Report & Accounts 2021

1833
BANCO CARREGOSA

João Noutel
THE TRUSTING POINT, 2022
THE TRUSTING POINT #2, 2022
[Banco Carregosa]
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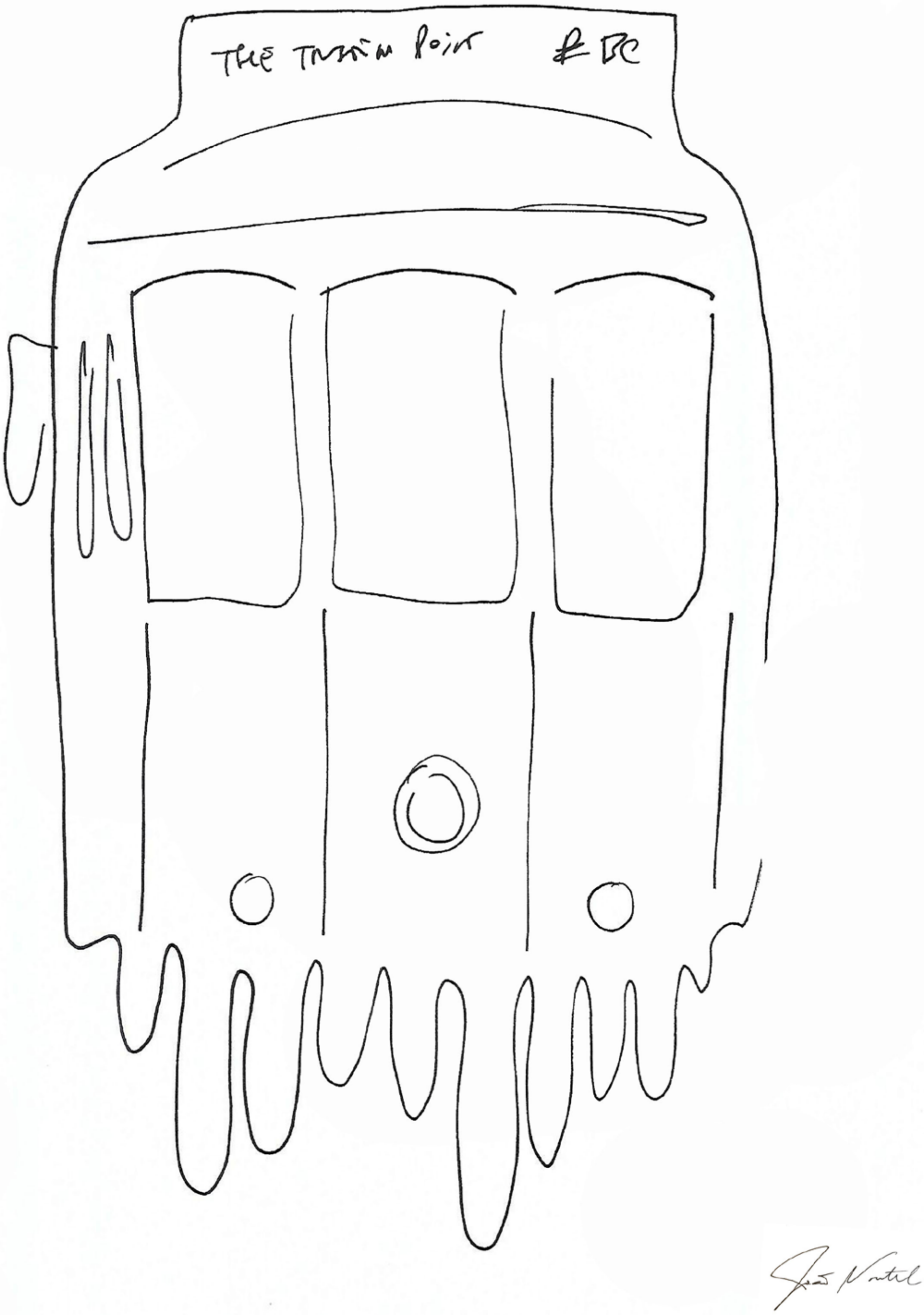

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THE TRUSTING POINT

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Management Report

1. Message from the Chair of the Board of Directors

Dear Shareholders,

Last year when I addressed you, I spoke of the calamity, the invisible enemy that had fallen upon us. This year I must add to those horrors a war that uncommonly flashes before our very eyes on television every day, leaving us angry and powerless because, in addition to the destruction and the economic consequences that can only be repaired over time we are witnessing human suffering that no one can ever repair.

The year 2021 was one of growth for Banco Carregosa:

» Off-balance sheet business – we reached the target of €2 billion of assets under supervision, thus meeting the objectives set by the 2019-2021 strategic plan. In fact, we ended the year at €2.15 billion, which represents a year-on-year 30% increase; and

» Operating revenue (+42%), with a growing weight of wealth management activities and net commission up by 72%.

Therefore, it gives me great pleasure to announce a positive net result of €1.6 million.

While on the topic of growth, we are also very pleased that Carregosa SGOIC, whose establishment had been authorised in late 2020, came into operation in the first quarter of 2021 with three property funds and in the same year launched a new fund, followed by a capital increase in one other fund.

Focusing particularly on improving the services and products it offers to its clients, Banco Carregosa has, in keeping with the rules of prudence so typical of the Bank, established partnerships, notably with Saxo Bank, in place for 20 years. We are most pleased to celebrate the 20th anniversary of this partnership in 2021 and that our partner travelled to Portugal to celebrate this important date with us.

The number of employees also increased and, interestingly, not only did we meet current provisions but we also exceeded them: 60% of our staff are women and 40% men.

It is with this team largely made up of women that we intend to continue to serve our shareholders, to whom we appreciate the dedication shown to Banco Carregosa.

Maria Cândida Rocha e Silva

Chair of the Board of Directors

2. Summary of Indicators

Income Statements	2021	2020
Financial margin	**4 283 850**	**4 041 151**
Income from equity instruments	349 278	344 237
Net commissions	5 311 963	3 094 227
Gains from financial transactions	5 620 314	677 564
Other net operating income - Exchange	-1 739 665	1 955 444
Other net operating income	-451 798	-617 742
Net operating revenue	**13 373 942**	**9 494 881**
Staff costs	-5 806 773	-5 355 432
Other administrative costs	-4 170 314	-3 899 705
Overheads	**-9 977 088**	**-9 255 136**
Amortisations	-1 441 930	-1 338 403
Provisions	-220 672	-92 894
Impairments	52 875	-1 211 920
Pre-tax profit	**1 787 127**	**-2 403 473**
Taxes	-180 287	-105 289
Net result	**1 606 841**	**-2 508 762**
Minority interests	**9 138**	**1 850**
Consolidated profit and loss for the year	**1 615 978**	**-2 506 911**

Balance sheet	2021	2020
Total net assets	394 747 691	345 787 333
Own funds	36 898 559	n/a
Equity	40 050 795	38 317 761
Client deposits	324 035 290	278 238 575
Loans granted	68 318 550	79 952 811
Client deposits (eligible for calculating the transformation ratio)	334 454 363	286 728 429
Transformation ratio	20.4%	27.9%
Overdue loans / Loans granted	2.3%	4.4%
Loans granted / Net assets	17.3%	23.1%
Assets under supervision	2 149 647 185	1 645 745 932
(Assets under management, custody, depositary services and client deposits)		

Other Indicators	2021	2020
Liquidity coverage ratio (LCR)	171.26%	n/a
Financial margin (in % of the net operating revenue)	32.0%	42.6%
Provisions and Impairments (in % of the net operating revenue)	-1.3%	-13.7%
Common Equity Tier 1 ratio (CET1)	16.64%	n/a
Risk-weighted assets (RWAs)	221 747 728	n/a
Return on assets (ROA)	0.4%	-0.7%
Return on equity (ROE)	4.0%	-6.5%
Financial margin/Interest-bearing asset	2.0%	n/a
Overheads/Net operating revenue	74.6%	97.5%

Key: n/a - Not applicable; the Bank only began to implement prudential consolidation in April 2021.

3. Corporate Bodies

3.1. Governance model

In defining the organisation and composition of the Management and Supervisory Bodies, the Bank opted for a Board of Directors and a Supervisory Committee, plus a Statutory Auditor.

The Board of Directors delegates broad management powers to the Executive Committee.

In addition to the management structure, coordinated by the Board of Directors, the Bank also has a Remunerations and Assessment Committee (CRAV), directly appointed by the General Meeting, in charge of assessing the adequacy of the board and supervisory members and key function holders, and defining the remuneration of said bodies.

All these bodies have normal three-year terms of office, which do not necessarily coincide, and the management and supervisory bodies require the authorisation from Banco de Portugal to exercise functions and must be registered therein.

3.2. Composition of the management and supervisory bodies

PRESIDING GENERAL BOARD MEMBERS	Luís Manuel de Faria Neiva dos Santos	Presidente
	Maria Manuela Pereira Antunes Matias	Secretária
	Ana Mafalda Mateus Freitas Gonçalves Malafaya	Secretária
BOARD OF DIRECTORS	Maria Cândida Cadeco da Rocha e Silva	Presidente
	Jorge Manuel da Conceição Freitas Gonçalves	Vice-Presidente
	António José Paixão Pinto Marante	Vogal
	Homero José de Pinho Coutinho	Vogal
	Francisco Miguel Melhorado de Oliveira Fernandes	Vogal e Presidente da Comissão Executiva
	Fernando Miguel Costa Ramalho	Vogal e Membro da Comissão Executiva
	José Nuno de Campos Alves	Vogal e Membro da Comissão Executiva
SUPERVISORY BOARD	To be appointed	Chair
	Maria da Graça Alves Carvalho	Voting member
	Rodrigo de Melo Neiva Santos	Voting member[1]
STATUTORY AUDITOR (SROC)	Pricewaterhousecoopers & Associados – Sociedades de Revisores Oficiais de Contas Lda., represented by Aurélio Adriano Rangel Amado	Full member (SROC)
	Carlos Manuel Sim Sim Maia	Alternate (SROC)

The members of the corporate bodies for the 2018-2020 period were elected at the General Shareholders' Meetings held on 30 May 2018, 31 May 2019 and 30 June 2020.

On 1 October 2019, Banco de Portugal announced the authorisation for the members of the management and supervisory bodies to exercise their functions. As a result hereof, on 14 October 2019 the new Supervisory Committee members took up office, with Dr. Ricardo Jorge Mendes Fidalgo Moreira da Cruz as its Chair, and Professor Doutor Daniel Bessa Fernandes Coelho and Dra. Maria da Graça Alves Carvalho as voting members.

The Board of Directors took up its duties on 1 November 2019 and at its meeting on 5 November 2019 appointed the Directors of the Executive Committee and stated their positions: Dr. Francisco Miguel Melhorado de Oliveira Fernandes, Chair, and Dr. Fernando Miguel da Costa Ramalho, voting member.

At the meeting held on 10 March 2020, Dr. José Nuno de Campos Alves was co-opted as a member of the Board of Directors and of the Executive Committee.

1 Elected as alternate member for the 2018-2020 term of office, having taken up duties on 1 September 2020.

On 17 July 2020, Professor Doutor Daniel Bessa Fernandes Coelho resigned from his position as voting member of the Supervisory Committee, and was replaced by Dr. Rodrigo de Melo Neiva Santos as of 1 September 2020.

The members of the Corporate Bodies for the 2021-2023 three-year period were elected at the General Shareholders' Meetings held on 29 June 2021, during which Dr. Rogério Francisco Montenegro do Couto and Dr. Mário Oldemiro Carvalho Fernandes were elected as voting members of this body. The following were also elected for the Supervisory Committee: Dr. Rodrigo de Melo Neiva Santos as Chair, Dra. Cristina Maria da Costa Pinto and Senhor António Fernando dos Reis Magalhães Pinto as voting members, and Dr. Rodrigo Maria de Azevedo Soares Cordeiro da Silveira as alternate member.

At the end of 2021, Dr. Ricardo Jorge Mendes Fidalgo Moreira da Cruz decided to cease his functions.

In view of the chronology described above, and as the process of authorisation and registration of the elected members is underway, the current composition of the management and supervisory bodies is as shown in the table above.

The Bank defined in its Policy on the Selection and Assessment of the Suitability of the Members of the Management and Supervisory Bodies and Key Function Holders that the management and supervisory body should be made up of members of both genders. In 2021, this objective had already been achieved and, as such, it was not necessary to define any plan for meeting targets. Moreover, when the management and supervisory bodies begin their new term of office, this objective will also be met, so no adjustments are expected during the current year in order to ensure the diversity of this body.

4. Shareholding Structure

SHAREHOLDERS WITH HOLDINGS OF MORE THAN 5% OF EQUITY

Maria Cândida Cadeco da Rocha e Silva

Jorge Manuel da Conceição Freitas Gonçalves

Projeto Inverso, SGPS, SA

Planalto Capital – Fundo de Capital de Risco

5. Introduction

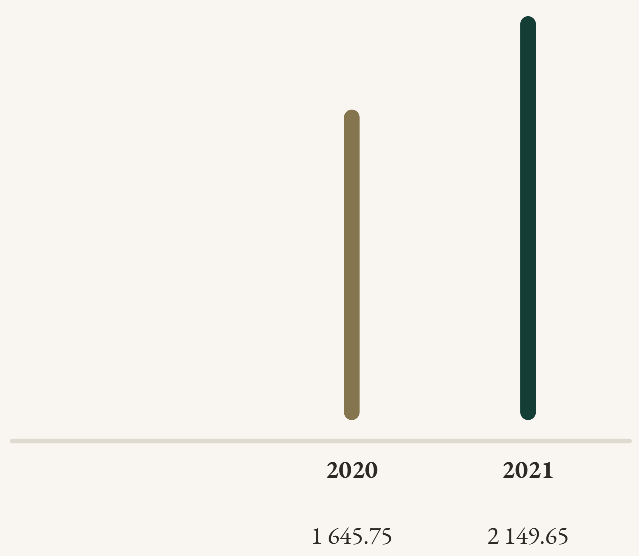
The year 2021 was once again marked by the pandemic, which impacted heavily on work routines. Amidst the efforts put into the execution of tasks set out in the strategic plan and the adaptation to constraints imposed by the pandemic, we nevertheless achieved good results in wealth management and a growth in net operating revenue and in the Bank's results.

Strategic options were confirmed in 2021 and the Bank's services developed positively, in particular asset management, expert advisory to private clients and institutions, market execution and securities settlement and custody services. It was also a year in which the results of proprietary portfolio benefitted from a more benign market environment to once again make a positive contribution to overall performance.

As a result of this favourable development in the Bank's basic services, in October 2021, *i.e.* two months ahead of projections, the Bank reach the **2 billion euros mark for assets under supervision**, this indicator rising to around 2.15 billion euros by the end of the year, reflecting a growth of more than 30% compared to that recorded at the end of 2020.

Figure 1 | Assets under supervision

Amounts in EUR million



The year 2021 was therefore a year of growth in recurring activity, reflected in the growth of business results, which in 2021 depended less on extraordinary gains.

The consolidation of the reorganisation of the commercial networks, with a reinforced reporting and coordination line, is relevant to this result. Both areas, directed to top affluent and high net worth individuals, registered a favourable development in assets under management, with a broadening and renewal of the offer of products and services, in many cases originated in other areas of the institution, mainly in the offer of new investment and savings products.

Note should be made of Carregosa SGOIC: having completed its first full year of activity, the property investment fund manager owned by Banco Carregosa now manages three funds, already incorporated, and launched a new special property investment fund, ending the year with 4 funds and about 73 million euros in assets under management.

2021 was also a positive year overall and less volatile than in 2020 for the clients who entrusted us with the management of their financial assets and savings. Investment strategies generally recorded gains, comparing well with the returns achieved by their peers.

Securities trading activities, both in electronic trading and traditional brokerage, also maintained their growth trend.

Finally, the support business areas showed favourable developments, albeit with more moderate growth. Specialised credit was the only service which saw a reduction, as in previous years, due to economic factors and to the need to adapt to the credit policy introduced in 2020, the impact of which was felt most in the attraction of new operations. On a positive note, clients who had resorted to credit moratoria resumed their settlement plans without significant constraints.

The Bank's assets increased during the year as a result of the increase in client resources, in particular the liquidity of investment funds in which the Bank acts as depositary.

The management of the Bank's proprietary portfolio made a positive contribution to the net operating revenue, both due to the favourable market environment and the management options implemented during the year, despite the rise in interest rates on longer maturities at the end of the year. As opposed to the previous year, there was no need to act vigorously on the composition of the portfolio. The implementation of risk management measures for the proprietary portfolio introduced in 2020 continued. In contrast to the previous year, the 2021 results were higher than the 2020 realised losses.

In terms of conduct, organisational culture and internal governance, the Bank undertook a significant number of improvements, notably the implementation of the plan drawn up in order to comply with the requirements of Banco de Portugal Notice 3/2020, the significant increase in the quality and consistency of the internal regulatory framework, particularly in terms of risk management, having identified and assessed ICT and information security related risks, which led to the review of the Bank's governance and information security system. In addition, 2021 also saw the launch of two structural projects on the data model and business concepts, the mapping of macroprocesses, and a thorough review of the processes for preparing prudential reports with a view to improving their reliability.

In terms of organisational structure, the highlight goes to the reinforcement of resources allocated to the Risk Management Function and the Compliance Function, and to the consolidation of the commercial teams.

With everyone's support during the pandemic, the Bank was able to continue to grow in the right direction at a very difficult time, without significant disruptions to our operations, results and financial position. The team was able to show the dedication and resilience that has always characterised the Bank's organisational culture.

As the organisation was able to respond well to this situation, and following an internal survey, flexible working arrangements were put in place, on an experimental basis and in the form of remote working, implemented once the restrictions imposed by the pandemic were lifted.

The capstone of the strategic realignment process, which is practically finished, was the change of the corporate image which took place throughout 2022. This change was aimed at making the brand image simpler, providing proximity and relevance to its target segments, and being more concerned with sustainability.

6. Future Outlook

Over the last three years, the foundations were laid for the Bank to establish itself as a benchmark in wealth management, geared towards clients with high savings or investment potential.

The Bank's results in 2021 and their composition open up good prospects for the future, which will have to continue to be marked by growth in terms of activity and results.

This path should be underpinned by organic growth, greater internal efficiency, the use of digitalisation, and the capacity to attract and retain talent to support the level of specialisation and customer service, also using appropriate technological solutions, which are at the heart of the Bank's value proposition.

The Group will remain heavily committed to developing a strong organisational culture, with a team spirit that fosters rigour, quality and creativity, and to promoting pleasant and flexible working conditions adapted to a world that demands considerable adaptability.

Recent events such as the pandemic, which made us rethink models we had previously taken for granted, or those related to the war underway in Europe and its impacts on the architecture of global security and on accelerating inflationary pressures, set the course for the future, *i.e.* one with renewed and recurring challenges.

We will soon look to the future, revisiting the strategic thinking and seeking to identify opportunities and setting new targets for the next three years, which should at least aim to double the Bank's business base by the end of 2024.

7. Banco Carregosa

The name Carregosa has been linked to the financial sector for 186 years. It began its business as a foreign currency exchange house in 1833 at Rua das Flores, Porto, making it the oldest financial institution in the Iberian Peninsula still in activity. Throughout the 20th century, Casa Carregosa grew, innovated and developed, adapting itself to a modern, increasingly sophisticated and demanding world.

Figure 2 | Corporate structure

Having received a license to operate as a banking entity in 2008, L. J. Carregosa – Sociedade Financeira de Corretagem then became known as Banco Carregosa.

Banco Carregosa was created with a view to filling in 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' assets – private wealth management.

Banco Carregosa aims at being the benchmark for wealth management in Portugal, basing its strategy on the values of independence, transparency, customisation, innovation and sustainability.

The Bank is part of a very simple corporate structure.

Circuitos e Traçados - Sociedade Imobiliária, S.A., whose corporate object is buying and selling properties, was purchased on 12/04/2018. The company has a share capital of €50 000 and is wholly owned by the Bank.

The corporate object of Carregosa – Sociedade Gestora de Organismos de Investimento Coletivo, S.A., operating in the management of open or closed-ended investment undertakings, is investments in real estate assets, called real estate investment undertakings (OII), was incorporated on 23/11/2020 and registered on 9/12/2020. On 31 December 2021, SGOIC's share capital amounted to €600 000, of which the Bank holds 96%.

A Circuitos e Traçados II, Unipessoal Lda., whose corporate object is buying and selling properties, was purchased on 14/04/2021. The company has a share capital of €500, and is wholly owned by the Bank.

8. Functional Organisation

In line with the strategic plan defined for the 2019-2021 three-year period, the Bank's activity is anchored in the following essential pillars:

i. Value proposition with a focus on top affluent and high-net-worth individuals (HNWI) segment, offered through consistent communication and single branding;

ii. Focus on asset management and investment advisory, asset advisory services, specialised lending and corporate activities, the latter mostly to support private banking;

iii. Maintaining complementary custody, trading and own portfolio management;

iv. Strengthening the use of digital tools in its internal processes and in clients' relationships with the Bank;

v. Develop the *soft* areas of the organisation, more specifically people, culture and internal communication; and

vi. Develop cross-cutting sustainability as a new contributor to the Bank's values, by direct reference to the UN's 2030 Agenda for Sustainable Development.

To support its value proposition, the functional organisation of the Bank is based on four core areas – business, services, support, and internal control –, as described below.

8.1. Business areas

The first core area is made up of the Business Areas, whose definition is based on the relational model that the Bank wishes to establish with its clients.

Two of these areas – **Private Banking** and **Savings and Investment** – are eminently commercial, giving substance to how they use or render the Bank's and services to target clients with a view to ensuring a consistent portfolio of offers to clients with different characteristics, coordinated by a single body.

This group also includes **Cash and Portfolio Management**, responsible for managing the financial assets that make up own portfolio and liquidity management. Own portfolio assets and deposits with other credit institutions and in the Central Bank represent a significant portion of the Bank's balance sheet, and their results make an important contribution toward operating income. The Financial Department is responsible for the services associated to this area.

8.2. Services

The second group consists of a set of activities aligned with the core competences of the organisation, which embody the core private banking services – asset management and investment advisory (Investments), floor broking or through e-platforms (Markets), clearing, settlement and custody, including depositary services for collective investment undertakings (Transactions), lending operations (Loans) and advisory activities (Corporate and Wealth Advisory). These areas therefore generate client-related products or services.

Services support the commercial teams in each of the business areas, defined according to the characteristics of the segment they target, seeking to offer the market commercial propositions consistent with and adapted to the needs of the target clients, and exploring the niches that value proximity, quality and flexibility of the solutions they offer.

8.3. Support areas

The third core area includes all the support functions to the activities that do not establish or generate trade relations, or generate products, even though they have a major part to play in their implementation.

Thus, while the departments included in the Business Areas have mainly external clients and several internal suppliers, the Support Areas departments have only internal clients. Services can have both internal – typically the Business Areas – and external clients.

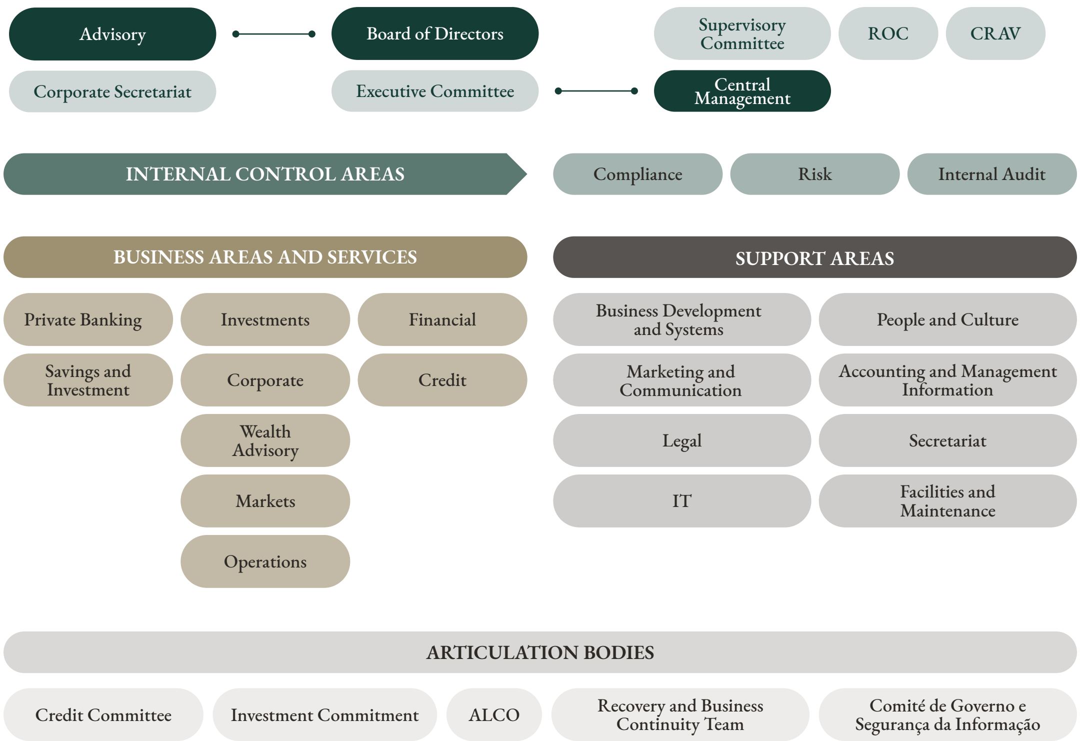
8.4. Internal control areas

Finally, the fourth core area corresponds to the internal control areas that ensure, in an independent manner, the risk management, compliance verification, and internal auditing functions. The first two form the second line of defence and the last one the third line of defence.

To ensure greater coordination and consistency in its operation, the Bank has also set up a number of cross-cutting bodies made up of employees from the different areas, in particular a Credit Committee, an Investment Committee, an Asset and Liability Committee (ALCO) and a Recovery and Business Continuity Team.

The Bank employs 116 staff. As such, its organisation is simple and functional, as shown in the organisational chart below.

Figure 3 | Banco Carregosa's organisational chart



9. Cultura Organizacional e Governo Interno

The organisational culture and internal governance of Banco Carregosa help to promote a sound and prudent management and identify and appropriately deal with the risks inherent to its activity.

These issues are therefore addressed in an integrated and ongoing manner, being relevant not only in the structural projects but also in the Bank's day-to-day activity.

The management and supervisory bodies ensure the "tone from the top", promoting a culture of risk, compliance and customer service in line with the institution's long-held values. The effectiveness achieved in disseminating the organisational culture is facilitated by the relatively flat organisational structure, which allows all Bank employees to have contact with the values internalised by top and middle management in the conduct of the institution's activities.

To implement the high ethical standards that imply responsible and prudent conduct to be observed by all employees and members of the management and supervisory bodies in the performance of their duties, the Bank has a Code of Conduct in place that contributes to strengthening the Bank's levels of trust and reputation both internally and in the relations established with clients, business partners and supervisory authorities. In 2021, the rules of conduct and the reporting of irregularities were reviewed, with training sessions held for all employees and members of the management and supervisory bodies in order to strengthen the culture of compliance.

Internal governance is always evolving and encompasses all the criteria and principles related to how:

i. the institution's risk management objectives, strategies and systems are established;
ii. the business is organised;
iii. the responsibilities and lines of authorities ae defined and assigned;
iv. the reporting lines are set up; and
v. the internal control system is organised and implemented.

Relevant efforts were made during the year as part of initiatives aimed at communicating the organisational culture and adapting internal governance to best practices and regulatory requirements on these matters. The plan to adapt Banco de Portugal Notice 3/2020 and Instruction 18/2020 was particularly relevant due to its scope, as it included a significant number of actions that contributed towards strengthening the internal governance and internal control system, leading to the issue of the Annual Self-Assessment Report (RAA - *Relatório Anual de Autoavaliação*) on the adequacy and effectiveness of the organisational culture and the governance and internal control systems as at 30 November 2021.

10. Information Systems and Technologies

In line with its strategy, digitalisation is a priority for the Bank, which is relevant not only in commercial activities, but also to ensure the efficiency of the Bank's operations. Information security must always be guaranteed and the adequate structuring and documentation of solutions must be implemented.

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Regarding the improvement of systems for commercial interaction purposes, in 2021 new solutions were prepared to be made available in 2022, namely a new website and the access thereof through a digital mobile key.

As regards the tools for improving the efficiency of the organisation, attention is drawn to the integration process between the core system and the accounting system, enabling the FINREP (financial reporting framework) to be issued from the core system, the digitalisation of processes that led to an increase in the number of integrated workflows, and the improvement of the capacities for consulting and extracting management information, such as that relating to compliance with the duties of money laundering prevention. It should be noted that efforts have been made to correctly map the data contained in the core system, under a project to create a data model that ensures greater integrity and consistency of information.

With regard to information security, considering the paradigm shift in work models resulting from the pandemic, measures were taken to strengthen the security of remote access. The external audit on information security was also of note which, despite revealing the organisation's reasonable level of maturity, led to the establishment of an implementation plan and the appointment of an information security officer in 2021. Moreover, 2021 saw the creation of the Information Security and Governance Committee and the start of the review of the internal regulatory framework. The review of internal regulations on information security and business continuity is expected to be completed in 2022. It should also be noted that the Bank now has an external SOC (Security Operations Centre) service, which allows ongoing monitoring and correlation of security events and timely action. Also in the area of security, the Bank implemented double authentication and behavioural protection mechanisms of endpoints in real time using AI tools.

Finally, and as foreseen in the Information Technology Plan, the Bank continued to update and develop the technological infrastructure which supports the Bank's activity, in particular the network support systems, switching equipment and processing capacity, thus ensuring the updating, resilience and redundancy of the current equipment.

11. Internal Control System

Banco Carregosa's internal control system is one of the pillars of the concept of internal governance and comprises a number of strategies, policies, systems, processes and procedures carried out by the management and supervisory bodies and the Bank's employees aiming at providing a reasonable degree of assurance for the pursuit of the following objectives:

i. prudent management of risks so as to ensure the sustainability of the business in the medium and long term (performance objectives);

ii. timely, comprehensive and reliable financial and management information and mechanisms for reporting this information to the management and supervisory bodies and to the internal control functions (information objectives); and

iii. compliance with legal and regulatory provisions, whether of a prudential or behavioural nature, with the Code of Conduct and other internal rules (compliance objectives).

The internal control system is based on four components:

i. **control environment** – reflects the internal control attitudes and actions resulting, on the one hand, from the convictions, preferences and value judgements expressed by the management body and other Bank employees regarding the internal control system, and on the other the emphasis placed on internal control, the measures taken, the policies and procedures approved and the definition and implementation of the organisational structure. The control environment is influenced by:

a. the standard of ethical values followed by the institution;

b. the existence of sufficient and appropriate material, technical and human resources;

c. the degree of transparency of the organisational structure and its suitability in view of the complexity, size and nature of the institution's activity;

d. the clarity of the hierarchical chain and the responsibilities and duties assigned to each function;

e. the quality of the strategic planning process; and

f. the degree of involvement of the management body in the activity carried out.

ii. Risk management system – consists of the set of strategies, policies, processes, systems and procedures whose purpose is to identify, assess, monitor and control all the risks to which the Bank is or may be exposed, both internally and externally, to ensure that they remain at the level previously defined by the Board of Directors and that they do not significantly affect the Bank's financial situation.

iii. Information and communication systems – this is an essential component so that the controls are understood and executed by the organisation. Moreover, having timely and reliable management information is essential for deciding on the development of the activity and on compliance with the strategy and objectives defined by the management body.

iv. Monitoring process – comprises the continuous or one-off control procedures, actions and effectiveness tests carried out by the Risk Department and Compliance Department, and the independent assessment carried out by the Internal Audit Department. The main objectives of this component are to assess compliance with the defined risk tolerance levels and identify flaws in processes or controls in order to allow timely remedial actions to be taken.

Throughout 2021 efforts were made to strengthen the four components of the internal control system. The following initiatives should be highlighted:

i. strengthening the technical and human resources of the internal control functions;

ii. updating the organisational structure, adapting it to the type and complexity of the Bank's activity;

iii. defining a Risk Catalogue, this being a foundation of internal control system that aims to cover all relevant risks for Banco Carregosa and emerging risks that may affect it in the near future;

iv. the identification and assessment of risks in a way that is aligned with best practices on organisation and approach to risk management, complying with the applicable regulatory requirements;

v. the review of the regulations on the internal control function;

vi. the systematisation of the annual planning of risk management and compliance functions;

vii. providing training sessions to employees in order to strengthen the reporting and monitoring system flaws using the tools created in the previous year;

viii. as part of the plan to ensure alignment with the requirements of Banco de Portugal Notice 3/2020, the creation or review of the regulations of all management, supervisory bodies are of note. The functions of such bodies were formalised, also contributing to improving the job description of the various structural units. The internal regulatory framework was also reviewed thoroughly, notably the Code of Conduct, the Policy on the Principles and Rules of Conduct applicable to the Prevention and Combat against Discrimination and Harassment at Work, the Policy on the Reporting of Irregularities, and the Product and Service Governance Policy;

ix. increasing the formalisation and communication of structural documents such as the Credit Risk Management Policy, the Own Portfolio Risk Management Policy, the Liquidity Risk Management Policy and the Operating Risk Management Policy, allowing the identification of indicators and thresholds, called RWF (Risk Warning Framework), which are regularly monitored by the Risk Department and submitted monthly to the ALCO;

x. the review of the Remuneration Policy for Members of Management and Supervisory Bodies and that concerning Employees, followed by the review of the definition of organisational, departmental and, in some cases, individual KPIs. In the ongoing process of selecting indicators, the Bank has taken care not to introduce incentives that encourage improper conduct, but also that these indicators promote alignment with best practices for internal control, to help accelerate the correction of flaws found at governance and internal control levels;

xi. Carregosa – SGOIC strengthened the internal regulatory framework that supported the authorisation process, including the review or creation of the following documents:

a. Code of Conduct.

b. Remuneration Policy.

c. Asset Valuation Policy;

d. Conflict of Interest Policy;

e. Risk Management Policy;

f. Policy on the Prevention of Money Laundering and Terrorism Financing;

g. Data Protection and Privacy Policy;

h. Subcontracting Policy; and

i. Policy on the Principles and Rules of Conduct applicable to the Prevention and Combat against Discrimination and Harassment at Work.

xii. strengthening the formalisation of operational procedures embodied in standards and manuals;

xiii. the significant and ongoing improvement of the information system supporting the activity with a view to aligning it with the best practices for information management and, in particular, the improvement of risk management related information;

xiv. the start of a project aimed at describing the data structure underlying the central information repository and the business concepts used in the Bank's activity and reporting processes, which is expected to be completed by the end of 2022;

xv. the identification and assessment of information and telecommunication technologies (ICT) and information security risks, which resulted in the definition of a multi-contribution plan to address all the deficiencies found, aiming to mitigate and resolve such deficiencies in 2022, together with the general review of the regulatory framework on ICTs and information governance and security;

xvi. the creation of a sub-directorate of the Risk Department responsible for coordinating regulatory reporting under the responsibility of the Risk Management Function and monitoring ICT and security risks;

xvii. the review of Banco Carregosa's Information Governance and Security framework, which resulted in the following changes:

a. approval of the setting up of the Information Governance and Security Committee as the specialised body responsible for operational management decisions on information governance and security and for contributing to the definition of the information strategy;

b. approval of the Information Governance Policy, establishing the guiding principles, processes and decision-making powers on matters of Information Governance;

c. the approval of a new version of the Security Organisation document.

xviii. the development of a macroprocess mapping project completed in the first quarter of 2022;

xix. the continued commitment to the digitalisation of processes, which led to an increase in the number of integrated workflows;

xx. the development of the Procedure for Identifying, Recording and Monitoring Compliance with Reporting Obligations to External Entities, with the objectives of describing how the Bank: (i) identifies reporting obligations to external entities; (ii) adequately records reporting obligation requirements, including frequency, reference date, submission deadline and responsibility for approval; (iii) maintains proof of compliance with reporting obligations; and (iv) monitors timely compliance with reporting obligations;

xxi. the reassessment of the risk of money laundering and terrorism financing, with the implementation of improvements in compliance with preventive duties;

xxii. the implementation of a reporting mechanism by the management and supervisory bodies of Carregosa SGOIC to the Bank's Board of Directors that ensures the necessary information for fully assessing the risk profile of the subsidiary's structure and business.

The Bank's organisation is based on the three-line model of The Institute of Internal Auditors, revised in July 2020. This model also supports the EBA's guidelines on Internal Governance (EBA/GL/2017/11) until 31 December 2021, revoked by EBA/GL/2021/05 as from that date) and Banco de Portugal Notice 3/2020.

Broadly speaking, the three-line model is based on the assignment of different responsibilities in governance and risk management among the various functions within each line, which can be briefly characterised as follows:

i. First line: the business generating units and related areas, which generate risks for the institution and which are primarily responsible for identifying, assessing, monitoring and controlling the risks they incur;

ii. Second line: the support and control functions that include, in particular, the risk management and compliance functions, which interact with the first line functions with a view to identifying, assessing, monitoring and controlling the risks inherent to the activity carried out by the first line functions;

iii. Third line: the internal audit function, which carries out independent, risk-oriented analyses.

11.1. Internal audit

As part of its mission, the Internal Audit function is responsible for assessing the quality and appropriateness of corporate governance, internal control, risk management and compliance in relation to the business strategy and Overall Risk Management Policy in force, with a view to increasing and protecting organisational value.

Its activity is supported by the Audit Plan, approved by the Board of Directors following the assessment by the Supervisory Committee.

In this context, it performs the necessary actions and démarches, in a framework of a holistic and comprehensive supervision of all Bank's hierarchical levels, business units and departments, including activities that depend on the procurement of external services.

In view of the results of actions carried out, and where justified, recommendations are issued on the elimination or mitigation of anomalies found, which are then regularly monitored.

The department continuously reports the activity carried out to the management and supervisory bodies, in particular the implementation of the audit plan, the reports on actions taken and the results of monitoring of deficiencies.

11.2. Compliance

The Compliance Department monitors the compliance of the legal and regulatory obligations of Banco Carregosa's practices, conducts and procedures. To that end, it frequently follows up on any legal amendments in order to reduce any risks of regulatory non-compliance. In particular, this department is responsible for ensuring the legal and regulatory compliance with any financial intermediation services provided or developed by the Bank. Regarding the prevention of money laundering and terrorism financing, the Compliance Department plays a critical role in that it is responsible for defining the mechanisms to monitor and detect suspicious transactions.

In 2021, the Department's planning process and the formalisation of its procedures and methodology were improved, making the Department's activity more based on the assessment of the risk sub-categories for which management it is responsible. Control measures were also improved, as was the monitoring of corrections of the deficiencies and non-compliances found therein.

11.3. Risk management

Overall risk management in Banco Carregosa includes the policies, regulations, procedures, limits and controls that allow, in an appropriate and integrated manner, to identify, measure or evaluate, monitor, mitigate and communicate the risks posed by the activities undertaken in the various business lines, based on the following guiding principles:

i. Alignment between business strategy, risk appetite and risk management;

ii. Assessment of risk-adjusted return;

iii. Communication and dissemination of a risk management culture.

The risk appetite framework is supported by a Risk Appetite Vision (RAV) and a Risk Appetite Statement (RAS), which ensure at all times consistency between the Bank's business strategy and its risk profile in order to manage and preserve capital and liquidity. In this context, the RAV and RAS are the main building blocks of the Bank's risk management system, consisting of a general approach under which risk appetite and strategy are established, communicated and monitored.

It should be noted that 2021 saw a thorough reorganisation of the risk management data model. This change resulted in a significant improvement in the quality of the data allowing a timelier monitoring of the risks and of the internal and external information produced in connection thereto.

The mission of the Risk Management Function (RMF) is to monitor, control, report and design solutions to measure and mitigate all the risks to which the Bank is or may be exposed, actively contributing to the implementation of a risk culture across the organisation.

Overall, the RMF aims at maintaining a balance between:

i. the adequate level of capital (principle of solvency);

ii. the remuneration of risks assumed (principle of profitability);

iii. the preservation of a stable financing structure.

The Risk Department is also responsible for advising and supporting the management and supervisory bodies to define and monitor the Bank's overall risk profile, providing them with all relevant information regarding specific risks. To this end, it prepares and publishes periodical reports, most of which also addressed to the supervisory entities, on risk management matters, identifying material risks.

In this regard, the Bank has defined, at internal level, a taxonomy of the risks relevant to its activity, resulting from the Risk Identification and Assessment Exercise (EIA), leading to the drafting of a Risk Catalogue, intended to support the internal control system as it:

i. allows for a common understanding of the risks to which the Bank is exposed;

ii. facilitates the definition of functional concepts, contributing to better risk aggregation;

iii. allows better coordination between the first and second lines;

iv. improves the effectiveness of risk communication;

v. promotes a risk culture.

vi. The following are some of the risks identified: Credit Risk, Market Risk, Interest Rate Risk, Operating Risk, and Liquidity Risk.

Notwithstanding the individual monitoring of each risk, as described below, they are globally addressed in the ICAAP (Internal Capital Adequacy Assessment Process), ILAAP (Internal Liquidity Adequacy Assessment Process), F&CP (Funding and Capital Plan) and Stress Test Programme exercises.

11.3.1. Credit risk

Credit risk is the likelihood of negative impacts affecting the results or equity of the Bank due to the inability of a counterparty to meet its financial commitments with the Bank. Credit risk is found mainly in credit exposures, including secured credit, credit lines, guarantees, derivatives and the Bank's deposits with other credit institutions.

Various techniques are used to reduce this risk, including good collateral and cash guarantees, and the use of contractual netting agreements.

The Credit Risk, Compliance and, where necessary, the Legal Department give their opinion on the approval of credit operations, ensuring not only the assessment of the client's repayment capacity, but also that the transaction is in line with the defined policies and procedures.

The calculation of impairments is based on the IFRS 9 requirements and the respective reference criteria of Banco de Portugal established in Banco de Portugal Circular Letter CC/2018/00000062.

It should be noted that the pandemic-related events had an impact on the Bank's credit operations. Specifically, Decree-Law 10-J/2020 established exceptional credit protection measures for families and businesses, and Banco de Portugal Circular Letter CC/2020/00000022 introduced the EBA/GL/2020/02 guidelines on legislative and non-legislative moratoria on loan payments applied in the light of the COVID-19 crisis. The Bank adopted a set of internal procedures to control and monitor operations under the moratorium programme. Based on a watchlist, quarterly situation reports were prepared with the aim of anticipating the deterioration of client's financial situation. However, in this scope, the impacts for the Bank were not significant, moving away from the cliff-effect resulting from the end of the moratoria.

11.3.2. Market risk

Market risk is the likelihood of negative impacts affecting the Bank's results or equity due to unfavourable changes in the market price of own trading book instruments, including fluctuations in stock quotes, price of commodities, interest rates and/or foreign exchange rates.

This risk is primarily associated to the trading book, consisting of short-term positions held by the Bank, in a speculative logic, although it affects other own portfolios of the Bank.

The daily monitoring and control activities developed by the Risk Department include:

i. the estimate of own funds for market risk;

ii. the Value at Risk (VaR) and its development by the historical method at 1 year and with a confidence level of 99.9% of the positions in the various management portfolios, which are also analysed from a prudential and accounting perspective;

iii. the level of hedging between Indexed Deposits and Options, in order to gauge the excess or deficit in the hedging achieved.

The results and asset allocation of the banking and trading book are submitted to the ALCO on a monthly basis.

11.3.3. Interest rate risk

Interest rate risk is the likelihood of negative impacts affecting equity, arising from adverse interest rates, and relates to all balance sheet positions, excluding the trading book, but including off-balance sheet items. It results from the combination of base risk, interest rate yield curve, repricing risk and option risk. The following are the concepts underlying each risk type:

i. Basis risk – the risk arising from interest rates of assets being remunerated at indices other than those of interest rates of liabilities;

ii. Yield curve risk – the risk arising from unfavourable trends in various segments of the yield curve, which can originate losses when assets and liabilities are in different segments of the curve and in different proportions;

iii. Repricing risk – the risk derived from the various assets and liabilities reindexing at different dates and rates;

iv. Option risk – the risk that arises from the option inherent to some assets and liabilities. The risk resulting from embedded options in balance sheet and off-balance sheet items.

For prudential purposes, the Bank uses the general risk assessment method laid down in EU Regulation No. 575/2013. Compliance is also ensured with Banco de Portugal Instructions

34/2018 and 03/2020, which update it, consisting of the standardised reporting of the exposure to interest rate risk of the banking portfolio and the impact on the development in economic value and on the financial margin of a sudden and expected development in interest rates.

11.3.4. Operating risk

Operating risk is the loss resulting from the inadequacy or failure of procedures, staff, internal systems or external events, and also legal risks, as laid down in EU Regulation No. 575/2013.

Operating risk is assessed at two different levels: technical and organisational.

In this particular regard, 2021 saw significant efforts in terms of ICT risks, with the aim of strengthening control and monitoring in this area. Additionally, 2021 also saw the drafting of the Operating risk Management Policy, which aims at monitoring and controlling this risk.

At a technical level, Banco Carregosa has always chosen to invest strongly in computing. As a result of this strategy, the Bank has a sound, highly flexible and reliable computerised information system in place which contains sensitive and confidential private financial and personal data.

Access to these systems is exclusively allowed to Banco Carregosa employees and outsourced employees who, under an appropriate framework, are engaged in the system's development or operation, or whose work involves the recording, review or retrieval of such data.

To monitor the operating risk, a risk matrix is used to:

i. identify the risk inherent to the processes, without considering the existing controls (inherent risk);

ii. assess the exposure of the various processes to risk, considering the influence of existing controls (residual risk);

iii. identify the impact of improvement opportunities to reduce the most significant exposures (objective risk).

In mitigating the Operating Risk, the following also stand out: internal reporting structures, contingency plans, Business Continuity Plan, Internal Audit actions and staff training plans. To date, the history of losses is not substantial considering the volume of transactions and/or total revenue of the Bank.

11.3.5. Liquidity risk

Liquidity risk reflects the Bank's potential inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

As part of the risk control processes, the Executive Committee and those involved in own portfolio management receive a report from the Risk Department every day, which includes:

i. allocation of assets, liabilities and off-balance sheet items;

ii. estimates of minimum requirements for own funds;

iii. counterparty concentration;

iv. liquidity profile;

v. other prudential indicators.

Banco Carregosa favours deposits with the Central Bank, other credit institutions and in tradable securities, maintaining a conservative risk profile.

11.4. Equity management

With respect to equity management, the Bank seeks to ensure an appropriate level of solvability and profitability according to internal policies and risk appetite policies defined by the Board of Directors, this being a critical aspect in the institution's approach to its stable and sustainable management.

The Bank performs an internal and prospective annual self-assessment of all material risks to which the institution is exposed, the ICAAP (Internal Capital Adequacy Assessment Process). The ICAAP is an essential tool to define the Bank's strategy, enabling the follow-up and monitoring of the consequences of its execution. This process enables the regular analysis of risk appetite defined in its RAS and the availability of economic capital. The ICAAP is prepared according to the two following dimensions:

i. regulatory, based on regulatory reports, especially prudential reports, that provide important data for the quantitative and qualitative analysis of equity and risk;

ii. economic capital and its requirements, which quantifies the risk according to the confidence level established in its RAS (Risk Appetite Statement). The qualitative analysis completes the exercise in a systemic approach.

The Risk Department is responsible for proposing measures to assess the need and availability of economic capital, and is also responsible for developing stress tests, scenario analyses and for most of the prudential reports in the context of risk and equity management. It should be noted that 2021 was also marked by a structural methodological review to assess economic capital, aiming to strengthen and expand the exercise taking into account best market practices.

12. Overview of the Activity

12.1. Macroeconomic environment

The year 2021 was a year of recovery following the COVID-19 pandemic, the social and economic impact of which peaked in 2020. Driven by the response capacity of the various stakeholders and supported by measures to mitigate the impacts of successive lockdowns, 2021 saw the return to a certain normalcy, albeit far from pre-pandemic times. The economic impacts of each new lockdown were successively lower, even though the pandemic lasted longer than expected as new variants of the virus made it difficult to control the situation through vaccination programmes.

Despite these ups and downs, 2021 translated into global economic growth, estimated at +5.9% by the IMF (International Monetary Fund) in its January 2022 edition of the World Economic Outlook (WEO) as compared to the -3.1% in 2020. The authorities of each country and region reacted differently to the pandemic, and so did the different economies. The Chinese economy was the first one to resume its long-term growth trajectory, even recovering the growth that had been put on hold due to the pandemic. The US economy, however, recovered its pre-COVID-19 level, but has not yet reached the long-term growth trajectory. The European and Japanese economies ended 2021 still below their 2019 levels.

The simultaneous disruption of the global economy and its subsequent partial and asynchronous reactivation caused some imbalances in international production and distribution chains, at a stage of globalisation when international interdependencies are very significant. Maritime cargo transport ran into logistic difficulties compounded by new the constraints – imbalances in the number of containers available across the world and the difficulties in managing the teams on board ships during the pandemic. On top of this, the ship Ever Given was blocked in the Suez Canal on 23 March 2021. The installed capacity in the semiconductor industry also proved insufficient to cope with changes in consumption patterns, and expectations of a strong increase in public and private investment in the short term contributed to the increase in the price of various commodities, such as industrial metals and energy products.

The United Nations conference on climate change held in Glasgow (COP26) continued to set ambitious goals for the decarbonisation of the global economy, although it fell short of expectations in terms of the commitment to reduce the use of coal as a primary energy source in China, India and the United States. On the European continent, the commitment to adopt renewable energy has begun to show that it is a potential vulnerability for the stability of energy sources, being excessively dependent on the changing climate conditions (hours of sunshine, amount of wind and rainfall) and lacking alternatives with no adverse effects, such as nuclear energy or natural gas from Russia.

The year also saw changes in the international geopolitical landscape, namely China's growing influence and escalating claims on Taiwan. Tensions between Russia and NATO also escalated, with Ukraine at the centre of the disputes between the two blocks. In 2022, this culminated with the Russian attack in Ukrainian territory, with the consequent uncertainty about future developments of the conflict and the effects on international relations and global economy.

Finally, the legislative elections in Germany, the first without Angela Merkel's candidacy since 2005, saw the election of a new governing coalition formed by three parties, which should contribute to a balanced mandate and a European vision of Germany.

12.2. Portuguese economy

The Portuguese economy recovered gradually throughout 2021, ending the year with a better-than-expected economic growth and unemployment levels lower than expected. The country also overcame the challenges posed by the Omicron variant, unlike other euro area economies in the last quarter.

According to data released by the National Statistics Institute (INE), the Portuguese economy grew by 4.9% in 2021. This growth exceeded the forecasts of the European Commission and of Banco de Portugal of 4.5% and 4.8%, respectively, and showed a sustained recovery of the national economy after the historic fall in Portuguese GDP in 2020 caused by the COVID-19 pandemic.

Year-on-year, the GDP 5.8% growth in the fourth quarter placed Portugal above the euro area and the European Union average. According to Eurostat data, in the fourth quarter of 2021 the euro area economy went up 4.6% and that of the European Union 4.8%, year-on-year, an acceleration when compared to the 3.9% and 4.1%, respectively, in the third quarter. The Omicron variant wave decelerated economic growth in the euro area in the last quarter of the year, compared to the three previous ones. However, the Portuguese economy was one of the most resilient and recorded a growth of 1.6%, only surpassed by Spain, which peaked at 2%. Compared to the previous three months, in the last quarter of the year drops were recorded in Austria (-2.2%), Germany (-0.7%) and Lithuania (-0.1%).

According to the European Union's 2022 Winter Economic Forecasts, the Portuguese economy should grow 4.9% in 2022, *i.e.* a downward revision from the 5.3% previously estimated.

The 6.6% unemployment rate in 2021 was lower than forecast and is the lowest since 2019, dropping back to pre-pandemic levels, and below the projections of the government, of Banco de Portugal (6.8%) and of the Portuguese Public Finance Council (7.3%). In the last month of 2021, unemployment fell to 5.9%, reaching two-decade lows. According to the National Statistics Institute, one has to go back to April 2002 to find a lower rate.

Although inflation accelerated in 2021 in the euro area, the Consumer Price Index (CPI) recorded an annual average variation rate of 1.3% in Portugal (nil in 2020). The change in the underlying inflation indicator, measured by the total index excluding unprocessed food and energy, was 0.8% in 2021 (nil in 2020). Inflation in 2021 was driven by positive energy price developments. However, inflation gradually accelerated throughout the year and in December peaked at 2.7%, but was still the second lowest in the euro area ahead of Malta.

In 2021 the general government deficit in public accounts improved by 2,862 million euros compared to 2020, dropping to 8,794 billion euros. This improvement is explained by the 9.3% increase in revenue, higher than the 5.2% growth in expenditure. The significant improvement in revenue results from the strong recovery of the economy and in particular of employment. The growth of expenditure results from the impact of the extraordinary measures to support the economy and the strong growth of expenditure in the National Health Service (SNS). The development of the public account balance makes it possible to anticipate that the government deficit in 2021 will be significantly better than the 5.8% in 2020 and below the limit established for 2021 of 4.3%.

13. Financial Markets in 2021

The year 2021 began with a positive sentiment, with global equity markets continuing their strong growth through most of January, underpinned by reflationary optimism that continued to encourage risk taking. However, this optimism shifted back and forth throughout the year in response to pandemic monetary and fiscal policy developments, political risks and even market manipulation.

In fact, one of the first episodes of volatility in the year was due in part to an unusual and highly targeted move by a group of retail investors who, through online platforms, began to buy some of the stocks in which the major hedge funds held short positions.

Market sentiment also became more pessimistic as the variants of the COVID-19 virus continued to spread around the world, resulting in a growing concern that vaccination would not be able to combat the new variants. Thus, the impacts of the pandemic turned out to be more prolonged than anticipated, these expectations being reflected in the markets.

In Europe, risk appetite was also penalised by political turmoil in Italy, which led to the resignation of Prime Minister Giuseppe Conte. The formation of a new government led by Mario Draghi, the former president of the European Central Bank, was approved by a large majority in parliament, thus avoiding early elections during the pandemic. In Germany, the Social Democratic Party won the elections, achieving a short lead over Angela Merkel's CDU/CSU bloc, but allowing it to form a coalition with the Green Party and the liberal FDP party.

Contrary to the expectations of most analysts, early in the year the US dollar appreciated against its main counterparts, as a result of expectations of greater relative growth of the US economy and the different reactions of central banks to the hike in yields, with the Federal Reserve (Fed) allowing a rise in longer yields. Investors began to feel some anxiety about a potential overheating of the US economy after the USD 1.9 trillion stimulus package was approved, which could imply an increase in inflation to undesirable levels and force the Fed to reverse the course of the monetary policy.

Throughout the year, the earnings seasons were stronger than expected, being an important driving force to spur the equity markets. However, this was always counterbalanced by fears about the non-transitivity of inflation increases, with bottlenecks in the production and supply chains, as well as some labour shortages. The expectation of the reopening of the economy and the increase in yields led to a growing interest in value style and small caps. Commodities continued to benefit from the global recovery.

The third quarter started on a risk-taking mode. Global equity continued their upward trend in July, a performance led by developed markets. Emerging markets, however, experienced a sharp fall, building on a correction in Chinese markets as regulatory concerns increased, with China announcing regulations for the education sector. Other volatility-causing events also affected the markets, such as fears that a possible default by China's second largest real estate conglomerate, China, Evergrande, could trigger a global financial "contagion" similar to the one that followed the collapse of Lehman Brothers in September 2008. However, the perception quickly became widespread that systemic risk would be reduced, which calmed some of the investors' fears.

At the start of the fourth quarter, the Fed had not yet discarded the theory that inflation would be temporary; however, it decided to go ahead with the plan to reduce asset purchases, which pushed up the yields on Treasury bonds. Europe saw an increase in energy prices, especially natural gas, whose supply began to be scarce, putting further pressure on inflation.

November was market by the outbreak of a new COVID-19 variant, Omicron, in South Africa, frightening health authorities and investors. In the USA, the Consumer Price Index (CPI) rose to 6.2% in October, its highest in 31 years. Powell was reappointed for a four-year term as Fed Chair and Biden signed his $550 billion bipartisan infrastructure plan.

The last month of the year was marked by a significant increase in volatility due to news that the Fed could reduce its monthly purchases of assets at a faster pace, something that was confirmed at the December meeting. In the euro area, November inflation rose to 4.9% year-on-year, well above consensus, and the ECB signalled the end of the emergency programme. Somewhat surprisingly, the Bank of England raised its reference rate.

Economic activity picked up in 2021, global yield curves ended the year generally higher and steeper than at the start of the year, and credit outperformed government debt overall.

Figure 4 | Development of the main world indices

Index (Total net return)	2021	2020
MSCI All Countries World in EUR	29.0%	4.8%
MSCI All Countries World in USD	20.1%	14.1%
S&P 500 (USA)	26.9%	16.3%
NIKKEY 225 (Japan)	4.9%	16.0%
STOXX 600 EUROPE in EUR	22.3%	-4.0%
MSCI Emerging Markets in EUR	2.4%	8.7%
MSCI China in USD	-22.8%	27.3%
MSCI Brazil in USD	-23.5%	-20.9%
DAX (Germany)	15.8%	3.6%
CAC 40 (France)	28.9%	-7.1%
IBEX 35 (Spain)	7.9%	-15.5%
MIB 30 (Italy)	23.0%	-5.4%
FTSE 100 (United Kingdom)	14.3%	-14.3%
SMI (Switzerland)	20.3%	0.8%
PSI 20 (Portugal)	13.7%	-6.1%

14. Outlook for 2022

The IMF, in its January 2022 WEO projections, estimates a global growth of 4.4% this year, precisely the same figure forecast 12 months ago, and a 3.4% global growth in 2023. On 24 February 2022, the escalation in tension between Russia and Ukraine to war waged in Ukrainian territory significantly changed the prospects for the year. In March, the OECD estimated that the conflict may remove about 1.1 percentage points from global growth, with a greater impact on the euro area, which is projected to decline further by 1.4 percentage points. Additionally, inflation is expected to increase 2.5 percentage points globally this year, compounding an issue that was already causing some discomfort among economic agents.

Inflationary developments may force the withdrawal of monetary stimuli and contribute to increased volatility in financial markets. In addition to inflation being more persistent than initially expected, the outbreak of the conflict, the escalation of geopolitical risks and the development of the pandemic should continue to disturb the international environment.

Although price increases are different across geographies and are more visible in US and UK economies than in Europe, China or Japan, over the coming months this phenomenon may be more controlled than expected by the market. Many of the forces that have maintained the deflationary trend over the business cycle remain valid, the impacts of base effects should gradually diminish, and inflation should come even closer to wage growth levels, which should also be aligned with inflation expectations that are anchored in productivity gains. However, the conflict has lengthened the inflationary phenomenon, with some economic agents showing varying long-term expectations, which increases the risk of inflation not converging to the levels defined by central banks in an orderly fashion.

An environment characterised by economic growth, inflation in raw materials and wages should allow a reduction in the levels of liquidity injected by central banks into the markets. This environment will bring greater volatility and dispersion of developments in financial asset value, penalising those most exposed to interest rate risk, such as longer-term fixed rate bonds. Financial assets artificially supported by favourable liquidity conditions should converge towards their intrinsic values, while businesses with strong balance sheets and the capacity to pass on cost increases in the prices of goods and services provided should be a good safe haven.

In geopolitical terms, the growing dispute over the hegemony of North American influence in the world will continue to contribute to an environment of growing uncertainty and increased perception of political risk at a global level. The risks of war and cyber attacks continue to be a vulnerability that will continue to be increasingly exploited, with all the associated economic and social costs.

15. Regulatory Framework

As in recent years, 2021 was marked by intense legislative and regulatory output, both Portuguese and European, with organisations having to face the challenges of adapting to the legal and regulatory framework in force.

As mentioned in the 2020 Report & Accounts, with regard to the regulation of the capital market we note the European Union's proposal for a Capital Markets Recovery Package, which contains a number of specific amendments to different legal texts (Market in Financial Instruments Directive II, the Prospectus Regulation and the Securitisation Regulation) with the aim of encouraging investment, enabling the recapitalisation of companies and increasing the capacity of banks to finance economic recovery. The legislation resulting from such proposition was published in 2021 – Directive (EU) 2021/338 of 16 February 2021 –, which set 28 February 2022 as the deadline for transposition by Member States. The Directive was implemented in Portugal by Decree-Law 109-H/2021, which entered into force on 1 February 2022, although some of the provisions only came into force on 28 February. Also of note is the publication of Law No. 99-A/2021, amending the Portuguese Securities Code, with a view to making the Portuguese capital market more attractive.

With regard to the prevention of money laundering, we highlight the entry into force of the Legal Framework for Economic Offences, through Decree-Law No. 9/2021 of 29 January, Decree-Law No. 56/2021 of 30 June and Law No. 99-A/2021 of 31 December, amending Law No. 83/2017, which establishes measures to combat money laundering and terrorism financing, with Law No. 99-A/2021 only coming into force in February 2022. Also of note is the publication of Banco de Portugal Instruction 2/2021 of 25 February 2021, which incorporated the guidelines on risk factors and simplified or enhanced identification and due diligence measures related to money laundering and terrorism financing issued by the European Supervisory Authorities.

With regard to matters of conduct, governance and internal control, 2021 saw the continuation of the phased adaptation plan established by Bank of Portugal Instruction 18/2020, following the entry into force of Bank of Portugal Notice 3/2020. This programme included, among others, a training plan on Conduct, Internal Governance and Risk Management that was successfully carried out. In addition to the training plan, a review of the internal regulations was also planned, both with regard to Strategy and Organisation and Conduct. In order to check compliance with the adaptation plan on these matters, Banco Carregosa reviewed and created 30 regulations on Strategy and Organisation, including the regulations on Corporate Bodies and support bodies, and 7 Conduct regulations, such as the Code of Conduct and the Conflict of Interest Policy.

With regard to the reporting of information to the authorities, as mentioned in the 2020 Report & Accounts, the CMVM published its Simplification of Reports project that covers a number of new regulations. This implied the review, in 2021, of the vast majority of the reporting to CMVM and had quite an impact in terms of IT development and conceptual review of the information to be reported. The new duties of reporting periodical information to CMVM came into force on 1 July 2021. As far as the Bank's performance is concerned, the implementation of the new requirements was successfully completed, with the new reports being prepared automatically from the Bank's golden source.

With regard to Information and Communication Technology (ICT) Security, the Bank continued to adapt to the provisions laid down in the guidelines on the management of ICT and security-related risks, published in Banco de Portugal Circular Letter C/2020/00000029. To this end, the Bank promoted an external assessment of its degree of compliance with said guidelines, having defined a plan for the implementation of the necessary changes to ensure compliance with the guidelines.

As regards business continuity, the review of the Recommendations on Business Continuity Management, issued by the National Council of Financial Supervisors, is worthy of note. The review of the entire internal regulatory framework on business continuity will take place during 2022.

It should also be noted that the European regulators (EBA and ESMA) published several guidelines on sound remuneration policies (EBA/GL/2021/04), internal governance (EBA/GL/2021/05) and assessment and suitability of the members of corporate bodies and key function holders (EBA/GL/2021/06 or ESMA35-36-2319). Although the revised guidelines will only enter into force on 31 December 2021, the consultation documents on the guidelines had already been published earlier, allowing institutions such as the Bank to better prepare their regulations to accommodate the updates of the guidelines.

Regarding the topic of Sustainable Finance and ESG (Environment, Sustainability and Governance), there have been several public consultations (the EBA document on the incorporation of ESG risks in the management and supervision of credit institutions; the EBA ITS (Implementing Technical Standards) on the disclosure of information on ESG risks under Pillar 3; the European Commission's Sustainable Finance Platform documents on social taxonomy and options for extending the taxonomy linked to environmental objectives), as well as legislative or regulatory proposals already under discussion (Regulation on European Green Bonds and Directive amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No. 537/2014, regarding corporate sustainability reporting). There are also several legislative and/or regulatory texts already in the implementation phase, namely those amending the Markets and Financial Instruments, Insurance, Alternative Investment Funds, Collective Investment Undertakings in transferable securities, and Solvency directives. Despite the entry into force of the regulation on the disclosure of sustainability-related information in the financial services sector, the application of its implementing technical standards has been postponed until January 2023.

From a prospective point of view, the end of 2020 saw the public consultation process of the so-called Banking Code. At the end of 2021, the Code had still not yet been approved due to changes in the constitution of the Portuguese Government and Parliament. The Banking Code is expected to be approved in 2022 without major changes compared to the draft published after the analysis and integration of the results of the public consultation. Once it is approved, the current General Regime of Credit Institutions and Financial Companies, among other diplomas, will be repealed, and the said Code will come into force. The Bank has been following this legislative process in order to ensure that it is ready to make any changes in terms of organisation or formalisation of internal rules as may be necessary.

16. Overall Activities

16.1. Private Banking

The highlight of the year in the Private Banking segment goes to the strong growth of assets under supervision and under management as per the objectives defined.

Growth resulted from attracting new clients and strengthening the involvement of current ones, within the scope of the Bank's recurrent offer of products and services. The positive market developments and the results of the Bank's investment management services strongly contributed to achieving this objective.

Online transaction activity by Private Banking clients continued its positive trajectory, with growth in assets on the GoBulling Pro platform, translating into growth in commissions in this segment.

The cross-selling model with other areas was consolidated, namely with Corporate and Property Advisory Services, as well as with the Depositary Service.

Also noteworthy was the launch of the subscription of the first new fund created under Carregosa SGOIC, with positive impacts on the growth of the segment's assets. The offer of investment products of this nature is a natural complement to the investment management and advisory services offered to Private Banking clients.

As regards the Depositary Service, commercial activity was strengthened, in coordination with this Department, resulting in the attraction of new management companies and new funds.

In terms of the products and services offered, the continuous renewal of the offer of alternative investment products, namely venture capital funds and property funds, should be highlighted.

The balances in liquidity increased largely due to one-off deposits of venture capital and property funds in this segment.

Although credit operations volumes contracted, the growth in credit operations for the acquisition of financial instruments is of note, in line with the strategic vision of the service being complementary to the traditional Private Banking activities.

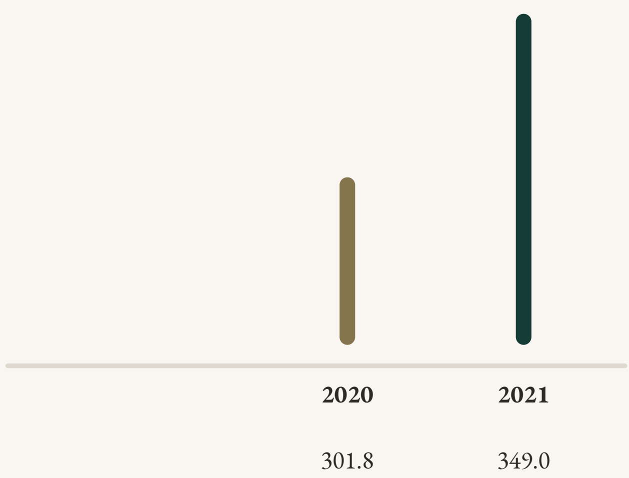
Despite the constraints imposed by the pandemic, we were able to hold a significant number of commercial affairs, which attracted investors. These initiatives are important to consolidate existing relationships and to establish new contacts.

With regard to the Private Banking team, in 2021 the changes made in the previous year were consolidated, in particular the joint coordination of the two commercial areas. An additional Private Banker joined the Porto team, thus increasing the Bank's reach into new geographical areas.

In terms of future developments, plans are in place to continue to expand the commercial teams and follow the path pursued thus far, in order to position the Bank as a wealth management reference in Portugal.

Figure 5 | Changes in client deposits [all segments, including CIUs]

Amounts in EUR million



16.2. Savings and investment

In 2021 changes in the commercial area dedicated to the affluent segment were consolidated. This segment is targeted at clients with high savings and investment potential who seek value-added financial solutions. The strategic repositioning started in 2019 was thus concluded, aimed at the more consistent alignment between all of the Bank's business areas and a better integration of this segment in the strategic objectives defined.

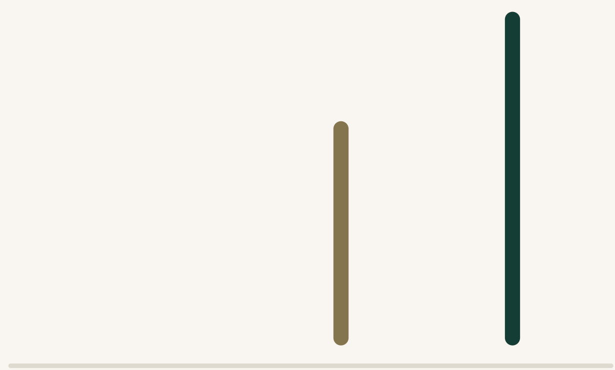
The results achieved this year confirm the decisions taken: the operation at full capacity increasingly focused on the objectives outlined resulted in a positive performance across the board.

Assets under supervision benefited from a favourable market environment and grew, with relevant contributions from assets under management, assets on the GoBulling Pro platform and assets under custody, with positive contributions all year round. Conversely, also in line with the objectives defined at the beginning of the year, client deposits fell.

As regards assets under custody, the growth of investment funds stands out, driven by the wide range of funds available for subscription and the various tools available to clients in this segment.

Figure 6 | Changes in the trading of foreign collective investment undertakings

Amounts in EUR million



	2020	2021
Funds under Custody	18.7	27.7

The marketing of venture capital funds and property funds, particularly funds managed by Carregosa SGOIC, also had a positive impact on the growth of assets in this business area.

As in the previous year, there was a remarkable growth in assets under custody of GoBulling Pro platform clients, as well as in platform trading fees.

Credit was the service with the least relevance, due to the reduced competitiveness of the Bank’s offer in this area. This is expected to undergo changes in the near future in order to stimulate margin account credit.

The work done to improve the quality of the commercial portfolio throughout the year made it possible to increase the average value in custody per account, the reduction in the weight of deposits in the segment’s assets and in the higher yield generated per account. Given the stability of the team, the productivity of this segment improved considerably.

The team was also able to adapt to the new commercial dynamics dictated by the pandemic, such as the use of remote working.

We will continue to thread this path in 2022, seeking the growth of recurring activities and aiming at higher yields

16.3. Treasury and own portfolio

The market in 2021 continued to monitor the evolution of the pandemic situation experienced since 2020, but less reactive than before.

Despite increased liquidity in the bond market, corporate credit spreads remained volatile, particularly in the last quarter, as the withdrawal of monetary stimuli by central banks in reaction to rising inflation was anticipated.

Similarly, market base rates also moved upwards, with the 3-year swap rate (close to the average duration of the bond portfolio in the own portfolio) up by 0.35% in the year, especially in the last quarter.

With this more liquid market environment, and despite the rise in interest rates, the management of assets that make up the Bank's own portfolio made a positive contribution to the formation of net operating revenue, largely due to the management options implemented during the year, taking advantage of market volatility, increased liquidity and a careful choice of issuers.

Unlike the previous year, no unforeseen adjustments to the portfolio composition were necessary. 2021 saw the continuation of own portfolio management measures started in 2020, which included an increase in portfolios of assets held to maturity. The 2021 results show greater stability, although benefiting from the recovery initiated in 2020, in particular the structural measures regarding the own portfolio composition and investment horizon aligned with the Bank’s risk profile.

The global value of own portfolio increased in 2021 as a result of the changes in the different portfolios:

i. a slight increase in the bond portfolio based on the model of a securitised credit portfolio with a view to holding the assets making up the portfolio to maturity;

ii. invested mostly in bonds without capital consumption and discountable at the Central Bank; and

iii. a slight reduction in the trading book, itself already residual.

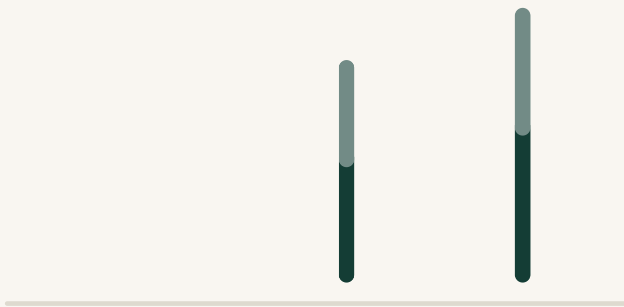
Positions in property funds also made a positive contribution to the results due to the performance of some of the real estate assets in the respective portfolios; the amount invested did not change significantly, despite some changes in positions.

Excess liquidity continues, posing major challenges for treasury management due to the persistence of negative reference rates and the commercial practices of other credit institutions, which increased the cost of the Bank's investments above certain amounts and caused some changes in the type of deposits, with a reduction in the Term Deposits/Total Deposits Mix given the low interest rates and the increase in deposits from non-private clients.

In 2022 the Bank expects that market development will depend on how inflation performs, on the consequent changes in interest rates, and on the interventions of the various Central Banks. Management's attention will continue to be focused on capital preservation, while not neglecting to obtain financial margin and results through a very meticulous management of investments.

Figure 7 | Own portfolio and liquid assets

Amounts in EUR million



	2020	2021
Cash and liquid assets	115.3	139.3
Own Portfolio (Financial Assets)	125.4	158.7

16.4. Investments

At the beginning of 2021 there was strong belief in economic growth supported by fiscal and monetary policies. The great uncertainty concerned changes in prices, since in the recent past the various attempts to inflate developed economies had had no effect. The doubt remained as to whether such economic growth would be accompanied by inflationary pressure or whether full employment would continue to mean no wage pressure.

The various investment strategies were designed so as to achieve exposure to economic growth, while maintaining some balance for the two alternative inflation scenarios. Throughout the year, the dynamics revealed a greater propensity for a more lasting inflation than initially forecast, and so the strategies were aligned with this scenario, gradually reducing exposure to duration in the bond component and, in the equity component, seeking exposure to managers who invest preferably in quality companies with pricing power. Tactically, in the multi-asset strategies we also sought to strengthen portfolios exposed to raw materials and energy to take advantage of a posible price hike. During the year, the US currency was stronger than expected and penalised investments in debt and equity from emerging markets. The Chinese equity market was a disappointment in 2021 as a result of increased regulation, intervention and state scrutiny in various sectors of activity, particularly in the education and technology sectors, which surprised investors and negatively affected investments in Asia.

The results of investment allocation strategies were overall satisfactory, in absolute terms and when compared with competing products. The Preservation, Capitalisation, Appreciation, and Aggressive Appreciation profiles achieved returns of 2.2%, 4.0%, 6.8% and 9.4%, respectively.

Figure 8 | Changes in the performance of allocation strategies

Profiles	2020	2021
Preservation	1.7%	**2.2%**
Capitalisation	3.4%	**4.0%**
Appreciation	5.3%	**6.8%**
Aggressive appreciation	4.7%	**9.4%**

The equity market management models showed overall positive results. In a year in which “value” was most penalised, the Active Value strategy was up 20.6%. The Large Cap strategies, with a bias towards quality, appreciated 18.7%. Alpha Valor, a flexible management strategy, obtained a return of 4.2%. Finally, the USD bond strategy achieved a return of -0.7% justified by the more significant rise in interest rates in the United States.

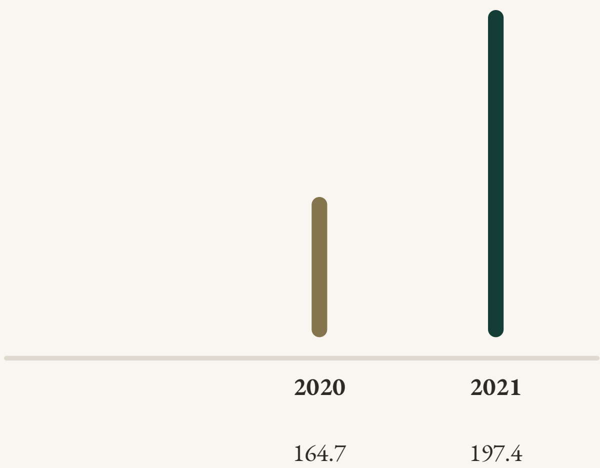
Figure 8 | Changes in the performance of thematic strategies

	2020	2021
Active Value	-15.9%	**20.6%**
Large Capitalisations	7.4%	**18.7%**
Alpha Valor	4.2%	**4.2%**

The competitive returns associated with the close monitoring of management and of commercial areas made it possible to win over and consolidate the trust of new and current clients. As such, amounts under management have increased, coming close to the 200 billion euro mark at the end of the year.

Figure 9 | Changes in assets under management

Amounts in EUR million



Unlike the previous year, in 2021 we were able to once again drive the offer with the launch of structured products, even though availability of structured deposits remained unfavourable, which, as in 2020, was nil. Four structured product issues were marketed, representing a total of 5.2 million euros.

The performance of the selection of funds, available online, was also positive in 2021: the Defensive, Balanced and Growth Allocation achieved returns of 2.3%, 5.9% and 7.9%, respectively.

The information production function within the Investment Department's responsibilities continued to develop its information product portfolio, setting up communication channels with clients and prospective clients. This area was also fundamental for increasing the relationship with the media, with regular collaborations from the department. Despite the contingencies of the environment, the well attended annual presentation of the Markets Outlook to clients took place in 2021 in a webinar.

In 2022 the Investment Department will continue to strive for improvement, taking advantage of the consolidated team to focus on optimising management and decision-making processes. The following are our ongoing priorities: create a Retirement Savings Plan (PPR) for the most relevant strategies, expand our institutional client base, and launch new products and services aligned with market needs and the team's expertise.

16.5. Markets

The Market Department concentrates the Bank's brokerage activities and is organised into two segments, Institutional and Private, the latter area also encompassing trading on digital platforms.

In 2021, and in terms of revenues, both segments recorded a positive development compared to the previous year: the Private segment up 19%, mainly through e-trading, and the Institutional segment up 11%. Net operating revenue increased by 6%.

Activity and assets under custody in the Private segment grew, part of which due to the generally positive market developments. Despite the growth in revenue in the Institutional segment, traded volumes dropped.

In a year in which activity increased and overheads were contained, we were able to increase the margin of this activity.

As in 2020, financial markets in 2021continued to show high volatility. In the first half of the year this volatility was largely associated with the pandemic and the measures taken to contain it, while in the latter half of the year, especially at the end of the year, volatility was due to the rise in inflation rate and the change in the positioning of central banks and monetary policy.

However, more constructive market sentiment and positive performances led to growth in assets under management. This was particularly felt in the equity markets, but also in the foreign exchange and commodities markets, the latter particularly in the third and fourth quarters of the year. Some sectors stood out, in particular the technology area, and there was a rotation of interest from high growth companies to more cyclical and value companies.

Regarding the electronic trading platform, GoBulling Pro was strengthened in terms of information provided to investors and allowed for greater interaction with them. These changes led to an increase in activity and a growing adherence by investors.

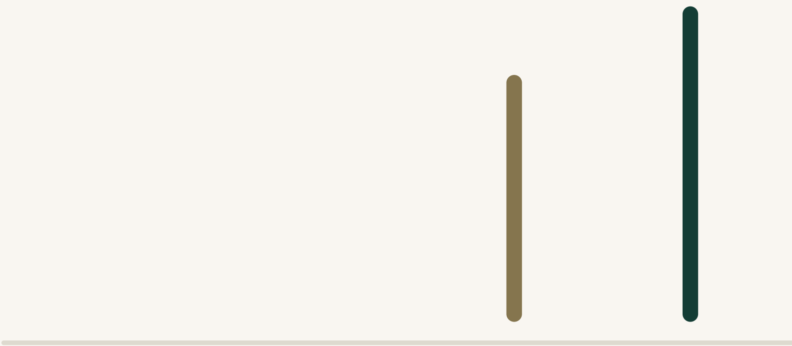
As regards the products traded on the platform, of note is the greater focus of our clients on spot instruments and CFDs. The presence of ETFs in the asset portfolios of clients less active in the platform also increased. Futures and options, on the other hand, lost weight in transactions.

In 2021 the offer of derivatives on crypto-active assets was extended, with the introduction of Crypto Fx on the Gobulling Pro platform, derivative financial instruments indexed to the fluctuations of the underlying cryptocurrency – such as Bitcoin (BTC) against the American Dollar (USD) –, allowing exposure to price fluctuations of those assets against some currencies. However, the growing interest in crypto-active assets has been felt mostly in the demand for trading in cryptocurrency-exposed ETFs.

The year was also marked by the celebration of 20 years of partnership with Saxo Bank. Banco Carregosa is the oldest white label partner of the Danish bank, which is materialised in the electronic trading platforms GoBulling.

Figure 10 | GoBulling Pro assets

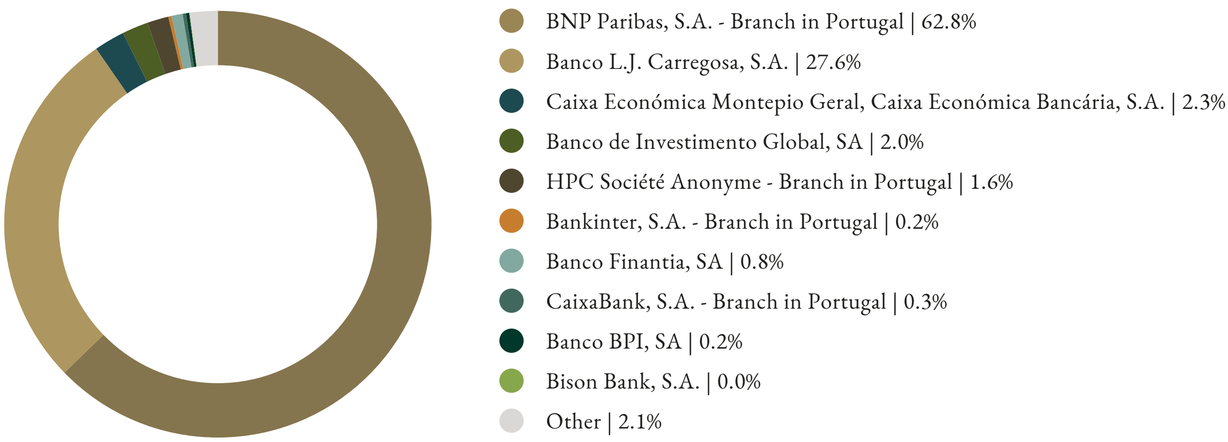
Amounts in EUR million



	2020	2021
Assets under custody on GoBulling Pro	120.8	154.6

With regard to the value of orders received in the bond segment, the Bank ranks second in terms of market share, with 27.60%, maintaining a prominent position in this market segment.

Figure 11 | Bond market share in trading



Source: CMVM.

16.6. Loans

As regards the lending activity, the year was once again marked by the pandemic, a reduction in the portfolio and reduced new business. The strong competitive market environment was also relevant, with an impact on the overall reduction of rates.

The implementation of the credit moratorium regime in 2020 as part of the extraordinary measures to protect bank clients was extended until 2021. As such, it was an extremely demanding year in terms of reporting to Banco de Portugal. In general, and despite one-off exceptional requests to adjust payment plans and/or restructure lending operations, the clients who had used credit moratoria resumed their payment plans with no significant problems.

The value of the loan portfolio dropped again in 2021, partly due to lower demand for loans as part of the organisation of the lending activity initiated in 2020. Some signs of upturn in activity showed in the last quarter of the year, with new operations in the pipeline. Nevertheless, at the end of the year the value of the overall loan portfolio amounted to €76.5 million, down more than €25 million compared to 2020.

Figure 12 | Changes and composition of the loan portfolio

Amounts in EUR million

	2020	2021
Total	**102.2**	**76.4**
Bank Guarantees	13.2	2.1
Non-utilised Current Accounts	7.5	4.2
Overdue Credit	3.6	11.9
Loans	43.0	30.9
Current Accounts (CA)	34.9	27.4

THE TRUSTING POINT

The decreasing value of the loan portfolio was also due to:

i. unexpected early settlements in some operations due, in part, to competitive pressure;

ii. following the credit policy implemented in 2020, non-renewal of some operations in order to reduce the Bank's exposure to operations with excessive dependence on collateral;

iii. decreasing value of bank guarantees provided, because it was found that the objects of the guarantees were realised for two operations of a higher amount;

iv. settlement of a bridge loan of a relevant amount maturing in 2021.

The credit policy introduced in 2020 based on a prospective vision for the loan portfolio is guided by the objectives of risk reduction and diversification, as well as by the improvement in the efficiency of the loan granting and management process. As regards the composition of the loan portfolio, we highlight the reduction of the limit per entity and the reduction of the weight of credit granted to real estate promotion and speculation activities. In the opposite direction, the measures focus on loans granted for investments in financial instruments (margin accounts or loans with pledges of financial instruments) and loans granted for investments in income-generating assets.

In 2022, the Bank aims to resume the pace of growth of the loan portfolio, focusing its activity on attracting operations that fit into the credit policy, and to act on the composition of the portfolio, seeking to reduce its exposure to risk situations under monitoring. Finally, the Bank revised the average pricing of credit operations downwards, especially those with a more standard profile, in order to follow the current market conditions.

16.7. Clearing, settlement, and custody

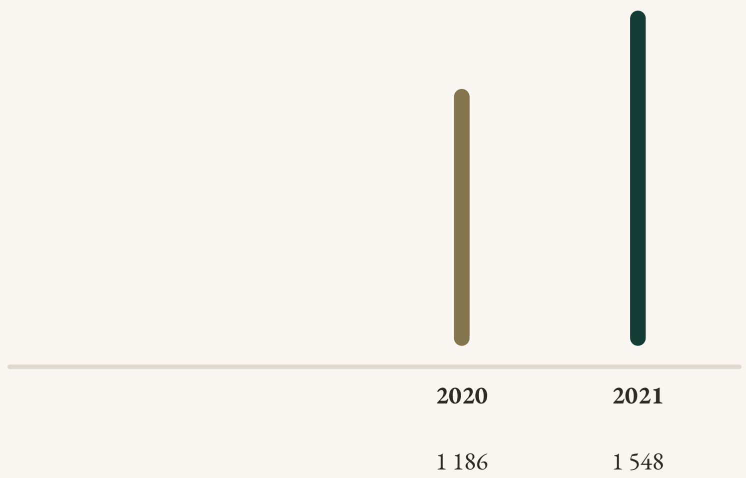
The clearing, settlement, and custody services were further strengthened in 2021. Despite the constraints caused by the pandemic, the Operations Department was able to maintain activity levels, adopting mobility solutions while ensuring the provision of face-to-face services, by managing its human resources taking into account the needs of the Bank, its clients, and employees.

In 2021, Banco Carregosa settled an average of €131 million per day, up 5% compared to 2020.

Clients' assets under custody amounted to €1,548 million, up 30.5% year-on-year. This growth is partly due to the generalised appreciation of the wealth management clients' assets under custody and partly to the growth of institutional clients' assets under custody.

Figure 13 | Value of clients' assets under custody

Amounts in EUR million



The Bank reinforced its level of service as paying agent for issues integrated in the Portuguese Central Securities Depositary.

In preparation for the entry into force of Regulation (EU) No. 909/2014 on improving securities settlement in the European Union and covering operations executed on the market and over-the-counter from February 2022, it was necessary to develop the necessary measures to assess its impact on the Bank, adapt internal procedures and train teams. This regulation, which aims to reinforce the safety and soundness of securities settlement systems, introduces a penalty system for non-compliant intermediaries.

16.8. Depositary of investment funds

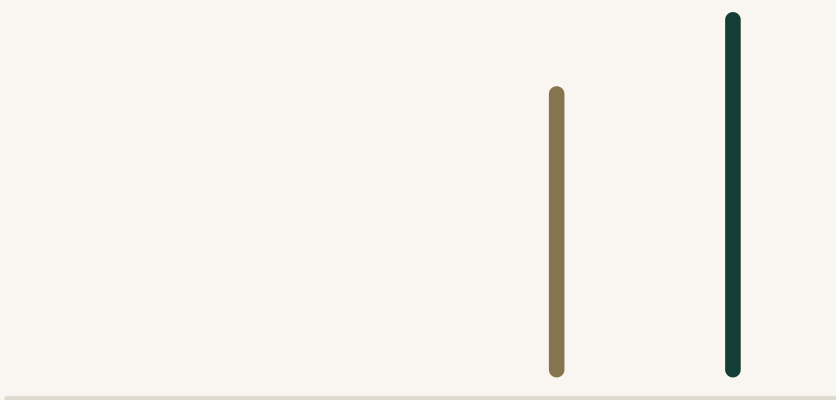
In 2021 the Bank continued to strengthen its presence in the depositary bank services market, increasing the number of collecting investment undertakings of which it is depositary and attracting new management companies.

In late 2021 Banco Carregosa provided depositary services to 37 collective investment undertakings, of which 13 property investment funds, 19 venture capital funds, and 5 SICAFI (Fixed Capital Property Investment Companies).

The total net value of these funds amounted to €971 million as at 31 December 2021, of which €423 million relate to property investment funds, €484 million to venture capital funds, and €64 million to SICAFI. Compared to 2020, these figures represent a growth of 24%.

Figure 14 | Activity as depositary of investment funds

Amounts in EUR million



	2020	2021
Overall net value of CIUs	786	971
No. of CIUs in which the Bank is depositary	32	37

The activity as depositary bank for investment entities should continue its growth trend in 2022, given the quality of the service provided by the Bank, with new high overall value businesses in the pipeline.

16.9. Corporate

The year was marked by the resurgence of capital markets and greater confidence shown by investors, fund managers and issuers. Issuers and asset managers also acknowledged the relevance of social and environmental responsibility in their operations, resulting in a wider range of investment products that value ESG factors, in line with the preference expressed by investors in their investment choices.

Primary capital markets were intensely active in 2021. Banco Carregosa participated as a member of the placement consortium in 4 public bond offerings, including subscription and exchange offers, and was increasingly active in private debt placement. Of note is the OPS/OTP of sustainability-linked bonds, Mota-Engil 2021-2026, the first public issuance of bonds with an ESG target.

It was also a year of strong activity in the field of fundraising for alternative investment bodies and venture capital, in particular in the private subscription of SPOT ON – and the renewal of the offer of venture capital funds in which the Bank acted as marketing entity, including for the first time ESG-linked venture capital funds.

The department continued to collaborate intensely with other areas of the Bank, namely in strengthening the Bank's presence as paying agent of issues integrated in the central securities depositary.

An amendment to the Portuguese Securities Code was published on 31 December with a view to aligning the national legal framework with that of the European Union, but mainly to simplify and make the capital market more attractive to companies and entrepreneurs as a means of raising capital. The amendments to the diploma of the Portuguese capital market regulation entered into force 30 days after it was published.

16.10. Wealth Advisory

Within the framework of the Bank's strategic guidelines, the establishment of the Wealth Advisory Department at the end of 2019 aimed to respond to various needs, repeatedly expressed by our clients, for guidance in their investment or disinvestment decisions in non-financial assets concerning equity structures, real estate and other non-financial assets.

The provision of wealth advisory services begins with the economic and financial analysis of the client's assets, considered in an integrated and global manner. Wealth Advisory aims to provide the client with all the technical and essential information, as well as ancillary or complementary information, which will enable clients to decide on the composition and management of their wealth. Thus it provides clients with a prospective vision of the acquisition, maintenance, transmission or succession in the ownership of assets, in corporate, commercial, family or succession relationships, duly substantiated in terms of legal and tax aspects.

While 2020 saw the implementation of the Wealth Advisory Department and the definition of its value proposition, 2021 was a year of consolidation and growth. The team was reinforced in the second half of the year with the hiring of an additional employee who increased the department's response capacity. Given the dynamics created, the Wealth Advisory Services Department faces 2022 with optimistic determination.

16.11. Carregosa SGOIC

2021 was the first full year of activity for Carregosa SGOIC, a company dedicated to the management of Collective Investment Undertakings (CIUs) whose object is the investment in real estate assets. Based on the values of tradition, know-how, flexibility and value creation, its mission is to identify investment opportunities suited to the needs of investors, structure the most appropriate real estate investment undertaking for the investment in question, actively manage it and maximise risk/return.

2021 was very important for the management company as it was the start of its effective activity. By April, three funds were transferred, previously established and already operating (Retail Properties, Conforto and Arquimedes), for which Carregosa SGOIC ensured the management thereof. In May, Carregosa SGOIC was involved in the creation of a new greenfield fund (Spot On), active since June 2021. In July, a capital increase was made in the Arquimedes fund.

Thus, as at 31 December, Carregosa SGOIC managed four Closed-end Special Real Estate Investment Funds and had under management an amount of approximately €73 million, broken down as follows: Conforto – €8.1m; Spot On – €12.6m; Arquimedes – €16.5m; and Retail Properties – €35.6m.

The analysis of the real estate sector in Portugal shows that 2021 was still under the effect of the pandemic and marked by uncertainty. This uncertainty was reflected in a 35% year-on-year fall in the value invested. Even so, the value of transactions in the sector reached €1.9 billion. On the other hand, prime yields remained stable.

Aware of the influence of the economic and financial framework of the global economy, we know that the times ahead will be challenging. 2022 is expected to be a year of consolidation in which some operations already underway will come into fruition, namely capital increases in funds already under management, the creation or transformation of companies into new SICAFIs (Fixed Capital Property Investment Companies) and the constitution of new funds offering attractive investment alternatives.

16.12. People and Culture

Grupo Carregosa kept a strong focus on its employees, having mapped out a number of initiatives that contribute to the achievement of its Strategic Plan under the priory axis on People for the 2019-2021 period. Its objective is to design and implement a number of practices and policies to attract, develop and retain the best talent in the organisation. It also includes a number of initiatives related to sustainability, one of the values to be worked on more effectively in this area.

The organisation of the team initiated in 2019 led to the department being renamed People and Culture Department, thus redirecting its focus of intervention. Internal Communication and the development of Organisational Culture that marked the beginning of the implementation of the strategic plan were strengthened, aiming to maintain the strong values and principles that have always guided Banco Carregosa's relationship with its employees.

In 2021, changes to the Organisational Structure were consolidated, in line with the strategic guidelines for the three-year period. The teams' competences were also strengthened through internal mobility and external recruitment. The number of employees therefore increased compared to the previous year.

Figure 15 | Changes in staff

	December 2020	December 2021
Porto	95	97
Lisbon	18	19
Total	**113**	**116**

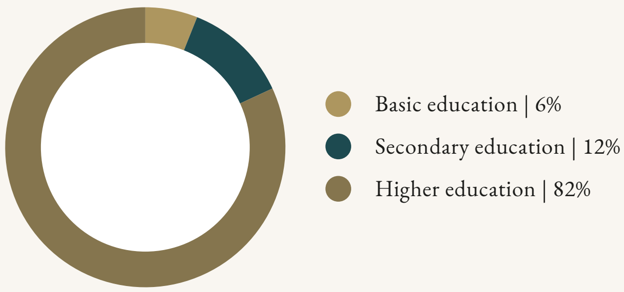
Due to the challenges in retaining talent, Banco Carregosa continued to maintain flexible arrangements, allowing employees to work part-time and providing for more flexible work time. In this context, the onboarding and initial training process and was also strengthened.

Staff training and development is a key pillar for the Bank, to ensure that employees feel professionally challenged and acquire essential skills in their area of expertise. Investment in young talent is clear, with the promotion of curricular and professional traineeships in various departments – some of these trainees were admitted to Banco Carregosa.

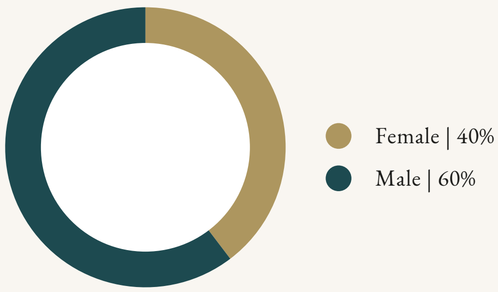
As far as staff composition is concerned, it should be noted that the majority of employees have higher education, and a commitment to implement gender balance is in place, particularly in leadership positions. In line with the sector's ratios, the number of male employees is nevertheless higher than that of female employees, and the average age of team members is 44 years.

Figure 16 | Characterisation of Banco Carregosa's staff

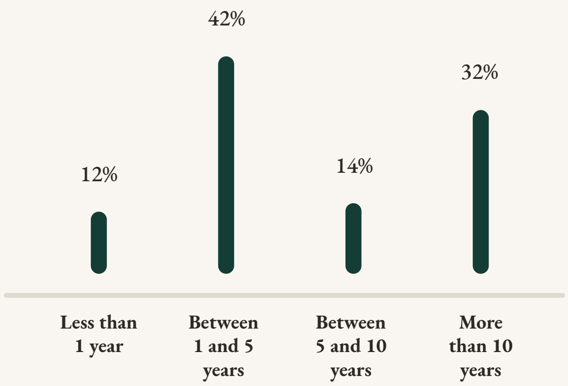
Distribution by qualifications



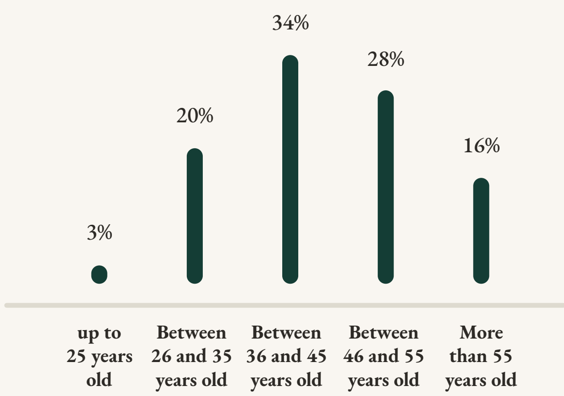
Distribution by gender



Distribution by seniority



Distribution by age bracket



Finally, given the significant changes introduced in the teams' working conditions due to the implementation of the COVID-19 Contingency Plan in 2021, it is important to highlight the commitment and dedication of the Bank's employees, who ensured the ongoing provision of services without disruptions, based on their commitment to provide minimum services at the Bank's premises, and the use of teleworking by a large majority, often in less than ideal conditions.

16.13. Communication and Marketing

Year after year Banco Carregosa has been able to consolidate value-added solutions that allow it to achieve high levels of client satisfaction, but also of recognition in the market before different types of stakeholders.

We also highlight the Client Satisfaction Survey carried out in 2021, which shows that Banco Carregosa, among several other criteria analysed:

i. will very like be referred by its clients to a friend or relative;

ii. stands out in the market in relation to its competitors in various aspects, in particular: relationship of trust with Private Bankers; proximity services and speed of response; access to exclusive or tailor-made solutions (flexible); security related to integrity, reputation and soundness of the Bank. The skills in asset management translated into results and also a high level brokerage service offered by Banco Carregosa, which includes e-trading on the GoBulling Pro platform, are also distinctive core values for the Top Affluent Clients segment;

iii. more than 90% of Private Banking clients (around 85% in the Top Affluent segment) state that the services offered by Banco Carregosa are suited to their current savings and investment needs.

Also to be highlighted in 2021 are the awards and recognitions promoted by reference entities in the market, of which the following stand out:

i. 1st place in the "Global Digital Performance Ranking" scored in the study on the digital awareness of investment banking in Portugal, carried out by the renowned consultancy firm "Digital Group";

ii. "Best Futures and Options Broker 2021", in the Rankia Portugal 2021 Awards. Banco Carregosa was also nominated for the categories "Best Broker/Bank" in Equities, ETFs, CFDs, Investment Funds, and Customer Service, and was short-listed among three market players in ETFs (3rd place), CFDs (2nd place), and Investment Funds (2nd place).

Further studies and market surveys under the responsibility of DECO | PROTESTE are also of note:

i. "Global Client Satisfaction Survey", carried out by Dinheiro e Direitos (specialised magazine), in which Banco Carregosa scored 7.9 (Very Satisfied), ranking 4th in the market (*ex aequo*);

ii. "How to choose the best term deposit" survey, in which Banco Carregosa scored 78 (Very Good) for satisfaction with the Bank's term deposits in the "Interest rate" *vs*. "Quality index" maxim, and scored 77 (Very Good) for the quality indicator calculated based on client satisfaction levels and on three solvency criteria (delivering on medium/long term commitments, transformation ratio, and Core Tier 1 ratio);

iii. GoBulling Pro, through the brokerage protocol signed with DECO | Proteste, is considered the "Right Choice" among national operators operating on the Portuguese market.

Banco Carregosa's communication strategy aims to publicise its brand, the business model, the desired market positioning and also the offer of products and services to its target segments. This communication policy is at the same time aligned with social responsibility in order to promote greater financial literacy of the general public, savers, and investors in Portugal. The annual marketing plan for 2021 had to be adapted as a result of the COVID-19 pandemic – as had already occurred in 2020 – in terms of its communication and engagement shares with its clients and prospect clients. The Plan was developed using the main communication instruments, such as media (non paid media), direct communication (owned media) and advertising (paid media).

With regard to close relations with the media, in 2021 Banco Carregosa was cited in more than 900 news articles published by around 115 media agencies, which led to a growth in the Bank's news activity of 56% and 36%, respectively. The Bank reached more than 248 million OTS (Opportunities to see), *i.e.* up 15% year-on-year, and the news that contained references to Banco Carregosa resulted in an AVE (Advertising Value Equivalent) of more than €11.7m, which compared to the €8.5m recorded in 2020 (up 38%) means a better allocation of available resources in the media with better returns[2].

In addition to posting information in the media, Banco Carregosa also communicates directly with its clients, prospective clients and other stakeholders, *i.e.* with target savers and investors who have or could have a relationship with the Bank. One of the most used instruments was the daily and weekly newsletters and reports and analyses sent to its clients, one-off or periodical, about products, services or relevant events and future prospects for financial markets.

Banco Carregosa maintains an active presence in the social media, with around 12 950 followers on LinkedIn and 9 250 on Facebook. Compared to 2020, in terms of penetration, and due to the push and close relationship established in this communication channel, followers increased by more than 1,000, notably on LinkedIn.

The overall investment in marketing in 2021, in line with that of 2020 – although adjusted to the reality experienced with the global pandemic scenario, which resulted in the cancellation of several planned initiatives – was readapted to meet the continuous expansion of the Bank's activity in the market segments in which it operates. This investment supported not only the strategy of affirmation of the brand in the market – which has resulted in significant increases in awareness, recognition, brand value and desired positioning – but also in communication and advertising campaigns based on the unique selling propositions of the Bank's products and services, specific promotional actions, and also events and activation actions that could be carried out in a pandemic context.

Under the GoBulling brand, around ten webinars on various topics of practical relevance to investors were held under the GoBulling brand, aimed especially at clients, but open to prospect clients with a need to invest their savings and investment, and at other stakeholders interested in financial markets. The topics chosen often had pedagogical goals, contributing towards improving the financial literacy of attendees. Still under the Banco Carregosa brand, we highlight two important initiatives that took place in 2021: an online conference (webinar) attended by hundreds of participants on the topic “Looking into the Future: Markets and Artificial Intelligence”, which was attended by Mário Carvalho Fernandes – Chief Investment Officer at Banco Carregosa, the renowned international economist Steen Jakobsen, Chief Economist & CIO, Saxo Bank, and also Professor Alípio Jorge, Coordinator of the Laboratory of Artificial Intelligence and Decision Support, University of Porto; the traditional “Outlook Banco Carregosa”, based on the same format and huge success as in 2020, in which the Bank disclosed its prospects for financial markets for 2022.

The year 2021 was equally remarkable for Banco Carregosa since it marked the 20th anniversary of the partnership with the world renowned online investment bank Saxo Bank. This partnership filled an existing gap in the market in 2001, allowing Banco Carregosa to get ahead of the competition and to skyrocket its online brokerage business through new, highly disruptive and differentiating digital technology solutions. This state-of-the-art, award-winning trading platform, which operates under its own brand – currently GoBulling – allowed Banco Carregosa to increase since then its range of tradable financial instruments online – including derivatives such as CFDs and FX, while at the same time it began its digital transformation. Since then, the Bank began providing self-directed clients with a technological solution, through an electronic trading platform that promotes a better direct investment experience in global capital markets. Banco Carregosa is the oldest white label partner, among 135 in the world, of Saxo Bank.

Direct communication and below-the-line strategies – which project the Carregosa brands to their target audiences and promote unique experiences and increased levels of trust and engagement with its clients – included the organisation, joint organisation or support to various economic-financial, business and social events and sponsorship of conferences.

2 The data cited are collected, checked and provided by an external independent company, Manchete.

In adition to said online seminars presenting the main political and economic outlooks and global financial markets and presentations to investors on financial investments, the Bank organised the 10th conference entitled "The Future of Financial Markets" in partnership with Jornal de Negócios, with the purpose of reflecting on and analysing two major topics: investment trends and post-pandemic economic challenges | Scenarios for Banking and Markets. Banco Carregosa also renewed, under the form of a sponsorship, the partnership initiated in 2015 with APGEI – Portuguese Association of Industrial Engineering and Management, an institution established in 1985 by a group of companies and universities with the purpose of contributing to improving management practices in businesses and developing the country. This partnership was effected throughout the year with a series of digital events on various topical matters.

Whenever pandemic conditions allowed, in 2021 Banco Carregosa supported and organised a number of charm marketing actions for its Private Banking clients through partnerships with internationally prominent brands.

In addition, Banco Carregosa's communication strategy for the Top Affluent client segment and GoBulling – the Bank's brand for e-trading platforms – involves maintaining a strong presence in the media, especially digital media, through advertising campaigns for the brand, products and services, and through tactical or one-off promotional activities.

In terms of the Bank's internal communication, in 2021 a number of new initiatives were carried out that allowed the promotion of a transversal and effective communication within the organisation, boosting the alignment and involvement of the Bank's internal stakeholders and also strengthening the Banco Carregosa "organisational culture".

17. Sustainability

With regard to the sustainability strategy and policy, formerly known as Social Responsibility, in 2021 Banco Carregosa carried out a number of activities, with positive externalities, which allowed the Bank to contribute positively, and with real impact, to various ESG areas (environmental, social and governance).

Banco Carregosa aims, with its footprint, to actively promote the creation of a more sustainable world in the long term, in a way that is environmentally acceptable, socially fairer, culturally diverse and economically viable.

Banco Carregosa's sustainability strategy is developed based on two major guidelines.

On the one hand, by implementing the best sustainable finance practices in products and services offered or marketed by the Bank, reflecting the new finance paradigm of redirecting financial flows towards sustainable investments taking into account Environmental, Social and Governance factors. For investors this means integrating ESG criteria into investment decisions, resulting in long-term investments in sustainable activities. For companies, it means contributing to the integration of sustainable practices in order to achieve corporate sustainability.

On the other hand, and in line with its historic mission to return to society part of what it receives from it, Banco Carregosa invests in a number of initiatives and projects, according to the business model and activity in which it operates, which make a positive impact on several areas of sustainability. The Bank aims to be extremely careful in the selection of projects of high social value and is also concerned about dispersing the initiatives and support across the country.

Thus Banco Carregosa continued to invest in six main areas – financial literacy, humanitarian aid, education, arts, health, and sports – further strengthened compared to previous years due to the adverse effects caused by the COVID-19 pandemic.

Regarding the Financial Literacy pillar, we highlight the already historical and award-winning “Jogo de Bolsa” (Stock Exchange Game), Banco Carregosa’s main project to promote financial literacy, jointly organised uninterruptedly for 19 years in partnership with Jornal de Negócios and ISCTE-IUL. This financial literacy project has already reached, educated and trained more than 40,000 investors in Portugal. This project aims at contributing decisively to the dissemination, development and boosting of capital markets in Portugal through a wide network of potential investors who have not yet had the opportunity to use this investment solution. Given the role that this type of initiative plays in learning how financial markets operate, Banco Carregosa has continued the partnerships with several universities, organising “stock exchange games” aimed at higher education students so that they can come into contact with the trading and management of an investment portfolio on the GoBulling electronic trading platforms.

Moreover, Banco Carregosa has also partnered with Jornal de Negócios to create a new social responsibility project named “Talking Money | The Value of Money”, an initiative based on the creation of an informative and training platform on the topic of financial literacy. Awareness-raising actions carried out in the form of debates, a major conference on topics related to financial literacy, information supplements on digital platforms and in print, the aim of which is to help investors make informed decisions.

Also in 2021, Banco Carregosa supported the JEWC (Junior Enterprises World Conference), a global and bi-annual event created by Junior Enterprises Global and organised by students from three Junior Enterprises – JUNITEC, LisbonPH and ISCTE Junior Consulting. The 9th edition of the JEWC, held online, celebrated the impact generated by a network of young entrepreneurs from more than 44 countries, spread across the five continents. The Bank had an active participation in several of the conference themes, namely “Financial Literacy”, “Sustainability”, and “Sustainable Investment”.

The Bank developed a wide range of training projects relevant to higher education students and junior entrepreneurs. These markedly academic and educational projects addressed financial literacy topics, namely those related to the core activity of Banco Carregosa. The Bank also supported several training projects throughout 2021.

Regarding Humanitarian Aid, in 2021 Banco Carregosa supported various projects and social action initiatives, of which we highlight the most important sponsorships:

i. The #TodosJuntos solidarity campaign, a joint project involving 10 banks and 30 companies which raised more than 2.5 million euros for food support to families affected by the current pandemic crisis. The total amount raised enabled the purchase of basic foodstuffs (milk, cereals, rice, olive oil, beans, pasta, tuna, etc.) and 20% of the total amount was allocated to the purchase of urgent medicines. The distribution of support is ensured by the Food Emergency Network launched by ENTRAJUDA in response to situations of need resulting from the impact of the pandemic, coordinated by the Food Banks and involving around 2,700 institutions and entities across the country, thus ensuring the diversity of beneficiaries and national distribution (mainland and autonomous regions);

ii. The #JuntosTemosMaisParaDar solidarity campaign, which raised more than 400 thousand euros donated by seven banks and other individual donations, entities that came together to mobilise resources and contribute to the acquisition of new equipment in the areas of genetic and endoscopic diagnosis applied to oncology, of the Gastroenterology Service and the Molecular Pathology Research Unit of the Lisbon IPO - cancer hospital. “Together, we can give more” is an initiative that helps the users of the Lisbon IPO and the hospitals in its geographical area of influence who refer cancer patients with more complex or rare clinical situations to the Institute;

iii. The humanitarian drive to support the AMI Foundation's Psychological Intervention project. This is an area where an urgent need for intervention has been identified, compounded by the negative effects of the COVID-19 pandemic and for which AMI beneficiaries need psychological support to help them cope with adversities. This is an essential psychological intervention project for the population with more social and economic difficulties and that helps problem-solving and decision-making for those who are emotionally affected;

iv. The support to the Portuguese League Against Cancer – Northern Regional Centre for the development of projects and initiatives within the scope of the mission, objectives and strategic guidelines of this prestigious and commendable institution;

v. The support to the "Pedalar com sentido" (Pedal with Meaning) project, an initiative started by Bárbara Pereira, who has been blind for around 4 years, which consists of covering the Portuguese Coastal Trail on a tandem bicycle. Funds raised from this project reverted to ABAADV, the only guide dog school in Portugal located in Mortágua in the Viseu district. Guide dogs help people who are blind or visually impaired to achieve freedom and be mobile!

The Bank was also involved in a community support project, developed by 6th grade students of Escola Básica e Secundária Clara de Resende, who during lockdown came up with the idea to write a book about the pandemic and COVID-19. The proceeds from this edition went entirely to a boy from the school cluster, GUGA, who is suffering from a serious health issue and for which he needs help to cover his treatments. All the Clara de Resende students and community involved hope that this initiative can help GUGA recover quickly.

In addition, Carregosa also supported ANCAP – National Association for the Fight against Poverty, APAC - Association for Support to Blindness, VO.U. - University Volunteering Association, and also the "Barrette 2021 Solidarity Operation", of Associação Salvador, to fund this institution that fights for social inclusion and the rights of people with motor disabilities.

With regard to the Education pillar, Banco Carregosa renewed its financial support to the Youth Symphony for the award of two scholarships. The main purpose of this orchestra is to support the training and professionalisation of musicians of high artistic potential. This project works in several areas, from education, to social inclusion and also the commitment to culture.

The Bank supported and played an active role in the "FJC Porto de Emprego" fair, the largest student job fair organised by Portuguese students which was attended by more than 60 companies from various areas and also thousands of university students.

In the field of cultural patronage, in 2021 the Bank supported different artistic areas through a wide variety of initiatives:

i. Sponsorship of the Porto music festival "In Spiritum", which was once again held in 2021 and aimed at rediscovering historical heritage through music, featuring a specific repertoire suitable to the atmosphere of each venue and offering a new interpretation of the city of Porto; and

ii. Support to the "Opera Gala" concert organised by the Youth Symphony Orchestra.

As regards cultural heritage and cultural dissemination, the following are worthy of note: the continuation of the protocol signed with Santa Casa da Misericórdia do Porto, which aims primarily at the exhibition of works of art from the SCMP collection in Banco Carregosa's premises. The Bank participated actively in the commemorations of the 500th anniversary (1521-2021) of Rua da Flores, the location of the original building that gave rise to the current Banco Carregosa, now converted into the institution's house-museum. These commemorations are part of a project organised and developed by Santa Casa da Misericórdia do Porto, through MMIPO – the Museum and Misericórdia Church of, and by the University of Porto, through the Faculty of Arts and CITCEM. It is also supported by the Porto City Hall.

Regarding the health-related areas, for the 5th year running the Bank renewed its support to the "Banco Carregosa / Secção Regional do Norte da Ordem dos Médicos" award, which aims at distinguishing the best clinical research projects in Portugal and is one of the biggest opportunities for development in the area of health sciences and technologies in Portugal. We highlight the sponsorship to the "YES Meeting" project, which aims to create a global platform for scientific and cultural exchange for biomedical students worldwide, developed by the Students' Association of the Faculty of Medicine of the University of Porto (AEFMUP), and the support to several solidarity initiatives organised by the non-profit organisation "Mama Help", which helps patients suffering from breast cancer and their families.

The Bank also supported the community of health professionals and medical students by sponsoring congresses and initiatives in this field.

The Bank also sponsored a number of sports initiatives, covering different audiences and age groups, continued to sponsor the sports career of the promising Portuguese golf player João Maria Pontes, and also entered into a new sponsoring partnership with the Miramar Golf Club, a reference institution with thousands of members and golfers with high affinity to the Private Banking and Top Affluent target of Carregosa. The Bank also renewed the support to the "Porto and Matosinhos Horse Riding Centre", which engages about 400 riders in all age brackets (beginners, juveniles, juniors and seniors), in various disciplines such as obstacles, teaching, adapted riding and working horse-riding.

Banco Carregosa is proud to belong to the Business Council for Sustainable Development (BCSD) Portugal. BCSD Portugal is a business association that brings together a number of forward-thinking companies working together to accelerate the transition to a more sustainable world. As a result of this association of several national and international reference companies striving for sustainability, in 2021 Carregosa signed the BCSD manifesto assuming an additional commitment in terms of its strategy and policy of social responsibility. This commitment is even reflected in a new pillar of its corporate values in favour of sustainability and the promotion of positive impact for stakeholders, society and the environment.

18. Accounting Policies

18.1. Basis of presentation

Banco L. J. Carregosa, S.A. is a private capital bank with registered office in Portugal operating under the appropriate permits issued by the Portuguese authorities since 2008.

18.2. Comparability of information

The separate financial statements of the Bank are prepared since 2015, and in the case of the consolidated financial statements since 2016, in accordance with the International Financing Reporting Standards (IAS/IFRS) adopted in the European Union.

19. Compliance Statement on the Financial Reporting

The members of the Board of Directors of Banco Carregosa declare that:

i. to the best of their knowledge, the financial statements referred to before give a true and fair view of the assets and liabilities, financial situation and results of Banco Carregosa, in accordance with the International Financial Reporting Standards (IAS/IFRS) and have been approved at the Board of Directors meeting held on 23 May 2022.

ii. the management report faithfully describes the development of businesses, performance and financial position of Banco Carregosa and the Group in the 2021 financial year.

20. Information in Accordance with Article 66 of the Companies Code (C.S.C.)

The company and its related entities have no outstanding debts to the State.

The Bank did not acquire, dispose of or hold any own shares. As at December 2021, the Bank did not have any active credit agreements or any other type of liabilities with related entities.

Pursuant to Chapter VI, Article 66(1)(b) of the C.S.C. (Companies Code), the annex to the consolidated and separate accounts under general administrative costs contains the fees for the financial year charged by the Statutory Auditor, in connection with the statutory audit of annual accounts, the total fees charged for other assurance and reliability services, and the total fees charged for services other than review or audit services.

The mandatory incorporation of the international accounting standards is fulfilled.

21. Remuneration Policy of Management Bodies, Supervisory Bodies, and Employees

As the Bank operates in a sector subject to constant change and to major competitive, technological and social challenges, it is imperative to adopt remuneration policies and practices that contribute to appropriate knowledge management and induce behaviour consistent with sound, prudent and effective risk management, which does not encourage excessive risk-taking or promote situations that generate conflicts of interest with clients.

2021 saw the full review of the internal regulatory framework on remuneration, the implementation of which will be monitored by the Remuneration Committee, which is in process of being set up.

21.1. Remuneration of the members of the management and supervisory bodies of Banco L. J. Carregosa, S.A.

The remunerations of the governing bodies of Banco Carregosa are decided by a Remuneration and Assessment Committee (CRAV) elected by the General Shareholders' Meeting, pursuant to the Bank's articles of association. The Committee's regulation, which lays down its functional bases, pursuant to the law in force and the Remuneration Policy for the Members of the Management and Supervisory Bodies and for the Statutory Auditor, is available on the Bank's website.

In order to improve the monitoring of the impact of remuneration provisions and to monitor compliance with legal and regulatory requirements, the Bank will set up a Remuneration Committee which will be responsible for proposing, every year, to the General Meeting a review of the Remuneration Policy for the Members of Management and Supervisory Bodies.

Since 2020, CRAV members who do not hold any other remunerated position in the Company receive attendance vouchers in the amount of €1,000.00 for the performance of their duties.

This Committee is formed by Dr. Luis Manuel de Faria Neiva Santos, the Chair, and Dr.ª Maria Cândida Cadeco Rocha e Silva and Dr.ª Andreia Belisa Gomes Júnior de Araújo Lima, both voting members.

In 2021, CRAV met three times, in April, June, and September.

The remuneration of the Chair of the Board of Directors and of the members of the Executive Committee consists of fixed remuneration, paid in 14 monthly instalments, and does not include any variable component or whose value is in direct relation to their individual performance, to the collective performance and/or to the Bank's results.

2021, the remunerations of the Chair of the Board of Directors and of the Executive Directos remained the same as in 2020, as follows:

Chair of the Board of Directors (non-executive)	4 000.00 €
Chair of the Executive Committee	10 000.00 €
Voting members of the Executive Committee	8 500.00 €

To these remunerations are added meal allowance, health care and, if applicable, other benefits defined from time to time for employees in general, pursuant to the Remuneration Policy for Employees.

In the exercise of their functions, the remaining non-executive voting members of the Board of Directors received an attendance fee of €1,000, except for Director Dr. Homero José de Pinho Coutinho, who, by resolution of CRAV, earns a monthly remuneration of €5,000.00 payable 12 times a year. The Vice-Chair of the Board of Directors did not earn any remuneration.

Following the review of the Remuneration Policy for the Members of Management and Supervisory Bodies, as from June 2022 the remaining non-executive members of the Board of Directors who do not waive such remuneration will receive fixed remuneration paid in 12 monthly instalments, set by CRAV according to the availability required and the organisational responsibilities taken. Note that for the purpose of determining the remuneration they are required to be available more than 15 hours/week and must discharge their duties at committees.

Welfare or retirement conditions are those arising from the legal regime applicable to each member of the Board of Directors.

The members of the Bank's Executive Committee and Board of Directors only hold office in other companies in representation or in the interest of Banco Carregosa, and the remuneration they earn for the exercise of these functions is considered in the overall individual remuneration, determined by CRAV.

The Bank does not foresee that, in the short term, variable component remuneration will be awarded to the members of the management body, which is considered a sufficient safeguard to prevent conflicts of interest in remuneration matters.

If the members of the Board of Directors and of the Executive Committee terminate their office, the Bank will ensure the payment of compensation to the departing members if and to the extent required by law.

21.2. Supervisory body

In accordance with the provisions of Article 43 of Banco de Portugal Notice 3/2020, the remuneration of the members of the supervisory body is exclusively composed of fixed remuneration and does not include any variable component or whose value is in direct relation to their individual performance, to the collective performance and/or to the Bank's results. Thus any conflicts of interest will be adequately resolved and the impartial performance of the supervisory, monitoring and control tasks assigned to them will be safeguarded.

The Chair of the Supervisory Board and the members of this body receive a fixed remuneration of €2,560 and €2,060, paid 12 times a year.

21.3. Remuneration of other Banco L. J. Carregosa, S.A. employees

The Bank structures its employee remuneration system so as to ensure adequate internal (functional balance) and external (market balance) balances, implementing a functional and performance assessment based on objective criteria and aligned with its risk, capital and liquidity management. It also recognises that remuneration is a fundamental tool for attracting and retaining talent, consolidating a proactive corporate culture, improving the organisational climate, fostering competent, responsible and independent conduct, promoting productivity and the fulfilment and professional satisfaction of those involved.

Employee remuneration is supported by policies and practices that take into account the rights and interests of clients, ensuring that the various forms of remuneration do not add incentives whereby employees favour their own interests, or the interests of the Bank, to the detriment of clients.

Employees do not benefit from any other form of remuneration, pecuniary or otherwise, that does not derive from the normal application of the legal rules applicable in matters of labour law.

The Bank favours the allocation of fixed remuneration, which is objectively awarded to each employee taking into account their professional experience and responsibility, in accordance with average market standards for equivalent functions and in corporate structures of the sector of a similar size.

The fixed remuneration is processed and paid to the employees in accordance with the legal provisions applicable to labour matters, in particular those that determine the payment of monthly salaries and any allowances that may be due.

Employees may also receive a variable remuneration – annual bonus – depending on the sustainable performance of the Bank, the structure unit to which they belong and/or the employee, and on the respective duties and responsibilities.

The following internal regulations are available on Banco Carregosa's website, in the Internal Governance subsection of the Institutional tab:

i. Policy on the selection and assessment of the Members of the Management and Supervisory Bodies and Key Function Holders;

ii. Remuneration Policy for the Members of the Management and Supervisory bodies;

iii. Remuneration Policy for Employees;

iv. Regulation on the Remuneration and Assessment Committee.

21.4.Information provided for in Article 450 (g) to (j) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June.

Areas of Activity	Total Remunerations*	
	Fixed	Variable
Management and Supervisory Bodies		
Board of Directors (Non-Executive)	237 384.33 €	0.00 €
Executive Committee	387 741.74 €	0.00 €
Supervisory Committee	75 000.00 €	0.00 €
Advisory		
Advisory	173 054.20 €	0.00 €
Central Management		
Central Management	196 555.02 €	0.00 €
Business Areas and Services		
Wealth Advisory	70 998.05 €	0.00 €
Private Banking	460 135.97 €	15 000.00 €
Savings and Investment Department	306 358.59 €	0.00 €
Financial	159 715.22 €	0.00 €
Investments	193 316.85 €	0.00 €
Credit	79 692.53 €	0.00 €
Corporate	69 944.64 €	0.00 €
Markets	344 599.65 €	1 993.44 €
Operations	320 022.93 €	350.00 €
Support Areas and Internal Control		
Internal Audit	87 009.66 €	0.00 €
Compliance	190 854.29 €	0.00 €
Risk	207 945.73 €	0.00 €
Business Development and Information Systems	88 937.95€	0.00 €
Corporate Secretariat	33 142.23 €	0.00 €
Marketing and Communication	133 281.82 €	0.00 €
Legal	72 912.27 €	0.00 €
Information Technologies	109 831.87 €	4 800 €
Accounting and Management Information	168 791.54 €	0.00 €
People and Culture	59 239.60 €	0.00 €
Secretariat	109 684.54 €	0.00 €
Facilities and Maintenance	116 515.54 €	2 070 €
Investment Advisory	59 755.35 €	0.00 €
Global Total	**4 512 421.64 €**	**24 213.44 €**

* Consolidated amounts.

The variable remuneration identified in the table above relates mostly to performance bonuses, having been entirely awarded in cash and without deferral. These bonuses are given on one-off and non-contracted basis and refer essentially to compensation for the additional effort required by the SARS-COV-2 pandemic.

As a result of the almost total absence of variable remuneration, no criteria for deferred remuneration have been defined nor has there been any deferral in the past.

It should be noted that in 2021 the Bank had not formalised any performance assessment policy or implemented the variable Remuneration Model. As results from the table above, the award of variable remuneration was residual, and therefore there was no significant impact in terms of risk.

21.5. Key Function Holders

Employees with material impact on the company's risk (Delegated Regulation (EU) No. 604/2014)

	Remunerations		
	Fixed	Variable	Totals
Management and Supervisory Bodies			
Board of Directors and Supervisory Committee	591 793.36 €	0.00 €	591 793.36 €
Senior Management			
Central Management and Directors	1 114 449.45 €	0.00 €	1 114 449.45 €
ICF – Internal Control Functions			
Risk/Compliance and Audit Department	174 369.27 €	0.00 €	174 369.27 €
Other			
Advisors and others	267 235.09 €	0.00 €	267 235.09 €
Totals	**2 133 319.88 €**	**0.00 €**	**2 133 319.88 €**
Number of Employees			**41**

* 39 employees as at 31/12/2021.

21.6. Additional information

Employees who ceased their functions in 2021	
No. of employees	13
Consideration for non-renewal of contract	3 705.00 €
Overall cash consideration	15 390.00 €

Employees receiving the highest amount of consideration in 2021	
No. of employees	1
Overall cash consideration	10 000.00€

21.7. Accumulation of offices held by the members of the Board of Directors as at 30 May 2022

Administração	Sociedade	Cargo
Maria Cândida Cadeco da Rocha e Silva	IMOCARREGOSA, S.A.	Chair of the BoD
	GORDIO, S.A.	Chair of the BoD
	PARADIGMAXIS – Arquitetura e Engenharia de Software S.A.	Director
Jorge Manuel da Conceição Freitas Gonçalves	IMOCARREGOSA, S.A.	Director
	GORDIO, S.A.	Director
	PARADIGMAXIS – Arquitetura e Engenharia de Software S.A.	Director
António José Paixão Pinto Marante	CHAMINÉ BRANCA – Sociedade Compra e Venda Propriedades, Lda.	Manager
	AUSCHILL & AUSCHILL, S.A.	Director
	ORCHARDLEIGH & BLUE – Soc. Investimentos Imobiliários, Lda.	Manager
	MARCEL & MARIA – Administração de Imóveis S.A.	Director
	IATESOL – Serviços Náuticos e Atividades Turísticas, Lda.	Manager
	GABILOURES – Investimentos Imobiliários, S.A.	Director
	PATUR – Construções e Hotelaria do Pátio, Lda.	Manager
	PORTO ANTIGO – Sociedade Turística, Lda.	Manager
	CONSNÓBA – Construção e Compra e Venda Imóveis, S.A.	Director
	OSSÓNOBA – Construções e Compra e Venda de Imóveis, as	Director
	Dias, Leitão, Lda.	Manager
	ACOS – Administração de Unidades Turísticas, Lda.	Manager
	AICF – Agro Inovação, AS	Director
Homero José de Pinho Coutinho	HEFESTO – Sociedade de Titularização de Créditos, S.A.	Chair of the BoD
	HCAPITAL PARTNERS SCR, SA	Director
José Nuno de Campos Alves	JOSÉ NUNO ALVES, Unipessoal, Lda.	Manager

22. Proposed Distribution of Profits

Under Article 66(5)(f) and for the purpose of Article 376(1)(b), both of the Companies Code, and under Article 97 of the RGICSF and Article 25 of the Company's articles of association, it is hereby proposed that the net profit for the year in the amount of **€1 615 978.30** (positive) be appropriated to:

i. Legal Reserve: **€80 798.92**;

ii. Retained Earnings: **€1 535 179.38**.

23. Acknowledgements

The Board of Directors would like to thank the shareholders for the trust that they have showed in the conduct of the company's businesses, and wishes to extend its thanks to:

» Banco de Portugal and the CMVM – Securities Market Commission – for the understanding and constant and fruitful dialogue maintained during this financial year;

» the Governing Bodies, Presiding General Board Members, Supervisory Committee and Statutory Audit Firm, for the cooperation shown; and

» the Bank's Employees for their committed, dedicated and competent contribution, indispensable to the smooth running of the institution, in a year in which this dedication proved particularly demanding.

24. Russia-Ukraine Conflict

Geopolitical tensions took an unexpected turn in mid-February 2022 in Eastern Europe, culminating in the Russian Federation invasion of Ukraine and triggering an armed conflict that affected the financial markets. Although the effects of this crisis are still unknown, they may be relevant as they may result in the deceleration of economic growth, an exceptional rise in inflation, and developments of the ECB's monetary policy.

As a consequence of the conflict, the Bank's own portfolio devalued by €-2.2m in the first four months of the year, due to price developments of Russian securities. This effect combined with the constitution of impairments on direct exposures has an estimated impact on the total own funds ratio of around 0.95 p.p.

No other factors or events have occurred subsequent to the balance sheet date that would justify additional judgements or disclosures.

25. Review of the Financial Statements

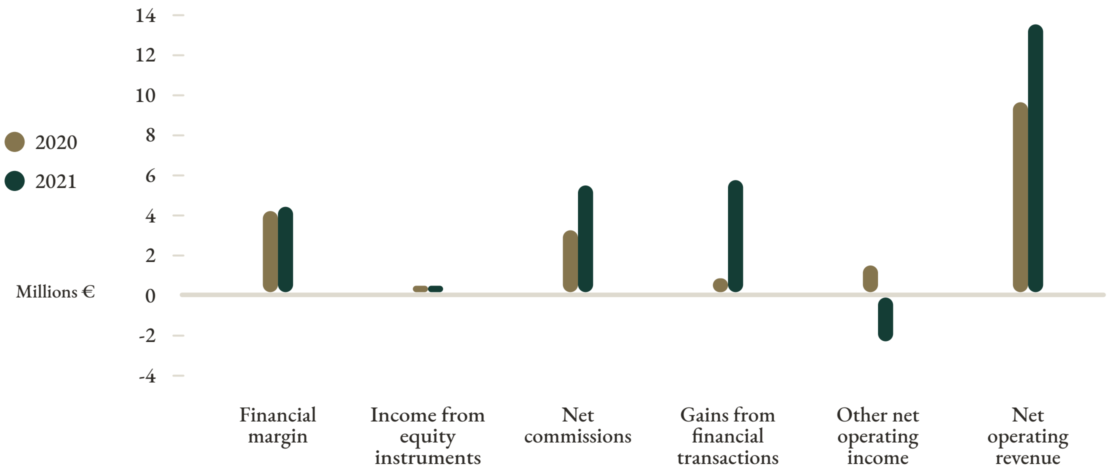
25.1. Consolidated accounts

In 2021 the Bank ended the year with a positive net result of **€1 615 978.30**, compared to the negative net result of **€-2 506 911.30€** in the previous year.

These results are a return to operational normalcy, in contrast to the extraordinary results in 2020 due to the effects of the Covid-19 pandemic and the growth in the Bank's activity over the last three-year period.

In 2021, net operating revenue amounted to €13.4M, above that in 2020 of €3.9M, *i.e.* up 40.9%. The breakdown shows a positive variation in the financial margin of around €243m (+6% compared to 2020), an increase of €4.9M (+729.5% year-on-year) in Gains from financial transactions, and a positive growth in Net commissions of €2.2M (+71.7% year-on-year), these being the most significant variations. Note also the reversal of currency revaluation results, which dropped from €2M (positive) in 2020 to €1.7M (negative) in 2021. However, this effect was offset by the results of currency hedging operations, reflected in Gains from financial transactions.

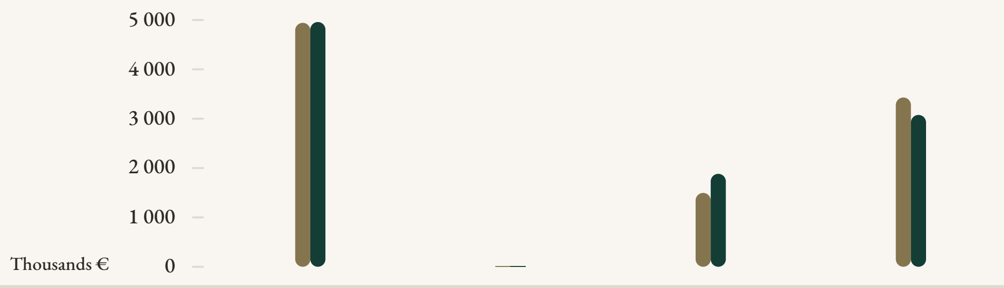
	2020	2021
Financial margin	4 041 151 €	4 283 850 €
Income from equity instruments	344 237 €	349 278 €
Net commissions	3 094 227 €	5 311 963 €
Gains from financial transactions	677 564 €	5 620 314 €
Other net operating revenue – Exchange	1 955 444 €	(1 739 665 €)
Other net operating revenue	(617 742 €)	(451 798 €)
Net operating revenue	9 494 881 €	13 373 942 €



The increase in the financial margin was due to the drop in interest and similar charges paid.

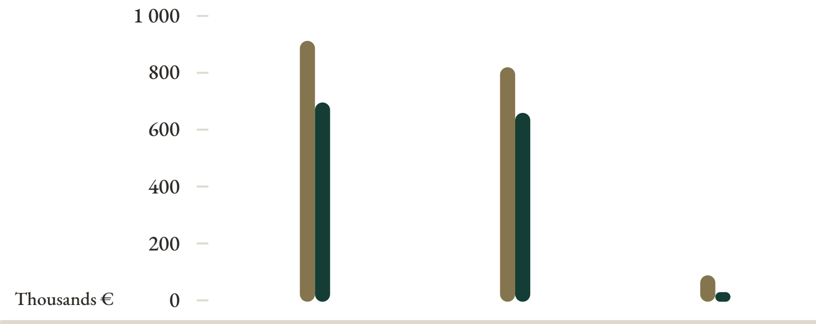
Financial margin	2020	2021
Interest and similar income	4 958 755 €	4 984 147 €
Interest on deposits	4 688 €	4 590 €
Interest on own bond portfolio	1 503 289 €	1 888 269 €
Interest on loan contracts + Overdue	3 450 779 €	3 091 288 €
Interest and similar costs	917 604 €	700 297 €
Interest on deposits	824 679 €	665 036 €
Other interest	92 925 €	35 261 €
	4 041 151 €	**4 283 850 €**

In 2021 Interest and similar income recorded an increase of €25m (+0.5% year-on-year, as interest on own bonds more than offset the fall in interest on loan contracts, due to the reduction in the loan portfolio. Interest on own bonds grew by €385m (+25.6% year-on-year), while interest on loan contracts fell by €360m (-10.4% compared to 2020).



	Interest and similar income	Interest on deposits	Interest on own bond portfolio	Interest on loan contracts + Overdue
2020	4 958 755	4 688	1 503 289	3 450 779
2021	4 984 147	4 590	1 888 269	3 091 288

Interest and similar costs, in turn, also dropped by 23.7%, mainly reflecting lower charges on deposits, thereby mitigating the reduction in the financial margin.



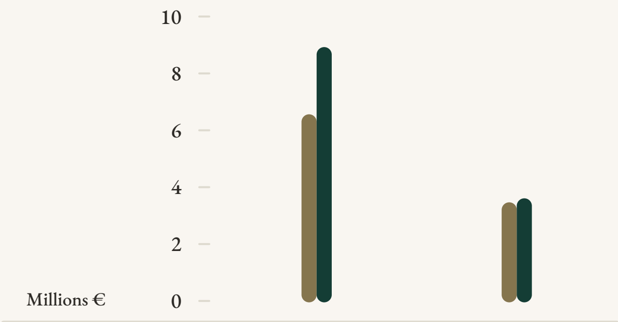
	Interest and similar charges	Interest on deposits	Other interest
2020	917 604	824 679	92 925
2021	700 297	665 036	35 261

Income from equity instruments arising from distribution of the property investment fund Retail Properties grew positively by 1.5%.

In net terms, revenue and charges of service fees/commissions grew by 71.7%, *i.e.* €2.2m, reflecting the Bank's operational activity.

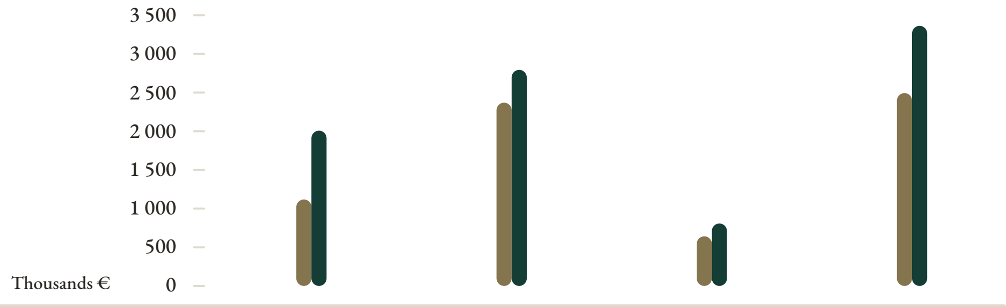
This growth was due to increased income and commissions in practically all the services provided, but particularly in placement services, credit services, custody services and asset management. This revenue increased by €2.4M (+36% year-on-year).

Commission fees rose by 4%, *i.e.* €143k, due to e-trading by 25.1%, and custody services by 0.3%. Conversely, execution/settlement costs and commissions dropped by 9.3%, and other banking services by 6.2%.



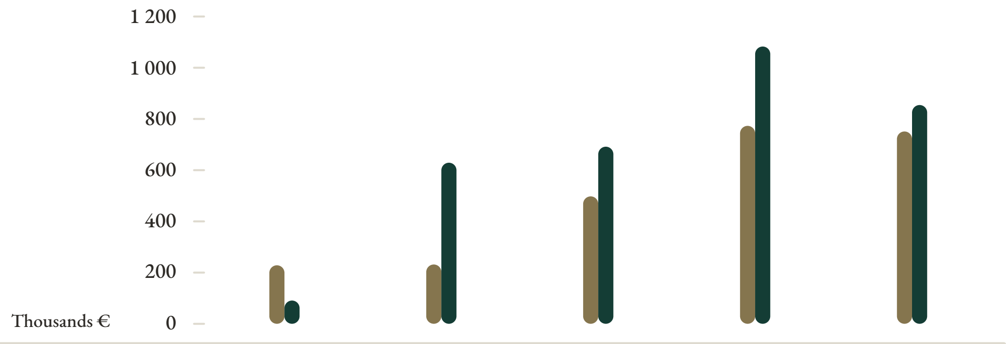
	Revenue from commissions	Costs with commissions
2020	6 629 843	3 535 616
2021	8 990 668	3 678 705

Revenue from commissions



	Porfolio management	Commissions on platforms	Revenue from trading	Other commissions
2020	1 113 777	2 373 751	644 930	2 497 385
2021	2 009 989	2 799 195	811 030	3 370 453

Other commissions

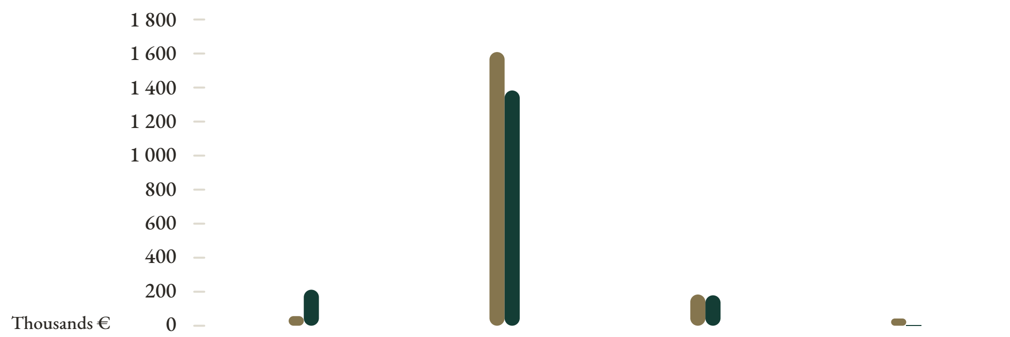


	Financial advisory	For placement services	For credit operations	For custody	Other
2020	230 109	234 090	500 578	776 982	755 626
2021	93 592	632 129	697 174	1 089 769	857 788

Commissions charges

	Platform commissions	Execution / Settlement	Custody	Other banking services
2020	1 176 463	371 794	80 189	1 907 170
2021	1 471 782	337 248	80 433	1 789 242

Other banking service charges



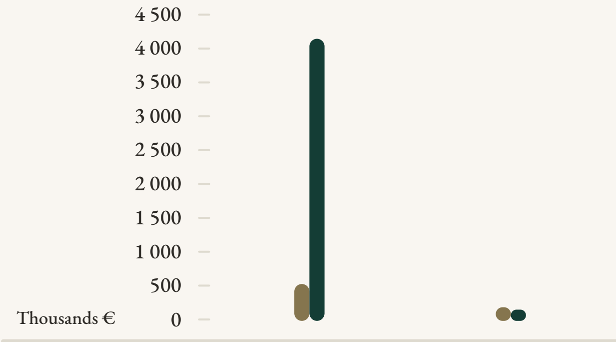
	Bank charges	Institutional business	Commissions paid to invest. advisors and business introducers	Other
2020	59 386	1 617 015	186 086	44 684
2021	212 235	1 391 865	180 901	4 241

Revenue from the Bank's securities portfolio, excluding income from equity instruments and from currency reappraisal grew by 729.5%, compared to 2020, with a 26.7% increase in the overall portfolio value at the end of 2021.

The reappraisal of the currency position recorded a negative result of €1.7M in 2021, compared to the positive result of €1.9M in 2020. This variation is justified by the appreciation of the US dollar compared to the EUR. However, since the Bank typically hedges its currency exposure, the result of this item in 2021 is offset by a hedging cost of €1.9M, resulting in a positive figure for the Bank's foreign exchange operations.

The results of financial assets and liabilities measured at fair value through profit or loss amounted to €4.2M, *i.e.* up 668% year-on-year, with the appreciation of assets and the institutional business activity contributing to this growth. On the other hand, interest also showed a decrease of 21.6% compared to 2020.

Gains and losses – Financial assets and liabilities evaluated at fair value through profit or loss



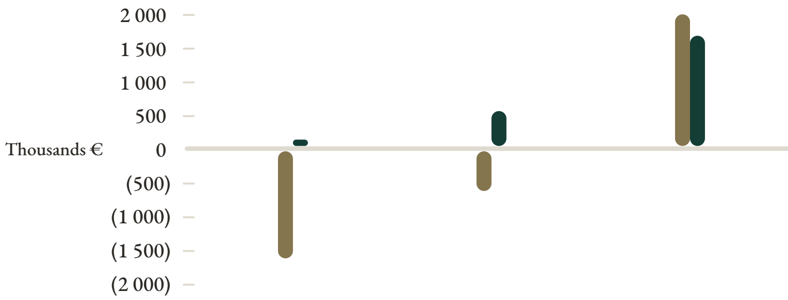
	Gains +/- (Income)	Interest
2020	541 315	207 714
2021	4 156 709	162 772

Gains and losses – financial assets and liabilities measured through comprehensive income recorded in reserves were positive by €100k, compared to the negative €1.5M in 2020. This variation is the result of the recovery of asset prices started in the second half of 2020, after the fall caused by the pandemic crisis.

On the other hand, gains and losses from assets and liabilities measured at fair value through comprehensive income recorded in the income statement in 2021 were positive by €516k, compared to the negative result of €589k in 2020.

Interest fell by 16.3% compared to 2020, from €1.9M in 2020 to €1.6M in 2021.

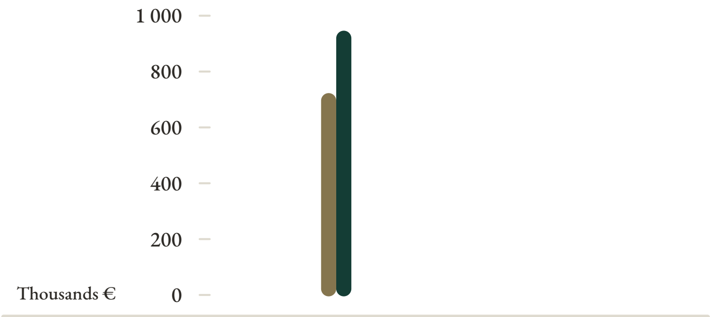
Gains and losses – Financial assets and liabilities evaluated at fair value through comprehensive income



	Gains +/- (Reserves)	Gains +/- (Income)	Interest
2020	(1 590 778)	(589 086)	1 956 630
2021	96 261	516 170	1 638 035

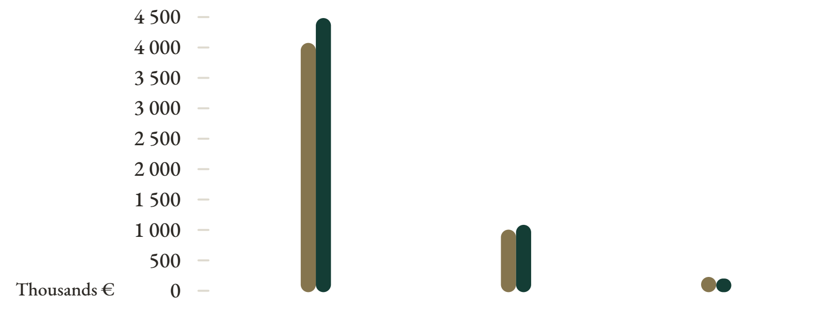
Income from non-marketable financial assets mandatorily carried at fair value through profit or loss recorded a 30.6% increase compared to 2020. The excellent performance of the funds making up the portfolio, especially the Arquimedes Fund, contributed to this result.

Gains and Losses – Income from non-negotiable financial assets mandatorily carried at fair value through profit or loss



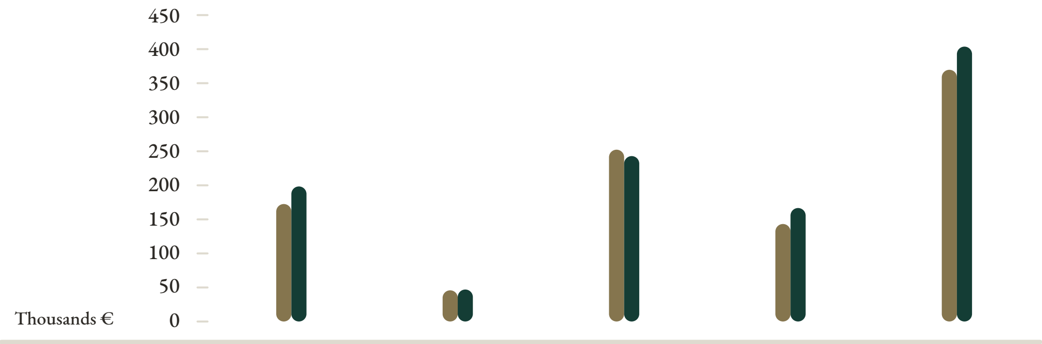
	Income from non-negot. financial assets mandat. at fair val. through profit or loss	Income from financial assets at amortised cost
2020	725 335	0
2021	947 435	0

In 2021, staff costs were up 8.4%, largely due to the strengthening of the team with the hiring of 6 new staff, while the salary level remained stable.

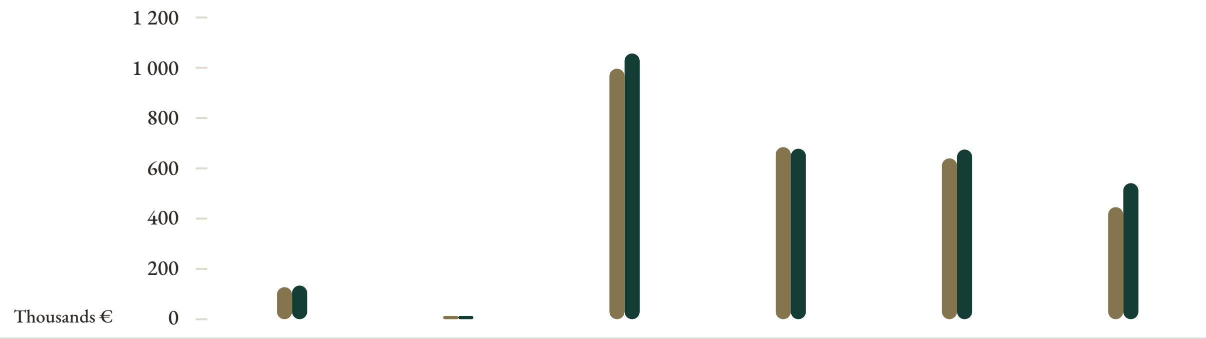


	Remunerations	Social contributions	Other costs
2020	4 082 000	1 022 361	251 071
2021	4 483 684	1 104 447	218 642

General administrative costs increased by 6.9% in 2021, *i.e.* an increase of €271k, due to the increase in some specific headings, in particular water, energy and fuel – up by 14.8%, *i.e.* €25.8k; travel, accommodation and representation costs – up by 16.7%, *i.e.* €24k, as a result of the containment measures and the gradual return to face-to-face work; advertising, up by 9.2%, *i.e.* €34k, due to the increase in spending on events. In turn, the communications and retainers and fees items dropped 3.6% and 8.2%, respectively, *i.e.* €9k and €1k.



	Water, elect. & fuel	Leases & Rentals	Communica-tions	Travel, hotel & entertainment expenses	Publicity
2020	173 822	45 660	253 540	144 078	371 846
2021	199 610	47 810	244 305	168 171	405 892



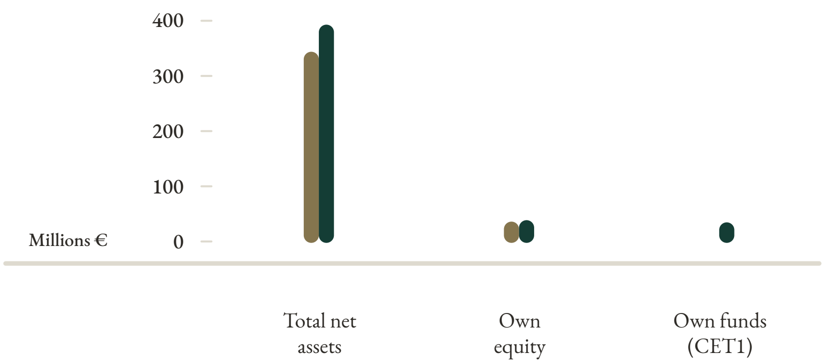
	Repair & maintenance	Retainers & fees	IT services	Information	Advisors & external auditors	Other general costs
2020	126 654	12 462	998 795	686 219	641 061	445 567
2021	133 398	11 439	1 060 037	680 547	677 581	541 526

25.2. Balance sheet

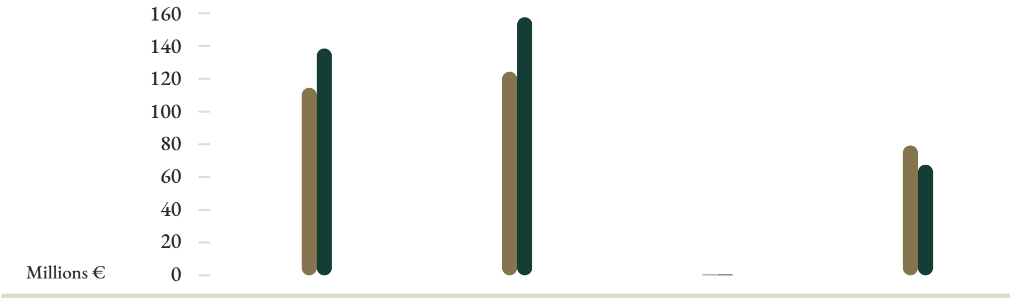
Compared to the previous year, net assets increased by 14% to €394.7M in 2021, with an increase in cash and cash equivalents of 20.8%, the Bank's securities portfolio by 26.7%, and other assets at amortised cost, which grew by 59.3%. On the other, loans to clients decreased by 14.6%, and non-current assets held for sale dropped 96.4%. At the same time, there was a slight growth in shareholders' equity, which stood at €40.6M. In 2021, the Bank began to report its consolidated balance sheet to Banco de Portugal, showing a regulatory capital value (CET1) of €36.9M.

	2020	Var %	2021
Total net assets	345 787 333 €	14.16%	394 747 691 €
Equity	38 317 761 €	4.52%	40 050 795 €
Own funds (CET1)	n/a	–	36 898 559 €

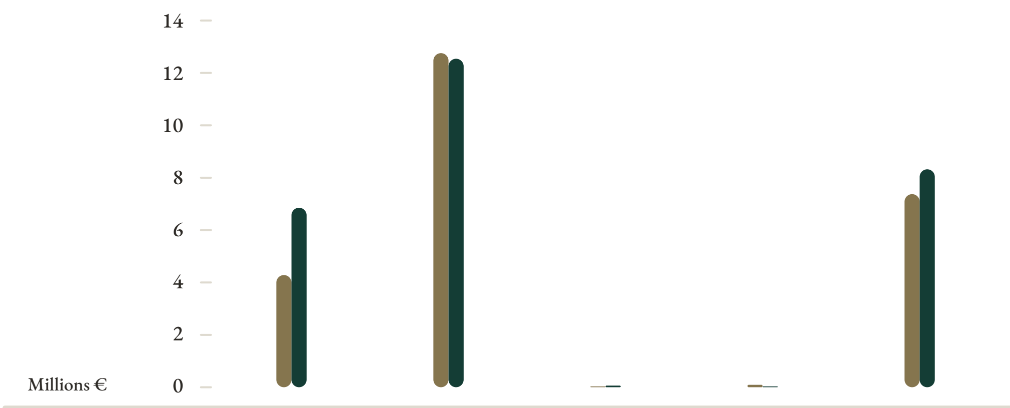
n/a: The Bank only began to implement prudential consolidation in the 2021 financial year.



25.3. Composition of assets

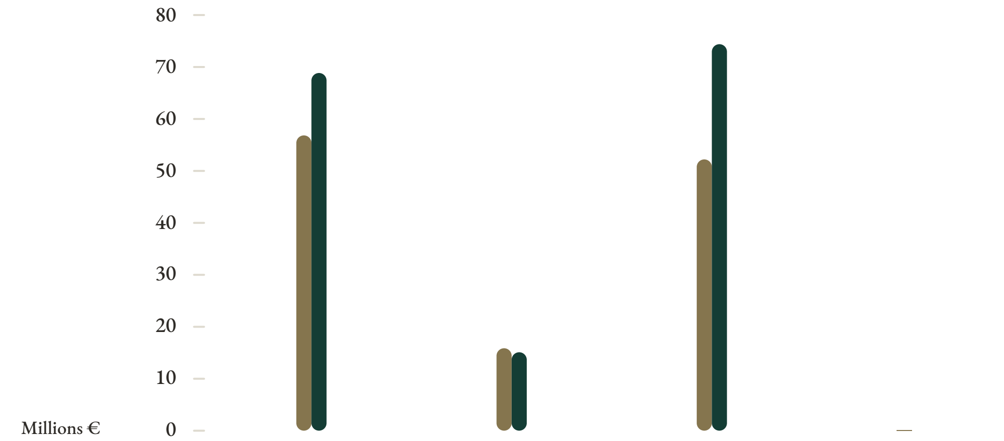


	Cash & liquid assets	Own portfolio	Own deposits	Loans to clients
2020	115 282 287	125 380 527	500 000	79 952 811
2021	139 277 147	158 715 347	500 000	68 318 550



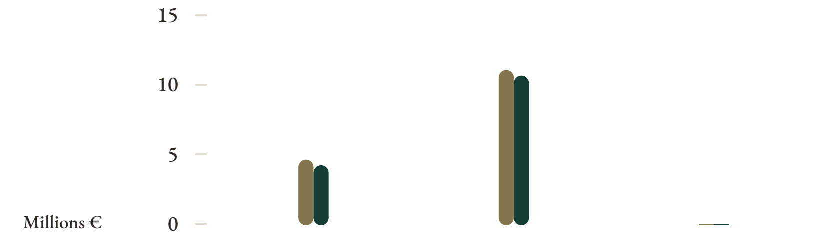
	Other assets at amortised cost	Fixed assets (Property, land & equipment + Intangible assets)	Inv. in subsidiaries & invested companies	Non-current assets & groups for disposal classif. as held for sale	Other assets
2020	4 319 072	12 811 067	39 188	85 680	7 416 700
2021	6 882 235	12 617 754	67 868	3 051	8 365 738

At the end of 2021, the Bank's financial instruments portfolio accounted for 40.2% of net assets, compared to 36.3% at the end of 2020. In absolute terms, this aggregate sum amounted to around €158.8M in 2021 and €125.4M in 2020, excluding in both cases liabilities held for trading.



	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets at amortised cost held to maturity	Hedging derivatives
2020	57 036 132	15 937 438	52 338 245	68 713
2021	69 046 592	15 127 705	74 541 050	0

Breakdown of financial assets at fair value through profit or loss

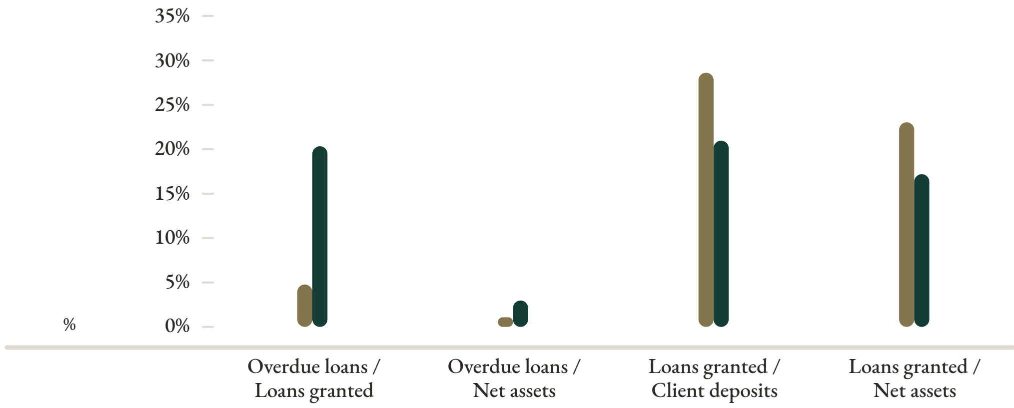


	Financial assets held for trading	Non-negotiable financial assets mandatorily at fair value through profit or loss	Other financial assets
2020	4 711 425	11 189 245	36 768
2021	4 344 359	10 782 883	463

The loan portfolio (net of impairments) dropped around 14.6% in 2021, falling short of the target set for the year. Note should nevertheless be made to the decrease in current accounts and in loans, €7.4M and €11.9M respectively. On the other hand, overdue loans went up 215.8% to €11.9M, with a very significant part thereof being settled in early 2022.

This loan portfolio, which has particular characteristics and is for specific purposes, chiefly due to the requirement of adequate collateral, represents the contracts validated by a notary, most of which have to be registered in the land register. Moreover, the Bank holds, in most operations, personal guarantees from debtors or guarantors. The Bank does not grant consumer credit or housing loans.

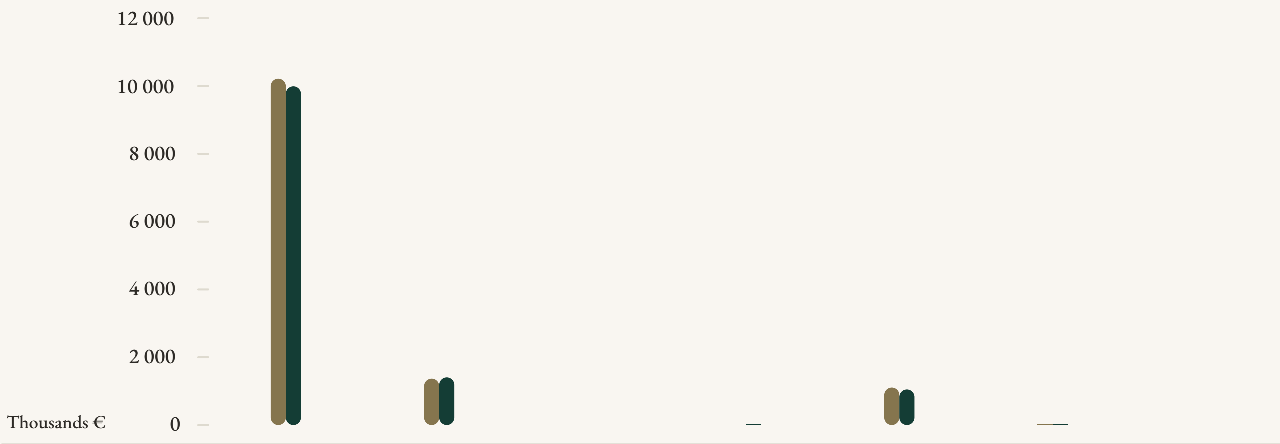
	2020	2021
Overdue loans / Loans granted	4.84%	20.39%
Overdue loans / Net assets	1.09%	3.01%
Loans granted / Client deposits	28.74%	21.08%
Loans granted / Net assets	23.12%	17.31%



Real estate collateral is subject to initial assessment and then periodical reviews carried out by accredited and independent technical appraisers, based on prudential criteria that reflect the evolution of the real estate markets, the nature of the properties, their potential for use, and liquidity. Other guarantees consist of pledges on financial investment portfolios. New loans were mostly granted to clients with a risk profile lower than the portfolio average.

In 2021, net fixed assets (property, plant and equipment, and intangible assets) recorded an annual decrease of 1.5%, corresponding to a year-on-year change of €193.3k. Reference should be made to real estate as a contributor to this change, which recorded a drop of €224.7k justified by the amortisations in the financial year, and a change of €41.4k in the item intangible assets (software). On the other hand, the item property, plant and equipment increased by 2.6%.

	2020	2021
Fixed Assets	12 811 067 €	12 617 754 €
Property, land and equipment	11 655 859 €	11 466 583 €
Property, land and equipment in progress	0 €	53 530 €
Sub-total	11 655 859 €	11 520 113 €
Intangible assets	1 155 208 €	1 097 641 €
Intangible assets in progress	0 €	0 €
Sub-total	1 155 208 €	1 097 641 €

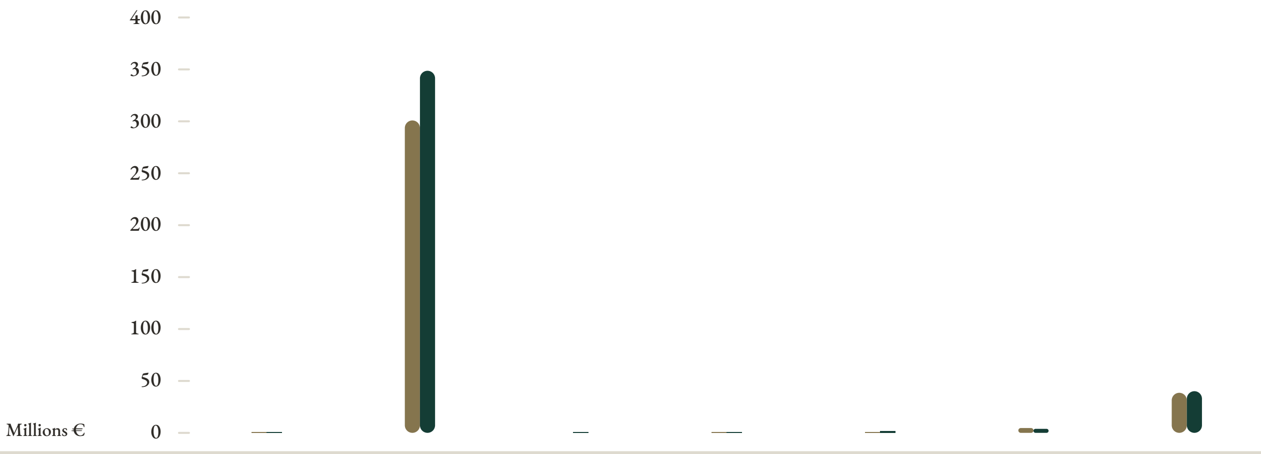


	Property, plant and equipment - Property	Property, plant and equipment - Equipment	Property, plant and equipment - Lease assets	Property, plant and equipment - In progress	Intangible assets - Software	Intangible assets - Other	Intangible assets - In progress
2020	10 267 524	1 388 335	0	0	1 108 234	46 974	0
2021	10 042 828	1 423 755	0	53 530	1 066 820	30 822	0

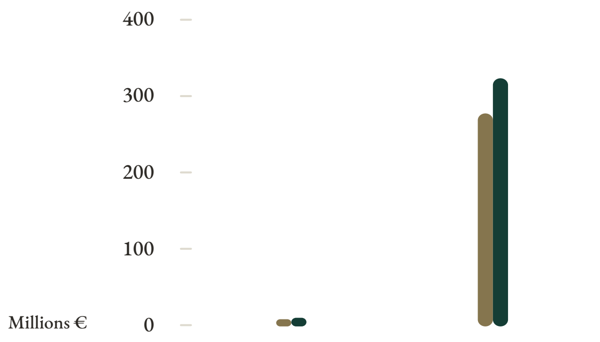
25.4. Composition of liabilities and net equity

Liabilities have recorded an overall increase of 15.3% compared to the €307.5M recorded in 2020. We highlight the drop in Financial Liabilities Held for Trading by 98.8%, in Provisions by 98.8%, and in Other Liabilities by 26.8%. On the other hand, we note that Tax Liabilities increased by 55.6%, Deposits from other Credit Institutions by 16.8% and Client Deposits by 16%.

Regarding net worth, equity showed a positive growth of 4.5%, directly related to the results for the year.



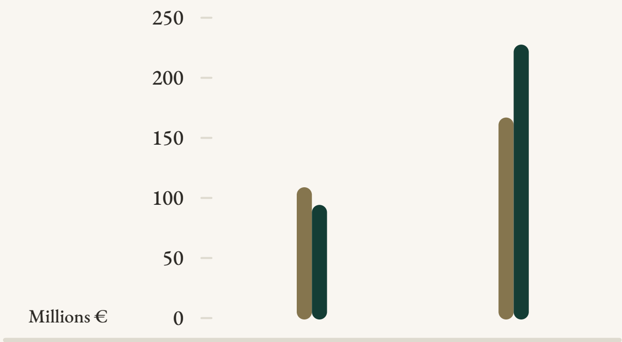
	Financ. liabilities held for trading	Financ. liabilities measured at amortised cost	Hedging derivatives	Provisions	Tax liabilities	Other liabilities	Equity
2020	443 959	301 415 680	0	102 074	755 307	4 752 552	38 317 761
2021	5 268	349 674 935	38 301	323 684	1 175 598	3 479 109	40 050 795



	Deposits from other credit institutions	Client deposits
2020	8 973 142	277 986 624
2021	10 484 449	323 896 656

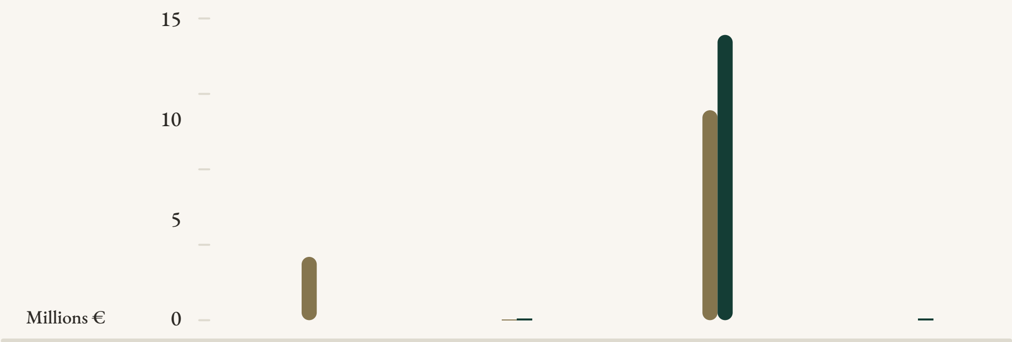
Client deposits recorded a global growth of 16% and other deposits a growth of 5.5%.

Client resources



	Term deposits	Demand deposits
2020	109 900 323	168 086 301
2021	95 375 899	228 520 757

Other resources



	Transactions in derivatives	GoBullingPro	Management	Sight deposit accounts
2020	3 161 763	39 166	10 482 700	0
2021	0	103 837	14 238 437	97 306

25.5. Equity management

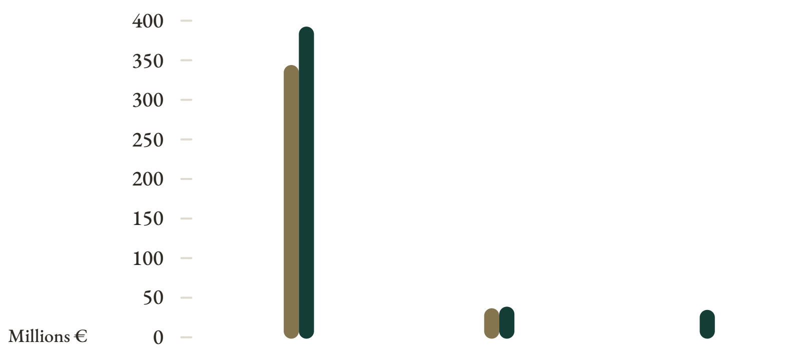
Equity management policies and practices are defined according to the strategic business objectives and the level of risk appetite defined by the Board of Directors. To determine the adequate level of capital, in terms of both quantity and quality, Banco Carregosa has implemented an equity management model based on the following principles:

i. ongoing monitoring of regulatory equity requirements;

ii. review of risk appetite;

iii. setting properly measured business objectives in equity planning.

In addition to the regulatory requirements, the Bank carries out, every year, an internal and prospective self-assessment of all material risks to which the institution is exposed (the ICAAP assessment). As an integral part of the equity management process, the Bank has in place a Recovery Plan which establishes the decision-making protocol applicable to crisis management and, on the other hand, identifies the pre-defined actions and strategies to respond to events that may have an adverse impact on equity.



	Total net assets	Own equity	Own funds
2020	345 787 333	38 317 761	n/a
2021	394 747 691	40 050 795	36 898 559

The Bank's financial strength remained high and the Solvency Ratio (CET1) reached 16.64%.

The main performance indicators are shown in the table Summary of Indicators, which summarises the Bank's growth in 2021.

II

Notes to the Consolidated Financial Statements as at 31 December 2021

Amounts in Euro,
except as otherwise stated.

Consolidated Balance Sheet
as at 31 December 2021 and 2020

	Notes	31/12/2021	31/12/2020
Assets			
Cash and net assets in central banks and other demand deposits	1	139 277 147	115 282 287
Financial assets at fair value through profit or loss	2	15 127 705	15 937 438
Financial assets held for trading	2.1	4 344 359	4 711 425
Non-trading financial assets mandatorily at fair value through profit or loss	2.2	10 782 883	11 189 245
Other financial assets	2.3	463	36 768
Financial assets at fair value through other comprehensive income	3	69 046 592	57 036 132
Financial assets at amortised cost	4	150 241 835	137 110 128
Of which:			
Loans to clients	4.1	68 318 550	79 952 811
Derivatives - Hedge accounting	5	0	68 713
Property, plant and equipment	6	11 520 113	11 655 859
Intangible assets	7	1 097 641	1 155 208
Investments in associated and subsidiary companies excluded from consolidation	8	67 868	39 188
Tax assets	9	803 392	513 742
Other assets	10	7 562 346	6 902 958
Non-current assets and disposal groups stated as held for sale	11	3 051	85 680
Total assets		**394 747 691**	**345 787 333**
Liabilities			
Financial liabilities held for trading	12	5 268	443 959
Financial liabilities measured at amortised cost	13	349 669 921	301 415 680
Hedging derivatives	14	43 315	0
Provisions	15	323 684	102 074
Tax liabilities	16	1 175 598	755 307
Other liabilities	17	3 479 109	4 752 552
Total liabilities		**354 696 896**	**307 469 572**
Equity	18		
Equity		20 000 000	20 000 000
Issue premiums		369 257	369 257
Other accumulated comprehensive income		2 286 149	2 181 019
Retained earnings		1 538 228	4 034 159
Other reserves		14 228 172	14 226 088
Consolidated income for the year		1 615 978	(2 506 911.30)
Total Own Equity Attributable to the Group		**40 037 783**	**38 303 612**
Minority interests	19	13 012	14 150
Total Own Equity		**40 050 795**	**38 317 761**
Total Liabilities and Capital		**394 747 691**	**345 787 333**

The Certified Accountant

The Board of Directors

Consolidated Statement of Profit and Loss as at 31 December 2021 and 2020

	Notes	31/12/2021	31/12/2020
Interest and similar income		4 984 147	4 958 755
Interest and similar costs		(700 297)	(917 604)
Financial margin	**20**	**4 283 850**	**4 041 151**
Income from equity instruments	21	349 278	344 237
Income from services and commissions	22	8 990 668	6 629 843
Charges - services and commissions	22	(3 678 705)	(3 535 616)
Income from assets and liabilities evaluated at fair value through profit or loss (net)	23	4 156 709	541 315
Income from financial assets at fair value through other comprehensive income	24	516 170	(589 086)
Income from non-marketable financial assets mandatorily carried at fair value through profit or loss	25	947 435	725 335
Income from foreign currency reappraisal (net)	26	(1 739 665)	1 955 444
Income from the disposal of other assets	27	134 169	35 987
Other operating income	28	(585 967)	(653 729)
Net operating revenue		**13 373 942**	**9 494 881**
Staff costs	29	(5 806 773)	(5 355 432)
General administrative costs	30	(4 170 314)	(3 899 705)
Depreciation and amortisations	31	(1 441 930)	(1 338 403)
Provisions net of reinstatements and write-offs	32	(220 672)	(92 894)
Impairment of financial assets at amortised cost	33	(255 011)	(916 401)
Impairment of financial assets at fair value through other comprehensive income	34	356 354	(295 519)
Impairment of other assets net of reversals and recoveries	35	(48 468)	-
Pre-tax profit		**1 787 127**	**(2 403 473)**
Taxes			
Current	36	(188 859)	(179 679)
Deferred	36	8 572	74 391
Consolidated profit and loss for the year attributable to shareholders		**1 606 841**	**(2 508 762)**
Minority interests	37	9 138	1 850
Consolidated profit and loss for the year		**1 615 978**	**(2 506 911)**

The Certified Accountant

The Board of Directors

Consolidated Statement of Comprehensive Income as at 31 December 2021 and 2020

	31/12/2021	31/12/2020
Consolidated net result for the year	**1 615 978**	**(2 506 911)**
Items not to be restated into profit or loss:		
Property, plant and equipment	(14 455)	3 477 891
Actuarial gains or losses (-) with defined benefit pension plans	387 244	163 196
Items that may be restated into profit or loss:		
Cash flow hedging	(47 310)	(32 942)
Financial assets at fair value through other comprehensive income	96 261	(1 590 778)
Income tax related to items that may be restated into profit or loss	39 743	(451 947)
Other comprehensive income	**461 484**	**1 565 420**
Overall comprehensive income for the year	**2 077 462**	**(941 491)**
Attributable to minority interests (non-controlling interests)	**9 138**	**1 850**
Attributable to owners of parent company	**2 068 325**	**(943 342)**

The Certified Accountant

The Board of Directors

Consolidated Statement of Cash Flow as at 31 December 2021 and 2020

	31/12/2021	31/12/2020
Cash Flows from Operating Activities:		
Interest and commissions received	13 482 441	11 569 430
Interest and commissions paid	(4 511 384)	(4 593 527)
Payments to employees and suppliers	(9 937 187)	(9 210 545)
Deposits from credit institutions	1 929 220	(10 223 592)
Other operating assets and liabilities	(1 460 551)	19 080 818
Other receipts from clients	59 781 932	19 290 230
Income taxes	(14 903)	(361 054)
Net cash from operating activities	**59 269 567.00**	**25 551 760.06**
Cash Flows from Investment Activities:		
Dividends received	0	0
Acquisition of financial assets at fair value through other comprehensive income, net of disposals	(11 784 317)	42 542 403
Acquisition of financial assets at amortised cost, net of disposals	(21 799 971)	(51 229 187)
Acquisitions of property, plant and equipment and intangible assets	(1 329 859)	(1 090 094)
Disposals of property, plant and equipment and intangible assets	57 351	35 350
Increase/Decrease in other asset accounts	0	0
Investments in subsidiaries and associated companies	0	0
Net cash from investment activities	**(34 856 795.23)**	**(9 741 528.38)**
Cash Flows from Financing Activities:		
Capital increase	0	0
Other equity instruments	0	0
Dividends paid	0	0
Issue of securitised and subordinated debt	0	0
Remuneration paid on cash and other bonds	0	0
Remuneration paid on subordinated debt	0	0
Deposits from credit institutions (not associated with the main revenue-generating activities)	0	0
Net cash from financing activities	**0**	**0**
Net increase (decrease) of cash and cash equivalents	24 412 772	15 810 232
Exchange differences	0	0
Cash and cash equivalents at the start of the year	115 298 999	99 488 767
Cash and cash equivalents at the end of the year	139 711 771	115 298 998

Cash and cash equivalents (breakdown as at December 2021 and 2020)	31/12/2021	31/12/2020
Cash and net assets in central banks	69 209 201	56 589 531
Net assets in other credit institutions	70 067 946	58 692 756
Investments in other credit institutions	500 000	500 000
Overdrafts in other credit institutions	(65 376)	(483 289)
Cash and cash equivalents at the end of the financial year	139 711 771	115 298 998

The Certified Accountant

The Board of Directors

Statement of changes in equity as at 31 December 2021

	Capital	Issue premiums	Other accumulated comprehensive income
Balances as at 31 December 2019	**20 000 000**	**369 257**	**238 484**
Changes in fair value reserves			1 854 171
Deferred tax			(451 947)
Actuarial gains or losses (-) with pension plans			163 196
Net result for 2020			
Comprehensive income for 2020			
Distribution of dividends			
Other changes in equity			377 115
Minority interests			
Balances as at 31 December 2020	**20 000 000**	**369 257**	**2 181 019**
Changes in fair value reserves			34 496
Deferred tax			39 743
Actuarial gains or losses (-) with pension plans			387 244
Net result for 2021			
Comprehensive income for 2021			
Distribution of dividends			
Other changes in equity			(356 354)
Minority interests			
Balances as at 31 December 2021	**20 000 000**	**369 257**	**2 286 148**

The Certified Accountant

The Board of Directors

Legal reserves	Other reserves	Retained earnings	Result for the year	Minority interests	Total Own Equity
2 357 633	**11 669 492**	**2 243 495**	**1 989 626**	**0**	**38 867 986**
					1 854 171
					(451 947)
					163 196
			(2 506 911)	(1 850)	(2 508 761)
					(943 341)
					0
198 963		1 790 665	(1 989 626)	16 000	393 116
					0
2 556 595	**11 669 492**	**4 034 159**	**(2 506 911)**	**14 150**	**38 317 761**
					34 496
					39 743
					387 244
			1 615 978	(9 138)	1 606 841
					2 068 325
					0
2 084		(2 495 931)	2 506 911	8 000	(335 290)
					0
2 558 680	**11 669 492**	**1 538 228**	**1 615 978**	**13 012**	**40 050 795**

1. Introduction

The 2021 financial year of Banco L. J. Carregosa, S.A., (hereinafter referred to as "Banco Carregosa", "Company" or "Carregosa Group", when on a consolidated basis) was the thirteenth full financial year of activity as a credit institution.

Following the changes in its corporate scope in 2008, Banco Carregosa began to operate in banking and in all other activities expressly authorised under the law, with activity commencing on 4 November of that year.

As regards the IT service company Coollink – Serviços Informáticos, Lda (hereinafter referred to as Coollink, Lda or simply Coollink), from 2015 on it is no longer considered as an ancillary services company, as reported to Banco de Portugal for the purpose of registration. In 2019, the Bank reduced its stake in this company to 25%, which is now registered by the equity method, no longer being part of the scope of consolidation.

In 2018, more specifically on 11 April, the Bank acquired the share of Sociedade Circuitos e Traçados. Lda, and on 16 April increased the share capital from €1,000 to €50 000, the amount of €49 000 being paid in cash, fully subscribed by the sole shareholder Banco L. J. Carregosa, S.A. Also on 16 April 2018, the company was transformed into a public limited company, with the share capital of €50 000 being represented by 50 000 nominative shares each with a par value of €1.00. As a result of this transformation, the company Board and supervision was structured in accordance with Article 278(1) (a) of the Companies Code (C.S.C.) that is, one sole Director, a Sole Auditor and the Board of the General Meeting.

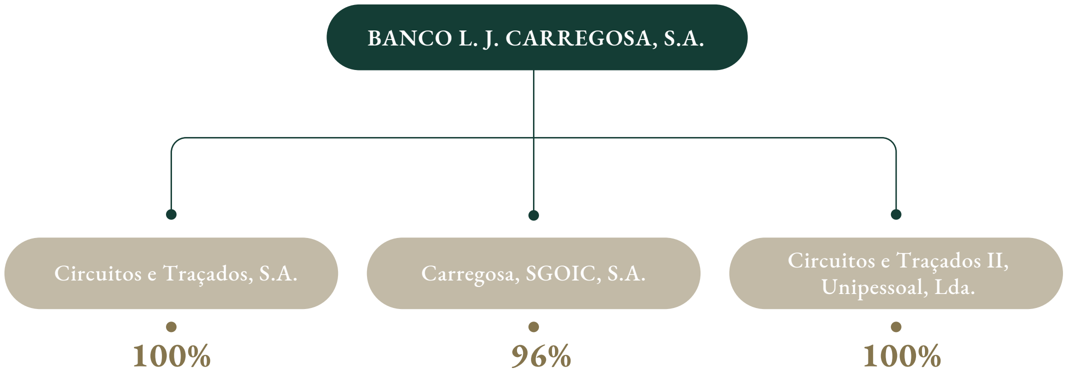
In 2020, Banco L. J. Carregosa, S.A. held 96% of the capital of Carregosa – Sociedade Gestora de Organismos de Investimento Coletivo, S.A., a company engaged in the management of open or closed investment undertakings by investing in real estate assets.

Companies included in the scope of consolidation as at 31/12/2021

Activity	Registered office	Own Equity	Assets	Profit/ Loss	Effective Holding	Consolidation Method
Banking						
Banco L. J. Carregosa, SA	Portugal	40 032 799	395 065 691	1 615 929	–	Full
Real Estate						
Circuitos e Traçados, SA	Portugal	4 961 267	5 211 278	-24 263	100%	Full
Management of Collective Investment Undertakings						
Carregosa SGOIC, S.A.	Portugal	325 301	410 182	-228 438	96%	Full
Real Estate						
Circuitos e Traçados II, Unipessoal, Lda	Portugal	3 346	1 589 830	3 394	100%	Full

Notes: The figures refer to accounting balances before consolidation adjustments.

Scope of Consolidation as at 31/12/2021



As a result of this scope of consolidation, Banco Carregosa consolidates the accounts and has a central position in the Group, in as much as it carries out exclusive activities and due to its relative volume of capital and risks.

The Group posted a net profit of €1 615 978.30, with equity standing at €40 050 795.

The financial statements as at 31 December 2021 were approved by the Board of Directors on 23 May 2022.

The financial statements of the Bank as at 31 December 2021 are pending the approval of the General Shareholders' Meeting. However, the Board of Directors believes that these financial statements will be approved without significant alterations.

2. Basis of Presentation and Significant Accounting Policies

2.1. Basis of presentation and comparability

The consolidated financial statements were prepared based on the accounting records of Banco Carregosa and of its subsidiaries, and were processed in accordance with the International Accounting Standards or International Financial Reporting Standards (IAS/IFRS) adopted in the European Union, as set out in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, of 19 July, transposed into national law through Banco de Portugal Notice No. 5/2015, of 7 December.

The IFRS include the accounting standards issued by the International Accounting Standards Board (IASB) and the interpretations thereof issued by the International Financial Reporting Interpretation Committee (IFRIC), and by the respective former bodies. The Bank's financial statements presented herein report to the year ended 31 December 2021 and were prepared in accordance with the current IFRS as adopted in the European Union.

The financial statements are expressed in Euro.

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

Banco Carregosa has a share in Circuitos e Traçados, S.A., Circuitos e Traçados 2 Unipessoal, Lda. and Carregosa – SGOIC, S.A. and the control or power to manage the financial and operational policies of this company.

Consolidated Income is established based on the net income of the Bank and participated companies, after consolidation adjustments, in particular the elimination of gains and losses as a result of transactions made between these companies.

The Bank's financial statements were prepared according to a going concern basis based on the books and accounting records kept in accordance with the principles contained in IFRS – Disclosure of accounting policies.

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

The following standards, interpretations, amendments and revisions adopted by the European Union were respected and implemented by the Bank in the year ended 31 December 2021.

New standards and amendments to the standards that came into effect on 1 January 2021

IFRS 16 – 'COVID-19 related rent benefits'

In light of the global pandemic caused by the novel coronavirus (SARS COV 2), lessors have been providing benefits to tenants in respect of lease rentals, which can take different forms, such as the reduction, forgiveness or deferral of contractual rentals.

This amendment to IFRS 16 introduces a practical expedient for tenants (but not for lessors), which exempts them from assessing whether subsidies granted by lessors under COVID-19, and exclusively these subsidies, qualify as changes to leases.

Tenants who choose to apply this exemption account for the change to the rental payments, as variable rentals in the period(s) in which the event or condition leading to the payment reduction occurs.

The practical expedient is only applicable when all of the following conditions are met:

i. the change in the lease payments results in a revised consideration for the lease that is substantially the same as, or less than, the consideration immediately before the change;

ii. any reduction in the lease payments only affects payments due on or before 30 June 2021; and

iii. there are no substantive changes to other terms and conditions of the lease.

This change is applied retrospectively with the impacts reflected as an adjustment to retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the tenant first applies the change.

Endorsement Regulation by the European Union
Regulation (EU) No. 2020/1434 of 9 October.

Effective date
Annual periods beginning on or after 1 June 2020, early adoption being allowed.

IFRS 4 – 'Insurance contracts – Deferral of the application of IFRS 9'

This amendment refers to the temporary accounting consequences that result from the difference between the effective date of IFRS 9 - Financial Instruments and the future IFRS 17 - Insurance Contracts.

In particular, the amendment made to IFRS 4 postpones the expiry date of the temporary exemption from applying IFRS 9 from 2021 to 2023 in order to align the effective date of the latter with that of the new version of IFRS 17, which was subject to amendments in May 2020.

This exemption is optional and only applies to entities that substantially develop insurance activity.

Endorsement Regulation by the European Union
Regulation (EU) No. 2020/2097 of 15 December.

Effective date
Annual periods beginning on or after 1 January 2021.

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – 'Reform of reference interest rates – phase 2'

As the process of reform of the reference interest rates ("IBOR reform") is still ongoing in the different financial markets, the amendments to the standards introduced by the IASB, in this second phase, address issues arising in the accounting of financial instruments indexed to these rates due to the replacement of a reference interest rate by an alternative one, and provide for the application of exemptions such as:

i. changes in hedge designation and documentation;

ii. reuse of amounts accumulated in the cash flow hedge reserve;

iii. retrospective assessment of the effectiveness of a hedging relationship under IAS 39;

iv. changes in hedging relationships for groups of items;

v. assumption that an alternative reference rate designated as a risk component not contractually specified is separately identifiable and qualifies as a hedged risk; and

vi. update the effective interest rate, without recognising a gain or loss, for financial instruments measured at amortised cost with changes in the contractual cash flows as a result of the reform of the reference interest rates, a situation that also applies to lease liabilities that are indexed to a reference interest rate.

Endorsement Regulation by the European Union
Regulation (EU) No. 2021/25, of 13 January.

Effective date
Annual periods beginning on or after 1 January 2021.

Amendments to standards and new standards, effective on or after 1 January 2022

IAS 16 – 'Income before start-up'

This amendment is part of the narrow scope amendments published by IASB in May 2020. With this amendment, IAS 16 - 'Property, Plant and Equipment' will prohibit the deduction of amounts received as consideration for items sold that resulted from the production in test phase of property, plant and equipment (outputs), from the carrying amount of those assets. The consideration received for the sale of the outputs obtained during the testing phase must be recognised in the income statement, in accordance with the applicable regulations, as well as the directly related costs. This amendment is applied retrospectively, without restatement of comparatives.

Endorsement Regulation by the European Union
Regulation (EU) No. 2021/1080, of 28 June.

Effective date
Annual periods beginning on or after 1 January 2022.

IFRS 3 – 'Reference to the Conceptual Framework'

This amendment is part of the narrow scope amendments published by IASB in May 2020. This amendment updates the references to the Conceptual Structure in the IFRS 3 text, regarding the identification of an asset or a liability within a business combination, without introducing changes to the accounting requirements for recording business combinations. This amendment also clarifies that in applying the purchase method, liabilities and contingent liabilities must be analysed in the light of IAS 37 and/or IFRIC 21 and not in accordance with the definition of liabilities in the Conceptual Framework, and that the contingent assets of the acquiree cannot be recognised in a business combination. This amendment is applied prospectively.

Endorsement Regulation by the European Union
Regulation (EU) No. 2021/1080, of 28 June.

Effective date
Annual periods beginning on or after 1 January 2022.

IAS 37 – 'Onerous Contracts – costs of fulfilling a contract'

This amendment is part of the narrow scope amendments published by IASB in May 2020. This amendment specifies which costs the entity should consider when assessing whether a contract is onerous or not. Only expenses directly related to the performance of the contract are accepted, and these may include:

i. the incremental costs to fulfil the contract such as direct labour and materials; and

ii. the allocation of other expenses that are directly related to the performance of the contract, such as the allocation of depreciation costs of a given property, plant and equipment used to perform the contract. This amendment should be applied to contracts which, at the beginning of the first annual reporting period to which the amendment is applied, still include unfulfilled contractual obligations, without restating the comparative. Any impact should be recognised against retained earnings on that same date.

Endorsement Regulation by the European Union
Regulation (EU) No. 2021/1080, of 28 June.

Effective date
Annual periods beginning on or after 1 January 2022.

IFRS 16 – 'Leases – COVID-19 related rent benefits after 30 June 2021'

The amendment extends the application date of the amendment to IFRS 16 – 'Leases - COVID-19 related rent benefits' from 30 June 2021 to 30 June 2022. The conditions of application of the practical expedient are maintained, being:

i. if the lessee is already applying the 2020 practical expedient, it must continue to apply it to all leases with similar characteristics, and on comparable terms; and

ii. if the lessee has not applied the practical expedient to the 2020 eligible rent benefits, they cannot apply the extension to the 2020 amendment. This amendment is applied retrospectively with the impacts reflected as an adjustment to retained earnings of the annual reporting period in which the tenant first applies the change.

Endorsement Regulation by the European Union
Regulation (EU) No. 2021/1421, of 30 August.

Effective date
Annual periods beginning on or after 1 April 2021, early adoption being allowed contingent on the adoption of the first amendment to IFRS 16.

IFRS 17 – 'Insurance contracts (issued on 18-05-2017); including amendments to IFRS 17 (issued on 25-06-2020)'

IFRS 17 replaces IFRS 4 'Insurance contracts", the interim standard in force since 2004IFRS 17 applies to all entities that issue insurance contracts, reinsurance contracts and investment contracts with discretionary participation features.

For service contracts whose primary purpose is the provision of services for a fixed fee, the entities may choose to apply IFRS 17 or IFRS 15. As provided for in IFRS 4, financial guarantee contracts may be included in the scope of IFRS 17, provided the entity has explicitly classified them as insurance contracts. Insurance contracts for which the entity is the policy holder fall outside the scope of IFRS 17 (with the exception of the reinsurance issued).

IFRS 17 is based on the current measurement of technical liabilities at each reporting date. Current measurement may be based on a full model (building block approach) or a simplified model (premium allocation approach). The complete model is based on probability-weighted and risk-adjusted discounted cash flow scenarios, and a contractual service margin, which represents the estimated future profit on the contract. Subsequent changes in estimated cash flows are adjusted against the contractual service margin unless it becomes negative.

During the implementation period and in response to some of the concerns and challenges inherent in the implementation of IFRS 17, the IASB published in 2020, specific amendments to the initial text of IFRS 17, as well as proposals for clarification, in order to simplify some of the requirements of this standard and streamline its implementation. The amendments made have impacts in eight areas of IFRS 17, such as:

i. scope;

ii. level of aggregation of insurance contracts;

iii. recognition;

iv. measurement;

v. modification and derecognition;

vi. presentation of the statement of financial position;

vii. recognition and measurement of the income statement; and

viii. disclosures.

The main changes introduced to IFRS 17 refer to:

i. expected recovery of cash flows from acquisition of assets by insurance contracts;

ii. contractual service margin attributable to investment services;

iii. exclusion from scope of certain credit card (or similar) contracts, as well as some financing contracts;

iv. presentation of insurance contract assets and liabilities in the statement of financial position in portfolios rather than groups;

v. applicability of the risk mitigation option, when using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss to mitigate financial risks;

vi. accounting policy option to change estimates made in previous interim periods, when applying IFRS 17;

vii. inclusion of income tax payments and receipts specifically attributable to the policyholder under the terms of the insurance contract (as to cash flow compliance); and

viii. practical interim expedients.

IFRS 17 is applied prospectively, with exemptions foreseen for the transition date.

Endorsement Regulation by the European Union
Regulation (EU) No. 2021/2036, of 19 November.

Effective date
Annual periods beginning on or after 1 January 2023.

Annual improvement cycle 2018-2020

IFRS 1 – 'Subsidiary as a first-time adopter of IFRS'

A subsidiary that becomes a first-time adopter of IFRS after its parent company, and which opts elects to measure its assets and liabilities based on the carrying amounts in the parent company's consolidated financial statements, may measure cumulative translation differences for all transactions denominated in foreign currencies at the values that would be determined in the parent company's consolidated financial statements, based on the parent company's date of transition to IFRS.

Endorsement Regulation by the European Union
Regulation (EU) No. 2021/1080, of 28 June.

Effective date
Annual periods beginning on or after 1 January 2022.

IFRS 9 – 'Derecognition of financial liabilities' – costs incurred to be included in the "10 per cent" variation

This improvement clarifies that within the scope of the derecognition tests performed on renegotiated liabilities, the net amount between fees paid and fees received should be determined considering only the fees paid or received between the borrower and the lender, including fees paid or received, by either entity on behalf of the other.

Endorsement Regulation by the European Union
Regulation (EU) No. 2021/1080, of 28 June.

Effective date
Annual periods beginning on or after 1 January 2022.

IFRS 16 – 'Lease incentives'

The improvement is to amend Illustrative Example 13 accompanying IFRS 16 to remove an inconsistency in the accounting treatment of incentives provided by the lessor to the tenant. This improvement is applied prospectively.

Endorsement Regulation by the European Union
Regulation (EU) No. 2021/1080, of 28 June.

Effective date
Annual periods beginning on or after 1 January 2022.

IAS 41 – 'Fair value measurements and taxation'

This improvement removes the requirement to exclude tax cash flows from the fair value measurement of biological assets, ensuring consistency with the principles of IFRS 13 - 'Fair valuer'. This improvement is applied prospectively.

Endorsement Regulation by the European Union
Regulation (EU) No. 2021/1080, of 28 June.

Effective date
Annual periods beginning on or after 1 January 2022.

Amendments to the standards published by IASB not yet endorsed by the EU

IAS 1 – 'Classification of liabilities as current or non-current'

Clarification on the classification of liabilities as current or non-current balances depending on the rights that an entity has to defer its payment at the end of each reporting period (the standard no longer makes reference to unconditional rights, as loans are rarely unconditional to the fulfilment of specific conditions). The classification of liabilities is not affected by the entity's expectations (the assessment should determine whether a right exists, but should not consider whether the entity will exercise that right), or by events occurring after the reporting date, such as the breach of a given covenant. An additional clarification is made regarding the meaning of 'settlement' of a liability, which is now defined as the extinguishing of a liability through transfer:

i. cash or other economic resources, or

ii. the entity's own equity instruments.

This change is applied retrospectively.

Endorsement Regulation by the European Union
Pending endorsement.

Effective date (*)
Annual periods beginning on or after 1 January 2023.

(*) This amendment is under review by the IASB and is expected to postpone the effective date to 1 January 2024.

IAS 1 – 'Disclosure of accounting policies'

Change to the requirements of disclosure of accounting policies are now based on the definition of "material" instead of "significant". Information relating to an accounting policy is considered material if, in its absence, users of the financial statements would not be able to understand other financial information included in those financial statements. Immaterial information about accounting policies need not be disclosed. Practice Statement 2, was also amended to clarify how the concept of "material" applies to the disclosure of accounting policies.

Endorsement Regulation by the European Union
Pending endorsement.

Effective date
Annual periods beginning on or after 1 January 2023.

IAS 8 – 'Disclosure of accounting estimates'

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

Endorsement Regulation by the European Union
Pending endorsement.

Effective date
Annual periods beginning on or after 1 January 2023.

IAS 12 – 'Deferred tax related to assets and liabilities arising from a single transaction'

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

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

ii. Provisions for dismantling, restoration or similar liabilities with the corresponding amounts recognised as part of the cost of the related asset, when at the date of initial recognition they are not relevant for tax purposes. These temporary differences do not fall within the scope of the exemption of initial recognition of deferred taxes. The cumulative effect of the initial application of this amendment is recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) of the earliest comparative period presented.

Endorsement Regulation by the European Union
Pending endorsement.

Effective date
Annual periods beginning on or after 1 January 2023.

IFRS 17 – 'Initial application of IFRS 17 and IFRS 9 - Comparative information'

This amendment applies only to insurance entities in their transition to IFRS 17, allowing the adoption of an "overlay" in the classification of a financial asset for which the insurer does not apply retrospectively under IFRS 9.

The amendment is aimed at helping entities avoid temporary accounting mismatches between financial assets and insurance contract liabilities in respect of the comparative information that should be presented upon initial application of IFRS 17. Scheduled plans:

i. its individual application for each financial asset;

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

iii. an obligation to use reasonable and supportable information available at the transition date to determine how the insurer expects that financial asset to be classified under IFRS 9.

Endorsement Regulation by the European Union
Pending endorsement.

Effective date
Annual periods beginning on or after 1 January 2023.

2.2. Significant accounting policies

The accounting policies hereunder apply to Banco Carregosa's financial statements.

2.2.1. Transactions in foreign currency (IAS 21)

Transactions in foreign currency (other than the Bank's functional currency) are recorded at the exchange rates in effect on the date of transaction.

Financial assets and liabilities in foreign currency are recorded in their currency denomination (multi-currency system).

At each reporting date, the carrying amounts of monetary items denominated in foreign currency are restated at the exchange rate on that date. Favourable and unfavourable exchange differences arising from the differences between exchange rates in effect on the date of transactions and those in effect at the date of collection, payment or balance sheet date are recognised in profit or loss for the period.

2.2.2. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the amounts recorded in the balance sheet with a maturity of less than three months as of their contract date, including cash and other net assets in other credit institutions.

The concepts used in the presentation of the cash flow statements are as follows:

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

ii. **Operating activities:** the indirect method is used for the presentation of cash flows from operating activities, reflecting the flow of the typical activities of credit institutions, as well as other activities that are not classified as investment or financing activities;

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

iv. **Financing activities:** activities that produce changes in medium and long-term financing operations that are not part of the operating activities, such as securitised and subordinated debt, capital increases and dividend distribution.

2.2.3. Investments in domestic and foreign credit institutions

These instruments are measured at fair value, which is normally the consideration paid, net of directly associated transaction costs.

2.2.4. Financial instruments

The accounting classification is determined upon the acquisition of the asset, in accordance with IFRS 9 and in compliance with the rules of IFRS 13, as regards fair value measurement.

When assets are first recognised, they are stated according to one of the following categories:

i. Assets measured at amortised cost;

ii. Assets measured at fair value through another comprehensive income;

iii. Assets measured at fair value through profit or loss.

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

Adopted by Regulation (EU) No. 1255/2012, of the Commission, of 11 December 2012, the International Financial Reporting Standard (IFRS) 13 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 (cf. par 9) fair value 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 (cf. par 7):

i. Plan assets measured at fair value in accordance with IAS 19 – Employee Benefits;

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

iii. Assets for which recoverable amount is the fair value less costs of disposal in accordance with IAS 36 – Impairment of Assets.

According to paragraph 8, the fair value measurement framework described in IFRS 13 applies to both initial and subsequent measurement if fair value is required or permitted by other IFRSs.

As from 1 January 2018, a specific balance sheet heading is in place – "Non-trading financial assets mandatorily at fair value through profit or loss".

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

The following accounting classes are, therefore, considered:

i. Financial assets at amortised cost – HTM;

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

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

iv. Other assets not held for trading, mandatorily recorded at fair value (Not Held for Trading, PL).

Financial assets at amortised cost

An asset must be recorded at amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Initial recognition and subsequent measurement

Assets are initially recognised at fair value, including costs or gains associated to the transactions, and subsequently they are measured at amortised cost. Additionally, at their initial recognition they are subject to the calculation of expected credit losses, which will reduce the book value of these financial assets by corresponding entry under "impairment of financial losses at amortised cost".

Interest on financial assets at amortised cost is recorded under "interest and similar income".

Gains or losses generated at the time of their "derecognition" are recorded under "Gains/losses" and financial assets and liabilities are "derecognised" at amortised cost.

When mention is made of a "derecognition", the following are said to occur:

i. a disposal;

ii. Or an entity restates an asset out of the amortised cost measurements category into the fair value through profit or loss measurement category (IRFS 9, paragraph 5.6.2).

If an entity restates a financial asset out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category, any gain or loss arising from a difference between the previous amortised cost of the financial value and fair value is recognised in "Other comprehensive income (IRFS 9 paragraph 5.6.4).

Financial assets at fair value through other comprehensive income

An asset must be recorded at fair value through other comprehensive income if both the following conditions are met:

i. The financial asset is held within a business model whose objective is achieved by both obtaining contractual cash flows and selling financial assets;

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

This classification must consider the asset portfolio recorded at fair value through other comprehensive income (FVTOCI), reasonably close to the so-designated prudential investment portfolio.

Additionally, in the initial recognition of an equity instrument that is not held for trading, or in the case of a contingent retribution recognised by a buyer in a business combination to which IFRS 3 applies, the Bank may irrevocably opt to state it under financial assets 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 measured at fair value. Changes in the fair value of these assets are recorded by corresponding entry under other comprehensive income and, at the time of their disposal, their accumulated gains or losses in other comprehensive income are restated into a specific profit and loss heading designated "Gains or losses with the "derecognition" of financial assets at fair value through comprehensive income".

Additionally, these financial assets are since their initial recognition subject to the calculation of impairment losses, which will not reduce the carrying amount of the financial asset in the balance sheet, therefore being recognised in profit or loss under "impairment of assets at fair value through other comprehensive income" against other comprehensive income.

Interest on financial assets at fair value through other comprehensive income is recognised under "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 measured at fair value. Changes in the fair value of these financial assets are recorded against other comprehensive income. Dividends are recognised in profit or loss only when the entity's right to receive payment of the dividend is established.

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

If an entity restates a financial asset out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is restated from equity to profit or loss as a restatement adjustment.

Financial assets at fair value through profit or loss

A financial asset must be recorded at fair value through profit or loss if the business model defined by the Bank for managing the financial assets or cash flow characteristics does not meet the conditions for them to be measured at amortised cost or at fair value through other comprehensive income.

However, the Bank may irrevocably designate a financial asset that meets the criteria of amortised cost measurement or fair value measurement through other comprehensive income as measured at fair value through profit or loss at initial recognition 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 in them according to different bases.

The following must be considered under this classification:

i. Assets measured at fair value through profit and loss (FVTPL), almost coincident with the designated prudential trading book;

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 costs or income related to the transactions are recognised in profit or loss at the initial date, with subsequent changes also recognised in profit or loss.

The periodical calculation of interest is recognised under “interest and similar income” based on the interest rate of each issue (coupon rate).

2.2.5. Restatement

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

The restatement of a position in the trading book into a non-trading book position or, inversely, 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 where there is:

i. Final delisting;

ii. The loss of public company status;

iii. Default by the issuer.

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

Where the competent authorities permit the restatement:

i. The restatement of that position cannot be changed;

ii. The Bank must disclose publically, on the first reporting date, the information that its position was restated;

iii. Under the regulations, where, at the first reporting date, the net change in the amount of the Bank’s own funds requirements, arising from the restatement of the position, results in a net reduction, the Bank will henceforth provide for additional own funds equal to the net change and will publically disclose the amount of such additional own funds;

iv. The additional own funds amount will remain constant until the maturity date of the position, unless the competent authorities allow the institution to gradually reduce that amount at an earlier date.

2.2.6. Fair value hierarchy of financial instruments

The 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 measurement date, under prevailing market conditions (*i.e.* exit price), irrespective of whether this price is directly observable or estimated using another appraisal technique.

Financial instruments recorded in the balance sheet at fair value were classified into three levels, in accordance with IFRS 13:

i. Level 1 – quoted prices in active markets;

ii. Level 2 – indirect appraisal techniques based on market data;

iii. Level 3 – appraisal techniques using mostly unobservable inputs.

3 For this purpose, a correction of an error in classification is not considered as a restatement.

2.2.7. Equity instruments

Transaction costs directly attributable to the equity issuance are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs. Distributions made on behalf of equity instruments are deducted from equity capital as dividends when declared.

2.2.8. Financial derivatives (IFRS 9)

Financial derivatives are recorded at fair value on the date on which the Bank negotiates the contracts and are subsequently measured at fair value. Fair values are obtained through market prices in active markets, including recent market transactions, and appraisal models, namely: discounted cash flow models and option appraisal models. Derivatives are considered 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 yield of debt instruments to share value or share indices, are split and treated as separate derivatives when their risk and economic characteristics are not clearly related to those of the underlying contract and the latter is not measured 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.

2.2.9. Hedge accounting

As permitted by IFRS 9, the Bank opted to continue to apply the requirements for hedge accounting provided for in IAS 39.

Principle:
Derivatives and other financial instruments to hedge interest rate risk and exchange risk resulting from financing and investment activities. Derivatives that do not qualify for hedge accounting will be recorded as trading derivatives.

Hedge derivatives are recorded at fair value and gains or losses resulting from the reappraisal are recognised according to the hedge accounting model. A hedge relation exists when:

i. at the start date of the relation there is formal documentation of the hedge;

ii. the hedge is expected to be highly effective;

iii. hedge effectiveness can be reliably measured;

iv. hedge is evaluated on a continuous basis and effectively determined as being highly effective throughout the financial reporting year; and

v. in relation to the hedging of an expected transaction, this transaction is highly likely to occur and is exposed to cash flow variations that could ultimately affect profit or loss.

When a derivative financial instrument is used to hedge exchange fluctuations of monetary assets or liabilities no hedging accounting model is applied. Any gain or loss associated to the derivative is recognised in profit or loss, as well as the exchange risk fluctuations of underlying monetary items.

(i) Fair value hedging

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

If the hedging relation no longer complies with the hedging accounting requirements, the cumulative gains or losses from the changes in interest rate risk associated to the hedging item until the date when the hedging is discontinued are amortised through profit or loss for the remaining period of the hedged item.

(ii) Cash flow hedging

Changes in fair value of derivatives that qualify for hedging cash flows that are considered as effective hedges are recognised in fair value reserves. The ineffective portion of the change in fair value is recognised through profit or loss.

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

(iii) Hedge effectiveness

For a hedging relationship to be considered as such, its effectiveness must be demonstrated. To this end, prospective tests must be carried out on the date when the hedging relation starts, where applicable, and retrospective tests to show the hedging effectiveness at each balance sheet date, showing that changes in the fair value of the instrument are hedged by changes in the hedged item with respect to the hedged risk. Any resulting ineffectiveness is recognised through profit or loss at the time it occurs.

2.2.10. Loans to clients and other receivables (receivables)

Appraisal, initial and subsequent recognition

Loans to clients and receivables from other debtors are the financial assets corresponding to provisions of cash, goods or other services to a certain entity by the institution. This concept covers the typical activity of granting loans to clients, as well as the creditor positions arising from operations with third parties carried out as part of the institution's activities.

Loans to clients and receivables from other debtors are valued as follows:

i. On the initial recognition date, credits and amounts receivable are recorded at fair value. In general, the fair value at the initial date corresponds to the transaction value and includes commissions, fees or other charges and incomes associated to loan transactions. Subsequently, loans and accounts receivable are valued at amortised cost based on the effective interest rate and subject to impairment tests.

ii. Where applicable, interest, commissions and other charges and income associated to loan transactions are accrued over the life of the transactions, in the case of transactions that produce residual flows over a period of more than one month, regardless of the moment when they are charged or paid. Loan commitment fees are recognised on a deferred and straight-line basis over the lifetime of the commitment.

For the purpose of constituting impairments, the total loans granted are to be considered, including other liabilities assumed with third parties, such as guarantees or other similar instruments.

Derecognition (IFRS 9)

Loans to clients are derecognised from the balance sheet when:

i. the contractual rights to the cash flows expires;

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

iii. despite having withdrawn part but not substantially all the risks and rewards of ownership, the control over assets was transferred; and

iv. changes to the contractual terms of a financial asset give rise to a substantial change in the current value of cash flows, *i.e.*, the new contractual terms discounted at the interest rate of the initial contract give rise to a change of at least 10% of the current value of the remaining cash flows of the original financial asset.

Credit Impairment Loss (IFRS 9)

Identified impairment losses are recorded through profit or loss and are subsequently reversed through profit or loss if there is a reduction in the amount of the estimated loss at a later time.

IFRS 9 replaces the IAS 30 "incurred loss" model with a forward-looking model of Expected Credit Loss (ECL), which considers the expected credit losses in the lifetime of financial instruments. Thus, in determining the ECL macroeconomic factors and other forward-looking information are taken into account, whose changes impact on the expected loss.

The current impairment model analyses all positions individually.

2.2.11. Assets acquired in exchange for loans

Assets acquired in exchange for loans, which may relate to real estate, equipment and other assets received as payment, are stated under non-current assets held for sale and are initially recorded at the lower amount between their fair value minus costs to be incurred in the sale and the carrying amount of the balance of the loans granted subject to recovery.

2.2.12. Non-current assets held for sale

Non-current assets are stated as held for sale whenever it is determined that their book value will be recovered through their sale and not through their continued use.

Assets recorded in this category are measured at the lower of the amount established by the applicable IFRS and the fair value, calculated based on the appraisals of external independent internal or external experts, minus costs to be incurred in the sale, and are not subject to depreciation.

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

Other property, plant and equipment are stated at acquisition cost, minus depreciation and impairment losses, and are depreciated on a straight-line basis over their expected useful life. 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.

The acquisition cost includes expenses directly attributable to asset acquisition. Maintenance and repair costs are recognised as a cost for the year under "General administrative costs".

According to IAS 16, whenever there is an indication that the carrying amount exceeds their recoverable value, these assets are subject to impairment tests. The difference, if any, is recognised through profit or loss. The recoverable amount is the highest between the two values, asset market value minus costs and its value in use. Impairment loss of property, plant and equipment are recognised in the income statement.

Until 31 December 2020, land and buildings were recorded in accordance with the acquisition cost model, on which date a reappraisal was carried out by professionally qualified and independent appraisers. Therefore, for these classes of assets a revalued amount was carried, which is the fair value at the reappraisal date less accumulated depreciation and any accumulated impairment losses.

Increases in the carrying amount arising from reappraisal are credited to tangible assets reappraisal reserves in equity.

When revalued assets are sold, the amount recognised in reappraisal reserves 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 in force until 31 December 2018. Its implementation did not materially affect the financial statements, so the Bank chose not to apply the standard retrospectively.

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

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

Right-of-use assets are recorded under "right-of-use property, plant and equipment".

Lease liabilities are initially measured at the current value of lease payments over the lease term, discounted at the implicit lease rate or, if such rate cannot be easily determined, at the Bank's financing rate.

Lease liabilities are subsequently increased by the interest cost over the lease liability, and decreased by lease payments made. Lease liabilities are recorded under other liabilities.

The Bank has no transactions in which it is classified as a lessor.

2.2.14. Intangible assets (IAS 38)

The Bank records under this heading the costs with development of projects implemented and to be implemented, as well as the cost of software purchased, in either case when the expected impact extends beyond the period in which they are incurred.

Costs directly related to the development of IT applications, whose use can be expected to generate future economic flows beyond one financial year, are recognised and recorded as intangible assets.

All other expenses related to IT services are recognised as costs when they are incurred.

Intangible assets are recorded at acquisition cost, minus the impairment losses and depreciations using the straight-line method and by twelfths over their estimated useful life, which is, in general, three years.

2.2.15. Investments in associated companies (IAS 28)

Investments in associated companies (companies in which the Bank has a significant influence by participating in financial and operating decisions of such company – usually investments representing between 20% and 50% of the share capital) are recorded through the equity method.

Under this method, on initial recognition financial investments in associated companies are recognised at cost, plus or minus the amount corresponding to the proportion of the companies' equity capital, reported at acquisition date or when the equity method is first applied. Financial investments are then adjusted every year by the amount corresponding to the participation in the net results of the associated companies through profit or loss for the year. Additionally, the dividends of these companies are recorded as a reduction in investment value and the proportional part in equity capital changes is recorded as a change in equity of the Group.

The differences between the cost of the investment and associate's share of the fair value of the identifiable assets or liabilities, if positive, are recognised as goodwill, included in the carrying amount of the investment. If these differences are negative, after the fair value is reconfirmed, then they are recorded as gains in the period.

When there is an indication that an asset may be impaired, investments in associated companies are evaluated, and the impairment losses, if any, are recorded as a cost, and reversed when this is no longer justified.

When the proportion of the accumulated losses of the associate exceeds the value by which the investment is recorded, the investment is reported with a null amount, except when the entity has assumed commitments with the associated company, in which case a provision is recorded to meet these obligations.

2.2.16. Other financial liabilities - Deposits from other credit institutions, Client deposits, Other loans and Other (IFRS 9)

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

Financial liabilities held for trading, in particular those resulting from short selling, and the adjustments thereof are recognised through profit or loss.

According to the fair value option, financial liabilities included under liabilities represented by securities and subordinated liabilities are stated as financial liabilities at fair value, through profit or loss, whenever they meet the classification requirements of this category, in particular due to the fact that they contain one or more embedded derivatives. These liabilities are initially measured at fair value, subsequent changes in fair value being recorded in profit or loss.

2.2.17. Provisions and contingent liabilities (IAS 37)

A provision is constituted 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) the amount of the obligation can be reliably estimated. In cases where the discount effect is significant, the provision corresponds to the current amount of expected future payments, discounted at a rate that reflects the risk associated to the obligation. If the future expenditure on resources is not likely to occur, then this is a contingent liability. Contingent liabilities are only the object of disclosure, save if the possibility of their realisation is remote. A provision for onerous contracts is recognised when the benefits expected to be received from a formal contract are less than the costs that the Bank will inevitably incur in order to meet the obligations arising therefrom. This provision is measured based on the current value of the lower of the costs for terminating the contract or estimated net costs resulting from its continuation.

2.2.18. Tax on profits (IAS 12)

Banco Carregosa and its subsidiaries with head-office in Portugal are subject to the tax regime laid down in the Corporate Income Tax Regime and to the Tax Benefit Charter (Estatuto dos Benefícios Fiscais - EBF).

Income tax corresponds to the sum of current taxes and deferred taxes. These are both recorded through profit or loss, except when they relate to items directly posted in equity. In these cases, deferred taxes are also recorded in equity.

Current tax payable is based on the taxable profit for the period, calculated in accordance with the tax criteria in force at the date of financial reporting. Taxable profit differs from accounting result, in that it excludes various charges and incomes that will only be deductible or taxable in other financial periods. Taxable profit excludes charges and income that will never be deductible or taxable.

Deferred taxes refer to the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences. However, they are recognised only to the extent that it is probable that future tax profits will be available to use these deferred tax assets, or when there are deferred tax liabilities whose reversal is expected to occur during the same period in which the deferred tax assets may be used. These deferred tax assets are reviewed at each reporting date, and adjusted based on expectations of future use.

2.2.19. Gains from financial transactions

Financial results includes gains and losses on financial assets and liabilities at fair value through profit and loss, that is, fair value changes and interest on trading derivatives and embedded derivatives, as well as the dividends received associated with 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 allocated to hedging portfolios and hedged items, when fair value hedge is applicable, are also recognised here.

2.2.20. Recognition of revenue and costs

Revenue and costs are recognised over the life of the transactions and according to the accrual accounting principle, in other words, they are recorded as they are generated. Revenues are recognised to the extent that it is likely that economic benefits flow to the company and the amount of the revenue can be measured. Interest accrued and not collected is reversed in the balance sheet after three months of maturity and are only recognised as revenue when they are actually received.

2.2.21. Recognition of income from services and commissions (IFR15)

IFRS 15 redefines the principles for recognising revenue and applies to all contracts with clients not contracted under other standards (for example, taxes in respect of instruments that would fall under IFRS 9 and the lease income).

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

The Bank applies IFRS 15 to the income arising from services and commissions recognised according to the following criteria:

i. when received as the services are provided, they are recognised in profit or loss in the period to which they refer;

ii. when resulting from service provision, they are recognised when the said service is concluded; and

iii. when wholly part of the effective interest rate, they are recognised under financial margin.

Many of the Bank's revenue sources (for example, interest income, gains and losses in financial instruments) fall outside the scope of IFRS 15, therefore accounting for these flows has not changed with the adoption of IFRS 15.

2.2.22. Recognition of interest

Results relating to interest on financial instruments measured at amortised cost and of financial assets at fair value through other comprehensive income are recognised under interest and similar income or interest and similar costs. Interest on financial assets and liabilities at fair value through profit or loss are also included in the heading interest and similar income or interest and similar costs, respectively. The effective interest rate is the rate that exactly discounts estimated future cash payments or estimated future receipts over the expected lifetime of the financial asset or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Effective interest rate is determined at initial recognition of financial assets and liabilities and is not revised subsequently.

2.2.23. Commissions for services rendered

Banco Carregosa charges commissions to its clients for a broad range of services rendered. Commissions are immediately recognised as revenue, as they relate to specific or one-off services and are not associated to service provisions that are continued over time.

2.2.24. Guarantees provided and irrevocable commitments

Liabilities for guarantees provided and irrevocable commitments are recorded under off-balance sheet items at their risk value, with interest, commissions or other income flows recorded in profit or loss over the lifetime of the transactions.

2.2.25. Employee benefits (IAS 19)

Employee benefits are recognised in accordance with IAS 19 – Employee benefits, and include retirement pensions, health costs, others, and long-term and short-term benefits.

2.2.26. Retirement and survival pensions

Based on the Collective Labour Agreement for the Banking Sector (Acordo Coletivo de Trabalho Vertical para o Setor Bancário – ACTV) as the reference for labour practices, Banco Carregosa made a commitment, exclusively for its employees not integrated in the National Pension System, to grant them or their families cash payments for old-age retirement, early retirement or disability or survivors' pension, by constituting a Defined Benefit Pension Plan. This Plan is in line with the ACTV and is subject to the requirements set by Banco de Portugal, in particular its Notice No. 12/2001 and any updates thereto.

To finance these liabilities, Banco Carregosa joined the Pension Fund Horizonte – Valorização da Pensõesgere in 2004. In 2010, responding to the evolution of its obligations and according to a policy of rigour and good coverage of the liabilities undertaken, the Bank decided to change the pension fund over to another managing entity, "REAL VIDA PENSÕES – Sociedade Gestor de Pensões SA", subscribing 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' pension benefits are covered by a life insurance policy.

Liabilities for services provided in the past by eligible employees are determined every year based on the date of admission at Banco Carregosa and not on the date on which the employee entered the banking sector. Consequently, the share of responsibilities relating to the period between the date of admission in the banking sector and the date of admission in the company will be chargeable to past employers, except if the latter have transferred the amount of their share of responsibility.

The recognised liabilities correspond to the difference between the current value of pension liabilities and the fair value of pension fund assets, taking into account adjustments relating to deferred actuarial gains and losses. The value of liabilities is determined on an annual basis by independent actuaries, using the "Projected Unit Credit" method, and actuarial assumptions regarded as appropriate. Liabilities are reviewed on the basis of a discount rate that reflects the market medium and long term interest rate for bonds listed in the euro area by companies rated as being of low risk.

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

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

In 2019, the Bank decided to initiate the process of converting the current Defined Benefit Pension into a Defined Contribution, covering current active employees and allowing the remaining employees to join the plan on a voluntary basis. The Defined Benefit Plan remains in place for inactive employees, pension payments, and liabilities with SAMS.

2.2.27. Variable remunerations paid to employees (IAS 19)

In accordance with IAS 19 – Benefits to employees, variable remunerations (profit sharing, premiums and others) paid to employees and eventually to the executive members of the management bodies are recognised through profit or loss in the period to which they relate.

2.2.28. Earnings per share

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

2.2.29. Subsequent events

The Bank analyses events that occur after the balance sheet date, *i.e.* favourable and/or unfavourable events occur between the balance sheet date and the date on which the financial statements were authorised for presentation. Two types of events can be identified:

- **i.** Those that provide evidence of conditions that existed at the balance sheet date (adjusting events after the balance sheet date); and
- **ii.** Those that are indicative of conditions that arose after the balance sheet date (non-adjusting events after the balance sheet date).

Events occurring after the date of the financial statements that are not considered as adjustable events, if material, are disclosed in the notes to the financial statements.

2.3. Critical estimates and judgments used in preparing the financial statements

The IFRS establish a series of accounting treatments according to which the Board of Directors must make the necessary calls and estimates to decide which accounting treatment is most appropriate.

Considering that in many cases alternatives for the accounting treatment adopted by the Board of Directors exist, the results reported by the Bank could have been different had a different treatment been used. The Board of Directors believes that the choices made are appropriate and that the financial statements present fairly the Bank's financial position and the results of its operations on all materially relevant aspects.

2.3.1. Impairment on loans to clients

The Bank reviews its loan portfolios on a regular basis to determine potential expected losses.

The loan portfolio review to determine if an impairment loss should be recognised is subject to various estimates and decisions, including on the existence of impairment indicators, the probability of default, credit ratings, estimated recoveries and appraisal of existing collateral.

2.3.2. Taxes in income

Determining the overall amount of income taxes requires certain interpretations and estimates. There are several transactions and calculations for which the determination of the final amount of tax payable is uncertain during the normal business cycle.

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

Moreover, the Bank records deferred taxes in accordance with the specific policy, with deferred tax assets being recorded only to the extent that it is probable that future taxable profits will be available to absorb deductible temporary differences and reportable tax losses.

The Bank assessed whether deferred tax assets can be recovered (including the rate thereof) based on projections of its future taxable profits established in a business plan.

The tax authorities are responsible for reviewing the calculation of the taxable amount for a period of four or six years, if tax losses are reported. It may be, therefore, that corrections will be made to the taxable amount, resulting mostly from differences in the interpretation of the tax law. However, the Board of Directors believes that there will be no major corrections to income taxes recorded in the financial statements.

2.3.3. Pensions and other employee benefits

Determining retirement pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, discount rate of liabilities and other factors that may impact on costs and liabilities of the pension plan.

Changes in these assumptions could have a significant impact on these amounts.

3. Risk Management

3.1. Risk management function

Risk management consists in the identification, appraisal, measurement, monitoring and control of all materially relevant risks to which the Group is exposed, in order to bring the exposure levels in line with the limits established in the RAS - Risk Appetite Statement).

The purpose is for the Bank to operate within its limits without incurring in losses that materially affect its financial position. Thus, the risk management policy aims at maintaining a balance between:

i. Adequate level of capital (principle of solvency);

ii. Remuneration of risks undertaken (principle of profitability);

iii. Maintaining a financially stable structure.

It should be noted that 2021 was marked by strengthening the implementation and communication of structural documents such as the Global Risk Management Policy, to align best practices in terms of information management and, in particular, the improvement of information regarding risk management.

Last but not least, we should highlight the initiatives completed in early 2021, with a view to ensuring alignment with the requirements of Banco de Portugal Notice 3/2020:

i. The definition of a risk catalogue which includes risk categories and subcategories;

ii. The risk identification and assessment;

iii. The review of the internal control function regulation;

iv. The systematisation of the annual planning of compliance risk management functions.

3.2. Organisation structure of risk management

Notwithstanding the ample management powers vested in the Executive Committee by the Board of Directors, including risk monitoring and management and capital allocation, the Board of Directors closely monitors the Bank's risks. It is responsible for analysing and approving, on a yearly basis, the strategy to be followed and the policies to be adopted by the Bank regarding the risks involved in its business, as generally provided for in Notices and Regulations issued by Banco de Portugal, in particular in connection with operating, reputational, legal, compliance and credit risks, and for defining the procedures to be implemented to assess, monitor and mitigate such risks. In this respect, it is for the Board of Directors to approve the main regulatory documents on risk measurement and mitigation matters, in particular the Internal Capital Adequacy Assessment Process (ICAAP for short) and the Recovery Plan.

Given the importance of risk, the Executive Committee is particularly concerned with promoting a culture of careful risk appraisal among all departments and employees. However, the Bank also has a structure with specific functions in risk management.

This control and monitoring function of financial risks is assisted by the Asset and Liability Committee (ALCO). The committee meets at least once a month and is formed by the following members: Executive Committee, the Directors of Private Banking, Financial, Risk, Sourcing and Management departments, and by the persons in charge of Credit and Portfolio Management services. Recommendations are issued at these meetings on the collection and use of funds, through risk-return balance.

The Compliance, Risk and Internal Audit departments, who together form the Internal Control Group, are in charge of risk monitoring, on a day-to-day basis, providing and compiling information for the Executive Committee and other bodies with relevant functions in the matters involved.

The Supervisory Committee performs functions complementary to those of Internal Control, but with a more general scope, in that they act as the Bank's Risk Committee.

The Credit Committee is currently formed by the members of the Executive Committee, the director of the Commercial Area, the Credit Department director, the Compliance director, and the Risk and Finance directors. This Committee decides on the credit operations, in a manner similar to the approval process for new operations.

As part of the Bank's Recovery Plan, the Recovery Team meets at least once every quarter, or when necessary. It is responsible for managing potential or actual serious risk situations, and is formed by the Chairman of the Executive Committee, in charge of team coordination, by the Executive Committee members in charge of Risk and Financial, by the Central Managers and those responsible for the Financial, Risk, Compliance and Communication departments, in addition to other members invited to take part in functions.

Note also the Department of Accounting and Management Information, responsible for providing vital information to internal governance.

3.3. Material risks

Credit Risk, Market Risk, Interest Rate Risk, Operating Risk, and Liquidity Risk are considered as material risks.

3.4. Credit risk

Credit risk is the likelihood of negative impacts affecting the results or equity due to the inability of a counterparty to meet its financial commitments with the Bank, including any restrictions on the transfer of payments from abroad. Credit risk is found mainly in credit exposures, credit lines, guarantees, derivatives and the Bank's deposits in other credit institutions. Various methods are used to reduce this risk, in particular the need to deliver solid and net guarantees, the use of contractual netting agreements, and the determination and recognition of impairments. The determination of impairments leads to the decrease in value of a particular asset, thus anticipating a potential or effective loss. The posting of impairments can be regarded as a way of accommodating credit risk from the operation in question, promoting the adequacy of capital to meet the credit risk requirements and the actual financing requirement.

Maximum exposure

Banco Carregosa's maximum exposure to credit risk is as follows:

Client creditworthiness

The disclosures required by Banco de Portugal Circular Letter CC/2018/00000062, of November, are presented hereunder:

	31/12/2021	31/12/2020
Financial Assets		
Cash and net assets in central banks and other demand deposits	139 277 147	115 282 287
Financial assets at fair value through profit or loss:		
Financial assets held for trading	4 344 359	4 711 425
Non-trading financial assets mandatorily at fair value through profit or loss	10 783 346	11 189 245
Other financial assets at fair value through profit or loss	0	36 768
Financial assets at fair value through other comprehensive income	69 046 592	57 036 132
Financial assets at amortised cost	150 241 835	137 110 128
Derivatives - Hedge accounting	0	68 713
Other assets	7 562 346	6 902 958
	381 255 626	**332 337 655**
Other Commitments		
Personal/institutional guarantees		
Guarantees and commitments	2 068 614	13 217 987
Other personal guarantees provided and other contingent liabilities	27 938	4 366 753
Collateral assets (assets offered as collateral)	18 949 000	25 985 000
Irrevocable commitments	1 051 953	929 472
Revocable commitments	9 899 207	14 460 838
	31 996 712	**58 960 050**
Maximum Exposure	**413 252 338**	**391 297 705**

3.4.1. Credit risk management policy

The Bank grants credit exclusively to corporate entities and investors according to the following set of standard operations, which it adapts to the needs of each client and transaction:

i. Loans;

ii. Escrow accounts (CCC);

iii. Authorised bank overdrafts;

iv. Technical overdrafts arising exclusively from differences in value dates of debit and credit transactions in the client's account;

v. Bank guarantees, as an off-balance sheet form of potential loan;

vi. Credit cards, under the partnership with UNICRE;

vii. Other types of credit, exceptionally and on a case by case basis, subject to a specific and appropriate cost-benefit analysis.

Various methods are used to reduce this risk, in particular the need to deliver solid and net guarantees, the use of contractual netting agreements, and the calculation and recognition of impairments.

3.4.2. Granting of loans

The lending process is the initial phase of the analysis of the client's risk profile and the operation.

The approval of credit operations is preceded by the issue of opinions by the Credit, Risk, Compliance and, whenever necessary, the Legal Department, ensuring within the framework of the credit risk analysis:

i. An assessment of the client's repayment capacity, through an outlook of its activity, financial situation (historical, current and prospective) and banking relationship;

ii. A thorough knowledge of the client (and respective economic group, when applicable), based, also, if applicable, on previous credit relationship experience;

iii. An assessment of the adequacy of the characteristics of the operation and the level and quality of the collateral;

iv. The application of consistent methodologies, criteria and practices in risk assessment, such as rating or scoring models;

v. The assessment of the framework of the operation within the overall credit portfolio, namely the impact of the operation on impairments, own funds and their requirements and major risks;

vi. That the risk assessment is carried out independently, impartially, rigorously and in accordance with the ethical and professional criteria governing the Bank;

vii. That it is in accordance with the policies and procedures defined, respecting the prudential rules to which the Bank is subject.

Finally and as already noted last year, the events related to the Covid-19 pandemic have impacted at various levels, in particular the Bank's credit transactions. Thus, on 26 March 2020 DL 10/J/2020 was published concerning the moratorium arrangement that established exceptional measures for protecting the loans of families, companies, private charitable institution and other social economy entities, as well as a special arrangement for State guarantees.

3.4.3. Nature of principles, estimates and hypotheses used in measuring impairment

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

The scope of this new model applies to debt instruments recorded at amortised cost of 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 reflects:

i. An objective amount calculated through the appraisal of a set of possible results weighted by their probabilities;

ii. The time value of money; and

iii. Reasonable and supportable information that is available without undue cost or effort at the reporting date on past events, current conditions and projections of future economic conditions.

The measurement of the ECL reflects the probability of default by the debtor, considering its temporary effect and the probability given the default (designated as Loss Given Default – LGD). Additionally, this calculation must be based on reasonable and supportable information that is available without undue cost or excessive effort.

Note that the change in International Financial Reporting Standards, through the introduction of IFRS 9, implies, as aforementioned regarding the determination of impairments, the measurement of expected losses.

Macroeconomic models are integrated when estimating expected losses, by the weighting of prospective scenarios in relation to key indicators.

It should be noted that the approach adopted in the calculation of the ECL is at an individual level, as each position is analysed separately. This situation occurs because the Bank does not have statistically relevant historical data that would allow the segregation of the portfolio by homogeneous risk classes, with a view to implementing and developing a collective analysis.

The segregation of the loan portfolio and impairment by levels is presented below, in line with the classification of the IFRS 9. In this point it should be noted that the Bank has a level of coverage by impairments in the order of 1.5%, being higher in Tier 3, anticipating, from the outset, more fragile situations arising from the end of the moratorium period. This situation naturally affected the Bank's solvency ratio, but without any relevant impact.

Tier	Impairments	Credit	Hedging %
Tier 1	57 674	33 577 981	0.17%
Tier 2	67 968	15 182 640	0.45%
Tier 3	1 758 529	19 557 929	8.99%
Total	**1 884 171**	**68 318 550**	**2.76%**

3.4.4. Determination of exposures with low credit risk

In line with BdP's Circular Letter 2018/00000062, the credit risk of a financial instrument is said to have not increased significantly, since initial recognition, in the cases (which are expected to be limited in number) when it is determined that the financial instrument has a low credit risk at the reporting date. For this purpose, a financial instrument is considered to have a low credit risk if its rating is equivalent to an investment grade level (*i.e.* NR5 or better, in the Bank's internal rating). Moreover, the credit risk evolution of these financial instruments must be continuously monitored when they are classified as having a low credit risk, so as to identify whether there have been significant increases in risk and ensure that they maintain the same low credit risk assumptions 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 consider that this assumption can be undertaken in contractual exposures with the following counterparts, notwithstanding the provisions in the preceding paragraph:

i. Central Administrations or Central Banks of State Members and of other EEA countries;

ii. Multilateral development banks;

iii. International organisations.

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

3.4.5. Indications of signs of impairment by Unlikely to Pay credit segments

The signs of impairment are related with the reduced probability of payment:

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

ii. Losses arising from current or past events that affect a specific significant exposure or exposures that are not individually significant Losses arising from current or past events that affect a specific significant exposure or exposures that are not individually significant are subject to individual or collective assessment. Article 178(3) of the CRR states that the elements indicating the:

a. The institution assigns the credit obligation the status of non-performing loans;

b. The institution recognises a specific credit adjustment resulting from the perception of a significant deterioration in credit quality from the time the institution took on the exposure;

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

d. The institution shall allow urgent restructuring of the credit obligation where this would result in a lower financial obligation due to significant forgiveness or postponement of principal, interest or, where relevant, fees. In the case of equity exposures measured under the PD/LGD approach, this includes urgent restructuring of the equity stake itself;

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

f. The debtor has filed for or been placed in bankruptcy or similar protection in order to avoid or delay repayment of its credit obligation to the institution, the parent undertaking or any of its subsidiaries.

The EBA, in turn, provides additional indications of an debtor's reduced likelihood of payment, in addition to those specified in Article 178(3) of Regulation (EU) No. 575/2013, such as:

i. A borrower's recurrent income sources are no longer available to meet instalment payments;

ii. There are justified concerns about the future ability of a borrower to generate stable and sufficient cash flows;

iii. The overall level of leverage of the borrower has increased significantly or there are legitimate expectations for such leverage changes to occur;

iv. The borrower has breached the covenants in a credit agreement;

v. The institution has called in a guarantee;

vi. In the case of exposures to a natural person: the default of a wholly-owned undertaking where a single person has provided the institution with a personal guarantee for all the undertaking'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;

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 the 90 days overdue by 180 days overdue in accordance with Article 178(1)(b) of Regulation (EU) No. 575/2013.

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

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

3.4.6. Significant increase of credit risk

The transition from the first to the second stage, in accordance with IFRS 9, is dictated by the significant increase of credit risk since initial recognition. In this scope, all reasonable and supportable information that is available without undue cost or effort that may determine the existence of a significant increase of credit risk must be considered, in particular in the case of any of the following:

i. Change in internal or external ratings;

ii. Change in external credit risk indicators;

iii. Change (actual or expected) in the risk of non-performing exposure in another instrument of the same debtor;

iv. Change in interest rates applied due to the increase of credit risk;

v. Non-payment.

Without prejudice to using additional indicators, the following indicators are said to reflect situations of significant increase of credit risk of a financial instrument, except if there is objective evidence to the contrary:

i. Credit with more than 30 days late payment of principal, interest, commissions or other expenses or a situation similar to an unlikely to pay credit;

ii. Deferred exposures;

iii. Credit whose debtor meets at least two of the following criteria, occurring after the initial recognition of the operation:

iv. Having at least one record of a default with the Central Credit Register;

v. Having its name in lists of cheque users who represent a risk or who have rebutted / not been collected;

vi. Debts to the Tax Authority, Social Security or to employees, in a default situation or pledge enforced by the State;

vii. Other signs that trigger internal alert levels.

Deferred exposures can be considered as not being impaired due to agreements between the debtor and its creditors to ensure the sustainability of the debt and feasibility of the debtor, if the said agreements are based on an operational and financial feasibility plan of the company which includes at least of the following:

i. Demonstration of the company's debt sustainability, considering the amounts that, according to the plan, are recoverable under the new conditions agreed, assuming an adequate conservative margin to absorb any deviations in the estimates made;

ii. Analysis of the company's management quality and, where necessary, the measures adopted to mitigate the problems identified;

iii. Analysis of possible unsustainable business areas and, if any, the plans for a company restructuring process in which only the feasible business areas will be maintained;

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

In the case of the aforementioned debt restructuring agreements, a probational period of 24 months is considered, reckoned from the date on which the agreement is formalised, for financial instruments over which the criteria for a significant increase of credit risk are no longer observed.

During this probational period, the debt sustainability resulting from the new agreement must be made clear by means of an analysis to check the objective criteria demonstrating the return to a credit risk profile close to that of the financial instrument at initial recognition.

An entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date, the operation therefore being classified in the first tier.

3.4.7. Objective evidence of impairment

The existence of objective evidence of impairment determines the classification of the operation on the third tier.

In accordance with IFRS 9, on the third tier, in addition to considering the whole life of the exposure, the entity needs to take into account that interest income may be based on the net amount, using an adjusted effective interest rate, recognising an allowance for losses according to the whole lifetime of the instrument.

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

i. Credit more than 90 days past due of principal, interest, commissions or other expenses;

ii. Reduced probability of the debtor fully meeting its credit obligations, the recovery of the debt depending on the activation of any guarantees received, that is, unlikely to pay credit. 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 recurrent income are no longer available for payment of reimbursement instalments (e.g. loss of a client or important lessee, continued losses or a significant drop in turnover /operating cash flows);

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

vii. The Bank ceases to charge interest (even if partially or on condition);

viii. The Bank directly cancels the debtor's entire debt or part thereof (asset write-off /debt forgiveness), outside the scope of a restructuring operation;

ix. The Bank or institution leading the group of creditors, as applicable, initiates bankruptcy/insolvency procedures against the debtor;

x. Ongoing out-of-court negotiations for the settlement or reimbursement of the debt (e.g. suspension agreements);

xi. The debtor filed for bankruptcy or insolvency;

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

xiii. Debts to the tax authority, social security or employees, in a situation of litigation or pledge enforced by the State.

xiv. Operations restructured due to the debtor's financial difficulties, when any of the following situations occur:

xv. The restructuring is supported by an inadequate payment plan. Among others, an inadequate payment plan is said to exist when it is successively breached, the operation has been restructured to avoid default, or it is based on expectations not supported by macroeconomic forecasts;

xvi. Restructured credits include contractual clauses that extend the repayment operation, in particular with the introduction of a grace period of more than two years for the payment of principal;

xvii. Restructured credits due to financial difficulties that are in a cure period are again restructured due to financial difficulties, or that present overdue principal or interest of more than 30 days during that period.

A cure period is considered for financial instruments in which the criteria that resulted in the impairment situation are no longer observed. In particular, a 12-month cure period is applied for instruments in impairment that have been subject to restructuring measures due to the debtor's financial difficulties.

3.4.8. Indication of the thresholds defined for separate analysis

Separate analysis applies to all credit operations.

3.4.9. Policy on internal risk ratings, specifying the treatment given to a borrower classified as in default

Clients found to be in default are analysed by the Credit Committee. A solution that is more adequate to the client's interests is applied taking into consideration their financial capacity.

3.4.10. General description of the calculation of the current value of future cash flows in determining impairment losses

The following are taken into consideration in the calculation of specific impairment:

i. Exposure;

ii. Estimated business cash flows or other client's cash flows;

iii. Cash flows of real estate projects;

iv. Expected cash flows related to the execution/pledge of collateral;

v. Estimated cash flows arising from calls on personal guarantees;

vi. Cash flows generated by the execution of the financial assets of the debtor with the Bank to settle one-off authorised overdrafts and up to no more than 30 days and overdue loans, originated from contracted loans or otherwise.

As per Banco de Portugal Circular Letter CC/2018/00000062, haircuts are applied in the determination of cash flows generated by guarantees and any costs of forced sale are excluded. When the Bank considers that the adjusted market value does not safely reflect the asset's realisable value, additional haircuts are applied.

This percentage is restated at the contract discount rate plus any maintenance costs of the underlying asset.

When the transaction does not fulfil the conditions that require a specific calculation, or when this originates a null impairment, a general calculation is used.

Description of the rescue period used for the various segments and reasons for its suitability

The rescue period is the time elapsed since the loss event occurs until it is noticed, which can be divided into 2 moments:

i. First moment, when the information emerges;

ii. Second moment, at a later date, when indicators are obtained that prove the existence of objective impairment evidence.

Banco Carregosa uses indicators that show a potential impairment loss, enabling it to quickly anticipate any deterioration in their clients' solvency standing, such as abnormal balances, difficulty in fulfilling the debt, changes in PDs, etc.

3.4.11. Monitoring of the loan portfolio

The monitoring of the loan portfolio is essential to anticipate pre-default situations, allowing the Bank to:

i. identify the factors that prove the deterioration of the client's creditworthiness;

ii. define solutions to renegotiate the debt.

The Supervisory Committee regularly monitors the credit granting process.

3.4.12. Credit recovery

If a credit default situation is found, measures are taken to recover such credit. In the case of private loans, the special schemes PARI/PERSI are activated, in accordance with Decree-law 227/2012.

3.4.13. Risk concentration management

The Bank recognises that due to its size, its performance in specific segments and the type of target clients, it is expected that its loan portfolio will result in a reduced number of operations of a high amount and somewhat concentrated. The Risk Department analyses the concentration of the loan portfolio in the following dimensions:

i. Significant exposures to an individual counterparty or to a group of counterparties that are economically or risk related ("single name concentration risk" or "large exposures");

ii. Significant exposures to groups of counterparties whose probability of defaulting results from common underlying factors, namely:

   a. economic sector;

   b. geographical area;

   c. currency; and

   d. type of operation or product, that is, dependence on the economic and financial performance of the same activity or product/service;

iii. Indirect credit exposures resulting from the application of risk mitigation techniques (excessive exposure to a type of collateral or to credit protection provided by a single counterparty).

The table below shows the distribution of net assets based on geographical concentration, namely concentration by country risk:

NACE Code	Description		Exposure	%
A	Agriculture, livestock production, hunting, forestry and fisheries		170 330	0.0%
E	Water abstraction, treatment and distribution; sewage, waste management and remediation measures		900 709	0.2%
F	Construction		5 858 246	1.5%
G	Wholesale and retail trade; motor vehicle and motorcycle repairs		3 623 046	0.9%
I	Accommodation, restaurants and similar		9 119 582	2.3%
J	Information and communication activities		106 552	0.0%
K	Financial and insurance activities		126 629 250	32.1%
L	Real estate activities		28 095 017	7.1%
M	Advisory, scientific, technical and related activities		3 489 362	0.9%
N	Administrative and support services activities		3 370 255	0.9%
O	Public Administration and Defence; Compulsory Social Security		135 655 913	34.3%
Q	Human health and social support activities		98 059	0.0%
R	Artistic, sports and entertainment activities		608 228	0.2%
S	Other service activities		51	0.0%
		Subtotal	**317 724 601**	**80.4%**
n.a.	Private		**16 324 210**	**4.1%**
		Total	**334 048 810**	**84.6%**
		Total Assets	**394 747 691**	**100%**

3.4.14. Policy on the write-off of loans (asset write-off)

In accordance with EBA/GL/2017/06, there is a write-off of a credit when all the conditions below are met:

i. Bad debt in arrears for more than 24 months;

ii. Credit with impairment loss recognised in full.

When the conditions for the write-off are met, the Credit Department must prepare a proposal on the application of the write-off, to be taken for the designated approvals, the final decision resting with the Credit Committee. If there are no tax consequences, bad debts in arrears for more than 24 months and for which and impairment loss in the same amount of the loan is recognised (and accepted for tax purposes) must be removed from the balance sheet.

3.4.15. Impairment reversal policy

Impairment is reversed whenever there is:

i. A significant improvement in the capacity of the client to honour the payment, with a positive impact on the client's credit rating;

ii. Increase in collateral.

Under these conditions a new impairment is calculated, directly reversing the previous impairment.

3.4.16. Description of the restructuring measures applied and their associated risks, as well as the control and monitoring mechanisms thereof

The restructuring of a loan takes place whenever there are changes to the terms and conditions of the contract. For that purpose a note must be added indicating "restructured loan due to the client's financial difficulties".

Loans must be marked in the Bank's computer system as "restructured due to the client's financial difficulties".

Solutions for the recovery of the loan must take into consideration the client's current situation and in the best interest of Banco Carregosa, in line with the client's financial capacity.

3.4.17. Description of the appraisal process and collateral management

Mortgage guarantees

Appraisal

Mortgage guarantees are appraised by an expert appraiser registered with the CMVM, who will be responsible for drafting a report on the property – the Appraisal Report –, in accordance with the CMVM regulations on appraisal criteria and expert appraisers.

Re-appraisal and review

Mortgage guarantees are appraised by independent and certified appraisers on a two-year basis, whenever this is not contrary to the provisions of article 208 of the CRR, namely:

i. Frequent verification of the value of the properties, at least once a year for commercial properties and once every three years for residential properties. More frequent verifications should be carried out when market conditions are subject to significant changes;

ii. The property appraisal shall be reviewed whenever the Bank has information indicating that the value of the property has decreased substantially in relation to general market prices, such review being conducted by an appraiser with the necessary qualifications, skills and experience and who is independent from the credit decision process. For loans exceeding €3 million or 5% of the Bank's own funds, the property appraisal shall be reviewed by such an appraiser at least every three years.

In extraordinary circumstances in the real estate market and in the presence of exposures considered significant *(i.e.* representing at least 5% of own funds) combined with LTV of 80%, the Bank will revalue them annually.

3.4.18. Other guarantees

The models adopted for accepting financial instruments as collateral for exposures can vary widely, with the Bank adopting, as a rule, for legal persons, the legal regime of financial guarantee contracts set forth in Decree Law 105/2004, of 8 May, which transposes into national law Directive 2002/47/EC, of the European Parliament and Council of 6 June, on financial collateral arrangements. For individuals, the bank adopts mechanisms that lead to similar results.

Within the scope of IFRS 9, the recalculation of the ECL amount and disregarding the underlying collateral, the amount totals €13 604.236 as at December 2021.

Quantitative disclosures

The information on loans to clients as at 31 December 2021 and 2020 is presented below[4].

4 The value presented herein differs from the value of the loan presented in the notes to the accounts, to the extent that the scope of the analysis is different given the model underlying the calculation of impairment.

a) Breakdown of exposures and related impairment

a.1)

	Exposure as at 31/12/2021			
Segment	Exposure Total	Compliant loans	Settled	Structured
Construction & CRE	26 158 215	21 109 729		1 650 000
Corporate	17 873 184	9 072 418		110 768
Bank guarantees	2 061 614	2 061 614		49 017
Private	18 569 617	14 545 844		7 454 798
Non-contractualised	3 655 920	18 368		
Total	**68 318 550**	**46 807 973**		**9 264 583**

a.2)

	Total exposure as at 31/12/2021			
		Compliant loans		
		Days in arrears < 30		
Segment	Total exposure 31/12/2021	No evidence	With evidence	Sub-total
Construction & CRE	26 158 215	21 109 729		21 109 729
Corporate	17 873 184	9 072 418		9 072 418
Bank guarantees	2 061 614	2 061 614		2 061 614
Private	18 569 617	14 545 844		14 545 844
Non-contractualised	3 655 920	18 368		18 368
Total	**68 318 550**	**46 807 973**	–	**46 807 973**

* Loan with instalments of principal or accrued interest for less than 90 days, but about which there is evidence justifying its classification as credit risk, including bankruptcy, liquidation of debtor, among others.

		Impairment as at 31/12/2021		
Defaulting loans	Structured	Total impairment	Compliant loans	Defaulting loans
5 048 486	–	244 284	12 739	231 546
8 800 767	1 379 698	534 001	30 515	503 486
	–	1 180	1 180	–
4 023 773	–	151 888	47 944	103 943
3 637 551	1 769 269	955 619	154	955 464
21 510 577	**3 148 967**	**1 886 971**	**92 532**	**1 794 439**

		Total impairment as at 31/12/2021		
Defaulting loans		Compliant loans	Defaulting loans	
Days in arrears <= 90*	Days in arrears > 90 days	Total impairment	Days in arrears <= 90*	Days in arrears > 90 days
4 192 708	855 778	244 284	12 739	231 546
4 999 728	3 801 039	534 001	30 515	503 486
-		1 180	1 180	
2 071 958	1 951 815	151 888	47 944	103 943
125 294	3 512 257	955 619	154	955 464
11 389 688	**10 120 889**	**1 886 971**	**92 532**	**1 794 439**

a) Breakdown of exposures and related impairment

a.1)

	Exposure as at 31/12/2021			
Segment	Exposure Total	Compliant loans	Settled	Structured
Construction & CRE	39 438 481	39 194 227		2 249 289
Corporate	20 319 180	20 140 455		1 468 451
Bank guarantees	13 232 475	13 210 987		–
Private	16 728 930	16 669 575		7 399 956
Non-contractualised	4 827 326	1 577 672		–
Total	**94 546 392**	**90 792 917**		**11 117 695**

a.2)

	Total exposure as at 31/12/2021			
		Compliant loans		
		Days in arrears < 30		
Segment	Total exposure 31/12/2021	No evidence	With evidence	Sub-total
Construction & CRE	39 438 481	36 055 064	3 383 417	39 438 481
Corporate	20 319 180	20 319 180		20 319 180
Bank guarantees	13 232 475	13 232 475		13 232 475
Private	16 728 930	16 728 930		16 728 930
Non-contractualised	4 827 326	4 827 326		4 827 326
Total	**94 546 392**	**91 162 975**	**3 383 417**	**94 546 392**

* Loan with instalments of principal or accrued interest for less than 90 days, but about which there is evidence justifying its classification as credit risk, including bankruptcy, liquidation of debtor, among others.

b) Breakdown of loan portfolio by segment and year of production

31/12/2021

	Corporate			Construction & CRE		
Year of production	No. of transactions	Amount	Impairment	No. of transactions	Amount	Impairment
2020	1	462 824	965	3	2 187 476	1 037
2021	3	4 744 062	10 438	2	1 000 000	305
Total	**4**	**5 206 886**	**11 403**	**5**	**3 187 476**	**1 342**

		Impairment as at 31/12/2021		
Defaulting loans	Structured	Total impairment	Compliant loans	Defaulting loans
244 254	–	492 491	341 470	151 020
178 725	–	483 077	304 352	178 725
21 488	–	102 074	102 074	–
59 355	–	196 456	138 499	57 957
3 249 654	1 751 044	400 110	2 306	397 804
3 753 475	**1 751 044**	**1 674 209**	**888 703**	**785 506**

		Total impairment as at 31/12/2021		
Defaulting loans		Compliant loans	Defaulting loans	
Days in arrears <= 90*	Days in arrears > 90 days	Total impairment	Days in arrears <= 90*	Days in arrears > 90 days
75	244 179	492 491	341 470	48
–	178 725	483 077	304 352	329 697
–	21 488	102 074	138 499	57 957
–	59 355	196 456	2 306	397 804
44 414	3 205 240	400 110	102 074	–
44 489	**3 708 987**	**1 674 209**	**888 703**	**785 506**

31/12/2020

	Corporate			Construction & CRE		
Year of production	No. of transactions	Amount	Impairment	No. of transactions	Amount	Impairment
2019	3	7 506 276	10 590	13	10 163 935	207 509
2020	0	–	–	7	3 434 516	3 783
Total	**3**	**7 506 276**	**10 590**	**13**	**10 163 935**	**207 509**

*Includes Bank Guarantees in the segments “Corporate” and “Construction & CRE”.

c) Breakdown of gross loan exposure and impairment evaluated specifically and in general[5], by segment, sector, and geographical spread

c. 1) By segment

31/12/2021	Construction & CRE		Corporate		Bank guarantees	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Separate evaluation	26 158 215	244 284	17 873 184	534 001	2 061 614	1 180
Total	**26 158 215**	**244 284**	**17 873 184**	**534 001**	**2 061 614**	**1 180**

31/12/2020	Construction & CRE		Corporate		Bank guarantees	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Separate evaluation	39 438 481	492 491	20 319 180	483 077	13 232 475	102 074
Total	**39 438 481**	**492 491**	**20 319 180**	**483 077**	**13 232 475**	**102 074**

c. 2) By sector of activity

31/12/2021	Corporate offices and management advisory activities		Advisory, scientific, technical and related activities		Human health activities	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Separate evaluation	1 801 435	10 844	178 576	178 576	110 768	13 248
Total	**1 801 435**	**10 844**	**178 576**	**178 576**	**110 768**	**13 248**

31/12/2021	Agriculture, livestock production, hunting, forestry and fisheries		Accommodation		Letting of own property	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Separate evaluation	175 134	4 804	2 772 319	126 175	2 364	166
Total	**175 134**	**4 804**	**2 772 319**	**126 175**	**2 364**	**166**

31/12/2021	Hotels without restaurant		Not applicable		Other business and management consultancy activities	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Separate evaluation	2 251 150	2 119	21 136 542	1 016 543	2 250 000	6 610
Total	**2 251 150**	**2 119**	**21 136 542**	**1 016 543**	**2 250 000**	**6 610**

5 In order to provide more disaggregated information, taking advantage of the structure defined by BdP Circular Letter 2/2014, it is assumed that although all loan operations are subject to individual impairment calculation, the tables below have adopted the parallelism between the terms individual > specific and collective > general, which was already adopted in previous years, but lacked this clarification.

	Private		Non-contractualised			
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
	18 569 617	**151 888**	3 655 920	955 619	68 318 550	**1 886 971**
	18 569 617	**151 888**	**3 655 920**	**955 619**	**68 318 550**	**1 886 971**

	Private		Non-contractualised			
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
	16 728 930	196 456	4 827 326	400 110	94 546 392	1 674 209
	16 728 930	**196 456**	**4 827 326**	**400 110**	**94 546 392**	**1 674 209**

	Sports and recreational activities		Real estate activities		Public Administration and Defence; Compulsory Social Security	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
	93 725	63	27 712 606	249 046	462 824	965
	93 725	**63**	**27 712 606**	**249 046**	**462 824**	**965**

	Cultural and recreational associations		Retail trade, except of motor vehicles and motorcycles		Wholesale trade (includes agents), except of motor vehicles and motorcycles	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
	242 912	1 709	1 415 989	55 776	1 369 424	81 155
	242 912	**1 709**	**1 415 989**	**55 776**	**1 369 424**	**81 155**

	Other extractive industries		Real estate development (development of building projects); building construction		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
	0	0	6 342 783	139 172	68 318 550	1 886 971
	0	**0**	**6 342 783**	**139 172**	**68 318 550**	**1 886 971**

c. 2) By sector of activity

31/12/2020	Real estate activities		Private		Property development	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Separate evaluation	42 690 950	520 749	19 314 017	529 444	12 425 369	17 679
Total	**42 690 950**	**520 749**	**19 314 017**	**529 444**	**12 425 369**	**17 679**

31/12/2020	Activities of corporate offices and management advisory		Electricity, gas, steam, hot and cold water, and air-conditioning		Retail trade, except of motor vehicles and motorcycles	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Separate evaluation	3 326 065	162 811	2 981 488	68 348	2 039 959	89 635
Total	**3 326 065**	**162 811**	**2 981 488**	**68 348**	**2 039 959**	**89 635**

c. 3) By geographical spread

31/12/2021	Portugal		Belgium		Angola	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Separate evaluation	65 993 062	1 885 599	1 796 991	1 286	528 491	81
Total	**65 993 062**	**1 885 599**	**1 796 991**	**1 286**	**528 491**	**81**

31/12/2020	Portugal		Belgium		Angola	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Separate evaluation	85 839 956	1 561 963	6 263 209	2 160	788 739	244
Total	**85 839 956**	**1 561 963**	**6 263 209**	**2 160**	**788 739**	**244**

d) Breakdown of gross loan exposure and impairment by segment, sector, and geographical spread

2021	Compliant loans			Defaulting loans		
Measure	No. of transactions	Exposure	Impairment	No. of transactions	Exposure	Impairment
Extension of deadline	6	9 264 583	29 001	7	3 148 967	684 173
Grace period						
Reduction of rate						

2020	Compliant loans			Defaulting loans		
Measure	No. of transactions	Exposure	Impairment	No. of transactions	Exposure	Impairment
Extension of deadline	6	11 117 695	99 826	3	1 751 044	178 151
Grace period						
Reduction of rate						

	Financial and insurance activities		Accommodation	
	Exposure	Impairment	Exposure	Impairment
	6 263 209	2 160	3 432 467	28 736
	6 263 209	**2 160**	**3 432 467**	**28 736**

	Other		Total	
	Exposure	Impairment	Exposure	Impairment
	2 072 867	254 646	94 546 392	1 674 209
	2 072 867	**254 646**	**94 546 392**	**1 674 209**

	France		Total	
	Exposure	Impairment	Exposure	Impairment
	6	6	68 318 550	1 886 971
	6	**6**	**68 318 550**	**1 886 971**

	France		Total	
	Exposure	Impairment	Exposure	Impairment
	926 191	22 354	93 818 095	1 586 721
	926 191	**22 354**	**93 818 095**	**1 586 721**

	Total		
	No. of transactions	Exposure	Impairment
	13	12 413 550	713 173

	Total		
	No. of transactions	Exposure	Impairment
	9	12 868 739	277 976

e) Inward and outward flows in the structured loan portfolio

	31/12/2021
Opening balance of the restructured loan portfolio (gross of impairment)	23 449 776
Restructured loans in the period	
Interest accrued on the restructured portfolio	
Payment of restructured loans (partial or total)	
Loans restated from "restructured" to "normal"	
Other	-11 036 225
Closing balance of the restructured loan portfolio (gross of impairment)	**12 413 550**

	31/12/2020
Opening balance of the restructured loan portfolio (gross of impairment)	16 882 912
Restructured loans in the period	
Interest accrued on the restructured portfolio	
Payment of restructured loans (partial or total)	
Loans restated from "restructured" to "normal"	
Other	-4 014 173
Closing balance of the restructured loan portfolio (gross of impairment)	**12 868 739**

f) Breakdown of the fair value of collateral underlying the loan portfolio of the Corporate, Construction & CRE and Housing segments

	Construction & CRE				Corporate			
31/12/2021	Properties		Other real collateral*		Properties		Other real collateral	
Fair value	No.	Amount	No.	Amount	No.	Amount	No.	Amount
<0.5M€	4	1 331 000	5	3 604 284	1	235 000	5	9 150 920
>=0.5M€ and <1M€	6	4 661 000	3	1 875 500	1	786 000	1	763 000
>=1M€ and <5M€	12	30 750 800	9	16 413 324	10	23 000 402	9	19 223 694
>=5M€ and <10M€	8	55 165 261	7	36 807 054	1	5 794 480	1	27 415 980
>=10M€ and <20M€	2	24 474 892	1	7 850 501	1	16 627 200	1	8 246 554
>=20M and <50M€								
>=50M								
Total	**32**	**116 382 953**	**25**	**66 550 662**	**14**	**46 443 082**	**17**	**64 800 148**

	Construction & CRE				Corporate			
31/12/2020	Properties		Other real collateral*		Properties		Other real collateral	
Fair value	No.	Amount	No.	Amount	No.	Amount	No.	Amount
<0.5M€	4	1 331 000	5	3 604 284	1	235 000	5	9 150 920
>=0.5M€ and <1M€	6	4 661 000	3	1 875 500	1	786 000	1	763 000
>=1M€ and <5M€	12	30 750 800	9	16 413 324	10	23 000 402	9	19 223 694
>=5M€ and <10M€	8	55 165 261	7	36 807 054	1	5 794 480	1	27 415 980
>=10M€ and <20M€	2	24 474 892	1	7 850 501	1	16 627 200	1	8 246 554
>=20M and <50M€								
>=50M								
Total	**32**	**116 382 953**	**25**	**66 550 662**	**14**	**46 443 082**	**17**	**64 800 148**

*Example: shares, bonds, deposits, material assets.

g) LTV ratio of segments

2021

Segment/Ratio	Compliant loans	Defaulting loans	Impairment
Private			
With no associated collateral		3 639 766	
<60%	16 132 712	552 942	189 618
>=60% and <80%	4 977 018	855 778	20 058
>=80% and <100%			34 609
>=100%			
Construction & CRE			
With no associated collateral			
<60%	3 664 070	1 801 423	15 424
>=60% and <80%	242 912	5 002 161	189 251
>=80% and <100%	5 165 436	1 115 413	124 883
>=100%		211 180	204 443
Corporate			
With no associated collateral			
<60%	1 115 795		139
>=60% and <80%	500 000		585
>=80% and <100%	445 819		456
>=100%			
Non-contractualised			
With no associated collateral	11 082 531	3 832 370	
<60%	1 562 442		70 192
>=60% and <80%	1 403 707		1 030
>=80% and <100%	1 167 755	191 403	858
>=100%			79 808
Guarantees			
With no associated collateral			
<60%		2 872 129	516 666
>=60% and <80%		125 294	
>=80% and <100%		640 128	4 311
>=100%	18 368		434 641
Total	**47 478 564**	**20 839 986**	**1 886 971**

2020

Segment/Ratio	Compliant loans	Defaulting loans	Impairment
Private			
With no associated collateral	413 377	24 511	67 693
<60%	2 451 932	0	2 536
>=60% and <80%	11 862 383	34 843	65 746
>=80% and <100%	1 434 626	0	567
>=100%	67 389	0	58 017
Construction & CRE			
With no associated collateral	1 275 749	87	48
<60%	0	244 166	39 877
>=60% and <80%	6 501 976	0	162 220
>=80% and <100%	833 413	0	2 909
>=100%	9 329 808	0	287 436
Corporate			
With no associated collateral	143 353	178 725	185 824
<60%	7 997 282	0	11 048
>=60% and <80%	3 051 323	0	2 084
>=80% and <100%	4 872 252	0	213 559
>=100%	2 715 433	0	9 635
Non-contractualised			
With no associated collateral	0	3 408 109	398 424
<60%	0	23	0
>=60% and <80%	1 577 672	0	1 687
>=80% and <100%	0	0	0
>=100%	0	0	0
Guarantees			
With no associated collateral	423 234	0	1 128
<60%	1 190 000	0	939
>=60% and <80%	15 568	0	10
>=80% and <100%	93 309	0	47
>=100%	779 500	21 488	71 641
Total	**90 792 917**	**3 911 953**	**1 674 209**

h) Breakdown of the fair value and book value of property received as payment in kind, by type of asset and seniority

Asset	31/12/2021		
	No. of properties	Asset fair value	Book value
Land			
Urban	1	119 000	85 680
	1	**119 000**	**85 680**

Asset	31/12/2020		
	No. of properties	Asset fair value	Book value
Land			
Urban	1	119 000	85 680
	1	**119 000**	**85 680**

i) Breakdown of the loan portfolio by internal risk degree

31/12/2021		Low risk degree			Medium risk degree		
Segment	1	2	3	4	5	6	7
Construction & CRE				4 189 763	4 651 866	362 651	2 263 798
Corporate					2 712 824		1 865 148
Private				71 442	2 995 328	1 767 090	1 213 202
Bank guarantees					1 469 774		42 823
Non-contractualised		6			12	1 550	16 800
Total	**0**	**6**	**0**	**4 261 205**	**11 829 804**	**2 131 291**	**5 401 772**

*Does not include the category "Non-contractualised".

31/12/2020		Low risk degree			Medium risk degree		
Segment	1	2	3	4	5	6	7
Construction & CRE				3 750 000	3 990 244	6 542 879	4 314 507
Corporate				0	23 438	478 612	6 209 019
Private				29 332	1 062 455	3 088 484	986 832
Bank guarantees				93 309	6 702 010	0	236 167
Non-contractualised				0	0	0	1 577 672
Total		**0**	**0**	**3 872 642**	**11 778 147**	**10 109 975**	**13 324 198**

j) Disclosure of risk parameters associated with the impairment model by segment

2021	Impairment			
	PD (%)			
Segments	< 30 days with no evidence	< 30 days with evidence	Between 30-90 days	LGD (%)
Construction & CRE	1%	12%	12%	0%
Corporate	2%	27%	27%	0%
Bank guarantees	0%	0%	0%	0%
Private	3%	6%	6%	0%
Non-contractualised	0%	51%	51%	0%

2020	Impairment			
	PD (%)			
Segments	< 30 days with no evidence	< 30 days with evidence	Between 30-90 days	LGD (%)
Construction & CRE	20%	0%	0%	0%
Corporate	18%	20%	20%	0%
Bank guarantees	8%	3%	3%	0%
Private	0%	24%	24%	0%
Non-contractualised	6%	0%	0%	0%

		High risk degree			Non-compliant		Total
	8	9	10	11	12	13	
	7 295 250	1 196	400	4 192 708	855 778		26 158 215
	426 604	3 824	931	4 329 137	3 622 463		17 202 593
	393 500	7 826 557	278 725	2 742 549	1 951 815		19 240 208
	49 017	500 000					2 061 614
				125 294	3 482 567	29 690	3 655 920
	8 164 371	**13 347 887**	**1 671 637**	**11 389 688**	**9 912 622**	**208 266**	**68 318 550**

		High risk degree		Non-compliant	Total
	8	9	10	11	
	10 221 706	739 603	1 275 762	8 603 780	39 438 481
	5 690 047	1 506 276	926 191	5 485 597	20 319 180
	455 000	8 011 842	2 876 221	218 764	16 728 930
	2 981 488	2 029 500	0	1 190 000	13 232 475
	0	0	0	3 249 654	4 827 326
	19 348 242	**12 287 221**	**5 078 174**	**18 747 794**	**94 546 392**

3.5. Market Risk

Market risk is the likelihood of negative impacts affecting the results or capital due to unfavourable changes in the market price of banking and trading portfolio instruments, including fluctuations in interest rates, foreign exchange rates, stock quotes and price of commodities.

This risk is primarily associated to the trading portfolio, consisting of short-term positions held by the Bank, in a speculative logic, although it affect other own portfolios of the Bank.

Indirectly, this type of risk impacts on assets held in custody, under management and traded, and can lead to a reduction in the Bank's revenues. Combined with credit risk and liquidity risk, it can generate losses in the execution of credit guarantees.

The Bank maintains investments in the financial markets through it own portfolios of available for sale assets, assets measured at fair value and assets held to maturity, in accordance with EU Regulation No. 575/2013. These portfolios are regularly measured by Coolbiz (the Bank's back-office application) according to stock price updates. For accounting purposes, the portfolio of assets held to maturity is recorded at amortised cost and the remaining ones at fair value. Unrealised gains or losses are recognised in reserves, in the case of available for sale assets, and in profit or loss for the remainder.

In prudential terms, market risk capital requirements apply to trading portfolio.

To determine the capital requirements to hedge the trading book's market risk, the two-week historical VaR method is used, with a 99.9% confidence interval and a 1-year time horizon.

The model's time parameters are in line with what is customary in the industry and with the definitions in Article 365(1)(c) and (d) of Regulation No. 575/2013. As for the confidence interval, sub-paragraph b) of said article refers to 99%. However, for the sake of consistency with its Risk Appetite Vision, the Bank adopted 99.9% for the confidence interval, which is much more conservative than the regulatory order:

	2021	2020
VaR trading book	68 285	353 382

Exchange risk is the likelihood of negative impacts affecting the results or the Bank's equity due to adverse changes in the Bank's balance sheet caused by exchange rates used for translation into the functional currency or by changes in the Bank's competitive position due to significant changes in exchange rates. This risk is analysed for all positions denominated in currencies other than the Euro.

The negative impacts arising from short-term exchange rate fluctuations normally result from the institution's trading activity. Indirectly, this risk impacts on the guarantees received denominated in foreign currency and on the portfolio management activity and financial brokerage.

With respect to currency mismatch, as at December 2021 the exchange risk was residual in the amount of €618 010.

For prudential purposes, the Bank uses the general risk assessment method laid down in Regulation (EU) No. 575/2013. Whenever net positions exceed 2% of total own funds, the Bank assesses capital requirements for foreign exchange risk.

The position at risk results from the sum of net positions in currencies other than the Euro and in collective investment undertakings where positions are not broken down. As at 31.12.2021, prudential capital for exchange risk amounts to €618 010, as shown in the table below:

Currency	2021	2020
USD	2 130 068 €	181 891 €
CHF	49 005 €	40 294 €
GBP	-1 543 120 €	129 724 €
CAD	87 280 €	41 785 €
NOK	-293 701 €	5 098 €
AUD	81 417 €	19 715 €
NZD	558 €	18 836 €
SEK	77 286 €	19 275 €
DKK	7 960 €	2 762 €
HKD	178 €	27 292 €
BRL	592 €	67 473 €
JPY	11 435 €	1 200 €
ZAR	80 €	74 €
RUB	42 €	45 €
PLN	7 515 €	12 €
SGD	1 415 €	0 €
Total	**618 010 €**	**555 475 €**

3.6. Interest rate risk

The interest rate risk is the likelihood of negative impacts affecting the results or the Bank's equity due to adverse changes in interest rates and relates to the balance sheet items, except the trading portfolio, but includes off-balance sheet items. It results from the combination of base risk, interest rate yield curve, repricing risk and option risk. The following are the concepts underlying each risk sub-type in the interest rate risk:

i. Basis risk – the risk arising from interest rates of assets being remunerated at indices other than those of interest rates of liabilities;

ii. Yield curve risk – the risk arising from unfavourable trends in various segments of the yield curve, which can originate losses when assets and liabilities are in different segments of the curve in different proportions;

iii. Repricing risk – the risk derived from the various assets and liabilities reindexing at different dates and rates;

iv. Option risk – the risk that arises from the option inherent to some assets and liabilities. The risk resulting from embedded options in balance sheet and off-balance sheet items.

BdP Instruction 3/2020 repealed BdP Instruction 34/2018.

Instruction 34/2018, in turn, had introduced a different approach to the treatment of cash flows, in particular as regards floating-rate position, when compared with that of Instruction 19/2005, which it repealed. The main changes now introduced by Instruction 3/2020 refer to more elaborate scenarios in terms of yield curves and the introduction of additional reporting maps.

For prudential purposes, the Bank uses the general risk assessment method laid down in Regulation (EU) No. 575/2013. Compliance with BdP Instruction No. 34/2018 and BdP Instruction No. 03/2020, which updates it, is also ensured, consisting in the standardised reporting of the exposure to interest rate risk of the banking portfolio and the impact on the variation of the economic value and on the financial margin of a sudden and unexpected change in interest rates.

3.7. Operating risk

Operating risk is the loss resulting from the inadequacy or failure of procedures, staff, internal systems or external events, and also legal risks, as laid down in EU Regulation No. 575/2013. Operating risk is assessed at two different levels: technical and organisational. At a technical level, Banco Carregosa has also chosen to invest strongly in computerisation. As a result of this strategy, the Bank has a solid computer system, highly flexible and reliable for the Bank's operating processes. The Bank's information systems contain sensitive and confidential private financial and personal data. Only the staff at Banco Carregosa is allowed to access these systems, in addition to subcontracted workers, under an appropriate framework, involved in the system's development or operation, or whose work involves the recording, review or retrieval of that data. This privilege is based on trust, good faith and is duly documented. At organisational level, in particular in the means and form used in reporting, monitoring risk and rules and policies related thereto, the Bank had to redefine and seek a new compromise between commercial interests and risks involved.

To monitor the risk, a model is in place that allows the Bank to:

i. Identify process-related risks, without regard to existing controls (inherent risk);

ii. Assess the exposure of various processes to risk, considering the influence of existing controls (residual risk);

iii. Identify the impact of opportunities to improve the reduction of the more significant exposures (objective risk).

Other arrangements to mitigate operating risk are in place, in particular internal report, contingency plans, business continuity plan, internal audit activities, and staff training plans. So far, loss history is not substantial compared to the volume of transactions and/or total revenue of the Bank.

3.8. Liquidity risk

Liquidity risk reflects the Bank's potential inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

The Basel Committee published in 2014 the definition of the liquidity coverage ratio (LCR), and subsequently the delegated act of the European Commission was adopted, which introduced new metrics and calculation criteria to be implemented in the European Union, in accordance with Directive No. 2013/36/EU of 26 June, of the European Parliament and of the Council on the access to the activity of credit institutions and prudential supervision of credit institutions and investment companies (Capital Requirements Directive, or CRD IV) and of the EU Regulation No. 575/2013 of the European Parliament and of the Council, of 26 June, on the prudential requirements for credit institutions and for investment companies (Capital Requirements Regulation, or CRR).

Banco Carregosa favours deposit investments in the Central Bank, in other credit institutions and in tradable securities, thus avoiding cash shortfalls.

As part of risk control processes, the Executive Committee and those involved in own portfolio management receive a report from the Risk Department every day, which includes:

Allocation of assets, liabilities and off-balance sheet items;

i. Estimates of minimum requirements for own funds;

ii. Counterparty concentration;

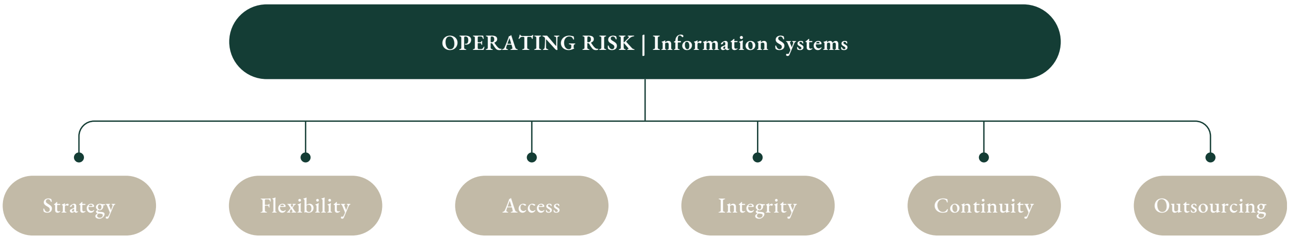
iii. Liquidity profile;

iv. Other prudential indicators.

ALCO analyses the mismatch of asset and liability transactions on a monthly basis, and suggests alterations/corrections of maturities.

3.9. Information system risks

Information system risks is the probability of negative impacts on profit and loss or on the Bank's equity arising from the information systems being incapable of preventing unauthorised accesses, of ensuring the integrity of data, or of continuing the business in the event of a failure, as well as of the pursuance of an inadequate strategy in this area, leading to, for example, the information systems being inadequate for new needs. This is systematised in the table below, which also points out the main factors that affect each of the identified risks.



Risk levels	Relevant factors
Strategy	– Consistency of the strategy defined for information systems with the (current and foreseeable) business needs of the Bank; – Soundness and effectiveness of information system policies; – Management and resource support to the strategy and information system policies.
Flexibility	– Flexibility and upgrading capacity; – Time needed for upgrading and maintenance.
Access	– Identification of functions and responsibilities as the basis for granting differentiated accesses; – Access to the registration of the user who performed a specific process or task; – Efficacy and adequacy of the authorisation process; – Robustness of protection and security mechanisms.
Integrity	– Completeness, correctness, consistency, relevance and timeliness of information; – Compliance with regulatory requirements and parameters defined at internal level; – Scale and standardisation of manual interventions; – Scale of virus infections.
Continuity	– Availability of information and information processing systems during office hours; – Delays in recovering information and resuming information processing after a failure; – Contingency plan adequacy to IT risks.
Outsourcing	– Existence and importance of outsourcing contracts; – Duration of relationship and credibility of outsourced companies; – Transparency of contractual relations with outsourced companies; – Rotation and quality monitoring of resources used by outsourced companies; – Confidentiality of information transmitted to or handled by outsourced companies; – Ease and cost of detecting errors or faults made; – Degree of the Bank's control of the quality of outsourced companies' activity; – Level of completion of services and ease of replacement. – Existence and importance of outsourcing contracts; – Duration of relationship and credibility in the outsourced companies market; – Transparency of contractual relations with outsourced companies; – Confidentiality of information transmitted to or handled by outsourced companies; – Ease and cost of detecting errors or faults made; – Degree of the Bank's control of the quality of outsourced companies' activity; – Level of completion of services and ease of replacement.

Information systems contain private and personal financial data considered sensitive and confidential. Access to these systems is limited exclusively to the Bank's employees and to sub-contracted collaborators who, under prior appropriate rules, is involved in system development or operation, or whose work involves the recording, reviewing or recovery of such data. Some one-off situations involving sub-contracted service providers (outsourcing) are subject to the same restrictions applicable to the Bank's employees.

The Bank recognises that information is a valuable asset and has, therefore, implemented sophisticated security and backup systems at communications level, with the required levels of redundancy of machines and communication lines, among others.

To support the existing system, the Bank's IT structure and its use is regulated through a Computer Use Policy, known to all employees. The Bank also has in place sophisticated redundancy and contingency systems.

We have identified four major related risks, and offer a description thereof below.

i. First, those related to information systems assets (hardware) and the respective physical response, which is a matter that is addressed in the set of operational risks linked to the Bank's assets. All other systems are the object of first line suppliers, and it is up to them to ensure continuity of operation.

ii. Second, the risks related to security and integrity of information were considered. These are subject to specific procedures, by the security infrastructure implemented and also by an insurance policy, in operation, which mitigates the impact of any relevant risk.

iii. Third, it is the Bank's responsibility to consider the risks related to business continuity, based on the availability and performance of its infrastructure and applications, with special impact on market activities, as they are those in which the logic of availability and response in real time are decisive. In other activities, although financially of greater magnitude, such as credit granting or even securities management, this becomes less relevant.

   a. On the one hand, it has reinforced its redundancy mechanisms at the level of infrastructures, having today a very comfortable solution, which supposedly allows it to reduce unavailability periods;

   b. On the other hand, service providers have diversified, so that today redundant services exist which are used recurrently and not only contingently, in order to ensure an effective back-up at very similar costs.

iv. Fourth, in the area of information systems, the matter of outsourcing is of particular importance and, in the case of the Bank, the following options coexist:

   a. On the one hand, it has reinforced its redundancy mechanisms at infrastructure level, having today a very comfortable solution, which supposedly allows it to reduce unavailability periods;

   b. On the other hand, service providers have been diversified, so that today there are always redundant services, which are used on a recurring basis and not only on a contingent basis, in order to ensure an effective back-up at very similar costs.

3.10. Compliance risk

Compliance risk is the likelihood of negative impacts affecting the Bank's results or equity, arising from violations or non-conformances with the laws, regulations, contracts, codes of conduct, established practices or ethical principles. They may result in legal or regulatory penalties, the limitation of business opportunities, less expansion potential or render impossible the requirement to meet obligations. This risk derives from various circumstances, listed in the table below, and impacts on the reputational risk, which will be treated in a separate topic.

OPERATING RISK | Compliance and Legal

Laws and Regulations | Codes of Conduct | Transparency | BC/FT

Risk levels	Relevant factors
Compliance with laws and regulations	– Compliance with norms governing the activity, namely legal and regulatory requirements, including fiscal; – Accuracy, rigour, completeness and compliance with reporting periods; – Veracity and accuracy of statements and tax calculations; – Capacity to anticipate changes in tax rules; – Implementation of sanctions or legal proceedings due to non-compliance, in particular by supervisory authorities, other activity regulators and tax authorities.
Information reporting	– Change in reporting duties; – Ability to monitor reporting duties; – Proper identification of information and form of reporting required; – Capacity to process information.
Compliance with codes of conduct	– Respect for practices, procedures and policies by ethical principles and instituted practice; – Comprehensiveness of the code of conduct and of various principles and ethical rules, including accurate and clear codes of conduct, in particular the duty of secrecy, conflicts of interest, on the use of privileged information and others related with organisational culture; – Overall knowledge and understanding of the code of conduct by employees and collaborators; – Appreciation, by the Bank, of the integrity of its employees, visible in the selection criteria and institutional training programmes; – Punishing offences within the law.
Transparency	– Compliance with information disclosure requirements; – Level of transparency, as evidenced by the voluntary availability of information, either on the website, at the Bank's facilities, or to be sent to interested parties; – Helpfulness in providing information to the authorities, even based on informal contacts; – Availability of the "right" information to clients and other counterparts, either when the business relationship is concluded, or information provided subsequently.
Money laundering and terrorism financing	– Non-compliance with prevention of money laundering and sanctions imposed; – Development of business areas usually associated with money laundering and their relevance to the institution's overall business; – Risk profile of clients and counterparts in money laundering; – Geographical areas in which the institution operates.

The Bank pays special attention to the compliance risk, not so much for its financial impact, but because it is determined to comply with all legal rules. For this reason, there is an ongoing concern to improve the competences of the Compliance Department employees and to strengthen the technical resources they have access to, providing specific tools to look up sanctioned entities or Politically Exposed Persons, and also of resources for monitoring communications through Bloomberg. The Bank nevertheless considers that monitoring this risk is not a duty of the Compliance Department alone.

The analysis of the adequacy and compliance with procedures depends on contributions from all the departments, who are responsible for identifying potential improvements and situations of non-compliance with the previously established procedures.

The Compliance Department is in charge of event management (complaints, suggestions or requests for clarification from clients). Based on its analysis, and whenever appropriate, this department verifies the adequacy of the procedures. If they are found to be inadequate, the Internal Control departments study the changes that need to be made.

In order to improve the procedures in force, the training actions proposed by the PCD (People and Culture Department) should also be highlighted.

All the Bank's contracts follow standardised models drawn up by Legal, with the intervention and monitoring of the Compliance Department. In controlling its responsibilities towards third parties, the Bank pays special attention to the correct completion of contracts, especially in the account opening process, where clear verification and approval procedures have been defined. Whenever, due to the nature of the counterparties, the Bank considers it necessary to strengthen its identification and diligence duties, the files are subject to prior verification by the Compliance Department.

The Bank allocates economic capital for this risk, by estimating potential losses resulting from a serious event, namely fines for non-compliance. This value is validated with the DC. In order to assess the reasonability of the allocated capital, the published history of fines imposed by the supervisory authorities – BdP and CMVM –, is verified, taking the historical basis of administrative offences as support for the estimate.

Therefore, we have used the information available on BdP’s website, which shows the analysis of 146 cases between 2016 and 2020 (5 years). From this base, the process 102/14/CO, concerning Caixa Económica Montepio Geral, was removed, due to the disproportion of situations and values, keeping all the remaining processes, not being applied any other principle of proportionality.

3.11. Equity management

With respect to equity management, the Bank seeks to ensure an appropriate level of solvability and profitability according to the objectives and risk appetite policies defined by the Board of Directors, this being, therefore, a critical aspect in the institution’s approach to its stable and sustainable management. Equity management is set out in the Bank’s annual RAS, which defines a set of limits that allow the control of the activity.

Management practices

Equity management policies and practices are defined according to the strategic business objectives and the level of risk appetite defined by the Board of Directors. To determine the adequate level of capital, in terms of both quantity and quality, Banco Carregosa has implemented an equity management model based on the following principles:

i. Ongoing monitoring of regulatory equity requirements;

ii. Annual review of risk appetite;

iii. Setting properly measured business objectives in equity planning.

In addition to regulatory requirements, the Bank has in place a Recovery Plan as wholly part of its equity management process, which establishes the decision-making protocol applicable to crisis management and, on the other hand, identifies the pre-defined actions and strategies to respond to events, some of which may have an adverse impact on equity.

Finally, but also in particular as regards equity management, the Bank performs an internal and prospective annual self-assessment of all material risks to which the institution is exposed, the ICAAP (Internal Capital Adequacy Assessment Process).

ICAAP

ICAAP is an essential tool in the definition of the Bank's strategy, enabling the follow-up and monitoring of the consequences of its execution. This process enables the regular analysis of risk appetite and compares it with the defined appetite and the availability of economic capital. The ICAAP is prepared along two dimensions:

i. Regulatory, based on regulatory reports, especially prudential reports, that provide important data for the quantitative and qualitative analysis of equity and risk;

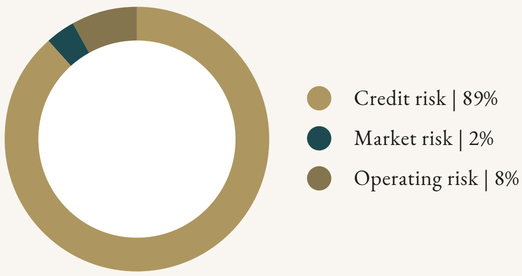
ii. Economic capital and its requirements, which quantifies the risk according to the confidence level established in its RAS (Risk Appetite Statement). The qualitative analysis completes the exercise in a systemic approach.

The Risk Department (RD) is responsible for presenting proposals for measures to assess the need and availability of economic capital. The Risk department is also responsible for developing stress tests, scenario analyses, financing and capital plans, and for most of the prudential reports in the context of risk and equity management.

Regulatory capital

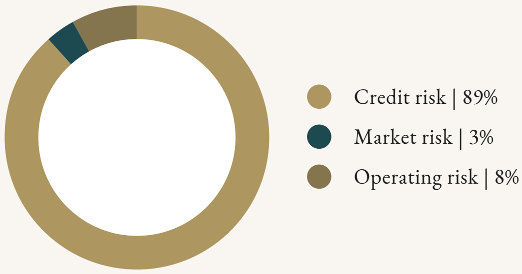
On the prudential side, regulatory capital requirements are associated to credit, market and operating risks. The table below shows the risk-weighted assets (RWA) and corresponding capital requirements for the various types of regulatory risks, as at 31 December2021.

Risk Types	Own Funds Requirements	Risk-Weighted Assets
Credit risk	15 904 787	198 809 838
Market risk	-397 009	4 962 618
Operating risk	1 438 022	17 975 275
Total	**17 739 818**	**221 747 728**



Below are the risk-weighted assets (RWA) as at December 2020, RWA) and corresponding own funds requirements for the various types of regulatory risks:

Risk Types	Own Funds Requirements	Risk-Weighted Assets
Credit risk	15 521 747	194 021 835
Market risk	529 399	6 617 492
Operating risk	1 438 211	17 977 636
Total	**17 148 146**	**214 351 820**



Note should be made of the strong preponderance of credit risk, responsible for 89% of prudential requirements.

i. **Credit risk** – for prudential purposes, the Bank uses the following methods with respect to credit risk, in accordance with the CRR:

   a. Standard Method, using the market price for measuring Counterparty Risk;

   b. Comprehensive Method on financial collateral, as a means to reduce risk, where applicable.

The Bank analyses the credit risk on all its assets, except for the assets included in the securities portfolio measured at fair value and others deducted from own funds, as well as on some off-balance sheet items potentially subject to this type of risk. As regards counterparty credit risk, asset, liability and off-balance sheet items are included, irrespective of the portfolio of which they are part, always excluding those deducted from own funds or weighted at 1.250% for other types of risk.

With respect to the calculation of capital requirements associated to other categories, the Bank uses the following regulatory methods:

ii. **Market Risk** – for prudential purposes, the Bank uses the General or Specific Risk Assessment Method of the CRR. Capital requirements for the Bank's risk position consist in the sum of capital requirements for specific and general risk of positions in debt instruments and capital;

iii. **Operating Risk** – determine the capital requirements for hedging operating risks in prudential terms, the Bank follows the Basic Indicator Approach, according to which the requirement equals to 15% of the average of the previous three years for the Relevant Indicator. The Relevant Indicator is defined based on the accounting categories of the Statement of profit and Loss, in accordance with Article 316 of the CRR.

Own funds

The risk absorption capacity is determined by the amount of own funds. To calculate own funds the applicable regulatory standards in effect must be followed, in particular the aforementioned CRR, based on the accounting information in the financial statements, especially those of the capital items, and complemented with non-accounting information.

Total own funds correspond to the sum of basic own funds (Common Equity Tier 1) and ancillary own funds (Tier 2), after deductions have been applied to these items. The main positive items of own funds as at 31 December 2021 were:

i. Paid-in capital – the Bank's share capital is represented by 200 million registered book-entry shares, each with a par value of €0.10, fully subscribed and paid;

ii. Issue premiums – these refer to the premiums paid by shareholders in capital increases, in this case in the amount of €369 257;

iii. Retained earnings – these refer to retained earnings in the amount of €1 538 228;

iv. Reserves – the amount of profit generated over the financial years but retained in the company as legal reserve, other reserves and/or retained earnings, excluding positive reserves arising from unrealised gains in sovereign bonds. In this case, they amount to €14 228 172;

v. Net result for the financial year – if positive, only after the legal certification of accounts, the net profit for the financial year in progress and for the previous year, both being included in the calculation when negative.

Capital indicators

As at 31 December 2021, risk-weighted assets amounted to €221.75M, setting capital requirements of €17.39M comfortably hedged by own funds in the amount of €36.9M.

As such, on that date the Bank showed a Tier 1 own funds ratio that tallied with the total own funds ratio at 16.64%.

Finally, it should be noted that the leverage ratio amounted to 9.09%. In line with Article 429 of the CRR, the leverage ratio is calculated by dividing the measure of own funds by the measure of total exposure of that institution, and is expressed as a percentage.

4. Notes to the Consolidated Financial Statements

The consolidated balance sheet and statement of profit and loss accounts are compared as at 31 December 2021 and 31 December 2020, in compliance with the International Financial Reporting Standards, and consist of the following headings:

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

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Cash	127 552	136 183
Net assets on demand with Banco de Portugal	56 461 979	53 495 169
Demand deposits in monetary institutions		
Residents	36 846 996	19 658 781
Non-residents	21 845 761	26 688 086
	139 277 147	**115 282 287**

Demand deposits with Banco de Portugal include interest-earning deposits for meeting the legal requirements on minimum cash availability.

4.2 Financial assets held for trading — Note 2

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Trading securities		
Securities	3 306 127	4 695 697
Derivative instruments with a positive fair value	1 038 232	1 038 232
	4 344 359	**4 711 425**

This portfolio fell by 7.8% compared to the previous financial year as a result of the option for assets that give the bank more stability, such as investment portfolios and assets held to maturity, the position breakdown of which is shown in the table below.

FINANCIAL ASSETS HELD FOR TRADING

As at 31 December 2021 this heading is broken down as follows:

Nature and type of securities	Acquisition value	Balance sheet value	Capital		Impairment	Accrued interest
		Fair value	Gains	Losses		
Debt Instruments						
Issued by residents Of Portuguese public debt						
Treasury bonds	182 180	187 929	4 929	0	0	820
Of other resident issuers						
Non-subordinated debt	1 200 000	1 208 929	1 196	0	0	7 733
Subordinated debt	419 996	431 407	4 876	0	0	6 535
Of other non-resident issuers						
Non-subordinated debt	639 794	556 875	5 852	102 250	0	13 479
Subordinated debt	500 000	508 427	4 690	0	0	3 737
	2 941 970	**2 893 568**	**21 543**	**102 250**	**0**	**32 305**
Equity Instruments						
Issued by residents Of other resident issuers						
Shares	196	254	58	0	0	0
Issued by non-residents Of other non-resident issuers						
Shares	216 047	213 792	5 884	8 139	0	0
Investment units	212 000	198 513	0	13 487	0	0
	428 243	412 559	5 942	21 626	0	0
Derivative Instruments with a Positive Fair Value						
Other						
Unrealised gains from CFDs over currency	0	1 038 232	0	0	0	0
	0	**1 038 232**	**0**	**0**	**0**	**0**
Total	**3 370 213**	**4 344 359**	**27 485**	**123 876**	**0**	**32 305**

FINANCIAL ASSETS HELD FOR TRADING

As at 31 December 2020 this heading is broken down as follows:

Nature and type of securities	Acquisition value	Balance sheet value	Capital		Impairment	Accrued interest
		Fair value	Gains	Losses		
Debt Instruments						
Issued by residents Of Portuguese public debt						
Treasury bonds	182 180	188 507	5 502	0	0	825
Of other resident issuers						
Non-subordinated debt	2 185 270	2 142 713	0	56 543	0	13 986
Subordinated debt	882 996	855 701	0	34 428	0	7 133
Issued by non-residents Of other non-resident issuers						
Non-subordinated debt	545 095	548 821	1 239	1 250	0	3 737
Subordinated debt	500 000	528 739	15 260	0	0	13 479
	4 295 541	4 264 481	22 001	92 221	0	39 160
Equity Instruments						
Issued by non-residents Of other non-resident issuers						
Shares	48	258	210	0	0	0
Investment units	146 819	140 786	11	6 044	0	0
	146 867	141 044	221	6 044	0	0
Other						
Issued by non-residents Of other non-resident issuers						
ETF	23	24	1	0	0	0
Structured products	278 000	290 149	12 149	0	0	0
	278 023	290 172	12 149	0	0	0
Derivative Instruments with a Positive Fair Value						
Other						
Unrealised gains from CFDs over currency	0	15 728	0	0	0	0
	0	15 728	0	0	0	0
Total	**4 720 431**	**4 711 425**	**34 371**	**98 265**	**0**	**39 160**

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

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Non-negotiable financial assets mandatorily at fair value through profit or loss	10 782 883	11 189 245
	10 782 883	**11 189 245**

4.2.3 Other financial assets — Note 2.3

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Other securities		
Issued by residents	463	36 768
	463	**36 768**

Amount relating to the contribution to the Work Compensation Fund, recorded at fair value, for which quote is obtained from the Work Compensation Fund.

4.3 Financial assets at fair value through other comprehensive income — Note 3

	31/12/2021	31/12/2020
Issued by residents		
Debt instruments	9 892 152	11 324 253
Equity instruments	645 384	633 384
	10 537 536	**11 957 637**
Issued by non-residents		
Debt instruments	58 509 055	45 078 494
	58 509 055	**45 078 494**
	69 046 592	**57 036 132**

This portfolio decreased by 21% compared to the previous year due to the choice of assets that give more stability to the Bank, in particular investment portfolios and assets held to maturity.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2021 this heading is broken down as follows:

Nature and type of securities	Acquisition value	Balance sheet value	Capital		Impairment recognised in reserves	Accrued interest
			Gains	Losses		
Debt Instruments						
Issued by residents Of Portuguese public debt						
Treasury bonds	61 814	66 800	4 472	0	77	514
Of other resident issuers						
Non-subordinated debt	10 100 376	9 825 353	7 319	349 485	195 924	67 143
Issued by non-residents Of other foreign public issuers						
Non-subordinated debt	7 664 391	7 517 936	0	297 171	15 119	150 716
Of other non-resident issuers						
Non-subordinated debt	51 186 235	50 991 120	93 644	859 169	378 233	570 410
	69 012 816	**68 401 208**	**105 435**	**1 505 826**	**589 354**	**788 783**
Equity Instruments						
Issued by residents Of other resident issuers						
Shares	752 500	645 384	0	107 116	0	0
	752 500	**645 384**	**0**	**107 116**	**0**	**0**
Total	**69 765 316**	**69 046 592**	**105 435**	**1 612 941**	**589 354**	**788 783**

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2020 this heading is broken down as follows:

Nature and type of securities	Acquisition value	Balance sheet value	Capital		Impairment recognised in reserves	Accrued interest
			Gains	Losses		
Debt Instruments						
Issued by residents **Of Portuguese public debt**						
Treasury bonds	3 556 961	3 622 740	47 682	0	6 197	18 096
Of other resident issuers						
Non-subordinated debt	8 461 475	7 701 513	17 343	827 267	333 070	49 962
Issued by non-residents **Of other foreign public issuers**						
Non-subordinated debt	7 959 245	8 136 474	45 318	0	29 857	131 912
Of other non-resident issuers						
Non-subordinated debt	37 043 368	36 942 020	85 574	645 852	576 585	458 930
	57 021 048	**56 402 747**	**195 917**	**1 473 118**	**945 708**	**658 901**
Equity Instruments						
Issued by residents **Of other resident issuers**						
Shares	752 500	633 384	0	119 116	0	0
	752 500	**633 384**	**0**	**119 116**	**0**	**0**
Total	**57 773 548**	**57 036 132**	**195 917**	**1 592 234**	**945 708**	**658 901**

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

	31/12/2021	31/12/2020
Balance as at 1 January	945 709	655 690
Appropriation	1 200 395	2 255 710
Reversal	(1 556 749)	(1 960 191)
Utilisation	0	0
Exchange and other differences	0	(5 501)
Balance as at 31 December	**589 354**	**945 709**
reflected in assets	**0**	**0**
reflected in other comprehensive income	**589 354**	**945 708**

4.4 Financial assets at amortised cost

Note 4

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Assets		
Other liquid assets	23 700	23 700
Investments in credit institutions	500 000	500 000
Investments held to maturity	74 541 050	52 338 245
Debtors and other investments	6 858 535	4 295 372
Loans to clients	68 318 550	79 952 811
	150 241 835	**137 110 128**
	150 241 835	**137 110 128**

The changes in impairment losses of debtors and other investments are as follows:

	31/12/2021	31/12/2020
Balance as at 1 January	**251 697**	**243 838**
Appropriation	0	7 859
Reversal	0	0
Utilisation	0	0
Exchange and other differences	-323	0
Balance as at 31 December	**251 374**	**251 697**

With the entry into force of IFRS9, as of 01.01.2018 the Bank calculates impairments to the investments held to maturity portfolio. On 31.12.2021, the breakdown is as follows:

FINANCIAL ASSETS AT AMORTISED COST

As at 31 December 2021 this heading is broken down as follows:

Nature and type of securities	Acquisition value	Effective rate (aver.)	Balance sheet value Amortised cost	Impairment recognised in asset	Accrued interest
Debt Instruments					
Issued by residents **Of Portuguese public debt**					
Treasury bonds					
OTRV JULHO 2025	7 185 483	0.23%	7 134 001	8 880	31 717
PGB 0.475 10/30	6 042 660	0.41%	6 034 222	7 537	6 090
PGB 2.875 10/25	573 065	0.12%	554 232	689	3 190

Nature and type of securities	Acquisition value	Effective rate (aver.)	Balance sheet value Amortised cost	Impairment recognised in asset	Accrued interest
Of other resident issuers					
Non-subordinated debt					
Mota-Engil, SGPS, SA 7373	400 000	4.29%	397 616	3 860	1 511
Galp Energia, SGPS, SA 10292	506560	1.74%	511 905	2 803	9 699
Greenvolt - Energias Renovaveis, S.A.	991 700	2.79%	986 469	9 573	4 010
Suma, S.A.	900 000	2.69%	900 709	8 683	9 647
Construções Gabriel A. S. Couto, S.A.	500 000	3.08%	496 515	4 824	1 417
Of other resident issuers					
Subordinated debt					
CEMAH - Subordinated bonds 2030	250 000		255 778	4 692	10 903
Issued by non-residents **Of other foreign public issuers** **Non-subordinated debt**					
BTPS 0.00 08/26	987 265	0.27%	986 519	1 233	0
BTPS 0.05 01/23	2 963 520	0.48%	2 983 708	3 730	711
BTPS 0.50 02/26	1 019 560	0.12%	1 016 619	880	2 120
BTPS 0.60 06/23	1 015 200	0.06%	1 007 224	873	330
BTPS 1.00 07/22	4 065 320	0.20%	4 031 975	3 687	18 804
BTPS VAR 04/29	8 044 560	0.06%	8 038 154	6 967	2 286
CROATI 3.00 03/25	2 248 375	0.30%	2 216 770	2 710	49 151
EBRD 0.02 06/31	3 000 000	0.02%	2 999 914	101	7
GGB 0.00 02/26	1 996 250	0.04%	1 992 175	4 335	0
GGB 3.375 02/25	10 767 690	0.06%	10 740 405	22 753	283 731
GGB 3.50 01/23	5 386 415	0.08%	5 334 031	11 253	162 534
GGB 4.375 08/22	542 450	0.07%	520 805	851	9 349
SPGB 0.60 10/29	1 031 430	0.27%	1 025 994	635	1 068
Of other issuers					
Non-subordinated debt					
CEPSA 2.25 02/26	298 914	2.28%	303 984	1 663	6 010
CRTING 3.00 03/24	502 195	2.89%	501 307	3 334	3 292
ELISGP 1.00 04/25	969 750	1.69%	976 376	9 440	7 562
ELPEGA 2.00 10/24	1 493 250	2.27%	1 494 771	8 300	7 582
ERAFP 4.196 02/24	948 990	4.80%	996 186	11 805	35 637
GLJGR 1.50 10/23	496 250	2.44%	496 298	1 911	1 870
MTNA 1.00 05/23	1 457 645	2.00%	1 480 288	8 837	9 452
MYTIL 2.50 12/24	1 458 175	2.38%	1 405 862	52 905	3 323
NFLX 3.00 06/25	1 058 125	1.75%	1 033 487	10 055	1 583
PETBRA 4.75 01/25	555 475	0.90%	553 774	2 962	23 099
SPMIM 3.375 07/26	516 818	2.68%	518 276	4 972	7 998
SPMIM 3.75 09/23	1 017 000	3.18%	1 002 546	18 387	12 123
SYNNVX 3.375 04/26	1 074 720	1.93%	1 076 881	5 874	24 318
TITIM 2.75 04/25	1 014 225	2.43%	1 022 864	6 714	19 890
UCGIM 2.20 07/27	1 507 075	2.12%	1 512 412	8 357	15 008
Total	**74 786 110**		**74 541 050**	**267 066**	**787 024**

FINANCIAL ASSETS AT AMORTISED COST

As at 31 December 2020 this heading is broken down as follows:

Nature and type of securities	Acquisition value	Effective rate (aver.)	Balance sheet value Amortised cost	Impairment recognised in asset	Accrued interest
Debt Instruments					
Issued by residents **Of Portuguese public debt**					
Treasury bonds					
OTRV JULHO 2025	7 184 900	0.25%	7 176 221	13 529	30 948
PGB 0.475 10/30	6 042 660	0.41%	6 033 860	11 415	5 778
PGB 2.875 10/25	573 065	0.13%	567 496	1 069	3 033
Of other resident issuers					
Non-subordinated debt					
GALPPL 2.00 01/26	506 560	1.74%	506 956	4 678	5 355
Subordinated debt					
CEMAH	250 000	10.17%	252 645	7 709	10 625
Issued by non-residents **Of other foreign public issuers** **Non-subordinated debt**					
BTPS 0.05 01/23	2 963 520	0.48%	2 968 891	5 621	695
BTPS 0.50 02/26	1 019 560	0.12%	1 019 844	1 410	2 068
BTPS 0.60 06/23	1 015 200	0.14%	1 012 368	1 402	263
BTPS 1.00 07/22	4 065 320	-0.05%	4 054 570	7 652	18 616
BTPS 2.30 10/21	6 166 370	0.28%	6 117 224	7 490	29 112
CROATI 3.00 03/25	2 248 375	0.30%	2 268 469	4 203	48 493
GGB 3.50 01/23	5 386 415	0.08%	5 496 642	19 091	160 656
GGB 4.375 08/22	542 450	0.07%	541 240	1 904	9 110
SPGB 0.60 10/29	1 031 430	0.27%	1 028 723	1 123	1 002
GGB 3.375 02/25	568 150	0.07%	579 179	3 590	14 754
Of other issuers					
Non-subordinated debt					
ERAFP 4.196 02/24	435 000	8.41%	450 112	10 861	17 598
MTNA 1.00 05/23	1 457 645	2.00%	1 445 533	29 079	9 288
MYTIL 2.50 12/24	1 458 175	2.41%	1 366 693	93 638	3 021
SPMIM 3.75 09/23	1 017 000	3.18%	983 329	42 639	11 712
TITIM 2.75 04/25	1 014 225	2.43%	1 019 404	12 920	19 589
CEPSA 2.25 02/26	298 914	2.32%	299 376	2 767	3 162
ELPEGA 2.00 10/24	1 493 250	2.12%	1 487 393	13 803	7 233
UCGIM 2.20 07/27	1 507 075	2.12%	1 507 415	13 923	14 647
NFLX 3.00 06/25	1 058 125	1.68%	1 036 519	18 372	1 250
ELISGP 1.00 04/25	969 750	1.69%	962 358	16 945	7 452
CRTING 3.00 03/24	502 195	2.87%	498 733	6 405	3 125
SYNNVX 3.375 04/26	1 074 720	1.93%	1 085 767	9 900	23 949
PETBRA 4.5 01/25	555 475	1.96%	571 286	5 113	22 842
Total	**52 405 524**		**52 338 245**	**368 251**	**485 374**

The changes occurred in impairment losses of the investments held to maturity portfolio are as follows:

	31/12/2021	31/12/2020
Balance as at 1 January	**368 251**	**7 965**
Appropriation	214 199	512 187
Reversal	(315 384)	(151 901)
Utilisation		
Exchange and other differences		
Balance as at 31 December	**267 066**	**368 251**

4.4.1 Loans to clients — Note 4.1

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Domestic loans		
Loans	29 816 294	42 113 996
Current account loans	25 496 210	33 551 065
Overdrafts in sight deposits	4 949	0
Foreign loans		
Loans	1 262 997	929 163
Current account loans	1 861 108	1 306 487
Overdue loans and interest	9 170 812	3 506 070
Income receivable		
Shareholder loans	2 719 914	258 740
Revenue with deferred income	(129 608)	(184 437)
	70 202 676	**81 481 084**
Provisions/Impairments for overdue loans and interest	(1 884 171)	(1 528 273)
	68 318 506	**79 952 811**

In 2021 the loan portfolio fell by 14.6%, nevertheless remaining relevant in the Bank's overall activity. It should be noted that loans are mostly covered by real and personal guarantees that significantly exceed the outstanding amounts.

The changes in impairment losses of the loan portfolio for sale are as follows:

	31/12/2021	31/12/2020
Balance as at 1 January	**1 528 274**	**1 544 930**
Appropriation	10 634 743	7 451 725
Reversal	(10 278 542)	(6 903 469)
Utilisation	0	0
Exchange and other differences	(303)	(564 912)
Balance as at 31 December	**1 884 171**	**1 528 273**

4.5 Derivatives - Hedge accounting Note 5

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Hedging derivatives		
Positive fair value - cash flow hedging	0	68 713
	0	**68 713**

The Bank offers to its clients structured term deposits through a basket of specific products with minimum guaranteed remuneration and a maximum return conditional on the appraisal of this basket at maturity. At the same time, the Bank contracts similar options to hedge against the risk of the price increase of this basket, to ensure that it will receive the value of the option should it have to pay the client an interest greater than the minimum interest. At 31 December 2021 there were no structured term deposits and so there was no longer any position in hedging derivatives.

In the financial years of 2020 and 2021 hedging items, more specifically cash flow hedging (interest payable to clients at maturity) are recognised in Hedging derivatives at positive fair value. Premium is deferred and recognised as spent over the term deposit. Changes in option price over time and the expected evolution of interest payable were recognised under reappraisal reserves at fair value.

4.6 Other property, plant and equipment — Note 6

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Other property, plant and equipment		
Property	10 618 440	10 618 440
Right-of-use assets	370 877	370 877
Equipment	8 146 415	7 793 434
Property, plant and equipment in progress	53 530	0
	19 189 262	**18 782 751**
Accumulated amortisations		
Property	(668 331)	(536 355)
Right-of-use assets	(278 158)	(185 439)
Equipment	(6 722 660)	(6 405 099)
	(7 669 149)	**(7 126 893)**
	11 520 113	**11 655 858**

In 2021 there was a slight change in this item (-1.16%), as a result of the drop of around €225k in the Property item, mostly relating to depreciation and amortisations, and conversely the increase in €35k in equipment.

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

4.7 Intangible assets — Note 7

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Other intangible assets		
Goodwill	11 484	4 984
Automatic data processing system (software)	4 757 250	4 164 991
Other	340 144	340 144
	5 108 878	**4 510 120**
Accumulated amortisations		
Automatic data processing system (software)	(3 690 812)	(3 057 139)
Other	(320 426)	(297 773)
	(4 011 237)	**(3 354 912)**
	1 097 641	**1 155 208**

Changes and balances as at 31 December 2021 under "Other property, plant and equipment" and "Intangible assets", including amortisations and impairment adjustments, are presented in the table below:

Property, Plant and Equipment and Intangible Assets as at 31 December 2021 | (Consolidated)

Accounts	As at 31/12/2020		Increases due to acquisitions	Amortisations in the year	Write-offs (net)	Transfers
	Gross value	Accrued amortisations				
Other intangible assets						
Goodwill	4 984	0	6500	0	0	0
Data processing systems (software)	4 059 034	(3 055 668)	698 216	(635 144)	0	0
Other intangible assets	340 144	(297 773)	0	(22 653)	0	0
Intangible assets in progress	0	0	0	0	0	0
	4 404 162	**(3 353 441)**	**704 716**	**(657 796)**	**0**	**0**
Property, plant and equipment						
Property	10 618 440	(536 354)	0	(131 977)	0	0
Equipment	7 732 590	(6 403 409)	663 907	(562 599)	(6 734)	0
Financial lease assets	0	0	0	0	0	0
Rights-of-use - IFRS 16	370 877	(185 439)	0	(92 719)	0	0
Property, plant and equipment in progress	0	0	53 530	0	0	0
	18 721 907	**(7 125 202)**	**717 437**	**(787 295)**	**(6 734)**	**0**
Total	**23 126 069**	**(10 478 643)**	**1 422 153**	**(1 445 091)**	**(6 734)**	**0**

Property, Plant and Equipment and Intangible Assets as at 31 December 2021 | (Consolidated)

Accounts	As at 31/12/2019		Increases due to acquisitions	Amortisations in the year	Write-offs (net)	Transfers
	Gross value	Accrued amortisations				
Other intangible assets						
Goodwill	5 184	0	0	0	(200)	0
Data processing systems (software)	3 391 897	(2 599 373)	773 094	(457 765)	0	0
Other intangible assets	340 144	(275 120)	0	(22 653)	0	0
Intangible assets in progress	67 053	0	44 722	0	0	0
	3 804 279	**(2 874 494)**	**817 815**	**(480 418)**	**(200)**	**0**
Property, plant and equipment						
Property	7 149 527	(420 976)	0	(115 378)	0	0
Equipment	7 385 171	(5 802 462)	465 063	(649 888)	(9 550)	0
Financial lease assets	0	0	0	0	0	0
Rights-of-use - IFRS 16	370 877	(92 719)	0	(92 719)	0	0
Property, plant and equipment in progress	0	0	0	0	0	0
	14 905 575	**(6 316 157)**	**465 063**	**(857 985)**	**(9 550)**	**0**
Total	**18 709 854**	**(9 190 651)**	**1 282 878**	**(1 338 403)**	**(9 750)**	**0**

Regularisations			Adjusted acquisition value	Adjusted amortisations	Adjusted accrued amortisations	Net value as at 31/12/2021
Gross value	Amortisations in the year	Accrued amortisations				
0	0	0	11 484	0	0	11 484
0	0	0	4 757 250	(635 144)	(3 055 668)	1 066 439
0	0	0	340 144	(22 653)	(297 773)	19 719
0	0	0	0	0	0	0
0	**0**	**0**	**5 108 878**	**(657 796)**	**(3 353 441)**	**1 097 641**
0	0	0	10 618 440	(131 977)	(536 354)	9 950 109
0	0	0	8 396 497	(562 599)	(6 403 409)	1 423 754
0	0	0	0	0	0	0
0	0	0	370 877	(92 719)	(185 439)	92 719
0	0	0	53 530	0	0	53 530
0	**0**	**0**	**19 439 344**	**(787 295)**	**(7 125 202)**	**11 520 113**
0	**0**	**0**	**24 548 222**	**(1 445 091)**	**(10 478 643)**	**12 617 754**

Regularisations			Adjusted acquisition value	Adjusted amortisations	Adjusted accrued amortisations	Net value as at 31/12/2020
Gross value	Amortisations in the year	Accrued amortisations				
0	0	0	5 184	0	0	4 984
0	0	0	4 164 991	(457 765)	(2 599 373)	1 107 852
0	0	0	340 144	(22 653)	(275 120)	42 371
(111 775)	0	0	0	0	0	0
(111 775)	**0**	**0**	**4 510 319**	**(480 418)**	**(2 874 494)**	**1 155 208**
3 468 913	0	0	10 618 440	(115 378)	(420 976)	10 082 086
0	0	0	7 850 234	(649 888)	(5 802 462)	1 388 335
0	0	0	0	0	0	0
0	0	0	370 877	(92 719)	(92 719)	185 439
0	0	0	0	0	0	0
3 468 913	**0**	**0**	**18 839 552**	**(857 985)**	**(6 316 157)**	**11 655 859**
3 357 138	**0**	**0**	**23 349 871**	**(1 338 403)**	**(9 190 651)**	**12 811 067**

4.8 Investments in associated and subsidiary companies excluded from consolidation — Note 8

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Accounted for by the equity method – in the country		
In the country		
Coolink - Serviços de Informática e Consultadoria, Lda.	67 868	39 188
	67 868	**39 188**

The 25% investment in Coollink – Serviços de Informática e Consultadoria, Lda. is registered by the equity method.

4.9 Current tax assets — Note 9

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Current tax assets		
Corporate tax to be recovered	0	1 556
Other	0	246 239
	0	**247 795**
Deferred tax assets		
Temporary differences		
Property, plant and equipment	5 340	5 340
Other	272 796	260 607
In asset variations	281 055	0
From tax losses	244 200	0
	803 392	**265 947**
	803 392	**513 742**

Deferred tax assets reflect only the impact of temporary differences on income tax. As stated in accounting policies, the temporary differences identified between amortisations accepted for tax purposes and those recorded in the accounts and on impairment losses are also identified.

In 2021, deferred tax assets on tax losses carried forward were set up and the recognition of deferred taxes on fair value reserves was adjusted from "Current tax assets - Other" to "Deferred tax assets".

4.10 Other assets — Note 10

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Other assets		
Other income receivable	5 236 356	3 532 646
Commissions for services rendered	96 154	41 400
Costs with deferred charges		
Insurance	146 895	116 942
Other costs with deferred charges	436 974	379 380
Other regularisation accounts	1 645 967	2 832 589
	7 562 346	**6 902 958**

Other regularisation accounts include the securities transactions made at the end of the period, pending settlement at the beginning of the subsequent financial year.

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

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Non-current assets stated as held-for-sale		
Property	0	85 680
Investments	3 051	0
	3 051	**85 680**

In 2021, the property acquired as part of a credit recovery was sold. The amount of €3k in Investments refers to the stake that Banco Carregosa acquired in Exemplary Sparrow corresponding to a 43.5897% share.

4.12 Financial liabilities held for trading — Note 12

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Derivative instruments at negative fair value	5 268	443 959
	5 268	**443 959**

4.13 Financial liabilities measured at amortised cost — Note 13

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Loans and deposits from domestic credit institutions		
Deposits	10 048 831	6 530 601
Loans	200 262	473 034
Other deposits	809	652
	10 249 903	**7 004 288**
Loans and deposits in foreign credit institutions		
Deposits	370 242	1 959 252
Loans	2 938	261 554
	373 180	**2 220 806**
Charges payable		
Other charges	164 487	178 587
	164 487	**178 587**
Creditors - futures and options	0	3 978 549
Other deposits	14 985 695	10 046 826
Client deposits		
Deposits		
Of residents		
Demand	197 048 515	141 115 258
Term	93 747 454	104 975 363
Of non-residents		
Demand	31 472 242	26 971 043
Term	1 628 445	4 924 960
	323 896 656	**277 986 624**
	349 669 921	**301 415 680**

The item other deposits is broken down according to the information shown in the table below. In miscellaneous deposits, the reported amount refers to the financial balances of clients arising from transactions in derivatives and from deposits invested in the liquidity of portfolio management contracts.

	31/12/2021	31/12/2020
Miscellaneous deposits	14 502 263	10 534 787
Creditors - transactions in securities	1 746	(97 300)
Suppliers	332 576	279 580
Other creditors	149 111	585 999
	14 985 695	**10 046 826**

Operations to be regularised include securities transactions made at the end of the period, pending settlement at the start of the following financial year.

4.14 Derivatives – Hedge accounting — Note 14

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Derivatives – Hedge accounting		
Swap	43 315	0
	43 315	**0**

The €43k position refers to the swap contracted with Millennium BCP.

4.15 Provisions — Note 15

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Other provisions		
For guarantees and other commitments	1 274	102 074
For tax contingencies	322 410	0
	323 684	**102 074**

4.16 Tax liabilities — Note 16

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Current tax liabilities		
Corporate income tax payable	189 515	15 600
Other	0	11 236
	189 515	**26 835**
Deferred tax liabilities		
On reappraisal of property	724 986	728 472
On investment unit at fair value	251 303	0
On reserves at fair value	9 794	0
	986 083	728 472
	1 175 598	**755 307**

4.17 Other liabilities Note 17

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
VAT payable	84 527	99 152
Withholding and other taxes payable to the State	569 911	573 456
Payments to Social Security	103 294	95 739
Third party collections	880	860
Payments to other health systems	4 629	3 117
Other revenue with deferred income	15 401	8 376
Charges payable - staff	701 598	660 901
Operations to be regularised	1 998 869	3 310 950
	3 479 109	**4 752 552**

4.18 Equity Note 18

Changes and balances as at 31 December 2021 under the own equity headings are presented in the annex "Statement of changes in equity".

Breakdown of equity:

i. Paid-in capital: the Bank's share capital is represented by 200 million registered book-entry shares, each with a par value of €0.10, fully subscribed and paid;

ii. Issue premiums: these refer to the premiums paid by shareholders in capital increases;

iii. Reserves: the amount of profit generated over the financial years but retained in the company as legal reserve, other reserves and/or retained earnings, excluding positive reserves arising from unrealised gains in sovereign bonds.

4.19 Minority interests — Note 19

Following the 96% stake in the equity of Carregosa – Sociedade Gestora de Organismos de Investimento Coletivo, S.A., €13 012 (€14 150 as at 31 December 2020) were recognised under minority interests.

Fair value of financial assets and liabilities

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

The 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 measurement date, under prevailing market conditions (*i.e.* exit price), irrespective of whether this price is directly observable or estimated using another appraisal technique.

Financial instruments recorded in the balance sheet at fair value were classified into three tiers, in accordance with IFRS 13:

i. Tier 1 – quoted prices in active markets;

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

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

As a result of the revision of the fair value hierarchy, a correction was made from Tier 1 to Tier 2 of the securities recorded under financial assets held for trading mandatorily at fair value through profit or loss, this correction being justified in view of the reduced liquidity of these securities.

The fair value of the Bank's financial assets and liabilities as at 31 December 2021 and 2020 are as follows:

2021	Amortised cost
Financial Assets	
Cash and liquid assets in central banks and other demand deposits	139 277 147
Financial assets at fair value through profit or loss	
Financial assets held for trading	0
Financial assets not held for trading mandatorily at fair value through profit or loss	0
Other financial assets at fair value through profit or loss	0
Financial assets at fair value through other comprehensive income	0
Financial assets at amortised cost	150 241 835
Hedging derivatives	0
Other assets	7 562 346
Non-current assets and disposal groups classified as held for sale	3 051
	297 084 380
Financial Liabilities	
Financial liabilities held for sale	0
Financial assets measured at amortised cost	349 669 921
Hedging derivatives	
Other liabilities	4 752 552
	354 422 472

2020	Amortised cost
Financial Assets	
Cash and liquid assets in central banks and other demand deposits	115 282 287
Financial assets at fair value through profit or loss	
Financial assets held for trading	0
Financial assets not held for trading mandatorily at fair value through profit or loss	0
Other financial assets at fair value through profit or loss	36 768
Financial assets at fair value through other comprehensive income	0
Financial assets at amortised cost	137 110 128
Hedging derivatives	68 713
Other assets	6 902 958
	259 400 854
Financial Liabilities	
Financial liabilities held for sale	0
Financial assets measured at amortised cost	301 415 680
Other liabilities	4 752 552
	306 168 232

Measured at fair value				Carrying amount	Fair value
Level 1	Level 2	Level 3	Total		
0	0	0	0	139 277 147	139 277 147
3 105 800	1 238 559	0	4 344 359	4 344 359	4 344 359
0	0	10 783 346	10 783 346	10 783 346	10 783 346
0	0	0	0	0	0
66 464 483	2 056 725	525 384	69 046 592	69 046 592	69 046 592
0	0	0	0	150 241 835	151 769 530
0	0	0	0	0	0
0	0	0	0	7 562 346	7 562 346
			0	3 051	3 051
69 570 283	**3 295 284**	**11 308 731**	**84 174 297**	**381 258 677**	**382 786 373**
0	5 268	0	5 268	5 268	5 268
0	0	0	0	349 669 921	349 669 921
	43 315		43 315	43 315	43 315
0	0	0	0	4 752 552	4 752 552
0	**48 584**	**0**	**48 584**	**354 471 056**	**354 471 056**

Measured at fair value				Carrying amount	Fair value
Level 1	Level 2	Level 3	Total		
0	0	0	0	115 282 287	115 282 287
2 770 845	1 940 580	0	4 711 425	4 711 425	4 711 425
0	0	11 189 245	11 189 245	11 189 245	11 189 245
0	0	0	0	36 768	36 768
6 877 410	49 633 337	525 384	57 036 132	57 036 132	57 036 132
0	0	0	0	137 110 128	137 133 090
0	0	0	0	68 713	68 713
0	0	0	0	6 902 958	6 902 958
9 648 255	**51 573 918**	**11 714 629**	**72 936 801**	**332 337 655**	**332 360 617**
0	443 959	0	443 959	443 959	443 959
0	0	0	0	301 415 680	301 415 680
0	0	0	0	4 752 552	4 752 552
0	**443 959**	**0**	**443 959**	**306 612 190**	**306 612 190**

Fair value hierarchy

IFRS 13 establishes a fair value hierarchy that categorises the inputs used to measure fair value into three tiers:

i. Tier 1 – Financial instruments are measured based on quoted prices (unadjusted) in active markets that the Bank can access. This tier includes government bonds, company bonds and shares and derivatives listed and traded in regulated markets.

ii. Tier 2 – Financial instruments are measured based on inputs other than quoted prices included in Tier 1 that are directly or indirectly observable in the market for the instrument. To determine the fair value with Tier 2 inputs, the Bank uses appraisal techniques based on inputs that are observable on the market (quoted prices in active markets of similar instruments and based on quoted prices that are not assets or net, interest rates, exchange rates, risk ratings given by external entities, others). This tier includes bonds, non complex OTC derivatives and gross shares.

iii. Tier 3 - Financial instruments are measured based on non observable inputs on the market for the instrument. To determine the fair value with Tier 3 inputs, appraisal techniques are used based on inputs that are not observable on the market and that do not fulfil the Tier 1 or Tier 2 classification requirements.

In the 2021 and 2020 financial years, financial instruments were transferred between Tier 1 and 2.

In the 2021 and 2020 financial years, the changes in Tier 3 of financial instruments in the fair value hierarchy were as follows:

	Financial assets held for trading	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
Balance as at 1 January 2021		**11 189 245**	**525 384**
Gains/(losses) recognised through profit and loss		947 435	0
Income from assets and liabilities measured at fair value through profit or loss			0
Income from available for sale financial assets			0
Impairment derecognised in the year			0
Gains/(losses) recognised in fair value reserves			0
Acquisitions		2 650 069	0
Disposals		-4 003 402	0
Transfers from other levels			0
Transfers to other levels			0
Exchange differences			0
Other			0
Balance as at 31 December 2020	**0**	**10 783 347**	**525 384**

	Financial assets held for trading	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
Balance as at 1 January 2020			**442 300**
Gains/(losses) recognised through profit and loss			0
Income from assets and liabilities measured at fair value through profit or loss			0
Income from available for sale financial assets			
Impairment derecognised in the year			79 259
Gains/(losses) recognised in fair value reserves			-107 116
Acquisitions			0
Disposals			0
Transfers from other levels		11 189 245	0
Transfers to other levels			0
Exchange differences			0
Other			0
Balance as at 31 December 2020	**0**	**11 189 245**	**525 384**

Interest rates

The short term interest rates below reflect the indicative values of deposit rates and/or futures, while for the long term swap rates are used[6]:

	2021		2020	
	EUR	USD	EUR	USD
1 week	-0.574	0.076	-0.578	0.096
1 month	-0.583	0.101	-0.554	0.144
2 months		0.153		0.19
3 months	-0.572	0.209	-0.545	0.238
6 months	-0.546	0.339	-0.526	0.258
1 year	-0.416	1.041	-0.521	0.208
2 years	-0.296	0.941	-0.521	0.198
3 years	-0.147	1.168	-0.506	0.241
4 years	-0.051	1.295	-0.485	0.325
5 years	0.017	1.37	-0.459	0.43
7 years	0.129	1.476	-0.389	0.655
10 years	0.301	1.581	-0.261	0.925
30 years	0.476	1.731	-0.023	1.402

6 The above amounts were obtained from Bloomberg.

Exchange rates

The Central Bank's fixing values are used for exchange rates[7]. The table below shows the exchange rates of some of the relevant currency pairs as at 31 December 2021 and 2020:

2021	EUR	USD	GBP	CHF	SEK	NOK	AUD	CAD	NZD	BRL
EUR	–	1.137	0.84021	1.0379	10.294	10.026	1.5653	1.4368	1.6657	6.3345
USD	0.87953	–	0.739	0.9129	9.0542	8.8183	1.3768	1.2637	1.4651	5.5714
GBP	1.1902	1.3532	–	1.2353	12.252	11.933	1.863	1.71	1.9825	7.5391
CHF	0.96344	1.0954	0.8095	–	9.9181	9.6596	1.5081	1.3842	1.6048	6.1029
SEK	0.09714	0.11045	0.08162	0.10083	–	0.97394	0.15206	0.13957	0.16181	0.61534
NOK	0.09974	0.1134	0.0838	0.10352	1.0268	–	0.15613	0.1433	0.16614	0.6318
AUD	0.63884	0.72634	0.53676	0.66308	6.5765	6.4051	–	0.91785	1.0641	4.0467
CAD	0.69601	0.79135	0.5848	0.72242	7.165	6.9783	1.0895	–	1.1594	4.4089
NZD	0.60034	0.68256	0.50441	0.62312	6.1801	6.019	0.93973	0.86254	–	3.8028
BRL	0.15787	0.17949	0.13264	0.16386	1.6251	1.5828	0.24711	0.22681	0.26296	–

2020	EUR	USD	GBP	CHF	SEK	NOK	AUD	CAD	NZD	BRL
EUR	–	1.2216	0.89365	1.0814	10.051	10.48	1.5878	1.5545	1.7004	6.3445
USD	0.81858	–	0.73153	0.8852	8.2273	8.5791	1.2997	1.2725	1.3919	5.1935
GBP	1.119	1.367	–	1.2101	11.247	11.728	1.7767	1.7395	1.9027	7.0995
CHF	0.92474	1.1297	0.8264	–	9.2942	9.6917	1.4683	1.4376	1.5724	5.867
SEK	0.0995	0.12155	0.08892	0.10759	–	1.0428	0.15798	0.15467	0.16918	0.63125
NOK	0.09542	0.11656	0.08527	0.10318	0.95899	–	0.1515	0.14833	0.16224	0.60537
AUD	0.62981	0.76939	0.56283	0.68107	6.33	6.6007	–	0.97907	1.0709	3.9958
CAD	0.64327	0.78584	0.57486	0.69562	6.4653	6.7418	1.0214	–	1.0938	4.0813
NZD	0.58811	0.71845	0.52557	0.63597	5.9109	6.1637	0.93379	0.91425	–	3.7313
BRL	0.15762	0.19255	0.14085	0.17044	1.5841	1.6519	0.25026	0.24502	0.26801	–

7 Source of exchange rates: https://www.bportugal.pt/taxas-cambio.

4.20 Financial margin Note 20

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Interest and similar income from:		
Interest on deposits in other credit institutions	4 590	4 663
Interest on investments in credit institutions	0	25
Interest on loans to clients	2 767 282	3 315 462
Interest on overdue loans	210 999	43 815
Interest and similar income from other financial assets	1 888 269	1 503 289
Commissions received associated to amortised cost	113 007	91 501
	4 984 147	**4 958 755**
Interest and similar costs on:		
Deposits from Banco de Portugal	(259 437)	(180 613)
Deposits from other credit institutions	(124 507)	(137 541)
Interest from creditors and other deposits		
Interest on deposits from clients	(281 091)	(506 403)
Interest on trading liabilities	0	(123)
Other interest and similar costs	(13 857)	(71 948)
Interest on loans	(21 405)	(20 977)
	(700 297)	**(917 604)**
	4 283 850	**4 041 151**

4.21 Income from equity instruments Note 21

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Available-for-sale financial assets		
Issued by residents		
Investment units	349 278	344 237
	349 278	**344 237**

These result from the payment, in two distribution periods, of income from the Retail Properties real estate investment fund, corresponding to €0.50/€0.50 in 2021, similar to 2020 per unit held. They also result from one payment of €4.32 per unit of the IBERIS Bluetech Fund, FCR EuVECA - Category B, C, D, E and F and a payment of €1,000 per unit of the Conforto FEIIF Fund.

4.22 Revenue and charges from and with commission services — Note 22

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Income from services and commissions from:		
Guarantees and commitments	65 252	104 210
Deposits and securities under custody	143 614	66 441
Collection of securities	138 258	120 890
Management of securities	1 786 288	1 011 066
Collective investment undertakings	946 155	710 541
Other services provided	1 068 155	812 385
Transactions carried out on behalf of third parties	3 628 745	3 166 118
Other commissions received	1 214 200	638 191
	8 990 668	**6 629 843**
Charges - services and commissions for:		
Deposits and securities under custody	(80 433)	(80 189)
Other banking services provided by third parties	(215 350)	(67 924)
Transactions carried out by third parties	(3 382 922)	(3 387 503)
	(3 678 705)	**(3 535 616)**
	5 311 963	**3 094 227**

4.23 Income from assets and liabilities evaluated at fair value — Note 23

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Gains from:		
Financial assets held for trading		
Securities	4 328 184	9 326 390
Derivative instruments	3 347 078	1 265 960
	7 675 261	**10 592 350**
Losses from:		
Financial assets held for trading		
Securities	(2 047 204)	(7 163 196)
Derivative instruments	(1 471 349)	(2 887 839)
	(3 518 553)	**(10 051 036)**
	4 156 709	**541 315**

In accordance with the applicable standards, this heading included the amount relating to derecognition of financial assets usually done through their disposal. In 2021, these increased by 668% compared to 2020 due to the gains obtained from hedging derivatives of the Bank's foreign exchange position.

4.24 Income from financial assets at fair value through other comprehensive income

Note 24

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Gains from:		
Available-for-sale financial assets		
Securities		
Issued by residents		
Debt instruments	108 777	23 652
Equity instruments	1 547	45 633
Issued by non-residents		
Debt instruments	941 361	1 282 516
	1 051 685	**1 351 800**
Losses from:		
Available-for-sale financial assets		
Securities		
Issued by residents		
Debt instruments	(12 141)	(2 414)
Issued by non-residents		
Debt instruments	(523 374)	(1 938 472)
	(535 515)	**(1 940 886)**
	516 170	**(589 086)**

The results of financial assets and liabilities at fair value through comprehensive income were positive in 2021 by €516k, compared to a negative value of €589k in 2020, justified by the market recovery in 2020.

4.25 Income from non-negotiable financial assets mandatorily at fair value through profit or loss — Note 25

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Gains from:		
Non-negotiable financial assets mandatorily at fair value through profit or loss		
Equity instruments	2 339 472	1 738 728
Losses from:		
Non-negotiable financial assets mandatorily at fair value through profit or loss		
Equity instruments	(1 392 037)	(1 013 393)
	947 435	725 335

The 30.6% increase compared to 2020 was due, on one hand, to the portfolio turnover and the return on property investments held by the funds in the portfolio.

4.26 Income from currency reappraisal — Note 26

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Gains from:		
Exchange differences		
Other items in foreign currency - foreign currencies	838 147	2 567 206
Losses from:		
Exchange differences		
Other items in foreign currency - foreign currencies	(2 577 813)	(611 761)
	(1 739 665)	**1 955 444**

The negative result in 2021 of €1.7M compared to the positive results of €1.9M in 2020 is justified by the appreciation of the USD against the EUR.

4.27 Income from the disposal of other assets — Note 27

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Gains from:		
Gains from inv. in subsidiaries in the country	39 264	11 274
Non-financial assets	115 818	37 857
Losses from:		
Losses from inv. in subsidiaries in the country	(10 584)	(13 108)
Non-financial assets	(10 329)	(37)
	134 169	**35 987**

4.28 Other operating income — Note 28

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Gains from:		
Other gains and operating income	211 702	143 403
	211 702	**143 403**
Losses from:		
Other taxes	(485 921)	(434 548)
Donations and membership fees	(80 440)	(79 303)
Contributions to the Deposit Guarantee Fund (FGD)	(267)	(250)
Contributions to the Investor Compensation Scheme	(5 000)	(5 000)
Failure of computer systems or telecommunications	(1 740)	(1 222)
Other charges and operating expenses	(224 301)	(276 809)
	(797 669)	**(797 132)**
	(585 967)	**(653 729)**

4.29 Staff costs Note 29

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Remunerations		
Management and supervisory bodies	(725 460)	(467 267)
Employees	(3 758 224)	(3 614 733)
Mandatory social security contributions		
Remuneration-related charges	**(1 047 497)**	**(955 449)**
Other mandatory social security contributions		
Pension fund	(31 816)	(46 784)
Insurance against accidents at work	(25 135)	(20 128)
Other staff costs	(218 642)	(251 071)
	(5 806 773)	**(5 355 432)**

As at December 2021, the Bank had 116 employees in Portugal, as shown in the professional categories table below.

Distribution by professional category	31/12/2021	31/12/2020
Management Board	4	4
Management	26	26
Technical staff	49	49
Admin- staff	6	7
Commercial/Operations	17	15
Other	7	7
Banco Carregosa	109	108
Carregosa – SGOIC (includes 4 directors) *	7	5

* One of the directors performs management functions at Banco L. J. Carregosa, S.A.

Retirement and survival pensions liabilities

Banco Carregosa provides a defined Pension Plan to a restricted number of employees. For the purpose thereof, beneficiaries of this pension plan are current and former workers 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's Pension Plan is a defined benefit plan that follows the provisions of the Collective Labour Agreement for the Banking Sector (ACTV) and is subject to the requirements set by Banco de Portugal. Amounts paid depend on the number of years worked by the Employee and the salary scale stipulated by the ACTV.

Benefits granted by the Pension Plan of Banco Carregosa:

i. Old-age retirement or presumable disability pension;

ii. Deferred survivors' pension;

iii. Immediate survivors' pensions;

iv. Post-retirement contributions to SAMS (medical-social aid assistance for bank employees;

v. Death grant (*).

(*) In the event of death of a participant or beneficiary (due to disability or presumed disability) an allowance will be paid – a death grant will be paid – as defined in Clause 102 of the ACT. Responsibility for services provided in the past by eligible employees is determined every year based on the date of admission at Banco Carregosa and not on the date on which the employee entered the banking sector. Consequently, the share of responsibilities relating to the period between the date of admission in the banking sector and the date of admission in the company will be chargeable to past employers, except if the latter have transferred the amount of their share of responsibility. The benefits relating to disability pensions and immediate survivors pensions are covered by a life insurance policy.

In addition, the Bank also has health care responsibilities and costs with its employees. The employees who as at 31 December 2010 were integrated in CAFEB can benefit from the Medical-Social Aid Services (SAMS) of their unions. The remaining employees' benefits are covered by the ADVANCECARE health insurance, which offers similar terms and conditions to the SAMS medical aid services.

Liabilities for retirement and survivors' pensions and their costs arising from the Bank's pension plan have been prepared through an actuarial appraisal performed by an actuary. The Bank's pension plan is a defined benefit plan in line with the ACTV – Collective Vertical Labour Agreement for the Banking Sector. As at 31 December 2019, Banco Carregosa's pension plan included 14 active participants, 48 with acquired rights and 4 pensioners.

Decree-law No. 1-A/2011, of 3 January, provided for changes in the calculation of responsibilities in pension funds. From the date when banking employees integrated in CAFEB changed to the General Social Security Scheme on 31 December 2010, the fund will no longer be responsible for the full ACT pension; from that date on, only the supplemental pension resulting from the difference between the ACT pension and the Social Security pension will be taken into consideration

.

Number of participants in the plan

As at 31 December of every year, the participants in the pension plan are as follows:

	2021	2020
Active participants	13	14
Former participants with acquired rights	48	48
Pensioners	5	4
Total	**66**	**66**

Assumptions

The liabilities of the pension scheme were assessed on the basis of the following assumptions:

	2021	2020
Actuarial appraisal method	Project Unit Credit Method	Project Unit Credit Method
Demographic assumptions		
Mortality table	TV88/90	TV88/90
Invalidity table	SR88	SR88
Turnover tables	-	-
Financial assumptions		
Fund yield rate	1.25%	1.25%
Wage growth rate	0.50%	0.50%
Pension adjustment rate table	1.25%	1.25%
Pension growth rate	0.50%	0.50%
General information		
Number of benefit payments	**14**	**14**

With regard to the actuarial appraisal of 31/12/2021 no changes occurred that affected the assumptions.

Fund yield rate – The discount rate that reflects the economic reality to meet the requirements of International Accounting Standard IAS 19 is up to date. The discount rate of 1.25% is on the threshold of the rates indicated in the benchmarks on private debt bonds with a high credit rating (AA) and a maturity similar to the liabilities with the Pension fund.

Pension growth rate – The pension growth rate in respect of the number of pensioners in the period reflects the application of the ACT table in effect for the year (Pension Table and Employer Costs).

Pension liabilities

The current value of pension payment liabilities as at 31 December 2021 is as follows:

	2021	2020
Pension payment liabilities	710 178	725 996
Active participants liabilities	2 870 847	3 013 598
	3 581 025	**3 739 594**

Pension payment liabilities

The current value of pension payment liabilities as at 31 December 2021 is as follows:

	Current value of pensions under payment	SAMS	Death Grant	Total
Total	**678 289**	**28 292**	**3 598**	**710 178**
Old-age pensions	187 494	16 504	3 598	207 596
Invalidity pensions	0	0	0	0
Survivors' pensions	484 878	11 788	0	496 664
Orphans' pensions	5 917	0	0	5 918

The current value of pension payment liabilities as at 31 December 2020 is as follows:

	Current value of pensions under payment	SAMS	Death Grant	Total
Total	**692 889**	**29 529**	**3 578**	**725 996**
Old-age pensions	196 968	17 354	3 578	217 900
Invalidity pensions	0	0	0	0
Survivors' pensions	495 921	12 175	0	508 097
Orphans' pensions	0	0	0	0

Active participants' liabilities

The current value of active participants' liabilities as at 31 December 2021 is as follows:

Current value of past service liabilities	Active participants	Acquired Rights	SAMS Active part.	Death Grant Active part.	Total
Total	**1 650 903**	**985 749**	**213 129**	**21 067**	**2 870 847**
<65 years	1 497 757	927 450	197 474	19 869	2 642 450
≥ 65 years	153 146	58 299	15 655	1 198	228 297

The current value of active participants' liabilities as at 31 December 2020 is as follows:

Current value of past service liabilities	Active participants	Acquired Rights	SAMS Active part.	Death Grant Active part.	Total
Total	**1 706 946**	**1 070 091**	**216 472**	**20 088**	**3 013 598**
<65 years	1 543 250	1 036 871	199 982	18 897	2 798 999
≥ 65 years	163 697	33 221	16 490	1 191	214 599

Plan assets

Benefit liabilities are financed through collective subscription No. 1 to the Open-end Funds Optimize Capital Equilibrado (FP OCP Balanced), Optimize Capital Moderado (FP OCP Moderate) and Optimize Capital Ações (FP OCP Shares) and collective subscription No.4 to the Real Reforma Garantida Pension Fund.

The above pension funds subscribed collectively are open-end funds whose risk profile varies according to their investment policies. The FP OCP Balanced for participants 10 or more years away from retirement age leaves some room for manoeuvre in terms of investment values, the FP OCP Moderate is for participants averse to risk or under 5 years away from retirement age, and the FP OCP Shares for long-term investments or for participants 15 or more years away from retirement age. The FP Real Reforma Garantida pension fund is intended for participants averse to risk or less than 5 years away from retirement age, who would rather sacrifice profitability to protect their capital.

The value of each fund as at 31 December is detailed below:

	2021	2020
FP OCP Balanced	895 200	886 266
FP OCP Moderate	1 606 811	1 569 330
FP OCP Shares	1 420 328	1 286 437
	3 922 339	**3 742 033**

Fund development

The following tables show the Bank's Pension Plan income and expenses allocated to each of the 3 funds, the following charges including Pensions, Insurance Premiums and Other Expenses.

In 2021, the FP OCP Balanced fund developed as follows:

	Investment unit value	Investment units	Fund value	Value date
Opening balance	7.5149	117 934.7682	886 265.65	31/12/2020
Pension + Costs		-7 903.2588	-61 325.93	
Contributions + Other receipts		1 109.1333	8 711.47	
Total transactions		-6 794.1255	-52 614.46	
Fund yield rate	7.18%	0	61 548.51	
Closing balance	**8.0547**	**111 140.6427**	**895 199.70**	**31/12/2021**

In 2021, the FP OCP Moderate developed as follows:

	Investment unit value	Investment units	Fund value	Value date
Opening balance	7.0566	222 390.9480	1 569 330.26	31/12/2020
Pension + Costs		-2 973.6796	-21 033.13	
Contributions + Other receipts		1 945.2154	13 977.33	
Total transactions		-1 028.4642	-7 055.80	
Fund yield rate	2.86%	0	44 537.30	
Closing balance	**7.2587**	**211 362.4838**	**1 606 811.76**	**31/12/2021**

In 2021, the FP OCP Shares developed as follows:

	Investment unit value	Investment units	Fund value	Value date
Opening balance	7.8521	163 834.5539	1 286 437.23	31/12/2020
Pension + Costs		-2 112.8024	-16 737.75	
Contributions + Other receipts		1 368.0815	11 480.10	
Total transactions		-744.7209	-5 257.65	
Fund yield rate	10.91%	0	139 148.26	
Closing balance	**8.7089**	**163 089.8330**	**1 420 327.84**	**31/12/2021**

In 2021 and 2020, the three funds developed as follows:

	Investment unit value	Investment units	Fund value	Value date
Opening balance	7.4223	504 160.2701	3 742 033.14	31/12/2020
Pension + Costs		-12 989.7408	-99 096.81	
Contributions + Other receipts		4 422.4302	34 168.90	
Total transactions		-8 567.3106	-64 927.91	
Fund yield rate	6.63%	0	245 234.07	
Closing balance	**7.9144**	**495 592.9595**	**3 922 339.30**	**31/12/2021**

Differences:

	Estimated	Real	Diff.	Value date
Opening balance	3 742 033.14	3 742 033.14	0	31/12/2020
Pension + Costs	-84 904.69	-99 096.81	-14 192.12	
Contributions + Other receipts	0	34 168.90	34 168.90	
Total transactions	-84 904.69	-64 927.91	19 976.78	
Fund yield rate	46 244.76	-245 234.07	198 989.31	
Closing balance	**3 703 373.21**	**3 922 339.30**	**218 966.09**	**31/12/2021**

The pensions and income rate estimated in the previous year's actuarial report were considered for the estimated values.

The positive different is mainly due to the fact that the actual fund yield was higher than the estimated yield.

Pension payment liabilities

Liabilities with pensions under payment relate to the financing scenarios and minimum scenario.

	Current value of pensions under payment	SAMS	Death Grant	Total
Total	**678 289**	**28 292**	**3 598**	**710 178**
Old-age pensions	187 494	16 504	3 598	207 596
Invalidity pensions	0	0	0	0
Survivors' pensions	484 877	11 787	-	496 664
Orphans' pensions	5 917	0	0	5 917

Active participants' liabilities

Active participants' liabilities relate to the financing scenarios and minimum scenario.

	Active participants	Acquired Rights	SAMS Active Part.	Death Grant Active Part.	Total
Current value of past service liabilities					
Total	1 650 902.91	985 748.59	213 128.66	21 067.16	2 870 847.32
< 65 years	1 497 757.14	927 449.59	197 473.83	19 869.43	2 642 549.99
≥ 65 years	153 145.77	58 299.00	15 654.83	1 197.73	228 297.33
Current value of future service liabilities					
Total	–	–	82 002.15	8 668.57	90 670.72
< 65 years	–	–	82 002.15	8 668.57	90 670.72
≥ 65 years	–	–	–	–	–
Current value of total service liabilities					
Total	1 481 475.77	985 748.59	295 130.81	29 735.73	2 792 090.90
< 65 years	1 332 543.54	927 449.59	279 475.98	28 538.00	2 568 007.11
≥ 65 years	148 932.23	58 299.00	15 654.83	1 197.73	224 083.79

Applying the methodology recommended by CNSF to calculate the Current Value of Past Service Liabilities of old-age pensions may result in liabilities in excess of the Current Value of Total Service Liabilities for some assets. In this case, the Current Value of Future Service Liabilities is null.

Duration of pension liabilities

The Fund has a residual maturity of 72 years, resulting from the technical threshold of the mortality table used, compared with the estimated duration of liabilities:

Duration (interest rate sensitivity)

Duration	
Macaulay	17.8
Modified	17.61%
Convexity	424

Average life expectancy:

	Number	Minimum age	EMV
Assets	13	49	34.34
Acquired rights	48	39	43.69
Pensioners	5	69	16.97
Total	**66**	**39**	**43.69**

Thus, considering the combined residual maturity (72 years) and the average life expectancy of younger beneficiaries (43.69 years), and the duration of Macaulay (17.8 years), we conclude that the balance of financial flows occurs much earlier than these biometric indicators, demonstrating some robustness of the interest rate sensitivity. In any case, it should be noted that this is already a quite long duration, more than 15 years, associated with a number of highly volatile assets and liabilities, largely due to the form of the benefits.

Development of past service liabilities

Date	31/12/2020	31/12/2021	Difference
Current value of pensions under payment	725 996	710 178	-2.18 %
Current value of past service liabilities	3 013 598	2 870 847	-4.74 %
Total	3 739 594	3 581 025	-4.24 %

The decrease in the Current Value of Past Service Liabilities is due essentially to the transfer of a participant to the status of former participant with acquired rights, to the death of a former participant with acquired rights, and the natural ageing of the pensioner population.

Contributions and financing plans

The funding level of the pension payment liabilities at this date is as follows:

	Funding & minimum scenario
Liabilities (VAPP+VASP)	3 581 025.20
VAPP	710 177.88
Funding level VAPP	100%
VABT (Acquired rights)	985 748.59
Funding level VABT	100%
VASP	1 885 098.73
Funding level VASP	118. 11%
Fund value	3 922 339.30
Overall funding level	109.53%

The value of the fund presented to calculate the funding level is the respective net value, already deducted of charges and expenses incurred.

As the funding of this pension plan is subject, in terms of minimum funding, to that established by Banco de Portugal, *i.e.*, the full funding of the Pension payment liabilities and Acquired rights and 95% of past service liabilities of the active population, it appears that it complies with what is established and, therefore, there are no unfunded liabilities.

Considering the assumptions in accordance with the ASF solvency minimum, in accordance with Rule 21/96-R of 5 December, past service liabilities as at 31 December 2021 amounted to €2 138 136.92.

During the first quarter of 2022, the Bank did not make any contribution, as the liabilities calculated for 2021 are covered within the limit established by IAS 19.

The actuarial report is available at the Bank's head-office for consultation.

4.30 General administrative costs Note 30

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Supplies:		
Water, electricity and fuel	(199 610)	(173 822)
Consumables	(22 213)	(5 517)
Publications	(5 227)	(5 641)
Hygiene and cleaning products	(18 041)	(30 826)
Other third party supplies	(86 611)	(95 554)
	(331 702)	**(311 360)**
Services:		
Leases and rentals	(47 810)	(45 660)
Communications	(244 305)	(253 540)
Travel, hotel and entertainment expenses	(168 171)	(144 078)
Advertising and publishing	(405 892)	(371 846)
Repairs and maintenance	(133 398)	(126 654)
Insurance	(108 200)	(107 144)
Specialised services		
Retainers and fees	(11 439)	(12 462)
Legal, litigation and notaries	(5 430)	(4 066)
IT services	(1 060 037)	(998 795)
Security and surveillance	(10 719)	(13 908)
Cleaning services	(7 148)	(4 805)
Information	(680 547)	(686 219)
Databases	(72 050)	(68 815)
Other specialised services		
Studies and consultations	(33 810)	(20 125)
Advisors and external auditors	(597 525)	(568 539)
External appraisals	(80 056)	(72 522)
Other third party services		
Public relations and advisory services	(110 424)	(47 197)
Banco de Portugal – Bpnet service	(3 140)	(4 430)
Housekeeping services	(8 417)	(7 469)
Other	(31 231)	(30 069)
	(3 838 612)	**(3 588 345)**
	(4 170 314)	**(3 899 705)**

The item “Advisors and external auditors” includes the fees invoiced by the Statutory Auditors as part of their statutory auditing duties and other reliability assurance services (amounts excluding VAT):

Statutory Auditors	
Legal Certification of Accounts	85 000
Assurance and reliability services	34 500
	119 500

4.31 Depreciation and amortisations — Note 31

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Property, plant and equipment		
Of Property	(224 696)	(208 098)
Of Equipment	(560 909)	(649 888)
	(785 605)	**(857 985)**
Intangible assets	**(656 325)**	**(480 418)**
	(1 441 930)	**(1 338 403)**

As mentioned in Notes 6 and 7, 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 associated to these notes.

4.32 Provisions net of write-offs — Note 32

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Gains from:		
Provisions for guarantees and commitments made	805 924	275 972
Losses from:		
Provisions for guarantees and commitments made	(704 187)	0
Other provisions	(322 410)	0
	(220 672)	**(92 894)**

4.33 Impairment of financial assets at amortised cost — Note 33

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Investments held to maturity		
Debt instruments	101 190	(360 286)
Loans		
Normal loans	10 278 542	6 903 469
Overdue loans (includes other debtors)	(10 634 743)	(7 459 584)
	(356 201)	**(556 115)**
	(255 011)	**(916 401)**

4.34 Impairment of financial assets at fair value through other comprehensive income — Note 34

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Investments held to maturity		
Debt instruments	356 354	(376 791)
Equity instruments	0	81 272
	356 354	**(295 519)**

4.35 Impairment of other assets net of reversals and recoveries — Note 35

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Invest. in subsidiaries, joint ventures and associated companies	(48 468)	0
	(48 468)	**0**

4.36Taxes Note 36

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Current	(188 859)	(179 679)
Deferred	8 572	74 391
	(180 287)	**(105 289)**

Current taxes recognised in 2021, in the amount of €-188 859, arise from income tax calculated in accordance with the tax law applicable to the Group.

Deferred taxes recognised in 2021, in the amount of €+8 572, refer to the recognition of the impact of temporary differences identified in amortisations and impairments accepted for tax purposes and those recognised in Banco Carregosa's accounting records.

In accordance with the law in force, 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, and in accordance with Article 63 of the Corporate Income Tax Code, the tax and customs authority may make whatever corrections it deems necessary to determine the taxable income whenever, due to special relations between the taxpayer and another person, whether or not subject to corporate income tax, different conditions are agreed other than the ones usually agreed between independent individuals, leading to a result other than the one that would have otherwise been calculated had such a relationship not existed. However, the Board considers that any corrections arising from the different interpretations of the law in force by the tax authorities should not have a significant effect on the financial statements attached hereto.

Deferred taxes recorded in 2021 result from the impact of temporary differences in income tax on both property, plant and equipment and intangible assets, and on impairments.

4.37 Minority interests Note 37

Following the 96% stake in the capital of Carregosa – Sociedade Gestora de Organismos de Investimento Coletivo, S.A., €9,138 were recognised under minority interests in 2021.

4.38 Off-balance sheet accounts

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Commitments to third parties:		
Irrevocable commitments		
Potential commitments to SII	1 051 953	929 472
Revocable commitments		
Credit lines	9 899 156	14 460 838
Overdraft facilities	51	0
	10 951 160	**15 390 310**
Liability for service provision:		
Of deposits and securities under custody	1 548 455 941	1 186 094 545
Amounts managed by the institution	197 153 464	160 243 196
	1 745 609 405	**1 346 337 741**
Services provided by third parties:		
For deposits and securities under custody	955 577 247	711 460 277
	955 577 247	**711 460 277**
Foreign exchange transactions and derivative instruments:		
Trading instruments		
Foreign exchange forward transactions	18 654 885	18 740 473
Hedging instruments		
Options	0	68 713
	18 654 885	**18 809 187**
Guarantees provided and any other services:		
Personal guarantees	2 096 552	17 584 740
Real guarantees	18 949 000	25 985 000
	21 045 552	**43 569 740**
Guarantees received:		
Personal guarantees	85 202 921	100 100 343
Real guarantees	277 476 417	309 501 901
	362 679 339	**409 602 244**
Other off-balance sheet items:		
Write-offs	5 571 343	6 888 018
Accrued interest	202 954	157 737
Miscellaneous accounts	(3 120 291 884)	(2 552 215 253)
	(3 114 517 587)	**(2 545 169 499)**

4.39 Contingent liabilities originated by the Resolution Fund

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

In a circular letter in 2015, Banco de Portugal explained that the periodic contribution to the RF should be regarded as a cost in the year in which it is paid, that is, in late April of each year.

In a press release issued in 2015, the Resolution Fund clarified that a special contribution to finance the resolution measure applied to BES is unlikely to happen. As such, and as mentioned in the press release, the possibility of a special contribution seems quite remote.

The contribution paid in 2021 amounted to €97 622.89 and compares with that paid in 2020 (€89 684.77) as a result of the change in the rate applied.

These contributions were recognised as a cost in each financial year, in accordance with IFRIC 21 – Levies.

4.40 Assets given as collateral

These assets are broken down as shown in the table below:

Pledged Financial Assets	31/12/2021	31/12/2020
Financial assets at fair value through other comprehensive income		
Debt securities	6 124 777	26 466 853
Other assets		
Receivables from futures and options transactions - margins	0	3 890 275
Various investments - uncleared values	6 685 816	340 876
	12 810 593	**30 698 004**

4.41 Related parties

As at 31 December 2021 and 2020, the Bank is controlled by the following shareholders with a holding of more than 2%:

Shareholding composition as at 31/12/2021	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	5.00	9 999.00
Mauricio Zlatkin	9 999 000	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	8 510 000	4.26	8 510.00
Ruasgest, SGPS, S.A.	4 764 223	2.38	4 764.00

Shareholding composition as at 31/12/2020	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	5.00	9 999.00
Mauricio Zlatkin	9 999 000	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	8 510 000	4.26	8 510.00
Ruasgest, SGPS, S.A.	4 764 223	2.38	4 764.00

Remuneration of the Board of Directors

The members of Board of Directors of the Bank were considered, in accordance with IAS 24, as the only 'key' management members of the Bank. The remunerations earned by the Board of Directors during the years ended 31 December 2021 and 2020 are shown in Note 28 to this annex.

4.42 Events after the balance sheet date

Russia-Ukraine conflict

Geopolitical tensions took an unexpected turn in mid-February 2022 in Eastern Europe, culminating in the Russian Federation invasion of Ukraine and triggering an armed conflict that affected the financial markets. Although the effects of this crisis are still unknown, they may be relevant as they may result in the deceleration of economic growth, an exceptional rise in inflation, and developments of the ECB's monetary policy.

As a consequence of the conflict, the Bank's own portfolio devalued by €-2.2m in the first four months of the year, due to price developments of Russian securities. This effect combined with the constitution of impairments on direct exposures has an estimated impact on the total own funds ratio of around 0.95 p.p.

No other factors or events have occurred subsequent to the balance sheet date that would justify additional judgements or disclosures.

III

Notes to the Separate Financial Statements as at 31 December 2021

Amounts in Euro,
except as otherwise stated.

Separate Balance Sheet
as at 31 December 2021 and 2020

	Notes	31/12/2021	31/12/2020
Assets			
Cash and net assets in central banks and other demand deposits	1	137 858 040	115 264 745
Financial assets at fair value through profit or loss	2	15 127 242	15 937 438
Financial assets held for trading	2.1	4 344 359	4 711 425
Non-marketable financial assets mandatorily carried at fair value through profit or loss	2.2	10 782 883	11 189 245
Other financial assets	2.3	0	36 768
Financial assets at fair value through other comprehensive income	3	69 046 592	57 036 132
Financial assets at amortised cost	4	152 102 779	137 110 128
Of which:			
Loans to clients	4.1	68 318 550	79 952 811
Derivatives - Hedge accounting	5	0	68 713
Investments in subsidiaries, joint ventures and associated companies	6	5 351 269	5 364 307
Property, plant and equipment	7	11 479 817	11 596 704
Intangible assets	8	985 229	1 045 737
Tax assets	9	803 392	512 186
Other assets	10	2 308 281	3 445 146
Non-current assets and disposal groups stated as held for sale	11	3 051	85 680
Total assets		**395 065 691**	**347 466 916**
Liabilities			
Financial liabilities held for trading	12	5 268	443 959
Financial liabilities measured at amortised cost	13	350 050 384	303 126 012
Derivatives - Hedge accounting	14	43 315	0
Provisions	15	323 684	102 074
Tax liabilities	16	1 174 130	754 651
Other liabilities	17	3 436 110	4 741 592
Total liabilities		**355 032 892**	**309 168 289**
Capital	18		
Capital		20 000 000	20 000 000
Issue premiums		369 257	369 257
Other accumulated comprehensive income		2 286 149	2 181 019
Retained earnings		1 535 376	4 029 175
Other reserves		14 226 088	14 226 088
Income for the year		1 615 929	(2 506 912)
Total Own Equity		**40 032 799**	**38 298 627**
Total Liabilities and Capital		**395 065 691**	**347 466 916**

The Certified Accountant

The Board of Directors

Separate Income Statement
as at 31 December 2021 and 2020

	Notes	31/12/2021	31/12/2020
Interest and similar income		4 984 147	4 958 755
Interest and similar costs		(700 297)	(917 604)
Financial margin	**19**	**4 283 850**	**4 041 151**
Income from equity instruments	20	349 278	344 237
Income from services and commissions	21	8 774 241	6 630 006
Charges - services and commissions	21	(3 678 705)	(3 535 616)
Income from assets and liabilities evaluated at fair value through profit or loss (net)	22	4 156 709	541 315
Income from financial assets at fair value through other comprehensive income	23	516 170	(589 086)
Income from non-marketable financial assets mandatorily carried at fair value through profit or loss	24	947 435	725 335
Financial assets at amortised cost		0	0
Income from foreign currency reappraisal (net)	25	(1 739 665)	1 955 444
Income from the disposal of other assets	26	105 489	23 106
Other operating income	27	(850 255)	(733 206)
Net operating revenue		**12 864 547**	**9 402 685**
Staff costs	28	(5 554 249)	(5 346 854)
General administrative costs	29	(3 995 094)	(3 830 844)
Depreciation and amortisations	30	(1 400 470)	(1 335 242)
Provisions net of reinstatements and write-offs	31	(220 672)	(92 894)
Impairment of financial assets at amortised cost	32	(255 011)	(916 401)
Impairment of financial assets at fair value through other comprehensive income	33	356 354	(295 519)
Impairment of investments in subsidiaries, joint ventures and associated companies	34	0	10 155
Pre-tax profit		**1 795 405**	**(2 404 915)**
Taxes		(179 475)	(101 997)
Current	35	(188 047)	(176 387)
Deferred	35	8 572	74 391
Profit after tax		**1 615 929**	**(2 506 912)**

The Certified Accountant

The Board of Directors

Separate Statement of Comprehensive Income as at 31 December 2021 and 2020

	31/12/2021	31/12/2020
Consolidated net result for the year	**1 615 929**	**(2 506 912)**
Items not to be restated into profit or loss:		
Property, plant and equipment	(14 455)	3 477 891
Actuarial gains or losses (-) with defined benefit pension plans	387 244	163 196
Items that may be restated into profit or loss:		
Cash flow hedging	(47 310)	(32 942)
Financial assets at fair value through other comprehensive income	96 261	(1 590 778)
Income tax related to items that may be restated into profit or loss	39 743	(451 947)
Other comprehensive income	**461 484**	**1 565 420**
Overall comprehensive income for the year	**2 077 413**	**(941 492)**

The Certified Accountant

The Board of Directors

Statement of Cash Flow
as at 31 December 2021 and 2020

	31/12/2021	31/12/2020
Cash Flows from Operating Activities:		
Interest and commissions received	13 315 848	11 569 551
Interest and commissions paid	(4 511 384)	(4 593 527)
Payments to employees and suppliers	(9 585 249)	(9 144 078)
Deposits from credit institutions and central banks	1 929 220	(10 223 592)
Other operating assets and liabilities	(1 402 771)	19 115 475
Other receipts from clients	58 235 731	19 488 730
Income taxes	(14 943)	(361 054)
Net cash from operating activities	**57 966 452**	**25 851 505**
Cash Flows from Investment Activities:		
Dividends received	0	0
Acquisition of financial assets at fair value through other comprehensive income, net of disposals	(11 784 317)	42 542 403
Acquisition of financial assets at amortised cost, net of disposals	(21 799 971)	(51 229 187)
Acquisitions of property, plant and equipment and intangible assets	(1 229 808)	(1 004 301)
Disposals of property, plant and equipment and intangible assets	57 351	35 350
Investments in subsidiaries and associated companies	(198 500)	(384 000)
Net cash from investment activities	**(34 955 244)**	**(10 039 735)**
Cash Flows from Financing Activities:		
Capital increase	0	0
Dividends paid	0	0
Issue of securitised and subordinated debt	0	0
Remuneration paid on cash and other bonds	0	0
Remuneration paid on subordinated debt	0	0
Deposits from credit institutions (not associated with the main revenue-generating activities)	0	0
Net cash from financing activities	**0**	**0**
Net increase (decrease) of cash and cash equivalents	23 011 208	15 811 769
Cash and cash equivalents at the start of the year	115 281 456	99 469 687
Cash and cash equivalents at the end of the year	138 292 664	115 281 456

Cash and cash equivalents As at 31 December 2021 and 2020, the heading cash and cash equivalents is broken down as follows:	31/12/2021	31/12/2020
Cash and net assets in central banks	69 209 201	56 589 531
Net assets in other credit institutions	68 648 838	58 675 214
Investments in other credit institutions	500 000	500 000
Overdrafts in other credit institutions	(65 376)	(483 289)
Cash and cash equivalents at the end of the financial year	138 292 664	115 281 456

The Certified Accountant

The Board of Directors

Statement of changes in Equity (Separate) as at 31 December 2020 and 2021

	Capital	Issue premiums	Other accumulated comprehensive income
Opening balances	**20 000 000**	**369 257**	**238 484**
Changes in fair value reserves			1 854 171
Deferred tax			(451 947)
Actuarial gains or losses (-) with pension plans			163 196
Net result for 2020			
Comprehensive income for 2020			
Distribution of dividends			
Other changes in equity			377 115
Balances as at 31 December 2020	**20 000 000**	**369 257**	**2 181 019**
Changes in fair value reserves			34 496
Deferred tax			39 743
Actuarial gains or losses (-) with pension plans			387 244
Net result for 2021			
Comprehensive income for 2021			
Distribution of dividends			
Other changes in equity			(356 354)
Balances as at 31 December 2021	**20 000 000**	**369 257**	**2 286 148**

The Certified Accountant

Legal reserves	Other reserves	Retained earnings	Results for the year	Total own equity
2 357 633	**11 669 492**	**2 238 510**	**1 989 627**	**38 863 003**
				1 854 171
				(451 947)
				163 196
			(2 506 912)	(2 506 912)
				(941 492)
				0
198 963		1 790 665	(1 989 627)	377 116
2 556 595	**11 669 492**	**4 029 175**	**(2 506 912)**	**38 298 627**
				34 496
				39 743
				387 244
			1 615 929	1 615 929
				2 077 413
				0
0		(2 493 799)	2 506 912	(343 241)
2 556 595	**11 669 492**	**1 535 377**	**1 615 929**	**40 032 799**

The Board of Directors

1. General Information

O Banco L.J. Carregosa, SA (Bank or Carregosa) is a commercial bank with head-office in Portugal at Av. da Boavista nº 1083, in Porto, operating under the appropriate permits issued by the Portuguese authorities. It began to operate as a commercial bank in November 2008.

THE Bank has four branches in Portugal.

2. Basis of Presentation and Significant Accounting Policies

2.1. Basis of presentation and comparability

The annual financial statements were prepared in accordance with the International Accounting Standards or International Financial Reporting Standards (IAS/IFRS) adopted in the European Union, as set out in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council, of 19 July, transposed into national law through Banco de Portugal Notice 5/2015, of 7 December.

The IFRS include the accounting standards issued by the International Accounting Standards Board (IASB) and the interpretations thereof issued by the International Financial Reporting Interpretation Committee (IFRIC), and by the respective former bodies. The Bank's financial statements presented herein report to the year ended 31 December 2020 and were prepared in accordance with the current IFRS as adopted in the European Union.

The financial statements are stated in Euro.

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

Banco Carregosa has a share in Circuitos e Traçados, S.A., Circuitos e Traçados 2 Unipessoal, Lda. and Carregosa – SGOIC, S.A. and the control or power to manage the financial and operational policies of this company.

Consolidated Income is established based on the net income of the Bank and participated companies, after consolidation adjustments, in particular the elimination of gains and losses as a result of transactions made between these companies.

The Bank's financial statements were prepared according to a going concern basis based on the books and accounting records kept in accordance with the principles contained in IFRS – Disclosure of accounting policies.

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

The following standards, interpretations, amendments and revisions adopted by the European Union were respected and implemented by the Bank in the year ended 31 December 2021.

New standards and amendments to the standards that came into effect on 1 January 2021

IFRS 16 – 'COVID-19 related rent benefits'

In light of the global pandemic caused by the novel coronavirus (SARS COV 2), lessors have been providing benefits to tenants in respect of lease rentals, which can take different forms, such as the reduction, forgiveness or deferral of contractual rentals.

This amendment to IFRS 16 introduces a practical expedient for tenants (but not for lessors), which exempts them from assessing whether subsidies granted by lessors under COVID-19, and exclusively these subsidies, qualify as changes to leases.

Tenants who choose to apply this exemption account for the change to the rental payments, as variable rentals in the period(s) in which the event or condition leading to the payment reduction occurs.

The practical expedient is only applicable when all of the following conditions are met:

i. the change in the lease payments results in a revised consideration for the lease that is substantially the same as, or less than, the consideration immediately before the change;

ii. any reduction in the lease payments only affects payments due on or before 30 June 2021; and

iii. there are no substantive changes to other terms and conditions of the lease.

This change is applied retrospectively with the impacts reflected as an adjustment to retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the tenant first applies the change.

Endorsement Regulation by the European Union
Regulation (EU) No. 2020/1434 of 9 October.

Effective date
Annual periods beginning on or after 1 June 2020, early adoption being allowed.

IFRS 4 – 'Insurance contracts – Deferral of the application of IFRS 9'

This amendment refers to the temporary accounting consequences that result from the difference between the effective date of IFRS 9 - Financial Instruments and the future IFRS 17 - Insurance Contracts.

In particular, the amendment made to IFRS 4 postpones the expiry date of the temporary exemption from applying IFRS 9 from 2021 to 2023 in order to align the effective date of the latter with that of the new version of IFRS 17, which was subject to amendments in May 2020.

This exemption is optional and only applies to entities that substantially develop insurance activity.

Endorsement Regulation by the European Union
Regulation (EU) No. 2020/2097 of 15 December.

Effective date
Annual periods beginning on or after 1 January 2021.

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – 'Reform of reference interest rates – phase 2'

As the process of reform of the reference interest rates ("IBOR reform") is still ongoing in the different financial markets, the amendments to the standards introduced by the IASB, in this second phase, address issues arising in the accounting of financial instruments indexed to these rates due to the replacement of a reference interest rate by an alternative one, and provide for the application of exemptions such as:

i. Changes in hedge designation and documentation;
ii. Reuse of amounts accumulated in the cash flow hedge reserve;
iii. Retrospective assessment of the effectiveness of a hedging relationship under IAS 39;
iv. Changes in hedging relationships for groups of items;
v. Assumption that an alternative reference rate designated as a risk component not contractually specified is separately identifiable and qualifies as a hedged risk; and
vi. Update the effective interest rate, without recognising a gain or loss, for financial instruments measured at amortised cost with changes in the contractual cash flows as a result of the reform of the reference interest rates, a situation that also applies to lease liabilities that are indexed to a reference interest rate.

Endorsement Regulation by the European Union
Regulation (EU) No. 2021/25, of 13 January.

Effective date
Annual periods beginning on or after 1 January 2021.

Changes to the standards and new standards, effective on or after 1 January 2022

IAS 16 – 'Income before start-up'

This amendment is part of the narrow scope amendments published by IASB in May 2020. With this amendment, IAS 16 - 'Property, Plant and Equipment' will prohibit the deduction of amounts received as consideration for items sold that resulted from the production in test phase of property, plant and equipment (outputs), from the carrying amount of those assets. The consideration received for the sale of the outputs obtained during the testing phase must be recognised in the income statement, in accordance with the applicable regulations, as well as the directly related costs. This amendment is applied retrospectively, without restatement of comparatives.

Endorsement Regulation by the European Union
Regulation (EU) No. 2021/1080, of 28 June.

Effective date
Annual periods beginning on or after 1 January 2022.

IFRS 3 – 'Reference to the Conceptual Framework'

This amendment is part of the narrow scope amendments published by IASB in May 2020. This amendment updates the references to the Conceptual Structure in the IFRS 3 text, regarding the identification of an asset or a liability within a business combination, without introducing changes to the accounting requirements for recording business combinations. This amendment also clarifies that in applying the purchase method, liabilities and contingent liabilities must be analysed in the light of IAS 37 and/or IFRIC 21 and not in accordance with the definition of liabilities in the Conceptual Framework, and that the contingent assets of the acquiree cannot be recognised in a business combination. This amendment is applied prospectively.

Endorsement Regulation by the European Union
Regulation (EU) No. 2021/1080, of 28 June.

Effective date
Annual periods beginning on or after 1 January 2022.

IAS 37 – 'Onerous Contracts – costs of fulfilling a contract'

This amendment is part of the narrow scope amendments published by IASB in May 2020. This amendment specifies which costs the entity should consider when assessing whether a contract is onerous or not. Only expenses directly related to the performance of the contract are accepted, and these may include:

i. The incremental costs to fulfil the contract such as direct labour and materials; and

ii. The allocation of other expenses that are directly related to the performance of the contract, such as the allocation of depreciation costs of a given property, plant and equipment used to perform the contract. This amendment should be applied to contracts which, at the beginning of the first annual reporting period to which the amendment is applied, still include unfulfilled contractual obligations, without restating the comparative. Any impact should be recognised against retained earnings on that same date.

Endorsement Regulation by the European Union
Regulation (EU) No. 2021/1080, of 28 June.

Effective date
Annual periods beginning on or after 1 January 2022.

IFRS 16 – 'Leases – COVID-19 related rent benefits after 30 June 2021'

The amendment extends the application date of the amendment to IFRS 16 – 'Leases - COVID-19 related rent benefits' from 30 June 2021 to 30 June 2022. The conditions of application of the practical expedient are maintained, being:

i. If the lessee is already applying the 2020 practical expedient, it must continue to apply it to all leases with similar characteristics, and on comparable terms; and

ii. If the lessee has not applied the practical expedient to the 2020 eligible rent benefits, they cannot apply the extension to the 2020 amendment. This amendment is applied retrospectively with the impacts reflected as an adjustment to retained earnings of the annual reporting period in which the tenant first applies the change.

Endorsement Regulation by the European Union
Regulation (EU) No. 2021/1421, of 30 August.

Effective date
Annual periods beginning on or after 1 April 2021, early adoption being allowed contingent on the adoption of the first amendment to IFRS 16.

IFRS 17 – 'Insurance contracts (issued on 18-05-2017); including amendments to IFRS 17 (issued on 25-06-2020)'

IFRS 17 replaces IFRS 4 'Insurance contracts", the interim standard in force since 2004IFRS 17 applies to all entities that issue insurance contracts, reinsurance contracts and investment contracts with discretionary participation features.

For service contracts whose primary purpose is the provision of services for a fixed fee, the entities may choose to apply IFRS 17 or IFRS 15. As provided for in IFRS 4, financial guarantee contracts may be included in the scope of IFRS 17, provided the entity has explicitly classified them as insurance contracts. Insurance contracts for which the entity is the policy holder fall outside the scope of IFRS 17 (with the exception of the reinsurance issued).

IFRS 17 is based on the current measurement of technical liabilities at each reporting date. Current measurement may be based on a full model (building block approach) or a simplified model (premium allocation approach). The complete model is based on probability-weighted and risk-adjusted discounted cash flow scenarios, and a contractual service margin, which represents the estimated future profit on the contract. Subsequent changes in estimated cash flows are adjusted against the contractual service margin unless it becomes negative.

During the implementation period and in response to some of the concerns and challenges inherent in the implementation of IFRS 17, the IASB published in 2020, specific amendments to the initial text of IFRS 17, as well as proposals for clarification, in order to simplify some of the requirements of this standard and streamline its implementation. The amendments made have impacts in eight areas of IFRS 17, such as:

i. Scope;

ii. Level of aggregation of insurance contracts;

iii. Recognition;

iv. Measurement;

v. Modification and derecognition;

vi. Presentation of the statement of financial position;

vii. Recognition and measurement of the income statement; and

viii. Disclosures.

The main changes introduced to IFRS 17 refer to:

i. Expected recovery of cash flows from acquisition of assets by insurance contracts;

ii. Contractual service margin attributable to investment services;

iii. Exclusion from scope of certain credit card (or similar) contracts, as well as some financing contracts;

iv. Presentation of insurance contract assets and liabilities in the statement of financial position in portfolios rather than groups;

v. Applicability of the risk mitigation option, when using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss to mitigate financial risks;

vi. Accounting policy option to change estimates made in previous interim periods, when applying IFRS 17;

vii. Inclusion of income tax payments and receipts specifically attributable to the policyholder under the terms of the insurance contract (as to cash flow compliance); and

viii. Practical interim expedients.

IFRS 17 is applied prospectively, with exemptions foreseen for the transition date.

Endorsement Regulation by the European Union
Regulation (EU) No. 2021/2036, of 19 November.

Effective date
Annual periods beginning on or after 1 January 2023.

Annual improvement cycle 2018-2020

IFRS 1 – 'Subsidiary as a first-time adopter of IFRS'

A subsidiary that becomes a first-time adopter of IFRS after its parent company, and which opts elects to measure its assets and liabilities based on the carrying amounts in the parent company's consolidated financial statements, may measure cumulative translation differences for all transactions denominated in foreign currencies at the values that would be determined in the parent company's consolidated financial statements, based on the parent company's date of transition to IFRS.

Endorsement Regulation by the European Union
Regulation (EU) No. 2021/1080, of 28 June.

Effective date
Annual periods beginning on or after 1 January 2022.

IFRS 9 – 'Derecognition of financial liabilities' – costs incurred to be included in the "10 per cent" variation

This improvement clarifies that within the scope of the derecognition tests performed on renegotiated liabilities, the net amount between fees paid and fees received should be determined considering only the fees paid or received between the borrower and the lender, including fees paid or received, by either entity on behalf of the other.

Endorsement Regulation by the European Union
Regulation (EU) No. 2021/1080, of 28 June.

Effective date
Annual periods beginning on or after 1 January 2022.

IFRS 16 – 'Lease incentives'

The improvement is to amend Illustrative Example 13 accompanying IFRS 16 to remove an inconsistency in the accounting treatment of incentives provided by the lessor to the tenant. This improvement is applied prospectively.

Endorsement Regulation by the European Union
Regulation (EU) No. 2021/1080, of 28 June.

Effective date
Annual periods beginning on or after 1 January 2022.

IAS 41 – 'Fair value measurements and taxation'

This improvement removes the requirement to exclude tax cash flows from the fair value measurement of biological assets, ensuring consistency with the principles of IFRS 13 - 'Fair valuer'. This improvement is applied prospectively.

Endorsement Regulation by the European Union
Regulation (EU) No. 2021/1080, of 28 June.

Effective date
Annual periods beginning on or after 1 January 2022.

Amendments to the standards published by IASB not yet endorsed by the EU

IAS 1 – 'Classification of liabilities as current or non-current'

Clarification on the classification of liabilities as current or non-current balances depending on the rights that an entity has to defer its payment at the end of each reporting period (the standard no longer makes reference to unconditional rights, as loans are rarely unconditional to the fulfilment of specific conditions). The classification of liabilities is not affected by the entity's expectations (the assessment should determine whether a right exists, but should not consider whether the entity will exercise that right), or by events occurring after the reporting date, such as the breach of a given covenant. An additional clarification is made regarding the meaning of 'settlement' of a liability, which is now defined as the extinguishing of a liability through transfer:

i. Cash or other economic resources, or

ii. The entity's own equity instruments.

This change is applied retrospectively.

Endorsement Regulation by the European Union
Pending endorsement.

Effective date (*)
Annual periods beginning on or after 1 January 2023.

(*) This amendment is under review by the IASB and is expected to postpone the effective date to 1 January 2024.

IAS 1 – 'Disclosure of accounting policies'

Change to the requirements of disclosure of accounting policies are now based on the definition of "material" instead of "significant". Information relating to an accounting policy is considered material if, in its absence, users of the financial statements would not be able to understand other financial information included in those financial statements. Immaterial information about accounting policies need not be disclosed. Practice Statement 2, was also amended to clarify how the concept of "material" applies to the disclosure of accounting policies.

Endorsement Regulation by the European Union
Pending endorsement.

Effective date
Annual periods beginning on or after 1 January 2023.

IAS 8 – 'Disclosure of accounting estimates'

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

Endorsement Regulation by the European Union
Pending endorsement.

Effective date
Annual periods beginning on or after 1 January 2023.

IAS 12 – 'Deferred tax related to assets and liabilities arising from a single transaction'

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

iii. Assets under right-of-use and lease liabilities; and

iv. Provisions for dismantling, restoration or similar liabilities with the corresponding amounts recognised as part of the cost of the related asset, when at the date of initial recognition they are not relevant for tax purposes. These temporary differences do not fall within the scope of the exemption of initial recognition of deferred taxes. The cumulative effect of the initial application of this amendment is recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) of the earliest comparative period presented.

Endorsement Regulation by the European Union
Pending endorsement.

Effective date
Annual periods beginning on or after 1 January 2023.

IFRS 17 – 'Initial application of IFRS 17 and IFRS 9 - Comparative information'

This amendment applies only to insurance entities in their transition to IFRS 17, allowing the adoption of an "overlay" in the classification of a financial asset for which the insurer does not apply retrospectively under IFRS 9.

The amendment is aimed at helping entities avoid temporary accounting mismatches between financial assets and insurance contract liabilities in respect of the comparative information that should be presented upon initial application of IFRS 17. Scheduled plans:

i. Its individual application for each financial asset;

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

iii. An obligation to use reasonable and supportable information available at the transition date to determine how the insurer expects that financial asset to be classified under IFRS 9.

Endorsement Regulation by the European Union
Pending endorsement.

Effective date
Annual periods beginning on or after 1 January 2023.

2.2. Significant accounting policies

The accounting policies hereunder apply to Banco Carregosa's financial statements.

2.2.1. Transactions in foreign currency (IAS 21)

Transactions in foreign currency (other than the Bank's functional currency) are recorded at the exchange rates in effect on the date of transaction.

Financial assets and liabilities in foreign currency are recorded in their currency denomination (multi-currency system).

At each reporting date, the carrying amounts of monetary items denominated in foreign currency are restated at the exchange rate on that date. Favourable and unfavourable exchange differences arising from the differences between exchange rates in effect on the date of transactions and those in effect at the date of collection, payment or balance sheet date are recognised in profit or loss for the period.

2.2.2. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the amounts recorded in the balance sheet with a maturity of less than three months as of their contract date, including cash and other net assets in other credit institutions.

The concepts used in the presentation of the cash flow statements are as follows:

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

ii. **Operating activities:** the indirect method is used for the presentation of cash flows from operating activities, reflecting the flow of the typical activities of credit institutions, as well as other activities that are not classified as investment or financing activities;

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

iv. **Financing activities:** activities that produce changes in medium and long-term financing operations that are not part of the operating activities, such as securitised and subordinated debt, capital increases and dividend distribution.

2.2.3. Investments in domestic and foreign credit institutions

These instruments are measured at fair value, which is normally the consideration paid, net of directly associated transaction costs.

2.2.4. Financial instruments

The accounting classification is determined upon the acquisition of the asset, in accordance with IFRS 9 and in compliance with the rules of IFRS 13, as regards fair value measurement.

When assets are first recognised, they are stated according to one of the following categories:

i. Assets measured at amortised cost;

ii. Assets measured at fair value through another comprehensive income;

iii. Assets measured at fair value through profit or loss.

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

Adopted by Regulation (EU) No. 1255/2012, of the Commission, of 11 December 2012, the International Financial Reporting Standard (IFRS) 13 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 (cf. par 9) fair value 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 (cf. par 7):

i. Plan assets measured at fair value in accordance with IAS 19 – Employee Benefits;

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

iii. Assets for which recoverable amount is the fair value less costs of disposal in accordance with IAS 36 – Impairment of Assets.

According to paragraph 8, the fair value measurement framework described in IFRS 13 applies to both initial and subsequent measurement if fair value is required or permitted by other IFRSs.

As from 1 January 2018, a specific balance sheet heading is in place – "Non-trading financial assets mandatorily at fair value through profit or loss".

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

The following accounting classes are, therefore, considered:

i. Financial assets at amortised cost – HTM;

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

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

iv. Other assets not held for trading, mandatorily recorded at fair value (Not Held for Trading, PL).

Financial assets at amortised cost

An asset must be recorded at amortised cost if both the following conditions are met:

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

» The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Initial recognition and subsequent measurement

Assets are initially recognised at fair value, including costs or gains associated to the transactions, and subsequently they are measured at amortised cost. Additionally, at their initial recognition they are subject to the calculation of expected credit losses, which will reduce the book value of these financial assets by corresponding entry under "impairment of financial losses at amortised cost".

Interest on financial assets at amortised cost is recorded under "interest and similar income".

Gains or losses generated at the time of their "derecognition" are recorded under "Gains/losses" and financial assets and liabilities are "derecognised" at amortised cost.

When mention is made of a "derecognition", the following are said to occur:

i. a disposal;

ii. Or an entity restates an asset out of the amortised cost measurements category into the fair value through profit or loss measurement category (IRFS 9, paragraph 5.6.2).

If an entity restates a financial asset out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category, any gain or loss arising from a difference between the previous amortised cost of the financial value and fair value is recognised in "Other comprehensive income (IRFS 9 paragraph 5.6.4).

Financial assets at fair value through other comprehensive income

An asset must be recorded at fair value through other comprehensive income if both the following conditions are met:

i. The financial asset is held within a business model whose objective is achieved by both obtaining contractual cash flows and selling financial assets;

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

This classification must consider the asset portfolio recorded at fair value through other comprehensive income (FVTOCI), reasonably close to the so-designated prudential investment portfolio.

Additionally, in the initial recognition of an equity instrument that is not held for trading, or in the case of a contingent retribution recognised by a buyer in a business combination to which IFRS 3 applies, the Bank may irrevocably opt to state it under financial assets 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 measured at fair value. Changes in the fair value of these assets are recorded by corresponding entry under other comprehensive income and, at the time of their disposal, their accumulated gains or losses in other comprehensive income are restated into a specific profit and loss heading designated "Gains or losses with the "derecognition" of financial assets at fair value through comprehensive income".

Additionally, these financial assets are since their initial recognition subject to the calculation of impairment losses, which will not reduce the carrying amount of the financial asset in the balance sheet, therefore being recognised in profit or loss under "impairment of assets at fair value through other comprehensive income" against other comprehensive income.

Interest on financial assets at fair value through other comprehensive income is recognised under "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 measured at fair value. Changes in the fair value of these financial assets are recorded against other comprehensive income. Dividends are recognised in profit or loss only when the entity's right to receive payment of the dividend is established.

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

If an entity restates a financial asset out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is restated from equity to profit or loss as a restatement adjustment.

Financial assets at fair value through profit or loss

A financial asset must be recorded at fair value through profit or loss if the business model defined by the Bank for managing the financial assets or cash flow characteristics does not meet the conditions for them to be measured at amortised cost or at fair value through other comprehensive income.

However, the Bank may irrevocably designate a financial asset that meets the criteria of amortised cost measurement or fair value measurement through other comprehensive income as measured at fair value through profit or loss at initial recognition 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 in them according to different bases.

The following must be considered under this classification:

i. Assets measured at fair value through profit and loss (FVTPL), almost coincident with the designated prudential trading book;

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).

<u>Initial recognition and subsequent measurement</u>

Financial assets at fair value through profit or loss are initially recognised at fair value, and costs or income related to the transactions are recognised in profit or loss at the initial date, with subsequent changes also recognised in profit or loss.

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

2.2.5. Restatement

The restatement of financial assets is only permitted in strict accordance with the regulatory and accounting standards in force[8].

The restatement of a position in the trading book into a non-trading book position or, inversely, 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 where there is:

i. Final delisting;

ii. The loss of public company status;

iii. Default by the issuer.

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

Where the competent authorities permit the restatement:

i. The restatement of that position cannot be changed;

ii. The Bank must disclose publically, on the first reporting date, the information that its position was restated;

iii. Under the regulations, where, at the first reporting date, the net change in the amount of the Bank's own funds requirements, arising from the restatement of the position, results in a net reduction, the Bank will henceforth provide for additional own funds equal to the net change and will publically disclose the amount of such additional own funds;

iv. The additional own funds amount will remain constant until the maturity date of the position, unless the competent authorities allow the institution to gradually reduce that amount at an earlier date.

2.2.6. Fair value hierarchy of financial instruments

The 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 measurement date, under prevailing market conditions (*i.e.* exit price), irrespective of whether this price is directly observable or estimated using another appraisal technique.

Financial instruments recorded in the balance sheet at fair value were classified into three levels, in accordance with IFRS 13:

i. Tier 1 – quoted in an active market

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

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

8 For this purpose, a correction of an error in classification is not considered as a restatement.

2.2.7. Equity instruments

Transaction costs directly attributable to the equity issuance are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs. Distributions made on behalf of equity instruments are deducted from equity capital as dividends when declared.

2.2.8. Financial derivatives (IFRS 9)

Financial derivatives are recorded at fair value on the date on which the Bank negotiates the contracts and are subsequently measured at fair value. Fair values are obtained through market prices in active markets, including recent market transactions, and appraisal models, namely: discounted cash flow models and option appraisal models. Derivatives are considered 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 yield of debt instruments to share value or share indices, are split and treated as separate derivatives when their risk and economic characteristics are not clearly related to those of the underlying contract and the latter is not measured 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.

2.2.9. Hedge accounting

As permitted by IFRS 9, the Bank opted to continue to apply the requirements for hedge accounting provided for in IAS 39.

Principle:
Derivatives and other financial instruments to hedge interest rate risk and exchange risk resulting from financing and investment activities. Derivatives that do not qualify for hedge accounting will be recorded as trading derivatives.

Hedge derivatives are recorded at fair value and gains or losses resulting from the reappraisal are recognised according to the hedge accounting model. A hedge relation exists when:

i. At the start date of the relation there is formal documentation of the hedge;

ii. The hedge is expected to be highly effective;

iii. Hedge effectiveness can be reliably measured;

iv. Hedge is evaluated on a continuous basis and effectively determined as being highly effective throughout the financial reporting year; and

v. In relation to the hedging of an expected transaction, this transaction is highly likely to occur and is exposed to cash flow variations that could ultimately affect profit or loss.

When a derivative financial instrument is used to hedge exchange fluctuations of monetary assets or liabilities no hedging accounting model is applied. Any gain or loss associated to the derivative is recognised in profit or loss, as well as the exchange risk fluctuations of underlying monetary items.

(i) Fair value hedging

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

If the hedging relation no longer complies with the hedging accounting requirements, the cumulative gains or losses from the changes in interest rate risk associated to the hedging item until the date when the hedging is discontinued are amortised through profit or loss for the remaining period of the hedged item.

(ii) Cash flow hedging

Changes in fair value of derivatives that qualify for hedging cash flows that are considered as effective hedges are recognised in fair value reserves. The ineffective portion of the change in fair value is recognised through profit or loss.

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

(iii) Hedge effectiveness

For a hedging relationship to be considered as such, its effectiveness must be demonstrated. To this end, prospective tests must be carried out on the date when the hedging relation starts, where applicable, and retrospective tests to show the hedging effectiveness at each balance sheet date, showing that changes in the fair value of the instrument are hedged by changes in the hedged item with respect to the hedged risk. Any resulting ineffectiveness is recognised through profit or loss at the time it occurs.

2.2.10. Loans to clients and other receivables (receivables)

Appraisal, initial and subsequent recognition

Loans to clients and receivables from other debtors are the financial assets corresponding to provisions of cash, goods or other services to a certain entity by the institution. This concept covers the typical activity of granting loans to clients, as well as the creditor positions arising from operations with third parties carried out as part of the institution's activities.

Loans to clients and receivables from other debtors are valued as follows:

i. On the initial recognition date, credits and amounts receivable are recorded at fair value. In general, the fair value at the initial date corresponds to the transaction value and includes commissions, fees or other charges and incomes associated to loan transactions. Subsequently, loans and accounts receivable are valued at amortised cost based on the effective interest rate and subject to impairment tests.

ii. Where applicable, interest, commissions and other charges and income associated to loan transactions are accrued over the life of the transactions, in the case of transactions that produce residual flows over a period of more than one month, regardless of the moment when they are charged or paid. Loan commitment fees are recognised on a deferred and straight-line basis over the lifetime of the commitment.

For the purpose of constituting impairments, the total loans granted are to be considered, including other liabilities assumed with third parties, such as guarantees or other similar instruments.

<u>Derecognition (IFRS 9)</u>

Loans to clients are derecognised from the balance sheet when:

i. The contractual rights to the cash flows expires;

ii. The bank transfers substantially all the risks and rewards of ownership;

iii. Despite having withdrawn part but not substantially all the risks and rewards of ownership, the control over assets was transferred; and

iv. Changes to the contractual terms of a financial asset give rise to a substantial change in the current value of cash flows, *i.e.*, the new contractual terms discounted at the interest rate of the initial contract give rise to a change of at least 10% of the current value of the remaining cash flows of the original financial asset.

<u>Credit Impairment Loss (IFRS 9)</u>

Identified impairment losses are recorded through profit or loss and are subsequently reversed through profit or loss if there is a reduction in the amount of the estimated loss at a later time.

IFRS 9 replaces the IAS 30 "incurred loss" model with a forward-looking model of Expected Credit Loss (ECL), which considers the expected credit losses in the lifetime of financial instruments. Thus, in determining the ECL macroeconomic factors and other forward-looking information are taken into account, whose changes impact on the expected loss.

The current impairment model analyses all positions individually.

2.2.11. Assets acquired in exchange for loans

Assets acquired in exchange for loans, which may relate to real estate, equipment and other assets received as payment, are stated under non-current assets held for sale and are initially recorded at the lower amount between their fair value minus costs to be incurred in the sale and the carrying amount of the balance of the loans granted subject to recovery.

2.2.12. Non-current assets held for sale

Non-current assets are stated as held for sale whenever it is determined that their book value will be recovered through their sale and not through their continued use.

Assets recorded in this category are measured at the lower of the amount established by the applicable IFRS and the fair value, calculated based on the appraisals of external independent internal or external experts, minus costs to be incurred in the sale, and are not subject to depreciation.

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

Other property, plant and equipment are stated at acquisition cost, minus depreciation and impairment losses, and are depreciated on a straight-line basis over their expected useful life. 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.

The acquisition cost includes expenses directly attributable to asset acquisition. Maintenance and repair costs are recognised as a cost for the year under "General administrative costs".

According to IAS 16, whenever there is an indication that the carrying amount exceeds their recoverable value, these assets are subject to impairment tests. The difference, if any, is recognised through profit or loss. The recoverable amount is the highest between the two values, asset market value minus costs and its value in use. Impairment loss of property, plant and equipment are recognised in the income statement.

Until 31 December 2020, land and buildings were recorded in accordance with the acquisition cost model, on which date a reappraisal was carried out by professionally qualified and independent appraisers. Therefore, for these classes of assets a revalued amount was carried, which is the fair value at the reappraisal date less accumulated depreciation and any accumulated impairment losses.

Increases in the carrying amount arising from reappraisal are credited to tangible assets reappraisal reserves in equity.

When revalued assets are sold, the amount recognised in reappraisal reserves 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 in force until 31 December 2018. Its implementation did not materially affect the financial statements, so the Bank chose not to apply the standard retrospectively.

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

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

Right-of-use assets are recorded under "right-of-use property, plant and equipment".

Lease liabilities are initially measured at the current value of lease payments over the lease term, discounted at the implicit lease rate or, if such rate cannot be easily determined, at the Bank's financing rate.

Lease liabilities are subsequently increased by the interest cost over the lease liability, and decreased by lease payments made. Lease liabilities are recorded under other liabilities.

The Bank has no transactions in which it is classified as a lessor.

2.2.14. Intangible assets (IAS 38)

The Bank records under this heading the costs with development of projects implemented and to be implemented, as well as the cost of software purchased, in either case when the expected impact extends beyond the period in which they are incurred.

Costs directly related to the development of IT applications, whose use can be expected to generate future economic flows beyond one financial year, are recognised and recorded as intangible assets.

All other expenses related to IT services are recognised as costs when they are incurred.

Intangible assets are recorded at acquisition cost, minus the impairment losses and depreciations using the straight-line method and by twelfths over their estimated useful life, which is, in general, three years.

2.2.15. Investments in associated companies (IAS 28)

Investments in associated companies (companies in which the Bank has a significant influence by participating in financial and operating decisions of such company – usually investments representing between 20% and 50% of the share capital) are recorded through the equity method.

Under this method, on initial recognition financial investments in associated companies are recognised at cost, plus or minus the amount corresponding to the proportion of the companies' equity capital, reported at acquisition date or when the equity method is first applied. Financial investments are then adjusted every year by the amount corresponding to the participation in the net results of the associated companies through profit or loss for the year. Additionally, the dividends of these companies are recorded as a reduction in investment value and the proportional part in equity capital changes is recorded as a change in equity of the Group.

The differences between the cost of the investment and associate's share of the fair value of the identifiable assets or liabilities, if positive, are recognised as goodwill, included in the carrying amount of the investment. If these differences are negative, after the fair value is reconfirmed, then they are recorded as gains in the period.

When there is an indication that an asset may be impaired, investments in associated companies are evaluated, and the impairment losses, if any, are recorded as a cost, and reversed when this is no longer justified.

When the proportion of the accumulated losses of the associate exceeds the value by which the investment is recorded, the investment is reported with a null amount, except when the entity has assumed commitments with the associated company, in which case a provision is recorded to meet these obligations.

2.2.16. Other financial liabilities - Deposits from other credit institutions, Client deposits, Other loans and Other (IFRS 9)

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

Financial liabilities held for trading, in particular those resulting from short selling, and the adjustments thereof are recognised through profit or loss.

According to the fair value option, financial liabilities included under liabilities represented by securities and subordinated liabilities are stated as financial liabilities at fair value, through profit or loss, whenever they meet the classification requirements of this category, in particular due to the fact that they contain one or more embedded derivatives. These liabilities are initially measured at fair value, subsequent changes in fair value being recorded in profit or loss.

2.2.17. Provisions and contingent liabilities (IAS 37)

A provision is constituted 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) the amount of the obligation can be reliably estimated. In cases where the discount effect is significant, the provision corresponds to the current amount of expected future payments, discounted at a rate that reflects the risk associated to the obligation. If the future expenditure on resources is not likely to occur, then this is a contingent liability. Contingent liabilities are only the object of disclosure, save if the possibility of their realisation is remote. A provision for onerous contracts is recognised when the benefits expected to be received from a formal contract are less than the costs that the Bank will inevitably incur in order to meet the obligations arising therefrom. This provision is measured based on the current value of the lower of the costs for terminating the contract or estimated net costs resulting from its continuation.

2.2.18. Tax on profits (IAS 12)

Banco Carregosa and its subsidiaries with head-office in Portugal are subject to the tax regime laid down in the Corporate Income Tax Regime and to the Tax Benefit Charter (Estatuto dos Benefícios Fiscais - EBF).

Income tax corresponds to the sum of current taxes and deferred taxes. These are both recorded through profit or loss, except when they relate to items directly posted in equity. In these cases, deferred taxes are also recorded in equity.

Current tax payable is based on the taxable profit for the period, calculated in accordance with the tax criteria in force at the date of financial reporting. Taxable profit differs from accounting result, in that it excludes various charges and incomes that will only be deductible or taxable in other financial periods. Taxable profit excludes charges and income that will never be deductible or taxable.

Deferred taxes refer to the temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences. However, they are recognised only to the extent that it is probable that future tax profits will be available to use these deferred tax assets, or when there are deferred tax liabilities whose reversal is expected to occur during the same period in which the deferred tax assets may be used. These deferred tax assets are reviewed at each reporting date, and adjusted based on expectations of future use.

2.2.19. Gains from financial transactions

Financial results includes gains and losses on financial assets and liabilities at fair value through profit and loss, that is, fair value changes and interest on trading derivatives and embedded derivatives, as well as the dividends received associated with 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 allocated to hedging portfolios and hedged items, when fair value hedge is applicable, are also recognised here.

2.2.20. Recognition of revenue and costs

Revenue and costs are recognised over the life of the transactions and according to the accrual accounting principle, in other words, they are recorded as they are generated. Revenues are recognised to the extent that it is likely that economic benefits flow to the company and the amount of the revenue can be measured. Interest accrued and not collected is reversed in the balance sheet after three months of maturity and are only recognised as revenue when they are actually received.

2.2.21. Recognition of income from services and commissions (IFR15)

IFRS 15 redefines the principles for recognising revenue and applies to all contracts with clients not contracted under other standards (for example, taxes in respect of instruments that would fall under IFRS 9 and the lease income).

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

The Bank applies IFRS 15 to the income arising from services and commissions recognised according to the following criteria:

i. When received as the services are provided, they are recognised in profit or loss in the period to which they refer;

ii. When resulting from service provision, they are recognised when the said service is concluded; and

iii. When wholly part of the effective interest rate, they are recognised under financial margin.

Many of the Bank's revenue sources (for example, interest income, gains and losses in financial instruments) fall outside the scope of IFRS 15, therefore accounting for these flows has not changed with the adoption of IFRS 15.

2.2.22. Recognition of interest

Results relating to interest on financial instruments measured at amortised cost and of financial assets at fair value through other comprehensive income are recognised under interest and similar income or interest and similar costs. Interest on financial assets and liabilities at fair value through profit or loss are also included in the heading interest and similar income or interest and similar costs, respectively. The effective interest rate is the rate that exactly discounts estimated future cash payments or estimated future receipts over the expected lifetime of the financial asset or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Effective interest rate is determined at initial recognition of financial assets and liabilities and is not revised subsequently.

2.2.23. Commissions for services rendered

Banco Carregosa charges commissions to its clients for a broad range of services rendered. Commissions are immediately recognised as revenue, as they relate to specific or one-off services and are not associated to service provisions that are continued over time.

2.2.24. Guarantees provided and irrevocable commitments

Liabilities for guarantees provided and irrevocable commitments are recorded under off-balance sheet items at their risk value, with interest, commissions or other income flows recorded in profit or loss over the lifetime of the transactions.

2.2.25. Employee benefits (IAS 19)

Employee benefits are recognised in accordance with IAS 19 – Employee benefits, and include retirement pensions, health costs, others, and long-term and short-term benefits.

2.2.26. Retirement and survival pensions

Based on the Collective Labour Agreement for the Banking Sector (Acordo Coletivo de Trabalho Vertical para o Setor Bancário – ACTV) as the reference for labour practices, Banco Carregosa made a commitment, exclusively for its employees not integrated in the National Pension System, to grant them or their families cash payments for old-age retirement, early retirement or disability or survivors' pension, by constituting a Defined Benefit Pension Plan. This Plan is in line with the ACTV and is subject to the requirements set by Banco de Portugal, in particular its Notice No. 12/2001 and any updates thereto.

To finance these liabilities, Banco Carregosa joined the Pension Fund Horizonte – Valorização da Pensõesgere in 2004. In 2010, responding to the evolution of its obligations and according to a policy of rigour and good coverage of the liabilities undertaken, the Bank decided to change the pension fund over to another managing entity, "REAL VIDA PENSÕES – Sociedade Gestor de Pensões SA", subscribing 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' pension benefits are covered by a life insurance policy.

Liabilities for services provided in the past by eligible employees are determined every year based on the date of admission at Banco Carregosa and not on the date on which the employee entered the banking sector. Consequently, the share of responsibilities relating to the period between the date of admission in the banking sector and the date of admission in the company will be chargeable to past employers, except if the latter have transferred the amount of their share of responsibility.

The recognised liabilities correspond to the difference between the current value of pension liabilities and the fair value of pension fund assets, taking into account adjustments relating to deferred actuarial gains and losses. The value of liabilities is determined on an annual basis by independent actuaries, using the "Projected Unit Credit" method, and actuarial assumptions regarded as appropriate. Liabilities are reviewed on the basis of a discount rate that reflects the market medium and long term interest rate for bonds listed in the euro area by companies rated as being of low risk.

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

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

In 2019, the Bank decided to initiate the process of converting the current Defined Benefit Pension into a Defined Contribution, covering current active employees and allowing the remaining employees to join the plan on a voluntary basis. The Defined Benefit Plan remains in place for inactive employees, pension payments, and liabilities with SAMS.

2.2.27. Variable remunerations paid to employees (IAS 19)

In accordance with IAS 19 – Benefits to employees, variable remunerations (profit sharing, premiums and others) paid to employees and eventually to the executive members of the management bodies are recognised through profit or loss in the period to which they relate.

2.2.28. Earnings per share

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

2.2.29. Subsequent events

The Bank analyses events that occur after the balance sheet date, *i.e.* favourable and/or unfavourable events occur between the balance sheet date and the date on which the financial statements were authorised for presentation. Two types of events can be identified:

- **i.** Those that provide evidence of conditions that existed at the balance sheet date (adjusting events after the balance sheet date); and
- **ii.** Those that are indicative of conditions that arose after the balance sheet date (non-adjusting events after the balance sheet date).

Events occurring after the date of the financial statements that are not considered as adjustable events, if material, are disclosed in the notes to the financial statements.

2.3. Critical estimates and judgments used in preparing the financial statements

The IFRS establish a series of accounting treatments according to which the Board of Directors must make the necessary calls and estimates to decide which accounting treatment is most appropriate.

Considering that in many cases alternatives for the accounting treatment adopted by the Board of Directors exist, the results reported by the Bank could have been different had a different treatment been used. The Board of Directors believes that the choices made are appropriate and that the financial statements present fairly the Bank's financial position and the results of its operations on all materially relevant aspects.

2.3.1. Impairment on loans to clients

The Bank reviews its loan portfolios on a regular basis to determine potential expected losses.

The loan portfolio review to determine if an impairment loss should be recognised is subject to various estimates and decisions, including on the existence of impairment indicators, the probability of default, credit ratings, estimated recoveries and appraisal of existing collateral.

2.3.2. Taxes in income

Determining the overall amount of income tax requires certain interpretations and estimates. There are several transactions and calculations for which the determination of the final amount of tax payable is uncertain during the normal business cycle.

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

Moreover, the Bank records deferred taxes in accordance with the specific policy, with deferred tax assets being recorded only to the extent that it is probable that future taxable profits will be available to absorb deductible temporary differences and reportable tax losses.

The Bank assessed whether deferred tax assets can be recovered (including the rate thereof) based on projections of its future taxable profits established in a business plan.

The tax authorities are responsible for reviewing the calculation of the taxable amount for a period of four or six years, if tax losses are reported. It may be, therefore, that corrections will be made to the taxable amount, resulting mostly from differences in the interpretation of the tax law. However, the Board of Directors believes that there will be no major corrections to income taxes recorded in the financial statements.

2.3.3. Pensions and other employee benefits

Determining retirement pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, discount rate of liabilities and other factors that may impact on costs and liabilities of the pension plan.

Changes in these assumptions could have a significant impact on these amounts.

3. Risk Management

3.1. Risk management function

The risk management function is responsible for the identification, appraisal, measurement, monitoring and control of all materially relevant risks to which the Group is exposed, in order to bring the exposure levels in line with the limits established in the RAS - Risk Appetite Statement).

The purpose of this is that the Bank operates within its limits without incurring in losses that materially affect its financial position. Thus, the risk management policy aims at maintaining a balance between:

i. Adequate level of capital (principle of solvency);

ii. Remuneration of risks undertaken (principle of profitability);

iii. Maintaining a financially stable structure.

It should be noted that 2021 saw the strengthening the implementation and communication of structural elements such as the Global Risk Management Policy. The aim is to align best practices for information management and, in particular, to improve risk management information.

Last but not least, we should highlight the initiatives completed in early 2021, with a view to ensuring alignment with the requirements of Banco de Portugal Notice 3/2020:

iv. The definition of a risk catalogue which includes risk categories and subcategories;

v. The risk identification and assessment;

vi. The review of the internal control function regulation;

vii. The systematisation of the annual planning of compliance risk management functions.

3.2. Organisational structure of risk management

Notwithstanding the ample management powers vested in the Executive Committee by the Board of Directors, including risk monitoring and management and capital allocation, the Board of Directors closely monitors the Bank's risks. It is responsible for analysing and approving, on a yearly basis, the strategy to be followed and the policies to be adopted by the Bank regarding the risks involved in its business, as generally provided for in Notices and Regulations issued by Banco de Portugal, in particular in connection with operating, reputational, legal, compliance and credit risks, and for defining the procedures to be implemented to assess, monitor and mitigate such risks. In this respect, it is for the Board of Directors to approve the main regulatory documents on risk measurement and mitigation matters, in particular the Internal Capital Adequacy Assessment Process (ICAAP for short) and the Recovery Plan.

Given the importance of risk, the Executive Committee is particularly concerned with promoting a culture of careful risk appraisal among all departments and employees. However, the Bank also has a structure with specific functions in risk management.

This control and monitoring function of financial risks is assisted by the Asset and Liability Committee (ALCO). The committee meets at least once a month and is formed by the following members: Executive Committee, the Directors of Private Banking, Financial, Risk, Sourcing and Management departments, and by the persons in charge of Credit and Portfolio Management services. Recommendations are issued at these meetings on the collection and use of funds, through risk-return balance.

The Compliance, Risk and Internal Audit departments, who are part of the Internal Control Group, are in charge of risk monitoring, on a day-to-day basis, providing and compiling information for the Executive Committee and other bodies with relevant functions in the matters involved.

The Supervisory Committee performs functions complementary to those of Internal Control, but with a more general scope, in that they act as the Bank's Risk Committee.

The Credit Committee is currently formed by the members of the Executive Committee, the director of the Commercial Area, the Credit Department director, the Compliance director, and the Risk and Finance directors. This Committee decides on the credit operations, in a manner similar to the approval process for new operations.

As part of the Bank's Recovery Plan, the Recovery Team meets at least once every quarter, or when necessary. It is responsible for managing potential or actual serious risk situations, and is formed by the Chairman of the Executive Committee, in charge of team coordination, by the Executive Committee members in charge of Risk and Financial, by the Central Managers and those responsible for the Financial, Risk, Compliance, People and Culture, and Marketing, in addition to other members invited to take part in functions.

Note also the Department of Accounting and Management Information, responsible for providing vital information to internal governance.

3.3. Material risks

Credit Risk, Market Risk, Interest Rate Risk, Operating Risk, and Liquidity Risk are considered as material risks.

3.4. Credit risk

Credit risk is the likelihood of negative impacts affecting the results or equity due to the inability of a counterparty to meet its financial commitments with the Bank, including any restrictions on the transfer of payments from abroad. Credit risk is found mainly in credit exposures, credit lines, guarantees, derivatives and the Bank's deposits in other credit institutions. Various methods are used to reduce this risk, in particular the need to deliver solid and net guarantees, the use of contractual netting agreements, and the determination and recognition of impairments. The determination of impairments leads to the decrease in value of a particular asset, thus anticipating a potential or effective loss. The posting of impairments can be regarded as a credit risk mitigation technique, enabling the adequacy of capital to meet the credit risk requirements and the actual financing requirement.

Maximum exposure

Banco Carregosa's maximum exposure to credit risk is as follows:

Client creditworthiness

The disclosures required by Banco de Portugal Circular Letter CC/2018/00000062, of November, are presented hereunder::

	31/12/2021	31/12/2020
Financial Assets		
Cash and net assets in central banks and other demand deposits	137 858 040	115 282 287
Financial assets at fair value through profit or loss:		
Financial assets held for trading	4 344 359	4 711 425
Non-trading financial assets mandatorily at fair value through profit or loss	10 782 883	11 189 245
Other financial assets at fair value through profit or loss	0	36 768
Financial assets at fair value through other comprehensive income	69 046 592	57 036 132
Financial assets at amortised cost	152 102 779	137 110 128
Hedging derivatives	0	68 713
Other assets	2 308 281	3 445 146
Non-current assets and disposal groups stated as held for sale	3 051	0
	376 445 985	**328 879 844**
Other Commitments		
Personal/institutional guarantees		
Guarantees and commitments	2 068 614	13 217 987
Other personal guarantees provided and other contingent liabilities	27 938	4 366 753
Real guarantees (assets offered as collateral)	18 949 000	25 985 000
Irrevocable commitments	1 051 953	929 472
Revocable commitments	9 899 207	14 460 838
	31 996 712	**58 960 050**
Maximum Exposure	**408 442 697**	**387 839 894**

3.4.1. Credit risk management policy

The Bank grants credit exclusively to corporate entities and investors according to the following set of standard operations, which it adapts to the needs of each client and transaction:

i. Loans;

ii. Escrow accounts (CCC);

iii. Authorised bank overdrafts;

iv. Technical overdrafts, arising exclusively from differences in dates-values of debit and credit transactions in the client's account;

v. Bank guarantees, as an off-balance sheet form of potential loan;

vi. Credit cards, under the partnership with UNICRE;

vii. Other types of credits, exceptionally and on a case by case basis, subject to a specific analysis for an appropriate cost-benefit analysis.

Various methods are used to reduce this risk, in particular the need to deliver solid and net guarantees, the use of contractual netting agreements, and the determination and recognition of impairments.

3.4.2. Granting of loans

The lending process is the initial phase of the analysis of the client's risk profile and the operation.

The approval of credit operations is preceded by the issue of opinions by the Credit, Risk, Compliance and, whenever necessary, the Legal Department, ensuring within the framework of the credit risk analysis:

i. An assessment of the client's repayment capacity, through an outlook of its activity, financial situation (historical, current and prospective) and banking relationship;

ii. A thorough knowledge of the client (and respective economic group, when applicable), based, also, if applicable, on previous credit relationship experience;

iii. An assessment of the adequacy of the characteristics of the operation and the level and quality of the collateral;

iv. The application of consistent methodologies, criteria and practices in risk assessment, such as rating or scoring models;

v. The assessment of the framework of the operation within the overall credit portfolio, namely the impact of the operation on impairments, own funds and their requirements and major risks;

vi. That the risk assessment is carried out independently, impartially, rigorously and in accordance with the ethical and professional criteria governing the Bank;

vii. That it is in accordance with the policies and procedures defined, respecting the prudential rules to which the Bank is subject.

Finally and as already noted last year, the events related to the Covid-19 pandemic have impacted at various levels, in particular the Bank's credit transactions. Thus, on 26 March 2020 DL 10/J/2020 was published concerning the moratorium arrangement that established exceptional measures for protecting the loans of families, companies, private charitable institution and other social economy entities, as well as a special arrangement for State guarantees.

3.4.3. Nature of principles, estimates and hypotheses used in measuring impairment

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

The scope of this new model applies to debt instruments recorded at amortised cost of 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 reflects:

i. An objective amount calculated through the appraisal of a set of possible results weighted by their probabilities;

ii. The time value of money; and

iii. Reasonable and supportable information that is available without undue cost or effort at the reporting date on past events, current conditions and projections of future economic conditions.

The measurement of the ECL reflects the probability of default by the debtor, considering its temporary effect and the probability given the default (designated as Loss Given Default – LGD). Additionally, this calculation must be based on reasonable and supportable information that is available without undue cost or excessive effort.

Note that the change in International Financial Reporting Standards, through the introduction of IFRS 9, implies, as aforementioned regarding the determination of impairments, the measurement of expected losses.

Macroeconomic models are integrated when estimating expected losses, by the weighting of prospective scenarios in relation to key indicators.

It should be noted that the approach adopted in the calculation of the ECL is at an individual level, as each position is analysed separately. This situation occurs because the Bank does not have statistically relevant historical data that would allow the segregation of the portfolio by homogeneous risk classes, with a view to implementing and developing a collective analysis.

The segregation of the loan portfolio and impairment by levels is presented below, in line with the classification of the IFRS 9. In this point it should be noted that the Bank has a level of coverage by impairments in the order of 1.5%, being higher in Tier 3, anticipating, from the outset, more fragile situations arising from the end of the moratorium period. This situation naturally affected the Bank's solvency ratio, but without any relevant impact.

Tier	Impairments	Credit	Hedging %
Tier 1	57 674	33 577 981	0.17%
Tier 2	67 968	15 182 640	0.45%
Tier 3	1 758 529	19 557 929	8.99%
Total	**1 884 171**	**68 318 550**	**2.76%**

3.4.4. Determination of exposures with low credit risk

In line with BdP's Circular Letter 2018/00000062, the credit risk of a financial instrument is said to have not increased significantly, since initial recognition, in the cases (which are expected to be limited in number) when it is determined that the financial instrument has a low credit risk at the reporting date. For this purpose, a financial instrument is considered to have a low credit risk if its rating is equivalent to an investment grade level (*i.e.* NR5 or better, in the Bank's internal rating). Moreover, the credit risk evolution of these financial instruments must be continuously monitored when they are classified as having a low credit risk, so as to identify whether there have been significant increases in risk and ensure that they maintain the same low credit risk assumptions 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 consider that this assumption can be undertaken in contractual exposures with the following counterparts, notwithstanding the provisions in the preceding paragraph:

i. Central Administrations or Central Banks of State Members and of other EEA countries;

ii. Multilateral development banks;

iii. International organisations.

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

3.4.5. Indications of signs of impairment by Unlikely to Pay credit segments

The signs of impairment are related with the reduced probability of payment:

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

ii. Losses arising from current or past events that affect a specific significant exposure or exposures that are not individually significant Losses arising from current or past events that affect a specific significant exposure or exposures that are not individually significant are subject to individual or collective assessment. Article 178(3) of the CRR states that elements indicating low likelihood of payment are as follows:

a. The institution assigns the credit obligation the status of non-performing loans;

b. The institution recognises a specific credit adjustment resulting from the perception of a significant deterioration in credit quality from the time the institution took on the exposure;

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

d. The institution shall allow urgent restructuring of the credit obligation where this would result in a lower financial obligation due to significant forgiveness or postponement of principal, interest or, where relevant, fees. In the case of equity exposures measured under the PD/LGD approach, this includes urgent restructuring of the equity stake itself;

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

f. The debtor has filed for or been placed in bankruptcy or similar protection in order to avoid or delay repayment of its credit obligation to the institution, the parent undertaking or any of its subsidiaries.

The EBA, in turn, provides additional indications of an debtor's reduced likelihood of payment, in addition to those specified in Article 178(3) of Regulation (EU) No. 575/2013, such as:

i. A borrower's recurrent income sources are no longer available to meet instalment payments;

ii. There are justified concerns about the future ability of a borrower to generate stable and sufficient cash flows;

iii. The overall level of leverage of the borrower has increased significantly or there are legitimate expectations for such leverage changes to occur;

iv. The borrower has breached the covenants in a credit agreement;

v. The institution has called in a guarantee;

vi. In the case of exposures to a natural person: the default of a wholly-owned undertaking where a single person has provided the institution with a personal guarantee for all the undertaking'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;

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 the 90 days overdue by 180 days overdue in accordance with Article 178(1)(b) of Regulation (EU) No. 575/2013.

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

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

3.4.6. Significant increase of credit risk

The transition from the first to the second stage, in accordance with IFRS 9, is dictated by the significant increase of credit risk since initial recognition. In this scope, all reasonable and supportable information that is available without undue cost or effort that may determine the existence of a significant increase of credit risk must be considered, in particular in the case of any of the following:

i. Change in internal or external ratings;

ii. Change in external credit risk indicators;

iii. Change (actual or expected) in the risk of non-performing exposure in another instrument of the same debtor;

iv. Change in interest rates applied due to the increase of credit risk;

v. Non-payment.

Without prejudice to using additional indicators, the following indicators are said to reflect situations of significant increase of credit risk of a financial instrument, except if there is objective evidence to the contrary:

i. Credit with more than 30 days late payment of principal, interest, commissions or other expenses or a situation similar to an unlikely to pay credit;

ii. Deferred exposures;

iii. Credit whose debtor meets at least two of the following criteria, occurring after the initial recognition of the operation:

iv. Having at least one record of a default with the Central Credit Register;

v. Having its name in lists of cheque users who represent a risk or who have rebutted / not been collected;

vi. Debts to the Tax Authority, Social Security or to employees, in a default situation or pledge enforced by the State;

vii. Other signs that trigger internal alert levels.

Deferred exposures can be considered as not being impaired due to agreements between the debtor and its creditors to ensure the sustainability of the debt and feasibility of the debtor, if the said agreements are based on an operational and financial feasibility plan of the company which includes at least of the following:

i. Demonstration of the company's debt sustainability, considering the amounts that, according to the plan, are recoverable under the new conditions agreed, assuming an adequate conservative margin to absorb any deviations in the estimates made;

ii. Analysis of the company's management quality and, where necessary, the measures adopted to mitigate the problems identified;

iii. Analysis of possible unsustainable business areas and, if any, the plans for a company restructuring process in which only the feasible business areas will be maintained;

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

In the case of the aforementioned debt restructuring agreements, a probational period of 24 months is considered, reckoned from the date on which the agreement is formalised, for financial instruments over which the criteria for a significant increase of credit risk are no longer observed.

During this probational period, the debt sustainability resulting from the new agreement must be made clear by means of an analysis to check the objective criteria demonstrating the return to a credit risk profile close to that of the financial instrument at initial recognition.

An entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date, the operation therefore being classified in the first tier.

3.4.7. Objective evidence of impairment

The existence of objective evidence of impairment determines the classification of the operation on the third tier.

In accordance with IFRS 9, on the third tier, in addition to considering the whole life of the exposure, the entity needs to take into account that interest income may be based on the net amount, using an adjusted effective interest rate, recognising an allowance for losses according to the whole lifetime of the instrument.

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

i. Credit more than 90 days past due of principal, interest, commissions or other expenses;

ii. Reduced probability of the debtor fully meeting its credit obligations, the recovery of the debt depending on the activation of any guarantees received, that is, unlikely to pay credit. 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 recurrent income are no longer available for payment of reimbursement instalments (e.g. loss of a client or important lessee, continued losses or a significant drop in turnover /operating cash flows);

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

vii. The Bank ceases to charge interest (even if partially or on condition);

viii. The Bank directly cancels the debtor's entire debt or part thereof (asset write-off /debt forgiveness), outside the scope of a restructuring operation;

ix. The Bank or institution leading the group of creditors, as applicable, initiates bankruptcy/insolvency procedures against the debtor;

x. Ongoing out-of-court negotiations for the settlement or reimbursement of the debt (e.g. suspension agreements);

xi. The debtor filed for bankruptcy or insolvency;

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

xiii. Debts to the tax authority, social security or employees, in a situation of litigation or pledge enforced by the State.

xiv. Operations restructured due to the debtor's financial difficulties, when any of the following situations occur:

xv. The restructuring is supported by an inadequate payment plan. Among others, an inadequate payment plan is said to exist when it is successively breached, the operation has been restructured to avoid default, or it is based on expectations not supported by macroeconomic forecasts;

xvi. Restructured credits include contractual clauses that extend the repayment operation, in particular with the introduction of a grace period of more than two years for the payment of principal;

xvii. Restructured credits due to financial difficulties that are in a cure period are again restructured due to financial difficulties, or that present overdue principal or interest of more than 30 days during that period.

A cure period is considered for financial instruments in which the criteria that resulted in the impairment situation are no longer observed. In particular, a 12-month cure period is applied for instruments in impairment that have been subject to restructuring measures due to the debtor's financial difficulties.

3.4.8. Indication of the thresholds defined for separate analysis

All credit operations are subject to separate analysis.

3.4.9. Policy on internal risk ratings, specifying the treatment given to a borrower classified as in default

Clients found to be in default are analysed by the Credit Committee. A solution that is more adequate to the client's interests is applied taking into consideration their financial capacity.

3.4.10. General description of the calculation of the current value of future cash flows in the calculation of impairment losses

The following are taken into consideration in the calculation of specific impairment:

i. Exposure;

ii. Estimated business cash flows or other client's cash flows;

iii. Cash flows of real estate projects;

iv. Expected cash flows related to the execution/pledge of collateral;

v. Estimated cash flows arising from calls on personal guarantees;

vi. Cash flows generated by the execution of the financial assets of the debtor with the Bank to settle one-off authorised overdrafts and up to no more than 30 days and overdue loans, originated from contracted loans or otherwise.

As per Banco de Portugal Circular Letter CC/2018/00000062, haircuts are applied in the determination of cash flows generated by guarantees and any costs of forced sale are excluded. When the Bank considers that the adjusted market value does not safely reflect the asset's realisable value, additional haircuts are applied.

This percentage is restated at the contract discount rate plus any maintenance costs of the underlying asset.

When the transaction does not fulfil the conditions that require a specific calculation, or when this originates a null impairment, a general calculation is used.

Description of the rescue period used for the various segments and reasons for its suitability

The rescue period is the time elapsed since the loss event occurs until it is noticed, which can be divided into 2 moments:

i. First moment, when the information emerges;

ii. Second moment, at a later date, when indicators are obtained that prove the existence of objective impairment evidence.

Banco Carregosa uses indicators that show a potential impairment loss, enabling it to quickly anticipate any deterioration in their clients' solvency standing, such as abnormal balances, difficulty in fulfilling the debt, changes in PDs, etc.

3.4.11. Monitoring of the loan portfolio

The monitoring of the loan portfolio is essential to anticipate pre-default situations, allowing the Bank to:

i. identify the factors that prove the deterioration of the client's creditworthiness;

ii. define solutions to renegotiate the debt.

The Supervisory Committee regularly monitors the credit granting process.

3.4.12. Credit recovery

If a credit default situation is found, measures are taken to recover such credit. In the case of private loans, the special schemes PARI/PERSI are activated, in accordance with Decree-law 227/2012.

3.4.13. Risk concentration management

The Bank recognises that due to its size, its performance in specific segments and the type of target clients, it is expected that its loan portfolio will result in a reduced number of operations of a high amount and somewhat concentrated. The Risk Department analyses the concentration of the loan portfolio in the following dimensions:

i. Significant exposures to an individual counterparty or to a group of counterparties that are economically or risk related ("single name concentration risk" or "large exposures");

ii. Significant exposures to groups of counterparties whose probability of defaulting results from common underlying factors, namely:

a. economic sector;

b. geographical area;

c. currency; and

d. type of operation or product, that is, dependence on the economic and financial performance of the same activity or product/service;

iii. Indirect credit exposures resulting from the application of risk mitigation techniques (excessive exposure to a type of collateral or to credit protection provided by a single counterparty).

The table below shows the distribution of net assets based on sector concentration:

NACE Code	Description	Exposure	%
A	Agriculture, livestock production, hunting, forestry and fisheries	170 330	0.0%
E	Water abstraction, treatment and distribution; sewage, waste management and remediation measures	900 709	0.2%
F	Construction	5 858 246	1.5%
G	Wholesale and retail trade; motor vehicle and motorcycle repairs	3623046	0.9%
I	Accommodation, restaurants and similar	9 119 582	2.3%
J	Information and communication activities	106 552	0.0%
K	Financial and insurance activities	126 629 250	32.1%
L	Real estate activities	28 095 017	7.1%
M	Advisory, scientific, technical and related activities	3 489 362	0.9%
N	Administrative and support services activities	3 370 255	0.9%
O	Public Administration and Defence; Compulsory Social Security	135 655 913	34.3%
Q	Human health and social support activities	98 059	0.0%
R	Artistic, sports and entertainment activities	608 228	0.2%
S	Other service activities	51	0.0%
	Subtotal	**317 724 601**	**80.4%**
n.a.	Private	**16 324 210**	**4.1%**
	Total	**334 048 810**	**84.6%**
	Total Assets	**394 747 691**	**100%**

3.4.14. Policy on the write-off of loans (asset write-off)

In accordance with EBA/GL/2017/06, there is a write-off of a credit when all the conditions below are met:

i. Bad debt in arrears for more than 24 months;

ii. Credit with impairment loss recognised in full.

When the conditions for the write-off are met, the Credit Department must prepare a proposal on the application of the write-off, to be approved as established, the final decision resting with the Credit Committee. If there are no tax consequences, bad debts in arrears for more than 24 months and for which and impairment loss in the same amount of the loan is recognised (and accepted for tax purposes) must be removed from the balance sheet.

3.4.15. Impairment reversal policy

Impairment is reversed whenever there is:

i. A significant improvement in the capacity of the client to honour the payment, with a positive impact on the client's credit rating;

ii. Increase in collateral.

Under these conditions a new impairment is calculated, directly reversing the previous impairment.

3.4.16. Description of the restructuring measures applied and their associated risks, as well as the control and monitoring mechanisms thereof

The restructuring of a loan takes place whenever there are changes to the terms and conditions of the contract. For that purpose a note must be added indicating "restructured loan due to the client's financial difficulties".

Loans must be marked in the Bank's computer system as "restructured due to the client's financial difficulties".

Solutions for the recovery of the loan must take into consideration the client's current situation, in the best interest of the Bank, and in line with the client's financial capacity.

3.4.17. Description of the collateral appraisal and management process

Mortgage guarantees

Appraisal

Mortgage guarantees are appraised by an expert appraiser registered with the CMVM, who will be responsible for drafting a report on the property – the Appraisal Report –, in accordance with the CMVM regulations on appraisal criteria and expert appraisers.

Re-appraisal and review

Mortgage guarantees are re-evaluated by an expert appraiser on a two-year basis, whenever this is not contrary to the provisions of article 208 of the CRR, namely:

i. Frequent verification of the value of the properties, at least once a year for commercial properties and once every three years for residential properties. More frequent verifications should be carried out when market conditions are subject to significant changes;

ii. The property appraisal shall be reviewed whenever the Bank has information indicating that the value of the property has decreased substantially in relation to general market prices, such review being conducted by an appraiser with the necessary qualifications, skills and experience and who is independent from the credit decision process. For loans exceeding €3 million or 5% of the Bank's own funds, the property appraisal shall be reviewed by such an appraiser at least every three years.

In extraordinary circumstances in the real estate market and in the presence of exposures considered significant *(i.e.* representing at least 5% of own funds) combined with LTV of 80%, the Bank will revalue them annually.

3.4.18. Other guarantees

The models adopted for accepting financial instruments as collateral for exposures can vary widely, with the Bank adopting, as a rule, for legal persons, the legal regime of financial guarantee contracts set forth in Decree Law 105/2004, of 8 May, which transposes into national law Directive 2002/47/EC, of the European Parliament and Council of 6 June, on financial collateral arrangements. For individuals, the bank adopts mechanisms that lead to similar results.

Within the scope of IFRS 9, the recalculation of the ECL amount and disregarding the underlying collateral, the amount totals €13 604.236 as at December 2021.

Quantitative disclosures

The information on the client loans portfolio as at 31 December 2021 and 2020 is presented below[9].

9 The value presented herein differs from the value of the loan presented in the notes to the accounts, to the extent that the scope of the analysis is different given the model underlying the calculation of impairment.

a) Breakdown of exposures and related impairment

a.1)

Segment	Exposure as at 31/12/2021			
	Exposure Total	Compliant loans	Settled	Structured
Construction & CRE	26 158 215	21 109 729		1 650 000
Corporate	17 873 184	9 072 418		110 768
Bank guarantees	2 061 614	2 061 614		49 017
Private	18 569 617	14 545 844		7 454 798
Non-contractualised	3 655 920	18 368		
Total	**68 318 550**	**46 807 973**		**9 264 583**

a.2)

Segment	Total exposure as at 31/12/2021			
		Compliant loans		
		Days in arrears < 30		
	Total exposure 31/12/2021	No evidence	With evidence	Sub-total
Construction & CRE	26 158 215	21 109 729		21 109 729
Corporate	17 873 184	9 072 418		9 072 418
Bank guarantees	2 061 614	2 061 614		2 061 614
Private	18 569 617	14 545 844		14 545 844
Non-contractualised	3 655 920	18 368		18 368
Total	**68 318 550**	**46 807 973**	–	**46 807 973**

* Loan with instalments of principal or accrued interest for less than 90 days, but about which there is evidence justifying its classification as credit risk, including bankruptcy, liquidation of debtor, among others.

		Impairment as at 31/12/2021		
Defaulting loans	Structured	Total impairment	Compliant loans	Defaulting loans
5 048 486	–	244 284	12 739	231 546
8 800 767	1 379 698	534 001	30 515	503 486
	–	1 180	1 180	–
4 023 773	–	151 888	47 944	103 943
3 637 551	1 769 269	955 619	154	955 464
21 510 577	**3 148 967**	**1 886 971**	**92 532**	**1 794 439**

		Total impairment as at 31/12/2021		
Defaulting loans		Compliant loans	Defaulting loans	
Days in arrears <= 90*	Days in arrears > 90 days	Total impairment	Days in arrears <= 90*	Days in arrears > 90 days
4 192 708	855 778	244 284	12 739	231 546
4 999 728	3 801 039	534 001	30 515	503 486
-		1 180	1 180	
2 071 958	1 951 815	151 888	47 944	103 943
125 294	3 512 257	955 619	154	955 464
11 389 688	**10 120 889**	**1 886 971**	**92 532**	**1 794 439**

a) Breakdown of exposures and related impairment

a.1)

Segment	Exposure as at 31/12/2021			
	Exposure Total	Compliant loans	Settled	Structured
Construction & CRE	9 438 481	39 194 227		2 249 289
Corporate	20 319 180	20 140 455		1 468 451
Bank guarantees	13 232 475	13 210 987		–
Private	16 728 930	16 669 575		7 399 956
Non-contractualised	4 827 326	1 577 672		–
Total	**94 546 392**	**90 792 917**		**11 117 695**

a.2)

Segment	Total exposure as at 31/12/2021			
		Compliant loans		
		Days in arrears < 30		
	Total exposure 31/12/2021	No evidence	With evidence	Sub-total
Construction & CRE	39 438 481	36 055 064	3 383 417	39 438 481
Corporate	20 319 180	20 319 180		20 319 180
Bank guarantees	13 232 475	13 232 475		13 232 475
Private	16 728 930	16 728 930		16 728 930
Non-contractualised	4 827 326	4 827 326		4 827 326
Total	**94 546 392**	**91 162 975**	**3 383 417**	**94 546 392**

* Loan with instalments of principal or accrued interest for less than 90 days, but about which there is evidence justifying its classification as credit risk, including bankruptcy, liquidation of debtor, among others.

b) Breakdown of loan portfolio by segment and year of production

31/12/2021

Year of production	Corporate			Construction & CRE		
	No. of transactions	Amount	Impairment	No. of transactions	Amount	Impairment
2020	1	462 824	965	3	2 187 476	1 037
2021	3	4 744 062	10 438	2	1 000 000	305
Total	**4**	**5 206 886**	**11 403**	**5**	**3 187 476**	**1 342**

		Impairment as at 31/12/2021		
Defaulting loans	Structured	Total impairment	Compliant loans	Defaulting loans
244 254	–	492 491	341 470	151 020
178 725	–	483 077	304 352	178 725
21 488	–	102 074	102 074	–
59 355	–	196 456	138 499	57 957
3 249 654	1 751 044	400 110	2 306	397 804
3 753 475	**1 751 044**	**1 674 209**	**888 703**	**785 506**

		Total impairment as at 31/12/2021		
Defaulting loans		Compliant loans	Defaulting loans	
Days in arrears <= 90*	Days in arrears > 90 days	Total impairment	Days in arrears <= 90*	Days in arrears > 90 days
75	244 179	492 491	341 470	48
–	178 725	483 077	304 352	329 697
–	21 488	102 074	138 499	57 957
–	59 355	196 456	2 306	397 804
44 414	3 205 240	400 110	102 074	–
44 489	**3 708 987**	**1 674 209**	**888 703**	**785 506**

31/12/2020

	Corporate			Construction & CRE		
Year of production	No. of transactions	Amount	Impairment	No. of transactions	Amount	Impairment
2019	3	7 506 276	10 590	13	10 163 935	207 509
2020	0	–	–	7	3 434 516	3 783
Total	**3**	**7 506 276**	**10 590**	**13**	**10 163 935**	**207 509**

*Includes Bank Guarantees in the segments "Corporate" and "Construction & CRE".

c) Breakdown of gross loan exposure and impairment evaluated specifically and in general[10] by segment, sector, and geographical spread

c. 1) By segment

31/12/2021	Construction & CRE		Corporate		Bank guarantees	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Separate evaluation	26 158 215	244 284	17 873 184	534 001	2 061 614	1 180
Total	**26 158 215**	**244 284**	**17 873 184**	**534 001**	**2 061 614**	**1 180**

31/12/2020	Construction & CRE		Corporate		Bank guarantees	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Separate evaluation	39 438 481	492 491	20 319 180	483 077	13 232 475	102 074
Total	**39 438 481**	**492 491**	**20 319 180**	**483 077**	**13 232 475**	**102 074**

c. 2) By sector of activity

31/12/2021	Corporate offices and management advisory activities		Advisory, scientific, technical and related activities		Human health activities	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Separate evaluation	1 801 435	10 844	178 576	178 576	110 768	13 248
Total	**1 801 435**	**10 844**	**178 576**	**178 576**	**110 768**	**13 248**

31/12/2021	Agriculture, livestock production, hunting, forestry and fisheries		Accommodation		Letting of own property	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Separate evaluation	175 134	4 804	2 772 319	126 175	2 364	166
Total	**175 134**	**4 804**	**2 772 319**	**126 175**	**2 364**	**166**

31/12/2021	Hotels without restaurant		Not applicable		Other business and management consultancy activities	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Separate evaluation	2 251 150	2 119	21 136 542	1 016 543	2 250 000	6 610
Total	**2 251 150**	**2 119**	**21 136 542**	**1 016 543**	**2 250 000**	**6 610**

10 In order to provide more disaggregated information, taking advantage of the structure defined in BdP's Circular Letter 2/2014, it is assumed that although all loan operations are subject to individual impairment calculation, the tables below have adopted the parallelism between the terms individual > specific and collective > general, which was already adopted in previous years, but lacked this clarification.

	Private		Non-contractualised			
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
	18 569 617	**151 888**	3 655 920	955 619	68 318 550	**1 886 971**
	18 569 617	**151 888**	**3 655 920**	**955 619**	**68 318 550**	**1 886 971**

	Private		Non-contractualised			
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
	16 728 930	196 456	4 827 326	400 110	94 546 392	1 674 209
	16 728 930	**196 456**	**4 827 326**	**400 110**	**94 546 392**	**1 674 209**

	Sports and recreational activities		Real estate activities		Public Administrtion and Defence; Compulsory Social Security	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
	93 725	63	27 712 606	249 046	462 824	965
	93 725	**63**	**27 712 606**	**249 046**	**462 824**	**965**

	Cultural and recreational associations		Retail trade, except of motor vehicles and motorcycles		Wholesale trade (includes agents), except of motor vehicles and motorcycles	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
	242 912	1 709	1 415 989	55 776	1 369 424	81 155
	242 912	**1 709**	**1 415 989**	**55 776**	**1 369 424**	**81 155**

	Other extractive industries		Real estate development (development of building projects); buiding construction		Total	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
	0	0	6 342 783	139 172	68 318 550	1 886 971
	0	**0**	**6 342 783**	**139 172**	**68 318 550**	**1 886 971**

c. 2) By sector of activity

31/12/2020	Real estate activities		Private		Property development	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Separate evaluation	42 690 950	520 749	19 314 017	529 444	12 425 369	17 679
Total	**42 690 950**	**520 749**	**19 314 017**	**529 444**	**12 425 369**	**17 679**

31/12/2020	Activities of corporate offices and management advisory		Electricity, gas, steam, hot and cold water, and air-conditioning		Retail trade, except of motor vehicles and motorcycles	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Separate evaluation	3 326 065	162 811	2 981 488	68 348	2 039 959	89 635
Total	**3 326 065**	**162 811**	**2 981 488**	**68 348**	**2 039 959**	**89 635**

c. 3) By geographical spread

31/12/2021	Portugal		Belgium		Angola	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Separate evaluation	65 993 062	1 885 599	1 796 991	1 286	528 491	81
Total	**65 993 062**	**1 885 599**	**1 796 991**	**1 286**	**528 491**	**81**

31/12/2020	Portugal		Belgium		Angola	
	Exposure	Impairment	Exposure	Impairment	Exposure	Impairment
Separate evaluation	85 839 956	1 561 963	6 263 209	2 160	788 739	244
Total	**85 839 956**	**1 561 963**	**6 263 209**	**2 160**	**788 739**	**244**

d) Breakdown of gross loan exposure and impairment by segment, sector, and geographical spread

2021	Compliant loans			Defaulting loans		
Measure	No. of transactions	Exposure	Impairment	No. of transactions	Exposure	Impairment
Extension of deadline	6	9 264 583	29 001	7	3 148 967	684 173
Grace period						
Reduction of rate						

2020	Compliant loans			Defaulting loans		
Measure	No. of transactions	Exposure	Impairment	No. of transactions	Exposure	Impairment
Extension of deadline	6	11 117 695	99 826	3	1 751 044	178 151
Grace period						
Reduction of rate						

Financial and insurance activities		Accommodation	
Exposure	Impairment	Exposure	Impairment
6 263 209	2 160	3 432 467	28 736
6 263 209	**2 160**	**3 432 467**	**28 736**

Other		Total	
Exposure	Impairment	Exposure	Impairment
2 072 867	254 646	94 546 392	1 674 209
2 072 867	**254 646**	**94 546 392**	**1 674 209**

France		Total	
Exposure	Impairment	Exposure	Impairment
6	6	68 318 550	1 886 971
6	**6**	**68 318 550**	**1 886 971**

France		Total	
Exposure	Impairment	Exposure	Impairment
926 191	22 354	93 818 095	1 586 721
926 191	**22 354**	**93 818 095**	**1 586 721**

Total		
No. of transactions	Exposure	Impairment
13	12 413 550	713 173

Total		
No. of transactions	Exposure	Impairment
9	12 868 739	277 976

e) Inward and outward flows in the restructured loan portfolio

	31/12/2021
Opening balance of the restructured loan portfolio (gross of impairment)	23 449 776
Restructured loans in the period	
Interest accrued on the restructured portfolio	
Payment of restructured loans (partial or total)	
Loans restated from “restructured” to “normal”	
Other	-11 036 225
Closing balance of the restructured loan portfolio (gross of impairment)	**12 413 550**

	31/12/2020
Opening balance of the restructured loan portfolio (gross of impairment)	16 882 912
Restructured loans in the period	
Interest accrued on the restructured portfolio	
Payment of restructured loans (partial or total)	
Loans restated from “restructured” to “normal”	
Other	-4 014 173
Closing balance of the restructured loan portfolio (gross of impairment)	**12 868 739**

f) Breakdown of the fair value of collateral underlying the loan portfolio of the Corporate, Construction & CRE and Housing segments

31/12/2021	Construction & CRE				Corporate			
	Properties		Other real collateral*		Properties		Other real collateral	
Fair value	No.	Amount	No.	Amount	No.	Amount	No.	Amount
<0.5M€	4	1 331 000	5	3 604 284	1	235 000	5	9 150 920
>=0.5M€ and <1M€	6	4 661 000	3	1 875 500	1	786 000	1	763 000
>=1M€ and <5M€	12	30 750 800	9	16 413 324	10	23 000 402	9	19 223 694
>=5M€ and <10M€	8	55 165 261	7	36 807 054	1	5 794 480	1	27 415 980
>=10M€ and <20M€	2	24 474 892	1	7 850 501	1	16 627 200	1	8 246 554
>=20M and <50M€								
>=50M								
Total	**32**	**116 382 953**	**25**	**66 550 662**	**14**	**46 443 082**	**17**	**64 800 148**

31/12/2020	Construction & CRE				Corporate			
	Properties		Other real collateral*		Properties		Other real collateral	
Fair value	No.	Amount	No.	Amount	No.	Amount	No.	Amount
<0.5M€	4	1 331 000	5	3 604 284	1	235 000	5	9 150 920
>=0.5M€ and <1M€	6	4 661 000	3	1 875 500	1	786 000	1	763 000
>=1M€ and <5M€	12	30 750 800	9	16 413 324	10	23 000 402	9	19 223 694
>=5M€ and <10M€	8	55 165 261	7	36 807 054	1	5 794 480	1	27 415 980
>=10M€ and <20M€	2	24 474 892	1	7 850 501	1	16 627 200	1	8 246 554
>=20M and <50M€								
>=50M								
Total	**32**	**116 382 953**	**25**	**66 550 662**	**14**	**46 443 082**	**17**	**64 800 148**

*Example: shares, bonds, deposits, material assets.

g) LTV ratio of segments

2021

Segment/Ratio	Compliant loans	Defaulting loans	Impairment
Private			
With no associated collateral		3 639 766	
<60%	16 132 712	552 942	189 618
>=60% and <80%	4 977 018	855 778	20 058
>=80% and <100%			34 609
>=100%			
Construction & CRE			
With no associated collateral			
<60%	3 664 070	1 801 423	15 424
>=60% and <80%	242 912	5 002 161	189 251
>=80% and <100%	5 165 436	1 115 413	124 883
>=100%		211 180	204 443
Corporate			
With no associated collateral			
<60%	1 115 795		139
>=60% and <80%	500 000		585
>=80% and <100%	445 819		456
>=100%			
Non-contractualised			
With no associated collateral	11 082 531	3 832 370	
<60%	1 562 442		70 192
>=60% and <80%	1 403 707		1 030
>=80% and <100%	1 167 755	191 403	858
>=100%			79 808
Guarantees			
With no associated collateral			
<60%		2 872 129	516 666
>=60% and <80%		125 294	
>=80% and <100%		640 128	4 311
>=100%	18 368		434 641
Total	**47 478 564**	**20 839 986**	**1 886 971**

2020

Segment/Ratio	Compliant loans	Defaulting loans	Impairment
Private			
With no associated collateral	413 377	24 511	67 693
<60%	2 451 932	0	2 536
>=60% and <80%	11 862 383	34 843	65 746
>=80% and <100%	1 434 626	0	567
>=100%	67 389	0	58 017
Construction & CRE			
With no associated collateral	1 275 749	87	48
<60%	0	244 166	39 877
>=60% and <80%	6 501 976	0	162 220
>=80% and <100%	833 413	0	2 909
>=100%	9 329 808	0	287 436
Corporate			
With no associated collateral	143 353	178 725	185 824
<60%	7 997 282	0	11 048
>=60% and <80%	3 051 323	0	2 084
>=80% and <100%	4 872 252	0	213 559
>=100%	2 715 433	0	9 635
Non-contractualised			
With no associated collateral	0	3 408 109	398 424
<60%	0	23	0
>=60% and <80%	1 577 672	0	1 687
>=80% and <100%	0	0	0
>=100%	0	0	0
Guarantees			
With no associated collateral	423 234	0	1 128
<60%	1 190 000	0	939
>=60% and <80%	15 568	0	10
>=80% and <100%	93 309	0	47
>=100%	779 500	21 488	71 641
Total	**90 792 917**	**3 911 953**	**1 674 209**

h) Breakdown of the fair value and net book value of property received as payment in kind, by type of asset and seniority

Asset	31/12/2021		
	No. of properties	Asset fair value	Book value
Land			
Urban	1	119 000	85 680
	1	**119 000**	**85 680**

Asset	31/12/2020		
	No. of properties	Asset fair value	Book value
Land			
Urban	1	119 000	85 680
	1	**119 000**	**85 680**

i) Breakdown of the loan portfolio by internal risk degree

31/12/2021	Low risk degree			Medium risk degree			
Segment	1	2	3	4	5	6	7
Construction & CRE				4 189 763	4 651 866	362 651	2 263 798
Corporate					2 712 824		1 865 148
Private				71 442	2 995 328	1 767 090	1 213 202
Bank guarantees					1 469 774		42 823
Non-contractualised		6			12	1 550	16 800
Total	**0**	**6**	**0**	**4 261 205**	**11 829 804**	**2 131 291**	**5 401 772**

*Does not include the category “Non-contractualised”.

31/12/2020	Low risk degree			Medium risk degree			
Segment	1	2	3	4	5	6	7
Construction & CRE				3 750 000	3 990 244	6 542 879	4 314 507
Corporate				0	23 438	478 612	6 209 019
Private				29 332	1 062 455	3 088 484	986 832
Bank guarantees				93 309	6 702 010	0	236 167
Non-contractualised				0	0	0	1 577 672
Total		**0**	**0**	**3 872 642**	**11 778 147**	**10 109 975**	**13 324 198**

j) Disclosure of risk parameters associated with the impairment model by segment

2021	Impairment			
	PD (%)			
Segments	< 30 days with no evidence	< 30 days with evidence	Between 30-90 days	LGD (%)
Construction & CRE	1%	12%	12%	0%
Corporate	2%	27%	27%	0%
Bank guarantees	0%	0%	0%	0%
Private	3%	6%	6%	0%
Non-contractualised	0%	51%	51%	0%

2021	Impairment			
	PD (%)			
Segments	< 30 days with no evidence	< 30 days with evidence	Between 30-90 days	LGD (%)
Construction & CRE	20%	0%	0%	0%
Corporate	18%	20%	20%	0%
Bank guarantees	8%	3%	3%	0%
Private	0%	24%	24%	0%
Non-contractualised	6%	0%	0%	0%

	High risk degree			Non-compliant			Total
	8	9	10	11	12	13	
	7 295 250	1 196	400	4 192 708	855 778		26 158 215
	426 604	3 824	931	4 329 137	3 622 463		17 202 593
	393 500	7 826 557	278 725	2 742 549	1 951 815		19 240 208
	49 017	500 000					2 061 614
				125 294	3 482 567	29 690	3 655 920
	8 164 371	**13 347 887**	**1 671 637**	**11 389 688**	**9 912 622**	**208 266**	**68 318 550**

	High risk degree			Non-compliant	Total
	8	9	10	11	
	10 221 706	739 603	1 275 762	8 603 780	39 438 481
	5 690 047	1 506 276	926 191	5 485 597	20 319 180
	455 000	8 011 842	2 876 221	218 764	16 728 930
	2 981 488	2 029 500	0	1 190 000	13 232 475
	0	0	0	3 249 654	4 827 326
	19 348 242	**12 287 221**	**5 078 174**	**18 747 794**	**94 546 392**

3.5. Market Risk

Market risk is the likelihood of negative impacts affecting the results or the Bank's equity due to unfavourable changes in the market price of banking and trading portfolio instruments, including fluctuations in interest rates, foreign exchange rates, stock quotes and commodity prices.

This risk is primarily associated to the trading portfolio, consisting of short-term positions held by the Bank, in a speculative logic, although it may affect other own portfolios of the Bank.

Indirectly, this type of risk impacts on assets held in custody, under management and traded, and can lead to a reduction in the Bank's revenues. Combined with credit risk and liquidity risk, it can generate losses in the execution of credit guarantees.

The Bank maintains investments in the financial markets through it own portfolios of available for sale assets, assets measured at fair value and assets held to maturity, in accordance with EU Regulation No. 575/2013. These portfolios are regularly measured by Coolbiz (the Bank's back-office application) according to stock price updates. For accounting purposes, the portfolio of assets held to maturity is recorded at amortised cost and the remaining ones at fair value. Unrealised gains or losses are recognised in reserves, in the case of available for sale assets, and in profit or loss for the remainder.

In prudential terms, market risk capital requirements apply to the trading portfolio.

To determine the capital requirements to hedge the trading book's market risk, the two-week historical VaR method is used, with a 99.9% confidence interval and a 1-year time horizon.

The model's time parameters are in line with what is customary in the industry and with the definitions in Article 365(1)(c) and (d) of Regulation No. 575/2013. As for the confidence interval, sub-paragraph b) of said article refers to 99%. However, for the sake of consistency with its Risk Appetite Vision, the Bank adopted 99.9% for the confidence interval, which is much more conservative than the regulatory order:

	2021	2020
VaR trading book	68 285	353 382

Exchange risk is the likelihood of negative impacts affecting the results or the Bank's equity due to adverse changes in the Bank's balance sheet caused by exchange rates used for translation into the functional currency or by changes in the Bank's competitive position due to significant changes in exchange rates. This risk is analysed for all positions denominated in currencies other than the Euro.

The negative impacts arising from short-term exchange rate fluctuations normally result from the institution's trading activity. Indirectly, this risk impacts on the guarantees received denominated in foreign currency and on the portfolio management activity and financial brokerage.

With respect to currency mismatch, as at December 2021 the exchange risk was residual in the amount of €618 010.

Whenever net positions exceed 2% of total own funds, the Bank assesses capital requirements for foreign exchange risk.

The position at risk results from the sum of net positions in currencies other than the Euro and in collective investment undertakings where positions are not broken down. As at 31.12.2021, prudential capital for exchange risk amounts to €618 010, as shown in the table below:

Currency	2021	2020
USD	2 130 068 €	181 891 €
CHF	49 005 €	40 294 €
GBP	-1 543 120 €	129 724 €
CAD	87 280 €	41 785 €
NOK	-293 701 €	5 098 €
AUD	81 417 €	19 715 €
NZD	558 €	18 836 €
SEK	77 286 €	19 275 €
DKK	7 960 €	2 762 €
HKD	178 €	27 292 €
BRL	592 €	67 473 €
JPY	11 435 €	1 200 €
ZAR	80 €	74 €
RUB	42 €	45 €
PLN	7 515 €	12 €
SGD	1 415 €	0 €
Total	**618 010 €**	**555 475 €**

3.6. Interest rate risk

The interest rate risk is the likelihood of negative impacts affecting the results or capital due to adverse changes in interest rates and relates to the balance sheet items, except the trading book, but includes off-balance sheet items. It results from the combination of base risk, interest rate yield curve, repricing risk and option risk. The following are the concepts underlying each risk sub-type in the interest rate risk:

i. Basis risk – the risk arising from interest rates of assets being remunerated at indices other than those of interest rates of liabilities;

ii. Yield curve risk – the risk arising from unfavourable trends in various segments of the yield curve, which can originate losses when assets and liabilities are in different segments of the curve in different proportions;

iii. Repricing risk – the risk derived from the various assets and liabilities reindexing at different dates and rates;

iv. Option risk – the risk that arises from the option inherent to some assets and liabilities. The risk resulting from embedded options in balance sheet and off-balance sheet items.

BdP Instruction 3/2020 repealed BdP Instruction 34/2018.

Instruction 34/2018, in turn, had introduced a different approach to the treatment of cash flows, in particular as regards floating-rate position, when compared with that of Instruction 19/2005, which it repealed. The main changes now introduced by Instruction 3/2020 refer to more elaborate scenarios in terms of yield curves and the introduction of additional reporting maps.

For prudential purposes, the Bank uses the general risk assessment method laid down in Regulation (EU) No. 575/2013. Compliance with BdP Instruction No. 34/2018 and BdP Instruction No. 03/2020, which updates it, is also ensured, consisting in the standardised reporting of the exposure to interest rate risk of the banking portfolio and the impact on the variation of the economic value and on the financial margin of a sudden and unexpected change in interest rates.

3.7. Operating risk

Operating risk is the loss resulting from the inadequacy or failure of procedures, staff, internal systems or external events, and also legal risks, as laid down in EU Regulation No. 575/2013. Operating risk is assessed at two different levels: technical and organisational. At a technical level, Banco Carregosa has also chosen to invest strongly in computerisation. As a result of this strategy, the Bank has a solid computer system, highly flexible and reliable for the Bank's operating processes. The Bank's information systems contain sensitive and confidential private financial and personal data. Only the staff at Banco Carregosa is allowed to access these systems, in addition to subcontracted workers, under an appropriate framework, involved in the system's development or operation, or whose work involves the recording, review or retrieval of that data. This privilege is based on trust, good faith and is duly documented. At organisational level, in particular in the means and form used in reporting, monitoring risk and rules and policies related thereto, the Bank had to redefine and seek a new compromise between commercial interests and risks involved.

To monitor the risk, a model is in place that allows the Bank to:

i. Identify process-related risks, without regard to existing controls (inherent risk);

ii. Assess the exposure of various processes to risk, considering the influence of existing controls (residual risk);

iii. Identify the impact of opportunities to improve the reduction of the more significant exposures (objective risk).

Other arrangements exist to mitigate operating risk, in particular internal report, contingency plans, business continuity plan, internal audit activities, and staff training plans. So far, loss history is not substantial compared to the volume of transactions and/or total revenue of the Bank.

3.8. Liquidity risk

Liquidity risk reflects the Bank's potential inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

The Basel Committee published in 2014 the definition of the liquidity coverage ratio (LCR), and subsequently the delegated act of the European Commission was adopted, which introduced new metrics and calculation criteria to be implemented in the European Union, in accordance with Directive No. 2013/36/EU of 26 June, of the European Parliament and of the Council on the access to the activity of credit institutions and prudential supervision of credit institutions and investment companies (Capital Requirements Directive, or CRD IV) and of the EU Regulation No. 575/2013 of the European Parliament and of the Council, of 26 June, on the prudential requirements for credit institutions and for investment companies (Capital Requirements Regulation, or CRR).

Banco Carregosa favours deposit investments in the Central Bank, in other credit institutions and in tradable securities, thus avoiding cash shortfalls.

As part of risk control processes, the Executive Committee and those involved in own portfolio management receive a report from the Risk Department every day, which includes:

Allocation of assets, liabilities and off-balance sheet items;

i. Estimates of minimum requirements for own funds;

ii. Counterparty concentration;

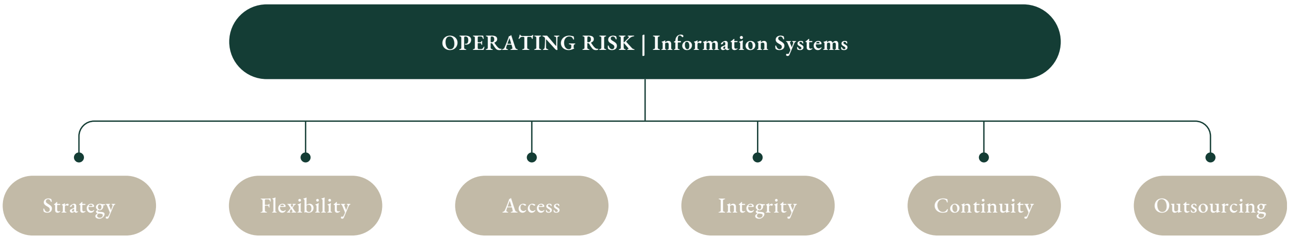
iii. Liquidity profile;

iv. Other prudential indicators.

ALCO analyses the mismatch of asset and liability transactions on a monthly basis, and suggests alterations/corrections of maturities.

3.9. Information system risk

Information system risk is the probability of negative impacts on profit and loss or on the Bank's equity arising from the information systems being incapable of preventing unauthorised accesses, of ensuring the integrity of data, or of continuing the business in the event of a failure, as well as of the pursuance of an inadequate strategy in this area, leading to, for example, the information systems being inadequate for new needs. This is systematised in the table below, which also points out the main factors that affect each of the identified risks.



Risk levels	Relevant factors
Strategy	– Consistency of the strategy defined for information systems with the (current and foreseeable) business needs of the Bank; – Soundness and effectiveness of information system policies; – Management and resource support to the strategy and information system policies.
Flexibility	– Flexibility and upgrading capacity; – Time needed for upgrading and maintenance.
Access	– Identification of functions and responsibilities as the basis for granting differentiated accesses; – Access to the registration of the user who performed a specific process or task; – Efficacy and adequacy of the authorisation process; – Robustness of protection and security mechanisms.
Integrity	– Completeness, correctness, consistency, relevance and timeliness of information; – Compliance with regulatory requirements and parameters defined at internal level; – Scale and standardisation of manual interventions; – Scale of virus infections.
Continuity	– Availability of information and information processing systems during office hours; – Delays in recovering information and resuming information processing after a failure; – Contingency plan adequacy to IT risks.
Outsourcing	– Existence and importance of outsourcing contracts; – Duration of relationship and credibility of outsourced companies; – Transparency of contractual relations with outsourced companies; – Rotation and quality monitoring of resources used by outsourced companies; – Confidentiality of information transmitted to or handled by outsourced companies; – Ease and cost of detecting errors or faults made; – Degree of the Bank's control of the quality of outsourced companies' activity; – Level of completion of services and ease of replacement. – Existence and importance of outsourcing contracts; – Duration of relationship and credibility in the outsourced companies market; – Transparency of contractual relations with outsourced companies; – Confidentiality of information transmitted to or handled by outsourced companies; – Ease and cost of detecting errors or faults made; – Degree of the Bank's control of the quality of outsourced companies' activity; – Level of completion of services and ease of replacement.

Information systems contain private and personal financial data considered sensitive and confidential. Access to these systems is limited exclusively to the Bank's employees and to sub-contracted collaborators who, under prior appropriate rules, is involved in system development or operation, or whose work involves the recording, reviewing or recovery of such data. Some one-off situations involving sub-contracted service providers (outsourcing) are subject to the same restrictions applicable to the Bank's employees.

The Bank recognises that information is a valuable asset and has, therefore, implemented sophisticated security and backup systems at communications level, with the required levels of redundancy of machines and communication lines, among others.

To support the existing system, the Bank's IT structure and its use is regulated through a Computer Use Policy, known to all employees. The Bank also has in place sophisticated redundancy and contingency systems.

We have identified four major related risks, and offer a description thereof below.

i. First, those related to information systems assets (hardware) and the respective physical response, which is a matter that is addressed in the set of operational risks linked to the Bank's assets. All other systems are the object of first line suppliers, and it is up to them to ensure continuity of operation.

ii. Second, the risks related to security and integrity of information were considered. These are subject to specific procedures, by the security infrastructure implemented and also by an insurance policy, in operation, which mitigates the impact of any relevant risk.

iii. Third, it is the Bank's responsibility to consider the risks related to business continuity, based on the availability and performance of its infrastructure and applications, with special impact on market activities, as they are those in which the logic of availability and response in real time are decisive. In other activities, although financially of greater magnitude, such as credit granting or even securities management, this becomes less relevant.

   a. On the one hand, it has reinforced its redundancy mechanisms at the level of infrastructures, having today a very comfortable solution, which supposedly allows it to reduce unavailability periods;

   b. On the other hand, service providers have diversified, so that today redundant services exist which are used recurrently and not only contingently, in order to ensure an effective back-up at very similar costs.

iv. Fourth, in the area of information systems, the matter of outsourcing is of particular importance and, in the case of the Bank, the following options coexist:

   a. On the one hand, it has reinforced its redundancy mechanisms at infrastructure level, having today a very comfortable solution, which supposedly allows it to reduce unavailability periods;

   b. On the other hand, service providers have been diversified, so that today there are always redundant services, which are used on a recurring basis and not only on a contingent basis, in order to ensure an effective back-up at very similar costs.

3.10. Compliance risk

Compliance risk is the likelihood of negative impacts affecting the Bank's results or equity, arising from violations or non-conformances with the laws, regulations, contracts, codes of conduct, established practices or ethical principles. They may result in legal or regulatory penalties, the limitation of business opportunities, less expansion potential or render impossible the requirement to meet obligations. This risk derives from various circumstances, listed in the table below, and impacts on the reputational risk, which will be treated in a separate topic.

OPERATING RISK | Compliance and Legal

- Laws and Regulations
- Codes of Conduct
- Transparency
- BC/FT

Risk levels	Relevant factors
Compliance with laws and regulations	– Compliance with norms governing the activity, namely legal and regulatory requirements, including fiscal; – Accuracy, rigour, completeness and compliance with reporting periods; – Veracity and accuracy of statements and tax calculations; – Capacity to anticipate changes in tax rules; – Implementation of sanctions or legal proceedings due to non-compliance, in particular by supervisory authorities, other activity regulators and tax authorities.
Information reporting	– Change in reporting duties; – Ability to monitor reporting duties; – Proper identification of information and form of reporting required; – Capacity to process information.
Compliance with codes of conduct	– Respect for practices, procedures and policies by ethical principles and instituted practice; – Comprehensiveness of the code of conduct and of various principles and ethical rules, including accurate and clear codes of conduct, in particular the duty of secrecy, conflicts of interest, on the use of privileged information and others related with organisational culture; – Overall knowledge and understanding of the code of conduct by employees and collaborators; – Appreciation, by the Bank, of the integrity of its employees, visible in the selection criteria and institutional training programmes; – Punishing offences within the law.
Transparency	– Compliance with information disclosure requirements; – Level of transparency, as evidenced by the voluntary availability of information, either on the website, at the Bank's facilities, or to be sent to interested parties; – Helpfulness in providing information to the authorities, even based on informal contacts; – Availability of the "right" information to clients and other counterparts, either when the business relationship is concluded, or information provided subsequently.
Money laundering and terrorism financing	– Non-compliance with prevention of money laundering and sanctions imposed; – Development of business areas usually associated with money laundering and their relevance to the institution's overall business; – Risk profile of clients and counterparts in money laundering; – Geographical areas in which the institution operates.

The Bank pays special attention to the compliance risk, not so much for its financial impact, but because it is determined to comply with all legal rules. For this reason, there is an ongoing concern to improve the competences of the Compliance Department employees and to strengthen the technical resources they have access to, providing specific tools to look up sanctioned entities or Politically Exposed Persons, and also of resources for monitoring communications through Bloomberg. The Bank nevertheless considers that monitoring this risk is not a duty of the Compliance Department alone.

The analysis of the adequacy and compliance with procedures depends on contributions from all the departments, who are responsible for identifying potential improvements and situations of non-compliance with the previously established procedures.

The Compliance Department is in charge of event management (complaints, suggestions or requests for clarification from clients). Based on its analysis, and whenever appropriate, this department verifies the adequacy of the procedures. If they are found to be inadequate, the Internal Control departments study the changes that need to be made.

In order to improve the procedures in force, the training actions proposed by the PCD (People and Culture Department) should also be highlighted.

All the Bank's contracts follow standardised models drawn up by Legal, with the intervention and monitoring of the Compliance Department. In controlling its responsibilities towards third parties, the Bank pays special attention to the correct completion of contracts, especially in the account opening process, where clear verification and approval procedures have been defined. Whenever, due to the nature of the counterparties, the Bank considers it necessary to strengthen its identification and diligence duties, the files are subject to prior verification by the Compliance Department.

The Bank allocates economic capital for this risk, by estimating potential losses resulting from a serious event, namely fines for non-compliance. This value is validated with the DC. In order to assess the reasonability of the allocated capital, the published history of fines imposed by the supervisory authorities – BdP and CMVM –, is verified, taking the historical basis of administrative offences as support for the estimate.

Therefore, we have used the information available on BdP's website, which shows the analysis of 146 cases between 2016 and 2020 (5 years). From this base, the process 102/14/CO, concerning Caixa Económica Montepio Geral, was removed, due to the disproportion of situations and values, keeping all the remaining processes, not being applied any other principle of proportionality.

3.11. Equity management

With respect to equity management, the Bank seeks to ensure an appropriate level of solvability and profitability according to the objectives and risk appetite policies defined by the Board of Directors, this being, therefore, a critical aspect in the institution's approach to its stable and sustainable management. Equity management is set out in the Bank's annual RAS, which defines a set of limits that allow the control of the activity.

Management practices

Equity management policies and practices are defined according to the strategic business objectives and the level of risk appetite defined by the Board of Directors. To determine the adequate level of capital, both in quantity and quality, Banco Carregosa has implemented an equity management model based on the following principles:

i. Ongoing monitoring of regulatory equity requirements;

ii. Annual review of risk appetite;

iii. Setting properly measured business objectives in equity planning.

In addition to regulatory requirements, the Bank has in place a Recovery Plan which establishes the decision-making protocol applicable to crisis management and, on the other hand, identifies the pre-defined actions and strategies to respond to events that may have an adverse impact on equity.

Finally, but also in particular as regards equity management, the Bank performs an internal and prospective annual self-assessment of all material risks to which the institution is exposed, the ICAAP (Internal Capital Adequacy Assessment Process).

ICAAP

ICAAP is an essential tool in the definition of the Bank's strategy, enabling the follow-up and monitoring of the consequences of its execution. This process enables the regular analysis of risk appetite and compares it with the defined appetite and the availability of economic capital. The ICAAP is prepared along two dimensions:

i. Regulatory, based on regulatory reports, especially prudential reports, that provide important data for the quantitative and qualitative analysis of equity and risk;

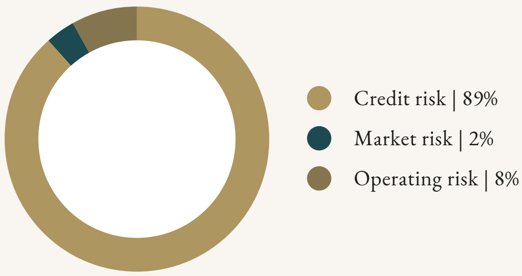
ii. Economic capital and its requirements, which quantifies the risk according to the confidence level established in its RAS (Risk Appetite Statement). The qualitative analysis completes the exercise in a systemic approach.

The Risk Department (RD) is responsible for presenting proposals for measures to assess the need and availability of economic capital. The Risk department is also responsible for developing stress tests, scenario analyses, financing and capital plans, and for most of the prudential reports in the context of risk and equity management.

Regulatory capital

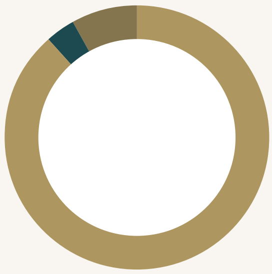
On the prudential side, regulatory capital requirements are associated to credit, market and operating risks. The table below shows the risk-weighted assets (RWA) and corresponding capital requirements for the various types of regulatory risks, as at 31 December2021.

Risk Types	Own Funds Requirements	Risk-Weighted Assets
Credit risk	15 904 787	198 809 838
Market risk	397 009	4 962 618
Operating risk	1 438 022	17 975 274
Total	**17 739 818**	**221 747 728**



Below are the risk-weighted assets (RWA) as at December 2020, RWA) and corresponding own funds requirements for the various types of regulatory risks:

Risk Types	Own Funds Requirements	Risk-Weighted Assets
Credit risk	15 521 747	194 021 835
Market risk	529 399	6 617 492
Operating risk	1 438 211	17 977 636
Total	**17 148 146**	**214 351 820**



Note should be made of the strong preponderance of credit risk, responsible for 89% of prudential requirements.

i. **Credit risk** – for prudential purposes, the Bank uses the following methods with respect to credit risk, in accordance with the CRR:

   a. Standard Method, using the market price for measuring Counterparty Risk;

   b. Comprehensive Method on financial collateral, as a means to reduce risk, when applicable.

The Bank analyses the credit risk on all its assets, except for the assets included in the securities portfolio measured at fair value and others deducted from own funds, as well as on some off-balance sheet items potentially subject to this type of risk. As regards counterparty credit risk, asset, liability and off-balance sheet items are included, irrespective of the portfolio of which they are part, always excluding those deducted from own funds or weighted at 1.250% for other types of risk.

With respect to the calculation of capital requirements associated to other categories, the Bank uses the following regulatory methods:

ii. **Market Risk** – for prudential purposes, the Bank uses the General or Specific Risk Assessment Method of the CRR. Capital requirements for the Bank's risk position consist in the sum of capital requirements for specific and general risk of positions in debt instruments and capital;

iii. **Operating Risk** – determine the capital requirements for hedging operating risks in prudential terms, the Bank follows the Basic Indicator Approach, according to which the requirement equals to 15% of the average of the previous three years for the Relevant Indicator. The Relevant Indicator is defined based on the accounting categories of the Statement of profit and Loss, in accordance with Article 316 of the CRR.

Own funds

The risk absorption capacity is determined by the amount of own funds. To calculate own funds the applicable regulatory standards in effect must be followed, in particular the aforementioned CRR, based on the accounting information in the financial statements, especially those of the capital items, and complemented with non-accounting information.

Total own funds correspond to the sum of basic own funds (Common Equity Tier 1) and ancillary own funds (Tier 2), after deductions have been applied to these items. The main positive items of own funds as at 31 December 2021 were:

i. Paid-in capital – the Bank's share capital is represented by 200 million registered book-entry shares, each with a par value of €0.10, fully subscribed and paid;

ii. Issue premiums – these refer to the premiums paid by shareholders in capital increases, in this case in the amount of €369 257;

iii. Retained earnings – these refer to retained earnings in the amount of €1 535 376;

iv. Reserves – the amount of profit generated over the financial years but retained in the company as legal reserve, other reserves and/or retained earnings, excluding positive reserves arising from unrealised gains in sovereign bonds. In this case, they amount to €14 226 088;

v. Net result for the financial year – if positive, only after the legal certification of accounts, the net profit for the financial year in progress and for the previous year, and both are in any case included in the calculation, when negative.

Capital indicators

As at 31 December 2021, risk-weighted assets amounted to €223.31M, setting capital requirements of €17.87M comfortably hedged by own funds in the amount of €37M.

As such, on that date the Bank showed a Tier 1 own funds ratio that tallied with the total own funds ratio at €16.57%.

Finally, it should be noted that the leverage ratio amounted to 9.07 %. In line with article 429 of the CRR, the leverage ratio is calculated by dividing the measure of own funds by the measure of total exposure of that institution, and is expressed as a percentage.

4. Notes to the Individual Financial Statements

The balance sheet and statement of profit and loss are compared as at 31 December 2021 and 31 December 2020, in accordance with the International Financial reporting Standards (IFRS) and consist of the following headings:

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

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Cash	86 014	127 552
Net assets on demand with Banco de Portugal	69 123 187	56 461 979
Demand deposits in monetary institutions		
Residents	42 040 667	36 829 453
Non-residents	26 608 171	21 845 761
	137 858 040	**115 264 745**

Demand deposits with Banco de Portugal include deposits for meeting the legal requirements on minimum cash availability.

4.2 Financial assets held for trading — Note 2

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Trading securities		
Securities	3 306 127	4 695 697
Derivative instruments with a positive fair value	1 038 232	15 728
	4 344 359	**4 711 425**

This portfolio fell by 7.8% compared to the previous financial year as a result of the option for assets that give the bank more stability, such as investment portfolios and assets held to maturity, the position breakdown of which is shown in the table below.

FINANCIAL ASSETS HELD FOR TRADING

As at 31 December 2021 this heading is broken down as follows:

Nature and type of securities	Acquisition value	Balance sheet value	Capital		Accrued interest
		Fair value	Gains	Losses	
Debt Instruments					
Issued by residents **Of Portuguese public debt**					
Treasury bonds	182 180	187 929	4 929	0	820
Of other resident issuers					
Non-subordinated debt	1 200 000	1 208 929	1 196	0	7 733
Subordinated debt	419 996	431 407	4 876	0	6 535
Issued by non-residents **Of other foreign public issuers**					
Of other non-resident issuers					
Non-subordinated debt	639 794	556 875	5 852	102 250	13 479
Subordinated debt	500 000	508 427	4 690	0	3 737
	2 941 970	**2 893 568**	**21 543**	**102 250**	**32 305**
Equity Instruments					
Issued by residents **Of other resident issuers**					
Shares	196	254	58	0	0
Issued by non-residents **Of other non-resident issuers**					
Shares	216 047	213 792	5 884	8 139	0
Investment units	212 000	198 513	0	13 487	0
	428 243	412 559	5 942	21 626	0
Derivative Instruments with a Positive Fair Value					
Other					
Unrealised gains from CFDs over currency	0	1 038 232	0	0	0
	0	**1 038 232**	**0**	**0**	**0**
Total	**3 370 213**	**4 344 359**	**27 485**	**123 876**	**32 305**

FINANCIAL ASSETS HELD FOR TRADING

As at 31 December 2020 this heading is broken down as follows:

Nature and type of securities	Acquisition value	Balance sheet value	Capital		Accrued interest
		Fair value	Gains	Losses	
Debt Instruments					
Issued by residents Of Portuguese public debt					
Treasury bonds	182 180	188 507	5 502	0	825
Of other resident issuers					
Non-subordinated debt	2 185 270	2 142 713	0	56 543	13 986
Subordinated debt	882 996	855 701	0	34 428	7 133
Issued by non-residents Of other non-resident issuers					
Non-subordinated debt	545 095	548 821	1 239	1 250	3 737
Subordinated debt	500 000	528 739	15 260	0	13 479
	4 295 541	**4 264 481**	**22 001**	**92 221**	**39 160**
Equity Instruments					
Issued by residents Issued by non-residents Of other non-resident issuers					
Shares	48	258	210	0	0
Investment units	146 819	140 786	11	6 044	0
	146 867	**141 044**	**221**	**6 044**	**0**
Other					
Issued by non-residents Of other non-resident issuers					
ETF	23	24	1	0	0
Structured products	278 000	290 149	12 149	0	0
	278 023	**290 172**	**12 149**	**0**	**0**
Derivative Instruments with a Positive Fair Value					
Other					
Unrealised gains from CFDs over currency	0	15 728	0	0	0
	0	**15 728**	**0**	**0**	**0**
Total	**4 720 431**	**4 711 425**	**34 371**	**98 265**	**39 160**

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

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Non-negotiable financial assets mandatorily at fair value through profit or loss	10 782 883	11 189 245
	10 782 883	**11 189 245**

4.2.3 Other financial assets — Note 2.3

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Other securities		
Issued by residents	0	36 768
	0	**36 768**

In 2021, the amount relating to the contribution to the Work Compensation Fund was restated to assets not held for trading mandatorily at fair value through profit or loss, for which the quote is obtained from the Work Compensation Fund website.

4.3 Financial assets at fair value through other comprehensive income — Note 3

	31/12/2021	31/12/2020
Issued by residents		
Debt instruments	9 892 152	11 324 253
Equity instruments	645 384	633 384
	10 537 536	11 957 637
Issued by non-residents		
Debt instruments	58 509 055	45 078 494
	58 509 055	45 078 494
	69 046 592	**57 036 132**

This portfolio decreased by 21% compared to the previous year due to the choice of assets that give more stability to the Bank, in particular investment portfolios and assets held to maturity.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2021 this heading is broken down as follows:

Nature and type of securities	Acquisition value	Balance sheet value	Capital		Impairment recognised in reserves	Accrued interest
			Gains	Losses		
Debt Instruments						
Issued by residents Of Portuguese public debt						
Treasury bonds	61 814	66 800	4 472	0	77	514
Of other resident issuers						
Non-subordinated debt	10 100 376	9 825 353	7 319	349 485	195 924	67 143
Issued by non-residents Of other foreign public issuers						
Non-subordinated debt	7 664 391	7 517 936	0	297 171	15 119	150 716
Of other non-resident issuers						
Non-subordinated debt	51 186 235	50 991 120	93 644	859 169	378 233	570 410
	69 012 816	**68 401 208**	**105 435**	**1 505 826**	**589 354**	**788 783**
Equity Instruments						
Issued by residents Of other resident issuers						
Shares	752 500	645 384	0	107 116	0	0
	752 500	**645 384**	**0**	**107 116**	**0**	**0**
Total	**69 765 316**	**69 046 592**	**105 435**	**1 612 941**	**589 354**	**788 783**

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2020 this heading is broken down as follows:

Nature and type of securities	Acquisition value	Balance sheet value	Capital		Impairment recognised in reserves	Accrued interest
			Gains	Losses		
Debt Instruments						
Issued by residents **Of Portuguese public debt**						
Treasury bonds	3 556 961	3 622 740	47 682	0	6 197	18 096
Of other resident issuers						
Non-subordinated debt	8 461 475	7 701 513	17 343	827 267	333 070	49 962
Issued by non-residents **Of other foreign public issuers**						
Non-subordinated debt	7 959 245	8 136 474	45 318	0	29 857	131 912
Of other non-resident issuers						
Non-subordinated debt	37 043 368	36 942 020	85 574	645 852	576 585	458 930
	57 021 048	**56 402 747**	**195 917**	**1 473 118**	**945 708**	**658 901**
Equity Instruments						
Issued by residents **Of other resident issuers**						
Shares	752 500	633 384	0	119 116	0	0
	752 500	**633 384**	**0**	**119 116**	**0**	**0**
Total	**57 773 548**	**57 036 132**	**195 917**	**1 592 234**	**945 708**	**658 901**

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

	31/12/2021	31/12/2020
Balance as at 1 January	945 708	655 690
Appropriation	1 200 395	2 255 710
Reversal	(1 556 749)	(1 960 191)
Utilisation	0	0
Exchange and other differences	0	(5 501)
Balance as at 31 December	**589 354**	**945 708**
reflected in assets	**0**	**0**
reflected in other comprehensive income	**589 354**	**945 708**

4.4 Financial assets at amortised cost Note 4

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Assets		
Other liquid assets	23 700	23 700
Investments in credit institutions	500 000	500 000
Investments held to maturity	74 541 050	52 338 245
Debtors and other investments	8 719 479	4 295 372
Loans to clients	68 318 550	79 952 811
	152 102 779	**137 110 128**
	152 102 779	**137 110 128**

The changes in impairment losses of debtors and other investments are as follows:

	31/12/2021	31/12/2020
Balance as at 1 January	**251 697**	**243 838**
Appropriation	0	7 859
Reversal	0	0
Utilisation	0	0
Exchange and other differences	-323	0
Balance as at 31 December	**251 374**	**251 697**

With the entry into force of IFRS9, as of 01/01/2018 the Bank calculates impairments to the investments held to maturity portfolio. On 31/12/2021, the breakdown is as follows:

FINANCIAL ASSETS AT AMORTISED COST

As at 31 December 2021 this heading is broken down as follows:

Nature and type of securities	Acquisition value	Effective rate (aver.)	Balance sheet value Amortised cost	Impairment recognised in asset	Accrued interest
Debt Instruments					
Issued by residents Of Portuguese public debt					
Treasury bonds					
OTRV JULHO 2025	7 185 483	0.23%	7 134 001	8 880	31 717
PGB 0.475 10/30	6 042 660	0.41%	6 034 222	7 537	6 090
PGB 2.875 10/25	573 065	0.12%	554 232	689	3 190
Of other resident issuers					
Non-subordinated debt					
Mota-Engil, SGPS, SA 7373	400 000	4.29%	397 616	3 860	1 511

Nature and type of securities	Acquisition value	Effective rate (aver.)	Balance sheet value Amortised cost	Impairment recognised in asset	Accrued interest
Galp Energia, SGPS, SA 10292	506560	1.74%	511 905	2 803	9 699
Greenvolt - Energias Renovaveis, S.A.	991 700	2.79%	986 469	9 573	4 010
Suma, S.A.	900 000	2.69%	900 709	8 683	9 647
Construções Gabriel A. S. Couto, S.A.	500 000	3.08%	496 515	4 824	1 417
Of other resident issuers					
Subordinated debt					
CEMAH - Subordinated bonds 2030	250 000		255 778	4 692	10 903
Issued by non-residents **Of other foreign public issuers** **Non-subordinated debt**					
BTPS 0.00 08/26	987 265	0.27%	986 519	1 233	0
BTPS 0.05 01/23	2 963 520	0.48%	2 983 708	3 730	711
BTPS 0.50 02/26	1 019 560	0.12%	1 016 619	880	2 120
BTPS 0.60 06/23	1 015 200	0.06%	1 007 224	873	330
BTPS 1.00 07/22	4 065 320	0.20%	4 031 975	3 687	18 804
BTPS VAR 04/29	8 044 560	0.06%	8 038 154	6 967	2 286
CROATI 3.00 03/25	2 248 375	0.30%	2 216 770	2 710	49 151
EBRD 0.02 06/31	3 000 000	0.02%	2 999 914	101	7
GGB 0.00 02/26	1 996 250	0.04%	1 992 175	4 335	0
GGB 3.375 02/25	10 767 690	0.06%	10 740 405	22 753	283 731
GGB 3.50 01/23	5 386 415	0.08%	5 334 031	11 253	162 534
GGB 4.375 08/22	542 450	0.07%	520 805	851	9 349
SPGB 0.60 10/29	1 031 430	0.27%	1 025 994	635	1 068
Of other issuers					
Non-subordinated debt					
CEPSA 2.25 02/26	298 914	2.28%	303 984	1 663	6 010
CRTING 3.00 03/24	502 195	2.89%	501 307	3 334	3 292
ELISGP 1.00 04/25	969 750	1.69%	976 376	9 440	7 562
ELPEGA 2.00 10/24	1 493 250	2.27%	1 494 771	8 300	7 582
ERAFP 4.196 02/24	948 990	4.80%	996 186	11 805	35 637
GLJGR 1.50 10/23	496 250	2.44%	496 298	1 911	1 870
MTNA 1.00 05/23	1 457 645	2.00%	1 480 288	8 837	9 452
MYTIL 2.50 12/24	1 458 175	2.38%	1 405 862	52 905	3 323
NFLX 3.00 06/25	1 058 125	1.75%	1 033 487	10 055	1 583
PETBRA 4.75 01/25	555 475	0.90%	553 774	2 962	23 099
SPMIM 3.375 07/26	516 818	2.68%	518 276	4 972	7 998
SPMIM 3.75 09/23	1 017 000	3.18%	1 002 546	18 387	12 123
SYNNVX 3.375 04/26	1 074 720	1.93%	1 076 881	5 874	24 318
TITIM 2.75 04/25	1 014 225	2.43%	1 022 864	6 714	19 890
UCGIM 2.20 07/27	1 507 075	2.12%	1 512 412	8 357	15 008
Total	**74 786 110**		**74 541 050**	**267 066**	**787 024**

FINANCIAL ASSETS AT AMORTISED COST

As at 31 December 2020 this heading is broken down as follows:

Nature and type of securities	Acquisition value	Effective rate (aver.)	Balance sheet value Amortised cost	Impairment recognised in asset	Accrued interest
Debt Instruments					
Issued by residents Of Portuguese public debt					
Treasury bonds					
OTRV JULHO 2025	7 184 900	0.25%	7 176 221	13 529	30 948
PGB 0.475 10/30	6 042 660	0.41%	6 033 860	11 415	5 778
PGB 2.875 10/25	573 065	0.13%	567 496	1 069	3 033
Of other resident issuers					
Non-subordinated debt					
GALPPL 2.00 01/26	506 560	1.74%	506 956	4 678	5 355
Subordinated debt					
CEMAH	250 000	10.17%	252 645	7 709	10 625
Issued by non-residents Of other foreign public issuers Non-subordinated debt					
BTPS 0.05 01/23	2 963 520	0.48%	2 968 891	5 621	695
BTPS 0.50 02/26	1 019 560	0.12%	1 019 844	1 410	2 068
BTPS 0.60 06/23	1 015 200	0.14%	1 012 368	1 402	263
BTPS 1.00 07/22	4 065 320	-0.05%	4 054 570	7 652	18 616
BTPS 2.30 10/21	6 166 370	0.28%	6 117 224	7 490	29 112
CROATI 3.00 03/25	2 248 375	0.30%	2 268 469	4 203	48 493
GGB 3.50 01/23	5 386 415	0.08%	5 496 642	19 091	160 656
GGB 4.375 08/22	542 450	0.07%	541 240	1 904	9 110
SPGB 0.60 10/29	1 031 430	0.27%	1 028 723	1 123	1 002
GGB 3.375 02/25	568 150	0.07%	579 179	3 590	14 754
Of other issuers					
Non-subordinated debt					
ERAFP 4.196 02/24	435 000	8.41%	450 112	10 861	17 598
MTNA 1.00 05/23	1 457 645	2.00%	1 445 533	29 079	9 288
MYTIL 2.50 12/24	1 458 175	2.41%	1 366 693	93 638	3 021
SPMIM 3.75 09/23	1 017 000	3.18%	983 329	42 639	11 712
TITIM 2.75 04/25	1 014 225	2.43%	1 019 404	12 920	19 589
CEPSA 2.25 02/26	298 914	2.32%	299 376	2 767	3 162
ELPEGA 2.00 10/24	1 493 250	2.12%	1 487 393	13 803	7 233
UCGIM 2.20 07/27	1 507 075	2.12%	1 507 415	13 923	14 647
NFLX 3.00 06/25	1 058 125	1.68%	1 036 519	18 372	1 250
ELISGP 1.00 04/25	969 750	1.69%	962 358	16 945	7 452
CRTING 3.00 03/24	502 195	2.87%	498 733	6 405	3 125
SYNNVX 3.375 04/26	1 074 720	1.93%	1 085 767	9 900	23 949
PETBRA 4.5 01/25	555 475	1.96%	571 286	5 113	22 842
Total	**52 405 524**		**52 338 244**	**368 251**	**485 374**

The changes occurred in impairment losses of the investments held to maturity portfolio are as follows:

	31/12/2021	31/12/2020
Balance as at 1 January	**368 251**	**7 965**
Appropriation	214 199	512 187
Reversal	(315 384)	(151 901)
Utilisation		
Exchange and other differences		
Balance as at 31 December	**267 066**	**368 251**

4.4.1 Loans to clients — Note 4.1

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Domestic loans		
Loans	29 816 294	42 113 996
Current account loans	25 496 210	33 551 065
Overdrafts in sight deposits	4 949	0
Purchase operations with resale agreement	0	0
Foreign loans		
Loans	1 263 042	929 163
Current account loans	1 861 108	1 306 487
Overdue loans and interest	9 170 812	3 506 070
Income receivable		
Shareholder loans	2 719 914	258 740
Revenue with deferred income	(129 608)	(184 437)
	70 202 721	**81 481 084**
Provisions/Impairments for overdue loans and interest	(1 884 171)	(1 528 273)
	68 318 550	**79 952 811**

In 2021 the loan portfolio fell by 14.6%, nevertheless remaining relevant in the Bank's overall activity. It should be noted that loans are mostly covered by real and personal guarantees that significantly exceed the outstanding amounts.

The changes in impairment losses of the loan portfolio for sale are as follows:

	31/12/2021	31/12/2020
Balance as at 1 January	**1 528 274**	**1 544 930**
Appropriation	10 634 743	7 451 725
Reversal	(10 278 542)	(6 903 469)
Utilisation	0	0
Exchange and other differences	(303)	(564 912)
Balance as at 31 December	**1 884 171**	**1 528 274**

4.5 Derivatives - Hedge accounting Note 5

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Hedging derivatives		
Positive fair value - cash flow hedging	0	68 713
	0	**68 713**

The Bank offers to its clients structured term deposits through a basket of specific products with minimum guaranteed remuneration and a maximum return conditional on the appraisal of this basket at maturity. At the same time, the Bank contracts similar options to hedge against the risk of the price increase of this basket, to ensure that it will receive the value of the option should it have to pay the client an interest greater than the minimum interest. At 31 December 2021 there were no structured term deposits and so there was no longer any position in hedging derivatives.

In the financial years of 2020 and 2021 hedging items, more specifically cash flow hedging (interest payable to clients at maturity) are recognised in Hedging derivatives at positive fair value. Premium is deferred and recognised as spent over the term deposit. Changes in option price over time and the expected evolution of interest payable were recognised under reappraisal reserves at fair value.

4.6 Investments in subsidiaries, joint ventures and associated companies Note 6

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Accounted for by the equity method – in the country		
In the country		
Coolink – Serviços de Informática e Consultadoria, Lda.	67 868	39 188
Circuitos e Traçados, Sociedade Imobiliária, S.A.	4 961 267	4 985 530
Circuitos e Traçados, Soc. Unipessoal, Lda	9 846	0
Carregosa – SGOIC, S.A.	312 289	339 589
	5 351 269	**5 364 307**

In 2020, Banco L. J. Carregosa, S.A. held 96% of the capital of Carregosa – Sociedade Gestora de Organismos de Investimento Coletivo, S.A., a company engaged in the management of open or closed investment undertakings by investing in real estate assets.

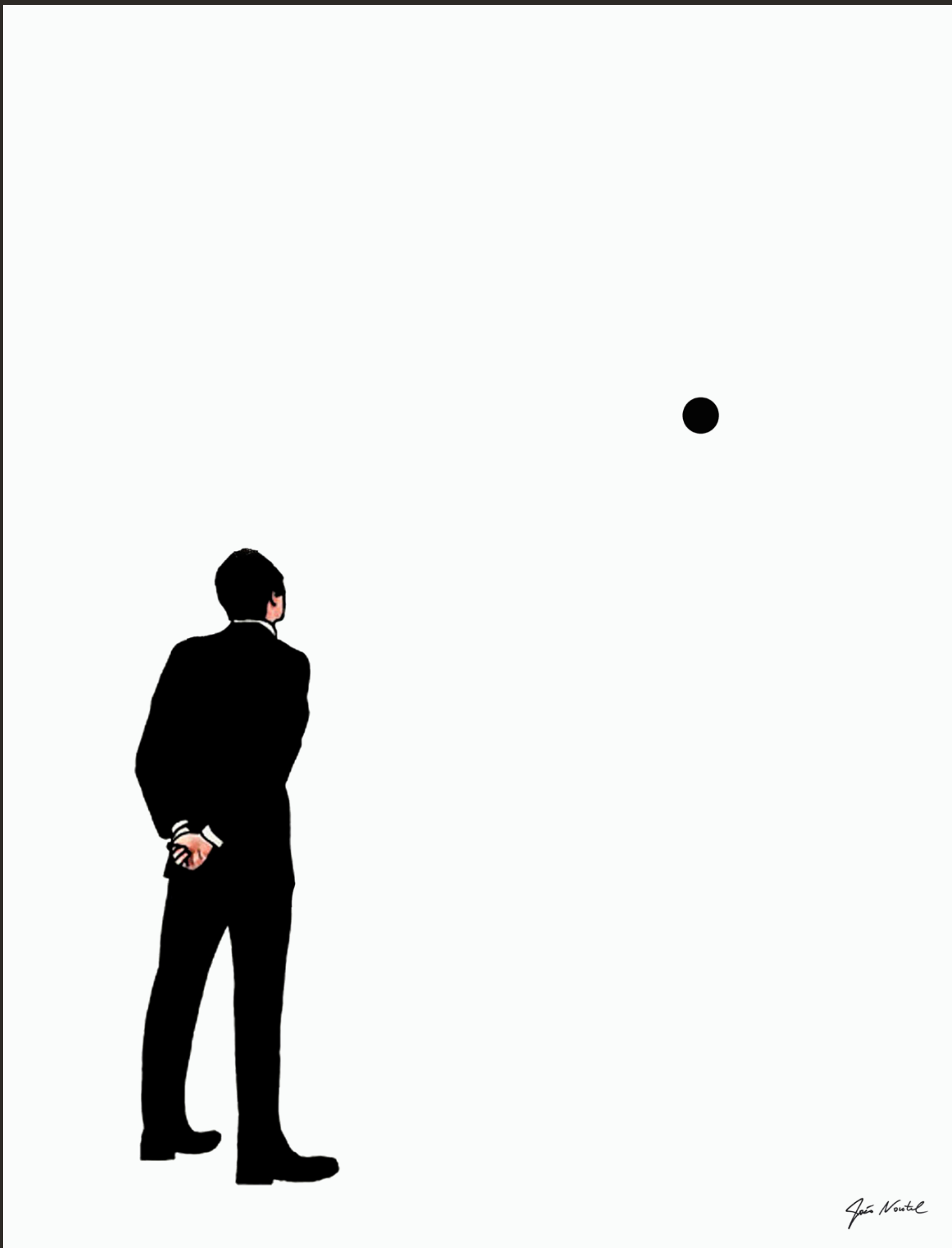
4.7 Other property, plant and equipment Note 7

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Other property, plant and equipment		
Own property	10 618 440	10 618 440
Right-of-use property	370 877	370 877
Equipment	8 083 439	7 732 590
Property, plant and equipment in progress	53 530	0
	19 126 287	**18 721 907**
Accumulated amortisations		
Own property	(668 332)	(536 354)
Right-of-use property	(278 158)	(185 439)
Equipment	(6 699 980)	(6 403 409)
	(7 646 470)	**(7 125 202)**
	11 479 817	**11 596 704**

In 2021 there was a slight change in this item (-1.1%), as a result of the drop of around €225k in the Property item, mostly relating to depreciation and amortisations, and conversely the increase in €35k in equipment.

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



4.8 Intangible assets Note 8

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Other intangible assets		
Automatic data processing system (software)	4 634 380	4 059 034
Other	340 144	340 144
	4 974 525	**4 399 178**
Accumulated amortisations		
Automatic data processing system (software)	(3 668 870)	(3 055 668)
Other	(320 426)	(297 773)
	(3 989 296)	**(3 353 441)**
	985 229	**1 045 737**

Changes and balances as at 31 December 2021 under “Other property, plant and equipment” and “Intangible assets”, including amortisations and impairment adjustments, are presented in the table below.

Property, Plant and Equipment and Intangible Assets as at 31 December 2021 | (Separate)

Accounts	As at 31/12/2020		Increases due to acquisitions	Amortisations in the year	Write-offs (net)	Transfers
	Gross value	Accrued amortisations				
Other intangible assets						
Data processing systems (software)	4 059 034	(3 055 668)	575 346	(613 202)	0	0
Other intangible assets	340 144	(297 773)	0	(22 653)	0	0
Intangible assets in progress	0	0	0	0	0	0
	4 399 178	**(3 353 441)**	**575 346**	**(635 855)**	**0**	**0**
Property, plant and equipment						
Property	10 618 440	(536 354)	0	(131 977)	0	0
Equipment	7 732 590	(6 403 409)	600 931	(539 919)	(6 734)	0
Financial lease assets	0	0	0	0	0	0
Rights-of-use - IFRS 16	370 877	(185 439)	0	(92 719)	0	0
Property, plant and equipment in progress	0	0	53 530	0	0	0
	18 721 907	**(7 125 202)**	**654 461**	**(764 615)**	**(6 734)**	**0**
Total	**23 121 085**	**(10 478 643)**	**1 229 808**	**(1 400 470)**	**(6 734)**	**0**

Property, Plant and Equipment and Intangible Assets as at 31 December 2020 | (Separate)

Accounts<	As at 31/12/2019		Increases due to acquisitions	Amortisations in the year	Write-offs (net)	Transfers
	Gross value	Accrued amortisations				
Other intangible assets						
Data processing systems (software)	3 391 897	(2 599 373)	667 136	(456 294)	0	0
Other intangible assets	340 144	(275 120)	0	(22 653)	0	0
Intangible assets in progress	67 053	0	44 722	0	0	0
	3 799 095	**(2 874 494)**	**711 858**	**(478 947)**	**0**	**0**
Property, plant and equipment						
Property	7 149 527	(420 976)	0	(115 378)	0	0
Equipment	7 385 171	(5 802 462)	404 218	(648 198)	(9 550)	0
Financial lease assets	0	0	0	0	0	0
Rights-of-use - IFRS 16	370 877	(92 719)	0	(92 719)	0	0
Property, plant and equipment in progress	0	0	0	0	0	0
	14 905 575	**(6 316 157)**	**404 218**	**(856 295)**	**(9 550)**	**0**
Total	**18 704 670**	**(9 190 651)**	**1 116 076**	**(1 335 242)**	**(9 550)**	**0**

Regularisations			Adjusted acquisition value	Adjusted amortisations	Adjusted accrued amortisations	Net value as at 31/12/2021
Gross value	Amortisations in the year	Accrued amortisations				
0	0	0	4 634 380	(613 202)	(3 055 668)	965 510
0	0	0	340 144	(22 653)	(297 773)	19 719
0	0	0	0	0	0	0
0	**0**	**0**	**4 974 525**	**(635 855)**	**(3 353 441)**	**985 229**
0	0	0	10 618 440	(131 977)	(536 354)	9 950 109
0	0	0	8 333 521	(539 919)	(6 403 409)	1 383 458
0	0	0	0	0	0	0
0	0	0	370 877	(92 719)	(185 439)	92 719
0	0	0	53 530	0	0	53 530
0	**0**	**0**	**19 376 368**	**(764 615)**	**(7 125 202)**	**11 479 816**
0	**0**	**0**	**24 350 892**	**(1 400 470)**	**(10 478 643)**	**12 465 045**

Regularisations			Adjusted acquisition value	Adjusted amortisations	Adjusted accrued amortisations	Net value as at 31/12/2020
Gross value	Amortisations in the year	Accrued amortisations				
0	0	0	4 059 034	(456 294)	(2 599 373)	1 003 366
0	0	0	340 144	(22 653)	(275 120)	42 371
(111 775)	0	0	0	0	0	0
(111 775)	**0**	**0**	**4 399 178**	**(478 947)**	**(2 874 494)**	**1 045 738**
3 468 913	0	0	10 618 440	(115 378)	(420 976)	10 082 086
0	0	0	7 789 390	(648 198)	(5 802 462)	1 329 180
0	0	0	0	0	0	0
0	0	0	370 877	(92 719)	(92 719)	185 439
0	0	0	0	0	0	0
3 468 913	**0**	**0**	**18 778 707**	**(856 295)**	**(6 316 157)**	**11 596 704**
3 357 138	**0**	**0**	**23 177 885**	**(1 335 242)**	**(9 190 651)**	**12 642 442**

4.9 Current tax assets — Note 9

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Current tax assets		
Other	0	246 239
	0	**246 239**
Deferred tax assets		
Temporary differences		
Property, plant and equipment	5 340	5 340
Impairment	272 796	260 607
In asset variations	281 055	0
From tax losses	244 200	0
	803 392	**265 947**
	803 392	**512 186**

Deferred tax assets reflect only the impact in terms of temporary differences in income tax. As stated in accounting policies, the temporary differences identified between amortisations accepted for tax purposes and those recorded in the accounts and on impairment losses are also identified.

In 2021, deferred tax assets on tax losses carried forward were set up and the recognition of deferred taxes on fair value reserves was adjusted from "Current tax assets - Other" to "Deferred tax assets".

4.10 Other assets — Note 10

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Other assets	85 355	92 457
Other interest and similar income		
Other income receivable		
Commissions for services rendered	39 845	41 400
Costs with deferred charges		
Insurance	146 895	116 942
Other costs with deferred charges	392 456	361 758
Other regularisation accounts	1 643 729	2 832 589
	2 308 281	**3 445 146**

Other regularisation accounts include the securities transactions made at the end of the period, pending settlement at the beginning of the subsequent financial year.

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

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Non-current assets stated as held-for-sale		
Property	3 051	85 680
	3 051	**85 680**

In 2021, the property acquired as part of a credit recovery was sold. The amount of €3k in investments refers to the stake that Banco Carregosa acquired in Exemplary Sparrow corresponding to a 43.5897% share.

4.12 Financial liabilities held for trading — Note 12

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Derivative instruments at negative fair value	5 268	443 959
	5 268	**443 959**

4.13 Financial liabilities measured at amortised cost

Note 13

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Loans and deposits from domestic credit institutions		
Deposits	10 048 831	6 530 601
Loans	200 262	473 034
Other deposits	809	652
	10 249 903	**7 004 288**
Loans and deposits in foreign credit institutions		
Deposits	370 242	1 959 252
Loans	2 938	261 554
	373 180	**2 220 806**
Charges payable		
Other charges	158 305	177 049
	158 305	**177 049**
Creditors - futures and options	0	3 978 549
Other deposits	14 981 256	9 934 355
Client deposits		
Deposits		
Of residents		
Demand	197 439 600	142 939 600
Term	93 747 454	104 975 363
Of non-residents		
Demand	31 472 242	26 971 043
Term	1 628 445	4 924 960
	324 287 741	**279 810 966**
	350 050 384	**303 126 012**

The item other deposits is broken down according to the information shown in the table below. In miscellaneous deposits, the reported amount refers to the financial balances of clients arising from transactions in derivatives and from deposits invested in the liquidity of portfolio management contracts.

	31/12/2021	31/12/2020
Miscellaneous deposits	14 502 263	9 456 040
Creditors - transactions in securities	1 746	97 326
Suppliers	327 905	178 993
Other creditors	149 342	201 996
	14 981 256	**9 934 355**

Operations to be regularised include securities transactions made at the end of the period, pending settlement at the start of the following financial year.

4.14 Derivatives – Hedge accounting Note 14

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Derivatives – Hedge accounting		
Swap	43 315	0
	43 315	**0**

The €43k position refers to the swap contracted with Millennium BCP.

4.15 Provisions Note 15

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Other provisions		
For guarantees and other commitments	1 274	102 074
For tax contingencies	322 410	0
	323 684	**102 074**

4.16 Tax liabilities Note 16

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Current tax liabilities		
Corporate income tax payable	188 047	14 943
Other	0	11 236
	188 047	**26 179**
Deferred tax liabilities		
On reappraisal of property	724 986	728 472
Fair value investment units in profit or loss	251 303	0
On fair value reserves	9 794	0
	986 083	728 472
	1 174 130	**754 651**

4.17 Other liabilities Note 17

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
VAT payable	84 527	99 152
Withholding and other taxes payable to the State	566 960	572 436
Payments to Social Security	99 436	93 520
Third party collections	880	860
Payments to other health systems	4 629	3 117
Other revenue with deferred income	5 650	0
Charges payable - staff	675 159	660 901
Operations to be regularised	1 998 869	3 311 195
	3 436 110	**4 741 181**

4.18 Equity Note 18

Changes and balances as at 31 December 2021 under the own equity headings are presented in the annex "Statement of changes in equity".

Breakdown of equity:

i. Paid-in capital: the Bank's share capital is represented by 200 million registered book-entry shares, each with a par value of €0.10, fully subscribed and paid;

ii. Issue premiums: these refer to the premiums paid by shareholders in capital increases;

iii. Reserves: the amount of profit generated over the financial years but retained in the company as legal reserve, Other reserves and/or retained earnings, excluding positive reserves arising from unrealised gains in sovereign bonds.

Fair value of financial assets and liabilities

The fair value of financial assets and liabilities is estimated in accordance with IFRS13.

The 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 measurement date, under prevailing market conditions (*i.e.* exit price), irrespective of whether this price is directly observable or estimated using another appraisal technique.

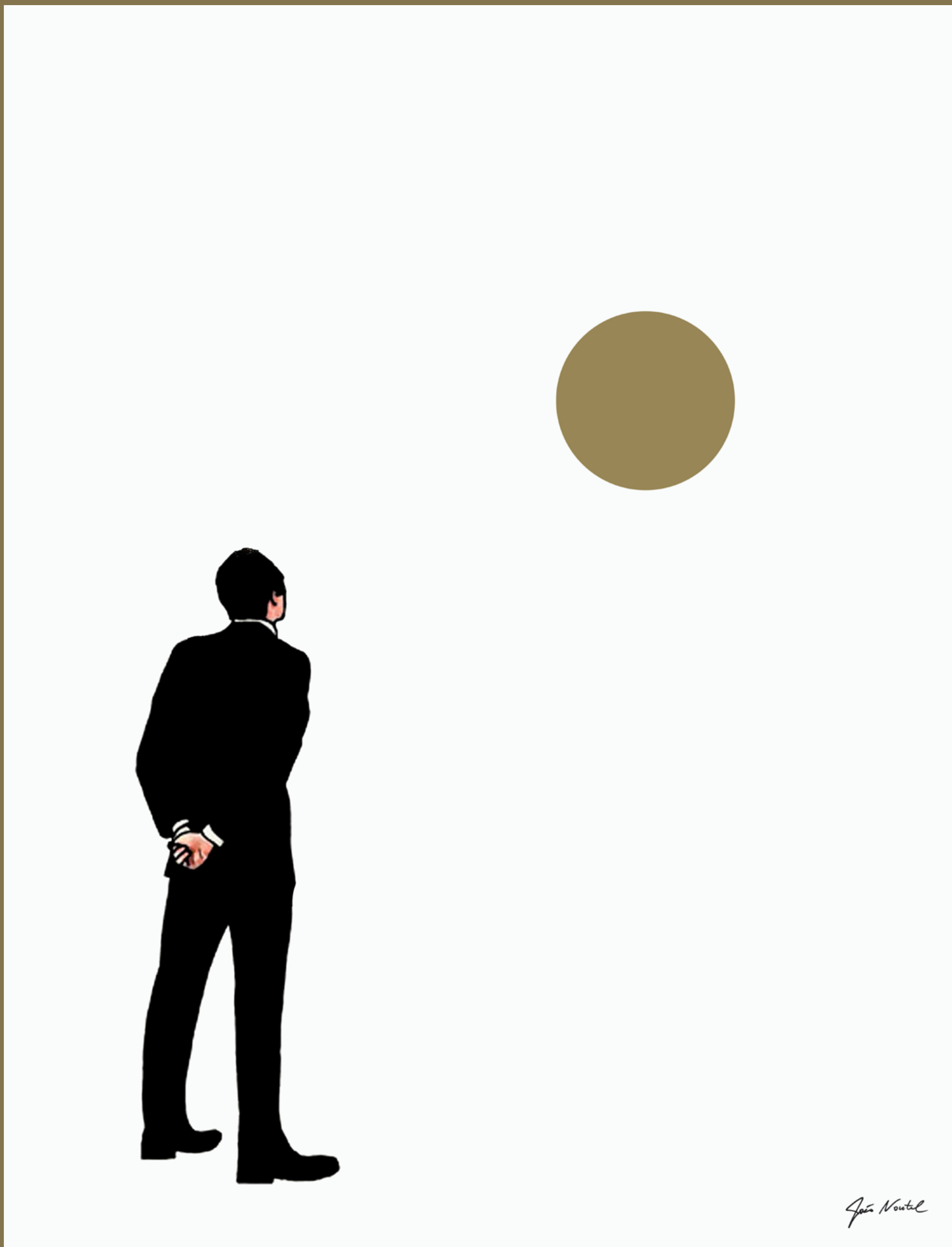
Financial instruments recorded in the balance sheet at fair value were classified into three tiers, in accordance with IFRS 13:

i. Tier 1 – quoted prices in active markets;

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

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

As a result of the revision of the fair value hierarchy, a correction was made from Tier 1 to Tier 2 of the securities recorded under financial assets held for trading mandatorily at fair value through profit or loss, this correction being justified in view of the reduced liquidity of these securities.



The fair value of the Bank's assets and liabilities as at 31 December 2021 and 31 December 2020 is as follows:

2021	Amortised cost
Financial Assets	
Cash and liquid assets in central banks and other demand deposits	137 858 040
Financial assets at fair value through profit or loss	
Financial assets held for trading	0
Financial assets not held for trading mandatorily at fair value through profit or loss	0
Other financial assets at fair value through profit or loss	
Financial assets at fair value through other comprehensive income	
Financial assets at amortised cost	152 102 779
Hedging derivatives	0
Other assets	2 308 281
Non-current assets and disposal groups classified as held for sale	3 051
	292 272 151
Financial Liabilities	
Financial liabilities held for sale	0
Financial assets measured at amortised cost	350 050 384
Other liabilities	3 436 110
	353 486 494

2020	Amortised cost
Financial Assets	
Cash and liquid assets in central banks and other demand deposits	115 264 744
Financial assets at fair value through profit or loss	
Financial assets held for trading	0
Financial assets not held for trading mandatorily at fair value through profit or loss	0
Other financial assets at fair value through profit or loss	36 768
Financial assets at fair value through other comprehensive income	0
Financial assets at amortised cost	137 110 128
Hedging derivatives	68 713
Other assets	3 445 146
	255 925 499
Financial Liabilities	
Financial liabilities held for sale	0
Financial assets measured at amortised cost	303 126 012
Other liabilities	4 741 592
	307 867 605

Measured at fair value				Carrying amount	Fair value
Level 1	Level 2	Level 3	Total		
0	0	0	0	137 858 040	137 858 040
3 105 800	1 238 559	0	4 344 359	4 344 359	4 344 359
0	0	10 783 346	10 782 883	10 782 883	10 782 883
0	0	0	0	0	0
66 464 483	2 056 725	525 384	69 046 592	69 046 592	69 046 592
0	0	0	0	152 102 779	153 630 474
0	0	0	0	0	0
0	0	0	0	2 308 281	2 308 281
			0	3 051	3 051
69 570 283	**3 295 284**	**11 308 731**	**84 173 834**	**376 445 985**	**377 973 680**
0	5 268	0	5 268	5 268	5 268
0	0	0	0	350 050 384	350 050 384
0	0	0	0	3 436 110	3 436 110
0	**5 268**	**0**	**5 268**	**353 491 762**	**353 491 762**

Measured at fair value				Carrying amount	Fair value
Level 1	Level 2	Level 3	Total		
0	0	0	0	115 264 744	115 264 744
2 770 845	1 940 580	0	4 711 425	4 711 425	4 711 425
0	0	11 189 245	11 189 245	11 189 245	11 189 245
0	0	0	0	36 768	36 768
6 877 410	49 633 337	525 384	57 036 132	57 036 132	57 036 132
0	0	0	0	137 110 128	138 132 736
0	0	0	0	68 713	68 713
0	0	0	0	3 445 146	3 445 146
9 648 255	51 573 918	11 714 629	72 936 801	328 862 300	329 884 907
0	443 959	0	443 959	443 959	443 959
0	0	0	0	303 126 012	303 126 012
0	0	0	0	4 741 592	4 741 592
0	**443 959**	**0**	**443 959**	**308 311 564**	**308 311 564**

Fair value hierarchy

IFRS 13 establishes a fair value hierarchy that categorises the inputs used to measure fair value into three tiers:

i. Tier 1 – Financial instruments are measured based on quoted prices (unadjusted) in active markets that the Bank can access. This tier includes government bonds, company bonds and shares and derivatives listed and traded in regulated markets.

ii. Tier 2 – Financial instruments are measured based on inputs other than quoted prices included in Tier 1 that are directly or indirectly observable in the market for the instrument. To determine the fair value with Tier 2 inputs, the Bank uses appraisal techniques based on inputs that are observable on the market (quoted prices in active markets of similar instruments and based on quoted prices that are not assets or net, interest rates, exchange rates, risk ratings given by external entities, others). This tier includes bonds, non complex OTC derivatives and gross shares.

iii. Tier 3 - Financial instruments are measured based on non observable inputs on the market for the instrument. To determine the fair value with Tier 3 inputs, appraisal techniques are used based on inputs that are not observable on the market and that do not fulfil the Tier 1 or Tier 2 classification requirements.

In the 2021 and 2020 financial years, financial instruments were transferred between Tier 1 and 2.

In the 2021 and 2020 financial years, the changes in Tier 3 of financial instruments in the fair value hierarchy were as follows:

	Financial assets held for trading	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
Balance as at 1 January 2021		**11 189 245**	**414 443**
Gains/(losses) recognised through profit and loss		947 435	0
Income from assets and liabilities measured at fair value through profit or loss			0
Income from available for sale financial assets			0
Impairment derecognised in the year			0
Gains/(losses) recognised in fair value reserves			0
Acquisitions		2 650 069	0
Disposals		-4 003 865	0
Transfers from other levels			0
Transfers to other levels			0
Exchange differences			0
Other			0
Balance as at 31 December 2021	**0**	**10 782 884**	**414 443**

	Financial assets held for trading	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
Balance as at 1 January 2020			**442 300**
Gains/(losses) recognised through profit and loss			0
Income from assets and liabilities measured at fair value through profit or loss			0
Income from available for sale financial assets			
Impairment derecognised in the year			79 259
Gains/(losses) recognised in fair value reserves			-107 116
Acquisitions			0
Disposals			0
Transfers from other levels		11 189 245	0
Transfers to other levels			0
Exchange differences			0
Other			0
Balance as at 31 December 2020	**0**	**11 189 245**	**414 443**

Interest rates

The short term interest rates presented reflect the indicative values of deposit rates and/or futures, while for the long term swap rates are used[11]:

	2021		2020	
	EUR	USD	EUR	USD
1 week	-0.574	0.076	-0.578	0.096
1 month	-0.583	0.101	-0.554	0.144
2 months		0.153		0.19
3 months	-0.572	0.209	-0.545	0.238
6 months	-0.546	0.339	-0.526	0.258
1 year	-0.416	1.041	-0.521	0.208
2 years	-0.296	0.941	-0.521	0.198
3 years	-0.147	1.168	-0.506	0.241
4 years	-0.051	1.295	-0.485	0.325
5 years	0.017	1.37	-0.459	0.43
7 years	0.129	1.476	-0.389	0.655
10 years	0.301	1.581	-0.261	0.925
30 years	0.476	1.731	-0.023	1.402

11 The above amounts were obtained from Bloomberg.

Exchange rates

The Central Bank's fixing values are used for exchange rates[12]. The table below shows the exchange rates of some of the relevant currency pairs as at 31 December 2021 and 2020:

2021	EUR	USD	GBP	CHF	SEK	NOK	AUD	CAD	NZD	BRL
EUR	–	1.137	0.84021	1.0379	10.294	10.026	1.5653	1.4368	1.6657	6.3345
USD	0.87953	–	0.739	0.9129	9.0542	8.8183	1.3768	1.2637	1.4651	5.5714
GBP	1.1902	1.3532	–	1.2353	12.252	11.933	1.863	1.71	1.9825	7.5391
CHF	0.96344	1.0954	0.8095	–	9.9181	9.6596	1.5081	1.3842	1.6048	6.1029
SEK	0.09714	0.11045	0.08162	0.10083	–	0.97394	0.15206	0.13957	0.16181	0.61534
NOK	0.09974	0.1134	0.0838	0.10352	1.0268	–	0.15613	0.1433	0.16614	0.6318
AUD	0.63884	0.72634	0.53676	0.66308	6.5765	6.4051	–	0.91785	1.0641	4.0467
CAD	0.69601	0.79135	0.5848	0.72242	7.165	6.9783	1.0895	–	1.1594	4.4089
NZD	0.60034	0.68256	0.50441	0.62312	6.1801	6.019	0.93973	0.86254	–	3.8028
BRL	0.15787	0.17949	0.13264	0.16386	1.6251	1.5828	0.24711	0.22681	0.26296	–

2020	EUR	USD	GBP	CHF	SEK	NOK	AUD	CAD	NZD	BRL
EUR	–	1.2216	0.89365	1.0814	10.051	10.48	1.5878	1.5545	1.7004	6.3445
USD	0.81858	–	0.73153	0.8852	8.2273	8.5791	1.2997	1.2725	1.3919	5.1935
GBP	1.119	1.367	–	1.2101	11.247	11.728	1.7767	1.7395	1.9027	7.0995
CHF	0.92474	1.1297	0.8264	–	9.2942	9.6917	1.4683	1.4376	1.5724	5.867
SEK	0.0995	0.12155	0.08892	0.10759	–	1.0428	0.15798	0.15467	0.16918	0.63125
NOK	0.09542	0.11656	0.08527	0.10318	0.95899	–	0.1515	0.14833	0.16224	0.60537
AUD	0.62981	0.76939	0.56283	0.68107	6.33	6.6007	–	0.97907	1.0709	3.9958
CAD	0.64327	0.78584	0.57486	0.69562	6.4653	6.7418	1.0214	–	1.0938	4.0813
NZD	0.58811	0.71845	0.52557	0.63597	5.9109	6.1637	0.93379	0.91425	–	3.7313
BRL	0.15762	0.19255	0.14085	0.17044	1.5841	1.6519	0.25026	0.24502	0.26801	–

12 Source of exchange rates: https://www.bportugal.pt/taxas-cambio.

4.19 Financial margin — Note 19

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Interest and similar income from:		
Interest on deposits in other credit institutions	4 590	4 663
Interest on investments in credit institutions	0	25
Interest on loans to clients	2 767 282	3 315 462
Interest on overdue loans	210 999	43 815
Interest and similar income from other financial assets	1 888 269	1 503 289
Commissions received associated with amortised cost	113 007	91 501
	4 984 147	**4 958 755**
Interest and similar costs on:		
Deposits from Banco de Portugal	(259 437)	(180 613)
Deposits from other credit institutions	(124 507)	(137 541)
Interest from creditors and other deposits		
Interest on deposits from clients	(281 091)	(506 403)
Interest on trading liabilities	0	(123)
Other interest and similar costs	(13 857)	(71 948)
Interest on loans	(21 405)	(20 977)
	(700 297)	**(917 604)**
	4 283 850	**4 041 151**

4.20 Income from equity instruments — Note 20

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Available-for-sale financial assets		
Issued by residents		
Investment units	349 278	344 237
	349 278	**344 237**

These result from the payment, in two distribution periods, of income from the Retail Properties real estate investment fund, corresponding to €0.50/€0.50 in 2021, similar to 2020 per unit held. They also result from 1 payment of €4.32 per unit of the IBERIS Bluetech Fund, FCR EuVECA - Category B, C, D, E and F and a payment of €1,000 per unit of the Conforto FEIIF Fund.

4.21 Revenue and charges from and with commission services Note 21

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Income from services and commissions from:		
Guarantees and commitments	65 252	104 210
Deposits and securities under custody	143 614	66 441
Collection of securities	138 258	120 890
Management of securities	1 568 115	1 011 066
Collective investment undertakings	946 155	710 541
Other services provided	1 068 155	812 385
Transactions carried out on behalf of third parties	3 628 745	3 166 118
Other commissions received	1 215 946	638 354
	8 774 241	**6 630 006**
Charges - services and commissions for:		
Deposits and securities under custody	(80 433)	(80 189)
Other banking services provided by third parties	(215 350)	(67 924)
Transactions carried out by third parties	(3 382 922)	(3 387 503)
	(3 678 705)	**(3 535 616)**
	5 095 536	**3 094 390**

4.22 Income from assets and liabilities evaluated at fair value Note 22

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Gains from:		
Financial assets held for trading		
Securities	4 328 184	9 326 390
Derivative instruments	3 347 078	1 265 960
	7 675 261	**10 592 350**
Losses from:		
Financial assets held for trading		
Securities	(2 047 204)	(7 163 196)
Derivative instruments	(1 471 349)	(2 887 839)
	(3 518 553)	**(10 051 036)**
	4 156 709	**541 315**

In accordance with the applicable standards, this heading included the amount relating to derecognition of financial assets usually done through their disposal. In 2021, these increased by 668% compared to 2020, due to the gains obtained from hedging derivatives of the Bank's foreign exchange position.

4.23 Income from financial assets at fair value through other comprehensive income Note 23

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Gains from:		
Available-for-sale financial assets		
Securities		
Issued by residents		
Debt instruments	108 777	23 652
Equity instruments	1 547	45 633
Issued by non-residents		
Debt instruments	941 361	1 282 516
	1 051 685	**1 351 800**
Losses from:		
Available-for-sale financial assets		
Securities		
Issued by residents		
Debt instruments	(12 141)	(2 414)
Issued by non-residents		
Debt instruments	(523 374)	(1 938 472)
	(535 515)	**(1 940 886)**
	516 170	**(589 086)**

The results of financial assets and liabilities at fair value through comprehensive income were positive in 2021 by €516k, compared to a negative value of €589k in 2020, justified by the market recovery in 2020.

4.24 Income from non-negotiable financial assets mandatorily at fair value through profit or loss — Note 24

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Gains from:		
Non-negotiable financial assets mandatorily at fair value through profit or loss		
Equity instruments	2 339 472	1 738 728
Losses from:		
Non-negotiable financial assets mandatorily at fair value through profit or loss		
Equity instruments	(1 392 037)	(1 013 393)
	947 435	725 335

The 30.6% increase compared to 2020 was due, on one hand, to the portfolio turnover and the return on property investments held by the funds in the portfolio.

4.25 Income from currency reappraisal — Note 25

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Gains from:		
Exchange differences		
Other items in foreign currency - foreign currencies	838 147	2 567 206
Losses from:		
Exchange differences		
Other items in foreign currency - foreign currencies	(2 577 813)	(611 761)
	(1 739 665)	**1 955 444**

The negative result in 2021 of €1.7M compared to the positive results of €1.9M in 2020 is justified by the appreciation of the USD against the EUR.

4.26 Income from the disposal of other assets — Note 26

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Gains from:		
Gains from inv. in subsidiaries in the country	0	42 804
Non-financial assets	115 818	37 857
Losses from:		
Losses from inv. in subsidiaries in the country		(57 519)
Non-financial assets	(10 329)	(37)
	105 489	**23 106**

This Note includes the impact of the equity method calculation in portfolio investments. In 2021, gains and losses in subsidiaries and in the country were restated to Other operating income, as per Note 4.27.

4.27 Other operating income — Note 27

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Gains from:		
Other gains and operating income	138 156	42 936
Gains from invest. in subsidiaries in the country	107 754	0
	245 910	**42 936**
Losses from:		
Losses from invest. in subsidiaries in the country	(319 291)	0
Other taxes	(470 165)	(413 677)
Donations and membership fees	(80 440)	(79 303)
Contributions to the Deposit Guarantee Fund (FGD)	(267)	(250)
Contributions to the Investor Compensation Scheme	(5 000)	(5 000)
Failure of computer systems or telecommunications	(1 740)	(1 222)
Other charges and operating expenses	(219 262)	(276 690)
	(1 096 165)	**(776 142)**
	(850 255)	**(733 206)**

4.28 Staff costs Note 28

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Remunerations		
Management and supervisory bodies	(602 659)	(461 508)
Employees	(3 673 295)	(3 613 434)
Mandatory social security contributions		
Remuneration-related charges	**(1 009 385)**	**(953 929)**
Other mandatory social security contributions		
Pension fund	(31 816)	(46 784)
Insurance against accidents at work	(24 835)	(20 128)
Other staff costs	(212 260)	(251 071)
	(5 554 249)	**(5 346 854)**

As at December 2021, the Bank had 109 employees in Portugal, as shown in the professional categories table below.

Distribution by professional category	31/12/2021	31/12/2020
Management Board	4	4
Management	26	26
Technical staff	49	49
Admin. staff	6	7
Commercial/Operations	17	15
Other	7	7
Banco Carregosa	**109**	**108**

Retirement and survival pensions liabilities

Banco Carregosa provides a defined Pension Plan to a restricted number of employees. For the purpose thereof, beneficiaries of this pension plan are current and former workers 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's Pension Plan is a defined benefit plan that follows the provisions of the Collective Labour Agreement for the Banking Sector (ACTV) and is subject to the requirements set by Banco de Portugal. Amounts paid depend on the number of years worked by the Employee and the salary scale stipulated by the ACTV.

Benefits granted by the Pension Plan of Banco Carregosa:

i. Old-age retirement or presumable disability pension;

ii. Deferred survivors' pension;

iii. Immediate survivors' pensions;

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

v. Death grant (*).

(*) In the event of death of a participant or beneficiary (due to disability or presumed disability) an allowance will be paid – a death grant will be paid – as defined in Clause 102 of the ACT. Responsibility for services provided in the past by eligible employees is determined every year based on the date of admission at Banco Carregosa and not on the date on which the employee entered the banking sector. Consequently, the share of responsibilities relating to the period between the date of admission in the banking sector and the date of admission in the company will be chargeable to past employers, except if the latter have transferred the amount of their share of responsibility. The benefits relating to disability pensions and immediate survivors pensions are covered by a life insurance policy.

In addition, the Bank also has health care responsibilities and costs with its employees. The employees who as at 31 December 2010 were integrated in CAFEB can benefit from the Medical-Social Aid Services (SAMS) of their unions. The remaining employees' benefits are covered by the ADVANCECARE health insurance, which offers similar terms and conditions to the SAMS medical aid services.

Liabilities for retirement and survivors' pensions and their costs arising from the Bank's pension plan have been prepared through an actuarial appraisal performed by an actuary. The Bank's pension plan is a defined benefit plan in line with the ACTV – Collective Vertical Labour Agreement for the Banking Sector. As at 31 December 2019, Banco Carregosa's pension plan included 14 active participants, 48 with acquired rights and 4 pensioners.

Decree-Law 1-A/2011, of 3 January, provided for changes in the calculation of responsibilities in pension funds. From the date when banking employees integrated in CAFEB changed to the General Social Security Scheme on 31 December 2010, the fund will no longer be responsible for the full ACT pension; from that date on, only the supplemental pension resulting from the difference between the ACT pension and the Social Security pension will be taken into consideration.

Number of participants in the plan

As at 31 December of every year, the participants in the pension plan are as follows:

	2021	2020
Active participants	13	14
Former participants with acquired rights	48	48
Pensioners	5	4
Total	**66**	**66**

Assumptions

The liabilities of the pension scheme were assessed on the basis of the following assumptions:

	2021	2020
Actuarial appraisal method	Project Unit Credit Method	Project Unit Credit Method
Demographic assumptions		
Mortality table	TV88/90	TV88/90
Invalidity table	SR88	SR88
Turnover tables	–	–
Financial assumptions		
Fund yield rate	1.25%	1.25%
Wage growth rate	0.50%	0.50%
Pension adjustment rate table	1.25%	1.25%
Pension growth rate	0.50%	0.50%
General information		
Number of benefit payments	**14**	**14**

With regard to the actuarial appraisal of 31/12/2021 no changes occurred that affected the assumptions.

Fund yield rate – The discount rate that reflects the economic reality to meet the requirements of International Accounting Standard IAS 19 is up to date. The discount rate of 1.25% is on the threshold of the rates indicated in the benchmarks on private debt bonds with a high credit rating (AA) and a maturity similar to the liabilities with the pension fund.

Pension growth rate – The pension growth rate in respect of the number of pensioners in the period reflects:

» the application of the ACT table in effect for the year (Pension Table and Employer Costs);

Pension liabilities

Pension liabilities as at 31 December are as follows:

	2021	2020
Pension payment liabilities	710 178	725 996
Active participants liabilities	2 870 847	3 013 598
	3 581 025	**3 739 594**

Pension payment liabilities

The current value of pension payment liabilities as at 31 December 2021 is as follows:

	Current value of pensions under payment	SAMS	Death Grant	Total
Total	**678 289**	**28 292**	**3 598**	**710 178**
Old-age pensions	187 494	16 504	3 598	207 596
Invalidity pensions	0	0	0	0
Survivors' pensions	484 878	11 788	0	496 664
Orphans' pensions	5 917	0	0	5 918

The current value of pension payment liabilities as at 31 December 2021 is as follows:

	Current value of pensions under payment	SAMS	Death Grant	Total
Total	**692 889**	**29 529**	**3 578**	**725 996**
Old-age pensions	196 968	17 354	3 578	217 900
Invalidity pensions	0	0	0	0
Survivors' pensions	495 921	12 175	0	508 097
Orphans' pensions	0	0	0	0

Active participants' liabilities

The current value of active participants liabilities as at 31 December 2021 is as follows:

Current value of past service liabilities	Active participants	Acquired Rights	SAMS Active part.	Death Grant Active part.	Total
Total	**1 650 903**	**985 749**	**213 129**	**21 067**	**2 870 847**
<65 years	1 497 757	927 450	197 474	19 869	2 642 450
≥ 65 years	153 146	58 299	15 655	1 198	228 297

The current value of active participants liabilities as at 31 December 2020 is as follows:

Current value of past service liabilities	Active participants	Acquired Rights	SAMS Active part.	Death Grant Active part.	Total
Total	**1 706 946**	**1 070 091**	**216 472**	**20 088**	**3 013 598**
<65 years	1 543 250	1 036 871	199 982	18 897	2 798 999
≥ 65 years	163 697	33 221	16 490	1 191	214 599

Plan assets

Benefit liabilities are financed through collective subscription No. 1 to the Open-end Funds Optimize Capital Equilibrado (FP OCP Equilibrado), Optimize Capital Moderado (FP OCP Moderate) and Optimize Capital Ações (FP OCP Shares) and collective subscription No. 4 to the Real Reforma Garantida Pension Fund.

The above pension funds subscribed collectively are open-end funds whose risk profile varies according to their investment policies. The FP OCP Balanced for participants 10 or more years away from retirement age leaves some room for manoeuvre in terms of investment values, the FP OCP Moderate is for participants averse to risk or under 5 years away from retirement age, and the FP OCP Shares for long-term investments or for participants 15 or more years away from retirement age. The FP Real Reforma Garantida pension fund is intended for participants averse to risk or less than 5 years away from retirement age, who would rather sacrifice profitability to protect their capital.

The value of each fund as at 31 December is detailed below:

	2021	2020
FP OCP Balanced	895 200	886 266
FP OCP Moderate	1 606 811	1 569 330
FP OCP Shares	1 420 328	1 286 437
	3 922 339	**3 742 033**

Fund development

The following tables show the Bank's Pension Plan income and expenses allocated to each of the 3 funds, the following charges including Pensions, Insurance Premiums and Other Expenses.

In 2021, the FP OCP Balanced fund developed as follows:

	Investment unit value	Investment units	Fund value	Value date
Opening balance	7.5149	117 934.7682	886 265.65	31/12/2020
Pension + Costs		-7 903.2588	-61 325.93	
Contributions + Other receipts		1 109.1333	8 711.47	
Total transactions		-6 794.1255	-52 614.46	
Fund yield rate	7.18%	0	61 548.51	
Closing balance	**8.0547**	**111 140.6427**	**895 199.70**	**31/12/2021**

In 2021, the FP OCP Moderate developed as follows:

	Investment unit value	Investment units	Fund value	Value date
Opening balance	7.0566	222 390.9480	1 569 330.26	31/12/2020
Pension + Costs		-2 973.6796	-21 033.13	
Contributions + Other receipts		1 945.2154	13 977.33	
Total transactions		-1 028.4642	-7 055.80	
Fund yield rate	2.86%	0	44 537.30	
Closing balance	**7.2587**	**211 362.4838**	**1 606 811.76**	**31/12/2021**

In 2021, the FP OCP Shares developed as follows:

	Investment unit value	Investment units	Fund value	Value date
Opening balance	7.8521	163 834.5539	1 286 437.23	31/12/2020
Pension + Costs		-2 112.8024	-16 737.75	
Contributions + Other receipts		1 368.0815	11 480.10	
Total transactions		-744.7209	-5 257.65	
Fund yield rate	10.91%	0	139 148.26	
Closing balance	**8.7089**	**163 089.8330**	**1 420 327.84**	**31/12/2021**

In 2021 and 2020, the three funds developed as follows:

	Investment unit value	Investment units	Fund value	Value date
Opening balance	7.4223	504 160.2701	3 742 033.14	31/12/2020
Pension + Costs		-12 989.7408	-99 096.81	
Contributions + Other receipts		4 422.4302	34 168.90	
Total transactions		-8 567.3106	-64 927.91	
Fund yield rate	6.63%	0	245 234.07	
Closing balance	**7.9144**	**495 592.9595**	**3 922 339.30**	**31/12/2021**

Differences:

	Investment unit value	Investment units	Fund value	Value date
Opening balance	3 742 033.14	3 742 033.14	0	31/12/2020
Pension + Costs	-84 904.69	-99 096.81	-14 192.12	
Contributions + Other receipts	0	34 168.90	34 168.90	
Total transactions	-84 904.69	-64 927.91	19 976.78	
Fund yield rate	46 244.76	-245 234.07	198 989.31	
Closing balance	**3 703 373.21**	**3 922 339.30**	**218 966.09**	**31/12/2021**

The pensions and income rate estimated in the previous year's actuarial report were considered for the estimated values.

The positive different is mainly due to the fact that the actual fund yield was higher than the estimated yield.

Pension payment liabilities

Liabilities with pensions under payment relate to the financing scenarios and minimum scenario.

	Current value of pensions under payment	SAMS	Death Grant	Total
Total	**678 289**	**28 292**	**3 598**	**710 178**
Old-age pensions	187 494	16 504	3 598	207 596
Invalidity pensions	0	0	0	0
Survivors' pensions	484 877	11 787	-	496 664
Orphans' pensions	5 917	0	0	5 917

Active participants' liabilities

Active participants' liabilities relate to the financing scenarios and minimum scenario.

Active participants	Acquired Rights	SAMS Active Part.	Death Grant Active Part.	Total	Total
Current value of past service liabilities					
Total	1 650 902.91	985 748.59	213 128.66	21 067.16	2 870 847.32
< 65 years	1 497 757.14	927 449.59	197 473.83	19 869.43	2 642 549.99
≥ 65 years	153 145.77	58 299.00	15 654.83	1 197.73	228 297.33
Current value of future service liabilities					
Total	–	–	82 002.15	8 668.57	90 670.72
< 65 years	–	–	82 002.15	8 668.57	90 670.72
≥ 65 years	–	–	–	–	–
Current value of total service liabilities					
Total	1 481 475.77	985 748.59	295 130.81	29 735.73	2 792 090.90
< 65 years	1 332 543.54	927 449.59	279 475.98	28 538.00	2 568 007.11
≥ 65 years	148 932.23	58 299.00	15 654.83	1 197.73	224 083.79

Applying the methodology recommended by CNSF to calculate the Current Value of Past Service Liabilities of old-age pensions may result in liabilities in excess of the Current Value of Total Service Liabilities for some assets. In this case, the Current Value of Future Service Liabilities is null.

Duration of pension liabilities

The Fund has a residual maturity of 72 years, resulting from the technical threshold of the mortality table used, compared with the estimated duration of liabilities:

Duration (interest rate sensitivity)

Duration	
Macaulay	17.8
Modificada	17.61%
Convexidade	424

Average life expectancy:

	Number	Minimum age	EMV
Active participants	13	49	34.34
Acquired rights	48	39	43.69
Pensioners	5	69	16.97
Total	**66**	**39**	**43.69**

Thus, considering the combined residual maturity (72 years) and the average life expectancy of younger beneficiaries (43.69 years), and the duration of Macaulay (17.8 years), we conclude that the balance of financial flows occurs much earlier than these biometric indicators, demonstrating some robustness of the interest rate sensitivity. In any case, it should be noted that this is already a quite long duration, more than 15 years, associated with a number of highly volatile assets and liabilities, largely due to the form of the benefits.

Development of past service liabilities

Date	31/12/2020	31/12/2021	Variation
Current value of pensions under payment	725 996	710 178	-2.18 %
Current value of past service liabilities	3 013 598	2 870 847	-4.74 %
Total	3 739 594	3 581 025	-4.24 %

The decrease in the Current Value of Past Service Liabilities is due essentially to the transfer of a participant to the status of former participant with acquired rights, to the death of a former participant with acquired rights, and the natural ageing of the pensioner population.

Contributions and financing plans

The funding level of the pension payment liabilities at this date is as follows:

	Funding & minimum scenario
Liabilities (VAPP+VASP)	3 581 025.20
VAPP	710 177.88
Funding level VAPP	100%
VABT (Acquired rights)	985 748.59
Funding level VABT	100%
VASP	1 885 098.73
Funding level VASP	118. 11%
Fund value	3 922 339.30
Overall funding level	109. 53%

The value of the fund presented to calculate the funding level is the respective net value, already deducted of charges and expenses incurred.

As the funding of this pension plan is subject, in terms of minimum funding, to that established by Banco de Portugal, *i.e.*, the full funding of the pension payment liabilities and acquired rights and 95% of the past service liabilities of the active population, it appears that it complies with what is established and, therefore, there are no unfunded liabilities.

Considering the assumptions in accordance with the ASF solvency minimum, in accordance with Rule 21/96-R of 5 December, past service liabilities as at 31 December 2021 amounted to €2 138 136.92.

During the first quarter of 2022, the Bank did not make any contribution, as the liabilities calculated for 2021 are covered, within the limit established by IAS 19.

The actuarial report is available at the Bank's head-office for consultation.

4.29 General administrative costs Note 29

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Supplies:		
Water, electricity and fuel	(199 610)	(173 822)
Consumables	(21 623)	(4 902)
Publications	(5 227)	(5 641)
Hygiene and cleaning materials	(18 041)	(30 826)
Other third party suppliers	(85 538)	(95 259)
	(330 038)	**(310 450)**
Services:		
Leases and rentals	(47 810)	(45 660)
Communications	(242 687)	(253 540)
Travel, hotel, and entertainment expenses	(167 863)	(144 078)
Advertising and publishing	(405 892)	(371 846)
Repairs and maintenance	(133 398)	(123 223)
Insurance	(72 236)	(71 180)
Specialised services		
Retainers and fees	(11 439)	(11 819)
Legal, litigation, and notaries	(4 265)	(3 406)
IT services	(1 036 043)	(995 270)
Security and surveillance	(10 719)	(13 908)
Cleaning services	(7 148)	(4 805)
Information	(678 316)	(686 219)
Databases	(72 050)	(68 815)
Other specialised services		
Studies and consultations	(33 724)	(20 125)
Advisors and external auditors	(518 972)	(544 812)
External appraisers	(80 056)	(72 522)
Other third party services		
Public relations and advisory services	(110 424)	(47 197)
Banco de Portugal – Bpnet service	(3 140)	(4 430)
Housekeeping services	(8 417)	(7 469)
Other	(20 458)	(30 069)
	(3 665 056)	**(3 520 394)**
	(3 995 094)	**(3 830 844)**

The item "Advisors and external auditors" includes the fees invoiced by the Statutory Auditors as part of their statutory auditing duties and other reliability assurance services (amounts excluding VAT):

Statutory Auditors	
Legal Certification of Accounts	85 000
Assurance and reliability services	34 500
	119 500

4.30 Depreciation and amortisations Note 30

This group is broken down as follows for comparable reporting periods:

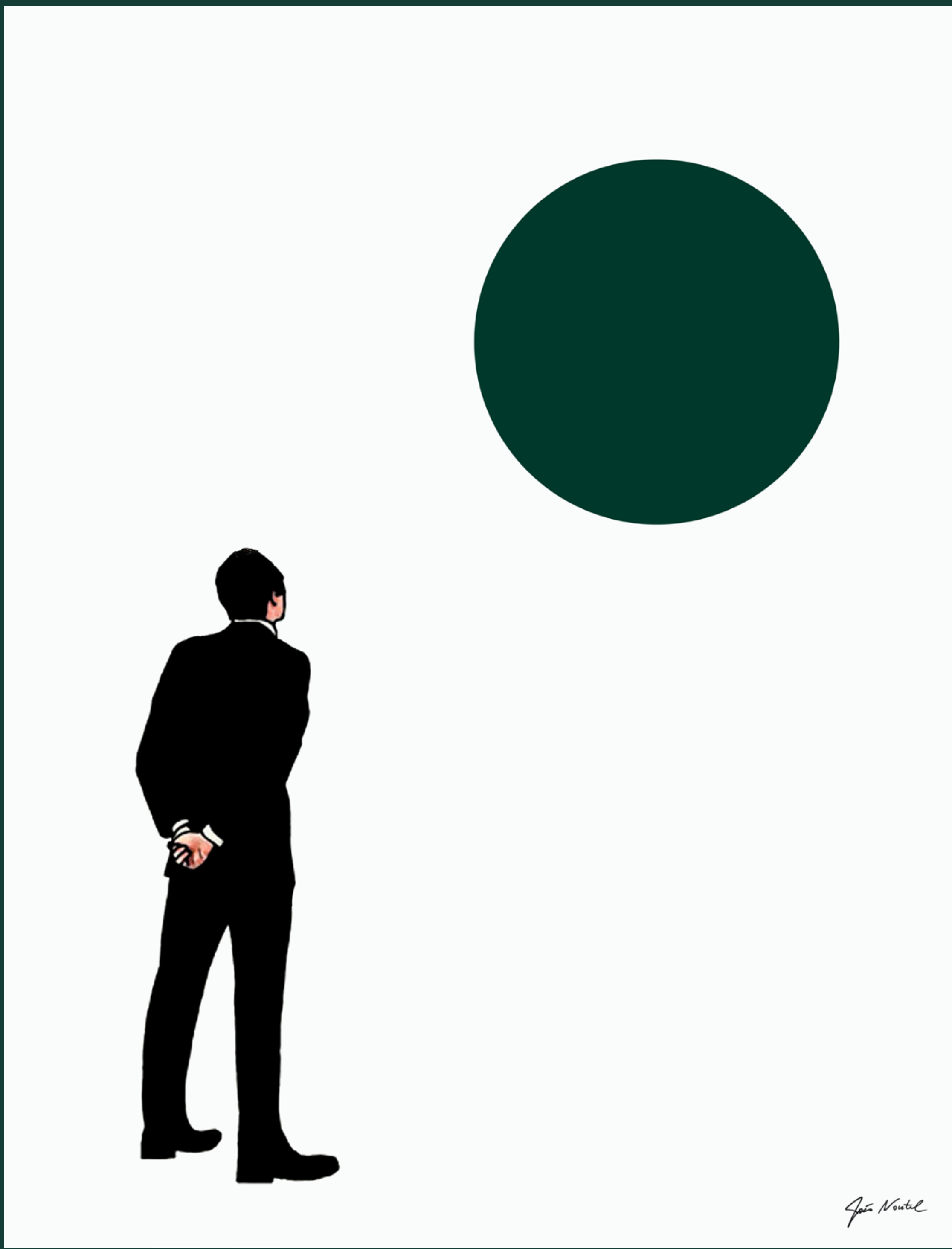
	31/12/2021	31/12/2020
Property, plant and equipment		
Property	(224 696)	(208 098)
Equipment	(539 919)	(648 198)
	(764 615)	**(856 295)**
Intangible assets	**(635 855)**	**(478 947)**
	(1 400 470)	**(1 335 242)**

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 associated to these notes.

4.31 Provisions net of write-offs Note 31

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Gains from:		
Provisions for guarantees and commitments made	805 924	275 972
Losses from:		
Provisions for guarantees and commitments made	(704 187)	(368 866)
Other provisions	(322 410)	0
	(220 672)	**(92 894)**



4.32 Impairment of financial assets at amortised cost — Note 32

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Investments held to maturity		
Debt instruments	101 190	(360 286)
Loans		
Normal loans	10 278 542	6 903 469
Overdue loans (includes other debtors)	(10 634 743)	(7 459 584)
	(356 201)	**(556 115)**
	(255 011)	**(916 401)**

4.33 Impairment of financial assets at fair value through other comprehensive income — Note 33

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Available-for-sale financial assets		
Debt instruments	356 354	(376 791)
Equity instruments	0	81 272
	356 354	**(295 519)**

4.34 Impairment of investments in subsidiaries, joint ventures and associated companies — Note 34

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Invest. in subsidiaries, joint ventures and associated companies	0	(10 155)
	0	**(10 155)**

4.35 Taxes — Note 35

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Current	(188 047)	(176 387)
Deferred	8 572	74 391
	(179 475)	**(101 997)**

Impact of records in the following table and note:

Current taxes

The difference between taxes calculated at the legal rate in and taxes calculated at the effective rate in the 2021 and 2020 financial years are detailed below:

		31/12/2021	31/12/2020
1	Pre-tax results	1 795 405	-2 404 915
2	Legal tax rate (corporate income tax + municipal tax)	22.50%	0.00%
3	Normal tax load (1x2)	403 966	0
4	Tax effect of non-deductible expenses	1 328 606	1 157 386
5	Tax effect of non-taxable income	-849 143	-1 431 968
6	Variations in assets	0	-136 090
7	Taxable income/Reportable losses (1+4+5+6)	2 274 868	-2 815 587
8	Reportable tax loss	1 819 895	0
9	Tax (corporate income tax + municipal tax)	152 914	0
10	Autonomous taxation	130 678	176 825
11	Tax benefits	-95 544	0
12	Total tax (9+10+11)	188 047	176 825
13	Effective rate (12/1)	10.47%	-7.33%

In accordance with the law in force, 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, and in accordance with Article 63 of the Corporate Income Tax Code, the tax and customs authority may make whatever corrections it deems necessary to determine the taxable income whenever, due to special relations between the taxpayer and another person, whether or not subject to corporate income tax, different conditions are agreed other than the ones usually agreed between independent individuals, leading to a result other than the one that would have otherwise been calculated had such a relationship not existed. However, the Board considers that any corrections arising from the different interpretations of the law in force by the tax authorities should not have a significant effect on the financial statements attached hereto.

Deferred taxes

Deferred taxes recorded in 2021 in the amount of €8 572 result from the impact of temporary differences in income tax on both property, plant and equipment and intangible assets, and on impairments.

4.36 Off-balance sheet accounts — Note 36

This group is broken down as follows for comparable reporting periods:

	31/12/2021	31/12/2020
Commitments to third parties:		
Irrevocable commitments		
Potential commitments to SII	1 051 953	929 472
Revocable commitments		
Credit lines	9 899 156	14 460 838
Overdraft facilities	51	0
	10 951 160	**15 390 310**
Liability for service provision:		
Of deposits and securities under custody	1 548 455 941	1 186 094 545
Amounts managed by the institution	197 153 464	160 243 196
	1 745 609 405	**1 346 337 741**
Services provided by third parties:		
For deposits and securities under custody	955 577 247	711 460 277
	955 577 247	**711 460 277**
Foreign exchange transactions and derivative instruments:		
Trading instruments		
Foreign exchange forward transactions	18 654 885	18 740 473
Hedging instruments		
Options	0	68 713
	18 654 885	**18 809 187**
Guarantees provided and any other services:		
Personal guarantees	2 096 552	17 584 740
Real guarantees	18 949 000	25 985 000
	21 045 552	**43 569 740**
Guarantees received:		
Personal guarantees	85 202 921	100 100 343
Real guarantees	277 476 417	309 501 901
	362 679 339	**409 602 244**
Other off-balance sheet items:		
Write-offs	5 571 343	6 888 018
Accrued interest	202 954	157 737
Miscellaneous accounts	(3 120 291 884)	(2 552 215 253)
	(3 114 517 587)	**(2 545 169 499)**

4.37 Contingent liabilities originated by the Resolution Fund

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

In a circular letter in 2015, Banco de Portugal explained that the periodic contribution to the RF should be regarded as a cost in the year in which it is paid, that is, in late April of each year.

In a press release issued in 2015, the Resolution Fund clarified that a special contribution to finance the resolution measure applied to BES is unlikely to happen. As such, and as mentioned in the press release, the possibility of a special contribution seems quite remote.

The contribution paid in 2021 amounted to €97 622.89 and compares with that paid in 2020 (€89 684.77), as a result of the change in the rate applied, as a result of the change in the rate applied. These contributions were recognised as a cost in each financial year, in accordance with IFRIC 21 – Levies.

4.39 Assets given as collateral

These assets are broken down as shown in the table below:

Pledged Financial Assets	31/12/2021	31/12/2020
Financial assets at fair value through other comprehensive income		
Debt securities	6 124 777	26 466 853
Other assets		
Receivables from futures and options transactions - margins	0	3 890 275
Various investments - uncleared values	6 685 816	340 876
	12 810 593	**30 698 004**

4.41 Related parties

As at 31 December 2021 and 2020, the Bank is controlled by the following shareholders with a holding of more than 2%:

Shareholding composition as at 31/12/2021	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	5.00	9 999.00
Mauricio Zlatkin	9 999 000	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	8 510 000	4.26	8 510.00
Ruasgest, SGPS, S.A.	4 764 223	2.38	4 764.00

Shareholding composition as at 31/12/2020	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	5.00	9 999.00
Mauricio Zlatkin	9 999 000	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	8 510 000	4.26	8 510.00
Ruasgest, SGPS, S.A.	4 764 223	2.38	4 764.00

Remuneration of the Board of Directors

The members of Board of Directors of the Bank were considered, in accordance with IAS 24, as the only 'key' management members of the Bank. The remunerations earned by the Board of Directors during the years ended 31 December 2021 and 2020 are shown in Note 29 to this annex.

Transactions and balances between related parties

Balances resulting from transactions with related parties:

2021	Assets		Liabilities		
Invested companies	Supplementary payments	Loans	Client deposits		Other Suppliers
			Demand	Term	
Circuitos e Traçados, Unipessoal, Lda.	0	1 580 000	26 176	0	0
Circuitos e Traçados, S.A.	4 954 000	230 000	197 307	0	0
Carregosa, SGOIC, S.A.	0	0	167 667	0	0
	4 954 000	**1 810 000**	**391 150**	**0**	**0**

2020	Assets		Liabilities		
Invested companies	Supplementary payments	Loans	Client deposits		Other Suppliers
			Demand	Term	
Circuitos e Traçados, S.A.	4 954 000	0	1 536 155	0	0
Carregosa, SGOIC, S.A.	0	0	288 187	0	0
	4 954 000	**0**	**1 824 342**	**0**	**0**

Transactions with related parties:

2021	Interest on term deposits	Commissions received	Income from equity instruments	Services provided	Services received
Invested companies					
Circuitos e Traçados, Unipessoal, Lda.	0	54	0	3 456	0
Circuitos e Traçados, S.A.	0	152	0	6 960	0
Carregosa, SGOIC, S.A.	0	1 540	0	35 880	0
	0	**1 745**	**0**	**46 296**	**0**

2020	Interest on term deposits	Commissions received	Income from equity instruments	Services provided	Services received
Invested companies					
Circuitos e Traçados, S.A.	0	121	0	0	0
Carregosa, SGOIC, S.A.	0	42	0	0	0
	0	**163**	**0**	**0**	**0**

4.42 Events after the balance sheet date

Russia-Ukraine conflict

Geopolitical tensions took an unexpected turn in mid-February 2022 in Eastern Europe, culminating in the Russian Federation invasion of Ukraine and triggering an armed conflict that affected the financial markets. Although the effects of this crisis are still unknown, they may be relevant as they may result in the deceleration of economic growth, an exceptional rise in inflation, and developments of the ECB's monetary policy.

As a consequence of the conflict, the Bank's own portfolio devalued by €-2.2m in the first four months of the year, due to price developments of Russian securities. This effect combined with the constitution of impairments on direct exposures has an estimated impact on the total own funds ratio of around 0.95 p.p.

No other factors or events have occurred subsequent to the balance sheet date that would justify additional judgements or disclosures.

Porto, 23 May 2022

The Certified Accountant

Pedro Manuel Ferreira da Rocha

The Board of Directors

Chair: Maria Cândida Cadeco Rocha e Silva

Jorge Manuel Conceição Freitas Gonçalves

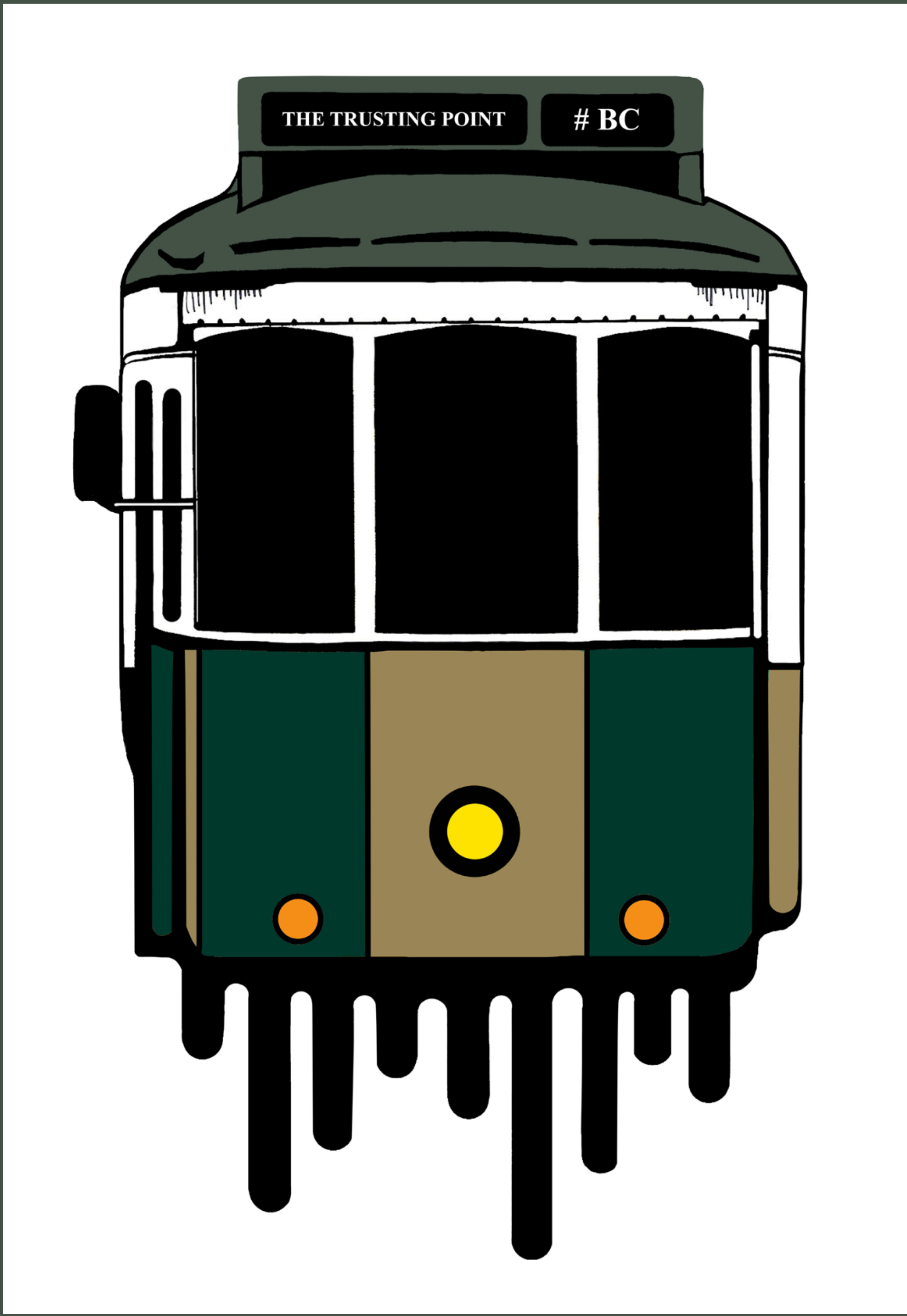
António José Paixão Pinto Marante

Homero José de Pinho Coutinho

Francisco Miguel Melhorado de Oliveira Fernandes

Fernando Miguel Costa Ramalho

José Nuno de Campos Alves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IV

Certifications and Opinions

Legal Certification of Accounts

Audit report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Banco L. J. Carregosa, S.A ("Banco Carregosa", "Bank" or "Group"), which comprise the consolidated balance sheet as at 31 December 2021 (showing a total of €394 748M and a total equity of €40 051M, including a consolidated net profit for the year attributable to shareholders of €1 607M), the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statements of changes in equity, the consolidated statement of cash flows for the year then ended, and the consolidated notes to the financial statements, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements in attachment give a true and fair view, in all material aspects, of the financial position of Banco L. J. Carregosa, S.A. as at 31 December 2021, of its financial performance, and of the consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards ("IFRS") as adopted in the European Union.

Bases for the opinion

Our audit was carried out in accordance with the International Standards on Auditing (ISA) and other technical and ethical standards and guidelines of *Ordem dos Revisores Oficiais de Contas* (Register of Auditors). Our responsibilities under these standards are described in "Responsibilities of the auditor in auditing the consolidated financial statements" below. Under the law in force, we are independent of the entities that make up the Group and comply with other ethical requirements under the terms of the code of ethics of the Ordem dos Revisores Oficiais de Contas.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Matters relevant to the audit

The matters relevant to the audit are those that according to our professional judgement were the most important for the auditing of the consolidated financial statements for the current period. These matters were considered in the auditing of financial statements as a whole, and in the formation of our opinion and, as such, we do not provide a separate opinion thereon.

Matters relevant to the audit

Impairments of loans to clients

Measurement and disclosures related to impairment losses of loans to clients presented in notes 2.2, 2.3, 3.4, 4.4 and 4.33 in the notes to the Bank's consolidated financial statements.

As at 31 December 2021, loans to clients amounted to the gross sum of €70 203M and the respective impairment losses recognised at that date amount to €1,884M.

As 'loans to clients' and their impairment losses are calculated based on a number of complex assumptions and judgments' by the Bank's management body to identify clients with a significant increase in credit risk or in default, it is therefore appropriate that this is a relevant matter for the purpose of our audit.

Impairment losses of 'loans to clients' are calculated by the management body on an individual basis and a case-by-case analysis for the entire loan portfolio, complemented by the impairment resulting from the automatic impairment model.

The Bank develops and individual analysis process which includes a staging analysis, in order to corroborate the automatic stage attribution (stages 1, 2 and 3), and an impairment quantification analysis. The impairment amount calculated through the detailed analysis of each client's economic and financial position is based on (i) the estimated future cash flows to meet their responsibilities – 'going concern'; or (ii) the assessment of collateral received under the loan granting process, whenever it is expected it is expected to be recovered through the offering, execution and/or sale of such collateral, minus the inherent costs of its recovery and sale – the 'gone concern' approach.

Additionally, the Bank has developed a model ("automatic impairment model") for calculating expected impairment losses, in accordance with the requirements of IFRS 9, which include the classification of exposures by stages according to how risk credit develops since the date such credit was

Summary of the audit approach

The audit process included identifying, understanding and assessing the policies and procedures put in place by the Bank for the purpose of measuring impairment losses in the loans to clients portfolio, as well as the key controls regarding the approval, recording and monitoring of credit risk, in particular for loans subject to moratoria and state guarantees in the specific context of the COVID-19 pandemic, and the timely identification, measurement and recording of impairment losses.

We assessed a sample of clients subject to individual analysis by the Bank, based on the criteria defined in internal regulations, with a view to: (i) reviewing the conclusions and results obtained by the Bank in the stage and quantification of impairment analysis; (ii) formulating our own judgement on whether or not significant credit risk increase and default exists; and (iii) assessing how impairment losses were timely identified, measured and recognised by management.

Thus, for a sample of exposures taken from the credit population subject to individual analysis by the Bank as at 31 December 2021, our procedures consisted of: (i) reviewing the documentation on credit processes; (ii) checking the ability and compliance with the debt; (iii) examining the criteria for determining significant increase in risk credit (stage 2) and in impairment (stage 3), on an individual basis; (iv) assessing the development of exposures; and (v) understanding the vision of the Bank's management body regarding the economic and financial situation of clients and the predictable cash flows expected from their businesses, as well as the prospects for credit collectability. We also performed a number of additional procedures which entailed the analysis of (i) the correspondence of the financial plans used for determining contract impairment; (ii) the most

Matters relevant to the audit

granted, and not according to the credit risk at the reporting date (stages 1, 2 or 3). As the Bank does not have sufficiently thorough and robust historical information on defaults and recoveries, it has developed its own automatic impairment model based on regulatory information provided in Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013, which is combined with information from rating agencies and credit risk analysis and with the macroeconomic scenarios that Banco de Portugal discloses every year as part of the Funding and Capital Plan ("FCP"), so that it represents the current economic context and, at the same time, integrates a forward-looking picture of future economic developments. Based on these macroeconomic data, potential scenarios are considered that allow adjusting the expected loss estimates based on the likelihood of such losses occurring.

The specific context caused by the COVID-19 pandemic made it more difficult to identify significant increases in credit risk and default indicators ("default"), taking into account the various support measures granted to families and companies, namely the launch of economic support lines and offering companies families the possibility of temporarily suspend the payment of loan instalments (moratoria). Against this backdrop, the Bank's internal impairment analysis models were adapted to build in new criteria and other judgements, such as (i) the use of temporary flexible measures to prevent contractual changes resulting from the granting of moratoria being marked as restructurings due to financial difficulties, in line with the supervisors' guidelines on this matter; and (ii) updating the macroeconomic scenarios used to calculate the expected loss, taking into account the information incorporating the economic effects of the COVID-19 pandemic

Summary of the audit approach

relevant collateral, including their most recent assessments and registration in favour of the Bank; and (iii) the discounted cash flows underlying the impairment calculation.

Whenever we felt the need to review an assumption used by the management body, we recalculated the estimated impairment and compared the results with those obtained by the Bank, to assess any materially relevant differences.

In addition, specific procedures were developed with a view to validating the automatic impairment model and assessing how the management body's assumptions include all the risk variables, namely: (i) reviewing the methodological documentation for the development of the model; (ii) reviewing and testing the portfolio segmentation; (iii) analysing the Bank's definition of 'default' and the criteria applied in the staging classification, on a sample basis; (iv) reviewing and testing the risk parameters; (v) reviewing the inclusion of macroeconomic scenarios in the main risk parameters; and (vi) recalculating the expected loss for the loan portfolio as at 31 December 2021.

Our audit procedures also included the review of the disclosures on loans and advances to clients and respective impairment losses, included in the notes to the Bank's financial statements, taking into account the applicable accounting standards in force

Responsibilities of the management body and supervisory body in the consolidated financial statements

The management body is responsible for:

a) preparing consolidated financial statements that give a true and fair view of the Group's consolidated financial position, financial performance and consolidated cash flows in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union;

b) preparing the consolidated management report in compliance with the applicable legal and regulatory provisions;

c) creating and maintaining an appropriate internal control system with a view to preparing consolidated financial statements free from material misstatements due to fraud or error;

d) adopting accounting policies and criteria appropriate to the circumstances; and

e) assessing the group's capacity to maintain business continuity, disclosing, where applicable, any matters likely to raise significant doubts as to the continuity of its activities.

The supervisory body is responsible for supervising the preparation and disclosure of the Group's financial information.

Responsibilities of the auditor in auditing the consolidated financial statements

Our responsibility is to be reasonably assured that the consolidated financial statements, as a whole, are free from material misstatements due to fraud or error, and to issue a report with our opinion. Reasonable assurance means a high level of safety, but it is does not guarantee that an audit carried out in accordance with the ISA will always detect a material misstatement, if there is one. Misstatements may arise from fraud or error and are considered material if, alone or jointly, it can be reasonably expected that they will influence the economic decisions of users made on the basis of those financial statements.

As part of an ISA audit, our judgments are professional and our attitude during the audit is one of professional scepticism. We:

a) identify and assess the material risks of misstatement in the consolidated financial statements, due to fraud or error, establish and execute auditing procedures that respond to such risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is greater than the risk of not detecting a material misstatement due to error, as the fraud may involve collusion, forgery, intentional omissions, misrepresentations or overlap of internal control;

b) obtain a relevant understanding of internal control relevant to the audit with a view to establishing auditing procedures suited to the circumstances, but not to express an opinion on the efficacy of the Group's internal control;

c) assess the adequacy of the accounting policies used and the fairness of accounting estimates and their disclosures by the management body;

d) ascertain how the management body considers the going concern assumption and, based on the audit evidence obtained, whether there is any material uncertainty related with events or conditions likely to raise significant doubts about the Group's ability to continue its activities. If we do conclude that a material uncertainty exists, we must refer in our report the related disclosures included in the consolidated financial statements or, if such disclosures are not appropriate, change our opinion. Our conclusions are based on the audit evidence obtained as of the date of our report. Nonetheless, future events or conditions may cause the Bank to discontinue its activities;

e) assess the presentation, structure and overall content of the consolidated financial statements, including disclosures, and whether they represent the underlying transactions and events in such a way that the presentation is fair;

f) obtain sufficient and appropriate audit evidence on the financial information of the Group's entities or activities to express an opinion on the consolidated financial statements. We are responsible for guiding, supervising and performing the Group's audit and are ultimately responsible for our audit opinion;

g) inform the persons in charge of governance, including the supervisory body, inter alia, the scope and planned audit schedule, and the significant conclusions thereof, including any significant internal control deficiency identified during the audit;

h) determine which matters reported to the persons in charge of governance, including the supervisory body, were the most important when auditing the consolidated financial statements of the current year and what the relevant audit matters were. Our report describes such matters, except where their public disclosure is prohibited by law or regulation; and

i) declare to the supervisory body that we have complied with the relevant ethical requirements on independence, and report any an all relationships and other matters that may be perceived as threats to our independence and, where applicable, the existing safeguard approaches.

We are also responsible for ensuring that the information in the management report is consistent with the consolidated financial statements.

Report on other legal and regulatory requirements

On the management report

In compliance with Article 451(3)(e) of the Companies Code, we are of the opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements in force, that the information contained therein is consistent with the audited consolidated financial statements, and that taking into account our knowledge and assessment of the Bank we have not identified any material misstatements.

On the additional information foreseen under Article 10 of Regulation (EU) No 537/2014

In compliance with Article 10 of Regulation (EU) no 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the relevant audit matters, we also inform that:

a) We have been appointed auditors of Banco Carregosa at the General Shareholders' meeting held on 29 June 2021 for a term of office between 2021 and 2023;

a) The management body has confirmed that it is not aware of any fraud or suspicion of fraud having a material effect on the financial statements. When planning and executing our audit in accordance with the ISA, we have maintained an attitude of professional scepticism and established audit procedures to respond to possible material misstatements in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material fraud-related misstatements therein;

a) We confirm that our audit opinion is consistent with the additional report we have prepared and submitted to the Group's supervisory body on this same date; and

a) We hereby declare that we have not rendered any services prohibited under Article 5(1) of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 and that we have remained independent of the Group during the course of the audit.

31 May 2022

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Aurélio Adriano Rangel Amado, ROC No. 1074
Registered with CMVM under No. 20160686

Legal Certification of Accounts

Audit report on the financial statements

Opinion

We have audited the financial statements of Banco L. J. Carregosa, S.A. ("Banco Carregosa" or "Bank"), which comprise the balance sheet as at 31 December 2021 (showing a total of €395 066M and a total equity of €40 033M, including a positive net profit for the year of €1 616M), the statement of profit and loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of the significant accounting policies.

In our opinion, the financial statements in attachment give a true and fair view, in all material aspects, of the financial position of Banco Carregosa as at 31 December 2021, of its financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards ("IFRS") as adopted in the European Union.

Bases for the opinion

Our audit was carried out in accordance with the International Standards on Auditing (ISA) and other technical and ethical standards and guidelines of Ordem dos Revisores Oficiais de Contas (Register of Auditors). Our responsibilities under these standards are described in "Responsibilities of the auditor in auditing the financial statements" below. Under the law in force, we are independent of the Bank and comply with other ethical requirements under the terms of the code of ethics of the Ordem dos Revisores Oficiais de Contas.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Matters relevant to the audit

The matters relevant to the audit are those that according to our professional judgement were the most important for the auditing of the financial statements for the current period. These matters were considered in the auditing of financial statements as a whole, and in the formation of our opinion and, as such, we do not provide a separate opinion thereon.

Matters relevant to the audit

Impairments of loans to clients

Measurement and disclosures related to impairment losses of loans to clients presented in notes 2.2, 2.3, 3.4, 4.4 and 4.32 in the notes to the Bank's financial statements.

As at 31 December 2021, loans to clients amounted to the gross sum of €70 203M and the respective impairment losses recognised at that date amount to €1,884M.

As 'loans to clients' and their impairment losses are calculated based on a number of complex assumptions and judgments' by the Bank's management body to identify clients with a significant increase in credit risk or in default, it is therefore appropriate that this is a relevant matter for the purpose of our audit.

Impairment losses of 'loans to clients' are calculated by the management body on an individual basis and a case-by-case analysis for the entire loan portfolio, complemented by the impairment resulting from the automatic impairment model.

The Bank develops and individual analysis process which includes a staging analysis, in order to corroborate the automatic stage attribution (stages 1, 2 and 3), and an impairment quantification analysis. The impairment amount calculated through the detailed analysis of each client's economic and financial position is based on (i) the estimated future cash flows to meet their responsibilities – 'going concern'; or (ii) the assessment of collateral received under the loan granting process, whenever it is expected it is expected to be recovered through the offering, execution and/or sale of such collateral, minus the inherent costs of its recovery and sale – the 'gone concern' approach.

Additionally, the Bank has developed a model ("automatic impairment model") for calculating expected impairment losses, in accordance with the requirements of IFRS 9, which include the classification of exposures by stages according to how risk credit develops since the date such credit was

Summary of the audit approach

The audit process included identifying, understanding and assessing the policies and procedures put in place by the Bank for the purpose of measuring impairment losses in the loans to clients portfolio, as well as the key controls regarding the approval, recording and monitoring of credit risk, in particular for loans subject to moratoria and state guarantees in the specific context of the COVID-19 pandemic, and the timely identification, measurement and recording of impairment losses.

We assessed a sample of clients subject to individual analysis by the Bank, based on the criteria defined in internal regulations, with a view to: (i) reviewing the conclusions and results obtained by the Bank in the stage and quantification of impairment analysis; (ii) formulating our own judgement on whether or not significant credit risk increase and default exists; and (iii) assessing how impairment losses were timely identified, measured and recognised by management.

Thus, for a sample of exposures taken from the credit population subject to individual analysis by the Bank as at 31 December 2021, our procedures consisted of: (i) reviewing the documentation on credit processes; (ii) checking the ability and compliance with the debt; (iii) examining the criteria for determining significant increase in risk credit (stage 2) and in impairment (stage 3), on an individual basis; (iv) assessing the development of exposures; and understanding the vision of the Bank's management body regarding the economic and financial situation of clients and the predictable cash flows expected from their businesses, as well as the prospects for credit collectability. We also performed a number of additional procedures which entailed the analysis of (i) the correspondence of the financial plans used for determining contract impairment; (ii) the most relevant

Matters relevant to the audit

granted, and not according to the credit risk at the reporting date (stages 1, 2 or 3). As the Bank does not have sufficiently thorough and robust historical information on defaults and recoveries, it has developed its own automatic impairment model based on regulatory information provided in Regulation (EU) 575/2013 of the European Parliament and of the Council of 26 June 2013, which is combined with information from rating agencies and credit risk analysis and with the macroeconomic scenarios that Banco de Portugal discloses every year as part of the Funding and Capital Plan ("FCP"), so that it represents the current economic context and, at the same time, integrates a forward-looking picture of future economic developments. Based on these macroeconomic data, potential scenarios are considered that allow adjusting the expected loss estimates based on the likelihood of such losses occurring.

The specific context caused by the COVID-19 pandemic made it more difficult to identify significant increases in credit risk and default indicators ("default"), taking into account the various support measures granted to families and companies, namely the launch of economic support lines and offering companies families the possibility of temporarily suspend the payment of loan instalments (moratoria). Against this backdrop, the Bank's internal impairment analysis models were adapted to build in new criteria and other judgements, such as (i) the use of temporary flexible measures to prevent contractual changes resulting from the granting of moratoria being marked as restructurings due to financial difficulties, in line with the supervisors' guidelines on this matter; and (ii) updating the macroeconomic scenarios used to calculate the expected loss, taking into account the information incorporating the economic effects of the COVID-19 pandemic.

Summary of the audit approach

collateral, including their most recent assessments and registration in favour of the Bank; and (iii) the discounted cash flows underlying the impairment calculation.

Whenever we felt the need to review an assumption used by the management body, we recalculated the estimated impairment and compared the results with those obtained by the Bank, to assess any materially relevant differences.

In addition, specific procedures were developed with a view to validating the automatic impairment model and assessing how the management body's assumptions include all the risk variables, namely: (i) reviewing the methodological documentation for the development of the model; (ii) reviewing and testing the portfolio segmentation; (iii) analysing the Bank's definition of 'default' and the criteria applied in the staging classification, on a sample basis; (iv) reviewing and testing the risk parameters; (v) reviewing the inclusion of macroeconomic scenarios in the main risk parameters; and (vi) recalculating the expected loss for the loan portfolio as at 31 December 2021.

Our audit procedures also included the review of the disclosures on loans and advances to clients and respective impairment losses, included in the notes to the Bank's financial statements, taking into account the applicable accounting standards in force.

Responsibilities of the management body and supervisory body in the financial statements

The management body is responsible for:

a) a) preparing financial statements that give a true and fair view of the Bank's financial position, financial performance and cash flows in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union;

b) preparing the management report in compliance with the applicable legal and regulatory provisions;

c) creating and maintaining an appropriate internal control system with a view to preparing financial statements free from material misstatements due to fraud or error;

d) adopting accounting policies and criteria appropriate to the circumstances; and

e) assessing the Bank's capacity to maintain business continuity, disclosing, where applicable, any matters likely to raise significant doubts as to the continuity of its activities.

The supervisory body is responsible for supervising the preparation and disclosure of the Bank's financial information.

Responsibilities of the auditor in auditing the financial statements

Our responsibility is to be reasonably assured that the financial statements, as a whole, are free from material misstatements due to fraud or error, and to issue a report with our opinion. Reasonable assurance means a high level of safety, but it is does not guarantee that an audit carried out in accordance with the ISA will always detect a material misstatement, if there is one. Misstatements may arise from fraud or error and are considered material if, alone or jointly, it can be reasonably expected that they will influence the economic decisions of users made on the basis of those financial statements.

As part of an ISA audit, our judgments are professional and our attitude during the audit is one of professional scepticism. We:

a) identify and assess the material risks of misstatement in the financial statements, due to fraud or error, establish and execute auditing procedures that respond to such risks, and obtain sufficient and appropriate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is greater than the risk of not detecting a material misstatement due to error, as the fraud may involve collusion, forgery, intentional omissions, misrepresentations or overlap of internal control;

b) obtain a relevant understanding of internal control relevant to the audit with a view to establishing auditing procedures suited to the circumstances, but not to express an opinion on the efficacy of the Bank's internal control;

c) assess the adequacy of the accounting policies used and the fairness of accounting estimates and their disclosures by the management body;

d) ascertain how the management body considers the going concern assumption and, based on the audit evidence obtained, whether there is any material uncertainty related with events or conditions likely to raise significant doubts about the Bank's ability to continue its activities. If we do conclude that a material uncertainty exists, we must refer in our report the related disclosures included in the consolidated financial statements or, if such disclosures are not appropriate, change our opinion. Our conclusions are based on the audit evidence obtained as of the date of our report. Nonetheless, future events or conditions may cause the Bank to discontinue its activities;

e) assess the presentation, structure and overall content of the financial statements, including disclosures, and whether they represent the underlying transactions and events in such a way that the presentation is fair;

f) inform the persons in charge of governance, including the supervisory body, inter alia, the scope and planned audit schedule, and the significant conclusions thereof, including any significant internal control deficiency identified during the audit;

g) determine which matters reported to the persons in charge of governance, including the supervisory body, were the most important when auditing the consolidated financial statements of the current year and what the relevant audit matters were. Our report describes such matters, except where their public disclosure is prohibited by law or regulation; and

h) declare to the supervisory body that we have complied with the relevant ethical requirements on independence, and report any an all relationships and other matters that may be perceived as threats to our independence and, where applicable, the existing safeguard approaches.

We are also responsible for ensuring that the information in the management report is consistent with the financial statements.

Report on other legal and regulatory requirements

On the management report

In compliance with Article 451(3)(e) of the Companies Code, we are of the opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements in force, that the information contained therein is consistent with the audited financial statements, and that taking into account our knowledge and assessment of the Bank we have not identified any material misstatements.

On the additional information foreseen under Article 10 of Regulation (EU) No 537/2014

In compliance with Article 10 of Regulation (EU) no 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the relevant audit matters, we also inform that:

a) a) We have been appointed auditors of Banco Carregosa at the General Shareholders' meeting held on 29 June 2021 for a term of office between 2021 and 2023;

b) The management body has confirmed that it is not aware of any fraud or suspicion of fraud having a material effect on the financial statements. When planning and executing our audit in accordance with the ISA, we have maintained an attitude of professional scepticism and established audit procedures to respond to possible material misstatements in the financial statements due to fraud. As a result of our work, we have not identified any material fraud-related misstatements therein;

c) We confirm that our audit opinion is consistent with the additional report we have prepared and submitted to the Bank's supervisory body on this same date; and

d) We hereby declare that we have not rendered any services prohibited under Article 5(1) of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 and that we have remained independent of the Bank during the course of the audit.

31 May 2022

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Aurélio Adriano Rangel Amado, ROC No. 1074
Registered with CMVM under No. 20160686

Report and opinion of the Supervisory Committee

To the Shareholders,

The Supervisory Committee presents its activity report and opinion on the accounting documents of the Bank and of the Group submitted by the Board of Directors of Banco L. J. Carregosa, S.A., (hereinafter referred to as 'bank') for the year 2021, in compliance with legal requirements – Article 420(1)(g) and Article 508 of the Companies Code – and applicable statutory requirements.

1. It should be emphasised that between 1 January and 30 June 2021 Dr. Ricardo Jorge Mendes Fidalgo Moreira da Cruz (Chair), Dra. Maria da Graça Alves Carvalho (voting member) and Dr. Rodrigo de Melo Neiva Santos were responsible for overseeing the activity of the Committee. Dr. Ricardo Jorge Mendes Fidalgo Moreira da Cruz ceased functions upon the election of the new members for the Supervisory Committee at the 2021 Annual General Meeting, with the remaining members, Dra. Maria Graça Alves Carvalho and Dr. Rodrigo de Melo Neiva Santos, remaining in office until now, as Banco de Portugal has not yet authorised new elected members to initiate their duties.

2. Throughout the 2021 financial year the Supervisory Committee monitored the various aspects of the Bank's consolidated and separate activity, although special emphasis was placed on monitoring the internal governance and risk management systems, in particular the organisation and efficacy of the internal control system. To this end, the Committee promoted the necessary contacts with the Board of Directors, the Executive Committee, the Statutory Auditor, and the various Bank departments, notably Internal Control System (Risk, Compliance and Internal Audit), to collect and analyse information and issue specific recommendations. As part of its duties, the Supervisory Committee held 34 meetings in 2021, including those in which it decidedly unanimously and in writing. It should also be noted that following the outbreak and spread of the Covid-19 pandemic, as from 31 March 2020 and throughout 2021 most of the Supervisory meetings were held online.

3. The following activities are part of the Committees duties:

   a. Monitor the Bank's operation, duty of care being owed in complying with the law and supplementary provisions and with the Company's articles of association, namely by having its members take part in meetings with the Board of Directors and the Executive Committee and other contacts, where necessary and appropriate, in particular with the department heads of Accounting and Information Management, Compliance, Risk and Internal Audit. In performing its activities, the Committee analysed the regulations, standards and internal procedures in force and subsequent amendments thereof, resulting from regulatory changes or recommendations by Supervisors, obtaining the necessary information and further clarifications, having found no constraints in its work;

   b. The relationship with the financing Supervisory Authorities remained continuously active, in particular taking note of the correspondence exchanged with the Bank and said authorities; still in this respect, we note the participation of the Committee's members in various face-to-face meetings requested by banco de Portugal's Prudential Supervision Department;

c. Monitor the Bank's credit activity, in particular higher value operations, in both their initial contracting and in the changes they have undergone, including the marking and processing of non-productive exposure;

d. Supervise the Bank's Internal Control System by continuously monitoring the activity carried out by the Statutory Auditor and by the Internal Departments in charge of Compliance, Risk Management and Internal Audit, specifically in this regard the Committee:

» Issued an opinion on 1 March 2021, on 29 December 2021, and on 21 January 2022 on the Bank's Internal Control System, pursuant to Banco de Portugal Notice 3/2020 and Instruction 18/2020;

» Monitored the Bank's participation in the 'Supervisory Review and Evaluation Process' (SREP), led by Banco de Portugal for the purpose of assessing, in a holistic perspective, the adequacy of the business strategy, the governance and internal risk control systems, and of the Bank's equity and liquidity levels, given the risks to which it is exposed, or may be exposed. The monitoring of action plans, defined by the Board of Directors, with a view to implementing specific determinations and recommendations issued by the Supervisor are also included herein;

» At the request of the Board of Directors, and in compliance with the regulations under the 'Supervisory Review and Evaluation Process' (SREP), assessed and gave an opinion on the procedural compliance of documenting the credit granting procedures;

» Monitored the preparation of the 'Self-Assessment of Internal Capital' (ICAAP) and of the 'Self-assessment Process for the Adequacy of Internal Liquidity' (ILAAP), both part of the aforementioned SREP process, in accordance with the guidelines from the European Banking Authority; in this scope, it appraised the evaluation by Banco de Portugal and monitored the measures to implement the recommendations made by the Supervisor;

» Ensured, pursuant to the 'Regulation for the Selection of the ROC/SROC and the Contracting of non-Audit Services', approved by the General Meeting, formulated under Law 148/2015, of 9 September, which establishes the Legal Regime of Audit Supervision, Law 140/2015, of 7 September, approving the Articles of Association of Ordem dos Revisores Oficiais de Contas (Register of Audits), and in CMVM Regulation 4/2015 (Audit Supervision), amended by CMVM Regulation 2/2017, the supervision of the activity carried out by the Statutory Auditor, in particular supervising its independence; on 29 November 2021, the Supervisory Committee issued an opinion on the contracting of additional audit services from the Bank's Statutory Auditor (PwC), which consisted of a specific action already scheduled at the time of the election at the 2021 Annual General Meeting;

» Monitored the implementation of the Annual Internal Audit Plan approved by the Board of Directors to be performed throughout the 2021 financial year, and examined the drafting of the Internal Audit Plan for the 2022-2024 three-year period;

- Appraised and issued opinions and recommendations concerning the following internal regulations issued by the Board of Directors, either in their approval or review, as the case may be: 'Policy for the Selection of the Statutory Auditor (ROC)/Audit Firm (SROC) and for Contracting Non-Audit Services, 'Own Portfolio Risk Management Policy', 'Credit Risk Management Policy', 'Credit Manual', 'Liquidity Risk Management Policy', 'Product and Service Governance Policy', 'Conflict of Interest Policy, 'Employee Remuneration Policy' issued by the Board of Directors;

- Took note of the reports prepared by external and internal auditors, in various areas, in particular the internal control system for the prevention of money laundering and terrorism financing, the assessment of compliance with 'Financial Reporting' (FINREP) and 'Common Reporting' (COREP) reporting procedures;

- Monitored the performance and security of information systems supporting the Bank's activity, as well as interactions with Supervisory Authorities in general;

- Monitored the technology development process aiming at continuous improvements of the Bank's information systems, in particular as regards the effectiveness of internal anti-laundering and terrorist financing mechanisms and of information support to the Bank's credit process;

- Supervise the quality and integrity of the information in accounting documents, monitoring the preparation nd disclosure thereof, the application of current accounting policies and standards and overseeing the relevant financial, operational and prudential indicators. In this regard, the Committee met, where appropriate, with the Statutory Auditor to take note of the criteria, methods and other external audit procedures to the Bank's accounts.

e. The Committee has not learned of any situation that did not comply with the Bank's articles of association or the applicable conditions laid down by law and regulation.

4. All clarifications were always provided by the Board of Directors, Services and Departments and by the Statutory Auditor.

5. Pursuant to Article 452 of the Portuguese Companies Code, the Committee examined the Report of the Board of Directors and the separate and consolidated financial statements of the Bank as at 31 December 2021 and their legal certification of accounts issued by the Statutory Auditor, with no emphases or conditions, with which the Supervisory Committee agrees, having for that purpose made the appropriate and timely verifications.

6. During the year and in performing its duties, the Supervisory Committee was able to take note of the professionalism, dedication and strong commitment of the Board of Directors, Executive Committee, Statutory Auditor and Employees of the Bank and of the Group.

7. All things considered, the Supervisory Committee is of the opinion that the Annual General Meeting should:

a. Approve the Bank's consolidated and separate Report & Accounts for the year ended 31 December 2021;

b. Approve the proposed appropriation of profits presented in the Report of the Board of Directors;

c. Perform a general assessment of the management and supervision of Banco L. J. Carregosa, S.A., pursuant to Article 455 of the Companies Code.

Porto, 31 May 2022,

Maria da Graça Alves Carvalho
Voting Member

Rodrigo de Melo Neiva Santos
Voting Member

Summary of the Report issued by the Supervisory Committee pursuant to Articles 54 et seq of Banco de Portugal Notice 3/2020 and Instruction 18/2020, issued for the purposes of Article 60(1) of Notice 3/2020, to be integrated in the annual financial statements for the 2021 financial year.

To the Shareholders,

1. Pursuant to Articles 54 et seq. of Banco de Portugal Notice 3/2020 (hereinafter "Notice") and Instruction 18/2020 (hereinafter "Instruction"), on 29 December 2021 the Supervisory Committee ("Committee") of Banco L. J. Carregosa, S.A. ("Bank" or "Institution"), approved its Assessment Report ("RACF") to be integrated in the Self-Assessment Report approved on the same date by the Bank, with reference to the period between 31 January 2021 and 30 November 2021 regarding the separate activity and for the same reference period, and that of the consolidated activity on 21 January 2022 concerning the Bank's organisational culture and governance and internal control systems.

2. Pursuant to Article 60(1) of the Notice, the Supervisory Committee must prepare a summary of the RACF as provided for in Articles 55 and 56, also of the Notice, for disclosure in the notes to the annual financial statements of the Institution. The said Self-Assessment RACF was approved and issued by the Committee on 29 December 2021 (separate activity) and on 21 January 2022 (consolidated activity).

3. Following the recent revisions of the Code of Conduct and internal regulations on organisational and internal governance, the Bank consolidated its organisational culture model, and today its activity is based on a set of values and behaviours that ensure the efficiency of its operation in the light of the structural objectives established and its market position both internally and in its relations with external stakeholders, namely clients and prospective clients.

4. In its permanent relationship with other corporate bodies and with the Bank's departments, in particular the Risk, Compliance and Internal Audit departments, the Committee has found that the Bank's organisational culture is effectively reflected in the Institution's practices, and is clearly, uniformly and gradually embedded and implemented therein.

5. In the exercise of its powers, whether through the information and documentation it receives (spontaneously or at its request), or through the interaction it maintains with the Bank's various departments, generally at director level –, the Committee has found that during the reporting period the Bank's guidelines on the internal governance system have been implemented uniformly across the board in all departments. Moreover, the Committee has not found, during the reporting period, any non-compliance that would have led to any notice or reporting to the Board of Directors.

6. It should also be noted that during the reporting period, the Bank increased the number of employees assigned to internal control functions, having hired one more employee for the risk management function. Reference should also be made to the increased internal dissemination of information between the Board of Directors, the Committee and the Departments responsible for internal control.

7. The Committee considers the internal control system in place on the reference date to be adequate and effective in terms of mitigating the risk to which the Bank is exposed in carrying out its activity, complying with the legal and regulatory standards in force, as well as the guidelines issued by the European Banking Authority (EBA).

8. The Committee considers that the Bank's internal rules ensure that the Internal Control Functions (FCIs) have adequate autonomy and independence, in the light of the EBA Guidelines under reference EBA/GL/2017/11, of 02 July 2021, and the provisions of the Notice. Without prejudice to this opinion, the Committee still maintains that the Bank should continue to strengthen the conditions of independence of the FCIs.

9. The Supervisory Committee considers that the processes for the preparation of prudential and financial reports, including those under Commission Implementing Regulation (EU) 680/2014 of 16 April 2014, in the reporting period, are reliable an adequate. Without prejudice to this opinion, the Committee has been aware of inconsistencies identified by Banco de Portugal in the prudential and financial reporting process issued by the Bank, namely regarding the "COREP" and "FINREP" reports, which have been overcome through measures implemented by the Bank, especially in terms of the IT system, and which the Supervisory Committee has been monitoring.

10. Also with regard to the monitoring of financial reporting processes, it should be noted that the Committee is aware of the reports issued by the Statutory Auditor on the recognition of impairments in the Bank's loan portfolio.

11. The Committee consists that the processes for preparing the Bank's public disclosures under applicable laws and regulations, including financial and prudential information, are adequate.

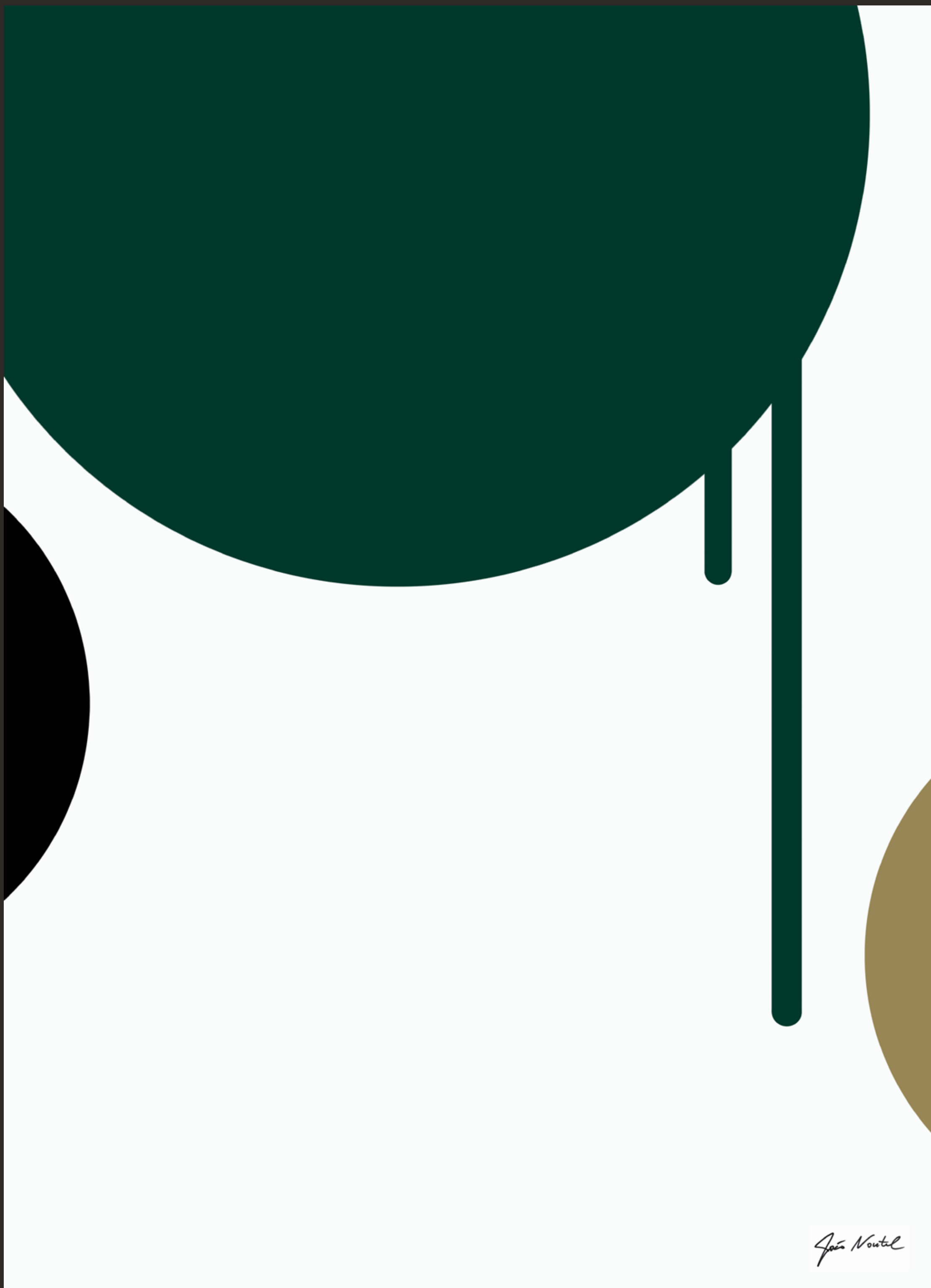
12. Pursuant to Article 4(1)(e) of Instruction 18/2020, the Supervisory Committee is responsible for issuing an express statement on the adequacy of the classification awarded to the deficiencies classified as "F3 – High" or "F4 – Severe" at the end of the reference period, taking into account the method set in Annex II of said Instruction. Thus, and taking into consideration the consolidated activity, 7 deficiencies were identified as "F3 – High" and no deficiency qualified as "F4 – Severe". It should be noted that the F3 deficiency identified in the past was overcome during the period to which the Report refers. The Supervisory Committee also considers that the classification of deficiencies identified as "F1 – Reduced" and "F2 – Moderate" adequate, in that none are likely, given the mentioned method, to be classified as "F3 – High" or "F4 – Severe". The Supervisory Committee in the exercise of its duties has found that the Bank's services are efficient in dealing with the identified deficiencies in order to fully and efficiently overcome them.

13. Any projections, for future periods, of the Bank's internal control system are subject to the risk of internal control procedures becoming inadequate due to various circumstances or changes, and of its degree of effectiveness, adequacy and security deteriorating over time. Moreover, taking into account the inherent limitations to any internal control system, the possibility of there being failures, irregularities, frauds or errors not detected in a timelier manner should be safeguarded.

Porto, 31 May 2022,

Maria da Graça Alves Carvalho
Voting Member

Rodrigo de Melo Neiva Santos
Voting Member



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Minutes of the Annual General Meeting of the Shareholders held on the 15th of June 2022

I hereby certify that, based on the Minutes of the Annual General Shareholders Meeting of "Banco L. J. Carregosa, S.A.", held on **15 June 2022**, the following deliberations were taken:

1) The Management Report and Accounts and Consolidated Accounts for the 2021 financial year were approved by majority of votes.

2) It was approved by majority of votes that the Net Result for the Financial Year in the amount of €1 615 978.30 (positive) be transferred to:

» Legal reserve: €80 798.92;

» Retained earnings: €1 535 179.38.

3) A motion was passed praising the Board of Directors, the Supervisory Committee and the Statutory Auditor, collectively and individually, for their work carried out in the 2021 financial year.

4) The proposal to increase the number of members of the Board of Directors for the term of office in progress was approved by majority of votes.

5) The proposal to elect Dr.ª Mariana Mendes Baptista Lopes as a member of the Board of Directors for the term of office currently underway (2021-2023) was approved by majority of votes.

6) The proposed amendments to the Policy for the Selection and Adequacy of the members of the Management and Supervisory Bodies and Key Function Holders were approved by majority of votes.

7) The report of the Supervisory Committee on the Remuneration Policy was approved by majority of votes.

8) The proposed amendments to the Remuneration Policy of the Management and Supervisory members were approved by majority of votes.

9) The proposed amendments to the Policy for the Selection of the Statutory Auditor and/or Statutory Audit Firm and the Contracting of Non-Audit Services were approved by majority of votes.

10) The proposed amendments to the Regulation on the Remuneration and Assessment Committee were approved by majority of votes.

11) The proposal to amend the Regulations of the Board of Directors was approved by majority of votes.

12) The proposal to amend the Regulations of the Supervisory Committee was approved by majority of votes.

13) The proposal for the acquisition and disposal of own shares, in accordance with articles 319 and 320 of the Portuguese Companies Code, was approved by majority of votes.

Porto, 15 June 2022.

The Chair of the Presiding Board to the General Meeting,
(Luís Neiva dos Santos)

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