HAITONG

2020 Market Discipline Report

Disclosure in accordance with Part VIII of Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms

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1 Declaration of Responsibility

Basel capital accord is based upon three different and complementary pillars:

- Pillar I – the set of rules for the determination of minimum own funds requirements for hedging credit, market and operational risks;
- Pillar II – principles for supervision and risk management processes, including capital adequacy self-assessment process;
- Pillar III – public disclosure requirements for capital and risk management processes and systems, with the objective of enhancing market discipline.

Haitong Bank 2020 Market Discipline Report was prepared within the scope of Pillar III, in compliance with regulations and legislation in force and in line with market practices.

The Board of Directors of Haitong Bank hereby declares and certifies that:

- In the present document "Market Discipline", produced with reference to the end of 2020, all procedures deemed necessary for the public disclosure of information were developed and carried out. To the extent of its knowledge, all information disclosed in this document is true and reliable;
- The quality of all information disclosed is adequate, including that concerning or originating from entities included in the economic group of which the institution is part of;
- It undertakes to disclose, in due time, any significant changes that occur in the course of the financial year following the year that this "Market Discipline" report refers to;
- Haitong Bank has in place a risk management and control system to monitor and manage risks, which is appropriate for the nature and size of the Bank.

The Board of Directors

Lin Yong	Wu Min
Alan Fernandes	Miguel Guiomar
Nuno Carvalho	Vasco Câmara Martins
António Domingues	Martina Garcia
Pan Guangtao	Paulo Martins
Vincent Camerlynck	Zhang Xinjun

2 Identification of the Banking Group

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

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

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

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

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

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

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

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

3 Scope and basis of consolidation for accounting and prudential purposes

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

Name of the entity	Incorporation Date	Acquisition Date	Headquarters	Activity	% Economic interest	Method of accounting consolidation
Haitong Bank, S.A.	1983	-	Portugal	Bank	100%	Full consolidation
Haitong Capital - SCR, S.A.	1988	1996	Portugal	Venture capital	100%	Full consolidation
Fundo Espírito Santo IBERIA I	2004	2004	Portugal	Venture capital fund	46%	Equity method
Haitong Banco de Investimento do Brasil S.A.	2000	2000	Brazil	Investment bank	80%	Full consolidation
FI Multimercado Treasury	2005	2005	Brazil	Investment fund	80%	Full consolidation
Haitong Negócios, SA	2004	2004	Brazil	Asset management	80%	Full consolidation
Haitong do Brasil DTVM, SA	2009	2010	Brazil	Asset management	80%	Full consolidation
Haitong Securities do Brasil S.A.	2000	2000	Brazil	Brokerage house	80%	Full consolidation

Table 1 – Haitong Bank's scope of consolidation

Table 1 is aligned with EBA Template 3: EU LI3 – Scope of consolidation (entity by entity)

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

Subsidiaries

On January 28, 2020, the merger of Haitong do Brasil Participações Ltda in Haitong Negócios, SA was approved. During the 2020 financial year, there was no movements regarding acquisitions and disposals of investments in subsidiaries and associates.

In addition to the aforementioned, the following should be highlighted:

I. To the extent of the Bank's knowledge, there is no material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities between the Bank and its Subsidiaries, with the exception of the restrictions imposed upon the Brazilian subsidiary, described in the paragraphs below:

   Brazil's National Monetary Council (Conselho Monetário Nacional) issued Resolution BACEN 4820 in May 2020, establishing restrictions on remuneration of own funds, increase compensation to board members, share buy-back and reduction of own funds for institutions authorized by Brazil Central Bank to operate in the Brazilian Market.

   Under the terms of Resolution 4820 financial institutions are forbidden to:

   i) remunerate own funds in excess of the highest of the following figures: (a) 30% of adjusted net profit; or (b) mandatory dividend or interest on own funds or profit distribution as established in the articles of incorporation;

   ii) reduce initial capital, except when it is mandatory by law or authorized by the Central Bank.

   These restrictions are applicable to the 2020 exercise and the distribution of dividends, interests on own funds or profits referring to prior years should be done with a conservative approach, consistent with current economic conditions.

II. There are no subsidiaries not included in the prudential scope of consolidation whose actual own funds are lower than the minimum required;

III. There are no subsidiaries included in the Bank's scope of consolidation that are deducted from own funds for prudential purposes, in accordance with Regulation (EU) no. 575/2013.

4 Risk management objectives and policies

4.1 Statement on Haitong Bank's risk profile and its connection to the business strategy

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

During 2020, Haitong Bank has shown a good level of resilience to the impacts of COVID-19 due to the nature of its corporate and institutional business. Despite the adverse backdrop, the Bank was able to end the year with solid operating profitability and positive net income, improving asset quality and continuing to enjoy Capital and Liquidity levels well above the regulatory thresholds.

Going forward, the Bank aims to expand its domestic business in the markets where it has a presence with a reinforced commercial drive, connecting new business opportunities and new clients around three main drivers:

(i) Domestic franchises in Iberia, Brazil and Poland;
(ii) Chinese clients; and
(iii) Cross-border among domestic regions and these with China.

Debt financing activities (Structured Finance and DCM activities) will remain the basis of Haitong Bank's business model, contributing to increasing revenue stability.

Besides the COVID-19 pandemic, which will still have an impact in the near-term, Haitong Bank will deal with important challenges. These include improving revenue consistency, growing the balance sheet, and increasing deal origination.

Regarding asset quality, significant progress was achieved as the stock of non-performing loans fell to 1.9% in 2020.

Haitong Bank's business plan safeguards the creation of enough capital to withstand the planned increase of assets and meet the internal and regulatory capital requirements. The Bank is committed to maintaining a prudent capital management approach that has so far led to strong solvency levels that will be maintained over the next three years.

Haitong Bank has an adequate and diversified funding structure and a solid liquidity position, and expects to achieve its business goals without jeopardizing its sound liquidity and funding positions.

The figure below illustrates how Haitong Bank structures its Risk Appetite Framework highlighting the critical interconnection between business strategy and risk policy.

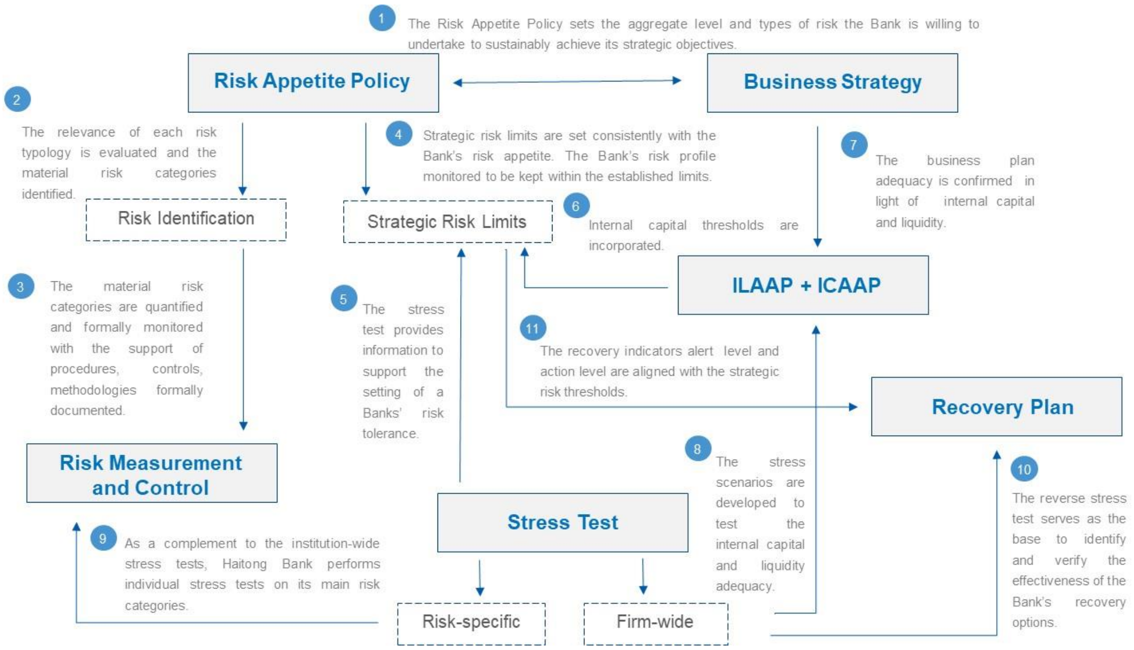

Figure 1 – Haitong Bank Risk Architecture

Within the scope of the Risk Appetite Policy, the Board of Directors approved the following Risk Vision Statement for Haitong Bank:

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

As a Corporate and Institutional Bank, the primary focus is on: DCM, Structured Finance, M&A Advisory, Fixed Income, Corporate Solutions and Asset Management.

Haitong Bank acknowledges that its risk management function is a key factor for the prudent delivery of its strategic objectives by providing an additional line of defense to protect the Bank's enterprise value. Haitong Bank's overall risk vision assessment rests on the following three guiding principles:

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

In defining the material risks and the limits the Bank is willing to accept, the Board of Directors is deliberately introducing boundaries on the definition and execution of the Bank's strategy, ensuring business activities are pursued within acceptable risk levels.

Thus, the Risk Vision Statement is reflected in the wide set of limits defined by the Board of Directors for all material risks, including Pillar I and Pillar II risks. These limits are set on a consolidated basis, with the Brazilian subsidiary having its own specific limits.

4.2 Capital and liquidity key ratios and figures

Haitong Bank's capital and liquidity key metrics, over the period of the last three years, are presented in the table below:

(Amounts in Thousands of Euros)

	Dec. 20	Dec. 19	Dec. 18
CRD IV/CRR phasing in	(c)	(b)	(a)
Common equity tier 1	421 756	419 274	423 087
Risk Exposure	1 861 841	1 473 785	1 848 350
Ratio Common equity tier 1	22,7%	28,4%	22,9%
Leverage Ratio	15,6%	19,8%	18,6%
Liquidity Coverage Ratio	259%	537%	426%
Net Stable Funding Ratio	157%	181%	116%

(a) According to CRD IV/CRR phasing in rules for 2018

(b) According to CRD IV/CRR phasing in rules for 2019

(c) According to CRD IV/CRR phasing in rules for 2020

Table 2 – Haitong Bank's Capital and Liquidity key ratios and figures

As of December 2020, both capital and liquidity ratios stand well above both the regulatory limits for each indicator and the internal limits approved by the Board of Directors within the scope of the Risk Appetite Policy, reflecting the solid capital and liquidity positions of Haitong Bank.

4.3 Strategies, policies and procedures to manage risks

Within the scope of its Risk Appetite Framework, Haitong Bank has identified and regularly reviews the set of material risks inherent to its activity, for which it establishes specific management strategies, controls, metrics and limits.

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 complete system that permits it to identify, assess, quantify and report risks.

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

Internal ratings

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

The annual update and maintenance of the internal rating methodology framework is done through contracted services with S&P.

Monitoring

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

In this context, and with the central goal of complying with the risk appetite framework established by the Board of Directors, the credit risk monitoring function and its implementation are objectively considered as one of the top priorities of the risk management and control system.

The monitoring of the credit portfolio is reported on a regular basis to the Board of Directors, the Executive Committee and the Risk Committee of the Bank.

Credit recovery process

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

Market Risk

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

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

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

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

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 value under different market conditions to advise the Credit

Committee, when appropriate, and the Executive Committee on the establishment of market risk limits.

To provide the organisation with a clear understanding of the risks incurred and of its desired risk appetite, the Bank uses a comprehensive set of risk metrics, and respective limits, complemented by stop loss and concentration limits. These risk metrics include value-at-risk (VaR), greeks[1] and sensitivity metrics for interest rates, credit spreads, foreign exchange rates, equity prices and volatility.

Trading Book

Haitong Bank measures and quantifies trading market risk by carrying out a full revaluation risk analysis and thus generating a set of scenarios for the risk factor changes (the returns) and repricing the portfolio under each scenario. These scenarios allow for a creation of a 'PnL' distribution. Given this distribution for a given horizon date, the potential future portfolio price becomes a random variable and thus it is possible to estimate the riskiness based on the statistics of this random variable.

Haitong estimates VaR by taking actual historical changes in the market variables over one-year time interval, a ten-day holding period and revalues every position for each market scenario for a 99% confidence level.

Banking Book

Haitong Bank estimates both credit spread and interest rate risk in the banking book that arise from adverse movements in credit spread and in interest rates, respectively.

The market value of equity securities, mutual funds and real estate in non-trading exposures in the banking book is also considered. 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

Interest Rate Risk of the Banking Book

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

Haitong Bank aims to capture all material sources of IRRBB (gap risk, basis risk and option risk) and assess the effect of market changes on the scope of its activities and manage IRRBB by measuring the sensitivity of the internal value of its banking book (EVE – Economic Value of Equity) and the sensitivity of its net interest margin expected in a 1 year time horizon (NII – Net Interest Income).

The measurement and reporting of the interest rate risk is performed on a monthly basis and it is based on Bank of Portugal's latest instruction (2020/03) and on the European Banking Authority's (EBA) GL 2018/02 final report on guidelines on the management of interest rate risk arising from non-trading book activities.

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[1] Greeks are sensitivity metrics used in options and include, among others, Delta, Vega, Theta, Gamma and Rho.

Credit Spread Risk

Credit spread risk measures the changes in the perceived credit quality of individual instruments, held on the banking book, which may result in fluctuations in spreads relative to underlying interest rates. Only instruments classified at fair value are taken into consideration for this purpose.

The Bank uses a historical simulation VaR to assess the unexpected losses associated with this risk, based on a 10-day holding period and 5-year historical observations and a 99.9% confidence interval. Then, for capital requirements, the Bank scales the amount to a 1-year time horizon.

Pension Fund Risk

The pension fund risk stems from the possibility that the pension plan assets are not sufficient to meet the fund's responsibilities (liabilities). In this scenario, Haitong Bank is required to make an extraordinary contribution to the pension fund. Otherwise, if the pension fund portfolio of assets' return is in line with the liabilities evolution, Haitong Bank is expected to make only the regular annual contribution (the pension plan normal cost).

The pension fund risk management is performed by two independent entities and operates through the following activities:

- Liabilities immunization by hedging of liabilities with fixed-income securities and stocks;
- Regular reports are submitted to the regulatory authorities;
- An independent entity provides an actuarial evaluation report and an integrated Value-at-Risk report (taking into account expected assets and liabilities evolution) and a sensitivity analysis;
- Identification and measurement of risks affecting financial assets, including an analysis of the total investment portfolio and ALM, which aims to appraise the adequacy of the value of assets and liabilities each year;
- Limitation of new entries to the pension fund: where the pension fund only includes employees hired before March 31, 2008; and
- Definition of the investment policy.

Operational Risk

Haitong Bank defines operational risk as the potencial loss resulting from inadequate internal procedures or its negligent application, inadequacy or failure of information systems, staff behaviour or external events. Legal and IT risks are included in this definition. Operational risk is therefore considered as the sum of operational, information systems and compliance risks.

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

The management methodologies in place are supported by the principles and guidelines to operational risk management issued by the Basel Committee.

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

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

Liquidity Risk

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

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

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

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

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

Reputational Risk

Haitong Bank defined this risk as the probability of negative impacts on earnings or capital arising from a negative perception of the public image of the Bank, founded or not, by customers, suppliers, financial analysts, employees, investors, media outlets or by public opinion in general. The Bank believes that the materialization of this risk may be caused by the unavailability of services or a delayed response to a client, or by commercializing a product or service not in line with a customer's knowledge, risk appetite, or return expectations.

The governance set to address this risk relies on the following pillars: Business Continuity; approval of new business, products or services in the New Business Committee and; Adoption Committee.

Regarding this process, the Business Continuity Plan assesses the impact on the Bank's reputation of business disruptions, based on the recovery time and backup recovery points.

Approval of new products and services is analysed in the New Business Committee, where all control and support functions conduct their assessment on the product features, risks and controls in order to ensure that it addresses the target customer needs and that the Bank's infrastructure is capable of effectively supporting the product or service commercialization.

The Adoption Committee is responsible for approving transactions where the Bank incurs in reputational risk.

Business Strategic Risk

Business Strategic Risk is the probability of having negative impacts on earnings or capital due to inadequate strategic decisions, inadequate implementation of decisions or the inability to address changes in the Bank's business environment.

The Board of Directors and the Executive Committee are the bodies responsible for monitoring this risk, being supported by two main tools: the Business Plan and the Risk Appetite Monitoring.

The governance set to manage this risk consists of the following steps: define the bank's annual budget and business plan through the formalization of the Bank's business plan, monitor the business plan's execution and alignment with risk strategy and finally the decision making by the Board of Directors and Executive Committee if deviations are detected.

Capital Management

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

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

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

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

4.4 Structure and organization of the Risk Management Function

The Board of Directors is responsible for Haitong Bank's Risk Management Framework. The Board of Director's is aware of the types of risks to which the Bank is exposed and the processes used to identify, evaluate, monitor and control those risks, as well as the legal obligations and the duties to which the institution is subject.

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

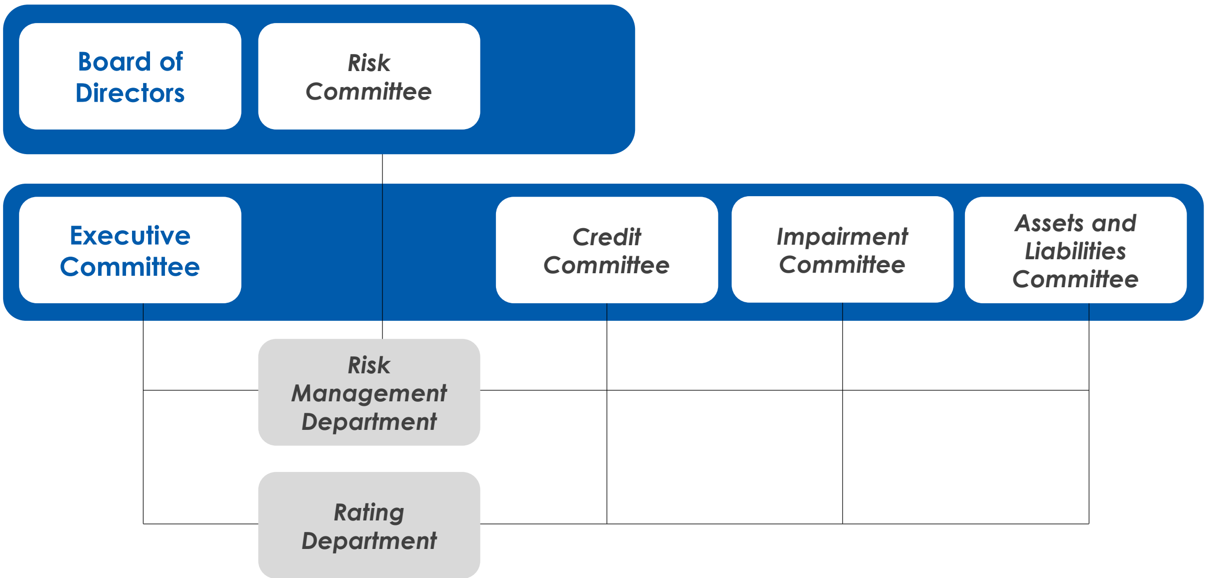

Figure 2 – Risk Management Framework

Despite the roles of the different committees established to directly monitor and manage risks, both the Board of Directors and the Executive Committee closely monitor risks across the Bank, through monthly reporting covering all risk appetite limits and metrics.

Risk Committee

The Risk Committee of the Bank is appointed by the Board of Directors and is composed of four members of the Board of Directors (the majority of which independent directors) who do not perform executive functions. The Risk Committee shall carry out its responsibilities with full independence and authority.

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

The Risk Committee is responsible for:

- Advising the Board of Directors on the risk appetite and risk strategy of the Bank, both current and future, taking into account all categories of risk, ensuring its alignment with the business strategy, objectives, corporate culture and values;
- Assisting the Board of Directors in supervising the execution of the risk strategy of the Bank and in the fulfilment of its respective limits;
- Periodically reviewing the risk profile, risk policies and strategies of the institution;
- Assessing the consistency between the business model, strategy, recovery plan, remuneration policies and the budget, as well as the efficiency and effectiveness of the structure, procedures and instruments associated with the implementation and execution of the strategies regarding risk;
- Issuing recommendations on adjustments to the risk strategy resulting from changes in the business model, market developments or business context where the Bank operates;
- Analyzing and evaluating the methodology and its results to support the process of identification, evaluation and measurement of risks;
- Examining scenarios, including stress tests, in order to determine their impact on the risk profile of the Bank and to assess the resilience of the changes within the institution caused by idiosyncratic, systemic or mixed factors;
- Analyzing whether the conditions of the products offered and services provided to clients take into consideration the transaction model and risk strategy of the Bank, and, if necessary, submitting a correction plan to the Board of Directors whenever, as a result of such analysis, it is established that those conditions do not appropriately reflect the risks;
- Establishing if the incentives set forth in the remuneration policy of the Bank take into consideration risk, capital, liquidity and the expectations regarding results, including revenue dates;
- Establishing the framework for reporting on risk to the Board of Directors;
- Ensuring the existence of effective procedures for monitoring risk, and monitoring internal control deficiencies related to the risk management framework;
- Specifying and reviewing the conditions of authority and independence to support the exercise of responsibilities for risk management, including the adoption of the work plan of the risk management function;
- Reviewing and periodically monitoring the scope and nature of the activities carried out by the Haitong Bank Group, related to risk management;
- Ensuring that the risk management function has adequate resources for the performance of its duties.

In 2020, the Risk Committee held 8 meetings. The Risk Committee has its ordinary meetings every two months and meets on an extraordinary basis when necessary to ensure the good performance of its duties upon a reasoned request submitted by any of the corporate bodies of the Bank or of any of the members of the Risk Committee.

Capital, Asset and Liabilities Management Committee

The purpose of the Assets and Liabilities Committee is to be a consultative forum of the Executive Committee, advising it on matters related to Capital, Funding and Liquidity.

Amongst the competences of the Assets and Liabilities Committee, the following are highlighted:

- To support the Executive Committee in the definition of Capital and Liquidity/Funding Strategy in alignment with the Bank's overall business, strategy, and regulatory requirements;
- To monitor the liquidity and funding positions considering the Bank's operating model while managing the spread between interest income and interest expense;
- To support the Executive Committee in the definition of Market Risk, Interest Rate Risk, FX Risk, Liquidity Risk and Capital Adequacy policies and tolerance levels;
- To revise the funding needs and evaluate alternative funding sources as per Treasury advice;
- To evaluate liquidity and capital risk exposures to stress scenarios and the Bank's Liquidity Contingency Plan;
- To coordinate Regulatory Reporting: FCP; ICAAP; ILAAP; Recovery Plan;
- To propose the Internal Pricing Mechanism Policy to the Executive Committee;
- To review asset allocation for the whole balance sheet;
- To support the Executive Committee in the definition of the investment policy in relation to the Bank's investment portfolio; and
- To monitor the Investment Portfolio's performance, benchmarking, total return, risk adjusted returns, and opportunity cost return.

The Assets and Liabilities Committee is chaired by the Executive Board Member responsible for the Brazilian subsidiary. Other members include the Executive Board Member responsible for Risk Management, the Treasury Department Head, the Global Head of Risk Management Department, the Global Head of the Finance Department, the Head of the CEO Office, the Head of Corporate Solutions, the Global Head of Structured Finance, and the Global Head of the Fixed Income Division.

During 2020, the Assets and Liabilities Committee held 3 (three) meetings, with secretarial services being administered by the CEO Office.

Credit Committee

The Credit Committee, established by the Executive Committee, is responsible for:

- Assessing and deciding on operations involving risk taking for the Bank within the Credit Committee's Decision Framework established by the Executive Committee;

- Issuing non-binding opinions regarding operations that fall outside of:
  a) the Credit Committee's Decision Framework approved by the Executive Committee;
  b) the Risk Appetite Framework ("RAF") approved by the Board of Directors; in these cases operations shall be submitted, respectively, to the Executive Committee or to the Board of Directors assessment.

The Executive Committee establishes and periodically reviews the Credit Committee's Decision Framework in order to assure its full alignment with the Bank's credit strategy.

The Credit Committee is composed of 8 (eight) members with voting rights (including the Moderator) and, without voting rights, the Head of the Risk Management Function, a Support Assistant and a Secretary. The members are nominated by the Chief Executive Officer ("CEO") and appointed by the Executive Committee. The Credit Committee may decide to call upon external persons to take part in the meetings.

During 2020 the Credit Committee held 60 (sixty) meetings, with secretarial services being administered by the CEO Office and the Legal Department.

Impairment Committee

The Impairment Committee of Haitong Bank is responsible for analyzing and deciding on the individual impairment of financial instruments and or other assets subject to individual impairment, accounted at the amortized costs and/or the Fair Value through Other Comprehensive Income ("FVOCI") and with impairments triggers (i.e., Under Performing and Non-Performing exposures). In addition, the Impairment Committee shall analyse the adequacy of the impairment of the most significant exposures of the Bank.

This Committee is also responsible for analyzing and deciding on cash-flows scenarios to be used on financial instruments valuation accounted at Fair Value through P/L when the cash-flows are not certain according to its contractual terms.

This Committee has consultative powers and issues, in relation to the above-mentioned analyses, recommendations for consideration and approval by the Executive Committee. The duties of the Impairment Committee cover all entities of the Haitong Bank Group. Amongst the competences of the Impairment Committee, the following are highlighted:

- To analyze and issue recommendations on the level of impairment to be granted to financial instruments accounted at the amortized costs and/or the FVOCI and with impairments triggers (i.e., Under-Performing and Non-Performing exposures);
- To analyze and issue recommendations on cash-flows scenarios to be used on financial instruments valuation accounted for at Fair Value through P/L when the cash-flows are not certain according to the contractual terms; and
- To review the 20 largest corporate exposures on an annual basis.

The Impairment Committee is composed of 4 (four) voting members (including the Chair), all of them appointed by the Executive Committee; non-voting members to be designed by the Chair of the Committee and the Secretary.

During 2020, the Impairment Committee held 14 (fourteen) meetings, with secretarial services being administered by the Legal Department.

Risk Management Department

The Risk Management Department is the independent structure responsible for the implementation and monitoring of the Risk Appetite Framework, ensuring the development and implementation of a Risk Management Framework based on robust processes of identification, evaluation, monitoring and control of risks inherent to the Bank's activity, consistently incorporating risk, capital and liquidity concepts into the Bank's strategy and business decisions.

Risk Management Department key responsibilities are:

- Supporting the Risk Committee in setting the Bank's risk strategy as well as setting the risk appetite and the respective levels of tolerance;
- Ensuring the accurate identification, assessment and mitigation of any material risks identified, in the terms set by the Risk Committee;
- Ensuring effective risk control processes in line with the methodologies and processes set by the Risk Committee;
- Developing, implementing and monitoring the adequacy of capital from the internal and regulatory perspective;
- Reporting to the management and supervisory bodies on risks identified based on comprehensive information;
- Participating in the process of approval of new products and services and assess transactions with related parties;
- Participating in resolutions within the scope of the Remuneration Policy, ensuring alignment with the Bank's risk appetite framework;
- Assisting the management and supervisory bodies in promoting a risk management culture across the Bank;
- Ensure regulatory reporting;
- Management of collaterals under CSA and GMRA contracts;
- Monitoring market developments, seeking to adapt the risk management structure to legal and regulatory changes concerning the Risk Management Department.

The Department holds its main structure in the Head Office and has local teams in the Polish branch and in the Brazilian subsidiary.

The local team in Poland is an extension of the head office team reporting both to local management structures and to the Risk Management Department in Lisbon.

In Brazil, the local risk team has functions similar to the ones performed in Lisbon, reporting to the local executive board member in charge of risk and to the Group's executive board member in charge of risk.

The Risk Management Department has the following structure:

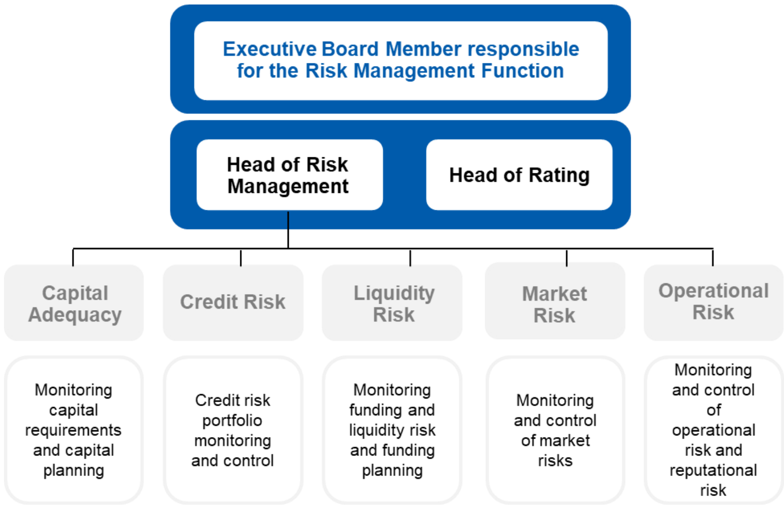

Figure 3 – Risk Management Department Structure

Rating Department

Together with the Risk Management Department, the Rating Department is part of the Risk Control Function of Haitong Bank. Acting with independence from the business units, the Rating Department plays a key role in supporting the Bank's decision-making process through the assignment of internal ratings and non-binding technical recommendations and (ii) assisting the Impairment Committee on the impairment assessment on an individual basis.

Rating department key responsibilities include:

- Assigning internal ratings and ensuring the methodological alignment of internal ratings methodology with S&P's Global Ratings criteria;
- Participating and supporting the credit decision process at Credit committee by informing on the transactions credit risk and issuing non-binding risk advises;
- Participating and assisting the Impairment Committee on assessing the credit impairments on individual analysis.

Both the Risk Management Department and Rating Department report directly to the executive board member in charge of risk.

4.5 Risk reporting and measurement systems

Haitong Bank has in place an integrated set of processes that enable the identification, measurement, aggregation and appropriate reporting of the different risks to which the Bank is exposed to. These processes allow the extraction, transformation and population of the Bank's data warehouse with information from the different systems to support the production of both internal and external reports, as well as prudential reports.

Risk Management Department produces reports to monitor and control the risk taking activities, assessing their compliance with the Bank's risk appetite and established risk limits, and distributes them to the risk taking units and the management bodies to support their decision-making process.

Credit Risk

- Daily collection, preparation, control and reporting to the different business areas of credit information on collateral coverage, breached limits and covenants control *vis-à-vis* the approved limits;
- Weekly risk reporting with an overview of the Bank's credit risk, including new/recent approvals by the Credit Committee, breached limits and covenants control *vis-à-vis* the approved limits, and additional credit risk information.
- Monthly report of the Risk Appetite Monitoring, with an overview of the Bank's asset quality and concentration risk.
- Preparation of support material for external and internal reporting on credit.

Market Risk

- Daily collection, preparation, control and reporting to the different trading desks and to the treasury department information on positions, results, exposure and level of limits utilization based on the different risk metrics defined by the Bank such as VaR, Stop Loss, sensitivity exposure to the different risk factors and other complementary concentration metrics;
- Weekly risk reporting with an overview of the Bank's market risk and limits utilization;
- Monthly report of the Bank's Global VaR and Stop Loss exposures *vis-à-vis* the approved limits;
- Monthly report of the Bank's interest rate risk of the banking book.

Operational Risk

Operational risk report to the management bodies is included in the Risk Appetite Monitoring, being the focus of this report the following data:

- Monthly, the operational events and losses that crystalized. If an event breaches the limit set in the bank's Risk Appetite Framework, the resolution action is also presented in this forum;
- Monthly, the key risk indicators, which enable the bank's monitoring of some of its risks;
- The Risk Control Self-Assessment, which aims for all the departments of the bank to identify, assess and mitigate their risks.

Liquidity Risk

Liquidity risk reporting is included in the Risk Appetite Monitoring report and includes:

- Analysis of the evolution of liquidity prudential ratios – LCR & NSFR on both Individual and Consolidated perimeters;
- Analysis of the composition of the HQLA (High Quality Liquid Assets) portfolio;
- Analysis of balance sheet maturity mismatches;
- Analysis of concentration of funding by counterparty, product and volumes evolution;
- Analysis of retail deposits pricing and evolution;
- Report on liquidity available for new deals.

In addition, Liquidity risk area reports the daily evolution of deposits in Europe.

Pension Fund Risk

- Pension fund risk is monitored in the Risk Appetite Monitoring;
- Pension fund risk is monitored in the Pension Plan Monitoring Committee.

Reputational Risk

- Reputational risk reporting is included in the Risk Appetite Monitoring report upon the occurrence of a material reputational risk event.

Business Strategic Risk

- Business strategic risk monitoring takes place in the Bank's Executive Committee upon the Business Plan execution follow-up.

4.6 Information flow on risk to the management body

The Risk Management Department prepares and presents to the management bodies, on a regular basis, a comprehensive report on the overall risk position of the Bank, covering all material risks and monitoring all Risk Appetite Framework metrics – the Risk Appetite Monitoring report.

The Risk Management Department presents the Risk Appetite Monitoring report to the Executive Committee every month. Additionally, the Risk Management Department presents the Risk Appetite Monitoring report to the Board of Directors and to the Risk Committee in every ordinary meeting of the Board. Non-regular reporting to the Executive Committee and to the Board of Directors may occur whenever the Head of the Risk Management Department deems necessary or any member of the management bodies requires such reporting.

4.7 Policies for hedging and mitigating risk

Haitong Bank has a comprehensive reporting framework covering all material risks, namely regarding the monitoring of the Risk Appetite Policy, as well as a committee structure, described in the previous chapters, designed to monitor and control risks on a permanent basis.

Regarding credit risk and credit concentration risk, the main risk mitigation techniques are financial pledges (funded credit protection – financial collateral) and personal guarantees (unfunded credit protection with a substitution effect). The Bank follows the prescription of CRR regarding collateral haircuts for impairment calculation, considering the collateral value after the haircut application. In markets area, secured financing transactions (repos), netting agreements and margin exchange contracts are the main risk mitigation techniques employed.

To mitigate the market risk arising from the trading and banking books, the Bank establishes limits to the level of exposure of each risk taking unit and employs different strategies to manage and hedge the market risk, such as entering into derivatives transactions that partially or completely offset the risk and/or closing of positions. The Risk Management Department monitors and reports to the different risk taking units exposure to market risk to ensure compliance with the established limits.

Haitong Bank's operational risk is mitigated by the active management of operational risk which includes:

- The processes in place to identify and evaluate operational risks throughout the organization on a regular basis, namely through the Risk Control Self-Assessment, the Key Risk Indicators and the Operational Events collection;
- The collection, analysis and classification of operational risk events ensuring remedial measures are taken when appropriate.

Haitong Bank's liquidity risk mitigation techniques include:

- a process for monitoring and reporting a set of liquidity risk metrics whose limits are established within the Risk Appetite Framework, including prudential liquidity ratios for which a buffer above regulatory limits is established;
- proactive management of liquidity and funding with monthly cash flow and liquid assets position forecast;
- stress test exercises on a monthly basis and within the scope of the ILAAP and the Recovery Plan;
- liquidity contingency plans;
- close monitoring of the liquidity position by the Executive Committee.

For reputational risk, Haitong Bank has in place the following risk mitigation and control techniques:

- Products, Services and Processes Sign-off: the review and assessment of new products, activities, processes and systems prior to its release or deployment is particularly relevant for the mitigation of reputational risk.
- Losses Report: the losses database, which contains information on real events, feeds the risk identification and risk monitoring processes. All the reputational events that originate losses are reported.
- Policies, codes of conduct, guidelines and procedures: these elements are of vital importance not only to achieve the Bank's business goals, but also to guide the behaviours and actions of all elements of the Bank from top management to staff so that they do not put the Bank's reputation in jeopardy.
- Business Continuity and Crisis Management Plan: the business continuity and crisis management includes the planning and preparation of an effective response to reputational events that may affect the Bank's ability to continue to operate under normal circumstances.

The Bank's business strategic mitigation techniques include:

- The Board of Directors / Executive Committee follow-up of the business evolution on a monthly basis;
- The Risk Committee monitoring of the evolution of the business to ensure alignment between the Bank's business and risk strategies;
- The existence of a reporting system (internal and external to the shareholder) informing on the evolution of business on a monthly basis.

5 Management body disclosures

The following table shows the number of directorship positions held by each member of the Board of Directors in 2020:

Board of Directors	Number of directorship positions
Chairman	
Lin Yong	6
Members	
Wu Min	3
Alan Fernandes	3
Miguel Guiomar	3
Nuno Carvalho	3
Vasco Câmara Martins	1
António Domingues	2
Martina García	1
Pan Guangtao	4
Paulo Martins	4
Vincent Camerlynck	4
Xinjun Zhang	6

Table 3 – Number of directorships held by the members of the Board of Directors

Recruitment policy and diversification policy for the selection of members of the management body

The Policy on the selection and assessment of members of the management and supervisory bodies and key function holders of Haitong Bank (the "Selection and Assessment Policy") was updated and approved by Shareholder resolution in May 30th 2021. This Policy aims at complying with provisions in Article 30-A/2 of the Legal Framework of Credit Institutions and Financial Companies (hereinafter "RGICSF") and ensuring that Haitong Bank adopts the highest national and international standards of governance of credit institutions.

This policy aims to ensure the suitability of the members of the corporate bodies and key function holders, not just at the beginning of their duties but also throughout their term of office. In this context, suitability refers to the members' ability to ensure, at all times, a sound and prudent management of the financial institution, viewing, in particular, the safeguarding of the financial system and the interests of its clients, depositors, investors and other creditors. For this end, the said officers must comply with the fit and proper, professional qualification, independence and availability requirements.

The Selection and Assessment Policy establishes the following:

i) identification of the persons responsible for assessing the suitability of the Bank's officers;
ii) assessment of the adopted procedures;
iii) suitability requirements;
iv) diversity requirements;
v) rules on the prevention, reporting and remedying of conflicts of interest;
vi) Assurance that continuous training plan means for the management and supervisory bodies and key functions holders are made available.

The policy on the selection and assessment of members of the management and supervisory bodies and key function holders can be found in Haitong Bank web site.

6 Own Funds

The present Market Discipline report is elaborated under the CRR (Regulation (EU) no. 575/2013) and CRD IV (Directive 2013/36/EU), while the 2020 Annual Report is prepared in accordance with IFRSs.

The table below provides a full reconciliation of the balance sheet figures between the financial accounting statements and the prudential treatment, allocated to the different risk frameworks (credit risk, counterparty credit risk, securitization positions, market risk).

(Amounts in Thousands of Euros)

			Carrying values of items						
	IFRS Audited Consolidated Balance Sheet 31 Dec 2020	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital	(*)	Balance amounts used for Own funds Prudencial calculations 31 Dec 2019
Assets									
Cash and deposits at central banks	494 885	494 885	494 885	-	-	-	-		-
Financial assets at fair value through profit or loss	805 416	**805 416**	**35 297**	**143 062**	-	**770 119**	-		**805,416**
Financial assets held-for-trading	770 119	770 119	-	143 062	-	770 119	-		-
Securities	627 057	627 057	-	-	-	627 057	-	(k)	627,057
Derivatives financial assets	143 062	143 062	-	143 062	-	143 062	-	(k)	143 062
Non-trading financial assets mandatorily ar fair value through profit or loss	35 297	35 297	35 297	-	-	-	-		-
Securities	35 297	35 297	35 297	-	-	-	-	(k)	35 297
Loans and advances to customers	-	-	-	-	-	-	-	(k)	0
Financial assets at fair value through other comprehensive income	160 756	**160 756**	**160 756**	**-**	**-**	**-**	**-**	(k)	**160 756**
Financial assets measured at amortised cost	996 653	**996 653**	**996 653**	**-**	**-**	**-**	**-**		-
Securities	461 453	461 453	461 453	-	-	-	-		-
Loans and advances to banks	115 160	115 160	115 160	-	-	-	-		-
Loans and advances to customers	420 040	420 040	420 040	-	-	-	-		-
Hedging derivatives	151	151	151	-	-	-	-	(k)	151
Non-current assets held-for-sale	1 699	1 699	-	-	-	-	-		-
Other tangible assets	10 593	10 593	10 593	-	-	-	-		-
Intangible assets	4 658	4 658	-	-	-	-	4 658		4,658
Investments in associated companies	-	-	-	-	-	-	-		-
Tax assets	118 189	118 189	45 858	-	-	-	72 331		-
Current income tax assets	22 490	22 490	-	-	-	-	22 490		-
Deferred income tax assets	95 699	95 699	45 858	-	-	-	49 841	∑(n)	49,841
Other assets	208 414	208 414	184 606	-	-	-	23 808		-
Total Assets	**2,801,414**	**2,801,414**	**1,928,799**	**143,062**	**0**	**770,119**	**100,797**		**970,981**
Liabilities									
Financial liabilities held-for-trading	221 787	**221 787**	**-**	**142 704**	**-**	**221 787**	**-**		**221 787**
Securities	79 083	79 083	-	-	-	79 083	-	(l)	79,083
Derivatives financial liabilities	142 704	142 704	-	142 704	-	142 704	-	(l)	142,704
Financial liabilites Measured at amortised cost	1 870 363	**1 870 363**	**433 000**	**-**	**-**	**-**	**1 437 363**		-
Resources from credit institutions	577 996	577 996	433 000	-	-	-	144 996		-
Resources from customers	1 227 505	1 227 505	-	-	-	-	1 227 505		-
Debt securities issued	64 862	64 862	-	-	-	-	64 862		-
Hedging derivatives	-	-	-	-	-	-	-	(l)	-
Provisions	20 923	20 923	-	-	-	-	20 923		-
Tax liabilities	6 519	6 519	-	-	-	-	6 519		-
Current income tax liabilities	5 189	5 189	-	-	-	-	5 189		-
Deferred income tax liabilities	1 330	1 330	-	-	-	-	1 330		-
Other liabilities	83 733	83 733	-	-	-	-	83 733		-
Total Liabilities	**2,203,325**	**2,203,325**	**433,000**	**142,704**	**0**	**221,787**	**1,548,538**		**221,787**
Equity									
Share capital	844 769	844 769						(a)	844,769
Share premium	8 796	8 796						(a)	8,796
Other equity instruments	108 773	108 773						(d)	105,042
Fair-value reserves	(1 391)	(1 391)						(h)	(1 391)
Other reserves and retained income	(383 292)	(383 292)						∑(b)	(383 292)
Net profit/(loss) of the year attributable shareholders of the parent company	1 641	1 641						(c)	1,641
Total equity attributable to the shareholders of the parent company	**579,296**	**579,296**							
Non-controlling interests	18 793	18 793						(f) (g) (m)	8,209
Total Equity	**598,089**	**598,089**							
Total Equity and Liabilities	**2,801,414**	**2,801,414**							

(*) The references (a) – (n) identify balance sheet components that are used in the calculation of regulatory capital.

Table 4 – Reconciliation of Own Funds, filters and deductions

Table 4 above is aligned with template EU LI1 defined in the Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013

A description of the main components of Haitong Bank Own Funds as of December 31, 2020, is given below. This is described in Note 35 of the 2020 Annual Report.

<u>Share Capital</u>

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

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

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

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

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

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

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

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

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

As at 31st of December 2020 and 2019, the share capital of Haitong Bank amounts to 844,769 thousand euros and is represented by 168,953,800 shares with the nominal value of 5 euros each, fully held by Haitong International Holdings Limited.

Share premium

As at 31st December 2020 and 2019, share premiums are represented by 8,796 thousand euros, corresponding to the amount paid by shareholders in the increase of capital of previous years.

Other equity instruments

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

This conditioned interest, corresponding to the applicable annual rate of 8.5% on nominal value, is paid biannually. These securities may be fully, but not partially, reimbursed after the 15th of September 2015, relying solely on the choice of Haitong Bank, upon approval of the Bank of Portugal. These bonds are considered a capital instrument in accordance with the accounting policy, described in 2020 Haitong Bank Financial Statements Note 2.6, due to their characteristics.

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

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

As at 31st of December 2020 and 2019, 3,731 thousand euros regarding these bonds are in circulation. In the year of 2020 and 2019 the Group haven't paid interest.

In March 2018, the Bank issued perpetual instruments eligible as additional own funds of level 1 (Additional Tier 1), in the overall amount of USD 130,000 thousand, corresponding to 105,042 thousand euros, identified as "Fixed Rate Perpetual Deeply Subordinated Additional Tier 1 Resettable Instruments". Such bonds have a non-cumulative conditional interest which is payable only if and when reported by the Board of Directors. Due to their features, such bonds are deemed to be capital instruments, in accordance with the accounting policy, described in 2020 Haitong Bank Financial Statements, laid down in Note 2.6.

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 lasted until the end of 2017, with the exception of the deferred tax assets generated prior to January 1, 2014, and both the subordinated debt and all the hybrid instruments not eligible as own funds under the new regulations, which have a longer transitional period (until the end of 2021).

On December 31, 2020, Haitong Bank's Regulatory Own Funds and deductions were as follows:

(Amounts in Thousands of Euros)

	(*)	Dec. 20 Fully Loaded	Dec. 20 Phased-in	Dec. 19 Fully Loaded	Dec. 19 Phased-in
Common equity tier 1 (CET1) capital: instruments and reserves					
Capital instruments and the related share premium accounts	∑(a)	853 565	853 565	853 565	853 565
Retained earnings	(b)	(212 356)	(212 356)	(219 864)	(219 864)
Accumulated other comprehensive income (and other reserves)	(b)	(170 936)	(170 936)	(161 050)	(161 050)
Minority interests (amount allowed in consolidated CET1)	(f)	5 473	5 473	6 316	6 316
Independently reviewed interim net profits net of any foreseeable charge or dividend	(c)	1 641	1 641	7 508	7 508
Common equity tier 1 capital before regulatory adjustments		477 387	477 387	486 475	486 475
Common equity tier 1 capital: regulatory adjustments					
Gains or losses on assets and liabilities held for sale	(h)	(1 390)	(1 390)	469	469
Additional value adjustments	(j)	(1 055)	(1 055)	(943)	(943)
Intangible assets		(4 997)	(4 997)	(7 307)	(7 307)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(n)	(49 841)	(49 841)	(63 208)	(63 208)
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		-	-	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold)	(n)	-	-	-	-
Qualifying AT1 deductions that exceed the AT1 capital of the institution		-	-	-	-
IFRS9		-	1 653	-	3 788
Total regulatory adjustments to Common Equity Tier 1 (CET1)		**(57 284)**	**(55 631)**	**(70 989)**	**(67 201)**
Common equity tier 1 capital		**420 103**	**421 756**	**415 486**	**419 274**
Additional Tier 1 (AT1) capital: instruments					
Capital instruments and the related share premium accounts	(d)	105 042	105 788	105 042	106 161
Qualifying Tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	(g)	1 173	1 173	1 353	1 353
Additional tier 1 capital before regulatory adjustments		**106 215**	**106 961**	**106 395**	**107 515**
Additional tier 1 (AT1) capital: regulatory adjustments					
Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out		-	-	-	-
Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period		-	-	-	-
Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR		-	-	-	-
Total regulatory adjustments to additional tier 1 capital		**-**	**-**	**-**	**-**
Additional tier 1 capital		**106 215**	**106 961**	**106 395**	**107 515**
Tier 1 capital (T1 = CET1 + AT1)		**526 318**	**528 717**	**521 881**	**526 788**
Tier 2 capital: instruments and provisions					
Capital instruments and the related share premium accounts		-	-	-	-
Qualifying own funds instruments included in consolidated T2 capital issued by subsidiaries and held by third party	(m)	1 564	1 564	1 804	1 804
Tier 2 capital before regulatory adjustments		1 564	1 564	1 804	1 804
Tier 2 capital: regulatory adjustments					
Other AT2 adjustments		-	-	-	-
Total regulatory adjustments to Tier 2 (T2) capital		**-**	**-**	**-**	**-**
Tier 2 (T2) capital		**1 564**	**1 564**	**1 804**	**1 804**
Total capital (TC = T1 + T2)		**527 881**	**530 281**	**523 685**	**528 593**

(*) The references (a) – (n) identify balance sheet components, which are used in the calculation of regulatory capital.

Table 5 – Own Funds

Table 5 is aligned with Implementing Regulation (EU) No 1423/2013 – Annex IV of December 20, 2013.

Minority interest means the amount of Common Equity Tier 1 capital of a subsidiary of an institution that is attributable to natural or legal persons other than those included in the prudential scope of consolidation of the institution. On December 31, 2020, the Minority Interest adjustments to own funds were as detailed below:

(Amounts in Thousands of Euros)

	(*)	Dec. 20	%	Dec. 19	%
Haitong Banco de Investimento do Brasil S.A.		18,793	20%	26,142	20%
Non-Controlling Interest		**18,793**		**26,029**	

		Dec. 20		Dec. 19	
	(*)	Fully Loaded	Phased-in	Fully Loaded	Phased-in
Minority interests (amount allowed in consolidated CET1)	(f)	5,473	5,473	6,316	6,316
Instruments issued by subsidiaries that are given recognition in AT1 Capital (minority Interests)	(g)	1,173	1,173	1,353	1,353
Instruments issued by subsidiaries that are given recognition in T2 Capital	(m)	1,564	1,564	1,804	1,804

(*) The references (a) – (n) identify balance sheet components which are used in the calculation of regulatory capital.

Table 6 – Minority Interests' own funds regulatory adjustments

On 31 December 2020 and 31 December 2019 the DTA prudential treatment is detailed below:

(Amounts in Thousands of Euros)

	Dec. 20	(*)	Deducted to Own Funds	Not Deducted to Own Funds	Dec. 19	Deducted to Own Funds	Not Deducted to Own Funds
Deferred Tax Assets that rely on future profitability	**74,089**				**91,459**		
Not resulting from temporary differences	49,841	(n)	49,841	-	63,208	63,208	-
Resulting from temporary differences	24,247	(n)	-	24,247	28,251	-	28,251
Deferred Tax Assets that do not rely on future profitabil	**21,610**		-	21,610	**24,878**	-	**24,878**
Total Deferred Tax Assets	**95,699**		**49,841**	**45,858**	**116,337**	**63,208**	**53,129**

(*) The references (a) – (n) identify balance sheet components which are used in the calculation of regulatory capital.

Table 7 – Deferred Tax Assets (DTA) CET1 Regulatory Adjustment

When calculating the amount of their regulatory capital, CRR requires banks to apply prudent valuation standards to all positions that are measured at fair value. The difference between the values obtained when applying a prudent valuation and the fair value recognized in accounting is known as additional valuation adjustment (AVA), which is directly deducted from the Common Equity Tier 1 (CET1). On December 31, 2020, Haitong Bank's AVA adjustment was as detailed below:

(Amounts in Thousands of Euros)

	(*)	Dec. 20	Dec. 19
Assets	∑(k)	966,323	800,988
Assets Matched Positions		(66,425)	(64,335)
Liabilities	∑(l)	221,787	281,960
Liabilities Matched Positions		(66,378)	(75,348)
Total		**1,055,307**	**943,265**
AVA (simplified approach)	(j)	1,055	943

(*) The references (a) – (n) identify balance sheet components which are used in the calculation of regulatory capital.

Table 8 – AVA CET1 Regulatory Adjustment

In order to reduce the impact of IFRS 9 introduction on institutions Own Funds, Regulation (EU) 2017/2395 of the European Parliament and of the Council of 12 December has made possible for institutions to adopt a transitional regime. Pursuant to Article 473a (9) of the CRR, Haitong Bank chose to apply the transitional regime for the "static" and "dynamic" components: (i) the provisioning differential recorded in the first application of IFRS 9 on January 1, 2018; and (ii) the differential registered in assets that are not credit impaired (stages 1 and 2) after the first application of IFRS 9.

Under Regulation (EU) no. 575/2013, Article 437 e), banks are required to describe restrictions applicable to the calculation of own funds. Haitong Bank does not have any restrictions applied to the calculation of own funds.

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

Still under the context of CRD IV capital buffer requirements, the Bank of Portugal decided, in November 2016, to impose a capital surcharge on six Portuguese banking groups classified as O-SIIs (Other Systemically Important Institutions) in the scope of its annual revision of the identification of the imposition of capital buffers, pursuant to Article 138-R (2) of the RGICSF. The O-SII buffer has been effective since January 1, 2018, onwards. According to the Bank of Portugal’s 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 counter-cyclical capital buffer of up to 2.5% to be imposed in the event that national supervisors deem it necessary in order to counteract excessive credit growth in Portugal. As of January 1, 2021, the Bank of Portugal decided not to impose any additional counter-cyclical capital buffer, by setting a 0% of total risk exposure amount. This decision is subject to revision on a quarterly basis.

On December 31, 2020, Haitong Bank capital ratios were as detailed below:

(Amounts in Thousands of Euros)

	Dec. 20		Dec. 19	
	Fully Loaded	Phased-in	Fully Loaded	Phased-in
Risk Exposure	1,861,841	1,861,841	1,473,785	1,473,785
Common equity tier 1	22.6%	22.7%	28.2%	28.4%
Tier 1	28.3%	28.4%	35.4%	35.7%
Total capital	28.4%	28.5%	35.5%	35.9%

Table 9 – Capital Ratios

7 Internal capital adequacy (ICAAP)

The Internal Capital Adequacy Assessment Process (ICAAP) is carried out every year in accordance with the regulations in force. This self-assessment process aims to ensure that Haitong Bank's capital resources remain sufficient to support the Bank's strategic goals, and to meet regulatory requirements, even in the event of a severe economic downturn stress scenario. The ICAAP's results thus allow the Bank's management to gauge whether the organization's level of capitalization is adequate *vis-à-vis* the risks arising from its activity, and whether the medium-term business plan is sustainable and consistent with the Risk Appetite Policy in place.

The Board of Directors is responsible for the final approval of the ICAAP exercise and its main conclusions. ICAAP is not treated as an isolated process, but one that is incorporated into Haitong's strategic vision and operation management. This way, the Bank ensures not only the flow of relevant information within decision-making units, but also the improvement of risk management on an ongoing basis.

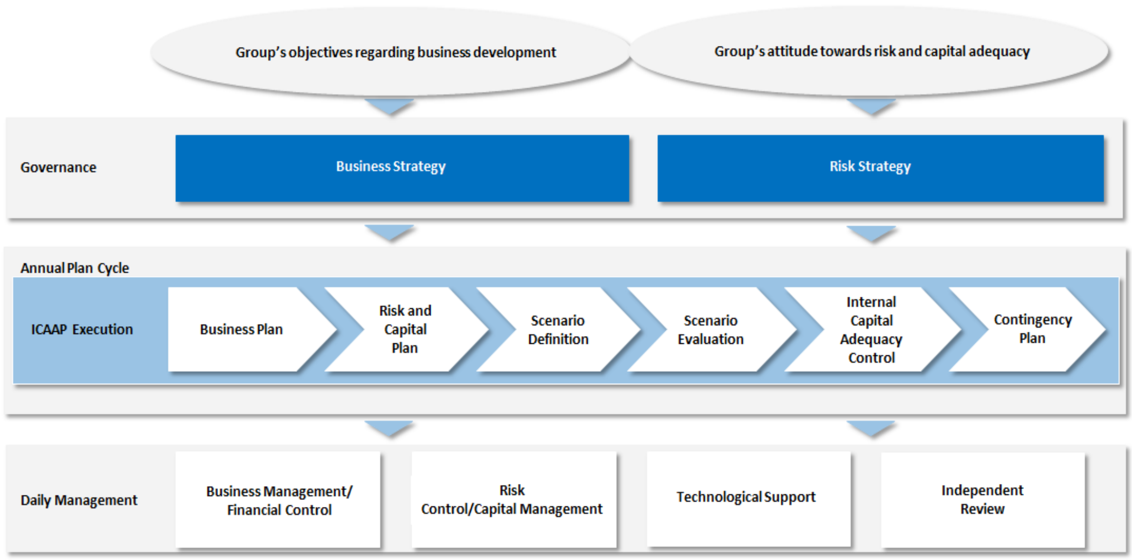

Figure 4 – Integration of the ICAAP in the Bank's management and decision-making process

The ICAAP exercise estimates internal capital requirements for the all material risks of the Bank, including Pillar I risks. Material risks are identified by the Board of Directors within the scope of the Risk Appetite Policy, based on a qualitative analysis of the frequency of events associated with each risk and their respective impact. This exercise is based on Haitong Bank's risk taxonomy. The Board of Directors identified the following material risk categories:

Pillar	Risk Categories
Pillar I	Credit + Concentration Risk
	CVA Risk (Credit Valuation Adjustment)
	Market Risk
	Operational Risk
Pillar II	Interest Rate Risk - Banking Book
	Credit Spread Risk
	Business Strategic Risk
	Pension Fund Risk
	Reputational Risk

Figure 5 – Haitong Bank's Material Risk Categories

Internal capital requirements are assessed both on a static perspective, for the reference date of the exercise, and on a prospective basis, considering the business plan of the Bank for the next three years. This ensures that the strategy pursued by the Bank has adequate capital support. Additionally, Haitong Bank subjects the internal capital requirements calculated on a prospective basis to stress scenarios to assess the resilience of the Bank's capital position.

The ICAAP process is embedded in the Bank's regular risk management and a monthly update of the internal capital requirements is calculated for most of the material risks identified.

The Bank uses internal models to assess capital requirements for all material risks. These models are approved by the Board of Directors and are subject to validation by the Bank's Internal Audit Department. The table below summarizes Haitong Bank's approach to assessing the adequacy of its internal capital per risk category.

Pillar	Risk type	Key risk methodologies
Pillar I	Credit Risk Counterparty Credit Risk (CCR)	IRB Foundation approach
	Concentration Risk	Quantified at sectorial, individual and geographical level, based on Herfindahl Index
	CVA Risk	Pillar I standardized approach
	Market Risk	Historical VaR simulation approach
	Operational Risk	New standardized approach introduced under the Basel III Dec. 2017 review
Pillar II	IRRBB	Change in EVE
	Credit Spread Risk	Historical VaR simulation approach
	Pension Fund Risk	VaR to stress the mismatch between the fund's assets and the fund's liabilities
	Business Strategic Risk	Predefined shock over prospective increase of revenues of core business activities
	Reputation Risk	Simulate the impact of a reputational risk event that affects the trust from customers/investors

Figure 6 – ICAAP Key Risk Methodologies

8 Risk weighted assets (RWAs)

On 31 December 2020 and 31 December 2019, Haitong Bank's risk weighted assets (RWAs) and minimum capital requirements under Part Three, Title I, Chapter 1 of the CRR were as follows:

(Amounts in Thousands of Euros)

			RWAs		Minimum capital requirements	
			Dec. 20	Dec. 19	Dec. 20	Dec. 19
	1	Credit risk (excluding CCR)	1,099,402	843,798	87,952	67,504
Article 438(c)(d)	2	Of which the standardised approach	1,099,402	843,798	87,952	67,504
Article 438(c)(d)	3	Of which the foundation IRB (FIRB) approach	-	-	-	-
Article 438(c)(d)	4	Of which the advanced IRB (AIRB) approach	-	-	-	-
Article 438(d)	5	Of which equity IRB under the simple risk-weighted approach or the IMA	-	-	-	-
Article 107,Article 438(c)(d)	6	Counterparty Credit Risk (CCR)	182,033	168,850	14,563	13,508
Article 438(c)(d)	7	Of which mark to market	159,352	137,736	12,748	11,019
Article 438(c)(d)	8	Of which original exposure	-	-	-	-
	9	Of which the standardised approach	-	-	-	-
	10	Of which internal model method (IMM)	-	-	-	-
Article 438(c)(d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	-	-	-	-
Article 438(c)(d)	12	Of which CVA	22,681	31,114	1,814	2,489
Article 438(e)	13	Settlement risk	0	10	0	1
Article 449(o)(i)	14	Securitisation exposures in the banking book (after the cap)	-	-	-	-
	15	Of which IRB approach	-	-	-	-
	16	Of which IRB supervisory formula approach (SFA)	-	-	-	-
	17	Of which internal assessment approach (IAA)	-	-	-	-
	18	Of which standardised approach	-	-	-	-
Article 438 (e)	19	Market risk	358,248	238,108	28,660	19,049
	20	Of which the standardised approach	358,248	238,108	28,660	19,049
	21	Of which IMA	-	-	-	-
Article 438(e)	22	Large exposures	-	-	-	-
Article 438(f)	23	Operational risk	222,157	223,018	17,773	17,841
	24	Of which basic indicator approach	-	-	-	-
	25	Of which standardised approach	222,157	223,018	17,773	17,841
	26	Of which advanced measurement approach	-	-	-	-
Article 437(2), Article 48 and Article 60	27	Amounts below the thresholds for deduction (subject to 250% risk weight)	24,247	28,251	1,940	2,260
Article 500	28	Floor adjustment	-	-	-	-
	29	Total	1,861,841	1,473,785	148,947	117,903

Table 10 – RWAs

Table 10 is aligned with EBA Template 4: EU OV1 – Overview of RWAs.

Haitong Bank currently uses the Standardized Approach to calculate risk-weighted assets for Credit Risk.

In the standardized approach, credit exposures are classified within regulatory risk classes according to their characteristics (e.g. type of counterparty, type of product). After making all the adjustments foreseen in Part III, Title II of Regulation (EU) no. 575/2013 to the value of these exposures, namely relating to provisions, risk mitigation instruments or credit conversion factors (CCFs), the exposure at default (EaD) measure is assigned the appropriate regulatory risk weights. Risk weights applicable to credit exposures depend on the external ratings assigned to them at any given time.

Haitong Bank uses the external ratings assigned to determine the risk weights applicable to exposures to central governments and central banks, institutions and corporates, in accordance with the rules set out in Regulation (EU) no. 575/2013.

For risk weighting purposes, exposures to debt securities are allocated to the ratings specifically assigned for the respective issues. If no specific rating exist for the issues, the ratings assigned to the respective issuers, when such ratings exist, are used. Credit exposures other than represented by debt securities are only assigned the rating of the respective issuers, when such ratings exist.

Haitong Bank calculates the own funds requirements for market risk under the standardized approach in accordance with Part Three, Title IV, Chapter 2 of Regulation (EU) no. 575/2013 for its trading book positions and Chapters 3 and 4 for its overall foreign exchange and commodities risk, respectively. For the own funds requirements calculation of the general risk of debt instruments, the Bank uses the maturity-based approach. For commodities risk, the Bank uses the simplified approach.

For the Operational Risk risk-weighted exposures calculation, Haitong Bank applies the Standardized Approach (STA) as set out in Article 317 of the Regulation (EU) no. 575/2013. On 31 December 2020 and 31 December 2019, Haitong Bank's Operational Risk minimum capital (8% of RWAs) was EUR 17,773 thousand and EUR 17,841 thousand, respectively.

On 31 December 2020 and 31 December 2019, Haitong Bank's capital requirements (8% of RWAs) composition was as follows:

(Amounts in Thousands of Euros)

	Dec. 20	Dec. 19
1. Capital requirements (=∑ (1.1 to 1.5))	**148,947**	**117,903**
1.1. For credit, counterparty credit and dilution risks and free deliveries (= 1.1.1 + 1.1.2)	**100,700**	**78,523**
1.1.1. Standardised approach (=1.1.1.1+1.1.1.2)	100,700	78,523
1.1.1.1. Standardised Approach exposure classes, excluding securitisation positions	100,700	78,523
1.1.1.1.1. Claims or contingent claims on central governments or central banks	-	-
1.1.1.1.2. Claims or contingent claims on regional governments or local authorities	819	41
1.1.1.1.3. Claims or contingent claims on Public Sector Entities	-	-
1.1.1.1.4. Claims or contingent claims on multilateral development banks	-	-
1.1.1.1.5. Claims or contingent claims on international organisations	-	-
1.1.1.1.6. Claims or contingent claims on institutions	3,366	4,833
1.1.1.1.7. Claims or contingent claims on corporates	75,937	57,222
1.1.1.1.8. Retail claims or contingent retail claims	-	-
1.1.1.1.9. Claims or contingent claims secured on real estate property	-	-
1.1.1.1.10. Past due items	3,007	4,126
1.1.1.1.11. Items belonging to regulatory high-risk categories	3,503	3,329
1.1.1.1.12. Claims on covered bonds	-	-
1.1.1.1.13. Claims on collective investments undertakings (CIU)	284	486
1.1.1.1.14. Other items	13,669	8,340
1.1.1.1.15. Equity positions	114	145
1.1.1.2. Securitisation positions under the Standardised Approach	-	-
1.1.2. IRB approach	-	-
1.2. Settlement risk	**-**	**1**
1.3. Capital requirements for position, foreign-exchange and commodities risks (= 1.3.1 + 1.3.2)	**28,660**	**19,049**
1.3.1. Standardised approach (=∑(1.3.1.1 to 1.3.1.4))	28,660	19,049
1.3.1.1. Traded debt instruments	13,198	13,922
1.3.1.2. Equity	10	1,133
1.3.1.3. Foreign exchange risks	15,452	3,994
1.3.1.4. Commodities risks	-	-
1.3.2. Internal models approach	-	-
1.4. Capital requirements for operational risk	**17,773**	**17,841**
1.4.1. Basic indicator approach	-	-
1.4.2. Standard method	17,773	17,841
1.4.3. Advanced measurement approach	-	-
1.5. Capital requirements for Credit Valuation Adjustment (CVA)	**1,814**	**2,489**

Table 11 – Capital Adequacy – Own Funds Requirements

9 Counterparty credit risk

Counterparty credit risk relates to the uncertainty that a counterparty may default before the settlement of a transaction. It is calculated for over-the-counter derivatives and securities financing transactions, regardless of whether they are held in the trading or banking book.

Haitong Bank defines limits to counterparty credit risk exposures at counterparty level as a way to mitigate Counterparty Credit Risk (CCR).

Haitong Bank securities financing transactions are governed by the GMRA Master Agreement prepared by ICMA. Haitong Bank is a member of ICMA and as such is entitled to use the legal opinions on validity and enforceability of netting clauses included in the GMRA prepared at the request of ICMA for the benefit of its members. Additionaly, Haitong Bank does not enter into securities lending transactions in which the collateral being provided is issued by the counterparty or its affiliates, and it does not have credit derivatives transactions where there is a legal connection between the risk being covered and the counterparty

Haitong Bank's derivative transactions with financial counterparties are made under ISDA Master Agreements, which include netting clauses. Haitong International Securities Group Limited is a member of ISDA and, as an affiliate entity, Haitong Bank is entitled to use the legal opinions on validity and enforceability of netting clauses prepared at the request of ISDA for the benefit of its members (and affiliates of its members). To manage the risk exposure to each counterparty, such master agreements, require the collection of margin for trades not cleared through a non-central counterparty.

In the case of derivative transactions cleared through a central counterparty, the documentation governing the clearing through the central counterparty is also provided for the provision of margin.

In what regards CRR article 439 (c), Haitong Bank defines wrong-way risk as the risk that exposure to a counterparty is positively correlated with the probability of default of the same counterparty, which could cause exposure to increase at the same time as the counterparty's capacity to meet its obligations is decreasing. Haitong Bank mitigates wrong-way risk in over-the-counter ("OTC") derivatives transactions with financial counterparties through bilateral ISDA contracts with CSA, which require both parties to post collateral to mitigate the other party's counterparty credit risk. This collateral is in the form of cash and, as such, the Bank does not bear any specific wrong-way risk.

Regarding CRR article 439 (d), on December 2020 Haitong Bank do not have a credit rating downgrade clause in a Master Agreement or a credit rating downgrade threshold clause in a CSA related to derivatives and securities financing transactions outstanding, requiring the posting of additional collateral in a scenario of the downgrading of Haitong Bank's credit rating.

Haitong Bank calculates the counterparty credit risk own funds and internal capital of derivative instruments according to the mark-to-market method defined in Part III, Title II, Chapter 6, Section 3 of Regulation (EU) no. 575/2013 and, for repurchase transactions, calculates counterparty credit risk own funds and internal capital according to the rules defined for the standardized approach in Part III, Title II, Chapter 6, Section 5 of Regulation (EU) no. 575/2013.

Finally, Credit Valuation Adjustment ('CVA') corresponds to the adverse movements in the credit valuation adjustment for expected credit losses on derivative transactions. Haitong Bank applies the standardised approach for the calculation of own funds for CVA risk.

The template below provides an overview of the impact of netting and collateral held for transactions where the exposure value is measured as per Part Three, Title II, Chapter 6 of the CRR, including exposures arising from transactions cleared through a CCP, as of 31 December 2020.

(Amounts in Thousands of Euros)

	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	179,147	38,722	140,424	-	140,424
SFT (Securities Financing Transaction)	556,219	-	556,219	506,359	49,860
Cross-product netting	-	-	-	-	-
Total	**735,365**	**38,722**	**696,643**	**506,359**	**190,284**

Table 12 – Impact of netting and collateral held on exposure

Table 12 is aligned with EBA Template 31: EU CCR5-A – Impact of netting and collateral held on exposure values.

On 31 December 2020, Haitong Bank's derivatives exposures to financial institutions amount EUR 46,338 thousand before netting and EUR 16,241 thousand after netting effect.

On 31 December 2020, Haitong Bank's breakdown of CCR net credit exposure (post CCF and CRM) calculated in accordance with Part Three, Title II, Chapter 6 of the CRR and risk-weights according to Chapter 3 of the same title by risk weight (risk weight assigned according to the standardised approach) was as follows:

(Amounts in Thousands of Euros)

	Exposure classes	Risk Weight											Exposure post CRM and CCF
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
1	Central governments or central banks	6,351	-	-	-	-	-	-	-	-	-	-	6,351
2	Regional governments or local authoritie	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-	-	-
5	International Organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	47,711	7,096	-	-	4,408	-	-	59,216
7	Corporates	-	-	-	-	2,799	-	-	-	84,341	37,577	-	124,717
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total**	**6,351**	**-**	**-**	**-**	**50,510**	**7,096**	**-**	**-**	**88,750**	**37,577**	**-**	**190,284**

Table 13– CCR exposures by exposure class and risk weight

Table 13 is aligned with EBA Template 28: EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk.

The table below shows the methods and the main parameters used to calculate CCR regulatory requirements on 31 December 2020:

(Amounts in Thousands of Euros)

CCR approach	Notional	Replacement cost	Potential future credit exposure	EAD post CRM	RWAs
Mark to market		103,695	36,730	140,424	149,593
Financial collateral comprehensive method (for SFTs)				49,860	9,760
Total					159,352

Table 14 – CCR exposure by approach

Table 14 is aligned with EBA Template 25: EU CCR1 – Analysis of CCR exposure by approach.

On December 31, 2020, OTC derivatives cleared through a qualified central counterparty (QCCP) totalled EUR 26 million in nominal amount.

On 31 December 2020, the CVA Risk own funds were as follows:

(Amounts in Thousands of Euros)

	Exposure value	RWAs
Total portfolios subject to the advanced method	-	-
(i) VaR component (including the 3× multiplier)	-	-
(ii) SVaR component (including the 3× multiplier)	-	-
All portfolios subject to the standardised method	56,557	22,681
Based on the original exposure method	-	-
Total subject to the CVA capital charge	**56,557**	**22,681**

Table 15 – CVA capital charge

Table 15 is aligned with EBA Template 26: EU CCR2 – CVA capital charge.

On 31 December 2020, Haitong Bank's credit derivatives transactions were solely related to intermediation activities. The breakdown of nominal amounts by protection side, bought or sold, within each product group were as follows:

(Amounts in Thousands of Euros)

Credit derivatives transactions	Long positions	Short positions
Credit default swaps	615	615
Credit linked notes	-	-

Table 16 – Credit derivatives transactions

10 Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

On 31 December 2020, the geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer were as follows:

(Amounts in Thousands of Euros)

Country	General credit exposures	Trading book exposures	Own funds requirements			Own funds requirement weights	Countercyclical capital buffer rate
	Exposures value for SA	Sum of long and short positions of trading book exposures for SA	Of which: General credit exposures	Of which: Trading book exposures	Total		
Portugal	1,188,608	7,219	29,869	168	30,037	33.08%	0.00%
Brazil	745,507	520,341	17,267	0	17,267	19.01%	0.00%
Poland	181,003	8,995	6,684	1,555	8,239	9.07%	0.00%
Spain	154,117	6,016	9,489	0	9,489	10.45%	0.00%
Italy	102,256	926	895	0	895	0.99%	0.00%
China	98,903	223	7,302	0	7,302	8.04%	0.00%
Cayman islands	57,817	0	4,625	0	4,625	5.09%	0.00%
United Kingdom	40,721	1,047	1,339	0	1,339	1.47%	0.00%
Luxembourg	32,286	395	3,164	0	3,164	3.48%	0.50%
Germany	31,836	217	846	0	846	0.93%	0.00%
France	28,079	508	1,723	0	1,723	1.90%	0.00%
Ireland	21,168	0	1,594	0	1,594	1.76%	0.00%
Netherlands	20,258	1,314	1,621	0	1,621	1.78%	0.00%
Hong-Kong	14,713	0	1,104	0	1,104	1.22%	1.00%
Finland	10,669	0	853	0	853	0.94%	0.00%
Cyprus	9,437	0	0	0	0	0.00%	0.00%
ROMENIA	8,054	0	0	0	0	0.00%	0.00%
United States	4,219	416	68	0	68	0.07%	0.00%
Angola	2,763	0	332	0	332	0.37%	0.00%
British Virgin Islands	2,338	0	187	0	187	0.21%	0.00%
Bulgarian	1,432	0	115	0	115	0.13%	0.50%
Belgium	231	0	4	0	4	0.00%	0.00%
Andorra	159	0	3	0	3	0.00%	0.00%
Switzerland	150	358	2	0	2	0.00%	0.00%
Mexico	7	0	0	0	0	0.00%	0.00%
Total	**2,756,731**	**547,973**	**89,085**	**1,723**	**90,808**	**100.00%**	

Table 17 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

Table 17 is aligned with EBA Annex I - Table 1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer.

Haitong Bank's specific countercyclical buffer amount is presented below as of 31 December 2020:

(Amounts in Thousands of Euros)

	Dec. 20
Total risk exposure amount	3,304,704
Institution specific countercyclical buffer rate	0.03%
Institution specific countercyclical buffer requirement	998

Table 18 – Amount of specific countercyclical capital buffer

Table 18 is aligned with EBA Annex I - Table 2 - Amount of institution-specific countercyclical capital buffer.

11 Exposure to credit risk and dilution risk

Description of approaches and methods adopted for determining specific and general credit risk adjustments

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

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

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

The collective model implemented by the Group is applicable to all instruments that do not show warning signals (in Stage 1), as well to determine the lifetime expected credit losses, in the case of exposures with a significant increase in credit risk (Stage 2). Stage 2 exposures are analysed individually, confirming that there are no indications of unlikeliness to pay of the debtor and the events considered by Capital Requirements Regulations (CRR) in its definition of default and by IFRS 9 in the definition of impaired financial instruments, which could determine a transfer to Stage 3. Stage 2 exposures are subject to the application of a lifetime impairment rate, determined by the use of a lifetime collective model. All Stage 3 clients are subject to individual analysis.

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

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

Significant increase in credit risk

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

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

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

Definitions of Past Due and Default exposures

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

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

Default Definition

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

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

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

Forbearance definition

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

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

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

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

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

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

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

The definition of forbearance followed by the Group follows the guidance to Banks on Non-Performing Loans by the European Central Bank (from March 2017), which address the concept of forborne exposures, and Bank of Portugal's Carta Circular CC/2018/00000062 (from

November 2018), addressing the criteria and principles for calculating expected credit losses under IFRS 9, which includes the timely and appropriate identification of forborne exposures.

Inputs in the measurement of ECL

As a result of the characteristics of the Bank's portfolio (reduced number of transactions and high heterogeneity), the calculation of the ECL has as the main vector of measurement the individual analysis assessment. Under the collective model, which is applied to financial instruments classified in Stage 1 and to determine the minimum impairment rate applicable to financial instruments classified in Stage 2, the key inputs for ECL measurement are the following:

- *Probability of Default (PD):* describes the likelihood of default in a prospect of time. Haitong Bank takes in account the PDs from S&P, whereas the rating assigning process is performed internally based on the S&P methodology. This ensures the alignment between the internal risk management and the impairment calculation process.
- *Loss Given Default (LGD)*: is the magnitude of the loss at the time of a default. The Bank applies the LGD based on Moody's LGD benchmarks covering a wide historical period.
- *Exposure at Default (EAD):* the expected exposure in the event of a default. The calculation of EAD depends on the asset type.

Regarding undrawn loan commitments and financial guarantees, the amount considered in the calculation of impairment at each stage results from the exposure as of the reference date weighted by the credit conversion factor (according with CRR).

On December 31, 2020, Haitong Bank's total and average amount of net exposures over the period by exposure class were as follows:

(Amounts in Thousands of Euros)

Exposure classes	Original Exposure Factors (1)					Net Exposure Value (2)				
	On balance sheet exposures	Off balance sheet exposures	Exposures subject to counterparty credit risk	Total exposures subject to credit risk 31 Dec 2020	2020 Average	On balance sheet exposures	Off balance sheet exposures	Exposures subject to counterparty credit risk	Total exposures subject to credit risk 31 Dec 2020	2020 Average
Central governments or central banks	700 623	-	103 611	804 234	858 266	699 400	-	103 600	803 000	856 880
Regional governments or local authorities	2 297	-	-	2 297	2 512	2 083	-	-	2 083	2 298
Institutions	54 172	29 002	454 251	537 425	494 442	53 865	28 786	454 251	536 901	493 915
Corporates	769 541	180 148	140 342	1 090 032	966 936	755 965	179 896	138 792	1 074 652	952 129
Exposures in default	46 794	18 809	-	65 603	82 980	28 919	7 296	-	36 215	38 681
Items associated with particular high risk	29 224	-	-	29 224	27 953	29 193	-	-	29 193	27 916
Collective investments undertakings (CIU)	4 075	-	-	4 075	-	4 075	-	-	4 075	-
Equity exposure	2 105	-	-	2 105	5 109	1 425	-	-	1 425	5 109
Other exposures	269 186	-	-	269 186	2 288	269 186	-	-	269 186	1 598
Total standardised approach	**1 878 019**	**227 960**	**698 205**	**2 804 183**	**2 440 487**	**1 844 111**	**215 977**	**696 643**	**2 756 731**	**2 378 526**

(1) Exposure: In accordance with Article 5 of the CRR, exposure refers to an asset or an off-balance-sheet item that gives rise to a credit risk exposure according to the CRR framework.
(2) Net value of the exposure: For on-balance-sheet items, the net value is the gross carrying value of exposure less allowances/impairments. For off-balance-sheet items, the net value is the gross carrying value of exposure less provisions.

Table 19 – Total and average net amount of exposures

Table 19 is aligned with EBA Template 7: EU CRB-B – Total and average net amount of exposures.

On December 31, 2020, Haitong Bank's geographic distribution of the exposures by exposure class was:

(Amounts in Thousands of Euros)

Original Exposure Factors	Europe	Portugal	Spain	Italy	Germany	Poland	South America	Asia	Other geographical areas	Total
							Brazil	China		
Central governments or central banks	663 274	556 646	3	90 249	-	16 375	122 235	-	17 492	803 000
Regional governments or local authorities	2 083	-	2 083	-	-	-	-	-	-	2 083
Institutions	72 627	5 800	29 369	4 062	22 800	10 596	418 844	15 087	30 343	536 901
Corporates	713 198	380 310	108 416	7 834	60 877	155 760	193 533	72 057	95 863	1 074 652
Exposures in default	5 611	972	3 709	-	-	930	6 617	19 713	4 275	36 215
Items associated with particular high risk	9 485	9 374	-	111	-	-	2 790	-	16 919	29 193
Collective investments undertakings	-	-	-	-	-	-	-	-	4 075	4 075
Equity exposures	1 425	1 425	-	-	-	-	-	-	-	1 425
Other exposures	269 186	269 186	-	-	-	-	-	-	-	269 186
Total standardised approach	**1 736 889**	**1 223 712**	**143 581**	**102 256**	**83 678**	**183 662**	**744 018**	**106 857**	**168 967**	**2 756 731**

Table 20 – Geographical breakdown of exposures

Table 20 is aligned with EBA Template 8: EU CRB-C – Geographical breakdown of exposures.

On December 31, 2020, Haitong Bank’s distribution of the exposures by Industry broken down by exposure classes was as follows:

(Amounts in Thousands of Euros)

Exposure classes	Agriculture, forestry and fishing	Mining and quarrying	Manufacturing	Manufacture of wood and paper products, and printing	Electricity, gas, steam and air conditioning supply	Water supply	Construction	Wholesale and retail trade	Transport and storage	Accommodation and food service activities	Information and communication	Financial service activities, except insurance and pension funding	Insurance, reinsurance and pension funding, except compulsory social security	Activities auxiliary to financial services and insurance activities	Real estate activities	Professional, scientific and technical activities	Administrative and support service activities	Public administration and defence, compulsory social security	Arts, entertainment and recreation	Other service	Total
Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	566 669	-	-	-	-	-	236 331	-	-	**803 000**
Regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2 083	-	-	**2 083**
Institutions	-	-	-	-	-	-	-	-	-	-	-	531 681	-	5 221	-	-	-	-	-	-	**536 901**
Corporates	6 688	12 498	90 590	25 531	84 136	65 684	160 848	61 641	253 751	19 687	35 193	38 034	880	121 628	15 122	44 531	28 293	-	9 915	-	**1 074 652**
Exposures in default	972	-	5 325	-	-	147	3 206	-	1 292	-	-	4 275	-	-	-	19 713	1 286	-	-	-	**36 215**
Items associated with particular high risk	-	-	-	-	-	-	-	-	-	-	-	29 082	111	-	-	-	-	-	-	-	**29 193**
Collective investments undertakings (CIU)	-	-	-	-	-	-	-	-	-	-	-	4 075	-	-	-	-	-	-	-	-	**4 075**
Equity	-	-	16	-	-	-	55	-	2	-	-	-	-	1 303	-	-	-	-	50	-	**1 425**
Other items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	269 186	**269 186**
Total standardised approach	**7 659**	**12 498**	**95 931**	**25 531**	**84 136**	**65 831**	**164 109**	**61 641**	**255 044**	**19 687**	**35 193**	**1 173 816**	**992**	**128 152**	**15 122**	**64 243**	**29 579**	**238 414**	**9 965**	**269 186**	**2 756 731**

Table 21 – Concentration of exposures by industry

Table 21 is aligned with EBA Template 9: EU CRB-D – Concentration of exposures by industry or counterparty types.

On December 31, 2020, Haitong Bank's residual maturity breakdown by exposure classes was as follows:

(Amounts in Thousands of Euros)

Exposure classes	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
Central governments or central banks	462 914	181 238	124 816	34 034	-	**803 000**
Regional governments or local authorities	-	-	2 083	-	-	**2 083**
Institutions	2 833	460 461	41 360	16 904	15 343	**536 901**
Corporates	32 186	415 025	292 880	322 463	12 098	**1 074 652**
Exposures in default	-	21 417	12 315	1 493	991	**36 215**
Items associated with particular high risk	-	-	-	-	29 193	**29 193**
Collective investments undertakings (CIU)	-	-	-	-	4 075	**4 075**
Equity	-	-	-	-	1 425	**1 425**
Other items	-	-	-	-	269 186	**269 186**
Total standardised approach	**497 932**	**1 078 140**	**473 453**	**374 894**	**332 312**	**2 756 731**

Table 22 – Maturity of exposures

Table 22 is aligned with EBA Template 10: EU CRB-E – Maturity of exposures.

On December 31, 2020, Haitong Bank's credit quality of exposures by exposure class and instrument was as follows:

(Amounts in Thousands of Euros)

Exposure classes	Gross carrying values of Defaulted exposures	Gross carrying values of Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values (a+b-c-d)
Central governments or central banks	-	804 234	-	1 234	(449)	(410)	803 000
Regional governments or local authorities	-	2 297	-	214	-	(0)	2 083
Institutions	-	537 425	-	524	-	(139)	536 901
Corporates	-	1 090 032	5 941	9 439	(0)	4 148	1 074 652
Exposures in default	65 603	-	28 365	1 023	(15 301)	(16 636)	36 215
Items associated with particular high risk	-	29 224	-	31	-	(29)	29 193
Collective investments undertakings (CIU)	-	4 075	-	-	-	-	4 075
Equity exposures	9	2 097	-	681	-	(205)	1 425
Other exposures	-	269 186	-	-	-	-	269 186
Total standardised approach	**65 612**	**2 738 571**	**34 306**	**13 146**	**(15 750)**	**(13 271)**	**2 756 731**
Of which: loans to customers	8 004	424 025	10 291	1 698	(224)	378	420 040
Of which: loans to banks	-	115 660	488	11	(15 077)	(15 116)	115 161
Of which: debt instruments	37 767	599 628	12 729	1 753	(449)	2 386	622 912
Of which: off-balance	18 809	171 547	11 742	402	-	(3 119)	178 213

Table 23 – Credit quality of exposures by exposure class and instrument

Table 23 is aligned with EBA Template 11: EU CR1-A – Credit quality of exposures by exposure class and instrument.

On December 31, 2020, Haitong Bank's credit quality of exposures by industry or counterparty types was as follows:

(Amounts in Thousands of Euros)

Industry	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net Values
	Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
Agriculture, forestry and fishing	2 186	7 040	1 521	46	-	95	7 659
Mining and quarrying	-	12 551	-	52	-	50	12 498
Manufacturing	5 482	92 542	157	1 936	-	18	95 931
Manufacture of wood and paper products, and printing	-	25 861	-	330	-	(23)	25 531
Electricity, gas, steam and air conditioning supply	-	86 181	1 552	493	-	(1 154)	84 136
Water supply	164	68 031	2 311	53	-	1 041	65 831
Construction	5 670	162 170	2 651	1 080	-	134	164 109
Wholesale and retail trade	-	61 963	-	322	-	203	61 641
Transport and storage	2 097	256 255	1 513	1 795	-	1 331	255 044
Accommodation and food service activities	-	20 129	322	120	-	50	19 687
Information and communication	0	35 405	82	130	-	(27)	35 193
Financial service activities, except insurance and pension funding	15 108	1 172 553	11 313	2 532	(15 077)	(16 888)	1 173 816
Insurance, reinsurance and pension funding, except compulsory social security	-	992	-	-	-	-	992
Activities auxiliary to financial services and insurance activities	989	128 886	-	1 723	(224)	74	128 152
Real estate activities	-	15 372	-	250	-	73	15 122
Professional, scientific and technical activities	32 285	45 118	12 572	588	-	2 218	64 243
Administrative and support service activities	1 631	28 332	312	72	(0)	(89)	29 579
Public administration and defence, compulsory social security	-	239 851	-	1 438	(449)	(406)	238 414
Arts, entertainment and recreation	-	10 152	-	187	-	30	9 965
Other service	-	269 186	-	0	-	-	269 186
Total	**65 612**	**2 738 571**	**34 306**	**13 146**	**(15 750)**	**(13 271)**	**2 756 731**

Table 24 – Credit quality of exposures by industry or counterparty types

Table 24 is aligned with EBA Template 12: EU CR1-B – Credit quality of exposures by industry or counterparty types.

On December 31, 2020, Haitong Bank's credit quality of exposures by geography was as follows:

(Amounts in Thousands of Euros)

Country	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net Values
	Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
Europe	*9 687*	*1 741 458*	*7 331*	*6 926*	*(672)*	*3 132*	*1 736 889*
Portugal	2 222	1 229 087	2 244	5 354	(449)	1 349	1 223 712
Spain	4 754	140 948	1 012	1 109	(224)	351	143 581
Italy	-	102 346	-	90	-	18	102 256
Germany	-	85 978	2 295	6	-	1 009	83 678
Poland	2 711	183 098	1 780	366	-	405	183 662
South America	*7 579*	*741 302*	*3 091*	*1 772*	*-*	*(1 641)*	*744 018*
Brazil	7 579	741 302	3 091	1 772	-	(1 641)	744 018
Asia	*32 285*	*87 422*	*12 572*	*278*	*(0)*	*1 978*	*106 857*
China	32 285	87 422	12 572	278	(0)	1 978	106 857
Other geographical areas	*16 061*	*168 389*	*11 313*	*4 170*	*(15 077)*	*(16 740)*	*168 967*
Total	**65 612**	**2 738 571**	**34 306**	**13 146**	**(15 750)**	**(13 271)**	**2 756 731**

Table 25 – Credit quality of exposures by geography

Table 25 is aligned with EBA Template 13: EU CR1-C – Credit quality of exposures by geography.

On December 31, 2020, Haitong Bank's credit quality by past due days were as follows:

(Amounts in Thousands of Euros)

Past due class	Gross carrying amount											
	Performing exposures			Non-Performing exposures								
		Not past due or ≤ 30 days	> 30 days ≤ 90 days		Unlikely to pay not past due or ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year ≤ 2 years	> 2 years ≤ 5 years	> 1 years ≤ 7 years	> 7 years	of which Defaulted
Loans and advances to customers	424 025	424 025	-	8 004	4 359	-	-	3 646	-	-	-	8 004
Loans and advances to banks	115 660	115 660	-	-	-	-	-	-	-	-	-	-
Debt securities	599 628	599 628	-	37 767	37 767	-	-	-	-	-	-	37 767
Off-balance-sheet exposures	171 547	171 547	-	18 809	18 809	-	-	-	-	-	-	18 809
Total exposures	**1 310 860**	**1 310 860**	**-**	**64 580**	**60 934**	**-**	**-**	**3 646**	**-**	**-**	**-**	**64 580**

Table 26 – Credit quality of performing and non-performing exposures by past due days

Table 26 is aligned with EBA/GL/2018/10 Template 3: Credit quality of performing and non-performing exposures by past due days.

On December 31, 2020, Haitong Bank's forborne exposures to debt securities, loans and advances and off-balance sheet exposures were as follows:

(Amounts in Thousands of Euros)

	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne		On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted				
Loans and advances to customers	111 026	103 021	8 004	8 004	5 463	4 124	-	-
Loans and advances to banks	-	-	-	-	-	-	-	-
Debt Securities	5 482	-	5 482	5 482	-	157	-	-
Off-balance sheet exposures	498	-	498	498	-	146	-	-

Table 27 – Credit quality of forborne exposures

Table 27 is aligned with EBA/GL/2018/10 Template 1: Credit quality of forborne exposures.

On December 31, 2020, Haitong Bank's credit quality of performing and non-performing exposures and related provisions was as follows:

(Amounts in Thousands of Euros)

	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received		
	Performing exposures			Non-performing forborne			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions					On performing exposures	On non-performing exposures
		of which: Stage 1	of which: Stage 2		of which: Stage 2	of which: Stage 3		of which: Stage 1	of which: Stage 2		of which: Stage 2	of which: Stage 3				
Loans and advances to customers	424 025	293 214	130 811	8 004	-	8 004	7 866	1 697	6 169	4 124	-	4 124	(224)	10 399	10 399	-
Loans and advances to banks	115 660	112 409	3 251	-	-	0	500	11	489	-	-	0	(15 077)	104 864	104 864	-
Debt Securities	599 628	599 628	-	37 767	-	37 767	1 753	1 753	-	12 729	-	12 729	(449)	49 223	49 223	-
Off-balance sheet exposures	171 547	156 471	15 076	18 809	-	18 809	484	402	82	11 659	-	11 513	-	-	-	-

Table 28 – Performing and non-performing exposures and related provisions

Table 28 is aligned with EBA/GL/2018/10 Template 4: Performing and non-performing exposures and related provisions.

According to EBA/GL/2018/10 Template 9, Haitong Bank did not obtain collateral by taking possession or execution processes.

On December 31, 2020, Haitong Bank's credit risk adjustments annual movement was as follows:

(Amounts in Thousands of Euros)

	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
Opening balance	**44 001**	**3 803**
Increases due to amounts set aside for estimated loan losses during the period	7 044	3 278
Decreases due to amounts reversed for estimated loan losses during the period	(2 554)	(875)
Decreases due to amounts taken against accumulated credit risk adjustments	(15 312)	(438)
Impact of exchange rate differences	(1 750)	(198)
Business combinations, including acquisitions and disposals of subsidiaries	-	-
Other adjustments	-	(0)
Closing balance	**31 429**	**5 571**
Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	3 016	-
Specific credit risk adjustments directly recorded to the statement of profit or loss	-	-

Table 29 – Changes in the stock of general and specific credit risk adjustments

Table 29 is aligned with EBA Template 16: EU CR2-A – Changes in the stock of general and specific credit risk adjustments.

On December 31, 2020, changes in Haitong Bank's stock of defaulted loans and debt securities were as follows:

(Amounts in Thousands of Euros)

	Gross carrying value defaulted exposures
Opening balance	**53 101**
Loans and debt securities that have defaulted or impaired since the last reporting period	-
Returned to non-defaulted status	-
Amounts written off	(15 750)
Other changes	8 420
Closing Balance	**45 771**

Table 30 – Changes in the stock of defaulted and impaired loans and debt securities

Table 30 is aligned with EBA Template 17: EU CR2-B – Changes in the stock of defaulted and impaired loans and debt securities.

On December 31, 2020, the amount of the impaired exposures and past due exposures broken down by exposure class, country and significant geographical areas were as follows:

(Amounts in Thousands of Euros)

	Impaired Exposures	Past due exposures	Impairment
Exposures in default	65 612	4 668	29 388
Total by Risk Classes	**65 612**	**4 668**	**29 388**
Portugal	2 222	2 155	1 242
Spain	4 754	33	1 045
Poland	2 711	1 519	1 780
Brazil	7 579	-	962
China	32 285	-	12 572
Other geographical areas	16 061	962	11 786
Total by Country	**65 612**	**4 668**	**29 388**
Agriculture, forestry and fishing	2 186	2 127	1 215
Manufacturing	5 482	-	157
Water supply	164	-	17
Construction	5 670	1 519	2 464
Transport and storage	2 097	-	805
Financial service activities, except insurance and pension funding	15 108	9	10 833
Activities auxiliary to financial services and insurance activities	989	981	981
Professional, scientific and technical activities	32 285	-	12 572
Administrative and support service activities	1 631	33	345
Total by industry or counterparty types	**65 612**	**4 668**	**29 388**

Table 31 – Additional disclosure related to the credit quality of assets

Table 31 is aligned with EBA Template 6: EU CRB-A – Additional disclosure related to the credit quality of assets.

12 Impact of Covid-19 Pandemic

Measures to support the economy

Portugal

Credit lines guaranteed by the Portuguese State

In the context of the epidemic caused by the new Coronavirus, the Portuguese Government created lines of support for the economy that allow companies to access credit on favorable terms. This support has been made available in a phased manner and distributed in specific lines for different business sectors. These lines are guaranteed by the Portuguese State in 90% in the case of credit granted to micro and small companies and in 80% in the case of larger companies.

Credit moratoriums[2]

The Portuguese Government, through Decree-Law no. 10-J / 2020, of 26 March ("Decree-Law"), introduced exceptional measures, in particular addressed to families and companies due to the economic and financial impacts deriving from contraction of economic activity due to COVID 19. The measures aim to defer the fulfillment of the obligations of the beneficiaries towards the financial system.

[2] For further information, please consult:
https://www.bportugal.pt/page/o-banco-de-portugal-e-o-covid-19

Initial version of the Decree Law No 10-J/2020, of 26 March

In the initial version, approved on 26 March 2020, the exceptional measures were applicable, in essence, to credit operations granted by credit institutions, financial companies of credit, investment companies, financial leasing companies, factoring companies and companies that grant mutual guarantees (sociedades de garantia mútua), all of which operate in Portugal.

The measures are the following:

a) extension to be applied – for a period equal to the duration of this measure – to credit agreements with principal to be paid at the end of the contract and in effect on the date of entry into force of the Decree-Law. This extension also applies, under the same terms, to all related elements, including interest, collateral, including those provided through insurance or securities;
b) in respect of credit agreements with partial repayment of principal or partial maturity of other monetary sums, this Decree-Law also provides for a suspension – for the period in which the measure is in effect – of the payment of principal, income and interest with maturity scheduled until the end of that period. The contractual plan for the partial payment of principal, income, interest, fees and other charges is automatically extended for a period identical to that of the suspension;
c) prohibits the revocation of contracted credit lines, as well as the extension.

In addition to the measures mentioned above, it is also possible to provide guarantees from the State and from other public law legal persons provided that certain requirements are met in order to guarantee credit operations and ensuring liquidity to the companies.

The measures were valid until 30 September 2020.

In the initial version of the Decree-Law, the regime was applicable to companies that (i) had a head office in Portugal; (ii) by reference to 18 March 2020, were not in delay or breaching pecuniary obligations for more than 90 days before the relevant credit institution (or in case they were in breach, such breach did not meet certain materiality requirements) and were not subject to an insolvency procedure or similar proceedings; (iii) had a regular situation before Social Security and Tax Authority. The sole proprietors, private social solidarity institutions, non-profit associations and other entities from the social economy were also beneficiaries of such measures. The measures are applicable to mortgages for private housing for long-term residence entered into by individuals who, in particular, were in prophylactic isolation or whom have been subject to a reduction of their normal working hours.

Amendments to Decree-Law No 10-J/2020, of 26 March

The Decree-Law was subject to five amendments, which took place on 11.04.2020, 17.06.2020, 25.07.2020, 30.09.2020 and 01.01.2021, respectively.

The amendments were, essentially, the following:

a) the validity of the measures was extended until 30 September 2021;
b) the scope of the operations that are covered by the measures have been extended. Financial leasing operations and consumer credit to be used to finance professional and academic training are now covered by the measures;
c) bank customers that have not requested this aid, but still wish to do so, must communicate their intention to the credit institutions by 31 March 2021;

d) the conditions for access to the moratorium have been altered by broadening the scope of bank customers that may request the application of the moratorium. We highlight the following situations:
   - Consumers who do not reside in Portugal and meet all other conditions may now benefit from the public moratorium;
   - Situations associated with loss of income (preventive or sickness isolation or providing assistance to children or grandchildren, as described in Decree-Law No 10-A/2020 of 13 March 2020, reduction of the normal working period or suspended employment contract, unemployment registered with the Portuguese Institute for Employment and Vocational Training, workers eligible to benefit from extraordinary support owing to the reduction of the economic activity of self-employed workers, workers of entities whose business establishment or activity has been ordered to be closed during the declared state of emergency) are now included whether it applies to the borrower or to another household member;
   - In addition to the loss of income referred to in the previous paragraph, the public moratorium may also apply to borrowers who experience a temporary loss of at least 20% of their overall household income as a result of the COVID-19 pandemic;
   - Changes have also been made to the condition relating to the contributory and the tax situation of bank customers (consumers, businesses, individual entrepreneurs and other beneficiary entities) has been relaxed. The beneficiaries that have an irregular situation below € 5.000 to the Social Security and Tax Authority may benefit from the measures.

e) companies belonging to sectors of activity particularly affected by the COVID-19 pandemic benefit from an automatic extension of the term of loans already covered by the moratorium for 12 months.

Based on this framework, the Bank provides a credit moratorium designed to protect corporate companies, which fulfil the requirements of the law. By reference to 31 December 2020, the Bank has received one moratorium request under the Decree-Law No 10-J/2020, of 26 March.

International

In Brazil, in order to reduce the impact of the effects of the pandemic caused by the coronavirus on the Brazilian economy, the Central Bank of Brazil (BACEN) and the Ministry of Economy, through the National Bank for Economic and Social Development (BNDES) and other agents under its management, adopted a series of measures to guarantee the smooth functioning of the National Financial System (NFS) and the balance of the Brazilian economy in general.

<u>Compulsory Deposit - BACEN</u>

BACEN, through Circular 3,993, of March 23, 2020, reduced the reserve requirement rate on time deposits from 25% to 17%. Compulsory deposits are resources that financial institutions are required by regulation to maintain deposited with BACEN, and their reduction has the immediate effect of increasing NFS liquidity. This measure was due to remain in effect until December 2020, but was extended through Resolution No. 21, of October 2, 2020, and the expectation is that as of April 2021, the rate will rise to 20% and remain at this level.

<u>Loan backed by financial bills guaranteed by credit operations (LTEL-LFG)</u>

Among the measures taken by BACEN, we highlight the one established by Resolution No. 4,795, of April 2, 2020, which allowed the granting of loans to financial institutions with the guarantee of financial assets and securities that were part of the financial institution's assets, through a

Special Temporary Liquidity Line - Guaranteed Financial Bills (LTEL - LFG). The measure was intended to ensure the maintenance of adequate liquidity levels in the NFS, contributing to the normal functioning of the credit market.

Standstill – BNDES

BNDES approved different economic measures in 2020 in order to mitigate the social and economic impacts of the new coronavirus (covid-19) pandemic that Brazil is weathering. Among the BNDES additional transversal measures focused on the private sector, we highlight the standstill measures for direct and indirection operations (Circular SUP/ADIG nº 26/2020-BNDES e Circular SUP/ADIG nº 26/2020-BNDES).

These measures created the possibility of granting a six-month suspension on loan repayments (principal and compensatory interest), both in direct and indirect transfers, by companies affected by the crisis, a measure known as “standstill”. The granting of this temporary suspension of payments of principal and compensatory interest will not result in changes to the final term of the debt amortization period or to the interest rate of the operation. The indirect transactions include those where there is an intermediary financial institution between BNDES and the borrower, in general due to the lack of BNDES branches in the borrower's location. In this case, only accredited financial institutions may participate in indirect financing transactions. They are responsible for analyzing the financing, the risks of financial default, and all the business issues for granting the financing. In this type of financing, BNDES grants to borrowers the same possibility for suspension of payments as is offered in direct transactions. To this end, it is necessary to forward the request to the financial agent with whom the transaction was contracted.

Adoption of new procedures and criteria in the preparation of accounting estimates in the context of the COVID-19 pandemic

In the context of the current crisis caused by the spread of the COVID-19 pandemic, several supervisors and regulators, including the European Central Bank, the European Securities and Markets Authority (ESMA), the European Banking Authority (EBA) and the International Accounting Standards Board (IASB) issued guidelines and recommendations to ensure the consistency and comparability of the metrics, principles and requirements provided for in the International Financial Reporting Standards (IFRS), in particular regarding IFRS 9 - Financial Instruments.

In this context, the following main guidelines and recommendations should be highlighted:

- Statement on the application of the prudential framework regarding default, forbearance and IFRS 9, in the light of the COVID – 19 measures, issued by EBA on 25 March 2020;
- IFRS 9 and COVID-19 - Accounting for expected credit losses applying IFRS 9 - Financial Instruments in light of the current uncertainty resulting from the COVID-19 pandemic, issued on 27 March 2020 by IAS;
- On 27 March 2020, BSBC (Basel Committee on Banking Supervision) decided to postpone the implementation date of the Basel III standards for one year;
- Guidelines on legislative and non-legislative moratoria on loan repayments applied in the COVID-19 crisis, issued by EBA on 2 April 2020 (EBA / GL / 2020/02) and updated on 25 June 2020 and 2 December 2020;
- IFRS 9 in the context of the coronavirus pandemic (COVID-19), issued on 1 April 2020 by the ECB:

- Duties to provide information to customers on the public moratorium, approved by DL no. 10-J/2020 of 26 March, and on private moratoriums, issued on 28 April 2020 by the Bank of Portugal (Notice No. 2/2020);
- Guidelines on supervisory reporting and disclosure requirements in compliance with CRR “quick fix” in response to the COVID-19 pandemic, issued by EBA on 11 August 2020 (EBA/GL/2020/11).

On 8 April 2020, Bank of Portugal approved the Circular Letter No. CC/2020/00000022 implementing the European Banking Authority guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19, amended by Circular Letter No. CC/2020/00000051 of 29 July 2020. These Guidelines establish the terms and conditions that the extension of payment terms inherent in credit obligations, associated with public and private moratoria created in the context of the COVID-19 pandemic, should fulfil in order not to trigger classification as default of the obligor, nor the definition of forbearance measure, in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (the ‘CRR’) and the EBA Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013. These Guidelines also establish the documentation that institutions should keep on the moratoria, as well as the information that institutions are expected to share with the competent authorities and that these should report to the EBA.

Analysis of the impacts of the COVID - 19 pandemic on the definition of the IFRS 9 Risk Stage, classification of customers with a significant increase in credit risk or default and impairment calculation

In order to timely and effectively address the potential impacts of the COVID-19 pandemic outbreak, the Group implemented a wide range of procedures as described below:

- Internal assessment of the COVID-19 impact by activity sector through the consolidation of information collected from sectoral research studies published by Standard & Poor's, Moody's and the Confederação Empresarial de Portugal, and under which all customers corresponding to sectors internally classified as "very high risk" (i.e., the ones which are more exposed to the reduction of consumer discretionary expenditure and/or vulnerable to global supply chain disruption) were temporarily avoided, and special care has been given to current exposures of customers belonging to these sectors.

- Considering the uncertainties raised by the pandemic, a new risk assessment questionnaire ("COVID-19 Questionnaire") was internally developed, applicable to all customers where the Group takes or expects to take risks, and a critical piece of information within the credit risk’s approval process. This questionnaire incorporates responses to sensitive topics, including the effects of the pandemic on customer’s activity, particularly at the level of demand, production capacity, lay-off and suppliers, along with the analysis of the most up-to-date financial economic information available, together with estimates of revenue, EBITDA margin, results, cash reserves (and existing credit lines) and current debt.

- Also with the objective of identifying, evaluating and monitoring the impact in terms of credit risk, the Rating Department continued the process of rating assignment and rating update of the Bank’s clients, taking into account the specific conditions of each sector and the potential adverse impacts determined from the COVID-19 pandemic, and, as well, the information specifically gathered about the Group’s clients, namely those collected from the COVID-19 Questionnaire, which were incorporated into the rating assignment process.

- The Group adopted the guidelines and criteria of the European Banking Authority within the response measures framework taken by EU governments and bodies to address the adverse systemic impact of the COVID-19 pandemic, relative to the legislative and non-legislative loan moratoria which was applied following the crisis, in particular on the implementation of the prudential framework for the identification and classification of defaulted loans, exposures subject to forbearance measures, and also applying the adequate accounting treatment envisaged by the IFRS 9.

- The Group continued to categorize the exposures as performing and non-performing, and subject to forbearance measures, according to the applicable requirements. However, when temporary easing measures are adopted internally, under legislative and non-legislative moratoria, they do not automatically have a negative impact on the credit risk of a Group's client, as these measures may not automatically result in the reclassification of loans from a prudential perspective, as long as the moratoria are preventive and not addressed to any specific debtors, neither adapted by any individual circumstances. Thus, the application of a moratorium is not regarded as a restructuring measure or, therefore, an urgent restructuring. Thus, in such cases, it should not be referred to as a form of reduction of the financial obligation and therefore cannot be interpreted as an indication of a low likelihood of repayment (for the purposes of considering a debtor in a default under the CRR). Finally, the application of an individual measure and the renegotiation of loans based on the specific situation of the debtor are classified by the Group as a restructuring measure ("forbearance") if the CRR's requirements are met in a case-by-case assessment.

- The Group paid special attention to exposures that were the subject of temporary easing measures within the scope of legislative and non-legislative moratoria, namely, with regard to the effective monitoring of the fulfillment of the expected payments, under the revised debt repayment schedule in order to timely identify indicators of reduced likelihood of payment, namely through the responses to the “Early Warning Signals” Questionnaire.

- The Risk Department continued to submit the internal Risk Appetite Framework report to the Executive Committee and to the Risk Committee, emphasizing the analysis of exposures subject to temporary easing measures under legislative and non-legislative moratoriums.

- The Group changed the Regulation of the Impairment Committee, allowing the individual analysis procedure of clients who benefited from temporary easing measures in the scope of the COVID-19 pandemic, in order to confirm the staging adequacy under IFRS 9, as well as the confirmation that there is no evidence of reduced likelihood of payment by debtors, particularly after the end of the moratoria.

- The Group proceeded with the annual review by the Impairment Committee of the top 20 largest performing exposures in order to confirm that the largest debtors do not display any warning signals that indicate a transfer to Stage 2 under IFRS 9.

- The Group updated the forward-looking information underlying the collective impairment model, incorporating the most recent economic predictions, views and the effects of the COVID-19 pandemic, namely with regards to the PiT PD’s update, as described in the section “Forward-looking information”. For this purpose, two prospective macroeconomic scenarios (baseline and severe scenario) were considered, supported by the Bank of Portugal's macroeconomic projections. The weighting of the aforementioned scenarios is prudent, considering the following structure: baseline scenario (66.67%); downside scenario (33.33%). With reference to the position at the end of December, the consolidated impact on the amount of impairment resulting from the component related to the forward-looking update of the collective impairment model, reflecting the change in the PiT PD’s that result from the incorporation of the new macroeconomic scenarios, was around 411 thousand euros.

- The Risk Committee analyzed the cases of the Group's largest debtors subject to forbearance restructuring measures in 2020, as well as other measures related to COVID-19, which represent an overall amount of 80.055 thousand euros as of December 31, 2020.

The Group follows the reporting and disclosure requirements of exposures subject to temporary easing measures, in accordance with the applicable requirements.

Information on loans and advances subject to moratorium

The European Banking Authority has published Guideline EBA GL/2020/07 on the criteria to be respected by banks for the disclosure of public information on exposures subject to a moratorium or in the form of credit lines made available under the COVID-19 pandemic. The situation of the Bank in these aspects is disclosed in the following tables.

(Amounts in Thousands of Euros)

	Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk					Gross carrying amount
		Performing			Non		Performing			Non	inflows to non-performing exposures
			Of which: exposures with	Of which: Instruments with				Of which: exposures with	Of which: Instruments with		
Loans and advances subject to moratorium	1 621	1 621	-	1 621	-	(120)	(120)	-	(120)	-	-
of which: Non-financial corporations	1 621	1 621	-	1 621	-	(120)	(120)	-	(120)	-	-
of which: Small and Medium-sized Enterprises	-	-	-	-	-	-	-	-	-	-	-
of which: Collateralised by commercial immovable property	1 621	1 621	-	1 621	-	(120)	(120)	-	(120)	-	-

Table 32 – Information on loans and advances subject to legislative and non-legislative moratoria

(Amounts in Thousands of Euros)

	Number of obligors	Gross carrying amount							
			Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which moratorium was offered	1	1 621							
Loans and advances subject to moratorium (granted)	1	1 621	1 621	-	1 621	-	-	-	-
of which: Non-financial corporations	*1*	1 621	1 621	-	1 621	-	-	-	-
of which: Small and Medium-sized Enterprises		-	-	-	-	-	-	-	-
of which: Collateralised by commercial immovable property	*1*	1 621	1 621	-	1 621	-	-	-	-

Table 33– Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

13 Encumbered and unencumbered assets

With the purpose of keeping the market informed about the liquidity and funding profile of credit institutions and promoting transparency with regard to the encumbrance of assets, Article 443 of Regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013 requires the disclosure of information about encumbered and unencumbered assets.

Based on this regulatory framework, on January 15, 2014, the Bank of Portugal issued instruction no. 28/2014, which stipulates that the credit institutions and investment companies listed in Article 4-A (subparagraphs a) to d) of the RGICSF that fall under the scope of Regulation (EU) no. 575/2013 and Directive 2013/36/ EU of the European Parliament and of the Council of 26 June (Directive no. 2013/36/EU) are required to provide information on a consolidated basis to the Bank of Portugal and must disclose consolidated information about encumbered and unencumbered assets.

On 31 December 2020, encumbered and unencumbered assets were:

(Amounts in Thousands of Euros)

Assets	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	**717,064**		**2,084,350**	
Equity instruments	-	-	34,656	34,656
Debt securities	592,610	592,610	657,297	657,297
of which: issued by general governments	528,535	528,535	303,612	303,612
of which: issued by financial corporations	6,546	6,546	83,377	83,377
of which: issued by non-financial corporations	57 530	57 530	270,308	270,308
Other Assets	124,454	-	1,392,397	-
of which: Loans on demand	3,671		491,208	
of which: Loans and advances other than loans on demand	-		535.200	
of which: Other assets	120,783		365,989	

Table 34 – Asset encumbrance - Template A-Assets

On 31 December 2020, the fair value of the collateral was:

(Amounts in Thousands of Euros)

Collateral received	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	**21 941**	**128,011**
Equity instruments	-	-
Debt securities	21 941	128,011
of which: covered bonds	-	-
of which: asset-backed securities	-	-
of which: issued by general governments	21 941	128,011
of which: issued by financial corporations	-	-
of which: issued by non-financial corporations	-	-
Loans on demand	-	-
Loans and advances other than loans on demand	-	-
Other collateral received	-	-
Own debt securities issued other than own covered bonds or ABSs	**-**	**0**

Table 35– Asset encumbrance - Template B-Collateral

On 31 December 2020, the liabilities related to encumbered assets and collaterals received were:

(Amounts in Thousands of Euros)

	Encumbered assets, encumbered collateral received and matching liabilities	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
010	Carrying amount of selected financial liabilities	682,739	735,334

Table 36 – Asset encumbrance - Template C-Sources of encumbrance

Encumbered assets are related to Haitong Bank's funding operations, in particular operations concerning:

- The European Central Bank (ECB) and Brazil Central Bank. ECB funding operations are regulated by Instruction 3/2015 and 1/2016 from Bank of Portugal;
- Repurchase Agreements' transactions where there are Global Master Repurchase Agreements signed between Haitong Bank and each one of its counterparties;
- Initial and variation margins for derivatives where collateral is transferred in line with the Credit Support Annex ('CSA') signed between Haitong Bank and its counterparties;
- Fundo de Garantia de Depósitos (Deposit Guarantee Funds) regulated by the Decree law 176/94, of December 13, 1994, and Bank of Portugal Notice 11/94, December 21, 1994, as amended from time to time.

14 Use of ECAIs

Haitong Bank uses the Standardized Approach to calculate risk weighted assets for Credit Risk.

In the Standardized Approach, Haitong Bank uses Standard and Poor's (S&P) ratings assigned to determine the risk weights applicable to exposures to central governments and central banks, regional governments or local authorities, public sector entities, multilateral development banks, international organizations, institutions and corporates in accordance with the rules set out in Regulation (EU) no. 575/2013.

The rating assignment methodology uses the rating for each contract and, if non-existent, the rating of the obligor. In case there is no S&P rating available, Haitong Bank applies the CRR rule for non-rated exposures according to the respective exposure class.

On 31 December 2020, the exposure values and the exposure values after credit risk mitigation associated with each credit quality step prescribed in Part Three, Title II, Chapter 2, as well as those deducted from own funds, were as follows:

(Amounts in Thousands of Euros)

Exposure classes	Risk Weight								Original Exposure Factors
	0%	20%	50%	75%	100%	150%	250%	Others	
Central governments or central banks	803,280	-	-	-	955	-	-	-	804,234
Regional governments or local authorities	-	2,297	-	-	-	-	-	-	2,297
Public sector entities	-	-	0	-	-	-	-	-	0
Multilateral Development Banks	-	-	-	-	-	-	-	-	-
International Organisations	-	-	-	-	-	-	-	-	-
Institutions	-	460,678	64,711	-	12,037	-	-	-	537,425
Corporates	-	2,799	1 852	193	1,025,641	59,548	-	-	1,090,032
Retail	-	-	-	-	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-
Exposures in default	-	-	-	-	57,662	7,941	-	-	65,603
Items associated with particular high risk	-	-	-	-	-	29,224	-	-	29,224
Covered bonds	-	-	-	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-	-	-	4 075	4,075
Equity	-	-	-	-	2,105	-	-	-	2,105
Other items	120 892	-	-	-	124,047	-	24,247	-	269,186
Total standardised approach	**924,172**	**465,774**	**66,563**	193	**1,222,446**	**96,713**	**24,247**	**4,075**	**2,804,183**

Exposure classes	Risk Weight								Exposure post CRM and CCF
	0%	20%	50%	75%	100%	150%	250%	Others	
Central governments or central banks	705,751	-	-	-	-	-	-	-	705,751
Regional governments or local authorities	-	51,218	-	-	-	-	-	-	51,218
Public sector entities	-	-	-	-	-	-	-	-	-
Multilateral Development Banks	-	-	-	-	-	-	-	-	-
International Organisations	-	-	-	-	-	-	-	-	-
Institutions	-	79,568	27,625	-	11,732	-	-	-	118,925
Corporates	-	2,799	1,834	189	872,503	50,058	-	-	927,383
Retail	-	-	-	-	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-
Exposures in default	-	-	-	-	26,814	7,186	-	-	34,000
Items associated with particular high risk	-	-	-	-	-	29,193	-	-	29,193
Covered bonds	-	-	-	-	-	-	-	-	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
Collective investment undertakings	-	-	-	-	-	-	-	4,075	4,075
Equity	-	-	-	-	1,425	-	-	-	1,425
Other items	120 892	-	-	-	124 047	-	24 247	-	269,186
Total standardised approach	**826,642**	**133,584**	**29 459**	**189**	**1,036,520**	**86,438**	**24,247**	**4,075**	**2,141,156**

Table 37 – Risk Weight by Standardised approach

Table 37 is aligned with EBA Template 20: EU CR5 – Standardised approach.

15 Market Risk

Haitong Bank calculates own funds requirements for market risk under the standardized approach in accordance with Part Three, Title IV, Chapter 2 of Regulation (EU) no. 575/2013 for its trading book positions and Chapters 3 and 4 for its overall foreign exchange risk and commodities risk respectively. For the own funds requirements calculation for the debt instruments general risk, the Bank uses the maturity-based approach. For commodities risk, the Bank uses the simplified approach.

On 31 December 2020 and 31 December 2019, Haitong Bank's Market Risk minimum capital (8% of RWAs) composition was as follows:

(Amounts in Thousands of Euros)

Market Risk	Dec. 20	Dec. 19
Capital requirements = Σ(1 to 4)	**28,660**	**19,049**
1. Position risk	**13,208**	**15,055**
1.1. Standardised approach for trading book =(1.1.1.+1.1.2.)		
1.1.1. Debt Instruments	**13 198**	**13 922**
1.1.1.1. Specific Risk	1 718	2 067
1.1.1.2. General risk	11 473	11 855
1.1.1.3. Additional requirements for Options - Non-Delta risk	8	0
1.1.2. Equity	**10**	**1 133**
1.1.2.1. Specific Risk	5	567
1.1.2.2. General risk	5	567
1.1.2.3. Additional requirements for Options - Non-Delta risk	-	-
2. Foreign exchange risk	**15 452**	**3 994**
3. Commodity risk	-	-
4. Settlement Risk	-	**1**

Table 38 – Market Risk own funds requirements

(Amounts in Thousands of Euros)

	RWAs	Capital requirements
Outright products		
Interest rate risk (General and Specific)	164,880	13,190
Equity risk (General and Specific)	123	10
Foreign exchange risk	190,756	15,260
Commodity risk	-	-
Options		
Simplified approach	-	-
Delta-plus method	100	8
Scenario approach	2,389	191
Securitisation (Specific risk)	-	-
Total	**358,248**	**28,660**

Table 39 – Market risk under standardised approach (excluding settlement risk)

Table 39 is aligned with EBA Template 34 - EU MR1: Market risk under standardised approach.

16 Operational Risk

Operational Risk own funds requirements determined for prudential reporting purposes as of 31 December 2020, were calculated in accordance with the Standardized Approach (Part III, Title III, Chapter 3 of the CRR). In the standardized approach, own fund requirements are computed as the three-year average of the sum of annual own fund requirements for all segments indicated in Figure 7.

Business line	List of activities	Percentage (beta factor)
Corporate finance	Underwriting of financial instruments or placing of financial instruments on a firm commitment basis Services related to underwriting Investment advisory Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to the mergers and the purchase of undertakings Investment research and financial analysis and other forms of general recommendation relating to transactions in financial instruments	18 %
Trading and sales	Dealing on own account Money broking Reception and transmission of orders in relation to one or more financial instruments Execution of orders on behalf of clients Placing of financial instruments without a firm commitment basis Operation of Multilateral Trading Facilities	18 %
Retail brokerage (Activities with natural persons or with SMEs meeting the criteria set out in Article 123 for the retail exposure class)	Reception and transmission of orders in relation to one or more financial instruments Execution of orders on behalf of clients Placing of financial instruments without a firm commitment basis	12 %
Commercial banking	Acceptance of deposits and other repayable funds Lending Financial leasing Guarantees and commitments	15 %
Retail banking (Activities with natural persons or with SMEs meeting the criteria set out in Article 123 for the retail exposure class)	Acceptance of deposits and other repayable funds Lending Financial leasing Guarantees and commitments	12 %
Payment and settlement	Money transmission services, Issuing and administering means of payment	18 %
Agency services	Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management	15 %
Asset management	Portfolio management Managing of UCITS Other forms of asset management	12 %

Figure 7 – Standardized Approach – Business Segments

The Own Funds requirement is computed for each segment by multiplying the relevant indicator by the beta factor associated to the business segment.

Calculation of the relevant indicator

In accordance with Regulation (EC) no. 1606/2002 of the European Council and Parliament of July 16, 2002 and the Bank of Portugal Notice no. 5/2015, the Bank prepares its separate financial statements in accordance with the International Financial Reporting Standards (IFRS).

The relevant indicator is calculated according to Article 316 of Regulation (EU) no. 575/2013 of the European Parliament and Council following the mapping below regarding the applicable accounting records.

Income Statements	Account
(+) Interest receivable and similar income	79
(-) Interest payable and similar charges	66
(+) Shares and other variable-yield/fixed securities income	82-821
(+) Commissions received	80+81
(-) Commissions paid	67+68
(+) Results from financial operations	[83-(831+833+834)]-[69-(691+693+694)]
(+) Other operating income	[84-(841+842+843)]

Table 40 – Relevant indicator accounting items

The abovementioned items consider the following adjustments, when necessary:

- the relevant indicator must be stated gross of provisions and operating costs, i.e., it must be calculated before the deduction of any provisions and operating costs, the latter including fees paid to outsourcing services rendered by third parties which are not subsidiaries;
- fees paid to outsourcing services rendered by third parties which are subsidiaries or are subject to rules under, or equivalent to, Regulation (EU) no. 575/2013 of the European Parliament and Council contribute to reducing the relevant indicator;
- income from the sale of non-trading book items, extraordinary results or income from insurance are not used in the calculation of the relevant indicator.

(Amounts in thousand Euros)

Operational Risk Relevant Indicator	2018	2019	2020
Standardized Approach	**110 904**	**110 986**	**94 834**
Corporate Finance	52 452	70 172	48 472
Trading and Sales	20 432	10 389	15 828
Retail Brokerage	600	662	556
Commercial Banking	30 186	21 764	22 927
Retail Banking	0	0	0
Payment and Settlement	0	0	0
Agency Services	0	0	0
Asset Management	7 234	7 999	7 051

Table 41 – Operational Risk relevant indicator

Operational Risk own funds requirements determined for prudential reporting purposes, according to information in Table 41, amounted to EUR 17,773 thousand as of December 31, 2020, a decrease of EUR 0,069 thousand when compared to December 31, 2019.

17 Exposures in equities not included in the trading book

The Bank holds positions in shares and risk capital funds in the banking book with the objective of value creation. These include strategic holdings, holdings in companies where the Bank sees upside potential, equities received as payment in kind for loans and credit converted into equity.

The Bank's banking book exposure in equities is accounted for in the investment securities measured at fair value through P&L (FVTPL) portfolio, with changes in value recognized under equity as a separate item - "Fair Value Reserves" – until they are sold or subject to impairment losses.

The methods used to determine fair value emphasize market prices where the securities are listed, whenever available. In the absence of market prices, the Bank uses valuation techniques considered to be the most appropriate for each of the exposures, including the use of recent transactions, when such transactions are known, valuations based on market multiples of entities of a similar nature or valuations carried out by external entities.

The Bank determines that investment securities FVTPL are impaired when there has been a significant or prolonged decline in their fair value. This determination requires a judgment based on the collection and assessment of all available relevant information, including the normal volatility of the financial instruments' prices. For this purpose and considering the high volatility of the markets, the parameter used as impairment trigger for equity securities is the continued or significant decline in their market value against the acquisition cost. In addition, valuations are obtained through mark to market or mark to model that require the implementation of certain assumptions or judgments when estimating fair value. The use of alternative methodologies and of different assumptions and estimates may result in a different level of recognized impairment losses, along with its corresponding impact on the Group's income statement.

(Amounts in Thousands of Euros)

	Quoted shares		Unquoted shares				Other equity instruments		Total	
			Private Equity		Others					
	Dec. 2019	Dec. 2020	Dec. 2019	Dec. 2020	Dec. 2019	Dec. 2020	Dec. 2019	Dec. 2020	Dec. 2019	Dec. 2020
Acquisition cost/Notional amount	1,220	1,220	8,522	8,278	1,453	807	33,226	31,201	44,422	41,507
Fair Value	13	9	1,407	1,295	853	207	34,367	33,083	36,640	34,594
Market Value	13	9								
Gains or losses arising from sales and liquidations in the period [1]									4,700	-672
Total unrealized gains or losses [2]									-7,781	-6,912
Total latent revaluation gains or losses [3]									-7,781	-6,912

[1] Results in the period, before taxes.

[2] Gross fair value reserves, on the reporting date, before taxes and minority interests.

[3] Difference between the fair value and the acquisition cost on the reporting date.

Table 42 – Exposures in equities in the banking book

18 Exposures to interest rate risk on positions not included in the trading book

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

The main risk that Haitong is subjected to in terms of IRRBB is the gap risk that arises from the term structure of banking book instruments, and describes the risk arising from the timing of instruments' rate changes. The extent of the gap risk depends on whether changes to the term structure of interest rates occur consistently across the yield curve. The change in interest rates leads to the present value and timing of future cash flows, changing the underlying value of Haitong's assets, liabilities and off-balance sheet items and hence, its economic value.

For the purposes of risk quantification, Haitong Bank considered the following assumptions for interest rate sensitive instruments:

- Own equity and almost equity instruments, like perpetual bonds, are excluded from the calculations.
- All cash flows from all interest rate-sensitive assets, liabilities and off-balance sheet items in the banking book are included in the calculation, i.e., assets, liabilities and off-balance sheet items in the non-trading book, excluding assets deducted from CET1 capital, e.g. real estate or intangible assets or equity exposures in the non-trading book.
- Repricing is said to occur at the earliest date at which either the Bank or its counterparty is entitled to unilaterally change the interest rate, or at which the rate on the floating rate instruments changes automatically in response to a change in an external benchmark.
- Any interest payment or principal on fixed rate instruments that has not yet been repaid and any spread component of interest payments of floating rate instruments that has not yet been repaid and which do not reprice must be into bands until their contractual maturity, whether the principal has been repriced or not.
- Floating rate instruments are assumed to reprice fully at the first reset date, hence, the entire principal amount is slotted into the bucket in which that date falls, with no additional slotting of notional repricing cash flows to later time buckets.
- Instruments that are non-maturity instruments like current account and nostro or vostro accounts are forecast to the fifth day after the reference date.
- If a non-performing exposure (NPE) ratio is above the materiality threshold of 2%, NPEs should be included as they are considered interest rate sensitive instruments reflecting expected cash flows and their timing.
- Projected cash flows should take into account the Bank's credit recovery prospects.
- There are no drawdowns on fixed rate loan commitments.
- Cash flows are discounted using zero coupon risk-free curves for each currency.
- The change in internal value is computed with the assumption of a run-off balance sheet, where existing banking book positions amortize and are not replaced by any new business.

The final outcome is presented in the table below:

(Amounts in Thousands of Euros)

Scenarios	31.12.2020		31.12.2019	
	Delta EVE	Delta NII	Delta EVE	Delta NII
+200 bps	14 459	1 158	10 419	(1 468)
-200 bps	4 054	(1 158)	(4 923)	1 468
Parallel up	11 917	n.a.	15 663	n.a.
Parallel down	3 106	n.a.	(9 100)	n.a.
Steepener	(5 066)	n.a.	(4 022)	n.a.
Flattener	(4 587)	n.a.	(3 755)	n.a.
Short rates up	14 028	n.a.	15 380	n.a.
Short rates down	(2 972)	n.a.	(8 807)	n.a.
% Total Capital	2.73%	n.a.	1.97%	n.a.
% Tier 1 Capital	2.65%	n.a.	2.96%	n.a.

Table 43 – Interest rate risk stress scenarios.

19 Exposure to securitisation positions

As of December 31st 2020, Haitong Bank did not have asset securitization operations originated by the Group.

20 Leverage

Haitong Bank's leverage ratio is calculated in accordance with article 429º of the regulation 2019/876 of the European Parliament and of the Council of 20 May 2019 amending regulation 575/2013 of the European Parliament and of the Council of 26 June 2013, which introduced some of the final elements of the Basel III framework. Those elements include, among other things, a new definition of the leverage ratio and a leverage ratio buffer. A minimum leverage ratio requirement of 3% was introduced that will be effective starting June 28, 2021.

Leverage ratio is defined as the division between the "Tier 1 Capital" to the "Leverage exposure amount". The "Leverage exposure amount" corresponds to the sum of the value of all of the Bank's assets and off-balance sheet items after adjustments, namely the application of credit conversion factors to off-balance-sheet items or the exclusion of elements deducted to own funds.

The decrease in the leverage ratio from 19.8% in 2019 to 15.6% in 2020 was mainly driven by the increase of EUR 739 million exposure eligible for the leverage ratio. As of December 31, 2020, Haitong Bank holds a comfortable leverage ratio, compared with the minimum prudential percentage of 3%. The leverage ratio is monitored on a monthly basis, which allows the identification of proper mitigation actions in the case of signs of excessive leverage.

The tables below disclose the breakdown of the total exposure measure, as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements.

(Amounts in Thousands of Euros)

	CRR leverage ratio exposures	Dec. 20
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	2,535,125
2	(Asset amounts deducted in determining Tier 1 capital)	(55,631)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**2,479,494**
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	103,695
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	36,730
EU-5a	Exposure determined under Original Exposure Method	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivatives exposures (sum of lines 4 to 10)**	**140,424**
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT asset	568,907
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**568,907**
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	227,960
18	(Adjustments for conversion to credit equivalent amounts)	(22,270)
19	**Other off-balance sheet exposures (sum of lines 17 and 18)**	**205,690**
	Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet)	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
	Capital and total exposures	
20	Tier 1 capital	528,717
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**3,394,515**
	Leverage ratio	
22	**Leverage ratio**	**15.58%**
	Choice on transitional arrangements and amount of derecognised fiduciary items	
EU-23	Choice on transitional arrangements for the definition of the capital measure	Phased-in
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	-

Table 44 – Leverage ratio

(Amounts in Thousands of Euros)

	Dec. 20
Total assets as per published financial statements	2,801,414
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	-
Adjustments for derivative financial instruments	(2,656)
Adjustments for securities financing transactions "SFTs"	445,698
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	205,690
(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	-
(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	-
Other adjustments	(55,631)
Of which Deferred Tax Assets	(49,841)
Of which Goodwill	(340)
Of which Other Intangibles Assets	(4,658)
Of which IFSR9	1,653
Of which adjustments due to the requirements for prudent valuation	(1,055)
Of which Accumulated other comprehensive income	(1,390)
Total leverage ratio exposure	**3,394,515**

Table 45 – Summary reconciliation of accounting assets and leverage ratio exposures

Tables 44 and 45 are in line with the Commission Implementing Regulation (EU) No 2016/200 of February 15, 2016.

21 Credit risk mitigation techniques

The use of credit protection is a key element of the risk policy and credit decision process, influencing the acceptance criteria, the decision levels, and pricing.

The main risk mitigation techniques used by the Bank are financial pledges (funded credit protection – financial collateral in the form of securities and cash) and personal guarantees (unfunded credit protection with substitution effect). The calculation of regulatory capital requirements encompasses the effects of the instruments foreseen in Section 2, Chapter 4, Title II, Part III of Regulation (EU) no. 575/2013, namely immovable property collaterals, eligible financial instruments in the Financial Collateral Comprehensive Method, and guarantees provided by sovereigns, financial institutions or entities with external ratings.

Haitong Bank follows the prescription of CRR for collateral haircuts for impairment calculation. Thus, instead of using the collateral value, the Bank considers the collateral value after the haircut application.

As of December 31, 2020, Haitong Bank did not have credit derivatives transactions as unfunded credit protection.

The Bank registers in the IT systems the guarantees received connecting them to the guaranteed credit transactions. For personal guarantees, the Bank registers information about the guarantor, while for financial pledges and/or real guarantees the Bank records in the systems specific information about the assets held as collateral.

Frequency and methods of collateral valuation depend on the nature of the collateral. For listed equity securities and debt securities the valuation is done on a daily basis using market prices.

The pledge of bank accounts valuation is done on a quarterly basis according to information provided by the depositary bank.

Regarding pledges on non listed equity securities, pledges on equipment and mortgages, the valuation is based on financial information of the borrower or valuation reports made by external independent entities.

The Bank has an internal system with automatic alerts in place aimed at the reassessment of the value of collateral. The Bank also carries out the daily monitoring of credits covered by financial collateral in the form of listed companies (e.g.: verification of loan-to-value covenants).

The collateral management primarily relies on Structured Finance Department and on Special Portfolio Management. On the origination, Structured Finance Department is responsible to propose to the Credit Committee/Executive Committee the collateral package of the new transactions, while Special Portfolio Management has this role at the restructuring phase. Both Structured Finance Department and Special Portfolio Management are responsible for the full compliance of the collateral terms approved. These departments shall monitor the valuation and adequacy of existing collaterals, which is a crucial element for the assessment of the expected credit loss in relation to both the collective and the individual analysis performed at the Impairment Committee.

For derivatives collateral management, please refer to the counterparty credit risk chapter of this document.

On December 31, 2019, in accordance with Part Three, Title II, Chapter 4 of the CRR, including the financial collateral simple method and the financial collateral comprehensive method in application of Articles 222, 223 and 224 of the same regulation on standardised approach capital requirements' calculations and RWA density, Haitong Bank's Credit Risk Mitigation (CRM) techniques applied as follows:

(Amounts in Thousands of Euros)

Exposure Class	Net Exposure Value	CREDIT RISK MITIGATION (CRM) TECHNIQUES WITH SUBSTITUTION EFFECTS ON THE EXPOSURE						CRM techniques affecting the amount of the exposure: funded credit protection. Financial collateral comprehensive method		Exposure post CRM and CCF
		(-) Guarantees	(-) Credit derivatives	(-) Financial collateral: simple method	(-) Other funded credit protection	(-) Total Outflows	Total Inflows (+)	Volatility adjustment to the exposure	(-) Financial collateral: adjusted value (Cvam)	
Central governments or central banks	803 000	-	-	-	-	-	-	-	(97 250)	**705 751**
Regional governments or local authoritie	2 083	-	-	-	-	-	49 135	-	-	**51 218**
Public sector entities	-	-	-	-	-	-	-	-	-	-
Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-
International Organisations	-	-	-	-	-	-	-	-	-	-
Institutions	536 901	-	-	-	-	-	-	52 256	(447 291)	**118 925**
Corporates	1 074 652	(49 135)	-	-	-	(49 135)	-	80	(14 154)	**927 383**
Retail	-	-	-	-	-	-	-	-	-	-
Secured by mortgages on immovable pro	-	-	-	-	-	-	-	-	-	-
Exposures in default	36 215	-	-	-	-	-	-	-	-	**34 000**
Items associated with particular high risk	29 193	-	-	-	-	-	-	-	-	**29 193**
Covered bonds	-	-	-	-	-	-	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
Collective investments undertakings (CIU	4 075	-	-	-	-	-	-	-	-	**4 075**
Equity	1 425	-	-	-	-	-	-	-	-	**1 425**
Other items	269 186	-	-	-	-	-	-	-	-	**269 186**
Total	2 756 731	(49 135)	-	-	-	(49 135)	49 135	52 336	(558 695)	**2 141 156**

Table 46 – Credit risk mitigation techniques

(Amounts in Thousands of Euros)

Industry	Unfunded Credit Protection		Funded Credit Protection
	Guarantees	Credit derivatives	
Transport and storage	49 223	-	-
Financial service activities, except insurance and pension funding	-	-	558 695
Total	**49 223**	**-**	**558 695**

Table 47 – Credit Protection Concentration

Table 47 shows the effect of prudential mitigations and the respective risk exposures by risk class according to Part III, Title II, Chapter 4 of CRR regulation as of 31 December 2020.

(Amounts in Thousands of Euros)

Exposure classes	Exposures before CCF and CRM (Net Exposure Value)		Exposures post CCF and CRM		RWAs and RWA density	
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
Central governments or central banks	699 400	-	699 400	-	-	0.00%
Regional governments or local authorities	2 083	-	51 218	-	417	0.02%
Public sector entities	-	-	-	-	-	0.00%
Multilateral Development Banks	-	-	-	-	-	0.00%
International Organisations	-	-	-	-	-	0.00%
Institutions	53 865	28 786	53 865	5 844	23 959	1.23%
Corporates	755 965	179 896	706 830	95 836	817 804	41.92%
Retail	-	-	-	-	-	0.00%
Secured by mortgages on immovable property	-	-	-	-	-	0.00%
Exposures in default	28 919	7 296	28 919	5 081	37 593	1.93%
Exposures associated with particularly high risk	29 193	-	29 193	-	43 790	2.24%
Covered bonds	-	-	-	-	-	0.00%
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	0.00%
Collective investments undertakings (CIU)	4 075	-	4 075	-	3 556	0.18%
Equity	1 425	-	1 425	-	1 425	0.07%
Other items	269 186	-	269 186	-	170 858	8.76%
Total	**1,844,111**	**215,977**	**1,844,111**	**106,761**	**1,099,402**	**56.35%**

Table 48– Standardised approach – Credit risk exposure and CRM effects

Table 48 is aligned with EBA Template 19: EU CR4 – Standardised approach – Credit risk exposure and CRM effects.

Table 47 does not cover derivative instruments, repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions and margin lending transactions subject to Part Three, Title II, Chapter 6 of the CRR or subject to Article 92(3) point (f) of the same regulation.

22 Liquidity Risk

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

Within the scope of the risk vision statement approved by the Board of Directors, Haitong Bank as a whole and all its subsidiaries individually aim to maintain a solid short-term position and a sustainable medium and long-term funding profile.

To achieve these goals, Haitong Bank's liquidity management has the objective of ensuring the Bank is able to meet its obligations as they come due at a reasonable cost, while complying with regulatory requirements across all geographies where it operates.

Haitong Bank seeks to develop a diversified investors' base, ensuring access to alternative financing sources and instruments and keeping an adequate funding structure to finance its activity.

To manage its liquidity risk, Haitong Bank monitors a set of liquidity risk metrics, whose limits were established within the Risk Appetite Framework, including prudential liquidity ratios, for which a buffer above regulatory limits was established, to cope with the risk level defined in the risk vision statement.

The liquidity risk metrics evolution and an analysis of the high quality liquid assets stock is included in the monthly risk reporting package – Risk Appetite Monitoring – discussed in the Executive Committee, the Risk Committee and the Board of Directors.

The Internal Liquidity Adequacy Assessment Process (ILAAP) is an assessment on the adequacy of the institution's short-term liquidity position and of the stable funding structure and an important part of the Bank's liquidity risk management framework. Within the context of the ILAAP exercise, the Bank tests the soundness of its liquidity position through a set of stress scenarios and establishes contingency plans to address them.

Haitong Bank's liquidity and funding management is under the direct responsibility of the Executive Committee, coordinated at Group level, under the ultimate responsibility of the Chief Executive Officer (CEO) and operational management by the Head of Treasury.

Haitong Bank has two main treasury hubs: Lisbon and São Paulo. Additionally, Poland also has a treasury department located in Warsaw, dealing with the specifics of the local market, local currency and the Polish regulatory/supervising authority. While Lisbon and São Paulo deal with the bulk of the Bank's funding and liquidity needs, Warsaw volumes and activity are less material and have a lower weight in the overall business of the Bank.

Funding from the parent company to its operating subsidiaries is at this point non-existent and, although some sort of assistance cannot be ruled out when or if needed, it is not considered a regular source of funding. Thus, the Brazilian subsidiary manages its activity in order to ensure that the funding needs are sourced locally in local currency. As a result, the flows between Portugal and Brazil are extremely rare. Local market idiosyncrasies and the lack of full convertibility of the BRL are the main reasons for this historical segregation.

In 2020, Haitong Bank's major sources of funding were wholesale facilities provided by a Haitong Securities Group company, securities issued and deposits from clients, with the bank using repo markets to fund short-term positions especially in Brazil. Additionally, Haitong Bank participated in the TLTRO III – EuroSystem – auction in March 2020, which provided 3-year financing at zero cost. At the end of 2020, the major funding provider – a Haitong Securities Group company – accounted for 36% of the total funding. Deposits from clients include both retail deposits and other deposits from corporate clients and financial institutions.

High quality liquid assets of Haitong Bank consist mainly of deposits in central banks (Bank of Portugal) and sovereign debt from European Union countries and Brazilian treasuries held by the Brazilian subsidiary.

Concerning derivatives, Haitong Bank hedges the market risk of its exposure to derivatives with its clients by taking opposite positions with financial counterparties, which are covered by ISDA/CSA agreements and imply the exchange of collateral margin. In market stress situations where the value of derivatives is significantly impacted, additional collateral amounts can be demanded from Haitong Bank.

The Brazilian subsidiary's funds are mainly raised in the local currency and thus there is very little foreign currency funding. Excluding Brazil, the main funding currency is EUR, with the Warsaw branch being funded either locally in PLN or by swapping Euros for PLN.

Regarding foreign currency funding, although from time to time the Bank may raise funds directly in that foreign currency via deposits and in small amounts, the standard practice is to swap EUR (the main funding currency) into the desired currency. The majority of the swaps to fund the foreign currency activity of the Bank are the EUR/USD pair. Given the depth of the market and the sheer volumes traded on a daily basis, Haitong's needs are minimal and as such it is considered that convertibility and availability risks are negligible.

Haitong Bank Liquidity Coverage Ratio (LCR)

The Liquidity Coverage Ratio (LCR) represents the amount of unencumbered high quality liquid assets, after haircuts, over the stressed net cash outflows for the following 30 days.

Haitong Bank's LCR average annual figures per quarter for 2020 are presented in the table below:

(Amounts in Thousands of Euros)

LCR Consolidated		Total weighted value (average)			
Quarter ending on		31/03/2020	30/06/2020	30/09/2020	31/12/2020
Number of data points used in the calculation of averages		12	12	12	12
21	LIQUIDITY BUFFER	718 620	725 782	733 646	703 868
22	TOTAL NET CASH OUTFLOWS	156 091	171 365	193 041	238 612
23	**LIQUIDITY COVERAGE RATIO (%)**	**480%**	**457%**	**424%**	**321%**

Table 49 – LCR disclosure table

As shown in Table 49, Haitong Bank has maintained a very solid short-term liquidity position in 2020, with the ratio sitting comfortably above the regulatory minimum requirements of 100%.

23 Remuneration Policy

Regarding Haitong Bank's remuneration policy and practices for those categories of staff whose professional activities have a material impact on its risk profile ("Identified Staff"), information is disclosed in the Remuneration Policy of the Board of Directors and Supervisory Board, in the Remuneration Policy of Identified Staff of Haitong Bank, S.A. and in the Bank's Annual Report. References to these documents are shown below, together with complementary information, where appropriate:

a) *information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, if applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;*

Remuneration Policy of the Board of Directors and Supervisory Board – **Sections II, III and IV**
Remuneration Policy of Identified Staff – **Sections III and IV**
The Remuneration Committee held three meetings in **2020** (one being electronic) (Haitong Bank's 2020 annual report, "Corporate Governance Report", section II "Corporate Bodies and Committees").

b) *information on the link between pay and performance*

Remuneration Policy of the Board of Directors and Supervisory Board – **Sections VI, VI.II, e) and j)**
Remuneration Policy of Identified Staff – **Sections I, II, IV.10 e)**

c) *the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria*

Remuneration Policy of the Board of Directors and Supervisory Board – **Sections II, VI.II b), c), d), e), f) and j)**
Remuneration Policy of Identified Staff – **Sections VI, VII, VIII and IX**

d) *the ratios between fixed and variable remuneration set in accordance with Article 94(1)(g) of Directive 2013/36/EU*

Remuneration Policy of the Board of Directors and Supervisory Board – **Sections VI, VI.2, b) and c)**
Remuneration Policy of Identified Staff – **Section V**

e) information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based

Remuneration Policy of the Board of Directors and Supervisory Board – **Sections II, VI.II a)**

Remuneration Policy of Identified Staff – **Sections I, IV.10 e)**

f) the main parameters and rationale for any variable component scheme and any other non-cash benefits

Remuneration Policy of the Board of Directors and Supervisory Board – **Sections II, VI.II**

Remuneration Policy of Identified Staff – **Sections III, IV, VII, VIII, IX**

g) aggregate quantitative information on remuneration, broken down by business area

(Amounts in Thousands of Euros)

Área de Negócio / Departamento	Remuneração
Structured Finance	1 243
Capital Markets	1 534
Fixed Income, Currency and Commodities (FICC)	2 172
M&A Advisory	2 609
Corporate Solutions	1 079
Asset Management	668
Private Equity	570
Equities & Research	930
Global Markets	384
Treasury	691
Control Areas	3 555
Support Areas	14 769
Total	**30 204**

Table 50 – Aggregate quantitative remuneration by business area

h) aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the institution, indicating the following:

(i) the amounts of remuneration for the financial year, split into fixed and variable remuneration, and the number of beneficiaries;

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(Amounts in Thousands of Euros)

	Fixed Remuneration	Variable Remuneration	# Beneficiaries
Board Members[1]	1 514	621	5
Identified Staff	8 160	1 271	64

[1]Variable remuneration includes the amount attributed and paid to one Board Member before being appointed to the Board of Directors

Table 51 – Aggregate remuneration and number of beneficiaries

(ii) the amounts and forms of variable remuneration, split into cash, shares, share-linked instruments and other types

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In 2020 all remuneration was in cash.

(iii) the amounts of outstanding deferred remuneration, split into vested and unvested portions

2020 Haitong Bank Annual Report, "Corporate Governance Report", Part IV (Remuneration)

(iv) the amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments

2020 Haitong Bank Annual Report, "Corporate Governance Report", Part IV (Remuneration)

(v) new sign-on and severance payments made during the financial year, and number of beneficiaries of such payments

2020 Haitong Bank Annual Report, "Corporate Governance Report", Part IV (Remuneration)

(vi) the amounts of severance payments awarded during the financial year, number of beneficiaries and highest such award to a single person

2020 Haitong Bank Annual Report, "Corporate Governance Report", Part IV (Remuneration)

i) the number of individuals being remunerated EUR 1 million or more per financial year, for remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and remunerations of EUR 5 million and above broken down into pay bands of EUR 1 million

No individual was remunerated EUR 1 million or above in 2020 financial year.

j) Upon demand from the Member State or competent authority, the total remuneration for each member of the management body or senior management

2020 Haitong Bank Annual Report, "Corporate Governance Report", Part IV (Remuneration)