

# Report & Accounts 2022

1833
BANCO CARREGOSA

**Ana Amarante**
Title: ESCALA (2023)
Banco Carregosa
130 x 70cm

The work “Escala” is the result of the partnership established between Banco Carregosa and the Faculty of Fine Arts of Porto in 2023. Created by Ana Amarante, a doctoral student in plastic arts, the work is a cartographic memory of the past that deconstructs W. B. Clarke’s 1833 map, the year in which the Portuguese Civil War between liberals and absolutists ended. This year coincides with the founding of Casa Carregosa, located at Rua das Flores in Porto, which gave rise to the current Banco Carregosa, an institution that holds its own in the market based on the values of independence, innovation, personalisation, transparency and sustainability. From these points of view, this work seeks to materialise as an instrument for observing a spatial memory that embodies both temporal and spatial issues, as well as the morphological characteristics of an institution with such a rich history and long life.



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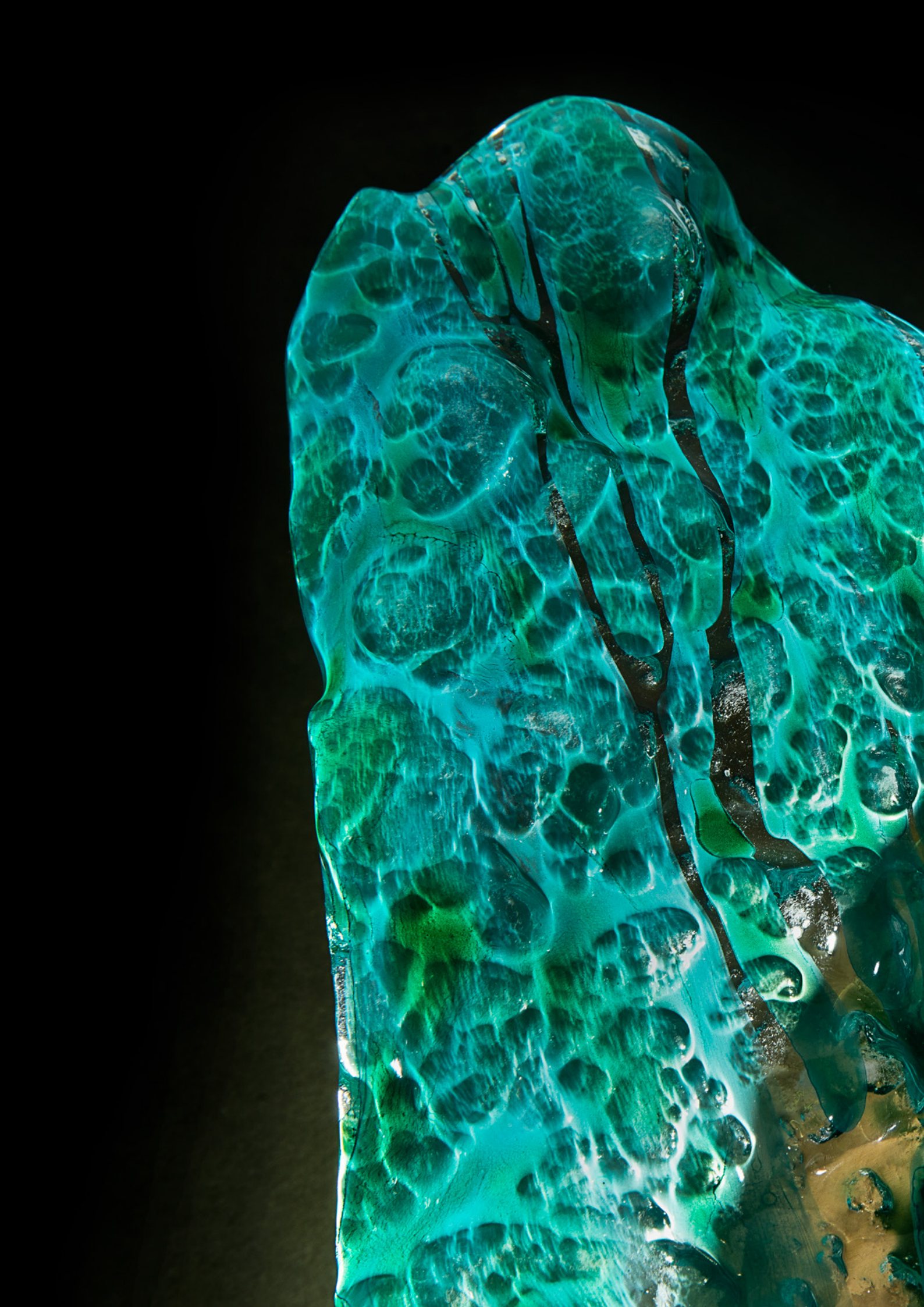
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# I MANAGEMENT REPORT





# 1. Message from the Chair of the Board of Directors

Dear shareholders,

It seems that it was not so long ago that we presented the annual accounts of Banco Carregosa, and here we are once again, this time presenting you with the results for the financial year 2022.

The year 2022 continues to be marked by the war that insists on unfolding before our eyes the horrors of the destruction of Ukraine, the suffering of the Ukrainians and the appeals of their president who, while asking for help, warns that the terror could spread to other European countries.

To add to this already worrying climate, the end of negative interest rates has given way to rising interest rates, driven by inflation, the effects of which are so difficult to bear.

However, this reality of instability and uncertainty has not been an obstacle to our growth. Assets under supervision increased by 30% (reaching €2.8 billion), net operating income increased – mainly due to the increase in financial margin –, and recorded a net profit of around €1.6 million.

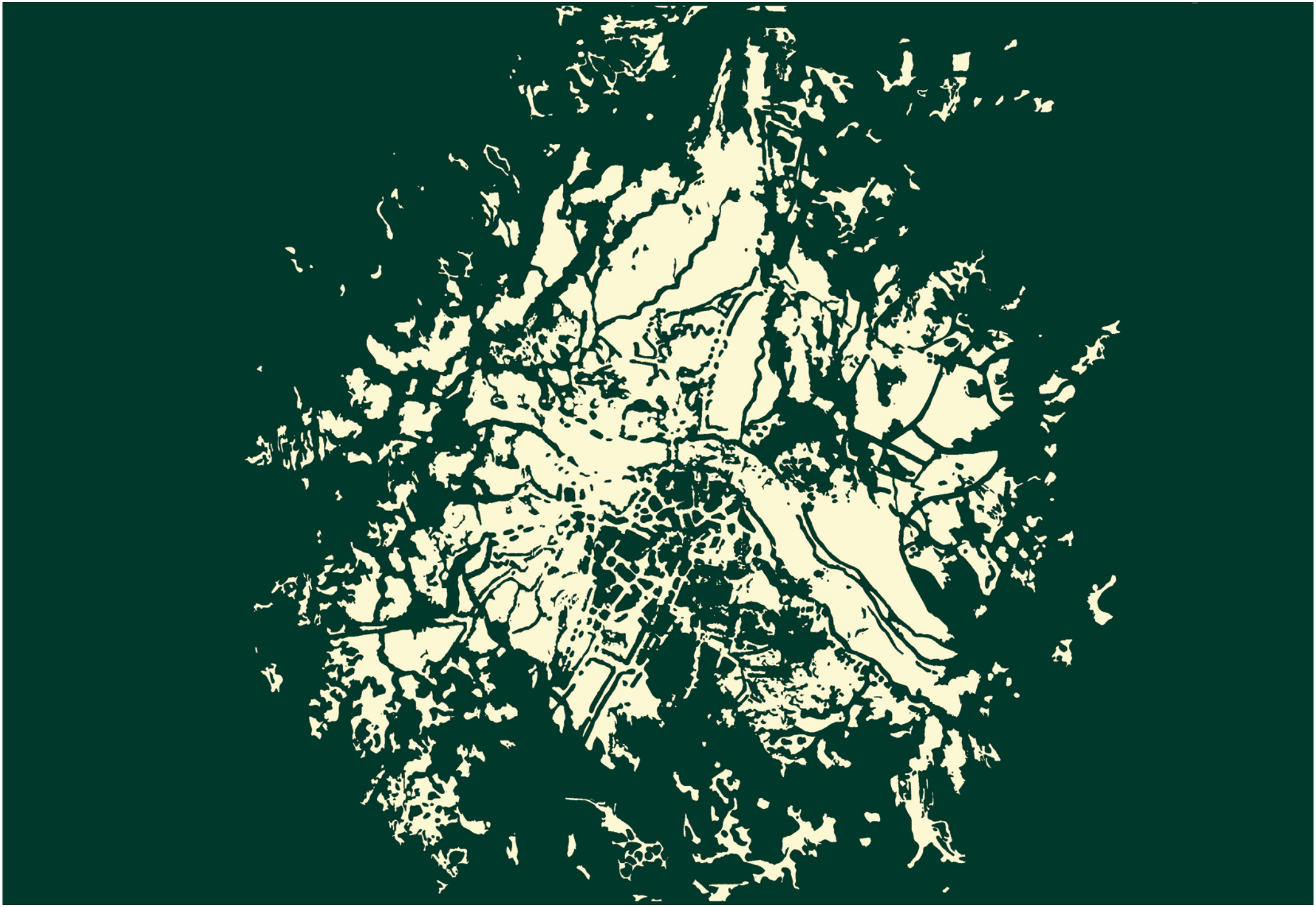
We will therefore propose to the Annual General Meeting of Shareholders a dividend payment, which has not been the case since 2013.

We intend to continue to improve the level of service we provide to our clients, working closely with them to understand and respond quickly to their needs, while taking all the steps required by the many regulations imposed on us by our regulators.

Last but not least, we would like to thank all of our employees, without whom we could not grow. To each and every one of them, those who are already with us and those who are just starting out, we wish to express our deepest gratitude and we hope that they always continue to strive to improve.

Maria Cândida Rocha e Silva

Chair of the Board of Directors



Deconstructed cartographic memory, by Ana Amarante, of W.B. Clarke's 1933 map of the city of Porto, where Casa Carregosa was founded and from which the current Banco Carregosa emerged.

# 2. Summary of Indicators

| Consolidated Income Statement | 2021 | 2022 |
|---|---|---|
| **Financial margin** | **4 283 850** | **5 416 671** |
| Income from equity instruments | 349 278 | 415 605 |
| Net commissions | 5 311 963 | 5 380 753 |
| Gains from financial transactions | 5 620 314 | 5 222 700 |
| Other net operating income - Exchange | (1 739 665) | (1 616 133) |
| Other net operating income | (451 798) | (224 580) |
| **Net operating revenue** | **13 373 942** | **14 595 016** |
| Staff costs | (5 806 773) | (6 235 607) |
| Other administrative costs | (4 170 314) | (4 774 574) |
| **Overheads** | **(9 977 088)** | **(11 010 181)** |
| Amortisations | (1 441 930) | (1 569 540) |
| Provisions | (220 672) | 113 876 |
| Impairments | 52 875 | 101 425 |
| **Pre-tax profit** | **1 787 127** | **2 230 596** |
| Taxes | (180 287) | (633 823) |
| **Net result** | **1 606 841** | **1 596 774** |
| **Minority interests** | **9 138** | **3 179** |
| **Consolidated profit and loss for the year** | **1 615 978** | **1 593 594** |

| Consolidated Balance Sheet | 2021 | 2022 |
|---|---|---|
| Total net assets | 394 747 691 | 567 888 087 |
| Own funds | 36 898 559 | 33 858 673 |
| Equity | 40 050 795 | 36 684 176 |
| Client deposits | 323 896 656 | 504 560 254 |
| Loans granted | 68 318 550 | 62 173 827 |
| Client deposits (eligible for calculating the transformation ratio) | 334 454 363 | 510 057 254 |
| Transformation ratio | 20,4% | 12,2% |
| Overdue loans / Loans granted | 2,3% | 1,3% |
| Loans granted / Net assets | 17,3% | 10,9% |
| Assets under supervision | | |
| (Assets under management, custody, depository services and client deposits) | 2 149 647 185 | 2 818 634 053 |

| Other Indicators | 2021 | 2022 |
|---|---|---|
| Liquidity coverage ratio (LCR) | 171,3% | 128,1% |
| Financial margin (% of the net operating revenue) | 32,0% | 37,1% |
| Provisions and impairments (% of the net operating revenue) | (1,3%) | 1,5% |
| Common Equity Tier 1 ratio(CET1) | 16,64% | 17,63% |
| Risk-weighted assets (RWA) | 221 747 728 | 192 056 203 |
| Return on assets (ROA) | 0,4% | 0,3% |
| Return on equity (ROE) | 4,0% | 4,3% |
| Financial margin / Interest-bearing asset | 2,0% | 2,8% |
| Overheads / Net operating revenue | 74,6% | 75,4% |

# 3. Corporate Bodies

## 3.1. Governance Model

In defining the organisation and composition of its management and supervisory bodies, the Bank has opted for a Board of Directors and a Supervisory Committee, as well as 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 Remuneration and Assessment Committee (CRAV) appointed directly by the General Meeting of Shareholders, which is responsible for assessing the adequacy of the members of the Board and of supervisory members and key function holders, and for determining the remuneration of these bodies.

All these bodies serve three-year terms of office, which do not necessarily coincide, and the management and supervisory bodies must be authorised by and registered with Banco de Portugal to exercise their functions.



Deconstructed cartographic memory, by Ana Amarante, of W.B. Clarke's 1933 map of the city of Porto, where Casa Carregosa was founded and from which the current Banco Carregosa emerged

## 3.2. Composition of the Management and Supervisory Bodies

| | | |
|---|---|---|
| PRESIDING GENERAL BOARD MEMBERS | Luís Manuel de Faria Neiva dos Santos | Chair |
| | Maria Manuela Pereira Antunes Matias | Secretary |
| | Ana Mafalda Mateus Freitas Gonçalves Malafaya | Secretary |
| BOARD OF DIRECTORS | Maria Cândida Cadeco da Rocha e Silva | Chair |
| | Jorge Manuel da Conceição Freitas Gonçalves | Vice-Chair |
| | António José Paixão Pinto Marante | Voting member |
| | Homero José de Pinho Coutinho | Voting member |
| | Rogério Francisco Montenegro do Couto | Voting member |
| | Francisco Miguel Melhorado de Oliveira Fernandes | Voting member and member of the Executive Committee |
| | Fernando Miguel Costa Ramalho | Voting member and member of the Executive Committee |
| | José Nuno de Campos Alves | Voting member and member of the Executive Committee |
| | Mariana Mendes Baptista Lopes | Voting member and member of the Executive Committee |
| | Mário Oldemiro Carvalho Fernandes | Voting member and member of the Executive Committee |
| SUPERVISORY COMMITTEE | Rodrigo de Melo Neiva Santos | Chair |
| | António Fernando dos Reis Magalhães Pinto | Voting member |
| | Cristina Maria da Costa Pinto | Voting member |
| 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 General Meeting of Shareholders held on 29 June 2021 approved the re-election of all the current members of the Board of Directors and, at the same time, elected two new members of the Board of Directors: Dr. Rogério Francisco Montenegro do Couto and Dr. Mário Oldemiro Carvalho Fernandes. The General Meeting also elected Dr. Rodrigo de Melo Neiva Santos as Chair of the Supervisory Committee, Dra. Cristina Maria da Costa Pinto and Mr António Fernando dos Reis Magalhães Pinto as voting members, and Dr. Rodrigo Maria de Azevedo Soares Cordeiro da Silveira as alternate member of this body.

A new voting member of the Board of Directors, Dr.ª Mariana Mendes Baptista Lopes, was elected at the General Meeting of Shareholders held on 15 June 2022.

Following the relevant authorisations from Banco de Portugal, the Board of Directors and the Supervisory Committee for the current mandate took up their duties on 1 November 2022 and 18 July 2022 respectively.

# 4. Shareholding Structure

### SHAREHOLDERS HOLDING MORE THAN 5% 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 2022 will be remembered for the surprise, resistance and horror of a new armed conflict on European territory, which had a strong impact on energy prices and contributed to the resurgence of inflation with a persistence and extent that was not immediately perceived by central banks, leading to a strong reaction in terms of rising money prices and putting an end to the negative interest rates that had been in force in Europe since June 2014.

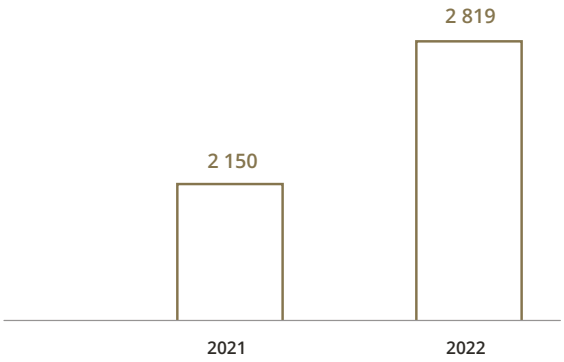
This profound change in the economic environment had an immediate negative impact on the valuation of our own portfolio market prices through reserves, but opened up new investment opportunities in quality assets, especially in the last quarter of the year, as well as prospects for growth in the financial margin, which is already visible in 2022, with an increase of around 26%.

It was also a year of negative performance for client's portfolios, reflecting the unusual situation in which the two main asset classes they usually hold – equities and bonds – moved in the same direction, eliminating the protection enabled by the diversification of their allocation strategies. The income property funds marketed by the Group, which maintained good yields, helped to counteract this downward trend. Market developments towards the end of the year allowed the relaunch of investment products focused on the bond segment.

However, it was a year in which the activity indicators remained positive, with strong overall growth in terms of the value of the assets under the Bank's supervision, which exceeded the **€2.8 billion mark** at the end of the year, an increase of 31.1%, thanks to the increase in the activity of the depository of collective investment undertakings and the increase in client deposits.

**Figure 1 | Assets under supervision**

Amounts in EUR million




Indeed, thanks to the strong increase in client deposits, which stood at around €504 million at the end of 2022, (+55.7% year-on-year), the Bank's assets showed a very significant positive variation, with an increase of more than 40%. This reflects, firstly, the increased demand for deposits in the last few months of the year, when the Bank started to apply higher remuneration rates, and, secondly, the increased liquidity of the investment funds for which the Bank acts as depository.

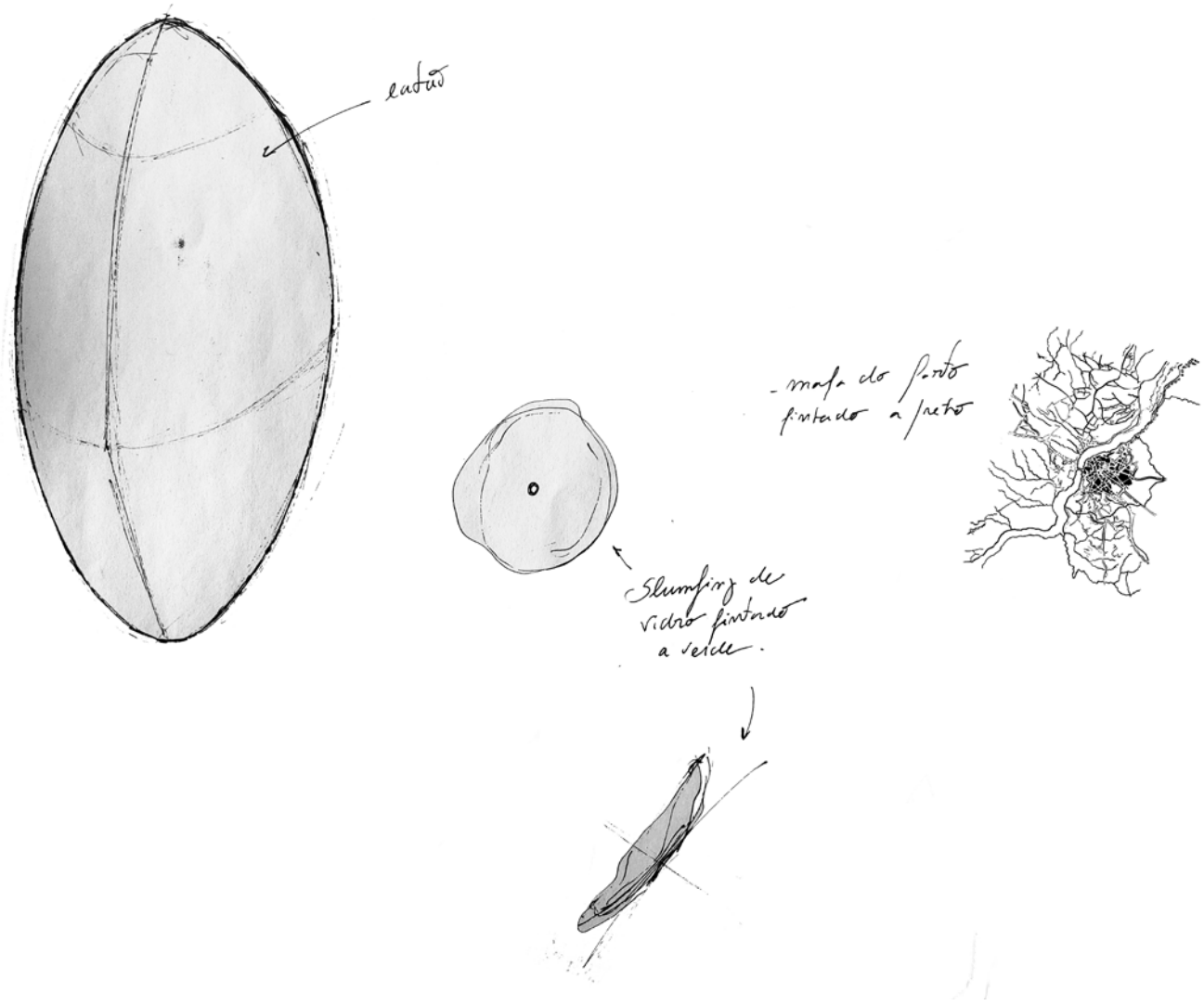
In this context, net operating revenue increased by around 9%, driven by the aforementioned increase in financial margin, as well as by good results in brokerage, both retail, based on the GoBulling trading platform, and institutional, clearing, settlement and custody, which includes investment fund depository services, and corporate services.

There was also a slight improvement in lending, which reversed the downward trend of the portfolio in the second half of the year. However, this was not enough to exceed the year-end figures, partly due to the increase in amounts contracted but not drawn by clients (potential credit).

Despite the increase in overheads, the increase in net operating income together with the reversal of provisions and impairments enabled the Bank to report a 24.8% increase in pre-tax profit, with a net profit of around €1.6 million.

In terms of conduct, organisational culture and internal governance, work was carried out to improve the quality and consistency of the internal regulatory framework, to strengthen the communication of the organisational culture and to adapt internal governance to best practices and increasing regulatory requirements, in line with the requirements set out in Banco de Portugal Notice 3/2020.

In addition, in order to improve the quality of information both for internal use and for reporting to supervisors, efforts continued to map the data contained in the core system through a project to create a data model that ensures greater integrity and consistency of information. With regard to information security in particular, investment continued in technological solutions to mitigate cybersecurity risks and in staff training, using tools to simulate phishing attacks.




2022 saw the completion of Banco Carregosa's corporate identity overhaul, with a single brand across all segments, and the launch of its new website, with an image in line with its Wealth Management positioning. The website was developed using responsive technology that allows it to be used on different platforms, responding to the growing demand from clients for mobile access.

Finally, a word on the return of the Carregosa Talks, this time in the form of a cycle of conferences with guest speakers of the highest prestige and quality, which began in October with the aim of discussing the main trends that are redefining the world today and trying to understand how they will affect our society and our business, today and in the future.

# 6. Future Outlook

Despite recent news of difficulties in the banking sector, particularly in the United States, due to the impact of rising interest rates, keeping these rates in positive territory will tend to create a healthier environment for the development of the banking activity, from which the Bank will benefit in 2023.

This new framework should create the necessary internal conditions for investment in people and technology to enable the Bank to continue its strategy of:

- wealth management differentiation, based on the figure of the independent relationship manager, with a focus on investment advisory and management services, wealth advisory, markets, institutional custody, corporate activities and specialised lending to support the activities of business areas;
- deepening organisational transformation, increasing efficiency and management control, using digitalisation both in the client relationship experience and in optimising internal processes;
- strengthening the value of people and their contribution to the development of the organisation;
- strengthening the culture of client service and risk and compliance management; and
- embedding the value of sustainability throughout the organisation.

We therefore look forward with optimism to the times ahead, and we remain committed to increasing the Group's activities and results for the benefit of its clients and shareholders. We are also committed to creating a positive working environment that encourages rigour, creativity and initiative, so that the Bank is ready to seize any opportunities that may appear on the horizon.

2023 will also be the year for celebrating Banco Carregosa's 190th anniversary, with various initiatives, including the aforementioned cycle of conferences, to celebrate the remarkable resilience of an institution that, for almost two centuries, has always been able to adapt to changing times and to pass on its legacy of trust.



# 7. Banco Carregosa

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

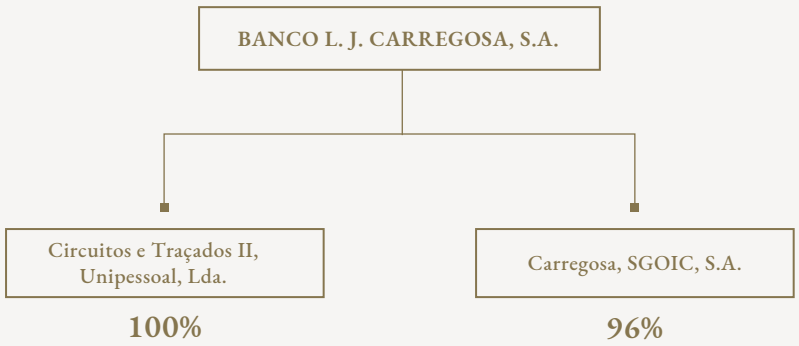
After obtaining a banking licence in 2008, L. J. Carregosa – Sociedade Financeira de Corretagem became known as Banco Carregosa.

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

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

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

**Figure 2 | Corporate structure**




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

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

# 8. Functional Organisation

In line with the strategic plan defined for the 2019-2021 three-year period, the Bank's activities are anchored on the following key pillars:

i. value proposition focused on top affluent and high-net-worth individuals (HNWI) segment, delivered through consistent communication and branding;

ii. focus on asset management and investment advisory services, wealth advisory, specialised lending and corporate activities, the latter mainly in support of private banking;

iii. maintaining complementary custody, trading and own portfolio management activities;

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

v. developing the soft areas of the organisation, in particular people, culture and internal communications; and

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

To support its value proposition, the Bank's functional organisation 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 relationship model that the Bank wishes to establish with its clients.

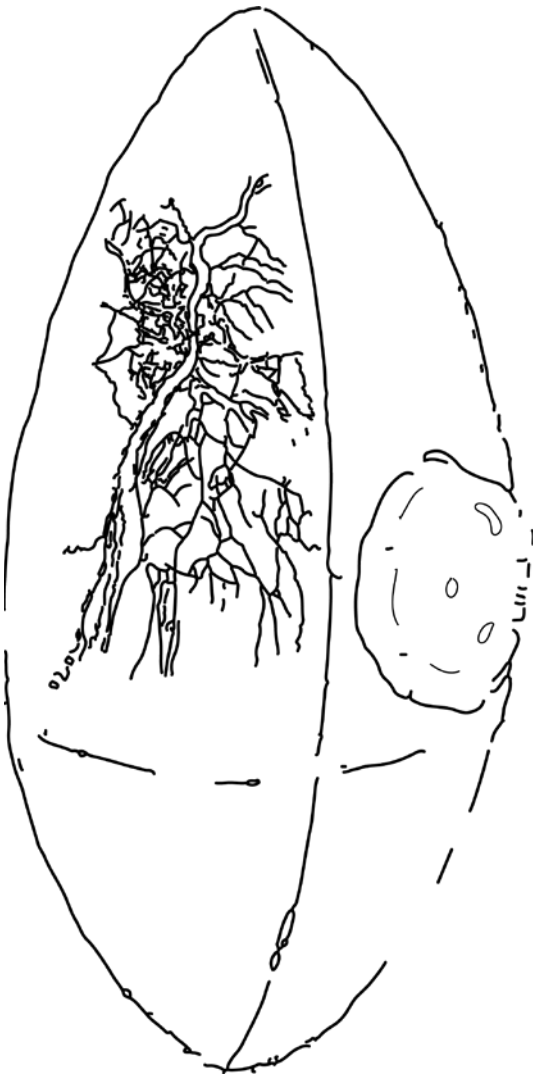
Two of these areas – **Private Banking** and **Savings and Investments** – are eminently commercial in nature, giving substance to the way they use or provide the Bank's and services to target clients in order to ensure a consistent portfolio of offers to clients with different characteristics. These areas report to a Coordinating Director who is responsible for coordinating the respective commercial activities and stimulating transversal activities. Given the specific nature of some services, namely depository and credit services, managers will be appointed for institutional and corporate clients, reporting to the Coordinating Director, to manage the commercial relationship with these clients.

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

## 8.2. Services

The second group consists of a set of activities aligned with the core competencies of the organisation and embody the core services of private banking – asset management and investment advisory (Investments), floor broking or e-platforms (Markets), clearing, settlement and custody, including depository 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, in their efforts to offer market commercial propositions consistent with and adapted to the needs of the target clients, and in exploring the niches that value the proximity, quality and flexibility of the solutions they offer.



## 8.3. Support Areas

The third core area comprises all the support functions for activities that do not create or generate trade relations, or generate products, although they play an important role in their implementation.

For example, the Business Areas departments have mainly external clients and some internal suppliers, whereas the Support Areas departments have only internal clients. Services can have both internal – typically the Business Areas – and external clients.

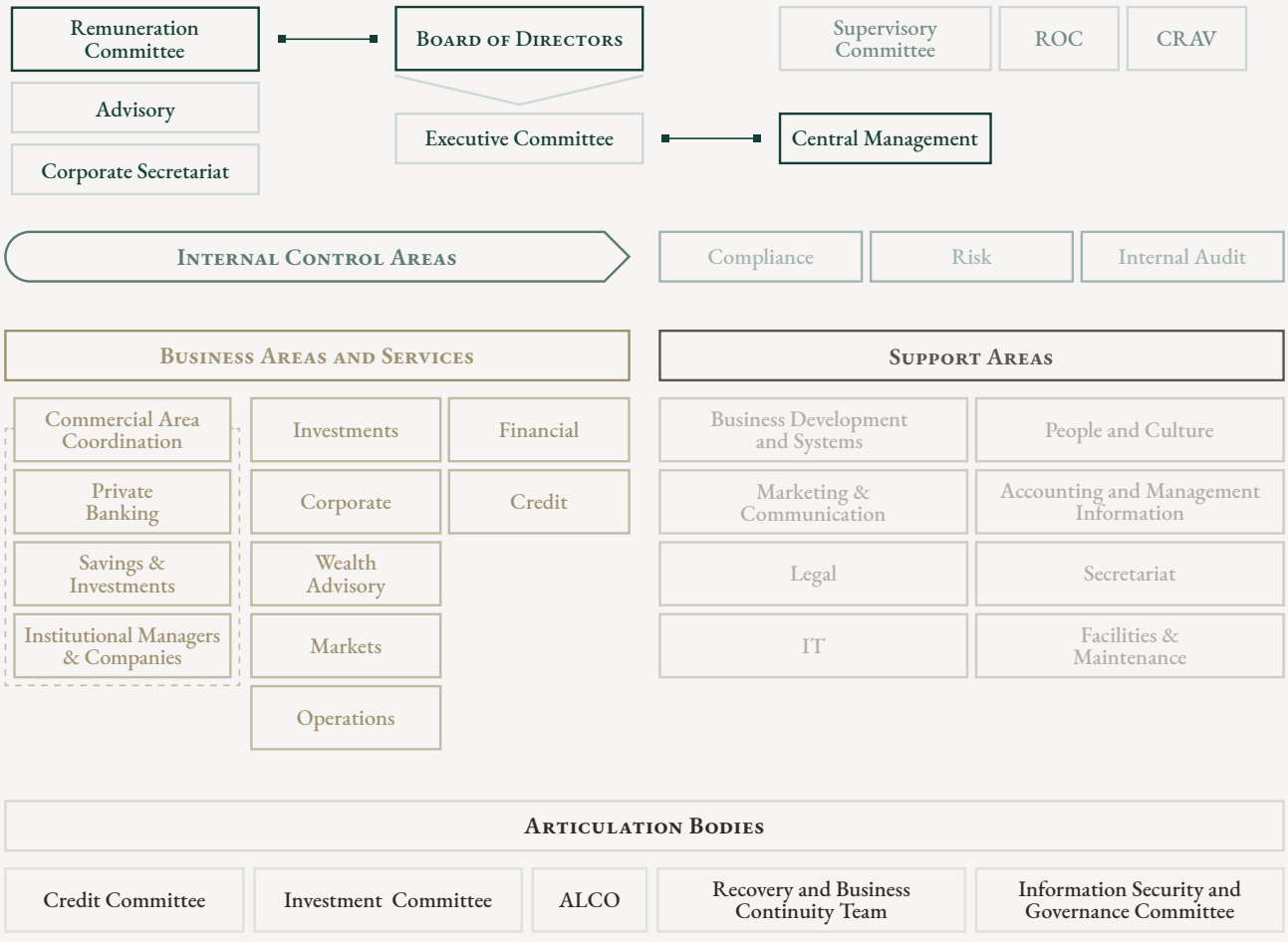
## 8.4. Internal Control Areas

Finally, the fourth core area corresponds to the internal control areas that provide independent assurance on risk management, compliance verification and internal audit 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), an Information Security and Governance Committee and a Recovery and Business Continuity Team. The Own Portfolio Commission was set up in January 2023, in accordance with the provisions of the Own Portfolio Risk Management Policy.

The Group has 116 employees. Its organisation is therefore simple and functional, as shown in the following organisational chart.

## Figure 3 | Banco Carregosa's organisational chart



# 9. Organisational Culture and Internal Governance

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

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

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

In order to implement the high ethical standards of responsible and prudent conduct that all employees and members of the management and supervisory bodies are expected to observe in the performance of their duties, the Bank has established a Code of Conduct which contributes to enhancing the Bank's levels of trust and reputation, both internally and in its relations with clients, business partners and supervisory authorities.

Internal governance is constantly evolving and encompasses all the criteria and principles relating 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 authority are defined and assigned;

iv. the reporting lines are set up; and

v. the internal control system is organised and implemented.

2022 saw a significant increase in the quality and consistency of the internal regulatory framework: 74 internal regulations were created or reviewed, including the creation or review of the regulations for governance, oversight and articulation bodies. Note also the appointment of an executive director dedicated to the risk management function, who is also responsible for monitoring compliance with the prevention of money laundering and terrorist financing.

Initiatives were also rolled out during the year to communicate the organisational culture and align internal governance with best practices and regulatory requirements in these areas, leading to the publication of the Annual Self-Assessment Report (*Relatório Anual de Autoavaliação* – RAA) on the adequacy and effectiveness of the organisational culture and governance and internal control systems as at 30 November 2022, in accordance with the requirements set out in Banco de Portugal Notice 3/2020.

# 10. Information Systems and Technologies



In line with its strategy, digitalisation is a priority for the Bank, not only for its commercial activities but also to ensure the efficiency of its operations. Information security must always be guaranteed and solutions must be properly structured and documented.

With regard to the improvement of commercial interaction systems, the launch of a responsive website in 2022, the preparatory work for which was referred to in the previous report, should be noted. In addition, new functionalities were made available in homebanking, such as the possibility of multiple authorisations for the same transfer.

With regard to tools for improving the efficiency of the organisation, it should be noted that, considering the integration process between the core system and the accounting system carried out in the previous year, it was possible to automate and improve more reports, namely monetary and financial statistics, COVID-19 reporting, external reporting of transactions and positions, and external reporting of settlements.

It should also be noted that, with the aim of improving the quality of information both for internal use and for reporting to supervisors, 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.

The Bank has also invested in the creation and development of internal workflows for the improvement of process efficiency and internal control.

In order to ensure the improvement of information security, which the Bank considers to be a priority, 2022 saw a complete review of security and business continuity regulations, the implementation of controls in line with the business impact analysis carried out, and investment in technological solutions to mitigate cybersecurity risks. In addition to reviewing processes and regulations, investment has also been made to train employees on information security issues, including tools to simulate phishing attacks.

In 2023, the focus will continue to be on improving the external and internal experience of using the systems, without neglecting information issues and the ongoing development of the Bank's technological infrastructure.

# 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 implemented by the Bank's management and supervisory bodies and employees with the aim of providing reasonable assurance for the pursuit of the following objectives:

i. prudent risk management 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 management and supervisory bodies and internal control functions (information objectives); and

iii. compliance with legal and regulatory requirements, whether of a prudential or behavioural nature, with the Code of Conduct and with 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 from the beliefs, preferences and value judgements of management and other bank staff regarding the internal control system, and the emphasis placed on internal control, the actions taken, the policies and procedures adopted 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 availability of sufficient and appropriate material, technical and human resources;

   c. the degree of transparency of the organisational structure and its suitability given the complexity, size and nature of the institution's activities;

   d. the clarity of the hierarchy, 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 activities carried out.

ii. **Risk Management System** – consists of the set of strategies, policies, processes, systems and procedures designed to identify, assess, monitor and control all the risks to which the Bank is or may be exposed, both internal and external, in order to ensure that they remain at levels previously defined by the Board of Directors and that they do not materially affect the Bank's financial position.

iii. **Information And Communication Systems** – this is an essential component for the controls to be understood and implemented by the organisation. In addition, timely and reliable management information is essential for decisions on the development of the activity and compliance with the strategy and objectives set by the management body.

iv. **Monitoring Process** – includes the ongoing or one-off control procedures, actions and effectiveness tests carried out by the Risk and Compliance departments, as well as the independent assessment performed by the Internal Audit Department. The main objectives of this component are to assess compliance with the defined risk tolerance levels and to identify flaws in processes or controls so that corrective action can be taken in a timely manner.

Throughout 2021, efforts have been made to strengthen the four components of the internal control system. The following initiatives are of particular note:

i. introduce measures to update the organisational structure and adapt it to the nature and complexity of the Group's activities;

ii. review the regulations on the internal control function;

iii. systematise the annual planning of the internal control functions, including the introduction of a greater degree of detail in the planning, with a more precise identification of the tasks to be performed and the material and human resources allocated to them;

iv. continue to strengthen the internal for risk management regulatory framework, including the updating of the credit and liquidity risk management policies and the creation of the Stress Testing Policy;

v. a comprehensive review of the methodologies used to calculate economic capital for each type of risk, in order to bring them into line with best market practices and to comply with the measures adopted by Banco de Portugal (specific recommendations and provisions).

vi. prepare relevant compliance risk management documentation (Compliance Manual, Compliance Risk Management Policy, and documents related to the prevention of corruption);

vii. significant and continuous improvement of the information system supporting the activity, with the aim of aligning with best practices in information management and, in particular, improving information related to risk management;

viii. develop a project to describe the data structure underlying the central information repository and the business concepts used in the Bank's operations and reporting processes;

ix. a comprehensive review of the regulatory framework for ICT and governance and information security and the mitigation or resolution of deficiencies identified in the identification and assessment of related risks;

x. strong investment in equipment, tools, and staff training on information security;

xi. review of the Business Continuity Management System, adoption of a new Business Continuity Management Policy and review of the Business Continuity Plan, with the aim of ensuring the ability to continue to operate and to limit losses in the event of a serious disruption of operations. In this context, controls have been prepared, implemented and maintained to ensure the Bank's overall ability to respond to possible disruptions in the normal course of business, which have been identified as critical following the Business Impact Analysis, which focused on the value chain of macro-processes and external suppliers;

xii. reinforced commitment to the protection of personal data, including the creation of a new regulatory framework which includes the Privacy Policy and the Data Protection Impact Assessment procedure, involving all structural units responsible for data processing.

xiii. the development of a macro process mapping project, which was completed in the first quarter of the year;

xiv. continued commitment to process digitisation, leading to an increase in the number of integrated workflows.

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 guidelines on Internal Governance – EBA/GL/2021/05 – and Banco de Portugal Notice 3/2020.

Broadly speaking, the three-line model is based on the allocation of different governance and risk management responsibilities to the different 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 to which they are exposed;

ii. **Second Line:** the support and control functions, including in particular the risk management and compliance functions, which interact with the first line functions in order to identify, assess, monitor and control the risks inherent in the activities carried out by the first line functions;

iii. **Third Line:** the internal audit function, which performs independent, risk-oriented analyses.



## 11.1. Internal Audit

As part of its remit, the Internal Audit function is responsible for assessing the quality and adequacy of corporate governance, internal control, risk management and compliance, in line with the business strategy and the overall risk management policy in place, in order to enhance and protect the value of the organisation.

The activity is carried out independently, focusing on the risk of activities, systems and processes and across all hierarchical levels, business units and departments of the Bank.

The following principles are in place to ensure the independence of the function:

i. in organisation terms, functional reporting to the Board of Directors and the Supervisory Committee and hierarchical reporting to the Chair of the Executive Committee are in place.

ii. the Internal Audit Function Regulation, the budget, the training programme and the audit plan are submitted to the Supervisory Committee for review and decision by the Board of Directors.

iii. the function is established as an autonomous structural unit, independent and organically separate from the risk management and compliance functions, as well as from support and business units.

iv. in order to carry out its responsibilities, the Internal Audit has full access to all necessary internal and external information, facilities and files, whatever their medium, relating to all areas of the Bank's activity.

The Internal Audit function regularly reports to the supervisory bodies and the Board of Directors on the conclusions of the audits carried out, the progress report on the monitoring of deficiencies and information on the activity of the function itself.

In the pursuit of its objectives, the Internal Audit function follows the internationally recognised and accepted principles, code of ethics and standards of internal auditing, namely those established by the IIA - the Institute of Internal Auditors.

## 11.2. Compliance

The Compliance Department ensures that Banco Carregosa's practices, conducts and procedures comply with legal and regulatory obligations. To this end, it regularly monitors changes in legislation to reduce the risks of non-compliance. In particular, this department is responsible for ensuring the legal and regulatory compliance of all financial intermediation services provided or developed by the Bank. With regard to the prevention of money laundering and terrorist financing, the Compliance Department plays a key role in defining the mechanisms for monitoring and detecting suspicious transactions.

In 2022, we continued to improve the planning process and the formalisation of procedures and methodologies, so that the department's activities are more closely based on the assessment of the risk sub-categories for which it is responsible. There has also been an increased focus on control measures and the monitoring of the correction of the deficiencies and non-conformities identified therein.

## 11.3. Risk Management

The overall risk management of Banco Carregosa includes the policies, regulations, procedures, limits and controls that allow, in an appropriate and integrated manner, the identification, measurement or evaluation, monitoring, mitigation and communication of the risks arising from the activities carried out in the different business areas, 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 consistency at all times 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 the RAS are the key building blocks of the Bank's risk management system, which consists of a general approach within which risk appetite and strategy are defined, communicated and monitored.

In turn, the Bank's risk appetite is defined, communicated and monitored through the Risk Appetite Framework (RAF), which consists of a monitoring, reporting and regular review structure for all material risks. This framework includes a comprehensive set of Key Risk Indicators (KRIs) for which limits are set, supporting the detailed follow-up of the RAS.

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 throughout the organisation.

Overall, the RMF aims to maintain a balance between:

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

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

iii. the maintenance of a stable funding structure.

The Risk Department is also responsible for advising and assisting the management and supervisory bodies in defining and monitoring the Bank's overall risk profile, and for providing them with all relevant information regarding specific risks. To this end, it prepares and publishes regular reports, most of which are also addressed to the supervisory bodies, on risk management issues, and identifies material risks.

In this context, the Bank has defined internally a taxonomy of the risks relevant to its activities, resulting from the Risk Identification and Assessment Exercise (EIA – *Exercício de Identificação e Avaliação de Riscos*), which has led to the drafting of a risk catalogue intended to support the internal control system, in so far as it:

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

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

iii. enables better coordination between the first and second lines of business;

iv. improves the effectiveness of risk communication;

v. promotes a risk culture.

The following are some of the risks identified: credit risk, market risk, interest rate risk, operational risk, and liquidity risk.

Notwithstanding the individual monitoring of each risk, as described below, they are addressed globally in the ICAAP (Internal Capital Adequacy Assessment Process), ILAAP (Internal Liquidity Adequacy Assessment Process), F&CP (Funding and Capital Plan) and in stress testing programmes. In this respect, it should be noted that the 2022 financial year was marked by a general reformulation of the Bank's stress testing programme, which led to the creation of a framework based on a modular approach, which integrates stress testing into the Bank's various risk management exercises, starting from a common and transversal methodological basis, thus ensuring consistency.

### 11.3.1. Credit risk

Credit risk is the likelihood of an adverse effect on the Bank's earnings or capital due to the inability of a counterpart to meet its financial obligations to the Bank. Credit risk arises mainly from credit exposures, including secured loans, credit lines, guarantees, derivatives and the Bank's deposits with other credit institutions.

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

The Credit Risk, Compliance and, where appropriate, the Legal departments give their opinion on the approval of credit transactions, ensuring not only the assessment of the client's ability to repay, 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 requirements of Banco de Portugal established in Banco de Portugal Circular Letter CC/2018/00000062.

In 2022, the Bank continued to monitor the legislative and non-legislative moratoria on loan repayments applied in the light of the crisis resulting from COVID-19, by means of

a watchlist where quarterly status reports were drafted with the aim of anticipating worsening situations for customers. As in the previous year, the impact for the Bank was not significant.

With regard to credit risk, the year under review was marked by the consolidation of the internal treatment of the new definition of default, in line with the EBA's technical implementing rules on the subject, with the Bank having developed a system of credit ratings which brought significant improvements to the classification and treatment of credit operations.

## 11.3.2. Market risk

Market risk is the probability that the Bank's earnings or capital will be negatively affected by adverse changes in the market price of its own trading book instruments, including fluctuations in equity prices, commodity prices, interest rates and/or foreign exchange rates.

This risk is primarily associated with the trading book, which consists of short-term positions held by the Bank for speculative purposes, although it also affects other own portfolios of the Bank.

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

i. the estimation of market risk capital;

ii. the Value at Risk (VaR) and its development according to the historical method over 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.

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

In 2022, the market risk control framework was strengthened with the implementation of a system to control limits for the different portfolios according to various aspects such as amounts, issuers, sectors, maturities, currencies, among others. In January 2023, the Own Portfolio Committee (CdCP – *Comissão da Carteira Própria*) was established in accordance with the provisions of the Own Portfolio Risk Management Policy (PGRCP – *Política de Gestão de Risco da Carteira Própria*). The scope of the CdCP's activities is limited by powers conferred on it by the Bank's Board of Directors under the conditions laid down in the PGRCP, namely as the central decision-making body on risks and the monitoring of the development of the Bank's own portfolio. The CdCp is responsible for: defining the investment approach in line with the business models envisaged, including setting limits and deciding on investments and divestments; monitoring the evolution of risk and profitability of the portfolios; and monitoring internal capital consumption for the different risks.

## 11.3.3. Interest rate risk

Interest rate risk is the probability of a negative impact on equity due to adverse changes in interest rates and relates to all balance sheet items, excluding the trading book, but including off-balance sheet items. It is a combination of base risk, interest rate yield curve risk, repricing risk and option risk. The concepts underlying each type of risk are as follows:

i. Basis Risk – the risk arising from interest rates on assets being linked to different indices than the interest rates on liabilities;

ii. Yield Curve Risk – the risk arising from adverse movements in different segments of the yield curve, which can lead to losses when assets and liabilities are in different segments of the curve and in different proportions;

iii. Repricing Risk – the risk arising from the different assets and liabilities being re-indexed at different times and rates;

iv. Option Risk – the risk arising from the option inherent in some assets and liabilities. The risk arising from embedded options in balance sheet and off-balance sheet items.

For prudential purposes, the Bank uses the general risk assessment method set out in EU Regulation No 575/2013. Compliance is also ensured with Banco de Portugal's Instructions 34/2018 and 03/2020, which update it and consist of standardised reporting of the exposure to interest rate risk of the Bank's portfolio and the impact of sudden and expected changes in interest rates on the development of economic value and financial margins.

This risk is further analysed throughout the year, as part of the ALCO meeting, based on the market's view of interest rate developments in 2022.

### 11.3.4. Operational risk

Operational risk is the loss resulting from the inadequacy or failure of procedures, people, internal systems or external events, as well as legal risk, as defined in EU Regulation No 575/2013.

Operational risk is assessed at two different levels: technological and organisational.

In terms of technology, Banco Carregosa has always chosen to invest heavily in IT. As a result of this strategy, the Bank has a sound, highly flexible and reliable computerised information system that contains sensitive and confidential private financial and personal data.

Access to these systems is only granted to Banco Carregosa employees and outsourced personnel who, under an appropriate framework, are involved in the development or operation of the system, or whose work involves the recording, verification or consultation of such data.

With regard to operational risk, the history of losses is not significant in relation to the Bank's transaction volumes and/or total revenue. Nevertheless, at the end of 2022 the Bank launched a project to create an operational risk database to enable more objective and quantified monitoring of this risk, to be implemented in 2023, in accordance with the Operational Risk Management Policy approved in January 2023.

### 11.3.5. Liquidity risk

Liquidity risk reflects the Bank's potential inability to meet its obligations as they fall due without incurring significant losses as a result of a deterioration in funding conditions (funding risk) and/or 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 proprietary portfolio management receive a daily report from the Risk Department, which includes:

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

ii. estimates of minimum capital requirements;

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, while maintaining a conservative risk profile.

It should be noted that liquidity management has been adapted to market changes throughout 2022, both in terms of interest rates fluctuations and balance sheet resizing.



## 11.4. Capital Management

In terms of capital management, the Bank seeks to ensure an appropriate level of solvency and profitability, in accordance with internal policies and the risk appetite policy defined by the Board of Directors, as this is a critical aspect of the institution's approach to a stable and sustainable management.

The Bank carries out 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 for defining the Bank's strategy and for monitoring of the consequences of its implementation and allows the risk appetite defined in the RAS and the availability of economic capital to be analysed on a regular basis. The ICAAP is prepared according to the two following two dimensions:

i. regulatory, based on regulatory reports, in particular prudential reports, which 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 set in its RAS (Risk Appetite Statement). The qualitative analysis completes the exercise in a systemic approach.

In 2022, the ICAAP was subject to a comprehensive methodological review, which was applied to the 2021 exercise, with the aim of aligning it with market best practice in the calculation of economic capital requirements. The strengthening of the ICAAP will continue in 2023 with the implementation of the new stress testing framework, also initiated in 2022, and the refinement of the governance of the exercise.

# 12. Overview of the Activity

## 12.1. Macroeconomic Environment

Russia's invasion of Ukraine on 24 February was the geopolitical event of the year. We saw an escalation in the price of energy commodities, particularly natural gas. The escalation of the conflict led to the imposition of economic sanctions, which spread the price increase to metals and food, contributing mainly to a worsening of inflation in Europe.

Although it started earlier, inflation became the main economic issue in 2022. The central banks of the major western economies adopted restrictive monetary policies, starting a new cycle of interest rate hikes and contributing to the global economic slowdown. At the end of the year, key interest rates stood at 4.50% in the United States (after 7 increases of 4.25%) and 2.5% in the euro area (the result of 4 increases from a starting level of 0%). As the year drew to a close, a less severe winter and an improvement in supply chains led to a more positive outlook for inflation.

Throughout the year, economic growth forecasts were gradually revised downwards. However, the global economy, and in particular the North American economy, proved to be less sensitive than expected to the deterioration in financing conditions, and the arrival of the most anticipated recession in history was gradually postponed from the second half of 2022 to early 2023, and then again to late 2023 or even early 2024.

In China, the People's Bank of China (PBoC) implemented a more expansionary monetary policy to support the rebound in Chinese economic activity and broaden the recovery in the property sector, while at the same time there was some discussion of a slowdown in China's growth prospects, with lockdowns weighing on activity levels. The end of the year was marked by an increase in COVID-19 cases due to the reopening of the economy. The government reinstated the measures it had lifted the previous month, but backtracked in the face of protests.

In addition, at the 25$^{th}$ Congress of the Chinese Communist Party, Xi Jinping not only signalled the importance of nationalist protectionism, but also underlined his position as leader by concentrating key powers in himself and reshuffling the Central Committee.

At the European political level, Emmanuel Macron was re-elected to the French presidency in April. In September, Giorgia Meloni, the leader of Italy's right-wing coalition, was elected

Prime Minister, and Liz Truss, the shortest serving Prime Minister in UK history, resigned after creating a climate of instability, with Rishi Sunak coming to power and shifting fiscal policy from expansionary to contractionary.

Finally, in the US mid-term elections, the Democratic Party increased its control of the Senate but lost its majority in Congress, which could make fiscal flexibility more difficult.

## 12.2. Portuguese Economy

The Portuguese inflation rate was no exception at the European level, initially supply-side driven and mainly driven by energy prices, a situation that worsened with Russia's invasion of Ukraine.

In 2022, the variation of the Consumer Price Index (CPI) was 7.8%, the highest since 1992, but below the annual average of the euro area and the European Union. According to the Statistical Office of the European Union, the average inflation rate in 2022 was 8.4% in the euro area and 9.2% in the European Union.

Despite the rise in inflation, in 2022 the Portuguese economy continued the process of gradual recovery after the COVID-19 pandemic, ending the year with higher-than-expected economic growth and lower-than-expected unemployment.

Growth in the Portuguese economy was largely driven by private consumption, fuelled by the resilience of the national consumer in the first three quarters of the year, with price rises largely supported by families. In addition to private consumption, exports, mainly driven by the tourism sector, were the key component for Portuguese GDP, which grew by 6.7% in real terms.

The unemployment rate in 2022 was again lower than estimated by the government. It fell by 0.6 percentage points year-on-year to 6%, the lowest since 2002. The number of people in employment reached an all-time high of 4.9 million, reflecting the strong dynamism of the labour market.

The general government deficit in 2022 amounts to €3.591 million. From a public accounting perspective, this represents a favourable development of €5.018 million compared to 2021. This improvement is due to an increase in revenue of around 11% compared to 2021, which exceeds the increase in expenditure of 5.1%. The increase in revenue is due to the dynamic labour market and, above all, to the rise in prices. Expenditure growth was driven by the purchase of goods and services (up 8.9% year-on-year), increased National Health Service expenditure (up 4.6% year-on-year), increased Public Administration wages (up 3.2% year-on-year) and Central Government and Social Security investments (up 28.5% year-on-year).

# 13. Financial Markets in 2022

At the beginning of the year, the market environment was characterised by a climate of instability as central banks announced a more aggressive stance in the fight against inflation, compounded by Russia's invasion of Ukraine. Then, after more than 10 years of very low rates, inflation was back on the rise. In the US, inflation reached levels last seen in the 1980s, while in the euro area inflation was at its highest level since the single currency was introduced.

Interest rates turned positive after a long period of zero or negative levels. Regionalism and national protectionism became more pronounced in the most strategic sectors, with the arguments for onshoring or friendshoring pitted against those for globalisation. Shortages and disruptions in supply chains, combined with energy and labour shortages, put an end to low prices.

The European equity market correction was significant due to its greater energy dependence on Russia. During this period of adjustment to the new reality, commodities were the only asset class to appreciate. As the inflation scenario worsened, central banks increased the pace of interest rate hikes and yield curves began to invert, with shorter maturities offering higher yields. At the same time, the restrictions imposed by the zero-COVID policy continued to weigh on the Chinese equity market.

The Jackson Hole summit in August marked a new turning point in the recovery that had been in place since the beginning of the second half of the year. The US stock market hit its low for the year in the second week of October, driven by fears of 8% inflation, supported by a fairly resilient labour market. However, despite central bank expectations that the "fight against inflation" was far from over, the last quarter of the year saw a market rally, supported by expectations that inflation had already peaked in the US and was close to doing so in the eurozone.

Throughout the year, the earnings season showed that robust corporate and household balance sheets continued to drive demand (particularly in the US) and that corporate margins were resilient. Despite these positive signs from the real economy, 2022 will go down as a bad year for investors, given the devastating impact of the accelerating rise in interest rates on the valuation of financial assets.

The North American S&P 500 index ended the year down 18.5%, its worst performance since the 2008 crisis. On an annual basis, the sector that led the gains in the S&P 500 was energy, up 58%,

boosted by the inflationary pressures associated with energy commodities. The worst performing sectors were consumer discretionary (-38%) and communication services (-41%) due to their longer duration (NASDAQ and growth companies), which were penalised by rising interest rates.

In the US bond market, yields on 10-year Treasuries (US government bonds) rose by 237bp over the year, and in Europe, 10-year Bunds (German government bonds) rose by 275bp over the year, driven by central banks' stance and growing fears of an increasingly likely global recession. In this context, the Global Aggregate (USD) bond index lost 16.2% and the Euro Aggregate index depreciated 17.2%. The lower credit quality components, as measured by the Global High Yield index, had more limited losses of around 12.7%, showing that interest rate risk was penalised most in 2022.

As for alternatives, oil (as measured by the price of Brent crude) rose by 10.3%, gold fell by 0.3% and the US dollar depreciated by 5.8%.

### Figure 4 | Changes in the main world indices

| Index (Total net return) | 2022 | 2021 |
|---|---|---|
| MSCI All Countries World in EUR | -12.8% | 29.0% |
| MSCI All Countries World in USD | -17.9% | 20.1% |
| S&P 500 (USA) | -18.1% | 26.9% |
| NIKKEY 225 (Japan) | -7.3% | 4.9% |
| STOXX 600 EUROPE in EUR | -9.9% | 22.3% |
| MSCI Emerging Markets in EUR | -14.7% | 2.4% |
| MSCI China in USD | -21.8% | -22.8% |
| MSCI Brazil in USD | 14.6% | -23.5% |
| DAX (Germany) | -12.3% | 15.8% |
| CAC 40 (France) | -6.7% | 28.9% |
| IBEX 35 (Spain) | -2.0% | 7.9% |
| MIB 30 (Italy) | -9.4% | 23.0% |
| FTSE 100 (United Kingdom) | 4.6% | 14.3% |
| SMI (Switzerland) | -14.3% | 20.3% |
| PSI 20 (Portugal) | 6.8% | 13.7% |

# 14. Outlook for 2023

In its January 2023 edition of World Economic Outlook, the IMF estimates that global growth will fall from 3.4% in 2022 to 2.9% in 2023. This 2023 estimate is 0.2% higher than the October 2022 projection. For 2024, the institution points to a global growth of just over 3%.

The fact that the European winter was less severe than expected has contributed to an upward revision of growth estimates for 2023. Nevertheless, unpredictability remains high, as the reopening of China's economy could not only increase competition for natural gas supplies at a time when restocking starts again (in spring), but also increase pressure on the prices of other commodities, thus hampering the decline in global inflation.

The latest reopening of the Chinese economy in early 2023, after being closed for more than half of 2022, is happening at a faster pace than expected, with economic growth estimated at around 5%, which XI Jinping has said will be driven by domestic consumption rather than exports.

The conflict between Russia and Ukraine has led to higher inflation in Western economies. These price level developments may force central banks to revise upwards their projections for the interest rate peaks. In addition, monetary authorities may find it necessary to keep interest rates at these higher levels for longer than previously expected.

This level of high interest rates will be the biggest obstacle to economic growth in 2023, gradually undermining the ability to finance future investment and refinance the most indebted households and businesses.

Resilient demand, underpinned by savings during the pandemic, has supported the European and North American economies. However, this will tend to deteriorate as interest rates rise, increasing the likelihood of the expected economic recession.

The increase in the negative slope of the yield curve in the euro area and especially in the US is a sign of a possible recession. Depending on the pace of price increases, a recessionary scenario accompanied by low inflation would be favourable for government bonds. The impact on equities would be mixed, tending to be positive for growth companies and negative for value.

In general, investors' attention in 2023 will be focused on the economic slowdown, the development of inflation and the response of central banks. Given the range of scenarios with different probabilities of occurrence, an investment strategy is favoured in which risk budgeting, diversification and liquidity will play a key role in a phase of more discredited market recovery.

# 15. Regulatory Framework

The year 2022 was no exception to previous years, as it was marked by intense legislative and regulatory production, both Portuguese and European, and the challenges of adapting to the existing legal and regulatory framework remain.

In the light of the favourable development of the COVID-19 pandemic, we have seen the general abandonment of the relevant legislation, as it has proved to be unnecessary, both in the national and international panorama. We highlight the end of the capital and liquidity relief measures authorised by the ECB, in particular the possibility of operating temporarily below the level of own funds defined in the Pillar 2 guidelines.

On the other hand, the armed conflict in Ukraine led to the introduction of regulatory and supervisory measures, both in terms of the imposition of sanctions by the European Union and in terms of the macroeconomic and financial context and the related cyclical sectoral impact, namely the debt burden. Measures were also needed to deal with the energy crisis and general inflation.

Despite the limited impact on Banco Carregosa's activity, we highlight the general importance of Law No 19/2022 of 21 October, which, among other things, establishes a system for the redemption of savings plans and establishes the unseizability of family support. Also in this area, Decree-Law No 80-A/2022 of 25 November establishes measures to mitigate the effects of the increase in the reference indexation factors of credit contracts for the purchase or construction of personal and permanent residences, concluded with credit institutions, financial companies and branches of credit institutions and financial companies operating in Portugal, with an outstanding amount equal to or less than €300 000, and where the clients have suffered an increase in the debt burden or have a significant debt burden.

In the context of EU banking legislation, the Council of the European Union approved the compromise text on the implementation of the Basel III reforms, which deals with capital requirements and is of particular relevance to the following issues: output floor, operational risk, real estate and transitional provisions, prudential filter for exposures and sovereigns, adjustments to the prudential perimeter.

In addition, and following on from the work of national and European legislators in recent years, we highlight the efforts made to integrate ESG (environmental, social and governance) sustainability concerns – sustainability from an environmental, social and corporate governance perspective – as a source of risk for the balance sheets of financial institutions and also in terms of their potential impact on the conduct of monetary policy.

In this regard, reference is made to the Securities Market Commission Regulation 6/2022, which entered into force on 22 November 2022, amending CMVM Regulation No 3/2018, of 28 August, and in particular to the Annex relating to the mapping of the minimum content to be mastered by employees of financial intermediaries who provide investment advisory, portfolio management services on behalf of their clients or provide information to investors on financial products and investment services, whether principal or ancillary, as well as by independent advisors. The objective is to integrate and consider risks and sustainability factors in the performance of duties related

to the management and distribution of financial instruments/securities, taking into account the sustainability objectives of clients and the target market.

Also in this area, we highlight Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, with regard to regulatory technical standards specifying the content and presentation of the information in relation to the 'do no significant harm' principle, the content and presentation of information related to sustainability indicators and negative sustainability impacts, and the content and presentation of the information related to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports.

Among the European regulatory initiatives, we highlight the publication of ESMA's final report on guidance on certain aspects of the suitability requirements of the Markets in Financial Instruments Directive (MiFID II) to reflect the changes to the DMIF II Delegated Regulation, applicable from 2 August 2022, regarding the consideration of client sustainability preferences in the suitability assessment of financial instruments. In addition, the responses of the EBA, ESMA, IOSCO, EBF and the ECB to the public consultations launched by the International Sustainability Standards Board (ISSB) and the European Advisory Group on the proposed sustainability disclosure standards were published. Finally, and still on this topic, it is worth mentioning the Call for Evidence on greenwashing launched by the ESAs (EBA, ESMA, EIOPA), which aims to gather input from stakeholders on potential greenwashing practices in the EU financial sector that may be relevant to the different segments of the sustainable investment value chain and the life cycle of financial products.

Also at the macroeconomic level, we believe that the concentration of legislation on technological innovation deserves to be highlighted due to its prevalence and importance in the current panorama, creating needs at the level of cybersecurity and information transparency. We refer to Directive (EU) 2022/2555 of the European Parliament and of the Council of 14 December 2022 on measures for a high common level of cybersecurity across the Union, and to Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financing factor. At national level, we refer to Law No 16/2022 of 16 August (Electronic Communications Law) on the subject.

With regard to the prevention of money laundering, we highlight, at the national level, the entry into force of Banco de Portugal Notice 1/2022, which establishes the necessary aspects to ensure compliance with the obligations to prevent money laundering and terrorist financing in the activities of financial entities subject to supervision by Banco de Portugal, replacing and repealing Banco de Portugal Notice 2/2018 and Banco de Portugal Instruction 2/2021; CMVM Regulation No 5/2022, which is the first amendment to CMVM Regulation No 2/2020 of 17 March 2020 establishing preventive measures to combat money laundering and terrorist financing (BCFT), and regulating Law No 83/2017 of 18 August (LBCFT) and Law No 97/2017 of 23 August; and the Resolution of the Council of Ministers No 69/2022 of 9 August establishing the National Strategy to Combat Money Laundering, Terrorist Financing and the Financing of the Proliferation of Weapons of Mass Destruction. It should also be noted that, although

published in 2021, Law No 99-A/2021 of 31 December introduced the relevant changes by amending, inter alia, the Securities Code, the General Regulations for Collective Investment Undertakings, the Articles of Association of the Securities Market Commission, and Law No 83/2017, which establishes measures to combat money laundering and terrorist financing and entered into force in February 2022.

On the international scene, we highlight the European Banking Authority's Guidelines on the role and responsibilities of the AML/CFT Compliance Officer and the management body of credit or financial institutions (EBA/GL/2022/05).

In the area of prudential supervision, it is important to highlight Law No 23-A/2022 of 25 November, which amended the legal framework for credit institutions and financial companies, the Securities Code and related legislation, transposing Directive (EU) 2019/878 (CRD V) on access to banking activities and prudential supervision and Directive (EU) 2019/879 (BRRD II) on the recovery and resolution framework for credit institutions and investment undertakings. The scope of the law is essentially produced by the revision of the regulations of the entities whose activities are subject to the supervision of the CMVM, with a special focus on investment undertakings.

With regard to matters of conduct, governance and internal control, with the entry into force in June 2022 of Decree-Law No 109-E/2021 of 9 December, and in order to reflect the general regulations for the prevention of corruption in the internal regulations, the Bank has drawn up the Plan for the Prevention of Risks of Corruption and Related Infringements. In the same regard, the procedure for evaluating the anti-corruption compliance plan was approved and the policy for reporting irregularities was revised in order to comply with the requirements of Law No 93/2021 of 20 December, which will also enter into force in June 2022.

In addition, the Bank has carried out a review of the entire regulatory framework on business continuity and, as a result, has established a Business Continuity Management Policy in accordance with the Recommendations on Business Continuity in Management (revised) of the National Council of Financial Supervisors, published in Banco de Portugal Circular Letter CC/2021/00000047.

In addition, the overall strengthening of the internal regulatory framework has continued, in particular with regard to risk management and internal governance.

From a prospective point of view, it should be noted that the Bank continues to monitor the development of the legislative process regarding the Banking Activity Code, which is expected to have a significant impact as it will repeal the current legal framework for credit institutions and financial companies. The aim of monitoring this legislative process is to ensure that the Bank is ready to make any changes that may prove necessary, both at an organisational level and in terms of formalising internal rules.

# 16. Overall Activities

## 16.1. Private Banking

In the Private Banking segment, the year under review was characterised by an increase in assets under supervision (assets under management, custody, safekeeping and deposits), despite the negative trend in assets under management, due to the performance of the financial markets.

The acquisition of new clients and the increased involvement of existing clients in the various solutions offered by Banco Carregosa were decisive for the growth observed, especially those that complement the traditional private banking offer in a holistic approach to Global Wealth Management, such as depository services for collective investment undertakings, corporate solutions and wealth advisory services.

To the same end, and always with a view to meeting the investment needs and objectives of those who entrust us with their financial assets, the Bank's range of products and services has been complemented by the distribution of venture capital and real estate funds, public bond issues and thematic and one-off offers, in order to take advantage of the market environment at any given time. In 2022, the capital increase of the Retail Properties property fund and the launch of a new property fund, Kind Care, dedicated to housing for the elderly, both created and managed by Carregosa SGOIC, should be highlighted. These capital increases were fully subscribed by the Bank's clients, contributing to their loyalty and the strengthening and diversification of their investments.

We also launched bond investment strategies aimed at more conservative clients, following a long period of reduced interest in this asset class.

The GoBulling Pro platform continued to grow, demonstrating the increasing importance of the online channel in the private banking sector.

At the end of the year, following the adjustment of the deposit rates, fixed-term deposits became a catalyst for attracting liquidity, a position that will be reinforced in 2023.

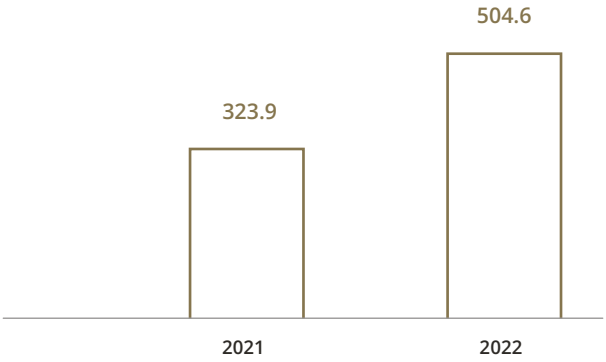
In 2022, face-to-face commercial activity resumed without the restrictions imposed by the pandemic, with the promotion of eleven events to strengthen the relationship of trust with clients and potential clients. In this sense, we highlight the start of the celebrations of the 190$^{th}$ anniversary of Banco Carregosa, which will be celebrated in 2023, with the holding of a cycle of conferences called "Conversas Carregosa" (Carregosa Talks), the first of which was held in Lisbon on 6 October 2022 with the participation of Dr Durão Barroso, who shared with us his vision of the new international order.

The Private Banking team has been strengthened in the south of the country and will continue to expand throughout the country. The aim is to keep up with the growth in assets and the number of clients, and to maintain the standard of service excellence with the expertise, personalisation and independence that distinguish Banco Carregosa.

Finally, the overhaul of the corporate identity to a single brand and the launch of the new website have strengthened Banco Carregosa's position in the wealth management sector, with increasing specialisation in investment solutions, asset management and wealth advisory services.

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

Amounts in EUR million




## 16.2. Savings and Investments

In 2022, the macro-economic and geopolitical environment has been extremely challenging, but these challenges have been overcome through a continued focus on strengthening the skills and specialisation of the teams, enabling high levels of service excellence to be maintained.

The Savings and Investments department was slightly repositioned with the strengthening of the team dedicated to the affluent segment – aimed at customers with high savings and investment potential and who are looking for value-added financial solutions – and the simultaneous creation of a team dedicated exclusively to investors on the GoBulling Pro trading platform. In the same vein, the customer service line was also strengthened.

The results obtained, both in quantitative terms and in terms of customer satisfaction, confirmed the decisions taken, with an increase in the value of deposits and assets under custody.

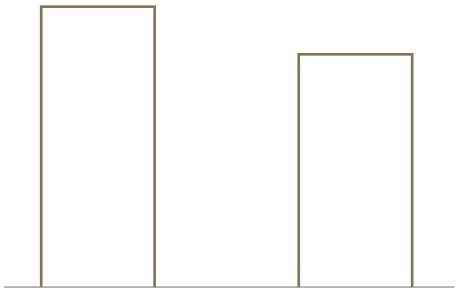
The performance of the markets had a negative impact on the assets of the GoBulling Pro platform and the amounts invested in investment funds, reversing the trend observed since 2020.

On the other hand, there was an increase in the amounts invested in discretionary management strategies and fixed-term deposits increased, reflecting the improved remuneration of lower-risk investments.

The marketing and custody of venture capital and real estate funds, in particular the withdrawal of capital from the funds managed by Carregosa SGOIC, also had a positive impact on the growth of assets in this segment.

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

Amounts in EUR million



| | 2021 | 2022 |
|---|---|---|
| Funds in Custody | 27.7 | 22.9 |

## 16.3. Treasury and Own Portfolio

In terms of the Bank's own portfolio and liquidity management, 2022 was marked by the reversal of the trend in interest rates, which moved from negative to positive territory.

If the rise in interest rates at the beginning of the year was due to the market's perception of inflation and the feeling that the period of negative interest rates might be coming to an end, with the outbreak of the war in Ukraine and the subsequent rise in fuel prices, which was later extended to most products, the rise in interest rates began to reflect the central banks' belated and rather aggressive anti-inflationary interventions within the framework of monetary policy.

The Bank's treasury management thus changed during the year, adapting to the increase in the interest rate on deposits with the Central Bank, which was negative until July, then zero in the third quarter and positive in the last few months of the year.

These sharp changes in interest rates had different effects on the results of treasury management and own portfolio management. While the former made a positive contribution to net interest income at the end of the year, own portfolio management was heavily penalised by the devaluation of securities in the first half of the year, whose prices fell in line with the higher interest rates demanded; in the last few months of the year, it made an increasingly positive contribution to net interest income as coupons on floating rate investments were reset and investments were renewed at higher rates.

These changes in interest rates were used to make new investments with positive returns in higher quality assets with shorter maturities, thereby reducing credit and interest rate risk. In fact, the public debt of countries such as Germany, France and the Netherlands began to be remunerated at rates previously borne only by southern European countries. In line with the same objective and in order to maintain a high liquidity position, the Bank also started to invest a significant part of its liquidity with the Central Bank.

It should be noted that the depository service for collective investment undertakings continued to contribute to the structural excess liquidity on the Bank's balance sheet, with an even more significant impact at the end of the year. To the extent that the prudent management of this liquidity involves its use at the Central Bank, this also began to make a positive contribution to net interest income, contrary to what was observed in 2021.

The rise in interest rates was also reflected in the remuneration of clients' fixed-term deposits, which gradually followed the ECB's decisions. As a result, at the end of the year fixed-term deposits held by private clients increased, a situation which has been maintained in 2023. This trend reinforces the stability of the Bank's resources.

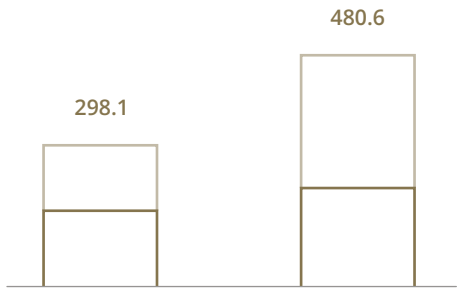
Finally, positions in real estate funds made a positive contribution to net operating revenue due to the performance of some of the real estate assets in their portfolios, with no significant change in the amount invested, despite some changes in positions.

In 2023, as interest rates are expected to remain positive and rise further, management will continue to focus on improving asset quality and maintaining a financial margin through prudent investment management, which should also contribute positively to the institution's own funds and good liquidity management.

Of particular relevance in this respect is the amendment to the Own Portfolio Risk Management Policy introduced at the end of the year, which changed the governance model for the Own Portfolio through the creation of the Own Portfolio Committee and established guidelines aimed at increasing the value of the financial margin and the stability of the Bank's capital. The policy defines two main macro business models for portfolio management, one favouring profitability (limited by capital and stable resources) and the other liquidity management, which aims to hold liquid assets at levels that ensure the ability to meet estimated outflows at any given time.

**Figure 7 | Own Portfolio and Liquid Assets**

Amounts in EUR million




| | 2021 | 2022 |
|---|---|---|
| Cash and liquid assets | 139.3 | 276.6 |
| Own Portfolio (financial assets) | 158.8 | 204.0 |

## 16.4. Investments

At the beginning of 2022, there was a sense of caution in the market, supported by the more restrictive stance of central banks. The belief was that the expansionary monetary policies that had supported the recovery in 2021 would become restrictive, driven by the great uncertainty surrounding price developments.

Over the past decade, the various attempts to inflate the developed economies on the demand side had failed. This time, the fears of inflationary pressure were on the supply side. In addition, it remained unclear how economic growth would respond to a cycle of interest rate hikes by the major central banks in the western economies.

The positioning of the various investment strategies was designed to protect the portfolio from the negative effects of rising interest rates, while maintaining a balance in line with the probabilities associated with inflation and economic growth scenarios. Tactically, the multi-asset strategies also sought to make the portfolios resilient through exposure to commodities and energy in order to take advantage of potential price increases.

As the year progressed, the dynamics showed a greater likelihood of an inflationary scenario becoming more entrenched than expected, and so the strategies were adjusted for this scenario, gradually reducing duration exposure in the bond component and, in the equity component, in addition to reducing exposure, we also looked for managers who preferred to invest in quality companies with pricing power.

Chinese equities disappointed in 2022 as five factors converged: (i) increased regulation, (ii) government intervention and control in various industries, especially technology, (iii) instability due to new waves of COVID-19 related to the zero COVID policy, (iv) the real estate crisis, and (v) geopolitical risk.

The results of the investment strategies by allocation were negative in absolute terms but outperformed the main benchmarks. The preservation, capitalisation, appreciation and aggressive appreciation profiles generated returns of -6.0%, -12.0%, -14.6% and -18.4% respectively. Despite the negative year in 2022, the investment strategies by allocation maintained the positive performance accumulated since 2019, when the current management team was formed.

### Figure 8 | Changes in the performance of allocation strategies

| Profiles | 2021 | 2022 | 2019-2022 |
|---|---|---|---|
| Preservation | 2.2% | -6.0% | 1.4% |
| Capitalisation | 4.0% | -12.0% | 4.3% |
| Appreciation | 6.8% | -14.6% | 10.0% |
| Aggressive appreciation | 9.4% | -18.4% | 9.2% |

The equity only market management models posted negative results. In a year when "value" was less penalised, the Active Value strategy lost 17.4%. The Large Capitalisation strategy, which has a "quality" bias, was down 17.0%. Alpha Valor, a flexible management strategy, posted a negative return of 8.6%. Finally, the USD bond strategy lost 4.9% as a result of the aggressive rise in US interest rates.

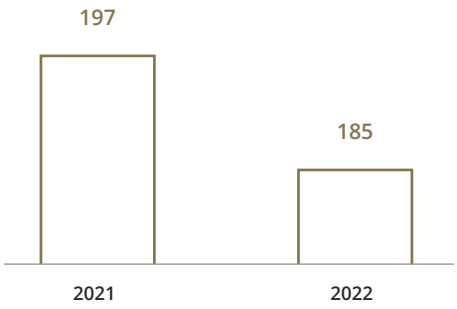
### Figure 9 | Changes in the performance of thematic strategies

| | 2021 | 2022 | 2019-2022 |
|---|---|---|---|
| Active Value | 20.6% | -17.4% | 1.7% |
| Large Capitalisations | 18.7% | -17.0% | 31.0% |
| Alpha Valor | 4.2% | -8.6% | 6.9% |

The change in the macroeconomic scenario meant that 2022 ended with significant falls in the bond markets, which penalised the more conservative models. However, these times also offer opportunities, which the management team sought to exploit by creating a new management model for direct investment in bonds. Overall, the reduction in assets under management due to the devaluation of assets was partially offset by the attraction of new investments into the strategies.

**Figure 10 | Changes in assets under management**

Amounts in EUR million




Two issues of structured products were marketed for a total of EUR 1,309 million. The change in the macroeconomic scenario and increased volatility reduced demand for this type of product.

The Information Production function, part of the Investment Department, continued to develop its portfolio of information products and to establish communication channels with clients and prospective clients. This area has also been fundamental in strengthening relations with the media, with regular cooperation between the department and the media. The annual presentation of the Outlook of Markets to clients took place in 2022 in a well-attended face-to-face meeting and as a webinar.

In 2023, the Investment Department will continue to strive for improvement. Specifically, our ongoing priorities are to migrate the most relevant strategies to pension plan format funds, expand the institutional client base, and launch new products and services where there is a match between market needs and the team's expertise.

## 16.5. Markets

The Market Department concentrates the Bank's brokerage activities and is divided into two segments: Institutional and Retail, the latter including trading on digital platforms.

In 2022, in terms of revenues, both segments showed developed positively compared to the previous year: the Retail (Private) segment grew by 13%, mainly driven by e-trading, and the Institutional segment grew by 36%. Total net operating revenue increased by 17%.

Financial markets continued to be highly volatile, with the atypical synchronised devaluation of equity and bond markets this year. The national stock market stood out with a gain of more than 2%, largely due to the weight of energy companies.

High volatility in equity and bond markets, combined with the rapid increase in central bank rate hikes and the appreciation of the US dollar, led to increased trading activity, with greater rotation in private client portfolios.

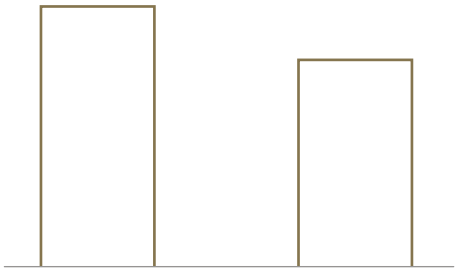
In the Institutional segment, there was an increase in trading in government bonds, which is a more liquid market and is traded in larger lots.

With regard to the electronic trading platform, use of GoBulling Pro continued to grow, despite a slight decline in the value of assets under custody, with increased access via mobile devices.

In terms of products traded on the platform, derivatives continued to be the most sought after instruments, particularly to gain exposure to commodities. There was also strong interest in ETFs as a versatile passive investment vehicle.

### Figure 11 | GoBulling Pro assets

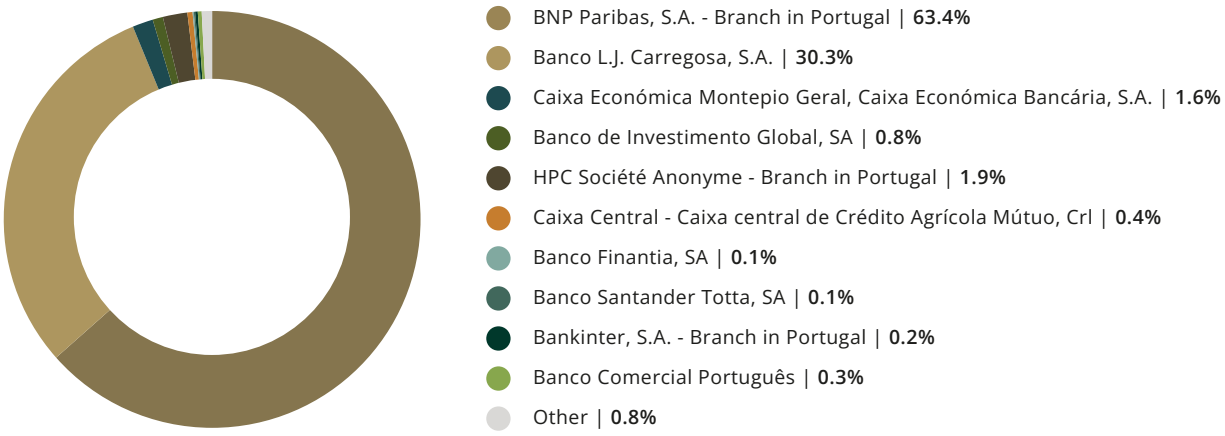
Amounts in EUR million



| | 2021 | 2022 |
|---|---|---|
| Assets under custody on GoBulling Pro | 154.6 | 143.6 |

With regard to the value of orders received in the bond segment, the Bank maintained its second position with a market share of 30.3% in 2022 and even increased its ts share by around 3 percentage points, recording 90% increase in the value of orders received from January to December 2022 compared to the previous year.

Figure 12 | Bond market share in trading




Source: CMVM.

## 16.6. Loans

In terms of lending activities, the year was mainly characterised by the following factors:

i. the impact of the pandemic, the effects of which continued to be felt in the first half of 2022;

ii. the invasion of Ukraine by Russia, with a strong impact on the rise in global inflation and the consequent monetary policy decisions by the major central banks, leading to a general increase in interest rates; and

iii. the reduced attractiveness of new operations, but with signs of a reversal in the second half of 2022.

It should be noted that the vast majority of the Bank's clients who took advantage of the credit moratoria benefited from such measures until the end of the third quarter of 2021, so the corresponding payment plans were resumed in 2022.

Although there were occasional requests to adjust payment schedules and/or restructure loans, these clients generally did not experience a significant impact on their payment schedules.

Given the composition of the Bank's loan portfolio, the strong recovery of the tourism sector and the maintenance of a robust real estate market contributed to this.

On the other hand, the value of the loan portfolio declined again in 2022, ending the expectation of a reversal of the trend that began with the introduction of the new credit risk management policy in 2020, with loans on the balance sheet amounting to €63 million at the end of the year, compared to €70 million at the end of 2021.

Despite the upturn in economic activity and investment, particularly in the second half of 2022, and the contracting of new operations, developments were mainly due to the following reasons:

i. unexpected prepayments of credit operations, partly due to the reduced interest in using bank loans in a scenario of rising interest rates;

ii. measures implemented by the Bank as a result of the change in its credit risk management policy, with a focus on reducing certain types of operations;

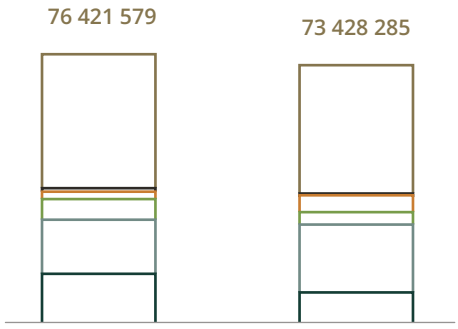
iii. lower demand for credit operations falling under the new guidelines of this policy;

iv. the instability caused by the pandemic and later by the invasion of Ukraine created an environment of uncertainty which led to the postponement of some investment decisions; and

v. a significant increase in potential unused client balances.

### Figure 13 | Changes and composition of the loan portfolio

Amounts in EUR




| | 2021 | 2022 |
|---|---|---|
| Total | 76 421 579 | 73 428 285 |
| Bank Guarantees | 2 061 614 | 1 024 090 |
| Undrawn Current Accounts | 4 157 244 | 9 092 469 |
| Overdue Loans | 11 890 726 | 7 489 022 |
| Authorised Overdrafts | 4 949 | 16 741 |
| Loans | 30 949 727 | 38 944 175 |
| Current Accounts (CAs) | 27 357 318 | 16 861 788 |

## 16.7. Clearing, Settlement, and Custody

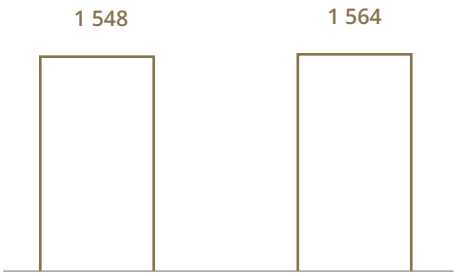
The year 2022 marks the entry into force of Regulation (EU) No 909/2014 on securities settlement discipline in the European Union, the so-called Central Securities Depositories Regulation (CSDR). This regulation introduced a system of penalties for intermediaries that fail to meet settlement cycles. Its implementation required the highest standards of efficiency in the settlement of on- and off-exchange trades, with strict adherence to procedures and best market practices.

In 2022, Banco Carregosa settled an average of €206 million per day, up 57% compared to 2021. This strong growth was driven by growth in institutional brokerage. In particular, it reflects growth in the average settlement per transaction, particularly in government bond transactions.

Assets under custody amounted to €1,564 million at the end of the year, roughly the same level as at the end of 2021, with the decline in the value of assets under management being more than offset by the growth in assets under custody.

**Figure 14 | Value of client's assets under custody**

Amounts in EUR million




| | 2021 | 2022 |
|---|---|---|
| Client's assets under custody | 1 548 | 1 564 |

The Bank's intervention as paying agent for issues integrated into the Portuguese Central Securities Depository continued to develop positively.

## 16.8. Depository of Investment Funds

The year 2022 saw a strengthening of the Bank's depository services in the market, increasing the number of collective investment undertakings for which it is depository and attracting new management companies.

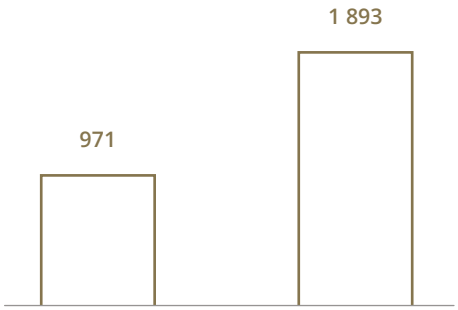
At the end of 2022, Banco Carregosa provided depository services to 56 collective investment undertakings, from 18 management companies, of which 25 venture capital funds, 17 SICAFI (Fixed Capital Property Investment Companies) and 14 property investment funds, an increase of 19 collective investment undertakings compared to the previous year.

The total net value of these funds as at 31 December 2022 amounted to €1,893 million, of which €1,020 million for venture capital funds, €471 million for SICAFI, and €402 million for property investment funds. Compared to 2021, these figures represent and increase of 95%.

The activity of depository bank for investment bodies should continue to consolidate in 2023, thanks to the good perception of the quality of the Bank's services and the pipeline of funds in the approval process.

### Figure 15 | Activity as depository of investment funds

Amounts in EUR million




| | 2021 | 2022 |
|---|---|---|
| Global net Value of CIUs | 971 | 1 893 |
| No. of CIUs in which the Bank is depositary | 37 | 56 |

## 16.9. Corporate

As in the previous year, and despite the more difficult conditions, 2002 was a very active year in terms of capital market operations. There were four public bond issues, including subscriptions and exchanges, in which the Bank participated as a member of the placement consortia. In total, more than €300 million was placed, exceeding the amount raised in 2021 (around €280 million, in 5 issues).

We highlight the emergence of a new public bond issuer, Greenvolt - Energias Renováveis, S.A., which placed around €129 million with the general public and €21 million via a placement guarantee, for a total of €150 million. These 5-year bonds were issued under a green bond framework and are intended to finance or refinance renewable energy and energy efficiency projects. As in 2021, Mota-Engil also issued bonds linked to sustainability projects.

The dynamic demand for these public offerings demonstrates the receptiveness of Portuguese retail investors to this type of instrument and that the public markets are a viable alternative to traditional sources of funding for certain issuers.

The Bank's fundraising activities for alternative investment vehicles and venture capital continued along the same lines as in previous years. The range of venture capital funds offered by the Bank was not only renewed, but also diversified to include venture capital, impact funds and funds of funds. The range of funds placed during the year included funds from national and international management companies. The Bank launched 6 new venture capital funds.

In the area of closed-end real estate funds, the Bank collaborated with Carregosa SGOIC to raise capital for the launch of a new fund, Kind Care - Fundo Especial de Investimento Imobiliário Fechado, focused on housing for the elderly. This fund was launched in December with an initial capital of €5 million. Also in this area, the Bank participated in the €10 million capital increase by public subscription of the Retail Properties – Closed-end Special Property Investment Fund, completed in June, which not only consolidated the investments of the existing participants in the fund, but also attracted new investors as demand outstripped supply.

In this operation, the department acted as assistant banker to the public offering, coordinated the placement and was responsible for calculating the results.

The department continued to work closely with other areas of the Bank, in particular in attracting paying agent services for issues integrated into the Central Securities Depository, an activity which continues to grow in terms of its contribution to net operating revenue.

## 16.10. Wealth Advisory

The Wealth Advisory Department aims to meet our clients' needs for advice on non-financial asset decisions in the following areas: equity structures, real estate and other non-financial assets.

The provision of wealth advisory services begins with an economic and financial analysis of the client's assets, which is considered in an integrated and global manner. Wealth Advisory aims to provide clients with detailed information to enable them to make decisions about the composition and management of their wealth. In this way, it provides clients with a prospective vision of the acquisition, preservation, transfer or succession of assets in corporate, commercial, family or succession relationships, duly substantiated from a legal and tax point of view.

In 2022, there was an increase in the number of projects in which the Wealth Advisory Department was involved, although the average unit value was lower than in 2021. The diversity of services provided by the department also increased, suggesting that wealth advisory services will continue to establish themselves as an important service available to Private Banking clients. In terms of internal organisation, the team underwent changes with the departure of one person at the beginning of the year and the arrival of another in the second half of the year.

## 16.11. Carregosa SGOIC

Carregosa SGOIC is dedicated to the management of Collective Investment Undertakings (OIC) whose purpose is to invest in real estate assets, also known as Real Estate Investment Undertakings (REIT), always aware that it has a benchmark to honour and respect: the Carregosa brand.

The year 2022 was marked by the consolidation of the management company's validation process. The creation of a new fund (Kind Care), established in December 2022 and focused on investments in retirement homes, contributed to this process, particularly as this is a new area of activity. The first two SICAFIs (Athos e Mário Ferreira & Amadeu) were created in December, following the transformation of two existing companies.

The year was also marked by the results of the capital increase of the Retail Properties Fund. The public offering of this fund, which was admitted to trading, was 1.12 times oversubscribed and raised more than €10 million of new capital from existing and new investors.

The performance of the managed funds was also satisfactory. The worst performer in 2022, in terms of funds that have already invested all their capital, was Arquimedes, with 7.82%.

Assets under management reached approximately €117 million at the end of the year, an increase of 60% compared to the end of 2021.

Carregosa SGOIC starts the year 2023 with 5 funds and 2 SICAFIs under its responsibility and with the ambition to continue its process of affirmation and consolidation. In general, it expects to be able to increase its investments by acquiring more assets to be included in the CIUs it manages.

Its ambitions also include the creation of other funds, organised according to specific objectives in terms of the functions they perform on the real estate assets they acquire, provided that they are considered to have the potential to increase in value and generate solid and consistent income.

In 2023, provisions are being made to start offering securities investment undertakings in close collaboration with Banco Carregosa's asset management team.

## 16.12. People and Culture

Grupo Carregosa continued to focus on its people, implementing a number of initiatives that contribute to the achievement of its Strategic Plan under the "People" priority axis. This focuses on the design and implementation of a series of practices and policies aimed at attracting, developing and retaining the best talent for the organisation.

The Bank has improved the well-being of its employees, developed greater commitment and involvement in the organisation, and strengthened its organisational culture, with the intention of maintaining the strong values and principles that have always guided its work with the employees.

In 2022, the skills of the teams were consolidated through internal mobility and external recruitment, as well as through training and professional qualification.

In terms of attracting talent, the focus is clearly on young people, with the increased promotion of curricular and professional internships in various departments, some of which joined the Carregosa Group in 2022.

### Figure 16 | Changes in staff

| | December 2021 | December 2022 |
|---|---|---|
| Porto | 97 | 96 |
| Lisbon | 19 | 20 |
| **Total** | **116** | **116** |

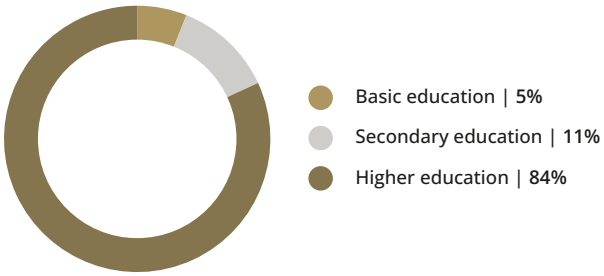
Due to the challenges of retaining talent, Banco Carregosa continued to offer flexible arrangements, including part-time work and more flexible working hours. In this context, the induction and training process was also strengthened.

Staff training and development is a key pillar for the Bank, ensuring that staff feel professionally challenged and acquire essential skills in their area of expertise. Various training activities were carried out, including mandatory courses for all staff, in particular on cybersecurity issues.

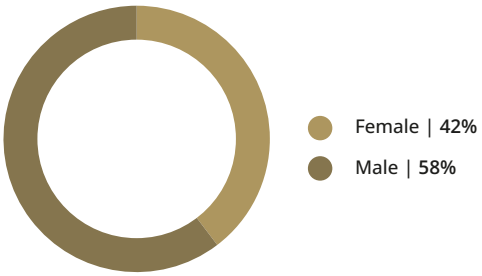
In terms of staff composition, the majority of employees have a higher education and there is a commitment to gender balance, particularly in management positions. However, in line with the industry, the number of male employees is higher than the number of female employees, and the average age of team members is 44 years.

### Figure 17 | Characterisation of Banco Carregosa's staff

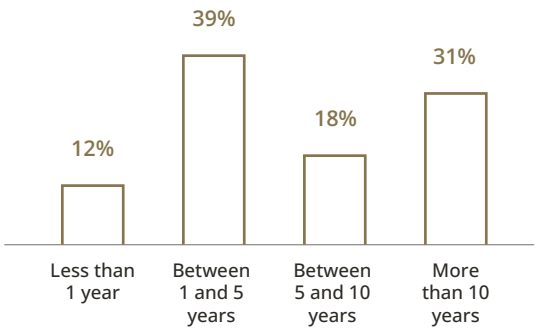
**Distribution by Qualifications**



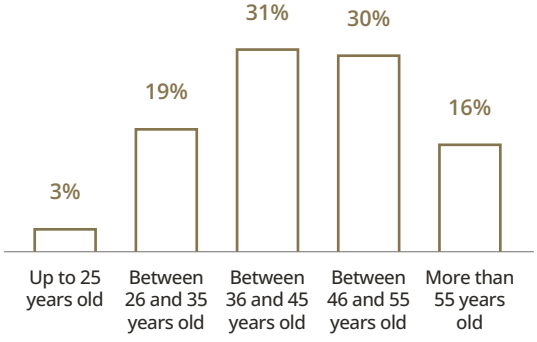

**Distribution by Age Bracket**




**Distribution by Seniority**




**Distribution by Age Bracket**



## 16.13. Communication and Marketing

Two macro-events stand out for Banco Carregosa in 2022: the rebranding process to reinforce the market repositioning initiated in 2020, and the launch of initiatives to celebrate the 190th anniversary of Casa Carregosa, founded in 1833, on which today's Banco Carregosa was founded.

In terms of branding, the corporate identity of Banco Carregosa and communication materials – including its new website – were renewed in 2022, following the defined strategic repositioning process. The main objective of the new image is to streamline its brands into a single brand for all market segments. This new approach will allow Banco Carregosa to make its brand simpler, closer and more relevant to its target audience, extending it to new market segments: private banking and high net worth individuals, more cosmopolitan and more technological. A brand that will proudly embrace all its history, in keeping with the secular heritage of "Carregosa", investing in it and preparing it for the future.

The year 2022 was a key moment for Banco Carregosa to reaffirm its purpose in the market, aligning its brand values with the most demanding expectations of savers and investors in the market, who are increasingly looking for a hybrid experience, with a strong digital predominance in their relationship with banking. We believe that with this change in our market positioning we will be even better prepared to offer added value and differentiation in wealth management solutions. Sustainability will become one of the fundamental pillars of the brand, taking into account the positive impact that the Bank will have on ESG issues, namely responsible investment.

The GoBulling brand, which specialises in electronic trading platforms for more autonomous investors who wish to manage their financial assets directly, will remain unchanged, given its reputation and relevance in Banco Carregosa's current business model.

As a result of the Bank's new identity and communication approach, following the initiative launched last year, in 2022 we invited the best student from the Faculty of Fine Arts of the University of Porto to create a work of art for Banco Carregosa, which has served as the basis for this Annual Report. This artwork, created by Ana Amarante, will become part of Banco Carregosa's legacy. It is an installation with the creative concept of deconstructing a cartographic map of Porto by W. B. Clarke, dated 1833, the same year in which Casa Carregosa was founded.

With regard to the second macro-event, the last quarter of the year saw the start of the celebrations to mark the 190th anniversary of the founding of Casa Carregosa, to commemorate the remarkable resilience of the institution that is now Banco Carregosa, which for almost two centuries has always been able to adapt masterfully to changing times, passing on its legacy of trust.

It was therefore decided to organise a cycle of conferences with guest speakers of the highest reputation and quality, to discuss the major trends that are redefining the world today, and to try to understand how they will impact our society and our businesses, now and in the future. The first conference took place at the end of 2022, with other to follow throughout this year.

As a result of the reaffirmation and consolidation of the Carregosa brand, from its inception to the launch of the new identity, communication, language and repositioning, the Bank has been able to consolidate value-added solutions that are valued by the market, enabling it to achieve high levels of not only customer satisfaction, but also recognition among different types of stakeholders.

We highlight the customer satisfaction survey carried out in 2022, which shows that, among the various criteria analysed:

- the Bank's clients are highly likely to recommend its products and services to a friend or relative; the NPS (Net Promoter Score) has increased significantly compared to 2021 in both the Private Banking and Savings and Investment segments;
- the Bank stands out from its competitors in the market through a number of differentiating features, the most important of which are security, reputation, brand awareness, proximity of services, speed of service, and a relationship of trust with its private bankers;
- the products most sought after by our clients are trading (financial instruments and the GoBulling Pro platform), investment funds, asset management and savings products such as term deposits. Services such as investment advisory and information are also highly valued;
- the Bank's portfolio management is characterised by the quality of the management team, the management process/ philosophy and profitability;
- over 50% of respondents from both segments said that Banco Carregosa was their main savings and investment bank.

Also worth mentioning in 2022 are the awards and recognition promoted by independent and reference bodies in the market. This year we were awarded the "Best Client Service Broker" prize in the Rankia Portugal 2022 Awards. Banco Carregosa was also nominated in the categories of Best Broker/Bank in Shares, ETFs, CFDs, Futures and Options and Investment Funds, after being shortlisted among 3 market players in Shares (2nd place), ETFs (3rd place), CFDs (2nd place) and Futures and Options (3rd place).

The following studies and market surveys carried out under the responsibility of DECO | PROTESTE are also of note:

- the study "A quick look at the best investment banks" evaluated 17 banks based on two aspects: the competitiveness of the offer, which is reflected in the rates offered, the associated costs and the range of products offered to the consumer; and customer satisfaction, as measured by the annual survey of banks and banking products carried out by DECO Proteste. Banco Carregosa ranked third overall (ex aequo), standing out as the absolute winner in the brokerage category and as one of the banks in the market with the best customer complaint rates;
- the Revista Dinheiro e Direitos market study "Banking Customer Satisfaction Survey", in the section "The cost of our dissatisfaction" – where Banco Carregosa obtained a score of 7.8 (very satisfied), placing it 5th in the market;
- GoBulling Pro, through the brokerage protocol signed with DECO | Proteste, continues to be considered the "right choice" among the national operators operating in the Portuguese market.

Reference should also be made to Banco de Portugal's report "Developments in Bank Customer Complaints – Q1 2022", in which Banco Carregosa is one of the few credit institutions without any complaints in the area of bank deposit accounts. In the CMVM's "Report on Complaints and Requests for Information 2022", Banco Carregosa is again one of the financial institutions with the lowest number of complaints received by this supervisory body.

Banco Carregosa's communication strategy aims to promote its brand, its business model, its positioning in the market and its range of products and services for its target segments. At the same time, this communication policy is in line with the Bank's social responsibility in order to promote greater financial literacy among the general public, savers, and investors in Portugal.

In terms of close relations with the media, in 2022 Banco Carregosa was mentioned in more than 1,000 news articles published by around 120 media agencies, which led to an increase in the Bank's news activity of 12% and 5% respectively. The Bank reached around 80 million OTS (Opportunities to See), and the news articles in which Banco Carregosa was mentioned generated an AVE (Advertising Value Equivalent) of more than €7 million[1].

In addition to publishing information in the media, Banco Carregosa also communicates directly with its clients, potential 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 tools was the production of daily, weekly, and quarterly newsletters and videos, as well as regular or one-off reports and analyses sent to its clients on products, services or relevant events and future outlook for the financial markets.

Banco Carregosa maintained an active presence in the social media, with around 14,500 followers on LinkedIn and 10,000 on Facebook. Compared to 2021, the number of followers increased by more than 2,000, especially on LinkedIn, due to the push and close relationships established in this communication channel. In 2022 the Bank began to explore the potential of social media, albeit with a lower penetration in the financial sector, including Instagram and Twitter.

With regard to the total investment in marketing in 2022, the budget allocation has been increased compared to 2020 and 2021 – due to the global pandemic scenario –, in order to respond effectively to the continued expansion of the Bank's activity in the market segments in which it operates, and also to support and leverage the whole process of strategic repositioning, renewal of corporate identity and even greater demand and dimension of Banco Carregosa's communication plan. This investment supported not only the strategy of reinforcing the brand in the market – resulting in significant increases in awareness, recognition, brand value, desired positioning and NPS (Net Promoter Score) – but also in communication and advertising campaigns based on the unique selling propositions of the Bank's products and services, specific promotions, events and activations.

Under the GoBulling and Banco Carregosa brands, a large number of webinars were held on various topics of practical relevance to savers and investors, aimed mainly at clients but also at potential clients looking to invest their savings and investments, as well as other stakeholders interested in the financial markets.

As part of the 30th anniversary celebrations of the online investment bank Saxo Bank in 2022, Banco Carregosa was proudly invited to be part of a select group of partners of the Danish institution to testify, present and promote the benefits of 21 years of technological partnership between Banco Carregosa and Saxo Bank. In 2001, this partnership allowed Banco Carregosa to get ahead of the competition and exponentially grow its online brokerage business through new, highly disruptive and differentiating digital technological solutions, with the latest generation trading platform, awarded worldwide, under its own brand – GoBulling.

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 their clients – included the organisation, co-organisation or support of various economic, financial, business and social events, as well as the sponsorship of conferences.

In adition to the aforementioned online seminars on the main political and economic outlooks and global financial markets, as well as presentations for investors on financial investments, the Bank, in partnership with Jornal de Negócios, organised the 11th Conference on "The Future of Financial Markets", with the aim of discussing and analysing two main themes: investment trends and post-pandemic economic challenges | Scenarios for Banking and Markets.

Banco Carregosa also renewed, in the form of a sponsorship, the partnership initiated in 2015 with APGEI – Portuguese Association of Industrial Engineering and Management, an institution founded in 1985 by a group of companies and universities with the aim of contributing to the improvement of management practices in companies and to the

1 The data quoted are collected, verified and provided by an external independent company, Manchete/Carma.



development of the country. This partnership was carried out throughout the year, with a series of digital events on different topical issues.

Banco Carregosa participated in and organised a wide range of charm marketing activities throughout 2022 mainly for its Private Banking clients, through win-win partnerships with major luxury brands of international standing and high affinity between the target audiences of both institutions.

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

In terms of the Bank's internal communication, a number of initiatives, seminars and webinars were held in 2022 on the Bank's business lines, products and services. Internal communication tools were also used to promote transversal and effective communication within the organisation, encouraging the alignment and involvement of the Bank's internal stakeholders and strengthening the organisational culture of "Banco Carregosa".

# 17. Sustainability

With regard to the sustainability strategy and policy, in 2022 Banco Carregosa continued to carry out a number of activities, with positive externalities, which allowed the Bank to contribute positively, and with a real impact, to various ESG areas (environmental, social, and governance).

Through its footprint, Banco Carregosa intends to actively contribute, year after year, to the creation of a world that is more sustainable, ecologically correct, socially just, culturally diverse and economically viable.

Banco Carregosa's sustainability strategy is based on two main guidelines. On the one hand, by implementing the best practices of sustainable finance in the products and services offered or marketed by the Bank. On the other hand, and in line with its historical mission of giving back to society part of what it receives, Banco Carregosa invests in a series of initiatives and projects that have a positive impact on several areas of sustainability, in line with its business model and with the activities in which it operates.

The Bank aims to be extremely selective when it comes to selecting projects of high social value, and is also concerned to spread initiatives and support across the country.

Banco Carregosa continued to invest in six main areas – financial literacy, financial support for social action, education, the arts, health and sport – and increased this investment compared to the previous two years.

With regard to the Financial Literacy pillar, we would like to highlight the already historic and award-winning "Jogo de Bolsa" (Stock Exchange Game), Banco Carregosa's main financial literacy project, which has been organised continuously for 20 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 to make a significant contribution to the dissemination, development and promotion of the capital markets in Portugal through a wide network of potential investors who have not yet had the opportunity to use this investment solution. recognising the role that this type of initiative plays in learning how financial markets work, Banco Carregosa has continued its partnerships with several universities and university finance clubs, organising "stock market games" for university students to familiarise themselves with trading and managing an investment portfolio on GoBulling's electronic trading platforms.

Banco Carregosa has also collaborated with the publishing house SELF to support the Portuguese edition and launch of the book "The Changing World Order", by Ray Dalio, a highly respected author with in-depth knowledge of the capital markets and head of the largest hedge fund in the world. In this work, Ray Dalio offers unique knowledge to anyone looking for a way to leverage and protect their investments. Because we consider this book to be a must-read on global economics and geopolitics, and in order to promote financial literacy in Portugal, we have decided to collaborate on this special edition to make this knowledge available to our clients and partners first-hand and in an exclusive way.

In 2022, the Bank supported several training activities of a distinctly academic and educational nature in the areas of financial literacy for university students, young entrepreneurs and young investors, and particularly on issues related to Banco Carregosa's core activity, including: the "EEG Business Day" and the scientific article in the form of an Executive Letter entitled "Nudging is the Architecture of Choice in the World of Banking", both projects of the School of Economics and Management of the University of Minho; "Inflation: Sink or Swim?" and "Linedinner", both by the Católica Porto Investment Club; and the event "Financial Resilience – Behavioural errors made by professional managers", as part of World Investor Week, promoted by the CFA Society Portugal.

In the area of financial support to social entities, Banco Carregosa sponsored several projects and social activities in 2022, among which we highlight the following:

- the #JuntosTemosMaisParaDar solidarity campaign, which culminated on World Cancer Day on 4 February, raised more than €400 000 donated by 7 banks and private donations, who joined forces to raise funds and contribute to the acquisition of new genetic and endoscopic diagnostic oncology equipment for the Gastroenterology Service and the Molecular Pathology Research Unit of the Lisbon Oncology Institute – IPO. The "Juntos, temos mais para dar" campaign (Together we can give more) campaign supports the users of the Lisbon IPO and the hospitals in its geographical area of influence that refer cancer patients with more complex or rare clinical conditions to the Institute;
- contribution to the humanitarian project "Support to Ukraine | Póvoa de Varzim and Vila do Conde" by providing multi-purpose kits to refugees who were abroad at the outbreak of the conflict or in shelters in Ukraine.

In addition, Banco Carregosa supported ANCAP – National Association for the Fight against Poverty, APAC – Association for the Support of the Blind, APBP – Mouth and Foot Painting Artists, the Shelter for Life Association, the VO.U. – University Volunteer Association Project, the ARSCD – Royal Social, Cultural and Sport Association, and the Salvador Association, through an internal awareness campaign to encourage employees to donate the available percentage of their personal income tax to this institution that fights for the social inclusion and rights of people with motor disabilities.

With regard to the Education pillar, Banco Carregosa renewed its financial support for the Youth Symphony Orchestra by awarding two scholarships. The main objective of this orchestra is to support the training and professionalisation of musicians with 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", the largest student job fair organised by Portuguese students, which attracted more than 60 companies from different sectors and thousands of university students.

In addition, the Bank joined the "InspiraLaw Juntas" mentoring programme, an integrated mentoring project for law students as they reach the end of their academic careers and need to take the next step to enter the labour market. This is a programme of the "InspiraLaw Top 50 Women" initiative, which aims to inspire and make a difference, as well as to contribute to reducing social inequalities in access to the labour market and promote social inclusion and talent matching.

In the field of cultural patronage, in 2022 we were able to support a wide variety of artistic fields, of which the following are of note:

- sponsorship agreement signed with the Calouste Gulbenkian Foundation for an exhibition in the Islamic Art Gallery of the Calouste Gulbenkian Museum entitled "Divine Wisdom: the path of the Sufis", which will be on display throughout 2022 and 2023;

- the Bank was the main patron of the exhibition "The Thalia Theatre and its Founder, the Count of Farrobo", a unique figure in the Portuguese cultural panorama of the 19th century, which was inaugurated on the Count's birthday, 11 December, and will be on show throughout the first quarter of 2023;
- support for the “Opera Gala” concert organised by the Youth Symphony Orchestra;
- the Bank also contributed to the launch of the book "Mulheres Mecenas & as Artes", Editora Caleidoscópio, published by Maria João Neto and Santiago Macias.

With regard to cultural heritage and dissemination, the following should be mentioned: the continuation of the protocol signed with the Santa Casa da Misericórdia do Porto for the exhibition of art works from the SCMP collection in the premises of the Banco Carregosa. In 2022 the Bank participated actively in the commemorations of the 500th anniversary (1521-2021) of Rua da Flores, the site of the original building that became the current Banco Carregosa, now transformed into the institution House-Museum. These commemorations are part of a project organised and developed by Santa Casa da Misericórdia do Porto, through MMIPO – the Museum and Church of Misericórdia, and by the University of Porto, through the Faculty of Arts and CITCEM. It is also supported by Porto City Council.

In the health sector, and for the sixth consecutive year, the Bank renewed its support for the “Banco Carregosa / Secção Regional do Norte da Ordem dos Médicos” award, which recognises the best clinical research projects in Portugal and is one of the greatest opportunities for the development of health sciences and technologies in Portugal.

The Bank has once again joined ENCONTRAR+SE, becoming an honorary member of this prestigious institution whose social purpose is to provide support, training, intervention, evaluation and research in the field of mental health and psychosocial rehabilitation for people with mental disorders. The Bank also supported several solidarity initiatives of the not-for-profit association “Mama Help”, which helps breast cancer patients and their families.

As part of its support for the community of health professionals and medical students, Banco Carregosa has also sponsored congresses and other initiatives in this field.

The Bank also sponsored a number of sports initiatives for different audiences and age groups, continued to sponsor the career of the promising Portuguese golfer João Maria Pontes, and entered into a new sponsorship partnership with the Miramar Golf Club, a reference institution with thousands of members and golfers with a high affinity to Carregosa’s private banking and top affluent target group. The Bank supports target shooting through a partnership with the Porto Hunting Club and has renewed its support for the “Porto and Matosinhos Equestrian Centre”, which involves around 400 riders of all ages (beginners, youngsters, juniors and seniors) in various disciplines such as obstacle courses, teaching, adapted riding and working horse-riding.

# 18. Accounting Policies

## 18.1. Basis of Presentation

Banco L.J. Carregosa, S.A. is a private capital bank incorporated in Portugal and operating under the relevant authorisations granted by the Portuguese authorities since 2008.

## 18.2. Comparability of Information

The Bank's separate financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union since 2015, and, in the case of the consolidated financial statements, since 2016.

# 19. Declaration of Conformity with the Financial Statements

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

i. to the best of their knowledge, the above financial statements give a true and fair view of the assets, liabilities, financial position and results of Banco Carregosa in accordance with the International Financial Reporting Standards (IAS/IFRS) and were approved at the meeting of the Board of Directors held on 23 May 2002.

ii. the management report gives a true and fair view of the development of the business, the results of operations and the financial position of Banco Carregosa and the Group for the financial year ended 31 December 2022.

# 20. Disclosure Pursuant to Article 66 of the Companies Code (C.S.C.)

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

The Bank has not acquired, sold or held any of its own shares. As at December 2022, the Bank did not have any active credit agreements or other types of liabilities with related parties.

In accordance with Article 66-A(1)b) of Chapter VI of the Companies Code, the Annex to the Consolidated and Separate Financial Statements includes under "General administrative expenses" the fees for the financial year charged by the Statutory Auditor in connection with the statutory audit of the annual accounts, the total fees charged for other assurance and reliability services, and the total fees charged for services other than audit or review services.

The obligation to adopt the international accounting standards is fulfilled.

# 21. Remuneration Policy for Management Bodies, Supervisory Bodies, and Employees

As the Bank operates in a sector that is 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 prompt behaviour consistent with sound, prudent and effective risk management that does not encourage excessive risk-taking or create situations of conflict of interest with clients.

The Remuneration Committee was established at the end of 2022 and is responsible for making informed and independent judgements on remuneration policies and practices and on the incentives created for risk, capital and liquidity management purposes, and for preparing remuneration decisions, taking into account the long-term interests of shareholders, investors and other stakeholders in the Bank, as well as the public interest.

## 21.1. Remuneration of Members of the Management and Supervisory Bodies, and Employees of Banco L. J. Carregosa, S.A.

The remuneration of Banco Carregosa's governing bodies is determined by a Remuneration and Assessment Committee (CRAV) elected by the General Meeting of Shareholders, in accordance with the Bank's Articles of Association. The Committee's Regulations, which set out its operating principles in accordance with current legislation, and the Remuneration Policy for the members of the Board of Directors, the Supervisory Bodies and the Statutory Auditor, area available on the Bank's website.

In order to improve the monitoring of the impact of the remuneration policy and to ensure compliance with legal and regulatory requirements, the Bank has set up a Remuneration Committee, which is responsible for proposing to the General Meeting an annual review of the Remuneration Policy for the members of Management and Supervisory Bodies.

From 2020, CRAV members who do not hold another remunerated position in the company receive attendance vouchers worth €1,000.00 for the performance of their duties.

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

In 2022, CRAV met three times, twice in May and once in November.

The remuneration of the members of the Executive Committee consists of a fixed remuneration, paid in 14 monthly instalments, which does not include any variable component or the amount of which is directly linked to their individual performance, to the collective performance and/or to the Bank's results.

There is no difference in pension or retirement conditions between Executive Directors and other employees of the Bank.

In 2022, the remuneration of the Chair of the Board of Directors and of the Executive Directors was as follows:

| | |
|---|---|
| Maria Cândida Cadeco da Rocha e Silva (Presidente Conselho de Administração – Não Executivo) | 4,300.00 € |
| Homero José de Pinho Coutinho (Conselho de Administração – Vogal Não Executivo) | 5,000.00 € |
| António José Paixão Pinto Marante (Conselho de Administração – Vogal Não Executivo) | 1,800.00 € |
| Rogério Francisco Montenegro do Couto (Conselho de Administração – Vogal Não Executivo) | 3,000.00 € |
| Francisco Miguel Melhorado de Oliveira Fernandes (Presidente Comissão Executiva) | 10,000.00 € |
| Fernando Miguel da Costa Ramalho (Vogal Comissão Executiva) | 8,622.00 € |
| José Nuno de Campos Alves (Vogal Comissão Executiva) | 8,500.00 € |
| Mário Oldemiro Carvalho Fernandes (Vogal Comissão Executiva) | 8,500.00 € |
| Mariana Mendes Baptista Lopes (Vogal Comissão Executiva) | 8,500.00 € |

Following the review of the remuneration policy for members of the management and supervisory bodies, from June 2022 all non-executive members of the Board of Directors who do not waive their remuneration will receive a fixed remuneration paid in 12 monthly instalments, determined by the CRAV according to the required availability and the organisational responsibilities assumed. It should be noted that, for the purpose of determining their remuneration, they must be available for more than 15 hours per week and must fulfil their duties in the committees.

The members of the Bank's Executive Committee hold offices in other companies on behalf of or in the interests of Banco Carregosa, and the remuneration they receive for exercising these functions is included in the total individual remuneration determined by the CRAV.

In the short term, the Bank does not envisage granting variable remuneration to the members of the Board of Directors, which is considered to be a sufficient safeguard against conflicts of interest in remuneration matters.

In the event of the termination of the term of office of a member of the Board of Directors, the Bank will ensure the payment of compensation to the departing members if and to the extent required by law.

## 21.2. Supervisory Committee

In accordance with the provisions of Article 43 of Banco de Portugal Notice 3/2020, the remuneration of the members of the Supervisory Committee consists exclusively of a fixed remuneration, which does not include any variable component or the amount of which is directly linked to their individual performance, to the collective performance and/or to the Bank’s results. This ensures that any conflicts of interest are duly safeguarded and that the impartial exercise of their supervisory, monitoring and control functions is guaranteed. The Chair and the members of the Supervisory Committee receive a fixed remuneration of €2,750 and €2,250 respectively, paid 12 times a year.

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

The Bank structures its employee remuneration system in such a way as to ensure an appropriate internal (functional) and external (market) balance, 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, encouraging competent, responsible and independent behaviour, 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 create incentives for employees to put their own interests or those of the Bank ahead of those of clients.

Employees do not receive any other form of remuneration, financial or otherwise, other than that resulting from the normal application of the legal provisions applicable to labour matters.

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

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

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

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

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

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

iii. Remuneration Policy for Employees;

iv. Regulation on the Remuneration and Assessment Committee;

v. Regulation on the Remuneration Committee.

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

| Areas of Activity | Total Remunerations* | |
|---|---|---|
| | Fixed | Variable |
| **Management and Supervisory Bodies** | | |
| Board of Directors (Non-Executive) | 148 763.41 € | – € |
| Executive Committee | 435 899.91 € | – € |
| Supervisory Committee | 61 733.33 € | – € |
| **Advisory** | | |
| Advisory | 188 570.50 € | – € |
| **Central Management** | | |
| Central Management | 82 892.52 € | – € |
| **Business Areas and Services** | | |
| Wealth Advisory | 73 355.03 € | 6 000.00 € |
| Private Banking | 432 517.48 € | 6 000.00 € |
| Savings and Investment Department | 367 532.75 € | 3 450.00 € |
| Financial | 132 961.75 € | 16 800.00 € |
| Investments | 286 792.98 € | 3 000.00 € |
| Credit | 85 600.46 € | – € |
| Corporate | 81 197.94 € | 3 000.00 € |
| Markets | 352 594.11 € | – € |
| Operations | 331 114.28 € | 834.00 € |
| **Support Areas and Internal Control** | | |
| Internal Audit | 125 826.99 € | – € |
| Compliance | 157 706.28 € | 4 000.00 € |
| Risk | 152 654.53 € | 6 000.00 € |
| Business Development and Information Systems | 115 863.43 € | 4 000.00 € |
| Corporate Secretariat | 39 486.36 € | – € |
| Marketing and Communication | 127 745.11 € | – € |
| Legal | 92 641.24 € | – € |
| Information Technologies | 133 662.39 € | 4 100.00 € |
| Accounting and Management Information | 184 775.27 € | – € |
| People and Culture | 66 014.31 € | – € |
| Secretariat | 79 670.34 € | – € |
| Facilities and Maintenance | 127 279.28 € | 3 370.00 € |
| **Global Total** | **4 464 851.98 €** | **60 554.00 €** |

* Consolidated amounts.

The variable remuneration shown in the table above relates mainly to performance bonuses paid in 2021, having been entirely awarded in cash and without deferral. These bonuses are awarded on a one-off and non-contractual basis and are mainly related to compensation for the additional workload caused by the SARS-COV-2 pandemic.

Due to the almost complete absence of variable remuneration, no criteria have been defined for deferred remuneration and no deferrals have been made in the past.

It should be noted that in 2022 the Bank had not yet formalised a performance assessment policy, as the variable Remuneration Model was still in the implementation phase. As can be seen from the table above, the granting of variable remuneration was residual and therefore had no significant impact in terms of risk.

## 21.5. Key Function Holders

| Employees with a material impact on the company's risk (Delegated Regulation (EU) No. 604/2014) | | | |
|---|---|---|---|
| | Remunerations | | |
| | Fixed | Variable | Total |
| **Management and Supervisory Bodies** | | | |
| Board of Directors and Supervisory Committe | 646 396.65 € | 0.00 € | 646 396.65 € |
| Central Management and Directors | 1 109 170.06 € | 20 500.00 € | 1 129 670.06 € |
| Risk/Compliance and Audit Department | 223 109.45 € | 10 000.00 € | 233 109.45 € |
| Advisors and others | 341 466.51 € | 20 900.00 € | 362 366.51 € |
| **Totals** | **2 320 142.67 €** | **51 400.00 €** | **2 371 542.67 €** |
| **Number of employees** | | | **39** |

## 21.6. Additional Information

| Employees who ceased their functions in 2022 | |
|---|---|
| No. of employees | 15 |
| Consideration for non-renewal of contract | 1 020.00 € |
| Total cash consideration | 6 000.00 € |

| Employees receiving the highest consideration in 2022 | |
|---|---|
| No. of employees | 1 |
| Total cash consideration | 6 000.00 € |

## 21.7. Accumulation of offices held by the members of the Board of Directors as at 28 February 2023

| Director | Company | Office |
|---|---|---|
| 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, S.A. | Director |
| | Dias, Leitão, Lda. | Manager |
| | ACOS – Administração de Unidades Turísticas, Lda. | Manager |
| | AICF – Agro Inovação, SA | Director |
| Homero José de Pinho Coutinho | HEFESTO – Sociedade de Titularização de Créditos, S.A. | Chair of the BoD |
| | HCAPITAL PARTNERS SCR, SA | Director |
| Fernando Miguel da Costa Ramalho | COOLINK – Serviços Informáticos e de Consultoria, Lda. | Manager |
| José Nuno de Campos Alves | JOSÉ NUNO ALVES, Unipessoal, Lda. | Manager |
| Rogério Francisco Montenegro do Couto | BELLWETHER CONSULTING, Unipessoal, Lda. | Manager |
| | PROSPERIDADE – Investimentos Imobiliários, Lda. | Manager |
| | COUTO & IRMÃOS, Lda. | Manager |
| | CLUBE AUTOMÓVEL DE ESPINHO | Supervisory Committee rapporteur |
| | CLÍNICA DE MEDICINA DENTÁRIA, DR. JORGE FERREIRA, Lda. | Manager |

# 22. Proposed Appropriation of Profits

Under Article 66(5)(f) and for the purpose of Article 376(1)(b) of the Companies Code, and in accordance with 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 of € **1 593 593.83** (positive) be appropriated to:

i. payment of dividends: **350 000.00€**;

ii. distribution of profits to employees: **160 000.00€**;

iii. legal reserve: **159 359.38€**;

iv. retained earnings: **924 234.45€**.

# 23. Acknowledgements

The Board of Directors would like to thank the shareholders for the confidence they have shown in the management of the company's business and would like to extend its thanks to:

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

» the corporate bodies, the Presiding General Board Members, the Supervisory Committee and the Statutory Auditor for the cooperation shown; and

» the Bank's Employees for their dedication and expertise, which are essential to the smooth running of the institution and the pursuit of its objectives of growth and affirmation as a benchmark in wealth management.

# 24. Impact of the Russia-Ukraine Conflict

More than a year after the invasion of Ukrainian territory by the Russian Federation, which triggered an armed conflict that affected the financial markets, it is now possible to measure the impact of this crisis, which has led to a slowdown in economic growth, an extraordinary rise in inflation, and to developments in the ECB's monetary policy.

As a result and as a consequence of the conflict, the impact on the Bank's accounts in terms of direct exposure to Russia was as follows:

- the sale of 500 000 worth of the position in RUSSIA 2.875 12/25, representing a loss of €47 000;
- the recognition of €1.4M in reserves at fair value in the Financial assets at fair value through other comprehensive income (OCI) portfolio, related to potential losses and an increase in impairments of €473 000;
- recognition of a potential loss of €262 000 on the held-for-trading portfolio (FTVPL);
- the impact on the equity ratio is a negative variation of 0.24%.



Deconstructed cartographic memory, by Ana Amarante, of W.B. Clarke's 1933 map of the city of Porto, where Casa Carregosa was founded and from which the current Banco Carregosa emerged.

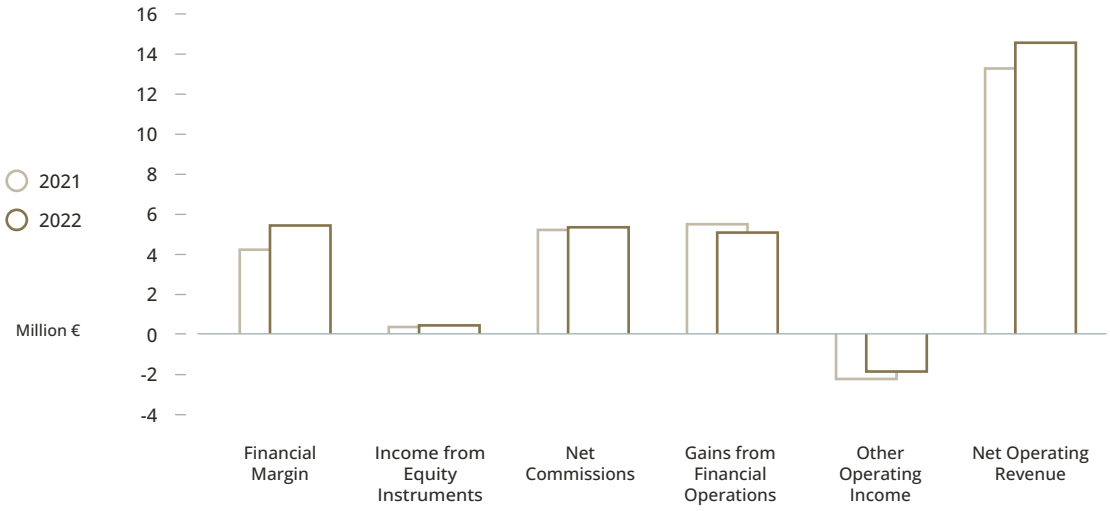
# 25. Review of the Financial Statements

## 25.1. Consolidated Accounts

The Bank ended the year with a net profit of €1 596 773.55, compared to a net profit of €1 606 840.80 in the previous year.

In 2022, net operating revenue amounted to €14.6M, up €1.2M in 2021, i.e. an increase of 9.1%. The breakdown shows a positive variation in "Financial margin" of around €1.1M (+26.4% compared to 2021), a decrease of €398m (-7.1% year-on-year) in "Gains from financial transactions", and a positive growth in "Net commissions" of €69m (+1.3% year-on-year), these being the most significant changes. The result from currency revaluation was negative by €1.6m in 2022 compared to a negative €1.7m in 2021; this loss was offset by the result from currency hedging operations, which is reflected in "Gains from financial operations".

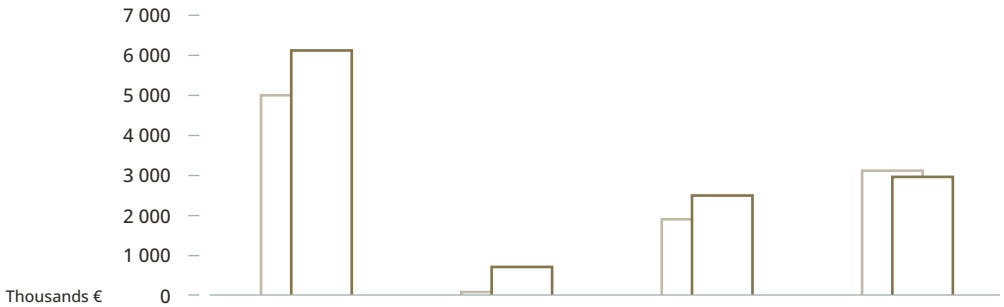
| | 2021 | 2022 |
|---|---|---|
| Financial margin | 4 283 850 € | 5 416 671 € |
| Income from equity instruments | 349 278 € | 415 605 € |
| Net commissions | 5 311 963 € | 5 380 753 € |
| Gains from financial transactions | 5 620 314 € | 5 222 700 € |
| Other net operating revenue - Exchange | (1 739 665 €) | (1 616 133 €) |
| Other net operating revenue | (451 798 €) | (224 580 €) |
| Net operating revenue | **13 373 942 €** | **14 595 016 €** |



The increase in the financial margin is mainly due to the increase in interest and similar income, in particular interest on deposits and interest on own bond portfolio.

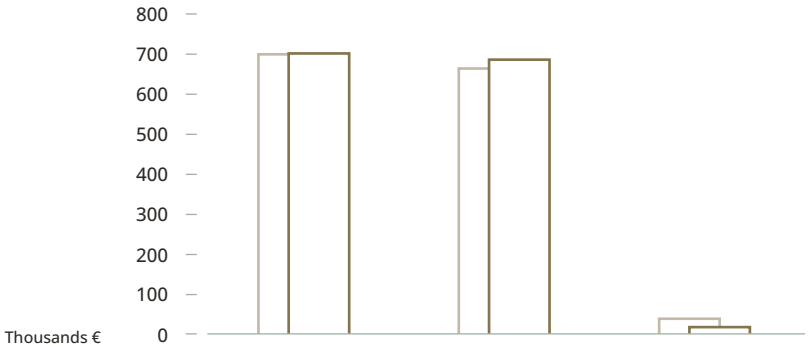
| Financial margin | 2021 | 2022 |
|---|---|---|
| **Interest and similar income** | 4 984 147 € | 6 120 165 € |
| Interest on deposits | 4 590 € | 690 822 € |
| Interest on proprietary bond portfolio | 1 888 269 € | 2 479 032 € |
| Interest on loan contracts + Overdue | 3 091 288 € | 2 950 310 € |
| **Interest and similar charges** | 700 297 € | 703 494 € |
| Interest on deposits | 665 036 € | 689 348 € |
| Other interest | 35 261 € | 14 146 € |

In 2022, interest and similar income increased by €1.1M€ (+22.8% year-on-year). The main contributors to this increase were the growth in interest on the own bond portfolio, which amounted to €590m (+31.3% compared to the previous year), and interest on deposits, mainly with the Central Bank, of €686m, whereas in 2021 they were negligible.




| | Interest and Similar Income | Interest on Deposits | Interest on own Bond Portfolio | Interest on Loan Contracts + Overdue |
|---|---|---|---|---|
| 2021 | 4 984 147 | 4 590 | 1 888 269 | 3 091 288 |
| 2022 | 6 120 165 | 690 822 | 2 479 032 | 2 950 310 |

Interest and similar charges, on the other hand, remained globally in line with 2021 levels.



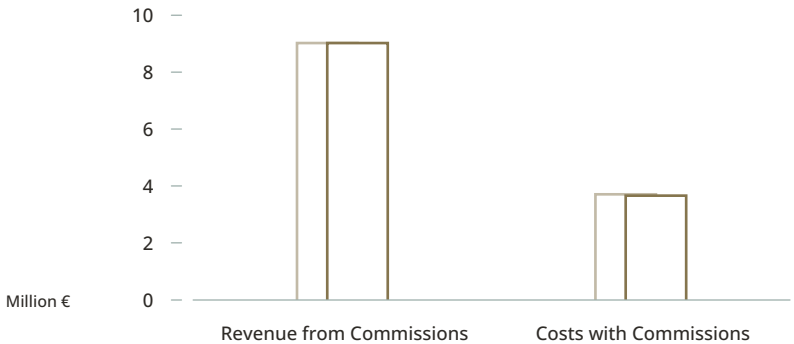

| | Interest and Similar Costs | Interest on Deposits | Other Interest |
|---|---|---|---|
| 2021 | 700 297 | 665 036 | 35 261 |
| 2022 | 703 494 | 689 348 | 14 146 |

Income from equity instruments grew positively by around 19%.

Net fee and commission revenue and charges showed zero growth.

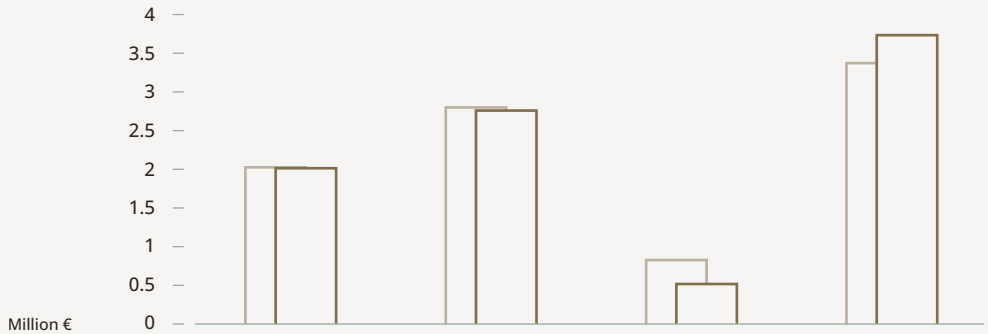
Despite zero growth, trading services commissions decreased by €308m compared to 2021, electronic platform commissions decreased by €44m compared to 2021, while other commissions increased by €364m. The main contributors to this growth were custody commissions of €1.6M (up €514m from 2021) and the decrease in credit commissions of €406m (down €292m from 2021).

Commission charges fell 1.7%, corresponding to €63m, due to the decline in electronic trading commissions (23.3%) and the decline in settlement commissions (29.6%). On the other hand, other banking services increased by 20.2%.



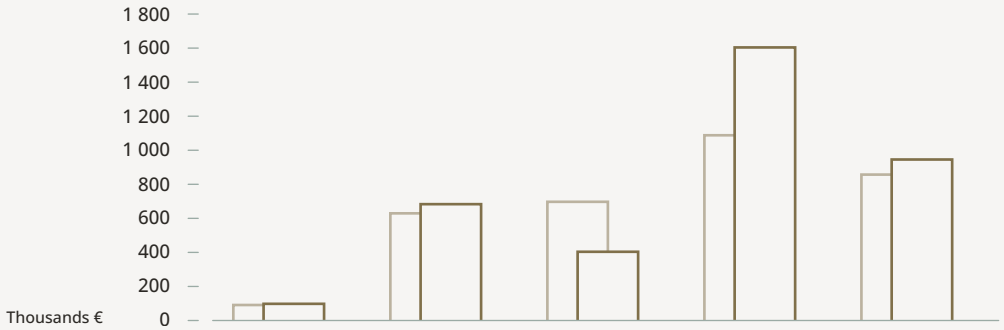

| | Revenue from Commissions | Costs with Commissions |
|---|---|---|
| 2021 | 8 990 668 | 3 678 705 |
| 2022 | 8 996 520 | 3 615 767 |

## Revenue from commissions



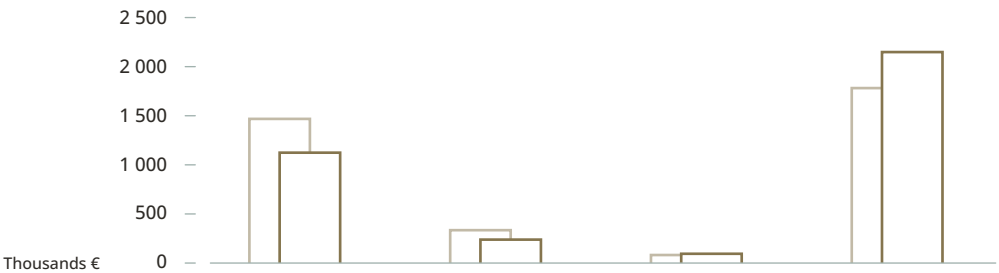

| | Portfolio Management | Commissions on Platforms | Revenue from Trading | Other Commissions |
|---|---|---|---|---|
| 2021 | 2 009 989 | 2 799 195 | 811 030 | 3 370 453 |
| 2022 | 2 004 232 | 2 755 143 | 502 743 | 3 734 402 |

## Other commissions



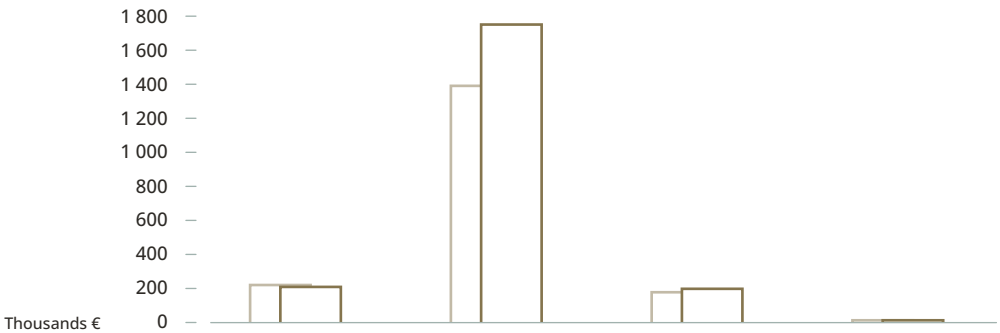

| | Financial advisory | For placement services | For credit operations | For custody | Other |
|---|---|---|---|---|---|
| 2021 | 93 592 | 632 129 | 697 174 | 1 089 769 | 857 788 |
| 2022 | 95 554 | 685 935 | 405 632 | 1 603 359 | 943 922 |

## Commission Charges




| | Platform Commissions | Execution / Settlement | Custody | Other Banking Services |
|---|---|---|---|---|
| 2021 | 1 471 782 | 337 248 | 80 433 | 1 789 242 |
| 2022 | 1 129 331 | 237 448 | 97 504 | 2 151 483 |

## Other Banking Service Charges



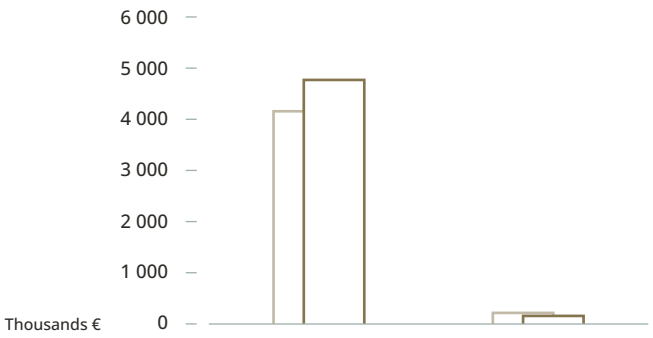

| | Bank Charges | Institutional Businesses | Commissions paid to invest. advisors and business introducers | Other |
|---|---|---|---|---|
| 2021 | 212 235 | 1 391 865 | 180 901 | 4 241 |
| 2022 | 204 886 | 1 755 034 | 186 944 | 4 619 |

Revenue from the Bank's securities portfolio, excluding income from equity instruments and currency revaluations, decreased by 9.1% compared to 2021, with the total value of the portfolio increasing by 28.5% at the end of 2022.

The revaluation of the foreign exchange position shows a negative result of €1.6M in 2022, compared to the negative result of €1.7M in 2021. This change is driven by the appreciation of the US dollar against the euro. However, as the Bank usually hedges its currency exposure, the result of this item in 2022 is offset by a hedging cost of €2.1M, resulting in a positive figure for the Bank's foreign exchange operations.

Net income from financial assets and liabilities at fair value through profit or loss amounted to €4.7M, an increase of 14.6% over the previous year, driven by the increase in results from foreign exchange hedging and institutional brokerage. On the other hand, interest fell by 26.1% compared to 2021.

### Gains and Losses – Financial assets and liabilities at fair value through profit or loss



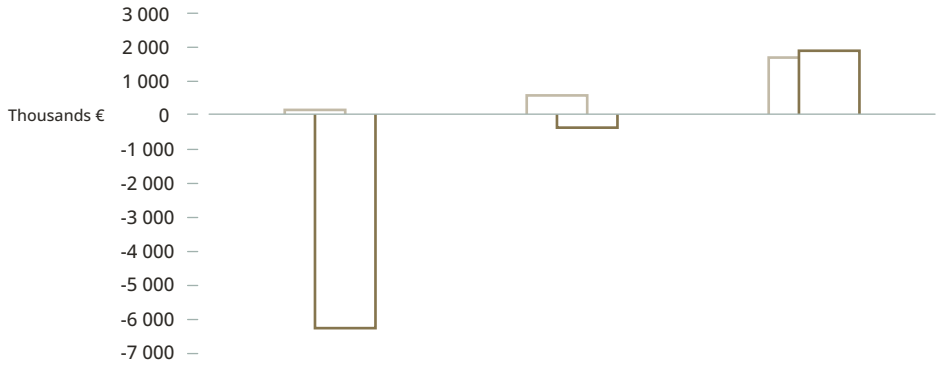

| | Gains +/- (Income) | Interest |
|---|---|---|
| 2021 | 4 156 709 | 162 772 |
| 2022 | 4 764 879 | 120 249 |

Gains and losses on financial assets and liabilities at fair value through comprehensive income recognised in reserves were negative by €6.3M, compared to €100m (positive) in 2021. This variation is the result of the devaluation of portfolios caused by the general hike in interest rates, credit spreads and the impact of the armed conflict in Ukraine.

Gains and losses on financial assets and liabilities at fair value through comprehensive income recognised in the income statement in 2022 were negative by €353m, compared to a positive result of €516m in 2021.

Under this heading, interest increased by 12.8% compared to 2021, from €1.6M to €1.9M in 2022.

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

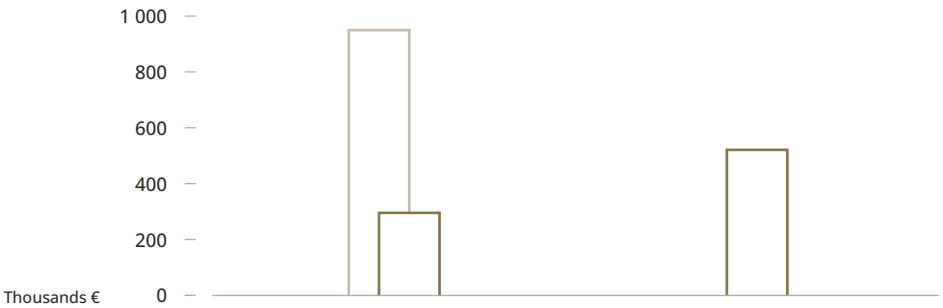



| | Gains +/- (Reserves) | Gains +/- (Income) | Interest |
|---|---|---|---|
| 2021 | 96 261 | 516 170 | 1 638 035 |
| 2022 | -6 251 938 | -353 073 | 1 848 570 |

Income from non-negotiable financial assets mandatorily carried at fair value through profit or loss fell by €69% compared to 2021, due to the lower performance of investment funds.

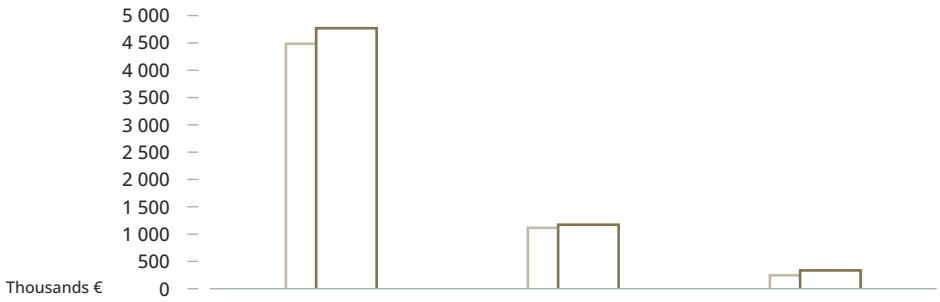
On the other hand, income from financial assets at amortised cost increased by €518m, an increase partly due to the sale of Circuitos e Traçados, Sociedade Imobiliária, S.A..

### Gains and losses – Non-marketable financial assets mandatorily at fair value through profit or loss



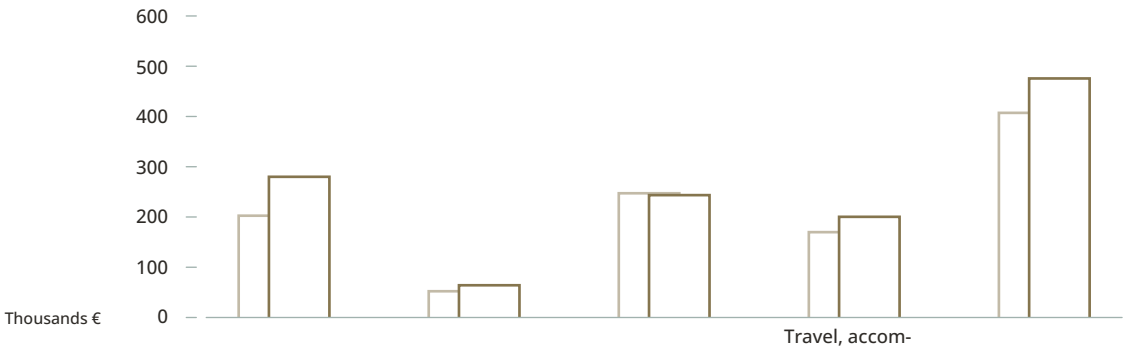

| | Income from non-negotiable financial assets mandatorily at fair value through profit or loss | Income from financial assets at amortised cost |
|---|---|---|
| 2021 | 947 435 | 0 |
| 2022 | 293 802 | 517 093 |

Staff costs increased by 7.4% in 2022 mainly due to the strengthening of the management team and to one-off adjustments to remuneration. Salary levels, however, remained stable.

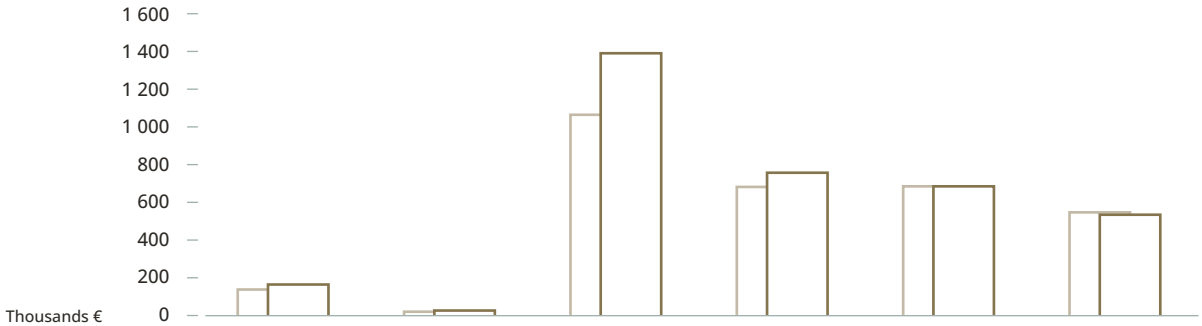



| | Remunerations | Social contributions | Other charges |
|---|---|---|---|
| 2021 | 4 483 684 | 1 104 447 | 218 642 |
| 2022 | 4 760 130 | 1 156 206 | 319 270 |

General administrative expenses grew by 14.5%, i.e. €604m, in 2022, largely due to general price increases, the full return to normalcy after the pandemic, and the launch of the Bank's new brand image. The items with the most significant increases are water, energy and fuel, with an increase of 39.2%, i.e. €78m, travel, accommodation and entertainment expenses, which increased by 17.2% from 2021 to 2022, i.e. €29m; advertising, with an increase of 17.3%, i.e. €70m; and IT, with an increase of €324 000 compared to 2021. However, this increase in IT spending was somewhat offset by lower investments in equipment and software.




| | Water, electricity and fuel | Leases and rentals | Communications | Travel, accommodation and entertainment expenses | Advertising |
|---|---|---|---|---|---|
| 2021 | 199 610 | 47 810 | 244 305 | 168 171 | 405 892 |
| 2022 | 277 942 | 59 416 | 240 778 | 197 098 | 476 236 |

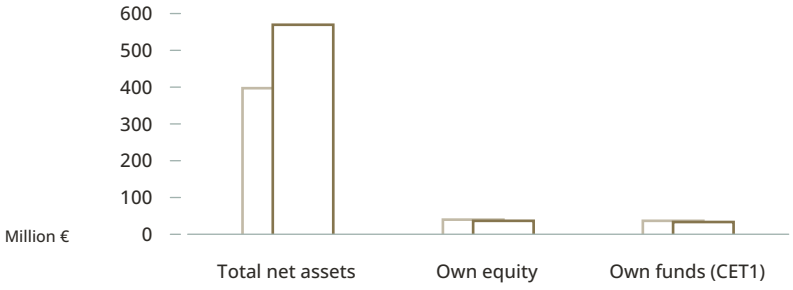



| | Conservation and maintenance | Retainers and fees | IT services | Information | Advisors and external auditors | Other general costs |
|---|---|---|---|---|---|---|
| 2021 | 133 398 | 11 439 | 1 060 037 | 680 547 | 677 581 | 541 526 |
| 2022 | 156 490 | 19 999 | 1 384 426 | 752 934 | 679 532 | 529 722 |

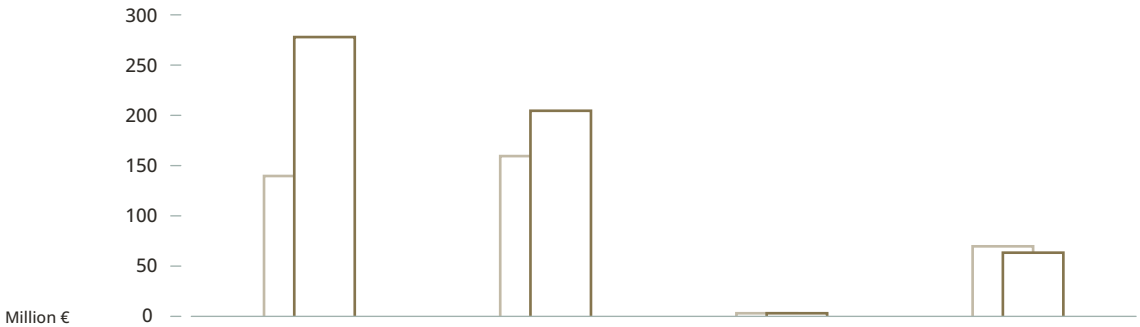
## 25.2. Balance Sheet

Compared to the previous year, net assets increased by 43.8% year-on-year to €567.9M in 2022, with cash and cash equivalents up 98.6%, the Bank's securities portfolio up 28.5%, and other assets up 23.2%. On the other hand, loans to clients decreased by 9% and other assets at amortised cost by 76.3%. At the same time, there was a reduction in equity, which stood at €36.7M, and the value of proprietary funds (CET1) stood at €33.9M.

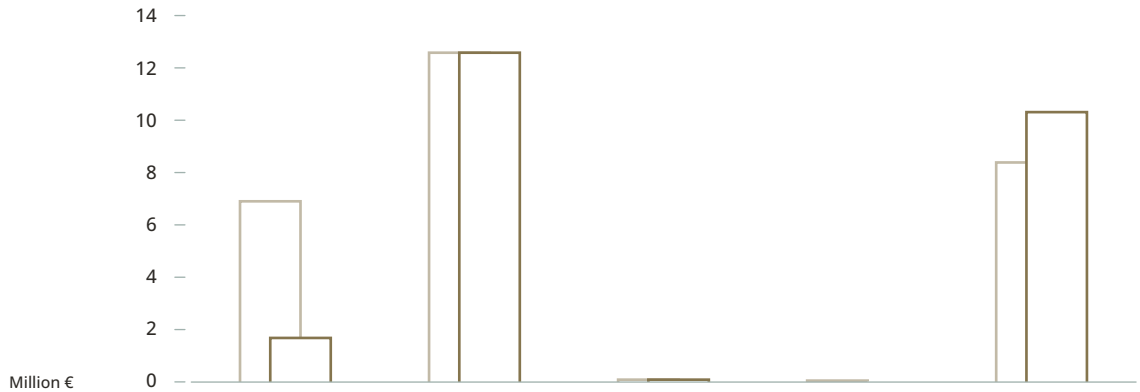
| | 2021 | Var % | 2022 |
|---|---|---|---|
| **Total net assets** | 394 747 691 € | 43.86% | 567 888 087 € |
| **Own equity** | 40 050 795 € | -8.41% | 36 684 176 € |
| **Proprietary funds (CET1)** | 36 898 559 € | -8.24% | 33 858 673 € |



## 25.3. Composition of Assets

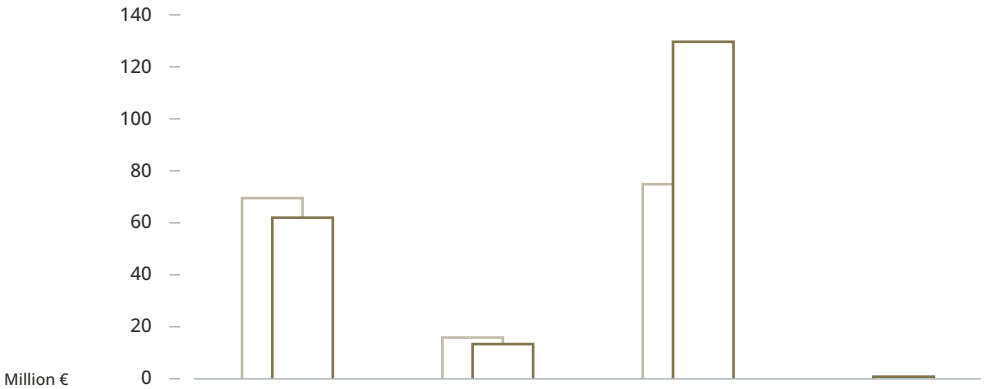



| | Cash and liquid assets | Own portfolio | Own deposits | Loans to clients |
|---|---|---|---|---|
| 2021 | 139 277 147 | 158 715 347 | 500 000 | 68 318 550 |
| 2022 | 276 634 449 | 203 957 258 | 500 000 | 62 173 827 |



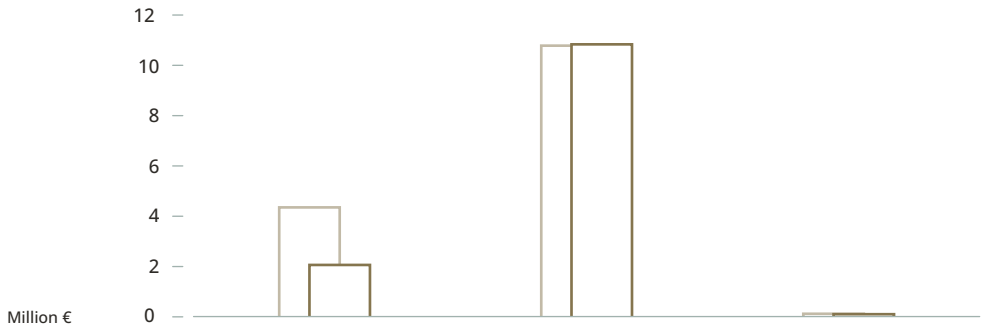

| | Other assets at amortised cost | Fixed assets (Property, land and equipment + Intangible assets) | Investments in subsidiaries & invested companies | Non current assets & groups for disposal classified as held for sale | Other assets |
|---|---|---|---|---|---|
| 2021 | 6 882 235 | 12 617 754 | 67 868 | 3 051 | 8 365 738 |
| 2022 | 1 631 569 | 12 608 450 | 72 315 | 0 | 10 310 219 |

At the end of 2022, the Bank's portfolio of financial instruments represented 35.9% of net assets, compared to 40.2% at the end of 2021. In absolute terms, this total amounts to around €203.9M in 2022 and €158.8 million in 2021, in both cases excluding 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 |
|---|---|---|---|---|
| 2021 | 69 046 592 | 15 127 705 | 74 541 050 | 0 |
| 2022 | 61 368 384 | 12 840 456 | 129 638 221 | 110 197 |

## Breakdown of financial assets at fair value through profit or loss

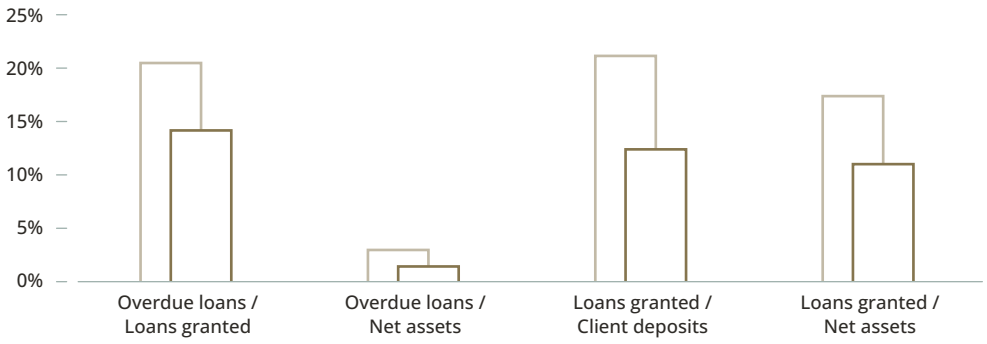


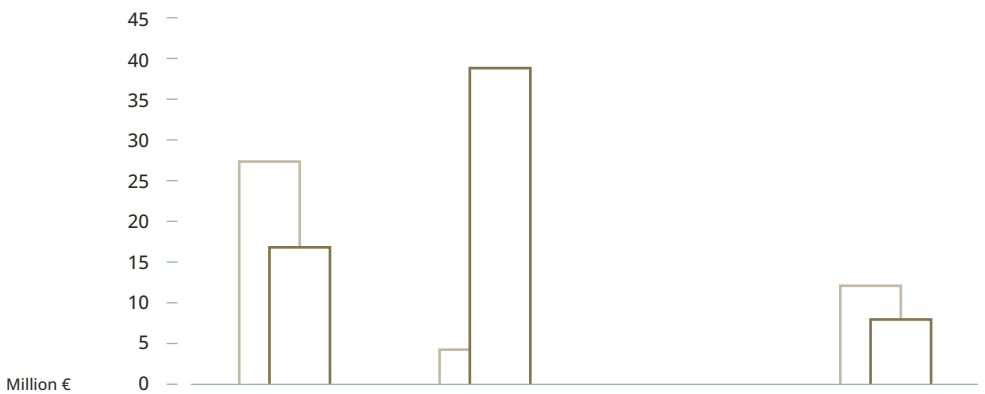

| | Financial assets held for trading | Non-negotiable financial assets mandatorily at fair value through profit or loss | Other financial assets |
|---|---|---|---|
| 2021 | 4 344 359 | 10 782 883 | 463 |
| 2022 | 2 012 015 | 10 827 901 | 539 |

The loan portfolio (net of impairments) dropped around 9% in 2022, falling short of the target set for the year. Note should also be made to the decrease in current accounts of €10.5M and an increase in loans of around €7.7M. On the other hand, overdue loans decreased by 34.3% to €7.8M.

This loan portfolio, which has specific characteristics and is intended for specific purposes, chiefly due to the need for adequate collateral, consists of notarised contracts, most of which must be registered in the Land Register. In addition, the Bank requires personal guarantees from debtors or guarantors for most of its operations. The Bank does not grant consumer credit or housing loans.

| | 2021 | 2022 |
|---|---|---|
| **Overdue loans / Loans granted** | 20.39% | 14.10% |
| **Overdue loans / Net assets** | 3.01% | 1.38% |
| **Loans granted / Client deposits** | 21.08% | 12.32% |
| **Loans granted / Net assets** | 17.31% | 10.95% |



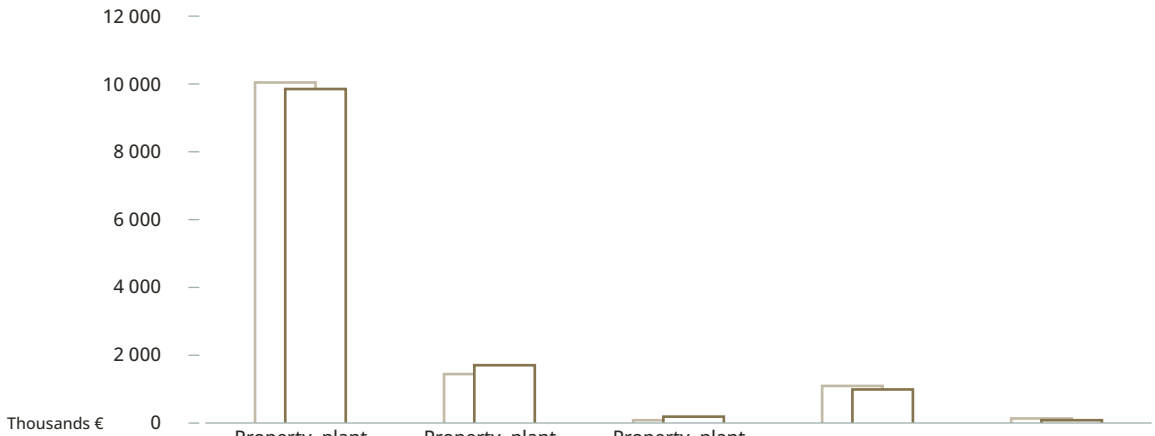




| | Current accounts | Loans | Authorised overdrafts | Overdue loans |
|---|---|---|---|---|
| **2021** | 27 227 710 | 31 084 284 | 0 | 11 890 726 |
| **2022** | 16 648 297 | 38 762 808 | 0 | 7 814 600 |

Real estate collateral is subject to an initial valuation and periodic reviews by accredited and independent technical appraisers based on prudential criteria that reflect the real estate market development, the nature of the properties, their potential for use and their liquidity. Other guarantees consist of pledges on financial investment portfolios. New loans were mainly granted to clients with a risk profile below the portfolio average.

Net fixed assets (property, plant and equipment, and intangible assets) remained in line with the 2021 financial year, showing a negative variation of €9m. However, special mention should be made of the real estate component, which recorded a decrease of €179.7m due to the amortisations in the period, and the negative variation of €145.6m in the intangible assets (software) item. On the other hand, the item "Property, plant and equipment – Equipment" increased by 18.4%.

| | 2021 | 2022 |
|---|---|---|
| **Fixed Assets** | **12 617 754 €** | **12 608 450 €** |
| Property, plant and equipment | 11 466 583 € | 11 548 453 € |
| Property, plant and equipment in progress | 53 530 € | 107 923 € |
| **Sub-total** | **11 520 113 €** | **11 656 375 €** |
| Intangible assets | 1 097 641 € | 952 074 € |
| Intangible assets in progress | 0 € | 0 € |
| **Sub-total** | **1 097 641 €** | **952 074 €** |

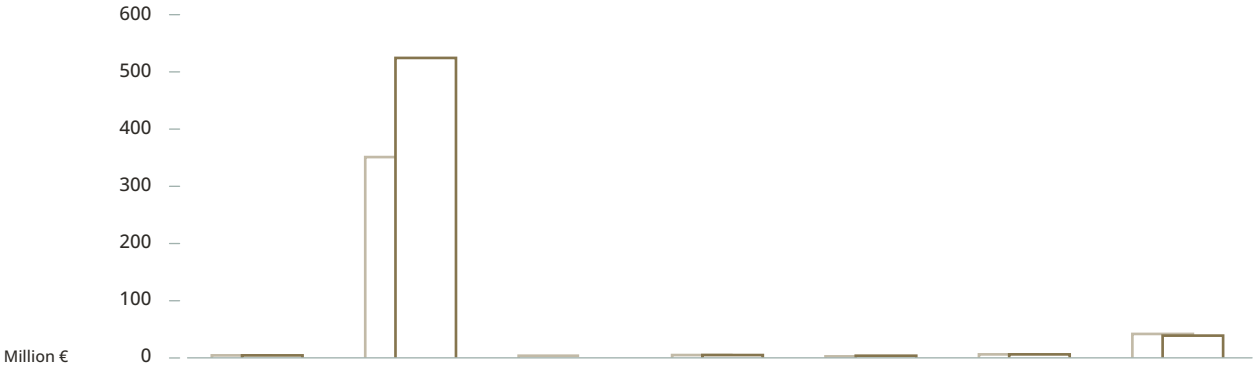



| | Property, plant and equipment - Property | Property, plant and equipment - Equipment | Property, plant and equipment - In progress | Intangible assets - Software | Intangible assets - Other |
|---|---|---|---|---|---|
| 2021 | 10 042 828 | 1 423 755 | 53 530 | 1 066 820 | 30 822 |
| 2022 | 9 863 146 | 1 685 307 | 107 923 | 945 574 | 6 500 |

## 25.4. Composition of Liabilities and Net Equity

Liabilities recorded an overall increase of 49.8% compared to €354.7M in 2021. Of particular note is the 35.2% 35 drop in "Provisions". On the other hand, "Financial liabilities held for trading" increased by 98.8%, and "Financial liabilities at amortised cost" increased by €173.8M, mainly due to the increase in client deposits (+55.8%).

In terms of net assets, "Equity" showed a negative development of 8.4%, mainly related to the negative change in reserves resulting from the devaluation of debt securities in the own portfolio.



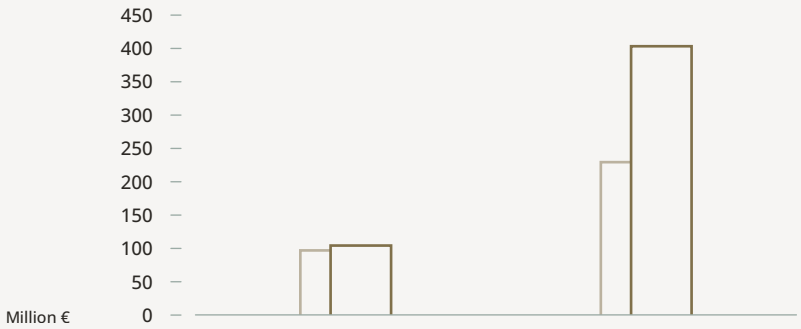

| | Financial liabilities held for trading | Financial liabilities measured at amortised cost | Heldging derivatives | Provisions | Tax liabilities | Other liabilities | Equity |
|---|---|---|---|---|---|---|---|
| 2021 | 5 268 | 349 669 921 | 43 315 | 323 684 | 1 175 598 | 3 479 109 | 40 050 795 |
| 2022 | 767 975 | 523 434 306 | 0 | 209 808 | 1 186 534 | 5 605 288 | 36 684 176 |




| | Deposits from other credit institutions | Client deposits |
|---|---|---|
| 2021 | 10 484 449 | 323 896 656 |
| 2022 | 5 337 745 | 504 560 254 |

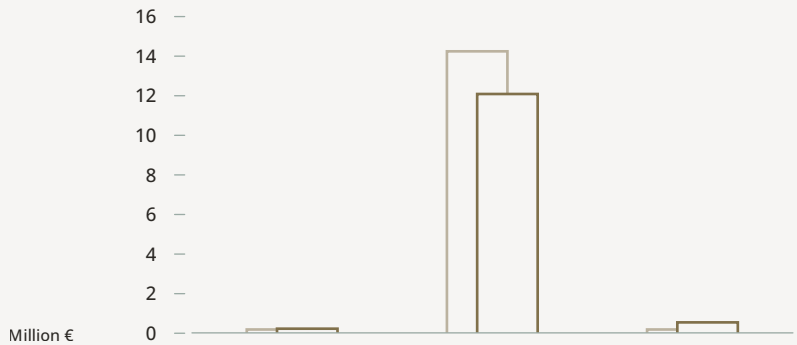
"Client deposits" recorded a global growth of 55.8%, and "Other deposits" showed a decrease of 12.39%.

## Client resources




| | Term deposits | Demand deposits |
|---|---|---|
| 2021 | 95 375 899 | 228 520 757 |
| 2022 | 101 655 478 | 402 904 777 |

## Other resources




| | GoBullingPro | Management | Other |
|---|---|---|---|
| 2021 | 103 837 | 14 238 437 | 97 306 |
| 2022 | 122 333 | 12 070 069 | 457 238 |

## 25.5. Capital Management

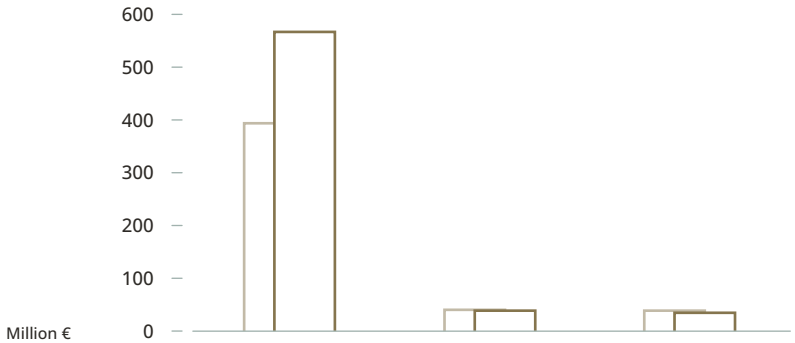
Capital management policies and practices are defined according to the strategic business objectives and the level of risk appetite set by the Board of Directors. In order to determine the appropriate level of capital, both in terms of quantity and quality, Banco Carregosa has implemented a capital management model based on the following principles:

i. ongoing monitoring of regulatory capital requirements;

ii. review of risk appetite;

iii. setting appropriately measured business objectives in equity planning.

In addition to the regulatory requirements, the Bank carries out an annual internal and prospective self-assessment of all material risks to which the institution is exposed (the ICAAP assessment). As an integral part of the capital management process, the Bank has drawn up a recovery plan that defines the decision-making protocol for crisis management and identifies the pre-defined actions and strategies to respond to events that may have an adverse impact on capital.



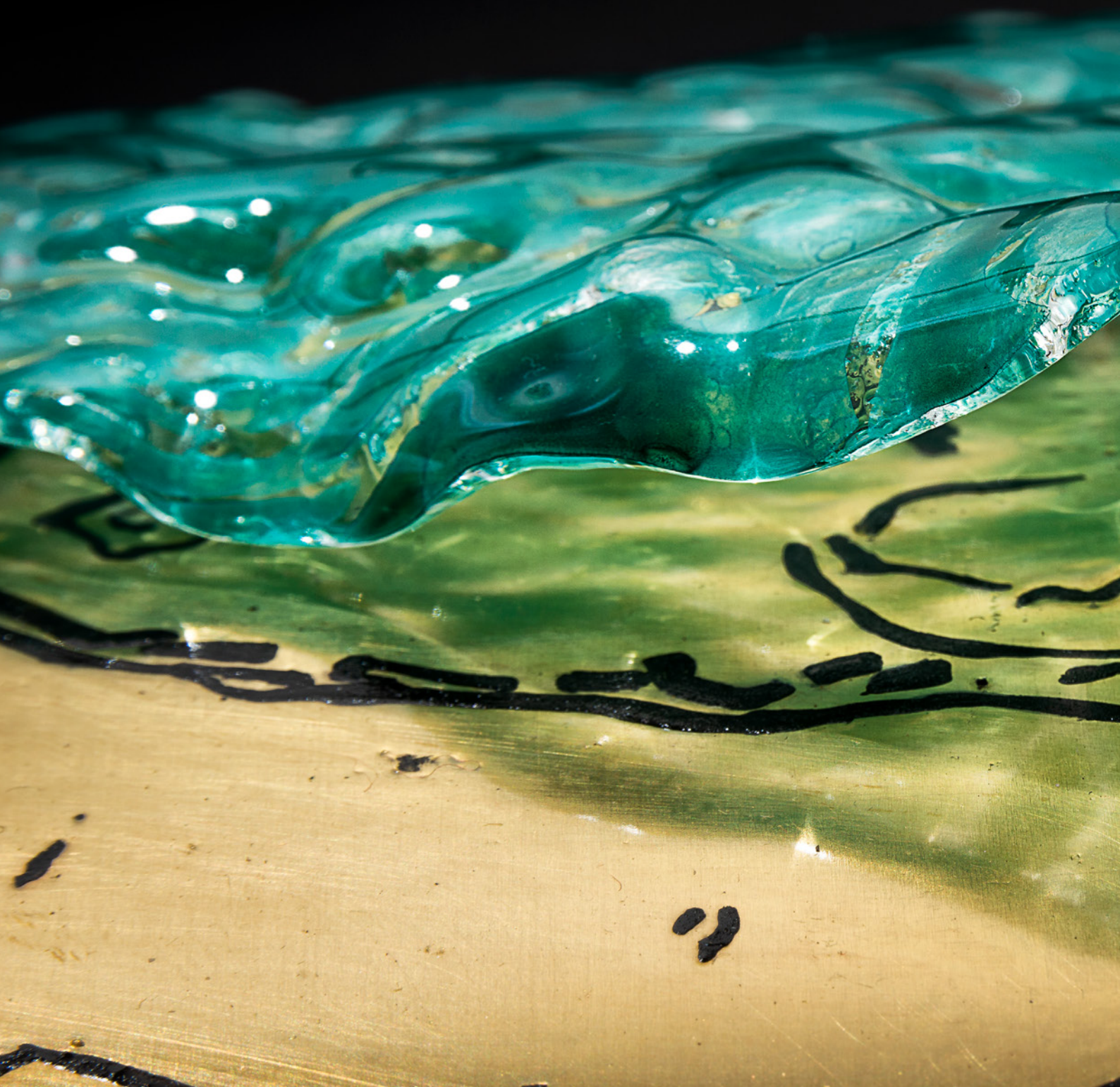

| | | | |
|---|---|---|---|
| 2021 | 394 747 691 | 40 050 795 | 36 898 559 |
| 2022 | 567 888 087 | 36 684 176 | 33 858 673 |

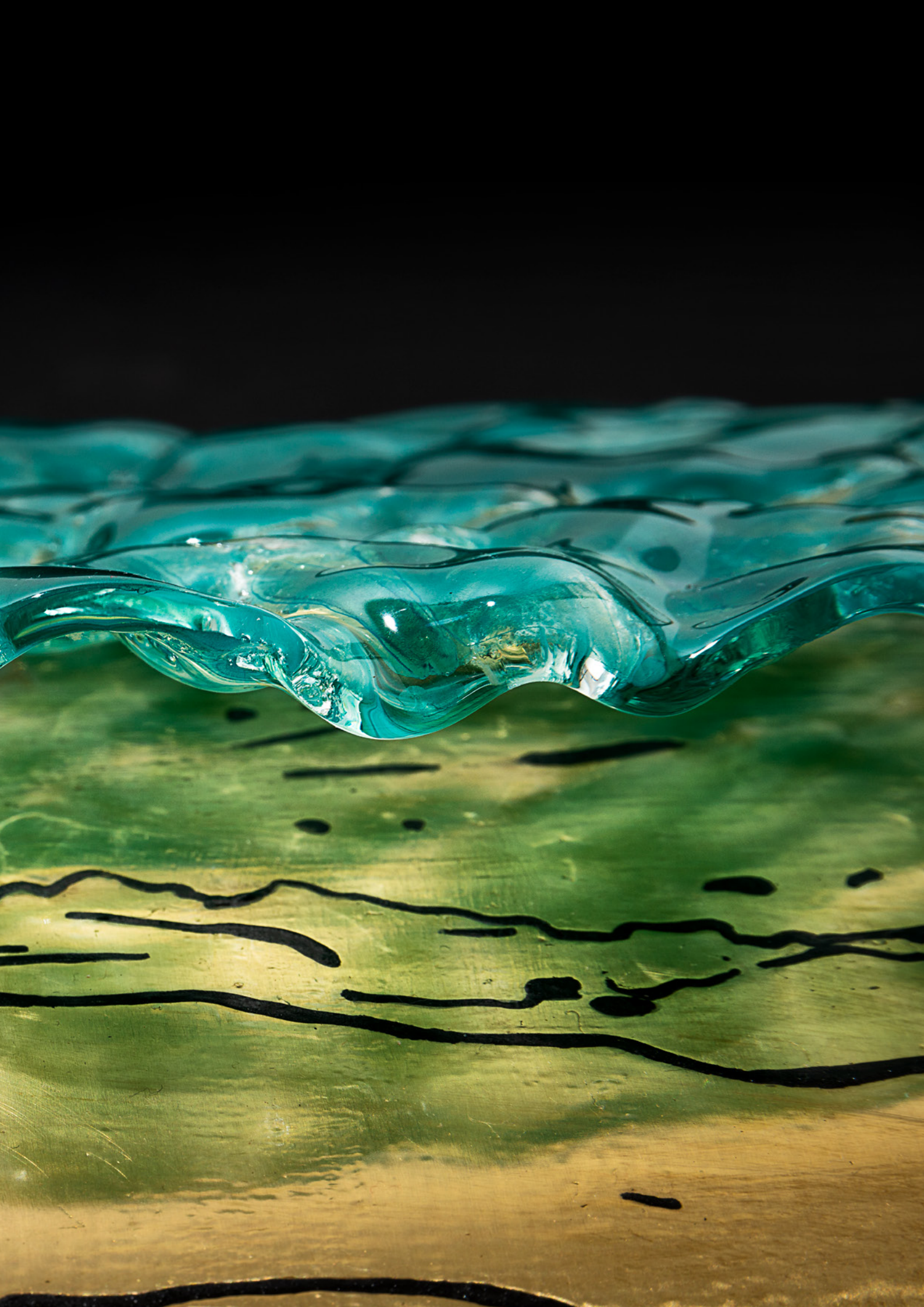
The Bank's financial strength remained high, with a solvency ratio (CET1) of 17.63% at the end of the financial year.

The main performance indicators are shown in the "Summary of Indicators" below, which summarises the Bank's development in 2022.

# II NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

Amounts in euro, except as otherwise stated.





## Consolidated balance sheet as at 31 December 2022 and 2021

| | Notes | 31/12/2022 | 31/12/2021 |
|---|---|---|---|
| **Assets** | | | |
| Cash and net assets in central banks and other demand deposits | 1 | 276 634 174 | 139 277 147 |
| Financial assets at fair value through profit or loss | 2 | 12 840 456 | 15 127 705 |
| Financial assets held for trading | 2.1 | 2 012 015 | 4 344 359 |
| Non-trading financial assets mandatorily at fair value through profit or loss | 2.2 | 10 827 901 | 10 782 883 |
| Other financial assets | 2.3 | 539 | 463 |
| Financial assets at fair value through other comprehensive income | 3 | 61 368 384 | 69 046 592 |
| Financial assets at amortised cost | 4 | 193 943 892 | 150 241 835 |
| Of which: | | | |
| Loans to clients | 4.1 | 62 173 827 | 68 318 550 |
| Derivatives - Hedge accounting | 5 | 110 197 | – |
| Investments in associated and subsidiary companies excluded from consolidation | 6 | 72 315 | 67 868 |
| Property, plant and equipment | 7 | 11 656 375 | 11 520 113 |
| Intangible assets | 8 | 952 074 | 1 097 641 |
| Tax assets | 9 | 1 597 425 | 803 392 |
| Other assets | 10 | 8 712 794 | 7 562 346 |
| Non-current assets and disposal groups stated as held for sale | 11 | – | 3 051 |
| **Total Assets** | | **567 888 087** | **394 747 691** |
| **Liabilities** | | | |
| Financial liabilities held for trading | 12 | 767 975 | 5 268 |
| Financial liabilities measured at amortised cost | 13 | 523 434 306 | 349 669 921 |
| Hedging derivatives | 14 | – | 43 315 |
| Provisions | 15 | 209 808 | 323 684 |
| Tax liabilities | 16 | 1 186 534 | 1 175 598 |
| Other liabilities | 17 | 5 605 288 | 3 479 109 |
| **Total Liabilities** | | **531 203 910** | **354 696 896** |
| **Equity** | 18 | | |
| Equity | | 20 000 000 | 20 000 000 |
| Issue premiums | | 369 257 | 369 257 |
| Other accumulated comprehensive income | | (2 685 373) | 2 286 149 |
| Retained earnings | | 3 083 453 | 1 538 228 |
| Other reserves | | 14 307 054 | 14 228 172 |
| Profit for the year attributable to owners of the parent company | | 1 593 594 | 1 615 978 |
| **Total Own Equity Attributable to the Group** | | **36 667 985** | **40 037 783** |
| Minority interests | 19 | 16 191 | 13 012 |
| **Total Own Equity** | | **36 684 176** | **40 050 795** |
| **Total Liabilities and Equity** | | **567 888 087** | **394 747 691** |

The Certified Accountant

The Board of Directors

## Consolidated statement of profit and loss as at 31 December 2022 and 2021

| | Notes | 31/12/2022 | 31/12/2021 |
|---|---|---|---|
| Interest and similar income | | 6 120 165 | 4 984 147 |
| Interest and similar charges | | (703 494) | (700 297) |
| **Financial margin** | **20** | **5 416 671** | **4 283 850** |
| Income from equity instruments | 21 | 415 605 | 349 278 |
| Income from services and commissions | 22 | 8 996 520 | 8 990 668 |
| Charges with services and commissions | 22 | (3 615 767) | (3 678 705) |
| Income from assets and liabilities evaluated at fair value through profit or loss (net) | 23 | 4 764 879 | 4 156 709 |
| Income from financial assets at fair value through other comprehensive income | 24 | (353 073) | 516 170 |
| Income from non-trading financial assets mandatorily carried at fair value through profit or loss | 25 | 293 802 | 947 435 |
| Income from financial assets at amortised cost | 26 | 517 093 | – |
| Income from foreign currency revaluation (net) | 27 | (1 616 133) | (1 739 665) |
| Income from the disposal of other assets | 28 | 265 750 | 105 489 |
| Other operating income | 29 | (490 330) | (557 287) |
| **Net operating revenue** | | **14 595 016** | **13 373 942** |
| Staff costs | 30 | (6 235 607) | (5 806 773) |
| General administrative expenses | 31 | (4 774 574) | (4 170 314) |
| Amortisations in the year | 32 | (1 569 540) | (1 441 930) |
| Provisions net of reinstatements and write-offs | 33 | 113 876 | (220 672) |
| Impairment of financial assets at amortised cost | 34 | 226 760 | (255 011) |
| Impairment of financial assets at fair value through other comprehensive income | 35 | (125 335) | 356 354 |
| Impairment of other assets net of reversals and recoveries | 36 | – | (48 468) |
| **Pre-tax profit** | | **2 230 596** | **1 787 127** |
| Taxes | | | |
| Current | 37 | (180 590) | (188 859) |
| Deferred | 37 | (453 232) | 8 572 |
| **Consolidated profit and loss for the year** | | **1 596 774** | **1 606 841** |
| | | | |
| **Net profit attributable to:** | | **1 596 774** | **1 606 841** |
| The owners of the parent company | | 1 593 594 | 1 615 978 |
| Minority interests | 38 | 3 179 | (9 138) |
| | | | |
| Earnings per share | | 0.08 | 0.08 |

The Certified Accountant

The Board of Directors

## Consolidated statement of comprehensive income as at 31 December 2022 and 2021

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Consolidated net result for the year** | **1 596 774** | **1 606 841** |
| Items not to be restated into profit or loss: | | |
| Property, plant and equipment | (11 968) | (13 208) |
| Actuarial gains or losses (-) with defined benefit pension plans | (113 246) | – |
| Items that may be restated into profit or loss: | | |
| Cash flow hedging | 145 519 | (43 122) |
| Financial assets at fair value through other comprehensive income | (6 251 938) | 210 737 |
| Income tax on items that may be restated into profit or loss | 1 134 777 | 14 615 |
| **Other comprehensive income** | **(5 096 857)** | **169 022** |
| **Total comprehensive income for the year** | **(3 500 083)** | **1 775 863** |
| Attributable to minority interests (non-controlling interests) | 3 179 | (9 138) |
| Attributable to owners of parent company | (3 503 262) | 1 785 000 |

The Certified Accountant

The Board of Directors

## Consolidated statement of cash flow as at 31 December 2022 and 2021

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Cash flows from operating activities: | | |
| Interest and commissions received | 14 562 456 | 13 482 441 |
| Interest and commissions paid | (4 268 722) | (4 511 384) |
| Payments to employees and suppliers | (10 690 135) | (9 937 187) |
| Deposits from credit institutions | (5 085 898) | 1 929 220 |
| Other operating assets and liabilities | 5 486 783 | (1 460 551) |
| Other receipts from clients | 189 117 238 | 59 781 932 |
| Income taxes | (274 981) | (14 903) |
| **Net cash from operating activities** | **188 846 742** | **59 269 567** |
| Cash flows from investment activities: | | |
| Dividends received | – | – |
| Acquisition of financial assets at fair value through other comprehensive income, net of disposals | 1 058 787 | (11 784 317) |
| Acquisition of financial assets at amortised cost, net of disposals | (54 800 344) | (21 799 971) |
| Acquisition of property, plant and equipment and intangible assets | (1 539 799) | (1 329 859) |
| Disposals of property, plant and equipment and intangible assets | 10 500 | 57 351 |
| Increase/Decrease in other asset accounts | – | – |
| Investments in subsidiaries and associated companies | 5 258 129 | – |
| **Net cash from investment activities** | **(50 012 727)** | **(34 856 795)** |
| Cash flows from financing activities | | |
| Capital increase | – | – |
| Other equity instruments | – | – |
| Dividends paid | – | – |
| Issue of securitised and subordinated debt | – | – |
| Remuneration paid on cash and other bonds | – | – |
| Remuneration paid on subordinated debt | – | – |
| Deposits from credit institutions (not associated with the main revenue-generating activities) | 3 200 | – |
| **Net cash from financing activities** | **3 200** | **–** |
| Net increase (decrease) of cash and cash equivalents | 138 837 215 | 24 412 772 |
| Exchange differences | – | – |
| Cash and cash equivalents at the start of the year | 138 292 664 | 115 298 999 |
| Cash and cash equivalents at the end of the year | 277 129 878 | 139 711 771 |

| Cash and cash equivalents (breakdown as at December 2022 and December 2021) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Cash and cash equivalents in central banks | 259 947 214 | 69 209 201 |
| Net assets in other credit institutions | 16 686 960 | 70 067 946 |
| Investments in other credit institutions | 500 275 | 500 000 |
| Overdrafts in other credit institutions | (4 570) | (65 376) |
| Cash and cash equivalents at the end of the financial year | 277 129 878 | 139 711 771 |

The Certified Accountant

The Board of Directors

## Statement of changes in equity as at 31 December 2022 (consolidated)

| | Capital | Issue premiums | Other accumulated comprehensive income |
|---|---|---|---|
| **Opening balances** | **20 000 000** | **369 257** | **2 181 019** |
| Changes in fair value reserve | | | 34 496 |
| Deferred tax | | | 39 743 |
| Actuarial gains or losses (-) with pension plans | | | 387 244 |
| Net result for 2020 | | | |
| Comprehensive result for 2020 | | | |
| Distribution of dividends | | | |
| Other changes in equity | | | (356 354) |
| Minority interests | | | |
| **Balances as at 31 December 2021** | **20 000 000** | **369 257** | **2 286 149** |
| Changes in fair value reserve | | | (6 118 387) |
| Deferred tax | | | 1 134 777 |
| Actuarial gains or losses (-) with pension plans | | | (113 246) |
| Net result for 2022 | | | |
| Comprehensive result for 2022 | | | |
| Distribution of dividends | | | |
| Other changes in equity | | | 125 335 |
| Minority interests | | | |
| **Balances as at 31 December 2022** | **20 000 000** | **369 257** | **(2 685 373)** |

The Certified Accountant

The Board of Directors

| Legal reserves | Other reserves | Retained earnings | Result for the year | Minority interests | Total own equity |
|---|---|---|---|---|---|
| **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 |
| | | | | | – |
| 2 084 | | (2 495 931) | 2 506 911 | 8 000 | (335 290) |
| | | | | | – |
| **2 558 680** | **11 669 492** | **1 538 228** | **1 615 978** | **13 012** | **40 050 795** |
| | | | | | (6 118 387) |
| | | | | | 1 134 777 |
| | | | | | (113 246) |
| | | | 1 593 594 | 3 179 | 1 596 774 |
| | | | | | (3 500 083) |
| | | | | | – |
| 78 882 | | 1 545 225 | (1 615 978) | | 133 464 |
| | | | | | – |
| **2 637 562** | **11 669 492** | **3 083 453** | **1 593 594** | **16 191** | **36 684 176** |

# 1. Introduction

The financial year 2022 of Banco L. J. Carregosa, S.A., (hereinafter referred to as "Banco Carregosa", "Company" or "Carregosa Group", when on a consolidated basis), was the fourteenth financial year of its activity as a credit institution.

Following the change in the scope of its business in 2008, Banco Carregosa began operating in the banking sector and in all other activities expressly authorised by law, starting on 4 November of that year.

With regard to the IT services 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 registration purposes. In 2019, the Bank reduced its stake in this company to 25%, which is now registered under the equity method and is no longer included in the scope of consolidation.

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 that manages open-ended and closed-ended investment vehicles by investing in real estate assets.

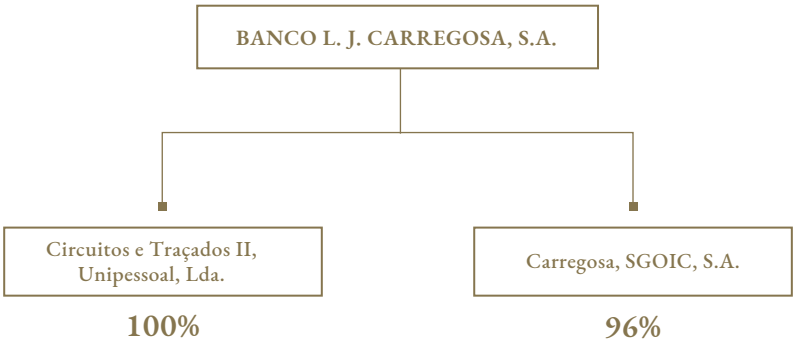
The Bank sold all its shares in Circuitos e Traçados Sociedade Imobiliária, S.A. in June 2022.

### Companies included in the scope of consolidation as at 31/12/2022

| Activity | Registered office | Own equity | Assets | Profit/ Loss | Effective holding | Consolidation method |
|---|---|---|---|---|---|---|
| Banco L. J. Carregosa, S.A. | Portugal | 36 684 176 | 567 888 087 | 1 596 774 | – | Full |
| Management of Collective Investment Undertakings | | | | | | |
| Carregosa SGOIC, S.A. | Portugal | 404 786 | 528 042 | 79 485 | 96% | Full |
| Real Estate | | | | | | |
| Circuitos e Traçados II, Unipessoal, Lda. | Portugal | 15 559 | 3 285 170 | 12 214 | 100% | Full |

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

## Scope of consolidation as at 31/12/2022




As a result of this scope of consolidation, Banco Carregosa consolidates the accounts and occupies a central position in the Group due to the exclusive nature of its activities and its relative size in terms of capital and risk.

The Group posted a positive net result of €1 596 774, with equity standing at €36 684 176.

The financial statements as at 31 December 2022 were approved by the Board of Directors on 09 May 2023.

The Bank's financial statements as at 31 December 2021 have not yet been approved by the General Meeting of Shareholders. However, the Board of Directors is of the opinion that these financial statements will be approved without any significant changes.

# 2. Basis of presentation and significant accounting policies

## 2.1. Basis of presentation and comparability

The Bank's financial statements are prepared in accordance with International Financial Reporting Standards or International Financial Reporting (IAS/IFRS) as adopted by the European Union, in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July, as transposed into national law by Banco de Portugal Notice 5/2015, of 7 December.

The IFRS comprise the accounting standards issued by the International Accounting Standards Board (IASB) and their interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and its predecessors. The Bank's financial statements presented herein cover the year ended 31 December 2022 and have been prepared in accordance with the current IFRS as adopted by the European Union.

The financial statements are presented in euro.

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

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

Consolidated profit is determined from the net profit of the Bank and of the participated companies after consolidating adjustments, in particular the elimination of gains and losses resulting from transactions between these companies.

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

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

The following standards, interpretations, amendments and revisions adopted by the European Union have been taken into account and implemented by the Bank in the year ended 31 December 2022.

### New standards and amendments to standards that are effective for reporting periods beginning on or after 1 January 2022

#### IAS 16 'Proceeds before Intended use' (Amendments to IAS 16)

Change in the accounting treatment of consideration received on the sale of products resulting from the production of property, plant and equipment during the test phase, prohibiting its deduction from the cost of the assets.

This amendment is applied retrospectively, without restating comparative information.

#### IAS 37 'Onerous Contracts - Cost of Fulfilling a Contract' (Amendments to IAS 37)

This amendment specifies that, in assessing whether a contract is onerous, only expenses directly related to the performance of the contract may be considered, such as incremental costs related to direct labour and materials and the allocation of other directly related expenses, such as the allocation of depreciation expense for property, plant and equipment used to perform the contract.

This amendment shall be applied to contracts that still have unfulfilled contractual obligations at the beginning of the first annual period for which the amendment is applied, without restating the comparative amounts.

#### IFRS 3 'Reference to the Conceptual Framework' (Amendments to IFR3)

This amendment updates the reference to the conceptual framework in the text of IFRS 3 and does not change the accounting requirements for business combinations. This amendment also clarifies the accounting treatment for liabilities and contingent liabilities under IAS 37 and IFRIC 21, and prohibits the recognition of contingent assets of the acquiree in a business combination.

This amendment is applied retrospectively.

### Improvements to standards 2018-2020

This improvement cycle amends the following standards: IFRS 1, IFRS 9, IFRS 16 and IAS 41.

### Amendments to standards and new standards, effective on or after 1 January 2023

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

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

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

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

#### IFRS 17 'Insurance Contracts' (New and Amendments) (effective for financial years beginning on or after 1 January 2023)

This new standard replaces IFRS 4 and applies to all issuers of insurance, reinsurance and investment contracts with discretionary participation features, provided that they are also issuers of insurance contracts. IFRS 17 requires issuers of insurance contracts to assess whether the policyholder

may receive a particular service as part of a claim, or whether that service is independent of the claim/risk event, and to separate out the non-insurance component. IFRS 17 requires entities to identify portfolios of insurance contracts on initial recognition and to disaggregate them into at least the following classes:

i. contracts that are onerous on initial recognition;

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

iii. remaining contracts in the portfolio.

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

i. general measurement model (GMM);

ii. premium allocation approach (PAA); and

iii. variable fee approach (VFA).

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

**IFRS 17 'Initial application of IFRS 17 and IFRS 9 - Comparative information' (Amendments to IFRS 17) (effective for reporting periods beginning on or after 1 January 2023)**

This amendment applies only to insurance entities in their transition to IFRS 17, allowing an insurer to apply 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 when IFRS 17 is first applied, and provides for:

i. its application to each financial asset;

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

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

**IAS 12 'Deferred tax related to assets and liabilities arising from a single transaction' (Amendments) (effective for financial years beginning on or after 1 January 2023)**

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

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

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

This amendment applies prospectively.

**Published standards (new and amendments) whose application is effective for reporting periods beginning on or after 1 January 2023, and which the European Union has not yet endorsed**

**IAS 1 'Non-current Liabilities with Covenants (Amendments) (effective for reporting periods beginning on or after 1 January 2024)**

This amendment is still subject to the approval of the European Union. This amendment clarifies that liabilities are to be classified as current or non-current depending on the right that an entity has to defer settlement for at last 12 months after the reporting date. It also clarifies that covenants that an entity is required to comply with on or before the reporting date affect the classification

of a liability as current or non-current, even if verification occurs after the reporting date. If an entity classifies liabilities arising from financing arrangements as non-current and those liabilities are subject to covenants, it is required to disclose information that enables investors to assess the risk that those liabilities will become repayable within 12 months, such as:

i. the book value of the liabilities;

ii. the nature and date by which the entry must comply with the covenants

iii. facts and circumstances indicating that the entity may have difficulty in complying with the covenants by the due dates.

This amendment applies prospectively.

**IFRS 16 'Lease Liability in a Sale and Leaseback' (Amendments to IFRS 16) (effective for reporting periods beginning on or after 1 January 2024)**

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

## 2.2. Significant accounting policies

The accounting policies hereunder apply to the financial statements of Banco Carregosa.

### 2.2.1. Transactions in foreign currency (IAS 21)

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

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

At each balance sheet date, the carrying amounts of monetary items denominated in foreign currencies are restated at the exchange rates prevailing at that date. Favourable and unfavourable exchange differences arising from the differences between the exchange rates at the dates of the transactions and the exchange rates at the dates of the receipts, payments or at the 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 three months or less as of their contract date, including cash and other net balances with banks.

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 bank overdrafts;

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

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

iv. **financing activities:** activities that result in 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 payments.

## 2.2.3. Investments in domestic and foreign credit institutions

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

## 2.2.4. Financial instruments

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

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

i. assets measured at amortised cost;

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

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

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

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

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

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

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

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

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

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

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

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

The following classes of accounts are therefore taken into account:

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

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

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

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

### Financial assets at amortised cost

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

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

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

Initial recognition and subsequent measurement

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

Interest on financial assets at amortised cost is recognised as "Interest and similar income".

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

The term "derecognition" is used to refer to the following:

i. a disposal;

ii. or an entity reclassifies an asset from the amortised cost measurement category to the fair value through profit or loss category (IRFS9 paragraph 5.6.2).

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

### Financial assets at fair value through other comprehensive income

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

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

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

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

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

Initial recognition and subsequent measurement

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

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

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

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

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

When an entity restates a financial asset from the fair value through other comprehensive income measurement category to the fair value through profit or loss measurement category, the financial asset is still 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 designated as at fair value through profit or loss if the business model defined by the Bank for managing the financial asset or its cash flow characteristics does not qualify it for measurement at amortised cost or at fair value through other comprehensive income.

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

The following must be taken into account in this classification:

i. assets measured at fair value through profit and loss (FVTPL), which is broadly consistent with the designated regulatory 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 any costs or income associated with the transactions are recognised in profit or loss at the time of initial recognition, with subsequent changes also recognised in profit or loss.

The periodic calculation of interest is recognised 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 applicable regulatory and accounting standards[2].

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

i. final delisting;

ii. the loss of public company status;

iii. issuer default.

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

Where the competent authorities allow the restatement:

i. the restatement of this item cannot be changed;

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

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

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

2 For this purpose, a correction of a classification error is not considered as a restatement.

### 2.2.6. Fair value hierarchy of financial instruments

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

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

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

i. Tier 1 – quoted in an active market

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

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

### 2.2.7. Equity instruments

Transaction costs directly attributable to the equity issuance are recognised against equity as a deduction from equity. Amounts paid or received on the sale or purchase 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 recognised at fair value at the time the contracts are negotiated with the Bank and are subsequently measured at fair value. Fair values are obtained from quoted prices in active markets, including recent market transactions, and valuation models, namely discounted cash flow models and option valuation models. Derivatives are recognised as assets when their fair value is positive and as liabilities when their fair value is negative.

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

### 2.2.9. Hedge accounting

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

Principle:

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

Hedging derivatives are recognised at fair value and gains or losses arising from the remeasurement are recognised in accordance with the hedge accounting model. A hedging relationship exists when:

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

ii. the hedge is expected to be highly effective;

iii. the effectiveness of the hedge can be reliably measured

iv. the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designed the hedge can be reliably measured

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

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

When a derivative financial instrument is used to hedge the foreign exchange risk of a monetary asset or liability, no

hedge accounting model is applied. Any gain or loss on the derivative is recognised in profit or loss, as is the foreign exchange gain or loss on the underlying monetary item.

#### Fair value hedging

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

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

#### Cash flow hedging

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

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

#### Hedge effectiveness

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

## 2.2.10. Loans to clients and other receivables (Other receivables)

#### Valuation, initial and subsequent recognition

Loans to clients and other receivables are the financial assets that correspond to the provision of cash, goods or other services by the institution to a certain entity.

This concept covers the typical activity of granting loans to clients, as well as the creditor positions arising from transactions with third parties carried out in the course of the institution's activities.

Loans to clients and other receivables are valued as follows:

- Loans and receivables are initially recognised at fair value. Fair value at initial recognition is generally equivalent to the transaction value and includes commissions, fees or other charges and income related to the loan transaction. Subsequently, loans and receivables are measured at amortised cost based on the effective interest rate and are subject to impairment tests.
- Where applicable, interest, commissions and other fees and income related to loan transactions are accrued over the life of the transaction for transactions that generate residual cash flows over a period of more than one month, regardless of when they are collected or paid. Loan commitment fees are deferred and recognised on a straight-line basis over the life of the commitment.

Impairment is assessed on the basis of the total amount of loans and advances, including other commitments entered into 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 expire;
ii. the Bank has transferred substantially all the risks and rewards of ownership;
iii. although some, but not substantially all, of the risks and rewards of ownership have been removed by the Bank, control of the assets has been transferred; and
iv. changes in the contractual terms of a financial asset result in a significant change in the present value of cash flows, i.e. the new contractual terms, discounted at the original contract rate, result in a change of at least 10% in the present value of the remaining cash flows of the original financial asset.

Credit impairment loss (IFRS9)

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

IFRS 9 replaces the IAS 30's "incurred loss" model with a forward-looking Expected Credit Loss (ECL) model, which takes into account the expected credit losses over the life of financial instruments. Macroeconomic factors and other forward-looking information whose changes affect the expected loss are therefore taken into account in the ECL.

The impairment model currently in place analyses all positions on an individual basis.

## 2.2.11. Assets acquired in exchange for loans

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

## 2.2.12. Non-current assets held for sale

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

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

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

Other property, plant and equipment are stated at cost less depreciation and impairment losses, and are depreciated on a straight-line basis over their 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 ammortised.

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

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

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

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

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

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

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

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

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

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

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

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

## 2.2.14. Intangible assets (IAS 38)

The Bank recognises under this heading the costs associated with the development of projects implemented and to be implemented and the cost of software, in both cases where the expected impact extends beyond the period in which they are incurred.

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

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

Intangible assets are carried at acquisition cost less accumulated impairment losses and depreciations amortised on a straight-line basis and by twelfths over their estimated useful lives, which is generally 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 the financial and operating decisions of the entity – usually investments representing between 20% and 50% of the share capital) are accounted for using the equity method.

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

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

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

When the proportion of the accumulated losses of the associate exceeds the carrying amount of the investment, the investment is stated at zero, unless the entity has incurred obligations to the associate, in which case a provision is recognised to meet 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 mainly include deposits from clients and from central banks, are carried at amortised cost.

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

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

## 2.2.17. Provisions and contingent liabilities (IAS 37)

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

## 2.2.18. Tax on profits (IAS 12)

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

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

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

However, deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilised, or when there are deferred tax liabilities that are expected to arise in the same period as the deferred tax assets can be utilised. These deferred tax assets are reviewed at each reporting date and adjusted based on expectations of future utilisation.

## 2.2.19. Gains from financial transactions

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

## 2.2.20. Recognition of revenue and costs

Revenue and costs are recognised over the period of the transactions and on an accrual basis, i.e. when they are incurred. Revenue is recognised to the extent that it is likely that the economic benefits will flow to the company and the amount of the revenue can be measured. Accrued but uncollected interest is reversed in the balance sheet after three months and is 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 that are not covered by other standards (e.g. taxes on instruments that would be covered by IFRS 9 and lease income).

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

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

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

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

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

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

## 2.2.22. Recognition of interest

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

## 2.2.23. Commissions for services rendered

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

## 2.2.24. Guarantees provided and irrevocable commitments

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

## 2.2.25. Employee benefits (IAS 19)

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

## 2.2.26. Retirement and survivor pensions

Based on the Collective Labour Agreement for the Banking Sector (*Acordo Coletivo de Trabalho Vertical para o Setor Bancário* – ACTV) which is the reference for labour practices, Banco Carregosa undertook, exclusively for its employees who are not covered by the National Pension System, to provide them or their families with cash payments for retirement, early retirement, disability or survivors' pensions, through the establishment of a Defined Benefit Pension Plan. This Plan complies with the ACTV and is subject to the requirements of Banco de Portugal, in particular its Notice 12/2001 and any updates thereto.

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

Liabilities for past services rendered by eligible employees are determined each year on the basis of the date on which the employee joined Banco Carregosa and not on the date on which the employee entered the banking sector. Consequently,

the share of the liability for the period between the date of entry into the banking sector and the date of joining the company is charged to past employers, unless they have transferred the amount of their share of the liability.

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

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

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

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

### 2.2.27. Variable remuneration paid to employees (IAS 19)

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

### 2.2.28. Earnings per share

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

### 2.2.29. Subsequent events

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

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

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

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

## 2.3. Critical accounting estimates and judgements used in the preparation of the financial statements

The IFRS provide a range of accounting policies within which the Board of Directors must make the necessary judgements and estimates to determine the most appropriate accounting treatment.

Given that in many cases there are alternatives to the accounting treatment adopted by the Board of Directors, the results reported by the Bank could have been different if a different treatment had been applied. In the opinion of the Board of Directors, the judgements made are appropriate and the financial statements present fairly, in all material respects, the financial position of the Bank and the results of its operations.

### 2.3.1. Impairment on loans to clients

The Bank regularly reviews its loan portfolios to determine potential expected losses.

The review of the loan portfolio to determine whether an impairment loss should be recognised is subject to various estimates and judgements, including on the existence of

impairment indicators, the probability of default, credit ratings, estimated recoveries and the valuation of existing collateral. See note 3.4 for a detailed description of the process used to calculate credit impairment loss.

### 2.3.2. Taxes on income

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

Differences in interpretation and estimates could result in a different amount of current and deferred income tax being recognised in the period.

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

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

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

### 2.3.3. Pensions and other employee benefits

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

Any change in any of these assumptions could have a material impact on these amounts.

Deconstructed cartographic memory, by Ana Amarante, of W.B. Clarke's 1933 map of the city of Porto, where Casa Carregosa was founded and from which the current Banco Carregosa emerged.



# 3. Risk management

## 3.1. Risk Management Function

Risk management consists of the identification, valuation, measurement, monitoring and control of all material risks to which the Group is exposed, in order to bring the level of exposure into line with the limits set out in the Risk Appetite Statement (RAS).

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

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

ii. remuneration for the risks taken (principle of profitability);

iii. maintaining a financially stable structure.

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

Last but not least, we should highlight the initiatives completed at the beginning of 2022, with a view to ensuring alignment with the requirements of Banco de Portugal Notice 3/2020:

i. the definition of a risk catalogue that includes risk categories and subcategories;

ii. the identification and assessment of risks;

iii. the review of the regulation of the internal control function;

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

## 3.2. Organic Structure of Risk Management

Notwithstanding the extensive management authority delegated by the Board of Directors to the Executive Committee, 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 an annual basis, the strategy to be followed and the policies to be adopted by the Bank in relation to the risks associated with its business, as generally provided for in Banco de Portugal's notices and regulations, in particular in relation to operating, reputational, legal, compliance and credit risks, and for defining the procedures to be implemented to assess, monitor and mitigate such risks. In this regard, the Board of Directors is responsible for approving the key regulatory documents relating to 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 to promote a culture of prudent risk assessment among all departments and employees. However, the Bank also has a structure with specific risk management functions.

This financial risk control and monitoring function is supported by the Asset and Liability Committee (ALCO). This committee meets at least once a month and is composed of the Executive Committee, the heads of Private Banking, Finance, Risk, Sourcing and Management, as well as the heads of Credit and Portfolio Management. At these meetings, recommendations are made on the collection and use of funds, taking into account the risk/return balance.

The Compliance, Risk and Internal Audit functions, which together form the Internal Control Group, are responsible for the day-to-day monitoring of risks and for providing and collating information for the Executive Committee and other relevant bodies.

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 composed of the members of the Executive Committee, the Director of Commercial, the Credit Department Director, the Compliance Director, the Risk Director and the Legal Director. 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 whenever necessary. It is responsible for managing potential or actual serious risk situations and is made up of the Chair of the Executive Committee, who is in charge of team coordination, the members of the Executive Committee, who are responsible for Risk and Finance, the Central Managers and the heads of Finance, Risk, Compliance and Communication, as well as other members invited to participate in functions.

Note also the Accounting and Management Information Department, which is responsible for providing vital information for internal governance.

## 3.3. Material risks

Credit risk, market risk, interest rate risk, operational risk and liquidity risk are considered to be material risks.

## 3.4. Credit risk

Credit risk is the likelihood of a negative impact on earnings or equity due to the inability of a counterpart to meet its financial obligations to the Bank, including any restrictions on the transfer of payments from abroad. Credit risk arises mainly from credit exposures, credit lines, guarantees, derivatives and the Bank's deposits with other credit institutions. Various methods are used to mitigate this risk, in particular the requirement to provide solid and net guarantees, the use of contractual netting arrangements and the identification and recognition of impairments. The

identification of impairments results in a reduction in the value of a particular asset, thereby anticipating a potential or actual loss. The recognition of impairments can be seen as a way of taking into account the credit risk of the operation in question, promoting the adequacy of capital to meet credit risk requirements and the actual funding 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 below:

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Financial assets | | |
| Cash and net assets in central banks and other demand deposits | 276 634 174 | 139 277 147 |
| Financial assets at fair value through profit or loss: | | |
| Financial assets held for trading | 2 012 015 | 4 344 359 |
| Non-trading financial assets mandatorily at fair value through profit or loss | 10 828 441 | 10 783 346 |
| Other financial assets at fair value through profit or loss | – | – |
| Financial assets at fair value through other comprehensive income | 61 368 384 | 69 046 592 |
| Financial assets at amortised cost | 193 943 892 | 150 241 835 |
| Derivatives - Hedge accounting | 110 197 | – |
| Other assets | 8 712 794 | 7 562 346 |
| Non-current assets and disposal groups stated as held for sale | – | 3 051 |
| | **555 942 241** | **381 258 677** |
| Other commitments | | |
| Personal/institutional guarantees | | |
| Guarantees and commitments | 1 031 090 | 2 068 614 |
| Other personal guarantees provided and other contingent liabilities | 27 938 | 27 938 |
| Collateral assets (assets offered as collateral) | 16 770 000 | 18 949 000 |
| Irrevocable commitments | 1 201 791 | 1 051 953 |
| Revocable commitments | 14 724 144 | 9 899 207 |
| | **33 754 964** | **31 996 712** |
| **Maximum exposure** | **589 697 205** | **413 255 390** |

### 3.4.1. Credit risk management policy

The Bank lends exclusively to companies and investors in accordance with the following standard terms and conditions, which it adapts to the needs of each client and each transaction:

i. loans;

ii. escrow accounts (EA);

iii. authorised bank overdrafts;

iv. technical overdrafts arising exclusively from value date differences between debit and credit transactions on the customer's account;

v. bank guarantees, as an off-balance sheet form of potential credit;

vi. credit cards, in 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 mitigate this risk, in particular the requirement to provide solid and net guarantees, the use of contractual netting arrangements, and the calculation and recognition of impairments.

### 3.4.2. Granting of loans

The lending process is the first stage in the analysis of the client's risk profile and of the proposed transaction.

The approval of credit transactions is preceded by the opinions from the Credit, Risk, Compliance and, where appropriate, Legal Departments, which as part of the framework of the credit risk analysis ensure:

i. an assessment of the client's ability to repay, based on a review of the client's activities, financial position (historical, current and prospective) and banking relationship;

ii. a thorough knowledge of the client (and, where appropriate, the relevant economic group), including, where applicable, experience of previous credit relationships;

iii. an assessment of the appropriateness of the characteristics of the operation and the amount and quality of the collateral provided;

iv. the use of a consistent set of risk assessment, criteria and practices, such as rating or scoring models;

v. the assessment of the context of the transaction within the overall credit portfolio, namely the impact of the transaction on impairments, capital and its requirements and major risks;

vi. that the risk assessment is independent, impartial, rigorous and in accordance with the ethical and professional criteria applicable to the Bank;

vii. that it is in accordance with the policies and procedures established and complies with the regulatory requirements to which the Bank is subject.

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

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

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

The measurement of expected credit losses (ECL) now reflects:

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

ii. the time value of money; and

iii. reasonable and supportable information that is readily available at the reporting date without undue cost or effort about past events, current conditions and projections of future economic conditions.

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

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

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

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

The segregation of the loan portfolio and impairment by tiers is shown below, in accordance with the IFRS 9 classification. It should be noted that the Bank has a level of impairment coverage of around 1.5%, 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 significant impact.

| Tier | Credit | Impairments | Hedge (%) |
|---|---|---|---|
| Tier 1 | 37 211 264 | 14 300 | 0.04% |
| Tier 2 | 9 819 535 | 52 100 | 0.53% |
| Tier 3 | 16 194 906 | 985 478 | 6.09% |
| **Total** | **62 225 705** | **1 051 878** | **1.66%** |

## 3.4.4. Identification of low credit risk exposures

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

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

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

ii. multilateral development banks;

iii. international organisations.

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

## 3.4.5. Evidence of impairment by unlikely to pay credit segments

Evidence of impairment is related to the reduced likelihood of payment:

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

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

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

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

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

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

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

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

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

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

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

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

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

v. the institution has called on a guarantee;

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

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

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

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

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

### 3.4.6. Significant increase in credit risk

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

i. changes in internal or external ratings;

ii. changes in external credit risk indicators;

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

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

v. default.

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

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

ii. deferred exposures;

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

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

b. the borrower's name appears on lists of cheque users who are a risk or whose cheques have been dishonoured/uncollected;

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

d. other indications that trigger internal alert levels.

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

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

ii. analysis of the quality of the company's management and, where necessary, the measures taken to mitigate the problems identified.

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

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

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

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

An entity may assume that the credit risk of a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have a low credit risk at the reporting date, and the transaction is therefore 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 in Tier 3.

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

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

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

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

iii. the institution has activated guarantees and collateral;

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

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

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

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

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

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

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

xi. the debtor has filed for bankruptcy or insolvency;

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

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

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

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

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

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

A cure period is considered for financial instruments where the criteria that led to the impairment are no longer met. In particular, a 12-month cure period is applied to instruments in an impairment situation that have been subject to restructuring 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. Internal risk rating policy, specifying the treatment of a borrower classified as being in default

Defaulting clients are analysed by the Credit Committee. A solution that best suits the client's interests is applied, taking into account the client's financial capacity.

## 3.4.10. General description of the calculation of the present value of future cash flows in determining impairment losses

The following factors are taken into account in the calculation of specific impairment:

i. exposure;

ii. estimated business cash flows or other client's cash flows;

iii. cash flow of real estate projects;

iv. expected cash flows associated with the liquidation/ pledging of collateral;

v. estimated cash flows arising from personal guarantees;

vi. cash flows arising from the enforcement of the debtor's financial assets with the bank to settle one-off authorised overdrafts and overdrafts up to 30 days and overdue loans arising from contracted loans or otherwise.

As per Banco de Portugal Circular Letter CC/2018/00000062, haircuts are applied when determining the cash flows generated by guarantees and any costs of forced sale are excluded. If the bank considers that the adjusted market value does not reliably reflect the realisable value of the asset, an additional haircut is applied.

This value is remeasured at the contract discount rate plus any maintenance costs of the underlying asset.

If the transaction does not meet the conditions requiring a specific calculation, or if this results in a null impairment, a general calculation is used.

**Description of the rescue time used for the different segments and reasons for its suitability**

The rescue time is the time elapsed between the occurrence of the loss event and its detection, which can be divided into 2 moments:

i. the first moment when the information becomes known;

ii. the second moment, at a later date, when indicators are obtained that prove the existence of objective evidence of impairment.

Banco Carregosa uses indicators of potential impairment, allowing it to quickly anticipate any deterioration in the solvency of its clients, such as abnormal balances, difficulties in meeting obligations, changes in PDs, etc.

## 3.4.11. Monitoring of the loan portfolio

The monitoring of the loan portfolio is essential for anticipating pre-default situations, enabling the Bank to:

i. identify the factors that indicate a deterioration in the client's creditworthiness;

ii. define solutions for renegotiating the debt.

The Supervisory Committee regularly monitors the lending process.

## 3.4.12. Credit recovery

In the event of a loan default, measures are taken to recover the loan. In the case of private loans, the special PARI/PERSI schemes 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 certain segments and the nature of its target clients, its loan portfolio is expected to have a small number of large and somewhat concentrated transactions. The Risk Department analyses the concentration of the loan portfolio in the following dimensions:

i. significant exposures to a single counterparty or 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 default results from common underlying factors, namely:

   a. economic sector,

   b. geographical area,

   c. currency; and

   d. the nature of the activity or product, i.e. the 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 by geographical concentration, i.e. concentration by country risk:

| PRA Sectors | | Exposure | % |
|---|---|---|---|
| 1 | Agriculture, forestry and fishing | 170 565 | 0.00% |
| 2 | Construction | 6 831 397 | 1.70% |
| 3 | Financial industry (bank and non-bank) | 77 705 621 | 19.70% |
| 4 | Real estate (commercial) | 26 180 481 | 6.60% |
| 5 | Manufacturing | – | 0% |
| 6 | Mining and quarrying | – | 0% |
| 7 | Wholesale and retail trade | 9 124 351 | 2.30% |
| 8 | Services and other | 123 672 429 | 31.30% |
| 9 | Transport, storage and utilities | 910 375 | 0.2% |
| | **Sub-total** | **244 595 219** | **61.90%** |
| | Private | **24 268 033** | **6.1%** |
| | **Total** | **268 863 252** | **68.1%** |
| | **Total Assets** | **56 788 887** | **100.00%** |

### 3.4.14. Policy on the write-off of loans (write-off of assets)

In accordance with EBA/GL/2017/06, a write-off of a loan occurs when all of the following conditions are met:

i. the loan has been in arrears for more than 24 months;

ii. loan for which an impairment loss has been recognised in full.

If the conditions for the write-off are met, the Credit Department must prepare a proposal for the application of the write-off, which must be submitted to the relevant authorities for approval, with the final decision being taken by the Credit Committee. If there are no tax consequences, non-performing loans that have been overdue for more than 24 months and for which an impairment loss of the same amount has been recognised (and accepted for tax purposes) must be removed from the balance sheet.

### 3.4.15. Impairment reversal policy

Impairment is reversed when there is:

i. a significant improvement in the client's ability to pay that has a positive impact on their credit rating;

ii. increase in collateral.

Under these conditions, a new impairment is calculated which directly reverses the previous impairment.

### 3.4.16. Description of the restructuring measures applied and the associated risks, as well as the control and monitoring mechanisms

A loan is restructured when the terms of the contract are changed. For this purpose, a note must be added stating "loan restructured 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 account the current situation of the client and be in the best interest of Banco Carregosa, in accordance with the client's financial capacity.

### 3.4.17. Description of the valuation process and collateral management

#### Mortgage guarantees

##### Valuation

Mortgage guarantees are valued by an appraiser registered with the CMVM, who is responsible for drawing up a report on the property – the valuation report – in accordance with the CMVM's rules on valuation criteria and appraisers.

**Revaluation and review**

Mortgage guarantees are valued by independent and certified appraisers on a two-year basis, unless this is contrary to the provisions of Article 208 of the CRR, namely:

i. frequent review of the value of the properties, at least once a year for commercial properties and once every three years for residential properties. More frequent reviews should be carried out in the event of significant changes in market conditions;

ii. the valuation of the property shall be reviewed whenever the Bank has information indicating that the value of the property has declined significantly in relation to general market prices, and such review shall be carried out by an appraiser with the necessary qualifications, skills and experience and who is independent of the credit decision process. For loans exceeding €3 million or 5% of the Bank's own funds, the property valuation shall be reviewed by such an appraiser at least every three years.

In the event of exceptional 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 an 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 considerably, with the Bank generally adopting, for legal entities, the legal regime for financial guarantee contracts set out in Decree-Law No 105/2004 of 8 May, which transposes into national law Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements. For natural persons, the Bank adopts mechanisms that lead to similar results.

Under IFRS 9, the recalculation of the ECL amount, excluding the underlying collateral, results in a total amount of €13 604.236 as at December 2021.

Quantitative disclosures

Information on loans and advances to customers at 31 December 2021 and 2022 is as follows.

## a) Breakdown of exposures and related impairment

### 2022

a.1)

| | Exposure as at 31/12/2022 | | | |
|---|---|---|---|---|
| **Segment** | **Exposure Total** | **Compliant loans** | **Settled** | **Structured** |
| Construction & CRE | 30 553 772 | 26 515 153 | | |
| Corporate | 11 539 758 | 7 766 587 | | |
| Bank guarantees | 1 071 620 | 1 071 620 | | |
| Private | 13 939 428 | 11 653 207 | | |
| Non-contractualised | 6 121 127 | 2 177 | | |
| **Total** | **63 225 705** | **47 008 743** | | **–** |

a.2)

| | Total exposure as at 31/12/2022 | | | |
|---|---|---|---|---|
| | | Compliant loans | | |
| | | Days in arrears < 30 | | |
| **Segment** | **Total exposure 31/12/2021** | **No evidence** | **With evidence** | **Sub-total** |
| Construction & CRE | 30 553 772 | 26 515 153 | | 26 515 153 |
| Corporate | 11 539 758 | 7 766 587 | | 7 766 587 |
| Bank guarantees | 1 071 620 | 1 071 620 | | 1 071 620 |
| Private | 13 939 428 | 11 653 207 | | 11 653 207 |
| Non-contractualised | 6 121 127 | 2 177 | | 2 177 |
| **Total** | **63 225 705** | **47 008 743** | **–** | **47 008 743** |

### 2021

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 31/12/2022 | | |
|---|---|---|---|---|
| Defaulting loans | Structured | Total impairment | Compliant loans | Defaulting loans |
| 4 038 619 | 4 038 619 | 227 378 | 5 123 | 222 255 |
| 3 773 171 | 1 579 193 | 312 561 | 9 030 | 303 532 |
| | | – | – | |
| 2 286 221 | 2 286 221 | 104 327 | 53 146 | 51 181 |
| 6 118 950 | 5 162 873 | 407 612 | – | 407 612 |
| **16 216 962** | **13 066 906** | **1 051 878** | **67 299** | **984 580** |

| | | Total exposure as at 31/12/2022 | | |
|---|---|---|---|---|
| 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 |
| 4 038 619 | – | 227 378 | 5 123 | 222 255 |
| 3 594 596 | 178 576 | 312 561 | 9 030 | 303 532 |
| – | | – | – | |
| 2 286 221 | – | 104 327 | 53 146 | 51 181 |
| 3 121 586 | 2 997 364 | 407 612 | – | 407 612 |
| **13 041 022** | **3 175 940** | **1 051 878** | **67 299** | **984 580** |

| | | 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 exposure 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** |

## b) Breakdown of loan portfolio by segment and year of production

2022

| | Corporate | | | Construction & CRE | | |
|---|---|---|---|---|---|---|
| Year of production | No. of transactions | Amount | Impairment | No. of transactions | Amount | Impairment |
| 2021 | 2 | 2 175 960 | 2 805 | 3 | 970 741 | 0 |
| 2022 | 6 | 2 557 880 | 14 310 | 11 | 9 146 808 | 0 |
| **Total** | **8** | **4 733 840** | **17 114** | **14** | **10 117 550** | **0** |

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** |

*Includes Bank Guarantees in the segments “Corporate” and “Construction & CRE”.

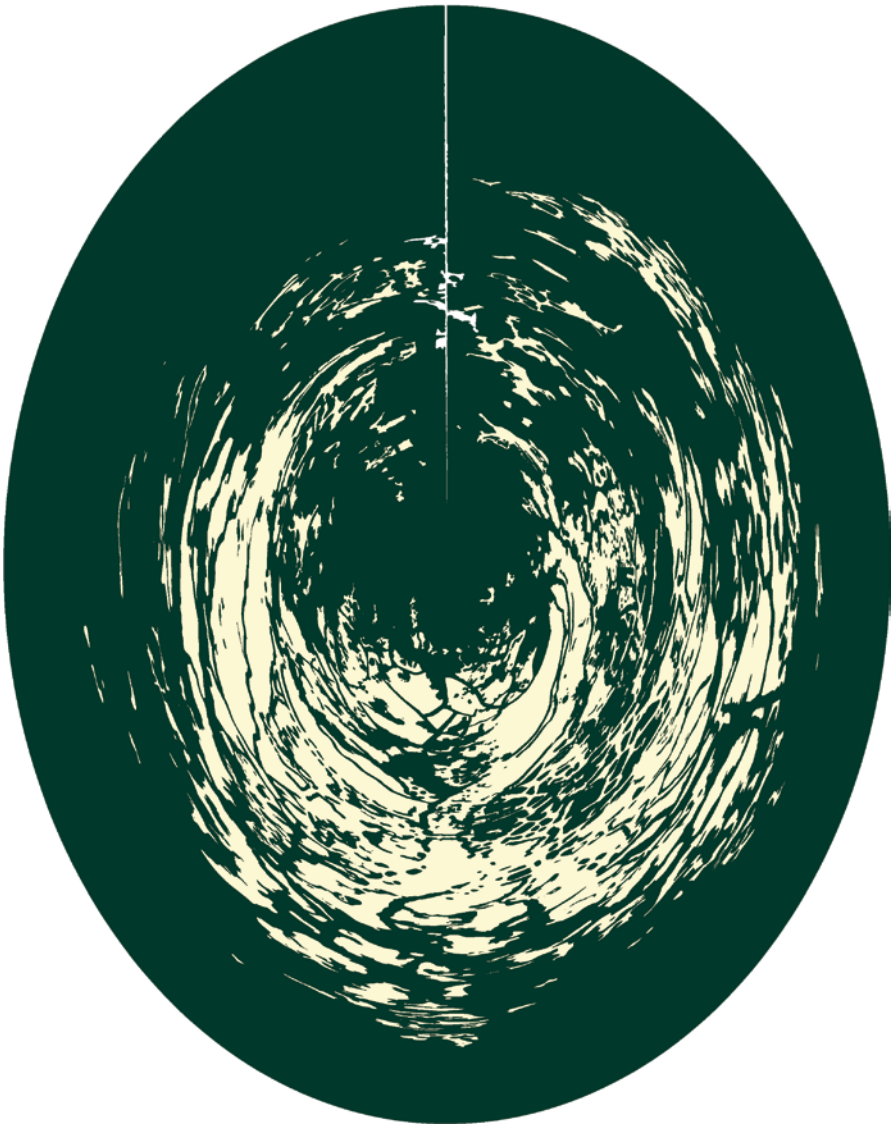
## c) Breakdown of gross loan exposure and impairment evaluated specifically and in general[3], by segment, sector, and geographical area

### c. 1) By segment

| 31/12/2022 | Construction & CRE | | Corporate | | Bank guarantees | |
|---|---|---|---|---|---|---|
| | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| Separate valuation | 30 553 772 | 227 378 | 11 539 758 | 312 561 | 1 071 620 | – |
| **Total** | **30 553 772** | **227 378** | **11 539 758** | **312 561** | **1 071 620** | **–** |

| 31/12/2021 | Construction & CRE | | Corporate | | Bank guarantees | |
|---|---|---|---|---|---|---|
| | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| Separate valuation | 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** |

3 In order to provide more disaggregated information, taking advantage of the structure defined in BdP Circular Letter 2/2014, it is assumed that all loan operations are subject to an individual impairment calculation. However, 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.



Deconstructed cartographic memory, by Ana Amarante, of W.B. Clarke's 1933 map of the city of Porto, where Casa Carregosa was founded and from which the current Banco Carregosa emerged

| Private | | Non-contractualised | | Total | |
|---|---|---|---|---|---|
| Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| 13 939 428 | 104 327 | 6 121 127 | 407 612 | 63 225 705 | 1 051 878 |
| **13 939 428** | **104 327** | **6 121 127** | **407 612** | **63 225 705** | **1 051 878** |

| Private | | Non-contractualised | | Total | |
|---|---|---|---|---|---|
| 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** |

### c. 2) By sector of activity

**2022**

| 31/12/2022 | Corporate offices and management advisory activities | | Advisory, scientific, technical and related activities | | Human health activities | |
|---|---|---|---|---|---|---|
| | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| Separate valuation | 965 605 | 2 660 | 259 032 | 178 558 | 110 768 | 1 494 |
| **Total** | **965 605** | **2 660** | **259 032** | **178 558** | **110 768** | **1 494** |

| 31/12/2022 | Agriculture, livestock production, hunting, forestry and fisheries | | Accommodation | | Letting of own property | |
|---|---|---|---|---|---|---|
| | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| Separate valuation | 177 395 | 6 829 | 1 997 888 | 52 326 | 971 322 | 0 |
| **Total** | **177 395** | **6 829** | **1 997 888** | **52 326** | **971 322** | **0** |

| 31/12/2022 | Hotels without restaurant | | Not applicable | | Other business and management consultancy activities | |
|---|---|---|---|---|---|---|
| | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| Separate valuation | 0 | 0 | 15 040 728 | 206 842 | 1 711 205 | 2 805 |
| **Total** | **0** | **0** | **15 040 728** | **206 842** | **1 711 205** | **2 805** |

| 31/12/2022 | Other financial intermediation not mentioned elsewhere, except insurance and pension funding | | Other activities of membership organisations | | Real estate development (development of building projects); building construction | |
|---|---|---|---|---|---|---|
| | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| Separate valuation | 0 | 0 | 42 532 | 0 | 4 479 168 | 129 355 |
| **Total** | **0** | **0** | **42 532** | **0** | **4 479 168** | **129 355** |

**2021**

| 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 valuation | 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 valuation | 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 valuation | 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** |

| Sports and recreational activities | | Real estate activities | | Public Administration and Defence; Compulsory Social Security | |
|---|---|---|---|---|---|
| Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| 95 333 | 0 | 30 834 931 | 316 308 | 1 408 990 | 2 260 |
| **95 333** | **0** | **30 834 931** | **316 308** | **1 408 990** | **2 260** |

| 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 |
| 464 755 | 0 | 1 272 845 | 56 896 | 1 393 329 | 94 326 |
| **464 755** | **0** | **1 272 845** | **56 896** | **1 393 329** | **94 326** |

| Other extractive industries | | Activities of holding companies | | Manufacture of furniture for other purposes | |
|---|---|---|---|---|---|
| Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| 0 | 0 | 999 880 | 1 218 | 1 000 000 | 0 |
| **0** | **0** | **999 880** | **1 218** | **1 000 000** | **0** |

| Total | |
|---|---|
| Exposure | Impairment |
| 63 225 705 | 1 051 878 |
| **63 225 705** | **1 051 878** |

| 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. 3) By geography

2022

| 31/12/2022 | Portugal | | Angola | | São Tomé and Principe | |
|---|---|---|---|---|---|---|
| | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| Separate valuation | 60 429 009 | 1 035 609 | 2 258 552 | 2 260 | 538 143 | 14 009 |
| **Total** | **60 429 009** | **1 035 609** | **2 258 552** | **2 260** | **538 143** | **14 009** |

2021

| 31/12/2021 | Portugal | | Belgium | | Angola | |
|---|---|---|---|---|---|---|
| | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| Separate valuation | 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** |

### d) Breakdown of the restructured loans portfolio by restructuring measure applied

| 2022 | Compliant loans | | | Defaulting loans | | |
|---|---|---|---|---|---|---|
| Medida | No. of transactions | Exposure | Impairment | No. of transactions | Exposure | Impairment |
| Extension of deadline | 0 | 0 | 0 | 20 | 13 066 906 | 691 732 |
| Grace period | | | | | | |
| Reduction of rate | | | | | | |

| 2021 | Compliant loans | | | Defaulting loans | | |
|---|---|---|---|---|---|---|
| Medida | 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 | | | | | | |

| Total | |
|---|---|
| Exposure | Impairment |
| 63 225 705 | 1 051 878 |
| **63 225 705** | **1 051 878** |

| France | | Total | |
|---|---|---|---|
| Exposure | Impairment | Exposure | Impairment |
| 6 | 6 | 68 318 550 | 1 886 971 |
| **6** | **6** | **68 318 550** | **1 886 971** |

| | Total | |
|---|---|---|
| No. of transactions | Exposure | Impairment |
| 20 | 13 066 906 | 691 732 |

| | Total | |
|---|---|---|
| No. of transactions | Exposure | Impairment |
| 13 | 12 413 550 | 713 173 |

## e) Inward and outward flows in the restructured loan portfolio

| | 31/12/2022 |
|---|---|
| **Opening balance of the restructured loan portfolio (gross of impairment)** | 12 413 550 |
| 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 | 653 356 |
| **Closing balance of the restructured loan portfolio (gross of impairment)** | **13 066 906** |

| | 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** |

### f) Breakdown of the fair value of collateral underlying the loan portfolio of the Corporate, Construction & CRE and Housing segments

| | Construction & CRE | | | | Corporate | | | |
|---|---|---|---|---|---|---|---|---|
| 31/12/2022 | 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 | | | |
|---|---|---|---|---|---|---|---|---|
| 31/12/2021 | 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** |

*Example: shares, bonds, deposits, material assets.

## g) LTV ratio of segments

### 2022

| Segment/Ratio | Compliant loans | Defaulting loans | Impairment |
|---|---|---|---|
| Retail | | | |
| With no associated collateral | | | |
| <60% | 7 223 019 | 2 127 861 | 41 956 |
| >=60% and <80% | 1 794114 | | 0 |
| >=80% and <100% | 345 460 | | 0 |
| >=100% | 2 290 614 | 158 361 | 52 757 |
| Construction & CRE | | | |
| With no associated collateral | | | |
| <60% | 22 819 345 | 579 791 | 23 210 |
| >=60% and <80% | 1613 570 | 3 458 828 | 204 168 |
| >=80% and <100% | 1030 360 | | 0 |
| >=100% | | | |
| Corporate | | | |
| With no associated collateral | | | |
| <60% | 2 946 257 | 965 605 | 2 660 |
| >=60% and <80% | 0 | 1 272 845 | 56 896 |
| >=80% and <100% | 1 080 335 | 1 356 146 | 66 635 |
| >=100% | 3 739 995 | 178 576 | 195 983 |
| Non-contractualised | | | |
| With no associated collateral | | | |
| <60% | | 815 522 | 19 038 |
| >=60% and <80% | | 4 317 115 | 184 548 |
| >=80% and <100% | | | |
| >=100% | 2 177 | 986 313 | 204 027 |
| Guarantees | | | |
| With no associated collateral | | | |
| <60% | 481 750 | | |
| >=60% and <80% | 15 568 | | |
| >=80% and <100% | 574 302 | | |
| >=100% | | | |
| **Total** | **45 956 865** | **16 216 962** | **1 051 878** |

2021

| Segment/Ratio | Compliant loans | Defaulting loans | Impairment |
|---|---|---|---|
| Retail | | | |
| 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** |

## h) Breakdown of the fair value and net book value of property received as payment in kind, by type of asset and seniority

| | 31/12/2022 | | |
|---|---|---|---|
| **Assets** | **No. of properties** | **Asset fair value** | **Book value** |
| Land | | | |
| Urban | 1 | 119 000 | 85 680 |
| | **1** | **119 000** | **85 680** |

| | 31/12/2021 | | |
|---|---|---|---|
| **Assets** | **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

| 31/12/2022 | Low risk degree | | | Medium risk degree | | | |
|---|---|---|---|---|---|---|---|
| **Segment** | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| Construction & CRE | | | 17 800 | 5 011 171 | 4 096 237 | 2 310 099 | 6 690 426 |
| Corporate | | | | | 4 200 652 | 42 532 | |
| Private | | | | | 2 540 787 | 760 438 | 1 152 772 |
| Bank guarantees | | | | | 589 870 | | 42 823 |
| Non-contractualised | | | | | 0 | | 2 177 |
| **Total** | **–** | **–** | **17 800** | **5 011 171** | **11 427 545** | **3 113 070** | **7 888 198** |

| 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”.

Deconstructed cartographic memory, by Ana Amarante, of W.B. Clarke's 1933 map of the city of Porto, where Casa Carregosa was founded and from which the current Banco Carregosa emerged.

| High risk degree | | | | Non-compliant | | Total |
|---|---|---|---|---|---|---|
| 8 | 9 | 10 | 11 | 12 | 13 | |
| 5 254 400 | 2 834 979 | 300 041 | 4 038 619 | | | 30 553 772 |
| 2 577 002 | 2 187 402 | | 3 594 596 | | 178 576 | 12 780 759 |
| 163 593 | 6 754 158 | 281 458 | 1 045 220 | | | 12 698 427 |
| | 438 927 | | | | | 1 071 620 |
| | 0 | | 3 121 586 | 2 967 674 | 29 690 | 6 121 127 |
| **7 994 994** | **12 215 466** | **581 499** | **11 800 021** | **2 967 674** | **208 266** | **63 225 705** |

| 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** |

## j) Disclosure of risk parameters associated with the impairment model by segment

| 2022 | Impairment | | | |
|---|---|---|---|---|
| | PD (%) | | | |
| Segments | < 30 days with no evidence | < 30 days with evidence | Between 30-90 days | LGD (%) |
| Construction & CRE | 0% | 21% | 21% | 0% |
| Corporate | 1% | 29% | 29% | 0% |
| Guarantees | 0% | 0% | 0% | 0% |
| Private | 4% | 5% | 5% | 0% |
| Non-contractualised | 0% | 39% | 39% | 0% |

| 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% |
| Guarantees | 0% | 0% | 0% | 0% |
| Private | 3% | 6% | 6% | 0% |
| Non-contractualised | 0% | 51% | 51% | 0% |

## 3.5. Market Risk

Market risk is the risk of adverse movements in the market prices of banking and trading portfolio instruments, including interest rates, foreign exchange rates, equity prices and commodity prices, having an adverse effect on earnings or capital.

This risk is primarily associated with the trading portfolio, which consists of short-term positions held by the Bank in a speculative logic, although it also affects other own portfolios of the Bank.

Indirectly, this type of risk has an impact on assets held in custody, assets under management, and assets traded, and can lead to a reduction in the Bank's revenue. Combined with credit risk and liquidity risk, it can lead to losses on the execution of credit guarantees.

The Bank invests in the financial markets through its 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 valued by Coolbiz (the Bank's back-office application) according to market price updates. For accounting purposes, the held-to-maturity portfolio is carried at amortised cost and the rest at fair value. Unrealised gains or losses are recognised in reserves for available-for-sale assets and in profit or loss for other assets.

For regulatory purposes, market risk capital requirements apply to the trading portfolio.

The two-week historical VaR method, with a 99.9% confidence interval and a one-year time horizon, is used to determine the capital requirements for hedging the market risk of the trading book.

The time parameters of the model 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. With regard to the confidence interval, point (b) of the aforementioned article refers to 99%. However, in order to be consistent with its risk appetite vision, the Bank adopts 99.9% for the confidence interval, which is much more conservative than the regulatory order:

| | 2022 | 2021 |
|---|---|---|
| VaR trading book | 320 023 | 68 285 |

Foreign exchange risk is the likelihood of a negative impact on the Bank's results or equity due to adverse changes in the Bank's balance sheet caused by exchange rates used for translation into the functional currency or due to changes in the Bank's competitive position caused by significant changes in exchange rates. This risk is analysed for all positions denominated in currencies other than the euro.

The negative impact of short-term exchange rate fluctuations usually results from the institution's trading activities. Indirectly, this risk affects the guarantees received in foreign currencies and the portfolio management and financial intermediation activities.

In terms of currency mismatch, the residual exchange rate risk at December 2021 was €478 692.

For prudential purposes, the Bank uses the general risk assessment method set out in Regulation (EU) No 575/2013. Whenever net positions exceed 2% of total own funds, the Bank assesses the capital requirements for foreign exchange risk.

The position at risk is the sum of the net positions in currencies other than the euro and in collective investment undertakings where the positions are not broken down. As at 31 December 2022, the regulatory capital for foreign exchange risk amounts to €478 692, as shown in the table below:

| Currency | 2021 | 2020 |
|---|---|---|
| **CAD** | 72 072.29 € | 87 280.00 € |
| **SEK** | 71 997.70 € | 77 286.00 € |
| **PLN** | 50 897.76 € | 7 515.00 € |
| **CHF** | 0.00 € | 49 005.00 € |
| **HKD** | 0.00 € | 178.00 € |
| **GBP** | 0.00 € | -1 543 120.00 € |
| **DKK** | 7 496.61 € | 7 960.00 € |
| **SGD** | 3 050.70 € | 1 415.00 € |
| **NZD** | 0.00 € | 558.00 € |
| **BRL** | 0.00 € | 592.00 € |
| **ZAR** | 0.00 € | 80.00 € |
| **RUB** | 31.39 € | 42.00 € |
| **CHE** | 0.00 € | 0.00 € |
| **JPY** | 0.00 € | 11 435.00 € |
| **AUD** | 1 389.86€ | 81 417.00 € |
| **NOK** | 0.00 € | -293 701.00 € |
| **USD** | 176 231.03 € | 2 130 068.00 € |
| **Other** | 95 524.96 € | 0.00 € |
| **Total** | **478 692.30 €** | **618 010.00 €** |

## 3.6. Interest Rate Risk

Interest rate risk is the probability that adverse changes in interest rates will have a negative impact on the Bank's results or equity and relates to balance sheet items other than trading portfolios, but includes off-balance sheet items. It results from the combination of basis risk, yield curve risk, repricing risk and option risk. The concepts underlying each subtype of interest rate risk are as follows:

i. basis risk – the risk arising from interest rates on assets being linked to different indices than the interest rates on liabilities;

ii. yield curve risk – the risk arising from adverse movements in different segments of the yield curve, which can result in losses when assets and liabilities are located in different segments of the curve in different proportions;

iii. repricing risk – the risk arising from different assets and liabilities being re-indexed at different times and at different rates;

iv. option risk – the risk arising from the option inherent in some assets and liabilities. Option risk is the risk arising from embedded options in balance sheet and off-balance sheet items.

BdP Instruction 3/2020 repealed BdP Instruction 34/2018.

In turn, Instruction 34/2018 had introduced a different approach to the treatment of cash flows, in particular with regard to the floating rate position, compared to that of Instruction 19/2005, which it repealed. The main changes now introduced by Instruction 3/2020 relate to more sophisticated scenarios in terms of yield curves and the introduction of additional reporting maps.

For prudential purposes, the Bank uses the general risk assessment method set out in Regulation (EU) No 575/2013. It also ensures compliance with BdP Instruction 34/2018 and its update, BdP Instruction 03/2020, which consists of standardised reporting on the exposure of the Bank's portfolio to interest rate risk and the impact of sudden and unexpected changes in interest rates on the variation of economic value and financial margins.

## 3.7. Operational Risk

Operational risk is the loss resulting from the inadequacy or failure of procedures, people, internal systems or external events, as well as legal risks, as defined in EU Regulation No 575/2013. Operational risk is assessed at two different levels: technical and organisational. At the technical level, Banco Carregosa has also chosen to invest heavily in IT. As a result of this strategy, the Bank has a solid computer system that is highly flexible and reliable for the Bank's operational processes. The Bank's information systems contain sensitive and confidential private financial and personal data. Only Banco Carregosa staff may have access to these systems, with

the exception of subcontracted staff, within an appropriate framework, who are involved in the design or operation of the system, or whose work involves the recording, verification or consultation of this data. This privilege is based on trust and good faith and is duly documented. At an organisational level, and in particular in terms of the means and form of reporting, risk monitoring and related rules and policies, the Bank has had to redefine and find a new balance between commercial interests and the risks involved.

To monitor the risk, a model is in place that allows the Bank to:

i. identify process risks without regard to existing controls (inherent risk);

ii. assess the risk exposure of different processes, taking into account the influence of existing controls (residual risk);

iii. identify the impact of opportunities for improvement in reducing the more significant risks (objective risk.

Other arrangements are in place to mitigate operational risk, in particular internal reporting, contingency plans, business continuity plan, internal audit activities and staff training plans. To date, the loss history is not significant in relation to the volume of transactions and/or total income of the Bank.

## 3.8. Liquidity Risk

Liquidity risk reflects the Bank's potential inability to meet its obligations as they fall due without incurring significant losses as a result of a deterioration in funding conditions (funding risk) and/or the sale of its assets below market value (market liquidity risk).

The Basel Committee published the definition of the Liquidity Coverage Ratio (LCR) in 2014, and subsequently the Delegated Act of the European Commission was adopted, introducing new metrics and calculation criteria to be implemented in the European Union, in accordance with Directive No 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on the access to the activity of credit institutions and the supervision of credit institutions and investment firms (Capital Requirements Directive, or CRD IV) and 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 EU Regulation No 575/2013 of the European Parliament and of the Council of 26 June 2013 on the prudential requirements for credit institutions and for investment companies (Capital Requirements Regulation or CRR).

Banco Carregosa favours deposits with the Central Bank, other credit institutions and tradable securities in order to avoid liquidity shortages.

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

Allocation of assets, liabilities and off-balance sheet items;

i. estimates of minimum capital requirements;

ii. counterparty concentration;

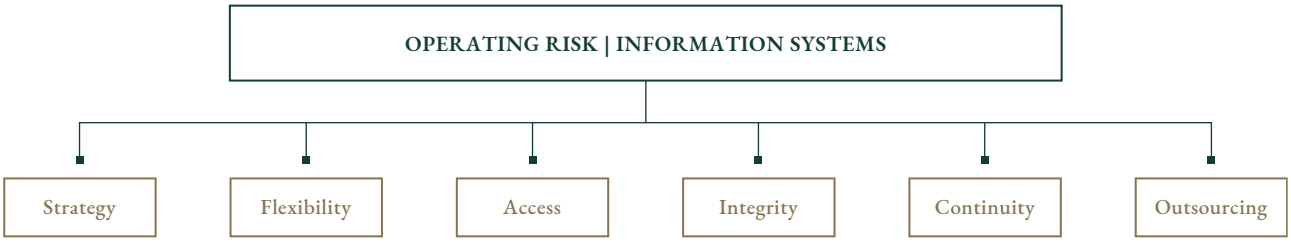
iii. liquidity profile;

iv. other prudential indicators.

ALCO analyses the mismatch between asset and liability transactions on a monthly basis and proposes changes/ corrections to maturities.

## 3.9. Information System Risks

Information systems risk is the likelihood of a negative impact on the Bank's profit and loss or equity resulting from the inability of the information systems to prevent unauthorised access, to ensure data integrity or to continue operations in the event of failure, or from the pursuit of an inadequate strategy in this area, resulting, for example, in the inability of the information systems to meet new requirements. This is systematised in the table below, which also indicates the main factors affecting each of the risks identified.




| 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 the information systems policies; |
| | – Management and resource support for the strategy and information systems policies. |
| **Flexibility** | – Flexibility and upgradeability; |
| | – Time required for upgrades and maintenance. |
| **Access** | – Identification of functions and responsibilities as the basis for granting differentiated access; |
| | – Access to the record of the user who performed a particular process or task; |
| | – Efficiency and appropriateness of the authorisation process; |
| | – Robustness of protection and security mechanisms. |
| **Integrity** | – Completeness, accuracy, consistency, relevance and timeliness of information; |
| | – Compliance with regulatory requirements and internally defined parameters; |
| | – Level and standardisation of manual intervention; |
| | – Level of virus infections. |
| **Continuity** | – Availability of information and information processing systems during business hours; |
| | – Delays in recovering information and resuming information processing after a failure; |
| | – Adequacy of the contingency plan to IT risks. |
| **Outsourcing** | – Existence and significance of outsourcing contracts; |
| | – Duration of relationship and credibility of outsourced companies; |
| | – Transparency of contractual relationships with outsourced companies; |
| | – Rotation and quality control of resources used by outsourced companies; |
| | – Confidentiality of information provided to or handled by outsourced companies; |
| | – Ease and cost of detecting errors or mistakes made; |
| | – Degree of the Bank's control over the quality of the outsourced companies' activities; |
| | – Level of completion of services and ease of replacement. |
| | – Existence and significance of outsourcing contracts; |
| | – Duration of relationship and credibility in the market of outsourced companies; |
| | – Transparency of contractual relationships with outsourced companies; |
| | – Confidentiality of information provided to or handled by outsourced companies; |
| | – Ease and cost of detecting errors or mistakes made; |
| | – Degree of the Bank's control over the quality of the outsourced companies' activities; |
| | – Level of completion of services and ease of replacement. |

Information systems contain private and personal financial data that are considered sensitive and confidential. Access to these systems is restricted exclusively to the Bank's staff and to sub-contracted staff who are involved in the development or operation of the systems, or whose work involves the recording, verification or recovery of such data, in accordance with prior appropriate rules. Some one-off situations involving sub-contracted service providers (outsourcing) are subject to the same restrictions as those applicable to the Bank's staff.

Recognising that information is a valuable asset, the Bank has implemented sophisticated security and back-up systems at the communications level, including the necessary levels of redundancy of equipment and communication lines.

To support the existing system, the Bank's IT structure and use is governed by a Computer Use Policy, which is known to all employees. The Bank also has sophisticated redundancy and contingency systems in place.

We have identified four main related risks, which are described below.

i. first, those related to information system assets (hardware) and the corresponding physical response, which is addressed in the set of operational risks related to the Bank's assets. All other systems are the responsibility of the first line suppliers and it is up to them to ensure continuity of operations.

ii. second, risks related to the security and integrity of information have been considered. These are subject to specific procedures, through the security infrastructure implemented and also through 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 a particular impact on market activities, where the logic of availability and real-time response is crucial. For other activities, although of greater financial importance, such as lending or even securities management, this is less relevant.

   a. on the one hand, it has strengthened its redundancy mechanisms at the level of infrastructures and now has a very comfortable solution that should allow it to reduce periods of unavailability;

   b. on the other hand, service providers have diversified so that there are now redundant services that are used on a recurring basis, not just on an occasional basis, to provide effective back-up at very similar costs.

iv. fourth, in the area of information systems, the question of outsourcing is of particular importance and, in the case of the Bank, the following options coexist:

   a. on the one hand, it has strengthened its redundancy mechanisms at the level of infrastructures and now has a very comfortable solution that should allow it to reduce periods of unavailability;

   b. on the other hand, service providers have diversified so that there are now redundant services that are used on a recurring basis, not just on an occasional basis, to provide effective back-up at very similar costs.

## 3.10. Compliance Risk

Compliance risk is the likelihood of adverse impact on the Bank's results or capital resulting from breaches or non-compliance with laws, regulations, contracts, codes of conduct, established practices or ethical principles. They may result in legal or regulatory sanctions, reduced business opportunities, reduced potential for expansion or the inability to meet obligations. This risk arises from a variety of circumstances, listed in the table below, and has an impact on reputational risk, which is dealt with in a separate topic.




| Risk levels | Relevant factors |
|---|---|
| **Compliance with laws and regulations** | – Compliance with standards governing the activity, namely legal and regulatory requirements, including tax requirements; |
| | – Accuracy, rigour, completeness and compliance with reporting periods; |
| | – Truthfulness and accuracy of statements and tax calculations; |
| | – Ability to anticipate changes in tax regulations; |
| | – Enforcement of sanctions or legal proceedings for non-compliance, in particular by regulatory authorities, other activity regulators and tax authorities. |
| **Information reporting** | – Change in reporting obligations; |
| | – Ability to monitor reporting obligations; |
| | – Correct identification of information and form of reporting required; |
| | – Ability to process information. |
| **Compliance with codes of conduct** | – Respect for practices, procedures and policies through ethical principles and established practices; |
| | – The comprehensiveness of the Code of Conduct and of various principles and ethical rules, including precise and clear rules of conduct, in particular the duty of confidentiality, conflicts of interest, the use of privileged information and other rules related to organisational culture; |
| | – General knowledge and understanding of the Code of Conduct by employees and staff; |
| | – The Bank's appreciation of the integrity of its staff, as reflected in selection criteria and institutional training programmes; |
| | – Punishment of violations within the limits of the law. |
| **Transparency** | – Compliance with disclosure requirements; |
| | – Level of transparency, as evidenced by the voluntary availability of information, either on the website, at the Bank's premises, or to be sent to interested parties; |
| | – Willingness to provide information to the authorities, including on the basis of informal contacts; |
| | – Availability of the "right" information to clients and other counterparties, either at the outset of the relationship or subsequently. |
| **Money laundering and terrorist financing** | – Failure to comply with anti-money laundering regulations and sanctions; |
| | – The development of business areas commonly associated with money laundering and their relevance to the institution's overall business; |
| | – The money laundering risk profile of customers and counterparties; |
| | – The geographical areas in which the institution operates. |

The Bank pays particular attention to compliance risk, not so much because of its financial impact, but because of its determination to comply with all legal requirements. For this reason, there is a constant effort to improve the skills of the Compliance Department staff and to strengthen the technical resources available to it, providing specific tools for searching for sanctioned entities or politically exposed persons, as well as resources for monitoring communications via Bloomberg. However, the Bank considers that the monitoring of this risk is not the sole responsibility of the Compliance Department.

The analysis of the adequacy and compliance of procedures depends on the contributions of all departments, which are responsible for identifying potential improvements and situations of non-compliance with previously established procedures.

The Compliance Department is responsible for the management of incidents (complaints, suggestions or requests for clarification from clients). On the basis of 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, it is also necessary to highlight the training measures proposed by the PCD (People and Culture Department).

All the Bank's contracts follow standardised models drawn up by the Legal Department, with the intervention and monitoring of the Compliance Department. In managing its responsibilities towards third parties, the Bank pays particular attention to the proper execution of contracts, especially in the account opening process, where clear verification and approval procedures have been defined. Whenever the Bank deems it necessary, due to the nature of the counterparties, to reinforce its identification and due diligence obligations, the files are subject to prior review by the Compliance Department.

The Bank allocates economic capital to this risk by estimating the potential loss resulting from a serious event, namely fines for non-compliance. This value is validated with the Compliance Department. In order to assess the appropriateness of the allocated capital, the published history of fines imposed by the supervisory authorities – BdP and CMVM – is reviewed, using the historical basis of administrative offences as a support for the estimate.

Therefore, we have used the information available on BdP's website4, which shows the analysis of 146 cases between 2016 and 2020 (5 years). From this base, case 102/14/CO, concerning Cash Económica Montepio Geral, has been removed due to the disproportion of situations and values, keeping all the remaining cases, not applying any other principle of proportionality.

## 3.11. Capital Management

With regard to capital management, the Bank seeks to ensure an appropriate level of solvency and profitability in accordance with the objectives and risk appetite policy defined by the Board of Directors, and is therefore a critical aspect of the institution's approach to stable and sustainable management. Capital management is defined in the Bank's annual RAS, which sets a number of limits that allow the activity to be controlle.

### Management practices

Capital management policies and practices are defined according to the strategic business objectives and the level of risk appetite set by the Board of Directors. In order to determine the appropriate level of capital, both in terms of quantity and quality, Banco Carregosa has implemented a capital management model based on the following principles:

i. ongoing monitoring of regulatory capital requirements;

ii. annual review of risk appetite;

iii. setting appropriately measured business objectives in capital planning.

In addition to the regulatory requirements, the Bank has established a recovery plan as an integral part of its capital management process, which defines the decision-making protocol applicable to crisis management, as well as the pre-defined actions and strategies for responding to events, some of which may have a negative impact on capital.

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

The ICAAP is an essential tool for defining the Bank's strategy and for monitoring the consequences of its implementation. This process allows the risk appetite to be regularly analysed and compared with the defined appetite and the availability of economic capital. The ICAAP is prepared along two dimensions:

i. regulatory, based on regulatory reports, in particular prudential reports, which provide important data for quantitative and qualitative analysis of capital and risk;

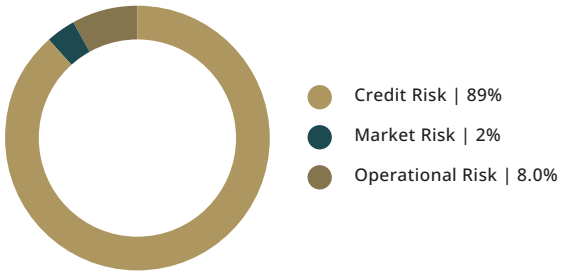
ii. economic capital and its requirements, which quantify the risk according to the confidence level defined in the RAS (Risk Appetite Statement). The qualitative analysis completes the exercise in a systemic approach.

The Risk Department (RD) is responsible for proposing measures to assess the need for and availability of economic capital. The Risk Department is also responsible for the development of stress tests, scenario analyses, funding and capital plans, and most regulatory reporting related to risk and capital management.

### Regulatory capital

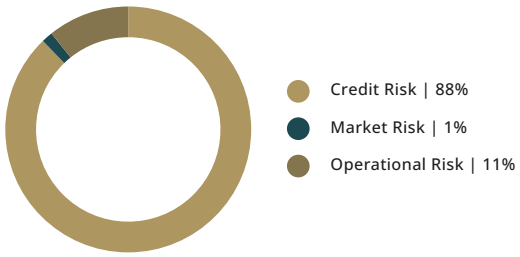
On the prudential side, regulatory capital requirements are related to credit, market and operational risks. The following table shows the risk-weighted assets (RWA) and corresponding capital requirements for the different types of regulatory risk as at 31 December 2021.

| Risk Types | Capital Requirements | Risk-Weighted Assets | % |
|---|---|---|---|
| Credit risk | 15 904 787 | 198 809 838 | 89% |
| Market risk | - 397 009 | 4 962 618 | 2% |
| Operational risk | 1 438 022 | 17 975 275 | 8% |
| **Total** | **17 739 818** | **221 747 728** | **100%** |



The risk-weighted assets (RWA) as at December 2022 and the corresponding capital requirements for the different types of regulatory risk are as follows:

| Risk Types | Capital Requirements | Risk-Weighted Assets | % |
|---|---|---|---|
| Credit risk | 13 487 488.86 | 168 593 610.70 | 88% |
| Market risk | 225 780.36 | 2 822 254.52 | 1% |
| Operational risk | 1 650 240.35 | 20 628 004.38 | 11% |
| **Total** | **15 363 509.57** | **192 043 869.60** | **100%** |




Note the strong preponderance of credit risk, which accounts for 89% of prudential requirements.

i. credit risk – for prudential purposes, the Bank uses the following credit risk methodologies in accordance with the CRR:

   a. standard market price method for measuring counterparty risk;

   b. comprehensive approach to financial collateral as a means of mitigating risk, where appropriate.

The Bank analyses the credit risk of all its assets, with the exception of those included in the securities portfolio measured at fair value and others deducted from own funds, as well as some off-balance sheet items potentially exposed to this type of risk. With regard to counterparty risk, assets, liabilities and off-balance-sheet items are included, irrespective of the portfolio to which they belong, always excluding those deducted from own funds or weighted at 1.250% for other types of risk.

The Bank uses the following regulatory methods to calculate the capital requirements associated with other categories:

i. market risk – for prudential purposes, the Bank uses the general or specific risk assessment method of the CRR. The capital requirement for the Bank's risk position is the sum of the specific and general risk capital requirements for positions in debt instruments and capital;

ii. operational risk – In order to determine the regulatory capital requirement for operational risk, the Bank follows the Basic Indicator Approach, according to which the requirement

is 15% of the average of the previous three years for the Relevant Indicator. The relevant indicator is defined on the basis of the accounting categories of the Statement of Profit and Loss in accordance with Article 316 of the CRR.

### Own funds

Risk absorption capacity is determined by the level of own funds. The calculation of own funds must comply with the applicable regulatory standards, in particular the aforementioned CRR, based on the accounting information in the financial statements, in particular the capital items, and supplemented by non-accounting information.

Total own funds are the sum of basic own funds (Tier 1) and ancillary own funds (Tier 2) after deductions for these items. The main positive own funds items at 31 December 2002 were:

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

ii. **issue premiums** – these represent the premiums paid by shareholders on capital increases, in this case €369 256;

iii. **retained earnings** – these relate to retained earnings in the amount of €3 083 404;

iv. **reserves** – the amount of profits earned during the financial years but retained in the company as legal reserves, other reserves and/or retained earnings, excluding positive reserves arising from unrealised gains on government bonds. In this case they amount to €14 307 054;

v. **net profit for the financial year** – if positive, only after the legal certification of the accounts, taking into account the net profit for the current financial year and for the previous year, both of which are included in the calculation if negative.

### Capital indicators

EAs at 31 December 2022, risk-weighted assets amounted to €192.3 million, resulting in a capital requirement of €17.39 million, which is comfortably covered by own funds of €36.9 million.

As a result, the Bank had a Tier 1 capital ratio of 17.63% at that date, which was consistent with the total capital ratio.

Finally, it should be noted that the leverage ratio was 10.79%. In accordance 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 the institution concerned and is expressed as a percentage.

# 4. Notes to the Consolidated Financial Statements

The consolidated balance sheet and income statement as at 31 December 2022 and 31 December 2021 are presented in accordance with International Financial Reporting Standards and comprise the following headings:

## 4.1 Cash and net assets in central banks and other demand deposits — NOTE 1

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Cash | 221 389 | 86 014 |
| Net balances on demand at Banco de Portugal | 259 725 825 | 69 123 187 |
| Sight deposits with financial institutions | | |
| Residents | 4 345 503 | 43 459 775 |
| Non-residents | 12 341 456 | 26 608 171 |
| | **276 634 174** | **139 277 147** |

Sight deposits at the Banco de Portugal include interest-bearing deposits to meet legal requirements for minimum liquidity. Deposits at banco de Portugal increased by around €190 million compared to 2021.

## 4.2 Financial assets held for trading — NOTE 2.1

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Trading securities | | |
| Securities | 1 459 225 | 3 306 127 |
| Derivatives with positive fair values | 552 790 | 1 038 232 |
| | **2 012 015** | **4 344 359** |

This portfolio decreased by 54% compared to the previous year, as a result of the shift to more stable assets, namely held-to-maturity investments, which began in the previous year and the details of which are shown in the table below.

## Financial assets held for trading

As at 31 December 2022, the breakdown of this heading is as follows:

| Nature and type of securities | Aquisition value | Balance sheet value | Capital | | Accrued interest |
|---|---|---|---|---|---|
| | | Fair value | Gains | Losses | |
| Debt Instruments | | | | | |
| Issued by residents<br>Of Portuguese public debt | | | | | |
| Of other resident issuers | | | | | |
| Non-subordinated debt | 400 000 | 390 443 | – | 12 620 | 3 063 |
| Subordinated debt | 419 996 | 354 203 | – | 72 228 | 6 435 |
| Issued by non-residents<br>Of other foreign public issuers | | | | | |
| Of other non-resident issuers | | | | | |
| Non-subordinated debt | 139 447 | 55 750 | 16 303 | 100 000 | – |
| Subordinated debt | 500 000 | 303 302 | – | 214 955 | 18 257 |
| | **1 459 443** | **1 103 697** | **16 303** | **399 803** | **27 754** |
| Equity Instruments | | | | | |
| Issued by residents<br>Of other resident issuers | | | | | |
| Investment units | 267 000 | 227 804 | – | 39 196 | – |
| Issued by non-residents<br>Of other non-resident issuers | | | | | |
| Shares | 285 516 | 127 724 | | 157 793 | – |
| Investment units | – | – | – | – | – |
| | **552 516** | **355 528** | **–** | **196 989** | **–** |
| Other | | | | | |
| Issued by residents<br>Of other resident issuers | | | | | |
| Issued by non-residents<br>Of other non-resident issuers | | | | | |
| | – | – | – | – | – |
| Derivatives with Positive Fair Values | | | | | |
| Other | | | | | |
| Unrealised capital gains on Options | – | | | | |
| Unrealised gains on currency CFDs | – | 552 790 | – | – | – |
| | – | 552 790 | – | – | – |
| **Total** | **2 011 959** | **2 012 015** | **16 303** | **596 792** | **27 754** |

## Financial assets held for trading

As at 31 December 2021, the breakdown of this heading is as follows:

| Nature and type of securities | Aquisition value | Balance sheet value | Capital | | Accrued interest |
|---|---|---|---|---|---|
| | | Fair value | Gains | Losses | |
| Debt Instruments | | | | | |
| Issued by residents<br>Of Portuguese public debt | | | | | |
| Treasury bonds | 182 180 | 187 929 | 4 929 | – | 820 |
| Of other resident issuers | | | | | |
| Non-subordinated debt | 1 200 000 | 1 208 929 | 1 196 | – | 7 733 |
| Subordinated debt | 419 996 | 431 407 | 4 876 | – | 6 535 |
| Issued by non-residents<br>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 | – | 3 737 |
| | **2 941 970** | **2 893 568** | **21 543** | **102 250** | **32 305** |
| Equity Instruments | | | | | |
| Issued by residents<br>Of other resident issuers | | | | | |
| Shares | 196 | 254 | 58 | – | – |
| | | | | | |
| Issued by non-residents<br>Of other non-resident issuers | | | | | |
| Shares | 216 047 | 213 792 | 5 884 | 8 139 | – |
| Investment units | 212 000 | 198 513 | – | 13 487 | – |
| | **428 243** | **412 559** | **5 942** | **21 626** | **–** |
| Derivatives with Positive Fair Values | | | | | |
| **Other** | | | | | |
| Unrealised capital gains on Options | – | | | | |
| Unrealised gains on currency CFDs | – | 1 038 232 | – | – | – |
| | – | 1 038 232 | – | – | – |
| **Total** | **3 370 213** | **4 344 359** | **27 485** | **123 876** | **32 305** |

### 4.2.2 Financial assets not held for trading mandatorily at fair value through profit or loss — NOTE 2.2

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Non-negotiable financial assets mandatorily at fair value through profit or loss | 10 827 901 | 10 782 883 |
| | **10 827 901** | **10 782 883** |

### 4.2.3 Other financial assets — NOTE 2.3

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Other securities | | |
| Issued by residents | 539 | 463 |
| | **539** | **463** |

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

### 4.3 Financial assets at fair value through other comprehensive income — NOTE 3

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Issued by residents | | |
| Debt instruments | 7 252 016 | 9 892 152 |
| Equity instruments | 642 984 | 645 384 |
| | **7 895 000** | **10 537 536** |
| Issued by non-residents | | |
| Debt instruments | 53 473 384 | 58 509 055 |
| | **53 473 384** | **58 509 055** |
| | **61 368 384** | **69 046 592** |

This portfolio decreased by 11% compared to the previous year due to the option to invest in held-to-maturity portfolios instead of financial assets at fair value through other comprehensive income.

## Financial assets at fair value through other comprehensive income

As at 31 December 2022, the breakdown of this heading is as follows:

| Nature and type of securities | Aquisition 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 | 64 470 | 2 281 | – | 40 | 375 |
| **Of other resident issuers** | | | | | | |
| Non-subordinated debt | 7 206 755 | 6 891 139 | 2 340 | 360 981 | 58 067 | 43 025 |
| Subordinated debt | 306 750 | 296 407 | – | 23 058 | 4 922 | 12 715 |
| **Issued by non-residents Of other foreign public issuers** | | | | | | |
| Non-subordinated debt | 14 591 030 | 12 703 505 | 1 416 | 2 084 430 | 460 953 | 195 490 |
| **Of other non-resident issuers** | | | | | | |
| Non-subordinated debt | 45 942 275 | 40 769 879 | – | 5 695 163 | 190 706 | 522 767 |
| | **68 108 624** | **60 725 400** | **6 037** | **8 163 633** | **714 689** | **774 372** |
| Equity Instruments | | | | | | |
| **Issued by residents Of other resident issuers** | | | | | | |
| Shares | 752 500 | 642 984 | – | 109 516 | – | – |
| | **752 500** | **642 984** | **–** | **109 516** | **–** | **–** |
| **Total** | **68 861 124** | **61 368 384** | **6 037** | **8 273 149** | **714 689** | **774 372** |

## Financial assets at fair value through other comprehensive income

As at 31 December 2021, the breakdown of this heading is as follows:

| Nature and type of securities | Aquisition 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 | – | 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 | – | 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 | – | 107 116 | – | – |
| | **752 500** | **645 384** | **–** | **107 116** | **–** | **–** |
| **Total** | **69 765 316** | **69 046 592** | **105 435** | **1 612 941** | **589 354** | **788 783** |

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Balance as at 1 January** | **589 354** | **945 708** |
| Appropriation | 848 420 | 1 200 395 |
| Reversal | (723 085) | (1 556 749) |
| Utilisation | | |
| Exchange and other differences | – | – |
| **Balance as at 31 December** | **714 689** | **589 354** |

## 4.4 Financial assets at amortised cost NOTE 4

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Assets | | |
| Other liquid assets | 23 700 | 23 700 |
| Investments in credit institutions | 500 275 | 500 000 |
| Investments held to maturity | 129 638 221 | 74 541 050 |
| Debtors and other investments | 1 607 869 | 6 858 535 |
| Loans to clients | 62 173 827 | 68 318 550 |
| | **193 943 892** | **150 241 835** |
| | **193 943 892** | **150 241 835** |

Impairment losses on loans and advances and other investments are as follows:

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Balance as at 1 January** | **251 374** | **251 697** |
| Appropriation | 221 935 | – |
| Reversal | (229 471) | – |
| Utilisation | | |
| Exchange and other differences | – | (323) |
| **Balance as at 31 December** | **243 838** | **251 374** |

As of January 2018, with the entry in force of IFRS 9, the Bank calculates impairments on the held-to-maturity portfolio. As at 31 December 2022, the breakdown is as follows:

### Financial assets at amortised cost

As at 31 December 2022, the breakdown of this heading is as follows:

| Nature and type of securities | Aquisition value | Balance sheet value Amortised cost | Impairment recognised for the asset | Accrued interest |
|---|---|---|---|---|
| Debt Instruments | | | | |
| **Issued by residents Of Portuguese public debt** | | | | |
| Treasury bonds | 18 210 346 | 18 212 025 | 11 623 | 60 611 |
| **Of other resident issuers** | | | | |
| Non-subordinated debt | 6 419 227 | 6 484 067 | 29 477 | 55 469 |
| **Of other resident issuers** | | | | |
| Subordinated debt | 250 000 | 258 307 | 2 336 | 10 833 |
| **Issued by non-residents Of other foreign public issuers** | | | | |
| Non-subordinated debt | 83 397 871 | 82 870 170 | 37 517 | 601 078 |
| **Of other issuers** | | | | |
| Non-subordinated debt | 21 624 637 | 21 813 652 | 102 528 | 272 275 |
| **Total** | **129 902 081** | **129 638 221** | **183 481** | **1 000 266** |

## Financial assets at amortised cost

As at 31 December 2021, the breakdown of this heading is as follows:

| Nature and type of securities | Aquisition value | Balance sheet value Amortised cost | Impairment recognised for the asset | Accrued interest |
|---|---|---|---|---|
| Debt Instruments | | | | |
| **Issued by residents Of Portuguese public debt** | | | | |
| Treasury bonds | 13 801 208 | 13 722 455 | 17 106 | 40 997 |
| **Of other resident issuers** | | | | |
| Non-subordinated debt | 3 298 260 | 3 293 213 | 29 742 | 26 284 |
| **Of other resident issuers** | | | | |
| Subordinated debt | 250 000 | 255 778 | 4 692 | 10 903 |
| **Issued by non-residents Of other foreign public issuers** | | | | |
| Non-subordinated debt | 43 068 035 | 42 894 291 | 60 009 | 530 091 |
| **Of other issuers** | | | | |
| Non-subordinated debt | 14 368 607 | 14 375 312 | 155 517 | 178 749 |
| **Total** | **74 786 110** | **74 541 050** | **267 066** | **787 024** |

The changes in impairment losses on the held-to-maturity investments are as follows:

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Balance as at 1 January** | **267 066** | **368 251** |
| Appropriation | 115 943 | 214 199 |
| Reversal | (199 529) | (315 384) |
| Utilisation | – | – |
| Exchange and other differences | – | – |
| **Balance as at 31 December** | **183 481** | **267 066** |

### 4.4.1 Loans to clients

NOTE 4.1

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Domestic loans** | | |
| Loans | 37 353 818 | 29 816 294 |
| Current account loans | 15 112 128 | 25 496 210 |
| Overdrafts in sight deposits | – | 4 949 |
| Sell/buy-back operations | – | – |
| **Foreign loans** | | |
| Loans | 1 408 990 | 1 263 042 |
| Current account loans | 1 740 529 | 1 861 108 |
| **Overdue loans and interest** | 7 448 233 | 9 170 812 |
| **Income receivable** | | |
| Shareholder loans | 366 366 | 2 719 914 |
| Revenue with deferred income | (204 360) | (129 608) |
| | **63 225 705** | **70 202 721** |
| **Provisions/Impairments for overdue loans and interest** | (1 051 878) | (1 884 171) |
| | **62 173 827** | **68 318 550** |

The loan portfolio shows a decrease of 9% in 2022, due to the early repayment of loans not replaced by new operations. It should be noted that the vast majority of loans are backed by personal and real guarantees that significantly exceed the amounts owed.

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Balance as at 1 January** | **1 884 171** | **1 528 274** |
| Appropriation | 4 733 240 | 10 634 743 |
| Reversal | (4 868 879) | (10 278 542) |
| Utilisation | (696 817) | – |
| Exchange and other differences | 162 | (303) |
| **Balance as at 31 December** | **1 051 878** | **1 884 171** |

## 4.5 Derivatives - Hedge accounting NOTE 5

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Hedging derivatives** | | |
| Positive fair value - cash flow hedging | 110 197 | – |
| | **110 197** | **–** |

In 2022, contrary to 2021, there is a positive variation in the fair value of interest rate swaps, leading to a variation of €110 million in this item.

## 4.6 Investments in associated and subsidiary companies excluded from consolidation NOTE 6

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Accounted for using the equity method - in country** | | |
| In country | | |
| Coolink – Serviços de Informática e Consultadoria, Lda. | 72 315 | 67 868 |
| | **72 315** | **67 868** |

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

## 4.7 Other property, plant and equipment NOTE 7

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Other property, plant and equipment** | | |
| Own-use assets | 10 663 712 | 10 618 440 |
| Right-of-use assets | 370 877 | 370 877 |
| Equipment | 8 973 180 | 8 146 415 |
| Right-of-use equipment | 24 458 | – |
| Property, plant and equipment in progress | 107 923 | 53 530 |
| | **20 140 149** | **19 189 263** |
| **Accumulated amortisations** | | |
| Own-use assets | (800 566) | (668 332) |
| Right-of-use assets | (370 877) | (278 158) |
| Equipment | (7 311 311) | (6 722 660) |
| Right-of-use equipment | (1 019) | – |
| | **(8 483 774)** | **(7 669 150)** |
| | **11 656 375** | **11 520 113** |

In 2022 there was a slight change in this item (+1%) as a result of an increase of around €283 000 in the equipment item.

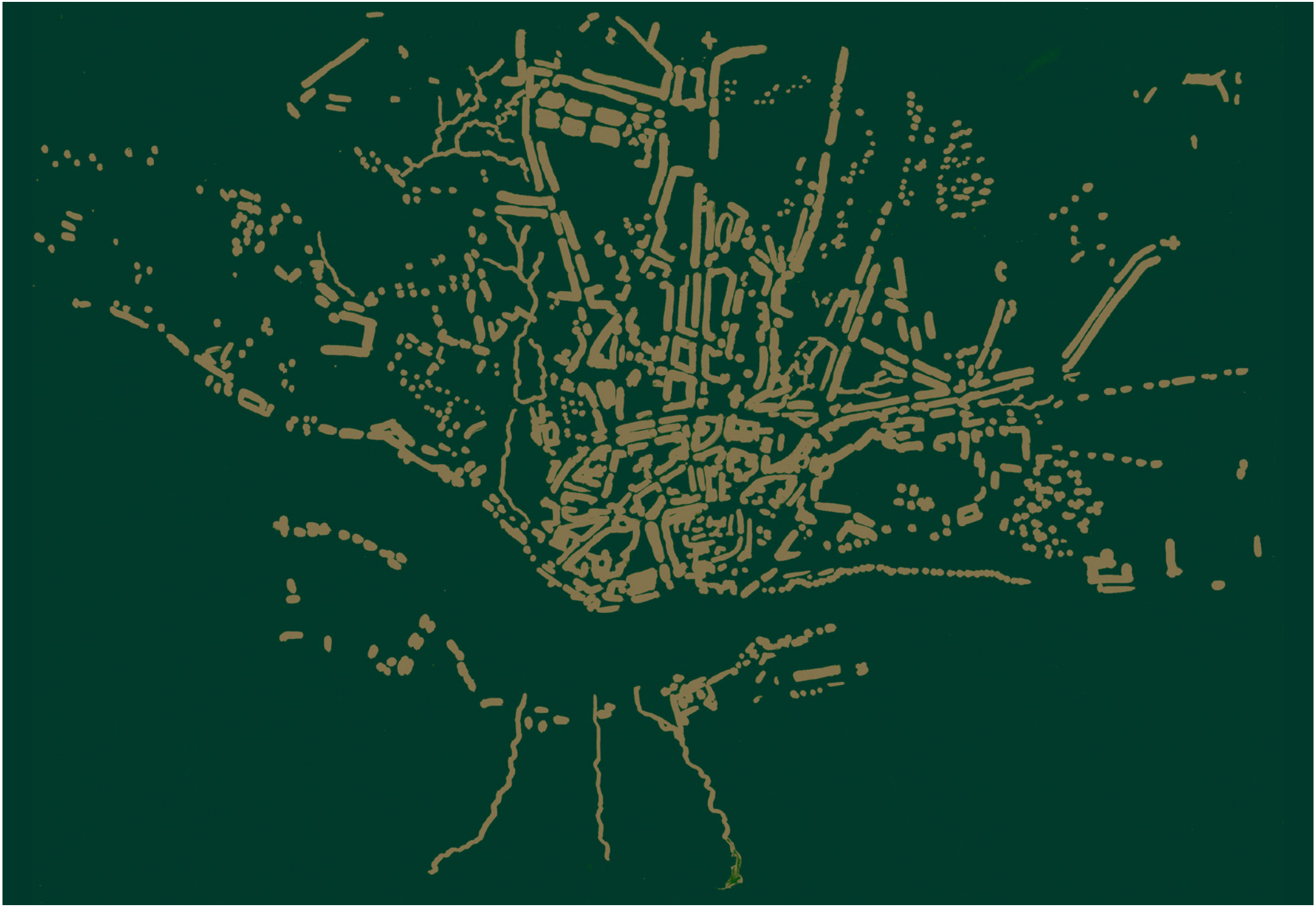
Changes in other intangible assets are shown in the following note:

## 4.8 Intangible assets NOTE 8

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Other intangible assets** | | |
| Goodwill | 6 500 | 11 484 |
| Automatic data processing system (software) | 5 346 683 | 4 757 250 |
| Property, plant and equipment in progress | – | – |
| Other | 340 144 | 340 144 |
| | **5 693 327** | **5 108 878** |
| **Accumulated amortisations** | | |
| Automatic data processing system (software) | (4 401 108) | (3 690 812) |
| Other | (340 144) | (320 426) |
| | **(4 741 253)** | **(4 011 237)** |
| | **952 074** | **1 097 641** |

Deconstructed cartographic memory, by Ana Amarante, of W.B. Clarke's 1933 map of the city of Porto, where Casa Carregosa was founded and from which the current Banco Carregosa emerged.



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

## Property, Plant and Equipment as at 31 December 2022 | (consolidated)

| Accounts | As at 31/12/2021 | | Increases due to acquisitions | Amortisations in the year | Write-offs | Transfers |
|---|---|---|---|---|---|---|
| | Gross value | Accrued amortisations | | | | |
| **Other intangible asset** | | | | | | |
| Goodwill | 11 484 | – | – | – | (4 984) | – |
| Data processing systems (software) | 4 757 250 | (3 690 812) | 589 433 | (710 297) | – | – |
| Other intangible assets | 340 144 | (320 426) | – | (19 719) | – | – |
| Other intangible assets in progress | – | – | – | – | – | – |
| | **5 108 878** | **(4 011 237)** | **589 433** | **(730 015)** | **(4 984)** | **–** |
| **Property, plant and equipment** | | | | | | |
| Property | 10 618 440 | (668 332) | – | (132 234) | – | 45 272 |
| Equipment | 8 146 415 | (6 722 660) | 851 665 | (613 552) | (24 900) | – |
| Rights-of-use - Property - IFRS 16 | 370 877 | (278 158) | – | (92 719) | – | – |
| Right-of-use - Renting - IFRS 16 | – | – | 24 458 | (1 019) | – | – |
| Property, plant and equipment in progress | 53 530 | – | 99 575 | – | – | (45 182) |
| | **19 189 263** | **(7 669 150)** | **975 697** | **(839 524)** | **(24 900)** | **89** |
| **Totals** | **24 298 141** | **(11 680 387)** | **1 565 130** | **(1 569 540)** | **(29 884)** | **89** |

## 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 | Transfers |
|---|---|---|---|---|---|---|
| | Gross value | Accrued amortisations | | | | |
| **Other intangible asset** | | | | | | |
| Goodwill | 4 984 | – | 6 500 | – | – | – |
| Formation expenses | – | – | – | – | – | – |
| Multiannual costs | – | – | – | – | – | – |
| Data processing systems (software) | 4 059 034 | (3 055 668) | 698 216 | (635 144) | – | – |
| Other intangible assets | 340 144 | (297 773) | – | (22 653) | – | – |
| Intangible assets in progress | – | – | – | – | – | – |
| | **4 404 162** | **(3 353 441)** | **704 716** | **(657 796)** | **–** | **–** |
| **Property, plant and equipment** | | | | | | |
| Property | 10 618 440 | (536 354) | – | (131 977) | – | – |
| Equipment | 7 732 590 | (6 403 409) | 663 907 | (562 599) | (6 734) | – |
| Financial lease assets | – | – | – | – | – | – |
| Right-of-use - IFRS 16 | 370 877 | (185 439) | – | (92 719) | – | – |
| Property, plant and equipment in progress | – | – | 53 530 | – | – | – |
| | **18 721 907** | **(7 125 202)** | **717 437** | **(787 295)** | **(6 734)** | **–** |
| **Totals** | **23 126 069** | **(10 478 643)** | **1 422 153** | **(1 445 091)** | **(6 734)** | **–** |

| Regularisations | | | Adjusted acquisition value | Adjusted amortisations in the year | Adjusted accrued amortisations | Net value as at 31/12/2022 |
|---|---|---|---|---|---|---|
| Gross value | Amortisations in the year | Accrued amortisations | | | | |
| – | – | – | 11 484 | – | – | 6 500 |
| – | – | – | 5 346 683 | (710 297) | (3 690 812) | 945 575 |
| – | – | – | 340 144 | (19 719) | (320 426) | –0.05 |
| – | – | – | – | – | – | – |
| **–** | **–** | **–** | **5 698 311** | **(730 015)** | **(4 011 237)** | **952 074** |
| – | – | – | 10 663 712 | (132 234) | (668 332) | 9 863 146 |
| – | – | – | 8 973 180 | (588 652) | (6 722 660) | 1 661 868 |
| – | – | – | 370 877 | (92 719) | (278 158) | 0.02 |
| – | – | – | 24 458 | (1 019) | – | 23 439 |
| – | – | – | 107 923 | – | – | 107 923 |
| – | – | – | 20 140 149 | (814 624) | (7 669 150) | 11 656 375 |
| **–** | **–** | **–** | **25 838 460** | **(1 544 640)** | **(11 680 387)** | **12 608 449** |

| Regularisations | | | Adjusted acquisition value | Adjusted amortisations in the year | Adjusted accrued amortisations | Net value as at 31/12/2021 |
|---|---|---|---|---|---|---|
| Gross value | Amortisations in the year | Accrued amortisations | | | | |
| – | – | – | 11 484 | – | – | 11 484 |
| – | – | – | – | – | – | – |
| – | – | – | – | – | – | – |
| – | – | – | 4 757 250 | (635 144) | (3 055 668) | 1 066 439 |
| – | – | – | 340 144 | (22 653) | (297 773) | 19 719 |
| – | – | – | – | – | – | – |
| **–** | **–** | **–** | **5 108 878** | **(657 796)** | **(3 353 441)** | **1 097 641** |
| – | – | – | 10 618 440 | (131 977) | (536 354) | 9 950 109 |
| – | – | – | 8 396 497 | (562 599) | (6 403 409) | 1 423 754 |
| – | – | – | – | – | – | – |
| – | – | – | 370 877 | (92 719) | (185 439) | 92 719 |
| – | – | – | 53 530 | – | – | 53 530 |
| – | – | – | 19 439 344 | (787 295) | (7 125 202) | 11 520 113 |
| **–** | **–** | **–** | **24 548 222** | **(1 445 091)** | **(10 478 643)** | **12 617 754** |

## 4.9 Current tax assets — NOTE 9

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Current tax assets** | | |
| | – | – |
| **Deferred tax assets** | | |
| **Temporary differences** | | |
| Property, plant and equipment | 5 340 | 5 340 |
| Other | 156 251 | 272 796 |
| In asset variations | 1 435 834 | 281 055 |
| From tax losses | – | 244 200 |
| | **1 597 425** | **803 392** |
| | **1 597 425** | **803 392** |

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

In 2022 the deferred tax assets on tax losses carried forward were fully used up.

## 4.10 Other assets — NOTE 10

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Other assets** | 3 324 842 | 5 236 356 |
| **Other income receivable** | | |
| Commissions for services rendered | 582 052 | 96 154 |
| **Costs with deferred charges** | | |
| Insurance | 131 053 | 146 895 |
| Other costs with deferred charges | 481 160 | 436 974 |
| **Other regularisation accounts** | 4 193 686 | 1 645 967 |
| | **8 712 794** | **7 562 346** |

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

## 4.11 Non-current assets and disposal groups stated as held for sale

NOTE 11

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Non-current assets classified as held for sale** | | |
| Shares | – | 3 051 |
| | **–** | **3 051** |

In 2022, the share held by Banco Carregosa in Exemplary Sparrow - Sociedade Imobiliária, S.A. was sold, representing 43.5897%.

## 4.12 Financial liabilities held for trading

NOTE 12

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Derivative instruments at negative fair value** | 767 975 | 5 268 |
| | **767 975** | **5 268** |

## 4.13 Financial liabilities measured at amortised cost — NOTE 13

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Loans and deposits in domestic credit institutions** | | |
| Deposits | 4 967 726 | 10 048 831 |
| Loans | 166 008 | 200 262 |
| Other deposits | 2 386 | 809 |
| | **5 136 119** | **10 249 903** |
| **Loans and deposits in foreign credit institutions** | | |
| Deposits | 365 450 | 370 242 |
| Loans | 1 | 2 938 |
| | **365 451** | **373 180** |
| **Charges payable** | | |
| Other charges | 401 813 | 164 487 |
| | **401 813** | **164 487** |
| **Other deposits** | 12 970 670 | 14 985 695 |
| | | |
| **Client deposits** | | |
| **Deposits** | | |
| **Of residents** | | |
| Sight deposits | 366 510 863 | 197 048 515 |
| Term deposits | 97 411 790 | 93 747 454 |
| **Of non-residents** | | |
| Sight deposits | 36 393 913 | 31 472 242 |
| Term deposits | 4 243 688 | 1 628 445 |
| | **504 560 254** | **323 896 656** |
| | **523 434 306** | **349 669 921** |

The increase in "Client deposits" in 2022 compared to 2021 is largely due to growth in the depository business, namely deposits from institutional clients.

The item "Other deposits" is broken down as shown in the table below. Under "Other deposits", the amount shown relates to client financial balances arising from transactions in derivatives and deposits invested for the liquidity of portfolio management contracts.

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Other deposits | 12 649 639 | 14 502 263 |
| Creditors - transactions in securities | 8 | 1 746 |
| Suppliers | 219 926 | 332 576 |
| Other creditors | 101 097 | 149 111 |
| | **12 970 670** | **14 985 695** |

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

## 4.14 Hedging derivatives — NOTE 14

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Hedging derivatives** | | |
| Interest rate swaps | – | 43 315 |
| | – | – |
| | **–** | **43 315** |

## 4.15 Provisions — NOTE 15

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Other provisions** | | |
| For guarantees and other commitments | 314 | 1 274 |
| For tax contingencies | 209 494 | 322 410 |
| | **209 808** | **323 684** |
| | **209 808** | **323 684** |

In 2022, the provisions were reduced compared to 2021 as the circumstances for which they were created no longer apply.

## 4.16 Tax liabilities — NOTE 16

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Current tax liabilities** | | |
| Corporate income tax payable | 84 475 | 189 515 |
| | **84 475** | **189 515** |
| **Deferred tax liabilities** | | |
| On revaluation of property | 721 500 | 724 986 |
| On investment unit at fair value | 347 276 | 251 303 |
| On reserves at fair value | 33 282 | 9 794 |
| | **1 102 058** | **986 083** |
| | **1 186 534** | **1 175 598** |

## 4.17 Other liabilities — NOTE 17

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| VAT payable | 142 614 | 84 527 |
| Withholding and other taxes payable to the State | 290 829 | 569 911 |
| Payments to Social Security | 106 821 | 103 294 |
| Third party collections | 817 | 880 |
| Payments to other health systems | 4 056 | 4 629 |
| Other revenue with deferred income | 1 381 | 15 401 |
| Charges payable - staff | 773 374 | 701 598 |
| Operations to be regularised | 4 285 396 | 1 998 869 |
| | **5 605 288** | **3 479 109** |

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

## 4.18 Equity NOTE 18

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

Breakdown of equity:

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

ii. issue premiums: these relate to premiums paid by shareholders on capital increases;

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

### Fair value of financial assets and liabilities

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

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), whether this price is directly observable or estimated using another valuation technique.

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

i. Tier 1 – quoted in an active market

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

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

The fair values of the Bank's financial assets and liabilities as at 31 December 2022 and 2021 are as follows:

| 2022 | Amortised cost |
|---|---|
| Financial assets | |
| Cash and liquid assets in central banks and other demand deposits | 276 634 174 |
| Financial assets at fair value through profit or loss: | |
| Financial assets held for trading | – |
| Financial assets not held for trading mandatorily at fair value through profit or loss | – |
| Other financial assets | – |
| Other financial assets at fair value through profit or loss | – |
| Financial assets at fair value through other comprehensive income | – |
| Financial assets at amortised cost | 193 943 617 |
| Derivatives - Hedge accounting | 110 197 |
| Other assets | 8 712 794 |
| Non-current assets and disposal groups classified as held for sale | – |
| | **479 400 782** |
| Financial liabilities | |
| Financial liabilities held for sale | – |
| Financial liabilities measured at amortised cost | 523 434 306 |
| Derivatives - Hedge accounting | – |
| Other liabilities | 5 605 288 |
| | **529 039 594** |

| 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 | – |
| Financial assets not held for trading mandatorily at fair value through profit or loss | – |
| Other financial assets | – |
| Other financial assets at fair value through profit or loss | – |
| Financial assets at fair value through other comprehensive income | – |
| Financial assets at amortised cost | 150 241 835 |
| Derivatives - Hedge accounting | – |
| 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 | – |
| Financial liabilities measured at amortised cost | 349 669 921 |
| Derivatives - Hedge accounting | – |
| Other liabilities | 3 479 109 |
| | **353 149 030** |

| Measured at fair value | | | | Carrying amount | Fair value |
|---|---|---|---|---|---|
| Tier 1 | Tier 2 | Tier 3 | Total | | |
| | | | | | |
| – | – | – | – | 276 634 174 | 276 634 174 |
| | | | | | |
| 1 230 060 | 554 151 | 227 804 | 2 012 015 | 2 012 015 | 2 012 015 |
| – | – | 10 827 901 | 10 827 901 | 10 827 901 | 10 827 901 |
| – | – | 539 | 539 | 539 | 539 |
| – | – | – | – | – | – |
| 60 345 142 | 497 858 | 525 384 | 61 368 384 | 61 368 384 | 61 368 384 |
| – | – | – | – | 193 943 892 | 188 592 870 |
| – | – | – | – | 110 197 | 110 197 |
| – | – | – | – | 8 712 794 | 8 712 794 |
| – | – | – | – | – | – |
| **61 575 202** | **1 052 008** | **11 581 629** | **74 208 839** | **553 609 896** | **548 258 874** |
| | | | | | |
| – | 767 975 | – | 767 975 | 767 975 | 767 975 |
| – | – | – | – | 523 434 306 | 523 434 306 |
| – | – | – | – | – | – |
| – | – | – | – | 5 605 288 | 5 605 288 |
| **–** | **767 975** | **–** | **767 975** | **529 807 568** | **529 807 568** |

| Measured at fair value | | | | Carrying amount | Fair value |
|---|---|---|---|---|---|
| Tier 1 | Tier 2 | Tier 3 | Total | | |
| | | | | | |
| – | – | – | – | 139 277 147 | 139 277 147 |
| | | | | | |
| 3 105 800 | 1 238 559 | – | 4 344 359 | 4 344 359 | 4 344 359 |
| – | – | 10 782 883 | 10 782 883 | 10 782 883 | 10 782 883 |
| – | – | 463 | 463 | 463 | 463 |
| – | – | – | – | – | – |
| 66 464 483 | 2 056 725 | 525 384 | 69 046 592 | 69 046 592 | 69 046 592 |
| – | – | – | – | 150 241 835 | 150 715 458 |
| – | – | – | – | – | – |
| – | – | – | – | 7 562 346 | 7 562 346 |
| – | – | – | – | 3 051 | 3 051 |
| **69 570 283** | **3 295 284** | **11 308 731** | **84 174 297** | **381 258 677** | **381 732 300** |
| | | | | | |
| – | 5 268 | – | 5 268 | 5 268 | 5 268 |
| – | – | – | – | 349 669 921 | 349 669 921 |
| – | 43 315 | | 43 315 | 43 315 | 43 315 |
| – | – | – | – | 3 479 109 | 3 479 109 |
| **–** | **48 584** | **–** | **48 584** | **353 197 614** | **353 197 614** |

### 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 valued based on quoted prices (unadjusted) in active markets to which the Bank has access. This tier includes government bonds, corporate bonds, equities and derivatives listed and traded on regulated markets.

ii. Tier 2 – Financial instruments are valued using inputs other than quoted prices included in Tier 1 that are observable, directly or indirectly, in the market for the instrument. In order to determine the fair value of Tier 2 inputs, the Bank uses valuation techniques based on inputs that are observable in the market (quoted prices in active markets for similar instruments and based on quoted prices that are not assets or liabilities, interest rates, exchange rates, risk ratings provided by external entities, other). This tier includes bonds, non-complex OTC derivatives and gross equities.

iii. Tier 3 – Financial instruments are valued using inputs that are not observable in the market for the instrument. For fair value measurements using Tier 3 inputs, valuation techniques are used based on inputs that are not observable in the market and that do not qualify for Tier 1 or Tier 2 inputs.

In the 2022 and 2021 financial years, there were no financial transfers between Tier 1 and Tier 2.

In the 2022 and 2021 financial years, the changes in financial instruments classified in Tier 3 of 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 2022** | | **10 783 347** | **525 384** |
| Gains/(losses) recognised through profit and loss | | | |
| Income from assets and liabilities measured at fair value through profit or loss | | 293 802 | – |
| Income from available for sale financial assets | | | – |
| Impairment derecognised in the year | | | – |
| Gains/(losses) recognised in fair value reserves | | | – |
| Acquisitions | | 202 000 | – |
| Disposals | | (415 567) | – |
| Transfers from other levels | | | – |
| Transfers to other levels | | | – |
| Exchange differences | | | – |
| Other | | (35 140) | |
| **Balance as at 31 December 2022** | **–** | **10 828 441** | **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 2021** | | **11 189 245** | **525 384** |
| Gains/(losses) recognised through profit and loss | | | |
| Income from assets and liabilities measured at fair value through profit or loss | | 947 435 | – |
| Income from available for sale financial assets | | | – |
| Impairment derecognised in the year | | | – |
| Gains/(losses) recognised in fair value reserves | | | – |
| Acquisitions | | 2 650 069 | – |
| Disposals | | (4 003 402) | – |
| Transfers from other levels | | | – |
| Transfers to other levels | | | – |
| Exchange differences | | | – |
| Other | | | |
| **Balance as at 31 December 2021** | **–** | **10 783 347** | **525 384** |

### Interest rates

The short-term interest rates below reflect the indicative values of deposit rates and/or futures, while swap rates are used for the long-term rates[4]:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | EUR | USD | EUR | USD |
| **1 week** | 1.872 | 4.336 | (0.574) | 0.076 |
| **1 month** | 1.884 | 4.382 | (0.583) | 0.101 |
| **2 months** | | 4.524 | | 0.153 |
| **3 months** | 2.132 | 4.609 | (0.572) | 0.209 |
| **6 months** | 2.693 | 4.817 | (0.546) | 0.339 |
| **1 year** | 3.689 | 4.906 | (0.416) | 1.041 |
| **2 years** | 3.395 | 4.450 | (0.296) | 0.941 |
| **3 years** | 3.311 | 4.070 | (0.147) | 1.168 |
| **4 years** | 3.258 | 3.860 | (0.051) | 1.295 |
| **5 years** | 3.239 | 3.742 | | |
| **7 years** | 3.202 | 3.625 | 0.129 | 1.476 |
| **10 years** | 3.203 | 3.555 | 0.301 | 1.581 |
| **30 years** | 2.533 | 3.190 | 0.476 | 1.731 |

4 The above amounts are taken from Bloomberg.

### Exchange rates

Exchange rates are based on central bank fixings[5].
The table below shows the exchange rates for some of the relevant currency pairs as at 31 December 2022 and 2021:

| 2022 | EUR | USD | GBP | CHF | SEK | NOK | AUD | CAD | NZD | BRL |
|---|---|---|---|---|---|---|---|---|---|---|
| EUR | – | 1.0705 | 0.88596 | 0.98965 | 11.163 | 10.495 | 1.5713 | 1.4509 | 1.6858 | 5.6587 |
| USD | 0.93415 | – | 0.82761 | 0.92447 | 10.428 | 9.8038 | 1.4678 | 1.3554 | 1.5748 | 5.286 |
| GBP | 1.1287 | 1.2083 | – | 1.117 | 12.601 | 11.846 | 1.7735 | 1.6377 | 1.9028 | 6.3871 |
| CHF | 1.0105 | 1.0817 | 0.89522 | – | 11.28 | 10.605 | 1.5877 | 1.4661 | 1.7034 | 5.7179 |
| SEK | 0.08958 | 0.09589 | 0.07936 | 0.08865 | – | 0.94011 | 0.14075 | 0.12997 | 0.15101 | 0.50689 |
| NOK | 0.09528 | 0.102 | 0.08442 | 0.0943 | 1.0637 | – | 0.14972 | 0.13825 | 0.16063 | 0.53919 |
| AUD | 0.63643 | 0.6813 | 0.56385 | 0.62984 | 7.1048 | 6.6793 | – | 0.92343 | 1.0729 | 3.6014 |
| CAD | 0.68921 | 0.73779 | 0.61061 | 0.68207 | 7.694 | 7.2332 | 1.0829 | – | 1.1618 | 3.9 |
| NZD | 0.5932 | 0.63502 | 0.52555 | 0.58706 | 6.6222 | 6.2256 | 0.93207 | 0.8607 | – | 3.3567 |
| BRL | 0.17672 | 0.18918 | 0.15657 | 0.17489 | 1.9728 | 1.8546 | 0.27767 | 0.25641 | 0.29791 | – |

| 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 | – |

5 Source of exchange rates: https://www.bportugal.pt/taxas-cambio.

## 4.19 Minority interests NOTE 19

Following the acquisition of 96% of the equity of Carregosa - Sociedade Gestora de Organismos de Investimento Coletivo, S.A., €16 191 (€13 012 as at 31 December 2021) was recognised in minority interests.

## 4.20 Financial margin NOTE 20

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Interest and similar income from:** | | |
| Interest on cash and cash equivalents in central banks | 18 946 | – |
| Interest on cash and cash equivalents in other credit institutions | 39 331 | 4 590 |
| Interest on investments in credit institutions | 632 546 | – |
| Interest on loans to clients | 2 274 085 | 2 767 282 |
| Interest on overdue loans | 626 873 | 210 999 |
| Interest and similar income from other financial assets | 2 479 032 | 1 888 269 |
| Commissions received associated to amortised cost | 49 352 | 113 007 |
| | **6 120 165** | **4 984 147** |
| **Interest and similar charges on:** | | |
| **Deposits from Banco de Portugal** | (278 138) | (259 437) |
| **Deposits from other credit institutions** | (99 872) | (124 507) |
| **Interest from creditors and other deposits** | | |
| Interest on deposits from clients | (311 338) | (281 091) |
| Other interest and similar charges | (2 546) | (13 857) |
| **Interest on loans** | (11 600) | (21 405) |
| | **(703 494)** | **(700 297)** |
| | **5 416 671** | **4 283 850** |

## 4.21 Income from equity instruments NOTE 21

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Available-for-sale financial assets** | | |
| **Issued by residents** | | |
| Investment units | 415 605 | 349 278 |
| | **415 605** | **349 278** |

These result from the payment of income from the Retail Properties real estate investment fund in two distribution periods, corresponding to €0.50/€0.50 in 2022, similar to 2021, per unit held.

They also result from four payments of €0.08 per unit of the VIP Fund, two payments of €1,000 per unit of the FEIIF Comfort Fund and one payment of €2,400 per unit of the Arquimedes Fund.

## 4.22 Revenue and charges from and with commission services NOTE 22

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Income from services and commissions from:** | | |
| Guarantees and commitments | 28 237 | 65 252 |
| Deposit and custody of securities | 137 156 | 143 614 |
| Collection of securities | 221 639 | 138 258 |
| Management of securities | 1 797 397 | 1 786 288 |
| Collective investment undertakings | 1 466 204 | 946 155 |
| Other services rendered | 899 007 | 1 068 155 |
| Transactions carried out on behalf of third parties | 3 257 886 | 3 628 745 |
| Other commissions received | 1 188 994 | 1 214 200 |
| | **8 996 520** | **8 990 668** |
| **Charges with services and commissions for:** | | |
| Deposit and custody of securities | (97 504) | (80 433) |
| Other banking services provided by third parties | (209 506) | (215 350) |
| Transactions carried out by third parties | (3 308 757) | (3 382 922) |
| | **(3 615 767)** | **(3 678 705)** |
| | **5 380 753** | **5 311 963** |

## 4.23 Income from assets and liabilities valuated at fair value NOTE 23

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Gains from:** | | |
| Financial assets held for trading | | |
| Securities | 5 250 568 | 4 328 184 |
| Derivative instruments | 19 248 907 | 3 347 078 |
| | **24 499 475** | **7 675 261** |
| **Losses from:** | | |
| **Financial assets held for trading** | | |
| Securities | (2 596 729) | (2 047 204) |
| Derivative instruments | (17 137 868) | (1 471 349) |
| | **(19 734 596)** | **(3 518 553)** |
| | **4 764 879** | **4 156 709** |

In accordance with the applicable standards, in addition to the adjustments resulting from the application of fair value, this heading also includes the effects related to derecognition of financial assets, normally through their sale. In 2022, there is an increase of 15% compared to 2021, with the increase in the result from hedging operations contributing to this effect.

## 4.24 Income from financial assets at fair value through other comprehensive income

NOTE 24

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Gains from:** | | |
| **Available-for-sale financial assets** | | |
| **Securities** | | |
| **Issued by residents** | | |
| Debt instruments | 29 966 | 108 777 |
| Equity instruments | – | 1 547 |
| **Issued by non-residents** | | |
| Debt instruments | 65 598 | 941 361 |
| | **95 565** | **1 051 685** |
| **Losses from:** | | |
| **Available-for-sale financial assets** | | |
| **Securities** | | |
| **Issued by residents** | | |
| Debt instruments | (60 991) | (12 141) |
| **Issued by non-residents** | | |
| Debt instruments | (387 646) | (523 374) |
| | **(448 637)** | **(535 515)** |
| | **(353 073)** | **516 170** |

The results of financial assets and liabilities at fair value through comprehensive income were negative in 2022 by €353 000, compared to a positive value of €516 000 in 2021, with this variation being mainly due to the non-realisation of capital gains as a result of the rise in interest rates.

## 4.25 Income from non-negotiable financial assets mandatorily at fair value through profit or loss — NOTE 25

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Gains from:** | | |
| **Non-negotiable financial assets mandatorily at fair value through profit or loss** | | |
| Equity instruments | 792 007 | 2 339 472 |
| **Losses from:** | | |
| **Non-negotiable financial assets mandatorily at fair value through profit or loss** | | |
| Equity instruments | (498 205) | (1 392 037) |
| | 293 802 | 947 435 |

2022 saw a reduction by 69% compared to 2021, due to a lower performance of the investment funds in which the Bank participates.

## 4.26 Income from financial assets at amortised cost — NOTE 26

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Gains from:** | | |
| **Loans to clients** | | |
| Assignment of claims | 517 093 | – |
| | **517 093** | **–** |

This note reflects the results of the assignment of loans made in 2022, after taking into account the respective impairments established at the time of the operations.

## 4.27 Foreign exchange revaluation — NOTE 27

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Gains from:** | | |
| **Exchange differences** | | |
| Other items in foreign currency - foreign currencies | 2 218 348 | 838 147 |
| **Losses from:** | | |
| **Exchange differences** | | |
| Other items in foreign currency - foreign currencies | (3 834 481) | (2 577 813) |
| | **(1 616 133)** | **(1 739 665)** |

The negative result in 2022 of € 1.6 million compared to a negative result of € 1.7 million in 2021 is due to the continued strengthening of the USD against the EUR, which is more than offset by the hedging of foreign exchange liabilities.

## 4.28 Income from the disposal of other assets — NOTE 28

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Gains from:** | | |
| Non-financial assets | 291 726 | 115 818 |
| **Losses from:** | | |
| Non-financial assets | (25 975) | (10 329) |
| | **265 750** | **105 489** |

## 4.29 Other operating income — NOTE 29

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Gains from:** | | |
| Gains from inv. in subsidiaries in the country | 324 072 | 39 264 |
| Other gains and operating income | 136 492 | 211 702 |
| | **460 564** | **250 966** |
| **Losses from:** | | |
| Losses from inv. in subsidiaries in the country | (22 763) | (10 584) |
| Other taxes | (262 380) | (485 921) |
| Donations and membership fees | (68 706) | (80 440) |
| Contributions to the Deposit Guarantee Fund (FGD) | (1 590) | (267) |
| Contributions to the Investor Compensation Scheme | (5 000) | (5 000) |
| Failure of computer systems or telecommunications | (1 365) | (1 740) |
| Other charges and operating expenses | (589 090) | (224 301) |
| | **(950 894)** | **(808 253)** |
| | **(490 330)** | **(557 287)** |

Compared to 2021, there was a 117% increase in gains on investments in domestic subsidiaries following the sale of Circuitos e Traçados, Sociedade Imobiliária, S.A..

## 4.30 Staff costs — NOTE 30

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Remunerations** | | |
| Management and supervisory bodies | (745 525) | (725 460) |
| Employees | (4 014 605) | (3 758 224) |
| **Mandatory social security contributions** | | |
| **Remuneration-related charges** | **(1 109 068)** | **(1 047 497)** |
| **Other mandatory social security contributions** | | |
| Pension fund | (20 887) | (31 816) |
| Insurance against accidents at work | (26 251) | (25 135) |
| **Other staff costs** | (319 270) | (218 642) |
| | **(6 235 607)** | **(5 806 773)** |

Staff costs increased by 7.4% in 2022 mainly due to the strengthening of the management team and to one-off adjustments to remuneration. Salary levels, however, remained stable.

In December 2022, the Group employed 116 people in Portugal, as shown in the job descriptions in the table below.

| Distribution by professional category | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Management Board | 6 | 4 |
| Management | 25 | 26 |
| Technical staff | 50 | 49 |
| Administrative staff | 4 | 6 |
| Sales/operations | 18 | 17 |
| Other | 6 | 7 |
| **Banco Carregosa** | 109 | 109 |
| Carregosa – SGOIC (includes 4 directors) * | 7 | 7 |

*One of the directors holds an executive position in Banco L. J. Carregosa, S.A..

### Liabilities for retirement and survivor pensions

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

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

Benefits of the Banco Carregosa Pension Plan:

i. old-age or presumed invalidity pension;

ii. deferred survivor pensions;

iii. immediate survivor pensions;

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

v. death grant (*).

(*) In the event of the death of a participant or beneficiary (due to disability or presumed disability), a lump-sum death benefit will be paid, as defined in Article 102 of the ACTV. Responsibility for past services rendered by eligible employees is determined each year on the basis of the date of joining Banco Carregosa and not the date of entry into the banking sector. As a result, former employers are liable for the portion of the liability relating to the period between the date of entry into the banking sector and the date of entry into the company, unless they have transferred the amount of their portion of the liability. The benefits relating to disability pensions and immediate survivor pensions are covered by a life insurance policy.

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

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

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

### Number of participants in the plan

As at 31 December of every year, the participants in the pension plan are as follows:

| | 2022 | 2021 |
|---|---|---|
| Active participants | 12 | 13 |
| Former participants with vested rights | 47 | 48 |
| Pensioners | 6 | 5 |
| **Total** | **65** | **66** |

### Assumptions

The liabilities of the pension scheme have been valued on the basis of the following assumptions:

| | 2022 | 2021 |
|---|---|---|
| Actuarial valuation 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 | 3.50% | 1.25% |
| Wage growth rate | 1.50% | 0.50% |
| Pension adjustment rate | 3.50% | 1.25% |
| Pension growth rate | 1.50% | 0.50% |
| General information | | |
| **Number of benefit payments** | **14** | **14** |

The following changes in the actuarial valuation at 31 December 2001 have affected the assumptions:

- the rate of increase in wages and pensions has been changed from 0.50% to 1.50%, as stated by the Associate: "Given the evolution of inflation, it would be reasonable to consider an increase in the rate of increase in wages and pensions, without losing sight of the pressure that the sector is under for greater concentration and efficiency gains, which will continue to condition wage updates in line with what has been observed in recent years.";
- fund yield rate and pension adjustment rate changed from 1.25% to 3.50%.

**Fund yield rate** – The discount rate is intended to reflect economic reality and to comply with the requirements of the International Accounting Standard IAS 19. The discount rate value of 3.50% is within the range considered acceptable for interest rates on high credit quality (AA) private bonds with a duration similar to the duration of the liabilities to the pension fund.

### Pension obligations

As at 31 December, pension obligations were as follows:

| | 2022 | 2021 |
|---|---|---|
| Defined benefit obligations | 870 280 | 710 178 |
| Active participants' obligations | 2 207 425 | 2 870 847 |
| | **3 077 705** | **3 581 025** |

Defined benefit obligations

The present value of defined benefit obligations as at 31 December 2022 is as follows:

| | Present value of pensions in payment | SAMS | Death grant | Total |
|---|---|---|---|---|
| **Total** | **819 648** | **40 137** | **10 495** | **870 280** |
| Old-age pensions | 399 782 | 30 142 | 10 495 | 440 420 |
| Invalidity pensions | – | – | – | – |
| Survivors' pensions | 419 866 | 9 995 | – | 429 861 |
| Orphans' pensions | – | | – | – |

The present value of defined benefit obligations as at 31 December 2021 is as follows:

| | Present value of pensions in 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 | – | – | – | – |
| Survivors' pensions | 484 878 | 11 788 | – | 496 664 |
| Orphans' pensions | 5 917 | – | – | 5 918 |

Active participants' obligations

The present value of Active participants' obligations as at 31 December 2022 is as follows:

| Present value of past service costs | Active participants | Vested rights | SAMS activ e part. | Death grant active participants | Total |
|---|---|---|---|---|---|
| **Total** | **1 287 455** | **734 805** | **169 451** | **15 714** | **2 207 425** |
| <65 years | 1 104 587 | 710 710 | 148 020 | 14 423 | 1 977 741 |
| ≥ 65 years | 182 868 | 24 095 | 21 431 | 1 291 | 229 684 |

The present value of Active participants' obligations as at 31 December 2021 is as follows:

| Present value of past service costs | Active participants | Vested rights | SAMS active part. | Death grant active participants | 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 |

### Plan assets

Benefit obligations are financed by the Collective Subscription No. 1 to the Open-ended Funds Optimize Capital Equilibrado (FP OCP Balanced), Optimize Capital Moderado (FP OCP Moderate) and Optimize Capital Ações (FP OCP Shares) and the Collective Subscription No. 4 to the Real Reforma Garantida Pension Fund.

The pension funds mentioned above are open-ended funds whose risk profile varies according to their investment policy. The FP OCP Balanced is for participants who are 10 or more years away from retirement and has some room for manoeuvre in terms of investment values; the FP OCP Moderate is for participants who are risk-averse or less than 5 years away from retirement; and the FP OCP Shares is for long-term investments or for participants who are 15 or more years away from retirement. The FP Real Reforma Garantida Pension Fund is designed for risk-averse participants or those within 5 years of retirement age who prefer to sacrifice profitability in order to protect their capital.

The value of each fund as at 31 December is as follows:

| | 2022 | 2021 |
|---|---|---|
| FP OCP Balanced | 700 153 | 895 200 |
| FP OCP Moderate | 1 390 433 | 1 606 811 |
| FP OCP Shares | 1 175 553 | 1 420 328 |
| | **3 266 139** | **3 922 339** |

### Fund development

The following tables show the development of the Bank's pension plan income and expenses, allocated to each of the three funds. The expenses mentioned below include pensions, insurance premiums and other expenses.

In 2022, the FP OCP Balanced fund performed as follows:

| | Investment unit value | Investment units | Fund value | Value date |
|---|---|---|---|---|
| Opening balance | 8.0547 | 111 140.6427 | 895 199.70 | 31/12/2021 |
| Pensions + costs | – | (10 094.4195) | (73 721.73) | |
| Contributions + Other revenues | – | 1 197.1929 | 8 483.12 | |
| Total transactions | – | (8 897.2266) | (65 238.61) | |
| Fund yield rate | (14.98%) | – | (29 808.06) | |
| **Closing balance** | **6.8479** | **102 243.4161** | **700 153.03** | **31/12/2022** |

In 2022, the FP OCP Moderate fund performed as follows:

| | Investment unit value | Investment units | Fund value | Value date |
|---|---|---|---|---|
| Opening balance | 7.2587 | 211 362.4838 | 1 606 811.76 | 31/12/2021 |
| Pensions + costs | – | (3 025.4584) | (21 478.04) | |
| Contributions + Other revenues | – | 2 120.3170 | 13 913.00 | |
| Total transactions | – | (905.1414) | (7 565.04) | |
| Fund yield rate | (13.11%) | – | (208 813.51) | |
| **Closing balance** | **6.3070** | **220 457.3424** | **1 390 433.21** | **31/12/2022** |

In 2022, the FP OCP Shares fund performed as follows:

| | Investment unit value | Investment units | Fund value | Value date |
|---|---|---|---|---|
| Opening balance | 8.7089 | 163 089.8330 | 1 420 327.84 | 31/12/2021 |
| Pensions + costs | | (2 133.9696) | (18 064.64) | |
| Contributions + Other revenues | – | 1 503.1765 | 11 322.23 | |
| Total transactions | – | (630.7931) | (6 742.41) | |
| Fund yield rate | (16.91%) | – | (238 032.49) | |
| **Closing balance** | **7.2360** | **162 459.0399** | **1 175 552.94** | **31/12/2022** |

In 2022 and 2021, the three funds performed as follows:

| | Investment unit value | Investment units | Fund value | Value date |
|---|---|---|---|---|
| Opening balance | 7.9144 | 495 592.9595 | 3 922 339.30 | 31/12/2021 |
| Pensions + costs | – | (15 253.9595) | (113 264.41) | |
| Contributions + Other revenues | – | 4 820.6864 | 33 718.35 | |
| Total transactions | – | (10 433.1611) | (79 546.06) | |
| Fund yield rate | (14.94%) | – | (576 654.06) | |
| **Closing balance** | **6.7321** | **485 159.7984** | **3 266 139.18** | **31/12/2022** |

Differences:

| | Estimado | Real | Desvios | Data Valor |
|---|---|---|---|---|
| Opening balance | 3 922 339.30 | 3 922 339.30 | 218 966.09 | 31/12/2021 |
| Pensions + costs | (99 158.98) | (113 264.41) | (14 105.43) | |
| Contributions + Other revenues | – | 33 718.35 | 33 718.35 | |
| Total transactions | (99 158.98) | (79 546.06) | 19 612.92 | |
| Fund yield rate | 48 409.50 | (576 654.06) | (625 063.56) | |
| **Closing balance** | **3 871 589.82** | **3 266 139.18** | **(605 450.64)** | **31/12/2022** |

Estimated values are based on the pensions and income rates estimated in the previous year's actuarial report.

The negative difference is mainly due to the fact that the actual fund return was lower than the estimated return.

### Defined benefit obligations

Obligations with pensions in payment relate to the funding scenarios and the minimum scenario.

| | Present value of pensions in payment | SAMS | Death grant | Total |
|---|---|---|---|---|
| **Total** | **819 648** | **40 137** | **10 495** | **870 280** |
| Old-age pensions | 399 782 | 30 142 | 10 495 | 440 420 |
| Invalidity pensions | – | – | – | – |
| Survivors' pensions | 419 866 | 9 995 | – | 429 861 |
| Orphans' pensions | – | | – | – |

### Active participants' obligations

Active participants' obligations relate to the funding scenarios and the minimum scenario.

| | Active participants | Vested rights | SAMS Active participants | Death grant active participants | Total |
|---|---|---|---|---|---|
| **Present value of past service costs** | | | | | |
| **Total** | **1 287 455.09** | **734 804.80** | **169 451.02** | **15 714.12** | **2 207 425.03** |
| <65 years | 1 104 587.44 | 710 710.04 | 148 020.49 | 14 423.09 | 1 977 741.06 |
| ≥ 65 years | 182 867.65 | 24 094.76 | 21 430.53 | 1 291.03 | 229 683.97 |
| **Present value of future service costs** | | | | | |
| **Total** | **–** | **–** | **58 088.59** | **5 698.03** | **63 786.62** |
| <65 years | – | – | 58 088.59 | 5 698.03 | 63 786.62 |
| ≥ 65 years | – | – | – | – | – |
| **Present value of total service costs** | | | | | |
| **Total** | **1 142 271.69** | **734 804.80** | **227 539.61** | **21 412.15** | **2 126 028.25** |
| <65 years | 961 515.91 | 710 710.04 | 206 109.08 | 20 121.12 | 1 898 456.15 |
| ≥ 65 years | 180 755.78 | 24 094.76 | 21 430.53 | 1 291.03 | 227 572.10 |

The application of the method recommended by the CNSF for calculating the present value of the past service cost of retirement benefits may, for some assets, result in a liability greater than the present value of the total service cost, in which case the present value of the future service cost is zero.

### Duration of pension obligations

The Fund has a residual maturity of 72 years, resulting from the technical threshold of the mortality table used compared to the estimated duration of the obligations:

#### Duration (interest rate sensitivity)

| Duration | |
|---|---|
| Macaulay | 15.7 |
| Modified | 15.12% |
| Convexity | 325 |

#### Average life expectancy (ALE):

| | Number | Minimum age | ALE |
|---|---|---|---|
| Active participants | 12 | 50 | 33.42 |
| Vested rights | 47 | 40 | 42.74 |
| Pensioners | 6 | 70 | 16.18 |
| **Total** | **65** | **40** | **42.74** |

Thus, taking into account the combined residual maturity (71 years) and average life expectancy of younger beneficiaries (42.74 years), as well as the Macaulay duration (15.7 years), we conclude that the balance of financial flows occurs much earlier than these biometric indicators, demonstrating a certain robustness of interest rate sensitivity. In any case, it should be noted that this is already a rather 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 obligations

| Date | 31/12/2021 | 31/12/2022 | Variação |
|---|---|---|---|
| Present value of pensions in payment | 710 178 | 870 280 | 22.54% |
| Present value of past service obligations | 2 870 847 | 2 207 425 | (23.11%) |
| **Total** | **3 581 025** | **3 077 705** | **(14.06%)** |

The increase in the present value of pension obligations in payment is mainly due to the changes in the number of participants and the increase in the pension growth rate, offset by the increase in fund yield rate.

In relation to the present value of past service obligations, there is a decrease in the obligations, despite the increase in the salary growth rate, mainly due to the increase in the fund yield rate.

### Contributions and financing plans

The funding level of the pension payment liabilities at this date is as follows:

| | Funding & minimum scenario |
|---|---|
| Liabilities (VAPP+VASP) | 3 077 705.20 |
| VAPP | 870 280.17 |
| VAPP funding level | 100% |
| VABT (vested rights) | 734 804.80 |
| VABT funding level | 100% |
| VASP | 1 472 620.23 |
| VASP funding level | 112.8% |
| Fund value | 3 266 139.18 |
| Global funding level | 106.12% |

The value of the fund used to determine the level of funding is the net value of the fund after deducting fees and expenses incurred.

As the funding of the current pension scheme is subject to the minimum funding requirements set by Banco de Portugal, i.e. full funding of pension liabilities in payment and vested rights, and 95% of the liabilities for past services of the active participants, it is verified that it complies with the established minimum funding requirements.

There are therefore no financing commitments.

Taking into account the assumptions according to the ASF solvency minimum, in accordance with Rule 21/96-R of 5 December, past service liabilities as at 31 December 2022 amounted to €2 394 085.43.

## 4.31 General administrative expenses NOTE 31

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Supplies:** | | |
| Water, electricity and fuel | (277 942) | (199 610) |
| Consumables | (12 420) | (22 213) |
| Publications | (5 779) | (5 227) |
| Hygiene and cleaning products | (14 424) | (18 041) |
| Other third party supplies | (104 800) | (86 611) |
| | **(415 366)** | **(331 702)** |
| **Services:** | | |
| Leases and rentals | (59 416) | (47 810) |
| Communications | (240 778) | (244 305) |
| Travel, hotel and entertainment expenses | (197 098) | (168 171) |
| Advertising and publishing | (476 236) | (405 892) |
| Repairs and maintenance | (156 490) | (133 398) |
| Insurance | (76 402) | (108 200) |
| Specialised services | | |
| Retainers and fees | (19 999) | (11 439) |
| Legal, litigation and notaries | (10 272) | (5 430) |
| IT services | (1 384 426) | (1 060 037) |
| Security and surveillance | (8 647) | (10 719) |
| Cleaning services | (8 004) | (7 148) |
| Information | (752 934) | (680 547) |
| Databases | (129 999) | (72 050) |
| Other specialised services | | |
| Analyses and consultations | (46 860) | (33 810) |
| Consultants and external auditors | (598 439) | (597 525) |
| External evaluators | (81 093) | (80 056) |
| Other third party services | (2 131) | (18 863) |
| **Other third party services** | | |
| Public relations and advisory services | (65 795) | (110 424) |
| Banco de Portugal - Bpnet service | (3 366) | (3 140) |
| Housekeeping services | (8 861) | (8 417) |
| Other | (31 963) | (31 231) |
| | **(4 359 208)** | **(3 838 612)** |
| | **(4 774 574)** | **(4 170 314)** |

General administrative expenses increased by €604 000 compared to 2021, mainly due to general price increases, the return to full normality after the pandemic, and the launch of the Bank's new image.

The items with the most significant increases are water, electricity and fuel, with an increase of 39.2%, corresponding to €78 000; travel, hotel and entertainment, with an increase of 17.2% between 2021 and 2022, corresponding to €29 000; advertising, with an increase of 17.3%, corresponding to €70 000; and IT, with an increase of €324 000 compared to 2021. However, this increase in IT costs is somewhat offset by lower investments in property, plant and equipment and software.

The item "Consultants and external auditors" includes the fees charged by the Statutory Auditors in connection with their statutory audit and other assurance services (amounts exclusive of VAT)):

| Statutory Auditor | |
|---|---|
| Legal Certification of Accounts | 90 100 |
| Assurance and reliability services | 26 500 |
| Other services | 15 000 |
| | **131 600** |

## 4.32 Amortisations in the year — NOTE 32

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Property, plant and equipment** | | |
| Of property | (224 954) | (224 696) |
| Of equipment | (614 571) | (560 909) |
| | **(839 524)** | **(785 605)** |
| **Intangible assets** | **(730 015)** | **(656 325)** |
| | **(1 569 540)** | **(1 441 930)** |

As mentioned in Notes 7 and 8, the movements and balances of the headings amortisations and impairment, are shown in the table attached to these notes.

## 4.33 Provisions net of write-offs — NOTE 33

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Gains from:** | | |
| Provisions for guarantees and commitments | 118 787 | 805 924 |
| **Losses from:** | | |
| Provisions for guarantees and commitments | (4 912) | (704 187) |
| Other provisions | – | (322 410) |
| | **113 876** | **(220 672)** |

In 2022, there was a partial reversal of the provision, resulting in a gain of €113 000.

## 4.34 Impairment of financial assets at amortised cost — NOTE 34

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Investments held to maturity** | | |
| Debt instruments | 83 586 | 101 190 |
| **Loans** | | |
| Normal loans | 5 098 350 | 10 278 542 |
| Overdue loans (includes other debtors) | (4 955 176) | (10 634 743) |
| | **143 174** | **(356 201)** |
| | **226 760** | **(255 011)** |

## 4.35 Impairments of financial assets at fair value through other comprehensive income — NOTE 35

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Available-for-sale financial assets** | | |
| Debt instruments | (125 335) | 356 354 |
| | **(125 335)** | **356 354** |

Following the downgrading of Russian securities and Russian issuers, it was decided to increase the impairments on these assets.

## 4.36 Impairment of other assets net of reversals and recoveries

NOTE 36

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Invest. in subsidiaries, joint ventures and associated companies | – | (48 468) |
| | **–** | **(48 468)** |

## 4.37 Taxes

NOTE 37

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Current | (180 590) | (188 859) |
| Deferred | (453 232) | 8 572 |
| | **(633 823)** | **(180 287)** |

The current tax of €180 590 recognised in 2022 results from the income tax calculated in accordance with the tax law applicable to the Group.

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

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

Deferred taxes recognised in 2022 in the amount of (€452 232) arise from the impact of temporary differences in income taxes on both property, plant and equipment and intangible assets, as well as impairments, as shown below:

| | Deferred tax assets | Deferred tax liabilities | Impact on profit and loss |
|---|---|---|---|
| Credit impairment | 156 251 | – | (116 546) |
| Intangible assets | 5 340 | – | – |
| JV reserves | 273 012 | (726 737) | 3 486 |
| Fair value invest. units | – | (347 276) | (95 973) |
| Tax losses | – | | (244 200) |
| | **434 603** | **(1 074 012)** | **(453 232)** |

## 4.38 Minority interests — NOTE 38

Following the acquisition of 96% of the equity of Carregosa - Sociedade Gestora de Organismos de Investimento Coletivo, S.A., in 2022 €3.179 was recognised in minority interests.

## 4.39 Off-balance sheet accounts — NOTE 39

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Commitments to third parties:** | | |
| **Irrevocable commitments** | | |
| Potential commitments to SII | 1 201 791 | 1 051 953 |
| **Revocable commitments** | | |
| Credit lines | 14 724 144 | 9 899 156 |
| | **15 925 936** | **10 951 160** |
| **Liabilities for service provision:** | | |
| Of Deposit and custody of securities | 1 564 766 707 | 1 548 455 941 |
| Amounts managed by the institution | 185 347 386 | 197 153 464 |
| | **1 750 114 093** | **1 745 609 405** |
| **Services provided by third parties:** | | |
| For Deposit and custody of securities | 936 011 944 | 955 577 247 |
| | **936 011 944** | **955 577 247** |
| **Foreign exchange transactions and derivative instruments:** | | |
| **Trading instruments** | | |
| Foreign exchange forward transactions | 21 040 181 | 18 654 885 |
| | **21 040 181** | **18 654 885** |
| **Guarantees provided and any other services:** | | |
| Personal guarantees | 1 059 028 | 2 096 552 |
| Real guarantees | 16 770 000 | 18 949 000 |
| | **17 829 028** | **21 045 552** |
| **Guarantees received:** | | |
| Personal guarantees | 63 255 050 | 85 202 921 |
| Real guarantees | 176 909 459 | 277 476 417 |
| | **240 164 509** | **362 679 339** |
| **Other off-balance sheet items:** | | |
| Write-offs | 5 590 295 | 5 571 343 |
| Accrued interest | 10 261 | 202 954 |
| Miscellaneous accounts | (2 986 686 248) | (3 120 291 884) |
| | **(2 981 085 692)** | **(3 114 517 587)** |

## 4.40 Contingent liabilities of the Resolution Fund

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

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

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

The contribution paid in 2022, of €104 237.32, compares with the €97 622.89 paid in 2021, as a result of the change in the rate applied. These contributions have been recognised as an expense in each financial year in accordance with IFRIC 21 – 'Levies'.

## 4.41 Assets pledged as collateral

The breakdown of these assets is as follows:

| Pledged financial assets | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Financial assets at fair value through other comprehensive income** | | |
| Debt securities | 4 436 272 | 6 124 777 |
| **Other assets** | | |
| Receivables from futures and options - margins | – | – |
| Various investments - uncleared values | 1 193 473 | 6 685 816 |
| | **5 629 745** | **12 810 593** |

## 4.42 Related parties

As at 31 December 2022 and 2021, the Bank is controlled by the following shareholders with a holding of more than 2%:

| Shareholding composition as at 31/12/2022 | No. of shares | % | Voting rights |
|---|---|---|---|
| Maria Cândida Cadeco da Rocha e Silva | 58 649 733 | 29.32 | 58 649.00 |
| Jorge Manuel da Conceição Freitas Gonçalves | 37 768 937 | 18.88 | 37 768.00 |
| Projeto Inverso, SGPS, S.A. | 15 880 743 | 7.94 | 15 880.00 |
| Planalto Capital – Fundo de Capital de Risco | 11 095 000 | 5 55 | 11 095.00 |
| Groupe Norwich S.A. | 9 999 990 | 5.00 | 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 | 4 810 000 | 2.41 | 4 810.00 |
| Ruasgest, SGPS, S.A. | 4 764 223 | 2.38 | 4 764.00 |

| 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 | 4 810 000 | 2.41 | 4 810.00 |
| Ruasgest, SGPS, S.A. | 4 764 223 | 2.38 | 4 764.00 |

### Remuneration of the Board of Directors

The remuneration of the Board of Directors for the years ended 31 December 2022 and 2021 is disclosed in Note 30 to these financial statements.

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

- those in which the Bank has, directly or indirectly, significant influence over the management and financial policy (subsidiaries);
- key personnel, considering for this purpose the members of the Board of Directors (executive and non-executive) and the Supervisory Committee.

According to these criteria, as at 31 December 2022 the entities identified below are considered related parties of Banco Carregosa, as well as any legal persons associated with them:

| Name of the related entity | Registered office | Effective shareholding | Direct shareholding |
|---|---|---|---|
| **Subsidiaries** | | | |
| Circuitos e Traçados II, Unipessoal, Lda. | Portugal | 100% | 100% |
| Carregosa, SGOIC, S.A. | Portugal | 96% | 96% |
| **Board and supervisory members of Banco L. J. Carregosa, S.A.** | | | |
| Maria Cândida Cadeco da Rocha e Silva | | | |
| Jorge Manuel da Conceição Freitas Gonçalves | | | |
| António José Paixão Pinto Marante | | | |
| Homero José de Pinho Coutinho | | | |
| Rogério Francisco Montenegro do Couto | | | |
| Francisco Miguel Melhorado de Oliveira Fernandes | | | |
| Fernando Miguel da Costa Ramalho | | | |
| José Nuno de Campos Alves | | | |
| Mário Oldemiro Carvalho Fernandes | | | |
| Mariana Mendes Baptista Lopes | | | |
| Rodrigo de Melo Neiva Santos | | | |
| António Fernando dos Reis Magalhães Pinto | | | |
| Cristina Maria da Costa Pinto | | | |

According to these criteria, as at 31 December 2021 the entities identified below are considered related parties of Banco Carregosa, as well as any legal persons associated with them:

| Name of the related entity | Registered office | Effective shareholding | Direct shareholding |
|---|---|---|---|
| **Subsidiaries** | | | |
| Circuitos e Traçados, Sociedade Imobiliária, S.A. | Portugal | 100% | 100% |
| Circuitos e Traçados II, Unipessoal, Lda. | Portugal | 100% | 100% |
| Carregosa, SGOIC, S.A. | Portugal | 96% | 96% |
| **Board and supervisory members of Banco L. J. Carregosa, S.A.** | | | |
| Maria Cândida Cadeco da Rocha e Silva | | | |
| Jorge Manuel da Conceição Freitas Gonçalves | | | |
| António José Paixão Pinto Marante | | | |
| Homero José de Pinho Coutinho | | | |
| Francisco Miguel Melhorado de Oliveira Fernandes | | | |
| Fernando Miguel da Costa Ramalho | | | |
| José Nuno de Campos Alves | | | |
| Rodrigo de Melo Neiva Santos | | | |
| Maria da Graça Alves Carvalho | | | |

The aggregate amount of assets, liabilities, equity and off-balance sheet commitments related to transactions with subsidiaries, members of the Board of Directors and legal entities over which they have significant influence as at 31 December 2022 is as follows:

### Transactions and balances with related parties

#### Balances resulting from transactions with related parties

| 2022 | Assets | |
|---|---|---|
| | Supplementary payments | Loans |
| **Subsidiaries** | – | 3 341 800 |
| Members of the Board of Directors and Supervisory Committee of Banco L. J. Carregosa, S.A. | – | – |
| Companies in which the members of the Board of Directors and the Supervisory Committee have a material influence | – | – |
| | **–** | **3 341 800** |

| 2021 | Assets | |
|---|---|---|
| | Supplementary payments | Loans |
| **Subsidiaries** | 4 954 000 | 1 810 000 |
| Members of the Board of Directors and Supervisory Committee of Banco L. J. Carregosa, S.A. | – | – |
| Companies in which the members of the Board of Directors and the Supervisory Committee have a material influence | – | – |
| | **4 954 000** | **1 810 000** |

| Liabilities | | | Off-balance sheet | | | |
|---|---|---|---|---|---|---|
| Client deposits | | Other suppliers | Guarantees provided | Guarantees received | Credit lines | Deposit and custody of securities |
| Sight deposits | Term deposits | | | | | |
| 233 806 | – | – | – | – | – | – |
| 184 087 | 36 955 | – | – | – | – | 28 158 963 |
| 532 445 | – | – | – | 1 000 000 | 995 490 | 4 479 853 |
| **950 338** | **36 955** | **–** | **–** | **1 000 000** | **995 490** | **32 638 817** |

| Liabilities | | | Off-balance sheet | | | |
|---|---|---|---|---|---|---|
| Client deposits | | Other suppliers | Guarantees provided | Guarantees received | Credit lines | Deposit and custody of securities |
| Sight deposits | Term deposits | | | | | |
| 391 085 | – | – | – | – | – | – |
| 172 956 | 100 471 | – | – | – | – | 23 611 918 |
| 406 225 | – | – | – | – | – | 2 479 018 |
| **970 266** | **100 471** | **–** | **–** | **–** | **–** | **26 090 936** |

### Transactions with related parties

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

| 2021 | Interest on term deposits | Commissions received |
|---|---|---|
| **Subsidiaries** | – | 1 745 |
| Members of the Board of Directors and Supervisory Committee of Banco L. J. Carregosa, S.A. | 355 | 2 906 |
| Companies in which the members of the Board of Directors and the Supervisory Committee have a material influence | – | 21 595 |
| | **355** | **26 247** |

For the purposes of compliance with Articles 85 and 109 of the RGICSF, regarding the use of credits and guarantees provided by the Bank, it is reported that, as at 31 December 2022, there are two credit operations related to Mr Homero Coutinho, namely with the companies HCapital Partners SCR, S.A. and HGM - Glass Equipment Consulting, Lda.

There were no other authorised transactions with MOAF or entities over which they have significant influence during the period under review.

## 4.43 Impact of the Russia-Ukraine conflict

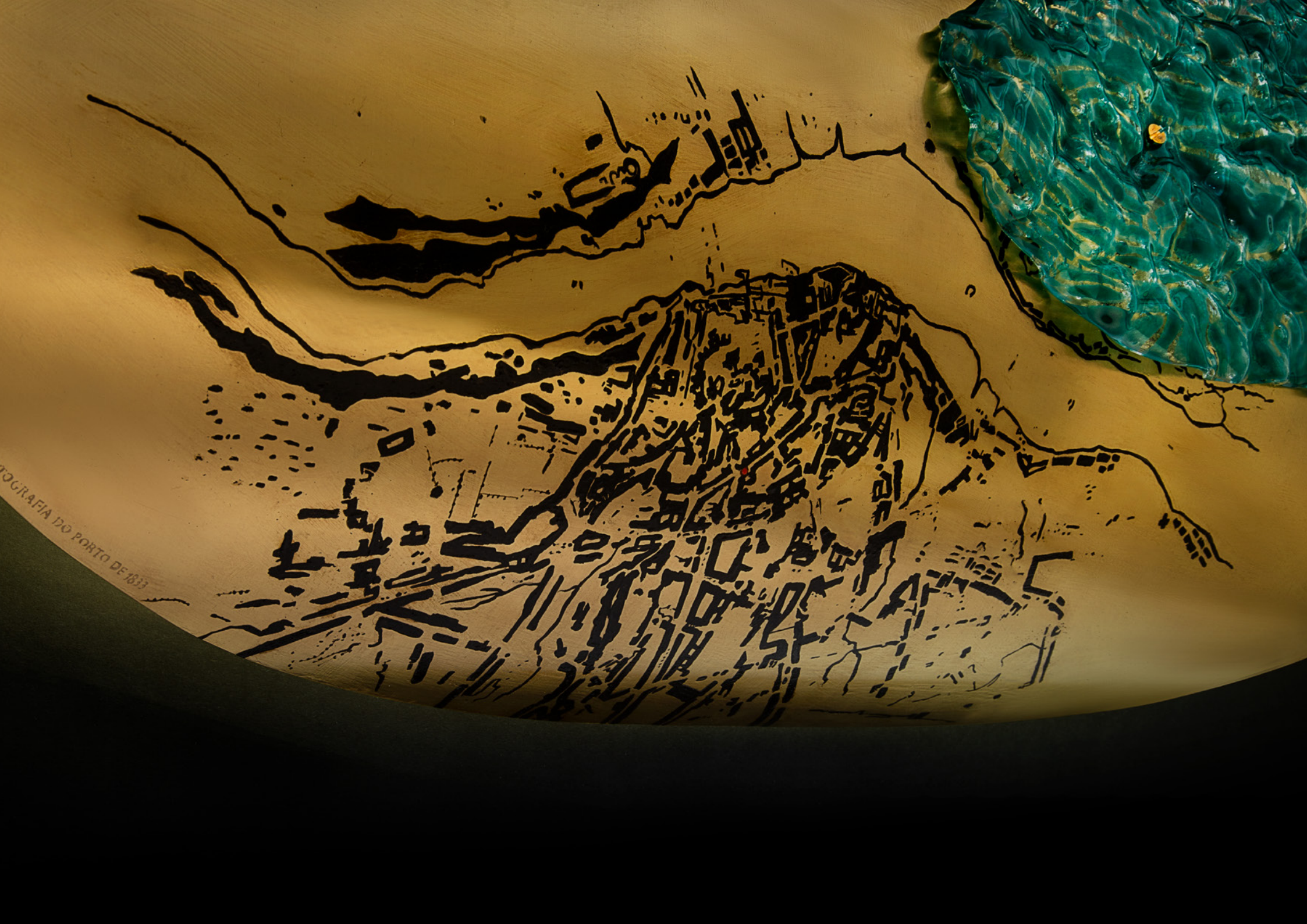
More than a year after the invasion of Ukrainian territory by the Russian Federation, which triggered an armed conflict that affected the financial markets, it is now possible to measure the impact of this crisis, which has led to a slowdown in economic growth, an extraordinary rise in inflation, and to developments in the ECB's monetary policy.

As a result and as a consequence of the conflict, the impact on the Bank's accounts in terms of direct exposure to Russia was as follows:

- the sale of 500 000 worth of the position in RUSSIA 2.875 12/25, representing a loss of €47 000;
- the recognition of fair value reserves of €-1.4 million in the portfolio of financial assets at fair value through other comprehensive income (OCI), related to potential losses and an increase in impairments of €473 000;
- recognition of a potential loss of €262 000 on the held-for-trading portfolio (FTVPL);
- the impact on the equity ratio is a negative variation of 0.24%.

| | Income from equity instruments | Services rendered | Services received |
|---|---|---|---|
| | – | 42 006 | – |
| | – | – | – |
| | – | – | – |
| | **–** | **42 006** | **–** |

| | Income from equity instruments | Services rendered | Services received |
|---|---|---|---|
| | – | 46 296 | – |
| | – | – | – |
| | – | – | – |
| | **–** | **46 296** | **–** |


TOGRAFIA DO PORTO DE 1833

# III NOTES TO THE SEPARATE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

Amounts in euro, except as otherwise stated.

## Separate balance sheet as at 31 December 2022 and 2021

| | Notes | 31/12/2022 | 31/12/2021 |
|---|---|---|---|
| **Assets** | | | |
| Cash and net assets in central banks and other demand deposits | 1 | 276 634 174 | 137 858 040 |
| Financial assets at fair value through profit or loss | 2 | 12 839 916 | 15 127 242 |
| Financial assets held for trading | 2.1 | 2 012 015 | 4 344 359 |
| Non-trading financial assets mandatorily at fair value through profit or loss | 2.2 | 10 827 901 | 10 782 883 |
| Other financial assets | 2.3 | – | – |
| Financial assets at fair value through other comprehensive income | 3 | 61 368 384 | 69 046 592 |
| Financial assets at amortised cost | 4 | 197 264 892 | 152 102 779 |
| Of which: | | | |
| Loans to clients | 4.1 | 62 173 827 | 68 318 550 |
| Derivatives - Hedge accounting | 5 | 110 197 | – |
| Investments in subsidiaries, joint ventures and associated companies | 6 | 482 970 | 5 351 269 |
| Property, plant and equipment | 7 | 11 637 069 | 11 479 817 |
| Intangible assets | 8 | 863 476 | 985 229 |
| Tax assets | 9 | 1 597 425 | 803 392 |
| Other assets | 10 | 5 256 126 | 2 308 281 |
| Non-current assets and disposal groups stated as held for sale | 11 | – | 3 051 |
| **Total Assets** | | **568 054 629** | **395 065 691** |
| **Liabilities** | | | |
| Financial liabilities held for trading | 12 | 767 975 | 5 268 |
| Financial liabilities measured at amortised cost | 13 | 523 673 263 | 350 050 384 |
| Derivatives - Hedge accounting | 14 | – | 43 315 |
| Provisions | 15 | 209 808 | 323 684 |
| Tax liabilities | 16 | 1 178 772 | 1 174 130 |
| Other liabilities | 17 | 5 556 826 | 3 436 110 |
| **Total Liabilities** | | **531 386 644** | **355 032 892** |
| **Capital** | 18 | | |
| Capital | | 20 000 000 | 20 000 000 |
| Issue premiums | | 369 257 | 369 257 |
| Other accumulated comprehensive income | | (2 685 373) | 2 286 149 |
| Retained earnings | | 3 083 622 | 1 535 376 |
| Other reserves | | 14 306 884 | 14 226 088 |
| Income for the year | | 1 593 594 | 1 615 929 |
| **Total Own Equity** | | **36 667 985** | **40 032 799** |
| **Total Liabilities and Equity** | | **568 054 629** | **395 065 691** |

The Certified Accountant

The Board of Directors

## Separate income statement as at 31 December 2022 and 2021

| | Notes | 31/12/2022 | 31/12/2021 |
|---|---|---|---|
| Interest and similar income | | 6 120 165 | 4 984 147 |
| Interest and similar charges | | (703 122) | (700 297) |
| **Financial margin** | **19** | **5 417 043** | **4 283 850** |
| Income from equity instruments | 20 | 415 605 | 349 278 |
| Income from services and commissions | 21 | 8 492 905 | 8 774 241 |
| Charges with services and commissions | 21 | (3 615 767) | (3 678 705) |
| Income from assets and liabilities evaluated at fair value through profit or loss (net) | 22 | 4 764 879 | 4 156 709 |
| Income from financial assets at fair value through other comprehensive income | 23 | (353 073) | 516 170 |
| Income from non-trading financial assets mandatorily carried at fair value through profit or loss | 24 | 293 802 | 947 435 |
| Income from financial assets at amortised cost | 25 | 517 093 | – |
| Income from foreign currency revaluation (net) | 26 | (1 616 133) | (1 739 665) |
| Income from the disposal of other assets | 27 | 265 750 | 105 489 |
| Other operating income | 28 | (374 683) | (850 255) |
| **Net operating revenue** | | **14 207 419** | **12 864 547** |
| Staff costs | 29 | (6 008 726) | (5 554 249) |
| General administrative expenses | 30 | (4 667 648) | (3 995 094) |
| Amortisations in the year | 31 | (1 527 306) | (1 400 470) |
| Provisions net of reinstatements and write-offs | 32 | 113 876 | (220 672) |
| Impairment of financial assets at amortised cost | 33 | 226 760 | (255 011) |
| Impairments of financial assets at fair value through other comprehensive income | 34 | (125 335) | 356 354 |
| Impairment of investments in subsidiaries, joint ventures and associated companies | | – | – |
| **Pre-tax profit** | | **2 219 040** | **1 795 405** |
| Taxes | | | |
| Current | 35 | (172 214) | (188 047) |
| Deferred | 35 | (453 232) | 8 572 |
| **Net result for the year** | | **1 593 594** | **1 615 929** |

The Certified Accountant

The Board of Directors

## Separate statement of comprehensive income as at 31 December 2022 and 2021

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Net result for the year** | **1 593 594** | **1 615 929** |
| Items not to be restated into profit or loss: | | |
| Property, plant and equipment | (11 968) | (14 455) |
| Actuarial gains or losses (-) with defined benefit pension plans | (113 246) | 387 244 |
| Items that may be restated into profit or loss: | | |
| Cash flow hedging | 145 519 | (47 310) |
| Financial assets at fair value through other comprehensive income | (6 251 938) | 96 261 |
| Income tax on items that may be restated into profit or loss | 1 134 777 | 39 743 |
| **Other comprehensive income** | **(5 096 857)** | **461 484** |
| **Total comprehensive income for the year** | **(3 503 263)** | **2 077 413** |

The Certified Accountant

The Board of Directors

## Statement of cash flow
## as at 31 December 2022 and 2021

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Cash flows from operating activities: | | |
| Interest and commissions received | 14 267 700 | 13 315 848 |
| Interest and commissions paid | (4 268 722) | (4 511 384) |
| Payments to employees and suppliers | (10 424 220) | (9 585 249) |
| Deposits from credit institutions and central banks | (5 085 898) | 1 929 220 |
| Other operating assets and liabilities | 5 504 751 | (1 402 771) |
| Other receipts from clients | 189 127 473 | 58 235 731 |
| Income taxes | (273 556) | (14 943) |
| **Net cash from operating activities** | **188 847 528** | **57 966 452** |
| Cash Flows from Investment Activities: | | |
| Dividends received | – | – |
| Acquisition of financial assets at fair value through other comprehensive income, net of disposals | 1 058 787 | (11 784 317) |
| Acquisition of financial assets at amortised cost, net of disposals | (54 800 344) | (21 799 971) |
| Acquisition of property, plant and equipment and intangible assets | (1 537 385) | (1 229 808) |
| Disposals of property, plant and equipment and intangible assets | 10 500 | 57 351 |
| Investments in subsidiaries and associated companies | 5 258 129 | (198 500) |
| **Net cash from investment activities** | **(50 010 314)** | **(34 955 244)** |
| Cash flows from financing activities | | |
| Capital increase | – | – |
| Dividends paid | – | – |
| Issue of securitised and subordinated debt | – | – |
| Remuneration paid on cash and other bonds | – | – |
| Remuneration paid on subordinated debt | – | – |
| Deposits from credit institutions (not associated with the main revenue-generating activities) | – | – |
| **Net cash from financing activities** | **–** | **–** |
| Net increase (decrease) of cash and cash equivalents | 138 837 215 | 23 011 208 |
| Cash and cash equivalents at the start of the year | 138 292 664 | 115 281 456 |
| Cash and cash equivalents at the end of the year | 277 129 878 | 138 292 664 |
| **Cash and cash equivalents (breakdown as at December 2022 and December 2021)** | **31/12/2022** | **31/12/2021** |
| Cash and cash equivalents in central banks | 259 947 214 | 69 209 201 |
| Net assets in other credit institutions | 16 686 960 | 68 648 838 |
| Investments in other credit institutions | 500 275 | 500 000 |
| Overdrafts in other credit institutions | (4 570) | (65 376) |
| Cash and cash equivalents at the end of the financial year | 277 129 878 | 138 292 664 |

The Certified Accountant

The Board of Directors

## Statement of changes in equity as at 31 December 2022

**(separate)**

| | Capital | Issue premiums | Other accumulated comprehensive income |
|---|---|---|---|
| **Opening balances** | **20 000 000** | **369 257** | **2 181 019** |
| Changes in fair value reserve | | | 34 496 |
| Deferred tax | | | 39 743 |
| Actuarial gains or losses (-) with pension plans | | | 387 244 |
| Net result for 2021 | | | |
| Comprehensive result 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** |
| Changes in fair value reserve | | | **(6 118 387)** |
| Deferred tax | | | 1 134 777 |
| Actuarial gains or losses (-) with pension plans | | | (113 246) |
| Net result as at December 2022 | | | |
| Comprehensive result as at December 2022 | | | |
| Distribution of dividends | | | |
| Other changes in equity | | | 125 335 |
| **Balances as at 31 December 2022** | **20 000 000** | **369 257** | **(2 685 373)** |

The Certified Accountant

The Board of Directors

| Legal reserves | Other reserves | Retained earnings | Result for the year | Total own equity |
|---|---|---|---|---|
| **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 |
| | | | | – |
| – | | (2 493 799) | 2 506 912 | (343 241) |
| **2 556 595** | **11 669 492** | **1 535 377** | **1 615 929** | **40 032 799** |
| | | | | (6 118 387) |
| | | | | 1 134 777 |
| | | | | (113 246) |
| | | | 1 593 594 | 1 593 594 |
| | | | | (3 503 263) |
| | | | | – |
| 80 796 | | 1 548 246 | (1 615 929) | 138 448 |
| **2 637 392** | **11 669 492** | **3 083 623** | **1 593 594** | **36 667 984** |

# 1. General information

Banco L.J. Carregosa, SA (Bank or Carregosa) is a commercial bank with registered office in Portugal at Av. da Boavista nº 1083 in Porto, operating under the relevant authorisations granted by the Portuguese authorities. The Bank started operating as a commercial bank in November 2008.

The Bank has a nationwide network of three branches.

# 2. Basis of presentation and significant accounting policies

## 2.1. Basis of Presentation and Comparability

The Bank's financial statements are prepared in accordance with the International Financial Reporting Standards or International Financial Reporting (IAS/IFRS) as adopted by the European Union, in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July, as transposed into national law by Banco de Portugal Notice No. 5/2015, of 7 December.

The IFRS comprise the accounting standards issued by the International Accounting Standards Board (IASB) and their interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and its predecessors. The Bank's financial statements presented herein cover the year ended 31 December 2022 and have been prepared in accordance with the current IFRS as adopted by the European Union.

The financial statements are presented in euro.

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

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

Consolidated profit is determined from the net profit of the Bank and of the participated companies after consolidating adjustments, in particular the elimination of gains and losses resulting from transactions between these companies.

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

### New standards and amendments to standards that are effective for reporting periods beginning on or after 1 January 2022

#### IAS 16 'Proceeds before Intended use' (Amendments to IAS 16)

Change in the accounting treatment of consideration received on the sale of products resulting from the production of property, plant and equipment during the test phase, prohibiting its deduction from the cost of the assets.

This amendment is applied retrospectively, without restating comparative information.

#### IAS 37 'Onerous Contracts - Cost of Fulfilling a Contract' (Amendments to IAS 37)

This amendment specifies that, in assessing whether a contract is onerous, only expenses directly related to the performance of the contract may be considered, such as incremental costs related to direct labour and materials and the allocation of other directly related expenses, such as the allocation of depreciation expense for property, plant and equipment used to perform the contract.

This amendment shall be applied to contracts that still have unfulfilled contractual obligations at the beginning of the first annual period for which the amendment is applied, without restating the comparative amounts.

#### IFRS 3 'Reference to the Conceptual Framework' (Amendments to IFR3)

This amendment updates the reference to the conceptual framework in the text of IFRS 3 and does not change the accounting requirements for business combinations. This amendment also clarifies the accounting treatment for liabilities and contingent liabilities under IAS 37 and IFRIC 21, and prohibits the recognition of contingent assets of the acquiree in a business combination.

This amendment is applied retrospectively.

### Improvements to standards 2018-2020

This improvement cycle amends the following standards: IFRS 1, IFRS 9, IFRS 16 and IAS 41.

### Amendments to standards and new standards, effective on or after 1 January 2023

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

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

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

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

#### IFRS 17 'Insurance Contracts' (New and Amendments) (effective for financial years beginning on or after 1 January 2023)

This new standard replaces IFRS 4 and applies to all issuers of insurance, reinsurance and investment contracts with discretionary participation features, provided that they are also issuers of insurance contracts. IFRS 17 requires issuers of insurance contracts to assess whether the policyholder may receive a particular service as part of a claim, or whether that service is independent of the claim/risk event,

and to separate out the non-insurance component. IFRS 17 requires entities to identify portfolios of insurance contracts on initial recognition and to disaggregate them into at least the following classes:

i. contracts that are onerous on initial recognition;

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

iii. remaining contracts in the portfolio.

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

i. general measurement model (GMM);

ii. premium allocation approach (PAA); and

iii. variable fee approach (VFA).

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

**IFRS 17 'Initial application of IFRS 17 and IFRS 9 - Comparative information' (Amendments to IFRS 17) (effective for reporting periods beginning on or after 1 January 2023)**

This amendment applies only to insurance entities in their transition to IFRS 17, allowing an insurer to apply 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 when IFRS 17 is first applied, and provides for:

i. its application to each financial asset;

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

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

**IAS 12 'Deferred tax related to assets and liabilities arising from a single transaction' (Amendments) (effective for financial years beginning on or after 1 January 2023)**

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

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

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

This amendment applies prospectively.

**Published standards (new and amendments) whose application is effective for reporting periods beginning on or after 1 January 2023, and which the European Union has not yet endorsed**

**IAS 1 'Non-current Liabilities with Covenants (Amendments) (effective for reporting periods beginning on or after 1 January 2024)**

This amendment is still subject to the approval of the European Union. This amendment clarifies that liabilities are to be classified as current or non-current depending on the right that an entity has to defer settlement for at last 12 months after the reporting date. It also clarifies that covenants that an entity is required to comply with on or before the reporting date affect the classification of a liability as current or non-current, even if verification occurs after the reporting date. If an entity classifies liabilities arising from

financing arrangements as non-current and those liabilities are subject to covenants, it is required to disclose information that enables investors to assess the risk that those liabilities will become repayable within 12 months, such as:

i. the book value of the liabilities;

ii. the nature and date by which the entry must comply with the covenants

iii. facts and circumstances indicating that the entity may have difficulty in complying with the covenants by the due dates.

This amendment applies prospectively.

**IFRS 16 'Lease Liability in a Sale and Leaseback' (Amendments to IFRS 16) (effective for reporting periods beginning on or after 1 January 2024)**

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

## 2.2. Significant accounting policies

The accounting policies hereunder apply to the financial statements of Banco Carregosa.

### 2.2.1. Transactions in foreign currency (IAS 21)

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

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

At each balance sheet date, the carrying amounts of monetary items denominated in foreign currencies are restated at the exchange rates prevailing at that date. Favourable and unfavourable exchange differences arising from the differences between the exchange rates at the dates of the transactions and the exchange rates at the dates of the receipts, payments or at the 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 three months or less as of their contract date, including cash and other net balances with banks.

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 bank overdrafts;

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

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

iv. **financing activities:** activities that result in 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 payments.

## 2.2.3. Investments in domestic and foreign credit institutions

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

## 2.2.4. Financial instruments

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

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

i. assets measured at amortised cost;

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

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

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

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

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

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

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

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

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

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

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

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

The following classes of accounts are therefore taken into account:

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

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

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

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

### Financial assets at amortised cost

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

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

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

Initial recognition and subsequent measurement

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

Interest on financial assets at amortised cost is recognised as "Interest and similar income".

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

The term "derecognition" is used to refer to the following:

i. a disposal;

ii. or an entity reclassifies an asset from the amortised cost measurement category to the fair value through profit or loss category (IRFS9 paragraph 5.6.2).

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

### Financial assets at fair value through other comprehensive income

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

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

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

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

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

Initial recognition and subsequent measurement

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

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

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

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

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

When an entity restates a financial asset from the fair value through other comprehensive income measurement category to the fair value through profit or loss measurement category, the financial asset is still 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 designated as at fair value through profit or loss if the business model defined by the Bank for managing the financial asset or its cash flow characteristics does not qualify it for measurement at amortised cost or at fair value through other comprehensive income.

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

The following must be taken into account in this classification:

i. assets measured at fair value through profit and loss (FVTPL), which is broadly consistent with the designated regulatory 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 any costs or income associated with the transactions are recognised in profit or loss at the time of initial recognition, with subsequent changes also recognised in profit or loss.

The periodic calculation of interest is recognised 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 applicable regulatory and accounting standards[6] .

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

i. final delisting;

ii. the loss of public company status;

iii. issuer default.

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

Where the competent authorities allow the restatement:

i. the restatement of this item cannot be changed;

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

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

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

6 For this purpose, a correction of a classification error is not considered as a restatement.

### 2.2.6. Fair value hierarchy of financial instruments

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

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

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

i. Tier 1 – quoted in an active market

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

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

### 2.2.7. Equity instruments

Transaction costs directly attributable to the equity issuance are recognised against equity as a deduction from equity. Amounts paid or received on the sale or purchase 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 recognised at fair value at the time the contracts are negotiated with the Bank and are subsequently measured at fair value. Fair values are obtained from quoted prices in active markets, including recent market transactions, and valuation models, namely discounted cash flow models and option valuation models. Derivatives are recognised as assets when their fair value is positive and as liabilities when their fair value is negative.

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

### 2.2.9. Hedge accounting

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

Principle:

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

Hedging derivatives are recognised at fair value and gains or losses arising from the remeasurement are recognised in accordance with the hedge accounting model. A hedging relationship exists when:

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

ii. the hedge is expected to be highly effective;

iii. the effectiveness of the hedge can be reliably measured

iv. the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designed the hedge can be reliably measured

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

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

When a derivative financial instrument is used to hedge the foreign exchange risk of a monetary asset or liability, no

hedge accounting model is applied. Any gain or loss on the derivative is recognised in profit or loss, as is the foreign exchange gain or loss on the underlying monetary item.

#### Fair value hedging

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

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

#### Cash flow hedging

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

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

#### Hedge effectiveness

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

## 2.2.10. Loans to clients and other receivables (Other receivables)

#### Valuation, initial and subsequent recognition

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

Loans to clients and other receivables are valued as follows:

- Loans and receivables are initially recognised at fair value. Fair value at initial recognition is generally equivalent to the transaction value and includes commissions, fees or other charges and income related to the loan transaction. Subsequently, loans and receivables are measured at amortised cost based on the effective interest rate and are subject to impairment tests.
- Where applicable, interest, commissions and other fees and income related to loan transactions are accrued over the life of the transaction for transactions that generate residual cash flows over a period of more than one month, regardless of when they are collected or paid. Loan commitment fees are deferred and recognised on a straight-line basis over the life of the commitment.

Impairment is assessed on the basis of the total amount of loans and advances, including other commitments entered into 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 expire;

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

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

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

Credit impairment loss (IFRS9)

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

IFRS 9 replaces the IAS 30's "incurred loss" model with a forward-looking Expected Credit Loss (ECL) model, which takes into account the expected credit losses over the life of financial instruments. Macroeconomic factors and other forward-looking information whose changes affect the expected loss are therefore taken into account in the ECL.

The impairment model currently in place analyses all positions on an individual basis.

## 2.2.11. Assets acquired in exchange for loans

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

## 2.2.12. Non-current assets held for sale

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

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

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

Other property, plant and equipment are stated at cost less depreciation and impairment losses, and are depreciated on a straight-line basis over their 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 ammortised.

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

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

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

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

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

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

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

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

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

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

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

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

## 2.2.14. Intangible assets (IAS 38)

The Bank recognises under this heading the costs associated with the development of projects implemented and to be implemented and the cost of software, in both cases where the expected impact extends beyond the period in which they are incurred.

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

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

Intangible assets are carried at acquisition cost less accumulated impairment losses and depreciations amortised on a straight-line basis and by twelfths over their estimated useful lives, which is generally 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 the financial and operating decisions of the entity – usually investments representing between 20% and 50% of the share capital) are accounted for using the equity method.

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

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

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

When the proportion of the accumulated losses of the associate exceeds the carrying amount of the investment, the investment is stated at zero, unless the entity has incurred obligations to the associate, in which case a provision is recognised to meet 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 mainly include deposits from clients and from central banks, are carried at amortised cost.

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

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

## 2.2.17. Provisions and contingent liabilities (IAS 37)

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

## 2.2.18. Tax on profits (IAS 12)

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

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

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

However, deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilised, or when there are deferred tax liabilities that are expected to arise in the same period as the deferred tax assets can be utilised. These deferred tax assets are reviewed at each reporting date and adjusted based on expectations of future utilisation.

## 2.2.19. Gains from financial transactions

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

## 2.2.20. Recognition of revenue and costs

Revenue and costs are recognised over the period of the transactions and on an accrual basis, i.e. when they are incurred. Revenue is recognised to the extent that it is likely that the economic benefits will flow to the company and the amount of the revenue can be measured. Accrued but uncollected interest is reversed in the balance sheet after three months and is 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 that are not covered by other standards (e.g. taxes on instruments that would be covered by IFRS 9 and lease income).

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

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

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

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

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

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

## 2.2.22. Recognition of interest

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

## 2.2.23. Commissions for services rendered

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

## 2.2.24. Guarantees provided and irrevocable commitments

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

## 2.2.25. Employee benefits (IAS 19)

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

## 2.2.26. Retirement and survivor pensions

Based on the Collective Labour Agreement for the Banking Sector (*Acordo Coletivo de Trabalho Vertical para o Setor Bancário* – ACTV) which is the reference for labour practices, Banco Carregosa undertook, exclusively for its employees who are not covered by the National Pension System, to provide them or their families with cash payments for retirement, early retirement, disability or survivors' pensions, through the establishment of a Defined Benefit Pension Plan. This Plan complies with the ACTV and is subject to the requirements of Banco de Portugal, in particular its Notice 12/2001 and any updates thereto.

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

Liabilities for past services rendered by eligible employees are determined each year on the basis of the date on which the employee joined Banco Carregosa and not on the date on which the employee entered the banking sector. Consequently,

the share of the liability for the period between the date of entry into the banking sector and the date of joining the company is charged to past employers, unless they have transferred the amount of their share of the liability.

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

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

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

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

### 2.2.27. Variable remuneration paid to employees (IAS 19)

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

### 2.2.28. Earnings per share

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

### 2.2.29. Subsequent events

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

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

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

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

## 2.3. Critical accounting estimates and judgements used in the preparation of the financial statements

The IFRS provide a range of accounting policies within which the Board of Directors must make the necessary judgements and estimates to determine the most appropriate accounting treatment.

Given that in many cases there are alternatives to the accounting treatment adopted by the Board of Directors, the results reported by the Bank could have been different if a different treatment had been applied. In the opinion of the Board of Directors, the judgements made are appropriate and the financial statements present fairly, in all material respects, the financial position of the Bank and the results of its operations.

### 2.3.1. Impairment on loans to clients

The Bank regularly reviews its loan portfolios to determine potential expected losses.

The review of the loan portfolio to determine whether an impairment loss should be recognised is subject to various estimates and judgements, including on the existence of

impairment indicators, the probability of default, credit ratings, estimated recoveries and the valuation of existing collateral. See note 3.4 for a detailed description of the process used to calculate credit impairment loss.

### 2.3.2. Taxes on income

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

Differences in interpretation and estimates could result in a different amount of current and deferred income tax being recognised in the period.

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

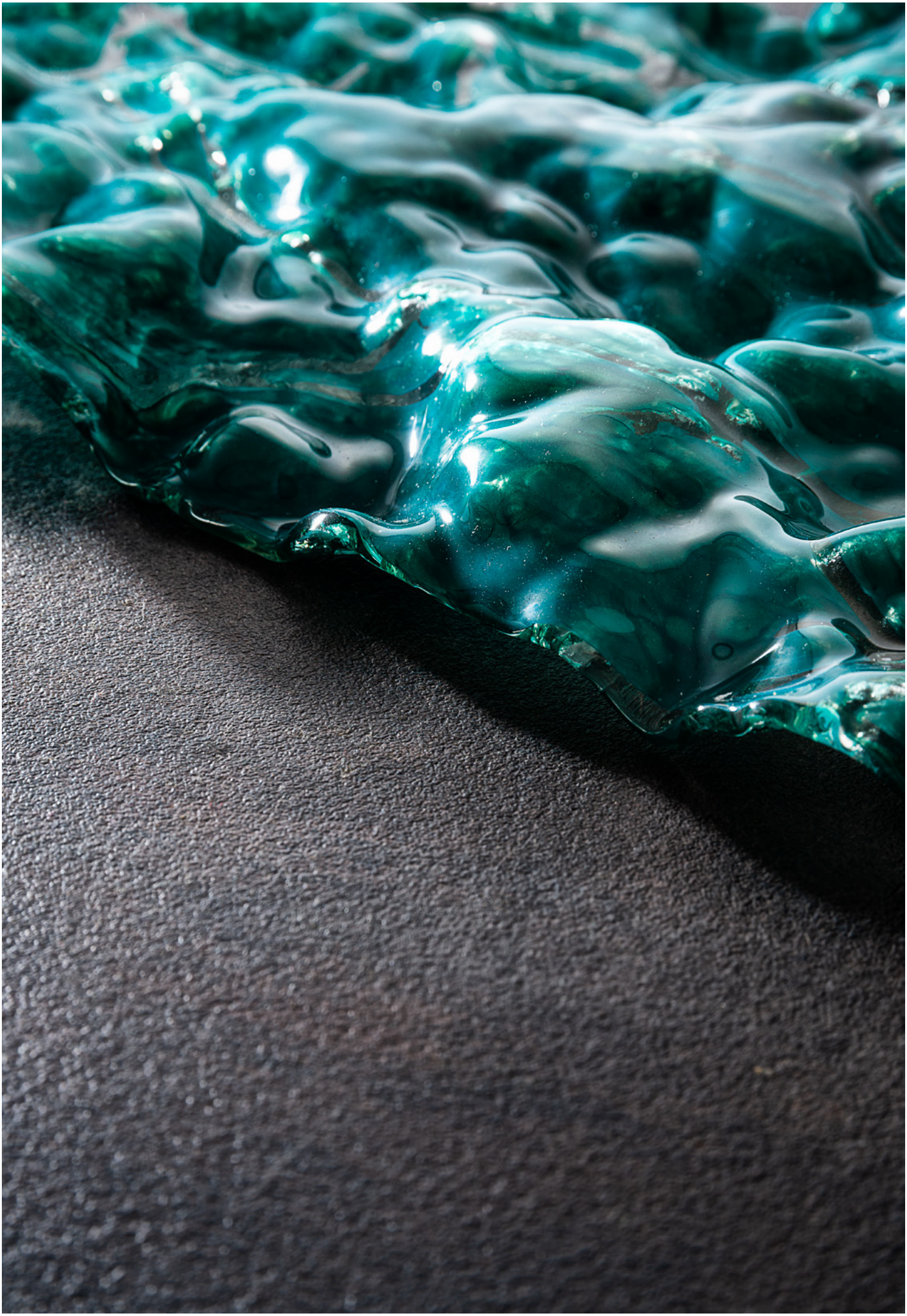
The Bank has assessed whether deferred tax assets can be recovered (including the rate of recovery) based on projections of its future taxable profits as set out in a business plan.

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

### 2.3.3. Pensions and other employee benefits

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

Any change in any of these assumptions could have a material impact on these amounts.



# 3. Risk management

## 3.1. Risk Management Function

Risk management consists of the identification, valuation, measurement, monitoring and control of all material risks to which the Group is exposed, in order to bring the level of exposure into line with the limits set out in the Risk Appetite Statement (RAS).

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

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

ii. remuneration for the risks taken (principle of profitability);

iii. maintaining a financially stable structure.

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

Last but not least, we should highlight the initiatives completed at the beginning of 2022, with a view to ensuring alignment with the requirements of Banco de Portugal Notice 3/2020:

i. the definition of a risk catalogue that includes risk categories and subcategories;

ii. the identification and assessment of risks;

iii. the review of the regulation of the internal control function;

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

## 3.2. Organic Structure of Risk Management

Notwithstanding the extensive management authority delegated by the Board of Directors to the Executive Committee, 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 an annual basis, the strategy to be followed and the policies to be adopted by the Bank in relation to the risks associated with its business, as generally provided for in Banco de Portugal's notices and regulations, in particular in relation to operating, reputational, legal, compliance and credit risks, and for defining the procedures to be implemented to assess, monitor and mitigate such risks. In this regard, the Board of Directors is responsible for approving the key regulatory documents relating to 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 to promote a culture of prudent risk assessment among all departments and employees. However, the Bank also has a structure with specific risk management functions.

This financial risk control and monitoring function is supported by the Asset and Liability Committee (ALCO). This committee meets at least once a month and is composed of the Executive Committee, the heads of Private Banking, Finance, Risk, Sourcing and Management, as well as the heads of Credit and Portfolio Management.  At these meetings, recommendations are made on the collection and use of funds, taking into account the risk/return balance.

The Compliance, Risk and Internal Audit functions, which together form the Internal Control Group, are responsible for the day-to-day monitoring of risks and for providing and collating information for the Executive Committee and other relevant bodies.

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 composed of the members of the Executive Committee, the Director of Commercial, the Credit Department Director, the Compliance Director, the Risk Director and the Legal Director. 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 whenever necessary.  It is responsible for managing potential or actual serious risk situations and is made up of the Chair of the Executive Committee, who is in charge of team coordination, the members of the Executive Committee, who are responsible for Risk and Finance, the Central Managers and the heads of Finance, Risk, Compliance and Communication, as well as other members invited to participate in functions.

Note also the Accounting and Management Information Department, which is responsible for providing vital information for internal governance.

## 3.3. Material risks

Credit risk, market risk, interest rate risk, operational risk and liquidity risk are considered to be material risks.

## 3.4. Credit risk

Credit risk is the likelihood of a negative impact on earnings or equity due to the inability of a counterpart to meet its financial obligations to the Bank, including any restrictions on the transfer of payments from abroad. Credit risk arises mainly from credit exposures, credit lines, guarantees, derivatives and the Bank's deposits with other credit institutions. Various methods are used to mitigate this risk, in particular the requirement to provide solid and net guarantees, the use of contractual netting arrangements and the identification and recognition of impairments. The

identification of impairments results in a reduction in the value of a particular asset, thereby anticipating a potential or actual loss. The recognition of impairments can be seen as a way of taking into account the credit risk of the operation in question, promoting the adequacy of capital to meet credit risk requirements and the actual funding 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 below:

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Financial assets | | |
| Cash and net assets in central banks and other demand deposits | 276 634 174 | 137 858 040 |
| Financial assets at fair value through profit or loss: | | |
| Financial assets held for trading | 2 012 015 | 4 344 359 |
| Non-trading financial assets mandatorily at fair value through profit or loss | 10 827 901 | 10 782 883 |
| Other financial assets at fair value through profit or loss | – | – |
| Financial assets at fair value through other comprehensive income | 61 368 384 | 69 046 592 |
| Financial assets at amortised cost | 197 264 892 | 152 102 779 |
| Derivatives - Hedge accounting | 110 197 | – |
| Other assets | 5 256 126 | 2 308 281 |
| Non-current assets and disposal groups stated as held for sale | – | 3 051 |
| | **553 473 689** | **376 445 985** |
| Other commitments | | |
| Personal/institutional guarantees | | |
| Guarantees and commitments | 1 031 090 | 2 068 614 |
| Other personal guarantees provided and other contingent liabilities | 27 938 | 27 938 |
| Real guarantees (assets offered as collateral) | 16 770 000 | 18 949 000 |
| Irrevocable commitments | 1 201 791 | 1 051 953 |
| Revocable commitments | 14 724 144 | 9 899 207 |
| | **33 754 964** | **31 996 712** |
| **Maximum exposure** | **587 228 653** | **408 442 697** |

### 3.4.1. Credit risk management policy

The Bank lends exclusively to companies and investors in accordance with the following standard terms and conditions, which it adapts to the needs of each client and each transaction:

i. loans;

ii. escrow accounts (EA);

iii. authorised bank overdrafts;

iv. technical overdrafts arising exclusively from value date differences between debit and credit transactions on the customer's account;

v. bank guarantees, as an off-balance sheet form of potential credit;

vi. credit cards, in 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 mitigate this risk, in particular the requirement to provide solid and net guarantees, the use of contractual netting arrangements, and the calculation and recognition of impairments.

### 3.4.2. Granting of loans

The lending process is the first stage in the analysis of the client's risk profile and of the proposed transaction.

The approval of credit transactions is preceded by the opinions from the Credit, Risk, Compliance and, where appropriate, Legal Departments, which as part of the framework of the credit risk analysis ensure:

i. an assessment of the client's ability to repay, based on a review of the client's activities, financial position (historical, current and prospective) and banking relationship;

ii. a thorough knowledge of the client (and, where appropriate, the relevant economic group), including, where applicable, experience of previous credit relationships;

iii. an assessment of the appropriateness of the characteristics of the operation and the amount and quality of the collateral provided;

iv. the use of a consistent set of risk assessment, criteria and practices, such as rating or scoring models;

v. the assessment of the context of the transaction within the overall credit portfolio, namely the impact of the transaction on impairments, capital and its requirements and major risks;

vi. that the risk assessment is independent, impartial, rigorous and in accordance with the ethical and professional criteria applicable to the Bank;

vii. that it is in accordance with the policies and procedures established and complies with the regulatory requirements to which the Bank is subject.

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

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

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

The measurement of expected credit losses (ECL) now reflects:

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

ii. the time value of money; and

iii. reasonable and supportable information that is readily available at the reporting date without undue cost or effort about past events, current conditions and projections of future economic conditions.

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

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

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

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

The segregation of the loan portfolio and impairment by tiers is shown below, in accordance with the IFRS 9 classification. It should be noted that the Bank has a level of impairment coverage of around 1.5%, 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 significant impact.

| Tier | Credit | Impairments | Hedge (%) |
|---|---|---|---|
| Tier 1 | 37 211 264 | 14 300 | 0.04% |
| Tier 2 | 9 819 535 | 52 100 | 0.53% |
| Tier 3 | 16 194 906 | 985 478 | 6.09% |
| **Total** | **62 225 705** | **1 051 878** | **1.66%** |

## 3.4.4. Identification of low credit risk exposures

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

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

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

ii. multilateral development banks;

iii. international organisations.

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

## 3.4.5. Evidence of impairment by unlikely to pay credit segments

Evidence of impairment is related to the reduced likelihood of payment:

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

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

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

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

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

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

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

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

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

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

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

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

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

v. the institution has called on a guarantee;

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

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

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

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

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

### 3.4.6. Significant increase in credit risk

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

i. changes in internal or external ratings;

ii. changes in external credit risk indicators;

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

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

v. default.

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

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

ii. deferred exposures;

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

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

b. the borrower's name appears on lists of cheque users who are a risk or whose cheques have been dishonoured/uncollected;

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

d. other indications that trigger internal alert levels.

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

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

ii. analysis of the quality of the company's management and, where necessary, the measures taken to mitigate the problems identified.

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

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

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

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

An entity may assume that the credit risk of a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have a low credit risk at the reporting date, and the transaction is therefore 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 in Tier 3.

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

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

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

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

iii. the institution has activated guarantees and collateral;

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

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

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

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

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

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

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

xi. the debtor has filed for bankruptcy or insolvency;

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

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

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

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

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

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

A cure period is considered for financial instruments where the criteria that led to the impairment are no longer met. In particular, a 12-month cure period is applied to instruments in an impairment situation that have been subject to restructuring 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. Internal risk rating policy, specifying the treatment of a borrower classified as being in default

Defaulting clients are analysed by the Credit Committee. A solution that best suits the client's interests is applied, taking into account the client's financial capacity.

## 3.4.10. General description of the calculation of the present value of future cash flows in determining impairment losses

The following factors are taken into account in the calculation of specific impairment:

i. exposure;

ii. estimated business cash flows or other client's cash flows;

iii. cash flow of real estate projects;

iv. expected cash flows associated with the liquidation/ pledging of collateral;

v. estimated cash flows arising from personal guarantees;

vi. cash flows arising from the enforcement of the debtor's financial assets with the bank to settle one-off authorised overdrafts and overdrafts up to 30 days and overdue loans arising from contracted loans or otherwise.

As per Banco de Portugal Circular Letter CC/2018/00000062, haircuts are applied when determining the cash flows generated by guarantees and any costs of forced sale are excluded. If the bank considers that the adjusted market value does not reliably reflect the realisable value of the asset, an additional haircut is applied.

This value is remeasured at the contract discount rate plus any maintenance costs of the underlying asset.

If the transaction does not meet the conditions requiring a specific calculation, or if this results in a null impairment, a general calculation is used.

**Description of the rescue time used for the different segments and reasons for its suitability**

The rescue time is the time elapsed between the occurrence of the loss event and its detection, which can be divided into 2 moments:

i. the first moment when the information becomes known;

ii. the second moment, at a later date, when indicators are obtained that prove the existence of objective evidence of impairment.

Banco Carregosa uses indicators of potential impairment, allowing it to quickly anticipate any deterioration in the solvency of its clients, such as abnormal balances, difficulties in meeting obligations, changes in PDs, etc.

## 3.4.11. Monitoring of the loan portfolio

The monitoring of the loan portfolio is essential for anticipating pre-default situations, enabling the Bank to:

i. identify the factors that indicate a deterioration in the client's creditworthiness;

ii. define solutions for renegotiating the debt.

The Supervisory Committee regularly monitors the lending process.

## 3.4.12. Credit recovery

In the event of a loan default, measures are taken to recover the loan. In the case of private loans, the special PARI/PERSI schemes 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 certain segments and the nature of its target clients, its loan portfolio is expected to have a small number of large and somewhat concentrated transactions. The Risk Department analyses the concentration of the loan portfolio in the following dimensions:

i. significant exposures to a single counterparty or 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 default results from common underlying factors, namely:

   a. economic sector,

   b. geographical area,

   c. currency; and

   d. the nature of the activity or product, i.e. the 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 by geographical concentration, i.e. concentration by country risk:

| PRA Sectors | | Exposure | % |
|---|---|---|---|
| 1 | Agriculture, forestry and fishing | 170 565 | 0.00% |
| 2 | Construction | 6 831 397 | 1.70% |
| 3 | Financial industry (bank and non-bank) | 77 705 621 | 19.70% |
| 4 | Real estate (commercial) | 26 180 481 | 6.60% |
| 5 | Manufacturing | – | 0% |
| 6 | Mining and quarrying | – | 0% |
| 7 | Wholesale and retail trade | 9 124 351 | 2.30% |
| 8 | Services and other | 123 672 429 | 31.30% |
| 9 | Transport, storage and utilities | 910 375 | 0.2% |
| | **Sub-total** | **244 595 219** | **61.90%** |
| | Private | **24 268 033** | **6.1%** |
| | **Total** | **268 863 252** | **68.1%** |
| | **Total Assets** | **56 788 887** | **100.00%** |

## 3.4.14. Policy on the write-off of loans (write-off of assets)

In accordance with EBA/GL/2017/06, a write-off of a loan occurs when all of the following conditions are met:

i. the loan has been in arrears for more than 24 months;

ii. loan for which an impairment loss has been recognised in full.

If the conditions for the write-off are met, the Credit Department must prepare a proposal for the application of the write-off, which must be submitted to the relevant authorities for approval, with the final decision being taken by the Credit Committee. If there are no tax consequences, non-performing loans that have been overdue for more than 24 months and for which an impairment loss of the same amount has been recognised (and accepted for tax purposes) must be removed from the balance sheet.

## 3.4.15. Impairment reversal policy

Impairment is reversed when there is:

i. a significant improvement in the client's ability to pay that has a positive impact on their credit rating;

ii. increase in collateral.

Under these conditions, a new impairment is calculated which directly reverses the previous impairment.

## 3.4.16. Description of the restructuring measures applied and the associated risks, as well as the control and monitoring mechanisms

A loan is restructured when the terms of the contract are changed. For this purpose, a note must be added stating "loan restructured 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 account the current situation of the client and be in the best interest of Banco Carregosa, in accordance with the client's financial capacity.

## 3.4.17. Description of the valuation process and collateral management

### Mortgage guarantees

#### Valuation

Mortgage guarantees are valued by an appraiser registered with the CMVM, who is responsible for drawing up a report on the property – the valuation report – in accordance with the CMVM's rules on valuation criteria and appraisers.

#### Revaluation and review

Mortgage guarantees are valued by independent and certified appraisers on a two-year basis, unless this is contrary to the provisions of Article 208 of the CRR, namely:

i. frequent review of the value of the properties, at least once a year for commercial properties and once every three years for residential properties. More frequent reviews should be carried out in the event of significant changes in market conditions;

ii. the valuation of the property shall be reviewed whenever the Bank has information indicating that the value of the property has declined significantly in relation to general market prices, and such review shall be carried out by an appraiser with the necessary qualifications, skills and experience and who is independent of the credit decision process. For loans exceeding €3 million or 5% of the Bank's own funds, the property valuation shall be reviewed by such an appraiser at least every three years.

In the event of exceptional 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 an 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 considerably, with the Bank generally adopting, for legal entities, the legal regime for financial guarantee contracts set out in Decree-Law No 105/2004 of 8 May, which transposes into national law Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements. For natural persons, the Bank adopts mechanisms that lead to similar results.

Under IFRS 9, the recalculation of the ECL amount, excluding the underlying collateral, results in a total amount of €13 604.236 as at December 2021.

Quantitative disclosures

Information on loans and advances to customers at 31 December 2021 and 2022 is as follows[7].

7 The value presented here differs from the value of the loan presented in the notes to the financial statements in that the scope of the analysis is different, taking into account the model underlying the calculation of the impairment.

## a) Breakdown of exposures and related impairment

### 2022

a.1)

| | Exposure as at 31/12/2022 | | | |
|---|---|---|---|---|
| **Segment** | **Exposure Total** | **Compliant loans** | **Settled** | **Structured** |
| Construction & CRE | 30 553 772 | 26 515 153 | | |
| Corporate | 11 539 758 | 7 766 587 | | |
| Bank guarantees | 1 071 620 | 1 071 620 | | |
| Private | 13 939 428 | 11 653 207 | | |
| Non-contractualised | 6 121 127 | 2 177 | | |
| **Total** | **63 225 705** | **47 008 743** | | **–** |

a.2)

| | Total exposure as at 31/12/2022 | | | |
|---|---|---|---|---|
| | | Compliant loans | | |
| | | Days in arrears < 30 | | |
| **Segment** | **Total exposure 31/12/2021** | **No evidence** | **With evidence** | **Sub-total** |
| Construction & CRE | 30 553 772 | 26 515 153 | | 26 515 153 |
| Corporate | 11 539 758 | 7 766 587 | | 7 766 587 |
| Bank guarantees | 1 071 620 | 1 071 620 | | 1 071 620 |
| Private | 13 939 428 | 11 653 207 | | 11 653 207 |
| Non-contractualised | 6 121 127 | 2 177 | | 2 177 |
| **Total** | **63 225 705** | **47 008 743** | **–** | **47 008 743** |

### 2021

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 31/12/2022 | | |
|---|---|---|---|---|
| Defaulting loans | Structured | Total impairment | Compliant loans | Defaulting loans |
| 4 038 619 | 4 038 619 | 227 378 | 5 123 | 222 255 |
| 3 773 171 | 1 579 193 | 312 561 | 9 030 | 303 532 |
| | | – | – | |
| 2 286 221 | 2 286 221 | 104 327 | 53 146 | 51 181 |
| 6 118 950 | 5 162 873 | 407 612 | – | 407 612 |
| **16 216 962** | **13 066 906** | **1 051 878** | **67 299** | **984 580** |

| | | Total exposure as at 31/12/2022 | | |
|---|---|---|---|---|
| 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 |
| 4 038 619 | – | 227 378 | 5 123 | 222 255 |
| 3 594 596 | 178 576 | 312 561 | 9 030 | 303 532 |
| – | | – | – | |
| 2 286 221 | – | 104 327 | 53 146 | 51 181 |
| 3 121 586 | 2 997 364 | 407 612 | – | 407 612 |
| **13 041 022** | **3 175 940** | **1 051 878** | **67 299** | **984 580** |

| | | 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 exposure 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** |

## b) Breakdown of loan portfolio by segment and year of production

2022

| | Corporate | | | Construction & CRE | | |
|---|---|---|---|---|---|---|
| Year of production | No. of transactions | Amount | Impairment | No. of transactions | Amount | Impairment |
| 2021 | 2 | 2 175 960 | 2 805 | 3 | 970 741 | 0 |
| 2022 | 6 | 2 557 880 | 14 310 | 11 | 9 146 808 | 0 |
| **Total** | **8** | **4 733 840** | **17 114** | **14** | **10 117 550** | **0** |

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** |

*Includes Bank Guarantees in the segments "Corporate" and "Construction & CRE".

## c) Breakdown of gross loan exposure and impairment evaluated specifically and in general[8], by segment, sector, and geographical area

### c. 1) By segment

| 31/12/2022 | Construction & CRE | | Corporate | | Bank guarantees | |
|---|---|---|---|---|---|---|
| | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| Separate valuation | 30 553 772 | 227 378 | 11 539 758 | 312 561 | 1 071 620 | – |
| **Total** | **30 553 772** | **227 378** | **11 539 758** | **312 561** | **1 071 620** | **–** |

| 31/12/2021 | Construction & CRE | | Corporate | | Bank guarantees | |
|---|---|---|---|---|---|---|
| | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| Separate valuation | 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** |

8 In order to provide more disaggregated information, taking advantage of the structure defined in BdP Circular Letter 2/2014, it is assumed that all loan operations are subject to an individual impairment calculation. However, 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



Deconstructed cartographic memory, by Ana Amarante, of W.B. Clarke's 1933 map of the city of Porto, where Casa Carregosa was founded and from which the current Banco Carregosa emerged

| Private | | Non-contractualised | | Total | |
|---|---|---|---|---|---|
| Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| 13 939 428 | 104 327 | 6 121 127 | 407 612 | 63 225 705 | 1 051 878 |
| **13 939 428** | **104 327** | **6 121 127** | **407 612** | **63 225 705** | **1 051 878** |

| Private | | Non-contractualised | | Total | |
|---|---|---|---|---|---|
| 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** |

c. 2) By sector of activity

**2022**

| 31/12/2022 | Corporate offices and management advisory activities | | Advisory, scientific, technical and related activities | | Human health activities | |
|---|---|---|---|---|---|---|
| | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| Separate valuation | 965 605 | 2 660 | 259 032 | 178 558 | 110 768 | 1 494 |
| **Total** | **965 605** | **2 660** | **259 032** | **178 558** | **110 768** | **1 494** |

| 31/12/2022 | Agriculture, livestock production, hunting, forestry and fisheries | | Accommodation | | Letting of own property | |
|---|---|---|---|---|---|---|
| | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| Separate valuation | 177 395 | 6 829 | 1 997 888 | 52 326 | 971 322 | 0 |
| **Total** | **177 395** | **6 829** | **1 997 888** | **52 326** | **971 322** | **0** |

| 31/12/2022 | Hotels without restaurant | | Not applicable | | Other business and management consultancy activities | |
|---|---|---|---|---|---|---|
| | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| Separate valuation | 0 | 0 | 15 040 728 | 206 842 | 1 711 205 | 2 805 |
| **Total** | **0** | **0** | **15 040 728** | **206 842** | **1 711 205** | **2 805** |

| 31/12/2022 | Other financial intermediation not mentioned elsewhere, except insurance and pension funding | | Other activities of membership organisations | | Real estate development (development of building projects); building construction | |
|---|---|---|---|---|---|---|
| | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| Separate valuation | 0 | 0 | 42 532 | 0 | 4 479 168 | 129 355 |
| **Total** | **0** | **0** | **42 532** | **0** | **4 479 168** | **129 355** |

**2021**

| 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 valuation | 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 valuation | 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 valuation | 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** |

| Sports and recreational activities | | Real estate activities | | Public Administration and Defence; Compulsory Social Security | |
|---|---|---|---|---|---|
| Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| 95 333 | 0 | 30 834 931 | 316 308 | 1 408 990 | 2 260 |
| **95 333** | **0** | **30 834 931** | **316 308** | **1 408 990** | **2 260** |

| 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 |
| 464 755 | 0 | 1 272 845 | 56 896 | 1 393 329 | 94 326 |
| **464 755** | **0** | **1 272 845** | **56 896** | **1 393 329** | **94 326** |

| Other extractive industries | | Activities of holding companies | | Manufacture of furniture for other purposes | |
|---|---|---|---|---|---|
| Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| 0 | 0 | 999 880 | 1 218 | 1 000 000 | 0 |
| **0** | **0** | **999 880** | **1 218** | **1 000 000** | **0** |

| Total | |
|---|---|
| Exposure | Impairment |
| 63 225 705 | 1 051 878 |
| **63 225 705** | **1 051 878** |

| 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. 3) By geography

2022

| 31/12/2022 | Portugal | | Angola | | São Tomé and Principe | |
|---|---|---|---|---|---|---|
| | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| Separate valuation | 60 429 009 | 1 035 609 | 2 258 552 | 2 260 | 538 143 | 14 009 |
| **Total** | **60 429 009** | **1 035 609** | **2 258 552** | **2 260** | **538 143** | **14 009** |

2021

| 31/12/2021 | Portugal | | Belgium | | Angola | |
|---|---|---|---|---|---|---|
| | Exposure | Impairment | Exposure | Impairment | Exposure | Impairment |
| Separate valuation | 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** |

## d) Breakdown of the restructured loans portfolio by restructuring measure applied

| 2022 | Compliant loans | | | Defaulting loans | | |
|---|---|---|---|---|---|---|
| Medida | No. of transactions | Exposure | Impairment | No. of transactions | Exposure | Impairment |
| Extension of deadline | 0 | 0 | 0 | 20 | 13 066 906 | 691 732 |
| Grace period | | | | | | |
| Reduction of rate | | | | | | |

| 2021 | Compliant loans | | | Defaulting loans | | |
|---|---|---|---|---|---|---|
| Medida | 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 | | | | | | |

| Total | |
|---|---|
| Exposure | Impairment |
| 63 225 705 | 1 051 878 |
| **63 225 705** | **1 051 878** |

| France | | Total | |
|---|---|---|---|
| Exposure | Impairment | Exposure | Impairment |
| 6 | 6 | 68 318 550 | 1 886 971 |
| **6** | **6** | **68 318 550** | **1 886 971** |

| | Total | |
|---|---|---|
| No. of transactions | Exposure | Impairment |
| 20 | 13 066 906 | 691 732 |

| | Total | |
|---|---|---|
| No. of transactions | Exposure | Impairment |
| 13 | 12 413 550 | 713 173 |

## e) Inward and outward flows in the restructured loan portfolio

| | 31/12/2022 |
|---|---|
| **Opening balance of the restructured loan portfolio (gross of impairment)** | 12 413 550 |
| 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 | 653 356 |
| **Closing balance of the restructured loan portfolio (gross of impairment)** | **13 066 906** |

| | 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** |

## f) Breakdown of the fair value of collateral underlying the loan portfolio of the Corporate, Construction & CRE and Housing segments

| | Construction & CRE | | | | Corporate | | | |
|---|---|---|---|---|---|---|---|---|
| 31/12/2022 | 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 | | | |
|---|---|---|---|---|---|---|---|---|
| 31/12/2021 | 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** |

*Example: shares, bonds, deposits, material assets.

## g) LTV ratio of segments

2022

| Segment/Ratio | Compliant loans | Defaulting loans | Impairment |
|---|---|---|---|
| Retail | | | |
| With no associated collateral | | | |
| <60% | 7 223 019 | 2 127 861 | 41 956 |
| >=60% and <80% | 1 794114 | | 0 |
| >=80% and <100% | 345 460 | | 0 |
| >=100% | 2 290 614 | 158 361 | 52 757 |
| Construction & CRE | | | |
| With no associated collateral | | | |
| <60% | 22 819 345 | 579 791 | 23 210 |
| >=60% and <80% | 1613 570 | 3 458 828 | 204 168 |
| >=80% and <100% | 1030 360 | | 0 |
| >=100% | | | |
| Corporate | | | |
| With no associated collateral | | | |
| <60% | 2 946 257 | 965 605 | 2 660 |
| >=60% and <80% | 0 | 1 272 845 | 56 896 |
| >=80% and <100% | 1 080 335 | 1 356 146 | 66 635 |
| >=100% | 3 739 995 | 178 576 | 195 983 |
| Non-contractualised | | | |
| With no associated collateral | | | |
| <60% | | 815 522 | 19 038 |
| >=60% and <80% | | 4 317 115 | 184 548 |
| >=80% and <100% | | | |
| >=100% | 2 177 | 986 313 | 204 027 |
| Guarantees | | | |
| With no associated collateral | | | |
| <60% | 481 750 | | |
| >=60% and <80% | 15 568 | | |
| >=80% and <100% | 574 302 | | |
| >=100% | | | |
| **Total** | **45 956 865** | **16 216 962** | **1 051 878** |

2021

| Segment/Ratio | Compliant loans | Defaulting loans | Impairment |
|---|---|---|---|
| Retail | | | |
| 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** |

## h) Breakdown of the fair value and net book value of property received as payment in kind, by type of asset and seniority

| | 31/12/2022 | | |
|---|---|---|---|
| **Assets** | **No. of properties** | **Asset fair value** | **Book value** |
| Land | | | |
| Urban | 1 | 119 000 | 85 680 |
| | **1** | **119 000** | **85 680** |

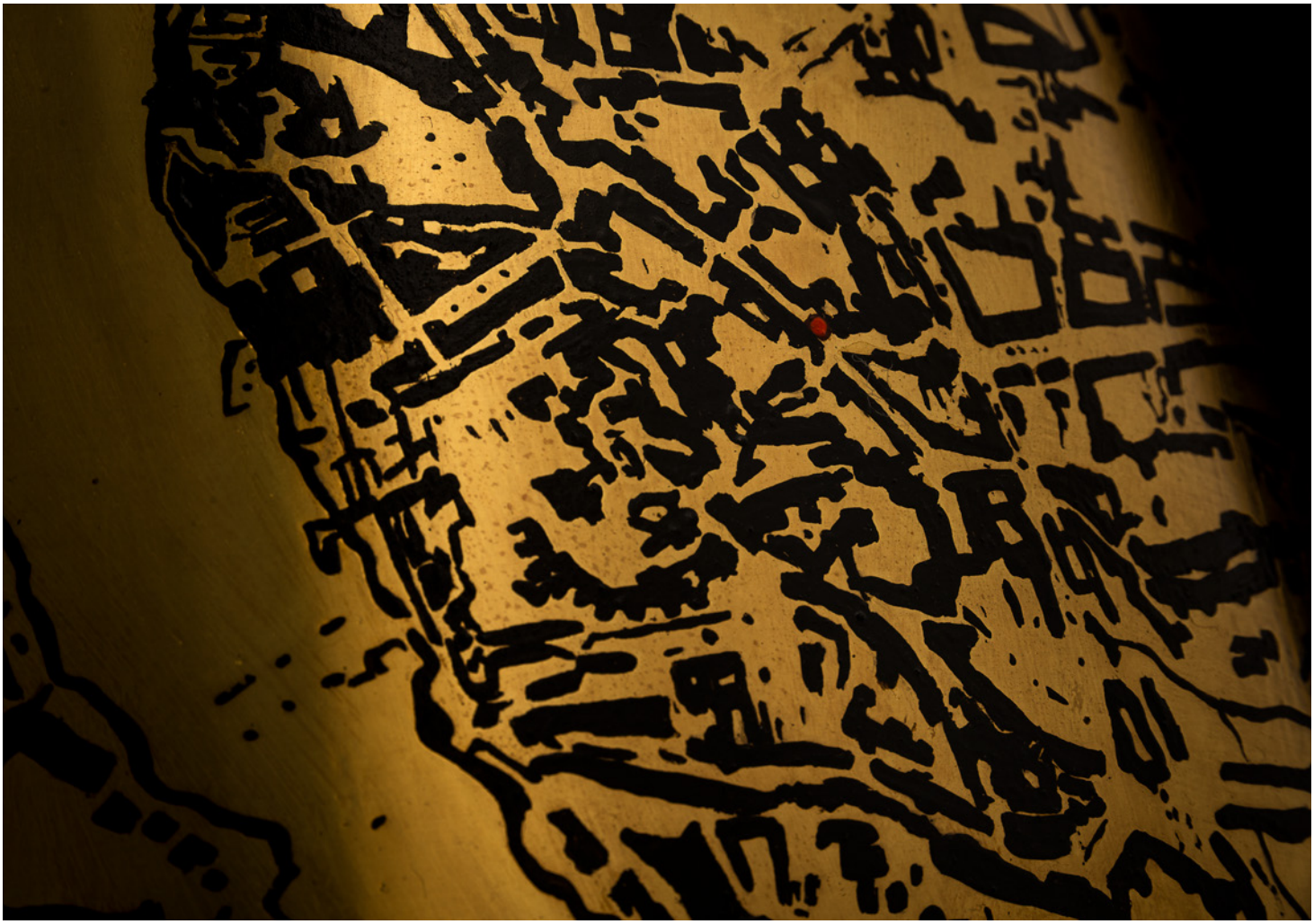
| | 31/12/2021 | | |
|---|---|---|---|
| **Assets** | **No. of properties** | **Asset fair value** | **Book value** |
| Land | | | |
| Urban | 1 | 119 000 | 85 680 |
| | **1** | **119 000** | **85 680** |

## i) Breakdown of the loan portfolio by internal risk degree

| 31/12/2022 | Low risk degree | | | | Medium risk degree | | |
|---|---|---|---|---|---|---|---|
| **Segment** | **1** | **2** | **3** | **4** | **5** | **6** | **7** |
| Construction & CRE | | | 17 800 | 5 011 171 | 4 096 237 | 2 310 099 | 6 690 426 |
| Corporate | | | | | 4 200 652 | 42 532 | |
| Private | | | | | 2 540 787 | 760 438 | 1 152 772 |
| Bank guarantees | | | | | 589 870 | | 42 823 |
| Non-contractualised | | | | | 0 | | 2 177 |
| **Total** | **–** | **–** | **17 800** | **5 011 171** | **11 427 545** | **3 113 070** | **7 888 198** |

| 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".



| High risk degree | | | | Non-compliant | | Total |
|---|---|---|---|---|---|---|
| 8 | 9 | 10 | 11 | 12 | 13 | |
| 5 254 400 | 2 834 979 | 300 041 | 4 038 619 | | | 30 553 772 |
| 2 577 002 | 2 187 402 | | 3 594 596 | | 178 576 | 12 780 759 |
| 163 593 | 6 754 158 | 281 458 | 1 045 220 | | | 12 698 427 |
| | 438 927 | | | | | 1 071 620 |
| | 0 | | 3 121 586 | 2 967 674 | 29 690 | 6 121 127 |
| **7 994 994** | **12 215 466** | **581 499** | **11 800 021** | **2 967 674** | **208 266** | **63 225 705** |

| 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** |

## j) Disclosure of risk parameters associated with the impairment model by segment

| 2022 | Impairment | | | |
|---|---|---|---|---|
| | PD (%) | | | |
| Segments | < 30 days with no evidence | < 30 days with evidence | Between 30-90 days | LGD (%) |
| Construction & CRE | 0% | 21% | 21% | 0% |
| Corporate | 1% | 29% | 29% | 0% |
| Guarantees | 0% | 0% | 0% | 0% |
| Private | 4% | 5% | 5% | 0% |
| Non-contractualised | 0% | 39% | 39% | 0% |

| 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% |
| Guarantees | 0% | 0% | 0% | 0% |
| Private | 3% | 6% | 6% | 0% |
| Non-contractualised | 0% | 51% | 51% | 0% |

## 3.5. Market Risk

Market risk is the risk of adverse movements in the market prices of banking and trading portfolio instruments, including interest rates, foreign exchange rates, equity prices and commodity prices, having an adverse effect on earnings or capital.

This risk is primarily associated with the trading portfolio, which consists of short-term positions held by the Bank in a speculative logic, although it also affects other own portfolios of the Bank.

Indirectly, this type of risk has an impact on assets held in custody, assets under management, and assets traded, and can lead to a reduction in the Bank's revenue. Combined with credit risk and liquidity risk, it can lead to losses on the execution of credit guarantees.

The Bank invests in the financial markets through its 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 valued by Coolbiz (the Bank's back-office application) according to market price updates. For accounting purposes, the held-to-maturity portfolio is carried at amortised cost and the rest at fair value. Unrealised gains or losses are recognised in reserves for available-for-sale assets and in profit or loss for other assets.

For regulatory purposes, market risk capital requirements apply to the trading portfolio.

The two-week historical VaR method, with a 99.9% confidence interval and a one-year time horizon, is used to determine the capital requirements for hedging the market risk of the trading book.

The time parameters of the model 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. With regard to the confidence interval, point (b) of the aforementioned article refers to 99%. However, in order to be consistent with its risk appetite vision, the Bank adopts 99.9% for the confidence interval, which is much more conservative than the regulatory order:

| | 2022 | 2021 |
|---|---|---|
| VaR trading book | 320 023 | 68 285 |

Foreign exchange risk is the likelihood of a negative impact on the Bank's results or equity due to adverse changes in the Bank's balance sheet caused by exchange rates used for translation into the functional currency or due to changes in the Bank's competitive position caused by significant changes in exchange rates. This risk is analysed for all positions denominated in currencies other than the euro.

The negative impact of short-term exchange rate fluctuations usually results from the institution's trading activities. Indirectly, this risk affects the guarantees received in foreign currencies and the portfolio management and financial intermediation activities.

In terms of currency mismatch, the residual exchange rate risk at December 2021 was €478 692.

For prudential purposes, the Bank uses the general risk assessment method set out in Regulation (EU) No 575/2013. Whenever net positions exceed 2% of total own funds, the Bank assesses the capital requirements for foreign exchange risk.

The position at risk is the sum of the net positions in currencies other than the euro and in collective investment undertakings where the positions are not broken down. As at 31 December 2022, the regulatory capital for foreign exchange risk amounts to €478 692, as shown in the table below:

| Currency | 2021 | 2020 |
|---|---|---|
| **CAD** | 72 072.29 € | 87 280.00 € |
| **SEK** | 71 997.70 € | 77 286.00 € |
| **PLN** | 50 897.76 € | 7 515.00 € |
| **CHF** | 0.00 € | 49 005.00 € |
| **HKD** | 0.00 € | 178.00 € |
| **GBP** | 0.00 € | -1 543 120.00 € |
| **DKK** | 7 496.61 € | 7 960.00 € |
| **SGD** | 3 050.70 € | 1 415.00 € |
| **NZD** | 0.00 € | 558.00 € |
| **BRL** | 0.00 € | 592.00 € |
| **ZAR** | 0.00 € | 80.00 € |
| **RUB** | 31.39 € | 42.00 € |
| **CHE** | 0.00 € | 0.00 € |
| **JPY** | 0.00 € | 11 435.00 € |
| **AUD** | 1 389.86€ | 81 417.00 € |
| **NOK** | 0.00 € | -293 701.00 € |
| **USD** | 176 231.03 € | 2 130 068.00 € |
| **Other** | 95 524.96 € | 0.00 € |
| **Total** | **478 692.30 €** | **618 010.00 €** |

## 3.6. Interest Rate Risk

Interest rate risk is the probability that adverse changes in interest rates will have a negative impact on the Bank's results or equity and relates to balance sheet items other than trading portfolios, but includes off-balance sheet items. It results from the combination of basis risk, yield curve risk, repricing risk and option risk. The concepts underlying each subtype of interest rate risk are as follows:

i. basis risk – the risk arising from interest rates on assets being linked to different indices than the interest rates on liabilities;

ii. yield curve risk – the risk arising from adverse movements in different segments of the yield curve, which can result in losses when assets and liabilities are located in different segments of the curve in different proportions;

iii. repricing risk – the risk arising from different assets and liabilities being re-indexed at different times and at different rates;

iv. option risk – the risk arising from the option inherent in some assets and liabilities. Option risk is the risk arising from embedded options in balance sheet and off-balance sheet items.

BdP Instruction 3/2020 repealed BdP Instruction 34/2018.

In turn, Instruction 34/2018 had introduced a different approach to the treatment of cash flows, in particular with regard to the floating rate position, compared to that of Instruction 19/2005, which it repealed. The main changes now introduced by Instruction 3/2020 relate to more sophisticated scenarios in terms of yield curves and the introduction of additional reporting maps.

For prudential purposes, the Bank uses the general risk assessment method set out in Regulation (EU) No 575/2013. It also ensures compliance with BdP Instruction 34/2018 and its update, BdP Instruction 03/2020, which consists of standardised reporting on the exposure of the Bank's portfolio to interest rate risk and the impact of sudden and unexpected changes in interest rates on the variation of economic value and financial margins.

## 3.7. Operational Risk

Operational risk is the loss resulting from the inadequacy or failure of procedures, people, internal systems or external events, as well as legal risks, as defined in EU Regulation No 575/2013. Operational risk is assessed at two different levels: technical and organisational. At the technical level, Banco Carregosa has also chosen to invest heavily in IT. As a result of this strategy, the Bank has a solid computer system that is highly flexible and reliable for the Bank's operational processes. The Bank's information systems contain sensitive and confidential private financial and personal data. Only

Banco Carregosa staff may have access to these systems, with the exception of subcontracted staff, within an appropriate framework, who are involved in the design or operation of the system, or whose work involves the recording, verification or consultation of this data. This privilege is based on trust and good faith and is duly documented. At an organisational level, and in particular in terms of the means and form of reporting, risk monitoring and related rules and policies, the Bank has had to redefine and find a new balance between commercial interests and the risks involved.

To monitor the risk, a model is in place that allows the Bank to:

i. identify process risks without regard to existing controls (inherent risk);

ii. assess the risk exposure of different processes, taking into account the influence of existing controls (residual risk);

iii. identify the impact of opportunities for improvement in reducing the more significant risks (objective risk.

Other arrangements are in place to mitigate operational risk, in particular internal reporting, contingency plans, business continuity plan, internal audit activities and staff training plans. To date, the loss history is not significant in relation to the volume of transactions and/or total income of the Bank.

## 3.8. Liquidity Risk

Liquidity risk reflects the Bank's potential inability to meet its obligations as they fall due without incurring significant losses as a result of a deterioration in funding conditions (funding risk) and/or the sale of its assets below market value (market liquidity risk).

The Basel Committee published the definition of the Liquidity Coverage Ratio (LCR) in 2014, and subsequently the Delegated Act of the European Commission was adopted, introducing new metrics and calculation criteria to be implemented in the European Union, in accordance with Directive No 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on the access to the activity of credit institutions and the supervision of credit institutions and investment firms (Capital Requirements Directive, or CRD IV) and 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 EU Regulation No 575/2013 of the European Parliament and of the Council of 26 June 2013 on the prudential requirements for credit institutions and for investment companies (Capital Requirements Regulation or CRR).

Banco Carregosa favours deposits with the Central Bank, other credit institutions and tradable securities in order to avoid liquidity shortages.

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

Allocation of assets, liabilities and off-balance sheet items;

i. estimates of minimum capital requirements;

ii. counterparty concentration;

iii. liquidity profile;

iv. other prudential indicators.

ALCO analyses the mismatch between asset and liability transactions on a monthly basis and proposes changes/ corrections to maturities.

## 3.9. Information System Risks

Information systems risk is the likelihood of a negative impact on the Bank's profit and loss or equity resulting from the inability of the information systems to prevent unauthorised access, to ensure data integrity or to continue operations in the event of failure, or from the pursuit of an inadequate strategy in this area, resulting, for example, in the inability of the information systems to meet new requirements. This is systematised in the table below, which also indicates the main factors affecting each of the risks identified.




| 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 the information systems policies; |
| | – Management and resource support for the strategy and information systems policies. |
| **Flexibility** | – Flexibility and upgradeability; |
| | – Time required for upgrades and maintenance. |
| **Access** | – Identification of functions and responsibilities as the basis for granting differentiated access; |
| | – Access to the record of the user who performed a particular process or task; |
| | – Efficiency and appropriateness of the authorisation process; |
| | – Robustness of protection and security mechanisms. |
| **Integrity** | – Completeness, accuracy, consistency, relevance and timeliness of information; |
| | – Compliance with regulatory requirements and internally defined parameters; |
| | – Level and standardisation of manual intervention; |
| | – Level of virus infections. |
| **Continuity** | – Availability of information and information processing systems during business hours; |
| | – Delays in recovering information and resuming information processing after a failure; |
| | – Adequacy of the contingency plan to IT risks. |
| **Outsourcing** | – Existence and significance of outsourcing contracts; |
| | – Duration of relationship and credibility of outsourced companies; |
| | – Transparency of contractual relationships with outsourced companies; |
| | – Rotation and quality control of resources used by outsourced companies; |
| | – Confidentiality of information provided to or handled by outsourced companies; |
| | – Ease and cost of detecting errors or mistakes made; |
| | – Degree of the Bank's control over the quality of the outsourced companies' activities; |
| | – Level of completion of services and ease of replacement. |
| | – Existence and significance of outsourcing contracts; |
| | – Duration of relationship and credibility in the market of outsourced companies; |
| | – Transparency of contractual relationships with outsourced companies; |
| | – Confidentiality of information provided to or handled by outsourced companies; |
| | – Ease and cost of detecting errors or mistakes made; |
| | – Degree of the Bank's control over the quality of the outsourced companies' activities; |
| | – Level of completion of services and ease of replacement. |

Information systems contain private and personal financial data that are considered sensitive and confidential. Access to these systems is restricted exclusively to the Bank's staff and to sub-contracted staff who are involved in the development or operation of the systems, or whose work involves the recording, verification or recovery of such data, in accordance with prior appropriate rules. Some one-off situations involving sub-contracted service providers (outsourcing) are subject to the same restrictions as those applicable to the Bank's staff.

Recognising that information is a valuable asset, the Bank has implemented sophisticated security and back-up systems at the communications level, including the necessary levels of redundancy of equipment and communication lines.

To support the existing system, the Bank's IT structure and use is governed by a Computer Use Policy, which is known to all employees. The Bank also has sophisticated redundancy and contingency systems in place.

We have identified four main related risks, which are described below.

i. first, those related to information system assets (hardware) and the corresponding physical response, which is addressed in the set of operational risks related to the Bank's assets. All other systems are the responsibility of the first line suppliers and it is up to them to ensure continuity of operations.

ii. second, risks related to the security and integrity of information have been considered. These are subject to specific procedures, through the security infrastructure implemented and also through 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 a particular impact on market activities, where the logic of availability and real-time response is crucial. For other activities, although of greater financial importance, such as lending or even securities management, this is less relevant.

    a. on the one hand, it has strengthened its redundancy mechanisms at the level of infrastructures and now has a very comfortable solution that should allow it to reduce periods of unavailability;

    b. on the other hand, service providers have diversified so that there are now redundant services that are used on a recurring basis, not just on an occasional basis, to provide effective back-up at very similar costs.

iv. fourth, in the area of information systems, the question of outsourcing is of particular importance and, in the case of the Bank, the following options coexist:

    a. on the one hand, it has strengthened its redundancy mechanisms at the level of infrastructures and now has a very comfortable solution that should allow it to reduce periods of unavailability;

    b. on the other hand, service providers have diversified so that there are now redundant services that are used on a recurring basis, not just on an occasional basis, to provide effective back-up at very similar costs.

## 3.10. Compliance Risk

Compliance risk is the likelihood of adverse impact on the Bank's results or capital resulting from breaches or non-compliance with laws, regulations, contracts, codes of conduct, established practices or ethical principles. They may result in legal or regulatory sanctions, reduced business opportunities, reduced potential for expansion or the inability to meet obligations. This risk arises from a variety of circumstances, listed in the table below, and has an impact on reputational risk, which is dealt with in a separate topic.




| Risk levels | Relevant factors |
|---|---|
| **Compliance with laws and regulations** | – Compliance with standards governing the activity, namely legal and regulatory requirements, including tax requirements; |
| | – Accuracy, rigour, completeness and compliance with reporting periods; |
| | – Truthfulness and accuracy of statements and tax calculations; |
| | – Ability to anticipate changes in tax regulations; |
| | – Enforcement of sanctions or legal proceedings for non-compliance, in particular by regulatory authorities, other activity regulators and tax authorities. |
| **Information reporting** | – Change in reporting obligations; |
| | – Ability to monitor reporting obligations; |
| | – Correct identification of information and form of reporting required; |
| | – Ability to process information. |
| **Compliance with codes of conduct** | – Respect for practices, procedures and policies through ethical principles and established practices; |
| | – The comprehensiveness of the Code of Conduct and of various principles and ethical rules, including precise and clear rules of conduct, in particular the duty of confidentiality, conflicts of interest, the use of privileged information and other rules related to organisational culture; |
| | – General knowledge and understanding of the Code of Conduct by employees and staff; |
| | – The Bank's appreciation of the integrity of its staff, as reflected in selection criteria and institutional training programmes; |
| | – Punishment of violations within the limits of the law. |
| **Transparency** | – Compliance with disclosure requirements; |
| | – Level of transparency, as evidenced by the voluntary availability of information, either on the website, at the Bank's premises, or to be sent to interested parties; |
| | – Willingness to provide information to the authorities, including on the basis of informal contacts; |
| | – Availability of the "right" information to clients and other counterparties, either at the outset of the relationship or subsequently. |
| **Money laundering and terrorist financing** | – Failure to comply with anti-money laundering regulations and sanctions; |
| | – The development of business areas commonly associated with money laundering and their relevance to the institution's overall business; |
| | – The money laundering risk profile of customers and counterparties; |
| | – The geographical areas in which the institution operates. |

The Bank pays particular attention to compliance risk, not so much because of its financial impact, but because of its determination to comply with all legal requirements. For this reason, there is a constant effort to improve the skills of the Compliance Department staff and to strengthen the technical resources available to it, providing specific tools for searching for sanctioned entities or politically exposed persons, as well as resources for monitoring communications via Bloomberg. However, the Bank considers that the monitoring of this risk is not the sole responsibility of the Compliance Department.

The analysis of the adequacy and compliance of procedures depends on the contributions of all departments, which are responsible for identifying potential improvements and situations of non-compliance with previously established procedures.

The Compliance Department is responsible for the management of incidents (complaints, suggestions or requests for clarification from clients). On the basis of 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, it is also necessary to highlight the training measures proposed by the PCD (People and Culture Department).

All the Bank's contracts follow standardised models drawn up by the Legal Department, with the intervention and monitoring of the Compliance Department. In managing its responsibilities towards third parties, the Bank pays particular attention to the proper execution of contracts, especially in the account opening process, where clear verification and approval procedures have been defined. Whenever the Bank deems it necessary, due to the nature of the counterparties, to reinforce its identification and due diligence obligations, the files are subject to prior review by the Compliance Department.

The Bank allocates economic capital to this risk by estimating the potential loss resulting from a serious event, namely fines for non-compliance. This value is validated with the Compliance Department. In order to assess the appropriateness of the allocated capital, the published history of fines imposed by the supervisory authorities – BdP and CMVM – is reviewed, using the historical basis of administrative offences as a support for the estimate.

Therefore, we have used the information available on BdP's website4, which shows the analysis of 146 cases between 2016 and 2020 (5 years). From this base, case 102/14/CO, concerning Cash Económica Montepio Geral, has been removed due to the disproportion of situations and values, keeping all the remaining cases, not applying any other principle of proportionality.

## 3.11. Capital Management

With regard to capital management, the Bank seeks to ensure an appropriate level of solvency and profitability in accordance with the objectives and risk appetite policy defined by the Board of Directors, and is therefore a critical aspect of the institution's approach to stable and sustainable management. Capital management is defined in the Bank's annual RAS, which sets a number of limits that allow the activity to be controlle.

### Management practices

Capital management policies and practices are defined according to the strategic business objectives and the level of risk appetite set by the Board of Directors. In order to determine the appropriate level of capital, both in terms of quantity and quality, Banco Carregosa has implemented a capital management model based on the following principles:

i. ongoing monitoring of regulatory capital requirements;

ii. annual review of risk appetite;

iii. setting appropriately measured business objectives in capital planning.

In addition to the regulatory requirements, the Bank has established a recovery plan as an integral part of its capital management process, which defines the decision-making protocol applicable to crisis management, as well as the pre-defined actions and strategies for responding to events, some of which may have a negative impact on capital.

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

The ICAAP is an essential tool for defining the Bank's strategy and for monitoring the consequences of its implementation. This process allows the risk appetite to be regularly analysed and compared with the defined appetite and the availability of economic capital. The ICAAP is prepared along two dimensions:

i. regulatory, based on regulatory reports, in particular prudential reports, which provide important data for quantitative and qualitative analysis of capital and risk;

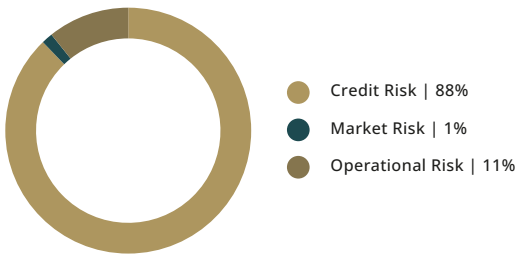
ii. economic capital and its requirements, which quantify the risk according to the confidence level defined in the RAS (Risk Appetite Statement). The qualitative analysis completes the exercise in a systemic approach.

The Risk Department (RD) is responsible for proposing measures to assess the need for and availability of economic capital. The Risk Department is also responsible for the development of stress tests, scenario analyses, funding and capital plans, and most regulatory reporting related to risk and capital management.

### Regulatory capital

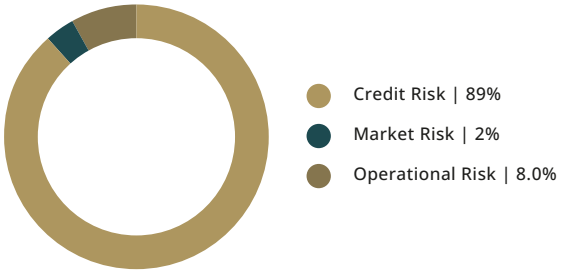
On the prudential side, regulatory capital requirements are related to credit, market and operational risks. The following table shows the risk-weighted assets (RWA) and corresponding capital requirements for the different types of regulatory risk as at 31 December 2021.

| Risk Types | Capital requirements | Risk-Weighted Assets | % |
|---|---|---|---|
| Credit risk | 13 507 920.40 | 168 849 005.00 | 87.8% |
| Market risk | 225 780.36 | 2 822 254.52 | 1.5% |
| Operational risk | 1 650 240.35 | 20 628 004.38 | 10.7% |
| **Total** | **15 383 941.11** | **192 299 263.90** | **100.0%** |



The risk-weighted assets (RWA) as at December 2022 and the corresponding capital requirements for the different types of regulatory risk are as follows:

| Risk Types | Capital requirements | Risk-Weighted Assets | % |
|---|---|---|---|
| Credit risk | 16 030 060,00 | 200 375 753,00 | 89,7% |
| Market risk | 397 009,00 | 4 962 618,00 | 2,2% |
| Operational risk | 1 438 022,00 | 17 975 274,00 | 8,0% |
| **Total** | **17 865 092,00** | **223 313 645,00** | **100,0%** |




Note the strong preponderance of credit risk, which accounts for 89% of prudential requirements.

i. credit risk – for prudential purposes, the Bank uses the following credit risk methodologies in accordance with the CRR:

   a. standard market price method for measuring counterparty risk;

   b. comprehensive approach to financial collateral as a means of mitigating risk, where appropriate.

The Bank analyses the credit risk of all its assets, with the exception of those included in the securities portfolio measured at fair value and others deducted from own funds, as well as some off-balance sheet items potentially exposed to this type of risk. With regard to counterparty risk, assets, liabilities and off-balance-sheet items are included, irrespective of the portfolio to which they belong, always excluding those deducted from own funds or weighted at 1.250% for other types of risk.

The Bank uses the following regulatory methods to calculate the capital requirements associated with other categories:

i. market risk – for prudential purposes, the Bank uses the general or specific risk assessment method of the CRR. The capital requirement for the Bank's risk position is the sum of the specific and general risk capital requirements for positions in debt instruments and capital;

ii. **operational risk** – in order to determine the regulatory capital requirement for operational risk, the Bank follows the Basic Indicator Approach, according to which the requirement is 15% of the average of the previous three years for the Relevant Indicator. The relevant indicator is defined on the basis of the accounting categories of the Statement of Profit and Loss in accordance with Article 316 of the CRR.

### Own funds

Risk absorption capacity is determined by the level of own funds. The calculation of own funds must comply with the applicable regulatory standards, in particular the aforementioned CRR, based on the accounting information in the financial statements, in particular the capital items, and supplemented by non-accounting information.

Total own funds are the sum of basic own funds (Tier 1) and ancillary own funds (Tier 2) after deductions for these items. The main positive own funds items at 31 December 2002 were:

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

ii. **issue premiums** – these represent the premiums paid by shareholders on capital increases, in this case €369 257;

iii. **retained earnings** – these relate to retained earnings in the amount of €1 535 594;

iv. **reserves** – the amount of profits earned during the financial years but retained in the company as legal reserves, other reserves and/or retained earnings, excluding positive reserves arising from unrealised gains on government bonds. In this case they amount to €14 306 884;

v. **net profit for the financial year** – if positive, only after the legal certification of the accounts, taking into account the net profit for the current financial year and for the previous year, both of which are included in the calculation if negative.

### Capital indicators

As at 31 December 2022, risk-weighted assets amounted to €192.3 million, resulting in a capital requirement of €17.39 million, which is comfortably covered by own funds of €36.9 million.

As a result, the Bank had a Tier 1 capital ratio of 17.65%, which was consistent with the total capital ratio.

Finally, it should be noted that the leverage ratio was 10.81%. In accordance 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 the institution concerned and is expressed as a percentage.

# 4. Notes to the separate financial statements

The balance sheet and income statement as at 31 December 2022 and 31 December 2021 are presented in accordance with the International Financial reporting Standards and comprise the following headings:

## 4.1 Cash and net assets in central banks and other demand deposits

NOTE I

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Cash | 221 389 | 86 014 |
| Net balances on demand at Banco de Portugal | 259 725 825 | 69 123 187 |
| Sight deposits with financial institutions | | |
| Residents | 4 345 503 | 42 040 667 |
| Non-residents | 12 341 456 | 26 608 171 |
| | **276 634 174** | **137 858 040** |

Sight deposits at the Banco de Portugal include interest-bearing deposits to meet legal requirements for minimum liquidity. Deposits at Banco de Portugal increased by around €190 million compared to 2021.

## 4.2 Financial assets held for trading

NOTE 2.1

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Trading securities | | |
| Securities | 1 459 225 | 3 306 127 |
| Derivatives with positive fair values | 552 790 | 1 038 232 |
| | **2 012 015** | **4 344 359** |

This portfolio decreased by 54% compared to the previous year, as a result of the shift to more stable assets, namely held-to-maturity investments, which began in the previous year and the details of which are shown in the table below.

## Financial assets held for trading

As at 31 December 2022, the breakdown of this heading is as follows:

| Nature and type of securities | Aquisition value | Balance sheet value | Capital | | Accrued interest |
|---|---|---|---|---|---|
| | | Fair value | Gains | Losses | |
| Debt Instruments | | | | | |
| Issued by residents<br>Of Portuguese public debt | | | | | |
| Of other resident issuers | | | | | |
| Non-subordinated debt | 400 000 | 390 443 | – | 12 620 | 3 063 |
| Subordinated debt | 419 996 | 354 203 | – | 72 228 | 6 435 |
| Issued by non-residents<br>Of other foreign public issuers | | | | | |
| Of other non-resident issuers | | | | | |
| Non-subordinated debt | 139 447 | 55 750 | 16 303 | 100 000 | – |
| Subordinated debt | 500 000 | 303 302 | – | 214 955 | 18 257 |
| | **1 459 443** | **1 103 697** | **16 303** | **399 803** | **27 754** |
| Equity Instruments | | | | | |
| Issued by residents<br>Of other resident issuers | | | | | |
| Investment units | 267 000 | 227 804 | – | 39 196 | – |
| Issued by non-residents<br>Of other non-resident issuers | | | | | |
| Shares | 285 516 | 127 724 | | 157 793 | – |
| Investment units | – | – | – | – | – |
| | **552 516** | **355 528** | **–** | **196 989** | **–** |
| Other | | | | | |
| Issued by residents<br>Of other resident issuers | | | | | |
| Issued by non-residents<br>Of other non-resident issuers | | | | | |
| | – | – | – | – | – |
| Derivatives with Positive Fair Values | | | | | |
| Other | | | | | |
| Unrealised gains on currency CFDs | – | 552 790 | – | – | – |
| | – | 552 790 | – | – | – |
| **Total** | **2 011 959** | **2 012 015** | **16 303** | **596 792** | **27 754** |

## Financial assets held for trading

As at 31 December 2021, the breakdown of this heading is as follows:

| Nature and type of securities | Aquisition value | Balance sheet value | Capital | | Accrued interest |
|---|---|---|---|---|---|
| | | Fair value | Gains | Losses | |
| Debt Instruments | | | | | |
| Issued by residents<br>Of Portuguese public debt | | | | | |
| Treasury bonds | 182 180 | 187 929 | 4 929 | – | 820 |
| Of other resident issuers | | | | | |
| Non-subordinated debt | 1 200 000 | 1 208 929 | 1 196 | – | 7 733 |
| Subordinated debt | 419 996 | 431 407 | 4 876 | – | 6 535 |
| Issued by non-residents<br>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 | – | 3 737 |
| | **2 941 970** | **2 893 568** | **21 543** | **102 250** | **32 305** |
| Equity Instruments | | | | | |
| Issued by residents<br>Of other resident issuers | | | | | |
| Shares | 196 | 254 | 58 | – | – |
| | | | | | |
| Issued by non-residents<br>Of other non-resident issuers | | | | | |
| Shares | 216 047 | 213 792 | 5 884 | 8 139 | – |
| Investment units | 212 000 | 198 513 | – | 13 487 | – |
| | **428 243** | **412 559** | **5 942** | **21 626** | **–** |
| Derivatives with Positive Fair Values | | | | | |
| Other | | | | | |
| Unrealised gains on currency CFDs | – | 1 038 232 | – | – | – |
| | – | **1 038 232** | – | – | – |
| **Total** | **3 370 213** | **4 344 359** | **27 485** | **123 876** | **32 305** |

### 4.2.2 Financial assets not held for trading mandatorily at fair value through profit or loss — NOTE 2.2

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Non-negotiable financial assets mandatorily at fair value through profit or loss | 10 827 901 | 10 782 883 |
| | **10 827 901** | **10 782 883** |

### 4.3 Financial assets at fair value through other comprehensive income — NOTE 3

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Issued by residents | | |
| Debt instruments | 7 252 016 | 9 892 152 |
| Equity instruments | 642 984 | 645 384 |
| | **7 895 000** | **10 537 536** |
| Issued by non-residents | | |
| Debt instruments | 53 473 384 | 58 509 055 |
| | **53 473 384** | **58 509 055** |
| | **61 368 384** | **69 046 592** |

This portfolio decreased by 11% compared to the previous year due to the option to invest in held-to-maturity portfolios instead of financial assets at fair value through other comprehensive income.

## Financial assets at fair value through other comprehensive income

As at 31 December 2022, the breakdown of this heading is as follows:

| Nature and type of securities | Aquisition 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 | 64 470 | 2 281 | – | 40 | 375 |
| **Of other resident issuers** | | | | | | |
| Non-subordinated debt | 7 206 755 | 6 891 139 | 2 340 | 360 981 | 58 067 | 43 025 |
| Subordinated debt | 306 750 | 296 407 | – | 23 058 | 4 922 | 12 715 |
| **Issued by non-residents Of other foreign public issuers** | | | | | | |
| Non-subordinated debt | 14 591 030 | 12 703 505 | 1 416 | 2 084 430 | 460 953 | 195 490 |
| **Of other non-resident issuers** | | | | | | |
| Non-subordinated debt | 45 942 275 | 40 769 879 | – | 5 695 163 | 190 706 | 522 767 |
| | **68 108 624** | **60 725 400** | **6 037** | **8 163 633** | **714 689** | **774 372** |
| Equity Instruments | | | | | | |
| **Issued by residents Of other resident issuers** | | | | | | |
| Shares | 752 500 | 642 984 | – | 109 516 | – | – |
| | **752 500** | **642 984** | **–** | **109 516** | **–** | **–** |
| **Total** | **68 861 124** | **61 368 384** | **6 037** | **8 273 149** | **714 689** | **774 372** |

## Financial assets at fair value through other comprehensive income

As at 31 December 2021, the breakdown of this heading is as follows:

| Nature and type of securities | Aquisition 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 | – | 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 | – | 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 | – | 107 116 | – | – |
| | **752 500** | **645 384** | **–** | **107 116** | **–** | **–** |
| **Total** | **69 765 316** | **69 046 592** | **105 435** | **1 612 941** | **589 354** | **788 783** |

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Balance as at 1 January** | **589 354** | **945 708** |
| Appropriation | 848 420 | 1 200 395 |
| Reversal | (723 085) | (1 556 749) |
| Utilisation | | |
| Exchange and other differences | – | – |
| **Balance as at 31 December** | **714 689** | **589 354** |

## 4.4 Financial assets at amortised cost NOTE 4

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Assets | | |
| Other liquid assets | 23 700 | 23 700 |
| Investments in credit institutions | 500 275 | 500 000 |
| Investments held to maturity | 129 638 221 | 74 541 050 |
| Debtors and other investments | 4 928 869 | 8 719 479 |
| Loans to clients | 62 173 827 | 68 318 550 |
| | **197 264 892** | **152 102 779** |
| | **197 264 892** | **152 102 779** |

Impairment losses on loans and advances and other investments are as follows:

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Balance as at 1 January** | **251 374** | **251 697** |
| Appropriation | 221 935 | – |
| Reversal | (229 471) | – |
| Utilisation | | |
| Exchange and other differences | – | (323) |
| **Balance as at 31 December** | **243 838** | **251 374** |

As of January 2018, with the entry in force of IFRS 9, the Bank calculates impairments on the held-to-maturity portfolio. As at 31 December 2022, the breakdown is as follows:

### Financial assets at amortised cost

As at 31 December 2022, the breakdown of this heading is as follows:

| Nature and type of securities | Aquisition value | Balance sheet value Amortised cost | Impairment recognised for the asset | Accrued interest |
|---|---|---|---|---|
| Debt Instruments | | | | |
| **Issued by residents Of Portuguese public debt** | | | | |
| Treasury bonds | 18 210 346 | 18 212 025 | 11 623 | 60 611 |
| **Of other resident issuers** | | | | |
| Non-subordinated debt | 6 419 227 | 6 484 067 | 29 477 | 55 469 |
| **Of other resident issuers** | | | | |
| Subordinated debt | 250 000 | 258 307 | 2 336 | 10 833 |
| **Issued by non-residents Of other foreign public issuers** | | | | |
| Non-subordinated debt | 83 397 871 | 82 870 170 | 37 517 | 601 078 |
| **Of other issuers** | | | | |
| Non-subordinated debt | 21 624 637 | 21 813 652 | 102 528 | 272 275 |
| **Total** | **129 902 081** | **129 638 221** | **183 481** | **1 000 266** |

## Financial assets at amortised cost

As at 31 December 2021, the breakdown of this heading is as follows:

| Nature and type of securities | Aquisition value | Balance sheet value Amortised cost | Impairment recognised for the asset | Accrued interest |
|---|---|---|---|---|
| Debt Instruments | | | | |
| **Issued by residents Of Portuguese public debt** | | | | |
| Treasury bonds | 13 801 208 | 13 722 455 | 17 106 | 40 997 |
| **Of other resident issuers** | | | | |
| Non-subordinated debt | 3 298 260 | 3 293 213 | 29 742 | 26 284 |
| **Of other resident issuers** | | | | |
| Subordinated debt | 250 000 | 255 778 | 4 692 | 10 903 |
| **Issued by non-residents Of other foreign public issuers** | | | | |
| Non-subordinated debt | 43 068 035 | 42 894 291 | 60 009 | 530 091 |
| **Of other issuers** | | | | |
| Non-subordinated debt | 14 368 607 | 14 375 312 | 155 517 | 178 749 |
| **Total** | **74 786 110** | **74 541 050** | **267 066** | **787 024** |

The changes in impairment losses on impairment losses on assets at amortised cost are as follows:

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Balance as at 1 January** | **267 066** | **368 251** |
| Appropriation | 115 943 | 214 199 |
| Reversal | (199 529) | (315 384) |
| Utilisation | – | – |
| Exchange and other differences | – | – |
| **Balance as at 31 December** | **183 481** | **267 066** |

### 4.4.1 Loans to clients

NOTE 4.1

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Domestic loans** | | |
| Loans | 37 353 818 | 29 816 294 |
| Current account loans | 15 112 128 | 25 496 210 |
| Overdrafts in sight deposits | – | 4 949 |
| **Foreign loans** | | |
| Loans | 1 408 990 | 1 263 042 |
| Current account loans | 1 740 529 | 1 861 108 |
| **Overdue loans and interest** | 7 448 233 | 9 170 812 |
| **Income receivable** | | |
| Shareholder loans | 366 366 | 2 719 914 |
| Revenue with deferred income | (204 360) | (129 608) |
| | **63 225 705** | **70 202 721** |
| **Provisions/Impairments for overdue loans and interest** | (1 051 878) | (1 884 171) |
| | **62 173 827** | **68 318 550** |

The loan portfolio shows a decrease of 9% in 2022, due to the early repayment of loans not replaced by new operations. It should be noted that the vast majority of loans are backed by personal and real guarantees that significantly exceed the amounts owed.

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Balance as at 1 January** | **1 884 171** | **1 528 274** |
| Appropriation | 4 733 240 | 10 634 743 |
| Reversal | (4 868 879) | (10 278 542) |
| Utilisation | (696 817) | – |
| Exchange and other differences | 162 | (303) |
| **Balance as at 31 December** | **1 051 878** | **1 884 171** |

## 4.5 Derivatives - Hedge accounting NOTE 5

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Hedging derivatives** | | |
| Positive fair value - cash flow hedging | 110 197 | – |
| | **110 197** | **–** |

In 2022, contrary to 2021, there is a positive variation in the fair value of interest rate swaps, leading to a variation of €110 million in this item.

## 4.6 Investments in subsidiaries, joint ventures and associated companies NOTE 6

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Accounted for using the equity method - in country** | | |
| In country | | |
| Coolink – Serviços de Informática e Consultadoria, Lda. | 72 315 | 67 868 |
| Circuitos e Traçados, Sociedade Imobiliária, S.A. | – | 4 961 267 |
| Carregosa – SGOIC, S.A. | 388 595 | 312 289 |
| Circuitos e Traçados II, Unipessoal, Lda. | 22 059 | 9 846 |
| | **482 970** | **5 351 269** |

In 2022, Banco L. J. Carregosa, S.A. sold all the shares it held in Sociedade Circuitos e Traçados, Sociedade Imobiliária, S.A..

## 4.7 Other property, plant and equipment NOTE 7

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Other property, plant and equipment** | | |
| Own-use assets | 10 663 712 | 10 618 440 |
| Right-of-use assets | 370 877 | 370 877 |
| Equipment | 8 909 635 | 8 083 439 |
| Right-of-use equipment | 24 458 | – |
| Property, plant and equipment in progress | 107 923 | 53 530 |
| | **20 076 605** | **19 126 287** |
| **Accumulated amortisations** | | |
| Own-use assets | (800 566) | (668 332) |
| Right-of-use assets | (370 877) | (278 158) |
| Equipment | (7 267 073) | (6 699 980) |
| Right-of-use equipment | (1 019) | – |
| | **(8 439 535)** | **(7 646 470)** |
| | **11 637 069** | **11 479 817** |

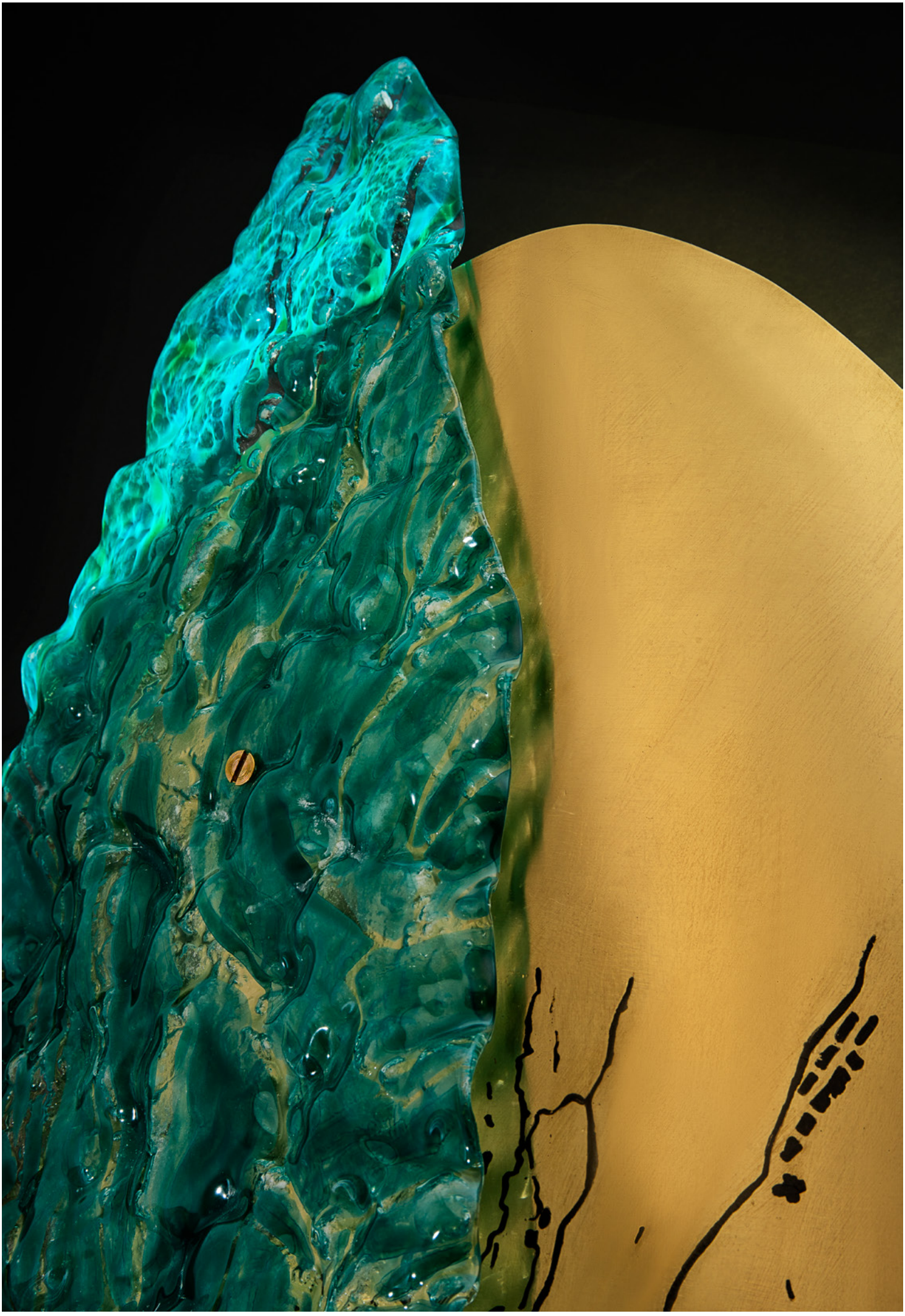
In 2022 there was a slight change in this item (+1%) as a result of an increase of around €283 000 in the equipment item.

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

## 4.8 Intangible assets NOTE 8

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Other intangible assets** | | |
| Automatic data processing system (software) | 5 221 968 | 4 634 380 |
| Other | 340 144 | 340 144 |
| | **5 562 112** | **4 974 525** |
| **Accumulated amortisations** | | |
| Automatic data processing system (software) | (4 358 492) | (3 668 870) |
| Other | (340 144) | (320 426) |
| | **(4 698 637)** | **(3 989 296)** |
| | **863 476** | **985 229** |



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

## Property, Plant and Equipment and Intangible Assets as at 31 December 2022 | (separate)

| Accounts | As at 31/12/2021 | | Increases due to acquisitions | Amortisations in the year | Write-offs | Transfers |
|---|---|---|---|---|---|---|
| | Gross value | Accrued amortisations | | | | |
| **Other intangible assets** | | | | | | |
| Data processing systems (software) | 4 634 380 | (3 668 870) | 587 588 | (689 622) | – | – |
| Other intangible assets | 340 144 | (320 426) | – | (19 719) | – | – |
| Intangible assets in progress | – | – | – | – | – | – |
| | **4 974 525** | **(3 989 296)** | **587 588** | **(709 340)** | **–** | **–** |
| **Property, plant and equipment** | | | | | | |
| Property | 10 618 440 | (668 332) | – | (132 235) | – | 45 272 |
| Equipment | 8 083 439 | (6 699 980) | 851 096 | (591 993) | (24 900) | – |
| Financial lease assets | – | – | – | – | – | – |
| Right-of-use - Property - IFRS 16 | 370 877 | (278 158) | – | (92 719) | – | – |
| Right-of-use - renting - IFRS 16 | – | – | 24 458 | (1 019) | – | – |
| Property, plant and equipment in progress | 53 530 | – | 99 575 | – | – | (45 182) |
| | **19 126 287** | **(7 646 470)** | **975 129** | **(817 966)** | **(24 900)** | **89** |
| **Totals** | **24 100 811** | **(11 635 766)** | **1 562 717** | **(1 527 306)** | **(24 900)** | **89** |

## 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 | Transfers |
|---|---|---|---|---|---|---|
| | Gross value | Accrued amortisations | | | | |
| **Other intangible assets** | | | | | | |
| Goodwill | – | – | – | – | – | – |
| Formation expenses | – | – | – | – | – | – |
| Multi-annual costs | – | – | – | – | – | – |
| Data processing systems (software) | 4 059 034 | (3 055 668) | 575 346 | (613 202) | – | – |
| Other intangible assets | 340 144 | (297 773) | – | (22 653) | – | – |
| Other intangible assets in progress | – | – | – | – | – | – |
| | **4 399 178** | **(3 353 441)** | **575 346** | **(635 855)** | **–** | **–** |
| **Property, plant and equipment** | | | | | | |
| Property | 10 618 440 | (536 354) | – | (131 977) | – | – |
| Equipment | 7 732 590 | (6 403 409) | 600 931 | (539 919) | (256 815) | – |
| Financial lease assets | – | – | – | – | – | – |
| Right-of-use - IFRS 16 | 370 877 | (185 439) | – | (92 719) | – | – |
| Intangible assets in progress | – | – | 53 530 | – | – | – |
| | **18 721 907** | **(7 125 202)** | **654 461** | **(764 615)** | **(256 815)** | **–** |
| **Totals** | **23 121 085** | **(10 478 643)** | **1 229 808** | **(1 400 470)** | **(256 815)** | **–** |

| Regularisations | | | Adjusted acquisition value | Adjusted amortisations in the year | Adjusted accrued amortisations | Net value as at 31/12/2022 |
|---|---|---|---|---|---|---|
| Gross value | Amortisations in the year | Accrued amortisations | | | | |
| | | | | | | |
| – | – | – | 5 221 968 | (689 622) | (3 668 870) | 863 476 |
| – | – | – | 340 144 | (19 719) | (320 426) | –0.05 |
| – | – | – | – | – | – | – |
| **–** | **–** | **–** | **5 562 112** | **(709 340)** | **(3 989 296)** | **863 476** |
| | | | | | | |
| – | – | – | 10 663 712 | (132 235) | (668 332) | 9 863 146 |
| – | – | – | 8 909 635 | (567 093) | (6 699 980) | 1 642 562 |
| – | – | – | – | – | – | – |
| – | – | – | 370 877 | (92 719) | (278 158) | 0.06 |
| – | – | – | 24 458 | (1 019) | – | 23 439 |
| – | – | – | 107 923 | – | – | 107 923 |
| – | – | – | 20 076 605 | (793 066) | (7 646 470) | 11 637 069 |
| **–** | **–** | **–** | **25 638 717** | **(1 502 406)** | **(11 635 766)** | **12 500 545** |

| Regularisations | | | Adjusted acquisition value | Adjusted amortisations in the year | Adjusted accrued amortisations | Net value as at 31/12/2021 |
|---|---|---|---|---|---|---|
| Gross value | Amortisations in the year | Accrued amortisations | | | | |
| | | | | | | |
| – | – | – | – | – | – | – |
| – | – | – | – | – | – | – |
| – | – | – | – | – | – | – |
| – | – | – | 4 634 380 | (613 202) | (3 055 668) | 965 510 |
| – | – | – | 340 144 | (22 653) | (297 773) | 19 719 |
| – | – | – | – | – | – | – |
| **–** | **–** | **–** | **4 974 525** | **(635 855)** | **(3 353 441)** | **985 229** |
| | | | | | | |
| – | – | – | 10 618 440 | (131 977) | (536 354) | 9 950 109 |
| – | – | – | 8 076 705 | (289 837) | (6 403 409) | 1 383 458 |
| – | – | – | – | – | – | – |
| – | – | – | 370 877 | (92 719) | (185 439) | 92 719 |
| – | – | – | 53 530 | – | – | 53 530 |
| – | – | – | 19 119 553 | (514 534) | (7 125 202) | 11 479 817 |
| **–** | **–** | **–** | **24 094 077** | **(1 150 389)** | **(10 478 643)** | **12 465 045** |

## 4.9 Tax assets

NOTE 9

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Current tax assets** | | |
| | – | – |
| **Deferred tax assets** | | |
| **Temporary differences** | | |
| Property, plant and equipment | 5 340 | 5 340 |
| Impairment | 156 251 | 272 796 |
| In asset variations | 1 435 834 | 281 055 |
| From tax losses | – | 244 200 |
| | **1 597 425** | **803 392** |
| | **1 597 425** | **803 392** |

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

In 2022 the deferred tax assets on tax losses carried forward were fully used up.

## 4.10 Other assets

NOTE 10

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Other assets** | 97 354 | 85 355 |
| **Other income receivable** | | |
| Commissions for services rendered | 400 313 | 39 845 |
| **Costs with deferred charges** | | |
| Insurance | 131 053 | 146 895 |
| Other costs with deferred charges | 433 719 | 392 456 |
| **Other regularisation accounts** | 4 193 686 | 1 643 729 |
| | **5 256 126** | **2 308 281** |

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

## 4.11 Non-current assets and disposal groups stated as held for sale

NOTE 11

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Non-current assets classified as held for sale** | | |
| Shares | – | 3 051 |
| | **–** | **3 051** |

In 2022, the share held by Banco Carregosa in Exemplary Sparrow - Sociedade Imobiliária, S.A. was sold, representing 43.5897%.

## 4.12 Financial liabilities held for trading

NOTE 12

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Derivative instruments at negative fair value** | 767 975 | 5 268 |
| | **767 975** | **5 268** |

## 4.13 Financial liabilities measured at amortised cost — NOTE 13

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Loans and deposits in domestic credit institutions** | | |
| Deposits | 4 967 726 | 10 048 831 |
| Loans | 166 008 | 200 262 |
| Other deposits | 2 386 | 809 |
| | **5 136 119** | **10 249 903** |
| **Loans and deposits in foreign credit institutions** | | |
| Deposits | 365 450 | 370 242 |
| Loans | 1 | 2 938 |
| | **365 451** | **373 180** |
| **Charges payable** | | |
| Other charges | 412 427 | 158 305 |
| | **412 427** | **158 305** |
| **Other deposits** | 12 965 206 | 14 981 256 |
| | | |
| **Client deposits** | | |
| **Deposits** | | |
| **Of residents** | | |
| Sight deposits | 366 744 669 | 197 439 600 |
| Term deposits | 97 411 790 | 93 747 454 |
| **Of non-residents** | | |
| Sight deposits | 36 393 913 | 31 472 242 |
| Term deposits | 4 243 688 | 1 628 445 |
| | **504 794 060** | **324 287 741** |
| | **523 673 263** | **350 050 384** |

The increase in "Client deposits" in 2022 compared to 2021 is largely due to growth in the depository business, namely deposits from institutional clients.

The item 'Other deposits' is broken down as shown in the table below. Under other deposits, the amount shown relates to client financial balances arising from transactions in derivatives and deposits invested for the liquidity of portfolio management contracts.

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Other deposits | 12 649 639 | 14 502 263 |
| Creditors - transactions in securities | 8 | 1 746 |
| Suppliers | 217 662 | 327 905 |
| Other creditors | 97 897 | 149 342 |
| | **12 965 206** | **14 981 256** |

## 4.14 Hedging derivatives NOTE 14

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Hedging derivatives** | | |
| Interest rate swaps | – | 43 315 |
| | – | – |
| | **–** | **43 315** |

## 4.15 Provisions NOTE 15

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Other provisions** | | |
| For guarantees and other commitments | 314 | 1 274 |
| For tax contingencies | 209 494 | 322 410 |
| | 209 808 | 323 684 |
| | **209 808** | **323 684** |

In 2022, the provisions were reduced compared to 2021 as the circumstances for which they were created no longer apply.

## 4.16 Tax liabilities

NOTE 16

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Current tax liabilities** | | |
| Corporate income tax payable | 76 714 | 188 047 |
| | **76 714** | **188 047** |
| **Deferred tax liabilities** | | |
| On revaluation of property | 1 102 058 | 986 083 |
| | **1 102 058** | **986 083** |
| | **1 178 772** | **1 174 130** |

## 4.17 Other liabilities

NOTE 17

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| VAT payable | 142 614 | 84 527 |
| Withholding and other taxes payable to the State | 285 944 | 566 960 |
| Payments to Social Security | 109 402 | 99 436 |
| Third party collections | 817 | 880 |
| Payments to other health systems | 4 056 | 4 629 |
| Other revenue with deferred income | – | 5 650 |
| Charges payable - staff | 728 602 | 675 159 |
| Operations to be regularised | 4 285 390 | 1 998 869 |
| | **5 556 826** | **3 436 110** |

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

## 4.18 Equity NOTE 18

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

Breakdown of equity:

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

ii. issue premiums: these relate to premiums paid by shareholders on capital increases;

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

### Fair value of financial assets and liabilities

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

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), whether this price is directly observable or estimated using another valuation technique.

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

i. Tier 1 – quoted in an active market;

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

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

As a result of the revision of the fair value hierarchy, a reclassification from Tier 1 to Tier 2 has been made for securities classified as financial assets held for trading and designated as at fair value through profit or loss, which is justified by the reduced liquidity of these securities.

The fair value of the Bank's financial assets and liabilities as at 31 December 2022 and 2021 are as follows:

| 2022 | Amortised cost |
|---|---|
| Financial assets | |
| Cash and liquid assets in central banks and other demand deposits | 276 634 174 |
| Financial assets at fair value through profit or loss: | |
| Financial assets held for trading | – |
| Financial assets not held for trading mandatorily at fair value through profit or loss | – |
| Other financial assets at fair value through profit or loss | – |
| Financial assets at fair value through other comprehensive income | – |
| Financial assets at amortised cost | 197 264 892 |
| Derivatives - Hedge accounting | 110 197 |
| Other assets | 5 256 126 |
| Non-current assets and disposal groups classified as held for sale | – |
| | **479 265 389** |
| Financial liabilities | |
| Financial liabilities held for sale | – |
| Financial assets measured at amortised cost | 523 673 263 |
| Other liabilities | 5 556 826 |
| | **529 230 089** |

| 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 | – |
| Financial assets not held for trading mandatorily at fair value through profit or loss | – |
| 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 |
| Derivatives - Hedge accounting | – |
| 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 | – |
| Financial assets measured at amortised cost | 350 050 384 |
| Other liabilities | 3 436 110 |
| | **353 486 494** |

| Measured at fair value | | | | Carrying amount | Fair value |
|---|---|---|---|---|---|
| Tier 1 | Tier 2 | Tier 3 | Total | | |
| | | | | | |
| – | – | – | – | 276 634 174 | 276 634 174 |
| | | | | | |
| 1 230 060 | 554 151 | 227 804 | 2 012 015 | 2 012 015 | 2 012 015 |
| – | – | 10 827 901 | 10 827 901 | 10 827 901 | 10 827 901 |
| – | – | – | – | – | – |
| 60 345 142 | 497 858 | 525 384 | 61 368 384 | 61 368 384 | 61 368 384 |
| – | – | – | – | 197 264 892 | 191 913 870 |
| – | – | – | – | 110 197 | 110 197 |
| – | – | – | – | 5 256 126 | 5 256 126 |
| – | – | – | – | – | – |
| **61 575 202** | **1 052 008** | **11 581 089** | **74 208 300** | **553 473 689** | **548 122 666** |
| | | | | | |
| – | 767 975 | – | 767 975 | 767 975 | 767 975 |
| – | – | – | – | 523 673 263 | 523 673 263 |
| – | – | – | – | 5 556 826 | 5 556 826 |
| **–** | **767 975** | **–** | **767 975** | **529 998 064** | **529 998 064** |

| Measured at fair value | | | | Carrying amount | Fair value |
|---|---|---|---|---|---|
| Tier 1 | Tier 2 | Tier 3 | Total | | |
| | | | | | |
| – | – | – | – | 137 858 040 | 137 858 040 |
| | | | | | |
| 3 105 800 | 1 238 559 | – | 4 344 359 | 4 344 359 | 4 344 359 |
| – | – | 10 782 883 | 10 782 883 | 10 782 883 | 10 782 883 |
| – | – | – | – | – | – |
| 66 464 483 | 2 056 725 | 525 384 | 69 046 592 | 69 046 592 | 69 046 592 |
| – | – | – | – | 152 102 779 | 152 576 402 |
| – | – | – | – | – | – |
| – | – | – | – | 2 308 281 | 2 308 281 |
| – | – | – | – | 3 051 | 3 051 |
| **69 570 283** | **3 295 284** | **11 308 268** | **84 173 834** | **376 445 985** | **376 919 608** |
| | | | | | |
| – | 5 268 | – | 5 268 | 5 268 | 5 268 |
| – | – | – | – | 350 050 384 | 350 050 384 |
| – | – | – | – | 3 436 110 | 3 436 110 |
| **–** | **5 268** | **–** | **5 268** | **353 491 762** | **353 491 762** |

### 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 valued based on quoted prices (unadjusted) in active markets to which the Bank has access. This tier includes government bonds, corporate bonds, equities and derivatives listed and traded on regulated markets.

ii. Tier2 – Financial instruments are valued using inputs other than quoted prices included in Tier 1 that are observable, directly or indirectly, in the market for the instrument. In order to determine the fair value of Tier 2 inputs, the Bank uses valuation techniques based on inputs that are observable in the market (quoted prices in active markets for similar instruments and based on quoted prices that are not assets or liabilities, interest rates, exchange rates, risk ratings provided by external entities, other). This tier includes bonds, non-complex OTC derivatives and gross equities.

iii. Tier 3 – Financial instruments are valued using inputs that are not observable in the market for the instrument. For fair value measurements using Tier 3 inputs, valuation techniques are used based on inputs that are not observable in the market and that do not qualify for Tier 1 or Tier 2 inputs.

In the 2022 and 2021 financial years, there were no financial transfers between Tier 1 and Tier 2.

In the 2022 and 2021 financial years, the changes in financial instruments classified in Tier 3 of 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 2022** | | **10 783 347** | **525 384** |
| Gains/(losses) recognised through profit and loss | | | |
| Income from assets and liabilities measured at fair value through profit or loss | | 293 802 | – |
| Income from available for sale financial assets | | | – |
| Impairment derecognised in the year | | | – |
| Gains/(losses) recognised in fair value reserves | | | – |
| Acquisitions | | 202 000 | – |
| Disposals | | (415 567) | – |
| Transfers from other levels | | | – |
| Transfers to other levels | | | – |
| Exchange differences | | | – |
| Other | | (35 217) | |
| **Balance as at 31 December 2022** | **–** | **10 827 901** | **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 2021** | | **11 189 245** | **525 384** |
| Gains/(losses) recognised through profit and loss | | | |
| Income from assets and liabilities measured at fair value through profit or loss | | 947 435 | – |
| Income from available for sale financial assets | | | – |
| Impairment derecognised in the year | | | – |
| Gains/(losses) recognised in fair value reserves | | | – |
| Acquisitions | | 2 650 069 | – |
| Disposals | | (4 003 865) | – |
| Transfers from other levels | | | – |
| Transfers to other levels | | | – |
| Exchange differences | | | – |
| Other | | | |
| **Balance as at 31 December 2021** | **–** | **10 782 884** | **525 384** |

### Interest rates

The short-term interest rates below reflect the indicative values of deposit rates and/or futures, while swap rates are used for the long-term rates[9]:

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | EUR | USD | EUR | USD |
| **1 week** | 1,872 | 4,336 | (0,574) | 0,076 |
| **1 month** | 1,884 | 4,382 | (0,583) | 0,101 |
| **2 months** | | 4,524 | | 0,153 |
| **3 months** | 2,132 | 4,609 | (0,572) | 0,209 |
| **6 months** | 2,693 | 4,817 | (0,546) | 0,339 |
| **1 year** | 3,689 | 4,906 | (0,416) | 1,041 |
| **2 years** | 3,395 | 4,450 | (0,296) | 0,941 |
| **3 years** | 3,311 | 4,070 | (0,147) | 1,168 |
| **4 years** | 3,258 | 3,860 | (0,051) | 1,295 |
| **5 years** | 3,239 | 3,742 | | |
| **7 years** | 3,202 | 3,625 | 0,129 | 1,476 |
| **10 years** | 3,203 | 3,555 | 0,301 | 1,581 |
| **30 years** | 2,533 | 3,190 | 0,476 | 1,731 |

9 The above amounts are taken from Bloomberg.

### Exchange rates

Exchange rates are based on central bank fixings[10].
The table below shows the exchange rates for some of the relevant currency pairs as at 31 December 2022 and 2021:

| 2022 | EUR | USD | GBP | CHF | SEK | NOK | AUD | CAD | NZD | BRL |
|---|---|---|---|---|---|---|---|---|---|---|
| EUR | – | 1.0705 | 0.88596 | 0.98965 | 11.163 | 10.495 | 1.5713 | 1.4509 | 1.6858 | 5.6587 |
| USD | 0.93415 | – | 0.82761 | 0.92447 | 10.428 | 9.8038 | 1.4678 | 1.3554 | 1.5748 | 5.286 |
| GBP | 1.1287 | 1.2083 | – | 1.117 | 12.601 | 11.846 | 1.7735 | 1.6377 | 1.9028 | 6.3871 |
| CHF | 1.0105 | 1.0817 | 0.89522 | – | 11.28 | 10.605 | 1.5877 | 1.4661 | 1.7034 | 5.7179 |
| SEK | 0.08958 | 0.09589 | 0.07936 | 0.08865 | – | 0.94011 | 0.14075 | 0.12997 | 0.15101 | 0.50689 |
| NOK | 0.09528 | 0.102 | 0.08442 | 0.0943 | 1.0637 | – | 0.14972 | 0.13825 | 0.16063 | 0.53919 |
| AUD | 0.63643 | 0.6813 | 0.56385 | 0.62984 | 7.1048 | 6.6793 | – | 0.92343 | 1.0729 | 3.6014 |
| CAD | 0.68921 | 0.73779 | 0.61061 | 0.68207 | 7.694 | 7.2332 | 1.0829 | – | 1.1618 | 3.9 |
| NZD | 0.5932 | 0.63502 | 0.52555 | 0.58706 | 6.6222 | 6.2256 | 0.93207 | 0.8607 | – | 3.3567 |
| BRL | 0.17672 | 0.18918 | 0.15657 | 0.17489 | 1.9728 | 1.8546 | 0.27767 | 0.25641 | 0.29791 | – |

| 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 | – |

10 Source of exchange rates: https://www.bportugal.pt/taxas-cambio.

## 4.19 Financial margin NOTE 19

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Interest and similar income from:** | | |
| Interest on cash and cash equivalents in central banks | 18 946 | – |
| Interest on cash and cash equivalents in other credit institutions | 39 331 | 4 590 |
| Interest on investments in credit institutions | 632 546 | – |
| Interest on loans to clients | 2 274 085 | 2 767 282 |
| Interest on overdue loans | 626 873 | 210 999 |
| Interest and similar income from other financial assets | 2 479 032 | 1 888 269 |
| Commissions received associated to amortised cost | 49 352 | 113 007 |
| | **6 120 165** | **4 984 147** |
| **Interest and similar charges on:** | | |
| **Deposits from Banco de Portugal** | (278 138) | (259 437) |
| **Deposits from other credit institutions** | (99 872) | (124 507) |
| **Interest from creditors and other deposits** | | |
| Other interest and similar charges | (2 174) | (13 857) |
| **Interest on loans** | (11 600) | (21 405) |
| | **(703 122)** | **(700 297)** |
| | **5 417 043** | **4 283 850** |

The financial margin has increased compared to 2021, a change largely justified by interest and similar income as a result of the rise in interest rates.

## 4.20 Income from equity instruments NOTE 20

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Available-for-sale financial assets** | | |
| **Issued by residents** | | |
| Investment units | 415 605 | 349 278 |
| | **415 605** | **349 278** |

These result from the payment of income from the Retail Properties real estate investment fund in two distribution periods, corresponding to €0.50/€0.50 in 2022, similar to 2021, per unit held.

They also result from four payments of €0.08 per unit of the VIP Fund, two payments of €1,000 per unit of the FEIIF Comfort Fund and one payment of €2,400 per unit of the Arquimedes Fund.

## 4.21 Revenue and charges from and with commission services NOTE 21

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Income from services and commissions from:** | | |
| Guarantees and commitments | 28 237 | 65 252 |
| Deposit and custody of securities | 137 156 | 143 614 |
| Collection of securities | 221 639 | 138 258 |
| Management of securities | 1 292 707 | 1 568 115 |
| Collective investment undertakings | 1 466 204 | 946 155 |
| Other services rendered | 899 007 | 1 068 155 |
| Transactions carried out on behalf of third parties | 3 257 886 | 3 628 745 |
| Other commissions received | 1 190 070 | 1 215 946 |
| | **8 492 905** | **8 774 241** |
| **Charges with services and commissions for:** | | |
| Deposit and custody of securities | (97 504) | (80 433) |
| Other banking services provided by third parties | (209 506) | (215 350) |
| Transactions carried out by third parties | (3 308 757) | (3 382 922) |
| | **(3 615 767)** | **(3 678 705)** |
| | **4 877 138** | **5 095 536** |

## 4.22 Income from assets and liabilities valuated at fair value NOTE 22

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Gains from:** | | |
| **Financial assets held for trading** | | |
| Securities | 5 250 568 | 4 328 184 |
| Derivative instruments | 19 248 907 | 3 347 078 |
| | **24 499 475** | **7 675 261** |
| **Losses from:** | | |
| **Financial assets held for trading** | | |
| Securities | (2 596 729) | (2 047 204) |
| Derivative instruments | (17 137 868) | (1 471 349) |
| | **(19 734 596)** | **(3 518 553)** |
| | **4 764 879** | **4 156 709** |

In accordance with the applicable standards, in addition to the adjustments resulting from the application of fair value, this heading also includes the effects related to derecognition of financial assets, normally through their sale. In 2022, there is an increase of 15% compared to 2021, with the increase in the result from hedging operations contributing to this effect.

## 4.23 Income from financial assets at fair value through other comprehensive income

NOTE 23

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Gains from:** | | |
| **Available-for-sale financial assets** | | |
| **Securities** | | |
| **Issued by residents** | | |
| Debt instruments | 29 966 | 108 777 |
| Equity instruments | – | 1 547 |
| **Issued by non-residents** | | |
| Debt instruments | 65 598 | 941 361 |
| | **95 565** | **1 051 685** |
| **Losses from:** | | |
| **Available-for-sale financial assets** | | |
| **Securities** | | |
| **Issued by residents** | | |
| Debt instruments | (60 991) | (12 141) |
| **Issued by non-residents** | | |
| Debt instruments | (387 646) | (523 374) |
| | **(448 637)** | **(535 515)** |
| | **(353 073)** | **516 170** |

The results of financial assets and liabilities at fair value through comprehensive income were negative in 2022 by €353 000, compared to a positive value of €516 000 in 2021, with this variation being mainly due to the non-realisation of capital gains as a result of the rise in interest rates.

## 4.24 Income from non-negotiable financial assets mandatorily at fair value through profit or loss — NOTE 24

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Gains from:** | | |
| **Non-negotiable financial assets mandatorily at fair value through profit or loss** | | |
| Equity instruments | 792 007 | 2 339 472 |
| **Losses from:** | | |
| **Non-negotiable financial assets mandatorily at fair value through profit or loss** | | |
| Equity instruments | (498 205) | (1 392 037) |
| | 293 802 | 947 435 |

2022 saw a reduction by 69% compared to 2021, due to a lower performance of the investment funds in which the Bank participates.

## 4.25 Income from financial assets at amortised cost — NOTE 25

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Gains from:** | | |
| **Assets held to maturity** | | |
| Debt instruments | 517 093 | – |
| | **517 093** | **–** |

## 4.26 Foreign exchange revaluation — NOTE 26

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Gains from:** | | |
| **Exchange differences** | | |
| Other items in foreign currency - foreign currencies | 2 218 348 | 838 147 |
| **Losses from:** | | |
| **Exchange differences** | | |
| Other items in foreign currency - foreign currencies | (3 834 481) | (2 577 813) |
| | **(1 616 133)** | **(1 739 665)** |

The negative result in 2022 of € 1.6 million compared to a negative result of € 1.7 million in 2021 is due to the continued strengthening of the USD against the EUR, which is more than offset by the hedging of foreign exchange liabilities.

## 4.27 Income from the disposal of other assets — NOTE 27

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Gains from:** | | |
| Non-financial assets | 291 726 | 115 818 |
| **Losses from:** | | |
| Non-financial assets | (25 975) | (10 329) |
| | **265 750** | **105 489** |

## 4.28 Other operating income — NOTE 28

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Gains from:** | | |
| Other gains and operating income | 148 435 | 138 156 |
| Gains from inv. in subsidiaries in the country | 511 974 | 107 754 |
| | 660 409 | 245 910 |
| **Losses from:** | | |
| Losses from inv. in subsidiaries in the country | (122 146) | (319 291) |
| Other taxes | (249 295) | (470 165) |
| Donations and membership fees | (68 706) | (80 440) |
| Contributions to the Deposit Guarantee Fund (FGD) | (1 590) | (267) |
| Contributions to the Investor Compensation Scheme | (5 000) | (5 000) |
| Failure of computer systems or telecommunications | (1 365) | (1 740) |
| Other charges and operating expenses | (586 991) | (219 262) |
| | (1 035 093) | (1 096 165) |
| | **(374 683)** | **(850 255)** |

Compared to 2021, there was a positive change of around €475 000. The results from the sale of Circuitos e Traçados, S.A. and the positive performance of Carregosa SGOIC, S.A. contributed significantly to this change.

## 4.29 Staff costs

NOTE 29

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Remunerations** | | |
| Management and supervisory bodies | (638 025) | (602 659) |
| Employees | (3 941 820) | (3 673 295) |
| **Mandatory social security contributions** | | |
| **Remuneration-related charges** | **(1 071 081)** | **(1 009 385)** |
| **Other mandatory social security contributions** | | |
| Pension fund | (20 887) | (31 816) |
| Insurance against accidents at work | (25 971) | (24 835) |
| **Other staff costs** | (310 941) | (212 260) |
| | **(6 008 726)** | **(5 554 249)** |

In 2022, staff costs increased by 8%, largely due to the strengthening of the management team and to one-off adjustments to remuneration. Salary levels, however, remained stable.

In December 2022, the Bank employed 109 people in Portugal, as shown in the job descriptions in the table below.

| Distribution by professional category | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Management Board | 6 | 4 |
| Management | 25 | 26 |
| Technical staff | 50 | 49 |
| Administrative staff | 4 | 6 |
| Sales/operations | 18 | 17 |
| Other | 6 | 7 |
| **Banco Carregosa** | **109** | **109** |

### Liabilities for retirement and survivor pensions

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

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

Benefits of the Banco Carregosa Pension Plan:

i. old-age or presumed invalidity pension;

ii. deferred survivor pensions;

iii. immediate survivor pensions;

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

v. death grant (*).

(*) In the event of the death of a participant or beneficiary (due to disability or presumed disability), a lump-sum death benefit will be paid, as defined in Article 102 of the ACTV. Responsibility for past services rendered by eligible employees is determined each year on the basis of the date of joining Banco Carregosa and not the date of entry into the banking sector. As a result, former employers are liable for the portion of the liability relating to the period between the date of entry into the banking sector and the date of entry into the company, unless they have transferred the amount of their portion of the liability. The benefits relating to disability pensions and immediate survivor pensions are covered by a life insurance policy.

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

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

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

### Number of participants in the plan

As at 31 December of every year, the participants in the pension plan are as follows:

| | 2022 | 2021 |
|---|---|---|
| Active participants | 12 | 13 |
| Former participants with vested rights | 47 | 48 |
| Pensioners | 6 | 5 |
| **Total** | **65** | **66** |

### Assumptions

The liabilities of the pension scheme have been valued on the basis of the following assumptions:

| | 2022 | 2021 |
|---|---|---|
| Actuarial valuation 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 | 3.50% | 1.25% |
| Wage growth rate | 1.50% | 0.50% |
| Pension adjustment rate | 3.50% | 1.25% |
| Pension growth rate | 1.50% | 0.50% |
| General information | | |
| **Number of benefit payments** | **14** | **14** |

The following changes in the actuarial valuation at 31 December 2001 have affected the assumptions:

- the rate of increase in wages and pensions has been changed from 0.50% to 1.50%, as stated by the Associate: "Given the evolution of inflation, it would be reasonable to consider an increase in the rate of increase in wages and pensions, without losing sight of the pressure that the sector is under for greater concentration and efficiency gains, which will continue to condition wage updates in line with what has been observed in recent years.";
- fund yield rate and pension adjustment rate changed from 1.25% to 3.50%.

**Fund yield rate** – The discount rate is intended to reflect economic reality and to comply with the requirements of the International Accounting Standard IAS 19. The discount rate value of 3.50% is within the range considered acceptable for interest rates on high credit quality (AA) private bonds with a duration similar to the duration of the liabilities to the pension fund.

### Pension obligations

As at 31 December, pension obligations were as follows:

| | 2022 | 2021 |
|---|---|---|
| Defined benefit obligations | 870 280 | 710 178 |
| Active participants' obligations | 2 207 425 | 2 870 847 |
| | **3 077 705** | **3 581 025** |

Defined benefit obligations

The present value of defined benefit obligations as at 31 December 2022 is as follows:

| | Present value of pensions in payment | SAMS | Death grant | Total |
|---|---|---|---|---|
| **Total** | **819 648** | **40 137** | **10 495** | **870 280** |
| Old-age pensions | 399 782 | 30 142 | 10 495 | 440 420 |
| Invalidity pensions | – | – | – | – |
| Survivors' pensions | 419 866 | 9 995 | – | 429 861 |
| Orphans' pensions | – | | – | – |

The present value of defined benefit obligations as at 31 December 2021 is as follows:

| | Present value of pensions in 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 | – | – | – | – |
| Survivors' pensions | 484 878 | 11 788 | – | 496 664 |
| Orphans' pensions | 5 917 | – | – | 5 918 |

Active participants' obligations

The present value of Active participants' obligations as at 31 December 2022 is as follows:

| Present value of past service costs | Active participants | Vested rights | SAMS Active partic. | Death grant Active partic. | Total |
|---|---|---|---|---|---|
| **Total** | **1 287 455** | **734 805** | **169 451** | **15 714** | **2 207 425** |
| <65 years | 1 104 587 | 710 710 | 148 020 | 14 423 | 1 977 741 |
| ≥ 65 years | 182 868 | 24 095 | 21 431 | 1 291 | 229 684 |

The present value of Active participants' obligations as at 31 December 2021 is as follows:

| Current value of past service liabilities | Active participants | Vested rights | SAMS Active partic. | Death grant Active partic. | 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 |

### Plan assets

Benefit obligations are financed by the Collective Subscription No. 1 to the Open-ended Funds Optimize Capital Equilibrado (FP OCP Balanced), Optimize Capital Moderado (FP OCP Moderate) and Optimize Capital Ações (FP OCP Shares) and the Collective Subscription No. 4 to the Real Reforma Garantida Pension Fund.

The pension funds mentioned above are open-ended funds whose risk profile varies according to their investment policy. The FP OCP Balanced is for participants who are 10 or more years away from retirement and has some room for manoeuvre in terms of investment values; the FP OCP Moderate is for participants who are risk-averse or less than 5 years away from retirement; and the FP OCP Shares is for long-term investments or for participants who are 15 or more years away from retirement. The FP Real Reforma Garantida Pension Fund is designed for risk-averse participants or those within 5 years of retirement age who prefer to sacrifice profitability in order to protect their capital.

The value of each fund as at 31 December is as follows:

| | 2022 | 2021 |
|---|---|---|
| FP OCP Balanced | 700 153 | 895 200 |
| FP OCP Moderate | 1 390 433 | 1 606 811 |
| FP OCP Shares | 1 175 553 | 1 420 328 |
| | **3 266 139** | **3 922 339** |

### Fund development

The following tables show the development of the Bank's pension plan income and expenses, allocated to each of the three funds. The expenses mentioned below include pensions, insurance premiums and other expenses.

In 2022, the FP OCP Balanced fund performed as follows:

| | Investment unit value | Investment units | Fund value | Value date |
|---|---|---|---|---|
| Opening balance | 8.0547 | 111 140.6427 | 895 199.70 | 31/12/2021 |
| Pensions + costs | – | (10 094.4195) | (73 721.73) | |
| Contributions + Other revenues | – | 1 197.1929 | 8 483.12 | |
| Total transactions | – | (8 897.2266) | (65 238.61) | |
| Fund yield rate | (14.98%) | – | (29 808.06) | |
| **Closing balance** | **6.8479** | **102 243.4161** | **700 153.03** | **31/12/2022** |

In 2022, the FP OCP Moderate fund performed as follows:

| | Investment unit value | Investment units | Fund value | Value date |
|---|---|---|---|---|
| Opening balance | 7.2587 | 211 362.4838 | 1 606 811.76 | 31/12/2021 |
| Pensions + costs | – | (3 025.4584) | (21 478.04) | |
| Contributions + Other revenues | – | 2 120.3170 | 13 913.00 | |
| Total transactions | – | (905.1414) | (7 565.04) | |
| Fund yield rate | (13.11%) | – | (208 813.51) | |
| **Closing balance** | **6.3070** | **220 457.3424** | **1 390 433.21** | **31/12/2022** |

In 2022, the FP OCP Shares fund performed as follows:

| | Investment unit value | Investment units | Fund value | Value date |
|---|---|---|---|---|
| Opening balance | 8.7089 | 163 089.8330 | 1 420 327.84 | 31/12/2021 |
| Pensions + costs | | (2 133.9696) | (18 064.64) | |
| Contributions + Other revenues | – | 1 503.1765 | 11 322.23 | |
| Total transactions | – | (630.7931) | (6 742.41) | |
| Fund yield rate | (16.91%) | – | (238 032.49) | |
| **Closing balance** | **7.2360** | **162 459.0399** | **1 175 552.94** | **31/12/2022** |

In 2022 and 2021, the three funds performed as follows:

| | Investment unit value | Investment units | Fund value | Value date |
|---|---|---|---|---|
| Opening balance | 7.9144 | 495 592.9595 | 3 922 339.30 | 31/12/2021 |
| Pensions + costs | – | (15 253.9595) | (113 264.41) | |
| Contributions + Other revenues | – | 4 820.6864 | 33 718.35 | |
| Total transactions | – | (10 433.1611) | (79 546.06) | |
| Fund yield rate | (14.94%) | – | (576 654.06) | |
| **Closing balance** | **6.7321** | **485 159.7984** | **3 266 139.18** | **31/12/2022** |

Differences:

| | Estimated | Real | Differences | Value date |
|---|---|---|---|---|
| Opening balance | 3 922 339.30 | 3 922 339.30 | 218 966.09 | 31/12/2021 |
| Pensions + costs | (99 158.98) | (113 264.41) | (14 105.43) | |
| Contributions + Other revenues | – | 33 718.35 | 33 718.35 | |
| Total transactions | (99 158.98) | (79 546.06) | 19 612.92 | |
| Fund yield rate | 48 409.50 | (576 654.06 | (625 063.56) | |
| **Closing balance** | **3 871 589.82** | **3 266 139.18** | **(605 450.64)** | **31/12/2022** |

Estimated values are based on the pensions and income rates estimated in the previous year's actuarial report.

The negative difference is mainly due to the fact that the actual fund return was lower than the estimated return.

### Defined benefit obligations

Obligations with pensions in payment relate to the funding scenarios and the minimum scenario.

| | Present value of pensions in payment | SAMS | Death grant | Total |
|---|---|---|---|---|
| **Total** | **819 648** | **40 137** | **10 495** | **870 280** |
| Old-age pensions | 399 782 | 30 142 | 10 495 | 440 420 |
| Invalidity pensions | – | – | – | – |
| Survivors' pensions | 419 866 | 9 995 | – | 429 861 |
| Orphans' pensions | – | | – | – |

### Active participants' obligations

Active participants' obligations relate to the funding scenarios and the minimum scenario.

| | Active participants | Vested rights | SAMS Active participants | Death grant active participants | Total |
|---|---|---|---|---|---|
| **Present value of past service costs** | | | | | |
| **Total** | **1 287 455.09** | **734 804.80** | **169 451.02** | **15 714.12** | **2 207 425.03** |
| <65 years | 1 104 587.44 | 710 710.04 | 148 020.49 | 14 423.09 | 1 977 741.06 |
| ≥ 65 years | 182 867.65 | 24 094.76 | 21 430.53 | 1 291.03 | 229 683.97 |
| **Present value of future service costs** | | | | | |
| **Total** | **–** | **–** | **58 088.59** | **5 698.03** | **63 786.62** |
| <65 years | – | – | 58 088.59 | 5 698.03 | 63 786.62 |
| ≥ 65 years | – | – | – | – | – |
| **Present value of total service costs** | | | | | |
| **Total** | **1 142 271.69** | **734 804.80** | **227 539.61** | **21 412.15** | **2 126 028.25** |
| <65 years | 961 515.91 | 710 710.04 | 206 109.08 | 20 121.12 | 1 898 456.15 |
| ≥ 65 years | 180 755.78 | 24 094.76 | 21 430.53 | 1 291.03 | 227 572.10 |

The application of the method recommended by the CNSF for calculating the present value of the past service cost of retirement benefits may, for some assets, result in a liability greater than the present value of the total service cost, in which case the present value of the future service cost is zero.

### Duration of pension obligations

The Fund has a residual maturity of 71 years, resulting from the technical threshold of the mortality table used compared to the estimated duration of the obligations:

#### Duration (interest rate sensitivity)

| Duration of pension obligations | |
|---|---|
| Macaulay | 15.7 |
| Modified | 15.12% |
| Convexity | 325 |

#### Average life expectancy:

| | Number | Minimum age | ALE |
|---|---|---|---|
| Active participants | 12 | 50 | 33.42 |
| Vested rights | 47 | 40 | 42.74 |
| Pensioners | 6 | 70 | 16.18 |
| **Total** | **65** | **40** | **42.74** |

Thus, taking into account the combined residual maturity (71 years) and the average life expectancy of younger beneficiaries (42.74 years), as well as the Macaulay duration (15.7 years), we conclude that the balance of financial flows occurs much earlier than these biometric indicators, demonstrating a certain robustness of interest rate sensitivity. In any case, it should be noted that this is already a rather 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 obligations

| Data | 31/12/2021 | 31/12/2022 | Difference |
|---|---|---|---|
| Present value of pensions in payment | 710 178 | 870 280 | 22.54% |
| Present value of past service obligations | 2 870 847 | 2 207 425 | (23.11%) |
| **Total** | **3 581 025** | **3 077 705** | **(14.06%)** |

The increase in the present value of pension obligations in payment is mainly due to the changes in the number of participants and the increase in the pension growth rate, offset by the increase in fund yield rate.

In relation to the present value of past service obligations, there is a decrease in the obligations, despite the increase in the salary growth rate, mainly due to the increase in the fund yield rate.

### Contributions and financing plans

The funding level of the pension payment liabilities at this date is as follows:

| | Funding & minimum scenario |
|---|---|
| Liabilities (VAPP+VASP) | 3 077 705.20 |
| VAPP | 870 280.17 |
| VAPP funding level | 100% |
| VABT (vested rights) | 734 804.80 |
| VABT funding level | 100% |
| VASP | 1 472 620.23 |
| VASP funding level | 112.8% |
| Fund value | 3 266 139.18 |
| Global funding level | 106.12% |

The value of the fund used to determine the level of funding is the net value of the fund after deducting fees and expenses incurred.

As the funding of the current pension scheme is subject to the minimum funding requirements set by Banco de Portugal, i.e. full funding of pension liabilities in payment and vested rights, and 95% of the liabilities for past services of the active participants, it is verified that it complies with the established minimum funding requirements.

There are therefore no financing commitments.

Taking into account the assumptions according to the ASF solvency minimum, in accordance with Rule 21/96-R of 5 December, past service liabilities as at 31 December 2022 amounted to €2 394 085.43.

## 4.30 General administrative expenses — NOTE 30

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Supplies:** | | |
| Water, electricity and fuel | (277 942) | (199 610) |
| Consumables | (10 922) | (21 623) |
| Publications | (5 779) | (5 227) |
| Hygiene and cleaning products | (14 410) | (18 041) |
| Other third party supplies | (103 514) | (85 538) |
| | **(412 567)** | **(330 038)** |
| **Services:** | | |
| Leases and rentals | (59 416) | (47 810) |
| Communications | (239 039) | (242 687) |
| Travel, hotel and entertainment expenses | (196 590) | (167 863) |
| Advertising and publishing | (476 236) | (405 892) |
| Repairs and maintenance | (156 490) | (133 398) |
| Insurance | (76 402) | (72 236) |
| Specialised services | | |
| Retainers and fees | (17 176) | (11 439) |
| Legal, litigation and notaries | (6 911) | (4 265) |
| IT services | (1 336 769) | (1 036 043) |
| Security and surveillance | (8 647) | (10 719) |
| Cleaning services | (8 004) | (7 148) |
| Information | (749 587) | (678 316) |
| Databases | (129 999) | (72 050) |
| Other specialised services | | |
| Analyses and consultations | (46 860) | (33 724) |
| Consultants and external auditors | (565 877) | (518 972) |
| External evaluators | (81 093) | (80 056) |
| **Other third party services** | | |
| Public relations and advisory services | (65 795) | (110 424) |
| Banco de Portugal - Bpnet service | (3 366) | (3 140) |
| Housekeeping services | (8 861) | (8 417) |
| Other | (21 965) | (20 458) |
| | **(4 255 081)** | **(3 665 056)** |
| | **(4 667 648)** | **(3 995 094)** |

General administrative expenses increased by €672 000 compared to 2021, mainly due to general price increases, the return to full normality after the pandemic, and the launch of the Bank's new image.

The items with the most significant increases are water, electricity and fuel, with an increase of 39.2%, corresponding to €78 000; travel, hotel and entertainment, with an increase of 17.2% between 2021 and 2022, corresponding to €29 000; advertising, with an increase of 17.3%, corresponding to €70 000; and IT, with an increase of €300 000 compared to 2021. However, this increase in IT costs is somewhat offset by lower investments in property, plant and equipment and software.

The item "Consultants and external auditors" includes the fees charged by the Statutory Auditors in connection with their statutory audit and other assurance services (amounts exclusive of VAT):

| Statutory Auditor | |
|---|---|
| Legal Certification of Accounts | 90 100 |
| Assurance and reliability services | 26 500 |
| Other services | 15 000 |
| | **131 600** |

## 4.31 Amortisations in the year — NOTE 31

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Property, plant and equipment** | | |
| Of property | (224 954) | (224 696) |
| Of equipment | (593 012) | (539 919) |
| | **(817 966)** | **(764 615)** |
| **Intangible assets** | **(709 340)** | **(635 855)** |
| | **(1 527 306)** | **(1 400 470)** |

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

## 4.32 Provisions net of write-offs NOTE 32

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Gains from:** | | |
| Provisions for guarantees and commitments | 118 787 | 805 924 |
| **Losses from:** | | |
| Provisions for guarantees and commitments | (4 912) | (704 187) |
| Other provisions | – | (322 410) |
| | **113 876** | **(220 672)** |

In 2022, there was a partial reversal of the provision, resulting in a gain of €113 000.

## 4.33 Impairment of financial assets at amortised cost NOTE 33

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Investments held to maturity** | | |
| Debt instruments | 83 586 | 101 190 |
| **Loans** | | |
| Normal loans | 5 098 350 | 10 278 542 |
| Overdue loans (includes other debtors) | (4 955 176) | (10 634 743) |
| | **143 174** | **(356 201)** |
| | **226 760** | **(255 011)** |

## 4.34 Impairments of financial assets at fair value through other comprehensive income — NOTE 34

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Available-for-sale financial assets** | | |
| Debt instruments | (125 335) | 356 354 |
| | **(125 335)** | **356 354** |

Following the downgrading of Russian securities and Russian issuers, it was decided to increase the impairments on these assets.

## 4.35 Taxes — NOTE 35

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Current** | (172 214) | (188 047) |
| **Deferred** | (453 232) | 8 572 |
| | **(625 446)** | **(179 475)** |

Effect of entries in the table and note below:

### Current Taxes

The difference between taxes calculated at the legal rate in and taxes calculated at the effective rate in the 2022 and 2021 financial years are detailed below:

| | | 31/12/2022 | 31/12/2021 |
|---|---|---|---|
| 1 | Pre-tax results | 2 219 040 | 1 795 405 |
| 2 | Legal tax rate (corporate income tax +municipal tax) | 22.50% | 22.50% |
| 3 | Normal tax load (1x2) | 499 284 | 403 966 |
| 4 | Tax effect of non-deductible expenses | 897 939 | 1 328 606 |
| 5 | Tax effect of non-taxable income | (1 152 077) | (849 143) |
| 6 | Variations in assets | – | – |
| 7 | Taxable income/Reportable losses (1+4+5+6) | 1 964 982 | 2 274 868 |
| 8 | Reportable tax loss | 1 343 328 | 1 819 895 |
| 9 | Tax (corporate income tax + municipal tax) | 173 951 | 152 914 |
| 10 | Autonomous taxation | 128 794 | 130 678 |
| 11 | Tax benefits | (130 531) | -95 544 |
| 12 | Total tax (9+10+11) | 172 214 | 188 047 |
| 13 | Effective rate (12/1) | 7.76% | 10.47% |

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

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

## Deferred Taxes

Deferred taxes recognised in 2022 in the amount of (€452 232) arise from the impact of temporary differences in income taxes as shown below:

| | Deferred tax assets | Deferred tax liabilities | Impact on profit and loss |
|---|---|---|---|
| Credit impairment | 156 251 | – | (116 546) |
| Intangible assets | 5 340 | – | – |
| JV reserves | 273 012 | (726 737) | 3 486 |
| Fair value invest. units | – | (347 276) | (95 973) |
| Tax losses | – | | (244 200) |
| | **434 603** | **(1 074 012)** | **(453 232)** |

## 4.36 Off-balance sheet accounts NOTE 36

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

| | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Commitments to third parties:** | | |
| **Irrevocable commitments** | | |
| Potential commitments to SII | 1 201 791 | 1 051 953 |
| **Revocable commitments** | | |
| Credit lines | 14 724 144 | 9 899 156 |
| Overdraft facilities | – | 51 |
| | **15 925 936** | **10 951 160** |
| **Liabilities for service provision:** | | |
| Of Deposit and custody of securities | 1 564 766 707 | 1 548 455 941 |
| Amounts managed by the institution | 185 347 386 | 197 153 464 |
| Other | – | – |
| | **1 750 114 093** | **1 745 609 405** |
| **Services provided by third parties:** | | |
| For Deposit and custody of securities | 936 011 944 | 955 577 247 |
| For other services | – | – |
| | **936 011 944** | **955 577 247** |
| **Foreign exchange transactions and derivative instruments:** | | |
| **Trading instruments** | | |
| Foreign exchange forward transactions | 21 040 181 | 18 654 885 |
| **Hedging instruments** | | |
| Options | – | – |
| | **21 040 181** | **18 654 885** |
| **Guarantees provided and any other services:** | | |
| Personal guarantees | 1 059 028 | 2 096 552 |
| Real guarantees | 16 770 000 | 18 949 000 |
| | **17 829 028** | **21 045 552** |
| **Guarantees received:** | | |
| Personal guarantees | 63 255 050 | 85 202 921 |
| Real guarantees | 176 909 459 | 277 476 417 |
| | **240 164 509** | **362 679 339** |
| **Other off-balance sheet items:** | | |
| Write-offs | 5 590 295 | 5 571 343 |
| Accrued interest | 10 261 | 202 954 |
| Miscellaneous accounts | (2 986 686 248) | (3 120 291 884) |
| | **(2 981 085 692)** | **(3 114 517 587)** |

## 4.37 Contingent liabilities of the Resolution Fund

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

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

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

The contribution paid in 2022, of €104 237.32, compares with the €97 622.89 paid in 2021, as a result of the change in the rate applied. These contributions have been recognised as an expense in each financial year in accordance with IFRIC 21 – 'Levies'.

## 4.38 Assets pledged as collateral

The breakdown of these assets is as follows:

| Pledged financial assets | 31/12/2022 | 31/12/2021 |
|---|---|---|
| **Financial assets at fair value through other comprehensive income** | | |
| Debt securities | 4 436 272 | 6 124 777 |
| **Other assets** | | |
| Receivables from futures and options - margins | – | – |
| Various investments - uncleared values | 1 193 473 | 6 685 816 |
| | **5 629 745** | **12 810 593** |

## 4.39 Related parties

As at 31 December 2022 and 2021, the Bank is controlled by the following shareholders with a holding of more than 2%:

| Shareholding composition as at 31/12/2022 | No. of shares | % | Voting rights |
|---|---|---|---|
| Maria Cândida Cadeco da Rocha e Silva | 58 649 733 | 29.32 | 58 649.00 |
| Jorge Manuel da Conceição Freitas Gonçalves | 37 768 937 | 18.88 | 37 768.00 |
| Projeto Inverso, SGPS, S.A. | 15 880 743 | 7.94 | 15 880.00 |
| Planalto Capital – Fundo de Capital de Risco | 11 095 000 | 5 55 | 11 095.00 |
| Groupe Norwich S.A. | 9 999 990 | 5.00 | 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 | 4 810 000 | 2.41 | 4 810.00 |
| Ruasgest, SGPS, S.A. | 4 764 223 | 2.38 | 4 764.00 |

| 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 | 4 810 000 | 2.41 | 4 810.00 |
| Ruasgest, SGPS, S.A. | 4 764 223 | 2.38 | 4 764.00 |

### Remuneration of the Board of Directors

The remuneration of the Board of Directors for the years ended 31 December 2022 and 2021 is disclosed in Note 29 to these financial statements.

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

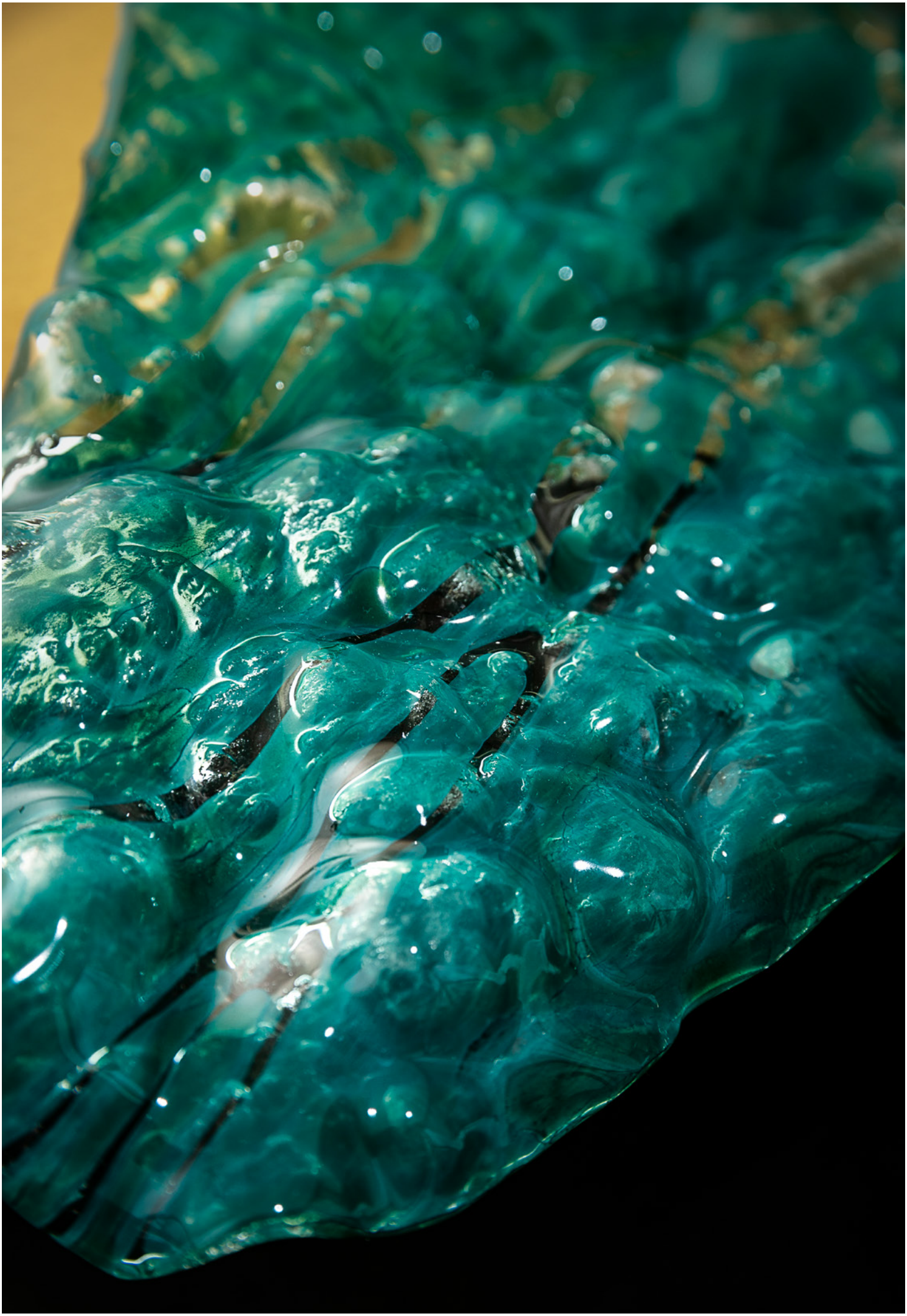
- those in which the Bank has, directly or indirectly, significant influence over the management and financial policy (subsidiaries);
- key personnel, considering for this purpose the members of the Board of Directors (executive and non-executive) and the Supervisory Committee.

According to these criteria, as at 31 December 2022 the entities identified below are considered related parties of Banco Carregosa, as well as any legal persons associated with them:

| Name of the related entity | Registered office | Effective shareholding | Direct shareholding |
|---|---|---|---|
| **Subsidiaries** | | | |
| Circuitos e Traçados II, Unipessoal, Lda. | Portugal | 100% | 100% |
| Carregosa, SGOIC, S.A. | Portugal | 96% | 96% |
| **Board and supervisory members of Banco L. J. Carregosa, S.A.** | | | |
| Maria Cândida Cadeco da Rocha e Silva | | | |
| Jorge Manuel da Conceição Freitas Gonçalves | | | |
| António José Paixão Pinto Marante | | | |
| Homero José de Pinho Coutinho | | | |
| Rogério Francisco Montenegro do Couto | | | |
| Francisco Miguel Melhorado de Oliveira Fernandes | | | |
| Fernando Miguel da Costa Ramalho | | | |
| José Nuno de Campos Alves | | | |
| Mário Oldemiro Carvalho Fernandes | | | |
| Mariana Mendes Baptista Lopes | | | |
| Rodrigo de Melo Neiva Santos | | | |
| António Fernando dos Reis Magalhães Pinto | | | |
| Cristina Maria da Costa Pinto | | | |

According to these criteria, as at 31 December 2021 the entities identified below are considered related parties of Banco Carregosa, as well as any legal persons associated with them:

| Name of the related entity | Registered office | Effective shareholding | Direct shareholding |
|---|---|---|---|
| **Subsidiaries** | | | |
| Circuitos e Traçados, Sociedade Imobiliária, S.A. | Portugal | 100% | 100% |
| Circuitos e Traçados II, Unipessoal, Lda. | Portugal | 100% | 100% |
| Carregosa, SGOIC, S.A. | Portugal | 96% | 96% |
| **Board and supervisory members of Banco L. J. Carregosa, S.A.** | | | |
| Maria Cândida Cadeco da Rocha e Silva | | | |
| Jorge Manuel da Conceição Freitas Gonçalves | | | |
| António José Paixão Pinto Marante | | | |
| Homero José de Pinho Coutinho | | | |
| Francisco Miguel Melhorado de Oliveira Fernandes | | | |
| Fernando Miguel da Costa Ramalho | | | |
| José Nuno de Campos Alves | | | |
| Rodrigo de Melo Neiva Santos | | | |
| Maria da Graça Alves Carvalho | | | |



The aggregate amount of assets, liabilities, equity and off-balance sheet commitments related to transactions with subsidiaries, members of the Board of Directors and legal entities over which they have significant influence as at 31 December 2022 is as follows:

### Transactions and balances with related parties

#### Balances resulting from transactions with related parties

| | Assets | |
|---|---|---|
| 2022 | Supplementary payments | Loans |
| Subsidiaries | – | 3 341 800 |
| Members of the Board of Directors and Supervisory Committee of Banco L. J. Carregosa, S.A. | – | – |
| Companies in which the members of the Board of Directors and the Supervisory Committee have a material influence | – | – |
| | **–** | **3 341 800** |

| | Assets | |
|---|---|---|
| 2021 | Supplementary payments | Loans |
| Subsidiaries | 4 954 000 | 1 810 000 |
| Members of the Board of Directors and Supervisory Committee of Banco L. J. Carregosa, S.A. | – | – |
| Companies in which the members of the Board of Directors and the Supervisory Committee have a material influence | – | – |
| | **4 954 000** | **1 810 000** |

#### Transactions with related parties

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

| 2021 | Interest on term deposits | Commissions received |
|---|---|---|
| Subsidiaries | – | 1 745 |
| Members of the Board of Directors and Supervisory Committee of Banco L. J. Carregosa, S.A. | 355 | 2 906 |
| Companies in which the members of the Board of Directors and the Supervisory Committee have a material influence | – | 21 595 |
| | **355** | **26 247** |

| Liabilities | | | Off-balance sheet | | | |
|---|---|---|---|---|---|---|
| Client deposits | | Other suppliers | Guarantees provided | Guarantees received | Credit lines | Deposit and custody of securities |
| Sight deposits | Term deposits | | | | | |
| 233 806 | – | – | – | – | – | – |
| 184 087 | 36 955 | – | – | – | – | 28 158 963 |
| 532 445 | – | – | – | 1 000 000 | 995 490 | 4 479 853 |
| **950 338** | **36 955** | **–** | **–** | **1 000 000** | **995 490** | **32 638 817** |

| Liabilities | | | Off-balance sheet | | | |
|---|---|---|---|---|---|---|
| Client deposits | | Other suppliers | Guarantees provided | Guarantees received | Credit lines | Deposit and custody of securities |
| Sight deposits | Term deposits | | | | | |
| 391 085 | – | – | – | – | – | – |
| 172 956 | 100 471 | – | – | – | – | 23 611 918 |
| 406 225 | – | – | – | – | – | 2 479 018 |
| **970 266** | **100 471** | **–** | **–** | **–** | **–** | **26 090 936** |

| Income from equity instruments | Services rendered | Services received |
|---|---|---|
| – | 42 006 | – |
| – | – | – |
| – | – | – |
| **–** | **42 006** | **–** |

| Income from equity instruments | Services rendered | Services received |
|---|---|---|
| – | 46 296 | – |
| – | – | – |
| – | – | – |
| **–** | **46 296** | **–** |

For the purposes of compliance with Articles 85 and 109 of the RGICSF, regarding the use of credits and guarantees provided by the Bank, it is reported that, as at 31 December 2022, there are two credit operations related to Mr Homero Coutinho, namely with the companies HCapital Partners SCR, S.A. and HGM - Glass Equipment Consulting, Lda.

There were no other authorised transactions with MOAF or entities over which they have significant influence during the period under review.

## 4.40 Impact of the Russia-Ukraine conflict

More than a year after the invasion of Ukrainian territory by the Russian Federation, which triggered an armed conflict that affected the financial markets, it is now possible to measure the impact of this crisis, which has led to a slowdown in economic growth, an extraordinary rise in inflation, and to developments in the ECB's monetary policy.

As a result and as a consequence of the conflict, the impact on the Bank's accounts in terms of direct exposure to Russia was as follows:

- the sale of 500 000 worth of the position in RUSSIA 2.875 12/25, representing a loss of €47 000;
- the recognition of fair value reserves of €-1.4 million in the portfolio of financial assets at fair value through other comprehensive income (OCI), related to potential losses and an increase in impairments of €473 000;
- recognition of a potential loss of €262 000 on the held-for-trading portfolio (FTVPL);
- The impact on the equity ratio is a negative variation of 0.24%.

Porto, 09 May 2023

**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

Rogério Francisco Montenegro do Couto

Francisco Miguel Melhorado de Oliveira Fernandes

Fernando Miguel Costa Ramalho

José Nuno de Campos Alves

Mariana Mendes Baptista Lopes

Mário Oldemiro Carvalho Fernandes



# IV CERTIFICATIONS AND OPINIONS



## *Certificação Legal das Contas*

### *Relato sobre a auditoria das demonstrações financeiras consolidadas*

#### *Opinião*

Auditámos as demonstrações financeiras consolidadas anexas do Banco L. J. Carregosa, S.A. ("Banco Carregosa", "Banco" ou "Grupo"), que compreendem o balanço consolidado em 31 de dezembro de 2022 (que evidencia um total de 567.888 milhares de euros e um total de capital próprio de 36.684 milhares de euros, incluindo um resultado líquido consolidado do exercício de 1.597 milhares de euros), a demonstração dos resultados consolidados, a demonstração de rendimento integral consolidado, a demonstração das alterações nos capitais próprios consolidados e a demonstração dos fluxos de caixa consolidados relativas ao ano findo naquela data, e as notas anexas às demonstrações financeiras consolidadas que incluem um resumo das políticas contabilísticas significativas.

Em nossa opinião, as demonstrações financeiras consolidadas anexas apresentam de forma verdadeira e apropriada, em todos os aspetos materiais, a posição financeira consolidada do Banco Carregosa em 31 de dezembro de 2022 e o seu desempenho financeiro e fluxos de caixa consolidados relativos ao ano findo naquela data de acordo com as Normas Internacionais de Relato Financeiro ("IFRS"), tal como adotadas na União Europeia.

#### *Bases para a opinião*

A nossa auditoria foi efetuada de acordo com as Normas Internacionais de Auditoria ("ISAs") e demais normas e orientações técnicas e éticas da Ordem dos Revisores Oficiais de Contas. As nossas responsabilidades nos termos dessas normas estão descritas na secção "Responsabilidades do auditor pela auditoria das demonstrações financeiras consolidadas" abaixo. Somos independentes das entidades que compõem o Grupo nos termos da lei e cumprimos os demais requisitos éticos nos termos do código de ética da Ordem dos Revisores Oficiais de Contas.

Estamos convictos de que a prova de auditoria que obtivemos é suficiente e apropriada para proporcionar uma base para a nossa opinião.

#### *Matérias relevantes de auditoria*

As matérias relevantes de auditoria são as que, no nosso julgamento profissional, tiveram maior importância na auditoria das demonstrações financeiras consolidadas do ano corrente. Essas matérias foram consideradas no contexto da auditoria das demonstrações financeiras consolidadas como um todo, e na formação da opinião, e não emitimos uma opinião separada sobre essas matérias.

**PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.**
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Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

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| *Matérias relevantes de auditoria* | *Síntese da abordagem de auditoria* |
|---|---|
| ***Perdas por imparidade de crédito a clientes***<br><br>*Mensuração e divulgações relacionadas com as perdas por imparidade de crédito a clientes apresentadas nas notas 2.2.10, 2.3.1, 3.4, 4.4 e 4.34 anexas às demonstrações financeiras consolidadas do Banco*<br><br>Em 31 de dezembro de 2022 o valor bruto de crédito a clientes ascende a 63.226 milhares de euros e as respetivas perdas por imparidade reconhecidas a essa data ascendem a 1.052 milhares de euros.<br><br>A expressão das rubricas de crédito a clientes, e das perdas por imparidade que lhe estão associadas, cujo apuramento requer a aplicação de um conjunto de pressupostos e julgamentos complexos, em particular a adaptação a cenários macroeconómicos complexos, por parte do órgão de gestão do Banco no que respeita à identificação de clientes com aumento significativo de risco de crédito ou em situação de incumprimento ("*default*"), bem como do correspondente montante de perdas por imparidade, justificam que estas tenham constituído uma matéria relevante para efeitos da nossa auditoria.<br><br>As perdas por imparidade de crédito a clientes são apuradas pelo órgão de gestão em termos individuais, através de uma análise casuística para a totalidade da carteira de crédito, complementada pelas perdas por imparidade que resultam do modelo automático de imparidade.<br><br>O Banco desenvolve um processo de análise individual que inclui uma análise de *staging,* no sentido de corroborar a atribuição indicativa de *stage* automático (*stages* 1, 2 e 3), e uma análise de quantificação de imparidade. O montante de imparidade apurado através da análise detalhada da posição económica e financeira de cada cliente, tem por referência (i) a estimativa dos fluxos de caixa futuros para o cumprimento das suas responsabilidades – abordagem *going*; ou (ii) a avaliação atribuída aos colaterais recebidos no âmbito da concessão de crédito, sempre que se antecipe a sua recuperação por via da dação, execução e/ou venda desses mesmos colaterais, deduzida dos custos inerentes à sua recuperação e venda – abordagem *gone*. | Os procedimentos de auditoria desenvolvidos incluíram a identificação, compreensão e avaliação das políticas e procedimentos instituídos pelo Banco para efeitos da mensuração das perdas por imparidade para a carteira de crédito a clientes, bem como dos seus controlos chave referentes à aprovação, registo e monitorização do risco de crédito, e à atempada identificação, mensuração e registo das perdas por imparidade.<br><br>Em base de amostragem, analisámos um conjunto de clientes sujeitos a análise individual por parte do Banco, tendo por base os critérios definidos em normativo interno, com o objetivo de: (i) rever as conclusões e resultados obtidos pelo Banco na análise de *stage* e na análise de quantificação de imparidade; (ii) formular o nosso próprio julgamento sobre a existência de situações de aumento significativo de risco de crédito e de incumprimento; e (iii) avaliar de que forma as perdas por imparidade foram atempadamente identificadas, mensuradas e reconhecidas pelo órgão de gestão.<br><br>Assim, para uma amostra de exposições, extraída da população de crédito sujeita a análise individual pelo Banco em 31 de dezembro de 2022, os procedimentos que desenvolvemos consistiram em: (i) rever a documentação sobre os processos de crédito; (ii) verificar a capacidade e o cumprimento do serviço da dívida; (iii) examinar os critérios para determinação de aumento significativo do risco de crédito (*stage* 2) e em situação de imparidade (*stage* 3), numa base individual; (iv) rever a incorporação na análise da informação prospetiva; (v) apreciar a evolução das exposições; e (vi) compreender a visão do órgão de gestão do Banco quanto à situação económico-financeira dos clientes e à previsibilidade dos fluxos de caixa esperados dos respetivos negócios bem como as perspetivas de cobrabilidade dos créditos. Realizámos também um conjunto de procedimentos adicionais que consistiram em analisar (i) a correspondência dos planos financeiros utilizados para efeitos de determinação de imparidade com os respetivos contratos; (ii) os colaterais mais relevantes, incluindo as suas avaliações mais recentes e o |

| *Matérias relevantes de auditoria* | *Síntese da abordagem de auditoria* |
|---|---|
| Adicionalmente, o Banco desenvolveu um modelo ("modelo automático de imparidade") para apuramento das perdas esperadas de imparidade, à luz dos requisitos da IFRS 9, que incluem nomeadamente a classificação das exposições por diferentes *stages* consoante a evolução do risco de crédito desde a data da concessão, e não em função do risco de crédito à data de relato (*stages* 1, 2 ou 3). Uma vez que o Banco não detém informação histórica suficientemente profunda e robusta sobre *defaults* e recuperações, desenvolveu o seu modelo automático de imparidade com base em informação regulamentar prevista no Regulamento (EU) 575/2013 do Parlamento Europeu e do Conselho de 26 de junho de 2013, a qual é conjugada com informação proveniente de agências de notação de *rating* e de análise de risco de crédito e com os cenários macroeconómicos que o Banco de Portugal divulga anualmente no âmbito do exercício do *Funding and Capital Plan* ("FCP"), por forma a ser representativo do atual contexto económico e simultaneamente incorporar uma perspetiva da evolução económica futura. Tendo por base estes dados macroeconómicos, são desenvolvidos cenários potenciais que permitem ajustar, com base numa probabilidade de ocorrência, as estimativas de perda esperada.<br><br>A especificidade e a incerteza da atual conjuntura macroeconómica e geopolítica originaram um acréscimo de complexidade na determinação das perdas por imparidade. Nestas circunstâncias, os modelos internos de análise de imparidade desenvolvidos pelo Banco foram adaptados de forma a incorporar novos critérios e outros julgamentos como sejam (i) a utilização de medidas temporárias de flexibilidade para não permitir que as alterações contratuais resultantes da concessão de moratórias levassem à marcação das operações como reestruturações por dificuldades financeiras, em linha com as orientações dos supervisores nesta matéria; e (ii) a atualização dos cenários macroeconómicos utilizados para efeitos da determinação da perda esperada, de modo a refletir os potenciais efeitos do atual contexto macroeconómico adverso, muito marcado pelos impactos da guerra na Ucrânia, bem como o reflexo da relação esperada dessa informação com os parâmetros de risco do modelo automático de imparidade desenvolvido pelo Banco.<br><br>Tendo em conta o exposto, alterações nos pressupostos ou metodologias utilizados pelo Banco | respetivo registo a favor do Banco; e (iii) os fluxos de caixa descontados subjacentes ao cálculo de imparidade.<br><br>Sempre que concluímos pela necessidade de revisão de algum pressuposto utilizado pelo órgão de gestão, procedemos ao recálculo do montante estimado de imparidade e comparámos os resultados obtidos com os apurados pelo Banco, por forma a avaliar a existência de eventuais divergências materialmente relevantes.<br><br>Adicionalmente, foram desenvolvidos procedimentos específicos com o objetivo de validar o modelo automático de imparidade e avaliar de que forma os pressupostos considerados pelo órgão de gestão contemplam todas as variáveis de risco, nomeadamente: (i) a revisão da documentação metodológica de desenvolvimento do modelo; (ii) a revisão e teste à segmentação da carteira; (iii) a análise à definição de *default* do Banco e aos critérios aplicados na classificação de *staging*, em base de amostragem; (iv) a revisão e teste dos parâmetros de risco; (v) a revisão da inclusão de cenários macroeconómicos nos principais parâmetros de risco; e (vi) o recálculo da perda esperada para a carteira de crédito com referência a 31 de dezembro de 2022.<br><br>Os nossos procedimentos de auditoria incluíram também a revisão das divulgações sobre o crédito a clientes e as respetivas perdas por imparidades, constantes das notas anexas às demonstrações financeiras do Banco, tendo em conta as normas contabilísticas aplicáveis e em vigor. |

| *Matérias relevantes de auditoria* | *Síntese da abordagem de auditoria* |
|---|---|
| na análise e quantificação das perdas por imparidade da carteira de crédito a clientes, bem como diferentes estratégias de recuperação, condicionam a estimativa dos fluxos de recuperação e o *timing* do seu recebimento, e podem ter impactos relevantes no montante de perdas por imparidades apurado em cada momento. | |

***Responsabilidades do órgão de gestão e do órgão de fiscalização pelas demonstrações financeiras consolidadas***

O órgão de gestão é responsável pela:

a) preparação de demonstrações financeiras consolidadas que apresentem de forma verdadeira e apropriada a posição financeira consolidada, o desempenho financeiro e os fluxos de caixa consolidados do Grupo de acordo com as Normas Internacionais de Relato Financeiro ("IFRS") tal como adotadas na União Europeia;

b) elaboração do relatório de gestão, nos termos legais e regulamentares aplicáveis;

c) criação e manutenção de um sistema de controlo interno apropriado para permitir a preparação de demonstrações financeiras consolidadas isentas de distorções materiais devido a fraude ou a erro;

d) adoção de políticas e critérios contabilísticos adequados nas circunstâncias; e

e) avaliação da capacidade do Grupo de se manter em continuidade, divulgando, quando aplicável, as matérias que possam suscitar dúvidas significativas sobre a continuidade das atividades.

O órgão de fiscalização é responsável pela supervisão do processo de preparação e divulgação da informação financeira do Grupo.

***Responsabilidades do auditor pela auditoria das demonstrações financeiras consolidadas***

A nossa responsabilidade consiste em obter segurança razoável sobre se as demonstrações financeiras consolidadas como um todo estão isentas de distorções materiais devido a fraude ou a erro, e emitir um relatório onde conste a nossa opinião. Segurança razoável é um nível elevado de segurança, mas não é uma garantia de que uma auditoria executada de acordo com as ISAs detetará sempre uma distorção material quando exista. As distorções podem ter origem em fraude ou erro e são consideradas materiais se, isoladas ou conjuntamente, se possa razoavelmente esperar que influenciem decisões económicas dos utilizadores tomadas com base nessas demonstrações financeiras.

Como parte de uma auditoria de acordo com as ISAs, fazemos julgamentos profissionais e mantemos ceticismo profissional durante a auditoria e também:

a) identificamos e avaliamos os riscos de distorção material das demonstrações financeiras consolidadas, devido a fraude ou a erro, concebemos e executamos procedimentos de auditoria que respondam a esses riscos, e obtemos prova de auditoria que seja suficiente e apropriada para

proporcionar uma base para a nossa opinião. O risco de não detetar uma distorção material devido a fraude é maior do que o risco de não detetar uma distorção material devido a erro, dado que a fraude pode envolver conluio, falsificação, omissões intencionais, falsas declarações ou sobreposição ao controlo interno;

b) obtemos uma compreensão do controlo interno relevante para a auditoria com o objetivo de conceber procedimentos de auditoria que sejam apropriados nas circunstâncias, mas não para expressar uma opinião sobre a eficácia do controlo interno do Grupo;

c) avaliamos a adequação das políticas contabilísticas usadas e a razoabilidade das estimativas contabilísticas e respetivas divulgações feitas pelo órgão de gestão;

d) concluímos sobre a apropriação do uso, pelo órgão de gestão, do pressuposto da continuidade e, com base na prova de auditoria obtida, se existe qualquer incerteza material relacionada com acontecimentos ou condições que possam suscitar dúvidas significativas sobre a capacidade do Grupo para dar continuidade às suas atividades. Se concluirmos que existe uma incerteza material, devemos chamar a atenção no nosso relatório para as divulgações relacionadas incluídas nas demonstrações financeiras consolidadas ou, caso essas divulgações não sejam adequadas, modificar a nossa opinião. As nossas conclusões são baseadas na prova de auditoria obtida até à data do nosso relatório. Porém, acontecimentos ou condições futuras podem levar a que o Grupo descontinue as suas atividades;

e) avaliamos a apresentação, estrutura e conteúdo global das demonstrações financeiras consolidadas, incluindo as divulgações, e se essas demonstrações financeiras representam as transações e os acontecimentos subjacentes de forma a atingir uma apresentação apropriada;

f) obtemos prova de auditoria suficiente e apropriada relativa à informação financeira das entidades ou atividades dentro do Grupo para expressar uma opinião sobre as demonstrações financeiras consolidadas. Somos responsáveis pela orientação, supervisão e desempenho da auditoria do Grupo e somos os responsáveis finais pela nossa opinião de auditoria;

g) comunicamos com os encarregados da governação, incluindo o órgão de fiscalização, entre outros assuntos, o âmbito e o calendário planeado da auditoria, e as conclusões significativas da auditoria, incluindo qualquer deficiência significativa de controlo interno identificada durante a auditoria;

h) das matérias que comunicamos aos encarregados da governação, incluindo o órgão de fiscalização, determinamos as que foram as mais importantes na auditoria das demonstrações financeiras consolidadas do ano corrente e que são as matérias relevantes de auditoria. Descrevemos essas matérias no nosso relatório, exceto quando a lei ou regulamento proibir a sua divulgação pública; e

i) declaramos ao órgão de fiscalização que cumprimos os requisitos éticos relevantes relativos à independência e comunicamos-lhe todos os relacionamentos e outras matérias que possam ser percecionadas como ameaças à nossa independência e, quando aplicável, quais as medidas tomadas para eliminar as ameaças ou quais as salvaguardas aplicadas.
A nossa responsabilidade inclui ainda a verificação da concordância da informação constante do relatório de gestão com as demonstrações financeiras consolidadas.

***Relato sobre outros requisitos legais e regulamentares***

***Sobre o relatório de gestão***

Dando cumprimento ao artigo 451.º, n.º 3, alínea e) do Código das Sociedades Comerciais, somos de parecer que o relatório de gestão foi preparado de acordo com os requisitos legais e regulamentares aplicáveis em vigor, a informação nele constante é concordante com as demonstrações financeiras consolidadas auditadas e, tendo em conta o conhecimento e apreciação sobre o Grupo, não identificámos incorreções materiais.

***Sobre os elementos adicionais previstos no artigo 10º do Regulamento (UE) n.º 537/2014***

Dando cumprimento ao artigo 10.º do Regulamento (UE) n.º 537/2014 do Parlamento Europeu e do Conselho, de 16 de abril de 2014, e para além da matéria relevante de auditoria acima indicada, relatamos ainda o seguinte:

a) Fomos nomeados auditores do Banco Carregosa na assembleia geral de acionistas realizada em 29 de junho de 2021 para um mandato compreendido entre 2021 e 2023;

b) O órgão de gestão confirmou-nos que não tem conhecimento da ocorrência de qualquer fraude ou suspeita de fraude com efeito material nas demonstrações financeiras. No planeamento e execução da nossa auditoria de acordo com as ISAs mantivemos o ceticismo profissional e concebemos procedimentos de auditoria para responder à possibilidade de distorção material das demonstrações financeiras consolidadas devido a fraude. Em resultado do nosso trabalho não identificámos qualquer distorção material nas demonstrações financeiras consolidadas devido a fraude;

c) Confirmamos que a opinião de auditoria que emitimos é consistente com o relatório adicional que preparámos e entregámos ao órgão de fiscalização do Grupo nesta mesma data; e

d) Declaramos que não prestámos quaisquer serviços proibidos nos termos do n.º 1 do artigo 5.º do Regulamento (UE) n.º 537/2014 do Parlamento Europeu e do Conselho, de 16 de abril de 2014 e que mantivemos a nossa independência face ao Grupo durante a realização da auditoria.

12 de maio de 2023

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
representada por:

Aurélio Adriano Rangel Amado, ROC n.º 1074
Registado na CMVM com o n.º 20160686

## *Certificação Legal das Contas*

### *Relato sobre a auditoria das demonstrações financeiras*

#### *Opinião*

Auditámos as demonstrações financeiras anexas do Banco L. J. Carregosa, S.A. ("Banco Carregosa" ou "Banco"), que compreendem o balanço em 31 de dezembro de 2022 (que evidencia um total de 568.055 milhares de euros e um total de capital próprio de 36.668 milhares de euros, incluindo um resultado líquido positivo do exercício de 1.594 milhares de euros), a demonstração dos resultados, a demonstração de rendimento integral, a demonstração das alterações nos capitais próprios e a demonstração dos fluxos de caixa relativas ao ano findo naquela data, e as notas anexas às demonstrações financeiras que incluem um resumo das políticas contabilísticas significativas.

Em nossa opinião, as demonstrações financeiras anexas apresentam de forma verdadeira e apropriada, em todos os aspetos materiais, a posição financeira do Banco Carregosa em 31 de dezembro de 2022 e o seu desempenho financeiro e fluxos de caixa relativos ao ano findo naquela data de acordo com as Normas Internacionais de Relato Financeiro ("IFRS"), tal como adotadas na União Europeia.

#### *Bases para a opinião*

A nossa auditoria foi efetuada de acordo com as Normas Internacionais de Auditoria ("ISAs") e demais normas e orientações técnicas e éticas da Ordem dos Revisores Oficiais de Contas. As nossas responsabilidades nos termos dessas normas estão descritas na secção "Responsabilidades do auditor pela auditoria das demonstrações financeiras" abaixo. Somos independentes do Banco nos termos da lei e cumprimos os demais requisitos éticos nos termos do código de ética da Ordem dos Revisores Oficiais de Contas.

Estamos convictos de que a prova de auditoria que obtivemos é suficiente e apropriada para proporcionar uma base para a nossa opinião.

#### *Matérias relevantes de auditoria*

As matérias relevantes de auditoria são as que, no nosso julgamento profissional, tiveram maior importância na auditoria das demonstrações financeiras do ano corrente. Essas matérias foram consideradas no contexto da auditoria das demonstrações financeiras como um todo, e na formação da opinião, e não emitimos uma opinião separada sobre essas matérias.

**PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.**
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PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda. pertence à rede de entidades que são membros da PricewaterhouseCoopers International Limited, cada uma das quais é uma entidade legal autónoma e independente.

| *Matérias relevantes de auditoria* | *Síntese da abordagem de auditoria* |
|---|---|
| ***Perdas por imparidade de crédito a clientes***<br><br>*Mensuração e divulgações relacionadas com as perdas por imparidade de crédito a clientes apresentadas nas notas 2.2.10, 2.3.1, 3.4, 4.4 e 4.33 anexas às demonstrações financeiras do Banco*<br><br>Em 31 de dezembro de 2022 o valor bruto de crédito a clientes ascende a 63.226 milhares de euros e as respetivas perdas por imparidade reconhecidas a essa data ascendem a 1.052 milhares de euros.<br><br>A expressão das rubricas de crédito a clientes, e das perdas por imparidade que lhe estão associadas, cujo apuramento requer a aplicação de um conjunto de pressupostos e julgamentos complexos, em particular a adaptação a cenários macroeconómicos complexos, por parte do órgão de gestão do Banco no que respeita à identificação de clientes com aumento significativo de risco de crédito ou em situação de incumprimento ("*default*"), bem como do correspondente montante de perdas por imparidade, justificam que estas tenham constituído uma matéria relevante para efeitos da nossa auditoria.<br><br>As perdas por imparidade de crédito a clientes são apuradas pelo órgão de gestão em termos individuais, através de uma análise casuística para a totalidade da carteira de crédito, complementada pelas perdas por imparidade que resultam do modelo automático de imparidade.<br><br>O Banco desenvolve um processo de análise individual que inclui uma análise de *staging,* no sentido de corroborar a atribuição indicativa de *stage* automático (*stages* 1, 2 e 3), e uma análise de quantificação de imparidade. O montante de imparidade apurado através da análise detalhada da posição económica e financeira de cada cliente, tem por referência (i) a estimativa dos fluxos de caixa futuros para o cumprimento das suas responsabilidades – abordagem *going*; ou (ii) a avaliação atribuída aos colaterais recebidos no âmbito da concessão de crédito, sempre que se antecipe a sua recuperação por via da dação, execução e/ou venda desses mesmos colaterais, deduzida dos custos inerentes à sua recuperação e venda – abordagem *gone*. | Os procedimentos de auditoria desenvolvidos incluíram a identificação, compreensão e avaliação das políticas e procedimentos instituídos pelo Banco para efeitos da mensuração das perdas por imparidade para a carteira de crédito a clientes, bem como dos seus controlos chave referentes à aprovação, registo e monitorização do risco de crédito, e à atempada identificação, mensuração e registo das perdas por imparidade.<br><br>Em base de amostragem, analisámos um conjunto de clientes sujeitos a análise individual por parte do Banco, tendo por base os critérios definidos em normativo interno, com o objetivo de: (i) rever as conclusões e resultados obtidos pelo Banco na análise de *stage* e na análise de quantificação de imparidade; (ii) formular o nosso próprio julgamento sobre a existência de situações de aumento significativo de risco de crédito e de incumprimento; e (iii) avaliar de que forma as perdas por imparidade foram atempadamente identificadas, mensuradas e reconhecidas pelo órgão de gestão.<br><br>Assim, para uma amostra de exposições, extraída da população de crédito sujeita a análise individual pelo Banco em 31 de dezembro de 2022, os procedimentos que desenvolvemos consistiram em: (i) rever a documentação sobre os processos de crédito; (ii) verificar a capacidade e o cumprimento do serviço da dívida; (iii) examinar os critérios para determinação de aumento significativo do risco de crédito (*stage* 2) e em situação de imparidade (*stage* 3), numa base individual; (iv) rever a incorporação na análise da informação prospetiva; (v) apreciar a evolução das exposições; e (vi) compreender a visão do órgão de gestão do Banco quanto à situação económico-financeira dos clientes e à previsibilidade dos fluxos de caixa esperados dos respetivos negócios bem como as perspetivas de cobrabilidade dos créditos. Realizámos também um conjunto de procedimentos adicionais que consistiram em analisar (i) a correspondência dos planos financeiros utilizados para efeitos de determinação de imparidade com os respetivos contratos; (ii) os colaterais mais relevantes, |

| *Matérias relevantes de auditoria* | *Síntese da abordagem de auditoria* |
|---|---|
| Adicionalmente, o Banco desenvolveu um modelo ("modelo automático de imparidade") para apuramento das perdas esperadas de imparidade, à luz dos requisitos da IFRS 9, que incluem nomeadamente a classificação das exposições por diferentes *stages* consoante a evolução do risco de crédito desde a data da concessão, e não em função do risco de crédito à data de relato (*stages* 1, 2 ou 3). Uma vez que o Banco não detém informação histórica suficientemente profunda e robusta sobre *defaults* e recuperações, desenvolveu o seu modelo automático de imparidade com base em informação regulamentar prevista no Regulamento (EU) 575/2013 do Parlamento Europeu e do Conselho de 26 de junho de 2013, a qual é conjugada com informação proveniente de agências de notação de *rating* e de análise de risco de crédito e com os cenários macroeconómicos que o Banco de Portugal divulga anualmente no âmbito do exercício do *Funding and Capital Plan* ("FCP"), por forma a ser representativo do atual contexto económico e simultaneamente incorporar uma perspetiva da evolução económica futura. Tendo por base estes dados macroeconómicos, são desenvolvidos cenários potenciais que permitem ajustar, com base numa probabilidade de ocorrência, as estimativas de perda esperada.<br><br>A especificidade e a incerteza da atual conjuntura macroeconómica e geopolítica originaram um acréscimo de complexidade na determinação das perdas por imparidade. Nestas circunstâncias, os modelos internos de análise de imparidade desenvolvidos pelo Banco foram adaptados de forma a incorporar novos critérios e outros julgamentos como sejam (i) a utilização de medidas temporárias de flexibilidade para não permitir que as alterações contratuais resultantes da concessão de moratórias levassem à marcação das operações como reestruturações por dificuldades financeiras, em linha com as orientações dos supervisores nesta matéria; e (ii) a atualização dos cenários macroeconómicos utilizados para efeitos da determinação da perda esperada, de modo a refletir os potenciais efeitos do atual contexto macroeconómico adverso, muito marcado pelos impactos da guerra na Ucrânia, bem como o reflexo da relação esperada dessa informação com os parâmetros de risco do modelo automático de imparidade desenvolvido pelo Banco. | incluindo as suas avaliações mais recentes e o respetivo registo a favor do Banco; e (iii) os fluxos de caixa descontados subjacentes ao cálculo de imparidade.<br><br>Sempre que concluímos pela necessidade de revisão de algum pressuposto utilizado pelo órgão de gestão, procedemos ao recálculo do montante estimado de imparidade e comparámos os resultados obtidos com os apurados pelo Banco, por forma a avaliar a existência de eventuais divergências materialmente relevantes.<br><br>Adicionalmente, foram desenvolvidos procedimentos específicos com o objetivo de validar o modelo automático de imparidade e avaliar de que forma os pressupostos considerados pelo órgão de gestão contemplam todas as variáveis de risco, nomeadamente: (i) a revisão da documentação metodológica de desenvolvimento do modelo; (ii) a revisão e teste à segmentação da carteira; (iii) a análise à definição de *default* do Banco e aos critérios aplicados na classificação de *staging*, em base de amostragem; (iv) a revisão e teste dos parâmetros de risco; (v) a revisão da inclusão de cenários macroeconómicos nos principais parâmetros de risco; e (vi) o recálculo da perda esperada para a carteira de crédito com referência a 31 de dezembro de 2022.<br><br>Os nossos procedimentos de auditoria incluíram também a revisão das divulgações sobre o crédito a clientes e as respetivas perdas por imparidades, constantes das notas anexas às demonstrações financeiras do Banco, tendo em conta as normas contabilísticas aplicáveis e em vigor. |

| *Matérias relevantes de auditoria* | *Síntese da abordagem de auditoria* |
|---|---|
| Tendo em conta o exposto, alterações nos pressupostos ou metodologias utilizados pelo Banco na análise e quantificação das perdas por imparidade da carteira de crédito a clientes, bem como diferentes estratégias de recuperação, condicionam a estimativa dos fluxos de recuperação e o *timing* do seu recebimento, e podem ter impactos relevantes no montante de perdas por imparidades apurado em cada momento. | |

***Responsabilidades do órgão de gestão e do órgão de fiscalização pelas demonstrações financeiras***

O órgão de gestão é responsável pela:

a) preparação de demonstrações financeiras que apresentem de forma verdadeira e apropriada a posição financeira, o desempenho financeiro e os fluxos de caixa do Banco de acordo com as Normas Internacionais de Relato Financeiro ("IFRS") tal como adotadas na União Europeia;

b) elaboração do relatório de gestão, nos termos legais e regulamentares aplicáveis;

c) criação e manutenção de um sistema de controlo interno apropriado para permitir a preparação de demonstrações financeiras isentas de distorções materiais devido a fraude ou a erro;

d) adoção de políticas e critérios contabilísticos adequados nas circunstâncias; e

e) avaliação da capacidade do Banco de se manter em continuidade, divulgando, quando aplicável, as matérias que possam suscitar dúvidas significativas sobre a continuidade das atividades.

O órgão de fiscalização é responsável pela supervisão do processo de preparação e divulgação da informação financeira do Banco.

***Responsabilidades do auditor pela auditoria das demonstrações financeiras***

A nossa responsabilidade consiste em obter segurança razoável sobre se as demonstrações financeiras como um todo estão isentas de distorções materiais devido a fraude ou a erro, e emitir um relatório onde conste a nossa opinião. Segurança razoável é um nível elevado de segurança, mas não é uma garantia de que uma auditoria executada de acordo com as ISAs detetará sempre uma distorção material quando exista. As distorções podem ter origem em fraude ou erro e são consideradas materiais se, isoladas ou conjuntamente, se possa razoavelmente esperar que influenciem decisões económicas dos utilizadores tomadas com base nessas demonstrações financeiras.

Como parte de uma auditoria de acordo com as ISAs, fazemos julgamentos profissionais e mantemos ceticismo profissional durante a auditoria e também:

a) identificamos e avaliamos os riscos de distorção material das demonstrações financeiras, devido a fraude ou a erro, concebemos e executamos procedimentos de auditoria que respondam a esses riscos, e obtemos prova de auditoria que seja suficiente e apropriada para proporcionar uma base para a nossa opinião. O risco de não detetar uma distorção material devido a fraude é maior do que o risco de não detetar uma distorção material devido a erro, dado que a fraude pode envolver conluio, falsificação, omissões intencionais, falsas declarações ou sobreposição ao controlo interno;

b) obtemos uma compreensão do controlo interno relevante para a auditoria com o objetivo de conceber procedimentos de auditoria que sejam apropriados nas circunstâncias, mas não para expressar uma opinião sobre a eficácia do controlo interno do Banco;

c) avaliamos a adequação das políticas contabilísticas usadas e a razoabilidade das estimativas contabilísticas e respetivas divulgações feitas pelo órgão de gestão;

d) concluímos sobre a apropriação do uso, pelo órgão de gestão, do pressuposto da continuidade e, com base na prova de auditoria obtida, se existe qualquer incerteza material relacionada com acontecimentos ou condições que possam suscitar dúvidas significativas sobre a capacidade do Banco para dar continuidade às suas atividades. Se concluirmos que existe uma incerteza material, devemos chamar a atenção no nosso relatório para as divulgações relacionadas incluídas nas demonstrações financeiras ou, caso essas divulgações não sejam adequadas, modificar a nossa opinião. As nossas conclusões são baseadas na prova de auditoria obtida até à data do nosso relatório. Porém, acontecimentos ou condições futuras podem levar a que o Banco descontinue as suas atividades;

e) avaliamos a apresentação, estrutura e conteúdo global das demonstrações financeiras, incluindo as divulgações, e se essas demonstrações financeiras representam as transações e os acontecimentos subjacentes de forma a atingir uma apresentação apropriada;

f) comunicamos com os encarregados da governação, incluindo o órgão de fiscalização, entre outros assuntos, o âmbito e o calendário planeado da auditoria, e as conclusões significativas da auditoria, incluindo qualquer deficiência significativa de controlo interno identificada durante a auditoria;

g) das matérias que comunicamos aos encarregados da governação, incluindo o órgão de fiscalização, determinamos as que foram as mais importantes na auditoria das demonstrações financeiras do ano corrente e que são as matérias relevantes de auditoria. Descrevemos essas matérias no nosso relatório, exceto quando a lei ou regulamento proibir a sua divulgação pública; e

h) declaramos ao órgão de fiscalização que cumprimos os requisitos éticos relevantes relativos à independência e comunicamos-lhe todos os relacionamentos e outras matérias que possam ser percecionadas como ameaças à nossa independência e, quando aplicável, quais as medidas tomadas para eliminar as ameaças ou quais as salvaguardas aplicadas.

A nossa responsabilidade inclui ainda a verificação da concordância da informação constante do relatório de gestão com as demonstrações financeiras.

***Relato sobre outros requisitos legais e regulamentares***

***Sobre o relatório de gestão***

Dando cumprimento ao artigo 451.º, n.º 3, alínea e) do Código das Sociedades Comerciais, somos de parecer que o relatório de gestão foi preparado de acordo com os requisitos legais e regulamentares aplicáveis em vigor, a informação nele constante é concordante com as demonstrações financeiras auditadas e, tendo em conta o conhecimento e apreciação sobre o Banco, não identificámos incorreções materiais.

***Sobre os elementos adicionais previstos no artigo 10º do Regulamento (UE) n.º 537/2014***

Dando cumprimento ao artigo 10.º do Regulamento (UE) n.º 537/2014 do Parlamento Europeu e do Conselho, de 16 de abril de 2014, e para além da matéria relevante de auditoria acima indicada, relatamos ainda o seguinte:

a) Fomos nomeados auditores do Banco Carregosa na assembleia geral de acionistas realizada em 29 de junho de 2021 para um mandato compreendido entre 2021 e 2023;

b) O órgão de gestão confirmou-nos que não tem conhecimento da ocorrência de qualquer fraude ou suspeita de fraude com efeito material nas demonstrações financeiras. No planeamento e execução da nossa auditoria de acordo com as ISAs mantivemos o ceticismo profissional e concebemos procedimentos de auditoria para responder à possibilidade de distorção material das demonstrações financeiras devido a fraude. Em resultado do nosso trabalho não identificámos qualquer distorção material nas demonstrações financeiras devido a fraude;

c) Confirmamos que a opinião de auditoria que emitimos é consistente com o relatório adicional que preparámos e entregámos ao órgão de fiscalização do Banco nesta mesma data; e

d) Declaramos que não prestámos quaisquer serviços proibidos nos termos do n.º 1 do artigo 5.º do Regulamento (UE) n.º 537/2014 do Parlamento Europeu e do Conselho, de 16 de abril de 2014 e que mantivemos a nossa independência face ao Banco durante a realização da auditoria.

12 de maio de 2023

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
representada por:

Aurélio Adriano Rangel Amado, ROC n.º 1074
Registado na CMVM com o n.º 20160686

# Report and Opinion of the Supervisory Committee

To the Shareholders,

The Supervisory Committee presents its report on the activities of the Board of Directors of Banco L.J. Carregosa, S.A. (hereinafter referred to as the "Bank") and its opinion on the financial statements of the Bank and the Group for the year ended 31 December 2022, in accordance with the legal requirements – Articles 420(1)(g) and 508 of the Companies Code - and the applicable legal provisions.

1. It should be noted that between January and July 2022, the activity of the Board of Directors was ensured by Dr. Rodrigo de Melo Neiva Santos (alternate member) and Dra. Maria da Graça Alves Carvalho (voting member). With the approval of Banco de Portugal, the new members elected at the 2021 AGM, Mr António Fernando dos Reis Magalhães Pinto (voting member) and Dra. Cristina Maria Costa Pinto (voting member), will take office in July 2022, with the latter postponing the full exercise of her functions until the end of September after the end of her maternity leave. Dra. Maria da Graça Alves Carvalho (voting member) ceased her duties in July 2022.

2. Throughout the 2022 financial year, the Supervisory Committee monitored various aspects of the Bank's consolidated and separate activities, with particular emphasis on monitoring the internal governance and risk management systems, in particular the organisation and effectiveness of the internal control system. To this end, the Committee facilitated the necessary contacts with the Board of Directors, the Executive Committee, the Statutory Auditor and the various departments of the Bank, in particular the Internal Control System (Risk, Compliance and Internal Audit), in order to gather and analyse information and make specific recommendations. As part of its duties, the Supervisory Committee held 32 meetings in 2022, including those where decisions were taken unanimously and in writing. It should also be noted that following the outbreak and spread of the Covid-19 pandemic, from 31 March 2020 and until the beginning of 2022, most of the Supervisory Committee's meetings continued to be held online, an arrangement that was subsequently maintained.

3. The following activities form part of the Committee's duties:

   a. overseeing the Bank's operations, in compliance with the law, the supplementary regulations and the Bank's Articles of Association, in particular by attending the meetings of the Board of Directors and the Executive Committee and by other contacts as necessary and appropriate, in particular with the Heads of the Compliance, Risk and Internal Audit. In carrying out its duties, the Committee has analysed the rules, standards and internal procedures in force, as well as subsequent changes resulting from regulatory changes or recommendations by the supervisory authorities, and has obtained the necessary information and further clarification, and has not identified any constraints on its work;

   b. relations with the financial supervisory authorities continued to be active, with particular reference to the correspondence exchanged between the Bank and these authorities; in this regard, we note the participation of members of the Committee in various face-to-face meetings requested by the Prudential Supervision Department of the Banco de Portugal;

c. monitoring the Bank's lending activity, in particular higher value operations, both in terms of their initial origination and the changes in them, including the marking and processing of unproductive exposures;

d. overseeing the Bank's internal control system through continuous monitoring of the activities of the Statutory Auditor and the internal departments in charge of Compliance, Risk Management and Internal Audit;

- overseeing the Bank's participation in the Supervisory Review and Evaluation Process (SREP), led by Banco de Portugal, which aims to assess, from a holistic perspective, the adequacy of the Bank's business strategy, governance and internal risk control systems, as well as its capital and liquidity levels, in relation to the risks to which it is or may be exposed. The process also includes the monitoring of the action plans established by the Board of Directors to implement specific findings and recommendations of the regulator;
- at the request of the Board of Directors, and in accordance with the provisions of the Supervisory Review and Evaluation Process (SREP), assess and provide an opinion on the compliance of the documentation of the lending processes;
- monitoring the preparation of the "Internal Capital Adequacy Assessment Process" (ICAAP) and the "Internal Liquidity Adequacy Assessment Process" (ILAAP), both part of the above-mentioned SREP process, in accordance with the European Banking Authority guidelines; in this context, it also assessed the evaluation by Banco de Portugal and monitored the actions taken to implement the recommendations of the supervisor;
- monitoring the implementation of the annual internal audit plan approved by the Board of Directors to be carried out throughout the financial year 2022 and reviewed the drafting of the internal audit plan for the 2023-2025 three-year period;
- considering and issuing opinions and recommendations on the following internal regulations issued by the Board of Directors, either for approval or review, as appropriate, with particular emphasis on the following regulations during the reporting period:

| Code | Policies/Rules | Date of last approval |
|---|---|---|
| 1.45 | Business Continuity Management Policy | 22/04/2022 |
| 1.46 | Risk Appetite Statement \| Risk Warning Framework | 27/07/2022 |
| 1.47 | Risk Communication Handbook | 29/04/2022 |
| 1.48 | Information Systems Plan 2022 | 28/07/2022 |
| 1.49 | Own Portfolio Handbook | 06/09/2022 |
| 1.50 | Risk Concepts and Definitions | 21/06/2022 |
| 1.51 | Compliance and Risk Management Policy | 29/11/2022 |
| 1.52 | Plan for the Prevention of the Risk of Corruption and Related Violations | 29/11/2022 |
| 2.15 | Privacy Policy | 31/10/2022 |
| 2.16 | Information Disclosure Policy | 29/11/2022 |

| Code | Policies/Rules | Date of last approval |
|---|---|---|
| 3.01.02 | Cash Drawers, Transactions and Payment Methods | 18/10/2022 |
| 3.05.10 | Procedure for the Issue and Use of Credit Cards - Employees | 04/10/2022 |
| 4.02.01 | Reconciliation Handbook | 22/12/2022 |
| 4.02.02 | Supplier Invoice Authorisation Procedure | 22/12/2022 |
| 4.02.03 | Authorization Procedure for Payment of Suppliers' Invoices | 22/12/2022 |
| 4.03.09 | Procedure for Recording Telephone Calls and Electronic Communications | 04/02/2022 |
| 4.03.10 | Procedure for Assessing the Compliance Plan | 29/11/2022 |
| 4.04.01 | Safeguards Handbook | 22/12/2022 |
| 4.05.01 | Regulation on the Allocation and Use of Equipment and Mobile Communications | 18/10/2022 |
| 4.06.05 | Handbook for the Appraisal of Property Received by way of Repayment on Loans | 15/02/2022 |
| 4.06.06 | Handbook on Stress Testing Methodology | 11/11/2022 |
| 4.08.11 | Security Operations Management Procedure | 07/06/2022 |
| 4.09.01 | Information Systems Change Management Procedure | 07/06/2022 |
| 4.10.01 | Assessment Procedures on Data Protection Impact | 10/11/2022 |

In addition to these new regulations (24), a further 50 regulations have been updated to take account of changes in the law that have occurred in the meantime and others that were justified at the time;

» As part of its activities, the Supervisory Committee was informed of the reports drawn up by the Internal Audit Department in accordance with the activity plan approved by the Board of Directors and by the external auditors, namely:

| Audit | External Body |
|---|---|
| Assessment of the framework for the Bank's intervention in the markets in financial instruments – Institutional Business | Mazars & Associados, SROC, S.A. |
| Follow-up audit on the lending process | KPMG & Associados, SROC, S.A. |
| SWIFT - Customer Security Programme | D-EVO Consulting |
| Process for quantifying the impairment of the loan portfolio | PWC |
| Special follow-up audit – Regulatory Report | KPMG |

» monitoring the performance and security of the information systems supporting the Bank's activities and interacting with the regulators in this area;

» overseeing the technology process aimed at continuous improvement of the Bank's information systems, in particular with regard to the effectiveness of the Bank's internal mechanisms for combating money laundering and terrorist financing, and information support for the Bank's lending process;

» overseeing the quality and integrity of the information in the financial statements, monitoring their preparation and disclosure, the application of applicable accounting policies and standards, and the monitoring of relevant financial, operational and regulatory indicators.

In this context, the Committee met, as appropriate, with the Statutory Auditor to take note of the criteria, methods and other external audit procedures applied to the Bank's accounts.

e. the Committee has not become aware of any situation that does not comply with the Bank's Articles of Association or applicable legal and regulatory requirements.

4. All clarifications have been provided by the Board of Directors, the services and departments and by the Statutory Auditor.

5. In accordance with Article 452 of the Portuguese Companies Code, the Committee examined the Report of the Board of Directors and the Bank's separate and consolidated financial statements as at 31 December 2022, and the corresponding certification of accounts issued by the Statutory Auditor, which the Supervisory Committee approved, having carried out the appropriate and timely checks.

6. Throughout the year and in the course of its duties, the Supervisory Committee has noted the professionalism, dedication and strong commitment of the Board of Directors, the Executive Committee, the Statutory Auditors and the staff of the Bank and the Group.

7. In view of the above, the Supervisory Board is of the opinion that the Annual General Meeting should:

a. approve the Bank's consolidated and separate financial statements for the year ended 31 December 2022;

b. approve the proposal for the appropriation of profits as presented in the report of the Board of Directors;

c. carry out a general evaluation of the management and supervision of Banco L. J. Carregosa, S.A. in accordance with Article 455 of the Companies Code.

Porto, 15 May 2023,

Rodrigo de Melo Neiva Santos
Chair

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Cristina Maria Costa Pinto
Voting member

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António Fernando dos Reis Magalhães Pinto
Voting member

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**Summary of the report issued by the Supervisory Committee in accordance with 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 included in the annual financial statements for the financial year 2022.**

To the Shareholders,

- Pursuant to Articles 54 et seq. of Banco de Portugal Notice 3/2020 (hereinafter "Notice") and Instruction 18/2020 (hereinafter "Instruction"), on 26 December 2022 the Supervisory Committee ("Committee") of Banco L. J. Carregosa, S.A. ("Bank" or "Institution"), approved its Assessment Report ("RACF") to be included in the Self-Assessment Report approved by the Bank on the same date, with reference to the period between 1 December 2021 and 30 November 2022, in relation to the separate and group activities, concerning the Bank's organisational culture and governance and internal control systems.
- Pursuant to Article 60(1) of the Notice, the Supervisory Committee is required to prepare a summary of the RACF, as provided for in Articles 55 and 56 of the Notice, for publication in the notes to the annual financial statements of the Institution. This self-assessment "RACF" was approved and published by the Committee on 26 December e 2022 (separate and consolidated activity).
- Following the revision of the Code of Conduct and the Internal Regulations on Organisational and Internal Governance, the Bank has consolidated its organisational culture model and its activities are now based on a set of values and behaviours that ensure the efficiency of its operations in the light of the structural objectives set and its market position, both internally and in its relations with external stakeholders, namely clients and prospective clients.
- In its ongoing relationships with other corporate bodies and with the Bank's departments, in particular the Risk, Compliance and Internal Audit departments, the Committee has observed that the Bank's organisational culture is effectively reflected in the its practices, and is clearly, consistently and progressively embedded and implemented.
- In exercising 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 noted that, during the reporting period under review, the Bank's guidelines on the internal governance system have been uniformly implemented in all departments. During the period, the Committee did not identify any instances of non-compliance that would have required notification or reporting to the Board of Directors.
- It should also be noted that during the period under review, the Bank had five employees assigned in November 2021 to the internal control functions, in particular the Risk Management function, which had three employees at the reporting date, one of whom was a service provider. The recruitment of another employee was planned for the beginning of 2023, as well as the recruitment of another employee to cover the absence of Dra. Mariana

Lopes, who has joined the Executive Committee. During the same period, the number of compliance staff was temporarily reduced to 5. In October 2022, a trainee and an employee with previous experience in the function were recruited (the latter will start work in December, immediately after the end of the reference period). During the same period, the initial two members of staff in the Internal Audit Department were joined by two others, one by internal transfer and the other by external recruitment, to replace the Director who ceased his duties as planned on 31 December 2022 (by unanimous decision 208 of the Supervisory Board on 28 December 2021).

- The Committee is of the opinion that the internal control system in place at the balance sheet date is be adequate and effective to mitigate the risks to which the Bank is exposed in the performance of its activities, in accordance with the legal and regulatory standards in force and the guidelines issued by the European Banking Authority (EBA).
- The Committee considers that the Bank's internal rules ensure that the Internal Control Functions ("ICFs") have sufficient autonomy and independence, taking into account 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 continues to believe that the Bank should further strengthen the conditions for the independence of the ICFs.
- The Supervisory Committee considers that the processes for the preparation of prudential and financial reports, including those under the Commission Implementing Regulation (EU) 680/2014 of 16 April 2014, were reliable and adequate during the reporting period. Without prejudice to this opinion, the Committee is aware of the inconsistencies identified by the Banco de Portugal in the prudential and financial reporting process issued by the Bank, which have been addressed by measures implemented by the Bank, particularly in relation to the IT system, and which have been continuously monitored by the Supervisory Committee.
- 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.
- The Committee is satisfied that the processes for preparing the Bank's public disclosures required by applicable laws and regulations, including financial and regulatory information, are adequate.
- In accordance with Article 4(1)(e) of Instruction 18/2020, the Supervisory Committee is responsible for issuing an explicit statement on the appropriateness of the classification assigned to deficiencies classified as " F3 - Major " or "F4 - Serious" at the end of the reference period, taking into account the methodology set out in Annex II to the said Instruction. Thus, and taking into account the consolidated activity, 2 deficiencies were identified as "F3 – Major" and no deficiency was identified as "F4 – Serious". It should be noted that this previously identified deficiency has been corrected during the period covered by this report. The Supervisory Committee also considers that the classification of the deficiencies identified as "F1 - Minor" and "F2 - Moderate" is appropriate, as none of them is likely to be classified as "F3 - Major" or "F4 - Serious" on the basis of the above methodology. In the course of its duties, the Supervisory Committee has verified that the Bank's services are effectively addressing the shortcomings identified in order to remedy them fully and effectively.

» Any projections of the Bank's internal control system to future periods are subject to the risk that internal control procedures may become inadequate due to various circumstances or changes, and that the degree of effectiveness, adequacy and security may deteriorate over time. In addition, taking into account the inherent limitations of any internal control system, it should provide for the possibility that failures, irregularities, fraud or errors may occur and not be detected in a timely manner.

Porto, 15 May 2023,

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Rodrigo de Melo Neiva Santos
(Chair)

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Cristina Maria Costa Pinto
(Voting member)

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António Fernando Reis Magalhães Pinto
(Voting member)




CARTOGRAFIA




# V MINUTES OF THE ANNUAL GENERAL MEETING OF THE SHAREHOLDERS HELD ON THE 30TH OF MAY 2023

**IT IS HEREBY CERTIFIED** that, according to the Minutes of the Annual General Meeting of Shareholders of "Banco L. J. Carregosa, S.A.", held on **30 May 2023**, the following deliberations were passed:

1) The Management Report and the Consolidated Financial Statements for the year 2022 were approved by a majority of votes.

2) The proposal for the appropriation of the net profit6 for the year was approved by a majority of votes in favour, amounting to €1 593 593.83 (positive), to be transferred to:

- Payment of dividends: €350 000.00;
- Distribution of profits to employees: €160 000.00;
- Legal reserve: €159 359.38;
- Retained earnings: €924 234.45.

3) A motion was passed to commend the Board of Directors, the Supervisory Committee and the Statutory Auditors, collectively and individually, for their work during the year 2022.

4) The Remuneration Committee's report on the Remuneration Policy was approved by a majority of votes.

5) The proposed amendments to the Remuneration Policy for the members of the Board of Directors and the Supervisory Committee were approved by a majority of votes.

6) Proposed amendments to the policy on the selection of the statutory auditor and/or audit firm and on the engagement of non-audit services were approved by a majority vote.

7) The proposed amendments to the Regulation on the Remuneration and Assessment Commitment were approved by a majority of votes.

8) The proposal to reappoint the members of the Remuneration and Assessment Committee listed below was approved by a majority of votes:

- Luís Manuel de Faria Neiva dos Santos;
- Maria Cândida Cadeco da Rocha e Silva;
- Andreia Belisa Gomes Júnior de Araújo Lima.

9) The proposal to amend the Regulations of the Board of Directors was approved by a majority of votes.

10) 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 a majority of votes.

Porto, 30 May 2023.

The Chair of the Presiding Board to the General Meeting,

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(Luís Neiva dos Santos)

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**Registered in the CRCP with the sole number of registration and tax identification** 503 267 015
**Share Capital** 20 000 000 euros
**Edition and Property** BANCO L. J. CARREGOSA, S.A.
**Guest Artist** Ana Amarante (Valongo, 1997)
**Design** SKA - Brand Developement
**Year of Edition** 2023



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