Report & Accounts

EST. 1833
BANCO CARREGOSA

01

Message from the Chairwoman of the Board of Directors

Dear Shareholders,

When I addressed you a year ago to report on 2019, I referred in the first paragraph to Covid-19 and the many harmful effects that the pandemic would have not only on the Bank, but on all of us, on the whole world. We sensed, then, that we were in the presence of a destructive, invisible enemy, but we did not grasp the full degree of this tragedy. We still don't know it yet, but one thing we can be sure of is that its brutal effects will be visible throughout the universe. Much of what existed no longer exists, and what remains is quite different.

Returning to the subject of this report, Banco Carregosa. 2020 started well, with an increase in assets under management and under supervision in the first weeks of the year, and an increase in funds in our depository service, as a result of a demand for that service.

Everything seemed to be going well, in those bizarre times, until in March the Stock Exchange was hit hard, affecting the Bank's own securities portfolio and leading to this poor result. These devaluations caused by sudden and exaggerated shifts in the market, caused by panic, usually correct themselves. This is precisely the case: own funds have been restored and are, as of today, higher than those at the end of 2019, which was a good year. The losses resulting from the devaluation of the own securities portfolio are due to the fact that asset disposals were made to protect capital, albeit at the expense of results. Our decision proved to be the right one as it avoided a capital increase and allowed the ensuing recovery.

During these almost two years of the pandemic, the Bank has always responded promptly to the demands it faced in times dominated by the fear of the unknown, on other words, this disease that medicine still barely controls. Faced with this fear shown by each of our employees in different ways, Banco Carregosa's only answer was to give everyone our full confidence. And so it happened! We overcame the testing, the quarantines, and everyone accepted teleworking well, willingly sacrificing themselves to what was expected of them: to not let the quality of our service be affected. I believe we have succeeded.

At the end of 2020, the supervisor granted the authorisation for SGOIC Carregosa to operate, which recently began managing real estate funds. This was an old-standing desire of Banco Carregosa that finally materialised. As always, the beginning has been difficult, but everyone working in this venture has shown great enthusiasm and an enormous will to overcome all obstacles. This being said, Banco Carregosa would like to express its warm thanks to the Board of Directors of this new company.

This acknowledgement is also extensive to all those who worked with us for yet another year of Banco Carregosa.

Maria Cândida Rocha e Silva
Chairwoman of the Board of Directors

Summary of Indicators

INCOME STATEMENT	2020	2019
Net interest income	**4 041 151**	**4 750 332**
Dividends from equity instruments	344 237	328 106
Net commissions	3 094 390	3 229 143
Net trading income	677 564	5 239 069
Results from foreign exchange (net)	1 955 444	-200 285
Other operating income	-710 101	-615 656
Net operating revenue	**9 402 685**	**12 730 708**
Staff costs	-5 346 854	-4 793 481
Other administrative costs	-3 830 844	-4 181 666
Structure costs	**-9 177 699**	**-8 975 147**
Amortisations	-1 335 242	-1 093 722
Provisions	-92 894	-3 099
Impairments	-1 201 765	-351 015
Pre-tax profit	**-2 404 915**	**2 307 725**
Taxes	-101 997	-318 098
Net result	**-2 506 912**	**1 989 627**
BALANCE SHEET		
Total net assets	347 466 916	349 025 177
Own funds	37 468 698	36 758 895
Equity	38 298 627	38 863 003
Client deposits	288 552 770	288 879 334
Loans granted	79 952 811	91 739 327
Transformation ratio	27.71%	31.76%
Overdue loans / Loans granted	4.39%	4.40%
Loans granted / Net assets	23.01%	26.28%
Assets under supervision (Assets under management, custody, depositary service and client deposits)	1 645 745 932	1 483 687 321
OTHER INDICATORS		
Liquidity coverage ratio (LCR)	502.37	419.86
Net interest income (in % of the net operating revenue)	42.98%	37.31%
Provisions and impairments (in % of the net operating revenue)	13.77%	2.78%
Common Equity Tier 1 ratio (CET1)	17.48%	16.13%
Risk-weighted assets (RWAs)	218 616 963	227 882 664
Return on assets (ROA)	-0.7%	0.6%
Return on equity (ROE)	-6.5%	5.1%
Net interest income / Interest-bearing assets	1.85%	1.86%
Structure costs / Net operating revenue	97.61%	70.50%

*Amounts in Euro,
except as otherwise stated.*

Corporate Bodies

GOVERNANCE MODEL

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

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

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

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

COMPOSITION OF THE MANAGEMENT AND SUPERVISORY BODIES

PRESIDING GENERAL MEETING BOARD MEMBERS	Luís Manuel de Faria Neiva dos Santos	Chairman
	Maria Manuela Pereira Antunes	Secretary
	Ana Mafalda Mateus Freitas Gonçalves Malafaya	Secretary
BOARD OF DIRECTORS	Maria Cândida Cadeco da Rocha e Silva	Chairwoman
	Jorge Manuel da Conceição Freitas Gonçalves	Vice- Chairman
	António José Paixão Pinto Marante	Voting member
	Homero José de Pinho Coutinho	Voting member
	Francisco Miguel Melhorado de Oliveira Fernandes	Voting member and Chairman of the Executive Committee
	Fernando Miguel Costa Ramalho	Voting member of the Executive Committee
	José Nuno de Campos Alves	Voting member of the Executive Committee
SUPERVISORY BOARD	Ricardo Jorge Mendes Fidalgo Moreira da Cruz	Chairman
	Maria da Graça Alves Carvalho	Voting member
	Rodrigo de Melo Neiva Santos	Voting member
STATUTORY AUDITOR (SROC)	M. Cunha & Associado, SROC, Lda., represented by Joaquim Manuel Martins da Cunha	Full member (SROC)
	António Magalhães & Carlos Santos, represented by Carlos Afonso D. L. Freitas dos Santos	Alternate (SROC)

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

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

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

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

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

The Bank defined in its Policy for the Selection and Assessment of the Members of the Management and Supervisory Bodies and Key Function Holders that the management and supervisory body should be made up of members of both genders. In 2019, this objective had already been achieved and, as such, it was not necessary to define any plan for meeting targets.

Shareholding Structure

SHAREHOLDERS WITH HOLDINGS OF MORE THAN 5% OF EQUITY

Maria Cândida Cadeco da Rocha e Silva

Jorge Manuel da Conceição Freitas Gonçalves

Projeto Inverso, SGPS, SA

Planalto Capital – Fundo de Capital de Risco

05

Introduction

2020 was clearly marked by the health emergency resulting from the COVID-19 pandemic, impacting the context in which Banco Carregosa pursued its activity.

The Bank began 2020 strongly confident, clearly evident in the initiative that brought together all employees in mid-January in a session under the slogan “Together we will be the Wealth Management benchmark in Portugal". The maximum levels of assets under supervision and management reached in the first weeks of the year, together with the good progress of the initiatives to implement the strategy defined in 2019, which were already reflected in some operating indicators, suggested the prospect of another year of growth with improved results.

The declaration of the state of emergency and the successive confinement measures from March 2020 onwards changed this framework and had a major impact on work routines and the way Banco Carregosa had to relate with its clients, suppliers, supervisory authorities and business partners.

The Bank was quick to adopt mobility solutions, providing its employees with adequate remote working tools that allowed teleworking and team rotation arrangements to run smoothly. Notwithstanding the constraints felt on a daily basis by employees during this period, particularly during the more restrictive confinement phases, the normal operation of the Bank's activity was always ensured, without affecting the quality of services provided to its clients.

The most significant impact on Banco Carregosa’s activity, directly attributable to the pandemic, resulted from the measures adopted to preserve its capital. It should be recalled that Banco de Portugal allowed the less significant credit institutions under its supervision to operate, on a temporary basis, with a level below the recommended own funds and with liquidity levels below the liquidity coverage requirement, in line with the relaxation previously adopted by the ECB for institutions under its direct supervision. Even so, Banco Carregosa decided to adopt greater prudence, operating a selective change in the composition of its portfolio of financial assets, reducing exposure to less liquid assets and sectors more exposed to the impact of measures to combat the pandemic, and increasing exposure to sovereign securities eligible as collateral at the ECB. Structural guidelines were also adopted for the composition of the own securities portfolio, namely in terms of capital consumption and concentration limits.

The changes made to the composition of the own securities portfolio, in particular the reduction of exposure seen in the third quarter of the year, resulted in losses in financial assets, which significantly contributed to the Bank posting negative net results for the third time in its history.

In the second half of the year, a second negative impact was recorded in the recognition of impairments in the loan portfolio, as a result of two factors: the update of the default probability matrix, which mainly affected lower risk loans, and the Bank’s forecast of a possible significant increase in credit risk associated with the effect of the COVID-19 pandemic. In this reporting period, the Bank considered the macroeconomic and financial scenarios prepared by the European Central Bank and Banco de Portugal, as well as the recommendations of the EBA and ESMA).

Also as part of the extraordinary measures arising from the public health emergency, a credit moratorium scheme was introduced. Being an overall positive measure, it imposed an increased burden in the communication, processing and registration of credit processes on the financial sector, in general, and on Banco Carregosa, in particular. This factor, as well as the continued low interest rates and reduced demand for credit in view of the macroeconomic context and uncertainty, resulted in the lending activity contributing less to the results of Banco Carregosa in 2020.

On a positive note, we can now say that 2020 was a year for taking advantage of the opportunities and challenges overcome in the other activities of Banco Carregosa.

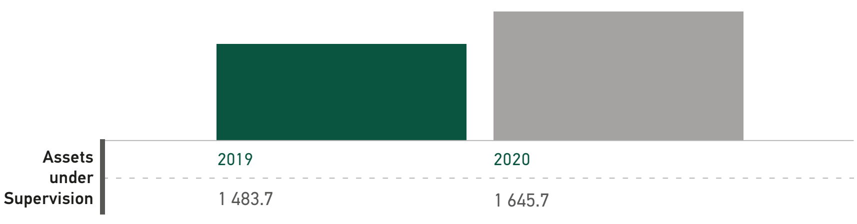
The core services, namely asset management, advisory services to private clients and institutions, market execution and securities settlement and custody services registered positive performances, strengthening the confidence in the institution's business model, focused on relationship and on a specialised, segmented and multi-channel offer.

In fact, the pandemic did not stop the favourable development of assets under supervision, the number of clients and of assets on e-trading platforms, the Bank's depositary activity, the number and value of corporate advisory operations and capital market operations, and of volumes traded on the stock exchange and over-the-counter markets.

For clients who entrust Banco Carregosa with the management of their financial assets, it was also an overall favourable year, both in terms of the results of the management strategies of the Private Banking segment, and for the products and tools offered to clients in the Savings and Investment segment.

2020 was a very peculiar year in the financial markets, which proved to be erratic and volatile, with investors being interested in a wide range of assets, from new sectors in the equity segment to cryptocurrencies or raw material-indexed products. The broad offer of the GoBulling Pro platform proved to be the option for many of these investors. The number of clients, accesses and transactions on the Bank's trading platforms increased considerably.

Figure 1 | Assets under supervision



Amounts in EUR million

With a view to strengthening the Bank's ability to present and develop solutions adjusted to the needs of its clients, it is also worth highlighting the establishment, at the end of the year, of Carregosa – Sociedade Gestora de Organismos de Investimento Coletivo, which began its activity in the first quarter of 2021 with the management of three existing closed real estate funds, linked to food retail, offices, and warehouses and logistics.

It should be noted, finally, that Banco Carregosa continued to perfect its governance model and internal control system, having strengthened the teams, particularly those involved with coordination and in the areas of Risk and Compliance.

The Bank will continue to develop. In compliance with the strategic objectives outlined for the 2019-2021 period, a new corporate identity will soon be adopted and a new website will be launched to strengthen its position as a benchmark in Wealth Management in Portugal.

Banco Carregosa

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

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

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

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

Functional Organisation

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

- Value proposition with a focus on top affluent and high-net-worth individuals (HNWI) segments, offered through uniform communication and single branding;
- Focus on asset management and investment advisory, asset advisory services, specialised lending and corporate activities, the latter mostly to support private banking;
- Maintaining complementary custody, trading and own securities portfolio management;
- Strengthening the use of digital tools in its internal processes and in the experience in clients' relationships with the Bank;
- Develop the soft areas of the organisation, more specifically people, culture and internal communication and
- Finally, elect sustainability as a new contributor to the Bank's values, by direct reference to the UN's 2030 Agenda for Sustainable Development.

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

BUSINESS AREAS AND SERVICES

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

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

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

SERVICES

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

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

SUPPORT AREAS

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

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

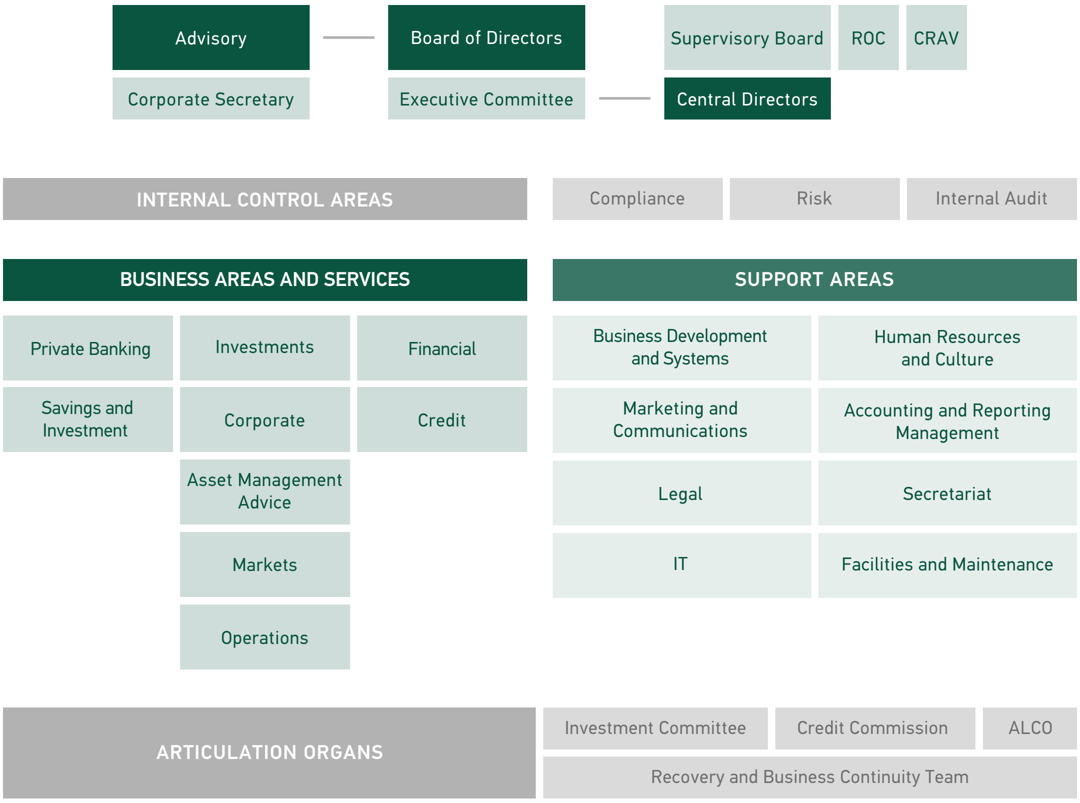
INTERNAL CONTROL AREAS

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

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

The Bank employs 108 staff. As such, its organisation is simple and functional, as shown in the organisational chart below.

Figure 2 | Organisation chart of Banco Carregosa



Organisational Culture and Internal Governance

The organisational culture and internal governance of Banco Carregosa help to promote a sound and prudent management and identify and appropriately deal with the risks inherent to its activity. These issues are therefore addressed in an integrated and continuous manner, being relevant not only in the structural projects but also in the Bank's day-to-day activity.

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

To implement the high ethical standards that imply responsible and prudent conduct to be observed by all employees and members of the management and supervisory bodies in the performance of their duties, the Bank has a Code of Conduct in place that contributes to strengthening the Bank's levels of trust and reputation both internally and in the relations established with clients, business partners and supervisory authorities.

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

i. the institution's risk management objectives, strategies and systems are established;

ii. the business is organised;

iii. the responsibilities and lines of authorities ae defined and assigned;

iv. the reporting lines are set up; and

v. the internal control system is organised and implemented.

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

Internal Control System

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

- Prudent management of risks so as to ensure the sustainability of the business in the medium and long term (performance objectives);
- Timely, comprehensive and reliable financial and management information and of mechanisms for reporting this information to the management and supervisory bodies and to the internal control functions (information objectives); and
- Compliance with legal and regulatory provisions, whether of a prudential or behavioural nature, with the Code of Conduct and other internal rules (compliance objectives).

The internal control system is based on four components:

i. Control environment – reflects the attitudes and actions towards internal control resulting from:

    a. the convictions, preferences and value judgements expressed by the management body and other employees of the institution regarding the internal control system; and

    b. the emphasis placed on internal control, the measures taken, the policies and procedures approved and the definition and implementation of the organisational structure.

The control environment is influenced by:

- the standard of ethical values followed by the institution;
- the existence of sufficient and appropriate material, technical and human resources;
- the degree of transparency of the organisational structure and its suitability in view of the complexity, size and nature of the institution's activity;
- the clarity of the hierarchical chain and the responsibilities and duties assigned to each function;
- the quality of the strategic planning process; and
- the degree of involvement of the management body in the activity carried out.

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

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

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

Throughout 2020 efforts were made to strengthen the four components of the internal control system. The following initiatives should be highlighted:

- Strengthening the technical and human resources of the internal control functions;
- Updating the organisational structure, adapting it to the type and complexity of the Bank's activity;
- Strengthening the formalisation and communication of structural documents such as the Overall Risk Management Policy, Own Portfolio Management Policy, Subcontracting Policy or Credit Policy, which guide the Bank's activity;
- Strengthening the formalisation of operating procedures embodied in standards and manuals;
- The training and communication plan for employees and members of the management and supervisory bodies on matters concerning the Code of Conduct and the regulatory changes affecting organisational culture and internal governance matters;
- The significant and continuous improvement of the information system supporting the activity with the purpose of aligning it with best practices in terms of information management and, in particular, the improvement of risk management information;
- The review of the budget year and laying the foundations for the regular production of management information aligned with the organisation's objectives;
- The definition of a new workflow for registering and monitoring system flaws, supported by a tool in the activity support system;
- Implementing a regular communication plan on conduct and risk issues, including conflicts of interest, reporting of irregularities, recovery planning, the institution's risk tolerance level and capital adequacy (ICAAP); and

- Strengthening of skills, achieved through the completion, by the commercial teams, of the training provided in the DMIF II body of legislation, of training sessions on the prevention of money laundering adapted to the specific reality of Banco Carregosa, and the registration of about 100 employees as Affiliate Members of the International Compliance Association (ICA).

We also highlight the initiatives completed in early 2021, developed to ensure alignment with the requirements of Notice 3/2020 of Banco de Portugal:

- The definition of a list of risks that includes the categories and subcategories of risks, which, as a whole, covers all the factors associated to the risk events to which the Bank is or may be exposed;

- The identification and assessment of risks, the methodology of which is aligned with best practices in the organisation and approach to risk management, complying with the applicable regulatory requirements;

- The review of the regulations on the internal control function;

- The systematisation of the annual planning of risk management and compliance functions; and

- Strengthening, through training sessions involving employees in general, the importance of reporting and monitoring system flaws using the tools created in the previous year.

The Bank's organisation is based on the three-line model of The Institute of Internal Auditors, revised in July 2020. This model also supports the EBA's guidelines on Internal Governance (EBA/GL/2017/11) and Banco de Portugal Notice 3/2020.

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

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

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

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

INTERNAL AUDIT

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

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

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

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

The department continuously reports the activity carried out to the management and supervisory bodies.

COMPLIANCE

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

RISK MANAGEMENT

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

This aims to ensure that the Bank acts within the limits defined in the Risk Appetite Statement (RAS) without incurring in losses that would materially affect its financial position. Thus, Risk Management aims at maintaining a balance between:

- adequate level of capital (principle of solvency);
- remuneration of risks assumed (principle of profitability);
- maintaining a financially stable structure.

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

Credit Risk

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

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

The approval of credit operations is preceded by the issue of opinions by the Credit Risk, Compliance and, where necessary, the Legal Departments, ensuring not only the assessment of the client's repayment capacity, but also that the transaction is in line with the defined policies and procedures.

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

It should be noted that the pandemic-related events had an impact on the Bank's credit operations. Specifically, Decree-law 10-J/2020 established exceptional credit protection measures for families and businesses, and Circular Letter CC/2020/00000022, of Banco de Portugal, introduced the EBA/GL/2020/02 Guidelines on legislative and non-legislative moratoria on loan payments applied in the light of the COVID-19 crisis.

Market Risk

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

From a prudential point of view, market risk derives, in addition to the positions in the trading portfolio, from exposure to currencies and commodities in the banking portfolio.

The monitoring and control activities carried out by the Risk Department include the daily calculation and reporting of the trading portfolio market risk using a VaR methodology with a time horizon of two weeks and a confidence interval of 99.9%, calculated with reference to a historical period of one year.

Interest Rate Risk

Interest rate risk is the likelihood of negative impacts affecting the results of equity, arising from adverse interest rates, and relates to all positions not included in the trading portfolio, including off-balance sheet items. It results from the combination of base risk, interest rate yield curve, repricing risk and option risk. The following are the concepts underlying each risk type:

- Basis risk – the risk arising from interest rates of assets being remunerated at indices other than those of interest rates of liabilities;
- Yield curve risk – the risk arising from unfavourable trends in various segments of the yield curve, which can originate losses when assets and liabilities are in different segments of the curve in different proportions;
- Repricing risk – the risk derived from the various assets and liabilities reindexing at different dates and rates;
- Option risk – the risk that arises from the option inherent to some assets and liabilities. The risk resulting from embedded options in balance sheet and off-balance sheet items.

For prudential purposes, the Bank uses the general risk assessment method of EU Regulation 575/2013. Compliance is also ensured with Banco de Portugal Instructions 34/2018 and 03/2020, which updates it, consisting of the standardised reporting of the exposure to interest rate risk of the banking portfolio and the impact on the development in economic value and on the financial margin of a sudden and expected development in interest rates.

Operating Risk

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

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

At a technical level, Banco Carregosa has always chosen to invest strongly in computing. As a result of this strategy, the Bank has a solid, highly flexible and reliable computer system for the Bank's operations. The Bank's information systems contain sensitive and confidential private financial and personal data.

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

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

- Identify the risk inherent to the processes, without considering the existing controls (inherent risk);

- Assesses the exposure of the various processes to risk, considering the influence of existing controls (residual risk);

- Identifies the impact of improvement opportunities in the reduction of the most significant exposures (objective risk).

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

Liquidity Risk

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).

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

- Allocation of assets, liabilities and off-balance sheet items;

- Estimates of minimum requirements for own funds;

- Counterparty concentration;

- Liquidity profile;

- Other prudential indicators.

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

Capital Management

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

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

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

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

The Risk Department (DR) is responsible for proposing measures to assess the need and availability of economic capital, and is also responsible for developing stress tests, scenario analyses and for most of the prudential reports in the context of risk and capital management.

RECOVERY PLAN

The Bank's Recovery Plan is implemented and fulfils two objectives: to address the provisions of Banco de Portugal (BdP) Notice 3/2015, which establishes that credit institutions must submit a Recovery Plan and, on the other hand, to check if the Bank can recover from extreme financial situations, in particular in terms of solvency and liquidity, using its own mechanisms and without the need for external support. It thus fulfils the purpose of anticipating systemic or idiosyncratic contingencies that may occur in a financial institution, and of determining how they should be managed by the institution.

Overview of the Activity

MACROECONOMIC ENVIRONMENT

2020 was marked by the global confinement imposed by the health emergency situation and will always be remembered as the year of the spread of SARS-Cov2, identified as the etiological agent of COVID-19 disease, which began in Wuhan, China at the end of 2019 and spread worldwide. Indeed, it was only in February, with the global spread of the virus, that the world woke to the challenge it faced.

Until then, economic and financial concerns were contained and the global economic outlook was moderately optimistic. In January 2020, global growth was estimated at 3.3%, according to the World Economic Outlook (WEO), up from 2.9% in 2019.

The pandemic ended a long economic cycle that was showing increasing signs of exhaustion. In the April WEO, the IMF forecasted a global GDP contraction of 3%. The sharp slowdown in economic activity and the deterioration in the functioning of financial markets forced central banks to take robust measures.

In Europe, the ECB embarked on a bold and gradual bond-buying spree, supported by 1.85 trillion euros, called the ECB's pandemic emergency purchase programme (PEPP). The reference interest rate of the Euro Zone central bank remained at the pre-pandemic level of 0%. The exogenous nature of this crisis led to greater solidarity in the European Union, and the greater harmony in the transmission of monetary policy to the various states strengthened the single currency project.

The European Union approved a set of measures (SURE programme - Support to mitigate Unemployment Risks in an Emergency) to mitigate the effects of the crisis on employment and the general lines of support for the recovery of the European economy, through a plan worth a total of 1.80 billion euros, which also aim to make the European economy more digital, green and resilient.

In the US, the Federal Reserve began to considerably increase the monetary base, through the purchase of government bonds and mortgage-backed assets, and cut the benchmark interest rate by 150 basis points, from the range of 1.50% to 1.75% to 0% to 0.25%.

The US government implemented measures to support the unemployed, moratoria on mortgages for families, and credit lines for affected companies. The increase in government spending worsened the US budget deficit, with public debt representing 130% of nominal GDP at the end of 2020, a historic level.

In the US, real GDP fell by 3.5% in 2020, compared to an increase of 2.2% in 2019. In the last quarter, the recovery in activity was already evident, with an economic growth of 4%.

The Chinese economy was the only one of the G20 to record a positive evolution, with a growth of 2.3% in 2020. The virus containment measures implemented prevented a second wave and, despite the 6.8% contraction in the first quarter, it returned to sustainable growth in the following quarters, and always growing by 3.2%, 4.9% and 6.5% in the second, third and fourth quarters, respectively.

According to the IMF, the world economy will have contracted by 3.5% in 2020, the worst since the Second World War. Advanced economies are expected to have recorded a negative growth of 4.9% in 2020, following a rise of 1.7% in 2019, and emerging economies are estimated to have contracted by 2.4%, compared to growth of 3.7% in 2019.

PORTUGUESE ECONOMY

The Portuguese economy was seriously affected by the global economic situation imposed by the pandemic. The tourism sector weighs heavily on the national economy and in 2020 was highly responsible for the 7.6% contraction in the Portuguese real GDP, compared to the 2.2% growth in 2019. This was an unprecedented historical fall in INE's current statistics.

The tourism sector is the largest exporting economic activity in the country and in 2019 it contributed 52.3% to service exports and 19.7% to overall exports. Tourism revenues accounted or 8.7% of the national GDP. In 2020, tourism revenue amounted to €7.7 billion, a 57.6% drop compared to the €18.2 billion achieved in 2019.

In the European context, the size of the decline in Portugal's GDP compares favourably with that of Mediterranean countries. In Italy, GDP fell 8.8%, contracted by 8.3% in France and dropped 11% in Spain. The German economy, more industrialised and less dependent on services, contracted 5%. The Euro Zone economy shrank by 6.8%.

In 2020, according to data released by INE the unemployment rate was 6.8%, only 0.3 percentage points higher than in 2019. The programmes to support job retention resulted in a smaller increase in unemployment than would be expected considering the drop in output.

The Harmonised Index of Consumer Prices (IHPC) registered an average annual variation rate of -0.1% in 2020, compared to 0.3% in the previous year. The year-on-year rate of change of the total Index of Consumer Prices (IPC) dropped considerably in April and May 2020, the period of confinement imposed by the pandemic.

In 2020, Portugal's trade deficit stood at €3,583 M, ending a series of positive balances of goods and services that had been seen since 2011.

Budget deficit stood at 5.7%, a significant worsening of public accounts compared to the surplus of 0.1% in 2019. This budget balance was penalised by the 5.6% decrease in tax revenue and the 5.3% increase in expenditure, in particular support to families and businesses.

Compared to 2019, debt increased by €20.4 billion to € 270,408 million in December 2020, reaching a new all-time high according to Banco de Portugal data. The weight of public debt rose to 133.7% of the nominal GDP in 2020 compared to 117.7% at the end of 2019. Access to debt financing under favourable market conditions has made it possible to keep the cost of servicing this debt on a downward trajectory.

The pandemic affected the national economy, which was less vulnerable than in past crises. Over the past few years, the level of indebtedness of economic agents has reduced and the financial system began to show lower levels of leverage and greater financing capacity from stable sources. During 2020, the levels of NPLs (Non Performing Loans) remained stable, at around 5.5%, as a result of the moratoria measures approved, allowing the obligations undertaken to be extended across time.

FINANCIAL MARKETS IN 2020

In the early 2020, the equity markets began with new historic highs. Despite the worsening of the public health emergency situation, declared by the World Health Organisation on 30 January 2020, the main North American and European indices continued to reach new records throughout the first two months of the year.

The Federal Reserve's balance sheet continued to grow, as initiated in September 2019, in response to the economic slowdown. According to the New York Federal Reserve's model, the probability of a recession in over the 12-month time horizon was close to 40%. The yield on 10-year US treasury bonds was 1.82% early in the year and gradually fell in the first two months of 2020, standing at 1.13%, indicating a slowdown in economic activity.

Some industrial commodities depreciated in anticipation of lower economic activity after an expansion cycle of more than ten years, in particular in the US. At the start of the year, copper continued its downward trend from 2018. The fall in the oil price for 15 months accentuated in the last months of 2019 and in the first month of 2020 with a devaluation of about 20%, reflecting a prospect of slowing economic activity.

On 11 March, the World Health Organisation declared the novel coronavirus a pandemic and the markets, which had already begun some corrections a few weeks before when it became apparent that the health crisis had become global, reacted very negatively. It was the end of the longest "bull market" in the history of equity markets, followed by two weeks of the shortest "bear market" ever. All financial assets were penalised, including bonds, shares, commodities, and gold. The preference for liquidity was high and the dollar was one of the few global assets that appreciated.

The central banks of the main world economies started a firm expansionary monetary policy in March, reflected in the reduction of short-term interest rates to levels around 0% and an unprecedented expansion of the monetary base. The US Federal Reserve increased its balance sheet by about 70% in just two months, from April to May.

Bond prices were boosted by central banks' purchases of debt securities. Long-term interest rates fell and allowed for lower dividend yields and higher multiples, driving equity buying by investors looking for yield, considering an escalation in the risk threshold. The TINA (There Is No Alternative) and ZIRP (Zero Interest Rate Policy) factors took over the markets as yields became lower and lower and alternatives scarce, giving further impetus to equity markets.

Gold appreciated by about 35%, from USD 1,500 an ounce during the pandemic in the spring to historic highs of over USD 2,000 in August. The status of fiat currency similar to the main world currencies that now have underlying interest rates around zero or even negative, as is the case of the largest European economies, is now added to its age-old status as a store of value

In the equity market, a new "bull market" began as from the last week of March, led by the technology sector, which was to be one of the winners of the pandemic, benefiting from the adoption of teleworking, teleconferencing, distance learning and e-comerce. In the following months, the major North American technology companies registered consecutive historical highs that culminated in the new records for the US stock indices, led by NASDAQ.

While technology companies led the way upwards, companies whose businesses depended on social contact, including travelling and leisure, hotels and restaurants, had to close and recorded heavy losses. Market development was then described by the letter “K”: while some grew significantly and benefited with the pandemic and social distancing, others that depended on social contact and proximity lost almost all their revenue.

Figure 3 | Development of the main world indices

INDEX (TOTAL NET RETURN)	2020	2019
MSCI All Countries World in EUR	6.7%	28.9%
MSCI All Countries World in USD	16.3%	26.6%
S&P 500 (USA)	16.3%	30.7%
NIKKEY 225 (Japan)	16.0%	20.2%
STOXX 600 EUROPE in EUR	-4.0%	26.8%
MSCI Emerging Markets in EUR	8.7%	20.6%
MSCI China in USD	27.3%	23.5%
MSCI Brazil in BRL	2.2%	31.1%
DAX 30 (Germany)	3.6%	25.5%
CAC 40 (France)	-5.6%	29.2%
IBEX 35 (Spain)	-13.2%	15.7%
MIB 30 (Italy)	-3.9%	32.4%
FTSE 100 (United Kingdom)	-11.6%	17.3%
SMI (Switzerland)	4.4%	34.8%
PSI 20 (Portugal)	-3.1%	15.1%

As we can see in the above table, the Spanish stock index, IBEX 35, was among the most penalised worldwide, mainly due to the weight of tourism and the financial sector and to the strong impact of the pandemic. Italy was also considerably affected by COVID-19 in the spring of 2020. Brexit brought doubts as to the recovery of the United Kingdom, another country most penalised by the pandemic.

The November elections in the US brought about a transition in power to a Democratic President in the White House. The Senate was divided between democrats and republicans, until the new election in the state of Georgia, in 2021, allowed for greater democratic hegemony, the result of the tie-breaking vote given to the vice-president, opening the door to the easiest legislation proposed by President-elect Joe Biden.

The approval and high efficacy of the first vaccines, as well as hopes for economic recovery after the severe crisis in 2020, supported the favourable performance of risk assets in the last quarter of the year. Oil and the key industrial metal – copper – increased significantly, thus reflecting the expectations of a robust economic recovery in 2021.

Due to the robust interventions of central banks, 2020 was favourable for credit, especially for countries on the periphery of the Euro Zone. In Italy, the debt rate fell for eight consecutive months, the biggest drop since 2004. This trend also extended to the corporate market, reflected in a reduction in spreads.

OUTLOOK FOR 2021

In early March 2021, the OECD raised its forecast for world growth in 2021 to 5.6%, compared to 4.2% estimated in December 2020. This significant increase is justified by the relative normalisation in vaccine rollout, the gradual reopening of the economy and the sizeable US stimulus programme which greatly improve the economic outlook for the coming months. The OECD expects the US government's $1.9 trillion package to add one percentage point to global economic growth, although it expressed serious concerns about the speed of vaccine distribution in some parts of the world, particularly in Europe. However, in the same analysis released in March, the EU growth forecast rose by 30 basis points to 3.9%. The OECD also expects the recovery to continue in 2022, estimating a growth of 4%.

The IMF, in its spring WEO projections, estimates global growth of 6.0% this year. This new figure for 2021 is a further upward revision of the forecasts of 5.5% and 5.2% expansion, mentioned in December and October, respectively. The organisation forecasts a global growth of 4.4% in 2022.

With the various fiscal and monetary aids supporting the recovery of economic activity, the economic cycle is less left to itself. Thus, the main sources of uncertainty should continue to result from the development of the pandemic situation and the ability to vaccinate the world population with effective vaccines against the various strains that may continue to emerge.

Strong synchronised global economic growth may also entail some risks, namely of overheating and excessive inflation. These risks are a potential collateral damage to the stimulus measures adopted, but for which the monetary authorities are adequately prepared. However, many of the forces that have sustained the deflationary trend over the last business cycle remain valid, so the manifestation of these risks is unlikely to materialise in a significant and permanent manner.

Moreover, all signs from the authorities point in the direction of avoiding the health crisis being followed by a financial crisis. Over the next year, the monetary authorities should maintain an accommodative stance, though more balanced, between maintaining favourable conditions for the regular functioning of the financial markets and the risk of the formation of bubbles. Thus, as the economic recovery shows some traction, monetary policy stimuli should start to gradually reduce. However, this process will be gradual, announced in good time and will seek to ensure that the economic recovery, which will still be at an early and fragile stage, is not interrupted.

The favourable economic environment projected by the various bodies should materialise, providing the opportunity for the balance sheets of economic agents to be restored and creating new investment opportunities, particularly in the sectors driven by public policies: technology and digital, telecommunications and transport, and renewable energies. At the same time, the sectors most affected by the new economic and social reality, resulting from the post COVID-19 world and of which we should have a first glimpse in 2021, should be restructured.

REGULATORY FRAMEWORK

During 2020, in addition to the normal flow of legal and regulatory changes, there was a relaxation of capital and liquidity ratios and the implementation of moratorium schemes. In this regard, it is worth highlighting Decree-Law 10-J/2020 of 26 March, which introduced exceptional credit protection measures for families and companies, as well as the EBA/GL/2020/02 Guidelines on legislative and non-legislative moratoria on loan payments applied in light of the COVID-19 crisis. These Guidelines were introduced into national law through the publication by the Banco de Portugal of Circular Letter CC/2020/00000022.

In the same vein, with regard to the regulation of the capital market, the European Commission's proposal for a Capital Markets Recovery Package contains a series of specific amendments to different legal texts (Market in Financial Instruments Directive II, the Prospectus Regulation and the Securitisation Regulation) with the aim of encouraging investment, enabling the recapitalisation of companies and increasing the capacity of banks to finance economic recovery. Although the legislation resulting from that proposal - Directive (EU) 2021/338 of 16 February 2021 - was not published until 2021, there were exceptional provisions, in particular from ESMA, throughout 2020, regarding the delivery dates of some reports, as well as specific clarifications on acting in a pandemic context (for example, regarding the mandatory recording of calls).

Still at the level of the capital market, the publication in August 2020 of Law 50/2020, which transposed the so-called Second Shareholders' Directive, should be noted. The implementation of its main provisions, relating to confirmation of votes cast electronically, identification of shareholders, transmission of relevant information for shareholders and facilitating the exercise of shareholders' rights, took place on 3 September.

With regard to the prevention of money laundering, we highlight the revision of Law No. 83/2017, following the publication of Law No. 58/2020, as well as the revision of the reporting duties both to Banco de Portugal (Instruction No. 6/2020) and to the Securities Market Commission (Regulation No. 2/2020).

With regard to matters of conduct, governance and internal control, 2020 was marked by the publication by Banco de Portugal of Notice no. 3/2020, which prompted a detailed analysis by Banco Carregosa of the aspects that needed improvement at that level. It should be noted that, as the publication of this Notice occurred in July 2020, the process of adaptation began in August of that year. However, given the scope of the matters addressed in it, Banco de Portugal Instruction No. 18/2020 provided for the establishment of a phased adaptation plan to be implemented until the end of 2021. This programme includes, among others, a training plan on Conduct, Internal Governance and Risk Management, as well as the review of internal regulations, both on Strategy and Organisation, for example the Strategic Plan and the regulations of the governing bodies and support bodies, and on Conduct, namely the Code of Conduct and the Policies on Conflicts of Interest and Reporting of Irregularities. It should also be noted that the aforementioned Instruction no. 18/2020 and CMVM Regulation no. 9/2020 amended the reports to be made to the supervisory authorities on organisational culture and internal control and governance.

Still in relation to the reporting of information to the authorities, it is important to mention the publication by the CMVM of a set of new Regulations, within the scope of the so-called project of Simplification of Reports, which will imply the revision, in 2021, of all reports to that entity, with a high impact at IT and information development level.

With regard to Information and Communication Technology (ICT) Security, note should be made of the publication of Circular Letter CC/2020/00000029, through which Banco de Portugal indicated its expectation that the requirements of the EBA/GL/2019/04 Guidelines will be implemented by 30 June 2020. In this regard, in 2020 the Bank implemented several improvements in the security, in terms of confidentiality and availability, of its systems and their governance requirements, highlighting the better planning of changes and the growing monitoring by the ICT management body, in terms of continuity, security and execution of planned activities, with emphasis on digitalisation and mobility.

At the end of 2020, the public consultation process began on the Banking Activity Code, which, among other things, will repeal the current General Regime of Credit Institutions and Financial Companies. Given its importance, the monitoring of developments in this legislative process will receive particular attention throughout the year.

Overall Activities

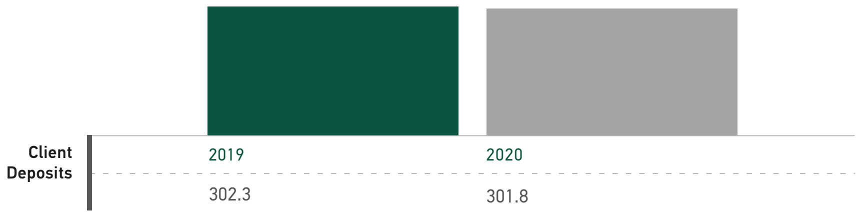
PRIVATE BANKING

In a particularly challenging environment, 2020 was quite positive in terms of growth of activity and development of the offer of greater added value in Private Banking. This development, whose importance becomes even more relevant in a pandemic year, resulted from a combination of factors that we will address below.

The volatility of the financial markets made it possible to identify specific entry points to investment, levering on the commercial work done in recent years, particularly with larger clients. This effort resulted in the reinforcement of assets under management and the growth in the number of clients.

The increase in assets under management was accompanied by a reduction in client deposits. The conservative positioning of the portfolios at the end of 2019, the low interest rate environment and the opportunities that arose in 2020 proved to be favourable conditions for the migration of cash positions to assets under management.

Figure 4 | Changes in client deposits (all segments, including CIUs)



Amounts in EUR million

The increased market volatility contributed to a relevant increase in the number of users and their grater usage on the GoBulling Pro e-trading platform, which allows clients direct access to trading in the main European and American stock exchanges. As part of the higher added value offering, there was also an increase in investments in alternative funds, boosted by the activities of other departments.

2020 was also the first year of activity of the investment advisory service, expanding the range of services offered for Private Banking clients.

The adoption of tighter lending standards and the reduction in demand resulted in a reduction in the loan portfolio volume.

Compared to 2019, assets under management increased by 6.4%, reaching the highest value ever, and the number of clients increased by 21.2%.

The Private Banking team remained stable throughout the year, ensuring a close service to clients, ensuring a high level of availability and continuous communication, although mostly through telematic means. In general, both the Private Banking team and clients adapted well to the situation generated by the pandemic.

In 2021, we will seek to maintain the trajectory of growth, focusing on asset management and integrated Global Wealth Management solutions.

SAVINGS AND INVESTMENT

2020 was marked by a refocus of the activity of the Savings and Investment Department (previously called Individuals and Businesses), which was based on the strategic repositioning initiated in 2019, aimed at a more consistent alignment between the Bank's different business areas and having as a goal the growth of investment services, markets and credit for the acquisition of financial instruments.

Throughout the year, a process of repositioning the offer was carried out, aimed at clients with high savings and investment potential and who seek value-added financial solutions, having achieved not only an increase in the number of accounts but also a qualitative improvement in the commercial portfolio.

Due to the opportunities created by the economic and financial market environment, the relative weight of liquidity decreased as opposed to a significant increase in assets in custody mainly for GoBulling Pro platform clients, taking advantage of the high market volatility.

The subscription of investment funds marketed by the Bank increased as a result of a greater commercial dynamism of this product, including the provision of more tools to clients, such as the Great Choice of Funds, the wider range of funds available for subscription and the growing use by clients of the Fund Selection tool, and also due to the good profitability of some asset classes and/or selected portfolios.

Figure 5 | Change in the trading of Collective Investment Undertakings

	2019	2020
Funds under Custody	10.7	18.3

Amounts in EUR million

We note also a near doubling of client investments in the allocation strategies.

In parallel, there was the need to adapt to the changes imposed by the pandemic, with a greater demand for remote service solutions and a renewed interest of clients in the GoBulling Pro platform. Accordingly, the commercial network was reorganised so as to ensure that each relationship manager was able to provide integrated monitoring of each client's needs, namely the specialised support required by the e-trading platform users.

The strategy implemented enabled the growth, in 2020, of assets under the segment's supervision, with emphasis on the assets of the GoBulling Pro platform, which increased 43%. In 2021, the department will remain focused on strengthening the value proposition and on growing penetration in the Top Affluent segment, continuing with the strategic alignment defined which aims for the Bank to be recognised as the Wealth Management benchmark in Portugal.

TREASURY AND OWN SECURITIES PORTFOLIO

The markets' first reaction to the absolutely extraordinary and unpredictable events, triggered by the spread of the novel coronavirus and the COVID-19 disease, was a generalised fall in asset prices and a reduction in liquidity levels, particularly in the corporate segment of the bond market.

In effect, the extreme volatility and high degree of uncertainty with which agents faced contributed to a very significant reduction in bid volumes, generating, in a vicious circle, even greater falls in prices, increased volatility and even less liquidity, with the widening of bid-ask spreads to completely atypical levels.

This development affected the management of the Bank's own securities portfolio as it was reflected in the valuation of these assets - mostly corporate bonds - which were part thereof.

The impact on own funds led the Bank to adopt immediate measures, guided by the principle of prudence and in line with the institution's risk profile, which included the gradual reduction of exposure to certain issues selected on the basis of objective criteria and market conditions.

At the same time, the Bank took other structural measures regarding the composition of its own securities portfolio, in particular:

- The creation of a new management model, constituting a bond portfolio based on a logic equivalent to a portfolio of securitised credit with a view to holding these assets to maturity. The main objective of this new business model is to capture returns through the yields associated with investment opportunities opened up by market instability, having the advantage of being less sensitive to possible disturbances in the liquidity of the assets; and

- The creation of a new treasury portfolio, also composed of securities held to maturity, invested mostly in securities without capital consumption and eligible for discount at the central bank; and

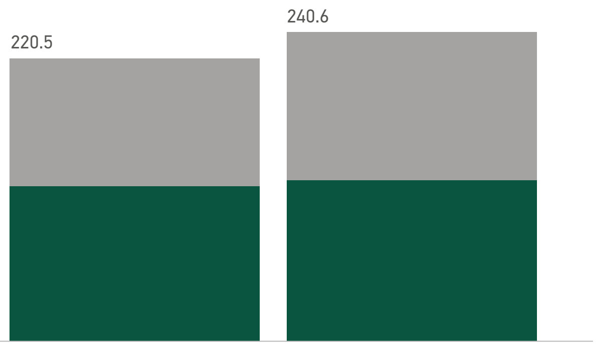
- The review of some of the rules and limits of the portfolios, such as the exposure by issuer, which is now transversal to all the portfolios.

The recognition of losses as a result of the portfolio recomposition measures adopted during the period of greatest uncertainty in the debt market, which occurred to a large extent in the second quarter of the year, led to a negative contribution of the result of the own securities portfolio in the year, despite the recovery that took place in the last months of the year.

In turn, in 2020 the Bank's excess liquidity was maintained, which was not disrupted by the pandemic situation, posing increasing challenges to treasury management due to the persistence of negative reference interest rates, the commercial practices of other credit institutions, which began to encumber the Bank's investments above certain amounts, and also the priority given to capital conservation.

Raising funds in currency, namely in USD, while still being available to clients, ceased to be an interesting option both for clients (via the collection of term deposits) and for the Bank, via hedging or investment in securities, after the decrease in reference rates by the United States Federal Reserve. The fall in USD interest rates had a positive impact on the Bank's portfolio as a result of the time lag between asset and liability positions in the portfolio.

Figure 6 | Own securities portfolio and cash and deposits



	2019	2020
Cash and Deposits	100.0	115.3
Own Portfolio (Financial Assets)	120.5	125.4
Own Portfolio and Cash and Deposits	**220.5**	**240.6**

Amounts in EUR million

For 2021 the Bank expects market development to continue to depend on the evolution of the pandemic, the changes in interest rates and the interventions of the various Central Banks. Management's attention will continue to be focused on the conservation of capital, while not neglecting to obtain financial margin and results through a very meticulous management of secutities investments.

The establishment of portfolios of held-to-maturity securities brings greater stability to the balance sheet and profit and loss account and allows us to face the next financial year with some optimism.

INVESTMENT MANAGMENT

The year 2020 challenged the Investment Management Department's ability to manage with insight and make the best decisions with a view to protecting and increasing clients' assets. The rapid fall and recovery of the markets, mainly in the equity segment, could have resulted in ill-advised decisions, but in fact generated moments of opportunity exploited by the investment management team.

The cautious positioning of the team at the end of 2019, guided mainly by the maturity of the economic cycle and the relative low expectation of returns in the equity and bond asset classes, allowed to take advantage of the opportunities offered in the market in 2020, both in the sector rotation seen in the equity markets and exploring moments of lower liquidity in the bond markets, which revealed opportunities to take positions with a risk/return profile not seen for a long time. The overreactions of investors in the short term allowed opportunities for those who have a long-term perspective and favour an investment process executed with debate and rigour.

The results of investment allocation strategies were overall positive, in absolute terms and when compared with competing products. The "Preservação", "Capitalização", "Valorização" and "Valorização Agressiva" (preservation, capitalisation, appreciation, and aggressive appreciation) profiles achieved returns of 1.7%, 3.4%, 5.3% and 4.7%, respectively.

Figure 7 | Changes in the performance of allocation strategies

PROFILES	2019	2020
Preservation	3.7%	1.7%
Capitalisation	9.8%	3.4%
Appreciation	14.0%	5.3%
Aggressive Appreciation	16.4%	4.7%

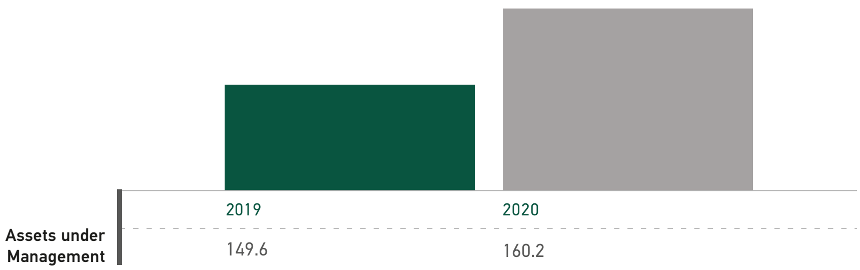
The equity market management models showed satisfactory results in view of the market context. In a year in which "value" was most penalised, the Active Value strategy lost 15.9%. The "Grandes Capitalizações" strategies, with a bias towards the quality style, appreciated 7.4%. Alpha Valor, a flexible management strategy, obtained a return of 4.2%. Finally, the USD bond strategy achieved a return of 2.0%.

Figure 8 | Changes in the performance of thematic strategies

	2019	2020
Active Value	21.4%	-15.9%
Large capitalisations	23.8%	7.4%
Alpha Valor	7.8%	4.2%

The combination of the opportunities offered, the conservative positioning at the end of 2019 and the commercial effort, as well as the positive behaviour of the management strategies resulted in an increase in the amounts under management, which reinforce the conviction that Banco Carregosa deserves the confidence of its clients in particular at times of greater uncertainty.

Figure 9 | Changes in assets under management



Amounts in EUR million

In the same vein, it was a year of low supply of structured products, on the one hand due to the lower receptivity of this type of products among our clients, and on the other hand due to the scarcity of existing value opportunities given the market conditions. It should be noted that for this reason the Bank did not launch any structured deposit in 2020.

The investment advisory service had its first year of full operation. Opportunities for improvement were identified and implemented in the procedures defined within the scope of the provision of this service.

The performance of the selection of funds, made available online, was extraordinarily positive in 2020: the Defensive, Balanced and Growth Allocation achieved returns of 10.5%, 19.6% and 24.2%, respectively. Tiago Gaspar, responsible for the Analysis and Selection of Investment Funds, received the International Investment award in 2020, based on the SharingAlpha community methodology, as the best professional in investment fund selection - Iberia category.

The unusual context experienced in 2020 led to greater proximity with clients. During the most troubled times of the market, the investment management team were in constant contact with the commercial teams and, occasionally, with clients.

The information production function within the Investment Department's responsibilities operated at full capacity during 2020, resulting in the daily release of the Information Bulletin, produced by the Department. Also the Bank's outlook for financial markets is now disclosed on a quarterly basis. This area was also fundamental for increasing the relationship with the media, with regular collaborations from the department. The added challenge of keeping a regular and informed follow-up on the development of the pandemic situation should be mentioned. Due to the contingencies of the context, the annual presentation of the Markets Outlook to clients did not take place in 2020.

Despite the contingencies, it was possible to collaborate on another edition of the Stock Exchange Game, in a fully digital format.

In 2020, the Bank promoted a greater internal discussion on the Bank's investment management, by resuming the regular meetings of the Investment Committee, with the participation and collaboration of other areas of contact with private and institutional clients. This internal discussion is important to impose a discipline in the analysis of information and cement the department's investment theories.

2020 was also a year of consolidation of the team, which in previous years had suffered some turnover. The result was not adversely affected by remote working. Information providers, fund managers and counterparties adapted quickly to the new scheme, and the widespread use of telematic means adequately replaced physical presence and served to eliminate the disadvantage of geographical location, being beneficial to the team.

In 2021 the Investment Department will seek to maintain its continuous improvement, by consolidating the best practices that have already been implemented and identifying opportunities for optimisation, both in operational matters and in methods of analysis and knowledge. Specifically, the following remain ongoing priorities: creating a more efficient vehicle for the implementation of the current discretionary management strategies, the development of systematised information analysis tools for decision support, and the launch of new products and services in which there is alignment between market needs and the team's skills.

MARKETS

Following the reorganisation begun in 2019, 2020 was marked by the full operation of the Markets Department, which now concentrates the Bank's brokerage areas, replacing the previous areas of Institutional Business, Electronic Trading, Capital Markets and Institutional Sales Network.

The Markets Department is now organised into two segments: Individuals and Institutional Clients. Brokerage for Private Clients was concentrated in the Lisbon market room, with the reallocation of some human resources. This segment serves, on one hand, clients operating primarily through the Bank's digital platforms (GoBulling) and, on the other, traditional clients, who have direct access to trading rooms and for whom a value added service is available.

Institutional Clients, which include family offices, are now monitored by a dedicated team located in Porto.

The rationale behind the reorganisation was completely fulfilled and the objectives of rationalising processes and resources were achieved.

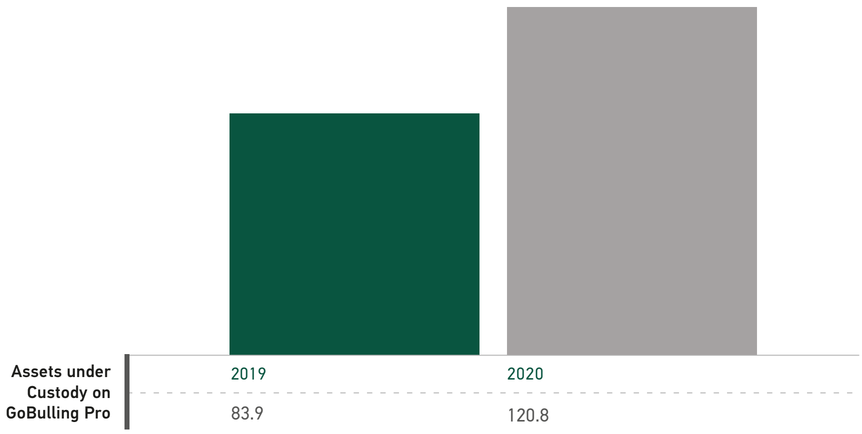
In terms of revenues, expectations for the year were exceeded, due to the high market volatility caused by the pandemic, with very significant growths in intermediated volumes across both segments.

In the Private segment, the pandemic context resulted in two demanding realities: on the one hand, a high volatility of financial assets, on the other hand, a need to adjust work processes, including remote and segregated work, with adaptations at the level of human and material resources. The major changes in market sentiment led customers to seek more and better information, leading to frequent use of means of communication with the Bank and a greater need to disseminate market information, either by traditional means or resorting to electronic means, namely the massive use of the online platform chats.

In the Institutional segment, activity in the non-domestic bond segment was once again the most relevant.

In this very particular context, in the Private Clients segment it was possible to strengthen the value of assets in custody, as well as the values traded. The increase in client assets with Banco Carregosa for execution in the market will have resulted from the desire to concentrate resources and operations on a single multi-product and multi-access platform, allowing for reactions to different market situations, for example, through the use of hedging products. The technological development operated on the e-trading platform GoBulling Pro, with the launch of versions for the iOS, Android and Mac-OSX environments, will also have contributed to this, at a time when the use of electronic means of access to the market increased by the pandemic context. It should be noted that in 2020 the maximum values of use of the platform were reached, both in terms of the number of investors and in terms of transactions.

Figure 10 | GoBulling Pro Assets



Amounts in EUR million

It is also important to point out the price revision that took place in the third quarter of the year, as a result of the need to adjust the Bank's commission, which had remained unchanged for several years, in line with the changes in service costs, the prevailing competitive environment and the strategic positioning, which favours a relationship-based, value-added service.

These changes had no impact on the activity, which, as mentioned, developed throughout the year above expectations, with emphasis on the equity segment - the value of orders received in shares increased 49% compared to 2019 - and in particular on the use of online channels, which grew by 98% over the same period.

Figure 11 | Changes in orders received by financial instrument

VALUE OF ORDERS RECEIVED	2018	2019	Δ 18-19	2020	Δ 19-20
Shares	908	788	-13%	1 172	49%
Bonds	28 274	26 879	-5%	21 660	-19%
Online	670	582	-13%	1 151	98%
Futures	459	275	-40%	253	-8%
CFDs	3 733	11 610	211%	8 311	-28%

Source: CMVM. Amounts in EUR million.

In 2020, the Bank maintained the second relative position in terms of equity market share, among small banks, with a share of 6.3%. With regard to orders received by electronic means for the options market, Banco Carregosa obtained a market share of 9.80%.

Figure 12 | Changes in Banco Carregosa's market share, by financial instrument

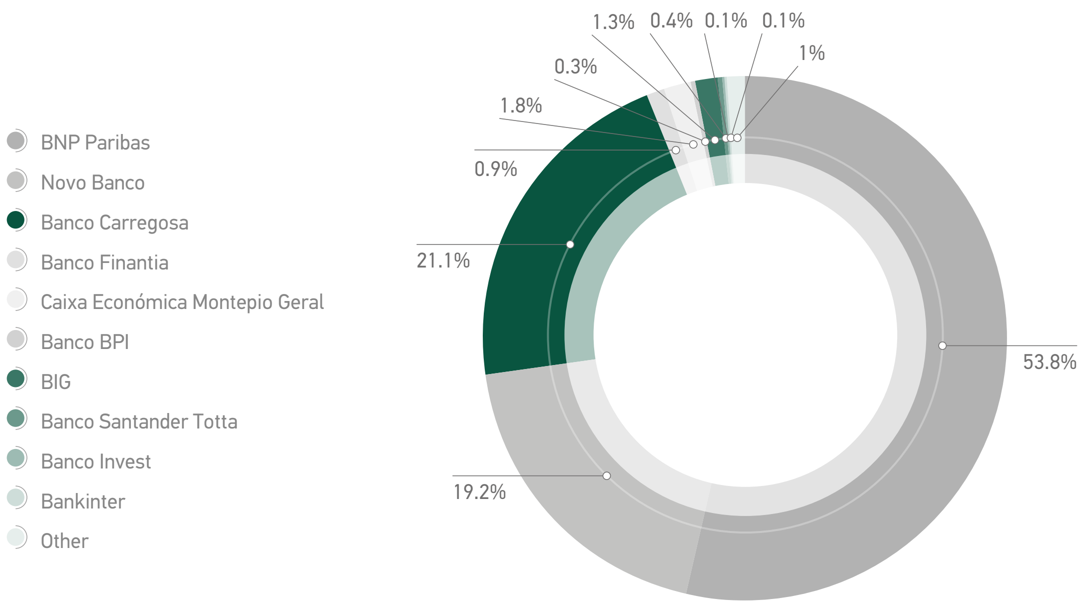
	2018	2019	2020
Shares			
Off+Online	5.60%	7.20%	6.30%
Online	6.40%	3.00%	2.80%
Bonds	52.10%	39.20%	21.10%
Options market – Orders received online	8.20%	11.70%	9.80%
Futures	1.30%	0.90%	1.00%

Source: CMVM

As regards the value of orders received in the bond segment, the Bank holds second position in terms of market share, with 21.10%, maintaining a prominent position in this market segment.

The objectives for 2021 include consolidating the reorganisation of the department and strengthening the value proposition and level of service for Private Clients, at a time of growing demand for brokerage services.

Figure 13 | Market share in debt trading



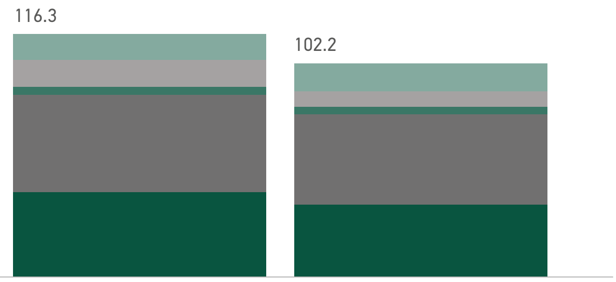
Source: CMVM

LOANS

The Bank’s loan activity in the last year deserves four highlights.

First, in 2020 the portfolio of loans granted fell, contrary to the expectations and objectives set for the year, mainly due to the effects of the pandemic crisis and its consequences. The implementation of the credit moratorium scheme under the extraordinary measures for the protection of bank clients, as a result of the public health emergency, contributed to the slower pace of new loan contracts. The changes to the Bank's Credit Policy, associated with a more careful management of capital consumption in active transactions and the lower demand for credit also contributed to reducing the portfolio.

Figure 14 | Changes and composition of the loan portfolio



	2019	2020
Bank Guarantees	12.4	13.2
Non-utilised Current Acc	12.7	7.5
Overdue Loans	4.0	3.6
Loans	46.4	43.0
Current Account Credits (CCC)	40.7	34.9
TOTAL	**116.3**	**102.2**

Amounts in EUR million

Second, the implementation of the Bank's new Credit Policy, although formally approved in June, was gradually implemented since the beginning of the year. This new policy, underpinned by a forward-looking vision for the loan portfolio, is guided by the objectives of risk reduction and diversification, as well as to improve the efficiency of the loan granting and management process. As part of the nature of the loan portfolio composition, the reduction of the limit per entity and the reduction of the weight of loans granted to real estate promotion and speculation activities. On the other hand, the measures focus on loans granted for investment activities in financial instruments (margin accounts or loans with pledges of financial instruments) and loans granted for investment in income assets. In terms of internal processes, the credit workflow was introduced, automating the management of credit proposals up to their decision, introducing considerable efficiency gains. Risk simulation and transaction pricing tools were also developed in articulation with the commercial and risk areas, materialised in the new Credit Manual.

Third, it is important to highlight the impact of the management of the credit moratoria process on the department's activity. In effect, the management of the adhesion process, notification to credit clients and dissemination of information imposed by the regulator used up the Credit Department's resources. This situation was further aggravated by the fact that there were successive changes to this scheme throughout the year. Between the legal scheme and the voluntary adhesion scheme, sponsored by the Portuguese Banking Association, approximately 40% of the loan portfolio on balance sheet was covered by the credit moratorium scheme at the end of the year.

Finally, the following situations with impact on the calculation of impairments from the third quarter of 2020 should be noted:

i. The update of the default probability matrix under the regular revision of the Impairment Manual, which took place in August 2020, reflected in a generalised worsening, particularly visible in the lower risk levels. For the purpose, among other elements of information, the macroeconomic and financial scenarios prepared by the European Central Bank (ECB) and Banco de Portugal (BoP) were considered;

ii. The Bank's forecast of a possible significant increase in credit risk associated with the effect of the COVID-19 pandemic, while paying attention to the EBA and ESMA guidelines, in order to consider the specific treatment for moratoria and to privilege historical information over prospective scenarios while prospective economic analysis is still unclear.

The main focus for 2021 will be to make the commercial areas more dynamic in order to meet the objectives established in the new credit policy.

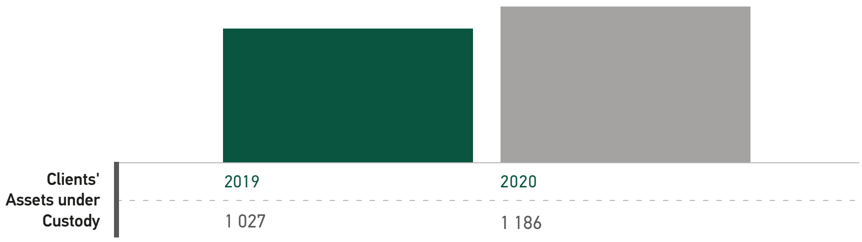
CLEARING, SETTLEMENT AND CUSTODY

Teams found it very challenging to adapt to teleworking imposed by the confinement rules. This situation created constraints in the work models that had always been based on a daily sharing of knowledge, updating and encouragement. Added to this factor, there were specific family constraints which often affected the department's ability to respond. The effort of the teams that continued to work face-to-face was recognised and contributed to the strengthening of team spirit and future cohesion.

In 2020, Banco Carregosa settled an average of €125 million per day, which translated into a growth of 25% compared to 2019.

Clients' assets under custody amounted to €1,186 million at the end of 2020, that is, an increase of about 15.5% compared to the previous year.

Figure 15 | Value of clients' assets under custody



Amounts in EUR million

As a member of Interbolsa, the Bank boosted its activity and reinforced its level of service as paying agent for issues integrated in the Portuguese Central Securities Depository.

The year was also marked by the development and implementation of the internal mechanisms necessary to comply with the Shareholders' Directive II, namely the rules regarding access by issuers to information that contributes to the identification of the holders of securities issued by them.

Finally, it should be noted that following the strategic decision to terminate the activity of clearing member of the Iberian energy market, this was implemented in the second half of 2020, in a process conducted in strong coordination with clients and partners in order to minimise the impacts of the discontinuation of the service by the Bank.

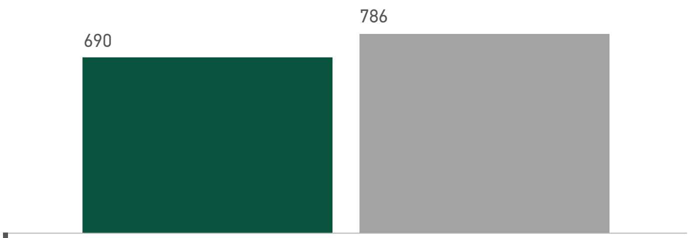
The Bank continued to pursue the marketing of precious metals begun in 2018, now offering 14 types of gold bullion, in 11 different weights, from 1 g up to 1 kg, sub-divided into cast or minted gold bars, with the highest purity in the market (999.9) and certified by LBMA.

The marketing thereof has covered a range of investors who wish to protect their assets from the challenges of financial markets, purchasing a timeless and universal value.

DEPOSITARY OF INVESTMENT FUNDS

In 2020, the Bank strengthened its presence in the market for the provision of depositary bank services, intensified its commercial activity and increased its capacity to respond to the requests of its clients and the regulator, which resulted in the attraction of new management companies that place their trust in Banco Carregosa.

Figure 16 | Activity as depositary of mutual funds



	2019	2020
Overall Net Value of CIUs	690	786
No. of CIUs in which the Bank is Depositary	26	32

Amounts in EUR million

At the end of 2020, Banco Carregosa Banco Carregosa provided depositary services to 32 collective investment undertakings, of which 12 real estate investment funds, 17 risk venture capital funds, and 3 SICAFI (real estate investment companies with fixed capital).

The total net value of these funds amounted to €786 million on 31 December 2020, of which €419 million relate to real estate investment funds, €336 million to venture capital funds, and €31 million to SICAFI. At the end of 2019, these figures represent a growth of 14%.

Recognising the importance of the service within the scope of the offer to Institutional Clients, the internal organisation was restructured, giving it greater autonomy, and the team was strengthened by hiring resources with specific skills, giving the service a multidisciplinary approach.

CORPORATE

Banco Carregosa's Corporate area is responsible for the activities of Capital Markets, Corporate Finance and Capital Raising, in coordination and to support of the Bank's commercial areas. Although 2020 was particularly challenging for the capital markets, the Corporate area led some benchmark operations, such as:

- Advising Prisa on the sale of 64.47% of the capital of Grupo Media Capital, SGPS, SA, a transaction amounting to €36.8 million;

- Organisation and leadership in trade syndicates for Public Subscription Offer as part of the operation to increase the capital of Flexdeal, SIMFE, SA;

- Assistance in the partial and voluntary public offer for the acquisition of 19% of the share capital of Raize - Instituição de Pagamentos, S.A., launched by Flexdeal, SIMFE, S.A., concluded effectively.

In addition to these operations, and in a year marked by the scarcity of capital market operations in Portugal, the Bank participated in the syndicated placement of the Benfica SAD 2020-2023 Bonds, while also maintaining its activity of marketing venture capital funds and providing financial advisory services. The Department also collaborated in several operations led by other commercial areas of the Bank.

WEALTH ADVISORY

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

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

2020 saw the implementation of the Wealth Advisory Department and the definition of its value proposition, with contributions from different support areas of the Bank, and the start of its activity, which occurred at a slower pace than desirable due to the context created by the pandemic crisis, and is expected to operate fully in 2021.

CARREGOSA SGOIC

As part of the strategy of Banco Carregosa to be a reference in Wealth Management in Portugal, the Bank decided to establish a management company to manage collective investment undertakings, Carregosa SGOIC, in order to provide the Bank with more means to develop solutions tailored to the needs of its clients.

Being already experienced in the marketing of real estate investment funds and a participant in some of them, the Bank felt the need to be connected to the management of these funds, and the decision to start managing real estate investment funds (REIFs) was aimed at providing clients with the strong brand that has long characterised the institution.

The establishment of Carregosa SGOIC was authorised on 3 November 2020, with the Bank as the largest shareholder (96%), and its strategy is the creation and management of closed-end REIFs. Based on the values of tradition, know-how, flexibility and value creation, its mission is to identify investment opportunities suited to the needs of different investors, structure the most convenient REIFs for the investment in question, actively manage it and maximise its profitability and/or risk.

In the start-up phase, the activity of Carregosa SGOIC will focus on three existing closed-end real estate investment funds, in which the replacement of the management entity was decided at the respective shareholders' meetings, which came under the responsibility of Carregosa SGOIC in the second quarter of 2021. These are funds linked to food retail, offices, and warehouses and logistics.

After the consolidation of the REIF area, the goal in the future will be to broaden the offer, where opportunities in other areas will be analysed, such as the constitution of SICAFIs or the transformation of companies into SICAFIs, and the broadening the scope to include the management of securities investment funds.

HUMAN RESOURCES AND CULTURE

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

In 2019, the team was reconfigured and renamed Human Resources and Culture, thus redirecting its focus. Internal Communication and the development of Organisational Culture marked the beginning of the implementation of the strategic plan, aiming to maintain the strong values and principles that have always guided Banco Carregosa's actions with its employees.

In 2020, changes to the Organisational Structure were consolidated, in line with the strategic guidelines for the three-year period. The teams' competences were also strengthened through external recruitment. The number of employees therefore increased compared to the previous year.

Figure 17 | Changes in Staff

	DECEMBER 2019	DECEMBER 2020
Porto	85	90
Lisbon	17	18
Total	**102**	**108**

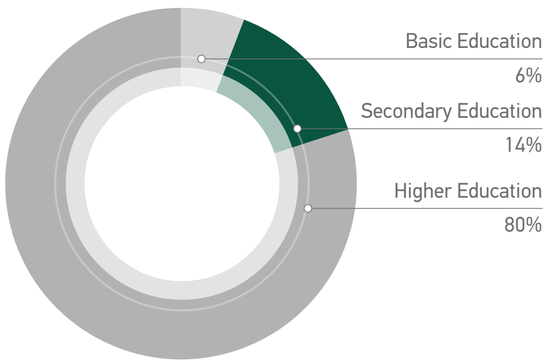
In line with current challenges in talent retention, Banco Carregosa continued to maintain flexible arrangements, allowing employees to take unpaid leave and to work part-time.

Staff training and development is a key pillar for the Bank, to ensure that employees feel professionally challenged and acquire essential skills in their area of expertise, and ensuring continuity in the certification under the DMIF II. Investment in young talent is clear, with the promotion of curricular and professional traineeships in various departments – some of these trainees were admitted to Banco Carregosa. The Bank promotes informative sessions open to all its employees to disclose the work carried out in the various departments, seeking to promote debates on relevant and current issues in the sector.

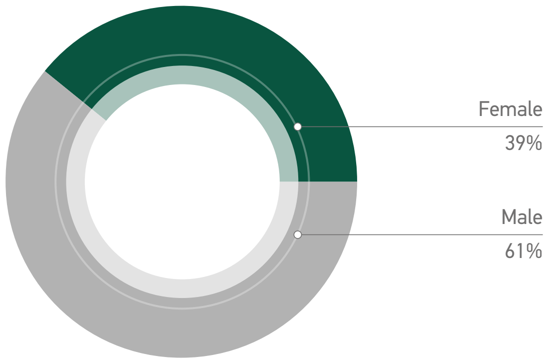
As far as staff composition is concerned, it should be noted that the majority of employees have higher education, and a commitment to implement gender balance is in place, particularly in leadership positions. In line with the sector's ratios, the number of male employees is nevertheless higher than that of female employees, and the average age of team members is 42 years.

Figure 18 | Characterisation of Banco Carregosa's human resources

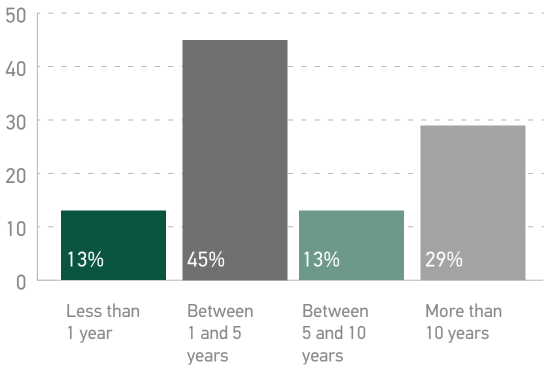
Distribution by Qualifications



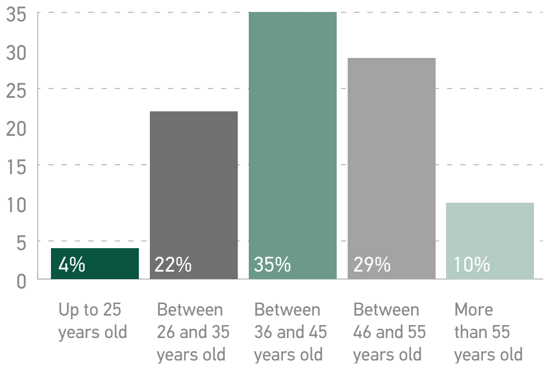
Distribution by Gender



Distribution by Seniority



Distribution by Age Bracket



Finally, given the significant changes introduced in the working conditions of the Bank's teams due to the implementation of the COVID-19 Contingency Plan in March 2020, it is important to highlight the commitment and dedication of the Bank's employees, who ensured the continuity of the provision of services without disruptions, based on the commitment of a team who provided minimum services at the Bank's premises, and the use of teleworking by a large majority, often in less than ideal conditions.

COMMUNICATION AND MARKETING

Banco Carregosa has managed to offer value added solutions that allow it to achieve high levels of satisfaction and recognition from its clients. We also highlight in 2020, the study carried out by DECO Proteste and Proteste Investe, in which Banco Carregosa was considered as the "Right Choice" in "Electronic Trading" solutions. The Bank was also nominated by *Dinheiro e Direitos* of *DECO Proteste* as the "Right Choice". Finally, Banco Carregosa was identified in the Banco de Portugal Report "Sinopse de Atividades de Supervisão Comportamental" (Synopsis of Behavioural Supervision Activities" as one of the few institutions in the sector with relevance in the area of deposit accounts without any complaints from clients.

Banco Carregosa's communication strategy aims to publicise its business model, desired and its product and financial service offers to these target segments, thus also contributing, through its communication policy targeted to social responsibility, to a greater financial literacy of the general public in Portugal. The adequacy and activities of the annual marketing plan were adjusted in 2020 due to the COVID-19 pandemic. The Plan was developed using the main communication instruments with the media (non paid media), direct communication (owned media) and advertising (paid media).

With regard to close relations with the media, in 2020, Banco Carregosa was cited in more than 650 news articles published in about 75 media agencies. The Bank reached more than 215 million OTS (Opportunities to see) and the news that contained references to Banco Carregosa resulted in an AVE (Advertising Value Equivalent) of more than €8.5 million[1].

In addition to posting information in the media, Banco Carregosa also communicates directly with its clients, prospective clients and other stakeholders. One of the most used instruments was the periodical or one-off newsletters sent to its clients, about products, services or events with impact on the market.

Designed especially for clients but open to others with an interest in financial markets, fifteen webinars were held under the GoBulling brand, covering different relevant practical topics for investors. The topics chosen often had pedagogical goals, contributing towards improving the financial literacy of attendees.

Banco Carregosa maintains an active presence in the social media, with about 12 200 and 8,900 followers, respectively, on LinkedIn and Facebook. Compared to 2019, in terms of penetration, and due to the push and engagement in this communication channel, followers increased by more than 16% on LinkedIn and by 25% on Facebook.

The overall investment in marketing in 2020, although adjusted to the reality experienced with the global pandemic scenario, which resulted in the cancellation of several planned initiatives, was readapted to meet the continuous expansion of the Bank's activity in the market segments in which it operates. The launch to the market, in 2017, of the business model for Top Affluent clients, also implied, in 2020, an investment in visibility, in the desired positioning of the brand and in communication and advertising campaigns, events and activation actions that could be carried.

Direct communication included hosting, co-hosting and supporting several economics, financial and business events and sponsoring conferences. For instance, online seminars presenting the main political and economic outlooks and global financial markets and presentations to investors on financial investments. We also highlight the 9th edition of the conference "The Future of Financial Markets", in partnership with Jornal de Negócios, with the purpose of reflecting on and analysing two major topics: investment trends and the effects of the pandemic shock | Scenarios for Banking and Markets. Banco Carregosa also renewed, under the form of a sponsorship, the partnership initiated in 2015 with APGEI – Portuguese Association of Industrial Engineering and Management,

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

an institution established in 1985 by a group of companies and universities with the purpose of contributing to improving management practices in businesses and developing the country.

Whenever pandemic conditions allowed, Banco Carregosa supported and organised, during 2020, a number of charm marketing actions for its best Private Banking clients, through partnerships with internationally prominent brands. Noteworthy are the events with the Bentley brand and the presence in the VIP area at the Formula 1 Portuguese Grand Prix, at the Portimão International Racetrack.

Banco Carregosa maintained a strong presence in the media, especially digital media, through advertising campaigns for the brand, products and services, as well as some tactical promotional activities. Banco Carregosa also invests in below-the-line strategies, such as sponsorships, actions and relational events that project the brands to their target audiences.

In terms of internal communication of Banco Carregosa, during 2020 a set of new initiatives were undertaken that allowed the promotion of a transversal and effective communication within the organisation, boosting the alignment and involvement of the Bank's internal stakeholders and also strengthening the «Banco Carregosa» organisational culture.

SOCIAL RESPONSIBILITY

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

The strategy and action plan for corporate social responsibility of Banco Carregosa, for the benefit of society, branches out across five main areas - the arts, health, education, sports and humanitarian aid, this year with an additional reinforcement motivated by the adverse effects caused by the COVID-19 pandemic – the spreading of initiatives and support across the country being also a matter of fundamental concern.

In the field of cultural patronage, in 2020 the Bank supported various forms of arts through the following initiatives:

- Music: Banco Carregosa attended the Christmas Concert "West Side Story", held at the grand Auditorium of the Calouste Gulbenkian Foundation. It also supported the "Opera Gala" concert organised by the Youth Symphony Orchestra, and was the patron of the Paços de Brandão International festival, organised by Círculo de Recreio, Arte e Cultura (CiRAC).

- Cultural heritage and the arts: with regard to the dissemination of art, is the pursuit of the protocol signed with Santa Casa da Misericórdia do Porto (SCMP) which aims primarily at displaying works of art from the SCMP collection in the Bank's premises. The Bank also supported Casa-Museu Abel Salazar, sponsoring the disclosure of the exhibition cycle of this reputed cultural institution of Porto.

- Health-related areas: for the 4th year running, the Bank renewed its support to the "Banco Carregosa / Secção Regional do Norte da Ordem dos Médicos" award, which aims at distinguishing the best clinical research projects in Portugal. The Bank also made donations to the non-profit organisation "Mama Help", which helps patients suffering from breast cancer and their families.

The Bank also supported the community of health professionals and medical students, and sponsored congresses and initiatives in this field. We highlight sponsorship to the “15th YES Meeting”, which aims to create a global platform for scientific and cultural exchange for biomedical students worldwide, developed by the Students' Association of the Faculty of Medicine of the University of Porto (AEFMUP); the support to the “Med On Tour 2020”, the largest national screening campaign carried out by medical students, organised by the Students' Association of the Institute of Biomedical Sciences Abel Salazar of the University of Porto (AEICBAS). The Bank also developed two partnerships with associations of medical students: the National Association of Medical Students (ANEM) for the collaboration in the congresses "VI edition of the National Congress of Medical Students" and "14th edition of the Medical Students' Cooperation Meeting (MedSCOOP)", and with the Núcleo de Estudantes de Medicina da Universidade do Minho (NEMUM) to support the events "12th Medical Meeting" and "5th edition of the Meeting Medical Education (Meeting ME)”. The Bank also cooperated at a national level with other medical events, namely the "9th In4med - Coimbra's Medical & Scientific Congress", a scientific and medical congress organised by and for students, organised by the Coimbra Academic Association of Medical Students (NEMAAC) of the Faculty of Medicine of Coimbra; the 11th BeInMed - Beira Interior Medical Meeting", organised by the Medical Students Association (MedUBI) of the Faculty of Health Sciences of the University of Beira Interior; the "Open Resident Day 2020 - Centro Hospitalar Entre Douro e Vouga", organised by the League of Friends of Hospital de São Sebastião in Santa Maria da Feira.

- Education: Banco Carregosa renewed the financial support to Youth Symphony Orchestra for a Scholarship for the training and professionalisation of musicians with high artistic potential from the Youth Symphony Orchestra.

  On a more academic note, the following highly academic projects were also supported by Banco Carregosa in 2020: the 4th edition of the project “The Economy and the Future”, an academic essay contest jointly organised by the Portuguese Association of Economists, the Faculty of Economics of the University of Porto, and Banco Carregosa; the participation in the “EEG Business Day” of the School of Economics and Management (EEG) of the University of Minho, to bring students closer to the business world; the Bank also supported, among others, the Polytechnic Institute of Leiria (ESTG), under the Master in Corporate Finance, to conduct training sessions on equity investments, entitled "Quality Investing".

  Note also the famous and awarded “Stock Exchange Game”, a Banco de Carregosa project designed to promote financial literacy, organised uninterruptedly for 18 years with Jornal de Negócios and ISCTE-IU. Given the role of these initiatives in learning how financial markets operate, in 2020 Banco Carregosa entered into a new partnership with the Faculty of Economics of the University of Porto to create another “stock exchange game”, in this case for university students. In this game and through the virtual Investment Club, these students can come into contact with the trading and management of an investment portfolio on the GoBulling trading platform.

- The Bank sponsored a number of sports initiatives, covering different audiences and age groups. Support was granted to several events in the form of sponsorships and patronages, among which golf events through the “6th Banco Carregosa Miramar Open” and the “Royal Caribbean Match Play 2020| Banco Carregosa”. Banco Carregosa continued to sponsor the sports career of the young promising Portuguese golf player João Maria Pontes and also celebrated a new sponsoring partnership with the Miramar Golf Club, a reference institution with thousands of members and golfers with high affinity to the Private Banking and Top Affluent target of Carregosa. The Bank renewed the support to the “Porto and Matosinhos Horse Riding Centre”, which engages about 400 riders in all age brackets (beginners, juveniles, juniors and seniors), in various disciplines such as obstacles, teaching, adapted riding and working horse-riding. Through this partnership, Banco Carregosa supported several competitions throughout 2020, notably the "Grand Prix Banco Carregosa", the "Horse-Jumping Portuguese Championship", the "Amazon Cup", the "Iberian Cup Guilherme Pinto Trophy", and also the Christmas Gala "Prof. João Mota Trophy". In the discipline of sport shooting, the Bank renews the partnership with “Porto Hunters Club” lending its name to the shooting field in Porto, Gondomar.

Finally, Banco Carregosa sponsored the club “União Nogueirense Futebol Clube”, a renowned institution that promotes the social integration of young people in the practice of football.

- Finally, regarding humanitarian aid, in 2020 the Bank supported various social projects and activities, namely: patronage support to Banco Alimentar Contra a Fome (Food Bank against Hunger), given the pressing social emergency caused by the COVID-19 pandemic. This support brought food to the table of thousands of people in proven need in the district of Porto. Banco Carregosa also supported the Algarve Hospital and University Centre - Faro (CHUA) due to the total lack of personal protective equipment (PPE) of the medical and auxiliary staff, at the beginning of the spread of the SARS-CoV-2 virus in March 2020. This particular initiative was aimed primarily at eliminating the urgent need for action, contingency measures and efforts at the level of health entities to reduce the impact of this pandemic on the health of the population in this region; In March 2020, the Bank donated to the National Health Service, together with various banks in the Portuguese financial system and the APB, 100 ventilators and 100 PHILIPS monitors, which were donated to the Intensive Care Units of 35 hospital units in the country. This was a highly relevant action at a particularly adverse time in Portugal at the beginning of the first confinement of the pandemic, which sought to contribute towards reinforcing the means that health professionals had at their disposal so that their laudable effort could produce even better results in the recovery of citizens infected by the novel Coronavirus. The APB Associates also reiterated their commitment to Portuguese society to continue to ensure the provision of financial services with minimal disruption to clients and to support the economy, either through a rapid implementation of the measures approved by the State or through specific lines of action promoted by the various banks. Finally, Banco Carregosa supported the “Operação Barrete Solidário 2019” project, of the Salvador Association, funding this institution that fights for the social inclusion and rights of people with motor disabilities.

12

Outlook

As a result of the environment we are still experiencing, Banco Carregosa will continue to monitor the evolution of market conditions, reassess business plans and monitor its contingency plan.

As of today, the extent of the impact and of the reduction in economic activity is still difficult to predict, even though national and European government authorities, including Central Banks, have engaged in multiple initiatives to reduce the economic impact of the present situation, as there is great uncertainty as to the real effects of the COVID-19 pandemic on economic activity and its duration, namely after the withdrawal of credit moratoria and the normalisation of economic activities.

However, there is a belief that over the course of the next financial year the Bank will continue on the path of growth, taking advantage of opportunities to consolidate the current offer of products and services within the Global Wealth Management concept, particularly in investment management and financial investment advisory, wealth advisory, corporate advisory, institutional custody services and specialised credit.

The Bank will continue to develop. In compliance with the strategic objectives outlined for the 2019-2021 period, a new corporate identity will soon be adopted, which will strengthen its positioning and marketing and communication policy as a reference in Wealth Management in Portugal.

Finally, as the current mandate of the governing bodies comes to an end in 2020, new bodies will soon be elected, which will certainly be followed by a broad reflection with a view to defining the Strategic Plan that will guide the Bank's activity in the next three-year period.

Accounting Policies

BASIS OF PRESENTATION

Banco L. J. Carregosa, S.A. is a privately-owned bank with head-office in Portugal operating under the appropriate permits issued by the Portuguese authorities since November 2008.

COMPARABILITY OF INFORMATION

As of 1 January 2016, following the publication of Banco de Portugal (BdP) Notice 5/2015, of 30 December, the separate financial statements of the Bank were prepared in accordance with the International Financial Reporting Standards (IAS/IFRS) adopted in the European Union, which were already used in the preparation and presentation of its consolidated financial statements since 2005.

Compliance Statement on the Financial Reporting

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

- To the best of their knowledge, the financial statements referred to before give a true and fair view of the assets and liabilities, financial situation and results of Banco Carregosa, in accordance with the International Financial Reporting Standards (IAS/IFRS) and have been approved at the Board of Directors meeting held on 4 June 2021.

- The management report faithfully describes the evolution of businesses, performance and financial position of Banco Carregosa and the Group in the 2020 financial year.

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

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

The Bank did not acquire, dispose of or hold any own shares. As at December 2020, the Bank did not have any active credit agreements or any other type of liabilities with related entities.

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

The mandatory incorporation of the international accounting standards is fulfilled.

Remuneration Policy of Management Bodies, Supervisory Bodies and Employeess

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

REMUNERATION POLICY OF THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES OF BANCO L. J. CARREGOSA, S.A.

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

In 2020, the CRAV members started receiving attendance vouchers in the amount of €1 000.00 for the performance of their duties.

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

In 2020, CRAV met once, in June.

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

The conditions for social welfare and retirement pensions of the executive directos are not be different from those of the remaining employees of the Bank.

In 2020, the remunerations of the Chairman of the Board of Directors and of the Executive Directors were as follows:

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

In their functions, the non-executive voting members of the Board of Directors receive an attendance fee of 1,000€, with the exception of Director Dr. Homero José de Pinho Coutinho, who, by resolution of CRAV, earns a monthly remuneration of 5,000.00€, payable 12 times a year.

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

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

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

SUPERVISORY BODY

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

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

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

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

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

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

The Bank favours the allocation of fixed remuneration, within the meaning of paragraphs 117 to 123 of Guideline EBA/GL/2015/22. The fixed remuneration assigned to each employee is determined in objective terms that accommodate the professional experience and responsibility in the performance of the functions, in accordance with average market standards for equivalent functions and in corporate structures of the sector of a similar size.

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

The rules of eligibility, assessment and attribution of variable remuneration to employees are being thoroughly reviewed, with a new model to be implemented in the second semester of 2021.

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

- Policy on the selection and assessment of the members of the Management and Supervisory bodies and key function holders;
- Policy on the remuneration of the members of the Management and Supervisory bodies;
- Regulation of the Remuneration and Assessment Committee.

INFORMATION PROVIDED FOR IN ARTICLE 450 (G) TO (J) OF REGULATION (EU) 575/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 26 JUNE.

AREAS OF ACTIVITY	TOTAL REMUNERATIONS	
	FIXED	VARIABLE
Management and Supervisory Bodies		
Board of Directors (Non-executive)	146 093.36 €	0.00 €
Executive Committee	367 600.00 €	0.00 €
Supervisory Committee	78 100.00 €	0.00 €
Advisory		
Advisory	173 054.92 €	0.00 €
Central Management		
Central Management	85 939.84 €	0.00 €
Business Areas and Services		
Private Banking	421 867.04 €	4 000.00 €
Savings and Investment Department	300 438.54 €	924.02 €
Financial	130 331.09 €	21 000.00 €
Investments	289 090.51 €	0.00 €
Credit	69 900.39 €	1 625.00 €
Corporate	102 063.24 €	0.00 €
Markets	332 619.80 €	7 973.76 €
Operations	312 588.31 €	350.00 €

AREAS OF ACTIVITY	TOTAL REMUNERATIONS	
	FIXED	VARIABLE
Support Areas and Internal Control		
Internal Audit	87 006.72 €	0.00 €
Compliance	143 939.46 €	2 000.00 €
Risk	131 781.40 €	8 050.00 €
Business Development and Information Systems	95 236.91 €	3 150.00 €
Corporate Secretariat	13 129.40 €	0.00 €
Marketing and Communication	103 525.40 €	0.00 €
Legal	94 346.84 €	1 500.00 €
Asset Advisory	47 251.70 €	0.00 €
Information Technologies	109 437.96 €	0.00 €
Accounting and Management Information	167 411.08 €	3 150.00 €
Human Resources and Culture	47 638.99 €	0.00 €
Secretariat	90 803.78 €	0.00 €
Facilities and Maintenance	123 581.38 €	0.00 €
Investment Advisory and Institutional Sales	64 662.55 €	0.00 €
Overall Total	**4 129 440.61**	**53 722.78**

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

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

It should be noted that, in 2020, the Bank had not formalised any performance assessment policy. As results from the table above, the attribution of variable remuneration was of a residual nature, and therefore there was no significant impact in terms of risk.

KEY FUNCTION EMPLOYEES

EMPLOYEES WITH MATERIAL IMPACT ON THE COMPANY'S RISK (DELEGATED REGULATION (EU) NO 604/2014)

	REMUNERATIONS		
	FIXED	VARIABLE	TOTALS
Management and Supervisory Bodies			
Board of Directors and Supervisory Committee	591 793.36 €	0.00 €	591 793.36 €
Senior Management			
Central management and Directors	1 218 392.43 €	25 050.00 €	1 243 442.43 €
Central Directors			
Central Directors	85 939.84 €		0.00 €
FCI-Internal control functions			
Risk, Compliance and Auditing Departments	174 566.25 €	6 000.00 €	180 566.25 €
Other			
Advisors and others	528 620.02 €	20 500.00 €	549 120.02 €
Totals	**2 513 372.06 €**	**51 550.00 €**	**2 564 922.06 €**
Number of Employees			**45**

ADDITIONAL INFORMATION

EMPLOYEES WHO CEASED THEIR FUNCTIONS IN 2020

No. of employees	7
Consideration for non-renewal of contract	1 485.00€
Overall cash consideration	0.00€

EMPLOYEES RECEIVING THE HIGHEST AMOUNT OF CONSIDERATION IN 2020

No. of employees	0
Overall cash consideration	0.00€

ACCUMULATION OF OFFICES HELD BY THE MEMBERS OF THE BOARD OF DIRECTOS
as at 30 May 2021

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

17

Proposed Distribution of Profits

Under Article 66(5)(f) and for the purpose of Article 376(1)(b), both of the Companies Code, and under Article 97 of the RGICSF and Article 25 of the Company's articles of association, it is hereby proposed that the net profit for the year in the amount of €-2 506 911.78€ (negative), be appropriated to:

Retained Earnings	€ -2 506 911.78


BERNINI

Acknowledgements

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

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

The Governing Bodies, Presiding General Board Members, Supervisory Committee and Statutory Auditor, for the cooperation shown; and

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

Covid-19

On 30 January 2020, the World Health Organisation (WHO) declared the SARS-CoV-2 pandemic, which causes the COVID-19 disease, a global public health emergency. On 11 March 2020, the WHO classified the virus as a pandemic, requesting the governments to take urgent and aggressive actions to fight against it, stating that all countries should find a way to protect public health, minimise social and economic interruptions, and protect human rights.

Following the guidelines recommended by the Directorate General of Health (DGS), Banco Carregosa designated and mobilised a team with the mission to complement its contingency plan, which was responsible for drafting the reference document for the Bank's employees, and was charged with ensuring the implementation and monitoring of the respective measures.

Immediately, in addition to the protective measures, namely hygiene measures and the creation of conditions for the social isolation of possible suspect cases, face-to-face meetings were restricted, a prophylactic isolation period of 14 days was instituted for employees returning from risk areas or who had been in contact with people suspected or confirmed of infection, and conditions were created for remote work, with the adoption of this procedure by employees who might represent a risk group and by part of the teams from each department.

Given the declaration of the state of emergency, in March 2020, and also the recommendations of Banco de Portugal regarding the permanent operation of essential banking services, the Bank ensured full compliance with the obligations resulting from the different regulations, with most employees having shifted to teleworking, without this disturbing the normal functioning of the Bank, thanks to the strong commitment of the teams.

During the 2020 financial year, in addition to changes in working conditions, the most significant impact on Banco Carregosa's activity, directly attributable to the pandemic, resulted from the measures adopted to preserve its capital.

It should be recalled that Banco de Portugal allowed the less significant credit institutions under its supervision to operate, on a temporary basis, with a level below the recommended own funds and with liquidity levels below the liquidity coverage requirement, in line with the relaxation previously adopted by the ECB for institutions under its direct supervision. Even so, Banco Carregosa, in a reasoned manner, decided to adopt greater prudence, operating a selective change in the composition of its portfolio of financial assets, reducing exposure to less liquid assets and sectors more exposed to the impact of measures to combat the pandemic and increasing exposure to sovereign securities eligible as collateral at the ECB. Structural guidelines were also adopted for the composition of the own portfolio, namely in terms of capital consumption and concentration limits.

The changes made to the composition of the own portfolio at that time resulted in losses in financial assets, particularly in the second quarter of the year.

In the second half of the year, a second negative impact was recorded in the recognition of impairments in relation to the loan portfolio, as a result of two factors: the update of the default probability matrix, which mainly affected lower risk loans, and the Bank's estimate of a possible significant increase in credit risk associated with the effect of the COVID-19 pandemic. In this exercise, the Bank considered the macroeconomic and financial scenarios prepared by the European Central Bank and Banco de Portugal, as well as the recommendations of the EBA and ESMA.

Also as part of the extraordinary measures as a result of the public health emergency, a credit moratorium scheme was introduced. Being an overall positive measure, it imposed on the financial sector, in general, and on Banco Carregosa, in particular, an increased burden in the communication, processing and registration of credit processes. This factor, as well as the continued maintenance of low interest rates and reduced demand for credit in view of the macroeconomic context and uncertainty, resulted in a lower contribution of lending activity to the results of Banco Carregosa in 2020.

On the other hand, it can now be said, after the trials of time, that 2020 was a year for taking advantage of the opportunities and challenges overcome in the other activities of Banco Carregosa.

The measures adopted to contain the transmission of the virus and the spread of the disease seek to keep contact between people to a minimum, in particular by imposing restrictions on circulation on public roads, enforcing remote working from home, and rules on the operation or suspension of certain types of facilities, establishments and activities, regulating those that due to their specific nature must remain open, among which banking services.

Review of the Financial Statements

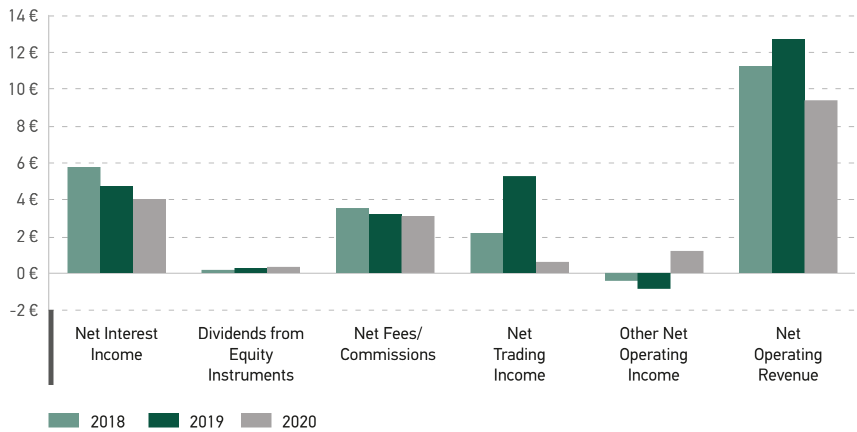
INDIVIDUAL ACCOUNTS

In 2020, the Bank ended the year with a net negative result of **-2 506 912€**, compared to the **1 989 627€** positive results in the previous year.

These net results reflect a number of year-on-year changes which, given their relevance, are shown in detail below:

Net Operating Revenue amounted to 9.4M€, below that in 2019 of 26.1%. The breakdown shows a negative variation in the financial margin of about 709m€ (14.9%), a drop of 4,6M€ (87.1%) nos in gains from financial transactions, and a negative development in net fees of 135m€ (4.2%), these being the most significant variations.

	2018	2019	2020
Net interest income	5 749 662 €	4 750 332 €	4 041 151 €
Dividends from equity instruments	225 749 €	328 106 €	344 237 €
Net fees/commissions	3 516 421 €	3 229 143 €	3 094 390 €
Net trading income	2 175 314 €	5 239 069 €	677 564 €
Results from foreign exchange (net)	(16 917 €)	(200 285 €)	1 955 444 €
Other net operating income	(398 546 €)	(615 656 €)	(710 101 €)
Net operating revenue	**11 251 684 €**	**12 730 708 €**	**9 402 685 €**

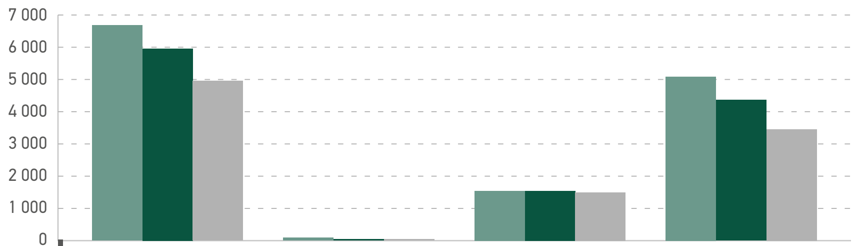


Amounts in EUR million

The drop in the **net interest income** was largely due to the decrease in interest on the clients' loan portfolio, as the interest from the own securities portfolio only showed a slight decrease of -50m€ compared to the previous year.

NET INTEREST INCOME	2018	2019	2020
Interest and similar income	**6 680 391 €**	**5 931 756 €**	**4 958 755 €**
Interest on deposits	75 696 €	37 637 €	4 688 €
Interest on own bond portfolio	1 548 922 €	1 553 213 €	1 503 289 €
Interest on loans including overdue	5 055 773 €	4 340 905 €	3 450 779 €
Interest expenses and similar costs	**930 729 €**	**1 181 424 €**	**917 604 €**
Interest on deposits	870 218 €	1 095 009 €	824 556 €
Other interest	60 511 €	86 415 €	93 048 €

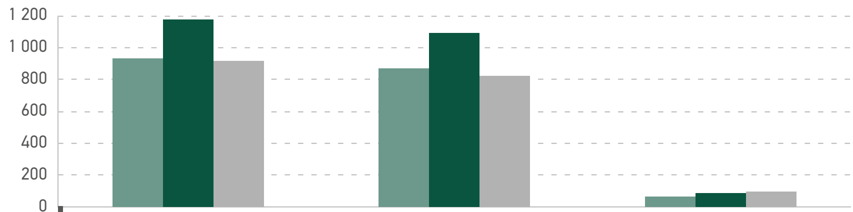
Indeed, in 2020 **interest and similar income** recorded a decrease of 973m€ (16.4%), interest on loans having dropped 890m€ (20.5%), due to the reduction of the loan portfolio. Interest on deposits dropped 33m€ (87.5%) and interest on own bond portfolio decreased slightly by 3.2% compared to the previous year.



	Interest and Similar Income	Interest on Deposits	Interest on Own Bond Portfolio	Interest on Loans Including Overdue
2018	6 680 391 €	75 696 €	1 548 922 €	5 055 773 €
2019	5 931 756 €	37 637 €	1 553 213 €	4 340 905 €
2020	4 958 755 €	4 688 €	1 503 289 €	3 450 779 €

Amounts in EUR thousands

Interest expenses and similar costs, in turn, also dropped by 22.3%, mainly reflecting lower charges on deposits, thereby mitigating the reduction of the net interest income.



	Interest Expenses and Similar Costs	Interest on Deposits	Other Interest
2018	930 729 €	870 218 €	60 511 €
2019	1 181 424 €	1 095 009 €	86 415 €
2020	917 604 €	824 556 €	93 048 €

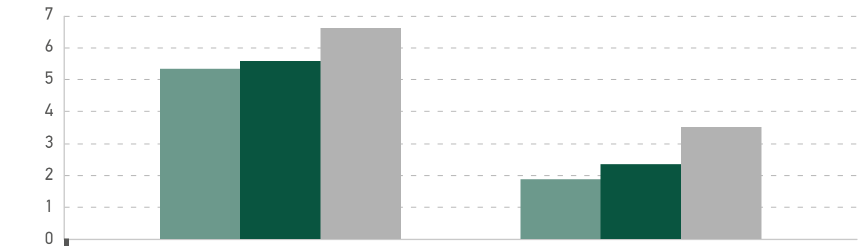
Amounts in EUR thousands

Dividends from equity instruments arises from the distribution of dividends of the investment fund Retail Properties, which grew positively by 4.9%.

In net terms, **revenues from and expenses with commissions** dropped 4.2%, corresponding to €135m. This reduction was due, in part, to the decrease in revenues and commissions in placement services, credit services and asset management services and to the increase in trading fees paid to third parties, not offset by the growth in commissions generated by settlement and custody services and trading platforms.

Revenue from commissions showed a positive year-on-year variation of 18.6%, corresponding to 1M€, with commissions from trading platforms up 102.7%, and other commissions up 5.1%, while commissions from securities trading were down 6.2% and asset management commissions down 17.85%, reflecting, in the latter case, a very significant reduction in performance fees.

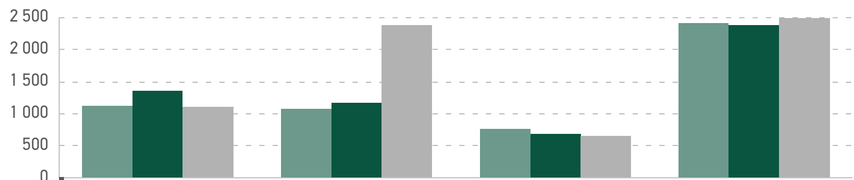
Expenses with commissions rose by 49.8%, due to the increase in commissions associated with electronic trading, by 129.4%, execution/settlement, by 25.8%, custody, by 23.6%, and other banking services, by 28.2%.



	Revenue from Commissions	Costs with Commissions
2018	5 384 657 €	1 868 237 €
2019	5 589 717 €	2 360 574 €
2020	6 630 006 €	3 535 616 €

Amounts in EUR thousands

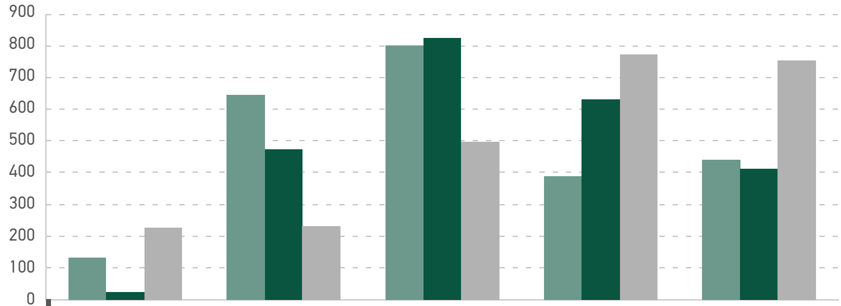
Revenue from Commissions



	Portfolio Management	Commissions on Platforms	Revenue from Trading	Other Commissions
2018	1 131 083 €	1 079 727 €	756 876 €	2 416 972 €
2019	1 354 884 €	1 171 186 €	687 897 €	2 375 749 €
2020	1 113 777 €	2 373 751 €	644 930 €	2 497 548 €

Amounts in EUR thousands

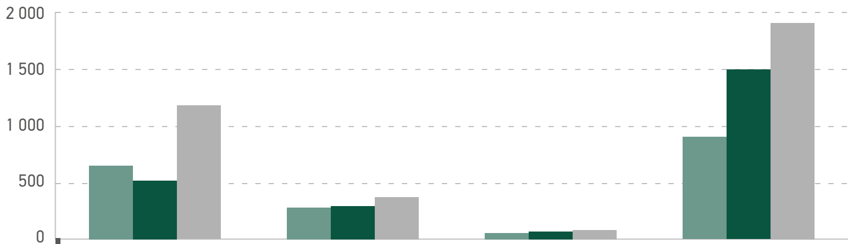
Other Commissions



	Financial Advisory	For Placement Services	For Credit Operations	For Custody	Other
2018	131 500 €	648 799 €	805 973 €	388 493 €	442 208 €
2019	23 000 €	477 417 €	829 817 €	633 574 €	411 941 €
2020	230 109 €	234 090 €	500 578 €	776 982 €	755 789 €

Amounts in EUR thousands

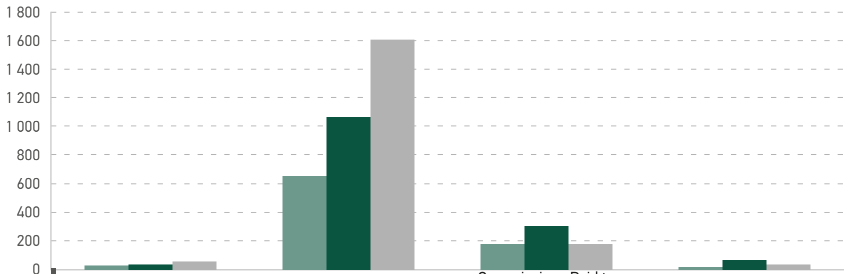
Expenses with Commissions



	Platform Commissions	Execution / Settlement	Custody	Other Banking Services
2018	650 866 €	273 386 €	45 179 €	898 805 €
2019	512 825 €	295 496 €	64 870 €	1 487 383 €
2020	1 176 463 €	371 794 €	80 189 €	1 907 170 €

Amounts in EUR thousands

Other Banking Service Charges



	Bank Charges	Institutional Business	Commissions Paid to Invest. Advisors and Business Introducers	Other
2018	33 982 €	664 484 €	180 713 €	19 626 €
2019	37 819 €	1 069 548 €	308 819 €	71 196 €
2020	59 386 €	1 617 015 €	186 086 €	44 684 €

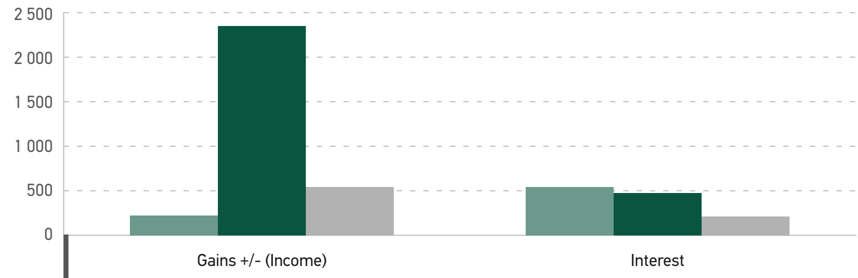
Amounts in EUR thousands

Revenue from the Bank's own securities portfolio, excluding income from equity instruments and income from currency reappraisal together decreased by 87.1%, compared to 2019, with a 5% increase in the overall value of the own securities portfolio at the end of 2020, even if with significant changes in its composition.

The **results from foreign exchange** recorded a positive result of 1,9M€ in 2020, compared to the negative result of 200m€ in 2019. This variation is justified by the depreciation of the USD against the EUR. However, since the Bank typically hedges its currency exposure, the result of this item, in 2020, is offset by a hedging cost of EUR 1.6m.

The **results from financial assets and liabilities at fair value through profit or loss**, recorded a decrease of 76.9% in 2020 compared to 2019, with a lower portfolio turnover and its decrease during the year contributing to this decrease. On the other hand, interest also showed a decrease of 56.3% compared to 2019, with this decrease justified by the portfolio sales that took place during the year as a result of the decision to protect the Bank's equity following the strong devaluation of assets.

Gains and Losses -
Results from financial assets and liabilities at fair value through profit or loss



	Gains +/- (Income)	Interest
2018	214 487 €	535 113 €
2019	2 350 844 €	475 822 €
2020	541 315 €	207 714 €

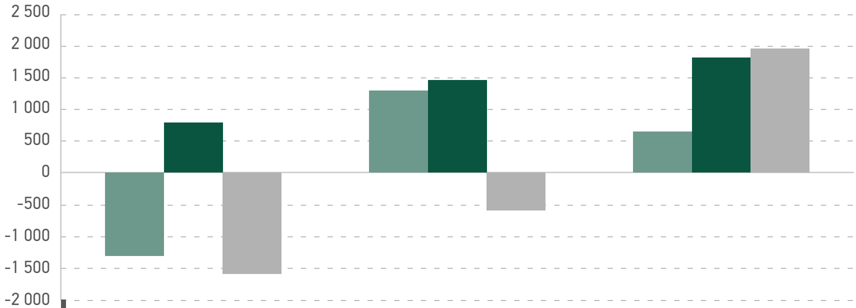
Amounts in EUR thousands

Results from assets and liabilities at fair value through other comprehensive income recorded in reserves were negative by €1.6m, compared to the positive €771m in 2019. This variation is the consequence of the general fall in asset prices seen in March and the months that followed, related to the pandemic crisis, which was only partially offset by the recovery seen in the second half of 2020.

On the other hand, **Results from financial assets and liabilities at fair value through other comprehensive income** recorded in the income statement in 2020 were negative by €589m, compared to a positive result of €1.5m in 2019, with this variation being justified by the result of the sales made following the aforementioned capital protection measures.

Interest grew by 8.9% compared to 2019, from 1.8M€, in 2019, to 1.9M€ in 2020.

Gains and Losses -
Results from financial assets and liabilities at fair value through other comprehensive income

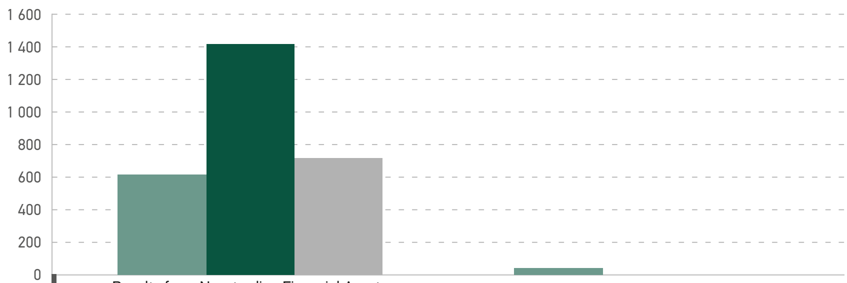


	Gains +/- (Reserves)	Gains +/- (Income)	Interest
2018	-1 306 188 €	1 289 876 €	633 340 €
2019	771 300 €	1 451 540 €	1 797 251 €
2020	-1 590 778 €	-589 086 €	1 956 630 €

Amounts in EUR thousands

Results from non-trading financial assets mandatorily at fair value through profit or loss recorded a 49.5% decrease compared to 2019. The reduction in the average value of the portfolio due to the disposal of units in the Conforto - F.E.I.I.F. fund and, on the other hand, the fact that the profitability of the funds in the portfolio returned to 2018 levels, following the extraordinary gains observed in 2019 contributed to this change.

Gains and Losses -
Results from non-trading financial assets mandatorily at fair value through profit or loss

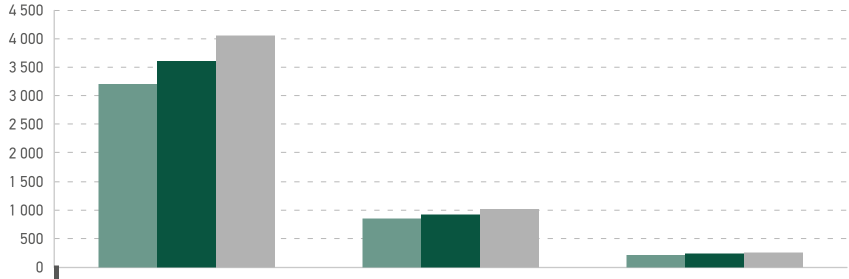


	Results from Non-trading Financial Assets mandat. at fair value through Profit or Loss	Results from Financial Assets at Amortised Cost
2018	628 752 €	42 200 €
2019	1 436 684 €	0 €
2020	725 335 €	0 €

Amounts in EUR thousands

In 2020, **staff costs** grew by 11.5%, due to the need to hire 6 new staff to strengthen the Bank's teams, while the salary level remained stable.

Staff Costs

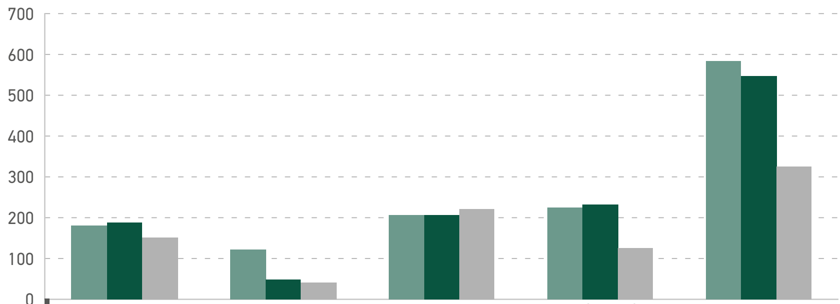


	Remunerations	Social Contributions	Other Costs
2018	3 223 179 €	845 926 €	222 366 €
2019	3 617 207 €	933 165 €	243 108 €
2020	4 074 943 €	1 020 841 €	251 071 €

Amounts in EUR thousands

General administrative costs decreased by 8.4% in 2020, corresponding to a decrease of 350m€, justified by the decreases in some specific headings, in particular **water, electricity and fuel**, with a drop of 19.3%, corresponding to 41.5m€, in **travel, accommodation and representation costs**, which decreased 45.8%, corresponding to 121m€ from 2019 to 2020, as a result of the containment measures and the option of teleworking, in **retainers and fees**, amounting to 64.5m€, equivalent to a reduction of 84.5%, and in **advertising**, by 40.8%, corresponding to €255.8m, as a result of a one-off renegotiation of the cost of a service and the reduction in spending on events. In turn, the **communications** and **IT** items increased by 6.5% and 27.5% respectively, corresponding to an increase of €15.5m and €215m.

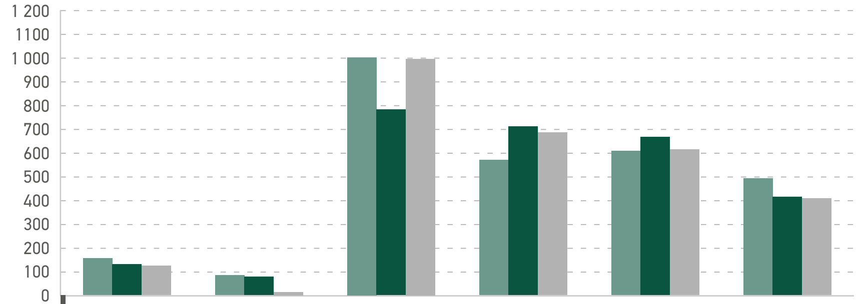
General Administrative Costs



	Water, Elect. & Fuel	Leases & Rentals	Communications	Travel, Hotel & Entertainment Expenses	Publicity
2018	204 702 €	139 188 €	235 999 €	257 088 €	668 791 €
2019	215 362 €	55 695 €	238 022 €	265 692 €	627 671 €
2020	173 822 €	45 660 €	253 540 €	144 078 €	371 846 €

Amounts in EUR thousands

Fornecimentos serviços externos (cont.)



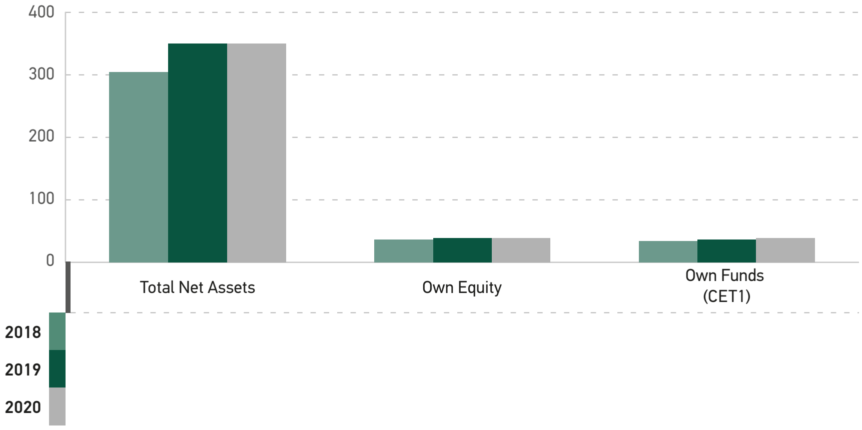
	Repair & Maintenance	Retainers & Fees	It Services	Information	Advisors & External Auditors	Other General Costs
2018	153 704 €	84 528 €	999 893 €	570 496 €	605 649 €	491 240 €
2019	132 990 €	76 406 €	780 319 €	709 117 €	665 675 €	414 717 €
2020	123 223 €	11 819 €	995 270 €	686 219 €	617 334 €	408 032 €

Amounts in EUR thousands

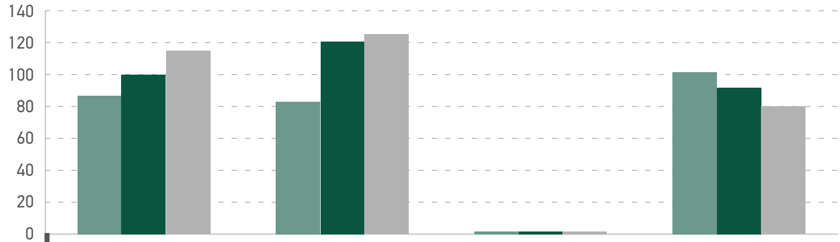
Balance sheet

Compared to the previous year, **Net assets** decreased in 2020 by 0.45%, to 347.5M€, with a 4% increase in the Bank's securities portfolio, a 15.3% in cash and cash equivalents, and a 32.9% increase in property, plant and equipment and intangible fixed assets. On the other hand, loans to clients decreased 12.8%, and other assets at amortised cost decreased by 78.5%. At the same time, **equity capital** decreased slightly, standing at 38.3M€. Regulatory **own funds** (CET1) rose by 1.9% compared to 2019.

	2020	VAR %	2019	VAR %	2018
Total net assets	347 466 916 €	-0.45%	349 025 177 €	15.11%	303 218 538 €
Equity capital	38 298 627 €	-1.45%	38 863 003 €	7.01%	36 317 465 €
Own funds (CET1)	37 468 698 €	1.93%	36 758 895 €	7.83%	34 090 702 €

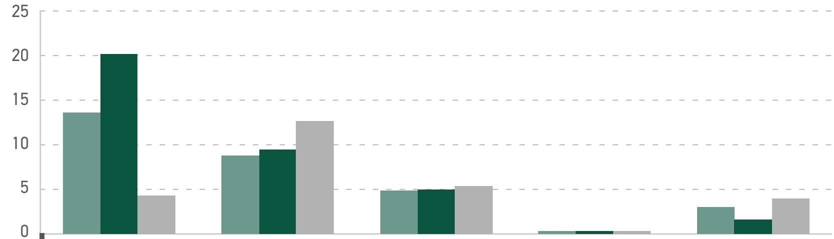


Composition of assets



	Cash & Liquid Assets	Own Portfolio	Own deposits	Loans to Clients
2018	87 123 442 €	82 921 504 €	500 000 €	101 901 308 €
2019	99 959 139 €	120 505 541 €	500 000 €	91 739 327 €
2020	115 264 745 €	125 380 527 €	500 000 €	79 952 811 €

Amounts in EUR million

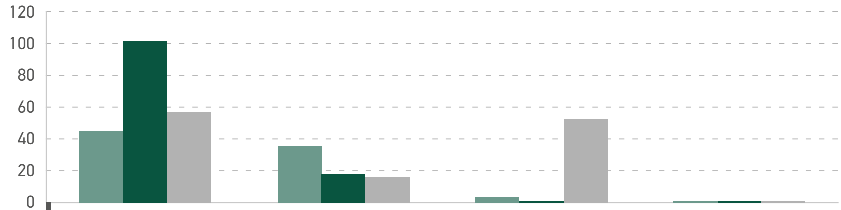


	Other Assets at Amortised Cost	Fixed Assets (Property, Land & Equipment + Intangible Assets)	Inv. in Subsidiaries & Invested Companies	Non-current Assets & Groups for Disposal Classif. as Held for Sale	Other Assets
2018	13 557 386 €	8 850 229 €	4 920 536 €	85 680 €	3 008 674 €
2019	20 100 061 €	9 514 019 €	4 984 866 €	85 680 €	1 636 544 €
2020	4 319 072 €	12 642 442 €	5 364 307 €	85 680 €	3 957 332 €

Amounts in EUR million

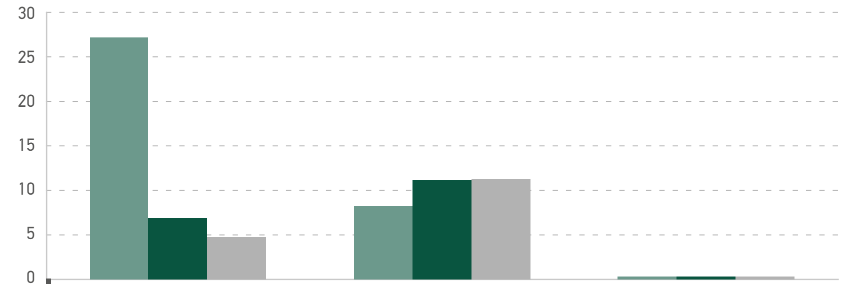
At the end of 2020, the Bank's **own securities portfolio** accounted for 36.1% of net assets, compared to 34.5% at the end of 2019. In absolute terms, this aggregate amount amounted to about 125M€ in 2020 and 120.5M€ in 2019, excluding, in both cases, liabilities held for trading.

Although the overall value of the portfolio increased, the major change occurred at the level of the structure in terms of accounting portfolios. As a result of the measures taken to deal with the crisis in the markets caused by the COVID-19 pandemic and with the aim of protecting the Bank's own funds from market instability, it was decided to increase the portfolios of financial assets held to maturity, carried at amortised cost, to the detriment of the business model associated with the classification as financial assets at fair value through other comprehensive income.



	Financial Assets at Fair Value through other Comprehensive Income	Financial Assets at Fair Value through Profit or Loss	Financial Assets at Amortised Cost Held to Maturity	Hedging Derivatives
2018	44 618 731 €	35 242 943 €	3 033 697 €	26 133 €
2019	101 461 841 €	17 946 806 €	1 017 848 €	79 046 €
2020	57 036 132 €	15 937 438 €	52 338 245 €	68 713 €

Amounts in EUR million



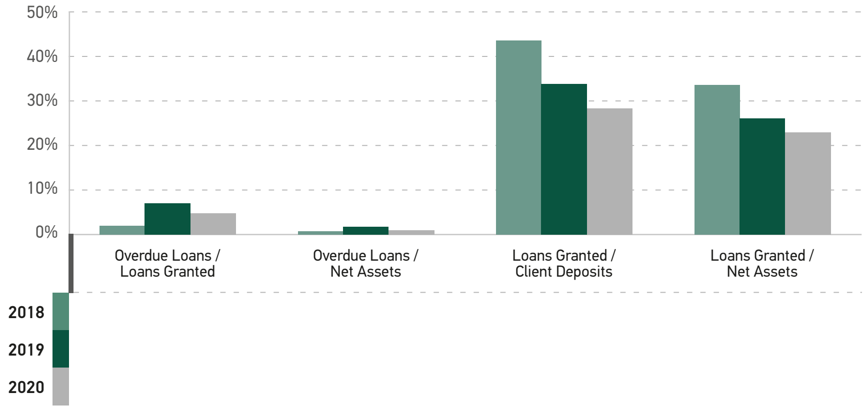
	Financial Assets Held for Trading	Non-trading Financial Assets Mandatorily at Fair Value through Profit or Loss	Other Financial Assets
2018	27 127 899 €	8 101 664 €	13 380 €
2019	6 844 197 €	11 080 066 €	22 543 €
2020	4 711 425 €	11 189 245 €	36 768 €

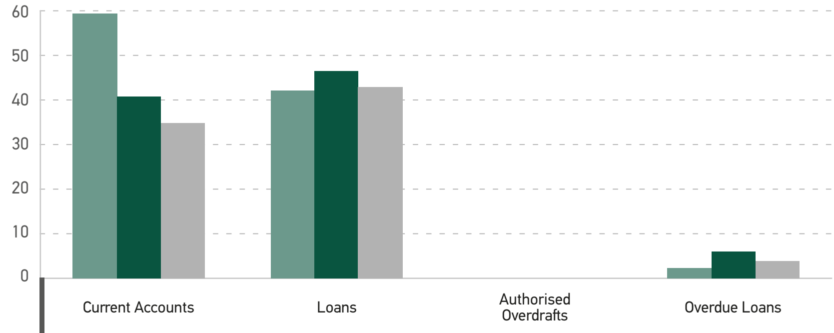
Amounts in EUR million

The **loan portfolio (net of impairments)** decreased by about 12.8% in 2020, falling short of the target set for the year. Note should nevertheless be made to the decrease in current accounts of about 5.8M€, and, on the other hand, overdue credit also decreased by 38% to 3,7M€.

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

	2018	2019	2020
Overdue Loans / Loans Granted	2.16%	6.97%	4.84%
Overdue Loans / Net Assets	0.72%	1.74%	1.08%
Loans Granted / Client Deposits	43.80%	34.01%	28.57%
Loans Granted / Net Assets	33.72%	26.28%	23.01%





	Current Accounts	Loans	Authorised Overdrafts	Overdue Loans
2018	59 466 434 €	42 145 725 €	0 €	2 191 721 €
2019	40 726 384 €	46 481 149 €	0 €	6 076 724 €
2020	34 857 552 €	42 858 722 €	0 €	3 764 810 €

Amounts in EUR million

Note: Does not include credit impairments.

LOAN CONTRACTS (TYPE/ PURPOSE)	31.12.2020 NO. OF CONTRACTS	31.12.2020 LOANS	31.12.2019 NO. OF CONTRACTS	31.12.2019 LOANS
Loans	42	42 981 951 €	42	46 353 192 €
Acquisition of securities	1	1 280 000 €	2	2 050 000 €
Cash-flow support	16	19 275 550 €	15	18 789 298 €
Miscellaneous investments	25	22 426 401 €	25	25 513 894 €
Escrow accounts	41	34 883 336 €	46	42 566 281 €
Acquisition of securities	9	5 319 754 €	8	5 722 734 €
Cash-flow support	15	13 933 907 €	20	20 737 339 €
Miscellaneous investments	17	15 629 674 €	18	16 106 209 €
Authorised overdrafts	0	0 €	0	0 €
TOTAL	83	77 865 286 €	88	88 919 473 €

Note: Does not include overdue loans and impairments.

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

The Bank has not changed its loan granting policy, both in terms of type, purpose and associated guarantees. The implementation of the Bank's new Credit Policy, although formally approved in June, has been gradually implemented since the beginning of the year. This new policy, underpinned by a forward-looking vision for the credit portfolio, is guided by objectives of risk reduction and diversification, as well as improving the efficiency of the credit concession and management process.

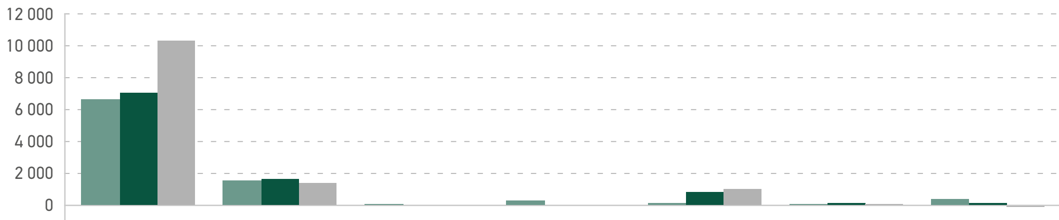
In accordance with the EBA Guidelines on exposures subject to measures implemented in response to the COVID-19 crisis (EBA/GL/2020/07), the following are the gross exposures and impairment of contracts with moratoria in place as at 31 December 2020.

INSTITUTIONAL SECTOR	CONSTRUCTION	WHOLESALE & RETAIL TRADE	REAL ESTATE ACTIVITIES	OTHER	PRIVATE	TOTAL
No. of transactions	4	2	14	5	2	27
CCC	5 319	1 361	4 143	1 942	1 130	13 895
Mutual	371	620	18 429	1 771	0	21 191
TOTAL	**5 690**	**1 981**	**22 572**	**3 713**	**1 130**	**35 086**
Estimated Impact (Capital + Interest)	275	681	15 719	639	56	17 370
NR 5	0	0	2 448	0	0	2 448
NR 6	371	0	2 273	108	518	3 269
NR 7	4 629	0	1 345	2 100	0	8 073
NR 8	690	0	6 046	0	0	6 736
NR 9	0	0	745	1 506	612	2 863
NR 10	0	1 981	6 332	0	0	8 313
NR 11	0	0	3 383	0	0	3 383
TOTAL	**5 690**	**1 981**	**22 572**	**3 713**	**1 130**	**35 086**
Restructured due to financial difficulties	0	1 981	9 299	108	612	12 000
Unlikely to Pay	0	0	3 383	0	0	3 383
-	5 690	0	9 889	3 606	518	19 703
TOTAL	**5 690**	**1 981**	**22 572**	**3 713**	**1 130**	**35 086**
Tier 1	4 629	0	7 588	1 735	0	13 952
Tier 2	1 061	1 981	11 601	1 979	1 130	17 751
Tier 3	0	0	3 383	0	0	3 383
TOTAL	**5 690**	**1 981**	**22 572**	**3 713**	**1 130**	**35 086**
Impairments	10	89	467	18	2	586

Amounts in EUR thousands.

Net fixed assets (property, plant and equipment and intangible fixed assets) recorded an annual growth in 2020 of 32.9%, corresponding to a year-on-year change of 3.1M€. Reference should be made to the real estate as a contributor to this change, which recorded an increase of 3.3M€ justified by its reappraisal, and a change of 210.8m€ in the item intangible assets (software). On the other hand, the item property, plant and equipment decreased 16% and other intangible assets decreased 34.8%.

	2020	2019	2018
Fixed assets	**12 642 442 €**	**9 514 019 €**	**8 850 230 €**
Property, plant and equipment	11 596 704 €	8 589 418 €	8 137 229 €
Property, plant and equipment in progress	0 €	0 €	222 524 €
Sub-total	**11 596 704 €**	**8 589 418 €**	**8 359 753 €**
Intangible assets	1 046 119 €	857 930 €	125 460 €
Intangible assets in progress	(382 €)	66 672 €	365 017 €
Sub-total	**1 045 737 €**	**924 601 €**	**490 477 €**



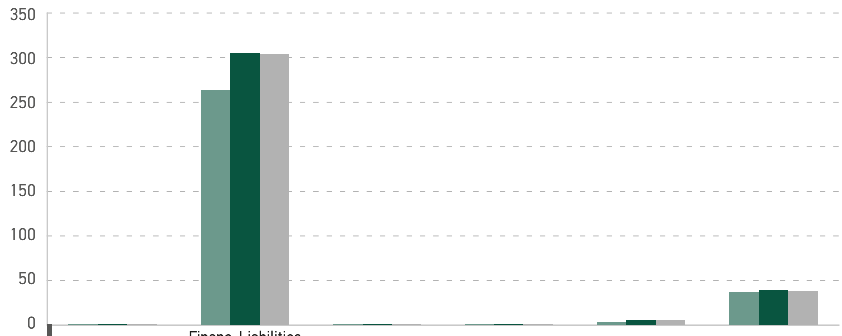
	Property, Plant and Equipment - Property	Property, Plant and Equipment - Equipment	Property, Plant and Equipment - Lease Assets	Property, Plant and Equipment - In Progress	Intangible Assets - Software	Intangible Assets - Other	Intangible Assets - In Progress
2018	6 576 299 €	1 505 346 €	55 583 €	222 524 €	116 398 €	9 062 €	365 017 €
2019	7 006 709 €	1 582 709 €	0 €	0 €	792 906 €	65 024 €	66 672 €
2020	10 267 524 €	1 329 180 €	0 €	0 €	1 003 748 €	42 371 €	-382 €

Amounts in EUR thousands

Composition of liabilities and equity

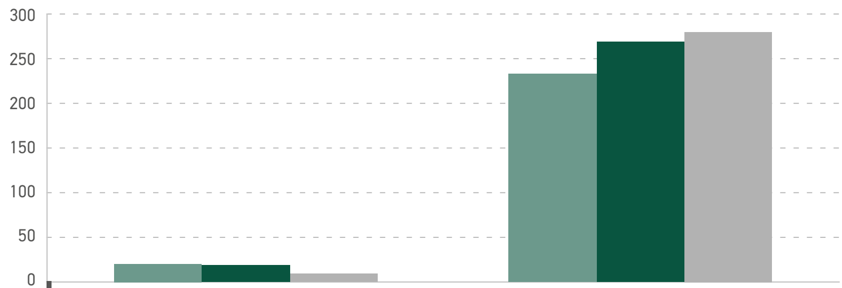
Liabilities have recorded an overall decrease of 0.3% compared to the 310M€ recorded in 2019. We highlight the drop by 54.5% in Deposits from other Credit Institutions and the 3.7% increase in Client Deposits. In 2020, other liabilities decreased by 6%.

Equity showed a negative growth of 1.5%, directly and essentially related to the net profit for the year and to depreciation of the investment portfolio and with the reappraisal of real estate, net of the tax effect recorded in deferred taxes.



	Financ. Liabilities Held for Trading	Financ. Liabilities Measured at Amortised Cost	Provisions	Tax Liabilities	Other Liabilities	Equity
2018	9 798 €	263 183 898 €	6 081 €	137 390 €	3 563 904 €	36 317 465 €
2019	52 905 €	304 823 354 €	9 180 €	233 751 €	5 042 985 €	38 863 003 €
2020	443 959 €	303 126 012 €	102 074 €	754 651 €	4 741 592 €	38 298 627 €

Amounts in EUR million

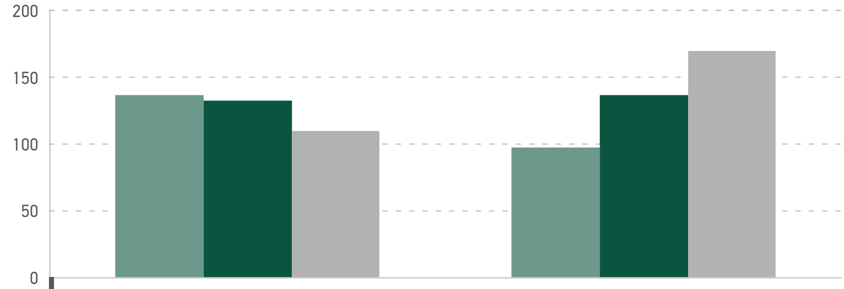


	Deposits from other Credit Institutions	Client Deposits
2018	20 466 871 €	233 461 710 €
2019	19 703 025 €	269 768 601 €
2020	8 973 142 €	279 810 966 €

Amounts in EUR million

Client deposits recorded, globally, an increase of 3.7%, and **Other deposits** dropped by 2.8%.

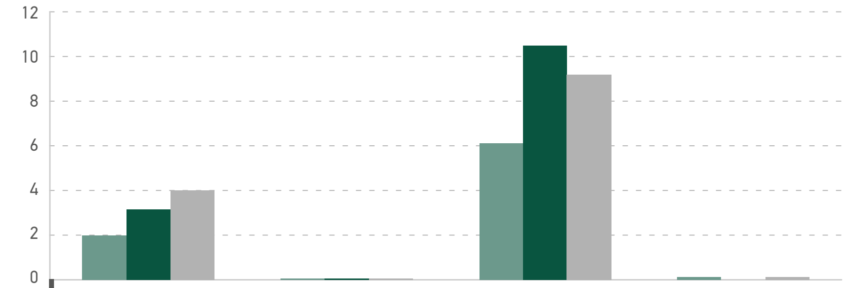
Client deposits



	Term Deposits	Demand Deposits
2018	136 183 554 €	97 278 156 €
2019	132 708 591 €	137 060 010 €
2020	109 900 323 €	169 910 643 €

Amounts in EUR million

Other Resources



	Transactions in Derivatives	GoBullingPro	Management	Sight Deposit Accounts
2018	1 941 254 €	32 435 €	6 088 121 €	104 202 €
2019	3 161 763 €	39 166 €	10 482 700 €	0 €
2020	3 978 549 €	46 618 €	9 177 922 €	97 306 €

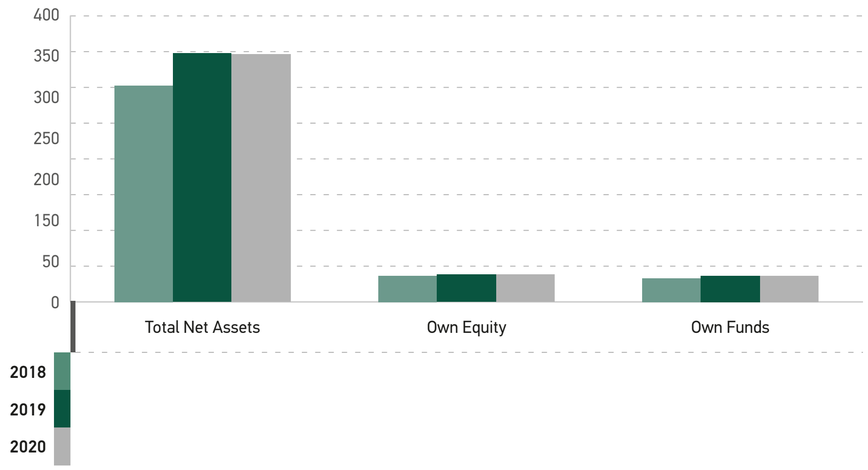
Amounts in EUR million

CAPITAL MANAGEMENT

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

- Ongoing monitoring of regulatory capital requirements;
- Review of risk appetite;
- Setting business objectives properly measured in capital planning.

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



Amounts in EUR million

Financial strength remained high and the Solvency Ratio (CET1) reached 17.48%, well above the minimum level required by regulations.

The main performance indicators are shown in the table **Summary of indicators**, which summarises the Bank's growth in 2020.

Consolidated Accounts

REVIEW AND ANNEXES

	NOTES	31.12.2020	31.12.2019 RESTATED	01.01.2019 RESTATED
Ativo				
Cash and deposits at central banks and other demand deposits	1	115 282 287	99 978 219	87 170 461
Financial assets at fair value through profit or loss	2	15 937 438	17 857 117	35 077 977
Financial assets held for trading	2.1	4 711 425	6 844 196	27 128 809
Non-trading financial assets mandatorily at fair value through profit or loss	2.2	11 189 245	11 080 066	8 101 664
Other financial assets	2.3	36 768	22 543	18 003
Financial assets at fair value through other comprehensive income	3	57 036 132	101 461 841	44 618 731
Financial assets at amortised cost	4	137 110 128	113 357 236	119 453 876
Of which:				
Loans to clients	4.1	79 952 811	91 739 327	102 251 086
Derivatives - Hedge accounting	5	68 713	79 046	26 133
Property, plant and equipment	6	11 655 859	8 589 418	8 416 542
Intangible assets	7	1 155 208	929 586	496 624
Investments in associated and subsidiary companies excluded from consolidation	8	39 188	41 021	0
Tax assets	9	513 742	191 557	393 108
Other assets	10	6 902 958	4 875 097	6 085 543
Non-current assets and disposal groups stated as held for sale	11	85 680	85 680	85 680
Total assets		**345 787 333**	**347 535 507**	**301 995 173**
Liabilities				
Financial liabilities held for trading	12	443 959	52 905	9 798
Financial liabilities at amortised cost	13	301 415 680	303 314 023	261 834 749
Provisions	14	102 074	9 180	6 081
Tax liabilities	15	755 307	240 093	135 249
Other liabilities	16	4 752 552	5 051 319	3 621 000
Total liabilities		**307 469 572**	**308 667 520**	**265 606 878**
Equity	17			
Equity		20 000 000	20 000 000	20 000 000
Issue premium		369 257	369 257	369 257
Other accumulated comprehensive income		2 181 019	238 484	-519 495
Retained earnings		4 034 159	2 243 495	1 408 711
Other reserves		14 226 088	14 027 125	13 912 451
Consolidated income for the year		(2 506 911)	1 989 626	1 151 725
Total Equity Attributable to the Group		**38 303 612**	**38 867 987**	**36 322 649**
Minority interests	18	14 150	0	65 645
Total Equity		**38 317 761**	**38 867 987**	**36 388 295**
Total Liabilities and Equity		**345 787 333**	**347 535 507**	**301 995 173**

The Certified Accountant **The Board of Directors**

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AS AT 31 DECEMBER 2020 AND 2019

	NOTES	31.12.2020	31.12.2019
Interest and similar income		4 958 755	5 931 756
Interest expenses and similar costs		(917 604)	(1 181 432)
Net interest income	19	**4 041 151**	**4 750 324**
Dividends from equity instruments	20	344 237	328 106
Income from services and commissions	21	6 629 843	5 589 586
Charges – services and commissions	21	(3 535 616)	(2 360 574)
Results from financial assets and liabilities at fair value through profit or loss (net)	22	541 315	2 350 844
Results from financial assets at fair value through other comprehensive income	23	(589 086)	1 451 540
Results from non-trading financial assets mandatorily at fair value through profit or loss	24	725 335	1 436 684
Results from foreign exchange (net)	25	1 955 444	(200 285)
Income from the disposal of other assets	26	35 987	54 044
Other operating income	27	(653 729)	(582 377)
Net operating revenue		**9 494 881**	**12 817 892**
Staff costs	28	(5 355 432)	(4 793 481)
General administrative costs	29	(3 899 705)	(4 172 996)
Depreciation and amortisations	30	(1 338 403)	(1 093 722)
Provisions net of reinstatements and write-offs	31	(92 894)	(3 099)
Impairment of financial assets at amortised cost	32	(916 401)	(108 876)
Impairment of financial assets at fair value through other comprehensive income	33	(295 519)	(331 093)
Impairment of other assets net of reversals and recoveries	34	-	-
Pre-tax profit		**(2 403 473)**	**2 314 624**
Taxes			
Current	35	(179 679)	(255 988)
Deferred	35	74 391	(69 010)
Consolidated income for the year attributable to shareholders		**(2 508 762)**	**1 989 626**
Minority interests		1 851	-
Consolidated income for the year		**(2 506 911)**	**1 989 626**

The Certified Accountant

The Board of Directors

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31.12.2020	31.12.2019
Consolidated net income for the year	**(2 506 911)**	**1 989 626**
Items not to be restated into profit or loss:		
Property, plant and equipment	3 477 891	9 495
Actuarial gains or losses (-) with defined benefit pension plans	163 196	(201 127)
Items that may be restated into profit or loss:		
Cash flow hedging	(32 942)	(2 566)
Financial assets at fair value through other comprehensive income	(1 590 778)	973 368
Income tax related to items that may be restated into profit or loss	(451 947)	(133 508)
Other comprehensive income	**1 565 420**	**645 663**
Overall comprehensive income for the year	**(941 491)**	**2 635 288**
Attributable to minority interests (non-controlling interests)	**1 850**	**-**
Attributable to shareholders	**(943 342)**	**2 635 288**

The Certified Accountant

The Board of Directors

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(AMOUNTS EXPRESSED IN EURO)

	31.12.2020	31.12.2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest and commissions received	11 569 430	11 237 838
Interest and commissions paid	(4 593 527)	(3 510 468)
Payments to employees and suppliers	(9 210 545)	(8 988 785)
Deposits from credit institutions	(10 223 592)	(1 400 197)
Other operating assets and liabilities	19 080 818	21 590 563
Other receipts from clients	19 290 230	48 670 435
Income taxes	(361 054)	(205 365)
Net cash from operating activities	**25 551 760.06**	**67 394 021.23**
CASH FLOWS FROM INVESTMENT ACTIVITIES:		
Dividends received	-	-
Acquisition of financial assets at fair value through other comprehensive income, net of disposals	42 542 403	(55 837 728)
Acquisition of financial assets at amortised cost, net of disposals	(51 229 187)	1 974 711
Acquisitions of property, plant and equipment and intangible assets	(1 090 094)	(1 391 251)
Disposals of property, plant and equipment and intangible assets	35 350	45 833
Increase/Decrease in other asset accounts	-	-
Investments in subsidiaries and associated companies	-	32 500
Net cash from investment activities	**(9 741 528.38)**	**(55 175 934.70)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital increase	-	-
Other equity instruments	-	-
Dividends paid	-	-
Issue of securitised and subordinated debt	-	-
Remuneration paid on cash and other bonds	-	-
Remuneration paid on subordinated debt	-	-
Deposits from credit institutions (not associated with the main revenue-generating activities)	-	-
Net cash from financing activities	**-**	**-**
Net increase (decrease) of cash and cash equivalents	15 810 232	12 218 087
Exchange differences	-	-
Cash and cash equivalents at the start of the year	99 488 767	87 270 680
Cash and cash equivalents at the end of the year	115 298 998	99 488 767

	31.12.2020	31.12.2019
Cash and cash equivalents (breakdown as at December 2020 and December 2019)	**31.12.2020**	**31.12.2019**
Cash and deposits at central banks	56 589 531	53 631 352
Net assets at other credit institutions	58 692 756	46 346 867
Investments at other credit institutions	500 000	500 128
Overdrafts at other credit institutions	(483 289)	(989 580)
Cash and cash equivalents at the end of the financial year	115 298 998	99 488 767
	-	-

The Certified Accountant **The Board of Directors**

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2020 (CONSOLIDATED ACTIVITY)

	CAPITAL	ISSUE PREMIUMS	OTHER ACCUMULATED COMPREHENSIVE INCOME
Opening balances	20 000 000	369 257	(519 494)
Changes in fair value reserves			980 297
Deferred tax			(133 508)
Actuarial gains or losses (-) with pension plans			(201 127)
Net result for 2019			
Comprehensive income for 2019			
Distribution of dividends			
Other changes in equity			112 316
Minority interests			
Balances as at 31 December 2019	20 000 000	369 257	238 484
Changes in fair value reserves			1 854 171
Deferred tax			(451 947)
Actuarial gains or losses (-) with pension plans			163 196
Net result for 2020			
Comprehensive income for 2020			
Distribution of dividends			
Other changes in equity			377 115
Minority interests			
Balances as at 31 December 2020	20 000 000	369 257	2 181 019

The Certified Accountant **The Board of Directors**

LEGAL RESERVES	OTHER RESERVES	RETAINED EARNINGS	RESULT FOR THE YEAR	MINORITY INTERESTS	TOTAL OWN EQUITY
2 242 959	**11 669 492**	**1 408 711**	**1 151 725**	**65 645**	**36 388 295**
					980 297
					(133 508)
					(201 127)
			1 989 626		1 989 626
					2 635 289
					0
114 674		834 783	(1 151 725)	(65 645)	(155 597)
					0
2 357 633	**11 669 492**	**2 243 495**	**1 989 626**	**0**	**38 867 986**
					1 854 171
					(451 947)
					163 196
			(2 506 911)		(2 506 911)
					(941 491)
					0
198 963		1 790 665	(1 989 626)	14 150	391 266
					0
2 556 595	**11 669 492**	**4 034 159**	**(2 506 911)**	**14 150**	**38 317 761**

(Except where otherwise stated, amounts are expressed in euro)

INTRODUCTION

The 2020 financial year of Banco L. J. Carregosa, S.A., (hereinafter referred to as "Banco Carregosa", "Company" or "Carregosa Group", when on a consolidated basis) was the twelfth full financial year of activity as a credit institution.

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

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

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

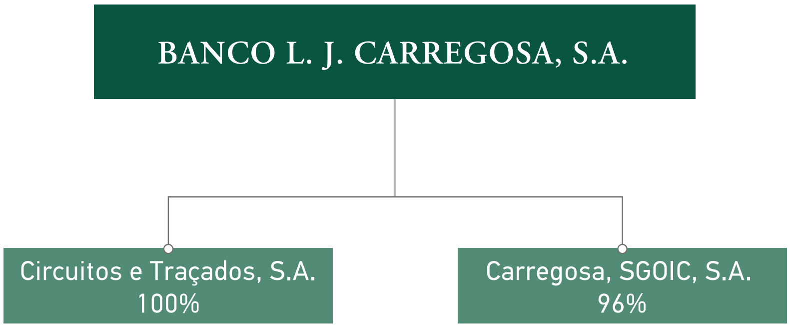
In 2020, Banco L. J. Carregosa, S.A. held 96% of the capital of Carregosa – Sociedade Gestora de Organismos de Investimento Coletivo, S.A., a company engaged in the management of open or closed investment undertakings by investing in real estate assets.

Companies included in the scope of consolidation as at 31/12/2020

ACTIVITY	HEAD-OFFICE	OWN EQUITY	ASSETS	PROFIT / LOSS	EFFECTIVE HOLDING	CONSOLIDATION METHOD
BANKING						
Banco L. J. Carregosa, SA	Portugal	38 298 627	347 466 916	-2 506 912	-	Integral
REAL ESTATE COMPANY						
Circuitos e Traçados, SA	Portugal	4 985 530	4 995 443	41 685	100%	Integral
MANAGEMENT OF COLLECTIVE INVESTMENT UNDERTAKINGS						
Carregosa SGOIC, S.A.	Portugal	353 739	469 450	-46 261	96%	Integral

Note: The figures refer to accounting balances before consolidation adjustments

Scope of Consolidation as at 31/12/2020



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

In 2020 and as approved by Banco de Portugal, the Bank does not report the consolidated financial statements to this entity, as it did in 2019 and 2018.

The Group posted a net loss of **2 506 912€** (negative), with equity standing at **38 317 761€**.

The financial statements as at 31 December 2020 were approved by the Board of Directors on 4 June 2021.

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

1.1. Basis of presentation and comparability

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

The IFRS include the accounting standards issued by the International Accounting Standards Board (IASB) and the interpretations thereof issued by the International Financial Reporting Interpretation Committee (IFRIC), and by the respective former bodies. The Bank's financial statements presented herein report to the year ended 31 December 2019 and were prepared in accordance with the current IFRS as adopted in the European Union.

The financial statements are expressed in euro.

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

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

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

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

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

The following standards, interpretations, amendments and revisions adopted by the European Union were respected and implemented by the Bank in the year ended 31 December 2020.

New standards and amendments to the standards that came into effect on 1 January 2020

IAS1 AND IAS8 – DEFINITION OF MATERIAL

These amendments introduce a change to the definition of "material", as part of the IASB's Disclosure Initiative project.

The alterations introduced clarify that the mention of unclear information refers to situations whose effect is similar to the omission or distortion of such information, with the entity having to assess materiality considering the financial statements as a whole.

Clarifications are also made to the meaning of "key users of the financial statements", which are defined as "current and future investors, lenders and creditors" who rely on the financial statements to obtain a significant part of the information they need.

Endorsement Regulation by the European Union
Regulation (EU) No 2019/2104 of 29 November.

Effective Date
Annual periods beginning on or after 1 January 2020.

CONCEPTUAL FRAMEWORK – AMENDMENTS TO THE REFERENCE TO OTHER IFRS

As a result of the publication of the new Framework, the IASB has made changes to the text of several standards and interpretations, such as: IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, SIC 32, in order to clarify the application of the new definitions of asset/ liability and expense/income, and some of the characteristics of financial information. The amendments are retrospective, unless impracticable.

Endorsement Regulation by the European Union
Regulamento (UE) N.º 2019/2104, de 29 de novembro.

Effective Date
Períodos anuais com início em ou após 1 de janeiro de 2020

IFRS 3 - DEFINITION OF BUSINESS

This amendment revises the definition of business for the purpose of accounting for business combinations.

As per the new definition, an acquired set of activities and assets must include at least an input and a substantive process that together significantly contribute to the ability to create outputs. Outputs are now defined as goods and services that are provided to clients, which generate income from financial investments and other income, excluding returns in the form of cost reductions and other economic benefits to shareholders.

«Concentration tests» are now permitted which now assess if a significant part of the fair value of the transaction corresponds to a single asset. If positive, the assets acquired do not constitute a business and the entity is waived from performing any further appraisal to determine whether it is a business combination.

The adoption of this amendment is prospective.

Endorsement Regulation by the European Union
Regulation (EU) No 2020/551, of 21 April.

Effective Date
Annual periods beginning on or after 1 January 2020.

IFRS 9, IAS 39 AND IFRS 7 - REFORM OF REFERENCE INTEREST RATES – PHASE 1

This change corresponds to the first phase of the "Reform of reference interest rates" project (examples: Euribor and Libor) which emerged in the wake of the financial crisis.

This amendment provides certain temporary and restricted exemptions relating to hedge accounting under IAS 39/IFRS 9 - Financial Instruments, with the practical effect being that hedge accounting is not discontinued where the only change relates to the change in the reference interest rate. However, any ineffectiveness of the hedging relationship in place should continue to be recorded in the income statement.

This amendment requires specific disclosures for derivative financial instruments, for which these exemptions have been applied, in terms of nominal value, significant assumptions and judgements applied, as well as qualitative disclosure of the impact of the change in reference rates and how the entity is managing this process.

The adoption of these amendments is made retrospectively.

An entity shall apply these amendments retrospectively to hedging relationships that existed at the start of the reporting period in which the entity first applies these amendments or that were subsequently designated as hedging relationships, and to the gain and loss recognised in Other comprehensive income existing at the start of the reporting period in which an entity first applies these amendments.

Endorsement Regulation by the European Union
Regulation (EU) No 2020/34 of 15 January.

Effective Date
Annual periods beginning on or after 1 January 2020.

Amendments to standards published by IASB already endorsed by the EU

IFRS 16 - COVID-19 RELATED RENT BENEFITS

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

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

Tenants who choose to apply this exemption account for the change to the rental payments, as variable rentals in the period(s) in which the event or condition leading to the payment reduction occurs. The practical expedient is only applicable when all of the following conditions are met:

- The change in the lease payments results in a revised consideration for the lease that is substantially the same as, or less than, the consideration immediately before the change;
- Any reduction in the lease payments only affects payments due on or before 30 June 2021; and
- There are no substantive changes to other terms and conditions of the lease.

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

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

Effective Date
Annual periods beginning on or after 1 June 2020.

IFRS 4 - INSURANCE CONTRACTS – DEFERRAL OF THE APPLICATION OF IFRS 9

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

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

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

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

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

Amendments to standards published by IASB already endorsed by the EU

IAS 1 - CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

Clarification on the classification of liabilities as current or non-current balances depending on the rights that an entity has to defer its payment, at the end of each reporting period (the standard no longer makes reference to unconditional rights, as loans are rarely unconditional to the fulfilment of specific conditions).

The classification of liabilities is not affected by the entity's expectations (the assessment should determine whether a right exists, but should not consider whether the entity will exercise that right), or by events occurring after the reporting date, such as the breach of a given covenant.

An additional clarification is made regarding the meaning of 'settlement' of a liability, which is now defined as the extinguishing of a liability through transfer:

a. cash or other economic resources, or

b. the entity's own equity instruments.

This amendment applies retrospectively

Endorsement Regulation by the European Union
Pending endorsement.

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

IAS 16 - INCOME BEFORE START-UP

This amendment is part of the narrow scope amendments published by IASB in May 2020.

With this amendment, IAS 16 - 'Property, Plant and Equipment' will prohibit the deduction of amounts received as consideration for items sold that resulted from the production in test phase of property, plant and equipment, from the carrying amount of those assets.

Function tests of tangible fixed assets before they are put on a firm commitment basis may involve the production of outputs for which there is a market and which may be sold. The consideration received for the sale of the outputs obtained during the testing phase must be recognised in the income statement, in accordance with the applicable regulations.

This amendment is applied retrospectively, without restatement of comparatives.

Endorsement Regulation by the European Union
Pending endorsement.

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

IAS 37 - ONEROUS CONTRACTS - COSTS OF FULFILLING A CONTRACT

This amendment is part of the narrow scope amendments published by the IASB in May 2020.

This amendment specifies which costs the entity should consider when assessing whether a contract is onerous. Only expenses directly related to the performance of the contract are accepted, and these may include:

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

b. The allocation of other expenses that relate directly to the performance of the contract, such as allocating the depreciation expense of a given tangible fixed asset used to perform the contract.

This amendment should be applied to contracts which, at the beginning of the first annual reporting period to which the amendment is applied, still include unfulfilled contractual obligations, without restating the comparative. Any impact should be recognised against retained earnings (or other component of equity, as appropriate), on that same date.

Endorsement Regulation by the European Union
Pending endorsement.

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

IFRS 3 - REFERENCE TO THE CONCEPTUAL FRAMEWORK

This amendment is part of the narrow scope amendments published by IASB in May 2020.

This amendment updates the references to the Conceptual Structure in the IFRS 3 text, and no changes have been made to the accounting requirements for business combinations.

The amendment also introduces references to liabilities and contingent liabilities under IAS 37 and IFRIC 21 incurred separately versus liabilities and contingent liabilities assumed in a business combination.

This amendment is applied retrospectively.

Endorsement Regulation by the European Union
Pending endorsement.

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

IFRS 9, IAS 39, IFRS 7, IFRS 4 AND IFRS 16 - REFORM OF REFERENCE INTEREST RATES – PHASE 2

These amendments address issues that arise during the reform of a reference interest rate, including the replacement of a reference interest rate with an alternative interest rate, allowing the application of exemptions such as:

i. Changes in hedge designation and documentation;

ii. Amounts accumulated in the cash flow hedge reserve;

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

iv. Changes in hedging relationships for groups of items;

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

vi. Update the effective interest rate, without recognising a gain or loss, for financial instruments measured at amortised cost with changes in contractual cash flows as a result of the IBOR reform, including leases that are indexed to an IBOR.

Endorsement Regulation by the European Union
Pending endorsement.

Effective Date
Annual periods beginning on or after 1 January 2021

Annual improvement cycle 2018 - 2020

IFRS 1 - SUBSIDIARY AS A FIRST-TIME ADOPTER OF IFRS

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

This improvement is applied prospectively.

Endorsement Regulation by the European Union
Pending endorsement.

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

IFRS 9 - DERECOGNITION OF FINANCIAL LIABILITIES – COSTS INCURRED TO BE INCLUDED IN THE “10 PER CENT” VARIATION

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

This improvement is applied prospectively.

Endorsement Regulation by the European Union
Pending endorsement.

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

IFRS 16 - LEASE INCENTIVES

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

This improvement is applied prospectively.

Endorsement Regulation by the European Union
Pending endorsement.

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

IAS 41 - FAIR VALUE MEASUREMENT AND TAXATION

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

This improvement is applied prospectively.

Endorsement Regulation by the European Union
Pending endorsement.

Effective Date
Annual periods beginning on or after 1 January 2022

Standards published by IASB, not yet endorsed by the EU

IFRS 17 - INSURANCE CONTRACTS (ISSUED ON 18-05-2017); INCLUDING AMENDMENTS TO IFRS 17 (ISSUED ON 25-06-2020)

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

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

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

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

The amendments made have impacts in eight areas of IFRS 17, such as:

i. Scope;

ii. Level of aggregation of insurance contracts;

iii. Recognition;

iv. Measurement;

v. Modification and derecognition;

vi. Presentation of the statement of financial position;

vii. Recognition and measurement of the income statement; and

viii. Disclosures.

The main changes introduced to IFRS 17 refer to:

- Expected recovery of cash flows from acquisition of assets by insurance contracts;
- Contractual service margin attributable to investment services;
- Exclusion from scope of certain card and credit (or similar) contracts, as well as some financing contracts;

- Presentation of insurance contract assets and liabilities in the statement of financial position in portfolios rather than groups;
- Applicability of the risk mitigation option, when using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss to mitigate financial risks;
- Accounting policy option to change estimates made in previous interim periods, when applying IFRS17;
- Inclusion of income tax payments and receipts specifically attributable to the policyholder under the terms of the insurance contract (as to cash flow compliance); and
- Practical transitional exemptions provided for the transition date.

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

Endorsement Regulation by the European Union
Pending endorsement.

Effective Date
Períodos anuais com início em ou após 1 de janeiro de 2023.

1.2. Significant accounting policies

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

1.2.1. Transactions in foreign currency (IAS 21)

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

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

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

1.2.2. Cash and cash equivalents

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

1.2.3. Investments in domestic and foreign credit institutions

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

1.2.4. Financial instruments

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

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

i. Assets measured at amortised cost;

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

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

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

Adopted by Regulation (EU) No 1255/2012, of the Commission, of 11 December 2012, the International Financial Reporting Standard (IFRS) 13 defines fair value, sets out in a single IFRS a framework for measuring fair value, and requires disclosures about fair value measurements.

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

The disclosures required by IFRS 13 are not required for the following (cf. par 7):

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

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

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

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

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

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

The following accounting classes are, therefore considered:

- Financial assets at amortised cost – HTM;
- Financial assets at fair value through other comprehensive income – FVTOCI;
- Financial assets at fair value through profit or loss – FVTPL;
- Other assets not held for trading, mandatorily recorded at fair value (Not Held for Trading, PL)

Financial assets at amortised cost

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

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

Initial recognition and subsequent measurement

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

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

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

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

a. a disposal;

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

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

Financial assets at fair value through other comprehensive income

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

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

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

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

Additionally, in the initial recognition of an equity instrument that is not held for trading, or in the case of a contingent retribution recognised by a buyer in a business combination to which IFRS 3 applies, the Bank may irrevocably opt to state it under financial assets at fair value through other comprehensive income.

Initial recognition and subsequent measurement

Debt instruments at fair value through other comprehensive income are initially recognised at fair value, plus transaction costs, and are subsequently measured at fair value. Changes in the fair value of these assets are recorded by corresponding entry under other comprehensive income and, at the time of their disposal, their accumulated gains or losses in other comprehensive income are restated into a specific profit and loss heading designated Gains or losses with the “derecognition” of financial assets at fair value through comprehensive income.

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

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

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

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

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

Financial assets at fair value through profit or loss

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

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

The following must be considered under this classification:

- Assets valued at fair value through profit and loss (FVTPL), almost coincident with the designated prudential trading portfolio;

- Non-trading financial assets mandatorily measured at fair value through profit or loss or, separately, other assets not held for trading, mandatorily recorded at fair value (Not Held for Trading, PL).

Initial recognition and subsequent measurement

Financial assets at fair value through profit or loss are initially recognised at fair value, and costs or income related to the transactions are recognised in profit or loss at the initial date, with subsequent changes also recognised in profit or loss.

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

1.2.5. Restatement

The restatement of financial assets is only permitted in strict accordance with the regulatory and accounting standards in force[2].

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

- Final delisting;
- The loss of public company status;
- Default by the issuer.

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

Where the competent authorities permit the restatement:

- The restatement of that position cannot be changed;
- The Bank must disclose publically, on the first reporting date, the information that its position was restated;
- Under the regulations, where, at the first reporting date, the net change in the amount of the Bank's own funds requirements, arising from the restatement of the position, results in a net reduction, the Bank will henceforth provide for additional own funds equal to the net change and will publically disclose the amount of such additional own funds;
- The additional own funds amount will remain constant until the maturity date of the position, unless the competent authorities allow the institution to gradually reduce that amount at an earlier date.

1.2.6. Financial derivatives (IFRS 9)

Financial derivatives are recorded at fair value on the date on which the Bank negotiates the contracts and are subsequently measured at fair value. Fair values are obtained through market prices in active markets, including recent market transactions, and appraisal models, namely: discounted cash flow models and option appraisal models. Derivatives are considered as assets when their fair value is positive and as liabilities when their fair value is negative.

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

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

1.2.7. Hedge accounting

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

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

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

- at the start date of the relation there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- hedge effectiveness can be reliably measured;
- hedge is evaluated on a continuous basis and effectively determined as being highly effective throughout the financial reporting year; and
- in relation to the hedging of an expected transaction, this transaction is highly likely to occur and is exposed to cash flow variations that could ultimately affect profit or loss.

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

i. Fair value hedging

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

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

ii. Cash flow hedging

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

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

iii. Hedge effectiveness

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

1.2.8. Loans to clients and other receivables (receivables)

Appraisal, initial and subsequent recognition

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

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

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

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

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

Derecognition (IFRS 9)

Loans to clients are derecognised from the balance sheet when:

i. the contractual rights to the cash flows expires;

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

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

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

Credit Impairment Loss (IFRS9)

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

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

The current impairment model analyses all positions individually.

1.2.9. Assets acquired in exchange for loans

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

1.2.10. Non-current assets held for sale

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

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

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

Other property, plant and equipment are stated at acquisition cost, minus depreciation and impairment losses, and are depreciated on a straight-line basis over their expected useful life. This period is within the limits allowed by the Portuguese tax law as follows:

EQUIPMENT	YEARS
Vehicles	4 - 8
Furniture and office supplies	8 - 16
IT equipment	3 - 8
Other property, plant and equipment	5 - 50

(*) Land is not amortised

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

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

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

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

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

The Bank adopted IFRS 16 – Leases as of 1 January 2019 to replace IAS 17 – Leases, which was in force until 31 December 2018. Its implementation did not materially affect the financial statements, so the Bank chose not to apply the standard retrospectively.

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

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

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

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

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

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

1.2.12. Intangible assets (IAS 38)

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

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

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

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

1.2.13. Investments in associated companies (IAS 28)

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

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

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

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

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

1.2.14. Other financial liabilities - Deposits from other credit institutions, Client deposits, Other loans and Other (IFRS9)

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

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

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

1.2.15. Provisions and contingent liabilities (IAS 37)

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

1.2.16. Tax on profits (IAS 12)

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

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

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

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

1.2.17. Recognition of revenue and costs

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

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

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

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

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

- when received as the services are provided, they are recognised in profit or loss in the period to which they refer;
- when resulting from service provision, they are recognised when the said service is concluded; and
- when wholly part of the effective interest rate, they are recognised under financial margin.

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

1.2.19. Recognition of interest

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

1.2.20. Commissions for services rendered

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

1.2.21. Guarantees provided and irrevocable commitments

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

1.2.22. Employee benefits (IAS 19)

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

1.2.23. Retirement and survival pensions

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

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

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

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

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

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

1.2.24. Variable remunerations paid to employees (IAS 19)

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

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

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

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

1.3.1. Impairment on loans to clients

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

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

1.3.2. Taxes on income

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

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

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

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

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

1.3.3. Pensions and other employee benefits

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

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

1.3.4. Restatements in the financial statements

The Board of Directors, with the objective of improving the information to be disclosed, has decided to make a change in the presentation of the Bank's financial statements. This change has led to a restatement of the balance sheet as set out in the following notes:

i. Financial assets held for trading

Restatement in the balance sheet, for the periods in question, of interest on financial assets held for trading in the amount of 89 688€. This interest was previously stated in the balance sheet under other assets.

ii. Financial assets at fair value through other comprehensive income

Interest on financial assets at fair value through other comprehensive income, in the amount of 1 058 796€, is restated in the balance sheet for the periods in question. This interest was previously stated in the balance sheet under other assets.

iii. Financial assets at amortised cost

Interest from loans to clients amounting to 308 003€ is restated in the balance sheet for the periods in question. This interest was previously allocated to the balance sheet other assets.

Interest on financial assets held to maturity in the amount of 34 007€ is restated in the balance sheet for the periods in question. This interest was previously allocated to balance sheet under other assets.

iv. Other liabilities

Charges payable for personnel costs amounting to 619 467€ are restated in the balance sheet for the periods in question. These charges were previously allocated to the balance sheet line of financial liabilities measured at amortised cost.

2. RISK MANAGEMENT

2.1. Risk management function

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

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

- Adequate level of capital (principle of solvency);
- Remuneration of risks undertaken (principle of profitability);
- Maintaining a financially stable structure.

It should be noted that 2020 was marked by strengthening the implementation and communication of structural documents such as the Global Risk Management Policy, to align best practices in terms of information management and, in particular, the improvement of information regarding risk management.

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

- The definition of a risk catalogue which includes risk categories and subcategories;
- The risk identification and assessment;
- The review of the internal control function regulation;
- The systematisation of the annual planning of compliance risk management functions.

2.2. Organisational structure of risk management

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

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

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

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

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

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

As part of the Bank's Recovery Plan, the Recovery Team meets at least once every quarter, or when necessary. It is responsible for managing potential or actual serious risk situations, and is formed by the Chairman of the Executive Committee, in charge of team coordination, by the Executive Committee members in charge of Risk and Financial, by the Central Managers and those responsible for the Financial, Risk, Compliance and Communication departments, in addition to other members invited to take part in functions.

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

2.3. Material risks

Credit Risk, Market Risk, Interest Rate Risk, Operating Risk, and Liquidity Risk are considered as material risks.

2.4. Credit risk

Credit risk is the likelihood of negative impacts affecting the results or equity due to the inability of a counterparty to meet its financial commitments with the Bank, including any restrictions on the transfer of payments from abroad. Credit risk is found mainly in credit exposures, credit lines, guarantees, derivatives and the Bank's deposits in other credit institutions. Various methods are used to reduce this risk, in particular the need to deliver solid and net guarantees, the use of contractual netting agreements, and the determination and recognition of impairments. The determination of impairments leads to the decrease in value of a particular asset, thus anticipating a potential or effective loss. The posting of impairments can be regarded as a credit risk mitigation technique, enabling the adequacy of capital to meet the credit risk requirements and the actual financing requirement.

Maximum exposure
Banco Carregosa's maximum exposure to credit risk is as follows:

Client creditworthiness
The disclosures required by Circular Letter CC/2018/00000062 of Banco de Portugal, of November, are presented hereunder:

	31.12.2020	31.12.2019
FINANCIAL ASSETS		
Cash and deposits at central banks and other demand deposits	115 282 287	99 978 219
Financial assets at fair value through profit or loss:		
Available for sale financial assets	4 711 425	6 844 196
Non-trading financial assets mandatorily at fair value through profit or loss	11 189 245	11 080 066
Other financial assets at fair value through profit or loss	36 768	22 543
Financial assets at fair value through other comprehensive income	57 036 132	101 461 841
Financial assets at amortised cost	137 110 128	113 357 236
Derivatives - Hedge accounting	68 713	79 046
Other assets	6 902 958	4 875 097
	332 337 655	337 698 244
OTHER COMMITMENTS		
Personal/institutional guarantees		
Guarantees and commitments	13 217 987	12 443 424
Other personal guarantees provided and other contingent liabilities	4 366 753	6 870 883
Collateral (assets offered as collateral)	25 985 000	7 065 000
Irrevocable commitments	929 472	779 570
Revocable commitments	14 460 838	10 866 133
	58 960 050	38 025 010
MAXIMUM EXPOSURE	391 297 705	375 723 254

2.4.1. Credit risk management policy

The Bank grants credit exclusively to corporate entities and investors, according to the following set of standard operations, which it adapts to the needs of each client and transaction:

- Mutual funds;
- Escrow accounts (CCC);
- Authorised bank overdrafts;
- Technical overdrafts, arising exclusively from differences in dates-values of debit and credit transactions in the client's account;
- Bank guarantees, as an off-balance sheet form of potential loan;
- Credit cards, under the partnership with UNICRE;

- Other types of credits, exceptionally and on a case by case basis, subject to a specific analysis for an appropriate cost-benefit analysis.

Various methods are used to reduce this risk, in particular the need to deliver solid and net guarantees, the use of contractual netting agreements, and the determination and recognition of impairments.

2.4.2. Granting of loans

The lending process is the initial phase of the analysis of the client's risk profile and the operation.

The approval of credit operations is preceded by the issue of opinions by the Credit, Risk, Compliance and, whenever necessary, the Legal Department, ensuring within the framework of the credit risk analysis:

- An assessment of the client's repayment capacity, through an outlook of its activity, financial situation (historical, current and prospective) and banking relationship;

- A thorough knowledge of the client (and respective economic group, when applicable), based, also, if applicable, on previous credit relationship experience;

- An assessment of the adequacy of the characteristics of the operation and the level and quality of the collateral;

- The application of consistent methodologies, criteria and practices in risk assessment, such as rating or scoring models;

- The assessment of the framework of the operation within the overall credit portfolio, namely the impact of the operation on impairments, own funds and their requirements and major risks;

- That the risk assessment is carried out independently, impartially, rigorously and in accordance with the ethical and professional criteria governing the Bank;

- That it is in accordance with the policies and procedures defined, respecting the prudential rules to which the Bank is subject.

Finally, and as already noted last year, the recent extraordinary events related to the Covid-19 pandemic have impacted at various levels, in particular the Bank's transactions. Thus, on 26 March 2020 DL 10/J/2020 was published concerning the moratorium arrangement that established exceptional measures for protecting the loans of families, companies, private charitable institution and other social economy entities, as well as a special arrangement for State guarantees.

2.4.3. Nature of principles, estimates and hypotheses used in measuring impairment

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

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

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

- An objective amount calculated through the appraisal of a set of possible results weighted by their probabilities;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date on past events, current conditions and projections of future economic conditions.

The measurement of the ECL reflects the probability of default by the debtor, considering its temporary effect and the probability given the default (designated as Loss Given Default – LGD). Additionally, this calculation must be based on reasonable and supportable information that is available without undue cost or excessive effort.

Note that the change in International Financial Reporting Standards, through the introduction of IFRS 9, implies, as aforementioned regarding the determination of impairments, the measurement of expected losses.

Macroeconomic models are integrated when estimating expected losses, by the weighting of prospective scenarios in relation to key indicators.

It should be noted that the approach adopted in the calculation of the ECL is at an individual level, as each position is analysed separately. This situation occurs because the Bank does not have statistically relevant historical data that would allow the segregation of the portfolio by homogeneous risk classes, with a view to implementing and developing a collective analysis.

The segregation of the loan portfolio and impairment by levels is presented below, in line with the classification of the IFRS9. In this point it should be noted that the Bank has a level of coverage by impairments in the order of 1.5%, being higher in level 3, anticipating, from the outset, more fragile situations arising from the end of the moratorium period. This situation naturally affected the Bank's solvency ratio, but without any relevant impact.

TIER	TOTAL CREDIT	TOTAL IMPAIRMENTS	% IMPAIRMENT HEDGING
Tier1	57 949	54	0.09%
Tier 2	30 004	275	0.92%
Tier 3	21 194	1 345	6.35%
TOTAL	**109 147**	**1 674**	**1.50%**

Amounts m€

2.4.4. Determination of exposures with low credit risk

In line with BdP's Circular Letter 2018/00000062, the credit risk of a financial instrument is said to have not increased significantly (which is expected to be limited in number) since initial recognition when it is determined that the financial instrument has a low credit risk at the reporting date.

Moreover, the credit risk evolution of these financial instruments must be continuously monitored when they are classified as having a low credit risk, so as to identify whether there have been significant increases in risk and ensure that they maintain the same low credit risk assumptions in each reporting period.

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

- Central Administrations or Central Banks of State Members and of other EEA countries;
- Multilateral development banks;
- International organisations.

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

2.4.5. Indication of signs of impairment by credit segments - Unlikely to pay

Unlikely to pay credit is said to exist when principal and interest instalments are less than 90 days past due, but regarding which there is evidence that justify their classification as problem debt, in particular bankruptcy, the debtor is in liquidation, among others, in accordance with BdP's Circular Letter 2018/00000062.

It is also considered that the entire debtor's exposure is classified as non-performing whenever the exposures more than 90 days past due exceed 20% of the debtor's total exposure. This situation shows an exposure contagion that can spread to a group of connected clients. The various stages of an operation are shown in the table below.

SITUATION	INTEREST AND PRINCIPAL	EVIDENCES
Irregular	Overdue < 90d	
Unlikely to pay	Overdue < 90d	Justifies classification as problem debt, such as debtor's bankruptcy or liquidation
Non-performing - limited	Overdue > 90d	≤20% total exposure
Non-performing - global	Overdue > 90d	>20% total exposure

Significant increase of credit risk

The transition from the first to the second stage, in accordance with IFRS 9, is dictated by the significant increase of credit risk since initial recognition. In this scope, all reasonable and supportable information that is available without undue cost or effort that may determine the existence of a significant increase of credit risk must be considered, in particular in the case of any of the following:

- Change in internal or external ratings;
- Change in external credit risk indicators;
- Change (actual or expected) in the risk of non-performing exposure in another instrument of the same debtor;
- Change in interest rates applied due to the increase of credit risk;
- Non-payment.

Without prejudice to using additional indicators, the following indicators are said to reflect situations of significant increase of credit risk of a financial instrument, except if there is objective evidence to the contrary:

- Credit with more than 30 days late payment of principal, interest, commissions or other expenses or a situation similar to an unlikely to pay credit;
- Deferred exposures;
- Credit whose debtor meets at least two of the following criteria, occurring after the initial recognition of the operation:
  - Having at least one record of a default with the Central Credit Register;
  - Having its name in lists of cheque users who represent a risk or who have rebutted / not been collected;
  - Debts to the Tax Authority, Social Security or to employees, in a default situation or pledge enforced by the State;
  - Other signs that trigger internal alert levels.

Deferred exposures can be considered as not being impaired due to agreements between the debtor and its creditors to ensure the sustainability of the debt and feasibility of the debtor, if the said agreements are based on an operational and financial feasibility plan of the company which includes at least one of the following:

- Demonstration of the company's debt sustainability, considering the amounts that, according to the plan, are recoverable under the new conditions agreed, assuming an adequate conservative margin to absorb any deviations in the estimates made;
- Analysis of the company's management quality and, where necessary, the measures adopted to mitigate the problems identified;
- Analysis of possible unsustainable business areas and, if any, the plans for a company restructuring process in which only the feasible business areas will be maintained;

- Analysis of the fact that there is no other factor reasonably likely to weaken the conclusion that the restructured company, under the previously identified conditions, is able to meet its obligations under the new agreed conditions.

In the case of the aforementioned debt restructuring agreements, a probational period of 24 months is considered, reckoned from the date on which the agreement is formalised, for financial instruments over which the criteria materialising a significant increase of credit risk are no longer observed.

During this probational period, the debt sustainability resulting from the new agreement must be made clear by means of an analysis to check the objective criteria demonstrating the return to a credit risk profile close to that of the financial instrument at initial recognition.

An entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date, the operation therefore being classified in the first tier.

2.4.6. Objective evidence of impairment

The existence of objective evidence of impairment determines the classification of the operation on the third tier.

In accordance with IFRS 9, on the third tier, in addition to considering the whole life of the exposure, the entity needs to take into account that interest income may be based on the net amount, using an adjusted effective interest rate, recognising an allowance for losses according to the whole life of the instrument.

Without prejudice to the companies being able to use other indicators, the following indicators represent impairments of a financial instrument, unless there is objective evidence to the contrary:

i. Credit more than 90 days past due of principal, interest, commissions or other expenses, that is, non-performing credits;

ii. Reduced probability of the debtor fully meeting its credit obligations, the recovery of the debt depending on the activation of any guarantees received, that is, unlikely to pay credit. For example:

    - The institution has activated guarantees and collateral;
    - The institution has initiated legal proceedings to collect the debt;
    - The debtor's sources of recurrent income are no longer available for payment of reimbursement instalments (e.g. loss of a client or important lessee, continued losses or a significant drop in turnover / operating cash flows);
    - The debtor's financial structure is significantly inadequate, or the debtor is unable to obtain additional financing;
    - The Bank ceases to charge interest (even if partially or on condition);
    - The Bank directly cancels the debtor's entire debt or part thereof (asset write-off /debt forgiveness), outside the scope of a restructuring operation;

- The Bank or institution leading the group of creditors, as applicable, initiates bankruptcy/insolvency procedures against the debtor;

- Existence of out-of-court negotiations for the settlement or reimbursement of the debt (e.g. suspension agreements);

- The debtor filed for bankruptcy or insolvency;

- A third party has filed for the bankruptcy or insolvency of the Bank's debtor;

- Debts to the tax authority, social security or employees, in a situation of litigation or pledge enforced by the State.

iii. Deferred exposures may occur when:

- The restructuring is supported by an inadequate payment plan. Among others, an inadequate payment plan is said to exist when it is successively breached, the operation has been restructured to avoid default, or it is based on expectations not supported by macroeconomic forecasts;

- Restructured credits include contractual clauses that extend the repayment operation, in particular with the introduction of a grace period of more than two years for the payment of principal;

- Restructured credits due to financial difficulties that are in a cure period are again restructured due to financial difficulties, or that present overdue principal or interest of more than 30 days during that period;

- Credits included in debt agreement that are not in accordance with the provisions in item 2.2. of the Impairment Manual.

A cure period is considered for financial instruments in which the criteria that resulted in the impairment situation are no longer observed. In particular, a 12-month cure period is applied for instruments in impairment that have been subject to restructuring measures due to the debtor's financial difficulties.

2.4.7. Indication of the thresholds defined for separate analysis

Separate analysis applies to all the credit operations.

2.4.8. Policy on internal risk ratings, specifying the treatment given to a borrower classified as in default

Clients found to be in default are analysed by the Credit Committee. A solution that is more adequate to the client's interests is applied taking into consideration their financial capacity.

2.4.9. General description of the calculation of the current value of future cash flows in the determination of impairment losses

The following are taken into consideration in the calculation of specific impairment:

- Exposure;
- Estimated business cash flows or other client's cash flows;
- Cash flows of real estate projects;
- Expected cash flows related to the execution/pledge of collateral;
- Estimated cash flows arising from calls on personal guarantees;
- Cash flows generated by the execution of the financial assets of the debtor with the Bank to settle one-off authorised overdrafts and up to no more than 30 days and overdue loans, originated from contracted loans or otherwise.

As per Circular Letter CC/2018/00000062 of Banco de Portugal, haircuts are applied in the determination of cash flows generated by guarantees and any costs of forced sale are excluded. When the Bank considers that the adjusted market value does not safely reflect the asset's realisable value, additional haircuts are applied.

This percentage is restated at the contract discount rate plus any maintenance costs of the underlying asset.

When the transaction does not fulfil the conditions that require a specific calculation, or when this originates a null impairment, a general calculation is used.

Description of the rescue period used for the various segments and reasons for its suitability

The rescue period is the time elapsed since the loss event occurs until it is noticed, which can be divided into 2 moments:

- First moment, when the information emerges;
- Second moment, at a later date, when indicators are obtained that prove the existence of objective impairment evidence.

Banco Carregosa uses indicators that show a potential impairment loss, enabling it to quickly anticipate any deterioration in their clients' solvency standing, such as abnormal balances, difficulty in fulfilling the debt, changes in PDs, etc.

2.4.10. Monitoring of the loan portfolio

The monitoring of the loan portfolio is essential to anticipate pre-default situations, allowing the Bank to:

- identify the factors that prove the deterioration of the client's creditworthiness;
- define solutions to renegotiate the debt.

The Supervisory Committee regularly monitors the credit granting process.

2.4.11. Credit recovery

If a credit default situation is found, measures are taken to recover such credit. In the case of private loans, the special schemes PARI/PERSI are activated, in accordance with Decree-law 227/2012.

2.4.12. Risk concentration management

The Bank recognises that due to its size, its performance in specific segments and the type of target clients, it is expected that its loan portfolio will result in a reduced number of operations of a high amount and somewhat concentrated. The Risk Department analyses the concentration of the loan portfolio in the following dimensions:

- Significant exposures to an individual counterparty or to a group of counterparties that are economically or risk related ("single name concentration risk" or "large exposures");
- Significant exposures to groups of counterparties whose probability of defaulting results from common underlying factors, namely: (i) economic sector, (ii) geographical area, (iii) currency and (iv) type of operation or product, that is, dependence on the economic and financial performance of the same activity or product/ service;
- Indirect credit exposures resulting from the application of risk mitigation techniques (excessive exposure to a type of collateral or to credit protection provided by a single counterparty).

The table below shows the distribution of net assets based on geographical concentration, namely concentration by country risk:

COUNTRY	NET VALUE	NET VALUE (%)
Portugal	241 529 471	68.91%
Italy	19 878 662	5.67%
France	19 771 138	5.64%
Greece	15 661 790	4.47%
Luxembourg	11 420 668	3.26%
The Netherlands	9 693 426	2.77%
Denmark	7 781 579	2.22%
Spain	5 098 487	1.45%
United Kingdom	4 519 360	1.29%
Germany	3 217 485	0.92%
United States of America	2 483 292	0.71%
Croatia	2 272 716	0.65%
Switzerland	1 095 783	0.31%
Mexico	1 009 505	0.29%
Angola	788 739	0.23%
Turkey	775 257	0.22%
Belgium	605 571	0.17%
Republic of North Macedonia	570 613	0.16%
Russian Federation	532 970	0.15%
São Tomé e Príncipe	517 748	0.15%
Hong-Kong	504 050	0.14%
Ireland	503 900	0.14%
People's Republic of China	253 433	0.07%
Brazil	2 783	0.00%
Chile	49	0.00%
Qatar	12	0.00%
Total	**350 488 488**	**100%**

2.4.13. Policy on the write-off of loans (asset write-off)

In accordance with EBA/GL/2017/06, there is a write-off of a credit when all the conditions below are met:

- Bad debt in arrears for more than 24 months;
- Credit with impairment loss recognised in full.

When the conditions for the write-off are met, the Commercial Department having been heard, the operation is taken to the Credit Committee by the Credit Department, proposing and justifying the write-off. If there are no tax consequences, bad debts in arrears for more than 24 months and for which and impairment loss in the same amount of the loan is recognised (and accepted for tax purposes) must be removed from the balance sheet.

2.4.14. Impairment reversal policy

Impairment is reversed whenever there is:

- A significant improvement in the capacity of the client to honour the payment, with a positive impact on the client's credit rating;
- Increase in collateral.

Under these conditions a new impairment is calculated, directly reversing the previous impairment.

2.4.15. Description of the restructuring measures applied and their associated risk, as well as the control and monitoring mechanisms thereof

The restructuring of a loan takes place whenever there are changes to the terms and conditions of the contract. For that purpose a note must be added indicating "restructured loan due to the client's financial difficulties".

Loans must be marked in the Bank's computer system as "restructured due to the client's financial difficulties".

Solutions for the recovery of the loan must take into consideration the client's current situation and in the best interest of Banco Carregosa.

2.4.16. Description of the appraisal process and collateral management

Mortgage guarantees

APPRAISAL

Mortgage guarantees are appraisal by an expert appraiser registered with the CMVM, who will be responsible for drafting a report on the property, in accordance with the CNVN regulations on appraisal criteria and expert appraisers.

RE-APPRAISAL AND REVIEW

Mortgage guarantees are reappraised by an expert appraiser on a two-year basis, whenever this is not contrary to the provisions of article 208 of the CRR, namely:

- Frequent verification of the value of the properties, at least once a year for commercial properties and once every three years for residential properties. More frequent verifications should be carried out when market conditions are subject to significant changes;
- The property appraisal shall be reviewed whenever the Bank has information indicating that the value of the property has decreased substantially in relation to general market prices, such review being conducted by an appraiser with the necessary qualifications, skills and experience and who is independent from the credit decision process. For loans exceeding €3 million or 5% of the Bank's own funds, the property appraisal shall be reviewed by such an appraiser at least every three years.

In extraordinary circumstances in the real estate market and in the presence of exposures considered significant (i.e., representing at least 5% of own funds) combined with LTV of 80%, the Bank will revalue them annually.

2.4.17. Other guarantees

The models adopted for accepting financial instruments as collateral for exposures can vary widely, with the Bank adopting, as a rule, for legal persons, the legal regime of financial guarantee contracts set forth in Decree Law 105/2004, of 8 May, which transposes into national law Directive 2002/47/EC, of the European Parliament and Council of 6 June, on financial collateral arrangements. For individuals, the bank adopts mechanisms that lead to similar results.

Within the scope of IFRS 9, the recalculation of the ECL amount and disregarding the underlying collateral, the amount totals 9 142 531€ as at December 2020.

Quantitative disclosures

The information on the client loans portfolio as at 31 December 2020 and 2019 is presented below.

A) BREAKDOWN OF EXPOSURES AND RELATED IMPAIRMENT

A.1)

SEGMENT	EXPOSURE AS AT 31.12.2020 TOTAL EXPOSURE	COMPLIANT LOANS	SETTLED	RESTRUCTURED
Construction & CRE	39 438 481	39 194 227		2 249 289
Corporate	20 319 180	20 140 455		1 468 451
Bank guarantees	13 232 475	13 210 987		-
Private	16 728 930	16 669 575		7 399 956
Non-contracted	4 827 326	1 577 672		-
Total	**94 546 392**	**90 792 917**		**11 117 695**

A.2)

	TOTAL EXPOSURE AS AT 31.12.2020			
	DEFAULTING LOANS			
	DAYS IN ARREARS < 30			
SEGMENT	TOTAL EXPOSURE 31.12.2020	NO EVIDENCE	WITH EVIDENCE	SUB-TOTAL
Construction & CRE	39 438 481	36 055 064	3 383 417	39 438 481
Corporate	20 319 180	20 319 180		20 319 180
Bank guarantees	13 232 475	13 232 475		13 232 475
Private	16 728 930	16 728 930		16 728 930
Non-contracted	4 827 326	4 827 326		4 827 326
Total	**94 546 392**	**91 162 975**	**3 383 417**	**94 546 392**

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

A.1)

SEGMENT	EXPOSURE AS AT 31.12.2019 TOTAL EXPOSURE	COMPLIANT LOANS	SETTLED	STRUCTURED
Construction & CRE	43 929 910	43 922 912		6 667 684
Corporate	22 028 857	22 028 857		2 646 098
Bank guarantees	12 458 809	12 458 809		49 017
Private	18 020 276	18 001 719		7 520 113
Non-contractualised	9 145 468	1 862 002		-
Total	**105 583 320**	**98 274 299**		**16 882 912**

A.2)

SEGMENT	TOTAL IMPAIRMENT	TOTAL IMPAIRMENT AS AT 31.12.2019 COMPLIANT LOANS DAYS IN ARREARS < 30
Construction & CRE	175 813	171 778
Corporate	137 436	137 436
Bank guarantees	9 180	9 180
Private	176 627	116 574
Non-contractualised	1 103 687	20 229
Total	**1 602 744**	**455 197**

		IMPAIRMENT AS AT 31.12.2020		
DEFAULTING LOANS	RESTRUCTURED	TOTAL IMPAIRMENT	COMPLIANT LOANS	DEFAULTING LOANS
244 254	-	492 491	341 470	151 020
178 725	-	483 077	304 352	178 725
21 488	-	102 074	102 074	-
59 355	-	196 456	138 499	57 957
3 249 654	1 751 044	400 110	2 306	397 804
3 753 475	**1 751 044**	**1 674 209**	**888 703**	**785 506**

		TOTAL IMPAIRMENT AS AT 31.12.2020		
DEFAULTING LOANS		COMPLIANT LOANS	DEFAULTING LOANS	
DAYS IN ARREARS <= 90*	DAYS IN ARREARS > 90 DIAS	TOTAL IMPAIRMENT	DAYS IN ARREARS <= 90*	DAYS IN ARREARS > 90 DIAS
75	244 179	492 491	341 470	48
-	178 725	483 077	304 352	329 697
-	21 488	102 074	138 499	57 957
-	59 355	196 456	2 306	397 804
44 414	3 205 240	400 110	102 074	-
44 489	**3 708 987**	**1 674 209**	**888 703**	**785 506**

		IIMPAIRMENT AS AT 31.12.2019		
DEFAULTING LOANS	RESTRUCTURED	TOTAL IMPAIRMENT	COMPLIANT LOANS	DEFAULTING LOANS
6 998	-	175 813	171 778	4 035
-	-	137 436	137 436	-
-	-	9 180	9 180	-
18 557	-	176 627	116 574	60 054
7 283 466	6 566 864	1 103 687	20 502	1 083 185
7 309 021	**6 566 864**	**1 602 744**	**455 471**	**1 147 273**

DEFAULTING LOANS		
DAYS IN ARREARS BETWEEN 30-90	DAYS IN ARREARS <= 90*	DAYS IN ARREARS> 90
	-	4 035
	-	-
	-	-
	-	60 054
275	152 786	930 399
275	**152 786**	**994 488**

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

B) BREAKDOWN OF LOAN PORTFOLIO BY SEGMENT AND YEAR OF PRODUCTION

31.12.2020

YEAR OF PRODUCTION	CORPORATE						CONSTRUCTION & CRE		
	NO. OF TRANSAC-TIONS	AMOUNT	IMPAIRMENT	NO. OF TRANSAC-TIONS	AMOUNT	IMPAIRMENT	TOTAL IMPAIRMENT	COMPLIANT LOANS	DEFAULTING LOANS
2019	3	7 506 276	10 590	13	10 163 935	207 509	492 491	341 470	151 020
2020	0			7	3 434 516	3 783	483 077	304 352	178 725
Total	**3**	**7 506 276**	**10 590**	**13**	**10 163 935**	**207 509**	**1 674 209**	**888 703**	**785 506**

31.12.2019

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						
2012						
2013						
2014	1	590 000	1 062	0	0	0
2015	0	0	0	2	523 993	2 818
2016	5	6 021 963	58 199	1	2 509 351	10 659
2017	1	1 013 579	20 943	6	12 914 623	2 976
2018	8	6 903 315	45 078	11	16 528 620	55 753
2019	3	7 500 000	12 155	13	11 453 322	103 607
Total	**18**	**22 028 857**	**137 436**	**33**	**43 929 910**	**175 813**

** Includes Guarantees in the segments “Corporate” and “Construction & CRE”.*

C) BREAKDOWN OF GROSS LOAN EXPOSURE AND IMPAIRMENT EVALUATED SEPARATELY AND IN GENERAL[3], BY SEGMENT, SECTOR, AND GEOGRAPHICAL SPREAD

C.1) BY SEGMENT:

31.12.2020	CONSTRUCTION & CRE		CORPORATE		BANK GUARANTEES	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Separate evaluation	39 438 481	492 491	20 319 180	483 077	13 232 475	102 074
Total	**39 438 481**	**492 491**	**20 319 180**	**483 077**	**13 232 475**	**102 074**

C.1) BY SEGMENT:

31.12.2019	CONSTRUCTION & CRE		CORPORATE		BANK GUARANTEES	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Separate evaluation	43 929 910	175 813	22 028 857	137 436	12 458 809	9 180
Total	**43 929 910**	**175 813**	**22 028 857**	**137 436**	**12 458 809**	**9 180**

C.2) BY SECTOR OF ACTIVITY:

31.12.2020	REAL ESTATE ACTIVITIES		PRIVATE	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Separate evaluation	42 690 950	520 749	19 314 017	529 444
Total	**42 690 950**	**520 749**	**19 314 017**	**529 444**

	ACTIVITIES OF CORPORATE OFFICES AND MANAGEMENT ADVISORY		ELECTRICITY, GAS, STEAM, HOT AND COLD WATER, AND AIR-CONDITIONING	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Separate evaluation	3 326 065	162 811	2 981 488	68 348
Total	**3 326 065**	**162 811**	**2 981 488**	**68 348**

C.2) BY SECTOR OF ACTIVITY:

31.12.2019	REAL ESTATE ACTIVITIES		PRIVATE	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Separate evaluation	46 992 879	178 221	25 768 312	1 116 331
Total	**46 992 879**	**178 221**	**25 768 312**	**1 116 331**

	ACTIVITIES OF CORPORATE OFFICES AND MANAGEMENT ADVISORY		ELECTRICITY, GAS, STEAM, HOT AND COLD WATER, AND AIR-CONDITIONING	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Separate evaluation	3 127 182	3 058	2 982 385	-
Total	**3 127 182**	**3 058**	**2 982 385**	**-**

3 *In order to provide more disaggregated information, taking advantage of the structure defined by Circular Letter 2/2014, of BdP, it is assumed that although all loan operations are subject to individual impairment calculation, the tables below have adopted the parallelism between the terms individual > specific and collective > general, which was already adopted in previous years, but lacked this clarification.*

	PRIVATE		NON-CONTRACTED		TOTAL	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
	16 728 930	196 456	4 827 326	400 110	94 546 392	1 674 209
	16 728 930	**196 456**	**4 827 326**	**400 110**	**94 546 392**	**1 674 209**

	PRIVATE		NON-CONTRACTED		TOTAL	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
	18 020 276	176 627	9 145 468	1 103 685	105 583 320	1 602 742
	18 020 276	**176 627**	**9 145 468**	**1 103 685**	**105 583 320**	**1 602 742**

	PROPERTY DEVELOPMENT		FINANCIAL AND INSURANCE ACTIVITIES		ACCOMMODATION	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
	12 425 369	17 679	6 263 209	2 160	3 432 467	28 736
	12 425 369	**17 679**	**6 263 209**	**2 160**	**3 432 467**	**28 736**

	RETAIL TRADE, EXCEPT OF MOTOR VEHICLES AND MOTORCYCLES		OTHER		TOTAL	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
	2 039 959	89 635	2 072 867	254 646	94 546 392	1 674 209
	2 039 959	**89 635**	**2 072 867**	**254 646**	**94 546 392**	**1 674 209**

	PROPERTY DEVELOPMENT		FINANCIAL AND INSURANCE ACTIVITIES		ACCOMMODATION	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
	12 053 326	35 125		6 263 209	-	28 736
	12 053 326	**35 125**	**-**	**6 263 209**	**-**	**28 736**

	RETAIL TRADE, EXCEPT OF MOTOR VEHICLES AND MOTORCYCLES		OTHER		TOTAL	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
	2 178 591	56 480	2 703 857	184 058	105 583 320	1 602 744
	2 178 591	**56 480**	**2 703 857**	**184 058**	**105 583 320**	**1 602 744**

C.3) BY GEOGRAPHICAL SPREAD:

31.12.2020	PORTUGAL		BELGIUM		ANGOLA	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Separate evaluation	85 839 956	1 561 963	6 263 209	2 160	788 739	244
Total	**85 839 956**	**1 561 963**	**6 263 209**	**2 160**	**788 739**	**244**

C.3) BY GEOGRAPHICAL SPREAD:

31.12.2019	PORTUGAL		BELGIUM		ANGOLA	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Separate evaluation	95 646 927	931 377	6 263 209	-	1 466 139	232
Total	**95 646 927**	**931 377**	**6 263 209**	**-**	**1 466 139**	**232**

D) BREAKDOWN OF THE RESTRUCTURED LOANS PORTFOLIO BY RESTRUCTURING MEASURE APPLIED

2020

	COMPLIANT LOANS		
MEASURE	NO. OF TRANSACTIONS	EXPOSURE	IMPAIRMENT
Extension of deadline Grace period Reduction of rate	6	11 117 695	99 826

2019

	COMPLIANT LOANS		
MEASURE	NO. OF TRANSACTIONS	EXPOSURE	IMPAIRMENT
Extension of deadline Grace period Reduction of rate	12	16 882 912	150 439

E) INWARD AND OUTWARD FLOWS IN THE RESTRUCTURED LOAN PORTFOLIO

	31.12.2020
Opening balance of the restructured loan portfolio (gross of impairment)	23 449 776
Restructured loans in the period	-
Interest accrued on the restructured portfolio	-
Payment of restructured loans (partial or total)	-
Loans restated from “restructured” to “normal”	-
Other	-10 581 036
Closing balance of the restructured loan portfolio (gross of impairment)	**12 868 739**

FRANCE		S. TOMÉ E PRÍNCIPE		OTHER		TOTAL	
EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
926 191	22 354	517 748	321	210 549	87 166	94 546 392	1 674 209
926 191	**22 354**	**517 748**	**321**	**210 549**	**87 166**	**94 546 392**	**1 674 209**

FRANCE		S. TOMÉ E PRÍNCIPE		OTHER		TOTAL	
EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
1 013 579	20 943	499 641	157	693 826	650 035	105 583 320	1 602 744
1 013 579	**20 943**	**499 641**	**157**	**693 826**	**650 035**	**105 583 320**	**1 602 744**

DEFAULTING LOANS			TOTAL		
NO. OF TRANSACTIONS	EXPOSURE	IMPAIRMENT	NO. OF TRANSACTIONS	EXPOSURE	IMPAIRMENT
3	1 751 044	178 151	9	12 868 739	277 976

DEFAULTING LOANS			TOTAL		
NO. OF TRANSACTIONS	EXPOSURE	IMPAIRMENT	NO. OF TRANSACTIONS	EXPOSURE	IMPAIRMENT
6	6 566 864	379 803	18	23 449 776	530 242

	31.12.2019
Opening balance of the restructured loan portfolio (gross of impairment)	15 989 436
Restructured loans in the period	-
Interest accrued on the restructured portfolio	-
Payment of restructured loans (partial or total)	-
Loans restated from “restructured” to “normal”	-
Other	7 460 340
Closing balance of the restructured loan portfolio (gross of impairment)	**23 449 776**

F) BREAKDOWN OF THE FAIR VALUE OF COLLATERAL UNDERLYING THE LOAN PORTFOLIO OF THE CORPORATE, CONSTRUCTION & CRE AND HOUSING SEGMENTS

31.12.2020	CONSTRUCTION & CRE			
	BUILDINGS		OTHER REAL COLLATERAL*	
FAIR VALUE	NUMBER	AMOUNT	NUMBER	AMOUNT
<0.5M€	4	1 331 000	5	3 604 284
>=0.5M€ e <1M€	6	4 661 000	3	1 875 500
>=1M€ e <5M€	12	30 750 800	9	16 413 324
>=5M€ e <10M€	8	55 165 261	7	36 807 054
>=10M€ e <20M€	2	24 474 892	1	7 850 501
>=20M e <50M€				
>=50M				
Total	**32**	**116 382 953**	**25**	**66 550 662**

**Example: shares, bonds, deposits, material assets*

31.12.2019	CONSTRUCTION & CRE			
	BUILDINGS		OTHER REAL COLLATERAL*	
FAIR VALUE	NUMBER	AMOUNT	NUMBER	AMOUNT
<0.5M€	4	1 331 000	5	3 604 284
>=0.5M€ e <1M€	6	4 661 000	3	1 875 500
>=1M€ e <5M€	12	30 750 800	9	16 413 324
>=5M€ e <10M€	8	55 165 261	7	36 807 054
>=10M€ e <20M€	2	24 474 892	1	7 850 501
>=20M e <50M€				
>=50M				
Total	**32**	**116 382 953**	**25**	**66 550 662**

**Example: shares, bonds, deposits, material assets*

CORPORATE			
BUILDINGS		OTHER REAL COLLATERAL	
NUMBER	AMOUNT	NUMBER	AMOUNT
1	235 000	5	9 150 920
1	786 000	1	763 000
10	23 000 402	9	19 223 694
1	5 794 480	1	27 415 980
1	16 627 200	1	8 246 554
14	46 443 082	17	64 800 148

CORPORATE			
BUILDINGS		OTHER REAL COLLATERAL	
NUMBER	AMOUNT	NUMBER	AMOUNT
1	235 000	5	9 150 920
1	786 000	1	763 000
10	23 000 402	9	19 223 694
1	5 794 480	1	27 415 980
1	16 627 200	1	8 246 554
14	46 443 082	17	64 800 148

G) LTV RATIO OF SEGMENTS

2020

SEGMENT/RATIO	COMPLIANT LOANS	NON-COMPLIANT LOANS	IMPAIRMENT
Individuais			
With no associated collateral	413 377	24 511	67 693
<60%	2 451 932	0	2 536
>=60% and <80%	11 862 383	34 843	65 746
>=80% and <100%	1 434 626	0	567
>=100%	67 389	0	58 017
Construction & CRE			
With no associated collateral	1 275 749	87	48
<60%	0	244 166	39 877
>=60% and <80%	6 501 976	0	162 220
>=80% and <100%	833 413	0	2 909
>=100%	9 329 808	0	287 436
Corporate			
With no associated collateral	143 353	178 725	185 824
<60%	7 997 282	0	11 048
>=60% and <80%	3 051 323	0	2 084
>=80% and <100%	4 872 252	0	213 559
>=100%	2 715 433	0	9 635
Non-contractualised			
With no associated collateral	0	3 408 109	398 424
<60%	0	23	0
>=60% and <80%	1 577 672	0	1 687
>=80% and <100%	0	0	0
>=100%	0	0	0
Guarantees			
With no associated collateral	423 234	0	1 128
<60%	1 190 000	0	939
>=60% and <80%	15 568	0	10
>=80% and <100%	93 309	0	47
>=100%	779 500	21 488	71 641
Total	90 792 917	3 911 953	1 674 209

2019

SEGMENT/RATIO	COMPLIANT LOANS	NON-COMPLIANT LOANS	IMPAIRMENT
Private			
With no associated collateral	3 251 133	936	43 922
<60%	6 047 164	0	43 001
>=60% and <80%	6 479 882	0	29 439
>=80% and <100%	715 000	0	4 185
>=100%	1 508 540	17 621	56 080
Construction & CRE			
With no associated collateral	1 759 492	0	44 641
<60%	31 048 436	6 998	37 209
>=60% and <80%	7 908 333	0	84 214
>=80% and <100%	3 206 649	0	9 749
>=100%	0	0	0
Corporate			
With no associated collateral	419 696	0	49 922
<60%	17 023 690	0	63 230
>=60% and <80%	3 730 019	0	5 230
>=80% and <100%	690 397	0	6 316
>=100%	165 056	0	12 739
Non-contractualised	1 862 002	7 283 466	1 103 687
With no associated collateral			
<60%			
>=60% and <80%			
>=80% and <100%			
>=100%			
Guarantees			
With no associated collateral	270 845	0	7 748
<60%	1 800 000	0	0
>=60% and <80%	0	0	0
>=80% and <100%	15 568	0	0
>=100%	10 372 396	0	1 433
Total	98 274 299	7 309 021	1 602 744

H) BREAKDOWN OF THE FAIR VALUE AND NET BOOK VALUE OF PROPERTY RECEIVED AS PAYMENT IN KIND, BY TYPE OF ASSET AND SENIORITY

31.12.2020

ASSET	NO. OF PROPERTIES	ASSET FAIR VALUE	BOOK VALUE
Land			
Urban	1	119 000	85 680
Total	**1**	**119 000**	**85 680**

I) BREAKDOWN OF THE LOAN PORTFOLIO BY INTERNAL RISK DEGREE

31.12.2020	LOW RISK DEGREE			MEDIUM RISK DEGREE			
SEGMENT	1	2	3	4	5	6	7
Construction & CRE				3 750 000	3 990 244	6 542 879	4 314 507
Corporate				0	23 438	478 612	6 209 019
Private				29 332	1 062 455	3 088 484	986 832
Bank gurarantees				93 309	6 702 010	0	236 167
Non-contractualised				0	0	0	1 577 672
Total		**0**	**0**	**3 872 642**	**11 778 147**	**10 109 975**	**13 324 198**

31.12.2020	LOW RISK DEGREE			MEDIUM RISK DEGREE			
SEGMENT	1	2	3	4	5	6	7
Construção & CRE				5 850 000	8 877 186	5 183 814	1 275 000
Corporate				42 188	2 000 000	0	3 885 559
Private		1 475 947		943 250	28 403	3 533 392	285 000
Bank guarantees					427 048	2 982 385	1 887 151
Total		**1 475 947**		**6 835 437**	**11 332 637**	**11 699 591**	**7 332 709**

**Does not include the category "Non-contractualised"*

J) DISCLOSURE OF RISK PARAMETERS ASSOCIATED WITH THE IMPAIRMENT MODEL BY SEGMENT

2020	IMPAIRMENT			
	PD(%)			
SEGMENTS	< 30 DAYS WITH NO EVIDENCE	< 30 DAYS WITH EVIDENCE	BETWEEN 30-90 DAYS	LGD (%)
Construction & CRE	20%	0%	0%	0%
Corporate	18%	20%	20%	0%
Guarantees	8%	3%	3%	0%
Private	0%	24%	24%	0%
Non-contractualised	6%	0%	0%	0%

31.12.2019

ASSET	NO. OF PROPERTIES	ASSET FAIR VALUE	BOOK VALUE
Land			
Urban	1	119 000	85 680
Total	**1**	**119 000**	**85 680**

HIGH RISK DEGREE			DEFAULT	TOTAL
8	9	10	11	
10 221 706	739 603	1 275 762	8 603 780	39 438 481
5 690 047	1 506 276	926 191	5 485 597	20 319 180
455 000	8 011 842	2 876 221	218 764	16 728 930
2 981 488	2 029 500	0	1 190 000	13 232 475
0	0	0	3 249 654	4 827 326
19 348 242	**12 287 221**	**5 078 174**	**18 747 794**	**94 546 392**

HIGH RISK DEGREE			TOTAL
8	9	10	
8 728 189	6 006 509	8 002 214	43 922 912
10 335 980	590 000	5 175 131	22 028 857
655 083	7 325 113	3 755 531	18 001 719
799 017	0	6 363 209	12 458 809
20 518 268	**13 921 622**	**23 296 085**	**96 412 297**

2019	IMPAIRMENT			
	PD(%)			
SEGMENTS	< 30 DAYS WITH NO EVIDENCE	< 30 DAYS WITH EVIDENCE	BETWEEN 30-90 DAYS	LGD (%)
Construction & CRE	11%	0%	0%	0%
Corporate	9%	0%	0%	0%
Guarantees	1%	0%	0%	0%
Private	7%	0%	0%	4%
Non-contractualised	1%	0%	0%	58%

2.5. Market risk

Market risk is the likelihood of negative impacts affecting the results or capital due to unfavourable changes in the market price of banking and trading portfolio instruments, including fluctuations in interest rates, foreign exchange rates, stock quotes and price of goods.

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

Indirectly, this type of risk impacts on assets held in custody, under management and traded, and can lead to a reduction in the Bank's revenues. Combined with credit risk and liquidity risk, it can generate losses in the execution of credit guarantees.

The Bank maintains investments in the financial markets through it own portfolios of available for sale assets, assets measured at fair value and assets held to maturity, in accordance with EU Regulation No 575/2013, recorded in accordance with IAS 38 and 39. These portfolios are regularly measured by Coolbiz (the Bank's back-office application) according to stock price updates. For accounting purposes, the portfolio of assets held to maturity is recorded at amortised cost and the remaining ones at fair value. Unrealised gains or losses are recognised in reserves, in the case of available for sale assets, and in profit or loss for the remainder.

In prudential terms, market risk capital requirements apply to trading portfolio.

To determine the capital requirements to hedge the trading book's market risk, the two-week historical VaR method is used, with a 99.9% confidence interval and a 1-year time horizon.

The model's time parameters are in line with what is customary in the industry and with the definitions in Article 365(1)(c) and (d) of Regulation No 575/2013. As for the confidence interval, sub-paragraph b) of said article refers to 99%. However, for the sake of consistency with its Risk Appetite Vision, the Bank adopted 99.9% for the confidence interval, which is much more conservative than the regulatory order:

	2020	2019
VaR Trading portfolio	353 382	202 535

Exchange risk is the likelihood of negative impacts affecting the results or the Bank's equity due to adverse changes in the Bank's balance sheet caused by exchange rates used for translation into the functional currency or by changes in the Bank's competitive position due to significant changes in exchange rates. This risk is analysed for all positions denominated in currencies other than the euro.

The negative impacts arising from short-term exchange rate fluctuations normally result from the institution's trading activity. Indirectly, this risk impacts on the guarantees received denominated in foreign currency and on the portfolio management activity and financial brokerage.

With respect to currency mismatch, as at December 2020 the exchange risk was residual in the amount of 555 475€.

For prudential purposes, the Bank uses the general risk assessment method of Regulation (EU) No 575/2013. Whenever net positions exceed 2% of total own funds, the Bank assesses capital requirements for foreign exchange risk.

The position at risk results from the sum of net positions in currencies other than the euro and in collective investment undertakings where positions are not broken down. As at 31.12.2020, prudential capital for exchange risk amounts to 555 475€, as shown in the table below:

MOEDA	2020	2019
USD	181 891 €	276 967 €
CHF	40 294 €	212 195 €
GBP	129 724 €	104 274 €
CAD	41 785 €	68 030 €
NOK	5 098 €	65 397 €
AUD	19 715 €	50 547 €
NZD	18 836 €	19 771€
SEK	19 275 €	12 992 €
DKK	2 762 €	7 679 €
HKD	27 292 €	2 601 €
BRL	67 473 €	2 297 €
JPY	1 200 €	1 349 €
ZAR	74 €	91 €
RUB	45 €	51 €
PLN	12 €	12 €
Total	**555 475 €**	**824 253 €**

Interest rate risk

The interest rate risk is the likelihood of negative impacts affecting the results or capital due to adverse changes in interest rates and relates to the balance sheet items, except the trading portfolio, but includes off-balance sheet items. It results from the combination of base risk, interest rate yield curve, repricing risk and option risk. The following are the concepts underlying each risk sub-type in the interest rate risk:

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

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

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

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

Instruction 3/2020 of Banco de Portugal repealed Instruction 34/2018 of Banco de Portugal.

Instruction 34/2018, in turn, had introduced a different approach to the treatment of cash flows, in particular as regards floating-rate position, when compared with that of Instruction 19/2005, which it repealed. The main changes now introduced by Instruction 3/2020 refer to more elaborate scenarios in terms of yield curves and the introduction of additional reporting maps.

For prudential purposes, the Bank uses the general risk assessment method of Regulation (EU) No 575/2013. Compliance with BdP Instruction no. 34/2018 and BdP Instruction no. 03/2020, which updates it, is also ensured, consisting in the standardised reporting of the exposure to interest rate risk of the banking portfolio and the impact on the variation of the economic value and on the financial margin of a sudden and unexpected change in interest rates.

2.6. Operational risk

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 No 575/2013. Operational risk is assessed at two different levels: technical and organisational. At a technical level, Banco Carregosa has also chosen to invest strongly in information technolgy. As a result of this strategy, the Bank has a solid computer system, highly flexible and reliable for the Bank's operating processes. The Bank's information systems contain sensitive and confidential private financial and personal data. Only the staff at Banco Carregosa is allowed to access these systems, in addition to subcontracted workers, under an appropriate framework, involved in the system's development or operation, or whose work involves the recording, review or retrieval of that data. This privilege is based on trust, good faith and is duly documented. At organisational level, in particular in the means and form used in reporting, monitoring risk and rules and policies related thereto, the Bank had to redefine and seek a new compromise between commercial interests and risks involved.

To monitor the risk, a model is in place that allows the Bank to:

- Identify 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 of the Bank.

2.7. Liquidity risk

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 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 in the European Union, in accordance with Directive No 2013/36/EU of 26 June, of the European Parliament and of the Council on the access to the activity of credit institutions and prudential supervision of credit institutions and investment companies (Capital Requirements Directive, or CRD IV) and of the EU Regulation No 575/2013 of the European Parliament and of the Council, of 26 June, on the prudential requirements for credit institutions and for investment companies (Capital Requirements Regulation, or CRR).

Banco Carregosa favours deposit investments in Central Bank, in other credit institutions and in tradable securities, thus avoiding cash shortfalls.

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

- Allocation of assets, liabilities and off-balance sheet items;
- Estimates of minimum requirements for own funds;
- Counterparty concentration;
- Liquidity profile;
- Other prudential indicators.

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

2.8. Information system risks

Information system risks reside in the probability of negative impacts on profit and loss or on the Bank's equity arising from the information systems being incapable of preventing unauthorised accesses, of ensuring the integrity of data, or of continuing the business in the event of a failure, as well as of the pursuance of an inadequate strategy in this area, leading to, for example, the information systems being inadequate for new needs. This is systematised in the table below, which also points out the main factors that affect each of the identified risks.

OPERATIONAL RISK | Information Systems

- Strategy
- Flexibility
- Access
- Integrity
- Continuity
- Outsourcing

RISK LEVELS	RELEVANT FACTORS
Strategy	Consistency of the strategy defined for information systems with the (current and foreseeable) business needs of the Bank;
	Soundness and effectiveness of information system policies;
	Management and resource support to the strategy and information system policies.
Flexibility	Flexibility and upgrading capacity;
	Time needed for upgrading and maintenance.
Access	Identification of functions and responsibilities as the basis for granting differentiated accesses;
	Access to the registration of the user who performed a specific process or task;
	Efficacy and adequacy of the authorisation process;
	Robustness of protection and security mechanisms.
Integrity	Completeness, correctness, consistency, relevance and timeliness of information;
	Compliance with regulatory requirements and parameters defined at internal level;
	Scale and standardisation of manual interventions;
	Scale of virus infections.
Continuity	Availability of information and information processing systems during office hours;
	Delays in recovering information and resuming information processing after a failure;
	Contingency plan adequacy to IT risks.
Outsourcing	Existence and importance of outsourcing contracts;
	Duration of relationship and credibility of outsourced companies;
	Transparency of contractual relations with outsourced companies;
	Rotation and quality monitoring of resources used by outsourced companies;
	Confidentiality of information transmitted to or handled by outsourced companies;
	Ease and cost of detecting errors or faults made;
	Degree of the Bank's control of the quality of outsourced companies' activity;
	Level of completion of services and ease of replacement.
	Existence and importance of outsourcing contracts;
	Duration of relationship and credibility in the outsourced companies market;
	Transparency of contractual relations with outsourced companies;
	Confidentiality of information transmitted to or handled by outsourced companies;
	Ease and cost of detecting errors or faults made;
	Degree of the Bank's control of the quality of outsourced companies' activity;
	Level of completion of services and ease of replacement.

Information systems contain private and personal financial data considered sensitive and confidential. Access to these systems is limited exclusively to the Bank's employees and to sub-contracted collaborators who, under prior appropriate rules, is involved in system development or operation, or whose work involves the recording, reviewing or recovery of such data. Some one-off situations involving sub-contracted service providers (outsourcing) are subject to the same restrictions applicable to the Bank's employees.

The Bank recognises that information is a valuable asset and has, therefore, implemented sophisticated security and backup systems at communications level, with the required levels of redundancy of machines and communication lines, among others.

To support the existing system, the Bank's IT structure and its use is regulated through a Computer Use Policy, known to all employees. The Bank also has in place sophisticated redundancy and contingency systems.

We have identified four major related risks, and offer a description thereof below.

i. First, those related to information systems assets (hardware) and the respective physical response, which is a matter that is addressed in the set of operational risks linked to the Bank's assets. All other systems are the object of first line suppliers, and it is up to them to ensure continuity of operation.

ii. Second, the risks related to security and integrity of information were considered. These are subject to specific procedures, by the security infrastructure implemented and also by an insurance policy, in operation, which mitigates the impact of any relevant risk.

iii. Third, it is the Bank's responsibility to consider the risks related to business continuity, based on the availability and performance of its infrastructure and applications, with special impact on market activities, as they are those in which the logic of availability and response in real time are decisive. In other activities, although financially of greater magnitude, such as credit granting or even securities management, this becomes less relevant.

- On the one hand, it has reinforced its redundancy mechanisms at the level of infrastructures, having today a very comfortable solution, which supposedly allows it to reduce unavailability periods;

- On the other hand, service providers have diversified, so that today there are always redundant services, which are used recurrently and not only contingently, in order to ensure an effective back-up at very similar costs.

iv. Fourth, in the area of information systems, the matter of outsourcing is of particular importance and, in the case of the Bank, the following options coexist:

- On the one hand, it has reinforced its redundancy mechanisms at infrastructure level, having today a very comfortable solution, which supposedly allows it to reduce unavailability periods;

- On the other hand, service providers have been diversified, so that today there are always redundant services, which are used on a recurring basis and not only on a contingent basis, in order to ensure an effective back-up at very similar costs.

2.9. Compliance risk

Compliance risk is the likelihood of negative impacts affecting the Bank's results or equity, arising from violations or non-conformances with the laws, regulations, contracts, codes of conduct, established practices or ethical principles. They may result in legal or regulatory penalties, the limitation of business opportunities, less expansion potential or render impossible the requirement to meet obligations. This risk derives from various circumstances, listed in the table below, and impacts on the reputational risk, which will be treated in a separate topic.

RISK LEVELS	RELEVANT FACTORS
Compliance with laws and regulations	Compliance with norms governing the activity, namely legal and regulatory requirements, including fiscal;
	Accuracy, rigour, completeness and compliance with reporting periods;
	Veracity and accuracy of statements and tax calculations;
	Capacity to anticipate changes in tax rules;
	Implementation of sanctions or legal proceedings due to non-compliance, in particular by supervisory authorities, other activity regulators and tax authorities
Information reporting	Change in reporting duties
	Ability to monitor reporting duties
	Proper identification of information and form of reporting required
	Capacity to process information
Compliance with codes of conduct	Respect for practices, procedures and policies by ethical principles and instituted practice;
	Comprehensiveness of the code of conduct and of various principles and ethical rules, including accurate and clear codes of conduct, in particular the duty of secrecy, conflicts of interest, on the use of privileged information and others related with organisational culture;
	Overall knowledge and understanding of the code of conduct by employees and collaborators;
	Appreciation, by the Bank, of the integrity of its employees, visible in the selection criteria and institutional training programmes;
	Punishing offences within the law.
Transparency	Compliance with information disclosure requirements;
	Level of transparency, as evidenced by the voluntary availability of information, either on the website, at the Bank's facilities, or to be sent to interested parties;
	Helpfulness in providing information to the authorities, even based on informal contacts;
	Availability of the "right" information to clients and other counterparts, either when the business relationship is concluded, or information provided subsequently.
Money laundering and terrorist financing	Non-compliance with prevention of money laundering and sanctions imposed;
	Development of business areas usually associated with money laundering and their relevance to the institution's overall business;
	Risk profile of clients and counterparts in money laundering;
	Geographical areas in which the institution operates.

The Bank pays special attention to the compliance risk, not so much for its financial impact, but because it is determined to comply with all legal rules. For this reason, there is an ongoing concern to improve the competences of the Compliance Department employees and to strengthen the technical resources they have access to, providing specific tools to look up sanctioned entities or Politically Exposed Persons, and also of resources for monitoring communications through Bloomberg. The Bank nevertheless considers that monitoring this risk is not a duty of the Compliance Department alone.

The analysis of the adequacy and compliance with procedures depends on contributions from all the departments, who are responsible for identifying potential improvements and situations of non-compliance with the previously established procedures.

The Compliance Department is in charge of event management (complaints, suggestions or requests for clarification from clients). Based on its analysis, and whenever appropriate, this department verifies the adequacy of the procedures. If they are found to be inadequate, the Internal Control departments study the changes that need to be made.

In order to improve the procedures in force, the training actions proposed by the DPC should also be highlighted.

All the Bank's contracts follow standardised models drawn up by Legal, with the intervention and monitoring of the Compliance Department. In controlling its responsibilities towards third parties, the Bank pays special attention to the correct completion of contracts, especially in the account opening process, where clear verification and approval procedures have been defined. Whenever, due to the nature of the counterparties, the Bank considers it necessary to strengthen its identification and diligence duties, the files are subject to prior verification by the Compliance Department.

The Bank allocates economic capital for this risk, by estimating potential losses resulting from a serious event, namely fines for non-compliance. This value is validated with the DC. In order to assess the reasonability of the allocated capital, the published history of fines imposed by the supervisory authorities - BdP and CMVM - is verified, taking the historical basis of administrative offences as support for the estimate.

Therefore, as far as the BdP is concerned, the information made available by the institution on its website was taken, resulting in an analysis of 146 cases between 2016 and 2020 (5 years). From this base, the process 102/14/CO, concerning Caixa Económica Montepio Geral, was removed, due to the disproportion of situations and values, keeping all the remaining processes, not being applied any other principle of proportionality.

2.10. Capital management

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

Management practices

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

- Ongoing monitoring of regulatory equity requirements;

- Annual review of risk appetite;

- Setting business objectives properly measured in equity planning.

In addition to regulatory requirements, the Bank has in place a Recovery Plan which establishes the decision-making protocol applicable to crisis management and, on the other hand, identifies the pre-defined actions and strategies to respond to events that may have an adverse impact on capital.

Finally, but also in particular as regards equity management, the Bank performs an internal and prospective annual self-assessment of all material risks to which the institution is exposed, the ICAAP (Internal Capital Adequacy Assessment Process).

ICAAP

ICAAP is an essential tool in the definition of the Bank's strategy, enabling the follow-up and monitoring of the consequences of its execution. This process enables the regular analysis of risk appetite and compares it with the defined appetite and the availability of economic capital. The ICAAP is prepared along two dimensions:

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

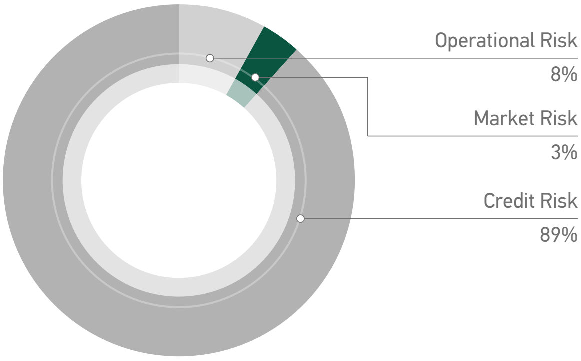
- Economic capital and its requirements, which quantifies the risk according to the confidence level established in its RAS (Risk Appetite Statement). The qualitative analysis completes the exercise in a systemic approach;

The Risk Department (RD) is responsible for presenting proposals for measures to assess the need and availability of economic capital, which are discussed and approved internally. These proposals are presented to the Asset and Liability Committee (ALCO), which issues its own recommendations, and they are then approved by the Executive Committee. The Risk department is also responsible for developing stress tests, scenario analyses, financing and capital plans, and for most of the prudential reports in the context of risk and capital management.

REGULATORY CAPITAL

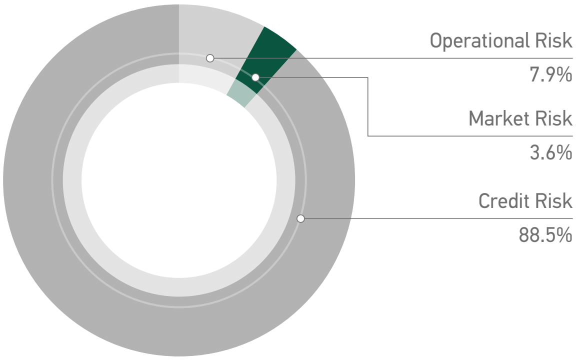
On the prudential side, regulatory capital requirements are associated to credit, market and operational risks. The table below shows the risk-weighted assets (RWA) and corresponding capital requirements for the various types of regulatory risks, as at 31 December.

RISK TYPES	OWN FUNDS REQUIREMENTS	RISK WEIGHTED ASSETS
Credit Risk	15 521 747 €	194 021 835 €
Market Risk	529 399 €	6 617 492 €
Operational Risk	1 438 211€	17 977 636 €
Total	**17 148 146 €**	**214 351 820€**



Below are the risk weighted assets (RWA) as at December 2019 and corresponding own funds requirements for the various types of regulatory risks:

RISK TYPES	OWN FUNDS REQUIREMENTS	RISK WEIGHTED ASSETS
Credit Risk	16 141 625 €	201 770 318 €
Market Risk	650 777 €	8 134 713 €
Operational Risk	1 438 211 €	17 977 636 €
Total	**18 230 613 €**	**227 882 667 €**



Note should be made of the strong preponderance of credit risk, responsible for 89% of prudential requirements.

- **Credit risk** - for prudential purposes, the Bank uses the following methods with respect to credit risk, in accordance with the CRR:

  - Standard Method, using the market price for measuring Counterparty Risk;

  - Comprehensive Method on financial collateral, as a means to reduce risk, when applicable.

The Bank analyses the credit risk on all its assets, except for the assets included in the securities portfolio measured at fair value and others deducted from own funds, as well as on some off-balance sheet items potentially subject to this type of risk. As regards counterparty credit risk, asset, liability and off-balance sheet items are included, irrespective of the portfolio of which they are part, always excluding those deducted from own funds or weighted at 1.250% for other types of risk.

With respect to the calculation of capital requirements associated to other categories, the Bank uses the following regulatory methods:

- **Market Risk** - for prudential purposes, the Bank uses the General or Specific Risk Assessment Method of the CRR. Capital requirements for the Bank's risk position consist in the sum of capital requirements for specific and general risk of positions in debt instruments and capital;

- **Operational Risk** - determine the capital requirements for hedging operating risks in prudential terms, the Bank follows the Basic Indicator Approach, according to which the requirement equals to 15% of the average of the previous three years for the Relevant Indicator. The Relevant Indicator is defined based on the accounting categories of the Statement of profit and Loss, in accordance with Article 316 of the CRR.

OWN FUNDS

The risk absorption capacity is determined by the amount of own funds. To calculate own funds the applicable regulatory standards in effect must be followed, in particular the aforementioned CRR, based on the accounting information in the financial statements, especially those of the capital items, and complemented with non-accounting information.

Total own funds correspond to the sum of basic own funds (Common Equity Tier 1) and ancillary own funds (Tier 2), after deductions have been applied to these items. The main positive items of own funds as at 31 December 2020 were:

- Paid-in capital: the Bank's share capital is represented by 200 million registered book-entry shares, each with a par value of €0.10, fully subscribed and paid;

- Issue premiums: these refer to the premiums paid by shareholders in capital increases, in this case in the amount of 369 257€;

- Retained earnings – these refer to retained earnings in the amount of 4 029 175€;

- Reserves: the amount of profit generated over the financial years but retained in the company as legal reserve, other reserves and/or retained earnings, excluding positive reserves arising from unrealised gains in sovereign bonds. In this case, they amount to 16 832 725€;

- Net result for the financial year – if positive, only after the legal certification of accounts, the net profit for the financial year in progress and for the previous year, and both are in any case included in the calculation, when negative.

CAPITAL INDICATORS

As at 31 December 2020, risk-weighted assets amounted to 214 35M€, setting capital requirements of 17.14M€ - comfortably hedged by own funds in the amount of 37.47M€.

As such, on that date the Bank showed a Tier 1 own funds ratio that tallied with the total own funds ratio at 17.48%.

Finally, it should be noted that the leverage ratio amounted to 9.92%. In line with article 429 of the CRR, the leverage ratio is calculated by dividing the measure of own funds by the measure of total exposure of that institution, and is expressed as a percentage.

3. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated balance sheet and statement of profit and loss accounts are compared as at 31 December 2020 and 31 December 2019, in compliance with the International Financial Reporting Standards, and consist of the following headings:

3.1 Cash and deposits at central banks and other demand deposits Note 1

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Cash	127 552	136 183
Deposits at Banco de Portugal	56 461 979	53 495 169
Demand deposits at monetary institutions		
Residents	36 846 996	19 658 781
Non-residents	21 845 761	26 688 086
	115 282 287	99 978 219

Demand deposits at Banco de Portugal include interest-earning deposits for meeting the legal cash reserve requirements.

3.2.1 Financial assets held for trading Note 2.1

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Trading securities		
Securities	4 695 697	6 585 509
Derivative instruments with a positive fair value	15 728	258 687
	4 711 425	6 844 196

This portfolio dropped by 31.2% compared to the previous financial year, as a result of a new perspective on treasury applications, the position detail of which is shown in the following table.

FINANCIAL ASSETS HELD FOR TRADING

As at 31 December 2020, this heading is broken down as follows:

NATURE AND TYPE OF SECURITIES	AQUISITION VALUE	BALANCE SHEET VALUE	CAPITAL		IMPAIRMENT	ACCRUED INTEREST
		FAIR VALUE	GAINS	LOSSES		
DEBT INSTRUMENTS						
Issued by residents Of Portuguese public debt						
Treasury bonds	182 180	188 507	5 502	0	-	825
Of other resident issuers						
Non-subordinated debt	2 185 270	2 142 713	0	56 543	-	13 986
Subordinated debt	882 996	855 701	0	34 428	-	7 133
Issued by non-residents Of other foreign public issuers						
Non-subordinated debt	545 095	548 821	1 239	1 250	-	3 737
Subordinated debt	500 000	528 739	15 260	0	-	13 479
	4 295 541	4 264 481	22 001	92 221	0	39 160
EQUITY INSTRUMENTS						
Issued by non-residents Of other non-resident issuers						
Shares	48	258	210	0	-	-
Investment units	146 819	140 786	11	6 044	-	-
	146 867	141 044	221	6 044	-	-
OTHERS						
Issued by non-residents Of other non-resident issuers						
ETF	23	24	1	0		
Structured products	278 000	290 149	12 149	0	-	0
	278 023	290 172	12 149	0	-	0
DERIVATIVE INSTRUMENTS WITH A POSITIVE FAIR VALUE						
Other						
Unrealized gains from CFDs over currency	-	15 728	-	-	-	0
	-	15 728	-	-	-	0
Total	4 720 431	4 711 425	34 371	98 265	-	39 160

FINANCIAL ASSETS HELD FOR TRADING

As at 31 December 2019, this heading is broken down as follows:

NATURE AND TYPE OF SECURITIES	AQUISITION VALUE	BALANCE SHEET VALUE	CAPITAL		IMPAIRMENT	ACCRUED INTEREST
		FAIR VALUE	GAINS	LOSSES		
DEBT INSTRUMENTS						
Issued by residents Of Portuguese public debt						
Treasury bonds	182 180	187 244	4 249	0	-	815
Of other resident issuers						
Non-subordinated debt	2 185 270	2 219 965	21 248	0	-	13 448
Subordinated debt	847 996	920 352	59 880	0	-	12 476
Issued by non-residents Of other non-resident issuers						
Non-subordinated debt	1 764 055	1 802 978	0	8 143	-	47 066
Subordinated debt	572 093	588 646	820	150	-	15 883
	5 551 594	5 719 185	86 196	8 293	0	89 688
EQUITY INSTRUMENTS						
Issued by non-residents Of other non-resident issuers						
Shares	0	1 304	1 304	0	-	-
	0	1 304	1 304	0	-	-
OTHERS						
Issued by residents Of other resident issuers						
Other	23	24	1	0		
Issued by non-residents Of other non-resident issuers						
Structured products	804 123	845 830	41 832	125	-	0
	824 123	865 019	41 832	935	-	0
DERIVATIVE INSTRUMENTS WITH A POSITIVE FAIR VALUE						
Other						
Unrealized gains from CFDs over currency	-	258 687	-	-	-	0
	-	258 687	-	-	-	0
Total	6 375 717	6 844 196	129 332	9 228	-	89 688

3.2.2 Non-trading financial assets mandatorily at fair value through profit or loss Note 2.2

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Non-trading financial assets mandatorily at fair value through profit or loss	11 189 245	11 080 066
	11 189 245	11 080 066

3.2.3 Other financial assets Note 2.3

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Other securities		
Issued by residents	36 768	22 543
	36 768	22 543

Amount relating to the contribution to the Work Compensation Fund, recorded at fair value, for which quote is obtained from the Work Compensation Fund website.

3. 3 Financial assets at fair value through other comprehensive income Note 3

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Issued by residents		
Debt instruments	11 324 253	7 991 180
Equity instruments	633 384	701 228
Other	0	0
	11 957 637	8 692 408
Emitidos por não residentes		
Debt instruments	45 078 494	92 769 433
Equity instruments	0	0
Other	0	0
	45 078 494	92 769 433
	57 036 132	101 461 841

This portfolio decreased by 43.8% compared to the previous year due to the measures taken to deal with the crisis in the markets caused by the novel coronavirus. Thus, with the aim of protecting the Bank's own funds from market instability, it was decided to increase the financial assets portfolios at amortised cost to maturity to the detriment of the classification as financial assets at fair value through other comprehensive income.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2020 this heading is broken down as follows:

NATURE AND TYPE OF SECURITIES	AQUISITION VALUE	BALANCE SHEET VALUE	CAPITAL		IMPAIRMENT RECOGNISED IN ASSET	IMPAIRMENT RECOGNISED IN RESERVES	ACCRUED INTEREST
			GAINS	LOSSES			
DEBT INSTRUMENTS							
Issued by residents Of Portuguese public debt							
Treasury bonds	3 556 961	3 622 740	47 682	0	-	6 197	18 096
Of other resident issuers							
Subordinated debt	8 461 475	7 701 513	17 343	827 267	-	333 070	49 962
Issued by non-residents Of other foreign public issuers							
Non-subordinated debt	7 959 245	8 136 474	45 318	0	-	29 857	131 912
Of other non-resident issuers							
Non-subordinated debt	37 043 368	36 942 020	85 574	645 852	-	576 585	458 930
	57 021 048	56 402 747	195 917	1 473 118	0	945 708	658 901
EQUITY INSTRUMENTS							
Issued by residents Of other resident issuers							
Shares	752 500	633 384	0	119 116	0	0	0
	752 500	633 384	0	119 116	0	0	0
Total	57 773 548	57 036 132	195 917	1 592 234	0	945 708	658 901

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2019, this heading is broken down as follows:

NATURE AND TYPE OF SECURITIES	AQUISITION VALUE	BALANCE SHEET VALUE	CAPITAL		IMPAIRMENT RECOGNISED IN ASSET	IMPAIRMENT RECOGNISED IN RESERVES	ACCRUED INTEREST
			GAINS	LOSSES			
DEBT INSTRUMENTS							
Issued by residents Of Portuguese public debt							
Treasury bonds	1 682 196	1 745 125	53 284	504	-	1 578	10 150
Of other resident issuers							
Subordinated debt	6 239 713	6 246 054	5 906	15 593	-	84 946	16 028
Issued by non-residents Of other foreign public issuers							
Non-subordinated debt	11 912 979	12 095 504	33 142	1 132	-	113 159	150 515
Of other non-resident issuers							
Non-subordinated debt	79 672 468	80 673 930	282 247	162 888	5 825	368 910	882 103
	99 507 356	**100 760 613**	**374 579**	**180 118**	**5 825**	**568 593**	**1 058 796**
EQUITY INSTRUMENTS							
Issued by residents Of other resident issuers							
Shares	701 228	701 228	0	0	81 272	-	0
	701 228	**701 228**	**0**	**0**	**81 272**	**0**	**0**
Total	**100 208 584**	**101 461 841**	**374 579**	**180 118**	**87 097**	**568 593**	**1 058 796**

The changes occurred in impairment losses of the financial assets portfolio at fair value through comprehensive income are as follows:

	31.12.2020	31.12.2019
Balance on 1 January	655 690	319 660
Appropriation	2 255 710	1 125 233
Reversal	(1 960 191)	(794 140)
Utilisation		
Exchange and other differences	(5 501)	4 937
Balance on 31 December	945 708	655 690
reflected in assets	0	87 097
reflected in other comprehensive income	945 708	568 592

3. 4 Financial assets at amortised cost Note 4

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Assets		
Other availabilities	23 700	21 370
Investments in credit institutions	500 000	500 000
Investments held to maturity	52 338 245	1 017 848
Debtors and other investments	4 295 372	20 078 691
Loans to clients	79 952 811	91 739 327
	137 110 128	113 357 236
	137 110 128	113 357 236

The changes in impairment losses of debtors and other investments are as follows:

	31.12.2020	31.12.2019
Balance on 1 January	243 838	199 975
Appropriation	7 859	43 863
Reversal		
Utilisation		
Exchange and other differences		
Balance on 31 December	251 697	243 838

With the entry into force of IFRS9, as of 01.01.2018 the Bank calculates impairments to the investments held to maturity portfolio. On 31.12.2020, the breakdown is as follows:

FINANCIAL ASSETS AT AMORTISED COST

As at 31 December 2020 this heading is broken down as follows:

NATURE AND TYPE OF SECURITIES	PAR VALUE	AQUISITION VALUE	EFFECTIVE RATE (AVER.)	BALANCE SHEET VALUE AMORTISED COST	IMPAIRMENT RECOGNISED IN ASSET	ACCRUED INTEREST
DEBT INSTRUMENTS						
Issued by residents Of Portuguese public debt						
Treasury bonds						
OTRV JULHO 2025	6 920 000	7 184 900	0.25%	7 176 221	13 529	30 948
PGB 0,475 10/30	6 000 000	6 042 660	0.41%	6 033 860	11 415	5 778
PGB 2,875 10/25	500 000	573 065	0.13%	567 496	1 069	3 033
Of other resident issuers Non-subordinated debt						
GALPPL 2,00 01/26	500 000	506 560	1.74%	506 956	4 678	5 355
Subordinated debt						
CEMAH	250 000	250 000	10.17%	252 645	7 709	10 625
Issued by non-residents Of other foreign public issuers						
Non-subordinated debt						
BTPS 0,05 01/23	3 000 000	2 963 520	0.48%	2 968 891	5 621	695
BTPS 0,50 02/26	1 000 000	1 019 560	0.12%	1 019 844	1 410	2 068
BTPS 0,60 06/23	1 000 000	1 015 200	0.14%	1 012 368	1 402	263
BTPS 1,00 07/22	4 000 000	4 065 320	-0.05%	4 054 570	7 652	18 616
BTPS 2,30 10/21	6 000 000	6 166 370	0.28%	6 117 224	7 490	29 112
CROATI 3,00 03/25	2 000 000	2 248 375	0.30%	2 268 469	4 203	48 493
GGB 3,50 01/23	5 000 000	5 386 415	0.08%	5 496 642	19 091	160 656
GGB 4,375 08/22	500 000	542 450	0.07%	541 240	1 904	9 110
SPGB 0,60 10/29	1 000 000	1 031 430	0.27%	1 028 723	1 123	1 002
GGB 3,375 02/25	500 000	568 150	0.07%	579 179	3 590	14 754
Of other issuers Non-subordinated debt						
ERAFP 4,196 02/24	500 000	435 000	8.41%	450 112	10 861	17 598
MTNA 1,00 05/23	1 500 000	1 457 645	2.00%	1 445 533	29 079	9 288
MYTIL 2,50 12/24	1 450 000	1 458 175	2.41%	1 366 693	93 638	3 021
SPMIM 3,75 09/23	1 000 000	1 017 000	3.18%	983 329	42 639	11 712
TITIM 2,75 04/25	1 000 000	1 014 225	2.43%	1 019 404	12 920	19 589
CEPSA 2,25 02/26	300 000	298 914	2.32%	299 376	2 767	3 162
ELPEGA 2,00 10/24	1 500 000	1 493 250	2.12%	1 487 393	13 803	7 233
UCGIM 2,20 07/27	1 500 000	1 507 075	2.12%	1 507 415	13 923	14 647
NFLX 3,00 06/25	1 000 000	1 058 125	1.68%	1 036 519	18 372	1 250
ELISGP 1,00 04/25	1 000 000	969 750	1.69%	962 358	16 945	7 452
CRTING 3,00 03/24	500 000	502 195	2.87%	498 733	6 405	3 125
SYNNVX 3,375 04/26	1 000 000	1 074 720	1.93%	1 085 767	9 900	23 949
PETBRA 4,5 01/25	500 000	555 475	1.96%	571 286	5 113	22 842
TOTAL	**50 920 000**	**52 405 524**		**52 338 244**	**368 251**	**485 374**

FINANCIAL ASSETS AT AMORTISED COST

As at 31 December 2019, this heading is broken down as follows:

NATURE AND TYPE OF SECURITIES	PAR VALUE	AQUISITION VALUE	EFFECTIVE RATE	BALANCE SHEET VALUE AMORTISED COST	IMPAIRMENT RECOGNISED IN ASSET
DEBT INSTRUMENTS					
Issued by non-residents Of other issuers					
Non-subordinated debt					
TRAFIG 5,00 04/20	1 000 000	915 000	7.47%	983 969	7 965
TOTAL	**1 000 000**	**915 000**		**983 969**	**7 965**

The changes occurred in impairment losses of the investments held to maturity portfolio are as follows:

	31.12.2020	31.12.2019
Balance on 1 January	**7 965**	**35 921**
Appropriation	512 187	735
Reversal	(151 901)	(28 691)
Utilisation		
Exchange and other differences		
Balance on 31 December	**368 251**	**7 965**

3.4.1 Loans to clients
Note 4.1

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Domestic loans		
Loans	42 113 996	45 634 947
Current account loans	33 551 065	38 760 703
Overdrafts in sight deposits	0	0
Purchase operations with resale agreement	0	0
Foreign loans		
Loans	929 163	1 016 831
Current account loans	1 306 487	1 965 681
Overdue loans and interest	3 506 070	4 032 398
Income receivable		
Shareholder loan	258 740	2 044 326
Revenue with deferred income	(184 437)	(170 629)
	81 481 084	**93 284 257**
Provisions/Impairments for Overdue loans and interest	**(1 528 273)**	**(1 544 930)**
	79 952 811	**91 739 327**

In 2020, the loan portfolio decreased by 12.8%, nevertheless remaining relevant in the Bank's overall activity, as regards new operations in each of the loan types offered by the Bank to its clients. It should be noted that loans are mostly covered by real and personal guarantees that significantly exceed the outstanding amounts.

The changes in impairment losses of the loan portfolio for sale are as follows:

	31.12.2020	31.12.2019
Balance on 1 January	**1 544 930**	**1 552 795**
Appropriation	7 451 725	1 012 762
Reversal	(6 903 469)	(919 793)
Utilisation	0	(100 639)
Exchange and other differences	(564 912)	(194)
Balance on 31 December	**1 528 274**	**1 544 930**

3. 5 Derivatives - Hedge accounting Note 5

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Hedging derivatives	68 713	79 046
Positive fair value - cash flow hedging	68 713	79 046

The Bank offers to its clients structured term deposits through a basket of specific products with minimum guaranteed remuneration and a maximum return conditional on the appraisal of this basket at maturity. At the same time, the Bank contracts similar options to hedge against the risk of the price increase of this basket, to ensure that it will receive the value of the option should it have to pay the client an interest greater than the minimum interest.

In the financial years of 2019 and 2020, hedging items, more specifically cash flow hedging (interest payable to clients at maturity) are recognised in Hedging derivatives at positive fair value. Premium is deferred and recognised as spent over the term deposit. Changes in option price over time and the expected evolution of interest payable were recognised under reappraisal reserves at fair value.

3. 6 Other property, plant and equipment Note 6

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Other property, plant and equipment		
Property	10 989 317	7 520 404
Equipment	7 793 434	7 385 171
	18 782 752	14 905 575
Accrued amortisations	(721 793)	(513 695)
Property	(6 405 099)	(5 802 462)
Equipment	(7 126 892)	(6 316 157)
	11 655 859	8 589 418

In 2020 there was a significant change in this item, with special emphasis on property, as a result of reappraisal performed by professionally qualified and independent appraisers. Thus, for this class of assets there was an increase of 3 468 913€, as a result of the revalued amount, which reflects its fair value on this date, less accumulated depreciation and any impairment losses.

The increase in the equipment item is justified by the fact that, in 2020, an investment was made in computer equipment to provide the Bank with the necessary means to implement teleworking.

The Bank adopted IFRS16 in 2019, which resulted, after determining the ability to control the asset, the lease term, and the implicit rate of the lease, in the recognition of a right-of-use asset, with the following impacts:

	31.12.2020	31.12.2019
Right-of-use asset		
Value recognised on 1 January	278 157.76	370 877.02
Amortisations	-92 719.24	-92 719.26
Balance on 31 December	185 438.52	278 157.76
Lease liability		
Value recognised on 1 January	278 713.24	370 877.02
Instalments paid	-93 010.75	-92 163.78
Balance on 31 December	185 702.49	278 713.24
Interest on lease liability	944.45	1 314.66

Changes in other intangible assets are shown in the following note:

3. 7 Intangible assets
Note 7

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Other intangible assets		
Goodwill	4 984	4 984
Automatic data processing system (software)	4 164 991	3 391 897
Property, plant and equipment em curso	0	67 053
Other	340 144	340 144
	4 510 120	3 804 079
Accrued amortisations		
Automatic data processing system (software)	(3 057 139)	(2 599 373)
Other	(297 773)	(275 120)
	(3 354 912)	(2 874 494)
	1 155 208	929 586

Intangible assets in progress dropped 67 053€ in 2020 following the restatement of the values recorded in the FundManager project to other costs.

PROJECT	31.12.2020	31.12.2019
FundManager Project	0	67 053
	0	67 053

Changes and balances as at 31 December 2020 under other property, plant and equipment and intangible assets, including amortisations and impairment adjustments, are presented in the following table.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS AS AT 31 DECEMBER 2020 (CONSOLIDATED)

CONTAS	AS AT 31.12.2019 GROSS VALUE	AS AT 31.12.2019 ACCRUED AMORTISATIONS	INCREASES DUE TO ACQUISITIONS	AMORTISATIONS IN THE YEAR	WRITE-OFFS (NET)	TRANSFERS
Other intangible assets						
Goodwill	5 184	0	0	0	(200)	0
Data processing systems (software)	3 391 897	(2 599 373)	773 094	(457 765)	0	0
Other intangible assets	340 144	(275 120)	0	(22 653)	0	0
Intangible assets in progress	67 053	0	44 722	0	0	0
	3 804 279	(2 874 494)	817 815	(480 418)	(200)	0
Property, plant and equipment						
Property	7 149 527	(420 976)	0	(115 378)	0	0
Equipment	7 385 171	(5 802 462)	465 063	(649 888)	(9 550)	0
Financial lease assets	0	0	0	0	0	0
Rights-of-use - IFRS 16	370 877	(92 719)	0	(92 719)	0	0
Property, plant and equipment in progress	0	0	0	0	0	0
	14 905 575	(6 316 157)	465 063	(857 985)	(9 550)	0
Totals	**18 709 854**	**(9 190 651)**	**1 282 878**	**(1 338 403)**	**(9 750)**	**0**

The Certified Accountant

The Board of Directors

SETTLEMENTS						
GROSS VALUE	AMORTISATIONS IN THE YEAR	ACCRUED AMORTISATIONS	ADJUSTED ACQUISITION VALUE	ADJUSTED AMORTISATIONS	ADJUSTED ACCRUED AMORTISATIONS	NET VALUE 31.12.2020
0	0	0	5 184	0	0	4 984
0	0	0	4 164 991	(457 765)	(2 599 373)	1 107 852
0	0	0	340 144	(22 653)	(275 120)	42 371
(111 775)	0	0	0	0	0	0
(111 775)	0	0	4 510 319	(480 418)	(2 874 494)	1 155 208
3 468 913	0	0	10 618 440	(115 378)	(420 976)	10 082 086
0	0	0	7 850 234	(649 888)	(5 802 462)	1 388 335
0	0	0	0	0	0	0
0	0	0	370 877	(92 719)	(92 719)	185 439
0	0	0	0	0	0	0
3 468 913	0	0	18 839 552	(857 985)	(6 316 157)	11 655 859
3 357 138	0	0	23 349 871	(1 338 403)	(9 190 651)	12 811 067

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS AS AT 31 DECEMBER 2019 (CONSOLIDATED)

CONTAS	AS AT 31.12.2018 GROSS VALUE	AS AT 31.12.2018 ACCRUED AMORTISATIONS	INCREASES DUE TO ACQUISITIONS	AMORTISATIONS IN THE YEAR	WRITE-OFFS (NET)	TRANSFERS
Other intangible assets						
Goodwill	5 184	0	0	0	(200)	0
Formation expenses	0	0	0	0	0	0
Multiannual costs	0	0	0	0	0	0
Data processing systems (software)	2 542 092	(2 425 695)	497 813	(173 678)	0	351 993
Other intangible assets	272 187	(263 125)	5 380	(11 996)	0	62 578
Intangible assets in progress	365 017	0	116 607	0	0	(414 571)
	3 184 480	(2 688 819)	619 799	(185 674)	(200)	0
Property, plant and equipment						
Property	6 875 172	(298 872)	0	(113 981)	0	274 355
Equipment	6 841 003	(5 335 657)	741 056	(701 347)	(4 617)	42 270
Financial lease assets	63 705	(8 122)	0	0	0	(63 705)
Rights-of-use - IFRS 16	0	0	0	0	0	0
Property, plant and equipment in progress	222 524	0	30 396	0	0	(252 920)
	14 002 404	(5 642 652)	771 452	(815 328)	(4 617)	0
Totals	**17 186 884**	**(8 331 471)**	**1 391 251**	**(1 001 003)**	**(4 816)**	**0**

The Certified Accountant

The Board of Directors

SETTLEMENTS						
GROSS VALUE	AMORTISATIONS IN THE YEAR	ACCRUED AMORTISATIONS	ADJUSTED ACQUISITION VALUE	ADJUSTED AMORTISATIONS	ADJUSTED ACCRUED AMORTISATIONS	NET VALUE 31.12.2019
0	0	0	5 184	0	0	4 984
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	3 391 897	(173 678)	(2 425 695)	792 524
0	0	0	340 144	(11 996)	(263 125)	65 024
0	0	0	67 053	0	0	67 053
0	0	0	3 804 279	(185 674)	(2 688 819)	929 586
0	0	(8 122)	7 149 527	(113 981)	(306 995)	6 728 551
0	0	0	7 624 330	(701 347)	(5 335 657)	1 582 709
0	0	8 122	0	0	0	0
370 877	(92 719)	0	370 877	(92 719)	0	278 158
0	0	0	0	0	0	0
370 877	(92 719)	0	15 144 734	(908 048)	(5 642 652)	8 589 418
370 877	**(92 719)**	**0**	**18 949 013**	**(1 093 722)**	**(8 331 471)**	**9 519 004**

3. 8 Investments in associated and subsidiary companies excluded from consolidation Note 8

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Accounted for by the equity method – in the country		
In the country		
Coolink - Serviços de IT services e Consultadoria, Lda.	39 188	41 021
	39 188	41 021

In 2019, Banco L. J. Carregosa, S.A. reduced its stake in Sociedade Coollink – Serviços de IT services e Consultadoria, Lda. to 25%, which is now recorded by the equity method.

3. 9 Current tax assets Note 9

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Current tax assets		
Corporate tax to be recovered	1 556	0
Other	246 239	0
	247 795	0
Deferred tax assets		
Temporary differences		
Property, plant and equipment	5 340	7 583
Other	260 607	183 974
	265 947	191 557
	513 742	191 557

This heading reflects only the impact in terms of temporary differences of income tax. As indicated in accounting policies, the temporary differences between amortisations accepted for taxation purposes and those recognised in accounting and on impairment losses are also identified.

3.10 Other assets
Note 10

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Other assets	3 532 646	3 506 640
Other income receivable		
Commissions for services rendered	41 400	15 579
Costs with deferred charges		
Insurance	116 942	117 300
Other costs with deferred charges	379 380	360 548
Other regularisation accounts	2 832 589	875 030
	6 902 958	**4 875 097**

Other regularisation accounts include the securities transactions made at the end of the period, pending settlement at the beginning of the subsequent financial year.

3.11 Non-current assets and disposal groups stated as held for sale
Note 11

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Non-current asset stated as held-for-sale		
Property	85 680	85 680
	85 680	**85 680**

Valor correspondente a um imóvel adquirido em processo de recuperação de crédito.

3.12 Financial liabilities held for trading
Note 12

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Derivative instruments at negative fair value	443 959	52 905
	443 959	**52 905**

3.13 Financial liabilities at amortised cost
Note 13

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Loans and deposits from domestic credit institutions		
Deposits	6 530 601	17 809 378
Loans	473 034	412 025
Other deposits	652	3 346
	7 004 288	18 224 749
Loans and deposits in foreign credit institutions		
Deposits	1 959 252	905 285
Loans	261 554	971 497
	2 220 806	1 876 782
Charges payable		
Other charges	178 587	178 047
	178 587	178 047
Liabilities relating to pensions and other benefits	0	310 346
Creditors/futures and options	3 978 549	3 161 763
Other deposits	10 046 826	11 303 066
Client deposits		
Deposits		
Of residents		
Demand	141 115 258	121 988 073
Term	104 975 363	116 354 982
Of non-residents		
Demand	26 971 043	13 562 606
Term	4 924 960	16 353 610
	277 986 624	268 259 270
	301 415 680	303 314 023

The item other deposits is broken down according to the information shown in the table below. In miscellaneous deposits, the reported amount refers to the financial balances of clients arising from transactions in derivatives and from deposits invested in the liquidity of portfolio management contracts.

	31.12.2020	31.12.2019
Miscellaneous deposits	9 456 040	10 534 787
Creditors - transactions in securities	97 326	(97 300)
Suppliers	287 153	279 580
Other creditors	206 307	585 999
	10 046 826	11 303 066

Operations to be regularised include securities transactions made at the end of the period, pending settlement at the beginning of the following financial year.

3.14 Provisions
Note 14

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Other provisions		
For guarantees and other commitments	102 074	9 180
	102 074	9 180
	102 074	9 180

3.15 Tax liabilities
Note 15

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Current tax liabilities		
Corporate income tax payable	15 600	198 571
Outros	11 236	41 522
	26 835	240 093
Deferred tax liabilities		
On reappraisal of property	728 472	0
	728 472	0
	755 307	240 093

3.16 Other liabilities
Note 16

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
VAT payable	99 152	35 458
Withholding and other taxes payable to the State	573 456	580 028
Payments to Social Security	95 739	85 816
Third party collections	860	762
Payments to other health systems	3 117	4 100
Other revenue with deferred income	8 376	11 898
Charges payable - staff	660 901	619 467
Operations to be regularised	3 310 950	3 713 791
	4 752 552	5 051 319

3.17 Equity
Note 17

Changes and balances as at 31 December 2020 under the own equity headings are presented in the annex "Statement of changes in equity".

Breakdown of equity:

- Paid-in capital: the Bank's share capital is represented by 200 million registered book-entry shares, each with a par value of 0.10€, fully subscribed and paid;

- Issue premiums: these refer to the premiums paid by shareholders in capital increases;

- Reserves: the amount of profit generated over the financial years but retained in the company as legal reserve, other reserves and/or retained earnings, excluding positive reserves arising from unrealised gains in sovereign bonds.

3.18 Minority interests
Note 18

Following the 96% stake in the capital of Carregosa – Sociedade Gestora de Organismos de Investimento Coletivo, S.A., 14 150.00€ were recognised in Minority interests in 2020.

Fair value of financial assets and liabilities

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

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

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

a. Level 1 – quoted prices in active markets;

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

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

The fair value of the Bank's financial assets and liabilities as at 31 December is as follows:

2020	AMORTISED COST
FINANCIAL ASSETS	
Cash and liquid assets in central banks and other demand deposits	115 282 287
Financial assets at fair value through profit or loss	
Financial assets held for trading	0
Financial assets not held for trading mandatorily at fair value through profit or loss	0
Other financial assets at fair value through profit or loss	36 768
Financial assets at fair value through other comprehensive income	0
Financial assets at amortised cost	137 110 128
Hedging derivatives	68 713
Other assets	6 902 958
	259 400 854
FINANCIAL LIABILITIES	
Financial liabilities held for sale	0
Financial assets measured at amortised cost	301 415 680
Other liabilities	4 752 552
	306 168 232

2019	AMORTISED COST
FINANCIAL ASSETS	
Cash and liquid assets in central banks and other demand deposits	99 978 219
Financial assets at fair value through profit or loss	
Financial assets held for trading	0
Financial assets not held for trading mandatorily at fair value through profit or loss	0
Other financial assets at fair value through profit or loss	22 543
Financial assets at fair value through other comprehensive income	0
Financial assets at amortised cost	113 357 236
Hedging derivatives	79 046
Other assets	4 875 097
	218 312 140
FINANCIAL LIABILITIES	
Financial liabilities held for sale	0
Financial assets measured at amortised cost	303 314 023
Other liabilities	5 051 319
	308 365 342

MEASURED AT FAIR VALUE LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	CARRYING AMOUNT	FAIR VALUE
0	0	0	0	115 282 287	115 282 287
2 770 845	1 940 580	0	4 711 425	4 711 425	4 711 425
6 291 615	4 897 630		11 189 245	11 189 245	11 189 245
0	0	0	0	36 768	36 768
6 877 410	49 633 337	525 384	57 036 132	57 036 132	57 036 132
0	0	0	0	137 110 128	137 133 090
0	0	0	0	68 713	68 713
0	0	0	0	6 902 958	6 902 958
15 939 869	**56 471 548**	**525 384**	**72 936 801**	**332 337 655**	**332 360 617**
0	443 959	0	443 959	443 959	443 959
0	0	0	0	301 415 680	301 415 680
0	0	0	0	4 752 552	4 752 552
0	**443 959**	**0**	**443 959**	**306 612 190**	**306 612 190**

MEASURED AT FAIR VALUE LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	CARRYING AMOUNT	FAIR VALUE
0	0	0	0	99 978 219	99 978 219
2 644 493	4 199 704	0	6 844 197	6 844 197	6 844 197
	11 080 066		11 080 066	11 080 066	11 080 066
0	0	0	0	22 543	22 543
6 832 091	94 076 509	553 241	101 461 841	101 461 841	101 461 841
0	0	0	0	113 357 236	113 408 941
0	0	0	0	79 046	79 046
0	0	0	0	4 875 097	4 875 097
9 476 584	**109 356 280**	**553 241**	**119 386 104**	**337 698 244**	**337 749 949**
0	52 905	0	52 905	52 905	52 905
0	0	0	0	303 314 023	303 314 023
0	0	0	0	5 051 319	5 051 319
0	**52 905**	**0**	**52 905**	**308 418 247**	**308 418 247**

Fair value hierarchy

IFRS 13 categorises the inputs used to measure fair value into three levels:

Level 1 – assets or liabilities are measured based on quoted prices (unadjusted) in active markets that the Bank can access. This level includes government bonds, company bonds and shares and derivatives listed and traded in regulated markets.

Level 2 – financial instruments are measured based on inputs other than quoted prices included in Level 1 that are directly or indirectly observable in the market for the instrument. To determine the fair value with level 2 inputs, the Bank uses appraisal techniques based on inputs that are observable on the market (quoted prices in active markets of similar assets or liabilities and based on quoted prices that are not assets or net, interest rates, exchange rates, risk ratings given by external entities, others). This level includes bonds, non complex OTC derivatives and gross shares.

Level 3 - assets or liabilities are measured based on non observable inputs on the market for the assets or liabilities. To determine the fair value with level 3 inputs, appraisal techniques are used based on inputs that are not observable on the market and that do not fulfil the Level 1 or level 2 classification requirements.

In the 2020 and 2019 financial years, no transfers of assets or liabilities occurred between Level 1 and Level 2.

In the 2020 and 2019 financial years, the changes in Level 3 class of assets or liabilities in the fair value hierarchy are as follows:

	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
Balance on 1 January 2020			**553 241**
Gains/(losses) recognised through profit and loss			
Income from assets and liabilities measured at fair value through profit or loss			
Income from available for sale financial assets			
Impairment derecognised in the year			79 259
Gains/(losses) recognised in fair value reserves			-107 116
Acquisitions			
Disposals			
Transfers from other levels			
Transfers to other levels			
Exchange differences			
Other			
Balance on 31 December 2020	**0**	**0**	**525 384**

	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	AVALIABLE-FOR-SALE FINANCIAL ASSETS
Balance on 1 January 2019			**442 300**
Gains/(losses) recognised through profit and loss			
Income from assets and liabilities measured at fair value through profit or loss			
Income from available for sale financial assets			
Impairment recognised in the year			-16 559
Impairment derecognised in the year			
Acquisitions			127 500
Disposals			
Transfers from other levels			
Transfers to other levels			
Exchange differences			
Other			
Balance on 31 December 2019	**0**	**0**	**553 241**

Interest rates

The short term interest rates presented reflect the indicative values of deposit rates and/or futures, while for the long term swap rates are used[4]:

	2020		2019	
	EUR	USD	EUR	USD
1 week	-0.578	0.096	-0.499	1.630
1 month	-0.554	0.144	-0.438	1.763
2 months		0.19		1.833
3 months	-0.545	0.238	-0.383	1.908
6 months	-0.526	0.258	-0.324	1.912
1 year	-0.521	0.208	-0.321	1.770
2 years	-0.521	0.198	-0.292	1.697
3 years	-0.506	0.241	-0.238	1.689
4 years	-0.485	0.325	-0.175	1.703
5 years	-0.459	0.43	-0.111	1.729
7 years	-0.389	0.655	0.018	1.797
10 years	-0.261	0.925	0.212	1.895
30 years	-0.023	1.402	0.621	2.091

4 *The above amounts were obtained from Bloomberg.*

Exchange rates

The fixing values of the Central Bank[5]. The table below shows the exchange rates of some of the relevant currency pairs as at 31 December 2020 and 2019:

2020	EUR	USD	GBP	CHF	SEK	NOK	AUD	CAD	NZD	BRL
EUR		1.2216	0.89365	1.0814	10.051	10.48	1.5878	1.5545	1.7004	6.3445
USD	0.81858		0.73153	0.8852	8.2273	8.5791	1.2997	1.2725	1.3919	5.1935
GBP	1.119	1.367		1.2101	11.247	11.728	1.7767	1.7395	1.9027	7.0995
CHF	0.92474	1.1297	0.8264		9.2942	9.6917	1.4683	1.4376	1.5724	5.867
SEK	0.0995	0.12155	0.08892	0.10759		1.0428	0.15798	0.15467	0.16918	0.63125
NOK	0.09542	0.11656	0.08527	0.10318	0.95899		0.1515	0.14833	0.16224	0.60537
AUD	0.62981	0.76939	0.56283	0.68107	6.33	6.6007		0.97907	1.0709	3.9958
CAD	0.64327	0.78584	0.57486	0.69562	6.4653	6.7418	1.0214		1.0938	4.0813
NZD	0.58811	0.71845	0.52557	0.63597	5.9109	6.1637	0.93379	0.91425		3.7313
BRL	0.15762	0.19255	0.14085	0.17044	1.5841	1.6519	0.25026	0.24502	0.26801	

2019	EUR	USD	GBP	CHF	SEK	NOK	AUD	CAD	NZD	BRL
EUR		1.1213	0.84579	1.0838	10.501	9.8508	1.5969	1.4565	1.6636	4.513
USD	0.89185		0.75432	0.96659	9.365	8.7855	1.4242	1.299	1.4837	4.0249
GBP	1.1823	1.3257		1.2814	12.415	11.647	1.8881	1.7221	1.967	5.3358
CHF	0.92268	1.0346	0.78039		9.6887	9.0892	1.4734	1.3439	1.535	4.164
SEK	0.09523	0.10678	0.08055	0.10321		0.93812	0.15208	0.13871	0.15843	0.42978
NOK	0.10151	0.11382	0.08586	0.11002	1.066		0.16211	0.14786	0.16888	0.45813
AUD	0.62621	0.70214	0.52964	0.67868	6.5756	6.1687		0.9121	1.0418	2.8261
CAD	0.68656	0.76981	0.58068	0.74409	7.2093	6.7632	1.0964		1.1422	3.0984
NZD	0.60109	0.67398	0.5084	0.65146	6.3118	5.9213	0.95989	0.87551		2.7127
BRL	0.22158	0.24845	0.18741	0.24015	2.3268	2.1828	0.35385	0.32275	0.36864	

5 *Source of exchange rates: https://www.bportugal.pt/taxas-cambio.*

3.19 Net interest income
Note 19

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Interest and similar income from:		
Interest on deposits in other credit institutions	4 663	37 420
Interest on investments in credit institutions	25	218
Interest on loans to clients	3 315 462	3 980 621
Interest on overdue loans	43 815	189 246
Interest and similar income from other financial assets	1 503 289	1 553 213
Commissions received associated to amortised cost	91 501	171 039
	4 958 755	**5 931 756**
Interest and similar costs on:		
Deposits from Banco de Portugal	(180 613)	(86 924)
Deposits from other credit institutions	(137 541)	(122 613)
Interest from creditors and other deposits		
Interest on deposits from clients	(506 403)	(885 472)
Interest on trading liabilities	(123)	(463)
Other interest and similar costs	(71 948)	(64 476)
Interest on loans	(20 977)	(21 485)
	(917 604)	**(1 181 432)**
	4 041 151	**4 750 324**

3.20 Dividends from equity instruments
Note 20

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Available-for-sale financial assets		
Issued by residents		
Investment units	344 237	328 106
	344 237	**328 106**

These result from the payment, in two distribution periods, of income from the Retail Properties real estate investment fund, corresponding to 0.50€/0.50€ in 2020, similar to 2019 per unit held. They also result from three payment of 3.5€ per unit of the IBERIS Bluetech Fund, FCR EuVECA – Category B, C, D, E and F and a payment of 2 000€ per unit of the Conforto FEIIF Fund.

3.21 Revenue and expenses from and with services and commissions Note 21

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Income from services and commissions:		
Guarantees and commitments	104 210	97 359
Deposits and securities under custody	66 441	80 269
Collection of securities	120 890	154 655
Management of securities	1 011 066	1 312 934
Collective investment undertakings	710 541	553 305
Other services provided	812 385	527 898
Transactions carried out on behalf of third parties	3 166 118	2 025 137
Other commissions received	638 191	838 028
	6 629 843	5 589 586
Expenses with services and commissions:		
Deposits and securities under custody	(80 189)	(64 870)
Other banking services provided by third parties	(67 924)	(48 334)
Transactions carried out by third parties	(3 387 503)	(2 247 370)
	(3 535 616)	(2 360 574)
	3 094 227	3 229 012

3.22 Income from financial assets and liabilities at fair value Note 22

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Gains from:		
Financial assets held for trading		
Securities	9 326 390	9 825 446
Derivative instruments	1 265 960	1 363 300
	10 592 350	11 188 745
Losses from:		
Financial assets held for trading		
Securities	(7 163 196)	(7 879 111)
Derivative instruments	(2 887 839)	(958 790)
	(10 051 036)	(8 837 901)
	541 315	2 350 844

In accordance with the applicable standards, this heading included the amount relating to derecognition of financial assets usually done through their disposal. In 2020, these dropped by 77% compared to 2019, due to a lower portfolio turnover and its decrease during the year, as a result of the measures taken in relation to COVID-19.

3.23 Income from financial assets at fair value through other comprehensive income Note 23

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Gains from:		
Available-for-sale financial assets		
Securities		
Issued by residents		
Debt instruments	23 652	8 178
Equity instruments	45 633	2 964
Outros	0	379 520
Issued by non-residents		
Debt instruments	1 282 516	1 528 504
	1 351 800	**1 919 167**
Losses from:		
Available-for-sale financial assets		
Securities		
Issued by residents		
Debt instruments	(2 414)	0
Issued by non-residents		
Debt instruments	(1 938 472)	(467 626)
	(1 940 886)	**(467 626)**
	(589 086)	**1 451 540**

The results of financial assets and liabilities at fair value through comprehensive income were negative in 2020 by 589m€, compared to a positive value of 1.5M€ in 2019, due to the result of the sales made following capital protection measures taken at the end of the 1st and 2nd quarters of the year.

3.24 Income from non-trading financial assets mandatorily at fair value through profit or loss Note 24

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Gains from:		
Non-trading financial assets mandatorily at fair value through profit or loss		
Equity instruments	1 738 728	1 798 599
Losses from:		
Non-trading financial assets mandatorily at fair value through profit or loss		
Equity instruments	(1 013 393)	(361 915)
	725 335	**1 436 684**

The 49.5% decrease compared to 2020 was due, on one hand, to the sale of investment units in the Conforto – F.E.I.I.F. Fund and, on the other, to the fact that the return of the funds in the portfolio went back to 2018 levels, with 2019 being considered a year of exceptional return.

3.25 Results from foreign exchange Note 25

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Gains from:		
Exchange differences		
Other items in foreign currency - foreign currencies	2 567 206	503 351
Losses from:		
Exchange differences		
Other items in foreign currency - foreign currencies	(611 761)	(703 636)
	1 955 444	**(200 285)**

The positive result in 2020 of 1.9M€ compared to the negative result of 200m€ in 2019 is justified by the devaluation of the USD against the EUR.

3.26 Income from the disposal of other assets Note 26

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Gains from:		
Gains from inv. subsidiaries in the country	11 274	8 199
Non-financial assets	37 857	46 202
Losses from:		
Losses from inv. subsidiaries in the country	(13 108)	(323)
Non-financial assets	(37)	(35)
	35 987	**54 044**

3.27 Other operating income Note 27

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Gains from:		
Other gains and operating income	143 403	158 943
	143 403	**158 943**
Losses from:		
Other taxes	(434 548)	(361 289)
Donations and membership fees	(79 303)	(79 821)
Contributions to the Deposit Guarantee Fund (FGD)	(250)	(235)
Contributions to the Investor Compensation Scheme	(5 000)	(5 000)
Failure of computer systems or telecommunications	(1 222)	(7 988)
Other costs and operating expenses	(276 809)	(286 987)
	(797 132)	(741 320)
	(653 729)	**(582 377)**

3.28 Staff costs
Note 28

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Remunerations		
Management and supervisory bodies	(467 267)	(454 124)
Employees	(3 614 733)	(3 163 083)
Mandatory social security contributions		
Remuneration-related charges	(955 449)	(861 827)
Other mandatory social security contributions		
Pension fund	(46 784)	(50 182)
Insurance against accidents at work	(20 128)	(21 157)
Other staff costs	(251 071)	(243 108)
	(5 355 432)	**(4 793 481)**

As at December 2020, the Bank had 108 employees in Portugal, as shown in the professional categories table below.

DISTRIBUTION BY PROFESSIONAL CATEGORY	31.12.2020	31.12.2019
Management Board	4	4
Management	26	22
Technical staff	49	20
Admin. staff	7	18
Commercial/Operations	15	27
Other	7	11
Banco Carregosa	**108**	**102**
Circuitos e Traçados (includes 1 manager)	1	1
Carregosa – SGOIC (includes 4 directors)	7	0

Retirement and survivors' pension liabilities

Banco Carregosa provides a defined Pension Plan to a restricted number of employees. For the purpose thereof, beneficiaries of this pension plan are current and former workers of the Bank who, having been admitted to the banking sector up to 3 March 2009, were not registered with social security until that date.

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 scale stipulated by the ACTV.

Benefits granted by the Pension Plan of Banco Carregosa:

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

(*) In the event of death of a participant or beneficiary (due to disability or presumed disability) an allowance will be paid – a death grant will be paid – as defined in Clause 102 of the ACT. Responsibility for services provided in the past by eligible employees is determined every year based on the date of admission at Banco Carregosa and not on the date on which the employee entered the banking sector. Consequently, the share of responsibilities relating to the period between the date of admission in the banking sector and the date of admission in the company will be chargeable to past employers, except if the latter have transferred the amount of their share of responsibility. The benefits relating to disability pensions and immediate survivors pensions are covered by a life insurance policy.

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

Responsibilities for retirement and survivors' pensions and their costs arising from the Bank's pension plan have been prepared through an actuarial appraisal performed by an actuary. The Bank's pension plan is a defined benefit plan in line with the ACTV – Collective Vertical Labour Agreement for the Banking Sector. As at 31 December 2019, Banco Carregosa's pension plan included 14 active participants, 48 with acquired rights and 4 pensioners.

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

Number of participants in the plan

As at 31 December of every year, the participants in the pension plan are as follows:

	2020	2019
Active participants	14	14
Former participants with acquired rights	48	49
Pensioners	4	3
Total	**66**	**66**

Assumptions

The liabilities of the pension scheme were assessed on the basis of the following assumptions:

	2020	2019
Actuarial appraisal method	*Project Unit Credit Method*	*Project Unit Credit Method*
Demographic assumptions		
Mortality tables	TV88/90	TV88/90
Invalidity table	SR88	SR88
Turnover tables	-	-
Financial assumptions		
Fund yield rate	1.25%	1.25%
Wage growth rate	0.50%	0.75%
Pension adjustment rate table	1.25%	1.25%
Pension growth rate	0.50%	0.75%
General information		
Number of benefit payments	**14**	**14**

With regard to the actuarial appraisal of 31/12/2020, there was a change in the wage growth rate and pension growth rate from 0.75% to 0.50%. This change, decided by the Associate, results from the combination of wage increases agreed in recent years, which, at the end of 2020, stood at 0.30%, as well as the future perception that these will not change significantly in view of the agreement reached in the latest negotiations.

Fund yield rate - The discount rate that reflects the economic reality to meet the requirements of International Accounting Standard IAS 19 is up to date. The discount rate of 1.25% is on the threshold of the rates indicated in the benchmarks on private debt bonds with a high credit rating (AA) and a maturity similar to the liabilities with the Pension fund.

Pension growth rate – The pension growth rate in respect of the number of pensioners in the period reflects:

- the application of the ACT table in effect for the year (Pension Table and Employer Costs);

Pension liabilities

Pension liabilities as at 31 December are as follows:

	2020	2019
Pension payment liabilities	725 996	766 736
Asset liabilities	3.013 598	3 134 104
	3 739 594	**3 900 840**

Pension payment liabilities

The current value of pension liabilities as at 31 December 2020 is as follows:

	CURRENT VALUE OF PENSIONS UNDER PAYMENT	SAMS	DEATH GRANT	TOTAL
Total	**692 889**	**29 529**	**3 578**	**725 996**
Old-age pensions	196 968	17 354	3 578	217 900
Invalidity pensions	-	-	-	-
Survivors' pensions	495 921	12 175	-	508 097
Orphans' pensions	-	-	-	-

The current value of pension liabilities as at 31 December 2019 is as follows:

	CURRENT VALUE OF PENSIONS UNDER PAYMENT	SAMS	DEATH GRANT	TOTAL
Total	**731 528**	**31 550**	**3 658**	**766 736**
Old-age pensions	210 919	18 586	3 658	233 162
Invalidity pensions	-	-	-	-
Survivors' pensions	520 609	12 964	-	533 574
Orphans' pensions	-	-	-	-

Asset liabilities

The current value of asset liabilities as at 31 December 2020 is as follows:

CURRENT VALUE OF LIABILITIES FOR PAST SERVICE LIABILITIES	ASSETS	ACQUIRED RIGHTS	SAMS ASSETS	DEATH GRANT ASSETS	TOTAL
Total	**1 706 946**	**1 070 091**	**216 472**	**20 088**	**3 013 598**
<65 years	1 543 250	1 036 871	199 982	18 897	2 798 999
≥ 65 years	163 697	33 221	16 490	1 191	214 599

The current value of asset liabilities as at 31 December 2019 is as follows:

CURRENT VALUE OF LIABILITIES FOR PAST SERVICE LIABILITIES	ASSETS	ACQUIRED RIGHTS	SAMS ASSETS	DEATH GRANT ASSETS	TOTAL
Total	**1 755 572**	**1 142 515**	**216 733**	**19 282**	**3 134 104**
<65 years	1 607 472	1 139 817	199 022	18 064	2 964 376
≥ 65 years	148 100	2 698	17 711	1 218	169 728

Plan assets

Benefit liabilities are financed through collective subscription no. 1 to the Open-end Funds Optimize Capital Equilibrado (FP OCP Equilibrado), Optimize Capital Moderado (FP OCP Moderado) and Optimize Capital Ações (FP OCP Ações) and collective subscription no.4 to the Real Reforma Garantida Pension Fund.

The above pension funds subscribed collectively are open-end funds whose risk profile varies according to their investment policies. The FP OCP Equilibrado for participants 10 or more years away from retirement age leaves some room for manoeuvre in terms of investment values, the FP OCP Moderado is for participants averse to risk or under 5 years away from retirement age, and the FP OCP Ações for long-term investments or for participants 15 or more years away from retirement age. The FP Real Reforma Garantida pension fund is intended for participants averse to risk or less than 5 years away from retirement age, who would rather sacrifice profitability to protect their capital.

The value of each fund as at 31 December is detailed below:

	2020	2019
FP OCP Equilibrado	886 266	870 267
FP OCP Moderado	1 569 330	1 504 383
FP OCP Ações	1 286 437	1 215 844
	3 742 033	**3 590 494**

Fund development

The following tables show the Bank's Pension Plan income and expenses allocated to each of the 3 funds, the following charges including Pensions, Insurance Premiums and Other Expenses.

In 2020, the FP OCP Equilibrado developed as follows:

	INVEST. UNIT VALUE	INVEST. UNITS	FUND VALUE	VALUE DATE
Opening balance	7.5218	115 699.3910	870 267.41	31/12/2019
Pension + Costs	-	-7 181.6727	-52 540.00	
Contributions + Other receipts	-	9 417.0499	70 973.05	
Total transactions	-	2 235.3772	18 433.05	
Fund yield rate	-0. 09%	-	-2 434.81	
Closing balance	**7.5149**	**117 934.7682**	**886 265.65**	**31/12/2020**

In 2020, the FP OCP Moderado developed as follows:

	INVEST. UNIT VALUE	INVEST. UNITS	FUND VALUE	VALUE DATE
Opening balance	7.1141	211 464.9796	1 504 382.76	31/12/2019
Pension + Costs	-	-2 725.3755	-19 274.94	
Contributions + Other receipts	-	13 651.3439	97 873.98	
Total transactions	-	10 925.9684	78 599.04	
Fund yield rate	-0.81%	-	-13 651.54	
Closing balance	**7.0566**	**222 390.9480**	**1 569 330.26**	**31/12/2020**

In 2020, the FP OCP Ações developed as follows:

	INVEST. UNIT VALUE	INVEST. UNITS	FUND VALUE	VALUE DATE
Opening balance	7.7830	156 218.7277	1 215 844.17	31/12/2019
Pension + Costs		-1 974.0866	-15 212.04	
Contributions + Other receipts	-	9 589.9128	74 064.32	
Total transactions	-	7 615.8262	58 852.28	
Fund yield rate	0.89%	-	11 740.78	
Closing balance	**7.8521**	**163 834.5539**	**1 286 437.23**	**31/12/2020**

In 2020 and 2019, the three funds developed as follows:

	INVEST. UNIT VALUE	INVEST. UNITS	FUND VALUE	VALUE DATE
Opening balance	7.4278	483 383.0983	3 590 494.34	31/12/2019
Pension + Costs	-	-11 881.1348	-87 026.98	
Contributions + Other receipts	-	32 658.3066	242 911.35	
Total transactions	-	20 777.1718	155 884.37	
Fund yield rate	-0.07%	-	-4 345.57	
Closing balance	**7.4223**	**504 160.2701**	**3 742 033.14**	**31/12/2020**

Differences:

	ESTIMATED	REAL	DIFF.	VALUE DATE
Opening balance	3 590 494.34	3 590 494.34	-	31/12/2019
Pension + Costs	-84 322.99	-87 026.98	-2 703.99	
Contributions + Other receipts	-	242 911.35	242 911.35	
Total transactions	-84 322.99	155 884.37	240 207.36	
Fund yield rate	44 354.16	-4 345.57	-48 699.73	
Closing balance	**3 550 525.51**	**3 742 033.14**	**191 507.63**	**31/12/2020**

The negative difference is justified by the fact that the fund’s yield was lower than expected.

Liabilities with pensions under payment

Liabilities with pensions under payment relate to the financing scenarios and minimum scenario.

	CURRENT VALUE OF PENSIONS UNDER PAYMENT	SAMS	DEATH GRANT	TOTAL
Total	692 889	29 529	3 578	725 996
Old-age pensions	196 968	17 354	3 578	217 900
Invalidity pensions	-	-	-	-
Survivors' pensions	495 921	12 175	-	508 097
Orphans' pensions	-	-	-	-

Asset liabilities

Asset liabilities relate to the financing scenarios and minimum scenario.

CURRENT VALUE OF PAST SERVICE LIABILITIES	ASSETS	ACQUIRED RIGHTS	SAMS ASSETS	DEATH GRANT ASSETS	TOTAL
Total	1 706 946	1 070 091	216 472	20 088	3 013 598
< 65 years old	1 543 249.58	1 036 870.55	199 982.40	18 896.88	2 798 999.41
≥ 65 years old	163 696.73	33 220.96	16 489.76	1 191.12	214 598.57
CURRENT VALUE OF FUTURE SERVICES LIABILITIES					
Total	-	-	99 274.71	9 635.76	108 910.48
< 65 years old	-	-	99 274.71	9 635.76	108 910.48
≥ 65 years old	-	-	-	-	-
CURRENT VALUE OF TOTAL SERVICE LIABILITIES					
Total	1 595 700.11	1 070 091.51	315 746.87	29 723.76	3 011 262.26
< 65 years old	1 436 769.33	1 036 870.55	299 257.11	28 532.64	2 801 429.63
≥ 65 years old	158 930.78	33 220.96	16 489.76	1 191.12	209 832.62

Applying the methodology recommended by CNSF to calculate the Current Value of Past Service Liabilities of old-age pensions may result in liabilities in excess of the Current Value of Total Service Liabilities for some assets. In this case, the Current Value of Future Service Liabilities is null.

Duration of pension liabilities

The Fund has a residual maturity of 73 years, resulting from the technical threshold of the mortality table used, compared with the estimated duration of liabilities:

DURATION	
Macaulay	18.6
Modified	18.38%
Convexity	454

Duration (interest rate sensitivity)

	NUMBER	MINIMUM AGE	EMV
Assets	14	48	35.26
Acquired rights	48	38	44.65
Pensioners	4	68	17.78
Total	**66**	**38**	**44.65**

Life expectancy:

Thus, considering the combined residual maturity (73 years), the life expectancy of younger beneficiaries (44.65 years), and the duration of Macaulay (18.6 years), we conclude that the balance of financial flows occurs much earlier than these biometric indicators, demonstrating some robustness of the interest rate sensitivity. In any case, it should be noted that this is already a quite long duration, more than 15 years, associated with a number of highly volatile assets and liabilities, largely due to the form of the benefits.

Development of past service liabilities

DATE	31.12.2019	31.12.2020	VARIAÇÃO
Current value of pensions under payment	766 736	725 996	-5.31%
Current value of past service liabilities	3 134 104	3 013 598	-3.84%
Total	**3 900 841**	**3 739 594**	**-4.13%**

The decrease in Current Value of Pensions under Payment is due to the adjustment of the pension adjustment rate table.

Contributions and financing plans

The funding level of the pension payment liabilities at this date is as follows:

	FUNDING & MINIMUM SCENARIO
Liabilities (VAPP+VASP)	3 739 594.43
VAPP	725 996.44
Funding level VAPP	100%
VABT (Acquired rights)	1 070 091.51
Funding level VABT	100%
VASP	1 943 506.47
Funding level VASP	100.13%
Fund value	3 742 033.14
Overall funding level	100.07%

The value of the fund presented to calculate the funding level is the respective net value, already deducted of charges and expenses incurred.

As the funding of this pension plan is subject, in terms of minimum funding, to that established by Banco de Portugal, *i.e.*, the full funding of the Pension payment liabilities and Acquired rights and 95% of the liabilities for past service liabilities of the active population, it appears that it complies with what is established, and therefore there are no unfunded liabilities.

Considering the assumptions in accordance with the ASF solvency minimum, in accordance with Rule 21/96-R of 5 December, the liabilities for past service liabilities as at 31 December 2020 amounted to 1 840 802.93€.

During the first quarter of 2021, the Bank did not make any contribution, as the liabilities calculated for 2020 are covered, within the limit imposed by IAS 19.

The actuarial report is available at the Bank's head-office for consultation.

3.29 General administrative costs Note 29

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Supplies:		
Water, electricity and fuel	(173 822)	(215 362)
Consumables	(5 517)	(9 361)
Publications	(5 641)	(7 864)
Hygiene and cleaning products	(30 826)	(20 882)
Other third party supplies	(95 554)	(121 611)
	(311 360)	**(375 080)**
Services:		
Leases and rentals	(45 660)	(55 695)
Communications	(253 540)	(238 022)
Travel, hotel and entertainment expenses	(144 078)	(265 692)
Advertising and publishing	(371 846)	(627 671)
Repairs and maintenance	(126 654)	(132 990)
Insurance	(107 144)	(71 564)
Specialised services		
Retainers and fees	(12 462)	(76 894)
Legal, litigation and notaries	(4 066)	(4 831)
IT services	(998 795)	(780 319)
Security and surveillance	(13 908)	(22 402)
Cleaning services	(4 805)	(3 833)
Information	(686 219)	(709 117)
Databases	(68 815)	(51 078)
Other specialised services		
Studies and consultations	(20 125)	(22 023)
Advisors and external auditors	(568 539)	(607 557)
External appraisers	(72 522)	(59 655)
Other third party services		
Public relations and advisory services	(47 197)	(36 475)
Banco de Portugal - Bpnet service	(4 430)	(2 974)
Housekeeping services	(7 469)	(9 103)
Other	(30 069)	(13 329)
	(3 588 345)	(3 797 917)
	(3 899 705)	**(4 172 996)**

(*) 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 and its subsidiary, there being no other type of service provision:

STATUTORY AUDITORS	
Legal Certification of Accounts	41 000
Assurance and reliability services	32 500
	73 500

3.30 Depreciation and amortisations Note 30

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Property, plant and equipment		
Of Property	(208 098)	(206 701)
Of Equipment	(649 888)	(701 347)
	(857 985)	**(908 048)**
Intangible assets	(480 418)	(185 674)
	(1 338 403)	**(1 093 722)**

As mentioned in Notes 6 and 7, the movements and balances of the headings other property, plant and equipment and intangible assets, including amortisations and impairment adjustments, are shown in the table associated to these notes.

3.31 Provisions net of write-offs Note 31

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Gains from:		
Provisions for guarantees and commitments made	275 972	4 491
Losses from:		
Provisions for guarantees and commitments made	(368 866)	(7 590)
	(92 894)	**(3 099)**

3.32 Impairment of financial assets at amortised cost Note 32

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Investments held to maturity		
Debt instruments	(360 286)	27 956
Loans		
Normal loans	6 903 469	919 793
Overdue loans (includes other debtors)	(7 459 584)	(1 056 625)
	(556 115)	**(136 832)**
	(916 401)	**(108 876)**

3.33 Impairment of financial assets at fair value through other comprehensive income Note 33

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Available-for-sale financial assets		
Debt instruments	(376 791)	(315 272)
Equity instruments	81 272	(15 821)
	(295 519)	**(331 093)**

3.34 Impairment of other assets net of reversals and recoveries Note 34

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Invest. in subsidiaries, joint ventures and associated companies	0	0
	0	**0**

No impairments were recorded in the Group in 2019 and 2020.

3.35 Taxes
Note 35

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Current	(179 679)	(255 988)
Deferred	74 391	(69 010)
	(105 289)	**(324 998)**

Current taxes recognised in 2020, in the amount of 179.679€, arise from income tax calculated according to the tax law applicable to the Group.

Deferred taxes recognised in 2020, in the amount of 74.391€, relate to the recognition of the impact of temporary differences identified in amortisations and impairments accepted for tax purposes and those recognised in Banco Carregosa's accounting records.

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

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

Deferred taxes recorded in 2020 result from the impact of temporary differences in income tax on both property, plant and equipment and intangible assets, and on impairments.

3.36 Minority interests
Note 36

Following the 96% participation in the capital of Carregosa – Sociedade Gestora de Organismos de Investimento Coletivo, S.A., 1 850.00€ were recognised under minority interests in 2020.

3.37 Off-balance sheet accounts
Note 37

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Commitments to third parties:		
Irrevocable commitments		
Potential commitments to SII	929 472	779 570
Revocable commitments		
Credit lines	14 460 838	10 866 133
	15 390 310	**11 645 703**
Liability for service provision:		
Of deposits and securities under custody	1 186 094 545	1 026 563 896
Amounts managed by the institution	160 243 196	149 563 447
	1 346 337 741	**1 176 127 343**
Services provided by third parties		
For deposits and securities under custody	711 460 277	526 777 108
	711 460 277	**526 777 108**
Foreign exchange transactions and derivative instruments:		
Trading instruments		
Foreign exchange forward transactions	18 740 473	20 143 379
Hedging instruments		
Options	68 713	76 146
	18 809 187	**20 219 525**
Guarantees provided and any other services:		
Personal guarantees	17 584 740	19 314 307
Real guarantees	25 985 000	7 065 000
	43 569 740	**26 379 307**
Guarantees received		
Personal guarantees	100 100 343	110 148 903
Real guarantees	309 501 901	331 506 984
	409 602 244	**441 655 887**
Other off-balance sheet items:		
Write-offs	6 888 018	1 340 261
Accrued interest	157 737	122 306
Miscellaneous accounts	(2 552 215 253)	(2 204 267 440)
	(2 545 169 499)	**(2 202 804 873)**

3.38 Contingent liabilities originated by the Resolution Fund

In accordance with Decree-law 24/2013, establishing the operation of the Resolution Fund (hereinafter referred to as “RF”), the Bank has since 2013 made an initial contribution followed by the mandatory annual contributions, as stated in articles 3 and 4 of said diploma.

In a circular letter in 2015, Banco de Portugal explained that the periodic contribution to the RF should be regarded as a cost in the year in which it is paid, that is, in late April of each year.

In a press release issued in 2015, the Resolution Fund clarified that a special contribution to finance the resolution measure applied to BES is unlikely to happen. As such, and as mentioned in the press release, the possibility of a special contribution seems quite remote.

The contribution paid in 2020 amounted to 89 684.77€, compared with 76 438.03€ paid in 2019, as a result of the change in the rate applied.

These contributions were recognised as a cost in each financial year, in accordance with IFRIC 21 – Levies.

3.39 Assets given as collateral

These assets are broken down as shown in the table below:

PLEDGED FINANCIAL ASSETS	31.12.2020	31.12.2019
Financial assets at fair value through other comprehensive income		
Debt securities	26 466 853	7 127 196
Other assets		
Receivables from futures and options transactions – margins	3 890 275	9 579 364
Various investments - uncleared values	340 876	10 253 060
	30 698 004	**26 959 620**

3.40 Related parties

As at 31 December 2020 and 2019, the Bank is controlled by the following shareholders with a holding of more than 2%:

SHAREHOLDING COMPOSITION AS AT 31/12/2020	NO. OF SHARES	%	VOTING RIGHTS
Maria Cândida Cadeco da Rocha e Silva	58 649 733	29.32	58 649.00
Jorge Manuel da Conceição Freitas Gonçalves	37 768 937	18.88	37 768.00
Projeto Inverso, SGPS, SA	15 880 743	7.94	15 880.00
Planalto Capital – Fundo de Capital de Risco	11 095 000	5 55	11 095.00
Groupe Norwich S.A.	9 999 990	5.00	9 999.00
Mauricio Zlatkin	9 999 000	5.00	9 999.00
Imocarregosa-Gestão e Comercialização Imobiliária, S.A.	9 935 751	4.97	9 935.00
Sophia Capital - Fundo de Capital de Risco	8 510 000	4.26	8 510.00
Ruasgest, SGPS, SA	4 764 223	2.38	4 764.00

SHAREHOLDING COMPOSITION AS AT 31/12/2019	NO. OF SHARES	%	VOTING RIGHTS
Maria Cândida Cadeco da Rocha e Silva	58 649 733	29.32	58 649.00
Jorge Manuel da Conceição Freitas Gonçalves	37 768 937	18.88	37 768.00
Projeto Inverso, SGPS, SA	15 880 743	7.94	15 880.00
Planalto Capital – Fundo de Capital de Risco	11 095 000	5 55	11 095.00
Groupe Norwich S.A.	9 999 990	5.00	9 999.00
Mauricio Zlatkin	9 999 000	5.00	9 999.00
Imocarregosa-Gestão e Comercialização Imobiliária, S.A.	9 935 751	4.97	9 935.00
Sophia Capital - Fundo de Capital de Risco	8 510 000	4.26	8 510.00
Ruasgest, SGPS, SA	4 764 223	2.38	4 764.00

Remuneration of the Board of Directors

The members of Board of Directors of the Bank were considered, in accordance with IAS 24, as the only 'key' management members of the Bank. The remunerations earned by the Board of Directors during the years ended 31 December 2019 and 2018, are shown in Note 28 to this annex.

4. COVID-19

The pandemic caused by the SARS-COV-2 virus left its mark on the economic activity in 2020. In order to minimise the effects caused by the pandemic, several measures were put in place to support the economy and others were softened by the supervisory authorities. Banco de Portugal allowed less significant credit institutions under its supervision to operate, temporarily, at a level below the capital recommendation and with liquidity levels blow the liquidity coverage requirement, in line with the relaxation previously adopted by the ECB for institutions under its direct supervision.

In order to mitigate the negative effects caused by the pandemic, the Bank made the judicious decision to act more prudently, selectively changing the composition of its portfolio of financial assets, reducing exposure to less liquid assets and to sectors more exposed to the impact of measures to combat the pandemic, and increasing exposure to sovereign securities eligible as collateral at the ECB. As regards credit, a second negative impact duly recorded in the recognition of impairments in the loan portfolio took place in the second half of 2020, due to two factors: the updating of the default probability matrix, which mainly affected lower risk loans, and the Bank's forecast of a possible significant increase in credit risk associated with the effect of the SARS COV 2 pandemic. Also as part of the extraordinary measures as a result of the public health emergency, the Portuguese Government implemented the system of credit moratoria in order to support families and businesses in the face of the crisis caused by the pandemic. While it was a positive measure overall, it imposed on the financial sector in general and Banco Carregosa in particular an increased burden in the communication, processing and registration of credit processes.

Amount outstanding under the moratorium as at 31/12/2020

	LEGAL MORATORIUM	PRIVATE MORATORIUM
Value	33 956 239 €	1 129 634 €
% on total loan	43,61%	1,45%

The Board of Directors' expectation as to the potential impacts that may arise on the Bank's activity, on its own funds and on the risks to which it is naturally subject is detailed below:

- **Market and interest rate risks:** The effects of the pandemic may be felt over time in markets and in the economy. In this sense, interest rate risk between the 2nd and 3rd quarters of 2020 increased, mainly due to an increase in the duration of the Bank's own portfolio. This situation was overcome in the 4th quarter of 2020, returning to normal levels.

- **Credit risk:** The Bank continues to assess any support measures for clients who may find themselves in financial constraints in the short term, with a view to taking concrete mitigation measures.

  In the case of client protection, the Bank complied with the moratorium arrangement laid down in Decree-law 10-J/2020 of 26 March and implemented extraordinary and temporary measures to cover eligible clients and transactions, in particular the extension of good standing credits, in addition to offering to suspend the payment of principal and charges without any change in spreads and without charging commissions for the amendment of contracts. The Bank has not changed the contractualised credit limits, whether revocable or irrevocable, and has not changed any of the spread conditions or other associated fees.

  The Bank adhered to the private moratorium sponsored by the Portuguese Association of Banks, formed by many financial institutions, that includes a number of measures for mortgage and non mortgage credit deals up to 75 000€, for resident and non-resident private clients.

As part of this moratorium, the Bank re-examined the loans portfolio in order to identify which cases would be eligible and sought to quantify these impacts, having estimated that the credit volume potentially covered, subject to a case-by-case validation of each client's access and financing operation.

- **Liquidity risk:** The Board of Directors continuously assesses the impacts that may occur in the future. However, considering the comfortable liquidity level, no additional pressures are expected in relation to the Bank's cash management or difficulty in financing investments already made or commitments on investments already undertaken.

- **Operational risk and business continuity:** 2020 will go down in history as the year of the outbreak of COVID-19, classified as a pandemic by the World Health Organisation on 11 March 2020. This outbreak, caused by the new coronavirus SARS-CoV-2, severely impacted the world economy and substantially changed the way we relate, both in the family and social environment, as well as in a professional context.

  The Bank has shown a remarkable capacity to respond and adapt to the new context, always focusing on two major goals:

  a. The protection of the health of employees and their families, by implementing additional protection measures and adopting teleworking work for central services, keeping essential services running, thus ensuring the operability of infrastructures, permanently assessing the impact on the value of assets and the adjustment of processes to the new context.

  b. When these impacts became effective, decisions were made to defend the best interests of the different stakeholders, including employees, clients and shareholders. The measures made by the government to contain the virus significantly affected economic activity, with direct impacts on banking activity. The reduction in economic activity associated with the need to maintain services at minimum levels in various sectors affected the socioeconomic capacity of the Bank's clients. In this context, several scenarios were assessed, considering:

     (i) Duration of confinement measures and mobility restrictions,

     (ii) Impact on GDP, and

     (iii) Level of state intervention in the economy. Several macroeconomic variables were designed for each scenario, which served as a basis to quantify the impacts on the Bank's balance sheet and on the risk and performance indicators. The Board of Directors estimated the impacts based on the best available information as at 31 December 2020, as shown in the extension of this report.

- **Own funds:** The capital ratios of the Bank have remained above the limits required by Banco de Portugal.

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

Individual Accounts

REVIEW AND ANNEXES

SEPARATE BALANCE SHEET
AS AT 31 DECEMBER 2020 AND 2019

	NOTES	31.12.2020	31.12.2019 RESTATEMENT	01/01/2019 RESTATEMENT
Assets				
Cash and deposits at central banks and other demand deposits	1	115 264 745	99 959 139	87 123 442
Financial assets at fair value through profit or loss	2	15 937 438	17 946 806	35 242 943
Financial assets held for trading	2.1	4 711 425	6 844 197	27 127 899
Non-trading financial assets mandatorily at fair value through profit or loss	2.2	11 189 245	11 080 066	8 101 664
Other financial assets	2.3	36 768	22 543	13 380
Financial assets at fair value through other comprehensive income	3	57 036 132	101 461 841	44 618 731
Financial assets at amortised cost	4	137 110 128	113 357 236	119 342 168
Of which:				
Loans to clients	4.1	79 952 811	91 739 327	102 251 086
Derivatives - Hedge accounting	5	68 713	79 046	26 133
Investments in subsidiaries, joint ventures and associated companies	6	5 364 307	4 984 866	4 920 536
Property, plant and equipment	7	11 596 704	8 589 418	8 359 753
Intangible assets	8	1 045 737	924 601	490 477
Tax assets	9	512 186	191 557	367 358
Other assets	10	3 445 146	1 444 987	2 641 316
Non-current assets and disposal groups stated as held for sale	11	85 680	85 680	85 680
Total assets		**347 466 916**	**349 025 177**	**303 218 538**
Liabilities	12			
Financial liabilities held for trading	13	443 959	52 905	9 798
Financial liabilities measured at amortised cost	14	303 126 012	304 823 354	263 183 898
Provisions	15	102 074	9 180	6 081
Tax liabilities	16	754 651	233 751	137 390
Other liabilities		4 741 592	5 042 985	3 563 904
Total liabilities		**309 168 289**	**310 162 174**	**266 901 072**
Equity	17			
Equity		20 000 000	20 000 000	20 000 000
Issue premiums		369 257	369 257	369 257
Other accumulated comprehensive income		2 181 019	238 484	(519 495)
Retained earnings		4 029 175	2 238 511	1 408 512
Other reserves		14 226 088	14 027 125	13 912 451
Income for the year		(2 506 912)	1 989 627	1 146 740
Total Equity		**38 298 627**	**38 863 003**	**36 317 465**
Total liabilities and equity		**347 466 916**	**349 025 177**	**303 218 538**

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SEPARATE INCOME STATEMENT AS AT 31 DECEMBER 2020 AND 2019

	NOTES	31.12.2020	31.12.2019
Interest and similar income		4 958 755	5 931 756
Interest and similar costs		(917 604)	(1 181 424)
Financial margin	19	**4 041 151**	**4 750 332**
Income from equity instruments	20	344 237	328 106
Income from services and commissions	21	6 630 006	5 589 717
Expenses with services and commissions	21	(3 535 616)	(2 360 574)
Results from financial assets and liabilities at fair value through profit or loss (net)	22	541 315	2 350 844
Results from financial assets at fair value through other comprehensive income	23	(589 086)	1 451 540
Results from non-trading financial assets mandatorily at fair value through profit or loss	24	725 335	1 436 684
Results from foreign exchange	25	1 955 444	(200 285)
Income from the disposal of other assets	26	23 106	54 044
Other operating income	27	(733 206)	(669 700)
Net operating revenue		**9 402 685**	**12 730 708**
Staff costs	28	(5 346 854)	(4 793 481)
General administrative costs	29	(3 830 844)	(4 181 666)
Depreciation and amortisations	30	(1 335 242)	(1 093 722)
Provisions net of reinstatements and write-offs	31	(92 894)	(3 099)
Impairment of financial assets at amortised cost	32	(916 401)	(108 876)
Impairment of financial assets at fair value through other comprehensive income	33	(295 519)	(331 093)
Impairment of investments in subsidiaries, joint ventures and associate companies	34	10 155	88 954
Pre-tax profit		**(2 404 915)**	**2 307 725**
Taxes			
Current	35	(176 387)	(249 088)
Deferred	35	74 391	(69 010)
Profit after tax		**(2 506 912)**	**1 989 627**

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SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	31.12.2020	31.12.2019
Consolidated net income for the year	**(2 506 912)**	**1 989 627**
Items not to be restated into profit or loss:		
Property, plant and equipment	3 477 891	9 495
Actuarial gains or losses (-) with defined benefit pension plans	163 196	(201 127)
Items that may be restated into profit or loss:		
Cash flow hedging	(32 942)	(2 566)
Financial assets at fair value through other comprehensive income	(1 590 778)	973 368
Income tax related to items that may be restated into profit or loss	(451 947)	(133 508)
Other comprehensive income	**1 565 420**	**645 663**
Overall comprehensive income for the year	**(941 492)**	**2 635 289**

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The Board of Directors

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2020 AND 2019
(AMOUNTS EXPRESSED IN EURO)

	31.12.2020	31.12.2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest and commissions received	11 569 551	11 237 969
Interest and commissions paid	(4 593 527)	(3 510 468)
Payments to employees and suppliers	(9 144 078)	(8 963 871)
Deposits from credit institutions and central banks	(10 223 592)	(1 400 197)
Other operating assets and liabilities	19 115 475	21 604 381
Other receipts from clients	19 488 730	48 612 493
Income taxes	(361 054)	(205 365)
Net cash from operating activities	**25 851 505**	**67 374 941**
CASH FLOWS FROM INVESTMENT ACTIVITIES:		
Dividends received	-	-
Acquisition of financial assets at fair value through other comprehensive income, net of disposals	42 542 403	(55 837 728)
Acquisition of financial assets at amortised cost, net of disposals	(51 229 187)	1 974 711
Acquisitions of property, plant and equipment and intangible assets	(1 004 301)	(1 391 251)
Disposals of property, plant and equipment and intangible assets	35 350	45 833
Investments in subsidiaries and associated companies	(384 000)	32 500
Net cash from investment activities	**(10 039 735)**	**(55 175 935)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital increase	-	-
Dividends paid	-	-
Issue of securitised and subordinated debt	-	-
Remuneration paid on cash and other bonds	-	-
Remuneration paid on subordinated debt	-	-
Deposits from credit institutions (not associated with the main revenue-generating activities)	-	-
Net cash from financing activities	**-**	**-**
Net increase (decrease) of cash and cash equivalents	15 811 769	12 199 007
Exchange differences	-	-
Cash and cash equivalents at the start of the year	99 469 687	87 270 680
Cash and cash equivalents at the end of the year	115 281 456	99 469 687
Cash and cash equivalents	**44 196**	**43 830**

	31.12.2020	31.12.2019
As at 31 December 2020 and 2019, the heading cash and cash equivalents is broken down as follows:		
Cash and net assets in central banks	56 589 531	53 631 352
Net assets in other credit institutions	58 675 214	46 327 787
Investments in other credit institutions	500 000	500 128
Overdrafts in other credit institutions	(483 289)	(989 580)
Cash and cash equivalents at the end of the financial year	115 281 456	99 469 687

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The Board of Directors

STATEMENT OF CHANGES IN EQUITY AS AT DECEMBER 31, 2020 (SEPARATE)

	CAPITAL	ISSUE PREMIUMS	OTHER ACCUMULATED COMPREHENSIVE INCOME
Opening balances	20 000 000	369 257	(519 494)
Changes in fair value reserves			980 297
Deferred tax			(133 508)
Actuarial gains or losses (-) with pension plans			(201 127)
Net results for 2019			
Comprehensive income for 2019			
Distribution of dividends			
Other changes in equity			112 316
Balances as at 31 December 2019	20 000 000	369 257	238 484
Changes in fair value reserves			1 854 171
Deferred tax			(451 947)
Actuarial gains or losses (-) with pension plans			163 196
Net results for 2020			
Comprehensive income for 2020			
Distribution of dividends			
Other changes in equity			377 115
Balances as at 31 December 2020	20 000 000	369 257	2 181 019

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The Board of Directors

LEGAL RESERVES	OTHER RESERVES	RETAINED EARNINGS	RESULT FOR THE YEAR	TOTAL OWN EQUITY
2 242 959	11 669 492	1 408 512	1 146 740	36 317 465
				980 297
				(133 508)
				(201 127)
			1 989 627	1 989 627
				2 635 290
				0
114 674		829 999	(1 146 740)	(89 752)
2 357 633	11 669 492	2 238 510	1 989 627	38 863 003
				1 854 171
				(451 947)
				163 196
			(2 506 912)	(2 506 912)
				(941 492)
				0
198 963		1 790 665	(1 989 627)	377 116
2 556 595	11 669 492	4 029 175	(2 506 912)	38 298 627

Annex to the Separate Financial Statements as at 31 December 2020
(Except where otherwise stated, amounts are expressed in euro)

1. GENERAL INFORMATION

O Banco L.J. Carregosa, SA (Bank or Carregosa) is a commercial bank with head-office in Portugal at Av. da Boavista nº 1083, in Porto, operating under the appropriate permits issued by the Portuguese authorities. It began to operate as a commercial bank in November 2008.

The Bank has three branches in Portugal.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of presentation and comparability

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

The IFRS include the accounting standards issued by the International Accounting Standards Board (IASB) and the interpretations thereof issued by the International Financial Reporting Interpretation Committee (IFRIC), and by the respective former bodies. The Bank's financial statements presented herein report to the year ended 31 December 2020 and were prepared in accordance with the current IFRS as adopted in the European Union.

The financial statements are expressed in euro.

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

The following standards, interpretations, amendments and revisions adopted by the European Union were respected and implemented by the Bank in the year ended 31 December 2020.

New standards and amendments to the standards that came into effect on 1 January 2020

IAS1 AND IAS8 – DEFINITION OF MATERIAL

These amendments introduce a change to the definition of "material", as part of the IASB's Disclosure Initiative project.

The alterations introduced clarify that the mention of unclear information refers to situations whose effect is similar to the omission or distortion of such information, with the entity having to assess materiality considering the financial statements as a whole.

Clarifications are also made to the meaning of "key users of the financial statements", which are defined as "current and future investors, lenders and creditors" who rely on the financial statements to obtain a significant part of the information they need.

Endorsement Regulation by the European Union
Regulation (EU) No 2019/2104 of 29 November.

Effective Date
Annual periods beginning on or after 1 January 2020.

CONCEPTUAL FRAMEWORK – AMENDMENTS TO THE REFERENCE TO OTHER IFRS

As a result of the publication of the new Framework, the IASB has made changes to the text of several standards and interpretations, such as: IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, SIC 32, in order to clarify the application of the new definitions of asset/liability and expense/income, and some of the characteristics of financial information. The amendments are retrospective, unless impracticable.

Endorsement Regulation by the European Union
Regulation (EU) No 2019/2104 of 29 November.

Effective Date
Annual periods beginning on or after 1 January 2020.

IFRS 3 – DEFINITION OF BUSINESS

This amendment revises the definition of business for the purpose of accounting for business combinations.

As per the new definition, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Outputs are now defined as goods and services that are provided to clients, which generate income from financial investments and other income, excluding returns in the form of cost reductions and other economic benefits to shareholders.

"Concentration tests" are now permitted which now assess if a significant part of the fair value of the transaction corresponds to a single asset. If positive, the assets acquired do not constitute a business and the entity is waived from performing any further appraisal to determine whether it is a business combination.

The adoption of this amendment is prospective.

Endorsement Regulation by the European Union
Regulation (EU) No 2020/551 of 21 April.

Effective Date
Annual periods beginning on or after 1 January 2020.

IFRS 9, IAS 39 AND IFRS 7 – REFORM OF REFERENCE INTEREST RATES – PHASE 1

This change corresponds to the first phase of the "Reform of reference interest rates" project (examples: Euribor and Libor) which emerged in the wake of the financial crisis.

This amendment provides certain temporary and restricted exemptions relating to hedge accounting under IAS 39/IFRS 9 - Financial Instruments, with the practical effect being that hedge accounting is not discontinued where the only change relates to the change in the reference interest rate. However, any ineffectiveness of the hedging relationship in place should continue to be recorded in the income statement.

This amendment requires specific disclosures for derivative financial instruments, for which these exemptions have been applied, in terms of nominal value, significant assumptions and judgements applied, as well as qualitative disclosure of the impact of the change in reference rates and how the entity is managing this process.

The adoption of these amendments is made retrospectively.

An entity shall apply these amendments retrospectively to hedging relationships that existed at the start of the reporting period in which the entity first applies these amendments or that were subsequently designated as hedging relationships, and to the gain and loss recognised in other comprehensive income existing at the start of the reporting period in which an entity first applies these amendments.

Endorsement Regulation by the European Union
Regulation (EU) No 2020/34 of 15 January.

Effective Date
Annual periods beginning on or after 1 January 2020.

Amendments to standards published by IASB already endorsed by the EU

IFRS 16 – COVID-19 RELATED RENT BENEFITS

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

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

Tenants who choose to apply this exemption, account for the change to the rental payments, as variable rentals in the period(s) in which the event or condition leading to the payment reduction occurs. The practical expedient is only applicable when all of the following conditions are met:

- The change in the lease payments results in a revised consideration for the lease that is substantially the same as, or less than, the consideration immediately before the change;
- Any reduction in the lease payments only affects payments due on or before 30 June 2021; and
- There are no substantive changes to other terms and conditions of the lease.

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

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

Effective Date
Annual periods beginning on or after 1 June 2020.

IFRS 4 – INSURANCE CONTRACTS – DEFERRAL OF THE APPLICATION OF IFRS 9

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

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

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

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

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

Amendments to standards published by IASB already endorsed by the EU

IAS 1 – CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

Clarification on the classification of liabilities as current or non-current balances depending on the rights that an entity has to defer its payment, at the end of each reporting period (the standard no longer makes reference to unconditional rights, as loans are rarely unconditional to the fulfilment of specific conditions).

The classification of liabilities is not affected by the entity's expectations (the assessment should determine whether a right exists, but should not consider whether the entity will exercise that right), or by events occurring after the reporting date, such as the breach of a given covenant".

An additional clarification is made regarding the meaning of 'settlement' of a liability, which is now defined as the extinguishing of a liability through transfer:

a. cash or other economic resources, or

b. the entity's own equity instruments.

This amendment applies retrospectively.

Endorsement Regulation by the European Union
Pending endorsement.

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

IAS 16 - INCOME BEFORE START-UP

This amendment is part of the narrow scope amendments published by IASB in May 2020.

With this amendment, IAS 16 - 'Property, Plant and Equipment' will prohibit the deduction of amounts received as consideration for items sold that resulted from the production in test phase of property, plant and equipment, from the carrying amount of those assets.

Function tests of tangible fixed assets before they are put on a firm commitment basis may involve the production of outputs for which there is a market and which may be sold. The consideration received for the sale of the outputs obtained during the testing phase must be recognised in the income statement, in accordance with the applicable regulations.

This amendment is applied retrospectively, without restatement of comparatives.

Endorsement Regulation by the European Union
Pending endorsement.

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

IAS 37 - ONEROUS CONTRACTS - COSTS OF FULFILLING A CONTRACT

This amendment is part of the narrow scope amendments published by the IASB in May 2020.

This amendment specifies which costs the entity should consider when assessing whether a contract is onerous. Only expenses directly related to the performance of the contract are accepted, and these may include:

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

b. The allocation of other expenses that relate directly to the performance of the contract, such as allocating the depreciation expense of a given tangible fixed asset used to perform the contract.

This amendment should be applied to contracts which, at the beginning of the first annual reporting period to which the amendment is applied, still include unfulfilled contractual obligations, without restating the comparative. Any impact should be recognised against retained earnings (or other component of equity, as appropriate), on that same date.

Endorsement Regulation by the European Union
Pending endorsement.

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

IFRS 3 - REFERENCE TO THE CONCEPTUAL FRAMEWORK

This amendment is part of the narrow scope amendments published by IASB in May 2020.

This amendment updates the references to the Conceptual Structure in the IFRS 3 text, and no changes have been made to the accounting requirements for business combinations.

The amendment also introduces references to liabilities and contingent liabilities under IAS 37 and IFRIC 21 incurred separately versus liabilities and contingent liabilities assumed in a business combination.

This amendment is applied retrospectively.

Endorsement Regulation by the European Union
Pending endorsement.

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

IFRS 9, IAS 39, IFRS 7, IFRS 4 AND IFRS 16 – REFORM OF REFERENCE INTEREST RATES – PHASE 2

These amendments address issues that arise during the reform of a reference interest rate, including the replacement of a reference interest rate with an alternative interest rate, allowing the application of exemptions such as:

i. Changes in hedge designation and documentation;

ii. Amounts accumulated in the cash flow hedge reserve;

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

iv. Changes in hedging relationships for groups of items;

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

vi. Update the effective interest rate, without recognising a gain or loss, for financial instruments measured at amortised cost with changes in contractual cash flows as a result of the IBOR reform, including leases that are indexed to an IBOR.

Endorsement Regulation by the European Union
Pending endorsement.

Effective Date
Annual periods beginning on or after 1 January 2021

Annual improvement cycle2018 - 2020

IFRS 1 - SUBSIDIARY AS A FIRST-TIME ADOPTER OF IFRS

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

This improvement is applied prospectively.

Endorsement Regulation by the European Union
Pending endorsement.

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

IFRS 9 - DERECOGNITION OF FINANCIAL LIABILITIES – COSTS INCURRED TO BE INCLUDED IN THE "10 PER CENT" VARIATION

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

This improvement is applied prospectively.

Endorsement Regulation by the European Union
Pending endorsement.

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

IFRS 16 - LEASE INCENTIVES

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

This improvement is applied prospectively.

Endorsement Regulation by the European Union
Pending endorsement.

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

IAS 41 - FAIR VALUE MEASUREMENT AND TAXATION

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

This improvement is applied prospectively.

Endorsement Regulation by the European Union
Pending endorsement.

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

Standards published by IASB, not yet endorsed by the EU

IFRS 17 - INSURANCE CONTRACTS (ISSUED ON 18-05-2017); INCLUDING AMENDMENTS TO IFRS 17 (ISSUED ON 25-06-2020)

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

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

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

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

The amendments made have impacts in eight areas of IFRS 17, such as:

i. Scope;

ii. Level of aggregation of insurance contracts;

iii. Recognition;

iv. Measurement;

v. Modification and derecognition;

vi. Presentation of the statement of financial position;

vii. Recognition and measurement of the income statement; and

viii. Disclosures.

The main changes introduced to IFRS 17 refer to:

- Expected recovery of cash flows from acquisition of assets by insurance contracts;

- Contractual service margin attributable to investment services;

- Exclusion from scope of certain card and credit (or similar) contracts, as well as some financing contracts;

- Presentation of insurance contract assets and liabilities in the statement of financial position in portfolios rather than groups;
- Applicability of the risk mitigation option, when using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss to mitigate financial risks;
- Accounting policy option to change estimates made in previous interim periods, when applying IFRS 17;
- Inclusion of income tax payments and receipts specifically attributable to the policyholder under the terms of the insurance contract (as to cash flow compliance); and
- Practical transition expedients.

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

Endorsement Regulation by the European Union
Pending endorsement.

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

2.2. Significant accounting policies

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

2.2.1. Transactions in foreign currency (IAS 21)

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

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

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

2.2.2. Cash and cash equivalents

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

2.2.3. Investments in domestic and foreign credit institutions

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

2.2.4. Financial instruments

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

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

i. Assets measured at amortised cost;

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

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

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

Adopted by Regulation (EU) No 1255/2012, of the Commission, of 11 December 2012, the International Financial Reporting Standard (IFRS) 13 defines fair value, sets out in a single IFRS a framework for measuring fair value, and requires disclosures about fair value measurements.

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

The disclosures required by IFRS 13 are not required for the following (cf. par 7):

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

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

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

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

As from 1 January 2018, a specific balance sheet heading has been introduced – **Non-trading financial assets mandatorily at fair value through profit or loss**.

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

The following accounting classes are, therefore considered:

- Financial assets at amortised cost – HTM;
- Financial assets at fair value through other comprehensive income – FVTOCI;
- Financial assets at fair value through profit or loss – FVTPL;
- Other assets not held for trading, mandatorily recorded at fair value (Not Held for Trading, PL).

Financial assets at amortised cost

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

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

Initial recognition and subsequent measurement

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

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

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

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

a. a disposal;

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

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

Financial assets at fair value through other comprehensive income

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

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

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

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

Additionally, in the initial recognition of an equity instrument that is not held for trading, or in the case of a contingent retribution recognised by a buyer in a business combination to which IFRS 3 applies, the Bank may irrevocably opt to state it under financial assets at fair value through other comprehensive income.

Initial recognition and subsequent measurement

Debt instruments at fair value through other comprehensive income are initially recognised at fair value, plus transaction costs, and are subsequently measured at fair value. Changes in the fair value of these assets are recorded by corresponding entry under other comprehensive income and, at the time of their disposal, their accumulated gains or losses in other comprehensive income are restated into a specific profit and loss heading designated as gains or losses with the “derecognition” of financial assets at fair value through comprehensive income.

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

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

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

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

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

Financial assets at fair value through profit or loss

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

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

The following must be considered under this classification:

- Assets valued at fair value through profit and loss (FVTPL), almost coincident with the designated prudential trading portfolio;

- Non-trading financial assets, mandatorily measured at fair value through profit or loss or, separately, other assets not held for trading, mandatorily recorded at fair value (Not Held for Trading, PL).

Initial recognition and subsequent measurement

Financial assets at fair value through profit or loss are initially recognised at fair value, and costs or income related to the transactions are recognised in profit or loss at the initial date, with subsequent changes also recognised in profit or loss.

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

2.2.5. Restatement

The restatement of financial assets is only permitted in strict accordance with the regulatory and accounting standards in force[6].

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

- Final delisting;
- The loss of public company status;
- Default by the issuer.

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

Where the competent authorities permit the restatement:

- The restatement of that position cannot be changed;
- The Bank must disclose publically, on the first reporting date, the information that its position was restated;
- Under the regulations, where, at the first reporting date, the net change in the amount of the Bank's own funds requirements, arising from the restatement of the position, results in a net reduction, the Bank will henceforth provide for additional own funds equal to the net change and will publically disclose the amount of such additional own funds;
- The additional own funds amount will remain constant until the maturity date of the position, unless the competent authorities allow the institution to gradually reduce that amount at an earlier date.

2.2.6. Financial derivatives (IFRS 9)

Financial derivatives are recorded at fair value on the date on which the Bank negotiates the contracts and are subsequently measured at fair value. Fair values are obtained through market prices in active markets, including recent market transactions, and appraisal models, namely: discounted cash flow models and option appraisal models. Derivatives are considered as assets when their fair value is positive and as liabilities when their fair value is negative.

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

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

2.2.7. Hedge accounting

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

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

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

- at the start date of the relation there is formal documentation of the hedge;
- the hedge is expected to be highly effective;
- hedge effectiveness can be reliably measured;
- hedge is evaluated on a continuous basis and effectively determined as being highly effective throughout the financial reporting year; and
- in relation to the hedging of an expected transaction, this transaction is highly likely to occur and is exposed to cash flow variations that could ultimately affect profit or loss.

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

i. Fair value hedging

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

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

ii. Cash flow hedging

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

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

iii. Hedge effectiveness

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

2.2.8. Loans to clients and other receivables (receivables)

Appraisal, initial and subsequent recognition

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

The appraisal used for Loans to clients and receivables from other debtors is as follows:

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

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

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

Derecognition (IFRS 9)

Loans to clients are derecognised from the balance sheet when:

i. the contractual rights to the cash flows expires;

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

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

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

Credit Impairment Loss (IFRS 9)

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

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

The current impairment model analyses all positions individually.

2.2.9. Ativos recebidos em dação por recuperação de créditos

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

2.2.10. Non-current assets held for sale

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

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

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

Other property, plant and equipment are stated at acquisition cost, minus depreciation and impairment losses, and are depreciated on a straight-line basis over their expected useful life. This period is within the limits allowed by the Portuguese tax law as follows:

EQUIPMENT	YEARS
Vehicles	4 - 8
Furniture and office supplies	8 - 16
IT equipment	3 - 8
Other property, plant and equipment	5 - 50

(*) Land is not amortised.

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

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

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

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

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

The Bank adopted IFRS 16 – Leases as of 1 January 2019 to replace IAS 17 – Leases, which was in force until 31 December 2018. Its implementation did not materially affect the financial statements, so the Bank chose not to apply the standard retrospectively,

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

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

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

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

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

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

2.2.12. Intangible assets (IAS 38)

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

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

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

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

2.2.13. Investments in associated companies (IAS 28)

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

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

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

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

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

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

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

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

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

2.2.15. Provisions and contingent liabilities (IAS 37)

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

2.2.16. Tax on profits (IAS 12)

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

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

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

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

2.2.17. Recognition of revenue and costs

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

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

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

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

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

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

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

- when wholly part of the effective interest rate, they are recognised under Financial margin.

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

2.2.19. Recognition of interest

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

2.2.20. Commissions for services rendered

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

2.2.21. Guarantees provided and irrevocable commitments

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

2.2.22. Employee benefits (IAS 19)

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

2.2.23. Retirement and survival pensions

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

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

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

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

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

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

2.2.24. Variable remunerations paid to employees (IAS 19)

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

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

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

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

2.3.1. Impairment on loans to clients

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

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

2.3.2. Taxes on income

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

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

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

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

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

2.3.3. Pensions and other employee benefits

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

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

2.3.4. Restatements in the financial statements

The Board of Directors, with the objective of improving the information to be disclosed, has decided to make a change in the presentation of the Bank's financial statements. This change has led to a restatement of the balance sheet as set out in the following notes:

i. Financial assets held for trading

Restatement in the balance sheet, for the periods in question, of interest on financial assets held for trading in the amount of 89 688€. This interest was previously presented in the balance sheet under other assets.

ii. Financial assets at fair value through other comprehensive income

Restatement in the balance sheet, for the periods in question, of interest on financial assets at fair value through other comprehensive income, in the amount of 1 058 796€. This interest was previously presented in the balance sheet under other assets.

iii. Financial assets at amortised cost

Restatement in the balance sheet, for the periods in question, of interest from loans to clients, in the amount of 308 003€. This interest was previously allocated to the balance sheet under other assets.

Interest on financial assets held to maturity in the amount of 34 007€ is restated in the balance sheet for the periods in question. This interest was previously allocated to the balance sheet under other assets.

iv. Other liabilities

Restatement in the balance sheet, for the periods in question, of charges payable for personnel costs amounting to 619 467€. These charges were previously allocated to the balance sheet under financial liabilities measured at amortised cost.

3. RISK MANAGEMENT

3.1. Risk management function

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

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

- Adequate level of capital (principle of Solvency);
- Remuneration of risks undertaken (principle of Profitability);
- Maintaining a financially stable structure.

It should be noted that 2020 was marked by strengthening the implementation and communication of structural elements such as the Global Risk Management Policy. The objective is that there is an alignment between the best practices in terms of information management and, in particular, the improvement of information regarding risk management.

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

- The definition of a risk catalogue which includes risk categories and subcategories;
- The risk identification and assessment;
- The review of the internal control function regulation;
- The systematisation of the annual planning of compliance risk management functions.

3.2. Organisational structure of risk management

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

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

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

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

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

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

As part of the Bank's Recovery Plan, the Recovery Team meets at least once every quarter, or when necessary. It is responsible for managing potential or actual serious risk situations, and is formed by the Chairman of the Executive Committee, in charge of team coordination, by the Executive Committee members in charge of Risk and Financial, by the Central Managers and those responsible for the Financial, Risk, Compliance and Communication departments, in addition to other members invited to take part in functions.

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

3.3. Material risks

Credit Risk, Market Risk, Interest Rate Risk, Operating Risk, and Liquidity Risk are considered as material risks.

3.4. Credit risk

Credit risk is the likelihood of negative impacts affecting the results or equity due to the inability of a counterparty to meet its financial commitments with the Bank, including any restrictions on the transfer of payments from abroad. Credit risk is found mainly in credit exposures, credit lines, guarantees, derivatives and the Bank's deposits in other credit institutions. Various methods are used to reduce this risk, in particular the need to deliver solid and net guarantees, the use of contractual netting agreements, and the determination and recognition of impairments. The determination of impairments leads to the decrease in value of a particular asset, thus anticipating a potential or effective loss. The posting of impairments can be regarded as a credit risk mitigation technique, enabling the adequacy of capital to meet the credit risk requirements and the actual financing requirement.

Maximum exposure

Banco Carregosa's maximum exposure to credit risk is as follows:

Client creditworthiness

The disclosures required by Circular Letter CC/2018/00000062 of Banco de Portugal, of November, are presented hereunder:

	31.12.2020	31.12.2019
FINANCIAL ASSETS		
Cash and deposits at central banks and other demand deposits	115 282 287	99 978 219
Financial assets at fair value through profit or loss:		
Financial assets held for trading	4 711 425	6 844 196
Non-trading financial assets mandatorily at fair value through profit or loss	11 189 245	11 080 066
Other financial assets at fair value through profit or loss	36 768	22 543
Financial assets at fair value through other comprehensive income	57 036 132	101 461 841
Financial assets at amortised cost	137 110 128	113 357 236
Derivatives - Hedge accounting	68 713	79 046
Other assets	3 445 146	1 444 987
	328 879 844	334 268 134
OTHER COMMITMENTS		
Personal/institutional guarantees		
Guarantees and commitments	13 217 987	12 443 424
Other personal guarantees provided and other contingent liabilities	4 366 753	6 870 883
Collateral (assets offered as collateral)	25 985 000	7 065 000
Irrevocable commitments	929 472	779 570
Revocable commitments	14 460 838	10 866 133
	58 960 050	38 025 010
MAXIMUM EXPOSURE	387 839 894	372 293 144

3.4.1. Credit risk management policy

The Bank grants credit exclusively to corporate entities and investors, according to the following set of standard operations, which it adapts to the needs of each client and transaction:

- Mutual funds;
- Escrow accounts (CCC);
- Authorised bank overdrafts;
- Technical overdrafts, arising exclusively from differences in dates-values of debit and credit transactions in the client's account;
- Bank guarantees, as an off-balance sheet form of potential loan;
- Credit cards, under the partnership with UNICRE;

- Other types of credits, exceptionally and on a case by case basis, subject to a specific analysis for an appropriate cost-benefit analysis.

Various methods are used to reduce this risk, in particular the need to deliver solid and net guarantees, the use of contractual netting agreements, and the determination and recognition of impairments.

3.4.2. Granting of loans

The lending process is the initial phase of the analysis of the client's risk profile and the operation.

The approval of credit operations is preceded by the issue of opinions by the Credit, Risk, Compliance and Legal Departments, whenever necessary, Legal, ensuring within the framework of the credit risk analysis:

- An assessment of the client's repayment capacity, through an outlook of its activity, financial situation (historical, current and prospective) and banking relationship;

- A thorough knowledge of the client (and respective economic group, when applicable), based, also, if applicable, on previous credit relationship experience;

- An assessment of the adequacy of the characteristics of the operation and the level and quality of the collateral;

- The application of consistent methodologies, criteria and practices in risk assessment, such as rating or scoring models;

- The assessment of the framework of the operation within the overall credit portfolio, namely the impact of the operation on impairments, own funds and their requirements and major risks;

- That the risk assessment is carried out independently, impartially, rigorously and in accordance with the ethical and professional criteria governing the Bank;

- That it is in accordance with the policies and procedures defined, respecting the prudential rules to which the Bank is subject.

Finally, and as already noted last year, the recent extraordinary events related to the Covid-19 pandemic have impacted at various levels, in particular the Bank's transactions. Thus, on 26 March 2020 DL 10/J/2020 was published concerning the moratorium arrangement that established exceptional measures for protecting the loans of families, companies, private charitable institution and other social economy entities, as well as a special arrangement for State guarantees.

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

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

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

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

- An objective amount calculated through the appraisal of a set of possible results weighted by their probabilities;

- The time value of money; and

- Reasonable and supportable information that is available without undue cost or effort at the reporting date on past events, current conditions and projections of future economic conditions.

The measurement of the ECL reflects the probability of default by the debtor, considering its temporary effect and the probability given the default (designated as Loss Given Default – LGD). Additionally, this calculation must be based on reasonable and supportable information that is available without undue cost or excessive effort.

Note that the change in International Financial Reporting Standards, through the introduction of IFRS 9, implies, as aforementioned regarding the determination of impairments, the measurement of expected losses.

Macroeconomic models are integrated when estimating expected losses, by the weighting of prospective scenarios in relation to key indicators.

It should be noted that the approach adopted in the calculation of the ECL is at an individual level, as each position is analysed separately. This situation occurs because the Bank does not have statistically relevant historical data that would allow the segregation of the portfolio by the segregation of the loan portfolio and impairment by levels is presented below, in line with the classification of the IFRS9. In this point it should be noted that the Bank has a level of coverage by impairments in the order of 1.5%, being higher in level 3, anticipating, from the outset, more fragile situations arising from the end of the moratorium period. This situation naturally affected the Bank's solvency ratio, but without any relevant impact.

TIER	TOTAL CREDIT	TOTAL IMPAIRMENTS	% IMPAIRMENT HEDGING
Tier	57 949	54	0,09%
Tier1	30 004	275	0,92%
Tier 2	21 194	1 345	6,35%
Tier 3	**109 147**	**1 674**	**1,50%**

Amounts m€

3.4.4. Determination of exposures with low credit risk

In line with BdP's Circular Letter 2018/00000062, the credit risk of a financial instrument is said to have not increased significantly (which is expected to be limited in number) since initial recognition when it is determined that the financial instrument has a low credit risk at the reporting date.

Moreover, the credit risk evolution of these financial instruments must be continuously monitored when they are classified as having a low credit risk, so as to identify whether there have been significant increases in risk and ensure that they maintain the same low credit risk assumptions in each reporting period.

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

- Central Administrations or Central Banks of State Members and of other EEA countries;
- Multilateral development banks;
- International organisations.

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

3.4.5. Indication of signs of impairment by credit segments - Unlikely to pay

Unlikely to pay credit is said to exist when principal and interest instalments are less than 90 days past due, but regarding which there is evidence that justify their classification as problem debt, in particular bankruptcy, the debtor is in liquidation, among others, in accordance with BdP's Circular Letter 2018/00000062.

It is also considered that the entire debtor's exposure is classified as non-performing whenever the exposures more than 90 days past due exceed 20% of the debtor's total exposure. This situation shows an exposure contagion that can spread to a group of connected clients. The various stages of an operation are shown in the table below.

SITUATION	INTEREST AND PRINCIPAL	EVIDENCES
Irregular	Overdue < 90d	
Unlikely to pay	Overdue < 90d	Justify classification as problem debt, such as debtor's bankruptcy or liquidation
Non-performing - limited	Overdue > 90d	≤20% total exposure
Non-performing - global	Overdue > 90d	>20% total exposure

Significant increase of credit risk

The transition from the first to the second stage, in accordance with IFRS 9, is dictated by the significant increase of credit risk since initial recognition. In this scope, all reasonable and supportable information that is available without undue cost or effort that may determine the existence of a significant increase of credit risk must be considered, in particular in the case of any of the following:

- Change in internal or external ratings;
- Change in external credit risk indicators;
- Change (actual or expected) in the risk of non-performing exposure in another instrument of the same debtor;
- Change in interest rates applied due to the increase of credit risk;
- Non-payment.

Without prejudice to using additional indicators, the following indicators are said to reflect situations of significant increase of credit risk of a financial instrument, except if there is objective evidence to the contrary:

- Credit with more than 30 days late payment of principal, interest, commissions or other expenses or a situation similar to an unlikely to pay credit;
- Deferred exposures;
- Credit whose debtor meets at least two of the following criteria, occurring after the initial recognition of the operation:
    - Having at least one record of a default with the Central Credit Register;
    - Having its name in lists of cheque users who represent a risk or who have rebutted / not been collected;
    - Debts to the Tax Authority, Social Security or to employees, in a default situation or pledge enforced by the State;
    - Other signs that trigger internal alert levels.

Deferred exposures can be considered as not being impaired due to agreements between the debtor and its creditors to ensure the sustainability of the debt and feasibility of the debtor, if said agreements are based on an operational and financial feasibility plan of the company which includes at least one of the following:

- Demonstration of the company's debt sustainability, considering the amounts that, according to the plan, are recoverable under the new conditions agreed, assuming an adequate conservative margin to absorb any deviations in the estimates made;
- Analysis of the company's management quality and, where necessary, the measures adopted to mitigate the problems identified;
- Analysis of possible unsustainable business areas and, if any, the plans for a company restructuring process in which only the feasible business areas will be maintained;

- Analysis of the fact that there is no other factor reasonably likely to weaken the conclusion that the restructured company, under the previously identified conditions, is able to meet its obligations under the new agreed conditions.

In the case of the aforementioned debt restructuring agreements, a probational period of 24 months is considered, reckoned from the date on which the agreement is formalised, for financial instruments over which the criteria materialising a significant increase of credit risk are no longer observed.

During this probational period, the debt sustainability resulting from the new agreement must be made clear by means of an analysis to check the objective criteria demonstrating the return to a credit risk profile close to that of the financial instrument at initial recognition.

An entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date, the operation therefore being classified in the first tier.

3.4.6. Objective evidence of impairment

The existence of objective evidence of impairment determines the classification of the operation on the third tier.

In accordance with IFRS 9, on the third tier, in addition to considering the whole life of the exposure, the entity needs to take into account that interest income may be based on the net amount, using an adjusted effective interest rate, recognising an allowance for losses according to the whole life of the instrument.

Without prejudice to the companies being able to use other indicators, the following indicators represent impairments of a financial instrument, unless there is objective evidence to the contrary:

i. Credit more than 90 days past due of principal, interest, commissions or other expenses, that is, non-performing credits;

ii. Reduced probability of the debtor fully meeting its credit obligations, the recovery of the debt depending on the activation of any guarantees received, that is, unlikely to pay credit. For example:

- The institution has activated guarantees and collateral;
- The institution has initiated legal proceedings to collect the debt;
- The debtor's sources of recurrent income are no longer available for payment of reimbursement instalments (e.g. loss of a client or important lessee, continued losses or a significant drop in turnover / operating cash flows);
- The debtor's financial structure is significantly inadequate, or the debtor is unable to obtain additional financing;
- The Bank ceases to charge interest (even if partially or on condition);
- The Bank directly cancels the debtor's entire debt or part thereof (asset write-off /debt forgiveness), outside the scope of a restructuring operation;

- The Bank or institution leading the group of creditors, as applicable, initiates bankruptcy/insolvency procedures against the debtor;

- Existence of out-of-court negotiations for the settlement or reimbursement of the debt (e.g. suspension agreements);

- The debtor filed for bankruptcy or insolvency;

- A third party has filed for the bankruptcy or insolvency of the Bank's debtor;

- Debts to the Tax Authority, Social Security or employees, in a situation of litigation or pledge enforced by the State.

iii. Deferred exposures may occur when:

- The restructuring is supported by an inadequate payment plan. Among others, an inadequate payment plan is said to exist when it is successively breached, the operation has been restructured to avoid default, or it is based on expectations not supported by macroeconomic forecasts;

- Restructured credits include contractual clauses that extend the repayment operation, in particular with the introduction of a grace period of more than two years for the payment of principal;

- Restructured credits due to financial difficulties that are in a cure period are again restructured due to financial difficulties, or that present overdue principal or interest of more than 30 days during that period;

- Credits included in debt agreement that are not in accordance with the provisions in item 2.2. of the Impairment Manual.

A cure period is considered for financial instruments in which the criteria that resulted in the impairment situation are no longer observed. In particular, a 12-month cure period is applied for instruments in impairment that have been subject to restructuring measures due to the debtor's financial difficulties.

3.4.7. Indication of the thresholds defined for separate analysis

Separate analysis applies to all the credit operations.

3.4.8. Policy on internal risk ratings, specifying the treatment given to a borrower classified as in default

Clients found to be in default are analysed by the Credit Committee. A solution that is more adequate to the client's interests is applied taking into consideration their financial capacity.

3.4.9. General description of the calculation of the current value of future cash flows in the determination of impairment losses

The following are taken into consideration in the calculation of specific impairment:

- Exposure;
- Estimated business cash flows or other client's cash flows;
- Cash flows of real estate projects;
- Expected cash flows related to the execution/pledge of collateral;
- Estimated cash flows arising from calls on personal guarantees;
- Cash flows generated by the execution of the financial assets of the debtor with the Bank to settle one-off authorised overdrafts and up to no more than 30 days and overdue loans, originated from contracted loans or otherwise.

As per Circular Letter CC/2018/00000062 of Banco de Portugal, haircuts are applied in the determination of cash flows generated by guarantees and any costs of forced sale are excluded. When the Bank considers that the adjusted market value does not safely reflect the asset's realisable value, additional haircuts are applied.

This percentage is restated at the contract discount rate plus any maintenance costs of the underlying asset.

When the transaction does not fulfil the conditions that require a specific calculation, or when this originates a null impairment, a general calculation is used.

Description of the rescue period used for the various segments and reasons for its suitability

The rescue period is the time elapsed since the loss event occurs until it is noticed, which can be divided into 2 moments:

- First moment, when the information emerges;
- Second moment, at a later date, when indicators are obtained that prove the existence of objective impairment evidence.

Banco Carregosa uses indicators that show a potential impairment loss, enabling it to quickly anticipate any deterioration in their clients' solvency standing, such as abnormal balances, difficulty in fulfilling the debt, changes in PDs, etc.

3.4.10. Monitoring of the loan portfolio

The monitoring of the loan portfolio is essential to anticipate pre-default situations, allowing the Bank to:

- identify the factors that prove the deterioration of the client's creditworthiness;
- define solutions to renegotiate the debt.

The Supervisory Committee regularly monitors the credit granting process.

3.4.11. Credit recovery

If a credit default situation is found, measures are taken to recover such credit. In the case of private loans, the special schemes PARI/PERSI are activated, in accordance with Decree-law 227/2012.

3.4.12. Risk concentration management

The Bank recognises that due to its size, its performance in specific segments and the type of target clients, it is expected that its loan portfolio will result in a reduced number of operations of a high amount and somewhat concentrated. The Risk Department analyses the concentration of the loan portfolio in the following dimensions:

- Significant exposures to an individual counterparty or to a group of counterparties that are economically or risk related ("single name concentration risk" or "large exposures");
- Significant exposures to groups of counterparties whose probability of defaulting results from common underlying factors, namely: (i) economic sector, (ii) geographical area, (iii) currency and (iv) type of operation or product, that is, dependence on the economic and financial performance of the same activity or product/service;
- Indirect credit exposures resulting from the application of risk mitigation techniques (excessive exposure to a type of collateral or to credit protection provided by a single counterparty).

The table below shows the distribution of net assets based on geographical concentration, namely concentration by country risk:

COUNTRY	NET VALUE	NET VALUE (%)
Portugal	241 529 471	68.91%
Italy	19 878 662	5.67%
France	19 771 138	5.64%
Greece	15 661 790	4.47%
Luxembourg	11 420 668	3.26%
The Netherlands	9 693 426	2.77%
Denmark	7 781 579	2.22%
Spain	5 098 487	1.45%
United Kingdom	4 519 360	1.29%
Germany	3 217 485	0.92%
United States of America	2 483 292	0.71%
Croatia	2 272 716	0.65%
Switzerland	1 095 783	0.31%
Mexico	1 009 505	0.29%
Angola	788 739	0.23%
Turkey	775 257	0.22%
Belgium	605 571	0.17%
Republic of North Macedonia	570 613	0.16%
Russian Federation	532 970	0.15%
São Tomé e Príncipe	517 748	0.15%
Hong-Kong	504 050	0.14%
Ireland	503 900	0.14%
People's Republic of China	253 433	0.07%
Brazil	2 783	0.00%
Chile	49	0.00%
Qatar	12	0.00%
Total	**350 488 488**	**100%**

3.4.13. Policy on the write-off of loans (asset write-off)

In accordance with EBA/GL/2017/06, there is a write-off of a credit when all the conditions below are met:

- Bad debt in arrears for more than 24 months;
- Credit with impairment loss recognised in full.

When the conditions for the write-off are met, the Commercial Department having been heard, the operation is taken to the Credit Committee by the Credit Department, proposing and justifying the write-off. If there are no tax consequences, bad debts in arrears for more than 24 months and for which and impairment loss in the same amount of the loan is recognised (and accepted for tax purposes) must be removed from the balance sheet.

3.4.14. Impairment reversal policy

Impairment is reversed whenever there is:

- A significant improvement in the capacity of the client to honour the payment, with a positive impact on the client's credit rating;
- Increase in collateral.

Under these conditions a new impairment is calculated, directly reversing the previous impairment.

3.4.15. Description of the restructuring measures applied and their associated risk, as well as the control and monitoring mechanisms thereof

The restructuring of a loan takes place whenever there are changes to the terms and conditions of the contract. For that purpose a note must be added indicating "restructured loan due to the client's financial difficulties".

Loans must be marked in the Bank's computer system as "restructured due to the client's financial difficulties".

Solutions for the recovery of the loan must take into consideration the client's current situation and in the best interest of Banco Carregosa.

3.4.16. Description of the appraisal process and collateral management

Mortgage guarantees

APPRAISAL

Mortgage guarantees are appraised by an expert appraiser registered with the CMVM, who will be responsible for drafting a report on the property, in accordance with the CNVN regulations on appraisal criteria and expert appraisers.

REAPPRAISAL AND REVIEW

Mortgage guarantees are re-evaluated by an expert appraiser on a two-year basis, whenever this is not contrary to the provisions of article 208 of the CRR, namely:

- Frequent verification of the value of the properties, at least once a year for commercial properties and once every three years for residential properties. More frequent verifications should be carried out when market conditions are subject to significant changes;
- The property appraisal shall be reviewed whenever the Bank has information indicating that the value of the property has decreased substantially in relation to general market prices, such review being conducted by an appraiser with the necessary qualifications, skills and experience and who is independent from the credit decision process. For loans exceeding €3 million or 5% of the Bank's own funds, the property appraisal shall be reviewed by such an appraiser at least every three years.

In extraordinary circumstances in the real estate market and in the presence of exposures considered significant (*i.e.*, representing at least 5% of own funds) combined with LTV of 80%, the Bank will revalue them annually.

3.4.17. Other guarantees

The models adopted for accepting financial instruments as collateral for exposures can vary widely, with the Bank adopting, as a rule, for legal persons, the legal regime of financial guarantee contracts set forth in Decree Law 105/2004, of 8 May, which transposes into national law Directive 2002/47/EC, of the European Parliament and Council of 6 June, on financial collateral arrangements. For individuals, the bank adopts mechanisms that lead to similar results.

Within the scope of IFRS 9, the recalculation of the ECL amount and disregarding the underlying collateral, the amount totals 9 142 531€ as at December 2020.

Quantitative disclosures

The information on the client loans portfolio as at 31 December 2020 and 2019 is presented below.

A) BREAKDOWN OF EXPOSURES AND RELATED IMPAIRMENT

A.1)

SEGMENT	EXPOSURE AS AT 31.12.2020			
	TOTAL EXPOSURE	COMPLIANT LOANS	SETTLED	RESTRUCTURED
Construction & CRE	39 438 481	39 194 227		2 249 289
Corporate	20 319 180	20 140 455		1 468 451
Bank guarantees	13 232 475	13 210 987		-
Private	16 728 930	16 669 575		7 399 956
Non-contracted	4 827 326	1 577 672		-
Total	94 546 392	90 792 917		11 117 695

A.2)

SEGMENT	TOTAL EXPOSURE AS AT 31.12.2020			
	DEFAULTING LOANS			
	DAYS IN ARREARS < 30			
	TOTAL EXPOSURE 31.12.2020	NO EVIDENCE	WITH EVIDENCE	SUB-TOTAL
Construction & CRE	39 438 481	36 055 064	3 383 417	39 438 481
Corporate	20 319 180	20 319 180		20 319 180
Bank guarantees	13 232 475	13 232 475		13 232 475
Private	16 728 930	16 728 930		16 728 930
Non-contracted	4 827 326	4 827 326		4 827 326
Total	94 546 392	91 162 975	3 383 417	94 546 392

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

A.1)

SEGMENT	EXPOSURE AS AT 31.12.2019			
	TOTAL EXPOSURE	COMPLIANT LOANS	SETTLED	STRUCTURED
Construction & CRE	43 929 910	43 922 912		6 667 684
Corporate	22 028 857	22 028 857		2 646 098
Bank guarantees	12 458 809	12 458 809		49 017
Private	18 020 276	18 001 719		7 520 113
Non-contractualised	9 145 468	1 862 002		-
Total	105 583 320	98 274 299		16 882 912

A.2)

SEGMENT	TOTAL IMPAIRMENT	TOTAL IMPAIRMENT AS AT 31.12.2019
		COMPLIANT LOANS
		DAYS IN ARREARS < 30
Construction & CRE	175 813	171 778
Corporate	137 436	137 436
Bank guarantees	9 180	9 180
Private	176 627	116 574
Non-contractualised	1 103 687	20 229
Total	1 602 744	455 197

			IMPAIRMENT AS AT 31.12.2020		
	DEFAULTING LOANS	RESTRUCTURED	TOTAL IMPAIRMENT	COMPLIANT LOANS	DEFAULTING LOANS
	244 254	-	492 491	341 470	151 020
	178 725	-	483 077	304 352	178 725
	21 488	-	102 074	102 074	-
	59 355	-	196 456	138 499	57 957
	3 249 654	1 751 044	400 110	2 306	397 804
	3 753 475	**1 751 044**	**1 674 209**	**888 703**	**785 506**

			TOTAL IMPAIRMENT AS AT 31.12.2020		
	DEFAULTING LOANS		COMPLIANT LOANS	DEFAULTING LOANS	
	DAYS IN ARREARS <= 90*	DAYS IN ARREARS > 90 DIAS	TOTAL IMPAIRMENT	DAYS IN ARREARS <= 90*	DAYS IN ARREARS > 90 DIAS
	75	244 179	492 491	341 470	48
	-	178 725	483 077	304 352	329 697
	-	21 488	102 074	138 499	57 957
	-	59 355	196 456	2 306	397 804
	44 414	3 205 240	400 110	102 074	-
	44 489	**3 708 987**	**1 674 209**	**888 703**	**785 506**

			IIMPAIRMENT AS AT 31.12.2019		
	DEFAULTING LOANS	RESTRUCTURED	TOTAL IMPAIRMENT	COMPLIANT LOANS	DEFAULTING LOANS
	6 998	-	175 813	171 778	4 035
	-	-	137 436	137 436	-
	-	-	9 180	9 180	-
	18 557	-	176 627	116 574	60 054
	7 283 466	6 566 864	1 103 687	20 502	1 083 185
	7 309 021	**6 566 864**	**1 602 744**	**455 471**	**1 147 273**

	DEFAULTING LOANS		
	DAYS IN ARREARS BETWEEN 30-90	DAYS IN ARREARS <= 90*	DAYS IN ARREARS> 90
		-	4 035
		-	-
		-	-
		-	60 054
	275	152 786	930 399
	275	**152 786**	**994 488**

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

B) BREAKDOWN OF LOAN PORTFOLIO BY SEGMENT AND YEAR OF PRODUCTION

31.12.2020

	CORPORATE						CONSTRUCTION & CRE		
YEAR OF PRODUCTION	NO. OF TRANSAC-TIONS	AMOUNT	IMPAIRMENT	NO. OF TRANSAC-TIONS	AMOUNT	IMPAIRMENT	TOTAL IMPAIRMENT	COMPLIANT LOANS	DEFAULTING LOANS
2019	3	7 506 276	10 590	13	10 163 935	207 509	492 491	341 470	151 020
2020	0			7	3 434 516	3 783	483 077	304 352	178 725
Total	**3**	**7 506 276**	**10 590**	**13**	**10 163 935**	**207 509**	**1 674 209**	**888 703**	**785 506**

31.12.2019

	CORPORATE			CONSTRUCTION & CRE		
YEAR OF PRODUCTION	NO. OF TRANSACTIONS	AMOUNT	IMPAIRMENT	NO. OF TRANSACTIONS	AMOUNT	IMPAIRMENT
2004 and prior years						
2005						
2006						
2007						
2008						
2009						
2010						
2011						
2012						
2013						
2014	1	590 000	1 062	0	0	0
2015	0	0	0	2	523 993	2 818
2016	5	6 021 963	58 199	1	2 509 351	10 659
2017	1	1 013 579	20 943	6	12 914 623	2 976
2018	8	6 903 315	45 078	11	16 528 620	55 753
2019	3	7 500 000	12 155	13	11 453 322	103 607
Total	**18**	**22 028 857**	**137 436**	**33**	**43 929 910**	**175 813**

** Includes Guarantees in the segments "Corporate" and "Construction & CRE".*


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C) BREAKDOWN OF GROSS LOAN EXPOSURE AND IMPAIRMENT EVALUATED SEPARATELY AND IN GENERAL[7], BY SEGMENT, SECTOR, AND GEOGRAPHICAL SPREAD

C.1) BY SEGMENT:

31.12.2020	CONSTRUCTION & CRE		CORPORATE		BANK GUARANTEES	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Separate evaluation	39 438 481	492 491	20 319 180	483 077	13 232 475	102 074
Total	**39 438 481**	**492 491**	**20 319 180**	**483 077**	**13 232 475**	**102 074**

C.1) BY SEGMENT:

31.12.2019	CONSTRUCTION & CRE		CORPORATE		BANK GUARANTEES	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Separate evaluation	43 929 910	175 813	22 028 857	137 436	12 458 809	9 180
Total	**43 929 910**	**175 813**	**22 028 857**	**137 436**	**12 458 809**	**9 180**

C.2) BY SECTOR OF ACTIVITY:

31.12.2020	REAL ESTATE ACTIVITIES		PRIVATE	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Separate evaluation	42 690 950	520 749	19 314 017	529 444
Total	**42 690 950**	**520 749**	**19 314 017**	**529 444**

	ACTIVITIES OF CORPORATE OFFICES AND MANAGEMENT ADVISORY		ELECTRICITY, GAS, STEAM, HOT AND COLD WATER, AND AIR-CONDITIONING	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Separate evaluation	3 326 065	162 811	2 981 488	68 348
Total	**3 326 065**	**162 811**	**2 981 488**	**68 348**

C.2) BY SECTOR OF ACTIVITY:

31.12.2019	REAL ESTATE ACTIVITIES		PRIVATE	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Separate evaluation	46 992 879	178 221	25 768 312	1 116 331
Total	**46 992 879**	**178 221**	**25 768 312**	**1 116 331**

	ACTIVITIES OF CORPORATE OFFICES AND MANAGEMENT ADVISORY		ELECTRICITY, GAS, STEAM, HOT AND COLD WATER, AND AIR-CONDITIONING	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Separate evaluation	3 127 182	3 058	2 982 385	-
Total	**3 127 182**	**3 058**	**2 982 385**	**-**

7 In order to provide more disaggregated information, taking advantage of the structure defined by Circular Letter 2/2014, of BdP, it is assumed that although all loan operations are subject to individual impairment calculation, the tables below have adopted the parallelism between the terms individual > specific and collective > general, which was already adopted in previous years, but lacked this clarification.

PRIVATE		NON-CONTRACTED		TOTAL	
EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
16 728 930	196 456	4 827 326	400 110	94 546 392	1 674 209
16 728 930	**196 456**	**4 827 326**	**400 110**	**94 546 392**	**1 674 209**

PRIVATE		NON-CONTRACTED		TOTAL	
EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
18 020 276	176 627	9 145 468	1 103 685	105 583 320	1 602 742
18 020 276	**176 627**	**9 145 468**	**1 103 685**	**105 583 320**	**1 602 742**

PROPERTY DEVELOPMENT		FINANCIAL AND INSURANCE ACTIVITIES		ACCOMMODATION	
EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
12 425 369	17 679	6 263 209	2 160	3 432 467	28 736
12 425 369	**17 679**	**6 263 209**	**2 160**	**3 432 467**	**28 736**

RETAIL TRADE, EXCEPT OF MOTOR VEHICLES AND MOTORCYCLES		OTHER		TOTAL	
EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
2 039 959	89 635	2 072 867	254 646	94 546 392	1 674 209
2 039 959	**89 635**	**2 072 867**	**254 646**	**94 546 392**	**1 674 209**

PROPERTY DEVELOPMENT		FINANCIAL AND INSURANCE ACTIVITIES		ACCOMMODATION	
EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
12 053 326	35 125		6 263 209	-	28 736
12 053 326	**35 125**	**-**	**6 263 209**	**-**	**28 736**

RETAIL TRADE, EXCEPT OF MOTOR VEHICLES AND MOTORCYCLES		OTHER		TOTAL	
EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
2 178 591	56 480	2 703 857	184 058	105 583 320	1 602 744
2 178 591	**56 480**	**2 703 857**	**184 058**	**105 583 320**	**1 602 744**

C.3) BY GEOGRAPHICAL SPREAD:

31.12.2020	PORTUGAL		BELGIUM		ANGOLA	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Separate evaluation	85 839 956	1 561 963	6 263 209	2 160	788 739	244
Total	**85 839 956**	**1 561 963**	**6 263 209**	**2 160**	**788 739**	**244**

C.3) BY GEOGRAPHICAL SPREAD:

31.12.2019	PORTUGAL		BELGIUM		ANGOLA	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Separate evaluation	95 646 927	931 377	6 263 209	-	1 466 139	232
Total	**95 646 927**	**931 377**	**6 263 209**	**-**	**1 466 139**	**232**

D) BREAKDOWN OF THE RESTRUCTURED LOANS PORTFOLIO BY RESTRUCTURING MEASURE APPLIED

2020

	COMPLIANT LOANS		
MEASURE	NO. OF TRANSACTIONS	EXPOSURE	IMPAIRMENT
Extension of deadline Grace period Reduction of rate	6	11 117 695	99 826

2019

	COMPLIANT LOANS		
MEASURE	NO. OF TRANSACTIONS	EXPOSURE	IMPAIRMENT
Extension of deadline Grace period Reduction of rate	12	16 882 912	150 439

E) INWARD AND OUTWARD FLOWS IN THE RESTRUCTURED LOAN PORTFOLIO

	31.12.2020
Opening balance of the restructured loan portfolio (gross of impairment)	23 449 776
Restructured loans in the period	-
Interest accrued on the restructured portfolio	-
Payment of restructured loans (partial or total)	-
Loans restated from “restructured” to “normal”	-
Other	-10 581 036
Closing balance of the restructured loan portfolio (gross of impairment)	**12 868 739**

FRANCE		S. TOMÉ E PRÍNCIPE		OTHER		TOTAL	
EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
926 191	22 354	517 748	321	210 549	87 166	94 546 392	1 674 209
926 191	**22 354**	**517 748**	**321**	**210 549**	**87 166**	**94 546 392**	**1 674 209**

FRANCE		S. TOMÉ E PRÍNCIPE		OTHER		TOTAL	
EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
1 013 579	20 943	499 641	157	693 826	650 035	105 583 320	1 602 744
1 013 579	**20 943**	**499 641**	**157**	**693 826**	**650 035**	**105 583 320**	**1 602 744**

DEFAULTING LOANS			TOTAL		
NO. OF TRANSACTIONS	EXPOSURE	IMPAIRMENT	NO. OF TRANSACTIONS	EXPOSURE	IMPAIRMENT
3	1 751 044	178 151	9	12 868 739	277 976

DEFAULTING LOANS			TOTAL		
NO. OF TRANSACTIONS	EXPOSURE	IMPAIRMENT	NO. OF TRANSACTIONS	EXPOSURE	IMPAIRMENT
6	6 566 864	379 803	18	23 449 776	530 242

	31.12.2019
Opening balance of the restructured loan portfolio (gross of impairment)	15 989 436
Restructured loans in the period	-
Interest accrued on the restructured portfolio	-
Payment of restructured loans (partial or total)	-
Loans restated from “restructured” to “normal”	-
Other	7 460 340
Closing balance of the restructured loan portfolio (gross of impairment)	**23 449 776**

F) BREAKDOWN OF THE FAIR VALUE OF COLLATERAL UNDERLYING THE LOAN PORTFOLIO OF THE CORPORATE, CONSTRUCTION & CRE AND HOUSING SEGMENTS

31.12.2020	CONSTRUCTION & CRE			
	BUILDINGS		OTHER REAL COLLATERAL*	
FAIR VALUE	NUMBER	AMOUNT	NUMBER	AMOUNT
<0.5M€	4	1 331 000	5	3 604 284
>=0.5M€ e <1M€	6	4 661 000	3	1 875 500
>=1M€ e <5M€	12	30 750 800	9	16 413 324
>=5M€ e <10M€	8	55 165 261	7	36 807 054
>=10M€ e <20M€	2	24 474 892	1	7 850 501
>=20M e <50M€				
>=50M				
Total	**32**	**116 382 953**	**25**	**66 550 662**

**Example: shares, bonds, deposits, material assets*

31.12.2019	CONSTRUCTION & CRE			
	BUILDINGS		OTHER REAL COLLATERAL*	
FAIR VALUE	NUMBER	AMOUNT	NUMBER	AMOUNT
<0.5M€	4	1 331 000	5	3 604 284
>=0.5M€ e <1M€	6	4 661 000	3	1 875 500
>=1M€ e <5M€	12	30 750 800	9	16 413 324
>=5M€ e <10M€	8	55 165 261	7	36 807 054
>=10M€ e <20M€	2	24 474 892	1	7 850 501
>=20M e <50M€				
>=50M				
Total	**32**	**116 382 953**	**25**	**66 550 662**

**Example: shares, bonds, deposits, material assets*

CORPORATE			
BUILDINGS		OTHER REAL COLLATERAL	
NUMBER	AMOUNT	NUMBER	AMOUNT
1	235 000	5	9 150 920
1	786 000	1	763 000
10	23 000 402	9	19 223 694
1	5 794 480	1	27 415 980
1	16 627 200	1	8 246 554
14	46 443 082	17	64 800 148

CORPORATE			
BUILDINGS		OTHER REAL COLLATERAL	
NUMBER	AMOUNT	NUMBER	AMOUNT
1	235 000	5	9 150 920
1	786 000	1	763 000
10	23 000 402	9	19 223 694
1	5 794 480	1	27 415 980
1	16 627 200	1	8 246 554
14	46 443 082	17	64 800 148

G) LTV RATIO OF SEGMENTS

2020

SEGMENT/RATIO	COMPLIANT LOANS	NON-COMPLIANT LOANS	IMPAIRMENT
Individuais			
With no associated collateral	413 377	24 511	67 693
<60%	2 451 932	0	2 536
>=60% and <80%	11 862 383	34 843	65 746
>=80% and <100%	1 434 626	0	567
>=100%	67 389	0	58 017
Construction & CRE			
With no associated collateral	1 275 749	87	48
<60%	0	244 166	39 877
>=60% and <80%	6 501 976	0	162 220
>=80% and <100%	833 413	0	2 909
>=100%	9 329 808	0	287 436
Corporate			
With no associated collateral	143 353	178 725	185 824
<60%	7 997 282	0	11 048
>=60% and <80%	3 051 323	0	2 084
>=80% and <100%	4 872 252	0	213 559
>=100%	2 715 433	0	9 635
Non-contractualised			
With no associated collateral	0	3 408 109	398 424
<60%	0	23	0
>=60% and <80%	1 577 672	0	1 687
>=80% and <100%	0	0	0
>=100%	0	0	0
Guarantees			
With no associated collateral	423 234	0	1 128
<60%	1 190 000	0	939
>=60% and <80%	15 568	0	10
>=80% and <100%	93 309	0	47
>=100%	779 500	21 488	71 641
Total	90 792 917	3 911 953	1 674 209

2019

SEGMENT/RATIO	COMPLIANT LOANS	NON-COMPLIANT LOANS	IMPAIRMENT
Private			
With no associated collateral	3 251 133	936	43 922
<60%	6 047 164	0	43 001
>=60% and <80%	6 479 882	0	29 439
>=80% and <100%	715 000	0	4 185
>=100%	1 508 540	17 621	56 080
Construction & CRE			
With no associated collateral	1 759 492	0	44 641
<60%	31 048 436	6 998	37 209
>=60% and <80%	7 908 333	0	84 214
>=80% and <100%	3 206 649	0	9 749
>=100%	0	0	0
Corporate			
With no associated collateral	419 696	0	49 922
<60%	17 023 690	0	63 230
>=60% and <80%	3 730 019	0	5 230
>=80% and <100%	690 397	0	6 316
>=100%	165 056	0	12 739
Non-contractualised	1 862 002	7 283 466	1 103 687
With no associated collateral			
<60%			
>=60% and <80%			
>=80% and <100%			
>=100%			
Guarantees			
With no associated collateral	270 845	0	7 748
<60%	1 800 000	0	0
>=60% and <80%	0	0	0
>=80% and <100%	15 568	0	0
>=100%	10 372 396	0	1 433
Total	98 274 299	7 309 021	1 602 744

H) BREAKDOWN OF THE FAIR VALUE AND NET BOOK VALUE OF PROPERTY RECEIVED AS PAYMENT IN KIND, BY TYPE OF ASSET AND SENIORITY

31.12.2020

ASSET	NO. OF PROPERTIES	ASSET FAIR VALUE	BOOK VALUE
Land			
Urban	1	119 000	85 680
Total	**1**	**119 000**	**85 680**

I) BREAKDOWN OF THE LOAN PORTFOLIO BY INTERNAL RISK DEGREE

31.12.2020	LOW RISK DEGREE			MEDIUM RISK DEGREE			
SEGMENT	1	2	3	4	5	6	7
Construction & CRE				3 750 000	3 990 244	6 542 879	4 314 507
Corporate				0	23 438	478 612	6 209 019
Private				29 332	1 062 455	3 088 484	986 832
Bank gurarantees				93 309	6 702 010	0	236 167
Non-contractualised				0	0	0	1 577 672
Total		**0**	**0**	**3 872 642**	**11 778 147**	**10 109 975**	**13 324 198**

31.12.2020	LOW RISK DEGREE			MEDIUM RISK DEGREE			
SEGMENT	1	2	3	4	5	6	7
Construção & CRE				5 850 000	8 877 186	5 183 814	1 275 000
Corporate				42 188	2 000 000	0	3 885 559
Private		1 475 947		943 250	28 403	3 533 392	285 000
Bank guarantees					427 048	2 982 385	1 887 151
Total		**1 475 947**		**6 835 437**	**11 332 637**	**11 699 591**	**7 332 709**

**Does not include the category “Non-contractualised”*

J) DISCLOSURE OF RISK PARAMETERS ASSOCIATED WITH THE IMPAIRMENT MODEL BY SEGMENT

2020	IMPAIRMENT			
	PD(%)			
SEGMENTS	< 30 DAYS WITH NO EVIDENCE	< 30 DAYS WITH EVIDENCE	BETWEEN 30-90 DAYS	LGD (%)
Construction & CRE	20%	0%	0%	0%
Corporate	18%	20%	20%	0%
Guarantees	8%	3%	3%	0%
Private	0%	24%	24%	0%
Non-contractualised	6%	0%	0%	0%

31.12.2019

ASSET	NO. OF PROPERTIES	ASSET FAIR VALUE	BOOK VALUE
Land			
Urban	1	119 000	85 680
Total	**1**	**119 000**	**85 680**

HIGH RISK DEGREE			DEFAULT	TOTAL
8	9	10	11	
10 221 706	739 603	1 275 762	8 603 780	39 438 481
5 690 047	1 506 276	926 191	5 485 597	20 319 180
455 000	8 011 842	2 876 221	218 764	16 728 930
2 981 488	2 029 500	0	1 190 000	13 232 475
0	0	0	3 249 654	4 827 326
19 348 242	**12 287 221**	**5 078 174**	**18 747 794**	**94 546 392**

HIGH RISK DEGREE			TOTAL
8	9	10	
8 728 189	6 006 509	8 002 214	43 922 912
10 335 980	590 000	5 175 131	22 028 857
655 083	7 325 113	3 755 531	18 001 719
799 017	0	6 363 209	12 458 809
20 518 268	**13 921 622**	**23 296 085**	**96 412 297**

2019	IMPAIRMENT			
	PD(%)			
SEGMENTS	< 30 DAYS WITH NO EVIDENCE	< 30 DAYS WITH EVIDENCE	BETWEEN 30-90 DAYS	LGD (%)
Construction & CRE	11%	0%	0%	0%
Corporate	9%	0%	0%	0%
Guarantees	1%	0%	0%	0%
Private	7%	0%	0%	4%
Non-contractualised	1%	0%	0%	58%

3.5. Market risk

Market risk is the likelihood of negative impacts affecting the results or capital due to unfavourable changes in the market price of banking and trading portfolio instruments, including fluctuations in interest rates, foreign exchange rates, stock quotes and price of goods.

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

Indirectly, this type of risk impacts on assets held in custody, under management and traded, and can lead to a reduction in the Bank's revenues. Combined with credit risk and liquidity risk, it can generate losses in the execution of credit guarantees.

The Bank maintains investments in the financial markets through it own portfolios of available for sale assets, assets measured at fair value and assets held to maturity, in accordance with EU Regulation No 575/2013, recorded in accordance with IAS 38 and 39. These portfolios are regularly measured by Coolbiz (the Bank's back-office application) according to stock price updates. For accounting purposes, the portfolio of assets held to maturity is recorded at amortised cost and the remaining ones at fair value. Unrealised gains or losses are recognised in reserves, in the case of available for sale assets, and in profit or loss for the remainder.

In prudential terms, market risk capital requirements apply to trading portfolio.

To determine the capital requirements to hedge the trading book's market risk, the two-week historical VaR method is used, with a 99.9% confidence interval and a 1-year time horizon.

The model's time parameters are in line with what is customary in the industry and with the definitions in Article 365(1)(c) and (d) of Regulation No 575/2013. As for the confidence interval, sub-paragraph b) of said article refers to 99%. However, for the sake of consistency with its Risk Appetite Vision, the Bank adopted 99.9% for the confidence interval, which is much more conservative than the regulatory order:

	2020	2019
VaR Trading portfolio	353 382	202 535

Exchange risk is the likelihood of negative impacts affecting the results or the Bank's equity due to adverse changes in the Bank's balance sheet caused by exchange rates used for translation into the functional currency or by changes in the Bank's competitive position due to significant changes in exchange rates. This risk is analysed for all positions denominated in currencies other than the euro.

The negative impacts arising from short-term exchange rate fluctuations normally result from the institution's trading activity. Indirectly, this risk impacts on the guarantees received denominated in foreign currency and on the portfolio management activity and financial brokerage.

With respect to currency mismatch, as at December 2020 the exchange risk was residual in the amount of 555 475€.

For prudential purposes, the Bank uses the general risk assessment method of Regulation (EU) No 575/2013. Whenever net positions exceed 2% of total own funds, the Bank assesses capital requirements for foreign exchange risk.

The position at risk results from the sum of net positions in currencies other than the euro and in collective investment undertakings where positions are not broken down. As at 31.12.2020, prudential capital for exchange risk amounts to 555 475€, as shown in the table below:

MOEDA	2020	2019
USD	181 891 €	276 967 €
CHF	40 294 €	212 195 €
GBP	129 724 €	104 274 €
CAD	41 785 €	68 030 €
NOK	5 098 €	65 397 €
AUD	19 715 €	50 547 €
NZD	18 836 €	19 771€
SEK	19 275 €	12 992 €
DKK	2 762 €	7 679 €
HKD	27 292 €	2 601 €
BRL	67 473 €	2 297 €
JPY	1 200 €	1 349 €
ZAR	74 €	91 €
RUB	45 €	51 €
PLN	12 €	12 €
Total	**555 475 €**	**824 253 €**

Interest rate risk

The interest rate risk is the likelihood of negative impacts affecting the results or capital due to adverse changes in interest rates and relates to the balance sheet items, except the trading portfolio, but includes off-balance sheet items. It results from the combination of base risk, interest rate yield curve, repricing risk and option risk. The following are the concepts underlying each risk sub-type in the interest rate risk:

- **Basis risk** – the risk arising from interest rates of assets being remunerated at indices other than those of interest rates of liabilities;
- **Yield curve risk** – the risk arising from unfavourable trends in various segments of the yield curve, which can originate losses when assets and liabilities are in different segments of the curve in different proportions;
- **Repricing risk** – the risk derived from the various assets and liabilities reindexing at different dates and rates;
- **Option risk** – the risk that arises from the option inherent to some assets and liabilities. The risk resulting from embedded options in balance sheet and off-balance sheet items.

Instruction 3/2020 of Banco de Portugal repealed Instruction 34/2018 of Banco de Portugal.

Instruction 34/2018, in turn, had introduced a different approach to the treatment of cash flows, in particular as regards floating-rate position, when compared with that of Instruction 19/2005, which it repealed. The main changes now introduced by Instruction 3/2020 refer to more elaborate scenarios in terms of yield curves and the introduction of additional reporting maps.

For prudential purposes, the Bank uses the general risk assessment method of Regulation (EU) No 575/2013. Compliance with BdP Instruction no. 34/2018 and BdP Instruction no. 03/2020, which updates it, is also ensured, consisting in the standardised reporting of the exposure to interest rate risk of the banking portfolio and the impact on the variation of the economic value and on the financial margin of a sudden and unexpected change in interest rates.

3.6. Operational risk

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 No 575/2013. Operational risk is assessed at two different levels: technical and organisational. At a technical level, Banco Carregosa has also chosen to invest strongly in information technology. As a result of this strategy, the Bank has a solid computer system, highly flexible and reliable for the Bank's operating processes. The Bank's information systems contain sensitive and confidential private financial and personal data. Only the staff at Banco Carregosa is allowed to access these systems, in addition to subcontracted workers, under an appropriate framework, involved in the system's development or operation, or whose work involves the recording, review or retrieval of that data. This privilege is based on trust, good faith and is duly documented. At organisational level, in particular in the means and form used in reporting, monitoring risk and rules and policies related thereto, the Bank had to redefine and seek a new compromise between commercial interests and risks involved.

To monitor the risk, a model is in place that allows the Bank to:

- Identify 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 of the Bank.

3.7. Liquidity risk

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 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 in the European Union, in accordance with Directive No 2013/36/EU of 26 June, of the European Parliament and of the Council on the access to the activity of credit institutions and prudential supervision of credit institutions and investment companies (Capital Requirements Directive, or CRD IV) and of the EU Regulation No 575/2013 of the European Parliament and of the Council, of 26 June, on the prudential requirements for credit institutions and for investment companies (Capital Requirements Regulation, or CRR).

Banco Carregosa favours deposit investments in Central Bank, in other credit institutions and in tradable securities, thus avoiding cash shortfalls.

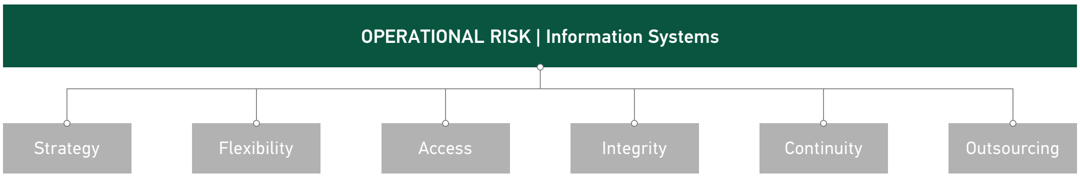
As part of risk control processes, the Executive Committee and those involved in own portfolio management receive a report from the Risk Department every day, which includes:

- Allocation of assets, liabilities and off-balance sheet items;
- Estimates of minimum requirements for own funds;
- Counterparty concentration;
- Liquidity profile;
- Other prudential indicators.

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

3.8. Information system risks

Information system risks is the probability of negative impacts on profit and loss or on the Bank's equity arising from the information systems being incapable of preventing unauthorised accesses, of ensuring the integrity of data, or of continuing the business in the event of a failure, as well as of the pursuance of an inadequate strategy in this area, leading to, for example, the information systems being inadequate for new needs. This is systematised in the table below, which also points out the main factors that affect each of the identified risks.



RISK LEVELS	RELEVANT FACTORS
Strategy	Consistency of the strategy defined for information systems with the (current and foreseeable) business needs of the Bank;
	Soundness and effectiveness of information system policies;
	Management and resource support to the strategy and information system policies.
Flexibility	Flexibility and upgrading capacity;
	Time needed for upgrading and maintenance.
Access	Identification of functions and responsibilities as the basis for granting differentiated accesses;
	Access to the registration of the user who performed a specific process or task;
	Efficacy and adequacy of the authorisation process;
	Robustness of protection and security mechanisms.
Integrity	Completeness, correctness, consistency, relevance and timeliness of information;
	Compliance with regulatory requirements and parameters defined at internal level;
	Scale and standardisation of manual interventions;
	Scale of virus infections.
Continuity	Availability of information and information processing systems during office hours;
	Delays in recovering information and resuming information processing after a failure;
	Contingency plan adequacy to IT risks.
Outsourcing	Existence and importance of outsourcing contracts;
	Duration of relationship and credibility of outsourced companies;
	Transparency of contractual relations with outsourced companies;
	Rotation and quality monitoring of resources used by outsourced companies;
	Confidentiality of information transmitted to or handled by outsourced companies;
	Ease and cost of detecting errors or faults made;
	Degree of the Bank's control of the quality of outsourced companies' activity;
	Level of completion of services and ease of replacement.
	Existence and importance of outsourcing contracts;
	Duration of relationship and credibility in the outsourced companies market;
	Transparency of contractual relations with outsourced companies;
	Confidentiality of information transmitted to or handled by outsourced companies;
	Ease and cost of detecting errors or faults made;
	Degree of the Bank's control of the quality of outsourced companies' activity;
	Level of completion of services and ease of replacement.

Information systems contain private and personal financial data considered sensitive and confidential. Access to these systems is limited exclusively to the Bank's employees and to sub-contracted collaborators who, under prior appropriate rules, is involved in system development or operation, or whose work involves the recording, reviewing or recovery of such data. Some one-off situations involving sub-contracted service providers (outsourcing) are subject to the same restrictions applicable to the Bank's employees.

The Bank recognises that information is a valuable asset and has, therefore, implemented sophisticated security and backup systems at communications level, with the required levels of redundancy of machines and communication lines, among others.

To support the existing system, the Bank's IT structure and its use is regulated through a Computer Use Policy, known to all employees. The Bank also has in place sophisticated redundancy and contingency systems.

We have identified four major related risks, and offer a description thereof below.

i. First, those related to information systems assets (hardware) and the respective physical response, which is a matter that is addressed in the set of operational risks linked to the Bank's assets. All other systems are the object of first line suppliers, and it is up to them to ensure continuity of operation.

ii. Second, the risks related to security and integrity of information were considered. These are subject to specific procedures, by the security infrastructure implemented and also by an insurance policy, in operation, which mitigates the impact of any relevant risk.

iii. Third, it is the Bank's responsibility to consider the risks related to business continuity, based on the availability and performance of its infrastructure and applications, with special impact on market activities, as they are those in which the logic of availability and response in real time are decisive. In other activities, although financially of greater magnitude, such as credit granting or even securities management, this becomes less relevant.

- On the one hand, it has reinforced its redundancy mechanisms at the level of infrastructures, having today a very comfortable solution, which supposedly allows it to reduce unavailability periods;

- On the other hand, service providers have diversified, so that today there are always redundant services, which are used recurrently and not only contingently, in order to ensure an effective back-up at very similar costs.

iv. Fourth, in the area of information systems, the matter of outsourcing is of particular importance and, in the case of the Bank, the following options coexist:

- On the one hand, it has reinforced its redundancy mechanisms at infrastructure level, having today a very comfortable solution, which supposedly allows it to reduce unavailability periods;

- On the other hand, service providers have been diversified, so that today there are always redundant services, which are used on a recurring basis and not only on a contingent basis, in order to ensure an effective back-up at very similar costs.

3.9. Compliance risk

Compliance risk is the likelihood of negative impacts affecting the Bank's results or equity, arising from violations or non-conformances with the laws, regulations, contracts, codes of conduct, established practices or ethical principles. They may result in legal or regulatory penalties, the limitation of business opportunities, less expansion potential or render impossible the requirement to meet obligations. This risk derives from various circumstances, listed in the table below, and impacts on the reputational risk, which will be treated in a separate topic.

RISK LEVELS	RELEVANT FACTORS
Compliance with laws and regulations	Compliance with norms governing the activity, namely legal and regulatory requirements, including fiscal;
	Accuracy, rigour, completeness and compliance with reporting periods;
	Veracity and accuracy of statements and tax calculations;
	Capacity to anticipate changes in tax rules;
	Implementation of sanctions or legal proceedings due to non-compliance, in particular by supervisory authorities, other activity regulators and tax authorities
Information reporting	Change in reporting duties
	Ability to monitor reporting duties
	Proper identification of information and form of reporting required
	Capacity to process information
Compliance with codes of conduct	Respect for practices, procedures and policies by ethical principles and instituted practice;
	Comprehensiveness of the code of conduct and of various principles and ethical rules, including accurate and clear codes of conduct, in particular the duty of secrecy, conflicts of interest, on the use of privileged information and others related with organisational culture;
	Overall knowledge and understanding of the code of conduct by employees and collaborators;
	Appreciation, by the Bank, of the integrity of its employees, visible in the selection criteria and institutional training programmes;
	Punishing offences within the law.
Transparency	Compliance with information disclosure requirements;
	Level of transparency, as evidenced by the voluntary availability of information, either on the website, at the Bank's facilities, or to be sent to interested parties;
	Helpfulness in providing information to the authorities, even based on informal contacts;
	Availability of the "right" information to clients and other counterparts, either when the business relationship is concluded, or information provided subsequently.
Money laundering and terrorist financing	Non-compliance with prevention of money laundering and sanctions imposed;
	Development of business areas usually associated with money laundering and their relevance to the institution's overall business;
	Risk profile of clients and counterparts in money laundering;
	Geographical areas in which the institution operates.

The Bank pays special attention to the compliance risk, not so much for its financial impact, but because it is determined to comply with all legal rules. For this reason, there is an ongoing concern to improve the competences of the Compliance Department employees and to strengthen the technical resources they have access to, providing specific tools to look up sanctioned entities or Politically Exposed Persons, and also of resources for monitoring communications through Bloomberg. The Bank nevertheless considers that monitoring this risk is not a duty of the Compliance Department alone.

The analysis of the adequacy and compliance with procedures depends on contributions from all the departments, who are responsible for identifying potential improvements and situations of non-compliance with the previously established procedures.

The Compliance Department is in charge of event management (complaints, suggestions or requests for clarification from clients). Based on its analysis, and whenever appropriate, this department verifies the adequacy of the procedures. If they are found to be inadequate, the Internal Control departments study the changes that need to be made.

In order to improve the procedures in force, the training actions proposed by the DPC should also be highlighted.

All the Bank's contracts follow standardised models drawn up by Legal, with the intervention and monitoring of the Compliance Department. In controlling its responsibilities towards third parties, the Bank pays special attention to the correct completion of contracts, especially in the account opening process, where clear verification and approval procedures have been defined. Whenever, due to the nature of the counterparties, the Bank considers it necessary to strengthen its identification and diligence duties, the files are subject to prior verification by the Compliance Department.

The Bank allocates economic capital for this risk, by estimating potential losses resulting from a serious event, namely fines for non-compliance. This value is validated with the DC. In order to assess the reasonability of the allocated capital, the published history of fines imposed by the supervisory authorities - BdP and CMVM - is verified, taking the historical basis of administrative offences as support for the estimate.

Therefore, as far as the BdP is concerned, the information made available by the institution on its website was taken, resulting in an analysis of 146 cases between 2016 and 2020 (5 years). From this base, the process 102/14/CO, concerning Caixa Económica Montepio Geral, was removed, due to the disproportion of situations and values, keeping all the remaining processes, not being applied any other principle of proportionality.

3.10. Capital management

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

Management practices

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

- Ongoing monitoring of regulatory equity requirements;
- Annual review of risk appetite;
- Setting business objectives properly measured in equity planning.

In addition to regulatory requirements, the Bank has in place a Recovery Plan which establishes the decision-making protocol applicable to crisis management and, on the other hand, identifies the pre-defined actions and strategies to respond to events that may have an adverse impact on capital.

Finally, but also in particular as regards capital management, the Bank performs an internal and prospective annual self-assessment of all material risks to which the institution is exposed, the ICAAP (Internal Capital Adequacy Assessment Process).

ICAAP

ICAAP is an essential tool in the definition of the Bank's strategy, enabling the follow-up and monitoring of the consequences of its execution. This process enables the regular analysis of risk appetite and compares it with the defined appetite and the availability of economic capital. The ICAAP is prepared along two dimensions:

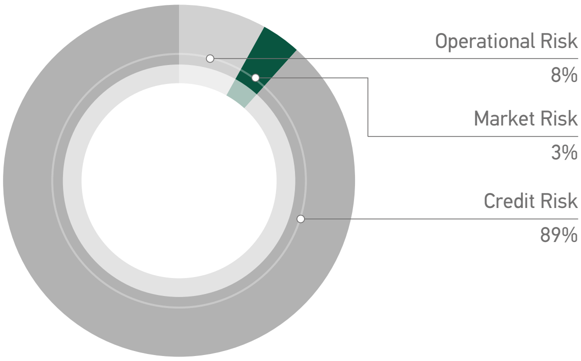
- Regulatory, based on regulatory reports, especially prudential reports, that provide important data for the quantitative and qualitative analysis of equity and risk;
- Economic capital and its requirements, which quantifies the risk according to the confidence level established in its RAS (Risk Appetite Statement). The qualitative analysis completes the exercise in a systemic approach.

The Risk Department (RD) is responsible for presenting proposals for measures to assess the need and availability of economic capital. The Risk department is also responsible for developing stress tests, scenario analyses, financing and capital plans, and for most of the prudential reports in the context of risk and capital management.

REGULATORY CAPITAL

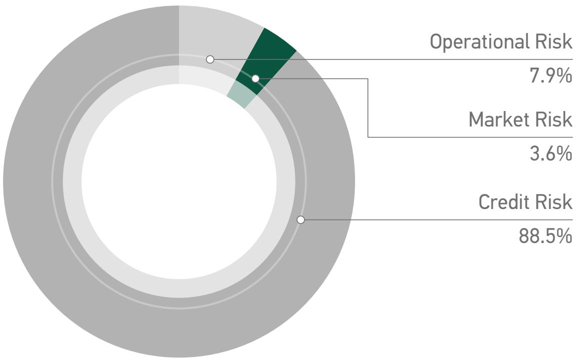
On the prudential side, regulatory capital requirements are associated to credit, market and operational risks. The table below shows the risk-weighted assets (RWA) and corresponding capital requirements for the various types of regulatory risks, as at 31 December.

RISK TYPES	OWN FUNDS REQUIREMENTS	RISK WEIGHTED ASSETS
Credit Risk	15 521 747 €	194 021 835 €
Market Risk	529 399 €	6 617 492 €
Operational Risk	1 438 211€	17 977 636 €
Total	**17 148 146 €**	**214 351 820€**



Below are the risk weighted assets (RWA) as at December 2019 and corresponding own funds requirements for the various types of regulatory risks:

RISK TYPES	OWN FUNDS REQUIREMENTS	RISK WEIGHTED ASSETS
Credit Risk	16 141 625 €	201 770 318 €
Market Risk	650 777 €	8 134 713 €
Operational Risk	1 438 211 €	17 977 636 €
Total	**18 230 613 €**	**227 882 667 €**



Note should be made of the strong preponderance of credit risk, responsible for 89% of prudential requirements.

- **Credit risk** - for prudential purposes, the Bank uses the following methods with respect to credit risk, in accordance with the CRR:

    - Standard Method, using the market price for measuring Counterparty Risk;

    - Comprehensive Method on financial collateral, as a means to reduce risk, when applicable.

The Bank analyses the credit risk on all its assets, except for the assets included in the securities portfolio measured at fair value and others deducted from own funds, as well as on some off-balance sheet items potentially subject to this type of risk. As regards counterparty credit risk, asset, liability and off-balance sheet items are included, irrespective of the portfolio of which they are part, always excluding those deducted from own funds or weighted at 1.250% for other types of risk.

With respect to the calculation of capital requirements associated to other categories, the Bank uses the following regulatory methods:

- **Market Risk** - for prudential purposes, the Bank uses the General or Specific Risk Assessment Method of the CRR. Capital requirements for the Bank's risk position consist in the sum of capital requirements for specific and general risk of positions in debt instruments and capital;

- **Operational Risk** - determine the capital requirements for hedging operational risks in prudential terms, the Bank follows the Basic Indicator Approach, according to which the requirement equals to 15% of the average of the previous three years for the Relevant Indicator. The Relevant Indicator is defined based on the accounting categories of the Statement of profit and Loss, in accordance with Article 316 of the CRR.

OWN FUNDS

The risk absorption capacity is determined by the amount of own funds. To calculate own funds the applicable regulatory standards in effect must be followed, in particular the aforementioned CRR, based on the accounting information in the financial statements, especially those of the capital items, and complemented with non-accounting information.

Total own funds correspond to the sum of basic own funds (Common Equity Tier 1) and ancillary own funds (Tier 2), after deductions have been applied to these items. The main positive items of own funds as at 31 December 2020 were:

- Paid-in capital: the Bank's share capital is represented by 200 million registered book-entry shares, each with a par value of €0.10, fully subscribed and paid;

- Issue premiums: these refer to the premiums paid by shareholders in capital increases, in this case in the amount of 369 257€;

- Retained earnings – these refer to retained earnings in the amount of 4 029 175€;

- Reserves: the amount of profit generated over the financial years but retained in the company as legal reserve, other reserves and/or retained earnings, excluding positive reserves arising from unrealised gains in sovereign bonds. In this case, they amount to 16 832 725€;

- Net result for the financial year – if positive, only after the legal certification of accounts, the net profit for the financial year in progress and for the previous year, and both are in any case included in the calculation, when negative.

CAPITAL INDICATORS

As at 31 December 2020, risk-weighted assets amounted to 214 35M€, setting capital requirements of 17.14M€ - comfortably hedged by own funds in the amount of 37.47M€.

As such, on that date the Bank showed a Tier 1 own funds ratio that tallied with the total own funds ratio at 17.48%.

Finally, it should be noted that the leverage ratio amounted to 9.92%. In line with article 429 of the CRR, the leverage ratio is calculated by dividing the measure of own funds by the measure of total exposure of that institution, and is expressed as a percentage.

4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS

The balance sheet and statement of profit and loss accounts are compared as at 31 December 2020 and 31 December 2019, in compliance with the International Financial Reporting Standards, and consist of the following headings:

4.1 Cash and deposits at central banks and other demand deposits Note 1

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Cash	127 552	136 183
Deposits at Banco de Portugal	56 461 979	53 495 169
Demand deposits at monetary institutions		
Residents	36 829 453	19 639 701
Non-residents	21 845 761	26 688 086
	115 264 745	**99 959 139**

Demand deposits at Banco de Portugal include deposits for meeting the legal cash reserve requirement.

4.2.1 Financial assets held for trading Note 2.1

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Trading securities		
Securities	4 695 697	6 585 509
Derivative instruments with a positive fair value	15 728	258 687
	4 711 425	**6 844 196**

This portfolio dropped by 31.2% compared to the previous financial year, as a result of a new perspective on treasury applications, the position detail of which is shown in the table below.

FINANCIAL ASSETS HELD FOR TRADING

As at 31 December 2020 this heading is broken down as follows:

NATURE AND TYPE OF SECURITIES	AQUISITION VALUE	BALANCE SHEET VALUE	CAPITAL		IMPAIRMENT	ACCRUED INTEREST
		FAIR VALUE	GAINS	LOSSES		
DEBT INSTRUMENTS						
Issued by residents Of Portuguese public debt						
Treasury bonds	182 180	188 507	5 502	0	-	825
Of other resident issuers						
Non-subordinated debt	2 185 270	2 142 713	0	56 543	-	13 986
Subordinated debt	882 996	855 701	0	34 428	-	7 133
Issued by non-residents Of other non-resident issuers						
Non-subordinated debt	545 095	548 821	1 239	1 250	-	3 737
Subordinated debt	500 000	528 739	15 260	0	-	13 479
	4 295 541	4 264 481	22 001	92 221	0	39 160
EQUITY INSTRUMENTS						
Issued by residents						
Issued by non-residents Of other non-resident issuers						
Shares	48	258	210	0	-	-
Investment units	146 819	140 786	11	6 044	-	-
	146 867	141 044	221	6 044	-	-
OTHER						
Issued by non-residents Of other non-resident issuers						
ETF	23	24	1	0		
Structured products	278 000	290 149	12 149	0	-	0
	278 023	290 172	12 149	0	-	0
DERIVATIVE INSTRUMENTS WITH A POSITIVE FAIR VALUE						
Other						
Unrealized gains from CFDs over currency	-	15 728	-	-	-	0
	-	15 728	-	-	-	0
Total	4 720 431	4 711 425	34 371	98 265	-	39 160

FINANCIAL ASSETS HELD FOR TRADING

As at 31 December 2019, this heading is broken down as follows:

NATURE AND TYPE OF SECURITIES	AQUISITION VALUE	BALANCE SHEET VALUE	CAPITAL		IMPAIRMENT	ACCRUED INTEREST
		FAIR VALUE	GAINS	LOSSES		
DEBT INSTRUMENTS						
Issued by residents Of Portuguese public debt						
Treasury bonds	182 180	187 244	4 249	0	-	815
Of other resident issuers						
Non-subordinated debt	2 185 270	2 219 965	21 248	0	-	13 448
Subordinated debt	847 996	920 352	59 880	0	-	12 476
Issued by non-residents Of other non-resident issuers						
Non-subordinated debt	1 764 055	1 802 978	0	8 143	-	47 066
Subordinated debt	572 093	588 646	820	150	-	15 883
	5 551 594	5 719 185	86 196	8 293	0	89 688
INSTRUMENTOS DE CAPITAL						
Issued by non-residents Of other non-resident issuers						
Shares	0	1 304	1 304	0	-	-
	0	1 304	1 304	0	-	-
OUTROS						
Issued by residents Of other resident issuers						
Other	23	24	1	0		
Issued by non-residents Of other non-resident issuers						
Structured products	804 123	845 830	41 832	125	-	0
	824 123	865 019	41 832	935	-	0
DERIVATIVE INSTRUMENTS WITH A POSITIVE FAIR VALUE						
Other						
Unrealized gains from CFDs over currency	-	258 687	-	-	-	0
	-	258 687	-	-	-	0
Total	6 375 717	6 844 196	129 332	9 228	-	89 688

4.2.2 Non-trading financial assets mandatorily at fair value through profit or loss Note 2.2

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Non-trading financial assets mandatorily at fair value through profit or loss	11 189 245	11 080 066
	11 189 245	11 080 066

4.2.3 Other financial assets Note 2.3

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Other securities		
Issued by residents	36 768	22 543
	36 768	22 543

Amount relating to the contribution to the Work Compensation Fund, recorded at fair value, for which the quote is obtained from the Work Compensation Fund website.

4. 3 Financial assets at fair value through other comprehensive income Note 3

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Issued by residents		
Debt instruments	11 324 253	7 991 180
Equity instruments	633 384	701 228
Other	0	0
	11 957 637	8 692 408
Issued by non-residents		
Debt instruments	45 078 494	92 769 434
Equity instruments	0	0
Other	0	0
	45 078 494	92 769 434
	57 036 132	101 461 842

This portfolio decreased by 43.8% compared to the previous year due to the measures taken to deal with the crisis in the markets caused by the novel coronavirus. Thus, with the aim of protecting the Bank's own funds from market instability, it was decided to increase the financial assets portfolios at amortised cost to maturity to the detriment of the classification as financial assets at fair value through other comprehensive income.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2020 this heading is broken down as follows:

NATURE AND TYPE OF SECURITIES	AQUISITION VALUE	BALANCE SHEET VALUE	CAPITAL		IMPAIRMENT RECOGNISED IN ASSET	IMPAIRMENT RECOGNISED IN RESERVES	ACCRUED INTEREST
			GAINS	LOSSES			
DEBT INSTRUMENTS							
Issued by residents Of Portuguese public debt							
Treasury bonds	3 556 961	3 622 740	47 682	0	-	6 197	18 096
Of other resident issuers							
Subordinated debt	8 461 475	7 701 513	17 343	827 267	-	333 070	49 962
Issued by non-residents Of other foreign public issuers							
Non-subordinated debt	7 959 245	8 136 474	45 318	0	-	29 857	131 912
Of other non-resident issuers							
Non-subordinated debt	37 043 368	36 942 020	85 574	645 852		576 585	458 930
	57 021 048	56 402 747	195 917	1 473 118	0	945 708	658 901
EQUITY INSTRUMENTS							
Issued by residents Of other resident issuers							
Shares	752 500	633 384	0	119 116	0	0	0
	752 500	633 384	0	119 116	0	0	0
Total	57 773 548	57 036 132	195 917	1 592 234	0	945 708	658 901

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2019, this heading is broken down as follows:

NATURE AND TYPE OF SECURITIES	AQUISITION VALUE	BALANCE SHEET VALUE	CAPITAL		IMPAIRMENT RECOGNISED IN ASSET	IMPAIRMENT RECOGNISED IN RESERVES	ACCRUED INTEREST
			GAINS	LOSSES			
DEBT INSTRUMENTS							
Issued by residents Of Portuguese public debt							
Treasury bonds	1 682 196	1 745 125	53 284	504	-	1 578	10 150
Of other resident issuers							
Subordinated debt	6 239 713	6 246 054	5 906	15 593	-	84 946	16 028
Issued by non-residents Of other foreign public issuers							
Non-subordinated debt	11 912 979	12 095 504	33 142	1 132	-	113 159	150 515
Of other non-resident issuers							
Non-subordinated debt	79 672 468	80 673 930	282 247	162 888	5 825	368 910	882 103
	99 507 356	100 760 613	374 579	180 118	5 825	568 593	1 058 796
EQUITY INSTRUMENTS							
Issued by residents Of other resident issuers							
Shares	701 228	701 228	-	-	81 272	0	0
	701 228	701 228	0	0	81 272	0	0
Total	100 208 584	101 461 841	374 579	180 118	87 097	568 593	1 058 796

The changes occurred in impairment losses of the financial assets portfolio at fair value through comprehensive income are as follows:

	31.12.2020	31.12.2019
Balance on 1 January	655 690	319 660
Appropriation	2 255 710	1 125 233
Reversal	(1 960 191)	(794 140)
Utilisation		
Exchange and other differences	(5 501)	4 937
Balance on 31 December	945 708	655 690
reflected in assets	0	87 097
reflected in other comprehensive income	945 708	568 592

4. 4 Financial assets at amortised cost Note 4

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Assets		
Other availabilities	23 700	21 370
Investments in credit institutions	500 000	500 000
Investments held to maturity	52 338 245	1 017 848
Debtors and other investments	4 295 372	20 078 691
Loans to clients	79 952 811	91 739 327
	137 110 128	113 357 327
	137 110 128	113 357 327

The changes in impairment losses of debtors and other investments are as follows:

	31.12.2020	31.12.2019
Balance on 1 January	243 838	199 975
Appropriation	7 859	43 863
Reversal		
Utilisation		
Exchange and other differences		
Balance on 31 December	251 697	243 838

With the entry into force of IFRS9, as of 01.01.2018 the Bank calculates impairments to the investments held to maturity portfolio. On 31.12.2020, the breakdown is as follows:

FINANCIAL ASSETS AT AMORTISED COST

As at 31 December 2020 this heading is broken down as follows:

NATURE AND TYPE OF SECURITIES	PAR VALUE	AQUISITION VALUE	EFFECTIVE RATE (AVER.)	BALANCE SHEET VALUE AMORTISED COST	IMPAIRMENT RECOGNISED IN ASSET	ACCRUED INTEREST
DEBT INSTRUMENTS						
Issued by residents Of Portuguese public debt						
Treasury bonds						
OTRV JULHO 2025	6 920 000	7 184 900	0.25%	7 176 221	13 529	30 948
PGB 0,475 10/30	6 000 000	6 042 660	0.41%	6 033 860	11 415	5 778
PGB 2,875 10/25	500 000	573 065	0.13%	567 496	1 069	3 033
Of other resident issuers Non-subordinated debt						
GALPPL 2,00 01/26	500 000	506 560	1.74%	506 956	4 678	5 355
Subordinated debt						
CEMAH	250 000	250 000	10.17%	252 645	7 709	10 625
Issued by non-residents Of other foreign public issuers						
Non-subordinated debt						
BTPS 0,05 01/23	3 000 000	2 963 520	0.48%	2 968 891	5 621	695
BTPS 0,50 02/26	1 000 000	1 019 560	0.12%	1 019 844	1 410	2 068
BTPS 0,60 06/23	1 000 000	1 015 200	0.14%	1 012 368	1 402	263
BTPS 1,00 07/22	4 000 000	4 065 320	-0.05%	4 054 570	7 652	18 616
BTPS 2,30 10/21	6 000 000	6 166 370	0.28%	6 117 224	7 490	29 112
CROATI 3,00 03/25	2 000 000	2 248 375	0.30%	2 268 469	4 203	48 493
GGB 3,50 01/23	5 000 000	5 386 415	0.08%	5 496 642	19 091	160 656
GGB 4,375 08/22	500 000	542 450	0.07%	541 240	1 904	9 110
SPGB 0,60 10/29	1 000 000	1 031 430	0.27%	1 028 723	1 123	1 002
GGB 3,375 02/25	500 000	568 150	0.07%	579 179	3 590	14 754
Of other issuers Non-subordinated debt						
ERAFP 4,196 02/24	500 000	435 000	8.41%	450 112	10 861	17 598
MTNA 1,00 05/23	1 500 000	1 457 645	2.00%	1 445 533	29 079	9 288
MYTIL 2,50 12/24	1 450 000	1 458 175	2.41%	1 366 693	93 638	3 021
SPMIM 3,75 09/23	1 000 000	1 017 000	3.18%	983 329	42 639	11 712
TITIM 2,75 04/25	1 000 000	1 014 225	2.43%	1 019 404	12 920	19 589
CEPSA 2,25 02/26	300 000	298 914	2.32%	299 376	2 767	3 162
ELPEGA 2,00 10/24	1 500 000	1 493 250	2.12%	1 487 393	13 803	7 233
UCGIM 2,20 07/27	1 500 000	1 507 075	2.12%	1 507 415	13 923	14 647
NFLX 3,00 06/25	1 000 000	1 058 125	1.68%	1 036 519	18 372	1 250
ELISGP 1,00 04/25	1 000 000	969 750	1.69%	962 358	16 945	7 452
CRTING 3,00 03/24	500 000	502 195	2.87%	498 733	6 405	3 125
SYNNVX 3,375 04/26	1 000 000	1 074 720	1.93%	1 085 767	9 900	23 949
PETBRA 4,5 01/25	500 000	555 475	1.96%	571 286	5 113	22 842
TOTAL	**50 920 000**	**52 405 524**		**52 338 244**	**368 251**	**485 374**

FINANCIAL ASSETS AT AMORTISED COST

As at 31 December 2019, this heading is broken down as follows::

NATURE AND TYPE OF SECURITIES	PAR VALUE	AQUISITION VALUE	EFFEC-TIVE RATE	BALANCE SHEET VALUE AMORTISED COST	IMPAIRMENT RECOGNISED IN ASSET
DEBT INSTRUMENTS					
Issued by non-residents Of other issuers					
Non-subordinated debt					
TRAFIG 5,00 04/20	1 000 000	915 000	7,47%	983 969	7 965
TOTAL	**1 000 000**	**915 000**		**983 969**	**7 965**

The changes occurred in impairment losses of the Investments held to maturity portfolio are as follows:

	31.12.2020	31.12.2019
Balance on 1 January	**7 965**	**35 921**
Appropriation	512 187	735
Reversal	(151 901)	(28 691)
Utilisation		
Exchange and other differences		
Balance on 31 December	**368 251**	**7 965**

4.4.1 Loans to clients
Note 4.1

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Domestic loans		
Loans	42 113 996	45 634 947
Current account loans	33 551 065	38 760 703
Overdrafts in sight deposits	0	0
Purchase operations with resale agreement	0	0
Foreign loans		
Loans	929 163	1 016 831
Current account loans	1 306 487	1 965 681
Overdue loans and interest	3 506 070	4 032 398
Income receivable		
Shareholder loan	258 740	2 044 326
Revenue with deferred income	(184 437)	(170 629)
	81 481 084	**93 284 257**
Provisions/Impairments for Overdue loans and interest	**(1 528 273)**	**(1 544 930)**
	79 952 811	**91 739 327**

In 2020, the loan portfolio decreased by 12.8%, nevertheless remaining relevant in the Bank's overall activity, as regards new operations in each of the loan types offered by the Bank to its clients. It should be noted that loans are mostly covered by real and personal guarantees that significantly exceed the outstanding amounts.

The changes in impairment losses of the loan portfolio for sale are as follows:

	31.12.2020	31.12.2019
Balance on 1 January	**1 544 930**	**1 552 795**
Appropriation	7 451 725	1 012 762
Reversal	(6 903 469)	(919 793)
Utilisation	0	(100 639)
Exchange and other differences	(564 912)	(194)
Balance on 31 December	**1 528 274**	**1 544 930**

4. 5 Derivatives - Hedge accounting Note 5

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Hedging derivatives	68 713	79 046
Positive fair value - cash flow hedging	68 713	79 046

The Bank offers to its clients structured term deposits through a basket of specific products with minimum guaranteed remuneration and a maximum return conditional on the appraisal of this basket at maturity. At the same time, the Bank contracts similar options to hedge against the risk of the price increase of this basket, to ensure that it will receive the value of the option should it have to pay the client an interest greater than the minimum interest.

In the financial years of 2019 and 2020, hedging items, more specifically cash flow hedging (interest payable to clients at maturity) are recognised in Hedging derivatives at positive fair value. Premium is deferred and recognised as spent over the term deposit. Changes in option price over time and the expected evolution of interest payable were recognised under reappraisal reserves at fair value.

4. 6 Investments in subsidiary, associate companies and joint ventures Note 6

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Accounted for by the equity method – in the country		
In the country		
Coolink - Serviços de IT services e Consultadoria, Lda.	39 188	41 021
Circuitos e Traçados, Sociedade Imobiliária, S.A.	4 985 530	4 954 000
Carregosa - SGOIC, S.A.	339 589	0
Accum. Impair. / Provisions for accumulated impairments		
In the country	0	(10 155)
	5 364 307	4 984 866

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

4. 7 Other property, plant and equipment Note 7

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Other property, plant and equipment		
Own property	10 618 440	7 149 527
Right-of use property	370 877	370 877
Equipment	7 732 590	7 385 171
	18 721 907	14 905 575
Accrued amortisations		
Own property	(536 354)	(420 976)
Right-of use property	(185 439)	(92 719)
Equipment	(6 403 409)	(5 802 462)
	(7 125 202)	(6 316 157)
	11 596 704	8 589 418

In 2020 there was a significant change in this item, with special emphasis on property, as a result of reappraisal performed by professionally qualified and independent appraisers. Thus, for this class of assets there was an increase of 3 468 913€, as a result of the revalued amount, which reflects its fair value on this date, less accumulated depreciation and any impairment losses.

The increase in the equipment item is justified by the fact that, in 2020, an investment was made in Computer Equipment to provide the Bank with the necessary means to implement teleworking.

The Bank adopted IFRS16 in 2019, which resulted, after determining the ability to control the asset, the lease term, and the implicit rate of the lease, in the recognition of a right-of-use asset, with the following impacts:

	31.12.2020	31.12.2019
Right-of-use asset		
Value recognised on 1 January	278 157,76	370 877,02
Amortisations	-92 719,24	-92 719,26
Balance on 31 December	**185 438,52**	**278 157,76**
Lease liability		
Value recognised on 1 January	278 713,24	370 877,02
Instalments paid	-93 010,75	-92 163,78
Balance on 31 December	**185 702,49**	**278 713,24**
Interest on lease liability	944,45	1 314,66

Changes in other intangible assets are shown in the following note:

4. 8 Intangible assets
Note 8

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Other intangible assets		
Automatic data processing system(software)	4 059 034	3 391 897
Property, plant and equipment em curso	0	67 053
Other	340 144	340 144
	4 399 178	**3 799 095**
Accrued amortisations		
Automatic data processing system(software)	(3 055 668)	(2 599 373)
Other	(297 773)	(275 120)
	(3 353 441)	**(2 874 494)**
	1 045 737	**924 601**

The heading Intangible assets in progress in 2020 dropped 67 053€ following the restatement of the values recorded in the FundManager project to the heading of other costs.

PROJETO	31.12.2020	31.12.2019
FundManager Project	0	67 053
	0	**67 053**

Changes and balances as at 31 December 2020 under other property, plant and equipment and intangible assets, including amortisations and impairment adjustments, are presented in the table below.

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS AS AT 31 DECEMBER 2020 (SEPARATE)

ACCOUNTS	AS AT 31.12.2019 GROSS VALUE	AS AT 31.12.2019 ACCRUED AMORTISATIONS	INCREASES DUE TO ACQUISITIONS	AMORTISATIONS IN THE YEAR	WRITE-OFFS (NET)	TRANSFERS
Other intangible assets						
Data processing systems (software)	3 391 897	(2 599 373)	667 136	(456 294)	0	0
Other intangible assets	340 144	(275 120)	0	(22 653)	0	0
Intangible assets in progress	67 053	0	44 722	0	0	0
	3 799 095	(2 874 494)	711 858	(478 947)	0	0
Property, plant and equipment						
Property	7 149 527	(420 976)	0	(115 378)	0	0
Equipment	7 385 171	(5 802 462)	404 218	(648 198)	(9 550)	0
Financial lease assets	0	0	0	0	0	0
Rights-of-use - IFRS 16	370 877	(92 719)	0	(92 719)	0	0
Property, plant and equipment in progress	0	0	0	0	0	0
	14 905 575	(6 316 157)	404 218	(856 295)	(9 550)	0
Totals	18 704 670	(9 190 651)	1 116 076	(1 335 242)	(9 550)	0

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SETTLEMENTS						
GROSS VALUE	AMORTISATIONS IN THE YEAR	ACCRUED AMORTISATIONS	ADJUSTED ACQUISITION VALUE	ADJUSTED AMORTISATIONS	ADJUSTED ACCRUED AMORTISATIONS	NET VALUE 31.12.2020
0	0	0	4 059 034	(456 294)	(2 599 373)	1 003 366
0	0	0	340 144	(22 653)	(275 120)	42 371
(111 775)	0	0	0	0	0	0
(111 775)	0	0	4 399 178	(478 947)	(2 874 494)	1 045 738
3 468 913	0	0	10 618 440	(115 378)	(420 976)	10 082 086
0	0	0	7 789 390	(648 198)	(5 802 462)	1 329 180
0	0	0	0	0	0	0
0	0	0	370 877	(92 719)	(92 719)	185 439
0	0	0	0	0	0	0
3 468 913	0	0	18 778 707	(856 295)	(6 316 157)	11 596 704
3 357 138	**0**	**0**	**23 177 885**	**(1 335 242)**	**(9 190 651)**	**12 642 442**

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS AS AT 31 DECEMBER 2019 (SEPARATE)

	AS AT 31.12.2019					
ACCOUNTS	GROSS VALUE	ACCRUED AMORTISATIONS	INCREASES DUE TO ACQUISITIONS	AMORTISATIONS IN THE YEAR	WRITE-OFFS (NET)	TRANSFERS
Other intangible assets						
Goodwill	0	0	0	0	0	0
Formation expenses	0	0	0	0	0	0
Multiannual contracts	0	0	0	0	0	0
Data processing systems (software)	2 542 092	(2 425 695)	497 813	(173 678)	0	351 993
Other intangible assets	272 187	(263 125)	5 380	(11 996)	0	62 578
Intangible assets in progress	365 017	0	116 607	0	0	(414 571)
	3 179 296	(2 688 819)	619 799	(185 674)	0	0
Property, plant and equipment						
Property	6 875 172	(298 872)	0	(113 981)	0	274 355
Equipment	6 841 003	(5 335 657)	741 056	(701 347)	(4 617)	42 270
Financial lease assets	63 705	(8 122)	0	0	0	(63 705)
Rights-of-use - IFRS 16	0	0	0	0	0	0
Property, plant and equipment in progress	222 524	0	30 396	0	0	(252 920)
	14 002 404	(5 642 652)	771 452	(815 328)	(4 617)	0
Totals	**17 181 700**	**(8 331 471)**	**1 391 251**	**(1 001 003)**	**(4 617)**	**0**

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Settlements: Gross value	Settlements: Amortisations in the year	Settlements: Accrued amortisations	Adjusted acquisition value	Adjusted amortisations	Adjusted accrued amortisations	Net value 31.12.2020
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	3 391 897	(173 678)	(2 425 695)	792 524
0	0	0	340 144	(11 996)	(263 125)	65 024
0	0	0	67 053	0	0	67 053
0	0	0	3 799 095	(185 674)	(2 688 819)	924 602
0	0	(8 122)	7 149 527	(113 981)	(306 995)	6 728 551
0	0	0	7 624 330	(701 347)	(5 335 657)	1 582 709
0	0	8 122	0	0	0	0
370 877	(92 719)	0	370 877	(92 719)	0	278 158
0	0	0	0	0	0	0
370 877	(92 719)	0	15 144 734	(908 048)	(5 642 652)	8 589 418
370 877	**(92 719)**	**0**	**18 943 829**	**(1 093 722)**	**(8 331 471)**	**9 514 019**

4. 9 Current tax assets
Note 9

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Current tax assets		
Other	246 239	0
	246 239	0
Deferred tax assets		
Temporary differences		
Property, plant and equipment	5 340	7 583
Impairment	260 607	183 974
	265 947	191 557
	512 186	191 557

This heading reflects only the impact in terms of temporary differences of income tax. As indicated in accounting policies, the temporary differences between amortisations accepted for taxation purposes and those recognised in accounting and on impairment losses are also identified.

4.10 Other assets
Note 10

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Other assets	92 457	76 530
Other income receivable		
Commissions for services rendered	41 400	15 578
Costs with deferred charges		
Insurance	116 942	117 300
Other costs with deferred charges	361 758	360 548
Other regularisation accounts	2 832 589	875 030
	3 445 146	1 444 987

Other regularisation accounts include the securities transactions made at the end of the period, pending settlement at the beginning of the subsequent financial year.

4.11 Non-current assets and disposal groups stated as held for sale Note 11

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Non-current asset stated as held-for-sale		
Property	85 680	85 680
	85 680	**85 680**

Amount corresponding to a property purchased as part of a credit recovery.

4.12 Financial liabilities held for trading Note 12

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Derivative instruments at negative fair value	443 959	52 905
	443 959	**52 905**

4.13 Financial liabilities at amortised cost Note 13

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Loans and deposits from domestic credit institutions		
Deposits	6 530 601	17 809 378
Loans	473 034	412 025
Other deposits	652	3 346
	7 004 288	18 224 749
Loans and deposits in foreign credit institutions		
Deposits	1 959 252	905 285
Loans	261 554	971 497
	2 220 806	1 876 782
Charges payable		
Other charges	177 049	178 047
	177 049	178 047
Liabilities relating to pensions and other benefits	0	310 346
Creditors/futures and options	3 978 549	3 161 763
Other deposits	9 934 355	11 303 066
Client deposits		
Deposits		
Of residents		
Demand	142 939 600	123 497 404
Term	104 975 363	116 354 982
Of non-residents		
Demand	26 971 043	13 562 606
Term	4 924 960	16 353 610
	279 810 966	269 768 601
	303 126 012	304 823 354

Other deposits are broken down according to the information shown in the table below. Under miscellaneous deposits, the reported amount refers to the financial balances of clients arising from transactions in derivatives and from deposits invested in the liquidity of portfolio management contracts.

	31.12.2020	31.12.2019
Miscellaneous deposits	9 456 040	10 534 787
Creditors - transactions in securities	97 326	(97 300)
Suppliers	178 993	279 580
Other creditors	201 996	585 999
	9 934 355	11 303 066

Operations to be regularised include securities transactions made at the end of the period, pending settlement at the beginning of the following financial year.


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4.14 Provisions
Note 14

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Other provisions		
For guarantees and other commitments	102 074	9 180
	102 074	9 180
	102 074	9 180

4.15 Tax liabilities
Note 15

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Current tax liabilities		
Corporate income tax payable	14 943	192 229
Others	11 236	41 522
	26 179	233 751
Deferred tax liabilities		
On reappraisal of property	728 472	0
	728 472	0
	754 651	233 751

4.16 Other liabilities
Note 16

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
VAT payable	99 152	35 458
Withholding and other taxes payable to the State	572 436	579 929
Payments to Social Security	93 520	85 816
Third party collections	860	762
Payments to other health systems	3 117	4 100
Other revenue with deferred income	0	3 565
Charges payable - staff	660 901	619 467
Operations to be regularised	3 311 195	3 713 888
	4 741 181	5 042 985

4.17 Equity
Note 17

Changes and balances as at 31 December 2020 under the own equity headings are presented in the annex "Statement of changes in equity".

Breakdown of equity:

- Paid-in capital: the Bank's share capital is represented by 200 million registered book-entry shares, each with a par value of 0.10€, fully subscribed and paid;

- Issue premiums: these refer to the premiums paid by shareholders in capital increases;

- Reserves: the amount of profit generated over the financial years but retained in the company as legal reserve, other reserves and/or retained earnings, excluding positive reserves arising from unrealised gains in sovereign bonds.

4.18 Fair value of financial assets and liabilities
Note 18

Fair value of financial assets and liabilities

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

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

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

a. Level 1 – quoted prices in active markets;

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

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

The fair value of the Bank's financial assets and liabilities as at 31 December is as follows:

2020	AMORTISED COST
FINANCIAL ASSETS	
Cash and liquid assets in central banks and other demand deposits	115 264 744
Financial assets at fair value through profit or loss	
Financial assets held for trading	0
Financial assets not held for trading mandatorily at fair value through profit or loss	0
Other financial assets at fair value through profit or loss	36 768
Financial assets at fair value through other comprehensive income	0
Financial assets at amortised cost	137 110 128
Hedging derivatives	68 713
Other assets	3 445 146
	255 925 499
FINANCIAL LIABILITIES	
Financial liabilities held for sale	0
Financial assets measured at amortised cost	303 126 012
Other liabilities	4 741 592
	307 867 605

2019	AMORTISED COST
FINANCIAL ASSETS	
Cash and liquid assets in central banks and other demand deposits	99 959 139
Financial assets at fair value through profit or loss	
Financial assets held for trading	0
Financial assets not held for trading mandatorily at fair value through profit or loss	0
Other financial assets at fair value through profit or loss	22 543
Financial assets at fair value through other comprehensive income	0
Financial assets at amortised cost	113 357 236
Hedging derivatives	79 046
Other assets	1 444 987
	214 862 950
FINANCIAL LIABILITIES	
Financial liabilities held for sale	0
Financial assets measured at amortised cost	304 823 354
Other liabilities	5 042 985
	309 866 339

Measured at fair value				Carrying amount	Fair value
Level 1	Level 2	Level 3	Total		
0	0	0	0	115 264 744	115 264 744
2 770 845	1 940 580	0	4 711 425	4 711 425	4 711 425
6 291 615	4 897 630		11 189 245	11 189 245	11 189 245
0	0	0	0	36 768	36 768
6 877 410	49 633 337	525 384	57 036 132	57 036 132	57 036 132
0	0	0	0	137 110 128	138 132 736
0	0	0	0	68 713	68 713
0	0	0	0	3 445 146	3 445 146
15 939 869	**56 471 548**	**525 384**	**72 936 801**	**328 862 300**	**329 884 907**
0	443 959	0	443 959	443 959	443 959
0	0	0	0	303 126 012	303 126 012
0	0	0	0	4 741 592	4 741 592
0	**443 959**	**0**	**443 959**	**308 311 564**	**308 311 564**

Measured at fair value				Carrying amount	Fair value
Level 1	Level 2	Level 3	Total		
0	0	0	0	99 959 139	99 959 139
2 644 493	4 199 704	0	6 844 197	6 844 197	6 844 197
	11 080 066		11 080 066	11 080 066	11 080 066
0	0	0	0	22 543	22 543
6 832 091	94 076 509	553 241	101 461 841	101 461 841	100 403 045
0	0	0	0	113 357 236	113 038 188
0	0	0	0	79 046	79 046
0	0	0	0	1 444 987	2 935 481
9 476 584	**109 356 280**	**553 241**	**119 386 104**	**334 249 055**	**334 361 704**
0	52 905	0	52 905	52 905	52 905
0	0	0	0	304 823 354	304 823 354
0	0	0	0	5 042 985	5 042 985
0	**52 905**	**0**	**52 905**	**309 919 244**	**309 919 244**

Fair value hierarchy

IFRS 13 categorises the inputs used to measure fair value into three levels:

Level 1 – assets or liabilities are measured based on quoted prices (unadjusted) in active markets that the Bank can access. This level includes government bonds, company bonds and shares and derivatives listed and traded in regulated markets.

Level 2 – financial instruments are measured based on inputs other than quoted prices included in Level 1 that are directly or indirectly observable in the market for the instrument. To determine the fair value with level 2 inputs, the Bank uses appraisal techniques based on inputs that are observable on the market (quoted prices in active markets of similar assets or liabilities and based on quoted prices that are not assets or net, interest rates, exchange rates, risk ratings given by external entities, others). This level includes bonds, non complex OTC derivatives and gross shares.

Level 3 – assets or liabilities are measured based on non observable inputs on the market for the assets or liabilities. To determine the fair value with level 3 inputs, appraisal techniques are used based on inputs that are not observable on the market and that do not fulfil the Level 1 or level 2 classification requirements.

In the 2020 and 2019 financial years, no transfers of assets or liabilities occurred between Level 1 and Level 2.

In the 2020 and 2019 financial years, the changes in Level 3 class of assets or liabilities in the fair value hierarchy are as follows:

	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
Balance on 1 January 2020			553 241
Gains/(losses) recognised through profit and loss			
Income from assets and liabilities measured at fair value through profit or loss			
Income from available for sale financial assets			
Impairment derecognised in the year			79 259
Gains/(losses) recognised in fair value reserves			-107 116
Acquisitions			
Disposals			
Transfers from other levels			
Transfers to other levels			
Exchange differences			
Other			
Balance on 31 December 2020	0	0	525 384

	FINANCIAL ASSETS HELD FOR TRADING	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	AVALIABLE-FOR-SALE FINANCIAL ASSETS
Balance on 1 January 2019			442 300
Gains/(losses) recognised through profit and loss			
Income from assets and liabilities measured at fair value through profit or loss			
Income from available for sale financial assets			
Impairment recognised in the year			-16 559
Impairment derecognised in the year			
Acquisitions			127 500
Disposals			
Transfers from other levels			
Transfers to other levels			
Exchange differences			
Other			
Balance on 31 December 2019	0	0	553 241

Interest rates

The short term interest rates presented reflect the indicative values of deposit rates and/or futures, while for the long term swap rates are used[8]:

	2020		2019	
	EUR	USD	EUR	USD
1 week	-0.578	0.096	-0.499	1.630
1 month	-0.554	0.144	-0.438	1.763
2 months		0.19		1.833
3 months	-0.545	0.238	-0.383	1.908
6 months	-0.526	0.258	-0.324	1.912
1 year	-0.521	0.208	-0.321	1.770
2 years	-0.521	0.198	-0.292	1.697
3 years	-0.506	0.241	-0.238	1.689
4 years	-0.485	0.325	-0.175	1.703
5 years	-0.459	0.43	-0.111	1.729
7 years	-0.389	0.655	0.018	1.797
10 years	-0.261	0.925	0.212	1.895
30 years	-0.023	1.402	0.621	2.091

8 *The above amounts were obtained from Bloomberg.*

Exchange rates

The fixing values of the Central Bank[9]. The table below shows the exchange rates of some of the relevant currency pairs as at 31 December 2020 and 2019:

2020	EUR	USD	GBP	CHF	SEK	NOK	AUD	CAD	NZD	BRL
EUR		1.2216	0.89365	1.0814	10.051	10.48	1.5878	1.5545	1.7004	6.3445
USD	0.81858		0.73153	0.8852	8.2273	8.5791	1.2997	1.2725	1.3919	5.1935
GBP	1.119	1.367		1.2101	11.247	11.728	1.7767	1.7395	1.9027	7.0995
CHF	0.92474	1.1297	0.8264		9.2942	9.6917	1.4683	1.4376	1.5724	5.867
SEK	0.0995	0.12155	0.08892	0.10759		1.0428	0.15798	0.15467	0.16918	0.63125
NOK	0.09542	0.11656	0.08527	0.10318	0.95899		0.1515	0.14833	0.16224	0.60537
AUD	0.62981	0.76939	0.56283	0.68107	6.33	6.6007		0.97907	1.0709	3.9958
CAD	0.64327	0.78584	0.57486	0.69562	6.4653	6.7418	1.0214		1.0938	4.0813
NZD	0.58811	0.71845	0.52557	0.63597	5.9109	6.1637	0.93379	0.91425		3.7313
BRL	0.15762	0.19255	0.14085	0.17044	1.5841	1.6519	0.25026	0.24502	0.26801	

2019	EUR	USD	GBP	CHF	SEK	NOK	AUD	CAD	NZD	BRL
EUR		1.1213	0.84579	1.0838	10.501	9.8508	1.5969	1.4565	1.6636	4.513
USD	0.89185		0.75432	0.96659	9.365	8.7855	1.4242	1.299	1.4837	4.0249
GBP	1.1823	1.3257		1.2814	12.415	11.647	1.8881	1.7221	1.967	5.3358
CHF	0.92268	1.0346	0.78039		9.6887	9.0892	1.4734	1.3439	1.535	4.164
SEK	0.09523	0.10678	0.08055	0.10321		0.93812	0.15208	0.13871	0.15843	0.42978
NOK	0.10151	0.11382	0.08586	0.11002	1.066		0.16211	0.14786	0.16888	0.45813
AUD	0.62621	0.70214	0.52964	0.67868	6.5756	6.1687		0.9121	1.0418	2.8261
CAD	0.68656	0.76981	0.58068	0.74409	7.2093	6.7632	1.0964		1.1422	3.0984
NZD	0.60109	0.67398	0.5084	0.65146	6.3118	5.9213	0.95989	0.87551		2.7127
BRL	0.22158	0.24845	0.18741	0.24015	2.3268	2.1828	0.35385	0.32275	0.36864	

9 *Source of exchange rates: https://www.bportugal.pt/taxas-cambio.*

4.19 Net interest income
Note 19

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Interest on deposits in other credit institutions		
Interest on investments in credit institutions	4 663	37 420
Interest on loans to clients	25	218
Interest on overdue loans	3 315 462	3 980 621
Interest and similar income from other financial assets	43 815	189 246
Commissions received associated to amortised cost	1 503 289	1 553 213
Comissões reebidas associadas ao custo amortizado	91 501	171 039
	4 958 755	**5 931 756**
Interest and similar costs on:		
Deposits from Banco de Portugal	(180 613)	(86 924)
Deposits from other credit institutions	(137 541)	(122 613)
Interest from creditors and other deposits		
Interest on deposits from clients	(506 403)	(885 472)
Interest on trading liabilities	(123)	(463)
Other interest and similar costs	(71 948)	(64 468)
Interest on loans	(20 977)	(21 485)
	(917 604)	**(1 181 424)**
	4 041 151	**4 750 332**

4.20 Income from equity instruments
Note 20

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Available-for-sale financial assets		
Issued by residents		
Investment units	344 237	328 106
	344 237	**328 106**

These result from the payment, in two distribution periods, of income from the Retail Properties real estate investment fund, corresponding to 0.50€/0.50€ in 2020, similar to 2019 per unit held. They also result from three payment of 3.5€ per unit of the IBERIS Bluetech Fund, FCR EuVECA – Category B, C, D, E and F and a payment of 2 000€ per unit of the Conforto FEIIF Fund.

4.21 Revenue and expenses from and with services and comissions
Note 21

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Income from services and commissions		
Transactions carried out on behalf of third parties	3 166 118	2 025 137
Other commissions received	638 354	838 159
	6 630 006	5 589 717
Expenses with services and commissions:		
Deposits and securities under custody	(80 189)	(64 870)
Other banking services provided by third parties	(67 924)	(48 334)
Transactions carried out by third parties	(3 387 503)	(2 247 370)
	(3 535 616)	(2 360 574)
	3 094 390	3 229 143

4.22 Income from assets and liabilities at fair value
Note 22

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Gains from:		
Financial assets held for trading		
Securities	9 326 390	9 825 446
Derivative instruments	1 265 960	1 363 300
	10 592 350	11 188 745
Losses from:		
Financial assets held for trading		
Securities	(7 163 196)	(7 879 111)
Derivative instruments	(2 887 839)	(958 790)
	(10 051 036)	(8 837 901)
	541 315	2 350 844

In accordance with the applicable standards, this heading included the amount relating to derecognition of financial assets usually done through their disposal. In 2020, these dropped by 77% compared to 2019, due to a lower portfolio turnover and its decrease during the year, as a result of the measures taken in relation to COVID-19.

4.23 Income from financial assets at fair value through other comprehensive income Note 23

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Gains from:		
Available-for-sale financial assets		
Securities		
Issued by residents		
Debt instruments	23 652	8 178
Equity instruments	45 633	2 964
Other	0	379 520
Issued by non-residents		
Debt instruments	1 282 516	1 528 504
	1 351 800	**1 919 167**
Losses from:		
Available-for-sale financial assets		
Securities		
Issued by residents		
Debt instruments	(2 414)	0
Issued by non-residents		
Debt instruments	(1 938 472)	(467 626)
	(1 940 886)	**(467 626)**
	(589 086)	**1 451 540**

The results of financial assets and liabilities at fair value through comprehensive income were negative in 2020 by 589m€, compared to a positive value of 1.5M€ in 2019, due to the result of the disposals made following capital protection measures taken at the end of the 1st and 2nd quarters of the year.

4.24 Income from non-trading financial assets mandatorily at fair value through profit or loss Note 24

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Gains from:		
Non-trading financial assets mandatorily at fair value through profit or loss		
Equity instruments	1 738 728	1 798 599
Losses from:		
Non-trading financial assets mandatorily at fair value through profit or loss		
Equity instruments	(1 013 393)	(361 915)
	725 335	**1 436 684**

The 49.5% decrease compared to 2020 was due, on one hand, to the sale of investment units in the Conforto – F.E.I.I.F. Fund and, on the other, to the fact that the return of the funds in the portfolio went back to 2018 levels, with 2019 being considered a year of exceptional return.

4.25 Results from foreign exchange Note 25

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Gains from:		
Exchange differences		
Other items in foreign currency - foreign currencies	2 567 206	503 351
Losses from:		
Exchange differences		
Other items in foreign currency - foreign currencies	(611 761)	(703 636)
	1 955 444	**(200 285)**

The positive result in 2020 of 1.9M€ compared to the negative result of 200m€ in 2019 is justified by the devaluation of the USD against the EUR.

4.26 Income from the disposal of other assets
Note 26

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Gains from:		
Gains from inv. subsidiaries in the country	42 804	8 199
Non-financial assets	37 857	46 202
Losses from:		
Losses from inv. subsidiaries in the country	(57 519)	(323)
Non-financial assets	(37)	(35)
	23 106	**54 044**

This note includes the effect of the equity method on the investments in the portfolio.

4.27 Other operating income
Note 27

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Gains from:		
Other gains and operating income	42 936	58 947
	42 936	**58 947**
Losses from:		
Other taxes	(413 677)	(348 954)
Donations and membership fees	(79 303)	(79 821)
Contributions to the Deposit Guarantee Fund (FGD)	(250)	(235)
Contributions to the Investor Compensation Scheme	(5 000)	(5 000)
Failure of computer systems or telecommunications	(1 222)	(7 988)
Other costs and operating expenses	(276 690)	(286 649)
	(776 142)	(728 647)
	(733 206)	**(669 700)**

4.28 Staff costs
Note 28

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Remunerations		
Management and supervisory bodies	(461 508)	(454 124)
Employees	(3 613 434)	(3 163 083)
Mandatory social security contributions		
Remuneration-related charges	(953 929)	(861 827)
Other mandatory social security contributions		
Pension fund	(46 784)	(50 182)
Insurance against accidents at work	(20 128)	(21 157)
Other staff costs	(251 071)	(243 108)
	(5 346 854)	**(4 793 481)**

As at December 2020, the Bank had 108 employees in Portugal, as shown in the professional categories table below.

DISTRIBUTION BY PROFESSIONAL CATEGORY	31.12.2020	31.12.2019
Management Board	4	4
Management	26	22
Technical staff	49	20
Admin. staff	7	18
Commercial/Operations	15	27
Other	7	11
Banco Carregosa	**108**	**102**

Retirement and survivors' pension liabilities

Banco Carregosa provides a defined Pension Plan to a restricted number of employees. For the purpose thereof, beneficiaries of this pension plan are current and former workers of the Bank who, having been admitted to the banking sector up to 3 March 2009, were not registered with social security until that date.

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 scale stipulated by the ACTV.

Benefits granted by the Pension Plan of Banco Carregosa:

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

(*) In the event of death of a participant or beneficiary (due to disability or presumed disability) an allowance will be paid – a death grant will be paid – as defined in Clause 102 of the ACT. Responsibility for services provided in the past by eligible employees is determined every year based on the date of admission at Banco Carregosa and not on the date on which the employee entered the banking sector. Consequently, the share of responsibilities relating to the period between the date of admission in the banking sector and the date of admission in the company will be chargeable to past employers, except if the latter have transferred the amount of their share of responsibility. The benefits relating to disability pensions and immediate survivors pensions are covered by a life insurance policy.

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

Responsibilities for retirement and survivors' pensions and their costs arising from the Bank's pension plan have been prepared through an actuarial appraisal performed by an actuary. The Bank's pension plan is a defined benefit plan in line with the ACTV – Collective Vertical Labour Agreement for the Banking Sector. As at 31 December 2019, Banco Carregosa's pension plan included 14 active participants, 48 with acquired rights and 4 pensioners.

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

Number of participants in the plan

As at 31 December of every year, the participants in the pension plan are as follows:

	2020	2019
Assets	14	14
Former participants with acquired rights	48	49
Pensioners	4	3
Total	**66**	**66**

Assumptions

The liabilities of the pension scheme were assessed on the basis of the following assumptions:

	2020	2019
Actuarial appraisal method	*Project Unit Credit Method*	*Project Unit Credit Method*
Demographic assumptions		
Mortality tables	TV88/90	TV88/90
Invalidity table	SR88	SR88
Turnover tables	-	-
Financial assumptions		
Fund yield rate	1,25%	1,25%
Wage growth rate	0,50%	0,75%
Pension adjustment rate table	1,25%	1,25%
Pension growth rate	0,50%	0,75%
General information		
Number of benefit payments	**14**	**14**

With regard to the actuarial appraisal of 31/12/2020, there was a change in the wage growth rate and pension growth rate from 0.75% to 0.50%. This change, decided by the Associate, results from the combination of wage increases agreed in recent years, which, at the end of 2020, stood at 0.30%, as well as the future perception that these will not change significantly in view of the agreement reached in the latest negotiations.

Fund yield rate - The discount rate that reflects the economic reality to meet the requirements of International Accounting Standard IAS 19 is up to date. The discount rate of 1.25% is on the threshold of the rates indicated in the benchmarks on private debt bonds with a high credit rating (AA) and a maturity similar to the liabilities with the Pension fund.

Pension growth rate – The pension growth rate in respect of the number of pensioners in the period reflects:

- the application of the ACT table in effect for the year (Pension Table and Employer Costs);

Pension liabilities

Pension liabilities as at 31 December are as follows:

	2020	2019
Pension payment liabilities	725 996	766 736
Asset liabilities	3.013 598	3 134 104
	3 739 594	**3 900 840**

Pension payment liabilities

The current value of pension liabilities as at 31 December 2020 is as follows:

	CURRENT VALUE OF PENSIONS UNDER PAYMENT	SAMS	DEATH GRANT	TOTAL
Total	692 889	29 529	3 578	725 996
Old-age pensions	196 968	17 354	3 578	217 900
Invalidity pensions	-	-	-	-
Survivors' pensions	495 921	12 175	-	508 097
Orphans' pensions	-	-	-	-

The current value of pension liabilities as at 31 December 2019 is as follows:

	CURRENT VALUE OF PENSIONS UNDER PAYMENT	SAMS	DEATH GRANT	TOTAL
Total	731 528	31 550	3 658	766 736
Old-age pensions	210 919	18 586	3 658	233 162
Invalidity pensions	-	-	-	-
Survivors' pensions	520 609	12 964	-	533 574
Orphans' pensions	-	-	-	-

Asset liabilities

The current value of asset liabilities as at 31 December 2020 is as follows:

CURRENT VALUE OF LIABILITIES FOR PAST SERVICE LIABILITIES	ASSETS	ACQUIRED RIGHTS	SAMS ASSETS	DEATH GRANT ASSETS	TOTAL
Total	1 706 946	1 070 091	216 472	20 088	3 013 598
<65 years	1 543 250	1 036 871	199 982	18 897	2 798 999
≥ 65 years	163 697	33 221	16 490	1 191	214 599

The current value of asset liabilities as at 31 December 2019 is as follows:

CURRENT VALUE OF LIABILITIES FOR PAST SERVICE LIABILITIES	ASSETS	ACQUIRED RIGHTS	SAMS ASSETS	DEATH GRANT ASSETS	TOTAL
Total	1 755 572	1 142 515	216 733	19 282	3 134 104
<65 years	1 607 472	1 139 817	199 022	18 064	2 964 376
≥ 65 years	148 100	2 698	17 711	1 218	169 728

Plan assets

Benefit liabilities are financed through collective subscription no. 1 to the Open-end Funds Optimize Capital Equilibrado (FP OCP Equilibrado), Optimize Capital Moderado (FP OCP Moderado) and Optimize Capital Ações (FP OCP Ações) and collective subscription no.4 to the Real Reforma Garantida Pension Fund.

The above pension funds subscribed collectively are open-end funds whose risk profile varies according to their investment policies. The FP OCP Equilibrado for participants 10 or more years away from retirement age leaves some room for manoeuvre in terms of investment values, the FP OCP Moderado is for participants averse to risk or under 5 years away from retirement age, and the FP OCP Ações for long-term investments or for participants 15 or more years away from retirement age. The FP Real Reforma Garantida pension fund is intended for participants averse to risk or less than 5 years away from retirement age, who would rather sacrifice profitability to protect their capital.

The value of each fund as at 31 December is detailed below:

	2020	2019
FP OCP Equilibrado	886 266	870 267
FP OCP Moderado	1 569 330	1 504 383
FP OCP Ações	1 286 437	1 215 844
	3 742 033	**3 590 494**

Fund development

The following tables show the Bank's Pension Plan income and expenses allocated to each of the 3 funds, the following charges including Pensions, Insurance Premiums and Other Expenses.

In 2020, the FP OCP Equilibrado developed as follows:

	INVEST. UNIT VALUE	INVEST. UNITS	FUND VALUE	VALUE DATE
Opening balance	7.5218	115 699.3910	870 267.41	31/12/2019
Pension + Costs	-	-7 181.6727	-52 540.00	
Contributions + Other receipts	-	9 417.0499	70 973.05	
Total transactions	-	2 235.3772	18 433.05	
Fund yield rate	-0. 09%	-	-2 434.81	
Closing balance	**7.5149**	**117 934.7682**	**886 265.65**	**31/12/2020**

In 2020, the FP OCP Moderado developed as follows:

	INVEST. UNIT VALUE	INVEST. UNITS	FUND VALUE	VALUE DATE
Opening balance	7.1141	211 464.9796	1 504 382.76	31/12/2019
Pension + Costs	-	-2 725.3755	-19 274.94	
Contributions + Other receipts	-	13 651.3439	97 873.98	
Total transactions	-	10 925.9684	78 599.04	
Fund yield rate	-0.81%	-	-13 651.54	
Closing balance	**7.0566**	**222 390.9480**	**1 569 330.26**	**31/12/2020**

In 2020, the FP OCP Ações developed as follows:

	INVEST. UNIT VALUE	INVEST. UNITS	FUND VALUE	VALUE DATE
Opening balance	7.7830	156 218.7277	1 215 844.17	31/12/2019
Pension + Costs		-1 974.0866	-15 212.04	
Contributions + Other receipts	-	9 589.9128	74 064.32	
Total transactions	-	7 615.8262	58 852.28	
Fund yield rate	0.89%	-	11 740.78	
Closing balance	**7.8521**	**163 834.5539**	**1 286 437.23**	**31/12/2020**

In 2020 and 2019, the three funds developed as follows:

	INVEST. UNIT VALUE	INVEST. UNITS	FUND VALUE	VALUE DATE
Opening balance	7.4278	483 383.0983	3 590 494.34	31/12/2019
Pension + Costs	-	-11 881.1348	-87 026.98	
Contributions + Other receipts	-	32 658.3066	242 911.35	
Total transactions	-	20 777.1718	155 884.37	
Fund yield rate	-0.07%	-	-4 345.57	
Closing balance	**7.4223**	**504 160.2701**	**3 742 033.14**	**31/12/2020**

Differences:

	ESTIMATED	REAL	DIFF.	VALUE DATE
Opening balance	3 590 494.34	3 590 494.34	-	31/12/2019
Pension + Costs	-84 322.99	-87 026.98	-2 703.99	
Contributions + Other receipts	-	242 911.35	242 911.35	
Total transactions	-84 322.99	155 884.37	240 207.36	
Fund yield rate	44 354.16	-4 345.57	-48 699.73	
Closing balance	**3 550 525.51**	**3 742 033.14**	**191 507.63**	**31/12/2020**

The negative difference is justified by the fact that the fund's yield was lower than expected.

Liabilities with pensions under payment

Liabilities with pensions under payment relate to the financing scenarios and minimum scenario.

	CURRENT VALUE OF PENSIONS UNDER PAYMENT	SAMS	DEATH GRANT	TOTAL
Total	**692 889**	**29 529**	**3 578**	**725 996**
Old-age pensions	196 968	17 354	3 578	217 900
Invalidity pensions	-	-	-	-
Survivors' pensions	495 921	12 175	-	508 097
Orphans' pensions	-	-	-	-

Asset liabilities

Asset liabilities relate to the financing scenarios and minimum scenario.

CURRENT VALUE OF PAST SERVICE LIABILITIES	ASSETS	ACQUIRED RIGHTS	SAMS ASSETS	DEATH GRANT ASSETS	TOTAL
Total	**1 706 946**	**1 070 091**	**216 472**	**20 088**	**3 013 598**
< 65 years old	1 543 249.58	1 036 870.55	199 982.40	18 896.88	2 798 999.41
≥ 65 years old	163 696.73	33 220.96	16 489.76	1 191.12	214 598.57
CURRENT VALUE OF FUTURE SERVICES LIABILITIES					
Total	**-**	**-**	**99 274.71**	**9 635.76**	**108 910.48**
< 65 years old	-	-	99 274.71	9 635.76	108 910.48
≥ 65 years old	-	-	-	-	-
CURRENT VALUE OF TOTAL SERVICE LIABILITIES					
Total	**1 595 700.11**	**1 070 091.51**	**315 746.87**	**29 723.76**	**3 011 262.26**
< 65 years old	1 436 769.33	1 036 870.55	299 257.11	28 532.64	2 801 429.63
≥ 65 years old	158 930.78	33 220.96	16 489.76	1 191.12	209 832.62

Applying the methodology recommended by CNSF to calculate the Current Value of Past Service Liabilities of old-age pensions may result in liabilities in excess of the Current Value of Total Service Liabilities for some assets. In this case, the Current Value of Future Service Liabilities is null.

Duration of pension liabilities

The Fund has a residual maturity of 73 years, resulting from the technical threshold of the mortality table used, compared with the estimated duration of liabilities:

DURATION	
Macaulay	18.6
Modified	18.38%
Convexity	454

Duration (interest rate sensitivity)

	NUMBER	MINIMUM AGE	EMV
Assets	14	48	35.26
Acquired rights	48	38	44.65
Pensioners	4	68	17.78
Total	**66**	**38**	**44.65**

Life expectancy:

Thus, considering the combined residual maturity (73 years), the life expectancy of younger beneficiaries (44.65 years), and the duration of Macaulay (18.6 years), we conclude that the balance of financial flows occurs much earlier than these biometric indicators, demonstrating some robustness of the interest rate sensitivity. In any case, it should be noted that this is already a quite long duration, more than 15 years, associated with a number of highly volatile assets and liabilities, largely due to the form of the benefits.

Development of past service liabilities

DATE	31.12.2019	31.12.2020	VARIAÇÃO
Current value of pensions under payment	766 736	725 996	-5.31%
Current value of past service liabilities	3 134 104	3 013 598	-3.84%
Total	**3 900 841**	**3 739 594**	**-4.13%**

The decrease in Current Value of Pensions under Payment is due to the adjustment of the pension adjustment rate table.

Contributions and financing plans

The funding level of the pension payment liabilities at this date is as follows:

	FUNDING & MINIMUM SCENARIO
Liabilities (VAPP+VASP)	3 739 594.43
VAPP	725 996.44
Funding level VAPP	100%
VABT (Acquired rights)	1 070 091.51
Funding level VABT	100%
VASP	1 943 506.47
Funding level VASP	100.13%
Fund value	3 742 033.14
Overall funding level	100.07%

The value of the fund presented to calculate the funding level is the respective net value, already deducted of charges and expenses incurred.

As the funding of this pension plan is subject, in terms of minimum funding, to that established by Banco de Portugal, *i.e.*, the full funding of the Pension payment liabilities and Acquired rights and 95% of the liabilities for past service liabilities of the active population, it appears that it complies with what is established, and therefore there are no unfunded liabilities.

Considering the assumptions in accordance with the ASF solvency minimum, in accordance with Rule 21/96-R of 5 December, the liabilities for past service liabilities as at 31 December 2020 amounted to 1 840 802.93€.

During the first quarter of 2021, the Bank did not make any contribution, as the liabilities calculated for 2020 are covered, within the limit imposed by IAS 19.

The actuarial report is available at the Bank's head-office for consultation.

4.29 General administrative costs
Note 29

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Supplies:		
Water, electricity and fuel	(173 822)	(215 362)
Consumables	(4 902)	(9 361)
Publications	(5 641)	(7 864)
Hygiene and cleaning products	(30 826)	(20 882)
Other third party supplies	(95 259)	(121 611)
	(310 450)	(375 080)
Services:		
Leases and rentals	(45 660)	(55 695)
Communications	(253 540)	(238 022)
Travel, hotel and entertainment expenses	(144 078)	(265 692)
Advertising and publishing	(371 846)	(627 671)
Repairs and maintenance	(123 223)	(132 990)
Insurance	(71 180)	(71 564)
Specialised services		
Retainers and fees	(11 819)	(76 406)
Legal, litigation and notaries	(3 406)	(4 218)
IT services	(995 270)	(780 319)
Security and surveillance	(13 908)	(22 402)
Cleaning services	(4 805)	(3 833)
Information	(686 219)	(709 117)
Databases	(68 815)	(51 078)
Other specialised services		
Studies and consultations	(20 125)	(22 023)
Advisors and external auditors	(544 812)	(606 019)
External appraisers	(72 522)	(59 655)
Other third party services		
Public relations and advisory services	(47 197)	(36 475)
Banco de Portugal - Bpnet service	(4 430)	(2 974)
Housekeeping services	(7 469)	(9 103)
Other	(30 069)	(31 329)
	(3 520 394)	(3 806 587)
	(3 830 844)	(4 181 666)

(*) 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 and its subsidiary, there being no other type of service provision:

STATUTORY AUDITORS	
Legal Certification of Accounts	41 000
Assurance and reliability services	32 500
	73 500

4.30 Depreciation and amortisations Note 30

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Property, plant and equipment		
Property	(208 098)	(206 701)
Equipment	(648 198)	(701 347)
	(856 295)	(908 048)
Intangible assets	(478 947)	(185 674)
	(1 335 242)	(1 093 722)

As mentioned in Notes 7 and 8, the movements and balances of the headings of other property, plant and equipment and intangible assets including amortisations and impairment adjustments, are shown in the table associated to these notes.

4.31 Provisions net of write-offs Note 31

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Gains from:		
Provisions for guarantees and commitments made	275 972	4 491
Losses from:		
Provisions for guarantees and commitments made	(368 866)	(7 590)
	(92 894)	(3 099)

4.32 Impairment of financial assets at amortised cost
Note 32

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Investments held to maturity		
Debt instruments	(360 286)	27 956
Loans		
Normal loans	6 903 469	919 793
Overdue loans (includes other debtors)	(7 459 584)	(1 056 625)
	(556 115)	**(136 832)**
	(916 401)	**(108 876)**

4.33 Impairment of financial assets at fair value through other comprehensive income
Note 33

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Available-for-sale financial assets		
Debt instruments	(376 791)	(315 272)
Equity instruments	81 272	(15 821)
	(295 519)	**(331 093)**

4.34 Impairment of investments in subsidiaries, joint ventures and associate companies
Note 34

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Invest. in subsidiaries, joint ventures and associated companies	(10 155)	(88 954)
	(10 155)	**(88 954)**

4.35 Taxes
Note 35

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Current	(176 387)	(249 088)
Deferred	74 391	(69 010)
	(101 997)	(318 098)

Impact of records in the following table and note:

Current taxes

The difference between taxes calculated at the legal rate and taxes calculated at the effective rate in the 2020 and 2019 financial years are detailed below:

		2020	2019
1	Pre-tax results	-2 404 915	2 307 725
2	Legal tax rate (corporate income tax+municipal tax)	0.00%	22.50%
3	Normal tax load (1x2)	0	519 238
4	Tax effect of non-deductible expenses	3 507 935	1 641 627
5	Tax effect of non-taxable income	-2 411 388	-1 289 852
6	Variations in assets	-1 315 918	636 484
7	Taxable income / Reportable tax loss (1+4+5+6)	-2 624 286	3 295 983
8	Reportable tax loss	-167 164	-2 474 352
9	Tax (corporate income tax + municipal tax)	0	310 966
10	Autonomous taxation	176 387	153 150
11	Tax benefits		
12	Total tax (9+10+11)	176 387	256 469
13	Effective rate (12/1)	-7.33%	11.11%

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

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

Deferred taxes

Deferred taxes recorded in 2020 in the amount of 74 391€ result from the impact of temporary differences in income tax on both property, plant and equipment and intangible assets, and on impairments.

4.36 Off-balance sheet accounts
Note 36

This group is broken down as follows for comparable reporting periods:

	31.12.2020	31.12.2019
Commitments to third parties:		
Irrevocable commitments		
Potential commitments to SII	929 472	779 570
Revocable commitments		
Credit lines	14 460 838	10 866 133
	15 390 310	**11 645 703**
Liability for service provision:		
Of deposits and securities under custody	1 186 094 545	1 026 563 896
Amounts managed by the institution	160 243 196	149 563 447
	1 346 337 741	**1 176 127 343**
Services provided by third parties		
For deposits and securities under custody	711 460 277	526 777 108
	711 460 277	**526 777 108**
Foreign exchange transactions and derivative instruments:		
Trading instruments		
Foreign exchange forward transactions	18 740 473	20 143 379
Hedging instruments		
Options	68 713	76 146
	18 809 187	**20 219 525**
Guarantees provided and any other services:		
Personal guarantees	17 584 740	19 314 307
Real guarantees	25 985 000	7 065 000
	43 569 740	**26 379 307**
Guarantees received		
Personal guarantees	100 100 343	110 148 903
Real guarantees	309 501 901	331 506 984
	409 602 244	**441 655 887**
Other off-balance sheet items:		
Write-offs	6 888 018	1 340 261
Accrued interest	157 737	122 306
Miscellaneous accounts	(2 552 215 253)	(2 204 267 440)
	(2 545 169 499)	**(2 202 804 873)**

4.37 Contingent liabilities originated by the Resolution Fund

In accordance with Decree-law 24/2013, establishing the operation of the Resolution Fund (hereinafter referred to as “RF”), the Bank has since 2013 made an initial contribution followed by the mandatory annual contributions, as stated in articles 3 and 4 of said diploma.

In a circular letter in 2015, Banco de Portugal explained that the periodic contribution to the RF should be regarded as a cost in the year in which it is paid, that is, in late April of each year.

In a press release issued in 2015, the Resolution Fund clarified that a special contribution to finance the resolution measure applied to BES is unlikely to happen. As such, and as mentioned in the press release, the possibility of a special contribution seems quite remote.

The contribution paid in 2020 amounted to 89 684.77€, compared with 76 438.03€ paid in 2019, as a result of the change in the rate applied.

These contributions were recognised as a cost in each financial year, in accordance with IFRIC 21 – Levies.

4.38 Assets given as collateral

These assets are broken down as shown in the table below:

PLEDGED FINANCIAL ASSETS	31.12.2020	31.12.2019
Financial assets at fair value through other comprehensive income		
Debt securities	26 466 853	7 127 196
Other assets		
Receivables from futures and options transactions – margins	3 890 275	9 579 364
Various investments - uncleared values	340 876	10 253 060
	30 698 004	**26 959 620**

4.39 Related parties

List of the Bank's shareholders with an interest of more than 2%, as at 31 December 2020 and 2019:

SHAREHOLDING COMPOSITION AS AT 31/12/2020	NO. OF SHARES	%	VOTING RIGHTS
Maria Cândida Cadeco da Rocha e Silva	58 649 733	29.32	58 649.00
Jorge Manuel da Conceição Freitas Gonçalves	37 768 937	18.88	37 768.00
Projeto Inverso, SGPS, SA	15 880 743	7.94	15 880.00
Planalto Capital – Fundo de Capital de Risco	11 095 000	5 55	11 095.00
Groupe Norwich S.A.	9 999 990	5.00	9 999.00
Mauricio Zlatkin	9 999 000	5.00	9 999.00
Imocarregosa-Gestão e Comercialização Imobiliária, S.A.	9 935 751	4.97	9 935.00
Sophia Capital - Fundo de Capital de Risco	8 510 000	4.26	8 510.00
Ruasgest, SGPS, SA	4 764 223	2.38	4 764.00

SHAREHOLDING COMPOSITION AS AT 31/12/2019	NO. OF SHARES	%	VOTING RIGHTS
Maria Cândida Cadeco da Rocha e Silva	58 649 733	29.32	58 649.00
Jorge Manuel da Conceição Freitas Gonçalves	37 768 937	18.88	37 768.00
Projeto Inverso, SGPS, SA	15 880 743	7.94	15 880.00
Planalto Capital – Fundo de Capital de Risco	11 095 000	5 55	11 095.00
Groupe Norwich S.A.	9 999 990	5.00	9 999.00
Mauricio Zlatkin	9 999 000	5.00	9 999.00
Imocarregosa-Gestão e Comercialização Imobiliária, S.A.	9 935 751	4.97	9 935.00
Sophia Capital - Fundo de Capital de Risco	8 510 000	4.26	8 510.00
Ruasgest, SGPS, SA	4 764 223	2.38	4 764.00

Remuneration of the Board of Directors

The members of Board of Directors of the Bank were considered, in accordance with IAS 24, as the only 'key' management members of the Bank. The remunerations earned by the Board of Directors during the years ended 31 December 2019 and 2018, are shown in Note 28 to this annex.

Transactions and balances between related parties

At the end of the 2020, reporting period, the balances resulting from transactions with related parties were as follows:

	ASSETS	LIABILITIES		
		CLIENT DEPOSITS		
	MISCELLANEOUS DEBTORS	DEMAND	TERM	OTHER SUPPLIERS
Invested companies				
Carregosa SGOIC, S.A.	0	288 187	0	0
Circuitos e traçados	4 954 000	1 536 155	0	0
	4 961 500	1 824 342	0	0

At the end of 2019, the balances resulting from transactions made with related parties are as follows:

	ASSETS	LIABILITIES		
		CLIENT DEPOSITS		
	MISCELLANEOUS DEBTORS	DEMAND	TERM	OTHER SUPPLIERS
Invested companies				
Coollink, Lda.	0	102	0	0
Circuitos e traçados	4 954 000	1 509 331	0	0
	4 954 000	1 509 433	0	0

At the end of the 2020 reporting period, the Bank made the following transactions with the following related parties:

	INTEREST ON TERM DEPOSITS	COMMISSIONS RECEIVED	INCOME FROM EQUITY INSTRUM.	SERVICES PROVIDED	SERVICES RECEIVED
Invested companies					
Carregosa SGOIC, S.A.	0	42	0	0	0
Circuitos e Traçados, SA	0	121	0	0	0
	0	163	0	0	0

At the end of the 2019 reporting period, the Bank made the following transactions with the following related parties:

	INTEREST ON TERM DEPOSITS	COMMISSIONS RECEIVED	INCOME FROM EQUITY INSTRUM.	SERVICES PROVIDED	SERVICES RECEIVED
Invested companies					
Coollink, Lda.	0	0	0	3 000	803 685
Circuitos e Traçados, SA	0	131	0	0	0
	0	131	0	3 000	803 685

5. COVID-19

The pandemic caused by the SARS-COV-2 virus left its mark on the economic activity in 2020. In order to minimise the effects caused by the pandemic, several measures were put in place to support the economy and others were softened by the supervisory authorities. Banco de Portugal allowed less significant credit institutions under its supervision to operate, temporarily, at a level below the capital recommendation and with liquidity levels blow the liquidity coverage requirement, in line with the relaxation previously adopted by the ECB for institutions under its direct supervision.

In order to mitigate the negative effects caused by the pandemic, the Bank made the judicious decision to act more prudently, selectively changing the composition of its portfolio of financial assets, reducing exposure to less liquid assets and to sectors more exposed to the impact of measures to combat the pandemic, and increasing exposure to sovereign securities eligible as collateral at the ECB. As regards credit, a second negative impact duly recorded in the recognition of impairments in relation to the loan portfolio took place in the second half of 2020, due to two factors: the updating of the default probability matrix, which mainly affected lower risk loans, and the Bank's forecast of a possible significant increase in credit risk associated with the effect of the SARS COV 2 pandemic. Also as part of the extraordinary measures as a result of the public health emergency, the Portuguese Government implemented the system of credit moratoria in order to support families and businesses in the face of the crisis caused by the pandemic. While it was a positive measure overall, it imposed on the financial sector in general and Banco Carregosa in particular an increased burden in the communication, processing and registration of credit processes.

Amount outstanding under the moratorium as at 31/12/2020

	LEGAL MORATORIUM	PRIVATE MORATORIUM
Value	33 956 239 €	1 129 634 €
% on total loan	43.61%	1.45%

The Board of Directors' expectation as to the potential impacts that may arise on the Bank's activity, on its own funds and on the risks to which it is naturally subject is detailed below:

- **Market and interest rate risks:** The effects of the pandemic may be felt over time in markets and in the economy. In this sense, interest rate risk between the 2nd and 3rd quarters of 2020 increased, mainly due to an increase in the duration of the Bank's own portfolio. This situation was overcome in the 4th quarter of 2020, returning to normal levels.

- **Credit risk:** The Bank continues to assess any support measures for clients who may find themselves in financial constraints in the short term, with a view to taking concrete mitigation measures.

  In the case of client protection, the Bank complied with the moratorium arrangement laid down in Decree-law 10-J/2020 of 26 March and implemented extraordinary and temporary measures to cover eligible clients and transactions, in particular the extension of good standing credits, in addition to offering to suspend the payment of principal and charges without any change in spreads and without charging commissions for the amendment of contracts. The Bank has not changed the contractualised credit limits, whether revocable or irrevocable, and has not changed any of the spread conditions or other associated fees.

  The Bank adhered to the private moratorium sponsored by the Portuguese Association of Banks, formed by many financial institutions, that includes a number of measures for mortgage and non mortgage credit deals up to 75 000€, for resident and non-resident private clients.

As part of this moratorium, the Bank re-examined the loans portfolio in order to identify which cases would be eligible and sought to quantify these impacts, having estimated that the credit volume potentially covered, subject to a case-by-case validation of each client's access and financing operation.

- **Liquidity risk:** The Board of Directors continuously assesses the impacts that may occur in the future. However, considering the comfortable liquidity level, no additional pressures are expected in relation to the Bank's cash management or difficulty in financing investments already made or commitments on investments already undertaken.

- **Operational risk and business continuity:** 2020 will go down in history as the year of the outbreak of COVID-19, classified as a pandemic by the World Health Organisation on 11 March 2020. This outbreak, caused by the new coronavirus SARS-CoV-2, severely impacted the world economy and substantially changed the way we relate, both in the family and social environment, as well as in a professional context.

  The Bank has shown a remarkable capacity to respond and adapt to the new context, always focusing on two major goals:

  a. The protection of the health of employees and their families, by implementing additional protection measures and adopting teleworking work for central services, keeping essential services running, thus ensuring the operability of infrastructures, permanently assessing the impact on the value of assets and the adjustment of processes to the new context.

  b. When these impacts became effective, decisions were made to defend the best interests of the different stakeholders, including employees, clients and shareholders. The measures made by the government to contain the virus significantly affected economic activity, with direct impacts on banking activity. The reduction in economic activity associated with the need to maintain services at minimum levels in various sectors affected the socioeconomic capacity of the Bank's clients. In this context, several scenarios were assessed, considering:

     (i) Duration of confinement measures and mobility restrictions,

     (ii) Impact on GDP, and

     (iii) Level of state intervention in the economy. Several macroeconomic variables were designed for each scenario, which served as a basis to quantify the impacts on the Bank's balance sheet and on the risk and performance indicators. The Board of Directors estimated the impacts based on the best available information as at 31 December 2020, as shown in the extension of this report.

- **Own funds:** The capital ratios of the Bank have remained above the limits required by Banco de Portugal.

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

Porto, 4 June 2021

The Certified Accountant

Pedro Manuel Ferreira da Rocha

The Board of Directors

Chairman: Maria Cândida Cadeco Rocha e Silva

Jorge Manuel Conceição Freitas Gonçalves

António José Paixão Pinto Marante

Homero José de Pinho Coutinho

Francisco Miguel Melhorado de Oliveira Fernandes

Fernando Miguel Costa Ramalho

José Nuno de Campos Alves

Certifications and Opinions

CONSOLIDATED AND SEPARATE

LEGAL CERTIFICATION OF ACCOUNTS (CONSOLIDATED)

AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Banco L. J. Carregosa, S.A. (the Group), which comprise the balance sheet as at 31 December 2020 (showing a total of €345,787,333 and a total equity of €38,303,612, including a negative net result of €2,506,911), the consolidated statement of profit and loss by type, the consolidated statement of comprehensive income, the consolidated statements of changes in equity and the consolidated statement of cash flows for the year then ended, the consolidated notes to the financial statements, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements in attachment give a true and fair view, in all material aspects, of the financial position of Banco L. J. Carregosa, S.A. as at 31 December 2020, of its financial performance, and of the consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union.

Bases for the opinion

Our audit was carried out in accordance with the International Standards on Auditing (ISA) and other technical nd ethical standards and guidelines of Ordem dos Revisores Oficiais de Contas (Register of Auditors). Our responsibilities under these standards are described in “Responsibilities of the auditor in auditing the consolidated financial statements” below. Under the law in force, we are independent of the Bank and comply with other ethical requirements under the terms of the code of ethics of Ordem dos Revisores Oficiais de Contas.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Observations

- In accordance with Note 4 of the annex to the financial statements and in the management report, the COVID-19 pandemic has had negative impacts on the activity and profitability of the Bank during the 2020 financial year, the effects of which are also estimated for the 2021 financial year. The Board of Directors is convinced that the continuity of the operations of Banco L. J. Carregosa is not in doubt, taking into account the contingency plan implemented.

- As referred to in items 1.2.11 and 3.6 of the annex, the Group now adopts the revaluation model for property, plant and equipment relating to land and buildings, the fair value of these assets being determined by qualified and independent experts.

Our opinion has not changed in this respect.

Areas relevant to the audit

The areas relevant to the audit are those that, according to our professional judgement, were the most important for the auditing of the consolidated financial statements for the current period. These areas were considered in the auditing of financial statements as a whole, and in the formation of our opinion, and we do not give a separate opinion thereon.

Description of the most significant risks of material misstatements found

Impairments on loans to clients

As at 31 December 2020, “Loans to Clients” given by the Bank amounted to a gross sum of €81,481,084 and its net amount to €79,952,811, representing an accumulated impairment of €1,528,273, 1.88% of the loan amount. The breakdown of the loan amount and impairment and of the accounting policies, methodologies and related assumptions are disclosed in the notes to the financial (items: 1.2.8, 1.3.1, 2.4, 3.4.1 and 3.32).

Impairment relating to “Loans to Clients” is estimated through a separate analysis, based on the Bank’s Impairment Manual, using factors such as, for e.g., credit ratings of ECAIs and assumptions for determining the probability of default and evaluation of collateral associated with each operation, and represents the management’s best estimate of the losses expected for this heading, as at 31 December 2020. The use of alternative assumptions, judgements or models may have a material impact on the estimated impairment.

Due to relevance, subjectivity and great complexity of the materiality of the amount of loans and advances to clients and the calculation of the amount of associated impairment losses, an estimation process based on the judgement of the management body and on the application of assumptions, judgments and calculation models, namely as regards the classification of situations of significant increase in credit risk or default, especially in the situation brought about by the COVID-19 pandemic and support measures put in place, in particular payment moratoria, we have considered this as a relevant matter in our audit.

Summary of the response to the risks of material misstatements analysed

Impairments on loans to clients

Our response to this identified risk included the following audit procedures, among others:

- We have questioned the Bank’s management and experts responsible for the credit process and the identification and calculation of impairment losses in the “Loans to Clients” portfolio, in particular those in charge of the Risk Department and Credit Department;
- We analysed the relevant monitoring activities implemented by the Bank for the purpose of identifying and quantifying impairment losses in its “Loan to Clients” portfolio”;
- We have carried out analytical tests on the growth of “Loans to Clients” balances and related impairments;
- We have analysed compliance of accounting policies with IFRS 9;

- We have analysed the model and process for estimating impairment losses in the "Loans to Clients" portfolio and its effective implementation, in particular with regard to the reasonableness of parameters and assumptions used.

- To obtain a significant sample of clients, we analysed the client's economic standing and appreciation of existing collateral, stage classification as per IFRS 9 and assessed the reasonableness of the estimate recorded for impairment losses, taking into account the impact of the current COVID-19 pandemic and the use of measures to support clients, in particular the moratoria schemes.

- Based on the model for calculating impairment losses in "Loans to Clients" portfolio, we tested the calculations done and analysed the figures shown in the financial statements.

- We have reviewed the disclosures on Loans to Clients and related impairments, taking into consideration the applicable accounting rules, in particular IFRS 9.

Responsibilities of the management body and supervisory body for the consolidated financial statements

The management body is responsible for:

- preparing consolidated financial statements that give a true and fair view of the Bank's consolidated financial position, financial performance and consolidated cash flows, in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union;

- preparing the consolidated management report in compliance with the applicable legal and regulatory provisions;

- creating and maintaining an appropriate internal control system with a view to preparing consolidated financial statements free from material misstatements due to fraud or error;

- adopting accounting policies and criteria appropriate to the circumstances; and

- assessing the Bank's capacity to maintain continuity, disclosing, where applicable, any matters likely to raise significant doubts as to the continuity of its activities.

The supervisory body is responsible for supervising the preparation and disclosure of the Group's financial information.

Responsibilities of the auditor in auditing the consolidated financial statements

Our responsibility is to be reasonably assured that the consolidated financial statements, as a whole, are free from material misstatements due to fraud or error, and to issue a report with our opinion. Reasonable assurance means a high level of safety, but it is does not guarantee that an audit carried out in accordance with the ISA will always detect a material misstatement, if there is one. Misstatements may arise from fraud or error and are considered material if, alone or jointly, it can be reasonably expected that they will influence the economic decisions of users made on the basis of those financial statements.

As part of an ISA audit, our judgments are professional and our attitude during the audit is one of professional scepticism. We:

- identify and assess the material risks of misstatement in the consolidated financial statements, due to fraud or error, establish and execute auditing procedures that respond to such risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is greater than the risk of not detecting a material misstatement due to error, as the fraud may involve collusion, forgery, intentional omissions, misrepresentations or overlap of internal control;

- obtain a relevant understanding of internal control for the purpose of auditing with a view to establishing auditing procedures suited to the circumstances, but not to express an opinion on the efficacy of the Group's internal control;

- assess the adequacy of the accounting policies used and the fairness of accounting estimates and their disclosures by the management body;

- ascertain how the management body considers the going concern assumption and, based on the audit evidence obtained, whether there is any material uncertainty related with events or conditions likely to raise significant doubts about the Group's ability to continue its activities. If we do conclude that a material uncertainty exists, we must refer in our report the related disclosures included in the consolidated financial statements or, if such disclosures are not appropriate, change our opinion. Our conclusions are based on the audit evidence obtained as of the date of our report. Nonetheless, future events or conditions may cause the Bank to discontinue its activities;

- assess the presentation, structure and overall content of the consolidated financial statements, including disclosures, and whether they represent the underlying transactions and events in such a way that the presentation is fair;

- obtain sufficient and appropriate audit evidence on the financial information of the Group's entities or activities to express an opinion on the consolidated financial statements. We are responsible for guiding, supervising and performing the Group's audit and are ultimately responsible for our audit opinion;

- inform the persons in charge of governance, including the supervisory body, inter alia, the scope and planned timetable of the audit, and the significant conclusions thereof, including any significant internal control deficiency identified during the audit;

- determine which matters reported to the persons in charge of governance, including the supervisory body, were the most important when auditing the consolidated financial statements of the current year and what the relevant audit matters were. Our report describes such matters, except where their public disclosure is prohibited by law or regulation;

- declare to the supervisory body that we have complied with the relevant ethical requirements on independence, and report any an all relationships and other matters that may be perceived as threats to our independence and, where applicable, the existing safeguards approaches.

We are also responsible for ensuring that the information in the management report is consistent with the consolidated financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the management report

In compliance with Article 451(3)(e) of the Companies Code, we are of the opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements in force, that the information contained therein is consistent with the audited consolidated financial statements, and that, taking into account our knowledge and assessment of the Bank, we have not identified any material misstatements.

On the additional information foreseen under Article 10 of Regulation (EU) No 537/2014

In compliance with Article 10 of Regulation (EU) no 537/2014 of the European Parliament and of the Council, of 16 April 2014, and in addition to the relevant audit matters, we also inform that:

- We have been appointed auditors of Banco L. J. Carregosa, S.A. (the Group's parent entity) for the first time at the General Shareholders' Meeting of 27 May 2015, for a term between 2015 and 2017. We were appointed at the General Shareholders' Meeting of 30 May 2018 for a second term of office between 2018 and 2020.

- The management body has confirmed that it is not aware of any fraud or suspicion of fraud having a material effect on the financial statements. When planning and executing our audit in accordance with the ISA, we have maintained an attitude of professional scepticism and established audit procedures to respond to possible material misstatements in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material fraud-related misstatements therein.

- We confirm that our audit opinion is consistent with the additional report we have prepared and submitted to the Bank's supervisory body on 14 June 2021.

- We hereby declare that we have not rendered any services prohibited under Article 77(8) of the Articles of Association of *Ordem dos Revisores Oficiais de Contas* and that we have remained independent of the Group during the course of the audit.

Porto, 14 June 2021

M. Cunha & Associado – S.R.O.C., Lda., SROC no. 52
represented by Dr. Joaquim Manuel Martins da Cunha, ROC no. 859

LEGAL CERTIFICATION OF ACCOUNTS (SEPARATE)

AUDIT REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Banco L. J. Carregosa, S.A. (the Bank), which comprise the balance sheet as at 31 December 2020 (showing a total of €347,466,916 and a total equity of €38,298,627, including a negative net result of €2,506,912), the statement of profit and loss by type, the statement of comprehensive income, the statements of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of the significant accounting policies.

In our opinion, the financial statements in attachment give a true and fair view, in all material aspects, of the financial position of Banco L. J. Carregosa, S.A. as at 31 December 2020 of its financial performance, and of the cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union.

Bases for the opinion

Our audit was carried out in accordance with the International Standards on Auditing (ISA) and other technical nd ethical standards and guidelines of Ordem dos Revisores Oficiais de Contas (Register of Auditors). Our responsibilities under these standards are described in "Responsibilities of the auditor in auditing the financial statements" below. Under the law in force, we are independent of the Bank and comply with other ethical requirements under the terms of the code of ethics of Ordem dos Revisores Oficiais de Contas.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Observations

- In accordance with Note 5 of the annex to the financial statements and in the management report, the COVID-19 pandemic has had negative impacts on the activity and profitability of the Bank during the 2020 financial year, the effects of which are also estimated for the 2021 financial year. The Board of Directors is convinced that the continuity of the operations of Banco L. J. Carregosa is not in doubt, taking into account the contingency plan implemented.

- As referred to in items 2.2.11 and 4.7 of the notes to the accounts, the Bank now adopts the revaluation model for property, plant and equipment relating to land and buildings, the fair value of these assets being determined by qualified and independent experts.

Our opinion has not changed in this respect.


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Areas relevant to the audit

The areas relevant to the audit are those that, according to our professional judgement, were the most important for the auditing of the financial statements for the current period. These areas were considered in the auditing of financial statements as a whole, and in the formation of our opinion, and we do not give a separate opinion thereon.

Description of the most significant risks of material misstatements found

Impairments on loans to clients

As at 31 December 2020, “Loans to Clients” given by the Bank amounted to a gross sum of €81,481,084 and its net amount to €79,952,811, representing an accumulated impairment of €1,528,273, 1.88% of the loan amount. The breakdown of the loan amount and impairment and of the accounting policies, methodologies and related assumptions are disclosed in the notes to the financial (items: 2.2.8, 2.3.1, 3.4, 4.4.1 and 4.32).

Impairment relating to “Loans to Clients” is estimated through a separate analysis, based on the Bank’s Impairment Manual, using factors such as, for e.g., credit ratings of ECAIs and assumptions for determining the probability of default and evaluation of collateral associated with each operation, and represents the management’s best estimate of the losses expected for this heading, as at 31 December 2020. The use of alternative assumptions, judgements or models may have a material impact on the estimated impairment.

Due to relevance, subjectivity and great complexity of the materiality of the amount of loans and advances to clients and the calculation of the amount of associated impairment losses, an estimation process based on the judgement of the management body and on the application of assumptions, judgments and calculation models, namely as regards the classification of situations of significant increase in credit risk or default, especially in the situation brought about by the COVID-19 pandemic and support measures put in place, in particular payment moratoria, we have considered this as a relevant matter in our audit.

Summary of the response to the risks of material misstatements analysed

Impairments on loans to clients

Our response to this identified risk included the following audit procedures, among others:

- We have questioned the Bank’s management and experts responsible for the credit process and the identification and calculation of impairment losses in the “Loans to Clients” portfolio, in particular those in charge of the Risk Department and Credit Department;
- We analysed the relevant monitoring activities implemented by the Bank for the purpose of identifying and quantifying impairment losses in its “Loan to Clients” portfolio”;
- We have carried out analytical tests on the growth of “Loans to Clients” balances and related impairments;
- We have analysed compliance of accounting policies with IFRS 9;

- We have analysed the model and process for estimating impairment losses in the "Loans to Clients" portfolio and its effective implementation, in particular with regard to the reasonableness of parameters and assumptions used.

- To obtain a significant sample of clients, we analysed the client's economic standing and appreciation of existing collateral, stage classification as per IFRS 9 and assessed the reasonableness of the estimate recorded for impairment losses, taking into account the impact of the current COVID-19 pandemic and the use of measures to support clients, in particular the moratoria schemes.

- Based on the model for calculating impairment losses in "Loans to Clients" portfolio, we tested the calculations done and analysed the figures shown in the financial statements.

- We have reviewed the disclosures on Loans to Clients and related impairments, taking into consideration the applicable accounting rules, in particular IFRS 9.

Responsibilities of the management body and supervisory body for the financial statements

The management body is responsible for:

- preparing financial statements that give a true and fair view of the Bank's financial position, financial performance and cash flows, in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union;

- preparing the management report in compliance with the applicable legal and regulatory provisions;

- creating and maintaining an appropriate internal control system with a view to preparing financial statements free from material misstatements due to fraud or error;

- adopting accounting policies and criteria appropriate to the circumstances; and

- assessing the Bank's capacity to maintain continuity, disclosing, where applicable, any matters likely to raise significant doubts as to the continuity of its activities.

The supervisory body is responsible for supervising the preparation and disclosure of the Bank's financial information.

Responsibilities of the auditor in auditing the financial statements

Our responsibility is to be reasonably assured that the financial statements, as a whole, are free from material misstatements due to fraud or error, and to issue a report with our opinion. Reasonable assurance means a high level of safety, but it is does not guarantee that an audit carried out in accordance with the ISA will always detect a material misstatement, if there is one. Misstatements may arise from fraud or error and are considered material if, alone or jointly, it can be reasonably expected that they will influence the economic decisions of users made on the basis of those financial statements.

As part of an ISA audit, our judgments are professional and our attitude during the audit is one of professional scepticism. We:

- identify and assess the material risks of misstatement in the financial statements, due to fraud or error, establish and execute auditing procedures that respond to such risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is greater than the risk of not detecting a material misstatement due to error, as the fraud may involve collusion, forgery, intentional omissions, misrepresentations or overlap of internal control;

- obtain a relevant understanding of internal control for the purpose of auditing with a view to establishing auditing procedures suited to the circumstances, but not to express an opinion on the efficacy of the Bank's internal control;

- assess the adequacy of the accounting policies used and the fairness of accounting estimates and their disclosures by the management body;

- ascertain how the management body considers the going concern assumption and, based on the audit evidence obtained, whether there is any material uncertainty related with events or conditions likely to raise significant doubts about the Bank's ability to continue its activities. If we do conclude that a material uncertainty exists, we must refer in our report the related disclosures included in the financial statements or, if such disclosures are not appropriate, change our opinion. Our conclusions are based on the audit evidence obtained as of the date of our report. Nonetheless, future events or conditions may cause the Bank to discontinue its activities;

- assess the presentation, structure and overall content of the financial statements, including disclosures, and whether they represent the underlying transactions and events in such a way that the presentation is fair;

- inform the persons in charge of governance, including the supervisory body, inter alia, the scope and planned timetable of the audit, and the significant conclusions thereof, including any significant internal control deficiency identified during the audit;

- determine which matters reported to the persons in charge of governance, including the supervisory body, were the most important when auditing the financial statements of the current year and what the relevant audit matters were. Our report describes such matters, except where their public disclosure is prohibited by law or regulation;

- declare to the supervisory body that we have complied with the relevant ethical requirements on independence, and report any an all relationships and other matters that may be perceived as threats to our independence and, where applicable, the existing safeguards approaches.

We are also responsible for ensuring that the information in the management report is consistent with the financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the management report

In compliance with Article 451(3)(e) of the Companies Code, we are of the opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements in force, that the information contained therein is consistent with the audited financial statements, and that, taking into account our knowledge and assessment of the Bank, we have not identified any material misstatements.

On the additional information foreseen under Article 10 of Regulation (EU) No 537/2014

In compliance with Article 10 of Regulation (EU) no 537/2014 of the European Parliament and of the Council of 16 April 2014, and in addition to the relevant audit matters, we also inform that:

- We have been appointed auditors of Banco L. J. Carregosa, S.A. for the first time at the General Shareholders' Meeting of 27 May 2015, for a term between 2015 and 2017. We were appointed at the General Shareholders' Meeting of 30 May 2018 for a second term of office between 2018 and 2020.

- The management body has confirmed that it is not aware of any fraud or suspicion of fraud having a material effect on the financial statements. When planning and executing our audit in accordance with the ISA, we have maintained an attitude of professional scepticism and established audit procedures to respond to possible material misstatements in the financial statements due to fraud. As a result of our work, we have not identified any material fraud-related misstatements therein.

- We confirm that our audit opinion is consistent with the additional report we have prepared and submitted to the Bank's supervisory body on 14 June 2021.

- We hereby declare that we have not rendered any services prohibited under Article 77(8) of the Articles of Association of Ordem dos Revisores Oficiais de Contas and that we have remained independent of the Bank during the course of the audit.

Porto, 14 June 2021

M. Cunha & Associado – S.R.O.C., Lda., SROC no. 52
represented by Dr. Joaquim Manuel Martins da Cunha, ROC no. 859

Report and Opinion of the Supervisory Committee

To the Shareholders,

1. The Supervisory Committee presents its report and opinion on the accounting documents of the Bank and of the Group, submitted by the Board of Directors of **Banco L. J. Carregosa, S.A.**, for the year 2020, in compliance with legal requirements – Article 420(1)(g) and Article 508-D of the Companies Code – and applicable statutory requirements.

2. It needs to be emphasised that between 1 January and 17 July 2020, the activity of the Committee was carried out by Dr. Ricardo Jorge Mendes Fidalgo Moreira da Cruz (Chairman), by Dra. Maria da Graça Alves Carvalho (voting member) and Prof. Dr. Daniel Bessa Fernandes Coelho (voting member). On 17 July 2017, Prof. Dr. Daniel Bessa submitted his resignation as member of the Supervisory Committee. On 1 September 2020, Dr. Rodrigo de Melo Neiva Santos, elected by the General Meeting as alternate member, initiated duties as a voting member of the Supervisory Committee.

3. Throughout, the Supervisory Committee monitored the various aspects of the Bank's activity, although greater emphasis was placed on monitoring the internal governance and risk management systems, in particular the organisation and efficacy of the internal control system. To this end, the Committee promoted the necessary contacts with the Board of Directors, the Executive Committee, the Statutory Auditor and several of the Bank's departments, notably the areas part of the Internal Control System, to collect and analyse information and issue specific recommendations. As part of its duties, the Committee held thirty-three meetings in 2020. It should also be noted that following the outbreak and spread of the Covid-19 pandemic, as from 31 March 2020 twenty-seven of the Supervisory Committee's meetings were held through telematic means.

4. The following activities are part of the Committees duties:

   a. **Monitor the Bank's operation, duty of care being owed in complying with the law and supplementary provisions and with the Company's articles of association**, namely by having its members take part in meetings with the Board of Directors and the Executive Committee and other contacts, where necessary and appropriate, in particular with the department heads of Accounting and Information Management, Compliance, Risk and Internal Audit. In performing its activities, the Committee analysed the regulations, standards and internal procedures in force, obtaining information and further clarifications, having found no constraints in its work;

   b. **The relationship with the supervisory authorities of the financing system**, in particular taking note of the correspondence exchanged with the Bank and those entities; still in this respect, we note the participation of the Committee's members in various meetings requested by Banco de Portugal's Prudential Supervision body;

c. **Supervise the Bank's Internal Control System**, by continuously monitoring the activity performed by the Statutory Auditor and by the internal Departments in charge of Compliance, Risk Management and Internal Audit; specifically, in this regard, the Committee:

- issued an opinion on 29 September 2020 on the Internal Control System in force at the Bank, pursuant to Article 25(a)(5) of Banco de Portugal's Notice no. 5/2008, under the reporting procedure of the Board of Directors to Banco de Portugal;

- monitored the Bank's participation in the 'Supervisory Review and Evaluation Process' (SREP), led by Banco de Portugal for the purpose of assessing, in a holistic perspective, the adequacy of the business strategy, the governance and internal risk control systems, and of the Bank's equity and liquidity levels, given the risks to which it is exposed, or may be exposed. The monitoring of action plans, defined by the Board of Directors, with a view to implementing specific determinations and recommendations issued by the Supervisor are also included herein;

- at the request of the Board of Directors, and in compliance with the regulations under the 'Supervisory Review and Evaluation Process' (SREP) relating to the 2018 financial year, assessed and gave an opinion on the procedural compliance of documenting the credit granting procedures;

- monitored the preparation of the 'Self-Assessment of Internal Capital' (ICAAP) and of the 'Self-assessment Process for the Adequacy of Internal Liquidity' (ILAAP), both part of the aforementioned SREP process, in accordance with the guidelines from the European Banking Authority, in particular through regulation EBA/GL/2016/10 (Guidelines on ICAAP and ILAAP Information Collected for SREP Purposes); in this scope, it appraised the evaluation by Banco de Portugal and monitored the specification and programming of measures to implement the recommendations made by the Supervisor;

- ensured, pursuant to the 'Regulation for the Selection of the ROC/SROC and the Contracting of non-Audit Services', approved by the management and Supervisory bodies of the Bank, formulated under Law 148/2015, of 9 September, which establishes the Legal Regime of Audit Supervision, Law 140/2015, of 7 September, approving the Articles of Association of Ordem dos Revisores Oficiais de Contas (Register of Audits), and in CMVM Regulation 4/2015 (Audit Supervision), amended by CMVM Regulation 2/2017, the supervision of the activity carried out by the Statutory Auditor, in particular supervising its independence. In this regard, the Committee must inform that it has not received, between 1 January and 31 December 2020, any request to issue a preliminary opinion on the contracting, between the Bank and the Statutory Audit, the provision of additional audit services;

- monitored the implementation of the Annual Internal Audit Plan approved by the Board of Directors to be performed throughout the 2020 financial year, and examined the drafting of the Internal Audit Plan for the 2021-2023 three-year period;

- examined and issued opinions and recommendations concerning the Bank's internal regulations, in particular on the 'Policy for the Selection of the Statutory Auditor (ROC)/Audit Firm (SROC) and for Contracting Non-Audit Services', 'Credit Policy', 'Credit Manual', 'Global Risk Management Policy', 'Product and Service Governance Policy', and 'Conflict of Interest Policy', issued by the Board of Directors;

- took note of the reports prepared by external and internal auditors, in various areas, in particular the internal control system for the prevention of money laundering and terrorist financing, the assessment of compliance with 'Financial Reporting' (FINREP) and 'Common Reporting' (COREP) reporting procedures and the security of the Bank's ICT infrastructure;

- analysed incident reports regarding the performance and security of information systems supporting the Bank's activity, as well as interactions with Supervisory Authorities in this regard;

- monitored the technology development process brought forward from 2019, aiming at continuous improvements of the Bank's information systems, in particular as regards the effectiveness of internal anti-laundering and terrorist financing mechanisms and of information support to the Bank's credit process.

d. **Supervise the quality and integrity of the information in accounting document**s, monitoring the preparation and disclosure thereof, the application of current accounting policies and standards, and monitoring the relevant financial, operational and prudential indicators. In this regard, the Committee met, where appropriate, with the Statutory Auditor, to take note of criteria, methods and other external audit procedures to the Bank's accounts.

5. The Committee has not learned of any situation that did not comply with the Bank's articles of association or the applicable conditions laid down by law and regulation.

6. All clarifications were always provided by the Board of Directors, services and departments at the Bank and by the Statutory Auditor.

7. Pursuant to Article 452 of the Portuguese Companies Code, the Committee examined the Report of the Board of Directors and the separate and consolidated financial statements of the Bank as at 31 December 2020 and their legal certification of accounts issued by the Statutory Auditor, with which the Supervisory Committee agrees, having for that purpose made the appropriate and timely verifications.

8. During the year and in performing its duties, the Supervisory Committee was able to take note of the professionalism, dedication and strong commitment of the Board of Directors, Executive Committee, Statutory Auditor and other employees of the Bank and of the Group.

9. All things considered, the Supervisory Committee is of the opinion that the Annual General Meeting should:

   a. Approve the Report of the Board of Directors and the separate and consolidated accounts of the Bank for the year ended 31 December 2020;

   b. Approve the proposed appropriation of profits presented in the Report of the Board of Directors;

   c. Perform a general assessment of the management and supervision of Banco L.J.Carregosa, S.A., pursuant to Article 455 of the Companies Code.

Porto, 14 June 2021

The Supervisory Committee,

Ricardo Jorge Mendes Fidalgo Moreira da Cruz
(Chairman)

Maria da Graça Alves Carvalho
(Voting member)

Rodrigo de Melo Melo Neiva Santos
(Voting member)

Summary of the Report issued by the Supervisory Committee on 1 March 2021, pursuant to Articles 54 et seq. of Notice 3/2020 and Instruction 18/2020 of Banco de Portugal, issued for the purposes of Article 60(1) of Notice 3/2020, to be integrated in the annual financial statements for the 2020 financial year

To the Shareholders,

1. Pursuant to Articles 54 et seq. of Banco de Portugal Notice 3/2020 (hereinafter "Notice") and Instruction 18/2020 (hereinafter "Instruction"), on 1 March 2021 the Supervisory Committee ("Committee") of Banco L. J. Carregosa, S.A. ("Bank" or "Institution"), approved its Assessment Report ("RACF") to be integrated in the Self-Assessment Report approved on the same date by the Bank, with reference to the period between 1 June 2020 and 30 January 2021, regarding the Bank's organisational culture and governance and internal control systems.

2. Pursuant to Article 60(1) of the Notice, the Supervisory Committee must prepare a summary of the RACF provided for in Articles 55 and 56, also of the Notice, for disclosure as an annex to the annual financial statements of the Institution. The said Self-Assessment RACF was approved and issued by the Committee on 1 March 2021.

3. Following the recent revisions of the Code of Conduct and internal regulations on organisational and internal governance, the Bank consolidated its organisational culture model, nd today its activity is based on a set of values and behaviours that ensure the efficiency of its operation in the light of the structural objectives established and its market position de, both internally and in its relations with external stakeholders, namely clients and potential clients.

4. In its permanent relationship with other corporate bodies and with the Bank's departments, in particular Risk Department, Compliance Department and Internal Audit, the Committee has found that the Bank's organisational culture is effectively reflected in the Institution's practices, and is clearly and uniformly embedded and implemented therein.

5. In the exercise of its powers, wither through the information and documentation it receives (spontaneously or at its request), or through the interaction it maintains with the Bank's various departments, generally at director level –, the Committee has found that during the reporting period the Bank's guidelines on the internal governance system have been implemented uniformly across the board in all departments. Moreover, the Committee has not found, during the reporting period, any non-compliance that would have led to any notice or reporting to the Board of Directors.

6. It should also be noted that during the reporting period, the Bank increased the number of employees assigned to internal control functions, in particular in the risk management and compliance functions. Reference should also be made to the increased internal dissemination of information between the Board of Directors, the Committee and the Departments responsible for internal control.

7. The Committee considers the internal control system in place on the reference date to be adequate and effective in terms of mitigating the risk to which the Bank is exposed in carrying out its activity, complying with the legal and regulatory standards in force, as well as the guidelines issued by the European Banking Authority (EBA).

8. The Committee considers that the Bank's internal rules ensure that the FCIs have adequate autonomy and independence, in the light of the EBA Guidelines under reference EBA/GL/2017/11, of 26 September 2017, and the provisions of the Notice. Without prejudice to this opinion, the Committee still maintains that the Bank should continue to strengthen the conditions of independence of the FCIs, particularly in terms of increasing the human resources allocated to it.

9. The Committee considers that the processes for the preparation of prudential and financial reports, including those under Commission Implementing Regulation (EU) 680/2014 of 16 April 2014, in the reporting period, are reliable an adequate. Without prejudice to this opinion, the Committee has been aware of inconsistencies identified by Banco de Portugal in the prudential and financial reporting process issued by the Bank, namely regarding the "COREP" and "FINREP" reports. The Committee is of the opinion that the Bank must continue to take all the necessary steps to rectify and resolve any inconsistencies that may exist in these reporting processes.

10. Also with regard to the monitoring of financial reporting processes, it should be noted that the Committee is aware of the reports issued by the Statutory Auditor on the recognition of impairments in the Bank's loan portfolio.

11. The Committee consists that the processes for preparing the Bank's public disclosures under applicable laws and regulations, including financial and prudential information, are adequate. Without prejudice to this opinion, the Committee expects the Bank to fully comply with the recommendations made by the Supervisor on public disclosures.

12. Any projections, for future periods, of the Bank's internal control system are subject to the risk of internal control procedures becoming inadequate due to various circumstances or changes, and of its degree of effectiveness, adequacy and security deteriorating over time. Moreover, taking into account the inherent limitations to any internal control system, the possibility of there being failures, irregularities, frauds or errors not detected in a more timely manner should be safeguarded.

Porto, 14 June 2021.

The Supervisory Committee,

Ricardo Jorge Mendes Fidalgo Moreira da Cruz
(Chairman)

Maria da Graça Alves Carvalho
(Voting member)

Rodrigo de Melo Melo Neiva Santos
(Voting member)

Minutes of the Annual General Meeting of the Shareholders Held on the 29th of June 2021

THE UNDERSIGNED HEREBY CERTIFIES, based on the Minutes of the General Annual Shareholders Meeting of Banco L. J. Carregosa, S.A.", held on **29 June 2021**, that the following deliberations were taken:

1) The Management Report and Accounts and Consolidated Accounts for the 2020 financial year were approved by majority.

2) The decision to record the results for the year (negative), in the amount of -2 506 911.78€ as Retained Earnings was unanimously approved.

3) A motion was passed praising the Board of Directors, the Company's Supervisory Committee and the Statutory Auditor, collectively and individually, for their work carried out in the 2020 financial year.

4) The proposal for the election of the Governing Bodies for the 2021-2023 three-year period was approved by majority, with the following composition:

Board of Directors:
Chairman: Maria Cândida Cadeco da Rocha e Silva.
Vice- Chairman: Jorge Manuel da Conceição Freitas Gonçalves.
Voting member: António José Paixão Pinto Marante.
Voting member: Homero José de Pinho Coutinho.
Voting member: Francisco Miguel Melhorado de Oliveira Fernandes.
Voting member: Fernando Miguel da Costa Ramalho.
Voting member: José Nuno de Campos Alves.
Voting member: Rogério Francisco Montenegro do Couto.
Voting member: Mário Oldemiro Carvalho Fernandes.

Supervisory Committee:
Chairman: Rodrigo de Melo Neiva Santos.
Voting member: Cristina Maria da Costa Pinto.
Voting member: António Fernando dos Reis Magalhães Pinto.
Alternate member: Rodrigo Maria de Azevedo Soares Cordeiro da Silveira.

Presiding Board to the General Meeting:
Chairman: Luís Manuel de Faria Neiva dos Santos.
Secretary: Maria Manuela Pereira Antunes.
Secretary: Ana Mafalda Mateus Freitas Gonçalves Malafaya.

5) The election of the Statutory Auditor for the three-year period 2021-2023 was unanimously approved, now having the following composition:

Statutory Audit Firm:

Full member: PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda., TIN 506628752, registered with the Portuguese Official Auditors Association under no. 183 and with the CMVM under no. 20161485, represented by Aurélio Adriano Rangel Amado (full member), Statutory Auditor (ROC) no. 1074, registered at CMVM under no. 20160686, and

Alternate member: Carlos Manuel Sim Sim Maia (alternate), ROC no. 1138, registered at CMVM under no. 20160750.

6) The report of the Remuneration and Assessment Committee (CRAV) was approved by majority.

7) The proposal to amend the Policy for the Selection and Adequacy of the Members of the Management and Supervisory Bodies and of Key Function Holders was approved by majority.

8) The proposal to amend the Remuneration Policy of the Management and Supervisory Members was unanimously approved.

9) The proposal to amend the Regulations of the Remuneration and Assessment Committee was approved unanimously.

10) The proposal to amend the Regulations of the Board of Directors was approved by majority.

11) The proposal to amend the Regulations of the Supervisory Committee was approved by majority.

12) The proposal for the acquisition or disposal of own shares, in accordance with articles 319 and 320 of the Portuguese Companies Code, was approved by majority.

Porto, 29 June 2021.

The Chairman of the Presiding Board to the General Meeting,

(Luís Neiva dos Santos)

BANCO L. J. CARREGOSA, S.A.
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