HAITONG BANK, S.A.

Market Discipline

Annual Report: 2022

(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 2022 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

Lin Yong

Wu Min

Alan Fernandes

Miguel Guiomar

Nuno Carvalho

Vasco Câmara Martins

António Domingues

Martina Garcia

Pan Guangtao

Paulo Martins

Vincent Camerlynck

Zhang Xinjun

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

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

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

3 SCOPE AND BASIS OF CONSOLIDATION FOR ACCOUNTING AND PRUDENTIAL PURPOSES

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

Name of the entity	Incorporation Date	Acquisition Date	Headquarters	Activity	% Economic interest	Method of accounting consolidation
Haitong Bank, S.A.	**1983**	**-**	**Portugal**	**Bank**	**100%**	**Full consolidation**
Haitong Global Asset Management SGOIC, S.A.	1988	1996	Portugal	Venture capital	100%	Full consolidation
Haitong Anciliary Services	2004	2021	Poland	Banking Ancillary Services	100%	Full consolidation
Haitong Banco de Investimento do Brasil S.A.	2000	2000	Brazil	Investment bank	80%	Full consolidation
FI Multimercado Treasury	2005	2005	Brazil	Investment fund	80%	Full consolidation
Haitong Negócios, SA	2004	2004	Brazil	Asset management	80%	Full consolidation
Haitong do Brasil DTVM, SA	2009	2010	Brazil	Asset management	80%	Full consolidation
Haitong Securities do Brasil S.A.	2000	2000	Brazil	Brokerage house	80%	Full consolidation

Table 1 – Haitong Bank's scope of consolidation

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 2022, and the main changes made to the group's structure are set forth below.

Subsidiaries

- In January 2022, through public deed, formally started the liquidation process of Haitong Ancillary Services;
- In January 2022 Haitong Banco de Investimento do Brasil S.A. fully subscribed the capital increase of Fundo FI Multimercado Treasury, which corresponded to an investment of 15 000 thousand reais;
- In March 2022 Haitong Banco de Investimento do Brasil S.A. fully subscribed the capital increase of Fundo FI Multimercado Treasury, which corresponded to an investment of 70 000 thousand reais.

In 2022, Haitong Capital - Sociedade de Capital de Risco, SA was renamed Haitong Global Asset Management – SGOIC, SA and was formally transformed into an asset management company to concentrate, alongside the private equity business the asset management business and act as external manager of collective investment undertakings.

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 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.

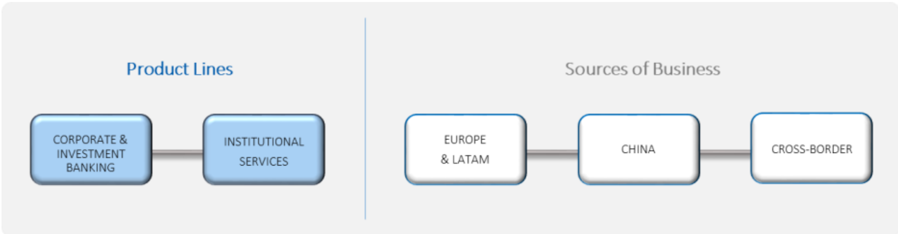

Figure 1 – Haitong Bank's business strategy

Haitong Bank' strategy is underpinned by 3 drivers:

- Historical franchises in Iberia, Poland, UK and Brazil;
- A China angle, reinforced by the Macau Branch; and
- A cross-border focus.

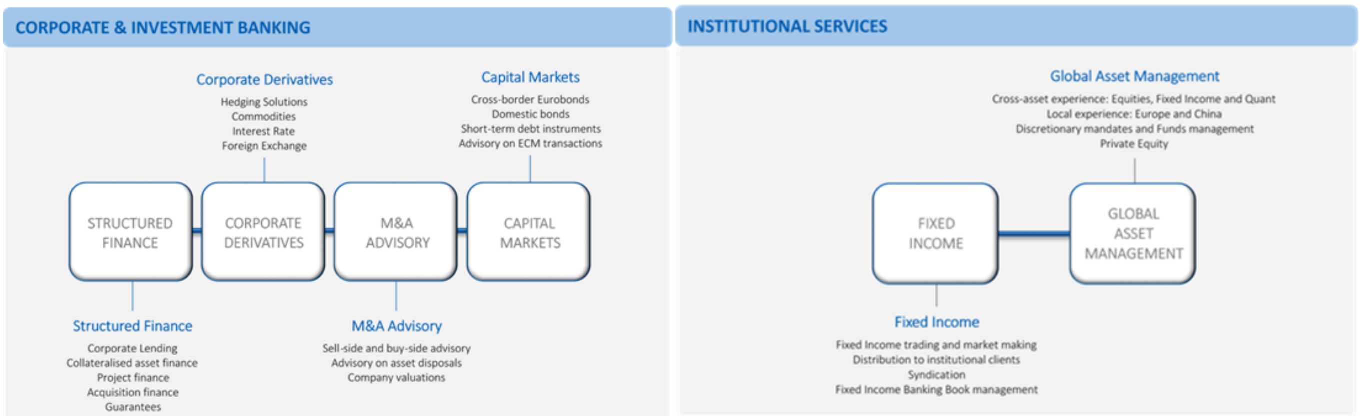

Figure 2 – Haitong Bank's business model

Corporate Solutions

The Corporate Solutions Division is responsible for corporate client coverage and business origination. This Division partners with clients to ensure the best corporate and investment banking solutions. Haitong Bank holds a unique business positioning combining a differentiating China angle with a deep-rooted presence in various domestic markets in Europe and Latin America.

The Corporate Solutions Division plays a pivotal role in the Bank's strategy underpinned by the sustainable growth of the client franchise in the various regions where it has a presence.

Capital Markets

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

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

The Equity Capital Markets (ECM) area comprises privatisations, initial public offerings (IPOs), capital increases, takeover offers and delisting, as well as equity-linked instruments, such as convertible bonds for corporate clients.

The Capital Markets business area is mainly focused on DCM activities with residual ECM origination on a case-by-case analysis. The DCM business strategy is based on two pillars:

- Historical franchise (local debt issuance in Portugal, Spain, Poland, Brazil and Macau), leveraging on its local underwriting, structuring and distribution capabilities.
- China-related business, leveraging on Haitong's group-wide origination and Haitong Bank's underwriting, structuring and distribution capabilities.

The Bank is well positioned to play the "China House" role, leveraging on its prominence over the last four years in EUR and USD-denominated transactions for Chinese issuers. 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 and provides services to its clients through the following main activities:

- Structuring, arranging and underwriting debt facilities – mainly focusing on structured finance solutions and China-related transactions, including acquisition finance and project finance-related deals in the real estate, infrastructure and energy sectors;
- Structuring of financing operations through bond issues under a project finance regime ("Project Bonds");
- Financial advisory services;
- Post-closing services – portfolio management and agency roles; and

- Bank guarantees.

Haitong Bank’s Structured Finance business proposition and strategy are driven by the potential for China-related new business origination as well as by the Bank’s local positioning and execution capabilities in Europe and LatAm. Taking advantage of Haitong Bank’s expertise in project finance and in the infrastructure sector, a particular focus is placed on cross-border business opportunities in coordination with Haitong Group and other investors.

Mergers and Acquisitions

Haitong Bank's M&A Division provides financial advisory services on the acquisition, sale or merger of companies. This Division also provides services such as valuations, restructuring and feasibility studies. The Bank’s M&A 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 supports Chinese companies in the execution of their internationalization strategy in Europe and Latin America.

Haitong Bank’s M&A business has become more cross-border in an increasingly competitive environment. In this context, the Bank is broadening its geographical scope to provide these services on a more global and integrated scale. As such, the dissolution of the local M&A divisions in Portugal and Spain and the creation of a new division called “Sino-EU M&A Department”, responsible for all Haitong Bank M&A business between China and the Eurozone, was implemented in 2022.

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.

Fixed Income’s main areas of operation allow the Division 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 is focused on adding the Chinese Angle to its current offer to become an important player in Chinese products. Building a strong bridge with Chinese professionals and having dynamic teams in its different offices will enable the Bank to create important 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, taking into account the risk profile defined by each mandate and the limits established for them.

The strategy is to expand this business activity in both the equities and the fixed income portfolios. The Bank’s strong track record in the European equity portfolio is a key comparative advantage to drive Assets under Management (AuM) upwards, combined with the enhancement of the fixed income reach of Haitong Group.

Private Equity

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

HGAM is changing its business model, with the aim of focusing on broad asset management activities beyond the pure private equity focus. From a legal standpoint, the change of the business scope occurred during the first quarter of 2022 after completing the sale of HGAM´s last portfolio company. In the fourth quarter of the year, another milestone was accomplished with the implementation of a new IT system for portfolio management that will support HGAM´s enlarged scope of activity.

Going forward, HGAM will incorporate the asset management business that has been carried out by Haitong Bank. HGAM’s strategy 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.

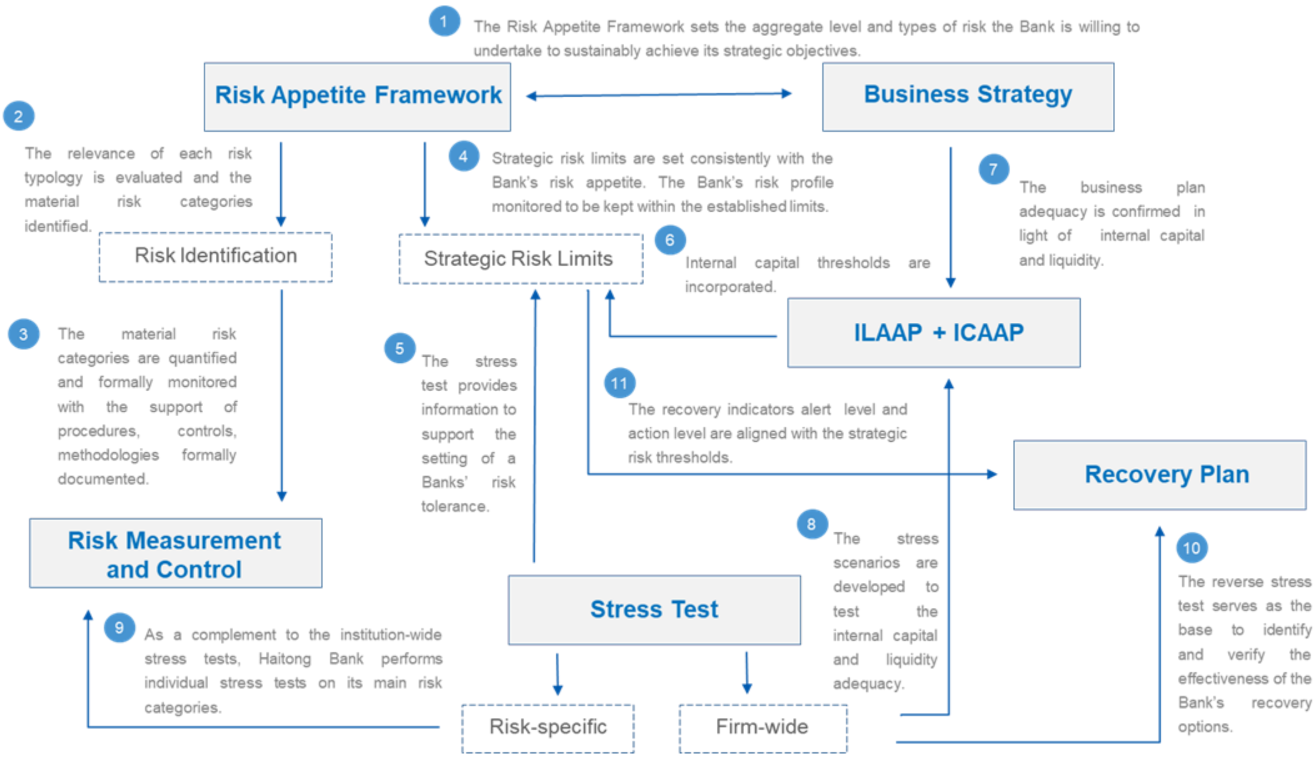

Figure 3 – Haitong Bank Risk Architecture

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. 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 International Securities Co. Ltd.			531	
Haitong International (UK) Limited		54		
Haitong Investment Ireland PLC	47 923	8 270	607	916
Haitong Private Equity Fund	114	5 842	222	1
Total	**48 037**	**14 166**	**1 360**	**917**

Table 2 – Related parties transactions – Haitong Securities Group

(in thousands ofEUR)	Assets	Liabilities	Income	Expenses
Mota-Engil SGPS	14 919	18	217	198
Total	**14 919**	**18**	**217**	**198**

Table 3 – 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)	31.12.2022	30.09.2022	30.06.2022	31.03.2022	31.12.2021
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	428 416	-	434 907	-	433 264
2	Tier 1 capital	535 120	-	541 496	-	540 195
3	Total capital	537 336	-	543 559	-	542 216
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	2 466 341	-	2 417 249	-	2 297 225
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	17,4%	-	18,0%	-	18,9%
6	Tier 1 ratio (%)	21,7%	-	22,4%	-	23,5%
7	Total capital ratio (%)	21,8%	-	22,5%	-	23,6%
	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%	-	5,0%	-	5,0%
EU 7b	of which: to be made up of CET1 capital (percentage points)	2,3%	-	2,8%	-	2,8%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	3,0%	-	3,8%	-	3,8%
EU 7d	Total SREP own funds requirements (%)	12,0%	-	13,0%	-	13,0%
	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 (%)	0,1%	-	0,0%	-	0,0%
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 (%)	2,6%	-	2,5%	-	2,5%
EU 11a	Overall capital requirements (%)	14,6%	-	15,5%	-	15,5%
12	CET1 available after meeting the total SREP own funds requirements (%)	10,6%	-	10,7%	-	11,5%
	Leverage ratio					
13	Total exposure measure	4 382 518	-	3 606 739	-	3 174 342
14	**Leverage ratio (%)**	12,2%	-	15,0%	-	17,0%
	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)	727 031	737 729	729 746	723 252	724 096
EU 16a	Cash outflows - Total weighted value	369 703	393 763	410 458	404 228	383 330
EU 16b	Cash inflows - Total weighted value	109 646	110 570	114 609	103 618	81 160
16	Total net cash outflows (adjusted value)	260 057	283 193	295 849	300 610	302 171
17	**Liquidity coverage ratio (%)**	**296%**	**284%**	**270%**	**263%**	**247%**
	Net Stable Funding Ratio					
18	Total available stable funding	1 973 222	2 090 402	2 165 330	2 075 764	2 088 029
19	Total required stable funding	1 361 797	1 390 143	1 500 187	1 498 906	1 468 677
20	**NSFR ratio (%)**	**145%**	**150%**	**144%**	**138%**	**142%**

Table 4 – Haitong Bank's key metrics (EU KM1)

As of December 2022, 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.

In February 2022, Bank of Portugal reduced the SREP add-on requirement to 4%, starting from July, 1, 2022.

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

Credit Risk

Credit risk is the potential financial loss arising from the failure of an obligor or counterparty to honour its contractual obligation. As the major risk to which the Bank is exposed, credit risk management and control are supported by a complete system that permits it to identify, assess, quantify and report risks.

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

Internal ratings

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

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

Monitoring

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

In this context, and with the central goal of complying with the Risk Appetite Framework established by the Board of Directors, the credit risk monitoring function 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 is the possibility of occurrence of losses in on- and off-balance sheet positions resulting from adverse movements in market prices, specifically, equity, interest rates, foreign exchange rates and credit spreads. In the development of its activities, Haitong Bank is exposed to market risk in both its trading and banking books.

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

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

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

To provide the organisation with a clear understanding of the market risks incurred and of 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 by considering an historical simulation VaR, based on a 10 day holding period, a one year historical observations and a 99% confidence interval.

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 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 1 year time horizon.

Changes in interest rates can affect the underlying economic value of the Bank's assets, liabilities and off-balance sheet instruments, 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.

Credit Spread Risk

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.

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 be broadly 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, 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 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.

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.

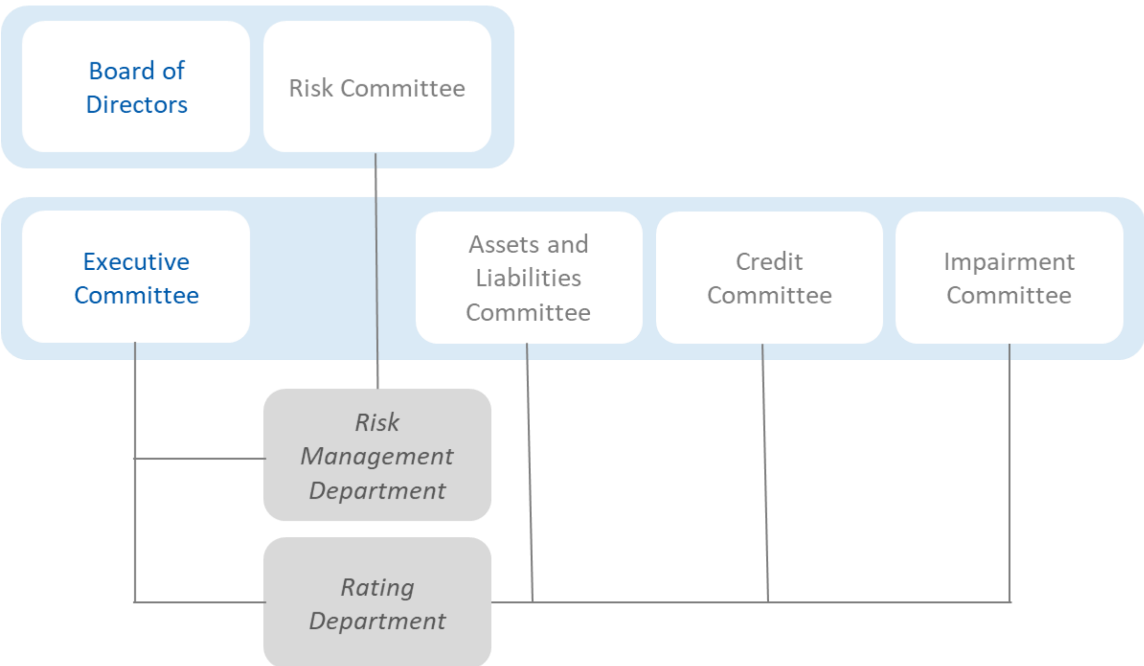

Figure 4 – Risk Management Framework

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

Risk Committee

The Risk Committee of the Bank is appointed by the Board of Directors and is composed of 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 2022, the Risk Committee held 9 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. Other members include the Executive Board Member responsible for Risk Management, the Treasury Department Head, the Head of Risk Management Department, the Head of the Finance Department, the Head of the CEO Office, the Head of Corporate Solutions, the Head of Structured Finance, and the Head of the Fixed Income Division and the Head of Corporate Derivatives Desk.

During 2022, the Assets and Liabilities Committee held 5 (five) meetings.

Credit Committee

The Credit Committee is the Bank's committee established by the Executive Committee with the authorization of the Board of Directors that is responsible for issuing non-binding opinions regarding operations that shall be submitted, respectively, for the Executive Committee's or for the Board of Directors' assessment in accordance with the Risk Appetite Framework ("RAF") approved by the Board of Directors.

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

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

During 2022 the Credit Committee held 51 (fifty one) meetings.

Impairment Committee

The Impairment Committee of Haitong Bank is responsible for the analysis and proposal of impairment amounts to be assigned to credit clients subject to individual analysis, covering the Bank's financial instruments subject to impairment requirements, accounted at amortized cost and/or fair-value through other comprehensive income ("FVOCI") and with impairment triggers (i.e., under-performing and non-performing exposures).

The Impairment Committee also analyzes the most significant exposures in order to confirm that the largest debtors do not display any warning signals that could determine a reclassification to Stage 2.

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

The Impairment Committee has consultative powers and issues recommendations which are submitted for the Executive Committee approval. The duties of the Impairment Committee cover all entities of the Haitong Bank Group.

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

During 2022, the Impairment Committee held 11 (eleven) 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, 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;
- 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 the 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.

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;
- Weekly risk reporting with an overview of the Bank's market risk and limits utilization;

- Monthly report of the Bank's Global VaR and Stop Loss exposures vis-à-vis the approved limits;
- Monthly report of the Bank's interest rate risk of the banking book.

Operational Risk

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

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

Liquidity Risk

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

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

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 entering into derivatives transactions that partially or completely offset the risk and/or closing of positions. The Risk Management Department monitors and reports to the different risk taking units exposure to market risk to ensure compliance with the established limits.

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

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

Haitong Bank's liquidity risk mitigation techniques include:

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

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

- Products, Services and Processes Sign-off: the review and assessment of new products, activities, processes and systems prior to its release or deployment is particularly relevant for the mitigation of reputational risk;
- Losses 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 2022, both in Haitong Group companies and not and both executive and non-executive:

Board of Directors	Number of directorship positions
Chairman	
Lin Yong	7
Members	
Wu Min	3
Alan Fernandes	6
Miguel Guiomar	4
Nuno Carvalho	3
Vasco Câmara Martins	1
António Domingues	3
Martina García	2
Pan Guangtao	6
Paulo Martins	4
Vincent Camerlynck	4
Zhang Xinjun	6

Table 5 – Number of directorships held by the members of the Board of Directors

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

The Policy on the Selection and Assessment of Members of the Board of Directors, Supervisory Board and Key Function Holders of Haitong Bank, S.A." (hereinafter "Policy on Selection and Assessment") was updated and approved by General Meeting resolution on the 29th of April 2022. This Policy aims at complying with provisions in Article 30-A/2 of the Legal Framework of Credit Institutions and Financial Companies (hereinafter "RGICSF") and ensuring that Haitong Bank adopts the highest national and international standards of governance of credit institutions.

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

The Policy on 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 remedying of conflicts of interest;
vi) Assurance that continuous training plan means are made available.

The aforementioned Policy establishes also that the Board of Directors and the Supervisory Board 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.

In its Selection and Assessment Policy, Haitong Bank commits to having 30% of women represented in the following positions by 2022:

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

By the end of 2022, within the Bank's management bodies and key function holders, around 31% 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/selection-assessment-policy-2023.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 2022 Annual Report is prepared in accordance with IFRSs.

The table below provides a full reconciliation of the balance sheet figures between the financial accounting statements and the prudential treatment, allocated to the different risk frameworks.

31 Dec. 2022		Carrying values of items					(in thousands of EUR)	
	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	Balance amounts used for Own funds	(*)
Assets								
Cash and deposits at central banks	25 828	25 828	-	-	-	-	-	
Financial assets at fair value through profit or los	**811 079**	**16 538**	**48 938**	**-**	**794 541**	**-**	**-**	
Financial assets held-for-trading	794 541	-	48 938	-	794 541	-	-	
Securities	745 603	-	-	-	745 603	-	-	(k)
Derivatives financial assets	48 938	-	48 938	-	48 938	-	-	(k)
Non-trading financial assets mandatorily ar fair value through profit or loss	16 538	16 538	-	-	-	-	-	
Securities	16 518	16 518	-	-	-	-	-	(k)
Loans and advances to customers	20	20	-	-	-	-	-	(k)
Financial assets at fair value through other comprehensive income	**295 493**	**295 493**	**-**	**-**	**-**	**-**	**-**	(k)
Financial assets measured at amortised cost	**1 983 622**	**1 983 622**	**-**	**-**	**-**	**-**	**-**	
Securities	721 519	721 519	-	-	-	-	-	
Loans and advances to banks	490 318	490 318	-	-	-	-	-	
Loans and advances to customers	771 785	771 785	-	-	-	-	-	
Hedging derivatives	-	-	-	-	-	-	-	
Non-current assets held-for-sale	-	-	-	-	-	-	-	
Other tangible assets	14 678	14 678	-	-	-	-	-	
Intangible assets	2 666	-	-	-	-	2 666	-	(h)
Investments in associated companies	-	-	-	-	-	-	-	
Tax assets	132 440	48 683	-	-	-	83 757	-	
Current income tax assets	22 550	-	-	-	-	22 550	-	
Deferred income tax assets	109 890	48 683	-	-	-	61 207	-	(e) (j) (n)
Other assets	150 314	133 479	-	-	-	16 835	-	(o)
Total Assets	**3 416 120**	**2 518 320**	**48 938**	**0**	**794 541**	**103 258**	**0**	
Liabilities								
Financial liabilities held-for-trading	**39 556**	**-**	**39 459**	**-**	**39 556**	**-**	**-**	
Securities	97	-	-	-	97	-	-	(i)
Derivatives financial liabilities	39 459	-	39 459	-	39 459	-	-	(i)
Financial liabilites Measured at amortised cost	**2 643 228**	**641 144**	**-**	**-**	**-**	**2 002 084**	**-**	
Resources from credit institutions	1 354 051	618 521	-	-	-	735 530	-	
Resources from customers	747 140	22 623	-	-	-	724 517	-	
Debt securities issued	542 037	-	-	-	-	542 037	-	
Provisions	19 111	-	-	-	-	19 111	-	
Tax liabilities	13 270	-	-	-	-	13 270	-	
Current income tax liabilities	7 476	-	-	-	-	7 476	-	
Deferred income tax liabilities	5 794	-	-	-	-	5 794	-	
Other liabilities	72 919	-	-	-	-	72 919	-	
Total Liabilities	**2 788 084**	**641 144**	**39 459**	**0**	**39 556**	**2 107 384**	**0**	
Equity								
Share capital	863 279						863 279	(a)
Share premium	8 796						8 796	(a)
Other equity instruments	105 042						105 042	(d)
Fair-value reserves	(10 605)						(10 605)	(b)
Other reserves and retained income	(370 665)						(370 665)	(b)
Net profit/(loss) of the year attributable shareholders of the parent company	11 107						11 107	(c)
Total equity attributable to the shareholders of the parent company	**606 954**							
Non-controlling interests	21 082						11 633	(f) (g) (m)
Total Equity	**628 036**							
Total Equity and Liabilities	**3 416 120**							

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

Table 6 – Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories (EU LI1)

31 Dec. 2022		Items subject to			(in thousands of EUR)
	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)	3 312 862	2 518 320	-	48 938	794 541
Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)	680 700	641 144	-	39 459	39 556
Total net amount under the scope of prudential consolidation	2 632 162	1 877 176	-	9 479	754 985
Off-balance-sheet amounts	355 826	355 826	-	-	-
Differences in valuations	(1 133)	-	-	-	-
Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
Differences due to consideration of provisions	(26 628)	(26 628)	-	-	-
Differences due to the use of credit risk mitigation techniques (CRMs)	(560 433)	-	-	-	-
Differences due to credit conversion factors	(105 630)	(105 630)	-	-	-
Differences due to Securitisation with risk transfer	-	-	-	-	-
Other differences	-	-	-	-	-
Exposure amounts considered for regulatory purposes	**3 733 032**	**2 968 568**	**-**	**9 479**	**754 985**

Table 7 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements (EU LI2)

A description of the main components of Haitong Bank Own Funds as of December 31, 2022, is given below. This is described in Note 33 of the 2022 Annual Report.

Share Capital

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

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

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

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

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

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

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

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

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

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. This share capital increase, 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, relating to the fiscal year 2015, issued under the REAID (Regime Especial aplicável aos Ativos por Impostos Diferidos – Deferred Tax Assets Special Regime).

As at 31st December 2022, the share capital of Haitong Bank amounts to 863,279 thousand euros (December 2021: 844,769 thousand euros) and is represented by 172,655,745 shares (December 2021: 168,953,800 shares) with the nominal value of 5 euros each, fully held by Haitong International Holdings Limited.

Share premium

As at 31st December 2022 and 2021, 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.

During 2022, and 2021, the Group haven't paid interest.

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

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

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

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

On December 31, 2022, Haitong Bank's Regulatory Own Funds and deductions were as follows:

(in thousands of EUR)		Amounts at 31 Dec. 2022	Source based on reference numbers of the balance sheet under the regulatory scope of
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	872 075	(a)
2	Retained earnings	0	
3	Accumulated other comprehensive income (and other reserves)	-381 271	(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)	7 756	(f)
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	11 107	(c)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	509 667	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	-1 133	∑(k) ∑(i) (l)
8	Intangible assets (net of related tax liability) (negative amount)	-2 666	(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)	-61 207	(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)	-16 835	(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 adjusments	590	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-81 251**	
29	**Common Equity Tier 1 (CET1) capital**	**428 416**	

(in thousands of EUR)		Amounts at 31 Dec. 2022	Source based on reference numbers of the balance sheet under the regulatory scope of
	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	1 662	(g)
35	of which: instruments issued by subsidiaries subject to phase out	0	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	106 704	
	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	
41	Not applicable	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**	106 704	
45	**Tier 1 capital (T1 = CET1 + AT1)**	535 120	
	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	2 216	(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**	2 216	
	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**	2 216	
59	**Total capital (TC = T1 + T2)**	537 336	
60	**Total risk exposure amount**	2 466 341	

(in thousands of EUR)		Amounts at 31 Dec. 2022	Source based on reference numbers of the balance sheet under the regulatory scope of
Capital ratios and requirements including buffers			
61	Common Equity Tier 1	17,4%	
62	Tier 1	21,7%	
63	Total capital	21,8%	
64	Institution CET1 overall capital requirements	9,3%	
65	of which: capital conservation buffer requirement	2,5%	
66	of which: countercyclical capital buffer requirement	0,1%	
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**	10,6%	
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)	366	
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)	33 538	(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	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)

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, 2022 and December 31, 2021, the Minority Interest adjustments to own funds were as detailed below:

(in thousands of EUR)	(*)	Dec. 22	%	Dec. 21	%
Haitong Banco de Investimento do Brasil S.A.		21 082	20%	18 954	20%
Non-Controlling Interest		**21 082**		**18 954**	

(in thousands of EUR)		Dec. 22		Dec. 21	
	(*)	Fully Loaded	Phased-in	Fully Loaded	Phased-in
Minority interests (amount allowed in consolidated CET1)	(f)	7 756	7 756	7 074	7 074
Instruments issued by subsidiaries that are given recognition in AT1 Capital (minority Interests)	(g)	1 662	1 662	1 516	1 516
Instruments issued by subsidiaries that are given recognition in T2 Capital	(m)	2 216	2 216	2 021	2 021

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

Table 9 – Minority Interests' own funds regulatory adjustments

On 31 December 2022 and 31 December 2021 the DTA prudential treatment is detailed below:

(in thousands of EUR)	(*)	Dec. 22	Deducted to Own Funds	Not Deducted to Own Funds	Dec. 21	Deducted to Own Funds	Not Deducted to Own Funds
Deferred Tax Assets that rely on future profitability		**94.745**			**75.261**		
Not resulting from temporary differences	(e)	61.207	61.207	-	49.792	49.792	-
Resulting from temporary differences	(n)	33.538	-	33.538	25.468	-	25.468
Deferred Tax Assets that do not rely on future profitability	(j)	**15.144**	**-**	**15.144**	**19.971**	**-**	**19.971**
Total Deferred Tax Assets		**109.890**	**61.207**	**48.683**	**95.232**	**49.792**	**45.440**

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

Table 10 – 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, 2022, 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
1	Market price uncertainty										
3	Close-out cost										
4	Concentrated positions										
5	Early termination										
6	Model risk										
7	Operational risk										
10	Future administrative costs										
12	**Total Additional Valuation Adjustments (AVAs)**								1.133		

Table 11 – Prudent valuation adjustments (PVA) (EU PV1)

(in thousands of EUR)	(*)	Dec. 22	Dec. 21
Assets	∑(k)	1 106 572	715 522
Assets Matched Positions		-7 231	-44 999
Liabilities	∑(i)	39 556	75 638
Liabilities Matched Positions		-6 371	-45 208
Total		**1 132 526**	**700 953**
AVA (simplified approach)	(l)	1 133	701

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

Table 12 – AVA Regulatory adjustment

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

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

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

Still under the context of CRD IV capital buffer requirements, the Bank of Portugal decided, in November 2016, to impose a capital surcharge on six Portuguese banking groups classified as O-SIIs (Other Systemically Important Institutions) in the scope of its annual revision of the identification of the imposition of capital buffers, pursuant to Article 138-R (2) of the RGICSF. The O-SII buffer has been effective since January 1, 2018, onwards. According to the Bank of Portugal's decision, Haitong Bank was, at this point in time, excluded from the scope of application of this macro prudential buffer.

The regulation also provides a counter-cyclical capital buffer of up to 2.5% to be imposed in the event that national supervisors deem it necessary in order to counteract excessive credit growth in Portugal. At December 31, 2022, 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.

On December 31, 2022 and December 31, 2021, Haitong Bank capital ratios were as detailed below:

(in thousands of EUR)	Dec. 22 Phased-in	Dec. 22 Fully Loaded	Dec. 21 Phased-in	Dec. 21 Fully Loaded
Risk Exposure	2.466.341	2.466.341	2.297.225	2.297.225
Common equity tier 1	17,4%	17,3%	18,9%	18,8%
Tier 1	21,7%	21,7%	23,5%	23,4%
Total capital	21,8%	21,8%	23,6%	23,5%

Table 13– Capital Ratios

7 INTERNAL CAPITAL ADEQUACY (ICAAP)

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

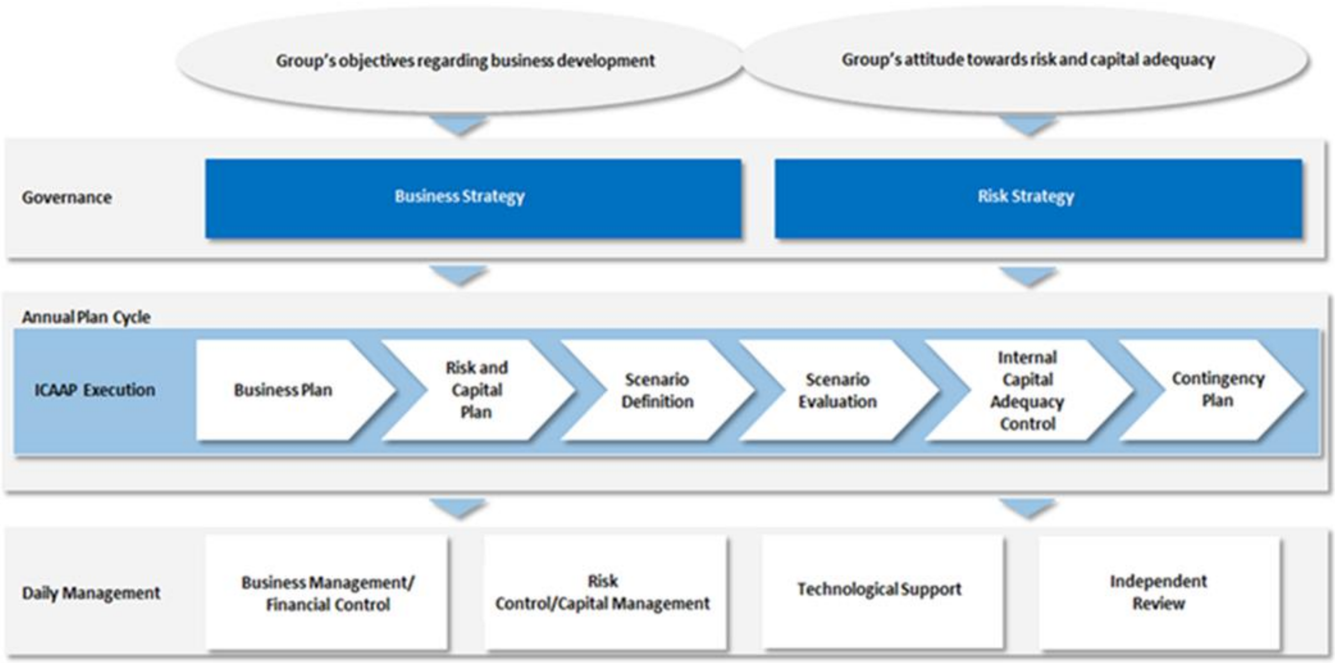

Figure 6 – Integration of the ICAAP in the Bank's management and decision-making process

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 2022 and 31 December 2021, Haitong Bank's risk weighted assets (RWAs) and minimum capital requirements under Part Three, Title I, Chapter 1 of the CRR were as follows:

(in thousands of EUR)		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		Dec. 22	Dec. 21	Dec. 22
1	Credit risk (excluding CCR)	1.722.221	1 496 867	137 778
2	Of which the standardised approach	1 722 221	1 496 867	137 778
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	Counterparty credit risk - CCR	123 027	177 453	9 842
7	Of which the standardised approach	62 252	157 892	4 980
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	-	-	-
EU 8b	Of which credit valuation adjustment - CVA	36 479	14 415	2 918
9	Of which other CCR	24 297	5 147	1 944
15	Settlement risk	262	28	21
16	Securitisation exposures in the non-trading book	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	440 662	417 990	35 253
21	Of which the standardised approach	440 662	417 990	35 253
22	Of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	180 169	204 887	14 414
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	180 169	204 887	14 414
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	83 845	63 671	6 708
29	**Total**	**2.466.341**	**2.297.225**	**197.307**

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 exist for the issues, the ratings assigned to the respective issuers, when such ratings exist, are used. Credit exposures other than represented by debt securities are only assigned the rating of the respective issuers, when such ratings exist.

Haitong Bank calculates 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 2022 and 31 December 2021, Haitong Bank's Operational Risk minimum capital (8% of RWAs) was EUR 14,414 thousand and EUR 16,391 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 2022 and 31 December 2021, Haitong Bank's capital requirements (8% of RWAs) composition was as follows:

(in thousands of EUR)	Dec. 22	Dec. 21
1. Capital requirements (=∑ (1.1 to 1.5))	**197.307**	**183.778**
1.1. For credit, counterparty credit and dilution risks and free deliveries (= 1.1.1 + 1.1.2)	**144.702**	**132.792**
1.1.1. Standardised approach (=1.1.1.1+1.1.1.2)	144.702	132.792
1.1.1.1. Standardised Approach exposure classes, excluding securitisation positions	144.702	132.792
1.1.1.1.1. Claims or contingent claims on central governments or central banks	54	66
1.1.1.1.2. Claims or contingent claims on regional governments or local authorities	20	25
1.1.1.1.3. Claims or contingent claims on Public Sector Entities	-	3
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	8.404	6.401
1.1.1.1.7. Claims or contingent claims on corporates	119.298	105.945
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	1.986	1.848
1.1.1.1.11. Items belonging to regulatory high-risk categories	-	1.146
1.1.1.1.12. Claims on covered bonds	-	-
1.1.1.1.13. Claims on collective investments undertakings (CIU)	704	820
1.1.1.1.14. Other items	13.856	16.526
1.1.1.1.15. Equity positions	379	12
1.1.1.2. Securitisation positions under the Standardised Approach	-	-
1.1.2. IRB approach	-	-
1.2. Settlement risk	**21**	**2**
1.3. Capital requirements for position, foreign-exchange and commodities risks (= 1.3.1 + 1.3.2)	**35.253**	**33.439**
1.3.1. Standardised approach (=∑(1.3.1.1 to 1.3.1.4))	35.253	33.439
1.3.1.1. Traded debt instruments	9.717	11.334
1.3.1.2. Equity	6	35
1.3.1.3. Foreign exchange risks	25.530	22.070
1.3.1.4. Commodities risks	-	-
1.3.2. Internal models approach	-	-
1.4. Capital requirements for operational risk	**14.414**	**16.391**
1.4.1. Basic indicator approach	-	-
1.4.2. Standard method	14.414	16.391
1.4.3. Advanced measurement approach	-	-
1.5. Capital requirements for Credit Valuation Adjustment (CVA)	**2.918**	**1.153**

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 2022 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)	49 158	11 604		1.4	85 066	85 066	84 846	62 252
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)					660 324	99 890	99 890	24 297
5	VaR for SFTs					0	0	0	0
6	**Total**					**745 390**	**184 957**	**184 737**	**86 549**

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 2022.

usands 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
Cash – domestic currency	0	9 830	0	27 354	0	0	0	0
Cash – other currencies	0	0	0	0	0	0	0	0
Domestic sovereign debt	0	0	0	0	0	0	0	0
Other sovereign debt	0	0	0	0	0	19 239	0	484 752
Government agency debt	0	0	0	0	0	0	0	0
Corporate bonds	0	0	0	0	0	0	0	168 451
Equity securities	0	0	0	0	0	0	0	0
Other collateral	0	0	0	0	0	0	0	0
Total	0	9 830	0	27 354	0	19 239	0	653 203

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

On 31 December 2022, Haitong Bank's derivatives exposures to financial institutions amount EUR 24,236 thousand before netting and EUR 16,149 thousand after netting effect.

On 31 December 2022, 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	358	0	0	0	0	0	0	0	0	0	0	358
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	102 722	14 965	0	0	2 551	0	0	120 237
7	Corporates	0	0	0	0	10 212	0	0	0	53 929	0	0	64 141
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**	**358**	**0**	**0**	**0**	**112 935**	**14 965**	**0**	**0**	**56 479**	**0**	**0**	**184 737**

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, 2022, OTC derivatives cleared through a broker with a QCCP totalled EUR 149 million in nominal amount and EUR 12,5 million in exposure value. This exposure is included in table 19, above, in line 6 - Institutions. As of December 31, 2022 there were no OTC derivatives cleared through a non-qualified central counterparty.

On 31 December 2022, 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	112 150	36 479
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**	**112 150**	**36 479**

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

On 31 December 2022, 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 2022, 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	236 981	0	711 216	0	0	948 197	19 710	0	0	19 710	246 374	14,19%	0,00%
China	98 420	0	3 336	0	0	101 756	8 169	267	0	8 436	105 453	6,07%	0,00%
Ireland	46 238	0	0	0	0	46 238	3 699	0	0	3 699	46 238	2,66%	0,00%
Luxembourg	120 970	0	0	0	0	120 970	9 678	0	0	9 678	120 970	6,97%	0,50%
Poland	224 302	0	288	0	0	224 590	17 943	3	0	17 946	224 325	12,92%	0,00%
Portugal	715 869	0	27 494	0	0	743 363	52 930	2 199	0	55 129	689 110	39,70%	0,00%
Spain	218 967	0	3 173	0	0	222 140	17 730	183	0	17 913	223 911	12,90%	0,00%
United Kingdom	87 721	0	0	0	0	87 721	6 364	0	0	6 364	79 551	4,58%	1,00%
Total	**1 749 467**	**0**	**745 507**	**0**	**0**	**2 494 974**	**136 223**	**2 652**	**0**	**138 875**	**1 735 933**	**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 2022:

(in thousands of EUR)		
1	Total risk exposure amount	2 466 341
2	Institution specific countercyclical capital buffer rate	0,1%
3	Institution specific countercyclical capital buffer requirement	1 973

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

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) comparison between the current rating and the rating at the time of contract initial recognition, considering a deterioration of four notches or more (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 financial instruments, which could cause transfer to Stage 3. The exposures properly classified in Stage 2 are subject to the use of a lifetime impairment rate determined using a lifetime collective model 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 178º – Debtor Default of the Capital Requirements Regulation and follows EBA definition of non-performing exposures ("NPE") requirements according to the Final Report Guidelines on the application of definition of default (EBA/GL/2016/07) and, finally, Bank of Portugal's Carta Circular CC/2018/00000062, which discloses the understanding of Bank of Portugal regarding the reference criteria for measuring expected credit losses in the context of applying the International Financial Reporting Standard 9 "Financial Instruments" (IFRS 9), including the timely and appropriate identification of credit impaired exposures.

Forbearance definition

The internal definition of forbearance follows the ECB guidance, consisting of concessions extended to any exposure towards a debtor facing or about to face difficulties in meeting its financial commitments. An exposure can only be forborne if the debtor is facing financial difficulties that have led the 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 followed by the Group complies with article 47bº – Forbearance Measures of the Capital Requirements Regulation and follows the Banking Supervision Guidance to Banks on Non-Performing Loans by the European Central Bank (March 2017) concept of forborne exposures and Bank of Portugal's Carta Circular CC/2018/00000062, which discloses the understanding of Bank of Portugal regarding the reference criteria for measuring expected credit losses in the context of applying the IFRS 9, including the timely and appropriate identification of forborne exposures.

Inputs in the measurement of ECL

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

- *Probability of Default (PD)*: describes the likelihood of default. 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 of the asset type.

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

On December 31, 2022, Haitong Bank's performing and non-performing exposures and related provisions by exposure class were as follows:

Dec.2022

		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	460 926	457 126	3 800	0	0	0	-939	-1	-938	0	0	0	0	0	0
10	Loans and advances	832 001	780 068	51 933	9 768	0	7 590	-7 500	-3 212	-4 288	-6 312	0	-5 580	0	130 340	0
20	Central banks	28 543	28 543	0	0	0	0	0	0	0	0	0	0	0	0	0
30	General governments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
40	Credit institutions	27 628	27 628	0	0	0	0	-20	-20	0	0	0	0	0	17 199	0
50	Other financial corporations	207 503	207 503	0	0	0	0	-1 192	-1 192	0	0	0	0	0	13 822	0
60	Non-financial corporations	568 324	516 392	51 933	9 768	0	7 590	-6 288	-2 000	-4 288	-6 312	0	-5 580	0	99 317	0
70	Of which: Small and Medium-sized Enterprises	382 427	330 494	51 933	5 281	0	5 281	-5 617	-1 329	-4 288	-3 825	0	-3 825	0	94 906	0
80	Households	2	2	0	0	0	0	0	0	0	0	0	0	0	2	0
90	Debt securities	1 019 963	1 019 963	0	0	0	0	-2 951	-2 951	0	0	0	0	0	0	0
100	Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
110	General governments	538 012	538 012	0	0	0	0	-884	-884	0	0	0	0	0	0	0
120	Credit institutions	75 861	75 861	0	0	0	0	-110	-110	0	0	0	0	0	0	0
130	Other financial corporations	51 403	51 403	0	0	0	0	-158	-158	0	0	0	0	0	0	0
140	Non-financial corporations	354 687	354 687	0	0	0	0	-1 800	-1 800	0	0	0	0	0	0	0
150	OFF-BALANCE SHEET EXPOSURES	353 329	335 217	18 112	3 478	0	3 478	1 068	615	453	605	0	605		12 410	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	71 763	71 763	0	0	0	0	248	248	0	0	0	0		0	0
200	Non-financial corporations	280 590	262 478	18 112	3 478	0	3 478	819	367	453	605	0	605		12 410	0
210	Households	0	0	0	0	0	0	0	0	0	0	0	0		0	0
220	**Total**	**2 666 220**	**2 592 374**	**73 846**	**13 245**	**0**	**11 067**	**-10 322**	**-5 549**	**-4 773**	**-5 707**	**0**	**-4 975**	**0**	**142 750**	**0**

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

On December 31, 2022, Haitong Bank's residual maturity breakdown by exposure classes was as follows:

Dec.2022

		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	633 043	56 737	281 059	317 104	0	1 287 944
2	Debt securities	0	152 224	644 663	220 125	0	1 017 012
3	**Total**	**633 043**	**208 961**	**925 722**	**537 229**	**0**	**2 304 956**

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

On December 31, 2022, 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
								Dec.2022
010	On balance sheet exposures	1 861 732	9 768	9 768	1 861 710	-16 761		-2
020	*Portugal*	393 828	2 127	2 127	393 828	-3 623		0
030	*Spain*	215 409	2 985	2 985	215 409	-1 667		0
040	*Poland*	159 003	1 501	1 501	158 981	-1 839		-2
050	*United Kingdom*	74 983	0	0	74 983	-298		0
060	*Brazil*	324 714	3 154	3 154	324 714	-7 245		0
070	*China*	105 052	0	0	105 052	-677		0
110	*Other countries*	588 745	0	0	588 745	-1 412		0
120	Off balance sheet exposures	356 807	3 478	3 478			1 673	
130	*Portugal*	86 770	59	59			269	
140	*Spain*	89 793	2 657	2 657			435	
150	*Poland*	122 069	762	762			291	
160	*United Kingdom*	4 969	0	0			23	
170	*Brazil*	33 642	0	0			532	
180	*China*	0	0	0			0	
190	*Other countries*	19 563	0	0			122	
200	**Total**	**2 218 539**	**13 245**	**13 245**	**1 861 710**	**-16 761**	**1 673**	**-2**

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

On December 31, 2022, 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
							Dec.2022
010	Agriculture, forestry and fishing	7 797	2 127	2 127	7 797	-2 288	0
020	Mining and quarrying	0	0	0	0	0	0
030	Manufacturing	46 468	0	0	46 468	-291	0
040	Electricity, gas, steam and air conditioning supply	123 769	0	0	123 769	-4 162	0
050	Water supply	0	0	0	0	0	0
060	Construction	64 132	5 455	5 455	64 110	-3 716	-2
070	Wholesale and retail trade	16 558	0	0	16 558	-158	0
080	Transport and storage	109 480	2 185	2 185	109 480	-1 135	0
090	Accommodation and food service activities	36 085	0	0	36 085	-396	0
100	Information and communication	35 149	0	0	35 149	-106	0
110	Real estate activities	373	0	0	373	-1	0
120	Financial and insurance actvities	40 068	0	0	40 068	-12	0
130	Professional, scientific and technical activities	79 015	0	0	79 015	-233	0
140	Administrative and support service activities	17 968	0	0	17 968	-98	0
150	Public administration and defense, compulsory social security	1 231	0	0	1 231	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**	**578 092**	**9 768**	**9 768**	**578 070**	**-12 597**	**-2**

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

On December 31, 2022, 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	50 751	8 777	8 777	7 590	-4 266	-5 341	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	50 751	8 777	8 777	7 590	-4 266	-5 341	0	0
070	Households	0	0	0	0	0	0	0	0
080	Debt Securities	0	0	0	0	0	0	0	0
090	Loan commitments given	0	786	0	786	0	265	0	0
100	**Total**	**50 751**	**9 562**	**8 777**	**8 375**	**-4 266**	**-5 075**	**0**	**0**

Dec.2022

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

On December 31, 2022, Haitong Bank's credit quality of forbearance was as follows:

Dec.2022

(in thousands of EUR)		**Gross carrying amount of forborne exposures**
010	Loans and advances that have been forborne more than twice	9 878
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, 2022, Haitong Bank's credit quality of exposures by paste due days was as follows:

		Dec.2022											
		Gross carrying amount / Nominal amount											
		Performing exposures			Non-performing exposures								
(in thousands of EUR)			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	460 926	460 926	0	0	0	0	0	0	0	0	0	0
010	Loans and advances	832 001	832 001	0	9 768	5 170	0	2 127	991	0	0	1 479	9 768
020	Central banks	28 543	28 543	0	0	0	0	0	0	0	0	0	0
030	General governments	0	0	0	0	0	0	0	0	0	0	0	0
040	Credit institutions	27 628	27 628	0	0	0	0	0	0	0	0	0	0
050	Other financial corporations	207 503	207 503	0	0	0	0	0	0	0	0	0	0
060	Non-financial corporations	568 324	568 324	0	9 768	5 170	0	2 127	991	0	0	1 479	9 768
070	Of which SMEs	382 427	382 427	0	5 281	2 185	0	2 127	969	0	0	0	5 281
080	Households	2	2	0	0	0	0	0	0	0	0	0	0
090	Debt Securities	1 019 963	1 019 963	0	0	0	0	0	0	0	0	0	0
100	Central banks	0	0	0	0	0	0	0	0	0	0	0	0
110	General governments	538 012	538 012	0	0	0	0	0	0	0	0	0	0
120	Credit institutions	75 861	75 861	0	0	0	0	0	0	0	0	0	0
130	Other financial corporations	51 403	51 403	0	0	0	0	0	0	0	0	0	0
140	Non-financial corporations	354 687	354 687	0	0	0	0	0	0	0	0	0	0
150	Off-balance sheet exposures	353 329			3 478								3 478
160	Central banks	0			0								0
170	General governments	0			0								0
180	Credit institutions	976			0								0
190	Other financial corporations	71 763			0								0
200	Non-financial corporations	280 590			3 478								3 478
210	Households	0			0								0
220	Total	2 666 220	2 312 891	0	13 245	5 170	0	2 127	991	0	0	1 479	13 245

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

On December 31, 2022, Haitong Bank's changes in the stock of non-performing loans and advances were as follows:

(in thousands of EUR)		Dec.2022 Gross carrying amount
010	Initial stock of non-performing loans and advances	13 181
020	Inflows to non-performing portfolios	2 380
030	Outflows from non-performing portfolios	-5 796
040	Outflows due to write-offs	0
050	Outflow due to other situations	-5 796
060	**Final stock of non-performing loans and advances**	**9 766**

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

On December 31, 2022, 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
		Dec.2022	
010	Initial stock of non-performing loans and advances	13 181	0
020	Inflows to non performing portfolios	2 380	
030	Outflows from non-performing portfolios	-5 796	
040	Outflow to performing portfolio	0	
050	Outflow due to loan repayment, partial or total	-3 071	
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	0	
110	Outflow due to Other Situations	-2 725	
120	Outflow due to reclassification as held for sale	0	
130	**Final stock of non-performing loans and advances**	**9 766**	**0**

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

On December 31, 2022, Haitong Bank's disclosure of the use of credit risk mitigation techniques was as follows:

		Dec.2022				
		Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	
	(in thousands of EUR)					Of which secured by credit derivatives
1	Loans and advances	1 157 605	130 340	130 340	0	0
2	Debt securities	1 017 012	0	0	0	
3	Total	2 174 617	130 340	130 340	0	0
4	*Of which non-performing exposures*	9 768	0	0	0	0
5	*Of which defaulted*	9 768	0			

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

On December 31, 2022, Haitong Bank's loans and advances collateral valuation was as follows:

(in thousands of EUR)	Loans and advances	Performing		Non Performing		Past due > 90 days						
			of which past due > 30 days <= 90 days		Unlikely to pay that are not past due or 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
												Dec.2022
010 Gross carrying amount	841 769	832 001	0	9 768	5 170	4 597	0	2 127	991	0	0	1 479
020 *Of which: secured*	347 748	347 748	0	0	0	0	0	0	0	0	0	0
030 *Of which: secured with Immovable property*	125 355	125 355	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%*	11 186	11 186		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%*	29 448	29 448		0	0	0						
070 Accumulated impairment for secured assets	-1 394	-1 394	0	0	0	0	0	0	0	0	0	0
080 Collateral												
090 *Of which value capped at the value of exposure*	130 340	130 340	0	0	0	0	0	0	0	0	0	0
100 *Of which: Immovable property*	95 645	95 645	0	0	0	0	0	0	0	0	0	0
110 *Of which value above the cap*	191 354	191 354	0	0	0	0	0	0	0	0	0	0
120 *Of which: Immovable property*	191 140	191 140	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	-88 055	0	0	-88 055	0	-88 055	0	0	0	0	-45 261	-42 795

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

Haitong Bank did not obtain collateral by taking possession or execution processes.

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 2022 reporting date, disclosed encumbered and unencumbered assets were:

(in thousands of EUR)	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
Assets of the reporting institution	818 339	393 202			2 367 756	359 928		
Equity instruments	0	0	0	0	17 905	0	17 905	0
Debt securities	756 801	393 202	756 801	393 202	638 676	359 928	638 676	359 928
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	578 571	355 865	578 571	355 865	328 762	328 762	328 762	328 762
of which: issued by financial corporations	66 610	0	66 610	0	67 523	0	67 523	0
of which: issued by non-financial corporations	111 707	36 370	111 707	36 370	249 177	32 001	249 177	32 001
Other assets	58 951	0			1 713 775	0		

Table 34 – Asset encumbrance (EU AE1)

As of 31 December 2022 reporting date, disclosed fair values of collateral and unencumbered assets were:

(in thousands of EUR)	Fair value of encumbered collateral received or own debt securities issued	of which notionally eligible EHQLA and HQLA	Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance	of which EHQLA and HQLA
Collateral received by the disclosing institution	122	0	8 651	0
Loans on demand	0	0	0	0
Equity instruments	0	0	0	0
Debt securities	122	0	8 651	0
of which: covered bonds	0	0	0	0
of which: securitisations	0	0	0	0
of which: issued by general governments	122	0	8 516	0
of which: issued by financial corporations	0	0	0	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	818 488	393 202		

Table 35– Collateral received and own debt securities issued (EU AE2)

As of 31 December 2022, 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	682 312	813 217

Table 36 – Sources of encumbrance (EU AE3)

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

- The European Central Bank (ECB). ECB funding operations are regulated by Instruction 3/2015 and 1/2016 from Bank of Portugal;
- Repurchase Agreements' transactions where there are Global Master Repurchase Agreements signed between Haitong Bank and each one of its counterparties 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

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 2022, 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	993 223	3 399	0	0	0	0	0	996 622	0
2	Regional government or local authorities	0	1 231	0	0	0	0	0	1 231	1 231
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	17 887	23 731	59 034	0	0	0	100 652	49 164
7	Corporates	0	0	1 989	1 402 512	21 355	0	0	1 425 857	1 357 487
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	5 342	12 989	0	0	18 331	18 331
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	11 823	11 823	0
15	Equity	0	0	0	4 742	0	0	0	4 742	11 823
16	Other items	101 677	0	0	89 358	0	33 538	0	224 573	4 742
17	**TOTAL**	**1 094 901**	**22 517**	**25 720**	**1 560 988**	**34 344**	**33 538**	**11 823**	**2 783 831**	**1 442 779**

Table 37 – 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 2022, Haitong Bank's Market Risk RWA composition was as follows:

	(in thousands of EUR)	RWEAs at 31.12.2022
	Outright products	
1	Interest rate risk (general and specific)	121 465
2	Equity risk (general and specific)	70
3	Foreign exchange risk	317 593
4	Commodity risk	0
	Options	
5	Simplified approach	0
6	Delta-plus approach	0
7	Scenario approach	1 534
8	**Securitisation** (specific risk)	0
9	**Total**	**440 662**

Table 38 – Market risk under standardised approach (EU MR1)

15 Operational Risk

Operational Risk own funds requirements determined for prudential reporting purposes as of 31 December 2022, 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 Services related to underwriting Investment advisory Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to the mergers and the purchase of undertakings Investment research and financial analysis and other forms of general recommendation relating to transactions in financial instruments	18 %
Trading and sales	Dealing on own account Money broking Reception and transmission of orders in relation to one or more financial instruments Execution of orders on behalf of clients Placing of financial instruments without a firm commitment basis Operation of Multilateral Trading Facilities	18 %
Retail brokerage (Activities with natural persons or with SMEs meeting the criteria set out in Article 123 for the retail exposure class)	Reception and transmission of orders in relation to one or more financial instruments Execution of orders on behalf of clients Placing of financial instruments without a firm commitment basis	12 %
Commercial banking	Acceptance of deposits and other repayable funds Lending Financial leasing Guarantees and commitments	15 %
Retail banking (Activities with natural persons or with SMEs meeting the criteria set out in Article 123 for the retail exposure class)	Acceptance of deposits and other repayable funds Lending Financial leasing Guarantees and commitments	12 %
Payment and settlement	Money transmission services, Issuing and administering means of payment	18 %
Agency services	Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management	15 %
Asset management	Portfolio management Managing of UCITS Other forms of asset management	12 %

Figure 7 – Standardized Approach – Business Segments

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

Calculation of the relevant indicator

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

The relevant indicator is calculated according to Article 316 of Regulation (EU) no. 575/2013 of the European Parliament and Council following the mapping below regarding the applicable accounting records (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 39 – 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
	2020	2021	2022		
1. Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
2. Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	94 834	85 858	79 190	14 414	180 169
3. Subject to TSA:	94 834	85 858	79 190		
4. Subject to ASA:	-	-	-		
5. Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

Table 40 – 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 14 414 thousand as of December 31, 2022, a decrease of EUR 1 977 thousand when compared to December 31, 2021.

16 EXPOSURES TO INTEREST RATE RISK ON POSITIONS NOT INCLUDED IN THE TRADING 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 is 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).

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

In addition to the pure economic risks that can arise from changes to the level and structure of interest rates, curve risks can also 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 is reflected in the change in 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 an interest rate exposure.

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

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

The measurement and reporting of the interest rate risk on internal value and earnings is monitored, at least, on a monthly basis, based on 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.

For the economic value, the Bank uses a run-off balance sheet, where existing assets and liabilities are not replaced as they mature, whether for earnings metrics, 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).

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. 2022	Dec. 2021	Dec. 2022	Dec. 2021
Parallel shock of 200 bps across the yield curve	23 379	21 990	4 353	5 317
Up shock of 200 bps across the yield curve	(23 379)	(21 990)	4 353	(5 317)
Down shock of 200 bps across the yield curve	6 999	2 106	(4 353)	5 317
Prescribed six regulatory scenarios	24 865	22 876		
Parallel up	(24 865)	(19 577)		
Parallel down	8 130	1 718		
Steepener	1 382	7 489		
Flattener	(7 063)	6 801		
Short rates up	(13 780)	(22 876)		
Short rates down	5 150	7 509		
% Total Capital	**4,36%**	**4,05%**	**0,81%**	**0,98%**
% Tier 1 Capital	**4,65%**	**4,23%**	**0,81%**	**0,98%**

Table 41 – Interest rate risks of non-trading book activities (IRRBB1)

EVE evolution was mainly driven by the increase in volume and duration of a fixed income hold to collect portfolio and NII evolution is mainly explained by the increase in variable rate liabilities.

17 EXPOSURE TO SECURITISATION POSITIONS

As of December 31st 2022, 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 2019/876 of the European Parliament and of the Council of 20 May 2019 amending regulation 575/2013 of the European Parliament and of the Council of 26 June 2013, which introduced some of the final elements of the Basel III framework. Those elements include, among other things, a new definition of the leverage ratio and a leverage ratio buffer. A minimum leverage ratio requirement of 3% was introduced that 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 17% in 2021 to 12,2% in 2022 was mainly driven by the increase of EUR 1 208 million exposure eligible for the leverage ratio, which mostly results from the growth in secured financing transactions exposure and from asset growth. As of December 31, 2022, 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)		**31.12.2022**
1	Total assets as per published financial statements	3 416 120
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	55 971
9	Adjustment for securities financing transactions (SFTs)	652 626
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	349 657
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	-91 857
13	**Total exposure measure**	**4 382 518**

Table 42 – Summary reconciliation of accounting assets and leverage ratio exposures (EU LR1)

(in thousands of EUR)		**CRR leverage ratio exposures**	
		31.12.2022	31.12.2021
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	3 348 003	2 618 211
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)	-91 857	-54 857
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	3 256 146	2 563 354

(in thousands of EUR)		CRR leverage ratio exposures	
		31.12.2022	31.12.2021
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	83 070	123 481
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	21 838	51 192
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**	**104 909**	**174 673**
	Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	19 180	38 527
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	641 144	72 871
16	Counterparty credit risk exposure for SFT assets	11 482	3 157
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**	**671 806**	**114 555**
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	349 657	321 760
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**	**349 657**	**321 760**
	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	535 120	540 195
24	**Total exposure measure**	**4 382 518**	**3 174 342**

(in thousands of EUR)		CRR leverage ratio exposures	
		31.12.2022	31.12.2021
	Leverage ratio		
25	Leverage ratio	12,21%	17,02%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	12,21%	17,02%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	12,21%	17,02%
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	Transitional	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	660 324	111 398
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)	3 722 195	3 062 944
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)	3 722 195	3 062 944
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)	14,38%	17,64%
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)	14,38%	17,64%

Table 43 – 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:**	3 348 003
EU-2	Trading book exposures	745 603
EU-3	Banking book exposures, of which:	2 602 399
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	996 622
EU-6	Exposures to regional governments, MDB, international organisations and PSE **not** treated as sovereigns	1 231
EU-7	Institutions	100 652
EU-8	Secured by mortgages of immovable properties	0
EU-9	Retail exposures	0
EU-10	Corporates	1 179 310
EU-11	Exposures in default	16 147
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	308 438

Table 44 - 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, 2022, 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 45 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 2022.

	(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	999 994	0	996 622	0	680	0,1%
2	Regional government or local authorities	1 231	0	1 231	0	246	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	759 216	0	100 652	0	74 477	74,0%
7	Corporates	1 262 544	351 499	1 179 310	246 547	1 435 252	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	16 142	2 868	16 142	2 190	24 826	135,4%
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	11 823	0	11 823	0	8 795	74,4%
15	Equity	4 742	0	4 742	0	4 742	100,0%
16	Other items	224 573	0	224 573	0	173 203	77,1%
17	**TOTAL**	**3 280 264**	**354 366**	**2 535 095**	**248 736**	**1 722 221**	**61,9%**

Table 45 – Standardised approach – Credit risk exposure and CRM effects (EU CR4)

Table 45 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 2022, Haitong Bank's major sources of funding were wholesale facilities provided by credit institutions, secured financing from credit institutions and Central Bank, securities issued and deposits from clients. At the end of 2022, Bank of Portugal secured financing operations accounted for 11% of total funding and were the major source of funding. Deposits from clients include both retail deposits and other deposits from corporate clients and financial institutions.

High quality liquid assets of Haitong Bank consist mainly of deposits in central banks (Bank of Portugal) and sovereign debt from European Union countries and Brazilian 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 46 – 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 2022 are presented in the table below. Average LCR presents an upward trend as the decrease in outflows outweighs the decrease in HQLAs. The decrease in Outflows is mainly driven by the decrease in additional requirements.

(in thousands of EUR)		Total unweighted value (average)				Total weighted value (average)			
	Quarter ending on	31 Dec. 2022	30 Sep. 2022	30 Jun. 2022	31 Mar. 2022	31 Dec. 2022	30 Sep. 2022	30 Jun. 2022	31 Mar. 2022
	Number of data points used	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					727 031	737 729	729 746	723 252
CASH - OUTFLOWS									
2	Retail and small business deposits, of which:	301 678	286 344	263 566	234 996	30 168	28 634	26 357	23 500
3	Stable deposits	0	0	0	0	0	0	0	0
4	Less stable deposits	301 678	286 344	263 566	234 996	30 168	28 634	26 357	23 500
5	Unsecured wholesale funding	395 473	398 928	383 035	349 538	198 050	204 413	201 458	188 368
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)	394 650	398 047	381 134	346 820	197 227	203 531	199 558	185 650
8	Unsecured debt	823	882	1 900	2 718	823	882	1 900	2 718
9	Secured wholesale funding					29 498	28 427	28 240	23 905
10	Additional requirements	234 746	261 425	272 734	266 979	111 125	131 470	153 480	167 072
11	Outflows related to derivative exposures and other collateral requirements	97 389	117 030	140 230	155 971	97 389	117 030	140 230	155 971
12	Outflows related to loss of funding on debt products	0	0	0	0	0	0	0	0
13	Credit and liquidity facilities	137 357	144 394	132 505	111 008	13 736	14 439	13 250	11 101
14	Other contractual funding obligations	863	861	2 295	3 217	863	820	922	1 384
15	Other contingent funding obligations	0	0	0	0	0	0	0	0
16	**TOTAL CASH OUTFLOWS**					**369 703**	**393 763**	**410 458**	**404 228**
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	29 306	39 468	74 032	76 442	0	0	0	0
18	Inflows from fully performing exposures	59 376	59 158	58 018	48 302	54 150	54 447	52 346	40 282
19	Other cash inflows	55 496	56 123	62 263	63 335	55 496	56 123	62 263	63 335
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**	**144 178**	**154 749**	**194 313**	**188 080**	**109 646**	**110 570**	**114 609**	**103 618**
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*	144 178	154 749	194 313	188 080	109 646	110 570	114 609	103 618
TOTAL ADJUSTED VALUE									
21	LIQUIDITY BUFFER					727 031	737 729	729 746	723 252
22	TOTAL NET CASH OUTFLOWS					260 057	283 193	295 849	300 610
23	**LIQUIDITY COVERAGE RATIO**					**296%**	**284%**	**270%**	**263%**

Table 47 – Quantitative information on LCR (EU LIQ1)

As shown in Table 48, Haitong Bank has maintained a very solid short-term liquidity position in 2022, with the ratio sitting comfortably above the regulatory minimum requirements of 100%.

As of December 2022, NSFR calculated under CRR2 regulation stands at 145%, well above the minimum regulatory requirement of 100%.

December 2022 (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	616 371	0	0	2 216	618 587
2	Own funds	616 371	0	0	2 216	618 587
3	Other capital instruments		0	0	0	0
4	Retail deposits		124 745	56 623	70 222	233 454
5	Stable deposits		0	0	0	0
6	Less stable deposits		124 745	56 623	70 222	233 454
7	Wholesale funding:		1 332 962	59 761	940 221	1 121 180
8	Operational deposits		0	0	0	0
9	Other wholesale funding		1 332 962	59 761	940 221	1 121 180
10	Interdependent liabilities		0	0	0	0
11	Other liabilities:	0	24 734	427	140 024	0
12	NSFR derivative liabilities	0				0
13	All other liabilities and capital instruments not included in the above categories		24 734	427	140 024	0
14	**Total available stable funding (ASF)**					**1 973 222**
	Required Stable Funding					
15	Total high-quality liquid assets (HQLA)					43 365
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:		129 699	156 808	968 207	956 900
18	Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut		19 177	0	0	0
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		33 157	1 315	55 723	59 696
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		46 486	75 225	578 806	552 841
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		30 879	80 268	333 679	344 364
25	Interdependent assets		0	0	0	0
26	Other assets:		82 947	225	323 838	353 316
27	Physical traded commodities				0	0
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		0	0	51 792	44 023
29	NSFR derivative assets		25 394			25 394
30	NSFR derivative liabilities before deduction of variation margin posted		36 051			1 803
31	All other assets not included in the above categories		21 502	225	272 046	282 097
32	Off-balance sheet items		164 303	0	0	8 215
33	**Total required stable funding (RSF)**					**1 361 797**
34	**Net Stable Funding Ratio (%)**					**145%**

September 2022		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	605 766	0	0	2 063	607 828
2	Own funds	605 766	0	0	2 063	607 828
3	Other capital instruments		0	0	0	0
4	Retail deposits		151 042	65 989	97 077	292 404
5	Stable deposits		0	0	0	0
6	Less stable deposits		151 042	65 989	97 077	292 404
7	Wholesale funding:		1 105 422	149 506	968 034	1 190 169
8	Operational deposits		0	0	0	0
9	Other wholesale funding		1 105 422	149 506	968 034	1 190 169
10	Interdependent liabilities		0	0	0	0
11	Other liabilities:	0	21 347	375	127 533	0
12	NSFR derivative liabilities	0				0
13	All other liabilities and capital instruments not included in the above categories		21 347	375	127 533	0
14	**Total available stable funding (ASF)**					**2 090 402**
	Required Stable Funding					
15	Total high-quality liquid assets (HQLA)					34 772
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:		148 289	106 324	1 000 606	968 838
18	Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut		17 338	0	0	0
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		40 937	7 458	56 994	64 817
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		42 638	78 474	551 631	529 442
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		47 376	20 392	391 981	374 580
25	Interdependent assets		0	0	0	0
26	Other assets:		121 554	344	347 418	379 690
27	Physical traded commodities				0	0
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		0	0	46 679	39 677
29	NSFR derivative assets		28 156			28 156
30	NSFR derivative liabilities before deduction of variation margin posted		63 894			3 195
31	All other assets not included in the above categories		29 504	344	300 739	308 662
32	Off-balance sheet items		136 860	0	0	6 843
33	**Total required stable funding (RSF)**					**1 390 143**
34	**Net Stable Funding Ratio (%)**					**150%**

June 2022		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	599 500	0	0	2 021	601 521
2	Own funds	599 500	0	0	2 021	601 521
3	Other capital instruments		0	0	0	0
4	Retail deposits		100 281	111 143	116 394	306 675
5	Stable deposits		0	0	0	0
6	Less stable deposits		100 281	111 143	116 394	306 675
7	Wholesale funding:		681 998	421 951	898 868	1 257 134
8	Operational deposits		0	0	0	0
9	Other wholesale funding		681 998	421 951	898 868	1 257 134
10	Interdependent liabilities		0	0	0	0
11	Other liabilities:		18 681	0	89 133	0
12	NSFR derivative liabilities	0				0
13	All other liabilities and capital instruments not included in the above categories		18 681	0	89 133	0
14	**Total available stable funding (ASF)**					**2 165 330**
	Required Stable Funding					
15	Total high-quality liquid assets (HQLA)					166 206
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:		202 165	102 740	946 576	944 991
18	Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut		15 906	0	0	0
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		46 288	0	44 862	49 490
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		57 943	95 964	539 566	535 585
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		82 028	6 776	362 149	359 916
25	Interdependent assets		0	0	0	0
26	Other assets:		114 699	98	342 942	381 769
27	Physical traded commodities				0	0
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		0	0	51 025	43 371
29	NSFR derivative assets		37 296			37 296
30	NSFR derivative liabilities before deduction of variation margin posted		61 264			3 063
31	All other assets not included in the above categories		16 139	98	291 917	298 039
32	Off-balance sheet items		144 411	0	0	7 221
33	**Total required stable funding (RSF)**					**1 500 187**
34	**Net Stable Funding Ratio (%)**					**144%**

March 2022 (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	595 707	0	0	3 731	597 728
2	Own funds	595 707	0	0	2 021	597 728
3	Other capital instruments		0	0	1 709	0
4	Retail deposits		62 544	125 430	117 297	286 475
5	Stable deposits		0	0	0	0
6	Less stable deposits		62 544	125 430	117 297	286 475
7	Wholesale funding:		486 097	410 039	890 504	1 177 667
8	Operational deposits		0	0	0	0
9	Other wholesale funding		486 097	410 039	890 504	1 177 667
10	Interdependent liabilities		0	0	0	0
11	Other liabilities:	4 103	15 962	0	123 412	13 894
12	NSFR derivative liabilities	4 103				0
13	All other liabilities and capital instruments not included in the above categories		15 962	0	123 412	13 894
14	**Total available stable funding (ASF)**					**2 075 764**
	Required Stable Funding					
15	Total high-quality liquid assets (HQLA)					171 128
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:		186 287	109 745	957 440	938 134
18	Performing securities financing transactions with financial customerscollateralised by Level 1 HQLA subject to 0% haircut		40 717	0	0	0
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		36 901	0	44 862	48 552
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		33 951	74 889	544 228	517 014
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		74 718	34 856	368 350	372 568
25	Interdependent assets		0	0	0	0
26	Other assets:		149 235	1 818	337 269	382 804
27	Physical traded commodities				0	0
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		0	0	52 159	44 335
29	NSFR derivative assets		40 651			40 651
30	NSFR derivative liabilities before deduction of variation margin posted		68 501			3 425
31	All other assets not included in the above categories		40 083	1 818	285 109	294 393
32	Off-balance sheet items		136 802	0	0	6 840
33	**Total required stable funding (RSF)**					**1 498 906**
34	**Net Stable Funding Ratio (%)**					**138%**

Table 48 – 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 three meetings in 2022.

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.

The second aspect covered by this Policy is to provide the guidance and limits to govern the behaviours 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 new 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, 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 was updated December 2022, in accordance with the latest applicable regulations. In comparison with the previous version (April 29, 2022), the following changes were made to the Policy:

a. Section 3 – Governance – inclusion of the annual assessment report of the Remuneration Policy, prepared by the Remuneration Committee;
a. Section 5 - Regulatory Requirements – update the Remuneration Policy requirements to observe environmental, social and governance (ESG) risk-related objectives
b. Update the Remuneration Committee's duties, namely the direct overseeing of the remuneration of the Heads of the Control Functions
c. Further specification regarding the Remuneration Policy requirements, which should implement a gender-neutral remuneration policy;
i. Section 6 - Composition of Remuneration – inclusion of a clause indicating that compensation of new staff members as a result of the early termination of contracts in previous employment must align with the long-term interests of the credit institution
ii. Section 8 - Revocation of Deferred Components – elimination of Section 7, as it was already covered in Section 5;

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;
- Variable remuneration deferral rules are applicable to Identified Staff;
- 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;
- 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 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:

- Variable remuneration deferral rules are applicable to Identified Staff;
- At least 50% of the variable remuneration component will be deferred over a 3-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 three instalments, according to the following scheme:
    i. Upfront Payment paid in the awarded year: $Total\ awarded\ Variable\ Remuneration$ ×50%

    ii. Payment of Deferred Components

    N+1 - ($Total\ awarded\ Variable\ Remuneration – Upfront\ Payment$) ×40%

    N+2 - ($Total\ awarded\ Variable\ Remuneration – Upfront\ Payment$) ×30%

    N+3 - ($Total\ awarded\ Variable\ Remuneration – Upfront\ Payment$) ×30%
- 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 consider 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.

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	66	3
	Total fixed remuneration	414	1 809	7 963	194
	Of which: cash-based	414	1 809	7 963	194
	(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	0	0
	Total variable remuneration	0	0	1 525	26
	Of which: cash-based	0	0	1 525	26
	Of which: deferred	0	0	406	0
	Of which: shares or equivalent ownership interests	0	0	0	0
	Of which: deferred				
	Of which: share-linked instruments or equivalent non-cash instruments	0	0	0	0
	Of which: deferred				
	Of which: other instruments	0	0	0	0
	Of which: deferred				
	Of which: other forms	0	0	0	0
	Of which: deferred				
Total remuneration		**414**	**1 809**	**9 488**	**220**

Table 49 – Remuneration awarded for the financial year (EU REM1)

(in thousands of EUR)	MB Supervisory function	MB Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards				
Guaranteed variable remuneration awards - Number of identified staff	0	0	0	0
Guaranteed variable remuneration awards -Total amount	0	0	0	0
Of which guaranteed variable remuneration awards paid during the financial year, that are not taken into account in the	0	0	0	0
Severance payments awarded in previous periods, that have been paid out during the financial year				
Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified	0	0	0	0
Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	0	0	0	0
Severance payments awarded during the financial year				
Severance payments awarded during the financial year - Number of identified staff	0	0	3	0
Severance payments awarded during the financial year - Total amount	0	0	525	0
Of which paid during the financial year	0	0	525	0
Of which deferred	0	0	0	0
Of which severance payments paid during the financial year, that are not taken into account in the bonus cap	0	0	0	0
Of which highest payment that has been awarded to a single person	0	0	310	0

Table 50 – Special payments to staff whose professional activities have a material impact on institutions’ risk profile (identified staff) (EU REM2)

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	**769**	**338**	**431**	**0**	**0**	**0**	**0**	**0**
Cash-based	769	338	431	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	**1 144**	**595**	**549**	**0**	**0**	**0**	**0**	**0**
Cash-based	1 144	595	549	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	**1 913**	**933**	**980**	**0**	**0**	**0**	**0**	**0**

Table 51 – Deferred remuneration (EU REM3)

(in thousands of EUR)	Identified staff that are high earners as set out in Article 450(i) CRR
1 000 000 to below 1 500 000	1
1 500 000 to below 2 000 000	0
2 000 000 to below 2 500 000	0
2 500 000 to below 3 000 000	0
3 000 000 to below 3 500 000	0
3 500 000 to below 4 000 000	0
4 000 000 to below 4 500 000	0
4 500 000 to below 5 000 000	0
5 000 000 to below 6 000 000	0
6 000 000 to below 7 000 000	0
7 000 000 to below 8 000 000	0

Table 52 – Remuneration of EUR 1 million or more (EU REM4)

(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										84
Of which: members of the MB	10	5	15							
Of which: other senior management				16	4	3	30	16	0	
Of which: other identified staff				0	0	0	0	3	0	
Total remuneration of identified staff	414	2 679	3 093	2 645	684	409	4 563	1 754	0	
Of which: variable remuneration	0	870	870	369	141	27	576	153	0	
Of which: fixed remuneration	414	1 809	2 223	2 275	543	382	3 987	1 601	0	

Table 53 – Information on remuneration of staff whose professional activities have a material impact on institution's risk profile (identified staff) (EU REM5)

The Bank benefits from the derogation laid down in point b) of number 3 of Article 94 of Directive 2013/36/EU and, as stated in point 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.

This derogation is effective from 2023 onwards, regarding the payment of variable remuneration of 2022 (paid in 2023).