Market Discipline

Reference Date: 31 December 2015

30.jun.2016

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Market Discipline

Index

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1. Introductory Note

The report on market Discipline 2015 is part of the requirements of Basel II Pillar III, adding to the information provided in the Report and Accounts 2015 of Banco Carregosa. It also gives a detailed account of risk management and capital adequacy, on a consolidated basis, in respect of own funds, solvability, risks assumed and their control and management processes.

As established in Notice 10/2007, of 18 April, of Banco de Portugal, this document is based on a prudential level, for compliance with the information disclosure requirements, commonly referred to as "Basel II" "*Pillar III*", provided for in Article 29(1) of Decree-law 104/2007, of 3 April, and following the terms set out in the above Notice.

The reference date of this report "Market Discipline" is 31 December 2015, that is to say, it regards the financial year of 2015, without prejudice to the disclosure of relevant events occured between the report reference date and its publication date.

2. Responsibility Statement

Concerning the information disclosed in this report, the Executive Committee of the Board of Directors:

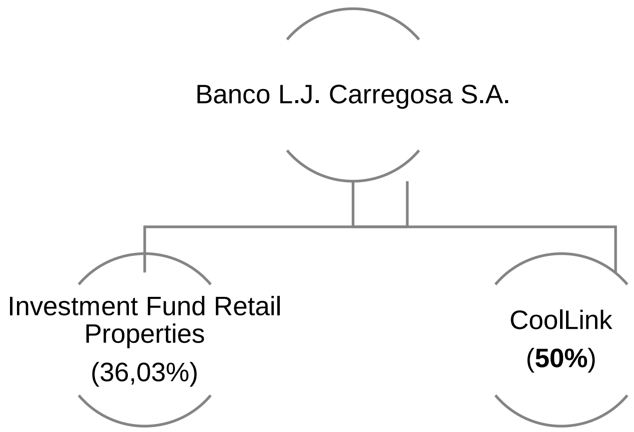
- Certifies that all procedures considered necessary were developed and that, to its knowledge, all disclosed information is truthful and reliable;
- Ensures the quality of all disclosed information including the one referred to as well as information with origin in entities included in the economic group in which the bank is inserted;
- Undertakes to promptly disseminate any significant amendments which occur during the financial year following the reference period, that is to say, in the current financial year of 2016.

3. Scope of Application

Banco Carregosa is a joint stock company with headquarters in Av. da Boavista nº 1083, in Oporto, registered in the Conservatory of the Commercial Registry of Oporto with a single commercial and tax identification number 503.267.015. The Company is registered in the Bank of Portugal with the code 0235 and in the Portuguese Securities Market Commission as a Financial Intermediary under registration nº 169.

Currently, the Bank´s share capital is 20.000.000, 00 EUR, represented by 200 million of book-entry registered shares with the nominal value of 0, 10 EUR each.

For prudential purposes, at the reference date, the Bank's accounts are presented on a consolidated basis. For accounting purposes, Banco L. J. Carregosa, S.A. is integrated in an economic group, of which it is part of as parent-company, and is also formed by a Retail Property Investment Fund and by a Company, which together form its scope of consolidation:



- **Coollink –** In this financial year, it is no longer considered as an Ancillary Services Company, as reported to Banco de Portugal for registration purposes.
- Fundo Retail Properties – Closed-end Retail Property Investment Fund managed by Atlantic – SGFII, SA, in which, at the reference date, the Bank held a 36.03 % share.

4. Risk Management Policies

Risk management consists of the identification, evaluation, measurement, monitoring and control of all materially relevant risks to which the Bank is exposed with a view to maintaining the exposure levels in line with those set by the Executive Committee.

The intention is that the Bank is not forced to change the strategy nor incur in losses that may materially affect its financial situation. The purpose of the risk management policy is to ensure the balance between own capital and liquidity in connection with the Bank's activity.

Moreover, the purpose is to also determine an adjustment factor between profitability of actual and potential operations, by:

- Fixing a pricing of operations suitable to potential losses;
- Standardising and comparing exposures;
- Selecting new operations on the risk/return efficiency threshold;
- Identify the operations that best suit the Bank's strategy;
- Analyse synergies between operations;
- Obtain a risk/return mean for the Bank as a whole.

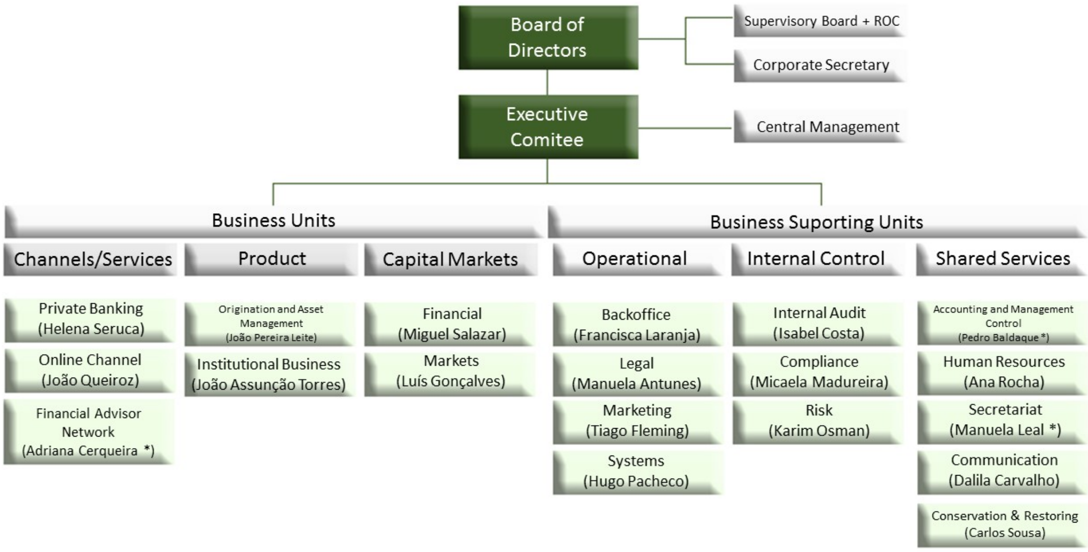
The structure and organization of risk management, described below, are similar to all specific risk categories, given the Bank´s small size, being stated at the internal document "Risk Management Policy". Slight differences at this level will be described in the subparagraphs specific to each risk category.

The Executive Committee of the Board of Directors, to whom the latter in 2015 has delegated management powers not unavailable under the law, the Statutes or its Regulations, is the highest authority in risk monitoring and management and capital allocation.

The Risk Department is responsible for identifying, monitoring and controlling, from a qualitative and quantitative standpoint, financial and non-financial risks. Controls, analyses and recommendations are reported to the Executive Committee and relevant bodies by means of daily, weekly, monthly and occasional reports. The Risk Department is also responsible for preparing the main prudential reports for supervision.

At internal level, the Executive Committee is concerned with disseminating an Organisational culture steered to risk assessment and, therefore, this function is completed by the involvement of other bodies and support areas.

Below is the organisational chart as at December 2015, which has, in the meantime, undergone changes that have, nevertheless, not affected the Internal Control areas and reflect the specific duties function of risk control and management.



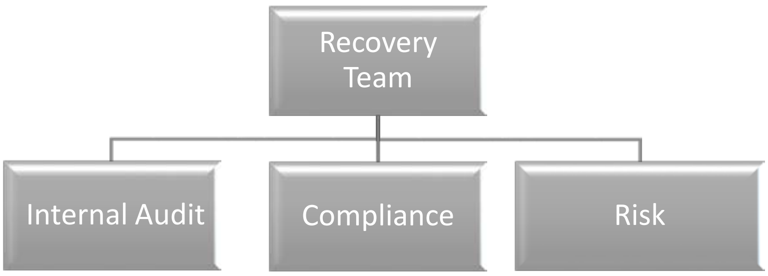
Financial risk control and monitoring is assisted by the Assets and Liabilities Committee (ALCO), with an advisory role. ALCO meets at least once a month and is formed by the following members: Executive Committee, Department of Private Banking, Financial Department, Origination and Management, adn the Risk Department.

The members convened issue recommendations on the uptake and application of resources, through a balance between results and risk, decided by a majority of votes cast, with the Chairman of the Executive Committee having the casting vote in case of a tie.

The Financial Department is responsible for treasury management, securities portfolios and hedging positions, including foreign exchange, for which it follows the recommendations of ALCO and the Executive Committee’s decisions.

The Department of Accounting and Management Information is responsible for recording the operations and preparing financial reports for the Executive Committee.

The Internal Control Group was set up in 2011 and consists of the following departments:



Its purpose is to ensure a greater articulation and coordination between the departments responsible for monitoring and controlling the Bank's business. Internal control performs risk control and monitoring functions, on a day-to-day basis, providing and compiling information for the Executive Committee and for other bodies with relevant functions in the matters involved.

Internal Audit is an independent unit, integrated in the internal control system, reporting directly to the Executive Committee. Its specific functions are to monitor and assess administrative, budgetary, financial, asset, operational and staff management operations, among others, checking its effectiveness, assessing risks, monitoring the efficacy of records, the implementation of policies, rules and internal procedures, recommending corrective measures and their enforcement.

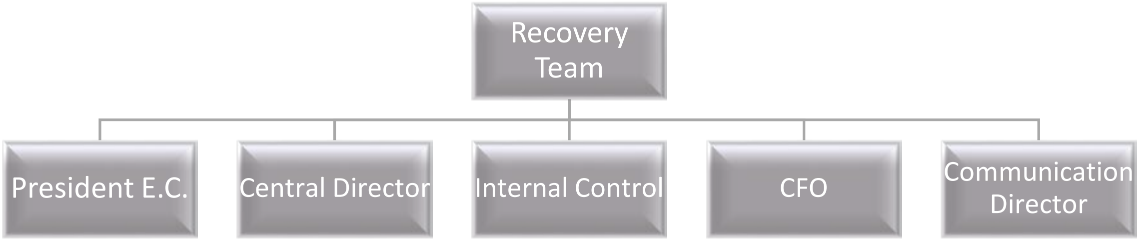
The Compliance Department ensures the continual supervision of compliance with the legal and internal regulations to which the Bank is subject. The monitoring and regular assessment of the adequacy and effectiveness of measures and procedures in place mitigate the Bank's risk of non-compliance with its legal obligations and duties.

Note also the interaction between Internal Control and the supervisory body, where the former provides the latter with quarterly reports and regularly takes part in Supervisory Committee meetings, providing all the clarifications as may be required.

The duties of the Supervisory Committee and of the Statutory Auditor are similar to those of Internal Control, but their scope is broader, horizons are longer, and they have a closer connection to the Board of Directors.

The Credit Committee, set up in 2015, consists of a Central Manager, Risk Manager and Financial Manager. It is responsible for the analysis and monitoring of loans to clients, giving its recommendations and opinions to the Executive Committee.

The Recovery Team (RT) was set up in 2014 and meets at least every six months, or where necessary. It is responsible for managing actual or potential cases of serious risk. This team is formed by the Chairman of the Executive Committee (CEC) and by the heads of the Compliance, Risk, Communication and Financial Departments.



Below is a summarised description of the control, monitoring and follow-up metrics and models adopted by the Risk Department in order to measure the impacts on the Bank's financial and non-financial risks.

4.1. Credit Risk

The Bank analyses the credit risk on all its assets, excluding assets included in the portfolio valued at fair value and other deduced from original own funds, as well as on some off-balance elements potentially subject to this type of risk.

The Executive Board is responsible for managing this risk, although, on an operational basis, the Finance Management plays an important role in everything related to the allocation of sight deposits and term deposits, and the management of securities portfolios.

Specifically in terms of loans to Customers, a Credit Committee was set up in 2015, which gives advice on credit processes, their awarding and monitoring.

As risk mitigation techniques we highlight the requirement of solid and net collateral for loans to clients and the existence of netting arrangements, especially in certain positions with other credit institutions. It is also considered, as a risk mitigation technic, the recording of provisions for expected losses.

4.2. Market Risk

For the assessment of market risk we analyse the securities portfolio at fair value. The Financial Department is responsible for managing these assets, with short-term horizons, within the limits of discretion set by the Executive Committee and by the Trading Portfolio Management Policy.

Value at Risk (VAR) at one year with a 99 % confidence level is used for portfolio assets, plus the prudential metrics for assets not covered by VaR. The calculation of VaR includes the Bank's foreign exchange unhedged exposure, together with the remaining portfolio positions.

The Risk Department gives information about this risk on a daily basis:

VaR at a weekly and monthly horizon with at 95 % confidence level for each portfolio.

Monthly, the results and allocation are presented in the Assets and Liabilities Committee (ALCO). This Committee, then, recommends actions that are taken into consideration by the Executive Committee and the Financial Department itself and by ALCO recommendations.

4.3. Interest Rate Risk

Interest rate risk is considered in respect of all assets, liabilities and off-balance sheet items sensitive to this risk.

The Financial Department is responsible for the day-to-day management of this risk and for adjusting maturities, currencies and their benchmarks.

To calculate economic capital, the Bank considers the result of the sensitivity analysis to the parallel shift of all the interest rates. In the current context of interest rates, and unlike the recommendations for the impact of a shock of 200 pbs, the Bank performs this test at only 100 pbs.

The Risk Department provides information on a daily basis on:

1) Positions per Time-Bucket up to the interest rate reset;
2) Estimated impact on results until the end of the year of the change in interest rate in 100 pbs;
3) Estimated impact on the value of own portfolios by the duration method.

As a risk-mitigation technique, where necessary, the Financial Department hedges this risk through futures or options on interest rates or on other underlying benchmarks for interest rates on applications or resources.

Dynamic sensitivity analyses are carried out every six months, with a time Horizon of 2 years, by comparing a base scenario, reflecting the Bank's projections, and a scenario with a specific shock. This analysis includes the results of the above analyses, of a critical and prospective nature, and may result in strategic changes to respond to the analysed shock, in particular by allocating assets and liabilities between the two scenarios.

4.4. Exchange Rate Risk

The exchange rate risk is analysed on the Bank's foreign exposure exchange, by matching assets, liabilities and off-balance sheet elements in foreign currency.

The Finance Department is responsible for monitoring the exposure to foreign currency, maintaining the intent of the Executive Committee to cover this risk, whenever possible. The Finance Department presents the exposure and coverage in ALCO which issues appropriate recommendations.

To reduce this risk, the Financial Department opens positions in futures and other similar derivatives. The daily calculation of exposure is done at the FOREX exchange rate, at the market price of assets, thus generating some temporary lags, of little significance, regarding the exposure determined for accounting purposes.

The exchange rate is measured together with the trading portfolio, in line with the Bank's orientation, where this exposure should be considered simply as of a speculative and short-term nature.

The Risk Department presents, on a daily basis, information on the exposure to foreign exchange and on the impact of hedging positions.

Analyses of sensitivity to exchange rates are performed every six months by applying a 15 % shock on all rates.

4.5. Liquidity Risk

Liquidity risk is the Bank's inability to meet with its obligations when they mature without incurring in significant losses resulting from the deterioration of financing conditions (financing risk) and/or disposal of its assets at values below market rates (market liquidity risk).

The need to regulate liquidity risk was perhaps the one of the most important lessons arising from the global world crisis. Liquidity risk has become an increasingly more relevant concern at Banco Carregosa. The Basel Committee published in 2014 the definition of the liquidity coverage ratio (LCR), and later the delegated act of the European Commission was adopted, introducing, under the CRD IV/CRR, new metrics and calculation criteria to be implemented by the European Union. In October 2015, Banco Carregosa complied with the prudential requirements and implemented the liquidity coverage ratio, which has remained above the 100 % threshold.

The regulation has created more and more incentives to reduce the mismatch in the maturity spectrum to avoid over-dependence on the short-term financing. At the same time, the fact that there is a high quality net assets buffer allows the smoothing out of the effects of liquidity shocks, without assets there being a need for hasty asset sales.

The assessment of liquidity risk is based on the calculation and analyses of regulatory indicator defined by the Supervising authorities. To meet prudential requirements, Banco Carregosa controls, on a daily basis, the Liquidity Coverage Ratios and the Net Stable Funding Ratio, making sure that both are above 100 %.

To calculate economic capital, the Bank uses the mismatch of liquidity resulting from the difference between net assets and liquidity outflows, minus liquidity inflows, following the example of Article 412 of the Regulation (EU) 575/2013. In 2015, the bank realigned this ratio in conformity with the definitions contained in Delegated Regulation (EU) 2015/61 of the Commission. Reflecting the Bank's view of liquidity inflows, it includes inflows limited to 75 % of their value rather than the value of outflows. The rate defined by the Executive Committee is applied to the liquidity mismatch, reflecting the estimated rate in a stress situation.

At internal level, besides the prudential indicators, the daily risk report presents the asset and liability positions by maturity. As a result, the mismatch can be calculated by heading and maturity, to assess the existence of liquidity shortage at Banco Carregosa.

The Continuity and Recovery Business Plan in Case of Disaster (PCNRCD) provides for the operations in cases of liquidity problems and establishes the alert and activation thresholds in the event of failure to comply with prudential ratios, as well as measures to restore the indicator concerned.

4.6. Operational Risk

Operational risk is the loss resulting from inadequacies or failures in internal systems, human resources, or external factors, including legal risks, in accordance with Regulation (EU) 575/2013.

Operational risk is a significant risk to institutions, which drives the need for hedging through own resources. In this scope, the Bank follows the standard method for determining the capital requirements. In recent years, there has been significant grown in operating revenue, which translated into the need to increase operational risk requirements, which was not accompanied in the same proportion by operating losses. The value of the operational risk is reviewed every year in that the gross income of the previous year is used in the calculation.

The capital requirements for the operational risk are obtained by adding the results of various models:

1. Renewal/Repair of tangible asset – 99.9 percentile of the VAR method, through the Montecarlo model, with 10 000 simulations;
2. Costs related to the activation of the PCNRCD;
3. Impact of other events.

The result of model 1) consists in the 99.9 percentile of losses determined by a DSGE model through the Montecarlo method, with 10 000 simulations on all tangible assets (before amortisation), assuming:

- The existence of a random variable that follows a normal distribution with a mean of 0 and a standard deviation of 1, which determines the need to repair or renew the asset;
- That the probability of an event affecting a specific asset is exponential, the greater the number of years of use, and the smaller the longer the expected lifetime for amortisation purposes;
- That when the assets reach their expected lifetime, it is estimated that the asset will be replaced following any event, and will tend to b repaired up to such a time.

The result of model 2) consists in the 99.9 percentile of losses, of a simulation in which fees paid on a daily basis are tripled (as direct costs), and the fees received remain unchanged, for a history of 4 years. In this model, it was assumed that:

- The expected times of unavailability, resulting from serious operational risk events in critical areas are less than 1 day, as established in the PCNRCD;
- The redundancies of routers, machines, information sources, communication and operation implementation means are ensured;
- The tripling of direct costs exceeds the difference between direct and indirect costs, and is able to cover potential compensation to be given to clients due to financial difficulties;

The result of model 3) is determined in the ALCO and is proposed to the Executive Committee for its approval, aiming to predict the impact of other operational risk events, excluding those of Compliance Risk.

4.7. Information Systems Risk

Information systems risk is the probability of negative impacts affecting the results or capital due to the inability of information systems to prevent unauthorised accesses, guarantee the integrity of data, or ensure business continuity in case of failure, and also due to the implementation of an inappropriate strategy in this area resulting, in particular, in the information systems being unable to adapt to new needs.

As support to the practice currently in force, the Bank's IT infrastructure and its use is regulated by the Policy for Use of Computers and IT Equipment, which is known by employees. Systems redundancy and contingency are presented in the Plan of Business Continuity and Recovery in Case of Disaster (PCNRCD).

4.8. Strategy Risk

The strategy risk is the probability of negative impacts affecting the results or capital, resulting from inadequate strategic decisions, poor implementation of decisions, or the incapacity to respond to changes in the surrounding environment and in the institution’s business environment.

In order to control this risk, the Bank is subject to a strategic decision process in which the Board of Directors defines the longer term guidelines and the Executive Committee, with the direct monitoring of the central managers, defines the shorter term guidelines, in line with the previous ones. These guidelines are the basis for the departments’ proposed activity plans and budget. Individual proposals are put into a consolidated plan and looked into according to balance, result, leverage, solvency and liquidity until the Executive Committee and the Board of Directors give their approval. Goals are then set for the various business areas for the bottom-up monitoring of plan implementation.

The internal Strategic Policy of the Bank contains the strategic guidelines for its organisation, sets the major objectives to be reached, and the essential means to achieve them. The operationalisation of the strategic policy includes the selection of objectives to define and guide the actions for maintaining and improving the Bank’s position in the market, gathering the available resources and assessing contingency situations. The strategy guides the establishment of the institution’s goals, and pools together the resources needed to implement them.

4.9. Reputational Risk

Reputational risk is the probability of negative impacts affecting the results or capital, resulting from a negative perception of the institution's public image, substantiated or not, by clients, suppliers, financial analysts, employees, investors, the press or the public in general. This risk may affect the institution's ability to establish new relationships with its clients, counterparts, employees and investors, and also to preserve the existing relations. This may lead not only to direct and immediate financial losses, but also to litigation, to the erosion of client base, difficulty in obtaining resources, or even to key-employees leaving the institution.

The Reputational Risk is analysed by the Bank at various levels:

- The Compliance Department analyses complaints, suggestions and requests for information from clients;
- In the analysis of risk occurrences its reputational risk is identified.

The unit responsible for Communications regularly analyses the image of Banco Carregosa, and also coordinates the relation with the media.

The control and monitoring of this risk is an everyday responsibility of the Communications Department, which, not only guides the Bank's employees communication with external entities – the media and the general public – but also helps top management to convey the relevant internal messages. The Executive Committee and the Board of Directors pay special attention to this risk, with the contingency plan providing for the action to be taken in crisis situations. The Communications Manager is an indispensable player in times of crisis and, as such, is a permanent member of the Recovery Team.

Note also the importance given to this risk in operational risk control, in which events containing a reputational risk are identified.

4.10. Compliance Risk

Compliance Risk is the probability of negative impacts affecting the results or capital, resulting from breaches or non-conformances with the laws, regulations, contracts, codes of conduct, practices and ethical principles. They can take the form of legal or regulatory sanctions, limitations to business opportunities, a drop in the potential for expansion or the inability to enforce obligations.

The Bank allocates economic capital to this risk by estimating potential losses resulting from a serious event, in including penalties for non-compliance. This value is assessed together with the Compliance Manager and is discussed by the ALCO, and subsequently approved by the Executive Committee. To ensure that the allocated capital is reasonable, a verification is made on the history of fines applied by CMVM and BdP.

The Bank dedicates special attention to the Compliance Risk, not only by its financial impact, but by its will to comply with all the legal and regulated standards.

The code of Banco Carregosa plays a central role in mitigating the risk of Compliance. The code is composed of several documents covering all the activities of the Bank, including the management of internal regulations. Each document that is created or modified is revised by all Departments involved and approved according to the rules established for the approval of each hierarchical level of the document. Management of the Code is under the responsibility of the Compliance Department, which must evaluate its suitability and fulfilment as well as study the amendments to the legal provisions in force and its impact on the Bank, with the assistance of the Departments involved. The Code is available to all employees in the Employee Portal.

The analysis and adequacy of procedures depends on the contribution of all Departments, which are responsible for identifying possible improvements, as well as situations of non-compliance of the procedures previously established.

The Management of Events (Complaints, Suggestions or client´s Requests for Clarification) is the responsibility of the Compliance Department. From its analysis, whenever it is considered appropriate, Compliance checks the adequacy of procedures. If its inadequacy is verified, amendments to be made are studied by the Departments of Internal Control.

For the improvement of the existing procedures, we also highlight the training courses offered by the Department of Human Resources.

All contracts of the Bank follow standardized models developed by the Legal Department, controlled by the Departments of Compliance and Marketing. In the control of liabilities towards third parties, the Bank pays special attention to the proper completion of contracts, particularly to the account opening process.

Clear procedures of verification and approval are defined, for sensitive procedures, such as account opening. Whenever, due to the nature of the contracting parties, the Bank considers that its duties of identification and diligence should be reinforced, the processes are subject to prior checking by the Compliance Department.

5. Capital Adequacy

5.1. Qualitative Information

The clearance of own funds is made in accordance with the regulations in force, as stated in the EU Regulation nº 575/2013. To this end, accounting information included in the financial statements is used, with special focus on the amounts recorded in the equity, supplemented with extra accounting information.

The total own funds correspond to the algebraic sum of the original own funds (Tier 1) with ancillary own funds (Tier 2), after the application of deductions to these elements.

The main positive elements of own funds at December 31, 2015 consisted of:

- Paid-up capital: capital of the Bank is represented by 200 million nominative shares, being fully subscribed and paid;
- Issue Premium: refers to the premiums paid by shareholders in capital increases;
- Reserves: refers to the amount of income generated over the exercises, but retained in the Company in the form of legal reserves, other reserves and / or retained earnings, excluding the positive reserves resulting from non-realised gains in sovereign bonds;
- Net Result of the Financial Year: value of the net results of the current year and the previous year when certified.

The deductions from own funds consist of:

- Positive Differences of the First Consolidation (goodwill): amount of registered Goodwill, applicable on a consolidated basis;
- Intangible assets: amount of intangible assets, especially costs in establishing brands and data processing system;

It also includes the transitional measures defined in Regulation (EU) 575/2013:

- Reserves: a 60 % deduction of positive reserves not derived from unrealised profits in sovereign bonds and of negative reserves, both resulting from the reassessment of portfolio investment assets;
- Other additional filters resulting from 60 % of the deduction derived from client deposits rated above the threshold set by Banco de Portugal, in accordance with Instruction 28/2011 or Instruction 15/2012.

In an economic perspective, Banco Carregosa calculates the capacity of own funds to absorb the risks without the need for applying transitional measures, but integrating non-certified results.

The Executive Committee of Banco Carregosa distributes economic capital by the various business segments, depending on the strategy outlined with the Board of Directors. This information refers to the 31st of December 2015, noting that there were changes in the year of 2016:

Segment	% Segment
Negotiation	7,00%
Portfolio Management	3,00%
Treasury	11,00%
Own Portfolio	30,00%
Credit	44,00%
Administrative Units	5,00%
Total	100,00%

5.2. Qualitative Information

5.2.1. For the purpose of own funds

	31-Dec-15	31-Dec-14
1. Total Own Funds for Solvency Purposes	**32.566.561**	**33.898.899**
1.1. Original own Funds	**32.566.561**	**33.898.899**
1.1.1. Eligible Capital	20.369.257	20.369.257
1.1.1.1. Paid-up Capital	20.000.000	20.000.000
1.1.1.2. (-) Company's own shares		
1.1.1.3. Shares issuance premiums	369.257	369.257
1.1.1.4. Quase-equity instruments		
1.1.2. Reserves and Eligible Results	10.481.677	12.823.122
1.1.2.1. Reserves	10.481.677	12.823.122
1.1.2.2. Eligible minority interests		
1.1.2.3. Results of the last financial year and interim results for the current year	813.073	375.727
1.1.2.4. (-) Net profits arising from the capitalization of future income from the securitized assets		
1.1.2.7. Revaluation differences eligible for own funds		
1.1.3. Fund for general banking risks		
1.1.4. Other elements eligible for own funds		
1.1.5. (-) Other deductible items to own funds	-212.831	-174.646
1.1.5.1. (-) Intangible assets	-212.831	-174.646

1.1.5.2. (-) Surplus regarding the eligibility limits of the instruments included		
1.1.5.3. (-) Other elements deductible from the original own funds		
1.2. Additional Own Funds		
1.2.1. Additional own funds - Upper Tier 2		
1.2.2. Additional own funds - Lower Tier 2		
1.2.3. (-) Deductions from additional own funds		
1.3. (-) Deductions from original and additional own funds		
1.3.a. Of which: (-) from original own funds		
1.3.b. Of which: (-) from additional own funds		
1.4. (-) Deductions from total own funds		
1.5. Total additional own funds eligible to cover market risk		
1.6. Memo items:		
1.6.1. (+) Surplus / (-) Insufficient value and “provisions” adjustments in risk weighted		
Exposure amounts applying IRB approach		
1.6.2. Nominal value of the subordinated loan capital recognised as a positive element of own funds		
1.6.3. Minimum Capital Requirement		
1.6.4. Reference own funds for purposes of limits for large exposures	32.566.561	33.898.899

Unit: Euros

5.2.2. Capital Requirement Purposes

	31-Dec-15	31-Dec-14
1. Capital Requirement Purposes	**14.240.809**	**14.300.503**
1.1. Capital requirement purposes for credit risk, counterparty credit risk and incomplete transactions – Standard Method	**11.644.666**	**10.774.224**
1.1.1. Exposure classes in standard method excluding securization positions	11.644.666	10.774.224
1.1.1.1. Central Governments or Central Banks	0	0
1.1.1.2. Regional Governments or Local Authorities	0	0
1.1.1.3. Administrative bodies and non-commercial undertakings	0	0
1.1.1.4. Multilateral Development Banks	0	0
1.1.1.5. International Organizations	0	0
1.1.1.6. Institutions	2.943.213	4.520.071
1.1.1.7. Companies	4.878.904	3.272.672
1.1.1.8. Retail portfolio	0	0
1.1.1.9. Exposures secured by real estate property	91.658	17.500
1.1.1.10. Over-due items	51.003	158.236
1.1.1.11. Covered bonds	0	82.428
1.1.1.12. Exposures on collective investment undertaking (UCIs)	0	0
Equity Exposures	0	32.872
Elements associated to particularly high risks	0	108.015
1.1.1.13. Other elements	2.552.703	2.582.430
1.1.2. Securitization positions in Standard Approach	0	0
1.1.3. (-) Provisions for general credit risks	0	0
1.2. Settlement Risks	**0**	**0**
1.3. Capital Requirements for Position risks, Exchange rate risks and commodities risk	**433.070**	**811.027**
1.3.1. Position risk, Exchange rate risks and commodities risks – Standard Method	433.070	811.027
1.3.1.1. Debt instruments	276.161	350.713
1.3.1.2. Equity	36.092	261.336
1.3.1.3. Exchange rate risks	120.818	198.978
1.3.1.4. Commodities risk	0	0
1.4. Capital requirement purposes for operational risk	**2.163.073**	**2.715.252**

1.4.1. Basic Indicator Approach	2.163.073	2.715.252
1.5. Capital requirement purposes – Fixed Overheads	**0**	**0**
1.6. Transactional capital requirements or other capital requirements	**0**	**0**

Unit: Euros

5.2.3. For the purpose of capital adequacy

CAPITAL ADEQUANCY – PART 3	31-Dec-15	31-Dec-14
Excess (+) / Shortage (-) of own funds	18.325.752	19.598.396
Solvency Ratio (%)	18.29%	18.96%

Unit: Euros

6. Counterparty Credit Risk

6.1. Qualitative Information

At the end of 2015, the Bank held positions in OTC derivatives whose risk was fully covered by unrealised losses in the same portfolio, with the same counterparty – Saxo Bank -, with which it maintains a contractual netting agreement. The Bank used the method of valuation at the market price for these positions, for prudential purposes. The limit management of these positions is made together with the securities of the own portfolio, deposits and credits, considering the integral method on securities, if applicable.

6.2. Quantitative Information

6.2.1. Counterparty credit risk for basic indicator purposes

Exposures	Original Exposures	Risk Mitigation Techniques	Fully adjusted Exposure	Risk-weighted exposure amount	
				2015	2014
REPO	0			0	0
Derivados da Carteira de Negociação	274.059	-274.059	0	0	0
Total				0	0

Unit: Euros

7. Credit Risk – General Aspects

7.1. Concepts and Definitions – Qualitative Information

Credit risk is the probability of negative impacts affecting the results or capital, due to the inability of a counterparty to meet its financial commitments to the institution, including possible restrictions on the transfer of payments from abroad. Credit risk exists primarily in credit exposures (including securitised credit), credit lines, guarantees, derivatives and Bank deposits with other credit institutions. Various techniques are used to reduce this risk, in particular the requirement of sound and net collateral, the use of netting agreements, and the process for calculating and recording impairments.

Loans to clients: the amount of assets in the loans to clients' accounts (#14[1]), overdue loans (#15), other debtors (3148022), credit lines (applicable amount of #92), guarantees and sureties (#9000).
Exposure of loans to clients: amount of loans to clients after applying the conversion factors for off-balance sheet elements pursuant to Regulation (EU) 575/2015.

Overdue loans: Part of a loan that has not been settled by the debtor 30 days after the agreed date for the purpose. Its systematization obeys the rules established by the Notice 3/95 of Bank of Portugal, where applicable, being instituted a mandatory report for consolidation purposes in which overdue loans is disaggregated by type and class of credit (I, II, III and IV, V to IX and from X to XII);

Impairment credit: It is considered as such when there is objective evidence of impairment losses on receipts under contractual agreement, in accordance with IAS 36 and 39, and with Instruction 5/2013 of Banco de Portugal.

Credit default: According to Circular Letter 02/2014/DSP, credit risk corresponds to capital instalments and interest overdue for more than 90 days, or for which there is evidence to show their classification as credit risk, in particular the bankruptcy or liquidation of the debtor. Regardless of whether closed-out netting is activated or not, the amounts due from loan operations of clients/ connected groups of clients are taken into consideration when the credit default exceeds 20 % of the exposure of loans to clients.

The Bank analyses the credit risk on all its assets and on some off-balance sheet assets, excluding those deducted from own capital. The investment portfolio assets evaluated at fair value are analysed in this respect only where counterparty credit risk exists.

While the Executive Committee is responsible for managing this risk, in terms of operation the Financial Department plays an important role in matters related to the allocation of demand and term deposits and the management of securities portfolios.

The Credit Committee is formed by the Central Manager and the Financial and Risk managers. It assists the Executive Committee in the decision on granting and monitoring loans.

One of the risk reduction techniques is the requirement of sound and net collateral for loans to clients and the application of netting agreements, particularly in some positions with other credit institutions.

A further risk Reduction technique is the recording of impairments for expected losses, calculated on a monthly basis. Specifically for loans, the Bank follows a model for the evaluation of discounted cash flows

[1] Description of the account number from the Balance Sheet, refered to the "Plano Oficial de Contas" in attachment to the Instruction 23/2004 from Banco de Portugal.

for individual analysis, on significant exposures or on exposure to clients with overdue amounts in excess of 50 000 €. Transactions with no individual impairments are subject to the collective analysis of impairments. In cases where the bank has no relevant statistics because there is no history or base of operations, the Bank estimates impairments by the product between the probability of default (PD), by the loss given the default (LGD) and by the exposure at default (EAD):

1. Use of PD provided by Ignios or an internal model for private clients;
2. The EAD results from the original risk position for the purpose of credit risk;
3. The LGD is the percentage of the operation unhedged by real guarantees, adjusted – no less than 10 %.

To calculate the economic capital, the bank created a multi-factor stochastic model to be applied to each relevant position for credit risk through the Montecarlo method, to achieve the 99.7 percentile of consolidated losses. In the model, the following were considered: losses given the default (LGD), fixed percentages (non-stochastic), exposure at default (EAD) adjusted by the off-balance conversion factors, and the provisions and guarantees after the application of volatility adjustments.

The main advantage of this stochastic model is that it can include multiple factors, and isolate the effect of the various type of credit risk concentration taken into consideration (sector-specific, group-specific, individual and position). To that end, the original positions are split into smaller portions with identical characteristics, but assuming the Independence of the variables related to the counterparties and sectors, in an ultimately diversified portfolio.

Risk monitoring includes the internal daily dissemination of estimated indicator in respect of:

1. Own funds and requirements;
2. Relevant exposure to major risks and individual concentration ratios;
3. Simple individual concentration indices, weighted by rating and time to maturity;
4. Sector-specific exposure;
5. Geographical exposure.

7.2. Quantitative Information

7.2.1. Exposures

Exposures	Original Exposures		Original Exposures (average)	
	31-12-2015	31-12-2014	2015	2014
1. Original Exposures by Risk Class				
Public Administration	51.850.407	9.591.979	16.105.980	53.215.881
Credit Institutions	62.047.784	94.163.391	84.110.230	109.914.237
Companies	73.962.025	70.513.707	86.641.375	69.931.907
Equity Exposures		410.900	666.913	601.141
Covered Bonds		6.750.927	2.609.657	8.616.074
Exposures secured by real estate property	2.724.289	539.483	1.476.292	884.468
High Risk Elements	21.545.327	1.108.414	13.500.776	1.335.407
Mortgage Bonds (Other items)	38.629.471	40.887.978	47.385.808	47.786.649
Past due items	645.364	6.826.611	9.780.937	1.532.657
Total	251.545.667	230.793.392	249.170.260	231.308.842

Unit: Euros

7.2.2. Geographical Distribution of Exposures

Geographical Distribution of Exposure	Region									
	Portugal		Europe		Brazil		Others		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
1. Original Exposures by Risk Class										
Public Administration	21,0%	1,9%	0,0%	2,2%	0,0%	0,0%	0,0%	0,0%	21,0%	4,2%
Credit Institutions	12,9%	29,4%	6,4%	8,5%	4,8%	2,4%	0,7%	0,5%	24,8%	40,8%
Companies	21,1%	23,2%	1,2%	3,3%	3,1%	2,4%	4,3%	4,4%	29,7%	33,3%
Default	0,1%	0,0%	0,0%	0,0%	0,0%	0,0%	0,2%	0,2%	0,3%	0,2%
High Risk Elements	3,8%	0,5%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	3,8%	0,5%
Covered Bonds	0,0%	2,9%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	2,9%
Equity	0,0%	0,2%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,2%
Other elements	12,9%	11,9%	0,0%	0,0%	0,0%	0,0%	6,5%	5,8%	19,4%	17,7%
Residential Mortgage	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Commercial Mortgage	1,1%	0,2%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	1,1%	0,2%
Total	72,8%	70,3%	7,5%	14,0%	8,0%	4,8%	11,7%	10,9%	100,0%	100,0%

Unit: Percentage

7.2.3. Sectoral Distribution of Exposures

Sectoral Distribution of Exposures	Sector									
	Financial Sector		Other Companies		Pub. Adm.		Private		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
1. Original Exposures by Risk Class										
Public Administration	20,8%	0,7%	0,0%	0,0%	0,2%	3,5%	0,0%	0,0%	21,0%	4,2%
Credit Institutions	24,8%	40,8%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	24,8%	40,8%
Companies	6,0%	7,5%	23,7%	25,9%	0,0%	0,0%	0,0%	0,0%	29,7%	33,3%
Default	0,1%	0,0%	0,0%	0,0%	0,0%	0,0%	0,2%	0,2%	0,3%	0,2%
High Risk Elements	3,8%	0,2%	0,0%	0,3%	0,0%	0,0%	0,0%	0,0%	3,8%	0,5%
Covered Bonds	0,0%	2,9%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	2,9%
Equity	0,0%	0,2%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,2%
Other elements	0,0%	0,0%	0,0%	1,5%	0,0%	0,0%	19,4%	16,2%	19,4%	17,7%
Residential Mortgage	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Commercial Mortgage	0,0%	0,0%	1,0%	0,1%	0,0%	0,0%	0,1%	0,1%	1,1%	0,2%
Total	55,5%	52,3%	24,7%	27,7%	0,2%	3,5%	19,7%	16,5%	100,0%	100,0%

Unit: Percentage

7.2.4. Breakdown of past due exposures and Impaired exposures

Exposures	Past due exposures	Impaired exposures	Valuation adjustments and provisions
Total	645.364 €	1.125.364 €	695.929 €
Sectorial Distribution			
Private	158.826 €	258.826 €	217.207 €
Financial Sector		380.000 €	380.000 €
Other companies	486.538 €	486.538 €	98.722 €
Geographical Distribution			
Portugal	533.302 €	913.302 €	504.910 €
USA	2 €	2 €	2 €
Switzerland	111.903 €	111.903 €	90.860 €
Brazil	157 €	100.157 €	100.157 €

Unit: Euros

BANCO CARREGOSA

7.2.5. Value Adjustments and Positions

PROVISIONS VALUE ADJUSTMENTS	31-Dec-15	31-Dec-14
Initial Balance	5.825.637	965.876
Appropriations	10.885.097	11.252.414
Utilizations	0	-5.394.692
Replacements	15.620.441	998.079
Exchange Rate Adjustments	-177	119
Final Balance	1.090.116	5.825.637

Unit: Euros

7.2.6. Exposures by Residual Maturity

Risk Classes	Residual Maturity											
	0 Days		Up to 1 year		Up to 5 years		Up to 10 years		More than 10 years		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
1. Original Exposures by Risk Class												
Public Administration	20,9%	1,8%	0,0%	2,2%	0,1%	0,1%	0,0%	0,0%	0,0%	0,0%	21,0%	4,2%
Credit Institutions	10,4%	12,4%	7,2%	24,6%	6,3%	2,7%	1,0%	1,2%	0,0%	0,0%	24,8%	40,8%
Companies	2,3%	3,4%	11,1%	17,3%	11,5%	7,3%	3,1%	3,7%	1,6%	1,6%	29,6%	33,3%
Default	0,2%	0,2%	0,0%	0,0%	0,0%	0,0%	0,1%	0,0%	0,0%	0,0%	0,3%	0,2%
High Risk Elements	2,4%	0,5%	0,0%	0,0%	1,4%	0,0%	0,0%	0,0%	0,0%	0,0%	3,8%	0,5%
Covered Bonds	0,0%	0,0%	0,0%	0,0%	0,0%	2,9%	0,0%	0,0%	0,0%	0,0%	0,0%	2,9%
Equity	0,0%	0,2%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,2%
Other Elements	7,5%	7,3%	10,5%	8,8%	1,3%	1,6%	0,0%	0,0%	0,0%	0,0%	19,3%	17,7%
Residential Mortgage	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Commercial Mortgage	0,3%	0,0%	0,1%	0,1%	0,6%	0,0%	0,1%	0,0%	0,0%	0,1%	1,1%	0,2%
Total	44,1%	25,7%	28,9%	53,0%	21,1%	14,6%	4,3%	4,9%	1,6%	1,7%	100,0%	100,0%

Unit: Percentage

8. Credit Risk – Standard Method

8.1. Qualitative Information

Banco Carregosa adopts, by default, the credit ratings assigned by Standard & Poor's agency for debt securities. With regard to credit of Central Administrations we use, in addition to the Standard & Poor's, the ratings of Moody's and Fitch, in accordance with EU Regulation nº 575/2013

The registration process is based on the ratings for the issues in question, where available. When there are no ratings for issues, we look for the rating assigned to the issuer.

8.2. Quantitative Information – Standard Method

CREDIT RISK (STANDARD METHOD)	Risk Weight									
	0%	2%	20%	22%	35%	50%	100%	150%	250%	Total
1. Exposures by Risk Class										
Public Administration	51.850.407	-	-	-	-	-	-	-		51.850.407
Credit Institutions	-	1.275.474	15.386.173	300.000	-	22.195.073	22.510.401	380.664		62.047.784
Companies	-	-	-	-	-	-	73.962.025	-		73.962.025
Default	-	-	-	-	-	-	598.734	46.630		645.364
High Risk Elements	-	-	-	-	-	-	21.545.327	-		21.545.327
Covered Bonds										-
Equity										-
Other Elements	152.370	-	-	-	-	-	37.188.195	-	1.288.906	38.629.471
Residential Mortgage	-	-	-	-	10.504	-	-	-		10.504
Commercial Mortgage	-	-	-	-	-	2.713.785	-	-		2.713.785
Total	52.002.777	1.275.474	15.386.173	300.000	10.504	24.908.858	155.804.682	592.618	1.288.906	251.569.991
2. Exposures by Risk Class (risk weights reserve base)										
Public Administration	51.850.407	-	-	-	-	-	-	-	-	51.850.407
Credit Institutions	-	1.275.474	15.602.509	300.000	-	22.135.508	22.510.401	-	-	61.823.892
Companies	-	-	-	-	-	-	60.986.300	-	-	60.986.300
Default	-	-	-	-	-	-	319.603	211.954	-	531.557
High Risk Elements	-	-	-	-	-	-	21.545.327	-	-	21.545.327
Covered Bonds									-	-
Equity									-	-
Other Elements	152.370	-	-	-	-	-	28.717.114	-	1.288.906	30.158.390
Residential Mortgage	-	-	-	-	533	-	-	-	-	533
Commercial Mortgage	-	-	-	-	-	2.291.083	-	-	-	2.291.083

Total	52.002.777	1.275.474	15.602.509	300.000	533	24.426.591	134.078.744	211.954	1.288.906	229.187.489
3. Total of risk-weighted exposures										
Public Administration	-	-	-	-	-	-	-	-	-	-
Credit Institutions	-	25.509	3.120.502	66.000	-	11.067.754	22.510.401	-	-	36.790.166
Companies	-	-	-	-	-	-	60.986.300	-	-	60.986.300
Default	-	-	-	-	-	-	319.603	317.932	-	637.534
High Risk Elements	-	-	-	-	-	-	21.545.327	-	-	21.545.327
Covered Bonds									3.222.264	3.222.264
Equity									-	-
Other Elements	-	-	-	-	-	-	28.717.114	-	-	28.717.114
Residential Mortgage	-	-	-	-	186	-	-	-	-	186
Commercial Mortgage	-	-	-	-	-	1.145.541	-	-	-	1.145.541
Total	0	25.509	3.120.502	66.000	186	12.213.295	134.078.744	317.932	3.222.264	153.044.434

Unit: Euros

9. Techniques of Credit Risk Mitigation

9.1. Qualitative Information

The main technique for reducing credit risk is recourse to the provision of financial collateral by securities, liquid and traded on regulated markets, cash balances and term deposits. However, for other loans, the Bank accepts personal guarantees, real and real estate collateral. All guarantees are evaluated regularly, in particular traded securities, which are evaluated several times a day.

These amounts started being considered for prudential purposes in the year 2010 and are already consistent with the Bank´s conservative policy of risk-taking and therefore fundamental for the approval and management of credit risk process.

In 2011, the Bank started to include real estate collateral, where applicable, like exposures secured by real estate, pursuant to notice 5/2007 for prudential purposes.

In some cases, compensatory arrangements are also prudentially recognised, which concern bank overdraft that offset exposures from the same institutions. These compensatory arrangements are set out in the contracts held with the referred credit institutions.

Since that, for prudential purposes real estate collateral has small importance and were not considered personal credit protections, these values are not presented in the table: Techniques of Credit Risk Mitigation - Standard Method.

9.2. Quantitative Information

9.2.1. Techniques of Credit Risk Mitigation - Standard Method

Techniques of Credit Risk Mitigation	Funded Credit Protection - Financial Collateral Comprehensive Method		
	Net Exposures	Financial Collateral (adjusted value)	Volatility Adjustments
Public Administration	-	-	-
Credit Institutions	36.766.681,35	- 23.485	-
Companies	64.015.937,42	3.029.638	3.271.632
Default	637.534,33	-	-
High Risk Elements	21.545.327,05	-	-
Covered Bonds	-	-	-
Equity	-	-	-
Other Elements	32.256.272,15	316.893	80.688
Residential Mortgage	2.773,11	2.587	-
Commercial Mortgage	1.161.989,82	16.448	1.568
Total	156.386.515	3.342.081	3.353.888

Unit: Euros

9.2.2. Concentration Analysis – Funded or Unfunded Credit Protection

Concentration Analysis – Funded or Unfunded Credit Protection	Funded Credit Protection					
	Eligible Financial Collateral		Real Estate Collateral		Compensatory Arrangements	
	2015	2014	2015	2014	2015	2014
Total of hedged positions						
Financial Sector		0		0	206.772	2.140.908
Other companies	3.029.638	4.693.369	2.280.000	750.000	0	0
Private	316.893.	632.491	345.000	345.000	0	0
Total	3.346.531	5.325.860	40.287	1.095.000	206.772	2.140.908

Unit: Euros

10. Securisation Transactions

The Bank did not have, at the reference date, any securitization operation, so at this point there is nothing to report.

11. Position, Counterparty Credit and Trading Portfolio Settlement Risk

11.1. Qualitative Information

Consists on the probability of negative impacts to occur on results or capital, due to adverse movements in the market price of the instruments in the trading portfolio.

For the evaluation of market risk we analyse the securities portfolio at fair value of the Bank. The Financial Management Division is responsible for managing these assets, with short-term horizons, within the limits of discretion set by the Executive Committee and by the Trading Portfolio Management Policy.

Monthly, the results and allocations are presented in the Assets and Liabilities Committee (ALCO). This Committee issues recommendations that are taken into consideration by the Executive Committee and the Financial Management Division.

For prudential purposes we use the standard method, calculating the general risk of debt instruments by maturity and commodities risk by the simplified method. For the calculation of economic capital requirements, we use the Value at Risk (VAR) historical of three years with 99% confidence and time horizon of 1 year. The daily monitoring of the portfolio risk is managed with this indicator, but with a time horizon of 1 week and 95% confidence level.

Regarding the values in the table below, we emphasize that there were no operations pending settlement in the trading portfolio at the reference date, or positions with counterparty credit risk, in accordance with Notice No. 5/2007 of the Bank of Portugal.

11.2. Quantitative Information – Capital Requirements (Trading Portfolio)

CAPITAL REQUIREMENTS (TRADING PORTFOLIO)	31-Dec-15	31-Dec-14
Total	636.686	612.049
1. Trading Portfolio Risks	636.686	612.049
1.1. Standard Method on trading portfolio	636.686	612.049
1.1.1. Debt Instruments		
1.1.1.1. Specific Risk	309.503	329.540
1.1.1.2. General Risk	281.775	21.173
1.1.2. Equities		
1.1.2.1. Specific Risk	15.745	45.395
1.1.2.2. General Risk	15.745	45.395
1.2.3. Collective investment undertaking	107	97.392
1.2.4. Options	13.811	73.154
2. Counterparty credit risk	0	0
3. Settlement Risk	0	0

Unit: Euros

12. Exchange Rate Risk, Bank Portfolio Commodities Risk and Negotiation

12.1. Qualitative Information

The Bank is not subjected to commodities risk.

Regarding exchange rate risk, the Bank measures the total exposure for foreign currency, according to the standard method, according to Notice No. 8/2007of the Bank of Portugal.

12.2. Quantitative Information – Capital Requirements – Exchange Rate Risk and Commodities Risk

CAPITAL REQUIREMENTS – EXCHANGE RATE RISK AND COMMODITIES RISK	31-Dec-15	31-Dec-14
1. Exchange Rate Risk	120.818	198.979
1.1. Standard Method	120.818	198.979
2. Commodities Risk	0	0

Unit: Euros

13. Risk Exposures in the Equity Banking Portfolio

13.1. Qualitative Information

Positions in equities in the banking book are allocated to the portfolio of assets available for sale, whose changes in value are registered in fair value reserves. The shares allocated to this portfolio, for its specificity, reflect an adjusted rentability to the institution's business profitability, with medium / long term expected timeframes.

For quoted shares the information system of the Bank evaluates the positions several times a day at market prices, where available. In the absence of quoted market prices, reviews are requested to other intermediaries.

In the banking portfolio there are still some unquoted Portuguese stocks whose companies maintain business relationships with the Bank. Annually, we proceed with impairment tests on those assets.

Risk Exposures in Equities (Bank Portfolio)	Quoted Shares		Unquoted Shares		Total	
	2015	2014	2015	2014	2015	2014
Acquisition Cost/Notional Value	0	0	1.108.414	1.108.414	1.108.414	1.108.414
Fair Value	121.800	410.900	0	0	121.800	410.900
Results arising from sales and settlements	-19	376.127	0	0	-19	376.127
Total of unrealised gains or losses	-1.209.960	-920.860	0	0	-1.209.960	-920.860
Total earnings or losses inherent to internal revaluation	0	0	-535.514	-421.514	-535.514	-421.514

Unit: Euros

14. Operational Risk

14.1. Qualitative Information

Operational risk is the risk of loss resulting from defects or failures in internal processes, human resources, systems or external factors

The calculation of capital requirements for operational risk is performed according to the basic indicator method, which corresponds to 15% of the average of the last three years of positive annual relevant indicator.

The accounting elements considered in this calculation are according to Instruction No. 23/2007 of Bank of Portugal.

On December 31, 2015, the capital requirements for operational risk on a consolidated basis corresponded to 2.163.073 EUR, according to the method indicated.

14.2. Quantitative Information – Operational Risk

OPERATIONAL RISK	Relevant Indicator		
	31-Dec-12	31-Dec-13	31-Dec-14
1. Basic Indicator Approach	24.376.242	20.252.478	27.038.415

Unit: Euros

In the table below we present the accounts whose balance contributes to the calculation of the values mentioned:

DESCRIPTION	Headings
(+) Interest and similar earnings	79
(-) Interest and similar charges	66
(+) Income from equity instruments	82 - 821
(+) Commissions Received	80 + 81
(-) Commissions paid	67 + 68
(+) Results on financial transactions	[83 - (831 + 833)] - [69- (691 + 693)]
Other incomes and operating income	[84 - (841 + 842 +843)] + 86*

15. Sensitivity Analysis of Capital Requirements

15.1. Qualitative Information

To measure the interest rate risk, the Bank calculates, on a daily basis, the impact of a 100 pb. variation at one year on all charges on the renewal of applications and resources, related with:

- Investment portfolios held to maturity,
- Financial assets held for trading,
- Financial assets available for sale,
- Credit assets and liabilities, and
- Term deposits and assets and liabilities.

This measurements consists in calculating the book value resulting from the renewal of fixed rate assets and liabilities and from the change in interest rate for assets and liabilities, at variable rate or indexed at 100 pb

As at 31/12/2015, the Bank estimated a negative book value variation of 107 776 € with an increase in interest rate by 100 pb. The analysis of this factor should take note that the Bank estimates the interest rate risk of the trading portfolio together with the banking portfolio.

As at 31/12/2015, the Bank determined the impact of the 100 and 200 pb variation in all the interest rates and debt security maturities on own portfolios by applying the Bloomberg method. As this function was discontinued, the Bank chose to determine this value using the modified duration method. This calculation is less accurate, because it does not include convergence, although the impact thereof is reduced. Nevertheless, as this calculation is simple, it allowed the daily estimate and its reporting on the daily risk log. Once it became a linear measure, the Bank decided to determine only the impact of a shock of 100 pb.

As at 31/12/2015, this value amounted to 1 293 406 € in the portfolio of securities held for trading, and to 100 954 € in the portfolio of securities at fair value.

15.2. Quantitative Information – Interest Rate Risk

INTEREST RATE RISK			Impact 31-12-2015
Net worth effect with a 200 p.b. shock in the interest rate	**Value**	+200	504.770
	% of Net Worth	+200	-1.43%
Net worth effect with a 100 p.b. shock in the interest rate	**Value**	+100	-100.954
	% of Net Worth	+100	-0,5%

Unit: Euros

Oporto, 30 June, 2016

The Executive Committee of the Board of Directors,

Paulo Sena Esteves
Executive Director

Francisco Oliveira Fernandes
Executive Director