

15

ANNUAL
REPORT AND
ACCOUNTS 2015



EST. 1833

BANCO
CARREGOSA

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01

SUMMARY
OF INDICATORS

INDIVIDUAL ACCOUNTS	2015	2014 ^[*]	2014	2013
Financial margin	5 473 493	3 727 904	3 727 904	4 821 917
Net commissions	4 697 611	4 009 905	4 009 905	2 716 726
Gains from financial transactions (Net)	635 414	6 074 037	5 109 940	12 032 793
Other operating income	(168 857)	(138 143)	(138 143)	(580 600)
Net operating revenue	10 637 661	13 673 703	12 709 606	18 990 836
Staff costs	(3 744 658)	(3 430 326)	(3 430 326)	(3 372 816)
Other administrative costs	(4 463 702)	(4 129 974)	(4 129 974)	(3 716 633)
Structure costs	(8 208 360)	(7 560 300)	(7 560 300)	(7 089 449)
Amortizations	(573 157)	(547 320)	(547 320)	(874 989)
Provisions	(165 669)	171 636	171 636	(579 502)
Impairments	(591 339)	(4 561 192)	(4 561 192)	312 149
Profit before tax	1 099 136	1 176 527	212 430	10 759 045
Taxes	(281 719)	(180 480)	(180 480)	(3 709 881)
Net result	817 417	996 047	36 742	7 049 164

	2015	2014 ^[*]	2014	2013
Total net assets	228 224 913	198 685 655	198 683 075	228 858 967
Equity capital	30 530 931	33 961 995	33 959 415	38 657 129
Own funds	31 706 753	33 913 021	34 928 378	33 298 095
Client deposits	161 267 872	120 336 085	120 336 085	95 089 633
Loans granted / Client deposits	47.65%	42.74%	42.74%	41.06%
Overdue loans / Loans granted	0.80%	13.39%	13.39%	0.32%
Return on assets (ROA)	0.38%	0.47%	0.02%	3.09%
Return on equity (ROE)	2.53%	2.74%	0.10%	20.07%
Solvency ratio	17.99%	19.20%	19.70%	20.45%
Financial Margin / Interest-bearing asset	3.39%	2.03%	2.03%	2.61%
Structure Costs / Net operating revenue	82.55%	59.29%	63.79%	37.33%

[*] Restated amounts – See part 2.1 – Bases of presentation and comparability – Change in accounting policy (IAS 8) – Pg. 68.

02

SHAREHOLDING
STRUCTURE AND
GOVERNING BODIES

BANCO L. J. CARREGOSA, S.A.
GOVERNING BODIES¹**GENERAL ASSEMBLY**

Luís Manuel de Faria Neiva dos Santos
 Maria Manuela Pereira Antunes Matias

CHAIRMAN
 Secretary

BOARD OF DIRECTORS

Maria Cândida Cadeco da Rocha e Silva
 António José Paixão Pinto Marante
 Jorge Manuel da Conceição Freitas Gonçalves
 Nuno Rafael Domingues dos Santos Reis Maya
 Pedro José Malheiro Duarte
 Paulo Armando Morais Mendes
 Francisco Miguel Melhorado de Oliveira Fernandes
 Paulo Martins de Sena Esteves

CHAIRWOMAN
 Member of the Board of Directors
 Member of the Board of Directors
 Member of the Board of Directors
CHAIRMAN OF THE EXECUTIVE COMMITTEE (EC)
 Executive Director
 Executive Director
 Executive Director

SUPERVISORY BOARD

Maria da Graça Alves Carvalho
 Manuel José Lemos de Ferreira Lemos
 Eduardo Maria Lopes Rothes Barbosa
 André de Castro Amorim

CHAIRWOMAN
 Member of the Supervisory Board
 Member of the Supervisory Board
 Member of the Supervisory Board [Alternate]

STATUTORY AUDITOR (ROC)

Marques da Cunha, Arlindo Duarte & Associados
 represented by Joaquim Manuel Martins da Cunha
 António Magalhães & Carlos Santos

ROC
 Alternate [SROC]

SHAREHOLDERS WITH HOLDINGS OF MORE THAN 5% OF THE SHARE CAPITAL

Maria Cândida Cadeco da Rocha e Silva
 Jorge Manuel da Conceição Freitas Gonçalves
 Amorim Projetos, SGPS
 António José Paixão Pinto Marante

The members of the governing bodies for the three year period 2015-2017 were elected by the General Shareholders' Meeting held on 27 May 2015.

⁽¹⁾ See additional information in Subsequent Events.

03

MESSAGE FROM
THE CHAIRWOMAN
OF THE BOARD
OF DIRECTORS



Mr. Chairman of the Presiding General Board,

Dear Shareholders,

This is the seventh time that I am pleased to present you yet another annual report for Banco Carregosa.

Interestingly, 2015 was, in all, much similar to the previous year. Indeed, while 2014 saw a surprising collapse, which of course did serious damage to an already weak market, in 2015 we saw other developments – not so systemic, but equally of little consensus. The environment was marked by increasing fears of deflation (the attempts to revive the economy do not seem to be working), by foreign banks returning to their countries of origin, either closing down or reducing their operations in Portugal, outlining a further problem of concern, which is the ubiquity of the strongest.

The climate is of high uncertainty – the uncertainty of our times seems to be greater or taking longer to end – further enhanced by the continued review and expansion of regulations.

We want to believe that even in these somewhat confusing times there is room for a bank such as Banco Carregosa, small in size but with a very strong desire to improve its customer service mission and to consolidate its place in the market.

To build a solid basis, in 2015 we reviewed the strategic guidelines for the next 3 years, keeping the focus on Private Banking, to which we have added a specific service for private clients with high savings and investment potential.

We continue to consider new projects without losing sight of our idiosyncrasies and our high standards.

In this project, we hope to count on the involvement, competence and dedication of all employees, as only with their effort will the Bank achieve its desired results.

Banco Carregosa ended 2015 with a positive result of 817 thousand euros, own funds totaling 31.7 million euros and a solvency ratio of 18%, comfortably above requirements. But we hope to achieve more: without ignoring the present moment, in this century-old entity we are used to projecting the future, and this is what concerns us today in order to ensure the sustainability of Banco Carregosa.

We hope that our Shareholders will realise that our greatest concern is to always deserve their trust.

Thank you,

Maria Cândida Rocha e Silva
Chairwoman of the Board of Directors



01

MANAGEMENT
REPORT

In compliance with legal and statutory provisions, the Board of Directors of Banco Carregosa presents the 2015 Annual Report for 2015.

In compliance with the Portuguese Companies Code, this document includes, throughout its contents and notes to the financial statements, information on each mandatory heading listed in Article 66(5) of the Management Report.

4.1. BANCO CARREGOSA

Banco Carregosa results from the merger and transformation into a bank of a century-old institution that in its earlier times was dedicated to savings and investment. Pioneer and avant-garde, the foreign currency exchange house was established in 1833, even before the creation of Banco de Portugal, which occurred in 1843. The exchange house took its name after Lourenço Joaquim Carregosa, one of the partners in the 1870s, and became henceforth known as L. J. Carregosa, until the early 21st century.

In the 20th century, the company occupied numbers 276-278 in Rua das Flores, in Porto, where it first began its activity. This building, regarded as historical for the institution, is still the property of the Bank, which now has its head-office in Avenida da Boavista, two agencies in Lisbon and a satellite office in Madrid.

Throughout the 20th century, the Carregosa exchange house perfected its vocation in the areas of wealth management, foreign exchange, debt securities and financial services. In 1994, the partners of L. J. Carregosa & C^a Lda incorporated L. J. Carregosa – Sociedade Corretora, which became a financial brokerage house in 2001.

At the turn of the 21st century, the company made a pioneering advance with the launch of the first online brokerage service in Portugal and entered into partnership with the Danish Saxo Bank, which developed for Portugal the most advanced platform for trading in the stock market, today used throughout the world by various financial institutions. Developments in online trading led to the launch of the GoBulling brand in 2007, a set of platforms and services originally intended to channel online financial market investments.

Having received the license to operate as a banking entity in 2008, L.J. Carregosa then became known as Banco Carregosa.

The primary focus of Banco Carregosa is the Private Banking segment. It provides specialist and tailor-made banking and investment services of excellence. It is targeted to clients who appreciate, above all, the security of their assets, seeking to value them with the help of expert and exclusive advice.



In honouring its institutional legacy, Banco Carregosa guides its conduct according to the traditional values of the banking business, prioritising personal and customised contact, adopting a conservative stance in risk assessment, and seeking to have thorough knowledge of the financial situations and goals of the client in order to offer a truly independent and professional advice.

For private clients and families, the Bank offers general financial services, savings solutions, asset management, execution (traditional and online brokerage), including the subscription of investment funds and custody, as well as a comprehensive advisory service on matters related with wealth management, including support in the definition and management of the investment process and structuring of assets.

This offer is supplemented by savings and investment solutions adapted to the needs of clients who prefer to directly manage their assets through the latest and most advanced technological trading processes (digital channels /online).

The Bank also offers a number of solutions for institutional investors and companies, including corporate solutions and risk management and hedging, execution and custody, depositary of various types of investment fund, and clearing and settlement services in the Iberian Electricity Market – MIBEL.

The strategic guidelines defined by the Board for the period 2012-2014 were based on the concept «One Bank, One Brand, One Project, One Team», aiming, among other things, to fade the divide between Private Banking and Stock Market services.

In 2015, with the reappointment of the Board of Directors marking the beginning of a new mandate, the Bank reviewed its strategy, expanding further on the previous guidelines, based on the following ground rules:

- Maintain its position of Private Banking, focused on private clients of high net worth and affluent private clients with high savings/investment potential;
- To assert itself more and more as a reference in the target segments, Banco Carregosa will bet on the development and availability of cutting-edge technological solutions, on differentiation backed by innovation, service excellence and asset advisory and management services;
- Adoption of a single brand for the banking business, centred on the corporate identity of Banco Carregosa.

4.2. MAIN EVENTS IN 2015

JANUARY

- For the 4th consecutive year, GoBulling was shortlisted for the 2015 «Euronext Lisboa Awards» in the Category «Best Capital Market Promotion Event – Dedicated to Retail Investors», for jointly organising the «Jogo da Bolsa» (Stock Exchange Game) with Jornal de Negócios.
- The GoBulling Pro and GoBulling Pro GO platforms, used by the Bank in partnership with Saxo Bank received several international awards throughout 2015.
- Banco Carregosa launched the indexed product «Carregosa Cabaz Ações Zona Euro», a 2-year deposit with guaranteed capital at maturity, with returns depending on the profitability of a basket of four Eurozone shares – ASML Holding, Fresenius Medical Care, Airbus Group and Heineken.

MARCH

- GoBulling, used under a protocol with DECO, was considered by *Proteste Investe* as the best choice among the Portuguese intermediaries in the five profiles of investors analysed.
- Launch of the indexed product «Carregosa Cabaz Ações Rendimento Mais», a 2-year deposit with variable returns depending on the profitability of a basket of four European shares – Imperial Tobacco Group PLC, Red Eléctrica Corporation, Daimler AG e Roche Holding AG.

APRIL

- Launch of the indexed product «Carregosa Cabaz Ações Consumo», with minimum guaranteed remuneration with variable returns depending on the profitability of a basket of four European shares: Vivendi, Compagnie Financière Richemont, PSA Peugeot Citroën and Wolters Kluwer.

MAY

- A satisfaction survey was conducted using the online channel clients to better understand their needs and the factors critical to loyalty.
- Banco Carregosa introduced a multifactor code for its homebanking access system with a view to increasing security, one of the fundamental pillars of online financial products and services.
- Launch of the indexed product «Carregosa Cabaz Ações Sul da Europa», a 2-year deposit with guaranteed capital and variable returns indexed to the profitability of an equally weighted basket of four European shares: CTT – Correios de Portugal, Amadeus, Kering and ENI.

- Banco Carregosa worked together with other institutions as transfer agent in the Public Subscription Offer (OPS) of the debenture loan contracted by Futebol Club do Porto, SAD. The issue of «FC Porto SAD 2015-2018» shares resulted in the placement of EUR 45 000 000, represented by 9 000 000 of bonds at a nominal value of EUR 5 each.

JUNE

- Launch of the indexed product «Carregosa Shiller CAPE Europe junho 2017», a 2-year indexed deposit with guaranteed capital with returns depending on the profitability of the share index «Shiller Barclays CAPE™ Europe Sector PR Index», which follows the evolution of the four most undervalued European sectors of activity that also have the best relative price dynamics over the last 12 months, from a universe of 10 sectors.

JULY

- A protocol was signed between Banco Carregosa and Ordem dos Arquitectos – Secção Regional Norte (Portuguese Association of Architects – Northern Section), allowing the members architects to have access to several exclusive benefits in financial products and services offered by the Bank.
- The City Council of Porto awarded the «Gold Municipal Merit Medal» to the Chairman of the Board of Directors (BD) of Banco Carregosa, Dra. Maria Cândida Rocha e Silva.
- The Chairman of the BD of Banco Carregosa received the award «Lifetime Achievement in Financial Markets» at the gala for the IRGA 2015 Awards – *Investor Relations & Governance Awards*, a Deloitte initiative to reward the best in the Portuguese financial market.

SEPTEMBER

- Taking advantage of the low crude prices and the equity markets in general, the Bank launched the indexed deposit «Carregosa Cabaz Ações Energia», a 2-year indexed deposit with guaranteed capital with variable indexed to the profitability of an equally weighted basket of five energy-related company shares: Exxon Mobil, Repsol, Total, ENI and BP.
- 1st edition of the «Banco Carregosa Miramar Open», a golf tournament with characteristics similar to those of a Tour, approved by the Portuguese Golf Federation and open to all categories. The tournament was held on three consecutive days and involved about three hundred golf players.

OCTOBER

- 2015 Stock Exchange Game jointly organised by GoBulling, Jornal de Negócios and ISCTE.
- Launch of the new GoBulling Pro Go trading platform, now faster, simpler and more intuitive to enable trading from any device.

- Against the backdrop of the initiatives of the Secretary of State for Parliamentary Affairs and Equal Opportunities in the context of promotion of gender equality in the labour market, in particular on achieving a better balance between men and women in boards of companies, Dra. Teresa Morais, at the invitation of the Chairman of the Board of Directors, visited the premises of Banco Carregosa, in Porto, which is the only Portuguese bank presided and founded by a woman.

- Launch of the product «Carregosa Cabaz Ações Consumo Outubro 2017», with variable returns indexed to the profitability of an equally weighted basket of four shares of companies in the consumer goods sector, with a defensive profile: Unilever, Nestlé, Mondelez and PepsiCo.

NOVEMBER

- Banco Carregosa was honoured with the award «Medium or Small Sized bank that grew the Most 2015» from the magazine Exame, who together with Deloitte assessed the performance of banks and insurers in Portugal.
- Organisation of a seminar exclusive for clients entitled «Outlook 2016 – Prospects for financial markets», which saw the intervention of Vítor Bento on the Portuguese economy. It was followed by a presentation of the Bank's preview on the allocation of assets for 2016, followed by a debate moderated by journalist Camilo Lourenço. The seminar took place at the library of Museu de Serralves, in Porto.
- The seminar «Outlook 2016 – Prospects for financial markets» was also held in Lisbon for private banking clients. The session saw the intervention of Philippe Jabre, founder and CIO of Jabre Capital Partners. It was followed by a presentation of the Bank's preview on the allocation of assets for 2016, followed by a debate moderated by journalist Pedro Santos Guerreiro.

- Launch of the product «Carregosa Cabaz Europa novembro 2017», the profitability of which was indexed to the performance of an equally weighted basket of four European shares – Sonae SGPS, Aena, Orange and Admiral Group – selected for being medium-sized companies leaders in their markets, generating the bulk of their revenues and results in their domestic markets.

- As part of the regular product offer intended to complement the savings and investment options available to the online channel clients, the Bank launched the Public Subscription Offer (OPS) of Nota Autocallable EuroStoxx50 novembro 2020.

DECEMBER

- To promote training initiatives, Banco Carregosa entered into a partnership with ISCTE, entitled «Trading and Investment Club», which aims to provide educational contents to current and former students of Economics of ISCTE.

- Launch of the indexed product «Carregosa Cabaz Natal 2017», a deposit with guaranteed capital the returns of which depend on the equally weighted performance of a basket of the following companies: Walt Disney Co, Apple, Sony Corporation and LVMH.
- Launch of the service «Carteira Recomendada Proteste Investe». This service stems from a partnership between the Bank and Proteste Investe, and allows investors to easily replicate the portfolio of stocks selected by Proteste Investe. The Bank ensures the execution of clients' orders and securities purchases/sales based on the recommendations disclosed by Proteste Investe.
- Banco Carregosa was the placement agent for the public subscription offer for the increase of the share capital of the «RETAIL PROPERTIES – F.I.I.F.» fund, a close-ended investment fund launched in 2013 to attract opportunities for investment in buildings earmarked mainly for food retail.

- (ii) Analysis and information about current aspects that impact on market development; and
- (iii) Information about trading and investment strategies, including fundamental analyses and technical tools, among others.

In 2015, GoBulling began to offer daily research reports, in audiovisual form, with the «Highlights of the Session», available only to the clients of the online trading platform.

One of the priority measures was to convey useful and timely information needed for decision-making in such a complex and challenging environment. As being close to the clients is also of the utmost importance, several knowledge-sharing events were held throughout 2015, attended by invited guests from various areas, thus promoting the discussion of topics of interest and concern to everyone involved.

Communication with the media

The presence of Banco Carregosa has been very notable in the main Portuguese media. Note also the Bank's visibility abroad, in particular in the large-scale media specialising in finance and economics, in Europe, the USA and Portuguese-speaking countries, such as Angola, Brazil, Cape Verde and Mozambique.

In the Portuguese media, Banco Carregosa was cited in 1 430 news articles published in 2015, in 88 media, the main one being the TV channel «Económico TV», with 83 news items, under a cooperation agreement by which several weekly interviews with some of the Bank's experts are aired on television.

October recorded the largest number of news (14%), while April recorded the highest «Advertising Value Equivalent» (AVE of 12%) and December achieved the most «Opportunities to see» (OTS of 13%).

Of the 1 430 news articles, 38% were published online, 32% in audiovisual media, and 30% in the Portuguese written press. Note that the television medium with 24% of the total news achieved 83% of all AVE. As regards the media, note the generalist media with 57% of all news. The generalist media also stood out as regards AVE (51%), mainly due to the weight of television news.

The number of positive or neutral news represented all the news. In 2015, Banco Carregosa reached 9 028 614 people, generating an AVE of EUR 3 770 653.

In terms of marketing and advertising, some campaigns were produced, in larger numbers in the case of GoBulling, given its target segment. Note should be made of the sponsorship given to the programme «5 Anos Económico TV», which covered several events and activities organised by Diário Económico.

4.3. MEDIA POLICY AND SOCIAL RESPONSIBILITY

Brands and media

Since its early days, Banco Carregosa has always kept a very low profile as far as public exposure is concerned. Its intention is to maintain a thrifty, discreet and credible approach that tallies with the trust that clients place in the Bank. However, this does not mean lack of communication with clients or with the community.

As in previous years, Banco Carregosa provided to its private banking clients access to exclusive newsletters with analyses carried out by the Bank's asset management team on the various investment strategies. Clients also had access to theme seminars held in Lisbon and Porto.

At GoBulling, on the other hand, communication with clients was done mostly online via chat, available on the trading platform, operating daily between 8 a.m. and 9 p.m. During these hours, clients can contact the Lisbon and Porto trading room operators by e-mail or telephone. In addition, a daily newsletter was distributed disclosing the essential information about the happenings in the main markets, as well as daily research reports prepared by independent experts.

Our clients have again been interested in the theme webinars and face-to-face workshops, of an essentially formative nature. These initiatives mainly involve three aspects:

- (i) Information and training on platforms and the instruments traded therein;



Social responsibility

Banco Carregosa is sensitive to the concerns of society and is particularly aware of the problems that affect the community. It has consistently made an effort to meet the needs in the field of health, sports, research and culture, locally and countrywide.

In 2015, the area of health and support to patients received the most support. Banco Carregosa gave priority to initiatives related with cancer, mental illnesses, children's health and oral health. The following are some of its contributions:

- Term deposit specific for Women's Day, with a donation to the «Mama Help» project, a non-profit support centre for breast cancer patients;
- Participation in the 28th edition of the «Rome Marathon», collecting funds for the «Mama Help» project;
- Support to the «Walk & Run» project of Colégio CLIP Porto – charity and fundraising for the paediatric services of IPO Porto;
- Support to the construction of the «Mama Help» project website, which provides relevant information on breast cancer;
- Present at «Tea at the Yeatman», a fundraising event organised by «Mama Help»;
- Present at the charity dinner of the 9th anniversary of «ENCONTRAR+SE» and the UPA Recognition Prize ceremony;
- Support to «MAKE-A-WISH Portugal», a non-profit organisation formed to grant the wishes of children aged between 3 and 18 with life-threatening, progressive, degenerative or malignant diseases.

- Fundação AMI (international medical assistance) was supported by Banco Carregosa in the donation of Christmas gifts for the neediest at the Abrigo Noturno da Graça (Lisbon), a night shelter for the homeless supported by that institution.

A society that plays sports is healthier, more fraternal and even more productive. This is why Banco Carregosa supports so many sports initiatives, especially those geared for children and youth, as shown in examples below:

- Support to the sports and recreational Association «Associação Desportiva e Recreativa da Pasteleira»;
- Sponsorship of one of the promising Portuguese golf players, João Maria Pontes;
- Support to the promising rugby team of Colégio Pedro Arrupe, who participated in the official competition of the Portuguese Rugby Federation, in the Colégios CUP tournament and in several other national and international events;
- The 1st Hernâni Gonçalves Football tournament organised by Colégio Alemão in Porto.

The attention that Banco Carregosa pays to culture goes back a long way, having supported some of the initiatives for several years. Banco Carregosa is, for example, the founding member of Casa da Música, having earned that status in 2013. Although some of the contributions are made on a regular basis, the Bank has made a point of giving priority to new initiatives:

- IN SPIRITUM – the 2nd International Festival of Music and Contemplation in Porto, supported by Banco Carregosa;

- The Bank promoted two classical music concerts, entitled «Schubert in the Arab Hall», at Palácio da Bolsa in Porto, directed by Filipe Pinto Ribeiro, who also played the piano, and with Jack Liebeck on the violin, Isabel Charisius on the viola, Justus Grimm on the cello and Tiago Pinto-Ribeiro on bass;
- Patronage support given to the commemorations of the 100th anniversary of the birth of architect Agostinho Ricca;
- Support to the exhibition «*Meeting Points*», promoted by Fundação Calouste Gulbenkian;
- Support to the Italian cultural week – Associazione Socio – Culturale Italiana Del Portogallo Dante Alighieri;
- Banco Carregosa sponsored the presentation of the work of Doménico Theotocópuli «El Greco», «A Sagrada Família com Santa Ana», part of the cycle of exhibitions «Obra Convidada» at the National Museum of Ancient Art (MNAA), the purpose of which is to publicise the works of great Western painters, rarely showcased in Lisbon.
- Support given to Fundação Calouste Gulbenkian to organise the concert with the Gulbenkian orchestra and choir, to raise funds for the Refugee Support Platform coordinated by Rui Marques.

4.4. INTERNAL ORGANISATION AND BUSINESS SEGMENTS

From the organic point of view, up to 2015 Banco Carregosa had based its activity on three major business areas: Private Banking, Institutions and Corporate, Treasury and Capital Markets.

Following the review of strategic guidelines for the 2016-2018 period, the value proposition put forward by Banco Carregosa continues to be centred on the specialisation of savings and investment solutions much supported by independent advisory services supplemented by other measures, now focusing on four major core business areas:

- Private banking;
- Affluent banking;
- Corporate business; and
- Treasury and own portfolio.

Essentially directed to private clients, Banco Carregosa's main proposition is Private Banking: based on trust, traditional values, personal contact, a conservative approach to risk assessment, profound knowledge of the clients' financial position and goals, and on the ability to provide professional

advice in asset management. This proposition is characterised by a close relationship between the client and the private bankers who, as required by the administration, work with a limited number of clients in order to ensure excellence in the services provided.

The Bank will focus on developing and improving the private banking multichannel service, comprising a relational service for clients with high net worth, who value an independent and customised service, offering the best solutions and products in an open platform logic.

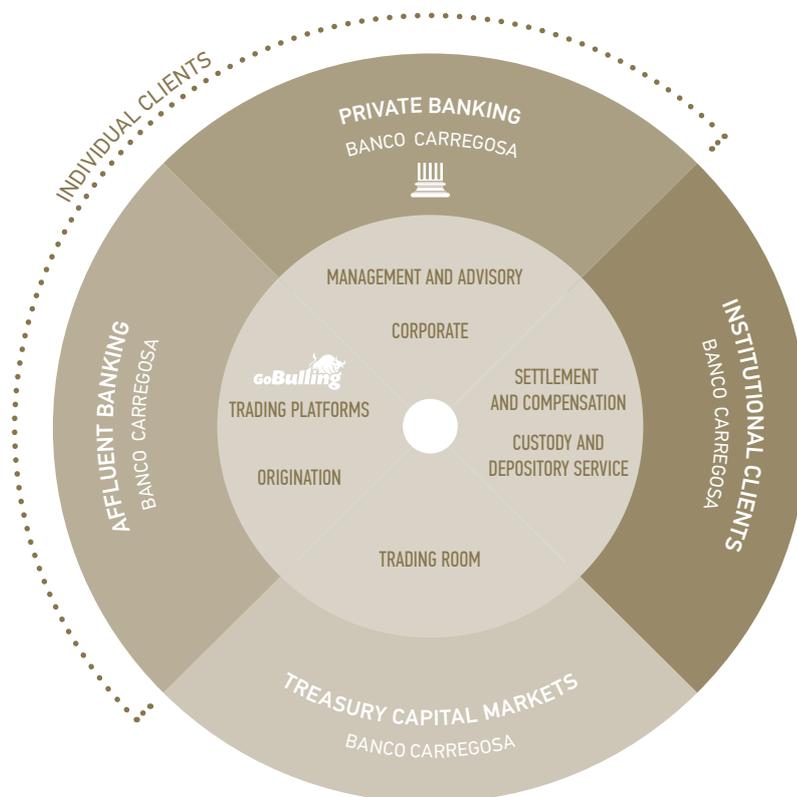
In parallel, the Bank set up at the end of the year a business area especially targeted to affluent clients – defined as clients with high savings and/or investment potential, but nevertheless with a net worth below that of private banking clients. This business area was formed with the help of the current commercial teams, namely through the online channel, supported by an external sales force – the network of investment advisors (tied agents) – that aims to address the lack of the physical presence of the Bank in some locations in Portugal by having commercial representatives in those areas.

In addition, digital channels will be strengthened for the business units oriented to the private client segment. In particular, the new area of affluent clients will be supported on a new website on the Internet offering a wider range of solutions and savings and investment products, and improved asset and financial movement query services.

On this website, investors who prefer to work independently while nevertheless relying on the advice of market experts will continue to have access to a wide range of savings and investment products, as well as to the most important financial markets, through modern technological platforms for online trading.

In addition to the offer addressed to private clients, Banco Carregosa provides a significant number of specialised services designed especially for **institutions and corporate**, including execution, clearing, settlement and custody, primary market, mergers and acquisitions, financial consulting and asset management.

Finally, the area of treasury and own portfolio, which include investment portfolio management, is an essential part of Banco Carregosa's activity, having contributed significantly in recent years to the net operating revenue. Its relevance is visible in the influence it has on the sourcing of products and solutions for clients, and in the management of liquidity and hedging risk positions.



Those four business areas are supported by six core services:

- Treasury and own portfolio;
- Advisory, sourcing and asset management;
- Trading room and E-trading;
- Clearing, settlement and custody;
- Loans;
- Other banking services.

The advisory, sourcing and management service is responsible for the entire investment and advisory process, based on an approach by class of assets, combining a fundamental (strategic) approach and a momentum (tactics) approach. Building on the extensive knowledge of clients, it is up to this team to design investment solutions tailored to each client and to further select the best investments available in the various markets for each class of assets. This offer is complemented by the work of the **sourcing** team that matches the market prospects of the Bank's managers with the clients' profiles, offering products geared to their specific needs.

Based on the investments proposed, clients can expect Banco Carregosa to provide three specific services, each addressing different levels of autonomy in financial asset management: discretionary management, advisory services, or the simple execution and custody.

Discretionary management is done directly in the clients' accounts, and can be based on management models – allocation strategies or specific strategies for the managed pool of certain classes of assets – or portfolios tailored to the client. Strategic positioning is similar in all respects to the positioning defined in the asset allocation models, albeit adjusted to the clients' profile and opinion, for example, excluding or including assets/sectors according to the client's preference.

As regards advisory services especially geared to clients wishing to be more involved in the management of their assets, while valuing expert and continued advice to help them structure their portfolios and select the best assets and opportunities, clients manage their own investments, but always keeping contact with our professional managers.

For those clients seeking only a high quality execution service, the Bank provides its Lisbon and Porto trading rooms and e-trading platforms, using these facilities, the support structure for investors, and the support of experience traders to offer access to a broad range of markets and instruments, providing swift execution and other services such as, for example, credit to purchase financial instruments.

Clearing, settlement and custody include the activities that support the management and trading services for both private clients and institutions. In a context of tightening trading activities and aiming to streamline the Bank's operational resources, investment fund depositary services have been added in recent years – extensively redesigned in the 2015 financial year as a result of the changes in the applicable regulatory framework – as well as clearing and settlement services in the Iberian Electricity Market (MIBEL).

Lending operations have continued to grow, reflecting their greater attractiveness in a context of lower interest rates in other investments and given the higher liquidity levels. This service is primarily instrumental to the private client business areas, either through short/medium term transactions collateralised by clients' assets, or to enable the acquisition of financial instruments.

Other banking services comprise a number of activities ancillary to the main services.

4.5. ECONOMIC BACKGROUND AND THE STATE OF FINANCIAL MARKETS

In 2015, the overall economic activity increased by about 3%, slightly slowing down compared to the 3.3% increase in the real GDP worldwide in 2014. This slight slowdown was due mostly to the drop in emerging economies, led by China that picked up at 6.9% – the lowest increase not seen for 25 years – and to the consequent drop in the price of raw materials.

The growth of developed economies, on the other hand, was very much in line with that of the previous year. The drop in the price of oil and other raw materials helped bring about faster economic growth and improved external accounts, as these countries are usual importers of raw materials.

In a somewhat troubled international context, the North-American economy grew by 2.4%, whilst the growth of real GDP in the Eurozone became more pronounced, increasing 1.5% in 2015 compared to 0.8% in 2014. Growth in the Eurozone recovered, showing no marked differences between the various countries members of the Monetary Union, one of the catalysts being domestic demand.

European inflation tended to reverse in 2015, with a slight increase of 0.2% following the deflation recorded in 2014 (-0.2%). This was helped by the monetary stimulus programmes introduced by the ECB and the weakening of the US dollar against the Euro, by 10.2%, throughout 2015, which helped to «import inflation».

As for Portugal, two factors are worth mentioning: (i) a positive growth rate (+1.7%) above the average EU growth, something not seen since 1999, chiefly due to a boost in private consumption above 2.5%, contrasting with a growth of about 1.7% in Europe; and (ii) a reduction in the debt/GDP ratio which was of 130.2% at the close of 2014, dropping to 128.9% at the close of 2015.

Portugal is still in an economically fragile situation, with only one rating agency giving the sovereign debt a rating of *investment grade*, and low credibility about its capacity to pay its public debt. Although the unemployment rate has dropped compared to previous years, it is still high enough to reflect the lack of investment, so it is still of great concern.

Financial markets

The main highlight in 2015 were the alarming news of a slowdown of the Chinese economy, manifested in the continued pressure on the price of raw materials, on emerging economies and, in the second half of the year, on stock markets. The fear that the Chinese government might devalue the currency to stimulate the economy spooked investors and fuelled doubts that this would result in the export of deflation.

The policies to stimulate the monetary market continue to be the most influential factor in financial markets: while the ECB and the Bank of Japan are implementing a *Quantitative Easing* – QE programme, with more and more stimulating criteria, the North-American Federal Reserve increased rates at the end of the year, something not seen for about a decade.

Against this backdrop, the main worldwide share indices recorded levels of volatility higher than in previous years. In general, performance reached a peak at the end of the first quarter, and then the trend was reversed and the year ended close to minimum values.



The North-American stock market was slightly negative for the year, while the European and Japanese markets grew by 4% and 9%, respectively, boosted by the monetary stimulus programmes. The year was quite difficult for emerging markets, with the MSCI Emerging Markets Index dropping 16.96%.

For the fifth consecutive year, index variations were higher than the variations in the revenue of companies, which fell both in Europe and the USA, although more pronounced in the *old continent*, resulting in a further expansion of the P/E ratio (price/earnings).

As regards bonds, the year was, in general, rather dull: in the USA, coupons included, the *investment grade* debt fell by 1.1% and *high yield* bonds fell by 5.7%. This was not the case in Europe, largely because of the monetary stimulus programme: profitability was close to zero.

Despite economic uncertainties, the following will be inevitable in 2016: growth of world economy and global inflation below historical average; in OECD, interest rates should remain very close to zero; financial asset prices increasing above historic values and the rebalancing of the Chinese economy is bringing the price of raw materials down, thus affecting the growth of economy and assets of emerging countries. This cycle will lead to the export of deflation and to the valuation of the US dollar, as opposed to the falling Yuan.

Debt means trouble on the horizon: the world debt to GDP stands at 300%; the public debt of developed countries increased by 75% since 2007; since then, the Chinese debt has increased by 400%; in 80% of the countries, household debt has increased and half of the government bonds pay a rate lower than 1%.

One of the bets of Banco Carregosa for 2016 is to selectively choose shares worth investing in. Another alternative that has

shown good results is the indexed deposits – although their capital is guaranteed, they do tend to pay more than the traditional term deposits. Our preference is for indexed deposits with longer maturities. As an alternative to the traditional classes of assets, we suggest portfolios of hedge funds.

4.6. OVERVIEW OF THE ACTIVITY

Since it was established, Banco Carregosa has assumed a position in private banking, which is reflected in two key dimensions:

- Target-clients, in the segment of private clients with high net worth and high savings/investment potential;
- Type of services provided: advisory and management, execution and custody.

In the course of its services provided, in particular execution and custody (including trading platforms, custody, individual accounts and UCITS depositary), the Bank has been able to provide a competitive offer suited to the specific needs of its institutional clients. In 2015, the Bank decided to reform the business area dedicated to this segment to give a new impetus to sales.

4.6.1. Private banking

Private banking is the core business area of Banco Carregosa in terms of assets under supervision, significantly contributing to the turnover of the Bank's various services, with the exception of e-trading. Its quintessential service is asset management, although it also serves as the main sales channel for loans.

This activity has been particularly challenging given the distrust caused by the financial crisis and the various incidents in recent years that have affected the sector, accentuated by the evolution of regulation. In this regard, we should like to comment very briefly on the implementation of European rules on *bail* in if a credit institution is declared insolvent (potentially or effectively), in force as from 1 January 2016, which states that the capitalisation of institutions must be ensured sequentially by the shareholders, followed by subordinated creditors, and, finally, on an equal footing, by the senior creditors and clients with deposits of more than EUR 100 000.

The conservative position of the Bank, the protection of the client's independent activity – the private banker always acting in the best interest of the client – and a business model that promotes the Bank's off-balance sheet activity are, in this framework, important factors for the success of the private bankers' team, distributed between Porto and Lisbon.

On another note, account also needs to be taken of the impact that price evolution of financial assets and its uncertain future behaviour have on the clients' investment decisions. Market moments marked by strong volatility or by a particular sensitivity to risks, as seen in 2015, imply an added effort to maintain the desired growth rates.

The negative interest rates and the pronounced increase in market volatility, in the second half of 2015, had the desired effect and influenced the composition of the more conservative portfolios. Alternative ways were found to increase the level of diversification, in particular through placements in investment funds, of asset allocation or hedge funds.

Despite the adverse economic context, in 2015 we continued to identify opportunities and alternative investment solutions tailored to the needs of each client. Given the 2014 end-year values, assets under supervision grew by more than 30% and assets under management increased by about 25%.

Note also the increasing importance of the granting of loans, a subsidiary of the private banking activity, allowing the Bank to promptly address one-off liquidity needs of clients, leverage financial investments or facilitate the diversification of its assets by investing in income real estate assets.

Credit growth has also been accompanied by an increase in term deposits, the latter being the main source of funding of Banco Carregosa, recording a growth of 30% in 2015 compared to the previous year.

4.6.2. Affluent banking

The online channel was set up in 2014 to broaden GoBulling's scope of activity, which was until then exclusively dedicated to online trading. Since then, efforts have been made to develop

the necessary support to achieve the goal of meeting the needs of clients with high savings/investment potential. Plans are underway for launching the marketing of foreign investment funds, for introducing the *Unit Linked* and for reformulating loans for the acquisition of transferable securities, in addition to the already mentioned new trading platforms.

The strategic evolution planned in 2015 for this segment – which will embrace a new brand in 2016, called for new changes, for example, the autonomisation of the marketing structure, of the website product management (including customer service) and of the e-trading area.

In 2015, the online channel's main source of income continued to be e-trading, through the website or the GoBulling platforms, which, in the past year, due the adverse market events already mentioned showed a tightening of activity, a trend which should be reversed in 2016 with the introduction of new platforms.

The Bank strengthened its partnership with DECO by launching an innovating service called «Carteira Recomendada Proteste Investe» (Proteste Investe Recommended Portfolio), exclusively for Proteste Investe magazine subscribers. Its purpose is to give clients the possibility of giving instructions to execute transactions in a simple and convenient way according to the recommendations of Proteste Investe, in such a way that the portfolio of shares published in the magazine may be replicated.

As regards savings products, 2015 was characterised by a wide variety of indexed deposits for clients seeking guaranteed capital and a higher-than-inflation yield. Several promotional deposits were prepared for new clients. In respect of investment products, the Bank also offered participation in the public subscription of bonds and notes.

The savings and investment activity was endorsed by trading through the website www.gobulling.com, offering more functions, more information, and the possibility of making more contractual offers through that resource.

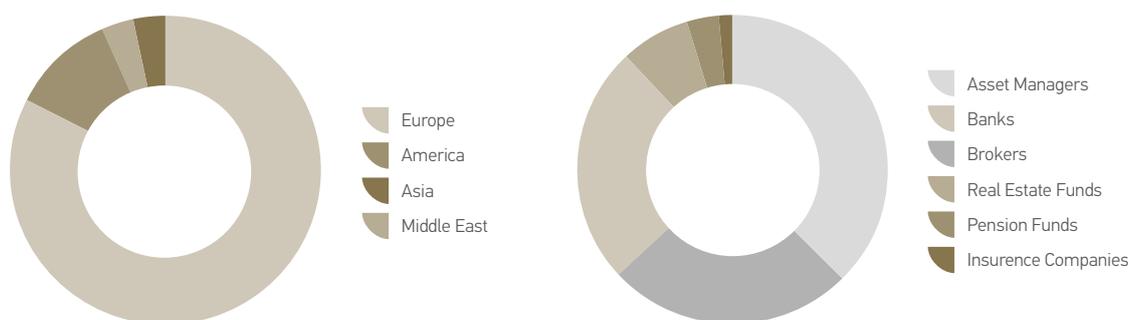
4.6.3. Institutional business

The area of institutional business was restructured in May 2015. The first few months were spent organising the internal structure and preparing a service of excellence, focused on the execution of shares and bonds. The basis of the business was ready in September, at which time the Bank hired the sales team. The number of clients has increased tremendously this year, and more execution accounts have been opened.

The offer designed for the execution of shares, already under way, allows (i) the execution with several algorithms, (ii) the execution in shares, at global level, with access to almost all world markets; (iii) execution by the clients in DMA, and (iv) block trade crossing.

The offer designed for the execution of bonds, also under way, allows access to the main world players, at the best market prices.

Geographical location and type of clients



The year ended in line with the projections for the development of this business area. The pace of growth in the number of clients in 2016 is not expected to be as sharp, but fees, commissions and volumes are expected to grow considerably. The new lines of business being prepared will certainly allow clients to be more involved.

4.6.4. Cash and portfolio management

In 2015, the more stringent economic horizon made treasury cash and own portfolio management even more difficult than in the previous year. The CEB's decision to keep interest rates in negative territory, the interventions in the bond market and excess liquidity in the banking system narrowed the possibilities of achieving profitability, maintaining low risk levels.

The stabilisation of short term interest rates at negative values changed the paradigm of monetary markets. The main goal of placing funds was no longer profitability, but rather to contribute to reducing costs. In other words, maintaining large amounts of liquid assets was no longer a neutral option, but became a cost.

In Portugal, the elections at the end of the year and the events in the aftermath of the constitution of the new government created a climate of uncertainty and an increased risk in the Portuguese public debt, not offset by the increase in remuneration. The low profitability of placements in the European markets and the low yields compared to the risk of placements in Portugal is the reason why placements with greater profitability in emerging markets, in particular Brazil, have been maintained.

The turbulence of emerging markets in general, heightened in Brazil due to political problems that have spread to the economy, have made investments in Brazilian bonds not so profitable in 2015. This trend is expected to reverse in 2016 once the political situation is cleared and some issues are nearing their maturities.

At the same time, and impacting positively on the financial margin, increased focused and attention was placed on lending operations, which recorded a growth of about 50%, along with improvements in the analysis of lending procedures. This portfolio is almost entirely hedged by real or financial guarantees.

Following with the integration as an institution in the banking system, works continued to prepare for joining the T2S, a securities settlement system, and the Bank joined the SWIFT system. Communications with other institutions have consequently become safer, quicker and more reliable. The launch of the Banco Carregosa credit card was also approved, to take place during 2016.

Despite the amortisation of the LTRO (Long Term Refinancing Operation) and the replacement of funding through central banks by clients' deposits, the cost of funding was reduced, reflected in the drop in market interest rate levels. For the same reasons, the rate for placement of liquidity surpluses was reduced.

4.6.5. Main services

Asset management

Due to the low interest rates and high volatility, especially during the second half-year, the activity in 2015 was rather challenging, especially in identifying investments with an appropriate ratio between expected yield/risk.

As part of its function of supporting the marketing areas, the asset management team defined and monitored the asset allocation suggestions for each investment profile, helped prepare investment propositions, ensured the discretionary management of portfolios and management models², and promoted the launch of new products to attract investment opportunities identified by the team.

As far as management is concerned, Banco Carregosa has a reduced market share, justifying a much higher evolution compared to the market, assets under management having grown on average about 75% a year over the past three years and more than 25% in the previous year. This segment shows a large margin for growth, so we are confident that it will continue to bring in more market share.

In respect of origination, 2015 was an ambitious year, taking into account the goal of providing a differentiated, comprehensive and continued offer throughout the year. The Bank launched nine new indexed deposits, marketed two notes in public offerings, and more than twenty five notes in private offerings. The volumes allotted in the primary market operations and in indexed deposits also recorded an increase of about 15% compared to 2014. We were therefore able to provide our clients with a very comprehensive range of products both in terms of risk assets and of the level of risk-weighted returns.

This area was also responsible for the placement of other issues, namely the public offering subscription for the share capital increase of the «RETAIL PROPERTIES – F.I.I.F.» fund in December, amounting to 8.1 million euros.

In 2015, the Bank also provided advisory services in investment matters, raising of capital and support in managing investment vehicles.

In 2016, we will remain committed to showing consistent results, which is the main success factor in the long run, and will seek to improve and increase the options available to

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² Despite the *open platform* approach that allows managers to choose the solutions and investment products that best suit the clients' investment goals, the Bank continues to have three strategies – Alpha, BBS (bonds) and Active Value (shares) – all of which with positive historic performances, albeit the somewhat different results in 2015, with the two former being penalised by the exposure to emerging markets – devaluing 4,5% and 6,4%, respectively – and the share strategy increasing by 8,3% (compared to 5,5% of the European index).

clients, in particular through the launch of five new strategies adapted to different objectives and risk profiles.

E-trading

E-trading ensures the management and support to online trading on the website of Banco Carregosa and on the trading platforms GoBulling PRO and GoBulling PRO Go. The latter, launched after summer, was developed by our partner Saxo Bank with a view to facilitating its use and improving performance. It has the following new features and characteristics:

- Available for PC, MAC, tablets and smartphones, with total interaction between devices;
- Executed through a browser without having to install applications;
- New graphics tool, based on the latest technology;
- Access to the full range of financial products, including the most complex ones – more than 30 000 different instruments across FX, CFD, shares, options and futures.

As inflation rates in the Eurozone were kept low in 2015 and the pace of growth of global economy, and especially of emerging economies, was revised downward, allocations in stocks became more challenging.

The main stock markets in the world were also shaken by the concerns about China, which made a comeback in August in 2015 and remained throughout the year, with the slowdown of the Chinese GDP becoming the centre of concern, now being more uncertain due to the high accumulated debt.

Despite the first rise in interest rates in the USA, by the Federal Reserve, in December, the number of central banks with negative interest rates increased. The ECB (which began the *Quantitative Easing* in March) and the Bank of Japan were responsible for flooding the economy with almost 125 billion euros every month.

In the last quarter of 2015, volatility increased and because shares and goods devaluated, derivatives were used more as hedging rather than leverage.

INDEX	2015	% CHANGES IN VOLUME	2014	% CHANGES IN VOLUME
PSI20	+10.71%	-25.88%	-26,83%	33,60%
CAC40	+8.53%	+22.99%	-0,54%	21,70%
EuroStoxx50	+3.85%	+15.62%	1,20%	15,92%
S&P500	-0.73%	+16.36%	11,39%	18,98%
IBEX35	-7.15%	+5.81%	3,66%	22,23%
DAX30	+9.56%	+22.81%	2,65%	10,01%

The devaluation in the price of goods must not go unmentioned in the 2015 balance, in particular the evolution in the price of crude oil (the WTI varied -30.47%, to be added to the 45.87% loss recorded in 2014), pushing the performance of economies in, for example, Angola, Russia and Brazil.

In this market context and in an increasingly more competitive environment, there was a year-on-year steep drop in market share in trading derivative instruments, balanced by the fact that 2014 was a year of major growth.

Regarding the trade in shares the total share increased compared to 2014, although online trading recorded a loss.

These indicators are expected to improve in 2016 as a result of new platforms, expansion to more markets, and the adoption of a new price list.

FINANCIAL PRODUCT	MARKET SHARE							
	2015	2014	2013	2012	2011	2010	2009	2008
Shares								
Off + Online	2,9%	2,0%	2,4%	2,4%	3,6%	2,6%	2,3%	2,1%
Online	5,7%	6,5%	8,1%	9,9%	12,9%	10,7%	6,8%	7,8%
Forward market orders received online	9,0%	12,0%	11,0%	16,0%	15,0%	20,0%	23,0%	18,0%
Futures	3,4%	17,2%	6,4%	23,2%	7,5%	30,9%	23,6%	16,9%
Options	0,4%	98,2%	88,7%	95,8%	82,7%	n/d	n/d	n/d

Clearing, settlement and custody

Depository of investment funds

By the end of 2015, Banco Carregosa provided depository services to four real estate investment funds and five venture capital funds. The total net value of these funds rose to 72.4 million euros, of which 58.7 million euros relate to real estate investment funds and 13.7 million euros to venture capital funds. This activity should continue to grow in 2016.

Clearing and settlement in the Iberian Electricity Market (MIBEL):

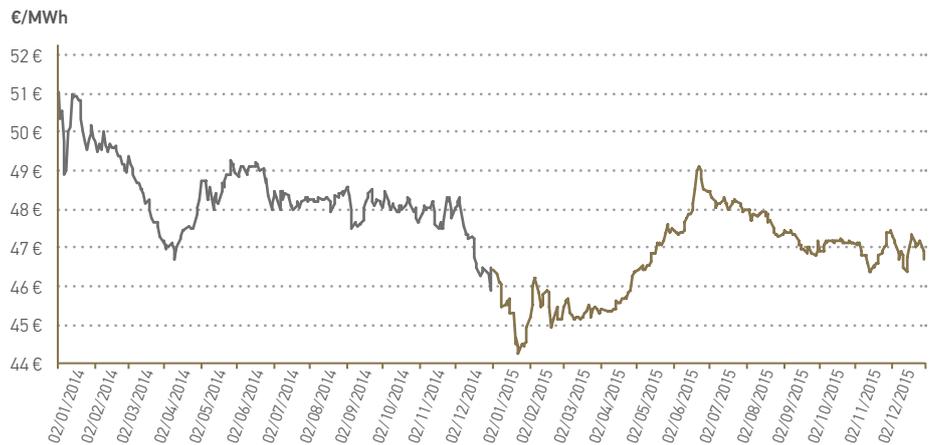
Over the coming decades, the energy markets will need a tremendous amount of investment and funding, taking into account, in particular, the «decarbonisation» of the economy arising from the conclusions of the 21st Conference of the Parties to the United States Framework Convention on Climate Change (COP21), held in Paris between 30 November and 11 December 2015.



Aware of the crucial role of energy on the political and economic agenda, reflected in the impact that oil prices have had on world economy, and making the best use of its ability to embody various market

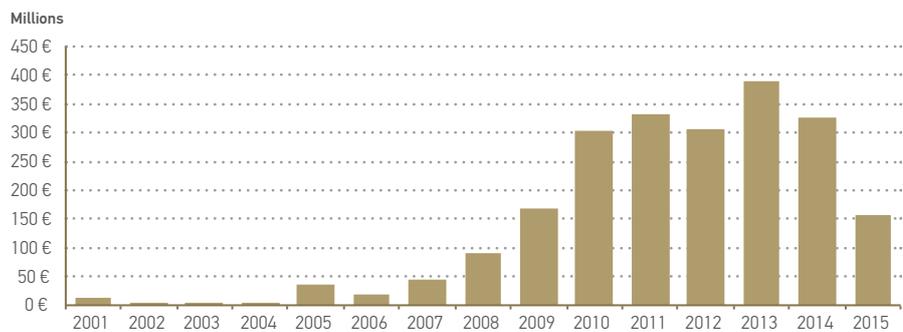
realities, Banco Carregosa began to work in 2013 as a clearing member of the Iberian Electricity Derivatives Market. In 2015, this market was characterised by a sharp drop in prices, with the annual benchmark contract always well below EUR 50 /MWh, as shown in the figure below.

Annual Contract Price 2016 (€/MWh)



The Iberian Electricity Derivatives Market has also seen a historically low in traded volumes, having fallen to about half that of the previous year, dropping back to 2009 levels.

Iberian Electricity Derivatives Market (traded volume, MWh)



As far as developments in the OMIP market are concerned, five more trading members were admitted; in September, daily products were launched for trading on the stock exchange. September also saw the start of SWP purchase auctions with a profile adjusted to the production of photovoltaic solar energy.

Banco Carregosa maintained the profile of clients and trading members served, fully inclined to non-resident agents. A renewal process was initiated in 2015, with some participants being suspended and released, and some new agents being admitted, in particular the admission of the first Portuguese participant. More Portuguese participants are expected to be admitted in 2016.

As a result of the overall market trend as well as of this renewal process, in 2015 the volumes traded by the Bank dropped about 60% compared to 2014, but they are expected to recover in 2016.

4.6.6. Supporting activities

Internal control

The Internal Control System (ICS) plays a key role in Banco Carregosa, aiming to enforce the legal obligations and duties to which the Bank is subject, and to appropriately manage the activity-related risks, thus ensuring its stability and continuity.

The Bank's ICS is based on three units: Risk, Compliance and Internal Audit, who report directly to the Executive Committee of the Board of Directors, which is itself committed to promoting an internal control environment and culture with high ethical and integrity standards.

The Risk Department ensures the implementation of the risk management system, assessing in terms of quantity and quality all the risks for which the Bank is accountable. It is also responsible for preparing and presenting periodical reports to keep the competent governing bodies and regulatory authorities informed about issues related with risk management. In 2015, the Risk Department was strengthened to respond to the needs arising from the increasing lending business.

Compliance is in charge of monitoring the compliance of legal obligations and duties to which the Bank is subject. To that end, it regularly monitors the rules and regulations being published, disseminating them to the relevant departments and collaborating in the definition and implementation of procedures to be adopted. In today's context of increasing regulation on the financial activity, shown below in detail, this unit has also helped define the training programme for employees, and develop internal training activities given by the department itself.

Regarding the prevention of money laundering and terrorist funding, Compliance has a critical role in that it is responsible for defining the mechanisms to control and detect suspicious transactions.

The role of *Internal Audit* is primarily a monitoring role. Considering the risks to which the banking activity is exposed, Internal Audit defines a monitoring action plan that enables all activities, processes and systems to be analysed, in order to assess the adequacy of the ICS, issuing, where appropriate, recommendations based on the findings of those analyses. The main weaknesses found and compliance with the recommendations made are reported to the competent governing bodies.

Increasing regulation has become more and more relevant in the financial sector, with cross-cutting impacts on its organisations, affecting, among others, the relationship between the Bank and its clients and the information systems underlying the provision of banking services. Because of the

functions of structural units that make up Internal Control, changes in regulation have substantially impacted on the activity of departments.

In 2015, we highlight the following legal instruments:

- *Foreign Account Tax Compliance Act* – FATCA – Approved on 18 March 2010, being wholly part of the *Hiring Incentives to Restore Employment Act*, came into force on 1 July 2014. The primary goal of the FATCA legal instrument is the prevention of tax evasion of US taxpayers, not exempt from tax on income earned outside the USA. Although this legal instrument was transposed at the end of 2014, the bilateral agreement between the USA and Portugal was only signed in August 2015. Since then, institutions are still waiting for the remaining legislation to be published, as well as for indications regarding the deadline for the first reporting to the relevant authorities, so that they can meet the requirements of this regime.
- *Common Reporting Standard* – CRS – Global initiative led by the OECD to increase fiscal transparency, very much like the FATCA, but more comprehensive, requiring multiple annual reports of accounts of residents in the signatory countries. The CRS came into force on 1 January 2016. Like FATCA, this legislation amends the requirements for opening an account, and introduces the need to strengthen the control and compliance procedures and new reporting requirements, which should start in 2017.
- General Regime of Undertakings for the Collective Investment in Transferable Securities (UCITS) – Law 16/2015, of 24 February, has partially transposed Directives 2011/61/EU and 2013/14/UE, conducting a thorough review of the legal regime of collective investment undertakings. This review had a significant operational impact on the Bank, leading to the review of depositary contracts as well as to the introduction of new operational procedures, many of which relating to the monitoring of the activity of funds and/or management companies, and to the production of an annual report to be sent to the supervisory authorities.

Human resources

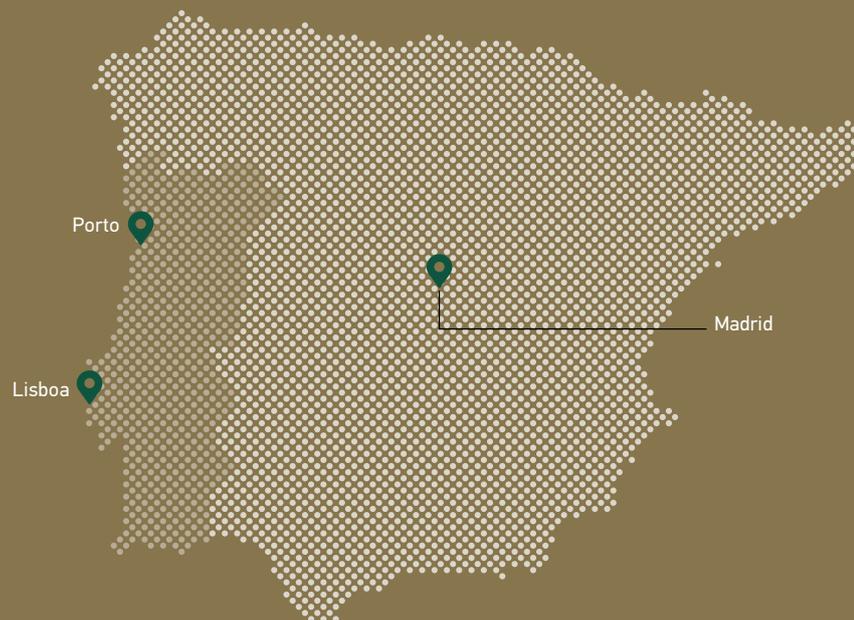
The **talent management** strategy of Banco Carregosa is a core component of the organisational strategy. This strategy includes the prudent and sustained growth of the institution and its resources, namely human resources, focusing on the development of talents with diversified skills, capable of keeping up with the evolution and highly specialised business model of Banco Carregosa. One of the priorities of development is that employees are flexible and able to adapt to the constant changes in the sector.

The central objectives of talent management is to attract, develop and retain the best talent by creating the right environment where employees feel motivated to explore all their potential, with a positive and constructive attitude, making them want to stay in the organisation.

The following are the objectives of the Human Resources Department:

- Attract and select the best talent in the financial sector labour market;
- Develop the potential of existing employees;
- Retain the best talents in the organisation.

Geographical spread of Banco Carregosa



STAFFING DEVELOPMENTS	DEC. 2015	DEC. 2014
Porto (head-office)	62	56
Lisbon	15	17
Madrid (satellite office)	2	2
Total	79	75

As in 2013 and 2014, the number of staff has continued to grow. While at the end of 2014 the Bank had 75 employees, this number increased to 79 at the end of 2015. This growth reflects the formation of a skilled team focused on the development of corporate business.

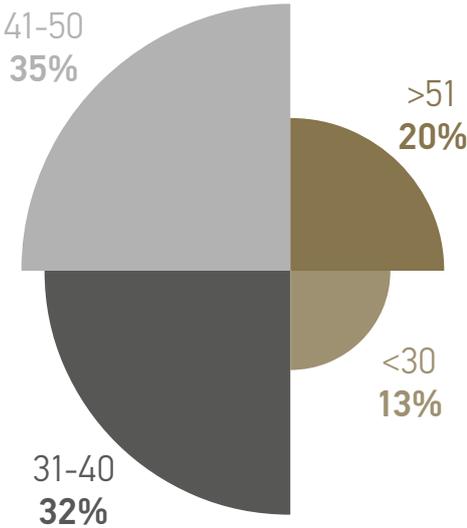
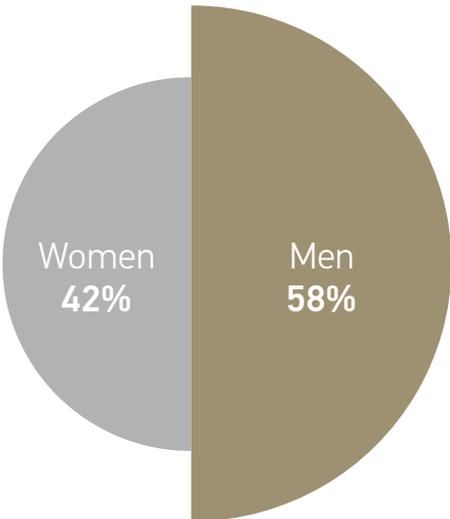


The employees of Banco Carregosa have great potential, skills suited to their functions, experience in the banking sector, and above average qualifications (75% of employees have higher education).

The distribution of employees by gender has remained stable. At the end of 2015, 43% of employees were women.

The average age of employees is 42.

Distribution by gender and age bracket



In 2015, particular attention was paid to training, for example, by financing post-graduate studies and specialisations abroad, as well as providing support for obtaining the CFA certification. This focus is expected to continue in the coming year.

05

REVIEW
OF ACCOUNTS

5.1. INDIVIDUAL ACCOUNTS

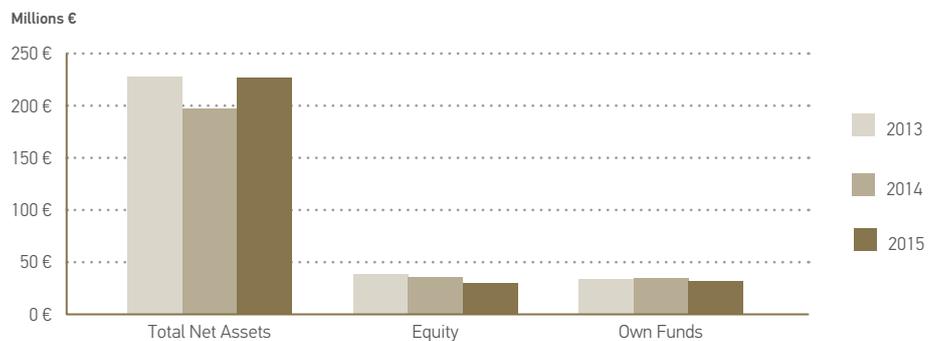
2015 ended with net positive results for the Bank in the amount of EUR 817 417 which, compared to the equally positive EUR 996 047 (restated) results in 2014, represents a slight decrease of 18%. These results took into account the significant increase in financial margin (+46%), in net fees/commissions (+17%), and in currency revaluation (-0.1%). Structure costs, as a whole, saw an increase of (+8%), whereas, on a negative note, the results of own portfolio dropped considerably (-89%).

The main performance indicators are shown in the table «Summary of indicators», which shows the major developments of the Bank in 2015.

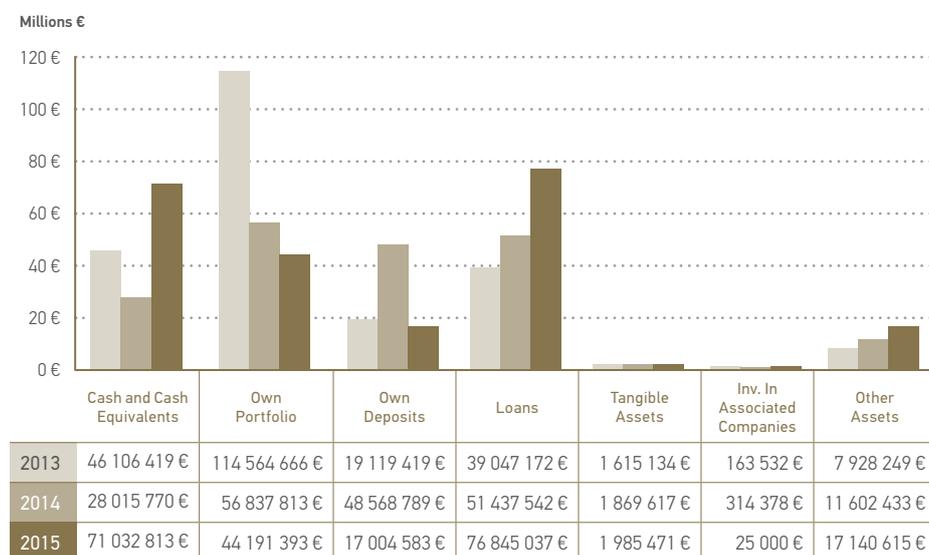
Net assets increased by 15% to about 228 million euros, as a result of the shift of investments in credit institutions to deposits in central banks, of the rise in loans to clients, of the recognition of deferred tax assets arising from the consideration of tax losses, and of a reduction in the portfolio of available for sale financial assets. At the same time, as the result of the negative revaluation reserves of the investment portfolio, **equity capital** has decreased to 30.5 million euros. **Own funds** have followed this trend, standing now at 31.7 million euros.

	2015	VAR %	2014 (*)	VAR %	2013
Total Net Assets	228 224 913 €	14.9%	198 685 655 €	-13.2%	228 858 967 €
Equity Capital	30 530 931 €	-10.1%	33 961 995 €	-12.1%	38 657 129 €
Own Funds	31 706 753 €	-6.5%	33 913 021 €	1.8%	33 298 095 €

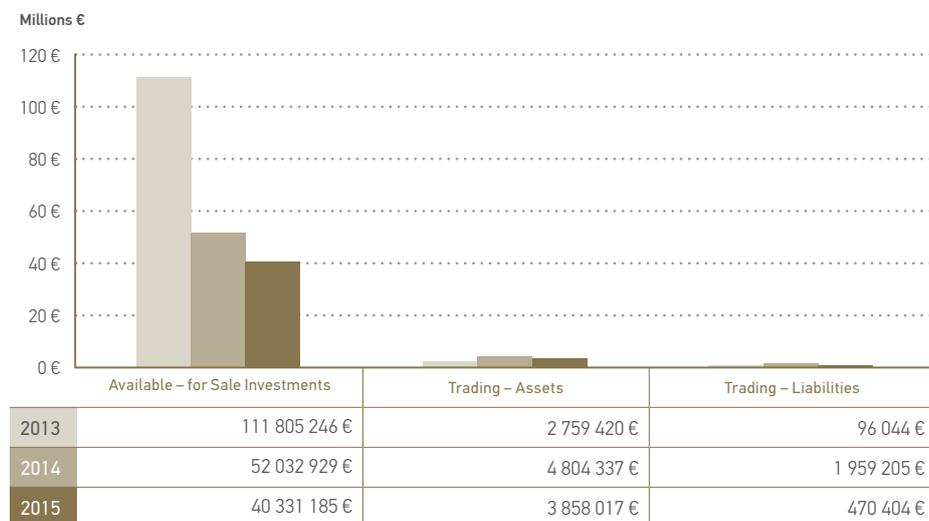
(*) – Restated amounts.



Composition of assets

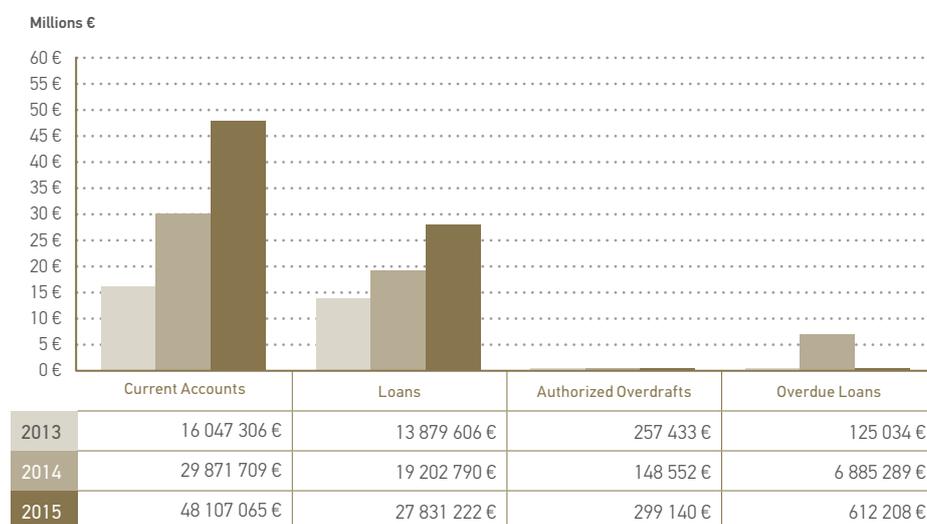


Evolution of securities portfolio



The Bank's securities portfolio (investments and trading) alone account for 19.4% of net assets, compared to 28.6% in 2014. In absolute and aggregated values, for each of the years, it represented 44 and 57 million euros, respectively (excluding liabilities held for trading).

Evolution of Loans Portfolio

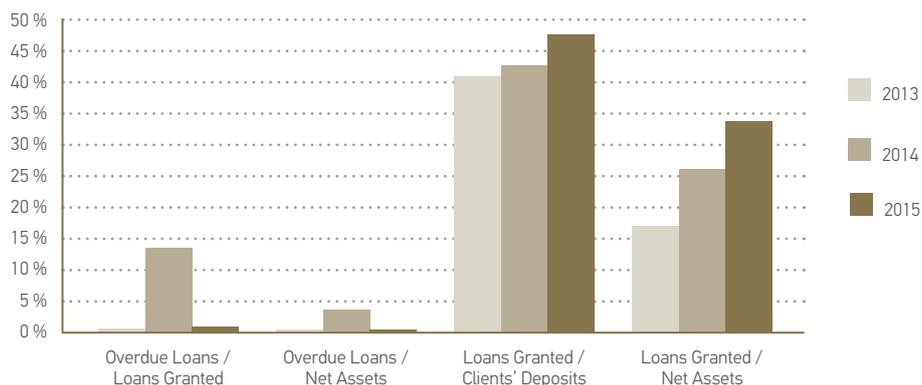


After stabilising in 2013, unchanged compared to 2012, in contrast with shortage in the market, the loans portfolio received fresh impetus in 2014 in part due to demand and to the Bank's openness to credit operations. This portfolio, which has particular characteristics and is for specific purposes, represents the contracts validated by a notary, most of which have to be registered in the land register, although the Bank does not grant consumer credit or housing credit. Moreover, the Bank holds, in most operations, personal guarantees from debtors or guarantors.

LOAN CONTRACTS	31/12/2015		31/12/2014	
	NO. OF CONTRACTS	OUTSTANDING LOANS	NO. OF CONTRACTS	OUTSTANDING LOANS
Loans	26	27 831 222 €	33	19 202 790 €
Acquisition of securities	2	2 050 000 €	4	3 760 000 €
Cash-flow support	22	25 696 135 €	22	12 075 562 €
Miscellaneous investments	2	85 068 €	7	3 367 228 €
Escrow accounts	40	48 107 065 €	36	29 871 709 €
Acquisition of securities	11	9 379 764 €	12	5 447 082 €
Cash-flow support	23	29 339 004 €	24	24 424 627 €
Miscellaneous investments	6	9 388 297 €	0	0 €
Authorised bank overdrafts	2	299 140 €	1	148 552 €
TOTAL	68	76 237 427 €	70	49 223 051 €

Real estate collateral is reviewed periodically by accredited and independent technical evaluators, based on prudential criteria that reflect the evolution of the real estate markets, the nature of the buildings, their potential for use, and liquidity. Other guarantees consist of pledges of financial investment portfolios. New loans were mostly granted to clients with a low risk profile. As a result of this policy, the amount of overdue loans is not significant (capital and accrued interest), representing, in 2015, EUR 179 597 of provisioning. Provisions for general credit risks fell by 5.5%, amounting to EUR 857 617 at the end of 2014 and EUR 810 519 in 2015.

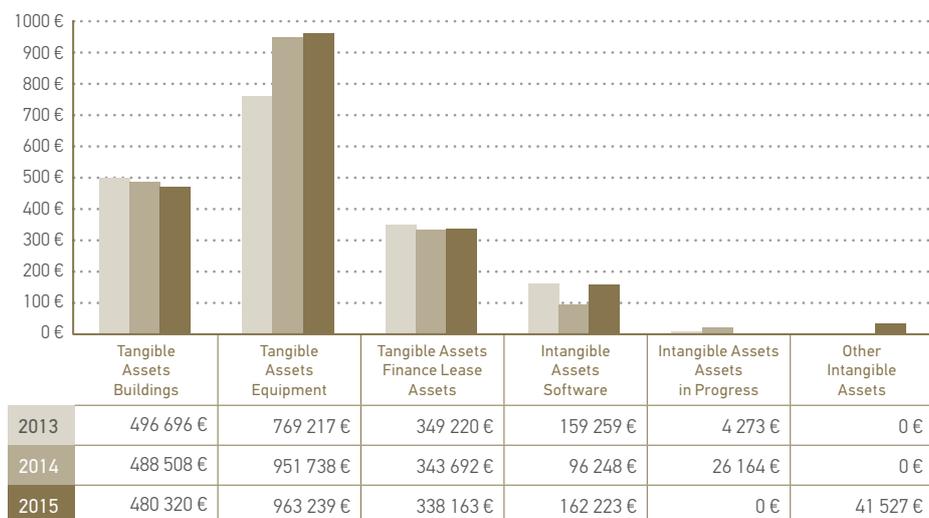
Regarding loans to clients, there was an increased appetite for this business area, representing a net growth of 54.8% (+ 27 014 M€). This analysis has to take into account the acquisition from a non-resident banking institution of an overdue loan in the amount of 6.4 M€, the purchase of which amounted to 1.8 M€ in 2014. The related impairment represented 4.62 M€. A promissory contract and a financial guarantee were required for the assignment of this credit, completed in 2015. The Bank has not changed its loan granting policy, both in terms of type, purpose and associated guarantees. With the exception of this last impairment, it is clear that overdue loans and their provisioning have remained at the same level as in previous years.



	2013	2014	2015
Overdue loans / Loans granted	0.32%	13.39%	0.80%
Overdue loans / Net assets	0.05%	3.47%	0.27%
Loans granted / Clients' deposits	41.06%	42.74%	47.65%
Loans granted / Net assets	17.06%	25.89%	33.67%

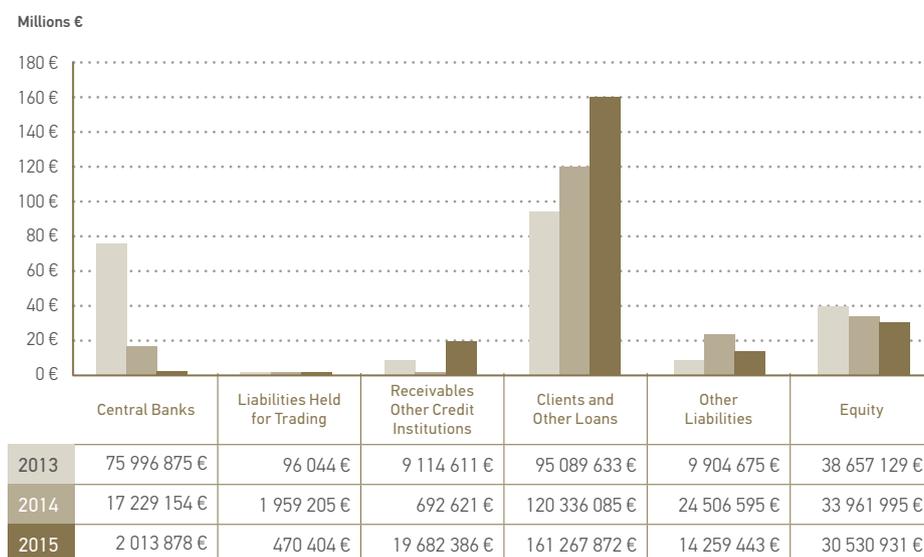
Fixed Assets – Net Value

Thousands €



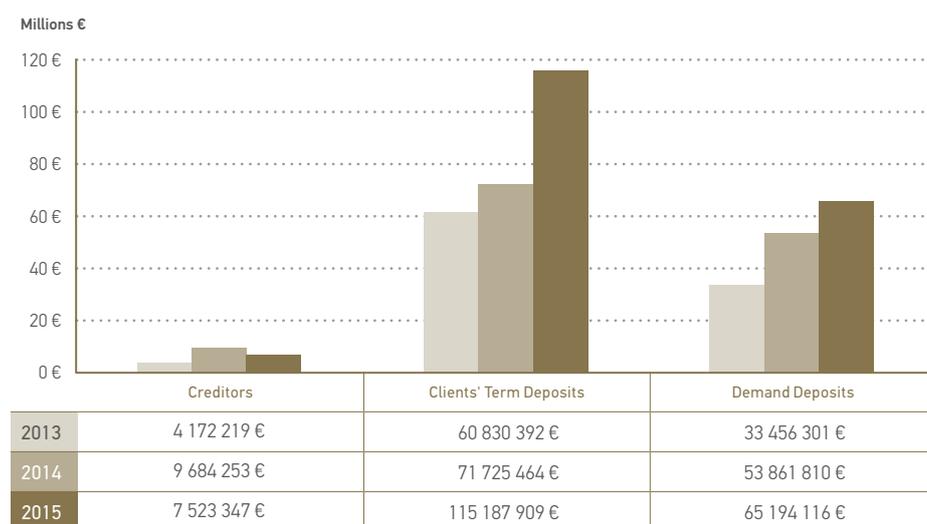
The net fixed assets have registered a year-on-year growth rate of 4% each year, resulting from investments, mostly of which are replacement investments. Emphasis is made on the full depreciation of vehicles in 2013.

Composition of Liability and Equity

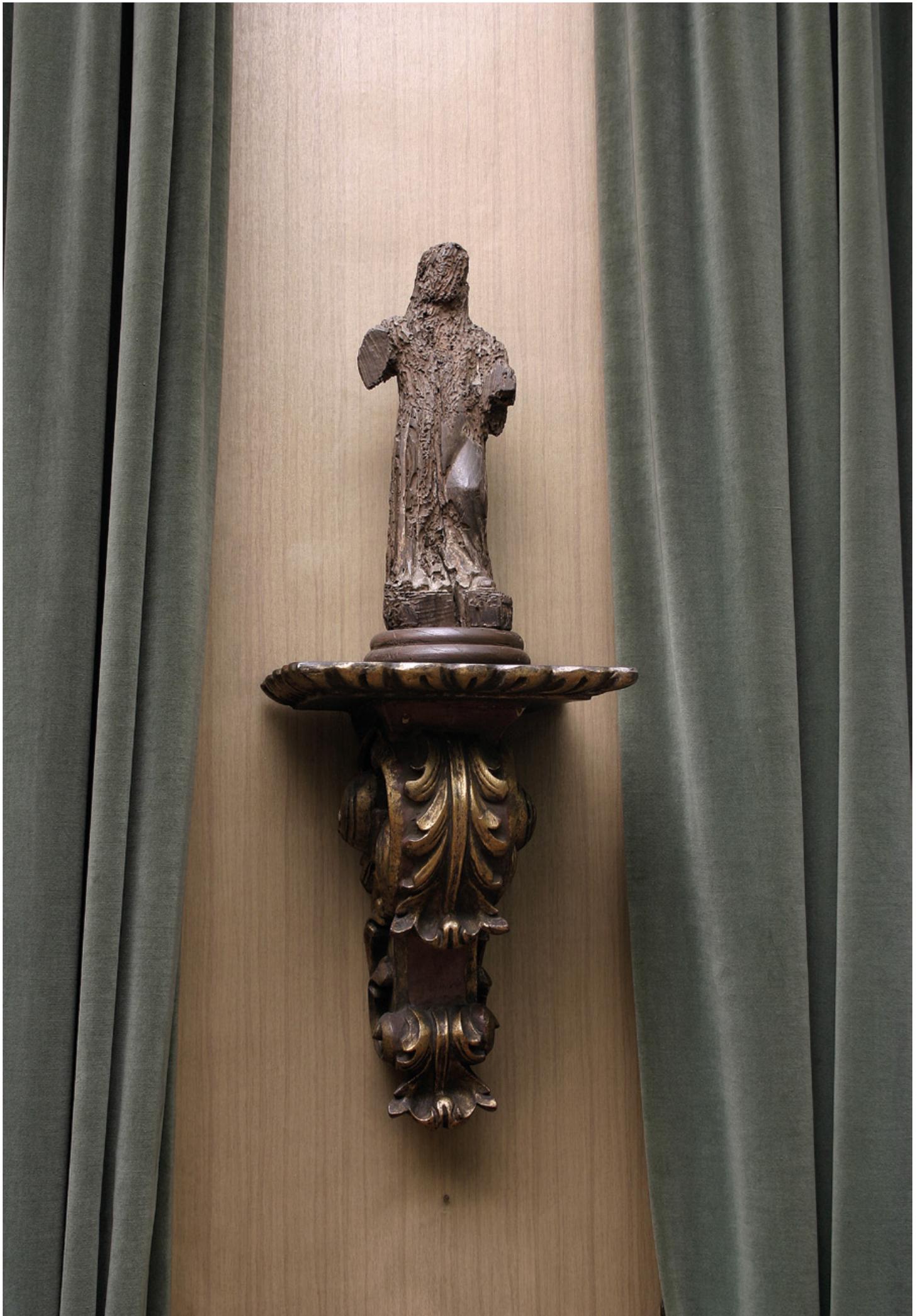


Liabilities have registered an overall growth of 20% compared to the 164.7 M€ in 2014, while deposits from central banks have fallen significantly (-88.3%), in part offset by the increasing deposits from other credit institutions (+27%). The positive fluctuation of + 41 million euros of funds from resident clients and non-resident clients and the recognition of deferred tax assets in the amount of EUR 142 000 have contributed to the overall increase of liabilities. Note also the decrease of the financial liabilities held for trading in the amount of – 1.45 M€.

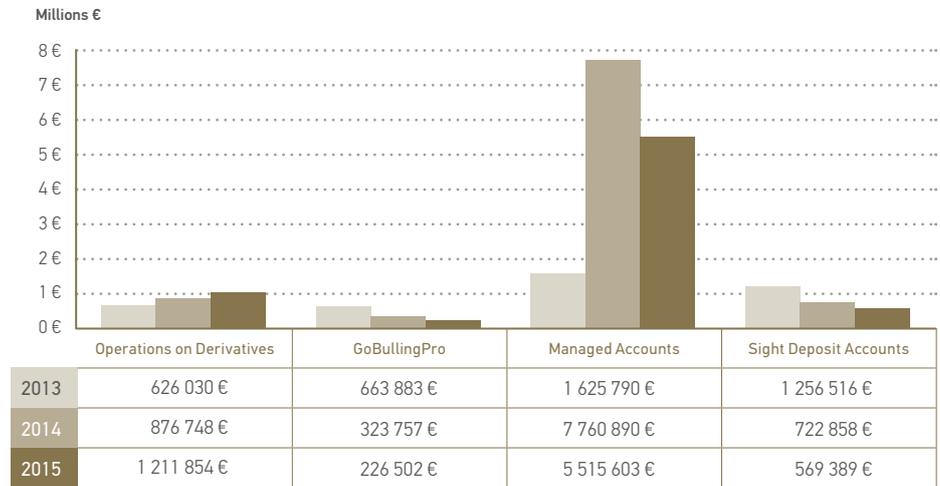
Evolution of Clients' Deposits



Clients' deposits have maintained a sustained growth track, already seen in 2014, showing, as a whole, a positive fluctuation of 25% (+40.93 M€). This was much helped by the opening of new accounts, channelling resources either to current accounts – resulting in a positive growth of 26%, or to term accounts – also with an equivalent variation of 25%, the latter benefitting from the offer of innovative products in the form of indexed deposits.



Creditors by Type (detail)

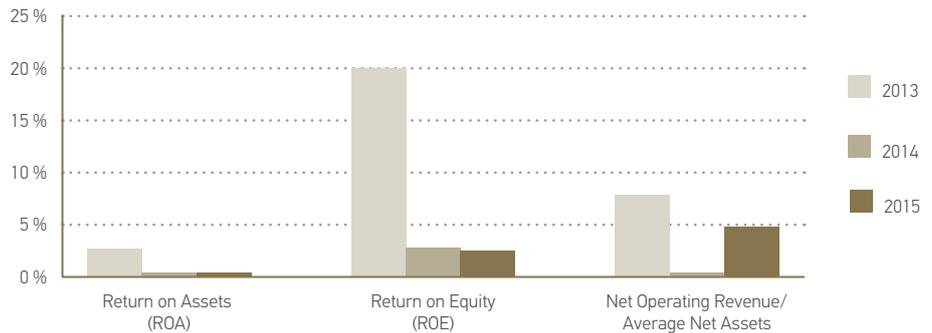


Deposits from clients, as a whole, showed a significant increase (+37.39%) compared to the previous year, reflecting not only the increase in the number of clients, but also the tendency to strengthen the ratio of the clients' financial assets invested in current accounts and term accounts and in management models.

Regarding net worth, equity capital showed a negative development of 3.43 M€ as a direct result of the devaluation of the investment portfolio recognised in reserves, which in itself justifies a negative variation of 4.6 M€.

Financial strength remained stable, and the solvency ratio (Tier I) reached 17.99%, well above the minimum level required by regulation.

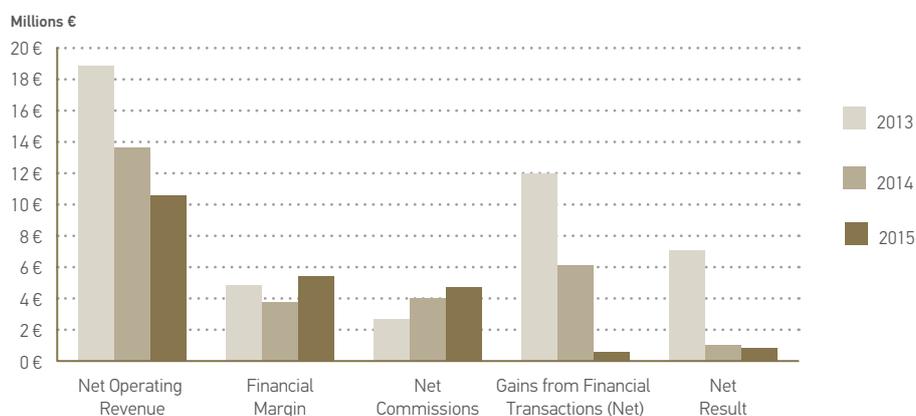
As regards results, note the average return of equity capital, in the three year period 2013-2015, of 8.34%, as the result of the positive results obtained in the three previous years, albeit influenced by the 2013 financial year.



	2015	2014	2013
Return on Assets (ROA)	0.38%	0.47%	2.90%
Return on Equity (ROE)	2.53%	2.74%	19.75%
Net Operating Revenue/ Average Net Assets	4.87%	0.44%	7.82%

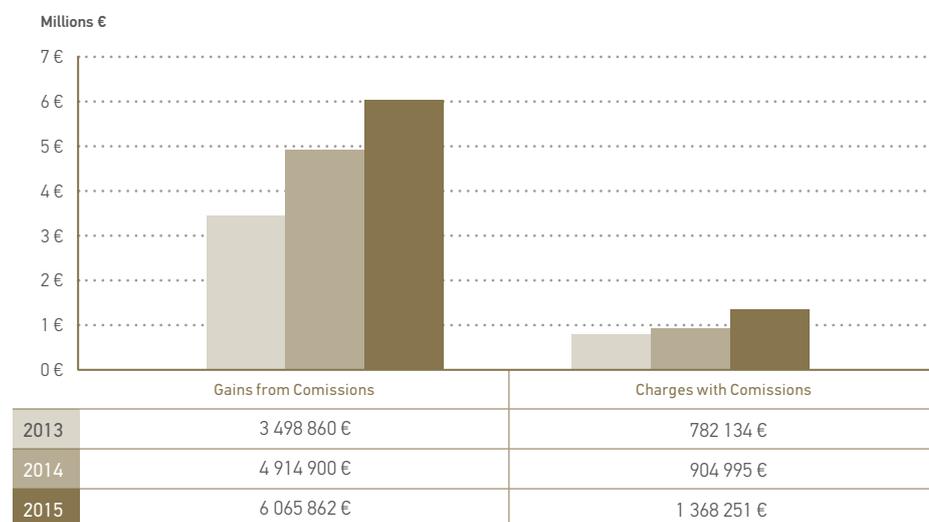
Net operating revenue amounted to about 10.6 M€, lower than in 2014 (-22%). This decrease is owed to a sharp drop (-90%) in gains from financial transactions (-5.4 M€), in part offset by a positive variation of 47% in financial margin and 17% in net fees/commissions, thus achieving a net result in 2015 of EUR 820 000, as shown below:

	2015	VAR %	2014	VAR %	2013
Net operating revenue	10 637 661	-22%	13 673 703	-28%	18 990 837
Financial margin	5 473 493	47%	3 727 904	-23%	4 821 917
Net commissions	4 697 611	17%	4 009 905	48%	2 716 726
Gains from financial transactions (Net)	635 414	-90%	6 074 037	-50%	12 032 793
Net Result	817 417	-18%	996 047	-86%	7 052 287



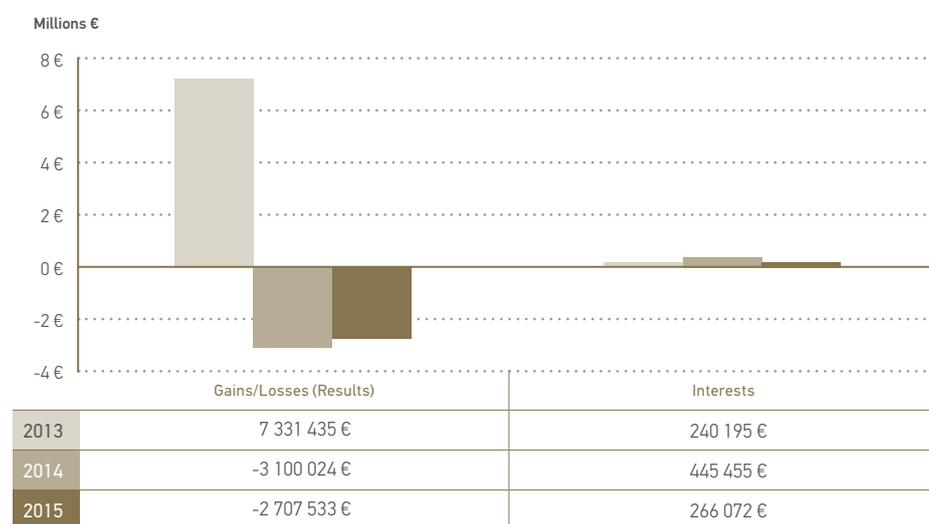
A moderate growth of 17% (+0,69 M€) was registered for net commissions as the result of the increase in asset management, financial advisory services provided, revenue from recent business areas, such as investment fund depositary and clearing and settlement in MIBEL, to which is added greater efficiency in collecting traditional banking services, in particular in the provision of bank guarantees and the more recent corporate business – which is expected to bring in commissions meaningful for future financial reports. In concrete terms, commissions charged for portfolio management (+58%), and for depositary services of collective investment undertakings (+78%) or financial advisory services (+340%) increased. In terms of charges with commissions, there is also an increase, although at a lower proportion.

Evolution of Net Fees / Commissions

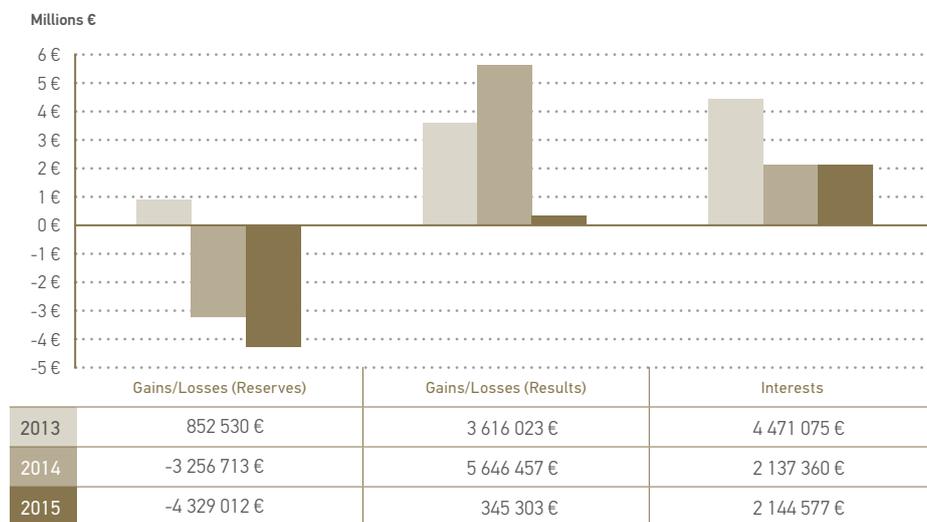


Gains from financial transactions, with a negative fluctuation of 90%, reflect the exposure to the Brazilian market and to the impact of foreign exchange fluctuations, particularly against the US dollar, and of the diversion of the investment policy on the Bank's securities portfolio, either through disposals or new acquisitions.

Gains and losses – Financial assets and liabilities held for trading

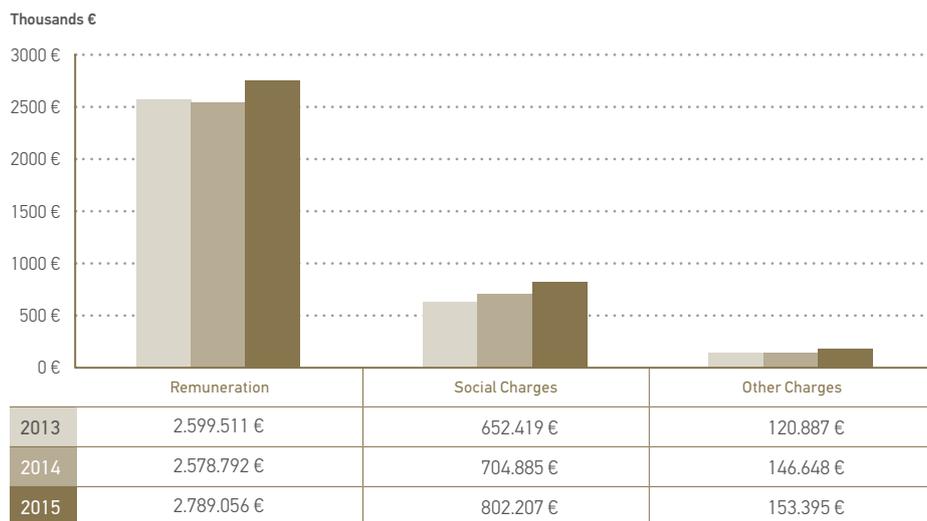


Gains and Losses – Financial Assets and Liabilities Held for Sale



As can be seen from the graphic analysis, the overall result of own portfolio management in 2015 was less favourable compared to previous years, influenced by two different types of economic facts. On the one hand, the fact that the euro weakened against the US dollar, causing capital losses in derivative instruments contained in the trading portfolio, used for hedging the exposure to foreign exchange risk, arising from having assets denominated in that currency. On the other hand, the increase of risk perception in debt markets of emerging countries resulted in a drop in the prices of securities that form most of the portfolio of investments held for sale.

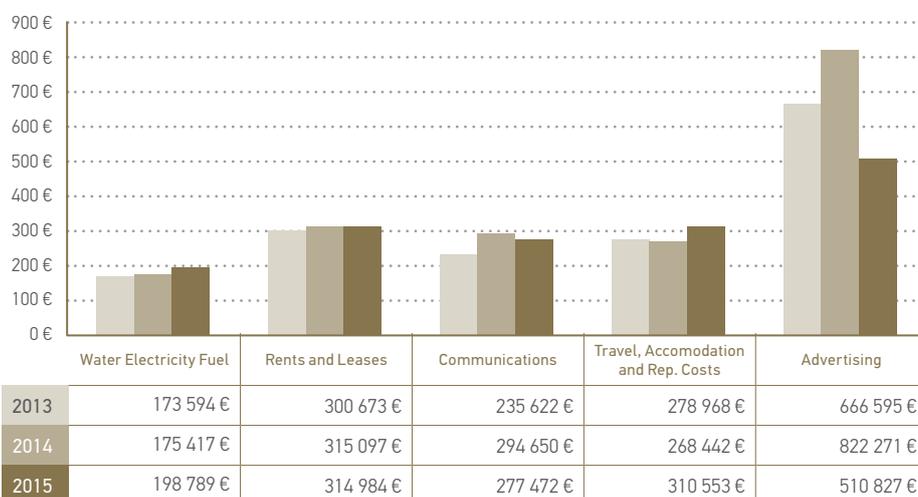
Staff Costs



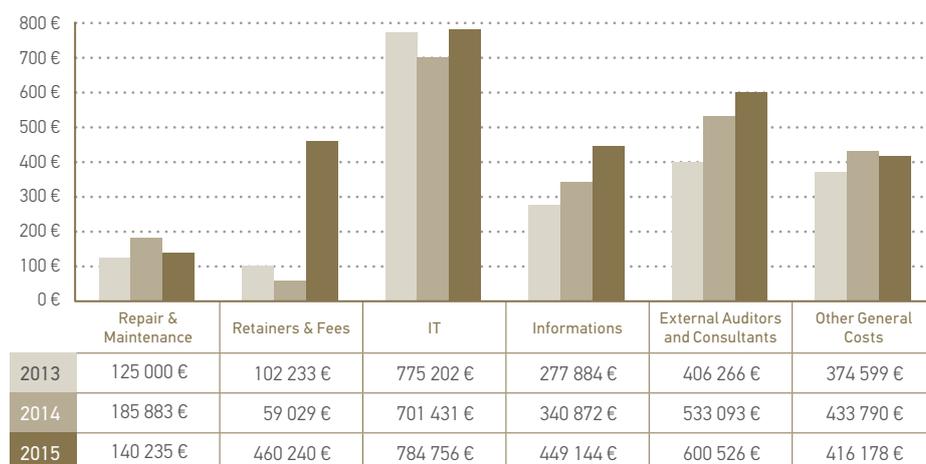
Staff costs grew moderately compared to 2014 (+8%), justified by the need to strengthen the Bank with the recruitment of 4 new employees, while the salary level remained stable. No profits were distributed in 2015 for individual performance. Together with a leading consultancy company, a global project was initiated to better define the functional framework of the Bank, based on a new policy of compensation and benefits.

General Administrative Costs

Thousands €



Thousands €



General administrative costs maintained a controlled growth level (+6%), in line with the growth recorded in 2014. This growth is justified by the production costs, the slowdown of investment in marketing, which reached a peak in 2014, by technology-related costs and the use of specialised services, all of which are crucial to the operation and development of the activity and for a better product and service offer.

5.2. CONSOLIDATED ACCOUNTS

Due to the low volume of the financial statements of each of the related entities, considered in the scope of consolidation, and to the exclusive and

decisive contribution of the Bank, stated in the analysis to the individual accounts, only the following notes are worthy of mention:

The consolidated net assets, compared to 2014, increased by 14.3%, amounting to 227.7 million euros compared to the 228.2 million euros registered in 2015.

The consolidated net result in 2015 was of EUR 813 073 (positive) with the contributions of each of the companies, after the cancellation of intra-group movements and of the Bank, showing a net result of EUR 817 417, also positive.

These variations are reflected in their corresponding annexes.

06

COMPLIANCE
STATEMENT ON THE
FINANCIAL REPORTING

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

- i. The individual financial statements of Banco Carregosa for the years ending 31 December 2014 and 31 December 2015 were prepared in accordance with the Adjusted Accounting Standards (AAS), as defined by Banco de Portugal in Notice no. 1/2005, of 21 February 2005;
- ii. The consolidated financial statements of Banco Carregosa Group for the years ending 31 December 2014 and 31 December 2015 were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted in the European Union and transposed into Portuguese legislation through Decree-law no. 35 /2005, of 17 February;
- iii. To the best of their knowledge, the financial statements referred to in sub-paragraphs (i) and (ii) give a true and fair view of the assets and liabilities, financial situation and results of Banco Carregosa and of the Group, in accordance with the said standards, and have been approved at the Board of Directors meeting held on 4 May 2016;
- iv. The management report faithfully describes the evolution of businesses, performance and financial position of Banco Carregosa and of the Group in the 2015 financial year.



07

SUBSEQUENT
EVENTS

In accordance with the provisions in «IAS 10 – Events after the reporting period», it is noted that in January 2016 and pursuant to a contract entered into on that month, the Bank identified in its accounts a delivery of 50 thousand euros for the acquisition of a shareholder position of 10% of the share capital of a foreign-based credit institution.

At the General Shareholders' Meeting held on 29 January 2016, Dr. Jorge Alberto Carvalho Martins was elected director. The registration of this appointment is pending with Banco de Portugal.

Director Dr. Pedro José Malheiro Duarte has at his own request asked to be suspended from his duties with effect from 1 March 2016.

Director Dr. Nuno Rafael Domingues dos Reis Maya has resigned from his post with effect from 31 March 2016.



08

INFORMATION IN
ACCORDANCE WITH
ARTICLE 66 OF THE
COMPANIES CODE

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

The Bank did not acquire, nor dispose of, nor does it hold any own shares.

Under Article 397 of the C.S.C. (Companies Code), no reference has been made to any acts falling within the scope of articles 1) to 3). Therefore, there are no references to authorisations granted by decision of the Board of Directors, or opinions issued thereon by the supervisory committee.

Under Chapter VI, Article 66(1)(b) of the C.S.C. (Companies Code), the annex to the consolidated and individual accounts (notes 35 and 34, respectively) contains the fees for the financial year charged by the statutory auditor or audit firm for the statutory audit of annual accounts, the total fees charged for other assurance and reliability services, the total fees charged for tax advisory services, and the total fees charged for other non-audit services.

The compulsory incorporation of the AAS and international accounting standards is completed.



00

REMUNERATION
POLICY OF
MANAGEMENT BODIES,
SUPERVISORY BODIES
AND EMPLOYEES

Pursuant to Article 18 of Banco de Portugal Notice no. 10/2011, of 29/12, it is hereby declared that the remuneration policy has been prepared in accordance with the principles and rules set out in said Notice no. 10/2011, and also in accordance with paragraph 24 of the annex to Decree-law no. 104/2007, of 03/04, as amended by Decree-law no. 88/2011, of 20/07.

This policy, as will be explained in more detail below, is appropriate and proportional to the size and organisation of the institution, avoiding excessive risk exposure, and is based on the values of justice and equity, accountability and transparency, enhancing the effective performance of its employees.

9.1. REMUNERATION POLICY OF THE MANAGEMENT MEMBERS AND SUPERVISORY BODIES

The remunerations of the governing bodies of Banco Carregosa are decided by a Remuneration Committee elected by the General Shareholders' Meeting, pursuant to the company's articles of association.

Mandated for the three-year period 2015/2017, this Committee is composed of Dr. José Inácio Sousa Lima, lawyer, Mr. Jorge Manuel da Conceição Freitas Gonçalves, non-executive director, and by Dr. Sérgio Nuno Reis Perdigão, auditor, who following a proposal by the Board of Directors replaced Dr. Joaquim Manuel Martins da Cunha, statutory auditor.

The Committee decided that there would be no variable remuneration dependent on the individual or collective performance. It also decided that the conditions for social welfare and retirement pensions of the executive directors would not be different from those of the remaining employees of the Bank.

For the 2015 financial year, the monthly fixed remunerations for the members of the management bodies were determined as follows:

POSITION	FMR
Chairman of the Board of Directors	€ 4 000
Chairman of the Executive Committee	€ 6 000
Voting members of the Executive Committee	€ 5 800

Moreover, the following principles also apply:

- Fixed remunerations are payable on a 14-month/year basis;
- The members of the Executive Committee of Banco Carregosa will only hold positions of responsibility in other companies on behalf of or in the interest of Banco Carregosa, and the remunerations therefrom are to be considered in their overall remuneration, decided by the Remuneration Committee;
- The remaining members of the Board of Directors of Banco L. J. Carregosa, S.A. will receive an attendance fee for the exercise of their duties;
- If the members of the Board of Directors are dismissed from office, according to the policy of Banco Carregosa they will receive compensation as provided by law. The members of the Board of Directors will not receive any additional payment, the same criteria applying to the remaining collaborators.
- The Chairman of the Supervisory Committee and its voting members will receive an attendance fee;
- The members of the Remunerations Committee will not receive any remuneration in the exercise of their functions.

9.2. REMUNERATION OF OTHER EMPLOYEES OF BANCO L. J. CARREGOSA, S.A.

The majority of the remaining employees only receive a fixed salary, the Bank having sought to take into account the level of responsibility, specificity of functions and contributions of each employee. Employees with commercial functions, in line with the practice in this business segment earn, in addition to a fixed salary, a variable supplement, objective and proportional to the income generated by the clients they monitor. The size of the institution and the constant scrutiny carried out by managers exist to prevent the conflicts of interest that may be raised by variable remunerations.

Where necessary, the persons within the units responsible for monitoring functions, for human resources, or external experts are consulted so as to enable them to form an independent opinion on the adequacy of the remuneration, and on its effects on risk management, capital and liquidity of the institution.

The process of determining remunerations is guided by values of justice and equity, proportionality, responsibility and balance between functions and employees.

The remuneration of collaborators referred to in Article 1(2) of Notice No. 10/2011 of Banco de Portugal do not entail a variable component. The Central Direct Manager, pursuant to Article 1(2)(b)(c) of the same Notice, receives a fixed remuneration equal to that paid to the members of the Executive Committee. The same applies to the person responsible for Private Banking. Pursuant to Article 17(e), we would also like to inform that 4 new employees were hired in 2015. The table below shows the remaining requirements related to said article.

AREA OF ACTIVITY	TOTAL REMUNERATIONS	
	FIXED	VARIABLE (*)
MANAGEMENT AND SUPERVISORY BODIES		
Board of Directors	66 093.24 €	0.00 €
Executive Committee	340 107.48 €	0.00 €
Supervisory committee	19 560.00 €	0.00 €
ADVISORY		
Advisory	30 382.60 €	0.00 €
CENTRAL MANAGEMENT		
Central Management	84 577.64 €	0.00 €
BUSINESS UNITS		
Private banking	325 157.14 €	0.00 €
Online channel (*)	213 945.55 €	55 798.25 €
Network of investment advisors	34 819.65 €	0.00 €
Corporate business	65 971.22 €	0.00 €
Sourcing and management	274 515.35 €	0.00 €
Financial	100 708.55 €	0.00 €
Markets	85 549.12 €	3 689.76 €
BUSINESS SUPPORT UNITS		
Operations	184 090.41 €	0.00 €
Legal	90 125.03 €	0.00 €
Marketing	77 571.96 €	0.00 €
Systems	99 208.11 €	0.00 €
Internal audit	43 694.49 €	0.00 €
Compliance	68 689.92 €	0.00 €
Risk	77 106.96 €	0.00 €
Accounting and management information	143 837.03 €	0.00 €
Human resources	23 594.86 €	0.00 €
Secretariat	103 193.96 €	0.00 €
Communication	59 615.47 €	0.00 €
Repairs and maintenance	90 660.96 €	0.00 €
Spain	26 791.37 €	0.00 €
Overall Total	2 729 568.09 €	59 448.01 €

(*) Gave rise to the Affluent and E-trading units.

10

PROPOSED
DISTRIBUTION
OF PROFIT

Under Article 66(5)(f), and for the purpose of Article 376(1)(b) both of the Companies Code, and under Article 25 of the company's articles of association, it is hereby proposed that the net profit for the year (positive) in the amount of EUR 817 417.09 be transferred:

- to the Legal Reserve: € 81 741.71
- to Free Reserves: € 735 675.38



11

ACKNOWLEDGEMENTS

The Board of Directors would like to thank the Shareholders for the trust they placed in it to conduct the company's business, and wishes to extend its thanks to:

- Banco de Portugal and CMVM – Comissão de Mercado de Valores Mobiliários – for the understanding and constant productive dialogue throughout this financial year;
- The governing bodies, presiding general board members, supervisory committee and statutory audit firm, for the cooperation shown;
- The Bank's employees, for their committed, dedicated and competent contribution, indispensable to the smooth running of the Bank.



12

ANNEXES ON
CONSOLIDATED
ACCOUNTS – ANALYSIS
AND ANNEXES

CONSOLIDATED BALANCE SHEET IAS/IFRS AS AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in EUR)

	NOTES	31/12/2015		NET VALUE	PREVIOUS YEAR
		VALUE BEFORE PROVISIONS, IMPAIRMENTS AND AMORTIZATIONS	PROVISIONS, IMPAIRMENTS AND AMORTIZATIONS		
		1	2	3 = 1 - 2	
ASSETS					
Cash and liquid assets in central banks	1	47 502 895	–	47 502 895	1 566 284
Liquid assets in other credit institutions	2	23 585 448	–	23 585 448	26 574 622
Financial assets held for trading	3	3 858 021	–	3 858 021	4 804 341
Other financial assets at fair value through profit or loss	4	3 567	–	3 567	912
Available for sale financial assets	5	45 356 374	(5 025 189)	40 331 185	44 310 413
Investments in credit institutions	6	17 116 330	0	17 116 330	49 528 487
Loans to clients	7	77 024 634	(942 303)	76 082 331	50 730 981
Held-to-maturity investments		–	–	–	–
Assets under repurchase agreement		–	–	–	–
Hedging derivatives		–	–	–	–
Non-current assets held for sale	8	85 680	–	85 680	85 680
Investment properties	9	–	–	–	7 633 087
Other tangible assets	10	6 413 037	(4 597 727)	1 815 311	1 830 935
Intangible assets	11	2 631 491	(2 418 660)	212 831	174 646
Investments in associated and subsidiary companies excluded from consolidation		–	–	–	–
Current tax assets	12	–	–	–	2 586 946
Deferred tax assets	13	1 288 906	–	1 288 906	246 475
Other assets	14	15 890 416	(100 000)	15 790 416	9 032 971
Total Assets		240 756 800	(13 083 879)	227 672 920	199 106 780

(Amounts expressed in EUR)

	NOTES	31/12/2015		NET VALUE	PREVIOUS YEAR
		VALUE BEFORE PROVISIONS, IMPAIRMENTS AND AMORTIZATIONS	PROVISIONS, IMPAIRMENTS AND AMORTIZATIONS		
		1	2		
LIABILITIES					
Deposits from central banks	15			2 013 878	17 229 154
Financial liabilities held for trading	16			470 404	1 959 205
Other liabilities at fair value through profit or loss				-	-
Deposits from other credit institutions	17			19 683 158	692 832
Clients' deposits and other loans	18			161 267 870	117 756 756
Liabilities represented by securities				-	-
Financial liabilities associated to asset transfers				-	-
Hedging derivatives				-	-
Non-current liabilities held for sale				-	-
Provisions	19			47 813	269 834
Current tax liabilities	20			144 870	3 879
Deferred tax liabilities				-	-
Instruments representing equity				-	-
Other subordinated liabilities				-	-
Other liabilities	21			13 361 518	24 062 868
Total Liabilities				196 989 511	161 974 528
EQUITY					
Equity				20 000 000	20 000 000
Issue premiums				369 257	369 257
Other equity instruments				-	-
Revaluation reserves				(4 883 741)	(1 227 134)
Other reserves and retained earnings				14 296 181	13 189 143
Own shares				-	-
Consolidated income for the year				813 073	1 337 757
Interim dividends				-	-
Total Equity attributed to the Group	22			30 594 770	33 669 023
Minority interests	23			88 640	3 463 228
Total Equity				30 683 410	37 132 251
Total Liabilities + Equity				227 672 920	199 106 780

The Certified Accountant

The Board of Directors

CONSOLIDATED INCOME STATEMENT IAS/IFRS

(Amounts expressed in EUR)

	NOTES	31/12/2015	PREVIOUS YEAR
Interest and similar income	24	6 904 431	5 807 191
Interest and similar costs	25	(1 427 050)	(2 034 832)
FINANCIAL MARGIN		5 477 381	3 772 359
Income from equity instruments	26	125 177	–
Income from services and commissions	27	6 065 862	4 872 580
Charges – services and commissions	28	(1 368 718)	(985 281)
Income from assets and liabilities evaluated at fair value through profit or loss	29	(2 707 533)	(2 641 899)
Income from available for sale financial assets	30	345 303	5 615 643
Income from foreign currency revaluation	31	2 470 609	2 494 212
Income from the sale of other assets	32	401 859	965 559
Other operating income	33	(147 496)	455 971
NET OPERATING REVENUE		10 662 444	13 549 144
Staff costs	34	(4 191 282)	(3 764 831)
General administrative costs	35	(4 014 402)	(3 768 656)
Depreciation and amortizations	36	(616 364)	(578 689)
Provisions net of write-offs	37	103 243	297 066
Credit impairment net of reversals and recoveries	38	(319 288)	(224 424)
Impairment of other financial assets net of reversals and recoveries	39	(459 128)	(4 525 211)
Impairment of other assets net of reversals and recoveries	40	(81 835)	–
Income from associated companies and joint ventures (equity method)		–	–
PRE-TAX PROFIT		1 083 388	1 984 399
Taxes			
Current	41	(287 030)	(331 532)
Deferred	42	12 237	(13 841)
PROFIT AFTER INCOME TAX		808 595	1 639 026
Minority interests	43	4 478	(301 269)
CONSOLIDATED INCOME FOR THE YEAR		813 073	1 337 757
Of which: net income after tax on discontinued operations		–	–

The Certified Accountant

The Board of Directors

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts expressed in EUR)

	31/12/2015	PREVIOUS YEAR
CONSOLIDATED NET RESULT FOR THE YEAR	813 073	1 337 757
Items that will not be reclassified into profit or loss:		
Property, plant and equipment	(388)	3 747
Actuarial gains or losses (-) with defined benefit pension plans	80 920	(695 587)
Items that may be reclassified into profit or loss:		
Currency translation	-	-
Available for sale financial assets	(4 825 580)	(3 677 912)
Income tax related to items that may be reclassified into profit or loss	1 169 361	544 695
OTHER COMPREHENSIVE INCOME	(3 575 687)	(3 825 058)
OVERALL COMPREHENSIVE INCOME FOR THE YEAR	(2 762 614)	(2 487 301)
Attributable to minority interests [non-controlling interests]	4 478	(301 269)
Attributable to owners of parent-company	(2 767 092)	(2 186 032)

The Certified Accountant

The Board of Directors



CONSOLIDATED CASH FLOW STATEMENT
AS AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in EUR)

	31/12/2015	PREVIOUS YEAR
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest and commissions receivable	13 561 942	11 486 430
Interest and commissions paid	(3 207 915)	(3 900 186)
Payments to employees and suppliers	(8 102 132)	(7 522 084)
Deposits from credit institutions	4 115 058	(65 744 261)
Other operating assets and liabilities	(18 399 905)	15 920 404
Other receivables from clients	15 949 262	15 566 703
Income taxes	2 581 920	(2 593 215)
Net cash from operating activities	6 498 229	(36 786 208)
CASH FLOWS FROM INVESTMENT ACTIVITIES:		
Dividends received	-	-
Acquisition/Disposal of available for sale assets	5 743 855	52 958 237
Held-to-maturity investments	-	-
Acquisitions of tangible and intangible assets	(785 173)	(706 958)
Disposal of tangible and intangible assets	115 450	15 758
Increase/Decrease in other asset accounts	-	(773 468)
Investments in subsidiaries and associated companies	-	-
Net cash from investment activities	5 074 133	51 493 569
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital increase	-	-
Other equity instruments	-	-
Dividends paid	-	(1 774 353)
Issue of securitised and subordinated debt	-	-
Remuneration paid on cash and other bonds	-	-
Remuneration paid on subordinated debt	-	-
Deposits from credit institutions (not associated with the main revenue-generating activities)	-	-
Net cash from financing activities	-	(1 774 353)
Net increase (decrease) of cash and cash equivalents	11 572 362	12 933 008
Exchange differences	-	-
Cash and cash equivalents at the beginning of the year (*)	76 581 440	64 559 980
Cash and cash equivalents at year-end	88 153 802	77 492 988
Cash and liquid assets in central banks	47 502 895	1 566 284
Liquid assets in other credit institutions	23 585 448	26 574 622
Investments in other credit institutions	17 113 055	49 524 409
Overdrafts in other credit institutions	(47 596)	(172 327)

The Certified Accountant

The Board of Directors

(*) Value adjusted taking into account the scope of consolidation as at 31 December 2015.

TANGIBLE AND INTANGIBLE ASSETS AS AT 31 DECEMBER 2015
(CONSOLIDATED ACTIVITY)

ACCOUNTS	EM 31/12/2014				
	GROSS VALUE	ACCRUED AMORTIZATIONS	INCREASES DUE TO ACQUISIT.	DEPRECIATION	WRITE-OFFS (NET)
OTHER INTANGIBLE ASSETS					
Goodwill	43 913	–	–	–	–
Set-up costs	498 364	(498 364)	–	–	–
Multiannual costs	595 458	(595 458)	–	–	–
Data processing systems (software)	2 396 732	(2 292 164)	224 626	(166 916)	–
Other intangible assets	203 675	(203 675)	8 353	(15 008)	–
Intangible assets in progress	26 164	–	30 844	–	–
	3 764 304	(3 589 661)	263 823	(181 924)	–
OTHER TANGIBLE ASSETS					
Property	525 290	(36 782)	–	(8 188)	–
Equipment	5 806 860	(4 808 124)	520 919	(420 723)	(99 648)
Financial leasing assets	641 547	(297 855)	–	(5 529)	–
Property, plant and equipment in progress	–	–	–	–	–
	6 973 697	(5 142 761)	520 919	(434 440)	(99 648)
TOTALS	10 738 003	(8 732 422)	784 742	(616 364)	(99 648)

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The Board of Directors

(Amounts expressed in EUR)

SETTLEMENTS							
TRANSF.	GROSS VALUE	DEPRECIATION	ACCRUED AMORTIZATIONS	ADJUSTED ACQUISITION VALUE	ADJUSTED DEPRECIATION	ADJUSTED ACCRUED AMORTIZATIONS	NET VALUE ON 31/12/2014
-	(43 713)	-	-	200	-	-	200
-	(498 364)	-	498 364	-	-	-	-
-	(595 458)	-	595 458	-	-	-	-
8 826	(241 422)	-	241 422	2 388 762	(166 916)	(2 050 742)	171 105
48 182	(17 681)	-	17 681	242 529	(15 008)	(185 994)	41 527
(57 008)	-	-	-	-	-	-	-
0	(1 396 638)	-	1 352 925	2 631 491	(181 924)	(2 236 736)	212 831
-	-	-	-	525 290	(8 188)	(36 782)	480 320
-	(651 041)	-	648 585	5 676 738	(420 723)	(4 159 539)	996 827
-	(272 977)	-	272 977	368 570	(5 529)	(24 878)	338 163
-	-	-	-	-	-	-	-
-	(924 018)	-	921 562	6 570 598	(434 440)	(4 221 200)	1 815 310
-	(2 320 656)	-	2 274 487	9 202 089	(616 364)	(6 457 935)	2 028 142

STATEMENT OF CHANGES IN EQUITY CAPITAL AS AT 31 DECEMBER 2015
(CONSOLIDATED ACTIVITY)

	CAPITAL	ISSUE PREMIUMS	REVALUATION RESERVES
Balances as at 31 December 2013	20 000 000	369 257	1 727 420
IMPACT OF CHANGES IN ACCOUNTING CRITERIA (IAS 8)			537 674
Opening Balances (restated)	20 000 000	369 257	2 265 095
Changes in fair value reserves			(3 254 763)
Deferred tax			544 695
Actuarial gains or losses (-) with pension plans			
Net result for 2014			
Comprehensive income for 2014 (*)			
Distribution of dividends			
Other changes in equity			
Minority interests			
Balances as at 31 December 2014	20 000 000	369 257	(982 648)
IMPACT OF CHANGES IN ACCOUNTING CRITERIA (IAS 8)			(782 161)
Opening Balances (restated)	20 000 000	369 257	(1 227 134)
Changes in fair value reserves			(4 825 967)
Deferred tax			1 169 361
Actuarial gains or losses (-) with pension plans			
Net result for 2015			
Comprehensive income for 2015			
Distribution of dividends			
Other changes in equity			
Minority interests			
Balances as at 31 December 2015	20 000 000	369 257	(4 883 741)

The Certified Accountant

The Board of Directors

(*) Amounts not restated.

(Amounts expressed in EUR)

LEGAL RESERVES	OTHER RESERVES	RETAINED EARNINGS	RESULT OF THE PERIOD	MINORITY INTERESTS	TOTAL EQUITY
1 452 626	6 454 293	1 153 997	7 286 052	3 349 784	41 793 430
		(375 735)	(161 939)		-
1 452 626	6 454 293	778 262	7 124 113	3 349 784	41 793 430
					(3 254 763)
					544 695
	(695 587)				(695 587)
			378 453	301 269	679 722
					(2 725 934)
		(1 750 000)			(1 750 000)
704 916	4 594 248	1 986 888	(7 286 052)		-
				(187 824)	(187 824)
2 157 543	10 352 954	1 390 885	378 453	3 463 228	37 129 672
		(336 503)	1 121 243		2 579
2 157 543	10 352 954	678 647	1 337 757	3 463 228	37 132 251
					(4 825 967)
					1 169 361
	80 920				80 920
			813 073	(4 478)	808 595
					(2 767 092)
					-
3 674	33 068	989 377	(1 337 757)	(87 238)	(398 877)
				(3 282 873)	(3 282 873)
2 161 217	10 466 941	1 668 023	813 073	88 640	30 683 410

ANNEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

(Amounts expressed in Euros, except when explicitly stated otherwise)

1. INTRODUCTION

The 2015 financial year for Banco L. J. Carregosa, S.A., (hereinafter referred to as «Banco Carregosa», «Company» or «Carregosa Group», when on a consolidated basis), is the seventh full financial year of activity as a credit institution.

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

In 2015, Banco Carregosa converted the company Lisbon Brokers, SA into a share company, called Conlapid, SA, and

then sold it. In the same year, the company Francisco Marques Pereira, SGPS, SA was dissolved for future liquidation, showing no book value.

For prudential purposes and considering the materiality assumed by the Bank in the participation in the real estate investment fund Retail Properties, this fund has been included in the scope of consolidation until the participation is substantially reduced.

As regards the IT service company CoolLink, Lda, it is no longer considered in this financial year as an ancillary services company, as reported to the Banco de Portugal for the purpose of registration.

Companies and funds in the scope of consolidation of the Group as at 31/12/2015

ACTIVITY	HEAD OFFICE	OWN CAPITAL	ASSETS	PROFIT/LOSS	EFFECTIVE PARTICIPATION	CONSOLIDATION METHOD.
BANKING						
Banco L.J. Carregosa, SA	Portugal	30 530 931	228 224 913	817 417	–	Full cons. method
REAL ESTATE INVESTMENT FUND						
Retail Properties	Portugal	19 765 881	20 879 129	817 212	36.03%	Equity method
IT SERVICES COMPANY						
CoolLink, Lda	Portugal	177 279	302 733	(8 955)	50.00%	Full cons. method

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

Companies and funds in the Group's scope of consolidation as at 31/12/2014

ACTIVITY	HEAD OFFICE	OWN CAPITAL	ASSETS	PROFIT/LOSS	EFFECTIVE PARTICIPATION	CONSOLIDATION METHOD
BANKING						
Banco L.J. Carregosa, SA	Portugal	33 961 995	198 685 655	36 742	–	Full cons. method
BROKERAGE						
Lisbon Brokers, SA	Portugal	(6 609)	32 178	(5 389)	84.84%	Full cons. method
HOLDING COMPANIES						
Francisco Marques Pereira, SGPS, SA	Portugal	70 385	96 130	702	85.00%	Full cons. method
REAL ESTATE INVESTMENT FUND						
Retail Properties	Portugal	10 994 469	11 436 300	719 109	70.24%	Full cons. method
IT SERVICES COMPANY						
CoolLink, Lda	Portugal	186 235	283 239	27 733	50.00%	Full cons. method

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

Scope of consolidation at 31/12/2015



As a result of this scope of consolidation, Banco Carregosa consolidates the accounts and executes reporting for the purposes of supervision, central to the Group both for the development of exclusive activities and for the relative size of capital and risks.

The Group posted a net Profit of EUR 813 073 (positive), with equity capital standing at EUR 30 683 410.

The Board of Directors decided to transform and sell the company Lisbon Brokers, SA and to liquidate the company Francisco Marques Pereira, SGPS, SA, having been authorised by Banco de Portugal. Accordingly, Banco L.J. Carregosa, SA posted the impairment calculated for these subsidiaries in its individual accounts, with subsequent effects in the consolidated accounts.

Also in the 2015 financial year, the Bank reduced its holding in the real estate investment fund Retail Properties, holding at year-end 6 125 073 participation units, to be substantially reduced in 2016.

The financial statements as at 31 December 2015 were approved by the Board of Directors on 4 May 2016.

The financial statements of the Bank as of 31 December 2015 are pending the approval of the General Meeting. However, the Board of Directors believes that they will be approved without significant alterations.

2. 2. BASES OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1. BASES OF PRESENTATION AND COMPARABILITY

The consolidated financial statements were prepared based on the accounting records of Banco Carregosa and of its subsidiaries, and were processed in conformity with the International Accounting Standards or International Financial Reporting Standards (IAS/IFRS) adopted in the European Union, as set out in Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July, transposed into national law through Banco de Portugal Notice no. 1/2005, of 21 February.

Consolidation of subsidiaries and associate companies (IAS 27, 28 and IFRS 3)

Banco Carregosa holds directly or indirectly financial holdings in its subsidiary companies. They have therefore been taken into consideration as the Bank has control or power to manage the financial and operational policies of each company.

These companies have been included in the consolidated financial statements through the full consolidation method. Transactions and balances between group companies are eliminated in the consolidation method, and the capital, reserves and results arising from the holdings of third parties are stated under minority interests.

The consolidated result is calculated through the net income of the Bank and of its subsidiaries in the proportion of the actual participation, after consolidation adjustments, namely the elimination of revenue and costs resulting from transactions made between them and, as such, are stated in the relevant scope of consolidation.

Comparability with previous years

Changes in the scope of consolidation

As mentioned in the introduction, the scope of consolidation in the financial year has been changed, although the accounting policies on the definition of the scope of consolidation have remained the same.

Changes in the accounting policy (IAS 8)

In early 2015, the accounting criterion adopted for the classification of debt instruments held in the available for sale assets portfolio was reviewed. By the end of 2014, the Bank classified the debt instruments in the available for sale assets portfolio as non-monetary items, in accordance with the interpretation of IAS 21. Consequently, the results of the foreign exchange fluctuations resulting from holding those assets were stated in reserves associated to foreign exchange fluctuations.

Given the increasing volatility of the US dollar in 2014, to which the Bank is exposed the most, and having analysed the information disclosed by various benchmark institutions, and also following the favourable opinion of the statutory audit firm, the Executive Committee decided to change the criterion that had been used. Therefore, debt instruments held in the available for sale assets portfolio are now stated as monetary assets. The results of the foreign exchange fluctuations of these assets are now posted directly in gains and losses.

In light of this change in accounting criterion and in conformity with IAS 8, the resulting impacts must be accounted for and the comparative values must be restated for the previous periods.

Regarding deferred taxes, comparative results have been restated as a result of the review of the corporate tax rate applied, the tax impact of changes in equity and of the write-off of the asset for deferred tax on the impairments of the subsidiaries Lisbon Brokers, SA and Francisco Marques Pereira SGPS, SA constituted in 2011.

As the impact of these changes in criteria affect the headings of assets and equity capital, the table below shows, in terms of consolidated financial statements, the amounts initially stated, the adjustments and the restated amounts. As to deferred taxes, the comparative values have been restated as a result of the change in corporate tax rate (see note 13).

	REVALUATION RESERVES		OTHER RESERVES AND RETAINED EARNINGS					RESULT FOR THE YEAR
	ASSOC. WITH EXCHANGE DIFFEREN.	RESULTING FROM FV VALUATION	LEGAL RESERVE	EXCHANGE DIFFEREN. RESERVE	OTHER RESERVES	RETAINED EARNINGS		
Value stated as at 31/12/2008	–	(440 168)	255 000	(131 477)	288 987	(163 633)	771 346	
<i>Adjustment (IAS 8) as at 2008</i>	–	–	–	(157 510)	–	–	157 510	
Value restated as at 31/12/2008	–	(440 168)	255 000	(288 987)	288 987	(163 633)	928 857	
Value stated as at 31/12/2009	–	(86 677)	333 597	–	288 987	543 737	1 031 764	
<i>Adjustment (IAS 8) as at 2009</i>	–	–	–	–	–	157 510	(157 510)	
Value restated as at 31/12/2009	–	(86 677)	333 597	–	288 987	701 247	874 254	
Value stated as at 31/12/2010	19 915	(309 168)	435 190	–	75 362	1 248 072	(1 145 218)	
<i>Adjustment (IAS 8) as at 2010</i>	(19 915)	–	–	–	–	–	19 915	
Value restated as at 31/12/2010	–	(309 168)	435 190	–	75 362	1 248 072	(1 125 303)	
Value stated as at 31/12/2011	–	(393 219)	435 190	–	288 987	136 612	1 108 428	
<i>Adjustment (IAS 8) as at 2011</i>	–	–	–	–	–	19 915	(19 915)	
Value restated as at 31/12/2011	–	(393 219)	435 190	–	288 987	156 527	1 088 513	
Value stated as at 31/12/2012	(375 735)	1 123 867	503 236	–	288 987	1 173 994	9 443 908	
<i>Adjustment (IAS 8) as at 2012</i>	375 735	–	–	–	–	–	(375 735)	
Value restated as at 31/12/2012	–	1 123 867	503 236	–	288 987	1 173 994	9 068 173	
Value stated as at 31/12/2013	(537 674)	2 265 095	1 452 626	–	6 454 293	1 153 997	7 286 052	
<i>Adjustment (IAS 8) as at 2013</i>	537 674	–	–	–	–	(375 735)	(161 939)	
Value restated as at 31/12/2013	–	2 265 095	1 452 626	–	6 454 293	778 262	7 124 113	
Value stated as at 31/12/2014	426 423	(1 409 071)	2 157 543	–	10 352 945	1 390 885	378 453	
<i>Adjustment (IAS 8) as at 2014</i>	(426 423)	–	–	–	–	(537 674)	964 097	
Value restated as at 31/12/2014	–	(1 409 071)	2 157 543	–	10 352 945	853 211	1 342 550	

BALANCE	DEFERRED TAX ASSETS	REVALUATION RESERVES	OTHER RESERVES AND RETAINED EARNINGS	RESULT FOR THE YEAR
Value stated as at 31/12/2014	243 896	(982 648)	13 901 382	378 453
<i>Adjustment (IAS 8) as at 2014</i>	2 579	(244 486)	(712 239)	959 304
Value restated as at 31/12/2014	246 475	(1 227 134)	13 189 143	1 337 757

INCOME STATEMENT	INCOME FROM CURRENCY REVALUATION	CURRENT TAXES	DEFERRED TAXES	RESULT FOR THE YEAR
Value stated as at 31/12/2014	1 530 115	(283 794)	(56 786)	378 453
<i>Adjustment (IAS 8) as at 2014</i>	964 097	(47 737)	42 944	959 304
Value restated as at 31/12/2014	2 494 212	(331 532)	(13 841)	1 337 757

2.2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described herein apply to the consolidated financial statements of the Carregosa Group.

2.2.1. Transactions in foreign currency

The financial statements of the group companies in foreign currency are previously converted into Euros, based on the foreign exchange rate (fixing) disclosed as an indication by Banco de Portugal.

Assets and liabilities expressed in a currency other than euros are converted into euros based on the exchange rate at the balance sheet date.

The revenue and costs estimated in the various foreign currencies are converted at the exchange rate of the month in which they are stated.

2.2.2. Investments in institutions and domestic and foreign loans

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

2.2.3. Financial assets held for trading

This heading includes the financial assets purchased with the purpose of being sold in the short term and of obtaining a profit due to fluctuations in price or trader's margin, including all derivative financial instruments that are not classified as hedging operations.

Financial assets under this category are recognised at their fair value, and the gains and losses arising from the subsequent valuation are reflected in the results for the period.

2.2.4. Financial assets held for sale

This heading considers the instruments that can be sold in response to or in anticipation of liquidity needs or changes in interest rate, exchange rates or changes in their market price, and that have not been recognised in any other category of financial assets. Equity instruments and debt instruments are included herein.

These assets are measured at fair value and any related gains and losses are reflected under the heading «Revaluation reserves» until such time as they are sold or subject to impairment losses. Interest is calculated and recognised in the income statement under «Interest and similar income».

2.2.5. Financial assets held to maturity

These are non-derivative financial assets with fixed or determinable payments and defined maturities that the Group intends to and is able to hold to maturity.

These investments are measured at amortised cost, using the effective interest rate method, and subject to impairment tests.

Impairment losses recognised in financial investments held to maturity are recognised in the income statement. If, in a subsequent period, the impairment loss amount decreases and this decrease can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss.

2.2.6. Loans to clients and receivables from other debtors

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

The measurement of value in loans to clients and receivables from other debtors is as follows:

- On the initial recognition date, the financial assets are recorded at nominal value and may not on that date or on the date on which a subsequent recognition is made be included or recognized in the remaining categories of financial assets.
- The interest component, including that relative to any premiums/discounts, should be disclosed in the accounts autonomously in the respective net income accounts.
- The value of assets included in this category is subject to correction, in accordance with the criterion of rigour and prudence, so that they reflect their realizable value at all times.
- The correction referred to in the paragraph above cannot be less than that established in Banco de Portugal Notice no. 3/95 as the minimum reference framework for the constitution of specific and general provisions.
- For the purpose of constituting general provisions, mentioned in the preceding paragraph, the total loans granted by the companies is to be considered, including other liabilities assumed with third parties, such as guarantees or other similar instruments.

2.3. REPOS

Securities sold under repurchase agreement are kept in the portfolio where they were original recorded. The funds received are recorded in their own liability account on the settlement date, the interest value being recognized on an accrual basis. The nominal value of securities lent is recognized in a specific off-balance sheet item.

2.3.1 Impairments

Periodically, and with a frequency of one year or less, loans, receivables and guarantees are subject to impairment tests. Any impairment losses found are recognized in the income statement for the year. If, in future periods, the estimated loss decreases, the initial impairment is equally reversed in the income statement.

According to IAS 39, a financial asset is impaired if there is evidence that one or more loss events have occurred after the asset was first recognized, and that such events will impact on the estimated recoverable amount of future cash flows of the consolidated financial asset.

2.3.2. Non-current assets held for sale

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

Assets recorded in this category are measured at the lower of their acquisition cost and fair value, calculated based on the assessment of external independent internal or external experts, minus costs to be incurred in the sale.

2.3.3. Provisions

Carregosa Group calculates the provisions for overdue loans and interest and for general credit risks in conformity with Banco de Portugal Notice no. 3/95, as amended by subsequent legislation, namely Banco de Portugal Notice no. 8/2003.

The provisions recorded in the accounts correspond to the application of percentages defined by Banco de Portugal, and are complemented by provisions constituted in excess of these minimum amounts, as appropriate.

i. Provisions for overdue loans and interest:

Their purpose is to address the risks of collection of principal, interest and other amounts overdue relating to any financing operations that may have been made. This provision is calculated by applying the minimum provisioning percentages laid down in Banco de Portugal Notice no. 3/95, amended by Notice no. 8/2003, of 30 January, according to the time for which the loan has been outstanding and not collected, and whether or not guarantees exist.

ii. Provisions for general credit risks:

Provision for general credit risks is intended to address the risks associated with doubtful loans.

The provision corresponds to a percentage of 1% on the outstanding principal of loan contracts as at 31 December, and of receivables from other debtors.

2.3.4. Other tangible assets

Other property, plant and equipment are stated at acquisition cost (including directly attributable costs) minus accumulated depreciation and impairment losses.

Property, plant and equipment are depreciated on a straight-line basis over their expected useful life, within the limits shown in the table below. Using the prudence principle, and in duly documented exceptional cases, the Executive Committee may decide on lower depreciation periods than

those mentioned in the table below, but their tax effect will be considered as at the date on which the decision was made and measured in an appropriate asset account.

EQUIPMENT	YEARS
Vehicles	4 – 8
Furniture and material	8 – 16
Computer equipment	3 – 8
Other property, plant and equipment	5 – 50

Whenever the net book value of property, plant and equipment exceeds its recoverable amount, in accordance with IAS 36 – «Impairment of assets», an impairment loss is recognized in profit or loss. Impairment losses may also be reversed in profit or loss, if the recoverable value of the asset increases in subsequent periods.

2.3.5. Intangible assets

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

Intangible assets are depreciated using the straight-line method, over their estimated useful life, which is, in general, three years.

2.3.6. Other financial liabilities – Deposits from other credit institutions, deposits from clients, other loans and other

Other financial liabilities, which essentially include deposits from clients and deposits from central banks, are initially measured at fair value, which normally corresponds to the consideration received net of directly associated transaction costs.

Financial liabilities held for trading, in particular those resulting from short selling securities, are measured at fair value, and the adjustments thereof are recognized through profit or loss.

According to the fair value option, advocated by IAS 39, financial liabilities included under liabilities represented by securities and subordinated liabilities, are classified as financial liabilities at fair value, through profit or loss, whenever they meet the classification requirements of this category, in particular due to the fact that they contain one or more embedded derivatives. These liabilities are initially measured at fair value, subsequent changes in fair value being recorded in profit or loss.

2.3.7. Provisions and contingent liabilities

A provision is constituted when there is a present obligation (legal or constructive), arising from past events where future expenditure on resources is probable, and which may be determined reliably. The provision corresponds to the best estimate of any sums which would be necessary to disburse to settle the liability at the balance sheet date.

If the future expenditure on resources is not likely, then this is a contingent liability. Contingent liabilities are only the object of disclosure, save if the possibility of their realization is remote.

2.3.8. Taxes on profits

All Group companies are taxed individually. Banco Carregosa and its subsidiaries with head-office in Portugal are subject to the tax regime in the Corporate Income Tax Regime and to the Tax Benefit Charter.

2.3.9. Recognition of revenue and costs

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

2.3.10. Fees and commissions for services provided

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

2.3.11. Employee benefits

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

To finance these liabilities, Banco Carregosa joined the Fundo de Pensões Horizonte – Valorização da Pensõesger in 2004. In 2010, responding to the evolution of its obligations and according to a policy of rigour and good coverage of the liabilities undertaken, the Bank decided to change the pension fund over to another managing entity, «BANIF AÇOR PENSÕES – Sociedade Gestora de Fundos de Pensões SA», subscribing three funds: the Aberto Optimize Capital Pensões Ações pension fund (30%), the Aberto Optimize Capital Equilibrado pension fund (30%), and the Aberto Optimize Capital Moderado pension fund (40%). The benefits relating to disability pensions and immediate survivor pensions are covered by a life insurance policy.

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

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

The implementation of IAS 19, mandatory as from 1 January 2013, reflects the impacts both in terms of the elimination of the «corridor» and of the elimination of the use of the fund's expected rate of return, which now has to tally with the discount rate for calculating the liabilities to be covered by the pension fund.

The elimination of the corridor option allows for more volatility in the Bank's annual result, regarded as comprehensive result (reserves and net result). Moreover, the composition of the portfolio of the fund and its consequent actual annual profitability will no longer affect the net result heading, and now only affect the reserves through actuarial gains and losses, and influence the value of the fund at the end of each year.

In the case of Banco Carregosa, as the expected profitability used in previous years was higher than the discount rate, the greater the impact of this amendment to the IAS 19 (elimination of the use of the expected rate of return) the greater the existing gap between the two rates.

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

Following an analysis of the current responsibilities and charges with medical assistance, in 2010 the Bank decided to outsource this benefit to Multicare, for all employees, whilst maintaining the same costs.

2.4. RISK MANAGEMENT

2.4.1 Risk management function

Risk management consists of the identification, evaluation, measurement, monitoring and control of all materially relevant risks to which the Bank is exposed, in order to bring the exposure levels in line with the limits established by the Executive Committee.

The purpose of this is that the Banco will not be forced to change its strategy or incur in losses that materially affect its financial position. Thus, the risk management policy aims to maintain a balance between equity capital and liquidity of its activity.

The aim is to also determine an adjustment factor between the returns of actual and potential operations, in order to:

- Set a pricing on operations appropriate to potential losses;
- Mix and compare exposures;
- Select new operations on the borderline of risk/return efficiency ratio;
- Identify operations that are most consistent with the Bank's strategies;
- Analyze synergies between operations;
- Obtain a risk/return measurement for the Bank as a whole.

2.4.2. Organizational structure of risk management

The Executive Committee of the Board of Directors, to which the Board of Directors, on 5 May 2009, delegated management powers permitted under the law, the articles of association, or its regulations, is the highest authority in risk monitoring and management, and allocation of capital.

Given the importance of risk, the Executive Committee is particularly concerned with promoting a culture of careful risk evaluation among all departments and employees. However, the Bank also has a structure with specific functions in risk management. Central management also has executive duties, by delegation of powers, mainly impacting on operational risk management.

This control and monitoring function of financial risks is assisted by the Asset and Liability Commission (ALCO), in an advisory capacity. The commission meets at least once a month and is formed by the following members: Executive Committee, Financial Manager, Private Banking Manager, Risk Manager, Sourcing and Management, and by the person in charge of Own Portfolio Management. Recommendations are issued at these meetings on the collection and use of funds, by balancing result and risk, by majority of voting parties present, the Chairman of the Executive Committee having the casting vote in the event of a tie.

The Compliance, Risk and Internal Audit departments, members of the Internal Control Group, are in charge of risk control and monitoring, providing and compiling information for the Executive Committee and other bodies with relevant functions in the matters involved.

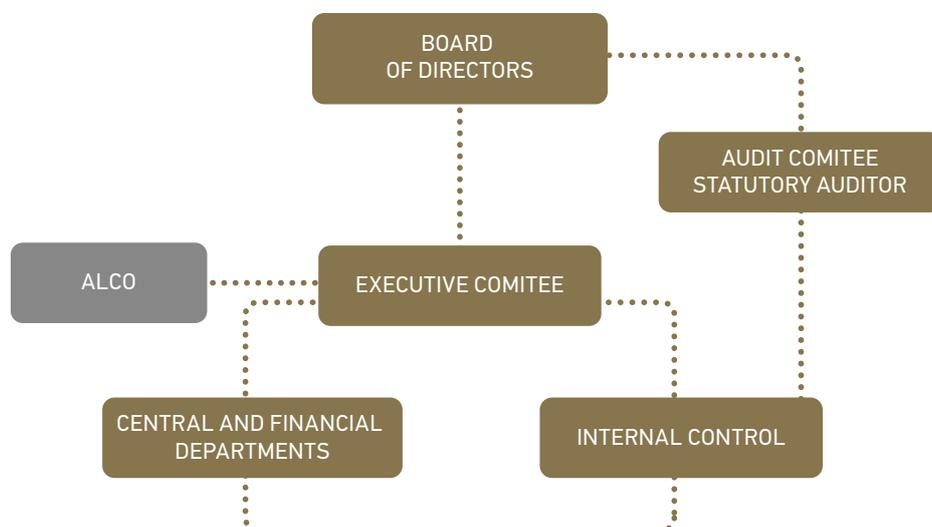
The functions of the Supervisory Committee and the statutory audit firm are similar to those of Internal Control, but with a more general scope, longer time horizons, and a close link to the Board of Directors.

The Credit Committee was created in 2015. Composed by the Central Manager and the Risk and Financial managers, it is responsible for the analysis and monitoring of loans to clients' operations, reporting their opinion to the Executive Committee.

Set up in 2014, the Recovery Team (RT) meets at least one every half-year, or when necessary. It is responsible for managing potential or actual serious risk situations, and is formed by the Chairman of the Executive Committee (CEC) and by the managers of the Compliance, Risk, Communication and Financial departments.

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

Internal control is in charge of carrying out projections and scenario analyses/stress tests, the determination of which results from the interactive work between the Executive Committee and the Risk Department, with the contributions of the remaining relevant bodies with broader risk management, control and monitoring functions. Similarly, the measurement of the adequacy of economic capital has material significance on internal governance. It is supplemented by a series of current information, easier to determine but more segregated by type of risk. The models used follow the theoretical bases generally accepted in the banking industry, strengthened by the good practices recommended by national and international regulators.



Due to the size of the Bank, the operational structure is centered around the Executive Committee. However, the company's risk management is enforced by two parallel systems, communicating with each other, with different time horizons.

Credit risk is the probability of occurring negative impacts on the results or capital due to the inability of a counterparty to meet its financial commitments with the institution, including any restrictions on the transfer of payments from abroad. Credit risk is found mainly in credit exposures (including securitized credit), credit lines, guarantees, Derivatives and the Bank's deposits in other credit institutions. There are several methods used to reduce this risk, in particular the requirement of solid and liquid guarantees, the use of contractual netting agreements, and the calculation and recognition of impairments.

Market risk is the probability of occurring negative impacts on the results or capital due to unfavorable movements in the market price of banking and trading portfolio instruments, including fluctuations in interest rates, foreign exchange rates, stock quotes and price of goods. Market risk results arise mainly from short-term exposures in debt securities and capital, coins, goods and derivatives, and are measured by calculating the value at risk for various time horizons.

The ALCO (Assets and Liabilities Committee) defines the allocation of assets according to the various types of risk incurred. The Financial Department performs the defined allocation every day. The Risk Department monitors the risks incurred and compliance with the rules on the delegation of powers regarding the current management of the Bank's investments. The Executive Committee is informed about the operations carried out.

Operational risk is the loss resulting from the inadequacy or failure of procedures, staff, internal systems or external events, and also legal risks, as laid down in EU Regulation 575/2013.

Operational risk must be assessed at two different levels: technical and organizational. At a technical level, Banco Carregosa has also chosen to invest strongly in computerization. As a result of this policy, the Bank has a solid computer system, highly flexible and reliable for the Bank's operating processes. The Bank's information systems contain sensitive and confidential private financial and personal data. Only the staff at Banco Carregosa is allowed to access these systems, in addition to subcontracted workers, under an appropriate framework, involved in the system's development or operation, or whose work involves the recording, review or retrieval of that data. This privilege is based on trust, good faith and is duly documented.

At organizational level, in particular in the means and form used in reporting, monitoring risk and rules and policies related thereto, the Bank had to redefine and seek a new compromise between commercial interests and risks involved.

To monitor the risk, there is a matrix that allows the Bank to:

- determine process-related risks, without regard to existing controls (inherent risk);
- assess the exposure of various processes to risk, considering the influence of existing controls (residual risk);
- identify the impact of opportunities to improve the reduction of the more significant exposures (objective risk).

To mitigate operational risk, other arrangements exist, in particular internal report, contingency plans, business continuity plan, internal audit activities, and staff training plans.

So far, loss history is not substantial compared to the volume of transactions and/or total revenue.

Liquidity risk reflects the Bank's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk). The need to regulate the liquidity risk was perhaps one of the most important lessons learnt in the aftermath of the world financial crisis. Liquidity risk has, therefore, taken a more preponderant role in Banco Carregosa. The Basel Committee published in 2014 the definition of the liquidity coverage ratio (LCR), and subsequently the delegated act of the European Commission was adopted, which introduced, given the CRD IV/CRR, new metrics and calculation criteria to be implemented by the European Union. In October 2015, Banco Carregosa fulfilled the prudential requirements and implemented the liquidity coverage ratio, which has remained above the 100% threshold.

Banco Carregosa favours deposit investments in other credit institutions and in tradable securities, thus avoiding cash shortfalls. The Executive Committee and those involved in own portfolio management receive a report from the Risk Department every day, which includes:

1. Allocation of assets, liabilities and off-balance sheet items;
2. Estimates of minimum requirements for own funds;
3. Concentration of counterparties;
4. Liquidity gap.
5. Prudential indicators: liquidity coverage ratio and net stable funding ratio

ALCO analyses the mismatch of asset and liability transactions on a monthly basis, and suggests alterations/corrections of deadlines.

3. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The consolidated balance sheet and income statement accounts are compared as at 31 December 2015 and 31 December 2014, in conformity with the International Financial Reporting Standards, and consist of the following headings:

3.1. Cash and liquid assets in central banks Note 01

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Cash	116 942	34
Liquid assets at demand with Banco de Portugal	47 385 953	1 566 250
	47 502 895	1 566 284

In the first half of 2015, the Bank implemented the policy on values in cash to immediately satisfy one-off cash calls by clients, as shown in the variation of the balance associated to the heading «Cash». As for demand deposits with Banco de Portugal, they include interest-earning deposits for meeting the legal requirements on minimum cash availability.

3.2. Liquid assets in other credit institutions Note 02

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Demand deposits in credit institutions		
<i>Resident</i>	12 832 593	16 285 857
<i>Non resident</i>	10 752 855	10 288 765
	23 585 448	26 574 622

3.3. Financial assets held for trading Note 03

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Trading securities		
<i>Securities</i>	3 668 673	4 683 996
<i>Derivative instruments with positive fair value</i>	189 348	120 345
	3 858 021	4 804 341

This portfolio shows a slight decrease compared to the previous year, justified by purchases and sales arising from favourable market opportunities, the book trading positions of which are shown in detail in the table below.

FINANCIAL ASSETS HELD FOR TRADING

As at 31 December 2015, this heading is broken down as follows:

NATURE AND TYPE OF SECURITIES	ACQUISITION VALUE	BOOK VALUE	CAPITAL		IMPAIRMENT
		FAIR VALUE	GAINS	LOSSES	
DEBT INSTRUMENTS					
<i>Issued by residents</i>					
<i>Of other resident issuers</i>					
Non-subordinated debt	285 091	287 995	2 904	-	-
<i>Issued by non-residents</i>					
<i>Of other non-resident issuers</i>					
Non-subordinated debt	2 800 978	2 663 219	3 961	141 720	-
	3 086 069	2 951 214	6 865	141 720	-
EQUITY INSTRUMENTS					
<i>Issued by residents</i>					
<i>Of other resident issuers</i>					
Shares	124 611	78 238	176	46 549	-
<i>Issued by non-residents</i>					
<i>Of other non-resident issuers</i>					
Shares	117 602	118 570	1 467	499	-
Participation units	1 645	1 339	-	306	-
	243 858	198 147	1 643	47 354	-
OTHER					
<i>Issued by non-residents</i>					
<i>Of other non-resident issuers</i>					
Structured products	589 044	519 312	800	70 532	-
	589 044	519 312	800	70 532	-
DERIVATIVE INSTRUMENTS WITH POSITIVE FAIR VALUE POSITIVO					
<i>Other</i>					
Unrealized capital gains from futures	-	5 180	-	-	-
Unrealized capital gains from options	-	172 642	-	-	-
Unrealized capital gains from CFD on currency		11 526			
	-	189 348	-	-	-
TOTAL	3 918 971	3 858 021	9 308	259 606	-

3.4. Other financial assets at fair value through profit or loss

Note 04

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Securities		
<i>Issued by residents</i>	3 567	912
	3 567	912

This amount refers to the contribution to the Work Compensation Fund. Fair value option, in accordance with IAS 39(9)(b), quotation being obtained from the website of the Work Compensation Fund.

3.5. Available for sale financial assets

Note 05

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Issued by residents		
<i>Portuguese public debt instruments</i>	336 852	306 769
<i>Debt instruments of other residents</i>	7 789 075	14 328 322
Accumulated impairment (IAS) / Provisions for impairments (AAS)	(4 142 800)	(3 801 000)
<i>Equity instruments</i>	1 230 214	1 519 314
Accumulated impairment (IAS) / Provisions for impairments (AAS)	(535 514)	(421 514)
<i>Other</i>	7 121 622	0
	11 799 450	11 931 891
Issued by non-residents		
<i>Debt instruments</i>	28 414 219	32 321 496
Accumulated impairment (IAS) / Provisions for impairments (AAS)	(346 875)	(343 547)
<i>Other</i>	464 392	400 573
	28 531 735	32 378 522
	40 331 185	44 310 413

As mentioned in the basis of presentation and significant accounting policies, assets are classified under this heading when they are not intended for divestment in the short term. Changes in fair value are directly recognized in equity under the heading «Revaluation reserves». In the 2015 financial year, investments in debt securities slowed down, also as a result of the drop in interest rates in these markets.

AVAILABLE FOR SALE FINANCIAL ASSETS

As at 31 December 2015, this heading is broken down as follows:

NATURE AND TYPE OF SECURITIES	ACQUISITION VALUE	BOOK VALUE	CAPITAL		IMPAIRMENT
		FAIR VALUE	GAINS	LOSSES	
DEBT INSTRUMENTS					
<i>Issued by residents</i>					
<i>Of Portuguese public debt</i>					
Treasury Bonds	318 168	336 852	18 684	-	-
<i>Of other resident issuers</i>					
Non-subordinated debt	3 518 375	3 435 575	-	82 800	-
Subordinated debt	4 353 500	210 700	-	-	4 142 800
<i>Issued by non-residents</i>					
<i>Of other non-resident issuers</i>					
Non-subordinated debt	33 720 050	27 977 804	127 468	5 869 714	-
Subordinated debt	456 992	89 540	-	20 577	346 875
	42 367 085	32 050 471	146 152	5 973 091	4 489 675
EQUITY INSTRUMENTS					
<i>Issued by residents</i>					
<i>Of other resident issuers</i>					
Shares	2 440 174	694 700	-	1 209 960	535 514
	2 440 174	694 700	-	1 209 960	535 514
OTHER					
<i>Issued by non-residents</i>					
<i>Of other non-resident issuers</i>					
Structured products	503 270	464 392	72	38 950	-
	503 270	464 392	72	38 950	-
TOTAL	45 310 529	33 209 653	146 224	7 222 001	5 025 189

3.6. Investments in credit institutions

Note 06

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Investments		
In the country		
<i>In other credit institutions</i>	17 108 472	49 455 620
<i>Income receivable</i>	7 858	72 867
	17 116 330	49 528 487

3.7. Loans to clients

Note 07

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Domestic credit		
<i>Loans</i>	27 699 222	19 037 790
<i>Current account loans</i>	46 990 333	28 872 422
<i>Overdrafts in demand deposits</i>	299 140	148 552
Foreign loans		
<i>Loans</i>	132 000	165 000
<i>Current account loans</i>	1 116 732	999 287
Overdue loans and interest	612 208	6 885 289
Income receivable	174 999	178 445
	77 024 634	56 286 785
Provisions/Impairment for overdue loans and interest	(942 303)	(5 555 804)
	76 082 331	50 730 981

In 2015, loans portfolio increased their weight in the overall activity of the Bank in terms of new operations and increase in volume, in each of the types of credit provided by the Bank to its clients. Note that loans are mostly covered by real and personal guarantees that significantly exceed the outstanding amounts. Moreover, provisions are constituted in conformity with Notice no. 3/95. Note also the impact in 2014 of the impairment associated with the acquisition of an overdue loan from a non-resident credit institution, which was then assigned during 2015.

3.8. Non-current assets held for sale

Note 08

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Property, plant and equipment		
<i>Buildings</i>	85 680	85 680
	85 680	85 680

Corresponds to the purchase price of a property acquired to recover credit.

3.9. Investment properties

Note 09

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
F.I.I. – Retail Properties	0	7 633 087
	0	7 633 087

3.10. Other property, plant and equipment

Note 10

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Other property, plant and equipment		
<i>Buildings</i>	525.290	525.290
<i>Equipment</i>	5.519.177	5.806.861
<i>Finance lease assets</i>	368.570	641.547
	6.413.037	6.973.698
Accrued amortizations		
<i>Buildings</i>	(44.970)	(36.782)
<i>Equipment</i>	(4.522.350)	(4.808.125)
<i>Finance lease assets</i>	(30.406)	(297.857)
	(4.597.726)	(5.142.763)
	1.815.311	1.830.935

Movements and balances as at 31 December 2015 under the headings «Other property, plant and equipment» and «Intangible assets», including amortizations and impairment adjustments are shown on the map in the annex entitled «Tangible and intangible assets as at 31 December 2015».

As mentioned in note 2.2.10 of the significant accounting policies (consolidated accounts), the Bank decided to fully depreciate vehicles at the end of 2012. This criterion was also applied in 2013. In 2014, however, the policy changed and new vehicles were depreciated according to their useful life.

ACQUISITION VALUE/NET VALUE	2012	2013	2014	2015	2016	2017	2018	2019	2020	TOTAL
Vehicles purchased up to 2012	938 126									938 126
Vehicles purchased in 2013		210 960								210 960
	938 126	210 960	0	0	0	0	0	0	0	1 149 086
Applied depreciation	938 126	210 960	0	0	0	0	0	0	0	1 149 086
Tax depreciation	89 904	173 127	205 737	198 550	186 325	122 187	71 932	57 259	44 064	1 149 086
	848 221	37 833	(205 737)	(198 550)	(186 325)	(122 187)	(71 932)	(57 259)	(44 064)	0
Net value fiscal	848 221	886 054	680 317	481 767	295 443	173 256	101 323	44 064	0	

This situation gave rise to deferred tax assets in the year in the amount of € 49 309 (see Note 13).

3.11. Intangible assets

Note 11

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Goodwill	200	43 913
Other intangible assets		
Set-up costs	0	498 364
Multiannual costs	0	595 458
Automatic data processing system (software)	2 388 762	2 396 732
Property, plant and equipment in progress	0	26 164
Other	242 529	203 675
	2 631 491	3 764 306
Accrued amortizations		
Set-up costs	0	(498 364)
Multiannual costs	0	(595 840)
Automatic data processing system (software)	(2 217 657)	(2 291 782)
Other	(201 002)	(203 675)
	(2 418 660)	(3 589 660)
	212 831	174 646

Despite a slight increase in this asset component, in net terms, note the investment in information systems to support the Bank's business.

3.12. Current tax assets

Note 12

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Current tax assets		
Recoverable corporate income tax	0	2 586 946
	0	2 586 946

Payments on account and additional payments on account settled in 2014 which, according to the corporate tax code rules, are calculated on the taxable income of the previous year.

3.13. Deferred tax assets

Note 13

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Deferred tax assets		
Temporary differences		
Property, plant and equipment	50 593	77 713
Intangible assets	5 340	5 340
Revaluation reserves	1 220 736	163 422
Tax losses	12 237	0
	1 288 906	246 475

This heading reflects only the impact of temporary income tax differences on the Bank, as no temporary tax differences have been found for the subsidiaries. As stressed by the accounting policies, temporary differences identified between depreciation accepted for tax purposes are recognized as well as those stated in accounting.

3.14. Other assets

Note 14

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Other financial availabilities	53	93 113
Debtors and other investments		
Debtors due to operations on futures and options (*)	1 575 474	1 417 587
Government sector	108 249	237 809
Miscellaneous debtors	5 346 450	505 292
Miscellaneous investments	4 013 383	0
Other assets	35 429	32 007
Other interest and similar income		
Of fixed income issued by residents		
Of Portuguese public debt	5 969	5 240
Of other residents	39 073	215 574
Of fixed income issued by non-residents		
Of other non-residents	538 601	459 364
Other income receivable	180 653	506 365
Costs with deferred charges		
Insurance	29 352	21 201
Other rents	0	50
Other deferred charges	151 850	152 609
Asset value of pension fund	3 247 540	2 462 864
Other regularization accounts	618 340	2 923 898
	15 890 416	9 032 971
Accum. impair. IAS / Provisions for accum. impair. AAS		
Overdue loans and interest	(100 000)	0
	15 790 416	9 032 971

(*) The item Other assets includes the margin account value with Omiclear as a clearing member of OMIP.

3.15. Deposits from central banks

Note 15

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Deposits from Banco de Portugal		
Other deposits – Loans	2 010 000	17 010 000
Interest on deposits from Banco de Portugal		
Loans	3 878	219 154
	2 013 878	17 229 154

3.16. Financial liabilities held for trading

Note 16

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Derivative instruments with negative fair value	470 404	1 959 205
	470 404	1 959 205

3.17. Deposits from other credit institutions

Note 17

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Loans and deposits from domestic credit institutions		
Deposits	19 247 272	0
Loans	42 198	165 827
Other deposits	772	211
	19 290 242	166 038
Loans and deposits to foreign credit institutions		
Deposits	387 518	520 294
Loans	5 397	6 500
	392 916	526 794
	19 683 158	692 832

3.18. Deposits from clients and other loans

Note 18

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
DEPOSITS FROM CLIENTS		
Deposits		
Of residents		
Demand	44 875 632	26 807 643
Term	76 360 245	67 360 582
Of non-residents		
Demand	19 689 740	21 031 834
Term	19 855 664	1 864 882
	160 781 281	117 064 941
INTEREST ON DEPOSITS FROM CLIENTS		
Deposits		
Of residents	404 534	675 438
Of non-residents	82 055	16 377
	486 589	691 815
	161 267 870	117 756 756

3.19. Provisions

Note 19

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
For guarantees and commitments made	47 813	151 056
For other risks and charges	0	118 778
	47 813	269 834

3.20. Current tax liabilities

Note 20

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Current tax liabilities		
Corporate income tax payable	144 870	3 879
	144 870	3 879

3.21. Other liabilities

Note 21

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Suppliers	75 159	301 941
Suppliers – finance lease assets	91 251	145 722
Creditors – transferable securities operations	569 389	722 858
Other creditors	257 327	405 912
Futures	1 211 103	878 271
Deposits – Escrow account	0	5 943 101
Other deposits	5 742 856	8 083 124
VAT payable	40 355	48 290
Withholding and other taxes payable to the State	446 411	339 984
Contributions to Social Security	77 061	66 236
Contributions to other health systems	4 351	4 263
Unions	809	797
	8 516 072	16 940 499
Liabilities relating to pensions and other benefits	3 380 684	3 285 103
Other interest and similar costs		
Charges payable		
Staff costs	532 234	479 506
Other charges	214 036	98 966
	746 270	578 472
Other revenue with deferred income	6 161	63 777
Other operations to be regularized	712 331	3 195 016
	13 361 518	24 062 868

The amount stated under «Other deposits» refers to the financial balances of clients arising from derivative transactions invested in the liquidity of portfolio management contracts.

«Other operations to be regularized» includes transactions for the purchase of securities made at the end of the year, pending settlement at the beginning of the following financial year.

3.22. Equity attributed to the Group

Note 22

The movements and balances as at 31 December 2015 under the equity headings are presented in the annex «Statement of changes in equity capital».

3.23. Minority interests

Note 23

Minority interests in 2015 were calculated according to the following table:

SUBSIDIARIE	EQUITY	% MINORITY INTERESTS	MINORITY INTERESTS
CoolLink, Lda	177 279	50%	88 640
Total	177 279		88 640

3.24. Financial Margin

Note 24 e 25

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Interest and similar income from:		
Deposits in central banks	640	1 609
Deposits and investments in other credit institutions	624 223	966 140
Loans to clients	3 785 743	2 250 450
Other financial assets		
Held for trading	266 072	445 455
Available for sale	2 144 577	2 137 360
Debtors and other investments	83 175	3 169
Other	0	3 007
	6 904 431	5 807 191
Interest and similar costs on:		
Deposits from Banco de Portugal	(12 743)	(119 340)
Deposits from other credit institutions	(113 499)	(2 122)
Deposits from clients	(1 280 976)	(1 869 012)
Liabilities held for trading	(14 303)	(38 729)
Other	(5 529)	(5 629)
	(1 427 050)	(2 034 832)
	5 477 381	3 772 359

The financial margin increased considerably in 2015 compared to the same period in the previous year, largely due to the decrease in interest paid on borrowings, mostly channeled to indexed products on offer, where interest is only determined at maturity, and to interest on loans, which, in this financial year, showed remarkable growth.

3.25. Income from equity instruments

Note 26

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Available for sale financial assets		
Issued by residents		
Participation units	125 177	0
	125 177	0

3.26. Revenue and charges – services and fees/commissions

Note 27 e 28

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Income – services and fees/commissions from:		
Guarantees and sureties	40 719	159 544
Deposits and values under custody	19 333	17 197
Collection of securities	111 476	68 475
Administration of securities	967 653	610 635
Collective investment undertakings in transferable securities	140 010	36 574
Other services provided	2 128 615	717 462
Operations carried out on behalf of third parties	2 423 641	3 154 972
Other fees/commissions received	234 415	107 721
	6 065 862	4 872 580
Charges – services and fees/commissions for:		
Deposits and values under custody	(57 260)	(40 529)
Administration of securities	(96)	0
Collective investment undertakings in transferable securities	0	(79 887)
Other banking services provided by third parties	(28 086)	(19 646)
Operations carried out by third parties	(1 277 195)	(842 684)
Other fees/commissions paid	(6 081)	(2 536)
	(1 368 718)	(985 282)
	4 697 144	3 887 298

In net terms, there was a slight increase in this component of activity with greater emphasis on income from services and fees/commissions (+23%), as a result of the increase in custody, administration of securities and depository of collective investment undertakings, as well as in the provision of financial advisory services. As regards charges with services and fees/commissions, there was a tighter focus on operations carried out by third parties, most of which supporting credit-related operations and corporate business.

3.27. Income from assets and liabilities evaluated at fair value

Note 29

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
GAINS FROM:		
Financial assets held for trading		
Debt instruments	662 877	2 415 935
Equity instruments	930 340	2 373 532
Derivative instruments	4 577 767	1 091 274
Other	625 854	646 011
Financial liabilities held for trading (non-derivative)	155 575	0
Other gains from financial operations	0	1 507 179
	6 952 413	8 033 931
LOSSES FROM:		
Financial assets held for trading		
Debt instruments	(642 359)	(1 973 588)
Equity instruments	(832 545)	(3 226 374)
Derivative instruments	(7 312 128)	(3 530 012)
Other	(866 913)	(896 802)
Financial liabilities held for trading (non-derivative)	(6 001)	0
Other losses from financial operations	0	(1 049 054)
	(9 659 946)	(10 675 829)
	(2 707 533)	(2 641 899)

The negative result in 2015 arises from the negative environment in debt markets of emerging countries, where greater risk perception caused a devaluation of debt securities that form most of the portfolio, and also due to the weakening of the value of the euro against the US dollar, leading to losses in derivative instruments used to hedge assets denominated in that currency. Those losses, however, were offset by the results of currency revaluation (Note 31) and reserves, as per policy presented above.

3.28. Income from available for sale financial assets

Note 30

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
GAINS FROM:		
Available for sale financial assets		
Securities		
Issued by residents		
Debt instruments	165 460	1 204 593
Equity instruments	0	376 127
Other	251 541	0
Issued by non-residents		
Debt instruments	3 227	4 181 703
Other	33 106	192
	453 334	5 762 615
LOSSES FROM:		
Available for sale financial assets		
Securities		
Issued by residents		
Debt instruments	(38 000)	(4 081)
Equity instruments	(19)	0
Issued by non-residents		
Debt instruments	(70 012)	(142 891)
	(108 031)	(146 972)
	345 303	5 615 643

According to the applicable rules, this heading shows the amounts relating to the derecognition of financial assets, normally through their disposal. Considering the normally longer period in which investment are made for this portfolio, the disposal of securities generally emerges from particularly favorable opportunities found for their disposal. Therefore, 2015 saw a positive result, albeit substantially lower than in 2014, arising from the difference between the disposal values and the acquisition cost of the securities, largely through the decrease in the interest rate in debt markets.

3.29. Income from currency revaluation

Note 31

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
GAINS FROM:		
Exchange differences		
Other items in foreign currency – foreign currencies	5.774.226	2.983.174
LOSSES FROM:		
Exchange differences		
Other items in foreign currency – foreign currencies	(3.303.617)	(488.975)
	2.470.609	2.494.199

The above results are largely due to the exchange rate fluctuation of the US dollar against the euro, the currency to which the Bank was more exposed in each of the financial years. Amounts for 2014 are restated following the enforcement of IAS 8, par. 42, because of the change in accounting criteria that used to consider debt instruments classified as available for sale assets as non-monetary items, the associated exchange rate variations being recognized under other comprehensive income.

3.30. Income from the assignment of other assets

Note 32

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Gains from:		
Assignment of loans to clients	386 057	950 000
Non-financial assets	15 802	15 559
	401 859	965 559

In 2014, gains in the amount of EUR 950 000 were obtained with the acquisition and simultaneous assignment of an overdue loan. A similar situation occurred in 2015.

3.31. Other operating income

Note 33

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Gains from:		
Other gains and operating income	264 846	815 002
	264 846	815 002
Losses from:		
Other taxes	(173 306)	(167 536)
Donations and membership fees	(91 988)	(63 713)
Contributions to the Deposit Guarantee Fund (FGD)	(4 000)	(17 500)
Investor Compensation Scheme (SII)	(2 000)	(2 500)
Non-financial assets	0	(426)
Failure of procedure management and implementation	0	(34 651)
Failure of computer systems or telecommunications	(7 122)	(201)
Other costs and operating expenses	(133 926)	(72 504)
	(412 342)	(359 031)
	(147 496)	455 971

3.32. Staff costs

Note 34

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Remuneration		
Of management and supervisory bodies	(501 844)	(488 388)
Of employees	(2 636 906)	(2 355 678)
Mandatory social security contributions		
Remuneration-related charges	(767 088)	(678 968)
Other mandatory social security contributions		
Pension fund	(101 247)	(75 478)
Insurance against accidents at work	(15 496)	(12 872)
Other staff costs	(168 701)	(153 447)
	(4 191 282)	(3 764 831)

3.33. General administrative costs

Note 35

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
With supplies:		
Water, electricity and fuel	(205 401)	(181 834)
Consumables	(9 895)	(6 918)
Publications	(7 480)	(7 342)
Hygiene and cleaning products	(11 421)	(16 955)
Other third party supplies	(199 266)	(148 045)
	(433 464)	(361 094)
With services:		
Leases and rentals	(327 696)	(326 982)
Communications	(286 209)	(300 930)
Travel, hotel and representation costs	(346 536)	(303 168)
Advertising and publishing	(510 827)	(822 271)
Repairs and maintenance	(140 644)	(194 109)
Insurance	(47 643)	(46 828)
Specialized services		
Retainers and fees	(511 260)	(121 188)
Legal, litigation and notaries	(18 958)	(9 856)
IT services	(196 702)	(159 893)
Security and surveillance	(18 059)	(10 027)
Cleaning services	(1 630)	(2 593)
Information	(449 144)	(340 872)
Databases	(52 012)	(45 357)
Temporary manpower	0	(225)
Other specialized services		
Advisory services	(848)	(62 073)
Consultants and external auditors	(600 526)	(536 414)
External evaluators	0	(7 934)
Other third party services		
Public relations and advisory services	(42 087)	(57 164)
Banco de Portugal – Bpnet Service	(2 898)	(2 769)
Housekeeping services	(7 060)	(7 963)
Other	(20 200)	(48 946)
	(3 580 938)	(3 407 562)
	(4 014 402)	(3 768 656)

Consultants and External Auditors

In compliance with Chapter VI Article 66-A(1)(b) of the C.S.C. (Companies Code), the following fees were posted for Banco Carregosa, there being no other type of service provision:

STATUTORY AUDIT FIRM	
Statutory audit	4 350
Assurance and reliability services	11 800
Other (CoolLink)	1 700
	17 850

3.34. Depreciations and amortizations

Note 36

As mentioned in Note 10, the movements and balances of the headings «Other property, plant and equipment» and «Intangible assets», including amortizations and impairment adjustments, are shown in Annex IV.

3.35. Provisions net of write-offs

Note 37

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Gains:		
Provisions for guarantees and commitments made	122 190	9 700
Other provisions	0	540 839
Losses:		
Provisions for guarantees and commitments made	(18 948)	(149 621)
Other provisions	0	(103 852)
	103 243	297 066

3.36. Credit impairment net of reversals and recoveries

Note 38

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Gains:		
Loans to clients	293 897	197 552
Overdue loans and interest	710 739	208 397
Losses:		
Loans to clients	(562 809)	(385 995)
Overdue loans and interest	(761 114)	(244 378)
	(319 288)	(224 424)

3.37. Impairment of other financial assets net of reversals and recoveries Note 39

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Available for sale financial assets		
Securities	(459 128)	(4 525 211)
	(459 128)	(4 525 211)

Impairments on the exposure of the Bank to BES and to the GES Group recognized in 2014 and in 2015 on the participation in Pagaqui – Pagamentos e Carregamentos, S.A.

3.38. Impairment of other assets net of reversals and recoveries Note 40

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Losses		
Investment in subsidiaries, associated companies and joint ventures	(81 835)	0
	(81 835)	0

3.39. Taxes Note 41 e 42

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Current	(287 030)	(331 532)
Deferred	12 237	(13 841)
	(274 793)	(345 373)

Current taxes recognized in 2015 in the amount of EUR 287 030 arise from income tax calculated according to the tax law applicable to Banco Carregosa, totaling EUR 281 719, and to the participated company CoolLink in the amount of EUR 5 311.

Deferred taxes recognized in 2015 in the amount of EUR 12 237, relate to tax losses for CoolLink.

3.40. Minority interests Note 43

Minority interests in the consolidated result in 2015 were calculated according to the following table:

SUBSIDIARIES	NET RESULTS	% MINORITY INTERESTS	MINORITY INTERESTS
CoolLink, Lda	(8 955)	50%	(4 478)
Total	(8 955)		(4 478)

3.41. Off-balance sheet accounts

Note 44

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
COMMITMENTS TO THIRD PARTIES:		
Irrevocable commitments		
Potential commitments to the Investor Compensation Scheme (SII)	337 401	228 049
Revocable commitments		
Credit lines	13 574 988	18 030 602
Account overdraft facilities	860	1 448
	13 913 249	18 260 099
LIABILITY FOR SERVICE PROVISION:		
Of deposits and values under custody	401 343 248	343 810 941
Administrative values by the institution	115 230 551	92 896 472
	516 573 798	436 707 413
SERVICES PROVIDED BY THIRD PARTIES:		
For deposits and values under custody	303 307 036	318 449 861
	303 307 036	318 449 861
FOREIGN EXCHANGE TRANSACTIONS AND DERIVATIVE INSTRUMENTS:		
Foreign exchange forward transactions – trading	250 000	38 930 937
Futures and forward options – trading	24 966 927	65 495
Options – trading	172 642	73 220
	25 389 569	39 069 652
GUARANTEES PROVIDED AND ANY OTHER SERVICES:		
Personal guarantees	6 316 152	16 516 673
Real guarantees	180 000	20 650 000
	6 496 152	37 166 673
GUARANTEES RECEIVED:		
Personal guarantees	63 700 534	62 702 521
Real guarantees	180 781 226	78 207 019
	244 481 759	140 909 540
OTHER OFF-BALANCE SHEET ITEMS:		
Write-offs	1 340 261	1 340 261
Accrued interest	21 421	13 915
Miscellaneous accounts	(1 111 523 246)	(991 917 415)
	(1 110 161 564)	(990 563 238)

4. RELATED PARTIES

As at 31 December 2015 and 2014, the Bank is controlled by the following shareholders with a holding of more than 2%:

SHAREHOLDING COMPOSITION AT 31/12/2015	NO. OF SHARES	%	VOTING RIGHTS
Maria Cândida Cadeco da Rocha e Silva	58 649 733	29.32	58 649
Jorge Manuel da Conceição Freitas Gonçalves	37 768 937	18.88	37 768
Amorim Projetos, SGPS, SA	15 880 743	7.94	15 880
António José Paixão Pinto Marante	10 000 000	5.00	10 000
Groupe Norwich S.A.	9 999 990	5.00	9 999
Mauricio Zlatkin	9 999 000	5.00	9 999
Sophia Capital – Fundo de Capital de Risco	8 510 000	4.26	8 510
Imocarregosa-Gestão e Comercialização Imobiliária, S.A.	7 068 342	3.53	7 068
Ruasgest, SGPS, SA	4 764 223	2.38	4 764

SHAREHOLDING COMPOSITION AT 31/12/2014	NO. OF SHARES	%	VOTING RIGHTS
Maria Cândida Cadeco da Rocha e Silva	58 649 733	29.32	58 649
Jorge Manuel da Conceição Freitas Gonçalves	37 768 937	18.88	37 768
Amorim Projetos, SGPS, SA	15 880 743	7.94	15 880
António José Paixão Pinto Marante	10 000 000	5.00	10 000
Mauricio Zlatkin	9 999 000	5.00	9 999
Maria Eugénia Dias Fernandes	9 494 561	4.75	9 494
Imocarregosa-Gestão e Comercialização Imobiliária, S.A.	8 068 342	4.03	8 068
Sara Cristina Moreira de Sá Peneda Pinho	5 000 000	2.50	5 000
Ruasgest, SGPS, SA	4 764 223	2.38	4 764

Remuneration of the Board of Directors

The Board of Directors of the Bank was considered, in accordance with IAS 24, as the only «key» management members of the Bank. The remunerations earned by the Board of Directors during the years ended 31 December 2015 and 2014 are shown in Note 34 to this annex.

TRANSACTIONS AND BALANCES BETWEEN RELATED PARTIES

At the end of the 2015 reporting year, the balances resulting from transactions with related parties are as follows:

	LIABILITIES	
	DEPOSITS FROM CLIENTS	
	DEMAND DEPOSITS	TERM DEPOSITS
AFFILIATED COMPANIES		
FII – Retail Properties	5 615 179	0
	5 615 179	0

At the end of the 2014 reporting year, the balances resulting from transactions with related parties are as follows:

	LIABILITIES	
	DEPOSITS FROM CLIENTS	
	DEMAND DEPOSITS	TERM DEPOSITS
AFFILIATED COMPANIES		
FII – Retail Properties	63 215	2 500 000
	63 215	2 500 000

	INTEREST ON	FEEES/COMMISSIONS	INCOME FROM
	DEMAND DEPOSITS	RECEIVED	EQUITY INST.
AFFILIATED COMPANIES			
FII – Retail Properties	4 292	42 219	125 177
	4 292	42 219	125 177

	INTEREST ON	FEEES/COMMISSIONS	INCOME FROM
	DEMAND DEPOSITS	RECEIVED	EQUITY INST.
AFFILIATED COMPANIES			
FII – Retail Properties	30 682	42 320	67 647
	30 682	42 320	67 647

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ANNEXES
OF INDIVIDUAL
ACCOUNTS – ANALYSIS
AND ANNEXES

INDIVIDUAL BALANCE SHEET (AAS) AS AT 31 DECEMBER 2015 AND 2014

(Amounts expressed in EUR)

	NOTES	31/12/2015		NET VALUE	PREVIOUS YEAR
		VALUE BEFORE PROVISIONS, IMPAIRMENTS AMORTIZATIONS	PROVISIONS, IMPAIRMENTS AMORTIZATIONS		
		1	2	3 = 1 - 2	
ASSETS					
Cash and liquid assets in central banks	1	47 502 888	–	47 502 888	1 566 250
Liquid assets in other credit institution	2	23 529 925	–	23 529 925	26 449 520
Financial assets held for trading	3	3 858 017	–	3 858 017	4 804 337
Other financial assets at fair value through profit or loss	4	2 191	–	2 191	547
Available for sale financial assets	5	45 356 374	(5 025 189)	40 331 185	52 032 929
Investments in credit institutions	6	17 004 583	–	17 004 583	48 568 789
Loans to clients	7	77 024 634	(179 597)	76 845 037	51 437 542
Investments held to maturity		–	–	–	–
Assets under repurchase agreement		–	–	–	–
Hedging derivatives		–	–	–	–
Non-current assets held for sale	8	85 680	–	85 680	85 680
Investment properties		–	–	–	–
Other tangible assets	9	6 268 894	(4 487 172)	1 781 721	1 783 937
Intangible assets	10	2 576 861	(2 373 110)	203 750	122 412
Investments in associated and subsidiary companies excluded from consolidation	11	25 000	–	25 000	314 378
Current tax assets	12	–	–	–	2 586 946
Deferred tax assets	13	1 276 669	–	1 276 669	246 475
Other assets	14	15 878 266	(100 000)	15 778 266	8 685 911
Total Assets		240 389 982	(12 165 069)	228 224 913	198 685 655

(Amounts expressed in EUR)

	NOTES	31/12/2015		NET VALUE	PREVIOUS YEAR
		VALUE BEFORE PROVISIONS, IMPAIRMENTS AMORTIZATIONS	PROVISIONS, IMPAIRMENTS AMORTIZATIONS		
		1	2		
LIABILITIES					
Deposits from central banks	15			2 013 878	17 229 154
Financial liabilities held for trading	16			470 404	1 959 205
Other liabilities at fair value through profit or loss				-	-
Deposits from other credit institutions	17			19 682 386	692 621
Clients' deposits and other loans	18			161 267 872	120 336 085
Liabilities represented by securities				-	-
Financial liabilities associated to asset transfers				-	-
Hedging derivatives				-	-
Non-current liabilities held for sale				-	-
Provisions	19			810 519	857 617
Current tax liabilities	20			142 392	-
Deferred tax liabilities				-	-
Instruments representing equity				-	-
Other subordinated liabilities				-	-
Other liabilities	21			13 306 532	23 648 978
Total Liabilities				197 693 982	164 723 660
EQUITY					
Equity	22			20 000 000	20 000 000
Issue premiums				369 257	369 257
Other equity instruments				-	-
Revaluation reserves				(4 883 741)	(554 340)
Other reserves and retained earnings				14 227 997	13 151 031
Own shares				-	-
Income for the year				817 417	996 047
Interim dividends				-	-
Total Equity				30 530 931	33 961 995
Total Liabilities and Equity				228 224 913	198 685 655

The Certified Accountant

The Board of Directors

INDIVIDUAL FINANCIAL STATEMENTS – 31 DECEMBER 2015 AND 2014

(Amounts expressed in EUR)

	NOTES	31/12/2015	PREVIOUS YEAR
Interest and similar income	23	6 900 543	5 793 418
Interest and similar costs	24	(1 427 050)	(2 065 514)
FINANCIAL MARGIN		5 473 493	3 727 904
Income from equity instruments	25	125 177	67 647
Income from services and fees	26	6 065 862	4 914 900
Charges – services and fees	27	(1 368 251)	(904 995)
Income from assets and liabilities evaluated at fair value through profit or loss	28	(2 707 533)	(3 100 024)
Income from available for sale financial assets	29	345 303	5 646 457
Income from foreign currency revaluation	30	2 470 609	2 494 199
Income from the sale of other assets	31	401 859	965 759
Other operating income	32	(168 857)	(138 143)
NET OPERATING REVENUE		10 637 661	13 673 703
Staff costs	33	(3 744 658)	(3 430 326)
General administrative costs	34	(4 463 702)	(4 129 974)
Depreciation	35	(573 157)	(547 320)
Provisions net of write-offs	36	(165 669)	171 636
Value adjustments associated with loans to clients and receivables from other debtors (net of value readjustments)	37	(50 376)	(35 981)
Impairment of other financial assets net of reversals and recoveries	38	(459 128)	(4 525 211)
Impairment of other assets net of reversals and recoveries	39	(81 835)	–
PRE-TAX PROFIT		1 099 136	1 176 527
Taxes		(281 719)	(180 480)
Current	40	(281 719)	(166 639)
Deferred	41	–	(13 841)
PROFIT AFTER INCOME TAX		817 417	996 047
Of which: Net income after tax on discontinued operations		–	–

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The Board of Directors

INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME

(Amounts expressed in EUR)

	31/12/2015	PREVIOUS YEAR
CONSOLIDATED NET RESULT FOR THE YEAR	817 417	996 047
Items that will not be reclassified into profit or loss:		
Tangible Assets	(388)	3 747
Actuarial gains or losses (-) with defined benefit pension plans	80 920	(695 587)
Items that may be reclassified into profit or loss:		
Currency translation	-	-
Available for sale financial assets	(5 498 373)	(3 256 713)
Income tax related to items that may be reclassified into profit or loss	1 169 361	544 695
OTHER COMPREHENSIVE INCOME	(4 248 481)	(3 403 859)
OVERALL COMPREHENSIVE INCOME FOR THE YEAR	(3 431 064)	(2 407 812)

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The Board of Directors



CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015 AND 2014

(Amounts expressed in EUR)

	31/12/2015	PREVIOUS YEAR
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest and commissions receivable	13 391 163	11 502 529
Interest and commissions paid	(3 207 915)	(3 886 745)
Payments to employees and suppliers	(8 096 080)	(7 557 917)
Deposits from credit institutions and central banks	4 114 496	(65 744 348)
Other operating assets and liabilities	(18 267 521)	15 400 460
Other receipts from clients	15 949 262	14 156 551
Income taxes	2 586 786	(2 419 877)
Net cash from operating activities	6 470 192	(38 549 347)
CASH FLOWS FROM INVESTMENT ACTIVITIES:		
Dividends received	-	-
Acquisition/Disposal of available for sale assets	5 743 855	52 958 237
Held-to-maturity investments	-	-
Acquisitions of tangible and intangible assets	(751 928)	(677 232)
Disposal of tangible and intangible assets	115 450	15 958
Investments in subsidiaries and associated companies	-	-
Net cash from investment activities	5 107 377	52 296 963
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital increase	-	-
Dividends paid	-	(1 750 000)
Issue of securitized and subordinated debt	-	-
Remuneration paid on cash and other bonds	-	-
Remuneration paid on subordinated debt	-	-
Deposits from credit institutions (not associated with the main revenue-generating activities)	-	-
Net cash from financing activities	-	(1 750 000)
Net increase (decrease) of cash and cash equivalents	11 577 569	11 997 617
Exchange differences	-	-
Cash and cash equivalents at the beginning of the year	76 412 232	64 414 615
Cash and cash equivalents at year-end	87 989 801	76 412 232
Cash and liquid assets in central banks	47 502 888	1 566 250
Liquid assets in other credit institutions	23 529 925	26 449 520
Investments in other credit institutions	17 004 583	48 568 789
Overdrafts in other credit institutions	(47 596)	(172 327)

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The Board of Directors

TANGIBLE AND INTANGIBLE ASSETS AS AT 31 DECEMBER 2015
(INDIVIDUAL ACTIVITY)

ACCOUNTS	EM 31/12/2014				
	GROSS VALUE	ACCRUED AMORTIZATIONS	INCREASES ACQUISITIONS	DEPRECIATION	WRITE-OFFS (NET)
OTHER INTANGIBLE ASSETS					
Data processing systems (software)	2 117 934	(2 021 686)	207 571	(150 422)	-
Other intangible assets	185 994	(185 994)	8 353	(15 008)	-
Intangible assets in progress	26 164	-	30 844	-	-
	2 330 092	(2 207 680)	246 768	(165 430)	-
TANGIBLE ASSETS					
Buildings	522 936	(34 428)	-	(8 188)	-
Equipment	5 029 789	(4 078 051)	505 160	(394 011)	(99 648)
Finance lease assets	368 570	(24 878)	-	(5 529)	-
Tangible Assets in progress	-	-	-	-	-
	5 921 295	(4 137 357)	505 160	(407 727)	(99 648)
TOTALS	8 251 387	(6 345 038)	751 928	(573 157)	(99 648)

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The Board of Directors

(Amounts expressed in EUR)

TRANSF.	SETTLEMENTS			ADJUSTED ACQUISITION VALUE	ADJUSTED DEPRECIATION	ADJUSTED ACCRUED AMORTIZATIONS	NET VALUE ON 31/12/2014
	GROSS VALUE	DEPRECIATION	ACCRUED AMORTIZATIONS				
8 826	-	-	-	2 334 331	(150 422)	(2 021 686)	162 224
48 182	-	-	-	242 529	(15 008)	(185 994)	41 527
(57 008)	-	-	-	-	-	-	-
-	-	-	-	2 576 861	(165 430)	(2 207 680)	203 751
-	-	-	-	522 936	(8 188)	(34 428)	480 320
-	-	-	-	5 534 949	(394 011)	(4 078 051)	963 238
-	-	-	-	368 570	(5 529)	(24 878)	338 163
-	-	-	-	-	-	-	-
-	-	-	-	6 426 454	(407 727)	(4 137 357)	1 781 721
-	-	-	-	9 003 315	(573 157)	(6 345 038)	1 985 472

STATEMENT OF CHANGES IN EQUITY CAPITAL AS AT 31 DECEMBER 2015
(INDIVIDUAL ACTIVITY)

	CAPITAL	ISSUE PREMIUMS	REVALUATION RESERVES
Balances as at 31 December 2013	20 000 000	369 257	1 979 015
IMPACT OF CHANGES IN ACCOUNTING CRITERIA (IAS 8)			537 674
Opening Balances (restated)	20 000 000	369 257	2 516 689
Changes in fair value reserves			(2 833 564)
Deferred tax			544 695
Actuarial gains or losses (-) with pension plans			
Net result for 2014			
Comprehensive income for 2014 (*)			
Distribution of dividends			
Other changes in equity			
Balances as at 31 December 2014	20 000 000	369 257	(309 854)
IMPACT OF CHANGES IN ACCOUNTING CRITERIA (IAS 8)			(782 161)
Opening Balances (restated)	20 000 000	369 257	(554 340)
Changes in fair value reserves			(5 498 761)
Deferred tax			1 169 361
Actuarial gains or losses (-) with pension plans			
Net result for 2015			
Comprehensive income for 2015			
Distribution of dividends			
Other changes in equity			
Balances as at 31 December 2015	20 000 000	369 257	(4 883 741)

The Certified Accountant

The Board of Directors

(*) Amounts not restated.

(Amounts expressed in EUR)

LEGAL RESERVES	OTHER RESERVES	RETAINED EARNINGS	RESULT OF THE PERIOD	TOTAL EQUITY
1 452 626	6 454 293	1 352 774	7 049 164	38 657 129
		(375 735)	(161 939)	-
1 452 626	6 454 293	977 038	6 887 225	38 657 129
				(2 833 564)
				544 695
	(695 587)			(695 587)
			36 742	36 742
				(2 947 714)
		(1 750 000)		(1 750 000)
704 916	4 594 248	1 750 000	(7 049 164)	-
2 157 543	10 352 954	1 352 774	36 742	33 959 415
		(336 503)	1 121 243	2 579
2 157 543	10 352 954	640 535	996 046	33 961 994
				(5 498 761)
				1 169 361
	80 920			80 920
			817 417	817 417
				(3 431 064)
				-
3 674	33 068	959 304	(996 046)	-
2 161 217	10 466 941	1 599 839	817 417	30 530 931

ANNEX TO THE INDIVIDUAL FINANCIAL STATEMENTS AS AT 31 DECEMBER 2015

(Amounts expressed in Euros, except when explicitly stated otherwise)

1. GENERAL INFORMATION

Banco L. J. Carregosa, SA (Bank or Carregosa) is a commercial bank with head-office in Portugal, at Av. da Boavista nº 1083, in Porto, duly authorized by the Portuguese authorities. It began to operate as a commercial bank in November 2008, following the merger of the brokerage company L. J. Carregosa and Personal Value, by notarial deed on 17 May that year.

The Bank has a network of three agencies in Portugal and a satellite office in Spain.

2. BASES OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLITICIES

2.1. Bases of presentation and comparability

The financial statements of Banco Carregosa were prepared in conformity with the International Accounting Standards (AAS), as defined by Banco de Portugal, pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002, transposed into national law through Decree-law no. 35/2005, of 17 February, and Banco de Portugal Notice no. 1/2005.

The AAS is the practical implementation of the International Financial Reporting Standards (IFRS) as adopted by the European Union in individual financial statements, with the exception of some matters regulated by Banco de Portugal, such as the impairment of loans to clients and the accounting treatment for the recognition in retained earnings of the adjustments of liabilities with retirement and survivor pensions in the transition period.

The individual financial statements of Banco Carregosa now submitted report to the year ended 31 December 2015 and have been prepared according to the AAS, which include the IFRS in force as adopted by the European Union by 31 December 2015. The accounting standards used by the Bank to prepare its financial statements as at 31 December 2015 are consistent with those used to prepare the annual financial statements as at 31 December 2014.

These statements have been prepared according to the historical cost principle, with the exception of assets and liabilities recognised at fair value, in particular derivative financial instruments, assets and liabilities at fair value.

Comparability with previous years (IAS 8)

In early 2015, the accounting criterion adopted for the classification of debt instruments held in the available for sale assets portfolio was reviewed. By the end of 2014, the Bank classified the debt instruments in the available for sale assets portfolio as non-monetary items, in accordance with the interpretation of IAS 21. Consequently, the results of the foreign exchange fluctuations resulting from holding those assets were stated in reserves associated to foreign exchange fluctuations.

Given the increasing volatility of the US dollar in 2014, to which the Bank is exposed the most, and having analyzed the information disclosed by various benchmark institutions, and also following the favourable opinion of the statutory audit firm, the Executive Committee decided to change the criterion that had been used. Therefore, debt instruments held in the available for sale assets portfolio are now stated as monetary assets. The results of the foreign exchange fluctuations of these assets are now posted directly in gains and losses.

In light of this change in accounting criterion and in conformity with IAS 8, the resulting impacts must be accounted for and the comparative values must be restated for the previous periods.

Regarding deferred taxes, comparative results have been restated as a result of the review of the corporate tax rate applied, the tax impact of changes in equity and of the write-off of the asset for deferred tax on the impairments of the subsidiaries Lisbon Brokers, SA and Francisco Marques Pereira SGPS, SA constituted in 2011.

As the impact of these changes in criteria affect the headings of assets and equity capital, the table below shows, in terms of consolidated financial statements, the amounts initially stated, the adjustments and the restated amounts. As to deferred taxes, the comparative values have been restated as a result of the change in corporate tax rate (see Note 13).

	REVALUATION RESERVES		OTHER RESERVES AND RETAINED EARNINGS				RESULT FOR THE YEAR
	ASSOCIATED WITH EXCHANGE DIFFERENCES	RESULTING FROM FV VALUATION	LEGAL RESERVE	EXCHANGE DIFFERENCES RESERVE	OTHER RESERVES	RETAINED EARNINGS	
Value stated as at 31/12/2008	-	(440 168)	255 000	(131 477)	288 987	(163 633)	771 346
Adjustment (IAS 8) as at 2008	-	-	-	(157 510)	-	-	157 510
Value restated as at 31/12/2008	-	(440 168)	255 000	(288 987)	288 987	(163 633)	928 857
Value stated as at 31/12/2009	-	(86 677)	333 597	-	288 987	543 737	1 031 764
Adjustment (IAS 8) as at 2009	-	-	-	-	-	157 510	(157 510)
Value restated as at 31/12/2009	-	(86 677)	333 597	-	288 987	701 247	874 254
Value stated as at 31/12/2010	19 915	(309 168)	435 190	-	75 362	1 248 072	(1 145 218)
Adjustment (IAS 8) as at 2010	(19 915)	-	-	-	-	-	19 915
Value restated as at 31/12/2010	-	(309 168)	435 190	-	75 362	1 248 072	(1 125 303)
Value stated as at 31/12/2011	-	(393 219)	435 190	-	288 987	136 612	1 108 428
Adjustment (IAS 8) as at 2011	-	-	-	-	-	19 915	(19 915)
Value restated as at 31/12/2011	-	(393 219)	435 190	-	288 987	156 527	1 088 513
Value stated as at 31/12/2012	(375 735)	1 123 867	503 236	-	288 987	1 173 994	9 443 908
Adjustment (IAS 8) as at 2012	375 735	-	-	-	-	-	(375 735)
Value restated as at 31/12/2012	-	1 123 867	503 236	-	288 987	1 173 994	9 068 173
Value stated as at 31/12/2013	(537 674)	2 265 095	1 452 626	-	6 454 293	1 153 997	7 286 052
Adjustment (IAS 8) as at 2013	537 674	-	-	-	-	(375 735)	(161 939)
Value restated as at 31/12/2013	-	2 265 095	1 452 626	-	6 454 293	778 262	7 124 113
Value stated as at 31/12/2014	426 423	(1 409 071)	2 157 543	-	10 352 945	1 390 885	378 453
Adjustment (IAS 8) as at 2014	(426 423)	-	-	-	-	(537 674)	964 097
Value restated as at 31/12/2014	-	(1 409 071)	2 157 543	-	10 352 945	853 211	1 342 550

BALANÇO	DEFERRED TAX ASSETS	REVALUATION RESERVES	OTHER RESERVES AND RETAINED EARNINGS	RESULT FOR THE YEAR
Value stated as at 31/12/2014	243 896	(309 854)	13 863 270	36 742
Adjustment (IAS 8) as at 2014	2 579	(244 486)	(712 239)	959 304
Value restated as at 31/12/2014	246 475	(554 340)	13 151 031	996 047

DEMONSTRAÇÃO DE RESULTADOS	INCOME FROM CURRENCY REVALUATION	CURRENT TAXES	DEFERRED TAXES	RESULT FOR THE YEAR
Value stated as at 31/12/2014	1 530 101	(118 902)	(56 786)	36 742
Adjustment (IAS 8) as at 2014	964 097	(47 737)	42 944	959 304
Value restated as at 31/12/2014	2 494 199	(166 639)	(13 841)	996 047



2.2. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

The most significant accounting policies used in the preparation of the financial statements were as follows:

2.2.1. Accrual accounting

The Bank adopts the accrual accounting principle for most of the financial statement headings as such, revenue and costs are recognized as they are generated, regardless of when they are paid or received.

2.2.2. Transactions in foreign currency

Assets and liabilities expressed in foreign currency are converted into euro at the exchange rate (fixing) at the balance sheet date, which are converted at the average exchange rate of the month indicated by Banco de Portugal.

Revenue and costs relating to transactions in foreign currency are recognized in the period in which they occur, according to the effect that these transactions have on the currency position. On the date of the agreement, spot and forward purchases are posted to the currency position.

2.2.3. Investments in credit institutions in the country and abroad

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

2.2.4. Financial assets held for trading

This heading includes the financial assets purchased with the purpose of being sold in the short term and of obtaining a profit due to fluctuations in price or trader's margin, including all derivative financial instruments that are not classified as hedging operations.

Financial assets under this category are recognized at their fair value, and the gains and losses arising from the subsequent valuation are reflected in the results for the period.

2.2.5. Financial assets held for sale

This heading considers the instruments that can be sold in response to or in anticipation of liquidity needs or changes in interest rate, exchange rates or changes in their market price, and that have not been recognized in any other category of financial assets. Equity instruments and debt instruments are included herein.

These assets are measured at fair value and any related gains and losses are reflected under the heading «Revaluation reserves» until such time as they are sold or subject to impairment losses. Interest is calculated and recognized in the income statement under «Interest and similar income».

2.2.6. Loans to clients and receivables from other debtors

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

The measurement of value in loans to clients and receivables from other debtors is as follows:

- On the initial recognition date, the financial assets are recorded at nominal value and may not on that date or on the date on which a subsequent recognition is made be included or recognised in the remaining categories of financial assets.
- The interest component, including that relative to any premiums/discounts, should be disclosed in the accounts autonomously in the respective net income accounts.
- The value of assets included in this category is subject to correction, in accordance with the criterion of rigour and prudence, so that they reflect their realisable value at all times.
- The correction referred to in the paragraph above cannot be less than that established through Banco de Portugal Notice no. 3/95, as the minimum reference framework for the constitution of specific and general provisions.
- For the purpose of constituting general provisions, mentioned in the preceding paragraph, the total loans granted by the companies is to be considered, including other liabilities assumed with third parties, such as guarantees or other similar instruments.

2.2.7. Repos

Securities sold under repurchase agreement are kept in the portfolio where they were originally recorded. The funds received are recorded in their own liability account on the settlement date, the interest value being recognized on an accrual basis. The nominal value of securities lent is recognized in a specific off-balance sheet item.

2.2.8. Non-current assets held for sale

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

Assets recorded in this category are measured at the lower of their acquisition cost and fair value, calculated based on the assessment of external independent internal or external experts, minus costs to be incurred in the sale.

2.2.9. Provisions

Carregosa Group calculates the provisions for overdue loans and interest and for general credit risks in conformity with Banco de Portugal Notice no. 3/95 (as amended by subsequent legislation, namely Banco de Portugal Notice no. 8/2003).

The provisions recorded in the accounts correspond to the application of percentages defined by Banco de Portugal, and are complemented by provisions constituted in excess of these minimum amounts, as appropriate.

i. Provisions para overdue loans and interest:

Their purpose is to address the risks of collection of principal, interest and other amounts overdue relating to any financing operations that may have been made. This provision is calculated by applying the minimum provisioning percentages laid down in Banco de Portugal Notice no. 3/95, amended by Notice no. 8/2003, of 30 January, according to the time for which the loan has been outstanding and not collected, and whether or not guarantees exist.

ii. Provisions for general credit risks:

Provision for general credit risks is intended to address the risks associated with doubtful loans;

The provision corresponds to a percentage of 1% on the outstanding principal of loan contracts as at 31 December, and of receivables from other debtors.

2.2.10. Other property, plant and equipment

Other property, plant and equipment are stated at acquisition cost, including service vehicles and other equipment.

Property, plant and equipment are depreciated on a straight-line basis over their expected useful life, within the limits shown in the table below. Using the prudence principle, and in duly documented exceptional cases, the Executive Committee may decide on lower depreciation periods than those mentioned in the table below, but their tax effect will be considered as at the date on which the decision was made and measured in an appropriate asset account.

EQUIPMENT	YEARS
Vehicles	4 – 8
Furniture and material	8 – 16
Computer equipment	3 – 8
Other property, plant and equipment	5 – 50

2.2.11. Intangible assets

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

Intangible assets are depreciated using the straight-line method and twelfths, over their estimated useful life, which is, in general, three years.

2.2.12. Other financial liabilities – Deposits from other credit institutions, deposits from clients, other loans and other

Other financial liabilities, which essentially include deposits from clients, are initially measured at fair value, which normally corresponds to the consideration received net of directly associated transaction costs.

According to the fair value option, advocated by IAS 39, financial liabilities included under liabilities represented by securities and subordinated liabilities, are classified as financial liabilities at fair value, through profit or loss, whenever they meet the classification requirements of this category, in particular due to the fact that they contain one or more embedded derivatives. These liabilities are initially measured at fair value, subsequent changes in fair value being recorded in profit or loss.

2.2.13. Provisions and contingent liabilities

A provision is constituted when there is a present obligation (legal or constructive), arising from past events where future expenditure on resources is probable, and which may be determined reliably. The provision corresponds to the best estimate of any sums which would be necessary to disburse to settle the liability at the balance sheet date.

If the future expenditure on resources is not likely, then this is a contingent liability. Contingent liabilities are only the object of disclosure, save if the possibility of their realization is remote.

2.2.14. Recognition of revenue and costs

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

2.2.15. Fees and commissions for services provided

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

2.2.16. Income tax

Income tax includes current taxes and deferred taxes. They are recognized in the income statement, except if when related to items directly recognized in equity capital, in which case they are also recognized against the equity capital.

Current tax is the expected tax payable on taxable income calculated in accordance with tax rules in force. Deferred taxes are calculated in using the liability method based on the balance sheet, considering the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes using the tax rates approved that are expected to be applied when the temporary differences are reversed.

Deferred tax assets and liabilities correspond to the amount of recoverable and payable tax in subsequent periods arising from temporary differences between the value of an asset or a liability in the balance sheet and its tax base. Deferred taxes assets are recognized to the extent that it is probable that future taxable profits will be available to absorb deductible temporary differences. Deferred tax assets are not recognized for taxable temporary differences associated with investments in subsidiary and associated companies, when the Bank controls the reversal of temporary differences and when it is probable that they will not be reversed in the future.

2.2.17. Employee benefits

Based on the *Collective Labour Agreement for the Banking Sector* (ACTV) as the reference for labour practices, Banco Carregosa made a commitment, exclusively for its employees not integrated in the National Pension System, to grant them or their families cash payments for old-age retirement, early retirement or disability or survivors pension. These payments consist of a percentage which increases according to the number of years worked by the employee, applied to the salary table negotiated on an annual basis for the active staff members.

To finance these liabilities, Banco Carregosa joined the Fundo de Pensões Horizonte – Valorização da Pensõesgera in 2004. In 2010, responding to the evolution of its obligations and according to a policy of rigour and good coverage of the liabilities undertaken, the Bank decided to change the pension fund over to another managing entity, «BANIF AÇOR PENSÕES – Sociedade Gestora de Fundos de Pensões SA», subscribing three funds: the Aberto Optimize Capital Pensões Ações pension fund (30%), the Aberto Optimize Capital Equilibrado pension fund (30%), and the Aberto Optimize Capital Moderado pension fund (40%).

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

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

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

Following an analysis of the current responsibilities and charges with medical assistance, in 2010 the Bank decided to outsource this benefit to Multicare, for all employees, whilst maintaining the same costs.

IAS 19 – Benefits to employees (amendment) – this standard was reviewed to include several changes, in particular as regards:

- Recognition of actuarial and financial gains and losses arising from differences between assumptions used in determining liabilities and income expected from assets and the actual amounts, as well as those resulting from changes in actuarial and financial assumptions in the period against equity;
- A single interest rate is now applied to liabilities and plan assets;
- The difference between the real return of the fund's assets and the single interest rate is recognized as actuarial gains/ losses; and
- Gains posted in results correspond only to the cost of current service and to the net interest expense.

2.2.18. Segment reporting

Banco Carregosa conducts its business through a network common to the various traded products; therefore segment reporting is not appropriate.

Since the Bank's activities take place in Portugal and Spain, through a satellite office, we feel it is not considered relevant to present geographical segment reporting.



3. NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

The balance sheet and income statement accounts are comparable as at 31 December 2015 and 31 December 2014, in conformity with the Adjusted Accounting Standards (AAS) and broken down by the following headings:

3.1. Cash and liquid assets in central banks Note 01

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Cash	116 934	0
Current liquid assets with Banco de Portugal	47 385 954	1 566 250
	47 502 888	1 566 250

In the first half of 2015, the Bank implemented the policy on values in cash to immediately satisfy one-off cash calls by clients, as shown in the variation of the balance associated to the heading «Cash». As for demand deposits with Banco de Portugal, they include interest-earning deposits for meeting the legal requirements on minimum cash availability.

3.2. Liquid assets in other credit institutions Note 02

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Demand deposits in monetary institutions		
Residents	12 777 071	16 160 755
Non residents	10 752 854	10 288 765
	23 529 925	26 449 520

3.3. Financial assets held for trading Note 03

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Trading securities		
Securities	3 668 669	4 683 993
Derivative instruments with positive fair value	189 348	120 344
	3 858 017	4 804 337

This portfolio shows a slight decrease compared to the previous year, justified by purchases and sales arising from favourable market opportunities, the book trading positions of which are shown in detail in the table below.

FINANCIAL ASSETS HELD FOR TRADING

As at 31 December 2015 this heading is broken down as follows:

NATURE AND TYPE OF SECURITIES	ACQUISITION VALUE	BOOK VALUE	CAPITAL		IMPAIRMENT
		FAIR VALUE	GAINS	LOSSES	
DEBT INSTRUMENTS					
Issued by residents					
Of other resident issuers					
Non-subordinated debt	285 091	287 995	2 904	-	-
Issued by non-residents					
Of other non-resident issuers					
Non-subordinated debt	2 800 978	2 663 219	3 961	141 720	-
	3 086 069	2 951 214	6 865	141 720	-
EQUITY INSTRUMENTS					
Issued by residents					
Of other resident issuers					
Shares	124 607	78 234	176	46 549	-
Issued by non-residents					
Of other non-resident issuers					
Shares	117 602	118 570	1 467	499	-
Units	1 645	1 339	-	306	-
	243 854	198 143	1 643	47 354	-
OTHER					
Issued by non-residents					
Of other non-resident issuers					
Structured products	589 044	519 312	800	70 532	-
	589 044	519 312	800	70 532	-
DERIVATIVE INSTRUMENTS WITH POSITIVE FAIR VALUE					
Other					
Unrealized capital gains from futures	-	5 180	-	-	-
Unrealized capital gains from options	-	172 642	-	-	-
Unrealized capital gains from CFD on currency		11 526			
	-	189 348	-	-	-
TOTAL	3 918 967	3 858 017	9 308	259 606	-

3.4. Other financial assets at fair value through profit or loss

Note 04

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Securities		
Issued by residents	2 191	547
	2 191	547

This amount refers to the contribution to the Work Compensation Fund. Fair value option, in accordance with IAS 39(9)(b), quotation being obtained from the website of the Work Compensation Fund.

3.5. Available for sale financial assets

Note 05

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Issued by residents		
Debt instruments	3 983 127	10 834 091
Equity instruments	694 700	1 097 800
Other	7 121 623	7 722 516
	11 799 450	19 654 407
Issued by non-residents		
Debt instruments	28 067 344	31 977 949
Other	464 391	400 573
	28 531 735	32 378 522
	40 331 185	52 032 929

As mentioned in the basis of presentation and significant accounting policies, assets are classified under this heading when they are not intended for divestment in the short term. Changes in fair value are directly recognized in equity under the heading «Revaluation reserves». In the 2015 financial year, investments in debt securities slowed down, also as a result of the drop in interest rates in these markets.

AVAILABLE FOR SALE FINANCIAL ASSETS

As at 31 December 2015 is broken down as follows:

NATURE AND TYPE OF SECURITIES	ACQUISITION VALUE	BOOK VALUE FAIR VALUE	CAPITAL		IMPAIRMENT
		 GAINS LOSSES	
DEBT INSTRUMENTS					
Issued by residents					
Of Portuguese public debt					
Treasury Bonds	318 168	336 852	18 684	-	-
Of other resident issuers					
Non-subordinated debt	3 518 375	3 435 575	-	82 800	-
Subordinated debt	4 353 500	210 700	-	-	4 142 800
Issued by non-residents					
Of other non-resident issuers					
Non-subordinated debt	33 720 050	27 977 804	127 468	5 869 714	-
Subordinated debt	456 992	89 540	-	20 577	346 875
	42 367 085	32 050 471	146 152	5 973 091	4 489 675
EQUITY INSTRUMENTS					
Issued by residents					
Of other resident issuers					
Shares	2 440 174	694 700	-	1 209 960	535 514
	2 440 174	694 700	-	1 209 960	535 514
OTHER					
Issued by residents					
Of other resident issuers					
Other	6 302 278	7 121 622	819 344	-	-
Issued by non-residents					
Of other non-resident issuers					
Structured products	503 270	464 392	72	38 950	-
	6 805 548	7 586 014	819 416	38 950	-
TOTAL	51 612 807	40 331 185	965 568	7 222 001	5 025 189

3.6. Investments in credit institutions

Note 06

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Investments		
In the country		
In other credit institutions	17 000 000	48 500 000
In income receivable	4 583	68 789
	17 004 583	48 568 789

3.7. Loans to clients

Note 07

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Domestic credit		
Loans	27 699 222	19 037 790
Current account loans	46 990 333	28 872 422
Overdrafts in demand deposits	299 140	148 552
Foreign loans		
Loans	132 000	165 000
Current account loans	1 116 732	999 287
Overdue loans and interest	612 208	6 885 289
Income receivable	174 999	178 445
	77 024 634	56 286 785
Provisions/Impairments for overdue loans and interest	(179 597)	(4 849 242)
	76 845 037	51 437 542

In 2015, loans portfolio increased their weight in the overall activity of the Bank in terms of new operations and increase in volume, in each of the types of credit provided by the Bank to its clients. Note that loans are mostly covered by real and personal guarantees that significantly exceed the outstanding amounts. Moreover, provisions are constituted in conformity with Notice no. 3/95. Note also the impact in 2014 of the impairment associated with the acquisition of an overdue loan from a non-resident credit institution, which was then assigned during 2015.

3.8. Non-current assets held for sale

Note 08

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Non-current property, plant and equipment held for sale		
Buildings	85.680	85.680
	85.680	85.680

Corresponds to the purchase price of a property acquired to recover credit.

3.9. Other property, plant and equipment

Note 09

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Other property, plant and equipment		
Buildings	522 936	522 936
Equipment	5 377 388	5 029 789
Finance lease assets	368 570	368 570
	6 268 894	5 921 295
Accrued amortizations		
Buildings	(42 616)	(34 428)
Equipment	(4 414 149)	(4 078 051)
Finance lease assets	(30 407)	(24 878)
	(4 487 172)	(4 137 357)
	1 781 721	1 783 937

Movements and balances as at 31 December 2015 under the headings «Other property, plant and equipment» and «Intangible assets», including amortizations and impairment adjustments are shown on the map in the annex entitled «Tangible and intangible assets as at 31 December 2015».

As mentioned in note 2.2.10 of the significant accounting policies (consolidated accounts), the Bank decided to fully depreciate vehicles at the end of 2012. This criterion was also applied in 2013. In 2014, however, the policy changed and new vehicles were depreciated according to their useful life.

ACQUISITION VALUE/NET VALUE	2012	2013	2014	2015	2016	2017	2018	2019	2020	TOTAL
Vehicles purchased up to 2012	938.126									938.126
Vehicles purchased in 2013		210.960								210.960
	938.126	210.960	0	0	0	0	0	0	0	1.149.086
Applied depreciation	938.126	210.960	0	0	0	0	0	0	0	1.149.086
Tax depreciation	89.904	173.127	205.737	198.550	186.325	122.187	71.932	57.259	44.064	1.149.086
	848.221	37.833	(205.737)	(198.550)	(186.325)	(122.187)	(71.932)	(57.259)	(44.064)	0
Net value fiscal	848.221	886.054	680.317	481.767	295.443	173.256	101.323	44.064	0	

This situation gave rise to deferred tax assets in the year in the amount of € 49 309 (see note 13).

3.10. Intangible assets

Note 10

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Other intangible assets		
Automatic data processing system (software)	2 334 332	2 117 934
Property, plant and equipment in progress	0	26 164
Other	242 529	185 994
	2 576 861	2 330 092
Accrued amortizations		
Automatic data processing system (software)	(2 172 108)	(2 021 686)
Other	(201 003)	(185 994)
	(2 373 111)	(2 207 680)
	203 750	122 412

Despite a slight increase in this asset component, in net terms, note the investment in information systems to support the Bank's business.

3.11. Investment in assoc. & subsid. companies excluded from consolidation

Note 11

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Valued at historical cost – in the country.		
In the country	25 000	914 378
Accum. impair. IAS / Provisions for accum. impair. AAS		
In the country – subsidiaries	0	(600 000)
	25 000	314 378

Following the transformation of the subsidiary Lisbon Brokers, SA into a share company, and its subsequent sale in 2015, and following the dissolution for future liquidation of Francisco Marques Pereira, SGPS in 2016, the value stated in this period corresponds to the investment in the company CoolLink, Lda.

3.12. Current tax assets

Note 12

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Current tax assets		
Recoverable corporate income tax	0	2 586 946
	0	2 586 946

3.13. Deferred tax assets

Note 13

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Deferred tax assets		
Temporary differences		
Property, plant and equipment	50 593	77 713
Intangible assets	5 340	5 340
Revaluation reserves	1 220 736	163 422
	1 276 669	246 475

This heading reflects only the impact of temporary income tax differences. As stressed by the accounting policies, temporary differences identified between depreciation accepted for tax purposes are recognised as well as those stated in accounting.

3.14. Other assets

Note 14

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Other financial availabilities	53	93 113
Debtors and other investments		
Government sector	108 249	0
Miscellaneous debtors	5 346 757	410 512
Miscellaneous investments	4 013 383	0
Other assets (*)	1 610 903	1 449 593
Other interest and similar income		
Of fixed income issued by residents		
Of Portuguese public debt	5 969	5 240
Of other residents	39 073	215 574
Other income receivable		
Other commitments	538 601	459 364
Fees and commissions for services provided	180 653	506 365
Deferred charges		
Insurance	29 352	21 201
Other rents	0	50
Other deferred charges	139 393	138 138
Asset value of pension fund	3 247 540	2 462 864
Other regularization accounts	618 340	2 923 898
	15 878 266	8 685 911
Accum. impair. IAS / Provisions for accum. impair. AAS		
Overdue loans and interest	(100 000)	0
	15 778 266	8 685 911

(*) The item Other assets includes the margin account value with Omiclear as a clearing member of OMIP.

3.15. Deposits from central banks

Note 15

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Deposits from Banco de Portugal		
Other deposits – Loans	2 010 000	17 010 000
Interest on deposits from Banco de Portugal		
Loans	3 878	219 154
	2 013 878	17 229 154

3.16. Financial liabilities held for trading

Note 16

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Derivative instruments with negative fair value*	470 404	1 959 205
	470 404	1 959 205

(*) Unrealized losses intended to hedge part of the exposure of the portfolio in USD.

3.17. Deposits from other credit institutions

Note 17

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Deposits from domestic credit institutions		
Deposits	19 247 272	0
Loans	42 198	165 827
	19 289 470	165 827
Deposits from foreign credit institutions		
Deposits	387 518	520 294
Loans	5 397	6 500
	392 916	526 794
	19 682 386	692 621

3.18. Deposits from clients and other loans

Note 18

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
DEPOSITS FROM CLIENTS		
Deposits		
Of residents		
Demand deposits	44 875 634	26 886 874
Term deposits	76 360 245	69 860 582
Of non-residents		
Demand deposits	19 689 740	21 031 834
Term deposits	19 855 664	1 864 882
	160 781 283	119 644 172
INTEREST ON DEPOSITS FROM CLIENTS		
Deposits		
Of residents	404 534	675 535
Of non-residents	82 054	16 377
	486 589	691 912
	161 267 872	120 336 085

3.19. Provisions

Note 19

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Provisions for general credit risks		
Loans granted	762 706	706 561
Unsecured credit	47 813	151 056
	810 519	857 617

Movements in provisions, impairments and value adjustments associated with loans to clients and receivables

	BALANCES 31/12/2014	APPROPRIA- TIONS	USES TRANSF/ ADJUST.	DECOMMIT. WRITE- -BACKS	BALANCES 31/12/2015
Provisions for overdue loans and interest	4 849 242	10 192 306	(2)	14 861 949	179 597
Provisions for general credit risks	857 617	581 757	(175)	628 680	810 519
Totals	5 706 859	10 774 063	(177)	15 490 629	990 116

PROVISIONS FOR OVERDUE LOANS AND INTEREST	
Breakdown of the amounts in the Appropriations column:	
Acquisition of the overdue loan of «Obras, Caminos Y Asfaltos» from BANKIA S.A. (30/01/2015)	9 531 192
Reinforcement of provisions for the year	661 114
	10 192 306
Breakdown of the amounts in the Uses Transf/Adjustm column:	
Exchange rate adjustments	2
Breakdown of the amounts in the Decommit./ Write-backs column	
Assignment of the overdue loans of «Obras, Caminos Y Asfaltos» to «Spiral Proton-Sociedade de Investimentos Imobiliários, S.A.» (30/09/2015)	14 151 210
Reduction of provisions for the year	710 739
	14 861 949
PROVISIONS FOR GENERAL CREDIT RISKS	
Breakdown of the amounts in the Appropriations columns:	
Reinforcement of provisions for the year	581 757
Breakdown of the amounts in the Uses Transf/Adjustm column:	
Exchange rate adjustments	175
Breakdown of the amounts in the Decommit./ Write-backs column	
Assignment of the overdue loans of «Luogo – Sociedade Imobiliária, Lda» to Empresa «Lexivarius, S.A.» (30/06/2015)	212 592
Reduction of provisions for the year	416 088
	628 680

3.20. Current tax liabilities

Note 20

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Current tax liabilities		
Corporate income tax payable	142 392	0
	142 392	0

3.21. Other liabilities

Note 21

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Suppliers	140 436	343 428
Suppliers – finance lease assets	91 251	145 722
Creditors – transferable securities operations	569 389	722 858
Other creditors	257 327	253 873
Futures	1 211 103	878 271
Deposits – Escrow account	0	5 943 101
Other deposits	5 742 856	8 083 124
VAT payable	0	23 026
Withholding and other taxes payable to the State	440 491	335 000
Contributions to Social Security	67 642	59 185
Contributions to other health systems	4 351	4 263
Collections on behalf of third parties	809	797
	8 525 656	16 792 647
Liabilities relating to pensions and other benefits	3 380 684	3 285 103
Charges payable		
Salaries payable	467 664	429 601
Other charges payable	214 036	91 043
	681 700	520 643
Other revenue with deferred income	6 161	4 246
Operations to be regularized	712 331	3 046 338
	13 306 532	23 648 978

The amount stated under «Other deposits» refers to the financial balances of clients arising from both derivative transactions and investments in the liquidity of portfolio management contracts.

«Other operations to be regularized» includes transactions for the purchase of securities made at the end of the year, pending settlement in the subsequent financial year.

3.22. Capital

Note 22

The «Statement of changes in equity capital» shows a negative variation compared to 2014 in the amount of EUR 3 431 064 due to the changes in the revaluation reserves of securities portfolios and other reserves.

3.23. Financial Margin

Note 23 e 24

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Interest and similar income from:		
Interest on deposits in central banks	640	1 609
Interest on deposits in other credit institutions	2 783	7 655
Interest on investments in credit institutions	617 553	944 642
Interest on loans to clients	3 641 653	2 183 538
Interest on overdue loans	144 091	66 982
Interest and similar income from other financial assets	2 493 824	2 588 992
	6 900 543	5 793 418
Interest and similar costs on:		
Deposits from Banco de Portugal	(12 743)	(119 340)
Deposits from other credit institutions	(113 499)	(2 122)
Interest from creditors and other deposits		
Interest on deposits from clients	(1 280 976)	(1 899 694)
Interest on liabilities held for trading	(14 303)	(38 729)
Other interest and similar costs	(5 529)	(5 629)
	(1 427 050)	(2 065 514)
	5 473 493	3 727 904

The financial margin increased considerably in 2015 compared to the same period in the previous year, largely due to the decrease in interest paid on borrowings, mostly channeled to indexed products on offer, where interest is only determined at maturity, and to interest on loans, which, in this financial year, showed remarkable growth.

3.24. Income from equity instruments

Note 25

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Available for sale financial assets		
Issued by residents		
Participation units	125 177	67 647
	125 177	67 647

These results arise from the distribution of dividends of the investment fund Retail Properties, corresponding to EUR 0.0184 per unit held.

3.25. Revenue and charges – services and fees/commissions

Note 26 e 27

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Income from services and fees/commissions for:		
Guarantees and sureties	40 719	159 544
Deposits and values under custody	19 333	17 197
Collection of securities	111 476	68 475
Administration of securities	967 653	610 635
Collective investment undertakings	140 010	78 574
Other services provided	2 128 615	717 462
Operations carried out on behalf of third parties	2 423 641	3 154 972
Other fees/commissions received	234 415	108 042
	6 065 862	4 914 900
Charges – services and fees/commissions for:		
Deposits and values under custody	(57 260)	(40 529)
Administration of securities	(96)	0
Other banking services provided by third parties	(27 619)	(19 381)
Operations carried out by third parties	(1 277 195)	(842 684)
Other fees/commissions paid	(6 081)	(2 401)
	(1 368 251)	(904 995)
	4 697 611	4 009 905

In net terms, there was a slight increase in this component of activity with greater emphasis on income from services and fees/commissions (+23%), as a result of the increase in custody, administration of securities and depository of collective investment undertakings, as well as in the provision of financial advisory services. As regards charges with services and fees/commissions, there was a tighter focus on operations carried out by third parties, most of which supporting credit-related operations and corporate business.

3.26. Income from assets and liabilities evaluated at fair value

Note 28

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
GAINS FROM:		
Financial assets held for trading		
Securities	2 219 071	5 435 478
Derivative instruments	4 577 767	1 091 274
Financial liabilities held for trading (non derivative instr.)	155 575	0
	6 952 413	6 526 752
LOSSES FROM:		
Financial assets held for trading		
Securities	(2 341 817)	(6 096 763)
Derivative instruments	(7 312 128)	(3 530 012)
Losses on neg. financial liabilities (non derivative)	(6 001)	0
	(9 659 946)	(9 626 775)
	(2 707 533)	(3 100 024)

The negative result in 2015 arises from the negative environment in debt markets of emerging countries, where greater risk perception caused a devaluation of debt securities that form most of the portfolio, and also due to the weakening of the value of the euro against the US dollar, leading to losses in derivative instruments used to hedge assets denominated in that currency. Those losses, however, were offset by the results of currency revaluation (Note 30) and reserves, as per policy presented above.

3.27. Income from available for sale financial assets

Note 29

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
GAINS FROM:		
Available for sale financial assets		
Securities		
Issued by residents		
Debt instruments	165 460	1 204 593
Equity instruments	0	376 127
Other	251 541	30 814
Issued by non-residents		
Debt instruments	3 227	4 181 703
Other	33 107	193
	453 334	5 793 429
LOSSES FROM:		
Available for sale financial assets		
Securities		
Issued by residents		
Debt instruments	(38 000)	(4 081)
Equity instruments	(19)	0
Issued by non-residents		
Debt instruments	(70 012)	(142 891)
	(108 031)	(146 972)
	345 303	5 646 457

According to the applicable rules, this heading shows the amounts relating to the derecognition of financial assets, normally through their disposal. Considering the normally longer period in which investment are made for this portfolio, the disposal of securities generally emerges from particularly favourable opportunities found for their disposal. Therefore, 2015 saw a positive result, albeit substantially lower than in 2014, arising from the difference between the disposal values and the acquisition cost of the securities, largely through the decrease in the interest rate in debt markets.

3.28. Income from currency revaluation

Note 30

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
GAINS FROM:		
Exchange differences		
Other items in foreign currency – foreign currencies	5 774 227	2 983 173
LOSSES FROM:		
Exchange differences		
Other items in foreign currency – foreign currencies	(3 303 617)	(488 975)
	2 470 609	2 494 198

The above results are largely due to the exchange rate fluctuation of the US dollar against the euro, the currency to which the Bank was more exposed in each of the financial years. Amounts for 2014 are restated following the enforcement of IAS 8, par. 42, because of the change in accounting criteria that used to consider debt instruments classified as available for sale assets as non-monetary items, the associated exchange rate variations being recognized under other comprehensive income.

3.29. Income from the assignment of other assets

Note 31

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Gains from:		
Gains from the assignment of loans to clients	386 057	950 000
Non-financial assets	15 802	15 759
	401 859	965 759

In 2014, gains in the amount of EUR 950 000 were obtained with the acquisition and simultaneous assignment of an overdue loan. A similar situation occurred in 2015.

3.30. Other operating income

Note 32

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Gains from:		
Other income and operating revenues	242 044	208 769
Losses from:		
Other taxes	(172 972)	(155 778)
Donations and membership fees	(90 948)	(63 713)
Contributions to the Deposit Guarantee Fund	(4 000)	(17 500)
Contributions to the Investor Compensation Scheme	(2 000)	(2 500)
Failure of procedure management and implementation	0	(34 651)
Failure of computer systems or telecommunications	(7 122)	(201)
Other property, plant and equipment	0	(426)
Other costs and operating expenses	(133 860)	(72 143)
	(410 902)	(346 912)
	(168 857)	(138 143)

3.31. Staff costs

Note 33

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Remunerations		
Of management and supervisory bodies	(425 761)	(408 002)
Of employees	(2 363 295)	(2 170 790)
Mandatory social security contributions		
Remuneration-related charges	(687 580)	(617 859)
Other mandatory social security contributions		
Pension fund	(101 247)	(75 478)
Insurance against accidents at work	(13 380)	(11 548)
Other staff costs	(153 395)	(146 648)
	(3 744 658)	(3 430 326)

In December 2015, the Bank had 77 employees in Portugal and two in Spain, in a total of 79.

BREAKDOWN BY PROFESSIONAL CATEGORY	31/12/2015	31/12/2014
Administration	5	5
Management	16	15
Technical	16	14
Administrative	14	14
Commercial/operational	19	19
Other	9	8
	79	75

Liabilities for Retirement and Survivors Pensions

Banco Carregosa provides a Pension Plan to employees not integrated in the National Pension System on 31 December 2010, meaning about one third of the staff at Banco Carregosa.

The Pension Plan of Banco Carregosa is a defined benefit plan that follows the provisions of the Collective Labour Agreement for the Banking Sector (ACT/V) and is subject to the requirements set by Banco de Portugal. Amounts paid depend on the number of years worked by the Employee and the salary table stipulated by the ACT/V.

Benefits granted by the Pension Plan of Banco Carregosa:

- Old-age retirement pension or presumable disability;
- Deferred survivor pensions;
- Immediate survivor pensions;
- Post-retirement contributions to SAMS (medical-social aid assistance for bank employees);
- Death grant.

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

The benefits relating to disability pensions and immediate survivor pensions are covered by a life insurance policy.

In addition, the Bank also has responsibilities and costs of health care of its employees. The employees who as at 31 December 2010 were integrated in CAFEB can benefit from the Medical-Social Aid Services (SAMS) of their unions. The remaining employees' benefits are covered by the MULTICARE health insurance, which offers similar terms and conditions to the SAMS medical aid services.

Responsibilities for retirement and survivor pensions and their costs arising from the Bank's pension plan have been prepared through an actuarial evaluation performed by an actuary of the company CFPO Consulting – Soluções Atuariais e Financeiras, Lda., and managing entity BANIF AÇOR PENSÕES – Sociedade Gestora de Fundos de Pensões, S.A.

The Bank's pension plan is a defined benefit plan in line with the ACTV – Collective Vertical Labour Agreement for the Banking Sector. As at 31 December 2015, the pension plan of Banco Carregosa included 17 active employees, 47 with acquired rights, and five pensioners.

Decree-law no. 1-A/2011, of 3 January, provided for changes in the calculation of responsibilities in pension funds. From the date when banking employees integrated in CAFEB changed to the General Social Security Scheme on 31 December 2010, the fund will no longer be responsible for the full ACT pension; from that date on, only the supplemental pension resulting from the difference between the ACT pension and the Social Security pension will be taken into consideration.

According to the method used in this evaluation, the current value of responsibilities with past services as at 31 December 2015 totals EUR 3 380 683.98, of which EUR 571 316.97 relate to the current pensions amounts. The fund's value at the same date is EUR 3 247 540.34, meaning an overall financing coverage of 96.06%.

As the minimum pension plan financing is subject to provisions by Banco de Portugal, that is, the full financing of current pension and of acquired rights in 95% of responsibilities per active population past services, it fully complies with such provisions, as in February 2015 the Bank made an extraordinary contribution in the amount of EUR 35 642.81 in order to cover the minimum financing required.

Given the level of financing in 2015, contributions were made in 2016.

The recommended contribution for 2016 is of EUR 79 958.68, representing 20.96% of wages covered by the fund foreseen for 2016. The respective report is available at the head-office of the institution for consultation.

3.32. General administrative costs

Note 34

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Supplies:		
Water, electricity and fuel	(198 789)	(175 417)
Consumables	(5 655)	(5 596)
Publications	(7 480)	(7 342)
Hygiene and cleaning products	(11 421)	(16 955)
Other third party supplies	(194 165)	(144 212)
	(417 511)	(349 521)
Services:		
Leases and rentals	(314 984)	(315 097)
Communications	(277 472)	(294 650)
Travel, hotel and representation costs	(310 553)	(268 442)
Advertising and publishing	(510 827)	(822 271)
Repairs and maintenance	(140 235)	(185 883)
Insurance	(46 591)	(43 155)
Specialized services		
Retainers and fees	(460 240)	(59 029)
Legal, litigation and notaries	(18 082)	(9 504)
IT services	(784 756)	(701 431)
Security and surveillance	(17 327)	(10 027)
Cleaning services	(648)	(2 530)
Information	(449 144)	(340 872)
Databases	(52 012)	(45 357)
Temporary manpower	0	(225)
Other specialized services		
Advisory services	(848)	(62 073)
Consultants and external auditors	(600 526)	(533 093)
Other third party services		
Public relations and advisory services	(42 087)	(57 164)
Banco de Portugal – Bpnet Service	(2 898)	(2 769)
Housekeeping services	(7 060)	(7 437)
Other	(9 904)	(19 444)
	(4 046 192)	(3 780 453)
	(4 463 702)	(4 129 974)

Consultants and External Auditors

In compliance with Chapter VI Article 66-A(1)(b) of the C.S.C. (Companies Code), the following fees were posted for the statutory audit firm, there being no other type of service provision:

STATUTORY AUDIT FIRM	
Statutory Audit	4 350
Assurance and reliability services	11 800
	16 150

3.33. Depreciation

Note 35

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Property, plant and equipment		
Of buildings	(8 188)	(8 188)
Of equipment	(394 011)	(334 814)
Of finance lease assets	(5 529)	(5 529)
	(407 727)	(348 530)
Intangible assets		
	(165 430)	(198 790)
	(573 157)	(547 320)

As mentioned in Note 9, the movements and balances of the headings «Other property, plant and equipment» and «Intangible assets», including amortizations and impairment adjustments, are shown in Annex IV.

3.34. Provisions net of write-offs

Note 36

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Gains from:		
Provisions for general credit risks	416 088	207 252
Other provisions	0	500 000
Losses from:		
Provisions for general credit risks	(581 757)	(535 616)
	(165 669)	171 636

3.35. Write-downs relating to loans to clients

Note 37

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Gains from:		
For overdue loans	710 739	208 397
Losses from:		
For overdue loans	(761 114)	(244 378)
	(50 376)	(35 981)

3.36. Impairment of other financial assets net of reversals and recoveries

Note 38

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Available for sale financial assets		
Debt instruments	(345 128)	(4 144 547)
Equity instruments	(114 000)	(380 664)
	(459 128)	(4 525 211)

Impairments on the exposure of the Bank to BES and to the GES Group, and in 2015 on the stake in Pagaqui – Pagamentos e Carregamentos, S.A.

3.37. Impairment of other assets net of reversals and recoveries

Note 39

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Losses		
Invest. in subsidiaries, assoc. companies and joint ventures	(81 835)	0
	(81 835)	0

3.38. Taxes

Note 40 e 41

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
Current	(281 719)	(166 639)
Deferred	0	(13 841)
	(281 719)	(180 480)

Impact of postings in the following note and table.

Current taxes

The difference between taxes calculated at the legal rate and taxes calculated at the actual rate in the period 2014 and 2015 may be explained as follows:

	2015	2014 (*)	2014
1 Profit before tax – AAS basis	1 099 136	212 430	212 430
2 Legal tax rate(corporate income tax+municipal tax)	22.50%	24.50%	24.50%
3 Normal tax load (1x2)	247 306	52 045	52 045
4 Tax effect of non-deductible expenses			
4.1 Non-deductible impairment provisions and losses	431 662	380 664	916 280
4.2 Non-deductible amortizations	9 272	508	508
4.3 Donations and membership fees	6 000	9 525	9 525
4.4 Corporate tax relating to prior years	–	–	–
4.5 Tax gains	7 345	18 486	18 486
4.6 Fines, penalties and compensatory interest	65 995	877	877
4.7 Write-downs relating to previous years	6 236	5 656	5 656
4.8 Write-downs relating to impact of AAS	–	–	–
4.9 Vehicles hired without driver and daily allowances	–	–	–
4.10 Non-documented expenses and tokens	112 848	138 869	138 869
4.11 Retirement pensions	–	–	–
4.12 Under taxation estimates	–	–	–
4.13 Write-downs in tax credit and tax withheld	–	–	–
4.14 Pension fund	–	–	75 478
4.15 Impairment in subsidiaries and associate comp.	–	–	–
4.16 Contribution for banking sector	104 754	97 009	97 009
	744 112	651 595	1 262 689

	2015	2014 (*)	2014
5 Tax effect of non-taxable income			
5.1 Reduction of taxable provisions and impairments	(135 827)	(500 000)	(707 252)
5.2 Tax benefits	(54 057)	(57 572)	(57 572)
5.3 Impact of AAS	(6 702)	(9 523)	(9 523)
5.4 Accounting gains	(15 802)	(42 946)	(42 946)
5.5 Over taxation estimate	-	-	-
5.6 Write-downs relating to prior years	(72)	(5 378)	(5 378)
5.7 Tax losses	-	-	-
5.8 Amortizations subject to tax in prior years	(122 444)	(129 631)	(129 631)
5.9 Exempt capital gains	(251 541)	(30 814)	-
5.10 Contributions to the pension fund	(723 249)	-	-
	(1 309 693)	(775 864)	(952 301)
6 Variations in assets	(5 568 384)	(2 593 785)	(2 984 456)
7 Taxable income (1+4+5+6)	(5 034 829)	(2 505 624)	(2 461 639)
8 Reportable tax loss	(2 505 624)	-	-
9 Tax (corporate income tax + municipal tax)	-	-	-
10 Autonomous taxation	142 552	118 907	118 907
11 Total tax (9+10)	142 552	118 907	118 907
12 Effective rate (11/1)	9.90%	55.97%	55.97%

* Amounts were restated as the result of the review of Model 22 of 2014.

In accordance with the law in force, tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security).

In addition, and in accordance with Article 63 of the Corporate Income Tax Code, the tax and customs authority may make whatever corrections it deems necessary to determine the taxable income whenever, due to special relations between the taxpayer and another person, whether or not subject to corporate income tax, different conditions are agreed other than the ones usually agreed between independent individuals, leading to a result other than the one that would have otherwise been calculated had such a relationship not existed. However, the Board considers that any corrections arising from the different interpretations of the law in force by the tax authorities should not have a significant effect on the financial statements in attachment.

Deferred taxes

Deferred taxes recognized in 2014 in the amount of EUR 13 841 result from the adjustment of deferred corporate income tax assets by the variation of this tax rate.

No deferred taxes were recognized in 2015, as the tax rate was the same and the changes in deferred tax assets were due to deferred income tax reserves.

3.39. Off-balance sheet accounts

Note 42

This group is split as follows for comparable reporting periods:

	31/12/2015	31/12/2014
COMMITMENTS TO THIRD PARTIES:		
Irrevocable commitments		
Potential commitments to the Investor Compensation Scheme (SII)	337 401	228 049
Revocable commitments		
Credit lines	13 574 988	18 030 602
Account overdraft facilities	860	1 448
	13 913 249	18 260 099
LIABILITY FOR SERVICE PROVISION:		
Of deposits and values under custody	401 343 248	343 810 941
Administrative values by the institution	115 230 551	92 896 472
Others	0	0
	516 573 798	436 707 413
SERVICES PROVIDED BY THIRD PARTIES:		
For deposits and values under custody	303 307 036	318 449 861
For other services	0	0
	303 307 036	318 449 861
FOREIGN EXCHANGE TRANSACTIONS AND DERIVATIVE INSTRUMENTS:		
Foreign exchange forward transactions – trading	250 000	38 930 937
Futures and forward options – trading	24 966 927	65 495
Options – trading	172 642	73 220
	25 389 569	39 069 652
GUARANTEES PROVIDED AND ANY OTHER SERVICES:		
Personal guarantees	6 316 152	16 516 673
Real guarantees	180 000	20 650 000
	6 496 152	37 166 673
GUARANTEES RECEIVED:		
Personal guarantees	63 700 534	62 702 521
Real guarantees	180 781 226	78 145 278
	244 481 759	140 847 799
OTHER OFF-BALANCE SHEET ITEMS:		
Write-offs	1 340 261	1 340 261
Accrued interest	21 421	13 915
Miscellaneous accounts	(1 111 523 246)	(991 855 674)
	(1 110 161 564)	(990 501 497)

4. RELATED PARTIES

As at 31 December 2015 and 2014, the Bank is controlled by the following shareholders with a holding of more than 2%:

SHAREHOLDING COMPOSITION AT 31/12/2015	NO. OF SHARES	%	VOTING RIGHTS
Maria Cândida Cadeco da Rocha e Silva	58 649 733	29.32	58 649
Jorge Manuel da Conceição Freitas Gonçalves	37 768 937	18.88	37 768
Amorim Projectos, SGPS, SA	15 880 743	7.94	15 880
António José Paixão Pinto Marante	10 000 000	5.00	10 000
Groupe Norwich S.A.	9 999 990	5.00	9 999
Mauricio Zlatkin	9 999 000	5.00	9 999
Sophia Capital – Fundo de Capital de Risco	8 510 000	4.26	8 510
Imocarregosa-Gestão e Comercialização Imobiliária, S.A.	7 068 342	3.53	7 068
Ruasgest, SGPS, SA	4 764 223	2.38	4 764

SHAREHOLDING COMPOSITION AT 31/12/2014	NO. OF SHARES	%	VOTING RIGHTS
Maria Cândida Cadeco da Rocha e Silva	58 649 733	29.32	58 649
Jorge Manuel da Conceição Freitas Gonçalves	37 768 937	18.88	37 768
Amorim Projectos, SGPS, SA	15 880 743	7.94	15 880
António José Paixão Pinto Marante	10 000 000	5.00	10 000
Mauricio Zlatkin	9 999 000	5.00	9 999
Maria Eugénia Dias Fernandes	9 494 561	4.75	9 494
Imocarregosa-Gestão e Comercialização Imobiliária, S.A.	8 068 342	4.03	8 068
Sara Cristina Moreira de Sá Peneda Pinho	5 000 000	2.50	5 000
Ruasgest, SGPS, SA	4 764 223	2.38	4 764

Remuneration of the Board of Directors

The Board of Directors was considered, in accordance with IAS 24, as the only «key» management members of the Bank. The remunerations earned by the Board of Directors during the years ended 31 December 2015 and 2014 are shown in Note 33 to this annex.



Transactions and balances between related parties

At the end of the 2015 reporting year, the balances resulting from transactions with related parties are as follows:

	ASSETS			LIABILITIES
	MISCELLANEOUS DEBTORS	DEPOSITS FROM CLIENTS		OTHER SUPPLIERS
		DEMAND DEPOSITS	TERM DEPOSITS	
PARTICIPATED COMP.				
FII Retail Properties	0	5 615 179	0	0
CoolLink, Lda	308	2	0	66 909
	308	5 615 181	0	66 909

At the end of the 2014, the balances resulting from transactions with related parties are as follows:

	ASSETS			LIABILITIES
	MISCELLANEOUS DEBTORS	DEPOSITS FROM CLIENTS		OTHER SUPPLIERS
		DEMAND DEPOSITS	TERM DEPOSITS	
PARTICIPATED COMP.				
FII Retail Properties	0	63 215	2 500 000	0
CoolLink, Lda	308	2	0	46 888
	308	63 217	2 500 000	46 888

During the 2015 reporting year, the Bank made the following transactions with the above entities:

	INTEREST ON TERM DEPOSITS	FEES/COMMISSIONS RECEIVED	INCOME FROM EQUITY INST.	SERVICE PROVISION	SERVICES RECEIVED
PARTICIPATED COMP.					
CoolLink, Lda				3 000	588 054
FII Retail Properties	4 292	42 219	125 177		
	4 292	42 219	125 177	3 000	588 054

During the 2014 reporting year, the Bank made the following transactions with the above entities:

	INTEREST ON TERM DEPOSITS	FEES/COMMISSIONS RECEIVED	INCOME FROM EQUITY INST.	SERVICE PROVISION	SERVICES RECEIVED
PARTICIPATED COMP.					
CoolLink, Lda				3 000	541 538
FII Retail Properties	30 682	42 320	67 647		
	30 682	42 320	67 647	3 000	541 538

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ANNEXES –
PRUDENTIAL
INFORMATION

I – INFORMATION ON PLEDGED AND UNENCUMBERED ASSETS

Annex specified in Instruction no. 28/2014 of Banco de Portugal.

Model A – Assets

	CARRYING AMOUNT OF PLEDGED ASSETS	FAIR VALUE OF PLEDGED ASSETS	BOOK VALUE OF UNEN- CUMBERED ASSETS	FAIR VALUE OF UNEN- CUMBERED ASSETS
	010	040	060	090
010 Assets	6 443 359		221 229 562	
030 Equity instruments	–	–	8 014 470	–
040 Debt securities	198 688	198 688	35 786 701	35 786 701
120 Other assets	–		5 491 142	

Model B – Collateral received

	FAIR VALUE OF PLEDGED COLLATERAL RECEIVED OR OF OWN DEBT SECURITIES ISSUED	FAIR VALUE OF COLLATERAL RECEIVED OR OF OWN DEBT SECURITIES ISSUED AND PLEDGEABLE
	010	040
130 Collateral received		
150 Equity instruments	–	–
160 Debt securities	–	–
230 Other collateral received	–	–
240 Own debt securities issued other than own covered bonds or ABS	–	–

Model C – Pledged assets, pledged collateral received and related liabilities

	RELATED LIABILITIES, CONTINGENT LIABILITIES AND SECURITIES LENT	ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED OTHER THAN OWN COVERED BONDS OR PLEDGED ABS
	010	030
010 Carrying amount of selected financial liabilities	2 480 404	4 669 197

II – INFORMATION ABOUT IMPAIRMENT MODELS

– Annex V specified in Circular Letter 2/2014 of Banco de Portugal

A) Detail of exposures and related impairment

A.1)

SEGMENT	EXPOSURE AS AT 31.12.2015						IMPAIRMENT AS AT 31.12.2015		
	TOTAL EXPOSURE	COMPLIANT LOANS	OF WHICH SETTLED	OF WHICH RESTRUCTURED	DEFAULTING LOANS	OF WHICH RESTRUCTURED	TOTAL IMPAIRMENT	COMPLIANT LOANS	DEFAULTING LOANS
Construction & CRE	35 655 212	35 228 934		3 600 000	426 278	89 580	132 807	108 849	23 958
Corporate	21 951 568	21 917 690			33 879		300 720	276 769	23 951
Individual	25 953 932	25 946 249			7 683		132 151	124 468	7 683
Non-contracted	142 216	11 322			130 894		130 793	451	130 342
Transferable securities	11 537 053	11 537 053					8 478	8 478	
Total	95 239 981	94 641 247		3 600 000	598 734	89 580	682 102	496 168	185 934

A.2)

SEGMENT	OF TOTAL EXPOSURE AS AT 31.12.2015						OF TOTAL IMPAIRMENT AS AT 31.12.2015					
	TOTAL EXPOSURE 31.12.2015	COMPLIANT LOANS DAYS IN ARREARS < 30			DEFAULTING LOANS		TOTAL IMPAIRMENT	COMPLIANT LOANS			DEFAULTING LOANS	
		NO EVIDENCE	WITH EVIDENCE	SUB-TOTAL	DAYS IN ARREARS <= 90*	DAYS IN ARREARS > 90		DAYS IN ARREARS < 30	DAYS IN ARREARS BETWEEN 30-90	DAYS IN ARREARS <= 90*	DAYS IN ARREARS > 90	
Construction & CRE	35 655 212	35 216 045		35 216 045		426 278	132 807	108 649	200		23 958	
Corporate	21 951 568	21 917 690		21 917 690		33 879	277 872	253 921	0		23 951	
Individual	25 953 932	25 946 249		25 946 249		7 683	132 151	124 468	0		7 683	
Non-contracted	142 216	7 175		7 175		130 894	130 793	110	341		130 342	
Transferable securities	11 537 053	11 537 053		11 537 053			8 478	8 478	0			
Total	95 239 981	94 624 211		94 624 211		598 734	682 102	495 627	541		185 934	

* Credit with instalments of principal or accrued interest for less than 90 days, but about which there is evidence justifying its classification as credit risk, including bankruptcy, liquidation of debtor, among others.

B) Detail of loans portfolio by segment and by year of production

YEAR OF PRODUCTION	CORPORATE			CONSTRUCTION & CRE		
	NO. OF TRANSACTIONS	AMOUNT	IMPAIRMENT	NO. OF TRANSACTIONS	AMOUNT	IMPAIRMENT
2004 and prior years						
2005						
2006						
2007						
2008						
2009						
2010						
2011	2	935 028	2 424			
2012	1	200 000	500			
2013	5	2 974 508	28 353	4	2 050 000	59 228
Total	8	4 109 536	31 277	4	2 050 000	59 228

C) Detail of gross loan exposure and impairment evaluated individually and collectively by segment, sector, geographical spread

C.1) By segment

31.12.2015	CONSTRUCTION & CRE		CORPORATE		INDIVIDUAL		NON-CONTRACTED		TOTAL	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Evaluation										
Individual	29 030 892	84 316	16 497 391	58 370	18 010 029	109 158	84 176	84 176	70 122 488	340 345
Collective	6 624 320	48 492	5 454 177	219 503	7 943 903	22 993	58 040	46 617	25 117 493	341 757
Total	35 655 212	132 807	21 951 568	277 873	25 953 932	132 151	142 216	130 793	95 239 981	682 102

C.2) By sector of activity

31.12.2015	ACTIVITIES OF AUXILIARY FINANCIAL AND INSURANCE SERVICES		ACTIVITIES OF HEAD OFFICES AND MANAGEMENT CONSULTING		HUMAN HEALTH ACTIVITIES		FINANCIAL INTERMEDIATION, EXCEPT INSURANCE AND PENSION FUNDING		SPORTS ACTIVITIES AND AMUSEMENT AND RECREATION ACTIVITIES		FINANCIAL AND INSURANCE ACTIVITIES	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Evaluation												
Individual					1 008 918	5 929	2 150 000	8 922				
Collective	1 000 000	204 584	300 000	652	2 100 000	5 955	4 621 731	4 280	166 765	834	500 000	
Total	1 000 000	204 584	300 000	652	3 108 918	11 884	6 771 731	13 202	166 765	834	500 000	

31.12.2015	CROP, ANIMAL PRODUCTION, HUNTING AND RELATED SERVICE ACTIVITIES		RETAIL TRADE, EXCEPT OF MOTOR VEHICLES AND MOTORCYCLES		WHOLESALE TRADE (INCLUDING AGENTS), EXCEPT OF MOTOR VEHICLES AND MOTORCYCLES		CONSULTANCY AND IT SERVICE ACTIVITIES		EDUCATION	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Evaluation										
Individual			2 800 423	20 480			38 049	23 038		
Collective	170 000	119			1 007 003	5 000			414 704	1 037
Total	170 000	119	2 800 423	20 480	1 007 003	5 000	38 049	23 038	414 704	1 037

31.12.2015	NOT APPLICABLE		OTHER SERVICES		HOTELS AND RESTAURANTS		CONSTRUCTION & CRE		TOTAL	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Evaluation										
Individual	24 594 205	197 660	10 500 000				29 030 892	84 316	70 122 488	340 345
Collective	8 201 940	69 702			11 031	1 103	6 624 320	48 492	25 117 493	341 757
Total	32 796 145	267 362	10 500 000		11 031	1 103	35 655 212	132 807	95 239 981	682 102

C.2) By geographical spread

31.12.2015	PORTUGAL		SPAIN		BRAZIL		HONG-KONG		TOTAL	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Evaluation										
Individual	70 122 488	340 345							70 122 488	340 345
Collective	19 148 283	99 956	1 000 000	204 584	132 157	33 157	4 337 053	4 061	25 117 493	341 757
Total	89 270 771	440 301	1 000 000	204 584	132 157	33 157	4 337 053	4 061	95 239 981	682 102

D) Detail of restructured loans portfolio by restructuring measure used

MEDIDA	COMPLIANT LOANS			DEFAULTING LOANS			TOTAL		
	NO. OF TRANSACTIONS	EXPOSURE	IMPAIRMENT	NO. OF TRANSACTIONS	EXPOSURE	IMPAIRMENT	NO. OF TRANSACTIONS	EXPOSURE	IMPAIRMENT
Extension to the deadline	1	3 600 000	9 000	1	89 580	8 958	1	89 580	17 958
Grace period									
Reduction of rate									

E) Inward/Outward movements in the restructured loans portfolio:

	31.12.2015
Opening balance of the restructured loans portfolio (gross of impairment)	3 600 000
Restructured loans in the period	0
Interest accrued on restructured portfolio	89 580
Payment of restructured loans (partial or total)	0
Loans reclassified from «restructured» to «normal»	0
Other	0
Closing balance of the restructured loans portfolio (gross of impairment)	3 689 580

F) Detail of the fair value of collateral underlying the loans portfolio of segment Corporate, Construction & CRE and Housing

31.12.2015 JUSTO VALOR	CONSTRUCTION & CRE				CORPORATE			
	BUILDINGS		OTHER REAL COLLATERAL *		BUILDINGS		OTHER REAL COLLATERAL	
	NO.	AMOUNT	NO.	AMOUNT	NO.	AMOUNT	NO.	MONTANTE
< 0,5M€	31	6 475 130	2	496 865	28	3 101 004	4	706 093
>=0,5M€ e <1M€	17	12 174 000	1	872 025	6	4 250 000	1	881 250
>= 1M€ e <5M€	7	14 855 000	1	1 435 967	3	5 060 000	1	1 650 000
>=5M e <10M€	2	17 232 000					2	12 000 000
>=10M e <20M€	1	11 700 000	1	10 576 250				
>=20M e <50M€								
>=50M								
Total	58	62 436 130	5	13 381 107	37	12 411 004	8	15 237 343

*Example: Shares, bonds, deposits, material assets.

G) LTV Ratio of segments

SEGMENT/RATIO	NO. OF BUILDINGS	COMPLIANT LOAN	DEFAULTING LOAN	IMPAIRMENT
INDIVIDUAL				
With no associated collateral		29 014	7 683	7 799
<60%		13 844 429	0	15 885
>=60% e <80%		2 859 147	0	46 636
>=80% e <100%		6 572 326	0	23 157
>=100%		2 641 333	0	38 675
TRANSFERABLE SECURITIES				
With no associated collateral		4 837 053	0	4 061
<60%		4 025 000	0	2 930
>=60% e <80%		2 675 000	0	1 488
>=80% e <100%		0	0	0
>=100%		0	0	0
CORPORATE				
With no associated collateral		1 007 000	33 879	27 191
<60%		4 542 950	0	12 677
>=60% e <80%		3 158 918	0	15 144
>=80% e <100%		10 681 966	0	1 024
>=100%		2 526 855	0	221 836
CONSTRUCTION & CRE				
With no associated collateral		12 889	186 698	200
<60%		27 880 684	239 580	79 603
>=60% e <80%		1 502 708	0	6 007
>=80% e <100%		5 625 653	0	12 447
>=100%		207 000	0	34 551
NON-CONTRACTED				
With no associated collateral		11 322	130 894	130 793
<60%		0	0	0
>=60% e <80%		0	0	0
>=80% e <100%		0	0	0
>=100%		0	0	0
Total		94 641 247	598 734	682 102

H) Detail of the fair value and net book value of property received as payment in kind, per type of asset and seniority

ASSET 31.12.2015	NO. OF PROPERTY	ASSET FAIR VALUE	BOOK VALUE
Constructed buildings			
Urban	1	85.000	85.000
	1	85.000	85.000

H.1) Additional information referring to the detail of the fair value and net book value of property received as payment in kind, per type of asset and seniority

ASSET 31.12.2015	NO. OF PROPERTY	ASSET FAIR VALUE	BOOK VALUE
Land			
Urban			
Rural	1	380 000	380 000
Buildings under construction			
Commercial			
Housing			
Other			
Constructed buildings			
Commercial	50	41 685 250	41 685 250
Housing	74	53 089 380	53 089 380
Other	2	410 000	410 000
Other	1	1 000 000	1 000 000
Total	128	96 564 630	96 564 630

I) Loans portfolio breakdown by degree of internal risk – 31.12.2015

SEGMENT	LOW DEGREE			AVERAGE DEGREE			HIGH DEGREE			TOTAL
	1	2	3	5-6	7	8	9-10	11	12	
Construction & CRE			7 500 000	2 458 107	14 981 305	5 345 911	5 225 000		144 889	35 655 212
Corporate	7 000			1 554 678	2 008 918	5 831 892	11 500 000		1 049 080	21 951 568
Individual			3 000 000	4 544 886	16 381 255		50 000	1 828 774	149 017	25 953 932
Non-contracted				0					142 216	142 216
Transferable securities				11 537 053						11 537 053
Total	7 000	0	10 500 000	20 094 723	33 371 478	11 177 803	16 775 000	1 828 774	1 485 202	95 239 981

J) Disclosure of risk parameters associated with the impairment model by segment

2015	IMPAIRMENT			
	PD (%)		BETWEEN 30-90 DAYS	LGD (%)
SEGMENTS	< 30 DAYS WITH NO EVIDENCE	< 30 DAYS WITH EVIDENCE		
Construction & CRE	2%		100%	6%
Corporate	5%		0%	71%
Individual	2%		0%	100%
Non-contracted	25%		25%	100%
Transferable securities	1%		0%	0%

Porto, 4 May 2016

The Certified Accountant
Pedro Baldaque Silva

The Board of Directors
Chairman: Maria Cândida Cadeco Rocha e Silva

Jorge Manuel Conceição Freitas Gonçalves
Pedro José Malheiro Duarte
António José Paixão Pinto Marante
Francisco Miguel Melhorado de Oliveira Fernandes
Paulo Martins de Sena Esteves
Paulo Armando Morais Mendes

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LEGAL CERTIFICATION
OF ACCOUNTS
(CONSOLIDATED AND INDIVIDUAL)

LEGAL CERTIFICATION OF CONSOLIDATED ACCOUNTS

INTRODUCTION

1. We have examined the consolidated financial statements of Banco L. J. Carregosa, S. A., which comprise the balance sheet as at 31 December 2015 (showing a total of EUR 227 672 920 and total equity of EUR 30 683 410, which includes non-controlling interests in the amount of EUR 88 640, and a net result attributable to the Bank's shareholders totalling EUR 813 073), the consolidated income statement, the consolidated statement of comprehensive income, the statement of consolidated changes in equity, and the consolidated cash flow statements for the year ended 31 December 2015, and its consolidated annex. These financial statements have been prepared in conformity with the International Financial Reporting Standards (IFRS) adopted in the European Union.

RESPONSIBILITIES

2. The Board of Directors is responsible for preparing the consolidated financial statements that present a true and fair view of the financial position of the companies included in the consolidation, the consolidated results of their operations, the consolidated cash flows, for adopting adequate accounting policies and criteria, and maintaining an appropriate internal control system.
3. Our responsibility is to express a professional and independent opinion based on our examination of these financial statements.

SCOPE

4. Our examination was performed in accordance with the Technical Standards and Auditing Guidelines of the Portuguese Official Auditors Association (Normas Técnicas e Diretrizes de Revisão/Auditoria da Ordem dos Revisores Oficiais de Contas), which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatements. To that end, the examination includes:
 - verifying, on a sample basis, whether the financial statements of the companies included in consolidation have been properly examined and checked, whether there is evidence supporting the amounts and disclosures in the consolidated financial statements and assessing the estimates, based on judgments and criteria defined by the Board of Directors, used in their preparation;
 - verifying the consolidated procedures used;
 - assessing the adequacy of the accounting policies used, their uniform application and disclosure, considering their circumstances;
 - verifying the applicability of the principle of continuity; and
 - assessing the adequacy of the overall presentation of the consolidated financial statements.



5. Our examination also included checking that the financial information included in the consolidated management report is consistent with the consolidated financial statements.
6. We believe that our examination provides a reasonable basis for expressing our opinion.

OPINION

7. In our opinion, the consolidated financial statements referred to above give a true and fair view, in all material aspects, of the consolidated financial position of **Banco L. J. Carregosa, S. A.**, as at 31 December 2015, the consolidated results of its operations, and the consolidated cash flow statements for the then year ended, in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union.

EMPHASIS

8. Without affecting our opinion expressed in the preceding paragraph, we would like to draw attention, for the comparative results of the previous financial year, to the following issues:
 - 8.1 As mentioned in Note 2.1 of the annex, the accounting policy for recognizing debt instruments held in the portfolio of assets available for sale has been changed, and comparative figures have been restated in accordance with IAS 8.
 - 8.2 The consolidated financial statements for the year ended 31 December 2014, presented for comparative purposes, the Audit Report of which, dated 4 May 2015, expresses an opinion with a reservation that does not apply, as its effect is not materially relevant to the financial statements of the year ended 31 December 2015.
 - 8.3 The scope of consolidation was changed in the current year, as mentioned in Note 2.1 of the consolidated annex.

REPORTING ON OTHER LEGAL REQUIREMENTS

9. It is also our opinion that the consolidated financial information in the management report is consistent with the consolidated financial statements for the year.

Porto, 6 May 2016

Marques da Cunha, Arlindo Duarte & Associados – S.R.O.C., Lda., SROC no. 52 (Statutory audit firm)
represented by Dr. Joaquim Manuel Martins da Cunha, ROC no. 859 (Statutory auditor)

LEGAL CERTIFICATION OF INDIVIDUAL ACCOUNTS

INTRODUCTION

1. We have examined the financial statements of Banco L. J. Carregosa, S. A., financial statements of Banco L. J. Carregosa, S. A., which comprise the balance sheet as at 31 December 2015 (showing a total of EUR 228 224 913 and total equity of EUR 30 530 931, including a net result of EURO 817 417), the income statement, the comprehensive income statement, the statement of changes in equity capital, and the cash flow statement for the year then ended, and its annex. These financial statements have been prepared in conformity with the International Financial Reporting Standards (IFRS) adopted in the European Union.

RESPONSIBILITIES

2. The Board of Directors is responsible for preparing the financial statements that present a true and fair view of the financial position of the Bank, the results of its operations, and its cash flows, for adopting adequate accounting policies and criteria, and maintaining an appropriate internal control system.
3. Our responsibility is to express a professional and independent opinion based on our examination of these financial statements.

SCOPE

4. Our examination was performed in accordance with the Technical Standards and Auditing Guidelines of the Portuguese Official Auditors Association (Normas Técnicas e Diretrizes de Revisão/Auditoria da Ordem dos Revisores Oficiais de Contas), which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatements. To that end, the examination includes:
 - verifying, on a sample basis, the evidence supporting the amounts and disclosures in the financial statements and assessing the estimates, based on judgments and criteria defined by the Board of Directors, used in their preparation;
 - assessing the adequacy of the accounting policies used, their uniform application and disclosure, considering their circumstances;
 - verifying the applicability of the principle of continuity; and
 - assessing the adequacy of the overall presentation of the financial statements.

5. Our examination also included checking that the financial information included in the management report is consistent with the financial statements.
6. We believe that our examination provides a reasonable basis for expressing our opinion.

OPINION

7. In our opinion, the financial statements referred to above give a true and fair view, in all material aspects, of the financial position of **Banco L. J. Carregosa, S. A.**, as at 31 December 2015, the results of its operations, and the cash flow statements for the then year ended, in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union.

EMPHASIS

8. Without affecting our opinion expressed in the preceding paragraph, we would like to draw attention, for the comparative results of the previous financial year, to the following issues:
 - 8.1 As mentioned in Note 2.1 of the annex, the accounting policy for recognizing debt instruments held in the portfolio of assets available for sale has been changed, and comparative figures have been restated in accordance with IAS 8.
 - 8.2 The financial statements for the year ended 31 December 2014, presented for comparative purposes, the Audit Report of which, dated 4 May 2015, expresses an opinion with a reservation that does not apply, as its effect is not materially relevant to the financial statements of the year ended 31 December 2015.

REPORTING ON OTHER LEGAL REQUIREMENTS

9. It is also our opinion that the financial information in the management report is consistent with the financial statements for the year.

Porto, 6 May 2016

Marques da Cunha, Arlindo Duarte & Associados – S.R.O.C., Lda., SROC no. 52 (Statutory audit firm)
represented by Dr. Joaquim Manuel Martins da Cunha, ROC no. 859 (Statutory auditor)

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REPORT AND OPINION
OF THE SUPERVISORY
COMMITTEE

TO THE SHAREHOLDERS

1. The Supervisory Committee presents its opinion on the accounting documents submitted by the Board of Directors of Banco L. J. Carregosa, S.A., for the year ended 2015, in compliance with legal provisions – Article 420(1)(g) and Article 508-D of the Companies Code – and statutory provisions.
2. Throughout the year, the Supervisory Committee made the necessary contacts with the various departments of the Bank to obtain information on the relevant aspects of the business, and followed-up the evolution of various matters under analysis.
3. The Supervisory Committee carried out timely and adequate verifications and analyzed the process for preparing the consolidated accounts.

All clarifications were always provided by the Board of Directors and the Bank's services.
4. No situation which does not respect the articles of association and the applicable provisions of law has come to our knowledge.
5. During the year, the Supervisory Committee was able to take note of the professionalism, dedication and strong commitment of the Board of Directors, Executive Committee and of other employees of the Bank and of the Group.
6. All things considered, including the contents of the legal certification of accounts, which were presented to us and with which we agree, it is our opinion that the General Shareholders' Meeting should:
 - a) Approve the Report of the Board of Directors and the Accounts, both of the Bank and of the Group, for the year ended 31 December 2015.
 - b) Approve the proposal for the appropriation of profits presented in the Report of the Board of Directors.
 - c) Perform a general assessment of the management and supervision of Banco L. J. Carregosa, S.A., pursuant to Article 455 of the Companies Code.

Porto, 6 May 2016

The Supervisory Committee

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MINUTES
OF THE ANNUAL
GENERAL MEETING
OF SHAREHOLDERS HELD
ON THE 30TH OF MAY 2016

I HEREBY CERTIFY, according to the Minutes of the General Annual Shareholders' Meeting of «Banco L. J. Carregosa, S.A.», held on 30 May 2016, that the following proposals were approved:

1. The Annual Report and Accounts and Consolidated Accounts for the year 2015 were approved unanimously.
2. It was approved that the net positive results for the year, in the amount of EUR 817 417.09 (eight hundred and seventeen thousand, four hundred and seventeen euros and nine cents) be appropriated as follows:
 - To increase the Legal Reserve: EUR 81 741.71
 - To Free Reserves: EUR 735 675.38
3. A vote of praise to the Board of Directors and the Supervisory Committee of the Company, and to each and every one of their members holding office, for the year 2015.
4. The election of Dr. João Pedro Portugal da Cunha as Member of the Board of Directors, until the end of the current mandate 2015-2017 was approved unanimously.
5. The proposal to amend Article 17(1)(2) and Article 21(a) of the Company's Articles of Association was approved unanimously. Said amendments shall read as follows:

Article 17

Composition and mandate of the Board

1. *The Board of Directors consists of at least seven and of no more than fifteen members, one of which is the Chairman and the other the Vice-Chairman.*

2. *It is up to the Chairman, or in his/her absence, the Vice-Chairman, to coordinate the activities of the Board, chairing the meetings and ensuring the implementation of its decisions.*

Article 21

Signing requirements

The Company shall be bound by the following signatures:

- a) *of the Chairman or Vice-Chairman of the Board of Directors together with the signature of one Director or an attorney within the powers of the proxy conferred;*
 - b) *the existing wording is maintained;*
 - c) *the existing wording is maintained;*
 - d) *the existing wording is maintained;*
6. The proposal to dispose of and acquire own shares, pursuant to Articles 319 and 320 of the Companies Code was approved unanimously.

Porto, 30 May 2016

The Chairman of the General Shareholders' Meeting,
(Luís Neiva dos Santos)



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