolitical tensions.

According to LSEG Data & Analytics, overall global DCM activity totalled USD 5.4 trillion in 1H2024, up by 11% when compared to the same period of last year ("1H2023") and marking the strongest first half for DCM activity since 2021. The number of new offerings brought to market during 1H2024 totalled just over 16,000, which represented a 6% increase compared to a year ago and an all-time record. However, in the second quarter of 2024 ("2Q2024"), DCM issuance decreased by 20% when compared to the first quarter of this year ("1Q2024").

Global Investment Grade corporate debt offerings totalled USD 2.7 trillion during 1H2024, up by 13% year-on-year, marking the strongest start for global high-grade corporate debt since 2020. Investment-grade debt issuance registered a 22% decline in 2Q2024 compared to 1Q2024, which ranked as the largest first-quarter issuance on record.

During 1H2024, the Global High-Yield debt activity totalled USD 222.1 billion, an increase of 83% when compared to 1H2023, marking a three-year high. High-yield offerings from issuers in the United States, France, and the United Kingdom accounted for 72% of the 1H2024 issuance, on par with the same period of last year.

According to figures compiled by LSEG and The Climate Bonds Initiative, green bond issuance totalled USD 267.9 billion during 1H2024, on a par with a year ago levels. The 2Q2024 was marked by a 14% decline compared to 1Q2024. Green bonds continued to be the dominant Environmental, Social and Governance (ESG) label, while the Sustainability-Linked Bond (SLB) sector remained in the doldrums as these continued to be a small fraction of all deals globally. Regionally, Europe continues to set the issuance pace in 2024, with France, Germany, and Italy as the top countries for ESG bonds. By number of issues, green bonds increased 20% when compared to 1H2023, marking the second-largest first half for green bond issuance, by volume, on record.

International bond offerings totalled USD 2.9 trillion in 1H2024, a 21% year-on-year increase and a record level. Emerging market issuer debt amounted to USD 169.5 billion in 1H2024, up 13% year-on-year. It should also be noted that corporate debt issuers from India, Saudi Arabia, Brazil, and the United Arab Emirates accounted for 51% of the emerging market activity in 1H2024.

In 1H2024, Asia's local currency bond offerings totalled USD 1.7 trillion, a 7% decrease year-on-year, and a three-year low. China's Yuan offerings have decreased by 6% compared to 1H2023, and the Japanese Yen offerings increased by 6% compared to the same period last year, making it a three-year high and totalling JPY 12.4 trillion.

The European corporate bond market has seen a significant increase in 1H2024 as the macro picture has become more settled and companies have had significant needs to refinance maturities. Nevertheless, the market remains focused on higher-quality assets as concerns about distressed assets grow as the year progresses.

Equity Capital Markets (ECM)

According to LSEG, ECM activity had the strongest opening period activity in three years, totalling USD 309.6 billion in 1H2024, a 10% increase compared to 1H2023. By number of issues, just over 2,300 ECM offerings were brought to market during 1H2024, down 3% from 1H2023 levels. Global capital raising during 2Q2024 increased by 20% compared to 1Q2024.

In terms of global ECM, the United States was the market leader with 35% of overall issuance, with proceeds up 41% from 1H2023. Issuers from China raised USD 26.6 billion in the global equity capital markets during 1H2024, a decrease of 66% compared to levels seen a year ago, and the lowest percentage of global ECM activity during a first half since 2009.

In 1H2024, the total amount of global initial public offerings ("IPOs"), excluding SPACs, was USD 48.8 billion, which represented a decrease of 18% compared to 1H2023 levels. Moreover, this was the slowest opening period for global IPOs since 2016. During this period, total proceeds for IPOs on US stock exchanges totalled USD 17.0 billion, more than double a year ago levels and a three-year high. China-domiciled IPOs totalled USD 5.8 billion during 1H2024, down 81% year-on-year and representing an 11-year low.

Global secondary offering activity totalled USD 203.8 billion during 1H2024, a 17% increase compared to the same period in 2023 and the strongest opening period for capital raising since 2021. Moreover, just over 1,650 follow-on issues were priced during 1H2024, a 5% increase compared to 1H2023.

Activity Highlights

Iberia

In Portugal, Haitong Bank's DCM activity in 1H2024 was marked by the diversity of the transactions closed, having acted, among others, as:

- Joint Global Coordinator of the CUF, SGPS, S.A. EUR 60 million sustainability-linked bond issue through Public Offer, with a 5-year tenor and a 4.75% fixed coupon. The final demand reached EUR 67.3 million, corresponding to 1.1x of the issued amount;
- Joint Global Coordinator of the Vista Alegre Atlantis, SGPS, S.A. EUR 60 million sustainability-linked bond issue through Public Offer, with a 5-year tenor and a 5.30% fixed coupon. The final demand reached EUR 79.8 million, corresponding to 1.3x of the issued amount;
- Sole Global Coordinator of the EUR 50 million Public Subscription and Exchange Offer of 5.10% bonds due 2027, by Sport Lisboa e Benfica – Futebol SAD, with final demand reaching EUR 67.6 million, corresponding to 1.4x of the issued amount;
- Sole Global Coordinator of the EUR 50 million Public Subscription and Exchange Offer of 5.75% bonds due 2027, by Sporting Club de Portugal – Futebol SAD, with final demand reaching over EUR 66.4 million, corresponding to 1.3x of the issued amount;
- Sole Consent Solicitation Agent of the consent solicitation process regarding the amendment of two clauses foreseen in the Terms & Conditions of the bond issue "Greenvolt Notes 2021/2028";
- Arranger and Dealer of the Commercial Paper Programme of Mota-Engil, SGPS, S.A., which was increased to EUR 65 million.

On the ECM side, Haitong Bank was the Listing Agent in the admission to trading on the regulated market of Euronext Lisbon, of 134,990,453 class A shares, with a nominal amount of EUR 1,00 each, representative of 66.83% of the share capital of Sporting Clube de Portugal – Futebol SAD. The new shares resulted from the conversion of VMOCs (*valores mobiliários obrigatoriamente convertíveis*), and, following admission, were fungible with existing shares of Sporting SAD, that were already admitted to trading.

In Spain, the high-yield market represented by MARF (Mercado Alternativo de Renta Fija) remained cautious with issuances, focusing exclusively on high-quality corporates, and demanding high single-digit yields. By the end of June, the total issuance volume was of EUR 50.5 million (compared to EUR 142.5 million in 2023) with a positive outlook for 2024, as 2H2024 will face several maturities that can be refinanced.

In parallel, Haitong Bank's DCM Team in Spain remained focused on two main lines: (i) monitoring the market to take advantage of high-yield corporate issues and upcoming maturities in 2H2024, with high-risk returns in which the Bank can participate as an anchor investor, as Dealer or/and underwriter; and (ii) in financial advisory transactions, mainly focused on refinancings or capex financings.

Based on this strategy, the Team achieved the following milestones:

- Sourced a EUR 50.5 million tap issue with MAXAM in February, acting as an anchor investor;
- Executed a EUR 29 million tap issue for SACYR in April, acting as Sole Dealer and anchor investor, bringing the total bond issue to EUR 130 million.

Poland

In 1H2024, the corporate bond market in Poland grew in terms of issuance value, compared to the same period of the previous year. Single, large offers by state-owned companies such as KGHM and ENEA (which were rollovers of previous financings) played a big role in the increase of the issuance volume in the corporate bond market. These offers were carried out by a consortium of the largest Polish banks, through bond issues offered to retail investors and unsecured bonds issued by residential developers – the group of issuers with the most prominent presence in the Polish corporate bond market.

From the issuers' point of view, fundraising conditions marked by high interest rates and financing costs continued to be unfavourable with the entities that were able to postpone new transactions following that approach. On the other hand, and from the investors' point of view, conditions were favourable, as corporate bonds provided a sound alternative to bank deposits.

During 1H2024 and in line with its strategic DCM approach, the Warsaw Branch had several advanced discussions regarding new potential transactions in the DCM area that might be implemented in 2H2024.

Overall, the outlook for the Polish corporate bond market in 2H2024 is positive, after a poor performance in recent years.

Brazil

In Brazil, issuances in debt capital markets reached approximately BRL 210 billion during 1H2024, an increase of 65% from the same period last year. Once again, fixed-income debentures stood out and accounted for BRL 158 billion in 1H2024, or 75% of the total issuance volume.

In terms of distribution, the main asset holders continued to be the local banks coordinating the issuances, mutual funds and pension funds. Under this scenario, the Bank faced fierce competition from Brazil's biggest banks who were able to mobilize their balance sheet in order to provide firm underwriting commitments.

During 1H2024, a significant factor shaping the DCM market was the steady reduction in margins fuelled by the enormous additional demand for fixed income issuances, especially driven by the mutual funds' managers.

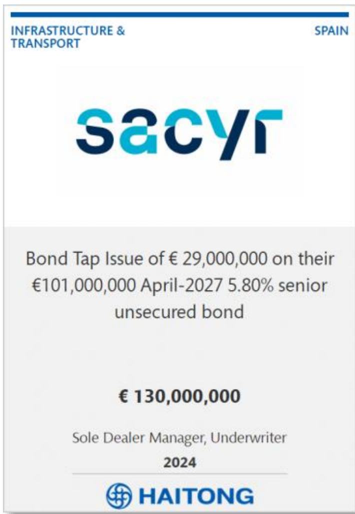
Macau

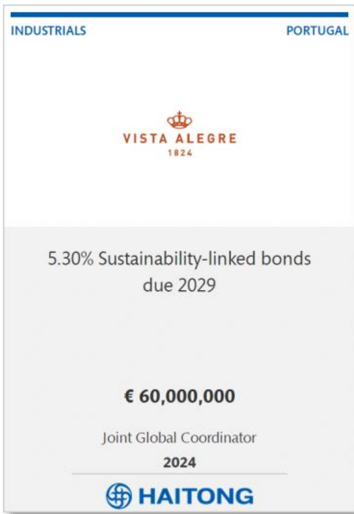
In Macau, the DCM Team has established itself as a dynamic player in the local market over the past two years, consistently facilitating the entry of Chinese borrowers into the international debt capital markets.

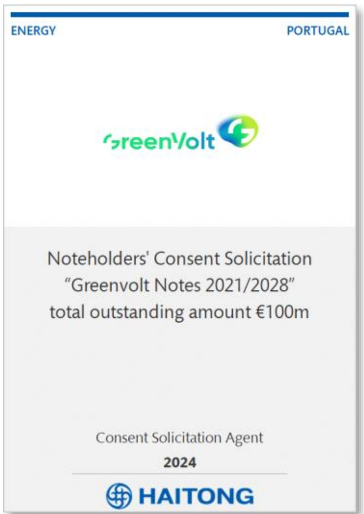
In 1H2024, the Macau DCM Team successfully participated in the issuance of twenty-four Dim Sum bonds, one Yulan bond, three USD bonds, and one JPY bond, with respective issuance amounts of RMB 16.8 billion, RMB 3.5 billion, USD 322.7 million and JPY 12.0 billion. This performance highlights the Macau DCM Team's pivotal role and expertise in the global bond market, reinforcing its reputation as a key player in international debt capital markets.

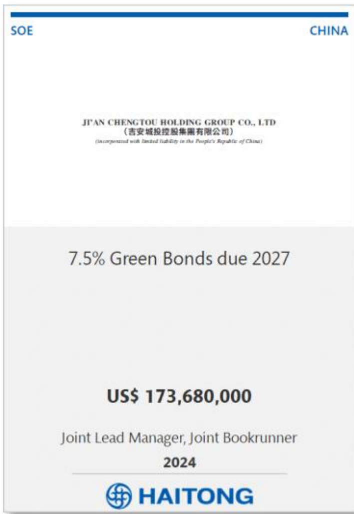
The Macau DCM Team also played a Joint Lead role in nineteen transactions listed on the MOX (Chongwa (Macau) Financial Asset Exchange Co., Ltd.), thereby contributing to the development of Macau's bond market - a key priority for the Macau government. Haitong Bank's Macau DCM Team has proven to be instrumental in advancing the bond market in Macau, underscoring its dedication to fostering the region's economic growth.

Furthermore, the DCM Team in Macau participated in three green bond issuances and one blue bond issuance during 1H2024, thus strengthening Haitong Bank's commitment to ESG considerations, which have become increasingly important in the financial industry.









SOE | CHINA

DONGYANG STATE OWNED ASSETS INVESTMENT CO., LTD.

1.45% Green Bonds due 2027

JPY 12,000,000,000

Joint Lead Manager, Joint Bookrunner

2024

HAITONG

SPORTS & ENTERTAINMENT | PORTUGAL

BENFICA SAD

Public Bond & Exchange Offer

€ 50,000,000

Sole Global Coordinator

2024

HAITONG

SOE | CHINA

4.98% Bonds due 2027

¥ 1,000,000,000

Joint Global Coordinator, Joint Lead Manager, Joint Bookrunner

2024

HAITONG

SOE | CHINA

顺德投资

8.50% Bonds due 2027

US$ 79,000,000

Joint Global Coordinator, Joint Lead Manager, Joint Bookrunner

2024

HAITONG

SPORTS & ENTERTAINMENT | PORTUGAL

SPORTING CLUBE DE PORTUGAL – FUTEBOL, SAD

Technical Listing

€ 134,990,453

Placing Agent

2024

HAITONG

2H2024 Outlook

While there isn't as much capital rush as in 2021, markets are booming again in 2024. Although refinancing of upcoming maturities remains the main activity in bond issuance, with corporates facing higher costs to refinance their debt than in 2020 and 2021, new money deals are also returning.

In June, the ECB's first interest rate cut by 0.25% since the 2022/2023 increase cycle signalled that the peak of interest rates might be over. Moreover, as inflation eases and economies cool off, investors are expecting a higher number of interest rate cuts before year-end. However, ECB and US Central banks are showing diverging policies, following a stronger-than-expected economic activity in the US, which may lead to interest rates cuts following different paces, as well as result in "higher for longer" interest rates.

Despite the expectation that market conditions will continue to improve issuers' appetite, leading to more bond issuances, the geopolitical risks of the past two years are still present. Borrowers with maturity walls in 2026 or beyond can delay addressing their maturities before committing, so a cautious but optimistic approach might be adequate for 2H2024.

Mergers and Acquisitions

Overview

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

Strategy

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

OFFERING

- Sell-side and buy-side advisory
- Valuations

Banking Income

€0.6 million

Weight in Total Banking Income

2%

1H2024 Market Review

During 1H2024, the M&A market was negatively impacted by a high level of uncertainty, which affected deal prospects and investors' appetite. Key factors for this underperformance include high interest rates, high valuations, elections, and increased geopolitical tensions.

According to Mergermarket, deal value remained stable in the global M&A market, reaching EUR 1.4 trillion, driven by significant transactions in the technology and energy sectors. However, the deal volume dropped by 19% compared to the same period in 2023, with a total of 17,445 transactions worldwide.

In Europe, the M&A market experienced a decline in both value and volume as the region faced ongoing macroeconomic and geopolitical challenges. Deal value decreased by 9% year-on-year to EUR 332 billion and deal volume fell by 18%, with 6,964 transactions completed.

In Iberia, there was a significant increase in deal value, up 55% year-on-year to EUR 34 billion, mainly due to a few large transactions in the telecommunications sector. Deal volume decreased by 14%, to a total of 592 transactions.

In the UK, the M&A market suffered a steady decline for two years, mirroring a global trend, with UK deal value significantly falling, mainly because of a decline in very large transactions. As previously noted, stubbornly high inflation and high interest rates had affected corporate confidence and valuations. According to Mergermarket, in 1H2024, the deal value increased 29% year-on-year to EUR 150 billion and the number of deals decreased 9% year-on-year to 1,495.

In Poland, the number of completed M&A deals decreased 22% to 139 in 1H2024 from 179 in 1H2023. The deal value also decreased to EUR 2.5 billion, from EUR 4.8 billion, which represents a 49% decrease year-on-year.

In Brazil, there was a total of 350 M&A transactions in 1H2024, with a disclosed value of over EUR 14 billion, decreasing from 447 deals in 1H2023. Some of these deals involved international investors, including deals with Chinese buyers/sellers in the energy, agribusiness, and financial sectors.

In Macau, the Chinese economy maintained a path of stabilization after the impact of COVID-19. In 1H2024, a total of 1,079 Chinese-related M&A transactions were recorded, with a disclosed deal value of CNY 719.3 billion (EUR 92.7 billion), a year-on-year decrease of 29.0% and 34.9%, respectively. Interest rates denominated in CNY remained at low levels, which negatively impacted the overseas bond issuance. Thus, more and more issuers preferred to raise financing in the domestic market. In 1H2024, the total outbound and inbound M&A investments have decreased by 22.6% and 34.3% respectively, accounting for only CNY 476.4 billion (EUR 61.4 billion) and CNY 98.2 billion (EUR 12.6 billion).

Activity Highlights

In Iberia, Haitong Bank remained active in the M&A market, having successfully completed two relevant deals as follows:

- Haitong Bank acted as exclusive financial adviser to the France-based asset manager Mirova in the sale of a 25 MW Solar PV plant in Évora (south of Portugal), one of the highest irradiated areas in Europe. The Solar PV plant, commissioned in 2019, operates under a pay-as-produced PPA agreement with a reputable off-taker. The transaction was completed in 1Q2024;
- Haitong Bank acted as financial adviser to the shareholders of MGC in the sale of the company to the Barraqueiro Group. MGC and its subsidiary AVS operate in the road passenger transportation sector, in the occasional segment, mainly in the Metropolitan Areas of Porto and Lisbon (Portugal). The Barraqueiro Group is one of the largest transport operators in the Iberian Peninsula, also being present in Brazil. The transaction was closed at the end of 1H2024.

Additionally, the Bank continued to provide advisory services in other M&A transactions, namely in the consumer and retail and renewable energy sectors.

In the UK, the advisory Team mainly focused on a GBP 100 million fundraising by a client in the UK's professional services sector. The investor's due diligence phase has been completed and the transaction is expected to close shortly after the period ends. From a cross-border M&A perspective, the UK Team been working with the Team in Poland on a transaction in the industrials sector. The M&A UK Team also continues to support other geographies on M&A initiatives with Chinese clients across a number of sectors.

In Poland, the Team continued working on several potential transactions in sectors such as TMT, Food and Automotive. However, no new transactions were closed during 1H2024.

In Brazil, the M&A Team was dedicated to the execution of three unique Chinese-angle mandates with Brazilian and Chinese clients in the infrastructure, retail and energy sectors. The Team was also actively pitching a few new opportunities to expand sector coverage to agriculture, logistics and manufacturing, among others.

In Macau, the M&A Team worked closely with the Bank's European and Brazilian teams to assist Chinese investors' expansion overseas. In 1H2024, the Macau Team secured one mandate from Inovance, a leading automation company on the acquisition of a French software company. The Team also provided assistance in multiple potential transactions for SOE and listed clients, in Renewable Energy, Industrials and Pharmaceuticals sectors.

2H2024 Outlook

In 2H2024, M&A activity is expected to continue being affected by recent challenges. However, there are optimistic signs for the near term. Companies are pursuing transactions for growth and business transformation, and inorganic growth strategies are becoming crucial to offset weak organic growth. Artificial Intelligence is emerging as a catalyst for various transactions, and sector-specific factors in industries like pharmaceuticals, automotive, technology, and energy are driving M&A activity. Private equity portfolios are prepared for sale, with pressure on these entities to return capital to investors.

In Iberia, the M&A outlook for 2H2024 is more positive, with Portugal and Spain expected to see GDP growth above the Euro Area average and decelerating inflation. Despite global economic uncertainty affecting investor appetite, trends in energy transition, digital transformation, and infrastructure are expected to remain active.

In the UK, the M&A Team expects to close a large fundraising operation by a UK client during 3Q2024, as well as take on a new client with a view to managing a similar transaction. The Team will continue to work on a number of ongoing M&A projects alongside the Bank's other M&A teams.

In Poland, the economy remains quite resilient to external macroeconomic and geopolitical shocks. Polish investors, including sponsors, have built up a lot of liquidity for acquisitions, which should contribute to a rebound in deal flow in M&A activity in 2H2024. Moreover, there are a number of envisaged transactions in the pipeline, in the automotive, digital economy (e-commerce, e-travel) and food sectors.

In Brazil, the Team will continue to leverage on the synergies from Haitong's global presence to better position itself in the Brazilian M&A market along with its unique China and Iberia angle. The Brazilian Team is aiming to originate three new mandates and close one transaction in 2H2024.

In Macau, the Team expects to continue its exploration of Chinese interests overseas and leverage on the Bank's expertise and network in assisting quality investors' endeavours in cross-border M&A transactions.

Corporate Derivatives

Overview

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

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

Strategy

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

OFFERING

- Corporate Hedging Solutions
- Commodities
- Interest Rates
- FX

Banking Income

€0.6 million

Weight in Total Banking Income

2%

1H2024 Market Review

The first half of the year was marked by uncertainty and volatility in the Eurozone, with hesitation among corporates regarding whether to initiate new hedging positions or wait for a potential new cycle of rate cuts by the ECB. The economic data mix between Europe and the United States, with persistent core inflation and high interest rates, would be expected to lead to decreased consumption, reduced corporate revenues and consequent downsizing. However, employment remained at record levels in both economies, which has slowed the pace of the anticipated cuts at the beginning of the year, particularly in the US.

Activity Highlights

In Iberia, the Corporate Derivatives Desk's activity was marked by significant market volatility and a highly competitive environment in 1H2024. Despite these headwinds, the Team remained committed to navigating these challenges and optimizing its strategies to manage risks effectively.

During 1H2024, the Team was primarily focused on traditional FX hedging, in order to avoid more volatile assets given the complex geopolitical landscape. The focus remained on expanding the client base both in Portugal and Spain and identifying new business opportunities with a more conservative risk profile, both in terms of credit quality and complexity of the products traded.

In Brazil, the Corporate Derivatives Team acts through the offering of a comprehensive range of FX products and derivative solutions, aiming to capture opportunities across some market conditions to increase revenues. This well-balanced approach allowed the Team to capitalize on favourable market movements with its customers and to achieve its goal of maintaining the client portfolio and diversifying revenue sources. The Team's agility in identifying and meeting customer needs was crucial to keep the participation of derivatives transactions in the total transactions executed.

Moreover, market fluctuations enabled a dynamic positioning of customers, generating revenues of BRL 3.1 million for the first half of the year. The challenge remained in the expansion of the client base, which is crucial for long-term sustainability.

2H2024 Outlook

High volatility levels will likely be maintained in the coming months due to the ongoing geopolitical tensions and potential recessions in major economies. Thus, the Corporate Derivatives Team will be focused on employing adaptive strategies to mitigate these risks to the client base and steer clear of more volatile underlyings.

In Iberia, the Corporate Derivatives Desk has a promising pipeline with interesting deals from prospective clients resulting from the origination efforts developed in Portugal and Spain throughout the semester, and which are expected to be materialized in the coming months.

In Brazil, the challenge continues to be the expansion of the client base, with the Team remaining on track to fulfil its objectives for 2024.

ASSET MANAGEMENT

Overview

The Asset Management Division acts as an Investment Manager on a range of different mandates and asset portfolios, with a view to maximizing their absolute returns in the long term, considering the risk profile defined by each mandate.

Haitong Bank's differentiated Chinese market positioning and strong track record in the European equity portfolio are a key comparative advantage to drive Assets under Management upwards, combined with the enhancement of the fixed income reach of the Haitong Group.

Strategy

This Division's strategic focus is to expand the business activity in Alternative Investment Funds, through the Haitong Global Asset Management, SGOIC, S.A.'s regulatory license, and Discretionary Portfolio Management (Aggressive, Flexible, Defensive profiles and tailor-made portfolios), including Investment Management mandates (UCITS funds based in Luxembourg and Unit Links distributed in Portugal), with worldwide exposure to the different asset classes, particularly to equities and fixed income portfolios.

1H2024 saw further progress in assigning the contractual position of discretionary portfolio management of corporate Clients (DPM) from Haitong Bank to HGAM and was completed in July 2024. At the end of 1H2024, the amount of Investment Management mandates reached EUR 60.5 million.

OFFERING

- Discretionary Portfolio Management
- Quantitative strategies

Banking Income

€0.3 million

Weight in Total Banking Income

1%

1H2024 Market Review

The first half of the year saw significant gains from most global markets. Early in the year, investors rapidly dialled back expectations for central banks' interest rate cuts. Strong data were well received by the market, and worst worries abated, resulting in a revival of soft-landing hopes. While the US economic momentum continued to propel global assets, in Europe, the positive economic momentum was maintained as the impact of the cost-of-living shock continued to abate.

The cost of maintaining economic growth has been felt in sticky inflation, with services inflation persisting stubbornly above levels that are consistent with central bank targets. As a result, the market still expects far fewer rate cuts by Western central banks than they did at the beginning of the year.

Despite this resilient backdrop, equity market returns were concentrated in larger companies, while rate-sensitive stocks suffered from the confirmation of the higher-for-longer interest rate environment. Conversely, fixed-income investors had to endure another semester of negative returns.

On the other hand, companies exposed to artificial intelligence and the famously known "Magnificent Seven" stocks continued to outperform other areas of the market. What's more, a strong earnings season from US tech companies meant global growth stocks were once again the top-performing asset class and many of them are trading at all-time highs.

In Europe, where technological companies' weight is less relevant, most indices struggled to keep up, with banks and defence stocks being the main winners. In China, markets recovered after a tough start to the year, with the government's announcement of measures to aid the real estate sector. Valuations continued to be seen as interesting, especially in relative terms.

Not all was financially related, as geopolitics and elections in some major countries have brought back a "new" risk premium that had not been on investors' minds in the last few years. However, so far, markets have been able to shrug this off and not much impact has been felt in global assets.

Activity Highlights

In terms of strategies, the Asset Management Division's managed portfolios have continued to perform well. At the beginning of June, at the 10th edition of the Portuguese Association of Investment Funds, Pensions and Assets Awards, White Fleet III – Haitong Flexible Fund was awarded the Best Flexible OIC Fund prize. This is a testimony to the Team's commitment to offering high-quality investment products and effectively managing their associated risks, with White Fleet III – Haitong Flexible Fund having shown an exemplary performance and standing out among its peers for its consistency and level of diversification.

During 1H2024, benefitting from a favourable market environment, the performance of the Flexible and Aggressive discretionary portfolio management profiles was +2.6% and +5.2%, respectively (excluding performance fees). Concerning the Luxembourg UCITS Investment Funds – White Fleet III Haitong Flexible Fund and Aggressive Fund – their returns reached +2.5% and +4.4%, respectively, since the beginning of the year. Stock markets posted solid gains, with EuroStoxx 50 Index and EuroStoxx 600 Index appreciating +8.2% and +6.8%, respectively, whereas bond returns were lacklustre, with the Bloomberg Euro-Aggregate Index, for example, declining by -1.2%.

Regarding Quant Strategies, the management focus of a 60/40 target allocation structure mainly invested through ETFs was maintained, enabling a worldwide exposure to equities and fixed income. The return achieved in 1H2024 was +4.0%.

During 1H2024, HGAM also increased its offer by launching the Haitong China Bond Fund, which aims to invest in Chinese USD-denominated-investment grade bonds. The fundraising works for this fund started during 1H2024 and are targeting institutional investors. HGAM has also applied for a license in managing UCITS funds domiciled in Portugal with has been granted by CMVM in July 2024. This initiative should enable HGAM to further develop its product range, with the launch of new funds being planned for the second half of the year or 2025.

2H2024 Outlook

The financial landscape is set for further evolution in the future, namely following the anticipated moderation in inflation and gradual easing of monetary policies by central banks. The high-interest rate environment experienced in 2023 is likely to be mitigated by this shift.

On the other hand, while the global economy potentially faces a mild slowdown, it is not expected to plunge into a recession. This scenario is underpinned by a gradual reduction in inflationary pressures and a possible easing of interest rates by central banks, including the Federal Reserve and the ECB. For bonds, although the starting point is one of interesting bond yield levels, the outcome is uncertain, with the most probable outcome being a decline in short-term yields and a normalization of the slope of interest rates.

In equity markets, the rally experienced in 4Q2023 and the adjustment of valuations present both challenges and opportunities. Geopolitical factors, such as the war in Ukraine and the Middle East, as well as the various global elections, add an additional layer of complexity and impose a cautious approach.

The remaining part of the year is expected to be marked by a moderate increase of uncertainty, with the possible economic slowdown being offset by the opportunities arising from the evolving monetary policy.

PRIVATE EQUITY

Overview

Haitong Global Asset Management, SGOIC, S.A. (HGAM) leverages on its sector and geographical expertise to support companies wishing to expand their businesses. The ultimate goal of HGAM is to provide investors with an absolute return on their investments.

Over the past few years, this business area has managed a combination of seed capital from the Haitong Group and funds raised from external Tier I investors. Currently, HGAM manages a private equity fund dedicated to the buyout/capital development market segment across Europe ("HPEF"), and a private equity fund dedicated to opportunistic real estate assets in Portugal ("HUPF").

With the assignment of part of the contractual position of discretionary portfolio management of corporate Clients from Haitong Bank to HGAM, the respective Assets under Management reached EUR 13.6 million at the end of 1H2024.

Strategy

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

With the purpose of enlarging the scope of its activities, HGAM has initiated the management activity of Alternative Investment Funds and was authorised by the Portuguese Securities Market Authority (CMVM) to manage UCITS Funds in July 2024.

HGAM's strategy for 2024 will rely on a combination of European and Chinese expertise to invest in sectors that can benefit from the dynamics of both regions.

OFFERING

- Buyout/Capital Development Funds
- Alternative Investment Funds
- Discretionary Portfolio Management

Banking Income

€0.1 million

Weight in Total Banking Income

0.3%

Activity Highlights

Throughout 2024, HGAM maintained a "hands-on" management approach, focusing on the value creation of the portfolio of companies.

With the purpose of enlarging the scope of its activities, HGAM has launched the Haitong United Partners Fund. This Private Equity Fund is focused on real estate, with a maximum investment of EUR 90 million and was approved by the CMVM. The Fund was established and achieved its first closing in early May. The Fund's Advisor will be the RESI Family Houses and Quantum Capital, whose teams have strong knowledge of the Portuguese residential and hospitality real estate markets.

A first landmark project has also been identified and developed to a near start of build – the Gandarinha Club: a premium residential project that embodies a lifestyle statement in one of the most prominent areas of the coastal town of Cascais.

In July 2024, HGAM finally incorporated into its business all the remaining activities developed by Haitong Bank's Asset Management Division, with the transfer to HGAM of the Investment Manager's role of the White Fleet III – Haitong Flexible Fund and White Fleet III – Haitong Aggressive Fund. At the end of 1H2024, the amount of Investment Management mandates reached EUR 13.6 million.

In 1H2024, HGAM posted a net profit of EUR 233 thousand and total equity amounted to EUR 57.1 million. On July 15, 2024, the Company completed a EUR 28 million reduction of its Own Funds, via the distribution of free reserves. After this reduction, HGAM's Own Funds amount to EUR 29.1 million, substantially higher than the minimum Own Funds required by law for a collective investment management company.

2H2024 Outlook

During the remainder of 2024, HGAM's primary focus will be on arranging additional discretionary portfolio management mandates and establishing new Alternative Investment Funds and Private Equity Funds, with the aim of broadening its client base and product offering.

PEOPLE

HUMAN RESOURCES

In 1H2024, Haitong Bank followed a consolidation strategy to ensure continued sustainability and deliver consistent results and value to its Shareholder. This strategy led to a more efficient resource allocation, in accordance with the Bank's strategic guidelines and the expansion opportunities in each region. The overall workforce optimization resulted in a 5.3% headcount reduction from December 2023 to June 2024, in line with the Bank's overarching business strategy, which bolsters specific teams to enhance performance and strategic alignment between business areas across geographies.

	Dec23	Jun24
SPAIN	38	36
PORTUGAL	173	167
FRANCE	4	5
UK	9	9
POLAND	41	42
BRAZIL	71	57
MACAU	20	21
HEADCOUNT	356	337

HEADCOUNT: -5.3%

Source: Haitong Bank

Diversity and Inclusion

Diversity and inclusion remain core values at Haitong Bank. With 40% of its workforce being women, the Bank actively advocates for equal opportunity principles. These values are supported by the substantial presence of women in senior leadership roles.

Twelve members make up the Board of Directors, with six Executive Directors and six Non-Executive Directors maintaining a balance. The number of female members has risen to three, ensuring that the overall representation of women in management, supervisory bodies, and key positions surpasses 30%. This commitment aligns with Haitong Bank's adherence to the Banco de Portugal and European regulators' guidelines on gender diversity, fostering a workplace culture that prioritizes and advances inclusivity at all organizational levels.

Geography	Avg age (years)	Avg length of service (years)	No. of Men	No. of Women
Portugal	44.5	16.4	97	70
Spain	43.0	11.3	26	10
United Kingdom	39.3	4.4	5	4
Poland	42.4	7.1	23	19
Brazil	46.3	10.9	37	20
Macau	33.2	1.5	12	9
France	26.4	0.6	3	2
Average length of service (years)	43.3	12.3	60%	40%

Source: Haitong Bank

Activity Highlights

In the dynamic landscape of 1H2024, the Human Resources Department at Haitong Bank played a critical role in supporting the Bank's supervisory bodies, senior management, committees, and employees. The Bank promoted organisational changes to optimize performance, increase transparency, and streamline processes between business areas across various geographies. Human Resources efficiently and effectively allocates resources to achieve these objectives, resulting in greater comparability between regions and business areas.

Furthermore, Human Resources played a pivotal role in ensuring constant and efficient management of human capital in line with the strategic priorities of the Bank. During 1H2024, the Macau Branch received a green light from AMCM to develop a new business line and HR is now focused on equipping the Branch with the required resources to explore it efficiently and optimally.

Haitong Bank employs a straightforward performance management system, with all business areas and geographies adhering to precise and transparent annual Key Performance Indicators (KPIs). Human Resources plays a pivotal role in preparing and discussing these yearly KPIs, ensuring alignment with the Bank's objectives and fostering a culture of accountability and achievement across the Bank's operations.

The efficiency of data administration, reporting, and effective payroll and benefits management is ensured through streamlined Human Resources services that are adaptable and responsive. This aspect is crucial, especially given the continuous and close connection to Haitong Bank's Shareholder, emphasizing the significance of maintaining transparency and accountability. This multifaceted approach highlights HR's versatility and positions it as a strategic enabler in shaping the Bank's workforce for sustained success.

2H2024 Outlook

The Human Resources Department at Haitong Bank is committed to addressing future challenges and supporting the achievement of the Bank's business objectives as it navigates the evolving landscape. In 2H2024, the focus will be on attracting exceptional talent to ensure a dynamic and skilled workforce. Additionally, HR will continue to provide efficient support for strategic initiatives and foster a culture of connectivity through innovative digital platforms.

The Human Resources' commitment to talent sourcing and development, global mobility, and consistent guidelines, coupled with proactive collaboration and regular reporting to the Shareholder, underscores its dedication to staying at the forefront of the Bank's organizational dynamics.

Furthermore, Human Resources will maintain continued interaction with the Board of Directors, the Executive Committee, and their respective committees, ensuring alignment with the Bank's overarching strategies. The constant update and alignment of the Bank's remuneration policies in accordance with the regulatory environment and market best practices will remain a priority of the Human Resources Department, reinforcing its commitment to regulatory compliance and competitive compensation structures.

SOCIAL RESPONSIBILITY

During 1H2024, Haitong Bank participated in several Social Responsibility initiatives, with emphasis in the following events.

In Portugal, as part of its Social Responsibility efforts and commitment to the well-being of its employees, Haitong Bank continued to support the Portuguese League Against Cancer (LPCC) by encouraging participation in the Oral Cavity Cancer Early Detection Initiative through internal promotion. Within its sustainable and environmentally-friendly practices, and through its confidential document destruction service, the Bank recycled one ton of paper in 1H2024, thus reducing its ecological footprint.

In Poland, Haitong Bank awarded a prize to the winner of the 8th edition of the "Best Thesis Competition in the Field of Contemporary Economic Cooperation between the Republic of Poland and the People's Republic of China," organized by the Sino-Polish Business Council.

In China, it is a tradition to give gifts on special occasions in red envelopes. In Macau, Haitong Bank joined the "CNY Red Pocket Recycle" campaign organized by the Macau Association of Banks (ABM) from February 15 to March 4, 2024. In China, it is a tradition to give gifts on special occasions in red envelopes. A recycling point was set up at the Bank's premises to collect used red pockets.

Haitong Bank's Macau Branch also approved the participation in two green activities, at the invitation of the Macau Association of Banks and co-organized by the DSPA – Direcção dos Serviços de Protecção Ambiental:

- The "Earth Hour 2024" event, which consisted of turning off all non-essential lighting in the Bank's facilities for one hour to save energy on June 5, from 8:30 PM to 9:30 PM; and
- The "Summer Casual Wear, Energy Saving 2024" initiative, where employees were encouraged to wear casual clothing, opt for lighter business casual styles or forgoing jackets and ties to support environmental protection and energy saving from June 3 to August 31, 2024.

FINANCIAL PERFORMANCE

MACROECONOMIC OVERVIEW

1H2024 Overview

Global economic conditions improved in 1H2024, on the back of stronger-than-expected GDP growth in the US, with Europe avoiding a recession and Asian economies growing close to potential. Inflation remained above the target for most developed economies, leading to a strategic review of monetary policies by the major central banks, notably the US FED and the ECB. The outlook of a slower-than-expected easing of monetary conditions in the US led the dollar to appreciate against the major currencies like the euro, the British pound, the Japanese yen, and the Chinese renminbi.

According to the recent revisions of the IMF's World Economic Outlook in April 2024, the world GDP is expected to grow at a pace of 3.2% in 2024 and 2025, compared to initial estimates of 3.0% released at the end of 2023. Consensus projections from July 2024 based on professional forecasters on Bloomberg surveys are less optimistic but point to 3.0% global GDP growth in 2024 and 2025. All projections signal global economic growth close to the potential even with interest rates close to the highest since 2008 in developed economies.

According to the available data, the anticipated soft-landing of the US GDP did not come to fruition. Preliminary official statistics show the US GDP advancing at a pace of 3.1% year-on-year in 2Q2024, vs. 2.9% in 1Q2024 and 3.1% in 4Q2023. Since the beginning of the year, the consensus estimates of the US GDP growth in 2024 jumped from 1.3% to 2.3%, and the implied probability of a recession moved from 50% to 30% by July 2024. Inflation remained higher than expected during 1H2024 and both the FED and consensus revised their projections for 2024 during 1H2024. Consensus revised the 2024 CPI to the upside from 2.6% to 3.1% and the FED updated the estimates of its key inflation gauge, the core-PCE, from 2.4% in December 2023 to 2.8% in June 2024. Based on the dual mandate of the FED, inflation has a target of 2%, and GDP growth should be around its full potential, or 1.8% according to the FED's latest assessment.

With inflation and GDP growth above the target in 1H2024, the FED kept its benchmark interest rates unchanged at 5.25% to 5.50% since July 2023, and in line with Haitong Bank's previous expectations. The US economy's positive performance supported the strength of the dollar, with the DXY (dollar index) advancing 4.5% year-to-date and the S&P 500 index 14.5% year-to-date.

The Eurozone averted a recession in 1H2024 with the GDP growing at a pace of 0.3% year-on-year in 1Q2024 (actual) and 2Q2024 (Eurostat preliminary statistics), rebounding from the -0.1% year-on-year in 4Q2023. According to the same consensus, the probability of a recession in 2024 decreased from 65% in December 2023 to 20% by June 2024 and the outlook for GDP growth has been revised from 0.55% to 0.7% in 2024.

The German economic activity failed to move out of the risk of recession with a mild contraction of -0.1% year-on-year in 2Q2024 vs. -0.1% in 1Q2024. A technical recession is defined as two consecutive quarters of GDP contraction (on quarter-on-quarter basis), and Germany printed -0.1% quarter-on-quarter decline in 2Q2024 compared to +0.2% quarter-on-quarter growth in 1Q2024. Meanwhile, France's GDP advanced 1.3% year-on-year in 1Q2024 (actual) and 1.1% year-on-year in 2Q2024 (Eurostat preliminary statistics) compared to 1.2% year-on-year in 4Q2023. Growth in Spain has increased, as GDP grew at a rate of 2.6% year-on-year in 1Q2024 (actual) and 2.9% year-on-year in 2Q2024 (Eurostat provisional data) vs. 2.1% year-on-year in 4Q2023. Portugal also outperformed the Eurozone's GDP growth with 1.5% year-on-year in 1Q2024 (actual) and 1.5% year-on-year in 2Q2024 (Eurostat provisional data) but at a milder pace than the 2.1% year-on-year growth in 4Q2023.

The ECB maintained the benchmark interest rates unchanged at 4.50% (refinancing rate) until June 2024 when it announced the first rate cut of 25 basis points to 4.25%. On the back of continuing disinflation according to the core-CPI readings in 1H2024, the ECB anticipates that there may be some resilience in inflationary pressures in the services sector as a result of strong employment conditions until the end of 2025. However, the core CPI could decline from 5.5% in 2023 to 2.5% in 2024 and 2.2% in 2025 due to the enduring impacts of the tight monetary conditions of the past 2 years and the sub-potential GDP growth, according to the latest projections of the ECB by June 2024. Such an outlook of gradual disinflation toward the medium-term target of 2% core CPI supports the ECB's strategy to ease monetary conditions to a more neutral real interest rate level by adopting a measured pace of cuts over the next one to two years.

In 1H2024, the euro weakened by 3.0% vs. the US dollar, to EUR/USD 1.07 as a result of the ECB resuming interest rate cuts before the US FED, the weaker GDP growth and the political uncertainties regarding the future of France's government fiscal performance. On the other hand, risk appetite in EUR credit markets remained resilient with strong primary activity in 1H2024 and substantial volume growth (29.3% year-on-year, representing a 24.9% increase year-on-year in the number of deals).

The spreads of corporate credit markets remained close to the lowest since the ECB resumed a monetary tightening cycle in 2022. High-yield corporate bonds were trading with a spread of 321 basis points (iTraxx Xover 5-year credit default swap spreads) narrowing 3.7 basis points year-to-date and investment-grade corporate bonds closed 1H2024 with spreads of 51 basis points (iTraxx Main 5-year CDS spreads), also narrowing 3 basis points.

In China, economic activity moved close to achieving the official annual target of 5% GDP growth. According to the latest data, GDP advanced at a pace of 4.7% year-on-year in 2Q2024 and 5.3% year-on-year in 1Q2024 vs. 5.2% year-on-year in 4Q2023. On the back of a rebound of GDP growth to 5.2% in 2023, consensus expects a GDP growth of 5.0% in 2024 with strong contribution of exports and the impact of fiscal and credit stimuli. In 1H2024, the devaluation of the renminbi yuan was in line with other currencies like the EUR and the GBP and reached 2.4% year-to-date, trading at CNY/USD 7.27. The yield of 10-year Chinese government bonds denominated in USD traded between 3.00% and 3.40%, while the 5-year USD CDS of the Chinese government international bonds traded at an average of 65.6 basis points in 1H2024, vs. 69.8 basis points in 2H2023.

During 1H2024, emerging market economies were resilient to the tighter monetary policy in developed markets, with growing exports to China and the US, where GDP growth advanced stronger than initially expected. In Brazil, GDP advanced at a pace of 2.5% year-on-year in 1Q2024 (actual) and 1.7% in 2Q2024 (consensus estimates), compared to 2.1% in 4Q2023. With CPI inflation easing to 4.0% by June 2024 (vs. 4.7% in December 2023) and moving into the tolerance range of the 3% target (close to 150 basis points), the central bank reduced the benchmark Selic rate from 11.75% to 10.50% in 1H2024. The Brazilian Real underperformed with the lower interest rate differential to the USD and the outlook of a large fiscal deficit in 2024 (consensus of 7.2% of GDP vs. 8.9% of GDP in 2023). Moreover, the USD/BRL reached 5.59 by the end of June 2024, representing a devaluation of 15.3% year-to-date.

In Poland, GDP experienced a recovery, with a 2.0% year-on-year growth in 1Q2024 (actual) and 3.0% year-on-year in 2Q2024 (consensus estimates) vs. 1.0% year-on-year in 4Q2023. CPI inflation substantially declined from 6.5% in 4Q2023 to 2.5% in 2Q2024, mostly due to the base effects of lower energy prices in Europe in 1H2024. The outlook of a rebound of CPI inflation in 2H2024 led Poland's central bank to leave the benchmark interest rate unchanged at 5.75% in 1H2024. The Polish zloty depreciated by 2.3% year-to-date to PLN/USD 4.02 by the end of June 2024, following the trend of other European currencies.

In 1H2024, volatility was predominant in sovereign bond markets. The upside surprise of growth in the US led the FED to postpone the possibility of an initial interest rate cut to September 2024 and the intense electoral calendar in key geographies, including the US general election on November 6, 2024. The unanticipated snap elections for the Parliament of the UK and France increased the market participants' concerns regarding the fiscal outlook for developed nations with governments continuing to generate budget deficits to support the post-pandemic economic recovery and the energy transition.

In May 2024, S&P announced the one-notch downgrade of France’s sovereign credit rating to AA- (stable outlook) due to the outlook of a rising debt-to-GDP ratio from 110.6% in 2023 to 112.4% in 2024 (European Commission data and projection). The French budget deficit at 5.5% in 2023 (actual) and 5.3% in 2024 (EC projection) remained above the EU’s target of deficits below 3% of GDP. On the days before the first round of the French snap election on June 30, the spread of the 10-year French government bond, equivalent to the German government bond, widened to 80 basis points vs. 53.5 at the end of 2023. The spreads narrowed to the 60 to 70 basis points range with the anti-EU far-right National Front ending the second round of the election in third place. However, the political gridlock in the Parliament, with none of the three major parties holding a majority, could lead to further fiscal deterioration until the next Presidential election in 2027.

In 2023, six Eurozone nations had a debt-to-GDP ratio above 100%, compared to the EU target of a ratio below 60%. According to the European Commission, only Portugal will reduce the ratio below 100% to 99.1% of GDP in 2024. On the back of a strong fiscal performance with deficits below 3% of GDP since 2022, Portugal’s sovereign credit rating was upgraded by a notch by S&P to A- (positive outlook) in March 2024. The spread of the 10-year Portuguese government bond, equivalent to the German bonds, maintained the range of 60 to 70 basis points in 1H2024, mostly decoupled with the spike in the spreads of France and Italy.

A combination of geopolitical uncertainty, persistent inflation, the risk of recession in Germany and the constant shift in the timing of the possible rate cut by the US FED led to strong volatility of the 10-year German bund yield in 1H2024. At the start of the year, the fear of a recession led the yield of the 10-year German bund to a low of 2.02%, and the outlook of a moderate pace of monetary easing by the ECB during 1H2024 moved the yield to test the high of 2.69% in May 2024 before stabilizing in the interval of 2.40% to 2.60% in June 2024.

With a debt-to-GDP ratio of 122.3% in 2023 and the consensus expectation of a budget deficit of 6.1% of GDP in 2024, the US government debt is expected to increase to 123.3% in 2024. Ahead of a presidential election with Republicans and Democrats with limited proposals to reduce the deficit in 2025 and the uncertainties about the pace of potential rate cuts by the FED, high volatility is expected in the US Treasury notes’ yields in 2H2024. Fears about a hard landing of the economy led the 10-year Treasury note yield to touch a low of 3.88% in January 2024, followed by a move to the high of 4.70% in April 2024 when the outperformance of the economy during 1H2024 was reflected in a more cautious tone of the FED which did not underscore the necessity of further rate hike in case of persistent inflation caused by GDP growth above the potential. By the end of June 2024, the yield of the 10-year Treasury note was trading in the range of 4.20% to 4.50%, which reflects the market participants’ uncertainties regarding the terminal rate of the FED (long-term neutral rate) and the fiscal risk related to the outcome of the general election on November 6.

Foreign Exchange Markets (FX rate and % Change)				
		2023	Jun 2024	% Change
US	Dollar Index	101.33	105.87	4.5%
Eurozone	USD/EUR	1.10	1.07	-3.0%
UK	USD/GBP	0.87	0.85	-2.3%
China	CNY/USD	7.10	7.27	2.4%
Macau	MOP/USD	8.05	8.04	0.0%
Brazil	BRL/USD	4.85	5.59	15.3%
Poland	PLN/USD	3.94	4.02	2.3%

Source: Bloomberg | Analysis: Haitong Bank | Last update: 28/06/2024

2H2024 Outlook

The outlook of the global economy improved in 1H2024 and points to growth near the potential GDP level of 3.0% in 2024 and 2025 vs. 3.4% in 2023, according to the Bank's view and consensus projections.

The US economy is expected to grow above the potential of 1.8%, according to FED's estimates, in 2024 and 2025. Moreover, the Bank projects the US GDP advancing 2.5% in 2024 and 2.0% in 2025. It is the Bank's view that a gradual recovery of the Eurozone's GDP should lead to growth of 0.7% in 2024 and 1.5% in 2025. In Germany, an improved growth outlook and gradual monetary easing should support the recovery of Poland's GDP to 2.9% in 2024 and 3.5% in 2025. In China, according to the Bank's view and the consensus, the economy should grow close to the target of 5% in 2024. As for Brazil, the GDP growth should remain below the 2.9% growth in 2023 and close to 2.0% in 2024 and 2025.

Gross Domestic Product (%) - Consensus					
	2021	2022	2023	*2024*	*2025*
World	**6.5%**	**3.5%**	**3.2%**	*3.0%*	*3.0%*
Eurozone	**5.9%**	**3.4%**	**0.5%**	*0.7%*	*1.4%*
US	**5.8%**	**1.9%**	**2.5%**	*2.3%*	*1.8%*
Portugal	**5.7%**	**6.9%**	**2.3%**	*1.7%*	*1.9%*
Spain	**6.4%**	**5.8%**	**2.5%**	*2.3%*	*1.9%*
UK	**9.6%**	**4.5%**	**0.1%**	*0.7%*	*1.3%*
Poland	**6.9%**	**5.6%**	**0.2%**	*2.9%*	*3.5%*
Brazil	**5.0%**	**3.0%**	**2.9%**	*2.1%*	*2.0%*
China	**8.4%**	**3.0%**	**5.2%**	*4.9%*	*4.5%*
Macau	**23.5%**	**-21.4%**	**80.5%**	*13.9%*	*9.6%*

** Consensus according to Bloomberg Jun 24 |Bold=Actual; Italic=Consensus - Source: Bloomberg & IMF*

Uncertainties in the geopolitical scenario remain high with unexpected snap elections held in the UK and France in June and July, and the incoming Presidential election in the US on November 6. Voters in the UK elected an absolute majority of Parliament seats in favour of the Labour Party with a centrist view on economic policies. Questions on the fiscal and economic outlook should persist in France, as voters revealed a strong division and none of the three major parties reached a majority. In the US, a sudden change in the Democratic party's candidacy announced in July with the vice-president running against the Republican candidate will test the voters' opinion regarding the quality of 4 consecutive years of GDP growth and the lowest unemployment rate in 4 decades.

Consumer confidence in developed economies like the US, Eurozone, and the UK remained below pre-pandemic levels despite the lowest unemployment rate in more than three decades and real wage gains in 1H2024. In most consumer confidence surveys, the prevalence of higher than pre-pandemic inflation, the end of the pandemic era fiscal incentives and high interest rates are the leading causes of low confidence and the change in the direction of the votes in this year's general elections.

According to the FED and the ECB, the combination of better-than-expected real GDP growth and low unemployment should keep inflation above the 2% target in 2024 and 2025. The FED confirmed Haitong Bank's view on the timing of the first rate cut in September 2024, but the pace and the magnitude of cuts became more conservative with up to three rate cuts of 25 basis points each and the upper bound of the fund rate easing from the current 5.50% to as low as 4.75% by December 2024.

A milder inflation outlook in 1H2024 favoured the ECB's monetary policy strategy and anticipated the first rate cut in June 2024 (vs. the Bank's previous expectation of a rate cut in October 2024). However, the Bank maintains the year-end estimate for the ECB's refinancing rate at 3.75% vs. 4.25% in June 2024.

As for Germany, the Bank foresees the 10-year Bunds to trade between 1.90% and 3.00% and US 10-year Treasury notes to trade between 3.50% and 4.75% until the end of 2024.

A widening interest rate differential between the US and the Euro area should keep the EUR/USD below 1.10 in 2024 with downside bias in case of an underperformance of the European economy and risks related to fiscal tensions in France and Italy in 2H2024. The major credit rating agencies will regularly review the sovereign credit ratings of France and Italy in 4Q2024 which coincides with the voting period of the 2025 budget plans in the Parliament of EU nations. In case of excessive widening of the spreads of France and Italy vs. Germany, the ECB's Transmission Protection Instrument, which was approved in June of 2023 and aims to prevent the fragmentation of EUR bond markets, may be deployed.

As for Portugal and Spain, current ratings should be maintained with a potential upgrade by Moody's and S&P during 2H2024 in case of further improvement in fiscal performance in 2024 and 2025.

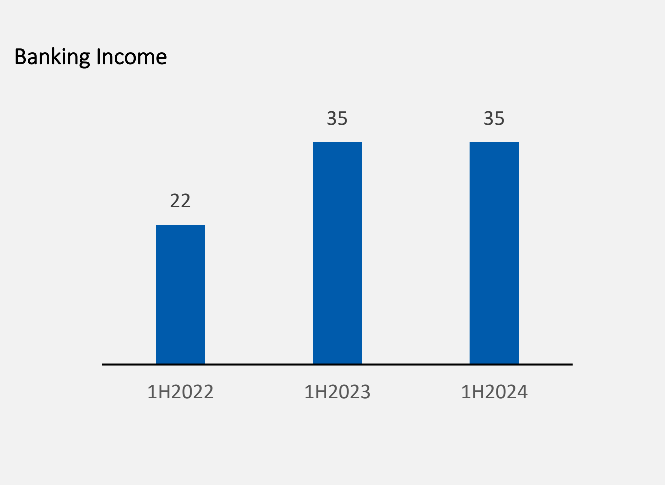
In sum, geopolitical tensions are expected to persist in 2H2024 with the third year of the war in Ukraine, the conflicts in the Middle East, and the escalating trading tensions between China and Western developed economies (US and EU). Based on the Bank's assessment, the outcome of the US presidential elections could increase the risk of further fragmentation in trade and geopolitical coordination of Western nations with China, Russia, and Middle Eastern countries. In the negative scenario, trade sanctions should cause renewed supply-led inflation and slower global growth in 2025. On the other hand, a positive scenario considers lower trade tensions, milder inflation, further monetary easing (FED and the ECB), and stronger global growth.

FINANCIAL OVERVIEW

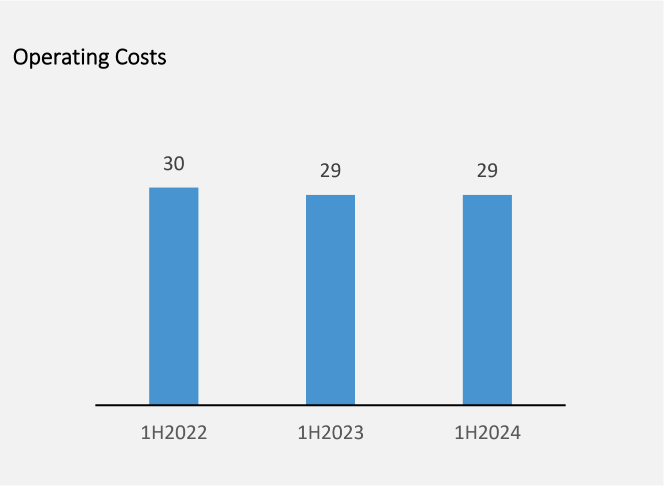
Despite the international economic upheaval over the past three years, with increased international tensions, above-target inflation, and hawkish monetary policies, Haitong Bank has presented a positive evolution through these market conditions. The Bank ended 1H2024 with a Net Profit of EUR 5.1 million, 12.4% above the same period of last year, supported by a continuous improvement of the Bank's balance sheet while maintaining a strict credit policy. The Banking Income of EUR 35.0 million and Operating Costs of EUR 28.9 million in 1H2024 are in line with last year's operational performance.

On the Banking Income side, Net Fees and Commissions increased 38% year-on-year to EUR 12.3 million. The Macau Branch has been pivotal in bond issuances from Chinese corporate clients, generating significant revenue to Haitong Bank under its cross-border strategy. Net Margin, in the amount of EUR 19.6 million, increased 19% year-on-year, benefiting from the high interest rate environment, dynamic funding strategy and the successful deal execution by the Structured Finance and Fixed Income business areas. On the other hand, Capital Market Results, which totalled EUR 6.6 million, stood below last year's figure, which included a one-off positive impact from a credit recovery.

(EUR million)

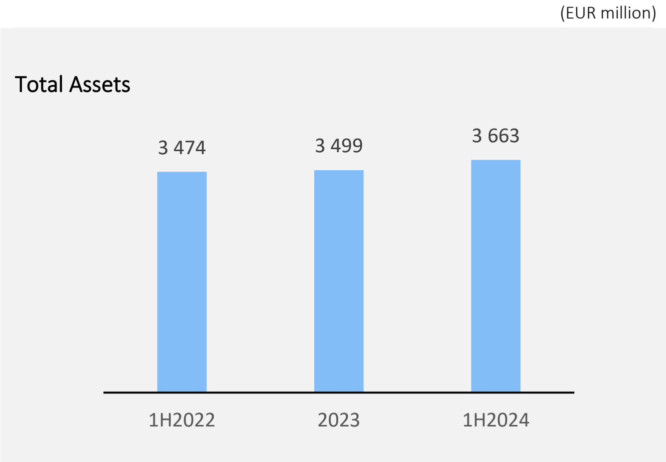


(EUR million)



On the Operating Costs side, the Bank had a stable cost base resulting from the extensive work made during the last few years, which included strict control over operating expenses, despite the inflationary environment. In 1H2024, no material changes were observed, with a slight increase in the Staff Costs, compensated by some reductions in Administrative Costs and Depreciations. Consequently, the Operating Results remained slightly above last year, reaching EUR 6.1 million (3.5% increase).

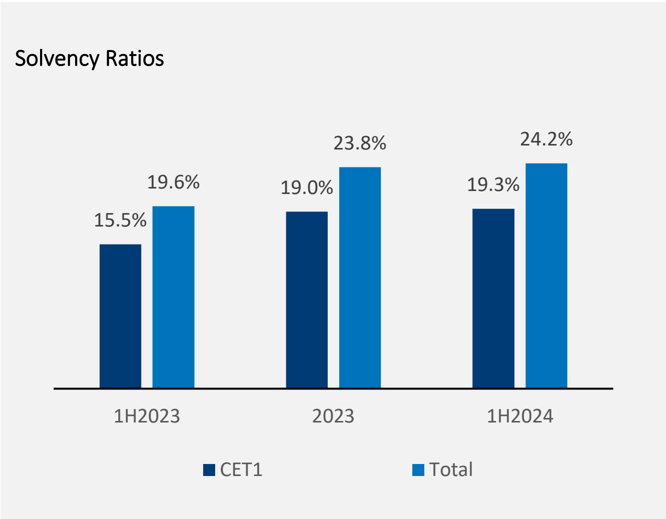
In 1H2024, Net Profit reached EUR 5.1 million, slightly above the EUR 4.5 million registered in 1H2023. These results benefited from a decrease in the impairment amount from EUR 2.3 million in 1H2023 to EUR 0.5 million in 1H2024, benefitting from a partial impairment reversal, and from the reversal of the general risks' provision created at the end of 2023, which was not necessary.

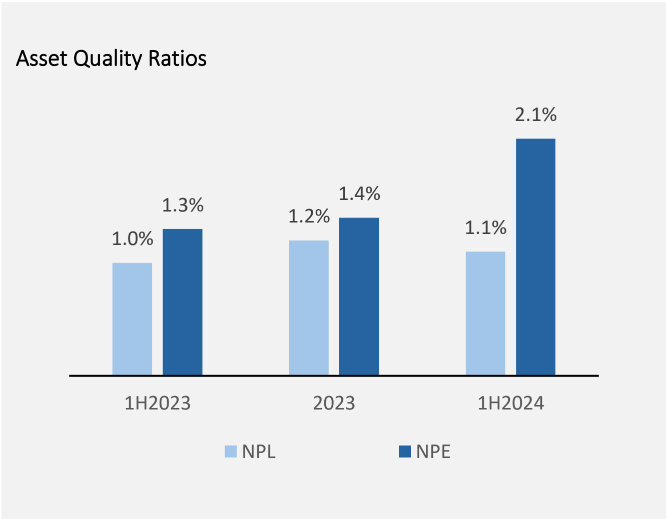


The Bank's Balance Sheet has kept its consistent growth for the last few years, growing nearly 4.7% YTD to EUR 3.7 billion, providing the Bank with resources to expand its credit portfolio. This growth was mostly supported by the increase in interbank financing, with deposits remaining stable.

Haitong Bank's asset quality indicators remained solid in 1H2024, with the NPL ratio at 1.1% and the NPE ratio at 2.1%. It should be noted that since June 30, 2024, the calculation method for NPEs included as non-performing exposures the amounts receivable relating to commissions for services rendered and which are overdue for more than 90 days, as well as other assets relating to credits or debt securities in default that were targeted of a recovery process, being directly dependent on legal actions against the original debtors. For comparison purposes, the pro-forma NPE ratio reached 2.2% as of December 31, 2023.

Regarding Capital Ratios, the Bank maintained a comfortable position with a CET1 Ratio of 19.3%, compared to 19.0% by the end of 2023, and a Total Capital Ratio of 24.2%, compared to 23.8% on December 31, 2023.





On the funding side, the Bank was able to maintain diversity in its funding sources, ensuring a balanced funding mix and a comfortable liquidity position, with the consolidated Liquidity Coverage Ratio (LCR) standing at 387%. The focus of the Treasury Team on optimizing funding costs has led the Bank to keep sourcing deposits through online retail deposit platforms during 1H2024, with positive effects on the LCR and NSFR ratios. Additionally, the Bank has continuously improved its proprietary online banking platform.

Corporate Events

- In January 2024, Banco de Portugal informed Haitong Bank that no prudential reasons or legal impediments had been identified that would prevent the modification of the Macau Branch's business plan. In May, the Regulator in Macau, AMCM, issued a non-objection letter for the development of deposit-taking activities in the Macau Branch.

Rating

Haitong Bank, S.A.	Counterparty Credit Rating
March 12, 2024	BB / Negative / B
February 9, 2024	BB / Negative / B
January 25, 2023	BB / Stable/ B
Haitong Banco de Investimento do Brasil, S.A.	**Counterparty Credit Rating**
February 9, 2024	BB / Negative / B
December 20, 2023	BB / Stable / B
August 17, 2023	BB- / Positive / B

Source: S&P

On February 9, 2024, S&P revised the Bank's outlook to "Negative" from "Stable", after a similar action on the parent company, Haitong Securities Co. Ltd.. The Bank's long-term and short-term credit ratings were reaffirmed at "BB" and "B", respectively. On March 12, 2024 and following the upgrade of Portugal's sovereign debt rating to "A-" from "BBB+", S&P upgraded the stand alone credit rating of Haitong Bank, S.A. to "b+" from "b", reaffirming the long-term and short-term credit ratings at "BB" and "B", respectively, with "Negative" outlook.

Regarding Haitong Banco de Investimento do Brasil, S.A., on December 20, 2023, S&P upgraded its long-term credit rating to "BB" with a "Stable" outlook, following the upgrade by one notch to "BB" with a "Stable" outlook of the Brazilian sovereign debt rating. On February 9, 2024, S&P revised Haitong Banco de Investimento do Brasil, S.A.'s outlook to "Negative" from "Stable", after a similar action on the parent company, Haitong Bank S.A.. The Bank's long-term and short-term credit ratings were reaffirmed at "BB" and "B", respectively.

TREASURY

1H2024 Market Review

The beginning of 2024 was characterized by a challenging global economic outlook, with persisting risks of recession, an ongoing energy crisis, and geopolitical tensions, notably the war in Ukraine and the conflict between Gaza and Israel, which continued to exert significant influence on economic activity.

Despite the prevailing challenges, the global economy has demonstrated remarkable resilience. Robust economic activity in the United States during the first few months of the year has tempered expectations for early monetary easing in both the US and Europe.

Employment conditions in the United States and Europe remained close to full potential in 1H2024, with core inflation beginning to show more consistent moves below 3% by June. In 2Q2024, economic activity exhibited mixed signals in the US and showed a loss of momentum in the Eurozone. Both central banks have expressed concerns regarding persistent inflation in labour-intensive services sectors.

By the end of the semester, the data flow presented a more mixed picture. Disinflation was influenced by declining energy prices, while inflation in the services sector remained elevated due to ongoing job creation in both the United States and Europe.

In June, the European Central Bank announced its first rate cut in two years, with no clear outlook for further reductions in upcoming decisions, while the Federal Reserve indicated a decision to keep rates on hold until later in the year. Fiscal headwinds related to French political gridlock and other geopolitical factors, such as the presential elections in the US, are also expected to present additional challenges to the overall economic landscape for the remainder of the year.

10-year Yields				
Country	End of 2023	1H2024 Lows	1H2024 Highs	End of 1H2024
Germany	2.021%	2.023% (Jan)	2.689% (May)	2.497%
Italy	3.690%	3.578% (Mar)	4.072% (Jun)	4.070%
Spain	2.981%	3.003% (Jan)	3.441% (Jun)	3.417%
Portugal	2.626%	2.665% (Jan)	3.307% (Jun)	3.235%
Greece	3.051%	3.098% (Jan)	3.763% (Jun)	3.742%
USA	3.879%	3.881% (Feb)	4.705% (May)	4.397%

Source: Haitong Bank

In Brazil, the economy registered a positive performance during 1H2024, driven by growth in fiscal expenditures and wage income in an environment with a low unemployment rate, in addition to the progress of the credit and external sectors.

The main issue faced in Brazil during 1H2024 was the deterioration of fiscal expectations. As a result of the fast growth in expenditures, mainly concerning social benefits, and the lack of government commitment to fiscal discipline, the market has priced a higher debt-to-GDP ratio. This has consequently driven USD/BRL to 5.59 at the end of the semester.

Naturally, inflation expectations for 2024 and 2025 in Brazil have grown towards 4.0%, while the target is 3.0% with a tolerance of 4.5%. Moreover, the terminal rate for 2024 has increased from 9.0% to 10.5% as the Brazilian Central Bank stopped its easing cycle earlier than expected, reacting to fiscal deterioration and the consequential increase in inflation expectations.

In addition to this, the tax reform is advancing to its final form. Despite its imperfections, it will be an improvement over the current Brazilian tax law. All in all, it is noted that this may increase long-term productivity.

Activity Highlights

During 1H2024, Haitong Bank maintained a comfortable liquidity position, supported by a balanced funding mix. The Bank was also successful in increasing deposits, particularly the retail segment.

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

In addition, the Bank continued to take several initiatives such as analysing new markets and launching of a proprietary homebanking platform in order to further improve the quality of the retail deposit offering.

The Treasury Department in Brazil remained very active in sovereign bonds, trading more than BRL 11 billion in the first semester. In accordance with the goal of diversifying the Bank's sources of funds, the Team issued BRL 30 million in deposits and BRL 30 million in *Letras Financeiras* (LFs).

Regarding its liquidity buffer, the total cushion target is set at BRL 600 million at the end of 2024, a very comfortable level for the Bank, keeping an adequate Net Stable Funding Ratio (NSFR) as defined in the Haitong Bank Risk Appetite Framework.

2H2024 Outlook

The Treasury Department's main goal for 2H2024 is to ensure the liquidity necessary to develop the Bank's Business Plan. With this goal in mind, the Team will especially focus on managing the funding costs, on pursuing a stable and diversified funding structure, mainly composed of retail funding, long-term financing through syndicated loans and/or bond issuances, and on using collateral to source funds in the capital markets.

Risk Management

Governance

The Bank's Risk Management Framework is under the ultimate responsibility of the Board of Directors. 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 responsible for the establishment and maintenance of an appropriate and effective risk management structure.

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

Risk Committee

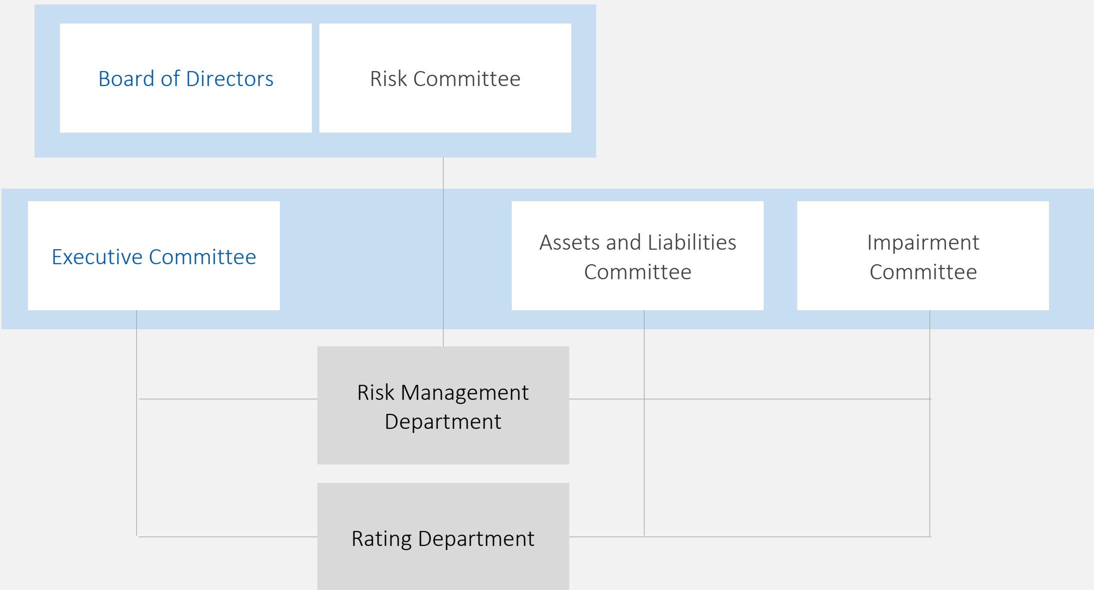
The Risk Committee's mission is to continuously monitor the development and implementation of the Bank's risk strategy/appetite and verify whether they are compatible with a sustainable strategy in the medium and long term.

Assets and Liabilities Committee

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

Risk Management Department

The Risk Management Department is an independent control function that is actively involved in all material decisions and is aligned with the parent company's guidelines and practices. Thus, this Department 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.

Impairment Committee

The Impairment Committee of Haitong Bank is responsible for analysing and proposing 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, Haitong Bank's 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 element 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'). The internal rating assignment is carried out by an experienced pool of analysts located in Lisbon, Madrid, Warsaw, Macau, London, 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 to maximize credit recovery.

ASSET QUALITY

Loan Portfolio

Portfolio breakdown

In June 2024, the loan portfolio (gross exposure) amounted to EUR 715 million, which represents an increase of approximately EUR 19 million compared to December 2023.

Loan Portfolio Asset Classes and Geographic Breakdown (in thousand euros)

	June 2024			December 2023		
	Domestic	International	Total	Domestic	International	Total
Loan Portfolio[1]	**256 093**	**459 227**	**715 320**	**262 760**	**433 565**	**696 325**
Specialized Lending	121 631	102 390	224 021	125 294	102 223	227 517
Corporate	93 497	347 062	440 559	96 158	296 852	393 010
Others	40 965	9 775	50 740	41 308	34 490	75 798

[1] Gross of provisions

Loan Portfolio Asset Classes by Industry (in thousand euros)

	June 2024				December 2023			
	Specialized Lending	Corporate	Others	Total	Specialized Lending	Corporate	Others	Total
TOTAL	31.3%	61.4%	7.3%	100.0%	32.6%	56.6%	10.8%	100.0%
Power	9.0%	11.9%	0.0%	**20.9%**	10.7%	7.4%	0.0%	**18.1%**
Transportation Infrastructure	10.3%	3.0%	0.0%	**13.3%**	11.3%	3.3%	0.0%	**14.6%**
Oil & Gas	1.8%	9.5%	0.0%	**11.3%**	2.7%	4.6%	0.0%	**7.3%**
Commercial & Professional Services	0.0%	8.9%	0.0%	**8.9%**	0.0%	9.1%	0.0%	**9.1%**
Telecoms	0.0%	6.8%	1.4%	**8.2%**	0.0%	7.0%	0.0%	**7.0%**
Real Estate	6.1%	0.0%	0.5%	**6.6%**	5.9%	0.0%	5.5%	**11.4%**
Non-Bank Financial Institutions	0.0%	0.0%	5.2%	**5.2%**	0.0%	0.0%	5.3%	**5.3%**
Automobiles & Components	0.0%	4.9%	0.0%	**4.9%**	0.0%	2.9%	0.0%	**2.9%**
Metals & Mining	0.0%	4.2%	0.0%	**4.2%**	0.0%	4.2%	0.0%	**4.2%**
Chemicals	2.2%	0.8%	0.0%	**3.0%**	0.0%	4.4%	0.0%	**4.4%**
Health Care	0.0%	2.8%	0.0%	**2.8%**	0.0%	2.9%	0.0%	**2.9%**
Retailing	0.0%	2.5%	0.0%	**2.5%**	0.0%	2.6%	0.0%	**2.6%**
Food, Beverage & Tobacco	0.0%	2.2%	0.0%	**2.2%**	0.0%	1.4%	0.0%	**1.4%**
Rental & Leasing	1.8%	0.0%	0.0%	**1.8%**	1.9%	0.0%	0.0%	**1.9%**
Building Materials	0.0%	1.7%	0.0%	**1.7%**	0.0%	0.0%	0.0%	**0.0%**
Construction & Engineering	0.0%	1.4%	0.0%	**1.4%**	0.0%	2.7%	0.0%	**2.7%**
Agribusiness & Commodity Foods	0.0%	0.6%	0.0%	**0.6%**	0.0%	0.7%	0.0%	**0.7%**
Others	0.0%	0.2%	0.2%	**0.4%**	0.0%	0.2%	0.0%	**0.2%**
Transportation	0.1%	0.0%	0.0%	**0.1%**	0.1%	0.0%	0.0%	**0.1%**
Capital Goods	0.0%	0.0%	0.0%	**0.0%**	0.0%	2.2%	0.0%	**2.2%**
Agricultural Cooperatives	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.7%	0.0%	**0.7%**
Containers & Packaging	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.3%	0.0%	**0.3%**

Source: Haitong Bank

Internal Rating Profile

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

Loan Portfolio Rating Profile

	June 2024	December 2023
[aaa+; a-]	4.2%	0.1%
[bbb+; bbb-]	17.4%	19.0%
[bb+; bb-]	65.2%	64.5%
[b+; b-]	13.2%	16.4%

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

Risk Indicators

Credit Risk Indicators (in EUR thousand)

	June 2024	December 2023 Pro-Forma (2)	December 2023
Loan Portfolio	**715 320**		**696 325**
Non-Performing Loans (NPL)	**7 953**		**8 219**
NPL Ratio	1.1%		1.2%
Impairment for NPL	**3 789**		**3 975**
NPL coverage	47.6%		48.4%
Gross Exposure	**2 752 893**	**2 615 041**	**2 595 074**
Non-performing exposures (NPE) (1)	**58 413**	**56 297**	**36 648**
NPE Ratio	2.1%	2.2%	1.4%
NPE Impairment Coverage	41.1%	42.1%	30.7%
Forborne Exposures (1)	**25 938**		**23 194**
Of which performing exposure (%)	38.8%		50.6%

(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 October 21, 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 October 9, 2018, amending Implementing Regulation (EU) No. 680/2014, as regards prudent valuation for supervisory reporting.

(2) On June 30, 2024, the Group classified as non-performing exposures the amounts receivable relating to commissions for services rendered and which are overdue for more than 90 days, as well as other assets relating to credits or debt securities in default that were targeted of a recovery process, being directly dependent on legal actions against the original debtors. For comparison purposes this column refers to pro-forma information as of December 31, 2023.

Source: Haitong Bank

The Non-Performing Loans (NPL) ratio amounted to 1.1% in June 2024, in comparison to 1.2% in December 2023. This resulted from the prudent standards followed at credit origination and the measures undertaken throughout the year to reduce the Bank's non-performing loans.

Fixed Income Assets

Portfolio breakdown

The fixed income portfolio ended June 2024 with a net total of EUR 1,811 million, representing a reduction of EUR 82 million when compared with December 2023, as a result from the decrease of sovereign debt.

Fixed Income Portfolio by Sector (in EUR thousand)

	June 2024	December 2023
Total	**1 811 430**	**1 893 764**
Governments	1 215 088	1 307 314
Real Estate	102 797	87 111
Banks	78 085	99 464
Automobiles & Components	48 163	22 105
Power	36 203	36 650
Non-Bank Financial Institutions	35 999	13 238
Construction & Engineering	35 918	37 666
Retailing	32 412	33 716
Food, Beverage & Tobacco	32 241	24 201
Chemicals	31 998	29 137
Telecoms	30 552	28 556
Oil & Gas	17 255	14 067
Transportation Infrastructure	15 885	10 017
Transportation	15 009	20 203
Metals & Mining	14 932	26 443
Consumer Durables & Apparel	12 647	4 312
Capital Goods	11 412	13 141
Hotels & Gaming	9 400	8 853
Funds & Asset Managers	8 072	5 661
Pharmaceuticals	6 865	0
Health Care	6 221	11 173
Commercial & Professional Services	4 101	15 806
Paper & Forest Products	3 669	4 348
Media & Entertainment	3 567	3 085
Water Utilities	2 005	22 062
Rental & Leasing	884	0
Technology Hardware & Equipment	50	8 637
Agribusiness & Commodity Foods	0	6 798

Source: Haitong Bank

Internal Rating Profile

In June 2024, the rating profile of the Bank's fixed income portfolio was the following:

Fixed Income Portfolio Rating Profile

	June 2024	December 2023
[aaa; a-]	3.6%	7.0%
[bbb+; bbb-]	20.9%	26.4%
[bb+; bb-]	73.1%	64.6%
[b+; b-]	2.4%	2.0%

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

Derivatives Portfolio

Portfolio Breakdown

The counterparty risk exposure in the Bank's portfolio of interest rate and exchange rate derivatives amounted to EUR 54 million in June 2024, which represents a decrease of EUR 12 million in comparison with December 2023.

In terms of the breakdown by counterparty risk sector, in June 2024, 44% of the global exposure related to transactions in Transportation Infrastructure, followed by 33% in Banks' counterparties.

Derivatives Portfolio by sector (in EUR thousand)

	June 2024	**December 2023**
Total	**53 503**	**65 014**
Transportation Infrastructure	23 336	27 963
Banks	17 913	17 002
Paper & Forest Products	5 188	4 738
Non-Bank Financial Institutions	4 176	5 463
Funds & Asset Managers	701	701
Oil & Gas	565	1 543
Chemicals	521	5 443
Broker Dealers	328	333
Others	287	260
Agribusiness & Commodity Foods	265	927
Power	223	576
Food, Beverage & Tobacco	0	65

Source: Haitong Bank

Internal Rating Profile

The Bank takes counterparty credit risk mainly in derivatives while providing hedge solutions to corporate clients (also encompassing project finance entities). Thus, in June 2024, the Bank's total exposure to derivative instruments focused on interest rate swaps.

Derivatives Portfolio Rating Profile

	June 2024	December 2023
[aaa+;a-]	61.2%	21.7%
[bbb+;bbb-]	0.2%	48.1%
[bb+;bb-]	38.2%	26.2%
[b+;b-]	0.3%	4.1%

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 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.

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

TRADING BOOK RISK

Management Practices

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

As of June 2024, Haitong Bank's VaR amounted to EUR 4.0 million, representing a decrease of EUR 0.7 million when compared with December 2023.

Value at Risk by Risk Factor (EUR million)

	June 2024	December 2023
Foreign Exchange Risk	4.0	4.8
Interest Rate Risk	0.3	1.0
Shares	0.0	0.0
Credit spread	0.3	0.3
Covariance	-0.6	-1.4
Global VaR	**4.0**	**4.7**

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, given that 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 2024, the impact on the banking book economic value, under a parallel shock on the yield curve of +/- 200 bps was estimated at EUR 15.0 million.

Credit Spread Risk

The credit spread, which reflects the ability of an issuer to meet its obligations up to its 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.

As of June 2024, the impact on the banking book economic value for this risk was estimated at EUR 18.1 million.

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

PENSION FUND RISK

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

OPERATIONAL RISK

Operational risk corresponds to 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.

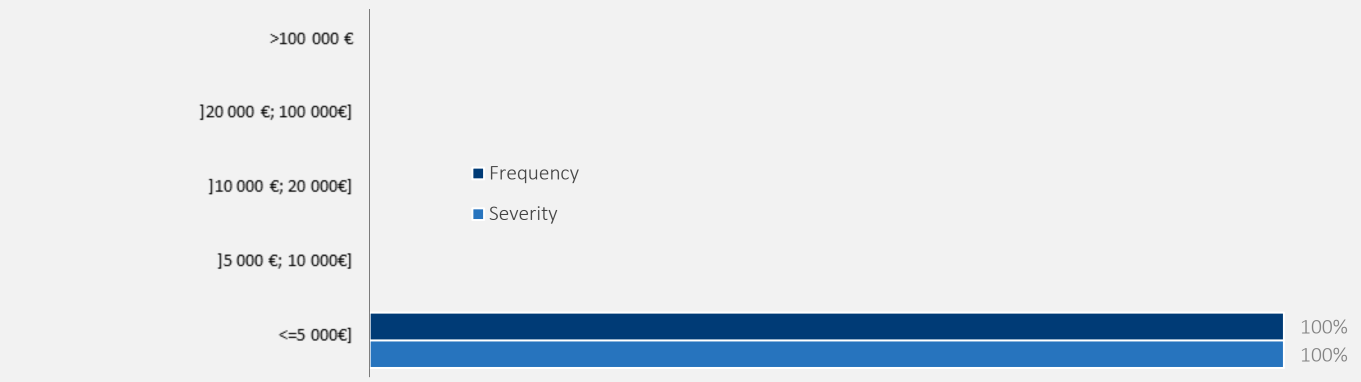
The operational risk management model is supported by an exclusively dedicated structure within the organisation which is responsible for the following processes:

- 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 Banco de Portugal, by business lines and by Basel event types.

Distribution of frequency and severity of events by loss amount

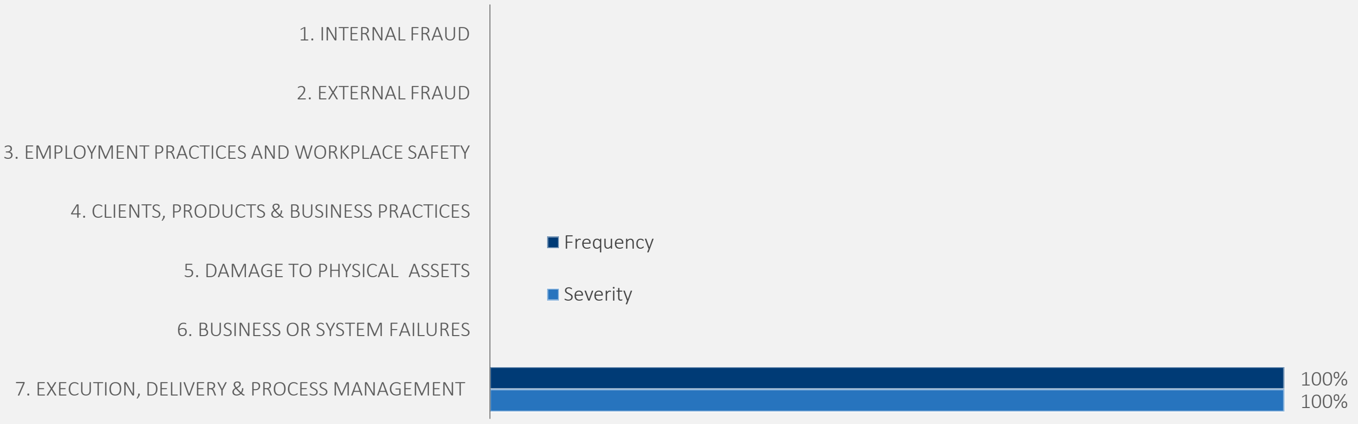


Source: Haitong Bank. Operational Risk Events, June 2024

By June 2024, 100% of the Bank's loss events were below EUR 5,000.

Following Basel's event classification, in 1H2024, all the loss events were related to the Execution, Delivery & Process Management event type.

Distribution of frequency and severity of events by event type



Source: Haitong Bank. Operational Risk Events, June 2024

LIQUIDITY RISK

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

Management Practices

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

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

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

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

LIQUIDITY POSITION

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) is established by the CRD (Directive 2013/36/EU) and is designed to promote the 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 2024, Haitong Bank reached an LCR of 387%, which represents a resilient short-term liquidity position, comfortably complying with regulatory standards.

Liquidity Coverage Ratio (EUR thousand)

	June 2024	December 2023
High-Quality Liquid Assets	917 531	831 617
30 days Net Outflow	237 195	302 215
Liquidity Coverage Ratio	387%	275%

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 with Regulation (EU) 2019/876, entering into force in 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 2024, Haitong Bank reached an NSFR of 149%, ensuring an adequate medium- to long-term funding profile.

Net Stable Funding Ratio

	June 2024	December 2023
Net Stable Funding Ratio	149%	151%

Source: Haitong Bank

CAPITAL MANAGEMENT

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

Management Practices

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

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

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

Additionally, 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 Banco de Portugal under the CRR (Regulation EU no. 575/2013) and CRD (Directive EU 2013/36/EU) regulations. 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.

Under this regulatory framework, the minimum CET1 ratio is 4.5%, the minimum Tier 1 ratio is 6% and the minimum Total Capital Ratio is 8%. In addition, these minimum ratios are supplemented by the capital conservation buffer. CRD IV requirements 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 capital buffers, in November 2016 Banco de Portugal decided to impose a capital surcharge on six Portuguese banking groups classified as O-SIIs (Other Systemically Important Institutions) in the scope of its annual revision of the identification of the imposition of capital buffers, pursuant to Article 138-R (2) of the Legal Framework of Credit Institutions and Financial Companies (RGICSF). Haitong Bank is excluded from the scope of application of this macro-prudential buffer.

The regulation also provides a counter-cyclical capital buffer of up to 2.5% to be imposed in the event that national supervisors deem it necessary in order to counteract excessive credit growth in the jurisdictions under their supervision. As of June 30, 2024, Banco de Portugal decided not to impose any additional counter-cyclical capital buffer, by setting it at 0% of the total risk exposure amount to domestic counterparties. This decision is subject to revision on a quarterly basis.

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

As of June 2024, Haitong Bank's capital ratios were calculated under CRR (Regulation EU no. 575/2013) and CRD (Directive EU no 2013/36/EU). The capital ratios under the Standard Approach are shown in the following table.

Solvency Ratios

	June 2024	December 2023
CET1 ratio	19.3%	19.0%
Tier 1 ratio	24.1%	23.7%
Total Capital ratio	24.2%	23.8%

Source*: Haitong Bank*

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

Leverage

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

As of June 2024, Haitong Bank's leverage ratios, calculated under the Basel/CRR methodology are shown in the following table.

Leverage Ratios

	June 2024	December 2023
Leverage ratio	11.0%	11.5%

Source: Haitong Bank

FINANCIAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement for the financial periods ended on June 30, 2024, and 2023

(thousand euros)

	Notes	30.06.2024	30.06.2023
Interest and similar income	5	118 877	108 891
Interest and similar expenses	5	99 274	92 410
Financial margin		**19 603**	**16 481**
Fees and commissions income	6	13 794	10 304
Fees and commissions expenses	6	(1 707)	(1 449)
Net trading income	7	(2 519)	4 000
Net income from other financial instruments at fair value through profit or loss	8	344	(131)
Net gain/(loss) from derecognition of financial assets measured at fair value through other comprehensive income	9	774	193
Net gains/(losses) from hedge accounting	10	(83)	15
Net gains / (losses) from foreign exchange differences	11	5 213	(962)
Net gain/(loss) from derecognition of financial assets measured at amortised cost	12	2 576	1 480
Other operating income and expense	13	(2 948)	4 878
Operating Income		**35 047**	**34 809**
Employee costs	14	19 342	18 908
Administrative costs	16	6 851	7 027
Depreciations and amortisations	25 e 26	2 731	2 959
Provisions	31	(2 926)	(1 889)
Net impairment loss on financial assets	31	540	2 263
Operating expenses		**26 538**	**29 268**
Profit / (Loss) before Income Tax		**8 509**	**5 541**
Current tax	32	2 530	2 387
Deferred tax	32	1 122	(1 221)
		3 652	**1 166**
Net Profit / (Loss) for the period		**4 857**	**4 375**
Attributable to shareholders of the parent company	17	**5 092**	**4 530**
Attributable to non-controlling interests	35	**(235)**	**(155)**
		4 857	**4 375**
Basic Income per Share (in euros)	17	0,03	0,03
Diluted Income per Share (in euros)	17	0,03	0,03

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

The Director of the Finance Department

The Board of Directors

Consolidated Statement of Comprehensive Income for the financial periods ended on June 30, 2024, and 2023

(thousand euros)

	Notes	30.06.2024	30.06.2023
Net income of the period			
Attributable to shareholders of the parent company		5 092	4 530
Attributable to non-controlling interests		(235)	(155)
		4 857	4 375
Other comprehensive income for the period			
Items that will not be reclassified to profit and loss			
Remeasurements of defined benefit liabilities, net of taxes	35	1 393	(287)
		1 393	(287)
Items that may be reclassified to profit and loss			
Exchange differences			
Foreign currency translation differences for foreign operations	35	(10 254)	7 184
Fair value changes of debt instruments measured at fair value through other comprehensive income, net of taxes	35	834	2 479
		(9 420)	9 663
Total other comprehensive income for the period		(8 027)	9 376
Total comprehensive income/(loss) for period		(3 170)	13 751
Attributable to shareholders of the parent company		(760)	12 469
Attributable to non-controlling interests		(2 410)	1 282
		(3 170)	13 751

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

The Director of the Finance Department

The Board of Directors

Consolidated Statement of Financial Position as at June 30, 2024, and December 31, 2023

(thousand euros)

	Notes	30.06.2024	31.12.2023
Assets			
Cash and cash equivalents	18	16 105	17 164
Financial assets at fair value through profit or loss		932 852	893 703
Financial assets held for trading		916 516	880 215
Securities	19	880 378	848 480
Derivative financial assets	20	36 138	31 735
Non-trading financial assets mandatorily at fair value through profit or loss		16 336	13 488
Securities	22	16 312	13 464
Loans and advances to customers	24	24	24
Financial assets at fair value through other comprehensive income	22	340 783	226 584
Financial assets measured at amortised cost		2 108 500	2 090 669
Securities	22	590 295	818 722
Loans and advances to banks	23	809 987	583 288
Loans and advances to customers	24	708 218	688 659
Other tangible assets	25	10 509	11 883
Intangible assets	26	1 253	1 814
Tax assets		122 347	127 643
Current income tax assets	32	21 937	21 806
Deferred income tax assets	32	100 410	105 837
Other assets	27	130 643	129 182
Total Assets		**3 662 992**	**3 498 642**
Liabilities			
Financial liabilities held for trading		21 954	25 878
Securities	19	1 414	846
Derivative financial liabilities	20	20 540	25 032
Financial liabilities measured at amortised cost		2 899 180	2 726 784
Resources of credit institutions	28	1 243 191	916 921
Resources of customers	29	1 091 947	1 174 221
Debt securities issued	30	564 042	635 642
Provisions	31	5 503	9 867
Tax liabilities		15 191	14 451
Current income tax liabilities	32	9 397	8 657
Deferred income tax liabilities	32	5 794	5 794
Subordinated liabilities	33	71 905	69 233
Total Liabilities		**3 013 733**	**2 846 213**
Equity			
Share capital	34	871 278	871 278
Share premium	34	8 796	8 796
Other equity instruments	34	105 042	105 042
Fair-value reserves	35	(3 918)	(4 876)
Other reserves and retained earnings	35	(357 402)	(367 854)
Net profit/(loss) for the period attributable shareholders of the parent company		5 092	17 262
Total equity attributable to the shareholders of the parent company		**628 888**	**629 648**
Non-controlling interests	35	20 371	22 781
Total Equity		**649 259**	**652 429**
Total Equity and Liabilities		**3 662 992**	**3 498 642**

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

The Director of the Finance Department

The Board of Directors

Consolidated Statement of Changes in Equity for the financial periods ended on June 30, 2024, December 31, 2023, and June 30, 2023

(thousand euros)

	Notes	Share Capital	Share Premium	Other equity instruments	Fair-value reserves	Other reserves and retained earnings	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 December 31 2022		863 279	8 796	105 042	(10 605)	(370 665)	11 107	606 954	21 082	628 036
Balance as at 1 January 2023		863 279	8 796	105 042	(10 605)	(370 665)	11 107	606 954	21 082	628 036
Other movements recorded directly in equity:										
Changes in fair value, net of taxes	35	-	-	-	2 478	-	-	2 478	1	2 479
Exchange differences	35	-	-	-	-	5 748	-	5 748	1 436	7 184
Actuarial gains/ (losses), net of taxes	35	-	-	-	-	(287)	-	(287)	-	(287)
Net profit / (loss) for the period	35	-	-	-	-	-	4 530	4 530	(155)	4 375
Total comprehensive income for the period		-	-	-	2 478	5 461	4 530	12 469	1 282	13 751
Transfers for reserves and retained earnings	33	-	-	-	-	11 107	(11 107)	-	-	-
Balance as at June 30 2023		863 279	8 796	105 042	(8 127)	(354 097)	4 530	619 423	22 364	641 787
Balance as at 1 July 2023		863 279	8 796	105 042	(8 127)	(354 097)	4 530	619 423	22 364	641 787
Other movements recorded directly in equity:										
Changes in fair value, net of taxes	35	-	-	-	3 251	-	-	3 251	89	3 340
Exchange differences	35	-	-	-	-	(1 323)	-	(1 323)	(329)	(1 652)
Actuarial gains/ (losses), net of taxes	35	-	-	-	-	(4 435)	-	(4 435)	-	(4 435)
Net profit / (loss) for the period	35	-	-	-	-	-	12 732	12 732	657	13 389
Total comprehensive income for the period		-	-	-	3 251	(5 758)	12 732	10 225	417	10 642
Share capital increase	34	7 999	-	-	-	(7 999)	-	-	-	-
Balance as at December 31 2023		871 278	8 796	105 042	(4 876)	(367 854)	17 262	629 648	22 781	652 429
Balance as at 1 January 2024		871 278	8 796	105 042	(4 876)	(367 854)	17 262	629 648	22 781	652 429
Other movements recorded directly in equity:										
Changes in fair value	35	-	-	-	958	-	-	958	(124)	834
Exchange differences	35	-	-	-	-	(8 203)	-	(8 203)	(2 051)	(10 254)
Actuarial gains/ (losses)	35	-	-	-	-	1 393	-	1 393	-	1 393
Net profit / (loss) for the period	35	-	-	-	-	-	5 092	5 092	(235)	4 857
Total comprehensive income for the period		-	-	-	958	(6 810)	5 092	(760)	(2 410)	(3 170)
Transfers for reserves and retained earnings	34	-	-	-	-	17 262	(17 262)	-	-	-
Balance as at June 30 2024	35	871 278	8 796	105 042	(3 918)	(357 402)	5 092	628 888	20 371	649 259

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

The Director of the Finance Department

The Board of Directors

Consolidated Cash Flow Statement for the financial periods ended on June 30, 2024, and 2023

(thousand euros)

	Notes	30.06.2024	30.06.2023
Cash flows from operating activities			
Interests received		137 024	107 165
Interests paid		(99 481)	(96 608)
Fees and commissions received		13 544	10 623
Fees and commissions paid		(1 707)	(1 449)
Loans and other recoveries	13	96	4 166
Cash payments to employees and suppliers		(27 281)	(27 691)
		22 195	**(3 794)**
Changes in operating assets and liabilities:			
Trading financial assets and liabilities		(42 775)	(47 286)
Loans and advances to banks		19 594	19 609
Resources of other credit institutions	28	327 567	(357 237)
Loans and advances to customers		(18 767)	(85 705)
Resources of customers	29	(90 741)	378 481
Other operating assets and liabilities		383	9 897
Net cash flow from operating activities before income tax		**217 456**	**(86 035)**
Income taxes paid		(2 357)	(2 371)
		215 099	**(88 406)**
Net cash flows from investment activities			
Purchase of securities		(221 047)	(292 122)
Sale and repayments of securities		317 904	132 742
Purchase of fixed assets	25 e 26	(1 095)	(262)
Sale of fixed assets	25 e 26	60	9
		95 822	**(159 633)**
Cash flows from financing activities			
Debt securities issued	30	5 246	41 699
Reimbursement of debt securities issued	30	(69 228)	(2 979)
Reimbursement of other equity instruments	34	-	-
Rents paid for leasing operations	33	(2 720)	(1 890)
Net cash flow from financing activities		**(66 702)**	**36 830**
Net changes in cash and equivalents		**244 219**	**(211 209)**
Cash and equivalents at the beginning for the year		570 814	489 476
Cash and equivalents at the end for the year		815 033	278 267
		244 219	**(211 209)**
Cash and equivalents include:			
Cash	18	3	6
Demand deposit at central banks	18	3 690	3 899
Deposits at other credit institutions	18	14 337	17 966
Loans and advances to Banks	23	797 003	256 396
Total		**815 033**	**278 267**

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

The Director of the Finance Department

The Board of Directors

2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Haitong Bank, S.A.

NOTE 1 – ACTIVITY AND GROUP STRUCTURE

Haitong Bank, S.A. (Bank or Haitong Bank) is an investment bank headquartered in Portugal, at Rua Alexandre Herculano, no. 38, in Lisbon. To this end, it has the necessary authorizations from the Portuguese authorities, central banks and other regulatory agents to operate in Portugal and in the countries where it operates through international financial branches.

The institution was incorporated as an investment company in February 1983 through a foreign investment in Portugal under the name FINC - Sociedade Portuguesa Promotora de Investimentos, S.A.R.L.. In 1986, the company was integrated into the Espírito Santo Group under the name Espírito Santo - Sociedade de Investimentos, S.A..

In order to broaden the scope of its activity, the Institution obtained authorization from the competent official bodies for its transformation into an Investment Bank, through Ministerial Order no. 366/92 of November 23, published in the Diário da República - II Série - no. 279, of December 3. Banco de Investimento began operating under the name Banco ESSI, S.A. on April 1, 1993.

In 2000, Banco Espírito Santo, S.A. acquired the entire share capital of BES Investimento in order to reflect all the synergies between the two institutions in its consolidated accounts.

On August 3, 2014, following the application of a resolution measure by Banco de Portugal to Banco Espírito Santo, S.A., the Bank was taken over by Novo Banco, S.A..

In September 2015, Haitong International Holdings Limited acquired the entire share capital of BES Investimento, and the Bank's name was changed to Haitong Bank, S.A..

Haitong Bank currently operates through its head office in Lisbon and branches in London, Warsaw, Macau and Madrid, as well as through its subsidiary in Brazil. In June 2022, Haitong Bank, S.A. completed the process of opening a representative office in Paris.

In March 2023, Haitong Bank's London Branch received approval from the Financial Conduct Authority (FCA) for the Bank's application to the UK's Full Regulatory Regime.

In January 2024, Banco de Portugal informed Haitong Bank of its non-opposition to the change in the Macau Branch's business plan. In May 2024, the Monetary Authority of Macao (AMCM) issued a letter of non-opposition to the start of deposit-taking activities at the Macao Branch.

Haitong Bank's financial statements are consolidated by Haitong International Holdings Limited, headquartered at Li Po Chun Chambers, No. 189, Des Voeux Road Central, Hong Kong, with Haitong Securities Co., Ltd. as the ultimate parent company.

The structure of the group of companies in which the Bank has a direct or indirect holding of 20% or more, or over which it exercises control or significant influence in their management, and which have been included in the consolidation perimeter, is as follows:

	Incorporation date	Acquisition date	Headquarters	Activity	% Economic interest	Consolidation method	Equity	Assets	Net profit/ (loss)
Haitong Bank S.A.	1983	-	Portugal	Investment Bank	100%	Full consolidation	642 840	2 592 194	4 624
Haitong Global Asset Management SGOIC S.A.	1988	2005	Portugal	Asset management	100%	Full consolidation	57 124	57 487	233
Haitong Banco de Investimento do Brasil S.A.	1973	2000	Brazil	Investment Bank	80%	Full consolidation	69 871	1 204 768	(2 777)
FI Multimercado Treasury	2005	2005	Brazil	Investment fund	80%	Full consolidation	1 690	1 690	80
Haitong Negócios, SA	1996	1999	Brazil	Holding company	80%	Full consolidation	31 553	36 306	848
Haitong do Brasil DTVM S.A.	2009	2009	Brazil	Asset management	80%	Full consolidation	7 677	7 979	206
Haitong Securities do Brasil S.A.	1973	2000	Brazil	Brokerage house	80%	Full consolidation	18 087	23 204	527

(1) There are currently no restrictions on the control of subsidiaries.

In 2013, Haitong Bank embarked on a plan to simplify its group. As part of this process, several measures were taken, including the sale and merger of several holdings. The simplification process continued throughout 2023 and into the first half of 2024, with the main changes to the group's structure presented below.

Subsidiaries

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

During 2023 and the first semester of 2024, movements relating to acquisitions, sales and other investments and repayments in subsidiary companies are detailed as follows:

(thousand euros)

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

(a) Liquidation

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 Banco de Portugal (revoked by Banco de 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.

The consolidated financial statements of Haitong Bank presented herein refer to the period ended June 30, 2024, and were prepared in accordance with IFRS in force in the European Union on January 1, 2024. These interim consolidated financial statements are presented in accordance with IAS 34 - Interim Financial Reporting and do not include all the information required for full annual financial statements.

The accounting policies in this note were consistent with 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.

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

The consolidated financial statements herein have been approved in the Board of Directors meeting held on August 29, 2024. The financial statements as of December 31, 2023 were approved by the sole Shareholder on April 29, 2024.

Comparability of the Information

On June 30, 2024, the Group carried out, at the level of the cash flow statement, the reclassification of (i) Loans and advances to banks from the heading Cash flows from operational activities – Change in operational assets and liabilities to the heading Cash and equivalents in beginning and end of the exercise and (ii) the reclassification of the rent payments regarding financial lease rents from other operational assets and liabilities to paid rents for lease operations. Subsequently, the Group changed the values on June 30, 2023, with the restatement presented as follows:

(thousand euros)

	30.06.2023 (Restated)	Reclassifications	30.06.2023
Cash flows from operating activities			
Loans and advances to banks	19 609	(206 313)	225 922
Cash flows from financing activities			
Net changes in cash and equivalents	19 609	(206 313)	225 922
Cash and equivalents at the beginning for the year	489 476	462 709	26 767
Cash and equivalents at the end for the year	278 267	256 396	21 871
	(211 209)	(206 313)	(4 896)
Cash and equivalents include:			
Loans and advances to Banks	256 396	256 396	-
Total	256 396	256 396	-

2.2. BASIS OF CONSOLIDATION

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

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

Subsidiaries

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

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

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

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

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

There are currently no restrictions on the control of subsidiaries.

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 the 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 the 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 the 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 during the consolidation process, except for the cases where the unrealised losses reveal an impairment which should be recognised in the consolidated accounts.

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 the income statement.

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

2.4. FINANCIAL INSTRUMENTS

2.4.1 Financial assets classification

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

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

   i. Financial assets held for trading; and
   ii. Non-trading financial assets mandatorily 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, under which they are managed.

a) Financial assets measured at amortised cost

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

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

The "Financial assets at amortised cost" category mainly includes Loans and advances to banks and Loans and advances to customers.

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 (hold to collect and sale business model); 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 cannot 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. Currently, the Bank does not hold instruments for which they applied 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 (residual category and/or the instrument does not meet the SPPI test requirements).

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

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

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

Gains and losses on financial assets and liabilities at fair value through profit or loss – Financial assets held for trading, that is, variations in fair value and interest on trading derivatives, as well as associated dividends received (if they effectively remunerate the invested capital) These portfolios are recognized under the heading “results from trading instruments” in the income statement.

- financial assets in the sub-category of "Financial assets at fair value through profit or loss - financial assets not held for trading necessarily at fair value through profit and loss" when:

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

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

Business model evaluation for financial assets management

In relation to the evaluation of the business model, this does not depend on management 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, close to the maturity of the asset due to increases in the credit risk of financial assets and/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 do not prevent their classification in the portfolios at cost amortised or at fair value through other comprehensive income.

Initial recognition

At initial recognition, all financial instruments are recognised at their fair value. For financial instruments that are not recognised at fair value through profit or loss, the fair value is adjusted by 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. If the Group considers that the costs are directly attributable to the transaction, they are specialized in results according to the effective interest rate method.

Subsequent measurement

After initial recognition, the Group proceeds to the subsequent measurement of the financial assets at amortised cost, at fair value through other comprehensive income, at fair value through profit or loss or at historical cost.

The fair value of quoted financial assets is their current bid price. This price is estimated by the Bank according to a hierarchy that meets the IFRS 13 requirements. In the absence of a market quotation, the Bank estimates the fair value using valuation methodologies such as (i) the use of prices of recent transactions, similar and carried out under market conditions, (ii) discounted cash flow techniques and (iii) customized option valuation models in order to reflect the particularities and circumstances of each instrument, and (ii) whenever possible, the Group uses valuation assumptions based on market information. These methodologies also incorporate credit risk and counterparty risk. These methodologies may require the use of assumptions or judgments in the estimate of fair value.

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

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

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

c) 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;
d) Interests on debt instruments are measured using the effective interest rate method and are recognised in the financial margin.

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

a) Interest and premium/discount have a procedure equal to that of assets at amortised cost;
b) Foreign exchange differences are recognised in the income statement;
c) Impairment losses or gains on its recovery are recognised in the income statement;
d) Losses or gains associated with hedge accounting are cognised in the income statement;
e) The remaining changes in value are recognised in other comprehensive income.

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

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

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

Reclassifications between categories of financial instruments

Only if the Group decides to change its business model for the management of a portfolio of financial assets. In this case, all financial assets affected would be reclassified in accordance with the requirements of IFRS 9. This reclassification would be applied prospectively from the date of reclassification. According to the approach of IFRS 9, these reclassifications must be infrequent, decided by the senior management resulting from events beyond the Bank's control and demonstrable to external entities.

Derecognition criteria

The Bank derecognises a financial asset in the following situations:

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

Loans and debt instruments written off

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

Eventual recoveries after the instrument received the write-off must be recognised as extraordinary gains, with an impact in the financial statement in other operational results.

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 led to the origination 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; and/or
- financial assets acquired with a significant discount, that the existence of a significant discount reflects credit losses incurred at the time of its initial recognition.

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

Impairment of financial assets

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

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

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

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

Impairment Model

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

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

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

The collective model implemented by the Group is applicable to all instruments classified in Stage 1 that do not show any warning signals, as well as 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 a *staging* 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 Regulation (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.

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

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

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

Note 39 – Risk Management discloses the inputs of the Group's collective impairment model, as well as the adjustments made to incorporate forward-looking information.

Expected Credit Losses

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

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

- Loans and advances to customers;
- Loans and advances to banks;
- Debt securities;
- Other assets - debtors and other receivables;
- Cash and cash equivalents;
- Guarantees and other financial commitments to third parties.

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: correspond to the present value considering 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 impairment is determined by the difference between the net present value of expected repayments less the amounts the Group 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) quantitative approach; (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.

Additionally, the Group assesses the significant increase in credit risk through a quantitative approach that was updated in 2023. To that end, the Group defined a transition matrix based on its internal pricing methodology. The approach involves the comparison between the rating of the financial instrument as at the reporting date vis-à-vis the rating as the date of initial recognition, and the credit risk deterioration required for a Stage 2 reclassification will vary depending on the rating initially assigned to the financial instrument.

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

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

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

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

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

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

On June 30, 2024, the Group classified as non-performing exposures the amounts receivable relating to commissions for services rendered and which are overdue for more than 90 days, as well as other assets relating to credits or debt securities in default that were targeted of a recovery process, being directly dependent on legal actions against the original debtors.

Forbearance definition

The internal definition of forbearance, i.e., exposures which were subject to restructuring measures due to the debtor's financial difficulties, follows the regulatory definition. A forbearance measure is a concession by the Bank towards an obligor that is experiencing or is likely to experience difficulties in meeting its financial commitments. An exposure can only be forborne if the debtor is facing financial difficulties that have led the Group to make a concession.

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

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

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

When granting forbearance measures to performing exposures with a 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 adopted by the Group follows Article 47- B of the CRR, the principles of the European Central Bank and the reference criteria applicable to forborne exposures set by Banco de Portugal under the Carta Circular CC/2018/0000062, from November 2018.

2.4.2 Hedge accounting

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

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

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

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

Fair value hedge

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

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

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

2.4.3 Financial liabilities

Classification, initial recognition and subsequent measurement

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

- Financial liabilities at amortised cost; or
- 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.

The fair value of quoted financial liabilities is their quoted value (ask-price). 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 repurchased value is accounted directly in the 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; and
- The remaining amount of change in the fair value of the liability is directly recognised 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 directly attributed according to the IFRS9, 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 and liabilities 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 effective rate includes all eventual 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 (the referred commissions are recognised directly in the income statement).

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

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

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

2.4.5 Financial guarantees

Financial guarantees are contracts which require its issuing entity to make payments to reimburse the holder for incurred losses resulting from breaches of the contractual terms set forth in debt instruments, namely the payment of the corresponding capital and/or interest.

Issued financial guarantees are initially recognised at their fair value. Subsequently, such guarantees are measured at the higher of (i) the initially recognised fair value and (ii) the amount of any financial obligation arising as a result of guaranteed contracts, measured at the statement of financial positions date. Any change in the amount of the liability relating to guarantees is taken to the income statement.

Financial guarantees issued by the Group usually have a set maturity and a periodic fee charged in advance, which varies in accordance with the counterparty risk, amount and maturity date of the contract. On that basis, the guarantees' fair value as at the date of initial recognition thereof is approximately zero, by considering that the agreed conditions are market conditions. Therefore, the amount recognised at the contract date is equal to the amount of the initial received fee, which is recognised in income statement for the period thereof. Subsequent fees are recognised in income statement for the period to which they relate.

2.4.6 Performance guarantee contracts

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual, commercial or legal obligation.

Where the performance guarantee provides the Group with contractual indemnification rights to recover any payments made to the guarantee holder from the applicant and such rights are covered by collateral, they are treated as a loan commitment provided to the applicant, if the bank concludes that there is no event with commercial substance that could cause the bank to incur an overall loss on the guarantee arrangement.

Such performance guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight-line basis over the life of the contract.

At the end of each reporting period, the performance guarantee contracts are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the amount of the loss allowance determined based on the expected credit loss model.

2.5 ASSETS SOLD WITH REPURCHASE AGREEMENT AND SECURITIES LENDING

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

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

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

2.6 EQUITY INSTRUMENTS

An instrument is classified as equity instrument only if:

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

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

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

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

2.7 OFFSETTING FINANCIAL INSTRUMENTS

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

2.8 OTHER TANGIBLE ASSETS

The Group's other tangible assets are measured at historical cost, less their corresponding accumulated depreciations and accumulated impairment losses. The historical 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 depreciated. The depreciations of other tangible assets are calculated based on the straight-line method, at the following depreciations rates reflecting the expected useful life of the goods.

	Number of Years
Owned Real Estate	35 to 50
Improvements in leasehold property	4 to 10
Computer Equipment	3 to 6
Indoor Installations	4 to 10
Furniture and supplies	3 to 10
Safety Equipment	4 to 10
Tools and Machines	4 to 10
Transportation Material	4 to 5
Other Equipment	2 to 10
Depreciation of Intangible Asset	3 to 8

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

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 fair value deducted from the sale costs and its value in use, the latter being calculated based on the net present value of the estimated future cash flows expected to be obtained from the continued use of the asset and of its disposal at the end of its useful life.

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

2.9 INTANGIBLE ASSETS

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

Haitong only recognizes intangible assets related to software. Costs incurred with the purchase, production and development of software are capitalised, as well as additional expenses required for its deployment, which are borne by the Group. Costs directly related to the development of software applications are recognised and accounted for as intangible assets if they are expected to create future economic benefits beyond one financial year.

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

SaaS (Software as a Service) are service contracts that provide the Group with the right to access software from a supplier via cloud solutions for a certain period.

Costs incurred to configure or customize and usage fees to gain access to the software are recognized as operating expenses as services are provided.

If there are costs incurred related to the specific development of SaaS (Software as a Service) that improves, modifies, or creates additional capabilities, and that meets the definition and criteria set out in IAS 38 for recognition via an intangible asset. These costs are recognized as intangible software assets and amortized over the useful life of the software.

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

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

2.10 LEASE TRANSACTIONS (IFRS 16)

As set out in IFRS 16, at the beginning of a contract, the Group assesses whether a contract is or contains a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group 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 Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group 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 Group has the right to direct the use of the asset if either:
    - the Group has the right to operate the asset; or
    - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

As provided for in IFRS 16, the Group chose not to apply the requirements of this standard to short-term lease contracts, less than or equal to one year, and to lease contracts in which the underlying asset has a low value (up to 5,000 EUR) . The option of not applying this standard to leases of intangible assets was also used.

As a lessee

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

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

The lease liability is initially measured at the present value of the lease payments contractually estimated. The lease payments must be discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, the Group 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 Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group 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 costs associated to those leases directly in the income statement as general administration expenses.

As a lessor

When the Group 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 Group 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 Group considers certain indicators such as whether the lease is for a major part of the economic life of the asset.

When the Group 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 Group 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 Group applies IFRS 15 to allocate the consideration in the contract.

The Group 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 Group as a lessor in the comparative period were not different from IFRS 16. However, when the Group was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

Currently, the Group does not carry out sale and leaseback operations.

2.11 EMPLOYEE BENEFITS

Pensions

Portugal

Following the signature of the Collective Labor Agreement ("Acordo Coletivo de Trabalho" (ACT)) for the banking sector and its subsequent amendments resulting from the 3 tripartite agreements described in Note 15, pension funds and other mechanisms were set up to cover liabilities assumed with pensions on retirement, disability, survival and health-care benefits.

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

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

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

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

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

The Group makes payments to the funds in order to ensure their solvency, with 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 the retirement pension liabilities, based on the expectation of reductions in future contributions or on the reimbursement of contributions made.

Other Geographies

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

Health-care benefits

Portugal

The Group provides its banking employees with 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.

SAMS also applies to employees' family members, in accordance with clause 110 "Beneficiaries" of the Banking Sector Collective Labor Agreement ("ACT")

Arising from the signature of the new Collective Labor Agreement (ACT) on July 5, 2016, published in Labor Bulletin (*Boletim do Trabalho*) no. 29, of August 8, 2016, the Group's contributions to SAMS as from February 1, 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. Namely:

- France

The Group provides to its Paris Office staff health-care supplementary insurance and personal insurance by engaging the insurance company Humanis Prévoyance.

Humanis Prévoyance provides the complementary refund of health-care expense for the part that is not refunded by the French Social Security, in addition to providing an indemnity to the staff member beneficiary in case of accident.

- Spain

The Spain Branch provides health-care benefits to its employees through a health insurance company named ASISA, a private company which is responsible for covering medical expenses in case of diagnosis appointments, treatments, hospitalization, and surgeries.

Brazil

The Group provides its employees with healthcare benefits through a specific Medical Assistance Service. The company that provides access to disease treatment and health preservation coverage is the operator Care Plus, leader in the corporate healthcare segment in Brazil, and part of Bupa Global, one of the largest health insurers in the world.

Care Plus has its own network of affiliated doctors, as well as a reimbursement system for procedures and medical consultations, in addition to access to hospitals and laboratories throughout the national territory.

Macau

The Macau Branch provides its employees with healthcare benefits through the American International Assurance Group (“AIA”).

AIA is the largest publicly listed life insurance group in Asia-Pacific and provides its beneficiaries with worldwide medical coverage and group life insurance. AIA has an extensive network of affiliated doctors and clinics across the region, in addition to an accessible online reimbursement system at the disposal of its beneficiaries.

UK

In the London Branch, healthcare benefits for staff are administered via a designated Private Medical insurance with Bupa Health UK, the major health insurance provider in the UK and one of the largest worldwide. Employees have access to treatments for physical and mental health, treatment in private hospitals, private consultations, access to a digital GP service, out-patient care, and access to a network of labs throughout the UK.

Poland

Haitong Branch in Warsaw provides its employees with healthcare benefits through Medicover. Medicover, a private company, provides a wide range of healthcare services including outpatient and specialist care and access to a network of hospitals, laboratories and blood collection points provided under two divisions – Healthcare Services and Diagnostic Services. Medicover also provides our employees with the benefits required by occupational medicine.

Employees across geographies are covered by defined contribution plans.

Long-term service bonuses

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

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

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

Variable remuneration paid to employees

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

2.12 INCOME TAXES

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences, except for goodwill not deductible for tax purposes, of the differences arising out of the initial recognition of assets and liabilities which affect neither accounting profit nor taxable profit, which do not result from simultaneous recognition in a single transaction 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.

As of January 1, 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.

It should be noted that 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).

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

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

2.13 CONTINGENT ASSETS

Contingent assets are not recognized in the financial statements, being disclosed when it is probable that there will be a future economic inflow of resources following the treatment provided for by IAS 37.

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 publicly announced on the reference date of the financial statements.

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

2.15 RECOGNITION OF FEE AND COMMISSION INCOME

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

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

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

2.16 SEGMENT REPORTING

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

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

2.17 EARNINGS PER SHARE

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

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

2.18 CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and its equivalents encompass the amounts accounted for in the statement of financial position whose maturity is less than three months from the date of acquisition/contract with immaterial risk of fair value fluctuation, which includes cash, deposits in Central Banks, deposits in other credit institutions and loans and advances to banks.

The flows from financial assets at fair value through other comprehensive income and at amortized cost are allocated to investment activities, in turn, the flows from financial assets at fair value through profit or loss are allocated to operating activities.

2.19 SUBSEQUENT EVENTS

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

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

Events occurred after the date of the financial statements that are not considered as adjustable events, if significant, are disclosed in the notes to the consolidated financial statements in Note 40.

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

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

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

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

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

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

Individual analysis

The Risk Management Department identifies all exposures subject to individual staging 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 staging analysis is carried out in order to confirm that the Top 20 largest exposures do not show any warning signals that causes a reclassification to Stage 2. Stage 2 exposures are analysed individually, in order to verify the absence of indicative unlikeliness to pay of the debtor and the events considered by Capital requirements Regulations (CRR) in its definition of default and by standard IFRS 9 in the definition of impaired financial instruments, which could cause transfer to Stage 3.

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

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

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

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

Collective analysis

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

Taking into account the specificities of Haitong Bank Group credit portfolios, 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) Exposure at Default, (iv) Collateral haircut, and (v) Credit Conversion Factor (CCF) for off-balance exposures.

- Probability of Default (PD) reflects the likelihood of default. The Group takes into account Standard & Poor’s (S&P) provided PD, whereas the rating assigning process is performed internally based on the S&P methodology, which ensures the alignment between internal risk management and the process of impairment calculation. The PDs published by S&P are, by their nature, Through-the-Cycle (TTC) PDs. As such, and in order to comply with the requirements of IFRS 9, the Group converts the aforementioned PDs to point-in-time (PiT) and forward-looking information. This conversion is carried out in accordance with an internal methodology that is based on the correlation of PDs published by S&P with selected explanatory macroeconomic variables.
- 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), depending on the type of debtor (*corporate* or *sovereign*) and the financial instrument’s characteristics (collateralized or not).
- The Exposure at Default (EAD) for off-balance sheet exposures is determined as the amortized cost of the financial instrument based upon the effective interest rate method.
- The Group applies the Collaterals Haircut 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 in 2023 regarding the incorporation of forward-looking information, according to the information presented in Note 39 – Risk Management.

3.2. INCOME TAXES

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

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

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

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

The estimate of future taxable profit involves a significant level of judgment regarding the future development of the 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 an 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.

The Group complies with the IFRIC 23 guidelines – Uncertainty regarding Income Tax Treatment with regard to the determination of taxable profit, tax bases, tax losses to be carried forward, tax credits to be used and tax rates in scenarios of uncertainty regarding income tax treatment, with its did not result material impact on its financial statements.

3.3. PENSIONS AND OTHER EMPLOYEE BENEFITS

Determining responsibilities for retirement pensions requires the use of assumptions and estimates, including the use of actuarial projections, responsibilities discount rate, and other factors that could impact the cost and liability of the pension plan.

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

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

For the purposes of determining the fair value of bond and equity instruments, the bank considers the use of their quotation, namely the current purchase price (bid-price). In the absence of this quote, the Bank estimates fair value using: (i) valuation methodologies, such as the use of prices from recent, similar transactions carried out under market conditions, discounted future cash flow techniques and value valuation models customized options to reflect the particularities and circumstances of the instrument, and (ii) valuation assumptions based on market information. These methodologies also incorporate own and counterparty credit risk and may require the use of assumptions or judgments in estimating fair value. Regarding financial liabilities, the Group applies the same valuation hierarchy, but considering the ask-price.

Regarding to derivatives, market risk factors are considered (e.g. interest rate curves and exchange rates), feeding the evaluation models implemented for each derivative. Additionally, the CVA is calculated for which, among others, LGD, PD and Collateral Ratio are used.

Consequently, the use of different methodologies or different assumptions or judgments when applying a given model could result in valuations different from those reported.

3.5. CLASSIFICATION OF PERFORMANCE GUARANTEE

The Group analysed the performance guarantee contracts issued to assess whether they meet the definition of insurance contracts under IFRS 17.

The Group concluded that its performance guarantee contracts expose the Bank solely to the credit risk of the applicant because (i) all contracts require customers requesting a guarantee to fully guarantee their obligations to indemnify the Group as issuer and (ii) there are no scenarios with commercial substance in which the Bank would have to pay significant additional amounts to the holders of such guarantees.

The Group therefore accounts for these contracts as loan commitments in accordance with IFRS 9. The gross value of the performance guarantees issued and accounted for as loan commitments is 94 316 thousand euros at June 30, 2024 (December 31, 2023: 90 808 thousand euros) (see Note 36) and the carrying amount of the related liability recognized in the financial statements is 1,669 thousand euros at June 30, 2024 (December 31, 2023: 1 866 thousand euros). The commission income recognized for these performance guarantees was 108 thousand euros (December 31, 2023: 37 thousand euros) for the period ended on June 30, 2024.

3.6. PROVISIONS FOR ONGOING LEGAL PROCEEDINGS

The recognition of a provision occurs when there is a present obligation (legal or constructive) resulting from past events in relation to which the future expenditure of resources is probable, and this can be reliably determined.

The outcome of ongoing legal proceedings, as well as the amount of the provision corresponding to the best estimate of the amount to be disbursed to settle the liability on the balance sheet date, is assessed based on the Board of Directors' perspective supported in accordance with the opinion of the Group's lawyers/legal consultants and the decisions up to the date of the courts (jurisprudence), which however may not come to fruition.

3.7. TERM OF LEASE AGREEMENTS

The Group applies judgment to determine the lease term of some contracts, in which it is the lessee, and which include renewal and termination options. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by a renewal option if it is reasonably certain to be exercised, or any periods covered by a termination option if it is reasonably certain not to be exercised.

This assessment has an impact on the lease term, which will significantly affect the amount of lease liabilities and right-of-use assets recognized.

NOTE 4 – SEGMENT REPORTING

4.1. DESCRIPTION OF BUSINESS AREAS

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

Mergers and Acquisitions

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

Capital Markets

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

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

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

Corporate Derivatives

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

Fixed Income

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

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

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

Structured Finance

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

Client Coverage

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

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

Treasury

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

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

Private Equity

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

Corporate Centre

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

Special Portfolio Management

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

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

Other

Includes all remaining segments of the Group's Management Information model, which in accordance with the provisions laid down in IFRS8 are not subject to mandatory individualization.

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

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

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

Measurement of profits or losses from the segments

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

Haitong Bank's Structures dedicated to the Segment

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

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

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

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

Interest income and expenses

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

Net profit/(loss) from fee and commission

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

Investments consolidated under the equity method

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

Non-current assets

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

Deferred tax assets

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

Domestic and International Areas

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

The equity and economic elements relating to the international area are those contained in the financial statements of those units with the respective consolidation adjustments and eliminations.

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

(thousand euros)

	Period of six months ended at 30.06.2024												
	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	8 767	8	(23)	(3)	(2)	1 987	35	-	7 220	(9)	1 526	97	19 603
Net fees and commissions	2 456	20	576	10 007	(38)	231	3	177	(606)	3	(740)	185	12 274
COMERCIAL OPERATING INCOME	11 223	28	553	10 004	(40)	2 218	38	177	6 614	(6)	786	282	31 877
Results on financial operation	221	182	52	-	413	5 794	-	24	1 705	-	(1 802)	-	6 589
Costs Deducting Banking Income	(126)	-	(11)	(5)	(27)	(232)	-	(14)	(238)	-	(2 761)	(4)	(3 418)
Intersegment Operating Income	209	(209)	-	-	223	641	-	(97)	(873)	-	6	99	(1)
TOTAL OPERATING INCOME	11 527	1	594	9 999	569	8 421	38	90	7 208	(6)	(3 771)	377	35 047
Operating expenses	1 676	381	2 282	1 332	775	2 255	(1)	621	590	783	17 994	236	28 924
Employee costs	1 315	291	1 632	1 065	430	1 131	(1)	498	284	644	11 933	120	19 342
Administrative Costs	280	66	510	221	302	1 036	-	113	279	82	3 846	116	6 851
Depreciations and Amortisations	81	24	140	46	43	88	-	10	27	57	2 215	-	2 731
Gross income	9 851	(380)	(1 688)	8 667	(206)	6 166	39	(531)	6 618	(789)	(21 765)	141	6 123
Impairment and Provisions	1 342	151	83	(1 242)	-	(681)	-	(8)	70	-	2 672	(1)	2 386
Credit impairment	591	(67)	-	-	-	-	-	-	-	-	(70)	-	454
Securities impairment	239	-	-	-	-	(127)	-	-	61	-	13	-	186
Net provisions and other impairment	512	218	83	(1 242)	-	(554)	-	(8)	9	-	2 729	(1)	1 746
Profit / (Loss) before Income Tax	11 193	(229)	(1 605)	7 425	(206)	5 485	39	(539)	6 688	(789)	(19 093)	140	8 509
Income tax	-	-	-	-	-	-	-	-	-	-	-	3 652	3 652
Net Profit / (Loss) for the period	11 193	(229)	(1 605)	7 425	(206)	5 485	39	(539)	6 688	(789)	(19 093)	(3 512)	4 857
Attributable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(235)	(235)
Attributable to shareholders of the parent company	11 193	(229)	(1 605)	7 425	(206)	5 485	39	(539)	6 688	(789)	(19 093)	(3 277)	5 092

(thousand euros)

	Period of six months ended at 30.06.2023												
	Structured Finance	Special Portfolio Management	Mergers and Acquisitions	Capital Markets	Corporate Derivatives	Fixed Income	Equities	Private Equity	Treasury	Corporate Solutions	Corporate Centre	Other	Total
Net interest income	8 094	(2)	(17)	(9)	(1)	1 492	(22)	-	5 514	(12)	1 446	(2)	16 481
Net fees and commissions	3 067	109	1 435	4 359	(48)	(116)	29	421	(491)	4	(569)	668	8 868
COMERCIAL OPERATING INCOME	11 161	107	1 418	4 350	(49)	1 376	7	421	5 023	(8)	877	666	25 349
Results on financial operation	104	10 056	(6)	1	557	4 058	(2)	25	(894)	-	36	-	13 935
Costs Deducting Banking Income	(155)	11	(10)	(5)	(12)	(470)	(5)	(6)	(322)	-	(3 470)	(33)	(4 477)
Intersegment Operating Income	(84)	90	-	-	16	158	-	(93)	357	25	(474)	7	2
TOTAL OPERATING INCOME	11 026	10 264	1 402	4 346	512	5 122	-	347	4 164	17	(3 031)	640	34 809
Operating expenses	1 499	424	2 381	1 362	1 023	2 354	260	253	511	1 053	17 260	514	28 894
Employee costs	1 232	286	1 877	1 121	647	1 249	88	168	252	908	10 763	317	18 908
Administrative Costs	195	113	388	192	295	980	157	78	234	82	4 124	189	7 027
Depreciations and Amortisations	72	25	116	49	81	125	15	7	25	63	2 373	8	2 959
Gross income	9 527	9 840	(979)	2 984	(511)	2 768	(260)	94	3 653	(1 036)	(20 291)	126	5 915
Impairment and Provisions	(1 533)	254	7	72	-	(2 005)	-	4	(20)	-	2 851	(4)	(374)
Credit impairment	(9)	(51)	-	-	-	-	-	-	(1)	-	31	-	(30)
Securities impairment	(582)	-	-	-	-	(1 852)	-	-	(13)	-	166	-	(2 281)
Net provisions and other impairment	(942)	305	7	72	-	(153)	-	4	(6)	-	2 654	(4)	1 937
Profit / (Loss) before Income Tax	7 994	10 094	(972)	3 056	(511)	763	(260)	98	3 633	(1 036)	(17 440)	122	5 541
Income tax	-	-	-	-	-	-	-	-	-	-	-	1 166	1 166
Net Profit / (Loss) for the period	7 994	10 094	(972)	3 056	(511)	763	(260)	98	3 633	(1 036)	(17 440)	(1 044)	4 375
Attributable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(155)	(155)
Attributable to shareholders of the parent company	7 994	10 094	(972)	3 056	(511)	763	(260)	98	3 633	(1 036)	(17 440)	(889)	4 530

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

(thousand euros)

	30.06.2024				
	Portugal	Rest of the Europe	America	Asia	Total
Net income*	(4 393)	3 966	(787)	6 306	5 092
Net asset	1 810 433	608 763	1 221 877	21 919	3 662 992
Investments in assets					
tangible	527	129	27	2	685
intangible	203	26	181	-	410

**Net income attributable to shareholders of the parent company*

(thousand euros)

	31.12.2023				
	Portugal	Rest of the Europe	America	Asia	Total
Net income*	(9 684)	16 766	2 351	7 829	17 262
Net asset	1 907 803	329 969	1 204 933	55 937	3 498 642
Investments in assets	-	-	-	-	
tangible	404	47	402	22	875
intangible	492	2	123	14	631

**Net income attributable to shareholders of the parent company*

NOTE 5 – FINANCIAL MARGIN

This heading's amount is composed of:

(thousand euros)

	Period of six months ended at					
	30.06.2024			30.06.2023		
	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	28 813	-	28 813	29 349	-	29 349
Interest from deposits and investments in credit institutions	17 136	-	17 136	6 496	-	6 496
Interest from financial assets at fair value through other comprehensive income	9 658	-	9 658	11 721	-	11 721
Interest from financial assets at fair-value through profit and loss	-	45 716	45 716	-	45 221	45 221
Interest from debt securities at amortised cost	16 918	-	16 918	15 340	-	15 340
Other interest and similar income	636	-	636	764	-	764
	73 161	45 716	118 877	63 670	45 221	108 891
Interest and similar expenses						
Interest from deposits from central banks and other credit institutions	48 566	-	48 566	48 814	-	48 814
Interest from debt securities issued	22 905	-	22 905	21 061	-	21 061
Interest from customers' accounts	25 644	-	25 644	21 421	-	21 421
Interest from leasing	303	-	303	323	-	323
Other interest and similar expenses	1 856	-	1 856	791	-	791
	99 274	-	99 274	92 410	-	92 410
	(26 113)	45 716	19 603	(28 740)	45 221	16 481

As at June 30, 2024, interest and similar income includes 918 thousand euros and 769 thousand euros relating to contracts marked as stage 2 and stage 3, respectively (June 30, 2023: 324 thousand euros and 1,875 thousand euros, respectively).

The item Interest and similar costs - Interest on resources from central banks and credit institutions has recorded a cost of 219 thousand euros associated with TLTRO III operations (June 30, 2023, corresponded to a cost of 647 thousand euros). As of June 30, 2024, no costs associated with the PELTRO operations ending in 2023 have been recorded (as of June 30, 2023, this amounted to a cost of 312 thousand euros).

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

As of June 30, 2024, there is only one TLTRO III operation with a nominal value of 11,060 thousand euros (December 31, 2023, corresponded to a nominal value of 11,060 thousand euros). (see note 28)

The item lease interest refers to the interest expense related to lease liabilities recognized under IFRS 16.

The average interest rates for the years ended June 30, 2024, and 2023, as well as the respective average balances and interest for the year are shown in Note 39.

NOTE 6 – NET FEES AND COMMISSIONS INCOME

This heading's amount is composed of:

(thousand euros)

	Period of six months ended at	
	30.06.2024	30.06.2023
Fees and commissions income		
From banking services	2 707	4 250
From guarantees provided	750	843
From transactions with securities	10 337	5 211
	13 794	**10 304**
Fees and commissions expenses		
From banking services rendered by third parties	56	64
From transactions with securities	1 532	1 083
From guarantees received	106	179
Other fee and commission expenses	13	123
	1 707	**1 449**
	12 087	**8 855**

As of June 30, 2024, the income regarding fees and commission included 339 thousand euros (June 30, 2023: 16 607 thousand euros) concern Haitong Group related parties (Note 37).

As at June 30, 2024, and June 30, 2023, the amount of fees and commissions income present the following distribution, by geographical segment:

(thousand euros)

	Period of six months ended at	
	30.06.2024	30.06.2023
Fees and commissions income		
China	6 613	2 477
Portugal	2 451	4 282
Brazil	498	746
Poland	373	566
United Kingdom	626	138
Spain	441	378
Virgin Islands	2 066	595
Luxembourg	511	600
Hong Kong	74	-
Ireland	133	171
Cayman Islands	-	230
Other	8	121
	13 794	**10 304**

NOTE 7 – NET TRADING INCOME

This heading's amount is composed of:

(thousand euros)

	Period of six months ended at	
	30.06.2024	30.06.2023
Trading assets and liabilities		
Securities		
Bonds and other fixed-income securities		
Issued by public entities	(16 372)	2 568
Of other issuers	378	613
Shares	246	261
	(15 748)	**3 442**
Financial derivatives		
Foreign-exchange contracts	(410)	(2 223)
Interest rates contracts	13 950	3 967
Equity/indexes contracts	(7332)	(709)
Other	20	(477)
	13 220	**558**
	(2 519)	**4 000**

The assets that gave rise to the results presented here are detailed in Notes 19 and 20.

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	
	30.06.2024	30.06.2023
Financial assets at fair value through profit or loss		
Loans and advances to customers		
Shares	345	(375)
Other variable-income securities	(1)	
	344	**(131)**

The assets that gave rise to the results presented here are detailed in Note 22.

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	
	30.06.2024	30.06.2023
Bonds and other fixed-income securities		
Issued by public entities	-	193
Of other entities	774	-
	774	**193**

The assets that gave rise to the results presented here are detailed in Note 22.

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

This heading's amount is composed of:

(thousand euros)

	Period of six months ended at	
	30.06.2024	30.06.2023
Net gains/(losses) from hedge accounting		
Hedging derivatives (Note 21)	624	523
Hedged items (Note 22)	(707)	(508)
	(83)	**15**

The Group carries out accounting hedges using interest rate futures. This item records changes in the fair value of derivatives designated for hedging as well as the respective variation in the covered risk of debt instruments designated for hedging (see notes 21 and 22). In 2023, no accounting coverage was carried out.

The assets that gave rise to the results presented here are detailed in Notes 21 and 22.

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

This heading's amount is composed of:

(thousand euros)

	Period of six months ended at	
	30.06.2024	30.06.2023
Currency revaluation	5 213	(962)
	5 213	(962)

On June 30, 2024, and 2023, 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. The exposure of assets and liabilities, by currency, is presented in Note 39.

NOTE 12 – NET GAIN/(LOSS) FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

As at June 30, 2024, and 2023, this heading's amount is composed of:

(thousand euros)

	Period of six months ended at	
	30.06.2024	30.06.2023
Loans recoveries	-	1 443
Sale of loans and advances to customers	-	-
Gains/Losses on Amortized Cost Investments	2 576	37
Gains/Losses Other Assets at Amortized Cost	-	-
	2 576	1 480

In 2024, the Bank sold a total of 78 million euros worth of securities. These transactions generated a gain of 2,576 thousand euros from the sale of bonds. The sales fall within the Hold to Collect business model, as they were infrequent or insignificant, or motivated by a significant increase in the credit risk of the financial assets or to manage concentration risk.

The assets which gave rise to the results presented here are detailed in Note 22.

NOTE 13 – OTHER OPERATING INCOME AND EXPENSES

This heading's amount is composed of:

(thousand euros)

	Period of six months ended at	
	30.06.2024	30.06.2023
Other customer services	188	25
Direct and Indirect taxes	(2 619)	(2 859)
Non-financial assets	(3)	(28)
Sub-leasing	230	224
Other operating results	(840)	7 516
Credit Recoveries (Note 24)	60	-
Other recoveries	36	-
	(2 948)	4 878

Direct and indirect taxes include:

- 1,781 thousand euros relating to the cost of the Contribution on the Banking Sector (June 30, 2023: 2,009 thousand euros), created by Law No. 55-A/2010 of June 30;
- 401 thousand euros relating to the cost of the Social Integration Program and Social Security Financing Contribution (PIS/CONFINS) (June 30, 2023: 445 thousand euros), created by Article 239 of the 1988 Constitution and Complementary Laws 7 of September 7, 1970, and 8 of December 3, 1970, and Complementary Law 70 of December 30, 1991.

Other operating income includes 350 thousand euros relating to the cost of the Contribution to the National Resolution Fund and the European Resolution Fund (June 30, 2023: 357 thousand euros).

NOTE 14 – EMPLOYEE COSTS

This heading's amount is composed of:

(thousand euros)

	Period of six months ended at	
	30.06.2024	30.06.2023
Wages and salaries		
Remuneration	14 707	14 573
Career benefits (Note 15)	2	24
Changes from termination agreements	-	19
Other mandatory social charges	25	11
Other expenses	3 226	3 108
Wages and salaries	1 382	1 173
	19 342	**18 908**

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

(thousand euros)

	30.06.2024			
	MB Supervisory function	MB Management function	Other Senior Management	Other Senior Staff
Fixed remuneration				
Number of identified staff	4	6	55	3
Total fixed remuneration	195	1 014	3 762	101
Of which: cash-based	195	1 014	3 762	101
Total	**195**	**1 014**	**3 762**	**101**

(thousand euros)

	30.06.2023			
	MB Supervisory function	MB Management function	Other Senior Management	Other Senior Staff
Fixed remuneration				
Number of identified staff	4	6	55	3
Total fixed remuneration	214	874	3 785	133
Of which: cash-based	214	874	3 785	133
Total	214	874	3 785	133

On June 30, 2024, 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:

	30.06.2024	31.12.2023	30.06.2023
Directors	201	211	214
Management	2	2	2
Specific roles	113	119	119
Administrative roles	22	23	24
Support roles	6	6	6
	343	361	365

As of June 30, 2024, the Group had a total of 337 employees, compared to 356 in December 2023 and 364 in June 2023.

NOTE 15 – EMPLOYEES BENEFITS

Retirement pensions and healthcare benefits

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

Arising from the signature of the new Collective Labor Agreement (“Acordo Coletivo de Trabalho”, ACT) on 5 July 2016, published in Labor Bulletin (Boletim do Trabalho) no. 29, of 8th August 2016, the Group’s contributions to SAMS as from February 1, 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 December 31, 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 January 3, 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 January 1, 2011.

Employees hired after December 31, 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, which 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 January 1, 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 third 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 December 30, 2011 at constant values (0% discount rate) for the component foreseen in the "Instrumento de Regulação Coletiva 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	
	30.06.2024	30.06.2023
Financial Assumptions		
Discount rate	3,87%	4,04%
Pension growth rates	2024: 2,00% 2025: 1,20% >=2026: 0,50%	0,50%
Salary growth rates	2024: 2,25% 2025: 1,45% >=2026: 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 e VAPP	

Disability decrements are not included in the calculation of responsibilities. The discount rate used as reference to June 30, 2024, was based on: (i) the development sustained by the main indices concerning high quality corporate bonds and (ii) the duration of the responsibilities (16 years).

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

(thousand euros)

	30.06.2024	30.06.2023
Current service cost (see Note 14)	25	11
Interest Expenses / (Income)	(229)	(357)
Expenses of the period	**(204)**	**(346)**

Career bonuses

On June 30, 2024, December 31, 2023, and June 30, 2023, the liabilities assumed by the Group and the costs recognised in the periods with the career bonus are the following:

(thousand euros)

	30.06.2024	31.12.2023	30.06.2023
Liabilities at the beginning of the period	**485**	**453**	**429**
Period expenses (See Note 14)	2	32	24
Liabilities at the end of the period (see Note 33)	**487**	**485**	**453**

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

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

NOTE 16 – ADMINISTRATIVE COSTS

This heading's amount is composed of:

(thousand euros)

	Period of six months ended at	
	30.06.2024	30.06.2023
Communications and expedition	1 489	1 456
Rents and leases	330	382
Travels and representation costs	298	249
Maintenance and related services	288	329
Insurance	63	61
Advertising and publications	8	30
Legal and litigation	48	93
IT services	1 926	1 652
Temporary labour	7	10
Independent labour	224	287
Other specialised services	1 245	1 572
Other expenses	925	906
	6 851	7 027

The Lease and Rental heading include costs relating to short-term rental contracts, less than or equal to one year, and rental contracts in which the underlying asset has a low value, as described in accounting policy 2.10.

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

NOTE 17 – EARNINGS PER SHARE

Basic earnings per share

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

(thousand euros)

	30.06.2024	30.06.2023
Consolidated net income attributable to shareholders of the parent company(1)	5 092	4 530
Weighted average number of ordinary shares outstanding (thousand)	174 256	172 656
Basic earnings per share attributable to shareholders of the parent company (euros)	0,03	0,03

(1) Net profit/ (loss) for the period attributable to the equity holders of the Bank adjusted by the interest paid from perpetual subordinated bonds attributable 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 June 30, 2024, and 2023, the Bank holds instruments issued without diluting effect, therefore diluted earnings per share equals basic earnings per share.

NOTE 18 – CASH AND CASH EQUIVALENTS

As of June 30, 2024, and December 31, 2023, this heading is analysed as follows:

(thousand euros)

	30.06.2024	31.12.2023
Cash	3	5
Demand deposit at central banks		
Banco de Portugal	-	1
Other central banks	3 690	3 013
	3 690	**3 014**
Deposits at other credit institutions in Portugal		
Demand deposits	2 498	1 464
	2 498	**1 464**
Deposits at other credit institutions abroad		
Demand deposits	11 839	14 546
	11 839	**14 546**
Impairment losses (Note 31)	(1 925)	(1 865)
	16 105	**17 164**

The item Demand deposits at central banks – Banco de Portugal includes a compulsory deposit, the purpose of which is to meet the legal requirements regarding the constitution of minimum cash holdings. In accordance with Regulation (EU) No. 1358/2011 of the European Central Bank, of December 14, 2011, the mandatory minimum cash holdings in demand deposits at Banco de Portugal are remunerated and correspond to 1% of deposits and debt securities with a maturity of less than 2 years, excluding deposits and debt securities of institutions subject to the minimum reserve system of the European System of Central Banks. On June 30, 2024, the average rate of return on these deposits was 0% (June 30, 2023: 3.50%).

Compliance with the mandatory minimum holdings, for a given observation period, is achieved by taking into account the average value of deposit balances with Banco de Portugal during that period. Compliance with the minimum cash requirements for a given observation period is achieved by taking into account the average value of deposit balances with Banco de Portugal during that period. The balance of the account with Banco de Portugal on June 30, 2024, was included in the maintenance period from June 12, 2024, to July 23, 2024, which corresponded to a minimum reserve requirement of 3,424 thousand euros (December 31, 2023: 1,808 thousand euros).

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

As of June 30, 2024, and December 31, 2023, the heading of trading financial assets and liabilities is as follows:

(thousand euros)

	30.06.2024	31.12.2023
Financial assets held-for-trading		
Bonds and other fixed-income securities		
From public issuers	839 190	802 024
From other issuers	41 161	46 435
Shares	27	21
	880 378	848 480
Financial liabilities held-for-trading		
Short selling	1 414	846
	1 414	846
	881 792	849 326

As at June 30, 2024, the heading of financial assets held for trading includes 692 459 thousand euros in securities pledged as collateral by the Group (594 596 thousand euros as at December 31, 2023) (see Note 36).

As at June 30, 2024, and December 31, 2023, the analysis of financial assets held-for-trading, by residual maturity period, is as follows:

(thousand euros)

	30.06.2024	31.12.2023
Up to three months	7 021	4 876
From three months to one year	11 333	15 087
From one to five years	614 417	278 909
More than five years	247 580	549 587
Undetermined period	27	21
	880 378	848 480

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 June 30, 2024, and December 31, 2023, the heading of financial assets held-for-trading, concerning quoted and unquoted securities, is divided as follows:

(thousand euros)

	30.06.2024			31.12.2023		
	Quoted	Unquoted	Total	Quoted		Unquoted
Securities						
Bonds and other fixed-income securities						
Issued by public entities	188	839 002	839 190	3 470	798 554	802 024
Issued by other entities	27 832	13 329	41 161	38 014	8 421	46 435
Shares	27	-	27	21	-	21
Total book value	28 047	852 331	880 378	41 505	806 975	848 480

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 back testing 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, with its fair value being presented in Note 36. When 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. These liabilities are measured according to the valuation hierarchy of the Bank.

NOTE 20 – DERIVATIVES

As of June 30, 2024, and December 31, 2023, financial derivatives heading is analysed as follows:

(thousand euros)

	30.06.2024	31.12.2023
Derivatives financial assets		
Trading derivatives		
Foreign-exchange contracts	8 327	1 336
Interest-rate contracts	27 811	30 399
	-	-
	36 138	31 735
Derivatives financial liabilities		
Trading derivatives		
Foreign-exchange contracts	2 394	3 143
Interest-rate contracts	18 146	21 889
Other contracts	-	-
	20 540	25 032
	15 598	6 703

(thousand euros)

	30.06.2024			31.12.2023		
	Notional	Fair value		Notional	Fair value	
		Positive	Negative		Positive	Negative
Foreign-exchange contracts						
Forward		6 192	152		647	2 218
- buy	163 587			178 828		
- sell	163 584			178 839		
Currency Swaps		9	283		39	275
- buy	25 870			95 818		
- sell	26 250			96 036		
Currency Futures		-	-		-	-
- buy	44 696			44 227		
- sell	262 023			196 680		
Currency Interest Rate Swaps		-	-		-	-
- buy	-			-		
- sell	-			-		
Currency Options		2 126	1 959		650	650
- buy	295 875			151 614		
- sell	317 689			169 143		
	1 299 574	8 327	2 394	1 111 185	1 336	3 143
Interest-rate contracts						
Interest Rate Swaps		27 752	18 087		30 206	21 696
- buy	546 736			663 543		
- sell	546 736			663 543		
Interest Rate Caps & Floors		59	59		193	193
- buy	8 216			20 365		
- sell	8 216			20 365		
Interest Rate Futures		-	-		-	-
- buy	266 075			278 343		
- sell	151 109			94 611		
	1 527 088	27 811	18 146	1 740 770	30 399	21 889
Contracts on shares/indexes						
Equity / Index Swaps		-	-		-	-
- buy	-			-		
- sell	-			-		
Equity / Index Options		-	-		-	-
- buy	5 456			5 403		
Equity / Index Futures		-	-		-	-
- sell	3 793			3 680		
	9 249	-	-	9 083	-	-
Total	2 835 911	36 138	20 540	2 861 038	31 735	25 032

As of June 30, 2024, and December 31, 2023, the analysis of trading financial derivatives, by residual maturity period, is as follows:

(thousand euros)

	30.06.2024			31.12.2023		
	Notional		Fair Value (net)	Notional		Fair Value (net)
	Sale	Purchase		Sale	Purchase	
Up to three months	496 892	301 310	4 047	511 124	380 709	(1 489)
From three months to one year	331 452	322 337	1 685	265 409	301 938	(408)
From one to five years	500 182	570 357	9 897	479 130	588 478	8 608
More than five years	150 874	162 507	(31)	167 235	167 015	(8)
	1 479 400	**1 356 511**	**15 598**	**1 422 898**	**1 438 140**	**6 703**

As of June 30, 2024, and December 31, 2023, 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 (contracts under ISDA with CSA). The balances related to this collateral are recorded under "Other assets - collateral deposited under clearing agreements" (Note 27) and "Other liabilities - collateral deposited under clearing agreements" (Note 33). The fair value associated with futures is reflected under “Other Assets” (Note 27).

NOTE 21 – HEDGING DERIVATIVES

As of June 30, 2024, and December 31, 2023, this heading is analysed as follows:

(thousand euros)

			30.06.2024						
			Hedging instrument			Hedged instrument			
Hedged risk	Derivative product	Associated financial asset / liability	Notional	Assets (1)	Fair value change in hedging instruments in the period	Assets (1)	Accumulated fair value adjustments in the hedged item	Fair value change in hedged items in the period	Net gains/(losses) from hedge accounting
Debt instruments	Debt instruments	Debt instruments	7 900	-	624	7 513	(50)	(707)	(83)

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

(thousand euros)

			31.12.2023						
			Hedging instrument			Hedged instrument			
Hedged risk	Derivative product	Associated financial asset / liability	Notional	Assets (1)	Fair value change in hedging instruments in the period	Assets (1)	Accumulated fair value adjustments in the hedged item	Fair value change in hedged items in the period	Net gains/(losses) from hedge accounting
Debt instruments	Debt instruments	Debt instruments	19 900	-	248	29 663	690	(248)	-

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

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

NOTE 22 – SECURITIES

As of June 30, 2024, and December 31, 2023, this heading is analysed as follows:

(thousand euros)

	30.06.2024	31.12.2023
Non-trading financial assets mandatorily at fair value through profit or loss		
Shares	4 690	4 472
Other variable income securities	11 622	8 992
	16 312	13 464
Financial assets at fair value through other comprehensive income		
Bonds and other fixed-income securities		
From public issuers	74 814	43 540
From other issuers	265 969	183 044
	340 783	226 584
Financial assets measured at amortised cost Securities		
Bonds and other fixed-income securities		
From public issuers	301 084	464 332
From other issuers	289 211	354 390
	590 295	818 722
	947 390	1 058 770

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 of June 30, 2024, and December 31, 2023, the portfolio of Financial assets at fair value through other comprehensive income is analysed as follows:

(thousand euros)

	Cost (1)	Fair value reserve (2)		Fair value hedge	Impairment (Note 31)	Book value
		Positive	Negative			
Bonds and other fixed-income securities						
Issued by public entities	78 460	44	(3 527)	-	(163)	74 814
Issued by other entities	271 322	1 743	(4 777)	-	(2 319)	265 969
Balance as at June 30 2024	**349 782**	**1 787**	**(8 304)**	**-**	**(2 482)**	**340 783**
Bonds and other fixed-income securities						
Issued by public entities	45 040	166	(1 566)	-	(100)	43 540
Issued by other entities	191 671	1 196	(7 157)	217	(2 883)	183 044
Balance as at December 31 2023	**236 711**	**1 362**	**(8 723)**	**217**	**(2 983)**	**226 584**

(1) Amortized cost including accrued interest

(2) Includes all revaluation reserve components, including coverage and impairment adjustments

As of June 30, 2024, and December 31, 2023, the portfolio of financial assets at amortised cost is analysed as follows:

(thousand euros)

	Cost (1)	Fair value hedge	Impairment (Note 31)	Book value
Bonds and other fixed-income securities				
Issued by public entities	301 468	(50)	(334)	301 084
Issued by other entities	291 410	-	(2 199)	289 211
Balance as at June 30 2024	**592 878**	**(50)**	**(2 533)**	**590 295**
Bonds and other fixed-income securities				
Issued by public entities	464 713	-	(381)	464 332
Issued by other entities	356 607	473	(2 690)	354 390
Balance as at December 31 2023	**821 320**	**473**	**(3 071)**	**818 722**

(1) Amortized cost including accrued interest

As of June 30, 2024, the financial assets heading includes 603 485 thousand euros (December 31, 2023: 721 227 thousand euros) of securities pledged as collateral by the Bank, corresponding to a fair value of 593 432 thousand euros.

As of June 30, 2024, and December 31, 2023, the analysis of securities portfolios by maturity period, is presented as follows:

(thousand euros)

	30.06.2024	31.12.2023
Up to three months	14 575	131 327
From three months to one year	157 749	91 106
From one to five years	673 335	713 953
More than five years	85 419	108 920
Undetermined period	16 312	13 464
	947 390	**1 058 770**

As of June 30, 2024, and December 31, 2023, the heading of securities, concerning quoted and unquoted securities, is divided as follows:

(thousand euros)

	30.06.2024			31.12.2023		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Securities						
Bonds and other fixed-income securities						
Issued by public entities	241 941	133 957	375 898	422 220	85 652	507 872
Issued by other entities	369 873	185 307	555 180	347 237	190 197	537 434
Shares	10	4 680	4 690	18	4 454	4 472
Other variable-income securities	-	11 622	11 622	-	8 992	8 992
Total book value	**611 824**	**335 566**	**947 390**	**769 475**	**289 295**	**1 058 770**

1) Includes Financial assets at fair value through other comprehensive income and Financial assets not mandatorily held for trading at fair value through profit or loss at fair value (Level 1), see Note 38.

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 back testing on all operations carried out and has never observed losses or divergences in relation to the valuation methodology.

The average interest rates recorded for the periods ended June 30, 2024, and December 31, 2023, as well as the respective average balances and interest for the period are presented in Note 39.

NOTE 23 - LOANS AND ADVANCES TO BANKS

As of June 30, 2024, and December 31, 2023, this heading is analysed as follows:

(thousand euros)

	30.06.2024	31.12.2023
Loans and advances to banks in Portugal		
Interbank money market	733 777	560 561
	733 777	560 561
Loans and advances to banks abroad		
Deposits	56	6 458
Reverse repos	423	3 228
Very short-term deposits	44 925	8 968
Other loans and advances	30 815	4 088
	76 219	22 742
	809 996	583 303
Impairment losses (Note 31)	(9)	(15)
	809 987	583 288

As of June 30, 2024, and December 31, 2023, the analysis of loans and advances to banks, by residual maturity period, is presented as follows:

(thousand euros)

	30.06.2024	31.12.2023
Up to three months (Cash equivalents)	797 003	551 785
Up to three months (Others)	422	3 228
From three months to one year	12 571	28 290
	809 996	583 303

The average interest rates recorded for the periods ended June 2024 and December 2023, as well as the respective average balances and interest for the period are presented in Note 39.

NOTE 24 – LOANS AND ADVANCES TO CUSTOMERS

As of June 30, 2024, and December 31, 2023, this heading is analysed as follows:

(thousand euros)

	30.06.2024	31.12.2023
At fair value through profit and loss		
Overdue loans and interest		
For more than 90 days	24	24
	24	24
Revaluation at fair value	-	-
	24	24
At Amortised cost		
Domestic loans		
Corporate		
Loans	154 600	168 028
Retail		
Mortgage loans	-	-
	154 600	168 028
Foreign loans		
Corporate		
Loans	555 837	525 480
	555 837	525 480
Overdue loans and interest		
For more than 90 days	2 697	2 793
	4 859	2 793
	715 296	696 301
Impairment losses (Note 31)	(7 078)	(7 642)
	708 218	688 659
	708 242	688 683

As of June 30, 2024, and December 31, 2023, the analysis of loans and advances to customers, by residual maturity period, is presented as follows:

(thousand euros)

	30.06.2024	31.12.2023
Up to three months	2 720	1 603
From three months to one year	529 658	19 880
From one to five years	182 942	542 661
More than five years	-	129 364
Undetermined period (1)	-	2 817
	715 320	696 325

(1) Corresponds to accrued capital and interest.

NOTE 25 – OTHER TANGIBLE ASSETS

As of June 30, 2024, and December 31, 2023, this heading is analysed as follows:

(thousand euros)

	30.06.2024	31.12.2023
Real Estate		
For own use	1	1
Improvements in leasehold property	6 641	8 744
	6 642	8 745
Equipment		
IT equipment	10 958	10 507
Indoor installations	1 443	1 487
Furniture	1 994	2 205
Machinery and tools	828	866
Motor vehicles	251	336
Security equipment	151	151
Others	253	246
	15 878	15 798
	22 520	24 543
Right-of-use		
Buildings	21 862	22 333
Vehicles	268	277
IT equipment	140	102
	22 270	22 712
	44 790	47 255
Accumulated depreciations	(34 281)	(35 372)
	10 509	11 883

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 December 31 2022	**8 300**	**18 921**	**21 396**	**84**	**353**	**-**	**49 054**
Acquisitions	46	457	372	-	-	-	875
Write-offs / sales	(41)	(3 124)	-	-	-	-	(3 165)
Transfers	337	(524)	-	-	-	-	(187)
IFRS 16 adoption impact	-	-	-	-	-	-	-
Exchange differences and other movements	103	68	565	18	(76)	-	678
Balance as at December 31 2023	**8 745**	**15 798**	**22 333**	**102**	**277**	**-**	**47 255**
Acquisitions	-	685	-	-	-	-	685
Write-offs / sales	(1 913)	(740)	(38)	-	-	-	(2 691)
Transfers	-	255	-	-	-	-	255
IFRS 16 adoption impact	-	-	-	-	-	-	-
Exchange differences and other movements	(190)	(120)	(433)	38	(9)	-	(714)
Balance as at June 30 2024	**6 642**	**15 878**	**21 862**	**140**	**268**	**-**	**44 790**
Depreciations							
Balance as at December 31 2022	**6 988**	**17 030**	**10 120**	**40**	**198**	**-**	**34 376**
Depreciations of period	341	721	2 993	24	68	-	4,147
Depreciation of discontinued operations	(14)	(3 113)	-	-	-	-	-3,127
Write-offs / sales	342	(529)	-	-	-	-	-187
Transfers from discontinued operations	-	-	-	-	-	-	0
Exchange differences and other movements	100	46	124	10	(117)	-	163
Balance as at December 31 2023	**7 757**	**14 155**	**13 237**	**74**	**149**	**-**	**35 372**
Depreciations of period	97	465	1 546	11	31	-	2 150
Write-offs / sales	(1 913)	(740)	(9)	-	-	-	(2 662)
Transfers from discontinued operations	-	-	-	-	-	-	-
IFRS 16 adoption impact	-	-	-	-	-	-	-
Exchange differences and other movements	(189)	(97)	(276)	-	(17)	-	(579)
Balance as at June 30 2024	**5 752**	**13 783**	**14 498**	**85**	**163**	**-**	**34 281**
Net book value as at June 30 2024	**890**	**2 095**	**7 364**	**55**	**105**	**-**	**10 509**
Net book value as at December 31 2023	**988**	**1 643**	**9 096**	**28**	**128**	**-**	**11 883**

NOTE 26 – INTANGIBLE ASSETS

As of June 30, 2024, and December 31, 2023, this heading is analysed as follows:

(thousand euros)

	30.06.2024	31.12.2023
Purchased from third parties		
Software	23 576	23 559
Others	164	173
	23 740	**23 732**
Work in progress	541	756
	24 281	**24 488**
Accumulated amortisations	(23 028)	(22 674)
	(23 028)	**(22 674)**
	1 253	**1 814**

The movement in this heading was as follows:

(thousand euros)

	Software	Other fixed assets	Work in progress	Total
Acquisition cost				
Balance as at December 31 2022	**35 806**	**1 009**	**507**	**37 322**
Acquisitions:				
Purchased from third parties	30	-	601	631
Write-offs / sales	(12 897)	(841)	(8)	(13 746)
Transfers	535	-	(348)	187
Exchange differences	85	5	4	94
Balance as at December 31 2023	**23 559**	**173**	**756**	**24 488**
Acquisitions:				
Purchased from third parties	157	-	253	410
Write-offs / sales	(107)	-	-	(107)
Transfers	124	-	(379)	(255)
Exchange differences	(157)	(9)	(89)	(255)
Balance as at June 30 2024	**23 576**	**164**	**541**	**24 281**
Amortizations				
Balance as at December 31 2022	**33 709**	**947**	**-**	**34 656**
Amortisations of the financial year	1 484	12	-	1 496
Write-offs / sales	(12 892)	(841)	-	(13 733)
Exchange differences	66	2	-	68
Balance as at December 31 2023	**22 554**	**120**	**-**	**22 674**
Amortisations of the financial year	575	6	-	581
Write-offs / sales	(76)	-	-	(76)
Discontinued Activity Transfers	-	-	-	-
Exchange differences	(146)	(5)	-	(151)
Balance as at June 30 2024	**22 907**	**121**	**-**	**23 028**
Net balance as at June 30 2024	**669**	**43**	**541**	**1 253**
Net balance as at December 31, 2023	**1 005**	**53**	**756**	**1 814**

In 2023, a review of the intangible assets in use was carried out, which led to the write-off of 12,897 thousand euros from the acquisition cost and the write-off of depreciation of 12,892 thousand euros.

NOTE 27 – OTHER ASSETS

As of June 30, 2024, and December 31, 2023, the Other Assets heading is analysed as follows:

(thousand euros)

	30.06.2024	31.12.2023
Debtors and other assets		
Collateral deposited under collateral agreements (Note 20)	16 400	18 662
Public sector	56 735	65 608
Deposits placed under margin accounts (futures contracts)	4 164	2 941
Other sundry debtors	12 254	10 077
Loans and derivatives receivables	11 975	9 891
	101 528	107 179
Impairment losses for debtors and other investments (Note 31)	(13 665)	(12 479)
	87 863	94 700
Other assets		
Gold, other precious metals, numismatic, medals		
and other liquid assets	2 087	4 949
Other assets	5 442	5 470
	7 529	10 419
Income receivable	(1)	-
Prepayments and deferred costs	6 732	7 347
Other sundry assets		
Exchange transactions pending settlement	4 404	231
Market securities transactions pending settlement	(13)	-
Other transactions pending settlement	9 799	3 747
	14 190	3 978
Retirement Benefits (Note 14)	14 330	12 738
	130 643	129 182

As at June 30, 2024, Public sector includes (i) an amount of 24 864 thousand euros (26,745 thousand euros as at December 31, 2023) related with a tax contingency, until 2014 (Note 35); (ii) and 12 790thousand euros 13,126 thousand euros as at December 31, 2023) relating to ongoing tax proceedings since 2015 (Note 36). 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 192 thousand euros (under tax credit of 2020).

Regarding the security deposit under REAID, paragraph 8 of article 6 of Ordinance 2016 (in the wording resulting from Ordinance no. 272/2017, of September 13) establishes that “Within a maximum period of three months counting from the confirmation of the conversion of deferred tax assets into tax credit provided for in Ordinance no. 259/2016, of October 4, the taxpayer constitutes a deposit in favour of the State, in an entity to indicate by the member of the Government responsible for the area of finance, in the amount corresponding to the price of exercising the potential right to acquire all conversion rights, which is reduced, in the respective proportion, whenever there is delivery to the State of the price relating to the rights acquisition powers exercised or exercise by the State of conversion rights”.

The heading - Other sundry debtors mainly includes commissions pending payment from customers for the provision of services by the Bank.

The heading Market securities transactions pending settlement, on June 30, 2024, and December 2023, shows the balance of orders for the sale and purchase of securities awaiting their financial settlement.

NOTE 28 – RESOURCES OF CREDIT INSTITUTIONS

The resources of credit institutions heading is presented as follows:

(thousand euros)

	30.06.2024	31.12.2023
Resources of central banks		
Banco de Portugal	11 617	11 397
	11 617	**11 397**
Resources of other credit institutions		
Domestic		
Other resources	46 639	45 565
	46 639	**45 565**
Foreign		
Deposits	-	-
Repurchase agreements	937 256	607 919
Other resources	247 679	252 040
	1 184 935	**859 959**
	1 243 191	**916 921**

On June 30, 2024, and December 31, 2023, there is an outstanding TLTRO III operation with a nominal value of 11 060 thousand euros.

The balance Repurchase agreements corresponds to repo operations carried out in the money market and is a tool for the Bank's treasury management. Other resources correspond to medium and long-term investments made by other credit institutions.

As of June 30, 2024, and December 31, 2023, the analysis of resources of credit institutions by residual maturity period is as follows:

(thousand euros)

	30.06.2024	31.12.2023
Up to three months	894 921	540 128
From three months to one year	21 053	61 915
From one to five years	307 096	312 814
More than five years	20 121	2 064
	1 243 191	**916 921**

The average interest rates for the years ended June 30, 2024, and December 31, 2023, as well as the respective average balances and interest for the year are shown in Note 39.

NOTE 29 – RESOURCES OF CUSTOMERS

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

(thousand euros)

	30.06.2024	31.12.2023
Repayable on demand		
Demand deposits	35 243	36 192
	35 243	**36 192**
Time deposits		
Fixed-term deposits	993 124	782 198
	993 124	**782 198**
Other resources		
Repurchase agreements	62 275	354 535
Other Deposits	1 305	1 296
Other	-	-
	63 580	**355 831**
	1 091 947	**1 174 221**

The balance Repurchase agreements corresponds to operations carried out in market with non-financial corporations counterparts.

As of June 30, 2024, and December 31, 2023, the analysis of due to customers by residual maturity period is as follows:

(thousand euros)

	30.06.2024	31.12.2023
Demand deposits	35 243	36 192
Fixed-term deposits		
Up to 3 months	347 679	269 223
3 to 12 months	361 029	311 784
1 to 5 years	284 416	201 191
	993 124	782 198
Other resources		
Up to 3 months	5 755	302 947
3 to 12 months	38 500	17 522
1 to 5 years	19 325	35 362
	63 580	355 831
	1 091 947	1 174 221

NOTE 30 – DEBT SECURITIES ISSUED

The debt securities issued heading can be divided as follows:

(thousand euros)

	30.06.2024	31.12.2023
Debt securities issued		
Other Bonds	564 042	635 642
	564 042	635 642

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

During 2024, Haitong Bank Group issued 5,246 thousand euros (December 31, 2023: 77 035 thousand euros) of bonds on June 30, 2024, and 69 228 thousand euros (December 31, 2023: 11 658 thousand euros) were repaid on June 30, 2024.

The main characteristics of the debt securities issued during the period are as follows:

(thousand euros)

Issuer	Designation	Currency	30.06.2024			
			Issue Date	Book Value	Maturity	Interest Rate
HT_BR	LF NOVA LF HAITONG BRINTLLFI8Z8	BRL	2024	1 093	2026	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI906	BRL	2024	1 766	2026	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI914	BRL	2024	665	2026	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI922	BRL	2024	1 040	2026	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI930	BRL	2024	96	2026	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI948	BRL	2024	437	2026	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI955	BRL	2024	61	2026	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI963	BRL	2024	35	2026	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI971	BRL	2024	53	2026	CDI 100%
Total				5 246		

The residual duration of the debt securities issued, as of June 30, 2024, and December 31, 2023, is as follows:

(thousand euros)

	30.06.2024	31.12.2023
Up to three months	56 362	31 134
From three months to one year	302 263	125 433
From one to five years	205 417	479 075
	564 042	635 642

NOTE 31 – PROVISIONS AND IMPAIRMENT

As of June 30, 2024, and December 31, 2023, the Provisions heading presents the following movements:

(thousand euros)

	Provisions for other risks and charges	Provisions for guarantees and other commitments	Total
Balance as at December 31 2022	**17 439**	**1 672**	**19 111**
Net charge of the period	(2 650)	761	(1 889)
Write back	(48)	-	(48)
Transfer from discontinued operations	-	-	-
Foreign exchange differences and others	1 735	89	1 824
Balance as at June 30 2023	**16 476**	**2 522**	**18 998**
Net charge of the period	(9 063)	(437)	(9 500)
Write back	(92)	-	(92)
Transfer from discontinued operations	-	-	-
Foreign exchange differences and others	557	(96)	461
Balance as at December 31 2023	**7 878**	**1 989**	**9 867**
Net charge of the period	(3 343)	417	(2 926)
Write back	(952)	-	(952)
Transfer from discontinued operations	-	-	-
Foreign exchange differences and others	(309)	(177)	(486)
Balance as at June 30 2024	**3 274**	**2 229**	**5 503**

Provisions for guarantees and provisions for other commitments correspond to 2 098 thousand euros and 131 thousand euros respectively (December 31, of 2023: 1 816 thousand euros and 173 thousand euros).

These provisions are meant to cover possible contingencies related to the activity of the Group. The main ongoing contingencies are presented in Note 36.

The movements in impairment losses can be analysed as follows:

(thousand euros)

	31.12.2023	Net charge of the period	Write back	Stage 3	Exchange differences and others	30.06.2024
Cash and cash equivalents (Note 18)	1 865	-	-	-	60	1 925
Financial assets measured at fair value through OCI (Note 22)	2 983	124	(295)	(150)	(180)	2 482
Financial assets measured at Amortised cost						
Loan and advances to banks (Note 23)	16	(7)	-	-	-	9
Loan and advances to customers (Note 24)	7 642	(455)	-	2	(111)	7 078
Securities (Note 22)	3 071	(309)	(85)	-	(144)	2 533
Other assets (Note 27)	12 479	1 187	-	-	(1)	13 665
	28 056	540	(380)	(148)	(376)	27 692

(thousand euros)

	30.06.2023	Net charge of the period	Stage 3	Exchange differences and others	31.12.2023
Cash and cash equivalents (Note 18)	920	997	-	(52)	1 865
Financial assets measured at fair value through OCI (Note 22)	2 551	349	178	(40)	2 983
Financial assets measured at Amortised cost					
Loan and advances to banks (Note 23)	25	(9)	-	-	16
Loan and advances to customers (Note 24)	13 292	(3 423)	3	(119)	7 642
Securities (Note 22)	2 871	343	-	(37)	3 071
Other assets (Note 27)	12 420	101	-	(42)	12 479
	32 079	(1 642)	181	(290)	28 056

(thousand euros)

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

NOTE 32 – INCOME TAXES

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

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

The current tax in June 2024 and 2023 were calculated based on a nominal corporate income nominal tax rate of 21% plus tax rate of 1.5% of Municipal Surcharge in accordance with Law no. 82 82 B/2014, of December 31, and Law no. 2/2007, of January 15. 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 2024 deferred tax was calculated at the rate of 26.24%.

Regarding activity in Portugal, Law No. 98/2019 was published on September 4, 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 January 1, 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.

In 2024, the Bank automatically joined the new regime, given that the adaptation period of 5 years ended in 2023.

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 26. For the purpose of this scheme, the conversion of the mentioned assets in tax credits is expected in the following situations:

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

It should be noted that, pursuant to Law No. 23/2016, of August 19, REAID is no longer applied to deferred tax assets relating to expenses and negative equity changes accounted for in tax periods beginning on or after 1 January 2016.

The tax credit as well as the respective special reserve recorded in the accounts with reference to June 2024 can be analysed in the table below, which also includes reimbursements already made by the Portuguese Tax Authority:

(thousand euros)

Year	Tax Credit	Special reserve
2015	5 281	5 809
2016	20 529	22 582
2017	9 060	9 966
2018	233	255
2020	433	476
2021	(15 078)	-
2022	(5 414)	(16 585)
2023	(174)	(5 956)
Total	**14 870**	**16 547**

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

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

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

In 2023, the Bank received tax credit from the Portuguese Tax Authority, with reference to the year 2020, in the amount of 174 thousand euros.

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 shareholder is granted the right to acquire those conversion rights to the Government in accordance with Ordinance no. 293 293 A/2016 of 18th of November.

In the 2023, the Bank's shareholder exercised the right to acquire the conversion rights attributed to the State (1,548 thousand acquire rights) under the special regime of deferred tax assets relating to the years 2017 and 2018. In this way, the value of the special reserve, in 2023, decreased in proportion to the number of rights acquired by the shareholder from the Portuguese State (5,956 thousand euros). In 2022, the shareholder also exercised the rights under Special Regime of DTA with reference to the years 2015 and 2016, with the reserve decreasing, in that year, by 16,585 thousand euros.

For the year 2020, if the shareholder do not exercise the right to acquire the conversion rights issued and attributed to the Portuguese State within the period established for that purpose, in the year in which the State exercises these rights, it will require the Bank to increase its capital by incorporating the amount of the special reserve and consequent issue and free delivery of ordinary shares representing the capital stock of the Bank, and it may be necessary to adjust the amount of the reserve initially constituted.

According to legislation in force, Haitong Bank shareholder may exercise the rights to acquire conversion rights until three years from the conversion confirmation of the deferred tax assets into tax credit by the Tax Authority, which, in the case of the 2020, it will be until May 2026.

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 December 31 2023 there was no possible converts' part of the deferred taxes covered by this regime into a tax credit, with reference to this financial year.

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

In this sense, following the Bank disagreement with these corrections, in November 2019, an administrative complaint was submitted regarding the 2015 Tax Inspection Report and in April 2020, an administrative complaint was submitted regarding the 2016 inspection report. Currently, for the year 2015, the corrections in question are being challenged in a Judicial Court and for the year 2016 in a Hierarchical Appeal. On January 2021, the Bank received the 2017 and 2018 tax inspection report issued by the Tax Authority's inspection services. In this report, similarly to what happened in the 2015 and 2016 tax inspection reports, some procedures adopted by the Bank with regard to the application of REAID are raised by Tax Authorities.

The Bank disagreeing with these corrections, so in 2021, submitted an administrative complaint for the Tax inspection report of 2017 and 2018. Currently, the corrections in question are being contested in a hierarchical appeal.

In May 2023, the Bank was notified of 2020 tax inspection report issued by the Portuguese Tax Authority. In this report, similar to what happened in the tax inspection reports from 2015 to 2018, some procedures adopted by the Bank with regard to the application of REAID are being challenge.

As the Bank did not agree with these corrections, in 2023, it submitted an administrative complaint to contest the 2020 inspection report.

Finally, it is also noted that, within the scope of the tax inspection for the years 2015, 2016, 2017, 2018 and 2020, the tax authority made corrections to the tax credit of these years in the amount of 14,870 thousand euros (of a total amount of 35,536 thousand euros).

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 occurs, it will materialize in the recognition of deferred tax assets. In addition, the Board of Directors believes that any other corrections that may arise, related to the years inspected, will not have a material impact either on the Bank's capital or on the Bank's results with reference June 2024, as essentially its affect tax losses that have not yet been used and for which deferred tax assets have not been recognised.

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 Article 91 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 June 30, 2024, and December 31, 2023, current tax assets and liabilities can be analysed as follows:

(thousand euros)

	Asset		Liability	
	30.06.2024	31.12.2023	30.06.2024	31.12.2023
Corporate income tax	7 067	6 936	(9 397)	(8 657)
Tax Credit (Special Scheme for Deferred Taxes)	14 870	14 870	-	-
Current tax asset / (liability)	**21 937** -	**21 806** -	**(9 397)** -	**(8 657)**

Deferred tax assets and liabilities recognized in the statement of financial position as June 30, 2024 and December 31, 2023 can be analysed as follows:

(thousand euros)

	Asset		Liability		Net	
	30.06.2024	31.12.2023	30.06.2024	31.12.2023	30.06.2024	31.12.2023
Derivative financial instruments	(4 712)	(6 843)	-	-	(4 712)	(6 843)
Securities	2 272	2 282	-	-	2 272	2 282
Loans and advances to customers	15 041	16 798	-	-	15 041	16 798
Provisions	(1 816)	(1 865)	-	-	(1 816)	(1 865)
Pension Fund and Long-term employee benefits	5 480	5 511	-	-	5 480	5 511
Depreciations (IFRS 16)	-	1 780	-	-	-	1 780
Other	6 945	7 801	(5 794)	(5 794)	1 151	2 007
Tax losses carried forward	77 200	80 373	-	-	77 200	80 373
Net deferred tax asset / (liability)	**100 410**	**105 837**	**(5 794)**	**(5 794)**	**94 616**	**100 043**

The tax amount mentioned in "Others", in Portugal, corresponds to branch tax credits (6,270 thousand euros) and deferred tax relating to fair value for profit and loss (- 584 thousand euros). The remaining amount corresponds to Brazil and essentially concerns deferred tax relating to legal contingencies and investments in subsidiaries and affiliates (764 thousand euros).

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 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).

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

Therefore, for Haitong Bank in Portugal, the tax loss for 2014 and 2019 does not expire date and the tax loss for 2015 and 2016 expires in 2029 and 2030, respectively.

The amount of unrecognized deferred tax relating to the tax losses, by year of origin is presented in the following table:

(thousand euros)

Tax losses	2024	2023	Expiry date
2017	106 450	106 450	2024
2018	7 738	7 738	2025
2019	645	645	No expiry
Total	**114 833**	**114 833**	

The movements in deferred taxes, in the balance sheet, can be presented as follows:

(thousand euros)

	30.06.2024	31.12.2023
Opening balance	100 043	104 096
Recognised in profit or loss		
Recognised in fair value reserves	(1 122)	(4 108)
Recognised in other reserves	(112)	(2 201)
Foreign exchange variation and others	-	70
Closing balance (Asset / (Liability))	(4 193)	2 186
Opening balance	**94 616**	**100 043**

Tax recognised in the income statement and reserves as at June 30, 2024, and June 30, 2023, had the following source:

(thousand euros)

	Period of six months ended at			
	30.06.2024		30.06.2023	
	Recognised in profit or loss	Recognised in reserves	Recognised in profit or loss	Recognised in reserves
Deferred Taxes				
Derivative financial instruments	(1 626)	-	19 792	-
Securities	-	112	-	859
Loans and advances to customers	1 393	-	790	-
Provisions	141	-	(315)	-
Pension Fund	31	-	-	-
Depreciations (IFRS 16)	1 780	-	-	-
Other	707	-	(271)	-
Tax losses carried forward	(1 304)	-	(21 217)	-
	1 122	**112**	**(1 221)**	**859**
Current Taxes	2 530	-	2 387	-
Total recognised tax	**3 652**	**112**	**1 166**	**859**

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

(thousand euros)

	30.06.2024		30.06.2023	
	%	Value	%	Value
Profit or loss before tax and Non-controlling interests		**8 509**		**5 541**
Income tax rate of Haitong Bank	26.2		26.2	
Tax determined based on the income tax rate of Haitong Bank		2 233		1 454
Difference in the tax rate of subsidiaries	(7.7)	(653)	3.3	184
Tax-exempt dividends	0.0	-	0.0	-
Tax benefits	0.0	-	0.0	-
Impairment of subsidiaries	-	-	0.0	-
Bank Levy	5.5	467	8.8	489
Tax losses used	-	-	0.0	-
Branches' income tax	17.8	1 517	14.7	815
Differences arising from consolidation	(3.4)	(293)	(22.7)	(1 259)
Other movements according to the tax estimation	3.7	317	(11.2)	(622)
Autonomous taxation	0.8	64	1.9	105
	42.9	**3 652**	**21.0**	**1 166**

NOTE 33 – OTHER LIABILITIES

As of June 30, 2024, and December 31, 2023, the other liabilities heading is analysed as follows:

(thousand euros)

	30.06.2024	31.12.2023
Creditors and other resources		
Public sector	15 995	16 701
Deposited collateral under collateral agreements (Note 20)	16 383	13 651
Sundry creditors		
Leasing liabilities	8 258	9 911
Creditors from transactions with securities	1 430	1 548
Suppliers	439	1 811
Other sundry creditors	6 598	7 347
	49 103	**50 969**
Accrued expenses		
Career bonuses (see Note 15)	487	763
Other accrued expenses	6 383	6 474
	6 870	**7 237**
Deferred income	**485**	**542**
Other sundry liabilities		
Stock exchange transactions pending settlement	2 911	901
Foreign exchange transactions pending settlement	-	549
Other transactions pending settlement	12 536	9 035
	15 447	**10 485**
	71 905	69 233

The Public Administrative Sector item includes 12 771 thousand euros (December 31, 2023: 13,170 thousand euros) payable in PIS/Cofins contributions, incurred after December 31, 2014 (Note 36)

As of June 30, 2024, and December 31, 2023, the headings regarding Stock exchange transactions pending settlement refer to transactions with securities pending settlement.

The sub-heading Costs payable - Other costs payable corresponds to liabilities to employees relating to remuneration.

NOTE 34 – CAPITAL, SHARE PREMIUM AND OTHER CAPITAL INSTRUMENTS

Ordinary shares

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

On August 3, 2014, Banco de 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 Banco de Portugal. In this regard, the Bank, its branches and subsidiaries were transferred to Novo Banco, S.A.

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

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

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

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

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

On June 26, 2017, the Bank increased its capital in 160,000 thousand euros, through the issuance of 32,000 thousand 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 August 31, 2017, the Bank increased its capital in 38,500 thousand euros, through the issuance of 7,700 thousand shares with the nominal value of 5 euros each, fully subscribed and paid-up by Haitong International Holdings Limited.

In 2022 two resolutions have been passed to increase the share capital of Haitong Bank S.A. by 2,630 thousand euros on July 1, 2022, and by 15,879 thousand euros in December 2022 to 863,279 thousand euros.

On the 19th of December 2023, the Bank increased its capital in 7,999 thousand euros, through the issuance of 1,600 thousand shares with the nominal value of 5 euros each, fully subscribed and paid-up by Haitong International Holdings Limited.

This share capital increase in 2023 and 2022, 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. In the case of the 2023 capital increase relating to the 2016 and 2017 tax years and in the case of the 2022 capital increase relating to the 2015 tax year, issued under the Special Regime applicable to Deferred Tax Assets (REAID).

As of June 30, 2024, and December 31, 2023, Haitong Bank's share capital amounts to 871,278 thousand euros (December 31, 2023: 871,278 thousand euros) and is represented by 174 255 532 shares (December 2023: 174 255 532 shares) with a nominal value of 5 euros each, fully held by Haitong International Holdings Limited.

Share premiums

On June 30, 2024, and December 31, 2023, share premiums amounted to 8,796 thousand euros, referring to the premium paid by shareholders in the capital increase that took place in 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 Banco de Portugal. These bonds are considered a capital instrument in accordance with the accounting policy described in Note 2.6 due to their characteristics.

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

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

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

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

Since it was issued in 2018, the Group did not pay interest regarding any of these instruments.

NOTE 35 – FAIR-VALUE RESERVES, OTHER RESERVES, RETAINED EARNINGS AND NON-CONTROLLING INTERESTS

Legal reserve, fair-value reserves and other reserves

The legal reserve can only be used for the purposes set out in the article no. 296 of the Commercial Companies Code. One of these purposes is to cover "that part of the losses carried forward from the previous year that cannot be covered by the profit for the year or by the use of other reserves" (article no. 296, paragraph b) of the CSC). Since the Bank presents accumulated losses relating to previous years, the Legal Reserve was not reinforced in the year of 2024, with the profit relating to that year being completely taken to Other Reserves and Retained Earnings, in order to cover those losses.

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

The heading of other reserves includes the special reserve under REAID in the amount corresponding to 16 547 thousand euros in June 2024 (16 547 thousand euros in December 2023).

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 December 31 2022	(14 921)	4 316	(10 605)	39 878	(16 288)	(168 946)	(225 309)	(370 665)
Actuarial gains/losses	-	-	-	-	(287)	-	-	(287)
Changes in fair value	3 337	(859)	2 478	-	-	-	-	-
Foreign exchange differences	-	-	-	-	-	5 748	-	5 748
Transfer to reserves	-	-	-	-	-	-	11 107	11 107
Balance as at June 30 2023	(11 584)	3 457	(8 127)	39 878	(16 575)	(163 198)	(214 202)	(354 097)
Actuarial gains/losses	-	-	-	-	(4 435)	-	-	(4 435)
Changes in fair value	4 593	(1 342)	3 251	-	-	-	-	-
Foreign exchange differences	-	-	-	-	-	(1 323)	-	(1 323)
Share capital increase							(7 999)	(7 999)
Balance as at December 31 2023	(6 991)	2 115	(4 876)	39 878	(21 010)	(164 521)	(222 201)	(367 854)
Actuarial gains/losses	-	-	-	-	1 393	-	-	1 393
Changes in fair value	1 070	(112)	958	-	-	-	-	-
Foreign exchange differences	-	-	-	-	-	(8 203)	-	(8 203)
Transfer to reserves	-	-	-	-	-	-	17 262	17 262
Balance as at June 30 2024	(5 921)	2 003	(3 918)	39 878	(19 617)	(172 724)	(204 939)	(357 402)

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

(thousand euros)

	30.06.2024	31.12.2023
Opening balance	(4 876)	(10 605)
Fair value changes	1 086	6 245
Fair value hedge	(139)	217
Impairment recognised in the period	123	1 468
Deferred taxes recognised in reserves during the period	(112)	(2 201)
Closing balance	(3 918)	(4 876)

Non-controlling interests

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

(thousand euros)

	30.06.2024		31.12.2023	
	Balance sheet	Income statement	Balance sheet	Income statement
Haitong Banco de Investimento do Brasil S.A.	7 919	(594)	9 466	(891)
Haitong Securities do Brasil S.A.	3 776	110	4 037	462
Haitong Negócios S.A.	6 794	182	7 279	701
Haitong do Brasil DTVM S.A.	1 534	40	1 644	108
FI Multimercado Treasury	347	25	355	122
Other	1	2	-	-
	20 371	(235)	22 781	502

The movement of Non-controlling interests of the periods ended on the June 30, 2024, and December 31, 2023, can be analysed as follows:

	30.06.2024	31.12.2023	30.06.2023
Opening balance	22 781	21 082	21 082
Dividends paid	(124)	90	1
Changes in fair value reserve	(2 051)	1 107	1 436
Exchange difference and other	(235)	502	(155)
Net income for the period			
Closing balance	20 371	22 781	22 364

NOTE 36 – CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS

As of June 30, 2024, and December 31, 2023, off-balance elements are as follows:

(thousand euros)

	30.06.2024	31.12.2023
Contingent liabilities		
Guarantees and standby letters of credit	138 833	137 763
Assets pledged as collateral	1 285 892	1 304 797
	1 424 725	**1 442 560**
Commitments		
Irrevocable commitments	73 259	75 370
	73 259	75 370

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

As at June 30, 2024, and December 31, 2023, the heading of financial assets pledged as collateral includes:

- Securities pledged as collateral to Banco de Portugal (i) within the scope of the Large-Value Payment System, amounting to 10,000 thousand euros as at the June 30, 2024 (December 31,, 2023: 10,000 thousand euros), (ii) within the scope of target long-term refinancing operations, amounting to 11 871 thousand euros (December 31,, 2023: 11 720 thousand euros), (iii) within the scope of Interbank Clearing System [Sistema de Compensação Interbancária], amounting to 2 000 thousand euros (December 31,, 2023: 2 000 thousand euros); and (iv) 126 632 thousand euros of collaterals not discounted (December 31,, 2023: 208 433 thousand euros), the values previously described refer to the value after haircut applied by Banco de Portugal, with the total fair value of securities eligible for rediscount with Banco de Portugal amounting to 174 249 thousand euros on December 31 2023 (December 31 2023: 253 702 thousand euros); and

- Securities pledged as collateral to the Portuguese Securities Market Commission within the Investor Compensation Scheme in the amount of 198 thousand euros (December 31, 2023: 207 thousand euros);
- Securities pledged as collaterals to Fundo de Garantia de Depósitos [Deposit Guarantee Fund] in the amount of 103 thousand euros (December 31, 2023: 105 thousand euros);
- Securities pledged as collateral within the scope of transactions with repurchase agreements: 1 045 075 thousand euros (December 31, 2023: 1 008 353 thousand euros);
- Securities pledged as collateral within the scope of transactions with repurchase agreements: 66 267 thousand euros (December 31, 2023: 42 429 thousand euros);

The nominal value of the contracted derivative positions is presented in Notes 20 and 21. The assets written off are also presented in the respective notes, in particular Note 22, Note 23 and Note 24.

Securities received in operations with resale agreements (Note 23) have a fair value of 450 thousand euros (December 31, 2023: 2 926 thousand euros).

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

(thousand euros)

	30.06.2024	31.12.2023
Liabilities related to services provided		
Commercial paper programmes agency	51 000	25 400
Other responsibilities related with services provided	209 830	164 613
	260 830	190 013

Other responsibilities for service provision include values relating to client assets invested in Portfolio Management.

Contingent liabilities

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

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

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

Haitong Bank is also a Defendant in 8 proceedings, all associated with issues of financial instruments of GES’s entities (Rioforte and ESI – Espírito Santo International).

Since the beginning of these legal proceedings in 2015, it is the opinion of Haitong Bank's Legal Department and of the external lawyers to whom the proceedings have been entrusted, that 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, 49 cases have already been res judicata with the total acquittal of Haitong Bank and 21 cases having been withdrawn by the Claimants.

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

Such legal action has been submitted by a credit recovery fund (Fundo de Recuperação de Créditos "FRC – INQ – Papel Comercial ESI e Rio Forte") to which have been allegedly assigned the claims submitted by certain holders of ESI and Rioforte commercial paper, which amounts up to € 517,500,099.71, plus interests. Haitong Bank presented its written defence on the 25th of 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 June 2022, Haitong Bank was served of a civil legal action brought against itself and another entity, under which the payment of € 4,905,460.96, plus interests, was claimed to the defendants, on a joint and several bases, filled by REDITUS GESTÃO, S.A. and GREENDRY LDA, (Claimants), within Lisbon's first instance civil court of law. The Claimants argue that the Bank breached its obligations as an Escrow Agent.

Haitong Bank presented its defence regarding the referred legal action and the judicial process is currently proceeding in the first instance civil court.

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

Resolution Fund

The Resolution Fund is a legal entity under public law with administrative and financial autonomy, created by Decree Law no. 31-A/2012, of 10 February, which is governed by the General Regime of Credit Institutions and Financial Companies ("RGICSF") and by its regulations and whose mission is to provide financial support to the resolution measures applied by the Banco de Portugal, in the capacity of the national resolution authority, and to perform all the other functions granted by the law related with the execution of these measures.

Like most of the financial institutions operating in Portugal, the Bank is one of the participants in the Resolution Fund, making contributions that result from the application of a rate defined annually by Banco de Portugal, which is based on the amount of its liabilities. In June 30, 2024, the Bank's periodical contribution amounted to 350 thousand euros (December 31, 2023: 357 thousand euros), based on a contribution rate of 0.026% calculated pursuant to Instruction 28/2023 of Banco de Portugal.

As part of its responsibility as the authority of supervision and resolution of the Portuguese financial sector, on August 3, 2014, Banco de Portugal decided to apply a resolution measure to Banco Espírito Santo, S.A. ("BES"), pursuant to article 145-G(5) of the *Regime Geral das Instituições de Crédito e Sociedades Financeiras* (RGICSF), which consisted in the transfer of the majority of its activity to a transition bank, called Novo Banco, S.A. ("Novo Banco"), created especially for this purpose.

To make up the share capital of the Novo Banco, the Resolution Fund provided 4,900 million Euros, of which, 377 million euros corresponded to its own financial resources. A loan of 700 million euros was also granted by a bank syndicate to the Resolution Fund, the participation of each credit institution being weighted according to diverse factors, including the respective size. The remaining amount (3,823 million euros) was from a refundable loan granted by the Portuguese State.

In December 2015, the national authorities decided to sell the majority of assets and liabilities associated to the activity of Banif – Banco Internacional do Funchal, S.A. ("Banif") to Banco Santander Totta, S.A. ("Santander Totta"), for 150 million euros, also in the context of the application of a resolution measure. This operation involved an estimated amount of 2,255 million euros in public funds which aimed to cover future contingencies, of which 489 million euros was financed by the Resolution Fund and 1,766 million euros directly by the Portuguese State. In the context of this resolution measure, Banif's assets identified as problematic were transferred to an asset management vehicle, created for the purpose – Oitante, S.A., with the Resolution Fund being the sole holder of its share capital, through the emission of bonds representative of the debt of this vehicle, amounting to 746 million euros, with the guarantee of the Resolution Fund and counter-guarantee of the Portuguese State.

The resolution measures applied in 2014 to the BES (a process that gave rise to the creation of Novo Banco) and in 2015 to Banif created uncertainties related with the risk of litigation involving the Resolution Fund, which is significant, and also with the risk of the possible shortage of funds to cover the liabilities, in particular the short-term reimbursement of the financing taken out.

It was in this context that in the second semester of 2016 that the Portuguese Government reached an agreement with the European Commission, in order to alter the conditions of the financing granted by the Portuguese State and by the banks participating in the Resolution Fund in order to preserve financial stability, by means of fostering conditions that would grant predictability and stability to the contributory effort towards the Resolution Fund. For the purpose, a supplement to the loan contracts to the Resolution Fund was formalised, which introduced a series of alterations to the reimbursement plans, to the rates of remuneration and other terms and conditions associated to these loans in order to adjust them to the capacity of the Resolution Fund to fully meet its obligations based on its normal revenue, or rather, without the need to charge special contributions or any other type of extraordinary contribution from the banks participating in the Resolution Fund.

According to the statement of the Resolution Fund of 31 March 2017, the review of the conditions of the financing granted by the Portuguese State and by the participating banks aimed to ensure the sustainability and financial equilibrium of the Resolution Fund, based on a stable, predictable and affordable charge for the banking sector. Based on this review, the Resolution Fund assumed that the full payment of the responsibilities of the Resolution Fund is ensured, and also the respective remuneration, without the need for the banking sector to resort to special contributions or any other type of extraordinary contributions.

Additionally on 31 March 2017, the Banco de Portugal advised that it had selected the Lone Star Fund for the purchase of Novo Banco, which was concluded on 17 October 2017. The Lone Star Fund became the owner of 75% of the share capital of Novo Banco and the

Resolution Fund the remaining 25%. Furthermore, the conditions approved include a contingent funding mechanism, pursuant to which the Resolution Fund, as a shareholder, may be called on to make injections of capital if certain cumulative conditions arise. The possible capital injections to be made pursuant to this contingent mechanism are subject to an absolute maximum limit of 3,890 million euros during a period of 8 years. On 18 October 2017, Banco de Portugal and the Resolution Fund announced the decision to conclude the sale of Novo Banco to Lone Star.

Given the renegotiation of the conditions of the loans granted to the Resolution Fund by the Portuguese State and by the Bank syndicate, in which the Bank is not included, and the public statements made by the Resolution Fund and by the Office of the Minister for Finance which mention that this possibility will not be used, although this possibility is contemplated in the applicable legislation on the payment of special contributions, these financial statements do not reflect any eventual future requirement for the Bank to make special contributions or any extraordinary contributions to finance the resolution measures applied to BES and to Banif, and also the contingent funding mechanism mentioned in the previous paragraph.

NOTE 37 – RELATED PARTIES TRANSACTIONS

The Group's related parties transactions as of June 30, 2024, and December 31, 2023, as well as the respective expenses and income recognised in the year, are summarized as follows:

(thousand euros)

	30.06.2024					
	Assets			Liabilities	Income	Expenses
	Credit	Others	Total			
Subsidiaries and associates of shareholders						
HAITONG INTERNATIONAL SECURITIES CO LTD	-	-	-	-	-	9
HAITONG INTERNATIONAL FINANCE HOLDINGS LIMITED	-	-	-	-	201	-
HAITONG INVESTMENT IRELAND PLC	36 716	66	36 782	5 474	1 477	-
HAITONG PRIVATE EQUITY FUND	-	-	-	516	98	7
HAITONG UT BRILLIANT LIMITED	-	-	-	-	1	-
TOTAL	36 716	66	36 782	5 990	1 776	16

(thousand euros)

	31.12.2023					
	Assets			Liabilities	Income	Expenses
	Credit	Others	Total			
Shareholders						
HAITONG SECURITIES CO., LTD	-	-	-	-	14 983	-
Subsidiaries and associates of shareholders						
HAITONG INTERNATIONAL SECURITIES CO LTD	-	-	-	-	-	18
HAITONG INNOVATION SECURITIES INVESTMENT CO LTD	-	-	-	-	1 001	-
HAITONG INVESTMENT IRELAND PLC	36 810	-	36 810	3 444	3 063	4 997
HAITONG PRIVATE EQUITY FUND	-	-	-	648	316	94
TOTAL	36 810	-	36 810	4 092	19 363	5 109

As of June 30, 2024, the income heading includes 443 thousand euros concerning fee and commission income heading from banking services (December 31, 2023: 16 607 thousand euros).

The value of Haitong Group transactions with related entities in which the Administrator and/or family have significant influence in the periods ended June 30, 2024, and December 31, 2023, as well as the respective costs and income recognized in the period, are summarized as follows:

(thousand euros)

	30.06.2024						
	Assets				Liabilities	Income	Expenses
	Loans	Securities	Others	Total			
Entities with relevant influence							
Haitong Bank Pension Fund	-	-	53 412	53 412	-	1 066	-
TOTAL	-	-	53 412	53 412	-	1 066	-

(thousand euros)

	31.12.2023						
	Assets				Liabilities	Income	Expenses
	Loans	Securities	Others	Total			
Entities with relevant influence							
Mota Engil SGPS	861	14 357	-	15 218	4	1 308	178
Semapa - Sociedade de Investimento e Gestão SGPS SA	-	-	-	-	2	1 375	-
Haitong Bank Pension Fund	-	-	52 788	52 788	-	3 935	-
TOTAL	861	14 357	52 788	68 006	6	6 618	178

All transactions with Related Parties are carried out under normal market conditions. When it is not possible to determine the market conditions applicable to a given transaction with a Related Party, the Group applies a comparability benchmark to assess market conditions.

NOTE 38 – FAIR-VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair-value of financial assets and liabilities

Haitong Bank Group estimates the fair value of its instruments based on prices quoted in active markets or, when such prices are not available, based on valuation techniques following standard valuation models such as discounted cash flows and option pricing models. The valuation models' parameter inputs are based on observable data, when available, derived from prices of financial instruments actively traded or based on indicative broker quotes.

The Group performs valuation adjustments to reflect counterparty credit risk (CVA) for uncollateralized derivatives assets considering the current exposure, loss given default and the probability of default. This probability of default is based on the Group's credit risk assessment model or market information where applicable.

The fair-value of financial assets and liabilities for the Group is analysed as follows:

(thousand euros)

	Amortised cost	Valued at Fair Value			Total book value	Fair Value
		Level 1	Level 2	Level 3		
Balance as at June 30 2024						
Cash and cash equivalents	16 105	-	-	-	16 105	16 105
Financial assets at fair value through profit or loss						
Financial assets held for trading						
Securities	-	28 047	843 605	8 726	880 378	880 378
Derivative financial assets	-	-	36 138	-	36 138	36 138
Non-trading financial assets mandatorily at fair value through profit or loss						
Securities	-	10	5 261	11 041	16 312	16 312
Loans and advances to customers	-	-	-	24	24	24
Financial assets at fair value through other comprehensive income	-	179 849	88 263	72 671	340 783	340 783
Financial assets measured at amortised cost						
Securities	590 295	-	-	-	590 295	580 347
Loans and advances to banks	809 987	-	-	-	809 987	809 987
Loans and advances to customers	708 218	-	-	-	708 218	701 549
Financial Assets	**2 124 605**	**207 906**	**973 267**	**92 462**	**3 398 240**	**3 381 623**
Financial liabilities held for trading						
Securities	-	1 414	-	-	1 414	1 414
Derivative financial liabilities	-		20 540	-	20 540	20 540
Financial liabilities measured at amortised cost						
Resources of credit institutions	1 243 191	-	-	-	1 243 191	1 243 191
Resources of customers	1 091 947	-	-	-	1 091 947	1 091 947
Debt securities issued	564 042	-	-	-	564 042	558 419
Financial Liabilities	**2 899 180**	**1 414**	**20 540**	**-**	**2 921 134**	**2 915 511**
Balance as at December 31 2023						
Cash and cash equivalents	17 164	-	-	-	17 164	17 164
Financial assets at fair value through profit or loss						
Financial assets held for trading						
Securities	-	41 505	798 565	8 410	848 480	848 480
Derivative financial assets	-	-	29 621	2 114	31 735	31 735
Non-trading financial assets mandatorily at fair value through profit or loss						
Securities	-	18	5 092	8 354	13 464	13 464
Loans and advances to customers	-	-	-	24	24	24
Financial assets at fair value through other comprehensive income	-	119 194	42 722	64 668	226 584	226 584
Financial assets measured at amortised cost						
Securities	818 722	-	-	-	818 722	807 912
Loans and advances to banks	583 288	-	-	-	583 288	583 288
Loans and advances to customers	688 659	-	-	-	688 659	684 404
Financial Assets	**2 107 833**	**160 717**	**876 000**	**83 570**	**3 228 120**	**3 213 055**
Financial liabilities held for trading						
Securities	-	846	-	-	846	846
Derivative financial liabilities	-		25 032	-	25 032	25 032
Financial liabilities measured at amortised cost						
Resources of credit institutions	916 921	-	-	-	916 921	916 921
Resources of customers	1 174 221	-	-	-	1 174 221	1 174 221
Debt securities issued	635 642	-	-	-	635 642	632 185
Financial Liabilities	**2 726 784**	**846**	**25 032**	**-**	**2 752 662**	**2 749 205**

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 (MTA), 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 does not 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 the valuation of these instruments, unobservable inputs are the Credit Spread, in the case of bonds and the CVA in the case of derivatives. For the purposes of calculating the CVA, LGD, PD and Collateral Ratio are used, among others.

For financial instruments recorded in the balance sheet at fair value, the movement occurred between June 30, 2024, and December 31, 2023, in assets and liabilities classified in level 3 is as follows:

(thousand euros)

	Financial assets held for trading		Financial assets mandatory at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Total
	Securities	Derivative financial assets	Securities	Loans and advances		
Balance as at December 31 2023	**8 410**	**2 114**	**8 354**	**24**	**64 668**	**83 570**
Results recognized in Net Interest Margin	363	-	5		2 431	**2 799**
Net trading income and from other financial instruments at fair value through profit or loss	32	285	176	-	-	**493**
Net gains/(losses) derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	-	(129)	**(129)**
Impairment on other financial assets net of reversal and recoveries	-	-	-	-	813	**813**
Other fair value changes	(656)	(2 234)	(278)	-	(2 033)	**(5 201)**
Fair value reserve changes	-	-	-	-	921	**921**
Acquisitions	1 969	-	2 784	-	20 344	**25 097**
Sales	(1 392)	-	-	-	(722)	**(2 114)**
Reimbursements	-	-	-	-	(14 805)	**(14 805)**
Derivatives financial flows	-	-	-	-	-	**-**
Transfers from other levels	-	-	-	-	1 183	**1 183**
Transfers to other levels	-	(165)	-	-	-	**(165)**
Balance as at June 30 2024	**8 726**	**-**	**11 041**	**24**	**72 671**	**92 462**

In June 2024, based on the assessment of the market liquidity of the securities, Investment Securities (Financial Assets at FVTOCI) of 13,016 thousand euros were transferred from Level 1 to Level 2 and 1,183 thousand euros from Level 2 to Level 3.

Based on the assessment of the market liquidity of the securities trading assets (Financial Assets HFT) of 364 thousand euros were transferred from Level 1 to Level 2.

In regard to the derivative instruments, there were no transferences, between January and June 2024.

(thousand euros)

	Financial assets held for trading		Financial assets mandatory at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Total
	Securities	Derivative financial assets	Securities	Loans and advances		
Balance as at December 31, 2022	**-**	**312**	**8 560**	**20**	**89 271**	**98 163**
Results recognized in Net Interest Margin	489	-	-	-	2 187	**2 676**
Net trading income and from other financial instruments at fair value through profit or loss	23	(133)	(120)	2	-	**(228)**
Net gains/(losses) derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	-	84	**84**
Impairment on other financial assets net of reversal and recoveries	-	-	-	-	2 465	**2 465**
Other fair value changes	51	383	(86)	2	2 050	**2 400**
Fair value reserve changes	-	-	-	-	(725)	**(725)**
Acquisitions	7 847	-	-	-	27 566	**35 413**
Sales	-	-	-	-	(42 125)	**(42 125)**
Reimbursements	-	-	-	-	1 212	**1 212**
Derivatives financial flows	-	(397)	-	-	-	**(397)**
Transfers from other levels	-	1 949	-	-	567	**2 516**
Transfers to other levels	-	-	-	-	(17 884)	**(17 884)**
Balance as at December 31 2023	**8 410**	**2 114**	**8 354**	**24**	**64 668**	**83 570**

In 2023, based on the assessment of the market liquidity of the securities, Investment Securities (Financial Assets at FVTOCI) of 4,393 thousand euros were transferred from Level 1 to Level 2, 566 thousand euros from Level 2 to Level 3 and 1,175 thousand euros from Level 3 to Level 2.

Based on the assessment of the market liquidity of the securities trading assets (Financial Assets HFT) of 719 thousand euros were transferred from Level 1 to Level 2.

The main parameters used, during 2024, in the 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:

(%)

	30.06.2024			31.12.2023		
	EUR	USD	GBP	EUR	USD	GBP
Overnight	3.66	5.34	4.97	3.90	5.40	3.64
1 month	3.63	5.34	5.84	3.85	5.35	5.80
3 months	3.71	5.33	5.85	3.91	5.33	5.88
6 months	3.68	5.25	5.86	3.86	5.15	5.82
1 year	3.23	5.04	5.82	2.89	4.76	5.52
3 years	3.04	4.32	5.16	2.56	3.75	4.67
5 years	2.88	4.06	5.03	2.44	3.53	4.45
7 years	2.84	4.02	5.05	2.44	3.48	4.46
10 years	2.84	3.98	5.17	2.49	3.48	4.52
15 years	2.86	3.98	5.39	2.56	3.51	4.68
20 years	2.78	3.95	5.60	2.52	3.49	4.86

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
30.06.2024					
CDX USD Main	31	32,40	53,50	74,10	90,10
iTraxx Eur Main	30	37,80	60,90	72,60	94,00
iTraxx Eur Senior Financial	30	-	71,80	-	109,20
31.12.2023					
CDX USD Main	31	33,60	56,70	78,70	98,20
iTraxx Eur Main	30	33,10	58,20	79,00	98,70
iTraxx Eur Senior Financial	30	-	67,00	-	103,70

Interest rate volatilities

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

(%)

	30.06.2024			31.12.2023		
	EUR	USD	GBP	EUR	USD	GBP
1 year	61.72	68.06	62.51	87.75	98.08	101.15
3 years	89.62	110.68	110.39	108.84	124.75	146.46
5 years	93.25	113.93	115.15	104.91	121.07	148.19
7 years	92.94	111.69	114.12	101.38	115.54	141.96
10 years	90.95	107.75	111.55	97.01	108.39	132.46
15 years	86.84	100.87	107.09	91.09	98.61	123.41

Foreign exchange rate and volatilities

The table below reflects ECB's foreign exchange rates fixings and at-the-money implied volatilities:

Exchange	Exchange Rate		Volatility (%)				
	30.06.2024	31.12.2023	1 month	3 months	6 months	9 months	1 year
EUR/USD	1.0705	1.1050	6.27	6.06	6.46	6.60	6.70
EUR/GBP	0.8464	0.8691	4.65	4.48	4.72	4.90	5.06
EUR/CHF	0.9634	0.9260	5.99	5.56	5.66	5.71	5.78
EUR/PLN	4.3090	4.3395	5.58	5.64	5.81	5.93	5.98
EUR/CNY	7.7748	7.8509	5.07	5.27	5.45	5.75	5.87
USD/BRL a)	5.5035	4.8523	14.26	14.02	14.10	13.93	13.84

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:

Exchange	Exchange Rate			Volatility (%)		Implied volatility (%)
	30.06.2024	31.12.2023	Range %	1 month	3 months	
DJ Euro Stoxx 50	4 894	4 521	8%	13.29	16.30	13.29
PSI 20	6 480	6 396	1%	12.38	13.34	0.00
IBEX 35	10 943	10 102	8%	15.34	14.14	0.00
DAX	18 235	16 752	9%	14.30	13.59	15.79
S&P 500	5 095	4 311	18%	10.24	11.90	11.61
BOVESPA	20 762	24 952	-17%	13.98	15.71	-

Source: *Haitong Bank*

The main methods and assumptions used in the abovementioned valuation of the fair-value of financial assets and liabilities are analysed as follows:

Cash and cash equivalents and Loans and advances to banks

The statement of financial position value of these financial instruments is considered a reasonable assumption of the corresponding fair-value due to their associated short timeframe.

Loans and advances to customers

The fair-value of loans and advances to customers is estimated based on the update of expected cash flows and interest, by taking into account market spreads for similar transactions (if they were entered into in the current moment) considering that the instalments are paid in compliance with the deadlines contractually agreed upon.

Resources of other credit institutions

Taking into account the financial instruments in question, it is considered that their balance sheet value is a reasonable estimate.

Resources of customers

The fair-value of these financial instruments is determined based on the update of expected cash flows in capital and interest, considering that the payments are in compliance with the deadlines agreed upon contract. Considering that the applicable interest rates are of variable nature and the maturity period of the deposits is substantially inferior to one year, there are no measurable differences in fair-value.

Debt securities issued and Subordinated Liabilities

The fair-value of these instruments is based in market prices, when available. When unavailable, the fair-value it is estimated based on the update of expected cash flows in capital and interest regarding these instruments in the future.

NOTE 39 – RISK MANAGEMENT

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

Credit Risk

The Credit Risk results from the possibility of financial losses arising from the default of the customer or counterparty in relation to the contractual financial obligations established with the Group in the scope of its credit activity. Credit risk is mainly present in traditional banking products - loans, guarantees and loan commitments given - and in derivative products - swaps, forwards and options (counterparty risk).

The Group's credit portfolios are permanently monitored, with interaction between the business teams and risk management throughout the sequential stages of the credit cycle.

The Group's credit risk profile is regularly monitored, namely, in what concerns the evolution of credit exposure, delinquency ratios and provisioning, and concentration metrics.

The Group also controls the approved credit limits and assures the proper functioning of mechanisms related with the credit approval process.

ECL Calculation

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). The ECL is measured by the present value of the exposure at default as at 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 lifetime resulting from a possible default event that may occur over the expected residual life of the instrument. The ECL considers the expected cash flows and the lifetime PD over the remaining life of the financial instrument. The Group considers the daily inter-period PD at the reference date for the ECL calculation.
- **Stage 3 – Non Performing**: Impairment assessment will reflect the ECL over the expected residual life of the instrument.

ECL measurement inputs

As a result of the characteristics of the Group's portfolio (reduced number of transactions and high heterogeneity), the calculation of the ECL has as the main vector of measurement the individual analysis assessment. Under the collective model, which is applied to financial instruments classified in Stage 1 and to determine the minimum impairment rate applicable to financial instruments classified in Stage 2, the key inputs for ECL measurement are the following:

- Probability of Default (PD): describes the likelihood of default. Haitong Bank takes in account the PD provided by from S&P, whereas the rating assigning process is performed internally based on the S&P methodology. This assures the alignment between the internal risk management and the impairment calculation process.
- Loss Given Default (LGD): is the magnitude of the loss at the time of a default. The Bank applies the LGD based on Moody's LGD benchmarks (recovery rates), depending on the debtor and the financial instrument's characteristics.
- 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

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

The forward-looking information used by the Group is grounded on a simplified approach, based on a proportionality concept, and due to size and profile of the Bank. Considering the characteristics of the Bank's portfolio, and in view of its worldwide presence, the 2023 forward-looking exercise major change relates to the adoption of a global macroanalysis instead of a Portuguese focused approach.

A scenario-based approach upon external information was implemented, which provides sufficient granularity to meet regulatory and accounting requirements. The scenario-based approach incorporates a base case and downside scenario, weighted by their probability of occurrence, respectively, 80% and 20%.

The table below systematizes the assumptions considered for each scenario, whereas the Bank took into consideration the existing projections of reputed entities.

	Global GDP *(% of change of constant prices)*		Global Inflation *(% change in average CPI)*		EURIBOR 3-months rate *(rate)*	
Scenario / Year	Downside	Base	Downside	Base	Downside	Base
2024	2.60%	2.94%	4.40%	5.79%	4.00%	3.70%
2025	3.00%	3.20%	3.40%	4.62%	3.50%	3.10%
2026	3.25%	3.20%	3.50%	4.23%	3.50%	2.68%

The Group's forward-looking exercise applies to the collective impairment model and covers exposures with a significant increase in credit risk, i.e., classified in Stage 2, namely whenever economic projections are available.

The annual update of the forward-looking exercise as of December 2023 led to an increase of impairment of approximately 1.510 thousand euros.

Haitong Bank also carried out a sensitivity analysis, as of December 31, 2023, based on the impact assessment of a 10% variation in external parameters considered in the collective model for the calculation of expected credit losses (PD and LGD). Finally, a +10% shock was applied to the PiT PD and the LGD parameters, verifying that the impact on expected credit losses would result in an increase of around 542 thousand euros and 571 thousand euros, respectively.

The Group will conduct the update of the forward-looking exercise in the second half of 2024.

Additionally, the Group has carried out the regular stress testing exercise covering its credit portfolios, which essentially relies on a sensitivity analysis to assess the potential impacts over its asset quality/risk profile main indicators, resulting from market wide, counterparty-specific, and region-specific shock scenarios.

The financial instruments subject to standard IFRS 9 impairment requirements are presented below, detailed by stage, as of June 30, 2024, and December 31, 2023.

(thousand euros)

Asset Type	30.06.2024													
	Stage 1						Stage 2					Stage 3		
	Low to Fair risk [aaa+;a-]	Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Doubtful [lccc]	Not rated	Total Stage 1	Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Doubtful [lccc]	Not rated	Total Stage 2	Impaired [d]	Total Stage 3	Total
Loans and advances to customers	29 647	667 151	-	-	-	696 798	10 569	-	-	-	10 569	7 953	7 953	715 320
Guarantees	29 829	93 205	-	-	-	123 034	-	-	-	-	-	15 798	15 798	138 832
Securities	87 191	838 298	-	-	-	925 489	9 827	-	-	-	9 827	7 484	7 484	942 800
Loans and advances to banks	745 977	64 019	-	-	-	809 996	-	-	-	-	-	-	-	809 996
Cash equivalents	10 095	3 873	-	-	277	14 245	-	-	-	-	-	3 782	3 782	18 027
Debtors and other assets	-	-	-	-	1 280	1 280	-	-	-	-	-	22 947	22 947	24 227
Commitments to Third Parties	-	26 100	-	-	-	26 100	-	-	-	-	-	-	-	26 100
Total	902 739	1 692 646	-	-	1 557	2 596 942	20 396	-	-	-	20 396	57 964	57 964	2 675 302

(thousand euros)

Asset Type	31.12.2023													
	Stage 1						Stage 2					Stage 3		
	Low to Fair risk [aaa+;a-]	Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Doubtful [lccc]	Not rated	Total Stage 1	Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Doubtful [lccc]	Not rated	Total Stage 2	Impaired [d]	Total Stage 3	Total
Loans and advances to customers	744	674 900	-	-	-	675 644	12 462	-	-	-	12 462	8 219	8 219	696 325
Guarantees	12 454	108 524	-	-	-	120 978	-	-	-	-	-	16 785	16 785	137 763
Debt Securities	120 739	908 577	-	-	-	1 029 316	20 588	-	-	-	20 588	8 127	8 127	1 058 031
Loans and advances to banks	554 283	29 021	-	-	-	583 304	-	-	-	-	-	-	-	583 304
Cash and cash equivalents	10 713	4 646	-	-	-	15 359	-	-	-	-	-	3 665	3 665	19 024
Debtors and other assets	-	1 346	-	-	8 731	10 077	-	-	-	-	-	9 891	9 891	19 968
Commitments to Third Parties	-	24 000	-	-	-	24 000	-	-	-	-	-	-	-	24 000
Total	698 933	1 751 014	-	-	8 731	2 458 678	33 050	-	-	-	33 050	46 687	46 687	2 538 415

As of June 30, 2024, and December 31, 2023, most of non-rated exposures relates to other debtors transactions.

As of December 31, 2023, the maximum exposure to credit risk of financial assets not subject to impairment requirements amounts to 3.7 million euros (December 31, 2023: 3 million euros) corresponding to exposures to Central banks.

The table below compiles all financial instruments at amortized cost by industry, stage and days of delay as of June 30, 2024, and December 31, 2023:

(thousand euros)

Financial instruments at Amortised cost (including financial guarantees) by industry, stage and past due status	30.06.2024																							
	Stage 1						Total Stage 1		Stage 2		Total Stage 2		Stage 3						Total Stage 3		Total	
	No overdue		1 - 29 days		30 - 89 days				No overdue				No overdue		90 - 180 days		More than 181 days					
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Total Gross Carrying Amount	Total Allowance	Gross carrying amount	Loss allowance	Total Gross Carrying Amount	Total Allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Total Gross Carrying Amount	Total Allowance	Gross carrying amount	Loss allowance
Agribusiness & Commodity Foods	-	-	-	-	-	-	-	-	4 625	109	4 625	109	-	-	-	-	-	-	-	-	4 625	109
Automobiles & Components	46 717	128	-	-	-	-	46 717	128	-	-	-	-	-	-	-	-	-	-	-	-	46 717	128
Banks	854 537	47	-	-	-	-	854 537	47	-	-	-	-	3 782	1 924	7	1	1 661	1 661	5 450	3 586	859 987	3 633
Building Materials	12 070	33	-	-	-	-	12 070	33	-	-	-	-	-	-	-	-	201	201	201	201	12 271	234
Capital Goods	41 085	16	-	-	-	-	41 085	16	-	-	-	-	-	-	-	-	40	40	40	40	41 125	56
Chemicals	38 429	92	-	-	-	-	38 429	92	-	-	-	-	2 084	-	-	-	623	623	2 707	623	41 136	715
Commercial & Professional Services	63 426	598	5	5	-	-	63 431	603	-	-	-	-	3 736	1 257	-	-	90	90	3 826	1 347	67 257	1 950
Construction & Engineering	92 073	134	74	1	1	-	92 148	135	-	-	-	-	-	-	-	-	2 014	2 014	2 014	2 014	94 162	2 149
Consumer Durables & Apparel	-	-	-	-	-	-	-	-	-	-	-	-	2 340	1 102	-	-	1 090	282	3 430	1 384	3 430	1 384
Food, Beverage & Tobacco	23 663	63	-	-	-	-	23 663	63	-	-	-	-	-	-	-	-	-	-	-	-	23 663	63
Funds & Asset Managers	5 833	5	-	-	-	-	5 833	5	-	-	-	-	-	-	-	-	-	-	-	-	5 833	5
Governments	302 114	335	-	-	-	-	302 114	335	-	-	-	-	-	-	-	-	214	214	214	214	302 328	549
Health Care	20 205	104	-	-	-	-	20 205	104	-	-	-	-	-	-	-	-	-	-	-	-	20 205	104
Household & Personal Products	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38	28	38	28	38	28
Media & Entertainment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	94	94	94	94	94	94
Metals & Mining	41 025	77	-	-	-	-	41 025	77	-	-	-	-	-	-	-	-	-	-	-	-	41 025	77
Non Bank Financial Institutions	41 081	380	-	-	-	-	41 081	380	-	-	-	-	-	-	-	-	-	-	-	-	41 081	380
Oil & Gas	91 048	201	2 163	1	-	-	93 211	202	-	-	-	-	-	-	-	-	-	-	-	-	93 211	202
Paper & Forest Products	23 675	18	-	-	-	-	23 675	18	-	-	-	-	-	-	-	-	60	60	60	60	23 735	78
Power	198 096	808	-	-	-	-	198 096	808	-	-	-	-	-	-	-	-	67	67	67	67	198 163	875
Real Estate	100 659	488	-	-	-	-	100 659	488	3 754	277	3 754	277	-	-	-	-	2 394	2 391	2 394	2 391	106 807	3 156
Rental & Leasing	13 924	68	-	-	-	-	13 924	68	-	-	-	-	-	-	-	-	-	-	-	-	13 924	68
Retailing	49 714	297	-	-	-	-	49 714	297	-	-	-	-	-	-	-	-	-	-	-	-	49 714	297
Telecoms	75 299	283	-	-	-	-	75 299	283	-	-	-	-	15 368	1 915	-	-	12	6	15 380	1 921	90 679	2 204
Transportation	14 470	70	-	-	-	-	14 470	70	493	2	493	2	-	-	-	-	-	-	-	-	14 963	72
Transportation Infrastructure	101 679	123	85	1	112	1	101 876	125	1 696	51	1 696	51	1 927	740	-	-	9 891	3 910	11 818	4 650	115 390	4 826
Water Utilities	1 554	8	-	-	-	-	1 554	8	-	-	-	-	-	-	-	-	-	-	-	-	1 554	8
Others	6 353	17	789	8	36	-	7 178	25	-	-	-	-	-	-	1 274	127	3 789	3 727	5 063	3 854	12 241	3 879
Total	**2 258 729**	**4 393**	**3 116**	**16**	**149**	**1**	**2 261 994**	**4 410**	**10 568**	**439**	**10 568**	**439**	**29 237**	**6 938**	**1 281**	**128**	**22 279**	**15 409**	**52 797**	**22 475**	**2 325 359**	**27 324**

(thousand euros)

Financial instruments at Amortised cost (including financial guarantees) by industry, stage and past due status	31.12.2023																			
	Stage 1						Total Stage 1		Stage 2		Total Stage 2		Stage 3				Total Stage 3		Total	
	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	Loss allowance	Gross carrying amount	Loss allowance	Total Gross Carrying Amount	Total Allowance	Gross carrying amount	Loss allowance	Total Gross Carrying Amount	Total Allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Total Gross Carrying Amount	Total Allowance
Agribusiness & Commodity Foods	6 838	63	-	-	-	-	6 838	63	4 979	70	4 979	70	-	-	-	-	-	-	11 817	133
Agricultural Cooperatives	4 839	46	-	-	-	-	4 839	46	-	-	-	-	-	-	-	-	-	-	4 839	46
Automobiles & Components	35 825	72	-	-	-	-	35 825	72	-	-	-	-	-	-	-	-	-	-	35 825	72
Banks	647 740	89	-	-	1 632	1 632	649 372	1 721	-	-	-	-	3 665	1 865	-	-	3 665	1 865	653 037	3 586
Building Materials	13	13	-	-	190	190	203	203	-	-	-	-	-	-	-	-	-	-	203	203
Capital Goods	39 032	147	-	-	40	40	39 072	187	-	-	-	-	-	-	-	-	-	-	39 072	187
Chemicals	47 188	793	-	-	-	-	47 188	793	-	-	-	-	-	-	-	-	-	-	47 188	793
Commercial & Professional Services	76 488	664	-	-	95	95	76 583	759	-	-	-	-	3 521	1 178	-	-	3 521	1 178	80 104	1 937
Construction & Engineering	111 772	197	17	-	407	407	112 196	604	-	-	-	-	569	216	1 596	1 591	2 165	1 807	114 361	2 411
Consumer Durables & Apparel	-	-	-	-	-	-	-	-	-	-	-	-	3 908	1 867	-	-	3 908	1 867	3 908	1 867
Containers & Packaging	1 882	28	-	-	-	-	1 882	28	-	-	-	-	-	-	-	-	-	-	1 882	28
Food, Beverage & Tobacco	18 170	32	-	-	-	-	18 170	32	-	-	-	-	-	-	-	-	-	-	18 170	32
Funds & Asset Managers	5 665	3	-	-	-	-	5 665	3	-	-	-	-	-	-	-	-	-	-	5 665	3
Governments	465 457	381	-	-	214	214	465 671	595	-	-	-	-	-	-	-	-	-	-	465 671	595
Health Care	20 114	103	-	-	-	-	20 114	103	-	-	-	-	-	-	-	-	-	-	20 114	103
Hotels & Gaming	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Household & Personal Products	38	19	-	-	-	-	38	19	-	-	-	-	-	-	-	-	-	-	38	19
Investment Holdings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Media & Entertainment	-	-	-	-	94	94	94	94	-	-	-	-	-	-	-	-	-	-	94	94
Metals & Mining	49 563	78	-	-	-	-	49 563	78	-	-	-	-	-	-	-	-	-	-	49 563	78
Non-Bank Financial Institutions	41 105	381	-	-	-	-	41 105	381	-	-	-	-	-	-	-	-	-	-	41 105	381
Oil & Gas	64 008	262	-	-	-	-	64 008	262	-	-	-	-	-	-	-	-	-	-	64 008	262
Paper & Forest Products	23 835	31	-	-	60	60	23 895	91	-	-	-	-	-	-	-	-	-	-	23 895	91
Power	176 945	784	-	-	57	57	177 002	841	-	-	-	-	-	-	-	-	-	-	177 002	841
Real Estate	133 283	1 764	-	-	149	144	133 432	1 908	3 754	278	3 754	278	-	-	-	-	-	-	137 186	2 186
Rental & Leasing	13 483	69	-	-	-	-	13 483	69	-	-	-	-	-	-	-	-	-	-	13 483	69
Retailing	51 002	297	-	-	-	-	51 002	297	-	-	-	-	-	-	-	-	-	-	51 002	297
Technology Hardware & Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Telecoms	65 778	269	-	-	13	3	65 791	272	-	-	-	-	15 913	1 428	-	-	15 913	1 428	81 704	1 700
Transportation	19 789	95	-	-	-	-	19 789	95	731	5	731	5	-	-	-	-	-	-	20 520	100
Transportation Infrastructure	100 325	103	-	-	-	-	100 325	103	2 999	91	2 999	91	2 184	839	9 891	3 907	12 075	4 746	115 399	4 940
Water Utilities	1 710	8	-	-	-	-	1 710	8	8 415	31	8 415	31	-	-	-	-	-	-	10 125	39
Others	11 498	630	-	-	3 202	3 202	14 700	3 832	-	-	-	-	-	-	-	-	-	-	14 700	3 832
Total	**2 233 385**	**7 421**	**17**	**-**	**6 153**	**6 138**	**2 239 555**	**13 559**	**20 878**	**475**	**20 878**	**475**	**29 760**	**7 393**	**11 487**	**5 498**	**41 247**	**12 891**	**2 301 680**	**26 925**

(1) Resulting from the specific characteristics of the Receivables portfolio, a simplified approach based on the days past due (and therefore standardized in Stage 1) is applied.

The exposure by class of financial instrument, internal rating range and impairment stage is presented below.

The following section presents the gross exposure categorized by asset type, impairment stage, and internal rating bucket.

Loans and advances to customers

The table below presents a summary of the portfolio of loans and advances to customers of Haitong Bank Group, as of June 30, 2024, and December 31, 2023:

(thousand euros)

		30.06.2024				
Loans and advances to customers		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	29 647	-	-	-	29 647
Monitoring	[bbb+;b-]	667 151	10 568	-	-	677 719
Substandard	[ccc+;ccc]	-	-	-	-	-
Doubtful	[lccc]	-	-	-	-	-
Impaired	[d]	-	-	5 793	2 137	7 930
Gross carrying amount		696 798	10 568	5 793	2 137	715 296
Loss allowance (Note 31)		2 850	439	2 653	1 136	7 078
Carrying amount		693 948	10 129	3 140	1 001	708 218
Fair Value Trough Profit and Loss						
Impaired	[d]	-	-	24	-	24
Gross carrying amount		-	-	24	-	24
Revaluation		-	-	-	-	-
Carrying amount		-	-	24	-	24
Total gross carrying amount		696 798	10 569	5 816	2 137	715 320
Loss allowance (Note 31)		2 850	439	2 653	1 136	7 078
Revaluation		-	-	-	-	-
Total Carrying amount		693 948	10 130	3 163	1 001	708 242

(thousand euros)

		31.12.2023				
Loans and advances to customers		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	744	-	-	-	744
Monitoring	[bbb+;b-]	674 900	12 462	-	-	687 362
Impaired	[d]	-	-	6 039	2 156	8 195
Not rated		-	-	-	-	-
Gross carrying amount		675 644	12 462	6 039	2 156	696 301
Loss allowance (Note 31)		3 224	443	2 926	1 049	7 642
Carrying amount		672 420	12 019	3 113	1 107	688 659
Fair Value Trough Profit and Loss		-	-	-	-	-
Impaired	[d]	-	-	24	-	24
Gross carrying amount		-	-	24	-	24
Revaluation		-	-	-	-	-
Carrying amount		-	-	24	-	24
Total gross carrying amount		675 644	12 462	6 063	2 156	696 325
Loss allowance (Note 31)		3 224	443	2 926	1 049	7 642
Revaluation		-	-	-	-	-
Total Carrying amount		672 420	12 019	3 137	1 107	688 683

Guarantees

The table below presents a summary of the portfolio of guarantees granted to clients of Haitong Bank Group, as of June 30, 2024, and December 31, 2023:

(thousand euros)

Guarantees		30.06.2024				
		Stage 1	Stage 2	Stage 3	POCI	Total
Low to fair risk	[aaa+;a-]	29 830	-	-	-	**29 830**
Monitoring	[bbb+;b-]	93 205	-	-	-	**93 205**
Substandard	[ccc+;ccc]	-	-	-	-	**-**
Impaired	[d]	-	-	15 798	-	**15 798**
Total gross carrying amount		**123 035**	**-**	**15 798**	**-**	**138 833**
Loss allowance (Note 31)		86	-	2 012	-	**2 098**
Total Carrying amount		**122 949**	**-**	**13 786**	**-**	**136 735**

(thousand euros)

Guarantees		31.12.2023				
		Stage 1	Stage 2	Stage 3	POCI	Total
Low to fair risk	[aaa+;a-]	12 454	-	-	-	12 454
Monitoring	[bbb+;b-]	108 524	-	-	-	108 524
Substandard	[ccc+;ccc]	-	-	-	-	-
Impaired	[d]	-	-	16 785	-	16 785
Total gross carrying amount		**120 978**	**-**	**16 785**	**-**	**137 763**
Loss allowance (Note 31)		87	-	1 729	-	1 816
Total Carrying amount		**120 891**	**-**	**15 056**	**-**	**135 947**

Debt securities

The table below presents a summary of the portfolio of debt securities at amortised cost and at fair value through other comprehensive income of Haitong Bank Group, as of June 30, 2024, and December 31, 2023:

(thousand euros)

FVOCI and Amortised cost debt Securities		30.06.2024				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	65 515	-	-	-	**65 515**
Monitoring	[bbb+;b-]	525 023	-	-	-	**525 023**
Substandard	[ccc+;ccc]	-	-	-	-	**-**
Impaired	[d]	-	-	2 340	-	**2 340**
Gross carrying amount		**590 538**	**-**	**2 340**	**-**	**592 878**
Loss allowance (Note 31)		1 431	-	1 102	-	**2 533**
Fair Value Hedge		(50)	-	-	-	**(50)**
Carrying amount		**589 057**	**-**	**1 238**	**-**	**590 295**
Fair Value through Other Comprehensive Income						
Low to fair risk	[aaa+;a-]	21 675	-	-	-	**21 675**
Monitoring	[bbb+;b-]	313 275	9 827	-	-	**323 102**
Impaired	[d]	-	-	5 144	-	**5 144**
Gross carrying amount		**334 950**	**9 827**	**5 144**	**-**	**349 921**
Loss allowance (Note 31)		813	141	1 528	-	**2 482**
Revaluation		(6 517)	-	-	-	**(6 517)**
Fair Value Hedge		(139)	-	-	-	**(139)**
Carrying amount		**327 481**	**9 686**	**3 616**	**-**	**340 783**
Total gross carrying amount		**925 488**	**9 827**	**7 484**	**-**	**942 799**
Loss allowance (Note 31)		2 244	141	2 630	-	5 015
Revaluation		(6 517)	-	-	-	(6 517)
Fair Value Hedge		(189)	-	-	-	(189)
Total Carrying amount		**916 538**	**9 686**	**4 854**	**-**	**931 078**

(thousand euros)

FVOCI and Amortised cost debt Securities		31.12.2023				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	103 564	-	-	-	**103 564**
Monitoring	[bbb+;b-]	706 629	8 416	-	-	**715 045**
Impaired	[d]	-	-	2 711	-	**2 711**
Gross carrying amount		**810 193**	**8 416**	**2 711**	**-**	**821 320**
Loss allowance (Note 31)		1 624	32	1 415	-	**3 071**
Fair Value Hedge		473	-	-	-	**473**
Carrying amount		**808 569**	**8 384**	**1 296**	**-**	**818 249**
Fair Value through Other Comprehensive Income	-					
Low to fair risk	[aaa+;a-]	17 176	-	-	-	**17 176**
Monitoring	[bbb+;b-]	201 947	12 172	-	-	**214 119**
Impaired	[d]	-	-	5 416	-	**5 416**
Gross carrying amount		**219 123**	**12 172**	**5 416**	**-**	**236 711**
Loss allowance (Note 31)		560	186	2 237	-	**2 983**
Revaluation		(6 656)	-	(705)	-	**(7 361)**
Fair Value Hedge		217	-	-	-	**217**
Carrying amount		**212 124**	**11 986**	**2 474**	**-**	**226 584**
Total gross carrying amount		**1 029 316**	**20 588**	**8 127**	**-**	**1 058 031**
Loss allowance (Note 31)		2 184	218	3 652	-	6 054
Revaluation		(6 656)	-	(705)	-	(7 361)
Fair Value Hedge		690	-	-	-	690
Total Carrying amount		**1 021 166**	**20 370**	**3 770**	**-**	**1 045 306**

Cash equivalents

The table below presents a summary of the cash equivalents portfolio of Haitong Bank Group, as of June 30, 2024, and December 31, 2023:

(thousand euros)

Cash equivalents		30.06.2024				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	10 096	-	-	-	**10 096**
Monitoring	[bbb+;b-]	3 872	-	-	-	**3 872**
Impaired	[d]	-	-	3 782	-	**3 782**
Not rated		277	-	-	-	**277**
Total gross carrying amount		**14 245**	**-**	**3 782**	**-**	**18 027**
Loss allowance (Note 31)		-	-	1 925	-	**1 925**
Total Carrying amount		**14 245**	**-**	**1 857**	**-**	**16 102**

(thousand euros)

Cash equivalents		31.12.2023				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	10 713	-	-	-	**10 713**
Monitoring	[bbb+;b-]	4 646	-	-	-	**4 464**
Impaired	[ccc+;ccc]	-	-	3 656	-	**3 665**
Not rated		-	-	-	-	-
Total gross carrying amount		**15 359**	-	**3 656**	**-**	**19 024**
Loss allowance (Note 31)		-	-	1 865	-	**1 865**
Total Carrying amount		**15 359**	-	**1 800**	**-**	**17 159**

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 30, 2024, and December 31, 2023:

(thousand euros)

Loans and advances to Banks		30.06.2024				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	745 977	-	-	-	**745 977**
Monitoring	[bbb+;b-]	64 019	-	-	-	**64 019**
Total gross carrying amount		**809 996**	**-**	**-**	**-**	**809 996**
Loss allowance (Note 31)		9	-	-	-	**9**
Total Carrying amount		**809 987**	**-**	**-**	**-**	**809 987**

(thousand euros)

Loans and advances to Banks		31.12.2023				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Low to fair risk	[aaa+;a-]	554 284	-	-	-	**554 284**
Monitoring	[bbb+;b-]	29 020	-	-	-	**29 020**
Total gross carrying amount		**583 304**	**-**	**-**	**-**	**583 304**
Loss allowance (Note 31)		16	-	-	-	**16**
Total Carrying amount		**583 288**	**-**	**-**	**-**	**583 288**

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 30, 2024, and December 31, 2023:

(thousand euros)

Debtors and other assets		30.06.2024				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Monitoring	[bbb+;b-]	-	-	-	-	**-**
Impaired	[d]	-	-	-	11 975	**11 975**
Not rated		1 282	-	10 972	-	**12 254**
Total gross carrying amount		**1 282**	**-**	**10 972**	**11 975**	**24 229**
Loss allowance (Note 31)		18	-	9 737	3 910	**13 665**
Total Carrying amount		**1 264**	**-**	**1 235**	**8 065**	**10 564**

(thousand euros)

Debtors and other assets		31.12.2023				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortised cost						
Monitoring	[bbb+;b-]	1 347	-	-	-	**1 347**
Impaired	[d]	-	-	-	9 891	**9 891**
Not rated		8 730	-	-	-	**8 730**
Total gross carrying amount		**10 077**	**-**	**-**	**9 891**	**19 968**
Loss allowance (Note 31)		**8 572**	**-**	**-**	**3 907**	**12 479**
Total Carrying amount		**1 505**	**-**	**-**	**5 984**	**7 489**

Commitments to Third Parties

The table below presents a summary of the portfolio of debtors and other assets portfolio of Haitong Bank Group, as of June 30, 2024, and December 31, 2023:

(thousand euros)

Commitments to Third Parties		30.06.2024				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Monitoring	[bbb+;b-]	26 100	-	-	-	**26 100**
Total gross carrying amount		**26 100**	**-**	**-**	**-**	**26 100**
Loss allowance (Note 31)		16	-	-	-	**16**
Total Carrying amount		**26 084**	**-**	**-**	**-**	**26 084**

(thousand euros)

Commitments to Third Parties		31.12.2023				
		Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Monitoring	[bbb+;b-]	24 000	-	-	-	24 000
Total gross carrying amount		**24 000**	**-**	**-**	**-**	**24 000**
Loss allowance (Note 31)		36	-	-	-	36
Total Carrying amount		**23 964**	**-**	**-**	**-**	**23 964**

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 the haircut application.

Frequency and methods of collateral valuation depend 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 mortgage valuation, it is done at least on an annual basis and it is based on financial information of the borrower or on valuation reports of external entities (e.g. real estate).

As of June 30, 2024, the number of financial instruments with no losses identified, due to credit risk's mitigation techniques (i.e. whenever the exposure at default net of collateral is equal to zero), was 13 106 thousand euros accounted under guarantees (December 31, 2023: 11 896 thousand euros).

The table below disaggregates the financial instrument and financial guarantees' gross exposure, and exposure at default (EAD) separately for each stage and POCI.

(thousand euros)

Rating bucket		30.06.2024							
		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-]	902 739	877 678	-	-	-	-	-	-
Monitoring	[bbb+;b-]	1 692 646	1 569 444	20 396	20 309	-	-	-	-
Substandard	[ccc+;ccc]	-	-	-	-	-	-	-	-
Doubtful	[lccc]	-	-	-	-	-	-	-	-
Impaired	[d]	-	-	-	-	32 880	25 129	14 112	14 112
Not rated		1 559	1 557	-	-	10 972	10 972	-	-
Total		2 596 944	2 448 679	20 396	20 309	43 852	36 101	14 112	14 112

(thousand euros)

Rating bucket		31.12.2023							
		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-]	698 933	688 971	-	-	-	-	-	-
Monitoring	[bbb+;b-]	1 751 013	1 616 663	33 050	32 968	-	-	-	-
Substandard	[ccc+;ccc]	-	-	-	-	-	-	-	-
Doubtful	[lccc]	-	-	-	-	-	-	-	-
Impaired	[d]	-	-	-	-	34 640	26 316	12 047	12 048
Not rated		8 732	8 729	-	-	-	-	-	-
Total		2 458 678	2 314 363	33 050	32 968	34 640	26 316	12 047	12 048

Breakdown of Non-Performing and Forborne Exposures

The Group discloses the non-performing exposures and the 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 definitions of non-performing and forborne exposures are provided under section 2.4.1.

In this sense, as of June 30, 2024, and the December 31, 2023, pro-forma, the breakdown of performing and non-performing exposures was as follows:

(thousand euros)

	30.06.2024			31.12.2023 Pro-forma[(1)]		
	Gross amount and Revaluations	Impairment and Provisions	Coverage	Gross amount and Revaluations	Impairment and Provisions	Coverage
Performing exposures	**2 694 480**	**5 909**	**0.2%**	**2 558 744**	**6 324**	**0.2%**
Banking Book Debt Securities	928 610	2 385	0.3%	1 043 938	2 403	0.2%
Loans and advances to customers	707 367	3 290	0.5%	688 106	3 666	0.5%
Loans and advances to Banks	809 996	9	0.0%	583 303	15	0.0%
Cash & Cash Equivalents	14 245	-	0.0%	15 359	-	0.0%
Guarantees	123 034	85	0.1%	120 978	87	0.1%
Loan commitments	83 848	106	0.1%	82 742	114	0.1%
Other commitments	26 100	16	0.1%	24 000	36	0.2%
Other Assets	-	-	0.0%	-	-	0.0%
Receivables	1 280	18	1.4%	318	3	0.9%
Instruments Held for sale	-	-	0.0%	-	-	0.0%
Non-Performing exposures (NPE)	**58 413**	**24 012**	**41.1%**	**56 297**	**23 720**	**42.1%**
Banking Book Debt Securities	7 484	2 630	35.1%	7 423	3 652	49.2%
Loans and advances to customers	7 953	3 789	47.6%	8 220	3 975	48.4%
Loans and advances to Banks	-	-	0.0%	-	-	0.0%
Cash & Cash Equivalents	3 782	1 924	50.9%	3 665	1 865	50.9%
Guarantees	15 798	2 012	12.7%	16 785	1 729	10.3%
Loan commitments	449	9	2.0%	556	23	4.1%
Other commitments	-	-	0.0%	-	-	0.0%
Other Assets	11 975	3 910	32.7%	9 891	3 907	39.5%
Receivables	10 972	9 738	88.8%	9 757	8 569	87.8%
Instruments Held for sale	-	-	0.0%	-	-	0.0%
Total	**2 752 893**	**29 921**	**1.1%**	**2 615 041**	**30 044**	**1.1%**
NPE ratio	**2.1%**			**2.2%**		
NPL ratio	**1.1%**			**1.2%**		

(1) On June 30, 2024, the Group classified as non-performing exposures the amounts receivable relating to commissions for services rendered and which are overdue for more than 90 days, as well as other assets relating to credits or debt securities in default that were targeted of a recovery process, being directly dependent on legal actions against the original debtors. Therefore, this column reports pro-forma information as of December 31, 2023.

As of June 30, 2024, and December 31, 2023, pro-forma, the breakdown of performing and non-performing forborne exposures was as follows:

(thousand euros)

	30.06.2024			31.12.2023 Pro-forma(1)		
	Gross amount and Revaluations	Impairment, Negative revaluations and Provisions	Coverage	Gross amount and Revaluations	Impairment, Negative revaluations and Provisions	Coverage
Performing exposures	**2 684 405**	**5 471**	**0.2%**	**2 547 013**	**5 885**	**0.2%**
Banking Book Debt Securities	928 610	2 385	0.3%	1 043 938	2 403	0.2%
Loans and advances to customers	697 292	2 852	0.4%	676 374	3 227	0.5%
Loans and advances to Banks	809 996	9	0.0%	583 304	15	0.0%
Cash & Cash Equivalents	14 245	-	0.0%	15 359	-	0.0%
Guarantees	123 034	85	0.1%	120 978	87	0.1%
Loan commitments	83 848	106	0.1%	82 742	114	0.1%
Other commitments	26 100	16	0.1%	24 000	36	0.2%
Receivables	1 280	18	1.4%	318	3	0.9%
Performing Forborne exposures	**10 075**	**438**	**4.3%**	**11 731**	**439**	**3.7%**
Loans and advances to customers	10 075	438	4.3%	11 731	439	3.7%
Non-Performing Forborne exposures	**15 863**	**6 428**	**40.5%**	**11 463**	**5 413**	**47.2%**
Banking Book Debt Securities	7 484	2 630	35.1%	2 711	1 415	52.2%
Loans and advances to customers	7 930	3 789	47.8%	8 196	3 975	48.5%
Loan commitments	449	9	2.0%	556	23	4.1%
Non-Performing exposures	**42 550**	**17 584**	**41.3%**	**44 834**	**18 307**	**40.8%**
Banking Book Debt Securities	-	-	0.0%	4 711	2 237	47.5%
Loans and advances to customers	23	-	0.0%	24	-	0.0%
Loans and advances to Banks	-	-	0.0%	-	-	0.0%
Cash & Cash Equivalents	3 782	1 924	50.9%	3 665	1 865	50.9%
Guarantees	15 798	2 012	12.7%	16 785	1 729	10.3%
Loan commitments	-	-	0.0%	-	-	0.0%
Other commitments	-	-	0.0%	-	-	0.0%
Other Assets	11 975	3 910	32.7%	9 892	3 907	39.5%
Receivables	10 972	9 738	88.8%	9 757	8 569	87.8%
Instruments Held for sale	-	-	0.0%	-	-	0.0%
Total	**2 752 893**	**29 921**	**1.1%**	**2 615 041**	**30 044**	**1.1%**

(1) On June 30, 2024, the Group classified as non-performing exposures the amounts receivable relating to commissions for services rendered and which are overdue for more than 90 days, as well as other assets relating to credits or debt securities in default that were targeted of a recovery process, being directly dependent on legal actions against the original debtors. Therefore, this column reports pro-forma information as of December 31, 2023.

Concentration risk

Concerning the concentration risk - that is, the risk arising from the possibility of exposure or from a group of exposures sharing common or interrelated risk factors that produce losses large enough to affect the Group's solvency - Haitong Bank has internal limits established for the largest single-name exposures. Regular monitoring of these limits, together with regulatory limits, strengthens the Group's monitoring framework for the concentration of credit risk.

The breakdown of loans and advances to customers, financial assets held for trading and securities, by sector of activity, as of June 30, 2024, and December 31, 2023, is as follows:

(thousand euros)

Industry	30.06.2024							
	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	4 625	-	109	-	-	131	-	-
Automobiles & Components	35 106	-	108	-	1 434	30	46 827	98
Banks	-	-	-	-	14 782	17 483	63 398	94
Broker Dealers	-	-	-	-	-	58	-	-
Building Materials	12 070	-	33	-	-	3	-	-
Capital Goods	-	-	-	-	174	-	11 252	13
Chemicals	21 843	-	59	-	2 493	174	29 604	100
Commercial & Professional Services	63 326	-	1 747	-	899	-	3 213	11
Construction & Engineering	8 588	1 631	44	1 607	3 512	-	32 566	132
Consumer Durables & Apparel	-	1 090	-	282	473	-	13 309	1 136
Containers & Packaging	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	15 883	-	43	-	305	-	31 974	38
Funds & Asset Managers	-	-	-	-	2 244	-	17 455	5
Governments	496	-	-	-	839 189	-	376 394	497
Health Care	20 203	-	104	-	-	-	6 245	24
Hotels & Gaming	-	-	-	-	1 816	-	7 585	2
Insurance	-	-	-	-	-	-	-	-
Media & Entertainment	-	-	-	-	3 567	24	-	-
Metals & Mining	30 004	-	48	-	-	-	14 994	61
Non Bank Financial Institutions	36 716	-	378	-	1 420	3 029	34 744	164
Oil & Gas	78 801	2 162	171	1	97	228	17 192	34
Paper & Forest Products	-	-	-	-	-	1 310	3 675	6
Pharmaceuticals	-	-	-	-	-	-	6 870	5
Power	149 516	-	620	-	631	13	37 338	1 766
Real Estate	47 494	-	416	-	276	-	107 605	404
Rental & Leasing	13 039	-	67	-	-	-	885	1
Retailing	18 212	-	181	-	1 026	-	31 503	116
Software	-	-	-	-	-	-	10	-
Technology Hardware & Equipment	-	-	-	-	50	-	-	-
Telecoms	58 507	-	194	-	4 821	-	25 885	156
Transportation	493	-	2	-	609	-	14 470	70
Transportation Infrastructure	95 515	-	864	-	102	13 655	15 857	74
Water Utilities	-	-	-	-	458	-	1 554	8
Others	-	-	-	-	-	-	-	-
Total	**710 437**	**4 883**	**5 188**	**1 890**	**880 378**	**36 138**	**952 405**	**5 015**

(thousand euros)

Industry	31.12.2023							
	Loans and advances to customers				Financial assets held-for-trading		Securities	
	Gross amount		Impairment		Securities	Derivative financial assets	Gross amount	Impairment
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans				
Agribusiness & Commodity Foods	4 979	-	70	-	23	1	6 838	63
Agricultural Cooperatives	4 839	-	46	-	-	-	-	-
Automobiles & Components	20 240	-	33	-	514	-	21 648	56
Banks	-	-	-	-	22 802	8 554	76 765	103
Broker Dealers	-	-	-	-	-	46	-	-
Building Materials	-	-	-	-	-	-	-	-
Capital Goods	15 090	-	132	-	1 667	2	11 489	14
Chemicals	30 298	-	82	-	3 108	1 949	26 082	52
Commercial & Professional Services	63 637	-	1 685	-	-	-	15 873	67
Construction & Engineering	17 222	1 620	88	1 591	1 925	-	35 906	145
Consumer Durables & Apparel	-	1 197	-	452	-	-	5 741	1 430
Containers & Packaging	1 882	-	28	-	-	-	-	-
Food, Beverage & Tobacco	9 671	-	11	-	-	-	24 238	37
Funds & Asset Managers	-	-	-	-	-	-	14 657	3
Governments	744	-	-	-	799 442	-	508 353	481
Health Care	20 112	-	103	-	11	-	11 217	55
Hotels & Gaming	-	-	-	-	1 305	-	7 549	2
Insurance	-	-	-	-	-	-	-	-
Media & Entertainment	-	-	-	-	3 085	-	-	-
Metals & Mining	29 047	-	46	-	-	-	26 521	78
Non-Bank Financial Institutions	36 810	-	378	-	2 186	3 412	11 059	7
Oil & Gas	50 477	-	230	-	568	451	13 531	32
Paper & Forest Products	-	-	-	-	520	81	3 835	6
Power	125 962	-	639	-	1 336	191	37 687	2 373
Real Estate	79 507	-	580	-	1 733	-	90 211	379
Rental & Leasing	13 483	-	69	-	-	-	-	-
Retailing	18 216	-	181	-	1 048	-	32 784	116
Software	-	-	-	-	-	-	18	-
Technology Hardware & Equipment	-	-	-	-	3 181	-	5 481	26
Telecoms	48 951	-	179	-	2 740	11	25 975	159
Transportation	731	-	5	-	510	-	19 788	95
Transportation Infrastructure	101 610	-	1 015	-	-	17 037	10 065	48
Water Utilities	-	-	-	-	776	-	21 513	227
Others	-	-	-	-	-	-	-	-
Total	693 508	2 817	5 600	2 043	848 480	31 735	1 064 824	6 054

The breakdown of loans and advances to customers, financial assets held for trading and securities, by country risk, as of June 30, 2024, and December 31, 2023, is as follows:

(thousand euros)

Country	30.06.2024							
	Loans and advances to customers				Financial assets held-for-trading		Securities	
	Gross amount		Impairment		Securities	Derivative financial assets	Gross amount	Impairment
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans				
Australia	30 004	-	48	-	-	-	-	-
Austria	-	-	-	-	50	-	-	-
Bermuda	-	-	-	-	458	-	-	-
Brazil	46 236	1 090	1 051	282	845 730	6 241	228 504	3 312
Bulgaria	-	-	-	-	-	-	11 236	19
Cyprus	-	-	-	-	-	-	9 011	5
Czech Republic	20 528	-	24	-	-	-	23 543	33
China	-	-	-	-	2 311	-	87 776	558
Finland	-	-	-	-	-	-	2 644	3
France	54 744	-	281	-	3 034	38	75 300	97
Germany	20 227	-	33	-	174	933	47 750	52
Greece	-	-	-	-	-	-	20 301	24
Hong Kong	-	-	-	-	5 875	-	8 360	3
Hungary	-	-	-	-	1 009	-	10 250	12
Ireland	36 716	-	378	-	-	-	-	-
Italy	19 965	-	15	-	937	-	127 830	225
Japan	-	-	-	-	4 271	-	-	-
Korea (Republic of)	-	-	-	-	473	-	-	-
Luxembourg	-	-	-	-	1 210	-	5 261	-
Macao	-	-	-	-	3 113	-	9 446	1
Netherlands	24 739	2 163	13	1	1 589	-	21 483	13
Panama	-	-	-	-	-	-	-	-
Poland	85 432	1 631	223	1 607	212	228	31 884	45
Portugal	171 800	-	876	-	5 135	15 005	95 888	362
Romania	-	-	-	-	-	-	31 271	35
Spain	126 367	-	2 054	-	1 829	809	62 671	122
Sweden	-	-	-	-	-	-	12 884	13
United Kingdom	48 501	-	166	-	1 633	3 099	5 065	14
United States of America	25 179	-	29	-	1 337	9 786	24 048	67
Total	710 438	4 884	5 191	1 890	880 380	36 139	952 406	5 015

(thousand euros)

Country	31.012.2023							
	Loans and advances to customers				Financial assets held-for-trading		Securities	
	Gross amount		Impairment		Securities	Derivative financial assets	Gross amount	Impairment
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans				
Australia	29 047	-	46	-	-	-	-	-
Austria	-	-	-	-	1 527	-	5 481	26
Bermuda	-	-	-	-	776	-	-	-
Brazil	72 299	1 197	1 320	452	805 574	2 593	236 440	4 492
Bulgaria	-	-	-	-	-	-	11 190	19
China	-	-	-	-	6 210	-	87 791	611
Cyprus	-	-	-	-	-	-	9 130	7
Czech Republic	-	-	-	-	-	-	23 199	33
Finland	-	-	-	-	-	-	2 693	3
France	39 733	-	204	-	6	180	55 888	43
Germany	20 240	-	33	-	5 871	782	23 446	26
Greece	-	-	-	-	-	-	22 816	26
Hong Kong	-	-	-	-	5 943	-	8 127	3
Guatemala	17 198	-	86	-	-	-	-	-
Hungary	-	-	-	-	-	-	10 311	12
Ireland	36 810	-	378	-	-	-	-	-
Italy	-	-	-	-	1 863	-	178 809	266
Luxembourg	-	-	-	-	2 582	-	18 669	11
Macao	-	-	-	-	2 484	-	-	-
Netherlands	-	-	-	-	719	-	10 808	8
Poland	86 060	1 620	226	1 591	368	430	32 237	46
Portugal	185 046	-	1 072	-	7 885	16 932	184 816	285
Romania	-	-	-	-	-	-	23 574	27
Spain	132 425	-	1 992	-	3 384	859	93 712	52
Singapure	-	-	-	-	23	-	-	-
Sweden	-	-	-	-	-	-	7 732	9
Switzerland	-	-	-	-	2 000	-	-	-
United Kingdom	49 474	-	213	-	-	3 562	8 078	23
United States of America	25 176	-	29	-	1 265	6 397	9 877	26
Total	693 508	2 817	5 599	2 043	848 480	31 735	1 064 824	6 054

Russia-Ukraine Conflict

The Russia-Ukraine conflict has disrupted global economic conditions and triggered turmoil in financial and credit markets.

Although the overall implications of the conflict are not fully known, nor are the indirect effects likely to be quantified or predicted, the general conclusion is that at present date none of the borrowers analysed has suffered a severe impact from the conflict.

Pension Fund Monitoring

The Pension Fund portfolio management is ensured by GNB Fundo de Pensões, responsible for ensuring the implementation and monitoring of the funds' investment strategy, while respecting the limits defined in the Investment Policy. Haitong Bank delegates to Mercer Portugal the responsibility to conduct an independent assessment of the actuarial assumptions, as well as for defining the methodology for actuarial valuation.

These entities also bear the responsibility to provide the requisite information to the various Bank's governing bodies, namely the Executive Committee, the Independent Monitoring Committee, and the Risk Committee, enabling them to effectively oversee the risk associated with the pension funds.

Pension Fund Risk

The Fund's asset portfolio is primarily comprised of stocks, bonds, and investment units (investment funds and ETFs). The risks inherent in the Fund's assets are specific to various types of investments (credit risk, market risk, liquidity risk, etc.). As for the Fund's liabilities, consisting of pension payment obligations, these entail several actuarial risks that could have a negative impact on the value of the Fund's liabilities: inflation rate, growth of wages and pensions, evolution of mortality tables, corresponding increase in life expectancy, and discount rate.

The Pension Fund Risk is integrated into the Bank's Risk Appetite Framework (RAF), being monitored on a monthly basis the asset, liabilities, and discount rate evolution. The Pension Fund Risk is quantified for internal capital purposes within the scope of Haitong Bank's ICAAP exercise.

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 a one-year time interval, a ten-day time horizon and revalue every position for each market scenario considering a 99% confidence level.

(thousand euros)

	30.06.2024				31.12.2023			
	June	Average	Maximum	Minimum	December	Average	Maximum	Minimum
Foreign Exchange Risk	3 957	4 255	5 186	3 695	4 804	9 794	12 770	4 515
Interest Rate Risk	263	411	1 103	171	1 008	1 022	2 943	231
Shares	5	6	10	5	6	6	9	5
Credit spread	288	155	372	81	268	380	717	180
Covariance	566	(677)	(1502)	(350)	(1 420)	-1,611	-3,886	-528
Global VaR	**3 958**	**4 151**	**5 168**	**3 602**	**4 665**	**9 592**	**12 553**	**4 402**

The following table shows the average interest rates verified for the Bank's major categories of financial assets and liabilities, for the financial periods ended on June 30, 2024, and December 31, 2023, as well as the respective average balances and interest for the financial period:

(thousand euros)

	30.06.2024			31.12.2023		
	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	834 481	17 136	4.12%	368 914	15 929	4.32%
Loans and advances to customers	840 134	28 813	6.88%	786 747	61 935	7.87%
Investment in securities	2 173 772	72 292	6.67%	1 888 497	150 852	7.99%
Collateral accounts	25 139	636	5.07%	26 407	1 832	6.94%
Financial assets	**3 873 526**	**118 877**	**6.15%**	**3 070 565**	**230 548**	**5.78%**
Monetary resources	1 293 088	48 566	7.53%	1 009 575	102 161	10.12%
Resources of customers	1 372 502	27 394	4.00%	1 004 230	42 202	4.20%
Liabilities represented by securities	541 866	644 680	22 905	7.13%	566 976	46 981
Other resources	30 493	409	2.69%	15 922	3 629	22.79%
Financial liabilities	**3 340 763**	**99 274**	**5.96%**	**2 596 703**	**194 973**	**7.51%**
Financial Result		**19 603**			**35 575**	

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 30, 2024, and December 31, 2023, the exposure of assets and liabilities by currency was as follows:

(thousand euros)

	30.06.2024			31.12.2023		
	Spot	Forward	Net Exposure	Spot	Forward	Net Exposure
AOA	3	-	3	3	-	3
AUD	14	-	14	14	-	14
BRL	90 952	10 806	101 758	106 915	7 751	114 665
CAD	36	-	36	36	-	36
CHF	(96)	-	(96)	(112)	-	(112)
CNY	8 095	-	8 095	6 481	-	6 481
DKK	199	-	199	199	-	199
GBP	(433)	-	(433)	35 592	(36 592)	(1 000)
HKD	(2)	-	(2)	(313)	-	(313)
JPY	34	-	34	37	-	37
MOP	7 782	-	7 782	4 788	-	4 788
MXN	11	-	11	11	-	11
NOK	10	-	10	10	-	10
PLN	39 008	1 160	40 168	(30 986)	56 919	25 933
SEK	35	-	35	36	-	36
TRY	-	-	-	-	-	-
USD	42 423	(35 753)	6 669	8 278	(5 036)	3 243
Total	**188 071**	**(23 787)**	**164 283**	**130 989**	**23 042**	**154 031**

Note: asset / (liability)

Source: Haitong Bank

The main source of FX risk of Haitong Bank comes from its foreign subsidiary Haitong Banco de Investimento do Brasil S.A.

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 risks in the banking book are the changes in the interest rate risk (IRRBB) and the changes in credit spread risk (CSRBB).

Regarding 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 30, 2024, and December 31, 2023, the repricing profile of the Bank for interest rate risk-sensitive positions was the following:

(thousand euros)

Tenor	30.06.2024			31. 12.2023		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Up to 3 months	1 475 513	(1 336 858)	138 655	1 441 155	(1 416 033)	25 122
3 to 6 months	330 026	(333 615)	(3 588)	405 155	(354 026)	51 129
6 to 12 months	268 526	(274 333)	(5 807)	95 380	(187 187)	(91 807)
1 to 5 years	516 696	(366 575)	150 121	525 188	(299 773)	225 414
More than 5 years	73 758	(20 090)	53 668	63 413	(19 941)	43 472
Total	**2 664 519**	**(2 331 471)**	**333 048**	**2 530 291**	**(2 276 960)**	**253 331**

Source: Haitong Bank

Hence the impact of different shocks in the yield curves, measured by the economic value of equity and the net interest income was as follows:

(thousand euros)

Scenarios	30.06.2024		31.12.2023	
	Delta EVE	Delta NII	Delta EVE	Delta NII
+200 bps	(14 964)	3 254	(14 544)	2 690
-200 bps	5 399	(3 254)	2 963	(2 690)
Parallel up	(18 755)	n.a.	(17 347)	n.a.
Parallel down	7 839	n.a.	4 854	n.a.
Steepener	(3 402)	n.a.	(313)	n.a.
Flattener	(573)	n.a.	(3 586)	n.a.
Short rates up	(6 785)	n.a.	(8 836)	n.a.
Short rates down	1 313	n.a.	2 114	n.a.
% Total Capital	2.78%	0.61%	2.70%	0.50%
% Tier 1 Capital	3.50%	0.61%	3.24%	0.50%

Source: Haitong Bank

Concerning CSRBB, Haitong Bank aims to capture changes in market perception about the credit quality of individual credit-risky instruments, either because of the changes to expected default levels or because of changes to market liquidity. Changes to underlying credit quality perceptions can amplify the risks already arising from yield curve risk, being this risk is also defined as any kind of asset and/or liability spread risk of credit-risky instruments which is not explained by IRRBB, nor by the expected credit/jump-to-default risk.

To monthly measure the CSRBB, Haitong Bank considers a historical VaR simulation approach with a one-year holding period, a five-year observation period and a 99,9% confidence level.

(thousands of euros)

	30.06.2024		31.12.2023	
	CSR Requirement	HTCS Exposures	CSR Requirement	HTCS Exposures
Haitong Bank S.A.	15 266	259 045	9 905	166 402
of which: Sovereign	207	15 990	205	6 511
of which: Corporate	15 059	243 055	9 701	159 891
Haitong Banco de Investimento do Brasil S.A.	2 875	79 021	2 397	60 182
of which: Sovereign	2 610	58 824	1 858	37 029
of which: Corporate	265	20 197	540	23 153
Covariance	-	n.a.	(1 534)	n.a.
Global	**18 141**	**338 066**	**10 769**	**226 584**
Average Duration (years)	**-**	**2.72**	**-**	**2.32**

Source: Haitong Bank
Unaudited information

The capital requirement for CSRBB is 18 million euros in June 2024, which represents an increase from the 11 million euros in December 2023.

Reference interest rate reforms

Regulation (EU) 2016/1011 of the European Parliament and of the Council (known as the EU Benchmark Regulation or BMR) established a common framework to ensure that benchmark interest rates meet certain requirements that guarantee their reliability and efficiency as well as protect the consumer and investor, which implied a set of reforms, currently underway, of the reference interest rates with different implications for the activities of financial institutions.

The Bank holds fallback provisions in its contracts in accordance with market practice to respond to a discontinuity in rates. As of June 30, 2024, there are no financing contracts whose contract rate is associated with Libor rates that are expected to be discontinued. The Bank holds derivatives whose rates are expected to be discontinued and the respective contractual amendments are being negotiated. The contracts in question are under ISDA contracts.

The benchmark reform in Poland replaces the WIBOR index with the WIRON index. From December 2022, banks may use the WIRON index, while a gradual implementation of the index to contracts and financial instruments is planned for 2023-2027. From 2028, it is planned to use the WIRON indicator widely. WIRON is a transaction index developer on the basis of deposit transactions concluded by data providers (9 data submitters) with banks, financial institutions and large enterprises.

The Bank recognizes credit exposures with maturity after 2028, therefore, part of the exposure will be subject to the WIRON index. There are interest rate derivatives that go beyond the tenor and mandatory change to WIRON (2028) will apply. Therefore, there will be a need to amend the contracts with customers on these products.

Liquidity risk

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

Within the scope of the risk vision statement approved by the Board of Directors, Haitong Bank as whole, and all its subsidiaries individually aim to maintain a solid short-term liquidity position and a sustainable medium and long-term funding profile.

To achieve these goals, Haitong Bank seeks to develop a diversified investors base, ensuring access to alternative funding sources and instruments, and keeping an adequate funding structure to finance its activity.

Haitong Bank's liquidity and funding management is under the direct responsibility of the Executive Committee, advised by the Assets and Liabilities Committee (ALCO). Local treasury teams ensure liquidity daily management in each of the Bank's liquidity hubs (Lisbon, S. Paulo and Warsaw), under the global coordination of Haitong Bank's Executive Committee member in charge of Treasury.

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 setting limits consistent with the Bank's liquidity risk appetite and regulatory requirements.

As of June 30, 2024, the Bank held 918 million Euros of High-Quality Liquid Assets (827 million Euros on December 31, 2023), of which 737 million were available deposits in Central Banks (541 million Euros on December 31, 2023). The remainder of the High-Quality Liquid Assets (HQLA) was mainly composed of sovereign debt of European Union countries and Brazilian Government bonds denominated in Brazilian Reais owned by Haitong Bank subsidiary in Brazil.

On June 30, 2024, Haitong Bank held a surplus of 680 million Euros of its 30-day stressed net outflows, which corresponded to an LCR of 387% (275% on December 31, 2023) comfortably above both regulatory and internal limits.

(millions of euros)

Liquidity Coverage Ratio	30.6.2024	31.12.2023
High Quality Liquid Assets	918	832
Surplus over-stressed net outflows	680	529
Liquidity Coverage Ratio	**387%**	**275%**

Source: Haitong Bank Unaudited information

Haitong Bank funding from Banco de Portugal amounts to 12 million Euros on June 30, 2024 obtained through the Targeted Longer-Term Refinancing Operations (TLTRO), maturing in December of 2024.

During the first half of 2024, Haitong Bank's main sources of funding were long-term facilities provided by banks, debt securities issued both by Haitong Bank and by the Brazilian subsidiary, sales with repurchase agreements (repos) 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 mostly with financial institutions. Derivatives positions and collateral received and posted are detailed in notes 20 and 27, respectively.

As of June 30, 2024, contractual undiscounted cash flows of financial assets and liabilities present the following structure:

(thousand euros)

	30.06.2024						
	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	16 105	-	-	-	-	-	16 105
Financial assets held-for-trading (Securities)	512	4 835	7 305	1040 128	449 593	-	1502 373
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	16 312	16 312
Financial assets at fair value through other comprehensive income	-	6 746	22 440	288 254	101 812	-	419 252
Financial assets at amortised cost	-	20 189	153 177	483 422	17 018	-	673 806
Loans and advances to banks	766 134	31 514	12 709	-	-	-	810 357
Loans and advances to customers	1 218	12 379	139 984	618 016	99 427	-	871 024
Derivatives Instruments	-	180 083	108 673	154 177	10 471	19 512	472 916
	783 969	255 746	444 288	2 583 997	678 321	35 824	4 782 145
Liabilities							
Resources from credit institutions	846 831	46 639	37 928	323 702	51 118	-	1 306 218
Resources from customers	46 546	344 296	411 302	397 189	-	-	1 199 332
Debt securities issued	-	60 395	324 476	218 950	-	-	603 821
Financial liabilities held-for-trading (Securities)	1 414	-	-	-	-	-	1 414
Derivatives Instruments	-	180 693	111 231	134 295	4 098	14 716	445 033
	894 791	632 023	884 937	1 074 136	55 216	14 716	3 555 818

As of December 31, 2023, contractual undiscounted cash flows of financial assets and liabilities presented the following structure:

(thousand euros)

	30.12.2023						
	On demand	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Assets							
Cash and cash equivalents	17 164	-	-	-	-	-	17 164
Financial assets held-for-trading (Securities)	-	5 028	14 313	433 320	941 129	-	1393 790
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	13 464	13 464
Financial assets at fair value through other comprehensive income	-	16 334	11 196	180 051	42 936	-	250 517
Financial assets at amortised cost	-	127 415	91 130	558 342	60 882	-	837 769
Loans and advances to banks	551 206	6 780	28 588	-	-	-	586 574
Loans and advances to customers	1 203	12 990	82 227	648 051	107 836	-	852 307
Derivatives Instruments	-	253 933	54 263	168 102	8 673	18 987	503 958
	569 573	422 480	281 717	1 987 866	1 161 456	32 451	4 455 543
Liabilities							
Resources of other credit institutions	265 834	264 531	69 947	348 024	34 460	-	982 796
Resources of customers	63 074	536 993	339 155	266 299	-	-	1 205 521
Debt securities issued	-	34 563	147 095	510 423	-	-	692 081
Financial liabilities held-for-trading (Securities)	846	-	-	-	-	-	846
Derivatives Instruments	-	256 442	52 183	146 954	4 145	10 130	469 854
	329 754	1 092 529	608 380	1 271 700	38 605	10 130	3 351 098

The derivatives undiscounted cash flows are calculated as gross cash flows of each side of the deal, not considering any net positions.

Operational risk

Operational Risk corresponds to the possible loss resulting from inadequate internal procedures or its negligent application, inadequacy or failure of information systems, staff behaviour or external events. Legal risks are included in this definition. Operational risk is therefore considered as the sum of operational and information systems (IT) risks.

The Bank has in place a framework to ensure the standardization and systematization of the regular activities regarding the identification, assessment, response/ mitigation, monitoring, and control and report of operational risk. A team within the Risk Management Department is exclusively dedicated to the management of this framework.

Capital Management and Solvency Ratio

The main purposes of capital management in the Group are (i) to promote sustainable growth of activity by creating enough capital to withstand the increase of assets, (ii) meet the minimum requirements established by the supervising entities in relation to capital adequacy and (iii) ensure the achievement of the strategic goals set by Group in relation to capital adequacy.

Regulatory capital requirements are determined by Banco de Portugal under the CRR (Regulation EU no. 575/2013) and CRD (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 risks weighted assets (RWAs) and leverage.

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 requirements permitted banks to phase in the impact of this buffer, beginning on January 1, 2016, in increments of 0.625% per year until reaching 2.5% of RWAs on 1 January 2019.

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

The regulation also provides a counter-cyclical capital buffer of up to 2.5% to be imposed in the event that national supervisors deem it necessary in order to counteract excessive credit growth. As of June 30, 2024, Banco de Portugal decided not to impose any additional counter-cyclical capital buffer, by setting it at 0% of the total risk exposure amount to domestic counterparties. This decision is subject to revision on a quarterly basis.

In addition to the above-mentioned capital buffers, as of July 1, 2018, Haitong Bank became subject to an additional requirement with a specific add-on, determined and revised under the Supervisory Review and Evaluation Process performed by Banco de Portugal. On February 1, 2022, Banco de Portugal, as the authority responsible for supervision of Haitong Bank, S.A. on a consolidated basis, 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 Group as at June 30, 2024, and December 31, 2023:

	30.06.2024	31.12.2023
CET1 ratio	19.3%	19.0%
Tier 1 ratio	24.1%	23.7%
Total Capital ratio	24.2%	23.8%

Source: Haitong Bank

NOTE 40– SUBSEQUENT EVENTS

Between June 30, 2024, and the date of approval of these consolidated financial statements by the Bank's Board of Directors, there were no subsequent events that required adjustments or modifications to them.

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 2024 relating to Haitong Bank, S.A. and the companies included in its consolidation perimeter have not been audited.

Lisbon, August 29, 2024

Pan Guangtao
(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)

Lu Xiaoli
(Executive Board Member)

António Domingues
(Non-Executive Board Member)

Ana Martina Garcia Raoul-Jourde
(Non-Executive Board Member)

Chen Xuemei
(Non-Executive Board Member)

Maria do Rosário Mayoral Robles Machado Simões Ventura
(Non-Executive Board Member)

Zhang Xinjun
(Non-Executive Board Member)

ANNEXES

SHARES AND BONDS HELD BY MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BODIES

Annex referred to in paragraph 5 of Article 447 of the Portuguese Companies Code

Shareholders / Bondholders	Securities	Securities held as of 31/Dec/2023	Transactions in 1H2024			Securities held as of 30/Jun/2024
			Date	Acquisitions	Disposals	
Pan Guangtao	-	-	-	-	-	-
Wu Min	-	-	-	-	-	-
Alan Fernandes	-	-	-	-	-	-
Nuno Carvalho	-	-	-	-	-	-
Vasco Câmara Martins	-	-	-	-	-	-
Miguel Guiomar	-	-	-	-	-	-
Lu Xiaoli (Nick Lu)	-	-	-	-	-	-
Zhang Xinjun (Jeff Zhang)	**Haitong International Securities Group Limited** - Ordinary Shares	956 762	09/01/2024	-	956 762 (Note 1)	-
	Haitong International Securities Group Limited - Share Options	978 473	09/01/2024	-	978 473 (Note 2)	-
	Haitong International Securities Group Limited - Awarded Shares (unvested)	-	-	-	-	-
António Domingues	-	-	-	-	-	-
Maria do Rosário Ventura	-	-	-	-	-	-
Martina García	-	-	-	-	-	-
Chen Xuemei (Michelle Chen)	-	-	-	-	-	-

Note 1: Ordinary Shares bought back by Haitong International Holdings Limited (Hong Kong) on 9/01/2024 due to the privatization of Haitong International Securities Group Limited
Note 2: Share Options lapsed on 9/01/2024 due to the privatization of Haitong International Securities Group Limited

Corporate Bodies and Committees

As of June 30, 2024

General Meeting Board

Chair Mª João Ricou
Secretary David Ramalhete

Audit Committee

Chair
M.ª do Rosário Ventura
Members
Martina García
Chen Xuemei (Michelle Chen)

Statutory Auditor

PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. ("PWC SROC") represented by Cláudia Sofia Gonçalves Parente de Palma

Board of Directors

Chair
Pan Guangtao

Members
Wu Min
Alan Fernandes
Nuno Carvalho
Vasco Câmara Martins
Miguel Guiomar
Lu Xiaoli (Nick Lu)
Zhang Xinjun (Jeff Zhang)
António Domingues
M.ª do Rosário Ventura
Martina García
Chen Xuemei (Michelle Chen)

Remuneration Committee

Chair
Martina García
Members
M.ª do Rosário Ventura
Pan Guangtao
António Domingues*

Corporate Governance Committee

Chair
Chen Xuemei (Michelle Chen)
Members
Zhang Xinjun (Jeff Zhang)
António Domingues

Risk Committee

Chair
António Domingues
Members
Pan Guangtao
Martina García

Board Credit Review Committee**

Chair
Pan Guangtao
Members
Zhang Xinjun (Jeff Zhang)
António Domingues

Company Secretary

Pedro Costa
Alternate: António Pacheco

Executive Committee

CEO
Wu Min

Members
Alan Fernandes
Nuno Carvalho
Vasco Câmara Martins
Miguel Guiomar
Lu Xiaoli (Nick Lu)

Senior Managers with a Seat on the Executive Committee
António Pacheco
Pedro Costa

New Business Committee

Chair: Executive Bord Member responsible for Risk Management
Members: Deputy Head of CEO Office; Head of Finance; Head of Legal; Head of IT; Head of Operations; Head of Risk Management Function; Head of Compliance Function; Data Protection Officer

IBK Global Adoption Committee

Chair: Executive Bord Member responsible for Haitong Brazil
Members: Seven Members (including the Head of Risk Management Function and the Head of Compliance Function)

Impairment Committee

Chair and Members (One Chair and three Members)

Assets and Liabilities Committee

Chair and Members (One Chair and nine Members)

*António Domingues was appointed at the Board of Directors´ meeting on March 28, 2024, as an extra member of the Remuneration Committee.
**Established on June 21, 2024.

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 2024 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 2024, and includes a description of the main risks and uncertainties that could affect the business.

Lisbon, August 29, 2024

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