HAITONG BANK, S.A.

Market Discipline

Annual Report: 2023

(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

Haitong Bank 2023 Market Discipline Report was prepared within the scope of Pillar III, in compliance with the regulations in force and following the Bank's internal policies and procedures for the disclosure of information.

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

- All procedures deemed necessary were developed and carried out and to the extent of its knowledge, all information disclosed in this document is true and reliable;
- This report was reviewed by the external auditors of the Bank[1];
- 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

Pan Guangtao	Wu Min
Alan do Amaral Fernandes	José Miguel Aleixo Nunes Guiomar
Nuno Carvalho	Vasco Câmara Martins
Lu Xiaoli	António Domingues
Maria do Rosário Ventura	Ana Martina García Raoul-Jourde
Zhang Xinjun	Chen Xuemei

[1] Limited assurance review

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 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 on September 2015, and the Bank's company name was thereby changed into Haitong Bank, S.A..

Haitong Bank currently operates through its headquarters in Lisbon, as well as through branches in London, Warsaw, Macau and Madrid, and subsidiaries in Brazil. In June 2022, Haitong Bank, S.A. concluded the establishment of a representative office in France.

Haitong Bank's London Branch received the FCA approval of the Bank's application to the UK Full Regulatory Regime in March 2023.

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**	**Inventment Bank**	**100%**	**Full consolidation**
Haitong Global Asset Management SGOIC, S.A.	1988	2005	Portugal	Asset Management	100%	Full consolidation
Haitong Banco de Investimento do Brasil S.A.	1973	2000	Brazil	Investment Bank	80%	Full consolidation
FI Multimercado Treasury	2005	2005	Brazil	Investment Fund	80%	Full consolidation
Haitong Negócios, SA	1996	1999	Brazil	Holding company	80%	Full consolidation
Haitong do Brasil DTVM, SA	2009	2009	Brazil	Asset Management	80%	Full consolidation
Haitong Securities do Brasil S.A.	1973	2000	Brazil	Brokerage house	80%	Full consolidation

Table 1 – Haitong Bank's scope of consolidation

Haitong Bank's prudential consolidation perimeter coincides with its financial statement consolidation perimeter.

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 2023, and the main changes made to the group's structure are set forth below.

Subsidiaries

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

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.

(in thousands of EUR)	31 Dec. 2023	Carrying values of items				
	Carrying values as reported in published financial statements and 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**
Assets						
Cash and deposits at central banks	17 164	17 164	-	-	-	-
Financial assets at fair value through profit or los	**893 703**	**13 488**	**31 735**	**-**	**880 215**	**-**
Financial assets held-for-trading	880 215	-	31 735	-	880 215	-
Securities	848 480	-	-	-	848 480	-
Derivatives financial assets	31 735	-	31 735	-	31 735	-
Non-trading financial assets mandatorily ar fair value through profit or loss	13 488	13 488	-	-	-	-
Securities	13 464	13 464	-	-	-	-
Loans and advances to customers	24	24	-	-	-	-
Financial assets at fair value through other comprehensive income	**226 584**	**226 584**	**-**	**-**	**-**	**-**
Financial assets measured at amortised cost	**2 090 669**	**2 090 669**	**-**	**-**	**-**	**-**
Securities	818 722	818 722	-	-	-	-
Loans and advances to banks	583 288	583 288	-	-	-	-
Loans and advances to customers	688 659	688 659	-	-	-	-
Hedging derivatives	-	-	-	-	-	-
Non-current assets held-for-sale	-	-	-	-	-	-
Other tangible assets	11 883	11 883	-	-	-	-
Intangible assets	1 814	-	-	-	-	1 814
Investments in associated companies	-	-	-	-	-	-
Tax assets	127 643	19 194	-	-	-	108 449
Current income tax assets	21 806	-	-	-	-	21 806
Deferred income tax assets	105 837	19 194	-	-	-	86 643
Other assets	129 182	116 439	-	-	-	12 743
Total Assets	**3 498 642**	**2 495 421**	**31 735**	**0**	**880 215**	**123 006**
Liabilities						
Financial liabilities held-for-trading	**25 878**	**-**	**25 032**	**-**	**25 878**	**-**
Securities	846	-	-	-	846	-
Derivatives financial liabilities	25 032	-	25 032	-	25 032	-
Financial liabilites Measured at amortised cost	**2 726 784**	**962 454**	**-**	**-**	**-**	**1 764 330**
Resources from credit institutions	916 921	607 919	-	-	-	309 002
Resources from customers	1 174 221	354 535	-	-	-	819 686
Debt securities issued	635 642	-	-	-	-	635 642
Provisions	9 867	-	-	-	-	9 867
Tax liabilities	14 451	-	-	-	-	14 451
Current income tax liabilities	8 657	-	-	-	-	8 657
Deferred income tax liabilities	5 794	-	-	-	-	5 794
Other liabilities	69 233	-	-	-	-	69 233
Total Liabilities	**2 846 213**	**962 454**	**25 032**	**0**	**25 878**	**1 857 881**

Table 2 – Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories (EU LI1)

(in thousands of EUR)	31 Dec. 2023	Items subject to			
	Total	**Subject to the credit risk framework**	**Subject to the securitisation framework**	**Subject to the CCR framework**	**Subject to the market risk framework**
		Assets			
Assets carrying value amount under the scope of prudential consolidation (as per template LI1)	3 375 636	2 495 421	-	31 735	880 215
Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)	988 332	962 454	-	25 032	25 878
Total net amount under the scope of prudential consolidation	2 387 305	1 532 967	-	6 703	854 337
Off-balance-sheet amounts	201 235	201 235	-	-	-
Differences in valuations	(1 145)	-	-	-	-
Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
Differences due to consideration of provisions	(31 435)	(31 435)	-	-	-
Differences due to the use of credit risk mitigation techniques (CRMs)	(826 180)	-	-	-	-
Differences due to credit conversion factors	(132 618)	(132 618)	-	-	-
Differences due to Securitisation with risk transfer	-	-	-	-	-
Other differences	-	-	-	-	-
Exposure amounts considered for regulatory purposes	**3 694 914**	**2 833 874**	**-**	**6 703**	**854 337**

Table 3 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements (EU LI2)

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.

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 & Investment Bank committed to support its clients on their domestic markets and on cross-border transactions.

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

Figure 1 – Haitong Bank's business strategy

Haitong Bank' strategy is underpinned by three main drivers:

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

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

Through its operations in Portugal, Spain, the UK, Poland, Brazil, Macau and Paris, Haitong Bank is committed to serving its domestic, corporate, and institutional Clients alongside a growing Chinese client base.

The Bank's competitive differentiator lies in its China cross-border capabilities combined with long-standing expertise in European and Latin American markets. Its mission is to provide first-rate service to Clients and to further develop the Group's franchise while creating shareholder value. This encompasses a strong sense of capital preservation and consistent profitability driven by a conscious risk-taking approach and an effective cost base, in full compliance with rules and regulations.

The Bank is committed to sustainably supporting its Clients' activities, ensuring that all clients are treated equally, that their legal interests and confidentiality are protected, and that high quality and efficient services are provided at all times.

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

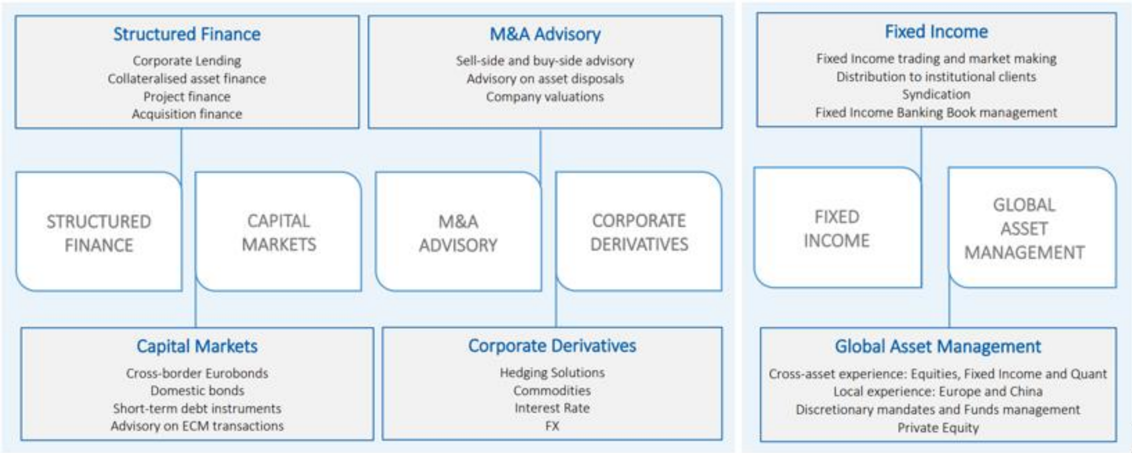

Figure 2 – Haitong Bank's business model

Corporate Solutions

The Corporate Solutions Division plays a pivotal role in fostering and maintaining strong relationships with the diverse clientele of Haitong Bank. As a cornerstone of the Bank's commitment to excellence, this Division strategically engages Clients to understand their financial needs, offer bespoke solutions, and ensure a seamless experience. In the pursuit of the mission to be a trusted financial partner, the Corporate Solutions Team operates with dedication and expertise across various financial markets and sectors.

Relationship management is one of the primary responsibilities of the Corporate Solutions Division. The Team of Senior Bankers is dedicated to building and nurturing long-term relationships with Clients, ranging from corporates to high-net worth individuals. Through continuous communication and personalised interactions, the Team strives to understand the unique financial objectives and risk tolerance of each Client.

The Senior Bankers serve as the primary point of contact, ensuring that Clients engage with product specialists and receive timely and relevant information about market trends, investment opportunities, and financial strategies.

Working closely with its product specialists and other internal teams, Haitong Bank designs innovative financial products and solutions that align with Client objectives and market trends. In response to evolving Client needs and market dynamics, the Corporate Solutions Division actively engages in product development. This commitment to innovation enables this Division to offer a diverse range of investment options, from traditional securities to structured products, providing Clients with a comprehensive suite of choices to meet their unique financial goals.

Capital Markets

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

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

Equity Capital Markets (ECM) transactions are explored on a casa-by-case basis, mainly comprising capital increases, takeover offers equity-linked instruments and listings and delisting for corporate clients.

The Capital Markets business area is mainly focused on debt activities. The DCM business strategy is based on two pillars: (i) local franchises (through local debt issuance in Portugal, Spain, Poland, Brazil and Macau), leveraging on its local underwriting, structuring and distribution capabilities and; (ii) China-related business, supported by Haitong's group-wide origination capabilities and Haitong Bank's underwriting, structuring and distribution competences.

The Bank is well positioned to play the "China House" role, and capitalize on its prominence over in EUR and USD-denominated transactions for Chinese issuers over the last five years. In addition, the Bank leverages on the Group's unique access to Asian pools of demand.

Structured Finance

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

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

Haitong Bank's Structured Finance Division is driven by the goal of delivering innovative and customized solutions to its Clients. With a global footprint encompassing a local presence in Europe, Brazil and China, the Bank is committed to addressing complex clients and strengthening its position as a trusted financial partner. Through continued dedication and expertise, Haitong Bank's Structured Finance activity is grounded on a constructive approach and flexibility with a view to providing value-added transactions for its Clients.

Mergers and Acquisitions

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

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

Fixed Income

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

These multiple areas of activity allow the Fixed Income Team to acquire significant expertise in the target markets and ensure a strong distribution capability of debt products to institutional clients globally. The Fixed Income Division is present in Portugal, Spain, Poland, Macau, and Brazil, covering Haitong Bank’s Banking Book Management, Trading/Flow, Fixed Income Institutional Sales, and Syndication.

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

Corporate Derivatives

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

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

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

Asset Management

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

This Division's strategic focus is to expand the business activity in Alternative Investment Funds (via Haitong Global Asset Management, SGOIC, S.A.'s regulatory license) and Discretionary Portfolio Management (Aggressive, Flexible, Defensive profiles and tailor-made portfolios), including Investment Management mandates (UCITS funds based in Luxembourg and Unit Links distributed in Portugal), with worldwide exposure to the different asset classes, particularly to equities and fixed income portfolios. The Bank's strong track record in the European equity portfolio is a key comparative advantage to drive Assets under Management upwards, combined with the enhancement of the fixed income reach of Haitong Group.

Additionally, the assignment of a contractual position of discretionary portfolio management of corporate and private Clients (DPM) from Haitong Bank to HGAM was implemented on July 1st, meaning that HGAM will continue to incorporate the asset management business that has been carried out by Haitong Bank into its activities.

Private Equity

Haitong Global Asset Management, SGOIC, S.A. (HGAM) leverages on its sector and geographical expertise to support companies wishing to expand their businesses. The ultimate goal of HGAM is to provide investors with an absolute return on their investments. Historically, this business area has managed a combination of seed capital from the Haitong Group and funds raised from external Tier I investors. HGAM currently manages one private equity fund dedicated to the buyout/capital development market segment across Europe ("HPEF").

HGAM's expertise in structuring and managing private equity funds is a fundamental skill to leverage on in order to best serve Clients' interests and investment goals. Benefitting from this expertise, HGAM has initiated the structuring of a new private equity fund, the Haitong Iberian Core Fund, currently in the fundraising stage.

With the purpose of enlarging the scope of its activities, HGAM has initiated the management activity of Alternative Investment Funds with the formal approval of CMVM of the new Haitong China Bond Fund.

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

Haitong Bank 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 an adequate liquidity position, allowing it to maintain both LCR and NSFR levels above internal minimum requirements while accommodating the asset growth strategy.

Haitong Bank risk management architecture

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

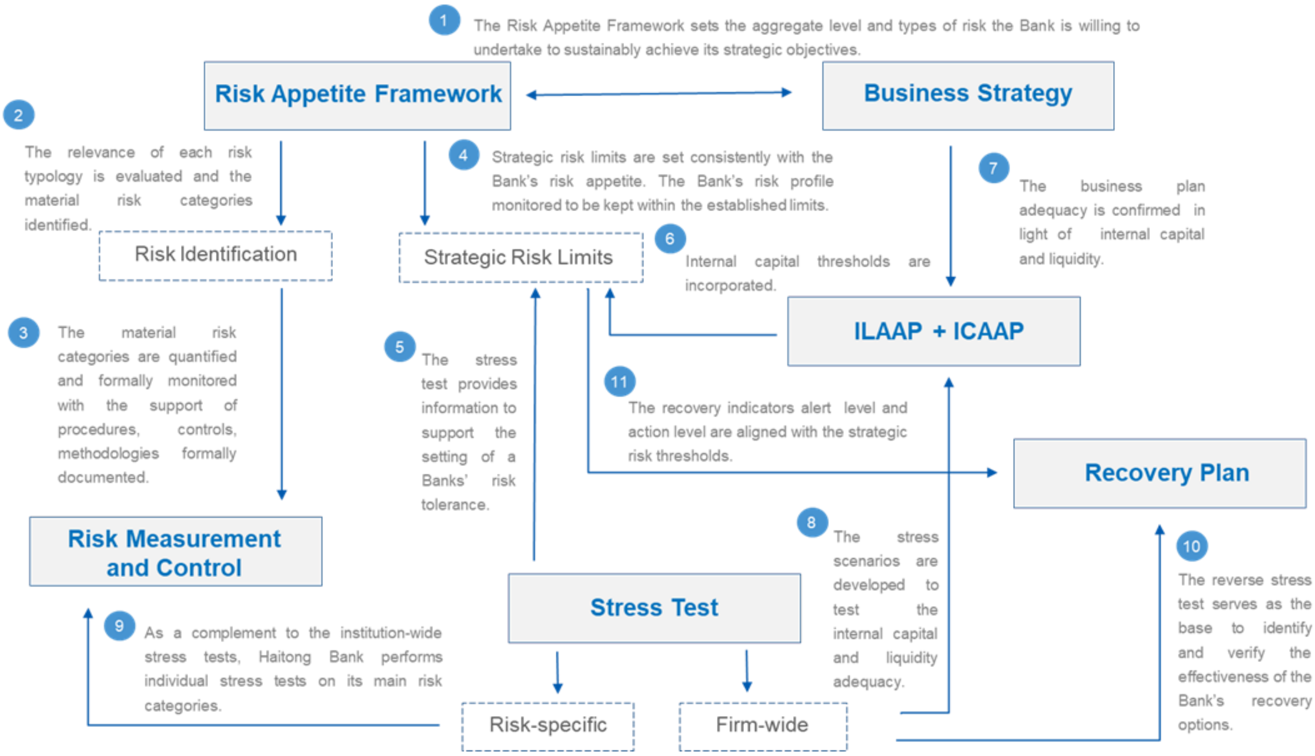

Figure 3 – Haitong Bank Risk Architecture

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

> *Haitong Bank is a Corporate & Investment Bank committed to support its clients on their domestic markets and on cross-border transactions.*
> *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 a solid China access. The Bank leverages on its competitive differentiator based on 30 years' experience in Europe and Latin America with a unique Chinese heritage.*
> *Haitong Bank acknowledges that the risk control function is a key element for the accomplishment of its strategic objectives. The Bank's risk vision 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 long-term funding profile.*
> - ***Earnings**: The Group has a 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, including alert and action levels, 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. Breaches of both alert and action levels should be immediately reported to the Executive Committee, who should inform the Board of Directors and the Supervisory Board[2]. The Executive Committee should notify the Bank of Portugal in due time.

Stress Tests

Haitong Bank stress test programme establishes two types of stress test exercises: institution-wide stress tests and; risk specific stress tests.

Institution-wide stress tests aim to deliver a complete and holistic view of the Bank's risks and are conducted at group level and across portfolios, testing impacts on capital and liquidity ratios on a yearly basis.

Risk specific stress tests are performed on a more regular basis and test impacts of stress events on the Bank's main risks.

Stress tests are designed and coordinated by the Risk Management Department and are discussed in the Executive Committee, Assets and Liabilities Committee, Risk Committee and Board of Directors meetings.

Transactions with related entities

Haitong Bank has transactions with related parties, both with related parties that are part of Haitong Securities Group and with related entities where members of the management bodies have significant influence. The tables below summarize these transactions:

(in thousands ofEUR)	Assets	Liabilities	Income	Expenses
Haitong Securities Co. Ltd.			14 983	
Haitong International Securities Co. Ltd.				18
Haitong Innovation Securities Investment Co. Ltd.			1 000	
Haitong Investment Ireland PLC	36 810	3 444	3 157	4 903
Haitong Private Equity Fund		648	317	94
Total	**36 810**	**4 092**	**19 457**	**5 015**

Table 4 – Related parties transactions – Haitong Securities Group

[2] From December 29th, 2023 the Supervisory Board was replaced by the Audit Committee

(in thousands ofEUR)	**Assets**	**Liabilities**	**Income**	**Expenses**
Mota-Engil SGPS	15 218	4	1 308	178
Semapa, SGPS, S.A.		2	1 375	
Haitong Bank Pension Fund	52 788		3 935	
Total	**68 006**	**6**	**6 618**	**178**

Table 5 – Related parties transactions – Non-Haitong Securities Group

4.2 Capital and liquidity key ratios and figures

Haitong Bank's key metrics, as required by article 447, are presented below:

	(in thousands of EUR)	31.12.2023	30.09.2023	30.06.2023	31.03.2023	31.12.2022
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	429 297	-	413 540	-	428 416
2	Tier 1 capital	535 846	-	520 504	-	535 120
3	Total capital	537 857	-	523 068	-	537 336
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	2 257 970	-	2 673 236	-	2 466 341
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	19,0%	-	15,5%	-	17,4%
6	Tier 1 ratio (%)	23,7%	-	19,5%	-	21,7%
7	Total capital ratio (%)	23,8%	-	19,6%	-	21,8%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	4,0%	-	4,0%	-	4,0%
EU 7b	of which: to be made up of CET1 capital (percentage points)	2,3%	-	2,3%	-	2,3%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	3,0%	-	3,0%	-	3,0%
EU 7d	Total SREP own funds requirements (%)	12,0%	-	12,0%	-	12,0%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2,5%	-	2,5%	-	2,5%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0,0%	-	0,0%	-	0,0%
9	Institution specific countercyclical capital buffer (%)	0,2%	-	0,1%	-	0,1%
EU 9a	Systemic risk buffer (%)	0,0%	-	0,0%	-	0,0%
10	Global Systemically Important Institution buffer (%)	0,0%	-	0,0%	-	0,0%
EU 10a	Other Systemically Important Institution buffer	0,0%	-	0,0%	-	0,0%
11	Combined buffer requirement (%)	2,7%	-	2,6%	-	2,6%
EU 11a	Overall capital requirements (%)	14,7%	-	14,6%	-	14,6%
12	CET1 available after meeting the total SREP own funds requirements (%)	11,8%	-	8,7%	-	10,6%
	Leverage ratio					
13	Total exposure measure	4 644 592	-	4 789 503	-	4 382 518
14	**Leverage ratio (%)**	11,5%	-	10,9%	-	12,2%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0,0%	-	0,0%	-	0,0%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0,0%	-	0,0%	-	0,0%
EU 14c	Total SREP leverage ratio requirements (%)	3,0%	-	3,0%	-	3,0%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0,0%	-	0,0%	-	0,0%
EU 14e	Overall leverage ratio requirements (%)	3,0%	-	3,0%	-	3,0%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	584 206	557 948	610 560	676 554	727 031
EU 16a	Cash outflows - Total weighted value	317 746	316 793	321 469	340 679	369 703
EU 16b	Cash inflows - Total weighted value	67 783	69 081	65 788	82 588	109 646
16	Total net cash outflows (adjusted value)	249 963	247 712	255 681	258 092	260 057
17	**Liquidity coverage ratio (%)**	**238%**	**230%**	**241%**	**263%**	**296%**
	Net Stable Funding Ratio					
18	Total available stable funding	2 090 760	2 094 000	1 986 210	1 814 017	1 973 222
19	Total required stable funding	1 381 770	1 547 353	1 597 344	1 428 769	1 361 797
20	**NSFR ratio (%)**	**151%**	**135%**	**124%**	**127%**	**145%**

Table 6 – Haitong Bank's key metrics (EU KM1)

As of December 2023, both capital and liquidity ratios stood 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 Framework, reflecting the solid capital and liquidity positions of Haitong Bank.

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 its identification, assessment, measurement and reporting.

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, Madrid, Warsaw, Macau, London, and São Paulo.

Monitoring

The credit risk monitoring and control activities aim to quantify and control the evolution of credit risk 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 is considered as one of the key pillars of the Bank's 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 corresponds to the possibility of occurrence of losses in on- and off-balance sheet positions resulting from adverse movements in market prices, such as equity, interest rates or foreign exchange rates and credit spreads. In the development of its activities, Haitong Bank is exposed to market risk in the trading and banking books.

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

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

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

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

Trading Book

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

Banking Book

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

Interest Rate Risk in 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 interest rate risk and assess the effect of market changes on the scope of its activities and manage IRRBB by measuring the sensitivity of the economic value of its banking book and the sensitivity of its net interest margin expected in a one-year time horizon.

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

Credit Spread Risk

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

Other Risks

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

Pension Fund Risk

The pension fund risk stems from the possibility that the pension plan 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 risk of 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 and information systems (IT) risks.

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

The management methodologies in place are supported by the principles and guidelines to operational risk management issued by the Basel Committee and ECB Guidelines on ICT Risk Assessment.

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 and in the Bank's IT environment, including the need to implement new controls to mitigate identified risks;
- Identification, analysis and reporting of operational risk events;
- Monitoring risk through a selected set of risk indicators;
- Calculation of capital requirements in accordance with the Standardized Approach.

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 management, in supporting its strength and resilience.

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

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 Reputational 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 governance set to address this risk relies on two main pillars, Business Continuity and the approval of new business, products or services committees. The Business Continuity Plan aims to identify the business, support and control departments' self-assessment of the acceptable business recovery time and back-up recovery points in the event of disaster. One of this exercise's goal is to measure the time that the bank's services would be unavailable for and the potential impacts on the business.

The approval of new business, products or services committees is also considered necessary for managing this risk as it sets down the obligation of assessing potential impacts on the client and consequent damage to Haitong's brand.

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 and formalize the bank's annual budget and 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

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

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.

Compliance Risk

Compliance risk is defined as the probability of the results or equity of the Bank being adversely impacted as a result of any breach or non-conformity with laws, regulations, specific determinations, agreements, rules of conduct and relationship with clients, regular practice or ethical principles that leads to legal sanctions, restriction to business opportunities, reduction in the potential for expansion or the impossibility of demanding performance of contractual obligations.

The Compliance function is responsible for monitoring all processes and controls implemented by all business units with a view to managing compliance risk.

Haitong Bank Group's compliance function is led by the Head of the Compliance Function and ensured by the compliance departments of each geography in which the Group has a presence.

The Head of the Compliance Function has a direct reporting line to the executive board member in charge of compliance in Haitong Bank, to whom he/she ensures the monitoring and operational reporting of the compliance function's activity.

AML Risk

Haitong Bank's AML-FT risk model is structured over a mix of policies/procedures, IT systems and recurrent trainings, designed to comply with its lawful obligations given the specificities of the Bank's business activities over its relevant dimensions (i.e. clients and counterparties' types of activities, channels used to engage clients, products/transactions, geographies, others specifically identified).

The assessment of AML risk is performed independently by the Compliance function.

Governance Risk

Internal governance risk is defined as the risks that may arise from inadequate establishment of conduct, culture, organizational structure of the Bank, or internal control systems.

Haitong Bank has a robust, efficient and effective internal governance model as well as a clear organisational structure, with clear defined lines of reporting, accountability and responsibility. The Board of Directors delegates day-to-day management in the Executive Committee and is supported by internal committees advising on specific matters. The decision-making in relation to the business activities is delegated on committees composed by members of senior management.

4.4 Structure and organization of the Risk Management Function

The Board of Directors is the ultimate 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. It is accountable for the establishment and maintenance of an appropriate and effective risk management structure.

Haitong Bank Risk Management Framework follows a three lines of defense approach:

- the first line of defense is composed of the areas where risks are generated, both financial and non-financial risks, and are the primary responsible for the management, control and mitigation of risk;
- the second line of defense includes the areas that are responsible for the establishment and monitoring of the risk management framework for each risk type;
- Internal Audit Department acts as the third line of defense, being in charge of providing independent assurance that the design effectiveness and efficiency of the Risk Management Framework are adequate.

In Haitong Bank, Compliance Department is in charge of the establishment and monitoring of the risk management framework for AML risk, Compliance risk and Governance risk, while the Risk Management Department is responsible for the establishment and monitoring of the risk management framework for the other material risks.

Compliance Department participates in the regular review of the Risk Appetite Framework, both by designing the Risk Appetite Framework for AML and Compliance risks and by reviewing the entire framework. Both Compliance and Internal Audit departments are informed of the risk appetite monitoring on a regular basis by the Head of the Risk Management Department, namely by sharing the Risk Appetite Monitoring monthly report.

Haitong Bank promotes a strong risk culture across the institution, where all employees are required to expressly adopt the Bank's Code of Conduct, which includes a wide set of rules to guide employee conduct. The Bank has a comprehensive compliance and risk training program addressed to all employees, covering a wide set of compliance and risk themes.

Risk Management Department, Compliance Department and Internal Audit Department act with autonomy and independence with appropriate human and technical resources.

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

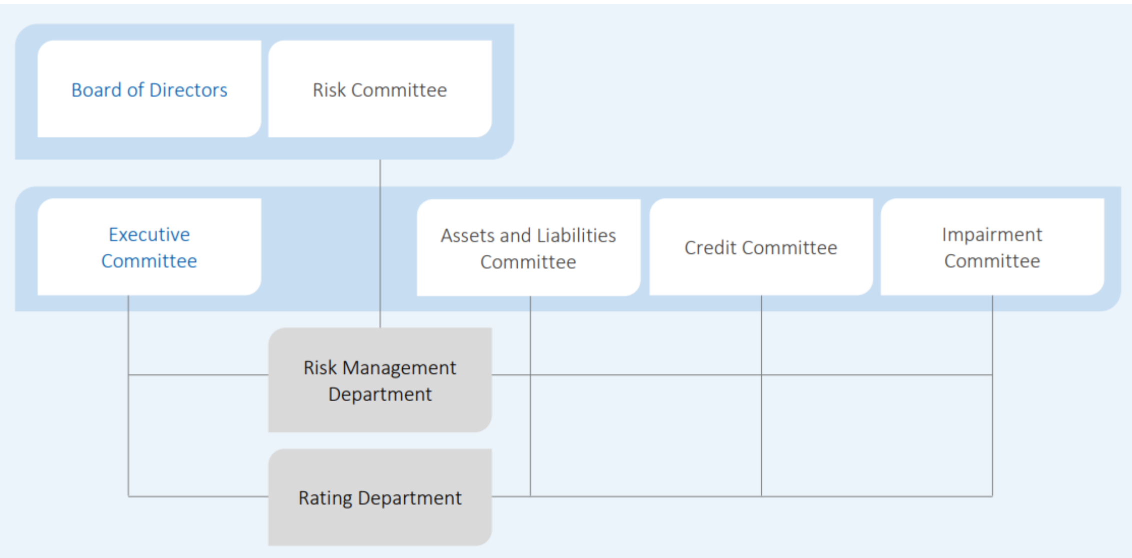

Figure 4 – Risk Management Governance

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 three 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 2023, the Risk Committee held eight 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.

Assets and Liabilities 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 and supported by the Executive Board Member responsible for the Risk Management Function. Other members include the Heads of the Treasury Department, the Risk Management Department, the Finance Department, the CEO Office, the Structured Finance Division, the Fixed Income Division and the Corporate Derivatives Desk.

During 2023, the Assets and Liabilities Committee held two meetings.

Credit Committee

The Credit Committee was established by the Executive Committee with the authorization of the Board of Directors. This Committee is responsible for assessing and issuing recommendations to the Executive Committee on operations involving credit or counterparty risk.

This Committee has advisory powers according to the Credit Committee's Decision Framework approved by the Executive Committee.

The Executive Committee will establish and periodically review the credit Committee's Decision Framework in order to ensure full alignment with the Bank's credit strategy.

The Credit Committee is composed of voting members (including the Moderator) as well as 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 2023 the Credit Committee held 39 (thirty nine) meetings and four electronic decisions.

Impairment Committee

The Impairment Committee was established by the Executive Committee with the authorization of the Board of Directors and is responsible for analyzing the individual impairment of financial instruments and other assets subject to individual impairment, accounted at the amortized costs and, or, at the fair value through other comprehensive income and with impairment 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.

The Committee is also responsible for analyzing 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.

The Committee has consultative powers and issues, in relation to the above-mentioned analysis, recommendations which are submitted for consideration and approval by the Executive Committee. The duties of the Impairment Committee cover all entities of Haitong Bank Group.

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

During 2023, the Impairment Committee held 12 (twelve) meetings.

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:

- Participate on the Bank's risk strategy definition, and ensure the implementation and monitoring of a comprehensive and solid Risk Appetite Framework;
- Ensure the development and implementation of a Risk Management Framework based on robust processes of identification, evaluation, monitoring and control of risks, as well as to coordinate the development of policies and procedures to support these processes;
- Ensure the development and submit for approval of the Board of Directors, after prior opinion of the Supervisory Board[3], of policies to support the system of the risk management and its effective application;
- Identify the risks inherent to the developed activity, on an individual, aggregate, current and prospective basis, and evaluate and measure said risks, using appropriate methodologies;
- To permanently monitor risk-taking activities and the inherent risk exposures, assessing their fit in terms of the approved risk appetite and the defined risk limits, and ensuring the planning of the corresponding capital and liquidity needs under normal and adverse circumstances;
- Develop, implement and monitor the Internal Capital Adequacy Assessment Process ("ICAAP") and the Internal Liquidity Adequacy Assessment Process ("ILAAP"), as well as coordinate the preparation of the respective documents;
- To keep members of the management bodies up to date with regard to the amounts, typology and distribution of internal capital and regulatory capital, in order to adequately face the risks to which the Bank is exposed to;
- Participate in the process of approving new products and services, by carrying out an evaluation of the risks associated with them and an analysis of the institution's ability to manage those risks;
- Ensure that transactions with related parties are reviewed and that the actual or potential risks raised by them to the institution are identified and adequately assessed;
- Advise management bodies before decision taking involving material risks, particularly when it involves acquisitions, divestitures, mergers or the launch of new activities or products, in view to ensure a timely and appropriate impact assessment of it in the overall risk profile of the Bank;
- To monitor market developments, legal and regulatory changes related to the Risk Control Function, the strategic planning process and the respective decisions of the Haitong Group, in order to ensure the continuous update of the function;

[3] In 29/12/2023 the General Shareholders meeting deliberated the replacement of the Supervisory Board by the Audit Committee

- Develop and implement alert mechanisms for situations of non-compliance with the risk appetite or the established risk limits;
- Make recommendations based on the results of the evaluations carried out and develop a continuous monitoring of the situations identified, with appropriate frequency to the associated risks;
- Prepare and keep up to date a Risk Management Plan to ensure that all material risks of the Institution and Haitong Group are identified, assessed, monitored and appropriately reported;
- Provide independent information, analysis and expert assessments about risk exposures, as well as issuing an opinion on the compatibility of risk proposals and decisions with the institution's risk tolerance / appetite;
- Participate with inputs in the process of deliberation of the remuneration policy, supporting the management bodies in its dissemination and ensuring the alignment with the Bank's risk appetite framework;
- To assist the governing and supervisory bodies in the promotion of a risk culture, in a transversal way;
- Prepare and submit to the management and supervisory bodies, on a regular basis, reports on risk management issues, including an assessment of the overall risk profile and material risks of the Haitong Group, a summary of key weaknesses detected in control actions, including those that are non-material when considered in isolation but which may indicate tendencies of deterioration of the internal control system, as well as the identification of recommendations that have been (or are not) followed;
- Prepare on an annual basis a report regarding:
    (i) The independence of the Risk Control Function, mentioning, if applicable, the existence of any situation or constraint that compromise or may compromise it; and
    (ii) A description of all weaknesses, detected internally or externally, that remain open, the degree of implementation of the corrective measures and indication of the deadline for its definitive resolution
- Report to the managing and supervisory bodies any infraction or breach (including its causes, and a legal and economic analysis of the actual cost of eliminating, reducing or offsetting the risk exposure vis-à-vis to the cost of keeping said risk exposure), informing, whenever appropriate, the concerned areas and proposing possible solutions;
- Ensure the groundwork and submission of the prudential reports related to the Risk Management Framework of Haitong Group.

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 management.

The Risk Management Department has the following structure:

Figure 5 – 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 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 control.

Compliance Department

The Compliance Department ensures mechanisms for the communication across the Bank and the Group and the knowledge of all employees of the Bank and the Group.

Compliance department's key responsibilities include:

- Identifying and assessing on an ongoing basis the compliance risks associated with the Bank's and the Group's business;
- Providing compliance risk training programs, in which all employees of the Bank and the Group must be involved, as well as to welcome and integrate any new employees;
- Monitoring the effectiveness if the procedures adopted in order to detect any risk of non-compliance.

The Compliance Department reports directly to the executive board member in charge of compliance.

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 breached limits *vis-à-vis* the approved limits;
- Impairment monthly calculation of the financial instruments subject to collective analysis.
- 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;
- Daily 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 deposits evolution;
- Estimated liquidity ratios for upcoming months;
- Liquidity stress testing.

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 Appetite Monitoring report contents are defined in the Global Risk Management Corporate Regulation approved by the Board of Directors.

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 their ordinary meetings. 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 Framework, 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 derivatives transactions that partially or totally offset the risk and/or closing of positions. The Risk Management Department monitors and reports exposure to market risk, to the different risk-taking units, 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 and Events 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 2023[4], including those held within Haitong Group's companies, by both executive and non-executive members:

[4] Mr. Lin Yong, Mr. Vincent Camerlynck and Mr. Paulo Martins term of office ended on December 29th, 2023.

Board of Directors	Number of directorship positions
Chairman	
Pan Guangtao	5
Members	
Wu Min	3
Alan Fernandes	3
Miguel Guiomar	3
Nuno Carvalho	3
Vasco Câmara Martins	1
Lu Xiaoli	1
António Domingues	3
Maria do Rosário Ventura	2
Martina García	2
Zhang Xinjun	7
Chen Xuemei	4

Table 7 – 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 Management and Supervisory Body Members and Key Function Holders of Haitong Bank, S.A. (hereinafter "Policy on the Selection and Assessment") was updated and approved by General Meeting resolution on the 28th of December 2023. 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 also 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 Policy on the Selection and Assessment 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 remediation of conflicts of interest;
- *vi)* Assurance that continuous training plan means are made available.

The aforementioned Policy also establishes that the Board of Directors and the Supervisory Body must be composed of members who will collectively gather the knowledge, skills and experience in the following areas of banking and financial activities, including but not limited to:

i. Definition and implementation of medium and long-term business and strategic plans;
ii. Banking and financial operations;

iii. Financial, foreign exchange and commodities markets;
iv. Securities, derivative financial instruments and structured products;
v. Financial Analysis;
vi. Accounting policies;
vii. Financial audit and operational control;
viii. Capital requirements and liquidity management;
ix. Risk analysis and management;
x. Remuneration policies;
xi. Internal and external disclosure of information;
xii. Legal and regulatory framework;
xiii. Governance systems.

Furthermore, Haitong Bank committed to having, at least, 30% of women represented in the following positions by 2023:

i) The Board of Directors;
ii) The Supervisory Body;
iii) In overall key function positions.

By the end of 2023, within the Bank's management bodies and key function holders, around 34% were represented by women. At the same date, women represented 38% of the total workforce and there is also a considerable number of female employees in senior positions at the Bank.

A description of the academic background, professional experience and detailed information on the directorship positions held by the members of the Board of Directors can be found on the annex to the Corporate Governance Report included in the Annual Report of the Bank.

The Selection and Assessment Policy can be found on Haitong Bank's website (through the following link: https://www.haitongib.com/media/4228977/com01p06_selection-assessment-policy_dez23.pdf).

6 Own Funds

The present Market Discipline report is elaborated under the CRR (Regulation (EU) 575/2013) and CRD (Directive (EU) 2013/36/EU), while the 2023 Annual Report is prepared in accordance with IFRSs.

On December 31, 2023, Haitong Bank's Regulatory Own Funds and deductions were as follows:

(in thousands of EUR)		Amounts at 31 Dec. 2023	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	880 074	(a)
2	Retained earnings	0	
3	Accumulated other comprehensive income (and other reserves)	-372 730	(b)
EU-3a	Funds for general banking risk	0	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	0	
5	Minority interests (amount allowed in consolidated CET1)	7 035	(f)
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	17 262	(c)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	531 641	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	-1 145	∑(k) ∑(i) (l)
8	Intangible assets (net of related tax liability) (negative amount)	-1 814	(h)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-86 643	(e)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	0	
12	Negative amounts resulting from the calculation of expected loss amounts	0	
13	Any increase in equity that results from securitised assets (negative amount)	0	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	
15	Defined-benefit pension fund assets (negative amount)	-12 743	(o)
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	0	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	0	
EU-20c	of which: securitisation positions (negative amount)	0	
EU-20d	of which: free deliveries (negative amount)	0	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	0	
22	Amount exceeding the 17,65% threshold (negative amount)	0	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	
25	of which: deferred tax assets arising from temporary differences	0	
EU-25a	Losses for the current financial year (negative amount)	0	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	0	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	0	
27a	Other regulatory adjustments	0	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-102 344**	
29	**Common Equity Tier 1 (CET1) capital**	**429 297**	

(in thousands of EUR)		Amounts at 31 Dec. 2023	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	105 042	
31	of which: classified as equity under applicable accounting standards	105 042	(d)
32	of which: classified as liabilities under applicable accounting standards	0	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	0	
EU-33a	Amount of qualifying items referred to in Article 494a(1) subject to phase out from AT1	0	
EU-33b	Amount of qualifying items referred to in Article 494b(1) subject to phase out from AT1	0	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	1 508	(g)
35	of which: instruments issued by subsidiaries subject to phase out	0	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	106 550	
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	0	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	0	
42a	Other regulatory adjustments to AT1 capital	0	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	0	
44	**Additional Tier 1 (AT1) capital**	106 550	
45	**Tier 1 capital (T1 = CET1 + AT1)**	535 846	
	Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	0	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2 as described in Article 486 (4) CRR	0	
EU-47a	Amount of qualifying items referred to in Article 494a (2) subject to phase out from T2	0	
EU-47b	Amount of qualifying items referred to in Article 494b (2) subject to phase out from T2	0	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	2 010	(m)
49	of which: instruments issued by subsidiaries subject to phase out	0	
50	Credit risk adjustments	0	
51	**Tier 2 (T2) capital before regulatory adjustments**	2 010	
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	0	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	0	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	0	
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	0	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	0	
56b	Other regulatory adjustments to T2 capital	0	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	0	
58	**Tier 2 (T2) capital**	2 010	
59	**Total capital (TC = T1 + T2)**	537 857	
60	**Total risk exposure amount**	2 257 970	

(in thousands of EUR)		Amounts at 31 Dec. 2023	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
Capital ratios and requirements including buffers			
61	Common Equity Tier 1	19,0%	
62	Tier 1	23,7%	
63	Total capital	23,8%	
64	Institution CET1 overall capital requirements	9,4%	
65	of which: capital conservation buffer requirement	2,5%	
66	of which: countercyclical capital buffer requirement	0,2%	
67	of which: systemic risk buffer requirement	0,0%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	0,0%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	2,3%	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	11,8%	
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	0	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	0	
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	12 559	(n)
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	0	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	0	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	0	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	0	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	
82	Current cap on AT1 instruments subject to phase out arrangements	0	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	
84	Current cap on T2 instruments subject to phase out arrangements	0	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	

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

Table 8 – Own Funds (EU CC1)

A description of the main components of Haitong Bank Own Funds as of December 31, 2023, is given below. This is described in Note 34 of the 2023 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 thousand 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 thousand 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 thousand 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 thousand 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 thousand shares with the nominal value of 5 euros each, resulted from 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 thousand shares with the nominal value of 5 euros each, fully subscribed and paid-up by Haitong International Holdings Limited.

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

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

This share capital increase in 2023 and 2022, in the form of incorporation of a special reserve, resulted from the conversion of the rights attributed to the Portuguese State and which were acquired by Haitong International Holdings Limited, the Bank's sole voting shareholder. In the case of the 2023 capital increase relating to the 2016 and 2017 tax years and in the case of the 2022 capital increase relating to the 2015 tax year, issued under the Special Regime applicable to Deferred Tax Assets (REAID).

As at 31st December 2023, the share capital of Haitong Bank amounts to 871,278 thousand euros (December 2022: 863,279 thousand euros) and is represented by 174,255,532 shares (December 2022: 172,655,745 shares) with the nominal value of 5 euros each, fully held by Haitong International Holdings Limited.

Share premium

As at 31st December 2023 and 2022, the share premiums are represented by 8,796 thousand euros, corresponding to the amount paid by shareholders in the capital increases 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 2022 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.

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

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

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.

The following table provides a reconciliation of regulatory own funds to balance sheet as presented in the Bank’s annual financial statements:

(in thousands of EUR)	31 Dec. 2023	
	Carrying values as reported in published financial statements and under scope of regulatory consolidation[1]	**(*)**
Assets		
Cash and deposits at central banks	17 164	
Financial assets at fair value through profit or loss	**893 703**	
Financial assets held-for-trading	880 215	
Securities	848 480	(k)
Derivatives financial assets	31 735	(k)
Non-trading financial assets mandatorily ar fair value through profit or loss	13 488	
Securities	13 464	(k)
Loans and advances to customers	24	(k)
Financial assets at fair value through other comprehensive income	**226 584**	(k)
Financial assets measured at amortised cost	**2 090 669**	
Securities	818 722	
Loans and advances to banks	583 288	
Loans and advances to customers	688 659	
Hedging derivatives	-	
Non-current assets held-for-sale	-	
Other tangible assets	11 883	
Intangible assets	1 814	(h)
Investments in associated companies	-	
Tax assets	127 643	
Current income tax assets	21 806	
Deferred income tax assets	105 837	(e) (j) (n)
Other assets	129 182	(o)
Total Assets	**3 498 642**	
Liabilities		
Financial liabilities held-for-trading	**25 878**	
Securities	846	(i)
Derivatives financial liabilities	25 032	(i)
Financial liabilites Measured at amortised cost	**2 726 784**	
Resources from credit institutions	916 921	
Resources from customers	1 174 221	
Debt securities issued	635 642	
Provisions	9 867	
Tax liabilities	14 451	
Current income tax liabilities	8 657	
Deferred income tax liabilities	5 794	
Other liabilities	69 233	
Total Liabilities	**2 846 213**	
Equity		
Share capital	871 278	(a)
Share premium	8 796	(a)
Other equity instruments	105 042	(d)
Fair-value reserves	(4 876)	(b)
Other reserves and retained income	(367 854)	(b)
Net profit/(loss) of the year attributable shareholders of the parent company	17 262	(c)
Total equity attributable to the shareholders of the parent company	**629 648**	
Non-controlling interests	22 781	(f) (g) (m)
Total Equity	**652 429**	
Total Equity and Liabilities	**3 498 642**	

[1] The first two columns of this table were merged as the financial consolidation perimeter is equal to the prudential consolidation perimeter.

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

Table 9 – Reconciliation of regulatory own funds to balance sheet in the audited financial statements (EU CC2)

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, 2023 and December 31, 2022, the Minority Interest adjustments to own funds were as detailed below:

(in thousands of EUR)	(*)	Dec. 23	%	Dec. 22	%
Haitong Banco de Investimento do Brasil S.A.		22 781	20%	21 082	20%
Non-Controlling Interest		**22 781**		**21 082**	

(in thousands of EUR)		Dec. 23	Dec. 22
Minority interests (amount allowed in consolidated CET1)	(f)	7 035	7 756
Instruments issued by subsidiaries that are given recognition in AT1 Capital (minority Interests)	(g)	1 508	1 662
Instruments issued by subsidiaries that are given recognition in T2 Capital	(m)	2 010	2 216

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

Table 10 – Minority Interests' own funds regulatory adjustments

On 31 December 2023 and 31 December 2022 the DTA prudential treatment is detailed below:

(in thousands of EUR)	(*)	Dec. 23	Deducted to Own Funds	Not Deducted to Own Funds	Dec. 22	Deducted to Own Funds	Not Deducted to Own Funds
Deferred Tax Assets that rely on future profitability		**99 201**			**94 975**		
Not resulting from temporary differences	(e)	86 643	86 643	-	61 207	61 207	-
Resulting from temporary differences	(n)	12 559	-	12 559	33 538	-	33 538
Deferred Tax Assets that do not rely on future profitability	(j)	**6 635**	-	**6 635**	**15 144**	-	**15 144**
Total Deferred Tax Assets		**105 837**	**86 643**	**19 194**	**109 890**	**61 207**	**48 683**

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

Table 11 – 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, 2023, Haitong Bank's AVA adjustment was as detailed in the tables below:

(in thousands of EUR)	Risk category					Category level AVA - Valuation uncertainty		**Total category level post-diversification**		
Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: **Total core approach** in the trading book	Of which: **Total core approach** in the banking book
Market price uncertainty										
Close-out cost										
Concentrated positions										
Early termination										
Model risk										
Operational risk										
Future administrative costs										
Total Additional Valuation Adjustments (AVAs)								1 145		

Table 12 – Prudent valuation adjustments (PVA) (EU PV1)

(in thousands of EUR)	(*)	Dec. 23	Dec. 22
Assets	∑(k)	1 120 287	1 106 572
Assets Matched Positions		-1 267	-7 231
Liabilities	∑(i)	25 878	39 556
Liabilities Matched Positions		-928	-6 371
Total		**1 143 970**	**1 132 526**
AVA (simplified approach)	(l)	1 145	1 133

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

Table 13 – AVA Regulatory adjustment

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. At December 31, 2023, the Bank of Portugal did not impose any additional counter-cyclical capital buffer, by setting a 0% of total risk exposure amount to domestic counterparties. This decision is subject to revision on a quarterly basis.

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 Framework in place.

The Board of Directors is responsible for the final approval of the ICAAP exercise and for its main conclusions. ICAAP is incorporated into Haitong Bank's strategic vision and daily management.

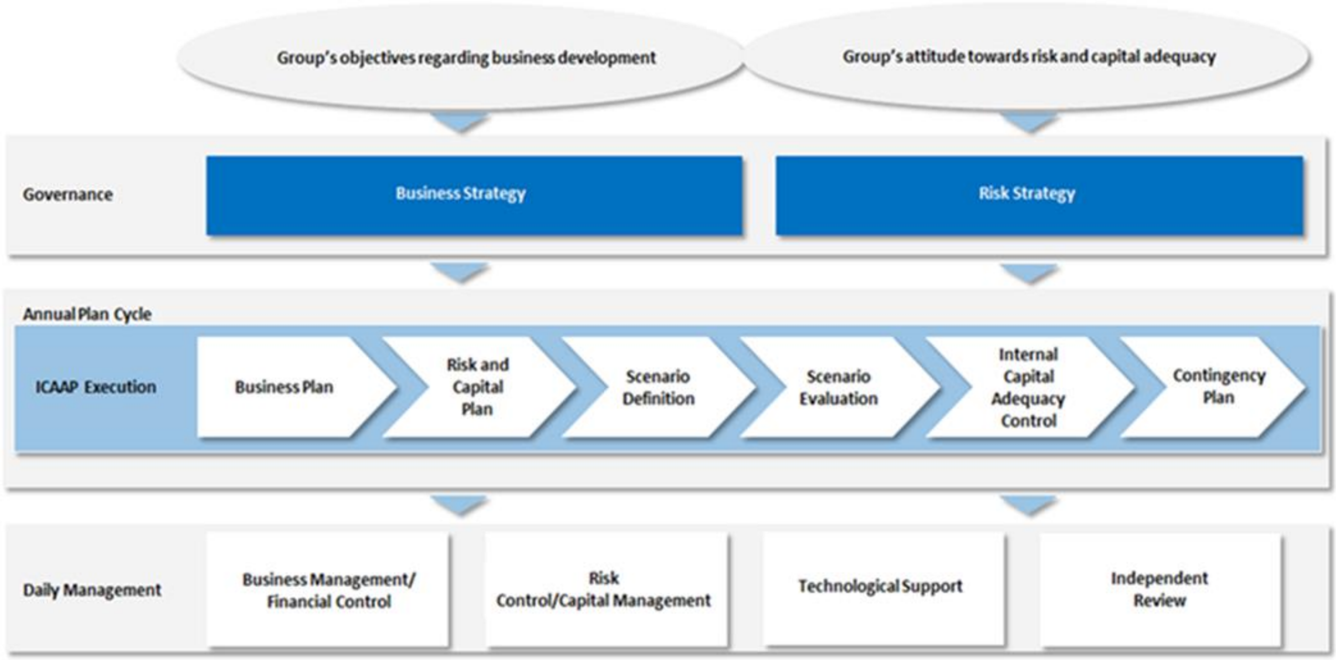

Figure 6 – Integration of the ICAAP in the Bank's management and decision-making process

The ICAAP exercise estimates internal capital requirements for all risks of the Bank deemed as material, including Pillar 1 risks. Material risks are identified by the Board of Directors within the scope of the Risk Appetite Framework, 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. Within the scope of the ICAAP exercise, Haitong Bank considered the following material risk categories:

- Credit risk (including counterparty credit risk);
- CVA risk;
- Market risk;
- Operational risk;
- Interest rate risk in the banking book;
- Credit spread risk in the banking book;
- Pension fund risk;
- Reputational risk;
- Business strategic risk.

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 an internal independent validation and an additional 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.

Risk Categories	Key risk methodologies
Credit risk (including counterparty credit risk)	IRB foundation approach for financial assets and standardised approach for counterparty credit risk and other items
Market risk	Historical VaR, based on 10-days returns from 5years historical observations, 99,9% confidence level. Scaled up to 1-year holding period
Operational risk	Revised standardized approach developed by Basel on "Basel III: Finalising post crisis reforms
CVA risk	Pillar I standardized approach
Credit concentration risk	Quantified at single name, sector and geographic level under PRA approach
Credit spread risk in the banking book	Historical VaR based on 1-year returns from 5-years historical observations, 99,9% confidence level
Interest rate risk in the banking book	Changes in the economic value of equity (EVE) based on a parallel shock of +/- 200 basis points on the yield curve
Pension fund risk	Parametric VaR based on 1-year returns, 99,9% confidence level
Reputational risk	Impact on the Bank's funding cost, by a reputational risk event that affects the perception of investors and/or customers
Business strategic risk	Based on differences between actual and expected banking income realized, by business area and geography

Table 14 – ICAAP's key risk methodologies.

8 RISK WEIGHTED ASSETS (RWAs)

On 31 December 2023 and 31 December 2022, Haitong Bank's risk weighted assets (RWAs) and minimum capital requirements under the CRR were as follows:

(in thousands of EUR)		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		Dec. 23	Dec. 22	Dec. 23
1	Credit risk (excluding CCR)	1 568 428	1 722 221	125 474
2	Of which the standardised approach	1 568 428	1 722 221	125 474
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	Counterparty credit risk - CCR	143 585	123 027	11 487
7	Of which the standardised approach	49 995	62 252	4 000
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	-	-	-
EU 8b	Of which credit valuation adjustment - CVA	26 443	36 479	2 115
9	Of which other CCR	67 147	24 297	5 372
15	Settlement risk	3	262	0
16	Securitisation exposures in the non-trading book	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	380 533	440 662	30 443
21	Of which the standardised approach	380 533	440 662	30 443
22	Of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	165 420	180 169	13 234
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	165 420	180 169	13 234
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	31 397	83 845	2 512
29	**Total**	**2 257 970**	**2 466 341**	**180 638**

Table 15 – Overview of RWAs (EU OV1)

Haitong Bank currently uses the Standardised 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 exists for the issues, the ratings assigned to the respective issuers, when such ratings exist, are used. Credit exposures other than those represented by debt securities are only assigned the rating of the respective issuers when such ratings exist.

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 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 2023 and 31 December 2022, Haitong Bank's Operational Risk minimum capital (8% of RWAs) was EUR 13,234 thousand and EUR 14,414 thousand, respectively.

Haitong Bank is not subject to supplementary supervision for financial conglomerates as defined in article 6 of Directive 2002/87/EC and does not hold own funds instruments in any insurance undertaking, reinsurance undertaking or insurance holding company.

On 31 December 2023 and 31 December 2022, Haitong Bank's capital requirements (8% of RWAs) composition was as follows:

(in thousands of EUR)	Dec. 23	Dec. 22
1. Capital requirements (=∑ (1.1 to 1.5))	**180 638**	**197 307**
1.1. For credit, counterparty credit and dilution risks and free deliveries (= 1.1.1 + 1.1.2)	**134 846**	**144 702**
1.1.1. Standardised approach (=1.1.1.1+1.1.1.2)	134 846	144 702
1.1.1.1. Standardised Approach exposure classes, excluding securitisation positions	134 846	144 702
1.1.1.1.1. Claims or contingent claims on central governments or central banks	59	54
1.1.1.1.2. Claims or contingent claims on regional governments or local authorities	12	20
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	9 885	8 404
1.1.1.1.7. Claims or contingent claims on corporates	105 618	119 298
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	891	1 986
1.1.1.1.11. Items belonging to regulatory high-risk categories	-	-
1.1.1.1.12. Claims on covered bonds	-	-
1.1.1.1.13. Claims on collective investments undertakings (CIU)	693	704
1.1.1.1.14. Other items	17 675	13 856
1.1.1.1.15. Equity positions	13	379
1.1.1.2. Securitisation positions under the Standardised Approach	-	-
1.1.2. IRB approach	-	-
1.2. Settlement risk	**0**	**21**
1.3. Capital requirements for position, foreign-exchange and commodities risks (= 1.3.1 + 1.3.2)	**30 443**	**35 253**
1.3.1. Standardised approach (=∑(1.3.1.1 to 1.3.1.4))	30 443	35 253
1.3.1.1. Traded debt instruments	6 924	9 717
1.3.1.2. Equity	3	6
1.3.1.3. Foreign exchange risks	23 515	25 530
1.3.1.4. Commodities risks	-	-
1.3.2. Internal models approach	-	-
1.4. Capital requirements for operational risk	**13 234**	**14 414**
1.4.1. Basic indicator approach	-	-
1.4.2. Standard method	13 234	14 414
1.4.3. Advanced measurement approach	-	-
1.5. Capital requirements for Credit Valuation Adjustment (CVA)	**2 115**	**2 918**

Table 16 – 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 calculates the counterparty credit risk own funds of derivative instruments according to the Standardised Approach defined in Part III, Title II, Chapter 6, Section 3 of Regulation (EU) no. 575/2013. For repurchase transactions, the Bank calculates counterparty credit risk own funds according to the Financial Collateral Comprehensive Method as defined in Part III, Title II, Chapter 4, Section 4 of Regulation (EU) no. 575/2013.

Haitong Bank defines limits to counterparty credit risk exposures at counterparty level as a way to mitigate Counterparty Credit Risk (CCR). Limits for repurchase transactions are established within the credit risk limits framework of secured transactions. For derivative transactions, limits are established considering the expected maximum exposure, the credit risk of counterparties and the maturity of the transaction.

Haitong Bank securities financing transactions in Europe are governed by the GMRA Master Agreement prepared by ICMA and in Brasil the majority of repo transactions has government bonds as underlying and are done through SELIC clearing house. Additionally, 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 in Europe and CGD (*Contrato Global de Derivativos*) in Brazil, both including 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 also requires 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 2023 Haitong Bank had no credit rating downgrade clause in any Master Agreement or a credit rating downgrade threshold clause in any 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.

Finally, Credit Valuation Adjustment (CVA) reflects the current market value of the credit risk of the counterparty to the institution with respect to eligible derivatives and secured financial transactions with financial counterparties. Haitong Bank applies the standardised approach for the calculation of own funds for CVA risk.

The table below provides information on CCR exposures by approach:

(in thousands of EUR)		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU1	EU - Original Exposure Method (for derivatives)	0	0		1.4	0	0	0	0
EU2	EU - Simplified SA-CCR (for derivatives)	0	0		1.4	0	0	0	0
1	SA-CCR (for derivatives)	35 015	9 490		1.4	62 308	62 308	59 027	49 995
2	IMM (for derivatives and SFTs)			0	0	0	0	0	0
2a	*Of which securities financing transactions netting sets*			0		0	0	0	0
2b	*Of which derivatives and long settlement transactions netting sets*			0		0	0	0	0
2c	*Of which from contractual cross-product netting sets*			0		0	0	0	0
3	Financial collateral simple method (for SFTs)					0	0	0	0
4	Financial collateral comprehensive method (for SFTs)					965 682	139 502	139 502	67 147
5	VaR for SFTs					0	0	0	0
6	**Total**					**1 027 990**	**201 810**	**198 530**	**117 142**

Table 17 – CCR exposure by approach (EU CCR1)

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 4 and 6 of the CRR, including exposures arising from transactions cleared through a CCP, as of 31 December 2023.

(in thousands of EUR)		Collateral used in derivative transactions				Collateral used in SFTs			
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
	Collateral type	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	0	3 607	0	18 566	0	0	0	0
2	Cash – other currencies	0	6 198	0	6 198	0	0	0	0
3	Domestic sovereign debt	0	0	0	0	0	343	0	0
4	Other sovereign debt	0	0	0	0	0	2 889	0	528 859
5	Government agency debt	0	0	0	0	0	0	0	0
6	Corporate bonds	0	0	0	0	0	0	0	474 741
7	Equity securities	0	0	0	0	0	0	0	0
8	Other collateral	0	0	0	0	0	0	0	0
9	**Total**	**0**	**9 805**	**0**	**24 764**	**0**	**3 232**	**0**	**1 003 600**

Table 18 – Composition of collateral for CCR exposures (EU CCR5)

On 31 December 2023, Haitong Bank's derivatives exposures to financial institutions amount EUR 16,499 thousand before netting and EUR 14,240 thousand after netting effect.

On 31 December 2023, 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 2 of the same title by risk weight (risk weight assigned according to the standardised approach) was as follows:

(in thousands of EUR)		Risk weight											
	Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
1	Central governments or central banks	0	0	0	0	0	0	0	0	0	0	0	0
2	Regional government or local authorities	0	0	0	0	0	0	0	0	0	0	0	0
3	Public sector entities	0	0	0	0	0	0	0	0	0	0	0	0
4	Multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	0
5	International organisations	0	0	0	0	0	0	0	0	0	0	0	0
6	Institutions	0	0	0	0	94 339	3 262	0	0	9 366	0	0	106 967
7	Corporates	0	0	0	0	5 356	0	0	0	86 207	0	0	91 563
8	Retail	0	0	0	0	0	0	0	0	0	0	0	0
9	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0	0	0	0
10	Other items	0	0	0	0	0	0	0	0	0	0	0	0
11	**Total exposure value**	**0**	**0**	**0**	**0**	**99 696**	**3 262**	**0**	**0**	**95 572**	**0**	**0**	**198 530**

Table 19– CCR exposures by exposure class and risk weight (EU CCR3)

Haitong Bank has no direct exposure to qualified central counterparty (QCCP), with all its transactions being executed through a broker that has a membership on the central counterparty. On December 31, 2023, OTC derivatives cleared through a broker with a QCCP totalled EUR 109 million in nominal amount and EUR 5,5 million in exposure value. This exposure is included in table 19, above, in line 6 - Institutions. As of December 31, 2023 there were no OTC derivatives cleared through a non-qualified central counterparty.

On 31 December 2023, the CVA Risk own funds were as follows:

(in thousands of EUR)		Exposure value	RWEA
1	Total transactions subject to the Advanced method	0	0
2	(i) VaR component (including the 3× multiplier)		0
3	(ii) stressed VaR component (including the 3× multiplier)		0
4	Transactions subject to the Standardised method	104 707	26 443
EU4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	0	0
5	**Total transactions subject to own funds requirements for CVA risk**	**104 707**	**26 443**

Table 20 – Transactions subject to own funds requirements for CVA risk (EU CCR2)

On 31 December 2023, Haitong Bank had no credit derivatives transactions.

10 GEOGRAPHICAL DISTRIBUTION OF CREDIT EXPOSURES RELEVANT FOR THE CALCULATION OF THE COUNTERCYCLICAL CAPITAL BUFFER

On 31 December 2023, the geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer were as follows:

(in thousands of EUR)	General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
	Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
Brazil	265 544	0	805 574	0	0	1 071 118	21 535	562	0	22 097	276 210	17,24%	0,00%
China	62 051	0	1 619	0	0	63 670	4 964	9	0	4 973	62 169	3,88%	0,00%
France	70 840	0	6	0	0	70 846	5 667	0	0	5 667	70 840	4,42%	0,00%
Luxembourg	121 088	0	2 582	0	0	123 670	9 687	0	0	9 687	121 088	7,56%	0,50%
Netherlands	62 509	0	719	0	0	63 228	5 001	58	0	5 058	63 228	3,95%	1,00%
Poland	138 516	0	368	0	0	138 885	10 981	2	0	10 983	137 283	8,57%	0,00%
Portugal	666 396	0	33 382	0	0	699 777	53 579	2 312	0	55 890	698 627	43,59%	0,00%
Spain	108 728	0	3 384	0	0	112 112	8 890	235	0	9 124	114 054	7,12%	0,00%
United Kingdom	63 377	0	0	0	0	63 377	4 727	0	0	4 727	59 092	3,69%	2,00%
Total	**1 559 050**	**0**	**847 634**	**0**	**0**	**2 406 684**	**125 031**	**3 176**	**0**	**128 207**	**1 602 590**	**100,00%**	

Table 21 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer (EU CCyB1)

Haitong Bank's specific countercyclical buffer amount is presented below as of 31 December 2023:

(in thousands of EUR)		
1	Total risk exposure amount	2 257 970
2	Institution specific countercyclical capital buffer rate	0,2%
3	Institution specific countercyclical capital buffer requirement	3 412

Table 22 – Amount of specific countercyclical capital buffer (EU CCyB2)

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:* the amount of the unused commitment as of the reference date multiplied by the credit conversion factor, the probability of default and the loss given default;
- *Financial guarantees:* the net present value of expected repayments less the amounts that the Bank expects to recover.

Significant increase in credit risk

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

The Group identifies the occurrence of a significant increase in credit risk exposure through three approaches: (i) quantitative approach comparing the rating of the financial instrument as at the reporting date vis—vis the rating as the date of initial recognition, and the credit risk deterioration required for a Stage 2 reclassification will vary depending on the rating initially assigned to the financial instrument (ii) identification of internally defined backstops (warning signals) and (iii) early warning signals (EWS) assessment in order to trace certain events and/or circumstances that could indicate a SICR.

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

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, including, inter alia, the days past due criterion for default identification, indication of unlikeliness to pay, and the conditions for a return to non-defaulted status.

Default Definition

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

In what regards unlikeliness to pay criteria, the Group addresses the following situations: i) distressed restructurings; ii) clients with loans written-off of interest or capital; iii) the Group sells the credit obligation at a material (more than 5%) credit-related economic loss; iv) the obligor has been placed (or is likely to be placed) in bankruptcy or similar creditor's 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 unlikeliness of payments by the debtor.

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

<u>Forbearance definition</u>

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

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

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

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

<u>Inputs in the measurement of ECL</u>

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. 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 – Capital Requirements Regulation).

On December 31, 2023, Haitong Bank's performing and non-performing exposures and related provisions by exposure class were as follows:

		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collaterals and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures - Accumulated impairment and provisions			Non-performing exposures - Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Accumulated partial write-off	On performing exposures	On non-performing exposures
	(in thousands of EUR)		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			
5	Cash balances at central banks and other demand deposits	553 392	553 392	0	3 665	0	0	0	0	0	-1 865	0	-1 865	0	0	0
10	Loans and advances	733 376	720 914	12 462	8 219	0	6 039	-3 682	-3 239	-443	-3 975	0	-2 926	0	81 550	0
20	Central banks	8 968	8 968	0	0	0	0	0	0	0	0	0	0	0	0	0
30	General governments	744	744	0	0	0	0	0	0	0	0	0	0	0	0	0
40	Credit institutions	36 302	36 302	0	0	0	0	-15	-15	0	0	0	0	0	2 156	0
50	Other financial corporations	233 714	233 714	0	0	0	0	-1 813	-1 813	0	0	0	0	0	36 861	0
60	Non-financial corporations	453 648	441 186	12 462	8 219	0	6 039	-1 853	-1 410	-443	-3 975	0	-2 926	0	42 534	0
70	Of which: Small and Medium-sized Enterprises	207 671	195 209	12 462	3 382	0	3 382	-1 236	-793	-443	-1 291	0	-1 291	0	41 719	0
80	Households	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
90	Debt securities	1 043 938	1 024 135	19 803	7 422	0	7 422	-2 403	-2 184	-218	-3 652	0	-3 652	0	0	0
100	Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
110	General governments	508 353	508 353	0	0	0	0	-481	-481	0	0	0	0	0	0	0
120	Credit institutions	80 521	80 521	0	0	0	0	-108	-108	0	0	0	0	0	0	0
130	Other financial corporations	79 406	79 406	0	0	0	0	-221	-221	0	0	0	0	0	0	0
140	Non-financial corporations	375 658	355 855	19 803	7 422	0	7 422	-1 593	-1 375	-218	-3 652	0	-3 652	0	0	0
150	OFF-BALANCE SHEET EXPOSURES	227 720	227 720	0	17 341	0	17 341	237	237	0	1 752	0	1 752		12 123	0
160	Central banks	0	0	0	0	0	0	0	0	0	0	0	0		0	0
170	General governments	0	0	0	0	0	0	0	0	0	0	0	0		0	0
180	Credit institutions	976	976	0	0	0	0	0	0	0	0	0	0		0	0
190	Other financial corporations	21 875	21 875	0	0	0	0	26	26	0	0	0	0		0	0
200	Non-financial corporations	204 868	204 868	0	17 341	0	17 341	211	211	0	1 752	0	1 752		12 123	0
210	Households	0	0	0	0	0	0	0	0	0	0	0	0		0	0
220	**Total**	**2 558 426**	**2 526 161**	**32 265**	**36 648**	**0**	**30 802**	**-6 322**	**-5 661**	**-662**	**-11 243**	**0**	**-10 194**	**0**	**93 674**	**0**

Table 23 – Performing and non-performing exposures and related provisions (EU CR1)

On December 31, 2023, Haitong Bank's residual maturity breakdown by exposure classes was as follows:

							Dec.2023
		Net exposure value					
	(in thousands of EUR)	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	572,366	50,275	539,552	126,938	0	1,289,131
2	Debt securities	4,438	120,807	828,174	91,887	0	1,045,305
3	**Total**	**576,805**	**171,082**	**1,367,725**	**218,825**	**0**	**2,334,436**

Table 24 – Maturity of exposures (EU CR1-A)

On December 31, 2023, Haitong Bank's geographic distribution of the quality of non-performing exposures was as follows:

(in thousands of EUR)		Gross carrying/Nominal amount	of which: non-performing	of which: defaulted	of which: subject to impairment	Accumulated impairment	Provisions on off-balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
010	On balance sheet exposures	1 792 956	15 642	15 642	1 792 932	-13 712		0
020	*Portugal*	374 156	0	0	374 156	-1 191		0
030	*Spain*	187 509	3 219	3 219	187 509	-1 890		0
040	*Poland*	128 884	1 619	1 619	128 860	-1 863		0
050	*United Kingdom*	57 552	0	0	57 552	-236		0
060	*Brazil*	282 029	10 804	10 804	282 029	-6 143		0
070	*China*	66 273	0	0	66 273	-564		0
110	*Other countries*	696 553	0	0	696 553	-1 825		0
120	Off balance sheet exposures	245 061	17 341	17 341			1 989	
130	*Portugal*	47 598	59	59			162	
140	*Spain*	37 507	800	800			90	
150	*Poland*	118 578	569	569			255	
160	*United Kingdom*	0	0	0			0	
170	*Brazil*	39 503	15 913	15 913			1 480	
180	*China*	0	0	0			0	
190	*Other countries*	1 875	0	0			2	
200	**Total**	**2 038 017**	**32 983**	**32 983**	**1 792 932**	**-13 712**	**1 989**	**0**

Table 25 – Geographical breakdown of non-performing exposures (EU CQ4)

On December 31, 2023, Haitong Bank's distribution of the exposures by Industry was as follows:

(in thousands of EUR)		Gross carrying amount	of which: non-performing	of which: defaulted	of which: loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
010	Agriculture, forestry and fishing	4 979	0	0	4 979	-70	0
020	Mining and quarrying	29 047	0	0	29 047	-46	0
030	Manufacturing	48 304	1 197	1 197	48 304	-565	0
040	Electricity, gas, steam and air conditioning supply	76 872	0	0	76 872	-513	0
050	Water supply	0	0	0	0	0	0
060	Construction	21 408	4 838	4 838	21 385	-2 768	0
070	Wholesale and retail trade	4 839	0	0	4 839	-46	0
080	Transport and storage	100 154	2 184	2 184	100 154	-1 082	0
090	Accommodation and food service activities	22 293	0	0	22 293	-371	0
100	Information and communication	29 330	0	0	29 330	-78	0
110	Real estate activities	22 724	0	0	22 724	-37	0
120	Financial and insurance actvities	0	0	0	0	0	0
130	Professional, scientific and technical activities	88 433	0	0	88 433	-184	0
140	Administrative and support service activities	13 483	0	0	13 483	-69	0
150	Public administration and defense, compulsory social security	0	0	0	0	0	0
160	Education	0	0	0	0	0	0
170	Human health services and social work activities	0	0	0	0	0	0
180	Arts, entertainment and recreation	0	0	0	0	0	0
190	Other services	0	0	0	0	0	0
200	**Total**	**461 867**	**8 219**	**8 219**	**461 844**	**-5 829**	**0**

Table 26 – Breakdown of exposures by industry (EU CQ5)

On December 31, 2023, Haitong Bank's credit quality of forborne exposures by instrument was as follows:

(in thousands of EUR)		Gross carrying amount/ Nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collaterals 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-*
				Of which defaulted	*Of which impaired*				
005	Cash balances at central banks and other demand deposits	0	0	0	0	0	0	0	0
010	Loans and advances	11 731	8 196	8 196	6 039	-439	-3 975	0	0
020	Central banks	0	0	0	0	0	0	0	0
030	General governments	0	0	0	0	0	0	0	0
040	Credit institutions	0	0	0	0	0	0	0	0
050	Other financial corporations	0	0	0	0	0	0	0	0
060	Non-financial corporations	11 731	8 196	8 196	6 039	-439	-3 975	0	0
070	Households	0	0	0	0	0	0	0	0
080	Debt Securities	0	2 711	2 711	0	0	-1 415	0	0
090	Loan commitments given	0	556	0	556	0	23	0	0
100	**Total**	**11 731**	**11 463**	**10 907**	**6 595**	**-439**	**-5 367**	**0**	**0**

Table 27 – Credit quality of forborne exposures by instrument (EU CQ1)

On December 31, 2023, Haitong Bank's credit quality of forbearance was as follows:

(in thousands of EUR)		Gross carrying amount of forborne exposures
010	Loans and advances that have been forborne more than twice	10 752
020	Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	0

Table 28 – Credit quality of forborne exposures (EU CQ2)

On December 31, 2023, Haitong Bank's credit quality of exposures by paste due days was as follows:

	(in thousands of EUR)	Gross carrying amount / Nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or Past due < 30 days	Past due > 30 days < 90 days		Unlikely to pay that are not past-due or past-due < = 90 days	Past due > 90 days <= 180 days	Past due > 180 days < =1 year	Past due > 1 year <= 2 years	Past due > 2 year <= 5 years	Past due > 5 year <= 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	553 392	553 392	0	3 665	3 665	0	0	0	0	0	0	3 665
010	Loans and advances	733 376	733 376	0	8 219	5 403	1 197	0	24	0	0	1 596	8 219
020	Central banks	8 968	8 968	0	0	0	0	0	0	0	0	0	0
030	General governments	744	744	0	0	0	0	0	0	0	0	0	0
040	Credit institutions	36 302	36 302	0	0	0	0	0	0	0	0	0	0
050	Other financial corporations	233 714	233 714	0	0	0	0	0	0	0	0	0	0
060	Non-financial corporations	453 648	453 648	0	8 219	5 403	1 197	0	24	0	0	1 596	8 219
070	Of which SMEs	207 671	207 671	0	3 382	2 184	1 197	0	0	0	0	0	3 382
080	Households	0	0	0	0	0	0	0	0	0	0	0	0
090	Debt Securities	1 043 938	1 043 938	0	7 422	7 422	0	0	0	0	0	0	7 422
100	Central banks	0	0	0	0	0	0	0	0	0	0	0	0
110	General governments	508 353	508 353	0	0	0	0	0	0	0	0	0	0
120	Credit institutions	80 521	80 521	0	0	0	0	0	0	0	0	0	0
130	Other financial corporations	79 406	79 406	0	0	0	0	0	0	0	0	0	0
140	Non-financial corporations	375 658	375 658	0	7 422	7 422	0	0	0	0	0	0	7 422
150	Off-balance sheet exposures	227 720			17 341								17 341
160	Central banks	0			0								0
170	General governments	0			0								0
180	Credit institutions	976			0								0
190	Other financial corporations	21 875			0								0
200	Non-financial corporations	204 868			17 341								17 341
210	Households	0			0								0
220	Total	2 558 426	2 330 706	0	36 648	16 490	1 197	0	24	0	0	1 596	36 648

Table 29 – Credit quality of exposures by past due days (EU CQ3)

On December 31, 2023, Haitong Bank's changes in the stock of non-performing loans and advances were as follows:

	(in thousands of EUR)	Gross carrying amount
010	Initial stock of non-performing loans and advances	9 766
020	Inflows to non-performing portfolios	1 557
030	Outflows from non-performing portfolios	-3 105
040	Outflows due to write-offs	-3 096
050	Outflow due to other situations	-9
060	**Final stock of non-performing loans and advances**	**8 217**

Table 30 – Changes in the stock of non-performing loans and advances (EU CR2)

On December 31, 2023, Haitong Bank's changes in the stock of non-performing loans and advances and related net accumulated recoveries were as follows:

	(in thousands of EUR)	Gross carrying amount	Related net cumulated recoveries
010	Initial stock of non-performing loans and advances	9 766	0
020	Inflows to non performing portfolios	1 557	
030	Outflows from non-performing portfolios	-3 105	
040	Outflow to performing portfolio	0	
050	Outflow due to loan repayment, partial or total	-9	
060	Outflow due to collateral liquidations	0	0
070	Outflow due to taking possession of collateral	0	0
080	Outflow due to sale of instruments	0	0
090	Outflow due to risk transfers	0	0
100	Outflows due to write-offs	-3 096	
110	Outflow due to Other Situations	0	
120	Outflow due to reclassification as held for sale	0	
130	**Final stock of non-performing loans and advances**	**8 217**	**0**

Table 31 – Changes in the stock of non-performing loans and advances and related net accumulated recoveries (EU CR2a)

On December 31, 2023, Haitong Bank's disclosure of the use of credit risk mitigation techniques was as follows:

	(in thousands of EUR)	Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	
						Of which secured by credit derivatives
1	Loans and advances	1 207 579	81 550	81 550	0	0
2	Debt securities	1 045 306	0	0	0	
3	Total	2 252 885	81 550	81 550	0	0
4	*Of which non-performing exposures*	8 015	0	0	0	0
5	*Of which defaulted*	8 015	0			

Table 32 – Disclosure of the use of credit risk mitigation techniques (EU CR3)

On December 31, 2023, Haitong Bank's loans and advances collateral valuation was as follows:

	(in thousands of EUR)	Loans and advances											
			Performing		Non Performing								
				of which past due > 30 days <= 90 days		Unlikely to pay that are not past due or past due <= 90 days	Past due > 90 days	of which Past due > 90 days <= 180 days	of which Past due > 180 days <= 1 year	of which Past due > 1 years <=2 years	of which Past due > 2 years <=5 years	of which Past due > 5 years <=7 years	of which Past due > 7 years
010	Gross carrying amount	741 595	733 376	0	8 219	5 403	2 817	1 197	0	24	0	0	1 596
020	*Of which: secured*	733 376	733 376	0	0	0	0	0	0	0	0	0	0
030	*Of which: secured with Immovable property*	81 034	81 034	0	0	0	0	0	0	0	0	0	0
040	*of which: Loans with a LTV higher than 60% and lower than or equal to 80%*	53 030	53 030		0	0	0						
050	*of which: Loans with a LTV higher than 80% and lower than or equal to 100%*	0	0		0	0	0						
060	*of which: Loans with a LTV higher than 100%*	23 543	23 543		0	0	0						
070	Accumulated impairment for secured assets	-3 682	-3 682	0	0	0	0	0	0	0	0	0	0
080	Collateral												
090	*Of which value capped at the value of exposure*	81 550	81 550	0	0	0	0	0	0	0	0	0	0
100	*Of which: Immovable property*	68 859	68 859	0	0	0	0	0	0	0	0	0	0
110	*Of which value above the cap*	87 519	87 519	0	0	0	0	0	0	0	0	0	0
120	*Of which: Immovable property*	86 395	86 395	0	0	0	0	0	0	0	0	0	0
130	Financial guarantees received	0	0	0	0	0	0	0	0	0	0	0	0
140	Accumulated partial write-off	-36 829	0	0	-36 829	-15 077	-21 752	0	0	0	0	0	-21 752

Table 33 – Collateral valuation of loans and advances (EU CQ6)

As of December 2023, collateral obtained by Haitong Bank by taking possession was as follows:

(in thousands of EUR)	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property Plant and Equipment (PP&E)	25	0
Other than PP&E	0	0
Residential immovable property	0	0
Commercial Immovable property	0	0
Movable property (auto, shipping, etc.)	0	0
Equity and debt instruments	0	0
Other collateral	0	0
Total	**25**	**0**

Table 34 – Collateral obtained by taking possession (EU CQ7)

12 Encumbered and unencumbered assets

Following article 443 of Regulation (EU) 575/2013 and Commission Implementing Regulation (EU) 2021/637, asset encumbrance disclosures use the median value of the last four quarterly data points for all fields disclosed.

As of 31 December 2023 reporting date, disclosed encumbered and unencumbered assets were:

(in thousands of EUR)	Carrying amount of encumbered assets	of which notionally eligible EHQLA and HQLA	Fair value of encumbered assets	of which notionally eligible EHQLA and HQLA	Carrying amount of unencumbered assets	of which EHQLA and HQLA	Fair value of unencumbered assets	of which EHQLA and HQLA
Assets of the reporting institution	1 148 948	266 664			2 311 971	471 262		
Equity instruments	0	0	0	0	16 912	0	16 912	0
Debt securities	1 120 433	266 664	1 120 433	266 664	832 548	471 262	832 548	471 262
of which: covered bonds	0	0	0	0	0	0	0	0
of which: securitisations	0	0	0	0	0	0	0	0
of which: issued by general governments	881 150	247 183	881 150	247 183	399 024	399 024	399 024	399 024
of which: issued by financial corporations	65 529	0	65 529	0	134 115	729	134 115	729
of which: issued by non-financial corporations	158 232	19 834	158 232	19 834	333 985	67 482	333 985	67 482
Other assets	28 514	0			1 469 460	0		

Table 35 – Asset encumbrance (EU AE1)

As of 31 December 2023 reporting date, disclosed fair values of collateral and unencumbered assets were:

			Unencumbered	
	Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
(in thousands of EUR)		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
Collateral received by the disclosing institution	0	0	4 601	0
Loans on demand	0	0	0	0
Equity instruments	0	0	0	0
Debt securities	0	0	4 601	0
of which: covered bonds	0	0	0	0
of which: securitisations	0	0	0	0
of which: issued by general governments	0	0	2 779	0
of which: issued by financial corporations	0	0	421	0
of which: issued by non-financial corporations	0	0	0	0
Loans and advances other than loans on demand	0	0	0	0
Other collateral received	0	0	0	0
Own debt securities issued other than own covered bonds or securitisations	0	0	0	0
Own covered bonds and securitisation issued and not yet pledged			0	0
TOTAL COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	0	0		

Table 36 – Collateral received and own debt securities issued (EU AE2)

As of 31 December 2023, the disclosed value of liabilities related to encumbered assets and collaterals received were:

(in thousands of EUR)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
Carrying amount of selected financial liabilities	1 053 681	1 142 960

Table 37 – Sources of encumbrance (EU AE3)

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

- ECB funding;
- Repurchase Agreements' transactions where there are Global Master Repurchase Agreements signed between Haitong Bank and each one of its counterparties in Europe and the use of SELIC clearing in Brazilian government bonds repos in Brazil;
- 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 Law 23-A/2015 and Bank of Portugal Notice 11/94, December 21, 1994, as amended from time to time.

13 USE OF ECAIs UNDER THE STANDARDIZED APPROACH (art. 444º)

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 2023, the exposure values 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:

(in thousands of EUR)		Risk weight								
	Exposure classes	0%	20%	50%	100%	150%	250%	Others	Total	Of which unrated
1	Central governments or central banks	1 048 438	3 657	0	0	0	0	0	1 052 095	9 681
2	Regional government or local authorities	0	744	0	0	0	0	0	744	744
3	Public sector entities	0	0	0	0	0	0	0	0	0
4	Multilateral development banks	0	0	0	0	0	0	0	0	0
5	International organisations	0	0	0	0	0	0	0	0	0
6	Institutions	0	9 106	34 212	74 776	0	0	0	118 094	87 124
7	Corporates	0	0	2 491	1 202 004	19 919	0	0	1 224 413	983 395
8	Retail	0	0	0	0	0	0	0	0	0
9	Secured by mortgages on immovable property	0	0	0	0	0	0	0	0	0
10	Exposures in default	0	0	0	3 960	4 788	0	0	8 748	8 748
11	Exposures associated with particularly high risk	0	0	0	0	0	0	0	0	0
12	Covered bonds	0	0	0	0	0	0	0	0	0
13	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0	0	0	0
14	Unit or shares in collective investment undertakings	0	0	0	0	0	0	8 993	8 993	8 993
15	Equity	0	0	0	162	0	0	0	162	162
16	Other items	19 995	0	0	189 542	0	12 559	0	222 096	222 096
17	**TOTAL**	**1 068 433**	**13 507**	**36 702**	**1 470 444**	**24 706**	**12 559**	**8 993**	**2 635 344**	**1 320 942**

Table 38 – Risk Weight by Standardised approach (EU CR5)

14 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 2023, Haitong Bank's Market Risk RWA composition was as follows:

(in thousands of EUR)		RWEAs at 31.12.2023
	Outright products	
1	Interest rate risk (general and specific)	86 553
2	Equity risk (general and specific)	42
3	Foreign exchange risk	293 939
4	Commodity risk	0
	Options	
5	Simplified approach	0
6	Delta-plus approach	0
7	Scenario approach	0
8	**Securitisation** (specific risk)	0
9	**Total**	**380 533**

Table 39 – Market risk under standardised approach (EU MR1)

Additionally, Haitong Bank sets group-wide value-at-risk (VaR) limits for market risk in the trading book as part of the limit framework included in the Risk Appetite Policy.

VaR is a quantitative measure of the potential loss of fair value positions due to market movements and it should not be exceeded in a defined period of time and with a defined confidence level. Haitong Bank estimates VaR by taking actual historical changes in the market variables over one-year time interval, a ten-day time horizon and revalues every position for each market scenario considering a 99% confidence level.

As of December 2023, Haitong Bank's VaR amounted to EUR 4.7 million, representing a decrease of EUR 5.7 million when compared with December 2022.

15 Operational Risk

Operational Risk own funds requirements determined for prudential reporting purposes as of 31 December 2023, 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
Corporate finance	Underwriting of financial instruments or placing of financial instruments on a firm commitment basis	18 %
	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	
Trading and sales	Dealing on own account	18 %
	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	
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	12 %
	Execution of orders on behalf of clients	
	Placing of financial instruments without a firm commitment basis	
Commercial banking	Acceptance of deposits and other repayable funds	15 %
	Lending	
	Financial leasing	
	Guarantees and commitments	
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	12 %
	Lending	
	Financial leasing	
	Guarantees and commitments	
Payment and settlement	Money transmission services,	18 %
	Issuing and administering means of payment	
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	12 %
	Managing of UCITS	
	Other forms of asset management	

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 (using audited figures).

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.

(in thousands of EUR)	Relevant Indicator			Own funds requirements	Risk exposure amount
	2021	2022	2023		
1. Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
2. Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	85 858	78 941	81 664	13 234	165 420
3. Subject to TSA:	85 858	78 941	81 664		
4. Subject to ASA:	-	-	-		
5. Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

Table 41 – Operational risk own funds requirements and risk-weighted exposure amounts (EU OR1)

Operational Risk own funds requirements determined for prudential reporting purposes, according to information in Table 40, amounted to EUR 13 234 thousand as of December 31, 2023, a decrease of EUR 1 180 thousand when compared to December 31, 2022.

16 EXPOSURES TO INTEREST RATE AND CREDIT SPREAD RISK ON POSITIONS NOT INCLUDED IN THE TRADING BOOK

Interest Rate Risk in the Banking Book

Interest rate risk in the banking book refers to the current or prospective risk arising from adverse movements in interest rates that affect the Bank's non-trading book positions. The adverse movement in interest rates are a consequence of the changes to the shape, slope, and level of a range of different yield curves that incorporate some or all of the components of interest rates. These aspects of interest rate risk can occur simultaneously, and therefore need to be managed holistically, as they impact the bank's income or underlying economic value.

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

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

In addition to the pure economic risks that can arise from changes to the level and structure of interest rates, risks can arise from currency mismatches, where the interest rate risks are in addition to normal exchange rate risks (this falls within a wider definition of basis risk) or accounting treatment of risk positions, where interest rate hedging activity may achieve the desired economic effect, but fail to achieve hedge accounting treatment.

Haitong Bank aims to capture all material sources of IRRBB and assess the effect of market changes on the scope of its activities and manage IRRBB by measuring the sensitivity of the economic value of its banking book and the sensitivity of its net interest margin expected in a given time horizon. Although different concepts, the two methods are complementary in that, both measures reflect the impact of changing cash flows arising from changing interest rates, the change in expected earnings, as defined by the regulation, is partially reflected in the change of economic value and they are affected by common assumptions.

Main interest rate risk in the banking book metrics

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

Haitong hedges IRRBB exposures by entering into interest rate derivative contracts, either interests rate swaps or interest rate futures, to partially or fully hedge the interest rate risk of the exposures.

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

- **Repricing gap:** It measures the difference between the volume of sensitive assets and liabilities, on- and off- balance sheet, that re-price (i.e. that mature or are subject to rate revisions) at certain times.
- **Economic value and its sensitivity:** Economic value of the equity (EVE) is the difference between the present value of assets and the present value of liabilities of the banking book, excluding own equity and other instruments that do not generate interest rate risk. The present value is calculated by discounting projected cash flows of assets and liabilities with the appropriate discount curve. EVE sensitivity is calculated as the difference between the EVE in a selected interest rates scenario and the EVE calculated in the baseline scenario. This metric enables the identification of long-term risk, and so supplements net interest income.
- **Net interest income and its sensitivity:** Net interest income is calculated as the difference between the interest income as percentage of assets and the interest cost of the liabilities of the banking book in a determined time horizon (the Bank's standard being one year). Its sensitivity reflects the impact of changes in interest rates on net interest income in the given time horizon. Net interest income sensitivity is calculated as the difference between the net interest income in a selected scenario and the net interest income in the baseline scenario. This metric enables the identification of short-term risk, and supplements economic value of equity (EVE) sensitivity.

The measurement and reporting of the interest rate risk on Internal value and earnings is monitored, at least, monthly, based on Bank of Portugal’s latest instructions 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, using the previous month's closing data.

The most commonly interest rate shocks scenarios used to measure the sensitivities of the economic value and net interest income are:

- Parallel shocks on the yield curve of +/- 200 basis points across the various currencies, for both EVE and NII sensitivity calculation.
- The six regulatory scenarios (parallel and non-parallel shocks) defined by the EBA for the EVE sensitivity calculation.

In addition, each subsidiary of the group uses a variety of scenarios sufficient to ensure appropriate measurement and control of its IRRBB profile. The use of these scenarios plays an important role in providing supplementary future risk estimates. They can be of different types, meaning, they can be historical, forward-looking, probabilistic or based on expert assessments.

Methodologies

The main elements necessary to calculate IRRBB metrics are the yield curves for capitalization and discounting, and assumptions about future changes in the entity's balance sheet and its various items.

To measure the economic value, the Bank uses a run-off balance sheet, where existing assets and liabilities are not replaced as they mature, whether for net interest income metric, the Bank follows a stable balance sheet model, where maturing contracts are replaced like for like, but with rates equal to be forward rates at the time of maturing.

Other assumptions used in both calculations are as follows:

- All cash flows from all interest rate-sensitive assets, liabilities and off-balance sheet items in the banking book are included in the calculation, i.e., assets, liabilities and off-balance sheet items in the non-trading book, excluding assets deducted from CET1 capital, e.g. real estate or intangible assets or equity exposures in the non-trading book.
- Repricing is said to occur at the earliest date at which either the bank or its counterparty is entitled to unilaterally change the interest rate, or at which the rate on a floating rate instrument changes automatically in response to a change in an external benchmark.
- Any interest payment or principal on fixed rate instruments that has not yet been repaid and any spread component of interest payments of floating rate instruments that has not yet been repaid and which do not reprice must be slotted until their contractual maturity, whether the principal has been repriced or not.
- Floating rate instruments are assumed to reprice fully at the first reset date, hence, the entire principal amount is slotted into the bucket in which that date falls, with no additional slotting of notional repricing cash flows to later time buckets.
- Instruments that are non-maturity instruments like current account and nostro or vostro accounts are projected to the fifth day after the reference date.
- If a non-performing exposure (NPE) ratio is above the materiality threshold of 2%, NPEs should be included, as they are considered as interest rate sensitive instruments reflecting expected cash flows and their timing.
- There are no drawdowns on fixed rate loans commitments.
- Cash flows are discounted using a zero coupon risk-free curves for each currency. The curve should not include instrument-specific or entity-specific credit spread or liquidity spreads (e.g. Swaps curves).
- For an aggregate change in EVE for each interest rate shock scenario, Haitong Bank adds together any negative and positive change to EVE (depreciation or appreciation of the instrument value) occurring in each currency, and the positive changes (appreciation of the instrument value) are weighted by a factor of 50%.

The following table shows changes in the Bank's economic value of equity (EVE) and its net interest income, for every prescribed interest rate scenario:

Prescribed interest rate scenarios (in thousands of EUR)	Delta EVE		Delta NII	
	Dec. 2023	Dec. 2022	Dec. 2023	Dec. 2022
Parallel shock of 200 bps across the yield curve	14 544	23 379	2 690	4 355
Up shock of 200 bps across the yield curve	(14 544)	(23 379)	2 690	4 355
Down shock of 200 bps across the yield curve	2 963	6 999	(2 690)	(4 355)
Prescribed six regulatory scenarios	17 347	24 865		
Parallel up	(17 347)	(24 865)		
Parallel down	4 845	8 130		
Steepener	(313)	1 382		
Flattener	(3 586)	(7 063)		
Short rates up	(8 836)	(13 780)		
Short rates down	2 114	5 150		
% Total Capital	**2.70%**	**4.36%**	**0.50%**	**0.81%**
% Tier 1 Capital	**3.24%**	**4.65%**	**0.50%**	**0.81%**

Table 42 – Interest rate risks of non-trading book activities (EU IRRBB1)

The decrease in EVE, is mainly explained by the decrease in duration of the net repricing gap, i.e. net assets. This behaviour relies on the lower average maturity of the assets and on the hedging strategy implemented in 2023.

Credit Spread Risk in the Banking Book

In what regards to CSRBB, Haitong Bank aims to capture changes in market perception about the credit quality of individual credit-risky instruments, either because of the changes to expected default levels or because of changes to market liquidity. Changes to underlying credit quality perceptions can amplify the risks already arising from yield curve risk, being this risk also defined as any kind of asset and/or liability spread risk of credit-risky instruments which is not explained by IRRBB, nor by the expected credit/jump-to-default risk.

To monthly measure the CSRBB, the Haitong Bank considers a historical VaR simulation approach with one year holding period, five years observation period and 99,9% confidence level.

As of December 2023, Haitong Bank's Global CSR Requirement amounted to EUR 11 million, representing an increase of EUR 2.4 million when compared with December 2022.

17 Exposure to Securitisation Positions

As of December 31st 2023, Haitong Bank did not have asset securitization operations originated by the Group nor any securitization assets in its balance sheet.

18 LEVERAGE

Haitong Bank's leverage ratio is calculated in accordance with article 429º of regulation 575/2013 of the European Parliament and of the Council of 26 June 2013, amended by Regulation 2019/876, 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 is effective since June 28, 2021. Haitong Bank decided not to use the transitional measure to exclude central bank exposures from the leverage ratio calculation, which was introduced as a result of the exceptional macroeconomic circumstances.

Leverage ratio is defined as "Tier 1 Capital" over the "Leverage exposure amount", which 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 from own funds. The Tier 1 Capital used to calculate the Leverage ratio is detailed in table 8 of the Own Funds chapter.

The decrease of the leverage ratio from 12,2% in 2022 to 11,5% in 2023 was mainly driven by the increase in the exposure value eligible for the leverage ratio, which mostly results from the growth in secured financing transactions exposure and from asset growth. As of December 31, 2023, 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.

	(in thousands of EUR)	**31.12.2023**
1	Total assets as per published financial statements	3 498 641
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	0
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	0
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	0
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	0
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	0
7	Adjustment for eligible cash pooling transactions	0
8	Adjustments for derivative financial instruments	61 757
9	Adjustment for securities financing transactions (SFTs)	47 027
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	203 491
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	0
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	0
12	Other adjustments	833 676
13	**Total exposure measure**	**4 644 592**

Table 43 – Summary reconciliation of accounting assets and leverage ratio exposures (EU LR1)

(in thousands of EUR)		CRR leverage ratio exposures	
		31.12.2023	31.12.2022
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	3 463 679	3 348 003
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0	0
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0	0
4	Adjustment for securities received under securities financing transactions that are recognised as an asset	0	0
5	(General credit risk adjustments to on-balance sheet items)	0	0
6	(Asset amounts deducted in determining Tier 1 capital)	-107 220	-91 857
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	3 356 459	3 256 146
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	57 302	83 070
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	0	0
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	14 632	21 838
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach	0	0
EU-9b	Exposure determined under Original Exposure Method	0	0
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	0	0
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	0	0
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (original Exposure Method)	0	0
11	Adjusted effective notional amount of written credit derivatives	0	0
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0	0
13	**Total derivatives exposures**	**71 933**	**104 909**
	Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	965 682	19 180
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0	641 144
16	Counterparty credit risk exposure for SFT assets	47 027	11 482
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR	0	0
17	Agent transaction exposures	0	0
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)	0	0
18	**Total securities financing transaction exposures**	**1 012 709**	**671 806**
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	203 491	349 657
20	(Adjustments for conversion to credit equivalent amounts)	0	0
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	0	0
22	**Off-balance sheet exposures**	**203 491**	**349 657**

	Excluded exposures		
EU-22a	(Exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article 429a(1) CRR)	0	0
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off balance sheet))	0	0
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)	0	0
EU-22d	Excluded exposures of public development banks (or units) - Promotional loans	0	0
EU-22e	Excluded passing-through promotional loan exposures by non-public development banks (or units)	0	0
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	0	0
EU-22g	(Excluded excess collateral deposited at triparty agents)	0	0
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)	0	0
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)	0	0
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	0	0
EU-22k	**(Total exempted exposures)**	**0**	**0**
	Capital and total exposure measure		
23	Tier 1 capital	535 846	535 120
24	**Total exposure measure**	**4 644 592**	**4 382 518**
	Leverage ratio		
25	Leverage ratio	11,54%	12,21%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	11,54%	12,21%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	11,54%	12,21%
26	Regulatory minimum leverage ratio requirement (%)	3,00%	3,00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0,00%	0,00%
EU-26b	of which: to be made up of CET1 capital (percentage points)	0,00%	0,00%
27	Leverage ratio buffer requirement (%)	0,00%	0,00%
EU-27a	Overall leverage ratio requirement (%)	3,00%	3,00%
	Choice on transitional arrangements and relevant exposures		
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Fully loaded	Transitional
	Disclosure of mean values		
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	0	0
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	965 682	660 324
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	3 678 910	3 722 195
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	3 678 910	3 722 195
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	14,57%	14,38%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	14,57%	14,38%

Table 44 – Leverage ratio common disclosure (EU LR2)

(in thousands of EUR)		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	3 463 679
EU-2	Trading book exposures	848 480
EU-3	Banking book exposures, of which:	2 615 198
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	1 052 095
EU-6	Exposures to regional governments, MDB, international organisations and PSE **not** treated as sovereigns	744
EU-7	Institutions	118 094
EU-8	Secured by mortgages of immovable properties	0
EU-9	Retail exposures	0
EU-10	Corporates	1 151 627
EU-11	Exposures in default	14 795
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	277 843

Table 45 - Split-up of on balance sheet exposures (EU LR3)

19 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). 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, 2023, 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 using market prices for the reference date. For non-listed securities, valuation is performed by the investment bank area of the Bank, based on the latest available financial information of the issuer, with a reference date not exceeding one year.

Regarding pledges on equipment, the valuation is based on an updated appraisal (less than one year) by an appropriate appraiser for the nature of the collateral.

Mortgages are valued based on reports from appraisals conducted by independent appraisers, on an annual basis for commercial properties and every three years in case of residential properties.

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.

Table 46 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 2023.

(in thousands of EUR)		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	Exposure classes	**On-balance-sheet exposures**	**Off-balance-sheet exposures**	**On-balance-sheet exposures**	**Off-balance-sheet exposures**	**RWEA**	**RWEA density (%)**
1	Central governments or central banks	1 052 095	0	1 052 095	0	731	0,1%
2	Regional government or local authorities	744	0	744	0	149	20,0%
3	Public sector entities	0	0	0	0	0	0
4	Multilateral development banks	0	0	0	0	0	0
5	International organisations	0	0	0	0	0	0
6	Institutions	745 649	0	118 094	0	93 703	79,3%
7	Corporates	1 555 148	198 488	1 157 993	66 419	1 232 945	100,7%
8	Retail	0	0	0	0	0	0
9	Secured by mortgages on immovable property	0	0	0	0	0	0
10	Exposures in default	8 411	887	8 411	337	11 142	127,4%
11	Exposures associated with particularly high risk	0	0	0	0	0	0
12	Covered bonds	0	0	0	0	0	0
13	Institutions and corporates with a short-term credit assessment	0	0	0	0	0	0
14	Collective investment undertakings	8 993	0	8 993	0	8 658	96,3%
15	Equity	162	0	162	0	162	100,0%
16	Other items	222 096	0	222 096	0	220 939	99,5%
17	**TOTAL**	**3 593 297**	**199 375**	**2 568 587**	**66 757**	**1 568 428**	**59,5%**

Table 46 – Standardised approach – Credit risk exposure and CRM effects (EU CR4)

Table 46 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.

20 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 oversight by the Head of Treasury.

The Bank's Liquidity Risk Function is a unit of the Risk Management Department, acting with full independence from business areas.

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 local regulation are the main reasons for this historical segregation.

In 2023, Haitong Bank's major sources of funding were wholesale facilities provided by credit institutions, secured financing from credit institutions (repos), securities issued and deposits from clients. At the end of 2023, Bank of Portugal secured financing was not material within total funding. Deposits from clients include both retail deposits and other deposits from corporate and institutional clients.

High quality liquid assets of Haitong Bank consist mainly of deposits in central banks (Bank of Portugal), sovereign debt from European Union countries and Brazilian government debt 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 in Europe, and imply the exchange of collateral margin, and CGD contracts in Brazil. 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 raises funds directly in that foreign currency via deposits or bond issuances, 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 uses a set of indicators and analysis to ensure Liquidity Risk is maintained within the risk appetite established by the Board of Directors, which are summarized in the table below:

Liquidity Management Indicators	Management Analysis	RAF	Regulatory
Liquidity Coverage Ratio	√	√	√
Net Stable Funding Ratio	√	√	√
Liquidity Buffer	√	√	
Liquidity Position	√	√	
Survival Period	√	√	
Concentration of Sovereign Bonds	√	√	
Concentration of Funding (by product and entity)	√		√
Balance sheet maturity mismatch analysis	√		
Stress testing	√		
Available liquidity forecast	√		

Table 47 – Liquidity Risk Management indicators

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 2023 are presented in the table below. Average LCR presents a downward trend which was mainly driven by the decrease in HQLAs. The decrease in Outflows is mainly driven by the decrease in wholesale funding (mostly deposits from corporate and institutional clients). In the last quarter, the recovery in the HQLA stock led to a slight increase in the ratio.

(in thousands of EUR)		Total unweighted value (average)				Total weighted value (average)			
	Quarter ending on	31 Dec. 2023	30 Sep. 2023	30 Jun. 2023	31 Mar. 2023	31 Dec. 2023	30 Sep. 2023	30 Jun. 2023	31 Mar. 2023
	Number of data points used	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					584 206	557 948	610 560	676 554
CASH - OUTFLOWS									
2	Retail and small business deposits, of which:	316 584	293 557	282 664	289 696	31 834	29 356	28 266	28 970
3	Stable deposits	0	0	0	0	0	0	0	0
4	Less stable deposits	316 584	293 557	282 664	289 696	31 834	29 356	28 266	28 970
5	Unsecured wholesale funding	360 881	355 562	371 459	387 157	175 226	173 448	182 093	189 511
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	0	0	0	0	0	0	0	0
7	Non-operational deposits (all counterparties)	357 944	353 953	369 879	385 661	172 288	171 838	180 513	188 014
8	Unsecured debt	2 938	1 609	1 580	1 497	2 938	1 609	1 580	1 497
9	Secured wholesale funding					21 588	24 015	27 010	31 675
10	Additional requirements	209 149	219 647	214 785	218 448	84 304	87 294	83 066	89 670
11	Outflows related to derivative exposures and other collateral requirements	70 433	72 588	68 431	75 361	70 433	72 588	68 431	75 361
12	Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
13	Credit and liquidity facilities	138 717	147 059	146 354	143 087	13 872	14 706	14 635	14 309
14	Other contractual funding obligations	4 952	2 736	1 033	854	4 794	2 681	1 033	854
15	Other contingent funding obligations	0	0	0	0	0	0	0	0
16	**TOTAL CASH OUTFLOWS**					**317 746**	**316 793**	**321 469**	**340 679**
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	9 669	12 264	15 986	22 565	0	0	0	0
18	Inflows from fully performing exposures	43 490	46 721	46 978	60 703	37 582	40 644	41 358	54 934
19	Other cash inflows	30 200	28 437	24 430	27 654	30 200	28 437	24 430	27 654
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)					0	0	0	0
20	**TOTAL CASH INFLOWS**	**83 359**	**87 422**	**87 394**	**110 921**	**67 783**	**69 081**	**65 788**	**82 588**
EU-20a	*Fully exempt inflows*	0	0	0	0	0	0	0	0
EU-20b	*Inflows subject to 90% cap*	0	0	0	0	0	0	0	0
EU-20c	*Inflows subject to 75% cap*	83 359	87 422	87 394	110 921	67 783	69 081	65 788	82 588
TOTAL ADJUSTED VALUE									
21	LIQUIDITY BUFFER					584 206	557 948	610 560	676 554
22	TOTAL NET CASH OUTFLOWS					249 963	247 712	255 681	258 092
23	**LIQUIDITY COVERAGE RATIO**					**238%**	**230%**	**241%**	**263%**

Table 48 – Quantitative information on LCR (EU LIQ1)

As shown in Table 48, Haitong Bank has maintained a very solid short-term liquidity position in 2023, with the ratio sitting comfortably above the regulatory minimum requirements of 100%.

As of December 2023, NSFR calculated under CRR2 regulation stands at 151%, well above the minimum regulatory requirement of 100%.

December 2023		Unweighted value by residual maturity				Weighted value
(in thousands of EUR)		No maturity	< 6 months	6 months to < 1 year	>= 1year	
	Available Stable Funding					
1	Capital items and instruments	638 190	0	0	2 010	640 201
2	Own funds	638 190	0	0	2 010	640 201
3	Other capital instruments		0	0	0	0
4	Retail deposits		185 487	99 265	91 095	347 371
5	Stable deposits		0	0	0	0
6	Less stable deposits		185 487	99 265	91 095	347 371
7	Wholesale funding:		1 241 218	155 062	877 664	1 103 188
8	Operational deposits		0	0	0	0
9	Other wholesale funding		1 241 218	155 062	877 664	1 103 188
10	Interdependent liabilities		0	0	0	0
11	Other liabilities:	0	24 194	0	149 617	0
12	NSFR derivative liabilities	0				0
13	All other liabilities and capital instruments not included in the above categories		24 194	0	149 617	0
14	**Total available stable funding (ASF)**					**2 090 760**
	Required Stable Funding					
15	Total high-quality liquid assets (HQLA)					32 633
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		0	0	0	0
16	Deposits held at other financial institutions for operational purposes		0	0	0	0
17	Performing loans and securities:		116 869	66 508	1 079 731	1 021 332
18	Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut		2 738	0	0	0
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		46 269	0	55 444	60 046
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		19 138	33 569	569 520	510 445
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		0	0	0	0
22	Performing residential mortgages, of which:		0	0	0	0
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		0	0	0	0
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		48 725	32 939	454 767	450 841
25	Interdependent assets		0	0	0	0
26	Other assets:		63 070	778	298 929	324 039
27	Physical traded commodities				0	0
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		0	0	42 429	36 065
29	NSFR derivative assets		21 845			21 845
30	NSFR derivative liabilities before deduction of variation margin posted		24 214			1 211
31	All other assets not included in the above categories		17 011	778	256 500	264 919
32	Off-balance sheet items		75 313	0	0	3 766
33	**Total required stable funding (RSF)**					**1 381 770**
34	**Net Stable Funding Ratio (%)**					**151%**

September 2023		Unweighted value by residual maturity				Weighted value
(in thousands of EUR)		No maturity	< 6 months	6 months to < 1 year	>= 1year	
	Available Stable Funding					
1	Capital items and instruments	623 658	0	0	5 419	625 771
2	Own funds	623 658	0	0	2 113	625 771
3	Other capital instruments		0	0	3 306	0
4	Retail deposits		173 040	127 704	68 096	338 766
5	Stable deposits		0	0	0	0
6	Less stable deposits		173 040	127 704	68 096	338 766
7	Wholesale funding:		1 254 892	167 003	914 979	1 129 462
8	Operational deposits		0	0	0	0
9	Other wholesale funding		1 254 892	167 003	914 979	1 129 462
10	Interdependent liabilities		0	0	0	0
11	Other liabilities:	0	18 997	0	144 544	0
12	NSFR derivative liabilities	0	0	0	0	0
13	All other liabilities and capital instruments not included in the above categories		18 997	0	144 544	0
14	**Total available stable funding (ASF)**					**2 094 000**
	Required Stable Funding					
15	Total high-quality liquid assets (HQLA)					52 978
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		0	0	0	0
16	Deposits held at other financial institutions for operational purposes		0	0	0	0
17	Performing loans and securities:		213 296	144 793	1 119 547	1 136 490
18	Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut		5 130	0	0	0
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		84 457	9 578	57 287	70 479
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		51 796	64 580	593 537	562 695
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		0	0	0	0
22	Performing residential mortgages, of which:		0	0	0	0
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		0	0	0	0
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		71 912	70 635	468 722	503 315
25	Interdependent assets		0	0	0	0
26	Other assets:		72 058	2 395	318 511	351 247
27	Physical traded commodities		0	0	0	0
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		0	0	31 228	26 544
29	NSFR derivative assets		25 912	0	0	25 912
30	NSFR derivative liabilities before deduction of variation margin posted		28 974	0	0	1 449
31	All other assets not included in the above categories		17 171	2 395	287 283	297 342
32	Off-balance sheet items		132 768	0	0	6 638
33	**Total required stable funding (RSF)**					**1 547 353**
34	**Net Stable Funding Ratio (%)**					**135%**

Junho 2023		Unweighted value by residual maturity				Weighted value
(in thousands of EUR)		No maturity	< 6 months	6 months to < 1 year	>= 1year	
	Available Stable Funding					
1	Capital items and instruments	625 791	0	0	7 093	628 354
2	Own funds	625 791	0	0	2 564	628 354
3	Other capital instruments		0	0	4 529	0
4	Retail deposits		130 738	144 241	56 144	303 625
5	Stable deposits		0	0	0	0
6	Less stable deposits		130 738	144 241	56 144	303 625
7	Wholesale funding:		1 345 481	85 642	881 189	1 054 231
8	Operational deposits		0	0	0	0
9	Other wholesale funding		1 345 481	85 642	881 189	1 054 231
10	Interdependent liabilities		0	0	0	0
11	Other liabilities:	0	18 640	0	130 334	0
12	NSFR derivative liabilities	0	0	0	0	0
13	All other liabilities and capital instruments not included in the above categories		18 640	0	130 334	0
14	**Total available stable funding (ASF)**					**1 986 210**
	Required Stable Funding					
15	Total high-quality liquid assets (HQLA)					59 878
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		0	0	0	0
16	Deposits held at other financial institutions for operational purposes		0	0	0	0
17	Performing loans and securities:		174 343	93 699	1 219 198	1 191 687
18	Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut		427	0	0	0
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		18 434	9 434	62 419	68 979
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		75 034	41 452	664 671	623 213
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		0	0	0	0
22	Performing residential mortgages, of which:		0	0	0	0
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		0	0	0	0
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		80 447	42 814	492 108	499 495
25	Interdependent assets		0	0	0	0
26	Other assets:		69 018	1 903	315 442	338 008
27	Physical traded commodities		0	0	0	0
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		0	0	38 052	32 344
29	NSFR derivative assets		19 745	0	0	19 745
30	NSFR derivative liabilities before deduction of variation margin posted		32 894	0	0	1 645
31	All other assets not included in the above categories		16 379	1 903	277 391	284 275
32	Off-balance sheet items		155 419	0	0	7 771
33	**Total required stable funding (RSF)**					**1 597 344**
34	**Net Stable Funding Ratio (%)**					**124%**

March 2023 (in thousands of EUR)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	>= 1year	
	Available Stable Funding					
1	Capital items and instruments	618 815	0	0	5 560	621 031
2	Own funds	618 815	0	0	2 216	621 031
3	Other capital instruments		0	0	3 344	0
4	Retail deposits		100 610	103 995	42 334	226 479
5	Stable deposits		0	0	0	0
6	Less stable deposits		100 610	103 995	42 334	226 479
7	Wholesale funding:		1 259 379	38 506	794 621	966 507
8	Operational deposits		0	0	0	0
9	Other wholesale funding		1 259 379	38 506	794 621	966 507
10	Interdependent liabilities		0	0	0	0
11	Other liabilities:	0	24 500	465	149 062	0
12	NSFR derivative liabilities	0	0	0	0	0
13	All other liabilities and capital instruments not included in the above categories		24 500	465	149 062	0
14	**Total available stable funding (ASF)**					**1 814 017**
	Required Stable Funding					
15	Total high-quality liquid assets (HQLA)					43 648
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		0	0	0	0
16	Deposits held at other financial institutions for operational purposes		0	0	0	0
17	Performing loans and securities:		127 908	154 799	1 068 943	1 035 335
18	Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut		15 273	0	0	0
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		51 497	1 259	55 724	61 503
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		51 757	55 548	588 529	553 902
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		0	0	0	0
22	Performing residential mortgages, of which:		0	0	0	0
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		0	0	0	0
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		9 381	97 992	424 690	419 929
25	Interdependent assets		0	0	0	0
26	Other assets:		79 976	45	306 564	341 624
27	Physical traded commodities		0	0	0	0
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		0	0	39 146	33 274
29	NSFR derivative assets		32 821	0	0	32 821
30	NSFR derivative liabilities before deduction of variation margin posted		33 995	0	0	1 700
31	All other assets not included in the above categories		13 161	45	267 418	273 830
32	Off-balance sheet items		163 239	0	0	8 162
33	**Total required stable funding (RSF)**					**1 428 769**
34	**Net Stable Funding Ratio (%)**					**127%**

Table 49 – Net Stable Funding Ratio (EU LIQ2)

21 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 this document, in the Remuneration Policy of Haitong Bank, S.A. and in the Bank's Annual Report.

Remuneration Committee

The purpose of the Remuneration Committee is: (i) to provide informed and independent judgments concerning the remuneration policy and practices of the Bank and its affiliates, as well as the incentives created for risk, capital, and liquidity management purposes; and, (ii) to prepare decisions pertaining to remuneration, including those with implications in terms of the Bank's risks and risk management, which must be approved by the Shareholders' General Meeting and by the Board of Directors.

The Remuneration Committee consists of three members from the Board of Directors who do not serve on the Executive Committee. The majority of these members must be independent and are appointed by the Board of Directors.

The Remuneration Committee held four meetings in 2023.

Remuneration Policy

The dimension of scope in this Policy covers two aspects. The first aspect is to apply rules to the following groups of staff and Corporate Bodies:

i. All employees of the Bank, its branches and subsidiaries;
ii. The employees whose professional activities have a material impact on the Bank's risk profile ("Identified Staff"), as defined by the Commission Delegated Regulation (EU) 2021/923 of 25th of March 2021, including the staff responsible for Control Functions and members of senior management;
iii. The members of the Corporate Bodies;
iv. Staff members whose remuneration is equal to or greater than EUR 500 000 and equal to or greater than the average remuneration awarded to the members of the management body and senior management referred to in point ii) above.

The second aspect covered by this Policy is to provide guidance and limits to govern the behaviour and practices in relation to remuneration, including staff individual agreements.

With regards to the rules exclusively applicable to subsidiaries of Haitong Bank, each subsidiary has a specific Remuneration Policy, designed as an appendix to this Policy, detailing the specific local rules, which will prevail and apply to the respective subsidiary.

For the purposes of Article 115º-C / 2 b) to e) of RGICSF, it is required to (at least) annually define the employees with potential impact on the Bank's risk profile, according to the criteria set out in the Commission Delegated Regulation (EU) 2021/923 of 25th of March 2021.

Key features and objectives of the Remuneration Policy:

- Human Resources is responsible for the periodic update of these rules, with inputs from other relevant parties, such as the Finance, Legal, Compliance and Risk Management functions;
- The Compliance Department is responsible for monitoring the Compliance with the Policy;
- The Remuneration Committee reviews the Policy annually and provides an independent advice to the Shareholders meeting, which is the ultimate Corporate Body to approve this Policy;
- The Remuneration Committee prepares an annual assessment report of the Remuneration Policy, to present to the Supervisory Board[5], the Board of Directors and the General Meeting. This report will include a description of the measures taken to correct detected deficiencies, if any, and will be made available to the supervisory authorities upon request;
- The remuneration of the Bank's employees includes two components: fixed remuneration and variable remuneration. Fixed remuneration corresponds to fixed compensation paid regularly to employees during each year for their services;
- The fixed remuneration budget should be incorporated within the Bank's annual budget process. The total expenditure on fixed remuneration should not exceed the approved budget unless there is legitimate approval. The variable remuneration depends on the sustainable and risk-adjusted performance of the Bank in the appraised year;
- The global variable remuneration pool shall be established every year according to the rules and procedure expressed in the Variable Remuneration Assessment Policy of Haitong Bank.

The Bank does not support any discretionary pension plan schemes nor issues any kind of securities or financial instruments that may be used for purposes of variable remuneration. Variable remuneration is paid in cash, observing the deferral rules described in section 7.

The Remuneration Policy underwent its latest review by the Remuneration Committee on March 31, 2023, and was subsequently approved by the Shareholder's Meeting on April 25, 2023.

When revising Haitong Bank S.A.'s Remuneration Policy, the primary objective was to ensure its compliance with the relevant regulations, namely Article 44º and 53º of Notice no. 3/2020, Article 115º of the RGICSF – all issued by the Bank of Portugal – as well as the sound remuneration policy guidelines outlined in EBA (GL/2021/04) and the EU Directive 2019/878 (CRD V):

i. Section 1 - Objective
   a. Amend item b) to reference the guidelines EBA GL/2021/04 (replacing EBA GL 2015/22), which are aligned with Directive EU 2019/878/EU (CRD V);;
ii. Section 2 – Recipients
   a. Additional details were incorporated in item a) iv. to provide further specificity regarding the scope of the Policy;
iii. Section 7 - Rules for Deferring Payment of Variable Remuneration:
   a. Extended the deferral period for the variable remuneration component from 3 years to 4 years;

[5] In 29/12/2023 the General Shareholders meeting deliberated the replacement of the Supervisory Board by the Audit Committee

b. The deferred payments will be disbursed in four instalments, with the percentages for each instalment of the deferred components adjusted to 25%;
c. Inclusion of the "Exemption Conditions" sub-section.

The criteria used for performance measurement and *ex ante* and *ex post* risk adjustment was:

- Variable remuneration depends on the sustainable and risk-adjusted performance of the Bank in the appraised year;
- At least 50% of the variable remuneration component will be deferred over a 4-year period;
- This percentage should be increased to 60% when the amount of variable remuneration represents more than 100% of the fixed remuneration;
- In accordance with EU Directive 2019/878 (CRD V), article 94, employees can be exempted from deferral rule if their awarded variable remuneration at a certain financial year observes the following conditions:
    - Condition 1: awarded variable remuneration is equal or lower than Eur 50,000;
    - Condition 2: awarded variable remuneration is equal or lower than one third of their total annual remuneration.
- Variable remuneration is subject to *malus* or *clawback* arrangements. The Bank observes specific criteria, in accordance with the applicable regulations and the "Haitong Bank S.A. Remuneration Policy", as described in section "*8. Revocation Of Deferred Components*" of said Policy.

As per the Bank's Remuneration Policy, under section "5. Regulatory Requirements", "*To provide for the independence of Control Function employees in relation to the structure units they oversee. The independence requirement aims at ensuring that their remuneration, which is overseen directly by the Remuneration Committee, is determined independently from the performance of the business units they control and is based on the objectives linked solely to their functions*".

Guaranteed variable remuneration is forbidden, except in the case of recently hired staff. In this case, it can only be awarded during the first year of activity.

The ways in which current and future risks are taken into account in the remuneration processes:

- In what regards fixed remuneration budget, it is incorporated within the Bank's annual budget process. The total expenditure on fixed remuneration should not exceed the approved budget unless there is legitimate approval by the relevant body. Variable remuneration depends on the sustainable and risk-adjusted performance of the Bank in the appraised year;
- Employees shall not, directly or indirectly, use any kind of instruments intended to hedge the risk of a downward adjustment in remuneration (e.g. buying an insurance contract which compensates the staff member in the event of a downward risk adjustment in the deferred portion of the variable remuneration).
- The Bank should test the capacity of the remuneration system implemented to react to external and internal events, using various possible scenarios and back testing the model used for such purpose;

- The Remuneration Committee verifies the testing of the capacity of the remuneration system to react to external and internal events, using various possible stress scenarios, ensuring that the remuneration system properly takes into account all types of risks, liquidity and capital levels.

The individual variable remuneration awarded in each given year cannot exceed the amount of the fixed remuneration in that year. Exceptionally, the Bank may approve to raise this limit up to a maximum of twice the fixed component of the individual remuneration. To this effect, the Executive Committee must submit a detailed proposal for approval by the Shareholders Meeting, specifying 1) the proposed amounts, 2) the proposed staff member(s) affected, and 3) the rationale for the proposal. The Bank of Portugal will be informed of this proposal and the decision outcome.

Haitong Bank seeks to link performance during a performance measurement period with the levels of remuneration by taking into account that:

- Variable Remuneration aims to reward performance and works as an incentive to employees. It also aligns the interests of employees with those of the various stakeholders, including those of the ultimate shareholder, towards the long-term sustainability of the Bank;
- Variable remuneration is based on a combination of the assessment of the performance of the individual, and of the business unit concerned, as well as the overall results of the Bank on a given year;
- Variable remuneration depends on the sustainable and risk-adjusted performance of the Bank in the appraised year;
- Variable remuneration is subject to malus or clawback arrangements. The Bank observes specific criteria, in accordance with the applicable regulations and the "Haitong Bank S.A. Remuneration Policy", as described in section "8. Revocation of Deferred Components" of said Policy.

Haitong Bank incorporates long term performance into the remuneration by abiding to the following rules:

- At least 50% of the variable remuneration component will be deferred over a 4-year period;
- This percentage should be increased to 60% when the amount of variable remuneration represents more than 100% of the fixed remuneration;
- The deferred payments shall be made in four instalments, according to the following scheme:
  - Upfront Payment paid in the awarded year: $Total\ awarded\ Variable\ Remuneration$ ×50%
  - Payment of Deferred Components

    N+1 - $(Total\ awarded\ Variable\ Remuneration - Upfront\ Payment)$ ×25%

    N+2 - $(Total\ awarded\ Variable\ Remuneration - Upfront\ Payment)$ ×25%

    N+3 - $(Total\ awarded\ Variable\ Remuneration - Upfront\ Payment)$ ×25%

    N+4 - $(Total\ awarded\ Variable\ Remuneration - Upfront\ Payment)$ ×25%

- In accordance with EU Directive 2019/878 (CRD V), article 94, employees can be exempted from deferral rule if their awarded variable remuneration at a certain financial year observes the following conditions:

- Condition 1: awarded variable remuneration is equal or lower than Eur 50,000;
- Condition 2: awarded variable remuneration is equal or lower than one third of their total annual remuneration.

- Any variable remuneration payment which has been revoked is considered irreversibly cancelled.
- The right of revocation is assessed each calendar year and applies to the deferred component of the variable remuneration on that specific year in analysis.
- Revocation on Employee's Own Initiative:
  i. The Identified Staff member voluntarily leaves the Bank;
  ii. The executive member of the Board of Directors voluntarily terminates his or her mandate before the end of respective term;
  iii. Under the circumstance that a staff member of Haitong Bank Group is seconded or transferred to another Haitong Group entity, this event is not considered as revocation on employee's own initiative.
- Revocation Due to Other Reasons
  i. Collective Events:
     - Under the circumstance that the payment of the deferred variable remuneration triggers the breach of certain regulatory capital and liquidity ratios, then the shareholder has the right to completely revoke such payment in that given year;
     - The regulatory capital and liquidity ratios are: Total Capital Ratio, Common Equity Tier 1 ratio (CET1), Liquidity Coverage ratio (LCR) and Net Stable Funding ratio (NSFR).
  ii. Individual Events:
     - With robust disciplinary investigation, the Board of the Directors has the right to completely revoke the deferred variable remuneration if a certain employee breaches Haitong Bank's Code of Conduct or the following events:
       - Evidence of misconduct or serious error by the relevant Identified Staff member;
       - The Identified Staff member was responsible for a significant downturn in the financial performance of his business unit;
       - The Identified Staff member was responsible for a significant failure of risk management;
       - Any regulatory sanctions where the conduct of the Identified Staff member contributed to the sanction;
       - The Identified Staff concerned ceased to comply with suitability criteria (for executive member of the Board of Directors);
       - The Identified Staff leaves the Bank through dismissal with due cause;
       - The executive member of the Board of Directors concerned ceased to comply with suitability criteria;
       - The executive member of the Board of Directors concerned was suspended of office for reasons attributable to the executive member.

Variable Remuneration is fully paid in cash and the schema is described in the Variable Remuneration Assessment Policy of Haitong Bank S.A.

The calculation of the Variable Remuneration pool for a given year is based on a formula that incorporates the Earnings Before Taxes ("EBT"), the effective result of the KPI achievement for the year in appraisal and other specific factors which are applied in the formula considering the Bank's different business areas.

No special payments to Haitong Bank identified staff was done in 2023.

The following tables detail the quantitative information required on remuneration:

(in thousands of EUR)		MB Supervisory function	MB Management function	Other senior management	Other identified staff
Fixed remuneration	Number of identified staff	7	5	58	3
	Total fixed remuneration	425	1 822	7 591	203
	Of which: cash-based	425	1 822	7 591	203
	(Not applicable in the EU)				
	Of which: shares or equivalent ownership interests	0	0	0	0
	Of which: share-linked instruments or equivalent non-cash instruments	0	0	0	0
	Of which: other instruments	0	0	0	0
	(Not applicable in the EU)				
	Of which: other forms	0	0	0	0
	(Not applicable in the EU)				
Variable remuneration	Number of identified staff	0	0	49	3
	Total variable remuneration	0	0	1 294	37
	Of which: cash-based	0	0	1 294	37
	Of which: deferred	0	0	309	0
	Of which: shares or equivalent ownership interests	0	0	0	0
	Of which: deferred	0	0	0	0
	Of which: share-linked instruments or equivalent non-cash instruments	0	0	0	0
	Of which: deferred	0	0	0	0
	Of which: other instruments	0	0	0	0
	Of which: deferred	0	0	0	0
	Of which: other forms	0	0	0	0
	Of which: deferred	0	0	0	0
Total remuneration		**425**	**1 822**	**8 885**	**239**

Table 50 – Remuneration awarded for the financial year (EU REM1)

Deferred and retained remuneration (in thousands of EUR)	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
MB Supervisory function	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cash-based	0	0	0	0	0	0	0	0
Shares or equivalent ownership interests	0	0	0	0	0	0	0	0
Share-linked instruments or equivalent non-cash instruments	0	0	0	0	0	0	0	0
Other instruments	0	0	0	0	0	0	0	0
Other forms	0	0	0	0	0	0	0	0
MB Management function	**949**	**405**	**544**	**0**	**0**	**0**	**0**	**0**
Cash-based	949	405	544	0	0	0	0	0
Shares or equivalent ownership interests	0	0	0	0	0	0	0	0
Share-linked instruments or equivalent non-cash instruments	0	0	0	0	0	0	0	0
Other instruments	0	0	0	0	0	0	0	0
Other forms	0	0	0	0	0	0	0	0
Other senior management	**872**	**402**	**470**	**0**	**0**	**0**	**0**	**0**
Cash-based	872	402	470	0	0	0	0	0
Shares or equivalent ownership interests	0	0	0	0	0	0	0	0
Share-linked instruments or equivalent non-cash instruments	0	0	0	0	0	0	0	0
Other instruments	0	0	0	0	0	0	0	0
Other forms	0	0	0	0	0	0	0	0
Other identified staff	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cash-based	0	0	0	0	0	0	0	0
Shares or equivalent ownership interests	0	0	0	0	0	0	0	0
Share-linked instruments or equivalent non-cash instruments	0	0	0	0	0	0	0	0
Other instruments	0	0	0	0	0	0	0	0
Other forms	0	0	0	0	0	0	0	0
Total amount	**1 821**	**807**	**1 014**	**0**	**0**	**0**	**0**	**0**

Table 51 – Deferred remuneration (EU REM3)

No employee was awarded one million Euros or more regarding the 2023 financial year compensation.

(in thousands of EUR)	Management body remuneration			Business areas				Independent internal control functions	All other	Total
	MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions			
Total number of identified staff										79
Of which: members of the MB	10	5	15							
Of which: other senior management				13	4	2	25	17	0	
Of which: other identified staff				0	0	0	0	3	0	
Total remuneration of identified staff	425	2 781	3 207	2 605	690	330	4 011	1 849	0	
Of which: variable remuneration	0	959	959	597	141	12	734	206	0	
Of which: fixed remuneration	425	1 822	2 248	2 008	548	318	3 276	1 643	0	

Table 52 – Information on remuneration of staff whose professional activities have a material impact on institution's risk profile (identified staff) (EU REM5)

No severance payments were awarded in 2023 financial year.

The Bank benefits from the derogation laid down in point b) of number 3 of Article 94 of Directive 2013/36/EU, applied to:

- point (l) of Article 94(1) CRD: as stated in number 6.2.2., number 2, regarding Variable Remuneration, all variable remuneration paid by the Bank is in cash, applicable to all employees and members of the Corporate Bodies
- point (m) of Article 94(1) CRD: this derogation benefits 264 employees, with a total remuneration of EUR 19,048 thousand (from which Fixed Remuneration amounts to EUR 16,962 thousand and Variable Remuneration corresponds to EUR 2,086 thousand).