Market Discipline

Reference Date: 31.Dec.2020

29. June.2021

BANCO CARREGOSA

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Banco L. J. Carregosa, S.A. | Share Capital € 20,000,000.00
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Market Discipline

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A. Introductory Note

Under the legal framework provided for in Basel III framework established through Regulation (EU) No 575/2013 (CRR) and Directive 213/36/EU (CRD IV), on the prudential requirements of credit institutions, Banco L.J. Carregosa S.A. publishes the "Market Discipline" document concentrating information and transparency requirements on the market.

The information disclosed is based on the reference at the end of the 2020 financial year.

B. Statement by the Management Body

The Board of Directors of Banco L. J. Carregosa, S.A. declares that:

i. All procedures considered necessary have been developed and that, to the best of your knowledge, all the information disclosed in this document is true and reliable;

ii. The quality of all information contained in this document is appropriate, including that of or from entities encompassed in the economic group in which the Bank is part;

iii. Disclose, in a timely manner, any significant changes that occur in the course of the financial year following that to which this document relates;

iv. In accordance with the following sections, it has appropriate risk management measures, which ensure that the risk management systems implemented are adequate in view of the institution's profile and strategy;

v. In order to achieve these objectives, the Bank has been consolidating an integrated vision of risk, supported in particular in its RAV and RAS, as set out in point 4.2 of this document. The Bank realises this vision through a transversal management of risks, which is, first and foremost, the responsibility of the own business and support areas, as well as the joint skills responsible for monitoring some specific risks, especially in this matter, the Credit Commission and ALCO, while observing the adequacy of the risk profile of the institution in its interaction with the risk tolerance defined by the management body, with transverse reflexes at the management level of the various types of risk;

vi. The Bank has an independent risk management function, whose hierarchical and functional lines of reporting are formalized, thus ensuring that the function has adequate authority, independence and status;

vii. The administrative and supervisory bodies shall receive regular information on the risks to which the institution's activity is subject, as well as on the methodologies used in its mediation and control, requesting the risk management function any changes and information they need for compliance with the Global Risk Management Policy of the institution;

viii. Without prejudice to considering its current risk management as adequate, the Bank is in the final stages of developing/approving specific risk policies, namely credit, market, liquidity and operational;

ix. Believes that the risk assumed by the entity is moderate, noting that, with reference to December 2020, the solvency ratio is 17.48%, the leverage ratio of 9.92%, the net stable financing ratio of 167.7% and the liquidity coverage ratio of 449.3%, being the same overall aligned with the risk appetite defined in the RAS and the Bank's risk tolerance;

x. Finally, it also considers that the risk management system implemented is overall adequate in view of the Bank's profile and strategy.

Porto, 29 June 2021

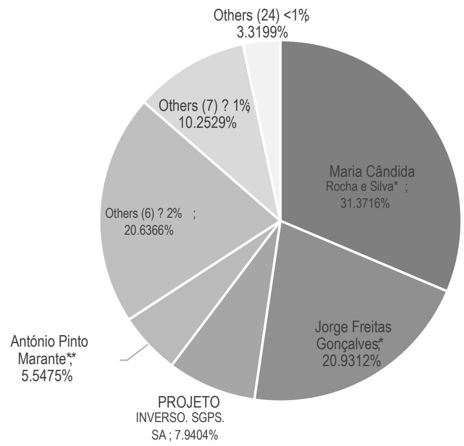
The Board of Directors

C. Scope of Scope

C.1. Institution designation and consolidation perimeter

Banco Carregosa is a private bank dedicated to the provision of services, products and advice in private banking (wealth management*)* and savings and investment. With a restricted body of shareholders Figure 1 | Shares in Banco Carregosa CapitalBanco Carregosa has the duty to honor the legacy of so many generations of shareholders, employees and clients who accompanied L. J. Carregosa, almost bicentennial house, created in Porto in 1833, which was originally dedicated to foreign exchange. This continuity is reflected in a very important shareholder structure, with its main current shareholders at the helm of the institute since the 1990s, corresponding to the period in which the institute has reinvented itself.

Figure 1 | Shares in Banco Carregosa Capital[1]



Throughout the 20th century, while maintaining the traditional values of 19th-century banking, so rooted in the institution by its founders, L. J. Carregosa was able to adapt to customer needs and changes in the financial sector. In the last decades of the 21st century. XX, oriented its activity to the capital market, becoming, successively, a Brokerage And Financial Brokerage Company, having been a pioneer in the area of *online securities trading.* This technological advantage has also contributed to the leadership, for consecutive years, of trading market shares in derivative products, as demonstrated by official statistics from the 1990s.

At the entrance of the 21st century, it entered into a partnership with Saxo Bank, which developed, for Portugal, the most advanced trading platform in capital markets, currently used worldwide by the most diverse financial institutions. Following this technological partnership, in 2001 a pioneering step is taken with the launch of the first online brokerage *service* in Portugal. The evolution of *online trading* led to the launch of the GoBulling brand in 2007, *which was the first broker* to practice zero brokerage commission in all Euronext markets. That same year, GoBulling became the

[1] * Includes 50% Of participation in Imocarregosa; ** Includes the participation in Planalto Capital - FCR.

market leader in futures with a 36.5% share. In 2008, after long preparatory work, L. J. Carregosa finally became a bank.

Banco Carregosa is distinguished by the combination it can do between conservatism and modernity, between tradition and innovation, covering a wide range of solutions for private, institutional and corporate investors, including investment advisory solutions, asset management, asset advisory, corporate, management and risk coverage, execution (in the trading floor or through electronic platforms), custody and services to depositary of investment funds of a diverse nature.

As a result of the case before, a simple and transparent organisational structure is resulting, which supports an adequate and effective internal control system, in order to ensure that the management and control of operations are carried out in a prudent manner, ensuring that the management and supervisory bodies have an integral knowledge and understanding of the Bank's operational structure, enabling them to promote and ensure that the institution has an adequate structure and that the lines of reporting of information and attribution of responsibility and powers are clear, well defined, coherent and respected, ensuring the capacity of those bodies to effectively supervise and/or manage the risks that affect the Bank.

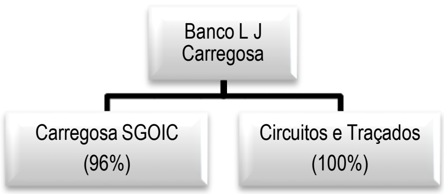
In the following topics, we choose to give a view of the Bank's organization, strategy and business model, based on a set of stabilized documents, properly articulated, in order to pass on the best information available at every moment. The text seeks to ensure the properly articulation of the pieces in order to achieve a fluent whole.

C.1.1. Entities Covered

The Bank is part of a simple business structure, with the total holding of Circuitos e Traçados, Sociedade Imobiliária S.A. and the holding of 96% of Carregosa SGOIC – Management Company of Collective Investment Organizations.

Circuitos e Traçados - Sociedade Imobiliária, S.A. was constituted in 2018, with an investment of about 5 M€, and aimed to resolve the default of a credit, replacing, with advantage, an execution process. Its main assets are forestry and livestock, being monetized. The holding of this company will be limited in time, with its disposal expected by the end of 2023.

Figure 2 | Banco Carregosa's Corporate Structure



Carregosa - Sociedade Gestora de Organismos de Investimento Coletivo, S.A. was incorporated in November 2020. Carregosa - SGOIC's social object is the intermediation of collective investment firms, so its activity consists almost exclusively in the management of investment funds or other collective investment organizations, and therefore does not have relevant operations with an impact on the company's own balance sheet.

D. Global Risk Management Policy

D.1. Introduction

The ambition assumed in the Bank's mission and vision is only sustainable if it is founded on a holistic risk[2] management policy consistent with the various levels of strategic definition. This means that the formulation of an organizational vision necessarily underlies the assumption of a risk-based attitude and the strategic formulation does not survive without an inherent risk management policy.

The success of a risk management system depends not only on an appropriate organisational structure or appropriate policies and procedures, but also essential the existence of a robust control environment, of which a sufficiently developed risk culture is part.

In this line, the Bank assumes the dissemination of a risk management-oriented culture, on the assumption that a risk culture understands the institution's attitude and initiatives in ensuring the dissemination and understanding of risk matters; (ii) promote recognition of the importance of risk management and the authority of control functions; and (iii) ensure the knowledge and assumption, by each of the employees, regardless of their functional positioning, of risk management responsibilities.

For the Bank, *the Risk Appetite Framework* (RAF) considers all material risks (financial and non-financial) inherent in the activity developed, enabling to ensure alignment between risk appetite and strategic objectives by considering the dimensions of risk and profitability in business decisions. Additionally, it facilitates and promotes interdepartmental or interfunctional collaboration in the analysis and decision process regarding the definition of business objectives, risk appetite, risk profile, risk management and optimization of the profitability/risk binomial, contributing to the promotion of a risk culture at the organizational level.

It is also assumed that this approach should include a *Risk Appetite Statement* (RAS) [3] that defines the limits that the Bank considers acceptable for each risk in order to achieve its business objectives. It should therefore include qualitative as well as quantitative measures, based on results, own funds, risk indicators and liquidity position, among others. Such metrics should be contrasted with the risk capacity and effective risk profile of the Bank at any given[4] time.

[2] Commonly referred to as RAF, from the Anglo-Saxon term *Risk Appetite Framework*. According to BCBS (*Basel Committee on Banking Supervision - Corporate Governance Principles for Banks*, *July 2015*), as will be seen, the RAF consists of the general approach whereby the institution's risk appetite is established, communicated and monitored, including the necessary policies, processes, controls and systems.

[3] *Risk Appetite Statement (RAS) - "The written articulation of the aggregate level and types of risk that a bank will accept, avoid or avoid, in order to achieve its business objectives. It includes quantitative measures expressed relative to earnings, capital, risk measures, liquidity and other relevant measures as appropriate. It should also include qualitative statements to address reputation and conduct risks as well as money laundering and unethical practices."*
BCBS - Corporate Governance Principles for Banks, July 2015.

[4] Maximum level of risk that the institution may assume without non-compliance with applicable regulatory requirements and obligations to third parties, also called RTC or *Risk Taking Capacity*, in industry slang.

D.2. An Integrated Risk Vision: RAS, RAF and RAV

Because you don't manage[5] what you don't measure and in line with the strategy of dissemination in the organisation of a culture of measurement and benchmarking, the Bank's risk approach includes a Risk Appetite Vision (RAV)[6], as well as risk limits and proper documentation of the responsibilities associated with implementing and monitoring the RAF.

The Bank assumes that these high-level statements are responsible for supporting (all) decisions, especially structural and long-term decisions, and are also "references of last resort", and should therefore be statements that fill a set of predicates, being, inter alia: simple, intuitive, quantifiable, comprehensive, apprehensible and dissemable in the organization.

It does so at two levels, in full coordination with strategic structuring: with a RAV and a RAS.

In line with its Mission, the Bank adopted a RAV that matches international recommendations in this field with a synthetic vision, which effectively guides attitudes, in the terms setFigure 3 | RAV of the Bank.

Figure 3 | RAV of the Bank

Have risk targets that are Compatible with an ***Investment Grade*** *Rating*

"... maintaining a real and perceived level of risk in line with the Private Banking business, in line with European references. "

The definition is assumedly mixed. On the one hand, it has a quantitative dimension, with the definition of a reference rating, which, in particular at this level, imposes a set of requirements which, in itself, delimit behaviour stemming from the Bank's risk appetite. On the other hand, it allows to comply with the objectives explained above.

This definition is complemented, in a secondary way, with a more qualitative, effectively comparative view, to the extent that it is recognized that it would be impossible to fit such a comprehensive position into a single sentence or reference. It is also recognised that the risk analysis under consideration goes beyond the economic and financial dimension, most commonly underlying rating assessments. That is, whenever the first statement does not respond to a need or does not serve as a reference, the second is used, thus allowing a holistic use of RAV.

[5] *"You don't manage what you don't understand, you don't mean what you don't define, you don't define what you don't understand, and there's no success in what you don't generate"* William Deming.
[6] *Risk Appetite Vision (RAV) – "The desired risk future state or positioning of the organization in line with the values and expectations of stakeholders: the aspiration of the organization".*

The definition of a set of underlying indicators completes the exercise, emphasizing the intimate strategic component, which in turn is rooted in the following core principles:

- Solvency, maintaining adequate capital;
- Profitability, adequately remunerating the risks assumed;
- Liquidity, maintaining a stable financing structure and a sufficient level of liquidity;
- Asset Quality;
- Sustainability, maintaining a long-term vision;
- Efficiency.

D.3. Risk Management

Risk management is composed of the identification, evaluation, measurement, monitoring and control of all materially relevant risks to which the Bank is subject, in order to maintain exposure levels in line with the limits established by the management body.

Thus, it is intended that the Bank is not obliged to change its strategy, nor to incur losses that materially affect its financial situation, aiming to maintain a balanced relationship between equity and liquidity in relation to the activity developed. It is also desired to clear an adjustment factor between the profitability of effective and potential operations, with the objective of:

- Setting a pricing of operations appropriate to potential losses;
- Homogenize and compare exposures;
- Select new operations at the risk/return efficiency frontier;
- Identify the operations that best fit the Bank's strategy;
- Analyze synergies between operations;
- Obtaining a risk/return measure for the Bank as a whole.

The Bank has defined a set of actions, which seek to structure, sustainably, a risk management framework supported by the Bank's business strategy and risk appetite, based on a set of properly articulated steps:

- Review of the business strategy by the Board of Directors in the light of the Bank's risk profile;
- Review of the RAS by the Board of Directors and the Fiscal Council, in order to keep it aligned with the business strategy;

– Identification of *key performance indicators* (KPIs) associated with relevant activity (ideally each Business Area and each Service);

– Identification of the risks that call into question compliance with the kpis previously established;

– Formalization of *the relevant key risk indicators* (KRIs) and their tolerances;

– Review of the existing individual and aggregate risk limits to date, ensuring their alignment with the defined tolerances and their full coverage;

– Analysis of the monitoring structure, regular reporting and review of the various elements, assuming a comprehensive panel, which support the detailed monitoring of the RAS, KPIs, KRIs, aggregated risk limits and risk profile, in an integrated logic, as explained inFigure 4 | *Risk Appetite Framework*

Figure 4 | *Risk Appetite Framework*

In this logic, the monitoring framework for each specific risk follows the general model established by the Bank, being implemented through:

– Selection of indicators;

– Definition of confidence levels;

– Control of indicator values;

– Reporting violations of limits;

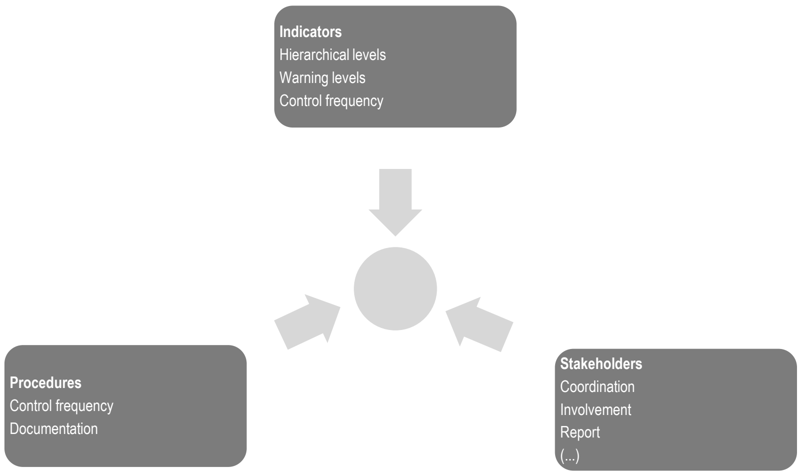
– Assessment of the situation;

– Selection of possible mitigating measures;

– Implementation of possible measures;

– Closing the situation.

Figure 5 | Risk Monitoring Framework



It results in a hierarchical structure of risk definitions at various levels, namely: indicators, stakeholders, managers, lines of reporting and procedures, as shown in Figure 5 | Risk Monitoring Framework.

D.3.1. Credit Risk

The management of credit risk responsibility belongs to the Board of Directors, which delegates to the Executive Commission the implementation of the Credit Policy. Specifically, in the credit operations to clients there is an intervention of different decision levels and opinions by various departments – namely, Credit Department, Risk Department and Compliance Department – in its hiring and monitoring. In addition, the Finance Department plays a fundamental role in the allocation of demand and time deposits and in the management of securities portfolios.

The Bank analyzes credit risk on all its assets, with the exception of assets included in the portfolio of securities measured at fair value through profit or loss and others deducted from own funds, as well as on some off-balance sheet items potentially subject to this type of risk.

With regard to credit risk to customers and as a risk reduction technique, the requirement for solid guarantees with a high degree of convertibility in order to safeguard expected losses is noteworthy. On the other hand, the recording and calculation of impairments leads to a decrease in the value of a given asset, thus anticipating a potential or effective loss and enabling capital adequacy in view of the determination of credit risk requirements and the need itself of financing. It is the responsibility of the Risk Department to calculate impairments, carried out on a monthly basis.

D.3.2. Market Risk

The Risk Department is responsible for identifying, measuring, controlling and analyzing market risks, ascertaining whether the risks assumed coincide with the risk appetite defined by the management body.

The portfolio of securities valued at fair value by the Bank's results are subject to a market risk assessment. In this sense, it is up to the Finance Department to manage these securities in line with the limits of discretion defined by the Executive Commission, in accordance with the fact sheets in the Technical Data Sheets in the Management Of The Own Portfolio.

In order to ensure that the levels of risk incurred in the various portfolios are in accordance with risk tolerance levels, limits for market risk that are monitored and controlled regularly are set.

As mentioned above, monthly, the results and allocation of own portfolio assets are presented to the Assets and Liabilities Committee (ALCO). From this Committee are emanated recommendations that are taken into account by the Executive Committee in the strategic definition and by the Finance Department in current management.

D.3.2.1 Interest Rate Risk

The current management of this risk is the responsibility of the Financial Department, which seeks to obtain an adjustment of deadlines until the resetting of rates, currencies and their indexing, and can use interest rate derivatives for management and mitigation of the inherent risk. On the other hand, interest rate risk control is favoured by the policy of maintaining reduced net foreign exchange exposure.

The Bank, assuming the existence of this risk in relation to interest rate-sensitive balance sheet elements, uses mitigation methods, in particular:

- Crossing of indexers between active and passive, preferring short and medium-term applications for longer applications;
- Use of derivatives to hedge the interest rate risk of indexed term deposits;
- Management of interest rates of passive term deposits in order to cross deadlines until the resetting of rate, consistent with the assets.

For prudential purposes, the Bank uses the general risk assessment method of EU Regulation no. 575/2013. Compliance with Instruction No 3/2020 of the BdP, which tests interest rate-sensitive elements of the bank portfolio, is also ensured, ascertaining the impact of the net situation on own funds.

D.3.2.2 Exchange Rate Risk

The current management of this risk is also the responsibility of the Finance Department that covers exposures through positions in derivatives *(forex and* futures), in accordance with the recommendations of the ALCO and the guidelines of the Executive Committee.

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

Given the Bank's position, it is considered that the value calculated for the minimum prudential requirements is sufficient to cover any shocks in this market. As a technique for mitigating this risk, Finance Department uses futures and other similar derivatives.

The daily clearance of exposure is made to the forex market exchange, by the assets at their marketprice, generating, for this reason, some temporary lags, of reduced expression, in relation to the exposure calculated accountable.

D.3.3. Liquidity Risk

Structural liquidity results from the origins and investments of funds both in the long term (including all positions that do not have a contractual maturity or are not determined in time their origin or application as demand deposits, credit lines, etc.) and short-term permanent ones.

Treasury management is managed by the Financial Department and is subject to follow-up and control by the Risk Department.

The liquidity risk assessment is based on the calculation and analysis of regulatory indicators defined by supervisory authorities. In response to prudential requirements, the Bank monitors and monitors the Liquidity Coverage Ratio and the long term stable financing ratio (Net Stable Funding Ratio). In addition, mismatch is also integrated by maturity between assets and liabilities.

The Bank's objective is the active and anticipated management of its structural liquidity as an essential mechanism to ensure the permanent financing of its assets under optimal conditions. Short-term operative liquidity influences the balance sheet funding structure, and as such is part of structural liquidity.

D.3.4. Operational Risk

Operational risk relates to loss resulting from inadequacy or deficiency of procedures, personnel, internal systems or external events, including a legal risk, in accordance with EU Regulation No 575/2013.

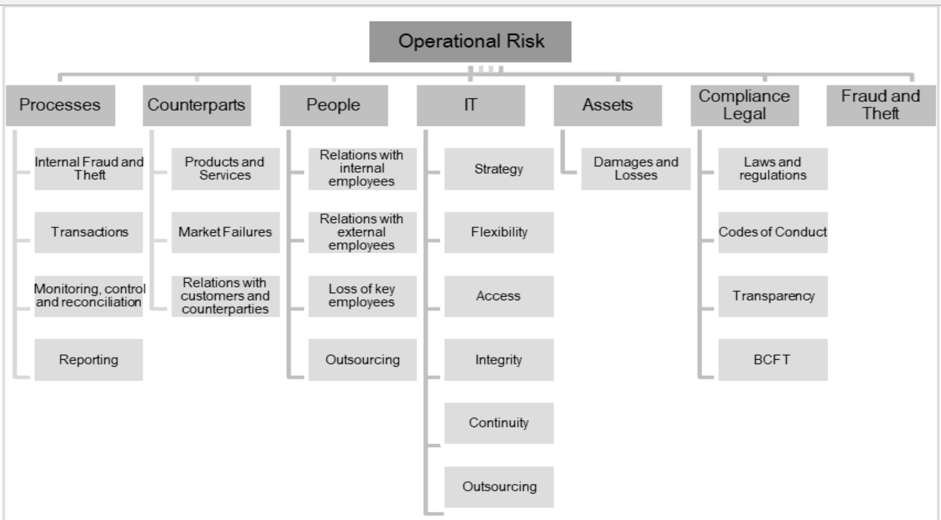
It is thus estimated on the basis of the probability of negative impacts on the Bank's results or capital, arising, inter alia, from failures in the analysis, processing, settlement, control or reconciliation of operations, internal or external fraud, of the activity being affected due to the use of outsourcing resources, the existence of insufficient or inadequate human resources , the inoperability of infrastructure or the inefficient segregation of functions.

The management of operational risk is the responsibility of the Executive Committee, and the day-to-day control and monitoring of the responsibility of the Departments of Risk, Compliance and Internal Audit.

Like other risks, capital should be allocated to this risk, and its value is determined either by prudential criteria or by economic criteria.

The Bank's view of operational risk includes the set of risks identified inFigure 6 | Operational Risk

Figure 6 | Operational Risk



As a fundamental risk reduction technique, the Executive Committee instills a culture of diligence and critical, careful and permanent risk assessment in all the Bank's Employees. In this aspect, there is also an incentive for the internal accumulation and dissemination of knowledge through training and workshops, which include various topics relating to Internal Control. The Bank's size and interdepartmental proximity contribute to a more agile resolution of operational problems that are detected.

D.3.5. Reputational Risk

Reputational Risk consists of the probability of negative impacts on the Bank's results or capital, resulting from a negative perception of the public image of the institution, based or not, by customers, suppliers, financial analysts, employees, investors, press agencies or public opinion in general.

This risk may affect the Bank's ability to establish new relationships with its clients, counterparties, employees and investors, as well as maintain existing relationships, which may lead not only to direct and immediate financial losses, but also to contentious processes, erosion of the client base, difficulty in obtaining resources or leaving key employees.

Reputational Risk is analyzed by the Bank at several levels:

- By the Compliance Department that analyzes complaints, suggestions and requests for clarification from customers;
- By the Department of Marketing and Communication that regularly monitors the image of the Bank;
- By analyzing risk occurrences.

The control and monitoring of this risk is the current responsibility of the Marketing and Communication Department, which on the one hand supports the communication and image of the Bank and its employees before external entities, both with the media and with the general public, and, on the other hand, assists the management body in the transmission of relevant messages.

The Executive Committee and the Board of Directors follow this risk with special care, and the Contingency Plan is provided for to act in crisis scenarios.

D.3.6. Process of Aggregation of Risk Assessments and Diversification Effects

The economic capital requirements shall be calculated on the basis of the results of the calculations associated with each of the risks presented. Once identified and quantified, risks should be aggregated in order to find an overall assessment of economic capital requirements. This aggregation process involves considerations about how to treat potential diversification effects.

In this respect, and according to the EBA (European Banking Authority), the approaches pursued by European credit institutions can be summarised in three alternative methods:

- Simple summations: this approach assumes that all correlations between the different types of risk are equal to one, that is, that the risks are perfectly aligned;
- Matrices of variances and covariances: in the image of the previous one, also in this approach, the risks occur simultaneously, but now taking into account the correlations that, in pairs, are established. They are usually linear and fixed throughout the analysis period[7];
- Internalmodels: more complex methods, but which allow greater flexibility in the combination of marginal risk contributions associated with each component, modeling a loss distribution function that thus integrates the different types of risk.

In fact, the mere aggregation by the sum of the plots associated with each risk corresponds to assuming all risks would be fully aligned, or, in statistical terms, perfectly correlated; what, in practice, is equivalent to assuming that all the events underlying the calculation of the different risks would occur simultaneously and in all their magnitude; however, this is not plausible, so this scenario results in an overvaluation of economic capital requirements. The diversification effect aims precisely to correct this bias, trying to adequately translate the difference in relation to this scenario of perfect correlation between the various categories of risks.

The diversification effect is typically segmented into three components:

- **intra-group diversification**, relating to any diversification between different lines of business and/or entities, with institutions registered in several countries, resulting from their operation in different geographical references, markets or sectors of activity;
- **intra-risk diversification**, relating to the diversification of between the various sub-components of a particular type of risk (e.g. credit risk, or operational risk);
- **inter-risk diversification**, on diversification between different types of risk (e.g. credit risk and market risk).

[7] Without prejudice to the time being reviewed/updated from time to time.

E. Capital Adequacy

E.1. Qualitative Information

The current regulatory framework for capital calculation is based on three pillars:

- Pillar I determines the minimum capital required for credit risk, market risk and operational risk. This pillar corresponds to the regulatory calculation;
- Pillar II establishes a review system by supervisory authorities, with the objective of improving internal risk management and self-assessment of capital adequacy according to risk profile (economic capital);
- Pillar III defines the elements subject to greater transparency and discipline.

Risk absorption capacity, materialised in economic capital, is calculated in a similar way to own funds in accordance with EU Regulation 575/2013, as mentioned above. The calculation of own funds shall be carried out in accordance with the regulatory standards in force, in particular the Regulation. For this purpose, the accounting information contained in the financial statements is used, with a particular focus on capital items, complemented with extra accounting information.

Total own funds correspond to the sum of base own funds (Common Equity Tier 1) and complementary own funds (Tier 2), after applying the deductions to these elements. The main positive elements of own funds as at 31 December 2020 were:

- Realized Capital: the Bank's share capital is represented by 200 million nominative book-entry shares, with a nominal value of EUR 0.10 each, being fully subscribed and realized;
- Emissions Premiums: refer to premiums paid by shareholders in capital increases;
- Reserves: refer to the amounts of results generated during the years, but retained in the company in the form of legal reserves, other reserves and/or carried forward results, excluding positive reserves resulting from unrealized gains in sovereign bonds;
- Net Income for the Year: value of the net results of the current year and the previous year positive when certified, when negative they are included in the calculation.

Deductions made to own funds are composed of intangible fixed assets/intangible assets, in particular expenditure on the constitution of data marks and data processing systems.

From an economic perspective, the Bank calculates, as mentioned above, the ability to absorb risks by own funds, with the application of transitional arrangements and not integrating non-certified results.

It can thus be demonstrated that the calculation of economic capital is in line with the value of own funds for solvency purposes.

Table 1 | Prudential Capital	
Elements	**value**
Realized Capital	20 000 000 €
Emission Premiums	369 257 €
Past Results	3 796 939 €
Results	-2 404 254 €
Other Bookings	18 121 928 €
Earnings on Reserves	593 491 €
Losses on Reserves	-1 882 692 €
CET1 adjustments	-80 234 €
Other Intangible Assets	-1 045 737 €
Prudential Capital	**37 468 698 €**

E.2. Quantitative Information

E.2.1. For Equity Purposes

Table 2 | Total Own Funds		
Elements	**2020**	**2019**
Share Capital	20,000,000 €	20,000,000 €
Emission premiums	369,257 €	369,257 €
Results carried over	3 796 939 €	3.631.465 €
Reserves	16 832 726 €	13,931,898 €
Intangible assets	-1 045 737 €	-877,522 €
Results for the year	-2 404 254 €	
Basic own funds	**37 468 698 €**	**37,055,098 €**
Other Transitional Capital Adjustments	0 €	-296,204€
Total Own Funds for solvency purposes	**37 468 698 €**	**36,758,895€**

E.2.2. For Equity Purpose Requirements

Table 3 | Capital Requirements		
	2020	**2019**
Own Funds Requirements	**17 148 145 €**	**18,230,613 €**
Equity Requirements for Credit Risk, Counterparty Credit Risk and Incomplete Transactions - Standard Method	**15 180 535 €**	**16,141,625 €**
Credit Institutions	1 553 488 €	1.858.356 €
Companies	5 893 022 €	6,733,791 €
Positions guaranteed by real estate	846 200 €	827,016 €
Expired elements	499 836 €	8,116 €
Exposures to collective investment firms (ICO)	988 446 €	262,353 €
Other ittems	5 996 179 €	6,451,993 €
Own Funds requirements for Risks of Position, Exchange Risks and Merchandise Risks	**529 399 €**	**650,777 €**
Own Funds Requirements for Operational Risk	**1.438.211 €**	**1.438.211 €**
Basic Indicator Method	1 438 211 €	1.438.211 €

E.2.3. For Capital Adequacy Purposes

Table 4 | Capital Adequacy		
	2020	**2019**
Excess (+) / Insufficiency (-) of Own Funds	20 320 552 €	11,864,876 €
Assets Weighted by Risk	214 51 817 €	227,882,665 €
Solvency Ratio (%)	17.48%	16,13%

As far as profitability is concerned, the relationship between return-on-equity (ROE) and return-on-assets (ROA) is intrinsically linked to the institution's leverage level. According to Article 4. of CRR, leverage is the relative level of assets, off-balance sheet obligations and contingent obligations to pay, deliver or provide guarantees, including obligations arising from funds received, commitments assumed, derivatives or sales with a repurchase agreement, but excluding obligations that can only be executed during the liquidation process of an institution, compared to the institution's own funds. To this end, the definition of ROE limits should consider the fact that, in this individual, the Bank typically has financial autonomy ratios higher than the sector average.

In order to adjust the sample results to the Bank's context and obtain reference levels appropriate to its reality, the ROE was transformed by multiplying it by the quotient between the leverage ratio of the sector and the Bank.

In 2020, the Bank has a leverage ratio well above the sector average of 9.92% compared to the national average of 6.9%, as reported by the EBA in 2020, and is therefore much less leveraged than the sector.

Finally, it should be clarified that in the case of excessive leverage, the Bank provides in its Recovery Plan several measures that allow to re-set the ratio in line with industry values, such as:

M3. Transfer of BdP Credits;

M6. Suspension of new Credits;

M7. Non-renewal of Credits;

M8. Sale of Real Estate Assets;

M9. Sale of the Credit Portfolio.

Table 5 | Leverage Ratiothe determining factors for the measurement of the leverage ratio are presented.

Table 5 | Leverage Ratio	
	31.12.2020
Securities Financing Operations (SFT) Exhibition	0
Risk Position in Derivatives	41
Other Patrimony Exhibitions	356 996
Other Off-Balance Sheet Exhibitions	20 665
Total Relevant Exposure for leverage ratio	**377 702**

Table 5 | Leverage Ratio

	31.12.2020
Own Funds Level 1	37 468
Leverage Ratio	**9,92%**

Amounts in thousands of Euros, unless indicated.

F. Counterpart Credit Risk

F.1. Qualitative Information

A credit risk of a counterpart or "CRR" means the number of credit defined in Article 272 of Chapter 6 of Title II of EU Regulation No 575/2013, according to which the credit risk of the third party consists of the "risk of default by the pay-off of an operation before the final settlement of its financial flows". The valuation method used in this particular is the market price, i.e. in order to determine the current replacement cost of all contracts with positive values, their current market value is attached to contracts in accordance with Article 274. EU Regulation No 575/2013.

Given the Bank's conservative policy on derivatives, the wrong way risk is not relevant. There is close monitoring of derivatives, which allows no adjustment of capital requirements for exposures in derivatives in the presence of wrong way risk.

On the other hand, in the reverse perspective of counterparty risk, the Bank carries out, in the course of its activity, business with relevant counterparties, namely (i) Custodians, (ii) *Brokers,*(iii) Clearing House and (iv) Other Credit Institutions.

In accordance with compliance with Article 439. (2013) of EU Regulation No 575/2013, in the event of a supposed degradation of the Bank's credit rating, the Bank would essentially maintain the same positions, since:

- in the case of Custodians, margins are subject to a methodology that calculates the intra-day amount to be deposited according to the Bank's cash and securities positions;
- brokers, positions are valued at market value. Thus, no additional margin call is expected, as the margin value is not related to the Bank's hypothetical rating*;* it is thus concluded that, in both cases, the guarantees required depend essentially on portfolio analyses and less on the Bank's credit quality;
- in the case of Clearing House and since the Bank does not have a rating, the level of risk assigned to it is the highest, causing the Bank to already deposit guarantees at levels similar to what it would deposit in a default situation;
- in turn, in the case of other credit institutions, the limits of transfers that the Bank must observe correspond to a minimum threshold.

Finally, it should be noted that the Bank does not currently have limits on positions in derivatives. This is mainly due to the fact that derivatives are used as a tool for pursuing risk hedging strategies, namely foreign exchange risk and risk associated with liabilities for structured deposits.

F.2. Quantitative Information

F.2.1. Counterpart Credit Risk

As of December 31, 2020, the Bank held approximately 660 thousand euros corresponding to purchase positions of Call Spreads on many other Portfolios of European shares, to cover structured products offered to its Clients.

These exposures, concentrated in the risk class "Credit Institutions", constitute exposure to the risk of a counterpart of the following in Table 6 | Exposure to Counterpartite Risk Risk.

Table 6 | Exposure to Counterpartite Risk

	Risk Weight											
	0%	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Total**	**Not not the object of notation**
Public Administration												
Companies												
Commercial Mortgage												
Residential Mortgage												
Credit Institutions					659 621						659 621	
Default												
OICs												
Other												
Total					**659 621**						**659 621**	

Amounts in Euros.

G. Credit Risk - General Aspects

G.1. Concepts and Definitions - Qualitative Information

Credit Risk is associated with the probability of negative impacts on the Bank's results or capital, due to the inability of a counterparty to meet its financial commitments to the Bank. Credit risk is related to credit exposures, including securities, credit lines, guarantees, derivatives and the Bank's deposits with other credit institutions.

The following concepts also apply:

- **Credit to Clients**: amount of assets in the accounting accounts for credit to customers (14), overdue credit (15), other debtors (3148022), lines of credit (applicable amount of account 92), guarantees and sureties provided (9000).
- **Credit Exposure to Clients**: amount of credit to customers after the application of conversion factors for off-balance sheet elements according to EU Regulation No. 575/2015.
- **Overdue credit**: part or all of a credit transaction that has not been settled by the debtor 30 days after the agreed date. Its systematization complies with the rules established by Instruction No. 5/2013 of the BdP, when applicable, and a mandatory reporting is established for the purposes of consolidation in which the overdue credit is disaggregated by credit type and by classes (I, II, III and IV, V to IX and from X to XII).
- **Credit subject to parity:** when there is objective evidence of loss of receipts contracurrently established, in accordance with IAS 36 and 39 and, as well, Instruction No. 5/2013 of the BdP.
- **Non-compliance credit**: in line with Circular Letter 62/2018 and Article 127 of EU Regulation No 575/2013, credit shall be considered with capital benefits or interest accrued for more than 90 days or on which there is evidence justifying its classification as credit at risk, namely the bankruptcy or liquidation of the debtor. Regardless of the activation of the early maturity clause, the outstanding amounts of the credit transactions of related customers/groups of customers are still considered when their default credit exceeds 20% of the credit exposure to customers.

A number of risk reduction techniques are used, including the requirement of sound and liquid guarantees and the use of contractual clearing agreements.

The process of clearance and registration of impairments, although not a risk reduction technique within the meaning of the above, contributes very relevantly to the control of credit risk by compromising, with immediate impact as a result, the institution in relation to each credit exposure. In practice it translates into a process of self-collateralization of operations, which is why the institutions pay special attention to it.

The process of clearance and registration of impairments, although not a risk reduction technique within the meaning of the above, contributes very significantly to the control of credit risk by compromising, with immediate impact as a result, the institution for each credit exposure. In practice it translates into a process of self-collateralization of operations, which is why the institutions pay special attention to it. Also taking into account the introduction of IFRS9, the Bank carried out a thorough review of its disparity model at the end of 2017, with the immediate objective of the clearance of methodology and risk control. In a broader logic, it was also intended to create sustainable bases for new risk control methodologies, the effects of which are visible in the calculation of the economic capital that is explained below. In view of the relationship between these realities, the model for calculating impairments is attached to this exercise, as well as the model for determining the risk levels (NR) of the counterparties.

In order to qualify its counterparts in terms of credit risk, the Bank defined 11 levels of credit risk (NR), the level 1 being the lowest risk and corresponding to the 11th to a defaul tlevel.

For the determination of the NR, the Bank adopts a differentiated approach, according to the type of counterpart and the conditions of action or type of relationship:

- Whether there are companies or institutions, the Bank shares external credit ratings provided by recognized credit rating agencies, where available, as is the case for the vast majority of companies. Where external notations are not available, the Bank uses its own valuation models and is being an improvement;
- Where the Bank is the case for private clients or assimilated legal persons, the Bank uses its own model, and its refinement is also foreseen;
- While the first two situations apply very directly to credit operations, by nature constructed to measure, in other situations the relevance of the counterparta loses weight and begins to relight the characteristics of the operation so that the treatment becomes more uniform and less dependent on the credit conditions of the client – a typical case of acting in mass financial markets.

G.2. Quantitative Information

G.2.1. Exposures

Table 7 | Exposures by Risk Class

Risk Class	**2020**	**2019**	**Average 2020**	**Average 2019**
Public Administration	75,093,224 €	75,093,224 €	48,700,423 €	
Companies	110,738,004 €	110,738,004 €	92,176,401 €	63,568,965 €
Commercial Mortgage	22,752,311 €	22,752,311 €	33,902,983 €	30,736,671 €
Residential Mortgage	1.647.130 €	1.647.130 €	5.662.706 €	15,891,076 €
Credit Institutions	77,038,666 €	77,038,666 €	88,056,012 €	93,892,302 €
Default	6.194.006 €	6.194.006 €	6.696.765 €	2,779,317 €
OICs	3.279.416 €	3.279.416 €	11,689,016 €	6,723,074 €
Other	53,369,994 €	53,369,994 €	49,681,711 €	38,383,261 €
Total	**350,112,750 €**	**292,735,728 €**	**336,566,018 €**	**277,416,201 €**

G.2.2. Unit: Sector Distribution Percentage of Exposures

Table 8 | Sector Distribution of Exposures										
Sector	**Pub. Adm.**		**Other Companies**		**Private**		**Financial Sector**		**Total**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Public Administration	15,8%	23,28%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	15,83%	23,28%
Companies	0,00%	0,00%	25,62%	12,24%	0,00%	2,50%	0,00%	3,15%	25,62%	17,89%
Commercial Mortgage	0,00%	0,00%	12,49%	4,83%	2,48%	4,22%	0,00%	1,35%	14,98%	10,40%
Residential Mortgage	0,00%	0,00%	2,54%	6,11%	0,00%	0,91%	0,00%	0,18%	2,54%	7,20%
Credit Institutions	0,00%	0,16%	0,00%	0,00%	0,00%	0,00%	23,17%	25,54%	23,17%	25,70%
Default	0,00%	0,00%	0,00%	0,00%	0,53%	0,49%	0,00%	0,00%	0,53%	0,49%
OICs	0,00%	0,00%	6,62%	0,00%	0,00%	0,00%	0,00%	2,86%	6,62%	2,87%
Other	0,00%	0,00%	0,05%	0,00%	10,66%	12,17%	0,00%	0,00%	10,71%	12,17%
Total	**15,83%**	**23,44%**	**47,32%**	**23,18%**	**13,68%**	**20,29%**	**23,17%**	**33,08%**	**100,00%**	**100,00%**

G.2.3. Geographical Distribution of Exposures

Table 9 | Geographical Distribution of Exposures										
Sector	**Portugal**		**Brazil**		**Europe**		**Other**		**Total**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Public Administration	14,23%	23,28%	0,00%	0,00%	1,65%	0,00%	0,00%	0,00%	15,88%	23,28%
Companies	15,48%	14,66%	0,36%	0,41%	8,35%	2,48%	1,21%	0,33%	25,41%	17,88%
Commercial Mortgage	14,48%	9,98%	0,00%	0,00%	0,37%	0,42%	0,17%	0,00%	15,02%	10,40%
Residential Mortgage	2,55%	7,03%	0,00%	0,00%	0,00%	0,00%	0,00%	0,18%	2,55%	7,21%
Credit Institutions	12,58%	9,06%	0,71%	2,78%	9,95%	13,73%	0,00%	0,13%	23,24%	25,71%
Default	0,53%	0,49%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,53%	0,49%
OICs	6,63%	2,87%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	6,63%	2,87%
Other	10,74%	12,17%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	10,74%	12,17%
Total	**77,23%**	**79,53%**	**1,06%**	**3,19%**	**20,32%**	**16,63%**	**1,38%**	**0,64%**	**100,00%**	**100,00%**

G.2.4. Breakdown of Overdue and Uneven Exposures

Table 10 | Breakdown of Overdue and Uneven Exposures

Exposures	Positions at Risk overdue	Positions at Risk Impairment Object	Corrections of Value and Provisions
Total Positions	**4 016 507 €**	**80 537 680 €**	**1 779 970 €**
Setorial Distribution			
Private	1 823 855 €	18 792 051 €	512 001 €
Financial Sector	209 567 €	7 939 559 €	215 636 €
Other Companies	1 983 085 €	53 806 069 €	1 052 333 €
Geographic Distribution			
Portugal	3 728 262 €	78 019 387 €	1 473 111 €
Switzerland	1 €	1 €	1 €
Brazil	186 €	186 €	230 €
Belize	0 €		0 €
Chile	49 €	49 €	27 €
Denmark			0 €
Belgium			0 €
Angola		788 739 €	244 €
Spain	87 788 €	87 788 €	86 961 €
France		923 572 €	18 927 €
United Kingdom	6 €	6 €	4 €
Luxembourg	228 €	228 €	170 €
S. Tomé and Principe		517 748 €	321 €
Germany	0 €	0 €	0 €
United States Of America			0 €
Congo	199 975 €	199 975 €	199 975 €
Qatar	12 €	0 €	0 €
HK	0 €	0 €	0 €

G.2.5. Correction of Value and Provisions

Table 11 | Corrections to Provision Values

	31.12.2020	31.12.2019
Starting Balance	**1 797 949 €**	**1 758 851 €**
IFRS9 transition adjustment	0 €	0 €
Appropriations	7 828 450 €	1 064 215 €
Uses	0 €	-100 639 €
Resets/Cancellations	-7 179 441 €	924 284 €
Adjustments Exchange Differences	-564 912 €	-194 €
Final Balance	**1 882 046 €**	**1 797 949 €**

G.2.6. Adjustments for Specific and General Credit Risk

In the light of IAS 39 "Financial Instruments: Recognition and Measurement", a financial asset is in an uneven situation when there is evidence that loss events have occurred after the initial recognition of the asset, and these events have an impact on estimating the recoverable value of future cash flows of the financial asset considered.

The total accumulated impairments resulting from a specific analysis are understood as specific credit risk adjustment, but the total accumulated impairments resulting from generic analysis are understood as adjustments for general credit risk.

Given the nature and characteristics of its assets, in particular its credit portfolio, the Bank analyses its exposures individually, and therefore the accumulated impairments correspond in their entirety to specific credit risk adjustments.

The respective segregation by sector of activity as of 31.12.2020 is presented below:

Table 12 | Specific Credit Risk Adjustment by Sector of Activity

Activity Sectors	Adjustment
Headquarters and management consultancy activities	3 058 €
Activities of architecture, engineering and related techniques; testing and technical analysis activities	1 062 €
Consulting, scientific, technical and similar activities	98 299 €
Human health activities	16 399 €
Sports, fun and recreational activities	128 €
Financial and insurance activities	0 €
Real estate activities	249 687 €
Agriculture, animal production, hunting, forest and fishing	1 869 €
Accommodation	29 470 €
Retail trade, other than motor vehicles and motorcycles	56 480 €
Wholesale (includes agents), other than motor vehicles and motorcycles	59 573 €
Electricity, gas, steam, hot and cold water and cold air	0 €
Not applicable	1 116 331 €
Other service activities	6 724 €
Other extractive industries	0 €
Real estate promotion (development of building projects); construction of buildings	35 125 €
Advertising, market research and opinion polls	4 €
total	**1 674 209** €

G.2.7. Exposures to Risk by Residual Maturity

Table 13 | Geographical Distribution of Exposures										
Sector	**0D**		**< 1Y**		**< 5Y**		**> 10 Y**		**Total**	
	2020	**2019**	**2020**	**2019**	**2020**	**2020**	**2019**	**2020**	**2019**	**2020**
Public Administration	15,28%	19,63%	4,14%	1,12%	2,01%	0,97%	0,02%	0,01%	21,45%	21,73%
Companies	0,01%	8,31%	5,73%	5,42%	19,91%	8,68%	4,14%	0,49%	29,79%	22,89%
Commercial Mortgage	0,00%	7,11%	3,66%	1,77%	0,87%	0,65%	1,96%	0,40%	6,50%	9,94%
Residential Mortgage	0,00%	4,76%	0,07%	1,12%	0,33%	0,86%	0,08%	0,06%	0,47%	6,80%
Credit Institutions	14,62%	18,87%	0,57%	1,36%	3,00%	0,21%	3,82%	3,58%	22,00%	24,02%
Default	1,24%	0,00%	0,05%	0,00%	0,00%	0,00%	0,47%	0,46%	1,77%	0,46%
OICs	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,94%	2,67%	0,94%	2,67%
Other	0,28%	7,30%	8,76%	0,10%	3,56%	0,01%	4,48%	4,09%	17,08%	11,49%
Total	**31,42%**	**65,98%**	**22,99%**	**10,89%**	**29,68%**	**11,37%**	**15,92%**	**11,75%**	**100,00%**	**100,00%**

G.2.8. Countercyclical Reserve of Own Funds

The amount required for counter-bookings in accordance with Article 138 - E of the RGICSF (according to Law No. 35/2018, 49th version) is null, with reference to December 2020.

This reserve may vary between 0% and 2.5%, with a view to maintaining adequate capital conservation. By resolution adopted on 22 September 2020, the BdP, in the exercise of its powers as a national macro-prudential authority, decided that the percentage of reserve contracting capital in force in the fourth quarter of 2020 would remain at 0% of the total amount of exposures.

H. Credit Risk - Standard Method

H.1. Qualitative Information

The Bank adopts the credit ratings assigned by the Standard & Poor's agency for debt securities. Regarding the credit ratings of Central Administrations, in addition to those of Standard & Poor,s, the ratings of Moody’s and Fitch are used, in accordance with EU Regulation No. 575/2013.

The registration process is based on the ratings for the issues in question, whenever available. When there are no ratings for the issue, the rating assigned to the issuer is searched

H.2. Quantitative Information - Standard Method

Table 14 | Geographical Distribution of Exposures

	0%	2%	20%	22%	35%	50%	100%	150%	250%	Total
1. Original Exposures by Risk Class										
Pub. Adm.	63.105.686						6.219.988			**69.325.674**
Reg .Adm.			5 767 549							**5 767 549**
Shares							6 446 439			**6 446 439**
Companies						7 087 291	97 204 274			**104 291 565**
MortgageC						23 316 745				**23 316 745**
MortgageR					1 647 130					**1 647 130**
IC		4 603 649	46 571 939			24 080 165	1 782 911			**77 038 666**
Default							6 218 506			**6 218 506**
OIC's							3 279 416			**3 279 416**
other	70 506			150 000			22 358 132		257 324	**22 835 963**
High Risk								35 803 300		**35 803 300**
total	**63 176 192**	**4 603 649**	**52 339 489**	**150 000**	**1 647 130**	**54 484 202**	**143 509 566**	**35 803 300**	**254 324**	**355 970 953**
2. Exposures by Risk Class (Weight Stake Base)										
Pub. Adm.	63 105 686						6 219 988			**69 325 674**
Reg .Adm.			5 767 549							**5 767 549**
Shares						7 087 291	6 405 589			**6 405 589**
Companies						21 186 679	76 050 188			**83 137 479**
MortgageC										**21 186 679**
MortgageR					1 644 028					**1 644 028**
IC		4 603 649	46 571 939			24 080 165	1 782 911			**77 038 666**
Default							101 280			**101 280**
OIC's							3 279 416			**3 279 416**
other	70 506			150 000			18 470 142		257 324	**18 947 972**
High Risk								33 616 920		**33 616 920**
total	**63 176 192**	**4 603 649**	**52 339 489**	**150 000**	**1 6400 028**	**52 354 136**	**112 309 513**	**33 616 920**	**257 324**	**320 451 253**
3. Total Risk-Weighted Positions										
Pub. Adm.	-						6 219 988			**6 219 988**
Reg .Adm.			1 153 510							**1 153 510**
Shares							6 405 589			**6 405 589**
Companies						3 543 646	65 083 225			**79 593 833**
MortgageC						10 593 340				**10 593 340**
MortgageR					575 410					**575 410**
IC		92 703	9 318 388			12 040 083	1 782 911			**23 229 455**
Default							101 280			**101 280**
OIC's							3 279 416			**3 279 416**
other	-			33 000			18 470 142		643 311	**19 146 453**
High Risk								50 425 379		**50 425 379**
total	**-**	**92 703**	**10 467 898**	**33 000**	**575 410**	**26 177 068**	**101 342 551**	**50 425 379**	**643 311**	**189 756 690**

Amounts in Euros.

I. Credit Risk Reduction Techniques

I.1. Qualitative Information

The main technique of credit risk reduction is the use of financial collateral, securities, liquids and transactions in regulated markets, financial balances and term deposits. However, for other credits, the Bank accepts personal, real estate guarantees and real estate guarantees. All guarantees are evaluated regularly, in particular transactionable securities, which are evaluated several times a day.

These figures began to be considered for prudential purposes in 2010, by the comprehensive method on financial collateral, and were already in line with the Bank's conservative risk-taking policy and are therefore fundamental in the process of approval and management of credit risk.

In 2011, the Bank joined real estate collateral, where applicable, as positions guaranteed by immovable property, pursuant to EU Regulation No 575/2013 for prudential purposes.

In some cases, compensation agreements are also prudently recognised, which refer to overdrafts in bank accounts that offset exposures to the same institutions. These clearing agreements are provided for in the contracts held with the credit institutions referred to.

Since for prudential purposes real estate guarantees have reduced expression and were not considered personal credit protections, these amounts will not be presented in the Credit Risk Reduction Techniques table - Standard Method.

I.2. Quantitative Information

I.2.1. Credit Risk Reduction Techniques - Standard Method

Table 15 | Real Credit Protection (Comprehensive Method on Financial Collateral)

Credit Risk Reduction Techniques	Position in Net Risk	Financial Security (Adjusted Value)	Adjustment of Volatility
Public Administration		-	-
Companies	73 662 778 €	5.385.343 €	-
Commercial and Residential Mortgage	10 577 496 €	1.289.727 €	-
Credit Institutions	19 418 597 €	963 074 €	245 €
Default	6 247 950 €	4 153 €	76 696 €
OICs	4 897 630 €	-	-
Other	5 996 179 €	2,032,401 €	2 778 €
Total	**189 756 689** €	**9 674 698** €	**79 719** €

I.2.2. Concentration Analysis - Personal and Real Credit Protection

Table 16 | Concentration Analysis - Personal and Real Credit Protection

	Real Credit Protection					
	Eligible Financial Collateral		Real Estate Collateral		Compensation Agreements	
	2020	2019	2020	2019	2020	2019
Total Positions covered object						
Financial Sector	-	-	5 986 606 €	10 384 751 €		
Other Companies	46 899 €	110 709 €	53 776 167 €	58 820 485 €		
Private	7 437 658 €	7 932 490 €	10 462 652 €	11 025 655 €		
Total	**7 484 557 €**	**8 043 198 €**	**70 225 425 €**	**80 230 891 €**	**0 €**	**0 €**

J. Securitisation Operations

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

K. Position Risk, Counter-Off Credit and Settlement of the Trading Book

K.1. Qualitative Information

Market Risk consists of the probability of negative impacts on the Bank's results or capital due to unfavorable movements in the market price of investment and trading portfolio instruments, including fluctuations in interest rates, exchange rates, stock quotes or commodity prices.

This risk is primarily associated with the portfolio of assets valued at fair value, composed of short-term positions held by the Bank, in a speculative position, although it may have an effect on the bank's other own portfolios, to the extent that their positions are used as collateral for credits obtained.

Indirectly, this type of risk has an impact on the assets in custody, under management and traded, and may lead to a reduction in the Bank's income. Combined with credit risk and market liquidity, it can generate losses in the execution of credit guarantees.

The Bank maintains investments in the financial markets through its own portfolios of assets available for sale, assets valued at fair value and assets held to maturity, according to Reg. 575/2013, registered in accordance with IAS 36, 38 and 39. These portfolios are evaluated in *Coolbiz* (bank *backoffice computer* system) several times a day, whenever the quote is available. Contabilisically, the portfolio of assets held to maturity is recorded at amortized cost and the rest at fair value. Unrealized losses or gains are taken to reserves in the case of assets available for sale and the rest to results.

Monthly, the results and allocation of the assets of the Banking Portfolio and the Trading Book are presented in the Assets and Liabilities Committee (ALCO). Recommendations are made from this Committee that are taken into account by the Executive Committee in the strategic definition and by the D-department financeiro in the current management.

K.2. Quantitative Information - Capital Requirements (Trading Book)

Table 17 | Capital Requirements (Trading Portfolio)

	2020	2019
Trading Portfolio Risk	**529 399 €**	**650 777 €**
Debt instruments	366 536 €	573 077 €
Capital securities	8 000 €	6 349 €
Exposures to collective investment firms (ICO)	0 €	0 €
Foreign exchange risks	154 863 €	71 350 €
Counterpart Credit Risk	**0 €**	**0 €**
Settlement Risk	**0 €**	**0 €**

L. Foreign Exchange and Commodity Risk of Bank and Trading Portfolios

L.1. Qualitative Information

Regarding foreign exchange risk, the Bank is a company's total exposure by foreign currency, according to the standard method, according to Banco de Portugal notice No. 8/2007.

L.2. Quantitative Information - Capital Requirements - Foreign Exchange and Commodity Risk

Table 18 | Foreign Exchange Risk and Commodity Risk

	2020	2019
Foreign Exchange Risk	**154 863 €**	**71 350 €**
Standard Method	154 863 €	71 350 €
Risk of Goods	**0 €**	**0 €**

M. Exposures to Bank Portfolio Shares

M.1. Qualitative Information

The positions in shares of the banking portfolio are inserted in the portfolio of assets available for sale, whose value variations are recorded in fair value reserves. The shares attributed to this portfolio, due to their specificity, reflect a profitability adjusted to the Bank's business.

For listed shares, the Bank's computer system evaluates positions several times a day at market price, whenever available. In case of no market quotations, evaluations are requested from other institutions.

In the banking portfolio are also some unlisted Portuguese shares, whose companies have business relations with the Bank. At least annually, impairment tests are carried out on these assets.

Table 19 | Stock Exposures (Banking Portfolio)

	Listed Shares		Unlisted Shares		Total	
	2020	2019	2020	2019	2020	2019
Acquisition Cost/ Annual Value			633 384 €	701 228 €	633 384 €	701 228 €
Fair Value	0 €	0 €	0 €	0 €	0 € €	0 €
Income for the year arising from sales and settlements	0 €	0 €	45 633 €	2 964 €	45 633	2 964
Total unrealized gains or losses	0 €	0 €	0 €	0 €	0	0 €
Total gains or losses inherent in Internal Revaluations			119 116 €	-477 045 €	119 116 €	-477 045 €

N. Operational Risk

N.1. Qualitative Information

Operational risk consists of loss resulting from inadequacy or deficiency of internal procedures, staff or systems or external events, including legal risks, in accordance with EU Regulation No 575/2013. It is estimated on the basis of the probability of negative impacts on the Bank's results or capital, arising, inter alia, from failures in the analysis, processing, settlement, control or reconciliation of operations, internal and external fraud, the activity to be affected due to the use of outsourcing resources, insufficient or inadequate human resources, the inoperability of infrastructure and the inefficient segregation of functions.

Like other risks, it should be allocated capital, with its value determined either by prudential criteria or by economic criteria.

In this context, the Bank follows the Basic Indicator Method for determining own funds requirements, under which the own funds requirement in relation to operational risk is equal to 15% of the three-year average of the relevant indicator. The Relevant Indicator is defined based on the accounting categories of the profit and loss account, in accordance with Article 316 of EU Regulation No. 575/2013.

N.2. Quantitative Information - Operational Risk

Table 20 | Operational Risk

Elements	Operating Risk-Weighted Assets	Operational Risk Requirements
capital	17 977 636 €	1 438 211 €
total	**17 977 636 €**	**1 438 211 €**

Table Table 21 | Relevant Indicator Clearance the accounts whose balance contributes to the clearance of the Relevant Indicator are presented.

Table 21 | Relevant Indicator Clearance

description	Headings
(+) Interest and Similar Income	79
(-) Interest and Similar Charges	66
(+) Income from Capital Instruments	82 - 821
(+) Commissions Received	80 + 81
(-) Paid Commissions	67 + 68
(+) Financial Operations Results	[83 - (831 + 833)] - [69- (691 + 693)]
Other Operating Income and Revenue	[84 - (841 + 842 +843)] + 86*

O. Sensitivity Analysis of Capital Requirements

O.1. Qualitative Information

This section describes qualitative information regarding interest rate risk sensitivity of the bank portfolio.

Pursuant to Bank of Portugal Instruction No. 3/2020, which amends Bank of Portugal Instruction No. 34/2018, the Bank reports the exposure to interest rate risk of the banking portfolio (Interest Rate Risk in the Banking Book - IRRBB), including, namely, the result of the outlier test and the variation of the net interest income and the results of the outlier test "alert signal".

In that regard, in accordance with No 1 and 2 of Article 4, the sudden parallel variation of +/- 200 basis points of the original yield curve, *i.e.* without changes in interest rates, was considered, giving rise to two new yield curves, showing respectively a parallel increase and a parallel decrease corresponding to 200 basis points, subject, in the latter case, to the regularly predicted *floor.*

The magnitude of the shocks for the six scenarios defined in Table 1 of Annex VI of the Instruction shall also apply for each currency in which the Bank has significant positions. According to the criteria set out in No 1 of Article 4-B. paragraph r) of Instruction No 3/2020 of the BdP, two significant currencies, namely the Euro and the US Dollar, existed at the reference date of 31 December 2020.

The determination of the economic value involves the consideration of the net positions according to the time bands, depending on each of the yield curves, according to the scenarios.

In turn, the calculation of the values of the changes in the estimated estimated financial margin at 1 year, as a result, either of a parallel increase or of a parallel decrease in interest rates, is calculated taking into account the net positions in bands with a time horizon of not more than 12 months and also the implicit displacements in the curves for each time segment. In the calculations, the mid-point of each time band is also assumed.

As to the scope of the assets included in the report, all assets, liabilities and off-balance sheet elements sensitive to interest rate and present in the bank portfolio were considered, excluding the elements which verified one or more of the following premises:

- assets deducted from tier 1 capital;
- liabilities that make up common equity tier 1;
- assets, liabilities and off-balance sheet elements insensitive to the interest rate.

The main assumptions according to the time bands of the Instruction are also explained:

- for each fixed rate instrument, interest payments and periodic total or partial repayments of capital have been allocated to time bands dictated by the contractual dates of the payments inquestion;

- for each variable rate instrument, the total value of the capital was aspergiven to the time band dictated by the first rate revaluationdate; interest payments were, in the spread component on unreimbursed capital parcels, allocated to time bands dictated by the contractual dates of the payments in question (i.e.they were treated in that respect in a manner similar to that of fixed-rateinstruments);
- for the elements without a defined contractual term, which correspond essentially to the value of the demand deposits (assets and liabilities) and the net value of the undue exposures were allocated in accordance with paragraphs 10 and 11 of Annex II to that Statement.

O.2. Quantitative Information - Interest Rate Risk

The measurement of interest rate risk is carried out on a quarterly basis, also in line with instruction 3/2020. Table Table 22 | Interest Rate Risk the main results for the Bank's overall position are presented, with reference to December 31, 2020.

Table 22 | Interest Rate Risk

	Impact 2020	
Change in the economic value of the banking portfolio resulting from a parallel rise in the yield curve after the standard supervisor's shock (200bps)	value	-4,974,326 €
	% of Own Funds	-12,99%
Change in the economic value of the banking portfolio resulting from a parallel decrease in the yield curve after *the standard shock of* the supervisor (200bps, subject to the *floor)*	value	+217,485 €
	% of Próprios Funds	+0,57%
Change in the estimated financial margin to 1 year resulting from a parallel increase in the yield curve after the *standard shock of* the supervisor (200bps)	value	+1,352,883 €
	% of the Financial Margin	+28,73%
Change in the estimated financial margin to 1 year resulting from a parallel decrease in the yield curve after *the standard shock of* the supervisor (200bps, subject to the *floor*)	value	-319,923 €
	% of the Financial Margin	-6,79%

Finally, as to the nature of interest rate risk, the exposures in euro to debt securities from the own portfolio and loans and advances, partially mitigated by means of resources obtained from non-financial clients, stand out.