1833

BANCO CARREGOSA

Interim Consolidated Financial Statements

(six-month period)

June 2023

< This page intentionally left blank >

Table of Contents

Table of Figures

< This page intentionally left blank >

I. Interim Consolidated Financial Statement as at 30 June 2023

(six-month period)[1]

[1] Amounts in Euro, except as otherwise stated.

< This page intentionally left blank >

Interim Consolidated Balance Sheet as at 30 June 2023 and 31 December 2022

Ativo	Notas	30/06/2023	31/12/2022
	1	**153 525 489**	**276 634 174**
Cash and net assets in central banks and other demand deposits	**2**	**12 384 239**	**12 840 456**
Financial assets at fair value through profit or loss	2.1	1 677 250	2 012 015
Financial assets held for trading	2.2	10 706 161	10 827 901
Non-trading financial assets mandatorily at fair value through profit or loss	2.3	829	539
Other financial assets	**3**	**59 517 046**	**61 368 384**
Financial assets at fair value through other comprehensive income	**4**	**194 848 637**	**193 943 892**
Financial assets at amortised cost			
Of which:	4.1	56 709 160	62 173 827
Loans to clients	**5**	**103 433**	**110 197**
Derivatives - Hedge accounting	**8**	**70 290**	**72 315**
Investments in associated and subsidiary companies excluded from consolidation	**6**	**12 134 627**	**11 656 375**
Property, plant and equipment	**7**	**1 005 148**	**952 074**
Intangible assets	**9**	**1 124 510**	**1 597 425**
Tax assets	**10**	**9 770 616**	**8 712 794**
Total Assets		**444 484 036**	**567 888 087**
Liabilities			
Financial liabilities held for trading	**12**	**196 020**	**767 975**
Financial liabilities measured at amortised cost	**13**	**395 088 565**	**523 434 306**
Hedging derivatives	**14**	**-**	**-**
Provisions	**15**	**210 082**	**209 808**
Tax liabilities	**16**	**1 156 208**	**1 186 534**
Other liabilities	**17**	**7 502 581**	**5 605 288**
Total liabilities		**404 153 456**	**531 203 910**
Equity	**18**		
Equity		**20 000 000**	**20 000 000**
Issue premiums		**369 257**	**369 257**
Other accumulated comprehensive income		**(914 824)**	**(2 685 373)**
Retained earnings		**4 013 633**	**3 083 453**
Other reserves		**14 467 024**	**14 307 054**
Profit for the year attributable to owners of parent company		**2 381 631**	**1 593 594**
Total Own Equity Attributable to the Group		**40 316 721**	**36 667 985**
Minority interests	**19**	**13 858**	**16 191**
Total Own Equity		**40 330 579**	**36 684 176**
Total Liabilities and Equity		**444 484 036**	**567 888 087**

The Certified Accountant **The Board of Directors**

Interim Consolidated Statement of Profit and Loss as at 30 June 2023 and 2022

	Notes	30-06-2023	30-06-2022
Interest and similar income		6 992 584	2 799 961
Interest and similar charges		(1 266 926)	(402 116)
Financial margin	**19**	**5 725 658**	**2 397 845**
Income from equity instruments	20	213 175	233 865
Income from services and commissions	21	3 893 602	4 230 172
Charges with services and commissions	21	(2 092 592)	(2 035 082)
Income from assets and liabilities evaluated at fair value through profit or loss (net)	22	2 242 392	3 320 940
Income from financial assets at fair value through other comprehensive income	23	(824 900)	(218 594)
Income from non-trading financial assets mandatorily carried at fair value through profit or loss	24	269 238	84 815
Income from financial assets at amortised cost	25	-	444 008
Income from foreign currency revaluation (net)	26	381 186	(2 162 639)
Income from the disposal of other assets	27	67 559	243 129
Other operating income	28	(336 211)	94 695
Net operating revenue		**9 539 108**	**6 633 154**
Staff costs	29	(3 260 946)	(2 953 291)
General administrative costs	30	(2 457 806)	(2 113 172)
Amortisations in the year	31	(814 070)	(813 814)
Provisions net of reinstatements and write-offs	32	(274)	(490)
Impairment of financial assets at amortised cost	33	269 177	36 321
Impairment of financial assets at fair value through other comprehensive income	34	(111 637)	113 102
Impairment of other assets net of reversals and recoveries	35	-	-
Pre-tax profit		**3 163 553**	**901 810**
Taxes			
Current	36	(729 667)	(87 574)
Deferred	36	(54 589)	1 743
Consolidated profit and loss for the year		**2 379 297**	**815 979**
Net profit attributable to:			
Owners of the parent company		2 381 631	818 785
Minority interests	37	(2 333)	(2 806)
Earnings per share		0,12	0,04

The Certified Accountant **The Board of Directors**

Interim Statement of Comprehensive Income as at 30 June 2023 and 2022

	30-06-2023	30-06-2022
Consolidated net result for the year	**2 379 297**	**815 979**
Items not to be restated into profit or loss:		
Property, plant and equipment	(6 600)	(3 291)
Actuarial gains or losses (-) with defined benefit pension plans	-	-
Items that may be restated into profit or loss:		
Cash flow hedging	(3 785)	86 666
Financial assets at fair value through other comprehensive income	2 140 032	(7 301 537)
Income tax on items that may be restated into profit or loss	(470 734)	1 415 801
Other comprehensive income	**1 658 913**	**(5 802 361)**
Total comprehensive income for the year	**4 038 210**	**(4 986 383)**
Attributable to minority interests (non-controlling interests)	**(2 333)**	**(2 806)**
Attributable to owners of parent company	**4 040 543**	**(4 983 577)**

The Certified Accountant **The Board of Directors**

Consolidated statement of cash flow as at 30 June 2023 and 2022

	30/06/2023	30/06/2022
Cash flows from operating activities:		
Interest and commissions received	10 904 581	7 492 765
Interest and commissions paid	(3 094 284)	(2 262 981)
Payments to staff and suppliers	(6 594 499)	(5 684 375)
Deposits from credit institutions and central banks	(3 131 901)	22 846 394
Other operating assets and liabilities	1 524 302	957 223
Other receipts from clients	(118 223 917)	32 032 372
Income taxes	(79 544)	(178 866)
Net cash from operating activities	**(118 695 263)**	**55 202 530**
Cash flows from investment activities:		
Dividends received	-	-
Acquisition of financial assets at fair value through other total income, net of disposals	3 274 091	8 556 307
Acquisition of financial assets at amortised cost, net of disposals	(6 764 446)	(7 586 966)
Acquisitions of property, plant and equipment and intangible assets	(981 089)	(548 117)
Disposals of property, plant and equipment and intangible assets	62 315	10 500
Investments in subsidiaries and associated companies	-	5 258 129
Net cash from investment activities	**(4 409 130)**	**(34 856 795)**
Cash flows from financing activities		
Capital increase	-	-
Dividends paid	-	-
Issue of securitised and subordinated debt	-	-
Remuneration paid on cash and other bonds	-	-
Remuneration paid on subordinated debt	-	-
Deposit from credit institutions (not associated with the main revenue-generating activities)	-	-
Net cash from financing activities	**-**	**-**
Net increase (decrease) of cash and cash equivalents	(123 104 393)	60 892 383
Cash and cash equivalents at the start of the year	277 129 878	138 292 664
Cash and cash equivalents at the end of the year	154 025 485	199 185 046

Cash and cash equivalents (breakdown as at June 2023 and June 2022)	**30/06/2023**	**30/06/2022**
Cash and cash equivalents in central banks	142 265 268	146 707 255
Net assets in other credit institutions	11 260 221	52 862 252
Investments in other credit institutions	500 826	500 000
Overdrafts in other credit institutions	(831)	(884 460)
Cash and cash equivalents at the end of the financial year	154 025 485	199 185 046

The Certified Accountant **The Board of Directors**

Interim Statement of Changes in Equity as at 30 June 2023

	Equity	Issue premiums	Other accumulated comprehensive income	Legal reserves	Other reserves	Retained earnings	Result for the year	Minority interests	Total own equity
Balances as at 31 December 2021	**20 000 000**	**369 257**	**2 286 148**	**2 558 680**	**11 669 492**	**1 538 228**	**1 615 978**	**13 012**	**40 050 795**
Changes in fair value reserves			(6 118 387)						(6 118 387)
Deferred tax			1 134 777						1 134 777
Actuarial gains or losses (-) with pension plans			(113 246)						(113 246)
Net result for 2022							1 593 594	3 179	1 596 774
Comprehensive result for 2022									(3 500 083)
Distribution of dividends									-
Other changes in equity			125 335	78 882		1 545 225	(1 615 978)		133 464
Minority interests									-
Balances as at 31 December 2022	**20 000 000**	**369 257**	**(2 685 374)**	**2 637 562**	**11 669 492**	**3 083 453**	**1 593 594**	**16 191**	**36 684 176**
Changes in fair value reserves			2 129 647						2 129 647
Deferred tax			(470 734)						(470 734)
Actuarial gains or losses (-) with pension plans									-
Net result for 2023-06							2 381 631	(2 333)	2 379 297
Comprehensive result for 2023-06									4 038 210
Distribution of dividends									-
Other changes in equity			111 637	159 970		930 181	(1 593 594)		(391 807)
Minority interests									-
Balances as at 30 June 2023	**20 000 000**	**369 257**	**(914 825)**	**2 797 532**	**11 669 492**	**4 013 634**	**2 381 631**	**13 858**	**40 330 579**

The Certified Accountant **The Board of Directors**

< This page intentionally left blank >

II. Notes to the Interim Consolidated Financial Statements as at 30 June 2023

(Six-month period)[2]

[2] Amounts in Euro, except as otherwise stated.

< This page intentionally left blank >

1. Introduction

In 2023, Carregosa will complete 190 years in the financial sector. In fact, it began its commercial activity as a foreign exchange house in 1833, in Rua das Flores, Porto, making it the oldest financial institution operating in the Iberian Peninsula. Throughout the 20th century, Casa Carregosa grew, innovated and developed, adapting to an increasingly sophisticated and demanding world.

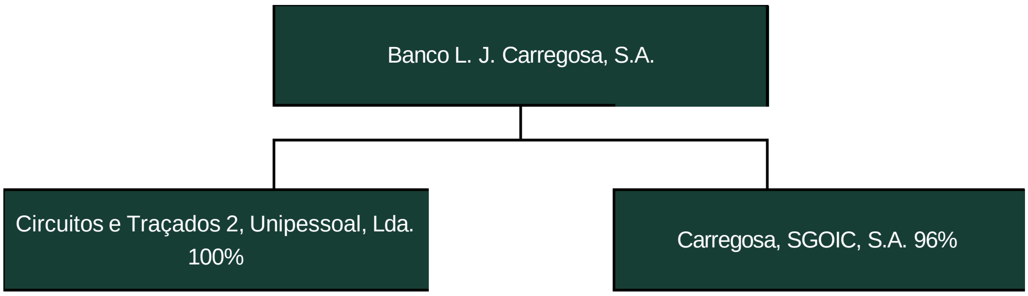
After obtaining a banking licence in 2008, L. J. Carregosa – Sociedade Financeira de Corretagem became known as Banco Carregosa.

Banco Carregosa was created to fill a specific gap: to specialise in private banking, investing in a differentiating strategy based on an independent relationship manager – the *trusted advisor* – and on a holistic approach to clients' wealth – *private wealth management*.

Banco Carregosa aims to be a benchmark for *wealth management* in Portugal and bases its strategy on the values of independence, transparency, personalisation, innovation and sustainability.

The Bank has a very simple corporate structure. It should be noted that the company Circuitos e Traçados - Sociedade Imobiliária, S.A. was sold in 2022 and is therefore no longer included in the scope of consolidation.

Figure 1 | Corporate structure



The corporate object of Carregosa - Sociedade Gestora de Organismos de Investimento Coletivo, S.A., which operates in the management of open-ended or closed-ended investment undertakings, is the investment in real estate assets, called real estate investment trusts (REIT) or undertakings. The company was incorporated on 23 November 2020 and registered on 9 December 2020. On 31 December 2022, SGOIC's share capital amounted to €600 000, of which the Bank holds 96%.

Circuitos e Traçados 2, Unipessoal Lda., whose corporate object is the purchase and sale of real estate, was acquired on 14 April 2021. The company has a share capital of €500 and is wholly owned by the Bank.

2. Bases of accounting presentation

2.1. Basis of presentation and comparability

These interim consolidated financial statements have been approved by the Bank's Board of Directors on 28 August 2023. They have been prepared for recognition and measurement purposes in accordance with IAS 34 – Interim Financial Reporting (IAS 34) as adopted by the European Union. As a result, the accompanying notes do not include all the disclosures that would otherwise be required if International Financial Reporting Standards as adopted by the European Union were applied, and should therefore be read in conjunction with the interim financial statements as at June 2023.

In preparing the condensed interim consolidated financial statements for the six months ended 30 June 2023, the Group has applied the same accounting policies as those used in the most recent annual financial statements for the year ended 31 December 2022, except for the amendments to standards effective for annual periods beginning on or after 1 January 2023.

Consolidation of subsidiary and associate companies (IAS 28, IFRS 3 and IFRS 10)

Banco Carregosa holds shares in Circuitos e Traçados, S.A., Circuitos e Traçados 2 Unipessoal, Lda. and Carregosa – SGOIC, S.A. and has control or the power to govern the financial and operating policies of these companies.

The consolidated profit is determined from the net profit of the Bank and of the companies in which it has an interest, after consolidation adjustments, in particular the elimination of gains and losses resulting from transactions between these companies.

The financial statements of the Bank have been prepared on a going concern basis from the books and records kept in accordance with the principles set out in IFRS - Presentation of Accounting Policies.

New standards and interpretations, revisions and amendments adopted by the European Union

The new standards and amendments to standards that are effective for the periods beginning on or after 1 January 2023 are as follows:

New standards and amendments to standards effective for reporting periods beginning on or after 1 January 2023

IAS 1 'Presentation of Accounting Policies' (Amendments to IAS 1)

Change in the requirements for the presentation of accounting polices based on the definition of "material" rather than "significant". Information about an accounting policy is considered to be material if, without it, users would be unable to understand other financial information included in the financial statements. Information about accounting policies that is not material need not be disclosed. IFRS Practice Statement 2 has also been amended to clarify how the concept of "material" applies to the presentation of accounting policies.

IAS 8 'Presentation of Accounting Estimates' (Amendments to IAS 8) (effective for financial years beginning on or after 1 January 2023)

Introduction of the definition of an accounting estimate and how it differs from a change in accounting policy. Accounting estimates are now defined as monetary amounts that are subject to measurement uncertainty and are used to achieve the objective(s) of an accounting policy.

IFRS 17 'Insurance Contracts' (New and amendments)

This new standard replaces IFRS 4 and applies to all issuers of insurance, reinsurance and investment contracts with discretionary participation features, provided they are also issuers of insurance contracts. IFRS 17 requires issuers of insurance contracts to assess whether the policyholder can receive a particular service as part of a claim or whether that service is independent of the claim/risk event and to separate out the non-insurance component. IFRS 17 requires entities to identify portfolios of insurance contracts on initial recognition and to disaggregate them into at least the following classes:

i. contracts that are onerous on initial recognition;

ii. contracts that do not have a significant possibility of becoming onerous in the future; and

iii. the remaining contracts in the portfolio.

IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and uncertainties associated with insurance contracts. IFRS 17 requires an entity to recognise revenue when it provides insurance services (rather than when it receives premiums) and to provide information about the profits on insurance contracts that it expects to recognise in the future. IFRS 17 provides three measurement approaches for recognising different types of insurance contracts:

i. the general measurement model (GMM);

ii. the premium allocation approach (PAA); and

iii. the variable fee approach (VFA).

IFRS 17 is applied prospectively, with some exceptions to the transition date.

IFRS 17 'Initial Application of IFRS 17 and IFRS 9 – Comparative information' (Amendments to IFRS 17)

This amendment applies only to insurance entities in their transition to IFRS 17 and allows an insurer to apply an 'overlay' to the classification of a financial asset for which the insurer does not apply retrospectively under IFRS 9. The amendment is intended to help entities avoid temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information that should be presented when IFRS 17 is first applied:

i. its application to each financial asset;

ii. the presentation of comparative information as if the classification and measurement requirements of IFRS had been applied to that financial asset, but without applying the impairment requirements of IFRS 9; and

iii. a requirement to use reasonable and supportable information available at the date of transition to determine how the entity expects to classify the financial asset under IFRS 9.

IAS 12 'Deferred tax related to assets and liabilities arising from a single transaction' (Amendments)

IAS 12 now requires entities to recognise deferred tax on certain transactions that give rise to equal amounts of taxable and deductible temporary differences on initial recognition. Such transactions relate to the recognition of:

i. right-of-use assets and lease liabilities; and

ii. decommissioning, restoration or similar liabilities, with the corresponding amounts recognised as part of the cost of the related asset if they are not relevant for tax purposes at the time of initial recognition. These temporary differences do not qualify for the exemption from the initial recognition of deferred tax.

This amendment applies prospectively.

Standards (new and amendments) published that are mandatory for annual periods beginning on or after 1 January 2023, but which have not yet been endorsed by the European Union

IAS 1 'Non-current Liabilities with Covenants' (Amendments)

This amendment is still subject to endorsement by the European Union. This amendment clarifies that liabilities should be classified as current or non-current depending on the right that an entity has to defer settlement until at least 12 months after the reporting period. It also clarifies that covenants that an entity must comply with at or before the reporting date affect the classification of a liability as current or non-current, even if verification occurs after the reporting date. If an entity classifies liabilities arising from financing arrangements as non-current and those liabilities are subject to covenants, it is required to disclose information that enables investors to assess the risk that those liabilities will be repaid within 12 months, such as:

i. the carrying amount of the liabilities;

ii. the nature of the covenant and the date by which it must be complied with; and

iii. facts and circumstances indicating that the entity may have difficulty in complying with the covenant as required.

This amendment applies prospectively.

IAS 7 (Amendment) and IFRS 7 (Amendment), 'Supplier finance arrangements'

These amendments are subject to approval by the European Union. Supplier finance arrangements are characterised by the existence of a financier that undertakes to pay the balances that an entity owes to its suppliers, and the entity in turn undertakes to pay, in accordance with the terms of the arrangements, on the same date or later than the date of payment to the suppliers. The amendments require an entity to make additional disclosures about negotiated supplier finance arrangements to enable:

i. assessing how supplier finance arrangements affect the entity's liabilities and cash flows; and

ii. an understanding of the impact of supplier finance arrangements on an entity's exposure to liquidity risk, and how the entity would be affected if the arrangements were no longer available.

The additional requirements complement the presentation and disclosure requirements that already exist in IFRS, as established by the IFRS IC in the Agenda Decision of December 2020.

IAS 12 (Amendment), ‘International Tax Reform – Pillar Two Model Rules’

This Amendment has not yet been endorsed by the European Union. The implementation of the OECD’s Global Anti-Base Erosion (“GloBE”) rules may have a significant impact on the calculation of deferred tax for affected entities, which is difficult to estimate at this stage. This Amendment to IAS 12 introduces:

i. a temporary exception to the accounting for deferred taxes requirements for deferred tax assets and liabilities related to Pillar Two; and

ii. targeted disclosure requirements for the affected entities (entities belonging to multinational groups with a consolidated turnover of €750 million in at least two of the last four years), such as:

   a. that the entity has applied the exception;

   b. current tax expense relating to Pillar Two rules; and

   c. the reasonable estimate of the impact of applying the Pillar Two rules between the date of publication of the legislation and its effective date.

IFRS 16 ‘Lease Liability in a Sale and Leaseback’ (Amendments to IFRS 16)

This amendment is subject to endorsement by the European Union. This amendment introduces guidance on the subsequent measurement of lease liabilities for sale and leaseback transactions that qualify as 'sales' under IFRS 15, with the greatest impact when some or all of the lease payments are variable lease payments that are not dependent on an index or rate. In the subsequent measurement of lease liabilities, seller-lessees should calculate 'lease payments' and 'revised lease payments' so that they do not recognise gains/(losses) on the right of use they retain.

3. Significant accounting policies, estimates and discretionary decisions in preparing the financial statements

3.1. Significant accounting policies

The accounting policies set out below apply to the financial statements of Banco Carregosa.

3.1.1. Transactions in foreign currency (IAS 21)

Transactions in foreign currencies (other than the Bank's functional currency) are translated at the exchange rates prevailing at the dates of the transactions.

Financial assets and liabilities denominated in foreign currencies are recorded in the currency in which they are denominated (multi-currency system).

At each balance sheet date, the carrying amounts of monetary items denominated in foreign currencies are restated at the exchange rates prevailing at that date. Favourable and unfavourable exchange differences arising from the differences between the exchange rates at the dates of the transactions and the exchange rates at the dates of the receipts and payments or at the balance sheet date are recognised in the income statement.

3.1.2. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise amounts recognised in the balance sheet with a maturity of three months or less from the date of the transaction, including cash and other net balances with banks.

The following concepts are used in presenting the cash flow statements:

i. cash flows: cash and cash equivalents comprise cash on hand, deposits with central banks, deposits with other credit institutions, including short-term investments and bank overdrafts;

ii. operating activities: the indirect method is used to present cash flows from operating activities, which reflect the flow of typical activities of credit institutions and other activities not classified as investing or financing activities;

iii. investing activities: the acquisition, sale or other disposal of long-term assets, such as shares in subsidiaries and associated companies, the acquisition of property, plant and equipment and intangible assets, and other strategic investments not included in operating activities; and

iv. financing activities: activities that result in changes in medium and long-term financing that are not related to operating activities, such as securitised and subordinated debt, capital increases and dividend payments.

3.1.3. Investments in domestic and foreign credit institutions

These instruments are measured at fair value, which is generally the consideration paid, net of any directly attributable transaction costs.

3.1.4. Financial instruments

Classification is determined at the acquisition date of the asset in accordance with IFRS 9 and, for fair value measurement, in accordance with IFRS 13.

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

i. assets carried at amortised cost;

ii. assets at fair value through other comprehensive income; and

iii. assets at fair value through profit or loss.

This classification is based on the Bank's business model for managing the financial asset, taking into account the characteristics of the contractual cash flows of the financial asset.

IFRS 13, adopted by Commission Regulation (EU) No 1255/2012 of 11 November 2012, defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements.

IFRS 13 defines fair value (see paragraph 9) as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The disclosures required by IFRS 13 are not required for the following (see paragraph 7):

i. plan assets measured at fair value under IAS 19 - Employee Benefits; and;

ii. retirement plan assets measured at fair value in accordance with IAS 26 – Accounting and Reporting by Retirement Benefit Plans; and

iii. assets for which the recoverable amount is the fair value less costs to sell in accordance with IAS 36 - Impairment of Assets;

In accordance with paragraph 8, the fair value measurement framework described in IFRS 13 applies to both initial and subsequent measurements when fair value is required or permitted by other IFRSs.

As of 1 January 2018, a specific balance sheet line is introduced – "Non-trading financial assets mandatorily at fair value through profit or loss".

This presentation is supported by IFRS 7.8(a)(ii) and IFRS 9.4.1.4. See Commission Regulation (EU) No 2016/2067 of 22 November 2016.

The following classes of accounts are therefore taken into account:

i. financial assets at amortised cost – HTM (held-to-maturity;

ii. financial assets at fair value through other comprehensive income – FVTOCI;

iii. financial assets at fair value through profit or loss – FVTPL; and

iv. other assets that are not held for trading and are required to be measured at fair value – Not Held for Trading, PL).

Financial assets at amortised cost

An asset is carried at amortised cost when both of the following conditions are met:

i. the asset is held as part of a business model whose objective is to hold financial assets in order to collect the contractual cash flows; and

ii. the contractual terms of the financial asset give rise to cash flows at specified dates that are solely payments of principal and interest on the principal outstanding.

Initial recognition and subsequent measurement

On initial recognition, assets are recognised at fair value, including any transaction costs or gains, and subsequently measured at amortised cost. In addition, on initial recognition they are subject to the calculation of expected credit losses, which reduce the carrying amount of these financial assets by a corresponding entry under “Impairment of financial assets at amortised cost”.

Interest on financial assets carried at amortised cost is recognised as “Interest and similar income”.

Gains or losses arising at the date of derecognition are included in “Gains/losses” and financial assets and liabilities are derecognised at amortised cost.

The term “derecognition” is used to refer to the following:

i. a disposal; and

ii. or when an entity reclassifies an asset from the amortised cost category to the fair value through profit or loss category (IRFS 9 paragraph 5.6.2).

When an entity reclassifies a financial asset from the “at amortised cost” measurement category to the “at fair value through other comprehensive income” measurement category, any gain or loss arising from a difference between the previous amortised cost and fair value is recognised in “Other comprehensive income” (IFRS 9 paragraph 5.6.4).

Financial assets at fair value through other comprehensive income

An asset is designated as at fair value through other comprehensive income when both of the following conditions are met:

i. the financial asset is held as part of a business model whose objective is to collect the cash flows that are contractually due and to sell the financial assets; and

ii. the contractual terms of the financial asset give rise to cash flows at specified dates that are solely payments of principal and interest on the principal amount outstanding.

This classification must take into account the portfolio of assets measured at fair value through other comprehensive income (FVTOCI), which is reasonably close to the prudentially designated investment portfolio.

In addition, on initial recognition of an equity instrument that is not held for trading, or in the case of a contingent consideration recognised by a buyer in a business combination to which IFRS 3 applies, the Bank may irrevocably elect to designate it as a financial asset at fair value through other comprehensive income.

Initial recognition and subsequent measurement

Debt instruments at fair value through other comprehensive income are initially recognised at fair value, plus transaction costs, and are subsequently remeasured at fair value. Changes in the fair value of these assets are recognised through a corresponding entry in other comprehensive income and, at the time of their disposal, the accumulated gains or losses in other comprehensive income are restated to a separate profit or loss line called “Gains or losses on 'derecognition' of financial assets at fair value through comprehensive income”.

In addition, since their initial recognition, these financial assets are subject to the calculation of impairment losses, which do not reduce the carrying amount of the financial asset in the balance sheet and are therefore recognised in profit or loss under “Impairment of assets at fair value through other comprehensive income”.

Interest on financial assets at fair value through other comprehensive income is recognised in "Interest and similar income (financial margin)" based on the interest rate of each issue.

Equity instruments at fair value through other comprehensive income are initially recognised at fair value, plus transaction costs, and are subsequently remeasured at fair value. Changes in the fair value of these financial assets are recognised in other comprehensive income. Dividends are only recognised in the income statement when the Group's right to receive payment of the dividend is established.

When an entity restates a financial asset from the fair value through other comprehensive income category to the amortised cost category, the financial asset is restated to its fair value at the date of the restatement. The cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted to the fair value of the asset at the date of restatement. As a result, the financial asset is measured at the date of the restatement as if it had always been measured at amortised cost. This adjustment is recognised in comprehensive income, but not in profit or loss (IFRS 9 paragraph 5.6.5).

When an entity reclassifies a financial asset from the fair value through other comprehensive income category to the fair value through profit or loss category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is transferred from equity to profit or loss as a restatement adjustment.

Financial assets at fair value through profit or loss

A financial asset must be designated as at fair value through profit or loss if the Bank's business model for managing the financial asset or its cash flow characteristics does not qualify it for measurement at amortised cost or fair value through other comprehensive income.

However, the Bank may irrevocably designate, on initial recognition, a financial asset that meets the criteria for measurement at amortised cost measurement or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

This classification takes into account the following:

i. fair value through profit and loss (FVTPL), which is broadly consistent with the designated regulatory trading book; and

ii. non-trading financial assets mandatorily measured at fair value through profit or loss or, separately, other assets not held for trading, mandatorily recorded at fair value (Not Held for Trading, PL).

Initial recognition and subsequent measurement

Financial assets at fair value through profit or loss are initially recognised at fair value, and any costs or income associated with the transactions are recognised in profit or loss at the time of initial recognition, with subsequent changes also recognised in profit or loss.

The periodic calculation of interest is recognised in "Interest and similar income" based on the interest rate of each issue (coupon rate).

3.1.5. Restatement

The restatement of financial assets is only permitted in strict accordance with the applicable regulatory and accounting standards[3].

The restatement of a trading book position into a non-trading book position or, conversely, the restatement of a non-trading book position into a trading book position may only occur in specific circumstances and must comply with the policies and procedures set out in the EBA Guidelines, in particular in the case of:

i. final delisting;

ii. the loss of public company status; and

iii. issuer default.

The Bank restates its portfolio on the basis of assumptions in such a way that the exceptional nature of the circumstances and the consistency with the defined policy are made absolutely clear.

Where the competent authorities allow the restatement:

i. the restatement of this item cannot be changed;

ii. the Bank must disclose publicly at the first reporting date that it has restated its position;

iii. in accordance with the rules, if the net change in the Bank's own funds requirement at the first reporting date resulting from the restatement of the position is a net reduction, the Bank will henceforth set aside additional own funds equal to the net change and disclose the amount of such additional own funds; and

iv. the amount of additional own funds shall remain the same until the maturity date of the position, unless the competent authorities allow the institution to gradually reduce this amount at an earlier date.

3.1.6. Fair value hierarchy of financial instruments

The fair value of financial assets and liabilities is determined in accordance with IFRS 13.

Fair value is the price that would be received for the sale of an asset at fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in a transaction made in the principal (or more favourable) market at the measurement date, under prevailing market conditions (i.e. exit price), whether this price is directly observable or estimated using another valuation technique.

Financial instruments carried at fair value on the balance sheet are classified into three tiers, in accordance with IFRS 13:

i. Tier 1 – quoted in an active market;

ii. Tier 2 – indirect valuation techniques based on market data; and

iii. Tier 3 – valuation techniques using mostly unobservable inputs.

3.1.7. Equity instruments

Transaction costs directly attributable to the issue of equity instruments are recognised as a deduction from equity. Amounts paid or received on the purchase or sale of equity instruments are recognised in equity, net of transaction

[3] For this purpose, a correction of a classification error is not considered to be a restatement.

costs. Distributions made on behalf of equity instruments are deducted from equity capital as dividends when declared.

3.1.8. Financial derivatives (IFRS 9)

Financial derivatives are recognised at fair value at the time the contracts are negotiated with the Bank and are subsequently measured at fair value. Fair values are derived from quoted prices in active markets, including recent market transactions, and valuation models, namely discounted cash flow models and option valuation models. Derivatives are recognised as assets when their fair value is positive and as liabilities when their fair value is negative.

Some derivatives embedded in other financial instruments, such as the indexation of the return on debt instruments to equity or share indices, are separated and treated as separate derivatives when their risk and economic characteristics are not clearly related to those of the host contract and the latter is not carried at fair value with changes recognised through profit or loss. These embedded derivatives are measured at fair value, with subsequent changes recognised in the statement of profit and loss.

3.1.9. Hedge accounting

As permitted by IFRS 9, the Bank has elected to continue to apply the hedge accounting requirements of IAS 39.

Principle:

Derivatives and other financial instruments used to hedge interest rate risk and exchange risk arising from financing and investing activities. Derivatives that do not qualify for hedge accounting are accounted for as trading derivatives.

Hedging derivatives are carried at fair value and gains or losses on remeasurement are recognised in accordance with the hedge accounting model. A hedging relationship is deemed to exist when:

i. there is formal designation and documentation of the hedging relationship at inception;

ii. the hedge is expected to be highly effective;

iii. the effectiveness of the hedge can be measured reliably;

iv. the hedge is assessed on an ongoing basis and determined to be highly effective throughout the financial reporting periods for which it was designated;

v. the hedge is highly effective throughout the financial reporting period; and

vi. for cash flow hedges, a forecast transaction that is the subject of the hedge must be highly probable and must be exposed to variations in cash flows that could ultimately affect profit or loss.

When a derivative financial instrument is used to hedge the foreign exchange risk of a monetary asset or liability, no hedge accounting model is applied. Any gain or loss on the derivative is recognised in profit or loss, as is the foreign exchange gain or loss on the underlying monetary item.

Fair value hedging

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss, together with any changes in the fair value of the asset or liability or group of assets or liabilities attributable to the hedged risk.

If the hedging relationship no longer meets the criteria for hedge accounting, the cumulative gain or loss on the interest rate risk of the hedged item up to the date when the hedge is discontinued is recognised in profit or loss over the remaining life of the hedged item.

Cash flow hedging

Changes in the fair value of derivatives that are designated as effective cash flow hedges are recognised in profit or loss. The ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss.

Amounts recognised in equity are restated to profit or loss in the period in which the hedged item affects profit or loss.

Hedge effectiveness

For a hedging relationship to be designated as such, its effectiveness must be demonstrated. This requires prospective testing at the inception of the hedge, where applicable, and retrospective testing at each balance sheet date to demonstrate that changes in the fair value of the hedging instrument are offset by changes in the hedged item that are attributable to the hedged risk. Any resulting ineffectiveness is recognised in profit or loss as it arises.

3.1.10. Loans to clients and other receivables (Other receivables)

Valuation, initial and subsequent recognition

Loans to clients and other receivables are financial assets that represent the provision of cash, goods or other services by the institution to a specific entity. This concept covers the typical activity of granting loans to clients, as well as the creditor positions arising from transactions with third parties carried out in the course of the institution’s activities.

Loans to clients and other receivables are valued as follows:

Loans and receivables are initially recognised at fair value. Fair value at initial recognition is generally the transaction value and includes commissions, fees or other charges and income related to the loan transaction. Loans and receivables are subsequently measured at amortised cost based on the effective interest rate and are subject to impairment tests.

Where applicable, interest, commissions and other fees and income related to loan transactions are accrued over the life of the transaction for transactions that generate residual cash flows over a period of more than one month, regardless of when they are collected or paid. Loan commitment fees are deferred and recognised on a straight-line basis over the life of the commitment.

Impairment is assessed on the basis of the total amount of loans and advances, including other commitments to third parties such as guarantees or similar instruments.

Derecognition (IFRS 9)

Loans to clients are derecognised from the balance sheet when:

i. the Bank's contractual rights to the cash flows expire;

ii. the Bank has transferred substantially all the risks and rewards of ownership;

iii. although some, but not substantially all, of the risks and rewards of ownership have been removed by the Bank, control of the assets has been transferred; and

iv. changes in the contractual terms of a financial asset result in a significant change in the present value of the cash flows, i.e. the new contractual terms, discounted at the original contractual rate, result in a change of at least 10% in the present value of the remaining cash flows of the original financial asset.

Credit impairment loss (IFRS 9)

Identified impairment losses are recognised in profit or loss and are subsequently reversed through profit or loss if there is a subsequent reduction in the amount of the estimated loss.

IFRS 9 replaces the incurred loss model of IAS 30 with a forward-looking Expected Credit Loss (ECL) model that considers expected credit losses over the life of financial instruments. The ECL takes into account macroeconomic factors and other forward-looking information whose changes affect the expected loss.

The current impairment model analyses all positions on an individual basis.

3.1.11. Assets acquired in exchange for loans

Assets acquired in exchange for loans, which may consist of property, plant and equipment and other assets received as consideration, are stated as non-current assets held for sale and are initially measured at the lower of fair value less costs to sell and the carrying amount of the loan receivable.

3.1.12. Non-current assets held for sale

Non-current assets are classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Assets recorded in this category are valued at the lower of the amount determined in accordance with the applicable IFRS and the fair value, determined on the basis of the valuations by external appraisers, less costs to sell, and are not subject to depreciation.

3.1.13. Other property, plant and equipment and leases (IAS 16 and IFRS 16)

Other property, plant and equipment are stated at cost less depreciation and impairment losses, and are depreciated on a straight-line basis over their estimated useful lives. This period is within the limits allowed by the Portuguese tax law as follows:

Equipment

Years:	
Vehicles	4 – 8
Furniture and office supplies	8 – 16
IT equipment	3 – 8
Other property, plant and equipment	5 – 50

(*) Land is not amortised

Cost includes expenses directly attributable to the acquisition of the asset. Maintenance and repair costs are charged to "General administrative expenses" recognised as incurred during the year.

In accordance with IAS 16, these assets are tested for impairment whenever there is an indication that their carrying amount exceeds their recoverable amount. Any difference is recognised in profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Impairment losses on property, plant and equipment are recognised in profit or loss.

Land and buildings were carried at cost until 31 December 2020, when they were revalued by professionally qualified and independent valuers. Therefore, a revalued amount has been recorded for these classes of assets, which represents the fair value at the date of the revaluation less any accumulated depreciation and any accumulated impairment losses.

Increases in the carrying amount arising from revaluations are credited to property, plant and equipment revaluation reserves in equity.

When revalued assets are sold, the amount recognised in the revaluation reserve is transferred to retained earnings. In addition, the amount of the annual realisation of the surplus associated with depreciable assets is also transferred to retained earnings.

The Bank adopted IFRS 16 – Leases as of 1 January 2019 to replace IAS 17 – Leases' which was applicable until 31 December 2018. As the adoption did not have a material impact on the financial statements, the Bank decided not to apply the standard retrospectively.

As a lessee, the Bank recognises a right-of-use asset for its rights to use the underlying leased asset and a lease liability for its obligations to make lease payments.

The Bank recognises a right-of-use asset and a lease liability at the inception of the lease. The assets are initially recognised at cost and subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for any remuneration on the lease liability.

Right-of-use assets are recognised in "Right-of-use property, plant and equipment".

Lease liabilities are initially recognised at the present value of lease payments over the lease term, discounted at the implicit lease rate or, if not readily determined, at the Bank's borrowing rate.

Lease liabilities are subsequently increased by the interest cost of the lease liability and decreased by the lease payments made. Lease liabilities are included in "Other liabilities".

The Bank has not entered into any transactions where it is classified as a lessor.

3.1.14. Intangible assets (IAS 38)

The Bank recognises under this heading the costs associated with the development of past and future projects and the costs of software, both of which have an expected impact beyond the period in which they are incurred.

Costs directly associated with the development of IT applications that are expected to generate future economic benefits beyond one financial year are recognised and reported as intangible assets.

All other expenses related to IT services are recognised as an expense in the period in which they are incurred.

Intangible assets are stated at cost less accumulated impairment losses and amortised on a straight-line basis every twelfth thereof over their estimated useful lives, generally three years.

3.1.15. Investments in associated companies (IAS 28)

Investments in associated companies (entities over which the Bank has a significant influence by participating in the financial and operating decisions of the entity – usually investments representing between 20% and 50% of the share capital) are accounted for using the equity method.

Under this method, investments in associated companies are initially recognised at cost, plus or minus an amount equal to the companies' equity capital at the date of acquisition or when the equity method is first applied. The financial investments are then adjusted each year for the share of the associated companies through profit or loss. In addition, dividends received from these companies are recognised as a reduction in the value of the investment and the Group's share of changes in equity is recognised as a change in Group's equity.

The difference between the cost of the investment and the associated company's share of the fair value of the identifiable assets or liabilities, if positive, is recognised as goodwill and included in the carrying amount of the investment. If the difference is negative, it is recognised as profit in the period after the fair value is reconfirmed.

If there is any indication that an asset may be impaired, investments in associates are measured and any impairment loss, if any, is recognised as a cost and reversed when no longer justified.

When the proportion of the accumulated losses of the associate exceeds the carrying amount of the investment, the investment is stated at zero, unless the entity has incurred obligations to the associate, in which case a provision is recognised to meet those obligations.

3.1.16. Other financial liabilities – Deposits from other credit institutions, client deposits, other loans, and other (IFRS 9)

Other financial liabilities, which mainly include deposits from clients and from central banks, are carried at amortised cost.

Financial liabilities held for trading, in particular those resulting from short selling, and their adjustments are recognised in profit or loss.
Under the fair value option, financial liabilities included in liabilities represented by securities and subordinated liabilities are designated as financial liabilities at fair value through profit or loss if they qualify for this category, in particular because they contain one or more embedded derivatives. These liabilities are initially recognised at fair value, with subsequent changes in fair value recognised in profit or loss.

3.1.17. Provisions and contingent liabilities (IAS 37)

A provision is recognised when (i) the Bank has a present obligation (legal or constructive), (ii) it is probable that the settlement thereof will be required in the future, and (iii) a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, the provision is the present value of the expected future payments discounted at a rate that reflects the risk associated with the obligation. If it is not probable that an outflow of resources will be required in the future, it is a contingent liability. Contingent liabilities are disclosed unless the possibility of their being realised is remote. A provision for onerous contracts is recognised when the benefits expected to be received under a formal contract are less than the costs that the Bank will inevitably incur in order to meet its obligations under the contract. The provision is measured at the present value of the lower of the cost to terminate the contract and the estimated net cost of continuing the contract.

3.1.18. Tax on profits (IAS 12)

Banco Carregosa and its subsidiaries incorporated in Portugal are subject to the tax scheme established by the Corporate Tax Code and the Tax Benefits Charter (EBF – Estatuto dos Benefícios Fiscais).

Income tax is the sum of current tax and deferred tax. Both are recognised in profit or loss, except when they relate to items recognised directly in equity. In such cases, the deferred tax is also recognised in equity.

The current tax payable is based on the taxable profit for the period, determined in accordance with the tax laws in force at the balance sheet date. Taxable profit differs from accounting profit in that it excludes various expenses and income that will only be deductible or taxable in other accounting periods. Taxable profit excludes expenses and income that will never be deductible or taxable.

Deferred taxes relate to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences. However, deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilised, or when there are deferred tax liabilities that are expected to arise in the same period as the deferred tax assets can be utilised. These deferred tax assets are reviewed at each balance sheet date and adjusted based on expectations of future utilisation.

3.1.19. Gains from financial transactions

Financial results include gains and losses on financial assets and liabilities at fair value through profit or loss, i.e. changes in fair value and interest on trading derivatives and embedded derivatives, as well as the dividends received on these portfolios. It also includes gains or losses on sales of debt instruments of financial assets at fair value through other comprehensive income and other financial assets at amortised cost. Changes in the fair value of derivatives designated as hedging instruments and hedged items in fair value hedges are also included herein.

3.1.20. Recognition of revenue and costs

Revenues and costs are recognised on an accrual basis over the period of the transaction, i.e. when they are incurred. Revenue is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured. Accrued but uncollected interest is reversed in the balance sheet after three months and is only recognised as revenue when actually received.

3.1.21. Recognition of income from services and commissions (IFR 15)

IFRS 15 redefines the principles for recognising revenue and applies to all contracts with clients that are not covered by other standards (e.g. taxes on instruments that would be covered by IFRS 9 and lease income).

IFRS 15 establishes a five-step model framework for recognising revenue from contracts with clients, which represents the consideration to which the entity is entitled in exchange for the services provided to the client.

The Bank applies IFRS 15 to fee and commission income which is recognised in accordance with the following criteria:

i. when received at the time the services are provided, they are recognised in profit or loss in the period to which they relate;

ii. when they arise from the provision of services, they are recognised when the said service is rendered; and

iii. if fully included in the effective interest rate, they are recognised in the financial margin.

Many of the Bank's revenue streams (e.g. interest income, gains and losses on financial instruments) are outside the scope of IFRS 15 and therefore the accounting for these streams has not changed with the adoption of IFRS 15.

3.1.22. Recognition of interest

Interest on financial instruments carried at amortised cost and on financial assets at fair value through other comprehensive income is recognised in interest and similar income and interest and similar expenses, respectively. Interest on financial assets and liabilities at fair value through profit or loss is also included in interest and similar income and interest and similar expenses, respectively. The effective interest rate is the rate that exactly discounts estimated future cash payments or estimated future receipts over the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The effective interest rate is determined when the financial asset or financial liability is initially recognised and is not subsequently revised.

3.1.23. Commissions for services rendered

Banco Carregosa charges its clients commissions for a wide range of services rendered. Commissions are recognised immediately as revenue as they relate to specific or one-off services and are not linked to services provided over time.

3.1.24. Guarantees provided and irrevocable commitments

Liabilities for guarantees issued and irrevocable commitments issued are recognised in off-balance sheet items at their risk value, with interest, commission or other income flows recognised in profit or loss over the life of the transactions.

3.1.25. Employee benefits (IAS 19)

Employee benefits are accounted for in accordance with IAS 19 - 'Employee Benefits' and include pensions, healthcare and other long-term and short-term benefits.

3.1.26. Retirement and survivor pensions

Banco Carregosa has decided, voluntarily and at its own discretion, to define the guaranteed benefits exclusively for its employees who are not covered by the National Pension Scheme, with reference to the CBA (Collective Bargaining Agreement) for the banking sector, signed by the Central, Northern and Southern and Islands Banking Unions and published in the Bulletin of Work and Employment (BTE) no. 3, of 22 January 2009, which stipulates that the pension plan financed by these subscriptions guarantees participants and beneficiaries a retirement pension or survivor's pension in the event of presumed invalidity or death in accordance with the terms and conditions defined therein. This plan complies with the ACTV and is subject to the requirements of Banco de Portugal, in particular its Notice 12/2001 and any updates thereto.

In order to finance these obligations, Banco Carregosa joined the Horizonte – Valorização da Pensõesgere pension fund in 2004. In 2010, in response to the evolution of its obligations and in line with a policy of rigour and good coverage of the liabilities assumed, the Bank decided to transfer the pension fund to another management company, "REAL VIDA PENSÕES - Sociedade Gestora de Pensões SA", subscribing to three funds: the Aberto Optimize Capital Pensões Shares Pension Fund (30%), the Aberto Optimize Capital Equilibrado Pension Fund (30%) and the Aberto Optimize Capital Moderado Pension Fund (40%). Disability and survivors' benefits are covered by a life insurance policy.

Liabilities for past services rendered by eligible employees are determined each year on the basis of the date on which the employee joined Banco Carregosa and not on the date on which the employee entered the banking sector. Consequently, the share of the liability for the period between the date of entry into the banking sector and the date of joining the company is charged to past employers, unless they have transferred the amount of their share of the liability.

The liability recognised is the difference between the present value of the defined benefit obligation and the fair value of plan assets, taking into account adjustments for deferred actuarial gains and losses. The value of the liabilities is determined annually by independent actuaries using the projected unit credit method and actuarial assumptions deemed appropriate. The liabilities are valued using a discount rate that reflects the market rate for medium and long-term euro-denominated bonds issued by companies that are considered to be low risk.

In addition to pensions, the Bank has also assumed, as part of the fund’s liabilities and for this group of employees, a death grant in the event of death.

Following an analysis of the current responsibilities and costs with medical assistance, the Bank decided in 2010 to outsource this benefit to Multicare, and in 2017 to switch to Advancecare for all employees at the same cost.

Banco Carregosa intends to transform the current Defined Benefit Pension Plan by (i) integrating it into a new Defined Benefit Pension Plan, which is currently being set up, and, at the same time, (ii) by extending the new pension plan to all employees. The Defined Benefit Plan remains in place for inactive employees, pension payments and liabilities to SAMS.

3.1.27. Variable remuneration paid to employees (IAS 19)

In accordance with IAS 19 – Employee Benefits, variable remuneration (profit-sharing, bonuses and other) paid to employees and, where applicable, to directors is recognised in profit or loss in the period to which it relates.

3.1.28. Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders of Banco L. J. Carregosa, S.A. by the weighted average number of ordinary shares outstanding.

3.1.29. Subsequent events

The Bank analyses events after the balance sheet date, i.e. favourable and/or unfavourable events that occur between the balance sheet date and the date on which the financial statements are authorised for issue. There are two types of events:

i. those that are evidence of conditions that existed at the balance sheet date (adjusting events after the balance sheet date); and

ii. those that are evidence of conditions that have arisen after the balance sheet date (non-adjusting post-balance sheet events).

Events after the balance sheet date that cannot be adjusted are disclosed in the notes to the financial statements if they are material.

3.2. Significant accounting estimates and judgements used in the preparation of the financial statements

Estimates and judgements that have an impact on the Group's consolidated financial statements are continually evaluated and represent the Board of Directors' best estimate at each reporting date, taking into account historical performance, accumulated experience and expectations about future events that are believed to be reasonable under the circumstances. The nature of estimates is such that the actual results of the estimates may differ from the reported amounts. The principal accounting estimates and judgements used in the Group's application of accounting policies are set out in this note to enhance understanding of how their application affects the Group's reported results and disclosures.

3.2.1. Impairment on loans to clients

In order to determine potential expected losses, the Bank regularly reviews its loan portfolios.

The review of the loan portfolio to determine whether an impairment loss should be recognised is subject to various estimates and judgements, including the existence of impairment indicators, probability of default, credit ratings, estimated recoveries and the valuation of existing collateral. See note 3.4 for a detailed description of the credit impairment process.

3.2.2. Taxes on income

The determination of the total amount of income taxes requires certain judgements and estimates. There are various transactions and calculations for which the determination of the ultimate amount of tax payable during the normal course of business is uncertain.

The amount of current and deferred income tax recognised in the period may differ due to differences in interpretation and estimates.

In addition, deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the unused tax losses and the deductible temporary differences can be utilised.

The Bank has assessed the recoverability of deferred tax assets (including the rate of recovery) based on projections of its future taxable profits as set out in a business plan.

The tax authorities are responsible for reviewing the calculation of the tax base for a period of four or six years where tax losses are reported. It is therefore possible that adjustments may be made to the tax base, mainly as a result of differing interpretations of tax legislation. However, the Board of Directors does not believe that there will be any material adjustments to the income taxes recognised in the financial statements.

3.2.3. Pensions and other employee benefits

The determination of pension obligations requires the use of assumptions and estimates, including the use of actuarial projections, the liability discount rate and other factors that may affect the cost and liability of the plan.

A change in any of these assumptions could have a material effect on these amounts.

3.2.4. Nature of principles, estimates and assumptions used in measuring impairment

IFRS 9 introduces a new concept of impairment called Expected Credit Loss (ECL), which focuses on the assumption of expected loss.

The scope of this new model applies to debt instruments carried at amortised cost or at fair value through comprehensive income, to most loan commitments, to financial guarantee contracts and contractual assets under IFRS 15.

The measurement of expected credit losses (ECL) now takes this into account:

i. an objective amount calculated by valuing a range of possible outcomes weighted by their probability of occurrence;

ii. the time value of money; and

iii. reasonable and supportable information that is readily available at the reporting date about past events, current conditions and projections of future economic conditions.

The measurement of ECL reflects the probability that the borrower will default, taking into account the temporary effect and the probability of default (referred to as Loss Given Default - LGD). In addition, this calculation must be based on reasonable and supportable information that is available without undue cost or effort.

It should be noted that the change in International Financial Reporting Standards with the introduction of IFRS 9 implies the measurement of expected losses, as mentioned above in relation to the determination of impairments.

Macroeconomic models are incorporated into the estimation of expected losses by weighting prospective scenarios according to key indicators.

It should be noted that the approach used to calculate the ECL is at an individual level, as each position is analysed separately. This situation arises because the Bank does not have statistically relevant historical data that would allow the portfolio to be segregated into homogeneous risk classes in order to implement and develop a collective analysis.

3.2.5. Identification of low credit risk exposures

In accordance with BdP Circular 2018/00000062, in those cases (which are expected to be limited in number) where it is determined that the financial instrument has a low credit risk at the reporting date, the credit risk of a financial instrument is deemed not to have increased significantly since initial recognition. For this purpose, a financial instrument is considered to have low credit risk if it is rated investment grade (i.e. NR5 or better in the Bank's internal rating system). In addition, the credit risk development of these financial instruments must be monitored on an ongoing basis if they are classified as low credit risk in order to determine whether there has been a significant increase in risk and to ensure that the same low credit risk assumptions are maintained in each reporting period.

Taking into account the requirements set out in IFRS 9 for the application of the low credit risk assumption, it is reasonable to assume that this assumption can be made for contractual exposures to the following counterparties, notwithstanding the provisions in the preceding paragraph:

i. central administrations or central banks of Member States and other EEA countries;

ii. multilateral development banks; and

iii. international organisations.

The calculation of zero expected credit losses for these exposures must be properly justified by applying the principle of materiality.

3.2.6. Evidence of impairment by unlikely to pay credit segments

Evidence of impairment relates to the reduced likelihood of payment:

i. losses recognised in the profit and loss account on instruments measured at fair value that represent impairments arising from credit risk under the applicable accounting framework; and

ii. losses arising from current or past events affecting a particular significant exposure or exposures that, although not individually significant, are subject to individual or collective assessment. In accordance with Article 178 (3) of the CRR, factors indicating a reduced probability of payment include the following situations:

   a. the institution classifies the loan obligation as non-performing;

   b. the institution recognises a specific loan loss allowance based on the perception of a significant deterioration in credit quality from the time the institution originated the exposure;

   c. the institution sells the credit obligation, thereby incurring a significant economic loss;

d. the institution allows an urgent restructuring of the credit obligation where this would result in a lower financial obligation through significant forgiveness or deferral of principal, interest or, where applicable, fees. For equity exposures measured under the PD/LGD approach, this includes an urgent restructuring of the equity exposure itself;

e. the institution has filed a petition for the debtor's bankruptcy or a similar order in respect of the debtor's credit obligations to the institution, its parent undertaking or any of its subsidiaries; and

f. the debtor has applied for, or obtained, bankruptcy, liquidation, or similar relief in order to avoid or delay repayment of its credit obligation to the institution, the parent undertaking or any of its subsidiaries.

In turn, the EBA provides additional indications of a debtor's reduced likelihood of payment, in addition to those listed in Article 178(3) of Regulation (EU) No 575/2013, such as:

i. the borrower's regular sources of income are no longer available to meet the instalments;

ii. there are reasonable concerns about the borrower's future ability to generate stable and sufficient cash flows;

iii. the borrower's overall level of indebtedness has increased significantly or there is a reasonable expectation that such a change in indebtedness will occur;

iv. the borrower has breached an obligation under a loan agreement;

v. the institution has drawn on a guarantee;

vi. in the case of exposures to natural persons, the default of a wholly-owned company where an individual has provided the institution with a personal guarantee for all of the company's obligations;

vii. in the case of retail exposures, where the definition of default is applied at the level of an individual facility, the fact that a significant portion of the debtor's total obligation is in default; and

viii. reporting an exposure as non-performing in accordance with Annex V of Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014, as amended by Commission Implementing Regulation (EU) No 2015/227, unless the competent authorities have replaced 90 days past due by 180 days past due, in accordance with Article 178(1)(b) of Regulation (EU) No 575/2013.

Under the last sub-paragraph, relating to non-performing loan status, institutions should consider that there is a reduced likelihood of payment from a debtor when interest on loan obligations is no longer recognised in the institution's income statement due to deterioration in the credit quality of the obligation.

In addition, they should be treated as an indication of a significant increase in credit risk.

3.2.7. Significant increase in credit risk

The transition from the first to the second stage under IFRS 9 is triggered by a significant increase in credit risk since initial recognition. For this purpose, any reasonable and supportable information that is available without undue cost or effort that could identify the existence of a significant increase in credit risk shall be considered, in particular in the case of any of the following:

i. changes in internal or external ratings;

ii. changes in external indicators of credit risk;

iii. changes (actual or expected) in the default risk of another instrument of the same debtor;

iv. changes in interest rates applied due to an increase in credit risk; and

v. default.

Without prejudice to the use of additional indicators, the following indicators are presumed to reflect situations where the credit risk of a financial instrument is significantly increased, unless there is objective evidence to the contrary:

i. loans that are more than 30 days in arrears of principal, interest, commission or other charges, or a situation similar to a loan that is unlikely to be repaid;

ii. deferred exposures; and

iii. loans for which the borrower meets at least two of the following criteria after the initial recognition of the transaction:

   a. at least one record of default in the Central Credit Register;

   b. the borrower's name appears on high-risk cheque users who are a risk or whose cheques have been dishonoured/not uncashed;

   c. debts to the tax authorities, social security or employees, in a situation of default or pledge enforced by the State; and

   d. other indications that may trigger internal alert levels.

Deferred exposures may be considered to be unimpaired as a result of agreements between the debtor and its creditors to ensure the sustainability of the debt and the viability of the debtor, if the agreements are based on an operational and financial viability plan for the entity that includes at least the following:

i. demonstration of the company's debt sustainability, taking into account the amounts that are recoverable according to the plan under the new conditions agreed, assuming a sufficiently conservative margin to absorb any deviations from the estimates made;

ii. analysis of the quality of the company's management and, where appropriate, the measures in place to mitigate the problems identified;

iii. analysis of possible unsustainable businesses and, where appropriate, plans for the restructuring of the business to retain only viable businesses; and

iv. determining that there is no other factor reasonably likely to weaken the conclusion that the restructured company is able to meet its obligations under the previously identified conditions and the newly agreed conditions.

In the case of the above debt restructuring agreements, a probationary period of 24 months from the date of formalisation of the agreement is taken into account for financial instruments that no longer meet the criteria for a significant increase in credit risk.

During this probationary period, the debt sustainability resulting from the new agreement must be demonstrated through an analysis to verify the objective criteria that demonstrate a return to a credit risk profile close to that of the financial instrument at initial recognition.

An entity may presume that the credit risk of a financial instrument has not increased significantly since initial recognition if the financial instrument is classified as having a low credit risk at the reporting date, and the transaction is therefore classified in the first tier.

3.2.8. Objective evidence of impairment

The existence of objective evidence of impairment is the determinant for the classification of the operation in Tier 3.

Under IFRS 9, in Tier 3, in addition to considering the full life of the exposure, the entity must consider that interest income may be based on the net amount using an adjusted effective interest rate, with an allowance for losses recognised over the full life of the instrument.

Without prejudice to the possibility for companies to use other indicators, BdP Circular Letter CC/2018/00000062 states that the following indicators represent an impairment of a financial instrument, unless there is objective evidence to the contrary:

i. loans that are more than 90 days past due for principal, interest, fees or other charges;

ii. reduced likelihood that the borrower will meet its credit obligations in full, with recovery dependent on the activation of any guarantees received, i.e. unlikely to repay the loan. For example:

iii. the institution has activated guarantees and collateral;

iv. the institution has initiated legal proceedings to collect the debt;

v. the debtor's sources of recurring income are no longer available to make repayment instalments (e.g. loss of a client or major lessee, sustained losses or significant reduction in sales/operating cash flows);

vi. the debtor's financial structure is significantly inadequate or the debtor is unable to obtain additional financing;

vii. the Bank suspends (even partially or conditionally) the payment of interest;

viii. the Bank directly cancels all or part of a debtor's debt (asset write-off/debt forgiveness) outside the context of a restructuring operation;

ix. the Bank or institution leading the group of creditors, as the case may be, initiates bankruptcy/insolvency proceedings against the debtor;

x. ongoing out-of-court negotiations to settle or repay the debt (e.g., forbearance agreements);

xi. the debtor has filed for bankruptcy or insolvency;

xii. a third party has filed a petition for the bankruptcy or insolvency of the Bank's debtor;

xiii. debts to the tax authorities, social security or employees in a situation of litigation or pledge enforced by the state;

xiv. transactions restructured as a result of the debtor's financial difficulties in any of the following situations:

xv. the restructuring is supported by an inadequate payment schedule. An inadequate payment schedule exists, inter alia, when it is successively breached, when the operation has been restructured to avoid default, or when it is based on expectations that are not supported by macroeconomic forecasts;

xvi. the restructured loans include contractual clauses that extend the repayment period, in particular by introducing a grace period of more than two years for the payment of the principal; and

xvii. loans that have been restructured due to financial difficulties that are in a cure period, are being restructured again due to financial difficulties, or are more than 30 days past due on principal or interest during this period.

A cure period is considered for financial instruments where the criteria that led to the impairment are no longer met. In particular, a 12-month cure period is applied to instruments in an impairment situation that have been restructured as a result of the debtor's financial difficulties.

4. Notes to the consolidated financial statements

The consolidated balance sheet and income statement as at 30 June 2023 and 31 December 2022 are presented in accordance with the International Financial Reporting Standards and comprise the following headings:

Note 1. Cash and net assets in central banks and other demand deposits

The composition of this group for the comparative period is as follows:

	30/06/2023	31/12/2022
Cash	124 581	221 389
Net balances on demand in Banco de Portugal	142 140 687	259 725 825
Sight deposits with financial institutions		
Residents	1 899 423	4 345 503
Non-residents	9 360 798	12 341 456
	153 525 489	**276 634 174**

Sight deposits with the Bank of Portugal include deposits intended to meet legal requirements for minimum cash holdings. Deposits with Banco de Portugal decreased by around €117 million compared to December 2022, due to the expected reduction in funds from institutional clients.

Note 2. Financial assets

Note 2.1 Financial assets held for trading

The composition of this group for the comparative period is as follows:

	30/06/2023	31/12/2022
Trading securities		
Securities	1 611 634	1 459 225
Derivatives with positive fair values	65 616	552 790
	1 677 250	**2 012 015**

This portfolio decreased by 17% compared to December 2022 due to the reduction of the position in derivatives with a positive fair value as a result of the maturity of the live instruments in December 2022.

Note 2.2 Financial assets not held for trading mandatorily at fair value through profit or loss

The composition of this group for the comparative period is as follows:

	30/06/2023	31/12/2022
Non-negotiable financial assets mandatorily at fair value through profit or loss	10 706 161	10 827 901
	10 706 161	**10 827 901**

Note 2.3 Other financial assets

The composition of this group for the comparative period is as follows:	30/06/2023	31/12/2022
Other securities		
Issued by residents	829	539
	829	**539**

Amount related to the contribution to the Workers' Compensation Fund, recognised at fair value, for which a quote is obtained from the Workers' Compensation Fund.

Note 3. Financial assets at fair value through other comprehensive income

The composition of this group for the comparative period is as follows:	30/06/2023	31/12/2022
Issued by residents		
Debt instruments	3 769 040	7 252 016
Equity instruments	639 624	642 984
Other	-	-
	4 408 664	**7 895 000**
Issued by non-residents		
Debt instruments	55 108 382	53 473 384
Equity instruments	-	-
Other	-	-
	55 108 382	**53 473 384**
	59 517 046	**61 368 384**

This portfolio decreased by 3% compared to December 2022 due to amortisation and the sale of some assets.

The changes in impairment losses on the portfolio of financial assets at fair value through comprehensive income are as follows:

	30/06/2023	31/12/2022
Balance as at 1 January	**714 689**	**589 354**
Appropriation	233 803	848 420
Reversal	(122 166)	(723 085)
Utilisation		
Exchange and other differences	-	-
Balance at the end of the period	**826 326**	**714 689**

Note 4. Financial assets at amortised cost

The composition of this group for the comparative period is as follows:

	30/06/2023	31/12/2022
Ativos		
Other liquid assets	-	23 700
Investments in credit institutions	500 826	500 275
Investments held to maturity	136 206 326	129 638 221
Debtors and other investments	1 432 325	1 607 869
Loans to clients	56 709 160	62 173 827
	194 848 637	**193 943 892**
	194 848 637	**193 943 892**

Changes in impairment losses on debtors and other investments are as follows:

	30/06/2023	31/12/2022
Balance as at 1 January	**243 838**	**251 374**
Appropriation	-	221 935
Reversal	-	(229 471)
Utilisation	-	-
Exchange and other differences	-	-
Balance at the end of the period	**243 838**	**243 838**

From January 2018, with the entry into force of IFRS 9, the Bank calculates impairments on the held-to-maturity portfolio. As at 30 June 2023, the breakdown is as follows:

	30/06/2023	31/12/2022
Balance as at 1 January	**183 481**	**267 066**
Appropriation	54 852	115 943
Reversal	(48 563)	(199 529)
Utilisation	-	-
Exchange and other differences	-	-
Balance at the end of the period	**189 770**	**183 481**

Note 4.1 Loans to clients

The composition of this group for the comparative period is as follows:

	30/06/2023	31/12/2022
Domestic loans		
Loans	33 343 285	37 353 818
Current account loans	11 214 753	15 112 128
Foreign loans		
Loans	4 635 656	1 408 990
Current account loans	1 165 531	1 740 529
Overdue loans and interest	7,011,306	7 448 233
Income receivable		
Shareholder loans	106 912	366 366
Revenue with deferred income	(170 447)	(204 360)
	57 306 995	**63 225 705**
Provisions/Impairments for overdue loans and interest	(597 835)	(1 051 878)
	56 709 160	**62 173 827**

In June 2023, the loan portfolio is 9% lower than in December 2022. This is largely due to the early repayment of loans. It should be noted that the vast majority of loans are backed by personal and real guarantees that significantly exceed the amounts owed.

The changes in impairment losses on the available-for-sale loan portfolio are as follows:

	30/06/2023	31/12/2022
Balance as at 1 January	**1 051 878**	**1 884 171**
Appropriation	1 781 023	4 733 240
Reversal	(2 056 489)	(4 868 879)
Utilisation	(178 558)	(696 817)
Exchange and other differences	-	162
Balance at the end of the period	**597 835**	**1 051 878**

Note 5. Derivatives – Hedge accounting

The composition of this group for the comparative period is as follows:

	30/06/2023	31/12/2022
Hedging derivatives		
Positive fair value – cash flow hedging	103 433	110 197
	103 433	**110 197**

In the first half of 2023, there is a positive variation in the fair value of interest rate swaps in this item.

Note 6. Investments in associated and subsidiary companies excluded from consolidation

The composition of this group for the comparative period is as follows:

	30/06/2023	31/12/2022
Accounted for using the equity method – in country		
In country		
Coollink - Serviços de Informática e Consultadoria, Lda.	70 290	72 315
	70 290	**72 315**

The 25% investment in Coollink - Serviços de Informática e Consultadoria, Lda. is accounted for using the equity method.

Note 7. Other property, plant and equipment

The composition of this group for the comparative period is as follows:

	30/06/2023	31/12/2022
Other property, plant and equipment		
Own-use assets	10 663 712	10 663 712
Right-of-use assets	364 187	370 877
Equipment	9 342 344	8 973 180
Right-of-use equipment	24 458	24 458
Property, plant and equipment in progress	151 653	107 923
	20 546 354	**20 140 149**
Accumulated amortisations		
Own-use assets	(867 070)	(800 566)
Right-of-use assets	(45 523)	(370 877)
Equipment	(7 495 058)	(7 311 311)
Right-of use equipment	(4 076)	(1 019)
	(8 411 727)	**(8 483 774)**
	12 134 627	**11 656 375**

In 2022, there is a variation of +4% in this item, with an increase of around €370m in the equipment item

Changes in other intangible assets are shown in the following note.

Note 8. Intangible assets

The composition of this group for the comparative period is as follows:

	30/06/2023	31/12/2022
Other intangible assets		
Goodwill	6 500	6 500
Automatic data processing system (software)	5 715 967	5 346 683
Property, plant and equipment in progress	-	-
Other	340,144	340 144
	6 062 611	**5 693 327**
Accumulated amortisations		
Automatic data processing system (software)	(4 717 319)	(4 401 108)
Other	(340 144)	(340 144)
	(5 057 463)	**(4 741 253)**
	1 005 148	**952 074**

Changes and balances as at 31 December 2022 under “Other property, plant and equipment” and “Intangible assets”, including amortisations and impairment adjustments, are shown in the table below:

Intangible assets and property, plant and equipment as at 30 June 2023
(consolidated activity)

Euros

Accounts	As at 31/12/2022		Increases due to acquisitions	Amortisations in the year	Write-offs	Regularisations	Adjusted acquisition value	Adjusted amortisations in the year	Adjusted accrued amortisations	Net value as at 30/06/2023
	Gross value	Accrued amortisations				Accumulated amortisations				
Other intangible assets										
Goodwill	6 500	-	-	-	-	-	6 500	-	-	6 500
Formation expenses	-	-	-	-	-	-	-	-	-	-
Multiannual costs	-	-	-	-	-	-	-	-	-	-
Data processing systems (software)	5 346 683	(4 401 108)	369 283	(316 210)	-	-	5 715 966	(316 210)	(4 401 108)	998 648
Other intangible assets	340 144	(340 144)	-	-	-	-	340 144	-	(340 144)	- 0
Intangible assets in progress	-	-	-	-	-	-	-	-	-	-
	5 693 327	(4 741 252)	369 283	(316 210)	-	-	6 062 610	(316 210)	(4 741 252)	1 005 148
Property, plant and equipment										
Property	10 663 712	(800 566)	-	(66 503)	-	-	10 663 712	(66 503)	(800 566)	9 796 642
Equipment	8 973 180	(7 311 312)	569 034	(382 776)	(199 869)	199 029	9 342 345	(382 776)	(7112 283)	1 847 286
Financial lease assets	-	-	-	-	-	-	-	-	-	-
Right-of-use property - IFRS 16	370 877	(370 877)	364 186.71	(45 523)	(370 877)	370 877	364 187	(45 523)	-	318 663.39
Right-of-use renting - IFRS 16	24 457.99	- 1 019.08	-	(3 057)	-	-	24 458	(3 057)	(1 019)	20 382
Property, plant and equipment in progress	107 923	-	43 731	-	-	-	151 653	-	-	151 653
	20 140 149	(8 483 774)	976 951	(497 860)	(570 746)	569,906.20	20 546 355	(497 860)	(7 913 868)	12 134 627
Totals	**25 833 476**	**(13 225 027)**	**1 346 234**	**(814 070)**	**(570 746)**	**569 906.20**	**26 608 964**	**(814 070)**	**(12 655 121)**	**13 139 774**

The Certified Accountant **The Board of Directors**

Intangible assets and property, plant and equipment as at 31 December 2022 (consolidated activity)

Euros

Accounts	As at 31/12/2021		Increases due to acquisitions	Amortisations in the year	Write-offs	Transfers	Adjusted acquisition value	Adjusted amortisations in the year	Adjusted accrued amortisations	Net value as at 31/12/2022
	Gross value	Accrued amortisations								
Other intangible assets										
Goodwill	11 484	-	-	-	(4 984)	-	11 484	-	-	6 500
Formation expenses	-	-	-	-	-	-	-	-	-	-
Multiannual costs	-	-	-	-	-	-	-	-	-	-
Data processing systems (software)	4 757 250	(3 690 812)	589 433	(710 297)	-	-	5 346 683	(710 297)	(3 690 812)	945 575
Other intangible assets	340 144	(320 426)	-	(19 719)	-	-	340 144	(19 719)	(320 426)	- 0.05
Intangible assets in progress	-	-	-	-	-	-	-	-	-	-
	5 108 878	(4 011 237)	589 433	(730 015)	(4 984)	-	5 698 311	(730 015)	(4 011 237)	952 074
Property, plant and equipment										
Property	10 618 440	(668 332)	-	(132 234)	-	45 272	10 663 712	(132 234)	(668 332)	9 863 146
Equipment	8 146 415	(6 722 660)	851 665	(613 552)	(24 900)	-	8 973 180	(588 652)	(6 722 660)	1 661 868
Financial lease assets	-	-	-	-	-	-	-	-	-	-
Right-of-use property - IFRS 16	370 877	(278 158)	-	(92 719)	-	-	370 877	(92 719)	(278 158)	0.02
Right-of-use renting - IFRS 16	-	-	24 458	(1 019)	-	-	24 458	(1 019)	-	23 439
Property, plant and equipment in progress	53 530	-	99 575	-	-	(45 182)	107 923	-	-	107 923
	19 189 263	(7 669 150)	975 697	(839 524)	(24 900)	89	20 140 149	(814 624)	(7 669 150)	11 656 375
Totals	**24 298 141**	**(11 680 387)**	**1 565 130**	**(1 569 540)**	**(29 884)**	**89**	**25,838,460**	**(1 544 640)**	**(11,680,387)**	**12 608 449**

The Certified Accountant

The Board of Directors

Nota 9. Tax assets

The composition of this group for the comparative period is as follows:

	30/06/2023	31/12/2022
Deferred tax assets		
Temporary differences		
Property, plant and equipment	5 340	5 340
Other	156 251	156 251
In asset variations	962 919	1 435 834
	1 124 510	**1 597 425**
	1 124 510	**1 597 425**

Deferred tax assets reflect only the income tax consequences of temporary differences. As described in the accounting policies, temporary differences between tax depreciation and accounting depreciation and impairment losses are also recognised.

Note 10. Other assets

The composition of this group for the comparative period is as follows:

	30/06/2023	31/12/2022
Other assets	2 771 522	3 324 842
Other income receivable		
Commissions for services rendered	498 779	582 052
Costs with deferred charges		
Insurance	102 375	131 053
Contributions to the deposit guarantee fund	198 174	-
Other costs with deferred charges	746 932	481 160
Other regularisation accounts	5 452 834	4 193 686
	9 770 616	**8 712 794**

“Other regularisation accounts” include securities transactions made at the end of the period and pending settlement at the beginning of the following financial year.

Note 11. Non-current assets and disposal groups stated as held for sale

For the periods under review, no figures are shown under this heading.

Note 12. Financial liabilities held for trading

The composition of this group for the comparative period is as follows:

	30/06/2023	31/12/2022
Derivative instruments at negative fair value	196 020	767 975
	196 020	**767 975**

Note 13. Financial liabilities measured at amortised cost

The composition of this group for the comparative period is as follows:

	30/06/2023	31/12/2022
Loans and deposits in domestic credit institutions		
Deposits	1 790 599	4 967 726
Loans	458 671	166 008
Other deposits	(315)	2 386
	2 248 955	**5 136 119**
Loans and deposits in foreign credit institutions		
Deposits	410 675	365 450
Loans	1	1
	410 676	**365 450**
Charges payable		
Other charges	105 588	401 813
	105 588	**401 813**
Other deposits	11 043 491	12 970 670
Client deposits		
Deposits		
Of residents		
Sight deposits	207 746 365	366 510 863
Term deposits	139 880 216	97 411 790
Of non-residents		
Sight deposits	30 337 066	36 393 913
Term deposits	3 316 209	4 243 688
	381 279 856	**504 560 254**
	395 088 565	**523 434 306**

The decrease in “Client deposits” in June 2023 compared to December 2022 is largely due to the expected decrease in deposits from institutional clients.

The item “Other deposits” is broken down as shown in the table below. The amount shown under “Other deposits” refers to client closing balances arising from both derivatives and the liquidity of portfolio management contracts.

	30/06/2023	31/12/2022
Other deposits	10 335 735	12 649 639
Creditors – transactions in securities	8	8
Suppliers	336 350	219 926
Other creditors	371 398	101 097
	11 043 491	**12 970 670**

Transactions to be regularised include securities transactions made at the end of the period pending settlement at the beginning of the following financial year.

Note 14. Hedging derivatives

For the periods under review, no figures are shown under this heading.

Note 15. Provisions

The composition of this group for the comparative period is as follows:

	30/06/2023	31/12/2022
Other provisions		
For guarantees and other commitments	588	314
For tax contingencies	209 494	209 494
	210 082	**209 808**
	210 082	**209 808**

Note 16. Tax liabilities

The composition of this group for the comparative period is as follows:

	30/06/2023	31/12/2022
Current tax liabilities		
Corporate income tax payable	-	84 475
	-	**84 475**
Deferred tax liabilities		
On revaluation of property	719 757	721 500
On investment unit at fair value	403 607	347 276
On reserves at fair value	32 844	33 282
	1 156 208	**1 102 058**
	1 156 208	**1 186 534**

Note 17. Other liabilities

The composition of this group for the comparative period is as follows:

	30/06/2023	31/12/2022
VAT payable	52 004	142 614
Withholdings and other taxes payable to the State	513 386	290 829
Payments to Social Security	109 676	106 821
Third party collections	790	817
Payments to other health systems	4 019	4 056
Other revenue with deferred income	-	1 381
Charges payable – staff	780 655	773 374
Operations to be regularised	6 042 051	4 285 396
	7 502 581	**5 605 288**

"Transactions to be regularised" include securities transactions made at the end of the period pending settlement at the beginning of the following financial year.

Note 18. Equity

Movements and balances as at 31 December 2022 under the equity headings are shown in the "Statement of changes in equity".

Breakdown of equity:

i. Shares: the Bank's share capital is represented by 200 million registered shares with a nominal value of €0.10 each, fully subscribed and paid up;

ii. Issue premiums: these refer to premiums paid by shareholders on capital increases; and

iii. Reserves: the amount of profits earned during the financial years but retained in the company as legal reserve, other reserves and/or retained earnings, excluding positive reserves arising from unrealised gains on government bonds.

Note 19. Minority interests

Following the acquisition of 96% of the equity of Carregosa – Sociedade Gestora de Organismos de Investimento Coletivos, S.A., in June 2023 €13 858 (€16 191 as at 31 December 2022) was recognised in minority interests.

Note 20. Financial margin

The composition of this group for the comparative period is as follows:	30/06/2023	30/06/2022
Interest and similar income from:		
Interest on cash and cash equivalents in central banks	61 369	-
Interest on cash and cash equivalents in other credit institutions	78 761	4 325
Interest on investments in central banks	2 940 540	-
Interest on loans to clients	1 539 833	1 057 866
Interest on overdue loans	314 311	552 028
Interest and similar income from other financial assets	2 005 382	1 164 460
Commissions received associated to amortised cost	52 387	21 283
	6 992 584	**2 799 961**
Interest and similar charges on:		
Deposits from Banco de Portugal	-	(209 610)
Deposits from credit institutions	(14 034)	(73 676)
Interest from creditors and other deposits		
Interest on client deposits	(1 247 895)	(113 605)
Interest on trading liabilities	-	-
Other interest and similar charges	(4 997)	(398)
Interest on loans	-	(4 826)
	(1 266 926)	**(402 116)**
	5 725 658	**2 397 845**

Note 21. Income from equity instruments

The composition of this group for the comparative period is as follows:	30/06/2023	30/06/2022
Available-for-sale financial assets		
Issued by residents		
Investment units	213 175	233 865
	213 175	**233 865**

These figures result from the payment of income from the Retail Properties real estate investment fund, corresponding to €0.50 per unit held, as in 2022, and from the VIP Conforto FEIIF and Arquimedes FEIIF funds.

Note 22. Revenue and charges from and with commission services

The composition of this group for the comparative period is as follows:

	30/06/2023	30/06/2022
Income from services and commissions from:		
Guarantees and commitments	9 661	15 407
Deposit and custody of securities	81 558	75 066
Collection of securities	127 038	121 071
Management of securities	820 575	769 266
Collective investment undertakings	906 890	511 207
Other services rendered	279 250	373 163
Transactions carried out on behalf of third parties	1 317 897	1 761 847
Other commissions received	350 733	603 145
	3 893 602	**4 230 172**
Charges with services and commissions for:		
Deposit and custody of securities	(56 015)	(50 320)
Other banking services provided by third parties	(40 542)	(129 023)
Transactions carried out by third parties	(1 996 035)	(1 855 739)
	(2 092 592)	**(2 035 082)**
	1 801 011	**2 195 090**

Note 23. Income from assets and liabilities valuated at fair value

The composition of this group for the comparative period is as follows:

	30/06/2023	30/06/2022
Gains from:		
Financial assets held for trading		
Securities	3 324 516	2 789 185
Derivative instruments	5 504 396	10 281 885
	8 828 913	**13 071 070**
Losses from:		
Financial assets held for trading		
Securities	(922 347)	(1 625 376)
Derivative instruments	(5 664 174)	(8 124 754)
	(6 586 520)	**(9 750 130)**
	2 242 392	**3 320 940**

In accordance with the applicable standards, in addition to the adjustments resulting from the application of fair value, this heading also includes the effects of the derecognition of financial assets, normally through their sale. In 2023, there is a 32% decrease compared to 2022, due to the decrease in gains on hedging operations, which are mainly used to hedge exchange positions.

Note 24. Income from financial assets at fair value through other comprehensive income

The composition of this group for the comparative period is as follows:

	30/06/2023	30/06/2022
Gains from:		
Available-for-sale financial assets		
Securities		
Issued by residents		
Debt instruments	29 539	15 744
Issued by non-residents		
Debt instruments	18 462	63 212
	48 001	**78 956**
Losses from:		
Available-for-sale financial assets		
Securities		
Issued by residents		
Debt instruments	(34 452)	(58 018)
Issued by non-residents		
Debt instruments	(838 449)	(239 531)
	(872 901)	**(297 550)**
	(824 900)	**(218 594)**

In June 2023, the results of financial assets and liabilities at fair value through comprehensive income were negative by €825 000, compared to a negative figure of €219 000 in June 2022, with this variation justified mainly by the sale of assets.

Note 25. Income from non-trading financial assets mandatorily at fair value through profit or loss

The composition of this group for the comparative period is as follows:

	30/06/2023	30/06/2022
Gains from:		
Non-trading financial assets mandatorily at fair value through profit or loss		
Equity instruments	715 506	348 752
Losses from:		
Non-trading financial assets mandatorily at fair value through profit or loss		
Equity instruments	(446 268)	(263 936)
	269 238	**84 815**

2022 saw a positive result of €269 000 in 2023 compared to the positive result of €85 000 in June 2022. This change is due to the increase in value of the portfolio's fund units.

Note 26. Income from financial assets at amortised cost

The composition of this group for the comparative period is as follows:

	30/06/2023	30/06/2022
Gains from:		
Loans to clients		
Assignment of claims	-	444 009
	-	**444 009**

This note reflects the results of the assignment of loans after taking into account the respective impairments established at the time of the operations.

Nota 27. Income from foreign currency revaluation

The composition of this group for the comparative period is as follows:

	30/06/2023	30/06/2022
Gains from:		
Exchange differences		
Other items in foreign currency – foreign currencies	1 062 943	413 218
Losses from:		
Exchange differences		
Other items in foreign currency – foreign currencies	(681 757)	(2 575 857)
	381 186	**(2 162 639)**

In June 2023, a positive result of €381 000 was recorded, compared to a negative result of € 2.1 million in June 2022. This variation is due to gains on the foreign exchange position, partially offset by the results of hedging derivatives.

Note 28. Income from the disposal of other assets

The composition of this group for the comparative period is as follows:

	30/06/2023	30/06/2022
Gains from:		
Non-financial assets	72 701	256 563
Losses from:		
Non-financial assets	(5 142)	(13 434)
	67 559	**243 129**

Note 29. Other operating income

The composition of this group for the comparative period is as follows:

	30/06/2023	30/06/2022
Gains from:		
Gains from inv. in subsidiaries in the country	-	326 448
Other gains and operating income	668 197	67 771
	668 197	**394 219**
Losses from:		
Losses from investments in subsidiaries in the country	(2 025)	(17 247)
Other taxes	(307 117)	(127 790)
Donations and membership fees	(60 982)	(31 188)
Contributions to the Deposit Guarantee Fund (FGD)	(786)	(789)
Contributions to the Investor Compensation Scheme	(2 479)	(2 479)
Failure of computer systems or telecommunications	(121)	(638)
Other charges and operating expenses	(630 897)	(119 392)
	(1 004 408)	**(299 525)**
	(336 211)	**94 695**

In June 2023, there is a negative variation of €431 000 compared to the same period of the previous year, mainly due to the one-off income from subsidiaries in the country in 2022.

Note 30. Staff costs

The composition of this group for the comparative period is as follows:

	30/06/2023	30/06/2022
Remunerations		
Management and supervisory bodies	(534 984)	(344 416)
Employees	(1 989 600)	(1 885 349)
Mandatory social security payments		
Remuneration-related charges	(584 950)	(524 804)
Other mandatory social security payments		
Pension fund	(12 267)	(15 658)
Insurance against accidents at work	(13 684)	(13 035)
Other staff costs	(125,460)	(170 030)
	(3 260 946)	**(2 953 291)**

Staff costs increased by 10% as at June 2023, mainly due to the strengthening of the management team and to adjustments to remuneration in a context of rising inflation.

Liabilities for retirement and survivor pensions

Banco Carregosa offers a defined benefit pension plan to a limited number of employees. For this purpose, the beneficiaries of this Pension Plan are current and former employees of the Bank who, having been admitted to the banking sector before 3 March 2009, were not registered with Social Security until that date.

Banco Carregosa has voluntarily and at its own discretion chosen to define the guaranteed benefits by reference to the ACTV for the banking sector and is subject to the requirements established by Banco de Portugal. The amounts paid depend on the employee's years of service and the salary scales established in this agreement.

Benefits of the Banco Carregosa Pension Plan:

i. old-age or presumed invalidity pension;

ii. deferred survivor pensions;

iii. immediate survivor pensions;

iv. post-retirement contributions to SAMS (medical-social aid for bank employees); and

v. death grant[4].

Responsibility for past services rendered by eligible employees is determined each year on the basis of the date of joining Banco Carregosa and not the date of entry into the banking sector. As a result, former employers are liable for the portion of the liability relating to the period between the date of entry into the banking sector and the date of entry into the company, unless they have transferred the amount of their portion of the liability. The benefits relating to disability pensions and immediate survivors' pensions are covered by a life insurance policy.

In addition, the Bank shares the responsibility and cost of health care for its employees. Employees who were members of the CAFEB as at 31 December 2010 can benefit from the Medical and Social Assistance Services (SAMS) of their trade unions. Other employees who are not covered by this fund benefit from the ADVANCECARE health insurance scheme, which offers similar conditions to the SAMS medical assistance service.

The liabilities for retirement and survivors' pensions and their cost arising from the Bank's pension plan have been determined on the basis of an actuarial valuation carried out by an actuary. As at 31 December 2022, Banco Carregosa's pension plan included 12 active members, 47 with vested rights and 6 pensioners.

Decree-Law No 1-A/2011 of 3 January 2011 modified the calculation of the Pension Fund's responsibilities. From the date of transfer to the General Social Security Scheme on 31 December 2010 of bank employees integrated into CAFEB, the Fund will no longer be responsible for the full ACT pension; from that date, only the supplementary pension resulting from the difference between the ACT pension and the social security pension will be taken into account.

The post-employment benefit liabilities, the fair value of the plan assets and the related actuarial assumptions are updated annually. As a result, the amounts presented in these financial statements have not changed compared to those of December 2022.

[4] In the event of the death of a member or beneficiary (due to disability or presumed disability), a lump-sum death benefit will be paid in accordance with Article 102 of the ACTV.

Note 31. General administrative expenses

The composition of this group for the comparative period is as follows:

	30/06/2023	30/06/2022
Supplies:		
Water, electricity and fuel	(111 142)	(112 478)
Consumables	(7 483)	(4 630)
Publications	(3 050)	(2 721)
Hygiene and cleaning products	(7 557)	(6 888)
Other third party supplies	(41 170)	(31 630)
	(170 402)	**(158 347)**
Services:		
Leases and rentals	(31 622)	(28 411)
Communications	(104 417)	(105 900)
Travel, hotel and entertainment expenses	(107 010)	(78 004)
Advertising and publishing	(267 682)	(197 188)
Repairs and maintenance	(73 852)	(66 443)
Insurance	(48 880)	(37 287)
Specialised services		
Retainers and fees	(7 405)	(10 399)
Legal, litigation and notaries	(13 759)	(1 844)
IT services	(731 590)	(672 234)
Security and surveillance	(3 496)	(4 400)
Cleaning services	(4 922)	(2 904)
Information	(361 991)	(338 081)
Databases	(35 637)	(44 736)
Other specialised services		
Analyses and consultations	(4 815)	(14 122)
Consultants and external auditors	(406 693)	(246 037)
External evaluators	(35 833)	(47 225)
Other third party services	-	(2 045)
Other third party services		
Public relations and advisory services	(22 671)	(29 116)
Banco de Portugal – Bpnet service	(887)	(837)
Housekeeping services	(2 025)	(3 549)
Other	(22 215)	(24 063)
	(2 287 404)	**(1 954 825)**
	(2 457 806)	**(2 113 172)**

General administrative expenses increased by 16% year-on-year.

The items with the most significant increases were Advertising, with an increase of €70 000, IT services, with an increase of € 50 000, and Consultants and external auditors, with an increase of €160 000.

Note 32. Amortisations in the year

The composition of this group for the comparative period is as follows:

	30/06/2023	30/06/2022
Property, plant and equipment		
Of property	(112 026)	(112 348)
Of equipment	(385 833)	(303 542)
	(497 860)	**(415 891)**
Intangible assets	**(316,210)**	**(397 923)**
	(814 070)	**(813 814)**

As mentioned in Notes 7 and 8, the movements and balances of the headings “Other property, plant and equipment” and “Intangible assets”, including amortisations and impairment adjustments, are shown in the table attached to these notes.

Note 33. Provisions net of write-offs

The composition of this group for the comparative period is as follows:

	30/06/2023	30/06/2022
Gains from:		
Provisions for guarantees and commitments	243	4 303
Losses from:		
Provisions for guarantees and commitments	(517)	(4 794)
Other provisions	-	-
	(274)	**(490)**

Note 34. Impairment of financial assets at amortised cost

The composition of this group for the comparative period is as follows:

	30/06/2023	30/06/2022
Investments held to maturity		
Debt instruments	(6 290)	5 503
Loans		
Normal loans	2 056 489	3 375 311
Overdue loans (includes other debtors)	(1 781 023)	(3 344 493)
	275 467	**30 818**
	269 177	**36 321**

Note 35. Impairments of financial assets at fair value through other comprehensive income

The composition of this group for the comparative period is as follows:

	30/06/2023	30/06/2022
Available-for-sale financial assets		
Debt instruments	(111 637)	113 102
Equity instruments	-	-
	(111 637)	**113 102**

The increase in the seniority of NPLs has led to an increase in write-downs on Russian securities.

Note 36. Impairment of other assets net of reversals and recoveries

For the periods under review, no figures are shown under this heading.

Note 37. Taxes

The composition of this group for the comparative period is as follows:

	30/06/2023	30/06/2022
Current	(729 667)	(87 574)
Deferred	(54 589)	1 743
	(784 255)	**(85 831)**

The current tax of €729 667 in June 2023 results from the income tax calculated in accordance with the tax law applicable to the Group.

Under current legislation, tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security).

In addition, in accordance with Article 63 of the Corporate Tax Code, the Tax and Customs Administration may make any adjustments it deems necessary to the determination of taxable income if, as a result of special relationships between the taxpayer and another person, whether or not subject to corporate tax, terms are agreed which differ from those normally agreed between independent persons and which lead to a different result from that which would have been calculated if such relationships had not existed. However, in the opinion of the Board, any adjustments resulting from differing interpretations of the law by the tax authorities should not have a material effect on the accompanying financial statements.

Deferred taxes of (€54 589) recognised in profit or loss in June 2023 result from the impact of temporary differences in income taxes as shown below:

	Deferred tax assets	Deferred tax liabilities	Impact on profit or loss
Credit impairment	156 251	-	-
Intangible assets	5 340	-	-
JV reserves	962 919	(752 602)	1 742
Fair value invest. units	-	(403 607)	(56 331)
Tax losses	-		-
	1 124 510	**(1 156 208)**	**(54 589)**

Note 38. Minority interests

Following the acquisition of 96% of the equity of Carregosa – Sociedade Gestora de Organismos de Investimento Coletivos, S.A., in June 2023 minority interests of (€2,333) have been recognised.

Note 39. Off-balance sheet accounts

The composition of this group for the comparative period is as follows:

	30/06/2023	30/06/2022
Commitments to third parties:		
Irrevocable commitments		
Potential commitments to SII	1 248 611	1 147 481
Revocable commitments		
Credit lines	12 822 667	18 724 954
Account overdraft facilities	-	-
	14 071 278	**19 872 435**
Liabilities for service provision:		
Of deposit and custody of securities	1 941 413 253	1 513 023 129
Amounts managed by the institution	234 576 031	172 624 243
Other	-	-
	2 175 989 284	**1 685 647 372**
Services provided by third parties:		
For deposit and custody of securities	1 127 556 964	905 984 952
For other services	-	-
	1 127 556 964	**905 984 952**
Foreign exchange transactions and derivative instruments:		
Trading instruments		
Foreign exchange forward transactions	12 411 343	23 574 620
Futures and forward options	-	
Options	-	
Hedge instruments		
Options	-	
	12 411 343	**23 574 620**
Guarantees provided and any other services:		
Personal guarantees	978 573	1 938 932
Real guarantees	19 270 000	18 770 000
	20 248 573	**20 708 932**
Guarantees received:		
Personal guarantees	49 788 846	60 818 748
Real guarantees	174 374 854	175 519 413
	224 163 700	**236 338 162**

Other off-balance sheet items:		
Write-offs	5 762 884	5 599 030
Accrued interest	11 475	230 009
Miscellaneous accounts	(3 580 215 502)	(2 897 955 512)
	(3 574 441 142)	**(2 892 126 472)**

Note 40. Contingent liabilities of the resolution Fund

In accordance with Decree-Law 24/2013 establishing the operation of the Resolution Fund (hereinafter referred to as the "RF"), the Bank has made an initial contribution since 2013, followed by the mandatory annual contributions provided for in Articles 3 and 4 of the said Diploma.

In a 2015 circular, Banco de Portugal explained that the regular contribution to the RF should be considered as an expense in the year in which it is paid, i.e. at the end of April each year.

In a press release issued in 2015, the Resolution Fund made it clear that a special contribution to fund the resolution measure applicable to BES was unlikely. Therefore, as stated in the press release, the possibility of a special contribution appears to be quite remote.

The contribution of €70 264.04 payable in 2023 compares with the €104 237.32 paid in 2022 as a result of the change in the rate applied. These contributions have been recognised as an expense in each financial year in accordance with IFRIC 21 – Levies.

Note 41. Assets pledged as collateral

The breakdown of these assets is as follows:

Pledged financial assets

	30/06/2023	31/12/2022
Financial assets at fair value through other comprehensive income		
Debt securities	1 570 905	4 436 272
Other assets		
Receivables from futures and options – margins	-	-
Various investments – uncleared valued	1 197 422	1 193 473
	2 768 327	**5 629 745**

Note 42. Related parties

As at 30 June 2023 and 31 December 2022, the Bank is controlled by the following shareholders holding more than 2% of its capital:

Shareholding composition: *30/06/2023*

	No. of shares	%	Voting rights
Maria Cândida Cadeco da Rocha e Silva	58 649 733	29.32	58 649.00
Jorge Manuel da Conceição Freitas Gonçalves	37 768 937	18.88	37 768.00
Projeto Inverso, SGPS, S.A.	15 880 743	7.94	15 880.00
Ashley Grove & Company Ltd	11 999 000	6.00	11 999.00
Planalto Capital – Fundo de Capital de Risco	11 095 000	5.55	11 095.00
Groupe Norwich S.A.	9 999 990	5.00	9 999.00

Imocarregosa-Gestão e Comercialização Imobiliária, S.A.	9 935 751	4.97	9 935.00
Sophia Capital - Fundo de Capital de Risco	4 810 000	2.41	4 810.00
Ruasgest, SGPS, S.A.	4 764 223	2.38	4 764.00

Shareholding composition: ***31/12/2022***

	No. of shares	%	Voting rights
Maria Cândida Cadeco da Rocha e Silva	58 649 733	29.32	58 649.00
Jorge Manuel da Conceição Freitas Gonçalves	37 768 937	18.88	37 768.00
Projeto Inverso, SGPS, S.A.	15 880 743	7.94	15 880.00
Planalto Capital – Fundo de Capital de Risco	11 095 000	5.55	11 095.00
Groupe Norwich S.A.	9 999 990	5	9 999.00
Mauricio Zlatkin	9 999 000	5	9 999.00
Imocarregosa-Gestão e Comercialização Imobiliária, S.A.	9 935 751	4.97	9 935.00
Sophia Capital - Fundo de Capital de Risco	4 810 000	2.41	4 810.00
Ruasgest, SGPS, S.A.	4 764 223	2.38	4 764.00

Remuneration of the Board of Directors

The remuneration of the Board of Directors for the years ended 30 June 2023 and 2022 is disclosed in Note 30 to these financial statements.

In accordance with IAS 24, related parties of Banco Carregosa are:

I. those in which the Bank has, directly or indirectly, significant influence over the operating and financial policies (subsidiaries);

II. key personnel, considering for this purpose the members of the Board of Directors (executive and non-executive) and the Supervisory Committee.

In accordance with these criteria, the following persons are considered to be related parties of Banco Carregosa as at 30 June 2023, as well as any legal persons associated with them:

Name of the related entity	Registered office	Effective shareholding	Direct shareholding
Subsidiaries			
Circuitos e Traçados 2, Unipessoal, Lda.	Portugal	100%	100%
Carregosa, SGOIC, S.A.	Portugal	96%	96%

Board and supervisory members of Banco L. J. Carregosa, S.A.

Maria Cândida Cadeco da Rocha e Silva
Jorge Manuel da Conceição Freitas Gonçalves
António José Paixão Pinto Marante
Homero José de Pinho Coutinho
Rogério Francisco Montenegro do Couto
Francisco Miguel Melhorado de Oliveira Fernandes
Fernando Miguel da Costa Ramalho
José Nuno de Campos Alves
Mário Oldemiro Carvalho Fernandes
Mariana Mendes Baptista Lopes
Rodrigo de Melo Neiva Santos
António Fernando dos Reis Magalhães Pinto
Cristina Maria da Costa Pinto

In accordance with these criteria, the following persons are considered to be related parties of Banco Carregosa as at 31 December 2022, as well as any legal persons associated with them:

Name of the related entity	Registered office	Effective shareholding	Direct shareholding
Subsidiaries			
Circuitos e Traçados 2, Unipessoal, Lda.	Portugal	100%	100%
Carregosa, SGOIC, S.A.	Portugal	96%	96%

Board and supervisory members of Banco L. J. Carregosa, S.A.

Maria Cândida Cadeco da Rocha e Silva
Jorge Manuel da Conceição Freitas Gonçalves
António José Paixão Pinto Marante
Homero José de Pinho Coutinho
Rogério Francisco Montenegro do Couto
Francisco Miguel Melhorado de Oliveira Fernandes
Fernando Miguel da Costa Ramalho
José Nuno de Campos Alves
Mário Oldemiro Carvalho Fernandes
Mariana Mendes Baptista Lopes
Rodrigo de Melo Neiva Santos
António Fernando dos Reis Magalhães Pinto
Cristina Maria da Costa Pinto

The total amount of assets, liabilities, equity and off-balance sheet commitments related to transactions with subsidiaries, members of the Board of Directors and legal entities over which they have significant influence as at 30 June 2023:

Balances resulting from transactions with related parties:

30/06/2023	Assets		Liabilities			Off-balance sheet			
	Supplementary payments	Loans	Client deposits		Other Suppliers				
			Sight deposits	Term deposits		Guarantees provided	Guarantees received	Credit lines	Deposit and custody of securities
Subsidiaries	-	2 741 800	45 035	250 386	-	-	-	-	-
Members of the Board of Directors and of the Supervisory Committee of Banco L. J. Carregosa, S.A.	-	-	309 492	-	-	-	-	-	28 553 012
Companies in which members of the Board of Directors and of the Supervisory Committee have a material influence	-	1 149 384	865 536	-	-	-	3 752 481	70 991	6 481 469
	-	**3 891 184**	**1 220 063**	**250 386**	**-**	**-**	**3 752 481**	**70 991**	**35 034 481**

Balances resulting from transactions with related parties:

2022	Assets		Liabilities			Off-balance sheet			
	Supplementary payments	Loans	Client deposits		Other suppliers				
			Sight deposits	Term deposits		Guarantees provided	Guarantees received	Credit lines	Deposit and custody of securities
Subsidiaries	-	3 341 800	233 806	-	-	-	-	-	-
Members of the Board of Directors and of the Supervisory Committee of Banco L. J. Carregosa, S.A.	-	-	184 087	36 955	-	-	-	-	28 158 963
Companies in which members of the Board of Directors and of the Supervisory Committee have a material influence		-	532 445	-	-	-	1 000 000	995 490	4 479 853
	-	**3 341 800**	**950 338**	**36 955**	**-**	**-**	**1 000 000**	**995 490**	**32 638 817**

Transactions with related parties:

30/06/2023	Interest on term deposits	Commissions received	Income from equity instruments	Services rendered	Services received
Subsidiaries	1 280	1 317	-	20 242	-
Members of the Board of Directors and of the Supervisory Committee of Banco L. J. Carregosa, S.A.	250	5 155	-	-	-
Companies in which members of the Board of Directors and of the Supervisory Committee have a material influence	-	45 157	-	-	-
	1 530	**51 629**	**-**	**20 242**	**-**

Transactions with related parties:

2022	Interest on term deposits	Commissions received	Income from equity instruments	Services rendered	Services received
Subsidiaries	-	1 076	-	42 006	-
Members of the Board of Directors and of the Supervisory Committee of Banco L. J. Carregosa, S.A.	155	7 913	-	-	-
Companies in which members of the Board of Directors and of the Supervisory Committee have a material influence	-	48 877	-	-	-
	155	**57 866**	**-**	**42 006**	**-**

For the purposes of compliance with Articles 85 and 109 of the RGICSF, regarding the use of credits and guarantees provided by the Bank, it is reported that, as at 30 June 2023, there are two credit operations related to Mr Homero Coutinho, namely with the companies HCapital Partners SCR, S.A. and HGM - Glass Equipment Consulting, Lda.

During the period under review, there were no other authorised transactions with the MOAF or entities over which it has significant influence.

5. Subsequent events

On 30 June 2023, due to:

i. The new commercial strategy, based on the expansion of the institutional custody business, with implications for its organisational structure, operational developments, marketing and net operating income, both in terms of commissions and financial margin; and

ii. its liquidity structure and the resulting change in investment policy in the management of its portfolio of debt instruments measured at air value through other comprehensive income,

the Bank's management has changed its business model. As a result, debt instruments with a maturity of more than 18 months previously classified as "held to collect and sale" are now classified as "held to collect".

The change in business model will be reflected in the financial statements from 1 July 2023, with the estimated impact being as follows:

Values expressed in EUR thousands.

	Asset			Equity
Business model	**HTC&S portfolio**	**HTC portfolio**	**Deferred tax assets**	**Reserves**
Transfer of securities	(37 724)	37 724	-	-
Write-off of reserves (fair value)	-	4 118	-	4 118
Write-off of reserves for application. Amortised cost	-	(669)	-	(669)
Reclassification of impairments	-	(149)	-	(149)
Reclassification of accrued interest from HTC&S to HTC	(465)	465	-	-
Write-off of deferred taxes	-	-	(693)	(693)
TOTAL	**(38 189)**	**41 489**	**(693)**	**2 607**

Values expressed in EUR thousands.