REPORT & ACCOUNTS '19

EST. 1833
BANCO CARREGOSA

INDEX

01

SUMMARY OF INDICATORS

Amounts in Euro, except as otherwise stated.

INCOME STATEMENT

	2019	2018
Financial margin	**4 750 332**	**5 749 662**
Income from equity instruments	328 106	225 749
Net commissions	3 229 143	3 516 421
Gains from financial transactions	5 239 069	2 175 314
Other net operating income - Exchange	(200 285)	(16 917)
Other operating income	(615 656)	(398 546)
Net operating revenue	**12 730 708**	**11 251 684**
Staff costs	(4 793 481)	(4 291 470)
Other administrative costs	(4 181 666)	(4 411 277)
Structure costs	**(8 975 147)**	**(8 702 747)**
Amortisations	(1 093 722)	(818 790)
Provisions	(3 099)	(3 333)
Impairments	(351 015)	(329 277)
Pre-tax profit	**2 307 725**	**1 397 537**
Taxes	(318 098)	(250 797)
Net result	**1 989 627**	**1 146 740**

BALANCE SHEET

Total net assets	349 025 177	303 218 538
Equity	36 758 895	34 090 702
Own funds	38 863 003	36 317 465
Client deposits	270 165 889	233 823 285
Loans granted	91 431 324	101 901 308
Loan-to-deposit ratio	33.84%	43.58%
Overdue loans / Loans granted	4.41%	2.01%
Loans granted / Net assets	26.20%	33.61%
Assets under supervision (Assets under management, custody and client deposits)	1 362 494 254	1 094 381 059

OTHER INDICATORS

Liquidity coverage ratio (LCR)	419.86%	340.10%
Financial margin (in % of the net operating revenue)	37.31%	51.10%
Provisions and impairments (in % of the net operating revenue)	2.78%	2.96%
Common Equity Tier 1 ratio(CET1)	16.13%	16.29%
Risk-weighted assets (RWAs)	227 882 664	209 295 621
Return on assets (ROA)	0.6%	0.4%
Return on equity (ROE)	5.1%	3.2%
Financial margin / Interest-bearing asset	1.86%	2.57%
Structure costs / Net operating revenue	70.50%	77.35%

02

SHAREHOLDING STRUCTURE AND CORPORATE BODIES

PRESIDING GENERAL 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
EXECUTIVE COMMITTEE	Francisco Miguel Melhorado de Oliveira Fernandes	**CHAIRMAN (EC)**
	Fernando Miguel Costa Ramalho	Voting member (EC)
	José Nuno de Campos Alves	Voting member (EC)
SUPERVISORY COMMITTEE	Ricardo Jorge Mendes Fidalgo Moreira da Cruz	**CHAIRMAN**
	Daniel Bessa Fernandes Coelho	Voting member
	Maria da Graça Alves Carvalho	Voting member
STATUTORY AUDIT FIRM (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)
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	

ON May 15, 1975

THE REPUBLIC OF PORTUGAL

$35.00

No. M 7272

15. 11. 74 a 100% + cps em 15. 5. 75 att

No. M 7271

1000

REPUBLIC OF PORTUGAL

7% EXTERNAL LOAN BOND DUE 1976

DUE NOVEMBER 15, 1976

The Republic of Portugal (hereinafter called the Republic) for value received, hereby promises to pay to bearer, or if this Bond be registered as to principal, to the registered owner hereof, the principal sum of

ONE THOUSAND DOLLARS

In Witness Whereof, the Republic has caused this Bond to be executed with the facsimile signatures of the Minister of Finance of the Republic, the President of the Junta do Crédito Público and another member of the Junta do Crédito Público in office at the date of this Bond (which execution shall be valid whether or not a successor of any of them shall be in office at the date of issue of this Bond) and has caused the Seal of the Junta do Crédito Público to be duly affixed hereto and the coupons appertaining hereto to be executed with the facsimile signature of the Minister of Finance of the Republic in office at the date of this Bond.

Dated: November 15, 1966

REPUBLIC OF PORTUGAL

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds of the issue of 7% External Loan Bonds due 1976, within referred to.

MORGAN GUARANTY TRUST COMPANY OF NEW YORK as Authenticating Agent,

By

Authorized Officer

By

Minister of Finance

By

President of the Junta do Crédito Público

By

Member of the Junta do Crédito Público

The members of the corporate bodies for the 2018-2020 period were elected by the General Shareholders' Meeting held on 30 May 2018.

The General Shareholders' Meeting of 31 May 2019 decided on the election of Dr. Homero José de Pinho Coutinho as member of the Board of Directors and of Professor Doutor Daniel Bessa Fernandes Coelho as voting member of the Supervisory Board; at this same meeting, Dr. Ricardo Jorge Mendes Fidalgo Moreira da Cruz was elected Chairman of the Supervisory Board.

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 composition of the Supervisory Board 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.

Paulo Armando Morais Mendes and Engineer Paulo Martins de Sena Esteves ceased functions as voting members of the Board of Directors and as members of the Executive Committee on 31 October 2019.

The Board of Directors, formed by the above members, took up its duties on 1 November 2019 and at its meeting on 5 November 2019 appointed the Directors for the Executive Committee and stated their positions: Dr. Francisco Miguel Melhorado de Oliveira Fernandes, Chairman, 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.

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.

03

[redacted]

MESSAGE FROM THE CHAIRWOMAN OF THE BOARD OF DIRECTORS

Dear Shareholders,

We once again give an account of the most relevant events of 2019 – Banco Carregosa. As this report is being drafted in 2020, nothing seems more important to us than the Covid-19 pandemic and its past, present and future health and economic harmful effects. But this is something we will address next year.

As regards 2019 and Banco Carregosa, I would like to point out that we have completed the first phase of the Casa Carregosa Museum. A museum is naturally a continually evolving project, but what we have already exhibited is sufficient to inform young people about the most recent part of a long history that began in 1833. For repeat visitors, the items we have managed to exhibit allow us to convey the message that “we have a past” that we have strived to showcase today and adapt to the challenging 20th century.

In 2019, directors Paulo Sena Esteves and Paulo Morais Mendes left the Board of Directors of their own accord. Their offices our worthy of our highest praise, as they will leave a lasting example of honesty, talent and dedication to work. Also in 2019 we continued to improve many of the changes made previously, by deciding to entrust – and the timing was perfect – the responsibility for the investment area to Dr. Mário Carvalho Fernandes. The positive results of this decision were soon felt.

As for the rest, it could be said that 2019 was close to “cruising speed”. Even though there were no significant extraordinary operations, albeit not yet reaching our goal, return on equity already shows some vigour as shown by the results. We will not yet distribute dividends due to the need to strengthen own funds and to regulatory requirements.

I cannot close without expressing my deepest gratitude to my colleagues who, not only in 2019 but especially today, when the pandemic is wrecking our working habits, have given all their best effort and sacrifice so that Banco Carregosa can continue to respond to the ever-increasing regulatory demands as well as to the growing needs of our business.

Thank you to all of them and to you.

Maria Cândida Rocha e Silva
Chairwoman of the Board of Directors

04

MANAGEMENT REPORT

1_BANCO CARREGOSA

In compliance with legal and statutory provisions, the Board of Directors of Banco L. J. Carregosa S.A. (hereinafter referred to as "Bank", "Banco Carregosa", "Company" or "Carregosa Group" when referred to in consolidated terms) hereby presents the 2019 Report and Accounts.
In compliance with the Portuguese Companies Code, this document includes, throughout its contents and notes to the financial statements, information on each mandatory heading listed in Article 66(5) (Management Report).

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, going on to its second decade of operation in a challenging economic, regulatory and competitive environment.

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.

2_BUSINESS SEGMENTS AND INTERNAL ORGANISATION

In line with the major strategic guidelines defined for 2019-2021, the Bank's activity is based on the following essential pillars:

- Value proposition with a focus on the top affluent and high-net-worth individuals (HNWI) segments, offered through uniform communication and single branding;
- Focus on asset management and investment consulting, asset advisory services, specialised lending and corporate activities, the latter mostly to support private banking;
- Maintaining complementary custody, trading and own 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* scope of the organisation, more specifically people, culture and internal communication; and

- Finally, develop cross-cutting 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, and internal control –, as described below.

2_1_BUSINESS AREAS AND SERVICES

The first core area is made up of the Client areas, whose definition is based on the relational model that the Bank wishes to establish with its clients. Three of these areas are eminently commercial, giving substance to how they use or render the Bank's products and services to target clients in the interest of ensuring a consistent offer:

- Private banking;
- Affluent banking;
- Corporate business

The Clients' areas are also supported by two external commercial networks, one for private clients and another for corporate clients.

Business areas and services also include another segment: Treasury and Own Portfolio.

The third segment of this core also consists of activities aligned with the organisation's key areas of competence, built on the core activities of private banking services: asset management and investment consulting, execution, custody, credit granting and advisory activities. In other words, these areas generate client-related products and services and consist of six groups of essential services:

- Investments;
- Markets;
- Clearing, settlement, and custody;
- Credit granting;
- Corporate; and
- Asset advisory 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 three commercial propositions consistent and adapted to the needs of the target clients, exploring the niches that value proximity, quality and flexibility of the solutions they offer.

2_2_SUPPORT AREAS

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

2_3_CONTROL AREAS

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

Internal organisation

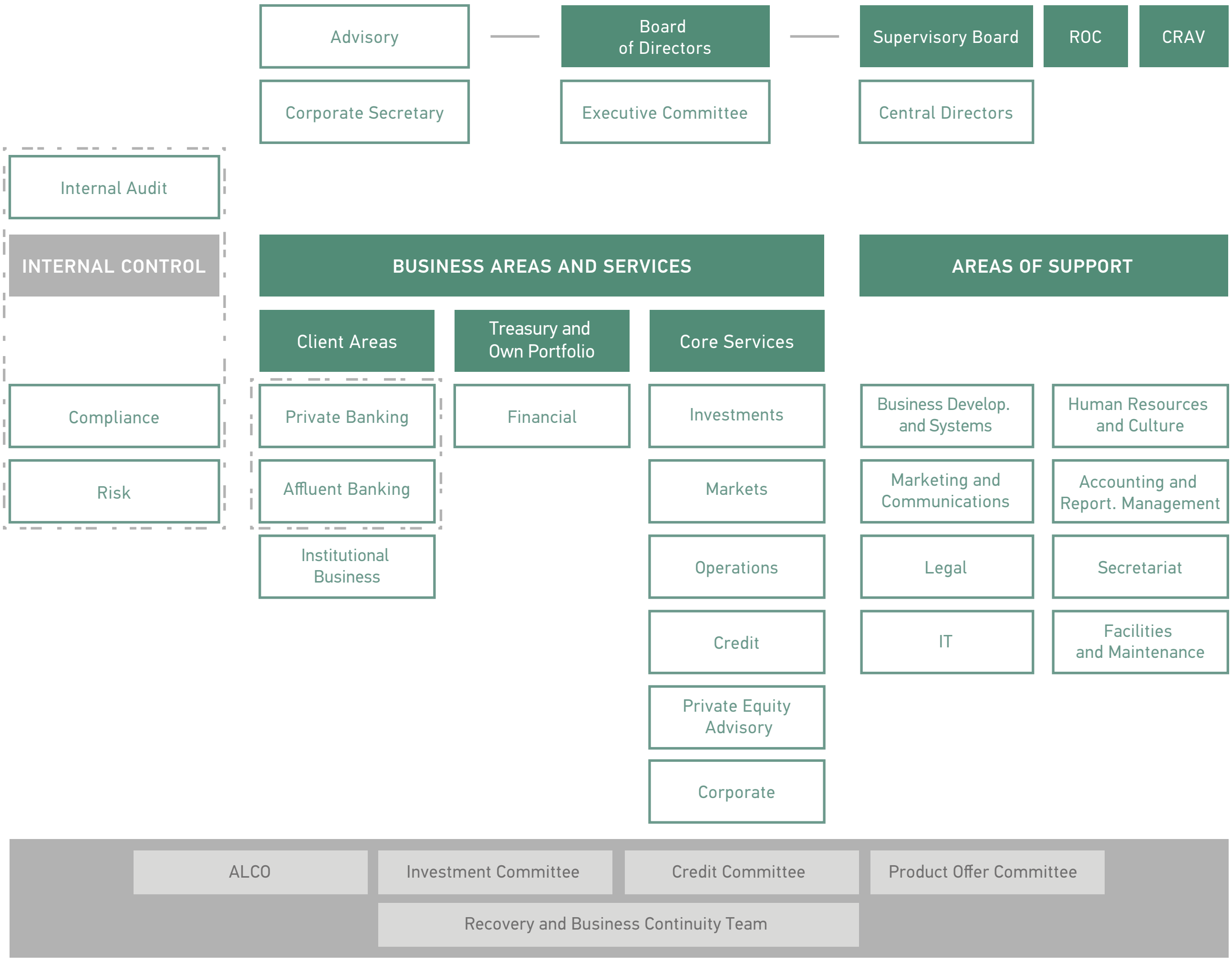
In defining the organisation and composition of the Management and Supervisory Bodies, the Bank opted for a Board of Directors and a Supervisory Board, with a Statutory Auditor.

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.

The Bank employs 102 staff. As such, its organisation is simple and functional, as shown in the organisational chart below.



Internal Control System

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

A sound Internal and Control System presupposes the combination of three essential driving forces: qualified people who act ethically, clear procedures that contribute to the mitigation of the risks to which the entity's business is subject, and robust systems that allow employees to implement the established procedures.

An efficient Internal Control System presupposes that all employees embody a culture of correctness, as well as reliable information and various control points.

To this end, in 2019 the Bank developed a microlearning training programme so that all its employees could familiarise themselves with the rules of conduct implemented. This was the first step towards achieving one of the pillars defined for the three-year period: the dissemination of a risk and compliance culture.

With regard to guaranteed reliable information, the growing transformation of the IT system, supporting the activity through a *golden source*, in line with the best practices in information management and, in particular, the improvement of information relating to risk management are worthy of note, which are expected to continue in 2020.

With respect to controls, the efforts to strengthen the anti-money laundering and terrorist financing mitigation measures should be highlighted.

An effective Internal Control System is only effective if a second and third line of mature controls are added to the first line of defence, as well as *a tone from the top* stance on the part of the corporate bodies. In order to understand the Internal Control System, it is essential to describe the role played by the control functions, as explained below.

Internal Audit

Internal Audit plays an essential role in monitoring the efficacy and efficiency of the Internal Control System in an independent manner to determine whether it is adequate to the governance model, the risk policy in force, and the business policy.

As part of its duties, it performs the actions and démarches provided for in the Audit Plan approved by the Board of Directors, with a view to analysing and assessing the adequacy of activities, systems, and procedures.

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 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 has a critical role in that it is responsible for defining the mechanisms to monitor and detect suspicious transactions.

Risk Management System

Risk management consists in the identification, evaluation, 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*.

This aims to ensure that the Bank acts within its limits 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 therefore ensures the application of the Risk Management System and evaluates the quality and quantity of all the business risks to which the Bank is exposed. It is also responsible for preparing and presenting periodic reports to inform the relevant corporate bodies and regulating authorities on issues relating to risk management, identifying material risks, in particular market, credit, liquidity and operating risk.

The Bank is proactively reviewing its exposure to major risks, in particular credit risks.

Market Risk

Market risk is the probability 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 interest rates, foreign exchange rates, stock quotes and price of goods.

This risk is primarily associated with the trading portfolio, consisting of short-term positions held by the Bank, although it affects other own portfolios of the Bank.

Credit Risk

Credit risk is the probability of negative impacts affecting the results or equity 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), 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 guarantees and those collateralised by cash, and the use of contractual netting agreements.

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).

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 computerisation. 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 that data. This privilege is based on trust, good faith and is protected with appropriate security measures. 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 a compromise between trade interests and risks involved.

05

BACKGROUND

1_MACROECONOMIC BACKGROUND

The economic climate in 2019 was marked by a slowdown in growth, measured by forecasts of real growth in GDP, to 2.4%, in a synchronised fashion that affected both advanced and developing economies. Developed economies contributed with 1.6% growth (2.2% in 2018), while emerging economies with a growth of 3.5% (4.3% in 2018). In 2018, the real growth of global GDP was 3%.

This was the weakest performance since the 2008 financial crisis. Indeed, global demand slowed down and trade, investment and consumption shrunk, partly reflecting the escalation of protectionist measures worldwide. Similarly, industrial activities shrunk in developing countries.

A number of factors contributed to a more uncertain economic environment. First, trade tensions, especially between the US and China, were consistent throughout the year, promoting uncertainty and shrinking trade and investment, and were eased only at the end of the year with the so-called Phase 1 of the trade agreement between both countries, where a partial reversal of some implemented tariffs and the suspension on new tariffs were reached. Geopolitical tensions heightened towards the end of the year, in particular between the US and Iran. Several countries, especially in Latin America, faced greater social unrest.

In Europe, the uncertainty surrounding Brexit continued throughout the year and was only eased in December with the elections in the United Kingdom, won by the Conservative Party, which confirmed the UK's effective withdrawal from the European Union on 31 January 2020.

The expansionist monetary policy pursued in most economies was one of the reasons for the modest global performance, through cuts in key interest rates by several central banks and, in the case of the ECB, through the adoption of additional monetary stimulus through a 10 b.p. cut in the deposit facility rate and the relaunch of the asset purchase programme, at a pace of 20 bn per month starting in November.

One of the main factors sustaining the recovery in global growth estimated for 2020 will be the maintenance of accommodative monetary policies by major central banks.

The US economy decelerated in 2019, with slower growth in investment and exports due to the uncertainty created by protectionist measures, in particular the trade war with China. Despite the robustness of the labour market, with unemployment levels falling to historic lows and wage growth, emerging less robust economic indicators led the FED to cut its policy rate by 75 b.p. from mid-year on.

Activity in the Eurozone deteriorated considerably due to, on one hand, the drop in industrial activity, especially in Germany and, on the other, the uncertainty surrounding Brexit. The German economy, the most representative of the Eurozone, threatened to head into recession in 2019. The ECB responded by resuming quantitative easing and recommending that Member States implement budget policies likely to lead to growth. The robustness of the labour market also contributed to preventing the Eurozone to perform poorly in 2019, as the unemployment rate fell below pre-crisis levels, boosting wage growth and allowing consumption to expand.

Developing economies have seen a deceleration in productivity growth since the financial crisis, along with an overall growth of both public and private indebtedness, which has not always been accompanied by an increase in investment.

In China, besides the trade tensions, the cooling down of domestic demand led to a significant deceleration of growth. Industrial production growth declined significantly and imports dropped more than exports, reflecting the reduction in domestic demand. In response, the monetary policy was more accommodative and the government stepped up fiscal support, introducing some tax cuts and support to investment.

2_PORTUGUESE ECONOMY

In 2019, the Portuguese economy maintained a decelerating growth trend, which translated into a GDP growth of 2.2% (2.6% in 2018), but still above the 1.2% in the Eurozone. This growth was essentially driven by domestic demand and investment, but held back by foreign trade, with exports and imports of goods and services decelerating, reflecting a less favourable external environment.

On the home front, the good performance of services, in particular in tourism and construction, continue to counterbalance a less robust industrial performance.

The unemployment rate was 6.5% in 2019, that is, a 0.5 p.p. drop compared to 2018 and the lowest annual rate recorded since 2011. Employment growth slowed down (the employment population increased 1% in the year), but it is estimated that the unemployment rate will remain on a downward trend in 2021, construction and services being the main drivers of job creation.

Inflation (as measured by the average rate of change in the HICP) fell substantially from 1.2% in 2018 to 0.3% in 2019, reflecting the reduction in energy prices, the reduction in the price of some public services such as transportation and telecommunications, and the price reduction of some industrial goods.

Public finances continued on a path to strike a balance, reflected in the reduction of the budget deficit to only 0.1% of GDP, supported by revenue growth, in particular indirect taxes, lower interest payments, and the contraction of primary expenditure, in particular by blocking transfers to the ministries.

Despite the increase in public debt in absolute terms, the share of public debt in GDP declined in the year from 122.0% in late 2018 to 117.7% in late 2019. However, it represents the third highest value in the Eurozone. It should be noted, however, that several debt refinancing operations were carried out during the year, allowing for significant savings in interest payments, and new debt issues at lower interest rates. In fact, the cost of debt stock dropped from 2.8% in late 2018 to 2.5% at the end of 2019. The maintenance of low rates under the ECB's monetary policy and the improvements in sovereign debt ratings made by the main credit rating agencies throughout the year, namely S&P in March and DBRS in October, certainly contributed to this.

3_FINANCIAL MARKETS IN 2019

The impact of the US-China trade confrontation on economic growth prospects, at a time when the economic cycle is already in a very long period of expansion and the main economies continue to perform modestly, marked the climate throughout the year. The global economic slowdown was accompanied by the adoption or reinforcement of accommodative monetary policies that eventually supported financial markets across the board.

After a strong correction in the financial assets markets in late 2018, the beginning of 2019 was marked by market recovery, supported by a sense of relief from the overall economic performance, which turned out to be less negative than expected.

The year was marked by geopolitical factors and advances and setbacks in trade negotiations between the US and China, with the relevant dates of entry into force of retaliatory customs tariffs being accompanied by greater market volatility.

INDEX (BASE NET TOTAL RETURN)

	2019	2018
MSCI AC World in EUR	28.9%	-4.8%
MSCI AC World in USD	26.6%	-9.4%
S&P 500 (USA)	30.7%	-4.9%
NIKKEY 225 (Japan)	20.2%	-10.7%
STOXX 600 EUROPE in EUR	26.8%	-10.8%
MSCI Emerging Markets in EUR	20.6%	-10.3%
MSCI China in USD	23.5%	-18.9%
MSCI Brazil in BRL	31.1%	16.3%
DAX 30 (Germany)	25.5%	-18.3%
CAC 40 (France)	29.2%	-8.9%
IBEX 35 (Spain)	15.7%	-12.2%
MIB 30 (Italy)	32.4%	-14.0%
FTSE 100 (UK)	17.3%	-8.7%
SMI (Switzerland)	34.8%	-5.3%
PSI 20 (Portugal)	15.1%	-8.7%

The year ended on a more positive note, following some positive developments in trade relations between the US and China and the implementation of accommodative monetary policies by the Federal Reserve (3 interest rate cuts in the second half of the year) and the ECB (resumption of non-standard measures and interest rate cuts).

Against this backdrop, equity markets resumed their upward trend at the end of the year, with 2019 ending at levels close to historical highs and with remarkable annual performances.

Stock markets performed very strongly across the board. The MSCI World index (in euro) recorded a hike of almost 29%, with positive contributions from all regions around the world. The emphasis is, once again, on the US market, with a positive performance of 30.7% measured by the S&P index. European markets also performed exceptionally well, with the Stoxx Europe 600 general index rising by 26.8%. Against this backdrop, the Portuguese PSI 20 index also rose, albeit more modestly, by 15.1%. The overall performance of emerging markets was also strong, again with special emphasis on the performance of the Brazilian market, rising 31.1% in local currency.

In bond markets of advanced economies, and in a context of overall moderate inflation, bond yields fell to historic lows, with about a quarter of global debt stock being traded at negative interest rates. In the specific case of the Eurozone, 10-year German Bund yields became negative in May, reaching a minimum of -0.7% in August, while at the same time spreads in peripheral economies fell against German debt.

Corporate debt, both in the investment grade and high yield segments, followed the downward trend of sovereign yields and the narrowing of spreads, although the latter remained quite sensitive to developments in trade tensions. Corporate debt in emerging economies remained relatively high.

The synchronisation of the global economic slowdown and the convergence of monetary policies of the major blocs led to less volatility in the foreign exchange markets. The euro appreciated slightly by 2% in the year against the US dollar. The US dollar depreciated against the main currencies, in particular those of emerging countries, reflecting the reversal of the US Federal Reserve monetary policy. Reflecting the results of the British elections and the UK's decision to withdraw from the European Union in early 2020, the pound rose significantly in 2019, recovering about 5% against the euro.

The slowdown in global economic growth has resulted in lower prices for some commodities, one of which was oil, whose average price in 2019 (average price of $61/bbl) fell by 10% compared to 2018, despite measures taken by the main producing countries to reduce production.

4_OUTLOOK FOR 2020

The start of 2020 was somewhat optimistic, with world economic growth initially expected to pick up slightly.

However, this scenario was shaken by the pandemic caused by the novel coronavirus, COVID-19. The uncertainty created and the measures to contain the spread of the virus had a widespread economic impact, reflected in the confidence of economic agents, extreme volatility in financial markets, and serious repercussions in many economic sectors, especially tourism and commercial aviation. The prospects of a major recession in 2020 as well as the abrupt halt of the economies due to the coronavirus as a result of confinement measures also caused large swings in the energy commodities markets and put global supply chains at risk.

The large economic blocks responded with extraordinary monetary stimulus measures. In addition to these stimuli, budgetary policy eased with the adoption of some fiscal stimulus both in Europe and the US, in a context of rising unemployment and the need to adopt social measures and provide support to companies.

Initially and with some caution, economic growth prospects were revised downwards by several international organisations. The growth scenario gave way to a wide recession scenario, inevitably leading to comparisons with the major 1929 crisis and the 2008 crisis.

In April, the IMF foresaw a global recession, the worst since the Great Depression, with signs of partial recovery for 2021. In a base scenario, but surrounded by uncertainty, global economy should shrink 3% in 2020, more accentuated in advanced economies where is expected to shrink by 6.1%, and less accentuated in emerging economies, with an estimated contraction of 1%. The Eurozone is expected to shrink by 7.5% and the US by 5.9%, while China is expected to grow by 1.2%.

Despite the projections, at the time of this report the real impact of the pandemic on all sectors of the economy is extremely difficult to calculate, as the remaining months of the year will continue to be marked by the evolution of the spread of the virus, always with the threat of a second or third wave still up in the air. In either scenario, there is a unanimous expectation that 2020 will be a year of strong recession.

5_REGULATORY FRAMEWORK

During 2019, efforts continued with a view to implementing the measures necessary for complying with the Second Markets in Financial Instruments Directive – MiFID II –, and the systematisation of the financial intermediation services covered, particularly with regard to the revision of procedures applicable to the marketing of financial instruments.

At the same time, changes were made to the margin levels allowed to non-professional investors in CFD trading, in line with the decisions of the European Securities and Markets Authority (ESMA) – which have since been adopted permanently into national law through CMVM Regulation No 5/2019 on the restriction of the trading, distribution and sale of those products and the prohibition of the distribution of binary options.

On another note, measures were implemented for the necessary software development to cope with the entry into force of Decree-law 91/2018, which transposed the Second Payment Services Directive (PSD2).

As regards prevention of money laundering and terrorist financing, Banco de Portugal approved Instruction No 5/2019 on the periodic reporting requirements for the prevention of money laundering and terrorist financing (PBCFT). The first report was drafted within the scope of said Instruction, which covered information for the years 2017 and 2018.

Also with regard to the requirements for periodic reporting on PBCFT to supervisors, the Bank participated in the CMVM Public Consultation No 3/2019, following which CMVM Regulation No 2/2020 was published, which will require information relating to 2019 to be reported to the CMVM.

Also worthy of note is the end, in 2019, of the period for complying with the reporting obligations provided for in Law No 89/2017 for entities incorporated before 30 September 2018, prompting the remediation process of information of collective entities.

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.

06

OVERVIEW OF THE ACTIVITY

1_PRIVATE BANKING

The primary business area of Banco Carregosa is private banking, based on the concept of "Global Wealth Management", in which is the client is the focus of the approach. The knowledge and expertise of the Bank and its private bankers are put at the service of the client, in an independent, transparent, innovative and customised manner.

The team was strengthened in 2019, with an overall 50% increase in 2018.

The diversity of new members brought more creativity and knowledge to the team, making it more complete and capable of responding to the growing number of clients and complex approaches.

The development of the private banking activity was positive, with assets under supervision rising by more than 50% and assets under management by about 8%; the number of clients increased by 9% and their average balance of accounts increased by 15%. The loans portfolio remained stable, contributing significantly to earnings.

In terms of offers, private banking expanded its portfolio of solutions with the launch of consultancy and marketing of some venture capital funds, always with a view to creating added value for the client independently. Investment via real estate funds has also contributed to improving the degree of client satisfaction.

Although the monitoring of clients' financial situation focuses primarily on financial assets, it increasingly extends to other areas, broadly covering the client's equity and investment decisions. In this context, proximity to and knowledge of the client is essential and has allowed a growing number of specialised advisory services, leading Banco Carregosa to set up an Asset Advisory Department in order to consolidate and develop the existing work in a more systematic way.

The aim for 2020 is to continue to grow stronger and offer more solutions, keeping the focus on the client and the integrated management of its assets.

2_AFFLUENT BANKING

The affluent banking segment has been strengthening its activity by integrating the principles of private banking, which are at the root of Banco Carregosa. This segment has thus grown, valuing and paying particular attention to the relationship with the client.

With the closing of the year ended the cycle since this segment was initiated, having recorded a growth of about 150% in its three years of activity, during which period the team was strengthened in both Lisbon and Porto, to meet adequately meet the demands of the segment's clients.

The Bank has continuously expanded its offer, covering services such as portfolio management, indexed deposits, other structured products, and marketing of a wide range of investment funds and gold bullion.

Trading platforms, which have always been prominent tools in the Bank's product offer, are still largely attractive, especially for the quality of support service it offers to investors.

Throughout the year, several initiatives were carried out with various fund management houses that led to the organisation of conferences on topics of interest to investors, as well as awareness-raising and training for client managers.

A significant investment was also made in the development of tools to support the activity, namely the CRM system, to enable a better and clearer monitoring of the activity carried out and to optimise the relationship with the segment's clients.

In 2020, and after the successful completion and growth since this cycle was initiated, we aim to focus more on assets under management, redirecting the segment to clients with high savings and investment potential seeking value added financial solutions.

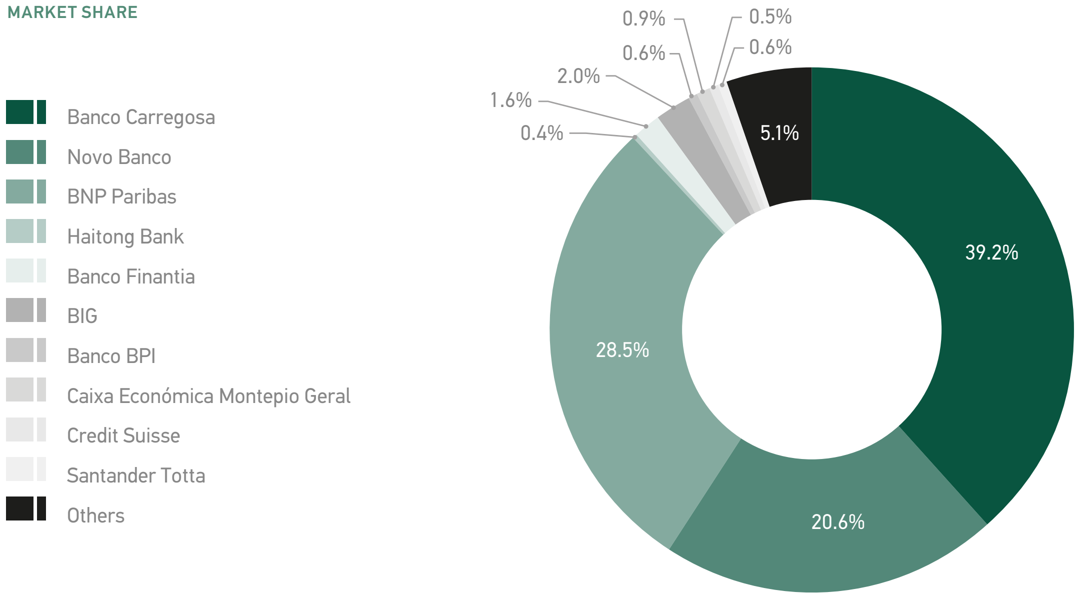
3_CORPORATE BUSINESS

After being restructured in 2015, the Corporate Business area began 2019 with well-defined team organisation, processes and procedures, such that it was able to grow, stabilise and achieve the target of being a market leader.

In 2019 the Bank was able to achieve the target of increasing the number of clients, improving earnings and increasing annual results.

According to CMVM statistics, Banco Carregosa maintained its leadership position in the debt segment, with a share of 39.2% in the domestic market. The fall in the market share in 2019 resulted from a very strong player having joined the market. Nevertheless, we were able to secure the first place, followed by the second strongest player at more than 10 percentage points.

DEBT TRADING
MARKET SHARE



Source: CMVM

Following a good year in 2019, the goal for 2020 is to continue on a growth path, focusing on the consolidation and deepening of trade relations established in recent years and, therefore, no substantial changes to the team are expected.

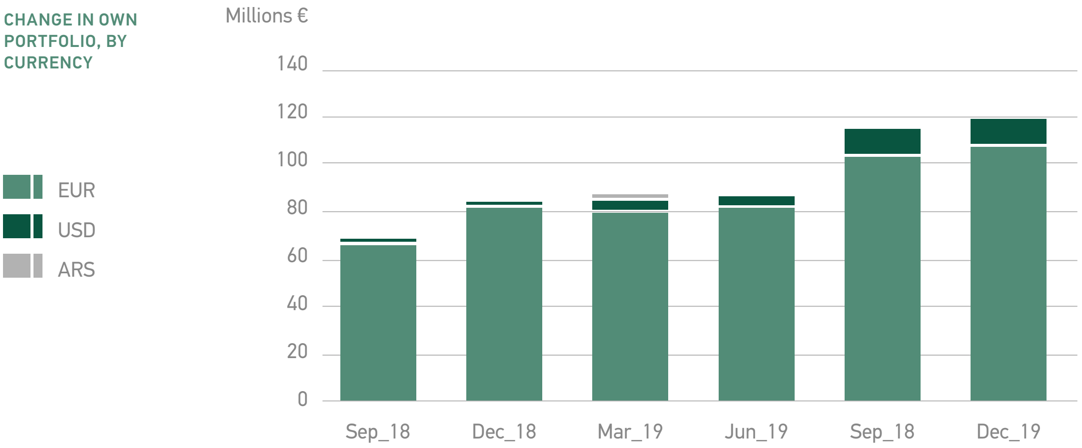
4_TREASURY AND OWN PORTFOLIO

The decline in short-term interest rates to even more negative levels than those in 2018, and making the charging of commissions on the balances of financial institutions standard, together with the system's excess liquidity continued to put pressure on the Bank's cash management. Therefore, applying the high surplus liquidity proved to be particularly challenging. In September, the ECB again lowered the interest on deposits to a new all-time low of -0.5%, easing the pressure on banks by changing the calculation formula, now considering a two-tier system, which exempts the amount corresponding to up to six times the Bank's minimum reserves from the rate.

Although the Bank continued to prioritise credit granting, the management of its own portfolio became more important in 2019 than in previous years. Even with negative interest rates, own portfolio management was able to find investment opportunities, mainly in corporate debt, such that the return on the portfolio gave an important contribution to the banking product.

The project to reformulate the Bank's own portfolio management, begun in 2018, underwent further improvements. The limits were adapted to management needs and then simplified, without jeopardising the risk levels to which the Bank is exposed, and new opportunities were taken up, in particular through USD investments to hedge the Bank's liabilities in that currency.

CHANGE IN OWN PORTFOLIO, BY CURRENCY



Source: Banco Carregosa

Next year, we will continue to manage own portfolio with the double goal of raising profitability and applying surplus liquidity, using, for that purpose, investments in public debt with not very long maturities.

5_CORE SERVICES

5_1_INVESTMENTS

2019 was a turning point, not only due to the hiring of a new Investments Director, who took up office in January 2019, but also because the team was changed substantially. The number of employees remained unchanged, with five staff, but only two of the original team remained in office at the end of the year. These changes provided an opportunity to centralise the department's activities in Porto, with clear benefits for its management. The integration of new elements was challenging, but it was done while keeping a high level of services for both internal and external clients.

The department's activity maintained normal levels of operation. As regards product sourcing, the launching of public offerings of structured notes, which had been suspended in 2018, was resumed. During the year, four structured notes and 3 structured deposits were launched during the year.

As regards the management area, the various strategies allowed the Bank to take advantage of the good financial market environment throughout 2019. The investment allocation strategies, or management by objectives model, achieved risk-adjusted returns, which, in general, compare positively with benchmarks and with domestic and non-domestic comparable competing products. The "Preservação", "Capitalização", "Valorização" and "Valorização Agressiva" (preservation, capitalisation, valuation, and aggressive valuation) profiles achieved returns of 3.71%, 9.76%, 14.02% and 16.38%, respectively.

The strategies for investment in shares were also positive in the year, even though they were managed by the provisional team, after the previous share manager left early in the year. These strategies have since September been managed by a new manager, who has contributed very positively with her expertise and knowledge of the equity market, having worked in the management of similar investment strategies for more than 10 years in

Portugal and in France. Active Value and "Grandes Capitalizações" (major capitalisations) increased by 21.42% and 23.76%.

The profitability of both bond investment strategies and strategies with a flexible term was line with their objectives and risk profiles. The Alpha Valor strategy obtained a return of 7.81%.

Despite the efforts made to this end, in 2019 we were unable to find more efficient vehicles to encompass the Bank's investment strategies, but we will certainly continue to pursue this objective in 2020.

Throughout the year, the department undertook to lead the launching of the consultancy service and the economic and financial analysis and information service.

The consultancy service started gradually in August, incorporating new functionalities over the following months. After a period of training, adapting to the new procedures and internal and external communication, the service effectively started at the end of the year.

The production and analysis of economic and financial information gave rise to a new functional area of the Sourcing and Management Department, to begin in 2020, so the department was renamed Investment Department so as to better accommodate the 3 sub-areas (Sourcing, Management, and Investment Consultancy and Information Production) with which it starts this phase. Two new members will join the team in 2020, one from the market area and the other a junior member, to be hired.

Throughout the year the department also involved in communications, by preparing articles for press and radio and television interviews. It also participated in 4 annual Outlook events for financial markets promoted by Banco Carregosa with its private banking clients, held in Porto and Lisbon on 26/27 February and 5/6 December, respectively. As usual, it also cooperated in the annual "Jogo da Bolsa" (Stock Exchange Game) organised by Jornal de Negócios, which took place on 14 March and 14 November in Porto and Lisbon. In September, the Investments Director sent a letter to strategy clients explaining the position for the remaining part of the year.

Several initiatives were developed jointly with the sales areas with a view to promoting and boosting the marketing of investment funds through the online platform, in particular through the identification of relevant funds, selection of funds and organisation of training sessions for the Bank's sales teams, organised by the sales promoters of the management companies themselves.

It is hoped that in 2020 the initiatives launched in 2019 make for the outlined results, consolidating the performance of the management team and capitalising on the good performances achieved in the year just ended. One of the priorities will be to host the new information production area and to contribute to its success, without neglecting the need for continuous efforts to do more and better in both more mature areas and emerging ones, such as the consultancy service. The department will continue to seek more investment strategies and vehicles that optimise returns for the Bank's clients, as well as to identify opportunities for improving the department's productivity and efficiency.

5_2_CREDIT

After the Credit Department was set up, 2019 was marked by the redefinition and consolidation of procedures, within the scope of the Credit Policy reform, which, until then, guided the credit granting process.

To this end, a governance model was established which, in addition to allowing for a more detailed analysis of risk operations, aimed at speeding up the management and monitoring of operations, obtaining efficiency gains, thus enabling the Bank to intervene in a highly competitive market.

Several in-house training sessions were organised to disclose these changes, to inform the participants in the credit chain about the changes made, as well as to ingrain the policy in their behaviour.

As the Credit Department fully follows each operation, a decision was taken to strengthen the team with a member part of the Bank's internal structure and familiar with the Bank's culture, therefore more easily integrated into the department.

5_3_MARKETS

The execution services were restructured in the last quarter of 2019, prompted by the Bank's repositioning process, which aimed at being the benchmark for "wealth management" in Portugal. In this context, work was done aiming at optimising resources and partnerships required to maintain the service, for both the sales areas and clients with direct access to trading rooms.

Clients are now segmented into Corporate and Private Clients. The former are still formed by two major groups of clients: clients operating primarily through the Bank's digital platforms, and traditional clients, who have direct access to trading rooms and for whom a value added service is available.

Clients continued to receive information via direct contact or using digital tools, and also through the media, namely by responding to requests from the Communication Department. Webinar training sessions continued throughout the year, with a view to informing investors operating in financial markets, especially those who use complex instruments to invest their savings.

The domestic market is no longer central to the activity in comparison with other Euronext exchanges, which comparatively show more liquidity and more investor participation. Other markets such as Germany, Spain and the US continue to arouse greater interest among investors due to the volumes, depth, density, volatility and return they provide.

Competition on trading platforms remains intense and diverse, complemented by other offers such as algorithmic trading, investment strategies and profiles, social trading, and new technology-based participants. In this context, pressure on the price of the service continues to be felt. In this regard, the Bank differentiates itself by the quality of service provided in trading support, in particular that provided through the electronic platforms it offers to clients.

Given the more stringent regulations on the trading of complex products, on the reduction in leverage, and the demand for more information from Exchange Traded Products, which include Exchange Traded Funds (ETFs), Exchange Traded Funds ETCs, and Exchange Traded Notes (ETNs), traded volumes of these products dropped.

In 2020, the Bank maintained its market share position: 2nd in shares among the smaller banks, 1st in bonds, and a one-off rise to 3rd position in derivatives.

TABLE
BANCO CARREGOSA MARKET SHARE DEVELOPMENT, BY FINANCIAL PRODUCT

FINANCIAL PRODUCT	2019	2018	2017	2016
Shares:				
Off+Online	7.20%	5.60%	5.20%	3.90%
Online	3.00%	6.40%	7.00%	5.20%
Bonds	39.20%	52.10%	46.00%	25.10%
Forward market - Orders received online	11.70%	8.20%	6.90%	8.50%
Futures	0.90%	1.30%	2.70%	2.30%
Options	n/d	n/d	2.30%	1.10%

Source: CMVM

5_4_CLEARING, SETTLEMENT AND CUSTODY

Banco Carregosa continued to invest in the corporate market, settling, on average, EUR 100 million/day.

Clients' assets under custody amounted to EUR 930 million at the end of 2019, growing by about 34% compared to the previous year.

Banco Carregosa is aware of the key role of energy in the political and economic agenda, well reflected in the impacts of oil prices on the world economy, and takes advantage of its capacity to incorporate very diverse market realities. To this end, the Bank began to work in 2013 as a clearing member of the Iberian Electricity Derivatives Market in 2013.

In 2018, as a consequence of the expansion of OMIClear's clearing services to natural gas futures contracts traded on MIBGAS Derivatives, the Bank became a clearing member of the Iberian natural gas market.

In November 2019, the Bank was finally admitted as a clearing member and trader on the pan-European EEX/ECC energy market, in order to access a broad liquidity pool and a new range of energy products.

The electricity market in 2019 was characterised by stable prices between 53€/MWh and 58€/MWh in the first three quarters, and a sharp drop in prices in the fourth quarter, reaching a minimum of 47.45€/MWh at the end of the year, as shown in the next graph.

REFERENCE ANNUAL CONTRACT PRICE – FTB YR 20 (€MWH)

The increase in natural gas-fired combined cycle plants is leading to a weakening of competition in coal plants and, at the same time, is accommodating the increased demand for electricity that renewable energy sources are still unable to meet, this helping justify the price drop seen in the last quarter of the year.

As regards developments in the OMIP market, 7 new members were admitted, still as the result of the expansion of the natural gas offer.

Banco Carregosa slightly diversified the profile of clients and trading members served, over a larger geographical spread, although it is still essentially concentrated in the Iberian area.

We note that the volumes traded by the Bank increased substantially in 2019, largely due to the admission of new members.

Despite the above developments, in 2020 the Bank took the strategic decision to close this line of business, which should occur by the end of the year. This change follows on from the Strategic Plan for the 2019-2021 three-year period, which considered that the focus needs to fall on the main wealth management activity and, therefore, decided to discontinue some services which, due to their size or specificity, were considered as having less strategic relevance.

The entire process was conducted with great transparency and anticipation to minimise the impacts of discontinuing the service for clients and partners.

5_5 DEPOSITARY OF INVESTMENT FUNDS

Under the corporate custody service, the Bank has earned the trust of a growing number of management entities seeking a depositary solution. At the end of 2019, Banco Carregosa provided depositary services to 12 real estate funds, 12 risk venture capital funds, and 2 SICAFI (real estate investment companies with fixed capital).

The total net value of these funds amounted to €690 million on 31 December 2019, of which €425 million relate to real estate investment funds, €230 million to venture capital funds, and €35 million to SICAFIs.

Compared to 2019, these figures represent a growth of more than 90%.

5_6_CORPORATE

The Corporate Department was formally established in 2019 to offer, in an independent functional area, a number of services that had become more important in the Bank's recent activities. The department became responsible for Capital Markets, Corporate Finance and Capital Raising, in coordination with and in support of the Bank's commercial areas.

Capital Markets operations consist mainly of:

- Providing assistance to companies wishing to use the capital markets to obtain financial means either through equity or debt instruments;
- Providing assistance in the admission to trading of securities on the market;
- Private placements of securities (debt instruments and shares);
- Participation in trade syndicates for public offer placements.

In the framework of the *Capital Markets* activity, in 2019 the Bank assisted in the admission of 41% of SCP SAD shares to the Euronext Lisbon regulated market.

The year was also marked by an increased activity in the area of public bond offers for retail investors. For the second consecutive year, the Bank was present in all public offers made during the year, in particular in the Benfica SAD and Mota-Engil bond placement and exchange syndicates (OPS/OPT), and in the SIC and TAP bond placement syndicates. These two operations deserve to be highlighted as they concern issuers making public offers to retail investors for the first time, in which the Bank performed well in terms of demand amassed. In all 4 transactions carried out in 2019, more than €250 million in investor offers for retail were placed on the market, 5% of which Banco Carregosa clients.

Corporate Finance operations concern mainly technical, strategic and financial advisory services provided to companies not directly related to the equity market, and advisory services in mergers and acquisitions. In 2019, the work carried out in this area included advice given in a share capital increase operation and shareholder recomposition of a company in a regulated sector.

The Corporate Department also began to coordinate capital raising activities, which deal with finding investors for venture capital funds and the marketing of funds (venture capital, real estate). Two venture capital funds were marketed and one venture capital vehicle was placed in the syndicate promoted by a foreign fund management company.

Precious Metals

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 accredited 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.

6_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.

Changes were also made to the Organisation Structure so as to ensure the best possible value for clients, thus providing opportunities for mobility and their internal development. The teams' competences were also strengthened through external recruitment. The number of employees therefore increased compared to the previous year:

CHANGE IN STAFF

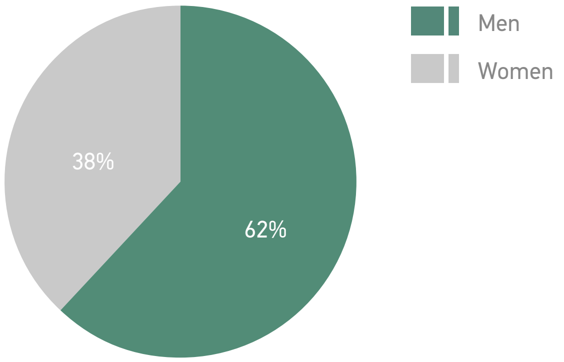
	DEC. 2019	DEC. 2018
Porto	85	76
Lisbon	17	20
Total	**102**	**96**

In line with current challenges in terms of 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. In 2019, 5 employees had already received the CFA certification (Chartered Financial Analyst®). Certifications under DMIF II also continued in 2019. Investment in young talent is evident, 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. An internal newsletter is also published to ensure that all employees receive monthly information and actively participate in the activities.

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.

DISTRIBUTION BY GENDER



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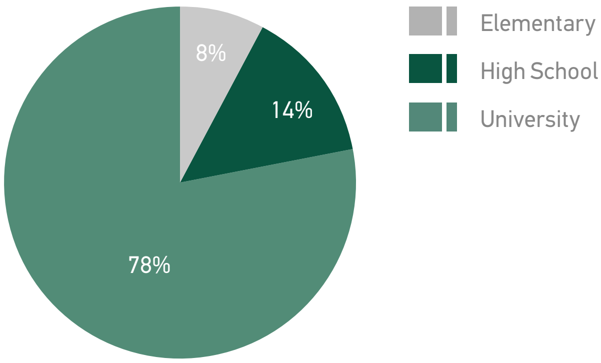
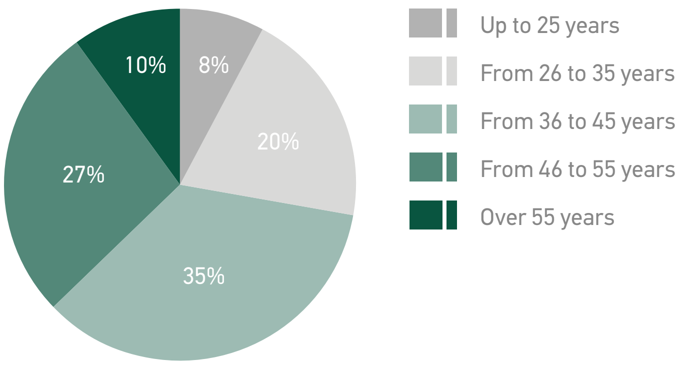


DISTRIBUTION BY AGE BRACKET



7_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 2019 two studies 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" in the "Term Deposits" category, and was awarded two other prizes in 2019 by Rankia Portugal in the categories "Best Client Support" and "Best Term Deposit". Finally, Banco Carregosa was recognised, in the annual online survey on banks and banking products organised by DECO Proteste, as the second best bank with an online offer, as regards the "Global Satisfaction" index, up two positions compared to the same survey conducted in 2018.

Banco Carregosa's communication strategy aims to publicise its business model, position in the market, 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 annual marketing plan is 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 2019 Banco Carregosa was cited in more than 600 news articles published in about 90 media agencies. The Bank reached more than 220 million OTS (*Opportunities to see*) and the news that contained references to Banco Carregosa resulted in an AVE (*Advertising Value Equivalent*) of more than €12.5 million[1]. In addition to posting information in the social 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.

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

Designed especially for clients but open to others with an interest in financial markets, several seminars were held in Porto and Lisbon during 2019, along with about twenty-five webinars covering different relevant practical topics for investors. The topics chosen often had pedagogical goals, contributing towards improving the financial literacy of attendees. In 2019, Banco Carregosa also organised 2 daily webinars on the technical analysis of the main global financial indices and markets.

Banco Carregosa maintains an active presence in the social media, with 10 550 and 7,100 followers, respectively on LinkedIn and Facebook. Compared to 2018, in terms of penetration the number of followers increased by more than 20% on LinkedIn and by 5% on Facebook.

Direct communication included hosting, co-hosting and supporting several economics, financial and business events and sponsoring conferences. For instance, "Outlooks Banco Carregosa" where the major political and economic outlooks and projections for global financial markets are presented; presentations to investors on investment funds; the conference "The Future of Financial Markets", in partnership with Jornal de Negócios, with the purpose of reflecting on and analysing to what extent international policies, world economy, monetary policy and digital revolution will influence financial markets in the coming years; the conference of the University of Law of the University of Porto on "Banking Law, Financial System and Fintech"; the sponsorship of a series of international conferences under the banner "O que de verdade importa" [What really matters], one of which was hosted in Porto; and also the support to the "National Press Day 2019" congress promoted by the Portuguese Press Association. Banco Carregosa also renewed, under the form of a sponsorship, the partnership initiated in 2015 with APGEI – Portuguese Association of Industrial Engineering and Management, 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.

In 2019 Banco Carregosa supported and organised a series of actions for its clients through partnerships with major international brands, for example testing Bentley, Porsche and Jaguar cars; exclusive samples of the best boutique sparkling wines and champagnes, accompanied by the creative foods prepared by renowned Chefs. Banco Carregosa also organised for its clients and guests the piano recital "Trezentos Anos de Teclas" [Three hundred years of piano keys], interpreted by Luísa Tender in the Arab Hall of Palácio da Bolsa, in Porto.

The budget for marketing in 2019 was set to match the expansion of the Bank's activity to the market segments in which it operates. The launching of the business model for Top Affluent clients in 2017 also involved an investment in the brand's positioning and reputation, in media and advertising campaigns, events and promotional activities.

The Banco Carregosa brand, Affluent clients segment and GoBulling, the Bank's brand for the online trading platforms, maintains a strong presence in the digital media, through publicity campaigns, products and services, and promotional activities. Banco Carregosa also invests in below-the-line strategies, such as sponsorships, relational activities and events that project the brand to its target audience.

On a more academic note, the Bank supported the 3rd edition of "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 annual "Business Trip" of ITIC (ISCTE Trading & Investment Club) to Banco Carregosa's trading room in Lisbon; 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 the "FFC Pitching Talent – Economics students closer to the business world", a project organised by FEP First Connection, an association founded in 2012 by a group of students of the Faculty of Economics of the University of Porto, which gives its students an overview of the different sectors of activity and of the labour market demands. Note also the famous "Stock Exchange Game" which Banco Carregosa has organised continuously with Jornal de Negócios and ISCTE-IUL for 17 years. Given the role of these initiatives in learning how financial markets operate, in 2019 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 trading platforms.

8_SOCIAL RESPONSIBILITY

Banco Carregosa's social responsibility branches out across five main areas – arts, health, education, sports, and humanitarian aid –, the spreading of initiatives and support across the country being also a matter of fundamental concern.

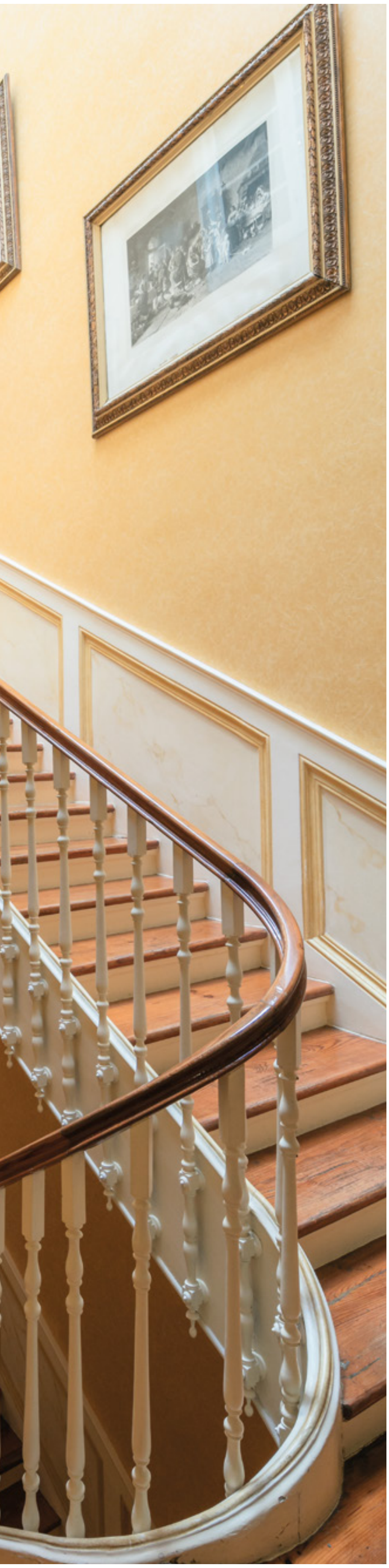
As regards cultural patronage, in 2019 the Bank supported various forms of arts through the following initiatives:

- Music: Banco Carregosa was once again part of Christmas Concert "Christmas Oratorio", one of the most grandiose creations by J. S. Bach, held at the grand Auditorium of the Calouste Gulbenkian Foundation. It also supported the Porto "In Spiritum" music festival, the "Opera Gala" concert organised by the Youth Symphony Orchestra, supported the "Horizon and Memory" concert by Teresa Salgueiro at the Casino Estoril, was the patron of the Liturgical recital "Sopro de Vida Maria" by Rão Kyao, at the Grilos Church in Porto, and sponsored the double CD "Bomtempo – Complete Piano Sonatas" by Luísa Tender, which debuted on the occasion of the International Music Festival of Paços de Brandão, at the Freixo Palace in Porto.

- Painting: the Bank supported the official launch of the "Panels of São Vicente" project of the National Museum of Ancient Art, entitled "Atravessar os Painéis" (Crossing the Panels). As patron, Banco Carregosa channelled funds to support an app designed to provide *in loco* interpretation of the Panels of São Vicente.

- To promote cultural heritage, the Bank was patron of the Calouste Gulbenkian Museum exhibition "O Pirgo de Chaves" (The Pyrgus from Chaves), in which the renowned artist Francisco Tropa proposes a dialogue between contemporary sculpture with archaeology. The starting point of this exhibition is a bronze "pyrgus" or "dice box" found in the newly discovered Roman Baths of Chaves. This unique sculptural object of the Roman period is essentially a tower used to throw dice. The artist places this object at the centre of his project, invoking notions of time and origins (beginning with the origin of the sculpture itself); history and chance; the body, play and death.

- Also of note, 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 facilities. In 2019, the project "Visita d'Autor Banco Carregosa, À Descoberta dos Benfeitores da Misericórdia no Cemitério de Agramonte" was particularly of note, which highlighted the 19th century bourgeois elite of the city of Porto, namely Count Lobão and António de Bessa Leite. Banco Carregosa also supported the artistic project "Dante no Porto" (Dante in Porto), as a platform



for cultural debate in Porto on one of the greatest Italian and universal literature works, "Divina Commedia", by Dante Alighieri, written in the 14th century.

- Health-related areas: 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 was patron of the 20th year commemorations of the ULSM (Local Healthcare Unit of Matosinhos), which involved several initiatives, namely the restoration and digitalisation of the book by Pedro Hispano, "Petris Hispani Summulae Logicales", from 1610, an important work that collects a number of period therapeutics prescribed by a world figure, doctor and the only Portuguese Pope. 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 medical students by sponsoring several conferences, such as the "2nd SKY Meeting – Surgical Knowledge for the Youth", "Med Win 5.0 – a Window into Medical Careers", and the "14th YES Meeting", led by the Students Association of the University of Porto's Faculty of Medicine (AEFMUP); "VII AEICBAS Biomedical Congress" and the "4th Medical Gala, Scientific Work Contest", both organised by the Students Association of the Abel Salazar Institute of Biomedical Sciences (AEICBAS), of the University of Porto. The Bank also supported the "National Congress of the General Intern", a platform for debating and learning about relevant topics for the training of future specialist junior doctors.

- As regards support to biodiversity, Banco Carregosa sponsored the project "Biodivsummit 2019 – The origin of Species and Biodiversity – Is Bio-Humanity the new Paradigm of the 21st Century?", an event within the scope of the "World Biodiversity Day" held in Proença-a-Nova, which promoted reflection on the importance of biological biodiversity.

- In education, the Bank allocated funds to the Youth Symphony Orchestra for a Scholarship for the training and professionalisation of musicians with high artistic potential from the Youth Symphony Orchestra. The Bank also offered financial support to the Lusíada University of Porto to award a student who achieved the highest grade in "1st Cycle of Economic Studies". The Bank also supported a Master Degree in Economics and Innovation Management, of the Faculty of Economics – University of Porto, on "Competition strategies as catalysts of financial innovation: the case of banks and Fintechs". Finally, Banco Carregosa also supported the "EPIS 2019 Expedition" project, a platform to support education that promotes life changes for many young students who made the right choice aided by EPIS.

- 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 tennis events such as the "Estoril Open" international tournament, the Arouca Seniors Tennis Tournament, the "Taça Maria Fernanda Morais", "V Banco Carregosa Miramar Open" and "IX Golf Challenge Porsche | Banco Carregosa" golf tournaments. Banco Carregosa continued to sponsor the sports career of the young promising Portuguese golf player João Maria Pontes, 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 equitation. Banco Carregosa supported several competitions throughout 2019, including: the national "Senhor de Matosinhos" horse jumping competition, the "Portugal 2019 Youth Champioship", the "Guilherme


IMPOSTO DO SELLO
75 REIS
FABRICA DE LANIFICIOS EM ARROIOS
SOCIEDADE ANONYMA DE RESPONSABILIDADE LIMITADA
CAPITAL Rs 200:000$000
1a EMISSÃO Rs 70:000$000
Nº 735 Titulo de Uma Acção Rs 50$000
O Snr portador
fica interessado n'esta Companhia pela quantia de
CINCOENTA MIL reis, valor d'este titulo, e n'esta proporção
tem direito a haver a parte que lhe pertencer dos fundos
e lucros em conformidade dos Estatutos.
Lisboa 30 de Dezembro de 1899
Os Directores

Pinto Iberian Cup", and the Christmas Gala "Prof. João Mota Trophy". In the discipline of sport shooting, the Bank sponsored the "Porto Hunters Club" lending its name to the shooting field in Porto, Gondomar. Finally, Banco Carregosa supported the "Run for the Cure" track race together with "Mama Help" association, and sponsored the PATRICUS football tournament.

- Regarding humanitarian aid, in 2019 the Bank supported various social projects: financial contribution to AMI for an emergency mission in Beira, Mozambique, to support the victims of Cyclone IDAI, one of the worst storms ever in the southern hemisphere; support to "ARRAIAL S. TOMÁS", part of the popular saints' festivities, to promote and finance scholarships for underprivileged children in the Lisbon area; humanitarian aid to "ALVD – Association of Voluntary Dehonian Laity", a voluntary humanitarian aid project in a spirit of ecclesial mission in the city of Luena, Angola; the Bank 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; and also supported, among other national reference brands, the social project led by the branding institution MojoBrands, in the delivery of food hampers to the Barredo Social Centre to help several poor families in Porto at Christmas.

- Throughout 2019, Banco Carregosa also provided financial support and helped promote fundraising activities in several solidarity events, amongst which those led by the "Mama Help Association", "Associação Novamente", "Associação Romão de Sousa" and "Associação Encontrar+se".

07

ACCOUNTING POLICIES

1_BASIS OF PRESENTATION

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

2_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 conformity 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.

08

COMPLIANCE STATEMENT ON THE FINANCIAL REPORTING

The members of the Board of Directors of Banco Carregosa hereby 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 said standards, and have been approved at the Board of Directors meeting held on 02 June 2020.

  - The management report faithfully describes the evolution of businesses, performance and financial position of Banco Carregosa and the Group in the 2019 financial year.

09

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 2019, the Bank did not have any active credit agreements or any other type of liabilities from 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.

10

REMUNERATION POLICY OF MANAGEMENT BODIES, SUPERVISORY BODIES AND EMPLOYEES

Pursuant to Article 18 of Banco de Portugal Notice no 10/2011, of 29/12, and of Article 115-I of the RGICSF, the remuneration policy has been prepared in accordance with the principles and rules set out in said Notice and also in accordance with Articles 115-C to 115-F of the RGICSF

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

1_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

By decision of the General Meeting of 30 May 2017, a new advisory body was created – the Remuneration and Assessment Committee (CRAV) – as a result of the merger of 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 2019, the CRAV members did not receive any remuneration for the performance of their duties

Mandated for the 2017/2019 three-year period, 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 2019, CRAV met three times: in May, July and November

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

In late 2019, CRAV adjusted the remunerations of the executive managers, maintaining that of the Chairman of the Board of Directors, as follows:

	2019
Chairman of the Board of Directors	4 000 00 €
Chairman of the Executive Committee	10 000 00 €
Voting members of the Executive Committee	8 500 00 €

Fixed remunerations are payable on a 14-month/year basis

The members of the Bank's Executive Committee only hold positions of responsibility in other companies on behalf of or in the interest of Banco Carregosa, and the remunerations earned are to be considered in the overall individual remuneration, decided by CRAV

In their functions, the non-executive voting members 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

If the members of the Board of Directors are dismissed from office, according to the policy of Banco Carregosa they will receive compensation as provided by law The members of the Board of Directors will not receive any additional payment, the same criteria applying to the remaining employees

The Chairman of the Supervisory Committee and its voting members receive a remuneration of 2,560€ and 2,060€, respectively, payable 12 times a year

2_REMUNERATION OF OTHER BANCO L J CARREGOSA, S A EMPLOYEES

The process for determining the remuneration is guided by the values of justice and equity, responsibility and balance between duties and employees

The majority of the remaining Bank employees only receive a fixed salary, the Bank having sought to take into account the level of responsibility, specificity of functions and contributions of each employee Employees with commercial functions in the e-Trading and Private and Business departments, in line with the practice in this business segments, earned, up to July 2018, in addition to a fixed salary, a variable cash supplement From August that year, it was determined that, based on the previously mentioned fees, they would receive a fixed supplement, plus, until early 2020, an amount for the number of accounts opened This practice was discontinued in early 2020 At the same time, in 2019 symbolic and extraordinary performance bonuses were granted to three employees

As a result of the almost total absence of variable remuneration, no criteria for deferral of remuneration have been defined

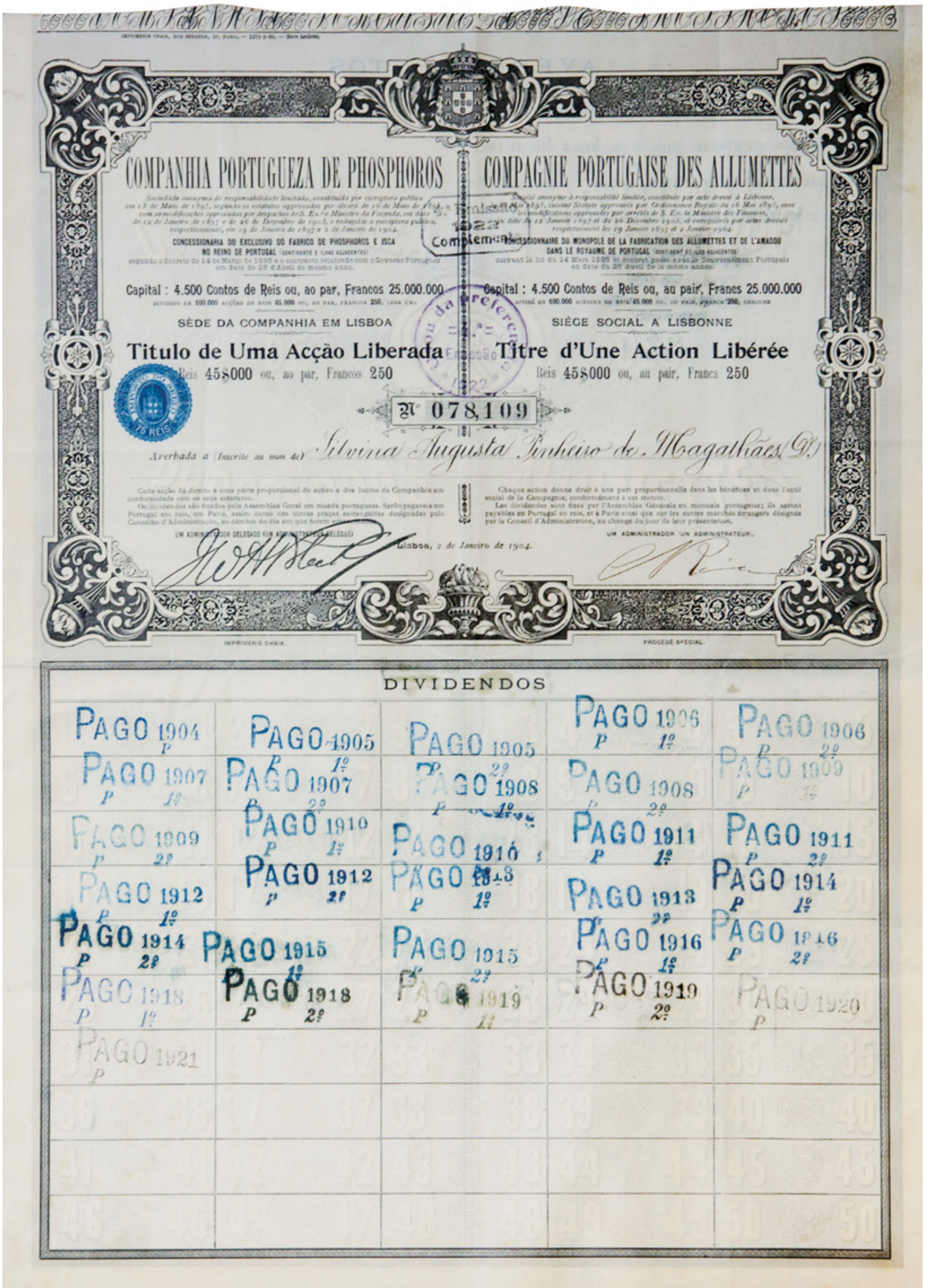
The size of the Bank and the constant scrutiny carried out by managers allow the Bank to prevent the conflicts of interest that may be raised by variable remunerations

Where necessary, the persons within the units responsible for monitoring functions, for, of the Department of Human Resources and Culture, or external experts are consulted so as to enable them to form an independent opinion on the adequacy of the remuneration, and on its effects on the Bank's risk management, capital and liquidity

The remuneration of employees referred to in Article 1(2) of Banco de Portugal Notice No 10/2011 does not include a variable component Pursuant to Article 17(1)(e) of said Notice, new employees were hired in 2019 The table below shows the remaining requirements related to said article

The following internal regulations are available on Banco Carregosa's website, under the "Corporate" tab, sub-tab "Internal Governance":

- 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


COMPANHIA PORTUGUEZA DE PHOSPHOROS
COMPAGNIE PORTUGAISE DES ALLUMETTES
Capital : 4.500 Contos de Reis ou, ao par, Francos 25.000.000
Capital : 4.500 Contos de Reis ou, au pair, Francs 25.000.000
SÉDE DA COMPANHIA EM LISBOA
SIÉGE SOCIAL A LISBONNE
Titulo de Uma Acção Liberada
Titre d'Une Action Libérée
Reis 45$000 ou, ao par, Francos 250
Reis 45$000 ou, au pair, Francs 250
Nº 078,109
Lisboa, 2 de Janeiro de 1904.
DIVIDENDOS

AREAS OF ACTIVITY

	FIXED	VARIABLE
MANAGEMENT AND SUPERVISORY BODIES		
Board of Directors	110 057 24 €	0 00 €
Executive Committee	291 306 89 €	0 00 €
Supervisory Committee	56 079 34 €	0 00 €
ADVISORY		
Advisory	106 028 77 €	0 00 €
CENTRAL MANAGEMENT		
Central Management	117 951 00 €	0 00 €
BUSINESS AREAS AND SERVICES		
Private Banking	418 861 70 €	0 00 €
Private and Business Department	239 775 38 €	32 320 00 €
Investment Advisors	41 357 68 €	10 000 00 €
Corporate Sales	129 830 26 €	0 00 €
Financing	129 904 53 €	0 00 €
Investments	216 743 30 €	0 00 €
Credit	50 576 39 €	0 00 €
Corporate	101 252 96 €	0 00 €
Markets	327 289 26 €	11 945 52 €
Operations	258 709 49 €	325 00 €
SUPPORT AREAS AND INTERNAL CONTROL		
Internal Audit	58 894 51 €	0 00 €
Compliance	104 269 39 €	0 00 €
Risk	96 418 52 €	0 00 €
Business Development and Information Systems	70 131 95 €	0 00 €
Corporate Secretariat	37 800 00 €	0 00 €
Marketing and Communications	91 895 48 €	0 00 €
Legal	97 540 67 €	0 00 €
Information Technologies	98 423 71 €	0 00 €
Accounting and Management Information	158 725 19 €	0 00 €
Human Resources and Culture	35 831 83 €	0 00 €
Secretariat	91 144 11 €	0 00 €
Facilities and Maintenance	114 000 53 €	0 00 €
OVERALL TOTAL	**3 650 800 08 €**	**54 590 52 €**

CRITICAL EMPLOYEES

EMPLOYEES WITH MATERIAL IMPACT ON THE COMPANY'S RISK (DELEGATED REGULATION (EU) NO 604/2014)	
No of employees	46
Total remuneration	2 212 488.00 €
Variable remuneration	6 344.16 €

ADDITIONAL INFORMATION

	EMPLOYEES WHO CEASED THEIR FUNCTIONS IN 2019	EMPLOYEES RECEIVING THE HIGHEST AMOUNT OF CONSIDERATION IN 2019
No of employees	11	1
Consideration for non-renewal of contract	450.00 €	
Overall cash consideration	23 278.59 €	8 082.95 €

11

ACCUMULATION OF OFFICES HELD BY THE MEMBERS OF THE BOARD OF DIRECTORS

DIRECTOR	COMPANY	OFFICE
Maria Cândida Cadeco da Rocha e Silva	IMOCARREGOSA, S.A.	Chairwoman of the BoD
	GORDIO, S.A.	Chairwoman 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, SA	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.	Director
	HCAPITAL PARTNERS SCR, SA.	Director
Fernando Miguel da Costa Ramalho	COOLINK Serviços Informáticos e de Consultoria, Lda.	Manager
José Nuno de Campos Alves	JOSE NUNO ALVES, Unipessoal, Lda.	Manager

12

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 **1 989 626.88 €** (positive) be transferred to:

LEGAL RESERVE: 198 962.69€;

RETAINED EARNINGS: 1 790 664.19€.

13

[redacted]

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:

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

The Bank's employees, for their committed, dedicated and competent contribution, indispensable to the smooth running of the Bank.

14

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.

As the pandemic has become increasingly global, national and international authorities cannot say how long the pandemic will continue to affect us, or what its economic and social impact will be, as the existing estimates depend on a number of variables which the authorities cannot control, for instance, the effectiveness of the exceptional measures enacted in the meantime.

What we can say is that economic activity will be adversely affected and worldwide recession can be expected, which will consequently affect Portugal as well. Its global dimension, however, cannot be fully quantified, due to the current stage of the containment measures imposed and the uncertainty as to how long they will last.

As such, the context in which Banco Carregosa will operate during this year and beyond will be very different that that anticipated before the COVID-19 outbreak: a particularly adverse context of exceptional uncertainty.

On the one hand, business will be lower than estimated, as economic agents will postpone investment decisions. Financial resources, in particular deposits, may also be affected by liquidity requirements that economic agents are permitted to register.

On the other hand, the interest rate environment may evidence even more negative rates as a result of monetary policy decisions taken by central banks, including the European Central Bank.

The main impacts on the Bank's financial statements may result from an increase in credit risk, an increase in the volatility of financial and non-financial assets, and restrictions on activity due to the containment measures. In view of these facts, which are in constant progress and, as such, not yet final, in the new budget year the Bank will include in its forecasts scenarios with various levels of severity, including events resulting from the pandemic, which are not yet fully known, such as the moratorium measures applicable to loan payments, assessing the foreseeable credit risk increase, loan restructuring, estimated losses in accordance with IFRS 9, and material and immaterial impacts on equity, among others.

In this context, in view of this exceptional situation and the proliferation of confirmed COVID-19 cases in Portugal, the Portuguese authorities have established exceptional and temporary measures to address the epidemiological situation.

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.

In order to safeguard against these effects, Banco Carregosa has contingency and business continuity plans in place for crisis situations, properly adjusted to this new reality amid the COVID-19 pandemic.

15

REVIEW OF THE FINANCIAL STATEMENTS

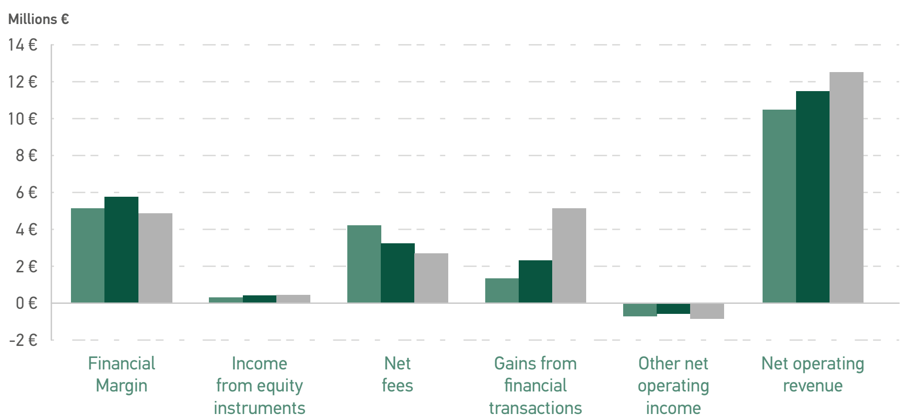
1_SEPARATE ACCOUNTS

The Bank ended the year with a net positive result of **1 989 627€**, compared to the **1 146 740€** recorded in the previous year.

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

Net Operating Revenue amounted to 12.7M€, more than in 2018 by 13.1%. The breakdown shows a negative variation in the financial margin of about 999m€ (-17.4%), a growth of 3.1M€ (140.8%) in gains from financial transactions, and a decrease in net fees of 287m€ (-8.2%), these being the most significant variations.

	2017	2018	2019
Financial margin	5 067 579 €	5 749 662 €	4 750 332 €
Income from equity instruments	126 981 €	225 749 €	328 106 €
Net fees/commissions	4 202 294 €	3 516 421 €	3 229 143 €
Gains from financial transactions	1 569 412 €	2 175 314 €	5 239 069 €
Other net operating income - Exchange	(223 167 €)	(16 917 €)	(200 285 €)
Other net operating income	(407 548 €)	(398 546 €)	(615 656 €)
Net operating revenue	**10 335 551 €**	**11 251 684 €**	**12 730 708 €**



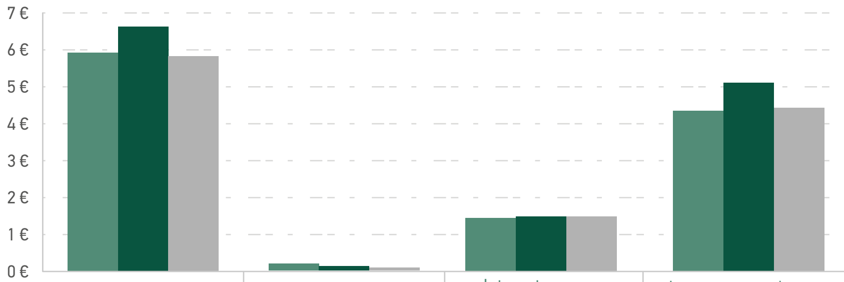
The drop in the **financial margin** was largely due to the decrease in interest on the clients' loans portfolio, that of the own portfolio being similar to the previous year, lagging behind the growth of own portfolio investments in part due to the changes in the booking of interest, which is now made using the effective interest rate method.

FINANCIAL MARGIN

	2017	2018	2019
Interest and similar income	**5 960 350 €**	**6 680 391 €**	**5 931 756 €**
Interest on deposits	185 616 €	75 696 €	37 637 €
Interest on own bond portfolio	1 536 055 €	1 548 922 €	1 553 213 €
Interest on loan contracts + Overdue	4 238 679 €	5 055 773 €	4 340 905 €
Interest and similar costs	**892 771 €**	**930 729 €**	**1 181 424 €**
Interest on deposits	822 671 €	870 218 €	1 095 009 €
Other interest	70 100 €	60 511 €	86 415 €

In 2019, **interest and similar income** recorded a decrease of 749.6m€ (-11.2%), loan contract interest having dropped 714.9m€ or (-14.3%), due to lower interest rates and fewer active contracts. Interest on deposits dropped 38m€ (-50.3%) and interest on own bond portfolio increased slightly by 0.3% compared to the previous year.

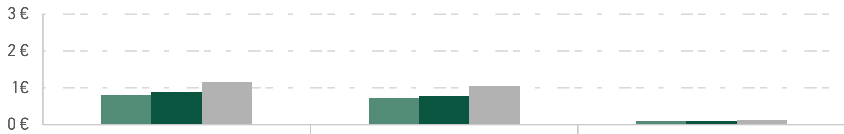
Thousands €



	Interest and income	Interest on deposits	Interest on own bond portfolio	Loan contracts interest + overdue loans
2017	5 960 350 €	185 616 €	1 536 055 €	4 238 679 €
2018	6 680 391 €	75 696 €	1 548 922 €	5 055 773 €
2019	5 931 756 €	37 637 €	1 553 213 €	4 340 905 €

Interest and similar costs, in turn, increased 26.9%, mainly reflecting higher charges on deposits as a result of the growth in client deposits.

Thousands €

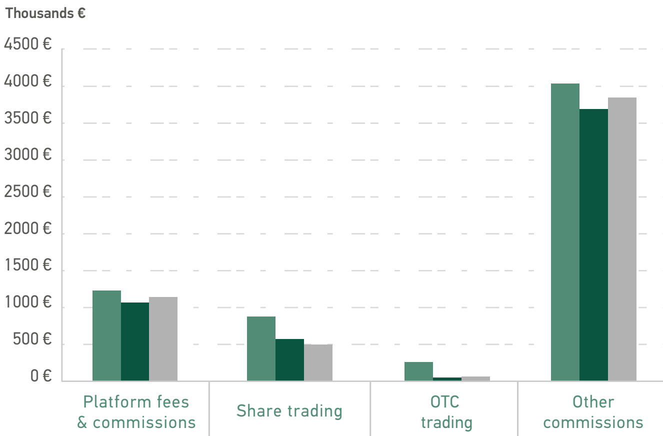


	Interest and similar costs	Interest on deposits	Other interest
2017	892 771 €	822 671 €	70 100 €
2018	930 729 €	870 218 €	60 511 €
2019	1 181 424 €	1 095 009 €	86 415 €

Income from equity instruments arises from the distribution of dividends of the investment fund Retail Properties, which grew positively by 45.3%.

Revenue and charges of service fees/commission showed, in both cases, a positive year-on-year variation of 3.8% (205m€) and 26.4% (492m€), respectively. In terms of revenue, a 15.6% drop in share trading, a 46.9% increase in OTC trading, and a 4.9% increase in other commissions. Fees/commissions paid account for the increase in execution/settlement fees in 8.1%, custody in 43.6%, and other banking services in 61%.

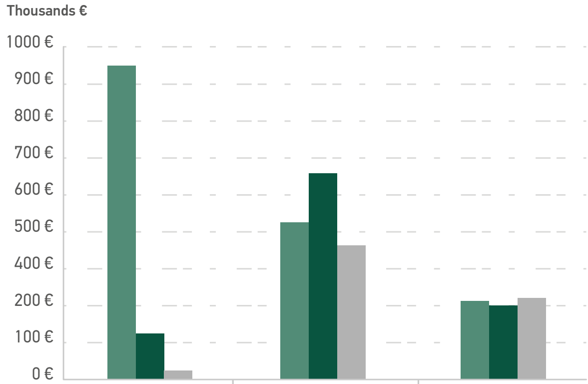
	Revenue from fees and commissions	Charges with fees and commissions
2017	6 477 651 €	2 275 357 €
2018	5 384 657 €	1 868 237 €
2019	5 589 717 €	2 360 574 €



REVENUE FROM FEES AND COMMISSIONS

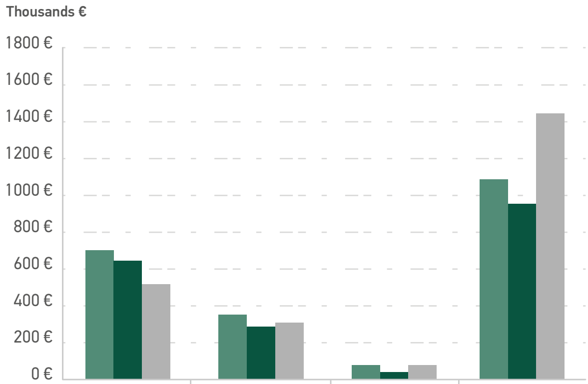
	Platform fees & commissions	Share trading	OTC trading	Other commissions
2017	1 214 302 €	836 904 €	269 062 €	4 157 383 €
2018	1 079 727 €	590 160 €	59 333 €	3 655 437 €
2019	1 171 186 €	498 198 €	87 148 €	3 833 185 €

OTHER FEES AND COMMISSIONS



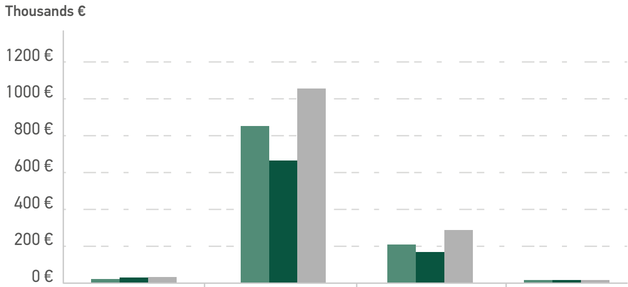
	Financial consultancy	For placement services	Other
2017	947 865 €	523 487 €	215 060 €
2018	131 500 €	668 799 €	196 461 €
2019	23 000 €	477 417 €	219 131 €

CHARGES WITH FEES AND COMMISSIONS



	Platform fees & commissions	Execution/ liquidation	Custody	Other banking services
2017	701 216 €	388 952 €	66 759 €	1 094 133 €
2018	650 866 €	273 386 €	45 179 €	880 132 €
2019	512 825 €	295 496 €	64 870 €	1 417 275 €

OTHER CHARGES WITH BANKING SERVICES

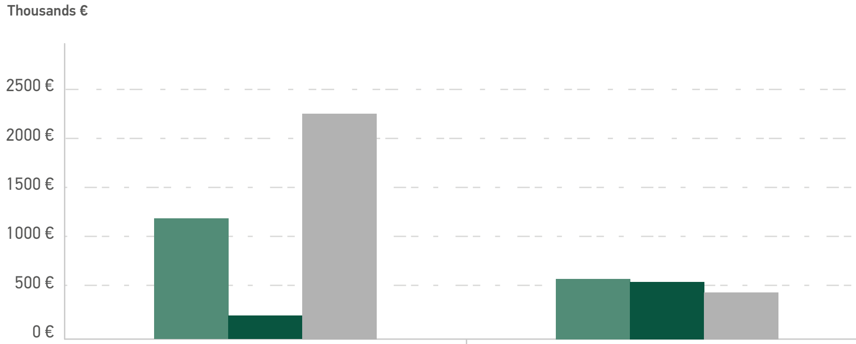


	Bank charges	Institutional business	Commissions paid to invest. advis. and business introducers	Other
2017	29 799 €	855 206 €	207 912 €	1 216 €
2018	33 982 €	664 484 €	180 713 €	954 €
2019	37 819 €	1 069 548 €	308 819 €	1 088 €

Revenue from the Bank's securities portfolio, excluding income from equity instruments and income from currency revaluation together increased 140.84% compared to 2018, with a 45% increase in these portfolios at the end of 2019.

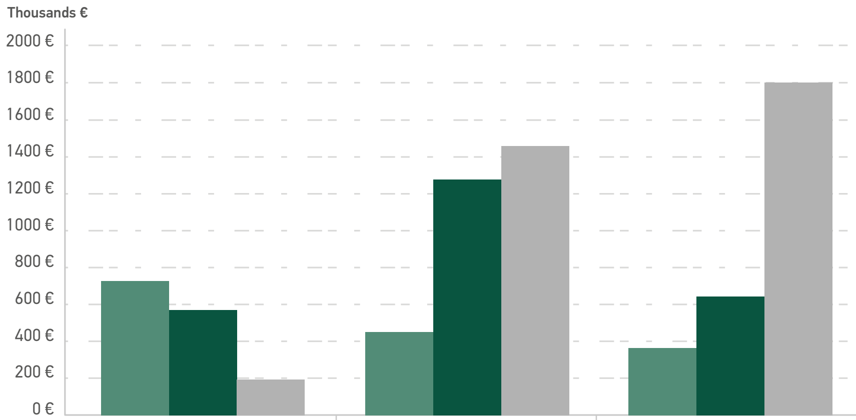
In 2019, **revaluation of currency position** recorded a negative result of 200m€, compared to 17m€ in 2018.

GAINS AND LOSSES - FINANCIAL ASSETS AND LIABILITIES EVALUATED AT FAIR VALUE THROUGH PROFIT OR LOSS



	Gains +/- (Income)	Interest
2017	1 106 140 €	565 247 €
2018	214 487 €	535 113 €
2019	2 350 844 €	475 822 €

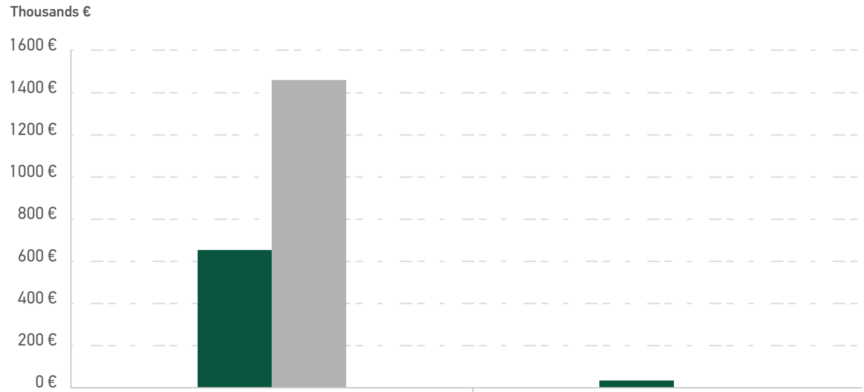
GAINS AND LOSSES - FINANCIAL ASSETS AND LIABILITIES EVALUATED AT FAIR VALUE THROUGH COMPREHENSIVE INCOME



	Gains +/- (Reserves)	Gains +/- (Income)	Interest
2017	729 349 €	463 272 €	377 607 €
2018	576 839 €	1 289 876 €	633 340 €
2019	194 461 €	1 451 540 €	1 797 251 €

Gains and Losses:

Income from non-marketable financial assets mandatorily carried at fair value through profit or loss were restated in 2018 from portfolio of assets and liabilities carried at fair value through comprehensive income, increasing by 128.5% mostly due to the evaluation of the Retail Properties FEIIF and Arquimedes FEIIF real estate funds.

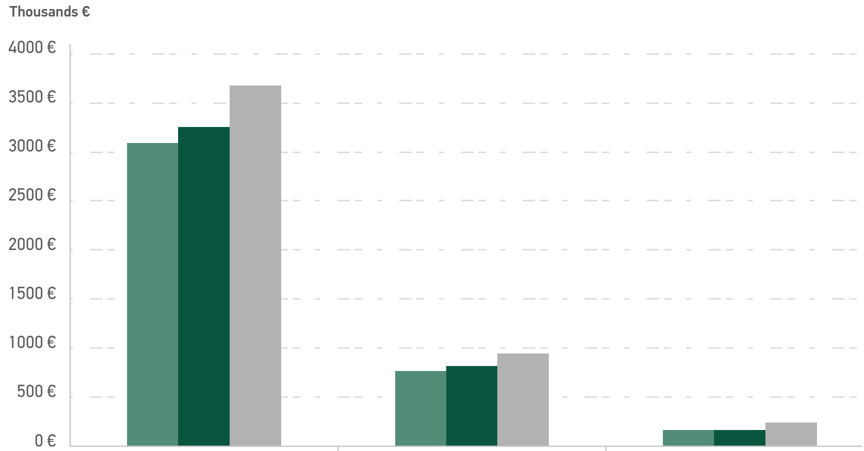


GAINS AND LOSSES - NON-MARKETABLE FINANCIAL ASSETS AND LIABILITIES MANDATORILY CARRIED AT FAIR VALUE

	Income from non-tradable financial assets mandat. at fair val. through profit or loss	Income from financial assets at amortised cost
2018	628 752 €	42 000 €
2019	1 436 684 €	0 €

Staff Costs

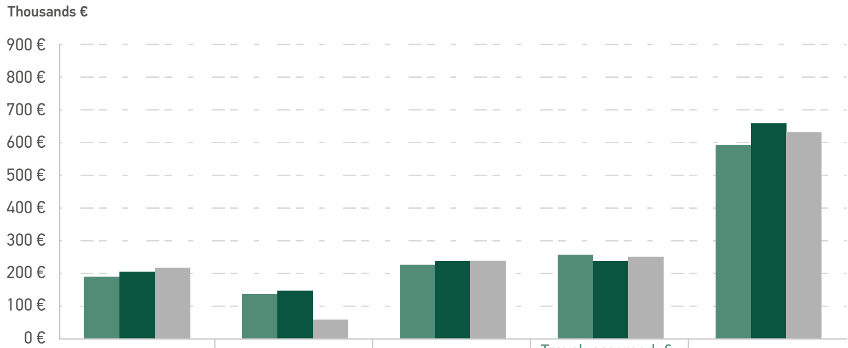
In 2019, **staff costs** grew by 11.7% due to the need to hire 10 more staff to strengthen the Bank's teams, while the salary level remained stable. During the year, performance bonuses were not generally granted.



	Remunerations	Social contributions	Other costs
2017	3 058 495 €	814 749 €	222 282 €
2018	3 223 179 €	845 926 €	222 366 €
2019	3 617 207 €	933 165 €	243 108 €

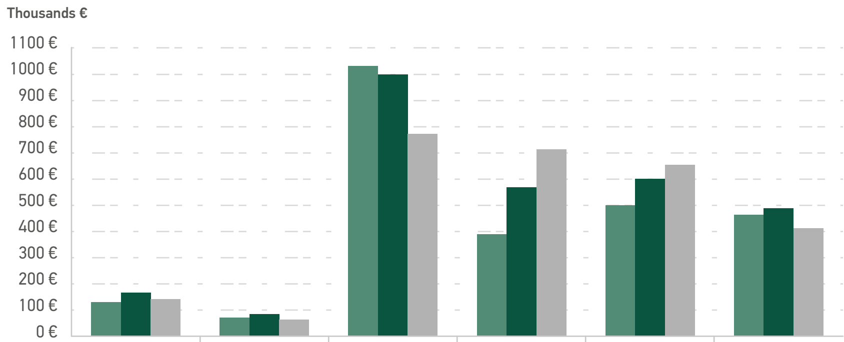
General administrative costs

General administrative costs decreased by 5.2% in 2019, corresponding to a decrease of 230m€, justified by the decreases in some specific headings, in particular **Advertising**, with a 6.1% decrease, corresponding to 41m€. **Maintenance and repairs** also decreased from 2018 to 2019 21m€. There was also a decrease of about 22% in the **IT** heading, corresponding to 220m€. The heading **Rentals and Leases** also varied negatively by 60% as a result of the changes in the accounting policy arising from the implementation of IFRS 16. The heading **Information and database** increased significantly in 2019 to 709m€, that is, by 24.3%, compared to the previous year, justified by increased information needs, compulsory adherence to the payment systems directive and, in some way, to the increase of transactions.



EXTERNAL SERVICES SUPPLIES

	Water, electricity & fuel	Leases & Rentals	Communications	Travel, accomod. & entertainment expenses	Advertising
2017	196 696 €	133 191 €	230 576 €	269 778 €	591 167 €
2018	204 702 €	139 188 €	235 999 €	257 088 €	668 791 €
2019	215 362 €	55 695 €	238 022 €	265 692 €	627 671 €



EXTERNAL SERVICES SUPPLIES

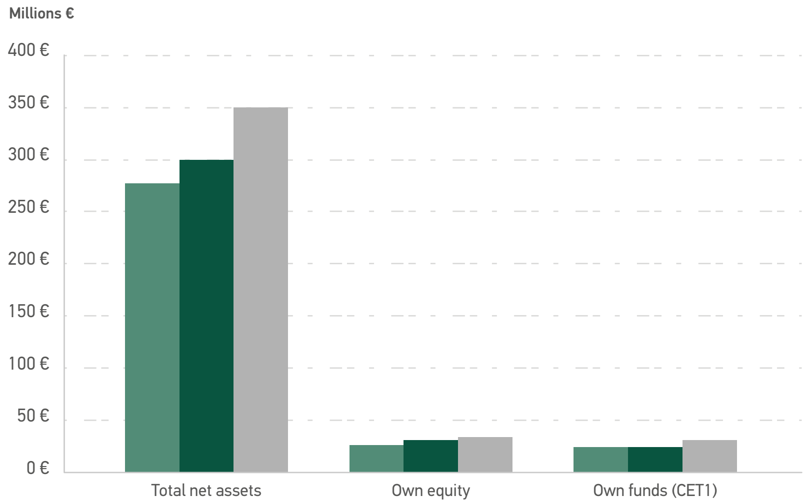
	Maintenance and repairs	Retainers & fees	IT services	Information	Advisors & ext. auditors	Other general costs
2017	121 369 €	78 207 €	1 033 674 €	485 363 €	495 849 €	468 318 €
2018	153 704 €	84 528 €	999 893 €	570 496 €	605 649 €	491 240 €
2019	132 990 €	76 406 €	780 319 €	709 117 €	665 675 €	414 717 €

Balance sheet

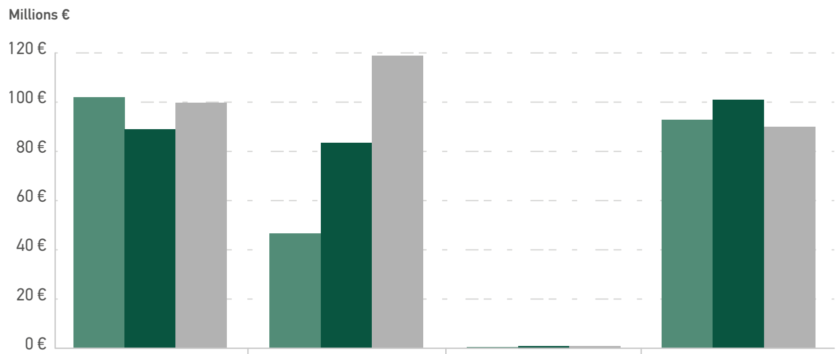
Compared to the previous year, **Net assets** increased 15.11% in 2019 to **349M€**, with an increase in the Bank's securities portfolio by 45%, coupled with net assets by 14.7%, and other assets at amortised cost, which increased by 48.26%. On the other hand, loans to clients decreased (10.27%), and other assets also decreased by 30.6%. At the same time, **Equity capital** increased, amounting to **38.9M€**, as a result of a +73% increase in net profit for the year. Regulatory **Own funds** (CET1) rose by 7.8% compared to 2018.

NET ASSETS

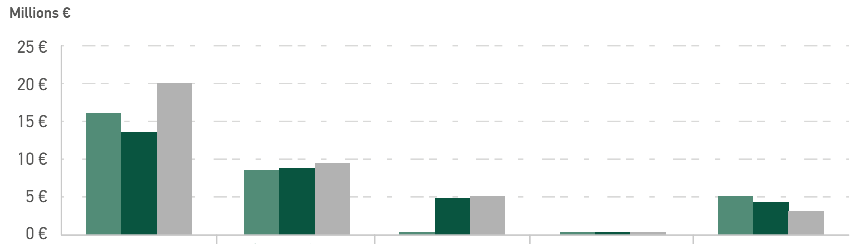
	2017	2018	VAR %	2019	VAR %
Total net assets	274 589 280 €	303 218 538 €	10.43%	349 025 177 €	15.11%
Equity capital	35 371 327 €	36 317 465 €	2.67%	38 863 003 €	7.01%
Own funds (CET1)	34 552 025 €	34 090 702 €	-1.34%	36 758 895 €	7.83%



COMPOSITION OF ASSETS



	Cash and liquid assets	Own portfolio	Own deposits	Loans to clients
2017	102 625 677 €	47 437 495 €	500 172 €	94 349 516 €
2018	87 123 442 €	82 047 032 €	500 000 €	101 901 308 €
2019	99 959 139 €	119 323 177 €	500 000 €	91 431 324 €

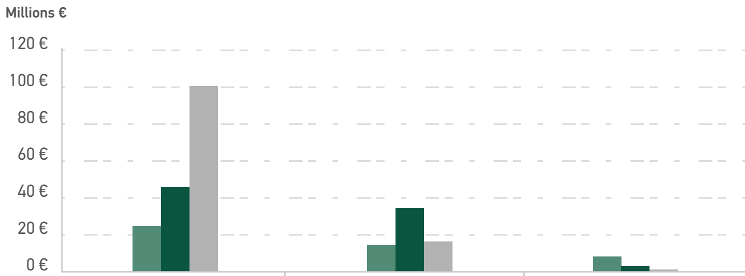


COMPOSITION OF ASSETS

	Other assets at amortised cost	Fixed assets (Property, land & equipment + intangible assets)	Inv. subsidiaries and associates	Non-current assets and groups for disposal classif. as held for sale	Other assets
2017	16 071 486 €	8 571 652 €	25 000 €	85 680 €	4 922 601 €
2018	13 556 916 €	8 850 229 €	4 920 536 €	85 680 €	4 233 391 €
2019	20 099 933 €	9 514 019 €	4 984 866 €	85 680 €	3 127 038 €

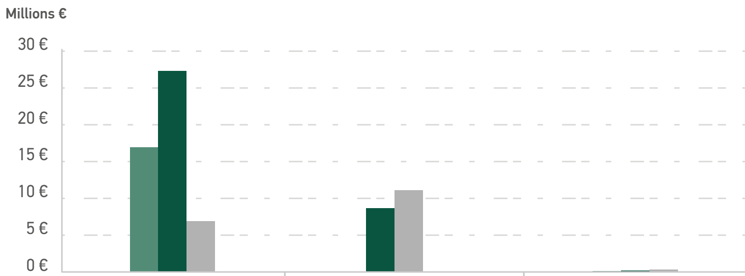
Securities portfolio

At the end of 2019, the Bank's financial instruments portfolio accounted for 34.16% of net assets, compared to 27.1% at the end of 2018. In absolute terms, this aggregate amount amounted to about 119M€ in 2019 and 82M€ in 2018, excluding, in both cases, liabilities held for trading.



SECURITIES PORTFOLIO

	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit and loss	Financial assets at amortised cost held to maturity
2017	22 903 194 €	15 839 281 €	8 641 541 €
2018	44 017 731 €	35 072 444 €	2 930 724 €
2019	100 403 045 €	17 857 117 €	983 969 €



SECURITIES PORTFOLIO

	Financ. assets held for trading	Non-negotiable financial assets mandatorily at fair value through profit or loss	Other financial assets
2017	15 830 080 €	0 €	9 201 €
2018	26 957 400 €	8 101 664 €	13 380 €
2019	6 754 508 €	11 080 066 €	22 543 €

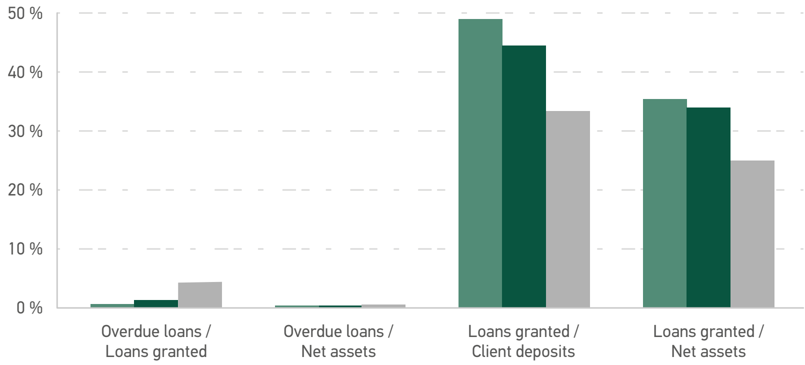
Loan portfolio

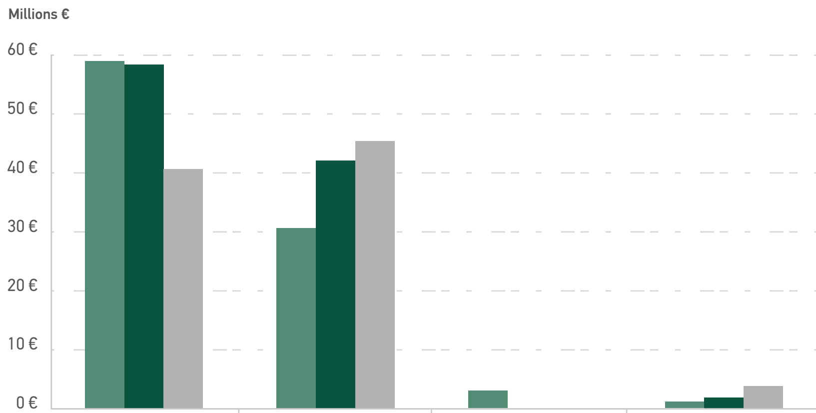
The loan portfolio (net of impairments) decreased by about 10.3%, falling short of the target set for the year. Note should nevertheless be made to the growth in loans, which in 2019 increased by 10%. Current accounts decreased by about 19M€, and on the other hand overdue credit also increased by 4,032m€ at the end of 2019, corresponding to a 97% increase.

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.

LOANS GRANTED

	2017	2018	2019
Overdue loans / Loans granted	1.45%	2.01%	4.63%
Overdue loans / Net assets	0.50%	0.67%	1.16%
Loans granted / Client deposits	49.10%	43.37%	33.89%
Loans granted / Net assets	35.01%	33.61%	26.20%





LOAN CONTRACTS

	Current accounts	Loans	Authorised overdrafts	Overdue loans
2017	59 788 736 €	31 089 488 €	3 565 332 €	1 372 715 €
2018	59 457 440 €	42 006 459 €	0 €	2 044 899 €
2019	40 716 967 €	46 353 192 €	0 €	4 032 398 €

Note: Credit impairments are not included.

LOAN CONTRACTS

	31/12/2019		31/12/2018	
	NO. OF CONTRACTS	LOANS	NO. OF CONTRACTS	LOANS
Loans	**42**	**46 353 192 €**	**35**	**42 006 459 €**
Acquisition of securities	2	2 050 000 €	1	1 100 000 €
Cash-flow support	15	18 789 298 €	21	24 026 501 €
Miscellaneous investments	25	25 513 894 €	13	16 879 958 €
Escrow accounts	**46**	**42 566 281 €**	**58**	**59 457 440 €**
Acquisition of securities	8	5 722 734 €	9	4 320 480 €
Cash-flow support	20	20 737 339 €	28	31 949 168 €
Miscellaneous investments	18	16 106 209 €	21	23 187 792 €
Authorised bank overdrafts	**0**	**0 €**	**0**	**0 €**
TOTAL	**88**	**88 919 473 €**	**93**	**101 463 899 €**

Note: Overdue loans and impairments are not included.

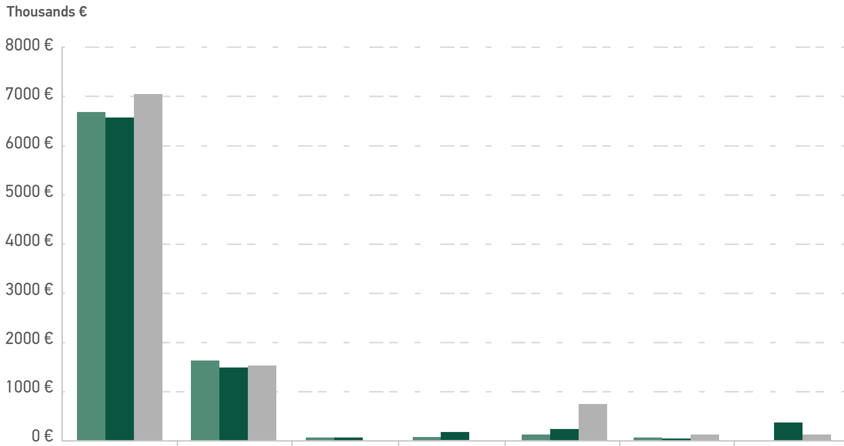
Real estate collateral is subject to initial assessment and then periodical reviews carried out by accredited and independent technical evaluators, based on prudential criteria that reflect the evolution of the real estate markets, the nature of the properties, their potential for use, and liquidity. 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. Nevertheless, the Bank's credit policy is currently being reviewed in order to align it consistently with the wealth management value proposition and to ensure the adoption of best banking practices in granting credit.

Fixed assets (property, land and equipment and intangible assets) – Net value

Net fixed assets recorded an annual growth rate of 7.50% in 2019, corresponding to a year-on-year variation of 664m€, especially due to the intangible assets components, which increased by 430m€, justified, on the one hand, by the conclusion of some improvements and, in the other, by the reclassification, within the scope of IFRS 16, of the heading Immovable property rental to a new heading of Right-of-use assets. Similarly, the heading Intangible assets (*software*) varied significantly by 676m€, resulting from the conclusion of specific IT developments in 2019, while Intangible assets in progress dropped by about 81.7%.

	2017	2018	2019
Fixed assets	**8 571 652 €**	**8 850 230 €**	**9 514 019 €**
Property, land and equipment	8 401 360 €	8 137 229 €	8 589 418 €
Property, land and equipment in progress	82 602 €	222 524 €	0 €
Sub-total	**8 483 962 €**	**8 359 753 €**	**8 589 418 €**
Intangible assets	87 690 €	125 460 €	857 548 €
Intangible assets in progress	0 €	365 017 €	67 053 €
Sub-total	**87 690 €**	**490 477 €**	**924 601 €**



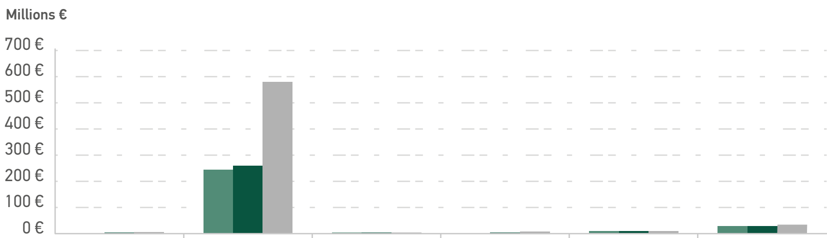
FIXED ASSETS

	Property, plant and equipment - Property	Property, plant and equipment - Equipment	Property, plant and equipment - Lease assets	Property, plant and equipment - In progress	Intang. assets - Software	Intang. assets - Other	Intang. assets - In progress
2017	6 686 302 €	1 658 519 €	56 539 €	82 602 €	64 905 €	22 785 €	0 €
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 €

Composition of liabilities and equity

Liabilities have recorded an overall increase of 16.21% compared to the 267M€ in 2018. We note that Deposits from Central Banks are nil, Deposits from other Credit Institutions decreased (3.7%), and Client Deposits rose by 15.6%. In 2019, other liabilities increased by 47.55%.

Regarding **Net worth**, equity showed a positive growth of 2.5M€, directly and essentially related to the net profit for the year.

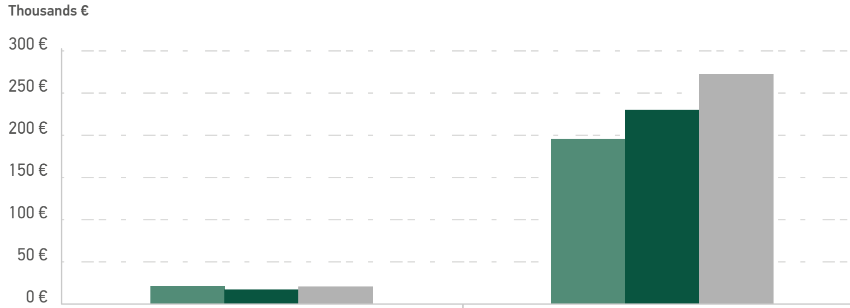


LIABILITIES AND EQUITY

	Financ. liabilities held for trading	Financ. liabilities measured at amortised cost	Provisions	Tax liabilities	Other liabilities	Equity
2017	0 €	235 521 071 €	13 513 €	72 834 €	3 610 535 €	35 371 327 €
2018	9 798 €	263 749 736 €	6 081 €	137 390 €	2 998 066 €	36 317 465 €
2019	52 905 €	575 211 422 €	9 180 €	233 751 €	4 423 518 €	38 863 003 €

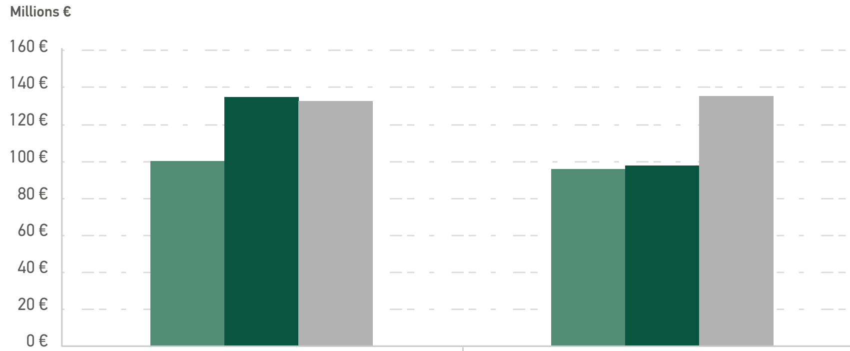
Client deposits and Other creditors

Overall, **Client deposits** grew by 15.6% as a result of the greater commercial effort made in the private clients areas.



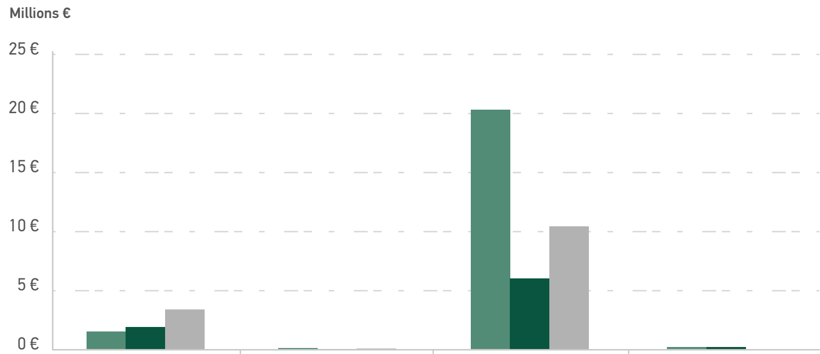
DEPOSITS

	Deposits from other credit institutions	Client deposits
2017	16 137 527 €	195 376 530 €
2018	20 836 151 €	233 461 710 €
2019	20 101 531 €	269 768 601 €



CLIENT DEPOSITS

	Term deposits	Demand deposits
2017	99 181 500 €	96 195 029 €
2018	136 183 554 €	97 278 156 €
2019	132 708 591 €	137 060 010 €



OTHER CREDITORS

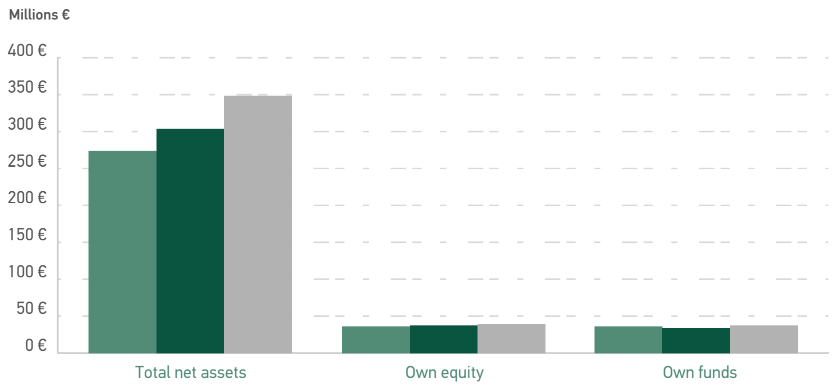
	Transactions in derivatives	GoBullingPro	Management	Sight deposit accounts
2017	1 784 836 €	59 891 €	20 165 729 €	132 211 €
2018	1 941 254 €	32 435 €	6 088 121 €	104 202 €
2019	3 161 763 €	39 166 €	10 482 700 €	0 €

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:

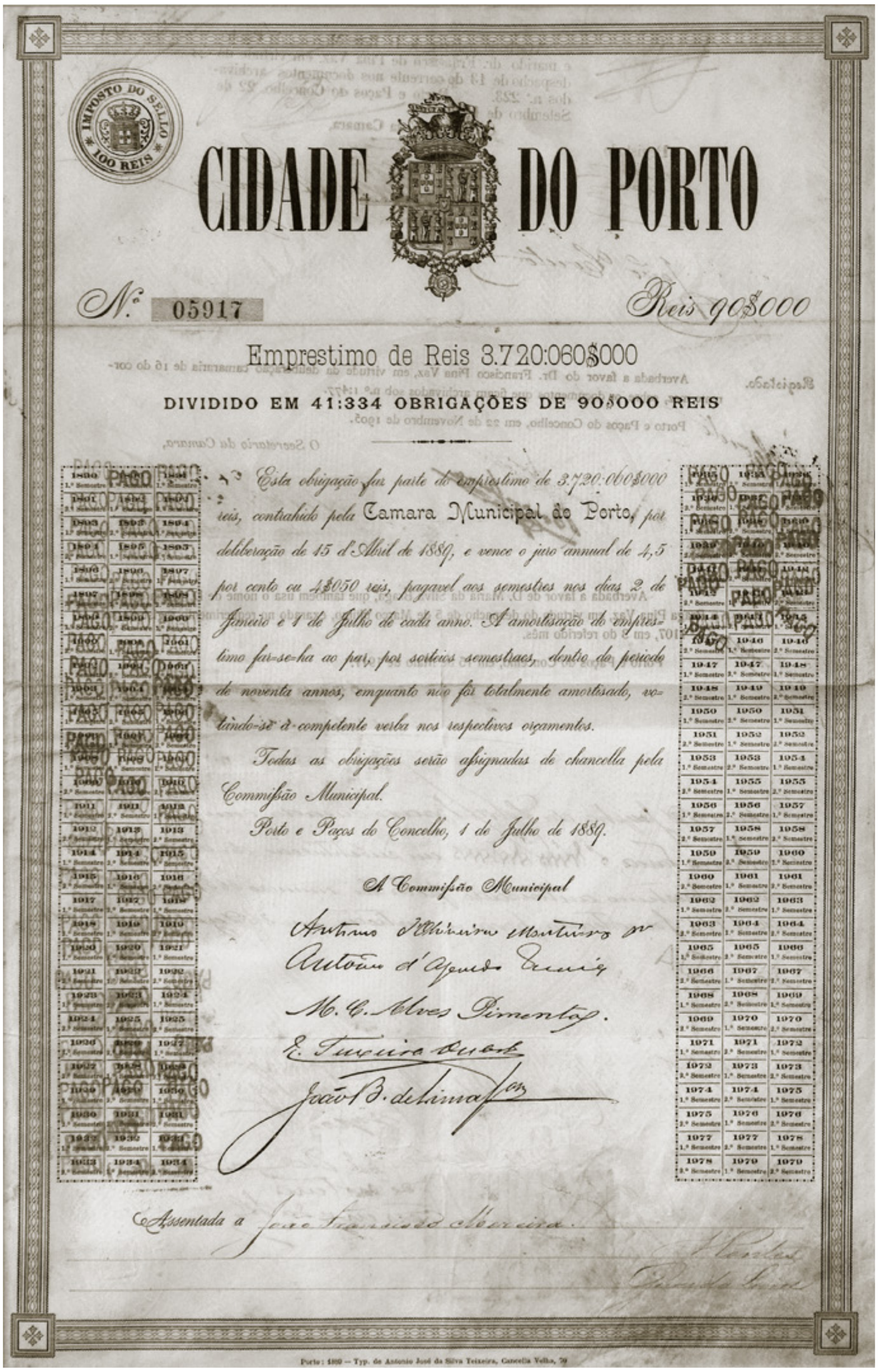
- Ongoing monitoring of regulatory capital requirements;
- Review of risk appetite;
- Setting business objectives properly measured in capital planning.

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.



Financial strength remained high and the Solvency Ratio (CET1) reached 16.13%, 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 2019.



IMPOSTO DO SELLO 100 REIS

CIDADE DO PORTO

Nº 05917

Reis 90$000

Emprestimo de Reis 3.720:060$000

DIVIDIDO EM 41:334 OBRIGAÇÕES DE 90$000 REIS

Esta obrigação faz parte do emprestimo de 3.720:060$000 reis, contrahido pela Camara Municipal do Porto, por deliberação de 15 d'Abril de 1889, e vence o juro annual de 4,5 por cento ou 4$050 reis, pagavel aos semestres nos dias 2 de Janeiro e 1 de Julho de cada anno. A amortisação do emprestimo far-se-ha ao par, por sorteios semestraes, dentro do periodo de noventa annos, emquanto não fôr totalmente amortisado, votando-se a competente verba nos respectivos orçamentos.

Todas as obrigações serão assignadas de chancella pela Commissão Municipal.

Porto e Paços do Concelho, 1 de Julho de 1889.

A Commissão Municipal

Assentada a

Porto: 1889 — Typ. de Antonio José da Silva Teixeira, Cancella Velha, 70

16

CONSOLIDATED ACCOUNTS REVIEW AND ANNEXES

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019 AND 2018

	NOTES	31/12/2019	31/12/2018
ASSETS			
Cash and net assets in central banks and other demand deposits	1	99 978 219	87 170 461
Financial assets at fair value through profit or loss	2	17 857 117	35 077 977
Financial assets held for trading	2.1	6 754 508	26 958 310
Non-marketable financial assets mandatorily carried at fair value through profit or loss	2.2	11 080 066	8 101 664
Other financial assets	2.3	22 543	18 003
Financial assets at fair value through other comprehensive income	3	100 403 045	44 017 731
Financial assets at amortised cost	4	113 015 226	119 000 658
Of which:			
Loans to clients	4.1	91 431 324	101 901 308
Derivatives - Hedge accounting	5	79 046	26 133
Property, plant and equipment	6	8 589 418	8 416 542
Intangible assets	7	929 586	496 624
Tax assets	8	41 021	0
Other assets	9	191 557	393 108
Derivatives - Hedge accounting	10	6 365 591	7 310 259
Non-current assets and disposal groups stated as held for sale	11	85 680	85 680
Total Assets		**347 667 519**	**301 995 173**

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019 AND 2018

	NOTES	31/12/2019	31/12/2018
Liabilities			
Financial liabilities held for trading	12	52 905	9 798
Financial liabilities measured at amortised cost	13	303 933 490	262 400 587
Provisions	14	9 180	6 081
Tax liabilities	15	240 093	135 249
Other liabilities	16	4 431 851	3 055 162
Total Liabilities		**308 667 519**	**265 606 878**
Equity	17		
Equity		20 000 000	20 000 000
Issue premiums		369 257	369 257
Other accumulated comprehensive income		238 484	(519 495)
Retained earnings		2 243 495	1 408 711
Other reserves		14 027 125	13 912 451
Consolidated income for the year		1 989 626	1 151 725
Total Own Equity Attributable to the Group		**38 867 987**	**36 322 649**
Minority interests	18	0	65 645
Total Own Equity		**38 867 987**	**36 388 295**
Total Liabilities & Capital		**347 535 507**	**301 995 173**

The Certified Accountant

The Board of Directors

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AS AT 31 DECEMBER 2019 AND 2018

	NOTES	31/12/2019	31/12/2018
Interest and similar income		5 931 756	6 680 503
Interest and similar costs		(1 181 432)	(930 728)
Financial margin	**19**	**4 750 324**	**5 749 775**
Income from equity instruments	20	328 106	225 749
Income from services and commissions	21	5 589 586	5 384 603
Charges – services and commissions	21	(2 360 574)	(1 868 550)
Income from assets and liabilities evaluated at fair value through profit or loss (net)	22	2 350 844	214 440
Income from financial assets at fair value through other comprehensive income	23	1 451 540	1 289 876
Income from non-marketable financial assets mandatorily carried at fair value through profit or loss	24	1 436 684	628 752
Income from financial assets at amortised cost	25	-	42 200
Income from foreign currency revaluation (net)	26	(200 285)	(16 917)
Income from the disposal of other assets	27	54 044	49 776
Other operating income	28	(582 377)	(384 014)
Net operating revenue		**12 817 892**	**11 315 690**
Staff costs	29	(4 793 481)	(4 927 064)
General administrative costs	30	(4 172 996)	(3 722 234)
Depreciation and amortisations	31	(1 093 722)	(851 490)
Provisions net of reinstatements and write-offs	32	(3 099)	(3 333)
Impairment of financial assets at amortised cost	33	(108 876)	(65 264)
Impairment of financial assets at fair value through other comprehensive income	34	(331 093)	(164 904)
Impairment of other assets net of reversals and recoveries	35	-	(155 740)
Pre-tax profit		**2 314 624**	**1 425 660**
Taxes			
Current	36	(255 988)	(191 777)
Deferred	36	(69 010)	(72 424)
Consolidated income for the year attributable to shareholders		**1 989 626**	**1 161 458**
Minority interests	37	-	(9 734)
Consolidated income for the year		**1 989 626**	**1 151 725**

The Certified Accountant **The Board of Directors**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31/12/2019	31/12/2018
Consolidated net income for the year	**1 989 626**	**1 151 725**
Items not to be restated into profit or loss:		
Property, plant and equipment	9 495	1 121
Actuarial gains or losses (-) with defined benefit pension plans	(201 127)	77 944
Items that may be restated into profit or loss:		
Cash flow hedging	(2 566)	688
Financial assets at fair value through other comprehensive income	973 368	(870 933)
Income tax related to items that may be restated into profit or loss	(133 508)	164 820
Other comprehensive income	**645 662**	**(626 360)**
Overall comprehensive income for the year	**2 635 288**	**525 364**
Attributable to minority interests (non-controlling interests)		(9 734)
Attributable to owners of parent company	2 635 288	535 098

The Certified Accountant

The Board of Directors

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2019 AND 2018

(AMOUNTS EXPRESSED IN EURO)

	31/12/2019	31/12/2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest and commissions received	11 237 838	12 097 084
Interest and commissions paid	(3 510 468)	(2 844 815)
Payments to employees and suppliers	(8 988 785)	(12 051 802)
Deposits from credit institutions	(1 400 197)	4 456 218
Other operating assets and liabilities	21 590 563	(21 559 515)
Other receipts from clients	48 670 435	28 985 977
Income taxes	(205 365)	215 997
Net cash from operating activities	**67 394 021.23**	**9 299 142.42**

CASH FLOWS FROM INVESTMENT ACTIVITIES:		
Dividends received	-	-
Acquisition of financial assets at fair value through other comprehensive income, net of disposals	(55 837 728)	(29 674 278)
Acquisition of financial assets at amortised cost, net of disposals	1 974 711	5 717 096
Acquisitions of property, plant and equipment and intangible assets	(1 391 251)	(1 157 353)
Disposals of property, plant and equipment and intangible assets	45 833	61 750
Increase/Decrease in other asset accounts	-	-
Investments in subsidiaries and associated companies	32 500	(5 000)
Net cash from investment activities	**(55 175 934.70)**	**(25 057 785.49)**

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2019 AND 2018

(AMOUNTS EXPRESSED IN EURO)

	31/12/2019	31/12/2018
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	12 218 087	(15 758 643)
Exchange differences	-	-
Cash and cash equivalents at the start of the year	87 270 680	103 187 742
Cash and cash equivalents at the end of the year	99 488 767	87 429 099
Cash and cash equivalents (breakdown as at December 2018 and December 2019)	**31/12/2019**	**31/12/2018**
Cash and net assets in central banks	53 631 352	39 953 903
Net assets in other credit institutions	46 346 867	47 216 559
Investments in other credit institutions	500 128	611 867
Overdrafts in other credit institutions	(989 580)	(353 230)
Cash and cash equivalents at the end of the financial year	99 488 767	87 429 099

The Certified Accountant **The Board of Directors**

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2019 (CONSOLIDATED ACTIVITY)

(AMOUNTS EXPRESSED IN EURO)

	CAPITAL	ISSUE PREMIUMS	OTHER ACCUMULATED COMPREHENSIVE INCOME
Opening balances	**20 000 000**	**369 257**	**287 911**
Changes in fair value reserves			(869 124)
Deferred tax			164 820
Actuarial gains or losses (-) with pension plans			77 944
Net result for 2018			
Comprehensive income for 2018			
Distribution of dividends			
Other changes in equity			(181 046)
Minority interests			
Balances as at 31 December 2018	**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**

The Certified Accountant

LEGAL RESERVES	OTHER RESERVES	RETAINED EARNINGS	RESULT FOR THE YEAR	MINORITY INTERESTS	TOTAL OWN EQUITY
2 242 959	**11 669 492**	**58 701**	**774 119**	**553 686**	**35 956 125**
					(869 124)
					164 820
					77 944
			1 151 725	9 734	1 161 458
					535 098
					0
		1 350 010	(774 119)	(497 775)	(102 929)
					0
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
					2 635 288
					0
114 674		834 783	(1 151 725)	(65 645)	(155 597)
					0
2 357 633	**11 669 492**	**2 243 495**	**1 996 526**	**0**	**38 867 987**

The Board of Directors

INTRODUCTION

The 2019 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 eleventh 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.

COMPANIES INCLUDED IN THE GROUP'S SCOPE OF CONSOLIDATION AS AT 31/12/2019

ACTIVITY	HEAD-OFFICE	OWN EQUITY	ASSETS	PROFIT/ PREJUÍZO	EFFECTIVE HOLDING	CONSOLIDATION METHOD
BANKING						
Banco L. J. Carregosa, S.A.	Portugal	38 863 003	349 025 177	1 989 627	-	Comprehensive
REAL ESTATE COMPANY						
Circuitos e Traçados, S.A.	Portugal	4 943 845	4 958 520	88 954	100%	Comprehensive

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

Scope of consolidation as at 31/12/2019

BANCO L. J. CARREGOSA, S.A.

Circuitos e Traçados, S. A. (100%)

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 2019 and as approved by Banco de Portugal, the Bank does not report the consolidated financial statements to this entity, as it did in 2017 and 2018.

The Group posted a net profit of **1 989 626€** (positive), with equity standing at **38 867 987€**.

The financial statements as at 31 December 2019 were approved by the Board of Directors on 2 June 2020.

The financial statements of the Bank as at 31 December 2019 are pending the approval of the General Shareholders' Meeting. However, the Board of Directors believes that these financial statements will be approved without significant alterations.

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 conformity with the *International Accounting Standards* or International Financial Reporting Standards (IAS/IFRS) adopted in the European Union, as set out in Regulation (EC) No 1606/2002 of the European Parliament and of the Council, of 19 July, transposed into national law through Banco de Portugal Notice No 1/2005, of 21 February.

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 2019.

NEW STANDARDS AND AMENDMENTS TO THE STANDARDS AND AMENDMENTS THAT CAME INTO EFFECT ON 1 JANUARY 2019

IFRS 16 – Leases

IFRS 16 replaces IAS 17 – "Leases" and related interpretations, having a significant impact on the recognition by the lessee, who is required to recognise, for all lease contracts, a lease liability corresponding to the future payments of rents and a right-of-use asset.

Exemptions to this accounting treatment are provided for short-term leases (< 12 months) and for low value assets (< USD 5,000).

The definition of a lease contract has also been revised, based on the "right to control the use of an identified asset".

With regard to the transition regime, IFRS 16 may be applied retrospectively, or a simplified retrospective approach may be followed (accumulated effect recorded on 1 January 2019).

(EC) Regulation No 2017/1986, of 31 October. Effective for annual periods beginning on or after 1 January 2019.

IFRS 9 – Prepayment features with negative compensation

This change allows an entity to classify/measure financial assets at amortised cost even if they include conditions that provide for the early payment of a consideration less than nominal value ("negative compensation"), being an exemption from the requirements of IFRS 9 for classifying financial assets at amortised cost.

It also clarifies that when a change occurs in the conditions of a financial liability that does not give rise to derecognition, then the measurement difference must be immediately recorded in the income statement.

(EC) Regulation No 2018/498, of 22 March. Effective for annual periods beginning on or after 1 January 2019.

AS 19 – Amendment, curtailment or settlement of defined benefit plans

This amendment to IAS 19 requires an entity to::

i) Use up-to-date assumptions to determine the cost of the current service and the net interest for the remaining period after the amendment, curtailment or settlement of the plan; and

ii) Recognises through profit or loss as part of the past service cost, or as gain or loss on settlement, any curtailment in surplus hedge, even if the surplus hedge has not been recognised before due to the impact of "*asset ceiling*", which is always recorded in other comprehensive income, and may not be recycled through profit or loss.

(EC) No 2019/402, of 13 March. Applies for annual periods beginning on or after 1 January.

IAS 28 – Long-term investments in associated companies and joint ventures

This amendment outlines how to apply the equity method to long-term investments in associated companies and joint ventures (components of the investment of an entity in associated companies and joint ventures) that are not measured through the equity method. The aforementioned long-term investments are accounted for according to IFRS 9. This clarification determines that long-term investments in associated companies and joint ventures are subject to the impairment requirements of IFRS 9 (model for the 3 phases of expected losses), before being added for the purpose of impairment test on the overall investment in an associate or joint venture, when impairment indicators exist.

EU Regulation endorsing Regulation (EC) No 2019/237 of 08 February. Applies for annual periods beginning on or after 1 January 2019.

IAS 23 - Borrowing costs

This improvement clarifies that in determining the weighted average rate of borrowings costs for the acquisition of a qualifying asset the cost of loans obtained specifically to finance qualifying assets must be included, when the assets are already in the intended condition of use.

EU Regulation endorsing Regulation (EC) No 2019/412 of 14 March. Applies for annual periods beginning on or after 1 January 2019.

IAS 12 - Income Taxes

IAS 12 establishes that the tax impact of the distribution of dividends should be recognised on the date on which the liability to pay is recorded, and should be recognised against the income statement, other comprehensive income or own equity, depending on the heading under which the entity first posted the transaction or event that gave rise to the dividends.

EU Regulation endorsing Regulation (EC) No 2019/412, of 14 March. Applies for annual periods beginning on or after 1 January 2019.

IFRS 3 - Business combinations, and IFRS 11 – Joint arrangements

IFRS 3 establishes that:

i) In obtaining control over a business combination, interests previously held by the acquiree are remeasured at fair value;

ii) An acquiree in a joint operation (not exercising joint control) who obtains joint control in a joint operation that is a business does not remeasure the previously held interest at fair value.

EU Regulation endorsing Regulation (EC) No 2019/412, of 14 March. Applies for annual periods beginning on or after 1 January 2019.

NEW INTERPRETATIONS THAT CAME INTO EFFECT ON 1 JANUARY 2019

IFRIC 23 – Uncertainties over income tax treatments

IFRIC 23 is an interpretation of IAS 12 – 'Income tax', referring to the measurement and recognition requirements that apply where there are uncertainties as to whether a specific tax treatment will be accepted by the Tax Authorities.

Where the opinion of the Tax Authorities on a specific transaction is uncertain, the entity shall give its best estimate and record the income tax assets or liabilities as per IAS 12, and not IAS 37 – 'Provisions, contingent liabilities and assets', based on the estimate of the expected amount or probable amount.

IFRIC 23 may apply retrospectively or be retrospectively amended.

(EC) Regulation No 2018/1595, of 23 October. Effective for annual periods beginning on or after 1 January 2019.

NEW STANDARDS PUBLISHED BY IASB, ENDORSED BY THE EU BUT NOT YET EFFECTIVE

IAS 1 and IAS 8 - Definition of material

The amendments clarify the definition of "material", as part of IASB's broader "Disclosure Initiative" project. The amendments also clarify that mention of unclear information refers to situations whose effect is similar to omitting or misstating such information, in which case the entity should assess materiality by considering the financial statements as a whole. Clarifications are also made as to the meaning of "primary users of general purpose financial statements", who are defined as "current and future investors, financers and creditors" that reply on the financial statements to obtain a significant part of the information they need.

(EC) Regulation No 2019/2104, of 29 November. Effective for annual periods beginning on or after 1 January 2020.

Conceptual framework – Amendments to references to other IFRS

Following the publication of the new Structural Framework, IASB amended 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, in addition to some of the features of financial reporting. These amendments are applied retrospectively, except in situations where this is unfeasible.

(EC) Regulation No 2019/2104, of 29 November. Effective for annual periods beginning on or after 1 January 2020.

AMENDMENTS TO THE STANDARDS PUBLISHED BY IASB, BUT NOT YET ENDORSED BY THE EU

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, if positive, permit a simplified assessment of whether an acquired set of activities and assets is not a business. Within the scope of the concentration test, if a significant portion of the fair value of the acquired assets corresponds to a single asset, the acquired assets do not constitute a business.

Pending endorsement, beginning on or after 1 January 2020.

IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform

Following the financial crisis, the replacement of benchmark interest rates such as EURIBOR and other inter-bank offered rates (IBOR) has become a priority for global regulators. Given the uncertain nature of such a process, and given the many hedging structures based on the benchmark interest rates in force, IASB decided to provide relief from applying specific hedge accounting requirements, so that the "reform" of benchmark interest rates does not imply the discontinuation of hedge accounting.

The main exceptions are:

i) Risk components;

ii) 'Highly probable' requirement;

iii) Prospective assessment;

iv) Retrospective effectiveness test (if IAS 39 is applied);

v) Recycling of the fair value reserve in equity.

Hedge ineffectiveness should continue to be recorded in the income statement.

Pending endorsement, beginning on or after 1 January 2020.

STANDARDS PUBLISHED BY IASB, BUT NOT YET ENDORSED BY THE EU

IFRS 17 - Insurance contracts

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 liabilities at each reporting date. Current measurement may be based on a building block approach, simplified measurements approach, or premium allocation approach. The recognition of the technical margin varies depending on whether it is positive or negative.

IFRS applies apply retrospectively.

Pending endorsement, beginning on or after 1 January 2021.

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 Bank adopted IFRS 9 – Financial Instruments on 1 January 2018 in lieu of IAS 39 – Financial Instruments: Recognition and Measurement, which was effective until 31 December 2017.

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 classified 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; e

c) Assets for which recoverable amount is 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 the heading "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 reclassifies 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 reclassifies 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; and;

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 classify 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 reclassified 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 reclassifies a financial asset out of the fair value through other comprehensive income measurement and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification 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 reclassification date. As a result, the financial asset is measured on the reclassification date as if it had always been measured at amortised cost. This adjustment affects other comprehensive income, but does not affect profit or loss (IFRS 9 paragraph 5.6.5).

If an entity reclassifies 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 reclassified from equity to profit or loss as a reclassification 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 on 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_RECLASSIFICATION

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

The reclassification of a position in the trading book into a non-trading book position or, inversely, the reclassification 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.

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

The Bank reclassifies 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 reclassification:

- The reclassification of that position cannot be changed;
- The Bank must disclose publically, on the first reporting date, the information that its position was reclassified;
- 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 reclassification 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 valuation models, namely: discounted cash flow models and option valuation 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.

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 revaluation 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)

Valuation, 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 classified 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 classified as held for sale whenever it is determined that their book value will be recovered through their sale and not through their continued use.

Assets recorded in this category are measured at the lower of the amount established by the applicable IFRS and the fair value, calculated based on the valuations 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.

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 lessee, 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 classified as financial liabilities at fair value, through profit or loss, whenever they meet the classification requirements of this category, in particular due to the fact that they contain one or more embedded derivatives. These liabilities are initially measured at fair value, subsequent changes in fair value being recorded in profit or loss.

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 valuation of existing collateral.

1_3_2_TAXES ON INCOME

Determining the overall amount of taxes on income requires certain interpretations and estimates. There are various transactions and calculations for which it is not possible to 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.

2_RISK MANAGEMENT

2_1_RISK MANAGEMENT FUNCTION

Risk management consists in the identification, evaluation, 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 assumed (principle of profitability);
- Maintaining a financially stable structure.

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 evaluation 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.

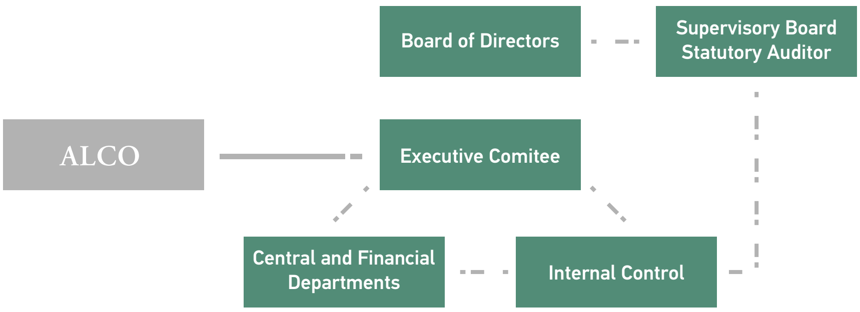
The Supervisory Committee performs functions complementary to those of Internal Control, but with a more general scope, in that they act as the Bank's Risk Committee.

The Credit Committee is currently formed by the head of the Credit Department, a Central Manager, and Risk and Financial managers. This committee is responsible for the analysis and monitoring of loans to clients, reporting their comments to the Executive Committee.

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.

Internal control is in charge of carrying out projections and scenario analyses/stress tests, the determination of which results from the interactive work between the Executive Committee and the Risk Department, with the contributions of the remaining relevant bodies with broader risk management, control and monitoring functions. Similarly, the ICAAP has material significance on internal governance as it measures the adequacy of economic capital.



It is complemented by current information, characterised by easier computing, and shows greater granularity by risk type. The models used follow the theroretical bases generally accepted in the banking industry, strengthened by the good practices recommended by national and international regulators.

2_3_MATERIAL RISKS

The following are the risks considered as material, in particular the Credit Risk, Market Risk, Operating risk, and Liquidity Risk.

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:

	31/12/2019	31/12/2018
FINANCIAL ASSETS		
Cash and net assets in central banks and other demand deposits	99 978 219	87 170 461
Financial assets at fair value through profit or loss:		
Available for sale financial assets	6 754 508	26 958 310
Non-negotiable financial assets mandatorily at fair value through profit or loss	11 080 066	8 101 664
Other financial assets at fair value through profit or loss	22 543	18 003
Financial assets at fair value through other comprehensive income	100 403 045	44 017 731
Financial assets at amortised cost	113 015 226	118 844 917
Derivatives - Hedge accounting	79 046	26 133
Other assets	6 365 591	7 466 000
	337 698 244	**292 603 219**
OTHER COMMITMENTS		
Personal/institutional guarantees		
Guarantees and commitments	12 443 424	7 498 436
Other personal guarantees provided and other contingent liabilities	6 870 883	2 841 227
Collateral (assets offered as collateral)	7 065 000	12 515 000
Irrevocable commitments	779 570	598 778
Revocable commitments	10 866 133	9 960 726
	38 025 010	**33 414 166**
MAXIMUM EXPOSURE	**375 723 254**	**326 017 385**

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;
- Unauthorised 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;
- Purchasing of credits;
- 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.

At the express request of the client, the necessary documents may be obtained to prepare the risk analysis. Before this information is sent to the Risk Department, the Director of the department in question together with the Commercial Department assesses the feasibility of the loan.

As regards the private segment, the credit risk assessment is based on an internal risk assessment model (rating model) consisting of qualitative and quantitative information.

As regards the corporate segment, credit rating is obtained directly from *Ignios*, to establish the counterparty risk level.

Cumulatively, the analysis also includes the client's management capacity, the value of the client's assets, loan guarantees, the sector framework and the integration of the operation/client in the loan portfolio (determination of the concentration risk).

Thus it is possible to calculate the impact of the operation on impairments, own funds and their requirements, and major risks.

Finally, it should be noted that 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, unlike IAS 39 whose underlying concept was that of incurred 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 valuation 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.

To estimate the ECL, the Bank considers:

- Borrower's sources of recurring revenues available to meet the scheduled payments;
- The capacity of a borrower to generate sufficient cash flows over the term of the financial instrument;
- The general leverage level of the borrower and expected changes to leverage;
- Borrowers' incentives to meet their obligations;
- Unencumbered assets;
- Reasonably possible one-off events and recurring behaviours likely to affect the borrower's capacity to meet its contractual obligations;
- Macroeconomic scenarios and other assumptions that provide the framework of the ECL);

- Timely assessments of the collateral value and analysis of factors likely to impact the future value of the collateral, taking into account that collateral value directly affect the *Loss Given Default* (LGD) estimates.

ECL is recognised at 12 months or the entire lifetime of the operation, depending on whether there was a significant increase in credit risk since initial recognition.

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.

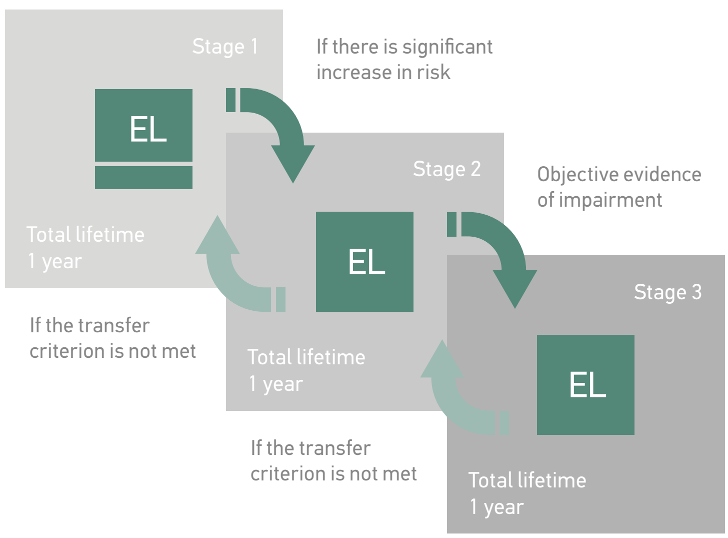
Note that the change in International Financial Reporting Standards, through the introduction of IFRS 9, implies, as aforementioned regarding the determination of impairments, the measurement of expected losses.

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

Finally, 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.

Note that IFRS 9 determines a three-stage approach to calculating expected losses:

FIGURE
THE 3 STAGES
OF THE IFRS 9



Positions are initially recognised in the first stage, which involves a twelve-month PD (probability of default), irrespective of the maturity of the operation, if greater than that period. The notable exception is that objective evidence of impairment appears when the position is introduced, in which case the position is immediately classified in the third stage, with the resulting consequences in terms of loss recognition, which we will address below.

Expected losses with a time horizon of twelve months should be recognised in the first stage. Accordingly, the Bank considers the probability of default for the next twelve months.

If the lifetime of the exposure is of less than one year, PD is adjusted (downwards) for the effective duration of the exposure, as set out in section B 5.5.43 of Annex B to the Commission Regulation (EU) 2016/2067, on the adoption of IFRS 9.

In short,

For positions with an exposure period of less than one year:[3]

$$PD\ (NR, T) = PD(NR, 12\ months) * \sqrt{(Max\ (T\ ;\ 90))/365{,}25}$$

For positions with an exposure period of more than one year,

$$PD\ (NR, T) = PD\ (NR, 12\ months)$$

Where: **NR - Risk level | T - Exposure period, in days**

On the contrary, expected losses over the residual lifetime of the instrument, PD (NR, T) should be recorded in the second and third stages, as per IFRS.

[3] The formula used contains a correction factor that establishes a minimum period of 90 days.

2_4_4_DETERMINATION OF EXPOSURES WITH LOW CREDIT

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	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 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 stage.

2_4_6_OBJECTIVE EVIDENCE OF IMPAIRMENT

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

In accordance with IFRS 9, on the third stage, 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:

- Of a group of clients whose current exposure is more than 5 % of own funds;

- Of a group of clients whose default credit exceeds 50 000€.

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. To that end, the haircuts applied previously are used as a guide:

- Regulatory volatility adjustments using the financial collateral comprehensive method as described in Regulation (EU) No 575/2013 for eligible securities;
- 30% for other securities;
- 35% for other pledges.

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. In this case, cor the corporate segment credit ratings provided by specialised companies are used, between 1 and 10, with associated one-year probabilities of default. Risk level 10 stands for the highest probability of default (PD), of 25%, and 1 to the lowest, of 0%. The Bank added a level 0 to the above levels, with a PD of 100 % for credit default.

As regards the private segment, the Bank has in place an internal model based on the knowledge of the client and its solvency situation, as well as on the maturity of the operation. For the sake of prudence, the upper threshold of the results produced by this model is risk level 5 (a PD of 0.4%).

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 Risk Department is responsible for the concentration risk management, identifying, measuring and monitoring the exposures to which the loan portfolio is subject.

All operations are analysed by the Risk Committee, who makes a recommendation as regards the operation. This recommendation is analysed by the Executive Committee, which bases its decision on the recommendation of the Credit Committee.

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" in accordance with Instruction 32/2013 of Banco de Portugal (BdP).

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 EVALUATION PROCESS AND COLLATERAL MANAGEMENT

Mortgage guarantees

Evaluation

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

Re-evaluation and review

Mortgage guarantees are re-evaluated by an expert evaluator on a two-year basis, except in situations where a more regular re-evaluation is necessary.

2_4_17_OTHER GUARANTEES

- Listed securities are evaluated mark-to-market at the reporting date;
- Non-listed securities are evaluated every year based on the last audited accounts, whenever the area fulfils the necessary conditions, according to the asset's specificities;
- Exceptionally, in special situations, the Bank may use evaluators suited to the nature of the collateral;
- Guarantees without evaluation which potentially may not be called on are regarded as equal to zero

Within the scope of IFRS 9, the recalculation of the ECL amount and disregarding the underlying collateral, the amount totals 8 932 566€ as at December 2019.

Quantitative disclosures

The information on the client loans portfolio as at 31 December 2019 and 2018 is presented below.

A1) BREAKDOWN OF EXPOSURES AND RELATED IMPAIRMENT

EXPOSURE AS AT 31/12/2019				
SEGMENT	TOTAL EXPOSURE	COMPLIANT LOANS	SETTLED	RESTRUCTURED
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
Individual	18 020 276	18 001 719		7 520 113
Non-contracted	9 145 468	1 862 002		-
Total	**105 583 320**	**98 274 299**		**16 882 912**

EXPOSURE AS AT 31/12/2018				
SEGMENT	TOTAL EXPOSURE	COMPLIANT LOANS	SETTLED	RESTRUCTURED
Construction & CRE	68 646 086	68 646 086		11 566 666
Corporate	16 803 952	16 803 952		2 580 112
Bank guarantees	7 491 436	7 491 436		49 017
Individual	16 013 860	16 013 860		200 000
Non-contracted				
Total	**108 955 334**	**108 955 334**		**14 395 795**

DEFAULTING LOANS	RESTRUCTURED	TOTAL IMPAIRMENT	COMPLIANT LOANS	DEFAULTING LOANS
		IMPAIRMENT AS AT 31/12/2019		
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	RESTRUCTURED	TOTAL IMPAIRMENT	COMPLIANT LOANS	DEFAULTING LOANS
		IMPAIRMENT AS AT 31/12/2018		
-	-	305 088	299 524	5 565
-	-	862 200	75 942	786 258
-		6 081	6 081	-
-		128 471	69 469	59 002
2 191 720	1 593 641	273 858	-	273 858
2 191 720	**1 593 641**	**1 575 698**	**451 015**	**1 124 682**

A2) BREAKDOWN OF EXPOSURES AND RELATED IMPAIRMENT

EXPOSURE AS AT 31/12/2019

		COMPLIANT LOANS DAYS IN ARREARS < 30			DEFAULTING LOANS	
SEGMENT	TOTAL EXPOSURE 31/12/2019	NO EVIDENCE	WITH EVIDENCE	SUB-TOTAL	DAYS IN ARREARS <= 90*	DAYS IN ARREARS > 90 DAYS
Construction & CRE	43 929 910	43 903 621	19 290	43 922 912	-	6 998
Corporate	22 028 857	22 028 850	7	22 028 857	-	
Bank guarantees	12 458 809	12 458 809	-	12 458 809	-	
Individual	18 020 276	17 837 688	164 032	18 001 719	-	18 557
Non-contracted	9 145 468	3 298 994	5 160 996	1 862 002	3 300 000	3 983 466
Total	**105 583 320**	**96 229 973**	**5 344 326**	**98 274 299**	**3 300 000**	**4 009 021**

* 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.

EXPOSURE AS AT 31/12/2018

		COMPLIANT LOANS DAYS IN ARREARS < 30			DEFAULTING LOANS	
SEGMENT	TOTAL EXPOSURE 31/12/2018	NO EVIDENCE	WITH EVIDENCE	SUB-TOTAL	DAYS IN ARREARS <= 90*	DAYS IN ARREARS > 90 DAYS
Construction & CRE	68 646 086	119 924	11 566 666	11 686 590	124 155	113 962
Corporate	16 803 952	2 508	2 580 112	2 582 620	2 508	
Bank guarantees	7 491 436	320	49 017	49 337	320	
Individual	16 013 860	8 044	200 000	208 044	8 044	11 873
Non-contracted	-			-	28 769	1 903 666
Total	**108 955 334**	**130 795**	**14 395 795**	**14 526 590**	**163 796**	**2 029 502**

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

IMPAIRMENT AS AT 31/12/2019

	COMPLIANT LOANS		DEFAULTING LOANS	
TOTAL IMPAIRMENT	DAYS IN ARREARS <30	DAYS IN ARREARS BETWEEN 30-90	DAYS IN ARREARS <= 90*	DAYS IN ARREARS > 90
175 813	171 778		-	4 035
137 436	137 436		-	-
9 180	9 180		-	-
176 627	116 574		-	60 054
1 103 687	20 229	275	152 786	930 399
1 602 744	**455 197**	**275**	**152 786**	**994 488**

IMPAIRMENT AS AT 31/12/2018

	COMPLIANT LOANS		DEFAULTING LOANS	
TOTAL IMPAIRMENT	DAYS IN ARREARS <30	DAYS IN ARREARS BETWEEN 30-90	DAYS IN ARREARS <= 90*	DAYS IN ARREARS > 90
305 088	119 924	4 232	124 155	113 962
862 200	2 508		2 508	-
6 081	320	-	320	-
128 471	8 044	-	8 044	11 873
273 858	16 033	12 736	28 769	1 902 089
1 575 698	**146 828**	**16 968**	**163 796**	**2 027 925**

B) BREAKDOWN OF LOAN PORTFOLIO BY SEGMENT AND YEAR OF PRODUCTION

31/12/2019

	CORPORATE			CONSTRUCTION & CRE		
YEAR OF PRODUCTION	NO. OF TRANSACTIONS	AMOUNT	IMPAIRMENT	NO. OF TRANSACTIONS	MONTANTE	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	2 500 000	10 659
2017	1	1 013 579	20 943	6	12 914 216	2 976
2018	8	6 903 308	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".

B) BREAKDOWN OF LOAN PORTFOLIO BY SEGMENT AND YEAR OF PRODUCTION

31/12/2018

	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				2	1 149 017	4 593
2014	2	847 833	2 143	1	3 500 000	60 937
2015	4	786 925	616 464	5	4 729 770	12 299
2016	7	11 134 016	35 551	8	15 308 898	106 558
2017	7	4 121 519	130 356	9	20 337 570	12 472
2018	5	3 899 499	7 916	21	26 934 848	112 205
Total	**25**	**20 789 792**	**792 430**	**46**	**71 960 103**	**309 063**

*Includes Guarantees in the segments "Corporate" and "Construction & CRE".

C1) BREAKDOWN OF GROSS LOAN EXPOSURE AND IMPAIRMENT EVALUATED SPECIFICALLY AND IN GENERAL[4], BY SEGMENT

31/12/2019

SEGMENT	CONSTRUCTION & CRE		CORPORATE	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Individual Evaluation	43 929 910	175 813	22 028 857	137 436
Total	**43 929 910**	**175 813**	**22 028 857**	**137 436**

C1) BREAKDOWN OF GROSS LOAN EXPOSURE AND IMPAIRMENT EVALUATED SPECIFICALLY AND IN GENERAL[4], BY SEGMENT

31/12/2018

SEGMENT	CONSTRUCTION & CRE		CORPORATE	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Individual Evaluation	68 646 086	305 088	16 803 952	862 200
Total	**68 646 086**	**305 088**	**16 803 952**	**862 200**

C2) BREAKDOWN OF GROSS LOAN EXPOSURE AND IMPAIRMENT EVALUATED SPECIFICALLY AND IN GENERAL[4], BY SECTOR

31/12/2019

SECTOR OF ACTIVITY	REAL ESTATE ACTIVITIES		PRIVATE	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Individual Evaluation	46 992 879	178 221	25 768 312	1 116 331
Total	**46 992 879**	**178 221**	**25 768 312**	**1 116 331**

SECTOR OF ACTIVITY	ACTIVITIES OF CORPORATE OFFICE AND MANAGEMENT CONSULTING		ELECTRICITY, GAS, STEAM, HOT AND COLD WATER AND AIR-CONDITIONING	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Individual Evaluation	3 127 182	3 058	2 982 385	-
Total	**3 127 182**	**3 058**	**2 982 385**	**-**

C2) BREAKDOWN OF GROSS LOAN EXPOSURE AND IMPAIRMENT EVALUATED SPECIFICALLY AND IN GENERAL[4], BY SECTOR

31/12/2018

SECTOR OF ACTIVITY	REAL ESTATE ACTIVITIES		PRIVATE		PROPERTY DEVELOPMENT	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Individual Evaluation	71 960 103	309 063	15 143 230	619 584	4 341 276	3 445
Total	**71 960 103**	**309 063**	**15 143 230**	**619 584**	**4 341 276**	**3 445**

GUARANTEES		INDIVIDUAL		NON-CONTRACTED		TOTAL	
EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
12 458 809	9 180	18 020 276	176 627	9 145 468	1 103 685	105 583 320	1 602 742
12 458 809	**9 180**	**18 020 276**	**176 627**	**9 145 468**	**1 103 685**	**105 583 320**	**1 602 742**

GUARANTEES		INDIVIDUAL		NON-CONTRACTED		TOTAL	
EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
7 491 436	6 081	16 013 860	128 471	2 191 720	273 858	111 147 055	1 575 698
7 491 436	**6 081**	**16 013 860**	**128 471**	**2 191 720**	**273 858**	**111 147 055**	**1 575 698**

PROPERTY DEVELOPMENT		FINANCIAL AND INSURANCE ACTIVITIES		ACCOMMODATION	
EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
12 053 326	35 125	6 263 209	-	3 513 579	29 470
12 053 326	**35 125**	**6 263 209**	**-**	**3 513 579**	**29 470**
RETAIL TRADE, EXCEPT OF MOTOR VEHICLES AND MOTORCYCLES		OTHERS		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**

ACCOMMODATION		ACTIVITIES OF CORPORATE OFFICE AND MANAGEMENT CONSULTING		ELECTRICITY, GAS, STEAM, HOT AND COLD WATER AND AIR-CONDITIONING		OTHERS		TOTAL	
EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
2 400 000	6 000	3 496 758	30 617	3 985 840	2 004	9 819 847	635 601	111 147 055	1 575 698
2 400 000	**6 000**	**3 496 758**	**30 617**	**3 985 840**	**2 004**	**9 819 847**	**635 601**	**111 147 055**	**1 575 698**

C3) BREAKDOWN OF GROSS LOAN EXPOSURE AND IMPAIRMENT EVALUATED SPECIFICALLY AND IN GENERAL[4], BY SPREAD

31/12/2019

GEOGRAPHICAL SPREAD	PORTUGAL		BELGIUM		ANGOLA	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Individual 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**

C3) BREAKDOWN OF GROSS LOAN EXPOSURE AND IMPAIRMENT EVALUATED SPECIFICALLY AND IN GENERAL[4], BY SPREAD

31/12/2018

GEOGRAPHICAL SPREAD	PORTUGAL		FRANCE	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Individual Evaluation	106 403 945	907 468	1 096 758	28 248
Total	**106 403 945**	**907 468**	**1 096 758**	**28 248**

[4] 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.

D) BREAKDOWN OF THE RESTRUCTURED LOANS PORTFOLIO BY RESTRUCTURING MEASURE APPLIED

2019

	COMPLIANT LOANS		
MEASURE	NO. OF TRANSACTIONS	EXPOSURE	IMPAIRMENT
Extension of deadline	12	16 882 912	150 439
Grace period			
Reduction of rate			

D) BREAKDOWN OF THE RESTRUCTURED LOANS PORTFOLIO BY RESTRUCTURING MEASURE APPLIED 2018

	COMPLIANT LOANS		
MEASURE	NO. OF TRANSACTIONS	EXPOSURE	IMPAIRMENT
Extension of deadline	13	14 395 795	174 101
Grace period			
Reduction of rate			

	FRANCE		SÃO TOMÉ E PRÍNCIPE		OTHERS		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**

	SPAIN		SÃO TOMÉ E PRÍNCIPE		OTHERS		TOTAL	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
	617 248	616 444	498 150	69	2 530 953	23 470	111 147 055	1 575 698
	617 248	**616 444**	**498 150**	**69**	**2 530 953**	**23 470**	**111 147 055**	**1 575 698**

	DEFAULTING LOANS			TOTAL		
	NO. OF TRANSACTIONS	IMPAIRMENT	IMPAIRMENT	NO. OF TRANSACTIONS	EXPOSURE	IMPAIRMENT
	6	6 566 864	379 803	18	23 449 776	530 242

	DEFAULTING LOANS			TOTAL		
	NO. OF TRANSACTIONS	EXPOSURE	IMPAIRMENT	NO. OF TRANSACTIONS	EXPOSURE	IMPAIRMENT
	2	1 593 641	31 571	15	15 989 436	205 672

E) INWARD AND OUTWARD FLOWS IN THE RESTRUCTURED LOAN PORTFOLIO

	31/12/2019	31/12/2018
Opening balance of the restructured loan portfolio (gross of impairment)	**15 989 436**	**16 286 429**
Restructured loans in the period	-	-
Interest accrued on the restructured portfolio	-	-
Payment of restructured loans (partial or total)	-	-
Loans reclassified from “restructured” to “normal”	-	-
Other	7 460 340	(296 993)
Closing balance of the restructured loan portfolio (gross of impairment)	**23 449 776**	**15 989 436**

F) BREAKDOWN OF THE FAIR VALUE OF COLLATERAL UNDERLYING THE LOAN PORTFOLIO OF THE CORPORATE, CONSTRUCTION & CRE AND HOUSING SEGMENTS

31/12/2019

	CONSTRUCTION & CRE			
	BUILDINGS		OTHER REAL COLLATERAL*	
FAIR VALUE VALOR	NUMBER	AMOUNT	NUMBER	AMOUNT
<0.5M€	4	1 331 000	5	3 604 284
>=0.5M€ and <1M€	6	4 661 000	3	1 875 500
>=1M€ and <5M€	12	30 750 800	9	16 413 324
>=5M€ and <10M€	8	55 165 261	7	36 807 054
>=10M€ and <20M€	2	24 474 892	1	7 850 501
>=20M and <50M€				
>=50M				
Total	**32**	**116 382 953**	**25**	**66 550 662**

F) BREAKDOWN OF THE FAIR VALUE OF COLLATERAL UNDERLYING THE LOAN PORTFOLIO OF THE CORPORATE, CONSTRUCTION & CRE AND HOUSING SEGMENTS

31/12/2018

	CONSTRUCTION & CRE			
	BUILDINGS		OTHER REAL COLLATERAL*	
FAIR VALUE	NUMBER	AMOUNT	NUMBER	AMOUNT
<0.5M€	34	8 493 200	15	29 120 794
>=0.5M€ and <1M€	7	5 611 000	3	650 452
>=1M€ and <5M€	4	8 393 000	1	199 190
>=5M€ and <10M€	4	27 416 000	4	1 018 350
>=10M€ e <20M€				
>=20M and <50M€				
>=50M				
Total	**49**	**49 913 200**	**23**	**30 988 787**

*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
	48	10 609 300	14	7 540 684
	19	11 855 000	5	202 994
	11	17 341 000	8	737 653
	1	5 217 000		
	79	**45 022 300**	**27**	**8 481 331**

G) LTV RATIO OF SEGMENTS

31/12/2019

SEGMENT / RATIO	COMPLIANT LOANS	NON-COMPLIANT LOANS	IMPAIRMENT
Individual			
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**

G) LTV RATIO OF SEGMENTS

31/12/2018

SEGMENT / RATIO	COMPLIANT LOANS	NON-COMPLIANT LOANS	IMPAIRMENT
Individual			
With no associated collateral	292 548	1 180	8 516
<60%	12 469 513	0	20 435
>=60% and <80%	2 195 463	0	83 167
>=80% and <100%	710 678	0	5 706
>=100%	345 658	10 694	82 422
Construction & CRE			
With no associated collateral	7 130 956	0	72 069
<60%	45 572 553	113 962	142 862
>=60% and <80%	10 250 000	0	86 678
>=80% and <100%	692 577		2 065
>=100%	5 000 000		1 414
Corporate			
With no associated collateral	535 595	0	20 016
<60%	10 903 383	0	18 966
>=60% and <80%	3 719 150	0	31 722
>=80% and <100%			
>=100%	1 645 824	0	719 722
Non-contractualised		**2 065 885**	**273 858**
With no associated collateral			
<60%			
>=60% and <80%			
>=80% and <100%			
>=100%			
Guarantees			
With no associated collateral	34 678		76
<60%	2 504 585	0	877
>=60% and <80%	891 333	0	2 958
>=80% and <100%			
>=100%	4 060 840	0	2 170
Total	**108 955 334**	**2 193 298**	**1 575 698**

H) BREAKDOWN OF THE FAIR VALUE AND NET BOOK VALUE OF PROPERTY RECEIVED AS PAYMENT IN KIND, BY TYPE OF ASSET AND SENIORITY

31/12/2019

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

31/12/2019

SEGMENT	LOW RISK DEGREE		
	1	2	3
Construction & CRE			
Corporate			
Individual		1 475 947	
Bank guarantees			
Total		**1 475 947**	

*Does not include the category "Non-contractualised".

I) BREAKDOWN OF THE LOAN PORTFOLIO BY INTERNAL RISK DEGREE

31/12/2018

SEGMENT	LOW RISK DEGREE		
	1	2	3
Construction & CRE	150 000	0	5 750 000
Corporate	178 576	850 000	60 938
Individual	48 500	0	2 642 075
Bank guarantees	0	0	0
Total	**377 076**	**850 000**	**8 453 012**

*Does not include the category "Non-contractualised".

J) DISCLOSURE OF RISK PARAMETERS ASSOCIATED WITH THE IMPAIRMENT MODEL BY SEGMENT

2019

	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%
Individual	1%	0%	0%	0%
Bank guarantees	7%	0%	0%	4%
Non-Contractualised	1%	0%	0%	58%

H) BREAKDOWN OF THE FAIR VALUE AND NET BOOK VALUE OF PROPERTY RECEIVED AS PAYMENT IN KIND, BY TYPE OF ASSET AND SENIORITY

31/12/2018

ASSET	NO. OF PROPERTIES	ASSET FAIR VALUE	BOOK VALUE
Land			
Urban	1	112 000	85 000
Total	**1**	**112 000**	**85 000**

MEDIUM RISK DEGREE				HIGH RISK DEGREE			TOTAL
4	5	6	7	8	9	10	
5 850 000	8 869 867	5 183 814	1 275 000	8 718 431	6 006 509	8 000 000	43 903 621
42 188	2 000 000	0	3 885 559	10 335 973	590 000	5 175 131	22 028 850
943 250	28 403	3 533 392	285 000	499 911	7 325 113	3 746 671	17 837 688
	427 048	2 960 000	1 887 151	799 017	0	6 363 209	12 436 424
6 835 437	**11 325 318**	**11 677 206**	**7 332 709**	**20 353 332**	**13 921 622**	**23 285 011**	**96 206 583**

MEDIUM RISK DEGREE			HIGH RISK DEGREE			TOTAL
4	5	6	7	8	9	
17 837 019	20 061 343	4 284 590	4 670 000	2 306 924	13 586 212	68 646 086
432 500	297 833	4 889 869	5 545 240	2 580 112	1 968 884	16 803 952
8 515 191	3 553 603	150 000	0	0	1 104 491	16 013 860
50 245	4 034 857	2 515 000	0	750 000	141 333	7 491 436
26 834 955	**27 947 637**	**11 839 458**	**10 215 240**	**5 637 036**	**16 800 920**	**108 955 334**

J) DISCLOSURE OF RISK PARAMETERS ASSOCIATED WITH THE IMPAIRMENT MODEL BY SEGMENT

2018

	PD(%)			
SEGMENTS	< 30 DAYS WITH NO EVIDENCE	< 30 DAYS WITH EVIDENCE	BETWEEN 30-90 DAYS	LGD (%)
Construction & CRE	8%	0%	0%	7%
Corporate	0%	0%	0%	0%
Individual	0%	0%	0%	0%
Bank guarantees	1%	0%	0%	1%
Non-Contractualised	1%	1%	1%	121%

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 backoffice 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:

	2019	2018
VaR Carteira Negociação	531 386	991 753

Interest rate risk

Interest rate risk is part of market risk analysis and relates to the balance sheet items that are not part of 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 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.

Exchange risk

Exchange risk is the likelihood of negative impacts affecting the results or the Bank's equity, arising from currency fluctuation against the euro. 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, in December 2019 and 2018 the exchange risk was residual, as shown in the table below:

CURRENCY	2019	2018
PLN	12 €	10 €
NOK	65 397 €	23 424 €
SEK	12 992 €	48 004 €
JPY	1 349 €	10 433 €
DKK	7 679 €	9 674 €
NZD	19 771 €	19 304 €
CAD	68 030 €	12 385 €
RUB	51 €	45 €
GBP	104 274 €	27 887 €
USD	276 967 €	685 691 €
HKD	2 601 €	2 537 €
AUD	50 547 €	63 459 €
BRL	2 297 €	1 413 €
CHF	212 195 €	208 620 €
ZAR	91 €	345 €
Total	**824 253**	**1 113 231**

2_6_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 also chosen to invest strongly in computerisation. 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 operating 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.

OPERATING 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.

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.

OPERATING RISK | Compliance and Legal

- Laws and Regulations
- Codes of Conduct
- Transparency
- BC/FT

RISK LEVELS	RELEVANT FACTORS
Compliance with laws and regulations	• Compliance with disciplinary norms of 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 practices; • 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.

2_10_CREDIT CONCENTRATION RISK

Credit risk is the probability of negative impacts affecting the results or equity due to the inability of a counterparty to meet its financial commitments with the institution. Credit risk is found mainly in credit exposures (including securities), 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 table below shows the distribution of net assets by geographical spread, in particular the risk concentration by country:

COUNTRY	NET VALUE.	NET VALUE (%)
Portugal	204 983 031 €	61.76%
France	23 784 050 €	7.17%
Denmark	10 376 369 €	3.13%
Greece	10 033 363 €	3.02%
Italy	9 251 696 €	2.79%
The Netherlands	8 758 942 €	2.64%
Spain	8 230 387 €	2.48%
Germany	6 972 257 €	2.10%
Brazil	6 675 075 €	2.01%
Luxembourg	6 528 476 €	1.97%
Mexico	6 190 075 €	1.87%
United Kingdom	5 054 346 €	1.52%
Hong Kong	3 889 796 €	1.17%
Macedonia	3 142 447 €	0.95%
Ireland	3 095 278 €	0.93%
Turkey	3 077 541 €	0.93%
U.S.A.	2 435 730 €	0.73%
People's Republic of China	2 255 337 €	0.68%
Cayman Islands	2 022 769 €	0.61%
Colombia	2 001 375 €	0.60%
Russian Federation	1 968 677 €	0.59%
Angola	1 169 582 €	0.35%
Total	**331 896 599 €**	**100%**

The 20 economic groups that characterise the Bank's assets do not exceed, individually, 4.3% of asset exposure, 1.2% being the lower limit, and represent 37.9% of the total asset exposure.

2_11_EQUITY MANAGEMENT

With respect to equity 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

Equity 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

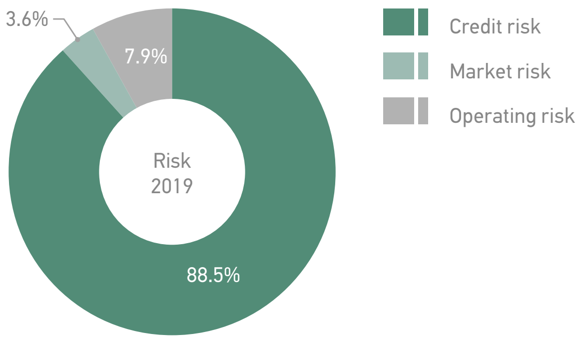
The ICAAP is an essential tool in the definition of the Bank's strategy, enabling the follow-up and monitoring of the consequences of its execution. This process enables the regular analysis of risk appetite and compares it with the defined appetite and the availability of economic capital. The ICAAP 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 (DR) 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.

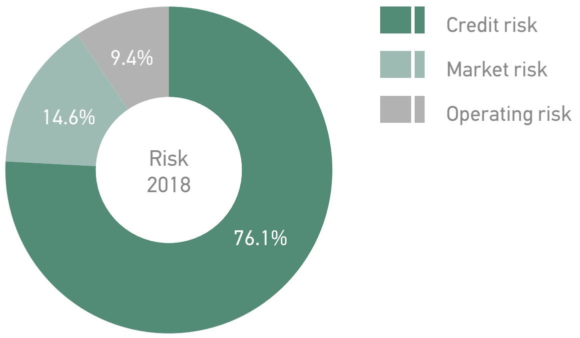
Regulatory Capital

On the prudential side, regulatory capital requirements are associated to credit, market and operating 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 2019.



RISK TYPES	OWN FUNDS REQUIREMENTS	RISK WEIGHTED ASSETS
Credit risk	16.141.625 €	201.770.318 €
Market risk	650.777 €	8.134.713 €
Operating risk	1.438.211 €	17.977.636 €
Total	**18.230.613 €**	**227.882.667 €**

Below are the risk weighted assets (RWA) as at December 2018 and corresponding own funds requirements for the various types of regulatory risks:



RISK TYPES	OWN FUNDS REQUIREMENTS	RISK WEIGHTED ASSETS
Credit risk	12.736.954 €	159.211.924 €
Market risk	2.437.874 €	30.473.419 €
Operating risk	1.568.822 €	19.610.279 €
Total	**16.743.650 €**	**209.295.621 €**

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;
- **Operating 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 2019 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;

- 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;

- Net result for the financial year: net profit for the year in progress and for the previous year; if they are positive, only after the legal certification of accounts (if negative, they are to be immediately included in the calculation). As at the date when the ICAAP was performed the positive net profit for 2018 was not yet certified, it was not included in the calculation of own funds at that date.

- Deductions made to own funds consist of:

    - Intangible assets: amounts of intangible assets, in particular costs related to the development of brands and data processing systems.

    - The transitional provisions defined in the CRR are also considered:

    - Additional filters resulting from the 20% deduction arising from clients' deposits with a rate above the threshold defined by Banco de Portugal, in accordance with Instruction 28/2011 or Instruction 15/2012, depending on their composition, as at 31/12/2013.

ELEMENTS	VALUE
Paid-in capital	20 000 000 €
Issue premiums	369 257 €
Retained earnings	2 006 275 €
Certified results June 2019	1 625 190 €
Non-certified results	0 €
Other reserves	13 931 898 €
Reserve gains	307 806 €
Reserve losses	(495 791 €)
CET 1 adjustments	(108 218 €)
Other intangible assets	(877 522 €)
Projected Own Funds Dec 2019	**36 758 895 €**
Risk-weighted assets	227 882 664
CET 1 Ratio	**16.13%**
Total Own Funds Ratio	**16.13%**

Capital Indicators

As at 31 December 2019, risk-weighted assets amounted to 227.9M€, setting capital requirements of 18.3M€ - comfortably hedged by own funds in the amount of 36.8M€.

As such, on that date the Bank showed a Tier 1 own funds ratio that tallied with the total own funds ratio at 16.13%.

In addition, the gearing ratio stood at 10.92%.

The absolutely extraordinary recent events related to the COVID-19 pandemic have impacted on the Bank, namely on own funds and solvency ratio. This situation is now normalised, with the solvency ratio at appropriate levels in relation to the minimum required.

3_NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated balance sheet and statement of profit and loss accounts are compared as at 31 December 2019 and 31 December 2018, in compliance with the International Financial Reporting Standards, and consist of the following headings:

3_1_CASH AND NET ASSETS IN CENTRAL BANKS AND OTHER DEMAND DEPOSITS

This group is broken down as follows for comparable reporting periods:

NOTE 1

	31/12/2019	31/12/2018
Cash	136 183	116 291
Net assets on demand with Banco de Portugal	53 495 169	39 837 611
Demand deposits in monetary institutions		
Residents	19 658 781	21 225 133
Non-residents	26 688 086	25 991 426
	99 978 219	**87 170 461**

Demand deposits with Banco de Portugal include interest-earning deposits for meeting the legal requirements on minimum cash availability.

3_2_1_ FINANCIAL ASSETS AVAILABLE FOR TRADING

This group is broken down as follows for comparable reporting periods:

NOTE 2.1

	31/12/2019	31/12/2018
Trading securities		
Securities	6 495 821	26 821 882
Derivative instruments with a positive fair value	258 687	136 428
	6 754 508	**26 958 310**

This portfolio dropped by 75% 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.

As at 31 December 2019, this heading is broken down as follows:

FINANCIAL ASSETS AVAILABLE FOR TRADING

NATURE AND TYPE OF SECURITIES	AQUISITION VALUE	BALANCE SHEET VALUE	CAPITAL		IMPAIRMENT
		FAIR VALUE	GAINS	LOSSES	
Debt Instruments					
Issued by residents Of Portuguese public debt					
Treasury bonds	182 180	186 429	4 249	0	-
Of other resident issuers					
Non-subordinated debt	2 185 270	2 206 518	21 248	0	-
Subordinated debt	847 996	907 876	59 880	0	-
Issued by non-residents Of other foreign public issuers					
Non-subordinated debt	0	0	0	0	-
Of other non-resident issuers					
Non-subordinated debt	1 764 055	1 755 912	0	8 143	-
Subordinated debt	572 093	572 763	820	150	-
	5 551 594	**5 629 497**	**86 196**	**8 293**	**-**
Equity Instruments					
EIssued by residents Of other resident issuers					
Shares	0	0	0	0	-
Issued by non-residents Of other non-resident issuers					
Shares	0	1 304	1 304	0	-
Investment units	0	0	0	0	-
	0	**1 304**	**1 304**	**0**	**-**
Others					
Issued by residents Of other resident issuers					
Other	20 000	19 190	0	810	-
Issued by non-residents Of other non-resident issuers					
Structured products	804 123	845 830	41 832	125	-
	824 123	**865 019**	**41 832**	**935**	**-**
Derivative Instruments with a positive fair value					
Other					
Unrealised gains from Options	-	0	-	-	-
Unrealized gains from CFDs over currency	-	258 687	-	-	-
	-	**258 687**	**-**	**-**	**-**
Total	**6 375 717**	**6 754 508**	**129 332**	**9 228**	**-**

As at 31 December 2018, this heading is broken down as follows:

FINANCIAL ASSETS HELD FOR TRADING

NATURE AND TYPE OF SECURITIES	ACQUISITION VALUE	BALANCE SHEET VALUE	CAPITAL		IMPAIRMENT
		FAIR VALUE	GAINS	LOSSES	
Debt Instruments					
Issued by residents Of Portuguese public debt					
Treasury bonds	461 610	452 614	1 009	10 005	-
Of other resident issuers					
Non-subordinated debt	8 543 241	8 567 990	28 180	3 431	-
Subordinated debt	428 000	422 438	3 568	9 130	-
Issued by non-residents Of other foreign public issuers					
Non-subordinated debt	1 954 950	1 999 260	44 310		-
Of other non-resident issuers					
Non-subordinated debt	13 586 851	13 192 718	2 434	396 566	-
Subordinated debt	956 425	928 043	-	28 382	-
	25 931 077	**25 563 062**	**79 500**	**447 514**	**-**
Equity Instruments					
Issued by residents Of other resident issuers					
Shares	1 689	2 616	927		-
Issued by non-residents Of other non-resident issuers					
Shares	74 624	66 127	7 227	15 724	-
Investment units	2 468	2 166	4	305	-
	78 781	**70 910**	**8 158**	**16 030**	**-**
Others					
Issued by residents Of other resident issuers					
Other	20 000	20 000	-	-	-
Issued by non-residents Of other non-resident issuers					
Structured products	1 271 295	1 167 910	568	103 952	-
	1 291 295	**1 187 910**	**568**	**103 952**	**-**
Derivative Instruments with a positive fair value					
Other					
Unrealised gains from Options	-	756	-	-	-
Unrealized gains from CFDs over currency	-	135 671	-	-	-
	-	**136 428**	**-**	**-**	**-**
Total	**27 301 153**	**26 958 310**	**88 226**	**567 496**	**-**

In 2018, the Retail Properties fund and the Arquimedes fund were transferred from the class of Assets Held for Trading to the class of Assets not held for trading mandatorily at fair value through profit or loss.

3_2_2_FINANCIAL ASSETS NOT HELD FOR TRADING MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

This group is broken down as follows for comparable reporting periods:

NOTE 2.2

	31/12/2019	31/12/2018
Non-negotiable financial assets mandatorily at fair value through profit or loss	11 080 066	8 101 664
	11 080 066	8 101 664

This class of assets increased by 36.8% in 2019, as a result of the acquisition of investment units in the Conforto Funds – FEIFF and Iberis Bluetech.

3_2_3_OTHER FINANCIAL ASSETS

This group is broken down as follows for comparable reporting periods:

NOTE 2.3

	31/12/2019	31/12/2018
Other securities		0
Issued by residents	22 543	18 003
	22 543	18 003

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

This group is broken down as follows for comparable reporting periods:

NOTE 3

	31/12/2019	31/12/2018
Issued by residents		
Debt instruments	7 965 002	2 722 816
Equity instruments	701 228	639 549
	8 666 230	3 362 365
Issued by non-residents		
Debt instruments	91 736 816	40 655 366
	91 736 816	40 655 366
Total	100 403 045	44 017 731

This portfolio grew by 128% compared to the previous financial year and results from purchases arising from favourable market opportunities, the breakdown of which is shown in the table below.

As at 31 December 2019, this heading is broken down as follows:

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

NATURE AND TYPE OF SECURITIES	ACQUISITION VALUE	BALANCE SHEET VALUE	CAPITAL		IMPAIRMENT RECOGNISED IN ASSET	IMPAIRMENT RECOGNISED IN RESERVES
		FAIR VALUE	GAINS	LOSSES		
Debt Instruments						
Issued by residents Of Portuguese public debt						
Treasury bonds	1 682 196	1 734 975	53 284	504	-	1 578
Of other resident issuers						
Non-subordinated debt	6 239 713	6 230 026	5 906	15 593	-	84 946
Issued by non-residents Of other foreign public issuers						
Non-subordinated debt	11 912 979	11 944 989	33 142	1 132	-	113 159
Of other non-resident issuers						
Non-subordinated debt	79 672 468	79 791 827	282 247	162 888	5 825	368 910
	99 507 356	**99 701 817**	**374 579**	**180 118**	**5 825**	**568 593**
Equity Instruments						
Issued by residents Of other resident issuers						
Shares	701 228	701 228	0	0	81 272	-
	701 228	**701 228**	**0**	**0**	**81 272**	**0**
Total	**100 208 584**	**100 403 045**	**374 579**	**180 118**	**87 097**	**568 593**

As at 31 December 2018, this heading is broken down as follows:

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

NATURE AND TYPE OF SECURITIES	ACQUISITION VALUE	BALANCE SHEET VALUE	CAPITAL		IMPAIRMENT RECOGNISED IN ASSET	IMPAIRMENT RECOGNISED IN RESERVES
		FAIR VALUE	GAINS	LOSSES		
Debt Instruments						
Issued by residents Of Portuguese public debt						
Treasury bonds	1 637 126	1 689 756	52 631	-	-	1 521
Of other resident issuers						
Non-subordinated debt	1 051 320	1 033 060	-	18 260	-	455
Issued by non-residents Of other foreign public issuers						
Non-subordinated debt	8 324 721	8 212 455	2 239	114 505	-	80 537
Of other non-resident issuers						
Non-subordinated debt	32 941 854	32 442 911	2 170	501 113	-	171 697
	43 955 021	**43 378 182**	**57 039**	**633 878**	**-**	**254 209**
Equity Instruments						
Issued by residents Of other resident issuers						
Shares	705 000	639 549	-	-	65 451	-
	705 000	**639 549**	**-**	**-**	**65 451**	**-**
Total	**44 660 021**	**44 017 731**	**57 039**	**633 878**	**65 451**	**254 209**

The changes occurred in impairment losses of the financial assets portfolio at fair value through comprehensive income as presented as follows:

	31/12/2019	31/12/2018
Balance on 1 January	**319 660**	**1 276 693**
Adjustment transition IFRS 9		160 411
Appropriation	1 125 233	320 327
Reversal	(794 140)	(155 423)
Utilisation		(1 297 740)
Exchange and other differences	4 937	15 392
Balance on 31 December	**655 690**	**319 660**
reflected in assets	**87 097**	**65 451**
reflected in other comprehensive income	**568 592**	**254 209**

3_4_FINANCIAL ASSETS AT AMORTISED COST

This group is broken down as follows for comparable reporting periods:

NOTE 4

	31/12/2019	31/12/2018
Assets		
Other availabilities	21 370	9 901
Investments in credit institutions	500 000	611 400
Investments held to maturity	983 969	2 930 724
Debtors and other investments	20 078 564	13 547 325
Loans to clients	91 431 324	101 901 308
	113 015 226	**119 000 658**

The changes in impairment losses of debtors and other investments are presented as follows:

	31/12/2019	31/12/2018
Balance on 1 January	**199 975**	**549 975**
Appropriation	43 863	
Reversal		(350 000)
Utilisation		
Exchange and other differences		
Balance on 1 December	**243 838**	**199 975**

With the entry into force of IFRS9, as of 01.01.2018 the Bank calculates impairments to the Investments held to maturity portfolio. On 31.12.2019, the breakdown is as follows:

As at 31 December 2019, this heading is broken down as follows:

FINANCIAL ASSETS AT AMORTISED COST

NATURE AND TYPE OF SECURITIES	PAR VALUE	ACQUISITION 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**

As at 31 December 2018, this heading is broken down as follows:

FINANCIAL ASSETS AT AMORTISED COST

NATURE AND TYPE OF SECURITIES	PAR VALUE	ACQUISITION VALUE	EFFECTIVE RATE	BALANCE SHEET VALUE AMORTISED COST	IMPAIRMENT RECOGNISED IN ASSET
Debt Instruments					
Issued by residents Of other resident issuers					
Non-subordinated debt					
TRAFIG 5,00 04/20	1 000 000	915 000	7.47%	969 101	8 372
BNDES 3,625 01/19	2 000 000	1 910 000	5.37%	1 997 544	27 549
Total	**3 000 000**	**2 825 000**		**2 966 645**	**35 921**

The changes occurred in impairment losses of the Investments held to maturity portfolio are presented as follows:

	31/12/2019	31/12/2018
Balance on 1 January	**35 921**	
Adjustment transition IFRS 9	0	118 988
Appropriation	735	3 302
Reversal	(28 691)	(85 924)
Utilisation		
Exchange and other differences		(445)
Balance on 1 December	**7 965**	**35 921**

3_4_1_LOANS TO CLIENTS

This group is broken down as follows for comparable reporting periods:

NOTE 4.1

	31/12/2019	31/12/2018
Domestic loans		
Loans	45 339 613	40 909 701
Current account loans	38 751 286	58 342 041
Foreign loans		
Loans	1 013 579	1 096 758
Current account loans	1 965 681	1 115 398
Overdue loans and interest	4 032 398	2 044 899
Income receivable		
Shareholder loan	2 044 326	146 822
Revenue with deferred income	(170 629)	(201 518)
	92 976 254	**103 454 102**
Provisions/Impairments for Overdue loans and interest	(1 544 930)	(1 552 794)
	91 431 324	**101 901 308**

In 2019, the loan portfolio decreased by 10%, 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. Moreover, impairments in 2019 are constituted in conformity with IFRS 9.

The changes in impairment losses of the loan portfolio for sale are presented as follows:

	31/12/2019	31/12/2018
Balance on 1 January	**1 552 795**	**1 467 082**
Adjustment transition IFRS 9		(413 296)
Appropriation	1 012 762	1 674 639
Reversal	(919 793)	(1 176 754)
Utilisation	(100 639)	
Exchange and other differences	(194)	1 123
Balance on 1 December	**1 544 930**	**1 552 795**

3_5_DERIVATIVES – HEDGE ACCOUNTING

This group is broken down as follows for comparable reporting periods:

NOTE 5

	31/12/2019	31/12/2018
Hedging derivatives		
Positive fair value - cash flow hedging	79 046	26 133
	79 046	**26 133**

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 valuation 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 2018 and 2019, 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 revaluation reserves at fair value.

3_6_OTHER PROPERTY, PLANT AND EQUIPMENT

This group is broken down as follows for comparable reporting periods:

NOTE 6

	31/12/2019	31/12/2018
Other Property, plant and equipment		
Own buildings	7 149 527	6 875 172
Right-of-use buildings	370 877	0
Equipment	7 385 171	7 075 132
Financial lease assets	0	63 705
Property, plant and equipment in progress	0	222 524
	14 905 575	**14 236 533**
Accrued amortisations		
Buildings	(420 976)	(298 872)
Right-of-use buildings	(92 719)	0
Equipment	(5 802 462)	(5 512 996)
Financial lease assets	0	(8 122)
	(6 316 157)	(5 819 991)
	8 589 418	**8 416 542**

In terms of investment, there was a positive year-on-year variation in Property, plant and equipment in progress as a result of the conclusion of works at the Latino Coelho facilities (Lisbon) and Avenida da Boavista (Porto). The increase in equipment is due to the purchase of furniture, IT equipment and the renewal of the car fleet in 2019.

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:

Right-of-use asset	
Value recognised on 1 January	370 877
Amortisations	(92 719)
Balance on 31 December	**278 157**

Lease liability	
Value recognised on 1 January	370 877
Instalments paid	(92 163)
Balance on 31 December	**278 713**
Interest on lease liability	**1 314**

3_7_INTANGIBLE ASSETS

Changes in other intangible assets are shown in the following note:

This group is broken down as follows for comparable reporting periods:

NOTE 7

	31/12/2019	31/12/2018
Other intangible assets		
Goodwill	4 984	5 184
Automatic data processing system (software)	3 391 897	2 600 702
Intangible assets in progress	67 053	365 017
Other	340 144	272 187
	3 804 079	**3 243 090**
Accrued amortisations		
Automatic data processing system (software)	(2 599 373)	(2 483 342)
Other	(275 120)	(263 125)
	(2 874 494)	(2 746 467)
	929 586	**496 624**

The heading Intangible assets in progress dropped (297 964€) following the completion of most of the ongoing IT development projects, with the exception of the FundManager project, as shown in the table below:

PROJECT	31/12/2019	31/12/2018
Biometric project	-	20 894
CRC project	-	200 326
AML project	-	65 053
Biometrics project	-	41 684
FundManager project	67 053	37 061
	67 053	**365 018**

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS AS AT 31 DECEMBER 2019

(CONSOLIDATED)

ACCOUNTS	ON 31/12/2018 GROSS VALUE	ACCRUED AMORTISATIONS	INCREASES DUE TO ACQUISITIONS	DEPRECIATION	WRITE-OFFS (NET)
Other Intangible Assets					
Goodwill	5 184	0	0	0	(200)
Data processing systems (software)	2 542 092	(2 425 695)	497 813	(173 678)	0
Other intangible assets	272 187	(263 125)	5 380	(11 996)	0
Intangible assets in progress	365 017	0	116 607	0	0
	3 184 480	(2 688 819)	619 799	(185 674)	(200)
Other Tangible Assets					
Property	6 875 172	(298 872)	0	(113 981)	0
Equipment	6 841 003	(5 335 657)	741 056	(701 347)	(4 617)
Financial lease assets	63 705	(8 122)	0	0	0
Rights of use – IFRS 16	0	0	0	0	0
Property, plant and equipment in progress	222 524	0	30 396	0	0
	14 002 404	(5 642 652)	771 452	(815 328)	(4 617)
Total	**17 186 884**	**(8 331 471)**	**1 391 251**	**(1 001 003)**	**(4 816)**

The Certified Accountant

TRANSF.	SETTLEMENTS GROSS VALUE	SETTLEMENTS DEPRECIATION	SETTLEMENTS ACCRUED AMORTISATIONS	ADJUSTED ACQUISITION VALUE	ADJUSTED DEPRECIATION	ADJUSTED ACCRUED AMORTISATIONS	NET VALUE ON 31/12/2019
	0	0	0	5 184	0	0	4 984
351 993	0	0	0	3 391 897	(173 678)	(2 425 695)	792 524
62 578	0	0	0	340 144	(11 996)	(263 125)	65 024
(414 571)	0	0	0	67 053	0	0	67 053
0	0	0	0	3 804 279	(185 674)	(2 688 819)	929 586
274 355	0	0	(8 122)	7 149 527	(113 981)	(306 995)	6 728 551
42 270	0	0	0	7 624 330	(701 347)	(5 335 657)	1 582 709
(63 705)	0	0	8 122	0	0	0	0
0	370 877	(92 719)	0	370 877	(92 719)	0	278 158
(252 920)	0	0	0	0	0	0	0
0	370 877	(92 719)	0	15 144 734	(908 048)	(5 642 652)	8 589 418
0	**370 877**	**(92 719)**	**0**	**18 949 013**	**(1 093 722)**	**(8 331 471)**	**9 519 004**

The Board of Directors

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS AS AT 31 DECEMBER 2018

(CONSOLIDATED)

ACCOUNTS	ON 31/12/2017 GROSS VALUE	ON 31/12/2017 ACCRUED AMORTISATIONS	INCREASES DUE TO ACQUISITIONS	DEPRECIATION	WRITE-OFFS (NET)
Other Intangible Assets					
Goodwill	200	0	4 984	0	0
Data processing systems (software)	2 472 701	(2 405 439)	128 002	(77 903)	0
Other intangible assets	272 187	(249 402)	0	(13 723)	0
Intangible assets in progress	0	0	365 017	0	0
	2 745 087	(2 654 841)	498 003	(91 625)	0
Other Tangible Assets					
Property	6 875 172	(188 870)	0	(110 002)	0
Equipment	6 785 027	(5 075 402)	515 904	(648 907)	(14 487)
Financial lease assets	63 705	(7 167)	0	(956)	0
Property, plant and equipment in progress	82 602	0	139 922	0	0
	13 806 507	(5 271 439)	655 826	(759 865)	(14 487)
Total	**16 551 594**	**(7 926 280)**	**1 153 829**	**(851 490)**	**(14 487)**

The Certified Accountant

	SETTLEMENTS						
TRANSF.	GROSS VALUE	DEPRECIATION	ACCRUED AMORTISATIONS	ADJUSTED ACQUISITION VALUE	ADJUSTED DEPRECIATION	ADJUSTED ACCRUED AMORTISATIONS	NET VALUE ON 31/12/2018
0	0	0	0	5 184	0	0	5 184
0	0	0	0	2 600 702	(77 903)	(2 405 439)	117 360
0	0	0	0	272 187	(13 723)	(249 402)	9 062
0	0	0	0	365 017	0	0	365 017
0	0	0	0	3 243 090	(91 625)	(2 654 841)	496 624
0	0	0	0	6 875 172	(110 002)	(188 870)	6 576 299
0	0	0	0	7 300 932	(648 907)	(5 075 402)	1 562 136
0	0	0	0	63 705	(956)	(7 167)	55 583
0	0	0	0	222 524	0	0	222 524
0	0	0	0	14 462 333	(759 865)	(5 271 439)	8 416 542
0	**0**	**0**	**0**	**17 705 423**	**(851 490)**	**(7 926 280)**	**8 913 166**

The Board of Directors

3_8_INVESTMENTS IN ASSOCIATED AND SUBSIDIARY COMPANIES EXCLUDED FROM CONSOLIDATION

This group is broken down as follows for comparable reporting periods:

NOTE 8

	31/12/2019	31/12/2018
Accounted for by the equity method – in the country		
In the country		
Coollink - Serviços de Informática e Consultadoria, Lda.	41 021	0
	41 021	**0**

In 2019, Banco L. J. Carregosa, S.A. reduced its stake in Sociedade Coollink – Serviços de Informática e Consultadoria, Lda. to 25%, which is now recorded by the equity method.

3_9_CURRENT TAX ASSETS

This group is broken down as follows for comparable reporting periods:

NOTE 9

	31/12/2019	31/12/2018
Current tax assets		
Other	0	106 791
	0	**106 791**
Deferred tax assets		
Temporary differences		
Property, plant and equipment	7 583	12 870
Other	183 974	273 446
	191 557	**286 316**
	191 557	**393 108**

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

This group is broken down as follows for comparable reporting periods:

NOTE 10

	31/12/2019	31/12/2018
Income receivable from client loan interest	308 003	349 778
Other assets	3 506 640	3 466 000
Other interest and similar income		
Of investments		
In the country - in other credit institutions	128	788
Of Investments held to maturity		
Of non-residents	33 880	102 972
Of fixed income issued by residents		
Of Portuguese public debt	10 965	17 380
Of other residents	41 952	112 229
Other Income receivable		
Other obligations	1 095 567	641 889
Commissions for services rendered	15 578	29 081
Costs with deferred charges		
Insurance	117 300	101 539
Other rents	0	7 840
Other costs with deferred charges	360 548	420 459
Other regularisation accounts	875 030	2 060 302
	6 365 591	**7 310 259**

"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 CLASSIFIED AS HELD FOR SALE

This group is broken down as follows for comparable reporting periods:

NOTE 11

	31/12/2019	31/12/2018
Non-current asset classified 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.

3_12_FINANCIAL LIABILITIES HELD FOR TRADING

This group is broken down as follows for comparable reporting periods:

NOTE 12

	31/12/2019	31/12/2018
Derivative instruments at negative fair value	52.905	9.798
	52.905	9.798

3_13_FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

This group is broken down as follows for comparable reporting periods:

NOTE 13

	31/12/2019	31/12/2018
Loans and deposits from domestic credit institutions		
Deposits	17 809 378	19 885 213
Loans	412 025	712 734
Other deposits	3 346	286
	18 224 749	20 598 234
Loans and deposits in foreign credit institutions		
Deposits	905 285	236 133
Loans	971 497	2 070
	1 876 782	238 203
Charges payable		
Salaries payable	619 467	645 691
Other charges payable	178 047	159 024
	797 513	804 715
Liabilities relating to pensions and other benefits	310 346	41 672
Creditors/futures and options	3 161 763	1 941 204
Other resources	11 303 066	6 754 862
Client deposits		
Deposits		
Of residents		
Demand	121 988 073	87 872 182
Term	116 354 982	125 667 407
Of non-residents		
Demand	13 562 606	7 965 961
Term	16 353 610	10 516 147
	268 259 270	232 021 697
	303 933 490	262 400 587

The heading Other deposits is broken down according to the information shown in the table below. In the item "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.

	31/12/2019	31/12/2018
Miscellaneous deposits	10 534 787	6 120 605
Creditors - transactions in securities	(97 300)	104 202
Suppliers	279 580	151 550
Other creditors	585 999	378 505
	11 303 066	**6 754 862**

"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

This group is broken down as follows for comparable reporting periods:

NOTE 14

	31/12/2019	31/12/2018
Other provisions		
Guarantees and other commitments	9 180	6 081
	9 180	**6 081**

3_15_CURRENT TAX LIABILITIES

This group is broken down as follows for comparable reporting periods:

NOTE 15

	31/12/2019	31/12/2018
Current tax liabilities		
Corporate income tax payable	198 571	120 444
Other	41 522	14 805
	240 093	**135 249**

3_16_OTHER LIABILITIES

This group is broken down as follows for comparable reporting periods:

NOTE 16

	31/12/2019	31/12/2018
VAT payable	35 458	130 632
Withholding and other taxes payable to the State	580 028	382 954
Contributions to Social Security	85 816	87 716
Third party collections	762	721
Contributions to other health systems	4 100	3 841
Other revenue with deferred income	11 898	11 988
Operations to be regularised	3 713 789	2 437 310
	4 431 851	**3 055 162**

3_17_EQUITY

Movements and balances as at 31 December 2019 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

Following the decrease in the stake in Sociedade Coollink - Serviços de Informática e Consultadoria, Lda. to 25%, in 2019 there were no minority interests to be recorded.

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 valuation 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 valuation techniques based on market data;

c) Level 3 – valuation techniques using mostly unobservable inputs.

The fair value of the Bank’s financial assets and liabilities as at 31 December is as follows:

FAIR VALUE OF THE BANK'S FINANCIAL ASSETS AND LIABILITIES 2019

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	113 015 226
Hedging derivatives	79 046
Other assets	6 365 591
	219 460 624
FINANCIAL LIABILITIES	
Financial liabilities held for sale	0
Financial liabilities measured at amortised cost	303 933 490
Other liabilities	4 431 294
	308 364 784

	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
	2 630 050	4 124 458	0	6 754 508	6 754 508	6 754 508
		11 080 066		11 080 066	11 080 066	11 080 066
	0	0	0	0	22 543	22 543
	6 813 244	93 036 561	553 241	100 403 045	100 403 045	100 403 045
	0	0	0	0	113 015 226	113 038 188
	0	0	0	0	79 046	79 046
	0	0	0	0	6 365 591	6 365 591
	9 443 294	**108 241 085**	**553 241**	**118 237 620**	**337 698 244**	**337 721 206**
	0	52 905	0	52 905	52 905	52 905
	0	0	0	0	303 933 490	303 933 490
	0	0	0	0	4 431 294	4 431 294
	0	**52 905**	**0**	**52 905**	**308 417 689**	**308 417 689**

FAIR VALUE OF THE BANK'S FINANCIAL ASSETS AND LIABILITIES 2018

2018	AMORTISED COST
FINANCIAL ASSETS	
Cash and liquid assets in central banks and other demand deposits	87 170 461
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	18 003
Financial assets at fair value through other comprehensive income	0
Financial assets at amortised cost	118 844 917
Hedging derivatives	26 133
Other assets	7 466 000
	213 525 514
FINANCIAL LIABILITIES	
Financial liabilities held for sale	0
Financial liabilities measured at amortised cost	263 749 736
Other liabilities	2 998 066
	266 747 802

	MEASURED AT FAIR VALUE					
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	CARRYING AMOUNT	FAIR VALUE
	0	0	0	0	87 170 461	87 170 461
	3 413 295	23 545 015	0	26 958 310	26 958 310	26 958 310
		8 101 664		8 101 664	8 101 664	8 101 664
	0	0	0	0	18 003	18 003
	2 920 066	40 655 366	442 299	44 017 731	44 017 731	44 017 731
	0	0	0	0	118 844 917	118 896 622
	0	0	0	0	26 133	26 133
	0	0	0	0	7 466 000	7 466 000
	6 333 361	**72 302 045**	**442 299**	**79 077 705**	**292 603 219**	**292 654 924**
	0	9 798	0	9 798	9 798	9 798
	0	0	0	0	263 749 736	263 749 736
	0	0	0	0	2 998 066	2 998 066
	0	**9 798**	**0**	**9 798**	**266 757 600**	**266 757 600**

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 – Included within level 1 that are observable for the asset or liability, either directly or indirectly. To determine the fair value with level 2 inputs, the Bank uses valuation 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, valuation 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 2019 and 2018 financial years, no transfers of assets or liabilities occurred between Level 1 and level 2.

In the 2019 and 2018 financial years, the changes in Level 3 class of assets or liabilities in the fair value hierarchy are as follows:

	AVAILABLE FOR SALE FINANCIAL ASSETS	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
Balance on 1 January 2018			**442 300**
Gains/(losses) recognised in 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)
Gains/(losses) recognised in fair value reserves			
Acquisitions			(127 500)
Disposals			
Transfer from other levels			
Transfer to other levels			
Exchange differences			
Other			
Balance on 31 December 2019	**0**	**0**	**553 241**

	AVAILABLE FOR SALE FINANCIAL ASSETS	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
Balance on 1 January 2018			**551 750**
Gains/(losses) recognised in 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			(21 851)
Gains/(losses) recognised in fair value reserves			
Acquisitions			
Disposals			(87 600)
Transfer from other levels			
Transfer to other levels			
Exchange differences			
Other			
Balance on 31 December 2018	**0**	**0**	**442 300**

Interest rates

[5] The above amounts were obtained from *Bloomberg*.

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[5]:

	2019		2018	
	EUR	USD	EUR	USD
1 week	-0.499	1.630	-0.373	2.411
1 month	-0.438	1.763	-0.363	2.503
2 months		1.833	-0.336	2.614
3 months	-0.383	1.908	-0.309	2.808
6 months	-0.324	1.912	-0.237	2.876
1 year	-0.321	1.770	-0.233	2.758
2 years	-0.292	1.697	-0.174	2.657
3 years	-0.238	1.689	-0.077	2.590
4 years	-0.175	1.703	0.059	2.598
5 years	-0.111	1.729	0.198	2.570
7 years	0.018	1.797	0.469	2.624
10 years	0.212	1.895	0.812	2.709
30 years	0.621	2.091	1.380	2.838

Exchange rates

[6] Source of exchange rates: https://www.bportugal.pt/taxas-cambio

The *fixing* values of the Central Bank[6]. The table below shows the exchange rates of some of the relevant currency pairs as at 31 December 2019 and 2018:

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	

2018	EUR	USD	GBP	CHF	SEK	NOK	AUD	CAD	NZD	BRL
EUR		1.1467	0.89908	1.1261	10.152	9.9084	1.6269	1.5637	1.7066	4.4505
USD	0.87207		0.78406	0.98207	8.8533	8.6409	1.4187	1.3637	1.4883	3.8812
GBP	1.1122	1.2754		1.2525	11.292	11.021	1.8095	1.7393	1.8982	4.9501
CHF	0.88799	1.0183	0.79837		9.0149	8.7986	1.4446	1.3886	1.5155	3.952
SEK	0.0985	0.11295	0.08856	0.11093		0.97601	0.16025	0.15403	0.16811	0.43839
NOK	0.10092	0.11573	0.09074	0.11365	1.0246		0.16419	0.15782	0.17224	0.44917
AUD	0.61468	0.70485	0.55265	0.69222	6.2403	6.0905		0.9612	1.049	2.7357
CAD	0.6395	0.73331	0.57496	0.72016	6.4922	6.3364	1.0404		1.0914	2.8461
NZD	0.58595	0.67191	0.52682	0.65987	5.9486	5.8059	0.95326	0.91627		2.6078
BRL	0.22469	0.25765	0.20202	0.25303	2.2811	2.2263	0.36554	0.35136	0.38346	

3_19_FINANCIAL MARGIN

This group is broken down as follows for comparable reporting periods:

NOTE 19

	31/12/2019	31/12/2018
Interest and similar income from:		
Interest on deposits in other credit institutions	37 420	26 551
Interest on investments in credit institutions	218	662
Interest on loans to clients	3 980 621	4 758 822
Interest on overdue loans	189 246	172 359
Interest and similar income from other financial assets	1 553 213	1 597 517
Commissions received associated to amortised cost	171 039	124 592
	5 931 756	**6 680 503**
Interest and similar costs on:		
Deposits from Banco de Portugal	(86 924)	(47 596)
Deposits from other credit institutions	(122 613)	(109 499)
Interest from creditors and other deposits		
Interest on deposits from clients	(885 472)	(713 122)
Interest on trading liabilities	(463)	(353)
Other interest and similar costs	(64 476)	(50 188)
Interest on loans	(21 485)	(9 969)
	(1 181 432)	**(930 728)**
	4 750 324	**5 749 775**

3_20_INCOME FROM EQUITY INSTRUMENTS

This group is broken down as follows for comparable reporting periods:

NOTE 20

	31/12/2019	31/12/2018
Financial assets at fair value through other comprehensive income		
Issued by residents		
Investment units	328 106	225 749
	328 106	**225 749**

These results arise from the distribution of dividends of the investment fund Retail Properties, corresponding to 0.50€/0.50€ and 0.0263€/0.050€, respectively in 2019 and 2018, per unit held.

3_21_REVENUE AND CHARGES FROM AND WITH COMMISSION SERVICES

This group is broken down as follows for comparable reporting periods:

NOTE 21

	31/12/2019	31/12/2018
Income from services and commissions from:		
Guarantees and commitments	97 359	77 199
Deposits and securities under custody	80 269	37 135
Collection of securities	154 655	105 202
Administration of securities	1 312 934	1 080 241
Collective investment undertakings	553 305	351 357
Other services provided	527 898	859 430
Transactions carried out on behalf of third parties	2 025 137	1 892 925
Other commissions received	838 028	981 113
	5 589 586	**5 384 603**
Charges - services and commissions for:		
Deposits and securities under custody	(64 870)	(45 179)
Other banking services provided by third parties	(48 334)	(43 106)
Transactions carried out by third parties	(2 247 370)	(1 780 265)
	(2 360 574)	**(1 868 550)**
	3 229 012	**3 516 053**

3_22_INCOME FROM ASSETS AND LIABILITIES EVALUATED AT FAIR VALUE

This group is broken down as follows for comparable reporting periods:

NOTE 22

	31/12/2019	31/12/2018
Gains from:		
Financial assets held for trading		
Securities	9.825.446	4.457.928
Derivative instruments	1.363.300	205.068
	11.188.745	**4.662.996**
Losses from:		
Financial assets held for trading		
Securities	(7.879.111)	(4.334.761)
Derivative instruments	(958.790)	(113.795)
	(8.837.901)	**(4.448.556)**
	2.350.844	**214.440**

In accordance with the applicable standards, this heading included the amount relating to the derecognition of financial assets usually done through their sale. Given the normally extended time in which investments in this portfolio are made, the disposal of securities results from taking advantage of particularly favourable opportunities for their sale.

Following the favourable market opportunities, a positive variation of 2 136 404€ was noted.

3_23_INCOME FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This group is broken down as follows for comparable reporting periods:

NOTE 23

	31/12/2019	31/12/2018
Gains from:		
Financial assets at fair value through other comprehensive income		
Securities		
Issued by residents		
Debt instruments	8 178	0
Equity instruments	2 964	909 580
Other	379 520	270 287
Issued by non-residents		
Debt instruments	1 528 504	286 490
	1 919 167	**1 466 357**
Losses from:		
Financial assets at fair value through other comprehensive income		
Securities		
Issued by residents		
Debt instruments	0	(173 600)
Issued by non-residents		
Debt instruments	(467 626)	(2 880)
	(467 626)	**(176 480)**
	1 451 540	**1 289 876**

3_24_INCOME FROM NON-NEGOTIABLE FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

This group is broken down as follows for comparable reporting periods:

NOTE 24

	31/12/2019	31/12/2018
Gains from:		
Non-negotiable financial assets mandatorily at fair value through profit or loss		
Equity instruments	1 798 599	1 528 807
Losses from:		
Non-negotiable financial assets mandatorily a t fair value through profit or loss		
Equity instruments	(361 915)	(900 055)
	1 436 684	**628 752**

Following the favourable market opportunities, a positive variation of 807 932.00€ was noted.

3_25_INCOME FROM FINANCIAL ASSETS AT AMORTISED COST

This group is broken down as follows for comparable reporting periods:

NOTE 25

	31/12/2019	31/12/2018
Gains from:		
Assets held to maturity		
Debt instruments	0	42 200
	0	**42 200**

3_26_INCOME FROM CURRENCY REVALUATION

This group is broken down as follows for comparable reporting periods:

NOTE 26

	31/12/2019	31/12/2018
Gains from:		
Exchange differences		
Other items in foreign currency - foreign currencies	503 351	176 250
Losses from:		
Exchange differences		
Other items in foreign currency - foreign currencies	(703 636)	(193 168)
	(200 285)	**(16 917)**

3_27_INCOME FROM THE DISPOSAL OF OTHER ASSETS

This group is broken down as follows for comparable reporting periods:

NOTE 27

	31/12/2019	31/12/2018
Gains from:		
Gains from inv. subsidiaries in the country	8 199	0
Non-financial assets	46 202	50 696
Losses from:		
Losses from inv. subsidiaries in the country	(323)	0
Non-financial assets	(35)	(920)
	54 044	**49 776**

3_28_OTHER OPERATING INCOME

This group is broken down as follows for comparable reporting periods:

NOTE 28

	31/12/2019	31/12/2018
Gains from:		
Other gains and operating income	158 943	165 652
	158 943	**165 652**
Losses from:		
Other taxes	(361 289)	(300 475)
Donations and membership fees	(79 821)	(82 917)
Contributions to the Deposit Guarantee Fund (FGD)	(235)	(235)
Contributions to the Investor Compensation Scheme	(5 000)	(5 000)
Failure of computer systems or telecommunications	(7 988)	(1 268)
Other costs and operating expenses	(286 987)	(159 771)
	(741 320)	(549 666)
	(582 377)	**(384 014)**

3_29_STAFF COSTS

This group is broken down as follows for comparable reporting periods:

NOTE 29

	31/12/2019	31/12/2018
Remunerations		
Management and supervisory bodies	(454 124)	(446 390)
Employees	(3 163 083)	(3 274 172)
Mandatory social security contributions		
Remuneration-related charges	(861 827)	(896 355)
Other mandatory social security contributions		
Pension fund	(50 182)	(48 107)
Insurance against accidents at work	(21 157)	(18 627)
Other staff costs	(243 108)	(243 413)
	(4 793 481)	**(4 927 064)**

As at December 2019, the Bank had 102 employees in Portugal, as shown below in the professional categories.

DISTRIBUTION BY PROFESSIONAL CATEGORY	31/12/2019	31/12/2018
Management Board	4	4
Management	22	19
Technical staff	20	19
Admin.staff	18	13
Commercial/Operations	27	31
Other	11	10
Banco Carregosa	**102**	**96**
Coollink (includes 2 managers)	-	18
Circuito e Traçados (Includes 1 manager)	1	1

Retirement and survivors' pension liabilities

Banco Carregosa provides a defined Pension Plan to its 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 table 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 evaluation 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:

	2019	2018
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:

	2019	2018
Actuarial evaluation 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	1.25%	2.00%
Wage growth rate	0.75%	0.75%
Pension adjustment table	1.25%	2.00%
Pension growth rate	0.75%	0.75%
General information		
Number of benefit payments	**14**	**14**

Fund yield - 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 adjusted to the interest rate on private debt bonds with a high credit rating (AA) and a maturity similar to the liabilities.

Yield rate – The yield rate in 2019 was higher than the planned rate. 10-year projections until 2028, in a best estimate scenario, point to an average annual yield rate of 4.7%. This expected rate in line with the portfolio potential and with the discount rate used to measure liabilities. So, if the necessary contributions are made, solvency ratios are expected to improve. The development of the fund's assets and liabilities should be carefully analysed.

Pension growth rate – The pension growth 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);
- the loss of the right to a survivors' pension by an orphan, which reverted to the remaining beneficiaries, as provided for in the pension plan in question.

The increase seen in the last 3 years is due to the orphan pensions that were reverted to the surviving spouse.

Pension liabilities

Pension liabilities as at 31 December are as follows:

	2019	2018
Pension payment liabilities	766 736	687 304
Asset liabilities	3 134 104	2 633 783
	3 900 840	**3 321 087**

Pension payment liabilities

The current value of pension liabilities as at 31 December 2019 is as follows:

	CURRENT VALUE OF PENSIONS UNDER	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	-	-	-	-

The current value of pension liabilities as at 31 December 2018 is as follows:

	CURRENT VALUE OF PENSIONS UNDER	SAMS	DEATH GRANT	TOTAL
Total	**656 224**	**29 979**	**1 102**	**687 304**
Old-age pensions	175 406	18 023	1 102	194 531
Invalidity pensions	-	-	-	-
Survivors' pensions	480 878	11 956	-	492 773
Orphans' pensions	-	-	-	-

Asset liabilities

The current value of asset liabilities as at 31 December 2019 is as follows:

CURRENT VALUE OF LIABILITIES FOR PAST SERVICE LIABILITIES 2019

	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

The current value of asset liabilities as at 31 December 2018 is as follows:

CURRENT VALUE OF LIABILITIES FOR PAST SERVICE LIABILITIES 2018

	ASSETS	ACQUIRED RIGHTS	SAMS ASSETS	DEATH GRANT ASSETS	TOTAL
Total	**1 487 781**	**955 952**	**175 321**	**15 789**	**2 633 783**
<65 years	1 336 669	936 146	156 817	13 659	2 444 663
≥ 65 years	151 112	19 806	18 380	1 071	189 120

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 under 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:

	2019	2018
FP OCP Equilibrado	870 267	821 880
FP OCP Moderado	1 504 383	1 387 597
FP OCP Ações	1 215 844	1 069 939
	3 590 494	**3 279 416**

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.

EVOLUTION OF FP OCP EQUILIBRADO DURING 2019

	INVEST. UNIT VALUE	INVEST. UNITS	FUND VALUE	VALUE DATE
Opening balance	6.7295	122 131.1797	821 880.05	31/12/2018
Pensions + Costs	-	-7 370.0815	-52 765.02	
Contributions + Other receipts	-	938.2928	6 879.29	
Total movements	-	-6 431.7887	-45 885.73	
Fund yield rate	11.77%	-	94 273.09	
Closing balance	**7.5218**	**115 699.3910**	**870 267.41**	**31/12/2019**

EVOLUTION OF FP OCP MODERADO DURING 2019

	INVEST. UNIT VALUE	INVEST. UNITS	FUND VALUE	VALUE DATE
Opening balance	6.5288	212 533.9301	1 387 597.12	31/12/2018
Pensions + Costs	-	-2 647.9932	-17 607.00	
Contributions + Other receipts	-	1 579.0427	11 091.76	
Total movements	-	-1 068.9505	-6 515.24	
Fund yield rate	8.96%	-	123 300.88	
Closing balance	**7.1141**	**211 464.9796**	**1 504 382.76**	**31/12/2019**

EVOLUTION OF FP OCP AÇÕES DURING 2019

	INVEST. UNIT VALUE	INVEST. UNITS	FUND VALUE	VALUE DATE
Opening balance	6.8166	156 961.3150	1 069 938.85	31/12/2018
Pensions + Costs		-1 890.9094	-13 205.29	
Contributions + Other receipts	-	1 148.3221	8 680.47	
Total movements	-	-742.5873	-4 524.82	
Fund yield rate	14.18%	-	150 430.14	
Closing balance	**7.7830**	**156 218.7277**	**1 215 844.17**	**31/12/2019**

In 2019 and 2018, the three funds developed as follows:

	INVEST. UNIT VALUE	INVEST. UNITS	FUND VALUE	VALUE DATE
Opening balance	6.6705	491 626.4248	3 279 416.02	31/12/2018
Pensions + Costs	-	-11 908.9841	-83 577.31	
Contributions + Other receipts	-	3 665.6576	26 651.52	
Total movements	-	-8 243.3265	-56 925.79	
Fund yield rate	11.35%	-	368 004.11	
Closing balance	**7.4278**	**483 383.0983**	**3 590 494.34**	**31/12/2019**

DIFFERENCES

	ESTIMATED	REAL	DIFF.	VALUE DATE
Opening balance	3 279 416.02	3 279 416.02	-	31/12/2018
Pensions + Costs	-82 118.52	-83 577.31	-1 458.79	
Contributions + Other receipts	-	26 651.52	26 651.52	
Total movements	-82 118.52	-56 925.79	25 192.73	
Fund yield rate	64 767.13	368 004.11	303 236.98	
Closing balance	**3 262 064.63**	**3 590 494.34**	**328 429.71**	**31/12/2019**

The positive difference is justified by the fact that the fund's real yield was higher than the estimated yield.

Liabilities with pensions under payment

Liabilities with pensions under payment relate to the financing scenarios and minimum scenario.

	CURRENT VALUE OF PEN-SIONS UNDER PAYMENT	SAMS	DEATH GRANT	TOTAL
Total	**731.528.37**	**31.550.31**	**3.657.59**	**766.736.27**
Old-age pensions	210 918.74	18 585.95	3 657.59	233 162.28
Invalidity pensions	-	-	-	-
Survival pensions	520 609.63	12 964.36	-	533 573.99
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	**1 755 572.61**	**1 142 515.42**	**216 733.35**	**19 282.90**	**3 134 104.28**
< 65 years	1 607 471.73	1 139 817.45	199 022.24	18 064.81	2 964 376.22
≥ 65 years	148 100.89	2 697.97	17 711.11	1 218.09	169 728.05

CURRENT VALUE OF FUTURE SERVICE LIABILITIES

	ASSETS	ACQUIRED RIGHTS	SAMS ASSETS	DEATH GRANT ASSETS	TOTAL
Total			**114 829.20**	**10 435.22**	**125 264.42**
< 65 years	-	-	114 829.20	10 435.22	125 264.42
≥ 65 years	-	-			

CURRENT VALUE OF TOTAL SERVICES

	ASSETS	ACQUIRED RIGHTS	SAMS ASSETS	DEATH GRANT ASSETS	TOTAL
Total	**1 747 312.98**	**1 142 515.42**	**331 562.55**	**29 718.12**	**3 251 109.06**
< 65 years	1 601 427.54	1 139 817.45	313 851.44	28 500.03	3 083 596.46
≥ 65 years	145 885.44	2 697.97	17 711.11	1 218.09	167 512.61

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 74 years, resulting from the technical threshold of the mortality table used, compared with the estimated duration of liabilities:

DURATION (INTEREST RATE SENSITIVITY)

DURATION	
Macaulay	19.8
Modified	19. 59%
Convexity	506

LIFE EXPECTANCY

	NUMBER	MINIMUM AGE	EMV
Assets	14	47	36.18
Acquired rights	48	37	45.60
Pensioners	4	67	18.60
Total	**66**	**37**	**45.60**

Thus, considering the combined residual maturity (74 years), the life expectancy of younger beneficiaries (45, 60 years), and the duration of *Macaulay* (19.8 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

DATA	31/12/2018	31/12/2019	VARIAÇÃO
Current value of pension payment liabilities	687 304.06	766 736.27	11.56 %
Current value of past service liabilities	2 633 783.48	3 134 104.28	19.00 %
Total	**3 321 087.55**	**3 900 840.55**	**17.46 %**

The increase in the Current Value of Pensions under Payment is due to the decrease in the pension update rate.

Contributions and financing plans:

For the financing of the plan, the Projected Unit Credit method was applied, according to which the yearly contribution, technically called normal cost, results from dividing the total liabilities by the years of service throughout the active period. This calculation is done individually.

LEVELS OF FINANCING

	FINANCING SCENARIO
Yearly cost	48 527.28
Waves expected for 2020	330 917.83
Yearly cost as % of wages	14.66%

During the first quarter of 2020, the Bank made a contribution of 210 766.77€ in order to cover the deficit of existing liabilities as at 31/12/2019, in the financing scenario.

The actuarial report is available at the Bank’s head-office for consultation.

3_30_GENERAL ADMINISTRATIVE COSTS

This group is broken down as follows for comparable reporting periods:

NOTE 30

	31/12/2019	31/12/2018
Supplies:		
Water, electricity and fuel	(215 362)	(204 800)
Consumables	(9 361)	(16 405)
Publications	(7 864)	(8 928)
Hygiene and cleaning products	(20 882)	(16 118)
Other third party supplies	(121 611)	(206 731)
	(375 080)	**(452 982)**
Services:		
Leases and rentals	(55 695)	(142 256)
Communications	(238 022)	(243 567)
Travel, hotel and entertainment expenses	(265 692)	(311 852)
Advertising and publishing	(627 671)	(668 791)
Repairs and maintenance	(132 990)	(154 816)
Insurance	(71 564)	(65 550)
Specialised services		
Retainers and fees	(76 894)	(123 136)
Legal, litigation and notaries	(4 831)	(31 202)
IT services	(780 319)	(142 404)
Security and surveillance	(22 402)	(19 817)
Cleaning services	(3 833)	(3 617)
Information	(709 117)	(570 496)
Databases	(51 078)	(56 871)
Other specialised services		
Studies and consultations	(22 023)	(9 225)
Advisors and external auditors (*)	(607 557)	(607 186)
External evaluators	(59 655)	0
Other third party services		
Public relations and advisory services	(36 475)	(38 982)
Banco de Portugal - Bpnet Service	(2 974)	(2 397)
Housekeeping services	(9 103)	(10 069)
Temporary manpower	0	0
Other	(13 329)	(67 019)
	(3 797 917)	**(3 269 252)**
	(4 172 996)	**(3 722 234)**

(*) 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	51 000
Assurance and reliability services	26 950
Other (Circuitos e Traçados)	1 250
	79 200

3_31_DEPRECIATION AND AMORTISATIONS

This group is broken down as follows for comparable reporting periods:

NOTE 31

	31/12/2019	31/12/2018
Property, plant and equipment		
Of property	(206 701)	(110 002)
Of equipment	(701 347)	(648 907)
Of financial lease assets	0	(956)
	(908 048)	**(759 865)**
Intangible assets	(185 674)	(91 625)
	(1 093 722)	**(851 490)**

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_32_PROVISIONS NET OF WRITE-OFFS

This group is broken down as follows for comparable reporting periods:

NOTE 32

	31/12/2019	31/12/2018
Gains from:		
Provisions for guarantees and commitments made	4 491	6 498
Losses from:		
Provisions for guarantees and commitments made	(7 590)	(9 831)
	(3 099)	**(3 333)**

3_33_IMPAIRMENT OF FINANCIAL ASSETS AT AMORTISED COST

This group is broken down as follows for comparable reporting periods:

NOTE 33

	31/12/2019	31/12/2018
Investments held to maturity		
Debt instruments	27 956	82 621
Loans		
Normal loans	919 793	1 526 754
Overdue loans (includes other debtors)	(1 056 625)	(1 674 639)
	(136 832)	(147 885)
	(108 876)	**(65 264)**

3_34_IMPAIRMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This group is broken down as follows for comparable reporting periods:

NOTE 34

	31/12/2019	31/12/2018
Available for sale financial assets		
Debt instruments	(315 272)	(164 479)
Equity instruments	(15 821)	(426)
	(331 093)	**(164 904)**

3_35_IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

This group is broken down as follows for comparable reporting periods:

NOTE 35

	31/12/2019	31/12/2018
Invest. in subsidiaries, joint ventures and associated companies	0	(155 740)
	0	**(155 740)**

No impairments were recorded in the Group in 2019.

3_36_TAXES

This group is broken down as follows for comparable reporting periods:

NOTE 36

	31/12/2019	31/12/2018
Current	(255 988)	(191 777)
Deferred	(69 010)	(72 424)
	(324 998)	**(264 201)**

Current taxes recognised in 2019, in the amount of 255 988€, arise from income tax calculated according to the tax law applicable to the Group.

Deferred taxes recognised in 2019, in the amount of 69 010€, 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 2019 result from the impact of temporary differences in income tax on both property, plant and equipment and intangible assets, and on impairments.

3_37_OFF-BALANCE SHEET ACCOUNTS

This group is broken down as follows for comparable reporting periods:

NOTE 37

	31/12/2019	31/12/2018
Commitments to third parties:		
Irrevocable commitments		
Potential commitments to SII	779 570	598 778
Revocable commitments		
Credit lines	10 866 133	9 960 726
Account overdraft facilities	0	0
	11 645 703	**10 559 504**
Liability for service provision:		
Of deposits and values under custody	1 026 563 896	795 660 770
Administrative amounts of the institution	149 563 447	137 919 974
Other	0	(0)
	1 176 127 343	**933 580 744**
Services provided by third parties:		
For deposits and values under custody	526 777 108	523 948 297
For other services	0	0
	526 777 108	**523 948 297**
Foreign exchange transactions and derivative instruments:		
Trading instruments		
Foreign exchange forward transactions	20 143 379	125 873
Futures and forward options	0	0
Options	0	756
Hedge instruments		
Options	76 146	7 103
	20 219 525	**133 733**
Guarantees provided and any other services:		
Personal guarantees	19 314 307	10 339 662
Real guarantees	7 065 000	12 515 000
	26 379 307	**22 854 662**
Guarantees received:		
Personal guarantees	110 148 903	99 131 332
Real guarantees	331 506 984	333 804 896
	441 655 887	**432 936 229**
Other off-balance sheet items:		
Write-offs	1 340 261	1 340 261
Accrued interest	122 306	92 690
Miscellaneous accounts	(2 204 267 440)	(1 925 446 120)
	(2 202 804 873)	**(1 924 013 169)**

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 2019 amounted to 76 438.03€, compared with 50 811.78€ paid in 2018, 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

	31/12/2019	31/12/2018
Financial assets at fair value through other comprehensive income		
Debt securities	7 127 196	12 475 851
Other assets		
Receivables from futures and options transactions – margins	9 579 364	3 041 743
Various investments – uncleared values	10 253 060	10 163 477
	26 959 620	**25 681 071**

3_40_RELATED PARTIES

As at 31 December 31 December 2019 and 2018, the Bank is controlled by the following shareholders with a holding of more than 2%:

SHAREHOLDING COMPOSITION 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

SHAREHOLDING COMPOSITION 2018

	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
Amorim Projetos, SGPS, SA	15 880 743	7.94	15 880.00
Groupe Norwich S.A.	9 999 990	5.00	9 999.00
Mauricio Zlatkin	9 999 000	5.00	9 999.00
Sophia Capital - Fundo de Capital de Risco	8 510 000	4.26	8 510.00
António José Paixão Pinto Marante	8 200 000	4.10	8 200.00
Imocarregosa-Gestão e Comercialização Imobiliária, S.A.	7 358 751	3.68	7 358.00
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 29 to this annex.

4_SUBSEQUENT EVENTS – COVID-19

With reference to the date on which this report was approved by the Board of Directors, there has been a widespread propagation of the novel coronavirus (COVID-19). On 11 March, the coronavirus outbreak was labelled a pandemic by the World Health Organisation, with each country's health authorities responding in a prompt and adequate way, resulting in significant changes in the economic framework and outlook for 2020 and beyond.

As this situation is having a very significant and unexpected impact on world economies and international financial markets, The Bank's management has been closely monitoring the evolution of this pandemic and the effected associated thereto, ensuring that measures are taken in good time to minimise the impact of the virus on the Bank's activities and on the health of its employees by providing preventing and effective healthcare advice, information and adequate means of protection, adjusting its response to the institution's operation.

As regards the medium-term impacts of this pandemic, much of the global economic fabric is expected to shut down, resulting in a general economic recession, for which there are no reliable estimates as to its seriousness. The recession of economies will depend, among other aspects, on how long the social isolation measures will remain in place and on the efficacy of the fiscal and monetary stimulus measures approved by the various central banks, European Union, and national governments. This situation will nevertheless have an impact on the Bank's activity.

However, given the uncertainty of these possible effects, it is not possible to estimate and quantify, at this date, the future impacts of COVID-19 on the Portuguese and other economies, in particular in the banking business. The Board of Directors will, therefore, continue to monitor the situation closely over the next financial year, in particular with regard to the fair value of financial assets, the measurement of expected losses in the loan portfolio, and on capital and liquidity requirements, taking into account the current volatility of the markets.

Given the high degree of uncertainty at this stage as to how this pandemic will evolve, both in terms of duration and severity, it is not possible to quantify with reasonable sufficient confidence the future quantitative impacts and evolution of this phenomenon on the Bank's activity and its financial situation.

The Board of Director's expectations regarding the potential impact on the Bank's activities, its own funds, and the risks to which it is naturally exposed are as follows:

- **Market and interest rate risks:** The effects of the pandemic may be felt over time in markets ad in the economy. While the impact of the interest rate risk may be limited, as the rise in interest rates and the relatively short duration of the Bank's portfolio are not foreseeable, the same cannot be for the volatility of asset valuations due to the uncertainty about credit risk and the illiquidity of the markets that occurs at times of crises.

- **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.

  In addition, The Bank joined 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 EUR, 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, amounted to about 61M€ in the legal moratorium and 7 M€ in the private moratorium.

  So far, the Bank has received 33 applications to the legal moratorium, 28 of which were validated, representing a credit volume of 37M€ (about 60% of the total eligible applications).

- **Liquidity risk:** The Board of Directors continuously assesses the impacts that may occur in the future. However, and considering its comfortable liquidity level, no additional pressures are expected in relation to the Bank's cash management, or difficulty in financing the investments already made or commitments in investments already undertaken.

- **Operating risk and business continuity:** The Bank has quickly and successfully implemented a teleworking arrangement for a large majority of its employees, but its offices are also open to the public, subject to adequate safeguard measures.

  The Bank is monitoring the evolution of the Covid-19 pandemic both in Portugal and in the world, in order to take any measures that may be necessary to minimise the impact of the coronavirus on the Bank, aiming at:

  1_Safeguarding the life and health of its employees by offering preventive healthcare advice and providing information and adequate safeguard measures;

  2_Adapting the operational response and maintaining essential services in operation; and

  3_Minimising the effects of a potential interruption in activities and preparing for a rapid return to normal operation. Given the information available so far on the severity of the pandemic and on the preventive measures that governments may take at the time of this report, it is extremely difficult to quantity with a reasonable degree of confidence any potential financial impacts.

  Given the existing business model, which is expected to remain unchanged, we believe that these measures will have no significant impact thereon.

- **Own funds:** Even taking into account market developments and the resulting financial impact, in the context of the SARS-Cov2 spread, the capital ratios of the bank have remained above the limits required by Banco de Portugal, in particular in view of the flexibility introduced following Circular Letter CC/2020/00000017, which has since been reinforced by Circular Letter CC/2020/0000021.

In accordance with the accounting framework in force, this event (COVID-19) was considered a non-adjustable subsequent event. In the Board's opinion, due to the actions taken and the institution's solvency levels, the principle of continuity implicit to these financial statements is not called into question.

17

SEPARATE ACCOUNTS REVIEW AND ANNEXES

SEPARATE BALANCE SHEET AS AT 31 DECEMBER 2019 AND 2018

	NOTES	31/12/2019	31/12/2018
ASSETS			
Cash and net assets in central banks and other demand deposits	1	99 959 139	87 123 442
Financial assets at fair value through profit or loss	2	17 857 117	35 072 444
Financial assets held for trading	2.1	6 754 508	26 957 400
Non-marketable financial assets mandatorily carried at fair value through profit or loss	2.2	11 080 066	8 101 664
Other financial assets	2.3	22 543	13 380
Financial assets at fair value through other comprehensive income	3	100 403 045	44 017 731
Financial assets at amortised cost	4	113 015 226	118 888 950
Of which:			
Loans to clients	4.1	91 431 324	101 901 308
Derivatives - Hedge accounting	5	79 046	26 133
Investments in subsidiaries, joint ventures and associated companies	6	4 984 866	4 920 536
Property, plant and equipment	7	8 589 418	8 359 753
Intangible assets	8	924 601	490 477
Tax assets	9	191 557	367 358
Other assets	10	2 935 481	3 866 032
Non-current assets and disposal groups stated as held for sale	11	85 680	85 680
Total Assets		**349 025 177**	**303 218 538**

SEPARATE BALANCE SHEET AS AT 31 DECEMBER 2019 AND 2018

	NOTES	31/12/2019	31/12/2018
Liabilities			
Financial liabilities held for trading	12	52 905	9 798
Financial liabilities measured at amortised cost	13	305 442 821	263 749 736
Provisions	14	9 180	6 081
Tax liabilities	15	233 751	137 390
Other liabilities	16	4 423 518	2 998 066
Total Liabilities		**310 162 174**	**266 901 072**
Equity	**17**		
Equity		20 000 000	20 000 000
Issue premiums		369 257	369 257
Other accumulated comprehensive income		238 484	(519 495)
Retained earnings		2 238 511	1 408 512
Other reserves		14 027 125	13 912 451
Income for the year		1 989 627	1 146 740
Total Own Equity		**38 863 003**	**36 317 465**
Total Liabilities and Equity		**349 025 177**	**303 218 538**

The Certified Accountant

The Board of Directors

SEPARATE INCOME STATEMENT AS AT 31 DECEMBER 2019 AND 2018

	NOTES	31/12/2019	31/12/2018
Interest and similar income		5 931 756	6 680 390
Interest and similar costs		(1 181 424)	(930 728)
Financial margin	**19**	**4 750 332**	**5 749 662**
Income from equity instruments	20	328 106	225 749
Income from services and commissions	21	5 589 717	5 384 657
Charges – services and commissions	21	(2 360 574)	(1 868 237)
Income from assets and liabilities evaluated at fair value through profit or loss (net)	22	2 350 844	214 487
Income from financial assets at fair value through other comprehensive income	23	1 451 540	1 289 876
Income from non-negotiable financial assets mandatorily at fair value through profit or loss	24	1 436 684	628 752
Income from financial assets at amortised cost	25	0	42 200
Income from foreign currency revaluation (net)	26	(200 285)	(16 917)
Income from the disposal of other assets	27	54 044	9 510
Other operating income	28	(669 700)	(408 055)
Net operating revenue		**12 730 708**	**11 251 684**
Staff costs	29	(4 793 481)	(4 291 470)
General administrative costs	30	(4 181 666)	(4 411 277)
Depreciation and amortisations	31	(1 093 722)	(818 790)
Provisions net of reinstatements write-offs	32	(3 099)	(3 333)
Impairment of financial assets at amortised cost	33	(108 876)	(65 264)
Impairment of financial assets at fair value through other comprehensive income	34	(331 093)	(164 904)
Impairment of investments in subsidiaries, joint ventures and associated companies	35	88 954	(99 109)
Pre-tax profit		**2 307 725**	**1 397 537**
Taxes			
Current	36	(249 088)	(185 726)
Deferred	36	(69 010)	(65 071)
Profit after tax		**1 989 627**	**1 146 740**

The Certified Accountant **The Board of Directors**

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	31/12/2019	31/12/2018
Consolidated net income for the year	**1 989 627**	**1 146 740**
Items not be restated into profit or loss:		
Property, plant and equipment	9 495	1 121
Actuarial gains or losses (-) with defined benefit pension plans	(201 127)	77 944
Items that may be restated into profit or loss:		
Cash flow hedging	(2 566)	688
Financial assets at fair value through other comprehensive income	973 368	(870 933)
Income tax related to items that may be restated into profit or loss	(133 508)	164 820
Other comprehensive income	**645 663**	**(626 360)**
Overall comprehensive income for the year	**2 635 289**	**520 380**

The Certified Accountant

The Board of Directors

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2019 AND 2018

(AMOUNTS EXPRESSED IN EURO)

	31/12/2019	31/12/2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest and commissions received	11 237 968.58	11 892 378.60
Interest and commissions paid	(3 510 468.07)	(2 844 815.26)
Payments to employees and suppliers	(8 963 871.17)	(8 517 188.76)
Deposits from credit institutions and central banks	(1 400 196.51)	4 456 217.83
Other operating assets and liabilities	21 604 380.62	(21 385 757.73)
Other receipts from clients	48 612 492.72	30 392 653.50
Income taxes	(205 364.94)	225 158.66
Net cash from operating activities	**67 374 941.23**	**14 218 646.84**

CASH FLOWS FROM INVESTMENT ACTIVITIES:		
Dividends received	-	-
Acquisition of financial assets at fair value through other comprehensive income, net of dispos-als	(55 837 727.83)	(29 674 278.27)
Acquisition of financial assets at amortised cost, net of disposals	1 974 711.25	5 717 095.68
Acquisitions of property, plant and equipment and intangible assets	(1 391 251.45)	(1 111 853.71)
Disposals of property, plant and equipment and intangible assets	45 833.33	61 750.00
Investments in subsidiaries and associated companies	32 500.00	(5 004 000.00)
Net cash from investment activities	**(55 175 934.70)**	**(30 011 286.30)**

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2019 AND 2018

(AMOUNTS EXPRESSED IN EURO)

	31/12/2019	31/12/2018
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	12 199 006.53	(15 792 639.46)
Cash and cash equivalents at the start of the year	87 270 680.19	103 063 319.64
Cash and cash equivalents at the end of the year	99 469 686.69	87 270 680.19

Cash and cash equivalents		
In the years ended 31 December 2019 and 2018, the heading cash and cash equivalents is broken down as follows:		
Cash and net assets in central banks	53 631 351.89	39 953 883.18
Net assets in other credit institutions	46 327 787.04	47 169 559.01
Investments in other credit institutions	500 127.50	500 467.50
Overdrafts in other credit institutions	(989 579.74)	(353 229.50)
Cash and cash equivalents at the end of the financial year	99 469 696.69	87 270 680.19

The Certified Accountant

The Board of Directors

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2019 - SEPARATE ACTIVITY

(AMOUNTS EXPRESSED IN EURO)

	CAPITAL	ISSUE PREMIUMS	OTHER ACCUMULATED COMPREHENSIVE INCOME
Opening balances	**20 000 000**	**369 257**	**287 912**
Changes in fair value reserves			(869 124)
Deferred tax			164 820
Actuarial gains or losses (-) with pension plans			77 944
Net result for 2018			
Comprehensive income for 2018			
Distribution of dividends			
Other changes in equity			(181 046)
Balances as at 31 December 2018	**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
Balances as at 31 December 2019	**20 000 000**	**369 257**	**238 484**

The Certified Accountant

LEGAL RESERVES	OTHER RESERVES	RETAINED EARNINGS	RESULT FOR THE YEAR	TOTAL OWN EQUITY
2 242 959	**11 669 492**	**1 054**	**800 654**	**35 371 327**
				(869 124)
				164 820
				77 944
			1 146 740	1 146 740
				520 380
				0
		1 407 457	(800 654)	425 758
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**

The Board of Directors

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

Pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 and Banco de Portugal Notice No 5/2015 of 7 December, the Bank's annual financial statements are prepared in conformity with the International Financial reporting Standards (IFRS) as adopted in the European Union (EU). The IFRS include the standards established by the *International Accounting Standards Board* (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its 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.

NEW STANDARDS AND AMENDMENTS TO THE STANDARDS AND AMENDMENTS THAT CAME INTO EFFECT ON 1 JANUARY 2019

IFRS 16 – Leases

IFRS 16 replaces IAS 17 – "Leases" and related interpretations, having a significant impact on the recognition by the lessee, who is required to recognise, for all lease contracts, a lease liability corresponding to the future payments of rents and a right-of-use asset.

Exemptions to this accounting treatment are provided for short-term leases (< 12 months) and for low value assets (< 5 000 USD).

The definition of a lease contract has also been revised, based on the "right to control the use of an identified asset".

With regard to the transition regime, IFRS 16 may be applied retrospectively, or a simplified retrospective approach may be followed (accumulated effect recorded on 1 January 2019).

(EC) Regulation No 2017/1986, of 31 October. Effective for annual periods beginning on or after 1 January 2019.

IFRS 9 – Prepayment features with negative compensation

This change allows an entity to classify/measure financial assets at amortised cost even if they include conditions that provide for the early payment of a consideration less than nominal value ("negative compensation"), being an exemption from the requirements of IFRS 9 for classifying financial assets at amortised cost.

It also clarifies that when a change occurs in the conditions of a financial liability that does not give rise to derecognition, then the measurement difference must be immediately recorded in the income statement.

(EC) Regulation No 2018/498, of 22 March. Effective for annual periods beginning on or after 1 January 2019.

IAS 19 – Amendment, curtailment or settlement of defined benefit plans

This amendment to IAS 19 requires an entity to:

i) Use up-to-date assumptions to determine the cost of the current service and the net interest for the remaining period after the amendment, curtailment or settlement of the plan; and

ii) Recognises through profit or loss as part of the past service cost, or as gain or loss on settlement, any curtailment in surplus hedge, even if the surplus hedge has not been recognised before due to the impact of "*asset ceiling*", which is always recorded in other comprehensive income, and may not be recycled through profit or loss.

(EC) No 2019/402, of 13 March. Applies for annual periods beginning on or after 1 January 2019.

IAS 28 – Long-term investments in associated companies and joint ventures

This amendment outlines how to apply the equity method to long-term investments in associated companies and joint ventures (components of the investment of an entity in associated companies and joint ventures) that are not measured through the equity method. The aforementioned long-term investments are accounted for according to IFRS 9. This clarification determines that long-term investments in associated companies and joint ventures are subject to the impairment requirements of IFRS 9 (model for the 3 phases of expected losses), before being added for the purpose of impairment test on the overall investment in an associate or joint venture, when impairment indicators exist.

EU Regulation endorsing Regulation (EC) No 2019/237 of 08 February. Applies for annual periods beginning on or after 1 January 2019.

IAS 23 - Borrowing costs

This improvement clarifies that in determining the weighted average rate of borrowings costs for the acquisition of a qualifying asset the cost of loans obtained specifically to finance qualifying assets must be included, when the assets are already in the intended condition of use.

EU Regulation endorsing Regulation (EC) No 2019/412 of 14 March. Applies for annual periods beginning on or after 1 January 2019.

IAS 12 - Income Taxes

IAS 12 establishes that the tax impact of the distribution of dividends should be recognised on the date on which the liability to pay is recorded, and should be recognised against the income statement, other comprehensive income or own equity, depending on the heading under which the entity first posted the transaction or event that gave rise to the dividends.

EU Regulation endorsing Regulation (EC) No 2019/412, of 14 March. Applies for annual periods beginning on or after 1 January 2019.

IFRS 3 - Business combinations, and IFRS 11 – Joint arrangements

IFRS 3 establishes that:

- i) In obtaining control over a business combination, interests previously held by the acquiree are remeasured at fair value;
- ii) An acquiree in a joint operation (not exercising joint control) who obtains joint control in a joint operation that is a business does not remeasure the previously held interest at fair value.

EU Regulation endorsing Regulation (EC) No 2019/412, of 14 March. Applies for annual periods beginning on or after 1 January 2019.

NEW INTERPRETATIONS THAT CAME INTO EFFECT ON 1 JANUARY 2019

IFRIC 23 – Uncertainties over income tax treatments

IFRIC 23 is an interpretation of IAS 12 – 'Income tax', referring to the measurement and recognition requirements that apply where there are uncertainties as to whether a specific tax treatment will be accepted by the Tax Authorities.

Where the opinion of the Tax Authorities on a specific transaction is uncertain, the entity shall give its best estimate and record the income tax assets or liabilities as per IAS 12, and not IAS 37 – 'Provisions, contingent liabilities and assets', based on the estimate of the expected amount or probable amount.

IFRIC 23 may apply retrospectively or be retrospectively amended.

(EC) Regulation No 2018/1595, of 23 October. Effective for annual periods beginning on or after 1 January 2019.

NEW STANDARDS PUBLISHED BY IASB, ENDORSED BY THE EU BUT NOT YET EFFECTIVE

IAS 1 and IAS 8 – Definition of material

The amendments clarify the definition of “material”, as part of IASB’s broader “Disclosure Initiative” project. The amendments also clarify that mention of unclear information refers to situations whose effect is similar to omitting or misstating such information, in which case the entity should assess materiality by considering the financial statements as a whole. Clarifications are also made as to the meaning of “primary users of general purpose financial statements”, who are defined as “current and future investors, financers and creditors” that reply on the financial statements to obtain a significant part of the information they need.

(EC) Regulation No 2019/2104, of 29 November. Effective for annual periods beginning on or after 1 January 2020.

Conceptual framework – Amendments to references to other IFRS

Following the publication of the new Structural Framework, IASB amended 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, in addition to some of the features of financial reporting. These amendments are applied retrospectively, except in situations where this is unfeasible.

(EC) Regulation No 2019/2104, of 29 November. Effective for annual periods beginning on or after 1 January 2020.

AMENDMENTS TO THE STANDARDS PUBLISHED BY IASB, BUT NOT YET ENDORSED BY THE EU

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, if positive, permit a simplified assessment of whether an acquired set of activities and assets is not a business. Within the scope of the concentration test, if a significant portion of the fair value of the acquired assets corresponds to a single asset, the acquired assets do not constitute a business.

Pending endorsement, beginning on or after 1 January 2020.

IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform

Following the financial crisis, the replacement of benchmark interest rates such as EURIBOR and other inter-bank offered rates (IBOR) has become a priority for global regulators. Given the uncertain nature of such a process, and given the many hedging structures based on the benchmark interest rates in force, IASB decided to provide relief from applying specific hedge accounting requirements, so that the "reform" of benchmark interest rates does not imply the discontinuation of hedge accounting.

The main exceptions are:

- **i)** Risk components;
- **ii)** 'Highly probable' requirement;
- **iii)** Prospective assessment;
- **iv)** Retrospective effectiveness test (if IAS 39 is applied);
- **v)** Recycling of the fair value reserve in equity.

Hedge ineffectiveness should continue to be recorded in the income statement.

Pending endorsement, beginning on or after 1 January 2020.

STANDARDS PUBLISHED BY IASB, BUT NOT YET ENDORSED BY THE EU

IFRS 17 - Insurance contracts

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 liabilities at each reporting date. Current measurement may be based on a building block approach, simplified measurements approach, or premium allocation approach. The recognition of the technical margin varies depending on whether it is positive or negative.

The IFRS applies retrospectively.

Pending endorsement, beginning on or after 1 January 2021.

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 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 Bank adopted IFRS 9 – Financial Instruments on 1 January 2018 in lieu of IAS 39 – Financial Instruments: Recognition and Measurement, which was effective until 31 December 2017.

The accounting classification is determined upon the acquisition of the asset, in accordance with IFRS9 and in compliance with the rules of IFRS 13, as regards fair value measurement.

When assets are first recognised, they are classified 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 and 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 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 IFRS.

As from 1 January 2018, there has been a specific balance sheet heading - **"Non-trading financial assets mandatorily at fair value through profit or loss"**.

This account is supported by references 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 the heading “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 reclassifies an asset out of the amortised cost measurements category into the fair value through profit or loss measurement category (paragraph 5.6.2 IRFS 9).

If an entity reclassifies 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 (IFRS9 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 collecting contractual cash flows and selling financial assets; and;

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 IFRS3 applies, the Bank may irrevocably opt to classify 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, including costs and gains associated to the transactions, 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 reclassified into a specific profit and loss heading designated Gains or losses with the "derecognition" of financial assets at fair value through comprehensive income.

Additionally, since their initial recognition these financial assets are 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 rubrica "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 reclassifies a financial asset out of the fair value through other comprehensive income measurement into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification 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 reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. This adjustment affects other comprehensive income, but does not affect profit or loss (IFRS9 paragraph 5.6.5).

If an entity reclassifies 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 reclassified from equity to profit or loss as a reclassification 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 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 on them on 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_RECLASSIFICATION

The reclassification of financial assets is only permitted in strict accordance with the regulatory and accounting standards in force[7].

[7] For this purpose, a correction of an error in classification is not considered as a reclassification.

The reclassification of a position in the trading book into a non-trading book position or, inversely, the reclassification 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 reclassifies 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 reclassification:

- The reclassification of that position cannot be changed;
- The Bank must disclose publically, on the first reporting date, the information that its position was reclassified;
- 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 reclassification 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 valuation models, namely: discounted cash flow models and option valuation 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_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 revaluation 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)

Valuation, 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 (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_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 classified 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 classified as held for sale whenever it is determined that their book value will be recovered through their sale and not through their continued use.

Assets recorded in this category are measured at the lower of the amount established by the applicable IFRS and the fair value, calculated based on the valuations 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.

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 lessee, 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 OTHERS (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 classified as financial liabilities at fair value, through profit or loss, whenever they meet the classification requirements of this category, in particular due to the fact that they contain one or more embedded derivatives. These liabilities are initially measured at fair value, subsequent changes in fair value being recorded in profit or loss.

2_2_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 (IFRS 15)

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 PROVIDED

Banco Carregosa charges commissions to its clients for a broad range of services provided. 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 valuation of existing collateral.

2_3_2_TAXES ON INCOME

Determining the overall amount of taxes on income requires certain interpretations and estimates. There are various transactions and calculations for which it is not possible to accurately determine the final tax amount to be paid 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.

3_RISK MANAGEMENT

3_1_RISK MANAGEMENT FUNCTION

Risk management consists in the identification, evaluation, 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 assumed (principle of profitability);
- Maintaining a financially stable structure.

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 evaluation 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.

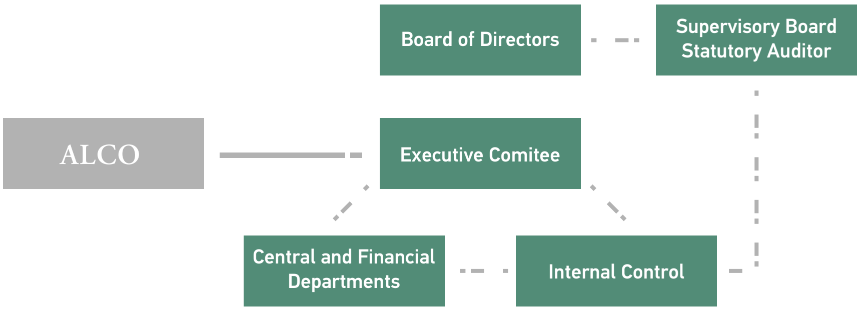
The Supervisory Committee performs functions complementary to those of Internal Control, but with a more general scope, in that they act as the Bank's Risk Committee.

The Credit Committee is currently formed by the head of the Credit Department, a Central Manager, and Risk and Financial managers. This committee is responsible for the analysis and monitoring of loans to clients, reporting their comments to the Executive Committee.

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.

Internal control is in charge of carrying out projections and scenario analyses/stress tests, the determination of which results from the interactive work between the Executive Committee and the Risk Department, with the contributions of the remaining relevant bodies with broader risk management, control and monitoring functions. Similarly, the ICAAP has material significance on internal governance as it measures the adequacy of economic capital.



It is complemented by current information, characterised by easier computing, and shows greater granularity by risk type. The models used follow the theroretical bases generally accepted in the banking industry, strengthened by the good practices recommended by national and international regulators.

3_3_MATERIAL RISKS

The following are the risks considered as material, in particular the Credit Risk, Market Risk, Operating risk, and Liquidity Risk.

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:

	31/12/2019	31/12/2018
FINANCIAL ASSETS		
Cash and net assets in central banks and other demand deposits	99 978 219	87 170 461
Financial assets at fair value through profit or loss:		
Available for sale financial assets	6 754 508	26 958 310
Non-negotiable financial assets mandatorily at fair value through profit or loss	11 080 066	8 101 664
Other financial assets at fair value through profit or loss	22 543	18 003
Financial assets at fair value through other comprehensive income	100 403 045	44 017 731
Financial assets at amortised cost	113 015 226	118 844 917
Derivatives - Hedge accounting	79 046	26 133
Other assets	6 365 591	7 466 000
	337 698 244	**292 603 219**
OTHER COMMITMENTS		
Personal/institutional guarantees		
Guarantees and commitments	12 443 424	7 498 436
Other personal guarantees provided and other contingent liabilities	6 870 883	2 841 227
Collateral (assets offered as collateral)	7 065 000	12 515 000
Irrevocable commitments	779 570	598 778
Revocable commitments	10 866 133	9 960 726
	38 025 010	**33 414 166**
MAXIMUM EXPOSURE	**375 723 254**	**326 017 385**

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;
- Unauthorised 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;
- Purchasing of credits;
- 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.

At the express request of the client, the necessary documents may be obtained to prepare the risk analysis. Before this information is sent to the Risk Department, the Director of the department in question together with the Commercial Department assesses the feasibility of the loan.

As regards the private segment, the credit risk assessment is based on an internal risk assessment model (rating model) consisting of qualitative and quantitative information.

As regards the corporate segment, credit rating is obtained directly from *Ignios*, to establish the counterparty risk level.

Cumulatively, the analysis also includes the client's management capacity, the value of the client's assets, loan guarantees, the sector framework and the integration of the operation/client in the loan portfolio (determination of the concentration risk).

Thus it is possible to calculate the impact of the operation on impairments, own funds and their requirements, and major risks.

Finally, it should be noted that 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, unlike IAS 39 whose underlying concept was that of incurred 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 valuation 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.

To estimate the ECL, the Bank considers:

- Borrower's sources of recurring revenues available to meet the scheduled payments;
- The capacity of a borrower to generate sufficient cash flows over the term of the financial instrument;
- The general leverage level of the borrower and expected changes to leverage;
- Borrowers' incentives to meet their obligations;
- Unencumbered assets;
- Reasonably possible one-off events and recurring behaviours likely to affect the borrower's capacity to meet its contractual obligations;
- Macroeconomic scenarios and other assumptions that provide the framework of the ECL);

- Timely assessments of the collateral value and analysis of factors likely to impact the future value of the collateral, taking into account that collateral value directly affect the *Loss Given Default* (LGD) estimates.

ECL is recognised at 12 months or the entire lifetime of the operation, depending on whether there was a significant increase in credit risk since initial recognition.

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.

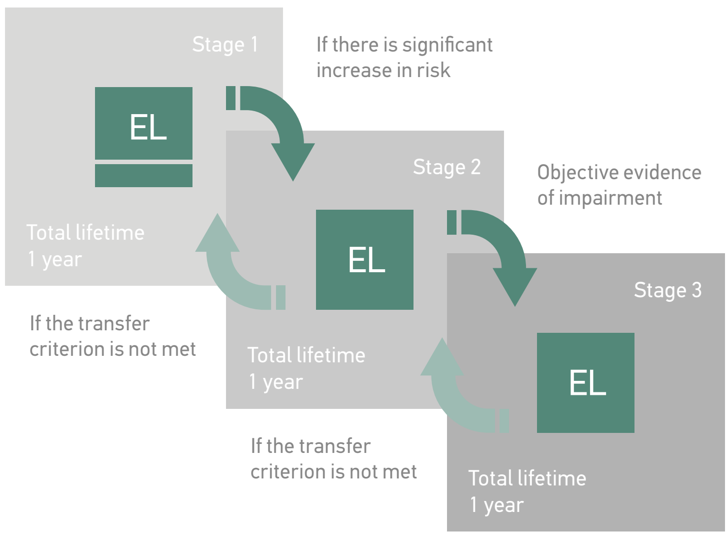
Note that the change in International Financial Reporting Standards, through the introduction of IFRS 9, implies, as aforementioned regarding the determination of impairments, the measurement of expected losses.

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

Finally, 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.

Note that IFRS 9 determines a three-stage approach to calculating expected losses:

FIGURE
THE 3 STAGES
OF THE IFRS 9



Positions are initially recognised in the first stage, which involves a twelve-month PD (probability of default), irrespective of the maturity of the operation, if greater than that period. The notable exception is that objective evidence of impairment appears when the position is introduced, in which case the position is immediately classified in the third stage, with the resulting consequences in terms of loss recognition, which we will address below.

Expected losses with a time horizon of twelve months should be recognised in the first stage. Accordingly, the Bank considers the probability of default for the next twelve months.

If the lifetime of the exposure is of less than one year, PD is adjusted (downwards) for the effective duration of the exposure, as set out in section B 5.5.43 of Annex B to the Commission Regulation (EU) 2016/2067, on the adoption of IFRS 9.

In short,

For positions with an exposure period of less than one year:[3]

$$PD\ (NR, T) = PD(NR, 12\ months) * \sqrt{(Max\ (T\ ;\ 90))/365{,}25}$$

For positions with an exposure period of more than one year,

$$PD\ (NR, T) = PD\ (NR, 12\ months)$$

Where: **NR - Risk level | T - Exposure period, in days**

On the contrary, expected losses over the residual lifetime of the instrument, PD (NR, T) should be recorded in the second and third stages, as per IFRS.

[3] The formula used contains a correction factor that establishes a minimum period of 90 days.

2_4_4_DETERMINATION OF EXPOSURES WITH LOW CREDIT

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	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 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 stage.

3_4_6_OBJECTIVE EVIDENCE OF IMPAIRMENT

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

In accordance with IFRS 9, on the third stage, 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:

- Of a group of clients whose current exposure is more than 5 % of own funds;
- Of a group of clients whose default credit exceeds 50 000€.

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. To that end, the haircuts applied previously are used as a guide:

- Regulatory volatility adjustments using the financial collateral comprehensive method as described in Regulation (EU) No 575/2013 for eligible securities;
- 30% for other securities;
- 35% for other pledges.

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. In this case, cor the corporate segment credit ratings provided by specialised companies are used, between 1 and 10, with associated one-year probabilities of default. Risk level 10 stands for the highest probability of default (PD), of 25%, and 1 to the lowest, of 0%. The Bank added a level 0 to the above levels, with a PD of 100 % for credit default.

As regards the private segment, the Bank has in place an internal model based on the knowledge of the client and its solvency situation, as well as on the maturity of the operation. For the sake of prudence, the upper threshold of the results produced by this model is risk level 5 (a PD of 0.4%).

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 Risk Department is responsible for the concentration risk management, identifying, measuring and monitoring the exposures to which the loan portfolio is subject.

All operations are analysed by the Risk Committee, who makes a recommendation as regards the operation. This recommendation is analysed by the Executive Committee, which bases its decision on the recommendation of the Credit Committee.

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" in accordance with Instruction 32/2013 of Banco de Portugal (BdP).

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 EVALUATION PROCESS AND COLLATERAL MANAGEMENT

Mortgage guarantees

Evaluation

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

Re-evaluation and review

Mortgage guarantees are re-evaluated by an expert evaluator on a two-year basis, except in situations where a more regular re-evaluation is necessary.

3_4_17_OTHER GUARANTEES

- Listed securities are evaluated mark-to-market at the reporting date;
- Non-listed securities are evaluated every year based on the last audited accounts, whenever the area fulfils the necessary conditions, according to the asset's specificities;
- Exceptionally, in special situations, the Bank may use evaluators suited to the nature of the collateral;
- Guarantees without evaluation which potentially may not be called on are regarded as equal to zero

Within the scope of IFRS 9, the recalculation of the ECL amount and disregarding the underlying collateral, the amount totals 8 932 566€ as at December 2019.

Quantitative disclosures

The information on the client loans portfolio as at 31 December 2019 and 2018 is presented below.

A1) BREAKDOWN OF EXPOSURES AND RELATED IMPAIRMENT

EXPOSURE AS AT 31/12/2019				
SEGMENT	TOTAL EXPOSURE	COMPLIANT LOANS	SETTLED	RESTRUCTURED
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
Individual	18 020 276	18 001 719		7 520 113
Non-contracted	9 145 468	1 862 002		-
Total	**105 583 320**	**98 274 299**		**16 882 912**

EXPOSURE AS AT 31/12/2018				
SEGMENT	TOTAL EXPOSURE	COMPLIANT LOANS	SETTLED	RESTRUCTURED
Construction & CRE	68 646 086	68 646 086		11 566 666
Corporate	16 803 952	16 803 952		2 580 112
Bank guarantees	7 491 436	7 491 436		49 017
Individual	16 013 860	16 013 860		200 000
Non-contracted				
Total	**108 955 334**	**108 955 334**		**14 395 795**

			IMPAIRMENT 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**

			IMPAIRMENT AS AT 31/12/2018	
DEFAULTING LOANS	RESTRUCTURED	TOTAL IMPAIRMENT	COMPLIANT LOANS	DEFAULTING LOANS
-	-	305 088	299 524	5 565
-	-	862 200	75 942	786 258
-		6 081	6 081	-
-		128 471	69 469	59 002
2 191 720	1 593 641	273 858	-	273 858
2 191 720	**1 593 641**	**1 575 698**	**451 015**	**1 124 682**

A2) BREAKDOWN OF EXPOSURES AND RELATED IMPAIRMENT

EXPOSURE AS AT 31/12/2019

SEGMENT	TOTAL EXPOSURE 31/12/2019	COMPLIANT LOANS DAYS IN ARREARS < 30			DEFAULTING LOANS	
		NO EVIDENCE	WITH EVIDENCE	SUB-TOTAL	DAYS IN ARREARS <= 90*	DAYS IN ARREARS > 90 DAYS
Construction & CRE	43 929 910	43 903 621	19 290	43 922 912	-	6 998
Corporate	22 028 857	22 028 850	7	22 028 857	-	
Bank guarantees	12 458 809	12 458 809	-	12 458 809	-	
Individual	18 020 276	17 837 688	164 032	18 001 719	-	18 557
Non-contracted	9 145 468	3 298 994	5 160 996	1 862 002	3 300 000	3 983 466
Total	**105 583 320**	**96 229 973**	**5 344 326**	**98 274 299**	**3 300 000**	**4 009 021**

* 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.

EXPOSURE AS AT 31/12/2018

SEGMENT	TOTAL EXPOSURE 31/12/2018	COMPLIANT LOANS DAYS IN ARREARS < 30			DEFAULTING LOANS	
		NO EVIDENCE	WITH EVIDENCE	SUB-TOTAL	DAYS IN ARREARS <= 90*	DAYS IN ARREARS > 90 DAYS
Construction & CRE	68 646 086	119 924	11 566 666	11 686 590	124 155	113 962
Corporate	16 803 952	2 508	2 580 112	2 582 620	2 508	
Bank guarantees	7 491 436	320	49 017	49 337	320	
Individual	16 013 860	8 044	200 000	208 044	8 044	11 873
Non-contracted	-			-	28 769	1 903 666
Total	**108 955 334**	**130 795**	**14 395 795**	**14 526 590**	**163 796**	**2 029 502**

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

	IMPAIRMENT AS AT 31/12/2019				
		COMPLIANT LOANS		DEFAULTING LOANS	
	TOTAL IMPAIRMENT	DAYS IN ARREARS <30	DAYS IN ARREARS BETWEEN 30-90	DAYS IN ARREARS <= 90*	DAYS IN ARREARS > 90
	175 813	171 778		-	4 035
	137 436	137 436		-	-
	9 180	9 180		-	-
	176 627	116 574		-	60 054
	1 103 687	20 229	275	152 786	930 399
	1 602 744	**455 197**	**275**	**152 786**	**994 488**

	IMPAIRMENT AS AT 31/12/2018				
		COMPLIANT LOANS		DEFAULTING LOANS	
	TOTAL IMPAIRMENT	DAYS IN ARREARS <30	DAYS IN ARREARS BETWEEN 30-90	DAYS IN ARREARS <= 90*	DAYS IN ARREARS > 90
	305 088	119 924	4 232	124 155	113 962
	862 200	2 508		2 508	-
	6 081	320	-	320	-
	128 471	8 044	-	8 044	11 873
	273 858	16 033	12 736	28 769	1 902 089
	1 575 698	**146 828**	**16 968**	**163 796**	**2 027 925**

B) BREAKDOWN OF LOAN PORTFOLIO BY SEGMENT AND YEAR OF PRODUCTION

31/12/2019

	CORPORATE			CONSTRUCTION & CRE		
YEAR OF PRODUCTION	NO. OF TRANSACTIONS	AMOUNT	IMPAIRMENT	NO. OF TRANSACTIONS	MONTANTE	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	2 500 000	10 659
2017	1	1 013 579	20 943	6	12 914 216	2 976
2018	8	6 903 308	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”.

B) BREAKDOWN OF LOAN PORTFOLIO BY SEGMENT AND YEAR OF PRODUCTION

31/12/2018

	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				2	1 149 017	4 593
2014	2	847 833	2 143	1	3 500 000	60 937
2015	4	786 925	616 464	5	4 729 770	12 299
2016	7	11 134 016	35 551	8	15 308 898	106 558
2017	7	4 121 519	130 356	9	20 337 570	12 472
2018	5	3 899 499	7 916	21	26 934 848	112 205
Total	**25**	**20 789 792**	**792 430**	**46**	**71 960 103**	**309 063**

*Includes Guarantees in the segments "Corporate" and "Construction & CRE".

C1) BREAKDOWN OF GROSS LOAN EXPOSURE AND IMPAIRMENT EVALUATED SPECIFICALLY AND IN GENERAL[4], BY SEGMENT

31/12/2019

SEGMENT	CONSTRUCTION & CRE		CORPORATE	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Individual Evaluation	43 929 910	175 813	22 028 857	137 436
Total	**43 929 910**	**175 813**	**22 028 857**	**137 436**

C1) BREAKDOWN OF GROSS LOAN EXPOSURE AND IMPAIRMENT EVALUATED SPECIFICALLY AND IN GENERAL[4], BY SEGMENT

31/12/2018

SEGMENT	CONSTRUCTION & CRE		CORPORATE	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Individual Evaluation	68 646 086	305 088	16 803 952	862 200
Total	**68 646 086**	**305 088**	**16 803 952**	**862 200**

C2) BREAKDOWN OF GROSS LOAN EXPOSURE AND IMPAIRMENT EVALUATED SPECIFICALLY AND IN GENERAL[4], BY SECTOR

31/12/2019

SECTOR OF ACTIVITY	REAL ESTATE ACTIVITIES		PRIVATE	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Individual Evaluation	46 992 879	178 221	25 768 312	1 116 331
Total	**46 992 879**	**178 221**	**25 768 312**	**1 116 331**

SECTOR OF ACTIVITY	ACTIVITIES OF CORPORATE OFFICE AND MANAGEMENT CONSULTING		ELECTRICITY, GAS, STEAM, HOT AND COLD WATER AND AIR-CONDITIONING	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Individual Evaluation	3 127 182	3 058	2 982 385	-
Total	**3 127 182**	**3 058**	**2 982 385**	**-**

C2) BREAKDOWN OF GROSS LOAN EXPOSURE AND IMPAIRMENT EVALUATED SPECIFICALLY AND IN GENERAL[4], BY SECTOR

31/12/2018

SECTOR OF ACTIVITY	REAL ESTATE ACTIVITIES		PRIVATE		PROPERTY DEVELOPMENT	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Individual Evaluation	71 960 103	309 063	15 143 230	619 584	4 341 276	3 445
Total	**71 960 103**	**309 063**	**15 143 230**	**619 584**	**4 341 276**	**3 445**

GUARANTEES		INDIVIDUAL		NON-CONTRACTED		TOTAL	
EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
12 458 809	9 180	18 020 276	176 627	9 145 468	1 103 685	105 583 320	1 602 742
12 458 809	**9 180**	**18 020 276**	**176 627**	**9 145 468**	**1 103 685**	**105 583 320**	**1 602 742**

GUARANTEES		INDIVIDUAL		NON-CONTRACTED		TOTAL	
EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
7 491 436	6 081	16 013 860	128 471	2 191 720	273 858	111 147 055	1 575 698
7 491 436	**6 081**	**16 013 860**	**128 471**	**2 191 720**	**273 858**	**111 147 055**	**1 575 698**

PROPERTY DEVELOPMENT		FINANCIAL AND INSURANCE ACTIVITIES		ACCOMMODATION	
EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
12 053 326	35 125	6 263 209	-	3 513 579	29 470
12 053 326	**35 125**	**6 263 209**	**-**	**3 513 579**	**29 470**

RETAIL TRADE, EXCEPT OF MOTOR VEHICLES AND MOTORCYCLES		OTHERS		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**

ACCOMMODATION		ACTIVITIES OF CORPORATE OFFICE AND MANAGEMENT CONSULTING		ELECTRICITY, GAS, STEAM, HOT AND COLD WATER AND AIR-CONDITIONING		OTHERS		TOTAL	
EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
2 400 000	6 000	3 496 758	30 617	3 985 840	2 004	9 819 847	635 601	111 147 055	1 575 698
2 400 000	**6 000**	**3 496 758**	**30 617**	**3 985 840**	**2 004**	**9 819 847**	**635 601**	**111 147 055**	**1 575 698**

C3) BREAKDOWN OF GROSS LOAN EXPOSURE AND IMPAIRMENT EVALUATED SPECIFICALLY AND IN GENERAL[4], BY SPREAD

31/12/2019

GEOGRAPHICAL SPREAD	PORTUGAL		BELGIUM		ANGOLA	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Individual 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**

C3) BREAKDOWN OF GROSS LOAN EXPOSURE AND IMPAIRMENT EVALUATED SPECIFICALLY AND IN GENERAL[4], BY SPREAD

31/12/2018

GEOGRAPHICAL SPREAD	PORTUGAL		FRANCE	
	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
Individual Evaluation	106 403 945	907 468	1 096 758	28 248
Total	**106 403 945**	**907 468**	**1 096 758**	**28 248**

[4] 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.

D) BREAKDOWN OF THE RESTRUCTURED LOANS PORTFOLIO BY RESTRUCTURING MEASURE APPLIED

2019

	COMPLIANT LOANS		
MEASURE	NO. OF TRANSACTIONS	EXPOSURE	IMPAIRMENT
Extension of deadline	12	16 882 912	150 439
Grace period			
Reduction of rate			

D) BREAKDOWN OF THE RESTRUCTURED LOANS PORTFOLIO BY RESTRUCTURING MEASURE APPLIED 2018

	COMPLIANT LOANS		
MEASURE	NO. OF TRANSACTIONS	EXPOSURE	IMPAIRMENT
Extension of deadline	13	14 395 795	174 101
Grace period			
Reduction of rate			

FRANCE		SÃO TOMÉ E PRÍNCIPE		OTHERS		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**

SPAIN		SÃO TOMÉ E PRÍNCIPE		OTHERS		TOTAL	
EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT	EXPOSURE	IMPAIRMENT
617 248	616 444	498 150	69	2 530 953	23 470	111 147 055	1 575 698
617 248	**616 444**	**498 150**	**69**	**2 530 953**	**23 470**	**111 147 055**	**1 575 698**

DEFAULTING LOANS			TOTAL		
NO. OF TRANSACTIONS	IMPAIRMENT	IMPAIRMENT	NO. OF TRANSACTIONS	EXPOSURE	IMPAIRMENT
6	6 566 864	379 803	18	23 449 776	530 242

DEFAULTING LOANS			TOTAL		
NO. OF TRANSACTIONS	EXPOSURE	IMPAIRMENT	NO. OF TRANSACTIONS	EXPOSURE	IMPAIRMENT
2	1 593 641	31 571	15	15 989 436	205 672

E) INWARD AND OUTWARD FLOWS IN THE RESTRUCTURED LOAN PORTFOLIO

	31/12/2019	31/12/2018
Opening balance of the restructured loan portfolio (gross of impairment)	**15 989 436**	**16 286 429**
Restructured loans in the period	-	-
Interest accrued on the restructured portfolio	-	-
Payment of restructured loans (partial or total)	-	-
Loans reclassified from “restructured” to “normal”	-	-
Other	7 460 340	(296 993)
Closing balance of the restructured loan portfolio (gross of impairment)	**23 449 776**	**15 989 436**

F) BREAKDOWN OF THE FAIR VALUE OF COLLATERAL UNDERLYING THE LOAN PORTFOLIO OF THE CORPORATE, CONSTRUCTION & CRE AND HOUSING SEGMENTS

31/12/2019

	CONSTRUCTION & CRE			
	BUILDINGS		OTHER REAL COLLATERAL*	
FAIR VALUE VALOR	NUMBER	AMOUNT	NUMBER	AMOUNT
<0.5M€	4	1 331 000	5	3 604 284
>=0.5M€ and <1M€	6	4 661 000	3	1 875 500
>=1M€ and <5M€	12	30 750 800	9	16 413 324
>=5M€ and <10M€	8	55 165 261	7	36 807 054
>=10M€ and <20M€	2	24 474 892	1	7 850 501
>=20M and <50M€				
>=50M				
Total	**32**	**116 382 953**	**25**	**66 550 662**

F) BREAKDOWN OF THE FAIR VALUE OF COLLATERAL UNDERLYING THE LOAN PORTFOLIO OF THE CORPORATE, CONSTRUCTION & CRE AND HOUSING SEGMENTS

31/12/2018

	CONSTRUCTION & CRE			
	BUILDINGS		OTHER REAL COLLATERAL*	
FAIR VALUE	NUMBER	AMOUNT	NUMBER	AMOUNT
<0.5M€	34	8 493 200	15	29 120 794
>=0.5M€ and <1M€	7	5 611 000	3	650 452
>=1M€ and <5M€	4	8 393 000	1	199 190
>=5M€ and <10M€	4	27 416 000	4	1 018 350
>=10M€ e <20M€				
>=20M and <50M€				
>=50M				
Total	**49**	**49 913 200**	**23**	**30 988 787**

*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
48	10 609 300	14	7 540 684
19	11 855 000	5	202 994
11	17 341 000	8	737 653
1	5 217 000		
79	**45 022 300**	**27**	**8 481 331**

G) LTV RATIO OF SEGMENTS

31/12/2019

SEGMENT / RATIO	COMPLIANT LOANS	NON-COMPLIANT LOANS	IMPAIRMENT
Individual			
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**

G) LTV RATIO OF SEGMENTS

31/12/2018

SEGMENT / RATIO	COMPLIANT LOANS	NON-COMPLIANT LOANS	IMPAIRMENT
Individual			
With no associated collateral	292 548	1 180	8 516
<60%	12 469 513	0	20 435
>=60% and <80%	2 195 463	0	83 167
>=80% and <100%	710 678	0	5 706
>=100%	345 658	10 694	82 422
Construction & CRE			
With no associated collateral	7 130 956	0	72 069
<60%	45 572 553	113 962	142 862
>=60% and <80%	10 250 000	0	86 678
>=80% and <100%	692 577		2 065
>=100%	5 000 000		1 414
Corporate			
With no associated collateral	535 595	0	20 016
<60%	10 903 383	0	18 966
>=60% and <80%	3 719 150	0	31 722
>=80% and <100%			
>=100%	1 645 824	0	719 722
Non-contractualised		**2 065 885**	**273 858**
With no associated collateral			
<60%			
>=60% and <80%			
>=80% and <100%			
>=100%			
Guarantees			
With no associated collateral	34 678		76
<60%	2 504 585	0	877
>=60% and <80%	891 333	0	2 958
>=80% and <100%			
>=100%	4 060 840	0	2 170
Total	**108 955 334**	**2 193 298**	**1 575 698**

H) BREAKDOWN OF THE FAIR VALUE AND NET BOOK VALUE OF PROPERTY RECEIVED AS PAYMENT IN KIND, BY TYPE OF ASSET AND SENIORITY

31/12/2019

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

31/12/2019

SEGMENT	LOW RISK DEGREE		
	1	2	3
Construction & CRE			
Corporate			
Individual		1 475 947	
Bank guarantees			
Total		**1 475 947**	

*Does not include the category "Non-contractualised".

I) BREAKDOWN OF THE LOAN PORTFOLIO BY INTERNAL RISK DEGREE

31/12/2018

SEGMENT	LOW RISK DEGREE		
	1	2	3
Construction & CRE	150 000	0	5 750 000
Corporate	178 576	850 000	60 938
Individual	48 500	0	2 642 075
Bank guarantees	0	0	0
Total	**377 076**	**850 000**	**8 453 012**

*Does not include the category "Non-contractualised".

J) DISCLOSURE OF RISK PARAMETERS ASSOCIATED WITH THE IMPAIRMENT MODEL BY SEGMENT

2019

	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%
Individual	1%	0%	0%	0%
Bank guarantees	7%	0%	0%	4%
Non-Contractualised	1%	0%	0%	58%

H) BREAKDOWN OF THE FAIR VALUE AND NET BOOK VALUE OF PROPERTY RECEIVED AS PAYMENT IN KIND, BY TYPE OF ASSET AND SENIORITY

31/12/2018

ASSET	NO. OF PROPERTIES	ASSET FAIR VALUE	BOOK VALUE
Land			
Urban	1	112 000	85 000
Total	**1**	**112 000**	**85 000**

MEDIUM RISK DEGREE			HIGH RISK DEGREE				TOTAL
4	5	6	7	8	9	10	
5 850 000	8 869 867	5 183 814	1 275 000	8 718 431	6 006 509	8 000 000	43 903 621
42 188	2 000 000	0	3 885 559	10 335 973	590 000	5 175 131	22 028 850
943 250	28 403	3 533 392	285 000	499 911	7 325 113	3 746 671	17 837 688
	427 048	2 960 000	1 887 151	799 017	0	6 363 209	12 436 424
6 835 437	**11 325 318**	**11 677 206**	**7 332 709**	**20 353 332**	**13 921 622**	**23 285 011**	**96 206 583**

MEDIUM RISK DEGREE			HIGH RISK DEGREE			TOTAL
4	5	6	7	8	9	
17 837 019	20 061 343	4 284 590	4 670 000	2 306 924	13 586 212	68 646 086
432 500	297 833	4 889 869	5 545 240	2 580 112	1 968 884	16 803 952
8 515 191	3 553 603	150 000	0	0	1 104 491	16 013 860
50 245	4 034 857	2 515 000	0	750 000	141 333	7 491 436
26 834 955	**27 947 637**	**11 839 458**	**10 215 240**	**5 637 036**	**16 800 920**	**108 955 334**

J) DISCLOSURE OF RISK PARAMETERS ASSOCIATED WITH THE IMPAIRMENT MODEL BY SEGMENT

2018

	PD(%)			
SEGMENTS	< 30 DAYS WITH NO EVIDENCE	< 30 DAYS WITH EVIDENCE	BETWEEN 30-90 DAYS	LGD (%)
Construction & CRE	8%	0%	0%	7%
Corporate	0%	0%	0%	0%
Individual	0%	0%	0%	0%
Bank guarantees	1%	0%	0%	1%
Non-Contractualised	1%	1%	1%	121%

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 backoffice 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:

	2019	2018
VaR Carteira Negociação	531 386	991 753

Interest rate risk

Interest rate risk is part of market risk analysis and relates to the balance sheet items that are not part of 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 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.

Exchange risk

Exchange risk is the likelihood of negative impacts affecting the results or the Bank's equity, arising from currency fluctuation against the euro. 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, in December 2019 and 2018 the exchange risk was residual, as shown in the table below:

CURRENCY	2019	2018
PLN	12 €	10 €
NOK	65 397 €	23 424 €
SEK	12 992 €	48 004 €
JPY	1 349 €	10 433 €
DKK	7 679 €	9 674 €
NZD	19 771 €	19 304 €
CAD	68 030 €	12 385 €
RUB	51 €	45 €
GBP	104 274 €	27 887 €
USD	276 967 €	685 691 €
HKD	2 601 €	2 537 €
AUD	50 547 €	63 459 €
BRL	2 297 €	1 413 €
CHF	212 195 €	208 620 €
ZAR	91 €	345 €
Total	**824 253**	**1 113 231**

3_6_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 also chosen to invest strongly in computerisation. 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 operating 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.

L. J. CARREGOSA & C.ª, L.da

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 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.

OPERATING 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.

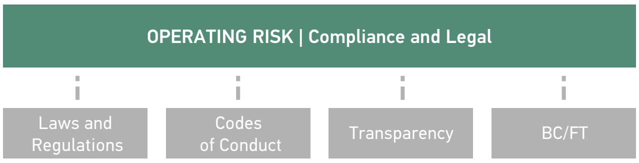
Information systems contain private and personal financial data considered sensitive and confidential. Access to these systems is limited exclusively to the Bank's employees and to sub-contracted collaborators who, under prior appropriate rules, is involved in system development or operation, or whose 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.

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 disciplinary norms of 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 practices; • 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.

3_10_CREDIT CONCENTRATION RISK

Credit risk is the probability of negative impacts affecting the results or equity due to the inability of a counterparty to meet its financial commitments with the institution. Credit risk is found mainly in credit exposures (including securities), 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 table below shows the distribution of net assets by geographical spread, in particular the risk concentration by country:

COUNTRY	NET VALUE.	NET VALUE (%)
Portugal	204 983 031 €	61.76%
France	23 784 050 €	7.17%
Denmark	10 376 369 €	3.13%
Greece	10 033 363 €	3.02%
Italy	9 251 696 €	2.79%
The Netherlands	8 758 942 €	2.64%
Spain	8 230 387 €	2.48%
Germany	6 972 257 €	2.10%
Brazil	6 675 075 €	2.01%
Luxembourg	6 528 476 €	1.97%
Mexico	6 190 075 €	1.87%
United Kingdom	5 054 346 €	1.52%
Hong Kong	3 889 796 €	1.17%
Macedonia	3 142 447 €	0.95%
Ireland	3 095 278 €	0.93%
Turkey	3 077 541 €	0.93%
U.S.A.	2 435 730 €	0.73%
People's Republic of China	2 255 337 €	0.68%
Cayman Islands	2 022 769 €	0.61%
Colombia	2 001 375 €	0.60%
Russian Federation	1 968 677 €	0.59%
Angola	1 169 582 €	0.35%
Total	**331 896 599 €**	**100%**

The 20 economic groups that characterise the Bank's assets do not exceed, individually, 4.3% of asset exposure, 1.2% being the lower limit, and represent 37.9% of the total asset exposure.

3_11_EQUITY MANAGEMENT

With respect to equity 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

Equity 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

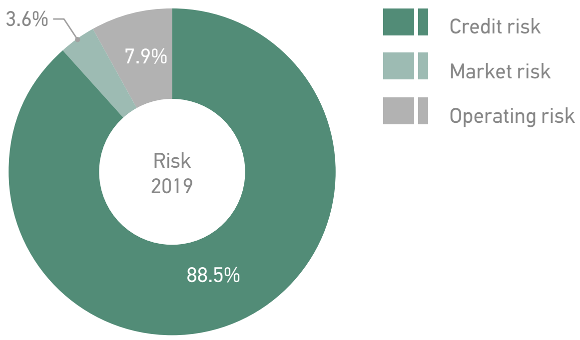
The ICAAP is an essential tool in the definition of the Bank's strategy, enabling the follow-up and monitoring of the consequences of its execution. This process enables the regular analysis of risk appetite and compares it with the defined appetite and the availability of economic capital. The ICAAP 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 (DR) 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.

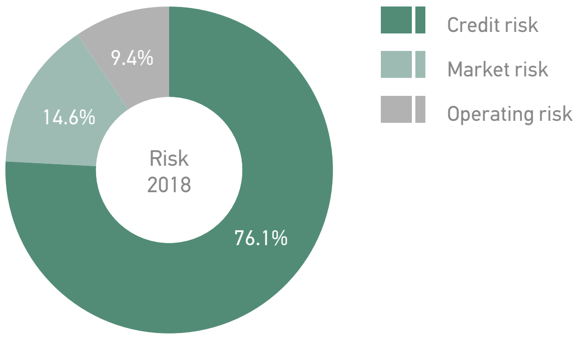
Regulatory Capital

On the prudential side, regulatory capital requirements are associated to credit, market and operating 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 2019.



RISK TYPES	OWN FUNDS REQUIREMENTS	RISK WEIGHTED ASSETS
Credit risk	16.141.625 €	201.770.318 €
Market risk	650.777 €	8.134.713 €
Operating risk	1.438.211 €	17.977.636 €
Total	**18.230.613 €**	**227.882.667 €**

Below are the risk weighted assets (RWA) as at December 2018 and corresponding own funds requirements for the various types of regulatory risks:



RISK TYPES	OWN FUNDS REQUIREMENTS	RISK WEIGHTED ASSETS
Credit risk	12.736.954 €	159.211.924 €
Market risk	2.437.874 €	30.473.419 €
Operating risk	1.568.822 €	19.610.279 €
Total	**16.743.650 €**	**209.295.621 €**

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;

- **Operating 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 2019 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;

- 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;

- Net result for the financial year: net profit for the year in progress and for the previous year; if they are positive, only after the legal certification of accounts (if negative, they are to be immediately included in the calculation). As at the date when the ICAAP was performed the positive net profit for 2018 was not yet certified, it was not included in the calculation of own funds at that date.

- Deductions made to own funds consist of:

  - Intangible assets: amounts of intangible assets, in particular costs related to the development of brands and data processing systems.

  - The transitional provisions defined in the CRR are also considered:

  - Additional filters resulting from the 20% deduction arising from clients' deposits with a rate above the threshold defined by Banco de Portugal, in accordance with Instruction 28/2011 or Instruction 15/2012, depending on their composition, as at 31/12/2013.

ELEMENTS	VALUE
Paid-in capital	20 000 000 €
Issue premiums	369 257 €
Retained earnings	2 006 275 €
Certified results June 2019	1 625 190 €
Non-certified results	0 €
Other reserves	13 931 898 €
Reserve gains	307 806 €
Reserve losses	(495 791 €)
CET 1 adjustments	(108 218 €)
Other intangible assets	(877 522 €)
Projected Own Funds Dec 2019	**36 758 895 €**
Risk-weighted assets	227 882 664
CET 1 Ratio	**16.13%**
Total Own Funds Ratio	**16.13%**

Capital Indicators

As at 31 December 2019, risk-weighted assets amounted to 227.9M€, setting capital requirements of 18.3M€ - comfortably hedged by own funds in the amount of 36.8M€.

As such, on that date the Bank showed a Tier 1 own funds ratio that tallied with the total own funds ratio at 16.13%.

In addition, the gearing ratio stood at 10.92%.

The absolutely extraordinary recent events related to the COVID-19 pandemic have impacted on the Bank, namely on own funds and solvency ratio. This situation is now normalised, with the solvency ratio at appropriate levels in relation to the minimum required.

4_NOTES TO THE SEPARATE FINANCIAL STATEMENTS

The balance sheet and statement of profit are compared as at 31 December 2019 and 31 December 2018, in compliance with the International Financial Reporting Standards, and consist of the following headings:

4_1_CASH AND NET ASSETS IN CENTRAL BANKS AND OTHER DEMAND DEPOSITS

This group is broken down as follows for comparable reporting periods:

NOTE 1

	31/12/2019	31/12/2018
Cash	136 183	116 272
Net assets on demand with Banco de Portugal	53 495 169	39 837 611
Demand deposits in monetary institutions		
Residents	19 639 701	21 178 133
Non-residents	26 688 086	25 991 426
	99 959 139	**87 123 442**

Demand deposits with Banco de Portugal include interest-earning deposits for meeting the legal requirements on minimum cash availability.

4_2_1_ FINANCIAL ASSETS AVAILABLE FOR TRADING

This group is broken down as follows for comparable reporting periods:

NOTE 2.1

	31/12/2019	31/12/2018
Trading securities		
Securities	6 495 821	26 820 972
Derivative instruments with a positive fair value	258 687	136 428
	6 754 508	**26 957 400**

This portfolio dropped by 75% 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.

As at 31 December 2019, this heading is broken down as follows:

FINANCIAL ASSETS AVAILABLE FOR TRADING

NATURE AND TYPE OF SECURITIES	AQUISITION VALUE	BALANCE SHEET VALUE	CAPITAL		IMPAIRMENT
		FAIR VALUE	GAINS	LOSSES	
Debt Instruments					
Issued by residents Of Portuguese public debt					
Treasury bonds	182 180	186 429	4 249	0	-
Of other resident issuers					
Non-subordinated debt	2 185 270	2 206 518	21 248	0	-
Subordinated debt	847 996	907 876	59 880	0	-
Issued by non-residents Of other foreign public issuers					
Non-subordinated debt	0	0	0	0	-
Of other non-resident issuers					
Non-subordinated debt	1 764 055	1 755 912	0	8 143	-
Subordinated debt	572 093	572 763	820	150	-
	5 551 594	**5 629 497**	**86 196**	**8 293**	**-**
Equity Instruments					
Issued by residents Of other resident issuers					
Shares	0	0	0	0	-
Issued by non-residents Of other non-resident issuers					
Shares	0	1 304	1 304	0	-
Investment units	0	0	0	0	-
	0	**1 304**	**1 304**	**0**	**-**
Others					
Issued by residents Of other resident issuers					
Other	20 000	19 190	0	810	-
Issued by non-residents Of other non-resident issuers					
Structured products	804 123	845 830	41 832	125	-
	824 123	**865 019**	**41 832**	**935**	**-**
Derivative Instruments with a positive fair value					
Other					
Unrealised gains from Options	-	0	-	-	-
Unrealized gains from CFDs over currency	-	258 687	-	-	-
	-	**258 687**	**-**	**-**	**-**
Total	**6 375 717**	**6 754 508**	**129 332**	**9 228**	**-**

As at 31 December 2018, this heading is broken down as follows:

FINANCIAL ASSETS HELD FOR TRADING

NATURE AND TYPE OF SECURITIES	ACQUISITION VALUE	BALANCE SHEET VALUE	CAPITAL		IMPAIRMENT
		FAIR VALUE	GAINS	LOSSES	
Debt Instruments					
Issued by residents Of Portuguese public debt					
Treasury bonds	461 610	452 614	1 009	10 005	-
Of other resident issuers					
Non-subordinated debt	8 543 241	8 567 990	28 180	3 431	-
Subordinated debt	428 000	422 438	3 568	9 130	-
Issued by non-residents Of other foreign public issuers					
Non-subordinated debt	1 954 950	1 999 260	44 310		-
Of other non-resident issuers					
Non-subordinated debt	13 586 851	13 192 718	2 434	396 566	-
Subordinated debt	956 425	928 043	-	28 382	-
	25 931 077	**25 563 062**	**79 500**	**447 514**	**-**
Equity Instruments					
Issued by residents Of other resident issuers					
Shares	1 685	1 706	21		-
Issued by non-residents Of other non-resident issuers					
Shares	74 624	66 127	7 227	15 724	-
Investment units	2 468	2 166	4	305	-
	78 778	**70 000**	**7 252**	**16 030**	**-**
Others					
Issued by residents Of other resident issuers					
Other	20 000	20 000	-	-	-
Issued by non-residents Of other non-resident issuers					
Structured products	1 271 295	1 167 910	568	103 952	-
	1 291 295	**1 187 910**	**568**	**103 952**	**-**
Derivative Instruments with a positive fair value					
Other					
Unrealised gains from Options	-	756	-	-	-
Unrealized gains from CFDs over currency	-	135 671	-	-	-
	-	**136 428**	**-**	**-**	**-**
Total	**27 301 149**	**26 957 400**	**87 319**	**567 496**	**-**

4_2_2_FINANCIAL ASSETS NOT HELD FOR TRADING MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

This group is broken down as follows for comparable reporting periods:

NOTE 2.2

	31/12/2019	31/12/2018
Non-negotiable financial assets mandatorily at fair value through profit or loss	11 080 066	8 101 664
	11 080 066	8 101 664

This class of assets increased by 36.8% in 2019, as a result of the acquisition of investment units in the Conforto Funds – FEIFF and Iberis Bluetech.

4_2_3_OUTROS ATIVOS FINANCEIROS

This group is broken down as follows for comparable reporting periods:

NOTE 2.3

	31/12/2019	31/12/2018
Other securities		
Issued by residents	22 543	13 380
	22 543	13 380

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.

4_3_FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This group is broken down as follows for comparable reporting periods:

NOTE 3

	31/12/2019	31/12/2018
Issued by residents		
Debt instruments	7 965 002	2 722 816
Equity instruments	701 228	639 549
Other	0	0
	8 666 230	3 362 365
Issued by non-residents		
Debt instruments	91 736 816	40 655 366
Equity instruments	0	0
Other	0	0
	91 736 816	40 655 366
Total	100 403 045	44 017 731

This portfolio grew by 128% compared to the previous financial year and results from purchases arising from favourable market opportunities, the breakdown of which is shown in the table below.

As at 31 December 2019, this heading is broken down as follows:

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

NATURE AND TYPE OF SECURITIES	ACQUISITION VALUE	BALANCE SHEET VALUE	CAPITAL		IMPAIRMENT RECOGNISED IN ASSET	IMPAIRMENT RECOGNISED IN RESERVES
		FAIR VALUE	GAINS	LOSSES		
Debt Instruments						
Issued by residents Of Portuguese public debt						
Treasury bonds	1 682 196	1 734 975	53 284	504	-	1 578
Of other resident issuers						
Non-subordinated debt	6 239 713	6 230 026	5 906	15 593	-	84 946
Issued by non-residents Of other foreign public issuers						
Non-subordinated debt	11 912 979	11 944 989	33 142	1 132	-	113 159
Of other non-resident issuers						
Non-subordinated debt	79 672 468	79 791 827	282 247	162 888	5 825	368 910
	99 507 356	**99 701 817**	**374 579**	**180 118**	**5 825**	**568 593**
Equity Instruments						
Issued by residents Of other resident issuers						
Shares	701 228	701 228	0	0	81 272	-
	701 228	**701 228**	**0**	**0**	**81 272**	**0**
Total	**100 208 584**	**100 403 045**	**374 579**	**180 118**	**87 097**	**568 593**

As at 31 December 2018, this heading is broken down as follows:

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

NATURE AND TYPE OF SECURITIES	ACQUISITION VALUE	BALANCE SHEET VALUE	CAPITAL		IMPAIRMENT RECOGNISED IN ASSET	IMPAIRMENT RECOGNISED IN RESERVES
		FAIR VALUE	GAINS	LOSSES		
Debt Instruments						
Issued by residents Of Portuguese public debt						
Treasury bonds	1 637 126	1 689 756	52 631	-	-	1 521
Of other resident issuers						
Non-subordinated debt	1 051 320	1 033 060	-	18 260	-	455
Issued by non-residents Of other foreign public issuers						
Non-subordinated debt	8 324 721	8 212 455	2 239	114 505	-	80 537
Of other non-resident issuers						
Non-subordinated debt	32 941 854	32 442 911	2 170	501 113	-	171 697
	43 955 021	**43 378 182**	**57 039**	**633 878**	**-**	**254 209**
Equity Instruments						
Issued by residents Of other resident issuers						
Shares	705 000	639 549	-	-	65 451	-
	705 000	**639 549**	**-**	**-**	**65 451**	**-**
Total	**44 660 021**	**44 017 731**	**57 039**	**633 878**	**65 451**	**254 209**

The changes occurred in impairment losses of the financial assets portfolio at fair value through comprehensive income as presented as follows:

	31/12/2019	31/12/2018
Balance on 1 January	**319 660**	**1 276 693**
Adjustment transition IFRS 9		160 411
Appropriation	1 125 233	320 327
Reversal	(794 140)	(155 423)
Utilisation		(1 297 740)
Exchange and other differences	4 937	15 392
Balance on 31 December	**655 690**	**319 660**
reflected in assets	**87 097**	**65 451**
reflected in other comprehensive income	**568 592**	**254 209**

4_4_FINANCIAL ASSETS AT AMORTISED COST

This group is broken down as follows for comparable reporting periods:

NOTE 4

	31/12/2019	31/12/2018
Assets		
Other availabilities	21 370	9 901
Investments in credit institutions	500 000	500 000
Investments held to maturity	983 969	2 930 724
Debtors and other investments	20 078 564	13 547 017
Loans to clients	91 431 324	101 901 308
	113 015 226	**118 888 950**

The changes in impairment losses of debtors and other investments are presented as follows:

	31/12/2019	31/12/2018
Balance on 1 January	**199 975**	**549 975**
Appropriation	43 863	
Reversal		(350 000)
Utilisation		
Balance on 1 December	**243 838**	**199 975**

With the entry into force of IFRS9, as of 01.01.2018 the Bank calculates impairments to the Investments held to maturity portfolio. On 31.12.2019, the breakdown is as follows:

As at 31 December 2019, this heading is broken down as follows:

FINANCIAL ASSETS AT AMORTISED COST

NATURE AND TYPE OF SECURITIES	PAR VALUE	ACQUISITION 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**

Em 31 de dezembro de 2018 esta rubrica apresenta o seguinte detalhe:

FINANCIAL ASSETS AT AMORTISED COST

NATURE AND TYPE OF SECURITIES	PAR VALUE	ACQUISITION VALUE	EFFECTIVE RATE	BALANCE SHEET VALUE AMORTISED COST	IMPAIRMENT RECOGNISED IN ASSET
Debt Instruments					
Issued by residents Of other resident issuers					
Non-subordinated debt					
TRAFIG 5,00 04/20	1 000 000	915 000	7.47%	969 101	8 372
BNDES 3,625 01/19	2 000 000	1 910 000	5.37%	1 997 544	27 549
Total	**3 000 000**	**2 825 000**		**2 966 645**	**35 921**

The changes occurred in impairment losses of the Investments held to maturity portfolio are presented as follows:

	31/12/2019	31/12/2018
Balance on 1 January	**35 921**	
Adjustment transition IFRS 9	0	118 988
Appropriation	735	3 302
Reversal	(28 691)	(85 924)
Utilisation		
Exchange and other differences		(445)
Balance on 1 December	**7 965**	**35 921**

4_4_1_LOANS TO CLIENTS

This group is broken down as follows for comparable reporting periods:

NOTE 4.1

	31/12/2019	31/12/2018
Domestic loans		
Loans	45 339 613	40 909 701
Current account loans	38 751 286	58 342 041
Foreign loans		
Loans	1 013 579	1 096 758
Current account loans	1 965 681	1 115 398
Overdue loans and interest	4 032 398	2 044 899
Income receivable		
Shareholder loans	2 044 326	146 822
Revenue with deferred income	(170 629)	(201 518)
	92 976 254	**103 454 102**
Provisions/Impairments for Overdue loans and interest	(1 544 930)	(1 552 794)
	91 431 324	**101 901 308**

In 2019, the loan portfolio decreased by 10%, 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. Moreover, impairments in 2019 are constituted in conformity with IFRS 9.

The changes in impairment losses of the loan portfolio for sale are presented as follows:

	31/12/2019	31/12/2018
Balance on 1 January	**1 552 795**	**1 467 082**
Adjustment transition IFRS 9		(413 296)
Appropriation	1 012 762	1 674 639
Reversal	(919 793)	(1 176 754)
Utilisation	(100 639)	
Exchange and other differences	(194)	1 123
Balance on 1 December	**1 544 930**	**1 552 795**

4_5_DERIVATIVES – HEDGE ACCOUNTING

This group is broken down as follows for comparable reporting periods:

NOTE 5

	31/12/2019	31/12/2018
Hedging derivatives		
Positive fair value - cash flow hedging	79 046	26 133
	79 046	**26 133**

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 valuation 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 2018 and 2019, 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 revaluation reserves at fair value.

4_6_INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATED COMPANIES

This group is broken down as follows for comparable reporting periods:

NOTE 6

	31/12/2019	31/12/2018
Accounted for by the equity method – in the country		
In the country		
Coollink - Serviços de Informática e Consultadoria, Lda.	41 021	65 645
Circuitos e Traçados, Sociedade Imobiliária, S.A.	4 954 000	4 954 000
Accrued Impairm. / Provisions for accrued impairments		
In the country	(10 155)	(99 109)
	4 984 866	**4 920 536**

In 2019, Banco L. J. Carregosa, S.A. reduced its stake in Sociedade Coollink – Serviços de Informática e Consultadoria, Lda. to 25%.

In 2018, Banco L. J. Carregosa, S.A. acquired the real estate company Circuitos e Traçados, Lda. with a view to acquiring real estate mortgaged under credit operations. Under the terms of the agreement with the client, a purchase and sale deed was signed for a significant number of land registry entries and a sale agreement concerning other properties under licensing was concluded. Upon conclusion of the deal, the company will become the owner of all land registry entries that together form a large agricultural property.

Com a conclusão do negócio, a sociedade tornar-se-á proprietária da totalidade dos artigos que no seu conjunto integram uma propriedade agrícola de dimensão elevada.

4_7_OTHER PROPERTY, PLANT AND EQUIPMENT

This group is broken down as follows for comparable reporting periods:

NOTE 7

	31/12/2019	31/12/2018
Other Property, plant and equipment		
Own buildings	7 149 527	6 875 172
Right-of-use buildings	370 877	0
Equipment	7 385 171	6 841 003
Financial lease assets	0	63 705
Property, plant and equipment in progress	0	222 524
	14 905 575	**14 002 404**
Accrued amortisations		
Buildings	(420 976)	(298 872)
Right-of-use buildings	(92 719)	0
Equipment	(5 802 462)	(5 335 657)
Financial lease assets	0	(8 122)
	(6 316 157)	(5 642 652)
	8 589 418	**8 359 753**

In terms of investment, there was a positive year-on-year variation in Property, plant and equipment in progress as a result of the conclusion of works at the Latino Coelho facilities (Lisbon) and Avenida da Boavista (Porto). The increase in equipment is due to the purchase of furniture, IT equipment and the renewal of the car fleet in 2019:

Right-of-use asset	
Value recognised on 1 January	370 877
Amortisations	(92 719)
Balance on 31 December	**278 157**

Lease liability	
Value recognised on 1 January	370 877
Instalments paid	(92 163)
Balance on 31 December	**278 713**
Interest on lease liability	**1 314**

4_8_INTANGIBLE ASSETS

Changes in other intangible assets are shown in the following note:

This group is broken down as follows for comparable reporting periods:

NOTE 8

	31/12/2019	31/12/2018
Other intangible assets		
Automatic data processing system (software)	3 391 897	2 542 092
Intangible assets in progress	67 053	365 017
Other	340 144	272 187
	3 799 095	**3 179 296**
Accrued amortisations		
Automatic data processing system (software)	(2 599 373)	(2 425 695)
Other	(275 120)	(263 125)
	(2 874 494)	(2 688 819)
	924 601	**490 477**

The heading Intangible assets in progress dropped (297 964€) following the completion of most of the ongoing IT development projects, with the exception of the FundManager project, as shown in the table below:

PROJECT	31/12/2019	31/12/2018
Biometric project	-	20 894
CRC project	-	200 326
AML project	-	65 053
Biometrics project	-	41 684
FundManager project	67 053	37 061
	67 053	**365 018**

Changes and balances as at 31 December 2019 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 2019

(SEPARATE ACTIVITY)

ACCOUNTS	ON 31/12/2018 GROSS VALUE	ON 31/12/2018 ACCRUED AMORTISATIONS	INCREASES DUE TO ACQUISITIONS	DEPRECIATION	WRITE-OFFS (NET)
Other Intangible Assets					
Data processing systems (software)	2 542 092	(2 425 695)	497 813	(173 678)	0
Other intangible assets	272 187	(263 125)	5 380	(11 996)	0
Intangible assets in progress	365 017	0	116 607	0	0
	3 179 296	(2 688 819)	619 799	(185 674)	0
Other Tangible Assets					
Property	6 875 172	(298 872)	0	(113 981)	0
Equipment	6 841 003	(5 335 657)	741 056	(701 347)	(4 617)
Financial lease assets	63 705	(8 122)	0	0	0
Rights of use – IFRS 16	0	0	0	0	0
Property, plant and equipment in progress	222 524	0	30 396	0	0
	14 002 404	(5 642 652)	771 452	(815 328)	(4 617)
TotaL	**17 181 700**	**(8 331 471)**	**1 391 251**	**(1 001 003)**	**(4 617)**

The Certified Accountant

	SETTLEMENTS						
TRANSF.	GROSS VALUE	DEPRECIATION	ACCRUED AMORTISATIONS	ADJUSTED ACQUISITION VALUE	ADJUSTED DEPRECIATION	ADJUSTED ACCRUED AMORTISATIONS	NET VALUE ON 31/12/2019
351 993	0	0	0	3 391 897	(173 678)	(2 425 695)	792 524
62 578	0	0	0	340 144	(11 996)	(263 125)	65 024
(414 571)	0	0	0	67 053	0	0	67 053
0	0	0	0	3 799 095	(185 674)	(2 688 819)	924 602
274 355	0	0	(8 122)	7 149 527	(113 981)	(306 995)	6 728 551
42 270	0	0	0	7 624 330	(701 347)	(5 335 657)	1 582 709
(63 705)	0	0	8 122	0	0	0	0
0	370 877	(92 719)	0	370 877	(92 719)	0	278 158
(252 920)	0	0	0	0	0	0	0
0	370 877	(92 719)	0	15 144 734	(908 048)	(5 642 652)	8 589 418
0	**370 877**	**(92 719)**	**0**	**18 943 829**	**(1 093 722)**	**(8 331 471)**	**9 514 019**

The Board of Directors

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS AS AT 31 DECEMBER 2018

(SEPARATE ACTIVITY)

ACCOUNTS	ON 31/12/2017 GROSS VALUE	ON 31/12/2017 ACCRUED AMORTISATIONS	INCREASES DUE TO ACQUISITIONS	DEPRECIATION	WRITE-OFFS (NET)
Other Intangible Assets					
Data processing systems (software)	2 414 090	(2 349 185)	128 002	(76 509)	0
Other intangible assets	272 187	(249 402)	0	(13 723)	0
Intangible assets in progress	0	0	365 017	0	0
	2 686 277	(2 598 587)	493 019	(90 232)	0
Other Tangible Assets					
Property	6 875 172	(188 870)	0	(110 002)	0
Equipment	6 587 890	(4 929 371)	478 913	(617 599)	(14 487)
Financial lease assets	63 705	(7 167)	0	(956)	0
Property, plant and equipment in progress	82 602	0	139 922	0	0
	13 609 369	(5 125 407)	618 835	(728 557)	(14 487)
Total	**16 295 646**	**(7 723 994)**	**1 111 854**	**(818 790)**	**(14 487)**

The Certified Accountant

	SETTLEMENTS						
TRANSF	GROSS VALUE	DEPRECIATION	ACCRUED AMORTISATIONS	ADJUSTED ACQUISITION VALUE	ADJUSTED DEPRECIATION	ADJUSTED ACCRUED AMORTISATIONS	NET VALUE ON 31/12/2018
0	0	0	0	2 542 092	(76 509)	(2 349 185)	116 398
0	0	0	0	272 187	(13 723)	(249 402)	9 062
0	0	0	0	365 017	0	0	365 017
0	0	0	0	3 179 296	(90 232)	(2 598 587)	490 477
0	0	0	0	6 875 172	(110 002)	(188 870)	6 576 299
0	0	0	0	7 066 803	(617 599)	(4 929 371)	1 505 346
0	0	0	0	63 705	(956)	(7 167)	55 583
0	0	0	0	222 524	0	0	222 524
0	0	0	0	14 228 204	(728 557)	(5 125 407)	8 359 753
0	**0**	**0**	**0**	**17 407 500**	**(818 790)**	**(7 723 994)**	**8 850 229**

The Board of Directors

4_9_CURRENT TAX ASSETS

This group is broken down as follows for comparable reporting periods:

NOTE 9

	31/12/2019	31/12/2018
Current tax assets		
Other	0	106 791
	0	**106 791**
Deferred tax assets		
Temporary differences		
Property, plant and equipment	7 583	12 870
Impairment	183 974	247 697
	191 557	**260 567**
	191 557	**367 358**

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

This group is broken down as follows for comparable reporting periods:

NOTE 10

	31/12/2019	31/12/2018
Income receivable from client loan interest	308 003	349 778
Other assets	76 530	43 296
Other interest and similar income		
Of investments		
In the country - in other credit institutions	128	468
Of Investments held to maturity		
Of non-residents	33 880	102 972
Of fixed income issued by residents		
Of Portuguese public debt	10 965	17 380
Of other residents	41 952	112 229
Other income receivable		
Other obligations	1 095 567	641 889
Commissions for services rendered	15 578	29 081
Costs with deferred charges		
Insurance	117 300	101 539
Other rents	0	7 840
Other costs with deferred charges	360 548	399 257
Other regularisation accounts	875 030	2 060 302
	2 935 481	**3 866 032**

"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 CLASSIFIED AS HELD FOR SALE

This group is broken down as follows for comparable reporting periods:

NOTE 11

	31/12/2019	31/12/2018
Non-current asset classified 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

This group is broken down as follows for comparable reporting periods:

NOTE 12

	31/12/2019	31/12/2018
Derivative instruments at negative fair value	52 905	9 798
	52 905	**9 798**

4_13_FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

This group is broken down as follows for comparable reporting periods:

NOTE 13

	31/12/2019	31/12/2018
Loans and deposits from domestic credit institutions		
Deposits	17 809 378	19 885 213
Loans	412 025	712 734
Other deposits	3 346	0
	18 224 749	**20 597 948**
Loans and deposits in foreign credit institutions		
Deposits	905 285	236 133
Loans	971 497	2 070
	1 876 782	**238 203**
Charges payable		
Salaries payable	619 467	565 838
Other charges payable	178 047	155 451
	797 513	**721 289**
Liabilities relating to pensions and other benefits	**310 346**	**41 672**
Creditors/futures and options	**3 161 763**	**1 941 204**
Other resources	**11 303 066**	**6 747 711**
Client deposits		
Deposits		
Of residents		
Demand	123 497 404	89 312 194
Term	116 354 982	125 667 407
Of non-residents		
Demand	13 562 606	7 965 961
Term	16 353 610	10 516 147
	269 768 601	**233 461 710**
	305 442 821	**263 749 736**

The heading Other deposits is broken down according to the information shown in the table below. In the item “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.

	31/12/2019	31/12/2018
Miscellaneous deposits	10 534 787	6 120 605
Creditors - transactions in securities	(97 300)	104 202
Suppliers	279 580	144 398
Other creditors	585 999	378 505
	11 303 066	**6 747 711**

"Operations to be regularised" include securities transactions made at the end of the period, pending settlement at the beginning of the following financial year.

4_14_PROVISIONS

This group is broken down as follows for comparable reporting periods:

NOTE 14

	31/12/2019	31/12/2018
Other provisions		
Guarantees and other commitments	9 180	6 081
	9 180	**6 081**

4_15_CURRENT TAX LIABILITIES

This group is broken down as follows for comparable reporting periods:

NOTE 15

	31/12/2019	31/12/2018
Current tax liabilities		
Corporate income tax payable	192 229	122 585
Other	41 522	14 805
	233 751	**137 390**

4_16_OTHER LIABILITIES

This group is broken down as follows for comparable reporting periods:

NOTE 16

	31/12/2019	31/12/2018
VAT payable	35 458	101 553
Withholding and other taxes payable to the State	579 929	375 569
Contributions to Social Security	85 816	75 636
Third party collections	762	721
Contributions to other health systems	4 100	3 841
Other revenue with deferred income	3 565	3 655
Operations to be regularised	3 713 888	2 437 092
	4 423 518	**2 998 066**

4_17_EQUITY

Movements and balances as at 31 December 2019 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

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 valuation 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 valuation techniques based on market data;

c) Level 3 – valuation techniques using mostly unobservable inputs.

The fair value of the Bank's financial assets and liabilities as at 31 December is as follows:

FAIR VALUE
OF THE BANK'S
FINANCIAL ASSETS
AND LIABILITIES
2019

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	113 015 226
Hedging derivatives	79 046
Other assets	2 935 481
	216 011 435
FINANCIAL LIABILITIES	
Financial liabilities held for sale	0
Financial liabilities measured at amortised cost	305 442 821
Other liabilities	4 423 518
	309 866 338

MEASURED AT FAIR VALUE					
LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	CARRYING AMOUNT	FAIR VALUE
0	0	0	0	99 959 139	99 959 139
2 630 050	4 124 458	0	6 754 508	6 754 508	6 754 508
	11 080 066		11 080 066	11 080 066	11 080 066
0	0	0	0	22 543	22 543
6 813 244	93 036 561	553 241	100 403 045	100 403 045	100 403 045
0	0	0	0	113 015 226	113 038 188
0	0	0	0	79 046	79 046
0	0	0	0	2 935 481	2 935 481
9 443 294	**108 241 085**	**553 241**	**118 237 620**	**334 249 055**	**334 272 016**
0	52 905	0	52 905	52 905	52 905
0	0	0	0	305 442 821	305 442 821
0	0	0	0	4 423 518	4 423 518
0	**52 905**	**0**	**52 905**	**309 919 243**	**309 919 243**

FAIR VALUE OF THE BANK'S FINANCIAL ASSETS AND LIABILITIES 2018

2019	AMORTISED COST
Financial Assets	
Cash and liquid assets in central banks and other demand deposits	87 123 442
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	13 380
Financial assets at fair value through other comprehensive income	0
Financial assets at amortised cost	118 888 950
Hedging derivatives	26 133
Other assets	3 866 032
	209 917 937
Financial Liabilities	
Financial liabilities held for sale	0
Financial liabilities measured at amortised cost	263 749 736
Other liabilities	2 998 066
	266 747 802

MEASURED AT FAIR VALUE					
LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	CARRYING AMOUNT	FAIR VALUE
0	0	0	0	87 123 442	87 123 442
3 412 385	23 545 015	0	26 957 400	26 957 400	26 957 400
	8 101 664		8 101 664	8 101 664	8 101 664
0	0	0	0	13 380	13 380
2 920 066	40 655 366	442 299	44 017 731	44 017 731	44 017 731
0	0	0	0	118 888 950	118 940 655
0	0	0	0	26 133	26 133
0	0	0	0	3 866 032	3 866 032
6 333 451	**72 302 045**	**442 299**	**79 076 795**	**288 994 732**	**289 046 437**
0	9 798	0	9 798	9 798	9 798
0	0	0	0	263 749 736	263 749 736
0	0	0	0	2 998 066	2 998 066
0	**9 798**	**0**	**9 798**	**266 757 600**	**266 757 600**

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 – assets or liabilities are measured based on inputs other than quoted market prices included within level 1 that are observable for the asset or liability, either directly or indirectly. To determine the fair value with level 2 inputs, the Bank uses valuation 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, valuation 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 2019 and 2018 financial years, no transfers of assets or liabilities occurred between Level 1 and level 2.

In the 2019 and 2018 financial years, the changes in Level 3 class of assets or liabilities in the fair value hierarchy are as follows:

	AVAILABLE FOR SALE FINANCIAL ASSETS	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
Balance on 1 January 2018			**442 300**
Gains/(losses) recognised in 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)
Gains/(losses) recognised in fair value reserves			
Acquisitions			127 500
Disposals			
Transfer from other levels			
Transfer to other levels			
Exchange differences			
Other			
Balance on 31 December 2019	**0**	**0**	**553 241**

	AVAILABLE FOR SALE FINANCIAL ASSETS	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
Balance on 1 January 2018			**551 750**
Gains/(losses) recognised in 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			(21 851)
Gains/(losses) recognised in fair value reserves			
Acquisitions			
Disposals			(87 600)
Transfer from other levels			
Transfer to other levels			
Exchange differences			
Other			
Balance on 31 December 2018	**0**	**0**	**442 300**

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 use[10]:

[10] The above amounts were obtained from *Bloomberg*.

	2019		2018	
	EUR	USD	EUR	USD
1 month	-0.499	1.630	-0.373	2.411
2 months	-0.438	1.763	-0.363	2.503
3 months		1.833	-0.336	2.614
6 months	-0.383	1.908	-0.309	2.808
1 year	-0.324	1.912	-0.237	2.876
2 years	-0.321	1.770	-0.233	2.758
3 years	-0.292	1.697	-0.174	2.657
4 years	-0.238	1.689	-0.077	2.590
5 years	-0.175	1.703	0.059	2.598
7 years	-0.111	1.729	0.198	2.570
10 years	0.018	1.797	0.469	2.624
30 years	0.212	1.895	0.812	2.709
1 month	0.621	2.091	1.380	2.838

Exchange rates

The fixing values of the Central Bank[11] are used for exchange rates. The table below shows the exchange rates of some of the relevant currency pairs as at 31 December 2019 and 2018:

[11] Source of exchange rates: https://www.bportugal.pt/taxas-cambio

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	

2018	EUR	USD	GBP	CHF	SEK	NOK	AUD	CAD	NZD	BRL
EUR		1.1467	0.89908	1.1261	10.152	9.9084	1.6269	1.5637	1.7066	4.4505
USD	0.87207		0.78406	0.98207	8.8533	8.6409	1.4187	1.3637	1.4883	3.8812
GBP	1.1122	1.2754		1.2525	11.292	11.021	1.8095	1.7393	1.8982	4.9501
CHF	0.88799	1.0183	0.79837		9.0149	8.7986	1.4446	1.3886	1.5155	3.952
SEK	0.0985	0.11295	0.08856	0.11093		0.97601	0.16025	0.15403	0.16811	0.43839
NOK	0.10092	0.11573	0.09074	0.11365	1.0246		0.16419	0.15782	0.17224	0.44917
AUD	0.61468	0.70485	0.55265	0.69222	6.2403	6.0905		0.9612	1.049	2.7357
CAD	0.6395	0.73331	0.57496	0.72016	6.4922	6.3364	1.0404		1.0914	2.8461
NZD	0.58595	0.67191	0.52682	0.65987	5.9486	5.8059	0.95326	0.91627		2.6078
BRL	0.22469	0.25765	0.20202	0.25303	2.2811	2.2263	0.36554	0.35136	0.38346	

4_19_FINANCIAL MARGIN

This group is broken down as follows for comparable reporting periods:

NOTE 19

	31/12/2019	31/12/2018
Interest and similar income from:		
Interest on deposits in other credit institutions	37 420	26 551
Interest on investments in credit institutions	218	549
Interest on loans to clients	3 980 621	4 758 822
Interest on overdue loans	189 246	172 359
Interest and similar income from other financial assets	1 553 213	1 597 517
Commissions received associated to amortised cost	171 039	124 592
	5 931 756	**6 680 390**
Interest and similar costs on:		
Deposits from Banco de Portugal	(86 924)	(47 596)
Deposits from other credit institutions	(122 613)	(109 499)
Interest from creditors and other deposits		
Interest on deposits from clients	(885 472)	(713 122)
Interest on trading liabilities	(463)	(353)
Other interest and similar costs	(64 468)	(50 188)
Interest on loans	(21 485)	(9 969)
	(1 181 424)	**(930 728)**
	4 750 332	**5 749 662**

4_20_INCOME FROM EQUITY INSTRUMENTS

This group is broken down as follows for comparable reporting periods:

NOTE 20

	31/12/2019	31/12/2018
Financial assets at fair value through other comprehensive in-come		
Issued by residents		
Investment units	328 106	225 749
	328 106	**225 749**

These results arise from the distribution of dividends of the investment fund Retail Properties, corresponding to 0.50€/0.50€ and 0.0263€/0.050€, respectively in 2019 and 2018, per unit held.

4_21_REVENUE AND CHARGES FROM AND WITH COMMISSION SERVICES

This group is broken down as follows for comparable reporting periods:

NOTE 21

	31/12/2019	31/12/2018
Income from services and commissions f:		
Guarantees and commitments	97 359	77 199
Deposits and securities under custody	80 269	37 135
Collection of securities	154 655	105 202
Administration of securities	1 312 934	1 080 241
Collective investment undertakings	553 305	351 357
Other services provided	527 898	859 430
Transactions carried out on behalf of third parties	2 025 137	1 892 925
Other commissions received	838 159	981 167
	5 589 717	**5 384 657**
Charges - services and commissions for:		
Deposits and securities under custody	(64 870)	(45 179)
Other banking services provided by third parties	(48 334)	(42 793)
Transactions carried out by third parties	(2 247 370)	(1 780 265)
	(2 360 574)	**(1 868 237)**
	3 229 143	**3 516 421**

3_22_INCOME FROM ASSETS AND LIABILITIES EVALUATED AT FAIR VALUE

This group is broken down as follows for comparable reporting periods:

NOTE 22

	31/12/2019	31/12/2018
Gains from:		
Financial assets held for trading		
Securities	9 825 446	4 457 905
Derivative instruments	1 363 300	205 068
	11 188 745	**4 662 972**
Losses from:		
Financial assets held for trading		
Securities	(7 879 111)	(4 334 691)
Derivative instruments	(958 790)	(113 795)
	(8 837 901)	**(4 448 486)**
	2 350 844	**214 487**

In accordance with the applicable standards, this heading included the amount relating to the derecognition of financial assets usually done through their sale. Given the normally extended time in which investments in this portfolio are made, the disposal of securities results from taking advantage of particularly favourable opportunities for their sale.

Following the favourable market opportunities, a positive variation of 2 136 404€ was noted.

4_23_INCOME FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This group is broken down as follows for comparable reporting periods:

NOTE 23

	31/12/2019	31/12/2018
Gains from:		
Financial assets at fair value through other compre-hensive income		
Securities		
Issued by residents		
Debt instruments	8 178	0
Equity instruments	2 964	909 580
Other	379 520	270 287
Issued by non-residents		
Debt instruments	1 528 504	286 490
	1 919 167	**1 466 357**
Losses from:		
Financial assets at fair value through other compre-hensive income		
Securities		
Issued by residents		
Debt instruments	0	(173 600)
Issued by non-residents		
Debt instruments	(467 626)	(2 880)
	(467 626)	**(176 480)**
	1 451 540	**1 289 876**

4_24_INCOME FROM NON-NEGOTIABLE FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

This group is broken down as follows for comparable reporting periods:

NOTE 24

	31/12/2019	31/12/2018
Gains from:		
Non-negotiable financial assets mandatorily at fair value through profit or loss		
Equity instruments	1 798 599	1 528 807
Losses from:		
Non-negotiable financial assets mandatorily at fair value through profit or loss		
Equity instruments	(361 915)	(900 055)
	1 436 684	**628 752**

Following the favourable market opportunities, a positive variation of 807 932.00€ was noted.

4_25_INCOME FROM FINANCIAL ASSETS AT AMORTISED COST

This group is broken down as follows for comparable reporting periods:

NOTE 25

	31/12/2019	31/12/2018
Gains from:		
Assets held to maturity		
Debt instruments	0	42 200
	0	**42 200**

4_26_INCOME FROM CURRENCY REVALUATION

This group is broken down as follows for comparable reporting periods:

NOTE 26

	31/12/2019	31/12/2018
Gains from:		
Exchange differences		
Other items in foreign currency - foreign currencies	503 351	176 250
Losses from:		
Exchange differences		
Other items in foreign currency - foreign currencies	(703 636)	(193 168)
	(200 285)	**(16 917)**

4_27_INCOME FROM THE DISPOSAL OF OTHER ASSETS

This group is broken down as follows for comparable reporting periods:

NOTE 27

	31/12/2019	31/12/2018
Gains from:		
Gains from inv. subsidiaries in the country	8 199	9 734
Non-financial assets	46 202	50 696
Losses from:		
Losses from inv. subsidiaries in the country	(323)	(50 000)
Non-financial assets	(35)	(920)
	54 044	**9 510**

This note includes the result of the calculation with MEP in portfolio investments, in particular 8 199€ relating to gains and 323€ to losses.

4_28_OTHER OPERATING INCOME

This group is broken down as follows for comparable reporting periods:

NOTE 28

	31/12/2019	31/12/2018
Gains from:		
Other gains and operating income	58 947	137 963
	58 947	**137 963**
Losses from:		
Other taxes	(348 954)	(297 831)
Donations and membership fees	(79 821)	(82 917)
Contributions to the Deposit Guarantee Fund (FGD)	(235)	(235)
Contributions to the Investor Compensation Scheme	(5 000)	(5 000)
Failure of computer systems or telecommunications	(7 988)	(1 268)
Other costs and operating expenses	(286 649)	(158 768)
	(728 647)	(546 018)
	(669 700)	**(408 055)**

4_29_STAFF COSTS

This group is broken down as follows for comparable reporting periods:

NOTE 29

	31/12/2019	31/12/2018
Remunerations		
Management and supervisory bodies	(454 124)	(369 609)
Employees	(3 163 083)	(2 853 570)
Mandatory social security contributions		
Remuneration-related charges	(861 827)	(781 683)
Other mandatory social security contributions		
Pension fund	(50 182)	(48 107)
Insurance against accidents at work	(21 157)	(16 136)
Other staff costs	(243 108)	(222 366)
	(4 793 481)	**(4 291 470)**

As at December 2019, the Bank had 102 employees in Portugal, as shown below in the professional categories.

DISTRIBUTION BY PROFESSIONAL CATEGORY	31/12/2019	31/12/2018
Management Board	4	4
Management	22	19
Technical staff	20	19
Admin. staff	18	13
Commercial/Operations	27	31
Other	11	10
Banco Carregosa	**102**	**96**

Retirement and survivors' pension liabilities

Banco Carregosa provides a defined Pension Plan to its 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 table 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 evaluation 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:

	2019	2018
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:

	2019	2018
Actuarial evaluation 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	1.25%	2.00%
Wage growth rate	0.75%	0.75%
Pension adjustment table	1.25%	2.00%
Pension growth rate	0.75%	0.75%
General information		
Number of benefit payments	**14**	**14**

Fund yield - 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 adjusted to the interest rate on private debt bonds with a high credit rating (AA) and a maturity similar to the liabilities.

Yield rate – The yield rate in 2019 was higher than the planned rate. 10-year projections until 2028, in a best estimate scenario, point to an average annual yield rate of 4.7%. This expected rate in line with the portfolio potential and with the discount rate used to measure liabilities. So, if the necessary contributions are made, solvency ratios are expected to improve. The development of the fund's assets and liabilities should be carefully analysed.

Pension growth rate – The pension growth 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);
- the loss of the right to a survivors' pension by an orphan, which reverted to the remaining beneficiaries, as provided for in the pension plan in question.

The increase seen in the last 3 years is due to the orphan pensions that were reverted to the surviving spouse.

Pension liabilities

Pension liabilities as at 31 December are as follows:

	2019	2018
Pension payment liabilities	766 736	687 304
Asset liabilities	3 134 104	2 633 783
	3 900 840	**3 321 087**

Pension payment liabilities

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	-	-	-	-

The current value of pension liabilities as at 31 December 2018 is as follows:

	CURRENT VALUE OF PENSIONS UNDER PAYMENT	SAMS	DEATH GRANT	TOTAL
Total	**656.224**	**29.979**	**1.102**	**687.304**
Old-age pensions	175 406	18 023	1 102	194 531
Invalidity pensions	-	-	-	-
Survivors' pensions	480 878	11 956	-	492 773
Orphans' pensions	-	-	-	-

Asset liabilities

The current value of asset liabilities as at 31 December 2019 is as follows:

CURRENT VALUE OF LIABILITIES FOR PAST SERVICE LIABILITIES 2019

	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

The current value of asset liabilities as at 31 December 2018 is as follows:

CURRENT VALUE OF LIABILITIES FOR PAST SERVICE LIABILITIES 2018

	ASSETS	ACQUIRED RIGHTS	SAMS ASSETS	DEATH GRANT ASSETS	TOTAL
Total	**1.487.781**	**955.952**	**175.321**	**15.789**	**2.633.783**
<65 years	1 336 669	936 146	156 817	13 659	2 444 663
≥ 65 years	151 112	19 806	18 380	1 071	189 120

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 under 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:

	2019	2018
FP OCP Equilibrado	870 267	821 880
FP OCP Moderado	1 504 383	1 387 597
FP OCP Ações	1 215 844	1 069 939
	3 590 494	**3 279 416**

Fund development

The following tables show the Bank's Pension Plan income and expenses allocated to each of the 3 funds, with the following charges including Pensions, Insurance Premiums and Other Expenses.

EVOLUTION OF FP OCP EQUILIBRADO DURING 2019

	UNIT VALUE OF INVEST. UNIT	INVEST. UNITS	FUND VALUE	VALUE DATE
Opening balance	6.7295	122 131.1797	821 880.05	31/12/2018
Pensions + Costs	-	-7 370.0815	-52 765.02	
Contributions + Other receipts	-	938.2928	6 879.29	
Total movements	-	-6 431.7887	-45 885.73	
Fund yield rate	11.77%	-	94 273.09	
Closing balance	**7.5218**	**115 699.3910**	**870 267.41**	**31/12/2019**

EVOLUTION OF FP OCP MODERADO DURING 2019

	UNIT VALUE OF INVEST. UNIT	INVEST. UNITS	FUND VALUE	VALUE DATE
Opening balance	6.5288	212 533.9301	1 387 597.12	31/12/2018
Pensions + Costs	-	-2 647.9932	-17 607.00	
Contributions + Other receipts	-	1 579.0427	11 091.76	
Total movements	-	-1 068.9505	-6 515.24	
Fund yield rate	8.96%	-	123 300.88	
Closing balance	**7.1141**	**211 464.9796**	**1 504 382.76**	**31/12/2019**

EVOLUTION OF FP OCP AÇÕES DURING 2019

	UNIT VALUE OF INVEST. UNIT	INVEST. UNITS	FUND VALUE	VALUE DATE
Opening balance	6.8166	156 961.3150	1 069 938.85	31/12/2018
Pensions + Costs		-1 890.9094	-13 205.29	
Contributions + Other receipts	-	1 148.3221	8 680.47	
Total movements	-	-742.5873	-4 524.82	
Fund yield rate	14.18%	-	150 430.14	
Closing balance	**7.7830**	**156 218.7277**	**1 215 844.17**	**31/12/2019**

In 2019 and 2018, the three funds developed as follows:

	UNIT VALUE OF INVEST. UNIT	INVEST. UNITS	FUND VALUE	VALUE DATE
Opening balance	6.6705	491 626.4248	3 279 416.02	31/12/2018
Pensions + Costs	-	-11 908.9841	-83 577.31	
Contributions + Other receipts	-	3 665.6576	26 651.52	
Total movements	-	-8 243.3265	-56 925.79	
Fund yield rate	11.35%	-	368 004.11	
Closing balance	**7.4278**	**483 383.0983**	**3 590 494.34**	**31/12/2019**

DIFFERENCES

	ESTIMATED	REAL	VARIATIONS	DATA VALOR
Opening balance	3 279 416.02	3 279 416.02	-	31/12/2018
Pensions + Costs	-82 118.52	-83 577.31	-1 458.79	
Contributions + Other receipts	-	26 651.52	26 651.52	
Total movements	-82 118.52	-56 925.79	25 192.73	
Fund yield rate	64 767.13	368 004.11	303 236.98	
Closing balance	**3 262 064.63**	**3 590 494.34**	**328 429.71**	**31/12/2019**

The positive difference is justified by the fact that the fund's real yield was higher than the estimated yield.

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	**731.528.37**	**31.550.31**	**3.657.59**	**766.736.27**
Old-age pensions	210 918.74	18 585.95	3 657.59	233 162.28
Invalidity pensions	-	-	-	-
Survival pensions	520 609.63	12 964.36	-	533 573.99
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	**1 755 572.61**	**1 142 515.42**	**216 733.35**	**19 282.90**	**3 134 104.28**
<65 years	1 607 471.73	1 139 817.45	199 022.24	18 064.81	2 964 376.22
≥ 65 years	148 100.89	2 697.97	17 711.11	1 218.09	169 728.05

CURRENT VALUE OF FUTURE SERVICE LIABILITIES

	ASSETS	ACQUIRED RIGHTS	SAMS ASSETS	DEATH GRANT ASSETS	TOTAL
Total			**114 829.20**	**10 435.22**	**125 264.42**
<65 years	-	-	114 829.20	10 435.22	125 264.42
≥ 65 years	-	-			

CURRENT VALUE OF TOTAL SERVICES

	ASSETS	ACQUIRED RIGHTS	SAMS ASSETS	DEATH GRANT ASSETS	TOTAL
Total	**1 747 312.98**	**1 142 515.42**	**331 562.55**	**29 718.12**	**3 251 109.06**
<65 years	1 601 427.54	1 139 817.45	313 851.44	28 500.03	3 083 596.46
≥ 65 years	145 885.44	2 697.97	17 711.11	1 218.09	167 512.61

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 74 years, resulting from the technical threshold of the mortality table used, compared with the estimated duration of liabilities:

DURATION (INTEREST RATE SENSITIVITY)

DURATION	
Macaulay	19.8
Modified	19.59%
Convexity	506

LIFE EXPECTANCY

	NUMBER	MINIMUM AGE	LIFE EXPECTANCY
Assets	14	47	36.18
Acquired rights	48	37	45.60
Pensioners	4	67	18.60
Total	**66**	**37**	**45.60**

Thus, considering the combined residual maturity (74 years), the life expectancy of younger beneficiaries (45, 60 years), and the duration of *Macaulay* (19.8 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 type of the benefits.

Development of past service liabilities

DATE	31/12/2018	31/12/2019	VARIAÇÃO
Current value of pension payment liabilities	687 304.06	766 736.27	11.56 %
Current value of past service liabilities	2 633 783.48	3 134 104.28	19.00 %
Total	**3 321 087.55**	**3 900 840.55**	**17.46 %**

The increase in the Current Value of Pensions under Payment is due to the decrease in the pension update rate.

Contributions and financing plans:

For the financing of the plan, the Projected Unit Credit method was applied, according to which the yearly contribution, technically called normal cost, results from dividing the total liabilities by the years of service throughout the active period. This calculation is done individually.

LEVELS OF FINANCING

	CENÁRIO DE FINANCIAMENTO
Yearly cost	48 527.28
Waves expected for 2020	330 917.83
Yearly cost as % of wages	14.66%

During the first quarter of 2020, the Bank made a contribution of 210 766.77€ in order to cover the deficit of existing liabilities as at 31/12/2019, in the financing scenario.

4_30_GENERAL ADMINISTRATIVE COSTS

This group is broken down as follows for comparable reporting periods:

NOTE 30

	31/12/2019	31/12/2018
Supplies:		
Water, electricity and fuel	(215 362)	(204 702)
Consumables	(9 361)	(7 276)
Publications	(7 864)	(8 928)
Hygiene and cleaning products	(20 882)	(16 118)
Other third party supplies	(121 611)	(203 163)
	(375 080)	**(440 187)**
Services:		
Leases and rentals	(55 695)	(139 188)
Communications	(238 022)	(235 999)
Travel, hotel and entertainment expenses	(265 692)	(257 088)
Advertising and publishing	(627 671)	(668 791)
Repairs and maintenance	(132 990)	(153 704)
Insurance	(71 564)	(63 721)
Specialised services		
Retainers and fees	(76 406)	(84 528)
Legal, litigation and notaries	(4 218)	(24 407)
IT services	(780 319)	(999 893)
Security and surveillance	(22 402)	(19 817)
Cleaning services	(3 833)	(3 617)
Information	(709 117)	(570 496)
Databases	(51 078)	(56 871)
Other specialised services		
Studies and consultations	(22 023)	(6 273)
Advisors and external auditors (*)	(606 019)	(605 649)
External evaluators	(59 655)	0
Other third party services		
Public relations and advisory services	(36 475)	(38 982)
Banco de Portugal - Bpnet Service	(2 974)	(2 397)
Housekeeping services	(9 103)	(10 069)
Temporary manpower	0	0
Other	(31 329)	(29 601)
	(3 806 587)	**(3 971 089)**
	(4 181 666)	**(4 411 277)**

(*) 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	51 000
Assurance and reliability services	26 950
	77 950

4_31_DEPRECIATION AND AMORTISATIONS

This group is broken down as follows for comparable reporting periods:

NOTE 31

	31/12/2019	31/12/2018
Property, plant and equipment		
Of property	(206 701)	(110 002)
Of equipment	(701 347)	(617 599)
Of financial lease assets	0	(956)
	(908 048)	**(728 557)**
Intangible assets	(185 674)	(90 232)
	(1 093 722)	**(818 790)**

As mentioned in Notes 7 and 8, the movements and balances of the headings 'Other property, plant and equipment' and 'Intangible assets', including amortisations and impairment adjustments, are shown in the table associated to these notes.

4_32_PROVISIONS NET OF WRITE-OFFS

This group is broken down as follows for comparable reporting periods:

NOTE 32

	31/12/2019	31/12/2018
Gains from:		
Provisions for guarantees and commitments made	4 491	6 498
Losses from:		
Provisions for guarantees and commitments made	(7 590)	(9 831)
	(3 099)	**(3 333)**

4_33_IMPAIRMENT OF FINANCIAL ASSETS AT AMORTISED COST

This group is broken down as follows for comparable reporting periods:

NOTE 33

	31/12/2019	31/12/2018
Investments held to maturity		
Debt instruments	27 956	82 621
Loans		
Normal loans	919 793	1 526 754
Overdue loans (includes other debtors)	(1 056 625)	(1 674 639)
	(136 832)	(147 885)
	(108 876)	**(65 264)**

4_34_IMPAIRMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This group is broken down as follows for comparable reporting periods:

NOTE 34

	31/12/2019	31/12/2018
Available for sale financial assets		
Debt instruments	(315 272)	(164 479)
Equity instruments	(15 821)	(426)
	(331 093)	**(164 904)**

4_35_IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIAT-ED COMPANIES

This group is broken down as follows for comparable reporting periods:

NOTE 35

	31/12/2019	31/12/2018
IInvest. in subsidiaries, joint ventures and associated companies	(88 954)	99 109
	(88 954)	**99 109**

4_36_TAXES

This group is broken down as follows for comparable reporting periods:

NOTE 36

	31/12/2019	31/12/2018
Current	(249 088)	(185 726)
Deferred	(69 010)	(65 071)
	(318 098)	**(250 797)**

Impact of postings in the table and note below:

Current taxes

The difference between taxes calculated at the legal rate and taxes calculated at the effective rate in the 2019 and 2018 financial years may explained as shown below:

		2019	2018
1	Pre-tax results	2 307 188	1 397 537
2	Legal tax rate(corporate income tax+municipal tax)	22.50%	22.50%
3	Normal tax load (1x2)	519 238	314 446
4	Tax effect of non-deductible expenses	1 641 627	590 394
5	Tax effect of non-taxable income	(1 289 852)	(559 206)
6	Variations in assets	636 484	(811 048)
7	Taxable income / Reportable tax loss (1+4+5+6)	3 295 983	617 677
8	Reportable tax loss	(2 307 188)	(3 139 350)
9	Tax (corporate income tax + municipal tax)	303 564	48 179
10	Autonomous taxation	153 150	137 547
11	Tax benefits	(207 627)	0
12	Total tax (9+10+11)	249 088	185 726
13	Effective rate (12/1)	10.79%	13.29%

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 recognised in 2019 in the amount of 69 010€ result from the impact of temporary differences in income tax on both property, plant and equipment and intangible assets, and on impairments.

4_37_OFF-BALANCE SHEET ACCOUNTS

This group is broken down as follows for comparable reporting periods:

NOTE 37

	31/12/2019	31/12/2018
Commitments to third parties:		
Irrevocable commitments		
Potential commitments to SII	779 570	598 778
Revocable commitments		
Credit lines	10 866 133	9 960 726
Account overdraft facilities	0	0
	11 645 703	**10 559 504**
Liability for service provision:		
Of deposits and values under custody	1 026 563 896	795 660 770
Administrative amounts of the institution	149 563 447	137 919 974
Other	0	(0)
	1 176 127 343	**933 580 744**
Services provided by third parties:		
For deposits and values under custody	526 777 108	523 948 297
For other services	0	0
	526 777 108	**523 948 297**
Foreign exchange transactions and derivative instruments:		
Trading instruments		
Foreign exchange forward transactions	20 143 379	125 873
Futures and forward options	0	0
Options	0	756
Hedge instruments		
Options	76 146	7 103
	20 219 525	**133 733**
Guarantees provided and any other services:		
Personal guarantees	19 314 307	10 339 662
Real guarantees	7 065 000	12 515 000
	26 379 307	**22 854 662**
Guarantees received:		
Personal guarantees	110 148 903	99 131 332
Real guarantees	331 506 984	333 804 896
	441 655 887	**432 936 229**
Other off-balance sheet items:		
Write-offs	1 340 261	1 340 261
Accrued interest	122 306	92 690
Miscellaneous accounts	(2 204 267 440)	(1 925 446 120)
	(2 202 804 873)	**(1 924 013 169)**

4_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 2019 amounted to 76 438.03€, compared with 50 811.78€ paid in 2018, 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_39_ASSETS GIVEN AS COLLATERAL

These assets are broken down as shown in the table below:

PLEDGED FINANCIAL ASSETS

	31/12/2019	31/12/2018
Financial assets at fair value through other comprehensive income		
Debt securities	7 127 196	12 475 851
Other assets		
Receivables from futures and options transactions – margins	9 579 364	3 041 743
Various investments – uncleared values	10 253 060	10 163 477
	26 959 620	**25 681 071**

4_40_RELATED PARTIES

As at 31 December 31 December 2019 and 2018, the Bank is controlled by the following shareholders with a holding of more than 2%:

SHAREHOLDING COMPOSITION

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

SHAREHOLDING COMPOSITION

2018

	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
Amorim Projetos, SGPS, SA	15 880 743	7.94	15 880.00
Groupe Norwich S.A.	9 999 990	5.00	9 999.00
Mauricio Zlatkin	9 999 000	5.00	9 999.00
Sophia Capital - Fundo de Capital de Risco	8 510 000	4.26	8 510.00
António José Paixão Pinto Marante	8 200 000	4.10	8 200.00
Imocarregosa-Gestão e Comercialização Imobiliária, S.A.	7 358 751	3.68	7 358.00
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 29 to this annex.

Transactions and balances between related parties

At the end of the 2019 reporting period, the balances resulting from transactions with related parties were as follows:

	ASSETS	LIABILITIES		
		CLIENT DEPOSITS		
	SUPPLEMENTARY CONTRIBUTIONS	DEMAND DEPOSITS	TERM DEPOSITS	SUPPLEMENTARY CONTRIBUTIONS
Participated 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 2018 reporting period, the balances resulting from transactions with related parties were as follows:

	ASSETS	LIABILITIES		
		CLIENT DEPOSITS		
	SUPPLEMENTARY CONTRIBUTIONS	DEMAND DEPOSITS	TERM DEPOSITS	SUPPLEMENTARY CONTRIBUTIONS
Participated companies				
Coollink, Lda.	0	149	0	0
Circuitos e traçados	4 954 000	1 439 864	0	0
	4 954 000	**1 440 013**	**0**	**0**

During the 2019 reporting period, the Bank made the following transactions with the related parties:

	INTEREST ON TERM DEPOSITS	COMMISSIONS RECEIVED	INCOME FROM EQUITY INST.	SERVICE PROVISION	SERVICES RECEIVED
Participated companies					
Coollink, Lda.	0	0	0	3 000	803 685
Circuitos e traçados	0	131	0	0	0
	0	**131**	**0**	**3 000**	**803 685**

During the 2018 reporting period, the Bank made the following transactions with the related parties:

	INTEREST ON TERM DEPOSITS	COMMISSIONS RECEIVED	INCOME FROM EQUITY INST.	SERVICE PROVISION	SERVICES RECEIVED
Participatedcompanies					
Coollink, Lda.	0	0	0	3 000	857 488
Circuitos e traçados	0	54	0	0	0
	0	**54**	**0**	**3 000**	**857 488**

5_SUBSEQUENT EVENTS – COVID-19

With reference to the date on which this report was approved by the Board of Directors, there has been a widespread propagation of the novel coronavirus (COVID-19). On 11 March, the coronavirus outbreak was labelled a pandemic by the World Health Organisation, with each country's health authorities responding in a prompt and adequate way, resulting in significant changes in the economic framework and outlook for 2020 and beyond.

As this situation is having a very significant and unexpected impact on world economies and international financial markets, The Bank's management has been closely monitoring the evolution of this pandemic and the effected associated thereto, ensuring that measures are taken in good time to minimise the impact of the virus on the Bank's activities and on the health of its employees by providing preventing and effective healthcare advice, information and adequate means of protection, adjusting its response to the institution's operation.

As regards the medium-term impacts of this pandemic, much of the global economic fabric is expected to shut down, resulting in a general economic recession, for which there are no reliable estimates as to its seriousness. The recession of economies will depend, among other aspects, on how long the social isolation measures will remain in place and on the efficacy of the fiscal and monetary stimulus measures approved by the various central banks, European Union, and national governments. This situation will nevertheless have an impact on the Bank's activity.

However, given the uncertainty of these possible effects, it is not possible to estimate and quantify, at this date, the future impacts of COVID-19 on the Portuguese and other economies, in particular in the banking business. The Board of Directors will, therefore, continue to monitor the situation closely over the next financial year, in particular with regard to the fair value of financial assets, the measurement of expected losses in the loan portfolio, and on capital and liquidity requirements, taking into account the current volatility of markets.

Given the high degree of uncertainty at this stage as to how this pandemic will evolve, both in terms of duration and severity, it is not possible to quantify with reasonable sufficient confidence the future quantitative impacts and evolution of this phenomenon on the Bank's activity and its financial situation.

The Board of Director's expectations regarding the potential impact on the Bank's activities, its own funds, and the risks to which it is naturally exposed are as follows:

- **Market and interest rate risks:** The effects of the pandemic may be felt over time in markets ad in the economy. While the impact of the interest rate risk may be limited, as the rise in interest rates and the relatively short duration of the Bank's portfolio are not foreseeable, the same cannot be for the volatility of asset valuations due to the uncertainty about credit risk and the illiquidity of the markets that occurs at times of crises.

- **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.

In addition, The Bank joined 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 EUR, 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, amounted to about 61M€ in the legal moratorium and 7 M€ in the private moratorium.

So far, the Bank has received 33 applications to the legal moratorium, 28 of which were validated, representing a credit volume of 37M€ (about 60% of the total eligible applications).

- **Liquidity risk:** The Board of Directors continuously assesses the impacts that may occur in the future. However, and considering its comfortable liquidity level, no additional pressures are expected in relation to the Bank's cash management, or difficulty in financing the investments already made or commitments in investments already undertaken.

- **Operating risk and business continuity:** The Bank has quickly and successfully implemented a teleworking arrangement for a large majority of its employees, but its offices are also open to the public, subject to adequate safeguard measures.

The Bank is monitoring the evolution of the Covid-19 pandemic both in Portugal and in the world, in order to take any measures that may be necessary to minimise the impact of the coronavirus on the Bank, aiming at:

1_Safeguarding the life and health of its employees by offering preventive healthcare advice and providing information and adequate safeguard measures;

2_Adapting the operational response and maintaining essential services in operation; and

3_Minimising the effects of a potential interruption in activities and preparing for a rapid return to normal operation.

Given the information available so far on the severity of the pandemic and on the preventive measures that governments may take at the time of this report, it is extremely difficult to quantity with a reasonable degree of confidence any potential financial impacts.

Given the existing business model, which is expected to remain unchanged, we believe that these measures will have no significant impact thereon.

- **Own funds:** Even taking into account market developments and the resulting financial impact, in the context of the SARS-Cov2 spread, the capital ratios of the bank have remained above the limits required by Banco de Portugal, in particular in view of the flexibility introduced following Circular Letter CC/2020/00000017, which has since been reinforced by Circular Letter CC/2020/0000021.

In accordance with the accounting framework in force, this event (COVID-19) was considered a non-adjustable subsequent event. In the Board's opinion, due to the actions taken and the institution's solvency levels, the principle of continuity implicit to these financial statements is not called into question.

Porto, 2 June 2020

Pedro Manuel Ferreira da Rocha (The Certified Accountant)

The Board of Directors

Maria Cândida Cadeco Rocha e Silva (Chairman)

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

18

LEGAL CERTIFICATION OF ACCOUNTS

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 2019 (showing a total of 347 535 506€ and total equity of 38 867 987€, including a net result of 1 989 626€), 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, and 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 2019, 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 for the audit of 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.

Observation

In accordance with Note 4 of the annex to the consolidated financial statements, the novel coronavirus outbreak (COVID-19) has had negative impacts on the global economy and financial markets since March 2020, and in particular on the activity of Banco L. J. Carregosa, S.A. during the 2020 financial year. These impacts are still uncertain and cannot be estimated and quantified to date, namely with regard to the fair value of financial assets, estimated losses in the credit portfolio, and capital and liquidity requirements. 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 consolidated financial statements for the current period. These areas were considered in the auditing of consolidated 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 2019, "Loans to Clients" granted by the Bank amounted to a gross sum of 92 976 254€ and its net amount to 91 431 324€, representing an accumulated impairment of 1 544 930€, i.e., 1.66% 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 accompanying the financial statements (items 1.2.8, 1.3.1, 2.4, 3.4.1 and 3.33).

Impairment relating to "Loans to Clients", 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, e represents the best estimate of the management body of the losses expected for this heading, as at 31 December 2019. The use of alternative assumptions, judgements or models may have a material impact on the estimated impairment.

Since the estimate of impairment and its material relevance is a highly subjective and complex matter, and also due to the difficulty in implementing a new accounting standards in this heading, we have considered this as a relevant area 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 manage-ment and experts responsible for the credit process and the identification and calcula-tion 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 activ-ities implemented by the Bank for the pur-pose of identifying and quantifying impair-ment losses in its "Loan to Clients" portfo-lio;

- We have carried out analytical tests on the growth of "Loans to Clients" balances and related impairments;

- We have analysed compliance of account-ing policies with IFRS 9;

- We have analysed the model and process for estimating impairment losses in the "Loans to Clients" portfolio and its effec-tive implementation, in particular with re-gard to the reasonableness of parameters and assumptions used.

- To obtain a significant sample of clients, we analysed the client's economic stand-ing and appreciation of existing collateral and assessed the reasonableness of the impairment loss estimate.

- Based on the model for calculating im-pairment losses in "Loans to Clients" port-folio, 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 ac-counting 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 financial statements that give a true and fair view of the Group'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 Group'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 for the audit of the consolidated 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 also:

- 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 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 Group 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 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 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 16 June 2020.

- 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, 16 June 2020
M. Cunha & Associado – S.R.O.C., Lda., SROC no. 52
represented by Dr. Joaquim Manuel Martins da Cunha, ROC no. 859

AUDIT REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Banco L. J. Carregosa, S.A. (the Group), which comprise the balance sheet as at 31 December 2019 (showing a total of 349 025 177€ and total equity of 38 863 003€, including a net result of 1 989 627€), 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 2019, 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 for the audit of 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.

Observation

In accordance with Note 4 of the annex to the financial statements, the novel coronavirus outbreak (COVID-19) has had negative impacts on the global economy and financial markets since March 2020, and in particular on the activity of Banco L. J. Carregosa, S.A. during the 2020 financial year. These impacts are still uncertain and cannot be estimated and quantified to date, namely with regard to the fair value of financial assets, estimated losses in the credit portfolio, and capital and liquidity requirements. 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 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 2019, "Loans to Clients" granted by the Bank amounted to a gross sum of 92 976 254€ and its net amount to 91 431 324€, representing an accumulated impairment of 1 544 930€, i.e., 1.66% 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 accompanying the financial statements (items 2.2.8, 2.3.1, 3.4, 4.4.1 e 4.33).

Impairment relating to "Loans to Clients", 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, e represents the best estimate of the management body of the losses expected for this heading, as at 31 December 2019. The use of alternative assumptions, judgements or models may have a material impact on the estimated impairment.

Since the estimate of impairment and its material relevance is a highly subjective and complex matter, and also due to the difficulty in implementing a new accounting standards in this heading, we have considered this as a relevant area 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 and assessed the reasonableness of the impairment loss estimate.

- 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 Group'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 Group'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 for the audit of 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 also:

- 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 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 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 Group 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 16 June 2020.

- 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, 16 June 2020
M. Cunha & Associado – S.R.O.C., Lda., SROC no. 52
represented by Dr. Joaquim Manuel Martins da Cunha, ROC no. 859

19

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 2019, 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 14 October 2019, the activity of the Committee was carried out by two members on office, Dr. Ricardo Jorge Mendes Fidalgo Moreira da Cruz and Dra. Maria da Graça Alves Carvalho. As from 15 October, the Committee was again fully functional, with the entry into office of Prof. Doutor Daniel Bessa Fernandes Coelho, authorised by letter CRI/2019/00031444 of the Prudential Supervisory Department of Banco de Portugal, of 1 October, which also confirmed Dr. Ricardo Jorge Mendes Fidalgo Moreira da Cruz as Chairman of the Supervisory Committee.

3_Throughout 2019, the 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 2019.

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 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, in assessing and giving 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 2019, 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 2019 financial year 2019 (PAINT 2019), and analysed proposals for the framework and programming of the Internal Audit Plan for the 2020-2022 three-year period;

- issued recommendations on internal regulations to be in effect at the Bank on 'Conflict of Interest Policy', 'Personal Transactions Policy' and 'Reporting of Irregularities', issued by the Board of Directors;

- took note of the reports prepared by qualified external auditors, in various domains, in particular the internal control system for the prevention of money laundering and terrorist financing, the assessment of compliance with 'FINREP' and '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 2018, aiming at continuous improvements in 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 in all its stages, from the origination of business opportunities to the monitoring of credit exposures.

d) **Supervise the quality and integrity of the information in accounting documents**, 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, the 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 2019 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 Accounts of the Bank, consolidated and separate for the year ended 31 December 2019;

b) Approve the proposal for the appropriation of profits presented in the Report of the Board of Directors;

c) Perform a general assessment of the management and supervision of **Banco L.J.Carregosa, S.A.**, pursuant to Article 455 of the Companies Code.

Porto,16 June 2020

The Supervisory Committee,

Maria da Graça Alves Carvalho (Voting member)

Daniel Bessa Fernandes Coelho (Voting member)

Ricardo Jorge Mendes Fidalgo Moreira da Cruz (Chairman)

BANCO L. J. CARREGOSA, S.A.
Av. da Boavista, 1083 · 4100-129 Porto
T. +351 226 086 460 · F. +351 226 086 490

www.bancocarregosa.com
info@bancocarregosa.com

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BANCO CARREGOSA

Av. da Boavista, 1083 | 4100-129 Porto
T. +351 226 086 460 | F. +351 226 086 490
info@bancocarregosa.com
www.bancocarregosa.com