HAITONG

2021 | Annual Report

Macau landscape

Non-ESEF compliant version

CHAIRMAN AND CEO REVIEW

The year of 2021 was still marked by volatility amidst the pandemic, delaying the effective economic and business recovery. Against this challenging backdrop, Haitong Bank was able to overcome the uncertainties and make significant progress in many fronts, both in terms of business performance and other important milestones.

One of those milestones achieved in 2021 was the effective opening of the Macau Branch. This Branch will play a strategic role in accelerating our cross-border business with a China Angle, improving the coordination with Haitong Group as well as gaining a foothold in the Greater Bay Area, one of the most dynamic economic regions in the world, comprising Guangdong (Canton), in Mainland China, as well as Hong Kong and Macau.

The Bank also succeeded in obtaining regulatory permission for Haitong Global Asset Management, an important driver for the future expansion of that business area.

During 2021, S&P has improved Haitong Bank's rating outlook in recognition of the Bank's Asset Quality that did not suffer any material impacts from COVID-19 and of the Bank's Operational Performance which S&P recognized as more sustainable.

More recently, Haitong Bank received another positive review, in this case from the Bank of Portugal, whose SREP report endorsed the Bank's resilience and consistency in executing its long-term plan and recognized the adequacy of its Control System.

Regarding the performance in 2021, Banking Income reached EUR 89 million, a 9.4% YoY growth, and Operating Profits climbed to EUR 29 million, a 23% YoY growth. Such growth was driven by the Bank's expansion in performing assets, with Credit Loans increasing by 48% and Net Interest Margin rising by 11%. The Bank maintained its profitability in 2021 with a EUR 3.6 million Net Income that compares to EUR 1.6 million in 2020.

A core principle of our Bank has been a focus on Capital preservation and Asset Quality. Haitong Bank maintains a strong capital position with a CET1 Ratio of 18.9% and Total Capital Ratio of 23.6%. The NPL ratio was 2.1% and the NPE ratio was 1%.

This trajectory has been well supported by the unwavering commitment from our Shareholder, who firmly trusts in the Bank's future development. The recent return of Haitong Bank to the capital markets has benefitted from a Shareholder guarantee, therefore ensuring a solid investment grade rating on the notes issued by the Bank. This issuance contributed to lowering the Bank's funding cost and optimizing its liability structure.

We are ready to continue meeting the challenges that affect the global banking business in the aftermath of the pandemic. This journey requires perseverance, resilience and an innovative mind as we also face other structural dynamics from technology to competition from the non-banking financial services. We have the resources to prevail and deliver growth in a still uncertain market environment.

Lin Yong | Chairman
Wu Min | CEO

KEY INDICATORS

(million euros)

	December 2021	December 2020	December 2019
Balance Sheet			
Total Assets	2,747	2,801	2,607
Total Liabilities	2,140	2,203	1,991
Total Equity	607	598	616
Results			
Banking Income	89	82	108
Operating Costs	-60	-58	-72
Operating Profit	29	24	36
Impairment and Provisions	-20	-12	-23
Net Profit / (Loss)	4	2	8
Profitability			
Return on average shareholders' equity (ROE)	0.6%	0.3%	1.2%
Income before tax and non-controlling interests / Average equity (1)	1.4%	1.8%	2.0%
Return on average net assets (ROA)	0.1%	0.1%	0.3%
Income before tax and non-controlling interests / Average net asset (1)	0.3%	0.4%	0.4%
Banking Income / Average net assets (1)	3.3%	2.9%	3.9%
Efficiency			
Operating costs / Banking income (Cost-to-Income ratio) (1)	67.7%	71.3%	67.0%
Staff Costs / Banking Income (1)	41.8%	41.9%	41.3%
Credit Quality			
Loan Portfolio (gross)	632	432	327
Loan Loss Charge	3	2	2
Non-Performing Loans Ratio	2.1%	1.9%	3.6%
Non-Performing Loans Coverage	42.1%	51.5%	40.6%
Solvency			
CET1 ratio (phased-in)	18.9%	22.7%	28.4%
Total capital ratio (phased-in)	23.6%	28.5%	35.9%
CET1 ratio (fully-loaded)	18.8%	22.6%	28.2%
Total capital ratio (fully-loaded)	23.5%	28.4%	35.5%
Leverage			
Leverage Ratio (phased-in)	17.0%	15.6%	19.8%
Leverage Ratio (fully-loaded)	17.0%	15.5%	19.7%
Liquidity Position			
Net Stable Funding Ratio (NSFR)	142%	157%	181%
Liquidity Coverage Ratio (LCR)	183%	259%	537%
Loans to deposits ratio ((Gross loans - provisions) / customer deposits) (1)	63%	41%	31%
Total Headcount	357	362	364

(1) Bank of Portugal Reference Indicators (Notice 23/2011)

ORGANISATIONAL STRUCTURE

Through its operations located in Iberia, the UK, Poland, Brazil and Macau, Haitong Bank is committed to serving its domestic corporate and institutional clients alongside a growing Chinese Client base through a team of nearly three hundred and fifty professionals.

SENIOR MANAGEMENT

Board of Directors

LIN YONG
Chairman

ALAN FERNANDES
Executive Board Member

CEO of Haitong Banco de Investimento do Brasil, S.A.

NUNO CARVALHO
Executive Board Member

Compliance & AML-FT
Legal
Special Portfolio Management
IT & Administrative
Internal Audit

ANTÓNIO DOMINGUES
Non-Executive Board Member

PAN GUANGTAO
Non-Executive Board Member

VINCENT CAMERLYNCK
Non-Executive Board Member

WU MIN
Chief Executive Officer and Executive Board Member

Treasury & Fixed Income
Corporate Solutions
CEO Office
Human Resources
Finance

MIGUEL GUIOMAR
Executive Board Member

Capital Markets
Structured Finance
M&A
Corporate Derivatives Desk
Asset Management
Haitong Capital – SCR, S.A.

VASCO CÂMARA MARTINS
Executive Board Member

Risk Management
Rating
Operations

MARTINA GARCÍA
Non-Executive Board Member

PAULO MARTINS
Non-Executive Board Member

ZHANG XINJUN
Non-Executive Board Member

Senior Managers with Seat on the Executive Committee

ANTÓNIO PACHECO
Head of Finance

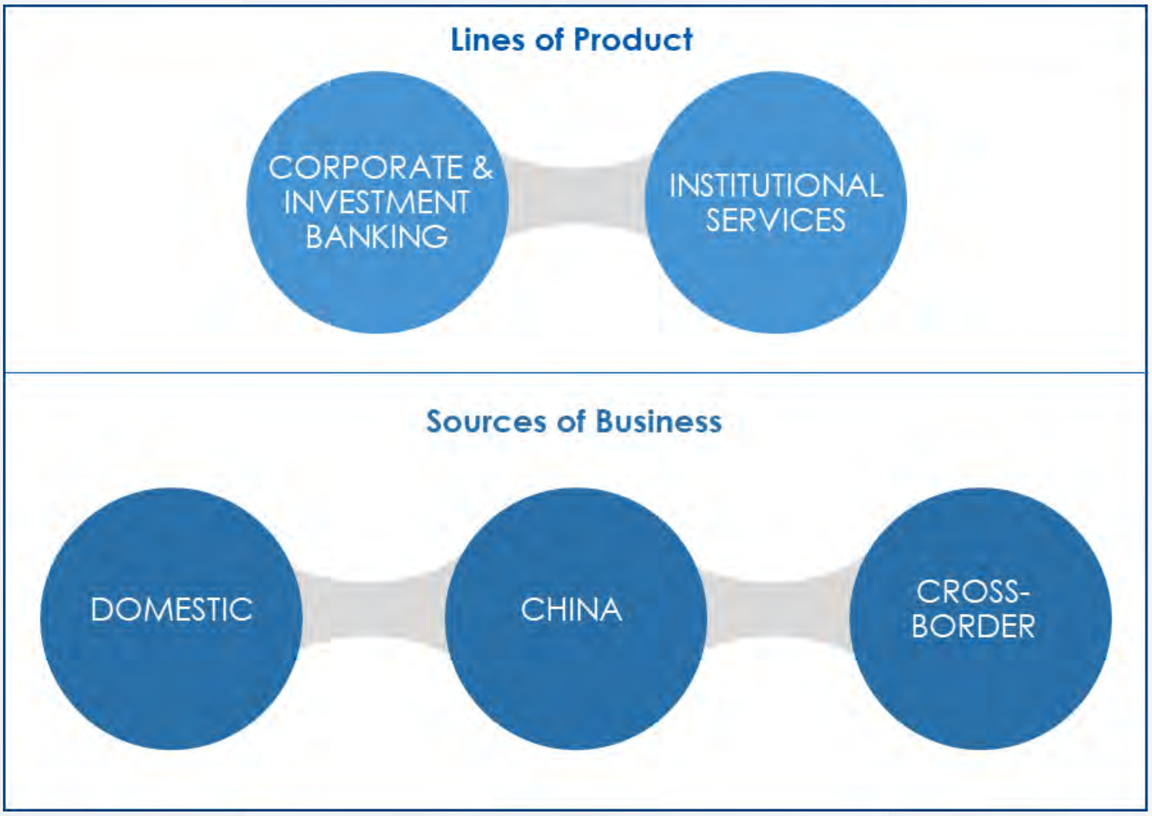
PEDRO COSTA
Head of CEO Office

Head of Corporate Solutions

Secretary to the Executive Committee and Board of Directors

BUSINESS STRATEGY

Haitong Bank's strategy is to connect clients and business opportunities across its broad network, combining its long-standing expertise in Europe and Latin America with Haitong Group's China angle.



Our strategy is underpinned by 3 drivers:

Historical domestic franchises in Iberia, Poland, UK and Brazil; China Angle recently reinforced by the opening of the Macau Branch; and Cross-border focus.

Llisbon

BUSINESS MODEL

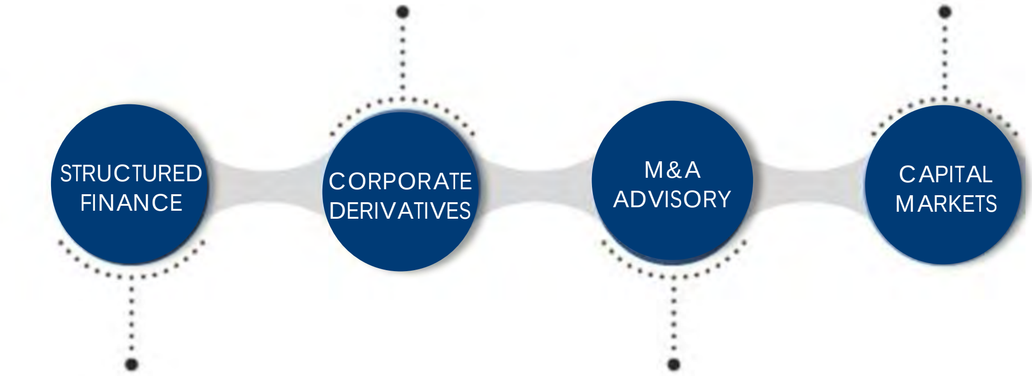
CORPORATE INVESTMENT BANKING

Corporate Derivatives

Hedging Solutions
Commodities
Interest Rate
Foreign Exchange

Capital Markets

Cross-border Eurobonds
Domestic bonds
Short-term debt instruments
Advisory on ECM transactions



Structured Finance

Corporate Lending
Collateralised asset finance
Project finance
Acquisition finance
Guarantees

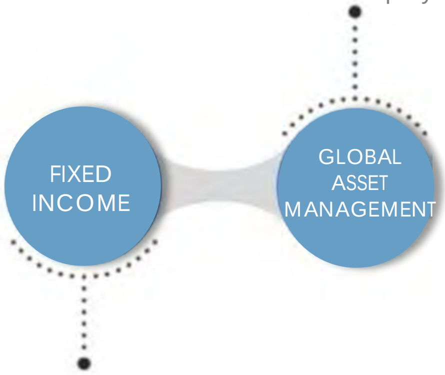
M&A Advisory

Sell-side and buy-side advisory
Advisory on asset disposals
Company valuations

INSTITUTIONAL SERVICES

Global Asset Management (1)

Cross-asset experience: Equities, Fixed Income and Quant
Local experience: Europe and China
Discretionary mandates and Funds management
Private Equity



Fixed Income

Fixed Income trading and market making
Distribution to institutional clients
Syndication
Fixed Income Banking Book management

(1) *Pursuant to the authorisation granted by the CMVM to change the scope of business of Haitong Capital, this subsidiary is to be renamed Haitong Global Asset Management SGOIC, S.A.*

CORPORATE SOLUTIONS

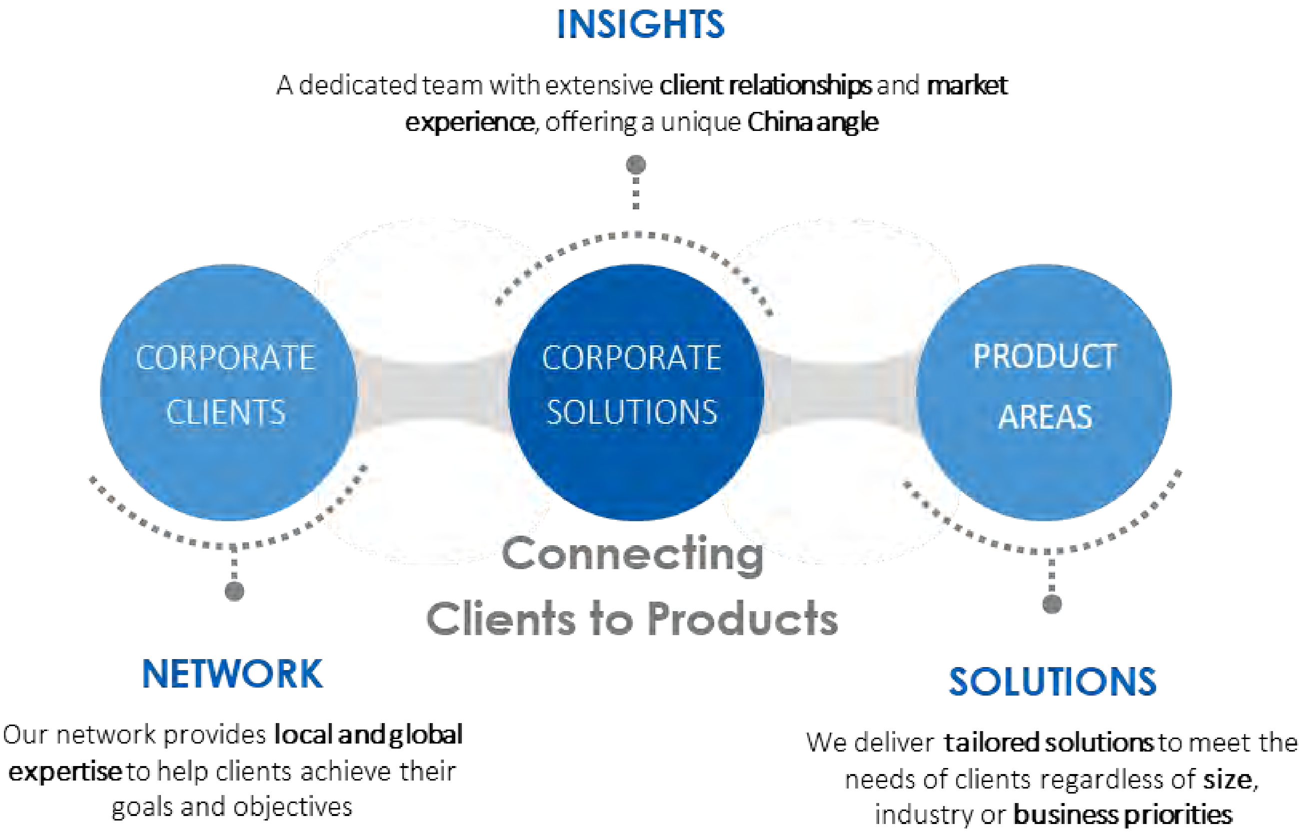
OVERVIEW

The Corporate Solutions Division is the primary client-facing team, responsible for client coverage and business origination. This Division partners with clients to ensure the best corporate and investment banking solutions that suit their needs.

Haitong Bank benefits from a unique business positioning by combining deep-rooted presence in various domestic markets in Europe and Latin America with its differentiating China Angle.

STRATEGY

Corporate Solutions plays a central role in the Bank's Strategy underpinned by the sustainable growth of the client franchise in the various regions.



ACTIVITY HIGHLIGHTS

Corporate Solutions operates in strict coordination with the various product areas in full strategic alignment between the Bank's product areas and the clients:

- **Structured Finance**: the Bank has been successful in expanding the credit portfolio through bespoke solutions to clients in multiple sectors. These included collateralised lending, asset finance, including real estate, acquisition finance and syndicated loans;
- **Capital Markets:** continuing support on the origination of capital markets domestic deals. These included bond offerings and short-term instruments, such as commercial paper. This year the Bank was active on ESG bond financing alongside selective Equity Capital Markets deals;
- **M&A Advisory:** there has been a consistent growth of the pipeline of both sell-side and buy-side deals, alongside cross-border opportunities and China-related transactions. The Bank has leveraged on its solid reputation in advisory services;
- **Corporate Derivatives:** the Bank has significantly expanded the number of corporate counterparties seeking hedging solutions for multiple risk exposures. The Bank offered bespoke hedging solutions alongside its recognised electronic platform for plain vanilla products;
- **Savings Products:** Corporate Solutions has been working with the Treasury Department to support the expansion and diversification of the Bank's funding sources. Corporate Solutions has also been working together with Asset Management to support the distribution of the Bank's equity and fixed income funds and portfolio management.

Overall, clients' activity has picked up throughout 2021. With the easing of lockdown restrictions, Senior Bankers have been further engaging with corporate clients which have entrusted the Bank with increasing levels of activity in multiple products.

Capital Markets

OVERVIEW

The Capital Markets Division comprises 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 and 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 delistings as well as equity-linked instruments, such as convertible bonds for corporate clients.

STRATEGY

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

The Bank is well positioned to play the "China House" role, leveraging on its prominence over the last 3 years in EUR denominated transactions for Chinese issuers. In addition, the Bank leverages on the Group's unique access to Asian pools of demand.

€11.7m

Banking Income Amount

13%

Weight in Total Banking Income

Offering

Cross-border Euro and USD bonds structuring and underwriting

Bond Issuance for local market

Short-term debt instruments

Participation in Equity business opportunities

2021 MARKET REVIEW

Debt Capital Markets (DCM)

The past two years have been marked by a great capital rush, as issuers have sought to take advantage of low coupons and investor appetite amid a high-liquidity environment. While most of the enthusiasm has continued this year, it has ebbed a little in the fourth quarter, on the back of concerns about another wave of COVID-19 infections, inflation and the curtailing of government stimulus programs globally.

According to Refinitiv, overall global debt capital markets activity totalled USD 10.2 trillion during full year 2021, down 3% compared to full year 2020 and the second consecutive annual period to surpass USD 10.0 trillion in issuance. The number of new offerings brought to market during full year 2021 totalled 29,124, a 2% increase compared to a year ago and an all-time record.

Global Investment Grade corporate debt offerings totalled USD 4.6 trillion during full year 2021, a 6% decrease compared to 2020 levels and the second largest full year period for global high-grade corporate debt on record. The US dollar marketplace, which saw record levels of issuance during 2020, totalled USD 1.5 trillion during full year 2021, a 22% decline compared to a year ago and a two-year low.

Global High Yield debt activity during full year 2021 reached USD 649.4 billion, an increase of 17% compared to full year 2020 and the strongest full year period for global high yield issuance on record and the first to surpass USD 600 billion. High yield offerings from issuers in the United States, United Kingdom, France and China accounted for 77% of full year 2021 issuance, down slightly from 79% during the same time last year.

International bond offerings totalled USD 5.1 trillion during full year 2021, a 3% decrease compared to a year ago. Debt from emerging market corporate issuers totalled USD 383.6 billion during full year 2021, up 2% compared to a year ago. Corporate debt issuers from India, Brazil, Thailand and Malaysia accounted for 43% of emerging markets activity.

Asia local currency bond offerings totalled USD 3.1 trillion during full year 2021, a 12% increase compared to a year ago and the strongest full year period for issuance since records began in 1980. China Yuan offerings have increased 13% compared to a year ago.

According to Dealogic, corporates globally have raised a total of USD 236 billion in sustainable (including green) bonds in 2021, taking a big slice of the total USD 819 billion raised across all borrower types including SSAs, financial institutions and asset-backed securities. Corporates in EMEA have been by far the biggest issuers of sustainable bonds, with 227 companies launching bonds totalling USD 96 billion, and the UK, Germany and France occupying the top issuer slots. China and Japan are the primary drivers of sustainable loan issuance in Asia-Pacific, where a total of 347 companies delivered USD 87 billion. The Americas, perhaps unexpectedly given the corporate emphasis on ESG and consumer preference for renewables products, came last with only 75 companies issuing USD 52 billion. Still, sustainable finance is here to stay and will undoubtedly drive more deals in 2022.

Equity Capital Markets (ECM)

According to Dealogic, after a record-breaking 2020, ECM went stratospheric in 2021, as global ECM issuance skyrocketed to a total of USD 1.4 trillion across 7,504 deals. This marks a colossal haul and the strongest annual period for global ECM activity since records began in 1980.

Notably, 2021 has been the year of the IPO, with new listings accounting for 41% of all issuance, the highest level since 2000. Equity-linked paper and follow-on issuance both took the hit proportionally, despite very healthy levels of activity all around.

Global IPOs raked in USD 592 billion in 2021 versus USD 321 billion in 2020, propelled by peak valuations in secondary markets and investors' hunt for yield. Follow-on issuance topped USD

672 billion, a little over 2020’s USD 663 billion, when pandemic-stricken issuers rushed to tap investors for cash.

Mega deals have been a feature of the year, with IPOs above USD 1 billion hitting new highs, both in deal count and value. A total of USD 156 billion has been raised across 79 deals, more than ever and well above last year’s USD 98 billion deal value and 51 transactions, at a time when investors have been getting aboard liquid names.

The IPO boom aside, ECM menus have never had so many options. Alongside traditional listings, EMEA saw a slow and steady rise of SPAC IPOs for the first time, accounting for 9% of all fresh listing activity.

Despite the buzzing IPO scene, follow-on activity has not been left behind, with a total of USD 159 billion raised through 1,178 deals, zeroing in on last year’s USD 149 billion issued across 1,285 deals.

Interestingly, the make-up of such deals has changed, as companies and investors learn how to coexist with the pandemic. While in 2020 primary capital raising via accelerated bookbuilds climbed to a record 47% of all follow-on activity, in 2021 it dipped to about 39% of all deal value.

ACTIVITY HIGHLIGHTS

Haitong Bank continues to successfully bring Chinese borrowers to the international debt capital markets via both public and private placement formats (in both Euros and US dollars) having participated in 11 transactions. Some of the cross-border DCM transactions successfully closed by Haitong Bank in 2021 include:

- EUR 80 million 5.10% notes due 2022 issued by Weifang Binhai Investment Development Co.;
- USD 300 million 5.3% notes due 2024 issued by Chengdu Jingkai Guotou Investment Group Co., Ltd.;
- USD 500 million 2.4% guaranteed bonds due 2026 by SFG International Holding Co. Ltd.; and
- USD 240 million 3.15% guaranteed bonds due 2026 issued by Hanhui International Ltd..

In Portugal, Haitong Bank’s DCM activity in 2021 was marked by the leadership of 14 transactions, acting as:

- Joint Global Coordinator of Greenvolt’s inaugural bond issue, a EUR 100 million green bond, with 7-year tenor;
- Sole Global Coordinator of the public subscription offers of FC Porto SAD, Benfica SAD and Sporting SAD which totalled EUR 140 million;
- Joint Global Coordinator of Mota-Engil, SGPS, S.A.’s EUR 110 million first public sustainability-linked bond issue, with a 5-year tenor achieved through two total and voluntary public exchange offers and one public subscription offer and its subsequent reopening in the amount of EUR 22 million;
- Consent solicitation agent on the consent solicitation processes regarding the covenants of two Mota-Engil, SGPS, S.A. bondsand one Transportes Aéreos Portugueses, S.A. bond;
- Arranger and Dealer of Sata Air Açores – Sociedade Açoriana de Transportes Aéreos, S.A.’s EUR 50 million guaranteed commercial paper programme; and
- Joint Lead Manager and Joint Bookrunner of CUF, S.A.’s private voluntary purchase and exchange offer of "José de Mello Saúde 2017/2023" notes in a total amount of EUR 28.3 million (EUR 16.6 million of these were acquired in cash and the remaining EUR 11.7 million were exchanged for a tap of the "José de Mello Saúde 2019/2027" notes issue).

On the ECM side, Haitong Bank acted as Adviser to the Offeror in the mandatory tender offer launched by Pluris Investments, S.A. over the total share capital of Grupo Média Capital, SGPS, S.A. pursuant to which Pluris acquired 5.16% of the shares of Grupo Média Capital, increasing its stake to 35.38% of the share capital. The Bank also acted as Joint Global Coordinator of Mota-Engil, SGPS, S.A.'s rights issue via a public subscription offer which allowed the company to increase its share capital from EUR 237,505,141 to EUR 306,775,950.

Amidst challenging market conditions caused by the pandemic uncertainty and volatile economic circumstances, the Bank's Warsaw Branch completed a very interesting transaction for Cognor S.A. controlled by Cognor Holding S.A., one of the largest steel producers in Central Europe, whose shares are listed on the Warsaw Stock Exchange. The transaction value amounted to PLN 200 million with 5-year maturity. The Warsaw Branch also acted in the PLN 50 million bond issue for JHM Development S.A., a subsidiary of WSE-listed MIRBUD S.A..

As far as Polish Equity Capital Markets are concerned, in 2021 the Warsaw Branch closed the IPO of Vercom SA – one of the leading CPaaS (Communication Platform as a Service) providers in CEE. Haitong Bank acted as Co-manager in this transaction.

In Spain, 2021 was a challenging year for the DCM team, hampered by the level of liquidity being deployed by the ICO (Instituto de Crédito Oficial) to corporate mid-market sector thus reducing its financing needs. Despite this, the Team managed to execute its existing mandates, closed a debt advisory deal at the beginning of the year for the refinancing of a solar PV plant and maintained its relationship with its clients by placing promissory notes under the MARF programmes of three of them. On the other hand, the Team has carried out a considerable marketing work during the year in capital markets and debt advisory, which is expected to be reflected during 2022 with a higher number of mandates and executed transactions. At the beginning of January, the Team already has mandates in place and was working on their execution.

Despite these conditions, Haitong Bank's Spain Branch continues to develop its presence and capabilities in Capital Markets as in Debt Advisory with the aim of continuing to build on the recovery of the market, having executed the following main transactions in 2021:

- Private Placement of EUR 18.1 million for their senior debt refinancing for VM Capital, a German company with solar plants in Spain. Haitong Bank acted as Debt Adviser and Placement Agent;
- Promissory Note Programme of EUR 100 million for Via Celere, a Real Estate company. Haitong Bank acted as Dealer;
- Commercial Paper Programme of EUR 75 million for Tradebe, an Environmental services and waste management company. Haitong Bank acted as Dealer; and
- Commercial Paper Programme of EUR 30 million for Copasa, a Construction, development of infrastructures and provision of urban, logistic, and energy services company. Haitong Bank acted as Dealer.

In Brazil, the first half of 2021 was challenging for the debt capital markets as a whole, since the low interest rate environment made IPO's a very attractive alternative of funding for companies and therefore investors, who were seeking options besides the fixed income market.

With the rise of interest rates in the second half of the year, investors began leaving the variable income and looking for fixed income alternatives again. Concerning Haitong Brazil's role among the debt market, as seen in past years, the Bank faced fierce competition from Brazil's biggest banks, mainly due to the fact that those banks are able to use their balance sheet to exercise their firm underwriting and then sell the offers in the secondary market. By the end of 2021, in a period of only one and a half months, banks had to buy more than BRL 20 billion in bonds issued in house, which set a record for the period.

Given what was said above, it is important to highlight Haitong Brazil's role in Agrícola Alvorada's debt issuance, which was characterized as a hybrid operation, since Haitong Brazil was able to use the balance sheet to buy part of the issuance, and the remaining was distributed to investors. Another role that should be mentioned was Haitong Brazil's part as Coordinator to an infrastructure bond issued by Água Vermelha Transmissora de Energia. The company is owned by Vinci Energia and the deal was wholly subscribed by Itaú, which are both very relevant players in Brazil's capital market.

Last but not least, it is vital to point out that Haitong Brazil signed three important mandates in December 2021, which should be settled during the first months of 2022. The deals comprise two bonds and one CRI (Certificado de Recebíveis Imobiliários), with total value of approximately BRL 600 million.

Haitong Bank's Macau Branch started its activities in October 27, 2021. Since then, it participated in three transactions, acting as:

- Joint Global Coordinator of Chengdu Jingkai Guotou Investment Group Co., Ltd. USD 300 million bond issue, with a coupon of 5.3% and a 3-year tenor. The project involved several parties from the Haitong Group including, aside from Haitong Bank Macau Branch, Haitong International, Haitong Unitrust and Haitong Securities, which fully reflects Haitong Group's collaborative advantages;
- Joint Lead Manager and Joint Bookrunner of Taizhou State-owned Assets Investment Group Co., Ltd.'s USD 90 million bond issue, with a coupon of 2.02% and a 3-year tenor. The bonds have the benefit of an irrevocable standby letter of credit issued by Bank of Ningbo Taizhou Branch; and
- Sole Global Coordinator, Joint Lead Manager and Joint Bookrunner of the EUR 80 million 5.10% Notes due 2022 issued by Weifang Binhai Investment Development Co., Ltd.. This was the first Euro Issue with dual listing in both Chongwa (Macau) Financial Asset Exchange Co., Limited ("MOX") and Luxembourg Stock Exchange ("LuxSE").

The Bank's Macau Branch will continue to give full play to the collaborative advantages of the Haitong Group, strengthening the existing offshore bond business for Chinese issuers, especially for LGFVs. Moreover, sourcing bond deals to issue on Macau Central Securities Depository "MCSD", and bridge it with Chinese issuers, will contribute to the development of Macau's bond market, as well the Branch's growth together with local institutions.

2022 OUTLOOK

The broader capital markets enjoyed an excellent 2021 and look strong going into 2022 despite a recent pullback largely resulting from the Omicron variant. Key concerns for continued economic recovery include the effectiveness of current vaccines against new variants, as well as quarantines and geopolitical factors that are disruptive to economic recovery and supply chains. The market appears to have priced in these concerns, and investor sentiment remains high going into 2022. The main reason issuers kept away from the bond markets in 2021 was that they were still sitting on the enormous cash piles they had built up a year earlier. This is widely expected to change in 2022.

As well as central bank influence, a continuing trend for 2022 will be the sustained rise of environmental, social and governance (ESG) finance. Adding to the corporate ESG supply in 2022 will be a growing number of issuers announcing that they are switching their entire bond programme to ESG-related issuance.

After a hectic year, ECM markets are finding their rhythm in the post-pandemic world — or at least they were until the arrival of Omicron. Deals may not continue to be churned out at the same breathless pace, but banks are looking at a brimming pipeline for the coming months and 2022 is likely to once again be a very busy year.

SOE | CHINA

CHENGDU JINGKAI GUOTOU INVESTMENT GROUP CO., LTD.

5.3% Bonds due 2024

US$ 300,000,000

Joint Global Coordinator, Joint Lead Manager, Joint Bookrunner

2021

HAITONG

SOE | CHINA, BVI

山东财金集团 SHANDONG FINANCE GROUP

2.40% Guaranteed Bonds due 2026

US$ 500,000,000

Joint Global Coordinator, Joint Lead Manager, Joint Bookrunner

2021

HAITONG

ENERGY | PORTUGAL

GreenVolt

2.625% Green Bond due 2028

€ 100,000,000

Joint Global Coordinator

2021

HAITONG

CONSTRUCTION & REAL ESTATE | PORTUGAL

MOTA-ENGIL

4.25% Sustainability-linked bonds due 2026

€ 110,000,000

Joint Global Coordinator

2021

HAITONG

CONSTRUCTION & REAL ESTATE | PORTUGAL

MOTA-ENGIL

Reopening of the 4.25% Sustainability-linked bonds due 2026 in the amount of €21,999,500

€ 131,999,500

Joint Global Coordinator

2021

HAITONG

ENERGY | GERMANY

VM CAPITAL

Debt Advisory to VM Solar Jerez GmbH

€ 18,104,483

Financial Adviser

2021

HAITONG

CONSTRUCTION & REAL ESTATE | SPAIN

vía célere

Casas que innovan tu vida

Commercial Paper Programme

€ 100,000,000

Dealer

2021

HAITONG

CONSTRUCTION & REAL ESTATE / INFRASTRUCTURE & TRANSPORT | CHINA

潍坊滨海投资发展有限公司 WEIFANG BINHAI INVESTMENT DEVELOPMENT CO., LTD.

5.10% Bonds due 2022

€ 80,000,000

Sole Global Coordinator, Joint Lead Manager, Joint Bookrunner

2021

HAITONG

Structured Finance

OVERVIEW

With a long track record and expertise in project finance, acquisition finance and other credits, 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 China-related transactions and structured finance solutions, 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
- Performance and payment guarantees.

STRATEGY

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.

€26.9m

Banking Income Amount

30%

Weight in Total Banking Income

Offering

Cross-border EUR and USD bonds structuring and underwriting

Bond Issuance for local market

Short-term debt instruments

Participation in Equity business opportunities

ACTIVITY HIGHLIGHTS

In 2021, Haitong Bank's Structured Finance activity has improved its performance and reinforced its presence in the lending space with a growing volume of new deals approved and closed in Europe and Brazil.

Despite the negative effects of the COVID-19 pandemic, still felt mainly during the first half of the year, Structured Finance has had a very good performance across the various geographies in which the Bank has a presence as a result of the well-coordinated commercial efforts combined with a focus on value added transactions for both the Bank and its clients.

The business area achieved a total banking income in 2021, which exceeded the previous year in more than 60%. This achievement allowed for a cost-to-income ratio of 11% and for a positive direct contribution from the area that more than doubled last year's.

Activity has been particularly strong in the energy, telecoms, infrastructure and real estate sectors, as well as in the LBO space. During this period, a total of 20 new transactions have been successfully closed in Europe, covering the above mentioned sectors in Portugal, Spain and Poland.

On top of the deals closed during the year, a number of other transactions have merited internal credit approval during the period being now part of the pipeline of deals to be closed in 2022.

The China-related business has also remained very dynamic with a number of opportunities being developed and assessed, namely in the UK where the real estate development and the energy sectors keep attracting Chinese investment.

The active and careful management of the Bank's existing portfolio of credits and agency services, from both a risk and return perspectives have also kept being one of the most relevant tasks for this product area.

Overall, in the Structured Finance activity, the Bank continues to position itself as a solution provider to clients guided by a flexible and constructive approach with a focus on added-value transactions.

In Brazil and despite the challenging environment brought by the continuing effect of the COVID-19 pandemic on the economy and the spike in inflation, the Structured Finance activity was highly positive, especially taking into consideration the closing of several transactions in an amount of approximately BRL 400 million, with a special focus in the agribusiness sector.

The Structured Finance business area continues to collaborate with the Capital Markets Division, generating synergies and seeking mandates for combined transactions where the Bank will both act as bookrunner and lender.

At the same time, the Bank continues to seek to position itself with investors, mainly Chinese and European, interested in closing structured financing transactions and in partaking in the infrastructure sector.

2022 OUTLOOK

For 2022, the Structured Finance business is expected to keep on the same path of 2021, building up on the recent achievements in terms of market presence and performance, aiming at the consolidation of the Bank's positioning as an acknowledged lending specialist and the improvement of its credit activity overall.

The pipeline of new Structured Finance deals remains strong and growing with a number of new business opportunities in sectors like the real estate / accommodation, energy and infrastructure as well as in the LBO (Leveraged Buyout) space. In this area, a particular focus will be kept in several acquisition finance opportunities in various sectors, namely in Portugal and Spain.

The positive business prospects for Haitong Bank's Structured Finance activity are also strongly supported by the Bank's unique characteristics, given its long established international footprint and as part of a strong Chinese financial group, where Structured Finance is one of the key products within the full range of financial services the Bank offers to its clients.

In Brazil, the expectations for 2022 are for an increase in the closing and disbursement of new transactions given the prospect of a more robust economic environment with reduced impact from the COVID-19 pandemic and despite any disturbance brought by the presidential elections in the end of the year.

MERGERS AND ACQUISITIONS

OVERVIEW

The 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. Haitong 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 also provides support to Chinese companies in executing their internationalisation strategy in Europe and Latin America.

STRATEGY

Haitong Bank’s M&A business has become more cross-border in a growing competitive environment. In this context, Haitong Bank will broaden its geographical scope to provide these services on a more global and integrated scale. As such, it was decided to terminate the local M&A Divisions in Portugal and Spain and create a new Division called “Sino-EU M&A Department” that will be responsible for all Haitong Bank M&A business between China and the Eurozone.

€21.1m

Banking Income Amount

24%

Weight in Total Banking Total

Offering

Sell-side and buy-side advisory

Advisory services on asset disposals

Company valuation

2021 MARKET REVIEW

During 2021, global M&A activity registered a strong increase of 39% YoY in terms of the value of completed transactions, totalling USD 3.9 trillion, according to Mergermarket. In Europe, the M&A market followed the global trend with a 50% YoY increase in terms of value of completed transactions, reaching USD 1.6 trillion.

In Portugal, the M&A market did not follow the global trend, posting a reduction of 76% YoY in terms of value of completed transactions, reaching USD 5.4 billion. This performance is largely explained by the fact that by the end of 2021 there were several very large transactions that, although announced during the year, were not yet completed by then. In Spain, the value of M&A completed transactions for 2021 amounted to circa USD 90 billion, totalling 744 closed deals, a significant increase when compared to EUR 48 billion and 488 closed deals in 2020.

The UK saw a strong rebound in volumes in all key sectors, with nearly 2,000 transactions in total, a 50% increase over 2020. Deal values rose 33% from the previous year, reaching USD 352 billion, with over a third of this value (USD 132 billion) accounted for by 16 megadeals. The TMT sector continued to dominate in deal volume and value, followed by Industrials, Financial Services and Energy.

In Poland, the M&A market totalled 197 transactions during 2021 vs 146 during the same period of 2020. The value of the completed M&A transactions amounted to circa USD 14.4 billion. The media and telecommunications sector was the most popular in 2021.

The M&A market in Brazil totalled USD 49.4 billion in 2021, more than double the amount in in 2020. During 2021, 404 transactions were closed, the most active sectors being financial, consumer and energy, with 275 transactions. In terms of value, the financial sector stood out, summing up to USD 26.6 billion in the period. Despite a favourable exchange rate to foreign investors due to the sharp depreciation of the Brazilian currency, around 80% of the deals had a Brazilian acquirer.

ACTIVITY HIGHLIGHTS

The M&A activity increased in 2021, with transactions returning to the market after the disruption and uncertainty during 2020 borne by the initial wave of the COVID-19 pandemic. The increase in deal flow was supported by the improved macroeconomic backdrop, easy access to capital and low interest rates environment, as well as by the optimist prospects for the recovery and reopening of the economy.

Haitong Bank was very active in the Portuguese M&A market and was engaged as Financial Adviser in several transactions, being able to successfully reach completion of three deals, as follows:

- Financial advisory services to China Communications Construction Company (CCCC), one of the largest infrastructure groups in the world, in the acquisition of a 32% stake in Mota-Engil SGPS, SA for EUR 241 million. The deal involved the direct acquisition of shares from Mota Gestão e Participações SGPS, SA and a share capital increase in Mota-Engil SGPS, S.A.. Mota-Engil is the leading construction group in Portugal with operations in the segments of construction, environment, transport concessions and energy that is present in Europe, Africa and Latin America;

- Financial advisory services to the shareholders of Cudell - Outdoor Solutions, S.A. in the disposal of this company – dedicated to the sale of solutions for outdoor areas, such as landscape irrigation, pool products and equipment, and water handling – to Descours & Cabaud Group, a French private group that is a major player in this market in Europe; and

- Financial advisory services to Sonae IM and the other shareholders of Digitmarket – Sistemas de Informação, SA (Bizdirect) in the sale of this Portuguese IT company to Claranet Portugal.

In Spain, Haitong Bank was directly involved in a landmark Chinese SOE investment and acted as Financial Adviser in other relevant local transactions, namely:

- Financial advisory services to China Three Gorges in the landmark acquisition of a Spanish 572MW Solar PV portfolio from X-Elio (pending completion by the end of 2020 and closed in early 2021);
- Financial advisory services to Iberdrola and Naturgy on the divestment of their stake in Tecnatom to Westinghouse Electric. Tecnatom is a Spanish engineering company specialized in providing services in the nuclear sector to clients in different geographies around the world. The transaction was signed in August 2021 and is expected to be completed in the first quarter of 2022, after obtaining the customary regulatory approvals required; and
- Financial advisory services to Cargacoches shareholders in the equity raising and sale of a majority stake to Acciona Generación Renovable. Cargacoches is a Spanish electric vehicle ("EV") infrastructure operator that was interested in the incorporation of an investor with the aim of developing a leading Independent EV Charging Infrastructure Network in Spain.

During the year, the UK M&A Team assisted international clients on three cross-border mandates in the renewable energy and waste recycling/management sectors. The Team has also found success working with our China office to bring selected M&A ideas to a few Chinese clients, a service which clients noticeably appreciate and which helps to build relationships. During the year, a Chinese-UK cross-border investment opportunity in the energy sector for the Bank's Structured Finance Team was also originated. On the domestic front, the UK Team is advising a fund manager on raising up to EUR 75 million for an Alternative Investment Fund strategy - with the first EUR 50 million being in advanced due diligence with an institutional investor. The Team is also advising on a few other connected fundraisings.

The M&A Team in Brazil has worked in several projects in the energy sector targeted by Chinese players. It is worth mentioning renewable energy as a top priority for investors. As a consequence wind, solar and natural gas power plants sale processes have been well disputed and the prices paid were higher when compared to other energy sources.

Domestically, the M&A team in Brazil acted as sell-side adviser to mid-sized companies in the cosmetics, energy and retail sectors. The local M&A Team also put in place strategies to improve its origination in the middle market segment with the development of new partnerships across the country.

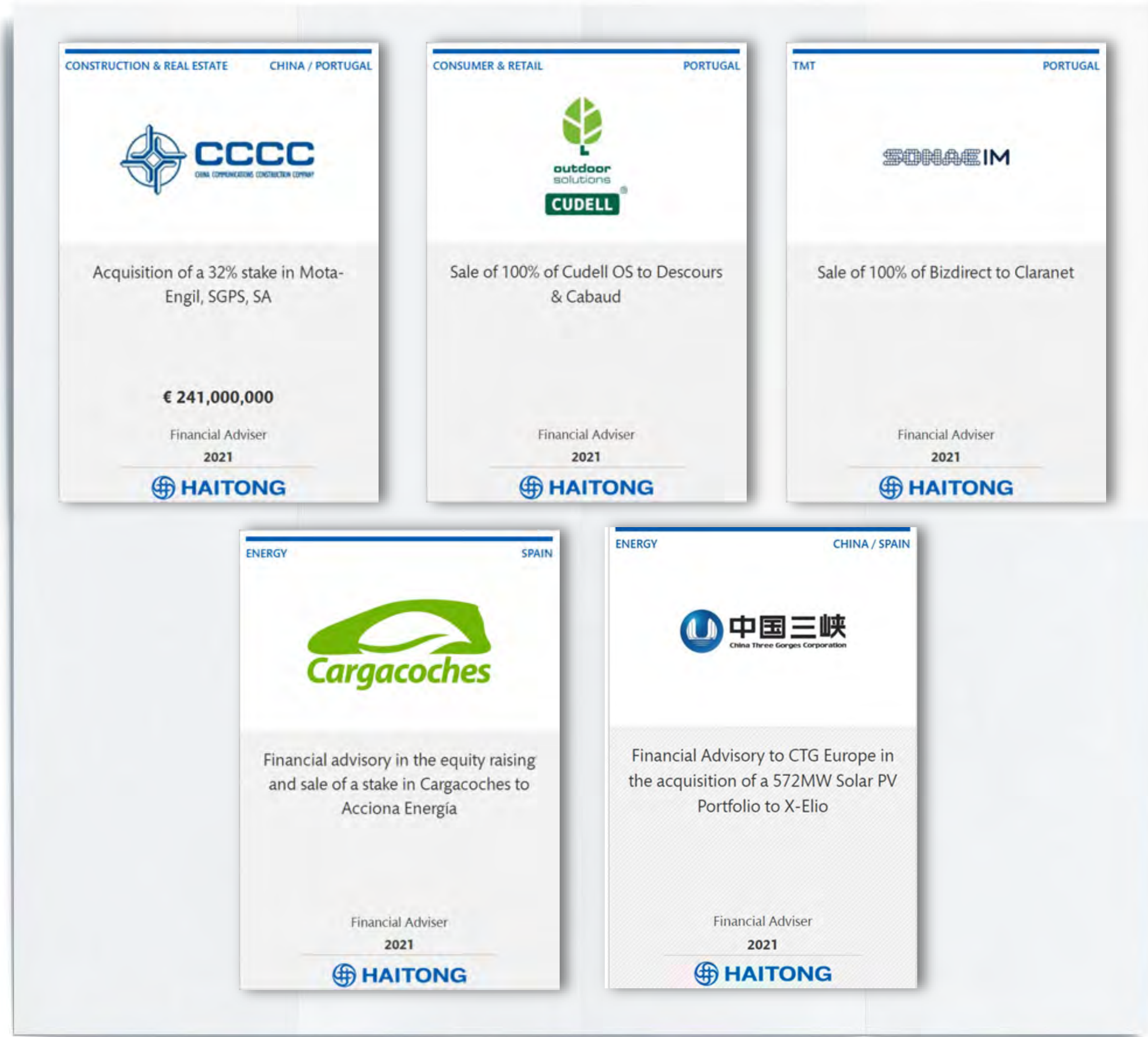
In macroeconomic terms, the rapid changes observed in the basic interest rate, that comes to 9.25% from 2.00%, the 2-digit inflation index, as well as the volatility of the exchange rate, have brought new and challenging assumptions to the expected risk/return that defines the competitiveness of a winning offer in an M&A process.

2022 OUTLOOK

For 2022, the Bank anticipates a strong deal-making year based on an encouraging deal pipeline. This outlook is supported by a growing sense of optimism and confidence as well as the rebound in economic growth. In addition, investors hold record levels of cash waiting to be deployed and deal financing opportunities are abundant.

Some of the main themes that will continue to drive M&A activity in 2022 include accelerating growth plans, gains of scale, acquisitions of new capabilities and requirements for business transformation, especially in the areas of digital transformation, decarbonisation and ESG.

However, there are a number of challenges for the outlook over the next year, namely the ongoing COVID-19 concerns, inflationary pressures and high valuations.


CONSTRUCTION & REAL ESTATE
CHINA / PORTUGAL
CCCC
Acquisition of a 32% stake in Mota-Engil, SGPS, SA
€ 241,000,000
Financial Adviser
2021
HAITONG
CONSUMER & RETAIL
PORTUGAL
outdoor solutions
CUDELL
Sale of 100% of Cudell OS to Descours & Cabaud
Financial Adviser
2021
HAITONG
TMT
PORTUGAL
SONAE IM
Sale of 100% of Bizdirect to Claranet
Financial Adviser
2021
HAITONG
ENERGY
SPAIN
Cargacoches
Financial advisory in the equity raising and sale of a stake in Cargacoches to Acciona Energía
Financial Adviser
2021
HAITONG
ENERGY
CHINA / SPAIN
中国三峡
China Three Gorges Corporation
Financial Advisory to CTG Europe in the acquisition of a 572MW Solar PV Portfolio to X-Elio
Financial Adviser
2021
HAITONG

FIXED INCOME

OVERVIEW

The Fixed Income Division works as a 'product factory' and as a distribution platform for debt products and OTC derivatives, bringing strong local knowledge to an international platform level and capturing the flow between clients in different regions, whilst remaining an important player in Haitong Bank's relevant markets. The Fixed Income main areas of operation allow the Team to acquire significant expertise in the target markets and ensure a strong distribution capability of debt products to institutional clients globally. The Fixed Income Division is present in Portugal, Spain, Poland and Brazil covering Haitong Bank's Banking Book Management, Trading / Flow, Fixed Income Institutional Sales and Syndication.

STRATEGY

The Fixed Income Division will continue to follow Haitong Bank's strategic guidelines, focusing on the necessary endeavours to add the China Angle to its current offer while aiming to become an important player in Chinese products. By building a strong bridge with Chinese local teams and having dynamic teams in its different offices, this Division will be able to create important synergies and become an execution hub of cross-border business opportunities from different geographies.

€19.6m

Banking Income Amount

22%

Weight in Total Banking Total

Offering

Fixed Income Trading and Debt Market Making

Fixed Income Institutional Sales

Syndication

Fixed Income Banking Book Management

ACTIVITY HIGHLIGHTS

Trading / Flow

During most of 2021, there was a strong volatility in rates, especially in USD with the reflation trade kicking in the first quarter of 2021. The fear of inflation and higher rates led to a strong reduction in secondary trading volumes but overall new issues and credit spreads performed well, both within the investment grade and high yield universe. As curves flattened towards the end of the semester and again in the last quarter, the Bank had more clients stepping in again to avoid excessive cash in the portfolios. Towards the end of the year, it became clear a new stance in FED's policies, diverging from other central bank's, namely the ECB, and that sets the stage for an interesting year of 2022.

Institutional Sales

On the flow activity, the Team has suffered from the hard landing in global fixed income flow where volumes have dropped almost 50% overall, following uncertainty regarding interest rates and historically low credit spreads. Despite this backdrop, the Team managed to increase the number of active clients and kept its focus on new capital markets' deals and short-term debt placements. By taking advantage of strong client relationships, the Team was able to service clients' needs well and identify relevant reverse enquiries providing successful distribution for all the new DCM deals led by Haitong Bank.

Syndication

In terms of primary deals, 2021 was marked by the COVID-19 effects on the economy and financial markets. As happened in the second half of 2020, several issuers returned to the markets, with the higher rated ones the first to the markets. The year was also marked by inflation warnings and volatility on interest rates, both of which made investors' and issuers' decisions more challenging. Although improving, the high yield sector has continued to see new issues' volumes very subdued and below normal levels. The vast majority of Haitong Bank's issuers belong to this segment so the number of new issues in 2021 was reduced.

In Iberia, the Team started the year liaising with investors and doing waivers for existing bonds like TAP, Mota-Engil and CUF Imobiliária. Pursuant to those waiver requests, the Team successfully carried out a waiver consent solicitation with investors. Later in the year, the Team led new deals, namely the EUR 100 million first bond from Greenvolt and other Iberian recurrent issuers such as CUF and Mota-Engil.

The Bank was also active in both private placements and benchmark transactions such as: Shuifa International (Baa1 rating, USD 200 million, 3-year maturity); Chongqing Nan'an Urban Construction & Development (Group) Co. Ltd. (BBB rating, USD 150 million, 3-year maturity); Hanhui International Limited (BBB+ rating, USD 240 million, 5-year maturity); Shandong Financial Group International Holding Co. Ltd. (A2/A+ rating, USD 500 million, 5-year maturity); Chengdu Jingkai Guotou Investment Group Co. Ltd. (Ba2, USD 300 million, 3-year); and Yanan New Area Investment Development (Group) Co. Ltd. (unrated, USD 100 million, 1-year).

Banking Book Management

Following the COVID-19 pandemic inception in 2020, 2021 will be known as the year of unwinding of the extraordinary expansionary monetary policy. The first semester ended up being a very stable period with most of the central banks staying put. In the beginning of the second half and, more specifically, in the end of August, the major central banks introduced a more hawkish tone. In the Bank of England case, it resulted in an unexpected rate hike in December. In addition, both the FED and the ECB reduced the acquisition pace and signalled a more aggressive approach for 2022.

Given the increased uncertainty about the monetary policy path and its unclear impacts on credit spreads, the Bank decided to remain very cautious on the risks added to the portfolio. This resulted in a more conservative approach to risk and lower activity in the secondary market, as well as a higher focus on supporting the DCM activity.

Fixed Income in Poland

In 2021, economic activity was still heavily influenced by the pandemic, although the impact was weaker than in the initial phase of the year. An ongoing economic recovery has been observed and inflation has risen well above the inflation target set by the Central Bank. Unexpectedly, contrary to earlier declarations, the Monetary Policy Council started to raise interest rates, which resulted in a significant increase in the yields of the Polish government bonds, although still much slower than inflation. The increase in the yield of 10-year bonds to the level of nearly 4% resulted in a significant sell-off of bonds, with a negative impact on the results of the Fixed Income Investment Funds. A very large increase in interest rates will also affect the corporate bond market, most of which is based on a floating interest rate. The increase in interest rates on corporate bonds is not expected, but the cost of these bonds grew significantly due to the rise in the WIBOR base rate. This had a negative impact especially on the primary market.

Despite the difficult conditions on the debt market, Haitong Bank successfully carried out two issues on the corporate bond market, which saw great interest from investors. In particular, it is worth emphasizing the issue of corporate bonds of Cognor in the amount of PLN 200 million, which was placed among local financial investors. On the secondary bond market, the Haitong Bank Branch in Warsaw continued to support financial clients despite very low liquidity caused by rising interest rates.

Fixed Income in Brazil

During 2021, the Fixed Income Sales Team in Brazil maintained a strong relationship with the local institutional clients in order to identify and understand the potential of demand for different types of local fixed income bonds and continued to act in response to solicitations for sounding out several corporate names in order to analyse the viability of such offerings' distribution. Moreover, the distribution teams remained focused on raising funding from the institutional client base, being confident in having reached pre-COVID levels by the end of this year.

The year of 2021 was challenging for the debt capital markets as a whole, since the low interest rate environment in Brazil made IPOs a very attractive alternative of funding for companies and therefore investors, who were seeking options besides the fixed income market.

It is important to highlight the Bank's role on Agrícola Alvorada's debt issuance and its role as Coordinator to an infrastructure bond issued by Água Vermelha Transmissora de Energia, owned by Vinci Energia.

2022 OUTLOOK

The trajectory of monetary policy normalization will be the main key in 2022. COVID-19 pandemic economic pressure is easing and, due to the existing supply chain bottlenecks and energy prices, inflation is rising in most economies. While we believe volatility will increase throughout the year, we understand it will allow us to continue to strengthen our commitment to the clients. Such commitment will be paramount to help Haitong Bank to originate and structure more debt deals while increasing the turnover. We believe that the Fixed Income Division will continue to play a key role in the Bank's activity, given its relevance as a product factory, distribution platform and efficient manager of the banking books. The Fixed Income Division will be a cornerstone and a booster for the Bank's different areas and geographies.

CORPORATE DERIVATIVES

OVERVIEW

Haitong Bank's Derivatives Desk covers several asset classes such as interest rates, FX and commodities, providing its 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 Financial Managers and CFOs of the most prestigious listed and non-listed companies in Portugal, Spain, Poland and Brazil.

STRATEGY

Haitong Bank's Derivatives Desk aims to help companies 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.

€4.7m

Banking Income Amount

5%

Weight in Total Banking Total

Offering

Corporate Hedging Solutions covering several asset classes such as interest rates, FX and commodities

ACTIVITY HIGHLIGHTS

2021 was an atypical year for corporate derivatives, due to uncertainty regarding the impact that COVID-19 could have on the recovery of the economy and business activity, and therefore the volume of derivatives in rates remained at low levels. In the first half of 2021 and as a matter of prudence, the Bank decided to reduce exposure to structures with higher volatility, namely commodities and structured FX. Even so, and with the help of the new execution channel - Haitong Electronic FX Platform - the Corporate Derivatives Desk registered a new record of transactions since it was created, totalling 413 deals with a volume of over EUR 1.4 billion. Emphasis should be put on the recovery made in the last quarter, when the activity with some clients was resumed, namely in FX, and the CVA (Credit Valuation Adjustment) that affected negatively 2020 results in the commodities sector was totally recovered.

This business area's performance continues to be heavily penalized due to interest rate hedging deals carried out in the past, within the scope of deals negotiated in Project Finance without CSA.

The Team consolidated its relationship with important groups such as Petrogal, and re-ignited relationships with others such as Altri, NOS and Ascenza. New Clients were onboarded, such as Almina, RAR, Bondalti and Rangel in Portugal and Técnicas Reunidas in Spain.

Highlight is also given to a closed deal with the Structured Finance business area, as a result of intra-group and cross-selling synergies.

In Brazil, throughout 2021, the activity of derivatives with corporate clients had a substantial progress both in the volume of business and in the number of clients and counterparties in comparison to the previous year. Agribusiness and Chemical/Petrochemical sectors were in the spotlight, presenting the best opportunities in terms of risk vs. return during the year. Unigel Group (Petrochemical), Amaggi Group (Grains), Cooperativa Lar (Grains and Food) and JBS Group (Food) made relevant deals with the Bank and reinforced the derivatives flow, contributing to the diversification of the business area revenues.

During 2H2021, the Team managed to gradually recover the expansion of business with specific niche customers with revenue through services (Exchange / Fees).

The mix resulting from the diversification of revenue between Derivatives, FX and Fees allowed the consolidation of the results of this area and exceeding expectations in 2021.

The Team continues to implement its strategy of expanding its derivatives client base, presenting deals with potential cross-selling in other areas of the Bank in order to enhance its results.

2022 OUTLOOK

For 2022, the Corporate Derivatives Desk expects to have more flow in interest rate hedging, volatility in commodities and volume increase of FX transactions on its FX platform.

In Brazil, the Team will continue to focus on the expansion of the FX and Fees business, so that as soon as it has conditions to do so, it can return to the strategy of diversifying the mix of products and results.

Asset Management

OVERVIEW

The Asset Management Division acts as an Investment Manager on a range of different mandates and asset portfolios with a view to maximising absolute returns in the long-term, taking into account the risk profile defined by each mandate and the limits established for them.

STRATEGY

The strategy is to expand this business activity by increasing Assets under Management (AuM) in both the equities and the fixed income portfolio. The Bank's strong performance track record in the European equities portfolio is a key comparative advantage to drive AuM upwards.

€3.5m

Banking Income Amount

4%

Weight in Total Banking Total

Offering

Discretionary Management

Fixed Income Fund

New initiatives:
Quantitative strategies

2021 MARKET REVIEW

The year 2021 was again impacted by the COVID-19 pandemic and by the way it shaped the economic recovery across the world.

The year started with a wave of enthusiasm around the success of vaccines and the ensuing strong reopening of economies. In this phase, the most cyclical sectors (travel, banking and auto) led the equity markets, closely followed by the technology sector. From April onwards, this optimism was largely tempered by the persistence of restrictions associated with the pandemic that made it clear that normalization would be a slower than expected process. It was also at that time that concerns about inflation emerged, in a context of rising energy prices and significant disruptions in distribution chains.

Major central banks tried to assuage financial markets by defending the idea that inflationary pressures would be temporary. This allowed debt markets to stabilize, while equity markets continued their ascent.

However, it was becoming clear that the huge monetary stimulus put in place since 2020 would have to start to be unwound. China's central bank had already started to reduce liquidity at the end of 2020, and some developing nations also started to raise their reference rates (Russia, Brazil, Mexico, and South Korea). After the summer, the Bank of England, the US Federal Reserve and even the ECB guided markets towards less stimulus. During the fourth quarter, the Fed ultimately shifted its stance, dropping the "transitory" label to describe inflation and indicating the tapering of its Quantitative Easing program, after seeing inflation spiking more than expected as well as stronger job growth.

By the end of the year, buoyed by strong economic growth and high earnings expectations, equity markets were able to overcome these hurdles, as well as the specter of lockdowns induced by the spread of the Omicron variant. Stock markets posted double-digit returns in most geographies, with the notable exception being the Chinese equity markets, which were hit by reduced support from monetary policy and a tighter regulatory environment (especially in the tech and real estate sectors). In bonds, the reversal in the trend of yields meant that bond indices posted negative returns, an outcome not often seen in the last several years.

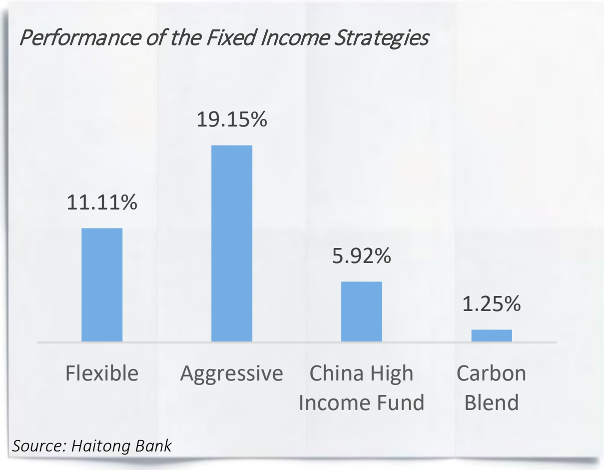
ACTIVITY HIGHLIGHTS

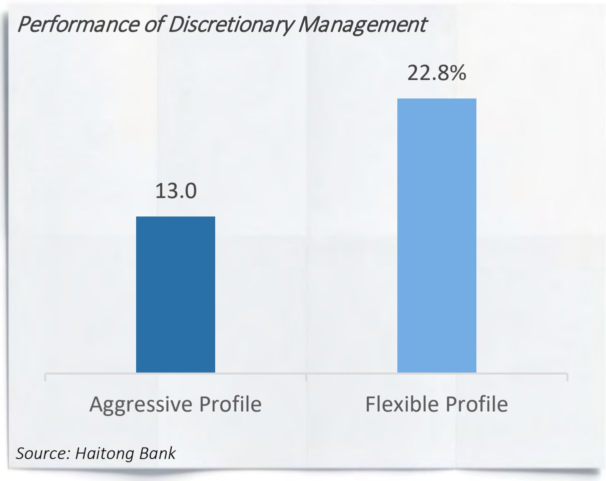
The performance of all of the Bank's strategies ended the year on very positive ground.

The rebound of the financial markets after a traumatic year of 2020 was extraordinarily strong and extended during the full year of 2021. After several years of underperformance, European equity markets were a notable stand out. In this context, a special mention should be made to the Aggressive European equity strategy, which closed the year with a gain of more than 22%, clearly above its historical annual average of 9.7%. In risk-weighted terms, this performance is also noteworthy, with the Sharpe index at 3.05, which compares with 2.65 for the Eurostoxx50 TR benchmark.

Regarding the Chinese bond strategies, it was a challenging year. The removal of monetary accommodation by the PBOC and the volatility caused by the step-up in regulation led local equity markets to underperform and Chinese corporate bonds were penalized by the uncertainty around sovereign support and the fallout of the real estate sector. Nevertheless, the performance was very positive and outperformed the targets. Unfortunately, the difficult market environment translated into net redemptions, especially during the first half of the year.

This explains that, in such a positive year for the performance of the portfolios managed, Assets under Management (AuM) actually declined from EUR 188 million to EUR 158 million.





2022 OUTLOOK

Expectations for 2022 are quite positive. The Bank remains confident that the quality of the Team and its solid track record will pay off. It is unlikely that the Bank's equity strategies will perform as well as in 2021, given the more mature phase of the economic cycle, the diminishing support from monetary policy and rising volatility, but companies' earnings should remain on an upward trend. We are also positive on the Chinese fixed income strategies, as seen by the recent shift in policymakers' stance towards more fiscal and monetary support, in order to underpin economic growth and smooth the adjustment in the property sector.

We are therefore optimistic for our fundraising activities in 2022, which should also benefit from a more comprehensive distribution strategy and the deepening relationship with our Macau Branch. At the same time, the conversion of Haitong Capital into a broad asset management company and the integration of our asset management activities into the rebranded company should drive a leap forward in terms of the quality and breadth of the products we can offer, which shall include the launch of new strategies and funds.

PRIVATE EQUITY

OVERVIEW

Haitong Capital manages a portfolio of equity stakes in private companies.

Haitong Capital leverages on sector and geographical expertise to support companies wishing to expand their businesses. Haitong Capital holds a differentiated positioning within the East-West trade space.

Historically, this business area has managed a combination of seed capital from the Group and funds raised from external Tier I investors.

Besides its own equity, the firm manages three private equity funds dedicated to the infrastructure and buyout/capital development market segments across Europe.

STRATEGY

The firm's strategy comprises combining European and Chinese expertise to invest in sectors that can benefit from the dynamics of both worlds. The ultimate goal is to provide investors with an absolute return on their investments.

The company is now changing its business model, with the aim of focusing on broad asset management activities beyond the pure private equity focus. Under a legal stand point the business scope change is expected to occur during the first quarter of 2022. From a strategic perspective, Haitong Global Asset Management will leverage on the Group's strong expertise on Asian markets together with Haitong Bank's solid track record in European cross-assets.

€4.8m

Banking Income Amount

5%

Weight in Total Banking Income

Offering

Playing a Sino-European role in the market

Growth Capital Fund

ACTIVITY HIGHLIGHTS

During 2021, the activity of Haitong Capital remained influenced by the COVID-19 pandemic, which impacted the portfolio companies' activity. The implementation of value preservation measures occurred across the portfolio to ensure business continuity. In this regard, some companies saw their activity reduced, but the majority of the portfolio companies had their performance materially preserved.

During the first half, the management company completed the liquidation of ES Iberia I, immediately after the disposal of the last portfolio company.

Taking into account the advanced stage of maturity of the current funds under management - Haitong Infrastructure Fund (liquidation phase), and FCR – PME /Novo Banco - the deal flow sourcing activities were not maximised.

In May, Haitong Capital launched a new private equity fund – Haitong Private Equity Fund, registered at CMVM, with a fully subscribed size of EUR 50 million. This Fund aims to invest in European private equity deals, including in funds pursuing such investment goal. Until the end of the year, the Fund invested a total amount of EUR 24.7 million in a portfolio of 7 companies/funds.

Aggregate inflows from the investment portfolios totalled EUR 25.9 million. This amount represents the proceeds generated by the exits from Armilar II and III, Fomentinveste, ESID, Fondo PPP Italia and SWIPE News.

On the Funds managed by Haitong Capital, total inflows from the investment portfolio totalled EUR 6.5 million. Out of this amount, circa EUR 1.3 million resulted from the disposal of Logic and ESUS and the remaining EUR 5.2 million derived from portfolio distributions.

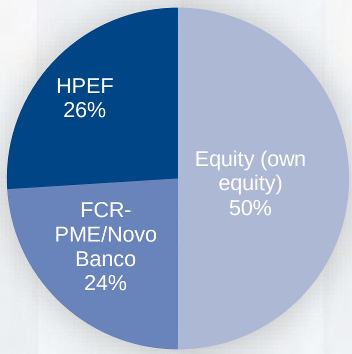
The firm reached an agreement to sell the last portfolio company in a transaction completed during January 2022.

This transaction represents a new beginning of the firm, which is no longer investing own funds into market securities, thus being exclusively focused on managing third party held patrimonies and/or funds.

Throughout the year, Haitong Capital maintained a hands-on management approach focused on the value creation of the portfolio of companies.

In 2021, the private equity activity posted a net profit of EUR 1.7 million and total equity amounted to EUR 58.0 million.

Breakdown of Funds under Management (2021)



Source: Haitong Bank.

2022 OUTLOOK

The Haitong Bank Group is implementing the reorganisation of Haitong Capital - Sociedade de Capital de Risco, S.A. with a change in its business model, recently approved by the Regulator. Such transformational process is underway to refocus Haitong Capital on broad asset management activities.

Finally, the liquidation of the Haitong Infrastructure Fund is expected to be completed until the end of April, upon disposal of the last portfolio company.

People

Warsaw

Human Resources

Human Resources plays a significant role in developing a positive business culture and improving employee engagement and productivity. The Bank focuses on acquiring the best talent, developing the existing workforce, promoting teamwork and encouraging individual achievement through career opportunities and mobility.

Human Resources also plays a central role in the coordination of the Bank's strategy with the suitability of the required workforce, which includes active participation in the expansion into new markets and regions. Moreover, Human Resources aims to increase the efficiency of its workforce by promoting mobility solutions, which lead to an improved front-office /back-office ratio and increased motivation and engagement.

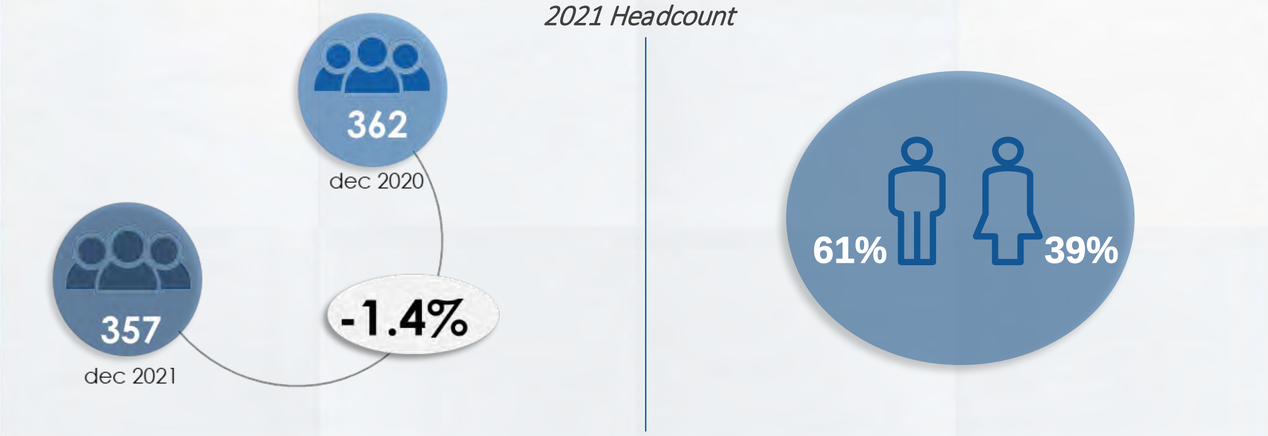
During 2021, Human Resources continued its commitment to building talent, identifying and recruiting the ideal candidates for every job opening. During this period, Haitong Bank's headcount saw a small decrease as a result of expected year end turnover and further positioning the Bank towards its business strategy.

2021 Headcount by Region

Source: Haitong Bank

We embrace diversity and inclusion, working together to support the communities where the Bank operates in the various regions. The Bank continues to support equal opportunity principles. Currently, women represent 39% of the total workforce. There is also a considerable number of female employees in senior positions at the Bank.

2021 Headcount



Source: Haitong Bank

Employee Headcount by Gender

Source: Haitong Bank

Employee Headcount Average Age

	Average (years)	
	Age	*Lenght of Service*
UK	44.9	9.3
Spain	44.3	12.2
Poland	39.6	7.1
Brazil	45.9	10.4
Portugal	42.5	12.5
Macau	32.4	0.3
Average	***42.8***	***10.9***

HAITONG BANK'S CONTINUED RESPONSE TO COVID-19

The year of 2021 was marked by new and recurrent periods of lockdown, as global economies continued to navigate through the COVID-19 pandemic.

With the effects of the global ongoing COVID-19 pandemic still present, the safety and wellbeing of its workforce continued to be one of the key priorities for Haitong Bank.

As the world's authorities advance with critical responses to COVID-19, namely mass vaccination programmes, Haitong Bank has continued to prioritise its business continuity measures, ensuring a healthy and safe workplace.

Most of the Bank's staff is still working remotely. However, the Bank has paved the way for the safe reintegration of additional key staff to offices, strengthening the number of important teams onsite.

The main safety measures continue to be:

- Constant sanitisation of office premises;
- Maintenance of existing controls, such as temperature checks for all incoming staff in offices and acrylic dividers for onsite staff workstations;
- Constant supply of adequate protective equipment such as face masks and alcohol-based sanitising gel; and
- Continuous guidance to employees on the steps that must be taken when entering and leaving the Bank's premises.

In the context of the current COVID-19 pandemic, the Bank is focused on helping its workforce to be aligned with its business strategy and help them to be prepared for a recovery scenario.

ACTIVITY HIGHLIGHTS

Human Resources continued to support the Bank's Senior Management and their respective committees, as well as the Supervisory Board. Some of the milestones achieved by HR in this period include:

- Participation in virtual career fairs for top universities, combining a strategy of improving the Bank's Employer Branding and attracting young talent;
- Launched a new KPI framework across the Bank and all its geographies, enabling individual goal setting even more aligned with the Bank's strategy, based on a clear, quantitative and accurate analysis process;
- Redesigned the Haitong Bank Group Remuneration Policy, making it more inclusive and further aligning it with the applicable regulation;
- Improved talent acquisition processes, with a greater focus on forecasting hiring needs, effective candidates sourcing (internal and external) and global selection and recruitment processes;
- Establishment of the Macau Branch, where HR played a central role in the recruiting, legal and strategic matters, internal procedures and on-boarding of the Macau team, both locals and international assignees;
- Participated in the deployment still in progress of the new Haitong Global Asset Management, combining the skills and expertise from internal talent with the needs to be covered by external human capital;
- Close participation and involvement in new business development and strategic initiatives of the Haitong Bank Group;
- Improved daily HR services, with a constant focus on efficient data administration, reporting, managing payroll and benefits;
- Supported the Corporate Governance and Remuneration Committees in the implementation of new and updated policies;
- Increased and effective communication in times of global uncertainty, leading with responsive, empathetic communications and policies that helped our workforce feel informed and supported.

2022 OUTLOOK

To be an efficient Human Resources Business Partner, it is crucial to respond proactively to the many challenges that lie ahead.

Some of our short-term goals include the following:

- Continued focus on attracting and recruiting the best talent available to ensure the Bank has the right people with the right skills;
- Support to the leadership's strategic and business initiatives, providing meaningful solutions for Human Resources challenges;
- Building on the knowledge, skills and abilities of our workforce and helping them develop and achieve their potential;
- Designing and implementing a culture of connection, using innovative digital platforms to establish and consolidate new models of collaboration and productivity;
- Constant focus on our talent sourcing processes and continuously increasing the Bank's visibility on social media recruiting platforms;
- Continued promotion of global mobility between different Departments as a way to improve internal reskilling / upskilling and optimize recruitment metrics.

Financial Performance

S. Paulo

MACROECONOMIC OVERVIEW

2021 MARKET REVIEW

Global economic activity regained momentum in 2021 with mass COVID-19 vaccination especially in developed economies and China. The reopening of the economies was stronger than initially expected by us and consensus expectations.

The continuing monetary and fiscal stimulus adopted by the majority of economies paved the economic rebound since 2Q2020 that was boosted by strong consumer spending since 2Q2021. In February 2022, consensus expectations were pointing to 5.9% GDP growth in 2021 and 4.3% in 2022. The IMF released a new estimate for the global GDP in January 2022 with growth of 5.9% in 2021 and 4.9% in 2022.

However, the pace of global economic recovery has been marked by volatility and bottlenecks caused by the impact of new variants of COVID-19 and unprecedented supply-chain disruptions. Such bottlenecks should continue to cause a “W” shape economic performance in 2021 and 2022 in our opinion.

By December 2021, the majority of the population (>60%) in developed economies received at least two doses of anti-COVID-19 vaccine and the third round of booster immunization was launched in 4Q2021. In our view, the major risk related to the pandemic is the low rate of vaccination in emerging economies and the mutations of the virus, like the Omicron variant that was first detected in November 2021.

One of the major side-effects of the fast recovery from the 2020 pandemic recession was the higher than expected inflation, especially in developed economies. Central banks in Europe and the US maintained monetary stimulus by leaving benchmark interest rates unchanged in 2021 despite higher than targeted consumer inflation (CPI) of 2%. 2021 CPI inflation jumped 2.6% in the Eurozone (vs. 0.3% in 2020), 2.6% in the UK (vs. 0.9% in 2020), and 4.7% in the US (vs. 1.2% in 2020).

Global economic recovery after the first wave of COVID-19 in 2020 was led by China where the mitigation of the outbreak was more successful compared to other large and populous countries and the official GDP for 2020 stood at 2.2%. Based on the first release, China’s GDP growth stood at 8.0% in 2021 with a strong performance of both exports (+28.3% YoY in 2021) and domestic consumption (retail sales of +12.8% YoY in 2021). China was less affected by the disruption in global-supply chains compared to western nations and inflation remained subdued with consensus estimates of 1.0% CPI inflation in 2021 (vs. 2.5% in 2020). The People’s Bank of China lowered the 1-year Loan Prime Rate from 3.85% to 3.80% in December 2021, aiming to improve financing conditions in the economy.

Since 2Q2020, governments and central banks in every affected nation have engaged in unprecedented efforts to mitigate the pandemic, support economic activity with fiscal stimulus, and provide liquidity for the financial institutions (aiming to reduce strains in credit flows into the real economy). Moreover, these supports are still flowing into the real economy during 2021 and 2022 in our view.

Debt to GDP ratios jumped in every nation with a larger budget deficit in 2020 and continued to deteriorate in European countries in 2021. According to the European Commission, the debt to GDP ratio of the Euro area reached an all-time high of 97.8% in 2020 and is expected to print 100% in 2021. The new US administration is also challenged by the jump in the budget deficit since 2020 when federal debt reached 133.9% of GDP. The IMF expects the US debt to GDP ratio to stabilize around 133% in 2021 due to the statutory limits to the federal debt (ceiling) and the stronger GDP growth.

The yield of 10-year benchmark government bonds was marked by strong volatility in 2021 with gains in most of the developed economies with the reopening and recovery of economic activity. The US 10-year Treasury Note's yield advanced to 1.511% (+60bps in 2021) vs. 0.91% at end of 2020. The German 10-year bund's yield "advanced" to -0.17% (+40bps year-to-date in 2021 vs. -0.57% at end of 2020).

In Asia, the yield of Chinese 10-year government bonds denominated in US dollars advanced to 0.68% by December 2021 vs. 0.38% at end of 2020.

Credit markets remained supportive in Europe during 2021 with strong asset purchasing activity of the ECB since the beginning of the pandemic. The spreads of 10Y government bonds of Portugal vs. 10Y German Bunds slightly widened 5bps to 64 bps and the equivalent Spanish government bond spread widened 14bps to 75bps in 2021.

Equity markets also experienced one of the strongest years in the past decade and benchmark indexes like the US S&P 500 gained 28.8% in 2021 (vs. 16.3% in 2020) and the European Eurostoxx50 advanced 20.6% in 2021 (vs. 7.2% in 2020).

Emerging markets were strongly affected by the imbalances caused by the fast reopening of developed markets and the challenging access to anti-COVID-19 vaccines in 2021. According to the IMF, emerging economies are expected to grow 6.4% in 2021 (vs. -2.1% in 2020) with a stronger performance of Asian economies (7.2% in 2021 vs. -0.8% in 2020).

Commodity markets continued to advance since 2H2020 and the CRB Index increased 29.6% in 2021. Exporting markets like Brazil were favoured by the strong global appetite for commodities and the GDP is expected to grow 4.4% in 2021 (Haitong Bank projection vs. -4.4% in 2020).

In currency markets, the US dollar advanced 6.3% vs. the Euro with the outlook of strong growth and higher interest rates for 2022 in the US. Emerging market currencies were affected by the risk aversion caused by the persistent impacts of the pandemic and the spike in local inflation, especially in Brazil and Poland.

Foreign Exchange Markets (FX rate and % Change)

		2020	2021	% Change
USA	Dollar Index	89.94	95.62	6.3%
Euro	USDEUR	1.22	1.14	-6.9%
UK	USDGBP	1.37	1.36	-0.3%
China	CNYUSD	6.53	6.37	-2.3%
Brazil	BRLUSD	5.19	5.57	7.3%
Poland	PLNUSD	3.73	3.99	6.9%

Source: Bloomberg | Analysis: Haitong Bank SA | Last update 12/31/2021

2022 OUTLOOK

We expect economic activity to keep advancing at a volatile pace in 2022 and become more balanced in 2023. Consensus expectations for world GDP growth of 4.3% in 2022 and 3.6% in 2023 are supported by some key factors: (1) the outlook of low real interest rates, especially in developed economies; (2) fiscal incentives for infrastructure investment with the highlight on ESG fundamentals in the EU, China, and the US; (3) strong consumer spending led by the increased savings during the worst period of the pandemic; (4) the high level of the backlog of orders in the supply chain of the global manufacturing industry; and (5) strong CAPEX in the private sector of developed economies. A new generation of vaccines, anti-viral drugs, and improved treatments against COVID-19 should reduce the burden of the disease for the world economy in 2022, in our view.

Gross Domestic Product Growth (%) Consensus

	2019	2020	2021	2022
World	**2.8%**	**-3.1%**	*5.9%*	*4.3%*
Euro Area	**1.3%**	**-6.4%**	*5.1%*	*4.0%*
USA	**2.2%**	**-3.4%**	*5.7%*	*3.8%*
Portugal	**2.7%**	**-8.4%**	*5.3%*	*5.2%*
Spain	**2.1%**	**-10.8%**	*5.0%*	*5.5%*
UK	**1.5%**	**-9.4%**	*7.1%*	*4.5%*
Poland	**4.7%**	**-2.5%**	*5.7%*	*4.7%*
Brazil	**1.2%**	**-3.9%**	*4.8%*	*0.7%*
China	**6.0%**	**2.2%**	*8.1%*	*5.2%*

**Consensus according to Bloomberg Jan22 | Bold=Actual | Italic=Consensus*
Source: Bloomberg

However, the COVID-19 pandemic remains the major risk for the global economy for 2022, in our view. Geopolitical risks are still relevant with the recent tensions between Europe and Russia. Risks related to persistent inflation and trade-wars are also worth mentioning due to the continuing disruption in supply-chains and the outlook of world GDP growth above the structural potential of 3.0%-3.5% until 2023.

Central banks and governments should be challenged by the need of stabilizing inflation and public spending with the possibility of an end in the pandemic sometime between 2022 and 2023, in our view.

Some central banks resumed a normalization of monetary conditions to limit high inflation in 2021, like the Bank of England (+15bps to 0.25%), Poland (+165bps to 1.75%), Russia (+425bps to 8.5%), South Korea (+50bps to 1.0%), and Brazil (+725bps to 9.25%).

Most of the central banks are expected to accelerate the pace of normalization, especially in 2H2022. The US Federal Reserve estimates at least three 25bps rate hikes in 2022 from the current range of 0%-0.25% and foresees the end for the asset purchasing program. The ECB is expected to reduce the pace of asset purchasing and possibly anticipate the first rate hike from 2023 to late 2022. Real interest rates in Europe and the US are expected to remain negative at least until 1H2023 in our opinion.

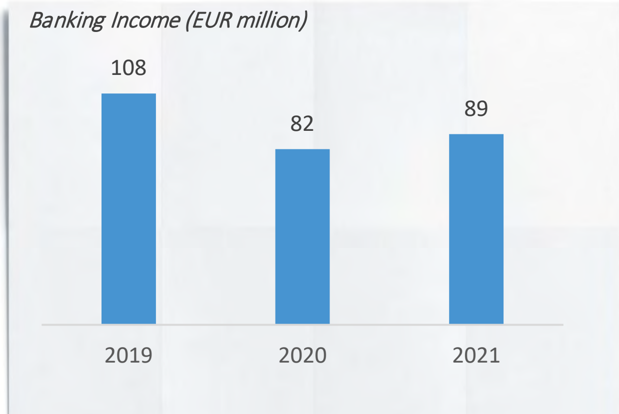
We expect the benchmark 10Y US Treasury Notes yield to move to a range between 2.0% to 2.5%, and the 10Y German bund yield to advance to the range of 1% to 1.25% in 2022. With the outlook of higher nominal interest rates and the strength of US GDP growth in 2022, we foresee the US dollar to sustain the current rate against the major currencies (EUR, GBP, JPY, and CHF). The Euro is expected to keep a range of EUR/USD 1.10-EUR/USD 1.20 with downside risk in case of geopolitical tensions with Russia. In our view, emerging market currencies should remain volatile in 2022 with possible improvements in 2H2022, on the back of the extended growth in commodities markets and developed economies.

Credit rating agencies refrained from major changes in sovereign debt ratings in 2021 since fiscal deterioration was not based on pre-pandemic structural imbalances in most countries. In our view, downside risks for sovereign credit ratings will become more visible in case of delays in solid economic reactivation, weak fiscal performance in the post-pandemic period, and persistent imbalances in financial institutions' balance sheets (including central banks). We expect a limited risk of downgrades in Portugal and Spain in 2022 due to the support from the EU and the ECB.

Strong GDP growth in developed markets should support the economic activity in emerging markets in 2022. However, the outlook of balanced growth in emerging markets is unlikely due to the economic and social distress caused by the pandemic. The higher unemployment, inflation, fiscal and political imbalances are concerning issues for many emerging economies in 2022.

FINANCIAL OVERVIEW

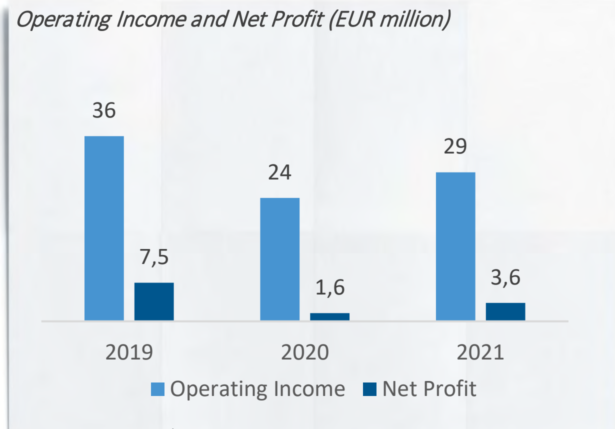
Banking Income stood at EUR 89 million in 2021, 9.4% above the EUR 82 million in 2020. The continuous commitment to strengthening the Bank's client franchise together with a consistent strategic direction have resulted in some relevant transactions in the three main business pillars: (i) Historical Domestic Franchises in Europe and LatAm, (ii) China Angle and (iii) Cross-Border. Although the pandemic has slowed the speed of execution of certain projects, some business areas such as Structured Finance and Fixed Income have significantly recovered from the previous year's levels and contributed to this improved global performance.



Source: Haitong Bank

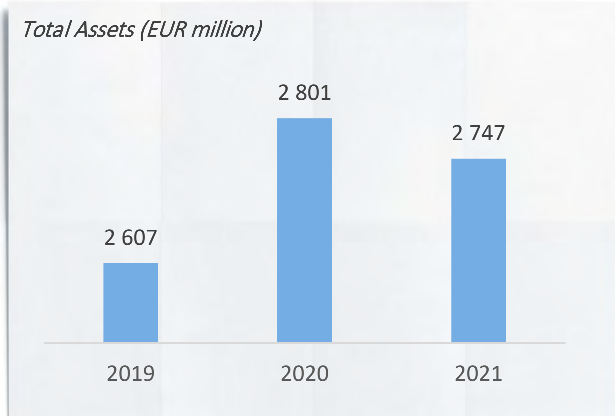
Net Interest Margin rose 11% YoY on the back of a 48% increase in Loans to Customers and the reduction of funding costs. Fees and Commissions dropped by 7% YoY, due to a reduction of business with Chinese clients, particularly on the DCM front. Capital Market Results improved significantly from the previous year, benefiting from a better financial markets backdrop.

Haitong Bank's operating performance maintained an upward trend since the beginning of the pandemic. In 2021, Operating Results rose 23% YoY to EUR 29 million, benefitting from the increase in Revenues and a lower increase in Operating Costs (3.8% YoY), which remain 17% below pre-COVID levels.



Source: Haitong Bank

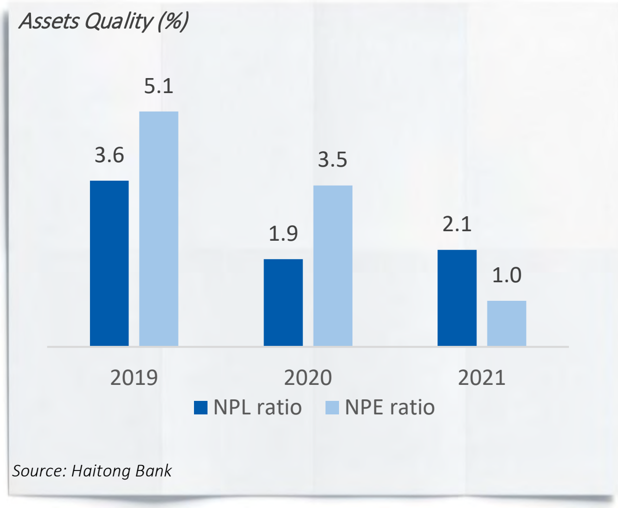
Despite the YoY increase in Impairments and Provisions, to EUR 20 million, the Bank registered an increase in Net Profit, which rose to EUR 3.6 million in 2021 versus EUR 1.6 million in 2020.



Source: Haitong Bank

The Bank remained focused on maintaining good levels of Asset Quality, and its conservative approach to new credit exposures allowed for a positive, albeit moderate, trend.

Total Assets were slightly above EUR 2.7 billion at the end of 2021, 2% below the EUR 2.8 billion posted in 2020. This was mainly due to a 45% decrease in Trading Assets. Loans to Customers had a remarkable 48% increase, to EUR 620 million, driven by the strong performance of the Structured Finance Division. The NPL ratio was 2.1% and the NPE ratio was 1%. The Bank maintains a strong capital position with a CET1 Ratio of 18.9% and Total Capital of 23.6%.



In mid-July, Haitong Bank's Macau Branch was formally authorized and it started its activities on 27 October 2021. The Bank's presence in Macau further reinforces Haitong Bank's strategic pillar of building a cross-border business with a China Angle.

In September, the CMVM authorized the establishment of Haitong Global Asset Management SGOIC, S.A. ("Haitong Global Asset Management") as a management company of collective investment undertakings. From a strategic perspective, Haitong Global Asset Management will leverage on the Group's strong expertise on Asian markets together with Haitong Bank's solid track record in European cross-assets.

CORPORATE EVENTS

- **In May 2021,** Fundo Espírito Santo IBERIA has been closed, by the amount of 1 thousand euros.
- **In June 2021**, Haitong Bank, S.A. has acquired 50.5% of Polish Hotel Company (PHC) by the amount of 500 thousand euros. In November of the same year, PHC changed its corporate name as well as its object, being under liquidation since January 2022.
- **In July 2021,** the establishment of Haitong Bank´s Macau Branch was formally authorized by the relevant Macau authorities and started its activities in October.
- In **September**, the CMVM authorized the establishment of Haitong Global Asset Management SGOIC, S.A. as a management company of collective investment undertakings.

RATING

On October 28, 2021, Standard & Poor's ("S&P") revised Haitong Bank’s rating Outlook upward from "Negative" to "Stable" and reaffirmed the Bank's long-term credit rating at "BB" and the short-term credit rating at "B".

According to S&P, the Outlook revision to "Stable" recognizes the Bank's resilience amid the pandemic and easing operating risks in the Portuguese banking system. S&P took a positive view of the continued efforts of the Bank's management to strengthen the domestic franchise, rebalance its funding profile, and develop its cross-border activity with Chinese customers to diversify its revenue base and to sustain and provide better stability to its operating profitability. Finally, S&P's belief is that the continuous support from the Bank's parent company will continue to sustain Haitong Bank's credit profile in the coming years while it remains focused on the ongoing restructuring of its operating model.

TREASURY

2021 MARKET REVIEW

Despite the surge of the Delta variant in the first half of 2021, we saw growth expectations rise with vaccination programs in place all over the world and improved economic indicators.

Growth expectations combined with huge budget stimuli, bigger in the US than in the Eurozone, expansionary monetary policies and restricted supply contributed to higher volatility given rising inflation fears. Bond yields rose accordingly, making Central Banks, mostly the Fed but also the ECB, to stand firm with their monetary policies and asset purchase programs, containing the yields surge. Nonetheless, bond yields rose in the first half across Eurozone countries and US as well.

The first half ended on a downward trend of COVID-19 new cases globally but still with some delay on the economy restrictions given the Delta variant.

In the second half of 2021, bottlenecks in the global economy became more visible with rising costs of energy and persisting strains in supply chains, which have spurred record-high inflation, leading rising yields both in the US and Eurozone.

Central banks reaffirmed the commitment to support solid economic recovery before taking action to reduce the pace of economic stimulus, containing the increase of bond yields.

By the end of the year, the surge of the new Omicron variant forced governments to adopt renewed strategies of social distancing for the holiday season, mainly in Europe.

The Brazilian economic activity recovery in 2021 was marked by a stronger-than-expected economic recovery in 1H2021 and a sizeable slowdown in 2H2021.

The supply side breakdown showed that there is a heterogeneous recovery underway. The manufacturing sector faced several headwinds, but was mainly hit by supply chain disruptions and tighter financial conditions. The services sector performance surprised to the upside, on the back of a faster vaccination plan enacted by states and municipalities. Finally, the agriculture sector – more exposed to external competition and more productive than other sectors – has been experiencing a continuous strong expansion in the wake of rising commodity prices.

Regarding inflation, supply chain disruptions, higher market concentration and higher commodity prices contributed to increase inflation through the year. Multiple core inflation measures and diffusion indexes continue to suggest that inflation tends to be more persistent than expected.

10-year Yields

Country	***Beginning 2021***	***2021 High***	***2021 Low***	***End 2021***
Germany	-0.572%	-0.105% (May)	-0.606% (Jan)	-0.182%
Italy	0.541%	1.115% (May)	0.454% (Feb)	1.170%
Spain	0.043%	0.612% (May)	0.018% (Jan)	0.563%
Portugal	0.026%	0.613% (May)	-0.027% (Jan)	0.462%
Greece	0.621%	1.118% (Feb)	0.534% (Aug)	1.315%
USA	0.916%	1.740% (Mar)	0.913% (Jan)	1.510%

Source: Haitong Bank

In this context, Haitong Brazil believes that the Brazilian Central Bank (BACEN) will continue to increase rates in 2022 with higher probability within the range of 11.50% – 12.50%. The last hike is likely to take place in May 2022 and the SELIC rate will remain unchanged until the end of the year. Sooner-than-expected rates lift-off around the globe increases the odds of both a higher terminal rate and a longer interest rate hiking cycle.

Finally, although political turmoil and institutional instability decreased slightly in the second half compared to the levels seen in the first half, these tensions are expected to increase in 2022 as the presidential election approaches fast and candidates become more vocal. Moreover, markets remain attentive to the economic staff to be appointed by the candidates and their economic agenda.

ACTIVITY HIGHLIGHTS

During 2021, the Bank maintained a very comfortable liquidity position and benefited from decreasing funding cost, showing strong resilience vis-à-vis the economic headwinds that occur during the pandemic.

The TLTRO III rate was revised downwards and the Bank refinanced partially the intra-Group financing, replacing it by a new cheaper Syndicated Loan.

Retail Deposits

During 2021, the Bank continued to source funds through online retail deposit platforms. The Bank concluded the implementation of a new online retail deposit partnership which has improved overall funding cost and funding mix. This channel has proved to be a stable source of funding with positive effects on NSFR and LCR ratios.

Overall volumes increased particularly in the last quarter, in line with expected growth going forward.

The Bank continued taking several initiatives to improve the quality of the retail deposits' offering, such as the analysis of new markets, new product offering and more recently a proprietary homebanking platform.

Eurosystem Refinancing

As mentioned before, the TLTRO III rate was revised downwards during the first half. Additionally, the Bank participated in the December TLTRO III and PELTRO auctions.

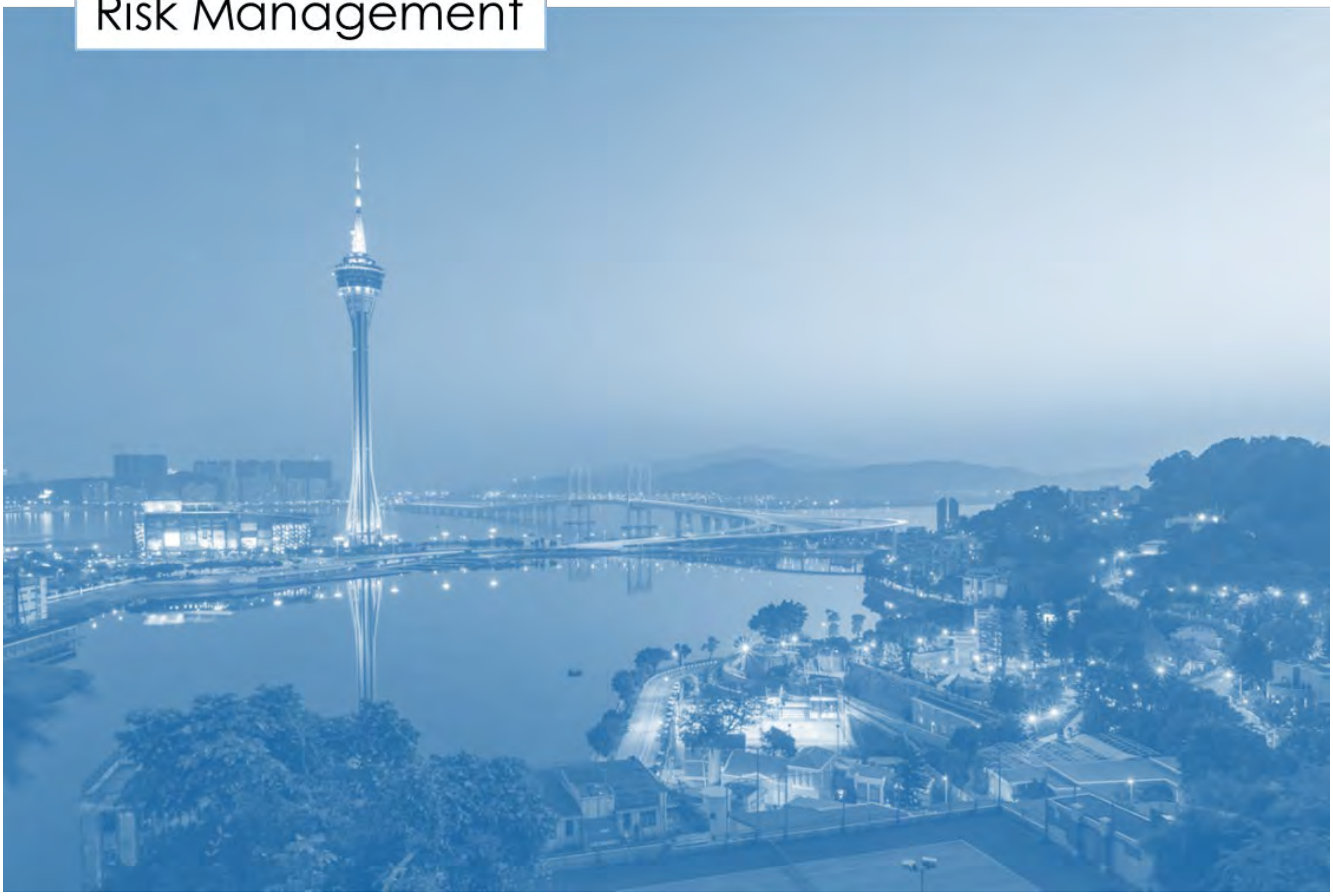
In Brazil, the main focus has been the enlargement of investors' base via the diversification of the sources of funding and the maintenance of its liquidity buffer at a comfortable level (around BRL 2.0 billion), in order to meet and hold its activities' good pace, as well as its liquidity and funding indicators.

2022 OUTLOOK

Treasury's main goal for 2022 is to continue to ensure the liquidity needed to develop the Bank's Business Plan, with a particular focus on reducing the funding cost. The Bank is also committed to maintaining a stable and diversified funding structure, mainly composed by retail funding, long-term financing through bond issuances and/or syndicated loans and also through the usage of the monetary policy instruments available through the ECB, in particular the Eurosystem.

Risk Management

Macau



GOVERNANCE

The Board of Directors is the ultimate responsible for Haitong Bank's Risk Management Framework. The Board of Directors is aware of the types of risks to which the Bank is exposed and the processes used to identify, evaluate, monitor and control those risks, as well as the legal obligations and the duties to which the institution is subject. It is accountable for the establishment and maintenance of an appropriate and effective risk management structure.

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

Risk Committee

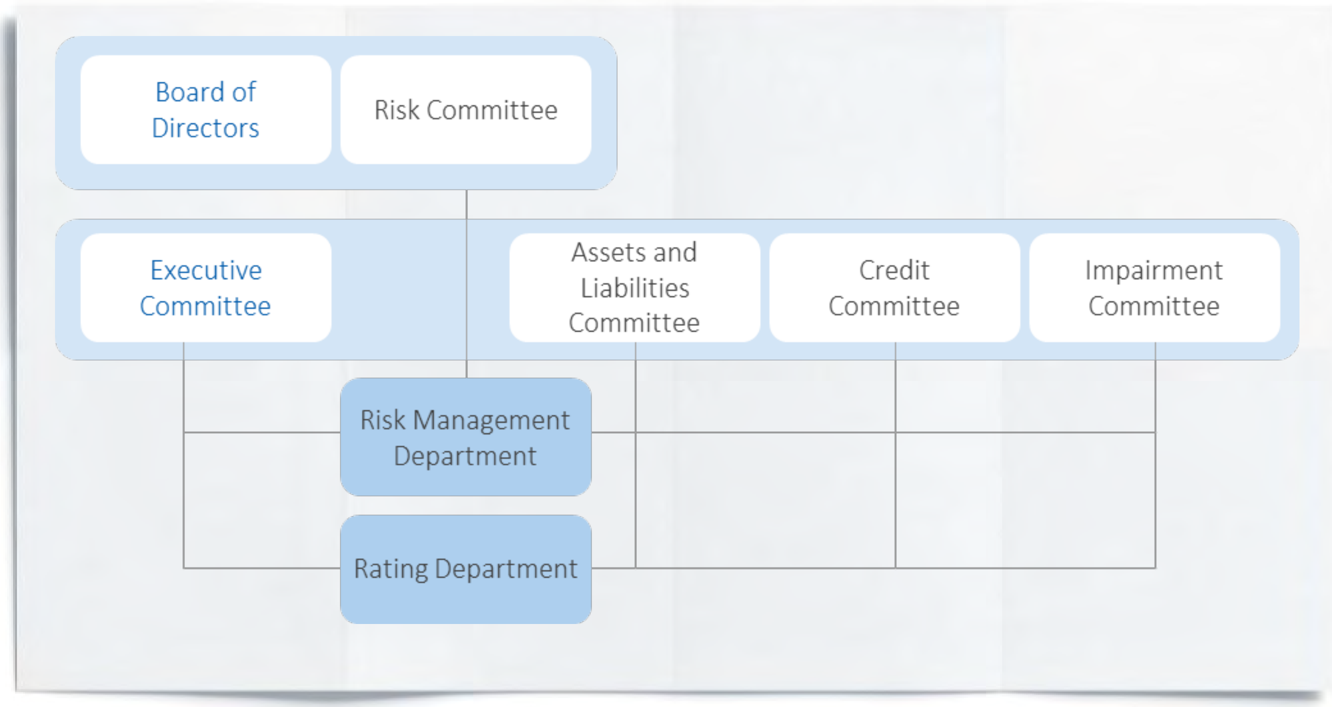
The Risk Committee's mission is to continuously monitor the development and implementation of the Bank's risk strategy/appetite and verify whether they are compatible with a sustainable strategy in the medium and long-term.

Assets and Liabilities Committee

The Assets and Liabilities Committee ("ALCO") mission is to advise the Executive Committee on the management of the Bank's assets and liabilities, including the oversight of capital and liquidity/funding planning, asset and liability risk management, internal pricing and investment policy, in alignment with the Bank's business strategy and regulatory requirements.

Risk Management Department

As an independent control function, the Risk Management Department, being actively involved in all material decisions and aligned with parent guidelines and practices, aims to enable the Bank to make informed decisions and ensure that the risk policies approved by the Board of Directors are duly implemented and followed.



Rating Department

Together with the Risk Management Department, the Rating Department is part of the Risk Control Function of Haitong Bank. The Rating Department plays a key role in supporting the Bank's decision-making process at the Credit Committee and Executive Committee and assisting the Impairment Committee in its individual basis impairment assessment.

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:

- Assessing and deciding on operations involving risk taking for the Bank within the Credit Committee's Decision Framework established by the Executive Committee;
- Issuing non-binding opinions regarding operations that fall outside of: (i) the Credit Committee's Decision Framework approved by the Executive Committee; or (ii) the Risk Appetite Framework ("RAF") approved by the Board of Directors – in these cases operations shall be submitted, respectively, for the Executive Committee's or for the Board of Directors' assessment.

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.

Risk Appetite

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

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

Haitong Bank acknowledges that its risk management function is a key factor for the accomplishment of its strategic objectives. Haitong Bank's overall risk vision assessment rests on the following three guiding principles:

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

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 category to which the Bank is exposed, credit risk management and control are supported by a complete system that permits its identification, assessment, measurement and reporting.

MANAGEMENT PRACTICES

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

Internal Ratings

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

Monitoring

The credit risk monitoring and control activities aim to quantify and control the evolution of credit risk to allow the early detection 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 risk management and control system.

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.

ASSET QUALITY

Loan Portfolio

Portfolio breakdown

In December 2021, the loan portfolio (gross exposure) amounted to EUR 632 million, which represents an increase of approximately EUR 200 million compared to December 2020.

The breakdown of the loan portfolio by asset class reveals the growing importance of the international lending activity of the Bank.

Loan Portfolio Asset Classes and Geographic Breakdown (EUR thousand)

	December 2021			*December 2020*		
	Domestic	*International*	*Total*	*Domestic*	*International*	*Total*
Loan Portfolio [1]	**222 483**	**409 802**	**632 285**	**143 984**	**288 046**	**432 030**
Specialized Lending	159 021	110 085	**269 106**	126 784	34 311	**161 095**
Corporate	59 568	253 957	**313 525**	13 038	240 783	**253 821**
Others	3 894	45 760	**49 654**	4 162	12 952	**17 114**

Gross of provisions | Source: Haitong Bank.

Loan Portfolio Asset Classes by Industry

	December 2021				December 2020			
	Specialized Lending	Corporate	Others	Total	Specialized Lending	Corporate	Others	Total
TOTAL	**42.6%**	**49.6%**	**7.8%**	**100.0%**	**37.3%**	**58.6%**	**4.1%**	**100.0%**
Transportation Infrastructure	18.8%	0.3%	0.0%	**19.1%**	23.3%	0.5%	0.0%	**23.8%**
Power	14.8%	3.7%	0.0%	**18.5%**	13.5%	8.4%	0.0%	**21.9%**
Real Estate	8.7%	0.0%	2.3%	**11.0%**	0.1%	2.1%	0.9%	**3.1%**
Telecoms	0.0%	8.0%	0.0%	**8.0%**	0.0%	6.4%	0.0%	**6.4%**
Health Care	0.0%	7.3%	0.0%	**7.3%**	0.0%	0.0%	0.0%	**0.0%**
Commercial & Professional Services	0.0%	6.7%	0.0%	**6.7%**	0.0%	2.7%	0.0%	**2.7%**
Funds & Asset Managers	0.0%	0.0%	5.3%	**5.3%**	0.0%	0.0%	2.5%	**2.5%**
Agribusiness & Commodity Foods	0.0%	3.8%	0.0%	**3.8%**	0.0%	3.2%	0.0%	**3.2%**
Construction & Engineering	0.0%	3.6%	0.0%	**3.6%**	0.0%	7.8%	0.0%	**7.8%**
Retailing	0.0%	3.2%	0.0%	**3.2%**	0.0%	0.0%	0.0%	**0.0%**
Paper & Forest Products	0.0%	2.9%	0.0%	**2.9%**	0.0%	5.2%	0.0%	**5.2%**
Chemicals	0.0%	2.4%	0.0%	**2.4%**	0.0%	0.0%	0.0%	**0.0%**
Building Materials	0.0%	2.0%	0.0%	**2.0%**	0.0%	2.9%	0.0%	**2.9%**
Capital Goods	0.0%	1.7%	0.0%	**1.7%**	0.0%	2.7%	0.0%	**2.7%**
Transportation	0.3%	1.0%	0.0%	**1.3%**	0.4%	2.7%	0.0%	**3.1%**
Metals & Mining	0.0%	0.0%	0.0%	**0.0%**	0.0%	13.4%	0.0%	**13.4%**
Others	0.0%	3.0%	0.2%	**3.2%**	0.0%	0.6%	0.7%	**1.3%**

Fonte: Haitong Bank.

Internal Rating Profile

Haitong Bank uses internal rating models to support credit decisions, credit risk monitoring and impairment measurement. The loan portfolio was distributed by internal ratings as shown in the table below.

Loan Portfolio Rating Profile

	December 2021	December 2020
[aaa+; a-]	2.1%	0.5%
[bbb+; bbb-]	15.5%	16.4%
[bb+; bb-]	50.3%	36.6%
[b+; b-]	32.2%	46.6%

As a percentage of non-default rated gross portfolio
Source: Haitong Bank.

Risk Indicators

Credit Risk Indicators (EUR thousand)

	December 2021	December 2020
Loan Portfolio	**632 285**	**432 030**
Non-Performing Loans (NPL)	**13 235**	**8 005**
NPL Ratio	2.1%	1.9%
Impairment for NPL	**5 571**	**4 123**
NPL coverage	42.1%	51.5%
Gross Exposure	**2 282 263**	**1 870 319**
Non-performing exposures (NPE) (1)	**23 436**	**64 581**
NPE Ratio	1.0%	3.5%
NPE Impairment Coverage	26.0%	44.1%
Forborne Exposures (1)	**61 446**	**117 006**
Of which performing exposure (%)	72.6%	88.0%

(1) The Bank follows the criteria set for non-performing and forborne exposures on EBA's Final Report on Guidelines on Management of Non-Performing and Forborne exposures (EBA/GL/2018/06), as of 21 October 2018, and classification defined on the Part 2 – Template Related Instruction of Annex V – Reporting on Financial Information included in the Commission Implementing Regulation (EU) 2018/1627, of 09 October 2018, amending Implementing Regulation (EU) No. 680/2014, as regards prudent valuation for supervisory reporting.

Fonte: Haitong Bank

The improvement of the non-performing exposure (NPE) ratio to 1% in December 2021 from 3.5% in December 2020 results from the prudent standards followed at credit origination and the measures undertaken throughout the year to reduce the non-performing exposures of the Bank.

Fixed Income Assets

Portfolio breakdown

The fixed income portfolio ended 2021 with a net total of EUR 1,139 million, representing a decrease of EUR 111 million when compared with December 2020, as a result from the decrease of Brazilian sovereign debt portfolio partly offset by the participation in debt placements of clients from Europe and China.

Fixed Income Portfolio by Sector (EUR thousand)

	December 2021	December 2020
Total	**1 139 288**	**1 249 910**
Governments	632 160	840 197
Banks	82 621	27 215
Real Estate	76 172	77 120
Non-Bank Financial Institutions	53 710	26 635
Power	36 617	20 400
Construction & Engineering	30 739	23 634
Telecoms	29 050	8 692
Health Care	24 037	20 987
Agribusiness & Commodity Foods	20 924	9 367
Automobiles & Components	20 499	14 955
Paper & Forest Products	19 690	7 256
Hotels & Gaming	17 767	17 410
Capital Goods	16 739	16 578
Oil & Gas	13 993	13 894
Metals & Mining	11 708	8 902
Retailing	11 620	20 860
Water Utilities	11 205	6 223
Chemicals	9 551	223
Food, Beverage & Tobacco	7 456	358
Transportation	5 098	54 604
Commercial & Professional Services	4 545	1 261
Technology Hardware & Equipment	0	19 713
Building Materials	0	8 348
Others	3 387	5 078

Source: Haitong Bank.

Internal Rating Profile

In December 2021, the rating profile of the Bank's fixed income portfolio was the following:

Fixed Income Portfolio Rating Profile

	December 2021	December 2020
[aaa; a-]	5.8%	3.0%
[bbb+; bbb-]	32.0%	26.4%
[bb+; bb-]	59.3%	66.5%
[b+; b-]	2.9%	4.0%

Em percentagem da carteira não default com notações de risco
Fonte: Haitong Bank.

Derivatives Portfolio

Portfolio Breakdown

The counterparty risk exposure in the Bank's portfolio of interest rate, exchange rate, credit and equity derivatives amounted to EUR 170 million in 2021, which represents an increase of EUR 27 million in comparison with December 2020.

In terms of the breakdown by counterparty risk sector, in 2021, 41% of the global exposure relates to transactions in Transportation Infrastructure, followed by 13% in Banks' counterparties.

Derivatives Portfolio by sector (EUR thousand)

	December 2021	December 2020
Total	**169 796**	**142 952**
Transportation Infrastructure	69 296	60 622
Banks	22 569	10 395
Food, Beverage & Tobacco	16 583	5 721
Chemicals	13 675	0
Agribusiness & Commodity Foods	10 333	3 047
Metals & Mining	6 352	0
Non-Bank Financial Institutions	6 273	6 314
Broker Dealers	6 250	3 187
Power	5 678	5 061
Oil & Gas	5 291	5 582
Paper & Forest Products	5 008	214
Transportation	71	40 105
Others	2 417	2 704

Source: Haitong Bank.

Internal Rating Profile

The Bank mainly takes counterparty credit risk in derivatives while providing hedge solutions to the corporate clients (also encompassing project finance entities). Thus, in 2021, the Bank's total exposure to derivative instruments focused on interest rate swaps.

Derivatives Portfolio Rating Profile

	December 2021	December 2020
[aaa+;a-]	14.1%	7.9%
[bbb+;bbb-]	43.6%	46.1%
[bb+;bb-]	29.5%	7.9%
[b+;b-]	12.7%	38.1%

As a percentage of non-default rated portfolio
Source: Haitong Bank

MARKET RISK

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

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

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

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

The Market Risk Control unit is responsible for analysing the relevant factors for each type of risk using statistical techniques; measuring market volatility, analysing depth and liquidity indicators, and simulating the transactions' value under different market conditions.

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

TRADING BOOK RISK

Management Practices

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 and a 1-year historical observations and a 99% confidence interval.

As of December 2021, Haitong Bank's VaR amounted to EUR 5.9 million, representing an increase of EUR 1.1 million when compared with December 2020.

Value at Risk by Risk Factor (EUR million)

	December 2021	December 2020
Foreign Exchange	4.7	1.9
Interest Rate	0.6	0.4
Equity and Commodities	0.0	0.0
Credit Spread	1.3	2.7
Covariance	-0.7	-0.3
Global VaR	**5.9**	**4.8**

Souce: Haitong Bank.

BANKING BOOK RISKS

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

Interest Rate Risk

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 potential 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 change when interest rates change. Change in interest rates also affect a bank's earnings by increasing or decreasing its net interest income (NII).

As of December 2021, the impact on the banking book economic value, under a parallel shock on the yield curve of +/- 200 bps was estimated at EUR 21.99 million. A floor of -100 bps was applied to the yield curve to prevent unrealistic scenarios of extremely negative interest rates.

Credit Spread Risk

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

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

PENSION FUND RISK

The pension fund risk stems from the possibility that the pension plan liabilities exceed the value of the pension fund portfolio of assets in such a way that 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 only to make the regular annual contribution (the pension plan normal cost).

Operational Risk

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

Management Practices

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 issued by the Basel Committee, recognised as reflecting the best practices in this area.

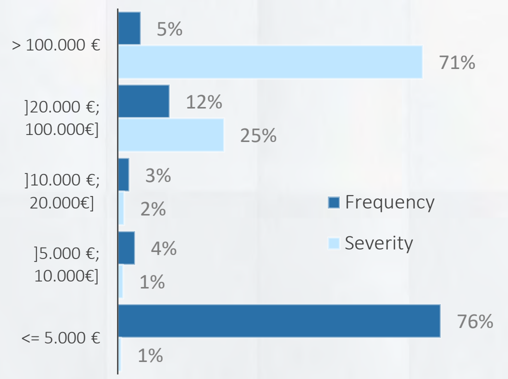
The operational risk management model is supported by an exclusively dedicated structure within the organisation which is responsible for the following processes:

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

OPERATIONAL RISK ANALYSIS

The operational risk events identified are reported to permit their full and systematic categorization and the monitoring of follow-up mitigation actions. Every event is classified in accordance with the risk categories defined in the Bank of Portugal's Risk Assessment Model, by business lines and by Basel event types.

Distribution of frequency and severity of events by individual loss bucket

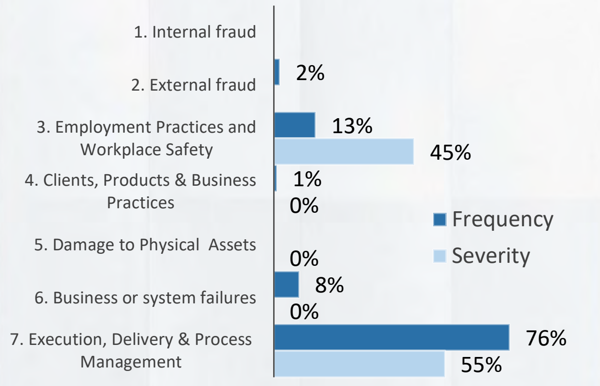


Source: Haitong Bank.

The great majority of the events recorded in 2021 (76%) refer to event losses below EUR 5,000.

Following Basel's event classification, in 2021, 76% of total reported events were related with Execution, Delivery & Process Management event type, with 55% of reported losses associated with this risk. Employment Practices and Workplace Safety events was the following event type with higher loss severity accounting for 45% of total reported losses, with these losses generated in Haitong Bank's Brazilian subsidiary.

Distribution of frequency and severity of events by event type



Source: Haitong Bank

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.

Management Practices

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 minimising the cost of funding; and
- Continuously develop an appropriate internal framework for the identification, measurement, limitation, monitoring and mitigation of liquidity risk.

LIQUIDITY POSITION

Liquidity Coverage Ratio

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

As of December 2021, Haitong Bank reached an LCR of 183%, which represents a resilient short-term liquidity position, comfortably complying with regulatory standards.

Liquidity Coverage Ratio (EUR thousand)

	December 2021	December 2020
High-Quality Liquid Assets	670 542	738 419
30 days Net Outflow	365 824	285 123
Liquidity Coverage Ratio	183%	259%

Source: Haitong Bank.

Net Stable Funding Ratio

The Basel Committee on Banking Supervision established the Net Stable Funding Ratio (NSFR) in October 2014 within the scope of the Basel III regulatory reform. The NSFR was translated into European Union law by Regulation (EU) 2019/876, entering into force from June 2021.

The NSFR constitutes a structural measure that aims at fostering longer-term stability by incentivizing banks to adequately manage their maturity mismatches by funding long-term assets with long-term liabilities.

As of December 2021, Haitong Bank reached a NSFR of 142%, ensuring an adequate medium- to long-term funding profile.

NSFR

	December 2021	*December 2020*
Net Stable Funding Ratio	142%	157%

Fonte: Haitong Bank.

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.

Management Practices

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 periodically executes 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.

REGULATORY CAPITAL AND LEVERAGE RATIOS

Solvency

Regulatory capital requirements are determined by the Bank of Portugal under the CRRII (Regulation EU nº 876/2019 amending Regulation EU nº 575/2013) and CRD V (Directive EU nº 878/2019 amending Directive EU nº 2013/36/EU). Under these regulatory frameworks, capital requirements are set in consideration of the level of risk that the Bank is exposed to, which is measured through both risk weighted assets (RWAs) and leverage.

The regulation provides for a transitional period to exclude some elements previously included (phase-out) and include/deduct new elements (phase-in) in which institutions may accommodate the new requirements. The transitional period for the majority of the elements ended in 2017, with the exception of the deferred tax assets generated prior to 1 January 2014, IFRS9 transition adjustment and both the subordinated debt and all the hybrid instruments not eligible as own funds under the new regulations, which had a longer period (until the end of 2021).

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

Also related to the CRD IV capital buffers, in November 2016 the Bank of Portugal decided 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 Legal Framework of Credit Institutions and Financial Companies (RGICSF). Haitong Bank is excluded from the scope of application of this macro-prudential buffer.

The regulation also provides a counter-cyclical capital buffer of up to 2.5% to be imposed in the event that national supervisors deem it necessary in order to counteract excessive credit growth in Portugal. As of 31st December 2021, the Bank of Portugal decided not to impose any additional /counter-cyclical capital buffer, by setting it at 0% of the total risk exposure amount. This decision is subject to revision on a quarterly basis.

In addition to the above-mentioned capital buffers, as of 1 July 2018 Haitong Bank became subject to an additional requirement with a specific add-on, determined and annually revised under the Supervisory Review and Evaluation Process performed by the Bank of Portugal.

As of December 2021, Haitong Bank's capital ratios were calculated under the CRR II (Regulation EU nº 876/2019 amending Regulation EU nº 575/2013) and CRD V (Directive EU nº 878/2019 amending Directive EU nº 2013/36/EU). The Standard Approach, on both a transitional and fully-loaded basis, is shown in the following table.

Solvency Ratios

	December 2021		***December 2020***	
	Phased-in	***Fully-loaded***	***Phased-in***	***Fully-loaded***
CET1 ratio	18.9%	18.8%	22.7%	22.6%
Tier 1 ratio	23.5%	23.4%	28.4%	28.3%
Total capital ratio	23.6%	23.5%	28.5%	28.4%

Fonte: Haitong Bank.

The prudent capital management implemented by Haitong Bank has allowed the maintenance of a solid capital position.

Leverage

As a supplementary measure, the CRR/CRD framework introduced a non-risk based leverage ratio. The leverage ratio compares Tier 1 capital to a measure of leverage exposure, aiming to constrain the build-up of excessive leverage in the banking sector and to backstop the existing risk-weighted capital requirements with a simple, non-risk-weighted measure.

As of December 2021, Haitong Bank's leverage ratios, calculated under the Basel III Standard Approach on both a transitional and fully-loaded basis, are shown in the following table.

Leverage Ratios

	December 2021	***December 2020***
Phased-in	17.0%	15.6%
Fully-loaded	17.0%	15.5%

Fonte: Haitong Bank

The leverage ratio is based on Haitong Bank's current understanding of the regulatory framework.

Macau

FINANCIAL REPORT

CONSOLIDATED FINANCIAL STATEMENTS

AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement for the financial years ended on the 31st December 2021 and 2020

(thousand euros)

	Notes	31.12.2021	31.12.2020
Interest and similar income	5	76 878	62 093
Interest and similar expenses	5	47 251	35 418
Financial margin		**29 627**	**26 675**
Fees and commissions income	6	60 149	65 806
Fees and commissions expenses	6	(4 339)	(5 713)
Net trading income	7	(18 939)	(15 093)
Net income from other financial instruments at fair value through profit or loss	8	6 369	2 657
Net gain/(loss) from derecognition of financial assets measured at fair value through other comprehensive income	9	(682)	2 497
Net gains/(losses) from hedge accounting	19	-	1
Net gains / (losses) from foreign exchange differences	10	8 161	8 518
Net gain/(loss) from derecognition of financial assets measured at amortised cost	11	10 805	3 016
Other operating income and expense	12	(1 915)	(6 437)
Operating Income		**89 236**	**81 927**
Employee costs	13	37 326	34 135
Administrative costs	15	16 774	16 783
Depreciations and amortisations	24 and 25	6 296	7 258
Provisions	31	9 434	5 695
Net impairment loss on financial assets	31	10 984	6 730
Operating expenses		**80 814**	**70 601**
Share of profit of associates	26	-	(379)
Profit / (Loss) before Income Tax		**8 422**	**10 947**
Income tax			
Current tax	32	2 954	2 161
Deferred tax	32	1 112	6 429
		4 066	**8 590**
Net profit of continued operations		**4 356**	**2 357**
Net Profit / (Loss) for the year		**4 356**	**2 357**
Attributable to shareholders of the parent company		**3 552**	**1 641**
Attributable to non-controlling interests	36	**804**	**716**
		4 356	**2 357**
Basic Income per Share (in euros)	16	0.02	0.01
Diluted Income per Share (in euros)	16	0.02	0.01

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

The Director of the Finance Department

The Board of Directors

Consolidated Statement of Comprehensive Income for the financial years ended on the 31st December 2021 and 2020

(thousand euros)

	31.12.2021	31.12.2020
Net income for the year		
Attributable to shareholders of the parent company	3 552	1 641
Attributable to non-controlling interests	804	716
	4 356	**2 357**
Other comprehensive income for the year		
Items that will not be reclassified to profit and loss		
Actuarial gains/(losses), net of taxes	5 307	(1 041)
	5 307	**(1 041)**
Items that may be reclassified to profit and loss		
Exchange differences net of taxes		
Foreign currency translation differences for foreign operations	988	(37 464)
Net gains/(losses) on hedges of net investments in foreign operatons (see Note 39)	(515)	20 711
Other comprehensive income from associates	1	363
Fair value changes of debt instruments measured at fair value through other comprehensive income net of taxes	(976)	(2 200)
	(502)	**(18 590)**
Total comprehensive income/(loss) for the year	**9 161**	**(17 274)**
Attributable to shareholders of the parent company	**8 597**	**(10 104)**
Attributable to non-controlling interests	**564**	**(7 170)**
	9 161	**(17 274)**

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

Consolidated Statement of Financial Position as at the 31st December 2021 and 2020

(thousand euros)

	Notes	31.12.2021	31.12.2020
Assets			
Cash and cash equivalents	17	488 544	494 885
Financial assets at fair value through profit or loss		455 753	805 416
Financial assets held for trading		435 954	770 119
Securities	18	346 040	627 057
Derivative financial assets	19	89 914	143 062
Non-trading financial assets mandatorily at fair value through profit or loss		19 799	35 297
Securities	20	19 777	35 297
Loans and advances to customers	22	22	-
Financial assets at fair value through other comprehensive income	20	259 769	160 756
Financial assets measured at amortised cost		1 207 036	996 653
Securities	20	532 773	461 453
Loans and advances to banks	21	54 022	115 160
Loans and advances to customers	22	620 241	420 040
Hedging derivatives	19	-	151
Non-current assets held-for-sale	23	6 538	1 699
Other tangible assets	24	9 975	10 593
Intangible assets	25	3 618	4 658
Tax assets		120 051	118 189
Current income tax assets	32	24 819	22 490
Deferred income tax assets	32	95 232	95 699
Other assets	27	195 368	208 414
Total Assets		**2 746 652**	**2 801 414**
Liabilities			
Financial liabilities held for trading		75 638	221 787
Securities	18	1 036	79 083
Derivative financial liabilities	19	74 602	142 704
Financial liabilities measured at amortised cost		1 950 147	1 870 363
Resources of credit institutions	28	759 397	577 996
Resources of customers	29	1 164 000	1 227 505
Debt securities issued	30	26 750	64 862
Provisions	31	19 939	20 923
Tax liabilities		7 568	6 519
Current income tax liabilities	32	7 267	5 189
Deferred income tax liabilities	32	301	1 330
Other liabilities	33	86 513	83 733
Total Liabilities		**2 139 805**	**2 203 325**
Equity			
Share capital	34	844 769	844 769
Share premium	34	8 796	8 796
Other equity instruments	34	108 773	108 773
Fair-value reserves	35	(1 926)	(1 391)
Other reserves and retained earnings	35	(376 071)	(383 292)
Net profit/(loss) for the year attributable shareholders of the parent company		3 552	1 641
Total equity attributable to the shareholders of the parent company		**587 893**	**579 296**
Non-controlling interests	35	18 954	18 793
Total Equity		**606 847**	**598 089**
Total Equity and Liabilities		**2 746 652**	**2 801 414**

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

The Director of the Finance Department

The Board of Directors

Consolidated Statement of Changes in Equity for the financial years ended on the 31st December 2021 and 2020

(thousand euros)

	Share Capital	Share Premium	Other equity instruments	Fair-value reserves	Other Reserves, Retained Earnings and Other Comprehensive Income	Net profit/(loss) for the period attributable shareholders of the parent company	Equity attributable to shareholders of the parent company	Non-controlling interests	Total Equity
Balance as at 31 December 2019	**844 769**	**8 796**	**108 773**	**468**	**(380 914)**	**7 508**	**589 400**	**26 142**	**615 542**
Balance as at 1 January 2020	**844 769**	**844 769**	**844 769**	**844 769**	**844 769**	**844 769**	**844 769**	**844 769**	**844 769**
Other movements recorded directly in equity (see Notes 35 and 39):									
Changes in fair value, net of taxes	-	-	-	(1 859)	-	-	(1 859)	(341)	(2 200)
Other comprehensive income of associates	-	-	-	-	363	-	363	-	363
Exchange differences, net of taxes	-	-	-	-	(9 208)	-	(9 208)	(7 545)	(16 753)
Actuarial gains/ (losses), net of taxes	-	-	-	-	(1 041)	-	(1 041)	-	(1 041)
Net profit / (loss) for the period	-	-	-	-	-	1 641	1 641	716	2 357
Total comprehensive income for the period	**-**	**-**	**-**	**(1 859)**	**(9 886)**	**1 641**	**(10 104)**	**(7 170)**	**(17 274)**
Transfers for reserves and retained earnings (see Note 35)	-	-	-	-	7 508	(7 508)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	(179)	(179)
Balance as at 31 December 2020	**844 769**	**8 796**	**108 773**	**(1 391)**	**(383 292)**	**1 641**	**579 296**	**18 793**	**598 089**
Balance as at 1 January 2021	**844 769**	**8 796**	**108 773**	**(1 391)**	**(383 292)**	**1 641**	**579 296**	**18 793**	**598 089**
Other movements recorded directly in equity (see Notes 35 and 39):									
Changes in fair value, net of taxes	-	-	-	(535)	-	-	(535)	(441)	(976)
Other comprehensive income of associates	-	-	-	-	1	-	1	-	1
Exchange differences, net of taxes	-	-	-	-	272	-	272	201	473
Actuarial gains/ (losses), net of taxes	-	-	-	-	5 307	-	5 307	-	5 307
Net profit / (loss) for the period	-	-	-	-	-	3 552	3 552	804	4 356
Total comprehensive income for the period	**-**	**-**	**-**	**(535)**	**5 580**	**3 552**	**8 597**	**564**	**9 161**
Transfers for reserves and retained earnings (see Note 35)	-	-	-	-	1 641	(1 641)	-	-	-
Dividends to non-controlling interests	-	-	-	-	-	-	-	(403)	(403)
Balance as at 31 December 2021	**844 769**	**8 796**	**108 773**	**(1 926)**	**(376 071)**	**3 552**	**587 893**	**18 954**	**606 847**

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

Consolidated Cash Flow Statement for the financial years ended on the 31st December 2021 and 2020

(thousand euros)

	Notes	31.12.2021	31.12.2020
Cash flows from operating activities			
Interests received		113 320	87 820
Interests paid		(30 333)	(46 433)
Fees and commissions received		62 375	67 732
Fees and commissions paid		(4 339)	(5 713)
Loans recovery		10 483	3 016
Cash payments to employees and suppliers		(59 213)	(57 514)
		92 293	**48 908**
Changes in operating assets and liabilities:			
Resources at central banks		832	2 382
Trading financial assets and liabilities		169 866	(237 814)
Loans and advances to banks		60 218	44 087
Resources of other credit institutions		182 212	274 804
Loans and advances to customers		(202 672)	(124 435)
Resources of costumers		(78 341)	182 017
Hedging derivatives		151	(451)
Other operating assets and liabilities		9 357	(81 006)
Net cash flow from operating activities before income tax		**233 916**	**108 492**
Income taxes paid		(2 992)	5 404
		230 924	**113 896**
Net cash flows from investment activities			
Acquisition of shares in subsidiaries and associated companies		(500)	-
Sale of investments in subsidiaries and associates		1	-
Purchase of securities		(591 234)	(686 371)
Sale and repaymentsof securities		393 859	552 596
Purchase of fixed assets		(1 197)	(2 780)
Sale of of fixed assets		-	1 075
		(199 071)	**(135 480)**
Cash flows from financing activities			
Debt securities issued	30	15 898	36 751
Reimbursement of debt securities issued	30	(52 856)	(155 550)
Reimbursement of subordinated liabilities	35	(403)	(179)
Net cash flow from financing activities		**(37 361)**	**(118 978)**
Net changes in cash and equivalents		**(5 508)**	**(140 562)**
Cash and equivalents at the beginning for the year		491 314	631 876
Cash and equivalents at the end for the year		485 806	491 314
		(5 508)	**(140 562)**
Cash and equivalents includes:			
Cash	17	9	7
Deposits at central banks	17	457 666	463 069
Deposits at other credit institutions	17	30 870	31 809
(-) Minimum Reserves	17	(2 739)	(3 571)
Total		**485 806**	**491 314**

2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Haitong Bank, S.A.

NOTE 1 – ACTIVITY AND GROUP STRUCTURE

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 authorised by the Portuguese authorities, central banks and regulators in order to carry out its business in Portugal and in the countries where it operates through international financial branches.

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

In order to widen the scope of its business, the Institution has 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 Espirito Santo, S.A., the Bank became held by Novo Banco, S.A..

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

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

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

The Group companies where the Bank holds, directly or indirectly, voting rights grater 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:

	Incorporation date	Acquisition date	Headquarters	Activity	% Economic interest	Consolidation method
Haitong Bank SA	**1983**	**-**	**Portugal**	**Bank**	**100%**	**Full Consolidation**
Haitong Capital - SCR, S.A.	1988	1996	Portugal	Venture capital	100%	Full Consolidation
Haitong Ancillary Services	2004	2021	Polónia	Financial 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 Negocios, SA	2004	2004	Brazil	Asset management	80%	Full Consolidation
Haitong do Brasil DTVM, S.A.	2009	2010	Brazil	Asset management	80%	Full Consolidation
Haitong Securities do Brasil S.A.	2000	2000	Brazil	Brokerage house	80%	Full Consolidation

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

Subsidiaries

- In June, 2021, Haitong Bank, S.A. has acquired 50.5% of Polish Hotel Company (PHC) by the amount of 500 thousand euros. The result for the Polish Hotel Company in May 2021 was positive, in the amount of 265 thousand euros (see Note 12), having been determined based on the estimate of the fair value of the assets acquired and liabilities assumed or in accordance with International Standards of Financial Reporting applicable to some assets and liabilities in which that is not the measurement principle provided for in IFRS 3 – Business Combinations. In November of the same year, the PHC changed its corporate name as well as its object and it is in the processing of dissolution since January 2022.
- On July 19th, 2021, the establishment of Haitong Bank's Macau Branch was formally authorized and published at the Macau Official Gazette.
- In September, the CMVM authorized the establishment of Haitong Global Asset Management SGOIC, S.A. as a management company of collective investment undertakings.
- In September and December, 2021, Haitong Banco de Investimento do Brasil, S.A. fully subscribed the capital increase of FI Multimercado Treasury, an investment of BRL 32,000 thousands.

Associates

On May 2021, Fundo Espírito Santo IBERIA has been closed by the amount of 1 thousand euros.

During 2021, the movements related to acquisitions, sales and other investments and reimbursements in subsidiary and associated companies are detailed as follows:

(thousand euros)

	31.12.2021					
	Acquisitions			Disposals		
	Acquisition cost	Other Investments (a)	Total	Sale amount	Other Reimbursements (b)	Total
Subsidiaries						
Haitong Ancillary Services	500	-	500	-	-	-
FI Multimercado Treasury	-	4 883	4 883			
	500	**4 883**	**5 383**	**-**	**-**	**-**
Associates						
Fundo Espírito Santo IBERIA I	-	-	-	-	1	1
Total	**500**	**4 883**	**5 383**	**-**	**1**	**1**

(a) Share capital increases, supplementary capital and loans to companies.
(b) Share capital decreases, supplementary capital and loans to companies.

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

NOTE 2 – MAIN ACCOUNTING POLICIES

2.1. BASES OF PREPARATION

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of the 19th of July, 2002, and Notice no. 1/2005 of the Bank of Portugal (revoked by Bank of Portugal Notice no. 5/2015), the consolidated financial statements of Haitong Bank, S.A., (Bank, Haitong Bank or Group) are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union.

The IFRS comprise the accounting standards issued by the International Accounting Standards Board (IASB), as well as the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and by their predecessor bodies.

Haitong Bank's consolidated financial statements set forth herein refer to the financial year ended on the 31st of December, 2021, which have been prepared in accordance with the IFRS in force, as adopted in the European Union until the 31st of December, 2021.

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1st January 2021. The accounting policies in this note were consistently to all entities of the Group and are consistent with those used in the preparation of the financial statements of the previous period.

The consolidated financial statements are denominated in thousands of euros, rounded to the nearest thousand, and have been prepared in accordance with the historical cost principle, with the exception of the assets and liabilities accounted for at fair value, such as financial derivatives, financial assets and liabilities at fair value through profit and loss and financial assets and liabilities at fair value through other comprehensive income.

Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount or fair value less costs to sell.

The preparation of financial statements in accordance with the IFRS requires the Group to make judgements and estimates, as well as to use assumptions affecting the implementation of the accounting policies and the amounts corresponding to income, expenses, assets and liabilities. Any changes to such assumptions, or any difference thereof comparing to reality may have an impact on the current estimates and judgements. The areas involving a higher degree of judgement or complexity, or in which significant assumptions and estimates are used when preparing the consolidated financial statements, are analysed in Note 3.

The consolidated financial statements herein have been approved in the Board of Directors meeting held on the 22 of February, 2022.

2.2. BASIS OF CONSOLIDATION

The consolidated financial statements set forth herein reflect the assets, liabilities, income and expenses of Haitong Bank and its subsidiaries (Group or Haitong Bank Group), and the profit or loss attributable to the Group concerning the financial holdings in associates.

The accounting policies have been consistently implemented by all the Group companies in the periods covered by these consolidated financial statements.

Subsidiaries

Subsidiaries are entities (including investment funds) controlled by the Group. The Group controls an entity when it holds the power to direct the relevant activities of the entity, and when it is exposed or entitled to the variability in the returns resulting from its involvement with such entity, and may get hold of such returns through its power over the relevant business of such entity (de facto control). The subsidiaries' financial statements are comprised in the consolidated financial statements from the date in which the Group acquires control, until the date when such control ceases to exist.

The accumulated losses of a subsidiary are attributed to non-controlling interests in the proportions held, which could imply the recognition of negative non-controlling interests.

In a step acquisition transaction resulting in the acquisition of control, any previous minority holding is reassessed at fair value against income statement when calculating goodwill. Upon a partial sale resulting in the loss of control over a subsidiary, any remaining minority holding is reassessed at fair value on the date of the sale, and the profit or loss resulting from such reassessment is accounted for in the income statement.

Associates

Associates are all companies over which the Group holds the right to exercise significant influence, namely over its financial and operating policies, but which the Group does not control. It is normally assumed that the Group has significant influence when it holds the power of exercising over 20% of the voting rights of the associate. However, even when the Group's voting rights are below 20%, it may exercise significant influence by participating in the management of the associate or in the composition of the Administration bodies with executive powers.

The existence of significant influence by the Group is usually evidenced in one or more of the following ways:

- Representation on the Board of Directors or equivalent governing body of the investee;
- Participation on the policy-making process, including participation in decisions about dividends or other distributions;
- Material transations between the Group and the investee;
- Interchange of the management team;
- Provision of essential technical information.

Investments in associates are accounted for in the consolidated financial statements of the Bank through the equity method, from the moment when the Group acquires significant influence until the moment it ceases to exist. The statement of financial positions value of investments in associates comprises the amount of the corresponding goodwill as determined in the acquisitions, and is shown net of possible impairment losses.

In a step acquisition transaction resulting in the acquisition of significant influence, any previously held stake in that entity is reassessed at fair value through the income statement upon the first implementation of the equity method.

When the amount of the accumulated losses incurred by an associate and attributable to the Group is equal to or exceeds the book value of the holding and of any other medium and long term interests in such associate, the equity method is interrupted, except if the Group is legally or constructively obliged to recognise such losses, or if the Group has made payments on behalf of the associate.

The gains or losses incurred in the sale of share capital in associates are accounted for against income statement, even if such sale does not result in the loss of significant influence.

Goodwill

The goodwill resulting from the acquisitions carried out until the 1st of January, 2004, is deducted from the shareholders' equity, as per the option granted by IFRS 1, adopted by the Group on the date of transition to the IFRS.

Acquisitions of subsidiaries and associates occurred from the 1st of January, 2004, to the 31st of December, 2009 have been accounted for by the Group using the purchase method. The acquisition cost includes the fair values – determined as at the date of purchase – of the assets and equity instruments transferred, and of the liabilities assumed or incurred, plus costs directly attributable to the acquisition.

The goodwill represented the difference between the so determined cost of acquisition of the holding and the fair value attributable to the assets, liabilities and acquired contingent liabilities.

From the 1st of January, 2010, and as per IFRS 3 – Business Combinations, the Group calculates goodwill as the difference between the fair value of the cost of acquisition of the holding held, including the fair value of any previous minority holding, and the fair value attributable to the acquired assets and assumed liabilities. Fair values are determined on the date of acquisition. Costs directly attributable to the acquisition are recognised upon the acquisition in costs of the financial year.

On the date of acquisition, the Group recognises as non-controlling interests the amounts corresponding to the proportion of fair value of the acquired assets and assumed liabilities without the respective goodwill portion. Therefore, the goodwill recognised in the consolidated financial statements herein corresponds solely to the portion attributable to the Bank's shareholders.

In accordance with IFRS 3 – Business Combinations, the positive goodwill is accounted for as an asset at its cost and is not amortised. In the case of investments in associates, goodwill is comprised in the corresponding statement of financial positions value, determined based on the equity method. Negative goodwill is directly recognised in income statement on the period of the acquisition.

The recoverable amount of the goodwill accounted for as an asset is reviewed on an annual basis, regardless of whether there is evidence of impairment. Any losses determined by impairment are recognised in the income statement. The recoverable amount is the larger amount out of the value in use and the market value deducted from selling costs. The value in use is determined by discounting future estimated cash flows, based on a rate reflecting market conditions, time value and risks associated with the business.

Transactions with non-controlling interests

The acquisition of non-controlling interests which do not result in a change in control over a subsidiary is accounted for as a transaction with shareholders and, therefore, no additional goodwill resulting arising from such transaction shall be recognised. The difference between the acquisition cost and the statement of financial positions value of the acquired non-controlling interests is directly recognised in reserves. Similarly, gains or losses arising from disposals of non-controlling interests which do not result in the loss of control over a subsidiary are always recognised against reserves.

The gains or losses arising from the dilution or sale of part of a financial holding in a subsidiary, with the loss of control, are recognised by the Group in the income statement.

Translation of financial statements in foreign currency

The financial statements of each of the Group's subsidiaries and associates are prepared using their functional currency, which is defined as the currency of the economy in which such subsidiaries and associates operate. The Group's consolidated financial statements are prepared in euros, which is Haitong Bank's functional currency.

The Group's financial statements whose functional currency is other than euro are translated into euros, in accordance with the following criteria:

Assets and liabilities are converted at the exchange rate as at the date of the statement of financial positions;

Income and expenses are converted based on the application of exchange rates approximated to the real rates as at the date of each transaction;

Exchange rate differences determined between the conversion amount in euros of the financial position at the beginning of the year and its amount converted at the exchange rate in force as at the date of statement of financial position to which the consolidated accounts relate are accounted for against reserves. Similarly, regarding the subsidiaries' and associated companies' results, the exchange differences arising from the translation of income and expenses at the rates ruling at the dates of the transactions and that determined at the statement of financial position date are recorded in reserves. As at the date of the company's divestiture, such differences are recognised in income statement as an integral part of the gain or loss arising from the divestiture.

Balances and transactions eliminated on consolidation

The balances and transactions between companies of the Group, including any unrealised gains or losses arising from intra-group transactions, are eliminated on the consolidation process, except for the cases where the unrealised losses reveal an impairment which should be recognised in the consolidated accounts.

Unrealised gains arising from transactions with associates are eliminated proportionally to the Group's holding in such associates. Unrealised losses are also eliminated, but only in the cases where they do not reveal an impairment.

2.3. FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are converted at the exchange rate in force as at the date of the transaction. The monetary assets and liabilities denominated in foreign currency are converted into Euros at the exchange rate in force at the date of the statement of financial position. The exchange rate differences arising from such conversion are recognised in income statement.

Non-monetary assets and liabilities accounted for at historical cost, denominated in foreign currency, are converted at the exchange rate as at the transaction date. Non-monetary assets and liabilities denominated in foreign currency accounted for at fair value are converted at the exchange rate in force as at the date of determination of the fair value. The exchange rate differences resulting thereof are recognised in profit and loss.

2.4. FINANCIAL INSTRUMENTS

2.4.1 Financial assets classification

At the initial recognition, financial assets are classified into one of the following categories:

a) Financial assets at amortized cost;

b) Financial assets at fair value through other comprehensive income; or

c) Financial assets at fair values through profit or loss:

i. Financial assets held for trading

ii. Non-trading financial assets mandatorily at fair value through profit or loss

iii. Financial assets designated at fair value through profit or loss

Financial assets classification and measurement depends on the SPPI test results (assessment if the contractual cash flows characteristics, in order to conclude if it corresponds solely payments of principal and interests) and on the business model.

a) Financial assets measured at amortised cost

A financial asset is classified under the category "Financial assets at amortized cost" if both the following conditions are met:

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and;

ii. The contractual terms of the financial asset establish cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The "Financial assets at amortized cost" category includes mainly Loans and advances to banks, Loans and advances to customers, and Debt securities.

b) Financial assets at fair value through other comprehensive income

A financial asset is classified under the category of "Financial assets at fair value through other comprehensive income" if both of the following conditions are met:

i. The financial asset is held within a business model whose objective is to both collect contractual cash flows and sell financial assets and;

ii. The contractual cash flows occur on specified dates and are solely payments of principal and interest on the principal amount outstanding (SPPI).

In addition, in the initial recognition of a capital instrument that is not held for trading, nor a contingent consideration by an acquirer in a concentration of activities to which IFRS 3 applies, the Group may irrevocably choose to classify it in the category of " Financial assets at fair value through other comprehensive income ". This option is exercised on a case-by-case basis, investment by investment and is only available for financial instruments that comply with the definition of equity instruments set forth in IAS 32 and can not be used for financial instruments whose classification as a capital instrument in the issuer is made under the exceptions provided in paragraphs from 16A to 16D of IAS 32. The Bank did not adopt this irrevocable option under IAS 32, and only debt securities were classified in this category.

c) Financial assets at fair value through profit or loss

A financial asset is classified in the category of "Financial assets at fair value through profit and loss" if the business model defined by the Bank for its management or because of the characteristics of its contractual cash flows is not appropriate to be classified in the previous categories.

In addition, the Bank may irrevocably designate a financial asset that meets the criteria to be classified as "Financial assets at amortized cost" or "Financial assets at fair value through other comprehensive income", at fair value through profit or loss, at the time of its initial recognition, if that eliminates or significantly reduces an accounting mismatch, which would otherwise result from the measurement of assets or liabilities or from the recognition of gains and losses thereon on different bases. The Group did not adopt this irrevocable option, having classified in this category:

- financial assets in the sub-category "Financial assets at fair value through profit or loss - financial assets held for trading", when:
  i. are originated or acquired for the purpose of trading in the short term;
  ii. are part of a group of financial instruments identified and managed jointly for which there is evidence of recent actions with the aim of achieving gains in the short term;
  iii. are derivative instruments which do not comply with the definition of a financial guarantee and have not been designated as hedging instruments.
- financial assets in the sub-category of " Financial assets at fair value through profit or loss - Non-trading financial assets mandatorily at fair value through profit or loss" when:
  i. debt instruments whose cash flows do not originate cash flows on specific dates, which are only payments of principal and interest on the amount of outstanding capital (SPPI).
  ii. equity instruments, which do not classify as held for trading.

Gains and losses on financial assets and liabilities at fair value through profit or loss, namely, changes in fair value and interest on trading derivatives, as well as the dividends received from these portfolios, are recognized as "Net income from other financial instruments at fair value through profit or loss" in the income statement.

Business model evaluation for financial assets management

In relation to the evaluation of the business model, this does not depend on intentions for an individual instrument, but on a portfolio of instruments, taking into account the frequency, value, sales frequency in previous years, the reasons for such sales and expectations regarding future sales. Infrequent sales, or close to the maturity of the asset and those due to increases in the credit risk of financial assets or to manage concentration risk, among others, may be compatible with the model of holding assets for the collection of contractual cash flows.

Evaluation if the contractual cash flows correspond to solely payments of principal and interest (SPPI)

If a financial asset contains a contractual clause which may modify the timing or value of contractual cash flows (such as early amortization clauses or extension of duration), the Group determines whether the cash flows that will be generated during the life of the instrument, due to the exercise of the contractual clause, are only payments of principal and interest on the value of the capital outstanding.

The contractual conditions of financial assets that, at the time of initial recognition, have an effect on cash flows or depend on the occurrence of exceptional or highly improbable events (such as settlement by the issuer) do not prevent their classification in the portfolios at cost amortized or at fair value through other comprehensive income.

Initial recognition

At initial recognition all financial instruments are recognised at their fair value. For financial instruments that are not recognised at fair value through profit or loss, the fair value is adjusted by adding or subtracting the transaction costs directly attributable to their acquisition or issue. In the case of instruments at fair value through profit or loss, directly attributable transaction costs are recognised immediately in profit or loss.

Transaction costs are defined as expenses directly attributable to the acquisition or disposal of a financial asset or to the issue or assumption of a financial liability that would not have been incurred if the Group had not realized the transaction.

Subsequent measurement

After initial recognition, the Group measures financial assets at amortized cost, at fair value through other comprehensive income, at fair value through profit or loss or at cost.

The fair value of quoted financial assets is their current bid price. In the absence of a quotation, the Bank estimates the fair value using (i) valuation methodologies, such as the use of prices of recent transactions, similar and carried out under market conditions, discounted cash flow techniques and customized option valuation models in order to reflect the particularities and circumstances of the instrument, and (ii) valuation assumptions based on market information. These methodologies also incorporate credit risk and counterparty risk. These methodologies may require the use of assumptions or judgments in the estimate of fair value.

The income and expenses of financial instruments at amortized cost are recognised in accordance with the following criteria:

a) Interest is recognised in the income statement using the effective interest rate of the instrument on the gross book value of the instrument (except for assets with impairment, where the interest rate is applied on the net book value of impairment).

b) Other changes in value will be recognised as income or expense when the instrument is derecognized from the balance sheet, when it is reclassified, and in the case of financial assets, when there are impairment losses or recovery gains.

Income and expenses of financial instruments at fair value through profit or loss are recognised according to the following criterias:

a) Changes in fair value are recognised directly in profit or loss, separating between the portion attributable to the income of the instrument, which is recognised as interest or as dividends according to their nature, and the remainder, which is recognised as results in the corresponding account.

b) Interests on debt instruments are measured using the effective interest rate method.

Income and expenses from financial instruments at fair value through other comprehensive income are recognised according to the following criteria:

a) Interest has a procedure equal to that of assets at amortized cost.

b) Foreign exchange differences are recognised in income statement.

c) Impairment losses or gains on its recovery are recognised in the income statement.

d) The remaining changes in value are recognized in other comprehensive income.

Thus, when a debt instrument is measured at fair value through other comprehensive income, the amounts recognised in profit or loss for the period are the same as those that would be recognized if measured at amortized cost.

When a debt instrument measured at fair value through other comprehensive income is derecognized from the balance sheet, the gain or loss recognised in other comprehensive income is reclassified to income for the year.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or change does not result in derecognition of the financial asset in accordance with the policy adopted by the Bank, the Bank recalculates the gross amount of the financial asset and recognizes a gain or loss arising from the difference from the previous amortized cost against profit or loss. The gross amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows discounted at the original effective interest rate of the asset.

Reclassifications between categories of financial instruments

Only if the Group decides to change its business model for the management of a portfolio of financial assets. In this case, all financial assets affected would be reclassified in accordance with the requirements of IFRS 9. This reclassification would be applied prospectively from the date of reclassification. According to the approach of IFRS 9, changes in the business model generally occur very infrequently. Financial liabilities cannot be reclassified between portfolios.

Derecognition criteria

The Bank derecognises a financial asset in the following situations:

a) when transferring that asset and, as a result of such transfer, all the risks and rewards of that asset are transferred to another entity when a change is found to be significant under the terms and conditions of that asset;

b) when transferring the asset and, following this transfer, all the risks and benefits of the asset are transferred to another entity considered when there is a significant change in the terms and conditions of the asset;

c) when a significant change on the asset terms and conditions occur.

Loans written-off

The Group write off a loan when it does not have reasonable expectations to recovering a financial asset in its entirety or a portion thereof. This registration occurs after all the recovery actions developed by the Group prove to be fruitless. Loans written off are recognised in off-balance sheet accounts.

Purchase or originated credit impaired assets

Purchase or originated credit impaired (POCI) assets are credit-impaired assets on initial recognition. An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset.

The two events that lead to the originations of a POCI exposure are presented as follows:

- financial assets arising from a recovery process, where there have been changes to the terms and conditions of the original agreement, which presented objective evidence of impairment that resulted in its derecognition and recognition of a new contract that reflects the credit losses incurred;
- financial assets acquired with a significant discount, that the existence of a significant discount reflects credit losses incurred at the time of its initial recognition.

On initial recognition, POCI assets do not carry an impairment loss. Instead, lifetime expected credit losses are incorporated into the calculation of the effective interest rate. Consequently, at initial recognition, the gross book value of POCI (initial balance) is equal to the net book value before being recognised as POCI (difference between the initial balance and total discounted cash flows).

Impairment of financial assets

The Group determines impairment losses on debt instruments measured at amortized cost and at fair value through comprehensive income, as well as for other exposures that have associated credit risk such as bank guarantees and commitments.

The IFRS 9 requirements aim to recognize expected losses, assessed on an individual and collective basis, taking into account all reasonable, reliable and reasoned information available, without incurring undue costs or efforts, at each reporting date, including forward-looking information.

The impairment losses of debt instruments in the exercise are recognized as a cost under the heading Impairment of Financial Assets in the Income Statement. The Group registers the impairment losses on debt instruments measured at amortized cost against a cumulative balance sheet impairment account, which reduces the book value of the asset. The Group recognizes the impairment losses on debt instruments measured at fair value through Other Comprehensive Income against the fair value reserve, whereby its recognition does not reduce the balance sheet value of the instruments.

Impairment losses on exposures that have associated credit risk and which are not debt instruments are registered by means of a provision under "Provisions" in the liability side. Increases and reversals are recorded against under the heading Provisions net of annulments.

Impairment Model

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 there was 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 classified in Stage 1, as well to determine the minimum lifetime expected credit losses, in the case of exposures with a significant increase in credit risk (Stage 2) since initial recognition, but which are not considered to be impaired.

In addition, the top 20 performing largest debtors are annually subject to an individual analysis, in order to trace early warning signals that may indicate the need to transfer to 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 to determine the minimum impairment rate applicable to financial instruments, using a lifetime collective model. All Stage 3 clients are subject to an individual impairment analysis.

At initial recognition, any instrument is allocated to Stage 1, except for purchased or originated credit impaired (POCI) financial instruments which are allocated to Stage 3. For each reporting date, an assessment of the change in the risk of a default occurring over the expected life of the financial instrument is performed.

A change in the risk of default may result in a transfer from Stage 1 to Stage 2 or to Stage 3. As long as the risk of default of a financial asset is low or has not increase significantly since initial recognition, it remains in Stage 1 with a 12-months ECL. Otherwise, if there is a significant increase in credit risk compared with the initial recognition, the result would be a transfer into Stage 2 and, consequently to the recognition of the lifetime ECL over the residual life of the financial asset. A transfer into Stage 3 is required when objective evidence for a credit loss appears.

When a financial asset is no longer assessed to be impaired (Stage 3), it is reclassified to Stage 2. It is assumed that when a financial asset recovers from Stage 3, it will still have a demonstrated significant increase in credit risk since initial recognition and must therefore be included in Stage 2. From that date on, the impairment will continue to be recognized based on lifetime expected credit losses.

A probation period was established for a financial asset ceases to be classified in Stage 3, which is defined as 3 months from the moment that the obligor is no longer past due more than 90 days on any material credit obligation, if applicable, and no indication of unlikeliness to pay applies. The probation period for non-performing forborne exposures is longer (12 months). Note that performing forborne exposures should accomplish a minimum 24 months period in order to be reclassified on Stage 1, whereas throughout that period the debt sustainability should be proved.

Note 39 – Risk Management discloses the inputs of the Group's collective impairment model, as well as the adjustments made to incorporate forward-looking information.

Expected Credit Losses

According to the IFRS 9, the expected credit loss for financial assets is the present value of the difference between (1) the contractual cash flows that are due to an entity under the contract, and (2) the cash flows that the entity expects to receive.

The recognition of an impairment allowance is required on financial assets measured on an Amortized Cost (AC) or Fair Value through Other Comprehensive Income (FVOCI) basis. Given that, the financial asset types that should have impairment assessment are the following:

- Loans and advances to customers;
- Loans and advances to banks;
- Debt Securities;
- Debtors and other receivables;
- Cash and cash equivalents.

In addition, in accordance with IFRS 9, the Bank includes in the calculation of the expected credit losses for the guarantees provided and commitments assumed, and for other assets.

The expected credit losses correspond to 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 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.

The internal warning signals are the following: (i) delay of payments (including capital, interest, fees or other charges) of more than 30 days; (ii) registration of at least one debtor's credit under a dispute in the Central Credit Register (CCR) from Banco de Portugal; (iii) debt restructuring towards a debtor facing and/or about to face financial difficulties in meeting its financial commitments (with no indication of unlikeliness to pay); (iv) debts to tax agency, social security and/or to employees overdue; (v) clients with warning signals activated in the last three months; and (vi) other specific situations (ad-hoc) criteria). The Group identifies a SICR in the following circumstances: (a) debtors with one of the triggers (i), (iii), (v) and (vi) activated; and (b) debtors with triggers (ii) and (iv) simultaneously activated.

Early warning signals (EWS) assessment includes the annual review by the Impairment Committee and Executive Committee of the Top 20 performing largest exposures in order to confirm that the largest debtors do not display any warning signals that convene a transfer to Stage 2.

The Group implemented the internal procedure to quarterly elaborate an EWS assessment, covering all clients classified in Stage 1, thus enabling the timely manner identification of indicators which suggest a significant increase in credit risk, and also encompassing all clients classified in Stage 1 and 2, allowing for the timely identification of indicators that may suggest a reduced likelihood of payments by the debtors.

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.

.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 protection; v) interest related to credit obligations is no longer recognized (non-accrued status) in the income statement (part or under conditionality); and vi) other conditions (ad-hoc) that may suggest reduced likelihood of payments by the debtor.

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

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

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

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

The definition of forbearance followed by the Group follows the guidance to Banks on Non-Performing Loans by the European Central Bank (from March 2017), which address the concept of forborne exposures, and Bank of Portugal's Carta Circular CC/2018/00000062 (from November 2018), addressing the criteria and principles for calculating expected credit losses under IFRS 9, which includes the timely and appropriate identification of forborne exposures.

2.4.2 Hedge accounting

The Group designates derivatives to hedge its exposure to foreign exchange risk, resulting from investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative hedging instruments are stated at fair value and gains and losses on revaluation are recognised in accordance with the hedge accounting model adopted by the Group. A hedge relationship exists when:

- at the inception of the hedge there is formal documentation of the hedge;
- the hedge is expected to be highly effective;

- the effectiveness of the hedge can be reliably measured;
- the hedge is assessed in a continuous basis and highly effective throughout the reporting period; and
- for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative financial instrument is used to hedge foreign exchange variations arising from monetary assets or liabilities, no hedge accounting model is applied. Any gain or loss associated to the derivative is recognised through profit and loss, as well as changes in currency risk of the monetary items.

Hedge effectiveness

For a hedge relationship to be classified as such according to IFRS 9, effectiveness has to be demonstrated. As such, the Group performs prospective tests at the beginning date of the initial hedge, if applicable and retrospective tests in order to demonstrate at each reporting period the effectiveness of the hedging relationships, demonstrating that the variations in fair value of the hedging instrument are hedged by the fair value variations of the hedged item in the portion assigned to the risk covered. Any ineffectiveness is recognised immediately in profit and loss when incurred.

Hedge of a net investment in a foreign operation

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. The hedge is done using a forward currency instrument. Any exchange gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is immediately recognised in profit and loss. Gains and losses accumulated in equity related to the investment in a foreign operation and to the associated hedge operation are recognised in equity and transferred to profit and loss, on the disposal of the foreign operation as part of the gain or loss from the disposal.

2.4.3 Financial liabilities

Classification, initial recognition and subsequent measurement

At initial recognition, financial liabilities are classified in one of the following categories:

- Financial liabilities at amortised cost;
- Financial liabilities at fair value through profit or loss;

Financial liabilities at fair value through profit or loss

Classification

Financial liabilities classified under “Financial liabilities at fair value through profit or loss” include:

a) Financial liabilities held for trading

In this balance are classified the issued liabilities with the purpose of repurchasing it in the near term, the ones that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or is a derivative.

b) Financial liabilities designated at fair value through profit or loss (“Fair Value Option”)

The Group may irrevocably assign a financial liability at fair value through profit or loss at the time of its initial recognition if at least one of the following conditions is met:

- The financial liability is managed, evaluated and reported internally at its fair value;
- The designation eliminates or significantly reduces the accounting mismatch of transactions.

Structured products issued by the Group follow are measured at fair value through profit or loss, due to the fact that such structured products always fall within one out of the aforementioned conditions.

The fair value of quoted financial liabilities is their quoted value. In the absence of a quotation, the Group calculates fair value by using valuation techniques considering assumptions based on market information, including in determining the issuer´s own credit risk.

If the Group repurchases an issued debt, it shall be derecognised from the consolidated statement of financial positions, and the difference between the liability's carry amount and the purchase value is accounted for in income statement.

Initial recognition and subsequent measurement

Considering that the transactions carried out by the Group in the normal course of its business are made in market conditions, financial liabilities at fair value through profit or loss are initially recognised at fair value with the costs or income associated with the transactions recognised in profit or loss at the initial moment.

Subsequent changes in the fair value of these financial liabilities are recognised as follows:

- The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income;
- The remaining amount of change in the fair value of the liability shall be presented in profit or loss.

The accrual of interest and the premium / discount (when applicable) is recognised on "Interest expense and similar charges" based on the effective interest rate of each transaction.

Financial liabilities at amortised cost

Classification

Financial liabilities that were not classified at fair value through profit or loss, or correspond to financial guarantee contracts, are measured at amortised cost.

The category "Financial liabilities at amortised cost" includes Resources of credit institutions, Resources of customers and Debt securities issued.

Initial recognition and subsequent measurement

Financial liabilities at amortised cost are initially recognised at fair value, plus transaction costs, and are subsequently measured at amortised cost. Interests on financial liabilities at amortised cost are recognised on "Interest expense and similar charges", based on the effective interest rate method.

Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

Derecognition of financial liabilities

The Group derecognises financial liabilities when they are cancelled or extinct.

2.4.4 Interest recognition

Interest income and expense for financial instruments measured at amortised cost are recognised in "Interest and similar income" and "Interest expense and similar charges" (Net interest income) through the effective interest rate method. The interest at the effective rate related to financial assets at fair value through other comprehensive income are also recognised in net interest income.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

For calculating the effective interest rate, the Group estimates futures cash flows considering all contractual terms of the financial instrument (for example: early payment options) but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction, except for assets and liabilities at fair value through profit and loss.

Interest income recognised in income associated with contracts classified in stage 1 and 2 are determined by applying the effective interest rate for each contract on its gross book value. The gross balance of a contract is its amortised cost, before deducting the respective impairment. For financial assets included in stage 3, interests are recognised in the income statement based on its net book value (less impairment). The interest recognition is always made in a prospective way, i.e. for financial assets entering in stage 3 interests are recognised on the amortised cost (net of impairment) in subsequent periods.

For purchase or originated credit impaired assets (POCIs), the effective interest rate reflects the expected credit losses in determining the expected future cash flows receivable from the financial asset.

2.4.5 Financial guarantees

Contracts that require the issuer to make payments to compensate the holder for losses incurred as a result of non-compliance with the contractual terms of debt instruments, such as payment of the respective principal and / or interest, are considered as financial guarantees.

The financial guarantees issued are initially recognised at fair value. Subsequently, these guarantees are measured by the higher (i) fair value initially recognised and (ii) the amount of any obligation arising from the guarantee agreement, measured at the balance sheet date. Any change in the amount of the obligation associated with financial guarantees issued is recognized in the income statement.

The financial guarantees issued by the Group usually have a defined maturity and a periodic commission charged in advance, which varies according to the counterparty risk, amount and period of the contract. On that basis, the fair value of the guarantees at the date of their initial recognition is approximately null considering that the agreed conditions are market. Accordingly, the amount recognised on the date of the engagement equals the amount of the initial commission received which is recognised in the income statement during the period to which it relates. Subsequent commissions are recognised in profit and loss in the period to which they relate.

2.5. ASSETS SOLD WITH REPURCHASE AGREEMENT AND SECURITIES LENDING

Securities sold subject to repurchase agreement (repos) at a fixed price or at a price equal to that of the sale plus interest inherent to the maturity of the transaction are not derecognised from the statement of financial position. The corresponding liability is accounted for in amounts due to banks or to customers, as appropriate. The difference between the sale value and the repurchase value is treated as interest and is deferred while the agreement is in force, using the effective interest rate method.

Securities bought with a resale agreement (reverse repos) at a fixed price or at a price equal to that of the sale plus interest inherent to the maturity of the transaction are not recognised in the statement of financial position, and the purchase value is accounted for as loans and advances to banks or customers, as appropriate. The difference between the purchase value and the resale value is treated as interest and is deferred while the agreement is in force, using the effective interest rate method.

Securities assigned through loan agreements are not derecognised from the statement of financial positions, being classified and measured in accordance with the accounting policy applicable. Securities received through loan agreements are not recognised in the statement of financial positions.

2.6 EQUITY INSTRUMENTS

An instrument is classified as equity instrument only if:

i. The instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable conditions for the issuer; and

ii. The instrument will or may be settled in the issuer's own equity instruments, it is either a non-derivative that includes no contractual obligation on the issuer to deliver a variable number of its own equity instruments or a derivative that will be settled only by the issuer exchanging a fixed amount in cash or another financial asset for a fixed number of its own equity instruments.

Costs directly attributable to the issuing of equity instruments are accounted for under equity, as a deduction to the issuing amount. Amounts paid and received by the purchase and sale of equity instruments are accounted for under equity, net of transaction costs.

When declared, distributions to holders of an equity instrument are deducted directly from equity as dividends.

2.7 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are presented in statement of financial position at net value when there is a legal possibility of offsetting the recognised amounts and there is an intent of settlement thereof by their net value, or to simultaneously realise the asset and settle the liability.

2.8 NON-CURRENT ASSETS HELD-FOR-SALE AND ASSETS FROM DISCONTINUING OPERATIONS

Non-current assets or groups of non-current assets held for sale (group of assets to be disposed together in a single transaction, and directly associated liabilities which include at least one non-current asset) and discontinued operations are classified as held-for-sale when exists the intention to realise the a sale transaction (including those acquired exclusively with the purpose to sell), the assets or disposal groups are available for immediate sale and the sale is highly likely to occur, accordingly to IFRS 5 requirements. In order to the sale to be considered highly probable, the Group must be committed to a plan to sell the asset (or disposal group) and should be expected the sale to qualify for derecognition within one year from the date of classification.

Immediately prior to the initial classification of the asset (or disposal group) as held-for-sale, the measurement of non-current assets (or of all the Group’s assets and liabilities) is carried out in accordance with the relevant IFRS in force. Subsequently, such assets or disposal groups are re-measured at the lower of their carrying value and fair value less costs to sell.

2.9 OTHER TANGIBLE ASSETS

The Group's other tangible assets are measured at cost, less their corresponding accumulated amortisations and impairment losses. The cost includes expenses directly attributable to the acquisition of the assets.

The subsequent costs with other tangible assets are only recognised when it is probable that future economic benefits associated with them will flow to the Group. All repair and maintenance costs are charged to the income statement during the period in which they are incurred, on the accrual basis.

Land is not amortised. The amortisations of other tangible assets are calculated based on the straight-line method, at the following amortisation rates reflecting the expected useful life of the goods.

	Number of Years
Owned Real Estate	35 to 50
Improvements in leasehold property	5 to 10
Computer Equipment	3 to 8
Indoor Installations	5 to 12
Furniture and supplies	3 to 10
Safety Equipment	4 to 10
Tools and Machines	4 to 10
Transportation Material	4 to 5
Other Equipment	5

As defined in IAS 36, when there is evidence that an asset may be impaired, its recoverable amount is required to be estimated, and an impairment loss shall be recognised whenever the net value of an asset exceeds its recoverable amount. Any impairment losses are recognised in the income statement.

The recoverable amount is determined as the highest amount between its net selling price and its value in use, the latter being calculated based on the net present value of the estimated future cash flows expected to be obtained from the continued use of the asset and of its disposal at the end of its useful life.

2.10 INTANGIBLE ASSETS

Costs incurred with the purchase, production and development of software are capitalised, as well as additional expenses required for its deployment, which are borne by the Group. Such costs are amortised on a linear basis throughout the expected useful life of such assets, which usually ranges from 3 to 8 years.

Costs directly related to the development of software applications are recognised and accounted for as intangible assets if they are expected to create future economic benefits beyond one financial year.

All remaining charges associated with Information Technology services are recognised as costs when incurred.

2.11 LEASE TRANSACTIONS (IFRS 16)

The Group adopted IFRS 16 – "Lease transactions" on 1 January 2019, replacing IAS 17 – "Lease transactions", which was in force until 31 December 2018. The Group did not adopt any of the requirements of IFRS 16 in prior periods.

At inception of a contract, the Banks assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare

cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either:

- the Bank has the right to operate the asset; or
- the Bank designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

The Group chose not to apply this standard to short-term lease contracts which are less or equal to one year, and to lease contracts where the underlying asset has no significant amount (up to € 5,000).

As a lessee

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

When the Bank acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Bank is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Bank applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Bank applies IFRS 15 to allocate the consideration in the contract.

The Bank recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'. The accounting policies applicable to the Bank as a lessor in the comparative period were not different from IFRS 16. However, when the Bank was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

2.12 EMPLOYEE BENEFITS

Pensions

Portugal

Following the signature of the Collective Labor Agreement ("Acordo Coletivo de Trabalho" (ACT)) for the banking sector and its subsequent amendments resulting from the 3 tripartite agreements described in Note 14, pension funds and other mechanisms were set up to cover liabilities assumed with pensions on retirement, disability, survival and health-care benefits.

The liabilities' coverage is assured, for the Bank, by pension funds managed by GNB - Sociedade Gestora de Fundos de Pensões, SA.

In Portugal, there are two defined benefit pension plans which are provided to the employees. The first plan results from the above mentioned ACT agreement and foreseen by its clauses 94th and 103rd (Plan 1). The second plan is voluntary and complimentary and was applicable for its participants and beneficiaries until the 30th of December of 2020. From this date, this plan exists exclusively for the respective beneficiaries and eventual future beneficiaries, by death of those (Plan 2). Defined benefit plans cover pension benefits to be received by employees during retirement, usually dependent on one or more factors such as age, years of service and salary level. On 30th of December of 2020, a new defined contribution plan was introduced (Plan 3), for which the previous participants of the voluntary and complimentary plan were transferred – former employees with vested rights, as well as active employees.

Considering the questions raised regarding the terms in which the conversion mentioned above has been processed, and following the contacts established with the Bank and the Management Company, ASF issued a further authorisation, allowing an amendment to the constitutive contract. In order to ensure the certainty of the operation and mitigate the possibility of litigation with the Authority in question, the Bank has signed, on the 11th of February, 2022, after the closing of the current period, the subsequent amendment, resulting in the reinforcement of the initial credits owed to the participants in the amount of 292 thousand euros.

The retirement pension liabilities are calculated semi-annually, in 31 December and 30 June of each year, for each plan individually, using the Projected Unit Credit Method, being annually reviewed by qualified independent actuaries. The discount rate used in this calculation is determined with reference to market rates associated with high-quality corporate bonds, denominated in the currency in which the benefits will be paid out and with a maturity similar to the expiry date of the plan's liabilities.

The Group determines the net interest income / expense for the period incurred with the pension plan by multiplying the plan's net assets / liabilities (liabilities net of the fair value of the fund's assets) by the discount rate used to measure the retirement pension liabilities referred to above. On that basis, the net interest income / expense was determined based on the interest cost on the retirement pension liabilities net of the expected return on the funds' assets, both calculated using the discount rate applied in the determination of the retirement pension liabilities.

Re-measurement gains and losses, namely (i) actuarial gains and losses arising due to differences between actuarial assumptions used and real values verified (experience adjustments) and changes in actuarial assumptions and (ii) gains and losses arising due to the difference between the expected return on the fund's assets and the actual investment returns, are recognised in equity under the caption other comprehensive income.

The Group recognizes as a cost in the income statement a net total amount that includes (i) current service costs, (ii) net interest income / expense with the pension fund, (iii) the effect of early retirement, (iv) past service costs, and (v) the effect of settlements or curtailments occurring during the period. The net interest income / expense with the pension plan is recognised as interest and similar income or interest expense and similar charges, depending on its nature. Early retirement costs correspond to increases in liabilities due to employees retiring before turning 65 years-old (normal retirement age foreseen in the ACT) and which forms the basis of the actuarial calculation of pension fund liabilities. Whenever the possibility of the early retirement provided for in the pension fund regulation is invoked, the responsibilities of same must be incremented by the value of the actuarial calculation of the liabilities corresponding to the period between the early retirement and the employee turning 65 years-old. In the event of a settlement or unwind in a defined benefit plan, the difference between (i) the present value of the defined benefit obligation determined at the settlement date and (ii) the settlement amount, including the value of the plan assets to be transferred; is recorded in "Personnel costs".

The Group makes payments to the funds in order to assure their solvency, the minimum levels set by Banco de Portugal being: (i) the liability with pensioners must be totally funded at the end of each period, and (ii) the liability relating to past service costs for active employees must be funded at a minimum level of 95%.

The Group assesses the recoverability of any excess in a fund regarding he retirement pension liabilities, based on the expectation of reductions in future contributions.

Other Geographies

In the remaining geographies, namely Spain, United Kingdom, Poland and Brazil, the Group provides defined contribution pension plans. In these cases, the contributions are previously defined and the benefits assigned at retirement will depend on the amount of the contributions made and the accumulated income.

Health-care benefits

Portugal

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

SAMS provides its beneficiaries services and/or contributions with medical assistance expenses, diagnostics, medication, hospitalization and surgeries, in accordance with its funding availability and internal regulations.

Arising from the signature of the new Collective Labor Agreement (ACT) on 5 July 2016, published in Labor Bulletin (Boletim do Trabalho) no. 29, of 8 August 2016, the Group's contributions to SAMS as from 1 February 2017, correspond to a fixed amount (as per Annex VI of the new ACT) for each employee, 14 times a year.

The calculation and recognition of the Group's liability with post-retirement health-care benefits is similar to the calculation and recognition of the pension liability described above. These benefits are covered by the Pension Fund, which presently covers all liabilities with pensions and health-care benefits.

Other Geographies

In the remaining geographies, the Group provides local medical plans to its workforce that are complimentary to the national health services provided in each of the respective geography.

End of career bonuses

In Portugal, under the new ACT, signed at the 5th July 2016, an end of career bonus is awarded to employees, payable immediately prior to the employee´s retirement date, if the employee retires at the service of the Group, corresponding to 1.5 of his/her salary at the time of its payment.

The end of career bonus is accounted for by the Bank in accordance with IAS 19, as a long-term employee benefit. The remeasurement effects and past service costs of this benefit are recognised in the income statement for the year, as occurred with the accounting model for long-term service bonuses.

The amount of the Bank's liabilities with this career bonus is likewise periodically estimated based on the Projected Unit Credit Method. The actuarial assumptions used are based on expectations of future salary increases and mortality tables. The discount rate used in this calculation is determined applying the same methodology described above for retirement pensions.

Variable remuneration paid to employees

In accordance with IAS 19 - Employee benefits, variable remuneration (profit sharing, bonuses and others) granted to employees and, possibly, to executive members of administration bodies, is accounted for in profit or loss of its respective financial year.

2.13 INCOME TAXES

Income taxes comprise current and deferred taxes. Income taxes are recognised in income statement, unless when relating to items not directly recognised in equity, in which case they are also accounted for against equity. Taxes recognised in equity, as a result of the reassessment of financial assets at fair value through other comprehensive income, are subsequently recognised in income statement when the gains and losses which were in their origin are recognised in income statement.

Current taxes are those expected to be paid based on the taxable income which is calculated in accordance with the existing tax rules and by using the tax rate enacted or substantially enacted in each jurisdiction.

Deferred taxes are calculated in accordance with the liability method based on the statement of financial positions, on the temporary differences between the carry amount of assets and liabilities and their tax base, by using the tax rates which have been enacted or substantially enacted on the date of the statement of financial position in each jurisdiction and which are expected to be applied once the temporary differences are reversed.

Deferred tax liabilities are recognised for all taxable temporary differences, except for goodwill not deductible for tax purposes, of the differences arising out of the initial recognition of assets and liabilities which affect neither accounting profit nor taxable profit, and of differences relating to investments in subsidiaries insofar as it is not likely that they reverse in the future. Deferred tax assets are only recognised insofar as it is expected that there will be taxable profit in the future which will absorb the tax losses carried forward and the deductible temporary differences.

The Group offsets assets and liabilities by deferred taxes for each subsidiary, every time (i) the income tax of each subsidiary to be paid to the Tax Authorities is determined on a net basis, i.e., offsetting current asset and liability taxes, and (ii) taxes are collected by the same Tax Authority over the same tax entity. This offsetting is therefore made at the level of each subsidiary, reflecting the asset balance in the consolidated balance sheet the sum of the values of the subsidiaries that present deferred tax assets and the liability balance in the consolidated balance sheet the sum of the values of the subsidiaries that present deferred tax liabilities.

2.14 PROVISIONS

Provisions are recognised when (i) the Group has a current, legal or constructive obligation, (ii) it is likely that its payment will be required and (iii) when the amount of such obligation may be estimated in a reliable manner.

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

If it is not likely for payment to be required, it is a contingent liability. Contingent liabilities are only subject to disclosure, unless the likelihood of their realization is remote. Provisions for restructuring are recognised once the Group approves a formal and detailed restructuring plan, and such restructuring has been commenced or publically announced on the reference date of the financial statements.

A provision for onerous contracts is recognised when the expected benefits of a formal contract are lower than the costs that the Group will inevitably incur in order to meet the obligations arising therefrom. This provision is measured based on the current lowest value between the contract termination costs or the net estimated costs of continuing the contract.

2.15 RECOGNITION OF FEE AND COMMISSION INCOME

Income from services and commissions are recognised as follows:

- Income from services and commissions obtained from the performance of a significant act, such as commissions in the syndication of loans, are recognised in income once the significant act has been completed;

- Income from services and commissions obtained as the services are being provided are recognised in income for the relevant period;

Income from services and commissions which are an integral part of the effective interest rate of a financial instrument are accounted for in income statement by the effective interest rate method.

2.16 SEGMENT REPORTING

The Group adopted IFRS 8 – Operating Segments for the disclosure of financial information by operating segments (see Note 4).

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

2.17 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to shareholders of the parent company by the weighted average number of ordinary shares outstanding, with the exclusion of the average number of own shares held by the Group.

For the calculation of diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to reflect the effect of all dilutive potential ordinary shares, such as those arising out of convertible debt and of options granted to employees over own shares. The effect of the dilution is a decrease in earnings per share, resulting from the assumption that the convertible instruments are converted or that the granted options are exercised.

2.18 CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and its equivalents encompass the amounts accounted for in the statement of financial position whose maturity is less than three months from the date of acquisition/contract, which include cash, deposits in Central Banks and in other credit institutions. Cash and cash equivalents exclude mandatory deposits held with Central Banks.

NOTE 3 – MAIN ESTIMATES AND JUDGEMENTS USED IN THE PREPARATION OF FINANCIAL STATEMENTS

The IFRS set forth a range of accounting treatments and require the Board of Directors to make the necessary judgements and estimates to decide on the most appropriate accounting treatment. These estimates were made considering the best information available at the date of preparation of the financial statements, considering the context of uncertainly that results from the impact of Covid-19 in the current economic scope. The Group's main accounting estimates and judgements used thereby when applying the accounting principles are laid down in this Note with the purpose of improving the understanding on how the implementation thereof affects the Group's reported results and their disclosure.

A broader description of the main accounting policies used by the Group is shown in Note 2 to the consolidated financial statements.

Whereas in many situations there are alternatives to the accounting treatment adopted by the Board of Directors, the results reported by the Group could have differed if it adopted a different treatment. The Board of Directors believes that it made the appropriate choices, and that the financial statements give an adequate description of the Group's financial position and of the result of its operations in all material respects.

3.1 IMPAIRMENT LOSSES ON FINANCIAL ASSETS AT AMORTISED COST AND DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group periodically reviews financial assets at amortized cost and debt at fair value through other comprehensive income in order to accurately evaluate the existence of impairment, as referred on Note 2.4.1.

Individual analysis

Taking into consideration the specific characteristics of the credit portfolio, the Group decided that the main approach for impairment calculation is the individual analysis, taking into account relevant and particular factors that may justify an eventual adjustment to the impairment rate.

The Risk Management Department identifies all exposures subject to individual analysis, encompassing Top 20 performing largest exposures, all under-performing (Stage 2) and non-performing (Stage 3) exposures, and ensures that they are subject of analysis by the Impairment Committee and Executive Committee. In the case of Stage 1 exposures, the individual analysis is carried out in order to confirm that the Top 20 largest exposures doesn't show any warning signals that causes a reclassification to Stage 2. Stage 2 exposures are analyzed individually, in order to verify the absence of indicative unlikeliness to pay of the debtor and the events considered by Capital requirements Regulations (CRR) in its definition of default and by standard IFRS 9 in the definition of impaired financial instruments, which could cause transfer to Stage 3.

The documentation supporting the individual analysis of cases to be discussed at the Impairment Committee and Executive Committee includes: a) historical information (exposure by contract and type, impairment rates in force, collateral and respective valuation); and b) recovery scenarios with expected cash flows discounted to the current date, using the effective interest rate that was determined at initial recognition, in order to obtain expected credit losses.

The recovery scenarios should be influenced by future prospects contemplating not only the most probable scenario but also alternative scenarios. For each of the scenarios presented, the respective assumptions and respective explanation is assured based on the activity of the company (incorporating data from the historical financial statements, certain events and other financial estimates when available), the value of collateral (including the respective valuation methodologies) and sale or execution thereof. The recovery scenarios are weighted by their probability of occurrence.

Thus, the individual analysis' process is subject to various estimates and evaluations, including recoveries' predictions and existing collaterals valuation.

The use of scenarios or alternative methodologies with other assumptions and estimates could result in different levels of impairment losses recognized, with a consequent impact on the Group's results.

Collective analysis

Impairment assessment on the collective basis is based upon the evaluation of the net present value of the expected cash flows for each loan, using pre-defined risk parameters supported by external information.

Taking into account the specificities of Haitong Bank Group credit portfolio, the collective model is based on external information for all the key risk parameters used. The main parameters used are: (i) Probability of Default (PD), (ii) Loss Given Default (LGD), (iii) Collateral haircut, and (iv) Credit Conversion Factor (CCF) for off-balance exposures.

- Probability of Default (PD) reflects the likelihood of default. The Group takes into account Standard & Poor's ("S&P"'s) PD's, whereas the rating assigning process is performed internally based on the S&P methodology, which ensures the alignment between internal risk management and the process of impairment calculation.
- Loss Given Default (LGD) is the magnitude of loss at the time of default. The Group applies LGD based on Moody's benchmarks (recovery rates) covering a wide historical period.
- Collateral Haircut is based on the regulatory capital requirements (CRR) eligibility criteria and haircut.
- Credit Conversion Factor (CCF) is based on the CRR where CCF applies to all guarantees and lines of credit (off-balance exposures).

The Group updated the inputs of the collective model regarding the incorporation of forward-looking information, according to the information presented in Note 39 – Risk Management.

The new procedures and criteria considered by the Group in the preparation of accounting estimates in the context of the coronavirus pandemic ("Covid-19"), as well as the analysis of the impacts of Covid-19 in the definition of IFRS 9 risk Stage, classification of significant increase in credit risk or default, and definition of impairment, are detailed in Note 40 - Impact of Pandemic Covid-19.

The use of scenarios or alternative methodologies with other assumptions and estimates, namely as to the effects of the coronavirus pandemic ("Covid-19"), could result in different levels of impairment losses recognized, and a consequent impact on the Group's results.

3.2 INCOME TAXES

The Group is subject to the payment of income taxes in various jurisdictions. Determining the aggregate amount of income taxes requires certain interpretations and estimates. There are several transactions and calculations for which determining the final amount of tax to be paid is uncertain throughout the normal course of business.

Other interpretations and estimates could result in a different level of income taxes recognised in the period, whether current or deferred.

On the other hand, the Bank accounts for deferred taxes in accordance with the policy set forth in Note 2.14, whereby deferred tax assets are accounted for only insofar as it is expected that there will be taxable profit in the future, which are able to absorb tax losses carried forward and deductible temporary differences.

The historical loss calculation in recent years justifies an assessment of the recoverability of deferred tax assets, but these results are significantly affected by extraordinary situations (eg. restructuring) that are not expected to occur in future years.

The assessment of the recoverability of deferred tax assets (including the rate at which they shall be realised) was carried out by the Bank based on projections of its future taxable profit, such projections being specified from a business plan.

The estimate of future taxable profit involves a significant level of judgment regarding the future development of the Group's activity and the timing of execution of temporary differences. For such purpose, several assumptions were adopted, in particular the analysis of several scenarios due to a uncertainty about the fiscal treatment of a set of Bank realities.

Tax Authorities are required to review the calculation of the basis of assessment, made by the Bank, for a period of four years, except where any deduction or tax credit has been made, where the time-limit is the exercise of that right. Hence, there is a possibility that the basis of assessment will be corrected, mainly due to differences in the interpretation of the tax legislation. However, it is the Bank's Boards of Directors belief that there will be no additional settlements of significant value in the context of the financial statements.

3.3 PENSIONS AND OTHER EMPLOYEE BENEFITS

Determining responsibilities for retirement pensions requires the use of assumptions and estimates, including actuarial projections, estimated profitability of investments and other factors which could impact on expenses and responsibilities of the pensions plan.

Any changes to such assumptions could have a significant impact on the determined amounts.

3.4 FAIR VALUE OF FINANCIAL DERIVATIVES AND ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Fair values are based on listed market prices when available; otherwise fair value is determined with reference to similar recent arm's length transaction prices, or in accordance with valuation methodologies based on discounted future cash flows techniques, by taking into account the market conditions, temporal value, yield curve and volatility factors. Such methodologies further incorporate own credit risk as well as the counterparty's credit risk. Such methodologies may require the use of assumptions or judgements when estimating fair value.

Hence, the use of different methodologies or of different assumptions or judgements when applying a certain model could result in financial results that are different from the results reported.

3.5 CLASSIFICATION AND MEASUREMENT

The classification and measurement of financial assets depends on the results of the SPPI test (analysis of the characteristics of the contractual cash flows to determine if they correspond only to payments of principal and interest on the outstanding capital) and the test of the business model.

The Group determines the business model at a level that reflects how financial asset groups are managed together to achieve a specific business objective. This evaluation requires judgment, since the following aspects, among others, have to be considered: the way in which the performance of assets is evaluated; the risks that affect the performance of the assets and way these risks are managed; and how asset managers are rewarded.

The Group monitors the financial assets measured at amortized cost and at fair value through other comprehensive income that are derecognized prior to their maturity to understand the underlying reasons for their disposal and to determine whether they are consistent with the purpose of the business model defined for those assets. This monitoring is part of a process of continuous evaluation made by the Group of the business model of the financial assets that remain in the portfolio, to determine if it is adequate and, if it is not, if there was a change in the business model and consequently a prospective change classification of these financial assets.

NOTE 4 – SEGMENT REPORTING

4.1. DESCRIPTION OF BUSINESS AREAS

Each operating segment comprises the following activities, products, customers and structures of the Group:

Mergers and Acquisitions

The Mergers and Acquisitions (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.

Capital Markets

The Capital Markets Division comprises 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 emerging markets, as well as hybrid products, and convertible bonds.

Equity capital market transactions are explored on an opportunistic basis and comprise mainly capital increases, takeover offers and listings for corporate clients.

Corporate Derivatives

Haitong Bank's Derivatives Desk covers several asset classes such as interest rates, FX and commodities, assisting companies in the immunization of their balance against financial variables that may negatively affect their profits, allowing them to focus on their core business and lock-in the margin in their products. Consequently, companies can optimize their hedging strategy against the increase of interest rates, the exchange variations between payments and receipts of their products, and in fixing the cost / sale price of raw materials.

Fixed Income

The purpose of the Fixed Income Division is to provide a professional, differentiated and high-quality product and service to institutional and corporate clients, as well as provide Haitong Bank with a strong multi-client and international distribution platform. Its presence in various geographies and the combination of its origination and distribution capacity stimulate the identification of new business opportunities and promotes cross border activity.

With dedicated Trading, Syndication, Distribution, the Fixed Income Division offers market-making services for corporate and sovereign debt securities, multi-product international distribution, syndication capacity for different products and tailor-made products for institutional clients.

Fixed income is also responsible for managing Haitong Bank's Banking books in accordance with the investment policies established by the Executive Committee.

In addition to the aforementioned, the Fixed Income Division Brazil mission is the managing of several risk factors, in which the Bank is exposed, such as: fixed interest rates, inflation, FX, equities. The Fixed Income activity in Brazil also includes the managing of the risks originated through the proprietary portfolio and strategy of the Treasury area (trading and banking books) or through other risk factors gaps resulting from the Bank's commercial or Sales activities.

Equities
The Equities Division provides a global execution service for European investors, with broad tailor-made execution solutions available to institutional clients. This Division is planned to be terminated in Iberia by 1Q2022.

Structured Finance
The mission of the Structured Finance Division is to develop financing solutions to its Clients, namely under the form of acquisition / leverage finance, project finance, corporate and asset based loans, as well as the provision of financial advisory services and the provision of arranging and agency services for financing operations.

Corporate Solutions
The purpose of the Corporate Solutions Division is to establish relationships with clients in various sectors and to identify business opportunities and attract business to the Bank's product areas.

This unit will also monitor cross border opportunities with a view to ensure a business liaison between the Group's various geographies.

Treasury
The purpose of the Treasury Division is to ensure an appropriate level of funding to meet the Bank's and the Group's current and future funding needs, as well as to maintain and manage an appropriate level of liquidity to meet the financial liabilities.

Additionally, the purpose of the Treasury Division is also to manage the Bank's proprietary HQLA portfolio effectively and efficiently.

Private Equity
This segment undertakes to provide support to the private corporate initiative, by promoting productive investment, in which is financed mostly by equity.

Corporate Centre
The Corporate Centre does not correspond to a business area; it is a combination of corporate structures ensuring basic functions of global management for the Group, such as those associated with the management and supervisory bodies, Compliance, CEO Office, Finance, Customers, among others.

Special Portfolio Management
The purpose of the Special Portfolio Management Division ("SPM") is to manage all the nonperforming exposures classified by the IFRS9 criteria in which the Bank is involved.

This Division shall also manage all credit operations, in which the Bank is solely involved as agent, in case the operations are in default or classified as nonperforming.

Other
Includes all remaining segments of the Group's Management Information model which in accordance with the provisions laid down in IFRS 8 are not subject to mandatory individualisation (Research Division, Asset Management and other revenue centres).

4.2. CRITERIA FOR THE ATTRIBUTION OF THE BUSINESS AND OF THE RESULTS TO THE SEGMENTS

The financial information set forth for each segment has been prepared by reference to the criteria used for the preparation of internal information, on the basis of which the Group's decisions are made, as provided by the IFRS 8.

The accounting policies used when preparing the information concerning the operating segments are those used when preparing the financial statements herein, as referred to in Note 2.

Measurement of profits or losses from the segments

The Group uses the profit/loss before tax as a measurement tool for the performance assessment of each operating segment.

Haitong Bank's Structures dedicated to the Segment

Haitong Bank's business encompasses all operating segments, therefore being subject to disaggregation accordingly.

For the purpose of allocating financial information, the following principles are used: (i) origination of transactions, i.e., the business originated by the commercial structures dedicated to the segment is allocated to each segment, even if the Group makes a subsequent strategic decision to securitize some of these assets originating therefrom; (ii) allocation of direct costs from commercial and central structures dedicated to the segment; (iii) allocation of indirect costs (central support and IT services) determined in accordance with 7 specific parameters and with the internal Information Management model; (iv) allocation of credit risk determined in accordance with the impairment model.

Transactions between legally autonomous units of the Group are carried out at market prices; the price of provisions between the structures of each unit, such as the prices set for the provision or internal assignment of funds, is determined by the margins process referred to above (which vary according to the strategic relevance of the instrument and the balance of the structures between the fundraising and the credit assignment roles); the remaining transactions are allocated to the segments in accordance with the Management Information internal model.

The services rendered by the various units of the Corporate Centre are governed by SLAs (Service Level Agreements).

Interest income and expenses

Since the Group's activities are exclusively related to the financial sector, a substantial amount of generated revenue results from the difference between interest received from its assets and interest borne by the raised financial resources. This situation and the fact that the segments' activity is assessed by management through negotiated or predetermined margins for each instrument, leads to the profits of the brokerage activity being presented, as permitted by IFRS 8, paragraph 23, by the net value of interest, under the designation of Financial Income.

Net profit/(loss) from fee and commission

In accordance with the policy defined by the Group, net profit/(loss) from fee and commission is recognized in the moment that the service is delivered to its customers.

Investments consolidated under the equity method

Investments in associates which are consolidated under the equity method are comprised in the segment designated 'Other', for Haitong Bank's associates. For investments in associates of other entities of the Group, such entities are allocated to the segments they relate to.

Non-current assets

The Corporate Centre segment comprises non-current assets, which, as foreseen in IFRS 8, comprise Other tangible assets, Intangible assets and real estate received as payment in kind not yet falling into the classification of Non-current assets held-for-sale.

Deferred tax assets

The Income tax component is an element for the generating of the Group's income statement which does not have an effect on the assessment of the Operating Segments. Deferred tax assets are allocated to the Corporate Centre segment.

Domestic and International Areas

In the presentation of the financial information by geographical areas, the operating units making up the International Area are the Branches in London, Spain, Macau and Poland, as well as the subsidiaries in the consolidation perimeter, with the allocation being made by the Headquarters' country (see Note 1).

The statement of financial position and economical items concerning the international area are those shown in the financial statements of such units, along with their corresponding consolidation eliminations and adjustments.

(thousand euros)

	31.12.2021												
	Structured Finance	Special Portfolio Management	Mergers and Acquisitions	Capital Markets	Corporate Derivatives	Fixed Income	Equities	Private Equity	Treasury	Corporate Solutions	Corporate Centre	Other	Total
Net interest income	9 922	(128)	(8)	37	(3)	23 601	(41)	(2)	(5 595)	(2)	30	1 816	29 627
Net fees and comissions	6 706	410	21 167	12 811	1 176	3 612	4 171	1 886	(2 813)	3 454	256	4 024	56 860
COMERCIAL OPERATING INCOME	**16 628**	**282**	**21 159**	**12 848**	**1 173**	**27 213**	**4 130**	**1 884**	**(8 408)**	**3 452**	**286**	**5 840**	**86 487**
Results on financial operation	10 075	551	17	(747)	4 362	(7 832)	(1)	2 974	2 139	-	(2 877)	81	8 742
Costs Deducting Banking Income	(665)	-	(84)	(21)	(84)	(439)	(23)	(23)	(971)	-	(3 313)	(370)	(5 993)
Intersegment Operating Income	833	(833)	-	(386)	(712)	674	1	-	302	-	(104)	225	-
TOTAL OPERATING INCOME	**26 871**	**-**	**21 092**	**11 694**	**4 739**	**19 616**	**4 107**	**4 835**	**(6 938)**	**3 452**	**(6 008)**	**5 776**	**89 236**
Operation expenses	**2 852**	**1 076**	**4 355**	**2 153**	**1 593**	**5 093**	**1 999**	**1 020**	**1 207**	**1 506**	**35 845**	**1 697**	**60 396**
Staff costs	2 162	578	3 124	1 486	760	2 485	969	747	446	1 174	22 169	1 226	37 326
General administration expenses	556	462	962	547	695	2 293	902	157	677	164	8 974	385	16 774
Depreciations and Amortisations	134	36	269	120	138	315	128	116	84	168	4 702	86	6 296
Gross income	**24 019**	**(1 076)**	**16 737**	**9 541**	**3 146**	**14 523**	**2 108**	**3 815**	**(8 145)**	**1 946**	**(41 853)**	**4 079**	**28 840**
Impairment and Provisions	**1 685**	**(679)**	**(79)**	**(10 546)**	**15**	**(493)**	**-**	**(973)**	**(470)**	**-**	**(8 939)**	**61**	**(20 418)**
Credit impairment	(1 716)	(325)	-	-	-	-	-	(972)	-	-	364	51	(2 598)
Securities impairment	4 389	-	-	(10 150)	-	(501)	-	-	(96)	-	-	-	(6 358)
Net provisions and other impairment	(988)	(354)	(79)	(396)	15	8	-	(1)	(374)	-	(9 303)	10	(11 462)
Income before taxes	**25 704**	**(1 755)**	**16 658**	**(1 005)**	**3 161**	**14 030**	**2 108**	**2 842**	**(8 615)**	**1 946**	**(50 792)**	**4 140**	**8 422**

(thousand euros)

	31.12.2020												
	Structured Finance	Special Portfolio Management	Mergers and Acquisitions	Capital Markets	FICC	Equities	Global Markets	Private Equity	Treasury	Corporate Solutions	Corporate Centre	Other	Total
Net interest income	7 673	(651)	(8)	3 456	625	(54)	20 821	-	(7 213)	(4)	79	1 951	26 675
Net fees and comissions	6 298	488	19 332	23 879	4 331	4 791	(196)	1 118	(3 974)	807	(324)	3 783	60 333
COMERCIAL OPERATING INCOME	**13 971**	**(163)**	**19 324**	**27 335**	**4 956**	**4 737**	**20 625**	**1 118**	**(11 187)**	**803**	**(245)**	**5 734**	**87 008**
Results on financial operation	2 070	(5)	(1)	(2)	5 104	(18)	(7 144)	2 353	(801)	(2)	(109)	(69)	1 376
Costs Deducting Banking Income	(414)	-	(73)	(26)	(198)	(31)	(696)	(13)	(470)	-	(4 816)	(99)	(6 836)
Intersegment Operating Income	320	(320)	-	-	(2 599)	-	(27)	-	3 440	-	(886)	72	-
TOTAL OPERATING INCOME	**15 947**	**(488)**	**19 250**	**27 307**	**7 263**	**4 688**	**12 758**	**3 458**	**(9 018)**	**801**	**(6 056)**	**5 638**	**81 548**
Operation expenses	**1 968**	**1 105**	**4 823**	**2 488**	**5 327**	**1 907**	**1 477**	**932**	**1 737**	**1 656**	**33 104**	**1 652**	**58 176**
Staff costs	1 597	661	3 246	1 875	2 734	823	505	742	864	1 351	18 571	1 166	34 135
General administration expenses	261	407	1 301	485	2 119	945	905	143	786	164	8 927	340	16 783
Depreciations and Amortisations	110	37	276	128	474	139	67	47	87	141	5 606	146	7 258
Gross income	**13 979**	**(1 593)**	**14 427**	**24 819**	**1 936**	**2 781**	**11 281**	**2 526**	**(10 755)**	**(855)**	**(39 160)**	**3 986**	**23 372**
Impairment and Provisions	**(3 523)**	**(249)**	**(386)**	**(1 837)**	**(226)**	**(8)**	**253**	**(36)**	**(980)**	**-**	**(5 349)**	**(84)**	**(12 425)**
Credit impairment	(2 217)	-	-	-	-	-	(1)	(52)	-	-	179	(74)	(2 165)
Securities impairment	360	-	-	(1 773)	(199)	-	255	-	(1 033)	-	-	-	(2 390)
Net provisions and other impairment	(1 666)	(249)	(386)	(64)	(27)	(8)	(1)	16	53	-	(5 528)	(10)	(7 870)
Income before taxes	**10 456**	**(1 842)**	**14 041**	**22 982**	**1 710**	**2 773**	**11 534**	**2 490**	**(11 735)**	**(855)**	**(44 509)**	**3 902**	**10 947**

The reporting of secondary segments is made in accordance with the geographical location of the various business units of the Group:

(thousand euros)

	31.12.2021			
	Portugal	Rest of the Europe	America	Total
Net income	5 716	(5 558)	3 394	3 552
Net asset	1 703 219	427 222	616 211	2 746 652
Investments in assets				
tangible	166	194	27	387
intangible	712	30	160	902

(thousand euros)

	31.12.2020			
	Portugal	Rest of the Europe	America	Total
Net income	(13 528)	12 714	2 455	1 641
Net asset	1 617 594	209 328	974 492	2 801 414
Investments in assets				
tangible	1 664	452	100	2 216
intangible	386	-	178	564

NOTE 5 – FINANCIAL MARGIN

This heading's amount is composed of:

(thousand euros)

	Year ended at 31.12.2021			Year ended at 31.12.2020		
	From assets/liabilities at amortised cost and at fair-value through other comprehensive income	From assets/liabilities at fair-value through profit and loss	Total	From assets/liabilities at amortised cost and at fair-value through other comprehensive income	From assets/liabilities at fair-value through profit and loss	Total
Interest and similar income						
Interest from loans and advances to customers	21 143	-	21 143	15 252	-	15 252
Interest from deposits and investments in credit institutions	1 080	-	1 080	3 659	-	3 659
Interest from financial assets at fair value through other comprehensive inc	6 618	-	6 618	1 026	-	1 026
Interest from financial assets at fair-value through profit and loss	-	39 486	39 486	-	37 400	37 400
Interest from debt securities at amortised cost	8 440	-	8 440	4 597	-	4 597
Other interest and similar income	111	-	111	159	-	159
	37 392	**39 486**	**76 878**	**24 693**	**37 400**	**62 093**
Interest and similar expenses						
Interest from deposits from central banks and other credit institutions	16 359	-	16 359	12 561	-	12 561
Interest from debt securities issued	2 717	-	2 717	3 696	-	3 696
Interest from customers accounts	27 476	-	27 476	18 042	-	18 042
Interest from leasing	329	-	329	248	-	248
Other interest and similar expenses	370	-	370	871	-	871
	47 251	**-**	**47 251**	**35 418**	**-**	**35 418**
	(9 859)	**39 486**	**29 627**	**(10 725)**	**37 400**	**26 675**

As at December 31st, 2021, interest and similar income includes an amount of 6 508 thousand euros and 2 121 thousand euros concerning contracts flagged as stage 2 and stage 3, respectively (December 31st, 2020: 13 680 thousand euros and 963 thousand euros, respectively).

The heading Interest and similar income – Interest from deposits and investment in credit institutions has a negative cost of 467 thousand euros associated with TLTRO III operations.

For each TLTRO III tranche, the effective interest rate for the year 2021 is being periodized. This interest rate considers the interest rates applicable to each operation in the elapsed period, according to the Bank's estimate of the achievement of targets variation in the volume of eligible credit defined by the ECB.

NOTE 6 – NET FEES AND COMMISSIONS INCOME

This heading's amount is composed of:

(thousand euros)

	31.12.2021	31.12.2020
Fees and commissions income		
From banking services	51 595	49 858
From guarantees provided	1 571	1 603
From transactions with securities	6 983	14 345
	60 149	**65 806**
Fees and commissions expenses		
From banking services rendered by third parties	1 984	2 309
From transactions with securities	1 510	1 482
From guarantees received	398	518
Other fee and comission expenses	447	1 404
	4 339	**5 713**
	55 810	**60 093**

As at December 31st, 2021, the income regarding fees and commission included 39,519 thousand euros (2020: 36 768 thousand euros) concern Haitong Group related parties (Note 37).

As at December 31st, 2021, the amount of fees and commissions present the following distribution, by geographical segment:

(thousand euros)

	31.12.2021	31.12.2020
Fees and commissions income		
China	29 276	28 153
Virgin Islands	8 207	12 329
Portugal	6 880	3 992
Hong Kong	3 701	6 722
Poland	2 477	2 013
Luxembourg	2 277	451
Bermuda	2 102	2 318
Brazil	1 702	1 369
Spain	1 291	3 931
Others	2 236	4 526
	60 149	**65 806**

NOTE 7 – NET TRADING INCOME

This heading's amount is composed of:

(thousand euros)

	31.12.2021	31.12.2020
Trading assets and liabilities		
Securities		
Bonds and other fixed-income securities		
Issued by public entities	(97 557)	3 432
Of other entities	1 583	2 126
Shares	(107)	782
	(96 081)	**6 340**
Financial derivatives		
Foreign-exchange contracts	(4 677)	68 499
Interest rates contracts	81 594	(89 078)
Equity/indexes contracts	(778)	(699)
Credit default contracts	-	550
Other	1 003	(705)
	77 142	**(21 433)**
	(18 939)	**(15 093)**

NOTE 8 – NET INCOME FROM OTHER INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

This heading's amount is composed of:

(thousand euros)

	31.12.2021	31.12.2020
Assets and liabilities at fair value through profit or loss		
Securities		
Loans and advances to customers	-	(12)
Shares	1 043	(672)
Other variable-income securities	5 326	3 341
	6 369	**2 657**
	6 369	**2 657**

NOTE 9 – NET GAIN/(LOSS) FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT FAIR VALUE TRHOUGH OTHER COMPREHENSIVE INCOME

This heading's amount is composed of:

(thousand euros)

	31.12.2021	31.12.2020
Bonds and other fixed-income securities		
Issued by public entities	-	2 099
Of other entities	(682)	398
	(682)	**2 497**

NOTE 10 – NET GAINS / (LOSSES) FROM FOREIGN EXCHANGE DIFFERENCES

This heading's amount is composed of:

(thousand euros)

	31.12.2021	31.12.2020
Currency revaluation	8 161	8 518
	8 161	**8 518**

This heading includes results arising out of the exchange rate revaluation of monetary assets and liabilities denominated in foreign currency, in accordance with the accounting policy set forth in Note 2.3., and the results of foreign exchange derivatives.

NOTE 11 – NET GAIN/(LOSS) FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

As at the 31st of December, 2021 and 2020, this heading's amount is composed of:

(thousand euros)

	31.12.2021	31.12.2020
Loans recoveries	10 483	3 016
Sale of investments at amortised cost	322	-
	10 805	**3 016**

NOTE 12 – OTHER OPERATING INCOME AND EXPENSES

This heading's amount is composed of:

(thousand euros)

	31.12.2021	31.12.2020
Other customer services	1 052	240
Direct and Indirect taxes	(3 565)	(4 323)
Other operating results	661	(2 684)
Investment in branches, associates and joint ventures	265	-
Non-financial assets	(625)	(34)
Sub-leasing	297	364
	(1 915)	**(6 437)**

Direct and indirect taxes include 1,271 thousand euros concerning the cost associated with the Bank Levy (2020: 1,669 thousand euros), established pursuant to Law no. 55-A/2010, of the 31st of December.

As at the December 31, 2021, the balance Other operating income and expenses includes, among other, the followings:

i. a cost of 1,101 thousand euros related to Contributions to the National Resolution Fund and to the EU Resolution Fund (1,544 thousand euros at 31 December 2020);

ii. a cost of 772 thousand euros related to Contributions to the Loan Guarantee Fund applicable to the subsidiary Haitong Banco de Investimento do Brasil S.A. (387 thousand euros as at 31 December 2020);

iii. a profit of 1,473 thousand euros related with financial liabilities modified. As a result of the change in the Group's estimate of the achievement of the targets for the variation of the volume of credit, and bearing in mind the conditions in force for each tranche, the amortized cost of the TLTRO III operation was recalculated (by application of paragraph B5.4.6 of IFRS 9), with the Group having recognized a mentioned income.

NOTE 13 – EMPLOYEE COSTS

This heading's amount is composed of:

(thousand euros)

	31.12.2021	31.12.2020
Wages and salaries		
Remuneration	28 322	30 000
Career benefits (Note 14)	(21)	77
Changes from termination agreements (see Note 14)	220	754
Unwind - Change in Plan	(127)	(5 110)
Expenses with retirement pensions (Note 14)	210	687
Other mandatory social charges	5 693	5 809
Other expenses	3 029	1 918
	37 326	**34 135**

The costs with remuneration and other benefits granted to key management employees of the Haitong Bank Group are distributed as follows:

(thousand euros)

	Board of Directors	Identified Staff (1)	Total
2021			
Remunerations and other short-term benefits	1 744	8 158	9 902
Variable remunerations	801	1 205	2 006
Total	**2 545**	**9 363**	**11 908**
2020			
Remunerations and other short-term benefits	1 514	8 160	9 674
Variable remunerations	450	1 271	1 721
Total	**1 964**	**9 431**	**11 395**

1) Excluding Board of Directors

The category "Identified Staff" considers the staff whose actions have a material impact on the Bank's risk profile ("Identified Staff").

On the 31st of December 2021 and 2020, Haitong Bank Group did not present any credit granted to its Management Bodies.

Per professional category, the average number of employees of the Haitong Bank Group can be analysed as follows:

	31.12.2021	31.12.2020
Directors	187	192
Management	3	3
Specific roles	143	140
Administrative roles	21	20
Support roles	10	12
	364	**367**

As at the 31st of December 2021 and 2020, the Group had a total of 357 and 362 employees.

NOTE 14 – EMPLOYEES BENEFITS

Retirement pensions and healthcare benefits

Pension and health-care benefits In compliance with the Collective Labor Agreement (“Acordo Coletivo de Trabalho”, ACT) for the banking sector established with the unions, the Bank undertook the commitment to grant its employees, or their families, pensions on retirement, disability and survival. These payments consist of a percentage that increases in accordance with the years of service, applied to each year’s negotiated salary table for the active work force.

Arising from the signature of the new Collective Labor Agreement (“Acordo Coletivo de Trabalho”, ACT) on 5 July 2016, published in Labor Bulletin (Boletim do Trabalho) no. 29, of 8 August 2016, the Group’s contributions to SAMS as from 1 February 2017, correspond to a fixed amount (as per Annex VI of the new ACT) for each employee, 14 times a year.

The measurement and recognition of the Group’s liability with post-retirement health-care benefits is similar to the measurement and recognition of the pension liability. These benefits are covered by the Pension Fund, which currently covers all liabilities with pensions and health-care benefits.

For employees hired until 31 December 2008, the retirement pension and the disability, survival and death pensions consecrated under the ACT, as well as the liabilities for health-care benefits (SAMS), are covered by a closed pension fund, managed by GNB – Sociedade Gestora de Fundos de Pensões, S.A.

Protection of employees in the event of maternity, paternity and adoption, as well as old age, is covered by the General Social Security Regime, given that with the publication of Decree-Law no. 1A/2011, of 3 January, all banking employees who were beneficiaries of “CAFEB – Caixa de Abono de Família dos Empregados Bancários” were integrated in the General Social Security Regime as from 1 January 2011.

Employees hired after 31 December 2008 are covered by the Portuguese General Social Security Regime.

Retirement pensions of banking employees integrated in the General Social Security Regime within the scope of the 2nd tripartite agreement continue to be calculated in accordance with the provisions of the ACT and other conventions; however, banking employees are entitled to receive a pension under the General Regime, that takes into account the number of years of contributions under that regime. The banks are responsible for the difference between the pension determined in accordance with the provisions of the ACT and that which the banking employees are entitled to receive from the General Social Security Regime.

The contribution rate is 26.6%, 23.6% paid by the employer and 3% paid by the employees to the General Social Security Regime on the behalf of Caixa de Abono de Família dos Empregados Bancários (CAFEB), abolished by said Decree-law. In consequence of this change, pension entitlements of active employees are to be covered on the terms defined under the General Social Security Regime, for the length of their employment between 1 January 2011 and their retirement date. The differential required to make up the pension guaranteed under the ACT is paid by the Banks.

At the end of financial year 2011 and pursuant to the 3rd tripartite agreement, it was decided to transfer, definitively and irreversibly, to the General Social Security Regime all the banks’ liabilities with pensions in payment to retirees and pensioners that were in that condition as at 31 December 2011 at constant values (0% discount rate) for the component foreseen in the “Instrumento de Regulação Colectiva de Trabalho” (IRCT) applicable to banking employees, including the eventualities of death, disability and survival. The liabilities relating to the updating of pension amounts, pension benefits other than those to be borne by Social Security, health-care contributions to SAMS, death allowances and deferred survivor’s pensions will remain under the banks' responsibility, with the corresponding funding being met through the respective pension funds.

The agreement further established that the financial institutions' pension fund assets relating to the part allocated to the satisfaction responsibilities for those pensions, be transferred to the State.

The main assumptions used in the calculation of liabilities are as follows:

	Assumptions	
	31.12.2021	31.12.2020
Financial Assumptions		
Expected return rates	1.47%	1.20%
Discount rate	1.47%	1.20%
Pension growth rates	0.50%	0.50%
Salary growth rates	0.75%	0.75%
Demographic Assumptions and Assessment Methods		
Mortality table		
Men	TV 88/90	TV 88/90
Women	TV 88/90 -3 years	TV 88/90 -3 years
Actuarial valuation method	Project Unit Credit Method	

Disability decrements are not included in the calculation of responsibilities. The discount rate used as reference to the 31st of December, 2021, was based on: (i) the development sustained by the main indices concerning high quality corporate bonds and (ii) the duration of the responsibilities (20 years).

Recipients of the pensions plan are disaggregated as follows:

	31.12.2021	31.12.2020
Active workers	94	100
Former employees with vested rights	79	76
Retired	42	36
Survivors	12	10
TOTAL	**227**	**222**

Former employees with vested rights refer to employees who ceased their activity in the Group in 2021 and 2020 and maintained the pension plan rights.

The IAS 19 application implies the following liabilities and coverage levels, which shall be reported on the 31st of December 2021 and 2020:

(thousand euros)

	31.12.2021	31.12.2020
Net Assets / (Liabilities) recognised in the statement of financial position		
Liabilities as at 31st of December		
Pensioners and former employees with vested rights	35 934	35 384
Active workers	14 132	17 370
	50 066	**52 754**
Balance of funds as at 31st of December	**56 260**	**53 072**
Excess of coverage / Contributions to the fund	6 194	318
Assets / (Liabilities) in the statement of financial position (see Note 27 and 33)	**6 194**	**318**
Acummulated actuarial gains / losses recognised in other comprehensive income	35 223	40 590

Retired includes the former employees, with vested rights acquired under the Social Plan.

The evolution of liabilities regarding retirement pensions and healthcare benefits is analyzed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Liabilities at the beginning of the period	**52 754**	**84 043**
Current service cost (see Note 13)	210	687
Interest expenses	629	1 272
Participants contributions	87	87
Actuarial (gains)/losses	(2 849)	4 319
-Changes in assumptions	(2 707)	5 671
- Experience (Gains)/losses	(142)	(1 352)
Pensions paid by the fund	(858)	(771)
Unwind - Change in Plan	(127)	(37 637)
Changes from termination agreements (see Note 13)	220	754
Liabilities at the end of the period	**50 066**	**52 754**

On 30th of December of 2020, after obtaining authorization from the Insurance and Pension Funds Supervisory Authority, a new defined contribution plan was introduced, for which the previous participants of the voluntary and complementary plan were transferred – former employees with vested rights, as well as active employees. This change was accounted for as a settlement of the defined benefits plan, having been recorded in accordance with the accounting policy described in Note 2.12. In this sense, the responsibilities and the corresponding assets of the plan to be transferred were reduced with reference to December 30, 2021, with the difference being recorded in "Personnel Costs" (Note 13).

Considering the questions raised regarding the terms in which the conversion mentioned above has been processed, and following the contacts established with the Bank and the Management Company, ASF issued a further authorisation, allowing an amendment to the constitutive contract. In order to ensure the certainty of the operation and mitigate the possibility of litigation with the Authority in question, the Bank has signed, on the 11th of February, 2022, after the closing of the current period, the subsequent amendment, resulting in the reinforcement of the initial credits owed to the participants in the amount of 292 thousand euros.

Considering the situation on the 31st of December 2021, the analysis to the sensibility and alterations of the actuarial assumptions revealed the following impacts:

- An increase in the discount rate of 25 base points would have represented a reduction in liabilities of approximately 2,349 thousand euros. A discount rate decrease of the same proportion would have represented an increase in liabilities of approximately 2,509 thousand euros;
- An increase of 25 base points in the growth of salaries and pensions would have represented an increase in liabilities of approximately 2,729 thousand euros. A decrease in the growth of salaries of the same proportion would have represented a decrease in liabilities of approximately 2,594 thousand euros.

The evolution of value regarding the pension funds on the financial years ending on the 31st of December 2021 and 2020, may be analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Pension Funds at the beginning of the period	**53 072**	**78 792**
Real income of the fund	3 160	2 987
Group contributions	799	4 504
Participants contributions	87	87
Benefits paid	(858)	(771)
Unwind - Change in Plan	-	(32 527)
Pension Funds at the end of the period	**56 260**	**53 072**

The assets of the pension funds may be analysed in the following manner:

	% Portfolio	
	2021	2020
Bonds	59,70%	59,60%
Shares	31,70%	32,40%
Alternative investment	5,70%	5,90%
Liquidity	2,90%	2,10%
Total	**100%**	**100%**

The assets of the funds are valued at fair value.

On the 31st of December 2021 and 2020 the funds did not contain securities issued by entities of the Group.

The evolution of accumulated actuarial deviations reflected in other comprehensive income may be analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Deferred actuarial gains / (losses) as at 1st January	**40 590**	**38 004**
- Actuarial assumptions changes	(2 707)	5 671
- (Gains)/losses in experience	(2 660)	(3 085)
Deferred actuarial deviations as at 31st of December	**35 223**	**40 590**

The costs of the financial year with retirement pensions and healthcare benefits may be analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Current service cost (see Note 13)	210	687
Interest Expenses / (Income)	(13)	18
Expenses of the period	**197**	**705**

The earnings / costs of the interests are recognized according at net value in interest and similar income / expenses.

The evolution of the net assets / (liabilities) on the balance regarding the financial years ending on the 31st of December 2021 and 2020 may be analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Opening balance	**318**	**(5 251)**
Year expenses	(197)	(705)
Actuarial gains / (losses) recognised in other comprehensive income	5 367	(2 586)
Group contributions	799	4 504
Changes in termination agreements	(220)	(754)
Unwind - Change in Plan	127	5 110
Final Balance	**6 194**	**318**

The evolution of liabilities and fund balances, as well as the earnings and losses of experience in the last 5 years shall be analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Liabilities	(50 066)	(52 754)	(84 043)	(72 659)	(72 070)
Funds balances	56 260	53 072	78 792	69 641	72 552
(Under) / over funded liabilities	**6 194**	**318**	**(5 251)**	**(3 018)**	**482**
Experience (gains) / losses from liabilities	(142)	(1 352)	(2 088)	12	(143)
Experience (gains) / losses from plan assets	(2 518)	(1 733)	(5 796)	5 213	(1 176)

Career bonuses

On the 31st of December, 2021 and 2020, the liabilities assumed by the Group and the costs recognized in the periods with the career bonus are the following:

(thousand euros)

	31.12.2021	31.12.2020
Liabilities at the begining of the period	**616**	**539**
Period expenses (See Note 13)	(21)	77
Liabilities at the end of the period (see Note 33)	**595**	**616**

The actuarial assumptions used for calculation of liabilities are identical for calculation of retirement pensions (when applicable).

The liability regarding career bonuses is registered in other liabilities (see Note 33).

NOTE 15 – ADMINISTRATIVE COSTS

This heading's amount is composed of:

(thousand euros)

	31.12.2021	31.12.2020
Communications and expedition	4 159	4 406
Rents and leases	560	715
Maintenance and related services	604	611
Insurance	123	137
Advertising and publications	111	114
Legal and litigation	139	182
Specialised services		
IT services	4 474	3 833
Temporary labour	9	9
Independent labour	532	707
Other specialised services	4 224	3 960
Other expenses	1 839	2 109
	16 774	**16 783**

The Other Specialised Services heading includes, among others, the costs with external consultants and auditors. The item Other Costs includes, among others, the costs with security and surveillance, information, training costs and costs with external suppliers.

Services agreed with the Company of Statutory Auditors and the auditors, according to the provisions of article 508-F of the Commercial Companies Code, are as follows:

(thousand euros)

	31.12.2021	31.12.2020
Statutory audit of annual accounts (Haitong Bank)	456	385
Statutory audit of annual accounts (subsidiaries)	149	147
Other reliability assurance services	57	48
Other non-statutory audit services	179	123
Total value of agreed services	**841**	**703**

Values shown are before taxes. The fees related to the statutory audit of annual accounts correspond to those agreed for the year 2021. The fees presented for the remaining services relate to amounts billed during the 2021 financial year.

NOTE 16 – EARNINGS PER SHARE

Basic earnings per share

The basic earnings per share are calculated by the division of the result to be attributed to the shareholders of the Bank by the average number of ordinary shares issued during the year, excluding the average number of shares bought and held in portfolio as own shares.

(thousand euros)

	31.12.2021	31.12.2020
Consolidated net income attributable to shareholders of the parent company(1)	3 552	1 641
Weighted average number of ordinary shares outstanding (thousand)	**168 954**	**168 954**
Basic earnings per share attributable to shareholders of the parent company (euros)	**0,02**	**0,01**

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

Diluted earnings per share

The diluted earnings per share are calculated by adjusting the effect of all the potential ordinary diluting shares to the considered average number of existing ordinary shares and to the net result attributed to the bank shareholders.

On the 31st of December, 2021 and 2020, the Bank holds instruments issued without diluting effect, therefore diluted earnings per share equals basic earnings per share.

NOTE 17 – CASH AND CASH EQUIVALENTS

As at the 31st of December, 2021 and 2020, this heading is analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Cash	9	7
Demand deposit at central banks		
Bank of Portugal	457 539	446 535
Other central banks	127	16 534
	457 666	**463 069**
Deposits at other credit institutions in Portugal		
Demand deposits	4 698	5 037
	4 698	**5 037**
Deposits at other credit institutions abroad		
Demand deposits	26 172	26 772
	26 172	**26 772**
	488 545	**494 885**
Impairment losses (Note 31)	(1)	-
	488 544	**494 885**

The ‘Demand deposits in central banks – Bank of Portugal’ heading, includes deposits with a mandatory nature, intended to comply with the legal minimum cash deposits requirements. In accordance with Regulation (EU) no. 1358/2011 of the European Central Bank, of the 14th of December, 2011, the mandatory minimum deposits in demand deposits in the Bank of Portugal, are paid and represent 1% of the deposits and debt securities with maturity up to 2 years, whereof are excluded deposits and debt securities from entities subject to the minimum reserve requirement scheme of the European System of Central Banks. On the 31st of December, 2021, the average rate of return of such deposits was 0,00% (31st of December, 2020: 0.00%).

The compliance with mandatory minimum deposits, for a specific observation period, is effected by taking into account the medium amount of the balances of the deposits with the Bank of Portugal throughout the aforementioned period. The balance of the account with the Bank of Portugal as at the 31st of December, 2021, has been comprised in the maintenance period from the 22th of December, 2021, to the 8th of February, 2022, which corresponded a mandatory minimum reserve amounting to 2,739 thousand euros (31st of December, 2020: 3,571 thousand euros).

NOTE 18 – FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING - SECURITIES

As at 31st of December 2021 and 2020, the heading of trading financial assets and liabilities is as follows:

(thousand euros)

	31.12.2021	31.12.2020
Financial assets held-for-trading		
Bonds and other fixed-income securities		
From public issuers	312 157	603 870
From other issuers	33 843	23 125
Shares	40	62
	346 040	**627 057**
Financial liabilities held-for-trading		
Short selling	1 036	79 083
	1 036	**79 083**

As at 31st December 2021, the heading of financial assets held for trading includes 96,128 thousand euros in securities pledged as collateral by the Group (442,667 thousand euros as at 31st of December 2020) (see Note 37).

As at 31st of December 2021 and 2020, the analysis of financial assets held-for-trading, by residual maturity period, is as follows:

(thousand euros)

	31.12.2021	31.12.2020
Up to three months	7 292	1 578
From three months to one year	1 354	13 444
From one to five years	85 127	255 815
More than five years	252 227	356 158
Undetermined period	40	62
	346 040	**627 057**

In accordance with the accounting policy described in Note 2.4.1, trading financial assets and liabilities are bought for the purpose of short-term trading, regardless of their maturity.

As at 31st of December 2021 and 2020, the heading of financial assets held-for-trading, concerning quoted and unquoted securities, is divided as follows:

(thousand euros)

	31.12.2021			31.12.2020		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Bonds and other fixed-income securities						
Issued by public entities	3 129	309 028	312 157	5 075	598 795	603 870
Issued by other entities	33 155	688	33 843	18 028	5 097	23 125
Shares	40	-	40	62	-	62
Total book value	**36 324**	**309 716**	**346 040**	**23 165**	**603 892**	**627 057**

Unquoted securities issued by public entities refers mainly to Brazilian public debt instruments, which, despite being quoted, are valued according to internal model and are therefore presented as unquoted securities.

Additionally, the Bank performs Backtesting on all operations carried out and has never observed losses or divergences in relation to the valuation methodology.

The short selling represents securities sold by the Group, which had been purchased under a reverse repurchase agreement. In accordance with the accounting policy described in Note 2.5, securities purchased under a repurchase agreement are not recognised in the statement of financial positions. If such securities are sold, the Group recognises a financial liability equivalent to the fair-value of the assets which shall be returned in pursuance of the repurchase agreement.

NOTE 19 – DERIVATIVES

As at 31st of December 2021 and 2020, financial derivatives heading is analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Derivatives financial assets		
Trading derivatives		
Foreign-exchange contracts	24 426	17 493
Interest-rate contracts	63 386	90 168
Other contracts	2 102	35 401
	89 914	**143 062**
Derivatives financial liabilities		
Trading derivatives		
Foreign-exchange contracts	19 033	18 450
Interest-rate contracts	53 505	88 064
Other contracts	2 064	36 190
	74 602	**142 704**
	15 312	**358**
Hedging Derivatives		
Derivatives financial assets		
Foreign-exchange contracts	**-**	**151**
	-	**151**
	-	**151**

As at 31st of December 2021 and 2020, trading financial derivatives is analysed as follows:

(thousand euros)

	31.12.2021			31.12.2020		
	Notional	Fair value		Notional	Fair value	
		Positive	Negative		Positive	Negative
Foreign-exchange contracts						
Forward	-	20 365	12 447	-	6 809	7 579
- buy	824 794			252 083		
- sell	824 677			251 714		
Currency Swaps		660	3 337		1 321	1 270
- buy	309 110			244 150		
- sell	311 972			244 292		
Currency Futures		-	-		-	-
- buy	170 583			26 880		
- sell	236 879			126 726		
Currency Interest Rate Swaps		2 027	2 105		8 782	8 953
- buy	26 173			23 186		
- sell	26 173			23 186		
Currency Options		1 374	1 144		581	648
- buy	256 703			160 744		
- sell	274 747			185 330		
	3 261 811	**24 426**	**19 033**	**1 538 291**	**17 493**	**18 450**
Interest-rate contracts						
Interest Rate Swaps		62 907	53 023		89 604	87 496
- buy	1 108 608			1 564 396		
- sell	1 108 608			1 564 396		
Interest Rate Caps & Floors		479	482		564	568
- buy	53 574			65 773		
- sell	53 574			59 701		
Interest Rate Futures		-	-		-	-
- buy	286 535			694 409		
- sell	332 323			707 958		
	2 943 222	**63 386**	**53 505**	**4 656 633**	**90 168**	**88 064**
Contracts on shares/indexes						
Equity / Index Swaps		2 102	2 064		35 401	36 190
- buy	13 516			109 065		
- sell	13 516			109 065		
Equity / Index Futures		-	-		-	-
- buy	-			-		
- sell	3 516			3 053		
	30 548	**2 102**	**2 064**	**221 183**	**35 401**	**36 190**
Credit agreements						
- buy	-			615		
- sell	-			615		
	-	**-**	**-**	**1 230**	**-**	**-**
Total	**6 235 581**	**89 914**	**74 602**	**6 417 337**	**143 062**	**142 704**

As at 31st of December 2021 and 2020, the analysis of trading financial derivatives, by residual maturity period, is as follows:

(thousand euros)

	31.12.2021			31.12.2020		
	Notional		Fair Value (net)	Notional		Fair Value (net)
	Sale	Purchase		Sale	Purchase	
Up to three months	916 897	959 065	1 725	458 382	419 921	1 572
From three months to one year	753 160	744 662	3 354	695 252	875 580	(1 047)
From one to five years	854 085	755 337	10 023	1 053 290	755 813	(2 219)
More than five years	661 842	590 533	210	1 069 111	1 089 988	2 052
	3 185 984	**3 049 597**	**15 312**	**3 276 035**	**3 141 302**	**358**

a) Hedging Derivatives

As at December 31st, 2021 there were no operations regarding hedging derivatives. The change in the management strategy for this exposure took place on May 30, 2021. The effect of this cancellation was as established by IFRS 9 recorded prospectively, with the impact of applying hedge accounting in 2021 of 698 thousand Euros in comprehensive income (Note 38).

As at 31st of December 2020, the analysis of Hedging Derivatives, by residual maturity period, is as follows:

(thousand euros)

	31.12.2020		
	Notional		Fair Value
	Sell	Buy	
Up to three months	75 665	75 738	151
	75 665	**75 738**	**151**

As at 31st of December 2021 and 2020, derivatives, both assets and liabilities, include operations collateralized by the constitution of collateral accounts in order to ensure the fair value hedge of the active and liability exposures contracted between the Bank and several financial institutions. The balances related to these collateral are recorded under "Other assets - collateral deposited under clearing agreements" (Note 27) and "Other liabilities - collateral deposited under clearing agreements" (Note 33).

As at 31st of December 2021, the hedge accounting relationships are analysed in Note 39.

NOTE 20 – SECURITIES

As at 31st of December 2021 and 2020, this heading is analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Non-trading financial assets mandatorily at fair value through profit or loss		
Bonds and other fixed-income securities		
From other issuers	745	703
Shares	4 881	1 511
Other variable income securities	14 151	33 083
	19 777	**35 297**
Financial assets at fair value through other comprehensive income		
Bonds and other fixed-income securities		
From public issuers	44 679	18 479
From other issuers	215 090	142 277
	259 769	**160 756**
Financial assets measured at amortised cost		
Securities		
Bonds and other fixed-income securities		
From public issuers	251 236	209 797
From other issuers	281 537	251 656
	532 773	**461 453**
	812 319	**657 506**

In accordance with the accounting policy described in Note 2.4, the Group regularly assesses whether there is objective evidence of impairment in the investment securities portfolios, following the judgement criteria described in Note 3.1.

As at 31st of December 2021 and 2020, the portfolio of Financial assets at fair value through other comprehensive income is analysed as follows:

(thousand euros)

	Cost (1)	Fair value reserve		Impairment (Note 31)	Book value
		Positive	Negative		
Bonds and other fixed-income securities					
Issued by public entities	48 076	-	(3 175)	(223)	44 678
Issued by other entities	216 345	809	(1 449)	(614)	215 091
Balance as at 31 December 2021	**264 421**	**809**	**(4 624)**	**(837)**	**259 769**
Bonds and other fixed-income securities					
Issued by public entities	17 780	791	-	(92)	18 479
Issued by other entities	148 055	886	(3 149)	(3 515)	142 277
Balance as at 31 December 2020	**165 835**	**1 677**	**(3 149)**	**(3 607)**	**160 756**

(1) Amortised cost

As at 31st of December 2021 and 2020, the portfolio of financial assets at amortized cost is analysed as follows:

(thousand euros)

	Cost (1)	Impairment (Note 31)	Book value
Bonds and other fixed-income securities			
Issued by public entities	251 469	(233)	251 236
Issued by other entities	282 514	(977)	281 537
Balance as at 31st December 2021	**533 983**	**(1 210)**	**532 773**
Bonds and other fixed-income securities			
Issued by public entities	209 964	(167)	209 797
Issued by other entities	262 364	(10 708)	251 656
Balance as at 31st December 2020	**472 328**	**(10 875)**	**461 453**

(1) Amortised cost

As at 31st December 2021, the heading of Financial assets includes 407,603 thousand euros (31st December 2020: 339,045 thousand euros) in securities pledged as collateral by the Group (see Note 37).

As at 31st of December 2021 and 2020, the analysis of securities portfolios by maturity period, is presented as follows:

(thousand euros)

	31.12.2021	31.12.2020
Up to three months	38 278	31 531
From three months to one year	81 343	207 655
From one to five years	526 683	307 212
More than five years	146 983	76 518
Undetermined period	19 032	34 590
	812 319	**657 506**

As at 31st of December 2021 and 2020, the heading of securities, concerning quoted and unquoted securities, is divided as follows:

(thousand euros)

	31.12.2021			31.12.2020		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Securities						
Bonds and other fixed-income securities						
Issued by public entities	261 571	34 344	295 915	213 572	14 704	228 276
Issued by other entities	312 987	184 385	497 372	134 734	259 902	394 636
Shares	8	4 873	4 881	9	1 502	1 511
Other variable-income securities	-	14 151	14 151	-	33 083	33 083
Total statement of financial position value	**574 566**	**237 753**	**812 319**	**348 315**	**309 191**	**657 506**

Unquoted securities issued by public entities refers mainly to Brazilian public debt instruments, which, despite being quoted, are valued according to internal model and are therefore presented as unquoted securities.

NOTE 21 - LOANS AND ADVANCES TO BANKS

As at 31st of December 2021 and 2020, this heading is analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Loans and advances to banks in Portugal		
Deposits	56	56
Interbank money market	2 500	-
	2 556	**56**
Loans and advances to banks abroad		
Reverse repos	5 138	112 353
Very short-term deposits	43 683	-
Other loans and advances	3 561	3 251
	52 382	**115 604**
	54 938	**115 660**
Impairment losses (Note 31)	(916)	(500)
	54 022	**115 160**

As at 31st of December 2021 and 2020, the analysis of loans and advances to banks, by residual maturity period, is presented as follows:

(thousand euros)

	31.12.2021	31.12.2020
Up to three months	52 437	69 005
From three months to one year	2 501	46 655
	54 938	**115 660**

NOTE 22 – LOANS AND ADVANCES TO CUSTOMERS

As at 31st of December 2021 and 2020, this heading is analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
At fair value throught profit and loss		
Overdue loans and interest		
Up to 90 days	22	-
	22	**-**
	22	**-**
	22	**-**
At amortized cost		
Domestic loans		
Corporate		
Loans	325 770	229 524
Retail		
Mortgage loans	142	411
	325 912	**229 935**
Foreign loans		
Corporate		
Loans	268 408	187 580
Reverse repos	33 389	10 856
Retail		
Other credits	1	13
	301 798	**198 449**
Overdue loans and interest		
For more than 90 days	4 499	3 646
	4 499	**3 646**
	632 209	**432 030**
Impairment losses (Note 31)	(11 968)	(11 990)
	620 241	**420 040**
	620 263	**420 040**

As at 31st of December 2021 and 2020, the analysis of loans and advances to costumers, by residual maturity period, is presented as follows:

(thousand euros)

	31.12.2021	31.12.2020
Up to three months	44 990	424
From three months to one year	35 149	-
From one to five years	269 917	197 670
More than five years	277 654	230 290
Undetermined period	4 521	3 646
	632 231	**432 030**

NOTE 23 - NON-CURRENT ASSETS HELD-FOR-SALE

As at 31st of December 2021 and 2020, this heading is analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Subsidiaries acquired exclusively for resale purposes	-	1 699
Properties	6 538	-
	6 538	**1 699**

Non-current assets held for sale include only one property in Poland held by Haitong Ancillary Services (formerly Polish Hotel Company). The Group has implemented a plan for the immediate sale of this asset. However, given the market conditions, it was not possible to complete the sale within the period initially foreseen.

After the withdrawal of the potential buyer with whom advanced negotiations began, in the second half of the year, another investor was identified, with whom negotiations have been ongoing, with the transaction expected to be concluded during the first half of 2022.

The company will enter the liquidation process in the year 2022.

NOTE 24 – OTHER TANGIBLE ASSETS

As at 31st of December 2021 and 2020, this heading is analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Real Estate		
For own use	1	1
Improvements in leasehold property	7 435	7 328
	7 436	**7 329**
Equipment		
IT equipment	11 465	11 285
Indoor installations	2 115	2 117
Furniture	2 458	2 456
Machinery and tools	1 019	1 082
Motor vehicles	269	267
Security equipment	262	262
Others	235	216
	17 823	**17 685**
	25 259	**25 014**
Work in progress		
Improvements in leasehold property	1 217	1 077
Equipment	480	474
	1 697	**1 551**
Right-of-use		
IT equipment	112	95
Vehicles	576	661
Buildings	13 780	12 143
	14 468	**12 899**
	41 424	**39 464**
Accumulated depreciations	(31 449)	(28 871)
	9 975	**10 593**

The movement in this heading was as follows:

(thousand euros)

	Real estate	Equipment	Right-of-use Buildings	Right-of-use IT equipment	Right-of-use Vehicles	Work in progress	Total
Acquisition cost							
Balance as at 31 December 2019	**9 010**	**18 087**	**10 110**	**97**	**1 139**	**-**	**38 443**
Acquisitions	1	664	-	-	-	1 551	2 216
Write-offs / sales	(675)	(801)	-	-	-	-	(1 476)
Transfers	-	95	-	-	-	-	95
Exchange differences and other movements	(1 007)	(360)	2 033	(2)	(478)	-	186
Balance as at 31 December 2020	**7 329**	**17 685**	**12 143**	**95**	**661**	**1 551**	**39 464**
Acquisitions	89	152	-	-	-	146	387
Write-offs / sales	-	(134)	-	-	-	-	(134)
Transfers	-	109	-	-	-	-	109
Exchange differences and other movements	18	11	1 637	17	(85)	-	1 598
Balance as at 31 December 2021	**7 436**	**17 823**	**13 780**	**112**	**576**	**1 697**	**41 424**
Depreciations							
Balance as at 31 December 2019	**5 831**	**16 391**	**2 906**	**46**	**492**	**-**	**25 666**
Depreciations of period	516	699	3 343	37	257	-	4 852
Depreciation of discontinued operations	-	(401)	-	-	-	-	(401)
Exchange differences and other movements	(449)	(170)	(245)	(12)	(370)	-	(1 246)
Balance as at 31 December 2020	**5 898**	**16 519**	**6 004**	**71**	**379**	**-**	**28 871**
Depreciations of period	468	521	3 271	29	170	-	4 459
Write-offs / sales	-	(134)	-	-	-	-	(134)
Exchange differences and other movements	15	25	(1 440)	(70)	(277)	-	(1 747)
Balance as at 31 December 2021	**6 381**	**16 931**	**7 835**	**30**	**272**	**-**	**31 449**
Net book value as at 31 December 2021	**1 055**	**892**	**5 945**	**82**	**304**	**1 697**	**9 975**
Net book value as at 31 December 2020	**1 431**	**1 166**	**6 139**	**24**	**282**	**1 551**	**10 593**

NOTE 25 – INTANGIBLE ASSETS

As at 31st of December 2021 and 2020, this heading is analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Goodwill	-	9 859
Purchased from third parties		
Software	34 121	34 182
Others	998	999
	35 119	**35 181**
Work in progress	1 394	743
	36 513	**45 783**
Accumulated amortisations	(32 895)	(31 266)
Impairment losses (Note 31)	-	(9 859)
	(32 895)	**(41 125)**
	3 618	**4 658**

As at 31st of December 2020, the impairment recorded is the total amount of the Goodwill, related with Haitong Capital – Sociedade de Capital de Risco, S.A.

As at 31 December 2021, Goodwill was written off from assets and, consequently, the impairment reversed.

The movement in this heading was as follows:

(thousand euros)

	Goodwill	Software	Other fixed assets	Work in progress	Total
Acquisition cost					
Balance as at 31st December 2019	**9 859**	**34 594**	**916**	**626**	**45 995**
Acquisitions:	-	-	-	-	-
Purchased from third parties	-	269	83	212	564
Transfers from discontinued operations	-	-	-	(95)	(95)
Exchange differences and other movements	-	(681)	-	-	(681)
Balance as at 31st December 2020	**9 859**	**34 182**	**999**	**743**	**45 783**
Acquisitions:	-	-	-	-	-
Purchased from third parties	-	142	-	760	902
Write-offs / sales	-	(220)	-	-	(220)
Transfers	-	-	-	(109)	(109)
Other Movements	(9 859)	-	-	-	(9 859)
Exchange differences and other movements	-	17	(1)	-	16
Balance as at 31st December 2021	**-**	**34 121**	**998**	**1 394**	**36 513**
Amortizations	-	-	-	-	-
Balance as at 31st December 2019	**-**	**28 253**	**916**	**-**	**29 169**
Amortizations of the period	-	2 397	9	-	2 406
Exchange differences and other movements	-	(308)	(1)	-	(309)
Balance as at 31st December 2020	**-**	**30 342**	**924**	**-**	**31 266**
Amortizations of the period	-	1 827	10	-	1 837
Write-offs / sales	-	(220)	-	-	(220)
Exchange differences and other movements	-	12	-	-	12
Balance as at 31st December 2021	**-**	**31 961**	**934**	**-**	**32 895**
Impairment	-	-	-	-	-
Balance as at 31st December 2019	**9 859**	**-**	**-**	**-**	**9 859**
Balance as at 31st December 2020	**9 859**	**-**	**-**	**-**	**9 859**
Other Movements	(9 859)	-	-	-	(9 859)
Balance as at 31st December 2021	**-**	**-**	**-**	**-**	**-**
Net balance as at 31st December 2021	**-**	**2 160**	**64**	**1 394**	**3 618**
Net balance as at 31st December 2020	**-**	**3 840**	**75**	**743**	**4 658**

NOTE 26 – INVESTMENTS IN ASSOCIATED COMPANIES

Financial information regarding associated companies is presented in the following table:

(thousand euros)

	Assets		Liabilities		Equity		Income		Net income	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Fundo Espírito Santo IBERIA I	-	63	-	66	-	(3)	-	-	-	(825)

(thousand euros)

	Aquisition cost		% held		Book Value		Net income from the associated companies attributable to the Group	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Fundo Espírito Santo IBERIA I	-	2 766	0%	46%	-	340	-	(379)
	-	**2 766**			**-**	**340**	**-**	**(379)**
Impairment (See Note 31)					**-**	**(340)**		
					-	-		

The movement of this heading is as follows:

(thousand euros)

	31.12.2021	31.12.2020
Opening balance	-	15
Disposals and other reimbursements	(1)	-
Net Income from associated companies	-	(379)
Other comprehensive income from associates	1	364
Closing balance	-	-

NOTE 27 – OTHER ASSETS

As at 31st of December 2021 and 2020, the Other Assets heading is analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Debtors and other assets		
Collateral deposited under collateral agreements (Note 19)	59 434	118 249
Public sector	66 417	31 183
Deposits placed under margin accounts (futures contracts)	1 779	2 535
Other sundry debtors	16 562	24 377
Loans and derivatives receivables	9 937	10 552
	154 129	186 896
Impairment losses for debtors and other investments (Note 31)	(11 306)	(9 688)
	142 823	**177 208**
Other assets		
Gold, other precious metals, numismatic, medals and other liquid assets	2 627	52
Other assets	5 374	5 372
	8 001	**5 424**
Income receivable	**(3)**	**15**
Prepayments and deferred costs	**3 166**	**2 733**
Other sundry assets		
Exchange transactions pending settlement	2 835	4 272
Market securities transactions pending settlement	12 211	9 790
Retirement pensions (Note 14)	6 194	318
Other transactions pending settlement	20 141	8 654
	41 381	**23 034**
	195 368	**208 414**

As at 31st of December, 2021 includes an amount of 19,699 thousand euros (19,049 thousand euros as at 31 December 2020) related with a tax contingency (Note 36). This item also includes the value of the security deposit made to the Directorate-General for the Treasury and Finance under the tax credit (confirmed by the Tax and Customs Authority) inherent to REAID in the amount of 22,519 thousand euros.

Stock exchange transactions pending settlement refer to transactions with securities recorded at the trade date pending settlement.

NOTE 28 – RESOURCES OF CREDIT INSTITUTIONS

The resources of credit institutions heading is presented as follows:

(thousand euros)

	31.12.2021	31.12.2020
Resources of central banks		
Banco de Portugal	319 350	110 600
	319 350	**110 600**
Resources of other credit institutions		
Domestic		
Repurchase agreements	18	18
	18	**18**
Foreign		
Deposits	10 608	7 945
Loans	1 898	-
Repurchase agreements	398 058	428 361
Other resources	29 465	31 072
	440 029	**467 378**
	759 397	**577 996**

As at 31st of December 2021 and 2020, the analysis of resources of credit institutions by residual maturity period is as follows:

(thousand euros)

	31.12.2021	31.12.2020
Up to three months	21 980	467 396
From three months to one year	32 134	-
From one to five years	678 297	110 600
More than five years	26 986	-
	759 397	**577 996**

NOTE 29 – RESOURCES OF CUSTOMERS

The balance of the resources of customers heading is composed, with regard to its nature, as follows:

(thousand euros)

	31.12.2021	31.12.2020
Repayable on demand		
Demand deposits	91 060	72 995
Time deposits		
Fixed-term deposits	792 427	598 274
Other resources		
Repurchase agreements	50 278	4 661
Other Deposits	1 467	1 015
Other	228 768	550 560
	280 513	**556 236**
	1 164 000	**1 227 505**

As at 31st of December 2021 and 2020, the analysis of due to customers by residual maturity period is as follows:

(thousand euros)

	31.12.2021	31.12.2020
Demand deposits	91 060	72 995
Fixed-term deposits		
Up to 3 months	155 645	425 201
3 to 12 months	390 611	130 148
1 to 5 years	246 171	42 925
	792 427	598 274
Other resources		
Up to 3 months	46 436	5 683
3 to 12 months	39 026	21 737
1 to 5 years	195 051	528 816
	280 513	556 236
	1 164 000	**1 227 505**

NOTE 30 – DEBT SECURITIES ISSUED

The debt securities issued heading can be divided as follows:

(thousand euros)

	31.12.2021	31.12.2020
Debt securities issued		
Other Bonds	26 750	64 862
	26 750	**64 862**

The fair-value of the portfolio regarding debt securities issued is presented in Note 38.

During 2021, Haitong Bank Group issued securities amounting to 26,749 thousand euros (31st of December 2020: 8,187 thousand euros) and reimbursed debt securities of 52,948 thousand euros were (31st of December 2020: 141,392 thousand euros).

The main characteristics of the debit securities issued is as follows:

(thousand euros)

				31.12.2021		
Issuer	Designation	Currency	Issue Date	Book Value	Maturity	Interest Rate
HT_BR	LF LETRA FINANCEIRA HAITONG BRINTLLFI2O5	BRL	2018	1 929	2023	IPCA 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5C3	BRL	2019	172	2022	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5D1	BRL	2020	24	2022	CDI 116%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5E9	BRL	2020	376	2022	CDI 116%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5I0	BRL	2020	1 269	2022	CDI 132%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5K6	BRL	2020	1 141	2022	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5L4	BRL	2020	550	2022	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5M2	BRL	2020	185	2022	CDI 130%
HT_BR	LF NOVA LF HAITONG MTM BRINTLLFI5N0	BRL	2020	1 680	2022	CDI 130%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5O8	BRL	2020	336	2022	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5P5	BRL	2020	2 014	2022	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5Q3	BRL	2020	1 175	2022	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5S9	BRL	2021	167	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5T7	BRL	2021	1 672	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5U5	BRL	2021	334	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5V3	BRL	2021	502	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5W1	BRL	2021	1 672	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5X9	BRL	2021	836	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5Y7	BRL	2021	100	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI5Z4	BRL	2021	233	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI609	BRL	2021	432	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI617	BRL	2021	964	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI625	BRL	2021	33	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI633	BRL	2021	83	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI641	BRL	2021	125	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI658	BRL	2021	58	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI666	BRL	2021	415	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI674	BRL	2021	3 446	2024	IPCA 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI682	BRL	2021	966	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI690	BRL	2021	1 609	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6A5	BRL	2021	161	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6B3	BRL	2021	241	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6C1	BRL	2021	1 207	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6D9	BRL	2021	402	2024	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6E7	BRL	2021	161	2023	CDI 100%
HT_BR	LF NOVA LF HAITONG BRINTLLFI6I8	BRL	2021	80	2024	CDI 100%
				26 750		

As at 31st of December 2021 and 2020, the residual duration of the debt securities issued is as follows:

(thousand euros)

	31.12.2021	31.12.2020
Up to three months	172	-
From three months to one year	8 750	54 886
From one to five years	17 828	9 976
	26 750	**64 862**

As at 31st of December 2021 and 2020, reconciliation of the flows this financing activity is as follows:

(thousand euros)

	31.12.2021	31.12.2020
Opening balance	**64 862**	**197 112**
Cash Flows	(36 958)	(118 799)
Others	(1 154)	(13 451)
Closing balance	**26 750**	**64 862**

NOTE 31 – PROVISIONS AND IMPAIRMENT

As at 31st of December 2021 and 2020, the Provisions heading presents the following movements:

(thousand euros)

	Provisions for other risks and charges	Provisions for guarantees and other undertakings	TOTAL
Balance as at 31st December 2019	**5 995**	**15 314**	**21 309**
Net charge of the period	5 440	255	5 695
Write back	(1 684)	(3 320)	(5 004)
Foreign exchange differences and others	(969)	(108)	(1 077)
Balance as at 31st December 2020	**8 782**	**12 141**	**20 923**
Net charge of the period	9 647	(213)	9 434
Write back	(51)	(10 995)	(11 046)
Foreign exchange differences and others	592	36	628
Balance as at 31st December 2021	**18 970**	**969**	**19 939**

These provisions are meant to cover possible contingencies related to the activity of the Group.

The movements in impairment losses can be analyzed as follows:

(thousand euros)

	31.12.2020	Net charge of the period	Write back	Stage 3	Exchange differences and others	31.12.2021
Cash and cash equivalents (Note 17)	-	1	-	-	-	1
Financial assets measured at fair value through OCI (Note 2(	3 607	(1 632)	(5 177)	(120)	4 159	837
Financial assets measured at amortized cost	-					
Loan and advances to banks (Note 21)	500	374	-	-	42	916
Loan and advances to customers (Note 22)	11 990	2 598	(2 781)	7	154	11 968
Securities (Note 20)	10 875	7 989	(17 658)	-	4	1 210
Intagible assets (Note 25)	9 859	-	(9 859)	-	-	-
Investments in associated companies (Note 26)	340	-	(340)	-	-	-
Other assets (Note 27)	9 688	1 654	(182)	-	146	11 306
	46 859	**10 984**	**(35 997)**	**(113)**	**4 505**	**26 238**

(thousand euros)

	31.12.2019	Net charge of the period	Write back	Stage 3	Exchange differences and others	31.12.2020
Cash and cash equivalents (Note 17)	-	62	-	-	(62)	-
Financial assets measured at fair value through OCI (Note 20)	3 257	262	(449)	83	454	3 607
Financial assets measured at amortized cost						
Loan and advances to banks (Note 21)	15 615	(53)	(15 077)	-	15	500
Loan and advances to customers (Note 22)	11 881	2 166	(224)	4	(1 837)	11 990
Securities (Note 20)	8 699	2 127	-	77	(28)	10 875
Intagible assets (Note 25)	9 859	-	-	-	-	9 859
Investments in associated companies (Note 26)	340	-	-	-	-	340
Other assets (Note 27)	8 012	2 166	-	-	(490)	9 688
	57 663	**6 730**	**(15 750)**	**164**	**(1 948)**	**46 859**

NOTE 32 – INCOME TAXES

The Bank and its subsidiaries domiciled in Portugal are subject to taxation in accordance with the corporate income tax code (CIT code) and to local taxes.

Income taxes (current or deferred) are recognised in the income statement except in cases where the underlying transactions have been reflected in equity items. In these situations, the corresponding tax is also charged to equity, not affecting the net result for the period.

The current tax of 2021 and 2020 were calculated based on a nominal corporate income tax rate and Municipal Surcharge of 22.5%, in accordance with Law no. 82-B/2014, of 31st of December, and Law no. 2/2007, of 15th of January. Additionally there is a State Surcharge which corresponds to an additional rate of 3% of the taxable profit between 1,500 and 7,500 thousand euros, 5% of the profit between 7,500 and 35,000 thousand euros, 9% of any profit which exceeds this amount (if applicable).

Deferred taxes are calculated based on tax rates anticipated to be in force at the temporary differences reversal date, which corresponds to the rates enacted or substantively enacted at the balance sheet date. Thus, for the first half of 2021 deferred tax was calculated at the rate of 26.24%.

Regarding activity in Portugal, Law No. 98/2019 was published on 4 September 2019, which changed the tax regime applicable to the impairment of financial and credit institution. That law establishes in article 4 an adaptation period of 5 years beginning on or after 1 January 2019, pursuant to which the regime in force on the date of entry into force of this law remains applicable, unless there is communication addressed to the Director-General of the Portuguese Tax Authority of the option for the definitive regime. Bearing in mind that for the 2021 financial year this regime was optional, the Bank has not yet joined it. Therefore, the Bank considered, for the purpose of calculating taxable income and the recording and analysis of the recoverability of deferred tax assets with reference to December 31, 2021, that the amount of credit impairment and provisions for guarantees recorded, that is deductible for the purposes of CIT (Corporate Income Tax), corresponds to the amount of deductible impairments/provisions that would have been calculated if the reference to Banco de Portugal Notice 3/95 remained in force.

Special Scheme Applicable to Deferred Tax Assets

In 2014, Haitong Bank joined the special scheme applicable to deferred tax assets (REAID) related to impairment losses in credits and post-employment or long-term employee benefits, established by Law no. 61/2014, of August 26th. For the purpose of this scheme, the conversion of the mentioned assets in tax credits is expected in the following situations:

Determining net losses;

Voluntary winding-up, court insolvency or, when applicable, with the withdrawal of the corresponding authorisation by the competent supervising authority.

The tax credit recorded in the accounts with reference to 31st of December 2021 as well as the respective special reserve, can be analysed as follows:

(thousand euros)

	Tax credit	Special reserve
2015	5 281	5 809
2016	20 529	22 582
2017	9 060	9 966
2018	233	255
2019	-	-
2020	433	476
Total	**35 536**	**39 088**

The tax credit and the respective special reserve were recorded during the year following that of the tax credit year, booked in a current tax asset and other reserves item, respectively.

Additionally, in 2020, the bank receipted tax credit under REAID, by the Portuguese Tax Authorities, with reference to the years 2015 and 2016 the amount of 15 078 thousand euros.

Note that, in pursuance of the abovementioned scheme, such conversion rights correspond to securities that grant the Government the right to request Haitong Bank to issue and deliver ordinary shares at no charge, following the increase in share capital through the inclusion of the reserve value. However, Haitong Bank´s shareholders are granted the right to acquire those conversion rights in accordance with Ordinance no. 293-A/2016 of 18th of November.

In the event that the shareholders do not exercise the right to acquire the conversion rights issued and attributed to the Portuguese State within the period established for that purpose, in the year in which the State exercises these rights, it will require the Bank to increase its capital by incorporating the amount of the special reserve and consequent issue and free delivery of ordinary shares representing the capital stock of the Bank, and it may be necessary to adjust the amount of the reserve initially constituted.

Indeed, for each financial year it will be important to recalculate the reference value of the rights and if it is different from the nominal value of the shares, it will be necessary to adjust the value of the special reserve.

If this were to occur in 2022, and taking into account the amounts of the financial statements as at 31 December 2021, as well as the amount of tax credits converted by reference to the years 2015 until 2018 and 2020 it would be necessary to increase special reserve in an estimated value of 20,115 thousand euros.

The amount of assets by deferred taxes converted into tax credit, the establishment of the special reserve and the issuing and granting of conversion rights to the Government shall be certified by the certified public accountant.

As Haitong Bank has determined, in its individual accounts, a positive net result with reference at 31 December 2021 there is no possible converts' part of the deferred taxes covered by this regime into tax credit in this year.

It is important to note that, in accordance with Law no. 23/2016 of 19th of August, the special scheme applicable to deferred tax assets (REAID) stopped being applicable to expenses and other negative asset variations accounted for in previous tax periods starting on or after the 1st of January 2016.

In July 2019 and January 2020, the Bank was notified of the final Reports of the Tax Authority's inspection services, issued for 2015 and 2016, respectively. In these reports, certain procedures adopted by the Bank, namely in association with special regime for differed taxes (REAID) are being challenged.

In this sense, following the Bank disagreement with these corrections, in November 2019, an administrative complaint was submit regarding the 2015 Tax Inspection Report and in April 2020, an administrative complaint was submit regarding the 2016 inspection report.

On January 2021, the Bank received the 2017 and 2018 tax inspection report issued by the Tax Authority's inspection services. In this report, similarly to what happened in the 2015 and 2016 tax inspection reports, some procedures adopted by the Bank with regard to the application of REAID are raised.

The Bank disagreeing with these corrections, so in 2021, submitted an administrative complaint for the Tax inspection report of 2017 and 2018.

Finally, it is also noted that, within the scope of the tax inspection for the years 2015 ,2016, 2017 and 2018, the tax authority made corrections to the tax credit of these two years in the amount of 14,611 thousand euros (of a total amount of 35,103 thousand euros). Thus, that tax credit would be reclassified to the item of deferred tax assets.

The Bank's management considers that the procedures adopted in those years are compliant with the legislation in force, and therefore estimates that it is not likely that the Tax Authority's position will prevail. Even so, if this correction occur, it would materialize in the recognition of deferred tax assets. In addition, the Board of Directors believes that any corrections that may arise, related to the years inspected, will not have a material impact either on the Bank's capital or on the Bank's results in fiscal year 2021, as its affect tax losses that have not yet been used anf for which deferred tax losses have been not recognized.

As of 1 January 2019, the Bank adopted the new interpretative standard of IAS 12 - IFRIC 23 - 'Uncertainty over Income Tax Treatments' - which to recommend the measurement requirements and recognition to be applied in the event of uncertainties regarding the acceptance of a given tax treatment by the Tax Administration concerning income tax and should reflect the entity's best estimate of the presumed outcome of the situation under discussion. This estimated value based on the expected value or the most probable value should be recorded by the entity as an asset or liability for income tax based on IAS 12 and not by IAS 37.

The activity of branches abroad is incorporated in the Bank's accounts for determining the taxable profit. Although, the profit of those branches is subject to taxation in the countries where they are established, local taxes are deductible to the taxes to be paid in Portugal, in accordance with art. 91º of CIT Code, when applicable. The branches' profits are subject to local taxation at the following nominal rates.

Branch	Nominal income tax rate
London	19%
Madrid	30%
Warsaw	19%
Macau	12%

The subsidiary located in Brazil, are subject to tax on their profits under the terms established in the tax rules in force in Brazil, thus in this country profits are subject to nominal rates situated between 34% and 45%.

As at 31st of December 2021 and 2020, current tax assets and liabilities can be analyzed as follows:

(thousand euros)

	Asset		Liabiity	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Corporate income tax	4 361	2 465	(7 267)	(5 189)
Tax Credit (Special Scheme for Deferred Taxes)	20 458	20 025	-	-
Current tax asset / (liability)	**24 819**	**22 490**	**(7 267)**	**(5 189)**

The variations occurred in 2021, in the line "tax credit", refers to the tax credit of 2020, under REAID. According to legislation in force, Haitong Bank shareholders may exercise the rights to acquire conversion rights until three years from the conversion confirmation of the deferred tax assets into tax credit by the Tax Authority, which, in the case of the 2015, it will be until July 2022.

Deferred tax assets and liabilities recognized in the statement of financial position in 2021 and 2020 can be analyzed as follows:

(thousand euros)

	Asset		Liability		Net	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Derivative financial instruments	4 994	4 057	-	-	4 994	4 057
Securities	1 561	246	-	(1 370)	1 561	(1 124)
Loans and advances to customers	27 998	33 489	-	68	27 998	33 557
Provisions	5 776	2 037	-	(8)	5 776	2 029
Pension Fund and Long-term employee benefits	5 047	6 028	-	-	5 047	6 028
Other	(3 387)	(4 243)	(301)	(20)	(3 688)	(4 263)
Tax losses carried forward	53 243	54 085	-	-	53 243	54 085
Deferred tax asset/(liability)	**95 232**	**95 699**	**(301)**	**(1 330)**	**94 931**	**94 369**
Net deferred tax asset / (liability)	**95 232**	**95 699**	**(301)**	**(1 330)**	**94 931**	**94 369**

The Group only recognizes deferred tax assets in relation to reportable tax losses when it considers that they are expected to be recovered in the near future. Of the total deferred tax assets of tax losses, 31 560 thousand euros relate to Haitong Bank in Portugal and the remaining amount corresponds to Brazil. It should be noted that the tax losses of 2017 and 2018 of Haitong Bank in Portugal did not booked deferred tax assets, which can be used until the year 2024 and 2025, respectively. The period of tax losses utilization takes into account the exceptional measures to the COVID-19 pandemic under the terms of Law No. 27-A / 2020 (Supplementary State Budget for 2020).

The movements in deferred taxes, in the balance sheet, had the following impacts:

(thousand euros)

	31.12.2021	31.12.2020
Opening balance	94 369	115 393
Recognised in profit or loss	(1 112)	(6 429)
Recognised in fair value reserves	1 006	1 291
Recognised in other reserves	(183)	(5 823)
Foreign exchange variation and others	851	(10 063)
Closing balance (Asset / (Liability))	**94 931**	**94 369**

Tax recognised in the income statement and reserves during 2021 and 2020 financial years had the following source:

(thousand euros)

	31.12.2021		31.12.2020	
	Recognised in profit or loss	Recognised in reserves	Recognised in profit or loss	Recognised in reserves
Deferred Taxes				
Derivative financial instruments	316	-	(1 791)	-
Securities	(1 506)	(1 006)	490	(1 029)
Loans and advances to customers	5 428	-	16 148	-
Provisions	(468)	-	(381)	-
Pension Fund	988	-	829	(1 545)
Other	(4 866)	183	(9 644)	7 106
Tax losses carried forward	1 220	-	778	-
	1 112	**(823)**	**6 429**	**4 532**
Current Taxes	2 954	-	2 161	-
Total recognised tax	**4 066**	**(823)**	**8 590**	**4 532**

Reconciliation of the tax rate, concerning the recognised amount in the income statement, can be analysed as follows:

(thousand euros)

	31.12.2021		31.12.2020	
	%	Value	%	Value
Profit or loss before tax and Non-controlling interests		**8 422**		**10 947**
Income tax rate of Haitong Bank	26.2		26.2	
Tax determined based on the income tax rate of Haitong Bank		2 210		2 873
Difference in the tax rate of subsidiaries	42.2	3 556	22.5	2 461
Tax-exempt dividends	(10.6)	(896)	(4.2)	(458)
Tax benefits	(0.9)	(79)	(0.6)	(65)
Impairment of subsidiaries	-	-	80.8	8 846
Bank Levy	1.7	147	5.7	624
Unrecognized tax losses	(21)	(1 745)	0.0	-
Tax losses used (but with no deferred tax asset recognised)	(1)	(51)	0.0	-
Branches' income tax	11.8	991	14.2	1 551
Differences arising from consolidation	(7)	(592)	(68.6)	(7 505)
Other movements according to the tax estimation	2.8	232	(0.7)	(74)
Autonomous taxation	2.9	241	1.9	213
Other	0.6	52	1.1	124
	(48.4)	**4 066**	**78.3**	**8 590**

NOTE 33 – OTHER LIABILITIES

As at 31st of December 2021 and 2020, the Other liabilities heading is analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Creditors and other resources		
Public sector	11 316	10 786
Deposited collateral under collateral agreements (Note 19)	10 270	12 260
Sundry creditors		
Leasing liabilities	1 489	6 719
Creditors from transactions with securities	4 881	15 253
Suppliers	7 096	1 051
Other sundry creditors	9 959	4 540
	45 011	**50 609**
Accrued expenses		
Career bonuses (see Note 14)	595	616
Other accrued expenses	8 887	9 333
	9 482	**9 949**
Deferred income	**388**	**317**
Other sundry liabilities		
Stock exchange transactions pending settlement	11 381	10 291
Foreign exchange transactions pending settlement	4 664	298
Other transactions pending settlement	15 587	12 269
	31 632	**22 858**
	86 513	**83 733**

As at 31st of December 2021 and 2020, the headings regarding Stock exchange transactions pending settlement refer to transactions with securities pending settlement.

NOTE 34 – CAPITAL, SHARE PREMIUM AND OTHER CAPITAL INSTRUMENTS

Ordinary shares

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

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

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

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

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

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

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

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

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

As at 31st of December 2021 and 2020, the share capital of Haitong Bank amounts to 844,769 thousand euros and is represented by 168,953,800 shares with the nominal value of 5 euros each, fully held by Haitong International Holdings Limited.

Share premiums

As at 31st December 2021 and 2020, share premiums are represented by 8,796 thousand euros, corresponding to the amount paid by shareholders in the increase of capital of previous years.

Other equity instruments

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

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

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

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

As at 31st of December 2021 and 2020, 3,731 thousand euros regarding these bonds are in circulation. In the year of 2020 and 2019 the Group haven't paid interest.

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

NOTE 35 – FAIR-VALUE RESERVES, OTHER RESERVES, RETAINED EARNINGS AND NON-CONTROLLING INTERESTS

Legal reserve, fair-value reserves and other reserves

Legal reserves can only be used to cover accumulated loss carryover or to increase capital. Under Portuguese legislation applicable to the banking sector (Article 97 of RGICSF [Legal Framework of Credit Institutions and Financial Companies]), the Bank is required to set-up annually a legal reserve equal to a minimum of 10% of annual profits until the reserve equals the share capital.

Fair-value reserves represent the possible capital gains and losses in relation to the financial assets trough other comprehensive income portfolio, net of impairment recognised in the income statement of the year and/or previous years. The value of this reserve is presented net of deferred tax. The movements of these headings were the following:

(thousand euros)

	Fair Value reserves			Other reserves and retained earnings				
	Revaluation reserves	Income tax reserves	Total fair value reserve	Legal Reserve	Actuarial gains/losses (net of taxes)	Exchange differences	Other reserves and retained earnings	Total Other reserves and retained earnings
Balance as at 31 December 2019	**1 473**	**(1 005)**	**468**	**39 878**	**(31 736)**	**(169 192)**	**(219 864)**	**(380 914)**
Actuarial gains/losses (net of taxes)	-	-	-	-	(1 041)	-	-	(1 041)
Changes in fair value (net of taxes)	(3 150)	1 291	(1 859)	-	-	-	-	-
Foreign exchange differences	-	-	-	-	-	-	-	(9 208)
Other comprehensive income of associates	-	-	-	-	-	-	363	363
Transfer to reserves	-	-	-	-	-	-	7 508	7 508
Balance as at 31 December 2020	**(1 677)**	**286**	**(1 391)**	**39 878**	**(32 777)**	**(178 400)**	**(211 993)**	**(383 292)**
Actuarial gains/losses (net of taxes)	-	-	-	-	5 307	-	-	5 307
Changes in fair value (net of taxes)	(1 541)	1 006	(535)	-	-	-	-	-
Foreign exchange differences	-	-	-	-	-	272	-	272
Other comprehensive income of associates	-	-	-	-	-	-	1	1
Transfer to reserves	-	-	-	-	-	-	1 641	1 641
Balance as at 31 December 2021	**(3 218)**	**1 292**	**(1 926)**	**39 878**	**(27 470)**	**(178 128)**	**(210 351)**	**(376 071)**

The movement of the fair-value reserve, net of deferred taxes and non-controlling interests can be analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Opening balance	**(1 391)**	**468**
Fair value changes	(593)	(986)
Disposals of the period	683	(2 426)
Impairment recognised in the period	(1 631)	262
Deferred taxes recognised in reserves during the period	1 006	1 291
Closing balance	**(1 926)**	**(1 391)**

Non-controlling interests

The Non-controlling interests heading information per subsidiary is as follows:

(thousand euros)

	31.12.2021		31.12.2020	
	Balance sheet	Income statement	Balance sheet	Income statement
Haitong Banco de Investimento do Brasil S.A.	8 096	1 298	9 142	1 386
Haitong Securities do Brasil S.A.	2 950	(79)	2 999	(51)
Haitong Negócios S.A.	5 409	137	4 569	(632)
FI Multimercado Treasury	1 114	(568)	729	24
Others	1 385	16	1 354	(11)
	18 954	**804**	**18 793**	**716**

The movement of Non-controlling interests of the periods ended on the 31st of December 2021 and 2020, can be analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Opening balance	**18 793**	**26 142**
Dividends paid	(403)	(179)
Changes in fair value reserve	(441)	(341)
Exchange difference and other	201	(7 545)
Net income for the period	804	716
Closing balance	**18 954**	**18 793**

NOTE 36 – CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS

As at 31st of December 2021 and 2020, off-balance elements are as follows:

(thousand euros)

	31.12.2021	31.12.2020
Contingent liabilities		
Guarantees and stand by letters of credit	133 392	142 768
Assets pledged as collateral	482 643	774 229
	616 035	**916 997**
Commitments		
Irrevocable commitments	162 193	58 010
	162 193	**58 010**

The rendered guarantees and sureties are banking transactions that do not necessarily represent any outflow for the Group.

As at 31st of December 2021 and 31st of December 2020, the heading of financial assets pledged as collateral includes:

- Securities pledged as collateral to the Bank of Portugal (i) within the scope of the Large-Value Payment System, amounting to 10,000 thousand euros as at the 31st of December 2021 (31st of December, 2020: 10,000 thousand euros), (ii) within the scope of target long-term refinancing operations, amounting to 321,639 thousand euros (31st of December, 2020: 110,600 thousand euros) and (iii) 24,965 thousand euros of collaterals not discounted, being the total of securities eligible for rediscount with the Bank of Portugal amounted to 391,500 thousand euros as at the 31st of December 2021 (31st of December, 2020: 368,286 thousand euros);
- Securities pledged as collateral to the Portuguese Securities Market Commission within the Investor Compensation Scheme in the amount of 109 thousand euros (31st of December 2020: 109 thousand euros).
- Securities pledged as collaterals to Fundo de Garantia de Depósitos [Deposit Guarantee Fund] in the amount of 108 thousand euros (31st of December 2020: 107 thousand euros).
- Securities pledged as collateral within the scope of transactions with repurchase agreements: 74,977 thousand euros (31st of December 2020: 445,850 thousand euros).
- Securities pledged as collateral within the scope of derivatives compensation contracts 50,846 thousand euros (31st of December 2020: 30,410 thousand euros).

Additionally, the off-balance elements related to banking services provided are as follows:

(thousand euros)

	31.12.2021	31.12.2020
Liabilities related to services provided		
Commercial paper programmes agency	64 450	87 500
Other responsabilities related with services provided	379 512	475 316
	443 962	**562 816**

Banco Espírito Santo (BES), Novo Banco and Haitong Bank (and, in some cases, supervisory authorities, auditors and former directors from BES) have been sued in civil proceedings associated with facts of the former Grupo Espírito Santo (GES).

Within this framework, Haitong Bank is currently a defendant in a proceeding associated with the capital increase of BES, which took place in June 2014.

As regards to this legal proceeding (case brought by several investment funds), after the decision of the trial court to declare that the case had been “abandoned”, the Lisbon Court of Appeal revoked that decision and ordered the continuation of the proceeding. Two of the Defendants in this proceeding appealed to the Supreme Court of Justice that confirmed the decision of the Court of Appeal. Extraordinary Review Appeals were filed to the Constitutional Court, all of them maintaining the previously decided by the Lisbon Court of Appeal. The legal procedure return to the trial court (1st instance) lawsuit for the continuation of its terms, awaiting the appointment of the preliminary hearing.

Haitong Bank is also a defendant in 10 proceedings, nearly all of which are associated with issues of commercial paper of GES’s entities.

In note 36, in what concerns the 2021 half-yearly accounts, it is stated that, in the opinion of Haitong Bank’s Legal Department and of the external lawyers to whom the proceedings have been entrusted, such proceedings do not have legal sustainability, wherefore it is considered unlikely that any judgment will be made against Haitong Bank in relation thereto. Such opinion is hereby reasserted.

Such opinion has been supported by several judicial decisions.

In fact, of the 78 cases filed against the Bank regarding the issue of commercial paper by GES' entities, 47 cases have already been res judicata with the total acquittal of Haitong Bank and 21 cases having been withdrawn by the claimants.

On the 16th July 2019, Haitong Bank has been notified of a new legal action brought against itself and several former board members of BES, regarding commercial paper issued by Espírito Santo International and Rioforte in 2013. Such legal action has been submitted by a credit recovery fund (Fundo de Recuperação de Créditos "FRC – INQ – Papel Comercial ESI e Rio Forte") to which have been assigned the claims submitted by certain holders of ESI and Rioforte commercial papel and amounts to € 517.500.099,71 million Euro. Haitong Bank presented its written defense on the 25th June 2020. The Bank is waiting for the preliminary hearing to be scheduled by the Court.

In the opinion of the external lawyers to whom this proceeding, brought by FRC, has been entrusted, such proceeding does not have a solid legal sustainability and therefore it is considered unlikely that any judgment will be made against Haitong Bank.

Following the above stated, Haitong Bank did not establish any provision related to such legal proceedings.

Without prejudice of the above mentioned regarding the successful outcome for Haitong Bank from such proceedings, and in order to comply with the applicable accounting rules, it is not possible to achieve an amount of expected losses which could eventually arise for Haitong Bank, individually considered, once such legal proceedings are brought against several entities and not only against Haitong Bank.

On July 2021, Haitong Bank has been fined by the Portuguese Securities Exchange Commission ("CMVM") in connection with Haitong Bank's participation as agent in the commercial paper issuance of ESI and Rio Forte between September 2013 and February 2014.

CMVM considered that Haitong Bank (referred to as, at the time of the facts, Banco Espírito Santo de Investimento, S.A.) had a causal contribution for Banco Espírito Santo, S.A. – In Liquidation to disclose to its customers that subscribed commercial paper issued by ESI, between September and December 2013, and by Rio Forte, between 9 January and 24 February 2014, information memoranda containing information that was not true, not complete, not up-to-date and not lawful, hence violating the duty to provide quality information, provided for in article 7. of the Portuguese Securities Code.

The breach, with intent, of the duty to provide quality information, provided for in article 7 of the Portuguese Securities Code, constitutes the practice of a very serious offence, under the terms of article 389, no. 1, a), of the Portuguese Securities Code, punishable by a fine of €25,000.00 to €5,000,000.00, under the terms of article 388, no. 1, a), of the Portuguese Securities Code, in each of the cases (ESI and Rio Forte).

In view of the circumstances of the case, the Board of Directors of the CMVM decided to impose on Haitong Bank a single fine in the amount of €300,000, suspended in the execution of €100,000, for the period of two years.

Haitong Bank understands that CMVM's decision has no grounds, nor legally neither factually, and, therefore, has contested the administrative decision towards the Judicial Court on September 2021.

On 15 February 2022, the Court of First Instance has considered unfounded and rejected the contestation submitted by Haitong Bank and applied it a single joint fine in the amount of €400,000, partially suspending the execution of the single joint fine of 400,000 euros in the amount of 200,000 euros for a period of 2 years.

Haitong Bank understands that the decision of the Court of First Instance has no legal or factual basis and, for this reason, will appeal from it to the Lisbon Court of Appeal.

In Brazil, the constitutionality of the law applicable to the levy of contributions to the Social Integration Program ("PIS") and Social Security Financing ("Cofins") on other revenues other than those arising from the sale of goods and the provision of services. Supported by a court decision, the entities of the Group in Brazil, deposit monthly the amounts subject to judicial discussion and deliver directly to the Tax Authorities only those amounts that affect service revenues, which are not the object of this discussion. The amounts subject to judicial deposits are recorded in the balance sheet, under other assets. It is the Group's understanding, based on the opinions of its legal advisors, that the possibility of suffering a court decision against the Bank is less than 50%.

Resolution Fund

Resolution measure applied to Banco Espírito Santo, S.A

On 3 August 2014, in order to safeguard the stability of the financial system, Banco de Portugal applied a resolution measure to Banco Espírito Santo, SA (BES) in accordance with the provisions of subparagraph b) of nº1. Article 145.º C of the General Regime for Credit Institutions and Financial Companies (RGICSF), in the form of partial transfer of assets, liabilities, off-balance sheet items and assets under management to a transition bank, Novo Banco, SA (Novo Banco) , constituted by determination of the Bank of Portugal of the same date. In line with community regulations, Novo Banco's capitalization was ensured by the Resolution Fund (FR), created by Decree-Law no. 31-A/2012, of 10 February. As provided for in the aforementioned Decree-Law, the resources of the Resolution Fund come from the payment of contributions owed by the institutions participating in the Fund and from the contribution to the banking sector. Additionally, it is also foreseen that whenever these resources prove to be insufficient for the fulfilment of their obligations, other means of financing may be used, namely: (i) special contributions from credit institutions; and (ii) amounts from loans.

Following the resolution measure, Novo Banco, SA's capital needs of 4,900 million euros were determined, with the capital subscription carried out by the Resolution Fund being financed essentially by obtaining financing from the Portuguese State (3,900 million euros) and eight institutions participating in the Fund (700 million euros), which does not include the Bank.

On 18 October 2017, the Resolution Fund announced the conclusion of the process of selling 75% of the share capital of Novo Banco, SA to Lone Star, whose selection had been communicated by Banco de Portugal on 31 March 2017 agreed conditions include the existence of a contingent capitalization mechanism, under which the Resolution Fund undertakes to make capital injections up to a maximum total amount of 3,890 million euros in the event that certain cumulative conditions materialize. As at 31 December 2021, Novo Banco is owned by Lone Star, by the Resolution Fund and by the Portuguese State, with a share capital percentage of 75% and 23.44% and 1.56%, respectively.

On October 2, 2017, the Portuguese State signed a Framework Agreement with the Resolution Fund, for a maximum period of eleven years, which provides for the availability of the necessary funds to ensure compliance with the responsibilities assumed within the scope of the sale process of the Novo Banco, with an annual limit of 850 million euros.

The Framework Agreement establishes that the responsibilities assumed by the Resolution Fund under it can only be satisfied after all amounts due under the loans granted by the Portuguese State and the banking syndicate have been paid, in the amounts of 3,900 million euros and 700 and millions of euros, respectively.

On the same day, the Portuguese State and the Resolution Fund signed a credit agreement up to a maximum amount of 1,000,000 m.euros, with an annual use limit of 850,000 m.euros and maturity on 31 December 2046.

According to the statement of December 23, 2021 from the Resolution Fund, the value of payments made under the contingent capitalization mechanism made between 2018 and 2021 amounted to 3,405 million euros, having been made using the financing described and with the resources available from the Resolution Fund.

Resolution measure applied to Banif - Banco Internacional do Funchal, S.A.

On 19 December 2015, the Board of Directors of Banco de Portugal resolved to declare that BANIF – Banco Internacional do Funchal, SA ('BANIF') was “at risk or in a situation of insolvency”, initiating an urgent resolution process in the modality of total or partial disposal of its activity which resulted in the disposal on 20 December 2015 to Banco Santander Totta, SA of the assets, liabilities and off-balance sheet items managed by BANIF for the total amount of 150 million euros.

The assets that were not sold were transferred to an asset management vehicle, called Oitante, S.A. (Oitante), created specifically for this purpose, whose sole shareholder is the Resolution Fund. For this purpose, Oitante issued debt bonds in the amount of 746 million euros, which were fully acquired by BST, with a guarantee provided by the Resolution Fund and a counter-guarantee by the Portuguese State.

The operation involved public support of around 2,255 million euros to cover future contingencies, of which 489 million euros assumed by the Resolution Fund and 1,766 million euros directly by the Portuguese State, as a result of the options agreed between the Portuguese authorities, the European bodies and the BST, for the delimitation of the perimeter of the assets and liabilities sold.

Financing of the Resolution Fund

In a public statement dated September 28, 2016, the Resolution Fund announced that it had agreed with the Ministry of Finance to review the €3,900 million loan originally granted to the Resolution Fund in 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the loan's maturity was intended to ensure the Resolution Fund's ability to meet its obligations through its regular income, regardless of any contingencies to which the Resolution Fund is exposed. On the same day, the Cabinet of the Minister of Finance also announced that increases in liabilities arising from the materialization of future contingencies will determine the adjustment of the maturity of State and Bank loans to the Resolution Fund, in order to maintain the contributory effort required from the sector banking at current levels. According to the Resolution Fund communiqué of March 21, 2017:

- “The conditions of the loans obtained by the Fund to finance the resolution measures applied to Banco Espírito Santo, S.A. and to Banif – Banco Internacional do Funchal, S.A. were changed.” These loans amount to €4,953 million, of which €4,253 million were granted by the State and €700 million were granted by a banking syndicate.
- Those loans now mature in December 2046, without prejudice to the possibility of early repayment based on the use of the Resolution Fund's revenues. The maturity period will be adjusted in terms that guarantee the Resolution Fund's ability to fully meet its obligations based on regular income and without the need for special contributions or any other type of extraordinary contributions.
- The review of loan conditions aimed at ensuring the sustainability and financial balance of the Resolution Fund, based on a stable, predictable and affordable charge for the banking sector.

- The new conditions allow the full payment of the Resolution Fund's responsibilities, as well as the respective remuneration, without the need to resort to special contributions or any other type of extraordinary contributions by the banking sector".

According to the 2020 Resolution Fund Report and Accounts (latest available):

- The Fund has negative own resources of 7,315 million euros;
- The Resolution Fund is not required to present a positive net position. In the event of insufficient resources, the Resolution Fund may receive special contributions, by determination of the member of the Government responsible for the area of finance, under the terms of article 153-I of the RGICSF, and no contributions of this nature are foreseen. , in particular after reviewing the above-described Resolution Fund financing conditions;
- Regarding the contingent capital mechanism, and with regard to future periods, it is considered that there is significant uncertainty regarding the relevant parameters for the determination of possible future liabilities, either for its increase or for its reduction, under the terms of the relative agreement to the contingent capitalization mechanism with Novo Banco.
- As of December 31, 2020, the Resolution Fund is cited as a defendant or a counter-interest in several lawsuits related to resolution measures. Legal actions related to the application of resolution measures have no legal precedent, which makes it impossible to use case law in their assessment, as well as a reliable estimate of the possible contingent financial effect associated.
- The Resolution Fund also has other contingent liabilities related to the following situations:
  - Guarantee provided on bonds issued by Oitante, whose value as at 31 December 2020 amounts to 200 million euros;
  - Application of the principle that no creditor of the credit institution under resolution will be able to assume a greater loss than it would have assumed if that institution had gone into liquidation;
  - Neutralization of possible negative effects of future decisions, arising from the resolution process, which result in liabilities or contingencies for Novo Banco;
  - Limit on payments under the contingent capitalization mechanism;
  - Treatment, in light of the CCA signed with Novo Banco, of the effects arising from any discretionary decision by Novo Banco to reverse its previous decision to adhere to the transitional regime related to the introduction of IFRS 9;
  - Treatment, in light of the CCA concluded with Novo Banco, of the effects arising from Novo Banco's intention not to make use of the regime provided for in Regulation (EU) 2020/873 of the European Parliament and of the Council, of 24 June 2020;
  - Impact of READD on the 25% stake in Novo Banco;
  - Other contingent liabilities arising from the agreements for the sale of Novo Banco.

At the present date, there is no estimate regarding the total value of any losses to be incurred by the Resolution Fund resulting from the process of sale of Novo Banco, from the disputes associated with the BES resolution process, including within the scope of the so-called "process of the injured parties of the BES" and attempts to resolve the same, any losses resulting from the resolution of Banif and charges related to the respective processes.

In order to meet its responsibilities, the Resolution Fund has receipts from initial and periodic contributions from participating institutions (including Haitong Bank) and from contributions to the banking sector established by Law No. 55-A/2010. There is also the possibility for the Government to determine, by decree that special contributions be made in situations provided for by law, specifically in the event that the Resolution Fund does not have its own resources to fulfil its obligations.

Pursuant to the provisions of Decree-Law no. 24/2013, which establishes the functioning of the Resolution Fund, the Bank has been making mandatory contributions since 2013, as provided for in the aforementioned diploma.

In 2021, the Bank made periodic contributions to the Resolution Fund and to the banking sector in the amounts of 502 thousand euros and 1 250 thousand euros, respectively, which are recognized as costs in accordance with IFRIC 21 – Fees.

On 3 November 2015, Banco de Portugal issued a Circular Letter under which it is clarified that the periodic contribution to the Resolution Fund must be recognized as a cost at the time of the occurrence of the event that creates the obligation to pay the contribution, that is, on the last day of April of each year, as stipulated in article 9 of Decree-Law no. in the year in which it becomes due, pursuant to IFRIC 21 - Fees. On November 15, 2015, the Resolution Fund issued a statement stating: “it is further clarified that it is not foreseeable that the Resolution Fund will propose the creation of a special contribution to finance the resolution measure applied to BES. The possible collection of a special contribution appears, therefore, to be remote.”

The financial statements as at 31 December 2021 reflect the Board of Directors' expectation that the Bank, as an entity participating in the Resolution Fund, will not be required to make special contributions or any other type of extraordinary contributions to finance the resolution measures applied to BES and to Banif or any other liability or contingent liability assumed by the Resolution Fund in the context of the aforementioned measures, taking into account:

- the conditions defined within the scope of the renegotiation in March 2017 of the loans that the Resolution Fund obtained to finance resolution measures, including the extension of the maturity period to December 31, 2046 and the possibility of adjusting this period, having as objective to ensure that the Resolution Fund is able to fully meet its obligations based on regular income and without the need for special contributions or any other type of extraordinary contributions by the banking sector; and
- public announcements made by the Resolution Fund and the Office of the Minister of Finance, which refer to the objective of ensuring that such contributions will not be necessary.

NOTE 37 – RELATED PARTIES TRANSACTIONS

The Group's related parties transactions as at 31st of December 2021 and 31st of December 2020, as well as the respective expenses and income recognized in the year, are summarized as follows:

(thousand euros)

	31.12.2021					
	Assets					
	Others	Total	Guarantees	Liabilities	Income	Expenses
Subsidiaries and associates of shareholders						
HAITONG INTERNATIONAL STRATEGIC INVESTMENT	-	-	-	-	8 000	-
HAITONG SECURITIES	-	-	-	-	24 000	-
HAITONG INTERNATIONAL SECURITIES CO LTD	1 297	1 297	-	-	3 918	1
HAITONG INNOVATION SECURITIES INVESTMENT CO LTD	-	-	-	-	1 500	-
HAITONG INTERNATIONAL SECURITIES GROUP LIMITED	-	-	-	-	2 102	-
HAITONG INTERNATIONAL (UK) LIMITED	-	-	-	69	-	576
HAITONG INTERNATIONAL ADVISORY COMPANY LIMITED	-	-	-	-	1 292	-
HAITONG INVESTMENT IRELAND PLC	4 298	4 298	2 728	288 616	1 717	8 107
HAITONG PRIVATE EQUITY FUND	-	-	-	5 118	15	-
TOTAL	**5 595**	**5 595**	**2 728**	**293 803**	**42 544**	**8 684**

(thousand euros)

	31.12.2020					
	Assets					
	Others	Total	Guarantees	Liabilities	Income	Expenses
Shareholders						
HAITONG INTERNATIONAL HOLDINGS LIMITED	-	-	-	-	-	12
Subsidiaries and associates of shareholders						
HAITONG INTERNATIONAL STRATEGIC INVESTMENT	2 970	2 970	-	-	8 000	-
HAITONG SECURITIES	-	-	-	-	16 500	-
HAITONG INTERNATIONAL SECURITIES CO LTD	686	686	-	-	778	-
HAITONG INNOVATION SECURITIES INVESTMENT CO LTD	-	-	-	-	1 500	-
HAITONG INTERNATIONAL SECURITIES GROUP LIMITED	-	-	-	-	2 318	-
HAITONG INTERNATIONAL SECURITIES USA INC	-	-	-	-	2	-
HAITONG INTERNATIONAL SECURITIES CO LTD	880	880	-	-	3 926	-
UNICAM LIMITED	2 471	2 471	-	-	3 000	-
HAITONG INTERNATIONAL (UK) LIMITED	-	-	-	-	-	502
HAITONG INVESTMENT IRELAND PLC	9 199	9 199	15 099	689 936	17 431	27 432
TOTAL	**16 206**	**16 206**	**15 099**	**689 936**	**53 455**	**27 946**

As at 31st December 2021, the income heading includes 39,519 thousand euros concerning fee and commission income heading from banking services (31st of December 2020: 36,768 thousand euros).

The value of Haitong Group transactions with related entities in which the Administrator and/or family have significant influence, in the period ended December 31, 2021, as well as the respective costs and income recognized in the year, are summarized as follows:

(thousand euros)

	31.12.2021						
	Assets						
	Securities	Others	Total	Guarantees	Liabilities	Income	Expenses
Entities with relevant influence							
Nos Comunicações S.A.	-	-	-	-	17	7 843	8 013
Mota Engil SGPS	11 839	10	11 849	29 000	10	1 175	17
GamaLife - Companhia de Seguros de Vida, S.A.	-	-	-	-	-	140	-
TOTAL	**11 839**	**10**	**11 849**	**29 000**	**27**	**9 158**	**8 030**

During 2021, following the process of changing the business license of Haitong Capital, S.A. to SGOIC, the private equity portfolio was sold to Haitong Private Equity Fund, 100% owned by Haitong Investment Ireland PLC. The transaction was carried out for the amount of 26,016 thousand euros, the price corresponding to the fair value of the investments as at 31 December 2020.

NOTE 38 – FAIR-VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair-value of financial assets and liabilities

Haitong Bank Group estimates the fair value of its instruments based on prices quoted in active markets or, when such prices are not available, based on valuation techniques following standard valuation models such as discounted cash flows and option pricing models. The valuation models' parameter inputs are based on observable data, when available, derived from prices of financial instruments actively traded or based on indicative broker quotes.

The Group performs valuation adjustments to reflect counterparty credit risk (CVA) for uncollateralized derivatives assets considering the current exposure, loss given default and the probability of default. This probability of default is based on the Group's credit risk assessment model or market information where applicable.

The fair-value of financial assets and liabilities for the Group is analyzed:

(thousand euros)

	Amortised cost	Valued at Fair Value			Total book value	Fair Value
		Level 1	Level 2	Level 3		
Balance as at 31 December 2021						
Cash and cash equivalents	488 544	-	-	-	488 544	488 544
Financial assets at fair value through profit or loss						
Financial assets held for trading						
Securities	-	36 326	309 714	-	346 040	346 040
Derivative financial assets	-	-	89 565	349	89 914	89 914
Non-trading financial assets mandatorily at fair value through profit or loss						
Securities	-	753	7 546	11 478	19 777	19 777
Loans and advances to customers	-	-	-	22	22	22
Financial assets at fair value through other comprehensive income	-	128 517	38 012	93 240	259 769	259 769
Financial assets measured at amortised cost						
Securities	532 773	-	-	-	532 773	483 374
Loans and advances to banks	54 022	-	-	-	54 022	54 022
Loans and advances to customers	620 241	-	-	-	620 241	614 908
Financial Assets	**1 695 580**	**165 596**	**444 837**	**105 089**	**2 411 102**	**2 399 124**
Financial liabilities held for trading						
Securities	-	1 036	-	-	1 036	1 036
Derivative financial liabilities	-	-	74 272	330	74 602	74 602
Financial liabilities measured at amortised cost						
Resources of credit institutions	759 397	-	-	-	759 397	759 397
Resources of customers	1 164 000	-	-	-	1 164 000	1 164 000
Debt securities issued	26 750	-	-	-	26 750	26 750
Hedging derivatives	-	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss						
Debt securities issued	-	-	-	-	-	-
Financial Liabilities	**1 950 147**	**1 036**	**74 272**	**330**	**2 025 785**	**2 025 785**
Balance as at 31st December 2020						
Cash and cash equivalents	494 885	-	-	-	494 885	494 885
Financial assets at fair value through profit or loss						
Financial assets held for trading						
Securities	-	23 165	603 892	-	627 057	627 057
Derivative financial assets	-	-	141 256	1 806	143 062	143 062
Non-trading financial assets mandatorily at fair value through profit or loss						
Securities	-	715	6 565	28 017	35 297	35 297
Loans and advances to customers	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	31 421	14 704	114 631	160 756	160 756
Financial assets measured at amortised cost						
Securities	461 453	-	-	-	461 453	449 115
Loans and advances to banks	115 160	-	-	-	115 160	115 160
Loans and advances to customers	420 040	-	-	-	420 040	415 231
Financial Assets	**1 491 538**	**55 301**	**766 417**	**144 454**	**2 457 710**	**2 440 563**
Financial liabilities held for trading						
Securities	-	-	79 083	-	79 083	79 083
Derivative financial liabilities	-	-	140 898	1 806	142 704	142 704
Financial liabilities measured at amortised cost						
Resources of credit institutions	577 996	-	-	-	577 996	577 996
Resources of customers	1 227 505	-	-	-	1 227 505	1 227 505
Debt securities issued	64 862	-	-	-	64 862	64 862
Hedging derivatives	-	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss						
Debt securities issued	-	-	-	-	-	-
Financial Liabilities	**1 870 363**	**-**	**219 981**	**1 806**	**2 092 150**	**2 092 150**

Fair-value Hierarchy

The Bank's financial instruments are classified under the three levels defined in IFRS 13 according to the following:

Level 1 – Instruments valued using quoted prices observed in active and liquid markets. These include government bonds, credit bonds and exchange traded equities and derivatives.

Level 2 – Instruments valued using valuation techniques based on observable market inputs, quotes prices for similar instruments in active markets or for identical instruments in markets that are neither active nor liquid. These includes bonds, plain vanilla OTC derivatives, less liquid equities and funds valued at Net Asset Values (NAV) published daily by the fund manager and with possibility of daily redemption. The OTC derivatives includes financial instruments traded in OTC (over-the-counter), in which the counterparty has signed agreements of collateral (ISDA with CSA – Credit Support Annex), with very small Minimum Transfer Amount (MTS), which allows to mitigate the counterparty's Credit Risk while the CVA (Credit Value Adjustment) does not have a significant impact on the instrument valuation. Additionally, it also includes financial derivatives traded in OTC, without CSA, but the percentage of information not observed in market (e.g.: Internal Rating, Probability of Default determined by internal models, etc.) within the CVA valuation is not meaningful in what concerns the value of derivative as a whole. It is considered as significant when the value of CVA is higher than 5%.

Level 3 - Instruments measured using valuation techniques based on non-observable market inputs and that do not comply with the requirements to be classified under Level 1 nor Level 2. These include non-plain vanilla OTC derivatives valued based on non-observable market inputs or on indicative prices published by third parties, distressed and highly illiquid bonds, funds valued at Net Asset Values (NAV) published by the fund manager without possibility of daily redemption and private equity placements. In the Level 3 are included financial instruments traded in OTC market with counterparties which Haitong Bank doesn't have CSA signed and the percentage of unobservable data incorporated in CVA valuating is considered significant in the total value of the derivative (value of CVA has a weight higher than 5% of the value of derivate).

For financial instruments recorded in the balance sheet at fair value, the movement occurred between December 31st , 2021 and December 31st, 2020 in assets and liabilities classified in level 3 is as follows:

(thousand euros)

	Financial assets held for trading		Financial assets mandatory at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Total
	Securities	Derivative financial assets	Securities	Loans and advances		
Balance as at 31st December 2020	**-**	**-**	**28 017**	**-**	**114 631**	**142 648**
Results recognized in Net Interest Margin	-	-	-	-	7 702	**7 702**
Net trading income and from other financial instruments at fair value through profit or loss	-	-	5 308	-	-	**5 308**
Net gains/(losses) derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	-	37	**37**
Impairment on other financial assets net of reversal and recoveries	-	-	-	-	(2 389)	**(2 389)**
Other fair value changes	-	-	4 154	-	(3 003)	**1 151**
Fair value reserve changes	-	-	-	-	2 843	**2 843**
Acquisitions	-	-	-	22	38 845	**38 867**
Sales	-	-	(26 016)	-	(8 814)	**(34 830)**
Reimbursements	-	-	15	-	(52 871)	**(52 856)**
Derivatives financial flows	-	-	-	-	-	**-**
Transfers from other levels	-	19	-	-	-	**19**
Transfers to other levels	-	-	-	-	(3 741)	**(3 741)**
Balance as at 31 December 2021	**-**	**19**	**11 478**	**22**	**93 240**	**104 759**

In 2021, based on the assessment of the market liquidity of the securities, trading assets of 3,741 thousand euros were transferred from Level 3 to Level 2. With regard to derivative instruments, in 2021, 19 thousand euros were transferred from Level 2 to Level 3, whose CVA impact on the derivative's valuation increased to more than 5%.

(thousand euros)

	Financial assets held for trading		Financial assets mandatory at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Total
	Securities	Derivative financial assets	Securities	Loans and advances		
Balance as at 31st December 2019	**-**	**2 600**	**29 874**	**107**	**55 268**	**87 849**
Results recognized in Net Interest Margin	-	-	-	-	1 691	**1 691**
Net trading income and from other financial instruments at fair value through profit or loss	-	(4 935)	2 627	(12)	3	**(2 317)**
Net gains/(losses) derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	-	(831)	**(831)**
Impairment on other financial assets net of reversal and recoveries	-	-	-	-	(372)	**(372)**
Other fair value changes	-	-	(1 210)	(7)	(5 665)	**(6 882)**
Fair value reserve changes	-	-	-	-	179	**179**
Acquisitions	-	-	-	-	97 463	**97 463**
Sales	-	-	(683)	-	(23 686)	**(24 369)**
Reimbursements	-	-	(2 591)	(88)	(12 574)	**(15 253)**
Derivatives financial flows	-	2 897	-	-	-	**2 897**
Transfers from other levels	-	-	-	-	3 155	**3 155**
Transfers to other levels	-	(562)	-	-	-	**(562)**
Balance as at 31 December 2020	**-**	**-**	**28 017**	**-**	**114 631**	**142 648**

In 2020 accordingly with the liquidity assessment of the securities 3,155 thousands from Level 2 to Level 3.

Regarding derivative instruments, in 2020, 562 thousand euros were transferred from Level 3 to Level 2, whose CVA impact on the derivative's valuation became less than 5%.

The main parameters used during 2021 in what concerns valuation models were the following:

Yield curves

The short-term rates set out below reflects indicative values of deposit interest rates and/or futures. Swap rates are used in the long-term tenors of the interest curve:

(%)

	31.12.2021			31.12.2020		
	EUR	USD	GBP	EUR	USD	GBP
Overnight	-0,58	0,07	0,18	-0,56	0,08	0,03
1 month	-0,55	0,10	0,19	-0,50	0,14	0,02
3 months	-0,50	0,12	0,08	-0,50	0,23	0,03
6 months	-0,50	0,00	0,47	-0,50	0,17	0,03
1 year	-0,46	0,35	0,88	-0,51	0,17	0,00
3 years	-0,15	0,93	1,30	-0,51	0,16	0,09
5 years	0,01	1,35	1,29	-0,46	0,43	0,19
7 years	0,13	1,46	1,23	-0,39	0,66	0,28
10 years	0,30	1,57	1,20	-0,27	0,94	0,40
15 years	0,50	1,70	1,18	-0,07	1,22	0,53
20 years	0,55	1,76	1,15	0,01	1,35	0,58
25 years	0,53	1,75	1,12	0,01	1,41	0,59
30 years	0,48	1,71	1,09	-0,03	1,44	0,58

Credit spreads

Credit spreads curves and recovery rates used by the Group are sourced on a daily basis from Markit. The table below reflects the evolution of the main CDS indices:

(basis points)

Index	Series	3 years	5 years	7 years	10 years
Year 2021					
CDX USD Main	**31**	28,59	49,00	68,55	89,00
iTraxx Eur Main	**30**	26,82	47,76	66,67	87,05
iTraxx Eur Senior Financial	**30**	-	54,86	-	85,86
Year 2020					
CDX USD Main	**31**	29,94	49,90	70,50	90,93
iTraxx Eur Main	**30**	30,60	47,93	65,99	86,31
iTraxx Eur Senior Financial	**30**	-	59,01	-	-

Interest rate volatilities

The following figures reflect at-the-money implied volatilities:

(%)

	31.12.2021			31.12.2020		
	EUR	USD	GBP	EUR	USD	GBP
1 year	24,37	55,24	56,00	15,09	19,03	20,29
3 years	55,12	78,12	73,59	21,11	25,05	31,30
5 years	67,01	81,28	76,60	28,06	37,52	39,21
7 years	69,13	81,30	76,81	34,26	48,72	45,21
10 years	70,29	79,65	75,64	41,19	57,70	51,21
15 years	68,11	76,08	73,60	46,66	61,92	55,37

Foreign exchange rate and volatilities

The table below reflects ECB's (European Central Bank) foreign exchange rates fixings and at-the-money implied volatilities:

	Exchange Rate		Volatiliy (%)				
	31.12.2021	31.12.2020	1 month	3 months	6 months	9 months	1 year
EUR/USD	1,1326	1,2271	5,15	5,37	5,56	5,58	5,58
EUR/GBP	0,8403	0,8990	5,11	5,62	6,06	6,25	6,40
EUR/CHF	1,0331	1,0802	4,32	4,62	4,89	4,96	5,01
EUR/PLN	4,5969	4,5597	5,36	5,63	5,75	5,80	5,80
EUR/CNY	7,1947	8,0225	4,63	4,88	5,15	5,29	5,35
USD/BRL a)	5,5713	5,1940	15,80	16,25	16,54	17,32	17,81

a) Determined based on EUR/USD and EUR/BRL

Equity Indexes

The evolution of the main equity indices and the corresponding volatilities are summarized in the following table:

The main methods and assumptions used in the abovementioned valuation of the fair-value of financial assets and liabilities are analyzed as follows:

	Quotation			Historical volatility (%)		Implied volatility (%)
	31.12.2021	31.12.2020	Range %	1 month	3 months	
DJ Euro Stoxx 50	4 298	3 553	5,76	24,38	17,81	14,74
PSI 20	5 569	4 898	10,62	13,34	14,68	-
IBEX 35	8 714	8 074	(1,22)	23,88	18,20	-
DAX	15 885	13 719	2,28	21,77	16,10	13,76
S&P 500	4 766	3 756	10,91	18,23	13,84	12,53
BOVESPA	104 822	119 017	(17,33)	21,59	23,76	24,48

Cash and cash equivalents and Loans and advances to banks

The statement of financial position value of these financial instruments is considered a reasonable assumption of the corresponding fair-value due to their associated short timeframe.

Loans and advances to customers

The fair-value of loans and advances to customers is estimated based on the update of expected cash flows and interest, by taking into account market spreads for similar transactions (if they were entered into in the current moment) considering that the instalments are paid in compliance with the deadlines contractually agreed upon.

Resources of other credit institutions

The balance-sheet value of these financial instruments is considered a reasonable assumption of the corresponding fair-value due to their associated short timeframe.

Resources of customers

The fair-value of these financial instruments is determined based on the update of expected cash flows in capital and interest, considering that the payments are in compliance with the deadlines agreed upon contract. Considering that the applicable interest rates are of variable nature and the maturity period of the deposits is substantially inferior to one year, there are no measurable differences in fair-value.

Debt securities issued and Subordinated Liabilities

The fair-value of these instruments is based in market prices, when available. When unavailable, the fair-value it is estimated based on the update of expected cash flows in capital and interest regarding these instruments in the future.

NOTE 39 – RISK MANAGEMENT

As an independent control function, the Risk Management Department, being actively involved in all material decisions and aligned with parent guidelines and practices, aims to enable the Bank to make informed decisions and ensure that the risk policies approved by the Board of Directors are duly implemented and followed.

Credit Risk

The Credit Risk results from the possibility of financial losses arising from the default of the customer or counterparty in relation to the contractual financial obligations established with the Group in the scope of its credit activity. Credit risk is mainly present in traditional banking products - loans, guarantees and other contingent liabilities - and in derivative products - swaps, forwards and options (counterparty risk).

The Group's credit portfolios are permanently monitored, with interaction between the business teams and risk management throughout the sequential stages of the credit cycle.

The monitoring of the Group's credit risk profile is regularly monitored, namely, in what concerns the evolution of credit exposure, delinquency ratios and provisioning, and concentration metrics.

The Group also controls the approved credit limits and assures the proper functioning of mechanisms related with the credit approval process.

Calculation of ECL

The IFRS 9 standard outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition. According to Haitong Bank Group model, Expected Credit Loss (ECL) is determined as per the detailed information included in chapter 2.4.1., Impairment of Financial Assets and Financial Model:

- **Stage 1 – Performing**: Impairment assessment is carried out based 12-month expected credit loss (ECL). ECL is determined as the exposure as of the reference date multiplied by the 12-month probability of default and the loss given default;
- **Stage 2 – Under Performing**: Impairment assessment will reflect the ECL resulting from default events that may occur over the expected residual life of the instrument;
- **Stage 3 – Non Performing**: Impairment assessment will reflect the ECL over the expected residual life of the instrument.

Inputs in the measurement of ECL

As a result of the characteristics of the Group'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 PD's from S&P, whereas the rating assigning process is performed internally based on the S&P methodology. This assures 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).

Forward-Looking Information

The Group maintained a simplified approach in what regards the incorporation of forward-looking information (the "forward-looking exercise"), namely to anticipate the recognition of expected credit losses, grounded to the characteristics and size of the Group, and based on a principle of proportionality.

Within the scope of the forward-looking exercise, the Group adjusted the through-the-cycle probabilities of default ("TTC PD's"), incorporating prospective macroeconomic information, and generated "point-in-time" probabilities of default ("PiT PD's"), which are more precise and adequate to a point in time. The TTC PD's are the default probabilities provided by S&P, having the Group developed a methodology to estimate PiT PD's, based on the Scalar Factor concept, i.e., a coefficient that enables the conversion of TTC PD's into PiT PD's.

The Group's forward-looking exercise applies to the collective impairment model and also covers exposures with a significant increase in credit risk, i.e, classified in Stage 2, namely whenever economic projections are available.

The forward-looking exercise relied on a multiple-scenario approach incorporating different economic conditions and their likelihoods. The multiple scenarios cover the period between 2021 and 2023. The scenarios were mainly determined with reference to external forecasts from Bank of Portugal, regularly published in its Economic Bulletins, which are representative of the Bank's view of future Portuguese economic conditions for the calculation of allowance of credit losses, and which ensure the alignment and consistency of the model with the Regulator's macroeconomic predictions.

The annual update of the forward-looking exercise had no impact on impairment losses as of December 2021, considering that, for conservative reasons, the Group decided to keep unchanged the forward-looking adjustments in force.

Haitong Bank also carried out a sensitivity analysis, based on the impact assessment of a 10% variation in external parameters considered in the collective model for the calculation of expected credit losses (PD's and LGD's). Finally, a 10% shock was applied to the PiT PD and the LGD parameters, verifying that the impact on expected credit losses would result in an increase of around 512 thousand euros and 930 thousand euros, respectively.

The financial instruments subject to standard IFRS 9 impairment requirements are presented below, detailed by stage, as of December 31st, 2021 and December 31st, 2020.

(thousand euros)

Asset Type	31.12.2021										
	Stage 1				Total Stage 1	Stage 2			Total Stage 2	Stage 3	Total Stage 3
	Low to Fair risk [aaa+;a-]	Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Not rated		Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Not rated		Impaired [d]	
Loans and advances to customers	12 370	504 395	-	33 532	550 297	68 753	-	-	68 753	13 181	13 181
Guarantees	-	114 002	-	-	114 002	-	13 746	-	13 746	5 644	5 644
Debt Securities	43 008	747 491	-	3 609	794 108	-	-	-	-	4 296	4 296
Loans and advances to banks	43 683	3 478	-	4 216	51 377	-	-	3 561	3 561	-	-
Cash and cash equivalents	482 293	6 220	-	23	488 536	-	-	-	-	-	-
Debtors and other assets	-	818	913	14 819	16 550	-	-	-	-	9 949	9 949
Total	**581 354**	**1 376 404**	**913**	**56 199**	**2 014 870**	**68 753**	**13 746**	**3 561**	**86 060**	**33 070**	**33 070**

(thousand euros)

Asset Type	31.12.2020									
	Stage 1				Total Stage 1	Stage 2		Total Stage 2	Stage 3	Total Stage 3
	Low to Fair risk [aaa+;a-]	Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Not rated		Monitoring [bbb+;b-]	Substandard [ccc+;ccc]		Impaired [d]	
Loans and advances to customers	2 083	279 447	-	11 684	293 214	130 811	-	130 811	8 005	8 005
Guarantees	-	100 932	-	8 449	109 381	-	15 076	15 076	18 311	18 311
Debt Securities	29 477	564 504	-	3 455	597 436	-	-	-	40 727	40 727
Loans and advances to banks	-	112 409	-	-	112 409	-	3 251	3 251	-	-
Cash and cash equivalents	487 947	6 931	-	-	494 878	-	-	-	-	-
Debtors and other assets	7	934	5 084	18 338	24 363	-	-	-	10 566	10 566
Total	**519 514**	**1 065 157**	**5 084**	**41 926**	**1 631 681**	**130 811**	**18 327**	**149 138**	**77 609**	**77 609**

As of December 31, 2021, the majority of non-rated exposures (59.4%) relates to buy-sell backs transactions with sovereign debt serving as underlying.

As of December 31, 2021, the maximum exposure to credit risk of financial assets not subject to impairment requirements amounts to 458 million euros, corresponding to exposures to Central banks.

The table below compiles all financial instruments at amortized cost by industry, stage and days of delay as December 31, 2021 and December 31, 2020.

(thousand euros)

Financial instruments at amortized cost (including financial guarantees) by industry, stage and past due status	31.12.2021									
	Stage 1				Stage 2		Stage 3			
	No overdue		More than 181 days		No overdue		No overdue		More than 181 days	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Agribusiness & Commodity Foods	39 890	344	-	-	5 419	260	-	-	-	-
Agricultural Cooperatives	8 146	19	-	-	-	-	-	-	-	-
Automobiles & Components	11 610	21	-	-	-	-	-	-	-	-
Banks	561 205	98	1 661	1 661	3 561	879	-	-	-	-
Broker Dealers	545	-	-	-	-	-	-	-	-	-
Building Materials	12 533	38	192	192	-	-	12	12	-	-
Capital Goods	23 028	34	40	40	-	-	-	-	-	-
Chemicals	23 574	634	-	-	-	-	-	-	-	-
Commercial & Professional Services	40 047	321	86	86	-	-	5 567	670	-	-
Construction & Engineering	127 272	528	407	407	-	-	902	210	5 489	2 190
Consumer Durables & Apparel	4 799	25	-	-	-	-	-	-	-	-
Containers & Packaging	4 759	54	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	4 228	79	-	-	-	-	-	-	-	-
Funds & Asset Managers	33 389	-	-	-	-	-	-	-	-	-
Governments	277 181	263	214	214	-	-	-	-	-	-
Health Care	51 206	180	-	-	-	-	-	-	-	-
Hotels & Gaming	-	-	-	-	-	-	-	-	2 127	2 127
Household & Personal Products	38	5	-	-	-	-	-	-	-	-
Investment Holdings	25	-	-	-	-	-	-	-	-	-
Media & Entertainment	-	-	94	94	-	-	-	-	-	-
Metals & Mining	13 930	15	-	-	-	-	-	-	-	-
Non Bank Financial Institutions	26 558	36	-	-	-	-	2 728	-	-	-
Oil & Gas	13 874	58	-	-	-	-	-	-	-	-
Paper & Forest Products	26 297	222	60	60	-	-	-	-	-	-
Power	111 350	416	57	57	29 582	2 587	-	-	-	-
Real Estate	126 248	1 005	166	166	3 751	345	-	-	-	-
Retailing	27 231	213	-	-	-	-	-	-	-	-
Telecoms	67 614	220	-	-	13 746	84	-	-	-	-
Transportation	6 597	50	-	-	1 635	122	-	-	-	-
Transportation Infrastructure	90 653	79	-	-	28 366	764	2 036	781	9 891	2 861
Water Utilities	11 439	102	-	-	-	-	-	-	-	-
Others	3 321	887	3 181	3 181	-	-	-	-	-	-
Total	**1 748 587**	**5 946**	**6 158**	**6 158**	**86 060**	**5 041**	**11 245**	**1 673**	**17 507**	**7 178**

(thousand euros)

Financial instruments at amortized cost (including financial guarantees) by industry, stage and past due status	31.12.2020									
	Stage 1				Stage 2		Stage 3			
	No overdue		More than 181 days		No overdue		No overdue		More than 181 days	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Agribusiness & Commodity Foods	18 211	94	-	-	4 996	307	-	-	190	180
Automobiles & Components	11 458	21	-	-	-	-	-	-	-	-
Banks	646 982	282	1 589	1 589	3 251	488	-	-	-	-
Building Materials	20 970	223	192	192	-	-	12	12	-	-
Capital Goods	31 344	61	40	40	-	-	-	-	-	-
Chemicals	576	576	-	-	-	-	-	-	-	-
Commercial & Professional Services	11 260	225	86	86	-	-	4 282	1 071	-	-
Construction & Engineering	86 503	438	407	407	9 420	187	1 192	281	1 564	1 545
Consumer Durables & Apparel	3 146	32	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	404	38	-	-	-	-	-	-	-	-
Funds & Asset Managers	10 856	1	-	-	-	-	-	-	-	-
Governments	220 107	177	214	214	-	-	-	-	-	-
Health Care	5 327	28	-	-	-	-	-	-	-	-
Hotels & Gaming	50	-	-	-	-	-	-	-	2 127	1 156
Household & Personal Products	13	3	-	-	-	-	-	-	-	-
Investment Holdings	25	-	-	-	-	-	-	-	-	-
Media & Entertainment	7	3	94	94	-	-	-	-	-	-
Metals & Mining	13 684	15	-	-	57 931	2 295	-	-	-	-
Non Bank Financial Institutions	24 845	40	-	-	-	-	15 099	10 824	-	-
Oil & Gas	13 326	54	-	-	-	-	-	-	-	-
Paper & Forest Products	25 469	202	60	60	-	-	-	-	-	-
Power	89 121	627	57	57	26 923	2 351	-	-	-	-
Real Estate	65 182	439	166	166	3 751	322	-	-	-	-
Retailing	13 801	17	-	-	-	-	-	-	-	-
Software	20	10	-	-	-	-	-	-	-	-
Technology Hardware & Equipment	-	-	-	-	-	-	27 267	9 726	-	-
Telecoms	34 804	156	-	-	15 076	82	-	-	-	-
Transportation	36 977	118	-	-	1 621	120	-	-	-	-
Transportation Infrastructure	74 848	316	-	-	26 169	588	2 100	806	10 316	1 640
Water Utilities	3 486	19	-	-	-	-	-	-	-	-
Others	10 486	821	3 113	3 113	-	-	-	-	-	-
Total	**1 473 288**	**5 036**	**6 018**	**6 018**	**149 138**	**6 740**	**49 952**	**22 720**	**14 197**	**4 521**

In the following section is presented the gross exposure by asset type, impairment stage and internal rating bucket.

Loans and advances to costumers

The table below presents a summary of the portfolio of loans and advances to costumers of Haitong Bank Group, as of December 31st, 2021 and December 31st, 2020:

(thousand euros)

Loans and advances to customers		31.12.2021 Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	12 370	-	-	-	**12 370**
Monitoring	[bbb+;b-]	504 395	68 753	-	-	**573 148**
Impaired	[d]	-	-	10 960	2 199	**13 159**
Not rated		33 532	-	-	-	**33532**
Gross carrying amount		**550 297**	**68 753**	**10 960**	**2 199**	632 209
Impairment (Note 31)		2 373	4 078	5 470	47	**11 968**
Carrying amount		**547 924**	**64 675**	**5 490**	**2 152**	620 241
Fair Value Trough Profit and Loss						
Impaired	[d]	-	-	76	-	**76**
Gross carrying amount		**-**	**-**	**76**	**-**	**76**
Revaluation		-	-	(54)	-	**(54)**
Carrying amount		**-**	**-**	**22**	**-**	**22**
Total gross carrying amount		**550 297**	**68 753**	**11 036**	**2 199**	**632 285**
Loss allowance		2 373	4 078	5 470	**47**	11 968
Revaluation		-	-	(54)	-	(54)
Total Carrying amount		**547 924**	**64 675**	**5 512**	**2 152**	**620 263**

(thousand euros)

Loans and advances to customers		31.12.2020 Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	2 083	-	-	-	**2 083**
Monitoring	[bbb+;b-]	279 447	130 811	-	-	**410 258**
Impaired	[d]	-	-	8 005	-	**8 005**
Not rated		11 684	-	-	-	**11684**
Gross carrying amount		**293 214**	**130 811**	**8 005**	**-**	**432 030**
Impairment (Note 31)		1 697	6 169	4 124	-	**11 990**
Carrying amount		**291 517**	**124 642**	**3 881**	**-**	**420 040**
Total gross carrying amount		**293 214**	**130 811**	**8 005**	**-**	**432 030**
Loss allowance		1 697	6 169	4 124	**-**	11 990
Total Carrying amount		**291 517**	**124 642**	**3 881**	**-**	**420 040**

Guarantees

The table below presents a summary of the portfolio of guarantees granted to clients of Haitong Bank Group, as of 31st of December 2021 and 2020:

(thousand euros)

Guarantees		31.12.2021 Stage 1	Stage 2	Stage 3	POCI	Total
Monitoring	[bbb+;b-]	114 002	-	-	-	**114 002**
Substandard	[ccc+;ccc]	-	13 746	-	-	**13 746**
Impaired	[d]	-	-	5 644	-	**5 644**
Total gross carrying amount		**114 002**	**13 746**	**5 644**	**-**	**133 392**
Impairment (Note 31)		96	84	415	-	**595**
Total Carrying amount		**113 906**	**13 662**	**5 229**	**-**	**132 797**

(thousand euros)

Guarantees		31.12.2020 Stage 1	Stage 2	Stage 3	POCI	Total
Monitoring	[bbb+;b-]	100 932	-	-	-	**100 932**
Substandard	[ccc+;ccc]	-	15 076	-	-	**15 076**
Impaired	[d]	-	-	18 311	-	**18 311**
Not rated		8 449	-	-	-	**8 449**
Total gross carrying amount		**109 381**	**15 076**	**18 311**	**-**	**142 768**
Impairment (Note 31)		387	82	11 513	-	**11 982**
Total Carrying amount		**108 994**	**14 994**	**6 798**	**-**	**130 786**

Debt securities

The table below presents a summary of the portfolio of debt securities at amortized cost and at fair value through other comprehensive income of Haitong Bank Group, as of December 31, 2021 and 2020:

(thousand euros

FVOCI and Amortised cost debt Securities		31.12.2021 Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	9 507	-	-	-	**9 507**
Monitoring	[bbb+;b-]	524 476	-	-	-	**524 476**
Gross carrying amount		**533 983**	**-**	**-**	**-**	**533 983**
Imparidade (Note 31)		1 210	-	-	-	**1 210**
Carrying amount		**532 773**	**-**	**-**	**-**	**532 773**
Fair Value through Other Comprehensive Income						
Low to fair risk	[aaa+;a-]	33 501	-	-	-	**33 501**
Monitoring	[bbb+;b-]	223 015	-	-	-	**223 015**
Impaired	[d]	-	-	-	4 296	**4 296**
Not rated		3 609	-	-	-	**3 609**
Gross carrying amount		**260 125**	**-**	**-**	**4 296**	**264 421**
Imparidade (Note 31)		800	-	-	37	**837**
Revaluation		(3 815)	-	-	-	**(3 815)**
Carrying amount		**255 510**	**-**	**-**	**4 259**	**259 769**
Total gross carrying amount		**794 108**	**-**	**-**	**4 296**	**798 404**
Loss allowance		2 010	-	-	37	2 047
Revaluation		(3 815)	-	-	-	(3 815)
Total Carrying amount		**788 283**	**-**	**-**	**4 259**	**792 542**

(thousand euros)

FVOCI and Amortised cost debt Securities		31.12.2020 Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	7 089	-	-	-	**7 089**
Monitoring	[bbb+;b-]	436 167	-	-	-	**436 167**
Impaired	[d]	-	-	27 267	-	**27 267**
Not rated		1 805	-	-	-	**1 805**
Gross carrying amount		**445 061**	**-**	**27 267**	**-**	**472 328**
Impairment (Note 31)		1 149	-	9 726	-	**10 875**
Carrying amount		**443 912**	**-**	**17 541**	**-**	**461 453**
Fair Value through Other Comprehensive Income						
Low to fair risk		22 388	-	-	-	**22 388**
Monitoring	[bbb+;b-]	128 337	-	-	-	**128 337**
Impaired	[d]	-	-	7 978	5 482	**13 460**
Not rated		1 650	-	-	-	**1 650**
Gross carrying amount		**152 375**	**-**	**7 978**	**5 482**	**165 835**
Impairment (Note 31)		604	-	2 846	157	**3 607**
Revaluation		1 489	-	(2 961)	-	**(1 472)**
Carrying amount		**153 260**	**-**	**2 171**	**5 325**	**160 756**
Total gross carrying amount		**597 436**	**-**	**35 245**	**5 482**	**638 163**
Loss allowance		1 753	-	12 572	157	14 482
Revaluation		1 489	-	(2 961)	-	(1 472)
Total Carrying amount		**597 172**	**-**	**19 712**	**5 325**	**622 209**

Cash equivalents

The table below presents a summary of the cash equivalents portfolio of Haitong Bank Group, as of as of 31st December 2021 and 2020:

(thousand euros)

Cash equivalents		31.12.2021 Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	482 293	-	-	-	**482 293**
Monitoring	[bbb+;b-]	6 220	-	-	-	**6 220**
Not rated		23	-	-	-	**23**
Total gross carrying amount		**488 536**	**-**	**-**	**-**	**488 536**
Impairment (Note 31)		1	-	-	-	**1**
Total Carrying amount		**488 535**	**-**	**-**	**-**	**488 535**

(thousand euros)

Cash equivalents		31.12.2020 Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	487 947	-	-	-	**487 947**
Monitoring	[bbb+;b-]	6 931	-	-	-	**6 931**
Total gross carrying amount		**494 878**	**-**	**-**	**-**	**494 878**
Total Carrying amount		**494 878**	**-**	**-**	**-**	**494 878**

Loans and advances to banks

The table below presents a summary of the portfolio of loans and advances to banks of Haitong Bank Group, as of 31st December 2021 and 2020:

(thousand euros)

Loans and advances to Banks		31.12.2021 Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	43 683	-	-	-	43 683
Monitoring	[bbb+;b-]	3 478	-	-	-	3 478
Not rated		4 216	3 561	-	-	**7 777**
Total gross carrying amount		**51 377**	**3 561**	**-**	**-**	**54 938**
Impairment (Note 31)		37	879	-	-	**916**
Total Carrying amount		**51 340**	**2 682**	**-**	**-**	**54 022**

(thousand euros)

Loans and advances to Banks		31.12.2020 Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Monitoring	[bbb+;b-]	112 409	-	-	-	**112 409**
Substandard	[ccc+;ccc]	-	3 251	-	-	**3 251**
Total gross carrying amount		**112 409**	**3 251**	**-**	**-**	**115 660**
Impairment (Note 31)		11	489	-	-	**500**
Total Carrying amount		**112 398**	**2 762**	**-**	**-**	**115 160**

Debtors and other assets

The table below presents a summary of the portfolio of debtors and other assets portfolio of Haitong Bank Group, as of 31st December 2021 and 2020:

(thousand euros)

Debtors and other assets		31.12.2021 Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Monitoring	[bbb+;b-]	818	-	-	-	**818**
Substandard	[ccc+;ccc]	913	-	-	-	**913**
Impaired	[d]	-	-	58	9 891	**9 949**
Not rated		14 819	-	-	-	**14 819**
Total gross carrying amount		**16 550**	**-**	**58**	**9 891**	**26 499**
Impairment (Note 31)		8 387	-	58	2 861	**11 306**
Total Carrying amount		**8 163**	**-**	**-**	**7 030**	**15 193**

(thousand euros)

Debtors and other assets		31.12.2020 Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	7	-	-	-	7
Monitoring	[bbb+;b-]	934	-	-	-	**934**
Substandard	[ccc+;ccc]	5 084	-	-	-	**5 084**
Impaired	[d]	-	-	248	10 318	**10 566**
Not rated		18 338	-	-	-	**18 338**
Total gross carrying amount		**24 363**	**-**	**248**	**10 318**	**34 929**
Impairment (Note 31)		7 810	-	238	1 640	**9 688**
Total Carrying amount		**16 553**	**-**	**10**	**8 678**	**25 241**

Throughout 2021, no financial assets have been transferred from Stage 2 to Stage 1 (lifetime expected credit losses to 12 month expected credit losses).

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 the pricing.

The main risk mitigation techniques used by the Group are financial pledges (funded credit protection – financial collateral in the form of securities and cash) and personal guarantees (unfunded credit protection with substitution effect).

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

Frequency and methods of collateral valuation depends on the nature of the collateral. For listed equity securities and debt securities, valuation occurs on a daily basis using market prices.

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

Regarding pledges over non listed equity securities, pledges over equipment and mortgages valuation, it is done at least on an annual basis and it is based on financial information of the borrower or on valuation reports of external entities (e.g.: real estate).

As of December 31st, 2021, the amount of financial instruments with no losses identified, due to credit risk's mitigation techniques (i.e. whenever the exposure at default net of collateral is equal to zero), was 10,106 thousand euros, accounted under loans and advances to customers and guarantees.

The table below disaggregates the financial instrument and financial guarantees' gross exposure, and exposure at default (EAD) separately for each stage and POCI.

(thousand euros)

Rating bucket		31.12.2021 Stage 1 Gross Exposure	Stage 1 EAD	Stage 2 Gross Exposure	Stage 2 EAD	Stage 3 Gross Exposure	Stage 3 EAD	POCI Gross Exposure	POCI EAD
Low to fair risk	[aaa+;a-]	581 354	580 919	-	-	-	-	-	-
Monitoring	[bbb+;b-]	1 376 403	1 260 064	68 753	65 510	-	-	-	-
Substandard	[ccc+;ccc]	913	914	13 746	6 873	-	-	-	-
Impaired	[d]	-	-	-	-	16 684	15 855	16 386	16 386
Not rated		56 200	19 703	3 561	3 561	-	-	-	-
Total		**2 014 870**	**1 861 600**	**86 060**	**75 944**	**16 684**	**15 855**	**16 386**	**16 386**

(thousand euros)

Rating bucket		31.12.2020 Stage 1 Gross Exposure	Stage 1 EAD	Stage 2 Gross Exposure	Stage 2 EAD	Stage 3 Gross Exposure	Stage 3 EAD	POCI Gross Exposure	POCI EAD
Low to fair risk	[aaa+;a-]	519 514	519 515	-	-	-	-	-	-
Monitoring	[bbb+;b-]	1 065 156	847 991	130 811	128 070	-	-	-	-
Substandard	[ccc+;ccc]	5 084	5 085	18 327	10 789	-	-	-	-
Impaired	[d]	-	-	-	-	61 809	59 222	15 800	15 800
Not rated		41 927	22 990	-	-	-	-	-	-
Total		**1 631 681**	**1 395 581**	**149 138**	**138 859**	**61 809**	**59 222**	**15 800**	**15 800**

Breakdown of Non-Performing and Forborne Exposures

In accordance with the definitions set out in Annex V to Commission Implementing Regulation (EU) 2018/1627 of 8 October 2018, amending Implementing Regulation (EU) No 680/2014 as regards prudent valuation for supervisory reporting, the Group discloses the non-performing exposures and the forborne exposures.

The definitions of non-performing and forborne exposures are provided under section 2.4.1.

In this sense, as at December 31, 2021 and December 31, 2020, the breakdown of performing and non-performing exposures was as follows:

	31.12.2021 Gross amount	31.12.2021 Impairment, Negative revaluations and Provisions	31.12.2021 Coverage	31.12.2020 Gross amount	31.12.2020 Impairment, Negative revaluations and Provisions	31.12.2020 Coverage
Performing exposures	**2 258 827**	**9 866**	**0,4%**	**1 805 738**	**10 603**	**0,6%**
Non-Performing exposures (NPE)	**23 436**	**6 103**	**26,0%**	**64 581**	**28 512**	**44,1%**
Banking Book Debt Securities	4 296	37	0,9%	37 767	12 729	33,7%
Loans and advances to customers	13 235	5 571	42,1%	8 005	4 124	51,5%
Guarantees	5 644	415	7,4%	18 311	11 513	62,9%
Loan commitments	261	80	30,7%	498	146	29,3%
Total	**2 282 263**	**15 969**	**0,7%**	**1 870 319**	**39 115**	**2,1%**
NPE ratio	**1,0%**			**3,5%**		
NPL ratio	**2,1%**			**1,9%**		

As at December 31, 2021 and 2020, the breakdown of performing and non-performing forborne exposures was as follows:

	31.12.2021 Gross amount	31.12.2021 Impairment, Negative revaluations and Provisions	31.12.2021 Coverage	31.12.2020 Gross amount	31.12.2020 Impairment, Negative revaluations and Provisions	31.12.2020 Coverage
Performing exposures	**2 214 231**	**6 165**	**0,3%**	**1 702 717**	**5 140**	**0,3%**
Performing Forborne exposures	**44 596**	**3 701**	**8,3%**	**103 021**	**5 463**	**5,3%**
Loans and advances to customers	44 596	3 701	8,3%	103 021	5 463	5,3%
Non-Performing Forborne exposures	**16 850**	**5 134**	**30,5%**	**13 985**	**4 426**	**31,6%**
Banking Book Debt Securities	4 296	37	0,9%	5 482	156	2,8%
Loans and advances to customers	12 293	5 017	40,8%	8 005	4 124	51,5%
Loan commitments	261	80	30,7%	498	146	29,3%
Non-Performing exposures	**6 586**	**969**	**14,7%**	**50 596**	**24 086**	**47,6%**
Total	**2 282 263**	**15 969**	**0,7%**	**1 870 319**	**39 115**	**2,1%**

Concentration risk

Concerning the concentration risk - that is, the risk arising from the possibility of exposure or from a group of exposures sharing common or interrelated risk factors that produce losses large enough to affect the Group's solvency - Haitong Bank has internal limits established for the largest single-name exposures. Regular monitoring of these limits, together with regulatory limits, strengthens the Group's monitoring framework for the concentration of credit risk.

The breakdown of loans and advances to costumers, financial assets held for trading and securities, by sector of activity, for the end of December 31st, 2021 and December 31st, 2020, is as follows:

(thousand euros)

	31.12.2021								
	Loans and advances to customers					Financial assets held-for-trading		Securities	
	Gross amount		Impairment		Revaluation				
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans	Overdue loans	Securities	Derivative financial assets	Gross amount	Impairment
Agribusiness & Commodity Foods	24 290	-	508	-	-	-	5 156	21 019	96
Agricultural Cooperatives	8 146	-	19	-	-	-	522	-	-
Automobiles & Components	-	-	-	-	-	181	-	20 286	43
Banks	-	-	-	-	-	8 527	15 093	73 080	114
Broker Dealers	-	-	-	-	-	-	285	-	-
Building Materials	12 532	-	38	-	-	-	-	-	-
Capital Goods	10 453	-	11	-	-	169	-	16 088	58
Chemicals	14 954	-	46	-	-	1 016	8 045	8 038	6
Commercial & Professional Services	42 449	-	720	-	-	3 196	-	1 512	4
Construction & Engineering	20 519	2 372	338	1 985	54	1 508	-	29 534	262
Consumer Durables & Apparel	-	-	-	-	-	-	-	3 201	17
Containers & Packaging	4 759	-	54	-	-	-	-	-	-
Food, Beverage & Tobacco	4 228	-	79	-	-	863	5 039	6 596	4
Funds & Asset Managers	33 389	-	-	-	-	-	-	12 513	-
Governments	1 593	-	-	-	-	312 156	-	320 489	485
Health Care	45 913	-	152	-	-	851	-	23 300	115
Hotels & Gaming	-	2 127	-	2 127	-	405	-	17 444	32
Media & Entertainment	-	-	-	-	-	-	3	-	-
Metals & Mining	-	-	-	-	-	2 017	4 085	9 707	15
Non Bank Financial Institutions	-	-	-	-	-	558	3 590	50 142	70
Oil & Gas	-	-	-	-	-	177	1 739	13 874	57
Paper & Forest Products	18 331	-	202	-	-	-	270	19 745	55
Power	116 902	-	2 954	-	-	513	3 089	36 191	87
Real Estate	69 597	-	556	-	-	-	-	82 782	308
Retailing	19 986	-	200	-	-	3 005	-	7 245	13
Software	-	-	-	-	-	-	-	8	-
Telecoms	50 406	-	181	-	-	1 683	52	26 855	62
Transportation	8 232	-	173	-	-	974	-	4 068	33
Transportation Infrastructure	120 963	-	1 624	-	-	202	42 946	-	-
Water Utilities	-	-	-	-	-	-	-	10 649	111
Others	144	-	1	-	-	8 039	-	-	-
TOTAL	**627 786**	**4 499**	**7 856**	**4 112**	**54**	**346 040**	**89 914**	**814 366**	**2 047**

(thousand euros)

	31.12.2020								
	Loans and advances to customers					Financial assets held-for-trading		Securities	
	Gross amount		Impairment		Revaluation	Securities	Derivative financial assets	Gross amount	Impairment
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans	Overdue loans				
Agribusiness & Commodity Foods	13 791	-	352	-	-	-	1 908	9 416	49
Automobiles & Components	-	-	-	-	-	1 760	1 857	13 225	30
Banks	-	-	-	-	-	3 311	21 532	23 937	32
Broker Dealers	-	-	-	-	-	-	2 041	-	-
Building Materials	12 464	-	64	-	-	-	-	8 506	158
Capital Goods	11 804	-	25	-	-	216	-	16 549	187
Chemicals	-	-	-	-	-	223	368	-	-
Commercial & Professional Service:	11 814	-	712	-	-	-	-	1 420	2
Construction & Engineering	32 254	1 519	311	1 499	-	2 163	-	21 754	221
Consumer Durables & Apparel	-	-	-	-	-	-	-	3 145	32
Food, Beverage & Tobacco	404	-	38	-	-	358	8 983	-	-
Funds & Asset Managers	10 856	-	1	-	-	-	-	9 354	-
Governments	2 083	-	1	-	-	603 870	-	236 595	269
Health Care	-	-	-	-	-	203	-	20 891	107
Hotels & Gaming	-	2 127	-	1 156	-	-	-	17 492	32
Insurance	-	-	-	-	-	923	-	-	-
Media & Entertainment	-	-	-	-	-	514	-	-	-
Metals & Mining	57 931	-	2 295	-	-	-	-	8 912	11
Non Bank Financial Institutions	-	-	-	-	-	1 865	6 278	24 811	40
Oil & Gas	-	-	-	-	-	622	3 967	13 326	55
Paper & Forest Products	22 647	-	198	-	-	4 464	214	2 795	3
Power	94 625	-	2 794	-	-	1 234	4 614	19 279	114
Real Estate	13 114	-	491	-	-	395	86	79 042	391
Retailing	-	-	-	-	-	2 030	-	18 852	23
Software	-	-	-	-	-	-	-	9	-
Technology Hardware & Equipment	-	-	-	-	-	-	-	32 285	12 572
Telecoms	27 814	-	143	-	-	1 745	67	6 960	13
Transportation	13 422	-	208	-	-	633	33 594	54 079	108
Transportation Infrastructure	102 937	-	1 699	-	-	528	57 553	-	-
Water Utilities	-	-	-	-	-	-	-	6 256	33
Others	424	-	3	-	-	-	-	23 098	-
TOTAL	**428 384**	**3 646**	**9 335**	**2 655**	**-**	**627 057**	**143 062**	**671 988**	**14 482**

The breakdown of loans and advances to costumers, financial assets held for trading and securities, by country risk, for the years ended 31st December 2021 and 31st December 2020, is as follows:

(thousand euros)

Country	31.12.2021								
	Loans and advances to customers					Financial assets held-for-trading		Securities	
	Gross amount		Impairment		Revaluation	Securities	Derivative financial assets	Gross amount	Impairment
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans	Overdue loans				
Belgium	-	-	-	-	-	-	53	-	-
Bermuda	-	-	-	-	-	668	-	-	-
Brazil	119 416	866	4 989	501	-	309 582	16 728	102 449	529
Bulgaria	-	-	-	-	-	-	-	11 559	21
China	-	-	-	-	-	5 060	-	139 632	483
Cyprus	-	-	-	-	-	-	-	9 344	11
Czech republic	-	-	-	-	-	-	-	1 950	1
Finland	-	-	-	-	-	-	-	2 761	3
France	-	-	-	-	-	2 017	424	21 614	32
Germany	5 844	-	30	-	-	1 824	6 177	17 701	18
Greece	-	-	-	-	-	-	-	17 884	55
Hong kong	-	-	-	-	-	3 196	-	1 915	1
Hungary	-	-	-	-	-	-	-	10 566	8
Ireland	-	-	-	-	-	-	3 568	-	-
Italy	-	-	-	-	-	3 915	-	132 202	137
Japan	-	-	-	-	-	573	-	-	-
Luxembourg	30 481	-	61	-	-	-	-	21 353	12
Netherlands	-	-	-	-	-	1 566	-	10 287	19
Poland	75 773	1 506	88	1 484	54	778	-	54 207	225
Portugal	240 199	2 127	1 641	2 127	-	3 460	53 102	196 203	400
Romania	-	-	-	-	-	-	-	24 118	29
Singapore	-	-	-	-	-	863	-	-	-
Spain	101 802	-	872	-	-	6 314	8 765	10 898	18
Sweden	-	-	-	-	-	39	-	7 834	14
Switzerland	-	-	-	-	-	503	-	-	-
United Kingdom	54 127	-	174	-	-	3 409	1 025	14 713	29
United States	-	-	-	-	-	558	72	-	-
Virgin islands (british)	-	-	-	-	-	1 715	-	5 176	2
Others	144	-	1	-	-	-	-	-	-
TOTAL	**627 786**	**4 499**	**7 856**	**4 112**	**54**	**346 040**	**89 914**	**814 366**	**2 047**

(thousand euros)

Country	31.12.2020								
	Loans and advances to customers					Financial assets held-for-trading		Securities	
	Gross amount		Impairment		Revaluation				
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans	Overdue loans	Securities	Derivative financial assets	Gross amount	Impairment
Andorra	-	-	-	-	-	-	112	-	-
Brazil	118 857	-	4 393	-	-	599 424	3 979	79 376	583
Bulgaria	-	-	-	-	-	-	-	1 435	4
China	-	-	-	-	-	223	-	119 226	12 850
Cyprus	-	-	-	-	-	-	-	9 449	12
Finland	-	-	-	-	-	-	-	2 795	3
France	-	-	-	-	-	508	4 097	17 929	28
Germany	57 931	-	2 295	-	-	217	3 877	5 051	6
Hong kong	-	-	-	-	-	-	-	1 805	19
Ireland	-	-	-	-	-	-	6 278	-	-
Italy	-	-	-	-	-	925	-	101 451	90
Luxembourg	-	-	-	-	-	395	-	29 906	11
Netherlands	-	-	-	-	-	101	-	-	-
Poland	21 848	1 519	57	1 499	-	8 995	214	49 238	250
Portugal	141 447	2 127	1 406	1 156	-	8 431	102 854	219 507	580
Romania	-	-	-	-	-	-	-	8 060	10
Spain	87 877	-	1 181	-	-	6 016	14 495	3 642	4
Sweden	-	-	-	-	-	-	-	7 884	14
Switzerland	-	-	-	-	-	358	-	-	-
United Kingdom	-	-	-	-	-	1 047	7 156	8 146	15
United States	-	-	-	-	-	417	-	-	-
Virgin islands (british)	-	-	-	-	-	-	-	7 088	3
Others	424	-	3	-	-	-	-	-	-
TOTAL	**428 384**	**3 646**	**9 335**	**2 655**	**-**	**627 057**	**143 062**	**671 988**	**14 482**

Market risk

Market risk is the possibility of losses resulting from adverse movements in market prices, such as equity, interest rates, foreign exchange rates and credit spreads.

The Bank estimates the potential losses in its trading book and for the overall commodity and foreign currency positions using the historical Value at Risk (VaR) methodology, calculated considering a 99% confidence level, an investment period of 10 business days and 1 year of historical observation.

(thousand euros)

	31.12.2021				31.12.2020			
	December	Average	Maximum	Minimum	December	Average	Maximum	Minimum
Foreign Exchange Risk	4 747	4 142	13 078	1 393	1 926	3 236	3 995	1 684
Interest Rate Risk	550	812	1 625	187	420	838	1 825	333
Shares	16	12	57	0	23	52	1 895	0
Credit spread	1 269	1 759	2 871	205	2 736	2 131	4 888	771
Covariance	(678)	n.a.	n.a.	n.a.	(262)	-	-	-
Global VaR	**5 905**	**6 551**	**23 325**	**3 836**	**4 842**	**6 129**	**7 580**	**4 052**

The following table presents the average interest rates as well as the average balances and interest for the period, relating to the Group's major financial asset and liability categories, for the periods ended at December 31st 2021 and 2020 as well as the respective average balances and interest of the period:

(thousand euros)

	31.12.2021			31.12.2020		
	Average balance of the period	Interest of the period	Average interest rate	Average balance of the period	Interest of the period	Average interest rate
Monetary assets	536 588	1 080	0,20%	596 585	3 659	0,61%
Loans and advances to customers	352 464	21 143	6,00%	352 464	15 252	4,32%
Investment in securities	815 887	54 544	6,69%	803 180	43 023	5,34%
Collateral accounts	75 675	111	0,15%	211 810	159	0,07%
Financial assets	**1 780 614**	**76 878**	**4,32%**	**1 964 039**	**62 093**	**3,16%**
Monetary resources	688 194	16 359	2,38%	503 855	12 561	2,49%
Resources of customers	1 140 615	27 476	2,41%	1 086 172	18 042	1,66%
Liabilities represented by securities	46 214	2 717	5,88%	92 033	3 696	4,00%
Other resources	26 555	699	2,63%	125 950	1 119	0,89%
Financial liabilities	**1 901 578**	**47 251**	**2,48%**	**1 808 010**	**35 418**	**1,95%**
Financial Result		**29 627**			**26 675**	

As of 31st December 2021 and 2020, the exposure of assets and liabilities by currency in regards to the foreign exchange risk was as follows:

(thousand euros)

	31.12.2021			31.12.2020		
	Spot	Forward	Net Exposure	Spot	Forward	Net Exposure
AUD	14	-	14	14	-	14
BRL	78 800	16 692	95 492	30 434	(11 815)	18 620
CAD	59	-	59	56	-	56
CHF	364	-	364	94	-	94
CNY	12 455	-	12 455	(275)	-	(275)
CZK	-	-	-	24	-	24
DKK	201	-	201	209	-	209
GBP	37 997	(38 193)	(196)	(1 922)	-	(1 922)
HKD	(1 273)	1 386	113	(1 574)	2 189	615
HUF	-	-	-	15	-	15
JPY	79	-	79	92	-	92
MOP	5 171	-	5 171	(4)	-	(4)
MXN	115	-	115	112	-	112
NOK	12	-	12	23	-	23
PLN	87 353	(60 502)	26 851	70 218	(70 083)	135
SEK	89	-	89	97	-	97
TRY	-	-	-	13	-	13
USD	120 423	(118 887)	1 536	150 122	(158 944)	(8 822)
	341 859	**(199 504)**	**142 355**	**247 748**	**(238 653)**	**9 096**

Note: asset (liability) Source: Haitong Bank

The main source of FX risk of Haitong Bank comes from its foreign subsidiary Haitong Banco de Investimento do Brasil S.A. To hedge the risk of the high volatility of the EUR/BRL exchange rate.

As 31st December 2020, the information of net investments, considered by the Group in total or partial hedging strategies on subsidiaries and on hedging instruments used, is the following:

(thousand euros)

		31.12.2020			
	Currency	Net investment Currency	Hedging instruments Currency	Net investment Euros	Hedging instruments Euros
Company					
Haitong Banco de Investimento do Brasil S.A	BRL	482 252	482 252	75 947	75 947

The information on the gains and losses in exchange rates on the derivatives to cover the investments in foreign institutions, accounted for as exchange differences, is presented in the statement of changes in equity. These hedging relationships were considered effective during 2020, as referred in the accounting policy 2.4.2.

Haitong Bank measures interest rate risk in the banking book using both income based (NII: Net Interest Income) and value based (EVE: Economic Value of Equity) metrics.

Under the Economic Value of Equity measure, the Bank assesses the impact on the present value of cash flows due to an interest rate movement, considering the current balance sheet run-off profile.

As of 31st December 2021 and 2020, the Bank maintain similar interest-rate risk sensitive assets and liabilities in the banking book. The repricing profile presented below:

(thousand euros)

	31.12.2021					
	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years	Total
Assets	1 087 523	314 894	204 419	395 630	241 735	2 244 201
Liabilities	(544 947)	(552 222)	(282 264)	(623 420)	(4 036)	(2 006 889)
Gap	**542 576**	**(237 328)**	**(77 845)**	**(227 790)**	**237 699**	**237 312**

(thousand euros)

	31.12.2020					
	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years	Total
Assets	1 524 046	293 177	299 039	393 605	93 813	2 603 680
Liabilities	(1 204 751)	(516 102)	(184 902)	(455 996)	(1 122)	(2 362 873)
Gap	**319 295**	**(222 925)**	**114 137**	**(62 391)**	**92 691**	**240 807**

The impact on the banking book portfolio economic value and earnings-metrics, under several scenarios was as follows:

(thounsand euros)

Scenarios	31.12.2021		31.12.2020	
	Delta EVE	Delta NII	Delta EVE	Delta NII
+200 bps	21 990	(5 317)	14 459	1 158
-200 bps	(2 106)	5 317	4 054	(1 158)
Parallel up	19 577	-	11 917	-
Parallel down	(1 718)	-	3 106	-
Steepener	(7 489)	-	(5 066)	-
Flattener	(6 801)	-	(4 587)	-
Short rates up	22 876	-	14 028	-
Short rates down	(7 509)	-	(2 972)	-
% Total Capital	4.05%	0.98%	2.73%	0.22%
% Tier 1 Capital	4.23%	n.a.	2.65%	n.a.

Source: Haitong Bank

Reference interest rate reforms

Regulation (EU) 2016/1011 of the European Parliament and of the Council (known as the EU Benchmark Regulation or BMR) established a common framework to ensure that benchmark interest rates meet certain requirements that guarantee their reliability and efficiency as well as protect the consumer and investor, which implied a set of reforms, currently underway, of the reference interest rates with different implications for the activities of financial institutions.

The Bank holds fallback provisions in its contracts in accordance with market practice to respond to a discontinuity in rates. As of December 31, 2021, there are no financing contracts whose contract rate is associated with Libor rates that are expected to be discontinued. The Bank holds derivatives whose rates are expected to be discontinued and the respective contractual amendments are being negotiated. The contracts in question are under ISDA contracts.

Hedge accounting

As at 31st of December 2021 and 2020, the table below includes the detail of the hedging and hedged instruments used in the Group's hedging strategies and accounted at the Balance sheet item - Hedging derivatives:

(thousand euros)

	31.12.2021				
	Notional	Book value		Change in fair value (a)	Currency translation reserve
		Assets	Liabilities		
Hedging of net investments in foreign entities					
Hedging instruments					
Foreign exchange risk					
Forward	-	-	-	(698)	(698)
Hedged Itens					
Haitong Banco de Investimento do Brasil S.A	n.a	n.a	n.a	785	785
Total	**-**	**-**	**-**	**87**	**87**

(a) Changes in fair value used to calculate the ineffectiveness of the hedge

(thousand euros)

	31.12.2020				
	Notional	Book value		Change in fair value (a)	Currency translation reserve
		Assets	Liabilities		
Hedging of net investments in foreign entities					
Hedging instruments					
Foreign exchange risk					
Forward	75 665	151	-	28 080	28 079
Hedged Itens					
Haitong Banco de Investimento do Brasil S.A	n.a	n.a	n.a	(29 918)	(29 918)
Total	**75 665**	**151**	**-**	**(1 838)**	**(1 839)**

(a) Changes in fair value used to calculate the ineffectiveness of the hedge

The table below includes information on the effectiveness of hedging relationships, as well as impacts on results and other comprehensive income, with reference to 31st of December 2021 and 2020:

(thousand euros)

	31.12.2021	
	Gains / (Losses) realised in Other comprehensive income	Ineffectiveness recognised in Income statement (a)
Hedging of net investments in foreign entities		
Hedging instruments		
Foreign exchange risk		
Forward	(698)	-

(a) Net gains/(losses) from hedge accounting

(thousand euros)

	31.12.2020	
	Gains / (Losses) realised in Other comprehensive income	Ineffectiveness recognised in Income statement (a)
Hedging of net investments in foreign entities		
Hedging instruments		
Foreign exchange risk		
Forward	28 079	1

(a) Net gains/(losses) from hedge accounting

Liquidity risk

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

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

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

Haitong Bank's liquidity and funding management is under the direct responsibility of the Executive Committee, advised by the Assets and Liabilities Committee (ALCO). Local treasury teams ensure liquidity daily management in each of the Bank's liquidity hubs (Lisbon, S. Paulo and Warsaw), under the global coordination of Hationg Bank's CEO.

The Bank manages its liquidity by establishing a liquidity risk policy, monitoring a set of liquidity risk metrics, including prudential liquidity ratios, stress testing and liquidity contingency plans, and by setting limits consistent with the Bank's liquidity risk appetite and regulatory requirements.

As of 31 December 2021, the Bank held 671 million Euros of High Quality Liquid Assets (738 million Euros in 31 December2020), of which 454 million were available demand deposits in Central Banks (459 million Euros in 31 December 2020). The remainder of the High Quality Liquid Assets (HQLA) was mainly composed by sovereign debt of European Union countries and by Brazilian Government bonds denominated in Brazilian Reais owned by Haitong Bank subsidiary in Brazil.

In 31 December 2021, Haitong Bank held a surplus of 305 million Euros of its 30 days stressed net outflows, which corresponded to a LCR of 183% (259% on 31 December 2020) comfortably above both regulatory and internal limits.

Liquidity Coverage Ratio	December 2021	December 2020
High Quality Liquid Assets	671	738
Surplus over stressed net outflows	305	453
Liquidity Coverage Ratio	**183%**	**259%**

Haitong Bank funding from the Bank of Portugal amounts to 322 million Euros at 31st December 2021 (111 million Euros at December of 2020) obtained through the Targeted Longer-Term Refinancing Operations (TLTRO) and Pandemic Emergency Longer-Term Refinancing Operations (PELTRO) facilities, maturing in 2022, 2023 and 2024.

In 2021, Haitong Bank's main sources of funding were wholesale facilities provided by a Haitong Securities Group company, secured facilities provided by the Central Bank, long term facilities provided by banks, debt securities issued by the Brazilian subsidiary, sales with repurchase agreements (repos) and deposits from clients (households and corporate clients).

In market stress situations where the value of derivatives is significantly impacted, additional collateral amounts may be required from Haitong Bank due to master netting agreements (e.g. ISDA) and margin agreements (e.g. Credit Support Annex) entered into with financial institutions. Derivatives positions and collateral received and posted are detailed in notes 19 and 27, respectively.

As of 31st of December 2021, contractual undiscounted cash flows of financial assets and liabilities present the following structure:

(thousand euros)

	31.12.2021						
	On demand	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Assets							
Cash and cash equivalents	488,544	-	-	-	-	-	488 544
Financial assets held-for-trading (Securities)	-	17,623	14,481	199,327	352,844	1,225	585 500
Non-trading financial assets mandatorily at fair value through profit c	-	-	-	745	-	19,032	19 777
Financial assets at fair value through other comprehensive income	-	22,530	65,327	180,245	55,345	-	323 447
Financial assets at amortised cost	-	24,860	43,457	358,832	135,862	-	563 012
Loans and advances to banks	-	51,739	2,463	-	-	-	54 202
Loans and advances to customers	-	61,341	84,241	436,374	159,026	-	740 982
Derivatives Instruments	-	501,963	319,738	149,576	138,220	59,433	1 168 930
	488 544	680 057	529 707	1 325 099	841 296	79 690	3 944 394
Liabilities							
Resources from credit institutions	7	29 683	63 735	722 227	57 945	-	873 596
Resources from customers	92 527	233 663	371 399	490 928	-	-	1 188 517
Debt securities issued	-	172	9 785	22 220	-	-	32 177
Financial liabilities held-for-trading (Securities)	1 036	-	-	-	-	-	1 036
Derivatives Instruments	-	495 213	314 316	144 532	131 925	10 270	1 096 256
	93 571	758 731	759 235	1 379 907	189 869	10 270	3 191 583

As of 31st of December 2020, contractual undiscounted cash flows of financial assets and liabilities presented the following structure:

(thousand euros)

	31.12.2020						
	On demand	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Assets							
Cash and cash equivalents	494 885	-	-	-	-	-	494 885
Financial assets held-for-trading (Securities)	-	17 279	34 192	407 686	379 374	-	838 531
Non-trading financial assets mandatorily at fair value through profit c	-	-	-	703	-	34 594	35 297
Financial assets at fair value through other comprehensive income	-	11 774	48 510	124 043	20 143	-	204 470
Financial assets at amortised cost	-	28 845	182 269	205 269	71 962	-	488 345
Loans and advances to banks	-	69 005	46 656	-	-	-	115 661
Loans and advances to customers	-	89 784	98 103	173 445	146 369	-	507 701
Derivatives Instruments	-	563 079	134 044	165 031	216 386	118 249	1 196 789
	494 885	779 766	543 774	1 076 177	834 234	152 843	3 881 679
Liabilities							
Resources of other credit institutions	15 348	413 691	3 834	179 689	55 789	-	668 351
Resources of customers	73 753	185 925	182 070	813 414	-	-	1 255 162
Debt securities issued	-	-	56 400	10 903	-	-	67 303
Financial liabilities held-for-trading (Securities)	-	44 838	34 246	-	-	-	79 084
Derivatives Instruments	-	532 956	156 594	126 351	234 508	12 260	1 062 669
	89 101	1 177 410	433 144	1 130 357	290 297	12 260	3 132 569

The derivatives undiscounted cash flows are calculated as gross cash flows of each side of the deal, not considering any net positions.

Operational risk

Operational Risk corresponds to the possible loss resulting from inadequate internal procedures or its negligent application, inadequacy or failure of information systems, staff behavior or external events. Legal risks are included in this definition. Legal and IT risks are included in this definition. Operational risk is therefore considered as the sum of operational, information systems and compliance risks.

The Bank has in place a framework to ensure the standardization and systematization of the regular activities regarding the identification, assessment, response/ mitigation, monitoring, and control and report of operational risk. A team within the Risk Management Department is exclusively dedicated to the management of this framework.

Capital Management and Solvency Ratio

The main purposes of capital management in the Group are (i) to promote sustainable growth of activity by creating enough capital to withstand the increase of assets, (ii) meet the minimum requirements established by the supervising entities in relation to capital adequacy and (iii) ensure the achievement of the strategic goals set by Group in relation to capital adequacy.

Regulatory capital requirements are determined by the Bank of Portugal under the CRR (Regulation EU nº 876/2019 amending Regulation EU nº 575/2013) and CRD IV (Directive EU nº 878/2019 amending Directive EU nº 2013/36/EU). Under these regulatory frameworks, capital requirements are set in consideration of the level of risk that the Bank is exposed to, which is measured through both risk weighted assets (RWAs) and leverage.

The regulation provides for a transitional period to exclude some elements previously included (phase-out) and include/deduct new elements (phase-in) in which institutions may accommodate the new requirements. The transitional period for the majority of the elements ended in 2017, with the exception of the deferred tax assets generated prior to 1 January 2014, IFRS9 transition adjustment and both the subordinated debt and all the hybrid instruments not eligible as own funds under the new regulations, which have a longer period (until the end of 2021).

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

Also related to the CRD IV capital buffers, in November 2016 the Bank of Portugal decided 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 Legal Framework of Credit Institutions and Financial Companies (RGICSF). Haitong Bank is excluded from the scope of application of this macro-prudential buffer.

The regulation also provides a counter-cyclical capital buffer of up to 2.5% to be imposed in the event that national supervisors deem it necessary in order to counteract excessive credit growth in Portugal. As of 30th June 2021, the Bank of Portugal decided not to impose any additional counter-cyclical capital buffer, by setting it at 0% of the total risk exposure amount. This decision is subject to revision on a quarterly basis.

In addition to the above-mentioned capital buffers, as of 1 July 2018 Haitong Bank became subject to an additional requirement with a specific add-on, determined and annually revised under the Supervisory Review and Evaluation Process performed by the Bank of Portugal. As of February 1st of 2022, Bank of Portugal, as the authority responsible for supervision on a consolidated basis of Haitong Bank, S.A., communicated the decision regarding the annual supervisory review and evaluation process (SREP 2021), according to which it assigns to Haitong Bank a specific own funds requirement of 4%, to be met at all times from 1st of July of 2022 onwards, determined under the combined provisions of Article 116(1)(c) and Article 116C(1), (2)(a), (3)(b) and (4) of the RGICSF.

At the moment and for reporting purposes related to prudential effects before the supervising authorities, the Group uses the Standard method for handling credit risk and operational risk ("The Standardized Approach" - TSA method).

The following table summarizes the capital adequacy of the Haitong Bank S.A. Group as at 31st of December 2021 and 31st of December 2020:

	31.12.2021		31.12.2020	
	Phased-in	Fully-loaded	Phased-in	Fully-loaded
CET1 ratio	18.9%	18.8%	22.7%	22.6%
Tier 1 ratio	23.5%	23.4%	28.4%	28.3%
Total Capital ratio	23.6%	23.5%	28.5%	28.4%

The assumptions used in the capital adequacy calculations are described in chapter Risk Management | Solvency in the Management Report.

NOTE 40 – IMPACT OF COVID – 19 PANDEMIC

Measures to support the economy

Portugal

Credit lines guaranteed by the Portuguese State

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

Credit moratoriums

Source: Bank of Portugal[1] [1]

"As a result of the public health context, until September 30, 2021, a public moratorium on credit and financing agreements entered into by companies was in force (Decree-Law No. 10-J/2020).

Companies that adhered to the public moratorium until September 30, 2020 could benefit from the suspension of payment of installments between the time the moratorium was requested and September 30, 2021. Companies that requested the application of the public moratorium only between October 2020 and March 31, 2021 were able to benefit from the public moratorium for a period of nine months.(…)

During the period between 1 January 2021 and 31 March 2021, the company could also request the application of the public moratorium on credit agreements that had benefited from a support measure for a period of less than nine months. In these situations, the company could benefit from the public moratorium until reaching the total period of application of moratoriums of nine months.(…)

The moratorium provided for the extension, for a period equal to its term, of credits with payment of principal at the end of the contract, in force on March 27, 2020, together, under the same terms, with all

[1] Free translation into English of the original version in Portuguese disclosed in https://clientebancario.bportugal.pt/pt-pt/covid-19-moratoria-para-contratos-de-credito-celebrados-com-empresas
For further information please consult Bank of Portugal website

their associated elements, including interest , guarantees, namely provided through insurance or in credit instruments.
It also provided for the suspension, in relation to credits with partial repayment of capital or with installment maturity of other cash installments, of the payment of principal, rents and interest due until the end of the moratorium period. In this case, the term of the loan was extended for a period equal to the duration of the moratorium, with the exception that this extension of the term would not give rise to contractual breach or activation of early maturity clauses.

If they wished that the outstanding amount of the loan did not change, even after the moratorium, companies could only request the suspension of the payment of the principal, continuing to pay the interest that was due during the period covered by the moratorium. In this case, the maturity of the capital installments was extended for a period identical to that of the application of the moratorium.

During this moratorium, institutions were also prohibited from revoking, in whole or in part, the credit lines contracted and the loans granted, in the amounts contracted until March 27, 2020.

The enforceability of cash benefits associated with credits that benefited from the moratorium measures, including all those that could be in arrears on the date of adhesion to the moratorium by the customer, was suspended during the moratorium, thus, interest on late payment and other penalties provided for are no longer applicable. in the contract.

In addition to companies, individual entrepreneurs, private social solidarity institutions, non-profit associations and other social economy entities were also able to benefit from the exceptional measures provided for in this moratorium."

During the period of validity of this public moratorium, Haitong Bank, S.A. only received one request for a moratorium under Decree-Law, nº10-J/2020, of 26 March.

International

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

Flexible provisioning rules for restructured loans | BACEN

The Resolution No. 4,782/2020, of March 16, 2020 enabled the refinancing of performing loans of corporates and households with sound financial capacity. The banks were exempted from making additional provisions for performing loans that had been refinanced during the six months.

Loan backed by financial bills guaranteed by credit operations (LTEL-LFG)

The Resolution No. 4,795, of April 2, 2020, allowed the granting of loans to financial institutions with the guarantee of financial assets and securities, through Special Temporary Liquidity Line - Guaranteed Financial Bills (LTEL - LFG). The measure was intended to ensure the maintenance of adequate liquidity levels in the NFS, contributing to the normal functioning of the credit market.

Standstill – BNDES

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

These measures created the possibility of granting a six-month suspension on loan repayments (principal and compensatory interest), both in direct and indirect transfers, by companies affected by the crisis, a measure known as “standstill”. The granting of this temporary suspension of payments of principal and compensatory interest will not result in changes to the final term of the debt amortization period or to the interest rate of the operation.

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

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

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

- Statement on the application of the prudential framework regarding default, forbearance and IFRS 9, in the light of the COVID – 19 measures, issued by EBA on 25 March 2020;
- IFRS 9 and COVID-19 - Accounting for expected credit losses applying IFRS 9 - Financial Instruments in light of the current uncertainty resulting from the COVID-19 pandemic, issued on 27 March 2020 by IAS;
- On 27 March 2020, BSBC (Basel Committee on Banking Supervision) decided to postpone the implementation date of the Basel III standards for one year;
- Guidelines on legislative and non-legislative moratoria on loan repayments applied in the COVID-19 crisis, issued by EBA on 2 April 2020 (EBA / GL / 2020/02) and updated on 25 June 2020 and 2 December 2020;
- IFRS 9 in the context of the coronavirus pandemic (COVID-19), issued on 1 April 2020 by the ECB:
- Duties to provide Information to customers on the public moratorium, approved by DL no. 10-J/2020 of 26 March, and on private moratoriums, issued on 28 April 2020 by the Bank of Portugal (Notice No. 2/2020);
- Guidelines on supervisory reporting and disclosure requirements in compliance with CRR “quick fix” in response to the COVID-19 pandemic, issued by EBA on 11 August 2020 (EBA/GL/2020/11).

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

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

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

- Internal assessment of the COVID-19 impact by activity sector through the consolidation of information collected from sectoral research studies.
- Also with the objective of identifying, evaluating and monitoring the impact in terms of credit risk, the Rating Department continued the process of rating assignment and rating update of the Bank's clients, taking into account the specific conditions of each sector and the potential adverse impacts determined from the COVID-19 pandemic, and, as well, the information specifically gathered about the Group's clients,.
- The Group adopted the guidelines and criteria of the European Banking Authority within the response measures framework taken by EU governments and bodies to address the adverse systemic impact of the COVID-19 pandemic, relative to the legislative and non-legislative loan moratoria which was applied following the crisis, in particular on the implementation of the prudential framework for the identification and classification of defaulted loans, exposures subject to forbearance measures, and also applying the adequate accounting treatment envisaged by the IFRS 9.
- The Group continued to categorize the exposures as performing and non-performing, and subject to forbearance measures, according to the applicable requirements. However, when temporary easing measures are adopted internally, under legislative and non-legislative moratoriums, they do not automatically have a negative impact on the credit risk of a Group's client, as these measures may not automatically result in the reclassification of loans from a prudential perspective, as long as the moratoriums are preventive and not addressed to any specific debtors, neither adapted by any individual circumstances. Thus, the application of a moratorium is not regarded as a restructuring measure or, therefore, an urgent restructuring. Thus, in such cases, it should not be referred to a form of reduction of the financial obligation and therefore cannot be interpreted as an indication of a low likelihood of repayment (for the purposes of considering a debtor in a default under the CRR). Finally, the application of an individual measure and the renegotiation of loans based on the specific situation of the debtor are classified by the Group as a restructuring measure ("forbearance") if the CRR's requirements are met in a case-by-case assessment.
- The Group paid special attention to exposures that were the subject of temporary easing measures within the scope of legislative and non-legislative moratoria, namely, with regard to the effective monitoring of the fulfillment of the expected payments, under the revised debt repayment schedule in order to timely identify indicators of reduced likelihood of payment, namely through the responses to the "Early Warning Signals" Questionnaire.
- The Risk Department maintained the internal Risk Appetite Framework report to the Executive Committee and to the Risk Committee, emphasizing the analysis of exposures subject to temporary easing measures under legislative and non-legislative moratoriums.
- The Group proceeded the annual review by the Impairment committee of the top 20 largest performing exposures in order to confirm that the largest debtors do not display any warning signals that indicate a transfer to Stage 2 under IFRS 9.

- The Group updated the forward-looking information underlying the collective impairment model, incorporating the most recent economic predictions, views and the effects of the COVID-19 pandemic, namely in what regards the PiT PD's update, as described in the section "Forward-looking information" in Note 39.
- The Group follows the reporting and disclosure requirements of exposures subject to temporary easing measures, in accordance with the applicable requirements.

Operations subject to legislative and non-legislative moratorium and new loans granted under new public guarantee systems introduced in response to the COVID – 19 crisis

As at 31 December 2021, the Group has no operations subject to a legislative moratorium in response to the COVID – 19 crisis.

We note that only one client of the Group adhered to the public guarantee sponsored by the Portuguese Government in the context of the COVID-19 crisis. The term of the public guarantee period did not pose challenges in terms of cliff-effects.

Use of judgments and estimates in the preparation of financial statements

The preparation of the consolidated financial statements requires using judgments, preparing estimates are making certain assumptions to determine the value of assets and liabilities and the amount of contingent assets and liabilities disclosed at the balance sheet date, as well as the amounts of revenue and expenses during the reporting date.

The main judgments and estimates adopted in the context of preparing these consolidated financial statements are described in Note 3.

The COVID-19 pandemic significantly increased the degree of uncertainty in the estimates made and reinforced the need to use expert judgment to assess how these estimates are influenced by the current macroeconomic situation, mainly in what concerns to the calculation of impairments for financial assets and non-financial assets.

Although the estimates have been prepared based on the best information available with respect to the current and prospective context, the final outcome may differ from the values currently estimated.

Going concern assumption

The Group's financial statements have been prepared on a going concern basis, as the Executive Committee considers that the Group has the adequate resources to continue operations and business in the foreseeable future. The evaluation carried out by the Executive Committee was based on a wide range of information related to current and future conditions, including projections on future profitability, liquidity, capital requirements and funding sources. The Executive Committee regularly prepares projections based on different scenarios, including adverse and stress scenarios. The COVID-19 pandemic introduced an increased level of uncertainty in these projections and the need to take into account the impact on the Group's operations, its profitability, capital and liquidity.

Contingency plan

To deal with the COVID – 19 pandemic, the Group adopted a set of contingency measures planned and designed to ensure the protection of people and the continuity of activity, including, among others, the recommendations of health authorities, telework and segregation of teams, trying to maximize the resilience of the organization.

In this context, the Group activated the Contingency Plan, according to the Business Continuity Plan. This plan was updated and adapted specifically to the current pandemic scenario, with a specific Crisis Management Office being created for this purpose. Thus, in line with the guidelines issued by the authorities and supervisory entities, with which the Group maintains regular contacts, an action plan was designed to protect Customers and Employees, minimize the chances of contagion and ensure the operational continuity of business.

Impacts on the income statement

The main impacts of the COVID-19 pandemic on profitability are as follows:

- Financial Margin - The COVID-19 pandemic had the main impact on a delay on the new loans deployment, comparing with the initial business plan, with the consequent impact on the reduction of interest received;
- Commissions - Commissions related to the banking business, in particular commissions related to the structuring of debt instruments and commissions related to financial advisory processes, were significantly penalized, due to changes in market conditions and the postponement or suspension of discretionary projects;
- Results on financial operations – Results on financial operations was penalized due to the deterioration of the counterparty credit risk (CVA) on derivative financial instruments;
- Other operating results - Other operating results were penalized by the introduction, in 2020, of the additional solidarity contribution to be applied on the banking sector, aiming to finance the costs of public measures to the impact of the actual crisis caused by the COVID – 19 pandemic;
- Operating costs - The impacts of the COVID-19 pandemic on operating costs were mainly in other administrative expenses. On the one hand, there were savings associated not only with travel, hotel and representation expenses that did not materialize, but also related to the reduction of current activity and the decline in demand observed in several discretionary projects that were suspended or postponed. In contrast, the COVID-19 pandemic led to the recognition of additional costs with the purchase of protective material, computer equipment and cleaning services;
- Impairments for credit - The recessive macroeconomic scenario led to the deterioration of credit risk parameters and to the recognition of additional impairments;
- Other impairments and provisions - The impact of the COVID-19 pandemic was also felt in impairments for other financial assets, since the revision of credit risk parameters led to extraordinary impairment reinforcements for debt instruments , guarantees and commitments.

Taxes - No impacts related to the derecognition of deferred tax assets were recognized. The analysis performed leads to the conclusion that all deferred tax assets recognized on 31 December 2020 are recoverable. It should be noted that the assessment of the recoverability of deferred tax assets in Portugal was carried out based on the regulatory framework provided for in Law 27 -A / 2020, of July 24, 2020, approved under the Supplementary Budget for 2020, which includes a set of additional measures to deal with the contraction of the economic situation in Portugal following the COVID – 19 pandemic. The approved Law provides the suspension in 2020 and 2021 of the period for deducting existing tax losses on 1 January 2020. Additionally, the period for the recoverability of deferred tax assets recognized as a result of tax losses generated in 2020 and 2021 has been extended by 5 years to 12 years.

Capital and liquidity requirements

A reverse stress test was performed as part of the annual recovery plan update exercise. This exercise considered a specific Covid-19 adverse scenario related to the pandemic. This scenario assumed a hypothetical severe evolution of the economy that jeopardizes the financial viability of the institution in the absence of the adoption of recovery measures. This adverse scenario is only achieve upon an extreme default increase in 6 month. The implausibility of this scenario in such a short timeframe and magnitude confirms the solid capital position of Haitong Bank Group.

On the liquidity side, several liquidity monitoring actions were taken (Lisbon and Brazil). In Lisbon, due to the resilient liquidity short-term position and adequate funding structure there was no need to implement any corrective measures, increasing surveillance monitoring, implementing liquidity assessments with conservative scenarios and giving preference to eligible assets for the Central Bank funding on the assumption of new risks. In Brazil, besides improvements in liquidity surveillance monitoring the funding structure was strengthened by an increase in the average deposits maturity and by using central bank instruments available to face Covid-19 pandemic.

NOTE 41 – ACCOUNTINGS STANDARDS AND RECENT INTERPRETATIONS

Standards, interpretations, amendments and revisions that came into force in this year

Up to the date of approval of these financial statements, the following accounting standards, interpretations, amendments and revisions have been endorsed by the European Union, with mandatory application for the financial year beginning on January 1, 2021:

Standard / Interpretation	Applicable in the European Union for financial years beginning on or after	
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Phase 2 of the benchmark interest rate reform (IBOR Reform)	1-jan-21	Corresponds to additional amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, related to the second phase of the benchmark interest rate reform project (known as “IBOR reform”), referring to changes in interest rates benchmark interest rates and impacts on changes in financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures.
Amendment to IFRS 16 – Leases – Covid 19 Related Rent Concessions beyond 30 June 2021	1-april-21	This amendment extends to June 30, 2022 the application of the optional practical expedient whereby lessees are exempted from analyzing whether rent concessions until that date, typically suspensions or reductions of rent, related to the “COVID-19” pandemic correspond to contractual modifications.
Amendment to IFRS 4 Insurance Contracts - deferral of IFRS 9	1-jan-21	Corresponds to the amendment to IFRS 4 that extends the deferral of application of IFRS 9 for initial years on or after 1 January 2023.

There were no significant effects on the Group's financial statements for the year ended December 31, 2021, as a result of the adoption of the aforementioned standards, interpretations, amendments and revisions.

Standards, interpretations, amendments and revisions that will take effect in future years

The following accounting standards and interpretations, with mandatory application in future financial years, were, until the date of approval of these financial statements, approved ("endorsed") by the European Union:

Standard / Interpretation	Applicable in the European Union for financial years beginning on or after	
Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements 2018-2020	1-jan-22	These amendments correspond to a set of updates to the various standards mentioned, namely - IFRS 3 - update of the reference to the 2018 conceptual framework; additional requirements for analyzing obligations under IAS 37 or IFRIC 21 at the acquisition date; and explicit clarification that contingent assets are not recognized in a business combination. - IAS 16 – prohibition of deduction from the cost of a tangible asset of income related to the sale of products before the asset is available for use - IAS 37 – clarification that costs of fulfilling a contract correspond to costs directly related to the contract - Annual improvements 2018-2020 essentially correspond to amendments to 4 standards, IFRS 1, IFRS 9, IFRS 16 and IAS 41.
IFRS 17 - Insurance Contracts	1-jan-23	This standard establishes, for insurance contracts within its scope of application, the principles for their recognition, measurement, presentation and disclosure. This standard replaces IFRS 4 - Insurance Contracts.

These standards, although endorsed by the European Union, were not adopted by the Group in 2020, as their application is not yet mandatory. As a result of the application of the aforementioned standards, no relevant impacts are expected.

Standards, interpretations, amendments and revisions not yet adopted by the European Union

The following accounting standards and interpretations have been issued by the IASB and are not yet endorsed by the European Union:

Standard / Interpretation	Applicable in the European Union for financial years beginning on or after	
Amendment to IAS 1 Presentation of financial statements – Classification of liabilities as current and non-current	1-jan-23	This amendment published by the IASB clarifies the classification of liabilities as current and non-current by analyzing the contractual conditions existing at the reporting date.
Amendment to IAS 1 - Presentation of financial statements and IFRS Practice Statement 2 - Disclosure of accounting policies	1-jan-23	This amendment published by the IASB in February 2021 clarifies that material accounting policies should be disclosed, rather than significant accounting policies, and has introduced examples to identify material accounting policies.
Amendment to IAS 8 – Accounting policies, changes in accounting estimates and errors – Definition of accounting estimates	1-jan-23	This amendment published by the IASB in February 2021 changes the definition of an accounting estimate to a monetary amount in financial statements subject to measurement uncertainty.
Amendment to IAS 12 Income Taxes – Deferred Taxes	1-jan-23	This amendment published by the IASB in May 2021 clarifies that the exemption from initial recognition of deferred taxes does not apply to transactions that produce equal amounts of taxable and deductible temporary differences.

These standards have not yet been endorsed by the European Union and, as such, were not applied by the Group in the year ended December 31, 2021.

Regarding these standards and interpretations, issued by the IASB but not yet endorsed by the European Union, it is not estimated that their future adoption will have significant impacts on the attached financial statements.

Report and Opinion of the Supervisory Board

Haitong Bank, S.A.

for financial year 2021

(Free translation of a report originally issued in Portuguese language: in case of doubt the Portuguese version will always prevail)

To the Shareholder of Haitong Bank, S.A.,

In accordance with the applicable legislation, we hereby present our report on the audit performed by the Supervisory Board to the Management Report, the individual and the consolidated financial statements and the proposal for the distribution of the year's results presented by the Board of Directors of Haitong Bank (hereinafter Haitong) for the year ended 31 December 2021.

The members of the Supervisory Board appointed for the 2020-2022 three-year period took office on 17 July 2020 after notifying Banco de Portugal that the legal requirements set forth in Article 30b (3) of the Legal Framework of Credit Institutions and Financial Companies ("*Regime Geral das Instituições de Crédito e Sociedades Financeiras*") approved by Decree-Law no. 298/92 of 31 December had been met.

Haitong's Supervisory Board, as part of its designated functions, monitored, in accordance with the law and the company's articles of association, the development of Haitong's management and business activity, namely:

(i) assessed the adequacy and effectiveness of the risk management, internal control and internal audit systems, as well as the Bank's organisational culture;

(ii) attended Board of Directors meetings whenever invited;

(iii) took part in the meetings of the Internal Audit, Risk, and Corporate Governance Committees;

(iv) reviewed management information documents submitted by the Board of Directors;

(v) monitored the verification of the accounting records and underlying support documents to the extent considered necessary;

(vi) assessed the accounting policies and valuation criteria adopted by Haitong; and

(vii) held meetings with the Statutory Auditor, whenever necessary, on the assessment of the accounting policies and valuation criteria adopted by Haitong, which always provided the information required.

In accordance with the applicable legislation, the Supervisory Board also assessed the Auditor's Report and Statutory Audit Certification ("*Certificação Legal de Contas*") prepared by the Statutory Auditor (Deloitte & Associados, SROC, S.A.) on the individual and consolidated financial statements for financial year 2021 and took note of the Additional Report on said financial statements submitted by the Statutory Auditor to the Supervisory Board, with which the Supervisory Board agrees. The Supervisory Board also analysed the Management Report submitted by the Board of Directors, and considers that the report complies with the applicable legal and statutory requirements and duly mentions the main aspects of Haitong's activity in 2021, both in individual and in consolidated terms.

The Supervisory Board highlights the following:

- The impacts of the pandemic caused by the COVID-19 virus are detailed in the Management Report and in Notes 39 and 40 to the individual and the consolidated financial statements, respectively.

- The disclosures made by the Bank in Note 32 to the consolidated financial statements concerning the impacts arising from the tax policy, and the interactions with the Tax and Customs Authority;

- On 28 December 2021 the Supervisory Board issued its Report, including a clear, detailed and reasoned opinion, on the adequacy and effectiveness of the organisational culture and the governance and internal control systems of Haitong Bank, S.A. in the period of 1 January 2021 to 30 November 2021, in accordance with the Bank of Portugal Notice no. 3/2020, of 15 July. A summary of this report is attached to Haitong's 2021 Annual Report.

- Among the corporate events occurred in 2021 and described in the Management Report, the Supervisory Board highlights the formal authorisation provided in July 2021 by the Macau relevant Authorities for the incorporation of the Macau Branch of Haitong Bank and the CMVM's authorisation in September 2021 for the incorporation of Haitong Global Asset Management SGOIC, S.A., as a management company of collective investment undertakings;

- On 30 December 2020, the Bank introduced a new, defined contribution, pension plan, to which, after authorisation from the Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF, the Insurance and Pension Funds Supervisory Authority), all the participants not yet pensioners of the supplementary pension plan – both those no longer working at Haitong, with vested rights, and those who are active employees at the service of the Bank – were transferred. However, considering the questions raised with regard to the terms of the referred conversion, and following contacts with the Bank and the Fund Management Entity, the ASF issued an additional authorisation allowing an amendment to the pension fund contract, which was signed on 11 February 2022. The details of this arrangement are disclosed in Note 14 to the consolidated financial statements;

- In February 2022, Haitong carried out a Private Placement in the amount of 230 million euros, at 3 years, in the Iberian market;

- The description of relevant audit issues and other issues at both individual and consolidated level that are reported in the Statutory Audit Certification and Audit Report.

In light of the above, it is the opinion of the Supervisory Board that the following should be approved:

- The Management Report and remaining individual and consolidated reporting documents relative to the financial year ended on 31 December 2021;

- The proposal submitted by the Board of Directors on the allocation of the net profit for the year 2021, in the amount of 9,149,636.31 euros.

Lisbon, 3 March 2022

THE SUPERVISORY BOARD

Maria do Rosário Mayoral Robles Machado Simões Ventura
(Chairman)

Mário Paulo Bettencourt de Oliveira

Cristina Maria da Costa Pinto.

Declaration of Conformity with the Financial Information Reported

The present declaration is submitted under the terms of Article 29-G (1-c) and 3) of the Portuguese Securities Code

The Supervisory Board hereby declares that, to the best of its knowledge:

- The information referred to in Article 29-G (1-c) and 3) of the Portuguese Securities Code as at 31 December 2021 was prepared in accordance with the applicable accounting standards, providing a true and fair view of the assets and liabilities, the financial situation and the results of Haitong and the companies included within its consolidated scope; and

- The management report faithfully details the evolution of the business and the performance and position of Haitong and the companies included within its consolidation scope, and contains a description of the main risks and uncertainties faced within the framework of ongoing activities.

Lisbon, 3 March 2022

THE SUPERVISORY BOARD

Maria do Rosário Mayoral Robles Machado Simões Ventura
(Chairman)

Mário Paulo Bettencourt de Oliveira

Cristina Maria da Costa Pinto.

Annual report on the activity of the Supervisory Board in 2021

Pursuant to the provisions of Article 420-1(g) of the Portuguese Commercial Companies Code ("*Código das Sociedades Comerciais*") and point 5 (1 B-h)) of the Regulations of the Supervisory Board of Haitong, the Supervisory Board hereby presents its report on the supervisory works carried out in 2021.

1. Introduction

The following are the main powers and responsibilities of the Supervisory Board, in accordance with its Regulations:

i. Monitoring the activity of Haitong, watching over compliance with the Law and the company's Articles of Association, and supervising the management of the company;

ii. Supervising compliance with accounting policies and with the process of preparing and disclosing financial information, as well as reviewing Haitong's accounting books and records;

iii. Monitoring and supervising the effectiveness of the governance and internal control and risk management systems, as well as the organisational culture;

iv. Proposing the appointment of a Statutory Auditor or firm of Statutory Auditors to the General Meeting; and

v. Supervising the independence of the Statutory Auditor, namely regarding the provision of non-audit services.

2. Activities carried out by the Supervisory Board in 2021

i. Monitoring Haitong's activity, ensuring compliance with the law and the company's Articles of Association, and supervising the company's management.

In 2021 the Supervisory Board held 70 meetings with the presence of all of its members. Of the 70 meetings, 5 were held with the Internal Audit Committee, 5 with the Corporate Governance Committee, 7 with the Risk Committee, 1 with the Remuneration Committee, 5 with the head of the Internal Audit function department, 7 with the head of the Compliance function, 3 with the head of the Risk Control function department, 3 with the head of the Financial Department, 13 with representatives of the auditor Deloitte, 4 with the Board of Directors of Haitong and 2 with the Board of Directors of Haitong Banco de Investimento do Brasil, S.A..

The Supervisory Board had access to all the information requested and obtained all the documents and clarifications from all the persons from which this was requested.

ii. Supervising compliance with accounting policies and with the process of preparing and disclosing financial information and the statutory audit

The Supervisory Board monitored compliance with accounting policies and the reliability of financial information via the financial information provided by the Finance Division and by the Statutory Auditor (Deloitte & Associados, SROC, S.A.). Several meetings were held with the auditors, in which the reports were analysed and the audit procedures and conclusions were assessed.

The Supervisory Board analysed the accounting documents and the statutory audit certification for financial year 2021, having issued a favourable opinion on these documents.

iii. Monitoring and supervising the effectiveness of the internal control and risk management systems

The Supervisory Board monitored and assessed the adequacy of the internal control, risk management, internal audit and compliance systems, within the scope of its responsibilities, via meetings and information reporting by the heads of said functions in Haitong. The Supervisory Board also monitored and assessed the work carried out by the Bank's Statutory Auditor (Deloitte & Associados, SROC, S.A.) within the assessment of the Governance and Internal Control Systems, and organisational culture, and on 28 December issued its opinion on the adequacy of the internal control system, based on the terms of Article 56 of the Bank of Portugal Notice 3/2020, of 15 July.

iv. Monitoring the activity of the Internal Audit Function

Throughout 2021, the Supervisory Board supervised the activity of the Internal Audit Function, which reports functionally to the Internal Audit Committee and Supervisory Board and hierarchically to the Executive Director responsible for the Function. The Supervisory Board approved the budget and activity plan and regularly monitored the execution of the Internal Audit Function activity plan, having received the information deemed necessary for carrying out its duties.

v. Monitoring the activity of Haitong's Statutory Auditor

The Supervisory Board regularly monitored throughout 2021 the activities developed by the Statutory Auditor, via the critical assessment of the documents drafted within the scope of its functions. The Statutory Auditor confirmed to the Supervisory Board that it had found no irregularities concerning the performance of its duties and that it had no obstacles in pursuing those duties.

During financial year 2021 the Supervisory Board assessed the provision of non-audit services, and confirmed that the independence of the Statutory Auditor had been safeguarded.

vi. Monitoring of Haitong's business with related parties

The Supervisory Board monitored the enforcement of the related-party transactions policy during 2021. The majority of the Transactions carried out with related parties in 2021 concerned financial advisory services and other transactions not involving credit or market risk for Haitong.

vii. Whistleblowing

The Supervisory Board is responsible for receiving wrongdoing reports submitted by employees, clients, shareholders, or any other entity, as provided for in Article 420-j) of the Portuguese Commercial Companies Code in October 2021 the Whistleblowing policy was updated. During financial year 2021 the Supervisory Board did not receive any wrongdoing reports.

To conclude, the Supervisory Board expresses its recognition to the Board of Directors and to all the employees of Haitong for the cooperation provided throughout the performance of its functions.

Lisbon, 3 March 2022

THE SUPERVISORY BOARD

Maria do Rosário Mayoral Robles Machado Simões Ventura
(Chairman)

Mário Paulo Bettencourt de Oliveira

Cristina Maria da Costa Pinto.

STATUTORY AUDITOR'S REPORT AND AUDIT REPORT
(Amounts stated in thousands of euros – t.euros)

(Free translation of a report originally issued in Portuguese language: in case of discrepancies the Portuguese version will always prevail)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Haitong Bank, S.A. (the "Bank") and of its subsidiaries (the "Group"), which comprise the consolidated financial position as at 31 December 2021 (that presents a total of 2,746,652 t.euros and total equity of 606,847 t.euros, including a net income attributable to the shareholders of the Bank of 3,552 t.euros), the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Haitong Bank, S.A. as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section. We are independent from the entities that constitute the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor's responses to the most significant assessed risks of material misstatement</th></tr>
<tr><td colspan="2">Impairment for financial assets (Notes 2.4.1, 3.1, 20, 22 and 31)</td></tr>
<tr><td>As of 31 December 2021, the Group has recorded accumulated impairment losses for financial assets (securities and loans) in the amount of 14,984 t.euros ("Impairment losses for credit risk"), relating to:
(i) loans to costumers (11,968 t.euros);
(ii) guarantees and other commitments (969 t.euros);
(iii) securities recorded at amortised cost (1,210 t.euros);
(iv) securities recorded at fair value through other comprehensive income (837 t.euros).

The impairment losses for credit risk represent management's best estimate of the expected losses at the reference date of the financial statements, considering the rules laid out in IFRS 9 - Financial Instruments ("IFRS 9").

According to IFRS 9, the Group classifies its financial assets classified at amortized cost and at fair value through other comprehensive income in stages, based on the existence (or not) of a significant increase in its credit risk since initial recognition, or of impairment triggers. This classification determines, among other aspects, the type of analysis (individual or collective) to perform, as well as the parameters used by the Group in the calculation of collective impairment losses.

Considering the characteristics of the Group's loan and securities portfolios classified at amortised cost and at fair value through other comprehensive income, a significant part of its portfolios are subject to individual analysis, to conclude on the appropriate classification in Stages and to determine the individual impairment loss, if applicable.</td><td>We analysed the relevant internal control procedures implemented by the Group in the process of determining impairment losses for credit risk.

We reviewed the Group's documentation related to the methodology for determining individual and collective impairment losses, and analysed its reasonableness considering the requirements of IFRS 9.

We selected a sample of financial assets booked at amortised cost and at fair value through other comprehensive income (securities and loans) and of guarantees and other commitments. For the selected sample we analysed, as applicable:
• the classification in Stages, considering the criteria defined by the Group;
• the reasonableness of the estimated impairment losses recorded in the financial statements for loans with impairment triggers, based on the review of the Group's judgments on the economic and financial situation of clients, valuation of the collaterals received and perspectives on the evolution of their activity and on the future management of those loans by the Group.

For a sample of financial assets subject to collective impairment analysis, we analysed the reasonableness of the impairment losses calculated according to the methodology and assumptions defined by the Group.

We reviewed the disclosures related to this subject, considering the applicable accounting framework.</td></tr>
</table>

Description of the most significant risks of material misstatement identified	Summary of the auditor’s responses to the assessed risks of material misstatement
Impairment for financial assets (Notes 2.4.1, 3.1, 20, 22 and 31)	
The classification of financial assets in Stages and the determination of impairment losses for credit risk through individual analysis inherently has a strong judgmental component from management about the information available, namely in the identification of significant increases in credit risk and in estimating the present value of the amount that the Group expects to recover from the financial assets, that incorporates also assumptions about future events that may not occur as expected and reflects management’s intentions at each moment regarding management and future holding of the assets. The impairment losses in the scope of the collective analysis are based on a model that relies on several aspects, including the characteristics of the Group’s loan portfolio, the classification of loans in stages, including the assessment of the existence of significant increase in credit risk since initial recognition and risk parameters such as probability of default and loss given default. In face of the above, considering the use of judgments by management, and taking into account the materiality of the amounts in the context of the financial statements, the determination of impairment for financial assets at amortised cost and at fair value through other comprehensive income (securities and loans) and the provisions for guarantees and other commitments were considered a key audit matter.	

<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor’s responses to the assessed risks of material misstatement</th></tr>
<tr><td colspan="2">Recoverability of deferred tax assets (Notes 2.13, 3.2 and 32)</td></tr>
<tr><td>
As of 31 December 2021, the Group has recorded deferred tax assets in the amount of 95,232 t.euros, of which:

59,242 t.euros originated by the Bank, essentially related with:
<ol type="i">
temporary differences (27,682 t.euros);
tax losses carried forward (31,560 t.euros), essentially originated in 2015, 2016 and 2019, which may be used until 2029, 2030 and 2026, and the use cannot exceed 70% of taxable income in each of those years.

35,990 t.euros originated by the activity of the subsidiary Haitong Banco de Investimento do Brasil, of which 21,683 t.euros related with tax losses carried forward.

In accordance with IAS 12 - Income Taxes, deferred tax assets can only be recorded up to the extent that it is probable that future taxable profit will be available in the estimated dates for their reversal.
The Bank prepared a forecast of its future taxable profit to assess the recoverability of deferred tax assets. This estimate is judgmental by nature and depends on the assumptions made by management to estimate the evolution of profits before taxes and its interpretation of the tax legislation, including what concerns deferred tax assets in the scope of the Special Regime applicable to deferred tax assets and the tax deductibility of certain costs.
To this extent, the recoverability of deferred tax assets is dependent on the Group's ability to generate the estimated results, and the confirmation of its interpretation of the tax legislation.
Any deviations from the estimation of future results or changes in the tax legislation or its interpretation may have a material impact on the recoverability of deferred tax assets.
Given the materiality of deferred tax assets in the consolidated financial statements and the need to use judgments by management in the preparation of the estimates to determine their recoverability, this area was considered a key audit matter.
</td><td>
We analysed the relevant internal control procedures implemented by the Group in the process of assessing the recoverability of deferred tax assets.
We reviewed the methodology and the main assumptions considered by the Group to estimate the evolution of pre-tax profits and the taxable income in the period covered by its recoverability analysis.
We reviewed the interpretation of the relevant tax legislation considered by the Group in the estimation of future taxable profits.
We reviewed the calculations prepared by the Group to demonstrate the recoverability of deferred tax assets, taking into account the understanding of the assumptions and the review of the interpretation of the tax legislation described above.
We reviewed the disclosures related to this matter, considering the applicable accounting framework.
</td></tr>
</table>

Description of the most significant risks of material misstatement identified	Summary of the auditor's responses to the assessed risks of material misstatement
Resolution Fund (Note 36)	
As described in further detail in note 36 to the financial statements, following the resolution measures applied to Banco Espírito Santo, S.A. (BES) and Banif – Banco Internacional do Funchal, S.A. (Banif), as of 31 December 2021 the Resolution Fund owned 23.44 % of the share capital of Novo Banco, S.A. and the total share capital of Oitante, S.A.. In this context, it obtained loans from the Portuguese State and from a banking syndicate (in which the Bank does not participate) and assumed other responsibilities and contingent liabilities, including those related to the litigation associated with these processes, as well as to a contingent capital mechanism defined in the sale in 2017 of 75% of the share capital of Novo Banco, S.A. to Lone Star. In October 2017 the Portuguese State and the Resolution Fund entered into a framework agreement with the purpose of making available financial means to the Resolution Fund to fulfil the contractual obligations within the scope of the sale of 75% of Novo Banco to Loan Star mentioned above. This framework agreement also refers that the intention to keep the stability of the contribution efforts over the banking sector. In order to reimburse these loans and to meet other responsibilities already assumed or that may have to be assumed, the Resolution Fund has essentially the revenue from the periodic contributions from participating institutions (including the Bank) and the contribution over the banking sector. It is also established the possibility of the member of the Portuguese Government responsible for the finance area to determine, by ministerial order, that the participating institutions make special contributions in the situations established for it in the applicable legislation, particularly in the event that the Resolution Fund does not have enough own resources for the fulfilment of its obligations. According to the latest Report and Accounts available from the Resolution Fund, the Resolution Fund's own resources as of 31 December 2020 were negative.	We analysed the public communications on this matter released by the Resolution Fund until the date of our report. We analysed the public communications from the Resolution Fund and of the Office of the Finance Ministry of 28 September 2016 and the public communication of the Resolution Fund of 21 March 2017, relating to the new conditions of the loans from the Portuguese State and the syndicated loan to the Resolution Fund and the corresponding impact on its sustainability and financial balance. We analysed the public announcement and content of the resolution of the Council of Ministers on 2 October 2017, which authorised the formalisation by the Portuguese State, as ultimate grantor of financial stability, of a framework agreement with the Resolution Fund, intended to made available the financial resources to the Resolution Fund to satisfy contractual obligations in connection with the sale of 75% of Novo Banco's share capital to Lone Star. We analysed the framework agreement established between the Portuguese State and the Resolution Fund. We read the last Report and Accounts of the Resolution Fund that refers to the year 2020. We reviewed the accounting framework of the contributions to the Resolution Fund. We reviewed the disclosures included in the financial statements related to this matter.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's responses to the assessed risks of material misstatement**
Resolution Fund (Note 36)	
The annual contributions to the Resolution Fund and the contribution over the banking sector are recognised as losses on an annual basis, as set out in IFRIC 21 – Levies. The financial statements as of 31 December 2021 reflect management's expectation that no special contributions or any other extraordinary contributions will be required from the Bank in order to finance the resolution measures applied to BES and Banif or any other liability or contingent liability assumed by the Resolution Fund, considering: – The conditions established in the scope of the renegotiation, announced in March 2017, of the loans obtained by the Resolution Fund to finance the referred resolution measures, including the extension of the maturity date to 31 December 2046 and the possibility to adjust that date, with the purpose of guaranteeing the capacity of the Resolution Fund to fully meet its obligations based on regular revenues and without the need to resort to special contributions or any other type of extraordinary contributions from the banking sector; and – The public communications issued by the Resolution Fund and by the Office of the Portuguese Minister of Finance, which refer as an objective ensuring that such contributions will not be necessary. Given the responsibilities of the Resolution Fund and the judgements of management as described above, this area was considered a key audit matter.	

Responsibilities of management and supervisory body for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that give a true and fair view of the consolidated financial position, financial performance and cash flows in accordance with the International Financial Reporting Standards as endorsed by the European Union (IFRS);

- the preparation of the management report, including the corporate governance report and the non-financial demonstration, in accordance with applicable laws and regulations;

- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

- the adoption of accounting policies and principles appropriate in the circumstances; and

- assessing the Group's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Group's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;

- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

- determine, from the matters communicated to those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter;

- provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, which measures were taken to eliminate or reduce such threats or which safeguards were applied.

Our responsibility also includes the verification that the information contained in the management report is consistent with the consolidated financial statements, and the verification of the requirements as provided in numbers 4 and 5 of article 451.º of the Portuguese Companies' Code relating to the corporate governance report, as well as the verification that a non-financial demonstration was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the European Single Electronic Format (ESEF)

The consolidated financial statements of Haitong Bank, S.A. for the year ended 31 December 2021 must comply with the applicable requirements set out in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (“ESEF Regulation”).

Management is responsible for the preparation and disclosure of the annual report in accordance with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements, included in the annual report, are presented in accordance with the requirements set out in the ESEF Regulation.

Our procedures were performed according to the Technical Application Guide of Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors) on reporting in the ESEF and included, among others:

- obtaining an understanding of the financial reporting process, including the presentation of the annual report in valid XHTML format; and

- identification and assessment of the risks of material misstatement associated with the tagging of information from the consolidated financial statements in XBRL format using iXBRL technology. This assessment was based on an understanding of the process implemented by the Bank to tag the information.

In our opinion, the consolidated financial statements included in the annual report are presented, in all material respects, in accordance with the requirements set out in the ESEF Regulation.

On the management report

Pursuant to article 451, number 3.e), of the Portuguese Companies’ Code (“Código das Sociedades Comerciais”), it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge of the Group, we have not identified any material misstatements. As established in article 451, number 7, of the Portuguese Companies’ Code this opinion is not applicable to the non-financial demonstration included in the management report.

On the corporate governance report

Pursuant to article 451, number 4, of the Portuguese Companies’ Code (“Código das Sociedades Comerciais”), we conclude that the corporate governance report includes the elements required to the Group under the terms of article 29-H of the Portuguese Securities Code (“Código dos Valores Mobiliários”), and we have not identified any material misstatements on the information disclosed therein, which, accordingly, complies with the requirements of items c), d), f), h), i) and l) of that article.

On the non-financial demonstration

We inform that the Group included in its management report the non-financial demonstration established in the article 508 G of the Portuguese Companies’ Code (“Código das Sociedades Comerciais”).

On the additional matters provided in article 10 of Regulation (UE) 537/2014

Pursuant to article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of 16 April 2014, in addition to the key audit matters mentioned above, we also report on the following:

- We were appointed statutory auditors of the Bank in the shareholders' general meeting held on 16 November 2016, to conclude the ongoing mandate until the end of 2016. We were reappointed auditors of the Bank in the shareholder's general meeting held on 17 July 2020 for a mandate from 2020 to 2022.

- Management has confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs, we maintained professional skepticism and we designed audit procedures to respond to the risk of material misstatements in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement on the consolidated financial statements due to fraud.

- We confirm that the audit opinion issued is consistent with the additional report that we prepared and delivered to the Group's supervisory body as of this date.

- We declare that we have not provided any prohibited services as described in former article 77, number 8, of the Ordem dos Revisores Oficiais de Contas statutes (Legal Regime of the Portuguese Statutory Auditors) and the article 5. number 1, of the Regulation (EU) 537/2014, and we have remained independent from the Bank in conducting the audit.

Lisbon, 3 March 2022

Deloitte & Associados, SROC S.A.
Represented by João Carlos Henriques Gomes Ferreira, ROC
OROC Registration n.º 1129
CMVM Registration n.º 20160741

EXPLANATION ADDED FOR TRANSLATION

(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC S.A. internal procedures, the report is not to be signed. In the event of discrepancies, the Portuguese language version prevails.)

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INDIVIDUAL FINANCIAL STATEMENTS

AND NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

These individual financial statements are a free translation to English from the original Portuguese version. In case of doubt or misinterpretation, the Portuguese version will prevail.

1. INDIVIDUAL FINANCIAL STATEMENTS

Individual Income Statement for the financial years ended on the 31st December 2021 and 2020

(thousand euros)

	Notes	31.12.2021	31.12.2020
Interest and similar income	4	20 629	16 355
Interest and similar expense	4	12 679	13 611
Financial margin		**7 950**	**2 744**
Dividend income	5	1 610	715
Fees and commissions income	6	58 153	62 876
Fees and commissions expenses	6	(4 101)	(5 336)
Net trading income	7	(2 382)	2 818
Net Income from other financial instruments at fair value trought profit or loss	8	1 033	(316)
Net gains/(losses) from derecognition of financial assets measured at fair value through other comprehensive	9	(692)	2 497
Net gains/(losses) from foreign exchange differences	10	1 361	25 699
Net gain /(loss) from derecognition of financial assets measured at amortised cost	11	1 620	864
Other Operating income and expense	12	797	(4 438)
Operating Income		**65 349**	**88 123**
Employee costs	13	28 198	23 955
Administrative costs	15	13 434	13 527
Depreciations and amortisations	24 and 25	5 140	6 099
Provisions	30	409	2 537
Net impairment loss on financial assets	30	4 278	41 020
Operating expenses		**51 459**	**87 138**
Profit / (Loss) before Income Tax		**13 890**	**985**
Income tax			
Current tax	31	490	885
Deferred tax	31	4 250	12 134
		4 740	**13 019**
Net Profit / (Loss) for the year		**9 150**	**(12 034)**
Basic Income per Share (in euros)	16	0,05	-0,07
Diluted Income per Share (in euros)	16	0,05	-0,07

The following notes form an integral part of these financial statements

The Director of the Finance Department

The Board of Directors

Individual Statement of Comprehensive Income the financial years ended on the 31st December 2021 and 2020

(thousand euros)

	31.12.2021	31.12.2020
Net income of the year	**9 150**	**(12 034)**
Other comprehensive income for the year		
Items that will not be reclassified to profit and loss		
Actuarial gains/(losses), net of taxes	5 307	(1 041)
	5 307	**(1 041)**
Items that may be reclassified to profit and loss		
Fair value changes of debt instruments measured at fair value through other comprehensive income	1 228	(497)
	1 228	**(497)**
Total comprehensive income/(loss) of the year	**15 685**	**(13 572)**

The following notes form an integral part of these financial statements

Individual Statement of Financial Position as at the 31st December 2021 and 2020

(thousand euros)

	Notes	31.12.2021	31.12.2020
Assets			
Cash and cash equivalents	17	473 251	470 832
Financial assets at fair value through profit or loss		123 500	175 439
Financial assets held-for-trading		109 572	166 890
Securities	18	36 458	27 655
Derivative financial assets	19	73 114	139 235
Non-trading financial assets mandatorily at fair value through profit or loss		13 928	8 549
Securities	20	13 906	8 549
Loans and advances to customers	22	22	-
Financial assets at fair value through other comprehensive income	20	207 071	117 253
Financial assets measured at amortised cost		1 076 037	762 342
Loans and advances to banks	21	49 429	2 819
Loans and advances to customers	22	517 943	317 003
Securities	20	508 665	442 520
Non-current assets held-for-sale	23	-	1 699
Other tangible assets	24	6 987	8 943
Intangible assets	25	2 991	3 859
Investments in associated companies	26	146 474	136 653
Tax assets		80 484	84 034
Current income tax assets	31	21 242	19 672
Deferred income tax assets	31	59 242	64 362
Other assets	27	159 582	178 158
Total Assets		**2 276 377**	**1 939 212**
Liabilities			
Financial liabilities held for trading		74 190	139 188
Securities	18	1 036	-
Derivative financial assets	19	73 154	139 188
Financial liabilities measured at amortised cost		1 522 539	1 121 992
Resources of credit institutions	28	716 811	132 217
Resources of customers	29	805 728	989 775
Provisions	30	4 256	14 801
Tax liabilities		5 035	4 886
Current income tax liabilities	31	5 035	4 886
Other liabilities	32	65 733	69 406
Total Liabilities		**1 671 753**	**1 350 273**
Equity			
Share capital	33	844 769	844 769
Share premium	33	8 796	8 796
Other equity instruments	33	108 773	108 773
Fair-value reserves	34	(614)	(1 842)
Other reserves and retained income	34	(366 250)	(359 523)
Net profit/(loss) of the year		9 150	(12 034)
Total equity		**604 624**	**588 939**
Total Equity and Liabilities		**2 276 377**	**1 939 212**

The following notes form an integral part of these financial statements

The Director of the Finance Department

The Board of Directors

Individual Statement of Changes in Equity for the financial years ended on the 31st December 2021 and 2020

(thousand euros)

	Share Capital	Share premium	Other equity instruments	Fair value reserve	Other Reserves, Retained Income and Other Comprehensive Income	Total	Net profit / (loss) for the year	Total equity
Balance as at 31st of December 2019	**844 769**	**8 796**	**108 773**	**(1 345)**	**(368 824)**	**(370 169)**	**10 342**	**602 511**
Balance as at 1st of January 2020	**844 769**	**8 796**	**108 773**	**(1 345)**	**(368 824)**	**(370 169)**	**10 342**	**602 511**
Other movements directly recorded in equity (see Note 35):								
Changes in fair value, net of taxes	-	-	-	(497)	-	(497)	-	(497)
Actuarial gains / (losses) net of taxes	-	-	-	-	(1 041)	(1 041)	-	(1 041)
Net profit / (loss) for the period	-	-	-	-	-	-	(12 034)	(12 034)
Total of comprehensive income of the year	**-**	**-**	**-**	**(497)**	**(1 041)**	**(1 538)**	**(12 034)**	**(13 572)**
Reserve establishment	-	-	-	-	10 342	10 342	(10 342)	-
Balance as at 31st of December 2020	**844 769**	**8 796**	**108 773**	**(1 842)**	**(359 523)**	**(361 365)**	**(12 034)**	**588 939**
Balance as at 1st of January 2021	**844 769**	**8 796**	**108 773**	**(1 842)**	**(359 523)**	**(361 365)**	**(12 034)**	**588 939**
Other movements directly recorded in equity (see Note 35):								
Changes in fair value, net of taxes	-	-	-	1 228	-	1 228	-	1 228
Actuarial gains / (losses) net of taxes	-	-	-	-	5 307	5 307	-	5 307
Net profit / (loss) for the period	-	-	-	-	-	-	9 150	9 150
Total of comprehensive income of the year	**-**	**-**	**-**	**1 228**	**5 307**	**6 535**	**9 150**	**15 685**
Reserve establishment	-	-	-	-	(12 034)	(12 034)	12 034	-
Balance as at 31st of December 2021	**844 769**	**8 796**	**108 773**	**(614)**	**(366 250)**	**(366 864)**	**9 150**	**604 624**

The following notes form an integral part of these financial statements

The Director of the Finance Department

The Board of Directors

Individual Cash Flow Statement for the financial years ended on the 31st December 2021 and 2020

(thousand euros)

	Notes	31.12.2021	31.12.2020
Cash flows from operating activities			
Interests received		14 877	22 821
Interests paid		(15 216)	(13 017)
Fees and commission received		60 303	64 282
Fees and commission paid		(4 101)	(5 336)
Loans sales and recoveries		1 298	864
Cash payments to employees and suppliers		(46 522)	(45 439)
		10 639	**24 175**
Changes in operating assets and liabilities:			
Resources at central banks		832	2 382
Trading financial assets and liabilities		(10 577)	23 813
Loans and advances to banks		(47 036)	8 729
Resources of other credit institutions		587 295	107 367
Loans and advances to customers		(202 743)	(86 569)
Resources of costumers		(183 429)	11 439
Other operating assets and liabilities		13 904	(84 095)
Net cash flow from operating activities before income tax		**168 885**	**7 241**
Income taxes paid		(1 911)	13 868
		166 974	**21 109**
Net cash flows from investment activities			
Acquisition of shares in subsidiaries and associated companies		(500)	-
Dividends received		1 610	715
Purchase of securities		(409 562)	(337 790)
Sale and reimbursement of securities		245 828	157 784
Purchase of fixed assets		(1 098)	(2 501)
Sale of of fixed assets		-	379
		(163 722)	**(181 413)**
Net changes in cash and equivalents		**3 252**	**(160 304)**
Cash and equivalents at the beginning of the year		467 261	627 565
Cash and equivalents at the end of the year		470 513	467 261
		3 252	**(160 304)**
Cash and equivalents includes:			
Cash	17	8	5
Demand deposit at central banks	17	457 556	462 914
Deposits at other credit institutions	17	15 688	7 913
(-) Minimum Reserves	17	(2 739)	(3 571)
Total		**470 513**	**467 261**

The following notes form an integral part of these financial statements

The Director of the Finance Department

The Board of Directors

2. NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

Haitong Bank, S.A.

NOTE 1 – ACTIVITY

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 authorised by the Portuguese authorities, central banks and regulators in order to carry out its business in Portugal and in the countries where it operates through international financial branches.

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

In order to widen the scope of its business, the Institution has 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 individual accounts.

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

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

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

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

NOTE 2 – MAIN ACCOUNTING POLICIES

2.1. BASES OF PREPARATION

In accordance with Regulation (EC) no. 1606/2002 of 19 July 2002 from the European Council and Parliament, and its adoption into Portuguese Law through Decree-Law no. 35/2005, of 17 February 2005, and Regulation no. 5/2015, of 7 December 2015 from the Bank of Portugal, Haitong Bank is required to prepare its financial statements in accordance with the International Financial Reporting Standards (IFRS), as established by the European Union.

The IFRS comprise the accounting standards issued by the International Accounting Standards Board (IASB), as well as the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and by their predecessor bodies.

Haitong Bank's individual financial statements set forth herein refer to the financial year ended on the 31st of December, 2021, which have been prepared in accordance with the IFRS in force, as adopted in the European Union until the 31st of December, 2021.

The Bank has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1st January 2021. The accounting policies in this note were consistently to all entities of the Bank and are consistent with those used in the preparation of the financial statements of the previous period.

These individual financial statements are expressed in thousands of euro, rounded to the nearest thousand, and have been prepared under the historical cost convention, except for assets and the liabilities accounted for at fair value, namely, derivative contracts, financial assets and financial liabilities at fair value through profit and loss and through other comprehensive income.

Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount or fair value less costs to sell.

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

The individual financial statements herein have been approved in the Board of Directors meeting held on the 22nd of February 2022.

2.2. FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are converted at the exchange rate in force as at the date of the transaction. The monetary assets and liabilities denominated in foreign currency are converted into Euros at the exchange rate in force at the date of the statement of financial position. The exchange rate differences arising from such conversion are recognised in income statement.

Non-monetary assets and liabilities accounted for at historical cost, denominated in foreign currency, are converted at the exchange rate as at the transaction date. Non-monetary assets and liabilities denominated in foreign currency accounted for at fair value are converted at the exchange rate in force as at the date of determination of the fair value. The exchange rate differences resulting thereof are recognised in profit and loss.

2.3. FINANCIAL INSTRUMENTS

2.3.1 Financial assets classification

At the initial recognition, financial assets are classified into one of the following categories:

a) Financial assets at amortized cost;
b) Financial assets at fair value through other comprehensive income; or
c) Financial assets ate fair values through profit or loss:
    i. Financial assets held for trading
    ii. Non-trading financial assets mandatorily at fair value through profit or loss
    iii. Financial assets designated at fair value through profit or loss

Financial assets classification and measurement depends on the SPPI test results (assessment if the contractual cash flows characteristics, in order to conclude if it corresponds solely payments of principal and interests) and on the business model.

a) Financial assets measured at amortised cost

A financial asset is classified under the category "Financial assets at amortized cost" if both the following conditions are met:

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and;
ii. The contractual terms of the financial asset establish cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The "Financial assets at amortized cost" category includes mainly Loans and advances to banks, Loans and advances to customers, and Debt securities.

a) Financial assets at fair value through other comprehensive income

A financial asset is classified under the category of "Financial assets at fair value through other comprehensive income" if both of the following conditions are met:

i. The financial asset is held within a business model whose objective is to both collect contractual cash flows and sell financial assets and;
ii. The contractual cash flows occur on specified dates and are solely payments of principal and interest on the principal amount outstanding (SPPI).

In addition, in the initial recognition of a capital instrument that is not held for trading, nor a contingent consideration by an acquirer in a concentration of activities to which IFRS 3 applies, the Bank may irrevocably choose to classify it in the category of " Financial assets at fair value through other comprehensive income ". This option is exercised on a case-by-case basis, investment by investment and is only available for financial instruments that comply with the definition of equity instruments set forth in IAS 32 and can not be used for financial instruments whose classification as a capital instrument in the issuer is made under the exceptions provided in paragraphs from 16A to 16D of IAS 32. The Bank did not adopt this irrevocable option under IAS 32, and only debt securities were classified in this category.

b) Financial assets at fair value through profit or loss

A financial asset is classified in the category of “Financial assets at fair value through profit and loss” if the business model defined by the Bank for its management or because of the characteristics of its contractual cash flows is not appropriate to be classified in the previous categories.

In addition, the Bank may irrevocably designate a financial asset that meets the criteria to be classified as "Financial assets at amortized cost" or "Financial assets at fair value through other comprehensive income", at fair value through profit or loss, at the time of its initial recognition, if that eliminates or significantly reduces an accounting mismatch, which would otherwise result from the measurement of assets or liabilities or from the recognition of gains and losses thereon on different bases. The Bank did not adopt this irrevocable option, having classified in this category:

- financial assets in the sub-category "Financial assets at fair value through profit or loss - financial assets held for trading", when:

    i. are originated or acquired for the purpose of trading in the short term;
    ii. are part of a group of financial instruments identified and managed jointly for which there is evidence of recent actions with the aim of achieving gains in the short term;
    iii. are derivative instruments which do not comply with the definition of a financial guarantee and have not been designated as hedging instruments.

- financial assets in the sub-category of "Financial assets at fair value through profit or loss - financial assets not held for trading necessarily at fair value through profit and loss" when:

    i. debt instruments whose cash flows do not originate cash flows on specific dates, which are only payments of principal and interest on the amount of outstanding capital (SPPI).
    ii. equity instruments, which do not classify as held for trading.

Gains and losses on financial assets and liabilities at fair value through profit or loss, namely, changes in fair value and interest on trading derivatives, as well as the dividends received from these portfolios, are recognized as "Net income from other financial instruments at fair value through profit or loss "in the income statement.

Business model evaluation for financial assets management

In relation to the evaluation of the business model, this does not depend on intentions for an individual instrument, but on a portfolio of instruments, taking into account the frequency, value, sales frequency in previous years, the reasons for such sales and expectations regarding future sales. Infrequent sales, or close to the maturity of the asset and those due to increases in the credit risk of financial assets or to manage concentration risk, among others, may be compatible with the model of holding assets for the collection of contractual cash flows.

Evaluation if the contractual cash flows correspond to solely payments of principal and interest (SPPI)

If a financial asset contains a contractual clause which may modify the timing or value of contractual cash flows (such as early amortization clauses or extension of duration), the Bank determines whether the cash flows that will be generated during the life of the instrument, due to the exercise of the contractual clause, are only payments of principal and interest on the value of the capital outstanding.

The contractual conditions of financial assets that, at the time of initial recognition, have an effect on cash flows or depend on the occurrence of exceptional or highly improbable events (such as settlement by the issuer) do not prevent their classification in the portfolios at cost amortized or at fair value through other comprehensive income.

Initial recognition

At initial recognition all financial instruments are recognised at their fair value. For financial instruments that are not recognised at fair value through profit or loss, the fair value is adjusted by adding or subtracting the transaction costs directly attributable to their acquisition or issue. In the case of instruments at fair value through profit or loss, directly attributable transaction costs are recognised immediately in profit or loss.

Transaction costs are defined as expenses directly attributable to the acquisition or disposal of a financial asset or to the issue or assumption of a financial liability that would not have been incurred if the Bank had not realized the transaction.

Subsequent measurement

After initial recognition, the Bank measures financial assets at amortized cost, at fair value through other comprehensive income, at fair value through profit or loss or at cost.

The fair value of quoted financial assets is their current bid price. In the absence of a quotation, the Bank estimates the fair value using (i) valuation methodologies, such as the use of prices of recent transactions, similar and carried out under market conditions, discounted cash flow techniques and customized option valuation models in order to reflect the particularities and circumstances of the instrument, and (ii) valuation assumptions based on market information. These methodologies also incorporate credit risk and counterparty risk. These methodologies may require the use of assumptions or judgments in the estimate of fair value.

The income and expenses of financial instruments at amortized cost are recognised in accordance with the following criteria:

a) Interest is recognised in the income statement using the effective interest rate of the instrument on the gross book value of the instrument (except for assets with impairment, where the interest rate is applied on the net book value of impairment).
b) Other changes in value will be recognised as income or expense when the instrument is derecognized from the balance sheet, when it is reclassified, and in the case of financial assets, when there are impairment losses or recovery gains.

Income and expenses of financial instruments at fair value through profit or loss are recognised according to the following criterias:

a) Changes in fair value are recognised directly in profit or loss, separating between the portion attributable to the income of the instrument, which is recognised as interest or as dividends according to their nature, and the remainder, which is recognised as results in the corresponding account.
b) Interests on debt instruments are measured using the effective interest rate method.

Income and expenses from financial instruments at fair value through other comprehensive income are recognised according to the following criteria:

a) Interest has a procedure equal to that of assets at amortized cost.
b) Foreign exchange differences are recognised in income statement.
c) Impairment losses or gains on its recovery are recognised in the income statement.
d) The remaining changes in value are recognized in other comprehensive income.

Thus, when a debt instrument is measured at fair value through other comprehensive income, the amounts recognised in profit or loss for the period are the same as those that would be recognized if measured at amortized cost.

When a debt instrument measured at fair value through other comprehensive income is derecognized from the balance sheet, the gain or loss recognised in other comprehensive income is reclassified to income for the year.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or change does not result in derecognition of the financial asset in accordance with the policy adopted by the Bank, the Bank recalculates the gross amount of the financial asset and recognizes a gain or loss arising from the difference from the previous amortized cost against profit or loss. The gross amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows discounted at the original effective interest rate of the asset.

Reclassifications between categories of financial instruments

Only if the Bank decides to change its business model for the management of a portfolio of financial assets. In this case, all financial assets affected would it reclassified in accordance with the requirements of IFRS 9. This reclassification would be applied prospectively from the date of reclassification. According to the approach of IFRS 9, changes in the business model generally occur very infrequently. Financial liabilities cannot be reclassified between portfolios.

Derecognition criteria

The Bank derecognises a financial asset in the following situations:

a) when transferring that asset and, as a result of such transfer, all the risks and rewards of that asset are transferred to another entity when a change is found to be significant under the terms and conditions of that asset;
b) when transferring the asset and, following this transfer, all the risks and benefits of the asset are transferred to another entity considered when there is a significant change in the terms and conditions of the asset;
c) when a significant change on the asset terms and conditions occur.

Loans written-off

The Bank write off a loan when it does not have reasonable expectations to recovering a financial asset in its entirety or a portion thereof. This registration occurs after all the recovery actions developed by the Bank prove to be fruitless. Loans written off are recognised in off-balance sheet accounts.

Purchase or originated credit impaired assets

Purchase or originated credit impaired (POCI) assets are credit-impaired assets on initial recognition. An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset.

The two events that lead to the originations of a POCI exposure are presented as follows:

- financial assets arising from a recovery process, where there have been changes to the terms and conditions of the original agreement, which presented objective evidence of impairment that resulted in its derecognition and recognition of a new contract that reflects the credit losses incurred;
- financial assets acquired with a significant discount, that the existence of a significant discount reflects credit losses incurred at the time of its initial recognition.

On initial recognition, POCI assets do not carry an impairment loss. Instead, lifetime expected credit losses are incorporated into the calculation of the effective interest rate. Consequently, at initial recognition, the gross book value of POCI (initial balance) is equal to the net book value before being recognised as POCI (difference between the initial balance and total discounted cash flows).

Impairment of financial assets

The Bank determines impairment losses on debt instruments measured at amortized cost and at fair value through comprehensive income, as well as for other exposures that have associated credit risk such as bank guarantees and commitments.

The IFRS 9 requirements aim to recognize expected losses, assessed on an individual and collective basis, taking into account all reasonable, reliable and reasoned information available, without incurring undue costs or efforts, at each reporting date, including forward-looking information.

The impairment losses of debt instruments in the exercise are recognized as a cost under the heading Impairment of Financial Assets in the Income Statement. The Bank registers the impairment losses on debt instruments measured at amortized cost against a cumulative balance sheet impairment account, which reduces the book value of the asset. The Bank recognizes the impairment losses on debt instruments measured at fair value through Other Comprehensive Income against the fair value reserve, whereby its recognition does not reduce the balance sheet value of the instruments.

Impairment losses on exposures that have associated credit risk and which are not debt instruments are registered by means of a provision under "Provisions" in the liability side. Increases and reversals are recorded against under the heading Provisions net of annulments.

Impairment Model

Under IFRS 9, the Bank 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 there was 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 Bank is applicable to all instruments classified in Stage 1, as well to determine the minimum lifetime expected credit losses, in the case of exposures with a significant increase in credit risk (Stage 2) since initial recognition, but which are not considered to be impaired.

In addition, the top 20 performing largest debtors are annually subject to an individual analysis, in order to trace early warning signals that may indicate the need to transfer to 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.

At initial recognition, any instrument is allocated to Stage 1, except for purchased or originated credit impaired (POCI) financial instruments which are allocated to Stage 3. For each reporting date, an assessment of the change in the risk of a default occurring over the expected life of the financial instrument is performed.

A change in the risk of default may result in a transfer from Stage 1 to Stage 2 or to Stage 3. As long as the risk of default of a financial asset is low or has not increase significantly since initial recognition, it remains in Stage 1 with a 12-months ECL. Otherwise, if there is a significant increase in credit risk compared with the initial recognition, the result would be a transfer into Stage 2 and, consequently to the recognition of the lifetime ECL over the residual life of the financial asset. A transfer into Stage 3 is required when objective evidence for a credit loss appears.

When a financial asset is no longer assessed to be impaired (Stage 3), it is reclassified to Stage 2. It is assumed that when a financial asset recovers from Stage 3, it will still have a demonstrated significant increase in credit risk since initial recognition and must therefore be included in Stage 2. From that date on, the impairment will continue to be recognized based on lifetime expected credit losses.

A probation period was established for a financial asset ceases to be classified in Stage 3, which is defined as 3 months from the moment that the obligor is no longer past due more than 90 days on any material credit obligation, if applicable, and no indication of unlikeliness to pay applies. The probation period for non-performing forborne exposures is longer (12 months). Note that performing forborne exposures should accomplish a minimum 24 months period in order to be reclassified on Stage 1, whereas throughout that period the debt sustainability should be proved.

Note 38 – Risk Management discloses the inputs of the Bank's collective impairment model, as well as the adjustments made to incorporate forward-looking information.

Expected Credit Losses

According to the IFRS 9, the expected credit loss for financial assets is the present value of the difference between (1) the contractual cash flows that are due to an entity under the contract, and (2) the cash flows that the entity expects to receive.

The recognition of an impairment allowance is required on financial assets measured on an Amortized Cost (AC) or Fair Value through Other Comprehensive Income (FVOCI) basis. Given that, the financial asset types that should have impairment assessment are the following:

- Loans and advances to customers;
- Loans and advances to banks;
- Securities;
- Debtors and other receivables;
- Cash and cash equivalents.

In addition, in accordance with IFRS 9, the Bank includes in the calculation of the expected credit losses for the guarantees provided and commitments assumed, and for other assets.

The expected credit losses correspond to 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 Bank considers all relevant information available without incurring undue costs or efforts.

The Bank identifies the occurrence of a significant increase in credit risk exposure through three approaches: (i) comparison between the current rating and the rating at the time of contract recognition, 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.

The internal warning signals are the following: (i) delay of payments (including capital, interest, fees or other charges) of more than 30 days; (ii) registration of at least one debtor's credit under a dispute in the Central Credit Register (CCR) from Banco de Portugal; (iii) debt restructuring towards a debtor facing and/or about to face financial difficulties in meeting its financial commitments (with no indication of unlikeliness to pay); (iv) debts to tax agency, social security and/or to employees overdue; (v) clients with warning signals activated in the last three months; and (vi) other specific situations (ad-hoc) criteria). The Bank identifies a SICR in the following circumstances: (a) debtors with one of the triggers (i), (iii), (v) and (vi) activated; and (b) debtors with triggers (ii) and (iv) simultaneously activated.

Early Warning Signals (EWS) assessment includes the annual review by the Impairment Committee and Executive Committee of the Top 20 performing largest exposures in order to confirm that the largest debtors do not display any warning signals that convene a transfer to Stage 2.

The Bank implemented the internal procedure to quarterly elaborate an EWS assessment, covering clients classified in Stage 1, thus enabling the timely identification of indicators which suggest a significant increase in credit risk, and also encompassing clients classified in Stage 1 and 2, allowing for the timely identification of indicators that may suggest a reduced likelihood of payments by the debtors.

According with internal procedures defined by the Bank, 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.

Default definition

Under IFRS 9, the Bank considers its financial assets to be in default by applying the same used definition that is applied for prudential purposes. Thus, Haitong Bank 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 Bank addresses the following situations: i) distressed restructurings; ii) clients with loans written-off of interest or capital; iii) the Bank sells the credit obligation at a material (more than 5%) credit-related economic loss; iv) the obligor has been placed (or is likely to be placed) in bankruptcy or similar protection; v) interest related to credit obligations is no longer recognized (non-accrued status) in the income statement (part or under conditionality); and vi) other conditions (ad-hoc) that may suggest reduced likelihood of payments by the debtor.

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

Forbearance definition

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

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

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

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

When granting forbearance measures to performing exposures with significant increase in credit risk, the Bank assesses whether these measures lead to a reclassification of that exposure as non-performing, being 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 Bank follows the guidance to Banks on Non-Performing Loans by the European Central Bank (from March 2017), which address the concept of forborne exposures, and Bank of Portugal's Carta Circular CC/2018/00000062 (from November 2018), addressing the criteria and principles for calculating expected credit losses under IFRS 9.

2.3.2 FINANCIAL LIABILITIES

Classification, initial recognition and subsequent measurement

At initial recognition, financial liabilities are classified in one of the following categories:

- Financial liabilities at amortised cost;
- Financial liabilities at fair value through profit or loss.

Financial liabilities at fair value through profit or loss

Classification

Financial liabilities classified under "Financial liabilities at fair value through profit or loss" include:

a) Financial liabilities held for trading

In this balance are classified the issued liabilities with the purpose of repurchasing it in the near term, the ones that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or is a derivative.

b) Financial liabilities designated at fair value through profit or loss ("Fair Value Option")

The Bank may irrevocably assign a financial liability at fair value through profit or loss at the time of its initial recognition if at least one of the following conditions is met:

- The financial liability is managed, evaluated and reported internally at its fair value;
- The designation eliminates or significantly reduces the accounting mismatch of transactions.

Structured products issued by the Bank follow are measured at fair value through profit or loss, due to the fact that such structured products always fall within one out of the aforementioned conditions.

The fair value of quoted financial liabilities is their quoted value. In the absence of a quotation, the Bank calculates fair value by using valuation techniques considering assumptions based on market information, including in determining the issuer´s own credit risk.

If the Bank repurchases an issued debt, it shall be derecognised from the individual statement of financial positions, and the difference between the liability's carry amount and the purchase value is accounted for in income statement.

Initial recognition and subsequent measurement

Considering that the transactions carried out by the Bank in the normal course of its business are made in market conditions, financial liabilities at fair value through profit or loss are initially recognised at fair value with the costs or income associated with the transactions recognised in profit or loss at the initial moment.

Subsequent changes in the fair value of these financial liabilities are recognised as follows:

- The amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income;
- The remaining amount of change in the fair value of the liability shall be presented in profit or loss.

The accrual of interest and the premium / discount (when applicable) is recognised on "Interest expense and similar charges" based on the effective interest rate of each transaction.

Financial liabilities at amortised cost

Classification

Financial liabilities that were not classified at fair value through profit or loss, or correspond to financial guarantee contracts, are measured at amortised cost.

The category "Financial liabilities at amortised cost" includes Resources of credit institutions, Resources of customers and Debt securities issued.

Initial recognition and subsequent measurement

Financial liabilities at amortised cost are initially recognised at fair value, plus transaction costs, and are subsequently measured at amortised cost. Interests on financial liabilities at amortised cost are recognised on "Interest expense and similar charges", based on the effective interest rate method.

Reclassification between categories of financial liabilities

Reclassifications of financial liabilities are not allowed.

Derecognition of financial liabilities

The Bank derecognises financial liabilities when they are cancelled or extinct.

2.3.3 Interest Recognition

Interest income and expense for financial instruments measured at amortised cost are recognised in "Interest and similar income" and "Interest expense and similar charges" (Net interest income) through the effective interest rate method. The interest at the effective rate related to financial assets at fair value through other comprehensive income are also recognised in net interest income.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

For calculating the effective interest rate, the Bank estimates futures cash flows considering all contractual terms of the financial instrument (for example: early payment options) but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related to the transaction, except for assets and liabilities at fair value through profit and loss.

Interest income recognised in income associated with contracts classified in stage 1 and 2 are determined by applying the effective interest rate for each contract on its gross book value. The gross balance of a contract is its amortised cost, before deducting the respective impairment. For financial assets included in stage 3, interests are recognised in the income statement based on its net book value (less impairment). The interest recognition is always made in a prospective way, i.e. for financial assets entering in stage 3 interests are recognised on the amortised cost (net of impairment) in subsequent periods.

For purchase or originated credit impaired assets (POCIs), the effective interest rate reflects the expected credit losses in determining the expected future cash flows receivable from the financial asset.

2.3.4 Financial guarantees

Financial guarantees are contracts which require its issuing entity to make payments to reimburse the holder for incurred losses resulting from breaches of the contractual terms set forth in debt instruments, namely the payment of the corresponding capital and/or interest.

Issued financial guarantees are initially recognised at their fair value. Subsequently, such guarantees are measured at the higher of (i) the initially recognised fair value and (ii) the amount of any financial obligation arising as a result of guarantee contracts, measured at the statement of financial positions date. Any change in the amount of the liability relating to guarantees is taken to the income statement

Financial guarantees issued by the Bank usually have a set maturity and a periodic fee charged in advance, which varies in accordance with the counterparty risk, amount and maturity date of the contract. On that basis, the guarantees' fair value as at the date of initial recognition thereof is approximately zero, by considering that the agreed conditions are market conditions. Therefore, the amount recognised at the contract date is equal to the amount of the initial received fee, which is recognised in income statement for the period thereof. Subsequent fees are recognised in income statement for the period to which they relate.

2.4 ASSETS SOLD WITH REPURCHASE AGREEMENT AND SECURITIES LENDING

Securities sold subject to repurchase agreement (repos) at a fixed price or at a price equal to that of the sale plus interest inherent to the maturity of the transaction are not derecognised from the statement of financial position. The corresponding liability is accounted for in amounts due to banks or to customers, as appropriate. The difference between the sale value and the repurchase value is treated as interest and is deferred while the agreement is in force, using the effective interest rate method.

Securities bought with a resale agreement (reverse repos) at a fixed price or at a price equal to that of the sale plus interest inherent to the maturity of the transaction are not recognised in the statement of financial position, and the purchase value is accounted for as loans and advances to banks or customers, as appropriate. The difference between the purchase value and the resale value is treated as interest and is deferred while the agreement is in force, using the effective interest rate method.

Securities assigned through loan agreements are not derecognised from the statement of financial positions, being classified and measured in accordance with the accounting policy applicable. Securities received through loan agreements are not recognised in the statement of financial positions.

2.5 EQUITY INSTRUMENTS

An instrument is classified as equity instrument only if:

i. The instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable conditions for the issuer; and

ii. The instrument will or may be settled in the issuer's own equity instruments, it is either a non-derivative that includes no contractual obligation on the issuer to deliver a variable number of its own equity instruments or a derivative that will be settled only by the issuer exchanging a fixed amount in cash or another financial asset for a fixed number of its own equity instruments.

Costs directly attributable to the issuing of equity instruments are accounted for under equity, as a deduction to the issuing amount. Amounts paid and received by the purchase and sale of equity instruments are accounted for under equity, net of transaction costs.

When declared, distributions to holders of an equity instrument are deducted directly from equity as dividends.

2.6 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are presented in statement of financial position at net value when there is a legal possibility of offsetting the recognised amounts and there is an intent of settlement thereof by their net value, or to simultaneously realise the asset and settle the liability.

2.7 NON-CURRENT ASSETS HELD-FOR-SALE AND ASSETS FROM DISCONTINUING OPERATIONS

Non-current assets or groups of non-current assets held for sale (group of assets to be disposed together in a single transaction, and directly associated liabilities which include at least one non-current asset) and discontinued operations are classified as held-for-sale when exists the intention to realise the a sale transaction (including those acquired exclusively with the purpose to sell), the assets or disposal groups are available for immediate sale and the sale is highly likely to occur, accordingly to IFRS 5 requirements.In order to the sale to be considered highly probable, the Bank must be committed to a plan to sell the asset (or disposal group) and should be expected the sale to qualify for derecognition within one year from the date of classification.

Immediately prior to the initial classification of the asset (or disposal group) as held-for-sale, the measurement of non-current assets (or of all the Bank's assets and liabilities) is carried out in accordance with the relevant IFRS in force. Subsequently, such assets or disposal groups are re-measured at the lower of their carrying value and fair value less costs to sell.

2.8 OTHER TANGIBLE ASSETS

The Bank other tangible assets are measured at cost, less their corresponding accumulated amortisations and impairment losses. The cost includes expenses directly attributable to the acquisition of the assets.

The subsequent costs with other tangible assets are only recognised when it is probable that future economic benefits associated with them will flow to the Bank. All repair and maintenance costs are charged to the income statement during the period in which they are incurred, on the accrual basis.

Land is not amortised. The amortisations of other tangible assets are calculated based on the straight-line method, at the following amortisation rates reflecting the expected useful life of the goods.

	Number of Years
Owned Real Estate	50
Improvements in leasehold property	10
Computer Equipment	4 a 5
Indoor Installations	5 a 12
Furniture and supplies	4 a 10
Safety Equipment	4 a 10
Tools and Machines	4 a 10
Transportation Material	4
Other Equipment	5

As defined in IAS 36, when there is evidence that an asset may be impaired, its recoverable amount is required to be estimated, and an impairment loss shall be recognised whenever the net value of an asset exceeds its recoverable amount. Any impairment losses are recognised in the income statement.

The recoverable amount is determined as the highest amount between its net selling price and its value in use, the latter being calculated based on the net present value of the estimated future cash flows expected to be obtained from the continued use of the asset and of its disposal at the end of its useful life.

2.9 INTANGIBLE ASSETS

Costs incurred with the purchase, production and development of software are capitalised, as well as additional expenses required for its deployment, which are borne by the Bank. Such costs are amortised on a linear basis throughout the expected useful life of such assets, which usually ranges from 3 to 8 years.

Costs directly related to the development of software applications are recognised and accounted for as intangible assets if they are expected to create future economic benefits beyond one financial year.

All remaining charges associated with Information Technology services are recognised as costs when incurred.

2.10 LEASE TRANSACTIONS (IFRS 16)

The Bank adopted IFRS 16 – Lease transactions on 1 January 2019, replacing IAS 17 – Lease transactions, which was in force until 31 December 2019. The Bank did not adopt any of the requirements of IFRS 16 in prior periods.

At inception of a contract, the Banks assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either:
  - the Bank has the right to operate the asset; or
  - the Bank designed the asset in a way that predetermines how and for what purpose it will be used.

  - This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

The Bank chose not to apply this standard to short-term lease contracts which are less or equal to one year, and to lease contracts where the underlying asset has no significant amount (up to € 5,000). The option of not applying this standard to intangible assets leases was also used.

As a lessee

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

When the Bank acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Bank is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Bank applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Bank applies IFRS 15 to allocate the consideration in the contract.

The Bank recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'. The accounting policies applicable to the Bank as a lessor in the comparative period were not different from IFRS 16. However, when the Bank was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

2.11 . EMPLOYEE BENEFITS

Pensions

Portugal

Following the signature of the Collective Labor Agreement ("Acordo Coletivo de Trabalho" (ACT)) for the banking sector and its subsequent amendments resulting from the 3 tripartite agreements described in Note 14, pension funds and other mechanisms were set up to cover liabilities assumed with pensions on retirement, disability, survival and health-care benefits.

The liabilities' coverage is assured, for the Bank, by pension funds managed by GNB - Sociedade Gestora de Fundos de Pensões, SA.

In Portugal, there are two defined benefit pension plans which are provided to the employees. The first plan results from the above mentioned ACT agreement and foreseen by its clauses 94th and 103rd (Plan 1). The second plan is voluntary and complimentary and was applicable for its participants and beneficiaries until the 30th of December of 2020. From this date, this plan exists exclusively for the respective beneficiaries and eventual future beneficiaries, by death of those (Plan 2). Defined benefit plans cover pension benefits to be received by employees during retirement, usually dependent on one or more factors such as age, years of service and salary level. On 30th of December of 2020, a new defined contribution plan was introduced (Plan 3), for which the previous participants of the voluntary and complimentary plan were transferred – former employees with vested rights, as well as active employees.

Considering the questions raised regarding the terms in which the conversion mentioned above has been processed, and following the contacts established with the Bank and the Management Company, ASF issued a further authorisation, allowing an amendment to the constitutive contract. In order to ensure the certainty of the operation and mitigate the possibility of litigation with the Authority in question, the Bank has signed, on the 11th of February, 2022, after the closing of the current period, the subesquent amendment, resulting in the reinforcement of the inical credits owed to the participants in the amount of 292 thousand euros.

The retirement pension liabilities are calculated semi-annually, in 31 December and 30 June of each year, for each plan individually, using the Projected Unit Credit Method, being annually reviewed by qualified independent actuaries. The discount rate used in this calculation is determined with reference to market rates associated with high-quality corporate bonds, denominated in the currency in which the benefits will be paid out and with a maturity similar to the expiry date of the plan's liabilities.

The Bank determines the net interest income / expense for the period incurred with the pension plan by multiplying the plan's net assets / liabilities (liabilities net of the fair value of the fund's assets) by the discount rate used to measure the retirement pension liabilities referred to above. On that basis, the net interest income / expense was determined based on the interest cost on the retirement pension liabilities net of the expected return on the funds' assets, both calculated using the discount rate applied in the determination of the retirement pension liabilities.

Re-measurement gains and losses, namely (i) actuarial gains and losses arising due to differences between actuarial assumptions used and real values verified (experience adjustments) and changes in actuarial assumptions and (ii) gains and losses arising due to the difference between the expected return on the fund's assets and the actual investment returns, are recognised in equity under the caption other comprehensive income.

The Bank recognizes as a cost in the income statement a net total amount that includes (i) current service costs, (ii) net interest income / expense with the pension fund, (iii) the effect of early retirement, (iv) past service costs, and (v) the effect of settlements or curtailments occurring during the period. The net interest income / expense with the pension plan is recognised as interest and similar income or interest expense and similar charges, depending on its nature. Early retirement costs correspond to increases in liabilities due to employees retiring before turning 65 years-old (normal retirement age foreseen in the ACT) and which forms the basis of the actuarial calculation of pension fund liabilities. Whenever the possibility of the early retirement provided for in the pension fund regulation is invoked, the responsibilities of same must be incremented by the value of the actuarial calculation of the liabilities corresponding to the period between the early retirement and the employee turning 65 years-old. In the event of a settlement or unwind in a defined benefit plan, the difference between (i) the present value of the defined benefit obligation determined at the settlement date and (ii) the settlement amount, including the value of the plan assets to be transferred; is recorded in “Personnel costs”.

The Bank makes payments to the funds in order to assure their solvency, the minimum levels set by Banco de Portugal being: (i) the liability with pensioners must be totally funded at the end of each period, and (ii) the liability relating to past service costs for active employees must be funded at a minimum level of 95%.

The Bank assesses the recoverability of any excess in a fund regarding he retirement pension liabilities, based on the expectation of reductions in future contributions.

Other Geographies

In the remaining geographies, namely Spain, United Kingdom and Poland, the Bank provides defined contribution pension plans. In these cases, the contributions are previously defined and the benefits assigned at retirement will depend on the amount of the contributions made and the accumulated income.

Health-care benefits

Portugal

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

SAMS provides its beneficiaries services and/or contributions with medical assistance expenses, diagnostics, medication, hospitalization and surgeries, in accordance with its funding availability and internal regulations.

Arising from the signature of the new Collective Labor Agreement (ACT) on 5 July 2016, published in Labor Bulletin (Boletim do Trabalho) no. 29, of 8 August 2016, the Bank’s contributions to SAMS as from 1 February 2017, correspond to a fixed amount (as per Annex VI of the new ACT) for each employee, 14 times a year.

The calculation and recognition of the Bank’s liability with post-retirement health-care benefits is similar to the calculation and recognition of the pension liability described above. These benefits are covered by the Pension Fund, which presently covers all liabilities with pensions and health-care benefits.

Other Geographies

In the remaining geographies, the Bank provides local medical plans to its workforce that are complimentary to the national health services provided in each of the respective geography.

End of career bonuses

In Portugal, under the new ACT, signed at the 5th July 2016, an end of career bonus is awarded to employees, payable immediately prior to the employee´s retirement date, if the employee retires at the service of the Group, corresponding to 1.5 of his/her salary at the time of its payment.

The end of career bonus is accounted for by the Bank in accordance with IAS 19, as a long-term employee benefit. The remeasurement effects and past service costs of this benefit are recognised in the income statement for the year, as occurred with the accounting model for long-term service bonuses.

The amount of the Bank's liabilities with this career bonus is likewise periodically estimated based on the Projected Unit Credit Method. The actuarial assumptions used are based on expectations of future salary increases and mortality tables. The discount rate used in this calculation is determined applying the same methodology described above for retirement pensions.

Variable remuneration paid to employees

In accordance with IAS 19 - Employee benefits, variable remuneration (profit sharing, bonuses and others) granted to employees and, possibly, to executive members of administration bodies, is accounted for in profit or loss of its respective financial year.

2.12 INCOME TAXES

Income taxes comprise current and deferred taxes. Income taxes are recognised in income statement, unless when relating to items not directly recognised in equity, in which case they are also accounted for against equity. Taxes recognised in equity, as a result of the reassessment of financial assets at fair value through other comprehensive income, are subsequently recognised in income statement when the gains and losses which were in their origin are recognised in income statement.

Current taxes are those expected to be paid based on the taxable income which is calculated in accordance with the existing tax rules and by using the tax rate enacted or substantially enacted in each jurisdiction.

Deferred taxes are calculated in accordance with the liability method based on the statement of financial positions, on the temporary differences between the carry amount of assets and liabilities and their tax base, by using the tax rates which have been enacted or substantially enacted on the date of the statement of financial position in each jurisdiction and which are expected to be applied once the temporary differences are reversed.

Deferred tax liabilities are recognised for all taxable temporary differences, except for goodwill not deductible for tax purposes, of the differences arising out of the initial recognition of assets and liabilities which affect neither accounting profit nor taxable profit, and of differences relating to investments in subsidiaries insofar as it is not likely that they reverse in the future. Deferred tax assets are only recognised insofar as it is expected that there will be taxable profit in the future which will absorb the tax losses carried forward and the deductible temporary differences.

2.13 PROVISIONS

Provisions are recognised when (i) the Bank has a current, legal or constructive obligation, (ii) it is likely that its payment will be required and (iii) when the amount of such obligation may be estimated in a reliable manner.

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

If it is not likely for payment to be required, it is a contingent liability. Contingent liabilities are only subject to disclosure, unless the likelihood of their realization is remote. Provisions for restructuring are recognised once the Bank approves a formal and detailed restructuring plan, and such restructuring has been commenced or publically announced on the reference date of the financial statements.

A provision for onerous contracts is recognised when the expected benefits of a formal contract are lower than the costs that the Bank will inevitably incur in order to meet the obligations arising therefrom. This provision is measured based on the current lowest value between the contract termination costs or the net estimated costs of continuing the contract.

2.14 RECOGNITION OF FEE AND COMMISSION INCOME

Income from services and commissions are recognised as follows:

- Income from services and commissions obtained from the performance of a significant act, such as commissions in the syndication of loans, are recognised in income once the significant act has been completed;
- Income from services and commissions obtained as the services are being provided are recognised in income for the relevant period;

Income from services and commissions which are an integral part of the effective interest rate of a financial instrument are accounted for in income statement by the effective interest rate method.

2.15 SEGMENT REPORTING

According to paragraph 4 of IFRS 8 – Operating segments, the Bank is exempt from submitting a report on an individual basis by segement, since the individual financial stataments are presented together with the individual financial statements.

2.16 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to shareholders of the parent company by the weighted average number of ordinary shares outstanding, with the exclusion of the average number of own shares held by the Bank.

For the calculation of diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to reflect the effect of all dilutive potential ordinary shares, such as those arising out of convertible debt and of options granted to employees over own shares. The effect of the dilution is a decrease in earnings per share, resulting from the assumption that the convertible instruments are converted or that the granted options are exercised.

2.17 CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and its equivalents encompass the amounts accounted for in the statement of financial position whose maturity is less than three months from the date of acquisition/contract, which include cash, deposits in Central Banks and in other credit institutions. Cash and cash equivalents exclude mandatory deposits held with Central Banks.

2.18 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

These assets are recorded at historical cost, being subject to periodic analyses of impairment. Dividends are recorded as an income in the year in which its distribution is decided by the subsidiaries and associated companies.

NOTE 3 – MAIN ESTIMATES AND JUDGEMENTS USED IN THE PREPARATION OF FINANCIAL STATEMENTS

The IFRS set forth a range of accounting treatments and require the Board of Directors to make the necessary judgements and estimates to decide on the most appropriate accounting treatment. The Bank main accounting estimates and judgements used thereby when applying the accounting principles are laid down in this Note with the purpose of improving the understanding on how the implementation thereof affects the Bank reported results and their disclosure.

A broader description of the main accounting policies used by the Bank is shown in Note 2 to the individual financial statements.

Whereas in many situations there are alternatives to the accounting treatment adopted by the Board of Directors, the results reported by the Bank could have differed if it adopted a different treatment. The Board of Directors believes that it made the appropriate choices, and that the financial statements give an adequate description of the Bank financial position and of the result of its operations in all material respects.

3.1. IMPAIRMENT LOSSES ON FINANCIAL ASSETS AT AMORTISED COST AND DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Bank periodically reviews financial assets at amortized cost and debt at fair value through other comprehensive income in order to accurately evaluate the existence of impairment, as referred on Note 2.3.1.

Individual analysis

Taking into consideration the specific characteristics of the credit portfolio, the Bank decided that the main approach for impairment calculation is the individual analysis, taking into account relevant and particular factors that may justify an eventual adjustment to the impairment rate.

The Risk Management Department identifies all exposures subject to individual analysis, encompassing Top 20 performing largest exposures, all under-performing (Stage 2) and non-performing (Stage 3) exposures, and ensures that they are subject of analysis by the Impairment Committee. In the case of Stage 1 exposures, the individual analysis is carried out in order to confirm that the Top 20 largest exposures doesn’t show any warning signals that causes a reclassification to Stage 2. Stage 2 exposures are analyzed individually, in order to verify the absence of indicative unlikeliness to pay of the debtor and the events considered by Capital requirements Regulations (CRR) in its definition of default and by standard IFRS 9 in the definition of impaired financial instruments, which could cause transfer to Stage 3.

The documentation supporting the individual analysis of cases to be discussed at the Impairment Committee and Executive Committee includes: a) historical information (exposure by contract and type, impairment rates in force, collateral and respective valuation); and b) scenarios with expected cash flows discounted to the current date, using the applicable debt cost rate in each period, in order to obtain expected credit losses.

The recovery scenarios should be influenced by future prospects contemplating not only the most probable scenario but also alternative scenarios. For each of the scenarios presented, the respective assumptions and respective explanation is assured based on the activity of the company (incorporating data from the historical financial statements, certain events and other financial estimates when available), the value of collateral (including the respective valuation methodologies) and sale or execution thereof. The recovery scenarios are weighted by their probability of occurrence.

Thus, the individual analysis' process is subject to various estimates and evaluations, including recoveries' predictions and existing collaterals valuation.

The use of scenarios or alternative methodologies with other assumptions and estimates could result in different levels of impairment losses recognized, with a consequent impact on the Bank's results.

Collective analysis

Impairment assessment on the collective basis is based upon the evaluation of the net present value of the expected cash flows for each loan, using pre-defined risk parameters supported by external information.

Taking into account the specificities of Haitong Bank credit portfolio, the collective model is based on external information for all the key risk parameters used. The main parameters used are: (i) Probability of Default (PD), (ii) Loss Given Default (LGD), (iii) Collateral haircut, and (iv) Credit Conversion Factor (CCF) for off-balance exposures.

- Probability of Default (PD) reflects the likelihood of default. The Bank takes into account Standard & Poor's ("S&P"'s) PD's, whereas the rating assigning process is performed internally based on the S&P methodology, which ensures the alignment between internal risk management and the process of impairment calculation.
- Loss Given Default (LGD) is the magnitude of loss at the time of default. The Bank applies LGD based on Moody's benchmarks (recovery rates) covering a wide historical period.
- Collateral Haircut is based on the regulatory capital requirements (CRR) eligibility criteria and haircut.
- Credit Conversion Factor (CCF) is based on the CRR where CCF applies to all guarantees and lines of credit (off-balance exposures).

The Bank updated the inputs of the collective model regarding the incorporation of forward-looking information, according to the information presented in Note 38 – Risk Management.

The new procedures and criteria considered by the Bank in the preparation of accounting estimates in the context of the coronavirus pandemic ("Covid-19"), as well as the analysis of the impacts of Covid-19 in the definition of IFRS 9 risk Stage, classification of significant increase in credit risk or default, and definition of impairment, are detailed in Note 39 - Impact of Pandemic Covid-19.

The use of scenarios or alternative methodologies with other assumptions and estimates, namely as to the effects of the coronavirus pandemic ("Covid-19"), could result in different levels of impairment losses recognized, and a consequent impact on the Bank's results.

3.2. INCOME TAXES

The Bank is subject to the payment of income taxes in various jurisdictions. Determining the aggregate amount of income taxes requires certain interpretations and estimates. There are several transactions and calculations for which determining the final amount of tax to be paid is uncertain throughout the normal course of business.

Other interpretations and estimates could result in a different level of income taxes recognised in the period, whether current or deferred.

On the other hand, the Bank accounts for deferred taxes in accordance with the policy set forth in Note 2.12, whereby deferred tax assets are accounted for only insofar as it is expected that there will be taxable profit in the future, which are able to absorb tax losses carried forward and deductible temporary differences.

The historical loss calculation in recent years justifies an assessment of the recoverability of deferred tax assets, but these results are significantly affected by extraordinary situations (eg. restructuring) that are not expected to occur in future years.

The assessment of the recoverability of deferred tax assets (including the rate at which they shall be realised) was carried out by the Bank based on projections of its future taxable profit, such projections being specified from a business plan.

The estimate of future taxable profit involves a significant level of judgment regarding the future development of the Bank's activity and the timing of execution of temporary differences. For such purpose, several assumptions were adopted, in particular the analysis of several scenarios due to a uncertainty about the fiscal treatment of a set of Bank realities.

Tax Authorities are required to review the calculation of the basis of assessment, made by the Bank, for a period of four years, except where any deduction or tax credit has been made, where the time-limit is the exercise of that right. Hence, there is a possibility that the basis of assessment will be corrected, mainly due to differences in the interpretation of the tax legislation.. However, it is the belief of the Bank's Board of Directors and its subsidiaries, that there will be no significant corrections to income taxes state on financial statements, with a material impact on its equity and results.

3.3. IMPAIRMENT LOSSES IN SUBSIDIARIES AND ASSOCIATED COMPANIES

Investments in subsidiaries and associated companies are analysed periodically for the purpose of identifying signs of impairment. If any, the impairment is determined in accordance with the rules set forth in IAS 36. In the absence of an available market value, the recoverable amount is normally determined based on discounted value techniques using a discount rate that considers the risk associated with unit to be tested. The determination of the future cash flows to be discounted and the discount rate to be used involves judgment. Changes in expected cash flows and in the discount rates to be used could lead to different conclusions from those that formed the basis of the preparation of these financial statements.

3.4. PENSIONS AND OTHER EMPLOYEE BENEFITS

Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, responsabilities discount rate, and other factors that could impact the cost and liability of the pension plan.

Any changes to such assumptions could have a significant impact on the determined amounts.

3.5. FAIR VALUE OF FINANCIAL DERIVATIVES AND ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Fair values are based on listed market prices when available; otherwise fair value is determined with reference to similar recent arm's length transaction prices, or in accordance with valuation methodologies based on discounted future cash flows techniques, by taking into account the market conditions, temporal value, yield curve and volatility factors. Such methodologies further incorporate own credit risk as well as the counterparty's credit risk. Such methodologies may require the use of assumptions or judgements when estimating fair value.

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

3.6. CLASSIFICATION AND MEASUREMENT

The classification and measurement of financial assets depends on the results of the SPPI test (analysis of the characteristics of the contractual cash flows to determine if they correspond only to payments of principal and interest on the outstanding capital) and the test of the business model.

The Bank determines the business model at a level that reflects how financial asset groups are managed together to achieve a specific business objective. This evaluation requires judgment, since the following aspects, among others, have to be considered: the way in which the performance of assets is evaluated; the risks that affect the performance of the assets and way these risks are managed; and how asset managers are rewarded.

The Bank monitors the financial assets measured at amortized cost and at fair value through other comprehensive income that are derecognized prior to their maturity to understand the underlying reasons for their disposal and to determine whether they are consistent with the purpose of the business model defined for those assets. This monitoring is part of a process of continuous evaluation made by the Bank of the business model of the financial assets that remain in the portfolio, to determine if it is adequate and, if it is not, if there was a change in the business model and consequently a prospective change classification of these financial assets.

NOTE 4 – FINANCIAL MARGIN

This heading's amount is composed of:

(thousand euros)

	31.12.2021			31.12.2020		
	Assets/Liabilities at Amortised Cost and at fair value through other comprehensive income	Assets / Liabilities at Fair Value Through Profit or Loss	Total	Assets / Liabilities at Amortised Cost and at fair value through other comprehensive income	Assets / Liabilities at Fair Value Through Profit or Loss	Total
Interest and similar income						
Interest from loans and advances to customers	9 606	-	9 606	9 027	-	9 027
Interest from deposits and investments in credit institutions	518	-	518	48	-	48
Interest from financial assets at fair value through other comprehensive income	2 506	-	2 506	1 086	-	1 086
Interest from financial assets at fair-value through profit and loss	-	889	889	-	1 438	1 438
Interest from debt securities measured at amortised cost	6 926	-	6 926	4 597	-	4 597
Other interest and similar income	184	-	184	159	-	159
	19 740	**889**	**20 629**	**14 917**	**1 438**	**16 355**
Interest and similar expenses						
Interest from deposits from central banks and other credit institutions	3 201	-	3 201	536	-	536
Interest from customers accounts	9 007	-	9 007	12 052	-	12 052
Interest from leasing	102	-	102	152	-	152
Other interest and similar expenses	369	-	369	871	-	871
	12 679	**-**	**12 679**	**13 611**	**-**	**13 611**
	7 061	**889**	**7 950**	**1 306**	**1 438**	**2 744**

As at the 31st of December, 2021, interest and similar income includes an amount of 491 thousand euros and 38 thousand euros concerning contracts flagged as stage 2 and stage 3, respectively (31st of December, 2020: 6,361 thousand euros and 82 thousand euros).

The heading Interest and similar income – Interest from deposits and investment in credit institutions has a negative cost of 467 thousand euros associated with TLTRO III operations. For each TLTRO III tranche, the effective interest rate for the year 2021 is being periodized.

This interest rate considers the interest rates applicable to each operation in the elapsed period, according to the Bank's estimate of the achievement of targets variation in the volume of eligible credit defined by the ECB.

NOTE 5 – INCOME FROM EQUITY INSTRUMENTS

This heading's amount is composed of:

(thousand euros)

	31.12.2021	31.12.2020
Dividend income		
HAITONG BANCO DE INVESTIMENTO DO BRASIL S.A.	1 610	715
	1 610	**715**

NOTE 6 – NET FEES AND COMMISSIONS INCOME

Impairment of financial assets

This heading's amount is composed of:

(thousand euros)

	31.12.2021	31.12.2020
Fees and commissions income		
From banking services	49 983	47 564
From guarantees provided	1 187	967
From transactions with securities	6 983	14 345
	58 153	**62 876**
Fees and commissions expenses		
From banking services rendered by third parties	2 018	2 218
From transactions with securities	1 238	1 196
From guarantees received	398	518
Other fee and comission expenses	447	1 404
	4 101	**5 336**
	54 052	**57 540**

As at December 31st, 2021, the income regarding fees and commission included 39,519 thousand euros (2020: 36 168 thousand euros) concern Haitong Group related parties (Note 36).

As at 31st December 2021 and 2020, the amount of fees and commissions present the following distribution, by operational segment:

(thousand euros)

	31.12.2021	31.12.2020
Fees and commissions income		
Capital Markets Division	12 729	23 627
Mergers and Acquisitions Division	21 102	19 124
Structured Finance Division	5 215	4 805
Equities Division	4 526	5 202
Fixed Income Currency and Commodities Division	4 504	4 720
Treasury Division	3	16
Corporate Solutions	3 454	800
Corporate Derivatives	1 220	-
Other	5 400	4 582
	58 153	**62 876**

Mergers and Acquisitions

The Mergers and Acquisitions (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.

Capital Markets

The Capital Markets Division comprises 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, project bonds and commercial paper programmes.

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

Corporate Derivatives

Haitong Bank's Derivatives Area covers various asset classes such as interest rate, FX and commodities, helping companies to immunize their balance sheet against financial variables that could adversely affect their results, allowing them to focus on their core business and lock-in the margin on your products. In this sense, companies are able to optimize their hedging strategy against rising interest rates, exchange rate variations between payments and receipts of their products and fixing the cost/sales price of raw materials.

Fixed Income

The Fixed Income Division aims to provide differentiated products and services to institutional and corporate clients, as well as to provide Haitong Bank with an international distribution platform for institutional clients. The presence in several geographies and the combination of origination and distribution capacity stimulate the identification of new opportunities, promoting cross-border activities.

Comprised of teams specialized in Trading, Syndication and Distribution, the Fixed Income Division offers market-making services for corporate and sovereign debt securities, international multi-product distribution and tailor-made products for institutional clients.

The Fixed Income Division is also responsible for managing the “Haitong Banking” portfolio in accordance with the investment policy defined by the Executive Committee.

In addition to the aforementioned, the Fixed Income Brasil Department's mission is to manage the various risk factors to which the Bank is exposed, such as: fixed interest rates, inflation, FX and equities, as well as those arising through from the proprietary and strategic portfolio of the Bank's trading desk (trading book and banking book) or through other gaps in risk factors arising from the Bank's commercial/sales activities.

Equities

The Equities Division provides a global execution service for European investors, with broad tailor-made execution solutions available to institutional clients. This Division is planned to be terminated in Iberia by 1Q2022.

Structured Finance

The Structured Finance Department aims to develop financing solutions for its clients, namely in the areas of acquisition / leverage finance, project finance, corporate and real estate financing, as well as the provision of financial advisory services in the structuring and arranging of operations and the provision of financing operations agent services.

Corporate Solutions

The objective of the Corporate Solutions Department is to establish relationships with customers in various sectors, identify business opportunities and attract business to the Bank's product areas.

This unit will also monitor cross-border opportunities with the aim of ensuring a commercial link between the various geographic regions of the Group.

Treasury

The Treasury Department's objective is to guarantee the adequate level of funding to meet the Bank's and the Group's current and future funding needs, as well as to maintain and manage the adequate level of liquidity to meet financial responsibilities.

Additionally, the Treasury Department also aims to manage the Bank's own HQLA portfolio effectively and efficiently.

Private Equity

This segment aims to support private business initiatives, promoting productive investment primarily financed by equity.

Corporate Center

The Corporate Center does not correspond to a business area; it is an aggregation of transversal corporate structures that ensure the basic functions of the Group's global management, such as those linked to the Management and Supervisory bodies, the Compliance function, CEO Office, Financial Department, Customers, among others.

Special Portfolio Management

The purpose of the Special Portfolio Management (SPM) area is to manage all exposures with credit risk held by the Bank that, according to IFRS9 criteria, are classified as non-productive.

The SPM area also manages credit operations in which the Bank is involved only as an agent, in the case of operations that are in default or classified as non-productive.

Others

Inclui todos os outros segmentos existentes no modelo de Informação de Gestão do Grupo que, de acordo com o preconizado no IFRS 8, não são de individualização obrigatória (Direção de Research, Direção de Asset Management e outros centros de receita).

As at 31th of December 2021 and 2020, the amount of fees and commissions present the following distribution, by geographical segment:

(thousand euros)

	31.12.2021	31.12.2020
Fees and commissions income		
China	29 276	28 153
Virgin Islands	8 207	12 329
Portugal	6 880	3 992
Hong Kong	3 701	6 722
Poland	2 477	2 013
Luxembourg	2 277	451
Bermuda	2 102	2 318
Spain	1 291	3 931
Ireland	553	1 369
Others	1 391	1 596
	58 153	**62 876**

NOTE 7 – NET TRADING INCOME

This heading's amount is composed of:

(thousand euros)

	31.12.2021	31.12.2020
Assets and liabilities held for trading		
Securities held for trading		
Bonds and other fixed income securities		
Issued by public entities	(429)	775
Of other entities	(16)	374
Shares	(21)	27
	(466)	**1 176**
Financial derivatives held for trading		
Foreign-exchange contracts	(1 878)	1 889
Interest rates contracts	(383)	(424)
Equity/indexes contracts	(724)	367
Credit default contracts	-	473
Other	1 069	(663)
	(1 916)	**1 642**
	(2 382)	**2 818**

NOTE 8 – NET INCOME FROM OTHER INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

This heading's amount is composed of:

(thousand euros)

	31.12.2021	31.12.2020
Assets and liabilities at fair value through profit or loss		
Securities		
Loans and advances to customers	-	(12)
Other variable income securities	1 033	(304)
	1 033	**(316)**

NOTE 9 – NET GAIN/(LOSS) FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT FAIR VALUE TRHOUGH OTHER COMPREHENSIVE INCOME

This heading's amount is composed of:

(thousand euros)

	31.12.2021	31.12.2020
Bonds and other fixed income securities		
Issued by public entities	-	2 099
Of other entities	(692)	398
	(692)	**2 497**

NOTE 10 – NET GAINS / (LOSSES) FROM FOREIGN EXCHANGE DIFFERENCES

This heading's amount is composed of:

(thousand euros)

	31.12.2021	31.12.2020
Currency revaluation	1 361	25 699
	1 361	**25 699**

This heading includes results arising out of the exchange rate revaluation of monetary assets and liabilities denominated in foreign currency, in accordance with the accounting policy set forth in Note 2.2, and the results of foreign exchange derivatives.

NOTE 11 – NET GAIN/(LOSS) FROM DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

This heading's amount is composed of:

(thousand euros)

	31.12.2021	31.12.2020
Sale of loans and advances to customers	-	390
Loans recoveries	1 298	474
Sale of investments at amortised cost	322	-
	1 620	**864**

NOTE 12 – OTHER OPERATING RESULTS

This heading's amount is composed of:

(thousand euros)

	31.12.2021	31.12.2020
Other customer services	811	127
Direct and Indirect taxes	(2 163)	(2 924)
Other operating results	1 825	(1 972)
Non-financial assets	(19)	(33)
Sub-leasing	343	364
	797	**(4 438)**

Direct and indirect taxes include 1,271 thousand euros concerning the cost associated with the Bank Levy (2020: 1,669 thousand euros), established pursuant to Law no. 55-A/2010, of the 31st of December (see Note 31).

As at the December 31, 2021, the balance Other operating income and expenses includes, among other, the followings:

i. a cost of 1,101 thousand euros related to Contributions to the National Resolution Fund and to the EU Resolution Fund (1,544 thousand euros at 31 December 2020); and

ii. a profit of 1,473 thousand euros related with financial liabilities modified. As a result of the change in the Bank's estimate of the achievement of the targets for the variation of the volume of credit, and bearing in mind the conditions in force for each tranche, the amortized cost of the TLTRO III operation was recalculated (by application of paragraph B5.4.6 of IFRS 9), with the Bank having recognized the mentioned income.

NOTE 13 – EMPLOYEE COSTS

This heading's amount is composed of:

(thousand euros)

	31.12.2021	31.12.2020
Wages and salaries		
Remuneration	22 268	22 822
Career benefits (see Note 14)	77	77
Changes from termination agreements (see Note 14)	220	754
Unwind - Change in Plan	(127)	(5 110)
Expenses with retirement pensions (see Note 14)	210	687
Other mandatory social charges	4 314	4 406
Other expenses	1 236	319
	28 198	**23 955**

The costs with remuneration and other benefits granted to key management employees of the Haitong Bank are distributed as follows

(thousand euros)

	Board of Directors	Identified Staff (1)	Total
2021			
Remuneration and other short-term benefits	1 406	6 515	7 921
Variable remuneration	720	907	1 627
Total	**2 126**	**7 422**	**9 548**
2020			
Remunerations and other short-term benefits	1 174	6 405	7 579
Variable remunerations	390	988	1 378
Total	**1 564**	**7 393**	**8 957**

(1) Excluding Board of Directors

The category "Identified Staff" considers the staff whose actions have a material impact on the Bank's risk profile ("Identified Staff").

On December 31st, 2021 and December 31st, 2020, the Haitong Bank did not present any credit granted to its Management Bodies.

Per professional category, the average number of employees of the Haitong Bank can be analysed as follows:

	31.12.2021	31.12.2020
Directors	139	139
Management	3	3
Specific roles	111	111
Administrative roles	14	14
Support roles	10	12
	277	**279**

As at 31 December 2021 and 2020, the Bank had a total of 273 and 276 employees on its staff, respectively.

NOTE 14 – EMPLOYEES BENEFITS

Retirement pensions and healthcare benefits

Pension and health-care benefits In compliance with the Collective Labor Agreement ("Acordo Coletivo de Trabalho", ACT) for the banking sector established with the unions, the Bank undertook the commitment to grant its employees, or their families, pensions on retirement, disability and survival. These payments consist of a percentage that increases in accordance with the years of service, applied to each year's negotiated salary table for the active work force.

Arising from the signature of the new Collective Labor Agreement ("Acordo Coletivo de Trabalho", ACT) on 5 July 2016, published in Labor Bulletin (Boletim do Trabalho) no. 29, of 8 August 2016, the Bank's contributions to SAMS as from 1 February 2017, correspond to a fixed amount (as per Annex VI of the new ACT) for each employee, 14 times a year.

The measurement and recognition of the Bank's liability with post-retirement health-care benefits is similar to the measurement and recognition of the pension liability. These benefits are covered by the Pension Fund, which currently covers all liabilities with pensions and health-care benefits.

For employees hired until 31 December 2008, the retirement pension and the disability, survival and death pensions consecrated under the ACT, as well as the liabilities for health-care benefits (SAMS), are covered by a closed pension fund, managed by GNB – Sociedade Gestora de Fundos de Pensões, S.A.

Protection of employees in the event of maternity, paternity and adoption, as well as old age, is covered by the General Social Security Regime, given that with the publication of Decree-Law no. 1A/2011, of 3 January, all banking employees who were beneficiaries of "CAFEB – Caixa de Abono de Família dos Empregados Bancários" were integrated in the General Social Security Regime as from 1 January 2011.

Employees hired after 31 December 2008 are covered by the Portuguese General Social Security Regime.

Retirement pensions of banking employees integrated in the General Social Security Regime within the scope of the 2nd tripartite agreement continue to be calculated in accordance with the provisions of the ACT and other conventions; however, banking employees are entitled to receive a pension under the General Regime, that takes into account the number of years of contributions under that regime. The banks are responsible for the difference between the pension determined in accordance with the provisions of the ACT and that which the banking employees are entitled to receive from the General Social Security Regime.

The contribution rate is 26.6%, 23.6% paid by the employer and 3% paid by the employees to the General Social Security Regime on the behalf of Caixa de Abono de Família dos Empregados Bancários (CAFEB), abolished by said Decree-law. In consequence of this change, pension entitlements of active employees are to be covered on the terms defined under the General Social Security Regime, for the length of their employment between 1 January 2011 and their retirement date. The differential required to make up the pension guaranteed under the ACT is paid by the Banks.

At the end of financial year 2011 and pursuant to the 3rd tripartite agreement, it was decided to transfer, definitively and irreversibly, to the General Social Security Regime all the banks' liabilities with pensions in payment to retirees and pensioners that were in that condition as at 31 December 2011 at constant values (0% discount rate) for the component foreseen in the "Instrumento de Regulação Colectiva de Trabalho" (IRCT) applicable to banking employees, including the eventualities of death, disability and survival. The liabilities relating to the updating of pension amounts, pension benefits other than those to be borne by

Social Security, health-care contributions to SAMS, death allowances and deferred survivor's pensions will remain under the banks' responsibility, with the corresponding funding being met through the respective pension funds.

The agreement further established that the financial institutions' pension fund assets relating to the part allocated to the satisfaction responsibilities for those pensions, be transferred to the State.

The main assumptions used in the calculation of liabilities are as follows:

	Assumptions	
	31.12.2021	31.12.2020
Financial Assumptions		
Expected return rates	1,47%	1,20%
Discount rate	1,47%	1,20%
Pension growth rates	0,50%	0,50%
Salary growth rates	0,75%	0,75%
Demographic Assumptions and Assessment Methods		
Mortality table		
Men	TV 88/90	TV 88/90
Women	TV 88/90 - 3 years	TV 88/90 - 3 years
Actuarial valuation method	Project Unit Credit Method	

Disability decrements are not included in the calculation of responsibilities. The discount rate used as reference to the 31st of December, 2021, was based on: (i) the development sustained by the main indices concerning high quality corporate bonds and (ii) the duration of the responsibilities (20 years).

Recipients of the pensions plan are disaggregated as follows:

	31.12.2021	31.12.2020
Active workers	100	100
Former employees with vested rights	76	76
Retired	36	36
Survivors	10	10
TOTAL	**222**	**222**

Former employees with vested rights refer to employees who ceased their activity in the Bank in 2021 and 2020 and maintained the pension plan rights.

The IAS 19 application implies the following liabilities and coverage levels, which shall be reported on the 31st of December 2021 and 2020:

(thousand euros)

	31.12.2021	31.12.2020
Net Assets / (Liabilities) recognised in the statement of financial position		
Liabilities as at 31st of December		
Pensioners and former employees with vested rights	35 934	35 384
Active workers	14 134	17 372
	50 068	**52 756**
Balance of the Funds at 31 December	**56 262**	**53 072**
Excess of coverage / (Contributions to the fund)	6 194	316
Assets / (Liabilities) in the statement of financial position (see Note 27)	**6 194**	**316**
Acummulated actuarial gains / losses recognised in other comprehensive income	35 223	40 590

Retired includes the former employees, with vested rights acquired under the Social Plan.

The evolution of liabilities regarding retirement pensions and healthcare benefits is analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Liabilities at the beginning of the year	**52 756**	**84 043**
Current service cost (see Note 13)	210	687
Interest expenses	629	1 274
Participants contributions	87	87
Actuarial (gains)/losses	(2 849)	4 319
-Changes in assumptions	(2 707)	5 671
- Experience (Gains)/losses	(142)	(1 352)
Pensions paid by the fund	(858)	(771)
Unwind - Change in Plan	(127)	(37 637)
Changes from termination agreements (see Note 13)	220	754
Liabilities at the end of the year	**50 068**	**52 756**

On 30th of December of 2020, after obtaining authorization from the Insurance and Pension Funds Supervisory Authority, a new defined contribution plan was introduced, for which the previous participants of the voluntary and complementary plan were transferred – former employees with vested rights, as well as active employees. This change was accounted for as a settlement of the defined benefits plan, having been recorded in accordance with the accounting policy described in Note 2.12. In this sense, the responsibilities and the corresponding assets of the plan to be transferred were reduced with reference to December 30, 2021, with the difference being recorded in “Personnel Costs” (Note 13).

Considering the questions raised regarding the terms in which the conversion mentioned above has been processed, and following the contacts established with the Bank and the Management Company, ASF issued a further authorisation, allowing an amendment to the constitutive contract. In order to ensure the certainty of the operation and mitigate the possibility of litigation with the Authority in question, the Bank has signed, on the 11th of February, 2022, after the closing of the current period, the subesquent amendment, resulting in the reinforcement of the inical credits owed to the participants in the amount of 292 thousand euros.

Considering the situation on the 31st of December 2021, the analysis to the sensibility and alterations of the actuarial assumptions revealed the following impacts:

- An increase in the discount rate of 25 base points would have represented a reduction in liabilities of approximately 2,349 thousand euros. A discount rate decrease of the same proportion would have represented an increase in liabilities of approximately 2,509 thousand euros;
- An increase of 25 base points in the growth of salaries and pensions would have represented an increase- in liabilities of approximately 2,279 thousand euros. A decrease in the growth of salaries of the same proportion would have represented a decrease in liabilities of approximately 2,594 thousand euros.

The evolution of value regarding the pension funds on the financial years ending on the 31st of December 2021 and 2020, may be analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Pension Funds at the beginning of the year	**53 072**	**78 794**
Real income of the fund	3 162	2 985
Bank contributions	799	4 504
Participants contributions	87	87
Benefits paid	(858)	(771)
Unwind - Change in Plan	-	(32 527)
Pension Funds at the end of the year	**56 262**	**53 072**

The assets of the pension funds may be analysed in the following manner:

	% Portfolio	
	31.12.2021	31.12.2020
Bonds	59,70%	59,60%
Shares	31,70%	32,40%
Alternative investment	5,70%	5,90%
Liquidity	2,90%	2,10%
Total	**100%**	**100%**

The assets of the funds are valued at fair value.

On the 31st of December 2021 and 2020 the funds did not contain securities issued by entities of the Bank.

The evolution of accumulated actuarial deviations reflected in other comprehensive income may be analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Accumulated actuarial gains / (losses) as at 1st January	**40 590**	**38 004**
- Actuarial assumptions changes	(2 707)	5 671
- (Gains)/losses in experience	(2 660)	(3 085)
Accumulated actuarial deviations as at 31st of December	**35 223**	**40 590**

The costs of the financial year with retirement pensions and healthcare benefits may be analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Current service cost (See Note 13)	210	687
Interest Expenses / (Income)	(13)	18
Expenses of the period	**197**	**705**

The earnings / costs of the interests are recognized according at net value in interest and similar income / expenses.

The evolution of the net assets / (liabilities) on the balance regarding the financial years ending on the 31st of December 2021 and 2020 may be analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Opening balance	**316**	**(5 251)**
Year expenses	(197)	(705)
Actuarial gains / (losses) recognised in other comprehensive income	5 367	(2 586)
Bank contributions	801	4 502
Changes in termination agreements (see Note 13)	(220)	(754)
Unwind - Change in Plan	127	5 110
Closing balance	**6 194**	**316**

The evolution of liabilities and fund balances, as well as the earnings and losses of experience in the last 5 years shall be analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Liabilities	(50 068)	(52 756)	(84 043)	(72 659)	(72 070)
Funds balances	56 262	53 072	78 792	69 641	72 552
(Under) / over funded liabilities	**6 194**	**316**	**(5 251)**	**(3 018)**	**482**
Experience (gains) / losses from liabilities	(142)	(1 352)	(2 088)	12	(143)
Experience (gains) / losses from plan assets	(2 518)	(1 733)	(5 796)	5 213	(1 176)

Career bonuses

On the 31st of December, 2021 and 2020, the liabilities assumed by the Bank and the costs recognised in the periods with the career bonus are the following:

(thousand euros)

	31.12.2021	31.12.2020
Liabilities at the begining of the period	**616**	**539**
Year expenses (See Note 13)	77	77
Liabilities at the end of the period (see Note 32)	**693**	**616**

The actuarial assumptions used for calculation of liabilities are identical for calculation of retirement pensions (when applicable).

The responsibility regarding career bonuses is registered in Other liabilities (Note 26).

NOTE 15 – ADMINISTRATIVE COSTS

This heading's amount is composed of:

(thousand euros)

	31.12.2021	31.12.2020
Lease and rental	520	599
Marketing and advertisement	68	77
Press releases and expedition	3 478	3 783
Maintenance and related services	422	505
Insurances	58	72
Legal and litigation	95	163
Specialised services		
IT services	3 828	3 084
Temporary labour	9	9
Independent work	520	707
Other specialised services	3 527	3 243
Other expenses	909	1 092
	13 434	**13 527**

The Other Specialised Services heading includes, among others, the costs with external consultants and auditors. The item Other Costs includes, among others, the costs with security and surveillance, information, training costs and costs with external suppliers.

Services agreed with the Company of Statutory Auditors and the auditors, during the 2021 and 2020 financial years, according to the provisions of article 508-F of the Commercial Companies Code, are as follows:

(thousand euros)

	31.12.2021	31.12.2020
Statutory audit of annual accounts (Haitong Bank)	456	385
Other reliability assurance services	48	42
Other non-statutory audit services	179	123
Total amount of agreed services	**683**	**550**

Values shown are before taxes. The fees related to the statutory audit of annual accounts correspond to those agreed for the year 2021. The fees presented for the remaining services relate to amounts billed during the 2021 financial year.

NOTE 16 – EARNINGS PER SHARE

Basic earnings per share

The basic earnings per share are calculated by the division of the result to be attributed to the shareholders of the Bank by the average number of ordinary shares issued during the year, excluding the average number of shares bought and held in portfolio as own shares.

(thousand euros)

	31.12.2021	31.12.2020
Net Profit / (Loss) [1]	9 150	(12 034)
Weighted average number of ordinary shares outstanding (thousands)	**168 954**	**168 954**
Basic earnings per share attributable to equity holders of the Bank (in euro)	**0,05**	**-0,07**

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

Diluted earnings per share

The diluted earnings per share are calculated by adjusting the effect of all the potential ordinary diluting shares to the considered average number of existing ordinary shares and to the net result attributed to the bank shareholders.

On the 31st of December, 2021 and 2020, the Bank holds instruments issued without diluting effect, therefore diluted earnings per share equals basic earnings per share.

NOTE 17 – CASH AND CASH EQUIVALENTS

As at the 31st of December, 2021 and 2020, this heading is analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Cash	8	5
Demand deposit at central banks		
Bank of Portugal	457 538	446 535
Other central banks	18	16 379
	457 556	**462 914**
Deposits at other credit institutions in Portugal		
Demand deposits	4 676	4 361
	4 676	**4 361**
Deposits at other credit institutions abroad		
Demand deposits	11 012	3 552
	11 012	**3 552**
	473 252	**470 832**
Impairment Losses (Nota 30)	(1)	-
	473 251	**470 832**

The Demand deposits in central banks – Bank of Portugal' heading, includes deposits with a mandatory nature, intended to comply with the legal minimum cash deposits requirements. In accordance with Regulation (EU) no. 1358/2011 of the European Central Bank, of the 14th of December, 2011, the mandatory minimum deposits in demand deposits in the Bank of Portugal, are paid and represent 1% of the deposits and debt securities with maturity up to 2 years, whereof are excluded deposits and debt securities from entities subject to the minimum reserve requirement scheme of the European System of Central Banks. On the 31st of December, 2021, the average rate of return of such deposits was 0,00% (31st of December, 2020: 0.00%).

The compliance with mandatory minimum deposits, for a specific observation period, is effected by taking into account the medium amount of the balances of the deposits with the Bank of Portugal throughout the aforementioned period. The balance of the account with the Bank of Portugal as at the 31th of December, 2021, has been comprised in the maintenance period from the 22th of December, 2021, to the 8th of February, 2022, which corresponded a mandatory minimum reserve amounting to 2,739 thousand euros (31st of December, 2020: 3,571 thousand euros).

NOTE 18 – FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING - SECURITIES

As at 31st of December 2021 and 2020, the heading of trading financial assets and liabilities is as follows:

(thousand euros)

	31.12.2021	31.12.2020
Financial assets held-for-trading		
Securities		
Bonds and other fixed-income securities		
From public issuers	2 575	4 469
From other issuers	33 843	23 124
Shares	40	62
	36 458	**27 655**
Financial liabilities held-for-trading		
Securities		
Short-selling	1 036	-
	1 036	**-**

As at 31st of December 2021 and 2020, the analysis of financial assets held-for-trading, by residual maturity period, is as follows:

(thousand euros)

	31.12.2021	31.12.2020
Up to three months	6 461	575
From three months to one year	1 354	4 932
From one to five years	22 680	18 675
More than five years	5 923	3 411
Undetermined period	40	62
	36 458	**27 655**

In accordance with the accounting policy described in Note 2.3.1, trading financial assets and liabilities are bought for the purpose of short-term trading, regardless of their maturity.

As at 31st of December 2021 and 2020, the heading of financial assets held-for-trading, concerning quoted and unquoted securities, is divided as follows:

(thousand euros)

	31.12.2021			31.12.2020		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Securities						
Bonds and other fixed income securities						
Issued by public entities	2 524	51	2 575	4 469	-	4 469
Issued by other entities	33 156	687	33 843	18 027	5 097	23 124
Shares	40	-	40	62	-	62
Total book value	**35 720**	**738**	**36 458**	**22 558**	**5 097**	**27 655**

As at 31 December 2021, the caption includes 23,997 thousand euros of securities given as guarantee by the Bank (31 December 2020: 14,833 thousand euros).

Short sales represent securities sold by the Bank, which had been acquired under a repurchase agreement. In accordance with the accounting policy described in Note 2.4, securities purchased with a repurchase agreement are not recognized in the balance sheet. If they are sold, the Bank recognizes a financial liability equivalent to the fair value of the assets that must be returned under the resale agreement.

NOTE 19 – DERIVATIVES

As at 31st of December 2021 and 2020, financial derivatives heading is analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Trading derivatives (assets)		
Foreign-exchange contracts	14 937	15 523
Interest-rate contracts	56 075	88 311
Other contracts	2 102	35 401
	73 114	**139 235**
Trading derivatives (liabilities)		
Interest-rate contracts	17 585	15 123
Equity / index contracts	53 505	87 876
Other contracts	2 064	36 189
	73 154	**139 188**
	(40)	**47**

As at 31st of December 2021 and 2020, trading financial derivatives is analysed as follows:

(thousand euros)

	31.12.2021			31.12.2020		
	Notional	Fair value		Notional	Fair value	
		Positive	Negative		Positive	Negative
Foreign-exchange contracts						
Forward		11 700	11 593		5 207	4 688
- buy	543 877			224 173		
- sell	543 760			223 732		
Currency Swaps		660	3 337		1 321	1 270
- buy	309 110			244 150		
- sell	311 972			244 292		
Currency Interest Rate Swaps		2 027	2 105		8 782	8 953
- buy	26 173			23 186		
- sell	26 173			23 186		
Currency Options		550	550		213	212
- buy	180 443			140 457		
- sell	197 869			165 042		
	2 139 377	**14 937**	**17 585**	**1 288 218**	**15 523**	**15 123**
Interest rate contracts						
Interest Rate Swaps		55 596	53 023		87 747	87 308
- buy	950 820			1 356 879		
- sell	950 820			1 356 879		
Interest Rate Caps & Floors	-	479	482	-	564	568
- buy	53 574			65 773		
- sell	53 574			59 701		
Interest Rate Futures	-			-		
- buy	14 800			-		
- sell	23 899			3 537		
	2 047 487	**56 075**	**53 505**	**2 842 769**	**88 311**	**87 876**
Equity / index contracts						
Equity / Index Swaps		2 102	2 064		35 401	36 189
- buy	13 516			109 065		
- sell	13 516			109 065		
Equity / Index Futures		-	-		-	-
- sell	3 516			3 053		
	30 548	**2 102**	**2 064**	**221 183**	**35 401**	**36 189**
Credit default contracts						
Credit Default Swaps		-	-		-	-
- buy	-			615		
- sell	-			615		
	-	**-**	**-**	**1 230**	**-**	**-**
Total	**4 217 412**	**73 114**	**73 154**	**4 353 400**	**139 235**	**139 188**

As at 31st of December 2021 and 2020, the analysis of trading financial derivatives, by residual maturity period, is as follows:

(thousand euros)

	31.12.2021			31.12.2020		
	Notional		Fair Value (net)	Notional		Fair Value (net)
	Sale	Purchase		Sale	Purchase	
Up to three months	592 456	561 145	(2 639)	329 972	321 694	505
From three months to one year	530 456	528 944	(127)	578 666	556 040	(606)
From one to five years	594 081	594 120	2 588	588 771	588 797	(1 968)
More than five years	408 105	408 105	138	691 694	697 766	2 116
	2 125 098	**2 092 314**	**(40)**	**2 189 103**	**2 164 297**	**47**

As at 31st of December 2021 and 2020, derivatives, both assets and liabilities, include operations collateralized by the constitution of collateral accounts in order to ensure the fair value hedge of the active and liability exposures contracted between the Bank and several financial institutions. The balances related to these collateral are recorded under "Other assets - collateral deposited under clearing agreements" (Note 27) and "Other liabilities - collateral deposited under clearing agreements" (Note 32).

NOTE 20 – SECURITIES

As at 31st of December 2021 and 2020, this heading is analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Non-trading financial assets mandatorily at fair value through profit or loss		
Securities		
Shares	4 722	59
Other variable income securities	9 184	8 490
	13 906	**8 549**
Financial assets at fair value through other comprehensive income		
Securities		
Bonds and other fixed-income securities		
From public issuers	7 039	-
From other issuers	200 032	117 253
	207 071	**117 253**
Financial assets measured at amortised cost		
Securities		
Bonds and other fixed-income securities		
From public issuers	251 236	209 797
From other issuers	257 429	232 723
	508 665	**442 520**
	729 642	**568 322**

In accordance with the accounting policy described in Note 2.3, the Bank regularly assesses whether there is objective evidence of impairment in the investment securities portfolios, following the judgement criteria described in Note 3.1.

The portfolio of Financial assets at fair value through other comprehensive income is analysed as follows:

(thousand euros)

	Cost (1)	Fair value reserve		Impairment (Note 30)	Book value
		Positive	Negative		
Bonds and other fixed-income securities					
Issued by public entities	7 154	-	(105)	(10)	7 039
Issued by other entities	201 270	578	(1 305)	(511)	200 032
Balance as at 31st December 2021	**208 424**	**578**	**(1 410)**	**(521)**	**207 071**
Bonds and other fixed-income securities					
Issued by other entities	122 988	573	(3 070)	(3 238)	117 253
Balance as at 31st December 2020	**122 988**	**573**	**(3 070)**	**(3 238)**	**117 253**

(1) Amortised cost

The portfolio of financial assets at amortized cost is analysed as follows:

(thousand euros)

	Cost (1)	Impairment (Note 30)	Book value
Bonds and other fixed-income securities			
Issued by public entities	251 469	(233)	251 236
Issued by other entities	258 294	(865)	257 429
Balance as at 31st December 2021	**509 763**	**(1 098)**	**508 665**
Bonds and other fixed-income securities			
Issued by public entities	209 964	(167)	209 797
Issued by other entities	243 284	(10 561)	232 723
Balance as at 31st December 2020	**453 248**	**(10 728)**	**442 520**

(1) Amortised cost

As at 31st of December 2021, the heading of financial assets includes: 398,782 thousand euros (31st December 2020: 325,359 thousand euros) in securities pledged as collateral by the Bank.

As at 31st of December 2021 and 2020, the analysis of securities portfolios by maturity period, is presented as follows:

(thousand euros)

	31.12.2021	31.12.2020
Up to three months	38 277	31 530
From three months to one year	72 598	201 203
From one to five years	461 174	254 298
More than five years	143 687	72 742
Undetermined period	13 906	8 549
	729 642	**568 322**

As at 31st of December 2021 and 2020, the heading of securities, concerning quoted and unquoted securities, is divided as follows:

(thousand euros)

	31.12.2021			31.12.2020		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Securities						
Bonds and other fixed-income securities						
Issued by public entities	258 275	-	258 275	209 797	-	209 797
Issued by other entities	310 894	146 567	457 461	131 484	218 492	349 976
Shares	8	4 714	4 722	9	50	59
Other variable-income securities	-	9 184	9 184	-	8 490	8 490
Total book value	**569 177**	**160 465**	**729 642**	**341 290**	**227 032**	**568 322**

NOTE 21 - LOANS AND ADVANCES TO BANKS

As at 31st of December 2021 and 2020, this heading is analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Loans and advances to banks in Portugal		
Deposits	56	56
Interbank monetary market	2 500	-
	2 556	**56**
Loans and advances to banks abroad		
Sales with repurchase agreements	545	-
Very short-term deposits	43 683	-
Other loans and advances	18 638	18 329
	62 866	**18 329**
	65 422	**18 385**
Impairment losses (Note 30)	(15 993)	(15 566)
	49 429	**2 819**

As at 31st of December 2021 and 2020, the analysis of loans and advances to banks, by residual maturity period, is presented as follows:

(thousand euros)

	31.12.2021	31.12.2020
Up to three months	47 845	3 252
From three months to one year	2 500	56
Undetermined period	15 077	15 077
	65 422	**18 385**

NOTE 22 – LOANS AND ADVANCES TO CUSTOMERS

As at 31st of December 2021 and 2020, this heading is analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
At fair value throught profit and loss		
Overdue loans and interest		
Up to 90 days	22	-
	22	**-**
Loans fair value revaluation	-	-
	22	**-**
At amortized cost		
Domestic loans		
Corporate		
Loans	325 638	229 538
Retail		
Mortgage loans	142	411
	325 780	**229 949**
Foreign loans		
Corporate		
Loans	162 988	82 958
Operations with reverse repo	33 389	10 856
Retail		
Mortgage loans	1	13
	196 378	**93 827**
Overdue loans and interest		
For more than 90 days	72 916	73 045
	72 916	**73 045**
	595 074	**396 821**
Impairment losses (Note 30)	(77 131)	(79 818)
	517 943	**317 003**
	517 965	**317 003**

As at 31st of December 2021 and 2020, the analysis of loans and advances to costumers, by residual maturity period, is presented as follows:

(thousand euros)

	31.12.2021	31.12.2020
Up to three months	144	424
From one to five years	95 771	140 338
More than five years	426 244	183 014
Undetermined period	72 937	73 045
	595 096	**396 821**

NOTE 23 - NON-CURRENT ASSETS HELD-FOR-SALE

As at 31st of December 2021 and 2020, this heading is analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
POLISH HOTEL COMPANY	-	1 699
	-	**1 699**

In June, 2021, Haitong Bank, S.A. has acquired 50.5% of Polish Hotel Company (PHC) by the amount of 500 thousand euros. As the Bank now holds 100% of the stake, the investment in the subsidiary Polish Hotel Company is now reflected in Investments in subsidiaries and associates (see Note 26). In November of the same year, the PHC changed its corporate name as well as its object and it is in the processing of dissolution since January 2022.The movement in this heading was as follows:

(thousand euros)

	31.12.2021	31.12.2020
Opening balance	**1 699**	**2 244**
PHC transfer	(1 699)	(545)
Closing balance	**-**	**1 699**

NOTE 24 – OTHER TANGIBLE ASSETS

As at 31st of December 2021 and 2020, this heading is analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Real Estate		
Improvements in leasehold property	5 633	5 544
	5 633	**5 544**
Equipment		
IT equipment	10 932	10 878
Indoor installations	2 115	2 117
Furniture	2 244	2 244
Machinery and tools	804	816
Motor vehicles	68	68
Security equipment	261	261
Others	229	213
	16 653	**16 597**
	22 286	**22 141**
Work in progress		
Improvements in leasehold property	1 217	1 077
Equipment	480	474
	1 697	**1 551**
	23 983	**23 692**
Right of use		
Property	11 268	10 569
Equipment	112	95
Vehicles	578	661
	11 958	**11 325**
	35 941	**35 017**
Accumulated depreciation	(28 954)	(26 074)
	6 987	**8 943**

The movement in this heading was as follows:

(thousand euros)

	Property	Equipment	Right of use: Property	Right of use: Equipment	Right of use: Vehicles	Work in progress	Total
Acquisition cost							
Balance as at 31st December 2019	**5 543**	**16 759**	**7 889**	**97**	**1 139**	**-**	**31 427**
Acquisitions	1	563	-	-	-	1 551	2 115
Write offs / Sales	-	(725)	-	-	-	-	(725)
Exchange variation and other movements	-	-	2 680	(2)	(478)	-	2 200
Balance as at 31st December 2020	**5 544**	**16 597**	**10 569**	**95**	**661**	**1 551**	**35 017**
Acquisitions	89	121	-	-	-	146	356
Write offs / Sales	-	(65)	-	-	-	-	(65)
Exchange variation and other movements	-	-	699	17	(83)	-	633
Balance as at 31st December 2021	**5 633**	**16 653**	**11 268**	**112**	**578**	**1 697**	**35 941**
Depreciations							
Balance as at 31st December 2019	**4 336**	**15 734**	**2 272**	**46**	**492**	**-**	**22 880**
Depreciations of the year	272	523	2 856	37	256	-	3 944
Write offs / Sales	-	(346)	-	-	-	-	(346)
Exchange variation and other movements	-	-	(23)	(12)	(369)	-	(404)
Balance as at 31st December 2020	**4 608**	**15 911**	**5 105**	**71**	**379**	**-**	**26 074**
Depreciations of the year	242	360	2 729	29	170	-	3 530
Write offs / Sales	-	(65)	-	-	-	-	(65)
Exchange variation and other movements	-	12	(251)	(70)	(276)	-	(585)
Balance as at 31st December 2021	**4 850**	**16 218**	**7 583**	**30**	**273**	**-**	**28 954**
Net book value as at 31st December 2021	**783**	**435**	**3 685**	**82**	**305**	**1 697**	**6 987**
Net book value as at 31st December 2020	**936**	**686**	**5 464**	**24**	**282**	**1 551**	**8 943**

NOTE 25 – INTANGIBLE ASSETS

As at 31st of December 2021 and 2020, this heading is analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Purchased from third parties		
Software	32 655	32 525
Others	916	916
	33 571	**33 441**
Work in progress	1 342	742
	34 913	**34 183**
Accumulated depreciation	(31 922)	(30 324)
	(31 922)	**(30 324)**
	2 991	**3 859**

The movement in this heading was as follows:

(thousand euros)

	Software	Other	Work in progress	Total
Acquisition cost				
Balance as at 31st December 2019	**32 256**	**916**	**625**	**33 797**
Acquisitions:				
Purchased from third parties	269	-	117	386
Balance as at 31st December 2020	**32 525**	**916**	**742**	**34 183**
Acquisitions:				
Purchased from third parties	142	-	600	742
Write-offs / sales	(12)	-	-	(12)
Balance as at 31st December 2021	**32 655**	**916**	**1 342**	**34 913**
Accumulated depreciation				
Balance as at 31st December 2019	**27 382**	**916**	**-**	**28 169**
Amortisations of the financial year	2 155	-	-	2 155
Balance as at 31st December 2020	**29 537**	**916**	**-**	**30 324**
Amortisations of the financial year	1 610	-	-	1 610
Write-offs / sales	(12)	-	-	(12)
Balance as at 31st December 2021	**31 135**	**916**	**-**	**31 922**
Net book value as at 31st December 2021	**1 520**	**-**	**1 342**	**2 991**
Net book value as at 31st December 2020	**2 988**	**-**	**742**	**3 859**

NOTE 26 – INVESTMENTS IN ASSOCIATED COMPANIES

Financial information regarding associated companies is presented in the following table:

(thousand euros)

	31.12.2021				31.12.2020			
	Number of shares	by the bank	Par Value (Euro)	Acquisition Cost	Number of shares	by the bank	Par Value (Euro)	Acquisition Cost
Subsidiaries								
HAITONG BANCO DE INVESTIMENTO DO BRASIL S.A.	101 870 930	80,00%	0,32	174 496	101 870 930	80,0%	0,31	174 496
HAITONG CAPITAL - SCR, S.A.	5 000 000	100,00%	5,00	42 660	5 000 000	100,0%	5,00	42 660
HAITONG ANCILLARY SERVICES	109 472	100,00%	21,75	2 199	-	0,0%	0,00	-
				219 355				**217 156**
Impairment losses (Note 30)				(72 881)				(80 503)
				146 474				**136 653**

During the period 2021, the balance Investments in subsidiaries and associates presented the following changes:

- In December 2021, Haitong Banco de Investimento do Brasil, S.A. approved the payment of interest on own capital in the amount of 12 700 thousand reais. From this amount 80% will be received by Haitong Bank S.A (see Note 5).

- In June, 2021, Haitong Bank, S.A. has acquired 50.5% of Polish Hotel Company (PHC) by the amount of 500 thousand euros. In November of the same year, the PHC changed its corporate name as well as its object and it is in the processing of dissolution since January 2022.

During the period 2020, the balance Investments in subsidiaries and associates presented the following changes:

- In December 2020, Haitong Banco de Investimento do Brasil, S.A. approved the payment of interest on own capital in the amount of 5,700 thousand reais. From this amount 80% will be received by Haitong Bank S.A (see Note 5).

In 2021 the Bank recognized an impairment decrease of 8,526 thousand euros (in 2020 the Bank recognized an impairment increase of 33,712 thousand euros) for the investment in Haitong Banco de Investimento do Brasil S.A.

In 2021 the Bank recognized an impairment increase of 904 thousand euros for the investment in Haitong Ancillary Sevices.

NOTE 27 – OTHER ASSETS

As at 31st of December 2021 and 2020, the Other Assets heading is analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Debtors and other assets		
Collateral deposited under collateral agreements (Note 19)	59 433	118 249
Supplies, supplementary capital instalments and subordinated assets	4 475	-
Public sector	30 619	4 204
Deposits placed under margin accounts (futures contracts)	1 779	2 535
Loans and derivatives receivables	9 937	10 362
Other sundry debtors	15 664	23 404
	121 907	158 754
Impairment losses for debtors and other investments (Note 30)	(10 554)	(8 763)
	111 353	**149 991**
Other assets		
Gold, other precious metals, numismatic, medals and other liquid assets	2 627	52
Other assets	5 126	5 125
	7 753	**5 177**
Income receivable	**150**	**48**
Prepayments and deferred costs	**504**	**574**
Other sundry assets		
Exchange transactions pending settlement	2 745	4 146
Market securities transactions pending settlement	10 684	9 275
Other transactions pending settlement	20 199	8 631
	33 628	**22 052**
Retirement Benefits (Note 14)	6 194	316
	159 582	**178 158**

Stock exchange transactions pending settlement refer to transactions with securities recorded at the trade date pending settlement.

NOTE 28 – RESOURCES OF CREDIT INSTITUTIONS

The resources of credit institutions heading is presented as follows:

(thousand euros)

	31.12.2021	31.12.2020
Resources of central banks		
Banco de Portugal	319 350	110 600
	319 350	**110 600**
Resources of other credit institutions		
Domestic		
Deposits	18	18
	18	**18**
Foreign		
Deposits	375 481	-
Repurchase agreements	21 962	21 599
	397 443	**21 599**
	716 811	**132 217**

As at 31st of December 2021 and 2020, the analysis of resources of credit institutions by residual maturity period is as follows:

(thousand euros)

	31.12.2021	31.12.2020
Up to three months	21 980	21 617
From three months to one year	21 526	-
From one to five years	673 305	110 600
	716 811	**132 217**

NOTE 29 – RESOURCES OF CUSTOMERS

The balance of the resources of customers heading is composed, with regard to its nature, as follows:

(thousand euros)

	31.12.2021	31.12.2020
Repayable on demand		
Demand deposits	91 080	73 098
Time deposits		
Fixed-term deposits	442 198	360 441
Other resources		
Repurchase agreements	42 165	4 661
Other Deposits	1 517	1 015
Other	228 768	550 560
	272 450	**556 236**
	805 728	**989 775**

As at 31st of December 2021 and 2020, the analysis of due to customers by residual maturity period is as follows:

(thousand euros)

	31.12.2021	31.12.2020
Demand deposits	91 080	73 098
Fixed-term deposits		
Up to 3 months	153 161	176 460
3 to 12 months	204 051	141 056
1 to 5 years	84 986	42 925
	442 198	360 441
Other resources		
Up to 3 months	77 399	5 683
3 to 12 months	-	21 737
1 to 5 years	195 051	528 816
	272 450	556 236
	805 728	**989 775**

NOTE 30 – PROVISIONS AND IMPAIRMENT

As at 31st of December 2021 and 2020, the Provisions heading presents the following movements:

(thousand euros)

	Provisions for other risks and charges	Provisions for guarantees and other undertakings	TOTAL
Balance as at 31st December 2019	**1 115**	**16 227**	**17 342**
Net charge of the period	2 249	288	2 537
Write back	(1 424)	(3 320)	(4 744)
Foreign exchange differences and others	-	(334)	(334)
Balance as at 31st December 2020	**1 940**	**12 861**	**14 801**
Net charge of the period	413	(4)	409
Write back	-	(10 997)	(10 997)
Foreign exchange differences and others	-	43	43
Balance as at 31st December 2021	**2 353**	**1 903**	**4 256**

These provisions are meant to cover possible contingencies related to the activity of the Bank.

The movements in impairment losses can be analyzed as follows:

(thousand euros)

	31.12.2020	Net charge of the period	Write back	Stage 3	Exchange differences and others	31.12.2021
Cash and cash equivalents (Note 17)	-	-	-	-	1	1
Financial assets measured at fair value through other comprehensive income (Note 20)	3 238	2 453	(5 177)	-	7	521
Financial assets measured at amortized cost						
Securities (Note 20)	10 728	8 025	(17 658)	-	3	1 098
Loan and advances to banks (Note 21)	15 566	385	-	-	42	15 993
Loan and advances to customers (Note 22)	79 818	(265)	(3 102)	11	669	77 131
Investments in associated companies (Note 26)	80 503	(7 622)	-	-	-	72 881
Other assets (Note 27)	8 763	1 302	-	-	489	10 554
	198 616	**4 278**	**(25 937)**	**11**	**1 211**	**178 179**

(thousand euros)

	31.12.2019	Net charge of the period	Write back	Stage 3	Exchange differences and others	31.12.2020
Financial assets measured at fair value through other comprehensive income (Note 20)	-	62	-	-	(62)	-
Financial assets available-for-sale	2 528	1 139	(449)	23	(3)	3 238
Financial assets measured at amortized cost						
Securities (Note 20)	8 671	1 989	-	77	(9)	10 728
Loan and advances to banks (Note 21)	15 601	(54)	-	-	19	15 566
Loan and advances to customers (Note 22)	84 737	2 017	(4 875)	-	(2 061)	79 818
Investments in associated companies (Note 26)	46 791	33 712	-	-	-	80 503
Other assets (Note 27)	6 796	2 155	-	-	(188)	8 763
	165 124	**41 020**	**(5 324)**	**100**	**(2 304)**	**198 616**

NOTE 31 – INCOME TAXES

The Bank is subject to taxation in accordance with the corporate income tax code (CIT code) and to local taxes.

Income taxes (current or deferred) are recognised in the income statement except in cases where the underlying transactions have been reflected in equity items. In these situations, the corresponding tax is also charged to equity, not affecting the net result for the period.

The current tax of 2021 and 2020 were calculated based on a nominal corporate income tax rate and Municipal Surcharge of 22.5%, in accordance with Law no. 82-B/2014, of 31st of December, and Law no. 2/2007, of 15th of January. Additionally there is a State Surcharge which corresponds to an additional rate of 3% of the taxable profit between 1,500 and 7,500 thousand euros, 5% of the profit between 7,500 and 35,000 thousand euros, 9% of any profit which exceeds this amount (if applicable).

Deferred taxes are calculated based on tax rates anticipated to be in force at the temporary differences reversal date, which corresponds to the rates enacted or substantively enacted at the balance sheet date. Thus, for the year 2021 deferred tax was calculated at the rate of 26,24%.

Regarding activity in Portugal, Law No. 98/2019 was published on 4 September 2019, which changed the tax regime applicable to the impairment of financial and credit institution. That law establishes in article 4 an adaptation period of 5 years beginning on or after 1 January 2019, pursuant to which the regime in force on the date of entry into force of this law remains applicable, unless there is communication addressed to the Director-General of the Portuguese Tax Authority of the option for the definitive regime. Bearing in mind that for the 2021 financial year this regime was optional, the Bank has not yet joined it. Therefore, the

Bank considered, for the purpose of calculating taxable income and the recording and analysis of the recoverability of deferred tax assets with reference to December 31, 2021, that the amount of credit impairment and provisions for guarantees recorded, that is deductible for the purposes of CIT (Corporate Income Tax), corresponds to the amount of deductible impairments/provisions that would have been calculated if the reference to Banco de Portugal Notice 3/95 remained in force.

Special Scheme Applicable to Deferred Tax Assets

In 2014, Haitong Bank joined the special scheme applicable to deferred tax assets (REAID) related to impairment losses in credits and post-employment or long-term employee benefits, established by Law no. 61/2014, of August 26th. For the purpose of this scheme, the conversion of the mentioned assets in tax credits is expected in the following situations:

- Determining net losses;
- Voluntary winding-up, court insolvency or, when applicable, with the withdrawal of the corresponding authorisation by the competent supervising authority.

The tax credit recorded in the accounts with reference to 31st of December 2021 as well as the respective special reserve, can be analysed as follows:

(thousand euros)

	Tax credit	Special reserve
2015	5 281	5 809
2016	20 529	22 582
2017	9 060	9 966
2018	233	255
2019	-	-
2020	433	476
Total	**35 536**	**39 088**

The tax credit and the respective special reserve were recorded during the year following that of the tax credit year, booked in a current tax asset and other reserves item, respectively.

Additionally, in 2020, the bank receipted tax credit under REAID, by the Portuguese Tax Authorities, with reference to the years 2015 and 2016 the amount of 15,078 thousand euros.

Note that, in pursuance of the abovementioned scheme, such conversion rights correspond to securities that grant the Government the right to request Haitong Bank to issue and deliver ordinary shares at no charge, following the increase in share capital through the inclusion of the reserve value. However, Haitong Bank´s shareholders are granted the right to acquire those conversion rights in accordance with Ordinance no. 293-A/2016 of 18th of November.

In the event that the shareholders do not exercise the right to acquire the conversion rights issued and attributed to the Portuguese State within the period established for that purpose, in the year in which the State exercises these rights, it will require the Bank to increase its capital by incorporating the amount of the special reserve and consequent issue and free delivery of ordinary shares representing the capital stock of the Bank, and it may be necessary to adjust the amount of the reserve initially constituted.

Indeed, for each financial year it will be important to recalculate the reference value of the rights and if it is different from the nominal value of the shares, it will be necessary to adjust the value of the special reserve.

If this were to occur in 2022, and taking into account the amounts of the financial statements as at 31 December 2021, as well as the amount of tax credits converted by reference to the years 2015 until 2018 and 2020 it would be necessary to increase special reserve in an estimated value of 20,115 thousand euros

The amount of assets by deferred taxes converted into tax credit, the establishment of the special reserve and the issuing and granting of conversion rights to the Government shall be certified by the certified public accountant.

As Haitong Bank has determined, in its individual accounts, a positive net result with reference at 31 December 2021 there is no possible converts' part of the deferred taxes covered by this regime into tax credit in this year.

It is important to note that, in accordance with Law no. 23/2016 of 19th of August, the special scheme applicable to deferred tax assets (REAID) stopped being applicable to expenses and other negative asset variations accounted for in previous tax periods starting on or after the 1st of January 2016.

In July 2019 and January 2020, the Bank was notified of the final Reports of the Tax Authority's inspection services, issued for 2015 and 2016, respectively. In these reports, certain procedures adopted by the Bank, namely in association with special regime for differed taxes (REAID) are being challenged.

In this sense, following the Bank disagreement with these corrections, in November 2019, an administrative complaint was submit regarding the 2015 Tax Inspection Report and in April 2020, an administrative complaint was submit regarding the 2016 inspection report.

On January 2021, the Bank received the 2017 and 2018 tax inspection report issued by the Tax Authority's inspection services. In this report, similarly to what happened in the 2015 and 2016 tax inspection reports, some procedures adopted by the Bank with regard to the application of REAID are raised.

The Bank disagreeing with these corrections, so in 2021, submitted an administrative complaint for the Tax inspection report of 2017 and 2018.

Finally, it is also noted that, within the scope of the tax inspection for the years 2015 ,2016, 2017 and 2018, the tax authority made corrections to the tax credit of these two years in the amount of 14,611 thousand euros (of a total amount of 35,103 thousand euros). Thus, that tax credit would be reclassified to the item of deferred tax assets.

The Bank's management considers that the procedures adopted in those years are compliant with the legislation in force, and therefore estimates that it is not likely that the Tax Authority's position will prevail. Even so, if this correction occur, it would materialize in the recognition of deferred tax assets. In addition, the Board of Directors believes that any other corrections that may arise, related to the years inspected, will not have a material impact either on the Bank's capital or on the Bank's results in fiscal year 2020, as essentially its affect tax losses that have not yet been used and for which deferred tax assets have not been recognised.

As of 1 January 2019, the Bank adopted the new interpretative standard of IAS 12 - IFRIC 23 - 'Uncertainty over Income Tax Treatments' - which to recommend the measurement requirements and recognition to be applied in the event of uncertainties regarding the acceptance of a given tax treatment by the Tax Administration concerning income tax and should reflect the entity's best estimate of the presumed outcome of the situation under discussion. This estimated value based on the expected value or the most probable value should be recorded by the entity as an asset or liability for income tax based on IAS 12 and not by IAS 37.

The activity of branches abroad is incorporated in the Bank's accounts for determining the taxable profit. Although, the profit of those branches is subject to taxation in the countries where they are established, local taxes are deductible to the taxes to be paid in Portugal, in accordance with art. 91º of CIT Code", when applicable. The branches' profits are subject to local taxation at the following nominal rates:

Branch	Nominal income tax rate
London	19%
Madrid	30%
Warsaw	19%
Macau	12%

As at 31st of December 2021 and 2020, current tax assets and liabilities can be analyzed as follows:

(thousand euros)

	Asset		Liability	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Corporate income tax	784	(353)	(5 035)	(4 886)
Tax Credit (Special Scheme for Deferred Taxes)	20 458	20 025	-	-
Current tax asset / (liability)	**21 242**	**19 672**	**(5 035)**	**(4 886)**

The variations occurred in 2021, in the line "tax credit", refers to the tax credit of 2020, under REAID.. According to legislation in force, Haitong Bank shareholders may exercise the rights to acquire conversion rights until three years from the conversion confirmation of the deferred tax assets into tax credit by the Tax Authority, which, in the case of the 2015, it will be until July 2022.

Deferred tax assets and liabilities recognized in the statement of financial position in 2021 and 2020 can be analyzed as follows:

(thousand euros)

	Asset	
	31.12.2021	31.12.2020
Securities	218	655
Loans and advances to customers	25 306	27 384
Provisions	358	163
Pension Fund and Long-term employee benefits	5 047	6 028
Other	(3 247)	(4 243)
Tax losses carried forward	31 560	34 375
Deferred tax asset/ (liability)	**59 242**	**64 362**

The Bank only recognizes deferred tax assets in relation to reportable tax losses when it considers that they are expected to be recovered in the near future. It should be noted that the tax losses of 2017 and 2018 did not booked deferred tax assets, which can be used until the year 2024 and 2025, respectively. The period of tax losses utilization takes into account the exceptional measures to the COVID-19 pandemic under the terms of Law No. 27-A / 2020 (Supplementary State Budget for 2020).

The movements in deferred taxes, in the balance sheet, can be presented as follows:

(thousand euros)

	31.12.2021	31.12.2020
Opening balance	64 362	76 096
Recognised in profit or loss	(4 250)	(12 134)
Recognised in fair value reserves	(437)	176
Recognised in other reserves	-	1 545
Foreign exchange variation and others	(433)	(1 321)
Closing balance (Asset / (Liability))	**59 242**	**64 362**

Tax recognised in the income statement and reserves during 2021 and 2020 financial years had the following sources:

(thousand euros)

	31.12.2021		31.12.2020	
	Recognised in profit or loss	Recognised in reserves	Recognised in profit or loss	Recognised in reserves
Deferred Taxes				
Securities	-	437	-	(176)
Loans and advances to customers	1 639	-	12 726	-
Provisions	(195)	-	130	-
Pension Fund and Long-term employee benefits	988	-	829	(1 545)
Others	(997)	-	(1 551)	-
Tax loss carried forward	2 815	-	-	-
	4 250	**437**	**12 134**	**(1 721)**
Current Taxes	490	-	885	-
Total recognised taxes	**4 740**	**437**	**13 019**	**(1 721)**

Reconciliation of the tax rate, concerning the recognised amount in the income statement, can be analysed as follows:

(thousand euros)

	31.12.2021		31.12.2020	
	%	Value	%	Value
Profit or loss before taxes		**13 890**		**985**
Income tax rate of Haitong Bank	26.2		26.2	
Tax determined based on the income tax rate of Haitong Bank		3 645		258
Impairment of subsidiaries	0.0	-	898.1	8 846
Bank Levy	1.1	147	63.4	624
Other movements according to the tax estimation	(2.0)	(281)	156	1 538
At tax losses generated in the year	1.7	239	20.5	202
Branches' income tax	7.1	990	157.5	1 551
	34.1	**4 740**	**1321.8**	**13 019**

NOTE 32 – OTHER LIABILITIES

As at 31st of December 2021 and 2020, the Other liabilities heading is analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Creditors and other resources		
Public sector	2 557	3 654
Deposited collateral under collateral agreements (Note 19)	10 270	12 260
Sundry creditors		
Creditors from transactions with securities	9 928	15 253
Suppliers	1 442	1 049
Lease liability	4 302	5 965
Other sundry creditors	1 821	2 072
	30 320	**40 253**
Accrued expenses		
Career bonuses (see Note 14)	693	616
Other accrued expenses	6 419	6 942
	7 112	**7 558**
Deferred income	**365**	**264**
Other sundry liabilities		
Stock exchange transactions pending settlement	10 672	9 240
Foreign exchange transactions pending settlement	2 742	298
Other transactions pending settlement	14 522	11 793
	27 936	**21 331**
	65 733	**69 406**

As at 31st of December 2021 and 2020, the headings regarding Stock exchange transactions pending settlement refer to transactions with securities pending settlement.

NOTE 33 – CAPITAL, SHARE PREMIUM AND OTHER CAPITAL INSTRUMENTS

Ordinary shares

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

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

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

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

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

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

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

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

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

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

Share premiums

As at 31th December 2021 and 2020, share premiums are represented by 8,796 thousand euros, corresponding to the amount paid by shareholders in the increase of capital of previous years.

Other equity instruments

During October 2010 the Bank 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 Note 2.5 due to their characteristics.

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

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

As at 31th of December 2021, 3,731 thousand euros regarding these bonds are in circulation. In the year of 2021 and 2020 the Bank haven't paid interest.

In March 2018, the Bank issued perpetual instruments eligible as additional own funds of level 1 (Additional Tier 1), in the overall amount of USD 130,000 thousand, corresponding to 105,042 thousand euros, identified as "Fixed Rate Perpetual Deeply Subordinated Additional Tier 1 Resettable Instruments". Such bonds have a non-cumulative conditional interest which is payable only if and when reported by the Board of Directors. Due to their features, such bonds are deemed to be capital instruments, in accordance with the accounting policy laid down in Note 2.5.

NOTE 34 – FAIR-VALUE RESERVES, OTHER RESERVES, RETAINED EARNINGS AND NON-CONTROLLING INTERESTS

Legal reserve, fair-value reserves and other reserves

Legal reserves can only be used to cover accumulated loss carryover or to increase capital. Under Portuguese legislation applicable to the banking sector (Article 97 of RGICSF [Legal Framework of Credit Institutions and Financial Companies]), the Bank is required to set-up annually a legal reserve equal to a minimum of 10% of annual profits until the reserve equals the share capital.

Fair-value reserves represent the possible capital gains and losses in relation to the financial assets trough other comprehensive income portfolio, net of impairment recognised in the income statement of the year and/or previous years. The value of this reserve is presented net of deferred tax.

The movements of these headings were the following:

(thousand euros)

	Fair value reserves			Other reserves and retained earnings			
	Available for-sale financial assets	Income tax reserves	Total fair value reserve	Legal reserve	Actuarial deviations (net of taxes)	Other reserves and retained earnings	Total Other reserves and retained earnings
Balance as at 31st December 2019	**(1 824)**	**479**	**(1 345)**	**39 878**	**(31 735)**	**(376 967)**	**(368 824)**
Actuarial deviations net of taxes	-	-	-	-	(1 041)	-	(1 041)
Fair value changes	(673)	176	(497)	-	-	-	-
Transfer to reserves	-	-	-	-	-	10 342	10 342
Balance as at 31st December 2020	**(2 497)**	**655**	**(1 842)**	**39 878**	**(32 776)**	**(366 625)**	**(359 523)**
Actuarial deviations net of taxes	-	-	-	-	5 307	-	5 307
Fair value changes	1 665	(437)	1 228	-	-	-	-
Transfer to reserves	-	-	-	-	-	(12 034)	(12 034)
Balance as at 31st December 2021	**(832)**	**218**	**(614)**	**39 878**	**(27 469)**	**(378 659)**	**(366 250)**

The movement of the fair-value reserve, net of deferred taxes and non-controlling interests can be analysed as follows:

(thousand euros)

	31.12.2021	31.12.2020
Opening Balance	**(1 842)**	**(1 345)**
Fair value changes	(788)	(4 309)
Disposals of the period	-	2 497
Impairment recognised in the period (Note 30)	2 453	1 139
Deferred taxes recognised in reserves during the period	(437)	176
Closing balance	**(614)**	**(1 842)**

NOTE 35 – CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS

As at 31st of December 2021 and 2020, off-balance elements are as follows:

(thousand euros

	31.12.2021	31.12.2020
Contingent liabilities		
Guarantees and stand by letters of credit	124 135	128 467
Assets pleged as collateral	423 722	326 224
	547 857	**454 691**
Commitments		
Irrevocable commitments	158 929	54 746
	158 929	**54 746**

The rendered guarantees and sureties are banking transactions that do not necessarily represent any outflow for the Bank.

As at 31st of December 2021, the heading of financial assets pledged as collateral includes:

- Securities pledged as collateral to the Bank of Portugal (i) within the scope of the Large-Value Payment System, amounting to 10,000 thousand euros as at the 31st of December 2021 (31st of December 2020: 10,000 thousand euros), (ii) within the scope of target long-term refinancing operations, amounting to 321,639 thousand euros (31st of December 2020: 110,600 thousand euros) and (iii) 24,965 thousand euros of collaterals not discounted, being the total of securities eligible for rediscount with the Bank of Portugal amounted to 391,500 thousand euros as at the 31st of December 2021 (31st of December 2020: 368,286 thousand euros);

- Securities pledged as collateral to the Portuguese Securities Market Commission within the Investor Compensation Scheme in the amount of 109 thousand euros (31st of December 2020: 109 thousand euros).

- Securities pledged as collaterals to Fundo de Garantia de Depósitos [Deposit Guarantee Fund] in the amount of 108 thousand euros (31st of December 2020: 107 thousand euros).

- Securities pledged as collateral within the scope of transactions with repurchase agreements: 66,901 thousand euros (31st of December 2020: 28,372 thousand euros).

Additionally, the off-balance elements related to banking services provided are as follows:

(thousand euros)

	31.12.2021	31.12.2020
Liabilities related to services provided		
Commercial paper agency	64 450	87 500
Other responsabilities related with services provided	337 363	455 067
	401 813	**542 567**

Banco Espírito Santo (BES), Novo Banco and Haitong Bank (and, in some cases, supervisory authorities, auditors and former directors from BES) have been sued in civil proceedings associated with facts of the former Grupo Espírito Santo (GES).

Within this framework, Haitong Bank is a defendant in a proceeding associated with the capital increase of BES, which took place in June 2014.

With regard to this process (action brought by several investment funds), after the decision of the 1st instance declaring the defection of the instance, the Lisbon Court of Appeal revoked that decision and ordered the proceedings to continue. Two of the Defendants in this case appealed to the Supreme Court of Justice, which upheld the decision of the Court of Appeal. Extraordinary review appeals were filed and appeals to the Constitutional Court, all of them maintaining the previously decided by the Lisbon Court of Appeal. The case was lowered to the 1st instance for the continuation of its terms, pending a prior hearing.

Haitong Bank is also a defendant in 10 cases, all related to the issuance of commercial paper by GES entities (Rioforte and ESI – Espirito Santo International).

In note 36 regarding the 2021 semi-annual accounts, it is stated that it is the opinion of the Legal Department of Haitong Bank and of the external lawyers to whom the processes were entrusted, that they do not have legal sustainability, so that any conviction of Haitong is considered unlikely and remote. Bank in such proceedings. Opinion reaffirmed.

This opinion was, however, supported by several court decisions.

In fact, of the 78 cases filed against the Bank related to commercial paper issues by GES entities, 47 cases related to GES commercial paper have already become final, with the total acquittal of Haitong Bank, with the plaintiffs having withdrawn the request in 21 processes.

On July 16, 2019, Haitong Bank was notified of a new lawsuit filed against itself and against former directors, concerning the commercial paper issued by Espírito Santo International and Rioforte in 2013, proposed by the Credit Recovery Fund “FRC – INQ – Papel Comercial ESI e Rio Forte” (“FRC”), to which the credits arising from the aforementioned issues were assigned, totaling 517,500,099.71 euros, by the injured parties. Haitong Bank filed its challenge to this action on 25 June 2020 and is awaiting the court's scheduling of the preliminary hearing.

In the opinion of the external lawyers who were entrusted with this process brought by the FRC, it does not have solid legal sustainability and therefore consider the conviction of Haitong Bank unlikely.

Therefore, no provision was made for the aforementioned lawsuits.

Notwithstanding the foregoing regarding the favorable outcome to Haitong Bank of the cases in question, and for the purposes of compliance with applicable accounting standards, it is understood that it is not possible to quantify an expected amount of possible losses that could arise for Haitong Bank, individually considered, given that such proceedings were brought against several entities and not just against Haitong Bank.

In July 2021, the Securities Market Commission (CMVM) imposed a fine on Haitong Bank, within the scope of its participation as a financial intermediary in the issuance of commercial paper by ESI and Rio Forte between September 2013 and February 2014.

The CMVM considered that Haitong Bank (designated at the time of the facts as Banco Espírito Santo de Investimento, SA) made a causal contribution for Banco Espírito Santo, SA – In Liquidation to disclose to its customers that they had subscribed to commercial paper issued by ESI, between September and December 2013, and by Rio Forte, between January 9 and February 24, 2014, informative notes containing untrue, incomplete, outdated and illegal information, violating the duty to provide quality information, provided for in art. 7 of the Securities Code.

Violation, with intent, of the duty to provide quality information, provided for in article 7 of the Securities Code, constitutes the practice of a very serious offence, under the terms of art. 1, a), of the Securities Code, punishable by a fine of €25,000.00 to €5,000,000.00, pursuant to art. 1, a), of the Securities Code, in each case (ESI and Rio Forte).

In view of the circumstances of the case, the Board of Directors of the CMVM decided to impose on Haitong Bank a single fine in the amount of 300,000 euros, suspended in its execution at 100,000 euros, for a period of two years.

Haitong Bank understands that the CMVM's decision has no legal or factual basis, so it challenged the administrative decision before the Judicial Court in September 2021.

On 15 February 2022, the Court of First Instance has considered unfounded and rejected the contestation submitted by Haitong Bank and applied it a single joint fine in the amount of €400,000, partially suspending the execution of the single joint fine of 400,000 euros in the amount of 200,000 euros for a period of 2 years.

Haitong Bank understands that the decision of the Court of First Instance has no legal or factual basis and, for this reason, will appeal from it to the Lisbon Court of Appeal.

Resolution Fund

Resolution measure applied to Banco Espírito Santo, S.A

On 3 August 2014, in order to safeguard the stability of the financial system, Banco de Portugal applied a resolution measure to Banco Espírito Santo, SA (BES) in accordance with the provisions of subparagraph b) of nº1. Article 145.º C of the General Regime for Credit Institutions and Financial Companies (RGICSF), in the form of partial transfer of assets, liabilities, off-balance sheet items and assets under management to a transition bank, Novo Banco, SA (Novo Banco) , constituted by determination of the Bank of Portugal of the same date. In line with community regulations, Novo Banco's capitalization was ensured by the Resolution Fund (FR), created by Decree-Law no. 31-A/2012, of 10 February. As provided for in the aforementioned Decree-Law, the resources of the Resolution Fund come from the payment of contributions owed by the institutions participating in the Fund and from the contribution to the banking sector. Additionally, it is also foreseen that whenever these resources prove to be insufficient for the fulfilment of their obligations, other means of financing may be used, namely: (i) special contributions from credit institutions; and (ii) amounts from loans.

Following the resolution measure, Novo Banco, SA's capital needs of 4,900 million euros were determined, with the capital subscription carried out by the Resolution Fund being financed essentially by obtaining financing from the Portuguese State (3,900 million euros) and eight institutions participating in the Fund (700 million euros), which does not include the Bank.

On 18 October 2017, the Resolution Fund announced the conclusion of the process of selling 75% of the share capital of Novo Banco, SA to Lone Star, whose selection had been communicated by Banco de Portugal on 31 March 2017 agreed conditions include the existence of a contingent capitalization mechanism, under which the Resolution Fund undertakes to make capital injections up to a maximum total amount of 3,890 million euros in the event that certain cumulative conditions materialize. As at 31 December 2021, Novo Banco is owned by Lone Star, by the Resolution Fund and by the Portuguese State, with a share capital percentage of 75% and 23.44% and 1.56%, respectively.

On October 2, 2017, the Portuguese State signed a Framework Agreement with the Resolution Fund, for a maximum period of eleven years, which provides for the availability of the necessary funds to ensure compliance with the responsibilities assumed within the scope of the sale process of the Novo Banco, with an annual limit of 850 million euros.

The Framework Agreement establishes that the responsibilities assumed by the Resolution Fund under it can only be satisfied after all amounts due under the loans granted by the Portuguese State and the banking syndicate have been paid, in the amounts of 3,900 million euros and 700 and millions of euros, respectively.

On the same day, the Portuguese State and the Resolution Fund signed a credit agreement up to a maximum amount of 1,000,000 m.euros, with an annual use limit of 850,000 m.euros and maturity on 31 December 2046.

According to the statement of December 23, 2021 from the Resolution Fund, the value of payments made under the contingent capitalization mechanism made between 2018 and 2021 amounted to 3,405 million euros, having been made using the financing described and with the resources available from the Resolution Fund.

Resolution measure applied to Banif - Banco Internacional do Funchal, S.A.

On 19 December 2015, the Board of Directors of Banco de Portugal resolved to declare that BANIF – Banco Internacional do Funchal, SA ('BANIF') was "at risk or in a situation of insolvency", initiating an urgent resolution process in the modality of total or partial disposal of its activity which resulted in the disposal on 20 December 2015 to Banco Santander Totta, SA of the assets, liabilities and off-balance sheet items managed by BANIF for the total amount of 150 million euros.

The assets that were not sold were transferred to an asset management vehicle, called Oitante, S.A. (Oitante), created specifically for this purpose, whose sole shareholder is the Resolution Fund. For this purpose, Oitante issued debt bonds in the amount of 746 million euros, which were fully acquired by BST, with a guarantee provided by the Resolution Fund and a counter-guarantee by the Portuguese State.

The operation involved public support of around 2,255 million euros to cover future contingencies, of which 489 million euros assumed by the Resolution Fund and 1,766 million euros directly by the Portuguese State, as a result of the options agreed between the Portuguese authorities, the European bodies and the BST, for the delimitation of the perimeter of the assets and liabilities sold.

Financing of the Resolution Fund

In a public statement dated September 28, 2016, the Resolution Fund announced that it had agreed with the Ministry of Finance to review the €3,900 million loan originally granted to the Resolution Fund in 2014 to finance the resolution measure applied to BES. According to the Resolution Fund, the extension of the loan's maturity was intended to ensure the Resolution Fund's ability to meet its obligations through its regular income, regardless of any contingencies to which the Resolution Fund is exposed. On the same day, the Cabinet of the Minister of Finance also announced that increases in liabilities arising from the materialization of future contingencies will determine the adjustment of the maturity of State and Bank loans to the Resolution Fund, in order to maintain the contributory effort required from the sector banking at current levels. According to the Resolution Fund communiqué of March 21, 2017:

- “The conditions of the loans obtained by the Fund to finance the resolution measures applied to Banco Espírito Santo, S.A. and to Banif – Banco Internacional do Funchal, S.A. were changed.” These loans amount to €4,953 million, of which €4,253 million were granted by the State and €700 million were granted by a banking syndicate.

- Those loans now mature in December 2046, without prejudice to the possibility of early repayment based on the use of the Resolution Fund's revenues. The maturity period will be adjusted in terms that guarantee the Resolution Fund's ability to fully meet its obligations based on regular income and without the need for special contributions or any other type of extraordinary contributions.

- The review of loan conditions aimed at ensuring the sustainability and financial balance of the Resolution Fund, based on a stable, predictable and affordable charge for the banking sector.

- The new conditions allow the full payment of the Resolution Fund's responsibilities, as well as the respective remuneration, without the need to resort to special contributions or any other type of extraordinary contributions by the banking sector”.

According to the 2020 Resolution Fund Report and Accounts (latest available):

- The Fund has negative own resources of 7,315 million euros;

- The Resolution Fund is not required to present a positive net position. In the event of insufficient resources, the Resolution Fund may receive special contributions, by determination of the member of the Government responsible for the area of finance, under the terms of article 153-I of the RGICSF, and no contributions of this nature are foreseen. , in particular after reviewing the above-described Resolution Fund financing conditions;

- Regarding the contingent capital mechanism, and with regard to future periods, it is considered that there is significant uncertainty regarding the relevant parameters for the determination of possible future liabilities, either for its increase or for its reduction, under the terms of the relative agreement to the contingent capitalization mechanism with Novo Banco.

- As of December 31, 2020, the Resolution Fund is cited as a defendant or a counter-interest in several lawsuits related to resolution measures. Legal actions related to the application of resolution measures have no legal precedent, which makes it impossible to use case law in their assessment, as well as a reliable estimate of the possible contingent financial effect associated.

- The Resolution Fund also has other contingent liabilities related to the following situations:

- Guarantee provided on bonds issued by Oitante, whose value as at 31 December 2020 amounts to 200 million euros;
- Application of the principle that no creditor of the credit institution under resolution will be able to assume a greater loss than it would have assumed if that institution had gone into liquidation;
- Neutralization of possible negative effects of future decisions, arising from the resolution process, which result in liabilities or contingencies for Novo Banco;
- Limit on payments under the contingent capitalization mechanism;
- Treatment, in light of the CCA signed with Novo Banco, of the effects arising from any discretionary decision by Novo Banco to reverse its previous decision to adhere to the transitional regime related to the introduction of IFRS 9;
- Treatment, in light of the CCA concluded with Novo Banco, of the effects arising from Novo Banco's intention not to make use of the regime provided for in Regulation (EU) 2020/873 of the European Parliament and of the Council, of 24 June 2020;
- Impact of READD on the 25% stake in Novo Banco;
- Other contingent liabilities arising from the agreements for the sale of Novo Banco.

At the present date, there is no estimate regarding the total value of any losses to be incurred by the Resolution Fund resulting from the process of sale of Novo Banco, from the disputes associated with the BES resolution process, including within the scope of the so-called “process of the injured parties of the BES” and attempts to resolve the same, any losses resulting from the resolution of Banif and charges related to the respective processes.

In order to meet its responsibilities, the Resolution Fund has receipts from initial and periodic contributions from participating institutions (including Haitong Bank) and from contributions to the banking sector established by Law No. 55-A/2010. There is also the possibility for the Government to determine, by decree that special contributions be made in situations provided for by law, specifically in the event that the Resolution Fund does not have its own resources to fulfil its obligations.

Pursuant to the provisions of Decree-Law no. 24/2013, which establishes the functioning of the Resolution Fund, the Bank has been making mandatory contributions since 2013, as provided for in the aforementioned diploma.

In 2021, the Bank made periodic contributions to the Resolution Fund and to the banking sector in the amounts of 502 thousand euros and 1 250 thousand euros, respectively, which are recognized as costs in accordance with IFRIC 21 – Fees.

On 3 November 2015, Banco de Portugal issued a Circular Letter under which it is clarified that the periodic contribution to the Resolution Fund must be recognized as a cost at the time of the occurrence of the event that creates the obligation to pay the contribution, that is, on the last day of April of each year, as stipulated in article 9 of Decree-Law no. in the year in which it becomes due, pursuant to IFRIC 21 - Fees. On November 15, 2015, the Resolution Fund issued a statement stating: “it is further clarified that it is not foreseeable that the Resolution Fund will propose the creation of a special contribution to finance the resolution measure applied to BES. The possible collection of a special contribution appears, therefore, to be remote.”

The financial statements as at 31 December 2021 reflect the Board of Directors' expectation that the Bank, as an entity participating in the Resolution Fund, will not be required to make special contributions or any other type of extraordinary contributions to finance the resolution measures applied to BES and to Banif or any other liability or contingent liability assumed by the Resolution Fund in the context of the aforementioned measures, taking into account:

- the conditions defined within the scope of the renegotiation in March 2017 of the loans that the Resolution Fund obtained to finance resolution measures, including the extension of the maturity period to December 31, 2046 and the possibility of adjusting this period, having as objective to ensure that the Resolution Fund is able to fully meet its obligations based on regular income and without the need for special contributions or any other type of extraordinary contributions by the banking sector; and
- public announcements made by the Resolution Fund and the Office of the Minister of Finance, which refer to the objective of ensuring that such contributions will not be necessary.

NOTE 36 – RELATED PARTIES TRANSACTIONS

The Bank's related parties transactions as at 31st of December 2021 and 2020, as well as the respective expenses and income recognized in the year, are summarized as follows:

(thousand euros)

	31.12.2021					
	Assets					
	Others	Total	Guarantees	Liabilities	Income	Expenses
Subsidiaries						
HAITONG BANCO DE INVESTIMENTO DO BRASIL SA	2 106	2 106	14 387	28	1 761	-
HAITONG CAPITAL - SCR, S.A.	-	-	-	57 622	231	107
TOTAL	**2 106**	**2 106**	**14 387**	**57 650**	**1 992**	**107**

(thousand euros)

	31.12.2020					
	Assets					
	Others	Total	Guarantees	Liabilities	Income	Expenses
Subsidiaries						
HAITONG BANCO DE INVESTIMENTO DO BRASIL SA	703	703	13 852	-	802	539
HAITONG CAPITAL - SCR, S.A.	125	125	-	31 101	229	129
TOTAL	**828**	**828**	**13 852**	**31 101**	**1 031**	**668**

The Bank's related parties transactions the group Haitong as at 31st of December 2021 and 2020, as well as the respective expenses and income recognized in the year, are summarized as follows:

(thousand euros)

	31.12.2021					
	Assets					
	Others	Total	Garantees	Liabilities	Income	Expenses
Subsidiaries and associates						
HAITONG INTERNATIONAL STRATEGIC INVESTMENT	-	-	-	-	8 000	-
HAITONG SECURITIES	-	-	-	-	24 000	-
HAITONG INTERNATIONAL SECURITIES CO LTD	1 297	1 297	-	-	3 918	1
HAITONG INNOVATION SECURITIES INVESTMENT CO L	-	-	-	-	1 500	-
HAITONG INTERNATIONAL SECURITIES GROUP LIMITE	-	-	-	-	2 102	-
HAITONG INTERNATIONAL (UK) LIMITED	-	-	-	69	-	576
HAITONG INTERNATIONAL ADVISORY COMPANY LIMIT	-	-	-	-	1 292	-
HAITONG INVESTMENT IRELAND PLC	4 298	4 298	2 728	288 616	1 718	8 107
HAITONG PRIVATE EQUITY FUND	-	-	-	5 118	15	-
TOTAL	**5 595**	**5 595**	**2 728**	**293 803**	**42 544**	**8 684**

(thousand euros)

	31.12.2020					
	Assets		Garantees	Liabilities	Income	Expenses
	Others	Total				
Shareholders						
HAITONG INTERNATIONAL HOLDINGS LIMITED	-	-	-	-	-	12
Subsidiaries and associates						
HAITONG INTERNATIONAL STRATEGIC INVESTMENT	2 970	2 970	-	-	7 400	-
HAITONG SECURITIES	-	-	-	-	16 500	-
HAITONG INTERNATIONAL SECURITIES CO LTD	686	686	-	-	778	-
HAITONG INNOVATION SECURITIES INVESTMENT CO LTD	-	-	-	-	1 500	-
HAITONG INTERNATIONAL SECURITIES GROUP LIMITED	-	-	-	-	2 318	-
HAITONG INTERNATIONAL SECURITIES USA INC	-	-	-	-	2	-
HAITONG INTERNATIONAL SECURITIES CO LTD	880	880	-	-	3 926	-
UNICAM LIMITED	2 471	2 471	-	-	3 000	-
HAITONG INTERNATIONAL (UK) LIMITED	-	-	-	-	-	502
HAITONG INVESTMENT IRELAND PLC	9 199	9 199	15 099	689 936	17 430	27 432
TOTAL	**16 206**	**16 206**	**15 099**	**689 936**	**52 854**	**27 946**

As at 31st December 2021, the income heading includes 39 519 thousand euros concerning fee and commission income heading from banking services (31st of December 2020: 36,168 thousand euros).

The value of Haitong Bank transactions with related entities in which the Administrator and/or family have significant influence, in the period ended December 31, 2021, as well as the respective costs and income recognized in the year, are summarized as follows:

(thousand euros)

	31.12.2021						
	Assets			Guarantees	Liabilities	Income	Expenses
	Securities	Others	Total				
Entities with relevant influence							
Nos Comunicações S.A.	-	-	-	-	17	7 843	8 013
Mota Engil SGPS	11 839	10	11 849	29 000	10	1 175	17
GamaLife - Companhia de Seguros de Vida, S.A.	-	-	-	-	-	140	-
TOTAL	**11 839**	**10**	**11 849**	**29 000**	**27**	**9 158**	**8 030**

NOTE 37 – FAIR-VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair-value of financial assets and liabilities

Haitong Bank estimates the fair value of its instruments based on prices quoted in active markets or, when such prices are not available, based on valuation techniques following standard valuation models such as discounted cash flows and option pricing models. The valuation models' parameter inputs are based on observable data, when available, derived from prices of financial instruments actively traded or based on indicative broker quotes.

The Bank performs valuation adjustments to reflect counterparty credit risk (CVA) for uncollateralized derivatives assets considering the current exposure, loss given default and the probability of default. This probability of default is based on the Bank's credit risk assessment model or market information where applicable.

The fair-value of financial assets and liabilities for the Bank is analysed as follows:

(thousand euros)

	Amortised cost	Valuated at fair value			Total book value	Fair value
		Level 1	Level 2	Level 3		
Balance as at 31st December 2021						
Cash and cash equivalents	473 251	-	-	-	473 251	473 251
Financial assets at fair value through profit or loss						
Financial assets held-for-trading						
Securities	-	35 719	739	-	36 458	36 458
Derivative financial assets	-	-	72 765	349	73 114	73 114
Non-trading financial assets mandatorily at fair value through profit or loss						
Securities	-	8	7 546	6 352	13 906	13 906
Loans and advances to customers	-	-	-	22	22	22
Financial assets at fair value through other comprehensive income	-	123 873	3 667	79 531	207 071	207 071
Financial assets measured at amortised cost						
Securities	508 665	-	-	-	508 665	509 526
Loans and advances to banks	49 429	-	-	-	49 429	49 429
Loans and advances to customers	517 943	-	-	-	517 943	515 974
Financial Assets	**1 549 288**	**159 600**	**84 717**	**86 254**	**1 879 859**	**1 878 751**
Financial liabilities held for trading						
Securities	-	1 036	-	-	1 036	1 036
Derivative financial assets	-	-	72 824	330	73 154	73 154
Financial liabilities measured at amortised cost						
Resources of credit institutions	716 811	-	-	-	716 811	716 811
Resources of customers	805 728	-	-	-	805 728	805 728
Financial liabilities	**1 522 539**	**1 036**	**72 824**	**330**	**1 596 729**	**1 596 729**
Balance as at 31st December 2020						
Cash and cash equivalents	470 832	-	-	-	470 832	470 832
Financial assets at fair value through profit or loss						
Financial assets held-for-trading						
Securities	-	22 558	5 097	-	27 655	27 655
Derivative financial assets	-	-	137 429	1 806	139 235	139 235
Non-trading financial assets mandatorily at fair value through profit or loss						
Securities	-	9	6 565	1 975	8 549	8 549
Financial assets at fair value through other comprehensive income	-	25 103	-	92 150	117 253	117 253
Financial assets measured at amortised cost	-	-	-	-	-	
Securities	442 520	-	-	-	442 520	437 782
Loans and advances to banks	2 819	-	-	-	2 819	2 819
Loans and advances to customers	317 003	-	-	-	317 003	315 034
Financial assets	**1 233 174**	**47 670**	**149 091**	**95 931**	**1 525 866**	**1 519 159**
Financial liabilities held for trading						
Derivative financial assets	-	-	137 382	1 806	139 188	139 188
Financial liabilities measured at amortised cost						
Resources of credit institutions	132 217	-	-	-	132 217	132 217
Resources of customers	989 775	-	-	-	989 775	989 775
Financial liabilities	**1 121 992**	**-**	**137 382**	**1 806**	**1 261 180**	**1 261 180**

Fair-value Hierarchy

The Bank's financial instruments are classified under the three levels defined in IFRS 13 according to the following:

Level 1 – Instruments valued using quoted prices observed in active and liquid markets. These include government bonds, credit bonds and exchange traded equities and derivatives.

Level 2 – Instruments valued using valuation techniques based on observable market inputs, quotes prices for similar instruments in active markets or for identical instruments in markets that are neither active nor liquid. These includes bonds, plain vanilla OTC derivatives, less liquid equities and funds valued at Net Asset Values (NAV) published daily by the fund manager and with possibility of daily redemption. The OTC derivatives includes financial instruments traded in OTC (over-the-counter), in which the counterparty has signed agreements of collateral (ISDA with CSA – Credit Support Annex), with very small Minimum Transfer

Amount (MTS), which allows to mitigate the counterparty's Credit Risk while the CVA (Credit Value Adjustment) does not have a significant impact on the instrument valuation. Additionally, it also includes financial derivatives traded in OTC, without CSA, but the percentage of information not observed in market (e.g.: Internal Rating, Probability of Default determined by internal models, etc.) within the CVA valuation is not meaningful in what concerns the value of derivative as a whole. It is considered as significant when the value of CVA is higher than 5%.

Level 3 – Instruments measured using valuation techniques based on non-observable market inputs and that do not comply with the requirements to be classified under Level 1 nor Level 2. These include non-plain vanilla OTC derivatives valued based on non-observable market inputs or on indicative prices published by third parties, distressed and highly illiquid bonds, funds valued at Net Asset Values (NAV) published by the fund manager without possibility of daily redemption and private equity placements. In the Level 3 are included financial instruments traded in OTC market with counterparties which Haitong Bank doesn't have CSA signed and the percentage of unobservable data incorporated in CVA valuating is considered significant in the total value of the derivative (value of CVA has a weight higher than 5% of the value of derivate).

For financial instruments recorded in the balance sheet at fair value, the movement occurred between December 31st , 2021 and December 31st , 2020 in assets and liabilities classified in level 3 is as follows:

(thousand euros)

	Financial assets held for trading	Financial assets mandatory at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Total
	Derivative financial assets	Securities	Loans		
Opening Balance	**-**	**1 975**	**-**	**92 150**	**94 125**
Results recognized in Net Interest Margin	-	-	-	1 703	1 703
Net trading income and from other financial instruments at fair value through profit or loss	-	278	-	-	278
Net gains/(losses) derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	37	37
Impairment on other financial assets net of reversal and recoveries	-	-	-	(2 292)	(2 292)
Other fair value changes	-	4 099	-	(3 134)	965
Fair value reserve changes	-	-	-	2 904	2 904
Acquisitions	-	-	22	38 845	38 867
Sales	-	-	-	(1 400)	(1 400)
Reimbursements	-	-	-	(45 541)	(45 541)
Transfers from other levels	19	-	-	-	19
Transfers to other levels	-	-	-	(3 741)	(3 741)
Closing Balance	**19**	**6 352**	**22**	**79 531**	**85 924**

In 2021, based on the assessment of the market liquidity of the securities, trading assets of 3741 thousand euros were transferred from Level 3 to Level 2.

Regarding derivative instruments, in 2021, 19.3 thousand euros were transferred from Level 2 to Level 3, whose CVA impact on the derivative's valuation became greater than 5%.

(thousand euros)

	Financial assets held for trading	Financial assets mandatory at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Total
	Derivative financial	Securities	Loans		
Opening Balance	**2 600**	**2 321**	**107**	**34 128**	**39 156**
Results recognized in Net Interest Margin	-	-	-	1 073	1 073
Net trading income and from other financial instruments at fair value through profit or loss	(4 935)	(346)	(12)	3	(5 290)
Net gains/(losses) derecognition of financial assets measured at fair value through other comprehensive income	-	-	-	4	4
Impairment on other financial assets net of reversal and	-	-	-	(81)	(81)
Other fair value changes	-	-	(7)	1 110	1 103
Fair value reserve changes	-	-	-	95	95
Acquisitions	-	-	-	81 365	81 365
Sales	-	-	-	(17 045)	(17 045)
Reimbursements	-	-	(88)	(11 657)	(11 745)
Derivatives financial flows	2 897	-	-	-	2 897
Transfers from other levels	-	-	-	3 155	3 155
Transfers to other levels	(562)	-	-	-	(562)
Closing Balance	**-**	**1 975**	**-**	**92 150**	**94 125**

In 2020, based on the assessment of the market liquidity of the securities, 3,155 thousand euros from Level 2 to Level 3.

Regarding derivative instruments, in 2020, 562 thousand euros were transferred from Level 3 to Level 2, whose CVA impact on the derivative's valuation became less than 5%.

The main parameters used, during 2021, in the valuation models were the following:

Yield curves

The short-term rates set out below reflect indicative values of deposit interest rates and/or futures. Swap rates are used in the long-term of the interest curve:

(%)

	31.12.2021			31.12.2020		
	EUR	USD	GBP	EUR	USD	GBP
Overnight	-0,58	0,07	0,18	-0,56	0,08	0,03
1 month	-0,55	0,10	0,19	-0,50	0,14	0,02
3 months	-0,50	0,12	0,08	-0,50	0,23	0,03
6 months	-0,50	0,00	0,47	-0,50	0,17	0,03
1 year	-0,46	0,35	0,88	-0,51	0,17	0,00
3 years	-0,15	0,93	1,30	-0,51	0,16	0,09
5 years	0,01	1,35	1,29	-0,46	0,43	0,19
7 years	0,13	1,46	1,23	-0,39	0,66	0,28
10 years	0,30	1,57	1,20	-0,27	0,94	0,40
15 years	0,50	1,70	1,18	-0,07	1,22	0,53
20 years	0,55	1,76	1,15	0,01	1,35	0,58
25 years	0,53	1,75	1,12	0,01	1,41	0,59
30 years	0,48	1,71	1,09	-0,03	1,44	0,58

Credit spreads

Credit spreads curves and recovery rates used by the Bank are sourced on a daily basis from Markit. The table below reflects the evolution of the main CDS indices:

(basis points)

Index	Series	3 year	5 year	7 year	10 year
2021					
CDX USD Main	**31**	28,59	49,00	68,55	89,00
iTraxx Eur Main	**30**	26,82	47,76	66,67	87,05
iTraxx Eur Senior Financial	**30**	-	54,86	-	85,86
2020					
CDX USD Main	**31**	29,94	49,90	70,50	90,93
iTraxx Eur Main	**30**	30,60	47,93	65,99	86,31
iTraxx Eur Senior Financial	**30**	-	59,01	-	-

Interest rate volatilities

The following figures reflect at-the-money implied volatilities:

(%)

	31.12.2021			31.12.2020		
	EUR	USD	GBP	EUR	USD	GBP
1 year	24,37	55,24	56,00	15,09	19,03	20,29
3 years	55,12	78,12	73,59	21,11	25,05	31,30
5 years	67,01	81,28	76,60	28,06	37,52	39,21
7 years	69,13	81,30	76,81	34,26	48,72	45,21
10 years	70,29	79,65	75,64	41,19	57,70	51,21
15 years	68,11	76,08	73,60	46,66	61,92	55,37

Source: Haitong Bank

Foreign exchange rate and volatilities

The table below reflects ECB's (European Central Bank) foreign exchange rates fixings and at-the-money implied volatilities:

	Quotation		Volatiliy (%)				
	31.12.2021	31.12.2020	1 month	3 months	6 months	9 months	1 year
EUR/USD	1,1326	1,2271	5,1450	5,3700	5,5550	5,5800	5,5750
EUR/GBP	0,8403	0,8990	5,1125	5,6200	6,0625	6,2500	6,3950
EUR/CHF	1,0331	1,0802	4,3225	4,6225	4,8925	4,9625	5,0125
EUR/PLN	4,5969	4,5597	5,3550	5,6250	5,7500	5,8000	5,8025
EUR/CNY	7,1947	8,0225	4,6250	4,8800	5,1450	5,2850	5,3450
USD/BRL a)	5,5713	5,1940	15,7950	16,2450	16,5400	17,3225	17,8070

a) Calculation based in EUR/USD and EUR/BRL exchange rates

Equity Indexes

The evolution of the main equity indices and the corresponding volatilities are summarized in the following table:

	Prices			Historical volatility (%)		Implied volatility (%)
	31.12.2021	31.12.2020	% Variation	1 month	3 months	
DJ Euro Stoxx 50	4 298	3 553	5,76	24,38	17,81	14,74
PSI 20	5 569	4 898	10,62	13,34	14,68	-
IBEX 35	8 714	8 074	-1,22	23,88	18,20	-
DAX	15 885	13 719	2,28	21,77	16,10	13,76
S&P 500	4 766	3 756	10,91	18,23	13,84	12,53
BOVESPA	104 822	119 017	-17,33	21,59	23,76	24,48

The main methods and assumptions used in the abovementioned valuation of the fair-value of financial assets and liabilities are analyzed as follows:

Cash and cash equivalents and Loans and advances to banks

The statement of financial position value of these financial instruments is considered a reasonable assumption of the corresponding fair-value due to their associated short timeframe.

Loans and advances to customers

The fair-value of loans and advances to customers is estimated based on the update of expected cash flows and interest, by taking into account market spreads for similar transactions (if they were entered into in the current moment) considering that the instalments are paid in compliance with the deadlines contractually agreed upon.

Resources of other credit institutions

The balance-sheet value of these financial instruments is considered a reasonable assumption of the corresponding fair-value due to their associated short timeframe.

Resources of customers

The fair-value of these financial instruments is determined based on the update of expected cash flows in capital and interest, considering that the payments are in compliance with the deadlines agreed upon contract. Considering that the applicable interest rates are of variable nature and the maturity period of the deposits is substantially inferior to one year, there are no measurable differences in fair-value.

Debt securities issued and Subordinated Liabilities

The fair-value of these instruments is based in market prices, when available. When unavailable, the fair-value it is estimated based on the update of expected cash flows in capital and interest regarding these instruments in the future.

NOTE 38 – RISK MANAGEMENT

As an independent control function, the Risk Management Department, being actively involved in all material decisions and aligned with parent guidelines and practices, aims to enable the Bank to make informed decisions and ensure that the risk policies approved by the Board of Directors are duly implemented and followed.

Credit Risk

The Credit Risk results from the possibility of financial losses arising from the default of the customer or counterparty in relation to the contractual financial obligations established with the Bank in the scope of its credit activity. Credit risk is mainly present in traditional banking products - loans, guarantees and other contingent liabilities - and in derivative products - swaps, forwards and options (counterparty risk).

The Bank's credit portfolios are permanently monitored, with interaction between the business teams and risk management throughout the sequential stages of the credit cycle.

The monitoring of the Bank's credit risk profile is regularly monitored, namely, in what concerns the evolution of credit exposure, delinquency ratios and provisioning, and concentration metrics.

The Bank also controls the approved credit limits and assures the proper functioning of mechanisms related with the credit approval process.

Calculation of ECL

The IFRS 9 standard outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition. According to Haitong Bank model, Expected Credit Loss (ECL) is determined as per the detailed information included in chapter 2.3.1., Impairment of Financial Assets and Financial Model.

- Stage 1 – Performing: Impairment assessment is carried out based 12-month expected credit loss (ECL). ECL is determined as the exposure as of the reference date multiplied by the 12-month probability of default and the loss given default;
- Stage 2 – Under Performing: Impairment assessment will reflect the ECL resulting from default events that may occur over the expected residual life of the instrument;
- Stage 3 – Non Performing: Impairment assessment will reflect the ECL over the expected residual life of the instrument.

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 PD's from S&P, whereas the rating assigning process is performed internally based on the S&P methodology. This assures 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).

Forward-Looking Information

The Bank maintained a simplified approach in what regards the incorporation of forward-looking information (the "forward-looking exercise"), namely to anticipate the recognition of expected credit losses, grounded to the characteristics and size of the Bank, and based on a principle of proportionality.

Within the scope of the forward-looking exercise, the Bank adjusted the through-the-cycle probabilities of default ("TTC PD's"), incorporating prospective macroeconomic information, and generated "point-in-time" probabilities of default ("PiT PD's"), which are more precise and adequate to a point in time. The TTC PD's are the default probabilities provided by S&P, having the Bank developed a methodology to estimate PiT PD's, based on the Scalar Factor concept, i.e., a coefficient that enables the conversion of TTC PD's into PiT PD's.

The Bank's forward-looking exercise applies to the collective impairment model and also covers exposures with a significant increase in credit risk, i.e, classified in Stage 2, namely whenever economic projections are available.

The forward-looking exercise relied on a multiple-scenario approach incorporating different economic conditions and their likelihoods. The multiple scenarios cover the period between 2021 and 2023. The scenarios were mainly determined with reference to external forecasts from Bank of Portugal, regularly published in its Economic Bulletins, which are representative of the Bank's view of future Portuguese economic conditions for the calculation of allowance of credit losses, and which ensure the alignment and consistency of the model with the Regulator's macroeconomic predictions.

The annual update of the forward-looking exercise had no impact on impairment losses as of December 2021, considering that, for conservative reasons, the Bank decided to keep unchanged the forward-looking adjustments in force.

Haitong Bank also carried out a sensitivity analysis, based on the impact assessment of a 10% variation in external parameters considered in the collective model for the calculation of expected credit losses (PD's and LGD's). Finally, a 10% shock was applied to the PiT PD and the LGD parameters, verifying that the impact on expected credit losses would result in an increase of around 512 thousand euros and 930 thousand euros, respectively.

The financial instruments subject to standard IFRS 9 impairment requirements are presented below, detailed by stage, as of December 31st, 2021 and December 31st, 2020.

(thousand eur

Asset Type	31.12.2021									
	Stage 1					Stage 2			Stage 3	
	Low to Fair risk [aaa+;a-]	Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Not rated	Total Stage 1	Monitoring [bbb+;b-]	Doubtful [lccc]	Total Stage 2	Impaired [d]	Total Stage 3
Loans and advances to customers	12 370	443 464	-	33 533	489 367	27 908	-	27 908	77 821	77 821
Guarantees	-	118 441	50	-	118 491	-	-	-	5 644	5 644
Securities	43 008	671 569	-	3 610	718 187	-	-	-	-	-
Loans and advances to banks	43 683	3 101	-	-	46 784	-	3 561	3 561	15 077	15 077
Cash and cash equivalents	468 416	4 817	-	11	473 244	-	-	-	-	-
Debtors and other assets	-	862	882	13 908	15 652	-	-	-	9 949	9 949
Total	**567 477**	**1 242 254**	**932**	**51 062**	**1 861 725**	**27 908**	**3 561**	**31 469**	**108 491**	**108 491**

(thousand eur

Asset Type	31.12.2020									
	Stage 1					Stage 2			Stage 3	
	Low to Fair risk [aaa+;a-]	Monitoring [bbb+;b-]	Substandard [ccc+;ccc]	Not rated	Total Stage 1	Monitoring [bbb+;b-]	Doubtful [lccc]	Total Stage 2	Impaired [d]	Total Stage 3
Loans and advances to customers	2 083	216 893	-	11 280	230 256	89 472	-	89 472	77 093	77 093
Guarantees	-	101 706	-	8 450	110 156	-	-	-	18 311	18 311
Securities	29 476	508 058	-	3 455	540 989	-	-	-	35 247	35 247
Loans and advances to banks	-	56	-	-	56	-	-	3 251	15 078	15 078
Cash and cash equivalents	465 519	5 308	-	-	470 827	-	-	-	-	-
Debtors and other assets	7	995	5 054	17 336	23 392	-	-	-	10 374	10 374
							-			
Total	**497 085**	**833 016**	**5 054**	**40 521**	**1 375 676**	**89 472**	**-**	**92 723**	**156 103**	**156 103**

As of December 31, 2021, the majority of non-rated exposures (65.4%) relates to buy-sell backs transactions with sovereign debt serving as underlying.

As of December 31, 2021, the maximum exposure to credit risk of financial assets not subject to impairment requirements amounts to 458 million euros, corresponding to exposures to Central banks.

The table below compiles all financial instruments at amortized cost by industry, stage and days of delay as December 31, 2021 and December 31, 2020.

(thousand euros)

Amortised Costs financial instruments (including Financial Guarantees) by past due status	31.12.2021									
	Stage 1				Stage 2		Stage 3			
	No overdue		More than 181 days		No overdue		No overdue		More than 181 days	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Automobiles & Components	11 610	21	-	-	-	-	-	-	-	-
Banks	555 811	1 131	1 661	1 661	3 561	879	-	-	15 077	15 077
Broker Dealers	545	-	-	-	-	-	-	-	-	-
Building Materials	12 533	38	192	192	-	-	12	12	-	-
Capital Goods	23 028	34	40	40	-	-	-	-	2 200	2 200
Chemicals	22 992	52	-	-	-	-	-	-	-	-
Commercial & Professional Services	40 047	321	86	86	-	-	5 567	670	2 785	2 785
Construction & Engineering	127 272	528	407	407	-	-	902	210	1 552	1 530
Funds & Asset Managers	33 389	-	-	-	-	-	-	-	-	-
Governments	277 181	263	214	214	-	-	-	-	-	-
Health Care	51 206	180	-	-	-	-	-	-	-	-
Hotels & Gaming	50	-	-	-	-	-	-	-	5 950	5 950
Investment Holdings	25	-	-	-	-	-	-	-	-	-
Media & Entertainment	-	-	94	94	-	-	-	-	-	-
Metals & Mining	8 836	11	-	-	-	-	-	-	-	-
Non Bank Financial Institutions	26 510	36	-	-	-	-	2 728	-	242	242
Oil & Gas	13 874	58	-	-	-	-	-	-	10 324	10 324
Paper & Forest Products	7 938	19	60	60	-	-	-	-	-	-
Power	111 350	416	57	57	-	-	-	-	-	-
Real Estate	126 248	1 005	166	166	3 751	345	-	-	44 715	44 715
Retailing	27 231	213	-	-	-	-	-	-	-	-
Telecoms	67 584	220	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	1 635	122	-	-	6 524	6 524
Transportation Infrastructure	90 653	79	-	-	22 522	254	-	-	9 891	2 861
Water	8 210	85	-	-	-	-	-	-	-	-
Outros	3 054	757	3 147	3 147	-	-	-	-	-	-
Total	**1 647 177**	**5 467**	**6 124**	**6 124**	**31 469**	**1 600**	**9 209**	**892**	**99 260**	**92 208**

(1) Resulting from the specific characteristics of the Receivables portfolio, a simplified approach based on the days past due (and therefore standardized in Stage 1) is applied.

(thousand euros)

Amortised Costs financial instruments (including Financial Guarantees) by past due status	31.12.2020 Stage 1 No overdue Gross carrying amount	Loss allowance	More than 181 days Gross carrying amount	Loss allowance	Stage 2 No overdue Gross carrying amount	Loss allowance	Stage 3 No overdue Gross carrying amount	Loss allowance	More than 181 days Gross carrying amount	Loss allowance
Automobiles & Components	11 458	21	-	-	-	-	-	-	-	-
Banks	524 520	1 117	1 589	1 589	3 251	488	-	-	15 077	15 077
Building Materials	20 970	223	192	192	-	-	12	12	-	-
Capital Goods	31 344	61	40	40	-	-	-	-	2 200	2 200
Commercial & Professional Services	11 099	225	86	86	-	-	4 603	1 392	2 757	2 757
Construction & Engineering	74 580	385	407	407	-	-	1 192	281	1 564	1 545
Funds & Asset Managers	10 856	1	-	-	-	-	-	-	-	-
Governments	220 107	177	214	214	-	-	-	-	-	-
Health Care	5 327	28	-	-	-	-	-	-	-	-
Hotels & Gaming	50	-	-	-	-	-	-	-	5 950	5 950
Investment Holdings	25	-	-	-	-	-	-	-	-	-
Media & Entertainment	7	3	94	94	-	-	-	-	-	-
Metals & Mining	8 912	11	-	-	57 931	2 295	-	-	-	-
Non Bank Financial Institutions	24 814	40	-	-	-	-	15 099	10 824	242	242
Oil & Gas	13 326	54	-	-	-	-	-	-	10 324	10 324
Paper & Forest Products	2 795	3	60	60	-	-	-	-	-	-
Power	77 810	535	57	57	-	-	-	-	-	-
Real Estate	65 182	439	166	166	3 751	322	-	-	44 879	44 879
Retailing	13 801	17	-	-	-	-	-	-	-	-
Software	20	10	-	-	-	-	-	-	-	-
Technology Hardware & Equipment	-	-	-	-	-	-	27 268	9 727	-	-
Telecoms	34 774	156	-	-	-	-	-	-	-	-
Transportation	25 176	30	-	-	1 621	120	-	-	6 639	6 639
Transportation Infrastructure	67 621	62	-	-	26 170	588	-	-	10 316	1 640
Others	10 110	690	3 079	3 079	-	-	-	-	-	-
Total	**1 254 684**	**4 288**	**5 984**	**5 984**	**92 724**	**3 813**	**48 174**	**22 236**	**99 948**	**91 253**

In the following section is presented the gross exposure by asset type, impairment stage and internal rating bucket.

Loans and advances to costumers

The table below presents a summary of the portfolio of loans and advances to costumers of Haitong Bank as of 31st of December 2021 and 31st of December 2020:

Loans and advances to customers		31.12.2021 Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	12 370	-	-	**-**	**12 370**
Monitoring	[bbb+;b-]	443 464	27 908	-	**-**	**471 372**
Impaired	[d]	-	-	75 600	**2 199**	**77 799**
Not rated	Not Rated	33 533	-	-	**-**	**33 533**
Gross carrying amount		**489 367**	**27 908**	**75 600**	**2 199**	**595 074**
Loss allowance (Note 30)		1 721	721	74 642	47	**77 131**
Carrying amount		**487 646**	**27 187**	**958**	**2 152**	**517 943**
Fair Value Trough Profit and Loss						**-**
Impaired	[d]	**-**	-	76	-	**76**
Gross carrying amount		**-**	**-**	**76**	**-**	**76**
Revaluation		**-**	**-**	(54)	-	**(54)**
Carrying amount		**-**	**-**	**22**	**-**	**22**
Total gross carrying amount		**489 367**	**27 908**	**75 676**	**2 199**	**595 150**
Loss allowance		1 721	721	74 642	**47**	**77 131**
Total revaluation		-	-	(54)	**-**	**(54)**
Total Carrying amount		**487 646**	**27 187**	**980**	**2 152**	**517 965**

Loans and advances to customers		31.12.2020 Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	2 083	-	-	-	**2 083**
Monitoring	[bbb+;b-]	216 893	89 472	-	-	**306 365**
Impaired	[d]	-	-	77 093	-	**77 093**
Not rated	Not Rated	11 280	-	-	-	**11 280**
Gross carrying amount		**230 256**	**89 472**	**77 093**	**-**	**396 821**
Loss allowance (Note 30)		-	-	-	-	**-**
Carrying amount		**229 237**	**89 472**	**1 618**	**-**	**396 821**
Fair Value Trough Profit and Loss						
Impaired	[d]	-	-	-	-	**-**
Gross carrying amount		**-**	**-**	**-**	**-**	**-**
Revaluation		**-**	**-**	-	-	**-**
Carrying amount		**-**	**-**	**-**	**-**	**-**
Total gross carrying amount		**230 256**	**89 472**	**77 093**	**-**	**396 821**
Loss allowance		1 019	3 324	75 475	-	**79 818**
Total revaluation		-	-	-	-	**-**
Total Carrying amount		**229 237**	**86 148**	**1 618**	**-**	**317 003**

Guarantees

The table below presents a summary of the portfolio of guarantees granted to clients of Haitong Bank as of 31st of December 2021 and 31st of December 2020:

Guarantees		31.12.2021 Stage 1	Stage 2	Stage 3	POCI	Total
Monitoring	[bbb+;b-]	118 441	-	-	-	**118 441**
Substandard	[ccc+;ccc]	50	-	-	-	**50**
Impaired	[d]	-	-	5 644	-	**5 644**
Total gross carrying amount		**118 491**	**-**	**5 644**	**-**	**124 135**
Loss allowance (Note 30)		1 099	-	415	-	**1 514**
Total Carrying amount		**117 392**	**-**	**5 229**	**-**	**122 621**

Guarantees		31.12.2020 Stage 1	Stage 2	Stage 3	POCI	Total
Monitoring	[bbb+;b-]	101 706	-	-	-	**101 706**
Impaired	[d]	-	-	18 311	-	**18 311**
Not rated	Not Rated	8 450	-	-	-	**8 450**
Total gross carrying amount		**110 156**	**-**	**18 311**	**-**	**128 467**
Loss allowance (Note 30)		1 186	-	11 513	-	**12 699**
Total Carrying amount		**108 970**	**-**	**6 798**	**-**	**115 768**

Debt securitites

The table below presents a summary of the portfolio of banking book debt securities at amortized cost and at fair value through other comprehensive income of Haitong Bank, as of 31st December 2021 and 31st of December 2020:

Debt Securities		31.12.2021 Stage 1	Stage 2	Stage 3	POCI	Total
Custo amortizado						
Low to fair risk	[aaa+;a-]	9 507	-	-	**-**	**9 507**
Monitoring	[bbb+;b-]	500 256	-	-	**-**	**500 256**
Gross carrying amount		**509 763**	**-**	**-**	**-**	**509 763**
Loss allowance (Note 30)		1 098	-	-	-	**1 098**
Carrying amount		**508 665**	**-**	**-**	**-**	**508 665**
Fair Value through Other Comprehensive Income						
Low to fair risk	[aaa+;a-]	33 501	-	-	-	**33 501**
Monitoring	[bbb+;b-]	171 313	-	-	-	**171 313**
Not rated	Not Rated	3 610	-	-	-	**3 610**
Gross carrying amount		**208 424**	**-**	**-**	**-**	**208 424**
Loss allowance (Note 30)		521	-	-	-	**521**
Revaluation		(832)	-	-	-	**(832)**
Carrying amount		**207 071**	**-**	**-**	**-**	**207 071**
Total gross carrying amount		**718 187**	**-**	**-**	**-**	**718 187**
Loss allowance		1 619	-	-	-	**1 619**
Total Revaluation		(832)	-	-	-	**(832)**
Total Carrying amount		**715 736**	**-**	**-**	**-**	**715 736**

Debt Securities		31.12.2020 Stage 1	Stage 2	Stage 3	POCI	Total
Custo amortizado						
Low to fair risk	[aaa+;a-]	7 088	-	-	**-**	**7 088**
Monitoring	[bbb+;b-]	417 087	-	-	-	**417 087**
Impaired	[d]	-	-	27 267	-	**27 267**
Not rated	Not Rated	1 806	-	-	-	**1 806**
Gross carrying amount		**425 981**	**-**	**27 267**	**-**	**453 248**
Loss allowance (Note 30)		1 002	-	9 726	-	**10 728**
Carrying amount		**424 979**	**-**	**17 541**	**-**	**442 520**
Fair Value through Other Comprehensive Income						
Low to fair risk	[aaa+;a-]	22 388	-	-	-	**22 388**
Monitoring	[bbb+;b-]	90 971	-	-	-	**90 971**
Impaired	[d]	-	-	7 978	-	**7 978**
Not rated	Not Rated	1 651	-	-	-	**1 651**
Gross carrying amount		**115 010**	**-**	**7 978**	**-**	**122 988**
Loss allowance (Note 30)		392	-	2 846	-	**3 238**
Revaluation		425	-	(2 922)	-	**(2 497)**
Carrying amount		**115 043**	**-**	**2 210**	**-**	**117 253**
Total gross carrying amount		**540 991**	**-**	**35 245**	**-**	**576 236**
Loss allowance		1 394	-	12 572	-	**13 966**
Total Revaluation		425	-	(2 922)	-	**(2 497)**
Total Carrying amount		**540 022**	**-**	**19 751**	**-**	**559 773**

Cash equivalents

The table below presents a summary of the cash equivalents portfolio of Haitong Bank, as of as of 31st December 2021 and 31st of December 2020:

Cash equivalents		31.12.2021 Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	468 416	-	-	-	**468 416**
Monitoring	[bbb+;b-]	4 817	-	-	-	**4 817**
Not rated		11	-	-	-	**11**
Total gross carrying amount		**473 244**	**-**	**-**	**-**	**473 244**
Loss allowance (Note 32)		1	-	-	-	**1**
Total Carrying amount		**473 243**	**-**	**-**	**-**	**473 243**

Cash equivalents		31.12.2020 Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	465 519	-	-	**-**	**465 519**
Monitoring	[bbb+;b-]	5 308	-	-	**-**	**5 308**
Total gross carrying amount		**470 827**	**-**	**-**	**-**	**470 827**
Total Carrying amount		**470 827**	**-**	**-**	**-**	**470 827**

Loans and advances to banks

The table below presents a summary of the portfolio of loans and advances to banks of Haitong Bank, as of 31st December 2021 and 31st of December 2020:

Loans and advances to Banks		31.12.2021 Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Low to fair risk	[aaa+;a-]	43 683	-	-	-	**43 683**
Monitoring	[bbb+;b-]	3 101	-	-	-	**3 101**
Impaired	[d]	-	-	15 077	-	**15 077**
Not rated		-	3 561	-	-	**3 561**
Total gross carrying amount		**46 784**	**3 561**	**15 077**	**-**	**65 422**
Loss allowance (Note 30)		37	879	15 077	-	**15 993**
Total Carrying amount		**46 747**	**2 682**	**-**	**-**	**49 429**

Loans and advances to Banks		31.12.2020 Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Monitoring	[bbb+;b-]	56	-	-	-	**56**
Substandard	[ccc+;ccc]	-	3 252	-	-	**3 252**
Doubtful	[lccc]	-	-	-	-	**-**
Impaired	[d]	-	-	15 077	-	**15 077**
Total gross carrying amount		**56**	**3 252**	**15 077**	**-**	**18 385**
Loss allowance (Note 30)		-	489	15 077	-	**15 566**
Total Carrying amount		**56**	**2 763**	**-**	**-**	**2 819**

Debtors and other assets

The table below presents a summary of the debtors and other assets portfolio of Haitong Bank, as of 31st December 2021 and 31st of December 2020:

Debtors and other assets		31.12.2021 Stage 1	Stage 2	Stage 3	POCI	Total
Amortized cost						
Monitoring	[bbb+;b-]	862	-	-	-	**862**
Substandard	[ccc+;ccc]	882	-	-	-	**882**
Impaired	[d]	-	-	58	9 891	**9 949**
Not rated		13 908	-	-	-	**13 908**
Total gross carrying amount		**15 652**	**-**	**58**	**9 891**	**25 601**
Loss allowance (Note 30)		7 635	-	58	2 861	**10 554**
Total Carrying amount		**8 017**	**-**	**-**	**7 030**	**15 047**

Debtors and other assets		Stage 1	Stage 2	Stage 3	POCI	Total
		31.12.2020				
Amortized cost						
Low to fair risk	[aaa+;a-]	7	-	-	-	**7**
Monitoring	[bbb+;b-]	995	-	-	-	**995**
Substandard	[ccc+;ccc]	5 054	-	-	-	**5 054**
Impaired	[d]	-	-	58	10 316	**10 374**
Not rated		17 336	-	-	-	**17 336**
Total gross carrying amount		**23 392**	**-**	**58**	**10 316**	**33 766**
Loss allowance (Note 30)		7 065	-	58	1 640	**8 763**
Total Carrying amount		**16 327**	**-**	**-**	**8 676**	**25 003**

Throughout 2021, no financial assets have been transferred from Stage 2 to Stage 1 (lifetime expected credit losses to 12 month expected credit losses).

The use of credit protection is an unavoidable component of risk policy and the credit decision process, influencing acceptance criteria, decision levels and price.

The main risk reduction techniques used by the Bank are financial collateral (real credit protection – real financial guarantee in the form of securities and cash) and personal guarantees (personal credit protection with substitution effect).

Haitong Bank follows CRR's guidelines with regard to haircuts of real guarantees for the calculation of impairment. Thus, instead of using the value of real guarantees, the Bank considers the value of real guarantees after applying the haircut.

The frequency and methods of evaluating collateral depend on its nature. For listed equity and debt securities, valuation is performed daily using market prices.

The valuation of the collateral of bank accounts is carried out on a quarterly basis, according to the information provided by the depositary bank.

With regard to collateral on unlisted equity securities, collateral on equipment and mortgages, the valuation is carried out at least annually and is based on financial information from the issuer or valuation reports from external entities (eg real estate).

As of December 31, 2021, the amount of financial instruments with no losses identified, due to credit risk's mitigation techniques (i.e. whenever the exposure at default net of collateral is equal to zero), was 9 184 thousand euros, accounted under loans and advances to customers and guarantees.

The gross balance sheet value and exposure given default (EAD) for all financial assets (including guarantees provided) are presented below, separately for each Stage and for POCI instruments.

(thousand euros)

Rating bucket		Stage 1		Stage 2		Stage 3		POCI	
		Gross Exposure	EAD	Gross Exposure	EAD	Gross Exposure	EAD	Gross Exposure	Exposure at Default
Low to fair risk	[aaa+;a-]	567 477	567 042	-	-	-	-	-	-
Monitoring	[bbb+;b-]	1 242 254	1 136 178	27 908	25 178	-	-	-	-
Substandard	[ccc+;ccc]	932	934	-	-	-	-	-	-
Impaired	[d]	-	-	-	-	96 401	95 394	12 090	12 090
Not Rated		51 062	18 335	3 561	3 561	-	-	-	-
Total		**1 861 725**	**1 722 489**	**31 469**	**28 739**	**96 401**	**95 394**	**12 090**	**12 090**

Breakdown of Non-Performing and Forborne Exposures

In accordance with the definitions set out in Annex V to Commission Implementing Regulation (EU) 2018/1627 of 8 October 2018, amending Implementing Regulation (EU) No 680/2014 as regards prudent valuation for supervisory reporting, the Bank discloses the non-performing exposures and the forborne exposures.

The definitions of non-performing and forborne exposures are provided under section 2.3.1.

In this sense, as at December 31, 2021 and 2020 the breakdown of performing and non-performing exposures was as follows:

	31.12.2021			31.12.2020		
	Gross amount	Impairment, Negative revaluations and Provisions	Coverage	Gross amount	Impairment, Negative revaluations and Provisions	Coverage
Performing exposures	**2 054 226**	**6 385**	**0,3%**	**1 489 033**	**7 363**	**0,5%**
Non-Performing exposures (NPE)	**98 857**	**90 315**	**91,4%**	**146 792**	**114 819**	**78,2%**
Banking Book Debt Securities	0	0	0,0%	35 813	12 608	35,2%
Loans and advances to customers	77 875	74 743	96,0%	77 093	75 475	97,9%
Loans and advances to Banks	15 077	15 077	100,0%	15 077	15 077	100,0%
Guarantees	5 644	415	7,4%	18 311	11 513	62,9%
Loan commitments	261	80	30,7%	498	146	29,3%
Total	**2 153 083**	**96 700**	**4,5%**	**1 635 825**	**122 182**	**7,5%**
NPE ratio	**4,6%**			**9,0%**		
NPL ratio	**13,1%**			**19,4%**		

As at December 31, 2021 and 2020 the breakdown of performing and non-performing forborne exposures was as follows:

	31.12.2021			31.12.2020		
	Gross amount	Impairment, Negative revaluations and Provisions	Coverage	Gross amount	Loss allowance	Coverage
Performing exposures	**2 050 475**	**6 040**	**0,3%**	**1 427 350**	**4 746**	**0,3%**
Performing Forborne exposures	**3 751**	**345**	**9,2%**	**61 683**	**2 617**	**4,2%**
Loans and advances to customers	3 751	345	9,2%	61 683	2 617	4,2%
Non-Performing Forborne exposures	**78 060**	**74 769**	**95,8%**	**77 591**	**75 621**	**97,5%**
Loans and advances to customers	77 799	74 689	96,0%	77 093	75 475	97,9%
Loan commitments	261	80	30,7%	498	146	29,3%
Non-Performing exposures	**20 797**	**15 546**	**74,8%**	**69 201**	**39 198**	**56,6%**
Total	**2 153 083**	**96 700**	**4,5%**	**1 635 825**	**122 182**	**7,5%**

Concentration risk

Concerning the concentration risk - that is, the risk arising from the possibility of exposure or from a group of exposures sharing common or interrelated risk factors that produce losses large enough to affect the Bank's solvency - Haitong Bank has internal limits established for the largest single name exposures. Regular monitoring of these limits, together with regulatory limits, strengthens the bank's monitoring framework for the concentration of credit risk.

The breakdown of loans and advances to costumers, financial assets held for trading and securities, by sector of activity, for the years ended 31st December 2021 and 31st December 2020, is as follows:

(thousand euros)

Industry	31.12.2021								
	Loans and advances to customers					Financial assets held for trading		Securities	
	Gross amount		Impairment		Revaluation				
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans	Overdue loans	Securities	Derivative financial assets	Gross amount	Impairment
Automobiles & Components	-	-	-	-	-	-	157	-	-
Banks	-	-	-	-	-	181	-	18 420	34
Broker Dealers	-	-	-	-	-	8 527	14 923	72 335	114
Building Materials	-	-	-	-	-	-	217	-	-
Capital Goods	12 533	-	38	-	-	-	-	-	-
Chemicals	11 785	868	1 344	868	-	169	-	11 793	21
Commercial & Professional Services	14 954	-	46	-	-	1 016	49	8 038	6
Construction & Engineering	42 449	2 785	721	2 785	-	3 196	-	-	-
Containers & Packaging	17 447	1 507	179	1 484	54	1 508	-	29 534	262
Funds & Asset Managers	-	-	-	-	-	863	1 994	6 596	4
Governments	33 389	-	-	-	-	-	-	7 546	-
Health Care	1 593	-	-	-	-	2 574	-	282 636	272
Hotels & Gaming	45 913	-	152	-	-	851	-	23 300	115
Insurance	-	5 951	-	5 951	-	405	-	17 444	31
Media & Entertainment	-	-	-	-	-	-	3	-	-
Metals & Mining	-	-	-	-	-	2 017	4 085	9 707	15
Non Bank Financial Institutions	-	242	-	242	-	558	3 590	50 141	70
Oil & Gas	-	10 324	-	10 324	-	177	1 739	13 874	58
Paper & Forest Products	-	-	-	-	-	-	270	19 745	55
Power	87 320	-	367	-	-	513	3 089	32 612	68
Real Estate	69 597	44 715	556	44 715	-	-	-	82 782	308
Retailing	19 986	-	200	-	-	3 005	-	7 245	13
Software	-	-	-	-	-	-	-	8	-
Technology Hardware & Equipment	50 406	-	180	-	-	1 683	52	26 855	62
Telecoms	1 635	6 524	122	6 524	-	974	-	-	-
Transportation	113 083	-	332	-	-	202	42 946	-	-
Transportation Infrastructure	-	-	-	-	-	-	-	10 650	111
Others	144	-	1	-	-	8 039	-	-	-
TOTAL	**522 234**	**72 916**	**4 238**	**72 893**	**54**	**36 458**	**73 114**	**731 261**	**1 619**

Industry	31.12.2020								
	Loans and advances to customers					Financial assets held for trading		Securities	
	Gross amount		Impairment		Revaluation				
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans	Overdue loans	Securities	Derivative financial assets	Gross amount	Impairment
Agribusiness & Commodity Foods	-	-	-	-	-	-	274	-	-
Automobiles & Components	-	-	-	-	-	1 760	-	11 457	21
Banks	-	-	-	-	-	3 310	21 683	21 945	26
Broker Dealers	-	-	-	-	-	-	2 041	-	-
Building Materials	12 464	-	64	-	-	-	-	8 506	158
Capital Goods	13 268	736	1 489	736	-	216	-	11 067	31
Chemicals	-	-	-	-	-	223	-	-	-
Commercial & Professional Services	11 974	2 757	1 033	2 757	-	-	-	-	-
Construction & Engineering	10 911	1 519	70	1 499	-	2 163	-	21 754	221
Containers & Packaging	-	-	-	-	-	-	-	-	-
Food, Beverage & Tobacco	-	-	-	-	-	358	8 863	-	-
Funds & Asset Managers	10 855	-	1	-	-	-	-	6 565	-
Governments	2 083	-	1	-	-	4 469	-	218 024	177
Health Care	-	-	-	-	-	203	-	20 891	107
Hotels & Gaming	-	5 950	-	5 951	-	-	-	17 492	32
Insurance	-	-	-	-	-	923	-	-	-
Media & Entertainment	-	-	-	-	-	514	-	-	-
Metals & Mining	57 931	-	2 294	-	-	-	-	8 912	11
Non Bank Financial Institutions	-	242	-	242	-	1 865	6 278	24 811	40
Oil & Gas	-	10 324	-	10 324	-	623	3 967	13 326	54
Paper & Forest Products	-	-	-	-	-	4 464	214	2 795	3
Power	67 703	-	443	-	-	1 234	4 614	8 371	25
Real Estate	13 114	44 879	491	44 879	-	395	86	79 042	391
Retailing	-	-	-	-	-	2 030	-	18 852	23
Software	-	-	-	-	-	-	-	9	-
Technology Hardware & Equipment	-	-	-	-	-	-	-	32 285	12 572
Telecoms	27 814	-	143	-	-	1 744	67	6 960	13
Transportation	1 621	6 638	121	6 638	-	633	33 595	49 222	59
Transportation Infrastructure	93 613	-	640	-	-	528	57 553	-	-
Others	425	-	2	-	-	-	-	-	-
TOTAL	**323 776**	**73 045**	**6 792**	**73 026**	**-**	**27 655**	**139 235**	**582 286**	**13 964**

The breakdown of loans and advances to costumers, financial assets held for trading and securities, by country risk, for the years ended 31st December 2021 and 31st December 2020, is as follows:

(thousand euros)

Country	31.12.2021								
	Loans and advances to customers					Financial assets held for		Securities	
	Gross amount		Impairment		Revaluation				
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans	Overdue loans	Securities	Derivative financial assets	Gross amount	Impairment
Belgium	-	-	-	-	-	-	53	-	-
Bermuda	-	-	-	-	-	668	-	-	-
Brazil	12 532	2 785	38	2 785	-	-	-	19 344	101
Bulgaria	-	-	-	-	-	-	-	11 559	21
China	-	-	-	-	-	5 060	-	139 632	483
Cyprus	-	-	-	-	-	-	-	9 344	11
Czech republic	-	-	-	-	-	-	-	1 950	1
Finland	-	-	-	-	-	-	-	2 761	3
France	-	-	-	-	-	2 017	424	21 614	32
Germany	5 844	-	30	-	-	1 824	6 177	17 700	18
Greece	-	-	-	-	-	-	-	17 884	55
Hong kong	-	-	-	-	-	3 196	-	1 915	1
Hungary	-	-	-	-	-	-	-	10 566	8
Ireland	-	-	-	-	-	-	3 569	-	-
Italy	-	-	-	-	-	3 915	-	132 202	137
Japan	-	-	-	-	-	573	-	-	-
Luxembourg	30 482	-	62	-	-	-	-	21 353	12
Netherlands	-	-	-	-	-	1 566	-	10 289	19
Poland	75 772	1 508	88	1 484	54	778	-	54 207	225
Portugal	240 199	51 481	1 641	51 482	-	3 460	53 102	196 203	400
Romania	-	-	-	-	-	-	-	24 118	29
Singapore	-	-	-	-	-	863	-	-	-
Spain	103 134	17 142	2 204	17 142	-	6 314	8 765	10 898	18
Sweden	-	-	-	-	-	39	-	7 834	14
Switzerland	-	-	-	-	-	503	-	-	-
United Kingdom	54 127	-	174	-	-	3 409	1 024	14 712	29
United States	-	-	-	-	-	558	-	-	-
Virgin islands (british)	-	-	-	-	-	1 715	-	5 176	2
Others	144	-	1	-	-	-	-	-	-
TOTAL	**522 234**	**72 916**	**4 238**	**72 893**	**54**	**36 458**	**73 114**	**731 261**	**1 619**

(thousand euros)

Country	31.12.2020								
	Loans and advances to customers					Financial assets held for trading		Securities	
	Gross amount		Impairment		Revaluatio				
	Outstanding loans	Overdue loans	Outstanding loans	Overdue loans	Overdue loans	Securities	Derivative financial assets	Gross amount	Impairment
Andorra	-	-	-	-	-	-	112	-	-
Belgium	-	-	-	-	-	-	-	-	-
Brazil	12 464	2 757	64	2 757	-	22	-	12 772	66
Bulgaria	-	-	-	-	-	-	-	1 435	4
China	-	-	-	-	-	223	-	119 226	12 851
Cyprus	-	-	-	-	-	-	-	9 449	11
Finland	-	-	-	-	-	-	-	2 795	3
France	-	-	-	-	-	508	4 146	17 929	28
Germany	57 931	-	2 295	-	-	217	3 926	5 051	6
Hong kong	-	-	-	-	-	-	-	1 805	18
Ireland	-	-	-	-	-	-	6 278	-	-
Italy	-	-	-	-	-	926	-	101 339	90
Luxembourg	-	-	-	-	-	395	-	15 477	11
Netherlands	-	-	-	-	-	101	-	-	-
Panama	-	-	-	-	-	-	-	-	-
Poland	21 848	1 519	57	1 500	-	8 995	214	49 239	250
Portugal	141 446	51 760	1 406	51 760	-	8 431	102 854	210 950	580
Romania	-	-	-	-	-	-	-	8 060	10
Spain	89 662	17 009	2 968	17 009	-	6 016	14 496	3 642	4
Sweden	-	-	-	-	-	-	-	7 884	14
Switzerland	-	-	-	-	-	358	-	-	-
United Kingdom	-	-	-	-	-	1 047	7 209	8 146	15
United States	-	-	-	-	-	416	-	-	-
Virgin islands (british)	-	-	-	-	-	-	-	7 087	3
Others	425	-	2	-	-	-	-	-	-
TOTAL	**323 776**	**73 045**	**6 792**	**73 026**	**-**	**27 655**	**139 235**	**582 286**	**13 964**

Market risk

Market risk is the possibility of losses resulting from adverse movements in market prices, such as equity, interest rates, foreign exchange rates and credit spreads.

The Bank estimates the potential losses in its trading book and for the overall commodity and foreign currency positions using the historical Value at Risk (VaR) methodology, calculated considering a 99% confidence level, an investment period of 10 business days and 1 year of historical observation.

(thousand euros)

	31.12.2021				31.12.2020			
	December	Average	Maximum	Minimum	December	Average	Maximum	Minimum
Foreign Exchange Risk	4 747	4 142	13 078	1 393	1 671	3 171	3 789	1 671
Interest Rate Risk	449	311	754	57	139	115	316	26
Shares	16	7	32	0	0	0	0	0
Credit spread	298	416	1 661	86	1 580	948	1 628	135
Covariance	-815	n.a.	n.a.	n.a.	-226	n.a.	n.a.	n.a.
Global VaR	**4 695**	**4 481**	**13 458**	**1 535**	**3 164**	**4 118**	**5 100**	**1 697**

The following table presents the average interest rates as well as the average balances and interest for the period, relating to the Banks's major financial asset and liability categories, for the periods ended at December 31st 2021 and 2020, as well as the respective average balances and interest of the period:

(thousand euros)

	31.12.2021			31.12.2020		
	Average balance of the period	Interest of the period	Average interest rate	Average balance of the period	Interest of the period	Average interest rate
Monetary assets	500 033	518	0,10%	456 466	48	0,01%
Loans and advances to customers	479 159	9 606	2,00%	337 900	9 027	2,67%
Investment in securities	419 330	10 321	2,46%	371 032	7 121	1,92%
Collateral accounts	76 048	184	0,24%	185 953	159	0,09%
Financial assets	**1 474 570**	**20 629**	**1,40%**	**1 351 351**	**16 355**	**1,21%**
Monetary resources	402 331	3 201	0,80%	104 746	536	0,51%
Deposits from customers	853 891	9 007	1,05%	942 858	12 052	1,28%
Liabilities represented by securities	-	-	0,00%	-	-	0,00%
Other resources	13 699	471	3,44%	28 482	1 023	3,59%
Financial liabilities	**1 269 921**	**12 679**	**1,00%**	**1 076 086**	**13 611**	**1,26%**
Financial result		**7 950**			**2 744**	

As of 31st December 2021 and 31st December 2020, the exposure of assets and liabilities by currency in regards to the foreign exchange risk was as follows:

(thousand euros)

	31.12.2021			31.12.2020		
	Spot	Forward	Net Exposure	Spot	Forward	Net Exposure
AUD	14	-	14	14	-	14
BRL	1	21	22	(85)	(71 933)	(72 018)
CAD	35	-	35	33	-	33
CHF	364	-	364	216	-	216
CNY	12 455	-	12 455	(284)	-	(284)
CZK	-	-	-	24	-	24
DKK	201	-	201	209	-	209
GBP	37 991	(38 192)	(201)	(1 156)	-	(1 156)
HKD	(1 273)	1 386	113	(1 601)	1 592	(9)
HUF	-	-	-	16	-	16
JPY	44	-	44	54	-	54
MOP	5 171	-	5 171	(34)	-	(34)
MXN	14	-	14	16	-	16
NOK	12	-	12	23	-	23
PLN	87 352	(60 502)	26 850	64 875	(64 238)	637
SEK	89	-	89	101	-	101
TRY	-	-	-	13	-	13
USD	103 270	(102 216)	1 054	94 938	(93 249)	1 689
	245 740	**(199 503)**	**46 237**	**157 372**	**(227 828)**	**(70 456)**

Note: asset / (liability)

It should be noted that the amounts of BRL position in long term are high, resulting from the economic coverage of the exposure of the investee in Brazil. The Bank hedges a net investment in a foreign entity in an amount proportional to the percentage held in the capital.

Haitong Bank measures interest rate risk in the banking book using income based (NII: Net Interest Income) and value based (EVE: Economic Value of Equity) metrics.

The Net Interest Income metric measures the sensitivity of a movement in interest rates in the Bank's net interest income considering a period of one year and a static balance sheet.

Under the Economic Value of Equity measure, the Bank assesses the impact on the present value of cash flows due to an interest rate movement, considering the current balance sheet run-off profile.

As of December 2021 and 2020, the Bank maintain similar interest-rate risk sensitive assets and liabilities in the banking book. The repricing profile can be presented bellow:

(thousand euros)

	31.12.2021					
	Up to 3months	3 to 6months	6 to 12months	1 to 5years	More than5 years	Total
Assets	982 309	274 199	196 634	331 098	237 694	2 021 934
Liabilities	(498 799)	(427 278)	(142 048)	(409 554)	(2 797)	(1 480 476)
Gap	483 510	(153 079)	54 586	(78 456)	234 897	541 458

(thousand euros)

	31.12.2020					
	Up to 3months	3 to 6months	6 to 12months	1 to 5years	More than5 years	Total
Assets	788 406	204 597	199 753	288 500	77 657	1 558 913
Liabilities	(775 321)	(46 020)	(110 094)	(185 376)	(155)	(1 116 966)
Gap	13 085	158 577	89 659	103 124	77 502	441 947

The impact on the banking book portfolio economic value, under several scenarios was as follows:

(thousand euros)

Time Bucket	December 2021		December 2020	
	Delta EVE	Delta NII	Delta EVE	Delta NII
+200 bps	25 872	(6 989)	17 378	(496)
-200 bps	(8 772)	6 989	(2 581)	496
Parallel up	26 747	n.a.	18 185	n.a.
Parallel down	(14 859)	n.a.	(10 074)	n.a.
Steepener	(7 568)	n.a.	(4 956)	n.a.
Flattener	(7 037)	n.a.	(4 609)	n.a.
Short rates up	26 914	n.a.	17 770	n.a.
Short rates down	(14 888)	n.a.	(9 835)	n.a.

Source: Haitong Bank

Reference interest rate reforms

Regulation (EU) 2016/1011 of the European Parliament and of the Council (known as the EU Benchmark Regulation or BMR) established a common framework to ensure that benchmark interest rates meet certain requirements that guarantee their reliability and efficiency as well as protect the consumer and investor, which implied a set of reforms, currently underway, of the reference interest rates with different implications for the activities of financial institutions.

The Bank holds fallback provisions in its contracts in accordance with market practice to respond to a discontinuity in rates. As of December 31, 2021, there are no financing contracts whose contract rate is associated with Libor rates that are expected to be discontinued. The Bank holds derivatives whose rates are expected to be discontinued and the respective contractual amendments are being negotiated. The contracts in question are under ISDA contracts.

Liquidity risk

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

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

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

Haitong Bank's liquidity and funding management is under the direct responsibility of the Executive Committee, advised by the Assets and Liabilities Committee (ALCO). Local treasury teams ensure liquidity daily management in each of the Bank's liquidity hubs (Lisbon and Warsaw), under the global coordination of Haitong Bank's CEO.

The Bank manages its liquidity by establishing a liquidity risk policy, monitoring a set of liquidity risk metrics, including prudential liquidity ratios, stress testing and liquidity contingency plans, and by setting limits consistent with the Bank's liquidity risk appetite and regulatory requirements.

As of 31 December 2021, the Bank held 548 million Euros of High Quality Liquid Assets (649 million Euros in 31 December 2020), of which 454 million were available demand deposits at the Bank of Portugal (459 million Euros in 31 December 2020). The remainder of the High Quality Liquid Assets (HQLA) was mainly composed by sovereign debt of European Union countries.

In 31 December 2021, Haitong Bank held a surplus of 289 million Euros of its 30 days stressed net outflows, which corresponded to a LCR of 212% (294% on 31 December 2020) comfortably above both regulatory and internal limits.

Liquidity Coverage Ratio	31.12.2021	31.12.2020
High Quality Liquid Assets	548	649
Surplus over stressed net outflows	289	429
Liquidity coverage Ratio	**212%**	**294%**

Haitong Bank funding from the Bank of Portugal amounts to 322 million Euros on 31 December 2021 (111 million Euros at the end of 2020) obtained through the Targeted Longer-Term Refinancing Operations and Pandemic Emergency Longer-Term Refinancing Operations facilities, maturing in 2022, 2023 and 2024.

In 2021, Haitong Bank's main sources of funding were wholesale facilities provided by a Haitong Securities Group company, secured facilities provided by the Central Bank, long term facilities provided by banks, sales with repurchase agreements (repos) and deposits from clients (households and corporate clients).

In market stress situations where the value of derivatives is significantly impacted, additional collateral amounts may be required from Haitong Bank due to master netting agreements (e.g. ISDA) and margin agreements (e.g. Credit Support Annex) entered into with financial institutions. Derivatives positions and collateral received and posted are detailed in notes 19 and 27, respectively.

As of 31st of December 2021, contractual undiscounted cash flows of financial assets and liabilities present the following structure:

(thousand euros)

	31.12.2021						
	On demand	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Assets							
Cash and cash equivalents	473 251	-	-	-	-	-	473 251
Financial assets held-for-trading (Securities)	-	6 297	1 335	22 121	7 431	-	37 184
Non-trading financial assets mandatorily at fair value through profit	-	-	-	-	13 906	-	13 906
Financial assets at fair value through other comprehensive income	-	20 800	39 567	114 230	32 200	-	206 797
Financial assets at amortised cost	-	17 500	32 864	301 869	132 465	-	484 698
Loans and advances to banks	601	46 355	2 463	-	-	-	49 419
Loans and advances to customers	2	40 901	63 072	374 091	88 025	-	566 091
Derivatives Instruments	-	398 329	126 958	70 838	14 334	56 926	667 385
	473 854	530 182	266 259	883 149	288 361	56 926	2 498 731
Liabilities							
Resources from credit institutions	7	28 283	22 000	701 268	-	-	751 558
Resources from customers	92 546	222 631	204 448	294 455	-	-	814 080
Debt securities issued	-	-	-	-	-	-	-
Financial liabilities held-for-trading (Securities)	1 036	-	-	-	-	-	1 036
Derivatives Instruments	-	405 280	121 296	46 450	1 281	10 270	584 577
	93 589	656 194	347 744	1 042 173	1 281	10 270	2 151 251

As of 31st of December 2020, contractual undiscounted cash flows of financial assets and liabilities present the following structure:

(thousand euros)

	31.12.2020						
	On demand	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Undetermined	Total
Assets							
Cash and cash equivalents	470 832	-	-	-	-	-	470 832
Financial assets held-for-trading (Securities)	-	735	5 499	19 870	7 779	-	33 883
Non-trading financial assets mandatorily at fair value through profit	-	-	-	-	-	8 549	8 549
Financial assets at fair value through other comprehensive income	-	10 975	46 520	69 023	-	-	126 518
Financial assets at amortised cost	-	26 669	175 329	186 638	71 893	-	460 529
Loans and advances to banks	-	2 819	-	-	-	-	2 819
Loans and advances to customers	-	71 725	65 393	123 159	74 612	-	334 889
Derivatives Instruments	-	429 108	84 120	122 238	50 323	115 355	801 144
	470 832	542 031	376 861	520 928	204 607	123 904	2 239 163
Liabilities							
Resources from credit institutions	15 348	7 165	-	110 600	-	-	133 113
Resources from customers	73 753	166 051	156 335	610 785	-	-	1 006 924
Debt securities issued	-	-	-	-	-	-	-
Financial liabilities held-for-trading (Securities)	-	-	-	-	-	-	-
Derivatives Instruments	-	435 422	106 255	123 495	50 644	12 260	728 076
	89 101	608 638	262 590	844 880	50 644	12 260	1 868 113

Operational risk

Operational Risk corresponds to the possible loss resulting from inadequate internal procedures or its negligent application, inadequacy or failure of information systems, staff behavior or external events. Legal risks are included in this definition. Legal and IT risks are included in this definition. Operational risk is therefore considered as the sum of operational, information systems and compliance risks.

The Bank has in place a framework to ensure the standardization and systematization of the regular activities regarding the identification, assessment, response/ mitigation, monitoring, and control and report of operational risk. A team within the Risk Management Department is exclusively dedicated to the management of this framework.

Capital Management and Solvency Ratio

The main purposes of capital management in the Bank are (i) to promote sustainable growth of activity by creating enough capital to withstand the increase of assets, (ii) meet the minimum requirements established by the supervising entities in relation to capital adequacy and (iii) ensure the achievement of the strategic goals set by Bank in relation to capital adequacy.

In prudential terms, the Bank is subject to inspection by the Bank of Portugal who, in accordance with the EU Directive on capital adequacy, establishes the necessary regulations in this regard that must be fulfilled by the different institutions under their inspection. These regulations establish a minimum rate for the own funds total in relation to the requirements associated with the undertaken risks, which the institutions must comply with.

As of February 1st of 2022, Bank of Portugal, as the authority responsible for supervision on a consolidated basis of Haitong Bank, S.A., communicated the decision regarding the annual supervisory review and evaluation process (SREP 2021), according to which it assigns to Haitong Bank a specific own funds requirement of 4%, to be met at all times from 1st of July of 2022 onwards, determined under the combined provisions of Article 116(1)(c) and Article 116C(1), (2)(a), (3)(b) and (4) of the RGICSF.

At the moment and for reporting purposes related to prudential effects before the supervising authorities, the Bank uses the Standard method for handling credit risk and operational risk ("The Standardized Approach" - TSA method).

The following table summarises the capital adequacy of the Haitong Bank S.A. as at 31st of December 2021 and 31st of December 2020:

	31.12.2021		31.12.2020	
	Phased-in	Fully-loaded	Phased-in	Fully-loaded
CET1 ratio	22,7%	22,6%	29,0%	29,0%
Tier 1 ratio	27,8%	27,8%	35,9%	35,8%
Total capital ratio	27,8%	27,8%	35,9%	35,8%

The assumptions used in the capital adequacy calculations are described in chapter IT & Internal Control | Risk Management | Solvency in the Management Report.

NOTE 39 – IMPACT OF COVID–19 PANDEMIC

Measures to support the economy

Credit lines guaranteed by the Portuguese State

Source: Bank of Portugal[11]

"As a result of the public health context, until September 30, 2021, a public moratorium on credit and financing agreements entered into by companies was in force (Decree-Law No. 10-J/2020).

Companies that adhered to the public moratorium until September 30, 2020 could benefit from the suspension of payment of installments between the time the moratorium was requested and September 30, 2021. Companies that requested the application of the public moratorium only between October 2020 and March 31, 2021 were able to benefit from the public moratorium for a period of nine months.(...)

[1] Free translation into English of the original version in Portuguese disclosed in https://clientebancario.bportugal.pt/pt-pt/covid-19-moratoria-para-contratos-de-credito-celebrados-com-empresas

For further information please consult Bank of Portugal website

During the period between 1 January 2021 and 31 March 2021, the company could also request the application of the public moratorium on credit agreements that had benefited from a support measure for a period of less than nine months. In these situations, the company could benefit from the public moratorium until reaching the total period of application of moratoriums of nine months.(...)

The moratorium provided for the extension, for a period equal to its term, of credits with payment of principal at the end of the contract, in force on March 27, 2020, together, under the same terms, with all their associated elements, including interest , guarantees, namely provided through insurance or in credit instruments.

It also provided for the suspension, in relation to credits with partial repayment of capital or with installment maturity of other cash installments, of the payment of principal, rents and interest due until the end of the moratorium period. In this case, the term of the loan was extended for a period equal to the duration of the moratorium, with the exception that this extension of the term would not give rise to contractual breach or activation of early maturity clauses.

If they wished that the outstanding amount of the loan did not change, even after the moratorium, companies could only request the suspension of the payment of the principal, continuing to pay the interest that was due during the period covered by the moratorium. In this case, the maturity of the capital installments was extended for a period identical to that of the application of the moratorium.

During this moratorium, institutions were also prohibited from revoking, in whole or in part, the credit lines contracted and the loans granted, in the amounts contracted until March 27, 2020.

The enforceability of cash benefits associated with credits that benefited from the moratorium measures, including all those that could be in arrears on the date of adhesion to the moratorium by the customer, was suspended during the moratorium, thus, interest on late payment and other penalties provided for are no longer applicable. in the contract.

In addition to companies, individual entrepreneurs, private social solidarity institutions, non-profit associations and other social economy entities were also able to benefit from the exceptional measures provided for in this moratorium."

During the period of validity of this public moratorium, Haitong Bank, S.A. only received one request for a moratorium under Decree-Law, nº10-J/2020, of 26 March.

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

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

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

- Statement on the application of the prudential framework regarding default, forbearance and IFRS 9, in the light of the COVID-19 measures, issued by EBA on 25 March 2020;
- IFRS 9 and COVID-19 - Accounting for expected credit losses applying IFRS 9 - Financial Instruments in light of the current uncertainty resulting from the COVID-19 pandemic, issued on 27 March 2020 by IAS;
- On 27 March 2020, BSBC (Basel Committee on Banking Supervision) decided to postpone the implementation date of the Basel III standards for one year;
- Guidelines on legislative and non-legislative moratoria on loan repayments applied in the COVID-19 crisis, issued by EBA on 2 April 2020 (EBA / GL / 2020/02) and updated on 25 June 2020 and 2 December 2020;
- IFRS 9 in the context of the coronavirus pandemic (COVID-19), issued on 1 April 2020 by the ECB;
- Duties to provide Information to customers on the public moratorium, approved by DL no. 10-J/2020 of 26 March, and on private moratoriums, issued on 28 April 2020 by the Bank of Portugal (Notice No. 2/2020);
- Guidelines on supervisory reporting and disclosure requirements in compliance with CRR “quick fix” in response to the COVID-19 pandemic, issued by EBA on 11 August 2020 (EBA/GL/2020/11).

On 8 April 2020, Bank of Portugal approved the Circular Letter no. CC/2020/000000022 implementing the European Banking Authority guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19, amended by Circular Letter No. CC/2020/00000051 of 29 July 2020. These Guidelines establish the terms and conditions that the extension of payment terms inherent in credit obligations, associated with public and private moratoria created in the context of the COVID-19 pandemic, should fulfil in order not to trigger classification as default of the obligor, nor the definition of forbearance measure, in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 (the ‘CRR’) and the EBA Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013. These Guidelines also establish the documentation that institutions should keep on the moratoria, as well as the information that institutions are expected to share with their competent authorities and that these should report to the EBA.

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

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

- Internal assessment of the COVID-19 impact by activity sector through the consolidation of information collected from sectoral research studies.
- Also with the objective of identifying, evaluating and monitoring the impact in terms of credit risk, the Rating Department continued the process of rating assignment and rating update of the Bank’s clients, taking into account the specific conditions of each sector and the potential adverse impacts determined from the COVID-19 pandemic, and, as well, the information specifically gathered about the Bank’s clients.

- The Bank adopted the guidelines and criteria of the European Banking Authority within the response measures framework taken by EU governments and bodies to address the adverse systemic impact of the COVID-19 pandemic, relative to the legislative and non-legislative loan moratoria which was applied following the crisis, in particular on the implementation of the prudential framework for the identification and classification of defaulted loans, exposures subject to forbearance measures, and also applying the adequate accounting treatment envisaged by the IFRS 9.
- The Bank continued to categorize the exposures as performing and non-performing, and subject to forbearance measures, according to the applicable requirements. However, when temporary easing measures are adopted internally, under legislative and non-legislative moratoriums, they do not automatically have a negative impact on the credit risk of a Group's client, as these measures may not automatically result in the reclassification of loans from a prudential perspective, as long as the moratoriums are preventive and not addressed to any specific debtors, neither adapted by any individual circumstances. Thus, the application of a moratorium is not regarded as a restructuring measure or, therefore, an urgent restructuring. Thus, in such cases, it should not be referred to a form of reduction of the financial obligation and therefore cannot be interpreted as an indication of a low likelihood of repayment (for the purposes of considering a debtor in a default under the CRR). Finally, the application of an individual measure and the renegotiation of loans based on the specific situation of the debtor are classified by the Bank as a restructuring measure ("forbearance") if the CRR's requirements are met in a case-by-case assessment.
- The Bank paid special attention to exposures that were the subject of temporary easing measures within the scope of legislative and non-legislative moratoria, namely, with regard to the effective monitoring of the fulfillment of the expected payments, under the revised debt repayment schedule in order to timely identify indicators of reduced likelihood of payment, namely through the responses to the "Early Warning Signals" Questionnaire.
- The Risk Department maintained the internal Risk Appetite Framework report to the Executive Committee and to the Risk Committee, emphasizing the analysis of exposures subject to temporary easing measures under legislative and non-legislative moratoriums.
- The Bank proceeded the annual review by the Impairment committee of the top 20 largest performing exposures in order to confirm that the largest debtors do not display any warning signals that indicate a transfer to Stage 2 under IFRS 9.
- The Bank updated the forward-looking information underlying the collective impairment model, incorporating the most recent economic predictions, views and the effects of the COVID-19 pandemic, namely in what regards the PiT PD's update, as described in the section "Forward-looking information" in Note 39.

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

Operations subject to legislative and non-legislative moratorium and new loans granted under new public guarantee systems introduced in response to the COVID-19 crisis

As at 31 December 2021, the Bank has no operations subject to a legislative moratorium in response to the COVID – 19 crisis.

We note that only one client of the Bank adhered to the public guarantee sponsored by the Portuguese Government in the context of the COVID-19 crisis. The term of the public guarantee period did not pose challenges in terms of cliff-effects.

Use of judgments and estimates in the preparation of financial statements

The preparation of the consolidated financial statements requires using judgments, preparing estimates are making certain assumptions to determine the value of assets and liabilities and the amount of contingent assets and liabilities disclosed at the balance sheet date, as well as the amounts of revenue and expenses during the reporting date.

The main judgments and estimates adopted in the context of preparing these consolidated financial statements are described in Note 3.

The COVID-19 pandemic significantly increased the degree of uncertainty in the estimates made and reinforced the need to use expert judgment to assess how these estimates are influenced by the current macroeconomic situation, mainly in what concerns to the calculation of impairments for financial assets and non-financial assets.

Although the estimates have been prepared based on the best information available with respect to the current and prospective context, the final outcome may differ from the values currently estimated.

Going concern assumption

The Bank's financial statements have been prepared on a going concern basis, as the Executive Committee considers that the Bank has the adequate resources to continue operations and business in the foreseeable future. The evaluation carried out by the Executive Committee was based on a wide range of information related to current and future conditions, including projections on future profitability, liquidity, capital requirements and funding sources. The Executive Committee regularly prepares projections based on different scenarios, including adverse and stress scenarios. The COVID-19 pandemic introduced an increased level of uncertainty in these projections and the need to take into account the impact on the Bank's operations, its profitability, capital and liquidity.

Contingency plan

To deal with the COVID-19 pandemic, the Bank adopted a set of contingency measures planned and designed to ensure the protection of people and the continuity of activity, including, among others, the recommendations of health authorities, telework and segregation of teams, trying to maximize the resilience of the organization.

In this context, the Bank activated the Contingency Plan, according to the Business Continuity Plan. This plan was updated and adapted specifically to the current pandemic scenario, with a specific Crisis Management Office being created for this purpose. Thus, in line with the guidelines issued by the authorities and supervisory entities, with which the Bank maintains regular contacts, an action plan was designed to protect Customers and Employees, minimize the chances of contagion and ensure the operational continuity of business.

Impacts on the income statement

The main impacts of the COVID-19 pandemic on profitability are as follows:

- Financial Margin - The COVID-19 pandemic had the main impact on a delay on the new loans deployment, comparing with the initial business plan, with the consequent impact on the reduction of interest received;

- Commissions - Commissions related to the banking business, in particular commissions related to the structuring of debt instruments and commissions related to financial advisory processes, were significantly penalized, due to changes in market conditions and the postponement or suspension of discretionary projects;

- Results on financial operations – Results on financial operations was penalized due to the deterioration of the counterparty credit risk (CVA) on derivative financial instruments;

- Other operating results - Other operating results were penalized by the introduction, in 2020, of the additional solidarity contribution to be applied on the banking sector, aiming to finance the costs of public measures to the impact of the actual crisis caused by the COVID-19 pandemic;

- Operating costs - The impacts of the COVID-19 pandemic on operating costs were mainly in other administrative expenses. On the one hand, there were savings associated not only with travel, hotel and representation expenses that did not materialize, but also related to the reduction of current activity and the decline in demand observed in several discretionary projects that were suspended or postponed. In contrast, the COVID-19 pandemic led to the recognition of additional costs with the purchase of protective material, computer equipment and cleaning services;

- Impairments for credit - The recessive macroeconomic scenario led to the deterioration of credit risk parameters and to the recognition of additional impairments;

- Other impairments and provisions - The impact of the COVID-19 pandemic was also felt in impairments for other financial assets, since the revision of credit risk parameters led to extraordinary impairment reinforcements for debt instruments , guarantees and commitments;

- Taxes - No impacts related to the derecognition of deferred tax assets were recognized. The analysis performed leads to the conclusion that all deferred tax assets recognized on 31 December 2020 are recoverable. It should be noted that the assessment of the recoverability of deferred tax assets in Portugal was carried out based on the regulatory framework provided for in Law 27 -A / 2020, of July 24, 2020, approved under the Supplementary Budget for 2020, which includes a set of additional measures to deal with the contraction of the economic situation in Portugal following the COVID-19 pandemic. The approved Law provides the suspension in 2020 and 2021 of the period for deducting existing tax losses on 1 January 2020. Additionally, the period for the recoverability of deferred tax assets recognized as a result of tax losses generated in 2020 and 2021 has been extended by 5 years to 12 years.

Capital and liquidity requirements

A reverse stress test was performed as part of the annual recovery plan update exercise. This exercise considered a specific Covid-19 adverse scenario related to the pandemic. This scenario assumed a hypothetical severe evolution of the economy that jeopardizes the financial viability of the institution in the absence of the adoption of recovery measures. This exercise identified credit risk as the most material risk for the Bank, with this adverse scenario projected to a significant NPEs increase at the end of the first quarter of 2021. Given the magnitude in such a short timeframe and the implausibility of this scenario, it confirms the solid capital position of Haitong Bank.

On the liquidity side, several liquidity monitoring actions were taken. Due to the resilient liquidity short-term position and adequate funding structure there was no need to implement any corrective measures, increasing surveillance monitoring, implementing liquidity assessments with conservative scenarios and giving preference to eligible assets for the Central Bank funding on the assumption of new risks.

NOTE 40 – ACCOUNTING STANDARDS AND RECENT INTERPRETATIONS

Standards, interpretations, amendments and revisions that came into force in this year

Up to the date of approval of these financial statements, the following accounting standards, interpretations, amendments and revisions were approved ("endorsed") by the European Union, with mandatory application to the year beginning on January 1, 2021:

Standard / Interpretation	Applicable in the European Union for financial years beginning on or after	
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS4 and IFRS 16 - Phase 2 of the benchmark interest rate reform (IBOR Reform)	1-jan-21	Corresponds to additional amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, related to the second phase of the benchmark interest rate reform project (known as "IBOR reform"), referring to changes in interest rates benchmark interest rates and impacts on changes in financial assets, financial liabilities and lease liabilities, hedge accounting and disclosures.
Amendment to IFRS 16 – Leases – Covid 19 Related Rent Concessions beyond 30 June 2021	1-april-21	This amendment extends to June 30, 2022 the application of the optional practical expedient whereby lessees are exempted from analyzing whether rent concessions until that date, typically suspensions or reductions of rent, related to the "COVID-19" pandemic correspond to contractual modifications.
Amendment to IFRS 4 Insurance Contracts - deferral of IFRS 9	1-jan-21	Corresponds to the amendment to IFRS 4 that extends the deferral of application of IFRS 9 for initial years on or after 1 January 2023.

There were no significant effects on the Bank's financial statements for the year ended December 31, 2021, as a result of the adoption of the aforementioned standards, interpretations, amendments and revisions.

Standards, interpretations, amendments and revisions that will take effect in future years

The following accounting standards and interpretations, with mandatory application in future financial years, were, until the date of approval of these financial statements, approved ("endorsed") by the European Union:

Standard / Interpretation	Applicable in the European Union for financial years beginning on or after	
Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements 2018-2020	1-jan-22	These amendments correspond to a set of updates to the various standards mentioned, namely - IFRS 3 - update of the reference to the 2018 conceptual framework; additional requirements for analyzing obligations under IAS 37 or IFRIC 21 at the acquisition date; and explicit clarification that contingent assets are not recognized in a business combination. - IAS 16 – prohibition of deduction from the cost of a tangible asset of income related to the sale of products before the asset is available for use - IAS 37 – clarification that costs of fulfilling a contract correspond to costs directly related to the contract - Annual improvements 2018-2020 essentially correspond to amendments to 4 standards, IFRS 1, IFRS 9, IFRS 16 and IAS 41.
IFRS 17 - Insurance Contracts	1-jan-23	This standard establishes, for insurance contracts within its scope of application, the principles for their recognition, measurement, presentation and disclosure. This standard replaces IFRS 4 - Insurance Contracts.

These standards, although endorsed by the European Union, were not adopted by the Bank in 2021, as their application is not yet mandatory. As a result of the application of the aforementioned standards, no relevant impacts are expected.

Standards, interpretations, amendments and revisions that will take effect in future years

The following accounting standards and interpretations were issued by the IASB and are not yet endorsed by the European Union:

Standard / Interpretation	Applicable in the European Union for financial years beginning on or after	
Amendment to IAS 1 Presentation of financial statements – Classification of liabilities as current and non-current	1-jan-23	This amendment published by the IASB clarifies the classification of liabilities as current and non-current by analyzing the contractual conditions existing at the reporting date.
Amendment to IAS 1 - Presentation of financial statements and IFRS Practice Statement 2 - Disclosure of accounting policies	1-jan-23	This amendment published by the IASB in February 2021 clarifies that material accounting policies should be disclosed, rather than significant accounting policies, and has introduced examples to identify material accounting policies.
Amendment to IAS 8 – Accounting policies, changes in accounting estimates and errors – Definition of accounting estimates	1-jan-23	This amendment published by the IASB in February 2021 changes the definition of an accounting estimate to a monetary amount in financial statements subject to measurement uncertainty.
Amendment to IAS 12 Income Taxes – Deferred Taxes	1-jan-23	This amendment published by the IASB in May 2021 clarifies that the exemption from initial recognition of deferred taxes does not apply to transactions that produce equal amounts of taxable and deductible temporary differences.
Amendment to IFRS 17 - Insurance contracts - initial application of IFRS 17 and IFRS 9 - comparative information	1-jan-23	This amendment published by the IASB in December 2021 introduces changes to comparative information to be presented when an entity adopts both IFRS 17 and IFRS 9 simultaneously.

These standards have not yet been endorsed by the European Union and, as such, were not applied by the Bank in the year ended December 31, 2021.

Regarding these standards and interpretations, issued by the IASB but not yet endorsed by the European Union, it is not estimated that their future adoption will have significant impacts on the attached financial statements.

Report and Opinion of the Supervisory Board

Haitong Bank, S.A.

for financial year 2021

(Free translation of a report originally issued in Portuguese language: in case of doubt the Portuguese version will always prevail)

To the Shareholder of Haitong Bank, S.A.,

In accordance with the applicable legislation, we hereby present our report on the audit performed by the Supervisory Board to the Management Report, the individual and the consolidated financial statements and the proposal for the distribution of the year's results presented by the Board of Directors of Haitong Bank (hereinafter Haitong) for the year ended 31 December 2021.

The members of the Supervisory Board appointed for the 2020-2022 three-year period took office on 17 July 2020 after notifying Banco de Portugal that the legal requirements set forth in Article 30b (3) of the Legal Framework of Credit Institutions and Financial Companies ("*Regime Geral das Instituições de Crédito e Sociedades Financeiras*") approved by Decree-Law no. 298/92 of 31 December had been met.

Haitong's Supervisory Board, as part of its designated functions, monitored, in accordance with the law and the company's articles of association, the development of Haitong's management and business activity, namely:

(i) assessed the adequacy and effectiveness of the risk management, internal control and internal audit systems, as well as the Bank's organisational culture;

(ii) attended Board of Directors meetings whenever invited;

(iii) took part in the meetings of the Internal Audit, Risk, and Corporate Governance Committees;

(iv) reviewed management information documents submitted by the Board of Directors;

(v) monitored the verification of the accounting records and underlying support documents to the extent considered necessary;

(vi) assessed the accounting policies and valuation criteria adopted by Haitong; and

(vii) held meetings with the Statutory Auditor, whenever necessary, on the assessment of the accounting policies and valuation criteria adopted by Haitong, which always provided the information required.

In accordance with the applicable legislation, the Supervisory Board also assessed the Auditor's Report and Statutory Audit Certification ("*Certificação Legal de Contas*") prepared by the Statutory Auditor (Deloitte & Associados, SROC, S.A.) on the individual and consolidated financial statements for financial year 2021 and took note of the Additional Report on said financial statements submitted by the Statutory Auditor to the Supervisory Board, with which the Supervisory Board agrees. The Supervisory Board also analysed the Management Report submitted by the Board of Directors, and considers that the report complies with the applicable legal and statutory requirements and duly mentions the main aspects of Haitong's activity in 2021, both in individual and in consolidated terms.

The Supervisory Board highlights the following:

- The impacts of the pandemic caused by the COVID-19 virus are detailed in the Management Report and in Notes 39 and 40 to the individual and the consolidated financial statements, respectively.

- The disclosures made by the Bank in Note 32 to the consolidated financial statements concerning the impacts arising from the tax policy, and the interactions with the Tax and Customs Authority;

- On 28 December 2021 the Supervisory Board issued its Report, including a clear, detailed and reasoned opinion, on the adequacy and effectiveness of the organisational culture and the governance and internal control systems of Haitong Bank, S.A. in the period of 1 January 2021 to 30 November 2021, in accordance with the Bank of Portugal Notice no. 3/2020, of 15 July. A summary of this report is attached to Haitong's 2021 Annual Report.

- Among the corporate events occurred in 2021 and described in the Management Report, the Supervisory Board highlights the formal authorisation provided in July 2021 by the Macau relevant Authorities for the incorporation of the Macau Branch of Haitong Bank and the CMVM's authorisation in September 2021 for the incorporation of Haitong Global Asset Management SGOIC, S.A., as a management company of collective investment undertakings;

- On 30 December 2020, the Bank introduced a new, defined contribution, pension plan, to which, after authorisation from the Autoridade de Supervisão de Seguros e Fundos de Pensões (ASF, the Insurance and Pension Funds Supervisory Authority), all the participants not yet pensioners of the supplementary pension plan – both those no longer working at Haitong, with vested rights, and those who are active employees at the service of the Bank – were transferred. However, considering the questions raised with regard to the terms of the referred conversion, and following contacts with the Bank and the Fund Management Entity, the ASF issued an additional authorisation allowing an amendment to the pension fund contract, which was signed on 11 February 2022. The details of this arrangement are disclosed in Note 14 to the consolidated financial statements;

- In February 2022, Haitong carried out a Private Placement in the amount of 230 million euros, at 3 years, in the Iberian market;

- The description of relevant audit issues and other issues at both individual and consolidated level that are reported in the Statutory Audit Certification and Audit Report.

In light of the above, it is the opinion of the Supervisory Board that the following should be approved:

- The Management Report and remaining individual and consolidated reporting documents relative to the financial year ended on 31 December 2021;

- The proposal submitted by the Board of Directors on the allocation of the net profit for the year 2021, in the amount of 9,149,636.31 euros.

Lisbon, 3 March 2022

THE SUPERVISORY BOARD

Maria do Rosário Mayoral Robles Machado Simões Ventura
(Chairman)

Mário Paulo Bettencourt de Oliveira

Cristina Maria da Costa Pinto.

Declaration of Conformity with the Financial Information Reported

The present declaration is submitted under the terms of Article 29-G (1-c) and 3) of the Portuguese Securities Code

The Supervisory Board hereby declares that, to the best of its knowledge:

- The information referred to in Article 29-G (1-c) and 3) of the Portuguese Securities Code as at 31 December 2021 was prepared in accordance with the applicable accounting standards, providing a true and fair view of the assets and liabilities, the financial situation and the results of Haitong and the companies included within its consolidated scope; and

- The management report faithfully details the evolution of the business and the performance and position of Haitong and the companies included within its consolidation scope, and contains a description of the main risks and uncertainties faced within the framework of ongoing activities.

Lisbon, 3 March 2022

THE SUPERVISORY BOARD

Maria do Rosário Mayoral Robles Machado Simões Ventura
(Chairman)

Mário Paulo Bettencourt de Oliveira

Cristina Maria da Costa Pinto.

Annual report on the activity of the Supervisory Board in 2021

Pursuant to the provisions of Article 420-1(g) of the Portuguese Commercial Companies Code (“*Código das Sociedades Comerciais*”) and point 5 (1 B-h)) of the Regulations of the Supervisory Board of Haitong, the Supervisory Board hereby presents its report on the supervisory works carried out in 2021.

1. Introduction

The following are the main powers and responsibilities of the Supervisory Board, in accordance with its Regulations:

i. Monitoring the activity of Haitong, watching over compliance with the Law and the company's Articles of Association, and supervising the management of the company;

ii. Supervising compliance with accounting policies and with the process of preparing and disclosing financial information, as well as reviewing Haitong’s accounting books and records;

iii. Monitoring and supervising the effectiveness of the governance and internal control and risk management systems, as well as the organisational culture;

iv. Proposing the appointment of a Statutory Auditor or firm of Statutory Auditors to the General Meeting; and

v. Supervising the independence of the Statutory Auditor, namely regarding the provision of non-audit services.

2. Activities carried out by the Supervisory Board in 2021

i. Monitoring Haitong’s activity, ensuring compliance with the law and the company's Articles of Association, and supervising the company’s management.

In 2021 the Supervisory Board held 70 meetings with the presence of all of its members. Of the 70 meetings, 5 were held with the Internal Audit Committee, 5 with the Corporate Governance Committee, 7 with the Risk Committee, 1 with the Remuneration Committee, 5 with the head of the Internal Audit function department, 7 with the head of the Compliance function, 3 with the head of the Risk Control function department, 3 with the head of the Financial Department, 13 with representatives of the auditor Deloitte, 4 with the Board of Directors of Haitong and 2 with the Board of Directors of Haitong Banco de Investimento do Brasil, S.A..

The Supervisory Board had access to all the information requested and obtained all the documents and clarifications from all the persons from which this was requested.

ii. Supervising compliance with accounting policies and with the process of preparing and disclosing financial information and the statutory audit

The Supervisory Board monitored compliance with accounting policies and the reliability of financial information via the financial information provided by the Finance Division and by the Statutory Auditor (Deloitte & Associados, SROC, S.A.). Several meetings were held with the auditors, in which the reports were analysed and the audit procedures and conclusions were assessed.

The Supervisory Board analysed the accounting documents and the statutory audit certification for financial year 2021, having issued a favourable opinion on these documents.

iii. Monitoring and supervising the effectiveness of the internal control and risk management systems

The Supervisory Board monitored and assessed the adequacy of the internal control, risk management, internal audit and compliance systems, within the scope of its responsibilities, via meetings and information reporting by the heads of said functions in Haitong. The Supervisory Board also monitored and assessed the work carried out by the Bank's Statutory Auditor (Deloitte & Associados, SROC, S.A.) within the assessment of the Governance and Internal Control Systems, and organisational culture, and on 28 December issued its opinion on the adequacy of the internal control system, based on the terms of Article 56 of the Bank of Portugal Notice 3/2020, of 15 July.

iv. Monitoring the activity of the Internal Audit Function

Throughout 2021, the Supervisory Board supervised the activity of the Internal Audit Function, which reports functionally to the Internal Audit Committee and Supervisory Board and hierarchically to the Executive Director responsible for the Function. The Supervisory Board approved the budget and activity plan and regularly monitored the execution of the Internal Audit Function activity plan, having received the information deemed necessary for carrying out its duties.

v. Monitoring the activity of Haitong’s Statutory Auditor

The Supervisory Board regularly monitored throughout 2021 the activities developed by the Statutory Auditor, via the critical assessment of the documents drafted within the scope of its functions. The Statutory Auditor confirmed to the Supervisory Board that it had found no irregularities concerning the performance of its duties and that it had no obstacles in pursuing those duties.

During financial year 2021 the Supervisory Board assessed the provision of non-audit services, and confirmed that the independence of the Statutory Auditor had been safeguarded.

vi. Monitoring of Haitong's business with related parties

The Supervisory Board monitored the enforcement of the related-party transactions policy during 2021. The majority of the Transactions carried out with related parties in 2021 concerned financial advisory services and other transactions not involving credit or market risk for Haitong.

vii. Whistleblowing

The Supervisory Board is responsible for receiving wrongdoing reports submitted by employees, clients, shareholders, or any other entity, as provided for in Article 420-j) of the Portuguese Commercial Companies Code in October 2021 the Whistleblowing policy was updated. During financial year 2021 the Supervisory Board did not receive any wrongdoing reports.

To conclude, the Supervisory Board expresses its recognition to the Board of Directors and to all the employees of Haitong for the cooperation provided throughout the performance of its functions.

Lisbon, 3 March 2022

THE SUPERVISORY BOARD

Maria do Rosário Mayoral Robles Machado Simões Ventura
(Chairman)

Mário Paulo Bettencourt de Oliveira

Cristina Maria da Costa Pinto.

STATUTORY AUDITOR'S REPORT AND AUDIT REPORT

(Amounts expressed in thousands of euros – t.euros)

(Free translation of a report originally issued in Portuguese language: In case of discrepancies the Portuguese version will always prevail)

REPORT ON THE AUDIT OF THE INDIVIDUAL FINANCIAL STATEMENTS

Opinion

We have audited the accompanying individual financial statements of Haitong Bank, S.A. (the "Bank"), which comprise the statement of financial position as at 31 December 2021 (that presents a total of 2,276,377 t.euros and total equity of 604,624 t.euros, including a net income of 9,150 t.euros), the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the accompanying notes to the financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of Haitong Bank, S.A. as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section below. We are independent from the Bank in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Description of the most significant risks of material misstatement identified</th><th>Summary of the auditor's responses to the assessed risks of material misstatement</th></tr>
<tr><td colspan="2">Impairment for financial assets (Notes 2.3.1, 3.1, 20, 22 and 30)</td></tr>
<tr><td>As of 31 December 2021, the Bank has recorded accumulated impairment losses for financial assets (securities and loans) in the amount of 80,653 t.euros ("Impairment losses for credit risk"), relating to:
(i) Loans to costumers (77,131 t.euros);
(ii) guarantees and other commitments (1,903 t.euros);
(iii) securities recorded at amortised cost (1,098 t.euros);
(iv) securities recorded at fair value through other comprehensive income (521 t.euros).

The impairment losses for credit risk represent management's best estimate of the expected losses at the reference date of the financial statements, considering the rules laid out in IFRS 9 - Financial Instruments ("IFRS 9").

According to IFRS 9, the Bank classifies its financial assets classified at amortized cost and at fair value through other comprehensive income in stages, based on the existence (or not) of a significant increase in its credit risk since initial recognition, or of impairment triggers. This classification determines, among other aspects, the type of analysis (individual or collective) to perform, as well as the parameters used by the Bank in the calculation of collective impairment losses.

Considering the characteristics of the Bank's loan and securities portfolios classified at amortised cost and at fair value through other comprehensive income, a significant part of its assets are subject to individual analysis, to conclude on the appropriate classification in Stages and to determine the individual impairment loss, if applicable.</td><td>We analysed the relevant internal control procedures implemented by the Bank in the process of determining impairment losses for credit risk.

We reviewed the Bank's documentation related to the methodology for determining individual and collective impairment losses, and analysed its reasonableness considering the requirements of IFRS 9.

We selected a sample of financial assets classified at amortised cost and at fair value through other comprehensive income (securities and loans) and of guarantees and other commitments. For the selected sample we analysed, as applicable:
• the classification in Stages, considering the criteria defined by the Bank;
• the reasonableness of the estimated impairment losses recorded in the financial statements for loans with impairment triggers, based on the review of the Bank's judgments on the economic and financial situation of clients, valuation of the collaterals received and perspectives on the evolution of their activity and on the future management of those loans by the Bank.

For a sample of financial assets subject to collective impairment analysis, we analysed the reasonableness of the impairment losses calculated according to the methodology and assumptions defined by the Bank.

We reviewed the disclosures related to this subject, considering the applicable accounting framework.</td></tr>
</table>

Description of the most significant risks of material misstatement identified	Summary of the auditor's responses to the assessed risks of material misstatement
Impairment for financial assets (Notes 2.3.1, 3.1, 20, 22 and 30)	
The classification of financial assets in Stages and the determination of impairment losses for credit risk through individual analysis inherently has a strong judgmental component from management about the information available, namely in the identification of significant increases in credit risk and in estimating the present value of the amount that the Bank expects to recover from the financial assets, that incorporates also assumptions about future events that may not occur as expected and reflects management's intentions at each moment regarding management and future holding of the assets. The impairment losses determined in the scope of the collective analysis are based on a model that relies on several aspects, including the characteristics of the Bank's loans portfolio, the classification of loans in stages, including the assessment of the existence of significant increase in risk since initial recognition and risk parameters such as probability of default and loss given default. In face of the above, considering the use of judgments by management, and taking into account the materiality of the amounts in the context of the financial statements, the determination of impairment for financial assets at amortised cost and at fair value through other comprehensive income (securities and loans) and the provisions for guarantees and other commitments were considered a key audit matter.	

Description of the most significant risks of material misstatement identified	Summary of the auditor's responses to the assessed risks of material misstatement
Recoverability of deferred tax assets (Notes 2.12, 3.2 and 31)	
As of 31 December 2021, the Bank has recorded deferred tax assets in the amount of 59,242 t.euros, essentially related with: (i) temporary differences (27,682 t.euros); (ii) tax losses carried forward (31,560 t.euros), essentially originated in 2015, 2016 and 2019, which may be used until 2029, 2030 and 2026, respectively, and the use cannot exceed 70% of taxable income in each of those years. In accordance with IAS 12 - Income Taxes, deferred tax assets can only be recorded up to the extent that it is probable that future taxable profit will be available in the estimated dates for their reversal. The Bank prepared a forecast of its future taxable profit to assess the recoverability of deferred tax assets. This estimate is judgmental by nature and depends on the assumptions made by management to estimate the evolution of profits before taxes and its interpretation of the tax legislation, including what concerns deferred tax assets in the scope of the Special Regime applicable to deferred tax assets and the tax deductibility of certain costs. To this extent, the recoverability of deferred tax assets is dependent on the Bank's ability to generate the estimated results, and the confirmation of its interpretation of the tax legislation. Any deviations from the estimation of future results or changes in the tax legislation or its interpretation may have a material impact on the recoverability of deferred tax assets. Given the materiality of deferred tax assets in the individual financial statements and the use of judgements by management in the preparation of the estimates to determine their recoverability, this area was considered a key audit matter.	We analysed the relevant internal control procedures implemented by the Bank in the process of assessing the recoverability of deferred tax assets. We reviewed the methodology and the main assumptions considered by the Bank to estimate the evolution of pre-tax profits and the taxable income in the period covered by its recoverability analysis. We reviewed the interpretation of the relevant tax legislation considered by the Bank in the estimation of future taxable profits. We reviewed the calculations prepared by the Bank to demonstrate the recoverability of deferred tax assets, taking into account the understanding of the assumptions and the review of the interpretation of the tax legislation described above. We reviewed the disclosures related to this matter, considering the applicable accounting framework.

Description of the most significant risks of material misstatement identified	**Summary of the auditor's responses to the assessed risks of material misstatement**
Resolution Fund (Note 35)	
As described in further detail in note 35 to the financial statements, following the resolution measures applied to Banco Espírito Santo, S.A. (BES) and Banif – Banco Internacional do Funchal, S.A. (Banif), as of 31 December 2021 the Resolution Fund owned 23.44% of the share capital of Novo Banco, S.A. and the total share capital of Oitante, S.A.. In this context, it obtained loans from the Portuguese State and from a banking syndicate (in which the Bank does not participate) and assumed other responsibilities and contingent liabilities, including those related to the litigation associated with these processes, as well as to a contingent capital mechanism defined in the sale in 2017 of 75% of the share capital of Novo Banco, S.A. to Lone Star. In October 2017 the Portuguese State and the Resolution Fund entered into a framework agreement with the purpose of making available financial means to the Resolution Fund to fulfil the contractual obligations within the scope of the sale of 75% of Novo Banco to Loan Star mentioned above. This framework agreement also refers the intention to keep the stability of the contribution efforts over the banking sector. In order to reimburse these loans and to meet other responsibilities already assumed or that may have to be assumed, the Resolution Fund has essentially the revenue from the periodic contributions from participating institutions (including the Bank) and the contribution over the banking sector. It is also established the possibility of the member of the Portuguese Government responsible for the finance area to determine, by ministerial order, that the participating institutions make special contributions in the situations established for it in the applicable legislation, particularly in the event that the Resolution Fund does not have enough own resources for the fulfilment of its obligations. According to the latest Report and Accounts available from the Resolution Fund, the Resolution Fund's own resources as of 31 December 2020 were negative. The annual contributions to the Resolution Fund and the contribution over the banking sector are recognised as losses on an annual basis, as set out in IFRIC 21 – Levies.	We analysed the public communications on this matter released by the Resolution Fund until the date of our report. We analysed the public communications of the Resolution Fund and of the Office of the Finance Ministry of 28 September 2016 and the public communication of the Resolution Fund of 21 March 2017, relating to the new conditions of the loans from the Portuguese State and the syndicated loan to the Resolution Fund and the corresponding impact on its sustainability and financial balance. We analysed the public announcement and content of the resolution of the Council of Ministers on 2 October 2017, which authorised the formalisation by the Portuguese State, as ultimate grantor of financial stability, of a framework agreement with the Resolution Fund, intended to made available the financial resources to the Resolution Fund to satisfy contractual obligations in connection with the sale of 75% of Novo Banco's share capital to Lone Star. We analysed the framework agreement established between the Portuguese State and the Resolution Fund. We read the last Report and Accounts of the Resolution Fund that refers to the year 2020. We reviewed the accounting framework of the contributions to the Resolution Fund. We reviewed the disclosures included in the financial statements related to this matter.

Description of the most significant risks of material misstatement identified	Summary of the auditor's responses to the assessed risks of material misstatement
Resolution Fund (Note 35)	
The financial statements as of 31 December 2021 reflect management's expectation that no special contributions or any other extraordinary contributions will be required from the Bank in order to finance the resolution measures applied to BES and Banif or any other liability or contingent liability assumed by the Resolution Fund, considering: - The conditions established in the scope of the renegotiation, announced in March 2017, of the loans obtained by the Resolution Fund to finance the referred resolution measures, including the extension of the maturity date to 31 December 2046 and the possibility to adjust that date, with the purpose of guaranteeing the capacity of the Resolution Fund to fully meet its obligations based on regular revenues and without the need to resort to special contributions or any other type of extraordinary contributions from the banking sector; and - The public communications issued by the Resolution Fund and by the Office of the Portuguese Minister of Finance, which refer as an objective ensuring that such contributions will not be necessary. Given the responsibilities of the Resolution Fund and the judgements of management as described above, this area was considered a key audit matter.	

Other matters

The accompanying individual financial statements refer to the activity of the Bank at the individual level and have been prepared for approval and publication in accordance with the legislation in force. As indicated in Note 2.18, financial investments in subsidiaries and associates are recorded at acquisition cost less impairment losses. The accompanying individual financial statements do not include the effect of full consolidation, nor the application of the equity method, which will be done in consolidated financial statements to be approved and published separately.

Responsibilities of management and supervisory body for the individual financial statements

Management is responsible for:

- the preparation of individual financial statements that give a true and fair view of the Bank's financial position, financial performance and cash flows in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union;

- the preparation of the management report, including the corporate governance report and the non-financial demonstration, in accordance with applicable laws and regulations;

- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

- the adoption of accounting policies and principles appropriate in the circumstances; and

- assessing the Bank's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Bank's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the individual financial statements

Our responsibility is to obtain reasonable assurance about whether the individual financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these individual financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Bank to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the individual financial statements, including the disclosures, and whether the individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiency in internal control that we identify during our audit;

- determine, from the matters communicated to those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the individual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter;

- provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, which measures were taken to eliminate or reduce such threats or which safeguards were applied.

Our responsibility also includes the verification that the information contained in the Management report is consistent with the individual financial statements and the verification of the requirements as provided in numbers 4 and 5 of article 451 of the Portuguese Companies Code relating to the corporate governance report, as well as the verification that a non-financial demonstration was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the European Single Electronic Format (ESEF)

The individual financial statements of Haitong Bank, S.A. for the year ended 31 December 2021 must comply with the applicable requirements set out in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF Regulation").

Management is responsible for the preparation and disclosure of the annual report in accordance with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance about whether the individual financial statements, included in the annual report, are presented in accordance with the requirements set out in the ESEF Regulation.

Our procedures were performed according to the Technical Application Guide of Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors) on reporting in the ESEF and included obtaining an understanding of the financial reporting process, including submitting the annual report in valid XHTML format.

In our opinion, the individual financial statements included in the annual report are presented, in all material respects, in accordance with the requirements set out in the ESEF Regulation.

On the Management report

Pursuant to article 451, number 3.e) of the Portuguese Companies' Code ("Código das Sociedades Comerciais"), it is our opinion that the Management report was prepared in accordance with the applicable law and regulatory requirements and the information contained therein is consistent with the audited individual financial statements and, having regard to our knowledge of the Bank, we have not identified material misstatements. As established in article 451, number 7, of the Portuguese Companies' Code, this opinio is not applicable to the non-financial demonstration included in the management report.

On the Corporate governance report

Pursuant to article 451, number 4, of the Portuguese Companies' Code ("Código das Sociedades Comerciais"), we conclude that the corporate governance report includes the elements required to the Bank under the terms of article 29-H of the Portuguese Securities Code ("Código dos Valores Mobiliários"), and we have not identified any material misstatements on the information disclosed therein which, accordingly, complies with the requirements of items c), d), f), h), i) and l) of that article.

On the non-financial demonstration

We inform that the Bank included in its management report the non-financial demonstration established in article 508 G of the Portuguese Companies' Code ("Código das Sociedades Comerciais").

On the additional matters provided in article 10 of Regulation (UE) 537/2014

Pursuant to article 10 of Regulation (UE) 537/2014 of the European Parliament and of the Council of April 16th, 2014, in addition to the key audit matters mentioned above, we also report on the following:

- We were appointed statutory auditors of the Bank in the shareholders' general meeting held on 16 November 2016, to conclude the ongoing mandate until the end of 2016. We were reappointed auditors of the Bank in the shareholder's general meeting held on 17 July 2020 for a mandate from 2020 to 2022.

- Management has confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the individual financial statements. In planning and executing our audit in accordance with ISAs, we maintained professional skepticism and we designed audit procedures to respond to the risk of material misstatements in the individual financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the individual financial statements due to fraud.

- We confirm that the audit opinion issued is consistent with the additional report that we prepared and delivered to the Bank's supervisory body as of this date.

- We declare that we have not provided any prohibited services as described in former article 77, number 8, of the Ordem dos Revisores Oficiais de Contas statutes (Legal Regime of the Portuguese Statutory Auditors) and the article 5. Number 1, of the Regulation (EU) 537/2014, and we have remained independent from the Bank in conducting the audit.

Lisbon, 3 March 2022

Deloitte & Associados, SROC S.A.
Represented by João Carlos Henriques Gomes Ferreira, ROC
OROC Registration n.º 1129
CMVM Registration n.º 20160741

EXPLANATION ADDED FOR TRANSLATION

(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC S.A. internal procedures, the report is not to be signed. In the event of discrepancies, the Portuguese language version prevails.)

CORPORATE GOVERNANCE REPORT

Madrid

This report constitutes an integral part of Haitong Bank's 2021 Annual Report and aims to disclose the structure and corporate governance practices adopted by Haitong Bank, S.A.. This report was prepared in accordance with Article 70/2 of the Portuguese Companies Code and Articles 7 and 29-H of the Portuguese Securities Code.

PART I – SHAREHOLDER STRUCTURE

1. Capital Structure (Article 29-H/1/a)

As at 31 December 2021, the share capital of the Bank was EUR 844,769,000.00 (eight hundred and forty four million, seven hundred and sixty nine thousand euros), fully subscribed and paid up. The share capital is divided into 168,953,800 (one hundred and sixty eight million, nine hundred and fifty three thousand and eight hundred) shares registered and book-entry with a nominal value of EUR 5.00 (five euros) each.

Haitong International Holdings Limited, a Hong-Kong based subsidiary of Haitong Securities Co., Ltd., holds close to 100% (168,953,796 - one hundred and sixty eight million, nine hundred and fifty three thousand and seven hundred and ninety six) of the share capital of the Bank with voting rights. The remaining 4 (four) shares are held by Haitong International Global Strategic Investment Limited (incorporated in the Cayman Islands); Haitong Capital International Investment Co., Ltd (incorporated in Hong Kong); Haitong Innovation International Capital Management Co., Ltd (incorporated in the Cayman Islands); and Haitong Capital International Investment Fund L.P. (incorporated in the Cayman Islands).

The Bank's share capital is entirely represented by ordinary shares.

2. Restrictions on the transfer of shares (Article 29-H/1/b)

The Articles of Association of the Bank do not provide for restrictions on the transferability of shares.

3. Possible restrictions on voting rights, such as limitations on the voting rights dependent on holding a certain number or percentage of shares, deadlines imposed on the right to vote, or key rights of patrimonial content (Article 29-H/1/f)

Pursuant to the Bank's Articles of Association, Shareholders or groups of shareholders who hold a minimum of one hundred shares at least five days prior to the date of the Bank's Annual General Meeting are entitled to participate in the meeting. Each shareholder or group of shareholders who hold one hundred shares are entitled to one vote.

4. Rules governing the appointment and replacement of members of the management body and the amendment of the Articles of Association (Article 29-H/1/h)

The members of the Board of Directors are selected and approved at the General Meeting. There are no specific rules concerning the replacement of Board Members. Any replacements shall be made in accordance with the terms set out in the Portuguese Commercial Companies Code.

There are no specific rules concerning changes to the Bank's Articles of Association. Any such changes shall be made under the general terms foreseen in the Portuguese Commercial Companies Code.

5. Powers of the management body, particularly with regards to resolutions on capital increases (Article 29-H/1/i)

The Board of Directors does not hold any powers with regard to resolutions on capital increases.

6. Agreements between the Bank and members of the management body or senior staff which foresee indemnity payments in case of unilateral termination of the employment contract by the employee or dismissal with no cause (Article 29-H/1/k)

The Bank did not enter into any of these agreements.

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7. Shares and Bonds held by members of the Board of Directors and Supervisory Board

Annex referred to in paragraph 5 of Article 447 of the Portuguese Companies Code

Shareholders / Bondholders	Securities	Securities held as of 31/Dec/2020	Transactions in 1Y2021			Securities held as of 31/Dec/2021
			Date	Acquisitions	Disposals	
Lin Yong	**Haitong International Securities Group Limited** - Ordinary Shares	6 682 555	23/03/2021	249,918 (Note 1)		
			24/03/2021	398,010 (Note 2)		
			13/05/2021	177,729 (Note 3)		
			30/09/2021	355,556 (Note 7)		7 863 768
	Haitong International Securities Group Limited - Share Options	5 218 979	12/05/2021		807,116 (Note 4)	
			17/08/2021	900,000 (Note 5)		5 311 863
	Haitong International Securities Group Limited - Awarded Shares (unvested)	1 871 595	23/03/2021		249,918 (Note 1)	
			24/03/2021		398,010 (Note 2)	
			13/05/2021		177,729 (Note 3)	
			07/09/2021	1,066,667 (Note 6)		
			30/09/2021		355,556 (Note 7)	1 757 049
Wu Min	-	-	-	-	-	-
Alan do Amaral Fernandes	-	-	-	-	-	-
António Domingues	-	-	-	-	-	-
Martina Garcia	-	-	-	-	-	-
Miguel Guiomar	-	-	-	-	-	-
Nuno Miguel Sousa Figueiredo Carvalho	-	-	-	-	-	-
Pan Guangtao	-	-	-	-	-	-
Paulo José Lameiras Martins	-	-	-	-	-	-
Vasco Câmara Pires dos Santos Martins	-	-	-	-	-	-
Vincent Marie L. Camerlynck	-	-	-	-	-	-
Xinjun Zhang (Jeff Zhang)	**Haitong International Securities Group Limited** - Ordinary Shares	802 133	13/05/2021	67,651 (Note 8)		869 784
	Haitong International Securities Group Limited - Share Options	2 510 972	12/05/2021		504,446 (Note 9)	
			17/08/2021	200,000 (Note 5)		2 206 526
	Haitong International Securities Group Limited - Awarded Shares (unvested)	67 651	13/05/2021		67,651 (Note 8)	0
Cristina Maria da Costa Pinto	-	-	-	-	-	-
Maria do Rosário Mayoral Robles Machado Simões Ventura	-	-	-	-	-	-
Mário Paulo Bettencourt de Oliveira	-	-	-	-	-	-
Paulo Ribeiro da Silva	-	-	-	-	-	-
Deloitte & Associados, SROC, S.A.	-	-	-	-	-	-

Notes:
Note 1: 249,918 unvested awarded shares were vested on 23/3/2021
Note 2: 398,010 unvested awarded shares were vested on 24/3/2021
Note 3: 177,729 unvested awarded shares were vested on 13/5/2021
Note 4: 807,116 outstanding share options were lapsed on 12/5/2021
Note 5: Grant of share options
Note 6: Grant of awarded shares
Note 7: 355,556 unvested awarded shares were vested on 30/9/2021
Note 8: 67,651 unvested awarded shares were vested on 13/5/2021
Note 9: 504,446 outstanding share options were lapsed on 12/5/2021

PART II – CORPORATE BODIES AND COMMITTEES

As of 31 December 2021

General Meeting Board

President
Maria João Ricou

Secretary
David Ramalhete

Supervisory Board

Chair
Maria do Rosário Ventura
Members
Mário Bettencourt
Cristina Pinto
Alternate
Paulo Ribeiro da Silva

Statutory Auditor

Member in office
Deloitte & Associados, SROC, S.A.[1]

Board of Directors

Chair
Lin Yong
Members
Wu Min
Alan Fernandes
António Domingues
Martina García
Miguel Guiomar
Nuno Carvalho
Pan Guangtao
Paulo Martins
Vasco Câmara Martins
Vincent Camerlynck
Zhang Xinjun (Jeff)
Secretary
Pedro Costa

Remuneration Committee

Chair
Martina Garcia
Members
Lin Yong
António Domingues
Vincent Camerlynck

Risk Committee

Chair
Vincent Camerlynck
Members
António Domingues
Pan Guangtao

Internal Audit Committee

Chair
António Domingues
Members
Vincent Camerlynck
Zhang Xinjun (Jeff)
Paulo Martins

Corporate Governance Committee

Chair
António Domingues
Members
Lin Yong
Vincent Camerlynck

Executive Committee

CEO
Wu Min

Members
Alan Fernandes
Miguel Guiomar
Nuno Carvalho
Vasco Câmara Martins

Senior Managers with a Seat on the Executive Committee
António Pacheco
Pedro Costa

Secretary
Pedro Costa

Credit Committee

Voting Members (*Eight voting members - including the Moderator*)
Additional Members
Head of Risk Management Function

Impairment Committee

Voting Members (*Four voting members - including the Chair*)
Non-Voting Members

Asset and Liability Committee

Voting Members (*Nine voting members including the Chair*)

IBK Global Adoption Committee

Voting Members (*Six voting members - including the Chair*)
Chair
IBK Executive Board Member
Additional Members
Head of Risk Management Function
Head of Compliance Function

New Business Committee

Chair
Executive Bord Member responsible for Risk Management
Voting Members
Deputy Head of CEO Office
Head of Finance
Head of Legal
Head of IT
Head of Operations
Non-Voting Members
Head of Risk Management Function
Head of Compliance Function and Data Protection Officer

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

8. General Meeting

Composition of the General Meeting Board

Under the terms of article 7 of the Bank's Articles of Association, the General Meeting Board is composed of one Chair and one Secretary appointed by the General Meeting for a period of three years and they can always be re-elected, provided that legal requirements are met.

The General Meeting Board is composed as follows:

Chair	Maria João Ricou
Secretary	David Luís Marques Ramalhete

Voting Rights

Under the terms of the Bank's Articles of Association, the General Meeting is made up of all shareholders who within 5 (five) business days prior to the date of the respective General Meeting and in relation to at least one hundred shares: (i) register the shares in their name in the Bank's register of shares; or (ii) in case of de-materialized shares, provide evidence of a respective deposit or registration into a de-materialized securities account with a financial intermediate.

Each lot of one hundred shares corresponds to one vote. Under the terms of the Bank's Articles of Association, resolutions of the General Meeting shall require absolute majority of the votes cast at each meeting, except where the law or the Articles of Association require a qualified majority.

The Bank has a single voting Shareholder and in 2021 all Shareholder resolutions were taken via written resolution.

The General Meeting deliberates on matters specially assigned by law or the Articles of Association – including the election of corporate bodies, the approval of the annual report and accounts for the year, distribution of profits and capital increases – as well as, if so requested by the Board of Directors, management matters of the Bank.

9. Management and Supervision

9.1. Governance Model

The Bank currently has in place a governance model that includes a Board of Directors (*Conselho de Administração*) and a Supervisory Board (*Conselho Fiscal*), with a separate Statutory Auditor (*Revisor Oficial de Contas*). This is the so-called Latin model of corporate governance, considered the most suitable model taking into consideration the current situation of the Bank.

The Board of Directors, which includes an Executive Committee to which the Board delegated broad management powers to conduct day-to-day activity, is responsible for management of the company.

Four specialised committees function within the Board of Directors, which are responsible for monitoring specific matters.

9.2. Board of Directors

The Bank´s Articles of Association do not contain any rules governing procedural or material requirements related to the appointment or replacement of members of the Board of Directors. The RGICSF (*Regime Geral das Instituições de Crédito e Sociedades Financeiras*) lays down the suitability requisites (integrity, professional qualifications, independence and availability) that the members of the Management and Supervisory Board must possess to exercise the respective functions.

Pursuant to the provisions of article 30-A(2) of the RGICSF the most updated version of the "Policy on the Selection and Assessment of Members of the Management and Supervisory bodies and Key Function Holders", which contains the legal requirements and requisites applicable to the members of the Board of Directors, was approved by the General Meeting on 30 of April, 2021.

The composition of the Board of Directors and of its advisory committees as at 31 December 2021 is presented in the organizational chart included on the beginning of Part II of this report, following the Board of Directors approval of the composition of the Executive Committee and of the consultative committees of the Board of Directors on 3 August 2020, the latter having been partly updated on 7 July 2021.

The date of the first term of office and qualification of each of the Non-Executive Members is identified in the following table:

Composition of the Board of Directors (Non-Executive Members)	First Term of Office Starting Date	Qualification
Lin Yong	Apr-16	Non-Independent
Martina García	Jul-20	Independent*
Pan Guangtao	Nov-15	Non-Independent
Zhang Xinjun	Jan-18	Non-Independent
Vincent Camerlynck	Nov-16	Independent*
António Domingues	Jan-18	Independent*
Paulo Martins	Jul-20	Non-Independent
% of Non-independent Members		**57.14%**
% of Independent Members		**42.86%**

* Without prejudice to the other criteria for assessing the quality of "Independent", particularly those arising from joint recommendations of the ESMA (European Securities and Markets Authority) and EBA (European Banking Authority) of 2 July 2021 (EBA / GL / 2021 / 06) and those resulting from the "Guide to fit and proper assessments" published by the ECB (European Central Bank) in December 2021, the qualification indicated in the table reflects the internal judgment of the Board of Directors of Haitong Bank, S.A..

Pursuant to CMVM Regulation 4/2013, a member of the Board of Directors is considered to be independent if he or she is not associated with any specific interest group and is not in any circumstance likely to affect his or her exemption from analysis or decision, particularly by virtue of:

a) Having been an employee of the company or of a company controlled by it or with which there has been a group relationship in the preceding three years;

b) Having, in the preceding three years, rendered services or established a significant commercial relationship with the company or a company controlled by it or with which there has been a group relationship, whether directly or as member, administrator, director or officer of a corporate entity;

c) Being a beneficiary of remuneration paid by the company or by a company controlled by it or with which there has been a group relationship, besides the remuneration derived from the exercise of directorship functions;

d) Living under a common law union or being the spouse, relative or direct relative up to the 3rd degree of lineage, inclusive, of directors or natural persons who are the direct or indirect holders of a qualified holding;

e) Being the holder of a qualified holding or the representative of a shareholder with a qualified holding.

The directors concerned are not covered by any of the situations referred to in sub-paragraphs a) to e) which constitute the norm in question.

The professional qualifications and other curricular details of each member of the Board of Directors is presented in Annex 1 to this Corporate Governance Report.

There is no family relationship between the members of the Board of Directors.

The Board of Directors met 11 (eleven) times (including 7 electronic meetings) in 2021.

Board of Directors		2021 Attendance
Chair	Lin Yong	11/11
Executive Members	Wu Min	11/11
	Alan Fernandes	11/11
	Miguel Guiomar	11/11
	Nuno Carvalho	11/11
	Vasco C. Martins	11/11
Non-Executive Members	António Domingues	11/11
	Martina García	11/11
	Pan Guangtao	11/11
	Paulo Martins	11/11
	Vincent Camerlynck	11/11
	Zhang Xinjun	11/11

9.3 Executive Committee

On 3 August 2020, the Board of Directors approved the current composition of the Executive Committee.

The organization chart on the beginning of Part II of this report presents the composition of the Board of Directors, indicating the members who make up the Executive Committee.

The Board of Directors delegates to the Chair of the Executive Committee (CEO) the powers to distribute the responsibilities among the members of the Executive Committee.

Executive Committee	Main areas of responsibility from 1st January 2021
Chair	
Wu Min	CEO Office Treasury and Fixed Income Corporate Solutions Human Resources Finance
Members	
Alan Fernandes	Haitong Brazil
Nuno Carvalho	Compliance & AML-FT Legal Special Portfolio Management IT & Administrative
Vasco Câmara Martins	Risk Management Rating Operations
Miguel Guiomar	M&A Capital Markets Structured Finance Asset Management Corporate Derivatives Haitong Capital

All the members of the Executive Committee play an active role in the day-to-day management of the Bank's business, having under their stewardship one or more specific business areas, in accordance with the respective profile and with individual expertise, and corresponding to the distribution of responsibilities that at any moment best contributes to that body's effective balanced functioning.

The Executive Committee normally meets on a weekly basis to deal with matters of general interest relating to the Bank and its subsidiaries.

The Executive Committee met a total 98 times in 2021, including 48 electronic meetings:

Executive Committee		2021 Attendance
CEO	Wu Min	97/98
Members	Alan Fernandes	95/98
	Miguel Guiomar	97/98
	Nuno Carvalho	95/98
	Vasco C. Martins	96/98

The individual and collective ongoing assessment of the management body of the Bank is carried out by the Corporate Governance Committee.

The professional qualifications and other curricular details of each member of the Executive Committee and the list of positions occupied in other companies and other important functions is presented in the Annex to this Corporate Governance Report.

9.4 Consultative Committees of the Board of Directors

Risk Committee

The purpose of the Risk Committee is to continuously monitor the development and implementation of the risk strategy and the risk appetite of the Bank, and verifying whether these are compatible with a sustainable strategy in the medium and long term, in addition to the action program and budget approved, while advising the Executive Committee in these areas.

Amongst the competences of the Risk Committee, the following are highlighted:

- To advise 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;
- To assist the Board of Directors in supervising the execution of the risk strategy of the Bank and in the fulfilment of its respective limits;
- To periodically review the risk profile, risk policies and strategies of the Bank;
- To assess 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;
- To issue recommendations on adjustments to the risk strategy resulting from changes in the business model, market developments or business context where the Bank operates;
- To analyse and evaluate the methodology and its results to support the process of identification, evaluation and measurement of risks;

- To examine 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;
- To analyse if the conditions of the products offered and services provided to clients take into consideration the business model and risk strategy of the Bank;
- To establish 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;
- To establish the framework for reporting on risk to the Board of Directors;
- To ensure the existence of effective procedures for monitoring risk, and monitoring internal control deficiencies related to the risk management framework;
- To specify and review 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, ensuring it has adequate resources for the performance of its duties; and
- To review and periodically monitor the scope and nature of the activities carried out by the Haitong Bank Group, related to risk management.

The Risk Committee is composed of 3 (three) non-executive members of the Board of Directors who are not members of the Executive Committee and are appointed by the Board of Directors. The majority of these members is independent.

During 2021, the Risk Committee held 8 (eight) meetings, received logistical and technical support from the CEO Office with secretarial services being administered by this office.

During 2021, the Risk Committee was composed as follows:

Risk Committee		Attendance (present or represented)
Chair	Vincent Camerlynck	8/8
	António Domingues	8/8
Members	Pan Guangtao	8/8
	Martina Garcia*	4/4*

** Ms. Martina García stepped down from member of the Risk Committee upon Board approval on 7 July 2021*

Remuneration Committee

The purpose of the Remuneration Committee is to make informed and independent judgements on the Bank's and the Haitong Bank Group's remuneration policies and practices, as well as on the incentives created for risk, capital and liquidity management purposes, and prepare the decisions pertaining to remuneration, including decisions with implications in terms of the Bank's risks and risk management, which must be made by the General Meeting.

Amongst the competences of the Remuneration Committee, the following are highlighted:

- To draw up proposals and recommendations on the setting of the remuneration of the members of the Board of Directors and Supervisory Board, and of the officers with the highest total remuneration in the Bank, in addition to overseeing directly the remuneration of the senior officers heading the independent control functions (internal audit, risk management, and compliance)

- To assess the compliance of the Executive Board Members with the criteria set out in the Remuneration Policy;
- To provide all necessary assistance and issuing recommendations to support the approval process by the Board of Directors of the Bank's general remuneration policy and its affiliates, promoting its revision when needed;
- To assess the mechanisms adopted to ensure that the remuneration system properly takes into account all types of risks, liquidity and capital levels and that the overall remuneration policy is in line with the business strategy, objectives, corporate culture and values, and the long-term interest of the Bank;
- To test the capacity of the remuneration system implemented to react to external and internal events; and
- To ensure the implementation, adequacy and annual revision of the Remuneration Policy of the Bank and its subsidiaries.

On 7 July 2021, the Board of Directors approved the proposal for the Remuneration Committee Composition Change. According to the Notice 3/2020 issued by the Bank of Portugal, the Chair of the Risk Committee could not hold other Chair roles in other committees of the Bank; by then, Mr. Vincent Camerlynck held the positions of Chair of the Risk Committee and Chair of the Remuneration Committee. The Board noted the proposal for Ms. Martina Garcia to hold the role of Chair of the Remuneration Committee, while Mr. Vincent Camerlynck remained as a voting member.

Accordingly, the Remuneration Committee is composed of 4 (four) non-executive members of the Board of Directors who are not members of the Executive Committee and are appointed by the Board of Directors. The majority of these members is independent.

During 2021, the Remuneration Committee held 6 (six) meetings (including four electronic meetings), received logistical and technical support from the CEO Office, with secretarial services being administered by this office.

During 2021, the Remuneration Committee was composed as follows:

Remuneration Committee		Attendance (present or represented)
Chair	Martina García *	1/1
	António Domingues	6/6
Members	Lin Yong	6/6
	Vincent Camerlynck	6/6

** Ms. Martina García was appointed by the Board of Directors as Chair of the Remuneration Committee on 7 July 2021*

Corporate Governance Committee

The purpose of the Corporate Governance Committee is to monitor the application and ensure the full effectiveness of the "Selection and Assessment Policy", the "Succession Policy", the "Conflicts of Interest Regulation", the "Related Parties Regulation", and the Governance System and Bank's Internal Controls.

Amongst the competences of the Corporate Governance Committee, the following are highlighted and summarized:

- To identify and recommend the candidates for Officers, evaluate the boards' composition, prepare a description of the functions and qualifications for the offices under consideration and evaluate the time to be dedicated to the exercise of the relevant functions;
- To make the initial assessment of the suitability of the candidates for members of the Board of Directors or of the Supervisory Board, Branch Managers and of the candidates for key function holders and presenting it to the Shareholder Meeting;
- To annually carry out an ongoing assessment of the individual and collective suitability of the key function holders;
- To review and endorse a report on the individual and the collective suitability of the members of the Board of Directors and of the Supervisory Board prepared by an external consultant;
- To appraise and review the execution of the Succession Plan of the Bank and to report on the individual evaluation of each of the candidates to successors to key function holders identified within the Succession Plan;
- To review quarterly the related party transactions analysed by the Bank, in addition to annually preparing a report on such related party transactions within the context of its activity of prevention and remedying conflicts of interest (*see Part V of the Corporate Governance Report*);
- To assess the Related Parties List, before submission to the Board;
- To make a regular assessment of the Conflicts of Interest Regulation and monitor its implementation, as well as for proposing any updates; and
- To annually assess the suitability of the Bank's Corporate Governance to develop the defined business strategy and to support the implementation of an efficient internal control system, as well as to propose measures to improve the Bank's Corporate Governance to the Board of Directors.

The Corporate Governance Committee is composed of 3 (three) non-executive members of the Board of Directors, who do not form part of the Executive Committee. The majority of its members is independent and they are appointed by the Board of Directors.

During 2021, the Corporate Governance Committee held 11 (eleven) meetings (6 electronic), received logistical and technical support from the CEO Office, with secretarial services being administered by this office.

During 2021, the Corporate Governance Committee was composed as follows:

Corporate Governance Committee		Attendance (present or represented)
Chair	António Domingues	09/11*
Members	Vincent Camerlynck	11/11
	Lin Yong	11/11

** In compliance with conflicts of interests' prevention procedures, the Chair did not participate in two CGC meetings*

Internal Audit Committee

The purpose of the Internal Audit Committee is to ensure that the Internal Audit Function is effective, ongoing and independent, is provided with material, human and financial resources appropriate to comprehensively pursue the mission entrusted to it and for promoting the authority of this function across the Bank and the Haitong Bank Group.

Amongst the competences of the Internal Audit Committee, the following are highlighted:

- To assess the proposal for the Annual Plan, Training and Budget for the function;
- To take any decision necessary to fully implement the budget and training plan of the Internal Audit function;
- To request and assess the results of quality reviews to the Internal Audit Function;
- To discuss and monitor the Audit Plan with the Head of the Internal Audit Function; and
- To take any other decisions necessary for the proper operation of the Internal Audit function that do not fall under the specific responsibilities of the Board of Directors or Supervisory Board.

The Internal Audit Committee is composed of 4 (four) non-executive members of the Board of Directors, who do not form part of the Executive Committee. The majority of its members must be independent and they are appointed by the Board of Directors.

During 2021, the Internal Audit Committee held 6 (six) meetings (1 electronic), received logistical and technical support from the CEO Office, with secretarial services being administered by this office.

During 2021, the Internal Audit Committee was composed as follows:

Internal Audit Committee		Attendance (present or represented)
Chair	António Domingues	6/6
	Vincent Camerlynck	6/6
Members	Paulo Martins	6/6
	Zhang Xinjun	6/6

9.5 Other Committees

Credit Committee

The purpose of the Credit Committee is to decide on operations involving credit risk taking for the Bank.

More specifically, the Credit Committee responsibilities are:

- Assessing and deciding on transactions or operations involving credit or counterparty risk taking for the Bank within the Credit Committee's Decision Framework established by the Executive Committee;
- Issuing recommendations to the Executive Committee on operations involving credit or counterparty risk regarding operations that fall outside of: (i) the Credit Committee's Decision Framework approved by the Executive Committee; or (ii) the Risk Appetite Framework ("RAF") approved by the Board of Directors – in which case operations shall be submitted, respectively, for the Executive Committee's or for the Board of Directors' assessment.

The Executive Committee will set up and periodically review 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 (including the Moderator), with voting rights, the Head of the Risk Management Function ("HRMF"), a Support Assistant, and a Secretary. The members are nominated by the Chief Executive Officer ("CEO") and appointed by the Executive Committee. The HRMF, the Support Assistant, and the Secretary do not have voting rights. The Credit Committee may decide to call upon external persons to take part in the meetings.

During 2021 the Credit Committee held 41 (forty one) meetings and 14 (fourteen) electronic decisions, with secretarial services being administered by the Legal Department.

Impairment Committee

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

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

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

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.

During 2021, the Impairment Committee held 12 (twelve) meetings, with secretarial services being administered by the Legal Department.

Investment Banking Global Adoption Committee

The purpose of the IBK Global Adoption Committee is to approve all prospective Investment Banking mandates in relation to proposed transactions or new clients that do not involve credit or market risk.

Amongst the competences of the IBK Global Adoption Committee, the following are highlighted:

- To serve as a discussion forum on the overall direction of the investment banking business, cross-border matters and prospective transactions;
- To approve all prospective Investment Banking mandates in relation to proposed transactions or new clients that do not involve credit nor market risk, but can involve settlement risks. This includes all Merger & Acquisitions ("M&A"), Equity Capital Markets ("ECM"), Debt Capital Markets ("DCM"), and Corporate Derivatives transactions, in which the Bank is associated, with the exception of mandates involving Privileged Information that the Chair of the Committee considers that should not be submitted to this Committee and transactions involving Related Parties. In such cases, the mandate shall be approved by the Executive Committee;
- To approve other advisory mandates and agency agreements;

- To approve proposals where the Bank has solely a reputational risk or Settlement Risk for the areas and desks identified above; and
- To identify restrictions to be implemented throughout the Bank and its subsidiaries.

The IBK Global Adoption Committee is composed of: the Executive Board Member with the responsibility for Investment Banking, who chairs the Committee (the "Chair"); the Executive Board Member with the responsibility of Brazil; the manager of the Spain Branch; the Global Head of Capital Markets; the manager of the Warsaw Branch; a Haitong Banco de Investimento do Brasil, S.A. representative with the responsibility of China Business Development; the Head of the Risk Management Function; the Head of Compliance and a Secretary.

During 2021, the IBK Global Adoption Committee has analysed and decided on 93 (ninety three) transactions, with secretarial services being administered by the Legal Department.

New Business Committee

The purpose of the New Business Committee is to encourage, promote and analyse new ideas, new business or support initiatives and new products, acting as a brainstorming forum and providing all the necessary means to support the development of these proposals.

After an overall assessment, such ideas and initiatives will be submitted for approval and implementation by the Executive Committee.

Amongst the competences of the New Business Committee, the following are highlighted:

- To encourage, promote and analyse new ideas, new business or support initiatives and new products, acting as a brainstorming forum and providing all the necessary means to support their respective development based on the following key elements: Strategy; Business Plan; Risk; Balance Sheet needs; Finance; Infrastructure; Operations; Compliance framework; and Human Resources; and
- To present for the approval of the Executive Committee the proposals analysed and advise the Executive Committee on that regard.

The New Business Committee is chaired by the Board Member responsible for Risk Management. Other members include the Deputy Head of CEO Office; the Head of Finance, the Head of Legal, the Head Operations, the Head of Risk Management, the Head of Compliance and the Data Protection Officer. External persons can be called to take part in the meetings if deemed necessary and suitable.

During 2021, the New Business Committee held 4 (four) meetings, with secretarial services being administered by the Legal Department.

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.

The Assets and Liabilities Committee has the following responsibilities:

- 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 Banks' Liquidity Contingency Plan;
- To coordinate Regulatory Reporting: FCP; ICAAP; ILAAP; Recovery Plan;
- To propose the Internal Pricing Mechanism Policy to the Executive Committee;
- To review Asset Allocation for the whole balance sheet;
- To support the Executive Committee in the definition of the investment policy in relation to the Bank's investment portfolio; and
- To monitor the Investment Portfolio's performance, benchmarking, total return, risk adjusted returns, and opportunity cost return.

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

During 2021, the Assets and Liabilities Committee held 5 (five) meetings (including 1 electronic meeting), with secretarial services being administered by the CEO Office.

Supervisory Board

In accordance with article 15 of the Articles of Association, the Supervisory Board is composed of "three full members, one of whom shall be appointed as Chair, and an alternate". The Supervisory Board shall be elected for a three-year period (2020-2022). The elected members are deemed to be sworn in after the nomination appointment and will continue to perform their duties until the election of those replacing them.

The Supervisory Board's key powers are:

- To supervise the Bank's management and being entitled to request any information from the Executive Committee whenever it so deems necessary;
- To ensure compliance with the law and the company's Articles of Association;
- To inspect the correctness of the accounting books, records and their supporting documentation;
- To verify the size of cash and stocks of goods or valuables of any description belonging to the Bank or received by way of security, deposit or otherwise;
- To verify whether the accounting policies and valuation criteria adopted by the Bank lead to an accurate valuation of its assets and results;
- To convene the General Meeting when its direction is under an obligation to convene it, but fails to do so;
- To monitor the process of preparation and disclosure of financial information and submit recommendations or proposals to ensure its integrity;

- To draw up each year a report on its inspection actions and issue an opinion on the report, accounts and proposals submitted by the Board of Directors;
- To inform the Board of Directors of the outcome of the legal review of the accounts and explain how it contributed to the integrity of the process of preparation and disclosure of financial information, as well as the role performed by the Supervisory Board in this process;
- To examine the effectiveness of the risk management system, the internal control system and the internal audit system, if any, notably with regard to the process of preparation and disclosure of financial information, without breaching its independence, to which end it shall: (i) assess the operational procedures with a view to ascertaining whether the respective activities are efficiently managed through appropriate risk management and comprehensive accounting and financial information; (ii) monitor the annual activity reports of the control functions, conveying to the Board of Directors any recommendations it may deem appropriate on the matters concerned by these reports; (iii) hold periodic meetings with the Control Functions; and (iv) request at any time any document or information, written or oral, which it may consider relevant without having to submit any request to the Board of Directors and such body may not prevent the direct access to the information or relevant document by the Supervisory Board;
- To receive reports of breaches submitted by shareholders, employees or other persons;
- To retain the services of any experts to assist one or several of its members in performing their duties, provided that the retaining and remuneration of these experts must take into account the significance of the matters entrusted to them and the economic condition of the Bank;
- To propose the appointment of a Statutory Auditor or firm of Statutory Auditors to the General Meeting, duly substantiating its proposal;
- To supervise the review of the Bank's accounts and related documents;
- To assess the opinion of the Statutory Auditor on the suitability and effectiveness of internal controls underlying the process of preparation and disclosure of financial information;
- To scrutinise the independence of the Statutory Auditor or the firm of Statutory Auditors in accordance with the law and, in particular, in respect of provision of other additional services;
- To issue an annual opinion on:
  - The effectiveness, suitability and consistency of the internal control, risk management and audit systems;
  - The anti-money laundering and terrorist financing internal control system.
- To issue opinions and consents required by law, in particular, prior opinion in relation to the Code of Conduct of Haitong Bank, S.A.;
- To promote periodic and independent assessments to be performed by external entity regarding the conduct and values of the board;
- To identify and assess the respective needs regarding its composition and organization;
- To implement supporting committees required to efficiently perform its competences;
- To participate in the assessment process of the performance of internal control functions and its representatives according to the law;

- To ensure liability, integrity, consistency, completeness, validity, timeliness, accessibility and granularity of all information produced by the institution, within the scope of its competences;
- To execute monitoring actions within its competences by maintaining a multiannual plan of activities, approved and updated, in which includes a description of material, technical and human means required to assist the members of the Supervisory Board when exercising its functions;
- To monitor and analyse any wrongdoing (Wistleblowing) submission;
- To issue all reports and assessments/opinions which are included in the self assessment reports under Notice 3/2020 of the Bank of Portugal; and
- To perform any other duties assigned to it under the law, the regulations or the company's Articles of Association.

The members of the Supervisory Board must make any direct reports to the Bank of Portugal, which are mandatory under the law or any other regulations or regulatory provisions and must report to the Public Prosecution Service any offences that may come to their knowledge and correspond to offences subject to prosecution by the Public Prosecution Service.

During 2021, the Supervisory Board has held 70 (seventy) meetings:

Supervisory Board		Attendance
Chair	Maria do Rosário Mayoral Robles Machado Simões Ventura	70/70
Members	Cristina Maria da Costa Pinto	70/70
	Mário Paulo Bettencourt de Oliveira	70/70
Alternate	Paulo Ribeiro da Silva	0/70

In addition to participating in the Supervisory Board meetings, with secretarial services provided by a member of the Legal Department, Members of the Supervisory Board were present at 4 (four) meetings of the Board of Directors, at 5 (five) meetings of the Internal Audit Committee, at 5 (five) meetings of the Corporate Governance Committee, at 7 (seven) meetings of the Risk Committee, and at 1 (one) meeting of the Remuneration Committee.

In terms of article 414(5) of the Portuguese Commercial Companies Code, independent within the meaning of a company means a person who is not associated with any group of specific interests of the company, nor are there any of circumstances capable of affecting his / her impartiality of analysis or decision, namely by virtue of:

a) Being the holder or acting in the name or on behalf of the holders of qualified holdings of 2% or more of the company's capital; or

b) Having been re-elected for more than two terms of office, continuous or interspersed.

The following table identifies the Supervisory Board members who, not being associated with any group of specific interests of the company, as at 31 December 2021 comply or do not comply with the independence criteria in terms of the abovementioned sub-paragraphs (a) or (b):

Satisfaction of independence criteria of the members of the Supervisory Board		(a)	(b)
Chair	Maria do Rosário Mayoral Robles Machado Simões Ventura	Complies	Complies
Members	Cristina Maria da Costa Pinto	Complies	Complies
	Mário Paulo Bettencourt de Oliveira	Complies	Does not comply
Alternate	Paulo Ribeiro da Silva	-	-

The professional qualifications and other curricular details of each member of the Supervisory Board and the list of positions occupied in other companies and other important functions is presented in Annex 1 to this Corporate Governance Report.

9.6 Statutory Auditor

The entity responsible for auditing the accounts is appointed pursuant to the Policy on the Selection and Appointment of the Statutory Auditor and on the hiring on non-audit services. Deloitte & Associados, SROC, S.A. – which is part of the international network of Deloitte Touche Tohmatsu Limited and registered at the CMVM under no. 231 – was re-appointed as the Bank's Statutory Auditor by the General Meeting, as per the proposal of the Supervisory Board, on 17 July 2020 for the 2020-2022 period. Deloitte is represented by Mr. João Carlos Henriques Gomes Ferreira.

9.7 External Auditor

The External Auditor is appointed by the Executive Committee. Deloitte & Associados, SROC, S.A. – which is part of the international network of Deloitte Touche Tohmatsu Limited and registered at the CMVM under no. 231 – was first appointed as the Bank's External Auditor by the Executive Committee on 14 June 2016. In the preceding years, the Bank had a different external auditor.

The Supervisory Board is responsible for the evaluation of the Statutory Auditor / External Auditor.

As at 31 December 2021, the remuneration attributable to Deloitte and its network, to the amount of is composed as follows, according to the nature and the company to which services were provided:

(thousand euros)

	31.12.2021
Statutory audit of annual accounts (Haitong Bank)	456
Statutory audit of annual accounts (subsidiaries)	149
Other reliability assurance services	57
Other non-statutory audit services	179
Total value of agreed services	**841**

PART III – INTERNAL ORGANISATION

10. Articles of Association

See point 4.

11. Reporting of Irregularities

The Supervisory Board is responsible, according to the terms of article 420 j) of the Portuguese Commercial Companies Code, for the receiving the communications of irregularities presented by employees, customers, shareholders and any other entities.

The Whistleblowing Regulation of the Bank was updated in October 2021.

Employees must communicate to the Supervisory Board any wilful or negligent events or behaviours which they detect or are aware of, or have justified suspicions of so, that may suggest a breach of a legal obligation of the Bank or one of its employees. According to the Bank's regulation, employees may also inform their line manager of any wrongdoing or irregular behaviour which might come to their knowledge. The communication of an irregularity shall be made orally (in which case, a written report shall be prepared and signed by those who are physically present) or in writing and be treated with confidentiality. The report must contain all the details and information that the employee has available, including the identification of the individual(s) accused or involved; the wrongdoing(s) observed; a description of the events or indications subject to reporting; and whether it is possible to obtain evidence or not.

The communications of irregularities are received, opened and processed by the Head of the Compliance Department, who prepares an investigation report to be submitted to the Board of Directors. The Board of Directors, having heard the other members of the Supervisory Board, when deemed necessary, shall decide on what course of action to take.

12. Internal control

The Bank has in place an effective internal control system that is populated by the relevant control areas as set out in Notice 3/2020 of the Bank of Portugal.

The Bank's internal control system is based on the objectives and guidelines defined by the Board of Directors and the Internal Audit Committee, corresponding to a structure that includes a Risk Management Function (includes Operational Risk and a Rating Department), an Internal Audit Function and a Compliance Function.

The Head of the Internal Audit Function is directly dependent on the Board of Directors, reporting functionally to the Board of Directors, the Internal Audit Committee and the Supervisory Board, and operationally to the Executive Board Member responsible for monitoring the Function. All the Internal Audit Function activities carried out in the entities constituting the Haitong Bank Group are coordinated and supervised by the Internal Audit Function of Haitong Bank, so as to guarantee an adequate consistency of the internal audit practices and supporting norms, compliance with the professional and regulatory requirements of the Function and a consolidated and global evaluation of the Internal Control system of the Haitong Bank Group. The affiliate in Brazil (Haitong Banco de Investimento do Brasil) is the only structure that has its own internal audit team.

The reporting line of the Risk Management Function is the Board of Directors and the Supervisory Board. The Head of the Risk Management Function and the Head of the Rating Department report hierarchically and functionally to the Executive Director responsible for risk control. The risk team in Lisbon has direct risk management responsibilities in the branches in Spain in the United Kingdom and Macau, while the Branch in Poland has a local risk management team acting with Lisbon oversight. The Brazil subsidiary also has a local risk management team acting with Lisbon oversight.

The Compliance Function reports hierarchically to the Executive Director and functionally to the Board of Directors of the Bank, as well as to its Supervisory Board. Local heads of branches and subsidiaries of the respective units located in the geographies where the Bank is present report functionally to the Head of the Compliance Function. As at the date of this report, there are compliance officers in the branches in Spain, United Kingdom, Poland and Macau and in the affiliate in Brazil (Haitong Banco de Investimento do Brasil).

The Supervisory Board, in full coordination with the Internal Audit Committee, supervises and evaluates this internal control system by:

- Assessing the operational procedures in order to ascertain whether the respective activities are efficiently managed through appropriate risk management and comprehensive accounting and financial information;
- Monitoring the annual activity reports by each of the control functions; and
- Holding periodic meetings with the heads of the control functions, and conveys to the Board of Directors any recommendations it may deem appropriate.

The CEO Office and the Finance Department are responsible for preparing the Bank's semi-annual and annual reports and accounts. The process takes place in permanent dialogue with the Executive Committee and persons with lead responsibilities in the departments involved. The documents to be disclosed and their timing – depending on the specific document – require express approval of the shareholder (annual report and accounts) and / or the Board of Directors (semi-annual report and accounts). The Representative for Investor Relations is responsible for the release of the financial information.

13. Risk control

The Board of Directors is ultimately responsible for the Bank's Risk Management Framework.

The Risk Committee is responsible for monitoring the development and implementation of the risk strategy and the risk appetite of the Bank and verifying whether they are compatible with a sustainable strategy in the medium and long-term.

As an independent control function, the Risk Management Department supports the Bank in making informed decisions and ensures implementation of and compliance with the risk policies approved by the management body.

For further details, please refer to Risk Management section in the Management Report.

14. Investor relations

The main functions of the Representative for Investor Relations are assuring authorities and the market that the Bank is compliant with legal and regulatory reporting obligations and responding to requests for information from investors, bondholders, financial analysts and other agents.

Since 2018, Mr. Pedro Alexandre Martins Costa is the Representative for Investor Relations.

Within the scope of regulatory reporting obligations, the dissemination of information within the framework of "privileged information", the preparation of annual and semi-annual reports and accounts should be emphasised.

All public information about the Bank can be requested from the Representative for Investor Relations through the contact indicated on the Bank's website.

15. Website

The Bank's website is as follows: www.haitongib.com

The location where the information about the firm, its status as a public limited company, the registered office and the other details referred to in article 171 of the Commercial Companies Code is provided: http://www.haitongib.com/en/about-haitong/legal-information

The place where information is provided on the identity of members of the corporate bodies and the market relations representative:

http://www.haitongib.com/en/about-haitong/corporate-information

http://www.haitongib.com/en/contacts/

The place where the financial statements of the previous five years are made available: https://www.haitongib.com/en/investor-relations/annual-report/

HAITONG BANK, S.A

PART IV – REMUNERATION

The following information is provided to ensure compliance with the provisions of article 47 of Notice 3/2020 of the Bank of Portugal.

The full version of the Bank's Remuneration Policy may be consulted on Haitong Bank's website at www.haitongib.com.

a) Aggregate quantitative information on remuneration paid in 2021 to senior management and members of staff whose functions have a material impact on the Bank's risk profile:

(euros)

	Total	Supervisory Board	Non-Executive	Executive	Business Areas	Support Functions	Control Functions
Number of members	83	3	7	5	23	29	16
Fixed Remuneration	9,901,137	62,000	349,445	1,743,843	2,982,887	3,353,221	1,409,741
Variable Remuneration	2,006,398	0	0	801,037	449,538	621,587	134,237
Total Remuneration	**11,907,535**	**62,000**	**349,445**	**2,544,880**	**3,432,425**	**3,974,808**	**1,543,978**

b) Amounts of variable remuneration paid in 2021, separated by upfront payments and deferred parts:

(euros)

	Total	Supervisory Board	Non-Executive	Executive	Business Areas	Support Functions	Control Functions
Number of members	83	3	7	5	23	29	16
Variable Remuneration paid in 2021 - Upfront	1,442,409	0	0	588,995	333,878	436,012	83,524
Variable Remuneration paid in 2021 - Deferred Parts	563,989	0	0	212,042	115,660	185,574	50,713

c) Amounts of outstanding deferred remuneration, separated by "due to vest in the current financial year" and "due to vest in future financial years":

(euros)

	Total	Supervisory Board	Non-Executive	Executive	Business Areas	Support Functions	Control Functions
Number of members	83	3	7	5	23	29	16
Due to vest in current financial year (1)	702,962	0	0	182,107	199,498	256,283	65,075
Due to vest in future financial years (1)	752,782	0	0	256,733	186,994	251,953	57,101

(1) The payment of deferred parts of variable remuneration is not vested and might be subject to post-risk adjustments i.e. *malus* and/or clawback, as per the Bank's Remuneration Policy.

d) Amounts of deferred remuneration paid during the 2021 financial year, reduced through performance adjustments:

There was no reduction in the amounts of deferred remuneration paid during the 2021 financial year through performance adjustments.

e) **Paid guaranteed variable remuneration during the 2021 financial year, and the number of beneficiaries of those awards:**

No guaranteed variable remuneration was paid during the 2021 financial year.

f) **Amounts of severance payments awarded during the 2021 financial year, number of beneficiaries and highest such award to a single person:**

The total amount of severance payments made in 2021 was EUR 563,852, for a total of 3 beneficiaries. The highest amount awarded to a single person was EUR 339,437.

g) **Number of Employees remunerated with EUR 1 million or more in the 2021 financial year, with the remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and for remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million.**

In 2021, there was no employee with a total remuneration above EUR 1 million.

PART V – TRANSACTIONS WITH RELATED PARTIES

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

In line with the article 33 of the Bank of Portugal Notice 3/2020, the Bank has set out a Related Parties List that is quarterly submitted for the Corporate Governance Committee endorsement and for the Board Director approval.

For this purpose, according to the Bank's Regulation as well as in line with the above mentioned legislation and with IAS 24, "related parties" are (i) members of management or supervisory bodies of the Bank; (ii) key function holders and senior managing directors of the Bank; (iii) any person or entity, independently of the legal status they have, holding a family, business or legal tie with the persons referred to in (i) and (ii); (iv) entities holding qualified participations in the Bank; (v) companies where members of the Board of Directors or Supervisory Board (or any family members) hold a qualified participation; and (vi) depositors, creditors or debtors of the Bank having a position that allow them to influence management.

The Related Parties Regulation of the Bank, which was updated by the Board of Directors on October 28, 2021, describes the new procedures to be followed regarding these transactions.

The procedures of approval of Related Party Transactions is the following:

- Risk and Compliance Opinion;
- Quarterly review by the Corporate Governance Committee, regardless of the type of related party transaction:
    - For the Transactions with Related Parties involving credit or market risk: a prior Opinion by the Supervisory Board, and, in addition to the ordinary internal governance process Credit Committee and/or Executive Committee, Board of Directors approval is required;
    - For the Transactions with Related Parties not involving credit or market risk: submission to the IBK Global Adoption Committee for informative purposes and approval by the EXCO, quarterly review by the Supervisory Board, and annual review by the Board of Directors (further details are provided on the following paragraph).

In what concerns Transactions with Related Parties that are companies from the Haitong Group (i.e., Haitong Securities Co. Ltd and all the companies under its control), the Related Parties' Regulation is organized in order to include a set of requirements that optimize and facilitate the process of approval of business with these particular companies. As such, the criteria set out in paragraph 7(c) of the Related Parties' Regulation defines that it is accepted that transactions with Related Parties that do not involve credit granting, nor the assumption of any credit or market risks, are exempt from the Prior Opinion by the Supervisory Board and from the Board of Directors approval. Consequently, the requirements in paragraph 7(c) of the Regulation set that those transactions shall be submitted to the IBK Global Adoption Committee for information purposes, or other applicable internal procedure, receive a favourable opinion from the Compliance and Risk Departments and shall be approved by the Executive Committee, by a majority of 2/3 of its Members, and subject to further reporting and minimum quarterly review by the Corporate Governance Committee and Supervisory Board, and annually to the Board of Directors.

These rules ensure stringent control over compliance with the legal rules set out in the RGICSF, including the arm's-length rule and prevention of conflicts of interest.

The majority of the related parties' transactions concluded in 2021 consisted of financial advisory services and other transactions without credit or market risk for the Bank, to the amount of close to EUR 35.6 million and corresponding to 43 (forty-three) transactions. These transactions observed the rules set out in paragraph 7(c) of the Related Parties' Regulation as they fell within the above-mentioned requirements.

As for the Related Party Transactions bearing market or credit risk, there were eight transactions that were analysed individually. All transactions were unanimously approved by the respective corporate body, not having been objected or subject to conditions in the year of 2021, and no causes for concern were found regarding the topics of conflict of interests or compliance with market conditions.

ANNEX

BOARD OF DIRECTORS

Board of Directors of Haitong Bank, S.A.	Professional Experience	Academic Background	Positions in Haitong Group companies	Positions in companies outside the Haitong Group
 **Lin Yong** *Chair*	Doctor Lin Yong has 26 years of work experience in the investment banking industry. He joined Haitong Securities Co., Ltd in 1996 and was a general manager of the Investment Banking Department of Haitong Securities from 2001 to 2007. Since 2011, Doctor Lin has been the Deputy Chairman and the Chief Executive Officer of Haitong International Securities Group Limited based in Hong Kong. He is one of the first set of sponsor representatives of the China Securities Regulatory Committee and has been an Assistant Professor at the Management College of Xiamen University since 2010. Doctor Lin Yong has been a Non-Executive Board Member of Haitong Bank since April 2016 and became the Chairman in October 2017.	Doctor Lin Yong gained a PhD in Economics from Xi'an Jiaotong University in 2004.	CEO of Haitong International Holdings Limited Deputy Chairman and CEO of Haitong International Securities Group Limited Assistant to General Manager of Haitong Securities Company Limited Non-Executive Board Member of Haitong Banco de Investimento do Brasil, S.A.	Hong Kong Financial Services Development Council Hong Kong Trade Development Council
 **Wu Min** *Chief Executive Officer (CEO)*	Mr. Wu Min has substantial experience in management functions in the financial services industry. After having worked as a fixed income investment manager in Taiyang Securities Co., LTD. and Jinyuan Securities Co., LTD., Mr. Wu Min worked as a general manager for the bond financing department in Haitong Securities Co. Ltd from 2005 to 2017. Mr. Wu Min founded the largest Debt Capital Market ("DCM") team in China with over 500 professionals, underwriting around RMB 500 billion bond in 2014, 2015 and 2016, with a client coverage network encompassing all the Chinese corporations and enterprises with credit rating above AA- and an institutional sales network, covering over 3,000 institutional accounts.	Mr. Wu Min has a strong European academic background, with degrees from well-regarded UK universities. Mr. Wu Min obtained his bachelor's degree in International Trade & Finance from Sichuan University in 2000. Subsequently, in 2001, he obtained a Master's in Investment & Finance from Middlesex University and in 2003 a Master's in Mathematical Trading & Finance from London City University. Mr. Wu Min holds the following certifications: • Registered with the China Securities Regulatory Commission (since 2003) • Qualified Trader License in China Inter-Bank Market (since 2005)	Non-Executive Board Member of Haitong Banco de Investimento do Brasil, S.A. Director of Haitong Investment Ireland p.l.c.	n.a.

Board of Directors of Haitong Bank, S.A.	Professional Experience	Academic Background	Positions in Haitong Group companies	Positions in companies outside the Haitong Group
 **Alan Fernandes** *Executive Director*	Mr. Alan Fernandes has more than 27 years of professional experience in the financial sector. He has strong experience in Structured Finance involving all infrastructure sectors, including private-public partnerships, and has had an active role in the privatisation of companies in the electricity, telecommunications, mining and natural gas distribution sectors in Brazil, including the privatization process of natural gas services in the State of São Paulo. He was also deeply involved in the restructuring of the energy sector in Brazil (distribution, transmission and generation). Mr. Alan Fernandes has also deep experience in M&A and Capital Markets covering different sectors in Brazil and abroad. Mr. Alan Fernandes has been an Executive Board Member of Haitong Bank since March 2013 and an Executive Board Member of Haitong Brasil since March 2014. He has also been the Chief Executive Officer of Haitong Brasil since April 2016. Previously Mr. Fernandes worked for Banco Itaú S.A., Banco Itaú BBA S.A., Unibanco S.A., Algar Telecom S.A., Deloitte & Touche Tohmatsu and the BNDES.	Mr. Alan Fernandes gained a degree in mechanical engineering from Federal University of Rio de Janeiro and Aeronautical Engineering from ITA, the Technological Institute of Aeronautics, with a specialization in finance from IBMEC.	CEO of Haitong Banco de Investimento do Brasil S.A.	Non-Executive Member of Empresa Brasileira de Projectos, S.A. – EBP
 **António Domingues** *Non-Executive Director*	Mr. António Domingues has extensive experience in the banking sector. Over the past 30 years he has held Senior Management roles in different institutions such as CGD (Chairman of the Board of Directors and of the Executive Committee), BPI (Deputy CEO and CFO at Banco BPI) and Companhia de Seguros Allianz Portugal, S.A. (member of the Board of Directors). Mr. António Domingues was also Vice-Chairman of BPI S.A., Vice-Chairman of BFA-Banco de Fomento de Angola and of BCI - Banco Comercial e de Investimentos, S.A., Deputy General Director of the BPA - Banco Português do Atlântico inFrance; Adviser in the Department of Foreign Affairs of the Bankof Portugal and Economist at the Ministry of Industry and Energy.Currently, he is a member of the Board of Directors of NOS,S.A.	Mr. Domingues has a degree in Economics from the Instituto Superior de Economia in Lisbon.	n.a.	Non-Executive Board Member of NOS, S.A.

Board of Directors of Haitong Bank, S.A.	Professional Experience	Academic Background	Positions in Haitong Group companies	Positions in companies outside the Haitong Group
 **Martina García** *Non-Executive Director*	Doctor Martina Garcia has over 20 years of experience in international economic policy. In March 2022, she became the CEO of CSFI, a London-based think tank for financial services innovation. Prior to this post, she was heading the international markets strategy team at the London Stock Exchange Group (LSEG) where she developed jointly with the Shanghai Stock Exchange the Shanghai-London Stock Connect launched in 2019. Before joining LSEG, she was Deputy Director for Banking and Financial Sector Analysis at Her Majesty's Treasury, the UK finance minister,where she led the negotiation and implementation of the post-crisis banking regulatory framework. Doctor Garcia has been a non-Executive Board Member of Haitong Bank since August 2020.	Doctor Garcia gained a PhD in agricultural economics at Impertial College (formely Wye College) in 1997. Her first degree in Economics was obtained at the Universidad Autonoma de Barcelona.	n.a.	CEO at Centre for the Study of Financial Innovation *(pending BdP approval)*
 **Miguel Guiomar** *Executive Director*	Mr. Miguel Guiomar has over 30 years of experience in the investment banking industry. He is currently responsible for the Investment Banking areas and the Chairman of the IBK Global Adoption Committee. Mr. Guiomar was previously responsible for implementing Haitong Bank's Capital Markets strategy for Portugal, Spain, Poland, Brazil and China Cross-Border. Prior to this, Mr. Guiomar was based in Brazil and was responsible for implementing Haitong Bank's Debt and Equity Capital Markets strategy for Brazil and the Americas (New York) and a member of the Executive Committee of Haitong Bank Brazil. Prior to joining Haitong Bank in 2008, Mr. Guiomar was Managing Director at Banco Finantia, where he headed the bank's Debt Capital Markets operations for Emerging Markets (LatAm and Russia / CIS), performing various roles throughout his 17 years at Finantia ranging from Fixed Income Sales, Emerging Markets Trading and Syndicate to Head of the bank's Private Banking Division. Mr. Guiomar has been appointed to the Board of Directors of Haitong Bank as an Executive Board Member for the 2020-2022 mandate.	Business Administration Degree from Catholic University of Portugal (Lisbon) and a Post-Graduate Program (IEP) from INSEAD (Fontainbleau).	n.a.	Board Member of the Portugal-Brazil Chamber of Commerce Board Member of the Portugal - China Chamber of Commerce

Board of Directors of Haitong Bank, S.A.	Professional Experience	Academic Background	Positions in Haitong Group companies	Positions in companies outside the Haitong Group
 **Nuno Carvalho** *Executive Director*	Mr. Nuno Carvalho has over 23 years of professional experience in the Legal and Financial sectors, particularly in Investment Banking, as a Lawyer, MLRO or Head of Compliance, having also held a number of other Corporate Functions such as Investor Relations and Representative with the CMVM. Mr. Carvalho re-joined the Bank in 2017, from Barclays Capital Investment Banking, and was appointed to the Board of Directors in May 2018.	Mr. Carvalho has a law degree from the University of Lisbon, Faculty of Law and a Post-Graduate degree in Accounting and Finance from ISCTE Business School, Lisbon.	Non-Executive Board Member of Haitong Banco de Investimento do Brasil, S.A. Director of Haitong Inventment Ireland p.l.c	n.a.
 **Pan Guangtao** *Non-Executive Director*	Mr. Pan has 27 years of experience in the securities industry, including 4 years in information system development and management and 23 years in equity and derivatives investment. Mr. Pan was appointed Assistant General Manager of Haitong Securities in March 2017. He originally joined the company in 2002 and has had management roles in the Equity Investment Department and Asset Management Department.	Mr. Pan graduated in 1994 with a degree in Mechatronics and Engineering from Shanghai University of Engineering Science and gained an MBA in China Commerce from Macau University of Science and Technology.	Assistant General Manager of Haitong Securities Co. Ltd. Board Member of the Haitong Innovation Securities Investment Company Limited Deputy Chairman of Proprietary Investment Committee of Haitong Securities Co. Ltd. General Manager of Equity Investment and Trading Department of Haitong Securities Co. Ltd.	Member of Trading Committee of CFFEX (China Financial Futures Exchange) Member of OTC Market Committee of SAC (Securities Association of China)
 **Paulo Martins** *Non-Executive Director*	Mr. Paulo Martins was the Global Head of Corporate Finance from 2009 to 2019, leading a team across Haitong Bank geographies and having played a major role in several landmark M&A transactions. Since joining Haitong Bank, Mr. Martins liaised with many renowned institutions, including key clients, establishing strong relationships with them. On 31 December 2019, Mr. Paulo Martins, resigned to his executive functions in the Board of Directors of Haitong Bank, S.A.. Mr. Paulo Martins has been appointed to the Board of Directors of Haitong Bank as a Non-Executive Board Member for the 2020-2022 mandate.	Mr. Martins graduated in Industrial Production Engineering from the Universidade Nova de Lisboa and has a Post-Graduation in Management from the ISCTE - Instituto Superior de Ciências e Trabalho de Empresas, in Lisbon.	n.a.	Partner and Manager at Rational Dreams, Lda. President of Supervisory Board at FSOIC Partners, SGOIC, S.A. Non-Executive Board Member at Parama, Unipessoal, Lda.

Board of Directors of Haitong Bank, S.A.	Professional Experience	Academic Background	Positions in Haitong Group companies	Positions in companies outside the Haitong Group
 **Vasco C. Martins** *Executive Director*	Mr. Vasco Câmara Martins has more than 20 years of experience working in Financial Institutions. A significant part of the roles held (from the past 10 years) were senior managerial positions in Risk Management with leading functions. Mr. Vasco Câmara Martins was appointed to the Board of Directors of Haitong Bank as an Executive Board Member in September 2018.	Mr. Vasco Câmara Martins holds an Inter-Alpha Banking Program from INSEAD, a Master's of Science in Finance from Instituto Superior de Ciências do Trabalho e da Empresa (ISCTE), a Post-Graduate qualification in Financial Institutions from Centro de Investigação de Activos e Mercados Financeiros (CEMAF) and a degree in Management, from Lusíada University.	n.a.	n.a.
 Vincent Camerlynck *Non-Executive Director*	Mr. Vincent Camerlynck has 35 years of extensive global business, management and board experience in capital markets and the asset management industry. During this time, he worked for some renowned investments banks (HSBC, Goldman Sachs, BNP Paribas) in the major financial markets (NY, London, HK and Paris). Mr. Vincent Camerlynck currently serves on a number of Boards as an Independent Non-Executive Director and provides advisory services on Asset Management matters.	Mr. Camerlynck has a law degree from University of Leuven (Belgium) and a Master's in Economics from University of Louvain la Neuve (Belgium) and in International and Comparative Politics from London School of Economics (England).	n.a.	Non-Executive Board Member of C Worldwide Asset Management Non-Executive Board Member of CAPFI Delen Asset Management NV Non-Executive Board Member Equity Trustees UK
 Zhang Xinjun (Jeff Zhang) *Non-Executive Director*	Mr. Zhang is currently the Chief Financial Officer of Haitong Securities Co. Ltd. and has 20 years of experience in the Financial, Treasury and Risk departments of Haitong Group. He joined Haitong Securities Co. Ltd. in 2001 and he moved first to Haitong International Holdings Limited as CFO in 2007 and then to Haitong International Securities Group Limited in 2010. He was the Deputy CEO of Haitong International Holdings Limited since 2015 until he moved back to Haitong Securities in 2018.	Mr. Zhang has a degree in Economics (Accounting) and a Master's in Management (Accounting) from Nankai University, in China.	Non-Executive Board Member of Fullgoal Fund Management CO., LTD. CFO of Haitong Securities Company Limited (P.R. China) Non-Executive Board Member of Haitong International Limited CFO of Haitong International Holdings Limited (Hong Kong) Director of Haitong Investment Ireland p.l.c.	n.a.

SUPERVISORY BOARD

Supervisory Board of Haitong Bank, S.A.	Professional Experience	Academic Background	Positions in Haitong Bank Group companies	Positions in companies outside the Haitong Bank Group
Maria do Rosário Ventura *Chair of the Supervisory Board*	Ms. Maria do Rosário Ventura has extensive experience in the financial sector, having worked at Banco Mello and later Millennium BCP from 1982 to 2002. From 2002 to 2004 she was a Senior member of the Portuguese Government – Secretary of State for Commerce, Services and industry. From 2004 to 2005 Ms. Ventura was Chairman of the Board of EMPORDEF Group, State Owned Defense Contractor. From 2005 to 2016 Ms. Ventura has held several CFO and member of the Board Of Directors positions in large Portuguese companies, namely in EFACEC Group and EPAL, the biggest water supply company in Portugal.	Ms. Maria do Rosário Ventura obtained her degree in Management from the Universidade Católica in 1982 and her AMP – Advanced Management Program from IESE in 2006.	n.a.	Chair of the Supervisory Board of Bondalti Capital, S.A.
Mário Bettencourt de Oliveira *Member of the Supervisory Board*	Doctor Mário de Oliveira is an auditor and partner at Ribeiro da Cunha Associados - Sociedade de Revisores Oficiais de Contas. He has been an auditor since 2001.	Doctor Mário de Oliveira obtained his degree in economics from the Faculdade de Economia at Oporto University in 1996. He obtained a master's degree in economics and science and technology management in 2004 from ISEG. Doctor Mário de Oliveira has also obtained several postgraduate degrees in economics (in 2000 from ISCTE) and in commercial law and securities law (in 2005 from the Catholic University and in 2006 from the University of Lisbon), as well as several professional training courses. In 2019, Doctor Mário de Oliveira has accomplished his PhD in Economic and Organizational Sociology from ISEG.	Member of the Supervisory Board of Haitong Capital, SCR, S.A.	Member of the Supervisory Board of Silvip - Sociedade Gestora de Organismos de Investimento Coletivo, S.A. Alternative Member of the Supervisory Board of: Agência de Gestão da Tesouraria e da Dívida Pública - IGCP, E.P.E.; Agroleite de Canha - Sociedade Agro-Pecuária, Lda.; Bigempire, S.A.; Coruche 1A Fotovoltaica, S.A.; Coruche 1B Fotovoltaica, S.A.; Coruche 1C Fotovoltaica, S.A.; DMC, Lda; Dunas Capital, S.A.; Duncap - Consultoria e Mediação Imobiliária, S.A.; EGEO Internacional, SGPS, S.A.; EGEO Oil Gestão e Investimentos SGPS, S.A.; EGEO, SGPS, S.A.; Esporão - Vendas e Marketing, S.A.; Esporão, S.A. / Finagra – Soc. Industrial e Agrícola, S.A.; G2ER - Energia Solar One, S.A.; Gesparte - Soc. de Gestão, Partic. e Auditoria, S.A.; Globalprom, Lda.; Gotan, SGPS, S.A.; Grow Advisory, S.A.; Grow Energy Invest, S.A.; Grow Solar UPP, S.A.; Grow UPAC, S.A; Imobiliária Construtora Grão Pará, S.A.; IMOSPEL - Compra e Venda de Imóveis, S.A.; JHR - Sociedade Gestora de Participações Sociais, S.A.; Lake Louise, Atividades Turísticas, S.A.; Machrent, S.A.; Masaveu investimentos, SGPS, S.A; Monte da Várzea - Sociedade Agrícola e Florestal, S.A.; MQP - SGPS, S.A.; MQP AMBIENTE, SGPS, S.A.; Multiparques a Céu Aberto-Camp., Carav. em Parques, S.A; MURÇAS, S.A.; N.R.D.- Núcleo de Rádio-Diagnóstico, S.A.; Newcapital SGPS, S.A.; Novo Banco dos Açores, S.A.; Pinhal dos Corvos - Sociedade Agrícola e Florestal, S.A.; Quinta do Ameal - Sociedade Agrícola, S.A.; Rectius - Sociedade de Investimento Imobiliário, S.A.; Rendimento Seguro - Investimentos Imobiliários, S.A.; RISGIL - Gestão Imobiliária, S.A.; Globalprom, Lda.; Soc. Administração de Bens Monte da Várzea do Moinho, S.A.; Sociedade Agrícola da Carregueira do Mato, S.A.; STDA - Sociedade Turística do Alentejo; Stellamare, S.A..

Supervisory Board of Haitong Bank, S.A.	Professional Experience	Academic Background	Positions in Haitong Bank Group companies	Positions in companies outside the Haitong Bank Group
Cristina Pinto *Member of the Supervisory Board*	Ms. Cristina Costa Pinto is a tax consultant and has been working for Pinheiro Pinto Consultadoria, Lda. since 2010. From that year Ms. Costa Pinto has also been working as a professor at the Catholic University and at the Católica Porto Business School.	Ms. Cristina Costa Pinto obtained her management degree from the Faculdade de Economia at Oporto University in 2007, having also obtained a law degree from the Catholic University Law School in 2014.	n.a.	Member of the Supervisory Board of Sogrape SGPS, S.A. Member of the Supervisory Board of Super Bock Group SGPS, S.A. Member of the Supervisory Board of Mota-Engil SGPS, S.A. Professor at Universidade Católica Portuguesa Consultant at Pinheiro Pinto Consultoria Limitada
Paulo Ribeiro da Silva *Alternate Member of the Supervisory Board*	Mr. Ribeiro da Silva is an auditor and partner at JM Ribeiro da Cunha e Associados. Mr. Ribeiro da Silva has been an auditor since 1994.	Mr. Ribeiro da Silva obtained his degree in accounting and management from ISCAL (Lisbon) in 1990. Mr. Silva also acquired a degree in financial auditing in 1993 from ISCAL, a postgraduate degree in computer security & auditing and in corporate finance from ISCTE in 2000 as well as several training courses.	Alternative Member of the Supervisory Board of Haitong Capital, SCR, S.A..	Member of the Supervisory Board of ACP – Mobilidade, Sociedade de Seguros de Assistência, S.A.; Statutory Auditor of: 4 Travellers, Lda.; Azicapital - SGPS. S.A.; Azicoast - Empreendimentos Turísticos, Lda.; Azigep - SGPS, S.A.; Azilis - Empreendimentos Hoteleiros, S.A.; Azimar - Investimentos Turísticos, S.A.; Azinor - Comércio Internacional e Representações, Lda.; Azinor - Middle East, SGPS, S.A.; Azinor - Sociedade Gestora de Participações Sociais, S.A; Azinor Consulting & Services, S.A.; Azinor Distribuição SGPS, S.A.; Azinor Finance – SGPS, S.A.; Azinor Imobiliária, Lda.; Azinor Intercontinental, Lda. (ZFM); Azinor Turismo, SGPS, S.A; Azioni – Mobiliário e Decoração, S.A.; Azipalace – Investimentos Turísticos, S.A.; Aziparque - Empreendimentos Turísticos, S.A.; Azitejo - Empreendimentos Turísticos, S.A.; Azitrust - Comércio Internacional e Investimentos, Lda.; Bread & Friends Company, Lda.; Câmara Municipal de Sintra; Carl & Dittgen, S.A.; Chatoyant, Lda.; Copta - Companhia Portuguesa de Turismo do Algarve, S.A.; Deigest - SGPS, S.A.; Domus Tagus - Turismo e Lazer, Lda.; Du Tage - Animação Turística e Lazer, Lda.; Exfa - Sociedade de Iniciativas Turísticas, S.A.; Forus Premium Projects, S.A.; Gamalife – Companhia de Seguros de Vida, S.A.; Garotel - Sociedade de Iniciativas Turísticas, S.A.; Hotel Paris·- Sociedade Hoteleira e Turística, S.A.; Intra Douro - Investimentos Turísticos, S.A.; Ivol - Sociedade de Investimentos Hoteleiros, S.A.; Mascota Imobiliária, S.A.; Modus Turis - Empreendimentos Turísticos, Lda.; Município de Alcobaça; Nazgest – SGPS, S.A.; Património Crescente - Investimentos Turísticos, S.A.; Sana Hotels Portugal, S.A.; Sep Sancho - Equipamentos Pecuários e Construção, S.A.; Sérgio Martins - Com. Prod. p/ Agric. e Pecuária, Lda.; Serviços Municipalizados de Sintra; Sesimbrotel Sociedade de Iniciativas Turísticas, S.A.; SMA - Serviços Municipalizados de Alcobaça; Sociedade de Banhos Miramar S. Julião da Barra, Lda.; Sociedade Hoteleira de Sete-Rios, S.A.; Trigo "In Situ" Torre Vasco da Gama, S.A.; Vanguarda - Mobiliário e Decoração, Lda.; Villageplace – Promoção Imobiliária, Lda.; Wellness Concepts, Lda.

ANNEXES

London

NON-FINANCIAL INFORMATION AND DIVERSITY

(Article 508º G – Portuguese Corporate Code)

The Bank incorporates Environment, Social and Governance (ESG) principles in its business activities. The Bank is committed to sustainable growth, not only in terms of the support to our Clients' activities that promote sustainable solutions but also within the Bank's operations. We embrace diversity and inclusion, working together to support the communities where the Bank operates in the various regions. The Bank, with the support of the shareholder, promotes best standards of Governance, supported on robust risk management and controls, alongside a culture of checks and balances and independence among corporate bodies.

This section discusses the development, performance, position and impact of Haitong Group's activities in relation to environmental, social and worker issues; equality between women and men; non-discrimination; respect for human rights; corruption and bribery prevention.

Environment

Haitong Bank is a Credit Institution and Financial Intermediary, operating mostly in the Investment Banking Sector, with minimal exposure to retail customers. It has no significant infrastructure and a limited headcount and hence has a very limited environmental footprint.

Notwithstanding this limited footprint, Haitong Bank is committed to operating based on sustainable and environmentally friendly practices. Haitong Bank generated 3.1 tons of recycled paper, thereby reducing its ecological footprint.

Minimizing its environmental footprint is of utmost importance for the Bank, both in terms of reducing the environmental impact and costs. It is with this purpose that the Bank continuously seeks to implement new measures related to the reduction of energy, water and materials' consumption.

Social Responsibility

The Bank develops its activity in accordance with international principles and best practices in the field of Social Responsibility, respecting and fulfilling management commitments with regard to contributing to a more sustainable development – from an ESG point of view. The Bank is committed to respecting internationally recognized human rights in the development of its relationships with its Clients, suppliers, partners and communities where it operates, seeking to avoid or mitigate the direct or indirect adverse impacts of its activity. The Bank is strongly committed to complying with social and environmental regulations and best practices for the industry. The Bank supports and encourages all Employees to become involved with charitable work, although charitable contributions may not be awarded in order to influence a business decision.

During the year, Haitong Bank remained committed to its social responsibilities and has continued to participate, support and encourage its employees and related parties to be active and fully engaged.

Haitong Bank in Lisbon donated EUR 11,200 to CAPITI – Crescer para o Mundo institution in order to support 2 children with mental disease during 4 years. The Bank has also donated EUR 5,000 to the Portuguese League Against Cancer, and its employees raised EUR 700 to donate to the same institution. The Bank has also donated EUR 1,500 for the Christmas party of Comunidade Vida e Paz, which helps homeless people.

In association with the McDia Feliz Project, and through the TUCCA institutions and the Ayrton Senna Institute, Haitong Bank in Brazil helped five social centres that work with needy families in the city of São Paulo - Casa do Zezinho, Instituto Reciclar, Liga Solidária, Obra do Berço and Vocação. Between May and June, 2,206 basic food baskets and hygiene and cleaning kits were donated by Haitong Bank in partnership with 6 social institutions from the city of São Paulo. Haitong Bank also used its tax credits to support social projects through the Tax Incentive Law helping families living in vulnerable conditions in the deprived peripheral areas of São Paulo.

In Poland, Haitong Bank donated a prize to the laureate of the 5th edition of the "Competition for the best diploma thesis in the field of contemporary economic cooperation of the Republic of Poland with the People's Republic of China" organized by the Polish Chinese Business Council.

Employee-Related Issues

Please see the “People” section of the Management Report.

Workplace environment

The Bank promotes mutual respect and equal treatment and opportunities among all Employees, valuing diversity within the organization. The Bank implements internal policies, regulations and procedures that aim at preventing and combating harassment in the workplace. Employees shall not practice any type of discrimination, based on criteria such as ethnicity, gender identity, sexual orientation, religion, creed, culture, nationality, disability, political or ideological orientation, education, marital status or others, accepting and respecting the right to difference. Employees must act with the highest ethical standards and refrain from any behaviour that may be considered offensive to others. Employees must reject any abusive behaviour whose purpose or effect is disturbing or embarrassing a person, affecting their dignity or creating an intimidating, hostile, degrading, humiliating or destabilizing environment. Employees must reject any unwanted sexual behaviour, whether verbal, non-verbal or physical, with the purpose or effect referred to in the above paragraph. All Employees are encouraged to report any wrongdoings of which they may become aware of or have a well-founded suspicion. The reception and treatment of any wrongdoing reports is made in accordance with the Bank’s internal policies, regulations and procedures and must at all times be independent and anonymous.

Equality and Diversity

The Bank advocates diversity of skills, geography and generations in the composition of its corporate bodies. It puts a special focus on gender diversity in the Bank's management bodies in order to promote equal opportunities and socially responsible behaviour at the Bank. Diversity in general promotes efficiency and an atmosphere of constructive challenge and debate amongst senior management.

In the Bank’s “Policy on the Selection and Assessment of Members of the Management and Supervisory Bodies and Key Function Holder” (06-selection-and-assessment-policy_final.pdf (haitongib.net)), Haitong Bank commits to having 30% of women represented in the following by 2022:

- The Board of Directors
- The Supervisory Board
- In overall key function positions.

By the end of 2021, within the Bank's management bodies and key function holders, around 29% were represented by women. At the same date, women represented 39% of the total workforce (see detailed information on the “People” section of the Management Report) and there is also a considerable number of female employees in senior positions at the Bank.

Corruption and Bribery Prevention

The Bank has approved an Anti-Bribery Policy aimed at establishing specific internal guidance for the prevention of bribery. This is based on national and international legal provisions including, but not limited to, the Portuguese Laws on bribery prevention, the Organisation for

Economic Cooperation and Development (OECD) Convention on bribery of foreign public officials in international business transactions, the Convention on the fight against bribery involving officials of the European Communities or officials of member states of the European Union, the Criminal Law Convention on bribery of the Council of Europe and the United Nations Convention against bribery.

Given the Bank's presence and/or operations in different geographies, this policy also encompasses a set of anti-bribery rules and principles in force in such jurisdictions, notwithstanding the obligation of each employee to acknowledge the anti-bribery laws applicable in each case and take the necessary steps to comply with such laws. In this respect, the following acts in force in the United States and the United Kingdom, respectively, are particularly noteworthy: U.S. Foreign Corrupt Practices Act and the UK Bribery Act.

Overall Assessment

Haitong Bank understands that a serious commitment with Environmental, Social and Governance (ESG) matters is key to the Bank's success and incorporates them as part of its overall business strategy. In 2021, Haitong Bank has fully embraced various initiatives to achieve this goal, consistently with the Bank's size, exposure and limited footprint, and going forward will continue to integrate its commitment to a sustainable growth into the internal policies, principles and processes.

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Supervisory Board of Haitong Bank, S.A.

Summary of the Self-Assessment Report

Pursuant to Notice no. 3/2020 of 15 July 2020 issued by the Bank of Portugal (the "Notice"), the Supervisory Board must prepare a summary of the annual self-assessment report (the "Report"), which is disclosed as an annex to the annual financial statements of Haitong Bank, S.A. (the "Bank"). As required by the Notice, the report assesses the adequacy and effectiveness of the Bank's organisational culture and governance, and of the internal control systems, between 1 January 2021 and 30 November 2021 (the "**Reference Period**"). This assessment was carried out to the Bank on a standalone basis and at group level, including the Bank's Branches in Poland, Spain, United Kingdom and Macau.

In its assessment, as described in its Report, the Supervisory Board adopted the following methodology and carried out the following tasks:

a) Regular participation of the Supervisory Board in meetings of the Bank's corporate bodies and internal committees, such as the Board of Directors, the Internal Audit Committee, the Risk Committee and the Corporate Governance Committee. In total, the Supervisory Board held 61 (sixty one) meetings during the Reference Period, of which 43 (forty-three) were held at the invitation of the Board of Directors and the members of the Internal Audit, Risk and Corporate Governance Committees, and also held meetings with the presence of representatives of the Internal Audit, Compliance and Risk Control functions and with the representatives of the external auditor. In summary, around 70% of the meetings of the Supervisory Board during the Reference Period were held with representatives of the Bank and Committees directly involved in promoting an organisational culture and implementing internal control and governance systems, which demonstrates a significant involvement of the Supervisory Board in the matters dealt with in the Notice;
b) Training sessions held in connection to the implementation of the Notice;
c) Consultation of the Bank's internal control procedures manual, to the extent necessary to carry out the assessment under the terms of the Notice;
d) Meetings with the heads of the Compliance, Internal Audit and Risk Control Functions, as well as with representatives from Haitong Banco de Investimento do Brasil, S.A.;
e) Review of the reports issued by the internal control functions concerning the Bank and Haitong Banco de Investimento do Brasil, S.A., and discussion of the conclusions with the persons responsible for these reports;
f) Identification and monitoring of the status of deficiencies identified in previous control reports and respective corrective measures;

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g) Review of the external auditor's assessment of the internal control system and discussion of its conclusions with the representatives of the external auditor;
h) At the request of the Supervisory Board, analysis and discussion of the external auditor's assessment of the processes of preparation of the prudential and financial reports, the processes of preparation of information disclosed to the public and of the adequacy of compliance with the duties of disclosing information to the public.

Regarding the Bank's internal control system, the Supervisory Board considered aspects related to each control function, such as responsibilities, organisational chart, resources, independence, and other matters that have been raised internally and externally.

As to the Bank's organisational culture, the Supervisory Board draws attention to the work developed by the internal control functions in order to promote a solid and transparent organisational culture, accessible to all the Bank employees, adequate to the size of the Bank's structure and successful in increasing the robustness and effectiveness of controls in risk mitigation, as well as in the identification of potential opportunities for improvement.

During the Reference Period, the Supervisory Board stresses the proactive approach to risk assessment, to the planning of activities with a view to finding the best corrective measures for the situations identified as deficiencies or opportunities for improvement, such approach being a common feature in the actions developed by the internal control functions.

The Supervisory Board issued its Report, dated 28 December 2021, relative to the Reference Period, having issued a clear, detailed and substantiated opinion on the adequacy and effectiveness of the Bank's organisational culture and governance and internal control systems, in accordance with Notice no. 3/2020, of 15 July, of the Bank of Portugal.

In its Report, the Supervisory Board came to a satisfactory assessment of the adequacy and effectiveness of the Bank's internal control and governance systems and of its organisational culture. The situations detected, although naturally requiring regular monitoring by the internal control functions, do not, in general, call into question the adequacy and effectiveness of the Bank's corporate governance and internal control systems or its organisational culture.

In the Bank's assessment reports, the Board of Directors concluded that the internal control functions have the resources, authority and skills required to perform their duties independently and effectively. In relation to the heads of the control functions, the Board of Directors noted that they participate in the various internal committees, such as the Risk Committee, Internal Audit Committee and Corporate Governance Committee, which allows for regular dialogue with the Bank's non-executive directors.

Regarding the Remuneration Policies, the Board of Directors concluded that these are consistent across the Haitong Bank, S.A. group.

HAITONG

In what concerns the organisational culture of the Bank, the Board of Directors highlighted the support provided to the internal activities with a view to promoting an organisational culture of compliance with the applicable regulatory requirements. In particular, the Board of Directors drew attention to the Code of Conduct approved by the Bank, as well as to the existence of internal regulations that promote a culture of professionalism, transparency and integrity.

Lisbon, 01 February 2022

THE SUPERVISORY BOARD

Maria do Rosário Ventura

Maria do Rosário Ventura - Chair

Mário Bettencourt de Oliveira - Member

Cristina Maria Costa Pinto - Member

EARNINGS DISTRIBUTION PROPOSAL

Considering that, as of 31 December 2021, the Bank showed a consolidated net profit of EUR 3,552,329.88 (three million, five hundred and fifty-two thousand, three hundred and twenty-nine euros and eighty eight cents) and an individual net profit of EUR 9,149,636.31 (nine million, one hundred and forty-nine thousand, six hundred and thirty-six euros and thirty-one cents), the Board of Directors proposes to the Annual General Meeting that the net profit showed in the individual accounts be allocated to:

- Other Reserves and Retained Earnings: EUR 9,149,636.31 (nine million, one hundred and forty-nine thousand, six hundred and thirty-six euros and thirty-one cents);
- Total: EUR 9,149,636.31 (nine million, one hundred and forty-nine thousand, six hundred and thirty-six euros and thirty-one cents).

DECLARATION OF CONFORMITY

In accordance with Article 29-G, number 1, paragraph c, and number 3 of the Portuguese Securities Code, the Members of the Board of Directors of Haitong Bank, S.A. hereby declare that, to the best of their knowledge:

a) The individual financial statements of Haitong Bank, S.A. for the year ended on 31 December 2021 were prepared in accordance with the legally applicable accounting standards;

b) The consolidated financial statements of Haitong Bank, S.A. for the year ended on 31 December 2021 were prepared in accordance with the legally applicable accounting standards and with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of July 19th;

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

d) The Management Report describes faithfully Haitong Bank, S.A. and the consolidated companies' business evolution, performance and financial position for the year ended on 31 December 2021, and includes a description of the main risks and uncertainties that could affect the business.

Lisbon, 22 February 2022

Lin Yong
Chairman of the Board of Directors

Wu Min
Chief Executive Officer

Alan do Amaral Fernandes
Executive Board Member

José Miguel Aleixo Nunes Guiomar
Executive Board Member

Nuno Miguel Sousa Figueiredo Carvalho
Executive Board Member

Vasco Câmara Pires Santos Martins
Executive Board Member

António Domingues
Non-Executive Board Member

Ana Martina Garcia Raoul-Jourde
Non-Executive Board Member

Pan Guangtao
Non-Executive Board Member

Paulo José Lameiras Martins
Non-Executive Board Member

Vincent Marie L. Camerlynck
Non-Executive Board Member

Zhang Xinjun
Non-Executive Board Member

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