2015 ANNUAL REPORT

A NEW LANGUAGE
IN THE FINANCIAL WORLD

HAITONG

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JOINT MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

The process of acquisition of Banco Espírito Santo de Investimento S.A. by Haitong Securities Co., Ltd. (through its fully-owned subsidiary Haitong International Holdings Limited) was concluded on 7 September 2015. This marked a new beginning for the Bank, bringing together two institutions with the common ambition to become one of the world's leading investment banks within the next decade.

The Bank's name was changed to Haitong Bank, S.A. and the Haitong brand is now used in all the institution's daily dealings.

Haitong Securities is currently the second largest investment bank in China, a high-growth region globally. They are set to expand their presence in the EMEA (Europe, Middle East and Africa) region, as well as in India and the Americas.

The new Shareholder brought immediate gains for the development of the Bank's activity, namely:

- Reinstating Haitong Bank's rating to BB- with a positive outlook, the best rating level within the Portuguese banking sector, as a result of S&P considered Haitong Bank as a "strategically important" subsidiary of Haitong Securities;
- The reopening funding lines.

At the end of the year, Haitong Securities once again showed its commitment to the Bank's development plan, reinforcing its financial strength through a EUR 100 million capital increase.

The last four months of the year were of significant work on Haitong Bank's process of integration and reorganisation.

In operational terms, the Bank maintained its focus on growing fee-generating activities and on the implementation of the new 'Originate-to-Distribute' model, channelling efforts into the expansion of distribution capacity in the world's most important financial markets (London and New York).

Haitong Bank's business model was reshaped according to international best practice and aligned to its Shareholder's business structure. The business model is now based on four main areas: Investment Banking, Markets, Structured Finance and Wealth and Fund Management.

Moreover, the Bank started a process of identifying and developing potential synergies with their new Shareholder. This will require a very close level of cooperation amongst the various teams, and will be critical for the medium-term objectives established by Haitong Securities to be met.

The process of obtaining the necessary authorisations to close the acquisition was longer than was initially foreseen, which significantly impacted the development of the Bank's activity during 2015.

Despite the improvement in Operating Costs, which decreased by 12.3% year-on-year, Banking Income was down 45.6% against 2014, to EUR 135.8 million. Impairments and Provisions, reached EUR 38.9 million, and underpinned a net loss for the year of EUR 35.4 million. This was still a substantially better result than for the prior year.

The outlook for next year is positive but strewn with challenges. Our Shareholder maintains its ambition to grow outside the Asian market, a strategy where Haitong Bank is set to play a prominent role. This represents a unique opportunity to reinforce our franchise in the Investment Banking, Markets and Structured Finance activities, mainly in the EMEA, India and Americas regions, and to expand our activity in the Wealth and Fund Management business.

Our first words of recognition go to our Shareholder Haitong Securities, which we thank for the trust they have put into this institution and the support received during 2015. It is with a sense of pride that we reaffirm our commitment to make this Bank resume the levels of growth and profitability, which were always its hallmark.

To our Employees, we thank them not only for their contribution and professionalism during the long period of transition of our shareholder, but also for the trust and commitment which they continue to demonstrate in this new stage of Haitong Bank.

To our Clients, we reiterate our commitment to continue to provide a service of excellence. Today, we are the only bank with a truly Portuguese-Chinese origin allowing us to offer a differentiating and innovative service.

We also express our appreciation to our Supervisory Board and our Auditors for their contribution to the continuous improvement of the quality levels of the Bank's financial reporting and management.

To the Bank of Portugal, the Portuguese Securities Market Commission and the supervision authorities in the countries where we are present, we thank them for their constant cooperation and trust.

Hiroki Miyazato

Chairman of the Board of Directors

José Maria Ricciardi

Chief Executive Officer

1. GOVERNANCE

CORPORATE BODIES

GENERAL MEETING BOARD

Chairman[1]

Secretary

José Miguel Alecrim Duarte

BOARD OF DIRECTORS

Chairman

Hiroki Miyazato[2]

Vice-Chairmen

José Maria Ricciardi

Rafael Caldeira de Castel-Branco Valverde

Miguel António Igrejas Horta e Costa

Members

Alan do Amaral Fernandes

Christian Georges Jacques Minzolini

Félix Aguirre Cabanyes

Frederico dos Reis de Arrochela Alegria

Luis Miguel Pina Alves Luna Vaz

Mo Yiu Poon[3]

Pan Guangtao[4]

Paulo José Lameiras Martins

Tiago Vaz Pinto Cyrne de Castro

[1] Vacant due to the resignation of the former holder

[2, 3, 4] Messrs Hiroki Miyazato and Mo Yiu Poon were appointed members of the Board of Directors by a resolution of the General Meeting held on 7 September 2015 and took office on 4 December 2015, following the authorisation of the Bank of Portugal, and will serve their term until the end of the current mandate (2013 - 2016). The Bank of Portugal also authorised Mr. Pan Guangtao to take office as member of the Board of Directors.

SUPERVISORY BOARD

Permanent Members

José Manuel Macedo Pereira (Chairman)

Tito Manuel das Neves Magalhães Basto

Mário Paulo Bettencourt de Oliveira

Deputy Member

Paulo Ribeiro da Silva

EXECUTIVE COMMITTEE

Chief Executive Officer (CEO)

José Maria Ricciardi

Members

Hiroki Miyazato

Rafael Caldeira de Castel-Branco Valverde

Alan do Amaral Fernandes

Christian Georges Jacques Minzolini

Félix Aguirre Cabanyes

Frederico dos Reis de Arrochela Alegria

Luís Miguel Pina Alves Luna Vaz

Mo Yiu Poon

Paulo José Lameiras Martins

Tiago Vaz Pinto Cyrne de Castro

Senior Managing Directors with a seat in the Executive Committee

José Luís de Saldanha Ferreira Pinto Basto

Nuno David Fernandes Cardoso

Pedro Miguel Cordovil Toscano Rico

Executive Committee Secretary

Patrícia Salgado Goldschmidt Catanho Meneses

Statutory Auditors

Amável Calhau, Ribeiro da Cunha e Associados

– Sociedade de Revisores Oficiais de Contas

represented by José Maria Rego Ribeiro da Cunha

Senior Managing Directors

Anibal Paçó
Bartlomiej Dmitruk
Carlos Ferreira Pinto
Carlos Guzzo
Carlos Nogueira
Carolina Ibañez
Cristina Frazão
Dennis Holtzapffel
Fernando Castro Solla
Filipa Schubeius
George Mathew
João Baptista Pereira
José Gabriel
José Miguel Rego
Krzysztof Rosa
Leonor Dantas
Lucas Martínez
Luís Sousa Santos
Luís Vasconcelos
Mércia Bruno
Miguel Guiomar
Miguel Lins
Miguel Moreno
Patrícia Goldschmidt
Paulo Araújo
Paul Frost-Smith
Paul Heatlie
Pedro Costa
Pedro Ventaneira
Ricardo Domenech
Roberto Simões
Rodrigo Carvalho
Rui Baptista
Rui Borges de Sousa
Rui Trindade de Sousa
Sílvia Costa
Thomas Friebel
Vasco Câmara Martins

Product Divisions and Departments

PRODUCT DIVISIONS

CLIENT COVERAGE

Pedro Toscano Rico (Portugal)

Carolina Ibañez (Spain)

Paulo Araújo (UK)

Lukasz Pierzkala (Poland)

Miguel Lins (Brazil)

Daniel Pyne (USA and Mexico)

George Mathew (India)

SECTOR COVERAGE

Miguel Borges (International Financial Sponsors)

Fabio Genovese (Financial Institutions Group)

FINANCIAL INSTITUTIONS COVERAGE

Paulo Neves

MERGERS & ACQUISITIONS

Leonor Dantas / Luís Vasconcelos (Portugal)

José Miguel Rego (Spain)

Christian Thun-Hohenstein / Paulo Barradas / John Riddell (UK)

Bartlomiej Dmitruk (Poland)

Daniela Pineli (Brazil)

Daniel Pyne (USA and Mexico)

George Mathew (India)

MID CAP FINANCIAL ADVISORY

Leonor Dantas

CAPITAL MARKETS (ECM / DCM)

Sílvia Costa (Portugal and Spain)

Christian Thun-Hohenstein / Manny Chohhan (UK)

Bartlomiej Dmitruk / Maciej Jacenko /Jaroslaw Riopka (Poland)

Miguel Guiomar (Brazil)

Dennis Holtzapffel (USA and Mexico)

George Mathew (India)

PROJECT FINANCE

Luís Sousa Santos (Iberia)

Robin Earle (UK)

Silvan Suassuna / Georgia Marques (Brazil)

Nuno Cardoso (USA and Mexico)

ACQUISITION FINANCE AND OTHER CREDITS

Rui Baptista (Europe)

Silvan Suassuna (Brazil)

Nuno Cardoso (USA and Mexico)

EQUITIES

Trading & Sales

João Baptista Pereira (Iberia)

Paul Frost-Smith (UK)

Szymon Ozog (Poland)

Álvaro Maia (Brazil)

Rodrigo Carvalho (USA)

George Mathew (India)

Research

Filipe Rosa (Equity Research – Iberia)

Nick Wilson (Equity Research - Europe)

Konrad Księżopolski (Equity Research - Poland)

Pedro Fonseca (Equity Research – Brazil)

Santosh Singh (Equity Research – India)

DERIVATIVES

Paul Frost-Smith (UK)

GLOBAL MARKETS

Rui Borges de Sousa (Iberia)

Clemens Lansing (UK)

Krzysztof Rosa (Poland)

Roberto Simões (Brazil)

FIXED INCOME

Carlos Ferreira Pinto (Portugal) – Global Coordinator

Sílvia Nadelar (Spain)

Dean Tyler (UK)

Krzysztof Rosa (Poland)

Roberto Simões (Brazil)

Rodrigo Carvalho (USA and Mexico)

Sandra Utsumi (European Economics Research)

ASSET MANAGEMENT

Fernando Castro Solla

WEALTH MANAGEMENT

Miguel Moreno

PRIVATE EQUITY

José Pinto Basto

TREASURY

Carlos Nogueira (Portugal)

Krzysztof Rosa (Poland)

Roberto Simões (Brazil)

GLOBAL LOAN SYNDICATION

Lucas Martinez Vuillier (Europe)

Thomas Friebel (Americas)

CAPITAL STRUCTURE ADVISORY

Cristina Frazão (Portugal, Spain and Poland)

DEPARTMENTS

INTERNAL AUDIT

Nuno Pignatelli Pereira

COMPLIANCE

Patrícia Salgado Goldschmidt

PROCUREMENT

Carlos Calqueiro

CORPORATE COMMUNICATION AND IMAGE

Nádia Novais

Pedro Pereira Santos

ACCOUNTING

Pedro Ventaneira

António Pacheco

INFORMATION AND DOCUMENTATION

Paula Ramalhete

MANAGEMENT INFORMATION

Pedro Ventaneira

António Pacheco

INFORMATION TECHNOLOGY

Rui Trindade de Sousa

LEGAL

Patrícia Salgado Goldschmidt

OPERATIONS

Rui Trindade de Sousa

João Pereira da Silva

ORGANISATIONAL RESOURCES

José Gabriel

CORPORATE DEVELOPMENT

José Pinto Basto

HUMAN RESOURCES

José Gabriel

Aníbal Paçó

RISK - CREDIT RISK ANALYSIS

Filipa Schubeius

RISK - RISK CONTROL

Pedro Ventaneira

BRANCHES, SUBSIDIARIES AND REPRESENTATIVE OFFICES

BRANCHES

HAITONG BANK, S.A. – SPAIN BRANCH

Félix Aguirre Cabanyes

Ricardo Domenech Zamora

HAITONG BANK, S.A. – LONDON BRANCH

Pedro Alexandre Martins Costa[5]

Mark David Sims[6]

HAITONG BANK, S.A. – WARSAW BRANCH

Krzysztof Rosa

Bartlomiej Dmitruk

HAITONG BANK, S.A. – NEW YORK BRANCH

Nuno David Fernandes Cardoso

Pedro Miguel Cordovil Toscano Rico

HAITONG BANCO DE INVESTIMENTO DO BRASIL, S.A. - CAYMAN BRANCH

Frederico dos Reis de Arrochela Alegria

Mércia Carmeline Alves Bruno

[5] Taking office is dependent on registration by the Bank of Portugal

[6] Taking office is dependent on registration by the Bank of Portugal

SUBSIDIARIES

HAITONG BANCO DE INVESTIMENTO DO BRASIL, S.A. (BRAZIL)

Rafael Caldeira de Castel-Branco Valverde

HAITONG SECURITIES DO BRASIL CORRETORA DE CÂMBIO E VALORES MOBILIÁRIOS, S.A. (BRAZIL)

Rafael Caldeira de Castel-Branco Valverde

HAITONG DO BRASIL DTVM, S.A. (BRAZIL)

Rafael Caldeira de Castel-Branco Valverde

HAITONG CAPITAL - SOCIEDADE DE CAPITAL DE RISCO, S.A. (PORTUGAL)

Rafael Caldeira de Castel-Branco Valverde

HAITONG INVESTMENT IRELAND P.L.C. (IRELAND)

Tiago Vaz Pinto Cyrne de Castro

Carlos Manuel Fatal Pires Nogueira

John Patrick Andrew Madigan

HAITONG (UK) LIMITED (UNITED KINGDOM)

Luís Miguel Pina Alves Luna Vaz

Paul Frost-Smith

HAITONG SECURITIES (UK) LIMITED (UNITED KINGDOM)

Luís Miguel Pina Alves Luna Vaz

Paul Frost-Smith

HAITONG SECURITIES INDIA PRIVATE LIMITED (INDIA)

Luís Miguel Pina Alves Luna Vaz

George Mathew Verghese

LUSITANIA CAPITAL, S.A.P.I. DE C.V., SOFOM, E.N.R. (MEXICO)

Nuno David Fernandes Cardoso

Hugo Antonio Villalobos Velasco

Tiago Vaz Pinto Cyrne de Castro

REPRESENTATIVE OFFICES

MEXICO CITY

Hugo Antonio Villalobos Velasco

GERMANY

Mário Vieira de Carvalho

Executive Committee Responsibilities

The Board of Directors has, in its meeting held on 6 October 2015, resolved to change the composition of the Executive Committee and the distribution of functions among its members as follows:

Hiroki Miyazato

Chairman of the Board of Directors

Shareholder Relation
Strategic Development & New Acquisitions

José Maria Ricciardi

Chief Executive Officer

Legal
Compliance[7]
Internal Audit[8]
Human Resources
Corporate Image & Public Relations
Market & Institutional Relations
Management Information System
Budget & Accounting

Mo Yiu Poon

Chief Financial Officer

Treasury
Funding
Chairman of Capital, Asset and Liability Management (CALM)

Paulo Martins

Global Head of Investment Banking

Equity & Debt Capital Markets
Mergers & Acquisitions
Client Coverage
Financial Institutions Coverage
Iberia Regional Head

[7] All the control functions report to the Board of Directors
[8] All the control functions report to the Board of Directors

Global Head of Markets

Equities
Fixed Income
Derivatives
Global Markets
EMEA (except Iberia) and India Regional Head

Luis Luna Vaz

Global Head of Wealth and Fund Management

Asset Management
Wealth Management
Private Equity
Information & Documentation
Americas Regional Head (Brazil, USA and Mexico)

Rafael Valverde

Chief Risk Officer and Chief Operating Officer

Risk Management (Credit, Market and Operational Risk)[9]
Back-Office
IT Systems
Administrative
Credit Impairment
Chairman of Global Credit and Risk Committee (CCR)

Christian Minzolini

Global Head of Structured Finance

Project Finance
Acquisition Finance
Trade Finance
Other Credits

Alan Fernandes

[9] All the control functions report to the Board of Directors

Senior Country Officer of Spain

Félix Aguirre

Senior Country Officer of Cayman

Frederico Alegria

Senior Country Officer of Ireland

Tiago Cyrne de Castro

Capital Structure Advisory

Senior Managing Directors with a seat on the Executive Committee

Corporate Development Department — **José Pinto Basto**

Portugal Client Coverage Division — **Pedro Toscano Rico**

USA Client Coverage Division
USA Project Finance
USA Acquisition Finance — **Nuno Cardoso**

Principles and Values

Haitong Bank business is built upon the following set of Principles and Values:

Ownership

Our Managers and Employees identify with the Bank's mission and corporate values and have a strong sense of belonging to a team. Our people have a sense of ownership in the Bank's activities and participate intensely in its successes and failures. This involves a strong sense of responsibility in terms of performance and risks in relation to both the Bank and its Clients.

Client Orientation

We strive to maintain and develop Clients' trust by means of our professional attitude, and our intense focus on their need. We delight in exceeding expectations, by defining strategies to maximise value and establish true partnerships.

Excellence

We provide quality services and innovative and creative solutions. We constantly seek perfection by paying close attention to detail towards obtaining results that exceed expectations.

People Orientation

We treat Employees with dignity, respecting individual knowledge and skills. We continuously provide opportunities for personal and professional growth.

Learning Organisation

We practice an attitude of continuous learning and innovation, and promote the diversity of ideas and the sharing of information. We are constantly engaged in the search for greater knowledge, and strive to make the Bank a source of distinctive know-how and thought leadership.

Passion to Win

We are determined to keep growing and improving, using exceptional levels of energy and motivation.

Communication

We express our opinions and points of view objectively and clearly, while at the same time providing others with the space to affirm and express themselves. We aim to enhance the value of information through assertiveness and active listening, and create a non-hierarchical and open-door organization that values people at every level and embodies transparency.

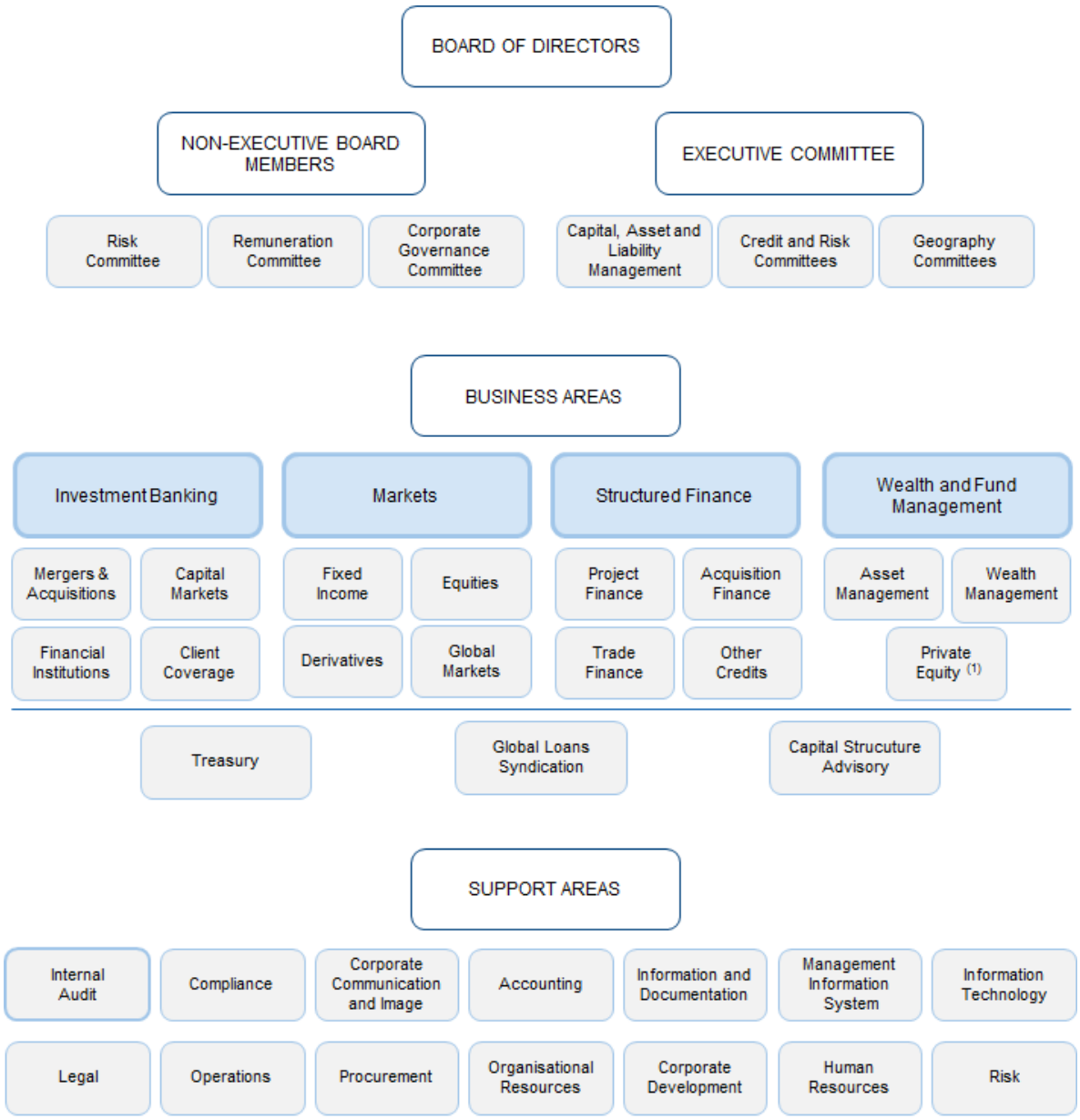
Think and Act Internationally

We stay abreast of global trends and use this knowledge to assess and estimate how global events may impact local business. At the same time, we respect the differences between the regions where the Bank operates, and honour the cultural practices in each.

Ethics and Transparency

We continuously align our corporate thought and behaviour to respond appropriately to the need for human solidarity and respect for human dignity. We respect local regulations and implement corporate rules when developing businesses, and always behave ethically in the best interests of the Bank. We maintain a high level of transparency in terms of annual reports, financial accounts and other corporate documents, and ensure that Employees, the Shareholder, Regulators, Clients and the market in general are provided with adequate information.

Organisational Chart



(1) Through Haitong Capital, S.A. subsidiary

2. EARNINGS DISTRIBUTION PROPOSAL

Considering that the individual income statement for the year ended on 31 December 2015 showed a net loss of EUR 43,176,896.49 (forty three million, one hundred seventy six thousand eight hundred ninety six euros and forty nine cents) the Board of Directors submits to the Annual General Meeting the following proposal for the distribution of the year's results:

- TO OTHER RESERVES AND RETAINED EARNINGS: EUR -43,176,896.49 (net loss of forty three million, one hundred seventy six thousand eight hundred ninety six euros and forty nine cents)
- TOTAL: EUR -43,176,896.49 (net loss of forty three million, one hundred seventy six thousand eight hundred ninety six euros and forty nine cents)

3. DECLARATION OF CONFORMITY

In accordance with Article 245, number 1, paragraph c, of the Portuguese Securities Code, the Members of the Board of Directors of Haitong Bank, S.A. hereby declare that, to the best of their knowledge:

a) The individual financial statements of Haitong Bank, S.A. for the year ended on 31 December 2015 were prepared in accordance with the legally applicable accounting standards and the Portuguese legislation, as set forth in Article 245, number 3, of the Portuguese Securities Code;

b) The consolidated financial statements of Haitong Bank, S.A. for the year ended on 31 December 2015 were prepared in accordance with the legally applicable accounting standards and with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of July 19th, as set forth in Article 245, number 3, of the Portuguese Securities Code;

c) The financial statements referred to in paragraphs a) and b) above give a true and fair view of Haitong Bank, S.A. and consolidated companies' assets, liabilities, equity and earnings;

d) The Management Report describes faithfully Haitong Bank, S.A. and consolidated companies' business evolution, performance and financial position for the year ended on 31 December 2015, and includes a description of the main risks and uncertainties that could affect the business.

Lisbon, 21 March 2016

Hiroki Miyazato
(Chairman of the Board of Directors
and Executive Board Member)

José Maria Ricciardi
(Vice-Chairman of the Board of Directors and
Chief Executive Officer)

Rafael Caldeira de Castel-Branco Valverde
(Vice-Chairman of the Board of Directors
and Executive Board Member)

Miguel António Igrejas Horta e Costa
(Vice-Chairman of the Board of Directors)

Alan do Amaral Fernandes
(Executive Board Member)

Christian Georges Jacques Minzolini
(Executive Board Member)

Félix Aguirre Cabanyes
(Executive Board Member)

Frederico dos Reis de Arrochela Alegria
(Executive Board Member)

Luís Miguel Pina Alves Luna Vaz
(Executive Board Member)

Mo Yiu Poon
(Executive Board Member)

Pan Guangtao
(Non-Executive Board Member)

Paulo José Lameiras Martins
(Executive Board Member)

Tiago Vaz Pinto Cyrne de Castro
(Executive Board Member)

4. GLOBAL STRATEGY AND MAIN DEVELOPMENTS

GLOBAL STRATEGY

The acquisition by Haitong Securities Co., Ltd. marked a new beginning for the Bank, bringing together two institutions with the common ambition to become one of the world's leading investment banks within the next decade.

Haitong Bank's financial services platform worldwide is very well positioned to link the interests of China, the Emerging Markets and the main financial hubs of New York, London, Singapore and Hong-Kong, combining its expertise and multi-regional footprint with Haitong Securities' market leading position in Asia. The Bank main focus is to help Haitong Securities to explore global cross-border ambitions.

Haitong Bank has the following main strategic guidelines:

- **'Originate to Distribute' Model**

  Haitong Bank is improving its business model to one focused on stronger distribution capabilities in the main financial hubs (UK and USA), demanding faster balance sheet rotation and allowing to extract value from assets more efficiently.

- **Fee Business Focus**

  The fee generating activities will drive the Bank's income for the future, with special focus on Investment Banking and Markets activities. Structured Finance will evolve into adopting an asset lighter credit model and alternative financing structures to support fee business. Wealth and Fund Management fee business will be expanded in terms of products, services and size of Assets under Management.

- **Reshape the Organization**

  A new 4 pillar operating structure with Investment Banking, Markets, Structured Finance and Wealth and Fund Management being each of the pillars, has been adopted during the last quarter of 2015. Haitong Bank is now shaped to better support cross-selling within and between pillars, both internally and in cooperation with its shareholder. The new structure has also adopted stronger practices in terms of Governance, Compliance, Audit and Risk Management.

- **Synergies with Shareholder**

  Haitong Bank will play a major role in connecting Asia with the Emerging and Developed markets in the West. Strong synergies with Haitong Securities and Haitong International are expected through integration and collaboration. New potential Clients, markets and businesses will be developed in close commercial relationship with our partner and shareholder.

- **Improve Operating Efficiency and return to Profitability**

  Haitong Bank has a strong commitment to operating efficiency and prudent cost management. Following a period of adjustments, Haitong Bank is in a good position to return to the profitability that historically the organization has always generated.

Corporate Events

- In March 2015 Mr. Francisco Ravara Cary handed in his resignation as Vice-Chairman of the Bank's Board of Directors.
- In April 2015 Mr. Pedro Mosqueira do Amaral handed in his resignation as member of the Bank's Board of Directors.
- In April 2015 Messrs. Duarte José Borges Coutinho Espírito Santo Silva and João Filipe Espírito Santo Brito e Cunha resigned their positions as members of the Bank's Board of Directors.
- In June 2015 Mr. Bernard Marcel Basecqz handed in his resignation as member of the Bank's Board of Directors.
- In July 2015 Mr. Philippe Gilles Fernand Guiral handed in his resignation as member of the Bank's Board of Directors.
- In September 2015 the entire share capital of the Bank was purchased by Haitong International Holdings Limited, a Hong-Kong based subsidiary of Haitong Securities Co., Ltd..
- In September 2015 the Bank changed its name to Haitong Bank, S.A..
- In December 2015 the Bank of Portugal authorised Messrs. Hiroki Miyazato, Pan Guangtao and Mo Yiu Poon to take office as members of the Bank's Board of Directors, the first as Chairman, and they will remain in office until the end of the current mandate (2013-2016).
- In December 2015 the Bank's share capital was increased by EUR 100,000,000.00, to a total of EUR 426,269,000.00. This capital increase was fully subscribed and paid up by the Bank's controlling shareholder, Haitong International Holdings Limited, a Hong-Kong based subsidiary of Haitong Securities Co., Ltd..
- Within the scope of the de-banking process taking place in the US, in July 2015 Haitong Bank submitted a request to open a Representative Office in New York. On 6 January 2016 the New York Department of Financial Services (NYDFS) informed Haitong Bank that this request had been approved.
- Upon authorization from the Bank of Portugal, Haitong Securities USA was incorporated on 30 September 2015, in the United States, 100% owned by Haitong Bank, S.A., which will request to the competent American authorities permission to operate in those markets as a broker dealer. This company's initial capital in the amount of USD 300,000 was realized on 20 January 2016. This company is expected to begin operations in 2016.

Economic Environment

2015 was marked by a slight deceleration of global economic activity, with GDP growth sliding from 3.4% to 3.1%. This was mainly due to the slackening pace of the emerging economies, notably China, but also several others in Asia and Latin America. In China, GDP growth slowed from 7.3% to 6.9%. This performance may be linked to an intended shift in the growth pattern of the last few years, on one hand, because the Chinese authorities are now discouraging credit and investment and promoting the reduction of indebtedness, and on the other hand with an increase in the contribution of private consumption to growth and a reduction of surplus capacity in some industry sectors, including real estate. Simultaneously, the renminbi has been depreciating, losing around 4.4% against the USD to around USD/CNY 6.49 in 2015, the year when the Chinese currency was integrated in the IMF's Special Drawing Rights basket. The Central Bank of China (PBoC) made five corrections in the 1-Year Lending Rate (the benchmark rate), cutting it from 5.6% to 4.35%, and lowered the reserve requirement ratio from 20% to 17.5%.

The contraction in Chinese demand targeting several emerging markets, allied to the impacts of falling commodity prices, and in some cases, the difficulties caused by macroeconomic imbalances (high inflation, large deficits, capital outflows) were some of the factors behind the emerging markets' poor performance.

In Brazil, the escalation of inflationary pressures (average inflation hiked to 10.7% vs a target of 6.5%), combined with the depreciation trajectory of the real (down 33.2% against the dollar), led the Central Bank of Brazil to raise the SELIC rate from 11.75% to 14.25%. Caught in an adverse scenario at home and abroad, the Brazilian economy contracted by 3.7% in 2016. The deterioration of the public accounts and rising political instability in the country led to the downgrade of Brazil's sovereign rating, namely with Standard & Poor’s cutting it from BBB- to BB+ in September.

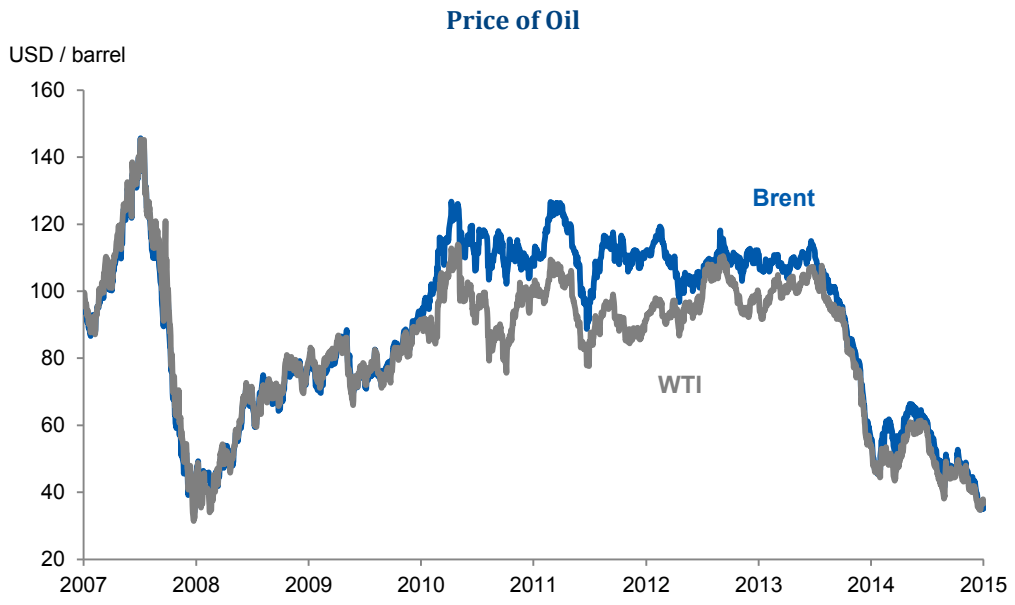
India was an exception within this gloomier context in the emerging markets: it grew by 7.4% in 2015, maintaining the pace of expansion observed in the previous year. In terms of prices, inflationary pressures subsided, with the average annual inflation rate declining to 5.4%. This allowed the Central Bank of India to gradually trim the benchmark rate, from 8% down to 6.75%. On the foreign exchange market, and in line with the trend for most of the other emerging markets' currencies, the rupee fell against the dollar by 4.5%, to USD/INR 66.23.

Mexico's economy grew by 2.5% in 2015, after rising by 2.3% in 2014, mainly supported by the buoyancy of the services sector. Price moderation over the year largely followed the drop in the price of oil and other commodities, with the average inflation rate for the year standing at 2.7%. After the North-American Federal Reserve raised the range for the fed funds rate in December, the Central Bank of Mexico lifted the benchmark rate from 3% to 3.25%, in an effort to restrain the depreciation trend of the peso against the dollar, which reached 14.4% in the year.

In the developed economies, and in particular in the United States and the Eurozone, the cyclical recovery mainly relied on domestic demand, while also benefiting from falling oil prices, progress in economic agents' balance sheet adjustments, improving financing conditions (linked to ever stronger monetary stimuli) and greater support from the monetary policy. Supported by an expansionary monetary policy, a less restrictive fiscal policy and a sharp fall in the price of oil, the United States' GDP growth remained flat at around 2.4%. In the Eurozone, GDP growth quickened from 0.9% to around 1.5%, fuelled by the good performance of domestic demand, which made up for weaker external demand.

This was however insufficient to allay fears about deflationary pressures. In the United States inflation fell back from 1.6% to 0.1%. In Europe, inflation contracted from 0.4% to 0%, forcing the European Central Bank (ECB) to announce new monetary stimuli. In order to promote the return of inflation to levels consistent with medium-term price stability, the ECB announced in December a

further cut in the rate on banks' deposit facility with the ECB (from -0.20% to -0.30%) and the extension of the asset purchase programme (APP) up to March 2017, raising its global amount to EUR 1.46 trillion. In addition, it decided to include in the public sector purchase programme the debt instruments issued by regional and local governments and to reinvest the principal payments on the securities purchased under the APP as they mature.



Source: Bloomberg.

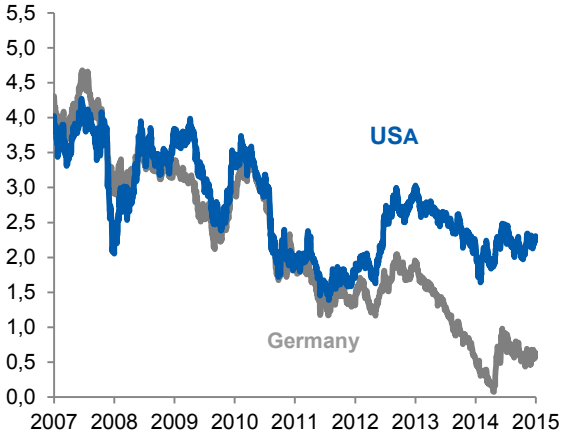
Besides the low pressure of wages on prices, the behaviour of inflation in 2015 is also explained by the fall of nearly 36% in the price of oil (Brent), with the market for this commodity continuing to show surplus supply. In this context, market interest rates remained very subdued. The yields on the 10-year Treasuries and *Bunds* rose from 2.17% to 2.27% and from 0.54% to 0.63%, respectively. In the Eurozone, where the ECB maintained an easing bias, the 3-month Euribor receded from 0.08% to -0.13%. On the other hand, in the USA, where the Federal Reserve lifted the benchmark rates for the first time in nearly nine years (by 25 basis points in December to a range of 0.25% to 0.5%), the 3-month USD Libor rate inched up from 0.26% to 0.61%. This divergent stance between the Fed and the ECB caused the dollar to appreciate (+11.4% vs. euro, to around EUR/USD 1.09). This context, to which added political or geopolitical factors (e.g. Greek crisis, extremisms in Europe, instability in the Middle East) fuelled spikes of volatility in the financial markets.

In the United Kingdom GDP grew by 2.2% in 2015. Growth was mainly driven by domestic demand and in particular by private consumption, as real disposable income was swelled by an improvement in the labour market and very low inflation (0% in the whole year). The Bank of England kept the base rate unchanged at 0.50%, where it has stood since March 2009. The pound's rising trend (+5.3% in the year) was one of the factors contributing to the absence of inflationary strains.

Likewise in Poland domestic demand drove the growth of the economy, with GDP rising by 3.5% in 2015. In a context of falling prices that pushed down average annual inflation to -0.9%, mainly visible at the start of the year, the Central Bank of Poland cut the main benchmark rate in March from 2% to 1.5%. On the foreign exchange front, the zloty slightly appreciated against the euro (0.4%).

This resulted from two disparate movements: up to April the currency sharply appreciated (reaching a peak of EUR/PLN 4.00) while as from May it started to depreciate, in line with the increase in political risk and rising expectations that the North-American Federal Reserve was about to start increasing interest rates.

10-year Treasuries and Bunds yields (%)



Source: Bloomberg.

EUR/USD exchange rate

Source: Bloomberg.

2015 was marked by the quickening pace of economic activity in Spain. GDP grew from 1.4% in 2014 to 2.9% in 2015, propelled by domestic demand and in particular by investment and private consumption. This performance was supported by low inflation levels, subsiding unemployment rates (from 24.4% to 21.8% of the labour force), an increase in the real disposable income of families, the improvement of confidence levels and better conditions of access to credit by both individuals and businesses. The easing of fiscal policy and the expansionary monetary policy conducted by the ECB were further props to growth. Furthermore, the positive contribution from the rebound of the real estate market should also be referred, with housing prices rising by 4.5%. The acceleration of exports, combined with moderation in imports, permitted an improvement in the current and capital account surplus, from 1% to 1.5% of GDP. The average rate of inflation retreated from -0.1% to -0.5%.

In Portugal, economic activity continued to pick up, accelerating from 0.9% to 1.5%, mainly on the back of stronger domestic demand, and in particular private consumption and investment. Growth was supported by the fall in oil prices, the low level of interest rates, the gradual improvement of financing conditions, the slightly expansionary nature of fiscal policy and the good performance of exports to the European markets. The labour market pursed the improving path seen in the previous year, with the rate of unemployment receding from 13.9% to 12.5% of the labour force. The average annual inflation rate was 0.5%, up from -0.3% in 2014.

The financial stabilisation trend, the rebound of economic activity and the positive impact of the measures taken by the ECB allowed an improvement in the external perception about the Portuguese economy, in turn translating into an improvement in the conditions of access to long-term funding in the capital markets. Though tending to flatten out, the yield on the 10-year Treasury bonds pursued the downward trend already seen in the previous year - dropping from 2.69% to 2.52% in the year -, narrowing the difference to the German debt of the same maturity from 215 to 189 basis points. However, the end of 2015 and beginning of 2016 saw a slight widening of the

sovereign spread, initially reflecting a context of political uncertainty and subsequently the impact of the resolution measures applied in December in the financial sector and the persistence of some uncertainty about the fiscal policy. The general government deficit reached 4.2% of GDP in 2015, including the (non-recurrent) effects of the recapitalisation of Banif bank. Excluding this effect, the public deficit is thought to have been 3% of GDP. Notwithstanding the recovery of domestic demand, the combined current and capital account also benefited from an improvement in the terms of trade, with the respective surplus reckoned to have risen from 1.9% to 2.1% of GDP.

Despite the instability in the financial markets at the start of the year, a slim recovery is expected for 2016 at global level, with the advanced economies maintaining relatively stable growth and the emerging markets slightly accelerating. In the advanced world, economic activity should continue to be mainly supported by domestic demand, which will benefit from falling energy prices, some recovery of employment and wages, greater support from the fiscal policy and strong monetary stimuli allowing for an improvement in the financing of economic activity. Still, global growth is set to remain lacklustre, being constrained by structural factors such as the high levels of debt and adverse demographics. Some disinflation fears are also likely to persist, in a context of falling commodity prices.

A key issue in the outlook for 2016 is the pace at which the Federal Reserve will lift benchmark interest rates. A sharper than expected hike and resulting impacts, represent a relevant risk, as do an increase in instability in the emerging markets, a sharper deceleration of China or signs of a political breakdown in the European Union. The expectation of higher nominal growth should translate into a small increase in long-term market interest rates in the whole year, in the US and Europe.

Consolidated Financial Highlights

(EUR thousand)

Consolidated Income Statement	2015	2014	Change
Consolidated Banking Income	**135,842**	**249,775**	**(45.6%)**
Fees and Commissions Income	82,471	98,322	(16.1%)
Net Interest Income and Market Results	53,371	151,453	(64.8%)
Total Operating Expenses	**(141,089)**	**(160,959)**	**(12.3%)**
Staff Costs	(80,785)	(96,289)	(16.1%)
General and Administrative Expenses	(53,694)	(57,449)	(6.5%)
Depreciation and Amortisation	(6,610)	(7,221)	(8.5%)
Operating Income	**(5,247)**	**88,816**	**(105.9%)**
Impairment and Provisions	(38,865)	(256,163)	(84.8%)
Profit before Income Tax	**(44,112)**	**(167,347)**	**(73.6%)**
Income Tax	15,123	29,716	(49.1%)
Non-controlling interests	(6,413)	(862)	644.0%
Consolidated Net Profit	**(35,402)**	**(138,493)**	**(74.4%)**

(EUR thousand)

Consolidated Balance Sheet	2015	2014	Change
Financial assets held for trading	1,346,489	1,468,473	(8.3%)
- Securities	1,002,550	809,715	23.8%
Available-for-sale-financial assets	468,311	554,680	(15.6%)
Loans and advances to banks	258,795	34,308	654.3%
Loans and advances to costumers	1,041,341	1,549,218	(32.8%)
Other assets	1,057,646	834,740	26.7%
Total Assets	**4,172,582**	**4,441,419**	**(6.1%)**
Financial liabilities held for trading	502,350	621,550	(19.2%)
Deposits from banks	1,632,522	1,397,284	16.8%
Due to costumers	567,038	448,912	26.3%
Debt securities issued	547,266	1,072,210	(49.0%)
Other liabilities	492,563	463,860	6.2%
Total Liabilities	**3,741,739**	**4,003,816**	**(6.5%)**
Share capital	426,269	326,269	30.6%
Share premium and other equity instruments	12,527	12,527	0.0%
Reserves	(11,732)	188,921	(106.2%)
Net Profit	(35,402)	(138,493)	(74.4%)
Non-controlling interests	39,181	48,379	(19.0%)
Total Equity	**430,843**	**437,603**	**(1.5%)**
Total Liabilities and Equity	**4,172,582**	**4,441,419**	**(6.1%)**

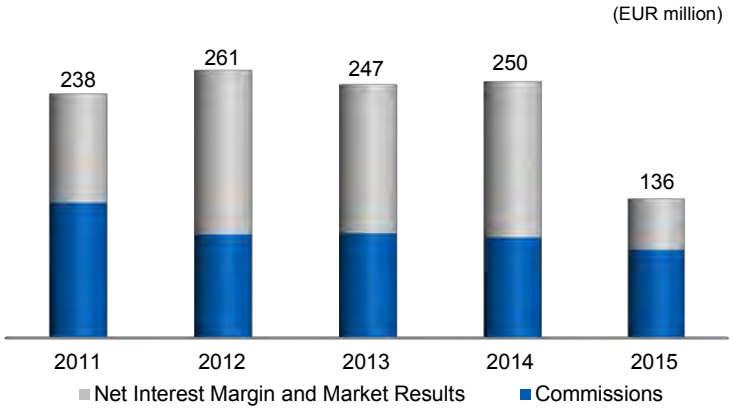
Financial Overview

Haitong Bank's activity during 2015 was much constrained. The period for the various regulatory authorities to approve the Bank's acquisition was much longer than initially foreseen and hence the operation could only be finally closed in September. During all this time the Bank's rating remained suspended, which contributed to slow down its activity.

Banking Income, at EUR 135.8 million, contracted by 45.6% on a year earlier. The difficulties of access to the markets due to the suspension of the rating led to the shrinking of the balance sheet, as can be seen in the amounts in the Credit and Financial Assets portfolios at year-end.

This, combined with the increase in the cost of funding, underpinned a 64.8% year-on-year reduction in the Net Interest Margin and Market Results. Fees and Commissions dropped by 16.1%, mainly reflecting the downturn in the Equities and Capital Markets business area.

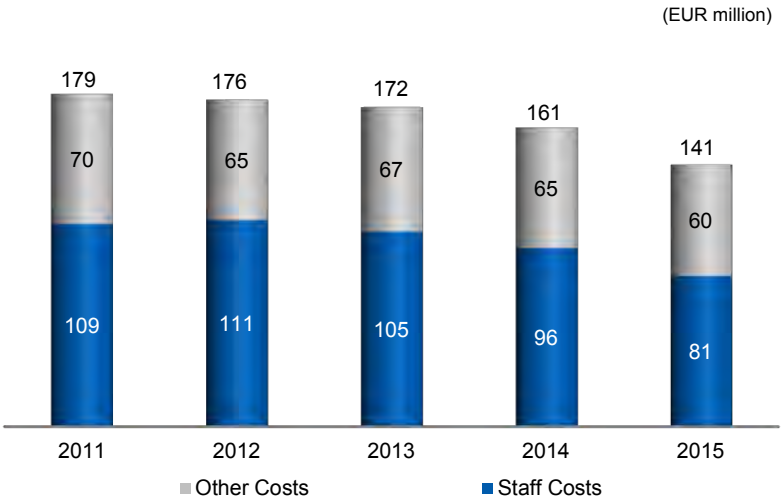
Consolidated Banking Income



Source: Haitong Bank

Operating Costs shrank by 12.3%, to EUR 141 million, thanks to lower staff costs (-16.1% year-on-year) and cost cutting in Suppliers and External Services (-6.5% year-on-year).

Operating Costs



Source: Haitong Bank

Despite the improvement in Operating Costs, the contraction of Banking Income pushed down Operating Results, which were a loss of EUR 5.2 million (vs. a EUR 88.8 million Operating Profit in 2014).

Impairments and Provisions, though decreasing year-on-year, reached EUR 38.9 million, leading to a Net Consolidated Loss for the year of EUR 35.4 million, still a better result than in the previous year.

As referred further up, at the end of 2015 Haitong Bank had Total Assets of EUR 4.2 billion, a 6.1% contraction from EUR 4.4 billion in 2014.

Total Assets

Source: Haitong Bank

Haitong Bank's capital adequacy considerably strengthened during 2015. This is a result of its strategic importance within the Haitong Group, which showed its commitment to the Bank's development through a capital increase of EUR 100 million carried out on 17 December 2015. The Bank's prudent and rigorous balance sheet management should also be stressed as well as the efforts undertaken during the year to optimise risk-weighted assets.

Solvency Ratios

	2015	2014
Total Capital Ratio	10.6%	9.4%
Tier 1 Ratio	10.5%	9.4%
CET1 Ratio	10.5%	9.4%

Source: Haitong Bank

Rating Actions

On 24 September 2015, following the closing of the sale of 100% of BESI's share capital to Haitong Securities Co., Ltd., S&P reinstated all ratings on Haitong Bank, S.A. and its subsidiaries.

Haitong Bank, S.A.	
Counterparty Credit Rating	BB- / Positive / B
Junior Subordinated	CCC
Haitong Investment Ireland plc	
Senior Unsecured	BB-
Haitong Banco de Investimento do Brasil, S.A.	
Counterparty Credit Rating	
Global Scale	BB- / Positive / B
Brazil National Scale	brA+ / Positive / brA-2

Source: S&P

S&P considers Haitong Bank, S.A. to be a "strategically important" subsidiary to the parent Haitong Securities Co., Ltd. (BBB / Negative / A-2) as it represents an important asset for the overall group's long-term strategy.

The positive outlook on Haitong Bank, S.A. reflects the possibility of an upgrade as a result of a successful business model turnaround and an improved risk profile or even if the rating agency anticipates a less-risky operating environment for banks in Portugal.

The ratings on Haitong Banco de Investimento do Brasil, S.A. are based on its core status to Haitong Bank, S.A., given its materiality, ownership, strategy and long-term commitment from its main shareholder.

5. ACTIVITY AND RESULTS

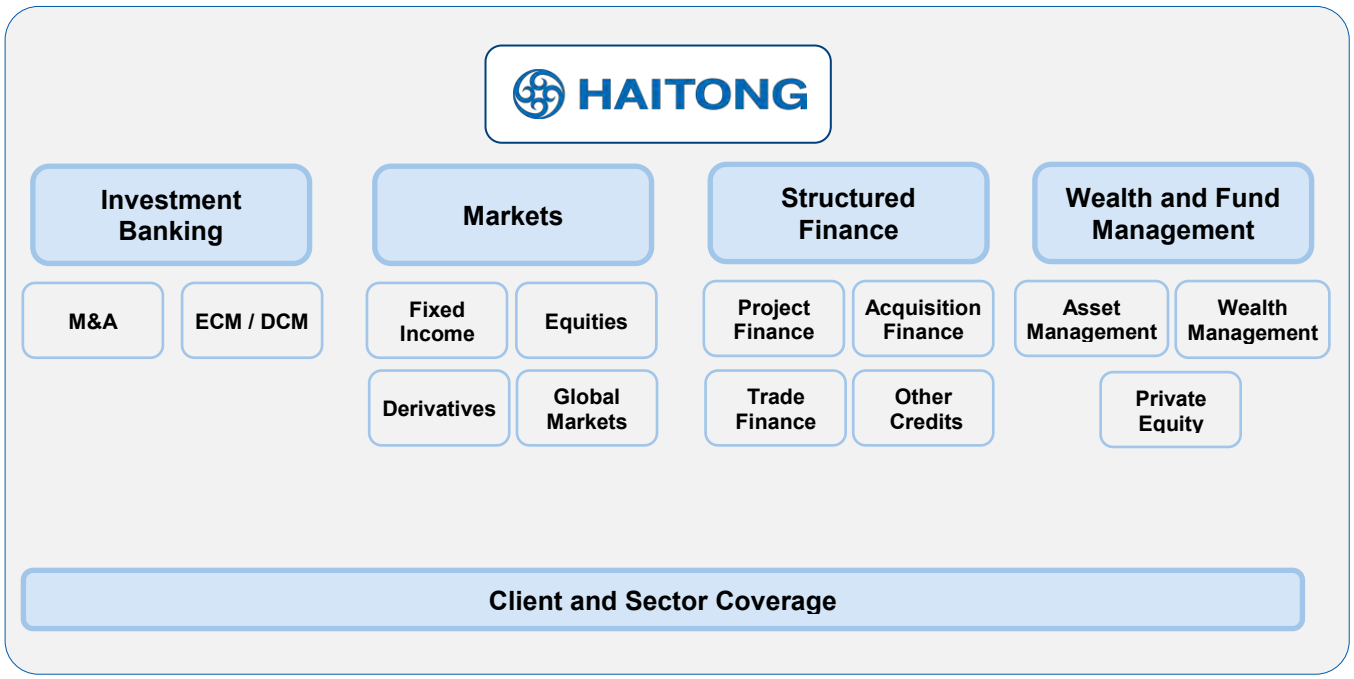
BUSINESS MODEL

Haitong Bank´s main objective is to provide services to large and medium-sized Corporate Clients, Institutional Clients, and in some specific segments, Private Clients.

Haitong Bank is currently well positioned to foster investment and capture cross-border flows between Asia, Europe, Latin America and Africa. The development of a distribution platform will enhance geographical complementarities and capital flows within these regions, firmly supporting the international expansion strategy of the Bank's new Shareholder.

The Bank maintains its focus on growing the fee-generating activities and on the implementation of the new ' Originate to Distribute' model, channelling most efforts into the expansion of its distribution capacity in the world's most important financial markets (London and New York).

Haitong Bank's business model was reshaped according to international best practices and aligned to its Shareholder's business structure. Hence the business model is now based on four main areas: Investment Banking, Markets, Structured Finance and Wealth and Fund Management.



5.1. CLIENT COVERAGE

The year of 2015 brought major changes for the Bank in general terms but also specifically in its Client Coverage areas. Some internal and external events strongly reshape our organization and commercial approach, however always aimed at developing sustainable and lasting Client relationships and focused on originating transactions.

The completion of the acquisition of the Bank by Haitong Securities occurred in September, after a longer than expected authorisation process. Meanwhile, we successfully managed to keep close to a large majority of our Clients updating them on our internal process but, more importantly, remain able to offer solutions to their needs and to close deals.

Our business model evolved and the Client Coverage Division was integrated in the Investment Banking unit. Its goals are similar - relationship and origination - but now with a stronger focus on M&A and Primary Capital Markets.

The Bank is confident that the business flow will now resume a growing trend, driven not only by the business opportunities coming from China towards Europe, Americas and Africa, but also by the conditions under which Haitong Bank will operate in the future and the quality of its global team.

CLIENT COVERAGE – PORTUGAL

2015 had two clearly distinct phases. During the first half of the year, despite the slow but gradual recovery level of activity in several business areas, notably Capital Markets and M&A, it was a difficult period for the Bank, mainly due to the suspension of its rating and the shareholder change still under way in the period. Later on, prevailing disturbances in the banking sector and political uncertainties naturally had direct effects in the entire Portuguese market, affecting the pace of activity and the volume of transactions and penalising the Bank's performance.

Nevertheless, the market retained a positive perception about the team's quality and integrity, allowing the Bank to remain active in the market and conclude important transactions in several business sectors namely Health Care, Infrastructure, Energy and Tourism. The business opportunities expected to come from the new shareholder will certainly contribute to boost the flow of activity, locally and cross-border. Moreover, with the recent recovery of the rating and the business reorganization, we face the coming year with optimism.

CLIENT COVERAGE – SPAIN

During 2015, Spain posted robust GDP growth and thus, high levels of activity in the financial markets. In Equity Capital Markets, IPO's returned in force, both in number of transactions and in volumes. As liquidity and low interest rates prevailed, the volume of issuance continued to be strong in the Debt Capital Markets. Corporates issued bonds to refinance part of their banking debt and Banks also issued new bonds in order to obtain better coupons.

Haitong Bank obtained several mandates in both Equity and Debt Capital Markets despite the uncertainty caused by the fact that the acquisition by our new shareholder had not yet been completed. Client relationship was key in these circumstances.

The M&A market was also active in 2015, with international investors still showing strong interest in Spanish Corporates and Spanish assets across all sectors. Spanish companies started again to look into potential international development via acquisitions. The Bank gained a number of mandates -

most of them cross-border - and advised both sellers and buyers, capitalizing on our deep knowledge of industries and extensive network of contacts with Clients. Several mandates were successfully completed during the year.

Our new shareholder, a busy pipeline and favourable growth expectations for Spain should provide for a successful activity for the Bank in 2016.

Client Coverage – UK

2015 was marked by the acquisition of 100% of the Bank's share capital by Haitong Securities, thus initiating a new stage in its life: being an investment bank with a global presence.

With a strong focus in key financial centres such as New York, London and Shanghai, Haitong Bank is in a strong position to offer its Clients innovative solutions and access to increasingly wider and global markets, thus leveraging the growth of its Client base, the number of cross-border transactions and also the volume of commissions.

Under these new circumstances, and also to tackle the challenge of covering and accessing the Asian markets, it was necessary to expand the Corporate Advisory activity (which already included M&A and Equity Capital Markets), adding execution capacity in the Debt Capital Markets, where the Bank believes it is in a privileged position to introduce western companies to the Asian markets and vice-versa.

Moreover, in order to meet the specific requirements of its Corporate Clients and Financial Sponsors, the Client Coverage Division in the United Kingdom is strengthening its teams to ensure expert coverage of the TMT, Financial Services, Industrials, Consumer Goods and Cyclicals sectors, where the large capital flows between Asian and Western institutions are particularly noticeable.

Client Coverage – Poland

In 2015 the Client Coverage activity in Poland was focused on continuous development of commercial relationships with corporate Clients and their owners, particularly private individuals and private equity funds. The number of concluded transactions in M&A, Equity and Debt Capital Markets contributed to market recognition of Haitong Bank on the domestic investment banking market.

The effort led to recognition of the Equity Capital Markets team as **no. 1 IPO House in Poland** awarded by Warsaw Stock Exchange (for the total value of transactions executed in 2014) as well as advisory roles in major M&A transactions. Despite challenging environment, Haitong Bank has managed to strengthen its market position in the key investment banking areas while focusing its origination efforts on proper communication of changes of the Bank’s owners to all Clients.

CLIENT COVERAGE – BRAZIL

2015 was a very challenging year for the Client Coverage Team in Brazil, impacted by the political and economic adverse environment and by the completion of the Bank's sale to Haitong Securities. Despite these facts, the team remained focused on the corporate segment, leveraging its industry expertise to enhance its relationship with the Clients. The Bank's diversified offer of financial products and services allowed it to stand out from the competition and continue to consolidate its image as perceived by the Clients.

The experienced Team of senior bankers have been focused on the business opportunities and using their deep knowledge of the industry sectors to obtain important mandates, originating several highly visible capital markets transactions, particularly in the second half of the year. The Team continued to support foreign companies in the expansion of their businesses to Brazil, backed by the Haitong Bank international presence.

Despite the pessimism that was settled in the country and its financial market, the investment banking activity of Haitong Bank in Brazil was well developed during the whole year, which allowed the Client Coverage Team to meet the targets established at the start of the year and generate results in all investment banking business segments, and particularly in Project Finance, Capital Markets, M&A and Treasury.

The entry of a new reference shareholder encouraged the Team to raise the Bank's commercial goals for 2016, based not only on a larger flow of cross-border opportunities but also on its new role as the first Chinese Investment Bank in Brazil.

CLIENT COVERAGE - USA

2015 was another important year for the Client Coverage Team in the United States of America with the conclusion of a number of important transactions across different product areas.

The Team supported the Bank´s Clients with operations or interests in the geographical area under its responsibility: North America and Spanish Latin America, namely in the USA, Mexico, Peru and Uruguay.

The Client Coverage Team main objectives for the year were:

- Provide a local service and support to Clients from other geographies where the Bank is present;
- Focus on cross – border business opportunities involving the USA market;
- Widen the Client base by leveraging the Bank's specific expertise as a factor of differentiation and generation of business opportunities;
- Selectively consider business opportunities in new markets, especially in Spanish Latin America, where our Clients are looking to develop their activities;
- Support the integrated efforts of the product areas - Project Finance, Debt and Syndication Capital Markets - to position the Bank as an entity focusing on the origination, structuring and disintermediation of transactions.

Throughout the year the Team developed a substantial effort in contacting with USA based Institutional Investors and Private Equity entities resulting in several mandates for cross-border M&A transactions.

In Spanish Latin America, the Team concentrated on selectively expanding the Bank's activity in the region, with a focus in Peru, Mexico, Panama, and Uruguay. The Team executed more than three hundred visits to Clients in Mexico, and saw a significant progress in our marketing efforts in Peru with a substantial increase in the number of transactions being considered by the Bank.

As a result the Red Dorsal transaction in Peru, Arranged and Lead by the Bank, was awarded **Best Project Bond of the Year 2015** by Latin Finance and **Latin America Telecoms - Deal of the Year 2015** by IJ Global.

Client Coverage – India

The year of 2015 has been an uncertain year. Being a new entity in India followed by the change of control process led to the slowdown of the Bank's activity in this region.

The Client Coverage Team activity in India has a strong focus on the Financial Sector (Banks, Non-Banking Lending Companies including Microfinance Companies, Life and Non Insurance Companies) given that this is one of the most active in capital raising and deployment. This has helped the Bank in concluding transactions in 2014 in Capital Markets as well as in generating advisory mandates. The Team has also been covering the large and mid-sized Private Equity investors and has been able to generate a pure buy side advisory mandates from a global Private Equity player in the second half of 2015.

For sectors outside of financial services, the Team has relationships across Digital / Internet Sector, Infrastructure and Industrials, Consumer and Pharmaceuticals amongst others. It has been able to generate specific cross border mandates from Clients in India based on ideas discussed with other geographies, specifically from the USA and Brazil, which are currently under execution.

In 2016 the Client Coverage Team hopes to see the stabilization of the platform in India and in different geographies and leverage on the team's cooperation to generate mandates also in Europe, in China and in Hong Kong.

5.2. INVESTMENT BANKING

MERGERS & ACQUISITIONS

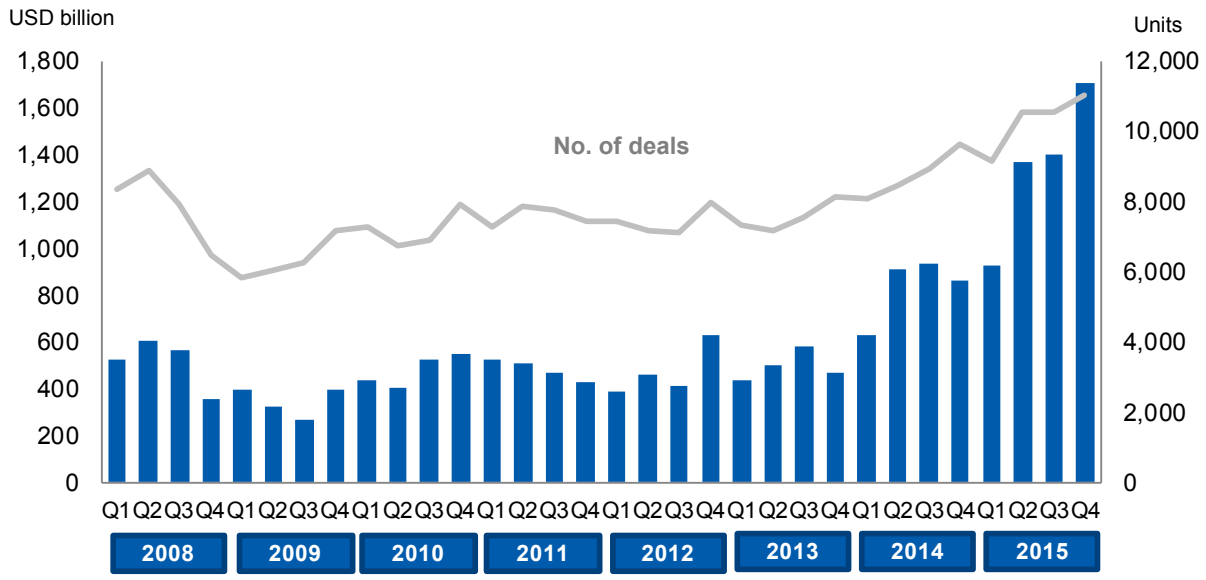
Market Background

In 2015, global Mergers and Acquisitions (M&A) activity increased by 18% in number of announced transactions and by 27% in value, to USD 4,322 billion.

In Europe, the M&A market grew by 19% in number of announced transactions and by 5% in value, to USD 1,239 billion, according to Bloomberg data.

Cross-border transactions represented 37% of total announced transactions at global level, a 2% increase over 2014. In Europe, cross-border transactions remained the main driver of the M&A market, accounting for 61% of the total value of announced transactions.

Announced M&A Transactions Worldwide



Source: Bloomberg.

According to Bloomberg data, in 2015 the M&A market in **Iberia** increased by 24% in number of announced transactions, though contracting by 19% in value, to USD 82.2 billion. Spain, where the economic revival was the main engine of the Iberian M&A market, saw a significant increase in the number of announced transactions and also growth in terms of overall value.

In Portugal, even if the number of announced deals remained practically flat compared to the previous year, their value registered a sharp fall, totalling USD 7.5 billion. This mainly reflects the impact in 2014 of the sale of PT Portugal SGPS S.A. to Altice, for USD 7.2 billion.

In Brazil, the economic and political crisis penalised the activity both in terms of number and value of M&A transactions, which fell by 8% and 35%, respectively, according to Bloomberg data. According to the same source, there were 528 M&A deals in Brazil in 2015, down from 571 in 2014.

Food and Beverages was the star industry in 2015, namely with Ambev (controlled by 3G) purchasing the beverages brand of the Canadian Mark Anthony Group and the British Britvic acquiring Ebba, the owner of Brazil's Maguary traditional brand of concentrate and ready to drink juices.

The United States continued to lead the group of countries that most invest in Brazil, alongside European countries such as the United Kingdom and France. China has been increasing its investment in Brazil, mainly in the last two years, with two large deals taking place in 2015: the acquisition by China Three Gorges of two of the largest hydroelectric plants in the State of São Paulo and HNA Group's acquisition of a 23.7% stake in Azul Linhas Aéreas.

In 2015, the M&A business in the **United Kingdom** reached USD 618 billion, underpinned by a 24% increase in the number of announced transactions and a 34% rise in value, compared to 2014. This activity surge was particularly strong in the financial and non-cyclical consumer goods industry sectors. Private equity M&A deals (accounting for 34% of the total value) and transactions involving companies in financial distress were once again the drivers of the M&A market in the United Kingdom. Cross-border transactions maintained their weight in terms of the total number of announced transactions and accounted for 85% of their total value, according to Bloomberg data.

In **Poland,** the M&A business reached its highest level since the start of the financial crisis in 2008, with the number of announced deals increasing by 47% in number and by 77% in value, to USD 13.6 billion, according to Bloomberg data. Over the last two to three years the number of transactions has remained practically unchanged while the average value per deal has tended to decline. This is explained by the absence of any major privatisation transactions, which in the last decades were the main driver of the Polish M&A market. With large-scale transactions tending to become less frequent in the coming years, private equity funds operating in the Polish market will likely shift their focus to the SMEs.

The TMT, pharmaceuticals, healthcare, financial services, business process outsourcing, consumer and energy sectors were the more active in the M&A business in Poland in 2015.

In the **United States of America** the M&A activity hit record highs in 2015, even outperforming the values seen in 2007. According to Bloomberg data, the total value of transactions grew by 27% year-on-year, to USD 2,578 billion, corresponding to 17,810 announced transactions. The rebound of the North-American economy in 2015 drove the acceleration of the M&A business, with companies focused on mergers and acquisitions as a lever for strategic growth. In 2015 the macroeconomic environment in the US could not be more supportive on various counts: the large amounts of cash carried on companies' balance sheets, easy access to the debt and equity markets, low interest rates and the economy's stable growth.

In contrast, Latin America registered the lowest scores in terms of M&A activity in 2015, which was worth USD 70.8 billion. In **Mexico** the value of announced deals fell by 29%, to USD 14.6 billion.

In **India**, the M&A business was quite strong during the year. According to Bloomberg data the Indian M&A market climbed to a total of USD 65.7 billion in 2015, with a sharp 92% increase in the number of announced deals and a 54% rise in value, compared to 2014. The most important deals in the year occurred in the energy, TMT and pharmaceutical sectors. The US-India and Europe-India deal flows totalled USD 15.8 billion and USD 5.8 billion, respectively. The cross-border business between China and India also experienced strong growth, with Chinese direct investment in Indian companies (namely One97 Communications – Alibaba Group & Ant Financial, Didi Kuaidi's – Olabacs e Alibaba Holdings & Foxconn Tech Group – Jasper Infotech) reaching USD 2.5 billion.

Haitong Bank Activity in 2015

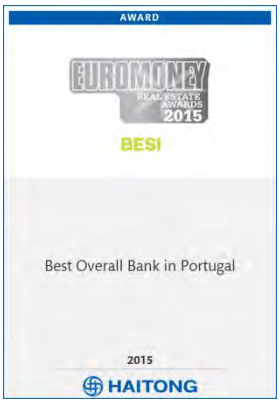
In 2015 the Bank concluded 31 transactions for a total amount of EUR 10 billion, most of which concerned Iberian companies. The Bank's M&A performance earned it a number of awards, including the distinctions as **Best Overall Bank in Portugal** in Euromoney's Real Estate awards and the "**Best Bank for M&A Advisory in Portugal**" in the real estate sector. Haitong's M&A team for the real estate sector worked on several transactions during the year, namely advising on the sale of several hotels of the Tivoli Group chain to the large Thai conglomerate Minor International.

In the context of improving operating conditions during 2015, the Bank remained the undisputed leader of the Portuguese M&A market (by number and value of concluded transactions) and ranked in fourth place in Iberia, by number of concluded transactions. This performance confirms its position as a reference player in the provision of investment banking services in the region.

BLOOMBERG – Ranked by value of concluded transactions - 1.1.2015 – 31.12.2015

Rank	Portuguese Target	No. of transactions	Value (EUR m)
1	**Haitong Bank S.A.**	**11**	**7,166**
2	Banco BPI S.A.	5	1,288
3	Caixa Banco de Investimento S.A.	4	500
4	Perella Weinberg Partners	2	6,168
4	JP Morgan	2	6,077
4	KPMG Corp Finance	2	306
4	PwC	2	n.d.
8	Credit Suisse	1	5,789
8	Morgan Stanley	1	5,789
8	Banco BTG Pactual	1	5,789

Source: Bloomberg (as of 15 January 2016)



Rank	Iberian Target	No. of transactions	Value (EUR m)
1	KPMG Corp Finance	59	2,106
2	Ernst & Young	26	1,925
3	PwC	21	1,197
4	**Haitong Bank S.A.**	**12**	**7,402**
5	N+1	10	1,317
5	GBS Finanzas S.A.	10	387
7	Goldman Sachs	8	13,538
7	Bank of America Merrill Lynch	8	10,969
9	Morgan Stanley	7	8,020
9	Banco Santander	7	5,756

Source: Bloomberg (as of 15 January 2016)

Haitong Bank's generalist strategy allowed it to provide advisory services on a considerable number of relevant transactions in several industry sectors. The Bank participated in the sale processes of reference Iberian companies to international investors, namely providing advisory services to:

- Energia de Portugal S.A. (EDP) on the sale of Gas Múrcia and other gas and electricity distribution assets in Spain to Redexis Gas S.A, a natural gas transport and distribution company (transaction concluded in January 2015);
- Companhia de Seguros Tranquilidade S.A., an insurer held by Banco Espírito Santo, on the sale of 100% of its share capital to the North-American fund Apollo Global Management LLC (transaction concluded in January 2015);
- Infraventus S.A., a Portuguese renewables firm, on the sale of two wind farms (123 MW of installed capacity) to Brookfield Renewable Energy Partners L.P., a Canadian operator of renewable energy assets (transaction concluded in February 2015);
- Rioforte Investments and GNB Gestão de Activos (former ESAF - Espírito Santo Activos Financeiros), on the sale of seven hotels of the Grupo Tivoli Hotels & Resort chain, located in Brazil and Portugal, to Minor International, a Thai operator of hotel services and leisure in Asia – Pacific region (transaction concluded in October 2015);
- EFACEC Capital SGPS S.A., on the sale of a 72.1% stake in its subsidiary Efacec Power Solutions SGPS, S.A., a manufacturer of electrical transformers, mobile substations and electrical distributors (transaction concluded in November 2015);
- A consortium of investors, including several private equity firms (the Spanish Magnum Capital Industrial Partners, the Portuguese ECS Capital and Haitong Capital S.A. and the British Fjord Capital Partners Limited), on the sale of Iberwind group, a Portuguese producer and distributor of electricity. The Portuguese company was sold to Hong-Kong based companies Cheung Kong Infrastructure Holdings Limited (dedicated to electricity infrastructures) and Power Assets Holdings Limited (dedicated to electricity production and distribution) (transaction concluded in November 2015);
- One Equity Partners ("OEP"), a North-American private equity firm, on the sale of the entire share capital of PeroxyChem Netherlands B.V. to Evonik Industries, a German chemicals company (transaction concluded in October 2015), and on the sale of the entire share capital of PeroxyChem Bilbao and La Zaida group's liquid silicates business to the IQE group, a Spanish chemicals company (transaction concluded in November 2015).

LISBON

INFRAVENTUS

Financial advisory to Infraventus in the sale of a 123 MW wind farm portfolio in Portugal to Brookfield Renewable Energy Partners L.P

Financial Adviser
2015
BESI

LISBON

TIVOLI
HOTELS & RESORTS

Sale of 7 hotels of Tivoli Hotels & Resorts located in Brazil and Portugal, to Minor International

€ 206,700,000

Financial Adviser
2015
HAITONG

LISBON

efacec

Financial Advisory to EFACEC Capital SGPS SA in the sale of a 72,1% share capital participation in Efacec Power Solutions SA to Winterfell 2 Limited

€ 338,460,000

Financial Adviser
2015
HAITONG

LISBON

Iberwind

Financial advisory to the shareholders of Iberwind SA on the sale of its 684 MW wind farm portfolio to Cheung Kong Infrastructure Holdings and Power Assets Holdings

€ 986,000,000

Financial Adviser
2015
HAITONG

MADRID

PeroxyChem
One Equity Partners

Financial Advisory to One Equity Partners ("OEP") in the sale of the 100% share capital of PeroxyChem Netherlands, B.V. to Evonik Industries

Sole Financial Adviser
2015
HAITONG

MADRID

PeroxyChem
One Equity Partners

Financial Advisory to One Equity Partners ("OEP") in the sale of the 100% share capital of PeroxyChem Bilbao, S.L. and La Zaida's liquid silicates business to IQE.

Sole Financial Adviser
2015
HAITONG

In **Brazil,** the M&A team engaged in a smaller number of transactions than in the previous years, mainly due to the brittle macroeconomic and political situation in the country. Most worthy of note during the year were the financial advisory services provided in cooperation with the Portuguese team to PT Portugal SGPS S.A., a company held by the Brazilian Oi, S.A. (Oi), on the sale of its entire share capital to Altice, a French telecommunications group (transaction concluded in June 2015), and the drawing up of the appraisal report on Brado Logistica.

LISBON

PT

Sale of 100% of
PT Portugal, SGPS, S.A.

€ 7,400,000,000

Financial Adviser
2015
BESI

SAO PAULO

brado logística

Appraisal Report for the minority shareholders of Brado Logística

Financial Advisory
2015
BESI

As in 2014, M&A activity in **Poland** was mostly steered by the consolidation trends in various sectors of the Polish economy. During 2015, the Bank took part in several relevant projects, namely providing financial advisory services to:

- TDJ S.A., on the acquisition of 100% of the share capital of FPM S.A., a Polish company specialising in the production of machinery and equipment for power plants (transaction concluded in February 2015);
- Mezzanine Management fund, on the sale of 100% of the shares of Zaberd, a provider of comprehensive services in the areas of maintenance and intelligent transport road services, to Avallon, a Polish private equity firm (transaction concluded in April 2015);
- MEDICOR Centrum Medyczne Sp. Zoo, a Polish operator of treatment and diagnosis units, on the sale of its entire share capital to LUX MED Sp. Zoo., a Polish company specialising in diagnosis, rehabilitation and surgical services, held by The British United Provident Association Limited (BUPA) (transaction concluded in April 2015);
- BEST, on the acquisition of 29.43% of the share capital of Kredyt Inkaso, Poland's leading debt recovery company (transaction concluded in September 2015);
- Abris Capital Partners, a Polish private equity firm, on the sale of the entire share capital of FM Bank PBP, a Polish bank, to AnaCap Financial Partners LLP, a British private equity firm (transaction concluded in October 2015).

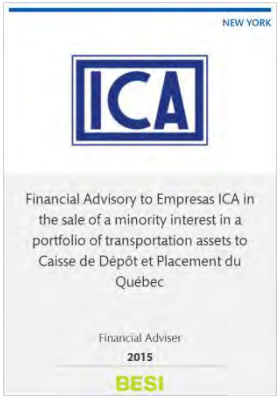
The Polish M&A team was also involved in several deals still under way, on both buy and sell sides, in the financial, food, industrial and energy sectors.

In the **United Kingdom** the Bank provided M&A advisory services to:

- McMillan Williams, on the sale of a minority stake in the Business Growth Fund (BGF) (transaction concluded in February 2015);
- Forum Energy Plc, on its delisting from the AIM by its shareholder Philex Petroleum Corporation, a transaction subject to the regulation on takeover offers in the UK (transaction concluded in June 2015);
- Hampden & Co Bank, on several of minority capital investments for the capitalisation of a new bank licensed to operate in the UK (transaction concluded in October 2015).

In the **United States of America** and **Mexico**, the Bank provided financial advisory services to the following companies:

- EDP Renováveis, on the sale of a portfolio of eight wind farms (1,100MW installed capacity) through its North-American subsidiary EDP Renewables North America LLC, which involved entering a 16-year Power Purchase Agreement (PPA) with a consortium formed by Fiera Axium Infrastructure US L.P. (USA), John Hancock Life Insurance Company (Canada) and Swiss Life Funds Global Infrastructure Opportunities S.C.A (France) (transaction concluded in April 2015);
- Empresas ICA, on the sale of an operational platform for transport projects in Mexico to Caisse de Dépôt et Placement du Quebec (CDPQ), a long-term institutional investor that mainly manages funds for public sector and insurance pension funds (transaction concluded in April 2015);
- Europastry, a Spanish producer and distributor of frozen bakery products, on the purchase, together with the Spanish MCH Private Equity, of a 70% stake in Wenner Bread Products Inc., held by the private equity firm Frontenac Company LLC, from the US, establishing an important production and distribution platform in the North-American market (transaction concluded in May 2015).



In **India**, the Bank was involved in cross-border mandates from companies established in the country, resulting from ideas discussed with its teams in other geographies, mainly the United States and Brazil, some of which are already being executed. The Indian M&A team was also engaged in buy-side mandates with private equity firms.

Outlook

It is expected that the strong growth of the M&A business at global level in 2015 will continue in 2016. Technology developments, the growth of the North-American economy, the fall in oil prices and an environment of low interest rates across most economies - these are some of the key factors likely to support the sustained growth of the M&A business in 2016. As happened in 2015 these factors should continue to spur companies to invest in new business opportunities, particularly in the financial services, oil, telecommunications and pharmaceutical sectors.

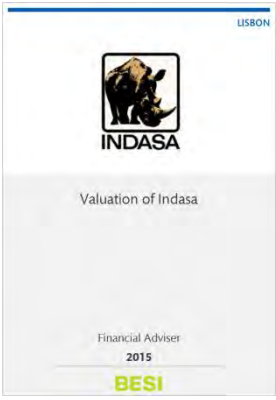
The Bank will maintain its bet on the sectors where it has developed strong competencies, namely in energy, telecommunications and infrastructures sectors. Geographically, the Bank will continue to target cross-border transactions in the markets where it operates, banking on the growth potential of the emerging markets and attracting the interest of Asian investors.

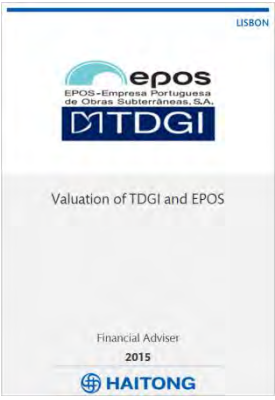
MID CAP FINANCIAL ADVISORY

The mid-cap financial advisory area was created in 2004, when the former Banco Espírito Santo de Investimento (now Haitong Bank), working together with the Medium-Size Companies Division of Banco Espírito Santo (now Novo Banco) realised that the offer of financial services to this segment was quite scarce.

The investment banking services provided by this business area include financial advisory services for M&A and financial restructuring processes, as well as pure financial consulting services, namely valuations and economic and financial feasibility studies.

The activity developed in 2014 evolved as expected, with six transactions concluded during the year.





Despite the difficulties arising from the national economic situation and the alteration of Haitong Bank's shareholder structure, this business area's objectives for 2016 reflect its expectation that the activity will be maintained at the same level achieved this year.

Capital Markets

Market Background

Global Equity Capital Markets volume of USD 909.6 billion (5,446 deals) in 2015, was the second highest annual total since 2010, and 3% below the peak reached in 2014 (USD 936.5 billion), according to Dealogic. Global follow-on volume of USD 627.1 billion (3,834 deals) stood at the highest total since 2009, pushing its weight on global ECM volume to 69% in 2015, up from 61% in 2014.

Global IPO volume reached USD 193.8 billion in 2015, down 27% from the amount raised in 2014 but was still the second highest level since 2010. IPO volume accounted for 21% of the global ECM volume, down from 28% in 2014. Equity-linked volume also decreased 15% year-on-year to USD 88.7 billion (331 deals) in 2015 from USD 104.4 billion (437 deals) in 2014.

Asia Pacific was the only region globally to record a year-on-year increase in ECM volume, up 12% to USD 352.4 billion (2,850 deals) and accounted for 39% of total ECM volume, as two of the top five IPOs of the year came from that region: the privatizations of Japan Post Holdings (USD 5.7 billion) and Japan Post Bank (USD 5.0 billion). Latin American ECM volume dropped 51% year-on-year to USD 10.5 billion (39 deals) in 2015, and was the lowest volume since 2004 (USD 3.7 billion), partly due to the difficult situation in Brazil.

Finance led the global ECM sector ranking with USD 191.7 billion (518 deals) in 2015, the highest volume since 2010 while Technology led the IPO activity, with 214 listings raising USD 26.1 billion.

As for global Debt Capital Markets, overall activity totalled USD 5.3 trillion during full year 2015, a 13% downtick compared to full year 2014 and the slowest annual period for global debt capital markets activity since 2011.

Nevertheless, High Grade corporate debt offerings targeted to the US marketplace reached USD 1.2 trillion during full year 2015, an increase of 8% compared to a year ago and the strongest annual period for the asset class since records began in 1980.

The volume of global high yield corporate debt reached USD 347.2 billion during full year 2015, a 22% decrease compared to full year 2014 and the slowest annual period for global high yield issuance since 2011.

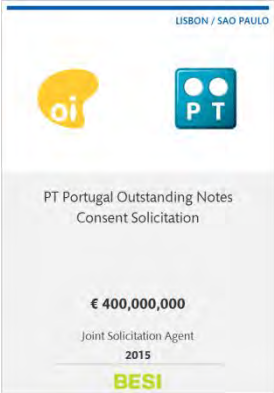
Corporate debt from emerging markets issuers totalled USD 192.6 billion during full year 2015, a 40% decrease from a year ago. Nearly 56% of all emerging markets corporate debt during the year was raised by issuers in India, Mexico, Malaysia and Russia. Issuance from corporations in Brazil reached only USD 10.7 billion, a decline of 82% compared to a year ago, on the back of the political crisis, corruption scandals, economic recession and loss of investment grade rating.

Haitong Bank Activity in 2015

The overall capital markets environment also reflected on Haitong Bank's activity in 2015. Nevertheless, and in spite of 2015 being a transitional year for the Bank due to change of control at the end of the third quarter of the year, it was involved in 20 capital markets transactions, representing a total deal amount of approximately EUR 2.4 billion.

In **Portugal**, we highlight the leading role of Haitong Bank in the following debt capital markets transactions:

- Joint Lead Manager on Brisa's Senior Secured Bond issue in the amount of EUR 300 million;
- Joint Solicitation Agent on the Consent Solicitation of PT Portugal's EUR 400 million Notes;
- Joint Lead Manager on the Senior Bond of healthcare services provider José de Mello Saúde in the amount of EUR 50 million;
- Global Coordinator on football clubs' Benfica and Sporting Public Bond Offerings of EUR 45 million and EUR 30 million, respectively.

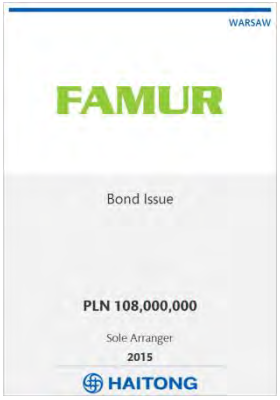


In ECM, Haitong Bank acted as Joint Bookrunner in two accelerated bookbuilding offerings: the ABO of existing shares of EDP, in the amount of EUR 249 million, a 2% stake in the company held by José de Mello Energia, and the ABO of existing shares of REN, in the amount of EUR 70 million, a 5% stake in the company, sold by Novo Banco.

In **Poland** the Bank further reinforced its performance in capital markets having acted as:

- Joint Global Coordinator & Joint Bookrunner on the accelerated bookbuilding offering of Masterlease, in the amount of PLN 300 million;
- Sole Arranger on the Senior Bond of American Heart of Poland, a transaction worth PLN 124 million;

- Sole Arranger on non-public bond issue of FAMUR in the amount of PLN 108 million;
- Sole Offering Agent and Bookrunner on the secondary public offer of business intelligence technology provider PiLab (PLN 21 million); and
- Sole Arranger on debt collection services provider BEST non-public bond issue of PLN 17 million.



In **Americas,** the Bank participated in several DCM transactions, acting as:

- Joint Bookrunner in the Project Bond for Red Dorsal Finance Limited, a securitization of Peruvian Government receivables to finance the construction of a fiber-optic network in Peru (USD 274 million). This transaction was awarded **Best Bond of the Year 2015** by Latin Finance in their Project and Infrastructure Finance Awards and **Latin America Telecoms - Deal of the Year 2015** by IJ Global;
- Joint Bookrunner in Ouro Verde's debenture (BRL 200 million);
- Sole Bookrunner in the issuance of Grupo Famsa's Notes (USD 33 million); and
- Lead Manager in Unidas' commercial paper issue (BRL 30 million).

In ECM Haitong Bank acted as Sole Placement Agent in Brazil Hospitality Group's accelerated bookbuilding offering, in the amount of BRL 43 million.

Finally, in 2015, the Bank made its debut in **China's** capital markets, having acted as Joint Global Coordinator in the Senior Bond of Haitong Securities, in the amount of USD 670 million and in Haitong Securities' subsidiary Haitong UT Capital Senior Bond, in the amount of CNH 1,000 million.

Outlook

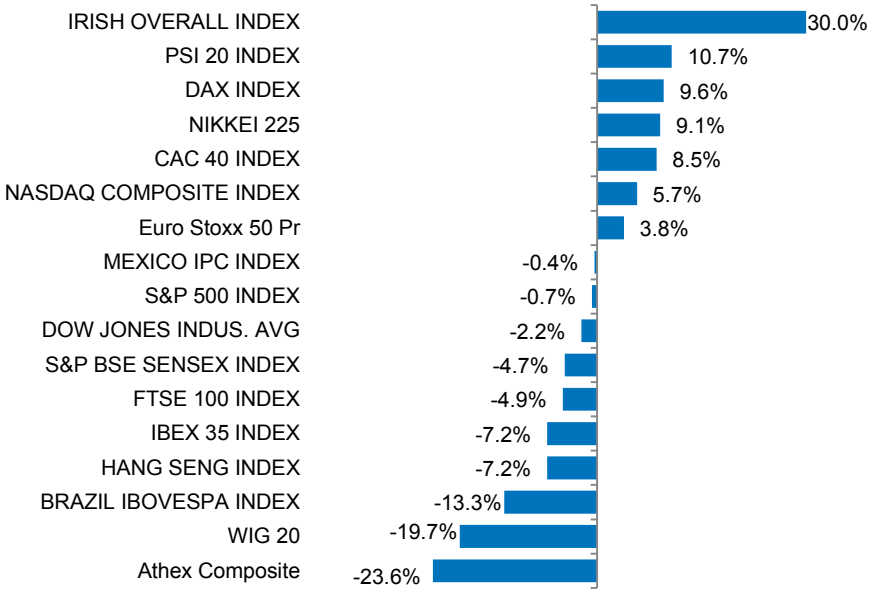
Following change of control and a renewed strategy, outlook for 2016 looks promising as Haitong Bank Capital Markets' activity should benefit from integration into Haitong Securities' Group. Broader distribution capabilities into new pockets of demand in Asia and Chinese products origination have been raising interest from issuers and investors thus fuelling pipeline development.

5.3. MARKETS

EQUITIES

2015 was a year of transition for the markets activities. The Bank has focused on the strategic repositioning of its business and rebuild of its teams, particularly in regions that suffered higher attrition. Haitong Bank is now the only Chinese owned European investment bank with local presences in a number of markets outside Asia.

Leading Stock Markets Performance in 2015



Source: Bloomberg (local currency)

Portugal has done slightly better than Europe (up by 10.7%), which doesn't come as a complete surprise after the 26.8% downturn observed in the previous year. However, it is important to notice that a single company (Jerónimo Martins) has delivered around two thirds of the index rise.

Stock trading volumes declined by 28% in the Lisbon Stock Exchange to EUR 56 billion, whereas Haitong Bank witnessed a 57% decline to EUR 1.8 billion. The decline in the Bank's trading volumes resulted from the correction following the increase occurred in 2014 and from the market share decline as the 2015 stock market meltdown was heavily concentrated in companies where it has a larger than average market share.

Spain is again one of the most dynamic economies in Europe but its stock market underperformed in 2015 (down 7.2%). The key reason is the fact that most Spanish flagship stocks are materially exposed to Latin America, where local currencies tanked against both the US dollar and the euro. On top of the usual negative impact of a strong US dollar on emerging markets, Latin America is quite sensitive to commodity prices, which have been declining steadily since 2011.

Haitong Bank outperformed in Spain, where market volumes inched up by 2% to EUR 1,888 billion and the Bank's volume increased by 12% to EUR 53 billion. This was remarkable considering the 2014 events and it represented further market share gains within the local institutional Clients.

The **United Kingdom** is the main global Equities hub. It is the home of the Pan-European product and is a distribution centre for the other regions including Iberia, Poland, Latin America and India.

Haitong Bank's performance in the UK in 2015 remained slow. As with Iberia, this was mainly due to the uncertainty surrounding the change in control. A small number of Clients continued to deal with the Bank but the majority of the Client base waited for change in control to resume dealing its platform, due to the tight compliance framework in the UK. Following change in control, activity has begun to slowly improve. The re-build of the platform has begun and there is a significant operational leverage to this business given our existent low base compared to our addressable market.

In **Poland**, despite the economy's good fundamentals (GDP up 3.5% y/y) the stock market performance was disappointing. The broad market index - WIG fell by 10% and the blue chip index – WIG20 dropped by 19.7%. Like other emerging markets, the Warsaw Stock Exchange was affected by falling metals and energy commodity prices. On top of it Financials, the most important sector, suffered heavily due to looming regulatory changes, including special banking tax. Energy utilities were additionally pressured due to their potential involvement in bailing out struggling coal mines.

The Bank has maintained its strategy of selling Polish equities research products to both local and international funds. The research team maintained its top franchise. In January 2016 the research team was ranked #7 in Parkiet's (daily Polish newspaper) ranking of best research brokers. Taking Advantage of its international presence, Haitong Bank has been increasing its cross-border stock brokerage activity (which already accounts for one third of gross commissions), underpinned by the international diversification trend of Polish investment and pension funds.

In **Brazil**, the markets in 2015 reacted negatively to the outcome of the general elections in November 2014. The Bovespa index dropped 13.3%. This combined with the uncertainty around change in control continued to affect Haitong Bank's market share in Brazil. However, following change in control, investors have gradually begun to resume trading. The effect of this should be seen in 2016.

Indian markets in 2015 were mainly impacted on account of a weak growth in corporate earnings. However, this economy continues to be one of the strongest and more stable emerging markets. We expect the impact of various policy measures to begin to have a positive effect on growth and corporate earnings, in 2016.

For the Bank, 2015 was a year of transition for the Equities business activity. Currently there are 8 sectors under research coverage with a total coverage base above 80 Indian corporates. Some of the analysts have been well rated in Asia Money rankings including the Head of Research who was ranked the Number 1 Insurance Analyst for 2015. In 2016, Haitong Bank in India should complete the re-empanelment of Clients lost and expects to leverage on Haitong Group's distribution presence in the UK and Asia more fruitfully.

Fixed Income

Risk Management for Corporate Clients

In **Iberia** and despite the very adverse environment, which had more impact in Spain than in Portugal, 2015 was quite positive for the Corporate Solutions Area. The area's activity registered significant growth, mainly driven by an increase in the number of interest rate hedging deals. Commodities were a less attractive underlying as most of them registered a bearish market. In terms of currency hedging deals, the business remained flat, with some appetite for EUR/USD.

The work undertaken with the Project Finance teams should be highlighted, due to the very sharp reduction in the use of collaterals on large-scale long-term operations.

There was also a strong commercial effort that resulted in an increase in the number of active Clients.

Structured Products for Institutional Clients

Iberian activity in the first quarter focused mainly on OTC derivatives trading for Clients, while pursuing the secondary market service of structured issues. Following the EMTN Programme update in March 2015, the Bank was able to place new issues with most of its regular Clients (about 50% of the amount issued for the same period in 2014), which we consider as positive given the fact that the credit rating notation (BB- by Standard and Poor's) was only attributed after the change in control.

The regular and consistent provision of secondary market liquidity was crucial for upholding the investors' reliance on the Bank as a structured products provider. Following change in control, the Bank has begun to increase its sales effort to both its regular and new clients.

Risk Management / Structuring – Brazil

In **Brazil**, 2015 continued to be a difficult year in terms of flows and deals. The Bank's strategy was very focused on regular interaction with Clients, most of them waiting for change in control to occur to resume dealing with the platform. Following change in control, the Bank has begun to gradually strengthen its Client base.

In spite of these limitations, the Bank performed a series of trades (NDF, FX and derivatives), performing above expectations. During 2015, an improvement in spread levels was observed.

For 2016, new products both onshore and offshore (mainly derivative products and structured notes) are being developed and the Bank expects to recover some product lines, such as FX Options.

Flow Trading and Sales

In Iberia, the year of 2015 was characterized by high volatility und uncertainty regarding the near-term performance of global financial markets. The debt primary market was very subdued, reflecting the global environment of the Bank's core geographies. The profile of the fixed income primary market transactions changed in line with the shift of institutional investors' focus towards lower risk, shorter-maturity and higher rate portfolios. The volume of new corporate issues suffered a sharp fall to its lowest value since 2009.

The Bank strived to obtain mandates for the placement of primary market issues, but despite canvassing several potential operations, these were not concluded and/or did not come to the

market, as the issuers opted instead for specific financing operations such as bilateral agreements with Banks and other type of loans.

The Bank was able to retain a good franchise of institutional investors, from pension funds/asset managers to Private Banking. In addition, Haitong Bank continued to provide good support in terms of market making given the difficult market conditions it faced and DCM primary market deals with the bulk of commercial relation unaffected by the transition period and by the market volatility in the fixed income space.

DERIVATIVES

Haitong Bank has begun the build out of a Derivative markets platform in the UK. This is focused on origination, distribution and product manufacturing capabilities. The new Derivatives franchise across Equities and FICC will form the core of Haitong's Markets capabilities in Europe. This platform will be focused on manufacturing and distributing European products and originating and distributing China and other Emerging Markets products. It will connect to the Fixed Income, Equities and M&A Client bases, as well as bringing new derivative users to the platform.

The key opportunities of setting up this platform include:

- Provide markets-based solutions to franchise Clients;
- Provide in-house pricing and tactical views across asset classes;
- Give market/investment access to Asset Managers;
- Enhance ECM & DCM origination dialogue with capabilities in hedging and equity-linked products;
- Leverage research to drive themed product ideas;
- Maximise use of electronic platforms and technology;
- Build a truly cross-asset franchise.

Outlook

Haitong Bank is evolving to become part of a Global Investment Bank. For the first time, the connectivity to China offers Haitong Bank a strong position in a leading global market. This could be transformational, not only as it will be able to sell a unique Chinese product but it will also be able to bridge the Chinese angle into European and other markets, creating a differentiated product (equities, derivatives and fixed income).

The Bank is also strengthening its competitive position in the main hubs. London and NY are a central part of its strategy to create a competitive global franchise, not only from a distribution perspective but also product manufacturing. The Markets business is mainly fee generative with efficient use of the balance sheet.

5.4. STRUCTURED FINANCE

Haitong Bank Activity in 2015

Upon completion of the acquisition by Haitong Securities, the structured credit activities have been brought together in a unique business unit, under the name of Structured Finance, including Project Finance, Acquisition Finance, Other Credits and Trade Finance (this being implemented) business activities.

A new business model for Structured Finance is being developed and a strong coordination between origination and distribution teams is key to its success. Haitong Bank will remain focused on the structuring and lead arranging of financing projects, particularly in infrastructure and renewable energy sectors, leveraging on its strong expertise to provide added value structures and solutions to the Clients.

As a consequence of the Bank's new strategic positioning, this business area is focused on developing an asset light balance sheet driven on transactions with distribution potential and cross selling to the DCM or M&A business areas, by working in coordination with Global Syndication and Distribution teams.

The area is organized in three macro regions:

- Europe - lead by Portuguese team and supported by teams in Spain and UK;
- Latin America - based in the United States and focused on Mexico, Peru and Colombia;
- Brazil.

Haitong Bank's Structured Finance activity in 2015 was conditioned by the funding constraints of the former Shareholder and then by the transition process to the new Shareholder, that ended on 7 September. However and despite of all constraints, the teams were able to conclude several refinancing deals and project-related positioning funded and unfunded transactions and worked on project financing advisory with its Clients in the different regions. Therefore, this business area reached the goals set for the year 2015.

PROJECT FINANCE

In Europe, Project Finance activity was marked by a low volume of new projects due to budgetary restrictions, being Portugal a good example of this situation. Two other factors have boosted competition quite significantly: the abundant liquidity in the credit market as a result of the ECB monetary policies and the increasing interest from institutional investors in infrastructure finance alongside with commercial banks.

The renewable energy sector was the most dynamic in Portugal, with a number of overpowering equipment projects – under current legislation it is possible to increase by 20% the installed production capacity of existing projects – and some M&A deals which involved refinancing opportunities.

In **Portugal**, Haitong Bank acted as Mandated Lead Arranger for two new deals in the renewable energy sector, while in Spain a total of 4 restructuring deals were successfully closed in the solar energy sector (as a consequence of the recent regulatory changes introduced by the Spanish Government).

A number of advisory mandates are currently progressing in Portugal and the **UK** and 4 other restructuring deals are also progressing in the solar sector in **Spain**.

In **Brazil**, even with an economic crisis, this business area had a good performance. As part of local strategy, the activity of Project Finance was focused on supporting local and international clients in Public and Private Partnerships developed by Brazilian States such as Bahia, Minas Gerais and São Paulo. Even with the credit and liquidity constraints, the area of Project Finance was mandated to be the long-term financing arranger of two new projects in the energy transmission lines and wind energy generation sectors. In fact, the Project Finance team in Brazil is mandated for 4 deals in different sectors (Health Diagnoses system at Bahia State, wind energy generation and sanitation) and has more than 25 projects in the pipeline.

The team based on New York continued to expand its presence in the Spanish Latin America. While the Mexican market continues to be the most relevant for the Bank's activity in the region, great progress was made in expanding the activity to the Andean region, primarily in Peru. In this country, the Structured Finance team worked closely with the DCM team in order to put together a comprehensive financing solution for Azteca Comunicaciones Peru, the concessionaire of a 20-year project for the development, financing, construction and operation of a 13,400 Kms fibre optic network in Peru (Red Dorsal). The transaction included a USD 65 million bridge financing and a USD 274 million 16.5 year project bond.

The project bond, arranged and lead by the Bank, was awarded **Best Bond of the Year 2015** by Latin Finance and **Latin America Telecoms - Deal of the Year 2015** by IJ Global.

Acquisition Finance and Other Credits

The Acquisition Finance and Other Credits business area had a good performance in Europe. The team took part in several transactions, including financial structuring to cross-border clients acquiring assets in **Portugal**. In **Poland**, trade finance business performed well despite lack of rating and ownership changes of the bank during first three quarters of 2015. Guarantee portfolio was based mainly on construction sector and long-term relationship with local and international Clients.

LISBON
IMOPOLIS
Refinancing
€ 136,070,606
Mandated Lead Arranger
2015
BESI

LISBON
Brisa Concessão
Acquisition of 30% of BCR SGPS SA's share capital
€ 766,849,400
Arranger
2015
BESI

LISBON
ArcelorMittal
Acquisition by BESI of a credit held by Comp. Previdente over ArcelorMittal Brasil, S/A.
US$ 13,825,730
Arranger
2015
BESI

LISBON
efacec Power Solutions, SGPS, SA
Amendment to the facility agreements put in place at Efacec Energia - Máquinas e Equipamentos Elétricos, S.A. and Efacec Engenharia e Sistemas, S.A.
Mandated Lead Arranger, Agent
2015
HAITONG

LISBON
efacec Capital S.G.P.S., S.A.
Amendment to the facility agreements put in place at Efacec Capital. S.G.P.S., S.A.
€ 262,000,000
Mandated Lead Arranger, Agent
2015
HAITONG

WARSAW
DORR
Guarantee Line
PLN 30,000,000
Sole Arranger
2015
BESI

In **Brazil**, Other Credits department was involved on refinancing deals and a few new deals. Once again, the area had a role of cross-selling originator to DCM and M&A units. Two deals were closed in a Trade Finance modelling.

SAO PAULO
Algar Agro
Credit Export Notes
R$ 15,600,000
Lender
2015
BESI

SAO PAULO
biosev A Louis Dreyfus Commodities Company
Export Credit Notes
R$ 14,000,000
Lender
2015
BESI

SAO PAULO
Granol
Export Credit Notes
R$ 10,000,000
Lender
2015
BESI

Outlook

Looking ahead to 2016, we expect the Bank to be awarded with several mandates resulting from the following market opportunities:

- Peru and Colombia have put forth ambitious investment plans in the infrastructure sector and in Mexico there is an energy reform in course;
- Brazil, as part of an effort of economic recovery, will launch several auctions in the infrastructure sector (roads, railroads and airports) and new PPP projects, the most important of them, the public lighting of São Paulo and Belo Horizonte Municipality;
- In Europe, Portugal and Spain are keeping a consistent recovery and a new wave of M&A transaction and private investments in the renewable sector in both countries.

Additionally, Haitong Bank is working closely with the Shareholder's teams to identify potential synergies in the Structured Finance activity.

Haitong Securities has a strong presence in the Asian region, particularly in China, opening up numerous opportunities for Structured Finance activity, either by giving support to transactions originated in the regions where Haitong Bank already operates, or by supporting Chinese companies in its projects around the world, particularly in the developing countries in Latin America (Mexico, Peru and Colombia), Brazil and India.

Haitong Securities is actively working to develop relationships with Chinese companies with presence in Europe, Brazil and Latin America, offering them financial support for projects in these regions. In the same line, Haitong Bank is developing a consistent strategy to build strong partnerships with Development Banks based on Asia in order to expand potential pipeline of deals.

5.5. WEALTH AND FUND MANAGEMENT

ASSET MANAGEMENT

Overall, 2015 was an appealing year for the world's stock markets due to the expansionary policies implemented by the Central Banks, the progressive improvement of macroeconomic indicators in the main developed economies and the lack of any attractive investment alternatives. However, several events during the year triggered volatility spikes and strong corrections in the stock markets, particularly as from the 2nd quarter: the political crisis in Greece, growth fears in several economies (especially in the emerging markets), deflationary fears, the fall of oil prices, corporate scandals, geopolitical problems and the end of the zero rates policy in the United States. All in all 2015 was thus quite difficult, with the markets closing the year with 4% gains in Europe (Euro Stoxx 50) and falls of around 2% in the USA (Dow Jones).

In this context, Haitong Bank closed another year with gains (the 13th), which in the direct portfolios reached 4.8% for the "normal profile" and 10.1% for the "aggressive profile". These results were thus quite satisfactory, not only vis-à-vis the stock markets' general performance, but also in view of the lower underlying risk (namely of the normal profile portfolios) with which they were accumulated.

Assets under Management registered an overall increase of 3.2% in 2015, to EUR 255 million, with the unit-linked vehicle performing particularly well (+11%). The growth of Assets under Management is quite meaningful given the uncertainty surrounding Novo Banco, which impacted distribution.

Finally, the year was marked by the Bank's integration into the Haitong Securities group, opening up exciting perspectives of growth and investment in its Asset Management business.

WEALTH MANAGEMENT

By the end of 2015, the Haitong Bank has decided to create the Wealth Management Division. This new activity, to be developed from 2016 onwards, will be based on an Open Architecture philosophy, always seeking to provide to its Clients the best products and solutions existing in the market.

Haitong's Wealth Management Division offer encompasses personalised Client approach identifying the best suitable methodology according to its Clients' risk /return goals.

A dedicated Relationship Manager will allow Clients to have access to a wide range of products and solutions with a Global perspective.

Clients may choose how to interact with the Bank either through Discretionary Management, Advisory or Execution.

The Wealth Management Division offer is targeting Clients within the High Net Worth Individuals (HNWI) segment, to which an exclusively professional and independent advisory service is provided. This Division aims to provide Clients with a high quality global service, through:

- A global offering of financial products and assets, taking advantage of the Bank's presence, as direct member, in the main world Stock Exchanges, as well as the establishment of Sales & Trading teams' in those markets;
- The full understanding of the Clients' needs;
- The identification of each Client's risk profile and main investment requirements, as a way to define the more adequate investment portfolios;
- A close collaboration with Clients to identify its goals, restrictions and preferences for each of the services provided;
- A dynamic view of the portfolio.

PRIVATE EQUITY

2015 saw an improvement in macroeconomic conditions in Iberia, supporting a fast pace of divestment operations and a certain number of expansion investment transactions.

During the year 30 investment opportunities were analysed, all of them in development capital in Portugal, considerably less than in 2014. This reduction is mainly explained by the greater emphasis placed on portfolio management and divestment activities, which is explained by the portfolio's stage of maturity, by the liquidation period of the ES Ibéria I fund, and by the divestment from the private equity business in Brazil towards the end of the year.

Investment totalled approximately EUR 7.5 million, including the acquisition of a stake in a 1.75 MW solar photovoltaic plant at Ferreira do Alentejo, Portugal, and two new expansion capital investments through the acquisition of minority stakes in Ach. Brito - a producer of soap and perfumery - and in Nexxpro, which produces helmets.

Divestment was pursued at a fast pace, reaching a total of around EUR 18 million (acquisition cost), and included the sale of all the stakes held in Probiomass, 2bCapital SICAR and Iberwind.

There are several asset disposal processes under way (development capital and infrastructures), which should be completed during the first half of 2016.

The dividend distributions received from the subsidiary companies – Iberwind, Globalwatt, GLT and Sicame - once again reflect their growing maturity and good operational performance.

Funds under management at year-end totalled EUR 175 million, largely reflecting the divestments made during the year.

Investment Portfolio and Financial Highlights (individual base)

During the year the Bank pursued its activity of regular monitoring the subsidiaries with a focus on value creation. The portfolios were valued in June and December, according to the methodologies defined for each sector, and regular meetings with investors were held at the end of each semester. At the end of the year the overall market value of the investment portfolios was EUR 134 million.

The subsidiaries in portfolio had an uneven performance during the year: some of them were penalised by exposure to emerging markets where the economic situation gradually deteriorated as a result of the sharp fall in oil prices, while others saw their value increase as a result of a brighter macroeconomic environment and of the maturation of their businesses.

The area posted a net profit for the year of EUR 490 thousand. Equity amounted to EUR 44.9 million at the end of the year.

Outlook

Iberia is expected to sustain positive macroeconomic conditions throughout 2016, permitting the Bank to pursue the pace of investment seen in 2014 and 2015. However, a more subdued performance of the emerging markets could constrain the growth and value growth outlook for some of the subsidiaries in portfolio.

At the same time, the Bank is analysing the possibility of launching new funds in the infrastructure and buyout segments, leveraging its own experience, the existing partnerships, and the track record of the new shareholder in the private equity business.

5.6. TREASURY

Market Background

2015 was marked by the European Central Bank's announcement of an asset purchase programme. This sent down interest rates in the Eurozone sovereign debt market to historical lows, with the German 10-year public debt securities yield trading at 4 basis points during the first half of the year. Later, the uncertainty about whether Greece would remain in the Eurozone and the inflation outlook for the region triggered a sharp reversal of that movement, leading the *Bund* to close the year at close to 63 basis points. The yield on the 10-year Portuguese sovereign bonds, which in March reached as low as 1.56%, closed the year at 2.52%.

All in all, the Portuguese Republic's good budget execution once again contributed to improve the country's financing conditions. Portugal issued a total of EUR 8.3 billion Treasury Bonds in eight auctions, the last of which, in November, placed around EUR 1.2 billion of 10-year bonds, at a rate of 2.43%. The financial cushion thus obtained allowed Portugal to repay in advance EUR 8.4 billion of the EUR 26 billion loans from the International Monetary Fund.

In view of this progress, Standard & Poor's upgraded the Portuguese Republic's credit rating by one notch, to BB+, one level only below investment grade. This improvement also applied to several Portuguese banks, reflecting the deleveraging of their balance sheets and lower dependence from the European Central Bank. Even so, the events that recently affected the Portuguese financial system remained a strong obstacle against a return of the Portuguese financial institutions to funding operations in the international debt markets.

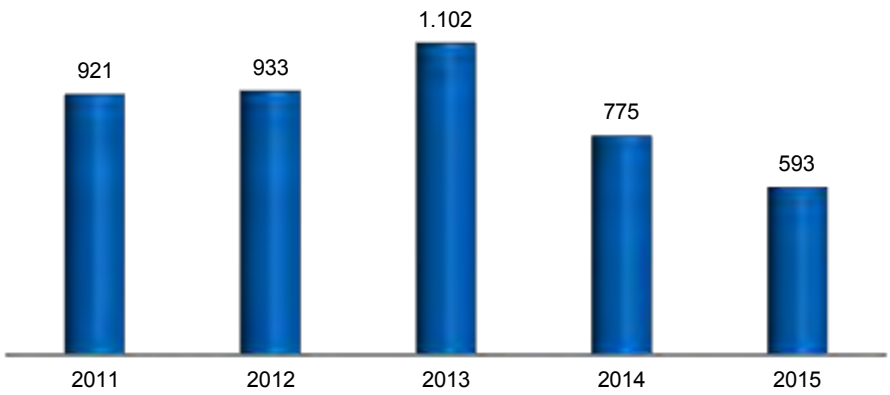
Haitong Bank Activity in 2015

2015 was a milestone year for Haitong Bank, with its acquisition by Haitong Securities being formally concluded in September. The Bank's activity was thus conditioned for most of the year by the sale process agreements.

In **Portugal**, the capacity to access the markets remained quite constrained, not only due to the aforementioned events, but also as a result of the overall situation of the Portuguese financial system. Debt issued in the form of Medium Term Notes (MTNs) totalled EUR 593 million on 31 December 2015, which compares with EUR 775 million in the previous year.

EMTN Programme/Total Outstanding Amount

(EUR million)



Note: Issue value outstanding deducted from buybacks

Source: Haitong Bank

During the year of 2015 and since the beginning of 2014, the Treasury team in **Brazil** has been focused on a very conservative liquidity management approach, the key for a successful transition following the events that hit the Bank's former shareholder and the uncertainties ahead.

Several measures were taken to maintain an adequate liquidity level, following the maturity of the USD 500 million bonds issued in 2010 in March. With no access to institutional investors after the rating suspension, the Bank looked for alternative sources of funding, including the access to Open Platforms (a sort of retail channel) through which the Bank raised an important amount of funds.

Outlook

For 2016, Treasury's main objective is to establish new funding sources and strengthen those already in place so as to ensure a stable funding level, diversified and adjusted to the balance sheet and the business model.

In Portugal and given its great flexibility, the EMTN will remain a cornerstone of this strategy, while the Bank will maintain its focus on serving the investors and adapting the offer to the Clients' needs.

In Brazil, the closing of the Bank's acquisition by Haitong Securities should set in place the conditions to allow the Bank to gradually re-access more competitive and diversified funding sources, improving the financial margins and leveraging the Bank's profitability. It has been a very gradual movement but will be a cornerstone for the Bank's activity in Brazil.

6. HUMAN RESOURCES

HEADCOUNT	Dec-15	Dec-14	Change	% Change
TOTAL GROUP	**720**	**724**	**-4**	**-0.6%**
PORTUGAL	**254**	**247**	**7**	**2.8%**
Haitong Bank, S.A.	245	238	7	
Haitong Capital – SCR, S.A.	9	9	0	
SPAIN	**91**	**98**	**-7**	**-7.1%**
Haitong Bank, S.A. – Spain Branch	91	98	-7	
UNITED KINGDOM	**110**	**92**	**18**	**19.6%**
Haitong Bank, S.A. – London Branch	2	4	-2	
Haitong UK Limited	108	88	20	
POLAND	**58**	**57**	**1**	**1.8%**
Haitong Bank, S.A. – Warsaw Branch	58	57	1	
IRELAND	**3**	**3**	**0**	**0.0%**
Haitong Investment Ireland plc	3	3	0	
BRAZIL	**156**	**163**	**-7**	**-4.3%**
Haitong Banco de Investimento do Brasil, S.A.	120	126	-6	
Haitong Securities do Brasil, S.A.	35	33	2	
Haitong Brasil DTVM, S.A.	1	4	-3	
USA	**17**	**24**	**-7**	**-29.2%**
Haitong Bank, S.A. – NY Branch	17	24	-7	
MEXICO	**4**	**4**	**0**	**0.0%**
Representative Office in Mexico City	4	4	0	
INDIA	**27**	**32**	**-5**	**-15.6%**
Haitong Securities India Private Limited	27	32	-5	
HONG-KONG	**0**	**4**	**-4**	**-100.0%**
Execution Noble (Hong Kong) Limited	0	4	-4	

Note: Does not include temporary staff and trainees

Source: Haitong Bank

Headcount

In overall terms, Haitong Bank's workforce remained stable during 2015, despite the uncertainty lived in the period.

The greatest change (+ 20 employees), occurred in Haitong (UK) Limited, resulted from the redefinition of the Bank and its Shareholder' strategy which emphasises London as a major market for the Bank's future growth. This involved several hiring's in this market in the last quarter of 2015.

In the other geographies, the delay in the effective entry of the new shareholder, which protracted the period of uncertainty for longer than had been expected, together with the impacts of the resolution of BES Group and the lacklustre macroeconomic environment in some of the regions where the Bank is present, resulted in staff cuts in Spain, Brazil, the United States and India.

2015 was also marked by the closure of Execution Noble's offices in Hong Kong, which occurred prior to the Bank's sale to Haitong Securities.

Training

Despite the uncertainty that characterised the largest part of the year, Haitong Bank continued to support its employees taking MBAs, post graduations and graduation courses. During the year one Employee successfully concluded an Executive MBA abroad and another one enrolled in an MBA in Singapore. In addition to the academic courses, the Bank also continued to sponsor Employee training, with the employees taking part in various executive training courses.

Moreover, the Bank also organised a training course on Chinese culture, in cooperation with external entities. Organised in several geographies, this course, which aimed to provide an outline on the culture of origin of the new Shareholder, was attended by the large majority of the Employees.

Talent Management

Haitong Bank believes that the quality of its staff is key to its success. Hence, within the scope of the Bank's acquisition by Haitong Securities, the new Shareholder considered that Staff retention was a crucial element in the process, having approved a 2-year Retention Plan aimed at retaining the Employees deemed vital for the future development of the business. The Talent Management team monitored the design and implementation of this Plan, as well as, with the support of the Legal and Compliance Department, the drawing up of the necessary contracts.

The Talent Management Division believes that maintaining links with the universities is very important in this context of change, and will permit to promote the Bank and attract new talent. Hence the Bank maintained its role as Corporate Partner of Universidade Nova de Lisboa in its Brazil-Europe International Master. Besides this partnership, the Bank maintains close relations with various national and foreign universities, in the areas of Economics, Business Management and Finance.

These partnerships allowed the Bank to organise several internships in 2015. A total of 84 internships programmes were conducted, of which 67 in Lisbon, 12 in London, 2 in Madrid, 2 in New York and 1 in Warsaw.

Social Responsibility Initiatives

During the year the Bank developed and invited its Employees to take part in the following social responsibility initiatives:

- Banco Alimentar “Papel por Alimentos” - solidarity and environmental campaign – each tonne of used paper donated is exchanged for EUR 100 in food;
- UNICEF 'Nepal Earthquake' Campaign - funds raised for the victims of the Nepal earthquake were delivered to UNICEF.
- Liga Portuguesa Contra o Cancro – fund raising to support this cancer-fighting association's initiative “Ligue Mais à Liga”.

The Bank also supported the Novo Futuro Association, buying food from its Rastrillo 2015 Solidarity Fair in order to make its Christmas baskets.

7. RISK MANAGEMENT

As a result of the recent acquisition of 100% of its share capital by Haitong Securities, Co., Ltd. in September 2015, Haitong Bank management and governance model is being redefined to align with the new shareholder's objectives and practices. On the risk management side, this process of adaptation is on an advanced stage and it is expected to be completed during 2016.

The objective of the risk management function - a key element to the development of Haitong Bank activities – is to identify, assess, monitor and report all the material risks to which it is subject, both internally and externally, so that such risks remain within limits that are consistent with the risk profile and risk tolerance level approved by the Executive Committee.

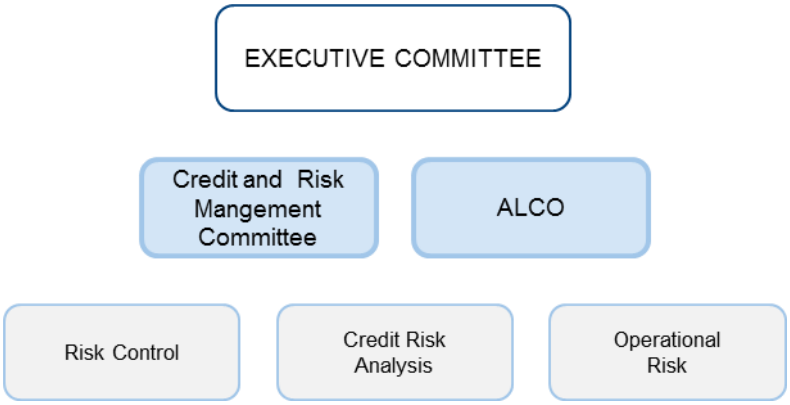
The risk management function operates independently from the business areas, providing advice on risk management to the decision-takers of the Bank. The Haitong Bank has in place control systems to identify, monitor and manage risks, as well as areas to support the business development.

GOVERNANCE

The Executive Committee is responsible for establishing the risk appetite policy and control systems framework that ensure the Bank has the necessary skills and resources to meet its objectives.

The risk management function is independent from the business units, supervising all material risks to which Haitong Bank's various units are exposed and consistently incorporates risk, capital and liquidity concepts into the Group's strategy and business decisions.

The current structure of the relevant Committees for the Bank's Risk Management is summarized below.



Risk control and supervision roles are carried out by the Bank's Executive Committee, which delegates the setting of rules and procedures and the approval of transactions and risk limits to the Credit and Risk Management Committee (CRC), and the definition and monitoring of balance sheet and liquidity management policies to the Assets and Liabilities Committee (ALCO).

Haitong Bank's risk management function envisages the alignment of the strategic orientation set by the Executive Committee and the operational-level decisions, ensuring:

- Independence relative to the other areas of the Group, namely the business areas, and credibility with the management and supervisory bodies, shareholders, and regulators. It should be stressed that this role has no decision powers over specific transactions;
- The integration and global management of all types of risk (credit, market, liquidity, on-balance sheet interest rate, and operational risks, at both domestic and international level) and consistency in risk/return metrics;
- Consistent incorporation of risk, capital and liquidity concepts in the strategy and business decisions of the whole Bank, ensuring full comparability of risk versus return.

Currently, the Risk function comprises three distinct units - Risk Control, Credit Risk Analysis, and Operational Risk Analysis - entailing the following tasks:

- Identify, assess, monitor and report the different types of risk assumed, thus managing the overall risk exposure, ensuring compliance with internal and regulatory rules, and promoting and monitoring mitigation actions;
- Implement the risk policies outlined by the Executive Committee, while harmonising principles, concepts and methodologies across all the Bank's units;
- Support the Bank's value creation objectives through the development and monitoring of methodologies to identify and quantify the various categories of risk as well as support tools for the structuring, pricing and approval of operations, and also internal models for performance assessment and for optimising the capital allocation;
- Plan and monitor regulatory capital, leverage and liquidity requirements;
- Develop the internal capital and liquidity adequacy assessment process (ICAAP and ILAAP);
- Participate on the elaboration of the Haitong Bank's Funding and Capital Plan (FCP);
- Elaborate and maintain the Recovery Plan.

7.1. 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 to which the Bank is exposed, credit risk management and control are supported by a robust system that permits to identify, assess, quantify and report risk.

Management Practices

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

Limits Setting

All transactions involving credit or market risk, as well as the risk limits framework for each Haitong Bank business unit (in Portugal, Spain, Poland, the United States of America, Mexico, Brazil, the United Kingdom and Ireland) are approved by the Global Credit and Risk Management Committee.

This committee has the following specific responsibilities:

- Set global and regional risk exposure and tolerance limits, based on solvency and risk/return optimisation;
- As applicable, delegate approval powers to the business units within pre-established risk appetite, taking into account ratings as well as total and partial limits for each rating bucket by maturity, sector, country and other criteria;
- Analyse and approve or reject the transactions submitted by each business unit and/or geography, ensuring they comply with the risk appetite established by the Executive Committee, and subject to current legal and regulatory requirements as well as best market practices;
- Approve changes to individual and aggregate limits in accordance with the business areas and products;
- Monitor all the relevant risk parameters for the Bank's activity.

This ensures that the maximum exposure limits approved per counterparty, rating and sector are attributed taking into account the specific features of markets, products, currencies and maturities.

The approval of limits is preceded by an in-depth analysis of the markets, particularly regarding their liquidity to ensure that the Bank's strategic objectives can be reached at both individual and consolidated level. The use of internal and external ratings for purposes of establishing portfolio ceilings that limit credit approvals by both product and rating levels, inhibit credit approvals for the worse risk ratings.

Internal ratings

Although Haitong Bank - as consequence of the carve-out process from Novo Banco - has reverted to Standardized Approach to what concerns the regulatory capital requirements measurement, the internal credit rating assignment is still a key element on supporting credit risk management.

Haitong Bank internal rating function was effectively internalized by retaining an experienced team of analysts and by keeping the rating tool (scorecards and guidelines) sponsored by Standard and Poor's.

The internal ratings measure the probability of default in a one year period and they are assigned to all clients and counterparties of Haitong Bank. They are mandatory for credit decisions and used as impairment trigger and warning signal. Annual update and maintenance of the internal rating framework is ensured by contracted services with Standard and Poor's.

Monitoring

The credit risk monitoring and control activities aim to quantify and control the evolution of credit risk and to allow early definition and implementation of particular measures to deal with specific situations where there is a deterioration of risk – with a view to mitigating potential losses -, as well as to outline global strategies for credit portfolio management.

In this context, and with the central goal of complying with risk management standards, the credit risk monitoring function and its implementation are objectively considered as one of the top priorities of the risk management and control system. This function comprises the following main processes:

- Daily and weekly portfolio monitoring

  Haitong Bank teams in each business unit work closely with the risk management team in Portugal to ensure risk monitoring and control routines are properly implemented. This involves the following processes:

  - Daily collection, preparation, control and reporting to the different business areas of information on loans, securities portfolios, derivatives and other products' positions and use level of approved limits;
  - Weekly risk reporting on each category of risk, namely the risk appetite of the Bank's loan portfolio by type of instrument, the total exposure by instrument, country, rating, industry sector, maturity, margin, capital requirements, new/recent approvals by the Credit and Risk Management Committee, limits exceeded, impairment signs, among others;
  - Preparation of support material for external and internal reporting on credit and counterparty risk.

- Monitoring of Clients with impairment triggers

  To strengthen monitoring and control of the loan portfolio the Impairment Committee has the specific purpose of assessing the Bank's loan portfolio provisions, especially for impaired exposures. The Committee uses credit risk model information in conjunction with the analysis, among others, of:

  - The Client's overall exposure and the existence of overdue loans;
  - The economic and financial viability of the Client's business and its capacity to generate sufficient resources to service its debt in the future;
  - The existence of privileged creditors;
  - The existence, nature and estimated value of collaterals;
  - The Client's exposure in the financial sector;
  - The amount and timing of expected recoveries.

An exposure is considered to be impaired, when: (i) there is objective evidence of impairment resulting from one or more events occurring after its initial recognition; (ii) the event or events have an impact on the recoverable value of the future cash flows of the loan or loan portfolio, as far as this can be reasonably estimated.

- Global risk analysis of credit portfolios

  Credit portfolio management is an ongoing process that requires interaction among the various teams responsible for the management of risk during the different stages of the credit process. The risk of credit portfolios, specifically in what concerns the evolution of credit exposure and the monitoring of credit losses, is reported on a monthly basis to the Executive Committee.

  The portfolio limits/ceilings are used to monitor the evolution of the risk appetite of the various credit portfolios. Compliance with the established ceilings is monitored on a regular basis. The resulting information is distributed to the business areas and to the Global Credit and Risk Management Committee.

  To what concerns concentration risk – the risks that arise from the possibility of an exposure or group of exposures that share common or interrelated risk factors producing sufficiently large losses to undermine an institution's solvency - Haitong Bank has established limits for the largest individual exposures and for exposures by sector. The regular monitoring of these limits, together with that of regulatory limits, namely for Large Exposures, reinforces the Bank's monitoring and follow-up framework for credit risk concentration. The impact of concentration risk is incorporated in the economic capital model for credit risk.

Credit Recovery Process

To support credit recovery and restructuring, Haitong Bank's Capital Structure Advisory Division advises on and implements corporate liabilities' management solutions. The division also works on loan restructurings aiming to maximize the credit recovery rate.

ASSET QUALITY

Loan portfolio

Portfolio breakdown

As of December 2015 the gross loan portfolio totalled EUR 1,370 million, which represents contraction of EUR 463 million during 2015, mainly observed on the international portfolio (- EUR 409 million).

Loan Portfolio product lines and geographic breakdown

(EUR thousand)

	Dec-15			Dec-14		
	Domestic	International	Total	Domestic	International	Total
Loan Portfolio [(1)]	**582,896**	**787,111**	**1,370,007**	**636,510**	**1,196,488**	**1,832,998**
Project Finance	399,625	423,941	823,566	424,550	558,082	982,632
Acquisition Finance	180,379	363,138	543,517	186,529	634,835	821,364
Other Loans	2,892	33	2,925	25,432	3,571	29,002

(1) Gross of provisions

Source: Haitong Bank

The breakdown of the loan portfolio by industry sector reflects the Bank's lending strategy developed over the last few years in the various regions where it operates, with special emphasis on project finance in the transportation and energy infrastructure sectors.

Loan Portfolio by sector

	Dec-15				Dec-14			
	Project Finance	Acquisition Finance	Other Loans	Total	Project Finance	Acquisition Finance	Other Loans	Total
Total	**60%**	**40%**	**0%**	**100%**	**54%**	**45%**	**2%**	**100%**
Financials	0%	11%	0%	**11%**	2%	10%	1%	**13%**
Construction and Public Works	13%	2%	0%	**14%**	10%	3%	0%	**12%**
Energy	19%	1%	0%	**20%**	16%	1%	0%	**16%**
Transport Infrastructure	14%	0%	0%	**14%**	12%	0%	0%	**12%**
Transports and Communications	1%	3%	0%	**4%**	1%	2%	0%	**3%**
Other Manufacturing Sectors	1%	6%	0%	**7%**	1%	7%	0%	**8%**
Real Estate and Rental Activity	0%	6%	0%	**6%**	0%	4%	0%	**4%**
Services	5%	5%	0%	**10%**	6%	6%	1%	**13%**
Wholesale and Retail	5%	1%	0%	**6%**	4%	3%	0%	**7%**
Other sectors	2%	6%	0%	**8%**	2%	9%	0%	**11%**

Source: Haitong Bank

Internal Rating Profile

Haitong Bank uses internal rating models to support credit decisions and credit risk monitoring. The average credit risk profile remains broadly in line with the previous year.

Loan Portfolio rating profile

	Dec-15	Dec-14
[aaa; a-]	1%	0%
[bbb+; bbb-]	10%	16%
[bb+; bb-]	37%	32%
[b+; b-]	44%	47%
[ccc+; lccc]	8%	5%

Note: In percentage of non-default rated portfolio

Source: Haitong Bank

Risk Indicators

Provisions constituted in 2014 reflected the adjustments made as a result of the ECB's Asset Quality Review (AQR), the financial problems experienced by GBES/GES, the preparation of Novo Banco's opening balance sheet, and the contraction of the portfolio itself.

In 2015, Haitong Bank continued to pursue a conservative approach regarding loan portfolio impairments, by keeping a significant provisioning effort in order to attain the reinforcement of solid coverage levels.

Loan Portfolio Risk Indicators

(EUR thousand)

	Dec-15	Dec-14
Loan Portfolio	1,370,007	1,832,998
Overdue > 90 days	189,407	121,763
Overdue > 90 days / Loan Portfolio	13.8%	6.6%
Credit at Risk [11]	502,048	510,757
Credit at Risk / Loan portfolio	37%	28%
Credit Provision	328,666	283,780
Credit Provisions / Overdue Loans > 90 days	174%	233%
Credit Provisions / Credit at Risk	65%	56%
Credit Provisions / Loan Portfolio	24%	15%
Additional Credit Provisions	60,231	169,605
Additional Credit Provisions / Gross loans	4.40%	9.25%

[1] According to Instruction 23/2011 of Bank of Portugal, credit at risk includes: a) total value of credit with capital or interest past due by 90 days or more; b) other restructured credit, where the principal or interest payments were past due by more than 90 days and have been capitalized or refinanced without full coverage by collaterals or the interest fallen due have not yet been fully paid by the debtor; and c) credits of an insolvent or bankrupt debtor.

Source: Haitong Bank

Fixed Income assets

Portfolio breakdown

The fixed income portfolio ended 2015 with a EUR 1,441 million net amount, a year-on-year increase of EUR 155 million, as a result of Haitong Banco de Investimento do Brasil's activity, essentially made up of Brazilian Treasury Notes and Brazilian Central Bank Notes (issued and funded in local currency).

Fixed Income Portfolio by sector

(EUR thousand)

	Dec-15	Dec-14
Total	**1,441,206**	**1,286,029**
Sovereing	1,231,291	1,002,544
Financials	67,042	109,553
Construction and Public Works	3,224	25,165
Energy	3,749	5,767
Transport Infrastructure	621	0
Transport and Communications	12,226	7,833
Other Manufacturing Sectors	18,646	24,886
Real Estate and Rental Activity	8,384	11,475
Services	40,612	42,379
Wholesale and Retail	0	4,944
Other sectores	55,411	51,484

Source: Haitong Bank

Internal Rating Profile

In 2015 the risk profile of the Bank's fixed income portfolio maintained its concentration in investment grade issuers.

Fixed Income Portfolio rating profile

	Dec-15	Dec-14
[aaa; a-]	0.1%	2.6%
[bbb+; bbb-]	75.0%	80.3%
[bb+; bb-]	19.7%	7.3%
[b+; b-]	2.5%	7.3%
[ccc+; lccc]	2.8%	2.5%

Note: In percentage of non-default rated portfolio

Source: Haitong Bank

Derivatives portfolio

Portfolio breakdown

The counterparty risk exposure in the Bank's portfolio of interest rate, exchange rate, and equity derivatives amounted EUR 820 million at the end of 2015, decreasing EUR 359 million, as a result of the reduction of the Project Finance credit portfolio.

In terms of the breakdown by counterparty risk sector, 50% of the global exposure is related to transactions with financial sector counterparties.

Derivatives Portfolio by sector

(EUR thousand)

	Dec-15	Dec-14
Total	**461,191**	**820,048**
Financials	231,884	541,811
Construction and Public Works	24,290	20,030
Energy	41,832	48,687
Transport Infrastructure	70,479	76,522
Trasnport and Communications	24,672	66,195
Other Manufacturing Sectors	740	304
Real Estate and Rental Activity	145	234
Services	28,773	35,540
Wholesale and Retail	12,726	7,999
Other sectors	25,650	22,726

Source: Haitong Bank

Internal Rating Profile

From the total exposure to derivative instruments, approximately 37% related to counterparties with investment grade rating. The chart below shows the breakdown of rated exposures.

Derivatives Portfolio rating profile

	Dec-15	Dec-14
[aaa; a-]	28%	32%
[bbb+; bbb-]	8%	29%
[bb+; bb-]	40%	30%
[b+; b-]	19%	7%
[ccc+; lccc]	4%	2%

Note: In percentage of non-default rated portfolio

Source: Haitong Bank

7.2. Market Risk

Market risk is the possible loss resulting from an adverse change in the value of a financial instrument due to fluctuations in interest rates, foreign exchange rates, share/indexes prices, commodity prices, real estate prices, volatility and credit spreads.

Market Risk is monitored on a short-term perspective (10 days) for the trading book and on a medium term perspective (1 year) for the banking book.

Trading Book Risk

Management Practices

The main measure of market risk is the estimation of potential losses under adverse market conditions, for which Value at Risk (VaR) methodology is used. VaR is calculated using the Historical simulation, with a 99% confidence level and an investment period of 10 business days. Volatilities and correlations are historical, based on an observation period of one year.

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

In organisational terms, Market Risk Control functions are spread geographically amongst the Bank's different business units, which have the appropriate skills and resources to evaluate the specific activities and risks incurred by each company of the Group.

The Market Risk Control unit is responsible for analysing the relevant factors for each type of risk using statistical techniques, measuring market volatility, analysing depth and liquidity indicators, and simulating the transactions concerned under different market conditions to establish adequate limits for each business area. In addition to the technical analysis for setting appropriate limits, the Market Risk Control unit also takes into account the track record and experience of the business area concerned and its strategic objectives to ensure that the limits reflect the Bank's guidelines for each category of risk.

The proposed limits are submitted for approval to two Local Credit Risk Management Committees (the Brazil CRC and the New York CRC), and subsequently to the Global Credit and Risk Management Committee in Lisbon. The limits are reviewed at least annually or whenever required by strategic reasons or market conditions.

To obtain a clear picture of the risks incurred and to provide the whole organisation with clear messages regarding the desired risk appetite, a wide range of risk assessment measures are used, complemented by position, stop loss, and concentration limits.

Risk assessment measures used include VaR (Value at Risk), the BPV (Basis Point Value) sensitivity measure, and Greeks (Vega and Rho). VaR is calibrated using back testing analysis.

The way in which the risk assessment and the control methodologies described above are implemented is adapted to factor in the specific features of the market in which each business entity operates.

VaR on 31 December 2015, relating to trading positions in equities, interest rate instruments, volatility, credit spreads, commodities, as well as FX positions (except the FX position in equities in the Available for Sale portfolio and in the portfolio of Assets at Fair Value) totalled EUR 4.45 million, which compares with EUR 9.84 million on 31 December 2014.

VaR - 99% at 10 days

(EUR million)

	Dec-15	Dec-14
Exchange Risk	1.78	2.30
Interest Risk	1.16	1.64
Shares and Commodities	0.10	1.16
Credit Spread	2.12	5.99
Covariance	-0.71	-1.25
Total	**4.45**	**9.84**

Source: Haitong Bank

The main risk factor to which the Bank was exposed at the end of 2015 was the Brazilian sovereign credit spread risk, as was the case at the end of 2014.

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 in the balance sheet.

Interest Rate Risk

Interest Rate Risk may be understood in two different but complementary ways, namely as the effect on the net interest margin, or as the impact on capital, resulting from interest rate movements that affect a bank's banking book.

Fluctuations in market interest rates can affect a bank's net interest margin by altering the amount of income and costs associated to interest rate products, as well as by impacting on the value of the underlying assets, liabilities and off-balance sheet instruments.

The banking book exposure to interest rate risk is calculated in compliance with the Bank for International Settlements (BIS) methodology, classifying all interest rate sensitive assets, liabilities and off balance sheet items, excluding those from trading, using repricing tenors.

The model used is similar to the duration model, using a stress testing scenario corresponding to a parallel shift of 200 basis points in the yield curve for all interest rate levels (Bank of Portugal Instruction 19/2005).

Interest rate risk measurement basically consists in determining the effect of changes in interest rates on equity and net interest income. On 31 December 2015 interest rate risk had a EUR 14,829 thousand positive impact on the Bank's shareholders' equity, which compares with a EUR 7,333 thousand negative impact at the end of 2014.

Credit Spread Risk

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

The credit spread risk of an asset derives from the respective issuer's credit spread volatility. This risk is measured based on a VaR at 99% with a holding period of one year.

Risk of Equity instruments and other Variable Income Securities

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.

The risk of equity holdings and mutual funds, which arises from the respective market prices and equity indexes, is measured based on a VaR at 99%, considering a holding period of one year. This includes the FX risk in equities in the Available for Sale portfolio and in the portfolio of Assets at Fair Value.

Real Estate Risk

Real estate risk arises from adverse changes in the market value of real estate assets where the Bank has exposure to, in the balance sheet, through investment funds.

PENSION FUND RISK

The pension fund risk stems from the possibility of the value of the fund's liabilities (the obligations of the fund) exceeding the value of its assets (the fund's investments). When that occurs the Bank must cover the difference and incur in the respective loss (contributions to the fund).

The Bank's pension fund risk is measured based on the estimated value of assets and liabilities with a timeframe of one year.

The Fund's estimated return corresponds to the maximum losses which the Fund may incur in a period of one year. This return is determined by calculating the 1-year VaR of the Pension Fund's assets portfolio at the reference date, for a confidence interval of 99%.

The responsibilities are updated based on the projected current cost within one year.

To quantify the pension fund risk the Bank uses the same models and methodologies used to determine the material risks incurred by its assets.

7.3. 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 or negligent application of internal procedures, information systems, staff behaviour, or external events. Legal risk is also included in this definition. Operational risk is therefore considered as the sum of the operational, information systems, compliance and reputational risks.

Management Practices

Operational risk is managed through a set of procedures that standardise, systematise and regulate 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, even if these have not resulted in financial losses.

The management methodologies in place are supported by the principles and approaches to operational risk management issued by the Basel Committee and those underlying the Risk Assessment Model implemented by the Bank of Portugal, recognised as reflecting the best practices in this area.

The operational risk management model is supported by a structure within the organisation exclusively dedicated to its design, monitoring and maintenance. This structure works in close coordination with the elements indicated below, whose active participation is crucial:

- Operational risk representatives from the departments, branches and subsidiaries integrated within the scope of operational risk management, who are responsible for the day-to-day management of operational risk in their units, where they must guarantee that the established procedures are implemented;
- The Compliance Department, which plays an important role in guaranteeing that the processes are well documented, detecting specific risks and verifying the controls implemented, ascertaining the rigour of control design and identifying required steps for improvement and full effectiveness, while maintaining continuous reporting to and from the operational risk management;
- The Internal Audit Department which tests the effectiveness of risk management and controls, identifies required steps for improvement and assesses their implementation;
- The Information Technology Department for its role on business continuity.

The operational risk management includes the following:

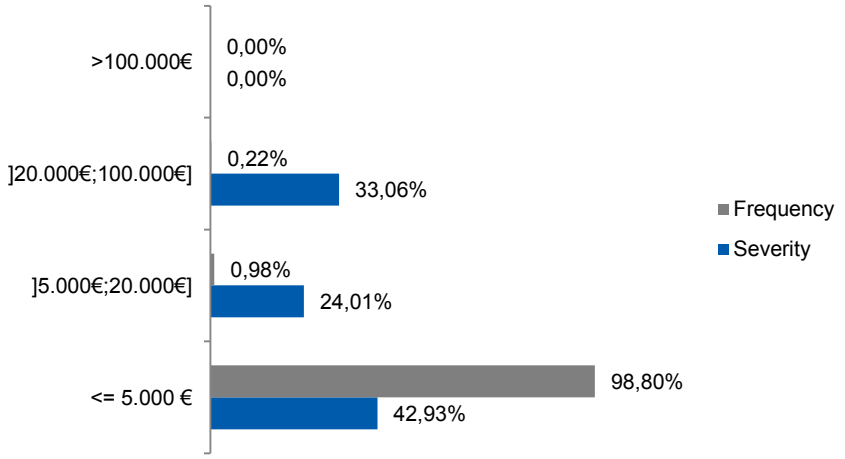
- Identification and reporting of operational risk events. This database not only considers loss-events but also events with positive impacts or others with no accounting impacts (near-misses);
- Implementation of procedures to monitor the registration of events in order to verify the effectiveness of the identification/mitigation processes implemented in each subsidiary and branch and at the same time ensure the collection and consistency of the information on events with financial impacts;
- Regularly carrying out self-assessment analysis to identify the larger risks and corresponding mitigation actions;

- Monitoring of risk factors through key risk indicators (KRIs);
- Calculation of capital requirements in accordance with the Standardised Approach (this is performed by the Management Information System Department).

Operational Risk Analysis

An analysis of Haitong Bank Group's operational risk shows that events with low financial impact are quite frequent while events with a material financial impact are very few.

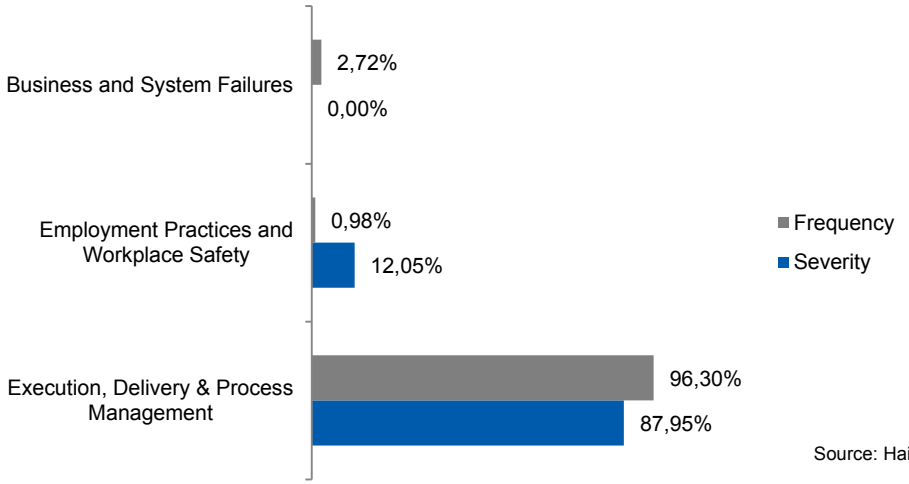
In 2015, 98.8% of the events had a financial impact below EUR 5,000, representing 42.9% of the total impact. There were no incidents with a material financial impact (above EUR 100,000).



Source: Haitong Bank

The operational risk events identified are duly reported so as 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 Basel Risk types.

In 2015, the "Execution, delivery & process management" events registered the highest scores in terms of both frequency and lost amount, representing 88% of the total loss in the year.



Source: Haitong Bank

7.4. 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 excessive cost.

Liquidity risk may be divided into two types:

- Market liquidity risk – the impossibility of selling an asset due to lack of liquidity in the market, leading to the widening of the bid/offer spread or the application of a haircut to its market value;
- Funding liquidity risk – the impossibility to obtain market funding to finance assets and/o refinance debt coming to maturity, in the desired currency. This can lead to a sharp increase in the cost of funding or to the requirement of collaterals in exchange for funding. Difficulties in (re)financing may lead to the sale of assets incurring significant losses.

Management practices

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

Haitong Bank takes the primary responsibility for its own liquidity risk management. Global Haitong's Group Debt Financing Management participates in the whole decision-taking process of its subsidiaries' financing activities and provides appropriate guide and assistance.

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:

- Compliance with regulatory standards on liquidity;
- Full alignment with liquidity risk appetite set by the Executive Committee;
- Deep understanding of business strategy's current and future liquidity needs;
- Availability of sufficient immediate liquidity buffer under both normal and stressed conditions;
- Development of a diversified investors' base and maintain access to a variety of alternative funding sources, while minimising the cost of funding.

In 2015, Haitong Bank submitted its Board approved ILAAP document to the Bank of Portugal.

Liquidity position

Liquidity Gap (1 year)

The 1 year liquidity gap contrasts liquidity available with the needs arising from maturities and thus provides information on the cash inflows and outflows for one year time-frame.

Bank of Portugal's instruction no. 13/2009 defines the liquidity gap as (Liquid Assets – Volatile Liabilities)/(Assets – Liquid Assets) x 100 for each cumulative ladder of residual maturity, where liquid assets include cash and liquid securities and volatile liabilities include cash, debt issues, commitments to third parties, derivatives and other liabilities.

Haitong Bank liquidity gap up to one year improved to EUR + 427 million at 31 December 2015 from EUR - 840 million at the end of the previous year. This positive change is a result of funding profile maturity extension accomplished during 2015.

Liquidity Coverage Ratio (30 days)

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

In October 2014, the European Commission published the Delegated Act (EU) 2015/61 for the LCR under the European CRD IV regime. The CRD IV requires phased compliance with the LCR standard from 1 October 2015 at a minimum of 60% increasing to 100% by January 2018, as shown in the table below.

Minimum Liquidity Coverage Ratios

	Dec-15	Jan-16	Jan-17	Jan-18
Liquidity Coverage Ratio	60%	70%	80%	100%

Source: Haitong Bank

As of 31 December 2015, Haitong Bank reached a LCR of 147%, which represents a surplus regarding the regulatory minimums for both December 2015 and December 2018.

Liquidity Coverage Ratio

(EUR thousand)

	Dec-15
High-Quality Liquid Assets	232,660
30 days Net Outflow	158,474
Liquidity Coverage Ratio (LCR)	147%

Source: Haitong Bank

7.5. 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 Executive Committee and therefore is of critical importance to Haitong's approach to financial stability and sustainability management.

Management practices

The capital management practices and guidelines are shaped to accomplish the business strategic aims and the risk appetite set by the Executive Committee. Accordingly, with the objective of maintaining capital that is adequate in quantity and quality, Haitong Bank has in place a capital management framework assisted by the following streams:

- Constant monitoring of regulatory capital requirements;
- Annual revision of the risk appetite by the Executive Committee;
- Business objectives adequately measured on capital planning. In 2015, Haitong Bank submitted its first Funding and Capital Plan document to the Bank of Portugal;
- Complementing the regulatory focus, Haitong Bank executes on an annual basis an internal risk-based capital self-assessment that consists in a forward-looking measurement all material risks incurred by Haitong Bank (including the ones not covered on Pillar 1 regulatory capital). In 2015, Haitong Bank submitted its ICAAP document to the Bank of Portugal;
- As part of our capital management policy, Haitong Bank maintains a recovery capital plan, which provides the escalation path for crisis management governance and identifies the list of actions and strategies designed to respond to a capital stress event.

Regulatory capital and leverage ratios

Solvency

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

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

Under this regulatory framework, the minimum CET1 ratio is 4.5%, the minimum Tier1 ratio is 6% and the minimum Total capital ratio is 8%.

In addition, from January 2016 onwards these minimum ratios will be supplemented by a new capital conservation buffer. CRD IV requirements permit to phase the impact of this buffer, beginning on January 1, 2016, in increments of 0.625% per year until it reaches 2.5% of RWAs on 1 January

2019. However BoP decided to fully anticipate the effectiveness of capital conservation buffer to all Banks under its supervision on January 1 2016.

Still under the CRD IV capital buffers context, BoP decided, on December 2015, to apply a capital surcharge to six Portuguese banking groups classified as O-SIIs (Other Systemically Important Institutions). The O-SII buffer ranges from 1% to 0.25% and will be effective from 1 January 2017. According to BoP decision, Haitong Bank was, at this point in time, excluded from the scope of application of this macro-prudential buffer.

The regulation also provides a new counter-cyclical capital buffer of up to 2.5% (and also consisting entirely of CET1), to be imposed in the event that national supervisors deem it necessary in order to counteract excessive credit growth in Portugal. On December 2015, BoP decided not to impose any additional counter-cyclical capital buffer. This decision applies to the first quarter of 2016 and will be subject to revision on a quarterly basis.

The table below presents the minimum capital ratios as of December 2015, January 2016 and January 2017 and does not reflect counter-cyclical capital buffer.

Minimum Capital Ratios

	Dec-15	Jan-16 Introduction of Capital Conservation Buffer	Jan-17 Introduction of O-SII Buffer [1]
CET1 ratio	4.5%	7.0%	7.0%
Tier 1 ratio	6.0%	8.5%	8.5%
Total capital ratio	8.0%	10.5%	10.5%

(1) Not applicable to Haitong Bank, as determined by Bank of Portugal. This decision as of December 2015 can be reverted.

Source: Haitong Bank

As consequence of the carve-out process from Novo Banco, Haitong Bank is currently using the Standardized Approach to calculate the risk weighted assets for Credit Risk.

Our estimated capital ratios calculated under the Basel III Standard Approach on both transitional and fully loaded basis are shown in the table below.

Solvency Ratios

	Dec -14	Dec-15	
	Phased-in	Phased-in	Fully-loaded
CET1 ratio	9.4%	10.5%	8.9%
Tier 1 ratio	9.4%	10.5%	9.0%
Total capital ratio	9.4%	10.6%	9.3%

Source: Haitong Bank

Haitong Bank's capital adequacy considerably strengthened during 2015. This is a result of its strategic importance within the Haitong Group, which showed its commitment to the Bank's development through a EUR 100 million capital increase carried out on 17 December 2015. The Bank's prudent and rigorous balance sheet management should also be stressed as well as the efforts undertaken during the year to optimise risk-weighted assets.

Leverage

In addition, 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. Leverage ratio "test-level" minimum requirement was set at 3% and it is expected to be introduced as a binding measure as of 2018.

As of December 2015, Haitong Bank estimated leverage ratio was 8.2%. These estimated ratios are based on our current understanding of the regulatory framework and may evolve as we discuss its interpretation and application with our regulators.

Leverage Ratio

	Dec -15
Phased-in	8.2%
Fully-loaded	7.1%

Source: Haitong Bank

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements are a free translation into English of the original Portuguese version. In case of doubt or misinterpretation the Portuguese version will prevail.

1. Consolidated Financial Statements

Consolidated Income Statement for the periods ended 31 December 2015 and 2014

(thousands of euro)

	Notes	31.12.2015	31.12.2014
Interest and similar income	5	251 514	321 053
Interest expense and similar charges	5	207 070	255 108
Net interest income		**44 444**	**65 945**
Dividend income		-	97
Fee and commission income	6	94 274	119 336
Fee and commission expenses	6	(11 803)	(21 014)
Net gains / (losses) from financial assets at fair value through profit or loss	7	77 887	59 255
Net gains / (losses) from available for sale financial assets	8	3 080	75 905
Net gains / (losses) from foreign exchange differences	9	(61 930)	(32 985)
Net gains / (losses) from the sale of other assets	10	95	(6 750)
Other operating income and expense	11	(9 062)	(9 743)
Operating income		**136 985**	**250 046**
Staff costs	12	80 785	96 289
General and administrative expenses	14	53 694	57 449
Depreciation and amortisation	24 and 25	6 610	7 221
Provisions net of reversals	32	(23 637)	16 844
Loans impairment net of reversals and recoveries	21	60 231	169 605
Impairment on other financial assets net of reversals and recoveries	19 and 20	2 495	49 144
Impairment on other assets net of reversals and recoveries	25, 26 and 27	(224)	20 570
Operating expenses		**179 954**	**417 122**
Share of profit of associates	26	(1 143)	(271)
Profit/ (loss) before income tax		**(44 112)**	**(167 347)**
Income tax expense			
Current tax	33	26 606	17 215
Deferred tax	33	(41 729)	(46 931)
		(15 123)	**(29 716)**
Net profit/ (loss) for the period		**(28 989)**	**(137 631)**
Attributable to equity holders of the Bank		**(35 402)**	**(138 493)**
Attributable to non-controlling interest	37	**6 413**	862
		(28 989)	**(137 631)**
Basic Earnings per Share (in Euro)	15	-0.54	-2.13
Diluted Earnings per Share (in Euro)	15	-0.54	-2.13

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

Chief Accountant

Board of Directors

Consolidated Statement of Comprehensive Income for the periods ended 31 December 2015 and 2014

(thousands of euro)

	31.12.2015	31.12.2014
Net profit/ (loss) for the period		
Attributable to equity holders of the Bank	(35 402)	(138 493)
Attributable to non-controlling interest	6 413	862
	(28 989)	**(137 631)**
Other comprehensive income for the period		
Items that will never reclassified to profit or loss		
Actuarial gains/ (losses), net of taxes	(7 989)	(3 313)
	(7 989)	**(3 313)**
Items that may be reclassified to profit or loss		
Exchange differences, net of taxes	(68 124)	(27 677)
Other comprehensive income appropriate from associates	346	(21)
	(67 778)	**(27 698)**
Available-for-sale financial assets		
Gains / (losses) arising during the period	(1 492)	26 690
Reclassification of realised gains and losses to profit or loss of the period	(734)	(41 705)
Deferred taxes	1 409	5 555
Exchange differences	-	16
	(817)	**(9 444)**
Total comprehensive income/(loss) for the period	**(105 573)**	**(178 086)**
Attributable to equity holders of the Bank	**(97 337)**	**(177 690)**
Attributable to non-controlling interest	**(8 236)**	**(396)**
	(105 573)	**(178 086)**

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

Consolidated Statement of Balance Sheet as at 31 December 2015 and 2014

(thousands of euro)

	Notes	31.12.2015	31.12.2014
Assets			
Cash and deposits at central banks	16	117 684	1 524
Deposits with banks	17	38 960	49 067
Financial assets held for trading	18	1 346 489	1 468 473
Available for sale financial assets	19	468 311	554 680
Loans and advances to banks	20	258 795	34 308
Loans and advances to customers	21	1 041 341	1 549 218
Derivatives for risk management purposes	22	15 236	25 754
Non-current assets held for sale	23	3 600	3 600
Other tangible assets	24	12 164	15 493
Intangible assets	25	80 280	77 396
Investments in associates	26	10 343	26 878
Current income tax assets		10 029	5 173
Deferred income tax assets	33	139 906	97 414
Other assets	27	629 444	532 441
Total Assets		**4 172 582**	**4 441 419**
Liabilities			
Deposits from central banks	28	61 139	61 108
Financial liabilities held for trading	18	502 350	621 550
Deposits from other banks	29	1 632 522	1 397 284
Customers accounts	30	567 038	448 912
Debt securities issued	31	547 266	1 072 210
Derivatives for risk management purposes	22	116 397	33 939
Provisions	32	8 543	46 425
Current income tax liabilities		4 370	17 728
Deferred income tax liabilities	33	194	718
Subordinated debt	34	215	37 096
Other liabilities	35	301 705	266 846
Total Liabilities		**3 741 739**	**4 003 816**
Equity			
Share capital	36	426 269	326 269
Share premium	36	8 796	8 796
Other equity instruments	36	3 731	3 731
Fair value reserve	37	(11 919)	(11 639)
Other reserves and retained earnings	37	187	200 560
Net profit/ (loss) for the period attributable to equity holders of the Bank		(35 402)	(138 493)
Total Equity attributable to equity holders of the Bank		**391 662**	**389 224**
Non-controlling interest	37	39 181	48 379
Total Equity		**430 843**	**437 603**
Total Equity and Liabilities		**4 172 582**	**4 441 419**

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

Chief Accountant

Board of Directors

Consolidated Statement of Changes in Equity for the periods ended 31 December 2015 and 2014

(thousands of euro)

	Share Capital	Share premium	Other equity instruments	Fair value reserve	Other reserves, retained earnings and other comprehensive income	Net profit/ (loss) for the period attributable to equity holders of the Bank	Total equity attributable to equity holders of the Bank	Non-controlling interest	Total equity
Balance as at 31 December 2013	**326 269**	**8 796**	**3 731**	**(3 596)**	**225 349**	**7 062**	**567 611**	**51 884**	**619 495**
Balances directly recorded in Equity:									
Changes in fair value, net of taxes	-	-	-	(8 059)	-	-	(8 059)	(1 401)	(9 460)
Actuarial gains/ (losses), net of taxes	-	-	-	-	(3 313)	-	(3 313)	-	(3 313)
Other comprehensive income of associates	-	-	-	-	(21)	-	(21)	-	(21)
Exchange differences	-	-	-	16	(27 820)	-	(27 804)	143	(27 661)
Net profit/ (loss) for the period	-	-	-	-	-	(138 493)	(138 493)	862	(137 631)
Total comprehensive income for the period	**-**	**-**	**-**	**(8 043)**	**(31 154)**	**(138 493)**	**(177 690)**	**(396)**	**(178 086)**
Share capital increase	-	-	-	-	-	-	-	-	-
Transfer to reserves	-	-	-	-	7 062	(7 062)	-	-	-
Interest of other equity instruments (see Note 36)	-	-	-	-	(225)	-	(225)	-	(225)
Other changes in non-controlling interest (see Note 37)	-	-	-	-	(472)	-	(472)	(3 109)	(3 581)
Balance as at 31 December 2014	**326 269**	**8 796**	**3 731**	**(11 639)**	**200 560**	**(138 493)**	**389 224**	**48 379**	**437 603**
Balances directly recorded in Equity:									
Changes in fair value, net of taxes	-	-	-	(280)	-	-	(280)	(537)	(817)
Actuarial gains/ (losses), net of taxes	-	-	-	-	(7 989)	-	(7 989)	-	(7 989)
Other comprehensive income of associates	-	-	-	-	346	-	346	-	346
Exchange differences	-	-	-	-	(54 012)	-	(54 012)	(14 112)	(68 124)
Net profit/ (loss) for the period	-	-	-	-	-	(35 402)	(35 402)	6 413	(28 989)
Total comprehensive income for the period	**-**	**-**	**-**	**(280)**	**(61 655)**	**(35 402)**	**(97 337)**	**(8 236)**	**(105 573)**
Share capital increase	100 000	-	-	-	-	-	100 000	-	100 000
Transfer to reserves	-	-	-	-	(138 493)	138 493	-	-	-
Interest of other equity instruments (see Note 36)	-	-	-	-	(225)	-	(225)	-	(225)
Other changes in non-controlling interest (see Note 37)	-	-	-	-	-	-	-	(962)	(962)
Balance as at 31 December 2015	**426 269**	**8 796**	**3 731**	**(11 919)**	**187**	**(35 402)**	**391 662**	**39 181**	**430 843**

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

Consolidated Cash Flow Statement for the periods ended 31 December 2015 and 2014

(thousands of euro)

	Notes	31.12.2015	31.12.2014
Cash flows from operating activities			
Interest and similar income received		320 655	464 217
Interest expense and similar charges paid		(221 844)	(260 684)
Fees and commission received		95 141	124 174
Fees and commission paid		(13 745)	(20 549)
Cash payments to employees and suppliers		(133 221)	(154 548)
		46 986	**152 610**
Changes in operating assets and liabilities:			
Deposits with central banks		(116 159)	3 316
Deposits from central banks		31	(98 345)
Financial assets / liabilities held for trading		15 024	287 011
Loans and advances to banks		(222 505)	384 180
Deposits from banks		186 284	(290 556)
Loans and advances to customers		422 589	201 781
Customer accounts		103 698	(609 617)
Derivatives for risk management purposes		3 991	39 561
Other operating assets and liabilities		(74 275)	(126 266)
Net cash from operating activities before income tax		**365 664**	**(56 325)**
Income taxes paid		(17 651)	(2 113)
		348 013	**(58 438)**
Cash flows from investing activities			
Sale of subsidiaries and associates		2 183	18 039
Dividends received		-	97
Acquisition of available-for-sale financial assets		(175 520)	(483 370)
Sale of available-for-sale financial assets		189 914	955 717
Held to maturity investments		-	(64 990)
Acquisition of tangible and intangible assets		(5 245)	(10 818)
Sale of tangible and intangible assets		131	1 114
		11 463	**415 789**
Cash flows from financing activities			
Share capital increase		100 000	-
Subsidiaries share capital increase		-	854
Subsidiaries share capital decrease		-	(676)
Bonds issued		115 777	313 392
Bonds paid		(547 980)	(668 688)
Subordinated debt paid		(36 192)	(17 309)
Interest from other equity instruments		(225)	(225)
Dividends paid on ordinary shares from subsidiaries		(962)	(1 121)
Net cash from financing activities		**(369 582)**	**(373 773)**
Net changes in cash and cash equivalents		**(10 106)**	**(16 422)**
Cash and cash equivalents at the beginning of the period		49 080	65 502
Cash and cash equivalents at the end of the period		38 974	49 080
		(10 106)	**(16 422)**
Cash and cash equivalents includes:			
Cash	16	14	13
Deposits with banks	17	38 960	49 067
Total		**38 974**	**49 080**

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

2. Notes to the Consolidated Financial Statements

Haitong Bank, S.A.

NOTE 1 – ACTIVITY AND GROUP STRUCTURE

The Haitong Bank, S.A. (Bank or Haitong Bank) is an investment bank headquartered in Portugal, Rua Alexandre Herculano, n.º 38 in Lisbon. The Bank is authorized by the Portuguese authorities, central banks and other regulatory authorities, to operate in Portugal and in the countries where its international branches are located.

The company was established in February 1983 as a foreign investment in Portugal under the name FINC – Sociedade Portuguesa Promotora de Investimentos, S.A.R.L. During 1986 the company was integrated into the Espírito Santo Group under the designation of Espírito Santo – Sociedade de Investimentos, S.A..

In order to enlarge the scope of its business, the company obtained permission from the Portuguese authorities to operate as an investment bank. This involved the publication of Order-in-Council no. 366/92, 23 November, published in the Diário da República – Series II – no. 279, 3 December. The activity as an investment bank started under the name Banco ESSI, S.A., on 1 April, 1993.

During 2000, Banco Espírito Santo, S.A. (BES) acquired all of the share capital of BES Investimento in order to reflect in its consolidated financial statements all the synergies generated by both institutions.

As at 3 August 2014, following the resolution measure applied by Bank of Portugal to Banco Espírito Santo, S.A., the Bank became held by Novo Banco, S.A..

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

Haitong Bank currently operates through its headquarters in Lisbon, branches in London, Warsaw, New York and Madrid and through its subsidiaries in Brazil, Ireland, United Kingdom, India and Mexico.

Haitong Bank's financial statements are consolidated by Haitong International Holdings Limited, headquartered at Li Po Chun Chambers, nº 189, Des Voeux Road Central, in Hong Kong.

Group companies where the Bank has a direct or indirect holding greater or equal to 20%, on over which the Bank exercises control or has significant influence, and that were included in the consolidated financial statements, are as follows:

	Incorporation date	Acquisition date	Headquarters	Activity	% Economic interest	Consolidation method
Haitong Bank, S.A.	**1983**	**-**	**Portugal**	**Investment bank**	**100%**	**Full consolidation**
Haitong Investment Ireland PLC	1996	1996	Ireland	Non-bank finance company	100%	Full consolidation
Haitong Securities India Private Limited	2011	2011	India	Brokerage house	75%	Full consolidation
Lusitania Capital, S.A.P.I. de C.V., SOFOM, E.N.R.	2013	2013	Mexico	Non-bank finance company	100%	Full consolidation
MCO2 - Sociedade gestora de Fundos de Investimento Mobiliário, S.A.	2008	2008	Portugal	Asset management - investment funds	25%	Equity method
Haitong Capital - SCR, S.A.	1988	1996	Portugal	Venture capital fund	100%	Full consolidation
Salgar Investments	2007	2007	Spain	Real estate / Non-Bank finance company	25%	Equity method
SES Iberia	2004	2004	Spain	Asset management - investment funds	50%	Full consolidation
Fundo Espírito Santo IBERIA I	2004	2004	Portugal	Venture capital fund	46%	Equity method
Coporgest, S.A.	2002	2005	Portugal	Real estate / Non-Bank finance company	25%	Equity method
WindPart, Lda	2013	2013	Portugal	Holding company	20%	Full consolidation (a)
Haitong (UK) Limited	2010	2010	United Kingdom	Holding company	100%	Full consolidation
Haitong & Company (UK) Limited	1990	2010	United Kingdom	Advisory on investments	100%	Full consolidation
Haitong Securities (UK) Limited	2000	2010	United Kingdom	Brokerage house	100%	Full consolidation
Noble Advisory India Private Ltd	2008	2010	India	Research services provider	100%	Full consolidation
Clear Info-Analytic Private Ltd	2004	2010	India	Research services provider	100%	Full consolidation
Haitong Banco de Investimento do Brasil S.A.	2000	2000	Brazil	Investment bank	80%	Full consolidation
FI Multimercado Treasury	2005	2005	Brazil	Investment fund	80%	Full consolidation
Haitong do Brasil Participações Ltda	2004	2004	Brazil	Asset management	80%	Full consolidation
Espirito Santo Investimentos, SA	1996	1999	Brazil	Holding company	80%	Full consolidation
Haitong do Brasil DTVM, SA	2009	2010	Brazil	Asset management	80%	Full consolidation
Haitong Securities do Brasil S.A.	2000	2000	Brazil	Brokerage house	80%	Full consolidation

a) These companies were fully consolidated as the Group exercises control over their activities.

In 2013, Haitong Bank has started a simplification plan for the Group. Under this process several measures were taken, including the sale and merge of investments, with no significant impact in the financial statements. The simplification process remained during 2015, being the major changes to the Group structure presented below.

Subsidiaries

- In February 2015 the company Execution Noble Research Limited was dissolved.
- In March 2015, Banco Espírito Santo de Investimento S.A. fully subscribed the BESI UK Limited capital increase, which corresponded to an investment of 5 000 thousand pounds.
- In April 2015, Espírito Santo Investment Sp, Z.o.o. was liquidated.
- In July 2015, Cominvest – SGII, S.A. was merged into Banco Espírito Santo de Investimento, S.A..
- In July 2015, Banco Espírito Santo de Investimento, S.A. fully subscribed the BESI UK Limited capital increase, which corresponded to an investment of 7 000 thousand pounds.
- In September 2015, the corporate name of Execution Noble & Company Limited was changed to Haitong & Company (UK) Limited.
- In September 2015, the corporate name of BESI UK Limited was changed to Haitong (UK) Limited.
- In September 2015, the corporate name of Execution Noble Limited was changed to Haitong Securities (UK) Limited.
- In September 2015, the corporate name of Espírito Santo Investment Public Limited Company was changed to Haitong Investment Ireland Public Limited Company.
- In October 2015, the corporate name of BES Investimento do Brasil S.A. – Banco de Investimento was changed to Haitong Banco de Investimento do Brasil S.A..
- In October 2015, the corporate name of BES Securities do Brasil S.A. Corretora de Câmbio e Valores Mobiliários was changed to Haitong Secutiries do Brasil Corretora de Câmbio e Valores Mobiliários S.A..
- In October 2015, the corporate name of Espírito Santo Serviços Financeiros Distribuidora de Títulos e Valores Mobiliários S.A. was changed to Haitong do Brasil Distribuidora de Títulos e Valores Mobiliários S.A..
- In October 2015, the corporate name of Espírito Santo Capital – Sociedade do Capital de Risco, S.A. (ESCAPITAL) was changed to Haitong Capital – SCR, S.A..
- In October 2015, Haitong & Company (UK) Limited began dissolution proceedings.
- In November 2015, Haitong Bank, S.A. fully subscribed the Haitong (UK) Limited capital increase, which corresponded to an investment of 5 000 thousand pounds.
- In December 2015, the corporate name of Espírito Santo Securities India Private Limited was changed to Haitong Securities India Private Limited.
- In December 2015, the corporate name of Espírito Santo Participações Ltda was changed to Haitong do Brasil Participações Ltda.
- In December 2015, Haitong Bank, S.A. fully subscribed the Haitong (UK) Limited capital increase, which corresponded to an investment of 15 000 thousand pounds.
- In December 2015, Execution Noble (Hong Kong) Limited was dissolved.

Associates (see note 26)

- In September 2015, the share capital of Espírito Santo Capital – Sociedade de Capital de Risco, S.A. in 2bCapital Luxembourg SCA Sicar was sold for 2 183 thousand euros.

During 2015 and 2014, the movements regarding acquisitions and disposals of investments in subsidiaries and associates are presented as follows:

(thousands of euro)

	31.12.2015						
	Acquisitions			Disposals			
	Acquisition cost (a)	Other investments (b)	Total	Sale amount (a)	Other reimbursements (c)	Total	Gains / (losses) from sales / disposals
Subsidiaries							
Haitong (UK) Limited	-	45 484	45 484	-	-	-	-
Espírito Santo Investment Sp, Z.o.o	-	-	-	-	34	34	-
FI Multimercado Treasury	7 342	-	7 342	-	6 999	6 999	-
Haitong do Brasil DTVM S.A.	-	1 641	1 641	-	-	-	-
	7 342	**47 125**	**54 467**	**-**	**7 033**	**7 033**	**-**
Associates							
2B Capital Luxembourg SCA Sicar	-	-	-	2 183	-	2 183	97
Fundo Espírito Santo IBERIA I	-	-	-	-	108	108	-
	-	**-**	**-**	**2 183**	**108**	**2 291**	**97**
Total	**7 342**	**47 125**	**54 467**	**2 183**	**7 141**	**9 324**	**97**

(a) In the case of FI Multimercado Treasury Funds, the acquisition and sale costs refer to subscriptions and redemptions, respectively.
(b) Share capital increases, supplementary capital and loans to companies.
(c) Share capital decreases, supplementary capital and loans to companies.

(thousands of euro)

	31.12.2014						
	Acquisitions			Disposals			
	Acquisition cost (a)	Other investments (b)	Total	Sale amount (a)	Other reimbursements (c)	Total	Gains / (losses) from sales / disposals
Subsidiaries							
Fundo BES Absolute Return	-	-	-	3 316	-	3 316	-
Fundo FIM BES Moderado	-	-	-	8 541	-	8 541	-
Espírito Santo Investimentos, S.A.	-	-	-	-	49 009	49 009	-
BES Activos Financeiros, Ltda	10 202	-	10 202	-	-	-	-
Espírito Santo Securities India	-	2 625	2 625	-	-	-	-
FI Multimercado Treasury	-	11 023	11 023	-	25 040	25 040	-
Cominvest- SGII, S.A.	4 539	-	4 539	-	-	-	-
	14 741	**13 648**	**28 388**	**11 857**	**74 049**	**85 906**	**-**
Associated							
2B Capital SA	-	-	-	31	-	31	(735)
Salgar Investments	-	-	-	-	-	-	(1 096)
Synergy Industry and Technology, S.A	-	-	-	18 008	-	18 008	1 423
Fundo Espírito Santo IBERIA I	**-**	**-**	**-**	**-**	**1 128**	**1 128**	**-**
	-	**-**	**-**	**18 039**	**1 128**	**19 167**	**(407)**
Total	**14 741**	**13 648**	**28 388**	**29 896**	**75 177**	**105 073**	**(407)**

(a) In the case of BES Absolute Return and FIM BES Moderado funds, the acquisition and sale cost refer to subscriptions and redemptions, respectively.
(b) Share capital increases, supplementary capital and loans to companies.
(c) Share capital decreases, supplementary capital and loans to companies.

NOTE 2 – MAIN ACCOUNTING POLICIES

2.1. Basis of preparation

In accordance with Regulation (EC) no. 1606/2002, of 19 July of 2002 from the European Council and Parliament, and Regulation no. 1/2005 from the Bank of Portugal, the consolidated financial statements of Haitong Bank, S.A. ("Bank", "Haitong Bank" or "the Group") are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

IFRS comprise accounting standards issued by the International Accounting Standards Board ("IASB") and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body.

The consolidated financial statements now presented refer to the period ended 31 December 2015 and were prepared in accordance with the IFRS effective and adopted by the EU until 31 December 2015.

The accounting policies applied by the Group in the preparation of its consolidated financial statements as at 31 December 2015 are consistent with the ones used in the preparation of the annual consolidated financial statements as at and for the year ended 31 December 2014.

Additionally, and as described in Note 43, the Group adopted for the preparation of its consolidated financial statements as at 31 December 2015, the accounting standards issued by IASB and the IFRIC interpretations that have been mandatory since 1 January 2015. The accounting policies used by the Group in the preparation of its consolidated financial statements, described in this note, were adopted in accordance. The adoption of these new standards and interpretations in 2015 did not have a significant impact on the Group's financial statements.

The new accounting standards and interpretations recently issued but not yet effective, and which have not yet been applied by the Group for the preparation of its financial statements, can also be analysed in Note 43.

These consolidated financial statements are expressed in thousands of euro, rounded to the nearest thousand, and have been prepared under the historical cost convention, except for the assets and liabilities accounted at fair value, namely, derivative contracts, financial assets and financial liabilities at fair value through profit or loss, available for sale financial assets, recognised assets and liabilities that are hedged, in a fair value hedge, in respect of the risk that is being hedged.

The preparation of financial statements in conformity with IFRS requires the application of judgment and the use of estimates and assumptions by management that affects the process of applying the Bank's accounting policies and the reported amounts of income, expenses, assets and liabilities. Actual results in the future may differ from those reported. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

These consolidated financial statements were approved in the Board of Directors meeting held on 21 March 2016.

2.2. Basis of consolidation

These consolidated financial statements comprise the financial statements of Haitong Bank and its subsidiaries ("the Group" or "Haitong Bank Group"), and the results attributable to the Group from its associates.

These accounting policies have been consistently applied by the Group companies, during all the periods covered by the consolidated financial statements.

Subsidiaries

Subsidiaries are entities (including investment funds) controlled by the Group. The Group controls another entity when it is exposed, or has rights, to variability in returns from its involvement with that entity and to take possession of them through the power he has over the relevant activities of that entity (facto control). The financial statements of each subsidiaries are included in the consolidated financial statements from the date that the Group acquires control until the date that control ceases.

Accumulated losses of a subsidiary are attributed proportionally to the owners of the parent and to the non-controlling interests even if this results in non-controlling interests having a deficit balance.

In a business combination achieved in stages (step acquisition) where control is obtained, the Group remeasures its previously held non-controlling interests in the acquiree at its acquisition date fair value and recognises the resulting gain or loss in the income statement when determining the respective goodwill. At the time of a partial sale, from which arises a loss of control of a subsidiary, any remaining non-controlling interests retained is remeasured to fair value at the date the control is lost and the resulting gain or loss is recognised against the income statement.

Associates

Associates are entities over which the Group has significant influence over the company's financial and operating policies but not its control. Generally when the Group owns more than 20% of the voting rights it is presumed that it has significant influence. However, even if the Group owns less than 20% of the voting rights, it can have significant influence through the participation in the policy-making processes of the associated entity or the representation in its executive board of directors.

Investments in associates are accounted for under the equity method from the date on which significant influence is transferred to the Group until the date that significant influence ceases. The book value of the investments in associates includes the value of the respective goodwill determined on acquisition and is presented net of impairment losses.

In a step acquisition that results in the Group obtaining significant influence over an entity, any previously held stake in that entity is remeasured to fair value through the income statement when the equity method is first applied.

If the Group's share of losses of an associate equals or exceeds its interest in the associate, including any long-term interest, the Group discontinues the application of the equity method, except when it has a legal or constructive obligation of covering those losses or has made payments on behalf of the associate.

Gains or losses on sales of shares in associate companies are recognised in the income statement even if that sale does not result in the loss of significant influence.

Goodwill

Goodwill resulting from business combinations that occurred until 1 January 2004 was offset against reserves, according to the option granted by IFRS 1, adopted by the Group on the date of transition to the IFRS.

Goodwill resulting from business combinations that occurred from 1 January 2004 until 31 December 2009 was accounted under the purchase method. The acquisition cost was measured as the fair value, at the acquisition date, of the assets and equity instruments given and liabilities incurred or assumed plus any costs directly attributable to the acquisition.

Goodwill represents the difference between the cost of acquisition and the fair value of the Group's share of identifiable net assets, liabilities and contingent liabilities acquired.

For acquisitions on or after 1 January 2010, in accordance with IFRS 3 – Business Combinations, the Group measures goodwill as the fair value of the consideration transferred including the fair value of any

previously held non-controlling interests in the acquire, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Transaction costs are expensed as incurred.

At the acquisition date, the non-controlling interests are measured at their proportionate interest in the fair value of the net identifiable assets acquired and of the liabilities assumed, without the correspondent portion of goodwill. As a result, the goodwill recognised in these consolidated financial statements corresponds only to the portion attributable to the equity holders of the Bank.

In accordance with IFRS 3 – Business Combinations, goodwill is recognised as an asset at its cost and is not amortised. Goodwill relating to the acquisition of associates is included in the book value of the investment in those associates determined using the equity method. Negative goodwill is recognised directly in the income statement in the period the business combination occurs.

The recoverable amount of the goodwill recognised as an asset is reviewed annually, regardless of whether there is any indication of impairment. Impairment losses are recognised directly in the income statement. The recoverable amount corresponds to the higher of its fair value less costs to sell and its value in use. In determining value in use, estimated futures cash flows are discounted using a rate that reflects market conditions, time value and business risks.

Transaction with non-controlling interest

Acquisitions of non-controlling interests, that did not result in a change in control, are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such a transaction. Any difference between the consideration paid and the amount of non-controlling interests acquired is accounted for as a movement in equity. Similarly, sales of non-controlling interests and dilutions from which does not result a loss of control, are accounted for as transactions with equity holders in their capacity as equity holders and therefore no gain or loss is recognised in the income statement. Any difference between the sale proceeds and the recognised amount of non-controlling interests in the consolidated financial statements is accounted for as a movement in equity.

Gains or losses on a dilution or on sale of a portion of an interest in a subsidiary, from which results a loss of control, are accounted for by the Group in the income statement.

Foreign currency translation

The financial statements of each of the Group entities are prepared using their functional currency which is defined as the currency of the primary economic environment in which that entity operates.

The consolidated financial statements are prepared in euro, which is Haitong Bank's functional and presentation currency.

The financial statements of each of the Group entities that have a functional currency different from the euro are translated into euro as follows:

- Assets and liabilities are translated into the functional currency using the exchange rate prevailing at the balance sheet date;
- Income and expenses are translated into the functional currency at approximate rates of the rates ruling at the dates of the transactions;
- The exchange differences resulting from the translation of the equity at the beginning of the period using the exchange rates at the beginning of the period and at the balance sheet date are accounted for against reserves net of deferred taxes. Similarly, regarding the subsidiaries and associates results, the exchange differences arising from the translation of income and expenses at the rates ruling at the dates of the transactions and at the balance sheet date are accounted for against reserves. When the entity is sold such exchange differences are recognised in the income statement as a part of the gain or loss on sale.

Balances and transactions eliminated in consolidation

Inter-company balances and transactions, including any unrealised gains and losses on transactions between Group companies, are eliminated in preparing the consolidated financial statements, unless unrealised losses provide evidence of an impairment loss that should be recognised in the consolidated financial statements.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment loss.

2.3. Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to euro at the foreign exchange rates ruling at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities in a foreign currency that are measured at historical cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to euro at the foreign exchange rates ruling at the dates the fair value was determined. The resulting exchange differences are accounted for in the income statement, except if related to equity instruments classified as available for sale, which are accounted for in equity, within the fair value reserve.

2.4. Derivative financial instruments and hedge accounting

Classification

Derivatives for risk management purposes includes (i) hedging derivatives and (ii) derivatives used to manage the risk of certain financial assets and financial liabilities designated at fair value through profit or loss that were not classified as being hedging derivatives.

All other derivatives are classified as trading derivatives.

Recognition and measurement

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into (trade date). Subsequent to initial recognition, the fair value of derivative financial instruments is re-measured on a regular basis and the resulting gains or losses on re-measurement are recognised directly in the income statement, except for derivatives designated as hedging instruments. The recognition of the resulting gains or losses of the derivatives designated as hedging instruments depends on the nature of the risk being hedged and of the hedge model used.

Fair values are obtained from quoted market prices, in active markets, if available or are determined using valuation techniques, including discounted cash flow models and options pricing models, as appropriate.

Derivatives traded in organised markets, namely futures and some options, are recognised as trading derivatives, being marked to market on a daily basis and the resulting gains or losses are recognised directly in the income statement. Once the fair value changes on these derivatives are settled daily through the margin accounts held by the Group, these derivatives do not present any fair value on the balance sheet. The collateral deposits are booked in Other Assets (see Note 27) and included the minimum collateral requested regarding the open positions.

Hedge accounting

- Classification criteria

Hedge accounting is used for derivative financial instruments designated as hedging instruments, provided the following criteria are met:

i) At the inception of the hedge, the hedge relationship is identified and documented, including the identification of the hedged item and of the hedging instrument and the evaluation of the effectiveness of the hedge;

ii) The hedge is expected to be highly effective, both at the inception of the hedge and on an ongoing basis;

iii) The effectiveness of the hedge can be reliably measured, both at the inception of the hedge and on an ongoing basis;

iv) For cash flows hedges, the cash flows are highly probable of occurring.

- Fair value hedge

In a fair value hedge, the book value of the hedged asset or liability, determined in accordance with the respective accounting policy, is adjusted to reflect the changes in its fair value that are attributable to the risks being hedged. Changes in the fair value of the derivatives that are designated as hedging instruments are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the risk being hedged.

If the hedge no longer meets the criteria for hedge accounting, the derivative financial instrument is transferred to the trading portfolio and the hedge accounting is discontinued prospectively. The cumulative adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to the income statement over the period to maturity.

- Cash flow hedge

When a derivative financial instrument is designated as a hedge of the variability in highly probable future cash flows, the effective portion of changes in the fair value of the hedging derivatives is recognised in equity. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect the income statement. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised in equity at that time is recognised in the income statement when the hedged transaction also affects the income statement. When a hedged transaction is no longer expected to occur, the cumulative gain or loss reported in equity is recognised immediately in the income statement and the hedging instrument is reclassified for the trading portfolio.

During the current period the Haitong Bank Group did not own any hedging instrument that could be classified as cash flow hedge.

Embedded derivatives

Derivatives that are embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss.

These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

2.5. Loans and advances to customers

Loans and advances to customers include loans and advances originated by the Group, which are not intended to be sold in the short term. Loans and advances to customers are recognised when cash is advanced to borrowers.

Loans and advances to customers are derecognised from the balance sheet when (i) the contractual rights to receive their cash flows have expired, (ii) the Group has transferred substantially all risks and rewards of ownership or (iii) although retaining some but not substantially all of the risks and rewards of ownership, the Group has transferred the control over the assets.

Loans and advances to customers are initially recorded at fair value plus transaction costs and are subsequently measured at amortised cost, using the effective interest rate method, less impairment losses.

Impairment

The Group assesses, at each balance sheet date, whether there is objective evidence of impairment within its loan portfolio. Impairment losses identified are recognised in the income statement, and are subsequently reversed through the income statement if, in a subsequent period, the amount of the impairment losses decreases.

A loan or a loan portfolio, defined as a group of loans with similar credit risk characteristics, is impaired when: (i) there is objective evidence of impairment as a result of one or more events that occurred after its initial recognition and (ii) that event (or events) has an impact on the estimated future cash flows of the loan or of the loan portfolio, that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for each loan. In this assessment the Group uses the information that feeds the credit risk models implemented and takes into consideration the following factors:

- the aggregate exposure to the customer and the existence of non-performing loans;
- the viability of the customer's business model and its capability to trade successfully and to generate sufficient cash flow to service their debt obligations;
- the extent of other creditors' commitments ranking ahead of the Group;
- the existence, nature and estimated realisable value of collaterals;
- the exposure of the customer within the financial sector;
- the amount and timing of expected recoveries.

When loans have been individually assessed and no evidence of loss has been identified, these loans are grouped together on the basis of similar credit risk characteristics for the purpose of evaluating the impairment on a portfolio basis (collective assessment). Loans that are assessed individually and found to be impaired are not included in a collective assessment for impairment.

If an impairment loss is identified on an individual basis, the amount of the impairment loss to be recognised is calculated as the difference between the book value of the loan and the present value of the expected future cash flows (considering the recovery period), discounted at the original effective interest rate. The carrying amount of impaired loans is reduced through the use of an allowance account. If a loan has a variable interest rate, the discount rate for measuring the impairment loss is the current effective interest rate determined under the contract rules.

The changes in the recognised impairment losses attributable to the unwinding of discount are recognised as interest and similar income.

The calculation of the present value of the estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics, taking in consideration the Group's credit risk management process. Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the Group and historical loss experience. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group with the purpose of reducing any differences between loss estimates and actual loss experience.

When a loan is considered by the Group as uncollectible and an impairment loss of 100% was recognised, it is written off against the related allowance for loan impairment.

2.6. Other financial assets

Classification

The Group classifies other financial assets at initial recognition in the following categories:

- Financial assets at fair value through profit or loss

This category includes: (i) financial assets held for trading, which are those acquired principally for the purpose of selling in the short term or that are owned as part of a portfolio of identified financial instruments, usually securities, that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking and (ii) financial assets that are designated at fair value through profit or loss at inception.

The Group classifies, at inception, certain financial assets at fair value through profit or loss when:

- Such financial assets are managed, measured and their performance evaluated on a fair value basis;
- Such financial assets are being hedged (on an economical basis), in order to eliminate an accounting mismatch; or
- Such financial assets contain an embedded derivative.

The structured products acquired by the Group corresponding to financial instruments containing one or more embedded derivatives meet the above mentioned conditions, and, in accordance, are classified under the fair value through profit or loss category.

- Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold until its maturity and that are not classified, at inception, as at fair value through profit or loss or as available for sale.

- Available for sale financial assets

Available for sale financial assets are non-derivative financial assets (i) intended to be held for an indefinite period of time, (ii) designated as available for sale at initial recognition or (iii) that are not classified in the other categories referred above.

Initial recognition, initial measurement and derecognition

Purchases and sales of: (i) financial assets at fair value through profit or loss, (ii) held to maturity investments and (iii) available for sale financial assets, are recognised on trade-date – the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, in which case these transaction costs are directly recognised in the income statement.

Financial assets are derecognised when (i) the contractual rights to receive their cash flows have expired, (ii) the Group has substantially transferred all risks and rewards of ownership or (iii) although retaining some but not substantially all of the risks and rewards of ownership, the Group has transferred the control over the assets.

Subsequent measurement

Financial assets at fair value through profit or loss are subsequently carried at fair value and gains and losses arising from changes in their fair value are included in the income statement in the period in which they arise.

Available for sale financial assets are also subsequently carried at fair value. However, gains and losses arising from changes in their fair value are recognised directly in equity, until the financial assets are derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement. Foreign exchange differences arising from equity investments classified as available for sale are also recognised in equity, while foreign exchange differences arising from debt investments, such as shares and securities, are recognised in the income statement. Interest, calculated using the effective interest rate method and dividends are recognised in the income statement.

Held to maturity investments are carried at amortised cost using the effective interest rate method, net of any impairment losses recognised.

The fair values of quoted investments in active markets are based on current bid prices. For unlisted securities the Group establishes fair value by using (i) valuation techniques, including the use of recent arm's length transactions, similar and done at market conditions, discounted cash flow analysis and option pricing models and (ii) valuation assumptions based on market information.

Reclassification between categories

The Group only reclassifies non-derivative financial assets with fixed or determinable payments and fixed maturities, from the available for sale financial assets category to the held to maturity investments category, if it has the intention and ability to hold those financial assets until maturity.

Reclassifications between these categories are made at the fair value of the assets reclassified on the date of the reclassification. The difference between this fair value and the respective nominal value is recognised in the income statement until maturity, based on the effective interest rate method. The fair value reserve at the date of the reclassification is also recognised in the income statement, based on the effective interest rate method.

Impairment

The Group assesses periodically whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is an objective evidence of impairment the recoverable amount of the asset is determined and impairment losses are recognised through the income statement.

A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after their initial recognition, such as: (i) for shares and other equity securities, a significant or prolonged decline in the fair value of the security below its cost, and (ii) for debt securities, when that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets, that can be reliably estimated.

For held to maturity investments, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (considering the recovery period) discounted at the financial asset's original effective interest rate and are recognised in the income

statement. The carrying amount of the impaired assets is reduced through the use of an allowance account. If a held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. For held to maturity investments if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through the income statement.

If there is objective evidence that an impairment loss on available for sale financial assets has been incurred, the cumulative loss recognised in equity – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is taken to the income statement. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed through the income statement up to the acquisition cost if the increase is objectively related to an event occurring after the impairment loss was recognised, except in relation to equity instruments, in which case the reversal is recognised in equity.

2.7. Sale and repurchase agreements

Securities sold subject to repurchase agreements (repos) at a fixed price or at the sales price plus a lender's return are not derecognised. The corresponding liability is included in amounts due to banks or to customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method.

Securities purchased under agreements to resell (reverse repos) at a fixed price or at the purchase price plus a lender's return are not recognised, being the purchase price paid recorded as loans and advances to banks or customers, as appropriate. The difference between purchase and resale price is treated as interest and accrued over the life of the agreements using the effective interest rate method.

Securities lent under lending agreements are not derecognised being classified and measured in accordance with the accounting policy described in Note 2.6. Securities borrowed under borrowing agreements are not recognised in the balance sheet.

2.8. Financial liabilities

An instrument is classified as a financial liability when it contains a contractual obligation to transfer cash or another financial asset, independently from its legal form.

Non-derivatives financial liabilities include deposits from banks and due to customers, loans, debt securities, subordinated debt and short sales. Preference shares issued are considered to be financial liabilities when the Group assumes the obligation of reimbursement and/or to pay dividends.

The financial liabilities are recognised (i) initially at fair value less transaction costs and (ii) subsequently at amortised cost, using the effective interest rate method, except for short sales and financial liabilities designated at fair value through profit or loss, which are measured at fair value.

The Group designates, at inception, certain financial liabilities as at fair value through profit or loss when:

- Such financial liabilities are being hedged (on an economical basis), in order to eliminate an accounting mismatch; or
- Such financial liabilities contain embedded derivatives.

The structured products issued by the Group meet the above mentioned conditions and, in accordance, are classified under the fair value through profit or loss category.

The fair value of quoted financial liabilities is based on the current price. In the absence of a quoted price, the Group establishes the fair value by using valuation techniques based on market information, including the own credit risk of the issuer.

If the Group repurchases debt issued, it is derecognised from the consolidated balance sheet and the difference between the carrying amount of the liability and its acquisition cost is recognised in the income statement.

2.9. Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument, namely the payment of principal and/or interests.

Financial guarantees are initially recognised in the financial statements at fair value. Subsequently financial guarantees are measured at the higher of (i) the fair value recognised on initial recognition or (ii) any financial obligation arising as a result of the guarantees at the balance sheet date. Any increase in the liability relating to financial guarantees is recognised to the income statement.

The financial guarantee contracts issued by the Group normally have a stated maturity date and a periodic fee. This fee varies depending on the counterparty risk, the amount and the time period of the contract. Therefore, the fair value of the financial guarantee contracts issued by the Group, at the inception date, equal the initial fee received, which is recognised in the income statement over the period to which it relates. The subsequent periodic fees are recognised in the income statement in period to which they relate.

2.10. Equity instruments

An instrument is classified as an equity instrument when it does not contain a contractual obligation to deliver cash or another financial asset, independently from its legal form, being a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to the issue of equity instruments are recognised under equity as a deduction from the proceeds. Amounts paid or received related to acquisitions or sales of equity instruments are recognised in equity, net of transaction costs.

Distributions to holders of an equity instrument are debited directly to equity as dividends, when declared.

2.11. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.12. Non-current assets held-for-sale

Non-current assets or disposal groups (groups of assets to be disposed of together in a single transaction and related liabilities that include at least a non-current asset) are classified as held for sale when their carrying amounts will be recovered principally through sale (including those acquired exclusively with a view to its subsequent disposal), the assets or disposal groups are available for immediate sale and is highly probable.

Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is brought up to date in accordance with the applicable IFRS.

Subsequently, these assets or disposal group are measured at the lower of their carrying amount or fair value less costs to sell.

2.13. Property and equipment

Property and equipment are measured at cost less accumulated depreciation and impairment losses. The value includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group. All other repairs and maintenance are charged to the income statement during the period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method over their estimated useful lives, as follows:

	Number of years
Buildings	35 to 50
Improvements in leasehold property	5 to 10
Computer equipment	3 to 8
Fixtures	5 to 12
Furniture	3 to 10
Security equipment	4 to 10
Machines and tools	4 to 10
Motor vehicles	4 to 5
Other equipment	5

When there is an indication that an asset may be impaired, IAS 36 requires that its recoverable amount is estimated and an impairment loss recognised when the net book value of the asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is determined as the greater of its net selling price and value in use which is based on the net present value of future cash flows arising from the continuing use and ultimate disposal of the asset.

2.14. Intangible assets

The costs incurred with the acquisition, production and development of software are capitalised, as well as the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis during their expected useful lives, which is usually between three to eight years.

Costs that are directly associated with the development of identifiable specific software applications and that will probably generate economic benefits beyond one year, are recognised as intangible assets. These costs include employee costs from the Group companies specialised in IT directly associated with the development of the referred software.

All remaining costs associated with IT services are recognised as an expense as incurred.

2.15. Leases

The Group classifies its lease agreements as finance leases or operating leases taking into consideration the substance of the transaction rather than its legal form, in accordance with IAS 17 – Leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

Operating leases

Payments made under operating leases are charged to the income statement in the period to which they relate.

Finance leases

- As lessee

Finance lease contracts are recorded at inception date, both under assets and liabilities, at the cost of the asset leased, which is equal to the present value of outstanding lease instalments.

Instalments comprise (i) an interest charge, which is recognised in the income statement and (ii) the repayment of principal, which is deducted from liabilities. Financial charges are recognised as costs over the lease period, in order to produce a constant periodic rate of interest on the remaining balance of liability for each period.

- As lessor

Assets leased out are recorded in the balance sheet as loans granted, for the amount equal to the net investment made in the leased assets.

Interest included in instalments charged to customers is recorded as interest income, while repayments of principal also included in the instalments, are deducted from the amount of the loans granted. The recognition of the interest reflects a constant periodic rate of return on the lessor's net outstanding investment.

2.16. Employee benefits

Pensions

Arising from the signing of the Collective Labor Agreement ("Acordo Colectivo de Trabalho" (ACT)), the Bank and other Group entities set up pension funds and other mechanisms to cover the liabilities with pensions on retirement and disability, widows' pension and health-care benefits.

Since 1 January 2011, the Bank employees were included in Social Security System, which ensure their protection in motherhood, fatherhood, adoption and oldness, remaining with the banks the responsibility over insurance in illness, disability, survival and death (Decree-Law no. 1-A/2011, 3 January).

The contribution rate is 26.6% in which 23.6% belongs to the employer, and 3% to employees, replacing the Caixa de Abono de Familia dos Empregados Bancários (CAFEB) extinguished by the same Decree-Law. As a result, the pension rights of the active employees started to be covered by the terms defined by Social Security System, considering the period of service rendered since 1 January 2011 until the retirement age. The difference to the minimum pension guaranteed is supported by the banks, in accordance with the terms defined in Collective Labor Agreement ("Acordo Colectivo de Trabalho" (ACT)).

Following the Government approval of the Decree-Law nº. 127/2011, which was published in 31 December, a three-party agreement between the Government, the Portuguese Bank Association and the Union of Bank employees was established, regarding the transfer to Social Security domain of the liabilities with pensions under payment to retired employers and pensioners, as at 31 December 2011.

This decree-law established that the liabilities to be transferred were the liabilities with pensions under payment at 31 December 2011 to retired employees and pensioners, at permanent values (discount rate 0%) in the terms set forth in Collective Labour Regulation Instrument (IRCT). The liabilities regarding the update of pensions, benefit plans, contributions to Social-Medical Assistance Services over retirement and survival pensions, death subsidy and deferred survival pension are still under the responsibility of the Institutions.

The hedging of these responsibilities is ensured through pension funds managed by GNB – Sociedade Gestora de Fundos de Pensões, S.A..

The pension plans of the Group are classified as defined benefit plans, since the criteria to determine the pension benefit to be received by employees on retirement are predefined and usually depend on factors such as age, years of service and level of salary.

In the hands of IFRS 1, the Group decided to adopt IAS 19 retrospectively and has recalculated the pension and other post-retirement benefits obligations and the corresponding actuarial gains and losses, to be deferred in accordance with the corridor method allowed by this accounting standard.

In 2012, the Group changed retrospectively the accounting policy related to actuarial gains and losses recognition, adjusting the opening balance sheet and comparative values, starting to recognise, as allowed under paragraph 93A of IAS 19 “Employee Benefits”, the actuarial deviations under other comprehensive income.

The pension liability is calculated annually by the Group, as at 31 December for each plan individually, using the projected unit credit method, and is reviewed annually by qualified independent actuaries. The discount rate used in this calculation was determined based on market rates of emissions associated with high-quality corporate bonds, denominated in the currency in which benefits will be paid and with maturity similar to the expiry date of the plan obligations.

The interest gain/(loss) with the pension plan is calculated by the Bank multiplying the net asset/liability with retirement pensions (liabilities deducted from the fair value of the fund assets) by the discount rate used to estimate the liabilities with the retirement pensions referred above. The net interest gain/(loss) includes the related costs with the interest associated to the liabilities with retirement pensions and the expected income from the fund assets, both measured based in the discount rate used in the liabilities calculations.

Actuarial gains and losses determined annually and resulting from (i) the differences between financial and actuarial assumptions used and real values obtained and (ii) the changes in actuarial assumptions, are recognised under share capital in the balance other comprehensive income.

At each period, the Group recognises as a cost in the income statement a net total amount that comprises (i) the service cost, (ii) the interest cost, (iii) the expected return on plan assets, (iv) effect early retirement, and (v) effect of settlement or curtailment occurred during the period. Early retirement costs corresponds to an increase on the liabilities due to the fact the employee retires before reaching 65 years of age.

The Group makes payments to the funds in order to maintain its solvency and to comply with the following minimum levels: (i) the liability with pensioners shall be totally funded at the end of each year, and (ii) the liability related to past services cost with employees in service shall be funded at a minimum level of 95%.

Annually, the Group assesses for each plan separately, the recoverability of any recognised asset in relation to the defined benefit pension plans, based on the expectation of reductions in future contributions to the funds.

Health care benefits

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

SAMS provides to its beneficiaries services and/or contributions on medical assistance expenses, diagnostics, medicines, hospital confinement and surgical operations, in accordance with its financing availability and internal regulations.

The annual contribution of the Group to SAMS amounts to 6.5% of the total annual remuneration of employees, including, among others, the holiday and Christmas subsidy.

The measurement and recognition of the Group's liability with post-retirement healthcare benefits is similar to the measurement and recognition of the pension liability described above. These benefits are covered by the Pension Fund which at present covers all responsibilities with pensions and health care benefits.

Long-term services benefits

In accordance with the ACT "Acordo Colectivo de Trabalho" for the banking sector, the Haitong Bank Group has assumed the commitment to pay to current employees that achieve 15, 25 and 30 years of service within the Group, long-term service premiums corresponding, respectively, to 1, 2 and 3 months of their effective monthly remuneration earned at the date the premiums are paid.

At the date of early retirement or disability, employees have the right to a premium proportional to what they would earn if they remained in service until the next payment date.

These long-term service benefits are accounted for by the Group in accordance with IAS 19 as other long-term employee benefits.

The liability with long-term service benefits is calculated annually, at the balance sheet date, by the Group using the projected unit credit method. The actuarial assumptions used are based on the expectations about future salary increases and mortality tables. The discount rate used in this calculation was determined based on the same methodology described for pensions.

In each period the increase in the liability for long-term service premiums, including actuarial gains and losses and past service costs is charged to the income statement.

Bonus to employees and to the Board of Directors

In accordance with IAS 19 Employee benefits, the bonus payment to employees and eventually to the Board of Directors is recognised in the income statement in the period to which they relate.

2.17. Income tax

Income tax for the period comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Income tax recognised directly in equity relating to fair value re-measurement of available for sale financial assets and cash flow hedges is subsequently recognised in the income statement when gains or losses giving rise to the income tax are also recognised in the income statement.

Current tax is the tax expected to be paid on the taxable profit for the period, calculated using tax rates enacted or substantively enacted at the balance sheet date at each jurisdiction.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax basis, and is calculated using the tax rates enacted or substantively enacted at the balance sheet date

in any jurisdiction and that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill, not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be deducted.

The Group offsets deferred taxes assets and liabilities for each subsidiary, whenever (i) the subsidiary has a legally enforceable right to set off current tax assets against current tax liabilities, and (ii) they relate to income taxes levied by the same taxation authority. This offset is therefore performed at each subsidiary level, being the deferred tax asset presented in the consolidated balance sheet the sum of the subsidiaries' amounts which present deferred tax assets and the deferred tax liability presented in the consolidated balance sheet the sum of the subsidiaries' amounts which present deferred tax liabilities.

2.18. Provisions

Provisions are recognised when: (i) the Group has present legal or constructive obligation, (ii) it is probable that settlement will be required in the future and (iii) a reliable estimate of the obligation can be made.

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

Restructuring provisions are recognised when the Group has approved a detailed and formal restructuring plan and such restructuring either has commenced or has been announced publicly.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligation under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net costs of continuing with the contract.

2.19. Interest income and expenses

Interest income and expense are recognised in the income statement under interest and similar income and interest expense and similar charges for all non-derivative financial instruments measured at amortised cost and for the available for sale financial assets, using the effective interest rate method. Interest income arising from non-derivative financial assets and liabilities at fair value through profit or loss is also included under interest and similar income or interest expense and similar charges, respectively.

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, a shorter period to the net carrying amount of the financial asset or financial liability. The effective interest rate is calculated at inception and it is not subsequently revised.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and commissions paid or received that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. In the case of financial assets or groups of similar financial assets for which an impairment loss was recognised, interest income is calculated using the interest rate used to measure the impairment loss.

For derivative financial instruments, except for derivatives for risk management purposes (see Note 2.4), the interest component of the changes in their fair value is not separated out and is classified under net gains/(losses) from financial assets and financial liabilities at fair value through profit or loss. The interest component of the changes in the fair value of derivatives for risk management purposes is recognised under interest and similar income or interest expense and similar charges.

2.20. Fee and commission income

Fees and commissions are recognised as follows:

- Fees and commissions that are earned on the execution of a significant act, as loan syndication fees, are recognised as income when the significant act has been completed;
- Fees and commissions earned over the period in which the services are provided are recognised as income in the period the services are provided;
- Fees and commissions that are an integral part of the effective interest rate of a financial instrument are recognised as income using the effective interest rate method.

2.21. Dividend recognition

Dividend income is recognised when the right to receive payment is established.

2.22. Segmental reporting

The Group adopts IFRS 8 – Segmental reporting, for the disclosure of the financial information by operating segments (see Note 4).

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

2.23. Earnings per share

Basic earnings per share is calculated by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, excluding the average number of ordinary shares purchased by the Group and held as treasury stock.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to assume conversion of all dilutive potential ordinary shares, such as convertible debt and share options granted to employees. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net earnings per share.

2.24. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the inception date, including cash, deposits with banks and deposits at central banks. Cash and cash equivalents exclude restricted balances with central banks.

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

IFRS set forth a range of accounting treatments and require management to apply judgement and make estimates in deciding which treatment is most appropriate. The most significant of these accounting policies, are discussed in this section in order to improve understanding of how their application affects the Group's reported results and related disclosure. A broader description of the accounting policies applied by the Group is shown in Note 2 to the Consolidated Financial Statements.

Because in many cases there are other alternatives to the accounting treatment chosen by management, the Group's reported results would differ if a different treatment were chosen. Management believes that the choices made are appropriate and that the financial statements present the Group's financial position and results fairly in all material aspects.

3.1. Impairment of available for sale financial assets

The Group determines that available for sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost or when it has identified an event with impact on the estimated future cash flows of the assets. This determination requires judgement based on all available relevant information, including the normal volatility of the financial instruments prices. Considering the high volatility of the markets, the Group has considered the following parameters when assessing the existence of impairment losses:

(i) Equity securities: significant decline in market value in relation to the acquisition cost or market value below the acquisition cost for a prolonged period;

(ii) Debt securities: objective evidence of events that have an impact on the estimated future cash flows of these assets.

In addition, valuations are generally obtained through market quotation (mark to market) or valuation models (mark to model) that may require assumptions or judgement in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in the income statement of the Group.

3.2. Fair value of derivatives

Fair value are based on listed market prices if available; otherwise fair value is determined either by dealer price quotations (both for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which take into account market conditions for the underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgements in estimating fair values.

Consequently, the use of a different model or different assumptions or judgements in applying a particular model may have produced different financial results from the ones reported.

3.3. Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment on a regular basis, as described in Note 2.5.

The evaluation process in determining whether an impairment loss should be recorded in the income statement is subject to numerous estimates and judgements. The frequency of default, risk ratings,

loss recovery rates and the estimation of both the amount and timing of future cash flows, among other factors, are considered in making this evaluation.

Alternative methodologies and the use of different assumptions and estimates could result in a different level of impairment losses with a consequent impact in the consolidated income statement of the Group.

3.4. Goodwill impairment

Goodwill recoverable amount recognised as an asset of the Group is revised annually regardless the existence of signs of impairment losses.

For this purpose, the carrying amount of the business units of the Group for which goodwill has been recognised is compared with the respective recoverable amount. A goodwill impairment loss is recognised when the carrying amount of the business unit exceeds the respective recoverable amount.

In the absence of an available market value, the recoverable amount is determined using discounted cash flows/ dividends predictions, applying a discount rate that includes a risk premium appropriated to the business unit being tested. The future discounted cash flows and the discount rate to be used involves judgment.

Changes in the expected cash flows and in the discount rate may lead to different conclusions from those that led to the preparation of these financial statements.

3.5. Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant interpretations and estimates are required in determining the worldwide amount for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the period.

The Tax Authorities are entitled to review the Bank and its subsidiaries located in Portugal's determination of annual taxable earnings, for a period of four years or six years in case there are tax losses carried forward. Hence, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, the Board of Directors of the Bank, and those of its subsidiaries, are confident that there will be no material tax assessments within the context of the financial statements.

3.6. Pension and other employees' benefits

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated returns on investment, and other factors that could impact the cost and liability of the pension plan.

Changes in these assumptions could materially affect these values.

NOTA 4 – SEGMENT REPORTING

4.1. Operating segments description

Each of the operating segments includes the following activities, products, customers and Group structures:

Project Finance and Securitization

The main functions of the Project Finance segment are (a) to take part in non-recourse and limited-recourse operations, related to investment projects that involve, among other contractual models, service concessions and public-private partnerships; and (b) to deliver to Haitong Group clients high quality services and technical innovation in matters of financial advisory and arranging and lending, providing access to the best financing structures in the best market conditions. This segment also manages the Project Finance projects portfolio in which Haitong Group takes part. This segment is also responsible for the development of the securitisation activity, having as major functions (a) the participation in the origination and structuring of securitization operations for Haitong Group and clients; and (b) the development of optimal financing structures through off-balance, asset-based and limited recourse formats with recourse to the capital markets as the preferential way to obtain funds to finance the Haitong Group clients' projects in the best market conditions.

Acquisition Finance and Other Loans

In connection with Client Coverage Division, this segment main function is to support the Haitong clients in acquisition operations through structured funding operations, namely leverage buy-out and management buy-out operations and in non-recourse or releverage assets financing operations. In these operations the Bank's objective is to be the Mandated Lead Arranger and to have the underwriting agreement and, depending on the deal characteristics, the Bank carries out the operation syndication.

Corporate Finance

In connection with Customer's Management, this segment main function consists in the organization and implementation of mergers and acquisitions (M&A) operations and companies' valuations, in order to support Management activities in the consolidation of the Bank's international operations with emphasis in M&A cross-border with Spain, Brazil, United Kingdom, Poland and USA, countries where the Bank has local presence.

Capital Markets

This segment includes origination, structuring and implementation of debt instruments and equity instruments which were directed and structured to the market.

The equity capital markets segment develops the organization, structuring and placement in the stock market of companies that are under privatization processes, initial public offerings (IPO), capital increases, public acquisition offerings, private placements and block trades, as well as equity-linked instruments, such as exchangeable bonds and equity derivative instruments to corporate clients.

The debt capital markets is responsible for the structuring and setting up of several debt instruments, as market senior debt issues, high yield issues, private placements of debt from corporate clients or public entities, hybrid products, project finance bonds and commercial paper. This segment implements funding operations involving the structuring and placement of bond issues.

Fixed Income

This segment is divided in two different business areas.

- Distribution and Trading

This business area is responsible for (a) providing trading operations to clients of Portuguese public debt, foreign debt, other securities from Euromarket and corporate debt products; and (b) placing debt products structured by other segments of the Bank in national and foreign institutional investors.

- Risk management

This business area is responsible for the study, set-up and management of new structured products (derivatives) related with the operations mentioned above, as well as of hedging products structured to mitigate foreign exchange rate risk and interest rate risk related with Assets and Liabilities for the Bank and its clients.

Global Markets

The mission of this Department is to optimize the risk/ income relation of the Bank's own portfolio of interest rate, exchange rate, equity and other financial instruments.

Brokerage

This segment mission is the development of trading and sales activities in organized markets where the Bank is present, such as Portugal, Spain, and Poland.

This segment integrates, although completely segregated, an equity research unit that is responsible for developing studies, following up and producing information about the main companies of the markets where the Bank is present.

Treasury

This segment comprises the tasks of (a) managing the Bank's Balance Sheet (interest rate risk's management and liquidity risk's management In compliance with the directives of Assets and Liabilities Committee – ALCO); (b) Management of Debt issuing and Bank's liabilities pricing; (c) Management of Portfolio Investment Bank's Fixed Income (following the criteria of diversification, quality and return, aiming to rebalance the balance sheet risks and provide a stable revenue) and (d) internal Transfer Pricing (in order to grant the proper allocation of costs of the funds to the various business canter's originators.

Private Equity

The main goal of this segment is to support the initiative by private companies, promoting the productive investment mainly financed by equity.

Capital Structure Advisory

This segment is specialized in general capital advisory by helping companies assess their capital structures and consult in debts restructuring.

Corporative Center

This area does not correspond to an operating segment. It refers to an aggregation of corporative structures acting throughout the entire Group, such as, areas related to the Board of Directors, Compliance, Strategic planning, Financial and Accounting, Risk management, Clients, among others.

Other

Includes all the other segments that exist in the Group's Management Information Model that, in accordance with IFRS 8, are not required to be presented as an individual segment (Mid Cap Financial

Advisory, Asset Management, Private Banking, Wealth Management, Credit Sindication and other profit centres).

4.2. Allocation criteria of the activity and results to the operating segments

The financial information presented for each segment was prepared in accordance with the criteria followed for the preparation of internal information analysed by the decision makers of the Group, as required by IFRS.

The accounting policies applied in the preparation of the financial information related with the operating segments are consistent with the ones used in the preparation of these consolidated financial statements, which are described in Note 2, being also adopted the following principles.

Measurement of profit or loss from operating segments

The Group uses net income before taxes as the measure of profit or loss for evaluating the performance of each operating segment.

Haitong Bank structures dedicated to Segment

The activity of Haitong Bank comprises most of its operating segments and therefore its activity is disaggregated accordingly.

For the purpose of allocating the financial information, the following principles are used: (i) the origin of the operation, i.e., the operation is allocated to the same segment as the commercial structure that originated it, even though, in a subsequent phase, the Group makes a strategic decision in order to securitize some of these assets; (ii) the allocation of direct costs from commercial and central structures dedicated to the segment; (iii) the allocation of indirect cost (central support and IT services) determined in accordance with 7 specific drivers and with the internal management information model; (iv) the allocation of credit risk determined in accordance with the impairment model.

The transactions between the independent and autonomous units of the Group are made at market prices; the price of the services between the structures of each unit, namely the price established for funding between units, is determined by the margins process referred above (which vary in accordance with the strategic relevance of the product and the balance between funding and lending); the remaining internal transactions are allocated to the segments in accordance with the internal management information model.

The services rendered by the several Corporative Centre units are established in Service Level Agreements (SLA's).

Interest and similar income / expenses

Since the Group's activities are exclusively related to the financial sector, the major income results from the difference between interest received on assets and interest paid from liabilities. This situation and the fact that the segments evaluation is based on negotiated margins or determined previously to each product, leads to the results on the intermediation activity being presented, as permitted by IFRS 8 paragraph 23, as the net value of interest, under the designation of Financial Income.

Investments Consolidated under the Equity Method

Investments in associated companies consolidated under the equity method are included in the segment Other, in case of Haitong Bank associates. For other companies of the Group, the same entities are included in the segment they relate to.

Non-current assets

The segment Corporative Centre includes the non-current assets, according to IFRS 8, which includes Other Tangible Assets, Intangible Assets and Investments, properties and other assets arising from recovered loans not in the scope of non-current assets held for sale.

Deferred Tax Assets

Income tax is a part of the Group net income but does not affect the evaluation of most of the Operating Segments. Deferred tax assets are included in the Corporative Centre segment.

Post-employment benefits

Assets under post-employment benefits are managed in a similar way to deferred income taxes assets, and are included in the Corporative Centre segment. The factors that influence the amount of responsibilities and the amount of the fund's assets correspond, mainly, to external elements; it is Group's policy not to include these factors on the performance evaluation of the operating segments, which activities relate to customers.

Domestic and International Areas

In the disclosure of financial information by geographical areas, the operating units that integrate the International Area are the branches from London, Spain, Poland and New York and the subsidiaries that are consolidated (see Note 1).

The financial elements related to the international area are presented in the financial statements of those units with the respective consolidation and elimination adjustments.

(thousands of euro)

	31.12.2015												
	Project Finance and Securitization	Acquisition Finance e Other Loans	Corporate Finance	Capital Markets	Fixed Income	Global Markets	Brokerage	Treasury	Private Equity	Capital Structure Advisory	Corporative Center	Other	Total
Net interest income	9 269	8 980	-	(98)	2 380	(4 906)	272	2 604	239	(7 956)	-	33 660	44 444
Service to clients	14 864	4 765	21 285	13 225	1 921	5 200	21 359	954	3 160	(268)	-	(157)	86 308
COMMERCIAL OPERATING INCOME	**24 133**	**13 745**	**21 285**	**13 127**	**4 301**	**294**	**21 631**	**3 558**	**3 399**	**(8 224)**	**-**	**33 503**	**130 752**
Results on Financial Operations	(256)	506	(217)	(23)	18 050	21 927	962	(10 484)	3 933	(493)	-	(28 815)	5 090
Intersegment operating income	858	-	(600)	121	(6 381)	56	(1 427)	1 528	-	-	-	5 845	-
TOTAL OPERATING INCOME	**24 735**	**14 251**	**20 468**	**13 225**	**15 970**	**22 277**	**21 166**	**(5 398)**	**7 332**	**(8 717)**	**-**	**10 533**	**135 842**
Operating expenses	**4 444**	**1 751**	**10 025**	**5 039**	**6 061**	**4 684**	**29 945**	**1 439**	**2 213**	**791**	**71 890**	**2 807**	**141 089**
Personnel expenses	2 232	1 170	6 684	3 103	3 107	2 012	17 075	738	1 105	383	41 467	1 709	80 785
General admnistrative costs	1 976	521	3 059	1 804	2 628	2 299	12 251	627	1 104	387	26 021	1 017	53 694
Depreciation and amortisation	236	60	282	132	326	373	619	74	4	21	4 402	81	6 610
Goss profit/ (loss)	**20 291**	**12 500**	**10 443**	**8 186**	**9 909**	**17 593**	**(8 779)**	**(6 837)**	**5 119**	**(9 508)**	**(71 890)**	**7 726**	**(5 247)**
Impairment and Provisons	**1 082**	**(15 872)**	**1 722**	**(10)**	**(344)**	**1 765**	**951**	**(422)**	**(872)**	**(47 091)**	**20 574**	**(348)**	**(38 865)**
Impairment on loans and advances	1 282	(12 281)	(23)	-	-	-	(105)	28	-	(46 940)	(4 088)	(28)	(62 155)
Impairment of securities	564	(677)	-	-	-	(97)	-	(771)	(668)	-	-	(697)	(2 346)
Net provisions and other impairments	(764)	(2 914)	1 745	(10)	(344)	1 862	1 056	321	(204)	(151)	24 662	377	25 636
Profit before income tax	**21 373**	**(3 372)**	**12 165**	**8 176**	**9 565**	**19 358**	**(7 828)**	**(7 259)**	**4 247**	**(56 599)**	**(51 316)**	**7 378**	**(44 112)**
Net Assets	788 751	211 115	-	-	32 177	1 882 517	246 135	520 723	-	114 354	376 809	-	4 172 581
Liabilities	-	-	-	-	-	236 313	-	3 190 615	-	-	314 810	-	3 741 738
Investments in associates	-	-	-	-	-	-	-	-	-	-	-	10 343	10 343
Investments in assets													
tangible	-	-	-	-	-	-	-	-	-	-	1 505	-	1 505
intangible	-	-	-	-	-	-	-	-	-	-	3 740	-	3 740

(thousands of euro)

	31.12.2014												
	Project Finance and Securitization	Acquisition Finance e Other Loans	Corporate Finance	Capital Markets	Fixed Income	Global Markets	Brokerage	Treasury	Private Equity	Capital Structure Advisory	Corporative Center	Other	Total
Net interest income	14 968	15 306	(1)	(46)	5 074	(15 474)	(150)	25 543	325	(6 757)	-	27 157	65 945
Service to clients	22 193	5 088	8 997	24 933	916	1 247	34 682	(4 410)	3 429	655	-	2 929	100 659
COMMERCIAL OPERATING INCOME	**37 161**	**20 394**	**8 996**	**24 887**	**5 990**	**(14 227)**	**34 532**	**21 133**	**3 754**	**(6 102)**	**-**	**30 086**	**166 604**
Results on Financial Operations	(8 344)	(81)	39	(223)	17 461	32 770	159	50 206	2 813	(4)	-	(11 624)	83 172
Intersegment operating income	-	(56)	2 625	(1 999)	(1 059)	(194)	(479)	(707)	(641)	(76)	-	2 586	-
TOTAL OPERATING INCOME	**28 817**	**20 257**	**11 660**	**22 665**	**22 392**	**18 349**	**34 212**	**70 632**	**5 926**	**(6 182)**	**-**	**21 048**	**249 776**
Operating expenses	**5 225**	**2 168**	**10 593**	**6 062**	**6 342**	**5 543**	**37 479**	**1 400**	**2 499**	**1 342**	**75 329**	**6 977**	**160 959**
Personnel expenses	2 991	1 543	7 416	3 913	3 400	2 563	21 670	760	1 544	954	45 065	4 470	96 289
General admnistrative costs	1 956	549	2 860	1 979	2 690	2 609	14 926	572	949	355	25 702	2 302	57 449
Depreciation and amortisation	278	76	317	170	252	371	883	68	6	33	4 562	205	7 221
Goss profit/ (loss)	**23 592**	**18 089**	**1 067**	**16 603**	**16 050**	**12 806**	**(3 267)**	**69 232**	**3 427**	**(7 524)**	**(75 329)**	**14 071**	**88 817**
Impairment and Provisons	**(61 268)**	**(7 913)**	**(1 832)**	**(36)**	**(3 656)**	**(4 240)**	**(4 037)**	**(32 184)**	**(9 260)**	**(113 477)**	**(3 248)**	**(15 013)**	**(256 164)**
Impairment on loans and advances	(59 735)	(2 496)	7	(3)	13	-	(1 548)	(2)	-	(114 116)	8 275	-	(169 605)
Impairment of securities	19	(5 965)	-	-	-	(2 682)	-	(17 741)	(7 951)	-	-	(5 682)	(40 002)
Net provisions and other impairments	(1 552)	548	(1 839)	(33)	(3 669)	(1 558)	(2 489)	(14 441)	(1 309)	639	(11 523)	(9 331)	(46 557)
Profit before income tax	**(37 676)**	**10 176**	**(765)**	**16 567**	**12 394**	**8 566**	**(7 304)**	**37 048**	**(5 833)**	**(121 001)**	**(78 577)**	**(942)**	**(167 347)**
Net Assets	918 006	442 241	-	10 955	29 052	1 828 320	48 886	636 281	-	160 063	367 615	-	4 441 419
Liabilities	-	-	-	-	2 209	-	-	3 668 711	-	-	332 896	-	4 003 816
Investments in associates	-	-	-	-	-	-	-	-	-	-	-	26 878	26 878
Investments in assets													
tangible	-	-	-	-	-	-	-	-	-	-	1 179	-	1 179
intangible	-	-	-	-	-	-	-	-	-	-	2 889	-	2 889

The secondary segment information is prepared in accordance with the geographical distribution of the Group's business units, as follows:

(thousands of euro)

	31.12.2015				
	Portugal	Rest of Europe	America	Asia	Total
Profit/ (loss) for the period	(115 562)	60 832	20 930	(1 602)	(35 402)
Net asset	1 604 319	664 506	1 901 482	2 275	4 172 582
Investments in associates	10 343	-	-	-	10 343
Investments in assets					
Tangible assets	726	659	120	-	1 505
Intangible assets	2 622	261	857	-	3 740

(thousands of euro)

	31.12.2014				
	Portugal	Rest of Europe	America	Asia	Total
Profit/ (loss) for the period	(118 948)	(24 383)	6 901	(2 063)	(138 493)
Net asset	1 201 746	1 109 369	2 126 635	3 669	4 441 419
Investments in associates	8 626	18 252	-	-	26 878
Investments in assets					
Tangible assets	121	518	510	30	1 179
Intangible assets	1 308	506	1 045	30	2 889

NOTE 5 – NET INTEREST INCOME

This balance is analysed as follows:

(thousands of euro)

	31.12.2015			31.12.2014		
	Assets/ liabilities at amortized cost and assets available for sale	Assets/ liabilities at fair value through profit or loss	Total	Assets/ liabilities at amortized cost and assets available for sale	Assets/ liabilities at fair value through profit or loss	Total
Interest and similar income						
Interest from loans and advances to customers	64 401	-	64 401	103 154	-	103 154
Interest from deposits with banks	15 600	-	15 600	6 923	-	6 923
Interest from derivatives for risk management purposes	-	30 624	30 624	-	42 191	42 191
Interest from available-for-sale financial assets	7 598	-	7 598	41 475	-	41 475
Interest from financial assets at fair value through profit or loss	-	133 176	133 176	-	125 687	125 687
Interest from held-to-maturity financial assets	-	-	-	1 327	-	1 327
Other interest and similar income	115	-	115	296	-	296
	87 714	**163 800**	**251 514**	**153 175**	**167 878**	**321 053**
Interest expense and similar charges						
Interest from deposits from central banks and other banks	93 166	-	93 166	87 280	-	87 280
Interest from derivatives for risk management purposes	-	7 759	7 759	-	17 261	17 261
Interest from debt securities	19 323	33 711	53 034	47 805	37 522	85 327
Interest from customers accounts	50 848	-	50 848	60 023	-	60 023
Interest from subordinated debt	350	-	350	2 523	-	2 523
Other interest and similar charges	1 913	-	1 913	2 694	-	2 694
	165 600	**41 470**	**207 070**	**200 325**	**54 783**	**255 108**
	(77 886)	**122 330**	**44 444**	**(47 150)**	**113 095**	**65 945**

Interest from loans and advances includes an amount of euro 26 500 thousand (31 December 2014: euro 41 890 thousand) that refers to interest from loans and advances with triggers of impairment.

Interest from derivatives for risk management purposes includes, in accordance with the accounting policy described in Notes 2.4 and 2.19 interests from hedging derivatives and interests from derivatives used to manage the risk of certain financial assets and financial liabilities designated at fair value through profit or loss in accordance with the accounting policy described in Notes 2.6 and 2.8.

NOTE 6 – NET FEE AND COMISSION INCOME

This balance is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Fee and commission income		
From banking services	53 521	48 031
From guarantees provided	5 525	6 477
From transactions with securities	35 228	64 828
	94 274	**119 336**
Fee and commission expenses		
From banking services rendered by third parties	2 431	4 948
From transactions with securities	8 912	15 158
From guarantees received	389	244
Other fee and comission expenses	71	664
	11 803	**21 014**
	82 471	**98 322**

NOTE 7 - NET GAINS/ (LOSSES) FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This balance is analysed as follows:

(thousands of euro)

	31.12.2015			31.12.2014		
	Gains	Losses	Total	Gains	Losses	Total
Securities held for trading						
Bonds and other fixed income securities						
Issued by entities	278 690	346 712	(68 022)	2 670 561	2 661 455	9 106
Issued by other entities	13 476	8 156	5 320	33 002	52 242	(19 240)
Shares	15 243	15 550	(307)	30 044	30 921	(877)
Other variable income securities	-	-	-	216	9	207
	307 409	**370 418**	**(63 009)**	**2 733 823**	**2 744 627**	**(10 804)**
Trading derivates financial instruments						
Exchange rate contracts	2 812 026	2 671 278	140 748	2 379 384	2 329 512	49 872
Interest rate contracts	1 848 116	1 851 479	(3 363)	1 863 943	1 875 943	(12 000)
Equity/Index contracts	207 305	205 364	1 941	665 476	662 117	3 359
Credit default contracts	2 151	5 821	(3 670)	5 543	9 657	(4 114)
Other	4 951	-	4 951	46	8 797	(8 751)
	4 874 549	**4 733 942**	**140 607**	**4 914 392**	**4 886 026**	**28 366**
Trading derivates financial instruments for risk heding						
Exchange rate contracts	1 388	-	1 388	879	868	11
Interest rate contracts	11 286	14 121	(2 835)	62 240	54 263	7 977
Equity/Index contracts	-	7 338	(7 338)	175 432	145 661	29 771
Credit default contracts	-	80 200	(80 200)	69 306	71 772	(2 466)
Other	-	-	-	-	22 056	(22 056)
	12 674	**101 659**	**(88 985)**	**307 857**	**294 620**	**13 237**
	5 194 632	**5 206 019**	**(11 387)**	**7 956 072**	**7 925 273**	**30 799**
Financial liabilities at fair value through profit or loss						
Debt securities issued	90 491	1 217	89 274	47 875	19 477	28 398
Subordinated debt	-	-	-	58	-	58
	90 491	**1 217**	**89 274**	**47 933**	**19 477**	**28 456**
	5 285 123	**5 207 236**	**77 887**	**8 004 005**	**7 944 750**	**59 255**

NOTE 8 - NET GAINS/ (LOSSES) FROM AVAILABLE FOR SALE FINANCIAL ASSETS

This balance is analysed as follows:

(thousands of euro)

	31.12.2015			31.12.2014		
	Gains	Losses	Total	Gains	Losses	Total
Bonds and other fixed income securities						
Issued by public entities	14	3 046	(3 032)	74 782	1 859	72 923
Issued by other entities	977	303	674	1 773	212	1 561
Shares	5 458	2	5 456	1 086	43	1 043
Other variable income securities	-	18	(18)	974	596	378
	6 449	**3 369**	**3 080**	**78 615**	**2 710**	**75 905**

NOTE 9 - NET GAINS/ (LOSSES) FROM FOREIGN EXCHANGE DIFFERENCES

This balance is analysed as follows:

(thousands of euro)

	31.12.2015			31.12.2014		
	Gains	Losses	Total	Gains	Losses	Total
Currency revaluation	82 953	(144 883)	(61 930)	73 323	(106 308)	(32 985)
	82 953	**(144 883)**	**(61 930)**	**73 323**	**(106 308)**	**(32 985)**

This balance includes the exchange differences arising on translating monetary assets and liabilities at the exchange rates ruling at the balance sheet date in accordance with the accounting policy described in Note 2.3.

NOTE 10 – NET GAINS/ (LOSSES) FROM DISPOSAL OF OTHER ASSETS

As at 31 December 2015 and 31 December 2014, this balance is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Held-to-maturity investments	-	(1 290)
Non-financial assets	(2)	1 951
Sale of loans and advances to customers	-	(7 358)
Investments in subsidiaries, associates and joint ventures	97	(53)
	95	**(6 750)**

NOTE 11 – OTHER OPERATING INCOME AND EXPENSE

This balance is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Other customer's services	3 839	3 060
Direct and indirect taxes	(5 639)	(6 785)
Other operating income/expenses	(7 262)	(6 018)
	(9 062)	**(9 743)**

The direct and indirect taxes balance includes an amount of euro 1 611 thousand related with the Banking levy (30 December 2014: euro 1 559 thousand), created through the Law Nº55-A/2010, of 31 December (see Note 33).

As at 31 December 2015, the balance Other operating income and expenses includes expenses in the amount of euro 2 727 thousand related with Contributions to the Deposits Guarantee Fund (Fundo de Garantia de Depósitos) (euro 3 377 thousand as at 31 December 2014) and an amount of euro 1 441 thousand related with Contributions to the Resolution Fund (Fundo de Resolução) (euro 409 thousand as at 31 December 2014).

NOTE 12 – STAFF COSTS

This amount of staff costs is composed by:

(thousands of euro)

	31.12.2015	31.12.2014
Wages and salaries		
Remuneration	61 847	72 509
Long-term service benefits (see Note 13)	207	115
Pension costs (see Note 13)	1 243	1 259
Other mandatory social charges	11 241	14 147
Other costs	6 247	8 259
	80 785	**96 289**

The expenses incurred with remunerations and other benefits attributed to key management personnel of the Haitong Bank Group can be analysed as follows:

(thousands of euro)

	Board of Directors	Other key management personnel	Total
2015			
Remuneration and other short-term benefits	3 223	21 706	24 929
Long-term service benefits	69	90	159
Variable remuneration	15	6 471	6 486
Total	**3 307**	**28 267**	**31 574**
2014			
Remuneration and other short-term benefits	5 134	16 908	22 042
Variable remuneration	1 161	5 394	6 555
Total	**6 294**	**22 302**	**28 596**

Executive Directors and Managing Directors are considered Other key management personnel.

As at 31 December 2015 and 2014, credit granted to the Management Bodies of Haitong Bank Group amounted to euro 315 thousand and euro 293 thousand, respectively.

The average number of employees in the Haitong Bank Group, according to professional role, can be analysed as follows:

	31.12.2015	31.12.2014
Directors	381	420
Management	4	4
Specific roles	252	367
Administrative roles	53	68
Support roles	12	12
	702	**871**

NOTE 13 – EMPLOYEE BENEFITS

Pension and health care benefits

In compliance with the collective labor agreement (ACT) for the banking sector established with the unions, the Bank undertook the commitment to grant its employees, or their families, pension on retirement and disability, and widows' pension. Pension payments consist of a rising percentage based on years of service, applicable to each year's negotiated salary table for the active work force. Only employees hired before 31 March 2008 are covered by this benefit. Employees hired after that date are covered by the Portuguese Social Security Scheme.

In accordance with the second Three-Party Agreement celebrated between the Government, the Portuguese Bank Associations and Union of Bank employees, after 1 January 2011 the bank employees were integrated in the Social Security Regime, which assumed the protection of banking sector employees in the contingencies of maternity, paternity and adoption and even old age, remaining under the responsibility of the banks the protection in sickness, disability, survivor and death (Decree-Law n.1-A/2011 of January 3).

This agreement establishes that the retirement pension value of bank employees under Social Security scheme will not be reduced when compared to the value set forth in the collective conventions. Retirement pensions of bank employees integrated in the Social Security scheme continue to be calculated in accordance with the provisions of ACT and other conventions. However, bank employees are entitled to receive a pension under the general regime, which amount takes into account the number of years of discounts for that scheme. Banks are responsible for the difference between the pension determined in accordance with the provisions of ACT and the one that the bank employees are entitled to receive from Social Security. In this basis, the exposure to the actuarial and financial risk associated to retirement benefits is the same.

The contribution rate to the Social Security Regime is 26.6%, 23.6% paid by the employer and 3% paid by the employees, instead of Caixa de Abono de Família dos Empregados Bancários (CAFEB), abolished by the same law. In consequence of this change, the pension rights of active employers is to be covered under the terms defined by the General Social Security Regime, taking into account the length of service from 1 January 2011 until retirement. The differential required to support the guaranteed pension in terms of the ACT is paid by the Banks.

Notwithstanding, the integration leads to an effective decrease in the present value of total benefits reported to the normal retirement age (VABT) to be borne by the pension fund. Since there was no reduction in benefits from the perspective of the beneficiary on the date of integration into the second three party agreement, the past service liability remained unchanged.

At the end of 2011 following the third three party agreement, it was decided to transfer to the Social Security Regime the banks liabilities with pension in payment as at 31 December 2011.

The three party agreement established, provides for the transfer to the Social Security sphere of the liabilities with pensions in payment as of 31 December 2012 at constant values (0% discount rate) in the terms set forth in Collective Labour Regulation Instrument (IRCT). The responsibilities relating to updates of pensions value, other pension benefits in addition to those to be borne by the Social Security, health-care benefits, death allowance and deferred survivor pensions, will remain in the sphere of responsibility of the banks with the correspondent funding being provided through the respective pension funds.

The banks pension funds assets, specifically allocated to the cover of the transferred liabilities, were also be transferred to the Social Security.

Being thus a definitive and irreversible transfer of the liabilities with pensions in payment (even if only on a portion of the benefit), the conditions set out in IAS 19 'Employee benefits' underlying the concept of settlement are met, as the obligation with pension in payment as at December 31, 2011 extinguished at the date of transfer.

The pension funds in Portugal are managed by GNB – Sociedade Gestora de Fundos de Pensões, S.A..

In accordance with the policy defined in Note 2.16 – Employee Benefits, the Group calculates its pension liabilities and its actuarial gains and losses on an annual basis.

The main assumptions used to calculate the liabilities can be analysed as follows:

	Assumption	
	31.12.2015	31.12.2014
Financial assumptions		
Expected return rate	2.5%	2.5%
Discount rate	2.5%	2.5%
Pension increase rate	0.5%	0.5%
Salary increase rate	1%	1%
Demographic Assumptions and Valuation Methods		
Mortality table		
Men	TV 73/77 - 2 years	TV 73/77 - 1 year
Women	TV 88/90 - 3 years	TV 88/90
Actuarial valuation method	Project Unit Credit Method	

No decreases by disability are considered for calculating the liabilities. The discount rate used as at 31 December 2015 was based on: (i) evolution of the main indicators associated with high quality corporate bonds and (ii) the duration of liabilities.

The participants in the pension plan are categorized as follows:

	31.12.2015	31.12.2014
Active workers	189	201
Retired	22	22
Survivors	7	7
TOTAL	**218**	**230**

The application of IAS 19 reflects to the following liabilities and coverage levels reportable as at 31 December 2015 and 2014:

(thousands of euro)

	31.12.2015	31.12.2014
Net Assets/(Liabilities) recognised in the statement of financial position		
Liabilities at 31 December		
Pensioners	7 101	6 866
Active workers	63 643	57 001
	70 744	**63 867**
Balance of the Funds at 31 December	**70 744**	**63 002**
Excess of coverage / Contributions to the fund	-	(865)
Deferred past services costs (curtailments)	-	-
Assets / (Liabilities) in the statement of financial position (see Notes 27 and 35)	**-**	**(865)**
Acummulated actuarial gains/losses recognised in other comprehensive income	27 346	16 454

The evolution the liabilities with pensions and health benefits can be analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Liability at the beginning of the period	**63 867**	**57 179**
Current service cost	1 243	1 259
Interests cost	1 590	1 422
Participants contributions	127	134
Actuarial gains and losses	8 827	4 147
- Change in the assumptions	4 008	11 244
- Experience gains and losses	4 819	(7 097)
Pensions paid by the fund	(268)	(274)
Transfers from liabilities	(4 642)	-
Liability at the end of the period	**70 744**	**63 867**

Based on the situation as at 31 December 2015, the sensibility analysis to changes in the actuarial assumptions, the following impacts would occur:

- A discount rate increase of 25 basis points would decrease liabilities in the amount of approximately euro 3 863 thousand; a decrease of equal value would increase liabilities in the amount of approximately euro 4153 thousand;
- A salary and pension increase of 25 basis points would increase liabilities in the amount of approximately euro 5 626 thousand; a decrease of equal value would decrease liabilities in the amount of approximately euro 2 499 thousand;
- The use of mortality tables with a one-year increment would increase liabilities by an amount of about 2 249 thousand euros; with a one-year decrease liabilities would reduce in the amount of approximately euro 2 273 thousand.

The evolution of pension funds value for the periods ended 31 December 2015 and 2014 can be analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Plan assets at the beginning of the period	**63 002**	**54 455**
Fair value of the fund	(779)	2 280
Group contributions	13 304	6 407
Participants contributions	127	134
Benefits paid	(268)	(274)
Transfers from liabilities	(4 642)	-
Plan assets at the end of the period	**70 744**	**63 002**

The pension funds assets can be analised as follows:

	% Portfolio	
	2015	2014
Bonds	55.30%	51.90%
Shares	26.70%	29.30%
Alternative investment	2.60%	4.22%
Mixed Funds	0.00%	1.70%
Real estate	1.90%	1.78%
Liquidity	13.50%	11.10%
Total	100.00%	100.00%

As at 31 December 2015 and 2014, the funds did not include any securities issued by Group's entities.

The evolution of actuarial gains/losses in the balance sheet can be analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Deferred actuarial gains/(losses) as at 1 January	**16 454**	**13 141**
- Changes in the actuarial assumptions	4 008	11 244
- Experience gains and losses	6 884	(7 931)
Deferred actuarial gains/(losses) as at 31 December	**27 346**	**16 454**

During the period the expenses incurred with pensions and health care benefits can be analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Current service cost	1 243	1 259
Interest (income/(expenses))	304	(24)
Past service liability amortisation	-	-
Expenses of the period	**1 547**	**1 235**

From 1 January 2014 and following the revision of IAS 19 – Employees Benefits, the income/expenses from interest became to be recognised by their net value under the interest (income/expense) and similar caption.

The evolution in net assets/ (liabilities) can be analysed for the periods ended 31 December 2015 and 2014, as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Opening balance	**(865)**	**7 819**
Charges of the period	(1 547)	(1 235)
Actuarial gains/ (losses) recognised in other comprehensive income	(10 892)	(3 313)
Group contributions	13 304	6 407
Deferred past services costs (curtailments) fully recognised in equity	-	(10 543)
Closing balance	**-**	**(865)**

The evolution in liabilities and balance of funds, as well as experience gains and losses over the past 5 years can be analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011
Liabilities	(70 744)	(63 867)	(57 179)	(42 472)	(34 381)
Funds balances	70 744	63 002	54 455	50 870	46 686
(Under)/ over funded liabilities	**-**	**(865)**	**(2 724)**	**8 398**	**12 305**
Experience (gains) and losses from liabilities	177	(7 097)	2 931	(472)	(9 221)
Experience (gains) and losses from plan assets	6 707	(834)	(1 441)	(2 275)	6 107

Long-term service benefits

At 31 December 2015 and 2014, the liabilities recognised by the Group and costs incurred related to long-term service benefits can be analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Liabilities at the beggining of the period	**2 162**	**2 124**
Charges of the period (See Note 12)	207	115
Bonuses paid	(198)	(77)
Liabilities at the end of the period	**2 171**	**2 162**

The actuarial assumptions used to calculate the liabilities are presented for the calculation of pensions (when applicable).

The liabilities related to long-term service benefits are included in the balance Other liabilities (see Note 35).

NOTE 14 – GENERAL AND ADMINISTRATIVE EXPENSES

This balance is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Rental costs	9 614	8 898
Advertising costs	743	1 212
Communication costs	12 557	13 867
Travelling and representation costs	5 970	8 294
Maintenance and related services	1 610	1 739
Insurance costs	334	492
Legal expenses	464	208
Specialised services		
IT services	5 506	5 698
Temporary work	327	546
Independent work	2 743	2 674
Other specialised services	9 031	8 145
Other costs	4 795	5 676
	53 694	**57 449**

The balance Other specialised services includes, among others, costs with external auditors and tax consultants. The balance Other costs includes security and surveillance expenses, information and training costs and costs with external supplies.

The maturity date for rents due in relation with non-cancelable operating leases are as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Up to 1 year	1 106	1 120
1 to 5 years	1 968	1 223
	3 074	**2 343**

Fees invoiced during the periods 2015 and 2014 by the Statutory Auditors Society (Sociedade de Revisores Oficiais de Contas) and by auditors, in accordance with the provisions of art. No. 508-F of the Commercial Companies Code (Código das Sociedades Comerciais), can be analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Statutory audit of annual accounts (Haitong Bank)	104	85
Statutory audit of annual accounts (subsidiaries)	519	450
Other reliability assurance services	311	347
Tax consultancy	39	25
Other non-statutory audit services	213	131
Total amount of the services invoiced	**1 186**	**1 038**

NOTE 15 – EARNINGS PER SHARE

Basic earnings per share

The Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the period, except the weighted average number of ordinary shares bought by the Bank and held as treasury shares in portfolio.

(thousands of euro)

	31.12.2015	31.12.2014
Net profit/ (loss) attributable to the equity holders of the Bank [1]	(35 627)	(138 718)
Weighted average number of ordinary shares outstanding (thousands)	**66 023**	**65 254**
Basic earnings per share attributable to equity holders of the Bank (in euro)	**-0.54**	**-2.13**

(1) Net profit/ (loss) for the period attributable to the equity holders of the Bank adjusted by the interest paid from perpetual subordinated bonds atributtable to the period (that are recorded as a change in reserves).

Diluted earnings per share

The diluted earnings per share is calculated considering the profit attributable to the equity holders of the Bank and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

As at 31 December 2015 and 2014, the Bank did not have any dilutive potential ordinary shares. Therefore, the diluted earnings per share are equal to the basic earnings per share.

NOTE 16 – CASH AND DEPOSITS AT CENTRAL BANKS

This balance as at 31 December 2015 and 2014 is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Cash	14	13
Deposits at central banks		
Bank of Portugal	117 515	1 050
Other central banks	155	461
	117 670	**1 511**
	117 684	**1 524**

The deposits at central banks include mandatory deposits with the Bank of Portugal intended to satisfy legal minimum cash requirements in the amount of euro 118 thousand (31 December 2014 : euro 378 thousand). According to the European Central Bank Regulation (CE) no. 1358/2011, of 14 December 2011, minimum cash requirements kept as deposits with the Bank of Portugal earn interest, and correspond to 1% of deposits and debt certificates maturing in less than 2 years, excluding deposits and debt certificates of institutions subject to the European System of Central Banks' minimum reserves requirements. As at 31 December 2015, these deposits have earned interest at an average rate of 0.05% (31 December 2014: 0.05%).

The fulfilment of the minimum mandatory requirements for a given period of observation is implemented taking into account the value of bank deposits with the Bank of Portugal during the referred period. The balance of the bank account with the Bank of Portugal as at 31 December 2015, was included in the maintenance period of 9 December 2015 to 26 January 2016, which corresponded to an average mandatory reserve of euro 500 thousand.

NOTE 17 – DEPOSITS WITH BANKS

This balance as at 31 December 2015 and 2014 is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Deposits with banks in Portugal		
Repayable on demand	4 586	15 111
	4 586	**15 111**
Deposits with banks abroad		
Repayable on demand	34 374	33 956
	34 374	**33 956**
	38 960	**49 067**

NOTE 18 – FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

As at 31 December 2015 and 2014, this balance is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Financial assets held for trading		
Securities		
Bonds and other fixed income securities		
Issued by public entities	951 300	726 940
Issued by other entities	50 065	60 029
Shares	1 185	22 746
	1 002 550	809 715
Derivatives	343 939	658 758
	1 346 489	**1 468 473**
Financial liabilities held for trading		
Securities		
Short selling	186 190	37 916
Derivatives	316 160	583 634
	502 350	**621 550**

As at 31 December 2015 and 2014 the analysis of the securities held for trading by maturity, is presented as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Up to 3 months	4 255	2 224
3 to 12 months	771 641	15 874
1 to 5 years	76 540	515 254
More than 5 years	148 929	253 617
Undetermined	1 185	22 746
	1 002 550	**809 715**

In accordance with the accounting policy described in Note 2.6, securities held for trading are those which are bought to be traded in the short-term, regardless of their maturity.

As at 31 December 2015 and 2014, financial assets held for trading, regarding to quoted and unquoted securities, can be analysed as follows:

(thousands of euro)

	31.12.2015			31.12.2014		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Securities						
Bonds and other fixed income securities						
Issued by public entities	4 506	946 794	951 300	32 449	694 491	726 940
Issued by other entities	32 159	17 906	50 065	40 000	20 029	60 029
Shares	1 185	-	1 185	22 746	-	22 746
Book value	**37 850**	**964 700**	**1 002 550**	**95 195**	**714 520**	**809 715**

As at 31 December 2015 and 2014, the exposure to public debt from peripheral Eurozone countries is analysed in Note 41.

The short selling refers to securities purchased under agreements to resell (reverse repos). In accordance with the accounting policy described in Note 2.7 securities purchased under agreements to resell (reverse repos) at a fixed price or at the purchase price plus a lender's return are not recognised, being the purchase price paid recorded as loans and advances to banks or customers, as appropriate.

As at 31 December 2015 and 2014, derivative financial instruments can be analysed as follows:

(thousands of euro)

	31.12.2015			31.12.2014		
	Notional	Fair value		Notional	Fair value	
		Positive	Negative		Positive	Negative
Contracts on exchange rates						
Forward		19 791	606		3 765	5 936
- buy	443 003			974 995		
- sell	441 690			979 933		
Currency Swaps		597	2 263		1 791	2 558
- buy	232 044			-		
- sell	233 254			-		
Currency Futures	1 485 369	-	-	2 559 516	-	-
Currency Interest Rate Swaps		-	-		1 746	12 479
- buy	-			30 306		
- sell	-			29 528		
Currency Options	289 893	2 501	2 258	502 980	1 263	1 158
	3 125 253	**22 889**	**5 127**	**5 077 258**	**8 565**	**22 131**
Interest rate contracts						
Forward Rate Agreements	1 104 477	715	625	2 401 229	1 378	1 292
Interest Rate Swaps	6 340 627	299 671	293 672	9 057 729	591 965	504 303
Swaption - Interest Rate Options	-	-	-	-	-	-
Interest Rate Caps & Floors	1 792 528	11 701	11 690	2 694 102	15 285	14 562
Interest Rate Futures	4 888 295	-	-	3 729 861	-	-
Interest Rate Options	-	-	-	225 640	90	52
	14 125 927	**312 087**	**305 987**	**18 108 561**	**608 718**	**520 209**
Equity / index contracts						
Equity / Index Swaps	1 814	955	1 160	181 612	36 866	36 980
Equity / Index Options	48 246	6 536	3 595	54 903	3 847	3 847
Equity / Index Futures	-	-	-	32 277	-	-
	50 060	**7 491**	**4 755**	**268 792**	**40 713**	**40 827**
Credit default contracts						
Credit Default Swaps	115 054	1 472	291	156 128	762	467
	115 054	**1.472**	**291**	**156 128**	**762**	**467**
Total	**17 416 294**	**343 939**	**316 160**	**23 610 739**	**658 758**	**583 634**

As at 31 December 2015 and 2014, the analysis of trading derivatives by maturity is presented as follows:

(thousands of euro)

	31.12.2015		31.12.2014	
	Notional	Net fair value	Notional	Net fair value
Up to 3 months	3 872 190	(2 231)	3 891 922	107 824
3 to 12 months	3 707 157	13 175	4 085 677	(11 960)
1 to 5 years	6 603 253	20 654	10 222 262	17 591
More than 5 years	3 222 855	(3 819)	5 410 878	(38 331)
	17 405 455	**27 779**	**23 610 739**	**75 124**

NOTE 19 – AVALIABLE FOR SALE FINANCIAL ASSETS

As at 31 December 2015 and 2014, this balance is analysed as follows:

(thousands of euro)

	Cost (1)	Fair value reserve		Impairment	Book value
		Positive	Negative		
Bonds and other fixed income securities					
Issued by public entities	194 553	28	(7 899)	-	186 682
Issued by other entities	279 134	159	(14 451)	(11 683)	253 159
Shares	14 162	166	-	(7 806)	6 522
Other variable income securities	29 779	955	(1 847)	(6 939)	21 948
Balance as at 31 December 2015	**517 628**	**1 308**	**(24 197)**	**(26 428)**	**468 311**
Bonds and other fixed income securities					
Issued by public entities	291 064	133	(15 593)	-	275 604
Issued by other entities	243 472	382	(5 341)	(15 057)	223 456
Shares	17 934	1 088	(172)	(6 945)	11 905
Other variable income securities	52 997	1 049	(1 565)	(8 766)	43 715
Balance as at 31 December 2014	**605 467**	**2 652**	**(22 671)**	**(30 768)**	**554 680**

(1) Acquisition cost relating to shares and amortised cost relating to debt securities.

In accordance with the accounting policy described in Note 2.6, the Group assesses periodically whether there is objective evidence of impairment on the available for sale financial assets, following the judgment criteria's described in Note 3.1.

The changes occurred in impairment losses of available for sale financial assets are presented as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Opening balance	30 768	17 580
Charge for the period	2 843	34 200
Charge off	(5 674)	(21 047)
Write back for the period	(497)	-
Exchange differences and other	(1 012)	35
Closing balance	**26 428**	**30 768**

The balance Available for sale Financial Assets includes euro 100 244 thousand of securities pledged as collateral by the Group (euro 72 985 thousand as at 31 December 2014), see note 38.

As at 31 December 2015 and 2014, the analysis of available for sale assets by maturity is presented as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Up to 3 months	150 608	45 893
3 to 12 months	16 488	28 854
1 to 5 years	214 804	333 739
More than 5 years	57 941	90 575
Undetermined	28 470	55 619
	468 311	**554 680**

As at 31 December 2015 and 2014, financial assets available for sale, with relation to quoted and unquoted securities, can be categorized as follows:

(thousands of euro)

	31.12.2015			31.12.2014		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Securities						
Bonds and other fixed income securities						
Issued by public entities	20 231	166 451	186 682	57 803	217 801	275 604
Issued by other entities	62 323	190 836	253 159	75 436	148 020	223 456
Shares	516	6 006	6 522	620	11 285	11 905
Other variable income securities	1 128	20 820	21 948	27 472	16 243	43 715
Total book value	**84 198**	**384 113**	**468 311**	**161 331**	**393 349**	**554 680**

As at 31 December 2015 and 2014, the exposure to public debt from peripheral Eurozone countries is analysed in Note 41.

NOTE 20 – LOANS AND ADVANCES TO BANK

This balance as at 31 December 2015 and 2014 is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Loans and advances to banks in Portugal		
Sales with repurchase agreements	39 976	-
Very short term deposits	-	8 647
Other loans and advances	-	1 358
	39 976	**10 005**
Loans and advances to banks abroad		
Deposits	1 008	2 217
Sales with repurchase agreements	190 602	18 579
Very short term deposits	2 219	-
Other loans and advances	40 387	18 723
	234 216	**39 519**
	274 192	**49 524**
Impairment losses	(15 397)	(15 216)
	258 795	**34 308**

As at 31 December 2015 and 2014, the analysis of loans and advances to banks by maturity is presented as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Up to 3 months	192 221	46 006
3 to 12 months	81 971	163
1 to 5 years	-	3 278
More than 5 years	-	77
	274 192	**49 524**

The changes occurred during the period in impairment losses of loans and advances to banks are presented as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Opening balance	15 216	238
Charge for the period	149	14 945
Write back for the period	-	(1)
Exchange differences and other	32	34
Closing balance	**15 397**	**15 216**

NOTE 21 – LOANS AND ADVANCES TO CUSTOMERS

This balance as at 31 December 2015 and 2014 is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Domestic loans		
Corporate		
Commercial lines of credit	50	300
Loans	410 939	482 567
Overdrafts	-	28
Other loans	45 894	65 198
Retail		
Mortgage loans	358	435
	457 241	**548 528**
Foreign loans		
Corporate		
Loans	692 156	1 132 647
Other loans	5 176	23 782
Retail		
Other loans	34	1 927
	697 366	**1 158 356**
Overdue loans and interest		
Up to 90 days	25 993	4 351
More than 90 days	189 407	121 763
	215 400	**126 114**
	1 370 007	**1 832 998**
Impairment losses	(328 666)	(283 780)
	1 041 341	**1 549 218**

As at 31 December 2015 and 2014, the analysis of loans and advances to customers by maturity is presented as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Up to 3 months	83 584	181 758
3 to 12 months	178 840	307 193
1 to 5 years	266 304	488 821
More than 5 years	625 879	729 112
Undetermined	215 400	126 114
	1 370 007	**1 832 998**

The movements occurred in impairment losses of loans and advances to customers are presented as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Opening balance	283 780	130 135
Charge for the period	125 942	182 267
Charge off	(14 787)	(13 573)
Write back for the period	(65 711)	(12 662)
Transfers	1 116	(2 449)
Exchange differences and other	(1 674)	62
Closing balance	**328 666**	**283 780**

As at 31 December 2015 and 2014 the detail of impairment is presented as follows:

(thousands of euro)

	31.12.2015						
	Loans with impairment losses calculated on an individual basis		Loans with impairment losses calculated on a portfolio basis		Total		
	Credit Value	Impairment	Credit Value	Impairment	Credit Value	Impairment	Net Loans Impairment
Corporate loans	565 608	318 158	804 007	10 503	1 369 615	328 661	1 040 954
Mortgage loans	-	-	358	5	358	5	353
Consumers loans - other	-	-	34	-	34	-	34
Total	**565 608**	**318 158**	**804 399**	**10 508**	**1 370 007**	**328 666**	**1 041 341**

(thousands of euro)

	31.12.2014						
	Loans with impairment losses calculated on an individual basis		Loans with impairment losses calculated on a portfolio basis		Total		
	Credit Value	Impairment	Credit Value	Impairment	Credit Value	Impairment	Net Loans Impairment
Corporate loans	620 051	280 251	1 210 586	3 519	1 830 637	283 770	1 546 867
Mortgage loans	-	-	435	1	435	1	434
Consumers loans - other	-	-	1 926	9	1 926	9	1 917
Total	**620 051**	**280 251**	**1 212 947**	**3 529**	**1 832 998**	**283 780**	**1 549 218**

The Group carries out a renegotiation of a loan in order to maximize its recovery. A loan is renegotiated in accordance with selective criteria, based on the analysis of the overdue circumstances or when there is a high risk that the loan will became overdue, and the client has made a reasonable effort to fulfil the contractual conditions previously agreed and is expected to have the capacity to meet the new terms agreed. The renegotiation normally includes the maturity extension, changes in the payment dates defined and / or amendment of the contracts' covenants. Whenever possible, the renegotiation includes obtaining new collaterals. The renegotiated loans are still subject to an impairment analysis resulting from the revaluation of the new expected cash flows, based in the new contract terms, updated at the original effective interest rate and taking into account the new collaterals.

As at 31 December 2015, gross loans and advances (loans and advances to customers excluding overdue loans and interest) include an amount of euro 759 536 thousand of restructured loans (euro 641 158 thousand as at 31 December 2014). As at 31 December 2015, recognised impairment losses referring to restructured loans amounted to euro 324 914 thousand (euro 280 362 thousand as at 31 December 2014). The interest recognised in the income statement amounts to euro 23 309 thousand (euro 20 781 thousand as at 31 December 2014).

The Group requires that some credit operations be collateralised, in order to mitigate credit risk. The more common types of collateral held are mortgages and securities. The fair value of these collaterals is determined at the date the loan is advanced to customers, being periodically updated.

The collateral received regarding credit operations can be analysed as follows.

(thousands of euro)

	31.12.2015		31.12.2014	
	Credit Value	Fair Value collateral	Credit Value	Fair Value collateral
Mortgage loans				
Mortgages	358	1 219	435	1 219
	358	**1 219**	**435**	**1 219**
Consumers loans				
Not collateralised	33	-	2 817	-
	33	**-**	**2 817**	**-**
Corporate loans				
Mortgages	118 573	57 666	126 006	67 520
Pawns	13 318	8 325	38 571	42 770
Not collateralised	1 237 725	-	1 665 169	-
	1 369 616	**65 991**	**1 829 746**	**110 290**
Total	**1 370 007**	**67 210**	**1 832 998**	**111 509**

At 31 December 2014, the balance loans and advances to customers includes euro 52 273 thousand pledged as collateral by the Group. In 2015 there are no loans and advances pledged as collateral, see note 38.

Loans and advances to customers can be analysed as follows, by type of rate:

(thousands of euro)

	31.12.2015	31.12.2014
Fixed rate	483 591	613 384
Variable rate	886 416	1 219 614
	1 370 007	**1 832 998**

As at 31 December 2015 and 2014, the exposure and impairment detail is as follows:

(thousands of euro)

Segment	Exposure 31.12.2015						Impairment 31.12.2015		
	Total exposure	Credit in compliance	of which cured	of which restructured	Default credit	of which restructured	Total impairment	Credit in compliance	Default credit
Project Finance	823 565	635 806	-	154 063	187 759	176 801	(67 283)	(3 665)	(63 618)
Acquisition Finance	543 517	308 927	-	194 081	234 590	234 590	(261 371)	(109 598)	(151 773)
Others	2 925	2 925	-	-	-	-	(12)	(12)	-
Total	**1 370 007**	**947 658**	**-**	**348 144**	**422 349**	**411 391**	**(328 666)**	**(113 275)**	**(215 391)**

(thousands of euro)

Segment	Exposure 31.12.2014						Impairment 31.12.2014		
	Total exposure	Credit in compliance	of which cured	of which restructured	Default credit	of which restructured	Total impairment	Credit in compliance	Default credit
Project Finance	982 632	812 673	-	102 069	169 959	146 907	(64 626)	(2 632)	(61 994)
Acquisition Finance	821 364	670 091	-	374 326	151 273	150 992	(219 060)	(131 050)	(88 010)
Others	29 002	29 002	-	28	-	-	(94)	(94)	-
Total	**1 832 998**	**1 511 766**	**-**	**476 423**	**321 232**	**297 899**	**(283 780)**	**(133 776)**	**(150 004)**

As at 31 December 2015 and 2014, the exposures and impairment detail by ageing is as follows:

(thousands of euro)

Segment	Total Exposure 31.12.2015					
	Credit in compliance				Credit in default	
	Overdue days <30					
	Total exposure 31.12.2015	Without signs	With signs	Sub-total	Overdue days <=90*	Overdue days >90
Project Finance	823 565	454 051	181 755	635 806	28 788	158 971
Acquisition Finance	543 517	78 505	230 422	308 927	30 590	204 000
Others	2 925	2 925	-	2 925	-	-
Total	**1 370 007**	**535 481**	**412 177**	**947 658**	**59 378**	**362 971**

(thousands of euro)

Segment	Total Exposure 31.12.2014					
	Credit in compliance				Credit in default	
	Overdue days <30					
	Total exposure 31.12.2014	Without signs	With signs	Sub-total	Overdue days <=90*	Overdue days >90
Project Finance	982 632	491 557	321 116	812 673	85 241	84 718
Acquisition Finance	821 364	258 665	411 426	670 091	42 684	108 589
Others	29 002	28 974	28	29 002	-	-
Total	**1 832 998**	**779 196**	**732 570**	**1 511 766**	**127 925**	**193 307**

(thousands of euro)

Segment	Total impairment 31.12.2015				
	Credit in compliance			Credit in default	
	Total impairment 31.12.2015	Overdue days <30	Overdue days between 30 - 90	Overdue days <=90*	Overdue days >90
Project Finance	(67 283)	(2 271)	(1 394)	(217)	(63 401)
Acquisition Finance	(261 371)	(393)	(109 205)	(15 150)	(136 623)
Others	(12)	(12)	-	-	-
Total	**(328 666)**	**(2 676)**	**(110 599)**	**(15 367)**	**(200 024)**

* Loans with principal or interest overdue less than 90 days but with credit risk signs that justifies it's classification as credit risk as bankruptcy, liquidation process or other.

(thousands of euro)

Segment	Total impairment 31.12.2014				
		Credit in compliance		Credit in default	
	Total impairment 31.12.2014	Overdue days <30	Overdue days between 30 - 90	Overdue days <=90*	Overdue days >90
Project Finance	(64 626)	(1 901)	(731)	(1 673)	(60 321)
Acquisition Finance	(219 060)	(2 324)	(128 726)	(4 575)	(83 435)
Others	(94)	(66)	(28)	-	-
Total	**(283 780)**	**(4 291)**	**(129 485)**	**(6 248)**	**(143 756)**

* Loans with principal or interest overdue less than 90 days but with credit risk signs that justifies its classification as credit risk as bankruptcy, liquidation process or other.

As at 31 December 2015, the loan portfolios by segment and concession year is as follows:

(thousands of euro)

Production year	Project Finance			Acquisition Finance			Others		
	Number of operations	Amount	Booked impairment	Number of operations	Amount	Booked impairment	Number of operation	Amount	Booked impairment
2004 and before	10	157 833	(790)	4	3 651	(18)	7	2 925	(12)
2005	3	10 430	(4 669)	-	-	-	-	-	-
2006	21	232 862	(59 087)	4	14 934	(534)	-	-	-
2007	9	73 321	(795)	7	62 636	(57 529)	-	-	-
2008	4	45 857	(229)	3	22 079	(9 466)	-	-	-
2009	8	19 739	(99)	5	26 971	(8 766)	-	-	-
2010	13	64 420	(322)	5	4 958	(3 299)	-	-	-
2011	10	19 367	(97)	24	115 946	(86 207)	-	-	-
2012	1	283	(116)	24	85 297	(46 194)	-	-	-
2013	46	33 494	(173)	25	63 263	(15 764)	-	-	-
2014	16	11 586	(110)	35	82 503	(15 369)	-	-	-
2015	22	154 373	(796)	30	61 279	(18 225)	-	-	-
Total	**163**	**823 565**	**(67 283)**	**166**	**543 517**	**(261 371)**	**7**	**2 925**	**(12)**

Following, is detailed the gross loans exposure and impairment to the years ended 2015 and 2014 by segment, sector and geography:

a) by segment

(thousands of euro)

	31.12.2015							
	Project Finance		Acquisition Finance		Others		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation								
Individual	185 055	(64 090)	407 459	(260 691)	518	-	593 032	(324 781)
Collective	638 510	(3 193)	136 058	(680)	2 407	(12)	776 975	(3 885)
Total	**823 565**	**(67 283)**	**543 517**	**(261 371)**	**2 925**	**(12)**	**1 370 007**	**(328 666)**

(thousands of euro)

	31.12.2014							
	Project Finance		Acquisition Finance		Others		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Evaluation								
Individual	198 599	(62 217)	471 880	(218 006)	849	(29)	671 328	(280 252)
Collective	784 033	(2 409)	349 484	(1 054)	28 153	(65)	1 161 670	(3 528)
Total	**982 632**	**(64 626)**	**821 364**	**(219 060)**	**29 002**	**(94)**	**1 832 998**	**(283 780)**

b) by sector of activity

(thousands of euro)

Activity sector	31.12.2015				31.12.2014			
	Evaluation				Evaluation			
	Individual		Collective		Individual		Collective	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Financial activities	121 380	(97 055)	27 705	(139)	141 381	(76 957)	103 348	(316)
Construction	57 189	(19 089)	139 721	(699)	110 026	(18 424)	118 429	(365)
Energy	25 915	(11 390)	241 906	(1 210)	12 217	(10 224)	285 932	(880)
Transport Infrastructures	23 765	(4 790)	173 106	(864)	13 888	(3 502)	212 321	(655)
Transports and communication activities	25 088	(1 088)	28 609	(143)	24 131	(763)	34 597	(106)
Other manufacturing Industries	55 392	(13 653)	34 176	(171)	59 003	(10 868)	82 906	(246)
Real estate activities	63 176	(50 639)	12 784	(64)	42 534	(20 484)	25 685	(76)
Services	126 438	(74 670)	13 832	(69)	153 128	(81 155)	81 363	(223)
Commerce	50 490	(18 829)	33 024	(165)	37 204	(18 784)	86 449	(264)
Other activities	44 199	(33 578)	72 112	(361)	77 816	(39 091)	130 640	(397)
Total	**593 032**	**(324 781)**	**776 975**	**(3 885)**	**671 328**	**(280 252)**	**1 161 670**	**(3 528)**

c) by geography

(thousands of euro)

Geography	31.12.2015				31.12.2014			
	Evaluation				Evaluation			
	Individual		Collective		Individual		Collective	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Portugal	244 959	(108 044)	337 938	(1 690)	217 908	(102 062)	418 602	(1 270)
Spain	296 049	(204 439)	171 334	(857)	325 411	(170 901)	164 056	(505)
Brazil	46 470	(8 434)	138 860	(694)	96 356	(3 944)	362 800	(1 089)
Mexico	-	-	54 681	(273)	23 052	(22)	82 905	(254)
United States of America	-	-	38 413	(192)	2 539	(1)	78 099	(240)
United Kingdon	33	-	28 233	(141)	385	-	44 116	(136)
Poland	5 521	(3 864)	7 516	(38)	5 677	(3 322)	11 092	(34)
Total	**593 032**	**(324 781)**	**776 975**	**(3 885)**	**671 328**	**(280 252)**	**1 161 670**	**(3 528)**

As at 31 December 2015 and 2014, the changes in restructured loans is as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Initial balance of the restructured portfolio (gross of impairment)	774 323	642 289
Restructured credit in the period	135 527	232 686
Accrued interest of the restructured portfolio	(3 250)	3 148
Restructured credit liquidation (partial or total)	(150 298)	(50 668)
Credit sales	(36 137)	(70 553)
Others	39 370	17 420
Final balance of the restructured portfolio (gross of impairment)	**759 535**	**774 322**

Haitong Bank uses an internal rating system in order to assist the monitoring of the credit risk. The average credit risk profile kept similar to the previous year.

	Dec-15	Dec-14
[aaa; a-]	1%	0%
[bbb+; bbb-]	10%	16%
[bb+; bb-]	37%	32%
[b+; b-]	44%	47%
[ccc+; lccc]	8%	5%

Note: In percentage of non-default rated portfolio

NOTE 22 – DERIVATIVES FOR RISK MANAGEMENT PURPOSES

As at 31 December 2015 and 2014, the fair value of the hedging derivatives can be analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Derivatives for risk management purposes (assets)		
Interest rate contracts	8 624	3 329
Equity / Index contracts	847	8 592
Other contracts	5 765	13 833
	15 236	**25 754**
Derivatives for risk management purposes (liabilities)		
Interest rate contracts	10 471	1 672
Equity / Index contracts	22 803	22 056
Other contracts	83 123	10 211
	116 397	**33 939**
	(101 161)	**(8 185)**

The balance Derivatives for risk management purposes includes hedging derivatives and derivatives contracted with the purpose of managing the risk of certain financial assets and liabilities designated at fair value through profit or loss (and that were not classified as hedging derivatives).

For the period 2015 there were no hedging derivatives operations. The hedge operations matured until 31 December 2014.

a) Hedging derivatives

As at 31 December 2014, the fair value hedge operations present the following features:

(thousands of euro)

Derivative	Hedge item	Hedge risk	Nocional	Fair value of derivative (2)	Changes in the fair value of the derivative in the year	Fair value component of the hedged item (1)	Changes in the fair value of the hedged item in the year (1)
Interest Swap / Equity Swap	Debt securities issued	Interest rate	-	-	2 161	-	7 445
Interest Swap / Equity Swap	Subordinated debt	Interest rate	-	-	8	-	58
			-	**-**	**2 169**	**-**	**7 503**

(1) Attributable to the hedged risk
(2) Includes accrued interest

Changes in the fair value of the hedged items mentioned above and of the respective hedging derivatives are recognised in the income statement under net gains/ (losses) from financial assets at fair value through profit or loss (see Note 7).

b) Other derivatives for risk management purposes

Other derivatives for risk management purposes includes derivatives held to hedge assets and liabilities at fair value through profit or loss in accordance with the accounting policies described in Notes 2.4, 2.6 and 2.8 and that the Group did not classified as hedging derivatives.

The fair value hedge operations as at 31 December 2015 and 2014 and accounted to this purpose can be analysed as follows:

(thousands of euro)

31.12.2015								
Financial liabilities economically hedged	Derivative	Derivative			Liabilities associated			
		Notional	Fair value	Changes in fair value during the period	Fair value	Changes in fair value during the period	Book Value	Reimbursement amount at maturity date
Debt securities issued	Credit Default Swap	391 482	(78 437)	(78 990)	61 176	81 246	311 694	372 868
Debt securities issued	Equity Swap	135 872	(21 956)	(21 912)	17 697	7 434	111 734	129 431
Debt securities issued	Interest Swap	190 418	(1 848)	942	(1 640)	(103)	31 444	29 804
Debt securities issued	Fx Option	1 800	-	(81)	20	(47)	1 719	1 739
Debt securities issued	Equity Option	11 460	1 080	(18)	(819)	(662)	10 369	9 550
		731 032	**(101 161)**	**(100 059)**	**76 434**	**87 868**	**466 960**	**543 392**

(thousands of euro)

31.12.2014								
		Derivative		Liabilities associated				
Financial liabilities economically hedged	Derivative	Notional	Fair Value	Changes in fair value during the year	Fair Value	Changes in fair value during the year	Book Value	Reimbursement amount at maturity date
Debt securities issued	Credit Default Swap	412 259	1 565	(141)	(19 771)	(886)	408 931	391 526
Debt securities issued	Equity Swap	205 272	(13 464)	(507)	7 629	887	192 214	205 097
Debt securities issued	Interest Swap	41 059	1 657	96	(1 812)	6 697	32 617	32 688
Debt securities issued	Fx Option	11 471	99	16	(8)	(208)	4 322	5 479
Debt securities issued	Equity Option	44 810	1 958	(1 780)	(1 718)	(1 131)	45 082	48 302
		714 871	**(8 185)**	**(2 316)**	**(15 680)**	**5 359**	**683 166**	**683 092**

The fair value component of financial liabilities recognised at fair value through profit or loss, attributable to the Group's credit risk, is positive. The corresponding accumulated value as at 31 December 2015 amounts to euro 365 thousand (31 December 2014: euro 1 123 thousand).

As at 31 December 2015 and 2014, the analysis of derivatives for risk management purposes by maturity is as follows:

(thousands of euro)

	31.12.2015	
	Other derivatives for risk management purposes	
	Notional	Fair Value
Up to 3 months	23 438	629
3 to 12 months	72 721	(10 411)
1 to 5 years	573 812	(90 514)
More than 5 years	61 061	(865)
	731 032	**(101 161)**

(thousands of euro)

	31.12.2014	
	Other derivatives for risk management purposes	
	Notional	Fair Value
Up to 3 months	33 031	46
3 to 12 months	177 414	786
1 to 5 years	457 916	(6 461)
More than 5 years	46 510	(2 556)
	714 871	**(8 185)**

NOTE 23 – NON CURRENT ASSETS HELD FOR SALE

As at 31 December 2015 and 2014 this balance is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Subsidiaries acquired exclusively for resale purposes	3 600	3 600
	3 600	**3 600**

The amounts presented refer to investments in entities controlled by the Group, which have been acquired exclusively with the purpose of being sold in the short term.

The movement of non-current assets held-for-sale (excluding assets from subsidiaries acquired for resale) during the periods 2015 and 2014 is presented as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Opening balance	-	1 133
Sales	-	(1 114)
Other	-	(19)
Closing balance	**-**	**-**

The Group implemented a plan in order to sell immediately the subsidiaries classified as held for sale. However, considering the actual market conditions it as not possible to conclude the sales as initially previewed. The Group continues to develop all enforcements to conclude the sales plan defined.

NOTE 24 – OTHER TANGIBLE ASSETS

This balance as at 31 December 2015 and 2014 is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Property		
For own use	643	643
Improvements in leasehold property	12 769	13 295
	13 412	**13 938**
Equipment		
Computer equipment	13 816	13 963
Fixtures	4 001	3 936
Furniture	4 127	4 098
Machinery and tools	1 926	2 258
Motor vehicles	421	624
Security equipment	382	369
Other	147	144
	24 820	**25 392**
	38 232	**39 330**
Work in progress		
Improvements in leasehold property	37	37
Equipment	687	325
	724	**362**
	38 956	**39 692**
Accumulated depreciation	(26 792)	(24 199)
	12 164	**15 493**

The movement in this balance was as follows:

(thousands of euro)

	Property	Equipment	Work in progress	Total
Acquisition cost				
Balance as at 31 December 2013	13 222	24 662	1 486	39 370
Acquisitions	64	899	216	1 179
Disposals	(1)	(840)	-	(841)
Transfers	450	889	(1 339)	-
Exchange differences and other movements	203	(218)	(1)	(16)
Balance as at 31 December 2014	**13 938**	**25 392**	**362**	**39 692**
Acquisitions	242	576	687	1 505
Disposals	(18)	(465)	-	(483)
Transfers	-	22	-	22
Exchange differences and other movements	(750)	(705)	(325)	(1 780)
Balance as at 31 December 2015	**13 412**	**24 820**	**724**	**38 956**
Depreciations				
Balance as at 31 December 2013	**5 164**	**14 896**	**-**	**20 060**
Depreciation of the period	1 506	3 515	-	5 021
Disposals	(1)	(840)	-	(841)
Exchange differences and other movements	33	(74)	-	(41)
Balance as at 31 December 2014	**6 702**	**17 497**	-	**24 199**
Depreciation of the period	1 117	3 035	-	4 152
Disposals	(18)	(403)	-	(421)
Exchange differences and other movements	(701)	(437)	-	(1 138)
Balance as at 31 December 2015	**7 100**	**19 692**	**-**	**26 792**
Net book value as at 31 December 2015	**6 312**	**5 128**	**724**	**12 164**
Net book value as at 31 December 2014	**7 236**	**7 895**	**362**	**15 493**

NOTE 25 – INTANGIBLE ASSETS

This balance as at 31 December 2015 and 2014 is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Goodwill	65 064	64 032
Acquired to third parties		
Software	30 286	26 309
Other	916	916
	31 202	**27 225**
Work in progress	4 458	6 033
	100 724	**97 290**
Accumulated amortisation	(19 722)	(17 576)
Impairment losses	(722)	(2 318)
	(20 444)	**(19 894)**
	80 280	**77 396**

Goodwill is recognised in accordance with the accounting policy described in Note 2.2 and it can be analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Subsidiaries		
Haitong (UK) Limited	54 001	50 885
Haitong Capital - Sociedade de Capital de Risco, S.A.	9 858	9 858
Espirito Santo Investiment Sp. Z.o.o.	-	1 674
Other	1 205	1 615
	65 064	**64 032**
Impairment losses	**(722)**	**(2 318)**
	64 342	**61 714**

Annually, the Bank analyses the Goodwill impairment following the disposals on IAS 36 – Assets Impairment.

The recoverable amount of Haitong (UK) Limited, corresponding to its value in use, was determined in accordance with the Dividend Discount method (i) based on data estimated by the management body for the next ten years, (ii) assuming a growth rate in perpetuity of 3.0%, in line with the nominal growth rate estimated for the economy of the country where the unity is located, and (iii) with a discount rate of 7.89%. The ten-year period used to estimate future cash flows reflects the fact that the entity's business strategy is being redefined upon the acquisition of the Bank by Haitong Group in 2015. Based on these assumptions, the Management Board considers that the recoverable amount of this investment is greater than the book value, including the part corresponding to the Goodwill with no impairment losses.

A sensitive analysis was also performed using (i) an alternative discount rates of 9.9% and (ii) the remaining same assumptions including the financial budget for the next ten years. Based on this sensitive analysis, no impairment loss was identified in relation to this goodwill.

Notwithstanding the analysis performed based on the described assumptions, the recoverable amount of the investment in Haitong UK is dependent on the ability of the Company and the Group of putting in place the necessary measures to allow the accomplishment of the business plan. Management made an estimate of the amount by which the business plan would need to change for the estimated recoverable amount, calculated using the alternative discount rate of 9.9%, to be equal to the book value and concluded that this is the case if the Company is only able to execute the business plan by approximately 57.5%.

Regarding Haitong Capital - Sociedade de Capital de Risco, S.A., the recoverable amount of the investment held in Haitong Capital was determined using cash flow/dividends predictions based on (i) the financial budget approved by management covering a six-year period, (ii) a terminal growth rate of 2%, and (iii) a discount rate of 13.2%. Based on these assumptions, Haitong Bank Management made the assessment that the recoverable amount of the investment in Haitong Capital exceeds its carrying amount, including goodwill.

Notwithstanding the analysis performed based on the described assumptions, the recoverable amount of the investment in Haitong Capital is dependent on the ability of the Company and the Group of putting in place the necessary measures to allow the accomplishment of the business plan. Management made an estimate of the amount by which the business plan would need to change for the estimated recoverable amount to be equal to the book value and concluded that this is the case if the Company is only able to execute the business plan by approximately 80%.

The movement in this balance was as follows:

(thousands of euro)

	Goodwill	Software	Other	Work in progress	Total
Acquisition cost					
Balance as at 31 December 2013	**60 717**	**22 295**	**949**	**6 989**	**90 950**
Acquisitions:					
Acquired from third parties	-	220	-	2 669	2 889
Disposals	-	(10)	-	-	(10)
Transfers	-	3 627	-	(3 627)	-
Exchange differences	3 315	177	(33)	2	3 461
Balance as at 31 December 2014	**64 032**	**26 309**	**916**	**6 033**	**97 290**
Acquisitions:					
Acquired from third parties	-	1 167	-	2 573	3 740
Disposals	-	(229)	-	-	(229)
Charge off	(1 751)	-	-	-	(1 751)
Transfers	-	3 098	-	(3 120)	(22)
Exchange differences	2 783	(59)	-	(1 028)	1 696
Balance as at 31 December 2015	**65 064**	**30 286**	**916**	**4 458**	**100 724**
Amortisations					
Balance as at 31 December 2013	**-**	**14 371**	**916**	**-**	**15 287**
Amortisations of the period	-	2 200	-	-	2 200
Disposals	-	(10)	-	-	(10)
Exchange differences and other movements	-	99	-	-	99
Balance as at 31 December 2014	**-**	**16 660**	**916**	**-**	**17 576**
Amortisations of the period	-	2 458	-	-	2 458
Disposals	-	(255)	-	-	(255)
Exchange differences and other movements	-	(57)	-	-	(57)
Balance as at 31 December 2015	**-**	**18 806**	**916**	**-**	**19 722**
Impairment					
Balance as at 31 December 2013	**2 041**	**-**	**-**	**-**	**2 041**
Impairment losses	333	-	-	-	333
Exchange differences	(56)	-	-	-	(56)
Balance as at 31 December 2014	**2 318**	**-**	**-**	**-**	**2 318**
Impairment losses	281	-	-	-	281
Charge off	(1 751)	-	-	-	(1 751)
Exchange differences	(126)	-	-	-	(126)
Balance as at 31 December 2015	**722**	**-**	**-**	**-**	**722**
Net book value as at 31 December 2015	**64 342**	**11 480**	**-**	**4 458**	**80 280**
Net book value as at 31 December 2014	**61 714**	**9 649**	**-**	**6 033**	**77 396**

NOTE 26 – INVESTMENTS IN ASSOCIATES

The financial information concerning associates is presented in the following table:

(thousands of euro)

	Assets		Liabilities		Equity		Profits		Net profit / (loss) for the period	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Fundo Espírito Santo IBERIA I	12 606	13 714	134	15	12 472	13 699	592	2 675	(1 702)	442
2bCapital Luxembourg Sicar	-	37 742	-	32	-	37 710	-	-	-	(499)
Salgar Investments	43 509	40 676	11 951	9 864	31 558	30 812	31 482	26 543	410	(361)

(thousands of euro)

	Participation cost		% held		Book Value		Share of profits of associates	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Fundo Espírito Santo IBERIA	6 845	6 953	46%	46%	6 068	6 631	(782)	447
2bCapital Luxembourg Sicar	-	16 473	-	42%	-	15 882	(252)	(210)
Salgar Investments	8 173	8 173	25%	25%	8 173	8 173	-	-
Other	1 238	1 237	-	-	1 906	1 996	(109)	(508)
	16 256	**32 836**			**16 147**	**32 682**	**(1 143)**	**(271)**
Impairment					**(5 804)**	**(5 804)**		
					10 343	**26 878**		

The movement in this balance was as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Opening balance	26 878	52 124
Disposals and other reimbursements	(15 738)	(19 573)
Share of profit of associates	(1 143)	(271)
Other comprehensive income from associates	346	(21)
Impairment of the period	-	(5 804)
Exchange differences and other	-	423
Closing balance	**10 343**	**26 878**

NOTE 27 – OTHER ASSETS

As at 31 December 2015 and 2014, the other assets balance is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Debtors		
Collateral deposits placed	286 541	363 476
Loans to companies in which the Group has a non-controlling interest	205	2 120
Public sector	28 491	29 128
Deposits placed with futures contracts	17 051	17 739
Other sundry debtors	39 789	32 983
	372 077	445 446
Impairment losses on debtors	(13 107)	(15 701)
	358 970	**429 745**
Other assets		
Gold, other precious metals, numismatics, and other liquid assets	6 963	300
Other assets	5 880	5 979
	12 843	**6 279**
Accrued income	**298**	**1 250**
Prepayments and deferred costs	**6 006**	**4 064**
Other sundry assets		
Foreign exchange transactions pending settlement	5 383	5 884
Stock exchange transactions pending settlement	225 328	51 534
Other transactions pending settlement	20 616	33 685
	251 327	**91 103**
	629 444	**532 441**

The stock exchange transactions pending settlement refer to transactions with securities, recorded on trade date and pending settlement, in accordance with the accounting policy described in Note 2.6.

The movements occurred in impairment losses on debtors are presented as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Opening balance	15 701	5 410
Charge for the period	11 053	16 118
Charge off	(746)	(4 042)
Write back for the period	(11 558)	(1 685)
Transfers	(1 116)	(42)
Exchange differences and other	(227)	(58)
Closing balance	**13 107**	**15 701**

NOTE 28 – DEPOSITS FROM CENTRAL BANKS

This balance includes a money market operation with the Bank of Portugal, in the amount of euro 61 100 thousand (31 December 2014: 61 100 thousand) and an accrued interest in the amount of euro 39 thousand (31 December 2014: 8 thousand) with maturity in September 2018.

NOTE 29 – DEPOSITS FROM OTHER BANKS

The balance deposits from other banks is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Domestic		
Inter-bank money market	-	161 756
Very short term funds	-	496 628
Deposits	337	88 182
Repurchase agreements	15 215	14 481
	15 552	**761 047**
Foreign		
Deposits	30	30
Loans	750 000	80 483
Repurchase agreements	805 057	460 790
Other funds	61 883	94 934
	1 616 970	**636 237**
	1 632 522	**1 397 284**

As at 31 December 2015 and 2014 the analysis of deposits from banks by maturity is presented as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Up to 3 months	807 178	1 163 349
3 to 12 months	-	77 438
1 to 5 years	770 970	86 186
More than 5 years	54 374	70 311
	1 632 522	**1 397 284**

NOTE 30 – DEPOSITS AND OTHER RESOURCES FROM CUSTOMERS

The balance Deposits and other resources from customers analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Repayable on demand		
Demand deposits	9 349	5 492
Time deposits		
Time deposits	426 845	403 194
Other funds		
Repurchase agreements	128 868	32 329
Loans	486	7 854
Other deposits	1 291	-
Other	199	43
	130 844	**40 226**
	567 038	**448 912**

As at 31 December 2015 and 2014, the analysis of deposits and other resources from customers, by maturity, is as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Repayable on demand	9 548	5 535
With agreed maturity		
Up to 3 months	228 236	112 577
3 to 12 months	218 649	163 674
1 to 5 years	110 605	167 126
	557 490	443 377
	567 038	**448 912**

NOTE 31 – DEBT SECURITIES ISSUED

The balance debt securities issued is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Euro Medium Term Notes	483 238	983 921
Cash bonds	-	-
Other bonds	64 028	88 289
Deposits certificates	-	-
	547 266	**1 072 210**

The fair value of the portfolio of Debt securities issued is presented on Note 40.

Debt securities issued includes an amount of euro 466 960 thousand (31 December 2014: euro 997 754 thousand) of liabilities recognised in the balance sheet at fair value through profit or loss (see Note 22).

During 2015, the Haitong Bank Group issued debt securities amounting to euro 115 777 thousand (31 December 2014: euro 668 688 thousand) and reimbursed euro 547 980 thousand (31 December 2014: euro 313 392 thousand). Additionally, the profit recognized arising from debt revaluation amounts to euro 89 274 thousand (see Note 7).

The analysis of debt securities issued by maturity, as at 31 December 2015 and 2014, is presented as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Up to 3 months	32 548	294 277
3 to 12 months	109 010	229 916
1 to 5 years	339 706	480 751
More than 5 years	66 002	67 266
	547 266	**1 072 210**

The main characteristics of these debt securities are presented as follows:

(thousands of euro)

Issuer	Designation		31.12.2015				Interest Rate
			Currency	Issue Date	Book Value	Maturity	
HT BANK	BESI MAR2016 FTD CRD LKD USD	a)	USD	2013	1 626	2016	v)
HT BANK	HTB FLOATING RATE DEC18 (HTB-S-892)		EUR	2015	-	2018	Euribor3m + 3.95%
HT BANK	BESI OBCX R.ACCRUAL TARN MAR2016		EUR	2006	652	2016	Taxa Fixa 6% + Range Accrual
HT_BR	LCA NOVA LCA NOVA BRINTLLA22Q3		BRL	2015	14	2016	CDI 96%
HT_BR	LCA NOVA LCA NOVA BRINTLLA22S9		BRL	2015	72	2016	CDI 100%
HT_BR	LCA NOVA LCA NOVA BRINTLLA22W1		BRL	2015	828	2016	CDI 100%
HT_BR	LCA NOVA LCA NOVA BRINTLLA22Y7		BRL	2015	52	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA22Z4		BRL	2015	57	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2307		BRL	2015	259	2016	CDI 97%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2315		BRL	2015	691	2016	CDI 100%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2356		BRL	2015	130	2016	CDI 97%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2364		BRL	2015	630	2016	CDI 100%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2398		BRL	2015	16	2016	CDI 97%
HT_BR	LCA NOVA LCA NOVA BRINTLLA23C1		BRL	2015	65	2016	CDI 95%
HT_BR	LCA NOVA LCA NOVA BRINTLLA23D9		BRL	2015	374	2016	CDI 100%
HT_BR	LCA NOVA LCA NOVA BRINTLLA23G2		BRL	2015	52	2016	CDI 100%
HT_BR	LCA NOVA LCA NOVA BRINTLLA23I8		BRL	2015	107	2016	CDI 97%
HT_BR	LCA NOVA LCA NOVA BRINTLLA23J6		BRL	2015	216	2016	CDI 100%
HT_BR	LCA NOVA LCA NOVA BRINTLLA23P3		BRL	2015	52	2016	CDI 100%
HT_BR	LCA NOVA LCA NOVA BRINTLLA23S7		BRL	2015	57	2016	CDI 96%
HT_BR	LCA NOVA LCA NOVA BRINTLLA23V1		BRL	2015	52	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA23W9		BRL	2015	52	2016	CDI 95%
HT_BR	LCA NOVA LCA NOVA BRINTLLA23Y5		BRL	2015	23	2016	CDI 100%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2448		BRL	2015	52	2016	CDI 100%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2471		BRL	2015	236	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2489		BRL	2015	413	2016	CDI 100%
HT_BR	LCA NOVA LCA NOVA BRINTLLA24A3		BRL	2015	199	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA24B1		BRL	2015	455	2016	CDI 100%
HT_BR	LCA NOVA LCA NOVA BRINTLLA24E5		BRL	2015	57	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA24F2		BRL	2015	368	2016	CDI 100%
HT_BR	LCA NOVA LCA NOVA BRINTLLA24G0		BRL	2015	382	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA24I6		BRL	2015	356	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA24J4		BRL	2015	370	2016	CDI 100%
HT_BR	LCA NOVA LCA NOVA BRINTLLA24L0		BRL	2015	52	2016	CDI 95%
HT_BR	LCA NOVA LCA NOVA BRINTLLA24M8		BRL	2015	57	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA24N6		BRL	2015	130	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA24O4		BRL	2015	385	2016	CDI 100%
HT_BR	LCA NOVA LCA NOVA BRINTLLA24P1		BRL	2015	57	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA24U1		BRL	2015	44	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA24V9		BRL	2015	52	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA24X5		BRL	2015	86	2016	CDI 100%
HT_BR	LCA NOVA LCA NOVA BRINTLLA24Y3		BRL	2015	91	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA24Z0		BRL	2015	9	2016	CDI 96%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2513		BRL	2015	308	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2521		BRL	2015	468	2016	CDI 100%
HT_BR	LCA NOVA LCA NOVA BRINTLLA25C6		BRL	2015	211	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA25D4		BRL	2015	565	2016	CDI 100%
HT_BR	LCA NOVA LCA NOVA BRINTLLA25G7		BRL	2015	30	2016	CDI 95%
HT_BR	LCA NOVA LCA NOVA BRINTLLA25H5		BRL	2015	52	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA25J1		BRL	2015	57	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA25K9		BRL	2015	108	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA25L7		BRL	2015	143	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA25M5		BRL	2015	317	2016	CDI 100%
HT_BR	LCA NOVA LCA NOVA BRINTLLA25N3		BRL	2015	90	2016	CDI 100%
HT_BR	LCA NOVA LCA NOVA BRINTLLA25O1		BRL	2015	159	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA25Q6		BRL	2015	52	2016	CDI 100%
HT_BR	LCA NOVA LCA NOVA BRINTLLA25S2		BRL	2015	3	2016	CDI 96%
HT_BR	LCA NOVA LCA NOVA BRINTLLA25W4		BRL	2015	219	2016	CDI 96%
HT_BR	LCA NOVA LCA NOVA BRINTLLA25X2		BRL	2015	486	2016	CDI 99,5%
HT_BR	LCA NOVA LCA NOVA BRINTLLA25Y0		BRL	2015	507	2016	CDI 97%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2604		BRL	2015	56	2016	CDI 95%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2612		BRL	2015	39	2016	CDI 97%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2620		BRL	2015	483	2016	CDI 99,5%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2646		BRL	2015	34	2016	CDI 99,5%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2653		BRL	2015	46	2016	CDI 95%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2661		BRL	2015	109	2016	CDI 96%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2679		BRL	2015	71	2016	CDI 95%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2695		BRL	2015	107	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA26B6		BRL	2015	14	2016	CDI 95%
HT_BR	LCA NOVA LCA NOVA BRINTLLA26E0		BRL	2015	43	2016	CDI 95%
HT_BR	LCA NOVA LCA NOVA BRINTLLA26G5		BRL	2015	41	2016	CDI 95%
HT_BR	LCA NOVA LCA NOVA BRINTLLA26K7		BRL	2015	41	2016	CDI 95%
HT_BR	LCA NOVA LCA NOVA BRINTLLA26N1		BRL	2015	20	2016	CDI 96%
HT_BR	LCA NOVA LCA NOVA BRINTLLA26P6		BRL	2015	38	2016	CDI 98%

(thousands of euro)

Issuer	Designation	31.12.2015				Interest Rate
		Currency	Issue Date	Book Value	Maturity	
HT_BR	LCA NOVA LCA NOVA BRINTLLA26T8	BRL	2015	76	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA26V4	BRL	2015	5	2016	CDI 96%
HT_BR	LCA NOVA LCA NOVA BRINTLLA26W2	BRL	2015	28	2016	CDI 96%
HT_BR	LCA NOVA LCA NOVA BRINTLLA26X0	BRL	2015	8	2016	CDI 96%
HT_BR	LCA NOVA LCA NOVA BRINTLLA26Y8	BRL	2015	56	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2703	BRL	2015	107	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2760	BRL	2015	24	2016	CDI 95%
HT_BR	LCA NOVA LCA NOVA BRINTLLA27B4	BRL	2015	23	2016	CDI 96%
HT_BR	LCA NOVA LCA NOVA BRINTLLA27C2	BRL	2015	237	2016	CDI 96%
HT_BR	LCA NOVA LCA NOVA BRINTLLA27D0	BRL	2015	715	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA27E8	BRL	2015	25	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA27F5	BRL	2015	45	2016	CDI 93,5%
HT_BR	LCA NOVA LCA NOVA BRINTLLA27G3	BRL	2015	50	2016	CDI 94,5%
HT_BR	LCA NOVA LCA NOVA BRINTLLA27H1	BRL	2015	224	2016	CDI 96%
HT_BR	LCA NOVA LCA NOVA BRINTLLA27I9	BRL	2015	670	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA27J7	BRL	2015	50	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA27K5	BRL	2015	55	2016	CDI 94,5%
HT_BR	LCA NOVA LCA NOVA BRINTLLA27L3	BRL	2015	55	2016	CDI 96,5%
HT_BR	LCA NOVA LCA NOVA BRINTLLA27M1	BRL	2015	171	2016	CDI 96%
HT_BR	LCA NOVA LCA NOVA BRINTLLA27N9	BRL	2015	242	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA27O7	BRL	2015	30	2016	CDI 92,5%
HT_BR	LCA NOVA LCA NOVA BRINTLLA27P4	BRL	2015	55	2016	CDI 93,5%
HT_BR	LCA NOVA LCA NOVA BRINTLLA27Q2	BRL	2015	59	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA27U4	BRL	2015	63	2016	CDI 93,5%
HT_BR	LCA NOVA LCA NOVA BRINTLLA27V2	BRL	2015	106	2016	CDI 96%
HT_BR	LCA NOVA LCA NOVA BRINTLLA27W0	BRL	2015	331	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA27Z3	BRL	2015	25	2016	CDI 96,5%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2802	BRL	2015	31	2016	CDI 96,5%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2810	BRL	2015	55	2016	CDI 93,5%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2828	BRL	2015	58	2016	CDI 94,5%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2836	BRL	2015	4	2016	CDI 96%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2844	BRL	2015	7	2016	CDI 90,5%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2851	BRL	2015	198	2016	CDI 92,5%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2869	BRL	2015	25	2016	CDI 96,5%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2877	BRL	2015	26	2016	CDI 94%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2885	BRL	2015	27	2016	CDI 96%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2893	BRL	2015	88	2016	CDI 92,5%
HT_BR	LCA NOVA LCA NOVA BRINTLLA28A4	BRL	2015	131	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA28B2	BRL	2015	12	2016	CDI 91,5%
HT_BR	LCA NOVA LCA NOVA BRINTLLA28C0	BRL	2015	13	2016	CDI 93%
HT_BR	LCA NOVA LCA NOVA BRINTLLA28D8	BRL	2015	25	2016	CDI 96,5%
HT_BR	LCA NOVA LCA NOVA BRINTLLA28E6	BRL	2015	25	2016	CDI 96,5%
HT_BR	LCA NOVA LCA NOVA BRINTLLA28F3	BRL	2015	25	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA28G1	BRL	2015	13	2016	CDI 94%
HT_BR	LCA NOVA LCA NOVA BRINTLLA28H9	BRL	2015	25	2016	CDI 89%
HT_BR	LCA NOVA LCA NOVA BRINTLLA28I7	BRL	2015	44	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA28J5	BRL	2015	50	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA28K3	BRL	2015	50	2016	CDI 96,5%
HT_BR	LCA NOVA LCA NOVA BRINTLLA28L1	BRL	2015	55	2016	CDI 96,5%
HT_BR	LCA NOVA LCA NOVA BRINTLLA28M9	BRL	2015	15	2016	CDI 93,5%
HT_BR	LCA NOVA LCA NOVA BRINTLLA28N7	BRL	2015	25	2016	CDI 93%
HT_BR	LCA NOVA LCA NOVA BRINTLLA28O5	BRL	2015	82	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA28Q0	BRL	2015	28	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA28S6	BRL	2015	50	2016	CDI 98%
HT_BR	LCA NOVA LCA NOVA BRINTLLA2ST0	BRL	2015	4	2016	CDI 96%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLC032C6	BRL	2015	14	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA28U2	BRL	2015	138	2016	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA28V0	BRL	2015	48	2016	CDI 98%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA28W8	BRL	2015	67	2016	CDI 91%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA28X6	BRL	2015	197	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA28Y4	BRL	2015	185	2016	CDI 91%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA28Z1	BRL	2015	231	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2901	BRL	2015	247	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2919	BRL	2015	275	2016	CDI 91%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2927	BRL	2015	52	2016	CDI 95%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2935	BRL	2015	55	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2943	BRL	2015	143	2016	CDI 95%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2950	BRL	2015	52	2016	CDI 95%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2968	BRL	2015	157	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2976	BRL	2015	30	2016	CDI 94%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2984	BRL	2015	12	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2992	BRL	2015	50	2016	CDI 95%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA29A2	BRL	2015	264	2016	CDI 96%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA29B0	BRL	2015	341	2016	CDI 96%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA29C8	BRL	2015	37	2016	CDI 95%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA29D6	BRL	2015	98	2016	CDI 93%

(thousands of euro)

Issuer	Designation	31.12.2015 Currency	Issue Date	Book Value	Maturity	Interest Rate
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA29E4	BRL	2015	112	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA29F1	BRL	2015	531	2016	CDI 96%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA29H7	BRL	2015	12	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA29I5	BRL	2015	55	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA29J3	BRL	2015	25	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA29K1	BRL	2015	47	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA29L9	BRL	2015	95	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA29M7	BRL	2015	11	2016	CDI 94%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA29N5	BRL	2015	124	2016	CDI 95%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA29O3	BRL	2015	12	2016	CDI 91%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA29P0	BRL	2015	24	2016	CDI 92%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA29Q8	BRL	2015	33	2016	CDI 92%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA29R6	BRL	2015	15	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA29S4	BRL	2015	27	2016	CDI 89%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA29T2	BRL	2015	50	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA29U0	BRL	2015	135	2016	CDI 92%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA29V8	BRL	2015	186	2016	CDI 92%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA29W6	BRL	2015	197	2016	CDI 95%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA29X4	BRL	2015	24	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA29Y2	BRL	2015	24	2016	CDI 91%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA29Z9	BRL	2015	36	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2A00	BRL	2015	44	2016	CDI 89%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2A18	BRL	2015	47	2016	CDI 92%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2A26	BRL	2015	102	2016	CDI 92%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2A34	BRL	2015	133	2016	CDI 95%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2A42	BRL	2015	156	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2A59	BRL	2015	299	2016	CDI 92%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2A67	BRL	2015	9	2016	CDI 91%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2A75	BRL	2015	25	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2A83	BRL	2015	43	2016	CDI 89%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2A91	BRL	2015	47	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2AA8	BRL	2015	101	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2AB6	BRL	2015	164	2016	CDI 95%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2AC4	BRL	2015	248	2016	CDI 92%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2AD2	BRL	2015	12	2016	CDI 94%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2AE0	BRL	2015	24	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2AF7	BRL	2015	32	2016	CDI 89%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2AG5	BRL	2015	47	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2AH3	BRL	2015	56	2016	CDI 92%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2AI1	BRL	2015	235	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2AJ9	BRL	2015	259	2016	CDI 92%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2AK7	BRL	2015	203	2016	CDI 95%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2AL5	BRL	2015	12	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2AM3	BRL	2015	25	2016	CDI 91%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2AN1	BRL	2015	35	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2AO9	BRL	2015	48	2016	CDI 89%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2AP6	BRL	2015	51	2016	CDI 94%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2AQ4	BRL	2015	83	2016	CDI 94%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2AR2	BRL	2015	115	2016	CDI 93,5%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2AS0	BRL	2015	169	2016	CDI 92%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2AT8	BRL	2015	178	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2AU6	BRL	2015	143	2016	CDI 95%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2AV4	BRL	2015	19	2016	CDI 91%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2AW2	BRL	2015	19	2016	CDI 94%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2AX0	BRL	2015	21	2016	CDI 92%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2AY8	BRL	2015	24	2016	CDI 92%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2AZ5	BRL	2015	26	2016	CDI 92%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2B09	BRL	2015	40	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2B17	BRL	2015	50	2016	CDI 89%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2B25	BRL	2015	67	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2B33	BRL	2015	275	2016	CDI 92%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2B41	BRL	2015	522	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2B58	BRL	2015	178	2016	CDI 95%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2B66	BRL	2015	50	2016	CDI 94%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2B74	BRL	2015	56	2016	CDI 89%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2B82	BRL	2015	70	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2B90	BRL	2015	83	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2BA6	BRL	2015	143	2016	CDI 92%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2BB4	BRL	2015	180	2016	CDI 95%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2BC2	BRL	2015	260	2016	CDI 94%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2BD0	BRL	2015	7	2016	CDI 89%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2BE8	BRL	2015	16	2016	CDI 95%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2BF5	BRL	2015	30	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2BG3	BRL	2015	33	2016	CDI 92%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2BH1	BRL	2015	38	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2BI9	BRL	2015	47	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2BJ7	BRL	2015	86	2016	CDI 94%

(thousands of euro)

Issuer	Designation		Currency	Issue Date	Book Value	Maturity	Interest Rate
			31.12.2015				
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2BK5		BRL	2015	97	2016	CDI 94%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2BL3		BRL	2015	127	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2BM1		BRL	2015	17	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2BN9		BRL	2015	19	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2BO7		BRL	2015	47	2016	CDI 94%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2BP4		BRL	2015	59	2016	CDI 94%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2BQ2		BRL	2015	71	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2BR0		BRL	2015	119	2016	CDI 94%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2BS8		BRL	2015	19	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2BT6		BRL	2015	24	2016	CDI 94%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2BU4		BRL	2015	47	2016	CDI 94%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2BV2		BRL	2015	52	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2BW0		BRL	2015	66	2016	CDI 94%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2BX8		BRL	2015	7	2016	CDI 94%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2BY6		BRL	2015	33	2016	CDI 94%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2BZ3		BRL	2015	73	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2C08		BRL	2015	7	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2C16		BRL	2015	8	2016	CDI 93,05%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2C24		BRL	2015	62	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2C32		BRL	2015	66	2016	CDI 94,05%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2C40		BRL	2015	7	2016	CDI 94%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2C57		BRL	2015	13	2016	CDI 94%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2C73		BRL	2015	15	2016	CDI 93%
HT_BR	LCA RES 4410 LCA NOVA RES 4410 BRINTLLA2C81		BRL	2015	19	2016	CDI 94%
HT_BR	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI195		BRL	2013	61	2017	CDI 118%
HT_BR	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI1A6		BRL	2014	272	2018	CDI 118%
HT_BR	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI1B4		BRL	2014	475	2018	IPCA 100%
HT_BR	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI1C2		BRL	2014	75	2018	CDI 118%
HT_BR	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI1D0		BRL	2014	120	2018	CDI 118%
HT_BR	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI1E8		BRL	2014	208	2017	CDI 117%
HT_BR	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI1F5		BRL	2014	59	2016	CDI 115%
HT_BR	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI1G3		BRL	2014	294	2017	CDI 117,5%
HT_BR	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI1H1		BRL	2014	28 580	2016	CDI 118%
HT_BR	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI1I9		BRL	2014	145	2017	CDI 117%
HT_BR	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI1J7		BRL	2014	433	2016	CDI 115%
HT_BR	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI1L3		BRL	2015	95	2018	CDI 111,5%
HT_BR	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI1M1		BRL	2015	219	2017	CDI 114%
HT_BR	LF LETRA FINANCEIRA BES INVESTIMENTO BRINTLLFI1N9		BRL	2015	2 389	2017	CDI 100%
HT_BR	LF LETRA FINANCEIRA IPCA LF IPCA BRINTLLFI138		BRL	2013	1 631	2018	IPCA 100%
HTI PLC	ESIP 2Y AUTOCALL SAN EQL MAY2016	a)	EUR	2014	1 100	2016	w)
HTI PLC	ESIP 2Y DIGITAL IBEX EQL MAR16	a)	EUR	2014	1 466	2016	Indexada ao Ibex
HTI PLC	ESIP 3Y AC ACOES PORTUG DEC16	a)	EUR	2013	4 509	2016	s)
HTI PLC	ESIP 3Y AC EWW DEC16	a)	EUR	2013	544	2016	aa)
HTI PLC	ESIP 3Y AC WO BANKS JAN2017	a)	EUR	2014	1 080	2017	aj)
HTI PLC	ESIP 3Y AC WO G&D NOV16	a)	EUR	2013	817	2016	ab)
HTI PLC	ESIP 3Y AC WO GLAXO DAIMLE DEC16	a)	EUR	2013	1 070	2016	ab)
HTI PLC	ESIP 3Y AC WO JMT GALP DEC16	a)	EUR	2013	2 692	2016	ac)
HTI PLC	ESIP 3Y AC WO SANT. TELEF. JAN17	a)	EUR	2014	871	2017	ad)
HTI PLC	ESIP 3Y AUTOC REP+GALP MAY2017	a)	EUR	2014	685	2017	aq)
HTI PLC	ESIP 3Y AUTOCALL FEB2017 EQL	a)	EUR	2014	1 998	2017	ak)
HTI PLC	ESIP 3Y BULLISH BRAZ REAL JUN16	a)	EUR	2013	1 719	2016	EUR/BRL Linked
HTI PLC	ESIP 3Y BULLISH REINO UNID JUN16	a)	EUR	2013	566	2016	UKX Linked
HTI PLC	ESIP 3Y CLN ALTICE JUN2018	a)	EUR	2015	2 340	2018	4% + ALTICE CLN
HTI PLC	ESIP 3Y CLN BRISA SEP16	a)	EUR	2013	1 773	2016	6% + Brisa CLN.
HTI PLC	ESIP 3Y CLN PT SEP16	a)	EUR	2013	5 909	2016	5% + PT CLN
HTI PLC	ESIP 3Y IBEX PSI20 LINKED APR17	a)	EUR	2014	1 315	2017	t)
HTI PLC	ESIP 3Y INDEX LINKED MAR17	a)	EUR	2014	295	2017	Cabaz de Indices Eurostoxx, SP500 e Nikkei
HTI PLC	ESIP 3Y RENDIMENTO UK EQL JUL16	a)	EUR	2013	1 388	2016	x)
HTI PLC	ESIP 3Y SD3E LINKED MAR17 4	a)	EUR	2014	2 208	2017	Indexada a SD3E
HTI PLC	ESIP 3Y SX5E JUN2018	a)	EUR	2015	922	2018	SX5E Linked
HTI PLC	ESIP 3Y VALORIZACAO BC EUR NOV16	a)	EUR	2013	478	2016	ae)
HTI PLC	ESIP 3Y VALORIZACAO EUROPA OCT16	a)	EUR	2013	390	2016	Indexado ao indice SX5E
HTI PLC	ESIP 3Y WIN MAR2016	a)	EUR	2013	1 256	2016	u)
HTI PLC	ESIP 3Y WIN MAY16	a)	EUR	2013	1 657	2016	Cabaz de Indices Eurostoxx, SP500 e Nikkei
HTI PLC	ESIP 4Y AUTOCALL FEB2017 EQL	a)	EUR	2013	8 828	2017	s)
HTI PLC	ESIP 4Y BULLISH EUROSTOX NOV2017	a)	EUR	2013	1 738	2017	Indexado ao indice SX5E
HTI PLC	ESIP 4Y LEVERAGE EURIBOR AUG2017	a)	EUR	2013	2 581	2017	y)
HTI PLC	ESIP 4Y SAN & TEF MAY2018	a)	EUR	2014	4 090	2018	ad)
HTI PLC	ESIP 5Y AIR FRANCE CLN MAR2019	a)	EUR	2014	1 118	2019	6.25% + Air France CLN
HTI PLC	ESIP 5Y CLN ALTICE JUN20	a)	EUR	2015	8 816	2020	5.35% + ALTICE CLN
HTI PLC	ESIP 5Y CLN ARC MIT JUN20	a)	EUR	2015	12 134	2020	4.4% + ARCELORMITTAL CLN
HTI PLC	ESIP 5Y CLN ARCELORMITT 4 JUN20	a)	EUR	2015	6 436	2020	4.4% + ARCELORMITTAL CLN
HTI PLC	ESIP 5Y CLN BASKET EUR JUN19 11	a)	EUR	2014	4 551	2019	5.9% + ar)
HTI PLC	ESIP 5Y CLN BASKET EUR JUN19 12	a)	EUR	2014	938	2019	6.5% + au)
HTI PLC	ESIP 5Y CLN BASKET EUR JUN19 13	a)	EUR	2014	2 446	2019	6% + av)
HTI PLC	ESIP 5Y CLN BASKET EUR JUN19 14	a)	EUR	2014	2 884	2019	5.15% + aw)

(thousands of euro)

Issuer	Designation		31.12.2015 Currency	Issue Date	Book Value	Maturity	Interest Rate
HTI PLC	ESIP 5Y CLN BASKET JUN19 16	a)	EUR	2014	1 544	2019	5% + be)
HTI PLC	ESIP 5Y CLN BASKET JUN2019 2	a)	EUR	2014	2 561	2019	6.5% + ax)
HTI PLC	ESIP 5Y CLN BASKET JUN2019 3	a)	EUR	2014	561	2019	6.5% + ax)
HTI PLC	ESIP 5Y CLN BASKET JUN2019 4	a)	EUR	2014	3 497	2019	6% + ay)
HTI PLC	ESIP 5Y CLN BASKET JUN2020 5	a)	EUR	2014	2 006	2020	6.75% + az)
HTI PLC	ESIP 5Y CLN BRISA MAR2019	a)	EUR	2014	10 099	2019	5.65% + Brisa CLN
HTI PLC	ESIP 5Y CLN FTD MAR2019 EUR	a)	EUR	2014	4 032	2019	5.15% + k)
HTI PLC	ESIP 5Y CLN GALP JUN20	a)	EUR	2015	2 877	2020	4.15% + GALP CLN
HTI PLC	ESIP 5Y CLN PETROBRAS JUN2019 7	a)	EUR	2014	5 550	2019	4.75% + Petrobras CLN
HTI PLC	ESIP 5Y CLN PETROBRAS USD JUN19	a)	USD	2014	716	2019	5.15% + Petrobras CLN
HTI PLC	ESIP 5Y CLN PEUGEOT JUN19 15	a)	EUR	2014	2 101	2019	4.15% + Peugeot CLN
HTI PLC	ESIP 5Y CLN PT INT FIN MAR2019	a)	EUR	2014	10 068	2019	4.90% + PT CLN
HTI PLC	ESIP 5Y CLN PT INT MAR2019	a)	EUR	2014	2 095	2019	5% + PT CLN
HTI PLC	ESIP 5Y CLN PT INT MAR2019 USD	a)	USD	2014	1 974	2019	5.50% + PT CLN
HTI PLC	ESIP 5Y CLN PT JUN2019	a)	EUR	2014	4 999	2019	al)
HTI PLC	ESIP 5Y CLN PT JUN2019 6	a)	EUR	2014	1 417	2019	4.6% + PT CLN
HTI PLC	ESIP 5Y CLN PT JUN2019 8	a)	EUR	2014	283	2019	4.6% + PT CLN
HTI PLC	ESIP 5Y CLN PT.AF.MT MAR2019	a)	EUR	2014	5 503	2019	6% + am)
HTI PLC	ESIP 5Y CLN THYSSEN EUR JUN19 10	a)	EUR	2014	5 399	2019	4.35% + ThyssenKrupp AG CLN
HTI PLC	ESIP 5Y EDP, PT, BRISA DEC18	a)	EUR	2014	4 020	2018	6.5% + k)
HTI PLC	ESIP 5Y FTD EDP, PT, BRISA DEC18	a)	EUR	2013	1 130	2018	6.5% + af)
HTI PLC	ESIP 5Y FTD EUROPE MAR2019	a)	EUR	2014	10 122	2019	6% + an)
HTI PLC	ESIP 5Y FTD PT AM PG MAR2019	a)	EUR	2014	6 000	2019	6.1% + ao)
HTI PLC	ESIP 5Y USD CLN BASKET JUN2019	a)	USD	2014	976	2019	7.25% + ba)
HTI PLC	ESIP 6Y CLN AIR.MIT.THY.PG JUN20	a)	EUR	2014	1 345	2020	5.5% + ba)
HTI PLC	ESIP 6Y CLN BASKET 0 REC MAR20	a)	EUR	2014	1 006	2020	5.5% + an)
HTI PLC	ESIP 7Y SAN GDF LINKED APR21 2	a)	EUR	2014	427	2021	5.5% + ar)
HTI PLC	ESIP 7Y SAN GDF SANOFI LKD APR21	a)	EUR	2014	522	2021	bb)
HTI PLC	ESIP AGO05 SEP35 CALLABLE INV FL		EUR	2005	10 179	2035	Euribor 12 months + d)
HTI PLC	ESIP APR2019 PT EDP GALP LINKED	a)	EUR	2014	4 581	2019	at)
HTI PLC	ESIP APR2019 PT EDP GALP LINKED6	a)	EUR	2014	4 520	2019	at)
HTI PLC	ESIP APR2019 PT EDP GALP LINKED7	a)	EUR	2014	3 969	2019	at)
HTI PLC	ESIP APR2019 RECOV BASKET LINKED	a)	EUR	2012	68	2019	o)
HTI PLC	ESIP APR2020 BES PROTECCAO LKD	a)	EUR	2012	631	2020	Inflation Linked
HTI PLC	ESIP AUTOCALL JAN20 EQL	a)	EUR	2013	274	2020	r)
HTI PLC	ESIP BARCLAYS LKD 6.30% MAR2016	a)	EUR	2008	2 162	2016	Taxa Fixa 6,30% + c)
HTI PLC	ESIP BARCLAYS LKD EUR3M MAR2016	a)	EUR	2008	1 211	2016	Euribor 3M + 2,20% + c)
HTI PLC	ESIP BARCLAYS LKD ZC MAR2016	a)	EUR	2008	1 926	2016	ZC + c)
HTI PLC	ESIP BASKET CLN JUL2020	a)	EUR	2015	7 124	2020	3% e bg)
HTI PLC	ESIP BASKET CLN SEP2020	a)	EUR	2014	651	2020	5.6% + bf)
HTI PLC	ESIP BASKET CLN SEP2020 EUR III	a)	EUR	2015	811	2020	5.25% + bh)
HTI PLC	ESIP BASKET CLN SEP2020 EUR IV	a)	EUR	2015	3 297	2020	3% and 4.65% bi)
HTI PLC	ESIP BASKET CLN SEP2020 USD II	a)	USD	2015	769	2020	5.6% + bj)
HTI PLC	ESIP BASKET OCT2019 EQL2	a)	EUR	2012	882	2019	REP e BSCH Linked
HTI PLC	ESIP BASKET+NOTES APR2016	a)	EUR	2013	1 427	2016	Cabaz de Acções: Coca-Cola, France Telecom, Vivendi and YUM Brands Inc
HTI PLC	ESIP BRAZIL EQL MAY2016	a)	EUR	2010	3 046	2016	j)
HTI PLC	ESIP BRAZIL NOTES LKD JUN2016	a)	EUR	2011	1 281	2016	EUR/BRL Linked
HTI PLC	ESIP BRAZILIAN NOTES IV OCT2017	a)	EUR	2012	257	2017	EUR/BRL Linked
HTI PLC	ESIP BULLISH EUROSTOXX APR2016	a)	EUR	2013	586	2016	Eurostoxx Linked
HTI PLC	ESIP BULLISH EWZ APR2016	a)	EUR	2013	791	2016	EWZ Linked
HTI PLC	ESIP BULLISH HSCEI APR2016	a)	EUR	2013	372	2016	HSCEI Linked
HTI PLC	ESIP BULLISH IBERIA MAR2016	a)	EUR	2013	2 535	2016	t)
HTI PLC	ESIP BULLISH PAISES PERIF APR16	a)	EUR	2013	206	2016	Cabaz de Indices PSI20, MIB and IBEX30
HTI PLC	ESIP CALL RANGE ACCRUAL NOV2017		EUR	2005	2 089	2017	Range accrual
HTI PLC	ESIP CLN BRITISH AIR DEC18	a)	EUR	2013	1 748	2018	5.35% + British Airways CLN
HTI PLC	ESIP CLN BRITISH AIRWAYS DEC18	a)	EUR	2013	9 398	2018	6% + British Airways CLN
HTI PLC	ESIP CLN COMPORTA OCT2020	a)	EUR	2013	-	2020	ag)
HTI PLC	ESIP CLN GALP MAR2018	a)	EUR	2013	5 226	2018	EUR GALP CLN Linked
HTI PLC	ESIP CLN PEUGEOT SA DEC16	a)	EUR	2013	2 026	2016	4.35% + PEUGEOT CLN
HTI PLC	ESIP CLN PT INT FIN 3.5Y DEC16	a)	EUR	2013	7 313	2016	Credit Linked Note Portugal Telecom
HTI PLC	ESIP CLN PT INT FIN DEC18	a)	EUR	2013	938	2018	5% + PT CLN
HTI PLC	ESIP CLN PTI FIN SEP2018	a)	EUR	2013	8 151	2018	7.45% + CLN PT
HTI PLC	ESIP CLN TELECOM ITALIA JUNE16	a)	EUR	2013	5 388	2016	Credit Linked Note Telecom Italia
HTI PLC	ESIP CLN TELECOM ITALIA SEP2018	a)	EUR	2013	17 526	2018	5.90% + Telecom Italia CLN
HTI PLC	ESIP CLN TELECOM ITALIA SP DEC16	a)	EUR	2013	1 641	2016	4% + Telecom Italia CLN
HTI PLC	ESIP CLN THYSSENKRUPP DEC18	a)	EUR	2013	6 006	2018	5.5% + Thyssenkrupp CLN
HTI PLC	ESIP CLN THYSSENKRUPP SEP2018	a)	EUR	2013	13 166	2018	5.50% + THYSSENKRUPP CLN
HTI PLC	ESIP DEC2016 AUTOCALL BRASIL	a)	EUR	2012	5 793	2016	p)
HTI PLC	ESIP DEC2017 EDP PT TEL.ITAL LK	a)	EUR	2012	1 008	2017	q)
HTI PLC	ESIP DEC2017 RENAULT PT LINKED	a)	EUR	2012	2 341	2017	8,65% + RENAULT PT CLN
HTI PLC	ESIP DUAL EQL AUG2017	a)	EUR	2015	1 862	2017	6% and bk)
HTI PLC	ESIP DUAL SONAE EQL JAN2017	a)	EUR	2014	209	2017	Linked to Sonae shares
HTI PLC	ESIP EMPRES CHINESAS FEB2017 EQL	a)	EUR	2012	944	2017	n)
HTI PLC	ESIP EUR 5Y EDP, PT, THYSS DEC18	a)	EUR	2013	591	2018	7.15% + ah)
HTI PLC	ESIP EUR 5Y EDP, PT, TI DEC18	a)	EUR	2013	1 379	2018	7.15% + ah)
HTI PLC	ESIP EUR 5Y EDP, PT, TITA DEC18	a)	EUR	2013	1 811	2018	6.85% + g)

(thousands of euro)

Issuer	Designation		Currency	Issue Date	Book Value	Maturity	Interest Rate
				31.12.2015			
HTI PLC	ESIP EUR 6Y CLN BKT 0 REC DEC19	a)	EUR	2013	886	2019	7.15% + ai)
HTI PLC	ESIP EUR 6Y CLN BKT 0 RECO DEC19	a)	EUR	2014	870	2019	6.1% + ap)
HTI PLC	ESIP EUR 6Y CLN EDP DEC19	a)	EUR	2013	1 105	2019	6.25% + EDP CLN
HTI PLC	ESIP EUR BRL SEP2017	a)	EUR	2012	540	2017	EUR/BRL Linked
HTI PLC	ESIP EUR PRICING POWER 5Y JUL16	a)	EUR	2011	1 125	2016	i)
HTI PLC	ESIP EUR12M+16 BP APR2016		EUR	2006	4 009	2016	Euribor 12M
HTI PLC	ESIP FEB16 5A EXPOSIC AFRICA LKD	a)	EUR	2011	571	2016	b)
HTI PLC	ESIP FEB16 BULLISH ES AFRICA LKD	a)	EUR	2013	1 279	2018	Espirito Santo Africa Linked
HTI PLC	ESIP FEB16 EMP NORDICAS EQL	a)	EUR	2012	1 662	2016	h)
HTI PLC	ESIP FIXED AMOUNT + AMORT NOV22	a)	EUR	2009	909	2022	Fixed Amounts
HTI PLC	ESIP FTD BRISA, EDP, PT CL SEP16	a)	EUR	2013	1 211	2016	BRISA, EDP, PT CLN
HTI PLC	ESIP FTD TI, ENEL, PT CLN SEP16	a)	EUR	2013	1 105	2016	TELECOM ITALIA, ENEL, PT CLN
HTI PLC	ESIP JAN2017 INDEX BASKET LKD	a)	EUR	2007	9 633	2017	e)
HTI PLC	ESIP JUL2018 FIX TO FLOAT	a)	EUR	2015	4 177	2018	2.5% and Euribor6m + 1%
HTI PLC	ESIP LACAIXA EUR3M+2% MAR2016	a)	EUR	2009	2 886	2016	Euribor 3M+2% + c)
HTI PLC	ESIP MAY19 BASKET LKD	a)	EUR	2014	4 671	2019	bc)
HTI PLC	ESIP MAY19 BASKET LKD 4	a)	EUR	2014	1 887	2019	bc)
HTI PLC	ESIP MAY19 BASKET LKD 5	a)	EUR	2014	2 849	2019	bc)
HTI PLC	ESIP MAY19 PSI IBEX FTSEMIB LKD	a)	EUR	2014	5 013	2019	bd)
HTI PLC	ESIP MAY2019 PT EDP GALP LINKED	a)	EUR	2014	4 222	2019	as)
HTI PLC	ESIP PORTUGUESE REP CLN DEC2021	a)	EUR	2011	34 471	2021	6% + Republica Portuguesa CLN
HTI PLC	ESIP PT EDP GALP LINKED APR17	a)	EUR	2014	2 098	2017	as)
HTI PLC	ESIP PT EDP GALP LINKED APR17 5	a)	USD	2014	862	2017	as)
HTI PLC	ESIP PT INT. FINANCE DEC16	a)	EUR	2013	1 763	2016	PT CLN
HTI PLC	ESIP SPANISH NOTES NOV 2016	a)	EUR	2011	-	2016	l)
HTI PLC	ESIP SX5E BOOSTER JAN2016	a)	EUR	2013	956	2016	SX5E Linked
HTI PLC	ESIP SX5E BULLISH JAN2016	a)	EUR	2013	1 562	2016	SX5E Linked
HTI PLC	ESIP TURKISH LIRA FXL MAR2018	a)	EUR	2013	1 430	2018	EUR/TRY Linked
HTI PLC	ESIP USD 5Y EDP, PT, TIT DEC18	a)	USD	2013	2 941	2018	7% + Telecom Italia, PT, EDP CLN
HTI PLC	ESIP USD CLN GALP MAR2018	a)	USD	2013	8 489	2018	USD GALP CLN Linked
HTI PLC	ESIP USD CLN PT JUN2018	a)	USD	2013	1 068	2018	7.35% + CLN PT
HTI PLC	ESIP USD TARN USDTRY JUL2018	a)	USD	2013	342	2018	z)
HTI PLC	ESIP UTILIT FINANCIALS SHS DEC18	a)	EUR	2011	2 771	2018	f)
HTI PLC	ESIP UTILITIES SHS DEC2018	a)	EUR	2011	508	2018	m)
HTI PLC	HIIP BASKET CLN SEP2020 EUR	a)	EUR	2015	6 996	2020	5.8% + bl)
HTI PLC	HIIP CLN BASKET DEC2020 (MTN-S-885)	a)	EUR	2015	4 059	2020	5% + bm)
HTI PLC	HIIP CLN BASKET DEC2020 (MTN-S-886)	a)	EUR	2015	3 855	2020	5% + bn)
HTI PLC	HIIP CLN BASKET DEC2020 (MTN-S-888)	a)	EUR	2015	5 255	2020	4.5% + bn)
HTI PLC	HIIP CLN BASKET DEC2020 (MTN-S-890)	a)	EUR	2015	4 917	2020	4.5% + bo)
HTI PLC	HIIP CLN FIAT DEC2020 (MTN-S-884)	a)	EUR	2015	1 408	2020	4.55% + Fiat CLN
HTI PLC	HIIP DUAL CLN BASKET SEP2020 EUR III	a)	EUR	2015	3 850	2020	3% e 5.4% bi)
HTI PLC	HIIP ENERGY METALS DEC18 (MTN-S-889)	a)	EUR	2015	974	2018	bp)
HTI PLC	HIIP EQL BASKET NOV2017 (MTN-S-887)	a)	EUR	2015	1 879	2017	4% e bq)
					547 266		

a) Liabilities at fair value through profit and loss or with embedded derivatives.
b) Indexed to a basket composed by MSCI Daily TR Net Emerging Markets Egypt USD and FTSE/JSE Africa TOP40
c) Indexed to a risk basket
d) Indexed to a reverse floater
e) Indexed to a basket composed by Dow Jones Eurostoxx 50, S&P 500 and Nikkei 225
f) Indexed to a basket composed by Telefonica, Santander, Deutsche Bank and Deutsche Telecom
g) Indexed to a basket composed by Daimler, DB, E.ON
h) Indexed to a basket composed by Telenor, Aker Solutions, Tele2 and Volvo.
i) Indexed to a basket composed by Oracle, SAP, Caterpillar, Komatsu, BHP Billiton, Mitsubishi
j) Indexed to a basket composed by Petrobras, Gerdau, Vale, Itau Unibanco and Banco Bradesco
k) Indexed to credit of PT, EDP and Brisa
l) Indexed to a basket composed by Telefonica, Banco Santander, BBVA and Banco Popular.

m) Indexed to a basket composed by Telefonica, Iberdrola, ENI spa and Deutsche Telecom.
n) Indexed to a basket composed by China Life Insurance Co, Petrochina Co e China Mobile LTD
o) Indexed to a basket composed by Telefonica, BNP Paribas, Vodafone Group PLC and E.ON
p) Indexed to a basket composed by Petroleo Brasileiro, Companhia Vale Rio Doce, Itau Unibanco and BRF Brasil Foods SA
q) Indexed to credit of Portugal Telecom, EDP and Telecom Italia
r) Indexed to a basket composed by Repsol, BSCH, Nestle.
s) Indexed to a basket composed by EDP, Portugal Telecom and GALP.
t) Indexed to a basket composed by PSI20 and IBEX.
u) Indexed to a basket composed by Ishares MSCI Brazil Index Fund, Russian Depositary Index USD, S&P ASX 200.
v) Indexed to a credit of FTD: Arcelor Mittal, Telefonica E Intesa SPA.
w) Indxed to a share of Santander.
x) Indexed to UKX index.
y) Indexed to Euribor 3 months.
z) 8.5% + USD/TRY FX Linked
aa) Indexed to EWW index.
ab) Indexed to a basket composed by GlaxoSmithKline PLC and Daimler.
ac) Indexed to a basket composed by Jeronimo Martins and GALP.
ad) Indexed to a basket composed by Santander and Telefonica.
ae) Indexed to a basket composed by HSBC Holdings PLC, Santander, BNP, BBVA and UBS.
af) Indexed to credit (First to default) over PT, EDP and Brisa.
ag) 7% + Indexed to bonds of Comporta
ah) Indexed to credit of EDP, PT and Thyssen.
ai) Indexed to credit of Telecom Italia, PT, Peugeot, EDP and ThyssenKrupp.
aj) Indexed to a basket composed by Barclays, BBVA and UBS.
ak) Indexed to a basket composed by Amadarko Petroleum Corp, Halliburion Co and Ebay Inc.
al) Fix to Float 4.50% to Euribor3m+3.30% PT CLN
am) Indexed to credit of PT, Air France, Arcelor Mittal.
an) Indexed to credit of EDP, Telefonica, ThyssenKrupp, British Airw ays and Peugeot.
ao) Indexed to credit PT, Arcelor Mittal and Peugeot.
ap) Indexed to credit EDP, PT, Telecom Italia, Fiat Spa and British Airw ays.
aq) Indexed to a basket composed by REPSOL and GALP
ar) Indexed to creditThyssenKruppAG, Peugeot, Arcelor and AirFrance
as) Indexed to a basket of EDP and GALP
at) Indexed to a basket composed by PT, EDP, GALP
au) Indexed to credit of WindAcquisition, Peugeot, PetroleoBrasileiro and Arcelor
av) Indexed to credit of Peugeot, Arcelor, Brisa and PetroleoBrasileiro
aw) Indexed to credit of AirFrance, ThyssenKruppAG, Fiat and PT
ax) Indexed to credit of PetroleoBrasileiro, PT, Peugeot and Arcelor
ay) Indexed to credit of AirFrance, Brisa, TelecomItalia and Arcelor
az) Indexed to credit of AirFrance, Brisa, Arcelor, TelecomItalia and ThyssenKruppAG
ba) Indexed to credit of PT, Arcelor, Peugeot and ThyssenKruppAG
bb) Indexed to a basket composed by Santander, GDF Suez and Sanofi
bc) Indexed to a basket composed by ProcterGamble, Vodafone, McDonald's, Pfizer
bd) Indexed to a basket composed by IBEX, PSI20 and FTSEMIB
be) Indexed to credit of Melia Hotels International, Peugeot and ArcelorMittal
bf) Indexed to credit of Petrobras, Arcelor Mittal, ThyssenKrupp, Renault and Peugeot
bg) 5.25% Indexed to credit of Bombardier, Peugeot, Galp, ArcelorMittal
bh) Indexed to credit of ArcelorMittal, Stena, Galp, Peugeot
bi) Indexed to credit of Stena, Peugeot, Galp, ArcelorMittal
bj) Indexed to credit of ArcelorMittal, Open Joint Stock Company, New mont Mining Corporation, Royal Caribbean Cruises
bk) Indexed to a basket composed by Roche HLD, BMW, Cie Financiere Richemont, Nike
bl) Indexed to credit of Stena, Jaguar Land Rover, Rallye, ArcelorMittal
bm) Indexed to credit of Fiat Chrysler, Jaguar Land Rover, Peugeot, ThyssenKrupp
bn) Indexed to credit of Dell, Tesco, Virgin Media Finance, Galp
bo) Indexed to credit of Dell, Tesco, Virgin Media Finance, ThyssenKrupp
bp) Indexed to a basket composed by S&P GSCI Industrial Metals, S&P GSCI Energy
bq) Indexed to a basket composed by EuroStoxx50, Standard and Poors 500, Nikkei225

NOTE 32 – PROVISIONS

As at 31 December 2015 and 2014, the balance Provisions presents the following movements:

(thousands of euro)

	Provisions for other risks and charges	General banking risk provisions	TOTAL
Balance as at 31 December 2013	**37 371**	**-**	**37 371**
Charge of the period	16 373	1 168	17 541
Charge off	(315)	-	(315)
Reversals	(8)	(689)	(697)
Transfers	-	2 491	2 491
Exchange differences and other	(9 928)	(38)	(9 966)
Balance as at 31 December 2014	**43 493**	**2 932**	**46 425**
Charge of the period	2 084	2 707	4 791
Charge off	(3 546)	-	(3 546)
Reversals	(27 934)	(494)	(28 428)
Transfers	-	-	-
Exchange differences and other	(10 188)	(511)	(10 699)
Balance as at 31 December 2015	**3 909**	**4 634**	**8 543**

These provisions are intended to cover certain contingencies related to the Group activities, including contingencies related to ongoing tax processes.

During the year of 2015, the Bank reverted provisions in an amount of euro 19.708 thousand related with tax contingencies. This amount relates essentially from the subsidiary in Brasil.

NOTE 33 – TAXES

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

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

The current tax of the period 2015 was calculated based on a nominal corporate income tax rate ("IRC") and Municipal surcharge of 22.5%, in accordance with Law no. 82-B/2014, of 31 December, and Law no. 2/2007, of 15 January, plus an additional fee of 2.5%, referring to an average rate which results from the application of the State surcharge tiers, in accordance with Law no. 2/2014, of 10 January. The 2014 current tax calculation for the Group's entities covered by the Portuguese tax legislation, used an IRC and Municipal Surcharge ("Derrama Municipal") rate of 24.5%, according to Law no. 2/2014, of 16 January and Law no. 2/2007, of 15 January, plus an additional fee of 2.5%, referring to an average rate calculated applying the tiers of State Surcharge.

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. Therefore, for the periods 2015 and 2014, deferred tax was calculated using a 27.7%, which corresponds

to the estimated rate of deferred tax assets recovery, considering the decline of income tax rate to 21%, according to State Budget Law for 2015, approved by Law no. 82-B/2014, of 31 December.

For the purposes of calculating the current tax for the periods ended 31 December 2015 and 2014, the Decree-Law no. 127/2012, of 31 December, which regulates the transfer to the Social Security system of responsibility for the expenses incurred with retirement and survival pensions of retired employees and pensioners, was taken into account. This Decree-Law, together with Article no. 183 of Law no.64-B/2011, of 30 December (2012 State Budget Law), established a special regime for tax deduction of expenses and other equity changes resulting from that transfer:

- The impact from the negative equity change associated to the change in the accounting policy relating to the recognition of previously deferred actuarial gains and losses will be fully deductible, in equal parts, for 10 years from the period beginning 1 January 2012.
- The impact resulting from liquidation (determined by the difference between liabilities as measured in accordance with the criteria of IAS 19 and the criteria defined in the agreement) will be fully deductible for the purposes of determining taxable income, in equal parts, based on the average number of years of life expectancy for pensioners whose liabilities have been transferred (17 years), from the period beginning 1 January 2012.

Deferred tax assets resulting from the transfer of liabilities and from the change in the accounting policy relating to the recognition of non-recoverable actuarial gains/losses are recoverable within 10 and 17 years.

The Portuguese Tax Authorities are entitled to review the annual tax return of the Group and its subsidiaries domiciled in Portugal, referring to 2015 period and predecessors, for a period of four years, or six years in case of tax losses. Hence, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, the Bank's Board of Directors is confident that there will be no material differences arising from tax assessments within the context of the consolidated financial statements.

Special regime applicable to Deferred Tax Assets

In 2014, Haiong Bank adopted the special regime applicable to deferred tax assets related with impairment losses in credit and post-employment benefits or long--term employments benefits, established in law nº 61/2014, of 26 August. In the scope of this regime, is stated the conversion of those assets in tax credits in the following situations:

- Net losses in the period;
- Settlement by voluntary dissolution, court insolvency, of when applicable the revocation of the authorization by supervisory authority;

As Haitong Bank recognized, in its individual financial statements, a net loss for the year ended 31 December 2015, should in 2016, and upon the approval of its financial statements, convert in tax credits the deferred taxes under this regime, in the proportion of net loss and equity, as well as, constitute a special reserve and conversion rights in shares representative of equity attributable to Portuguese State.

In this regime, those conversion rights correspond to securities that confers to Portuguese State the right to ordinary shares from a capital increase through the incorporation of that reserve. However, it is given to shareholders the right to acquire those rights from the Portuguese State. At this moment, the rules that establishes the applicable framework are yet to be published.

The amount of converted deferred tax assets in tax credits, the constitution of the special reserve and issue and attribution to the State of conversion rights should be certified by a chartered accountant.

The activity of branches abroad is incorporated in the Bank's accounts for determining the taxable profit. Although, the profit of those branches is subject to taxation in the countries where they are established,

local taxes are deductible to the taxes to be paid in Portugal, in accordance with art. 91º of "Código do IRC", when applicable. The branches' profits are subject to local taxation at the following nominal rates:

Branch	Nominal tax rate
London	21%
Madrid	30%
Warsaw	19%
New York	45.95%

The subsidiaries abroad, including those located in Brazil, Ireland and India, are subject to tax on their profits under the terms established in the tax rules in force in their countries. For Ireland, the profits obtained there are subject to a nominal rate of 12.5%, and in companies located in Brazil profits are subject to nominal rates situated between 34% and 45%. In India, profits are taxed at a nominal rate of 32.45%.

The deferred tax assets and liabilities recognised in the statement of financial position as at 31 December 2015 and 2014 can be analysed as follows:

(thousands of euro)

	Assets		Liabilities		Net	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Derivative financial instruments	9 754	1 928	-	(17 196)	9 754	(15 268)
Financial assets available for sale	9 234	7 087	(160)	(64)	9 074	7 023
Loans and advances to customers	91 319	79 322	-	-	91 319	79 322
Provisions	2 274	13 829	-	-	2 274	13 829
Pensions	8 544	100	(3)	(4)	8 541	96
Other	414	785	(565)	(148)	(151)	637
Tax credits resulting from double taxation	412	-	-	-	412	-
Tax losses carried forward	18 489	11 057	-	-	18 489	11 057
Deferred tax asset / (liability)	**140 440**	**114 108**	**(728)**	**(17 412)**	**139 712**	**96 696**
Assets / liabilities compensation for deferred taxes	(534)	(16 694)	534	16 694	-	-
Deferred tax asset / (liability) net	**139 906**	**97 414**	**(194)**	**(718)**	**139 712**	**96 696**

The Group assessed the recoverability of its deferred taxes recorded in the balance sheet, based on the expectation for future taxable income.

The Group does not recognise deferred tax assets relating to reportable tax losses incurred by certain subsidiaries, because it is not expectable that they will be recovered in the near future.

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

(thousands of euro)

	31.12.2015	31.12.2014
Opening balance	96 696	43 267
Recognised in the income statement	41 729	46 931
Recognised in fair value reserve	1 409	5 555
Recognised in other reserves	2 903	-
Exchange differences and other	(3 025)	943
Closing balance (Assets/(Liabilities)	**139 712**	**96 696**

The deferred tax recognised in the income statement and reserves, during the periods 2015 and 2014, is analysed as follows:

(thousands of euro)

	31.12.2015		31.12.2014	
	Recognised in (profit) /loss	Recognised in reserves	Recognised in (profit) /loss	Recognised in reserves
Deferred Taxes				
Derivative financial instruments	(25 022)	-	(8 797)	-
Financial assets available for sale	-	(1 409)	1	(5 555)
Loans and advances to customers	(11 995)	-	(43 636)	-
Provisions	9 933	-	4 933	-
Pensions	(6 324)	(2 121)	12	-
Other	(1 670)	-	(356)	-
Tax losses carried forward	(6 651)	(782)	912	-
	(41 729)	(4 312)	(46 931)	(5 555)
Current Taxes	26 606	(27 169)	17 215	-
Total recognised taxes	**(15 123)**	**(31 481)**	**(29 716)**	**(5 555)**

The reconciliation of the income tax rate can be analysed as follows:

(thousands of euro)

	31.12.2015		31.12.2014	
	%	Amount	%	Amount
Profit before taxes and non-controlling interest		**(44 112)**		**(167 347)**
Haitong Bank tax rate	27.7		27.7	
Income tax calculated based on the Haitong Bank tax rate		(12 219)		(46 355)
Difference on the subsidiaries statutory tax rates	(11.2)	4 941	(1.3)	2 174
Difference on tax rate associated with recognition of deferred tax asset on Reportable taxable losses	(5.3)	2 348	0.0	-
Tax-exempt dividends	0.0	(18)	0.0	(17)
Profits in units with most favorable tax regimes	3.1	(1 364)	0.0	(76)
Non-taxable capital gains	0.3	(129)	4.8	(7 962)
No taxable gains	5.2	(2 275)	0.0	-
Tax of profit in branches	0.0	-	(0.5)	808
Changes in estimates	26.2	(11 544)	0.0	-
Changes in tax rate	0.0	-	(1.1)	1 774
Defferred tax assets non recognised over tax losses generated in the year	(9.5)	4 197	(7.6)	12 689
Tax losses used but with no deferred tax asset recognised previously	0.0	-	0.1	(98)
Tax benefits	0.4	(179)	0.4	(617)
Differences arising from consolidation	1.2	(523)	0.0	-
Non deductible costs	(1.6)	709	(2.4)	3 939
Other	(2.1)	933	(2.4)	4 025
	34.4	**(15 123)**	**17.7**	**(29 716)**

Following the Law No. 55-A/2010 of 31 December, a Banking levy was established, which is not eligible as a tax cost, and whose regime was continuously extended by Law no. 83-C/2013, of 31 December, and Law no. 82-B/2014, of 31 December. As at 31 December 2015, the Group recognised an expense of euro 1 611 thousand (31 December 2014: euro 1 559 thousand), which was included in Other operating income and expenses – Direct and indirect taxes (see Note 11).

NOTE 34 – SUBORDINATED DEBT

The balance subordinated debt is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Other subordinated debt		
Cash bonds	215	37 096
	215	**37 096**

The main features of subordinated debt are analysed as follows:

(thousands of euro)

Issuer	Designation	31.12.2015					
		Currency	Issue date	Issue value	Book value	Interest rate	Maturity
HTBK	BESI SUBORDINADAS OCT2033 5.5%	EUR	2003	215	215	Indexed to CMS	2033
					215		

(thousands of euro)

Issuer	Designation	31.12.2014					
		Currency	Issue date	Issue value	Book value	Interest rate	Maturity
BESI	BESI SUBORDINADAS OCT2033 5.5%	EUR	2003	215	215	Indexed to CMS	2033
BESI	BESI CAIXA SUB DEC15	EUR	2005	60 000	-	Euribor 3M + 0.95%	2015
ESIP	ESIP LOWER TIER II DEC15	EUR	2005	60 000	26 903	Euribor 3M + 0.95%	2015
BESI BRASIL	VBES IA002	BRL	2008	25 000	8 055	CDI 100%+1.3%	2015
BESI BRASIL	VBES IA005	BRL	2008	2 000	965	IPCA 100%+8.3%	2015
BESI BRASIL	VBES IA006	BRL	2008	3 000	958	CDI 100%+1.3%	2015
					37 096		

During the periods 2015 and 2014, no subordinated debt was issued by the Group, nevertheless during 2015, an amount of euro 36 192 thousand of subordinated debt was reimbursed (31 December 2014: euro 17 309 thousand).

NOTE 35 – OTHER LIABILITIES

As at 31 December 2015 and 2014, the balance Other Liabilities is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Creditors and other resources		
Public sector	5 484	5 131
Collaterals deposited under compensation contracts	21 150	-
Sundry creditors		
Creditors from transactions with securities	39 419	162 004
Suppliers	1 457	2 046
Other sundry creditors	3 732	16 487
	71 242	**185 668**
Accrued expenses		
Long-term service benefits (see Note 13)	2 171	2 162
Other accrued expenses	14 535	13 767
	16 706	**15 929**
Deferred income	**920**	**1 890**
Other sundry liabilities		
Stock exchange transactions pending settlement	194 552	38 873
Foreign exchange transactions pending settlement	1 491	7 513
Other transactions pending settlement	16 794	16 108
	212 837	**62 494**
Retirement pensions	**-**	**865**
	301 705	**266 846**

As at 31 December 2015 and 2014 the balance stock exchange transactions pending settlement represents the net balance of the acquisition and disposal orders, issued by the Group and its subsidiaries, which are still pending of settlement.

NOTE 36 – SHARE CAPITAL, SHARE PREMIUM AND OTHER EQUITY INSTRUMENTS

Ordinary shares

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

In 3 August 2014, Banco de Portugal has decided to apply a resolution measure to Banco Espírito Santo, S.A., holder of 100% of BESI share capital, and the establishment of Novo Banco, S.A., with a share capital of euro 4.9 thousand million, and some assets of Banco Espírito Santo, S.A. selected by Banco de Portugal were incorporated. In this context, BESI and its branches and subsidiaries were transferred to Novo Banco, S.A..

As at 7 September 2015, the Bank share capital was fully acquired by Haitong International Holdings Limited.

In 17 December 2015, Haitong International Holdings Limited fully subscribed the Haitong Bank capital increase, which corresponded to an investment of 100 million euros through 20 million shares with 5 euro nominal value each.

As at 31 December 2015, Haitong Bank share capital amounts to euro 426 629 thousand beeing represented by 85 253 800 of 5 euro nominal value each, which are subscribed and fully paid by detained by Haitong International Holdings Limited.

Share premium

As at 31 December 2015 and 2014, the share premium in the amount of euro 8 796 thousand, refer to the capital increase occurred in previous years.

Other equity instruments

The Group issued during October 2010, perpetual subordinated bonds with interest conditioned in the total amount of euro 50 million. These bonds have an interest conditioned non-cumulative, payable only if and when declared by the Board of Directors.

This conditioned interest corresponds to the application of an annual rate of 8.5% over the nominal value, payable semi-annually. The reimbursement of these securities may be made in full, but not partially, after 15 September 2015, depending only on Haitong Bank option and the prior approval of Bank of Portugal. Given their characteristics, these obligations are considered as equity instruments in accordance with the accounting policy described in Note 2.10.

During 2011 an extinction in the amount of euro 46 269 thousand has occurred by an operation of own shares acquisition.

These bonds are subordinated in respect of any liability of Haitong Bank and pari passu in respect of any subordinated bonds with identical characteristics that may be issued by the Bank.

As at 31 December 2015 an amount of euro 3 731 thousand was outstanding. During the period 2015, the Group paid interest in the amount of euro 225 thousand, booked as a deduction in reserves (31 December 2014: euro 317 thousand).

NOTE 37 – FAIR VALUE RESERVE, OTHER RESERVES, RETAINED EARNINGS AND NON-CONTROLLING INTERESTS

Legal reserve, fair value reserve and other reserves

The legal reserve can only be used to absorb accumulated losses or to increase the amount of the share capital. Portuguese legislation applicable to the banking sector (Article 97 of RGICSF) requires that 10% of the profit for the year must be transferred to the legal reserve until it is equal to the share capital.

The fair value reserve represents the amount of the unrealised gains and losses arising from securities classified as available for sale, net of impairment losses recognised in the income statement in the year/previous years. The amount of this reserve is presented net of deferred taxes.

During the periods 2015 and 2014, the movements in these balances were as follows:

(thousands of euro)

	Fair value reserve			Other reserves and retained earnings				
	Available for sale financial assets	Income tax reserves	Total fair value reserve	Legal reserve	Actuarial gains and losses (net of taxes)	Exchange differences	Other reserves and retained earnings	Total Other reserves and retained earnings
Balance as at 31 December 2013	**(4 159)**	**563**	**(3 596)**	**39 878**	**(12 071)**	**(52 365)**	**249 907**	**225 349**
Actuarial deviations, net of taxes	-	-	-	-	(3 313)	-	-	(3 313)
Interest of other equity instruments	-	-	-	-	-	-	(225)	(225)
Changes in fair value	(13 618)	5 559	(8 059)	-	-	-	-	-
Exchange differences	20	(4)	16	-	-	(27 820)	-	(27 820)
Transfer to reserves	-	-	-	-	-	-	7 062	7 062
Other comprehensive income of associates	-	-	-	-	-	-	(21)	(21)
Non-controlling interest	-	-	-	-	-	-	(472)	(472)
Balance as at 31 December 2014	**(17 757)**	**6 118**	**(11 639)**	**39 878**	**(15 384)**	**(80 185)**	**256 251**	**200 560**
Actuarial deviations, net of taxes	-	-	-	-	(7 989)	-	-	(7 989)
Interest of other equity instruments	-	-	-	-	-	-	(225)	(225)
Changes in fair value	(1 689)	1 409	(280)	-	-	-	-	-
Exchange differences	-	-	-	-	-	(54 012)	-	(54 012)
Transfer to reserves	-	-	-	-	-	-	(138 493)	(138 493)
Other comprehensive income of associates	-	-	-	-	-	-	346	346
Balance as at 31 December 2015	**(19 446)**	**7 527**	**(11 919)**	**39 878**	**(23 373)**	**(134 197)**	**117 879**	**187**

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

(thousands of euro)

	31.12.2015	31.12.2014
Opening balance	**(11 639)**	**(3 596)**
Changes in fair value	(955)	28 107
Disposals during the period	(3 080)	(75 905)
Impairment recognised during the period/year	2 346	34 200
Deferred taxes recognised in reserves during the period	1 409	5 555
Closing balance	**(11 919)**	**(11 639)**

Non-controlling interests

Non-controlling interests by subsidiary are analysed as follows:

(thousands of euro)

	31.12.2015		31.12.2014	
	Statement of Financial Position	Income statement	Statement of Financial Position	Income statement
Haitong Banco de Investimento do Brasil, S.A.	21 516	2 788	28 396	1 659
Haitong Securities do Brasil, S.A.	4 440	(4)	5 948	(1 022)
WindPart, Lda	6 859	3 018	5 373	-
Other	6 366	611	8 662	225
	39 181	**6 413**	**48 379**	**862**

The movements in non-controlling interests as at 31 December 2015 and 2014 are analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Non-controlling interests as 1 January	**48 379**	**51 884**
Changes in the consolidation perimeter	-	(2 166)
Increase in share capital of subsidiaries	-	854
Decrease in share capital of subsidiaries	-	(676)
Dividends paid	(962)	(1 121)
Changes in fair value reserve	(537)	(1 401)
Exchange difference and other	(14 112)	143
Net profit/ (loss) for the period	6 413	862
Non-controlling interests as 31 December	**39 181**	**48 379**

NOTE 38 – OFF-BALANCE SHEET ITEMS

As at 31 December 2015 and 2014, this balance can be analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Contingent liabilities		
Guarantees and stand by letters of credit	269 354	444 492
Assets pledged as collateral	85 767	110 572
	355 121	**555 064**
Commitments		
Irrevocable commitments	48 211	99 060
	48 211	**99 060**

Guarantees and standby letters of credits are banking operations that do not imply any out-flow by the Group.

As at 31 December 2015, the balance assets pledged as collateral include:

- Securities pledged as collateral to the Bank of Portugal (i) for the use of the money transfer system (Sistema de Pagamento de Grandes Transacções) in the amount of euro 25 000 thousand as at 31 December 2014 (there were no operations in 2015) and (ii) in the scope of a liquidity facility collateralised by securities in the amount of euro 83 854 thousand (31 December 2014: euro 55 738 thousand), the total amount of securities eligible for rediscount at the Bank of Portugal as at 31 December 2015 amounted euro 83 854 thousand (31 December 2014: euro 59 621 thousand).
- Securities pledged as collateral to the Portuguese Securities and Exchange Commission (CMVM) in the scope of the Investors Indemnity System (Sistema de Indemnização aos Investidores) in the amount of euro 1 813 thousand (31 December 2014: euro 1 813 thousand).
- Securities pledged as collateral to the Deposits Guarantee Fund (Fundo de Garantia de Depósitos) for an amount of euro 100 thousand (31 December 2014: euro 100 thousand).

Irrevocable commitments represent contractual agreements to extend credit to Group's customers (eg. unused credit lines). These agreements are, generally, contracted for fixed periods of time or with other

expiration requisites, and usually require the payment of a commission. Substantially, all credit commitments require that clients maintain certain conditions verified at the time when the credit was granted.

Notwithstanding the particular characteristics of these contingent liabilities and commitments, the analysis of these operations follows the same basic principles of any one another commercial operation, namely the solvency of the underlying client and business, being that the Group requires these operations to be adequately covered by collaterals when needed. Considering that is expected that the majority of these contingent liabilities and commitments expire without having being used, the indicated amounts do not represent necessarily future cash-flow needs.

Additionally, the liabilities accounted in off-balance sheet and related to banking services provided are as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Liabilities related to services provided		
Commercial Paper intermediation	681 400	4 806 737
Other responsabilities related with services provided	3 039 800	3 695 816
	3 721 200	**8 502 553**

In 31 December 2015, the value of other liabilities related to services provided includes euro 2 806 642 thousand relating to sindicated loans under management (euro 3 176 561 thousand as at 31 December 2014) and euro 233 158 thousand relating to discretionary management (euro 519 255 thousand as at 31 December 2014).

During 2015, Banco Espírito Santo (BES), Novo Banco and Haitong Bank (and in some cases, also the supervisory authorities and auditors), were defendants in civil legal proceedings related with facts of the former Grupo Espírito Santo (GES).

In this context, Haitong Bank is defendant in two proceedings related with the last capital increase of BES, and in 8 proceedings related with commercial paper issues of GES entities (Rioforte and ESI – Espírito Santo International), received in the courts in 2015. In 2016, 8 more proceedings entered in courts, 6 of them related with commercial paper issues and 2 referring to notes issues by Haitong Bank branch in Ireland (the ESIP) that had as underlying asset the bonds issued by Espírito Santo Financial Portugal (ESFP).

It is opinion of Haitong Bank's Legal Department and external lawyers to whom the proceedings were entrusted, that they do not have legal sustainability, and therefore any condemnation of Haitong Bank in those processes is considered as improbable.

Thus, and referring to the last BES capital increase, the 2 legal proceedings above mentioned were intended against a large set of entities, namely against all former BES directors and auditors, arguing that the capital increase Prospectus, published in 20th May 2014, did not reflect the real financial situation of BES. The Haitong Bank (then as BESI) was the financial mediator assigned to assist the public offer, so that the authors of this legal proceeding claim for their responsibility by the information included in the Prospectus in accordance with the terms of the Portuguese Securities Market Code.

Following the detailed analysis of this issue by the respective departments of Haitong Bank and by its external lawyers, it was concluded that the substantial loss in the value of BES shares, observed during July 2014, and up to its resolution as at 03/08/2014, was due to facts occurred after the capital increase, and that could not be referred in the Prospectus by that time. It was further concluded that the Prospectus

did not contained lacks of information, being very incisive in the description of the underlying GES risks, namely in the section related with considerable failures in ESI accounting records.

Regarding GES commercial paper issues, is true that BESI acted as administrative agent of those issues, having submitted them to the Central Securities Institution, and *paying agent,* being responsible for the interest and equity payments in favor of those securities owners (in the assumption that would receive from the issuer, the necessary funds for the effect). However, this issues were object of private offer, but BESI was not involved in their distribution neither involved in the contacts with the investors. The respective notes regarding this subject are inequivocally when referring that the responsibility contained in them is the sole responsibility of the Issuers.

As for the two mentioned proceedings related with ESIP issues, it should be noted that these refer to credit linked notes, with compensation and reimbursement dependent of facts (namely, the insolvency) associated to the issuer of the underlying asset, in this case ESFP that was declared as insolvent, in which case investors should receive the underlying asset or the proceeds of sale. The conditions of these issues are clearly set out in their disclosed documents, and BESI did not proceed to the placement of this issues next to investors.

Finally, it should be noted that, in some of these legal actions, there is an argument regarding the existence of common directors between BES and GES and then BESI. The argument is legally unfunded, because (i) in any case, any director of BES or GES, which was also director of BESI, provided to this entity any information related with GES that was contradictory to the information disclosed in BES capital increase Prospectus or in the disclosed documents associated to the referred commercial paper issues or credit linked notes; and also because (ii) the legal persons are only responsible for its directors acts or omissions when performed in the exercise of their management functions, and naturally, the potential knowledge of material information by a person, that had acquired it while GES director or in face of their family relationships, cannot be imputable to BESI, simply because that person is its director.

For these reasons, is considered that Haitong Bank should not, or cannot, in obedience to rules and to accounting principles which is governed by, constitute any provision resulting from the existence of the above referred legal proceedings.

Resolution Fund

In accordance with Decree-Law No. 24/2013 which establishes the modus operando of the Resolution Fund ('RF'), the Bank has since 2013, made the mandatory contributions, as provided for in that law. Thus, since the inception of the RF, the Bank made the initial contribution, pursuant to Article 3 of Decree-Law and the periodical contributions in 2013 and 2014, under Article 4 of Decree-Law.

On 3 November 2015, the Bank of Portugal issued a Circular Letter under which it was clarified that the periodic contribution to the RF should be recognized as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, ie on the last day of April of each year, as stipulated in Article 9 of Decree-Law No. 24/2013, of 19 February. The Bank is recognizing as an expense the contribution to the RF in the year in which it becomes due.

The Resolution Fund issued, on 15 November 2015, a public statement declaring: "it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to BES. The eventual collection of a special contribution appears, therefore, remote. "

Subsequently, after issuance by the RF of such statement, in the scope of the resolution process of Banco Espírito Santo, S.A., the Bank of Portugal decided, as announced on 29 December 2015, to transfer to the RF the responsibilities arising from the " *... possible negative effects of future decisions, resulting from the resolution process* [of Banco Espírito Santo, SA], *which result in liabilities or contingencies*". According to

publicly available information, the volume of litigation associated with this process is high, not being duly clarified which amount of losses the RF my incur with these litigations or with the sale of Novo Banco, S.A..

Additionally, the Bank of Portugal decided on 19 and 20 December 2015, to apply a resolution measure to Banif - Banco Internacional do Funchal, SA ('BANIF'), not being clear which amount of losses the RF may incur with this process.

Accordingly, as at 31 December 2015, there is no estimate on the amount of any potential losses arising from the sale of Novo Banco, S.A., the above referred litigations associated with the resolution process of BES or potential losses to be incurred by the RF following the resolution of BANIF and the way in which these losses are likely to affect the Bank as to the amount and timing of future contributions to the RF.

In 2015, following the establishment of the European Resolution Fund, the Bank had to make an initial contribution in the amount of euro 1 006 thousand. The European Resolution Fund does not cover under going situations as at 31 December 2015, with the National Resolution Fund.

NOTE 39 – RELATED PARTIES TRANSACTIONS

As at 31 December 2015 and 2014, the total amount of assets, liabilities, income and expense with related parties are presented as follows:

(thousands of euro)

	31.12.2015					31.12.2014				
	Assets	Liabilities	Guarantees	Income	Expenses	Assets	Liabilities	Guarantees	Income	Expenses
Associated companies										
2BCAPITAL LUXEMBOURG S.C.A SICAR	-	-	-	-	-	15 882	13 543	-	-	-
COPORGEST	6 961	1	161	169	-	9 850	2	361	415	46
SALGAR INVESTMENTS	-	-	-	-	-	8 173	-	-	-	-
FUNDO ESPIRITO SANTO IBERIA	-	-	-	2 433	-	6 621	-	-	499	-
MCO2 S G FUNDOS INVEST MOB SA	550	-	-	-	-	1 132	-	-	-	-
TOTAL	**7 511**	**1**	**161**	**2 602**	**-**	**41 658**	**13 545**	**361**	**914**	**46**

Assets recognised with associated companies relate mainly to loans. The liabilities relate mainly to bank deposits taken.

As at 31 December 2015 and 2014, the total amount of assets and liabilities of Haitong Bank Group referring to related party operations can be analysed as follows:

(thousands of euro)

	31.12.2015								
	Assets								
	Loans and advances to banks	Loans	Securities	Other	Total	Guarantees	Liabilities	Income	Expenses
Shareholders									
HAITONG SECURITIES	-	-	-	-	-	-	-	1 763	-
Subsidiaries and associates									
HAITONG INTERNATIONAL STRATEGIC INVESTMENT	-	-	-	-	-	-	-	9 440	-
Novo Banco Group Companies	-	-	-	-	-	-	-	46 485	10 831
Other									
Board of Directors	-	315	-	-	315	-	-	-	-
TOTAL	**-**	**315**	**-**	**-**	**315**	**-**	**-**	**57 688**	**10 831**

(thousands of euro)

	31.12.2014								
	Assets								
	Loans and advances to banks	Loans	Securities	Other	Total	Guarantees	Liabilities	Income	Expenses
Shareholders									
NOVO BANCO, SA	31 387	-	16 369	23 593	71 349	84 057	851 200	22 525	73 085
Subsidiaries and associates									
ESPIRITO SANTO PLC (IRLANDA)	-	-	-	153 655	153 655	-	-	73 596	1 256
SUCURSAL ESPANHA	1 026	-	-	7 665	8 691	80 655	9 030	1 945	454
FUNGERE FUNDO G PATRIMONIO	-	-	11 358	-	11 358	-	2	-	-
FCR PME	-	-	-	(310)	(310)	-	10 910	-	96
ASCENDI GROUP SGPS SA	-	-	4 628	500	5 128	-	-	550	-
BES VIDA COMPANHIA SEGUROS SA	-	-	-	1 822	1 822	-	-	3 670	-
BEST	-	-	-	-	-	-	-	230	4 106
FCR VENTURES III	-	-	2 313	-	2 313	-	-	-	-
SUCURSAL LONDRES	2 478	-	-	-	2 478	-	-	-	-
ES VANGUARDA	-	-	-	185	185	-	157	-	1 650
SUCURSAL NOVA IORQUE	59	-	-	-	59	-	-	1 832	39
ES GESTION (SPAIN)	-	-	-	1	1	-	-	658	401
LOCARENT	-	-	-	-	-	-	-	-	983
Other									
BANQUE PRIVEE ESPIRITO SANTO	-	-	-	139	139	-	38 595	933	15 765
IBERWIND DESENV PROJECTOS SA	-	9 814	4 801	1 915	16 530	-	-	-	-
BANQUE PRIVEE ES SUC PORTUGAL	63	-	-	15	78	-	-	11	-
FOMENTINVEST	-	1 540	2 108	-	3 648	-	-	-	-
PORTUGAL TELECOM SGPS SA	-	-	-	4 680	4 680	-	-	3 184	-
MTS METRO TRANSPORTES DO SUL SA	-	5 001	-	-	5 001	-	-	91	-
ESFG	-	-	1 921	85	2 006	-	1	200	1 212
AMAL - SGPS, SA	-	471	1 627	205	2 303	-	-	-	-
CONSTRUCCIONES SARRION SL	-	2 161	-	-	2 161	-	3	122	-
RIO FORTE	-	-	-	-	-	-	-	-	-
TOP PARTNER	-	-	-	-	-	-	-	-	-
OTHER	2	218	1 742	1 191	3 153	-	926	5 057	3 170
TOTAL	**35 015**	**19 205**	**46 867**	**195 341**	**296 428**	**164 712**	**910 824**	**114 604**	**102 217**

NOTE 40 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value of financial assets and liabilities

The fair value of financial assets and liabilities, for the Group, is analysed as follows:

(thousands of euro)

		At fair value				
	Amortised cost	Quoted Market Price	Valuation models based on observable market information	Valuation models based on non-onbservable market information	Book Value	Fair Value
31 December 2015						
Cash and deposits at central banks	117 684	-	-	-	117 684	117 684
Deposits with banks	38 960	-	-	-	38 960	38 960
Financial assets held for trading	-	37 850	1 297 976	10 663	1 346 489	1 346 489
Available-for-sale financial assets	2 253	84 198	262 429	119 431	468 311	468 311
Loans and advances to banks	258 795	-	-	-	258 795	258 795
Loans and advances to customers	1 041 341	-	-	-	1 041 341	1 004 697
Derivatives for risk management purposes	-	-	15 236	-	15 236	15 236
Financial assets	**1 459 033**	**122 048**	**1 575 641**	**130 094**	**3 286 816**	**3 250 172**
Deposits from central banks	61 139				61 139	61 139
Financial liabilities held for trading	-	-	502 350	-	502 350	502 350
Deposits from banks	1 632 522	-	-	-	1 632 522	1 632 522
Customer accounts	567 038	-	-	-	567 038	567 038
Debt securities issued	80 306	-	466 960	-	547 266	547 925
Derivatives for risk management purposes	-	-	116 397	-	116 397	116 397
Subordinated debt	-	-	215	-	215	215
Financial liabilities	**2 341 005**	**-**	**1 085 922**	**-**	**3 426 927**	**3 427 586**
31 December 2014						
Cash and deposits at central banks	1 524	-	-	-	1 524	1 524
Deposits with banks	49 067	-	-	-	49 067	49 067
Financial assets held for trading	-	95 195	1 368 588	4 690	1 468 473	1 468 473
Available-for-sale financial assets	2 673	161 331	224 562	166 114	554 680	554 680
Loans and advances to banks	34 308	-	-	-	34 308	34 308
Loans and advances to customers	1 549 218	-	-	-	1 549 218	1 549 218
Held-to-maturity investments	-	-	-	-	-	-
Derivatives for risk management purposes	-	-	25 754	-	25 754	25 754
Financial assets	**1 636 790**	**256 526**	**1 618 904**	**170 804**	**3 683 024**	**3 683 024**
Deposits from central banks	61 108				61 108	61 108
Financial liabilities held for trading	-	-	621 550	-	621 550	621 550
Deposits from banks	1 397 284	-	-	-	1 397 284	1 397 284
Customer accounts	448 912	-	-	-	448 912	448 912
Debt securities issued	144 456	-	927 754	-	1 072 210	1 072 000
Derivatives for risk management purposes	-	-	33 939	-	33 939	33 939
Subordinated debt	36 881	-	215	-	37 096	36 497
Financial liabilities	**2 088 641**	**-**	**1 583 458**	**-**	**3 672 099**	**3 671 290**

Haitong Bank Group determines the fair value of its financial assets and liabilities in accordance with the following hierarchy:

Quoted market prices – this category includes financial assets with available quoted market prices in official markets.

Valuation models based on observable market information – this category includes the financial instruments: (i) with dealer prices quotations provided by entities that usually provide transaction prices for these assets/liabilities traded in active markets and (ii) consists on the use of internal valuation techniques, namely discounted cash flow models and option pricing models which imply the use of estimates and require judgments that vary in accordance with the complexity of the financial instrument. Notwithstanding, the Group uses observable market data such as interest rate curves, credit spreads, volatility and market indexes. Includes also instruments with dealer price quotations but which are not traded in active markets.

Valuation models based on non-observable market information – consists on the use of internal valuation models or quotations provided by third parties but which imply the use of non-observable market information.

The movements of the financial assets valued based on non-observable market information, during the period 2015, can be analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Opening balance	170 804	188 884
Acquisitions	29 862	56 135
Disposals	(51 982)	(109 361)
Transfers	4 021	54 027
Changes in value	(22 611)	(18 881)
Closing balance	**130 094**	**170 804**

During the period 2015, the key parameters used in the valuation models were:

Interest rate curves

The short-term rates presented reflect the money market's benchmark values. For long-term rates, swap curves are used:

(%)

	31.12.2015			31.12.2014		
	EUR	USD	GBP	EUR	USD	GBP
Overnight	-0.35	0.27	0.45	0.03	0.09	0.45
1 month	-0.23	0.43	0.50	0.05	0.17	0.50
3 months	-0.17	0.51	0.59	0.06	0.21	0.56
6 months	-0.10	0.61	0.75	0.13	0.26	0.69
1 year	-0.06	0.87	0.85	0.16	0.44	0.73
3 years	0.06	1.40	1.30	0.22	1.29	1.14
5 years	0.33	1.72	1.59	0.36	1.77	1.45
7 years	0.62	1.95	1.80	0.53	2.04	1.64
10 years	1.00	2.19	1.99	0.82	2.29	1.84
15 years	1.40	2.42	2.16	1.15	2.51	2.07
20 years	1.57	2.53	2.20	1.33	2.62	2.18
25 years	1.60	2.59	2.18	1.42	2.67	2.22
30 years	1.61	2.62	2.16	1.47	2.71	2.23

Credit spreads

Credit spreads used by the Group to assess credit derivatives are multi-contributed and published at the end of every day by Bloomberg. The values corresponding to benchmark entities are used for these

purposes. The evolution of main indexes, seen as representative of credit spread behavior in the market throughout the year, is presented as follows:

(basis points)

Index	Series	3 years	5 years	7 years	10 years
Year 2014					
CDX USD Main	23	38.57	66.09	88.32	107.10
iTraxx Eur Main	22	35.46	62.95	84.44	101.20
iTraxx Eur Senior Financial	22	-	67.38	-	99.77
Year 2015					
CDX USD Main	25	60.46	88.32	110.25	126.93
iTraxx Eur Main	24	51.50	77.28	96.30	113.75
iTraxx Eur Senior Financial	24	-	76.86	-	106.81

Interest rate volatility

The values presented refer to at-the-money volatility, which is the basis for assessing interest rate options:

(%)

	31.12.2015			31.12.2014		
	EUR	USD	GBP	EUR	USD	GBP
1 year	--	42.65	39.66	283.60	69.94	49.46
3 years	--	45.92	53.36	102.30	57.67	61.19
5 years	148.15	46.21	54.11	94.22	49.13	59.26
7 years	82.95	43.92	51.72	84.35	44.41	55.17
10 years	55.66	40.48	47.70	67.52	40.68	49.61
15 years	41.68	35.58	42.18	53.72	35.58	41.94

Exchange rate and volatility

The exchange rates (European Central Bank) as at the balance date and the at-the-money volatility for the main currency pairs, used for assessment of derivatives, are presented as follows:

			Volatiliy (%)				
Exchange	31.12.2015	31.12.2014	1 month	3 months	6 months	9 months	1 year
EUR/USD	1.08870	1.21410	9.66	9.94	9.98	10.02	10.07
EUR/GBP	0.73395	0.77890	8.58	9.05	9.79	10.27	10.49
EUR/CHF	1.08350	1.20240	6.08	6.78	7.19	7.46	7.66
EUR/NOK	9.60300	9.04200	10.66	10.70	10.67	10.61	10.61
EUR/PLN	4.26390	4.27320	6.70	6.73	6.92	7.04	7.14
EUR/RUB	80.67360	72.33700	19.82	20.77	21.32	21.39	21.48
USD/BRL a)	3.96041	2.65275	23.61	22.75	21.88	21.45	21.23
USD/TRY b)	2.91770	2.33259	12.29	13.20	13.94	14.41	14.86

a) Determined based on EUR/USD and EUR/BRL
b) Determined based on EUR/USD and EUR/TRY

Market indexes

The following table summarizes the evolution of the main market indexes and their corresponding volatility:

	Quotation			Historic volatility (%)		Implicit volatility (%)
	31.12.2015	31.12.2014	Range %	1 month	3 months	
DJ EURO STOXX 50	3 268	3 146	3.85	23.39	23.14	22.72
PSI 20	5 313	4 799	10.71	16.81	21.40	-
IBEX 35	9 544	10 280	(7.15)	22.88	22.20	-
FTSE 100	6 242	6 566	(4.93)	17.98	20.34	16.08
DAX	10 743	9 806	9.56	25.48	24.38	21.79
S&P 500	2 044	2 059	(0.73)	16.33	18.56	15.58
BOVESPA	43 350	50 007	(13.31)	25.68	27.27	25.38

The main assumptions and inputs used in the valuation models of the above mentioned assets and liabilities are presented as follows:

Cash and deposits at central banks, Deposits with banks and Loans and advances to banks

Considering the short term nature of these financial instruments, carrying value is a reasonable estimate of its fair value.

Loans and advances to customers

The fair value of loans and advances to customers is estimated based on the discount of the expected future cash flows of capital and interest, assuming that the instalments are paid on the dates that have been contractually defined.

Deposits from central banks and Deposits from banks

Considering the short term nature of these financial instruments, carrying value is a reasonable estimate of its fair value.

Deposits and other resources from customers

The fair value of these financial instruments is estimated based on the discount of the expected future cash flows of capital and interest, assuming that the instalments are paid on the dates that have been contractually defined. Considering that the applicable interest rates to these instruments are floating interest rates and that the period to maturity is substantially less than one year, the difference between fair value and book value is not significant.

Debt securities issued and Subordinated debt

The fair value of these instruments is based on market prices, when available. When not available, the Bank estimates its fair value by discounting the expected future cash-flows.

NOTE 41 – RISK MANAGEMENT

A qualitative outlook of the risk management at the Haitong Bank Group is presented below.

Risk control and risk management provides an active support to management, being one of the strategic mainstays supporting Haitong Bank's balanced and sustained development.

Haitong Bank's risk management has the following objectives:

- To identify, quantify and monitor the different types of risk, progressively applying uniform and consistent principles and methodologies;

- To fine-tuning tools to support the structuring of transactions and develop internal techniques of performance assessment and core capital optimization;
- To assume a proactive attitude in the management of events of significant delay or definitive non performance of contractual obligations.

Credit risk

Credit risk represents the potential financial loss arising from the failure of a borrower or counterparty to honor its contractual obligation. Credit risk is essentially present in traditional banking products – loans, guarantees granted and contingent liabilities – and in trading products – swaps, forwards and options (counterparty risk).

Credit portfolio management is an ongoing process that requires the interaction between the various teams responsible for the risk management during the consecutive stages of the credit process. This approach is complemented by the continuous introduction of improvements in the methodologies, in the risk assessment and control tools.

The Group's risk profile is periodically monitored, especially in what concerns the evolution of credit exposure and credit lines. Are equally subject to daily analysis the observance of approved credit limits and the correct functioning of the mechanisms associated to credit approval.

Haitong Bank Group credit risk exposure is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Deposits with banks	415 425	84 886
Financial assets held for trading	1 345 304	1 445 727
Available-for-sale financial assets	439 841	499 060
Loans and advances to customers	1 041 341	1 549 218
Derivatives for risk management purposes	15 236	25 754
Other assets	342 903	168 965
Guarantees granted	269 354	444 492
Irrevocable commitments	48 211	99 060
Credit risk associated to the credit derivatives reference entities	1	1
Total	**3 917 616**	**4 317 163**

Risk concentration

The analysis of loans and advances to customers and other financial assets by sector of activity, as at 31 December 2015 and 2014, can be analysed as follows:

(thousands of euro)

	31.12.2015						
	Loans and advances to customers				Financial assets held for trading	Available-for-sale financial assets	
	Gross amount		Impairment			Gross amount	Impairment
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans			
Agriculture	7 598	-	66	-	3 807	3	3
Mining	-	-	-	-	192	42 424	-
Food, beverage and tobaco	37 048	199	4 980	199	13 892	5 375	-
Shoes	2 723	-	14	-	-	-	-
Refining and oil	-	-	-	-	365	-	-
Chemicals and rubber	3 367	24 914	361	6 985	692	5 286	186
Non-metallic minerals	5 898	-	696	-	179	-	-
Metallic products	24 817	-	5 582	-	61	13 340	68
Production of machinery, equipment and electric devices	15 609	-	125	-	-	-	-
Production of transport material	1 744	-	9	-	-	-	-
Electricity, gas and w ater	262 222	5 598	9 290	3 309	33 200	3 749	-
Collection, purification and distribution of w ater, sanitation, w aste management and cleaning	17 217	5 959	86	81	-	-	-
Construction	159 863	37 047	7 438	12 349	23 201	6 021	2 779
Real estate activities	5 706	-	29	-	136	-	-
Wholesale and retail; repair of motor vehicles and motorcycles	81 995	1 519	18 499	495	10 170	-	-
Transports and storage	226 333	8 376	5 061	1 745	88 677	11 649	-
Tourism	-	12 930	-	12 932	-	-	-
Printing and publishing	9 856	640	-	52	-	-	-
Radio and television broadcast	170	-	6	-	-	-	-
Communication activities	15 859	-	79	-	977	436	-
IT Consulting	-	-	-	-	-	15 831	4 718
Monetary intermediation	-	-	-	-	133 703	101 840	-
Holding companies	125 786	4 212	94 648	1 410	28 617	32 208	8 306
Financial activities	18 464	623	512	623	7 551	37 902	9 693
Real estate activities	43 048	27 207	30 188	20 488	8 384	-	-
Services provided to companies	16 109	3 741	5 612	1 172	26 247	26 402	600
Administrative activities and suporting services	172	-	2	-	-	4 284	-
Travelling activities	7 703	15 520	39	15 520	-	-	-
Renting activities	620	63 773	137	49 074	-	1 141	-
Public services	-	-	-	-	949 918	186 681	-
Local public services	4 534	-	23	-	1 048	(1)	-
Human health activities and social suport	20 588	-	103	-	15 472	-	-
Arts, entretainment, sports and recreation activities	426	-	42	-	-	168	75
Other service activities	38 741	3 142	17 032	1 571	-	-	-
Mortgage loans	358	-	-	-	-	-	-
Consumer loans	33	-	2	-	-	-	-
TOTAL	**1 154 607**	**215 400**	**200 661**	**128 005**	**1 346 489**	**494 739**	**26 428**

(thousands of euro)

	31.12.2014						
	Loans and advances to customers				Financial assets held for trading	Available-for-sale financial assets	
	Gross amount		Impairment			Gross amount	Impairment
	Outstanding Loans	Overdue Loans	Outstanding Loans	Overdue Loans			
Agriculture	30 746	-	229	-	1 033	3	3
Mining	-	-	-	-	6 589	43 738	-
Food, beverage and tobacco	72 173	-	2 119	-	7 256	5 140	-
Textiles	2 083	-	6	-	281	-	-
Shoes	9 423	-	29	-	-	-	-
Wood and cork	-	-	-	-	-	-	-
Paper industry	-	-	-	-	-	-	-
Printing	-	-	-	-	-	-	-
Refining and oil	-	-	-	-	276	-	-
Chemicals and rubber	33 794	2 609	6 871	687	317	8 066	-
Non-metallic minerals	10 976	-	822	-	605	-	-
Metallic products	18 957	50	2 465	-	2 217	15 551	-
Production of machinery, equipment and electric devices	16 625	-	102	-	-	-	-
Production of transport material	2 334	-	7	-	11	-	-
Other manufactoring industries	-	-	-	-	37	-	-
Maintenance and repair	-	-	-	-	-	-	-
Electricity, gas and w ater	295 016	3 133	9 850	1 254	43 483	5 352	-
Collection, purification and distribution of w ater, sanitation, w aste management and cleaning	34 523	-	129	-	-	-	-
Construction	210 167	18 287	9 439	9 350	28 584	25 044	2 919
Real estate activities	13 857	-	40	-	221	-	-
Wholesale and retail; repair of motor vehicles and motorcycles	122 739	914	18 588	460	1 392	4 944	-
Transports and storage	264 777	971	4 890	794	131 437	7 051	-
Tourism	28 125	12 936	8 492	12 936	-	-	-
Printing and publishing	47 141	-	136	-	-	-	-
Information activities	5 728	-	51	-	-	-	-
Radio and television broadcast	-	-	-	-	382	2 196	-
Communication activities	18 960	229	195	2	-	781	-
IT Consulting	-	-	-	-	-	15 676	4 919
Monetary intermediation	-	-	-	-	413 526	23 326	3 264
Holding companies	177 648	216	75 979	2	36 740	52 572	7 675
Financial activities	66 434	431	861	431	13 450	63 176	11 313
Real estate activities	52 640	1 723	19 772	749	11 475	-	-
Services provided to companies	73 673	2 789	6 055	798	32 067	35 917	600
Veterinary	-	-	-	-	-	-	-
Administrative activities and suporting services	-	-	-	-	-	-	-
Travelling activities	8 289	15 520	25	15 520	-	-	-
Renting activities	2 268	62 704	325	40 621	-	1 136	-
Public services	-	-	-	-	726 941	275 603	-
Local public services	-	-	-	-	-	(1)	-
Public administration (Support Activities and Management)	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Human health activities and social suport	21 393	-	66	-	10 153	-	-
Arts, entretainment, sports and recreation activities	24 080	633	13 902	102	-	177	75
Other services activities	39 344	2 688	17 249	1 344	-	-	-
Mortgage loans	435	-	-	-	-	-	-
Consumer loans	2 536	281	8	28	-	-	-
TOTAL	**1 706 884**	**126 114**	**198 702**	**85 078**	**1 468 473**	**585 448**	**30 768**

Market risk

Market risk is the possible loss resulting from an adverse change in the value of a financial instrument due to fluctuations in interest rates, foreign exchange rates or share prices.

The main measure of market risk is the assessment of potential losses under adverse market conditions, for which the Value at Risk (VaR) valuation criteria is used. Haitong Bank Group VaR model uses the Historical Simulation, based on a confidence level of 99% and an investment period of 10 days. Volatilities and correlations are historical, based on an observation period of one year.

As a complement to VaR stress testing has been developed, allowing to evaluate the impact of potential losses higher than the ones considered by VaR.

(thousands of euro)

	31.12.2015				31.12.2014			
	December	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
Foreign exchange risk	1.78	3.36	5.50	1.78	2.30	3.15	7.13	0.82
Interest rate risk	1.16	1.76	0.39	1.16	1.64	1.83	2.92	1.09
Shares	0.10	0.60	0.05	0.10	1.16	1.06	2.01	0.61
Credit spread	2.12	4.27	7.71	2.12	5.99	9.06	11.74	7.39
Covariance	-0.71	-1.23	-0.41	-0.71	-1.25	-1.51	-2.91	-0.79
Total	**4.45**	**8.76**	**13.24**	**4.45**	**9.84**	**13.59**	**20.89**	**9.12**

The Haitong Bank Group closed the year with a VaR of 4.45 million euros for its trading positions, registering a decrease of about 55% compared to the previous year.

According to the recommendations of Basel II (Pillar 2) and the Bank of Portugal Instruction no 19/2005, Haitong Bank Group calculates its foreign exchange risk exposure based on the methodology of the Bank of International Settlements (BIS), classifying all balance sheets relating to assets, liabilities and off-balance sheet items, which do not belong on the trading portfolio, by repricing tiers.

(millions of euro)

	31.12.2015						
	Eligible amounts	Non sensitive	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Cash	118	118	-	-	-	-	-
Loans and advances to banks	313	27	204	82	-	-	-
Loans and advances to customers	1 370	556	360	379	32	25	18
Securities	495	38	246	24	5	164	18
Collaterals deposited under compensation contracts	287	-	287	-	-	-	-
Off-balance	337	182	9	-	10	5	131
Total	**2 920**	**921**	**1 106**	**485**	**47**	**194**	**167**
Central banks deposits	61	-	-	-	-	61	-
Other financial institutions deposits	1 633	10	1 610	-	-	13	-
Deposits	438	5	380	10	24	19	-
Repo´s with customers	129	56	19	43	8	1	2
Securities issued	547	(28)	38	27	60	408	42
Other equity instruments	4	-	-	-	-	-	4
Collaterals deposited under compensation contracts	21	14	7	-	-	-	-
Off-balance	336	87	103	144	2	-	-
Total	**3 169**	**144**	**2 157**	**224**	**94**	**502**	**48**
GAP (Assets - Liabilities)	**(249)**	**777**	**(1 051)**	**261**	**(47)**	**(308)**	**119**

(thousands of euro)

	31.12.2014						
	Eligible amounts	Non sensitive	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Cash	2	2	-	-	-	-	-
Loans and advances to banks	99	63	36	-	-	-	-
Loans and advances to customers	1 833	429	786	477	20	68	53
Securities	585	88	164	38	-	260	35
Collaterals deposited under compensation contracts	363	-	363	-	-	-	-
Off-balance	55	31	-	14	10	-	-
Total	**2 937**	**613**	**1 349**	**529**	**30**	**328**	**88**
Central banks deposits	61	-	-	-	-	61	-
Other financial institutions deposits	1 397	169	1 164	-	-	61	3
Deposits	417	47	369	1	-	-	-
Repo´s with customers	32	16	16	-	-	-	-
Securities issued	1 109	19	350	118	108	449	65
Other equity instruments	4	-	-	-	-	-	4
Collaterals deposited under compensation contracts	9	-	9	-	-	-	-
Off-balance	55	2	22	31	-	-	-
Total	**3 084**	**253**	**1 930**	**150**	**108**	**571**	**72**
GAP (Assets - Liabilities)	**(147)**	**360**	**(581)**	**379**	**(78)**	**(243)**	**16**

*amounts presented at its nominal value.

The model used to calculate the banking portfolio's sensitivity analysis to foreign exchange risk is based on an approach to the duration model, with the inclusion of parallel scenarios.

(thousands of euro)

	31.12.2015		31.12.2014	
	Parallel increase of 100 pb	Parallel increase of 100 pb	Parallel increase of 100 pb	Parallel increase of 100 pb
As at 31 December	7.4	(7.4)	(3.7)	3.7
Average of the period	12.4	(12.4)	(17.2)	17.2
Maximum for the period	15.4	(7.4)	(3.7)	40.4
Minimum for the period	7.4	(15.4)	(40.4)	3.7

The following table presents the average balances, interests and interest rates in relation to the Haitong Bank Group major assets and liabilities categories, for the years ended 31 December 2015 and 2014, as well as the average balances and the interests of the period:

(thousands of euro)

	31.12.2015			31.12.2014		
	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	150 363	15 600	10.37%	317 552	6 923	2.18%
Loans to customers	1 289 863	64 401	4.99%	1 887 523	103 154	5.47%
Investment in securities	1 275 561	140 774	11.04%	1 832 346	168 489	9.20%
Collateral accounts	249 150	115	0.05%	279 884	293	0.10%
Financial assets	**2 964 937**	**220 890**	**7.45%**	**4 317 305**	**278 859**	**6.46%**
Monetary resources	1 425 720	93 166	6.53%	1 668 231	87 280	5.23%
Deposits from customers	431 065	50 848	11.80%	816 711	60 023	7.35%
Liabilities represented by securities	767 201	30 519	3.98%	1 420 073	62 681	4.41%
Other resources	530 612	1 913	0.36%	7 827	2 930	37.43%
Financial liabilitis	**3 154 598**	**176 446**	**5.59%**	**3 912 842**	**212 914**	**5.44%**
Financial Result		**44 444**	**1.86%**		**65 945**	**1.02%**

Concerning the foreign exchange risk, the distribution of the assets and liabilities by currency as at 31 of December of 2015 and 2014, is analysed as it follows:

(thousands of euro)

		31.12.2015			31.12.2014		
		Spot	Forward	Net exposure	Spot	Forward	Net exposure
USD	U.S. DOLLAR	66 385	(89 481)	(23 096)	230 554	(240 591)	(10 037)
GBP	STERLING POUND	94 146	(615)	93 531	108 204	(107 645)	559
BRL	BRAZILIAN REAL	144 808	(124 871)	19 937	135 376	(133 877)	1 499
JPY	YEN	545	-	545	267	-	267
CHF	SWISS FRANC	333	(7)	326	566	-	566
PLN	POLISH ZLOTY	14 040	(482)	13 558	20 629	-	20 629
CAD	CANADIAN DOLLAR	2 372	(4 499)	(2 127)	2 567	-	2 567
AUD	AUSTRALIAN DOLLAR	6	-	6	16	-	16
INR	INDIAN RUPEE	11 778	-	11 778	8 296	-	8 296
	OTHER	245	1	246	193	14	207
		334 658	**(219 954)**	**114 704**	**506 668**	**(482 099)**	**24 569**

Note: assets / (liabilities)

As at 31 December 2015 and 2014 the exposure to public debt from peripheral Eurozone countries which are monitored by the Haitong Bank Group is analysed as follows:

(thousands of euro)

	31.12.2015		
	Financial assets held for trading at fair value	Financial assets available for sale	Total
Portugal	1 369	3 209	4 578
Spain	1 102	-	1 102
Greece	-	14 919	14 919
	2 471	**18 128**	**20 599**

(thousands of euro)

	31.12.2014		
	Financial assets held for trading at fair value	Financial assets available for sale	Total
Portugal	-	2 901	2 901
Spain	55	-	55
Greece	-	27 903	27 903
	55	**30 804**	**30 859**

As at 31 December 2015, beyond the above mentioned exposure the Group have a long position through Credit Default Swap contracts with underlying Portuguese Republic in the amount of US dolar 40 000 thousand. Addionnally, at the same date, the exposure in balance sheet to Novo Banco, in the amount of euro 133.286 thousand is fully guaranteed by Portuguese Republic.

All the exposures presented above, except loans and advances to customers, are recorded in the Group's balance sheet at fair value, which is based on market quotations or, in relation to derivatives, based on valuation techniques with observable market data.

A detailed exposure regarding securities recorded in financial assets available for sale, financial assets held for trading, financial assets at fair value through profit or loss and held to maturity investments can be analysed as follows:

(thousands of euro)

	31.12.2015				
	Nominal amount	Market value	Accrued interest	Book Value	Fair value reserves
Available-for-sale financial assets					
Portugal	**3 000**	**3 071**	**138**	**3 209**	**28**
Maturity up to 1 year	2 300	2 317	128	2 445	10
Maturity exceeding 1 year	700	754	10	764	18
Greece	**24 000**	**14 308**	**611**	**14 919**	**(2 575)**
Maturity exceeding 1 year	24 000	14 308	611	14 919	(2 575)
	27 000	**17 379**	**749**	**18 128**	**(2 547)**
Financial assets held for trading					
Portugal	1 312	1 357	12	1 369	-
Spain	1 045	1 091	11	1 102	-
	2 357	**2 448**	**23**	**2 471**	**-**

(thousands of euro

	31.12.2014				
	Nominal value	Market value	Accrued interest	Book value	Fair value reserves
Available-for-sale financial assets					
Portugal	**2 600**	**2 766**	**135**	**2 901**	**100**
Maturity up to 1 year	100	102	1	103	2
Maturity exceeding 1 year	2 500	2 664	134	2 798	98
Greece	**52 000**	**27 019**	**884**	**27 903**	**(8 592)**
Maturity exceeding 1 year	52 000	27 019	884	27 903	(8 592)
	54 600	**29 785**	**1 019**	**30 804**	**(8 492)**
Financial assets held for trading					
Spain	45	53	2	55	-
	45	**53**	**2**	**55**	**-**

Liquidity risk

Liquidity risk derives from the potential inability to fund assets while satisfying commitments on due dates and from potential difficulties in liquidating positions in portfolio without incurring in excessive losses.

Liquidity management is centralized at the Financial Department. The purpose of liquidity management is to maintain adequate liquidity levels to meet short, medium and long term funding needs. The Bank prepares specific reports that allow the identification of negative mismatch and permits their dynamic coverage.

In addition, the Bank calculates the liquidity ratios in accordance with the Bank of Portugal rules, provided for in CRD IV (Directive 2013/36/EU).

Consolidated Liquidity Indicators

Haitong Bank's liquidity gap up to 1 year improved, from – 840 million euros, as at 31 December 2014, to + 427 million euros, as at 31 December 2015. This improvement was mainly due to the extension of the maturity profile that was achieved in the funding structure of the Bank in 2015.

As at 31 December 2015, Haitong Bank achieved a 147% liquidity coverage ratio, above the minimum regulatory ratio, forecasted both for December 2015 and December 2018.

Operational risk

Operational risk represents the risk of losses resulting from failures in internal procedures, people behaviours, information systems and external events.

To manage operational risk, it was developed and implemented a system that standardizes, systematizes and regulates the frequency of actions with the objective of identification, monitoring, controlling and mitigation of risk.

Capital management and solvability ratio

The Groups' main goals from capital management are (i) to allow the adequate growth of activities through the generation of enough capital to support the increase of assets, (ii) fulfilment of the minimum requirements defined by the supervision authorities in terms of capital adequacy and (iii) to ensure the fulfilment of Haitong Bank strategic goals in respect to capital adequacy matters.

The Executive Committee defines defining the strategy for capital management, which is included in the definition of the overall goals for the Group.

The Group is subject to Bank of Portugal supervision, which under the capital adequacy Directive from the CE, establishes the prudential rules to be attended by the institutions under its supervision. These rules determine a minimum solvability ratio in relation to the requirements of the assumed risks that institutions have to fulfil.

Currently for the purpose of the reporting to the Bank of Portugal, the Bank presents the solvency ratios in accordance with standard method both for credit risk as well as operational risk (The Standardized Approach – TSA).

The capital adequacy of Haitong Bank Group as at 31 December 2015 and 2014 is presented as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Total RWA	**3 236 589**	**4 156 783**
Credit Risk and CVA	2 426 046	3 160 104
Market Risk	427 857	567 050
Operational Risk	382 686	429 629
Own Funds		
Total	343 097	392 219
Level 1	340 027	392 219
Main Level 1	340 027	392 219
Ratio		
Total	10.6%	9.4%
Level 1	10.5%	9.4%
Main Level 1	10.5%	9.4%

The assumptions used in the capital adequacy calculation are described in the note 7.5. Capital Management – Solvency" in the Management Report.

NOTE 42 – SUBSEQUENT EVENTS

In July of 2015 and as part of the de-banking process it was submitted for New York State Department of Financial Services (NYDFS) approval a request to open a Representative Office in New York for Haitong Bank. On January 6, 2016 the NYDFS informed Haitong Bank that the Representative Office had been approved.

Upon authorization from the Bank of Portugal, Haitong Securities USA was incorporated on 30 September 2015, in the United States, 100% owned by Haitong Bank, SA, which will request to the competent American authorities permission to operate in those markets as a broker dealer. This company's initial capital in the amount of 300 000 dollars, was realized on 20 January 2016.This company is expected to begin operations in 2016.

NOTE 43 – RECENT PRONOUNCEMENTS

RECENTLY ISSUED PRONOUNCEMENTS ALREADY ADOPTED BY THE GROUP

In preparation of the consolidated financial statements for the year ended 31 December 2015, the Group adopted the following standards and interpretations recently issued:

IFRIC 21 - Levies

The IASB, issued on 20 May 2013, this interpretation, effective (with retrospective application) for annual periods beginning on or after 1 January 2014. These interpretation was endorsed by EU Commission Regulation 634/2014, 13 July (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 17 June 2015).

IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs.

IFRIC 21 had no material effect on the Group's financial statements.

Improvements to IFRS (2011-2013)

The annual improvements cycle 2011-2013, issued by IASB on 12 December 2013, introduce amendments, with effective date on, or after, 1 July 2014, to the standards IFRS 1, IFRS 3, IFRS 13 and IAS 40. These amendments were endorsed by EU Commission Regulation 1361/2014, 18 December (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 1 January 2015).

IFRS 1 – meaning of "effective IFRS"

IASB clarifies that if a new IFRS is not yet mandatory but permits early application, that IFRS is permitted, but not required, to be applied in the entity's first IFRS financial statements.

IFRS 3 – Scope exceptions for joint ventures

The amendment excludes the formation of all types of joint arrangements as defined in IFRS 11 Joint Arrangements from the scope of IFRS 3. The scope exception only applies to the financial statements of the joint venture or the joint operation itself.

IFRS 13 – Scope of paragraph 52 – portfolio exception

Paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of this amendment was to clarify that the portfolio exception applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32.

IAS 40 – interrelationship with IFRS 3 when classify property as investment property or owner-occupied property

The objective of this amendment was to clarify that judgment is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgment is based on the guidance in IFRS 3.

The Group expects no material impact from the adoption of this amendment on its financial statements.

RECENTLY ISSUED PRONOUNCEMENTS THAT ARE NOT YET EFFECTIVE FOR THE GROUP

The Group decided to opt for not having an early application of the following standards endorsed by EU but not yet mandatory effective:

IAS 19 (Revised) – Defined Benefit Plans: Employee Contributions

The IASB, issued on 21 November 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1 July 2014. These amendments were endorsed by EU Commission Regulation 29/2015, 17 December 2014 (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 1 February 2015).

The Amendment clarifies the guidance on attributing employee or third party contributions linked to service and requires entities to attribute the contributions linked to service in accordance with paragraph 70 of IAS 19 (2011). Therefore, such contributions are attributed using plan's contribution formula or on a straight line basis.

The amendment addresses the complexity by introducing a practical expedient that allows an entity to recognise employee or third party contributions linked to service that are independent of the number of years of service (for example a fixed percentage of salary), as a reduction in the service cost in the period in which the related service is rendered.

The Group expects no impact from the adoption of this amendment on its financial statements.

Improvements to IFRS (2010-2012)

The annual improvements cycle 2010-2012, issued by IASB on 12 December 2013, introduce amendments, with effective date on, or after, 1 July 2014, to the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS16, IAS24 and IAS38. These amendments were endorsed by EU Commission Regulation 28/2015, 17 December 2014 (defining entry into force at the latest, as from the commencement date of first financial year starting on or after 1 February 2015).

IFRS 2 – definition of vesting condition

The amendment clarify the definition of 'vesting conditions' in Appendix A of IFRS 2 Share-based Payment by separate the definition of performance condition and service condition from the definition of vesting condition to make the description of each condition clear.

IFRS 3 – Accounting for contingent consideration in a business combination

The objective of this amendment is to clarify certain aspects of accounting for contingent consideration in a business combination, namely: classification of contingent consideration in a business combination and subsequent measurement, taking into account if such contingent consideration is a financial instrument or a non-financial asset or liability.

IFRS 8 – Aggregation of operation segments and reconciliation of the total of the reportable segments' assets to entity's assets

The amendment clarify the criteria for aggregation of operating segments and requires entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have

been aggregated. To achieve consistency, reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed, if that amount is regularly provided to the chief operating decision maker.

IFRS 13 – Short-term receivables and payables

IASB amends the basis of conclusion in order to clarify that, by deleting IAS 39AG79, in applying IFRS 13, IASB did not intend to change the measurement requirements for short-term receivables and payables with no interest, that should be discount if such discount is material, noting that IAS 8.8 already permits entities not apply accounting polices set out in accordance with IFRSs when the effect of applying them is immaterial.

IAS 16 & IAS 38 – Revaluation method – proportionate restatement accumulated depreciation or amortisation

In order to clarify the calculation of the accumulated depreciation or amortisation at the date of the revaluation, IASB amended paragraph 35 of IAS 16 and paragraph 80 of IAS 38 to clarify that: (i) the determination of the accumulated depreciation (or amortisation) does not depend on the selection of the valuation technique; and (ii) the accumulated depreciation (or amortisation) is calculated as the difference between the gross and the net carrying amounts.

IAS 24 – Related Party Transactions – Key management personal services

In order to address the concerns about the identification of key management personal (KMP) costs, when KMP services of the reporting entity are provided by entities (management entity e.g. in mutual funds), IASB clarifies that, the disclosure of the amounts incurred by the entity for the provision of KMP services that are provided by a separate management entity shall be disclosed but it is not necessary to present the information required in paragraph 17.

The Group expects no impact from the adoption of these amendments on its financial statements.

Improvements to IFRS (2010-2012)

The annual improvements cycle 2012-2014, issued by IASB on 25 September 2014, introduce amendments, with effective date on, or after, 1 January 2016, to the standards IFRS 5, IFRS 7, IAS19 and IAS34. These amendments were endorsed by EU Commission Regulation 2343/2015, 15 December 2015.

IFRS 5 Non-current Assets held for Sale and Discontinued Operations: Change of Disposal Method

The Amendments to IFRS 5 clarify that if an entity reclassifies an asset (or disposal group) directly from being ‘held for sale’ to being ‘held for distribution to owners’ (or vice versa) then the change in classification is considered a continuation of the original plan of disposal. Therefore, no re-measurement gain or loss is accounted for in the statement of profit or loss or other comprehensive income due to such change.

IFRS 7 Financial Instruments: Disclosures: Servicing contracts

The Amendments to IFRS 7 Financial Instruments: Disclosures: Servicing contracts clarify – by adding additional application guidance – when servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements in paragraph 42C of IFRS 7.

IFRS 7 Financial Instruments: Disclosures: Applicability of the Amendments to IFRS 7 on offsetting financial assets and financial liabilities to condensed interim financial statements

The Amendments to IFRS 7 clarify that the additional disclosures required that were introduced in December 2011 by the Amendments to IFRS 7 –Offsetting Financial Assets and Financial Liabilities – are not required in interim periods after the year of their initial application unless IAS 34 Interim Financial Reporting requires those disclosures.

IAS 19 Employee Benefits: Discount rate: regional market issue

The Amendments to IAS 19 Employee Benefits clarify that the high quality corporate bonds used to estimate the discount rate should be determined considering the same currency in which the benefits are to be paid. Consequently, the depth of the market for high quality corporate bonds should be assessed at

currency level rather than at country level. If such a deep market does not exist, the market yield on government bonds denominated in that currency shall be used.

IAS 34 Interim Financial Reporting: Disclosure of information 'elsewhere in the interim financial report'

The Amendments clarify that the 'other disclosures' required by paragraph 16A of IAS 34 shall be presented either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management commentary or a risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

The Amendments to IAS 34 also clarify that if users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time, the interim financial report is incomplete.

The Group expects no impact from the adoption of these amendments on its financial statements.

IAS 27: Equity Method in Separate Financial Statements

IASB issued on August 12, 2014, amendments to IAS 27, with an effective date of application for periods beginning on or after January 1, 2016, introducing an option for the measurement of subsidiaries, associates or joint ventures the equity method in the separate financial statements.

These amendments were endorsed by EU Commission Regulation 2441/2015, 18 December 2015.

The group has not yet taken any decision on a possible adoption on this option in their separate accounts (if the individual accounts follows IFRS).

Other Amendments

It was also issued by IASB in 2014, and applicable effective by 1 January 2016, the following amendments:

- Amendments to IAS 16 and IAS 41: Bearer Plants (issued on 30 June 2014 and was endorsed by EU Commission Regulation 2113/2015, 23 November)
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12 May 2014 and was endorsed by EU Commission Regulation 2231/2015, 2 December)
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (issued on 6 May 2014 and was endorsed by EU Commission Regulation 2173/2015, 24 November)
- Amendments to IAS 1: Disclosure Initiative (issued on 18 December 2014 and was endorsed by EU Commission Regulation 2406/2015, 18 December)

The Group expects no impact from the adoption of these amendments on its financial statements.

RECENTLY ISSUED PRONOUNCEMENTS THAT ARE NOT YET EFFECTIVE FOR THE GROUP

IFRS 9 Financial instruments (issued in 2009 and revised in 2010, 2013 and 2014)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. IFRS 9 (2013) introduces the hedging requirements. IFRS 9 (2014) introduces limited amendments to the classification and measurement requirements of IFRS 9 and new requirements to address the impairment of financial assets.

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains three measurement categories for financial assets: amortised, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL). A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal outstanding. If the debt instrument that are SPPI are held under a business model whose objective achieved both by collecting contractual cash flows and by selling, the measurement would be at fair value through other comprehensive income (FVOCI), keeping the revenue form interest presenting in profit or loss.

For an investment in an equity instrument that is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in OCI (FVOCI). Those amounts recognized in OCI would ever be reclassified to profit or loss at a later date. However, dividends on such investments would be recognised in profit or loss, rather than OCI, unless they clearly represent a partial recovery of the cost of the investment.

All other financial assets, either the financial assets held under a business model of trading, either other financial instruments who do not comply with SPPI criteria, would be measured at fair value through profit and loss (FVTPL).

In this situation, includes Investments in equity instruments in respect of which an entity does not elect to present fair value changes in OCI that would be measured at fair value with changes in fair value recognised in profit or loss (FVTPL).

The standard requires derivatives embedded in contracts with a host that is a financial asset in the scope of the standard not to be separated; instead, the hybrid financial instrument is assessed in its entirety, confirming that exist embedded derivatives, it should be measured at fair value through profit and loss (FVTPL).

The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in OCI rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirements also establish a more principles-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39.

IFRS 9 (2014) established a new impairment model base on "expected losses" that replace the current "incurred losses" in IAS 39.

So, loss event will no longer need to occur before an impairment allowance is recognised. This new model will accelerate recognition of losses form impairment on debt instruments held that are measured at amortised cost or FVOCI.

If the credit risk of financial asset has not increased significantly since its initial recognition, the financial asset will attract a loss allowance equal to 12-month expected credit losses.

If its credit risk has increased significantly, it will attract an allowance equal to lifetime expected credit losses thereby increasing the amount of impairment recognised.

As soon as the loss event occur (what is current define as "objective evidence of impairment"), the impairment allowance would be allocated directly to financial asset affected, which provide the same accounting treatment, from that point, similar to the current IAS 39, including the treatment of interest revenue.

The mandatory effective date of IFRS 9 is 1 January 2018.

The Group has started the process of evaluating the potential effect of this standard but given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements.

IFRS 15 – Revenue from Contracts with Customers

The IASB, issued on 28 May 2014, IFRS 15 Revenue from Contracts with Costumers, effective (with early application) for annual periods beginning on or after 1st July 2017. This standard will revoke IAS 11 Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenue- Barter Transactions Involving Advertising Services.

IFRS 15 provides a model based on 5 steps of analysis in order to determine when revenue should be recognized and the amount. The model specifies that the revenue should be recognized when an entity transfers goods or services to the customer, measured by the amount that the entity expects to be entitled to receive. Depending on the fulfilment of certain criteria, revenue is recognized:

i) At a time when the control of the goods or services is transferred to the customer; or

ii) Over the period, to the extent that represents the performance of the entity.

The Company is still evaluating the impact from the adoption of this standard.

IFRS 16 - Leases

The IASB, issued on 13 January 2016, IFRS 16 Leases, effective (with early application if applied at the same time IFRS 15) for annual periods beginning on or after 1st July 2019. This new standard replaces IAS 17 Leases.

IFRS 16 removes the classification of leases as either operating leases or finance leases (for the lessee—the lease customer), treating all leases as finance leases.

Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the requirements.

The group has not carry out a full analysis of the application of the impact of this standard yet.

IFRS 14 – Regulatory Deferral Accounts

The IASB issued on 30 January 2014 a standard that defines interim measures for those adopting IFRS for the first time and has activity with regulated tariff.

The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

This standard is not applicable to the group.

Other Amendments

It was also issued by IASB:

- in 18/12/2014, and applicable effective by 1 January 2016, Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception;

- In 19/1/2016, and applicable effective by 1 January 2017, amendments to IAS 12 clarifying the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice.

The Group expects no impact from the adoption of this amendment on its financial statements.

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Report and Opinion of the Supervisory Board

Haitong Bank, S.A.

for financial year 2015

To the Shareholder of

Haitong Bank, S.A. (formerly Banco Espírito Santo de Investimento, S.A.)

In accordance with the applicable legislation, we hereby present our report on the audit performed by the Supervisory Board to the Management Report, the individual and the consolidated financial statements and the proposal for the distribution of the year's results presented by the Board of Directors of Haitong Bank (hereinafter Haitong) for the year ended 31 December 2015.

The Supervisory Board notes that Banco Espírito Santo de Investimento, S.A. was purchased in September 2015 by Haitong International Holdings Limited, a subsidiary of Haitong Securities Co., Ltd., both entities being relevant players in the international financial system and in particular in the Asian market.

In the same month Banco Espírito Santo de Investimento, S.A. changed its name to Haitong Bank, S.A..

During the financial year of 2015 Haitong's Supervisory Board, as part of its designated functions, monitored, in accordance with the law and the company's articles of association, the development of Haitong's management and business activities, namely:

(i) assessed the adequacy and effectiveness of the risk management, internal control and internal audit systems;

(ii) attended Board of Directors meetings whenever invited;

(iii) reviewed management information documents submitted to the Supervisory Board by the Board of Directors;

(iv) monitored the verification of the accounting records and underlying support documents;

(v) assessed the accounting policies and valuation criteria adopted by Haitong; and

(vi) held meetings with the Statutory Auditor, whenever necessary, on the assessment of the accounting policies and valuation criteria adopted by Haitong, which always provided the information required.

In accordance with the applicable legislation, the Supervisory Board also assessed the Auditor's Report prepared by the Statutory Auditor on the individual and consolidated financial statements and was made aware of the individual and consolidated Statutory Audit Report ("Certificação Legal de Contas") on the referred financial statements for financial year 2015, with which the Supervisory Board agrees.

Notwithstanding, since February 2013 the Supervisory Board has been calling the attention of the Board of Directors to the value of the goodwill associated to the subsidiary Haitong (UK) Limited.

In fact, we note that this subsidiary has been giving a permanent and considerable negative contribution to results, which leads us to conclude that the value of the goodwill associated to its acquisition will be difficult to recover and could thus amount to an actual potential loss.

The Supervisory Board was also made aware of the conclusions of the Auditor's Report prepared by a prominent international auditing company.

The Supervisory Board also analysed the Management Report submitted by the Board of Directors and considers that the report complies with the applicable legal and statutory requirements and elucidates the main aspects of Haitong's activities in 2015, both in individual and in consolidated terms.

In December 2015 the share capital of Haitong Bank, S.A. was increased by EUR 100,000,000.00 to EUR 426,269,000.00. The share capital increase was fully subscribed and paid up by Haitong International Holdings Limited.

In light of the above, it is the opinion of the Supervisory Board that the following should be approved:

- The Management Report and remaining individual and consolidated reporting documents relative to the financial year ended on 31 December 2015;
- The proposal submitted by the Board of Directors on the allocation of the net loss for the year 2015, in the amount of EUR 43,176,896.49.

Lisbon, 30 March 2016

THE SUPERVISORY BOARD

José Manuel Macedo Pereira

(Chairman)

Tito Manuel das Neves Magalhães Basto

Mário Paulo Bettencourt de Oliveira

Declaration of Conformity with the Financial Information Reported

The present declaration is submitted under the terms of Article 245 (1-c)) of the Portuguese Securities Code.

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

- The information referred to in Article 245 (1-a)) of the Portuguese Securities Code as at 31 December 2015 was prepared in accordance with the applicable accounting standards, providing a true and fair view of the assets and liabilities, the financial situation and the results of Haitong and the companies included within its consolidated scope; and
- The management report faithfully details the evolution of the business and the performance and position of Haitong and the companies included within its consolidation scope, and contains a description of the main risks and uncertainties faced within the framework of ongoing activities.

Lisbon, 30 March 2016

THE SUPERVISORY BOARD

José Manuel Macedo Pereira

(Chairman)

Tito Manuel das Neves Magalhães Basto

Mário Paulo Bettencourt de Oliveira

Statutory Audit and Auditor's Report

(Consolidated Accounts)

(This report is a free translation to English from the original Portuguese version)

INTRODUCTION

1. In accordance with the applicable legislation, we hereby present the Statutory Audit and Auditor's Report on the financial information disclosed in the management report and corresponding consolidated financial statements for the financial year ended on 31 December 2015 of **"HAITONG BANK, S.A." (formerly Banco Espírito Santo de Investimento, S.A.)**, which comprise: the consolidated balance sheet (which reports total assets of EUR 4,172,582 thousand and total equity attributable to the equity holder of EUR 391,662 thousand, including a net loss for the year attributable to the equity holder of EUR 35,402 thousand), the consolidated statements of income, of comprehensive income, of cash flows and of changes in equity for the year then ended and the corresponding Notes.

RESPONSIBILITIES

2. The Board of Directors is responsible for:

   a) the preparation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, that present a true and fair view of the financial position of the companies included within the scope of consolidation, the consolidated result and comprehensive income of its operations, the changes in the consolidated equity and the consolidated cash flows;

   b) the historical financial information, prepared in accordance with generally accepted accounting standards, that is complete, true, true and fair, timely, transparent, objective and lawful, as required by the Portuguese Securities Code ("Código dos Valores Mobiliários");

   c) the adoption of adequate accounting policies and criteria;

   d) the maintenance of an appropriate system of internal control ; and

   e) the disclosure of any relevant fact that may have affected the operations, financial position or results of the companies included within the scope of consolidation.

3. Our responsibility is to perform an audit of the financial information included in the aforementioned financial statements, namely verifying that it is complete, true and fair, timely, transparent, objective and lawful, as required by the Portuguese Securities Code, in order to issue a professional and independent report based on our audit.

SCOPE

4. Our audit was performed in accordance with the applicable Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require us to plan and perform our audit so as to obtain reasonable assurance that the consolidated financial statements are free of material misstatements. Our audit therefore included:

   - the examination, on a sample basis, of evidence for the amounts and disclosures in the financial statements and an assessment of the estimates, based on the judgements and criteria defined by the Board of Directors, used in the preparation of the financial statements;
   - the verification of the consolidation procedures and of the application of the equity method;
   - the assessment of whether the accounting policies used and their disclosure are appropriate to circumstances;
   - the verification as to whether the going concern basis is applicable;
   - the assessment of whether the global presentation of the financial statements is appropriate;
   - the assessment as to whether the consolidated financial information is complete, true and fair, timely, transparent, objective and lawful.

5. Our audit also included verifying that the consolidated financial information disclosed in the management report is consistent with the financial statements.

6. We believe that our audit provides a reasonable basis for our opinion.

OPINION

7. In our opinion, the consolidated financial statements referred to above present fairly and truthfully, in all material respects, the consolidated financial position of **"HAITONG BANK, S.A." (formerly Banco Espírito Santo de Investimento, S.A.)** as at 31 December 2015, the consolidated result and comprehensive income of its operations, the changes in consolidated equity and the consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and the information disclosed is complete, true and fair, timely, transparent, objective and lawful.

EMPHASIS

8. Without affecting the opinion expressed in paragraph 7 above, we draw attention to the following matter:

   8.1. With respect to the emphasis referred in 2014 concerning the agreement signed between Novo Banco, S.A. and Haitong International Holding Limited (hereinafter "HIHL") on the sale/purchase of the entire share capital of Banco Espírito Santo de Investimento S.A. (BESI), we note that on 7 September 2015 HIHL purchased from Novo Banco, S.A. all the shares of BESI.

   8.2. As a result of the acquisition referred to in 8.1. above, Banco Espírito Santo de Investimento, S.A. changed its name to Haitong Bank, S.A..

   8.3. In December 2015 the single shareholder of Haitong Bank, S.A., Haitong International Holding Limited, increased the Bank's share capital by EUR 100,000,000, to EUR 426,269,000, through the issuance of 20,000,000 shares with nominal value of EUR 5.

   8.4. In note 25 to the financial statements, Haitong Bank, S.A. notes its expectations concerning the recovery of the goodwill associated to the financial investments made in its subsidiaries, chiefly Haitong (UK) Limited and Haitong Capital - Sociedade de Capital de Risco, S.A.
   The goodwill determined relates to acquisitions made in previous years. Haitong Bank, S.A. has always adopted the procedures required by IAS 36 - Impairment of Assets in order to assess the recoverability of said goodwill.
   We should note that the recoverability of the goodwill, as disclosed in said note 25, is intrinsically linked to the capacity of said subsidiaries to generate future economic benefits in accordance with the strategic business plan that was defined and through the fulfilment of all economic assumptions taken.
   The Board of Directors, based on sensitivity analyses, considers the economic assumptions adequate and that no impairment losses will be detected.

REPORT ON OTHER LEGAL REQUIREMENTS

9. It is also our opinion that the information disclosed in the management report is consistent with the consolidated financial statements for the year.

Lisbon, 29 March 2016

José Maria Ribeiro da Cunha
representing:
"Amável Calhau, Ribeiro da Cunha & Associados
- Sociedade de Revisores Oficiais de Contas -"

AUDITOR'S REPORT

CONSOLIDATED FINANCIAL STATEMENTS

(This report is a free translation to English from the original Portuguese version. In case of doubt or misinterpretation the Portuguese version will prevail.)

Introduction

1 We have audited the consolidated financial statements of **Haitong Bank, S.A.** ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2015 (which shows total assets of Euro 4 172 582 thousand and a shareholders' equity attributable to the equity holders of Euro 391 662 thousand, including a net loss, attributable to equity holders Euro 35 402 thousand), the consolidated statements of income, changes in equity, comprehensive income and cash flows for the year then ended and the corresponding Notes.

Responsibilities

2 Management is responsible for the preparation of consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, that give a true and fair view of the financial position of the group of companies included in the consolidation, the consolidated results of its operations, consolidated changes in equity, consolidated comprehensive income and its consolidated cash flows, as well as for the adoption of adequate accounting policies and criteria and the maintenance of an appropriate internal control system.

3 Our responsibility is to express a professional and independent opinion on these financial statements based on our audit.

Scope

4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements. For this purpose our audit included:

- the verification that the financial statements of the companies included in the consolidation have been properly examined and, for the significant situations which have not been examined, the verification, on a test basis, of the information underlying the figures and disclosures contained in the financial statements, and an assessment of the estimates, based on judgments and criteria defined by Management, used in their preparation;
- the verification of the consolidation procedures and of the application of the equity method;

- the assessment of the adequacy of the accounting principles used and their disclosure, considering the circumstances;
- the appropriateness of the going concern basis of accounting; and
- the assessment of the adequacy of the overall presentation of the consolidated financial statements.

5 Our audit also included the verification that the consolidated financial information included in the consolidated management report is consistent with the consolidated financial statements.

6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the consolidated financial position of **Haitong Bank, S.A.** as at 31 December 2015, the consolidated results of its operations, consolidated comprehensive income, consolidated changes in equity and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter

8 Without affecting the Opinion included in the above paragraph, we draw your attention to the fact that the Bank, as at 31 December 2015, carries in its consolidated balance sheet, in the intangible assets caption, an amount of Euro 64.3 million, resulting from the acquisition of Haitong (UK) Limited (approximately Euro 54.0 millions) and Haitong Capital – Sociedade de Capital de Risco, S.A. (approximately Euro 9.9 millions), acquired in 2010 and 2007 respectively.

As referred in Note 25, the Bank followed the requirements of IAS 36 'Impairment of assets', to determine the recoverable amount of this goodwill, the methodology used, the assumptions assumed and the sensitive analysis performed being described in this Note. The analysis performed by the Bank, which is based on the described assumptions that the Haitong Bank Management considers appropriate in the circumstances, and the recoverable amount of the investment in these subsidiaries is dependent on the ability of the Companies, and its present shareholders, of putting in place the necessary measures to allow the accomplishment of the projections made and of the assumptions used. The evolution of macro economic conditions and the market in general, could have an impact in the realization of the business plan, and consequently in the recoverable amount of the investment in these subsidiaries and of the respective goodwill recognized in the statement of financial position as at 31 December 2015.

Report on other legal requirements

9 It is also our opinion that the financial information included in the consolidated management report is consistent with the consolidated financial statements for the period.

Lisbon, 29 March 2016

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Inês Maria Bastos Viegas Clare Neves (ROC n.º 967)

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INDIVIDUAL FINANCIAL STATEMENTS

AND

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

These individual financial statements are a free translation to English from the original Portuguese version. In case of doubt or misinterpretation, the Portuguese version will prevail.

1. INDIVIDUAL FINANCIAL STATEMENTS

Individual Income Statement for the periods ended in 31 December 2015 and 2014

(thousands of euro)

	Notes	31.12.2015	31.12.2014
Interest and similar income	4	28 948	50 997
Interest expense and similar charges	4	33 831	38 675
Net interest income		**(4 883)**	**12 322**
Dividend income	5	3 849	49 043
Fee and commission income	6	65 473	72 274
Fee and commission expense	6	(6 210)	(14 122)
Net gains / (losses) from financial assets at fair value through profit or loss	7	16 374	6 489
Net gains / (losses) from available for sale financial assets	8	(2 431)	75 215
Net gains / (losses) from foreign exchange differences	9	(26 487)	(2 779)
Net gains / (losses) from the sale of other assets	10	(8)	21 764
Other operating income and expenses	11	(4 044)	(2 581)
Operating income		**41 633**	**217 625**
Staff costs	12	38 985	42 878
General and administrative expenses	14	30 576	31 581
Depreciation and amortisation	24 and 25	4 692	4 853
Provisions net of reversals	32	(867)	58 470
Loans impairment net of reversals and recoveries	21	41 428	112 732
Impairment on other financial assets net of reversals and recoveries	19 and 20	1 016	18 743
Impairment on other assets net of reversals and recoveries	27	(711)	5 541
Operating expenses		**115 119**	**274 798**
Profit / (loss) before income tax		**(73 486)**	**(57 173)**
Income tax expense			
Current tax	33	(3 896)	9 302
Deferred tax	33	(26 413)	(37 575)
		(30 309)	**(28 273)**
Net Profit / (Loss) for the year		**(43 177)**	**(28 900)**
Basic Earnings per Share (in Euro)	15	-0.66	-0.45
Diluted Earnings per Share (in Euro)	15	-0.66	-0.45

The following notes form an integral part of these financial statements

Chief Accountant

The Board of Directors

Individual Statement of Comprehensive Income for the periods ended in 31 December 2015 and 2014

(thousands of euro)

	31.12.2015	31.12.2014
Net profit / (loss) for the period	**(43 177)**	**(28 900)**
Other comprehensive income for the period		
Items that will not be reclassified to profit or loss		
Actuarial gains / (losses) net of taxes	(7 989)	(3 313)
	(7 989)	**(3 313)**
Items that may be reclassified to profit or loss		
Available-for-sale financial assets		
Gains / (losses) arising during the period	(2 620)	64 374
Reclassification adjustments for gains/ (losses) included in the profit or loss	3 298	(71 418)
Deferred taxes	1 911	1 940
	2 589	**(5 104)**
Total comprehesive income for the period	**(48 577)**	**(37 317)**

The following notes form an integral part of these financial statements

Individual Statement of Financial Position as at 31 December 2015 and 2014

(thousands of euro)

	Notes	31.12.2015	31.12.2014
Assets			
Cash and deposits at central banks	16	117 663	1 198
Deposits with banks	17	19 311	27 824
Financial assets held for trading	18	499 583	698 419
Available-for-sale financial assets	19	159 904	148 185
Investments in credit institutions	20	142 651	97 657
Loans and advances to customers	21	469 116	628 228
Derivatives for risk management purposes	22	34	60
Non-current assets held-for-sale	23	3 600	3 600
Other tangible assets	24	7 345	9 222
Intangible assets	25	13 585	13 261
Investments in subsidiaries and associates	26	398 623	362 456
Current income tax assets		5 947	604
Deferred income tax assets	33	111 582	83 259
Other assets	27	652 705	581 878
Total Assets		**2 601 649**	**2 655 851**
Liabilities			
Deposits from central banks	28	61 139	61 108
Financial liabilities held-for-trading	18	420 817	644 151
Deposits from other banks	29	812 577	780 070
Deposits and other resources from customers	30	135 609	49 970
Debt securities issued	31	212 439	370 251
Derivatives for risk management purposes	22	59	94
Provisions	32	175 284	88 782
Current income tax liabilities		2 784	12 457
Subordinated debt	34	215	60 230
Other liabilities	35	267 679	128 472
Total Liabilities		**2 088 602**	**2 195 585**
Equity			
Share capital	36	426 269	326 269
Share premium	36	8 796	8 796
Other equity instruments	36	3 731	3 731
Fair value reserve	37	(3 713)	(6 302)
Other reserves and retained earnings	37	121 141	156 672
Net profit/ (loss) for the period		(43 177)	(28 900)
Total Equity		**513 047**	**460 266**
Total Equity and Liabilities		**2 601 649**	**2 655 851**

The following notes form an integral part of these financial statements

Chief Accountant

The Board of Directors

Individual Statement of Changes in Equity for the periods ended in 31 December 2015 and 2014

(thousands of euro)

	Share Capital	Share premium	Other equity instruments	Fair value reserve	Other reserves, retained earnings and other comprehensive income	Total	Net profit / (loss) for the year	Total equity
Balance as at 31 December 2013	**326 269**	**8 796**	**3 731**	**(1 198)**	**131 400**	**130 202**	**(2 548)**	**466 450**
Balance directly recorded in Equity:								
Changes in fair value, net of taxes	-	-	-	(5 104)	-	(5 104)	-	(5 104)
Actuarial gains / (losses) from defined benefit obligation, net of taxes	-	-	-	-	(3 313)	(3 313)	-	(3 313)
Net profit / (loss) for the period	-	-	-	-	-	-	(28 900)	(28 900)
Total of comprehensive income for the period	**-**	**-**	**-**	**(5 104)**	**(3 313)**	**(8 417)**	**(28 900)**	**(37 317)**
Transfer to reserves	-	-	-	-	(2 548)	(2 548)	2 548	-
Merger Reserve	-	-	-	-	42 150	42 150	-	42 150
Interests on other equity instruments (see Note 37)	-	-	-	-	(225)	(225)	-	(225)
Other movements	-	-	-	-	(10 792)	(10 792)	-	(10 792)
Balance as at 31 December 2014	**326 269**	**8 796**	**3 731**	**(6 302)**	**156 672**	**150 370**	**(28 900)**	**460 266**
Balance directly recorded in Equity:								
Changes in fair value, net of taxes	-	-	-	2 589	-	2 589	-	2 589
Actuarial gains / (losses) from defined benefit obligation, net of taxes	-	-	-	-	(7 989)	(7 989)	-	(7 989)
Net profit / (loss) for the period	-	-	-	-	-	-	(43 177)	(43 177)
Total comprehensive income for the period	**-**	**-**	**-**	**2 589**	**(7 989)**	**(5 400)**	**(43 177)**	**(48 577)**
Capital increase	100 000	-	-	-	-	-	-	100 000
Transfer to reserves	-	-	-	-	(28 900)	(28 900)	28 900	-
Merger Reserve	-	-	-	-	1 274	1 274	-	1 274
Interests on other equity instruments (see Note 37)	-	-	-	-	(225)	(225)	-	(225)
Other movements	-	-	-	-	309	309	-	309
Balance as at 31 December 2015	**426 269**	**8 796**	**3 731**	**(3 713)**	**121 141**	**117 428**	**(43 177)**	**513 047**

The following notes form an integral part of these financial statements

Individual Cash Flow Statement for the periods ended in 31 December 2015 and 2014

(thousands of euro)

	Notes	31.12.2015	31.12.2014
Cash flows from operating activities			
Interest and similar income received		35 192	72 037
Interest expense and similar charges paid		(33 512)	(39 858)
Fees and commission received		64 189	90 969
Fees and commission paid		(7 082)	(13 760)
Cash payments to employees and suppliers		(84 212)	(65 850)
		(25 425)	**43 538**
Changes in operating assets and liabilities:			
Deposits with central banks		(116 464)	3 524
Financial assets at fair value through profit or loss		(16 843)	39 861
Loans and advances to banks		(46 539)	266 421
Deposits from central banks		31	(93 567)
Deposits from banks		23 476	(227 024)
Loans and advances to customers		198 739	(77 006)
Resources and other deposits from customers		84 303	(201 199)
Derivatives for risk management purposes		(18)	3 741
Other operating assets and liabilities		76 514	(53 102)
Net cash from operating activities before income tax		**177 774**	**(294 813)**
Income taxes paid		(3 197)	(3 197)
		174 577	**(298 010)**
Cash flows from investing activities			
Investment acquisitions in subsidiaries and associates		(44 348)	(181 071)
Investment disposals in subsidiaries and associates		-	50 660
Dividends received		3 849	49 043
Acquisition of available-for-sale financial assets		(95 952)	(106 565)
Sale of available-for-sale financial assets		77 507	524 930
Held to maturity investments		-	(371)
Acquisition of tangible and intangible assets		(4 010)	(3 716)
Sale of tangible and intangible assets		(28)	-
		(62 982)	**332 910**
Cash flows from financing activities			
Share capital increase		100 000	-
Bonds issued		210 165	-
Reimbursement of bonds		(370 047)	(29 843)
Reimbursement of subordinated debt		(60 000)	-
Interests on other equity instruments		(225)	(225)
Net cash from financing activities		**(120 107)**	**(30 068)**
Net changes in cash and cash equivalents		**(8 512)**	**4 832**
Cash and cash equivalents at the beginning of the period		27 830	22 998
Cash and cash equivalents at the end of the period		19 318	27 830
		(8 512)	**4 832**
Cash and equivalents includes:			
Cash	15 to 16	7	6
Deposits with banks	16 to 17	19 311	27 824
Total		**19 318**	**27 830**

The following notes form an integral part of these financial statements

2. NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

Haitong Bank, S.A.

NOTE 1 - ACTIVITY

Haitong Bank, S.A. (the Bank or Haitong Bank) is an investment bank headquartered in Portugal, Rua Alexandre Herculano, no. 38, in Lisbon. The Bank is authorized by the Portuguese authorities, central banks and other regulatory authorities to operate in Portugal and in the countries where its international branches are located.

The company was established in February 1983 as a foreign investment in Portugal under the name FINC - Sociedade Portuguesa Promotora de Investimentos, S.A.R.L.. During 1986, the company was integrated into the Espírito Santo Group under the designation Espírito Santo – Sociedade de Investimentos, S.A..

In order to enlarge the scope of its business, the company obtained permission from the Portuguese authorities to operate as an investment bank. This involved the publication of Order-in-Council no. 366/92, of 23 November, published in the Diário da República – Series II – no. 279, of 3 December. The activity as an investment bank started under the name Banco ESSI, S.A., on 1 April 1993.

During 2000, Banco Espírito Santo, S.A. (BES) acquired all of the share capital of BES Investimento in order to reflect in its consolidated financial statements all the existing synergies between both institutions.

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

Haitong Bank currently operates through its headquarters in Lisbon, branches in London, Warsaw, New York and Madrid, as well as through its subsidiaries in Brazil, Ireland, United Kingdom, India and Mexico.

Haitong Bank's financial statements are consolidated by Haitong International Holdings Limited, headquartered at Li Po Chun Chambers, no. 189, Des Voeux Road Central, in Hong Kong.

NOTE 2 – MAIN ACCOUNTING POLICIES

2.1. Basis of preparation

In accordance with Regulation (EC) no. 1606/2002 of 19 July 2002 from the European Council and Parliament, and its adoption into Portuguese Law through Decree-Law no. 35/2005, of 17 February 2005, and Regulation no. 1/2005 from the Bank of Portugal, Haitong Bank, S.A. (the Bank or Haitong Bank) is required to prepare its financial statements in accordance with the Adjusted Accounting Standards (NCA), as established by the Bank of Portugal.

NCA are composed by all the standards included in the International Financial Reporting Standards (IFRS) as adopted for use in the EU, with the exception of issues regulated by the Bank of Portugal such as loan impairment and recognition in retained earnings of the adjustments related to pensions during the transition period.

IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) and its predecessor body, as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor body.

These individual financial statements as at and for the year ended 31 December 2015 were prepared in accordance with the Adjusted Accounting Standards (NCA), which includes the IFRS effective and adopted for use in the EU until 31 December 2015.

The accounting policies applied by the Bank in the preparation of these financial statements as at 31 December 2015 are consistent with the ones used in the preparation of the financial statements as at 31 December 2014.

Additionally, as described in Note 42, in the preparation of the financial statements as at 31 December 2015, the Bank adopted the accounting standards issued by the IASB and IFRIC interpretations, effective since 1 January 2015. The accounting policies adopted by the Bank in the preparation of the Individual Financial Statements are in accordance with those described in that note. The adoption of these standards and interpretations in 2015 by the Bank had no material effect in the Bank's Individual Financial Statements.

The accounting standards and interpretations recently issued but not yet effective or applied by the Bank in preparing its financial statements are also analysed in Note 40.

These individual financial statements are expressed in thousands of euro, rounded to the nearest thousand, and have been prepared under the historical cost convention, except for the assets and liabilities accounted for at fair value, namely, derivative contracts, financial assets and financial liabilities at fair value through profit or loss, available for sale financial assets, recognised assets and liabilities that are hedged, in a fair value hedge, in respect of the risk that is being hedged.

The preparation of financial statements in conformity with NCA requires the application of judgment and the use of estimates and assumptions by management that affects the process of applying the Bank's accounting policies and the reported amounts of income, expenses, assets and liabilities. Actual results in the future may differ from those reported. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

These individual financial statements were approved by the Board of Directors in a meeting held on 21 March 2016.

2.2. Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates in force at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to euro at the foreign exchange rates in force at the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities in a foreign currency that are measured at historical cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to euro at the foreign exchange rates ruling at the dates the fair value was determined. The resulting exchange differences are accounted for in the income statement, except if related to equity instruments classified as available for sale, which are accounted for in equity, within the fair value reserve.

2.3. Derivative financial instruments and hedge accounting

Classification

Derivatives for risk management purposes includes (i) hedging derivatives and (ii) derivatives used to manage the risk of certain financial assets and financial liabilities designated at fair value through profit or loss that were not classified as hedging derivatives.

All other derivatives are classified as trading derivatives.

Recognition and measurement

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into (trade date). Subsequent to initial recognition, the fair value of derivative financial instruments is re-measured on a regular basis and the resulting gains or losses on re-measurement are recognised directly in the income statement, except for derivatives designated as hedging instruments. The recognition of the resulting gains or losses of the derivatives designated as hedging instruments depends on the nature of the risk being hedged and of the hedge model used.

Fair values are obtained from quoted market prices in active markets, if available, or are determined using valuation techniques, including discounted cash flow models and option pricing models, as appropriate.

Derivatives traded in organised markets, namely futures and some options, are recognised as trading derivatives, being marked to market on a daily basis while the resulting gains or losses are recognised directly in the income statement. Since the fair value changes on these derivatives are settled daily through the margin accounts held by the Group, these derivatives do not present any fair value on the balance sheet. The margin accounts are included under the caption Other assets (see Note 26) and comprise the minimum collateral mandatory for open positions.

Hedge accounting

- Classification criteria

Derivative financial instruments used for the purpose of hedge accounting, may be classified as hedging instruments, provided the following criteria are met:

i) At the inception of the hedge, the hedge relationship is identified and documented, including the identification of the hedged item and of the hedging instrument and the evaluation of the effectiveness of the hedge;

ii) The hedge is expected to be highly effective, both at the inception of the hedge and on an ongoing basis;

iii) The effectiveness of the hedge can be reliably measured, both at the inception of the hedge and on an ongoing basis ;

iv) For cash flows hedges, the occurrence of cash flows should be highly probable;

- Fair value hedge

In a fair value hedge, the book value of the hedged asset or liability, determined in accordance with the respective accounting policy, is adjusted to reflect the changes in its fair value that are attributable to the risks being hedged. Changes in the fair value of the derivatives that are designated as hedging instruments are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the risk being hedged.

If the hedge no longer meets the criteria for hedge accounting, the derivative financial instrument is transferred to the trading portfolio and the hedge accounting is discontinued prospectively. The cumulative adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to the income statement over the period to maturity.

- Cash flow hedge

When a derivative financial instrument is designated as a hedge of the variability in highly probable future cash flows, the effective portion of changes in the fair value of the hedging derivatives is recognised in equity. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect the income statement. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised in equity at that time is recognised in the income statement when the hedged transaction also affects the income statement. When a hedged transaction is no longer expected to occur, the cumulative gain or loss reported in equity is recognised immediately in the income statement and the hedging instrument is reclassified for the trading portfolio.

During the current period the Bank did not own any hedging instruments that could be classified as cash flow hedge.

Embedded derivatives

Derivatives that are embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss.

These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

2.4. Loans and advances to customers

Loans and advances to customers include loans and advances originated by the Bank, which are not intended to be sold in the short term. Loans and advances to customers are recognised when cash is advanced to borrowers.

Loans and advances to customers are derecognised from the balance sheet when (i) the contractual rights to receive their cash flows have expired, (ii) the Bank has substantially transferred all risks and rewards of ownership or (iii) although retaining some but not substantially all of the risks and rewards of ownership, the Bank has transferred the control over the assets.

Loans and advances to customers are initially recorded at fair value plus transaction costs and are subsequently measured at amortised cost, using the effective interest rate method, less impairment losses.

Impairment

The Bank assesses, on a regular basis, whether there is objective evidence of impairment within its loan portfolio. Impairment losses identified are recognised in the income statement, and are subsequently reversed through the income statement if, in a subsequent period, the amount of the impairment losses decreases.

A loan or a loan portfolio, defined as a group of loans with similar credit risk characteristics, is impaired when: (i) there is objective evidence of impairment as a result of one or more events that occurred after its initial recognition and (ii) that event (or events) has an impact on the estimated future cash flows of the loan or of the loan portfolio, which can be reliably estimated.

The Bank first assesses whether objective evidence of impairment exists individually for each loan. In this assessment the Bank uses the information that feeds the credit risk models implemented and takes into consideration from others, the following factors:

- the aggregate exposure to the customer and the existence of non-performing loans;
- the viability of the customer's business model and its capability to successfully trade and generate sufficient cash flow to service their debt obligations;
- the extent of other creditors' commitments ranking ahead of the Bank;
- the existence, nature and estimated realisable value of collaterals;
- the exposure of the customer within the financial sector;
- the amount and timing of expected recoveries.

When loans have been individually assessed and no evidence of loss has been identified, these loans are grouped together on the basis of similar credit risk characteristics for the purpose of evaluating the impairment on a portfolio basis (collective assessment). Loans that are assessed individually and found to be impaired are not included in a collective assessment for impairment.

If an impairment loss is identified on an individual basis, the amount of the impairment loss to be recognised is calculated as the difference between the book value of the loan and the present value of the expected future cash flows (considering the recovery period), discounted at the original effective interest rate. The carrying amount of impaired loans is reduced through the use of an allowance account. If a loan has a variable interest rate, the discount rate for measuring the impairment loss is the current effective interest rate determined under the contract rules.

The changes in the recognised impairment losses attributable to the unwinding of discount are recognised as interest and similar income.

The calculation of the present value of the estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics, taking in consideration the Bank's credit risk management process. Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the Bank and historical loss experience. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank with the purpose of reducing any differences between loss estimates and actual loss experience.

According to NCA, the value of loans should be adjusted on prudent and rigorous criteria in order to reflect at all times its realisable value. This impairment adjustment must be equal or greater than the one determined under Regulation no. 3/95, from the Bank of Portugal, which establishes the minimum reference values for generic and specific provisions.

When a loan is considered by the Bank as uncollectible and an impairment loss of 100% was recognised, it is written off against the related allowance for loan impairment.

2.5. Other financial assets

Classification

The Bank classifies other financial assets at initial recognition in the following categories:

- Financial assets at fair value through profit or loss

This category includes: (i) financial assets held for trading, which are those acquired principally for the purpose of selling in the short term or that are owned as 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 and (ii) financial assets that are designated at fair value through profit or loss at inception.

The Bank classifies, at inception, certain financial assets at fair value through profit or loss when:

- Such financial assets are managed, measured and their performance evaluated on a fair value basis;
- Such financial assets are being hedged (on an economical basis), in order to eliminate an accounting mismatch; or
- Such financial assets contain an embedded derivative.

The structured products acquired by the Bank that correspond to financial instruments containing one or more embedded derivatives meet the abovementioned conditions, and, in accordance, are classified under the fair value through profit or loss category.

- Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold until its maturity and that are not classified, at inception, at fair value through profit or loss or as available for sale.

- Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets (i) intended to be held for an indefinite period of time, (ii) designated as available for sale at initial recognition or (iii) that are not classified in any of the above categories.

Initial recognition, initial measurement and derecognition

Purchases and sales of: (i) financial assets at fair value through profit or loss, (ii) held to maturity investments and (iii) available for sale financial assets, are recognised on trade-date – the date on which the Bank commits to the purchase or sale of the asset.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, in which case these transaction costs are directly recognised in the income statement.

Financial assets are derecognised when (i) the contractual rights to receive their cash flows expire, (ii) the Bank has substantially transferred all risks and rewards of ownership or, (iii) although retaining some but not substantially all of the risks and rewards of ownership, the Bank has transferred control over the assets.

Subsequent measurement

Financial assets at fair value through profit or loss are subsequently carried at fair value and gains and losses arising from changes in their fair value are included in the income statement in the period in which they arise.

Available for sale financial assets are also subsequently carried at fair value. However, gains and losses arising from changes in their fair value are recognised directly in equity, until the financial assets are derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement. Foreign exchange differences arising from equity investments classified as available for sale are also recognised in equity, while foreign exchange differences arising from debt investments are recognised in the income statement. Interest, calculated using the effective interest rate method and dividends are recognised in the income statement.

Held to maturity investments are carried at amortised cost using the effective interest rate method, net of any impairment losses recognised.

The fair values of quoted investments in active markets are based on current bid prices. For unlisted securities the Bank establishes fair value by using (i) valuation techniques, including the use of recent arm's length transactions, discounted cash flow analysis and option pricing models and (ii) valuation assumptions based on market information.

Reclassifications between categories

The Bank only reclassifies non-derivative financial assets with fixed or determinable payments and fixed maturities, from the available for sale financial assets category to the held to maturity investments category, if it has the intention and ability to hold those financial assets until maturity.

Reclassifications between these categories are made at the fair value of the assets reclassified on the date of the reclassification. The difference between this fair value and the respective nominal value is recognised in the income statement until maturity, based on the effective interest rate method. The fair value reserve at the date of the reclassification is also recognised in the income statement, based on the effective interest rate method.

Impairment

In accordance with NCA, the Bank periodically assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, the recoverable amount of the asset is determined and impairment losses are recognised through the income statement.

A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after their initial recognition, such as: (i) for equity securities, a significant or prolonged decline in the fair value of the security below its cost, and (ii) for debt securities, when that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets, that can be reliably estimated.

For held to maturity investments, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (considering the recovery period) discounted at the financial asset's original effective interest rate and are recognised in the income statement. The carrying amount of the impaired assets is reduced through the use of an allowance account. If a held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. For held to maturity investments if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through the income statement.

If there is objective evidence that an impairment loss on available for sale financial assets has been incurred, the cumulative loss recognised in equity – measured as the difference between the acquisition cost and the

current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is taken to the income statement. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed through the income statement up to the acquisition cost if the increase is objectively related to an event occurring after the impairment loss was recognised, except in relation to equity instruments, in which case the reversal is recognised in equity.

2.6. Sale and repurchase agreements

Securities sold subject to repurchase agreements (repos) at a fixed price or at the sales price plus a lender's return are not derecognized. The corresponding liability is included in amounts due to banks or to customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method.

Securities purchased under agreements to resell (reverse repos) at a fixed price or at the purchase price plus a lender's return are not recognised, while the purchase price paid is recorded as loans and advances to banks or customers, as appropriate. The difference between purchase and resale price is treated as interest and accrued over the life of the agreements using the effective interest rate method.

Securities lent under lending agreements are not derecognised being classified and measured in accordance with the accounting policy described in Note 2.5. Securities borrowed under borrowing agreements are not recognised in the balance sheet.

2.7. Financial liabilities

An instrument is classified as a financial liability when it contains a contractual obligation to transfer cash or another financial asset, independently from its legal form.

Non-derivatives financial liabilities include deposits from banks and due to customers, loans, debt securities, subordinated debt and short sales.

The financial liabilities are recognised (i) initially at fair value less transaction costs and (ii) subsequently at amortised cost, using the effective interest rate method, except for short sales and financial liabilities designated at fair value through profit or loss, which are measured at fair value.

The Bank designates, at inception, certain financial liabilities as at fair value through profit or loss when:

- Such financial liabilities are being hedged (on an economical basis), in order to eliminate an accounting mismatch; or
- Such financial liabilities contain embedded derivatives.

The structured products issued by the Bank meet the above mentioned conditions and, in accordance, are classified under the fair value through profit or loss category.

The fair value of quoted financial liabilities is based on the current price. In the absence of a quoted price, the Bank establishes the fair value by using valuation techniques based on market information, including the own credit risk of the issuer.

If the Bank repurchases debt issued, it is derecognised from the balance sheet and the difference between the carrying amount of the liability and its acquisition cost is recognised in the income statement.

2.8. Financial Guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument, namely the payment of principal and/or interests.

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee is issued. Subsequently financial guarantees are measured at the higher of (i) the fair value recognised on initial recognition or (ii) any financial obligation arising as a result of the guarantees at the balance sheet date. Any increase in the liability relating to guarantees is taken to the income statement.

The financial guarantee contracts issued by the Bank normally have a stated maturity date and a periodic fee. This fee varies depending on the counterparty risk, the amount and the time period of the contract. Therefore, the fair value of the financial guarantee contracts issued by the Bank, at the inception date, equal the initial fee received, which is recognised in the income statement over the period to which it relates. The subsequent periodic fees are recognised in the income statement in period to which they relate.

2.9. Equity instruments

An instrument is classified as an equity instrument when it does not contain a contractual obligation to deliver cash or another financial asset, independently from its legal form, being a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to the issue of equity instruments are recognised under equity as a deduction from the proceeds. Amounts paid or received related to acquisitions or sales of equity instruments are recognised in equity, net of transaction costs.

Distributions to holders of an equity instrument are debited directly to equity as dividends, when declared.

2.10. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.11. Non-current assets held-for-sale

Non-current assets or disposal groups (groups of assets to be disposed of together and related liabilities that include at least a non-current asset) are classified as held for sale when their carrying amounts will be recovered principally through sale (including those acquired exclusively with a view to its subsequent disposal), the assets or disposal groups are available for immediate sale and is highly probable.

Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is brought up to date in accordance with the applicable IFRS. Subsequently, these assets or disposal group are remeasured at the lower of their carrying amount or fair value less costs to sell.

2.12. Property and equipment

Property and equipment are measured at cost less accumulated depreciation and impairment losses. The value includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank. All other repairs and maintenance are charged to the income statement during the period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method over their estimated useful lives, as follows:

	Number of years
Buildings	35 to 50
Improvements in leasehold property	10
Computer equipment	4 to 5
Fixtures	5 to 12
Furniture	4 to 10
Security equipment	4 to 10
Machines and tools	4 to 10
Motor vehicles	4
Other equipment	5

When there is an indication that an asset may be impaired, IAS 36 requires that its recoverable amount be estimated and an impairment loss recognised when the net book value of the asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount is determined as the greater of its net selling price and value in use which is based on the net present value of future cash flows arising from the continuing use and ultimate disposal of the asset.

2.13. Intangible assets

The costs incurred with the acquisition, production and development of software are capitalised, as well as the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis during their expected useful lives, which is usually between three to eight years.

Costs that are directly associated with the development of identifiable specific software applications and that will probably generate economic benefits beyond one year, are recognised as intangible assets. These costs include employee costs from the Bank companies specialised in IT directly associated with the development of the referred software.

All remaining costs associated with IT services are recognised as an expense as incurred.

2.14. Leases

The Bank classifies its lease agreements as finance leases or operating leases taking into consideration the substance of the transaction rather than its legal form, in accordance with IAS 17 – Leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

Operating leases

Payments made under operating leases are charged to the income statement in the period to which they relate.

Finance leases

- As lessee

Finance lease contracts are recorded at inception date, both under assets and liabilities, at the cost of the asset leased, which is equal to the present value of outstanding lease instalments.

Instalments comprise (i) an interest charge, which is recognised in the income statement and (ii) the repayment of principal, which is deducted from liabilities. Financial charges are recognised as costs over the lease period, in order to produce a constant periodic rate of interest on the remaining balance of liability for each period.

- As lessor

Assets leased out are recorded in the balance sheet as loans granted, for the amount equal to the net investment made in the leased assets.

Interest included in instalments charged to customers is recorded as interest income, while repayments of principal also included in the instalments, is deducted from the amount of the loans granted. The recognition of the interest reflects a constant periodic rate of return on the lessor's net outstanding investment.

2.15. Employee benefits

Pensions

After signing the Collective labour agreement ("Acordo Colectivo de Trabalho" - ACT), the Bank set up pension funds and other mechanisms to cover the liabilities with pensions on retirement and disability, widows' pension and health-care benefits.

Since 1 January 2011, the Bank's employees were included in the Social Security System, which ensures their protection in motherhood, fatherhood, adoption and old age, while the banks remain responsible for insurance related to illness, disability, survival and death (Decree-Law no. 1-A/2011, of 3 January).

The contribution rate is 26.6%, of which 23.6% belongs to the employer and 3% to employees, replacing the "CAFEB - Caixa de Abono de Família dos Empregados Bancários", extinguished by the same Decree-Law. As a result, the pension rights of active employees started to be covered by the terms defined by the Social Security System, considering the period of service rendered since 1 January 2011 until the retirement age. The difference to the minimum pension guaranteed is supported by the banks, in accordance with the terms defined in the Collective labour agreement ("Acordo Colectivo de Trabalho" - ACT).

Following the Government's approval of the Decree-Law no. 127/2011, which was published in 31 December, a Three Party Agreement between the Government, the Portuguese Bank Association and the

Union of Bank employees was established, regarding the transfer to the Social Security domain of the liabilities with pensions under payment to retired employees and pensioners, as at 31 December 2011.

This decree-law established that the liabilities to be transferred were the liabilities with pensions under payment at 31 December 2011 to retired employees and pensioners, at permanent values (discount rate 0%) in the terms set forth in Collective Labour Regulation Instrument (IRCT). The liabilities regarding the update of pensions, benefit plans, contributions to Social-Medical Assistance Services over retirement and survival pensions, death subsidy and deferred survival pension are still under the responsibility of the Institutions.

The hedging of these responsibilities is ensured through pension funds managed by GNB – Sociedade Gestora de Fundos de Pensões, S.A..

The pension plans of the Bank are classified as defined benefit plans, since the criteria to determine the pension benefit to be received by employees on retirement are predefined and usually depend on factors such as age, years of service and level of salary.

In light of IFRS 1, the Bank decided to adopt IAS 19 retrospectively and has recalculated the pension and other post-retirement benefits obligations and the corresponding actuarial gains and losses, to be deferred in accordance with the corridor method allowed by this accounting standard.

In 2011, the Bank retrospectively changed the accounting policy related to actuarial gains and losses recognition, adjusting the opening balance sheet and comparative values, starting to recognise, as allowed under paragraph 93A of IAS 19 “Employee Benefits”, the actuarial deviations under other comprehensive income.

The liability with pensions is calculated annually by the Bank, as at 31 December each year for each plan individually, using the projected unit credit method, and is reviewed annually by qualified independent actuaries.

The discount rate used in this calculation was determined with reference to market rates associated with high-quality corporate bonds issues, denominated in the currency in which benefits will be paid and with a maturity similar to the expiry date of the plan obligations.

The interest gain/(loss) with the pension plan is calculated by the Bank, through the multiplication of the net asset/liability with retirement pensions (liabilities deducted from the fair value of the fund assets) by the discount rate used to estimate the liabilities with the retirement pensions referred above. The net interest gain/(loss) includes the related costs with the interest associated to the liabilities with retirement pensions and the expected income from the funds assets, both measured based in the discount rate used in the liabilities calculations.

Actuarial gains and losses determined annually and resulting from (i) the differences between financial and actuarial assumptions used and real values obtained and (ii) the changes in actuarial assumptions, are recognised under equity in the balance other comprehensive income.

At each period, the Bank recognises as a cost in the income statement a net total amount that comprises (i) the service cost, (ii) the interest cost, (iii) the expected return on plan assets, (iv) effect of early retirement, and (v) effect of settlement or curtailment occurred during the period. Early retirement costs correspond to an increase on the liabilities due to the fact the employee retires before reaching 65 years of age.

The Bank makes payments to the funds in order to maintain its solvency and to comply with the following minimum levels establish by the national central bank: (i) the liability with pensioners shall be totally funded at the end of each year, and (ii) the liability related to past services cost with employees in service shall be funded at a minimum level of 95%.

Annually, the Bank assesses for each plan separately, the recoverability of any recognised asset in relation to the defined benefit pension plans, based on the expectation of reductions in future contributions to the funds.

Health care benefits

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

SAMS provides to its beneficiaries services and/or contributions on medical assistance expenses, diagnostics, medicines, hospital confinement and surgical operations, in accordance with its financing availability and internal regulations.

The annual contribution of the Bank to SAMS amounts to 6.5% of the total annual remuneration of employees, including, among others, the holiday and Christmas subsidy.

The measurement and recognition of the Bank's liability with post-retirement healthcare benefits is similar to the measurement and recognition of the pension liability described above. These benefits are covered by the Pension Fund which at present covers all responsibilities with pensions and health care benefits.

Long-term service benefits

In accordance with the Collective labour agreement for the banking sector, the Bank has assumed the commitment to pay to current employees that achieve 15, 25 and 30 years of service within the Bank, long-term service premiums corresponding, respectively, to 1, 2 and 3 months of their effective monthly remuneration earned at the date the premiums are paid.

At the date of early retirement or disability, employees have the right to a premium proportional to what they would earn if they remained in service until the next payment date.

These long-term service benefits are accounted for by the Bank in accordance with IAS 19 as other long-term employee benefits.

The liability with long-term service benefits is calculated annually, at the balance sheet date, by the Bank using the projected unit credit method. The actuarial assumptions used are based on the expectations about future salary increases and mortality tables. The discount rate used in this calculation was determined based on the same methodology described for pensions.

In each period the increase in the liability for long-term service premiums, including actuarial gains and losses and past service costs is charged to the income statement.

Bonus to employees and to the Board of Directors

In accordance with IAS 19 Employee benefits, the bonus payment to employees and to the Board of Directors is recognised in the income statement in the period to which they relate.

2.16. Income tax

Income tax for the period comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Income tax recognised directly in equity relating to fair value re-measurement of available for sale financial assets and cash flow hedges is subsequently recognised in the income statement when gains or losses giving rise to the income tax are also recognised in the income statement.

Current tax is the tax expected to be paid on the taxable profit for the period, calculated using tax rates enacted or substantively enacted at the balance sheet date at each jurisdiction.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax basis, and is calculated using the tax rates enacted or substantively enacted at the balance sheet date in

any jurisdiction and that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be deducted.

2.17. Provisions

Provisions are recognised when: (i) the Bank has present legal or constructive obligation, (ii) it is probable that settlement will be required in the future and (iii) a reliable estimate of the obligation can be made.

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

Restructuring provisions are recognised when the Bank has approved a detailed and formal restructuring plan and such restructuring either has commenced or has been announced publicly.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable costs of meeting its obligation under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net costs of continuing with the contract.

2.18. Interest income and expenses

Interest income and expense are recognised in the income statement under interest and similar income and interest expense and similar charges for all non-derivative financial instruments measured at amortised cost and for the available for sale financial assets, using the effective interest rate method. Interest income arising from non-derivative financial assets and liabilities at fair value through profit or loss is also included under interest and similar income or interest expense and similar charges, respectively.

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, a shorter period to the net carrying amount of the financial asset or financial liability. The effective interest rate is calculated at inception and it is not subsequently revised.

When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and commissions paid or received that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. In the case of financial assets or groups of similar financial assets for which an impairment loss was recognised, interest income is calculated using the interest rate used to measure the impairment loss.

For derivative financial instruments, except for derivatives for risk management purposes (see Note 2.3), the interest component of the changes in their fair value is not separated out and is classified under net gains/(losses) from financial assets and financial liabilities at fair value through profit or loss. The interest component of the changes in the fair value of derivatives for risk management purposes is recognised under interest and similar income or interest expense and similar charges.

2.19. Recognition of fees and commission income

Fees and commissions are recognised as follows:

- Fees and commissions that are earned on the execution of a significant act, as loan syndication fees, are recognised as income when the significant act has been completed;
- Fees and commissions earned over the period in which the services are provided are recognised as income in the period the services are provided;
- Fees and commissions that are an integral part of the effective interest rate of a financial instrument are recognised as income using the effective interest rate method.

2.20. Recognition of dividend income

Dividend income is recognised when the right to receive payment is established.

2.21. Segmental reporting

According to paragraph 4 of IFRS 8 – Operating Segments, the Bank is exempt from submitting a report on an individual basis by segment, since the individual financial statements are presented together with the consolidated financial statements.

2.22. Earnings per share

Basic earnings per share is calculated by dividing net income available to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased by the Bank and held as treasury stock.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to assume conversion of all dilutive potential ordinary shares, such as convertible debt and share options granted to employees. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net earnings per share.

2.23. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the inception date, including cash, deposits with banks and deposits at central banks.

Cash and cash equivalents exclude restricted balances with Central Banks.

NOTE 3 – CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

NCA set forth a range of accounting treatments and require management to apply judgment and make estimates in deciding which treatment is most appropriate. The most significant of these accounting policies are discussed in this section in order to improve understanding of how their application affects the Bank's reported results and related disclosure. A broader description of the accounting policies employed by the Bank is shown in Note 2 to the Financial Statements.

Because in many cases there are other alternatives to the accounting treatment chosen by management, the Bank's reported results would differ if a different treatment were chosen. Management believes that the choices made by it are appropriate and that the financial statements present the Bank's financial position and results fairly in all material respects.

3.1. Impairment of available for sale financial assets

The Bank determines that available for sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost or when it has identified an event with impact on the estimated future cash flows of the assets. This determination requires judgement based on all available relevant information, including the normal volatility of the financial instruments prices. Considering the high volatility of the markets, the Bank has considered the following parameters when assessing the existence of impairment losses:

(i) Equity securities: significant decline in market value in relation to the acquisition cost or market value below the acquisition cost for a prolonged period;

(ii) Debt securities: objective evidence of events that have an impact on the estimated future cash flows of these assets.

In addition, valuations are generally obtained through market quotation (mark to market) or valuation models (mark to model) that may require assumptions or judgement in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in the income statement of the Bank.

3.2. Fair value of derivatives

Fair values are based on listed market prices if available; otherwise fair value is determined either by dealer price quotations (both for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which take into account market conditions for the underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgements in estimating fair values.

Consequently, the use of a different model or different assumptions or judgements in applying a particular model may have produced different financial results from the ones reported.

3.3. Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment on a regular basis, as described in Note 2.4, in accordance with the minimum reference values for generic and specific provisions, determined under the regulation no. 3/95, from the Bank of Portugal.

The evaluation process in determining whether an impairment loss should be recorded in the income statement is subject to numerous estimates and judgments. The frequency of default, risk ratings, loss recovery rates and the estimation of both the amount and timing of future cash flows, among other factors, are considered in making this evaluation.

Alternative methodologies and the use of different assumptions and estimates could result in a different level of impairment losses with a consequent impact in the income statement of the Bank.

3.4. Income Taxes

The Bank is subject to income taxes in numerous jurisdictions. Significant interpretations and estimates are required in determining the worldwide amount for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the period.

The Tax Authorities are entitled to review the Bank' determination of annual taxable earnings, for a period of four years or six years in case tax losses are brought forward. Hence, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, the Bank's Board of Directors is confident that there will be no material tax assessments within the context of the financial statements.

3.5. Pensions and other employee benefits

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated returns on investment, and other factors that could impact the cost and liability of the pension plan.

Changes in these assumptions could materially affect these values.

NOTE 4 – NET INTEREST INCOME

This balance is analysed as follows:

(thousands of euro)

	31.12.2015			31.12.2014		
	Assets/Liabilities at Amortised Cost and Available-for-Sale Financial Assets	Assets/Liabilities at Fair Value Through Profit or Loss	Total	Assets/Liabilities at Amortised Cost and Available-for-Sale Financial Assets	Assets/Liabilities at Fair Value Through Profit or Loss	Total
Interest and similar income						
Interest from loans and advances to customers	17 471	-	17 471	26 249	-	26 249
Interest from financial assets at fair value through profit or loss	-	2 600	2 600	-	2 285	2 285
Interest from deposits with banks	1 305	-	1 305	1 830	-	1 830
Interest from available-for-sale financial assets	7 259	-	7 259	15 219	-	15 219
Interest from derivatives for risk management purposes	-	199	199	-	4 423	4 423
Interest from held-to-maturity financial assets	-	-	-	708	-	708
Other interest and similar income	114	-	114	283	-	283
	26 149	**2 799**	**28 948**	**44 289**	**6 708**	**50 997**
Interest expense and similar charges						
Interest from debt securities	16 168	-	16 168	20 052	3 864	23 916
Interest from resources and other deposits from customers	523	-	523	1 323	-	1 323
Interest from deposits from central banks and other banks	14 978	-	14 978	11 687	-	11 687
Interest from derivatives for risk management purposes	-	173	173	-	890	890
Interest from subordinated debt	430	-	430	712	-	712
Other expense and similar charges	1 559	-	1 559	147	-	147
	33 658	**173**	**33 831**	**33 921**	**4 754**	**38 675**
	(7 509)	**2 626**	**(4 883)**	**10 368**	**1 954**	**12 322**

Interest from derivatives for risk management purposes includes, in accordance with the accounting policy described in Notes 2.3 and 2.17, interests from hedging derivatives and from derivatives used to manage the risk of certain financial assets and financial liabilities designated at fair value through profit or loss in accordance with the accounting policies described in Notes 2.5 and 2.7.

NOTE 5 – DIVIDEND INCOME

This balance is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Dividend income		
HAITONG BANCO DE INVESTIMENTO DO BRASIL S.A.	3 849	48 981
LUSITANIA CAPITAL SAPI DE CV SOFOM ENR	-	53
Others	-	9
	3 849	**49 043**
	3 849	**49 043**

NOTE 6 – NET FEE AND COMMISSION INCOME

This balance is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Fee and commission income		
From banking services	40 348	27 784
From guarantees granted	5 172	4 750
From commitments assumed with third parties	19 953	36 066
Other fee and commission income	-	3 674
	65 473	**72 274**
Fee and commission expense		
For banking services rendered by third parties	1 930	2 665
For operation rendered by third parties	3 821	10 551
From guarantees received	388	243
Other fee and comission expenses	71	663
	6 210	**14 122**
	59 263	**58 152**

NOTE 7 – NET GAINS/ (LOSSES) FROM FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

This balance is analysed as follows:

(thousands of euro)

	31.12.2015			31.12.2014		
	Gains	Losses	Total	Gains	Losses	Total
Securities held for trading						
Bonds and other fixed income securities						
Issued by public entities	14 097	13 170	927	6 473	4 267	2 206
Issued by other entities	4 377	1 903	2 474	12 239	3 625	8 614
Shares	5 238	4 366	872	13 786	11 761	2 025
Other variable income securities	-	-	-	216	9	207
	23 712	**19 439**	**4 273**	**32 714**	**19 662**	**13 052**
Derivative financial instruments						
Exchange rate contracts	10 828	5 655	5 173	13 171	16 854	(3 683)
Interest rate contracts	632 047	642 310	(10 263)	868 762	868 766	(4)
Equity/Index contracts	202 789	217 028	(14 239)	785 460	789 774	(4 314)
Credit default contracts	73 444	86 094	(12 650)	81 633	83 431	(1 798)
Other	44 022	-	44 022	2 773	3 002	(229)
	963 130	**951 087**	**12 043**	**1 751 799**	**1 761 827**	**(10 028)**
Instrumentos financeiros derivados de negociação						
Contratos sobre taxas de câmbio	10 828	5 655	5 173	8 025	14 342	(6 317)
Contratos sobre taxas de juro	632 010	642 274	(10 264)	852 850	853 725	(875)
Contratos sobre acções/índices	202 789	217 028	(14 239)	679 098	680 392	(1 294)
Contratos sobre créditos	73 434	86 074	(12 640)	26 648	28 403	(1 755)
Outros	44 022	-	44 022	2 773	2 983	(210)
	963 083	**951 031**	**12 052**	**1 569 394**	**1 579 845**	**(10 451)**
Instrumentos financeiros derivados para gestão de risco						
Contratos sobre taxas de câmbio	-	-	-	5 146	2 512	2 634
Contratos sobre taxas de juro	37	36	1	15 912	15 041	871
Contratos sobre acções/índices	-	-	-	106 362	109 382	(3 020)
Contratos sobre créditos	10	20	(10)	54 985	55 028	(43)
Outros	-	-	-	-	19	(19)
	47	**56**	**(9)**	**182 405**	**181 982**	**423**
	986 842	**970 526**	**16 316**	**1 784 513**	**1 781 489**	**3 024**
Financial liabilities at fair value through profit or loss (1)						
Debt securities issued	67	9	58	3 793	386	3 407
Other subordinated debt	-	-	-	58	-	58
	67	**9**	**58**	**3 851**	**386**	**3 465**
	986 909	**970 535**	**16 374**	**1 788 364**	**1 781 875**	**6 489**

(1) Includes the fair value change of hedged liabilities or at fair value option.

NOTE 8 – NET GAINS/ (LOSSES) FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS

This balance is analysed as follows:

(thousands of euro)

	31.12.2015			31.12.2014		
	Gains	Losses	Total	Gains	Losses	Total
Bonds and other fixed income securities						
Issued by public entities	14	3 046	(3 032)	74 782	1 859	72 923
Issued by other entities	626	6	620	1 735	49	1 686
Issued by other entities	-	2	(2)	52	-	52
Other variable income securities	-	17	(17)	1 150	596	554
	640	**3 071**	**(2 431)**	**77 719**	**2 504**	**75 215**

NOTE 9 – NET GAINS/ (LOSSES) FROM FOREIGN EXCHANGE DIFFERENCES

This balance is analysed as follows:

(thousands of euro)

	31.12.2015			31.12.2014		
	Gains	Losses	Total	Gains	Losses	Total
Currency revaluation	66 183	92 670	(26 487)	36 379	39 158	(2 779)
	66 183	**92 670**	**(26 487)**	**36 379**	**39 158**	**(2 779)**

This balance includes the exchange differences arising on translating monetary assets and liabilities at the exchange rates ruling at the balance sheet date in accordance with the accounting policy described in Note 2.2..

NOTE 10 – NET GAINS / (LOSSES) FROM THE SALE OF OTHER ASSETS

This balance is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Net gains / (losses) from the sale of other assets		
Held-to-maturity investments	-	(1 296)
Non-financial assets	(42)	58
Sale of loans and advances to customers	-	(279)
Investments in subsidiaries, associates and jointly ventures	34	23 281
	(8)	**21 764**
	(8)	**21 764**

NOTE 11 – OTHER OPERATING INCOME AND EXPENSES

This balance is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Other customer's services	972	1 657
Direct and indirect taxes	(3 440)	(3 133)
Other operating income / expenses	(1 576)	(1 105)
	(4 044)	**(2 581)**

The direct and indirect taxes balance includes an amount of euro 1 611 thousand related with the Banking levy (31 December 2014: euro 1 559 thousand), created through the Law no. 55-A/2010, of 31 December (see Note 34).

As at 31 December 2015, the balance Other operating income/expenses includes the amount of euro 4 thousand related with Contributions to the Deposits Guarantee Fund ("Fundo de Garantia de Depósitos") (31 December 2014: euro 18 thousand) and the amount of euro 1 441 thousand related with Contributions to the Resolution Fund ("Fundo de Resolução") (31 December 2014: euro 409 thousand).

NOTE 12 – STAFF COSTS

This balance is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Wages and salaries		
Remuneration	26 645	31 915
Long-term service benefits (see Note 13)	207	115
Pension costs (see Note 13)	1 243	1 259
Mandatory social charges	6 972	7 539
Other costs	3 918	2 050
	38 985	**42 878**

The costs with salaries and other benefits attributed to Haitong Bank's key management personnel are analysed as follows:

(thousands of euro)

	Board of Directors	Other Key Management Personnel	Total
2015			
Remuneration and other short-term benefits	2 629	11 856	14 485
Long-term service benefits	69	90	159
Variable remuneration	-	3 780	3 780
Total	**2 698**	**15 726**	**18 424**
2014			
Remuneration and other short-term benefits	4 496	11 943	16 439
Variable remuneration	936	3 880	4 817
Total	**5 432**	**15 823**	**21 256**

Other key management personnel includes Executive Directors and Managing Directors.

As at 31 December 2015 and 2014, the loans granted to the Board of Directors of Haitong Bank amounted to euro 315 thousand and euro 293 thousand, respectively.

The average number of employees of Haitong Bank, per professional category, is analysed as follows:

	31.12.2015	31.12.2014
Directors	234	264
Management	4	4
Specific roles	133	165
Administrative roles	32	37
Support roles	10	12
	413	**482**

NOTE 13 – EMPLOYEE BENEFITS

Pension and health care benefits

In compliance with the Collective labour agreement (ACT) for the banking sector established with the unions, the Bank undertook the commitment to grant its employees, or their families, pension on retirement and disability, and widows' pension. Pension payments consist of a rising percentage based on years of service, applicable to each year's negotiated salary table for the active work force. Only employees hired before 31 March 2008 are covered by this benefit. Employees hired after that date are covered by the Portuguese Social Security Scheme.

In accordance with the second Three-Party Agreement celebrated between the Government, the Portuguese Bank Associations and Union of Bank employees, after 1 January 2011 the bank employees were integrated in the Social Security Regime, which assumed the protection of banking sector employees in the contingencies of maternity, paternity and adoption and even old age, remaining under the responsibility of the banks the protection in sickness, disability, survivor and death (Decree-Law n.1-A / 2011 of 3 January).

This agreement establishes that the retirement pension value of bank employees under Social Security scheme will not be reduced when compared to the value set forth in the collective conventions. Retirement pensions of bank employees integrated in the Social Security scheme continue to be calculated in accordance with the provisions of ACT and other conventions. However, bank employees are entitled to receive a pension under the general regime, which amount takes into account the number of years of discounts for that scheme. Banks are responsible for the difference between the pension determined in accordance with the provisions of ACT and the one that the bank employees are entitled to receive from Social Security. In this basis, the exposure to the actuarial and financial risk associated to retirement benefits is the same.

The contribution rate to the Social Security Regime is 26.6%, 23.6% paid by the employer and 3% paid by the employees, instead of Caixa de Abono de Família dos Empregados Bancários (CAFEB), abolished by the same law. In consequence of this change, the pension rights of active employers is to be covered under the terms defined by the General Social Security Regime, taking into account the length of service from 1 January 2011 until retirement. The differential required to support the guaranteed pension in terms of the ACT is paid by the Banks.

Notwithstanding, the integration leads to an effective decrease in the present value of total benefits reported to the normal retirement age (VABT) to be borne by the pension fund. Since there was no reduction in

benefits from the perspective of the beneficiary on the date of integration into the second Three Party agreement, the past service liability remained unchanged.

At the end of 2011 following the third three party agreement, it was decided to transfer to the Social Security Regime the banks liabilities with pension in payment as at 31 December 2011.

The three party agreement established, provides for the transfer to the Social Security sphere of the liabilities with pensions in payment as of 31 December 2012 at constant values (0% discount rate) in the terms set forth in Collective Labour Regulation Instrument (IRCT). The responsibilities relating to updates of pensions value, other pension benefits in addition to those to be borne by the Social Security, health-care benefits, death allowance and deferred survivor pensions, will remain in the sphere of responsibility of the banks with the correspondent funding being provided through the respective pension funds.

The bank's pension funds assets, specifically allocated to the cover of the transferred liabilities, were also transferred to the Government.

As the transfer of the liabilities with pensions in payment (even if only on a portion of the benefit) is a definitive and irreversible transfer, the conditions set out in IAS 19 'Employee benefits' underlying the concept of settlement are met, since the obligation with pensions in payment was extinguished at the transfer date.

The pension funds in Portugal are managed by GNB – Sociedade Gestora de Fundos de Pensões, S.A..

In accordance with the policy defined in Note 2.15. Employee Benefits, the Group calculates the liabilities related with pensions and actuarial gains and losses on an annual basis.

The main actuarial assumptions used to calculate pension liabilities are as follows:

	Assumption	
	31.12.2015	31.12.2014
Financial assumptions		
Expected return rate	2.50%	2.50%
Discount rate	2.50%	2.50%
Pension increase rate	0.50%	0.50%
Salary increase rate	1.00%	1.00%
Demographic Assumptions and Valuation Methods		
Mortality table		
Men	TV 73/77 - 2 years	TV 73/77 - 1 year
Women	TV 88/90 - 3 years	TV 88/90
Actuarial valuation method	Project Unit Credit Method	

Disability decreases are not considered for the calculation of liabilities. The reference at 31 December 2015 was based on: (i) evolution of the main indicators associated with high quality corporate bonds and (ii) the duration of liabilities.

The participants in the pension plan are categorized as follows:

	31.12.2015	31.12.2014
Active workers	189	201
Retired	22	22
Survivors	7	7
TOTAL	**218**	**230**

The application of IAS 19 is reflected on the following responsibilities and coverage levels reportable as at 31 December 2015 and 2014:

(thousands of euro)

	31.12.2015	31.12.2014
Net Assets/ (liabilities)recognised in the statement of financial position		
Liabilities at 31 December		
Pensioners	7 101	6 866
Active workers	63 643	57 001
	70 744	**63 867**
Balance of the Funds at 31 December	**70 744**	**63 002**
Excess of coverage / Contributions to the fund	-	(865)
Net Assets/ (Liabilities) in the statement of financial position (see Notes 26 and 34)	**-**	**(865)**
Accumulated actuarial gains/losses recognised in other comprehensive income	27 346	16 454

In accordance with the accounting policy described in Note 2.15. and following the requirements of IAS 19 – Employees benefits, the Bank assesses, at each balance sheet date and for each plan separately, the recoverability of the fund's excess coverage against the corresponding liabilities with pensions.

The evolution in liabilities with pensions and health benefits can be analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Liability at the beggining of the period	**63 867**	**57 179**
Current service cost	1 243	1 259
Interest cost	1 590	1 422
Participants contributions	127	134
Actuarial gains and losses:	8 827	4 147
- Changes in the assumptions	4 008	11 244
- Experience gains and losses	4 819	(7 097)
Pensions paid by the fund	(268)	(274)
Transfer of liabilities	(4 642)	-
Liability at the end of the period	**70 744**	**63 867**

Based on the position as at 31 December 2015, and for certain changes in actuarial assumptions, the following impacts would occur:

- A discount rate increase of 25 basis points would decrease liabilities in the amount of approximately euro 3 863 thousand; a decrease of equal value would increase liabilities in the amount of approximately euro 4 153 thousand;
- A salary and pension increase of 25 basis points would increase liabilities in the amount of approximately euro 5 626 thousand; a decrease of equal value would decrease liabilities in the amount of approximately euro 2 499 thousand;
- The use of mortality tables with a one-year increment would increase liabilities by an amount of about euro 2 249 thousand; with a one-year decrease liabilities would reduce in the amount of approximately euro 2 273 thousand.

The evolution of pension funds for the periods ended in 31 December 2015 and 2014 is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Pension Funds at the beginning of the period	**63 002**	**54 455**
Fair value of the fund	(779)	2 280
Bank contributions	13 304	6 407
Participants contributions	127	134
Pensions paid by the Fund	(268)	(274)
Transfer of funds	(4 642)	-
Pension Funds at the end of the period	**70 744**	**63 002**

The pension funds assets can be analysed as follows:

	% Portfolio	
	2015	2014
Bonds	55.30%	51.90%
Shares	26.60%	29.30%
Alternative investment	2.70%	4.22%
Mixed funds	0.00%	1.70%
Real estate	1.90%	1.78%
Liquidity	13.50%	11.10%
Total	100.00%	100.00%

As at 31 December 2015 and 2014, the funds did not have any securities issued by Group's entities.

The changes in the accumulated net actuarial losses are analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Deferred actuarial gains/ (losses) as at 1 January	**16 454**	**13 141**
- Changes in the actuarial assumptions	4 008	11 244
- Experience gains and losses	6 884	(7 931)
Deferred actuarial gains/ (losses) as at 31 December	**27 346**	**16 454**

The expenses with pensions and health benefits can be analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Current service cost	1 243	1 259
Interests (income/expenses)	304	(24)
Expenses of the period	**1 547**	**1 235**

From 1 January 2014 and following the revision of IAS 19 – Employees Benefits, the income/expenses from interest began to be recognised by their net value under the interest (income/expenses) and similar captions.

The evolution in net assets/ (liabilities) can be analysed for the periods ended in 31 December 2015 and 2014, as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Opening balance	**(865)**	**7 819**
Charges of the period	(1 547)	(1 235)
Actuarial gains/ (losses) recognised in other comprehensive income	(10 892)	(3 313)
Bank contributions	13 304	6 407
Deferred past services costs (curtailments) fully recognised in equity	-	(10 543)
Closing balance	**-**	**(865)**

The evolution in liabilities and balance of funds, as well as experience gains and losses over the past 5 years can be analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011
Liabilities	(70 744)	(63 867)	(57 179)	(42 472)	(34 381)
Funds balances	70 744	63 002	54 455	50 870	46 686
(Under) / Over funded liabilities	**-**	**(865)**	**(2 724)**	**8 398**	**12 305**
Experience (gains) and losses from liabilities	177	(7 097)	2 931	(472)	(9 221)
Experience (gains) and losses from plan assets	6 707	(834)	(1 441)	(2 275)	6 107

Long-term service benefits

As at 31 December 2015 and 2014, the liabilities recognised by the Group and costs incurred related to long-term service benefits can be analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Liabilities at the begining of the period	**2 162**	**2 124**
Charge of the period (See Note 12)	207	115
Bonuses paid	(198)	(77)
Liabilities at the end of the period	**2 171**	**2 162**

The actuarial assumptions used to calculate the liabilities are those presented for the calculation of pensions (when applicable).

These liabilities related to long-term service benefits are included in the balance Other liabilities (see Note 34).

NOTE 14 – GENERAL ADMINISTRATIVE EXPENSES

This balance is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Rental costs	6 292	5 101
Advertising costs	314	525
Communication costs	5 658	5 897
Travelling and representing costs	4 102	5 547
Maintenance and related services	1 288	1 393
Insurance costs	238	294
Legal costs	59	76
Specialised Services		
IT Services	3 882	3 728
Temporary work	226	296
Independent work	2 582	2 432
Other specialised services	3 692	4 091
Other costs	2 243	2 201
	30 576	**31 581**

The balance Other specialised services includes, among others, costs with external auditors and tax consultants.

The balance Other costs includes, among others, staff training and external charges for services.

The maturity date for rents due in relation with non-cancelable operating leases are as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Up to 1 year	1 062	1 120
1 to 5 years	1 906	1 223
	2 968	**2 343**

Fees invoiced during the periods 2015 and 2014 by the Statutory Auditors Society (Sociedade de Revisores Oficiais de Contas) and by external auditors, in accordance with the provisions of art. No. 508-F of the Commercial Companies Code (Código das Sociedades Comerciais), can be analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Statutory audit of annual accounts	83	85
Other reliability assurance services	604	333
Tax advisory	39	25
Other non-statutory audit services	184	128
Total amount of the services invoiced	**910**	**571**

NOTE 15 – EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

(thousands of euro)

	31.12.2015	31.12.2014
Net Profit / (Loss) attributable to equity holders of the Bank [1]	(43 402)	(29 125)
Weighted average number of ordinary shares outstanding (thousands)	**66 023**	**65 254**
Basic earnings per share attributable to equity holders of the Bank (in euro)	**-0.66**	**-0.45**

[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

Diluted earnings per share are calculated considering the profit attributable to the equity holders of the Bank and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

As at 31 December 2015 and 2014, the Bank have dilutive potential ordinary shares. Therefore, the diluted earnings per share are equal to the basic earnings per share.

NOTE 16 – CASH AND DEPOSITS AT CENTRAL BANKS

This balance as at 31 December 2015 and 2014 is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Cash	7	6
Deposits at central banks		
Bank of Portugal	117 515	1 050
Other central banks overseas	141	142
	117 656	**1 192**
	117 663	**1 198**

The deposits at Central Banks include mandatory deposits with the Bank of Portugal intended to satisfy legal minimum cash requirements in the amount of euro 118 thousand (31 December 2014: euro 378 thousand). According to the European Central Bank Regulation (CE) no. 1358/2011, of 14 December 2011, minimum cash requirements kept as deposits with the Bank of Portugal earn interest, and correspond to 1% of deposits and debt certificates maturing in less than 2 years, excluding deposits and debt certificates of institutions subject to the European System of Central Banks' minimum reserves requirements. As at 31 December 2015, these deposits have earned interest at an average rate of 0.05% (31 December 2014: 0.05%).

The fulfilment of the minimum mandatory requirements for a given period of observation is implemented taking into account the value of bank deposits with the Bank of Portugal during the referred period. The balance of the bank account with the Bank of Portugal as at 31 December 2015 was included in the maintenance period of 9 December 2015 to 26 January 2016, which corresponded to an average mandatory reserve of euro 400 thousand.

NOTE 17 – DEPOSITS WITH BANKS

This balance as at 31 December 2015 and 2014 is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Deposits with banks in Portugal		
Repayable on demand	3 100	14 411
	3 100	**14 411**
Deposits with banks abroad		
Repayable on demand	16 211	13 413
	16 211	**13 413**
	19 311	**27 824**

NOTE 18 – FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

As at 31 December 2015 and 2014, this balance is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Financial assets held-for-trading		
Securities		
Bonds and other fixed income securities		
Issued by public entities	2 090	32 449
Issued by other entities	31 131	23 814
Shares	1 185	4 653
	34 406	60 916
Derivatives	465 177	637 503
	499 583	**698 419**
Financial liabilities held-for-trading		
Securities		
Short selling	-	35 126
Derivatives	420 817	609 025
	420 817	**644 151**

As at 31 December 2015 and 2014, the analysis of the securities held for trading by maturity is presented as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Up to 3 months	5 870	1 811
3 to 12 months	5 975	5 225
1 to 5 years	14 356	39 329
More than 5 years	7 020	5 245
Undetermined	1 185	4 653
	34 406	**56 263**

In accordance with the accounting policy described in Note 2.5., securities held for trading are those which are bought to be traded in the short-term, regardless of their maturity.

The short selling refers to securities purchased under agreements to resell (reverse repos). In accordance with the accounting policy described in Note 2.7., securities purchased under agreements to resell (reverse repos) are not recognized, being the purchase price paid recorded as loans and advances to banks or customers, as appropriate.

As at 31 December 2015 and 2014, financial assets held for trading, regarding quoted and unquoted securities, can be analysed as follows:

(thousands of euro)

	31.12.2015			31.12.2014		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Bonds and other fixed income securities						
Issued by public entities	2 090	-	2 090	32 449	-	32 449
Issued by other entities	15 402	15 729	31 131	-	23 814	23 814
Shares	1 185	-	1 185	4 653	-	4 653
Total book value	**18 677**	**15 729**	**34 406**	**37 102**	**23 814**	**60 916**

The balance Financial Assets held for trading does not include securities pledged as collateral by the Bank, as at 31 December 2015 and 2014.

As at 31 December 2015 and 2014, the exposure to public debt from peripheral Eurozone countries is analysed in Note 40.

As at 31 December 2015 and 2014, derivative financial instruments can be analysed as follows:

(thousands of euro)

	31.12.2015			31.12.2014		
	Notional	Fair value		Notional	Fair value	
		Positive	Negative		Positive	Negative
Contracts on exchange rates						
Forward		3 365	583		521	5 936
- buy	243 982	-	-	452 258	-	-
- sell	242 675	-	-	457 014	-	-
Currency Swaps		597	2 263		1 791	2 558
- buy	232 044	-	-	266 358	-	-
- sell	233 254	-	-	266 545	-	-
Currency Interest Rate Swaps	15 794	1 216	1 216	40 765	4 010	4 010
Currency Options	68 724	546	465	77 879	115	93
	1 036 473	**5 724**	**4 527**	**1 601 584**	**6 437**	**12 597**
Interest rate contracts						
Forward Rate Agreements	1 104 477	715	625	2 401 229	1 386	1 292
Interest Rate Swaps	6 585 805	327 976	288 767	18 464 768	520 878	486 199
Interest Rate Caps & Floors	1 792 528	10 778	10 778	2 694 102	13 790	13 738
	9 488 760	**339 469**	**300 170**	**23 560 099**	**536 054**	**501 229**
Equity / index contracts						
Equity / Index Swaps	263 351	24 596	24 801	1 144 382	67 040	67 154
Equity / Index Options	53 466	7 404	4 463	117 821	5 412	5 412
Equity / Index Futures	-	-	-	242 095	-	-
	316 817	**32 000**	**29 264**	**1 504 298**	**72 452**	**72 566**
Credit default contracts						
Credit Default Swaps	904 557	87 984	86 856	982 930	22 560	22 633
	904 557	**87 984**	**86 856**	**982 930**	**22 560**	**22 633**
Total	**11 746 607**	**465 177**	**420 817**	**27 648 911**	**637 503**	**609 025**

As at 31 December 2015 and 2014, the analysis of trading derivatives by maturity is presented as follows:

(thousands of euro)

	31.12.2015		31.12.2014	
	Notional	Net fair value	Notional	Net fair value
Up to 3 months	1 218 319	2 742	2 941 456	(5 245)
3 to 12 months	1 633 684	354	6 008 929	1 222
1 to 5 years	6 088 662	32 616	11 482 961	25 051
More than 5 years	2 805 942	8 648	7 215 565	7 450
	11 746 607	**44 360**	**27 648 911**	**28 478**

NOTE 19 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

As at 31 December 2015 and 2014, this balance is analysed as follows:

(thousands of euro)

	Cost (1)	Fair value reserve		Impairment	Book value
		Positive	Negative		
Bonds and other fixed income securities					
Issued by public entities	21 932	28	(2 576)	-	19 384
Issued by other entities	139 399	71	(2 706)	-	136 764
Shares	2 482	48	-	(1 953)	577
Other variable income securities	7 524	-	-	(4 345)	3 179
Balance as at 31 December 2015	**171 337**	**147**	**(5 282)**	**(6 298)**	**159 904**
Bonds and other fixed income securities					
Issued by public entities	65 259	117	(8 592)	-	56 784
Issued by other entities	81 973	-	(544)	-	81 429
Shares	2 486	40	(172)	(1 670)	684
Other variable income securities	15 024	435	-	(6 171)	9 288
Balance as at 31 December 2014	**164 742**	**592**	**(9 308)**	**(7 841)**	**148 185**

(1) Acquisiton cost relating to shares and amortised cost relating to debt securities.

In accordance with the accounting policy described in Note 2.5., the Bank periodically assesses whether there is objective evidence of impairment on the available for sale financial assets, following the judgment criteria described in Note 3.1..

The changes in impairment losses of available for sale financial assets are presented as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Balance as at 1 January	7 841	8 489
Charge for the period	867	3 797
Charge off	(2 410)	(4 691)
Exchange differences	-	246
Closing balance	**6 298**	**7 841**

The balance Available for sale Financial Assets includes euro 83 854 thousand of securities pledged as collateral by the Bank (31 December 2014: euro 72 985 thousand).

As at 31 December 2015 and 2014, the analysis of available for sale assets by maturity is presented as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Up to 3 months	97 471	26 999
3 to 12 months	17 116	102
1 to 5 years	538	52 618
More than 5 years	41 023	58 494
Undetermined	3 756	9 972
	159 904	**148 185**

As at 31 December 2015 and 2014, financial assets available for sale, with relation to quoted and unquoted securities, can be categorized as follows:

(thousands of euro)

	31.12.2015			31.12.2014		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Bonds and other fixed income						
Issued by public entities	19 384	-	19 384	56 784	-	56 784
Issued by other entities	-	136 764	136 764	12 473	68 956	81 429
Shares	516	61	577	621	63	684
Other variable income securities	-	3 179	3 179	9 288	-	9 288
Total book value	**19 900**	**140 004**	**159 904**	**79 166**	**69 019**	**148 185**

As at 31 December 2015 and 2014, the exposure to public debt from peripheral Eurozone countries is analysed in Note 39.

NOTE 20 – LOANS AND ADVANCES TO BANKS

This balance as at 31 December 2015 and 2014 is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Loans and advances to banks in Portugal		
Sales with repurchase agreements	39 976	-
Very short-term deposits	-	8 647
	39 976	**8 647**
Loans and advances to banks abroad		
Sales with repurchase agreements	-	14 704
Very short-term deposits	102 075	70 798
Other loans and advances	15 997	18 724
	118 072	**104 226**
Impairment losses	(15 397)	(15 216)
	142 651	**97 657**

As at 31 December 2015 and 2014, the analysis of loans and advances to banks by maturity is presented as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Up to 3 months	157 128	112 795
3 to 12 months	-	2
More than 5 years	920	-
Undetermined	-	76
	158 048	**112 873**

The changes in impairment losses of loans and advances to banks during the period are presented as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Balance as at 1 January	15 216	238
Charge for the period	149	14 946
Exchange differences and other	32	32
Closing balance	**15 397**	**15 216**

NOTE 21 – LOANS AND ADVANCES TO CUSTOMERS

This balance as at 31 December 2015 and 2014 is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Domestic loans		
Corporate		
Commercial lines of credit	50	300
Loans	403 244	462 993
Overdrafts	-	28
Other loans	45 894	65 198
Retail		
Mortgage loans	358	435
	449 546	**528 954**
Foreign loans		
Corporate		
Loans	94 893	260 800
Other loans	5 141	19 079
Retail		
Other loans	-	2
	100 034	**279 881**
Overdue loans and interest		
Up to 90 days	17 555	887
More than 90 days	55 840	18 005
	73 395	**18 892**
	622 975	**827 727**
Impairment losses	(153 859)	(199 499)
	469 116	**628 228**

Additionally, as at 31 December 2015, the Bank has a provision for general banking risks in the amount of euro 70 378 thousand (31 December 2014: euro 77 873 thousand), which is presented as a liability in accordance with NCA (see Note 31).

As at 31 December 2015 and 2014, the analysis of loans and advances to customers by maturity is presented as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Up to 3 months	56 331	85 734
3 to 12 months	55 366	141 164
1 to 5 years	117 711	179 544
More than 5 years	320 172	402 392
Undetermined	73 395	18 893
	622 975	**827 727**

The movements in impairment losses of loans and advances to customers are presented as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Balance as at 1 January	199 499	97 869
Charge for the year	60 898	115 822
Charge off	(674)	(11 095)
Write back for the year	(19 470)	(3 090)
Transfers	(86 484)	11
Exchange differences and other	90	(18)
Closing balance	**153 859**	**199 499**

The Bank carries out a renegotiation of a loan in order to maximize its recovery. A loan is renegotiated in accordance with selective criteria, based on the analysis of the overdue circumstances or when there is a high risk that the loan will became overdue, and the client has made a reasonable effort to fulfil the contractual conditions previously agreed and is expected to have the capacity to meet the new terms agreed. The renegotiation normally includes the maturity extension, changes in the payment dates defined and / or amendment of the contracts' covenants. Whenever possible, the renegotiation includes obtaining new collaterals. The renegotiated loans are still subject to an impairment analysis resulting from the revaluation of the new expected cash flows, based in the new contract terms, updated at the original effective interest rate and taking into account the new collaterals.

As at 31 December 2015, gross loans and advances (loans and advances to customers excluding overdue loans and interest) include an amount of euro 222 250 thousand of restructured loans (31 December 2014: euro 335 600 thousand). As at 31 December 2015, recognised impairment losses referring to restructured loans amounted to euro 157 067 thousand (31 December 2014: euro 108 050 thousand). The interest recognised in the income statement amounts to euro 6 688 thousand (31 December 2014: euro 9 855 thousand).

As at 31 December 2014, the balance Loans and advances to customers includes euro 52 273 thousand pledged as collateral by the Bank. In 2015 there are no loans and advances pledged as collateral.

Loans and advances to customers can be analysed as follows, by type of rate:

(thousands of euro)

	31.12.2015	31.12.2014
Fixed rate	137 537	88 734
Variable rate	485 438	738 993
	622 975	**827 727**

NOTE 22 – DERIVATIVES FOR RISK MANAGEMENT PURPOSES

As at 31 December 2015 and 2014, the fair value of hedging derivatives can be analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Derivatives for risk management purposes (assets)		
Interest rate contracts	10	46
Other contracts	24	14
	34	**60**
Derivatives for risk management purposes (liabilities)		
Interest rate contracts	10	47
Equity / index contracts	-	19
Other contracts	49	28
	59	**94**
	(25)	**(34)**

The balance Derivatives for risk management purposes includes hedging derivatives and derivatives contracted with the purpose of managing the risk of certain financial assets and liabilities designated at fair value through profit or loss (and that were not classified as hedging derivatives).

For the period 2015 there were no hedging derivatives operations. Hedging operations carried out during the period 2014 reached maturity before 31 December 2014.

a) Hedging Derivatives

As at 31 December 2014, the fair value hedge operations present the following features:

(thousands of euro)

Derivative	Hedged item	Hedged risk	Notional	Fair value of derivative (2)	Changes in the fair value of the derivative in the year	Fair value component of the hedged item (1)	Changes of the fair value of the hedged item in the year (1)
Interest Swap / Equity Swap	Debt securities issued	Interest rate	-	-	-	-	361
Interest Swap	Subordinated debt	Interest rate	-	-	-	-	58
			-	**-**	**-**	**-**	**419**

(1) Attributable to hedged risk
(2) Includes accrued interest

Changes in the fair value of the hedged items mentioned above and of the respective hedging derivatives are recognised in the income statement under net gains/ (losses) from financial assets at fair value through profit or loss (See Note 7).

b) Other derivatives for risk management purposes

Other derivatives for risk management purposes includes derivatives held to hedge assets and liabilities at fair value through profit or loss in accordance with the accounting policies described in Notes 2.3., 2.5. and 2.7. and that the Bank did not classify as hedging derivatives.

The fair value hedge derivatives as at 31 December 2015 and 2014 can be analysed as follows:

(thousands of euro)

31.12.2015								
Financial liabilities economically hedged	Derivative	Derivative			Liabilities associated			
		Notional	Fair value	Changes in the fair value during the period	Fair value	Changes in the fair value during the period	Book value	Reimbursement amount at maturiry date
Debt securities issued	Credit Default Swap	4 941	(25)	(24)	(1)	26	-	-
Debt securities issued	Interest Swap	6 588	-	(1)	-	32	-	-
		11 529	**(25)**	**(25)**	**(1)**	**58**	**-**	**-**

(thousands of euro)

31.12.2014								
Financial liabilities economically hedged	Derivative	Derivative			Liabilities associated			
		Notional	Fair value	Changes in the fair value during the year	Fair value	Changes in the fair value during the year	Book value	Reimbursement amount at maturiry date
Debt securities issued	Credit Default Swap	4 430	(14)	(61)	1	36	-	-
Debt securities issued	Equity Swap	3 750	(19)	42	(32)	(41)	-	-
Debt securities issued	Interest Swap	5 907	(1)	4	-	2 883	-	-
		14 087	**(34)**	**(15)**	**(31)**	**2 878**	**-**	**-**

As at 31 December 2015, the fair value component of financial liabilities recognised at fair value through profit or loss, attributable to the Bank's own credit risk, is null (31 December 2014: positive euro 34 thousand).

As at 31 December 2015 and 2014, the analysis of derivatives for risk management purposes by maturity can be analysed as follows:

(thousands of euro)

	31.12.2015		31.12.2014	
	Other derivatives for risk management purposes			
	Notional	Fair value	Notional	Fair value
Up to 3 months	11 529	(25)	-	-
3 to 12 months	-	-	3 750	(19)
1 to 5 years	-	-	10 337	(15)
	11 529	**(25)**	**14 087**	**(34)**

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

As at 31 December 2015 and 2014 this balance is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Subsidiaries acquired exclusively for resale purposes	3 600	3 600
	3 600	**3 600**

The non-current assets hel-for-trade refer to investments in companies controlled by the Group, which have been acquired exclusively with the purpose of being sold in the short term.

The Bank implemented a plan for the immediate sale of subsidiaries classified as available for sale. However, given the current market conditions, it has been impossivel to do so in the initially envisaged period. Nevertheless, the Bank continues to make efforts to accomplish the disposal plan.

NOTE 24 – OTHER TANGIBLE ASSETS

As at 31 December 2015 and 2014, this balance is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Property		
For own use	642	642
Improvements in leasehold property	7 618	7 491
	8 260	**8 133**
Equipment		
Computer equipment	11 069	10 932
Fixtures	3 949	3 885
Furniture	3 411	3 403
Machinery and tools	1 077	1 066
Motor vehicles	115	115
Security equipments	373	356
Other	146	140
	20 140	**19 897**
	28 400	**28 030**
Work in progress		
Improvements in leasehold property	37	37
Equipment	687	326
	724	**363**
	29 124	**28 393**
Accumulated depreciation	(21 779)	(19 171)
	7 345	**9 222**

The movement in this balance was as follows:

(thousands of euro)

	Property	Equipment	Work in progress	Total
Acquisiton cost				
Balance as at 31 December 2013	**7 628**	**19 050**	**1 486**	**28 164**
Acquisitions	55	185	218	458
Disposals	-	(71)	-	(71)
Transfers	450	889	(1 339)	-
Exchange differences and other movements	-	(156)	(2)	(158)
Balance as at 31 December 2014	**8 133**	**19 897**	**363**	**28 393**
Acquisitions	127	303	687	1 117
Disposals	-	(60)	-	(60)
Transfers	-	-	-	-
Exchange differences and other movements	-	-	(326)	(326)
Balance as at 31 December 2015	**8 260**	**20 140**	**724**	**29 124**
Depreciation				
Balance as at 31 December 2013	**4 088**	**12 264**	**-**	**16 352**
Depreciation of the period	575	2 422	-	2 997
Disposals	-	(71)	-	(71)
Exchange differences and other movements	-	(107)	-	(107)
Balance as at 31 December 2014	**4 663**	**14 508**	**-**	**19 171**
Depreciation of the period	558	2 113	-	2 671
Disposals	-	(63)	-	(63)
Balance as at 31 December 2015	**5 221**	**16 558**	**-**	**21 779**
Net book value as at 31 December 2015	**3 039**	**3 582**	**724**	**7 345**
Net book value as at 31 December 2014	**3 470**	**5 389**	**363**	**9 222**

NOTE 25 – INTANGIBLE ASSETS

This balance as at 31 December 2015 and 2014 is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Acquired to third parties		
Software	27 056	23 002
Other	916	916
	27 972	**23 918**
Work in progress	2 460	4 209
	30 432	**28 127**
Accumulated amortisation	(16 847)	(14 866)
	(16 847)	**(14 866)**
	13 585	**13 261**

The movement in this balance was as follows:

(thousands of euro)

	Software	Other	Work in progress	Total
Acquisition cost				
Balance as at 31 December 2013	**19 387**	**916**	**6 096**	**26 399**
Acquisitions:				
Acquired from third parties	32	-	1 709	1 741
Transfers	3 587	-	(3 587)	-
Exchange differences	(4)	-	(9)	(13)
Balance as at 31 December 2014	**23 002**	**916**	**4 209**	**28 127**
Acquisitions:				
Acquired from third parties	1 030	-	1 855	2 885
Disposals	(14)	-	-	(14)
Transfers	3 039	-	(3 039)	-
Exchange differences	(1)	-	(565)	(566)
Balance as at 31 December 2015	**27 056**	**916**	**2 460**	**30 432**
Amortisations				
Balance as at 31 December 2013	**12 096**	**916**	**-**	**13 012**
Amortisations of the period	1 856	-	-	1 856
Exchange differences and other movements	(2)	-	-	(2)
Balance as at 31 December 2014	**13 950**	**916**	**-**	**14 866**
Amortisations of the period	2 021	-	-	2 021
Disposals	(39)	-	-	(39)
Exchange differences and other movements	(1)	-	-	(1)
Balance as at 31 December 2015	**15 931**	**916**	**-**	**16 847**
Net book value as at 31 December 2015	**11 125**	**-**	**2 460**	**13 585**
Net book value as at 31 December 2014	**9 052**	**-**	**4 209**	**13 261**

NOTE 26 – INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The financial information concerning subsidiaries and associates is presented in the following table:

(thousands of euro)

	31.12.2015				31.12.2014			
	Number of shares	% held by the Bank	Par value (Euro)	Acquisition cost	Number of shares	% held by the Bank	Par value (Euro)	Acquisition cost
Associated Companies								
MCO2 - SOCIEDADE GESTORA DE FUNDOS DE INV MOBILIARIO, S.A.	7 375	25.00%	100.00	738	7 375	25.00%	100.00	738
Subsidiaries Companies								
HAITONG (UK) LIMITED	164 031 379	100.00%	1.36	171 520	80 051 379	100.00%	1.28	127 172
HAITONG BANCO DE INVESTIMENTO DO BRASIL S.A.	101 870 930	80.00%	0.46	174 496	101 870 930	80.00%	0.62	174 496
HAITONG SECURITIES INDIA PRIVATE LIMITED	4 432 472	75.00%	0.01	8 859	4 432 472	100.00%	0.01	8 859
HAITONG CAPITAL - SCR, S.A.	5 000 000	100.00%	5.00	42 660	5 000 000	100.00%	5.00	42 660
COMINVEST	-	0.00%	0.00	-	1 500 000	100.00%	5.00	8 764
HAITONG INVESTMENT IRELAND PUBLIC LIMITED COMPANY	164 944	100.00%	5.00	825	164 994	100.00%	5.00	825
LUSITANIA CAPITAL SAPI DE CV SOFOM ENR	1 000 000	100.00%	0.05	59	1 000 000	100.00%	0.06	59
ESPIRITO SANTO INVESTMENT SP ZOO	-	0.00%	0.00	-	76 000	100.00%	11.70	2 878
				399 157				**366 451**
Impairment losses				(534)				(3 995)
				398 623				**362 456**

During the period 2015, the balance Investments in subsidiaries and associates presented the following changes:

Subsidiaries:

- In March 2015, BES Investimento do Brasil, S.A. paid an amount of reais 5 245 thousand to Banco Espírito Santo de Investimento, S.A., related to interests on equity.
- In March 2015, Banco Espírito Santo de Investimento S.A. fully subscribed the BESI UK Limited capital increase, which corresponded to an investment of pounds 5 000 thousand.
- In April 2015, BES Investimento do Brasil, S.A. paid an amount of reais 5 032 thousand to Banco Espírito Santo de Investimento, S.A., related to interests on equity.
- In June 2015, BES Investimento do Brasil, S.A. approved the payment of reais 7 800 thousand of interest on equity, 80% of which will be paid to Banco Espírito Santo de Investimento, S.A..
- In July 2015, Cominvest – SGII, S.A. was merged into Banco Espírito Santo de Investimento, S.A..
- In July 2015, Banco Espírito Santo de Investimento, S.A. fully subscribed the BESI UK Limited capital increase, which corresponded to an investment of pounds 7 000 thousand.
- In August 2015, BES Investimento do Brasil, S.A. paid an amount of reais 5 934 thousand to Banco Espírito Santo de Investimento, S.A, related to interests on equity.
- In September 2015, Haitong Securities acquired 100% of the share capital of Banco Espírito Santo de Investimento, S.A. previously held by Novo Banco.
- In September 2015, the corporate name of Banco Espírito Santo de Investimento, S.A. was changed to Haitong Bank S.A..
- In November 2015, Haitong Bank, S.A. fully subscribed the Haitong (UK) Limited capital increase, which corresponded to an investment of pounds 5 000 thousand.
- In November 2015, Haitong & Company (UK) Limited was dissolved.
- In December 2015, Haitong Bank, S.A. fully subscribed the Haitong (UK) Limited capital increase, which corresponded to an investment of pounds 15 000 thousand.
- In December 2015, Haitong Banco de Investimento do Brasil, S.A. paid Haitong Bank, S.A. interest of equity of reais 5 975 thousand.
- In December 2015, Haitong Banco de Investimento do Brasil, S.A. approved the payment of reais 11 050 thousand of interest on equity, 80% of which will be paid to Haitong Bank, S.A..

The evolution of impairment losses of Investments in subsidiaries and associates is presented as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Opening balance	3 995	583
Charge off	(3 461)	-
Transfers	-	3 412
Closing balance	**534**	**3 995**

Annually, the Bank analyses the Goodwill impairment following the disposals on IAS 36 – Assets Impairment.

The recoverable amount of Haitong (UK) Limited, corresponding to its value in use, was determined in accordance with the Dividend Discount method (i) based on data estimated by the management body for the next ten years, (ii) assuming a growth rate in perpetuity of 3.0%, in line with the nominal growth rate estimated for the economy of the country where the unity is located, and (iii) with a discount rate of 7.89%. The ten-year period used to estimate future cash flows reflects the fact that the entity's business strategy is being redefined upon the acquisition of the Bank by Haitong Group in 2015. Based on these assumptions, the Management Board considers that the recoverable amount of this investment is greater than the book value, with no impairment losses.

A sensitive analysis was also performed using (i) an alternative discount rates of 9.9% and (ii) the remaining same assumptions including the financial budget for the next ten years. Based on this sensitive analysis, no impairment loss was identified in relation to this participation.

Notwithstanding the analysis performed based on the described assumptions, the recoverable amount of the investment in Haitong UK is dependent on the ability of the Company and the Group of putting in place the necessary measures to allow the accomplishment of the business plan.

Regarding Haitong Capital - Sociedade de Capital de Risco, S.A., the recoverable amount of the investment held in Haitong Capital was determined using cash flow/dividends predictions based on (i) the financial budget approved by management covering a six-year period, (ii) a terminal growth rate of 2%, and (iii) a discount rate of 13.2%. Based on these assumptions, Haitong Bank Management made the assessment that the recoverable amount of the investment in Haitong Capital exceeds its carrying amount.

A sensitive analysis was also performed using (i) changing in 65% de revenues of the Business Plan for the following 6 years and (ii) keeping all the assumptions unchanged. Based on this sensitive analysis, no impairment losses were identified in this investment.

Notwithstanding the analysis performed based on the described assumptions, the recoverable amount of the investment in Haitong Capital is dependent on the ability of the Group of putting in place the necessary measures to allow the accomplishment of the business plan.

NOTE 27 – OTHER ASSETS

As at 31 December 2015 and 2014, the other assets balance is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Debtors		
Collateral deposits placed	232 502	307 566
Loans to group companies, supplementary payments and subordinated assets	150 550	153 524
Administrative public sector	192	36
Debtors placed with futures contracts	17 051	17 739
Sundry debtors	32 694	34 756
	432 989	513 621
Impairment losses on debtors	(8 408)	(10 711)
	424 581	**502 910**
Other assets		
Gold, other precious metals, numismatics and other liquid assets	6 650	7
Other assets	5 515	5 489
	12 165	**5 496**
Accrued income	**2 217**	**941**
Prepayments and deferred costs	**4 070**	**3 198**
Other sundry assets		
Foreign exchange transactions pending settlement	4 004	4 943
Stock exchange transactions pending settlement	187 391	42 221
Other transactions pending settlement	18 277	22 169
	209 672	**69 333**
	652 705	**581 878**

The Stock exchange transactions pending settlement refer to transactions with securities recorded on trade date and pending settlement, in accordance with the accounting policy described in Note 2.5..

The movements in impairment losses of Other assets are presented as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Balance as at 1 January	10 711	5 214
Charge for the period	10 847	7 010
Charge off	(582)	-
Write back for the period	(11 558)	(1 469)
Transfers	(1 113)	(41)
Exchange differences and other	103	(3)
Closing balance	**8 408**	**10 711**

NOTE 28 – DEPOSITS FROM CENTRAL BANKS

This balance includes a money market operation with the Bank of Portugal in the amount of euro 61 100 thousand (31 December 2014: euro 61 100 thousand) and an accrued interest in the amount of euro 39 thousand (31 December 2014: euro 8 thousand) with maturity in September 2018.

NOTE 29 – DEPOSITS FROM OTHER BANKS

The balance Deposits from other banks is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Domestic		
Inter-bank money market	-	161 756
Very short term deposits	-	496 628
Deposits	337	88 182
Repurchase agreements	15 215	14 481
	15 552	**761 047**
Foreign		
Deposits	47 016	1 707
Loans	750 000	-
Repurchase agreements	-	17 316
Other funds	9	-
	797 025	**19 023**
	812 577	**780 070**

As at 31 December 2015 and 2014, the analysis of deposits from other banks by maturity is presented as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Up to 3 months	47 362	753 005
1 to 5 years	765 215	27 065
	812 577	**780 070**

NOTE 30 – DEPOSITS AND OTHER RESOURCES FROM CUSTOMERS

The balance Deposits and other resources from customers is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Repayable on demand		
Demand deposits	9 850	11 863
Time deposits		
Time deposits	105 049	21 266
Other resources		
Repurchase agreements	19 367	16 805
Other deposits	1 291	-
Other	52	36
	20 710	**16 841**
	135 609	**49 970**

As at 31 December 2015 and 2014, the analysis of Deposits and other resources from customers, by maturity, is as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Repayable on demand	9 902	11 899
With agreed maturity		
Up to 3 months	51 160	37 066
3 to 12 months	74 347	1 005
1 to 5 years	200	-
	125 707	38 071
	135 609	**49 970**

NOTE 31 – DEBT SECURITIES ISSUED

The balance Debt securities issued is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Debt securities issued		
Euro Medium Term Notes	211 787	117 203
Cash bonds	652	2 556
Deposit certificates	-	250 492
	212 439	**370 251**

The fair value of the portfolio of Debt securities issued is presented on Note 39.

Debt securities issued includes an amount of euro 58 thousand (31 December 2014: euro 2 878 thousand) of liabilities recognised in the balance sheet at fair value through profit or loss (see Note 22).

During 2015, the Bank issued new debt securities of euro 210 165 thousand (no debt securities were issued in 2014), and reimbursed an amount of euro 370 047 thousand (31 December 2014: euro 29 843 thousand).

The analysis of Debt securities issued by maturity, as at 31 December 2015 and 2014, is presented as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Up to 3 months	2 274	-
1 to 5 years	210 165	370 251
	212 439	**370 251**

The main characteristics of these Debt securities issued are presented as follows:

(thousands of euro)

					31.12.2015		
Entity	Description		Currency	Issue date	Book value	Maturity	Interest rate
HT BANK	BESI OBCX R.ACCRUAL TARN MAR2016		EUR	2006	652	2016	Fixed rate 6% + Range Accrual
HT BANK	BESI MAR2016 FTD CRD LKD USD	a)	USD	2013	1 622	2016	Fixed rate 6% + Indexed to a basket of credit
HT BANK	HTB FLOATING RATE DEC18 (HTB-S-892)		EUR	2015	210 165	2018	Euribor3m + 3.95%
					212 439		

a) liabilities at fair value through profit or loss or with embedded derivatives.

(thousands of euro)

					31.12.2014		
Entity	Description		Currency	Issue date	Book value	Maturity	Interest rate
BESI	BESI OBCX R.ACCRUAL TARN MAR2016		EUR	2006	649	2016	Fixed rate 6% + Range Accrual
BESI	BESI 1.8% GOLD APR2015	a)	EUR	2011	1 907	2015	Fixed rate 1.8% + indexed to Gold
BESI	BESI FIXED RATE DEC15		EUR	2012	250 492	2015	Fixed rate 5.875%
BESI	BESI MAY2015 EURIBOR3M+4%		EUR	2012	115 652	2015	Euribor 3M +4%
BESI	BESI MAR2016 FTD CRD LKD USD	a)	USD	2013	1 551	2016	Fixed rate 6% + Indexed to a basket of credit
					370,251		

a) liabilities at fair value through profit or loss or with embedded derivatives.

NOTE 32 – PROVISIONS

As at 31 December 2015 and 2014, the balance Provisions presents the following movements:

(thousands of euro)

	General banking risk provisions	Provisions for other risks and charges	TOTAL
Balance as at 31 December 2013	**26 242**	**14 988**	**41 230**
Charge of the period	57 499	8 035	65 534
Write back for the period	(7 064)	-	(7 064)
Transfers	745	(715)	30
Exchange differences and other	451	(11 399)	(10 948)
Balance as at 31 December 2014	**77 873**	**10 909**	**88 782**
Charge of the period	11 983	15 322	27 305
Write back for the period	(19 464)	(8 708)	(28 172)
Transfers	(172)	87 896	87 724
Exchange differences and other	158	(513)	(355)
Balance as at 31 December 2015	**70 378**	**104 906**	**175 284**

These provisions are intended to cover certain contingencies related to the Bank's activities, including contingencies related to ongoing tax processes.

NOTE 33 – TAXES

The Bank is subject to taxation in accordance with the corporate income tax code (IRC) and surcharges.

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

The current tax of the period 2015 was calculated based on a nominal corporate income tax rate ("IRC") and Municipal surcharge ("Derrama Municipal") of 22.5%, in accordance with Law no. 82-B/2014, of 31 December, and Law no. 2/2007, of 15 January, plus an additional fee of 2.5%, referring to an average rate which results from the application of the State surcharge tiers, in accordance with Law no. 2/2014, of 10 January. The 2014 current tax calculation for the Group's entities covered by the Portuguese tax legislation, used an IRC and Municipal Surcharge ("Derrama Municipal") rate of 24.5%, according to Law no. 2/2014, of 16 January and Law no. 2/2007, of 15 January, plus an additional fee of 2.5%, referring to an average rate calculated applying the tiers of State Surcharge.

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. Therefore, for the periods 2015 and 2014, deferred tax was calculated using a 27.7%, which corresponds to the estimated rate of deferred tax assets recovery, considering the decline of income tax rate to 21%, according to State Budget Law for 2015, approved by Law no. 82-B/2014, of 31 December.

Additionally, for the purposes of calculating the current tax for the periods ended 31 December 2014 and 2013, the Decree-Law no. 127/2012, of 31 December, which regulates the transfer to the Social Security system of responsibility for the expenses incurred with retirement and survival pensions of retired employees and pensioners, was taken into account. This Decree-Law, together with Article no. 183 of Law no. 64-B/2011, of 30 December (2012 State Budget Law), established a special regime for tax deduction of expenses and other equity changes resulting from that transfer:

- The impact from the negative equity change associated to the change in the accounting policy relating to the recognition of previously deferred actuarial gains and losses will be fully deductible, in equal parts, for 10 years from the period beginning 1 January 2012. This impact is recognised in equity;
- The impact resulting from liquidation (determined by the difference between liabilities as measured in accordance with the criteria of IAS 19 and the criteria defined in the agreement) will be fully deductible for the purposes of determining taxable income, in equal parts, based on the average number of years of life expectancy for pensioners whose liabilities have been transferred (17 years), from the period beginning 1 January 2012.

Deferred tax assets resulting from the transfer of liabilities and from the change in the accounting policy relating to the recognition of non-recoverable actuarial gains/losses are recoverable within 10 and 17 years.

The Portuguese Tax Authorities are entitled to review the annual tax return of the Bank domiciled in Portugal, referring to the 2015 period and predecessors, for a period of four years, or six years in case of tax losses. Hence, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, the Bank's Board of Directors is confident that there will be no material differences arising from tax assessments within the context of the financial statements.

Special regime applicable to Deferred Tax Assets

In 2014, Haiong Bank adopted the special regime applicable to deferred tax assets related with impairment losses in credit and post-employment benefits or long- term employments benefits, established in law nº 61/2014, of 26 August. In the scope of this regime, is stated the conversion of those assets in tax credits in the following situations:

- Net losses in the period;
- Settlement by voluntary dissolution, court insolvency, of when applicable the revocation of the authorization by supervisory authority;

As Haitong Bank recognized, in its individual financial statements, a net loss for the year ended 31 December 2015, should in 2016, and upon the approval of its financial statements, convert in tax credits the deferred taxes under this regime, in the proportion of net loss and equity, as well as, constitute a special reserve and conversion rights in shares representative of equity attributable to Portuguese State.

In this regime, those conversion rights correspond to securities that confers to Portuguese State the right to ordinary shares from a capital increase through the incorporation of that reserve. However, it is given to shareholders the right to acquire those rights from the Portuguese State. At this moment, the rules that establishes the applicable framework are yet to be published.

The amount of converted deferred tax assets in tax credits, the constitution of the special reserve and issue and attribution to the State of conversion rights should be certified by a chartered accountant.

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

Branch	Nominal tax rate
London	21%
Madrid	30%
Warsaw	19%
New York	45.95%

The deferred tax assets and liabilities recognised in the statement of financial position as at 31 December 2015 and 2014 can be analysed as follows:

(thousands of euro)

	Assets		Net	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Financial assets available for sale	1 423	2 414	1 423	2 414
Loans and advances to customers	91 318	78 146	91 318	78 146
Provisions	-	73	-	73
Pension Fund	8 544	100	8 544	100
Other	-	1	-	1
Tax credit resulting from double taxation	412	-	412	-
Tax losses carried forward	9 885	2 525	9 885	2 525
Deferred tax asset / (liability) net	**111 582**	**83 259**	**111 582**	**83 259**

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

(thousands of euro)

	31.12.2015	31.12.2014
Balance as at 1 January	83 259	40 038
Recognised in profit or loss	26 413	37 575
Recognised in fair value reserves	(992)	1 940
Recognised in other reserves	2 903	-
Exchange differences and other	(1)	3 706
Closing balance (Assets/ (Liabilities))	**111 582**	**83 259**

The deferred tax recognised in the income statement and reserves, during the periods 2015 and 2014, is analysed as follows:

(thousands of euro)

	31.12.2015		31.12.2014	
	Recognised in (profit) / loss	Recognised in reserves	Recognised in (profit) / loss	Recognised in reserves
Deferred Taxes				
Financial assets available-for-sale	-	992	-	(1 940)
Loans and advances to customers	(13 173)	-	(42 421)	-
Provisions	74	-	3 725	-
Pension Fund	(6 324)	(2 121)	12	-
Tax credit resulting from double taxation	(412)	-	1 109	-
Tax loss carried forward	(6 578)	(782)	-	-
	(26 413)	**(1 911)**	**(37 575)**	**(1 940)**
Current Taxes	(3 896)	-	9 302	-
Total recognised taxes	**(30 309)**	**(1 911)**	**(28 273)**	**(1 940)**

The reconciliation of the income tax rate can be analysed as follows:

(thousands of euro)

	31.12.2015		31.12.2014	
	%	Amount	%	Amount
Profit before taxes		**(73 485)**		**(57 174)**
Haitong Bank tax rate	27,7		27,7	
Income tax calculated based on the Haitong Bank tax rate		(20 355)		(15 837)
Difference on the subsidiaries statutory tax rates	(3,2)	2 348	(0,5)	308
Tax-exempt dividends	0,0	-	22,9	(13 076)
Non-taxable capital gains	0,0	(9)	11,3	(6 449)
Non-taxable gains	4,0	(2 966)	0,0	-
Branches income taxes	0,0	-	(1,4)	808
Changes in estimates	8	(5 995)	0,0	-
Changes in tax rate	0,0	-	(3,1)	1 772
which was not recognised previously	0,0	-	0,2	(98)
Tax benefits	0,0	(1)	0,0	(4)
Non-deductible costs	(1,3)	933	(2,9)	1 669
Other	(0,1)	43	(4,6)	2 634
	41,2	**(30 309)**	**49,6**	**(28 273)**

Following Law No. 55-A/2010 of 31 December, a Banking levy was established, which is not eligible as a tax cost, and whose regime was continuously extended by Law no. 83-C/2013, of 31 December, and Law no. 82-B/2014, of 31 December. As at 31 December 2015, the Bank recognised an expense of euro 1 611 thousand (31 December 2014: euro 1 559 thousand), which was included in Other operating income and expenses – Direct and indirect taxes (see Note 11).

NOTE 34 – SUBORDINATED DEBT

The balance Subordinated debt is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Other subordinated debt		
Cash bonds	215	60 230
	215	**60 230**

The main features of Subordinated debt are analysed as follows:

(thousands of euro)

		31.12.2015					
Issuer	Designation	Currency	Issue date	Issue value	Book value	Interest rate	Maturity
Haitong Bank	BESI SUBORDINADAS OCT2033 5.5%	EUR	2003	215	215	CMS	2033
					215		

(thousands of euro)

		31.12.2014					
Issuer	Designation	Currency	Issue date	Issue value	Book value	Interest rate	Maturity
BESI	BESI SUBORDINADAS OCT2033 5.5%	EUR	2003	215	215	Indexed to CMS	2033
BESI	BESI CAIXA SUB DEC15	EUR	2005	60 000	60 015	Euribor 3m + 0.95%	2015
					60 230		

During the periods 2015 and 2014, no subordinated debt was issued by the Bank, nevertheless during 2015, an amount of euro 60 000 thousand of subordinated debt was reimbursed.

NOTE 35 – OTHER LIABILITIES

As at 31 December 2015 and 2014, the balance Other Liabilities is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Creditors and other resources		
Public sector	3 574	5 131
Collaterals deposited under compensation contracts	7 297	-
Sundry debtors		
Creditors from transactions with securities	39 419	23 630
Suppliers	1 445	2 046
Other sundry creditors	297	16 487
	52 032	**47 294**
Accrued expenses		
Long-term service benefits (see Note 12)	2 171	2 162
Other accrued expenses	9 192	13 767
	11 363	**15 929**
Deferred income	**659**	**1 890**
Other sundry liabilities		
Stock exchange transactions pending settlement	185 216	38 873
Foreign exchange transactions pending settlement	97	7 513
Other transactions pending settlement	18 312	16 108
	203 625	**62 494**
Retirement pensions	**-**	**865**
	267 679	**128 472**

As at 31 December 2015 and 2014, the balance Stock exchange transactions pending settlement represents the net balance of the acquisition and disposal orders, issued by the Group and its subsidiaries, which are still pending of settlement.

NOTE 36 – SHARE CAPITAL, SHARE PREMIUM AND OTHER EQUITY INSTRUMENTS

Ordinary shares

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

On 3 August 2014, the Bank of Portugal decided to apply a resolution measure to Banco Espírito Santo, S.A., holder of 100% of the Bank's share capital, resulting in the establishment of Novo Banco, S.A., with a share capital of euro 4.9 thousand million, into which some assets of Banco Espírito Santo, S.A. were incorporated, as selected by the Bank of Portugal. In this context, the Bank and its branches and subsidiaries were transferred to Novo Banco, S.A..

On 7 September 2015, the Bank's share capital was fully acquired by Haitong International Holdings Limited.

On 17 December 2015, the Bank performed a capital increase of euro 100 000 thousand, through the issuance of 20 000 000 shares at the nominal value of 5 euros each, which was fully subscribed by Haitong International Holdings Limited.

On 31 December 2015, Haitong Bank's share capital amounts to euro 462 269 thousand and is represented by 85 253 800 shares at the nominal value of 5 euros each. Haitong Holdings Limited holds 100% of the Bank's share capital.

Share Premium

As at 31 December 2015 and 2014, the share premium in the amount of euro 8 796 thousand refers to the capital increase that took place in previous years.

Other equity instruments

During October 2010, the Bank issued perpetual subordinated bonds with conditioned interest in the total amount of euro 50 million. These bonds have a conditioned, non-cumulative interest, payable only when and if the Board of Directors decides to do so.

This conditioned interest corresponds to the application of an annual rate of 8.5% over the nominal value, payable semi-annually. The reimbursement of these securities may be made in full, but not partially, after 15 September 2015, depending only on Haitong Bank's option and the prior approval of the Bank of Portugal. Given their characteristics, these obligations are considered equity instruments in accordance with the accounting policy described in Note 2.10.

During the period 2011, a reimbursement of Other equity instruments in the amount of euro 46 269 thousand took place through the purchase of the Bank's own share capital.

These bonds are subordinated in respect of any of Haitong Bank's liabilities and pari passu in respect of any subordinated bonds with identical characteristics that may be issued by the Bank.

As at 31 December 2015, the outstanding value of these bonds amounted to euro 3 731 thousand. During the period 2015, the Bank paid interest in the amount of euro 225 thousand (31 December 2014: euro 225 thousand), which was recorded as a deduction in reserves.

NOTE 37 – FAIR VALUE RESERVE, OTHER RESERVES, RETAINED EARNINGS AND NON-CONTROLLING INTERESTS

Legal reserve, fair value reserve and other reserves

The legal reserve can only be used to absorb accumulated losses or to increase the amount of the share capital. Portuguese legislation applicable to the banking sector (Article 97 of RGICSF) requires that 10% of the profit for the year must be transferred to the legal reserve until it is equal to the share capital.

The fair value reserve represents the amount of the unrealised gains and losses arising from securities classified as available for sale, net of impairment losses recognised in the income statement in the year/previous years. The amount of this reserve is presented as net of deferred taxes.

During the periods 2015 and 2014, the movements in these balances were as follows:

(thousands of euro)

	Fair value reserves			Other reserves and retained earnings			
	Available for-sale financial assets	Income tax reserves	Total fair value reserve	Legal reserve	Actuarial gains and (losses) (net of taxes)	Other reserves and retained earnings	Total Other reserves and retained earnings
Balance as at 31 December 2013	**(1 672)**	**474**	**(1 198)**	**39 878**	**(12 070)**	**103 592**	**131 400**
Actuarial deviations, net of taxes	-	-	-	-	(3 313)	-	(3 313)
Interest of other equity instruments	-	-	-	-	-	(225)	(225)
Changes in fair value	(7 044)	1 940	(5 104)	-	-	-	-
Transfer to reserves	-	-	-	-	-	(2 548)	(2 548)
Merger Reserve	-	-	-	-	-	42 150	42 150
Other movements	-	-	-	-	-	(10 792)	(10 792)
Balance as at 31 December 2014	**(8 716)**	**2 414**	**(6 302)**	**39 878**	**(15 383)**	**132 177**	**156 672**
Actuarial deviations, net of taxes	-	-	-	-	(7 989)	-	(7 989)
Interest of other equity instruments	-	-	-	-	-	(225)	(225)
Changes in fair value	3 580	(992)	2 588	-	-	-	-
Transfer to reserves	-	-	-	-	-	(28 900)	(28 900)
Merger Reserve	-	-	-	-	-	1 274	1 274
Other movements	-	-	-	-	-	309	309
Balance as at 31 December 2015	**(5 136)**	**1 422**	**(3 714)**	**39 878**	**(23 372)**	**104 635**	**121 141**

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

(thousands of euro)

	31.12.2015	31.12.2014
Balance as at 1 January	**(6 302)**	**(1 198)**
Changes in fair value	282	64 374
Disposals of the period	2 431	(75 215)
Impairment recognised in the period	867	3 797
Deferred taxes recognised in reserves during the period	(992)	1 940
Closing balance	**(3 714)**	**(6 302)**

NOTE 38 – OFF-BALANCE SHEET ITEMS

As at 31 December 2015 and 2014, this balance can be analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Contingent liabilities		
Guarantees and stand by letters of credit	1 038 622	1 295 739
Assets pleged as collateral	85 767	110 572
	1 124 389	**1 406 311**
Commitments		
Irrevocable commitments	34 018	65 387
	34 018	**65 387**

Guarantees and standby letters of credits are banking operations that do not imply any out-flow by the Bank.

As at 31 December 2015, the balance Assets pledged as collateral includes:

- Securities pledged as collateral to the Bank of Portugal (i) for the use of the money transfer system ("Sistema de Pagamento de Grandes Transacções") in the amount of euro 25 000 thousand as at 31 December 2014 (there were no operations in 2015) and (ii) in the scope of a liquidity facility collateralised by securities in the amount of euro 83 854 thousand (31 December 2014: euro 55 738 thousand), the total amount of securities eligible for rediscount at the Bank of Portugal as at 31 December 2015 amounted euro 83 854 thousand (31 December 2014: euro 59 621 thousand).
- Securities pledged as collateral to the Portuguese Securities and Exchange Commission (CMVM) in the scope of the Investors Indemnity System ("Sistema de Indemnização aos Investidores") in the amount of euro 1 813 thousand (31 December 2014: euro 1 813 thousand).
- Securities pledged as collateral to the Deposits Guarantee Fund ("Fundo de Garantia de Depósitos") for an amount of euro 100 thousand (31 December 2014: euro 100 thousand).

Irrevocable commitments represent contractual agreements to extend credit to the Bank's customers (e.g. unused credit lines). These agreements are generally contracted for fixed periods of time or with other expiration requisites, and usually require the payment of a commission. Substantially, all credit commitments require that clients maintain certain conditions verified at the time when the credit was granted.

Notwithstanding the particular characteristics of these contingent liabilities and commitments, the analysis of these operations follows the same basic principles of any one another commercial operation, namely the solvency of the underlying client and business, and the Bank requires these operations to be adequately covered by collaterals when needed. It is expected that the majority of these contingent liabilities and commitments will expire without having been used, and so the indicated amounts do not necessarily represent future cash-flows needs.

Additionally, the liabilities accounted for in the off-balance sheet and related to banking services provided are as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Liabilities related to services provided		
Securities and other items held for safekeeping on behalf of customers	681 400	4 806 737
Other responsabilities related with services provided	2 190 649	2 440 388
	2 872 049	**7 247 125**

As at 31 December 2015, the value of Other liabilities related to services provided includes euro 1 957 750 thousand related to securitized loans under management (31 December 2014: euro 2 216 987 thousand) and euro 232 899 thousand referring to discretionary management (31 December 2014: euro 223 401 thousand).

During 2015, Banco Espírito Santo (BES), Novo Banco and Haitong Bank (and in some cases, also the supervisory authorities and auditors), were defendants in civil legal proceedings related with facts of the former Grupo Espírito Santo (GES).

In this context, Haitong Bank is defendant in two proceedings related with the last capital increase of BES, and in 8 proceedings related with commercial paper issues of GES entities (Rioforte and ESI – Espírito Santo International), received in the courts in 2015. In 2016, 8 more proceedings entered in courts, 6 of them

related with commercial paper issues and 2 referring to notes issues by Haitong Bank branch in Ireland (the ESIP) that had as underlying asset the bonds issued by Espírito Santo Financial Portugal (ESFP).

It is opinion of Haitong Bank's Legal Department and external lawyers to whom the proceedings were entrusted, that they do not have legal sustainability, and therefore any condemnation of Haitong Bank in those processes is considered as improbable.

Thus, and referring to the last BES capital increase, the 2 legal proceedings above mentioned were intended against a large set of entities, namely against all former BES directors and auditors, arguing that the capital increase Prospectus, published in 20th May 2014, did not reflect the real financial situation of BES. The Haitong Bank (then as BESI) was the financial mediator assigned to assist the public offer, so that the authors of this legal proceeding claim for their responsibility by the information included in the Prospectus in accordance with the terms of the Portuguese Securities Market Code.

Following the detailed analysis of this issue by the respective departments of Haitong Bank and by its external lawyers, it was concluded that the substantial loss in the value of BES shares, observed during July 2014, and up to its resolution as at 03/08/2014, was due to facts occurred after the capital increase, and that could not be referred in the Prospectus by that time. It was further concluded that the Prospectus did not contained lacks of information, being very incisive in the description of the underlying GES risks, namely in the section related with considerable failures in ESI accounting records.

Regarding GES commercial paper issues, is true that BESI acted as administrative agent of those issues, having submitted them to the Central Securities Institution, and paying agent, being responsible for the interest and equity payments in favor of those securities owners (in the assumption that would receive from the issuer, the necessary funds for the effect). However, this issues were object of private offer, but BESI was not involved in their distribution neither involved in the contacts with the investors. The respective notes regarding this subject are inequivocally when referring that the responsibility contained in them is the sole responsibility of the Issuers.

As for the two mentioned proceedings related with ESIP issues, it should be noted that these refer to credit linked notes, with compensation and reimbursement dependent of facts (namely, the insolvency) associated to the issuer of the underlying asset, in this case ESFP that was declared as insolvent, in which case investors should receive the underlying asset or the proceeds of sale. The conditions of these issues are clearly set out in their disclosed documents, and BESI did not proceed to the placement of this issues next to investors.

Finally, it should be noted that, in some of these legal actions, there is an argument regarding the existence of common directors between BES and GES and then BESI. The argument is legally unfunded, because (i) in any case, any director of BES or GES, which was also director of BESI, provided to this entity any information related with GES that was contradictory to the information disclosed in BES capital increase Prospectus or in the disclosed documents associated to the referred commercial paper issues or credit linked notes; and also because (ii) the legal persons are only responsible for its directors acts or omissions when performed in the exercise of their management functions, and naturally, the potential knowledge of material information by a person, that had acquired it while GES director or in face of their family relationships, cannot be imputable to BESI, simply because that person is its director.

For these reasons, is considered that Haitong Bank should not, or cannot, in obedience to rules and to accounting principles which is governed by, constitute any provision resulting from the existence of the above referred legal proceedings.

Resolution Fund

In accordance with Decree-Law No. 24/2013 which establishes the modus operando of the Resolution Fund ('RF'), the Bank has since 2013, made the mandatory contributions, as provided for in that law. Thus, since the inception of the RF, the Bank made the initial contribution, pursuant to Article 3 of Decree-Law and the periodical contributions in 2013 and 2014, under Article 4 of Decree-Law.

On 3 November 2015, the Bank of Portugal issued a Circular Letter under which it was clarified that the periodic contribution to the RF should be recognized as an expense at the time of the occurrence of the event which creates the obligation to pay the contribution, ie on the last day of April of each year, as stipulated in Article 9 of Decree-Law No. 24/2013, of 19 February. The Bank is recognizing as an expense the contribution to the RF in the year in which it becomes due.

The Resolution Fund issued, on 15 November 2015, a public statement declaring: "it is further clarified that it is not expected that the Resolution Fund will propose the setting up of a special contribution to finance the resolution measure applied to BES. The eventual collection of a special contribution appears, therefore, remote. "

Subsequently, after issuance by the RF of such statement, in the scope of the resolution process of Banco Espírito Santo, S.A., the Bank of Portugal decided, as announced on 29 December 2015, to transfer to the RF the responsibilities arising from the " ... possible negative effects of future decisions, resulting from the resolution process [of Banco Espírito Santo, SA], which result in liabilities or contingencies". According to publicly available information, the volume of litigation associated with this process is high, not being duly clarified which amount of losses the RF my incur with these litigations or with the sale of Novo Banco, S.A..

Additionally, the Bank of Portugal decided on 19 and 20 December 2015, to apply a resolution measure to Banif - Banco Internacional do Funchal, SA ('BANIF'), not being clear which amount of losses the RF may incur with this process.

Accordingly, as at 31 December 2015, there is no estimate on the amount of any potential losses arising from the sale of Novo Banco, S.A., the above referred litigations associated with the resolution process of BES or potential losses to be incurred by the RF following the resolution of BANIF and the way in which these losses are likely to affect the Bank as to the amount and timing of future contributions to the RF.

In 2015, following the establishment of the European Resolution Fund, the Bank had to make an initial contribution in the amount of euro 1 006 thousand. The European Resolution Fund does not cover under going situations as at 31 December 2015, with the National Resolution Fund.

NOTE 39 – RELATED PARTIES TRANSACTIONS

As at 31 December 2015 and 2014, the total amount of assets, liabilities, income and expenses with related parties are presented as follows:

(thousands of euro)

	31.12.2015					31.12.2014				
	Assets	Liabilities	Guarantees	Income	Expenses	Assets	Liabilities	Guarantees	Income	Expenses
Associated Companies										
COPORGEST	-	-	-	-	-	9 553	5	-	401	41
MCO2 S G FUNDOS INVEST MOB SA	550	-	-	-	-	-	-	-	47	62
TOTAL	**550**	**-**	**-**	**-**	**-**	**9 553**	**5**	**-**	**448**	**103**

Assets recognised with associated companies relate mainly to loans. The liabilities relate mainly to bank deposits taken.

As at 31 December 2015 and 2014, the total amount of assets and liabilities of Haitong Bank referring to operations carried out with Haitong Bank's subsidiaries are as follows:

(thousands of euro)

	31.12.2015								
	Assets								
	Loans and advances to banks	Loans	Securities	Other (A)	Total	Guarantees	Liabilities	Income	Costs
Subsidiaries									
HAITONG BANCO DE INVESTIMENTO DO BRASIL SA	-	-	17 137	174 503	191 640	2 693	-	(2)	1 133
COMINVEST-SOC GESTAO INVEST IMOBIL SA	-	-	-	-	-	-	-	-	-
HAITONG CAPITAL -SRC, S.A.	-	-	-	42 760	42 760	656	8 001	4	47
HAITONG (UK) LIMITED	-	-	-	171 520	171 520	-	-	-	-
HAITONG INVESTMENT IRELAND PUBLIC LIMITED COMPANY	102 075	-	8 231	381 081	491 387	866 231	102 422	298 919	209 808
HAITONG SECURITIES INDIA PRIVATE	-	-	-	8 859	8 859	-	-	-	-
HAITONG SECURITIES (UK) LIMITED	-	-	-	82	82	-	21 145	-	636
LUSITANIA CAPITAL, S.A.P.I. DE C.V., SOFOM, E.N.R.	-	-	-	164	164	-	4	38	-
OTHERS	-	-	-	-		-	4	3	1
TOTAL	**102 075**	**-**	**25 368**	**778 969**	**906 412**	**869 580**	**131 576**	**298 962**	**211 625**

(A) Includes acquisition cost of subsidiaries and associates.

(thousands of euro)

	31.12.2014								
	Assets								
	Loans and advances to banks	Loans	Securities	Other (A)	Total	Guarantees	Liabilities	Income	Costs
Subsidiaries									
HAITONG BANCO DE INVESTIMENTO DO BRASIL S.A.	-	-	37 752	174 496	212 248	4 269	-	71	491
COMINVEST-SOC GESTAO INVEST IMOBIL SA	-	-	-	8 181	8 181	-	6 107	7	-
HAITONG CAPITAL - SCR, S.A.	-	-	-	49 778	49 778	135	5 172	94	55
HAITONG (UK) LIMITED	-	-	-	127 172	127 172	-	-	-	-
HAITONG INVESTMENT IRELAND PUBLIC LIMITED COMPANY	70 799	-	8 341	579 241	658 381	1 021 772	110 245	219 790	196 305
HAITONG SECURITIES INDIA PRIVATE LIMITED	-	-	-	8 859	8 859	-	-	3	17
HAITONG & COMPANY (UK) LIMITED	-	-	-	-	-	-	45	-	2 860
EXECUTION NOBLE LIMITED	-	-	-	1 198	1 198	-	(499)	809	1 252
OTHERS	-	-	-	90	90	-	87	154	5
TOTAL	**70 799**	**-**	**46 093**	**949 015**	**1 065 907**	**1 026 176**	**121 157**	**220 928**	**200 985**

(A) Includes acquisition cost of subsidiaries and associates.

NOTE 40 – FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value of financial assets and liabilities

The fair value of financial assets and liabilities, for the Bank, is analysed as follows:

(thousands of euro)

	Amortised cost	At fair value			Total book value	Fair value
		Quoted market price	Valuation models based on observable market information	Valuation models based on non-observable market information		
31 December 2015						
Cash and deposits at central banks	117 663	-	-	-	117 663	117 663
Deposits with banks	19 311	-	-	-	19 311	19 311
Financial assets held-for-trading	-	18 677	473 409	7 497	499 583	499 583
Available-for-sale financial assets	60	19 900	112 934	27 010	159 904	159 904
Loans and advances to banks	142 651	-	-	-	142 651	142 651
Loans and advances to customers	469 116	-	-	-	469 116	451 530
Derivatives for risk management purposes	-	-	34	-	34	34
Financial assets	**748 801**	**38 577**	**586 377**	**34 507**	**1 408 262**	**1 390 676**
Deposits from central banks	61 139				61 139	61 139
Financial liabilities held-for-trading	-	-	420 817	-	420 817	420 817
Deposits from banks	812 577	-	-	-	812 577	812 577
Deposits and other resources from customers	135 609	-	-	-	135 609	135 609
Debt securities issued	212 439	-	-	-	212 439	212 467
Derivatives for risk management purposes	-	-	59	-	59	59
Subordinated debt	-	-	215	-	215	215
Financial liabilities	**1 221 764**	**-**	**421 091**	**-**	**1 642 855**	**1 642 883**
31 December 2014						
Cash and deposits at central banks	1 198	-	-	-	1 198	1 198
Deposits with banks	27 824	-	-	-	27 824	27 824
Financial assets at fair value through profit or loss	-	37 102	661 183	134	698 419	698 419
Available-for-sale financial assets	63	79 166	41 076	27 880	148 185	148 185
Loans and advances to banks	97 657	-	-	-	97 657	97 657
Loans and advances to customers	628 228	-	-	-	628 228	628 228
Derivatives for risk management purposes	-	-	60	-	60	60
Financial assets	**754 970**	**116 268**	**702 319**	**28 014**	**1 601 571**	**1 601 571**
Deposits from central banks	61 108				61 108	61 108
Financial liabilities held for trading	-	-	644 151	-	644 151	644 151
Deposits from banks	780 070	-	-	-	780 070	780 070
Deposits and other resources from customers	49 970	-	-	-	49 970	49 970
Debt securities issued	366 810	-	3 441	-	370 251	370 251
Derivatives for risk management purposes	-	-	94	-	94	94
Subordinated debt	60 015	-	215	-	60 230	57 481
Financial liabilities	**1 317 973**	**-**	**647 901**	**-**	**1 965 874**	**1 963 125**

Haitong Bank determines the fair value of its financial assets and liabilities in accordance with the following hierarchy:

Quoted market prices – this category includes financial assets with quoted market prices available in official markets.

Valuation models based on observable market information – this category includes the financial instruments: (i) with dealer prices quotations provided by entities that usually provide transaction prices for these assets, and (ii) the valuation of which consists on the use of internal valuation techniques, namely discounted cash flow models and option pricing models which imply the use of estimates and require judgments that vary in accordance with the complexity of the financial instrument. Notwithstanding, Haitong Bank uses observable market data such as interest rate curves, credit spreads, volatility and market indexes in its model.

Valuation models based on non-observable market information – consists on the use of internal valuation models or quotations provided by third parties, but which imply the use of non-observable market information.

During the periods 2015 and 2014, there were no transfers between these different valuation levels.

The movements of the financial assets valued using non-observable market information, during 2015, can be analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Balance as at 1 January	28 015	33 598
Acquisitions	7 497	-
Disposals	(134)	(33 570)
Transfers	3 180	27 877
Changes in value	(4 051)	110
Balance as at 31 December	**34 507**	**28 015**

During the period 2015, the key parameters used in the valuation models were:

Interest rate curves

The short-term rates presented reflect benchmark values for the money market. For long-term rates, swap curves are used:

(%)

	31.12.2015			31.12.2014		
	EUR	USD	GBP	EUR	USD	GBP
Overnight	-0.35	0.27	0.45	0.01	0.18	0.45
1 month	-0.23	0.43	0.50	0.02	0.31	0.53
3 months	-0.17	0.51	0.59	0.08	0.19	0.60
6 months	-0.10	0.61	0.75	0.17	0.50	0.74
1 year	-0.06	0.87	0.85	0.16	0.43	0.65
3 years	0.06	1.40	1.30	0.22	1.26	1.14
5 years	0.33	1.72	1.59	0.36	1.79	1.45
7 years	0.62	1.95	1.80	0.53	2.04	1.65
10 years	1.00	2.19	1.99	0.82	2.28	1.84
15 years	1.40	2.42	2.16	1.15	2.50	2.07
20 years	1.57	2.53	2.20	1.33	2.62	2.18
25 years	1.60	2.59	2.18	1.42	2.67	2.22
30 years	1.61	2.62	2.16	1.47	2.69	2.23

Credit spreads

Credit spreads used by the Bank to assess credit derivatives are multi-contributed and published at the end of every day by Bloomberg. The values corresponding to benchmark entities are used for these purposes. The evolution of main indexes, seen as representative of credit spread behaviour in the market throughout the year, is presented as follows:

(basis points)

Index	Series	3 years	5 years	7 years	10 years
2015					
CDX USD Main	25	60.46	88.32	110.25	126.93
iTraxx Eur Main	24	51.50	77.28	96.30	113.75
iTraxx Eur Senior Financial	24	-	76.86	-	106.81
2014					
CDX USD Main	23	38.57	66.09	88.32	107.10
iTraxx Eur Main	22	35.46	62.95	84.44	101.20
iTraxx Eur Senior Financial	22	-	67.38	-	99.77

Interest rate volatility

The values presented below refer to the implied volatilities (at the money), used for the valuation of the interest rate options:

(%)

	31.12.2015			31.12.2014		
	EUR	USD	GBP	EUR	USD	GBP
1 year	-	42.65	39.66	283.60	69.94	49.46
3 years	-	45.92	53.36	102.30	57.67	61.19
5 years	148.15	46.21	54.11	94.22	49.13	59.26
7 years	82.95	43.92	51.72	84.35	44.41	55.17
10 years	55.66	40.48	47.70	67.52	40.68	49.61
15 years	41.68	35.58	42.18	53.72	35.58	41.94

Exchange rate and volatilities

Presented below are the exchange rates (European Central bank) at the balance sheet date and the implied volatilities (at the money) for the main currency pairs used for the valuation of derivatives:

			Volatility (%)				
Exchange	31.12.2015	31.12.2014	1 month	3 months	6 months	9 months	1 year
EUR/USD	1.08870	1.21410	9.66	9.94	9.98	10.02	10.07
EUR/GBP	0.73395	0.77890	8.58	9.05	9.79	10.27	10.49
EUR/CHF	1.08350	1.20240	6.08	6.78	7.19	7.46	7.66
EUR/NOK	9.60300	9.04200	10.66	10.70	10.67	10.61	10.61
EUR/PLN	4.26390	4.27320	6.70	6.73	6.92	7.04	7.14
EUR/RUB	80.67360	72.33700	19.82	20.77	21.32	21.39	21.48
USD/BRL a)	3.96041	2.65275	23.61	22.75	21.88	21.45	21.23
USD/TRY b)	2.91770	2.33259	12.29	13.20	13.94	14.41	14.86

a) Determined based on EUR/USD and EUR/BRL

b) Determined based on EUR/USD and EUR/TRY

Equity indexes

The following table summarizes the evolution of the main equity indexes and their corresponding volatility:

	Quotation			Historic volatility (%)		Implicit volatility (%)
	31.12.2015	31.12.2014	Range %	1 month	3 months	
DJ EURO STOXX 50	3 268	3 146	3.8	23.39	23.14	22.72
PSI 20	5 313	4 799	10.7	16.81	21.40	-
IBEX 35	9 544	10 280	-7.2	22.88	22.20	-
FTSE 100	6 242	6 566	-4.9	17.98	20.34	16.08
DAX	10 743	9 806	9.6	25.48	24.38	21.79
S&P 500	2 044	2 059	-0.7	16.33	18.56	15.58
BOVESPA	43 350	50 007	-13.31	25.68	27.27	25.38

The main methods and assumptions used in estimating the fair values of the aforementioned financial assets and liabilities are presented as follows:

Cash and deposits at central banks, Deposits with banks and Loans and advances to banks

Considering the short term nature of these financial instruments, carrying value is a reasonable estimate of its fair value.

Loans and advances to customers

The fair value of loans and advances to customers is estimated based on the discount of the expected future cash flows of capital and interest, assuming that the instalments are paid on the dates that have been contractually defined.

Held to maturity investments

The fair values of these financial instruments are based on quoted market prices, when available. For unlisted securities the fair value is estimated by discounting the expected future cash-flows.

Deposits from central banks and Deposits from banks

Considering the short term nature of these financial instruments, book value is a reasonable estimate of its fair value.

Deposits and other resources from customers

The fair value of these financial instruments is estimated based on the discount of the expected future cash flows of capital and interest, assuming that the instalments are paid on the dates that have been contractually defined. Considering that the applicable interest rates of these instruments are floating interest rates and that the period to maturity is substantially less than one year, the difference between the fair value and the book value is not significant.

Debt securities issued and Subordinated debt

The fair value of these instruments is based on market prices, when available. When not available, the Bank estimates its fair value by discounting the expected future cash-flows.

NOTE 41 – RISK MANAGEMENT

A qualitative outlook of the risk management at Haitong Bank is presented below.

Risk control and risk management provides an active support to management, being one of the strategic mainstays supporting Haitong Bank's balanced and sustained development.

The Bank's risk management has the following objectives:

- To identify, quantify and monitor the different types of risk, progressively applying uniform and consistent principles and methodologies;
- To fine-tuning tools to support the structuring of transactions and develop internal techniques of performance assessment and core capital optimization;
- To assume a proactive attitude in the management of events of significant delay or definitive non-performance of contractual obligations.

Credit Risk

Credit risk represents the potential financial loss arising from the failure of a borrower or counterparty to honour its contractual obligation. Credit risk is essentially present in traditional banking products – loans, guarantees granted and contingent liabilities – and in trading products – swaps, forwards and options (counterparty risk).

Credit portfolio management is an ongoing process that requires the interaction between the various teams responsible for the risk management during the consecutive stages of the credit process. This approach is complemented by the continuous introduction of improvements in the methodologies, in the risk assessment and control tools.

The Bank's risk profile is periodically monitored, especially in what concerns the evolution of credit exposure and credit lines. Are equally subject to daily analysis the observance of approved credit limits and the correct functioning of the mechanisms associated with credit approval.

Haitong Bank's credit risk exposure is analysed as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Deposits with banks	279 618	126 673
Financial assets held-for-trading	498 398	693 766
Available-for-sale financial assets	156 148	138 213
Loans and advances to customers	469 116	628 228
Derivatives for risk management purposes	34	60
Other assets	420 203	274 312
Guarantees granted	1 038 622	1 295 739
Irrevocable commitments	34 018	65 387
Credit risk associated to the credit derivatives reference entities	1	1 000
Total	**2 896 158**	**3 223 378**

Risk concentration

The analysis of loans and advances to customers and other financial assets by sector of activity, as at 31 December 2015 and 2014, can be analysed as follows:

(thousands of euro)

	31.12.2015						
	Loans and advances to customers				Financial assets held for trading	Available-for-sale financial assets	
	Gross amount		Impairment			Gross amount	Impairment
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans			
Agriculture, animal production, hunt, forest and fishing	-	-	-	-	2 941	-	-
Transforming Industry, food, beverage and tobacco	-	-	-	-	12	-	-
Transforming Industry, chemicals and rubber	108	16 907	-	4 884	153	612	186
Transforming Industry, metallic products	17 613	-	2 358	-	-	-	-
Electricity, gas and water	133 893	4 865	8 081	4 865	18 036	-	-
Construction	32 682	6 043	-	3 995	-	-	-
Real estate promotion	-	-	-	-	136	-	-
Transport and storage	203 920	8 376	4 056	3 130	81 412	-	-
Tourism	-	309	-	309	-	-	-
Printing and publishing	9 856	640	-	52	-	-	-
Cinema, video, tv, radio and television broadcasts	170	-	6	-	-	-	-
Communication activities	5 708	-	-	-	837	-	-
Monetary intermediation	-	-	-	-	359 035	110 265	-
Holding companies	78 740	2 466	63 522	1 289	7 019	1 268	1 168
Other financial activities	16 914	623	422	623	4 055	10 193	4 344
Real estate activities	37 148	27 208	29 587	20 488	8 384	-	-
Services provided to companies	234	8	234	8	-	24 430	600
Travelling activities	7 703	5 950	-	5 950	-	-	-
Public services	-	-	-	-	2 090	19 384	-
Local public services	4 533	-	-	-	-	-	-
Human health activities and social suport	-	-	-	-	15 473	-	-
Arts, entretainment, sports and recreation activities	-	-	-	-	-	50	-
Mortgage loans	358	-	-	-	-	-	-
TOTAL	**549 580**	**73 395**	**108 266**	**45 593**	**499 583**	**166 202**	**6 298**

(thousands of euro)

	31.12.2014						
	Loans and advances to customers				Financial assets held for trading	Available-for-sale financial assets	
	Gross amount		Impairment			Gross amount	Impairment
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans			
Extractive industries	-	-	-	-	-	-	-
Transforming Industry, food, beverage and tobacco	-	-	-	-	13	-	-
Transforming Industry, chemicals and rubber	16 340	-	4 884	-	20	440	-
Transforming Industry, metallic products	1 616	-	512	-	-	-	-
Production of transport material	-	-	-	-	20	-	-
Other transforming industries	-	-	-	-	37	-	-
Electricity, gas and water	166 896	3 133	8 970	1 254	24 284	-	-
Construction	82 645	5 482	59	3 303	45	-	-
Real estate promotion	-	-	-	-	221	-	-
Wholesale and retail; repair of motor vehicles and motorcycles	24 819	-	-	-	-	-	-
Transports and storage	220 242	971	3 219	794	122 333	-	-
Tourism	-	309	12 293	309	-	-	-
Printing and publishing	11 000	-	-	-	-	-	-
Cinema, video, tv, radio and television broadcasts	1 053	-	37	-	-	-	-
Communication activities	4 165	229	145	2	-	-	-
Monetary intermediation	-	-	-	-	489 569	39 677	-
Holding companies	111 049	216	52 637	2	4 789	11 750	1 070
Financial activities	58 649	431	590	431	1 736	18 844	6 171
Real estate activities	49 044	1 723	22 065	749	11 475	-	-
Services provided to companies	34 362	186	28	186	1 275	28 481	600
Travelling activities	8 289	5 950	9 257	5 950	-	-	-
Renting activities	-	-	41 027	-	-	-	-
Public services	-	-	-	-	32 449	56 784	-
Human health activities and social suport	-	-	-	-	10 153	-	-
Arts, entretainment, sports and recreation activities	18 231	262	13 035	50	-	50	-
Other service activities	-	-	17 711	-	-	-	-
Consumer loans	435	-	-	-	-	-	-
TOTAL	**808 835**	**18 892**	**186 469**	**13 030**	**698 419**	**156 026**	**7 841**

Market Risk

Market risk is the possible loss resulting from an adverse change in the value of a financial instrument due to fluctuations in interest rates, foreign exchange rates or share prices.

The main measure of market risk is the assessment of potential losses under adverse market conditions, for which the Value at Risk (VaR) valuation criteria is used. Haitong Bank Group's uses the VaR model utilizing the historical simulation, based on a confidence level of 99% and an investment period of 10 days. Volatilities and correlations are historical, based on an observation period of one year.

As a complement to VaR stress testing has been developed, allowing to evaluate the impact of potential losses higher than the ones considered by VaR:

(thousands of euro)

	31.12.2015				31.12.2014			
	December	Annual average	Maximum	Minimum	December	Annual average	Maximum	Minimum
Exchange rate	0.93	1.99	3.31	1.13	0.41	1.26	2.4	0.33
Interest rate risk	0.25	0.80	1.28	0.45	0.98	0.90	1.03	0.64
Shares	0.10	0.41	1.29	0.16	0.67	0.65	1.22	0.40
Credit spread	0.97	0.34	0.20	0.24	0.18	0.32	0.17	0.27
Covariance	-0.36	-0.76	-1.77	-0.52	-0.87	-0.93	-1.37	-0.50
Total	**1.89**	**2.78**	**4.31**	**1.46**	**1.37**	**2.20**	**3.45**	**1.14**

The Haitong Bank Group closed the year with a VaR of 1.88 million euros for its trading positions, registering a decrease of about 38% compared to the previous year.

According to the recommendations of Basel II (Pillar 2) and the Bank of Portugal's Instruction no. 19/2005, Haitong Bank Group calculates its exposure to interest rate risk based on the methodology of the Bank of International Settlements (BIS), classifying all balance sheets relating to assets and liabilities and all off-balance sheet items, which do not belong on the trading portfolio, by repricing intervals.

(million of euro)

	31.12.2015						
	Eligible amounts	Non sensitive	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Cash	118	118	-	-	-	-	-
Loans and advances to banks	177	35	142	-	-	-	-
Loans and advances to customers	623	217	152	236	18	-	-
Securities	166	9	100	41	-	1	15
Collaterals deposited under compensation contracts	233	-	233	-	-	-	-
Off-balance	665	271	112	139	12	-	131
Total	**1 982**	**650**	**739**	**416**	**30**	**1**	**146**
Central bank deposits	61	-	-	-	-	61	-
Other financial institutions deposits	813	49	751	-	-	13	-
Deposits	116	11	98	-	7	-	-
Repo´s with customers	19	-	19	-	-	-	-
Securities issued	213	-	213	-	-	-	-
Other equity instruments	4	-	-	-	-	-	4
Collaterals deposited under compensation contracts	7	-	7	-	-	-	-
Off-balance	665	271	112	139	12	-	131
Total	**1 898**	**331**	**1 200**	**139**	**19**	**74**	**135**
GAP (Assets - Liabilities)	**84**	**319**	**(461)**	**277**	**11**	**(73)**	**11**

(million of euro)

	31.12.2014						
	Eligible amounts	Non sensitive	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Cash	1	1	-	-	-	-	-
Loans and advances to banks	125	19	106	-	-	-	-
Loans and advances to customers	828	105	314	357	4	-	47
Securities	148	9	32	76	-	3	28
Collaterals deposited under compensation contracts	308	-	308	-	-	-	-
Off-balance	95	33	21	31	10	-	-
Total	**1 505**	**167**	**781**	**464**	**14**	**3**	**75**
Central bank deposits	61	-	-	-	-	61	-
Other financial institutions deposits	780	11	755	-	-	14	-
Deposits and other resources from customers							
Deposits	33	11	21	1	-	-	-
Repo´s with customers	17	-	17	-	-	-	-
Securities issued	430	1	175	2	250	2	-
Other equity instruments	4	-	-	-	-	-	4
Collaterals deposited under compensation contracts	9	-	9	-	-	-	-
Off-balance	95	32	22	31	10	-	-
Total	**1 429**	**55**	**999**	**34**	**260**	**77**	**4**
GAP (Assets - Liabilities)	**76**	**112**	**(218)**	**430**	**(246)**	**(74)**	**71**

The model used to monitor the sensitivity of Haitong Bank to interest rate risk is based on the duration model and considers parallel scenarios.

(million of euro)

	31.12.2015		31.12.2014	
	Parallel increase of 100 bp	Parallel increase of 100 bp	Parallel increase of 100 bp	Parallel increase of 100 bp
As at 31 December	4.1	(4.1)	(11.5)	11.5
Average of the year	(0.2)	0.2	(26.9)	26.9
Maximum for the year	4.1	2.6	(11.5)	50.3
Minimum for the year	(2.6)	(4.1)	(50.3)	11.5

The following table presents the average balances, interests and interest rates in relation to the Bank's major assets and liabilities categories, for the periods ended 31 December 2015 and 2014, as well as the average balances and the interests of the period:

(thousands of euro)

	31.12.2015			31.12.2014		
	Average balance of the year	Interest of the year	Average interest rate	Average balance of the year	Interest of the year	Average interest rate
Monetary assets	194 142	1 305	0.67%	268 811	1 830	0.68%
Loans and advances to customers	478 991	17 471	3.65%	749 930	26 249	3.50%
Investment in securities	227 981	9 859	4.32%	409 806	18 213	4.44%
Collateral accounts	191 081	115	0.06%	256 963	282	0.11%
Financial assets	**1 092 195**	**28 750**	**2.63%**	**1 685 510**	**46 574**	**2.76%**
Monetary resources	766 827	14 978	1.95%	1 041 116	11 687	1.12%
Resources and other deposits from customers	63 491	523	0.82%	203 356	1 323	0.65%
Liabilities represented by securities	345 022	16 572	4.80%	451 223	21 095	4.68%
Other resources	418 250	1 560	0.37%	578 162	147	0.03%
Financial liabilities	**1 593 590**	**33 633**	**2.11%**	**2 273 857**	**34 252**	**1.51%**
Financial result		**(4 883)**	**0.52%**		**12 322**	**1.26%**

Concerning the foreign exchange risk, the distribution of assets and liabilities by currency as at 31 of December of 2015 and 2014, is analysed as follows:

(thousands of euro)

		31.12.2015			31.12.2014		
		Spot	Forward	Net exposure	Spot	Forward	Net exposure
USD	U.S. DOLLAR	181 559	(156 593)	24 966	237 235	(240 591)	(3 356)
GBP	STERLING POUNG	144 585	-	144 585	107 881	(107 645)	236
BRL	BRAZILIAN REAL	20 816	(169 981)	(149 165)	38 374	(133 877)	(95 503)
JPY	YEN	285	-	285	247	-	247
CHF	SWISS FRANC	290	-	290	566	-	566
PLN	POLISH ZLOTY	14 886	(482)	14 404	19 657	-	19 657
CAD	CANADIAN DOLLAR	10 002	(12 900)	(2 898)	2 093	-	2 093
AUD	AUSTRALIAN DOLLAR	1	-	1	9	-	9
INR	INDIAN RUPEE	11 778	-	11 778	8 296	-	8 296
	OTHERS	(50)	1	(49)	192	-	192
		384 152	**(339 955)**	**44 197**	**414 550**	**(482 113)**	**(67 563)**

Note: assets / (liabilities)

As at 31 December 2015 and 31 December 2014, the Haitong Bank exposure to public debt from peripheral Eurozone countries is analysed as follows:

(thousands of euro)

	31.12.2015					
	Loans and advances to customers	Financial assets held-for-trading at fair value	Derivatives (1)	Financial assets available-for-sale	Held-to-maturity investments	Total
Portugal	-	-	-	3 209	-	3 209
Spain	-	54	-	-	-	54
Greece	-	-	-	14 919	-	14 919
	-	**54**	**-**	**18 128**	**-**	**18 182**

(1) Net values: receivable/payable

(thousands of euro)

31.12.2014						
	Loand and advances to customers	Financial assets held-for-trading at fair value	Derivatives [1]	Financial assets available-for-sale	Held-to-maturity investments	Total
Portugal	-	-	-	2 901	-	2 901
Spain	-	55	-	-	-	55
Greece	-	-	-	27 903	-	27 903
	-	**55**	**-**	**30 804**	**-**	**30 859**

[1] Net values: receivable/payable

As at 31 December 2015, beyond the above mentioned exposure the Bank have a long position through Credit Default Swap contracts with underlying Portuguese Republic in the amount of US dolar 40 000 thousand. Addionnally, at the same date, the exposure in balance sheet to Novo Banco, in the amount of euro 133.286 thousand is fully guaranteed by Portuguese Republic.

All the exposures presented above, except loans and advances to customers and held to maturity investments, are recorded in the Bank's balance sheet at fair value, which is based on market quotations or, in relation to derivatives, based on valuation techniques with observable market data.

A detailed exposure regarding securities recorded in financial assets available for sale, financial assets held for trading, financial assets at fair value through profit or loss and held to maturity investments can be analysed as follows:

(thousands of euro)

31.12.2015						
	Nominal amount	Market value	Accrued interest	Book value	Impairment	Fair value reserve
Available-for-sale financial assets						
Portugal	**3 000**	**3 071**	**138**	**3 209**	**-**	**28**
Maturity up to 1 year	2 300	2 317	128	2 445	-	10
Maturity exceeding 1 year	700	754	10	764	-	18
Greece	**24 000**	**14 308**	**611**	**14 919**	**-**	**(2 575)**
Maturity exceeding 1 year	24 000	14 308	611	14 919	-	(2 575)
	27 000	**17 379**	**749**	**18 128**	**-**	**(2 547)**
Financial assets held-for-trading						
Spain	45	52	2	54	-	-
	45	**52**	**2**	**54**	**-**	**-**

(thousand of eur

	31.12.2014					
	Nominal amount	Market value	Accrued interest	Book value	Impairment	Fair value reserve
Available-for-sale financial assets						
Portugal	**2 600**	**2 766**	**136**	**2 901**	**-**	**100**
Maturity up to 1 year	100	102	1	103	-	2
Maturity exceeding 1 year	2 500	2 664	135	2 798	-	98
Greece	**52 000**	**27 019**	**884**	**27 903**	**-**	**(8 592)**
Maturity up to 1 year	5200	27019	884	27903	-	8592
	54 600	**29 785**	**1 020**	**30 804**	**-**	**(8 492)**
Financial assets held-for-trading						
Spain	45	53	2	55	-	-
	45	**53**	**2**	**55**	**-**	**-**

Liquidity risk

Liquidity risk derives from the potential inability to fund assets while satisfying commitments on due dates and from potential difficulties in liquidating positions in portfolio without incurring in excessive losses.

Liquidity management is centralized at the Financial Department. The purpose of liquidity management is to maintain adequate liquidity levels to meet short, medium and long term funding needs. The Bank prepares specific reports that allow the identification of negative mismatch and permits their dynamic coverage.

In addition, the Bank calculates the liquidity ratios in accordance with the Bank of Portugal rules, provided for in CRD IV (Directive 2013/36/EU).

Consolidated Liquidity Indicators

Haitong Bank's liquidity gap up to 1 year improved, from – 592 million euros, as at 31 December 2014, to + 536 million euros, as at 31 December 2015. This improvement was mainly due to the extension of the maturity profile that was achieved in the funding structure of the Bank in 2015.

As at 31 December 2015, Haitong Bank achieved a 483% liquidity coverage ratio, above the minimum regulatory ratio, forecasted both for December 2015 and December 2018.

Operational Risk

Operational risk represents the risk of losses resulting from failures in internal procedures, people behaviours, information systems and external events.

To manage operational risk, it was developed and implemented a system that standardizes, systematizes and regulates the frequency of actions with the objective of identification, monitoring, controlling and mitigation of risk.

Capital management and solvability ratio

The Bank's main capital management goals are (i) to allow the adequate growth of activities through the generation of enough capital to support the increase of assets, (ii) fulfilment of the minimum requirements defined by the supervision authorities in terms of capital adequacy and (iii) to ensure the fulfilment of the Bank's strategic goals in respect to capital adequacy matters.

The definition of the strategy in terms of capital adequacy is made by the Executive Committee and is integrated in the global goals of the Bank.

The Bank is subject to the Bank of Portugal's supervision, which, under the capital adequacy Directive from the European Community, establishes the prudential rules to be attended by the institutions under its supervision. These rules determine a minimum solvability ratio in relation to the requirements of the assumed risks that institutions have to fulfil.

Currently, for reporting purposes to the Bank of Portugal, the Bank presents the solvency ratios in accordance with internal models for credit risk (Internal Ratings Based Approach – IRB) and with the standard method for operational risk (The Standardized Approach – TSA).

The capital adequacy of Haitong Bank Group as at 31 December 2015 and 2014 is presented as follows:

(thousands of euro)

	31.12.2015	31.12.2014
Total RWA	**4 156 783**	**3 737 642**
Credit Risk and CVA	2 667 960	3 235 925
Market Risk	356 521	318 650
Operational Risk	138 880	183 067
Own Funds		
Total	498 190	440 977
Level 1	498 054	440 977
Main Level 1	498 054	440 977
Ratio		
Total	15.7%	11.8%
Level 1	15.7%	11.8%
Main Level 1	15.7%	11.8%

The assumptions used in the capital adequacy calculations are described in note 7.5.Capital Management - Solvency in the Management Report.

NOTE 42 – SUBSEQUENT EVENTS

In July of 2015 and as part of the de-banking process it was submitted for New York State Department of Financial Services (NYDFS) approval a request to open a Representative Office in New York for Haitong Bank. On January 6, 2016 the NYDFS informed Haitong Bank that the Representative Office had been approved.

Upon authorization from the Bank of Portugal, Haitong Securities USA was created on 30 September 2015, in the United States, being 100% owned by Haitong Bank, SA, which will request from the competent American authorities permission to operate in those markets as a broker dealer. This company's initial capital was realized on 20 January 2016, in the amount of 300 000 dollars. This company is expected to begin operations in 2016.

NOTA 43 - RECENTLY ISSUED PRONOUNCEMENTS

RECENTLY ISSUED PRONOUNCEMENTS ALREADY ADOPTED BY THE BANK

In the preparation of the consolidated financial statements for the year ended 31 December 2015, the Bank adopted the following recently issued accounting standards and interpretations:

IFRIC 21 – Levies

The IASB issued, on 20 May 2013, this interpretation, effective (with retrospective application) for annual periods beginning on or after 1 January 2014. This interpretation was endorsed by EU Commission Regulation 634/2014, of 13 July (defining the date of entry into force as the beginning of the first financial year starting on or after 17 June 2015, at the latest).

IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs.

This interpretation did not have a material impact on the Bank's financial statements.

Improvements to IFRS (2011-2013)

The annual improvements of the 2011-2013 cycle, issued by IASB on 12 December 2013, introduce amendments, with effective date on, or after, 1 July 2014, to the standards IFRS 1, IFRS 3, IFRS 13 and IAS 40. These amendments were endorsed by EU Commission Regulation 1361/2014, of 18 December (defining entry into force, at the latest, as from the commencement date of first financial year starting on or after 1 January 2015).

IFRS 1 – "Effective IFRS" concept

IASB clarifies that, if the new IFRS are not yet mandatory but allow for early application, IFRS 1 permits, but does not require, that they be applied in the entity's first IFRS financial statements.

IFRS 3 – Scope exceptions for joint ventures

The amendment excludes the formation of all types of joint arrangements as defined in IFRS 11 – Joint Arrangements from the scope of IFRS 3. The scope exception only applies to the financial statements of the joint venture or the joint operation itself.

IFRS 13 – Scope of paragraph 52 – portfolio exception

Paragraph 52 of IFRS 13 includes a scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis. The objective of this amendment was to clarify that the portfolio exception applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32.

IAS 39 - Financial instruments

In 30 December 2015, Bank of Portugal issued Regulation no.5/2015 that establishes that entities under their supervision should prepare individual financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted, in each moment, by EU Regulation, revoking regulation no.1/2005, that established that individual financial statements of the Bank should be prepared in accordance with the Adjusted Accounting Standards (NCA). This new regulation is in force since 1 January 2016. The impacts arising from this amendments in the initial balances of 2016 financial statements result essentially from the revocation of regulation no.3/95 which refers to the recording of impairment over a credit portfolio on an individual basis.

The Bank is still evaluating the impact from the adoption of this standard.

IAS 40 – Interrelationship with IFRS 3 when it classifies property as investment property or owner-occupied property

The objective of this amendment was to clarify that judgment is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgment is based on the guidance in IFRS 3.

The adoption of this amendment did not have a material impact on the Bank's financial statements.

RECENTLY ISSUED PRONOUNCEMENTS NOT YET ADOPTED BY THE BANK

The Bank decided against early application of the following standards and interpretations, which were endorsed by the EU:

IAS 19 (Revised) – Defined Benefit Plans: Employee Contributions

The IASB issued, on 21 November 2013, this amendment, effective (with retrospective application) for annual periods beginning on or after 1 July 2014.

This amendment clarifies the guidance on attributing employee or third party contributions linked to service and requires entities to attribute the contributions linked to service in accordance with paragraph 70 of IAS 19 (2011). Therefore, such contributions are attributed using plan's contribution formula or on a straight line basis.

The amendment lessens the complexity by introducing a practical expedient that allows an entity to recognise employee or third party contributions linked to service that are independent of the number of years of service (for example, a fixed percentage of salary), as a reduction in the service cost in the period in which the related service is rendered.

The Bank expects no impact from the adoption of this amendment on its financial statements.

Improvements to IFRS (2010-2012)

The annual improvements of the 2010-2012 cycle, issued by IASB on 12 December 2013, introduce amendments, with effective date on, or after, 1 July 2014, to the standards IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. These amendments were endorsed by EU Commission Regulation 28/2015, of 17 December 2014 (defining entry into force, at the latest, as from the commencement date of the first financial year starting on or after 1 February 2015).

IFRS 2 – Definition of vesting condition

The amendment clarifies the definition of 'vesting conditions' in Appendix A of IFRS 2 – Share-based Payment, by separating the definition of performance condition and service condition from the definition of vesting condition to make the description of each condition clearer.

IFRS 3 – Accounting for a contingent consideration in a business combination

The objective of this amendment is to clarify certain aspects of accounting for a contingent consideration in a business combination, namely: classification of contingent consideration in a business combination and subsequent measurement, taking into account if such contingent consideration is a financial instrument or a non-financial asset or liability.

IFRS 8 – Aggregation of operation segments and reconciliation of the total of the reportable segments' assets to entity's assets

The amendment clarifies the criteria for aggregation of operating segments and requires entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated. To achieve internal consistency, reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed, if that amount is regularly provided to the chief operating decision maker.

IFRS 13 – Short-term receivables and payables

IASB amends the basis of conclusion in order to clarify that, by deleting IAS 39AG79, it did not intend to change the measurement requirements for short-term receivables and payables with no interest, that should be discount if such discount is material, noting that IAS 8.8 already permits entities not to apply accounting polices set out in accordance with IFRSs when the effect of applying them is immaterial.

IAS 16 & IAS 38 – Revaluation method – proportionate restatement accumulated depreciation or amortization

In order to clarify the calculation of the accumulated depreciation or amortization at the date of the revaluation, IASB amended paragraph 35 of IAS 16 and paragraph 80 of IAS 38 to clarify that: (i) the determination of the accumulated depreciation (or amortization) does not depend on the selection of the valuation technique; and (ii) the accumulated depreciation (or amortization) is calculated as the difference between the gross and the net carrying amounts.

IAS 24 – Related Party Transactions – Services by key management personnel

In order to address the concerns about the identification of key management personnel (KMP) costs, when KMP services of the reporting entity are provided by entities (management entity e.g. in mutual funds), IASB clarifies that the disclosure of the amounts incurred by the entity for the provision of KMP services that are provided by a separate management entity shall be disclosed but it is not necessary to present the information required in paragraph 17.

The Bank expects no impact from the adoption of this amendment on its financial statements.

Improvements to IFRS (2012-2014)

The annual improvements of the 2012-2014 cycle, issued by IASB on 25 September 2014, introduce amendments, with effective date on, or after, 1 January 2016, to the standards IFRS 5, IFRS 7, IAS 19 and IAS 34. These amendments were endorsed by EU Commission Regulation 2343/2015, of 15 December 2015.

IFRS 5 – Non-current Assets held for Sale and Discontinued Operations: Change of Disposal Method

The Amendments to IFRS 5 clarify that if an entity reclassifies an asset (or disposal group) directly from being 'held for sale' to being 'held for distribution to owners' (or vice versa) then the change in classification is considered a continuation of the original plan of disposal. Therefore, no re-measurement gain or loss is accounted for in the statement of profit or loss or other comprehensive income due to such change.

IFRS 7 – Financial Instruments: Disclosures: Servicing contracts

The Amendments to IFRS 7 Financial Instruments: Disclosures: Servicing contracts clarify – by adding additional application guidance – when servicing contracts constitute continuing involvement for the purposes of applying the disclosure requirements in paragraph 42C of IFRS 7.

IFRS 7 – Financial Instruments: Disclosures: Applicability of the Amendments to IFRS 7 on offsetting financial assets and financial liabilities to condensed interim financial statements

The Amendments to IFRS 7 clarify that the additional disclosures required that were introduced in December 2011 by the Amendments to IFRS 7 –Offsetting Financial Assets and Financial Liabilities – are not required in interim periods after the year of their initial application unless IAS 34 Interim Financial Reporting requires those disclosures.

IAS 19 – Employee Benefits: Discount rate: regional market issue

The Amendments to IAS 19 Employee Benefits clarify that the high quality corporate bonds used to estimate the discount rate should be determined considering the same currency in which the benefits are to be paid. Consequently, the depth of the market for high quality corporate bonds should be assessed at currency level rather than at country level. If such a deep market does not exist, the market yield on government bonds denominated in that currency shall be used.

IAS 34 – Interim Financial Reporting: Disclosure of information 'elsewhere in the interim financial report'

The Amendments clarify that the 'other disclosures' required by paragraph 16A of IAS 34 shall be presented either in the interim financial statements or incorporated by cross-reference from the interim financial statements to some other statement (such as management commentary or a risk report) that is available to users of the financial statements on the same terms as the interim financial statements and at the same time.

The Amendments to IAS 34 also clarify that if users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time, the interim financial report is incomplete.

The Bank expects no impact from the adoption of these amendments on its financial statements.

IAS 27 – Equity Method in Separate Financial Statements

IASB issued, on 12 August 2014, amendments to IAS 27, with an effective date of application for periods beginning on or after 1 January 2016, introducing an option for the measurement of subsidiaries, associates or joint ventures with the equity method in the separate financial statements.

These amendments were endorsed by EU Commission Regulation 2441/2015, of 18 December 2015.

The bank has not yet made any decisions on a possible adoption of this option in their separate accounts (if the individual accounts follow IFRS).

Other Amendments

The following amendments were also issued by IASB in 2014, and are applicable to periods beginning on or after 1 January 2016:

- Amendments to IAS 16 and IAS 41: Bearer Plants (issued on 30 June 2014 and endorsed by EU Commission Regulation 2113/2015, of 23 November);
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12 May 2014 and endorsed by EU Commission Regulation 2231/2015, of 2 December);
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (issued on 6 May 2014 and endorsed by EU Commission Regulation 2173/2015, of 24 November);
- Amendments to IAS 1: Disclosure Initiative (issued on 18 December 2014 and endorsed by EU Commission Regulation 2406/2015, of 18 December).

The Bank expects no impact from the adoption of these amendments on its financial statements.

RECENTLY ISSUED PRONOUNCEMENTS NOT YET EFFECTIVE FOR THE BANK

IFRS 9 – Financial instruments (issued in 2009 and revised in 2010, 2013 and 2014)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. IFRS 9 (2013) introduces the hedging requirements. IFRS 9 (2014) introduces limited amendments to the classification and measurement requirements of IFRS 9 and new requirements to address the impairment of financial assets.

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39, with respect to financial assets. The standard contains three measurement categories for financial assets: amortised, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL). A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give

rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal outstanding. If the debt instruments that are SPPI are held under a business model whose objective is achieved both by collecting contractual cash flows and by selling, the measurement would be at fair value through other comprehensive income (FVOCI), keeping the revenue form interest presenting in profit or loss.

For an investment in an equity instrument that is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in OCI (FVOCI). Those amounts recognized in OCI would never be reclassified to profit or loss at a later date. However, dividends on such investments would be recognised in profit or loss, rather than OCI, unless they clearly represent a partial recovery of the cost of the investment.

All other financial assets, either the financial assets held under a business model of trading, either other financial instruments which do not comply with SPPI criteria, would be measured at fair value through profit and loss (FVTPL).

In this situation, Investments in equity instruments are also included, in respect of which an entity does not elect to present fair value changes in OCI, and which would be measured at fair value with changes in fair value recognised in profit or loss (FVTPL).

The standard requires derivatives embedded in contracts with a host that is a financial asset in the scope of the standard not to be separated; instead, the hybrid financial instrument is assessed in its entirety, and, upon confirmation that embedded derivatives exist, they should be measured at fair value through profit and loss (FVTPL).

The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in OCI rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment to the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirements also establish a more principles-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39.

IFRS 9 (2014) established a new impairment model base on "expected losses" which will replace the current "incurred losses" model in IAS 39.

So, loss event will no longer need to occur before an impairment allowance is recognised. This new model will accelerate recognition of losses from impairment on debt instruments held that are measured at amortised cost or FVOCI.

If the credit risk of financial asset has not increased significantly since its initial recognition, the financial asset will attract a loss allowance equal to 12-month expected credit losses.

If its credit risk has increased significantly, it will attract an allowance equal to lifetime expected credit losses thereby increasing the amount of impairment recognised.

As soon as the loss event occurs (what is currently defined as "objective evidence of impairment"), the impairment allowance would be allocated directly to the affected financial asset, which, from that point, would have the accounting treatment similar to the current one provided for by IAS 39, including the treatment of interest revenue.

The mandatory effective date of IFRS 9 is 1 January 2018.

The Bank has started the process of evaluating the potential effect of this standard but given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's financial statements.

IFRS 15 – Revenue from Contracts with Customers

The IASB issued, on 28 May 2014, IFRS 15 – Revenue from Contracts with Costumers, effective (with early application) for annual periods beginning on or after 1 July 2017. This standard will revoke IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenue – Barter Transactions Involving Advertising Services.

IFRS 15 provides a model based on 5 steps of analysis in order to determine when revenue should be recognized and the corresponding amount. The model specifies that the revenue should be recognized when an entity transfers goods or services to the customer, measured by the amount that the entity expects to be entitled to receive. Depending on the fulfilment of certain criteria, revenue is recognised:

i) At a time when the control of the goods or services is transferred to the customer; or

ii) Over the period, to the extent that it represents the performance of the entity.

The Bank is still evaluating the impact from the adoption of this standard.

IFRS 16 - Leases

The IASB, issued on 13 January 2016, IFRS 16 – Leases, effective (with early application if applied at the same time as IFRS 15) for annual periods beginning on or after 1 January 2019. This new standard replaces IAS 17 – Leases.

IFRS 16 removes the classification of leases as either operating leases or finance leases (for the lessee—the lease customer), treating all leases as finance leases.

Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the requirements.

The bank has not yet carried out a full analysis of the application of the impact of this standard.

IFRS 14 – Regulatory Deferral Accounts

The IASB issued on 30 January 2014 a standard that defines interim measures for those adopting IFRS for the first time and has activity with regulated tariff.

The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

This standard is not applicable to the bank.

Other Amendments

IASB also issued the following amendments:

- on 18/12/2014, and applicable to periods beginning on or after 1 January 2016, amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception;
- on 19/1/2016, and applicable to periods beginning on or after 1 January 2017, amendments to IAS 12 clarifying the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice.

The bank expects no impact from the adoption of this amendment on its financial statements.

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Report and Opinion of the Supervisory Board

Haitong Bank, S.A.

for financial year 2015

To the Shareholder of

Haitong Bank, S.A. (formerly Banco Espírito Santo de Investimento, S.A.)

In accordance with the applicable legislation, we hereby present our report on the audit performed by the Supervisory Board to the Management Report, the individual and the consolidated financial statements and the proposal for the distribution of the year's results presented by the Board of Directors of Haitong Bank (hereinafter Haitong) for the year ended 31 December 2015.

The Supervisory Board notes that Banco Espírito Santo de Investimento, S.A. was purchased in September 2015 by Haitong International Holdings Limited, a subsidiary of Haitong Securities Co., Ltd., both entities being relevant players in the international financial system and in particular in the Asian market.

In the same month Banco Espírito Santo de Investimento, S.A. changed its name to Haitong Bank, S.A..

During the financial year of 2015 Haitong's Supervisory Board, as part of its designated functions, monitored, in accordance with the law and the company's articles of association, the development of Haitong's management and business activities, namely:

(i) assessed the adequacy and effectiveness of the risk management, internal control and internal audit systems;

(ii) attended Board of Directors meetings whenever invited;

(iii) reviewed management information documents submitted to the Supervisory Board by the Board of Directors;

(iv) monitored the verification of the accounting records and underlying support documents;

(v) assessed the accounting policies and valuation criteria adopted by Haitong; and

(vi) held meetings with the Statutory Auditor, whenever necessary, on the assessment of the accounting policies and valuation criteria adopted by Haitong, which always provided the information required.

In accordance with the applicable legislation, the Supervisory Board also assessed the Auditor's Report prepared by the Statutory Auditor on the individual and consolidated financial statements and was made aware of the individual and consolidated Statutory Audit Report ("Certificação Legal de Contas") on the referred financial statements for financial year 2015, with which the Supervisory Board agrees.

Notwithstanding, since February 2013 the Supervisory Board has been calling the attention of the Board of Directors to the value of the goodwill associated to the subsidiary Haitong (UK) Limited.

In fact, we note that this subsidiary has been giving a permanent and considerable negative contribution to results, which leads us to conclude that the value of the goodwill associated to its acquisition will be difficult to recover and could thus amount to an actual potential loss.

The Supervisory Board was also made aware of the conclusions of the Auditor's Report prepared by a prominent international auditing company.

The Supervisory Board also analysed the Management Report submitted by the Board of Directors and considers that the report complies with the applicable legal and statutory requirements and elucidates the main aspects of Haitong's activities in 2015, both in individual and in consolidated terms.

In December 2015 the share capital of Haitong Bank, S.A. was increased by EUR 100,000,000.00 to EUR 426,269,000.00. The share capital increase was fully subscribed and paid up by Haitong International Holdings Limited.

In light of the above, it is the opinion of the Supervisory Board that the following should be approved:

- The Management Report and remaining individual and consolidated reporting documents relative to the financial year ended on 31 December 2015;
- The proposal submitted by the Board of Directors on the allocation of the net loss for the year 2015, in the amount of EUR 43,176,896.49.

Lisbon, 30 March 2016

THE SUPERVISORY BOARD

José Manuel Macedo Pereira

(Chairman)

Tito Manuel das Neves Magalhães Basto

Mário Paulo Bettencourt de Oliveira

Declaration of Conformity with the Financial Information Reported

The present declaration is submitted under the terms of Article 245 (1-c)) of the Portuguese Securities Code.

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

- The information referred to in Article 245 (1-a)) of the Portuguese Securities Code as at 31 December 2015 was prepared in accordance with the applicable accounting standards, providing a true and fair view of the assets and liabilities, the financial situation and the results of Haitong and the companies included within its consolidated scope; and
- The management report faithfully details the evolution of the business and the performance and position of Haitong and the companies included within its consolidation scope, and contains a description of the main risks and uncertainties faced within the framework of ongoing activities.

Lisbon, 30 March 2016

THE SUPERVISORY BOARD

José Manuel Macedo Pereira

(Chairman)

Tito Manuel das Neves Magalhães Basto

Mário Paulo Bettencourt de Oliveira

Statutory Audit and Auditor's Report

(Individual Accounts)

(This report is a free translation to English from the original Portuguese version)

INTRODUCTION

1. In accordance with the applicable legislation, we hereby present the Statutory Audit and Auditor's Report on the financial information disclosed in the management report and corresponding financial statements for the financial year ended on 31 December 2015 of **"HAITONG BANK, S.A." (formerly Banco Espírito Santo de Investimento, S.A.),** which comprise: the balance sheet (which reports total assets of EUR 2,601,649 thousand and total equity of EUR 513,047 thousand, including a net loss for the year of EUR 43,177 thousand), the statements of income, of comprehensive income, of cash flows and of changes in equity for the year then ended and the corresponding Notes.

RESPONSIBILITIES

2. The Board of Directors is responsible for:

   a) the preparation of the financial statements in accordance with the Adjusted Accounting Standards ("NCA") endorsed by the Bank of Portugal, which follow International Financial Reporting Standards (IFRS) as adopted by the European Union, with the exception of the items defined in Notices 1/2005 (nos. 2 and 3) and 4/2005 (no. 2) of the Bank of Portugal, that present a true and fair view of the financial position of the Bank and the results of its operations, changes in equity and cash flows;

   b) the historical financial information, prepared in accordance with generally accepted accounting standards, that is complete, true and fair, timely, transparent, objective and lawful, as required by the Portuguese Securities Code ("Código dos Valores Mobiliários");

   c) the adoption of adequate accounting policies and criteria;

   d) the maintenance of an appropriate system of internal control ; and

   e) the disclosure of any relevant fact that may have affected its operations, financial position or results.

3. Our responsibility is to perform an audit of the financial information included in the aforementioned financial statements, namely verifying that it is complete, true and fair, timely, transparent, objective and lawful, as required by the Portuguese Securities Code, in order to issue a professional and independent report based on our audit.

SCOPE

4. Our audit was performed in accordance with applicable Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require us to plan and perform our audit so as to obtain reasonable assurance that the financial statements are free of material misstatements. Our audit therefore included:

   - the examination, on a sample basis, of evidence for the amounts and disclosures in the financial statements and an assessment of the estimates, based on the judgements and criteria defined by the Board of Directors, used in the preparation of the financial statements;
   - the assessment of whether the accounting policies used and their disclosure are appropriate to circumstances;
   - the verification as to whether the going concern basis is applicable;
   - the assessment of whether the global presentation of the financial statements is appropriate;
   - the assessment as to whether the financial information is complete, true and fair, timely, transparent, objective and lawful.

5. Our audit also included verifying that the financial information disclosed in the management report is consistent with the financial statements.

6. We believe that our audit provides a reasonable basis for our opinion.

OPINION

7. In our opinion, the financial statements referred to above present fairly and truthfully, in all material respects, the financial position **of "HAITONG BANK, S.A." (formerly Banco Espírito Santo de Investimento, S.A.)**, as at 31 December 2015, the results of its operations, comprehensive income, changes in equity and cash flows for the year then ended, in accordance with the Adjusted Accounting Standards ("NCA") endorsed by the Bank of Portugal, and the information disclosed is complete, true and fair, timely, transparent, objective and lawful.

EMPHASIS

8. Without affecting the opinion expressed in paragraph 7 above, we draw attention to the following matter:

8.1. With respect to the emphasis referred in 2014 concerning the agreement signed between Novo Banco, S.A. and Haitong International Holding Limited (hereinafter "HIHL") on the sale/purchase of the entire share capital of Banco Espírito Santo de Investimento S.A. (BESI), we note that on 7 September 2015 HIHL purchased from Novo Banco, S.A. all the shares of BESI.

8.2. As a result of the acquisition referred to in 8.1. above, Banco Espírito Santo de Investimento, S.A. changed its name to Haitong Bank, S.A..

8.3. In December 2015 the single shareholder of Haitong Bank, S.A., Haitong International Holding Limited, increased the Bank's share capital by EUR 100,000,000, to EUR 426,269,000, through the issuance of 20,000,000 shares with nominal value of EUR 5.

8.4. In note 26 to the financial statements, Haitong Bank, S.A. refers the investments made in subsidiaries and associated companies, notably in Haitong (UK) Limited and Haitong Capital - Sociedade de Capital de Risco, S.A.

In order to assess the recoverability of those investments, Haitong Bank, S.A. made a structured analysis of those assets' impairment, following the procedures required by IAS 36 - Impairment of Assets.

We should note that the recoverability of the value of such equity holdings is intrinsically linked to the capacity of said subsidiaries to generate future economic benefits in accordance with the strategic business plan that was defined and through the fulfilment of all economic assumptions taken.

The Board of Directors, based on sensitivity analyses, considers the economic assumptions adequate and that no impairment losses will be detected.

REPORT ON OTHER LEGAL REQUIREMENTS

9. It is also our opinion that the information disclosed in the management report is consistent with the individual financial statements for the year.

Lisbon, 29 March 2016

José Maria Ribeiro da Cunha
representing:
"Amável Calhau, Ribeiro da Cunha & Associados
- Sociedade de Revisores Oficiais de Contas -"

AUDITOR'S REPORT

(This report is a free translation to English from the original Portuguese version. In case of doubt or misinterpretation the Portuguese version will prevail.)

Introduction

1 We have audited the financial statements of **Haitong Bank, S.A.** ("the Company"), which comprise the balance sheet as at 31 December 2015 (which shows total assets of thousand Euro 2 601 649 and a total equity of thousand Euro 513 047, including a net loss of thousand Euro 43 177), the statements of income, changes in equity, comprehensive income and cash flows for the year then ended and the corresponding Notes.

Responsibilities

2 Management is responsible for the preparation of financial statements in accordance with *Normas de Contabilidade Ajustadas* ("NCA's"), as established by the Central Bank of Portugal, that give a true and fair view of the financial position of the Company, the results of its operations, the changes in equity, the comprehensive income and its cash flows, as well as for the adoption of adequate accounting policies and criteria and the maintenance of an appropriate internal control system.

3 Our responsibility is to express a professional and independent opinion on these financial statements based on our audit.

Scope

4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. For this purpose our audit included:

- verification, on a test basis, of the information underlying the figures and disclosures contained in the financial statements, and an assessment of the estimates, based on judgments and criteria defined by Management, used in their preparation;
- the assessment of the adequacy of the accounting principles used and their disclosure, considering the circumstances;
- the appropriateness of the going concern basis of accounting; and
- the assessment of the adequacy of the overall presentation of the financial statements.

5 Our audit also included the verification that the financial information included in the Management Report is consistent with the financial statements.

6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of **Haitong Bank, S.A.** as at 31 December 2015, the results of its operations, comprehensive income, changes in equity and its cash flows for the year then ended in accordance with *Normas de Contabilidade Ajustadas* ("NCA's"), as defined by the Central Bank of Portugal.

Emphasis of matter

8 Without affecting the Opinion included in the above paragraph, we draw your attention to the fact that the Bank, as at 31 December 2015, carries in its balance sheet, in the caption Investments in Subsidiaries and Associates, the participation in the subsidiaries Haitong (UK) Limited in the amount of approximately Euro 171.5 million, and Haitong Capital – Sociedade de Capital de Risco, S.A. in the amount of approximately Euro 42.7 million.

As referred in Note 26, the Bank followed the requirements of IAS 36 'Impairment of assets' to determine the recoverable amount of these participations, the methodology, the assumptions assumed and the sensitive analysis performed being described in this Note. The analysis performed by the Bank, which is based on the described assumptions that the Haitong Bank Management considers appropriate in the circunstances, and the recoverable amount of the investments in these subsidiaries, is dependent on the ability of the Companies, and its present shareholders, of putting in place the necessary measures to allow the accomplishment of the projections made and of the assumptions used. The evolution of macro economic conditions and the market in general, could have impact in the realization of the business plans and, consequently, in the recoverable amount of such subsidiaries.

Report on other legal requirements

8 It is also our opinion that the financial information included in the Management Report is consistent with the financial statements for the year.

Lisbon, 29 March 2016

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Inês Maria Bastos Viegas Clare Neves (ROC n.º 967)

ANNEXES

ANNEX I

SHARES AND BONDS HELD BY THE MEMBERS OF THE BOARD OF DIRECTORS AND THE SUPERVISORY BODIES

(Annex referred to in paragraph 5 of Article 447 of the Portuguese Companies Code)

Shareholders / Bondholders	Securities	Securities held as of 31/12/2014	Transactions in 2015				Securities held as of 31/12/2015
			Date	Acquisitions	Disposals	Unit price (EUR)	
Hiroki Miyazato	-	-	-	-	-	-	-
José Maria Espírito Santo Silva Ricciardi	-	-	-	-	-	-	-
Rafael Caldeira de Castel-Branco Valverde	-	-	-	-	-	-	-
Miguel António Igrejas Horta e Costa	-	-	-	-	-	-	-
Pan Guangtao	-	-	-	-	-	-	-
Mo Yiu Poon	-	-	-	-	-	-	-
Christian Georges Jacques Minzolini	-	-	-	-	-	-	-
Félix Aguirre Cabanyes	-	-	-	-	-	-	-
Luis Miguel Pina Alves Luna Vaz	-	-	-	-	-	-	-
Paulo José Lameiras Martins	-	-	-	-	-	-	-
Tiago Vaz Pinto Cyrne de Castro	Haitong Brasil Shares	1	-	-	-	-	1
Frederico dos Reis de Arrochela Alegria	-	-	-	-	-	-	-
Alan do Amaral Fernandes	-	-	-	-	-	-	-
José Manuel Macedo Pereira	-	-	-	-	-	-	-
Tito Manuel das Neves Magalhães Basto	-	-	-	-	-	-	-
Mário Paulo Bettencourt de Oliveira	-	-	-	-	-	-	-
Paulo Ribeiro da Silva	-	-	-	-	-	-	-
Amável Calhau, Ribeiro da Cunha & Associados - SROC	-	-	-	-	-	-	-

ANNEX II
SHAREHOLDERS

(Annex referred to in paragraph 4 of Article 448 of the Portuguese Commercial Companies Code)

Shareholder	% of Share Capital
Haitong International Holdings Limited	100%

ANNEX III
CORPORATE GOVERNANCE STRUCTURES AND PRACTICES

(Article 245 – (4) of the Portuguese Securities Code)

- **Qualified holdings in the company's share capital**

  Haitong International Holdings Limited, a Hong-Kong based subsidiary of Haitong Securities Co., Ltd. holds the entire share capital of the Bank with voting rights.

- **Identification of the shareholders that detain special rights and a description of those rights**

  The Bank's share capital is entirely represented by ordinary shares.

- **Possible restrictions on voting rights, such as limitations on the voting rights dependent on holding a certain number or percentage of shares, deadlines imposed on the right to vote, or key rights of patrimonial content.**

  Shareholders or groups of shareholders who hold a minimum of one hundred shares at least five days prior to the date of the Bank's Annual General Meeting are entitled to participate in the meeting. Each one hundred shares are entitled to one vote.

- **Rules governing the appointment and replacement of members of the management body and the amendment of the articles of association**

  The members of the Board of Directors are elected by the Annual General Meeting. There are no specific rules concerning the replacement of Board Members. Any replacements shall be made in accordance with the terms set out in the Companies Code.

  There are no specific rules concerning changes to the Bank's articles of association. Any such changes shall be made under the general terms foreseen in the Companies Code.

- **Powers of the management body, particularly as regards resolutions on capital increase**

  The Board of Directors does not hold at present any powers to resolve on capital increases since the statutory provision regarding this issue expired as a result of the last capital increase decided by the Single Shareholder.

- **Key features of the internal control and risk management systems implemented in the Company in relation to the financial reporting process**

  - Internal Control System

  The Bank has in place an effective internal control system which is managed by the Compliance Department.

  The Compliance Department, together with the heads of the relevant processes, is responsible for maintaining all the Bank's internal control system documentation, and for guaranteeing an overall perspective and integrated management of the entire internal control system of the entire Group headed by the Bank, thus contributing to the reliability of the financial information, the protection of assets and the adequate prevention of risks.

The Compliance Department is also responsible for internal reporting, as well as for external reporting to the various national and international regulatory authorities, thus ensuring an overall perspective and integrated management of the internal control system.

- Risk Control System

The risk function is organised in such a way as to cover the credit, market, liquidity, interest rate, exchange rate, operational, and compliance risks.

The definition of the risk appetite is the responsibility of the Executive Committee that is also responsible for establishing general principles of risk management and control and guaranteeing that the Bank possesses the necessary skills and resources to meet the established objectives.

Risk management functions and responsibilities are defined according to the "Three Lines of Defense" system, which clearly defines the delegation of powers and communication channels formally adopted in the Group's policies.

The Risk Management Function relies on the following principles:

- Permanent and ongoing assessment of risk;
- Pre-established tolerance limits which take into account solvency levels and risk/return optimisation;
- Risk analysis, quantification, control and monitoring by entities that are independent from the business areas;
- Use of different methodologies, namely internal and external ratings (the latter supplied by the leading international rating agencies), VaR and sensitivity and exposure analyses;
- Analysis of the specific factors for each market where the Bank operates, as well as for each portfolio (trading, investment or held to maturity).

Risk control and supervision roles are carried out by the Executive Committee, which delegates the setting of rules and procedures and the approval of transactions and risk limits to the Global Credit and Risk Management Committee (CRC), and the definition and monitoring of balance sheet and liquidity management policies to the Assets and Liabilities Committee (ALCO).

ANNEX IV
BANK OF PORTUGAL REFERENCE INDICATORS

(Notice 23/2011 and 32/2013 of Bank of Portugal)

Bank of Portugal Reference Indicators (Consolidated basis)	2015	2014
SOLVENCY		
Total capital Ratio	10,6%	9,4%
TIER 1 Ratio	10,5%	9,4%
CET1 Ratio	10,5%	9,4%
ASSET QUALITY		
Overdue and Doubtful Loans / Gross Loans	15,1%	6,8%
Overdue and Doubtful Loans net of Impairments / Total Net Loans	7,5%	2,6%
Credit at Risk / Gross Loans	36,6%	27,9%
Credit at Risk (net) / Net Loans	17,2%	15,1%
Restructured Credit / Gross Loans	55,4%	42,2%
Restructured Credit not included in Credit at Risk / Gross Loans	18,8%	14,6%
PROFITABILITY		
Income before Taxes and Minorities / Average Total Equity	-10,9%	-28,9%
Banking Income / Average Net Assets	3,5%	4,6%
Income before Taxes and Minorities / Average Net Assets	-1,1%	-3,1%
EFICIENCY		
Staff Costs + General and Administrative Expenses + +Depreciation / Banking Income	102,6%	64,0%
Staff Costs / Banking Income	58,8%	38,3%
LOANS TO DEPOSITS RATIO		
(Gross Loans - Provisions) / Customer Deposits	281,8%	379,1%

Bank of Portugal Reference Indicators (Individual basis)	2015	2014
SOLVENCY		
Total capital Ratio	15,7%	11,8%
TIER 1 Ratio	15,7%	11,8%
CET1 Ratio	15,7%	11,8%
ASSET QUALITY		
Overdue and Doubtful Loans / Gross Loans	11,7%	2,2%
Overdue and Doubtful Loans net of Impairments / Total Net Loans	5,8%	0,8%
Credit at Risk / Gross Loans	33,7%	23,8%
Credit at Risk (net) / Net Loans	12,2%	13,3%
Restructured Credit / Gross Loans	46,3%	44,1%
Restructured Credit not included in Credit at Risk / Gross Loans	12,6%	20,3%
PROFITABILITY		
Income before Taxes and Minorities / Average Total Equity	-16,2%	-12,1%
Banking Income / Average Net Assets	1,7%	7,2%
Income before Taxes and Minorities / Average Net Assets	-2,9%	-1,9%
EFICIENCY		
Staff Costs + General and Administrative Expenses + +Depreciation / Banking Income	171,7%	36,2%
Staff Costs / Banking Income	90,2%	19,6%
LOANS TO DEPOSITS RATIO		
(Gross Loans - Provisions) / Customer Deposits	339,8%	1661,2%

ANNEX V

REMUNERATION OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD MEMBERS AND RELEVANT STAFF (SENIOR MANAGING DIRECTORS AND CONTROL FUNCTIONS STAFF)

1) Annual amount of the fixed and variable remunerations paid by Haitong Bank, S.A. or companies under its control in 2015 to each of the members of the Board of Directors and Supervisory Board:

Board of Directors

(euros)

Executive members of the Board of Directors	Haitong Bank and Branches	Subsidiaries and Affiliates	Total
José Maria Espírito Santo Silva Ricciardi	477,381	0	477,381
Francisco Ravara Cary a)	64,888	0	64,888
Miguel António Igrejas Horta e Costa b)	263,248	0	263,248
Rafael Caldeira de Castel-Branco Valverde c)	270,565	55,061	325,626
Christian Georges Jacques Minzolini d)	321,469	0	321,469
Luís Miguel Pina Alves Luna Vaz e)	160,432	170,217	330,649
Paulo José Lameiras Martins	318,401	0	318,401
Tiago Vaz Pinto Cyrne de Castro f)	359,691	0	359,691
Frederico dos Reis de Arrochela Alegria	290,287	0	290,287
Félix Aguirre Cabanyes	279,880	0	279,880
Alan do Amaral Fernandes g)	0	250,041	250,041
Total	**2,806,242**	**475,318**	**3,281,560**

a) Resigned in March 2015.
b)Ceased to be an Executive Board member on 6 October 2015.
c) Includes payment of BRL 203,749 converted at the average 2015 rate (3.70044).
d) Includes payment of PLN 1,182,950 converted at the average 2015 rate (4.18412).
e) Includes payment of GBP 123,552 converted at the average 2015 rate (0.72585).
f) Includes payment of a seniority bonus.
g)Includes payment of BRL 925,261 converted at the average 2015 rate (3.70044).

The Executive Board members Messrs. Hiroki Miyazato and Mo Yiu Poon did not receive any remuneration during 2015.

The non-executive Board members did not receive any fixed or variable remuneration paid by Haitong Bank, S.A. or companies under its control for the duties performed during the year 2015.

The Members of the Supervisory Board of Haitong Bank, S.A. did not receive any variable remuneration in 2015, having been paid the following fixed remunerations:

Supervisory Board

(euros)

Supervisory Board members	Haitong Bank and Branches Total Remuneration
José Manuel Macedo Pereira	12,000
Tito Manuel das Neves Magalhães Basto	9,000
Mário Paulo Bettencourt de Oliveira	9,000
Total	**30,000**

The Deputy Member of the Supervisory Board, Paulo Ribeiro da Silva, did not receive any fixed or variable remuneration paid by Haitong Bank, S.A. or companies under its control for the duties performed during the year 2015.

Statutory Auditors

(euros)

Statutory Auditors	Haitong and Branches Total
Amável Calhau, Ribeiro da Cunha & Associados	83,180

2) Amount and type of variable remuneration received by the members of the Board of Directors:

a. Variable Remuneration relative to 2015:

No Variable Remuneration was attributed relative to 2015.

b. Variable remuneration relative to previous years (paid)

No Variable Remuneration was paid relative to previous years.

c. Variable remuneration relative to previous years (due but not paid)

Executive members of the Board of Directors	Cash relative to 2012 to be paid in 2016	Amount in kind relative to 2012 to be paid in 2016	Medium-Term Variable Remuneration (in kind) relative to 2012 to be paid in 2016	Cash relative to 2013 to be paid in 2017	Amount in kind relative to 2013 to be paid in 2017	Medium - Term variable Remuneration (in kind) relative to 2013 to be paid in 2017	Cash relative to 2014 to be paid in 2018	Amount in kind relative to 2014 to be paid in 2018	Medium-Term Variable Remuneration (in kind) relative to 2014 to be paid in 2018
José Maria Espírito Santo Silva Ricciardi						35,000			
Miguel António Igrejas Horta e Costa						35,000			
Rafael Caldeira de Castel-Branco Valverde						35,000			
Christian Georges Jacques Minzolini						35,000			
Luís Miguel Pina Alves Luna Vaz						35,000			
Paulo José Lameiras Martins						35,000			
Tiago Vaz Pinto Cyrne de Castro						35,000			
Frederico dos Reis de Arrochela Alegria						35,000			
Félix Aguirre Cabanyes						35,000			
Alan do Amaral Fernandes						35,000			
Total						**350,000**			

NOTE: All deferred payments are dependent on the assumptions defined in the Remuneration Policy in force concerning the performance of the Bank being met.

d. Variable remuneration relative to previous years that was cancelled

The conditions foreseen in the "Variable Remuneration Plan Based on Financial Instruments for the Executive Members of the Board of Directors of Haitong Bank, S.A." were not met. Therefore the Medium-Term Variable Remuneration (in kind, totalling the equivalent of 925,000 euros) was cancelled.

3) Relevant Staff of the Bank or of companies under its control (Senior Managing Directors or Control Functions Staff)

a. Annual amount of the fixed and variable remunerations paid by Haitong Bank, S.A. or companies under its control in 2015 to Senior Managing Directors or Control Functions Staff:

(euros)

Employees	Fixed Remuneration	Variable Remuneration paid in 2015 relative to 2014	Variable Remuneration paid in 2015 relative to other years	Haitong Bank and Branches Total Renumeration
Senior Managing Directors	6,233,377	2,619,840		8,853,217
Risk Control Function	1,004,489	90,665		1,095,154
Compliance Function	1,173,734	79,330		1,253,064
Internal Function*	248,555	6,215		254,770

* The Internal Audit activity, previously in charge of Novo Banco, S.A.'s Internal Audit Department, is now developed internally.

b. Variable remuneration relative to previous years:

(euros)

Employees	Cash relative to 2012 to be paid in 2016	Amount in kind relative to 2012 to be paid in 2016	Medium-Term Variable Remuneration (in kind) relative to 2012 to be paid in 2016	Cash relative to 2013 to be paid in 2017	Amount in kind relative to 2013 to be paid in 2017	Medium-Term Variable Remuneration (in kind) relative to 2013 to be paid in 2017	Cash relative to 2014 to be paid in 2018	Amount in kind relative to 2014 to be paid in 2018	Medium - Term Variable Remuneration (in kind) relative to 2014 to be paid in 2018
Senior Managing Directors	0	0	0	0	42,018	465,000	0	0	0
Risk Control Function	0	0	0	0	0	0	0	0	0
Compliance Function	0	0	0	0	0	0	0	0	0
Internal Audit Function*	0	0	0	0	0	0	0	0	0
Aggregate Total	**0**	**0**	**0**	**0**	**42,018**	**465,000**	**0**	**0**	**0**

* The Internal Audit activity, previously in charge of Novo Banco, S.A.'s Internal Audit Department, is now developed internally.

The conditions foreseen in the "Variable Remuneration Plan Based on Financial Instruments" were not met. Therefore the Medium-Term Variable Remuneration was cancelled.

4) Number of Senior Managing Directors or Control Functions Staff hired by the Bank or by companies under its control:

New Staff	No. of Employees
Senior Managing Directors	13
Risk Control Function	2
Compliance Function	2
Internal Audit Function*	7

5) Amount of payments made or annually due by the Bank or by companies under its control for early termination of labour contract with Senior Managing Directors or Control Functions Staff, number of beneficiaries of such payments and largest payment made:

(euros)

Employee Departures	No. of Beneficiaries	Amount
Senior Managing Directors	4	231,702
Risk Control Fuction	1	77,668
Compliance Function	0	0
Internal Audit Function	0	0

The largest payment made was 147,912 euros.

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