



HAITONG BANK, MACAU BRANCH

Disclosure of Financial Information

(Circular No. 026/B/2012-DSB/AMCM)

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1. DISCLOSURE OF INFORMATION

This information is disclosed under AMCM Circular No. 026/B/2012-DSB/AMCM and together with the 2021 financial statements of Haitong Bank, Macau Branch (“Macau Branch”) fulfil the disclosure obligations outlined in the aforementioned Circular.

The information concerning the financial statements of the Macau Branch set out on pages 4 to 7, which comprise the balance sheet as at 31 December 2021, the income statement, the cash flow statement, and the summary of significant accounting policies were extracted from the Macau Branch audited financial statements for the period from 2 August 2021 (date of incorporation) to 31 December 2021.

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

2. SUMMARY OF ACTIVITY REPORT

The establishment of the Macau Branch of Haitong Bank, S.A. was authorised on 19 July 2021 by the Executive Order no. 26/2021 of the Macau Chief Executive, published in the Official Gazette no. 29, Series I. On 27 October 2021, the Macau Branch officially started its activity.

The opening of the Macau Branch is an important milestone in the development of the cross-border strategy of Haitong Bank, S.A., representing a strategic reinforcement of business with China and a greater coordination and use of synergies provided by the Haitong Group, especially in the areas of debt capital markets, and mergers and acquisitions. The Macau Branch also expects to bring important contributions for the development of the local bond market.

Since the beginning of its operations, the activities of the Macau Branch focused on the development and implementation of internal norms, information systems, development of business support infrastructures, and recruitment and training of employees, aiming at the development of the business plan of the Branch, in a prosperous and efficient manner and in full compliance with the applicable legal and regulatory environment.

In 2021, despite the short period of activity, the Macau Branch joined some international offshore debt syndicates of Chinese issuers, which attracted visibility in the market and generated revenues.

By year-end 2021, the Macau Branch's net assets amounted to MOP 60,227,917, and total liabilities amounted to MOP 6,912,361.

In 2021, the Macau Branch achieved a net profit, after-tax, of MOP 10,227,917.

Going forward, the Macau Branch will strive to develop its business plan and continue the work carried out so far of building the foundations of its activity for the future, remaining attentive to all new opportunities, businesses and products, with a view to continue the solid and sustained growth of its activity.

The results achieved so far are the result of the invaluable cooperation and support of our head office Haitong Bank, the Haitong Group, our employees, and also of the authorities of Macau SAR, particularly the AMCM, to whom we wish to express our greatest gratitude.

The Management,

3. MACAU BRANCH BALANCE SHEET AS AT 31 DECEMBER 2021

(MOP)

| ASSETS | GROSS ASSETS | PROVISIONS, DEPRECIATIONS AND AMORTIZATIONS | NET ASSETS |
|--|----------------------|---|----------------------|
| Cash in hand | | | - |
| Deposits with Monetary Authority of Macau | 100,000.00 | | 100,000.00 |
| Receivables | | | - |
| Demand deposits with local financial institutions | 50,577,918.53 | | 50,577,918.53 |
| Demand deposits with foreign financial institutions | 6,995,784.90 | | 6,995,784.90 |
| Gold and silver | | | - |
| Other assets | 9,466,613.90 | | 9,466,613.90 |
| Loans and advances | | | - |
| Applications of resources in local financial institutes | | | - |
| Call and fixed deposits with foreign financial institutions | | | - |
| Debt investment securities | | | - |
| Applications of resources consigned to the bank | | | - |
| Debtors | | | - |
| Other investments | | | - |
| Long term investments | | | - |
| Properties | | | - |
| Fixtures and equipment | | | - |
| Deferred expenditure | | | - |
| Organization expenses | | | - |
| Construction in progress | | | - |
| Other fixed assets | | | - |
| Internal A/cs and A/cs pending regularization | | | - |
| TOTAL | 67,140,317.33 | - | 67,140,317.33 |

3. MACAU BRANCH BALANCE SHEET AS AT 31 DECEMBER 2021 (to be continued)

(MOP)

| LIABILITIES | SUBTOTAL | TOTAL |
|--|---------------|---------------|
| Demand deposits | | |
| Call Deposits | | |
| Fixed Deposits | | - |
| Deposits of public sector | | |
| Deposits of other local financial institutions | | |
| Resources of other local entities | | |
| Foreign currency loans | | |
| Debentures | | |
| Creditors for resources consigned to the bank | | |
| Cheques and payment orders | | |
| Creditors | | |
| Sundry Liabilities | 6,912,361.06 | 6,912,361.06 |
| Internal A/cs and A/cs pending regularization | | |
| Sundry provisions | 39.43 | |
| Establishment fund | 50,000,000.00 | |
| Legal reserves | | |
| Reserve as per company articles | | |
| Other reserves | | 50,000,039.43 |
| Retained profit brought forward | | |
| Profit or loss for the year | 10,227,916.84 | 10,227,916.84 |
| TOTAL | | 67,140,317.33 |

4. MACAU BRANCH INCOME STATEMENT FOR THE PERIOD FROM 2 AUGUST 2021 TO 31 DECEMBER 2021

(MOP)

| DEBIT | AMOUNT | CREDIT | AMOUNT |
|---------------------------------------|---------------|---|---------------|
| Cost of credit operations | | Income from credit operations | 12,435.31 |
| Personnel costs | | Income from banking services | |
| Directors and Fiscal Council expenses | | Income from other banking services | 15,691,640.66 |
| Staff salaries and allowances | 1,686,860.10 | Income from securities and equity investments | |
| Staff welfare expenses | 1,080.00 | Other banking income | |
| Other personnel costs | 1,843,651.63 | Income from non-banking operations | |
| Third party supply | 102,935.21 | Operating loss | |
| Third party services | 517,891.64 | | |
| Other bank costs | 10,803.36 | | |
| Taxation | | | |
| Costs of non-banking operations | | | |
| Depreciation | | | |
| Provisions | 39.44 | | |
| Operating Profit | 11,540,814.59 | | |
| TOTAL | 15,704,075.97 | TOTAL | 15,704,075.97 |

5. MACAU BRANCH PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM 2 AUGUST 2021 TO 31 DECEMBER 2021

(MOP)

| DEBIT | AMOUNT | CREDIT | AMOUNT |
|--------------------------------|---------------|----------------------------------|---------------|
| Operating loss | | Operating profit | 11,540,814.59 |
| Loss related to previous years | | Profit related to previous years | |
| Exceptional losses | | Exceptional profit | |
| Profit tax provision | 1,312,897.75 | Provision used | |
| Profit after tax (if positive) | 10,227,916.84 | Operating loss (if negative) | |
| TOTAL | 11,540,814.59 | TOTAL | 11,540,814.59 |

General Branch Manager,
LU XIAO LI

Finance Manager,
WONG LAI KAI

6. MACAU BRANCH CASH FLOW STATEMENT AS AT 31 DECEMBER 2021

(MOP)

| CASH FLOW ARISING FROM OPERATING ACTIVITIES | |
|---|-------------|
| Profit before tax | 11,540,815 |
| <u>Adjustments</u> | |
| Interest income | 12,435 |
| | <hr/> |
| | 11,528,380 |
| <u>(Increase) in operating assets:</u> | |
| Other assets | 9,466,614 |
| <u>Increase in operating liabilities:</u> | |
| Other liabilities | 5,599,463 |
| | <hr/> |
| CASH USED IN OPERATIONS | (3,867,151) |
| Interest received | 12,435 |
| | <hr/> |
| NET CASH GENERATED FROM OPERATIONS | 7,673,664 |
| | <hr/> |
| CASH FLOW ARISING FROM FINANCING ACTIVITY | |
| Establishment fund from Head office | 50,000,000 |
| | <hr/> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 57,673,664 |
| CASH AND CASH EQUIVALENTS AT 2 AUGUST 2021 | - |
| | <hr/> |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER 2021 | 57,673,664 |
| | <hr/> |
| REPRESENTED BY: | |
| Bank balances and balances with the Monetary Authority of Macau | 57,673,664 |
| | <hr/> |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER 2021 | 57,673,664 |

7. MAIN ACCOUNTING POLICIES OF MACAU BRANCH

7.1. Statement of compliance

The Macau Branch financial statements have been prepared in accordance with the requirements as set out in Decree-Law No. 32/93/M and the Macau Financial Reporting Standards (the "MFRSs") issued under the Administrative Regulation No. 25/2005 of the Macau SAR.

7.2. Basis of preparation of the financial statements

The Macau Branch is part of Haitong Bank, S.A.. It is registered as a branch under the Financial System Act under the Supervision of the Monetary Authority of Macau ("AMCM"), accordingly, it is not a separate legal entity. These financial statements have been prepared from the books and records of the Macau Branch, which contain evidence of all transactions entered into locally.

The functional currency of the Macau Branch is United States dollars ("USD"). The financial statements are presented in Macau Patacas ("MOP") in accordance with the Macao Commercial Code Article 46 related to "External Requirements of Bookkeeping".

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

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

7.3. New Financial Reporting Standards of Macau SAR in issue but not yet effective

The Financial Reporting Standards of Macau SAR was approved by Order of the Secretary for Economy and Finance No. 44/2020 (the "New MFRS") have come into effect on 28 March 2020 and has replaced the Financial Reporting Standards of Macau SAR as stated in Annex II of Administrative Regulation No.25/2005 (the "MFRS").

The MFRS had adopted a selection of standards from the 2004 edition of the International Financial Reporting Standards (the "IFRS") including framework for Preparation and Presentation of financial statements as well as 16 standards. The New MFRS, on the other hand, have adopted the Conceptual Framework for Financial Reporting and all of the standards and interpretations from the 2015 edition of the IFRS.

The new MFRS are effective for annual periods beginning on or after 1 January 2022.

The Macau Branch has not early adopted the New MFRS in preparing the financial statements. The Branch management is in the process of assessing the impact of the application which may have a potential impact on the amounts reported and disclosures made in the financial statements of the Macau Branch in the future. In particular, IFRS 9 introduces new requirements for the classification and measurement of financial instruments, recognition of expected credit loss on financial assets, and revised requirements for general hedge accounting. Based on the assessment the Macau Branch management has carried out as of the date of approval of financial statements, the Macau Branch management does not expect the adoption of the New MFRS will have a significant impact on the amounts reported apart from the disclosures to be made in the financial statements of the Macau Branch in the future.

7.4. Financial assets

Financial assets comprise bank balances and balances with the AMCM which are carried at amortised cost.

7.5. Interest income and expense

Interest income and expense for financial instruments measured at amortised cost using the effective interest method are recognised in the income statement on an accrual basis.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, for a short period, to the net carrying amount of the financial asset.

7.6. Fee and commission income

Fee and commission income arising from services provided by the Macau Branch is recognised when the services are rendered.

7.7. Cash and cash equivalents

Cash and cash equivalents comprise bank balances and mandatory deposits maintained in AMCM having less than three months of maturity at acquisition.

7.8. Foreign currencies

In preparing the financial statements of the Macau Branch, transactions in currencies other than the functional currency of the Macau Branch (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the financial statements of the Macau Branch, the assets and liabilities of the Branch's operations are translated into the presentation currency of the Macau Branch (i.e. MOP) using exchange rates prevailing at the balance sheet date. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

7.9. Income tax

Income tax for the year comprises current tax. Income tax is recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case the relevant amounts of tax are recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date.

8. SUMMARY OF EXTERNAL AUDITOR'S REPORT

To the Management of Haitong Bank, Macau Branch

The attached summarised financial statements which comprise the balance sheet as at 31 December 2021 and the income statement for the period from 2 August 2021 (date of incorporation) to 31 December 2021, the income statement for the year then ended, are extracted from the audited financial statements of Haitong Bank, Macau Branch for the period from 2 August 2021 (date of incorporation) to 31 December 2021. We expressed an unmodified audit opinion on those financial statements in our report dated 17 May 2022.

The summarised financial statements do not contain all the disclosures required by the Financial Reporting Standards of the Macao Special Administrative Region. Therefore, reading the summarised financial statements is not a substitute for reading the audited financial statements of Haitong Bank, Macau Branch.

Management's Responsibility for the Summarized Financial Statements

The Management is responsible for preparing a summary of the audited financial statements in accordance with Decree-Law no. 32/93/M "Regime Jurídico do Sistema Financeiro".

Auditor's Responsibility

Our responsibility is to express an opinion on the summarized financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, Work for Reporting on Summarized Financial Statements, contained in Auditing Standards.

Opinion

In our opinion, the summarized financial statements extracted from the audited financial statements of Haitong Bank, Macao Branch for the period from 2 August 2021 (date of incorporation) to 31 December 2021 are consistent, in all material respects, with the financial statements in accordance with the Decree-Law no. 32/93/M "Regime Jurídico do Sistema Financeiro".

Kuan Ho Weng

Certified Public Accountant

Partner

Deloitte Touche Tohmatsu - Sociedade de Auditores

Macau

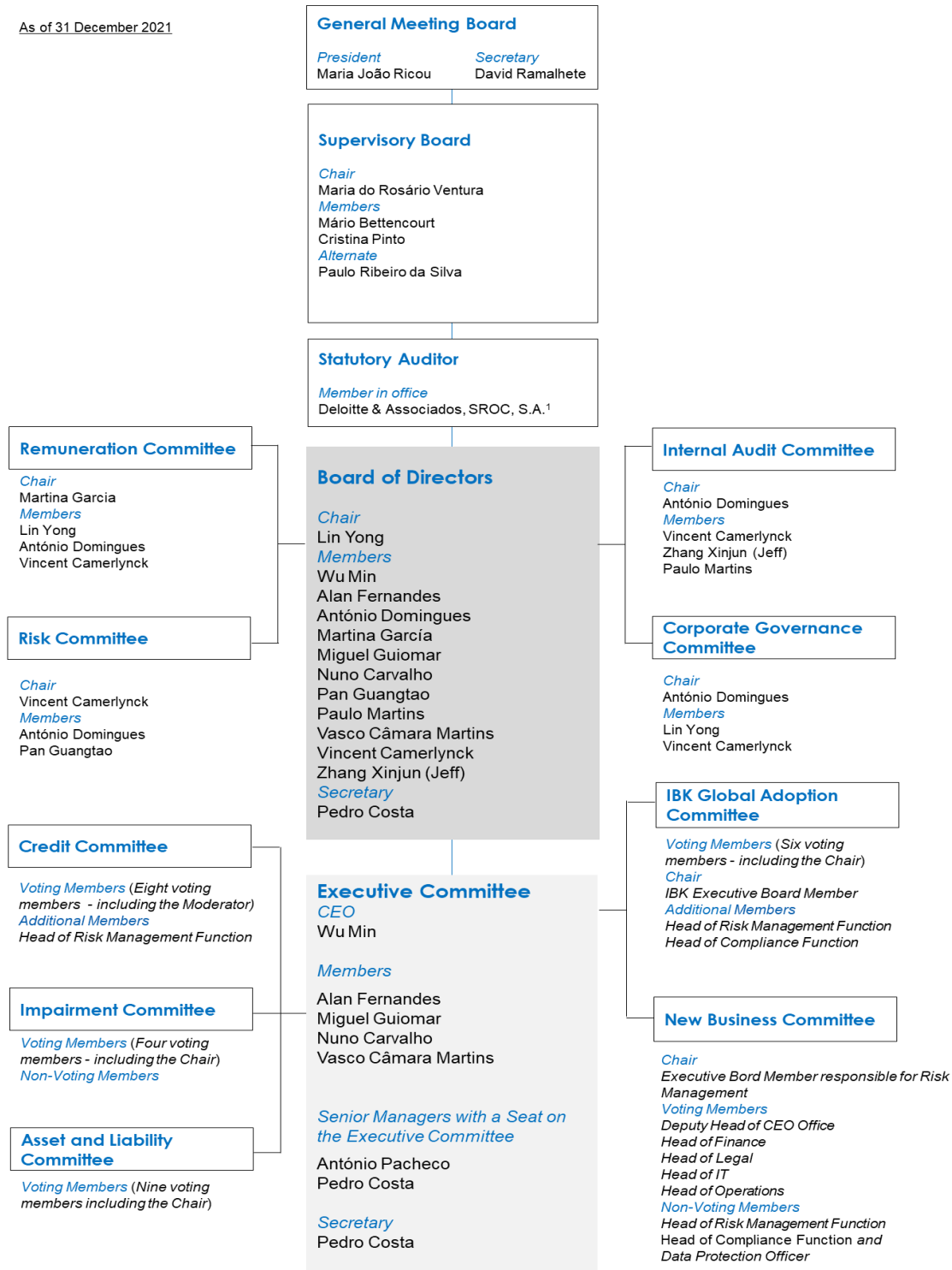
17 May 2022

9. LIST OF SHAREHOLDERS OF HAITONG BANK WITH QUALIFYING HOLDINGS

Haitong International Holdings Limited – 99.98% of share capital and voting rights.

10. MEMBERS OF COMPANY BOARDS OF HAITONG BANK

As of 31 December 2021



¹ Deloitte & Associados, SROC, S.A. nominated João Carlos Henriques Gomes Ferreira

Members of the Management of the Macau Branch

General Manager

Lu Xiaoli

Branch Managers

Luís Valença Pinto

André Castanheira Pinto

11. HAITONG BANK CONSOLIDATED INCOME STATEMENT FOR THE FINANCIAL YEARS ENDED ON THE 31ST DECEMBER 2021 AND 2020

(thousand EUROS)

| | 31.12.2021 | 31.12.2020 |
|--|---------------|---------------|
| Interest and similar income | 76 878 | 62 093 |
| Interest and similar expenses | 47 251 | 35 418 |
| Financial margin | 29 627 | 26 675 |
| Fees and commissions income | 60 149 | 65 806 |
| Fees and commissions expenses | (4 339) | (5 713) |
| Net trading income | (18 939) | (15 093) |
| Net income from other financial instruments at fair value through profit or loss | 6 369 | 2 657 |
| Net gain/(loss) from derecognition of financial assets measured at fair value through other comprehensive income | (682) | 2 497 |
| Net gains/(losses) from hedge accounting | - | 1 |
| Net gains / (losses) from foreign exchange differences | 8 161 | 8 518 |
| Net gain/(loss) from derecognition of financial assets measured at amortised cost | 10 805 | 3 016 |
| Other operating income and expense | (1 915) | (6 437) |
| Operating Income | 89 236 | 81 927 |
| Employee costs | 37 326 | 34 135 |
| Administrative costs | 16 774 | 16 783 |
| Depreciations and amortisations | 6 296 | 7 258 |
| Provisions | 9 434 | 5 695 |
| Net impairment loss on financial assets | 10 984 | 6 730 |
| Operating expenses | 80 814 | 70 601 |
| Share of profit of associates | - | (379) |
| Profit / (Loss) before Income Tax | 8 422 | 10 947 |
| Income tax | | |
| Current tax | 2 954 | 2 161 |
| Deferred tax | 1 112 | 6 429 |
| | 4 066 | 8 590 |
| Net profit of continued operations | 4 356 | 2 357 |
| Net Profit / (Loss) for the year | 4 356 | 2 357 |
| Attributable to shareholders of the parent company | 3 552 | 1 641 |
| Attributable to non-controlling interests | 804 | 716 |
| | 4 356 | 2 357 |
| Basic Income per Share (in euros) | 0.02 | 0.01 |
| Diluted Income per Share (in euros) | 0.02 | 0.01 |

12. HAITONG BANK CONSOLIDATED STATEMENT FOR THE FINANCIAL POSITION AS AT THE 31 DECEMBER 2021 AND 2020

(thousand EUROS)

| | 31.12.2021 | 31.12.2020 |
|--|------------------|------------------|
| Assets | | |
| Cash and cash equivalents | 488 544 | 494 885 |
| Financial assets at fair value through profit or loss | 455 753 | 805 416 |
| Financial assets held for trading | 435 954 | 770 119 |
| Securities | 346 040 | 627 057 |
| Derivative financial assets | 89 914 | 143 062 |
| Non-trading financial assets mandatorily at fair value through profit or loss | 19 799 | 35 297 |
| Securities | 19 777 | 35 297 |
| Loans and advances to customers | 22 | - |
| Financial assets at fair value through other comprehensive income | 259 769 | 160 756 |
| Financial assets measured at amortised cost | 1 207 036 | 996 653 |
| Securities | 532 773 | 461 453 |
| Loans and advances to banks | 54 022 | 115 160 |
| Loans and advances to customers | 620 241 | 420 040 |
| Hedging derivatives | - | 151 |
| Non-current assets held-for-sale | 6 538 | 1 699 |
| Other tangible assets | 9 975 | 10 593 |
| Intangible assets | 3 618 | 4 658 |
| Tax assets | 120 051 | 118 189 |
| Current income tax assets | 24 819 | 22 490 |
| Deferred income tax assets | 95 232 | 95 699 |
| Other assets | 195 368 | 208 414 |
| Total Assets | 2 746 652 | 2 801 414 |
| Liabilities | | |
| Financial liabilities held for trading | 75 638 | 221 787 |
| Securities | 1 036 | 79 083 |
| Derivative financial liabilities | 74 602 | 142 704 |
| Financial liabilities measured at amortised cost | 1 950 147 | 1 870 363 |
| Resources of credit institutions | 759 397 | 577 996 |
| Resources of customers | 1 164 000 | 1 227 505 |
| Debt securities issued | 26 750 | 64 862 |
| Provisions | 19 939 | 20 923 |
| Tax liabilities | 7 568 | 6 519 |
| Current income tax liabilities | 7 267 | 5 189 |
| Deferred income tax liabilities | 301 | 1 330 |
| Other liabilities | 86 513 | 83 733 |
| Total Liabilities | 2 139 805 | 2 203 325 |
| Equity | | |
| Share capital | 844 769 | 844 769 |
| Share premium | 8 796 | 8 796 |
| Other equity instruments | 108 773 | 108 773 |
| Fair-value reserves | (1 926) | (1 391) |
| Other reserves and retained earnings | (376 071) | (383 292) |
| Net profit/(loss) for the year attributable shareholders of the parent company | 3 552 | 1 641 |
| Total equity attributable to the shareholders of the parent company | 587 893 | 579 296 |
| Non-controlling interests | 18 954 | 18 793 |
| Total Equity | 606 847 | 598 089 |
| Total Equity and Liabilities | 2 746 652 | 2 801 414 |

13. CONSOLIDATED CAPITAL ADEQUACY RATIO OF HAITONG BANK

As at December 2021, Haitong Bank capital ratios were calculated under the CRR II (Regulation EU n° 876/2019 amending Regulation EU no. 575/2013) and CRD V (Directive EU no. 878/2019 amending Directive EU no. 2013/36/EU).

The Standard Approach on both a transitional and fully-loaded basis is shown in the following table.

| | DECEMBER 2021 | | DECEMBER 2020 | |
|---------------------|---------------|--------------|---------------|--------------|
| | PHASED-IN | FULLY-LOADED | PHASED-IN | FULLY-LOADED |
| CET1 ratio | 18.9% | 18.8% | 22.7% | 22.6% |
| Tier 1 ratio | 23.5% | 23.4% | 28.4% | 28.3% |
| Total capital ratio | 23.6% | 23.5% | 28.5% | 28.4% |

14. RELATED PARTY TRANSACTIONS (SUMMARY)

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

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

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

| (MOP) | | | | | |
|--------------------|--------------|-----------|------------------------|-------------|---------------|
| RELATED PARTIES | | | | | DECEMBER 2021 |
| | ASSETS | | HEAD OFFICE ACCOUNT | LIABILITIES | PROFIT |
| | OTHER ASSETS | TOTAL | | | |
| Head Office | | | | | |
| Haitong Bank, S.A. | 6 995 785 | 6 995 785 | 50 000 000 | 3 144 063 | 8 696 203 |
| TOTAL | 6 995 785 | 6 995 785 | 50 000 000 | 3 144 063 | 8 696 203 |

15. OFF BALANCE SHEET EXPOSURES OTHER THAN DERIVATIVES

The Macau Branch has no off-balance sheet exposures.

(thousand MOP)

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

16. DERIVATIVES TRANSACTIONS

The Macau Branch has no derivative balances.

(thousand MOP)

| DERIVATIVES TRANSACTIONS | 31 DECEMBER 2021 |
|--------------------------|------------------|
| Exchange rate contracts | - |
| Interest rate contract | - |
| Equities contracts | - |
| Commodities contracts | - |
| Others | - |

(thousand MOP)

| CREDIT RISK WEIGHTED AMOUNTS OF DERIVATIVES | 31 DECEMBER 2021 |
|---|------------------|
| Exchange rate contracts | - |

17. CREDIT RISK

Credit risk is the potential financial loss arising from the failure of an obligor or counterparty to honour its contractual obligation.

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

Past Due and Default exposures at Haitong Bank are defined as follows.

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

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

The table below reflects credit risk geographic distribution exposures of the Macau Branch as at 31 December 2021:

| GEOGRAPHIC DISTRIBUTION OF EXPOSURES | | | | | | (thousand MOP) |
|--------------------------------------|--------------------------------|---------------|----------------|--|---------------------------------------|------------------|
| OF WHICH | | | | | | 31 DECEMBER 2021 |
| Countries and Regions | Loan and advances to customers | Overdue loans | Impaired loans | Individually assessed impairment provision | Additional provision under AMCM rules | |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |

The table below reflects credit risk industry distribution exposures of the Macau Branch as at 31 December 2021:

| INDUSTRY DISTRIBUTION OF EXPOSURES | | (thousand MOP) |
|--|--|------------------|
| | | 31 DECEMBER 2021 |
| Manufacturing | | - |
| Electricity, gas and water | | - |
| Construction and public works | | - |
| Trade (wholesale and retail) | | - |
| Restaurants, hotels and related activities | | - |
| Transport, warehouse and communications | | - |
| Individuals for house purchases | | - |
| Individuals for other purposes | | - |
| Others | | - |
| Total | | - |

The table below reflects credit risk maturity analysis on assets and liabilities of the Macau Branch as at 31 December 2021:

(thousand MOP)

| MATURITY ANALYSIS ON ASSETS AND LIABILITIES | | | | | | | | 31 DECEMBER 2021 |
|---|-----------|----------------|---------------------|--------------------|-------------------|-----------|-------------------|------------------|
| Assets | On demand | Within 1 month | >1 Month < 3 months | >3 Months < 1 Year | >1 Year < 3 Years | < 3 years | Indefinite period | |
| Loans and advances to customers; | - | - | - | - | - | - | - | - |
| Deposits with AMCM | 100 | - | - | - | - | - | - | - |
| Cash and balances with and loans and advances to banks; | 57 574 | - | - | - | - | - | - | - |
| Certificates of deposit held; | - | - | - | - | - | - | - | - |
| Securities issued by Macao SAR Government and/or AMCM; | - | - | - | - | - | - | - | - |
| Other securities; | - | - | - | - | - | - | - | - |
| Total | 57 674 | - | - | - | - | - | - | - |
| Liabilities | On demand | Within 1 month | >1 Month < 3 months | >3 Months < 1 Year | >1 Year < 3 Years | < 3 years | Indefinite period | |
| Deposits and balances of banks and financial institutions | - | - | - | - | - | - | - | - |
| Deposits from public sector entities | - | - | - | - | - | - | - | - |
| Deposits from holding and associated companies | - | - | - | - | - | - | - | - |
| Deposits from non-bank customers | - | - | - | - | - | - | - | - |
| Certificates of deposits issued | - | - | - | - | - | - | - | - |
| Other securities issued | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - | - |

The table below reflects the credit risk analysis on past due assets of the Macau Branch as at 31 December 2021:

(thousand MOP)

| LOANS AND ADVANCES TO BANKS THAT HAVE BEEN PAST DUE FOR PERIODS OF: | % OF TOTAL LOANS | AMOUNT |
|---|------------------|--------|
| more than 3 months but not more than 6 months | - | - |
| more than 6 months but not more than 1 year | - | - |
| more than 1 year | - | - |
| Total | - | - |
| Collateral | | - |
| Specific Provisions | | - |

(thousand MOP)

| LOANS AND ADVANCES TO NON-BANK CUSTOMERS THAT HAVE BEEN PAST DUE FOR PERIODS OF: | % OF TOTAL LOANS | AMOUNT |
|--|------------------|--------|
| more than 3 months but not more than 6 months | - | - |
| more than 6 months but not more than 1 year | - | - |
| more than 1 year | - | - |
| Total | - | - |
| Collateral | | - |
| Specific Provisions | | - |

18. MARKET RISK / FOREIGN EXCHANGE RISK

Market risk corresponds to the possibility of occurrence of losses in on- and off-balance sheet positions resulting from adverse movements in market prices, such as equity, interest rates or foreign exchange rates and credit spreads.

In the development of its activities, the Macau Branch is mainly exposed to variations in foreign exchange.

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

The Macau Branch has the following analysis of foreign currency at the balance sheet date:

| | (thousand MOP) | | |
|---|----------------|--------------|--------------|
| | 31.12.2021 | | |
| | EUR | USD | HKD |
| Cash and equivalents | 8 696 | | |
| Other assets | - | 6 965 | (762) |
| TOTAL (net open positions long or short) | 8 696 | 6 965 | (762) |

19. INTEREST RATE RISK

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

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

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

Main interest rate risk in the banking book metrics

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

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

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

- ⌘ **Net interest income and its sensitivity:** Net interest income is calculated as the difference between the interest income as percentage of assets and the interest cost of the liabilities of the banking book in a determined time horizon (the Bank's standard being one year). Its sensitivity reflects the impact of changes in interest rates on net interest income in the given time horizon. Net interest income sensitivity is calculated as the difference between the net interest income in a selected scenario and the net interest income in the baseline scenario. Therefore, the net interest income can have as many sensitivities as scenarios considered. This metric enables the identification of short-term risk, and supplements economic value of equity (EVE) sensitivity.

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

Methodologies

For the economic value, Haitong Bank uses a run-off balance sheet, where existing assets and liabilities are not replaced as they mature, whether for earnings metrics, Haitong Bank follows a stable balance sheet model, where maturing contracts are replace like for like, but with rates equal to be forward rates at the time of maturing.

Other assumptions used in both calculations are as follows:

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

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

20. OPERATIONAL RISK

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

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

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

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

- ⊕ Identification and assessment of processes, risks and controls through risk and control self-assessment exercises;
- ⊕ Identification and assessment of operational risks in new products, services and in the Bank's IT environment, including the need to implement new controls to mitigate identified risks;
- ⊕ Identification, analysis and reporting of operational risk events;
- ⊕ Monitoring risk through a selected set of risk indicators;
- ⊕ Calculation of capital requirements in accordance with the Standardized Approach; and
- ⊕ Reporting of operational risk events to permit their full and systematic categorization and the monitoring of follow-up mitigation actions. Every event is classified in accordance with the risk categories defined in the Bank of Portugal's Risk Assessment Model, by business lines and by Basel event types.

As at 31 December 2021, the Macau Branch has no record of operational risk events.

21. LIQUIDITY RISK

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

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

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

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

- ⊕ Ensure the ability to meet obligations as they come due in a timely manner and at a reasonable cost;
- ⊕ Comply with regulatory standards on liquidity in each geography the Bank operates in;

- ⊕ Ensure full alignment with liquidity and funding risk appetite;
- ⊕ Make available a sufficient immediate liquidity buffer to ensure the ability to react to any event of stress that could restrict the ability to access financial markets under both normal and stressed conditions;
- ⊕ Develop a diversified investor base and maintain access to a variety of alternative funding sources, while minimising the cost of funding; and
- ⊕ Continuously develop an appropriate internal framework for the identification, measurement, limitation, monitoring and mitigation of liquidity risk.

The table below reflects the liquidity risk indicators of the Macau Branch as at 31 December 2021.

| | | (thousand MOP) |
|---|--|------------------|
| LIQUIDITY RISK INDICATORS | | 31 DECEMBER 2021 |
| Arithmetic mean of the minimum weekly amount of cash in hand that is required to be held during the year | | 6 |
| Arithmetic mean of the average weekly amount of cash in hand during the year | | 100 |
| Arithmetic mean of the specified liquid assets at the end of each month during the year | | 39 386 |
| Average ratio of specified liquid asset to total basic liabilities at the end of each month during the year | | 8 452.41% |
| Arithmetic mean of its one-month liquidity ratio in the last week of each month during the year | | - |
| Arithmetic mean of its three-month liquidity ratio in the last week of each month during the year | | - |