



2018
Annual Report

Contents

01.	Macroeconomic Overview	08
02.	Business Activity	16
	2.1 Investment Banking and Markets Desk	17
	2.2 Client Management and Wealth Management	17
	2.3 Treasury / Financial Department	19
03.	Support Activities	20
	3.1 Human Resources	21
	3.2 IT Department	22
	3.3 Accounting and Planning Department	23
	3.4 Operations Department	23
04.	Control Areas	24
	4.1 Risk Department	25
	4.2 Compliance Department	26
	4.3 Internal Audit Department	27
05.	Analysis of the Individual and Consolidated Accounts	28
	5.1 Analysis of the Individual Accounts	29
	5.2 Analysis of the Consolidated Accounts	30

06.	Outlook	32
07.	Proposed Application of Results	33
08.	Final Remarks	34
09.	Consolidated Financial Statements	40
10.	Individual Financial Statements	160
11.	Corporate Governance Report	276
12.	Other Information	308
	Statutory Audit Report (Consolidated and Individual)	
	Report and Opinion of the Supervisory Board	

Message from the Chairwoman of the Board of Directors



Lijun Yang
Chairwoman of the Board
of Directors

STRUCTURE

It has been a time of structural changes for the Bank. Firstly, we welcomed the new shareholder, Bison Capital Financial Holdings (Hong Kong) Limited (“Bison Financial”), which is wholly owned by Bison Capital Holding Company Limited (“Bison”).

On 9th July 2018, the acquisition process of the Bank by Bison Financial was concluded with the signing of the closing certificate. An agreement was reached on the 3rd of August 2016, following the authorisation of a transaction by the competent Supervisory Authorities. This went in line with the purchase and sales of shares, which represented the entire quota capital of the Bank and its shareholder credits.

Secondly, on the 16th July 2018 the new shareholder decided to make a share capital increase of the Bank of an amount of 41 million Euros to 176,198,370.00 Euros, with a consequent issuance of 8.20 million new shares with the nominal value of 5.00 Euros each.

STRATEGY

The current Board of Directors initiated its four-year term of office on the 3rd August 2018, with a mandate until 2021 to redefine the Bank’s strategy and leverage on the shareholder’s business network in China, Europe and Africa.

Since the end of the third quarter of 2018, the Bank changed its head offices to a more business prominent area of Lisbon, relocating from Avenida José Malhoa n° 22 to Rua Barata Salgueiro n° 33.

Bison Account officially launched its new name in November 2018. Since then, the brand Bison Account has been gradually establishing itself in the market, aiming to pursue a solid positioning in the areas of Wealth Management and Investment Banking.

SYMBOLISM

The innovativeness of the new shareholder culminated in Bank’s new logo, which originated from the Chinese character “貝 (bei), meaning seashell or conch. This refers to an ancient currency, representing wealth and preciousness in the Chinese culture.

In its structure, the logo features the swirl of three connected conches, with a stable triangle embedded in its round shape, and represents integration, harmony, dynamism, progressiveness and flow. Our logo adopts a unique colour of reddish orange, which connects European and Chinese cultures, representing a sign of vitality and energy.

BUSINESS

Bison’s strong resources and connections in the Asian markets will enable the Bank to provide its clients with a solid platform to access emerging opportunities across continents and serve as a financial bridge between Asia and Europe. This will strengthen the economic and financial relationships between these two continents.

Furthermore, the last quarter of 2018 emphasised that the new shareholder intends to establish a different and sustainable business model, with a significantly distinct balance sheet structure and based on a sound risk profile.

I would like to thank all Bison Account’s employees for all their profound efforts throughout the last year and their contribution to provide a solid business framework. Finally, a word of appreciation to our clients, for the all support they have extended to us throughout these changing year for our Bank.

01 Macroeconomic Overview

International Context

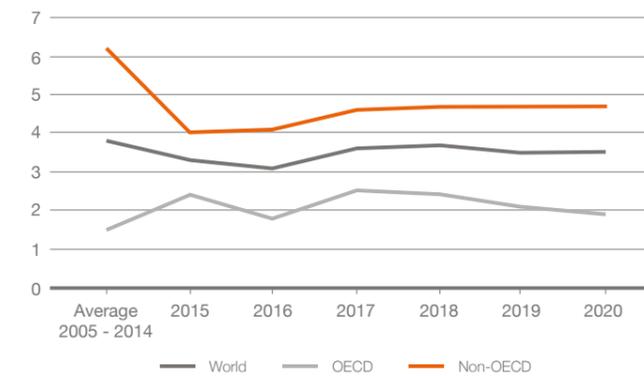
According to the International Monetary Fund (IMF), the global economy grew by 3.7% in 2018, a 0.2 percentage point lower than initially expected, but in line with the previous year. The steady expansion under way has continued, but became less balanced and may have peaked in some major economies.

Developed economies grew by 2.3% in 2018 (2.4% in 2017), with economic activity losing some momentum in the first half of 2018 after peaking in the second half of 2017. The United States experienced a higher growth (2.9% versus 2.2% in the previous year) whilst growth projections have been marked down for the Euro area (1.8%) and United Kingdom (1.4%). The growth consolidation of developed economies was accompanied by a stable growth rate in emerging market economies (6.5%).

While financial conditions have tightened in many emerging markets and developing economies, they remain supportive in developed economies, despite continued federal funds rate increases in the United States. Core inflation remained very different across developed economies – well below objectives in the Euro area (1.0%) and Japan (0.4%), but close to target in the United Kingdom and the United States, where it has exceeded 2% since March.

Real wage growth in most advanced economies remains muted, even as labor markets tighten and, in some cases, output gaps turns positive with the economy operating above potential. In the US and Japan, for example, where unemployment rates are at the lowest since 2000 and 1993, respectively, wages have risen only moderately, which partially reflects weak productivity growth.

Global Growth



Source: OECD, Economic Outlook, Volume 2018 Issue 2, November 2018.

US economy grew by 2.9% in 2018 (IMF data), compared to 2.2% growth rate obtained in 2017 and somewhat higher than initially expected (2.7%). In quarterly terms, the Gross Domestic Product (GDP) grew at an annualised rate of 2.2% in Q1, before accelerating to 4.2% in Q2 and 3.4% in Q3. This robust growth has continuously gained momentum, mainly thanks to consumption, supported by the pro-cyclical fiscal stimulus, putting US on track for its long post Second World War expansion.

In a context of economic prosperity, labor markets registered significant improvements during the year, with the unemployment rate reaching 3.7% in September and finishing the year at 3.9%. Given these favorable conditions, the US Federal Reserve (FED) increased its key interest rate by 100 basis points to 2.5% and continued to engage measures towards a gradual reduction of its balance sheet.

In Europe, economic growth decelerated and became less synchronised. According to the IMF's forecasts, the Eurozone grew by 1.8% in 2018, from 2.4% in 2017, and lower than initially expected (2.2%). Slower export growth, after a strong surge in the final quarter of 2017, coupled with mounting political uncertainties regarding Brexit and Italy, contributed to the Euro area deceleration. This softness is mainly concentrated in the manufacturing sector, with the auto industry being hit particularly hard by some exceptional factors.

Taking into account IMF's estimates, the economy in Spain (+2.5%) grew above the average growth rate for the region (1.8%) whilst growth in Germany and in France (+1.5%) decelerated from the previous year (+2.5% and +2.3%, respectively). In the United Kingdom, growth moderated more than anticipated (+1.4%), with the fall in the pound and uncertainty around Brexit affecting economic activity, as consumption and investment have weakened, whilst Italy also experienced a deceleration in growth (+1.0% from +1.6%).

Regarding prices, Eurozone inflation accelerated to 2.1% in the Q3 but declined onwards and ended 2018 at 1.6%. By excluding the most volatile components of the consumption basket, namely food and energy, the inflation reached 1.0%, remaining stable and at very low levels, far below the target of the European Central Bank (ECB) (a level converging to 2%).

Growth in China (6.6% according to the IMF estimations) kept above the official government growth target of 6.5%, despite a slower pace than in the previous year (6.9%). Real GDP growth slowed to 6.5% in 3Q from 6.7% yoy in 2Q and 6.8% yoy in 1Q. Fixed asset investment growth did slide notably from 7.5% yoy in 1Q to an all-time low of 5.4% yoy in 3Q. Manufacturing and property investments have been rather robust.

The Chinese government has been pursuing financial deleveraging reform with unprecedented determination since early 2017. The reform has been based on the economy's rebalancing in order to induce a boost in private consumption and in the tertiary sector, over other sectors, namely investment and industry, with the aim to double real GDP and income in the ten years from 2010 to 2020.

The government has announced that investment in railways will jump by 40% in 2019 and introduced the first personal income tax deductions for key spending areas like healthcare, education and housing beginning also in 2019.

The Central Bank of China has also increased the regulatory control over the banking and non-banking sectors, in order to reduce the credit expansion and improve the capital base of the financial institutions. In response, banks' balance sheet growth decelerated from nearly 16% yoy in early 2016 to a historical low of sub-7% yoy as of June 2018, as banks moved quickly to cut back their shadow activities.

Their equity and other investments portfolio has been contracting, contrasting with the annualised growth rate of over 80% in 2015-16. Banks have also reduced their exposure to corporate bonds by one-third and negotiated certificate deposits by a quarter.

To better implement the regulatory overhaul, the Financial Stability and Development Committee was set up directly under the State Council in November 2017 and is now headed by Vice Premier Liu He, tasked with supervising monetary policy and financial regulations, formulating policies on systemic financial risk management and maintaining financial security. The banking and insurance regulators were merged into China Banking and Insurance Regulatory Commission in March 2018, to further improve the regulatory oversight.

Domestic Context

As per Bank of Portugal's Economic Bulletin of December, the Portuguese economy grew by 2.1% in 2018, from 2.8% in 2017, and above the average growth of the Eurozone (+2.0%), for the second consecutive year.

The recovery period subsequent to 2013 was characterised by the continued increase in the weight of exports in GDP, a trend that extends to all components, with emphasis on tourism, which presented the greatest cumulative growth. Corporate Gross Fixed Capital Formation (GFCF) accelerated significantly to a level 8% higher than that observed prior to the peak of the international financial crisis, in 2008, and, in contrast, public and housing investment remain below the average observed on that same period.

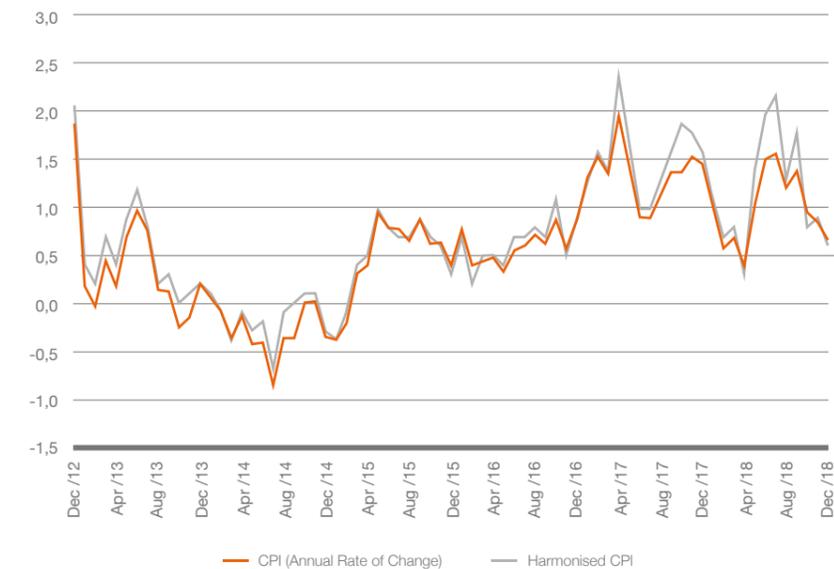
Private consumption is expected to have grown by 2.3% in 2018 (at the same rate as 2017).

The evolution of the real disposable income was largely determined by the acceleration in wages, which the minimum wage increase also contributed, and by the dynamic growth in employment, with unemployment rate reaching 6.7% in Q3. Public consumption is expected to have risen by 0.7%, from 0.3% in 2017.

After very significant growth in 2017 (9.2%), GFCF has slowed down to 3.9% in 2018, due to construction segment, related to cement sales and nominal machinery imports. Investment is expected to surpass the level recorded at the onset of the financial crisis in 2008, with its weight in GDP standing at a historical high level. Imports decelerated to 4.1% in 2018, from 8.1% in 2017 and exports slowed down to 3.6% in 2018 from 7.8% in the previous year. The current and capital account balance as a percentage of GDP fell slightly from 1.4% in 2017 to 1.3% in 2018.

Within this positive context of growing confidence in the government's economic and budgetary targets, the major international rating agencies set notation of Portuguese Republic's rating on the investment grade level (Moody's: Baa3 / stable outlook; Standard & Poor's: BBB- / positive outlook; Fitch: BBB / stable outlook).

Evolution of Inflation - Consumer Price Index (CPI)



Source INE.

The Harmonized index of consumer prices (HICP) rose by 0.6% in December. The largest upward pressure came from transports, housing, water, electricity, gas and other fuels, while the largest downward pressure came from clothing and footwear and from recreation and culture.

GDP - Volume Growth Rates



Source INE.

Financial Markets

Regarding financial markets, most of risk assets depreciated throughout 2018. After two years of steady growth in asset prices, 2018 proved more of a challenge for investors, particularly in the last three months of the year.

This result can be attributed to concerns over global economic growth, prospects of reduced monetary stimulus, together with escalation in US-China trade war and increasing instability in Europe surrounding Brexit, Italian fiscal deficit approval and euro-skepticism evidence increase.

With regard to monetary policy, in the United States the Federal Reserve has continued with the normalisation process of its monetary policy through four successive key interest rate increases, up to 2.0%. It also continued the reversal process of the expansion of its balance sheet, which deployed since 2009, through the purchase of treasuries and mortgage-backed securities issued by government agencies, by reducing the reinvestments of maturing securities.

In the Eurozone, the ECB scaled back its monthly asset purchasing program (APP): from 60 billion Euros in January to 30 billion Euros until September 2018 and to 15 billion Euros onwards until the end of December.

Nevertheless, the ECB intends to reinvest the principal payments from maturing securities for an extended period of time after the end of the net asset purchases, and in any case for as long as necessary to maintain favorable liquidity conditions and an ample degree of monetary accommodation.

The deceleration in the European economic growth and the absence of inflationary pressures have led President Mario Draghi to keep a cautious approach and emphasise the need to maintain its key interest rate at historically low levels at least through the summer of 2019, and in any case, for as long

as necessary, to ensure the continued sustained convergence of inflation to levels that are below, but close to 2% over the medium term.

In the United Kingdom, where the inflation rate is above the 2% target, the Central Bank raised the key interest rate by 25 basis points to 0.75%, representing its second rate hike since the 2008 financial crisis. Among other advanced economies, the Bank of Canada also raised its policy rate by 75 basis points to 1.75%.

In July, the Bank of Japan (BoJ) modified its yield curve control policy to allow a wider deviation band for the benchmark 10-year yield around an unchanged target of about zero percent. The BoJ also introduced forward guidance on maintaining ultralow policy rates for an extended period of time.

In China, the Central Bank maintained its policy rate while lowering banks' required reserve ratio in three separate moves (a 100 basis point to 16% in April, a 50 basis point to 15.5% in July and a further 100 basis point to 14.5% in October) to support lending.

Stock markets registered significant depreciations. The China Benchmark CSI 300 Index, which finished the year 2018 down 25%, was the worst performing market last year. The North American's stock market (S&P 500) depreciated by 6.2%, whilst the European (MSCI Europe) and Japanese (Nikkei) markets ended the year with losses of 13.1% and 12.0%, respectively.

In Germany, the DAX declined by 18.3%, in Italy, the FTSE MIB decreased by 16.2% and, in Portugal, PSI 20 depreciated by 12.2%. The MSCI index for emerging markets also declined by 16.6%, reflecting rising trade tensions and tighter external financial conditions.

Concerning sovereign debt, the performance was quite different on both sides of the Atlantic. In the United States, 10-year sovereign debt yields rose from 1.97% to 2.46%. However, in Germany, sovereign debt yields with the same maturity declined from 0.42% to 0.24%, reflecting the negative surprises from economic growth and the victory for populist parties in Italy, who subsequently formed a coalition government.

Italian 10 year bond yields rose from 2.0% to 3.2%, when the government announced a proposed budget which led to friction with the EU. In Portugal, the continuous downward trend in risk premiums was due to the economic recovery and to the better-than-expected outcome from the budgetary consolidation. As a result, the 10-year sovereign Portuguese debt yields fell slightly from 1.9% to 1.7%.

In terms of exchange rates, the year was highlighted by the appreciation of the dollar against the Euro (+5.4%), consistent with the widening interest rate and expected growth differentials.

By comparison with the United States Dollar, the Japanese Yen appreciated by 2.7% over the year whilst the British Pound lost 5.6% as a result of the Brexit-related developments.

Regarding emerging currencies, the Turkish Lira tumbled by 39.2% on macroeconomic concerns and political instability, while the Brazilian Real depreciated by 17.1%, the South African Rand lost by 15.9% and the Chinese Renminbi depreciated by 5.5%.

In Q3, the continued increase in production in the United States, the greater level of stocks and a downturn revision of the global growth outlook have translated into a fall over 20% in oil prices during October, with the Brent ending the year at 54 United States Dollar per barrel, or a 14% decline versus December 2017.

02 Business Activity

Following the acquisition of Banif Banco de Investimento, S.A. (“Bank”) by Bison Financial, the Bank’s name was changed, in November 2018, to Bison Account, S.A. (“Bison Account” or “Bank”), which is brand and legal name through which the Bank conducts its activities.

2.1 Investment Banking and Markets Desk

The Investment Banking Department (“IBD”), aggregating the former Corporate Finance and Capital Markets Departments, had its team strengthened with seasoned and experienced Bankers during 2018 to operate with a particular emphasis on identifying investment opportunities mainly focused on matching Asian investors’ demand.

Throughout the year, IBD successfully completed several transactions, including multi-asset Merger and Acquisition (M&A) transaction in the role of financial advisor, earning success fees on various transactions.

IBD also provided valuation services to external clients, namely for the appraisal of financial stakes and continued to act as paying Agent Bank for syndicated project finance loans and for existing Commercial Paper Programs.

New approach on Asian investors includes comprehensive and articulated business investment portfolios, on area such as:

- Real Estate, by advising, structuring and executing on local real estate investments,
- Valuations, by analysing and rendering valuation service on potential targets,
- M&A, by targeting and executing various deals, with a special focus on cross border deals,
- Structuring, by packaging solutions on credit and other fixed income alternatives, along with related financial services, providing integrated financial services with a strong focus on cross-border investors.

2.2 Client Management and Wealth Management

2.2.1 Client Management

The activity of the Client Management Department (“CMD”) in 2018 was also influenced by Bison Account’s deep internal reorganisation.

Therefore, and during most part of 2018, the commercial activity was focused on consolidating the existing Clients’ base through a set of initiatives, which included:

- Proceeding with the implementation of the new rules under the MiFID II legislation and its alignment with the internal control processes, initiated in 2017;

- Systematisation of the *KYC* procedures, reflexing in the improvement of the quality of the relationship with Clients;
- Improvement of management information and *CRM* mechanisms, with significant results at the levels of department performance and client relationship management.

Under this context, the commercialisation of low risk products, in particular Time Deposits, together with Brokerage service, continued to bear a significant weight in the overall provided services and loyalty process of the Bison Account's Private Customers.

The contribution of its Depository Bank's services to the Bank's income must also be underlined, as a result of the maintenance of the Institutional Clients and the growing dynamism of these business services.

The conclusion of Bison Account's deep internal reorganisation process set a milestone and a new phase of commercial activity in the last quarter of the year, now more focused on revitalising the current Clients' base, under a new Strategic Project, in conjunction with the Institutional initiatives that have been implemented in the meantime, namely:

- Rebranding the former BBI brand to Bison Account
- Definition of the Bank's Business Model based on the interaction of the Investment Banking and Wealth Management areas and the new global offer (Discretionary Portfolio Management, Advisory and Brokerage);
- Functional reorganisation of the CMD adjusted to the Bank's Strategic Plan, with segmentation of clients in Residents, Non-Residents and Institutional.

2.2.2 Wealth Management

The afore mentioned acquisition of the Bank by Bison Financial, allowed the Bank to start developing a new business value proposal for the Bank's clients in terms of investment services – discretionary portfolio management and investment advisory.

These investment services will allow the Bank to position itself in the market as a key player regarding the interconnection between Europe and China.

A strong exchange of information and knowledge with other Group's companies in Hong Kong will allow the Bank to develop and offer differentiating products to its client base. The Bank's focus on each client's complete financial situation will allow it to choose the services that best serve the clients' needs, in terms of risk profile, investment horizon, objectives and return expectations.

Furthermore, with the objective to invigorate the Bank's client base, specialised areas were created to enhance the establishment of relationships with potential investors through alternative channels, which are expected to expand the Bank's client base.

2.3 Treasury / Financial Department

During 2018, and especially after the Bank's acquisition, it has been set a conservative liquidity management policy, through which the funds were mostly invested in other credit institutions through the money market and an investment portfolio of high quality liquid assets.

This configuration is in line with the Bank's new reality, under a conservative profile that ensures adequate levels of liquidity robustness, but, at the same time, ensures higher levels of profitability.

In terms of value, the liquidity position increased substantially after the share capital increase of 41 million Euros that was performed in July.

Considering the structural high liquidity position of the Bank, the Bank does not foresee the use of Capital Markets as a source of financing in the near future. In November 2018, an early redemption of own subordinated bonds was settled for the outstanding amount, of 2.18 million Euros at the time.

In terms of customer resources, the Bank intends to maintain a solid base, in line with the

objectives of increasing the financial margin, and with a degree of diversification appropriate to its business model.

These changes in the liquidity structure were reflected in the evolution of the liquidity ratios as at 31 December 2018, namely an LCR ratio (Liquidity Coverage Ratio) of 381% and a NSFR ratio (Net Stable Funding Ratio) of 144%, which are at levels substantially above the ones required by applicable regulation.

This reality fits strategically within the parameters established by the Bank for its Risk Appetite Framework, as well as for the Liquidity Management Policy.

03 Support Activities

3.1 Human Resources

3.1.1 Our People

Performing competitively in the growing scenery requires capable and empowered people working safely together across Bison Account. The Bank recruits, trains and retains people aligned with its strategy that aims to establish its foundations with effectiveness, developing and strengthen leadership competences and boost employee's performance through strong commitment.

Bison Account's people are vital for its success, by supporting business performance over the long term.

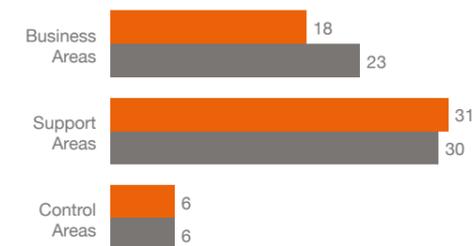
3.1.2 Employee Overview

The employee numbers presented here refer to full-time employees, with effective contracts with the company.

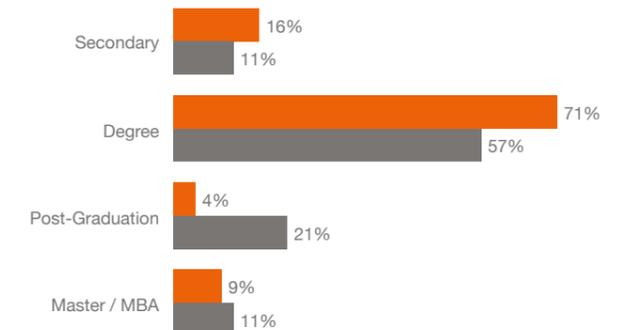
At December 31, 2018, Bison Account employed 59 people, compared with 61 at December 31, 2017, and 70 at December 31, 2016. The reduction in 2018 was driven by the reorganisation process, in line with the new business plan. Simultaneously, the Bank continued to leverage and develop capabilities to guarantee a sustainable talent pool, through the hiring of skilled professionals.

Employees distribution by activity areas (at December 31, 2018)

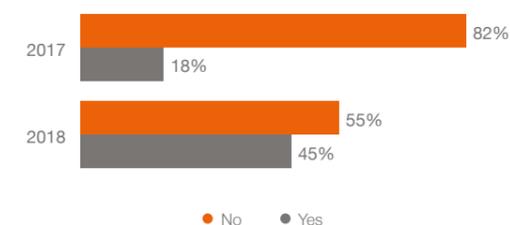
Employees Distribution by Activity Areas



Academic Qualification (%)



Employees with International Experience



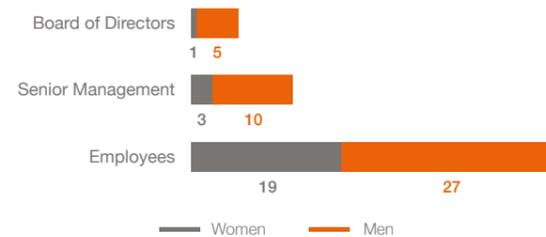
3.1.3 Diversity and Inclusion

Bison Account's objective is to endure a diverse workforce and an inclusive atmosphere that respects and shows care for its entire people and helps improve the business performance, namely by providing equal opportunity in recruitment, promotion and training for all employees.

The focus is to progressively reduce the gap amongst men and women within the company and create a diverse environment recruiting employees with different backgrounds, ages and gender.

At the end of 2018, the proportion of women in senior leadership positions was 30% in average compared with 20% at the end of 2017.

Gender diversity data (at December 31, 2018)



3.2 IT Department

Following the acquisition of the Bank by Bison Capital, the Information Technology Department ("ITD") redesigned its IT Strategy to align it with the new business goals of the Bank.

Also under this context and during the second half of 2018, a large number of IT impacts had to be dealt with by ITD, namely all the ones resulting from internal reorganisation, rebranding to the new name Bison Account, and also the move to the new Lisbon headquarters' office.

Other main activities and projects in 2018 in the department include the implementation of new and integrated AML/FCT solution;

- The implementation of IT solutions supporting the new business models for Fixed Income and Brokerage activities;
- The kick-off of the Client Mobile Services project, including a remote accounting opening feature.

For 2019, a number of initiatives are planned, meant to improve clients and also internal users' experience, and to ensure a robust and compliant internal control environment. Some of these initiatives include:

- Launching the digital banking solution, and improve it through the year, extending the offer of products and services and general functionality on this channel;
- Implementing new IT tools to support the Wealth Management activity;
- Increasing the number of payment options available to clients;
- Taking actions on systems and network infra-structure to increase its performance, resilience and security.

3.3 Accounting & Planning Department

During 2018, Accounting Department extended its activity to Planning and Control functions, becoming Accounting and Planning Department ("APD"), thus broadening its activity scope.

On top of its recurrent accounting activities, APD engaged the following main projects in 2018:

- Review and extension of the scope of information on the monthly Management Information System (MIS), reported to the Board of Directors under the monthly Financial Statements and Detailed Financial Statements, streamlining information sources in order to, simultaneously, simplify and make more information the reporting generation process and add new and more detailed information to the MIS;
- Preparation and conclusion of Bison Account's 2019 budget, liaising with all business, support and control areas, extensively review with the Board of Directors and Shareholder's representatives, and concluding and getting the Budget approved, including a 3 year business plan;
- Review and improvement of third parties' payments procedures (providers and employees' reimbursement), overcoming difficulties that previous model was arising, providing a more transparent and simpler prior approval methodology, and strongly mitigating late payment risks to third parties. Under new procedures, APD started to assume a central responsibility on this process;
- Implementation of regular Shareholders' Reporting Package, providing a closer relationship with shareholder based on adequately disclosed financial information on Bison Account's activity;
- Extensive review of main fiscal and tax issues inherited from the Bank, with a strong focus on Deferred Tax Assets and its implications for Bison Account's future activity.

3.4 Operations Department

Operations Department ("OPD") activity in 2018 has significantly changed, following Bison Financial's acquisition of the Bank and new projects arising, as well as due to significant new law and regulatory requirements, which included, besides current department activities, the following relevant projects:

- Online Banking Service, namely through account opening and transfer execution processes

- Wealth Management: Process orders, executions, asset allocation, Custody
- Rebranding: Operational systems, Internal Documents, Swift Broadcast, custodies and counterparties, clients, forms and statements
- New Account Opening Process
- International Clients

04 Control Areas

4.1 Risk Department

During the first half of the year, the Risk Department (“RID”) was essentially focused on reporting (externally, through prudential reports, and internally, by monitoring risk reports) and risk monitoring activities, due to the low business activity.

After the successful acquisition of the Bank by Bison Financial, on top of its recurrent activities (reporting), RID focused its efforts in the development/updating of several risk policies in order to support and be aligned with the new strategy and business objectives and the main relevant risks.

Under this new context, throughout the second half of the year, RID was focused in the following activities:

- Developed the Risk Appetite Statement (RAS) and Risk Management Policies and Main Risks, to be approved by Board of Directors;
- Defined and proposed adequate limits for the management of the different risks to which the Bank is exposed, namely for Treasury bond portfolio, and for Money Market and Foreign Exchange Market limits, in close collaboration with the Treasury Department;
- Elaborated and reported the prudential reports for which it is responsible, within its scope of action, namely within Common Reporting (COREP OF; COREP LE, COREP LR, LCR, NSFR and ALMM);
- Developed new monitoring internal reports namely: RAS’s KRI monthly Report; Treasury Book limit monthly reports, FX and MM limits control;
- Developed of new methodologies to respond to new regulatory requirements, namely IRRBB (first report date December 2018);

- The Department was also actively involved in the development of the new business activities/products by issuing opinions and participating in several work groups.

All in all, RID have been actively working, in coordination with the Board of Directors and other bank’s Departments particularly, in adapting the Bank’s risk government environment to the new business strategy, while simultaneously ensuring that is aligned with the new regulatory requirements.

4.2 Compliance Department

The Compliance Department (“COD”) is a top-line structure in Bison Account’s organisational hierarchy.

The Bank relies on an independent, permanent and effective Compliance Function that is charged with controlling compliance with all legal requirements and duties that are incumbent on the Bank.

During 2018, COD was essentially focused on the following activities:

- Implementation of 2018 Compliance Plan;
- Activities carried out in the scope of internal control (Internal Control and Asset Safeguarding) and in the operational risk management (launch of the Operational Risk program) of Compliance;
- Activities carried out in the field of anti-money laundering, counter terrorism financing and restrictive measures;
- Compliance advisory activities (GDPR + MiFID 2);
- Activities developed within the scope of complaints handling;
- Implementation of a new and integrated AML/ FCT solution.

COD has been actively working, in coordination with the Board of Directors, in adapting the Bank’s compliance risk government environment to the business strategy, while simultaneously ensuring that it is aligned with the new regulatory requirements.

4.3 Internal Audit Department

During the first half of 2018, the Internal Audit Department (“IAD”) developed the Annual Audit Plan as planned, performing its activities adjusted to the size and profile of the business of the Bank.

In July 2018, following the acquisition of the Bank by Bison Financial, the Internal Audit Department that was operating under the shared services of Oitante SA (former sole shareholder of the Bank), became fully independent and fully dedicated to the Bank.

After becoming independent, IAD focused its activities on:

- Reviewing the Annual Audit Plan (in order to be aligned with the new strategy and business objectives, ensuring the monitoring of the relevant risks);
- Developing audit works, according to the Audit Plan;
- Working to develop IT tools to support its activity;
- Resize resources;
- Updating the organic statutes, internal documents, strategies and methodology, risk classification models;
- Preparing matrices of controls vs risks;
- Supplying the relevant information about the activity to hierarchical report, Board of Directors and Supervisory Board.

05

Analysis of the Individual and Consolidated Accounts

5.1 Analysis of the Individual Accounts

5.1.1 Main Highlights

In 2018, the Bank performed several restructuring and non-recurring actions, under the context of its acquisition by Bison Financial.

Main Profit and Loss ("P&L") impacts include an assets' carve-out to former shareholder of non-strategic assets (-3.3 million Euros) and personnel restructuring actions (non-recurring impact -1.0 million Euros), with no further envisaged significant one-off events in the near future.

Simultaneously with this acquisition, Bison Financial performed a 41 million Euros capital increase in Bank, strongly increasing capitalisation and stable liquidity, paving the way to an active and adequate fixed income proprietary portfolio (introduced in September 2018), and enabling Subordinated Debt reimbursement, later performed in November.

Besides having changed its headquarters, the Bank closed its office in Oporto and concentrated all activities in new headquarters.

Adequate proprietary portfolio, together with lower costed deposits, allowed for positive net interest margin from September onwards.

AML robustness fully implemented and properly addressed transition for MIFID II, paving way to an effective development of the wealth management and investment banking activities.

5.1.2 Main Financial Statement Figures

As of 31/12/2018, the Bank's total assets amounted to 100.4 million Euros (92.9 million Euros in 2017) and total equity to 56.5 million Euros (23.9 million Euros in 2017), including a net loss of -9.4 million Euros (-6.8 million Euros in 2017).

Off-balance sheet items rely mainly on 2 services:

- Fund Depository Services, whose serviced Funds amount to 705 million Euros (730 million Euros at January 2018),
- Securities Custody Services, in the amount of 717 million Euros (901 million Euros at January 2018) on behalf of the Bank's clients.

Setting aside non-recurrent impacts, recurrent net loss amounts to circa -5.8 million Euros.

Net operating income decreased to -0.1 million Euros, which compares negatively with 1.0 million Euros in 2017. This evolution is essentially originated by the following main effects:

- Interest margin improved, from -0.4 million Euros to -0.2 million Euros, specially following the Bank's acquisition;
- Net fees and commissions decreased from 2.3 million Euros to 1.9 million Euros;
- Assets' carve out in 2018, impacting circa -3.3 million Euros.

Nevertheless, recurring net operating income has improved by the end of 2018, and net interest margin is now stabilised in circa 15 thousand Euros on a monthly basis.

Strong increase in Personnel Costs caption, from 3.6 million Euros to 5.7 million Euros, following a restructuring action conducted in 2018 and several non-recurrent events.

Deferred taxes had no impact on Net Profit/Loss for neither in 2017 nor yet in 2018, as approval from competent tax authorities, following the acquisition of Bison Group, still pending at present date.

5.1.3 Main Liquidity and Solvency Indicators

Since last capital increase, Bison Account's capitalisation remains at strong levels – as of 31 December 2018, Tier 1 Capital amounts to **56.5 million Euros**, enabling a Tier 1 Common equity ratio of **93.8%** and risk taking at conservative levels – average risk weighted assets of **60.1%**. Liquidity ratios also remain strong at 31 December 2018, with an LCR ratio of **381%** and a NSFR ratio of **144%**.

5.2 Analysis of the Consolidated Accounts

5.2.1 Consolidation Perimeter

Previously mentioned restructuring and non-recurring actions, performed by Bison Account in 2018 under the context of its acquisition, also included the final sale of 3 non-strategic affiliated asset management companies at the beginning of the second half of 2018:

- Profile – Sociedade Gestora de Fundos de Investimento Mobiliário, SA, (“Profile”),
- Banif International Asset Management (“BIAM”), and
- Banif Multi Fund (“BMF”).

Although affiliated entity Art Invest – Fundo de Investimento Alternativo Fechado (“Art Invest”) is also deemed non-strategic, due to the fact that it underwent liquidation process in 2017 which is bound to be finished very shortly and in order to avoid additional delays and bring unnecessary and complex complications on this liquidation process, Art Invest was kept and final liquidation and wound up should occur at the beginning of 2019.

For similar reasons, affiliated entity Banif US Real Estate Fund (“Banif US”) was kept, to facilitate undergoing liquidation and winding up process, which is also bound to be terminated shortly.

Along with Art Invest and Banif US, only affiliated entity Turirent – Fundo de Investimento Imobiliário Fechado (“Turirent”) remains under

the consolidated perimeter, but unlike all others, on a longer term perspective.

5.2.2 Main Highlights

As of 31 December 2018, and on an individual basis, Bison Account incurred in a net loss of -9.4 million Euros, which includes a positive impact from participation on Turirent (0.5 million Euros) and a negative impact from participation on Art Invest (-0.1 million Euros).

On a consolidated basis, Bison Account incurred in a net loss of -11.0 million Euros, as a consequence on consolidating first half net losses from Profile (-1.4 million Euros) and Banif Multifund (-0.2 million Euros).

Setting aside non-recurrent impacts, recurrent consolidated net loss amounts to circa -5.8 million Euros.

As of 31 December 2018, Bison Account's consolidated Balance sheet is nearly 100% on Bison Account's individual basis figures and there are no relevant additional comments on top of previous comments on individual basis balance sheet figures.

The same applies to Profit and Loss statement: despite the more significant contribution to consolidated net loss from the disposed companies (-1.6 million Euros out of -11.0 million Euros), as it refers to the first half of 2018 and a different group context, and also due to the lack of current and future relevance of these entities under a consolidated scope, only individual basis balance sheet figures are relevant for this analysis.

06 Outlook

With the completion of the sale of the entire Bank's share capital to Bison Financial, and with the establishment of the new business model and risk profile guidance, the Bank set a clear strategic understanding of the profound challenges that lie ahead.

A 3 year business plan (2019-2021) has been approved and set in place by the Bank and Bison Financial, which includes a new share capital increase to boost Investment Banking activities.

Bison Account is committed to a core transformational programme, focused on leveraging business network and enhancing customer experience. This transformation is grounded on two strategic pillars: revitalising economic, business and operating models and enabling connective financial platforms.

Business innovation is no longer a strategy set solely to gain competitive advantage, and rather became an imperative core capability to adapt to the rapidly changing world. As the banking industry grows in complexity, Bison Account will seek future success by redefining an agile business model, with a persuasive customer value proposition based on an efficient and effective operating model.

Banking regulation is also evolving and now turning to new technology, digitisation and the critical role of data governance. This introduces safety and soundness to several of Bison Account's transformation initiatives.

This transformation, of both internal and external impacts, thrives to deliver value through products and services innovation, physical and digital blended channels and key process automation. Bison Account's core transformational program is top priority for all senior executives and staff.

07 Proposed Application of Results

In the course of its business activity in 2018, Bison Account, S.A. incurred in a loss of 9,417,615.42 Euros (nine million, four hundred and seventeen thousand, six hundred and fifteen Euros and forty two cents).

The Board of Directors proposes, according no. 1(b) and no. 2 of Article 376 of the Portuguese Commercial Companies Law (Decree Law 262/86, of 2 September, "*Código das Sociedades Comerciais*"), that this loss of 9,417,615.42 Euros be transferred to Retained Earnings.

08 Final Remarks

At the General Meeting held on **30 May 2018**, the Company's Management Report and Accounts for 2017 were approved. The Board of Directors' proposal for the application of results for the year was also approved and the sole shareholder approved a vote of confidence in the Board of Directors and the Supervisory Board, in recognition of all their work.

Following the Agreement concluded on 3 August 2016 in respect of the purchase and sale of the shares representing the entire share capital of the Company and its shareholder credits and after obtaining the authorisation of the Transaction by the European Central Bank, it was successfully concluded on **9 July 2018** (the "closing date"), the process of acquisition of the Company by Bison Capital Financial Holdings (Hong Kong) Limited, on which date the respective Closing Certificate was signed.

On **July 16, 2018**, Bison Capital Financial Holdings (Hong Kong) Limited, as the sole shareholder of the Bank, pursuant to article 54, *ex vi* paragraph 1 of article 373, both of the Companies Commercial Code, resolved as follows:

- To increase the share capital of the Bank in the amount of 41 000 000.00 Euros (forty-one million Euros), of 135 198 370.00 Euros (one hundred and thirty-five million, one hundred and ninety-eight thousand, three hundred and seventy Euros) to 176 198 370.00 Euros (one hundred and seventy-six million, one hundred and ninety-eight thousand, three hundred and seventy Euros), through new entries in cash by the Sole Shareholder, with the consequent issuance of 8 200 000 (eight million and two hundred thousand) new shares, with the nominal value of 5.00 Euros (five Euros) each.
- Amend Articles 4, 5, of the Articles of Association of the Company in accordance with the abovementioned resolution.

On **July 18, 2018**, Bison Capital Financial Holdings (Hong Kong) Limited, as the sole shareholder of the Bank, pursuant to article 54, *ex vi* paragraph 1 of article 373, both of the Companies Commercial Code, decided to proceed with the change of the name "Banif - Banco de Investimento, SA" to "Bison Account, SA", with the consequent amendment of Article 1 of the BBI Statutes, requiring prior authorisation from the Bank of Portugal, subject to the provisions of Article 34 (1) (a) of the Credit Institutions and Financial Companies General Regime.

On **August 3, 2018**, Bison Capital Financial Holdings (Hong Kong) Limited, acting as sole shareholder of the Bank, pursuant to article 54, *ex vi* paragraph 1 of article 373, both of the Companies Commercial Code, resolved as follows:

- i) To promote a review of the Articles of Association of the Company and:
- Amend Article 10 (2), Article 12 (1), Article 18 (3), Article 22 (1);
 - Delete Article 23 and Article 24, corresponding to Section IV, of the Company's Articles of Association and renumber the following Sections and Articles as follows - Section V, Section IV, Article 25, becomes Article 23, Article 26, becomes Article 24, Article 27, becomes Article 25, Section VI, becomes Section V, Article 28, if article 26, article 29, becomes article 27, article 30, article 28 becomes, article 31, becomes article 29, article 32, becomes Article 30, Article 33, becomes Article 31 and Article 34, becomes Article 32.
 - Amend Article 23 (former Article 25), amend Article 25 (former Article 27), amend Article 27 (former Article 29 (3)).

- ii) In light of the individual and collective assessment reports made available by the Company regarding the future corporate bodies members, to appoint the new corporate bodies for the period from 2018 to 2021, as follows:

General meeting

- **Chairman:** Luís Manuel Baptista Branco;
- **Secretary:** Afonso Maria Pita Negrão Cardoso de Menezes.

Board of Directors

- Yang, Lijun;
- Evert Derks Drok;
- Pedro Manuel Ortigão Correia;
- Francisco Alexandre Valente de Oliveira

Regarding the appointment of the members of the Supervisory Board, it was decided to wait the Banco de Portugal's assessment of the prior authorisation applications submitted, and consequently, to wait for the proposal of the Supervisory Board to proceed with the appointment the External Auditor, pursuant to paragraph 1 of article 446 of the Commercial Companies Code. The shareholder also decided that the Chairman and the Secretary of the General Meeting are not remunerated and that the remuneration of the members of the Board of Directors is set in accordance with the Remuneration Policy of the Members of the Management and Supervisory Bodies of the Company.

On **August 10, 2018**, the Board of Directors resolved, pursuant to article 26 of the Articles of Association and paragraph 2 of article 446-A of the Commercial Companies Code, to appoint Afonso Maria Pita Negrão Cardoso de Menezes, as Company Secretary of the Society, and Ângela Maria Simões Cardoso Seabra Lourenço, as Company Alternate Secretary, for the period from 2018 to 2021.

At that meeting, pursuant to article 19, paragraph 1, of the Company's Articles of Association, it was resolved to appoint Yang, Lijun as Chairman and Evert Drok as Vice Chairman of the Company's Board of Directors for the period from 2018 to 2021. It was also decided that, under paragraph 4 of article 395 of the Commercial Companies Code, in the event of absence or impediment of the Chairman, the Vice-Chairman shall replace him and shall have the corresponding quality vote. At the same meeting, the members of the Board of Directors resolved to approve the new Board of Directors Regulation.

On **August 21, 2018**, Bison Capital Financial Holdings (Hong Kong) Limited, acting as sole shareholder of the Company, pursuant to article 54, *ex vi* paragraph 1 of article 373, both of the Companies Commercial Code, decided, in light of the individual and collective assessment reports made available by the Company regarding the future members of the Supervisory Board, and following the prior authorisation granted by Bank of Portugal, to appoint the members of the Supervisory Board of the Company for the period from 2018 to 2021, as follows:

- **President:** Issuf Ahmad;
- **Member:** Ernesto Jorge de Macedo Lopes Ferreira;
- **Vowel:** Wang, Ting;
- **Substitute:** Bu, Fan.

Following the appointment of the members of the Supervisory Board, it was decided to request the proposal to be submitted by that body, pursuant to paragraph 1 of article 446 of the Commercial Companies Code, to proceed with the appointment of the statutory auditor or company of statutory auditors. It was also decided to define the remuneration of the members of the Company's supervisory body considering the "Remuneration Policy of the Members of the Management and Supervisory Bodies" of the Company.

On **September 27, 2018**, Bison Capital Financial Holdings (Hong Kong) Limited, as sole partner of the Company, pursuant to article 54, *ex vi* paragraph 1 of article 373, both of the Companies Commercial Code, decided to partially amend the Company's articles of association, as follows:

- Amend paragraph 1 of article 10 of the Articles of Association of the Company;
- To amend article 24 of the Articles of Association of the Company;
- Delete article 25, correspondent to Section IV of the Company Articles of Association and renumber the following articles as follows - article 26, becomes article 25, article 27, becomes article 26, article 28, becomes article 27, article 29, becomes article 28, article 30, becomes article 29, article 31, becomes article 30.
- To amend paragraph 1 of article 28 (previous article 29) of the Articles of Association of the Company.

On **September 28, 2018**, at a meeting of the Board of Directors, in accordance with article 12 of the Commercial Code and article 2 of the Company Articles of Association, it was resolved to change the Company head office from Avenida José Malhoa, 22 – 2nd floor, parish of Campolide, municipality of Lisbon, to Rua Barata Salgueiro, 33, ground floor, parish of Santo António, municipality of Lisbon, with the consequent amendment of article 2, paragraph 1, of the Company's Articles of Association.

On **October 30, 2018**, Bison Capital Financial Holdings (Hong Kong) Limited, acting as sole shareholder, pursuant to article 54, *ex vi* paragraph 1 of article 373, both of the Companies Commercial Code, in light of the individual and collective assessment reports made available by the Company, appointed, with effects on November 19, 2018, André Filipe Ventura Rendeiro, as member of the Company's Board of Directors for the period of 2018 to 2021.

It was also decided to set the annual remuneration of the new member of the Board of Directors considering the "Remuneration Policy of the Members of the Management and Supervisory Bodies". On this date and as proposed by the Supervisory Board, pursuant to paragraph 1 of article 446 of the Commercial Companies Code, it was resolved to designate "Pricewaterhouse Coopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda.", listed at Ordem dos Revisores Oficiais de Contas under the number 183 and registered at CMVM under the number 20161485, as the Statutory Auditor of the Company for the mandate of 2018 to 2019.

On **November 6, 2018**, Bison Capital Financial Holdings (Hong Kong) Limited, as Sole Shareholder of the Company, pursuant to article 54, *ex vi* paragraph 1 of article 373, both of the Companies Commercial Code, resolved as follows:

- Following i) the decision taken by the Sole Shareholder on 18/07/2018, ii) the new corporate name certificate issued by the National Register of Legal Entities on 26/09/2018, and iii) the previous authorization granted by the Bank of Portugal, the Sole Shareholder decided to proceed to the change of the corporate name from "Banif - Banco de Investimento, S.A." to "Bison Account, S.A.", in accordance with the corresponding clearance corporate name certificate and Bank of Portugal authorisation referred above. It was also decided to proceed, as soon as possible and during the month of November, with the correspondent amendment of article 1 of the Company Articles of Association.

On **5 December, 2018**, Bison Capital Financial Holdings (Hong Kong) Limited, acting as sole shareholder of Bison Account, S.A., pursuant to article 54, *ex vi* paragraph 1 of article 373, both of the Companies Commercial Code, resolved:



• In light of the individual and collective assessment reports made available by the Company, appointed, with immediate effects, António Manuel Gouveia Ribeiro Henriques, as member of the Company's Board of Directors for the period of 2018 to 2021. It was further decided to set the annual remuneration of the new member of the Board of Directors in accordance with the Remuneration Policy for the Members of the Board of Directors and the Supervisory Board.

Each of the undersigned members of the Board of Directors, identified below, declares, on the basis of their own personal accountability, that, to the best of their knowledge, the management report, the annual accounts, the legal certification of accounts and other financial statements, as required by law or

regulation, were drawn up in accordance with the applicable accounting rules and provide a true and fair view of the assets and liabilities, the financial position and the results of Bison Account, and that the management report realistically describes the business activities, the performance and the position of Bison Account and also contains a description of the main risks and uncertainties the company faces.

In closing its report on the business activities in 2018, the Board of Directors would like to express its gratitude to the Supervisory Board, the Statutory Auditor and the regulatory authorities, for their support and collaboration.

1 | Lijun Yang (Chairwoman)

2 | Evert Derks Drok (Vice-Chairman)

3 | Pedro Manuel Ortigão Correia (Director)

4 | Francisco Alexandre Valente de Oliveira (Director)

5 | André Filipe Ventura Rendeiro (Director)

6 | António Manuel Gouveia Ribeiro Henriques (Director)

Lisbon, 29 March 2019
The Board of Directors

09

Consolidated Financial Statements

Bison Account, S.A. | Consolidated Balance Sheet Statement as at 31 December 2018 and 2017

(Amounts expressed in thousand euros)

	Notes	31-12-2018		31-12-2017	
		Gross Amount	Provisions, Impairment Depreciation	Net Amount	Net amount
Cash , cash balances at central banks and other demand deposits	5	35,465	-	35,465	-
Cash and balances with central banks	5	-	-	-	10,168
Balances with other credit institutions	5	-	-	-	3,298
Applications with credit institutions	5	-	-	-	200
Financial assets held for trading	6	162	-	162	23,199
Non-trading financial assets mandatorily at fair value through profit or loss	7	14,955	-	14,955	-
Other financial assets at fair value through profit or loss	7	-	-	-	26,441
Financial assets available for sale	7	-	-	-	15,700
Financial assets at fair value through other comprehensive income	8	38,571	(34)	38,537	-
Financial assets at amortised cost	9	11,395	(11,132)	263	283
Non-current assets and disposal groups classified as held for sale	10	3	-	3	7,433
Investment property	11	7,694	-	7,694	6,991
Property, Plant and Equipment	12	2,248	(2,198)	51	84
Intangible assets	13	8,447	(8,111)	335	721
Current tax assets	14	204	-	204	166
Deferred tax assets	15	193	-	193	248
Other assets	16	4,008	(1,312)	2,696	3,133
Total Assets		123,345	(22,787)	100,558	98,065
Deposits	17			37,047	57,241
Liabilities included in disposal groups classified as held for sale	18			-	3,776
Provisions	19			2,757	3,144
Current tax liabilities	14			95	78
Deferred tax liabilities	15			130	64
Debt securities issued	20			-	2,182
Other liabilities	21			3,956	4,358
Total Liabilities				43,985	70,843
Capital	22			176,198	135,198
Revaluation Reserves	22			450	221
Other reserves	22			(109,047)	(102,081)
Profit or loss attributable to owners of the parent	22			(11,028)	(6,116)
Total Equity				56,573	27,222
Total Equity and Total Liabilities				100,558	98,065
The Certified Accountant					The Board of Directors

Bison Account, S.A. | Consolidated Income Statement as at 31 December 2018 and 2017

(Amounts expressed in thousand euros)

	Notes	31-12-2018	31-12-2017
Interest Income	23	238	116
Interest Expenses	23	(405)	(547)
Net Interest Income		(167)	(431)
Dividend Income	24	390	314
Fee and commission income	25	1,939	2,505
Fee and commission expense	25	(204)	(288)
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	26	(2,510)	(565)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	26	(0)	125
Exchange differences, net	26	3	(143)
Other operating income, net	27	263	264
Total Operating Income, Net		(286)	1,781
Staff expenses	28	(5,715)	(3,580)
Other administrative expenses	29	(3,196)	(2,695)
Depreciation	12,13	(598)	(579)
Provisions or reversal of provisions	19	321	201
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	19	1	1
Impairment or reversal of impairment on non-financial assets	19	43	(971)
Profit or Loss before Tax from Continuing Operations		(9,429)	(6,540)
Taxes			
Current Taxes	15	(147)	(172)
Deferred Taxes	16	-	-
Profit or Loss after Tax From Continuing Operations		(9,576)	(6,712)
Profit or loss after tax from discontinued operations	30	(1,452)	596
Profit (Loss) for the year		(11,028)	(6,116)
Average weighted number of ordinary issued shares	32	31,139,674	25,747,619
Earnings per share (Euro per share)		(0.35)	(0.24)
The Certified Accountant		The Board of Directors	

Bison Account, S.A. | Consolidated Comprehensive Income Statement as at 31 December 2018 and 2017

(Amounts expressed in thousand euros)

	Notes	31-12-2018	31-12-2017
Net Profit / (Loss) for the period	22	(11,028)	(6,116)
Items that will not be reclassified to profit or loss			
Gains / (Losses) at fair value on financial assets through other comprehensive income	22	545	(469)
Deferred income taxes	22	(123)	(64)
Items that may be reclassified to profit or loss			
Gains / (losses) at fair value on financial assets through other comprehensive income	22	23	-
Deferred income taxes	22	(5)	-
Total Comprehensive Income, net of tax		(10,587)	(6,649)
The Certified Accountant		The Board of Directors	

Bison Account, S.A. | Consolidated Statement of changes in Equity as at 31 December 2018 and 2017

(Amounts expressed in thousand euros)

	Share Capital	Other Equity Instruments	Revaluation reserves (net of deferred taxes)	Other reserves and retained earnings	Net profit / (Loss) for the period	Non-controlling interests	Total Equity
Balances as at 31-12-2016	126,198	-	754	(92,249)	(10,473)	-	24,230
Application of net profit / (loss) from the previous period							
Transfer to other reserves and retained earnings	-	-	-	(10,473)	10,473	-	-
Share capital increase	9,000	-	-	-	-	-	9,000
Other transactions	-	-	(533)	641	-	-	108
Comprehensive income	-	-	-	-	(6,116)	-	(6,116)
Balances as at 31-12-2017	135,198	-	221	(102,081)	(6,116)	-	27,222
Application of net profit / (loss) from the previous period							
Transfer to other reserves and retained earnings	-	-	-	(6,116)	6,116	-	-
Share capital increase	41,000	-	-	-	-	-	41,000
Other transactions - IFRS 9 Adjustment	-	-	-	(852)	-	-	(852)
Comprehensive income	-	-	229	-	(11,028)	-	(10,799)
Balances as at 31-12-2018	176,198	-	450	(109,047)	(11,028)	-	56,573
The Certified Accountant							The Board of Directors

(Amounts expressed in thousand euros, unless stated otherwise)

	31-12-2018	31-12-2017
Operating Activity		
Operating income		
Net profit / (loss) for the period	(11,028)	(6,116)
Credit impairment	(38)	(112)
Impairment losses	(7)	(1,555)
Provisions for the period	-	(299)
Depreciations for the period	598	579
Tax appropriation for the period	147	172
Non-controlling interests	-	-
Derivatives (net)	-	-
Income from associated companies and joint ventures	-	-
Elimination of Balances with discontinued companies	1,614	-
Recognised dividends	(390)	(314)
Paid interests on subordinated liabilities	39	35
Interests / Others	(126)	(1)
	(9,190)	(7,610)
Changes to Operating Assets and Liabilities:		
(Increase) / Decrease in Financial Assets held for trading	23,037	(12,758)
(Increase) / Decrease in Financial Assets at fair value through profit and loss	25,369	11,202
Financial Assets at fair value through other comprehensive income	(35,467)	389
(Increase) / Decrease in Financial Assets at amortised cost	58	250
Non-current assets and disposal groups classified as held for sale	27	2,414
Increase / (Decrease) in Other Assets	453	5,986
Increase / (Decrease) in Deposits	(20,195)	(29,590)
Increase / (Decrease) in Other Liabilities	(2,581)	(1,232)
Income taxes	(114)	(33)
Others	-	641
	(9,412)	(22,731)
Operating Cash Flows	(18,603)	(30,341)
Investing Activity		
Disposal of subsidiaries and associated companies	-	-
Acquisition of Tangible Assets	(743)	-
Disposal / write-offs of Tangible Assets	-	240
Acquisition of Intangible Assets	-	(131)
Disposal / write-offs of Intangible Assets	(139)	-
Disposal of investment properties	-	(42)
Dividends received	390	314
Others	(67)	(312)
Cash flows from investing activity	(559)	69
Financing Activity		
Share Capital Increase	41,000	9,000
Reimbursement of other equity instruments	-	-
Reimbursement of other subordinated liabilities	-	-
Interest paid on subordinated liabilities	(39)	(35)
Cash flows from financing activity	40,961	8,965
Total	21,799	(21,307)
Changes in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	13,666	34,973
Cash and cash equivalents at the end of the period	35,465	13,666
	(21,799)	(21,307)
Balance Sheet value of Cash and Cash Equivalents items as at 31 December		
Cash	-	1
On-demand deposits at Central Banks	1,867	10,167
On-demand deposits at Other Credit Institutions	33,598	3,298
	35,465	13,466
The Certified Accountant	The Board of Directors	

9.1 General Information

The companies that constitute the Bison Account, S.A. Group ("Group" or "Group BB") are specialist operators in the banking (wealth management and investment banking) sector.

Bison Account, S.A. ("Bank" or "Bison Account"), formerly named, until 23 November 2018, Banif – Banco de Investimento, S.A. ("BBI") resulted from the demerger, on 15 December 2000, of Ascor Dealer - Sociedade Financeira de Corretagem, S.A. The demerger also led to the setting up of a new brokerage firm known as Banif Ascor – Sociedade Corretora, S.A.

On 9 July 2018, Bison Capital Financial Holdings (Hong Kong) Limited ("Bison Financial") bought the whole of the Bank's share capital, in the amount of 135,198 thousand euros to the previous shareholder, Oitante, S.A. ("Oitante").

Bison Financial is a Hong Kong based financial holding, fully owned by Bison Capital Holding Company Limited.

On 20 July 2018, Bison Financial completed a share capital increase of the Bank in an amount of 41,000 thousand Euros, to 176,198 thousand Euros, which is the current share capital position of the bank on 31 December 2018. Bison Financial owns 100% of the Bank's shares.

The Group's registered office is at Rua Barata Salgueiro, R/C, in Lisbon, Portugal.

9.2 Summary of the Main Accounting Policies

9.2.1 Basis of Presentation of Accounts

The Group's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards

On 29 March 2019, the Bank's Board of Directors reviewed and approved the Financial Statements and the Annex to the Consolidated Financial Statements as at 31 December 2018. It also gave its general approval to the Management Report, which, together with the Financial Statements, will be submitted to the Annual General Meeting of Shareholders for approval.

Following the conclusion of the sale process, the Board of Directors approved a business plan for the three-year period 2019-2021 and a significant capitalisation took place by the new shareholder during 2018, as reflected on the evolution of capital ratios and figures (note 33). In this context, relying on the success of the referred business plan and taking in consideration the cooperation with the new shareholder and the agreed future investments, the Board of Directors considers that the Bank has a solid base to execute the three-year growth plan.

As referred in section 6 of the Management Report, Bison Account is committed to a core transformational programme, focused on leveraging business network and enhancing customer experience. This transformation is grounded on two strategic pillars: revitalising economic, business and operating models and enabling connective financial platforms.

This transformation, of both internal and external impacts, thrives to deliver value through products and services innovation, physical and digital blended channels and key process automation. Bison Account's core transformational program is top priority for all senior executives and staff.

(IFRS) adopted by the European Union, as at 31 December 2015, and as established under European Parliament and Council Regulation

(EC) no. 1606/02, of 19 July 2002. These standards were transposed into Portuguese law by Decree-Law no. 35/2005, of 17 February, and by Notice no. 1/2005, of 21 February, issued by Bank of Portugal (“BoP”).

The Group prepared its first consolidated financial statements with reference to 2015 annual reporting period. In previous years, the Group was exempt from preparing consolidated financial statements, as 100% of the Bank’s shares were held by Banif – Banco Internacional do Funchal, S.A (“Banif”), previous holding company of the Banif Financial Group, that prepared its respective consolidated accounts.

This situation was changed by the resolution measure applied to Banif in December 2015, and as part of the resolution of Banif, the participation in BBI was transferred to Oitante,

as per Annex 2 of the resolution of the Board of Directors of BoP taken on 20 December 2015.

Following the acquisition by Bison Financial, the Bank is now integrated in Bison Financial group.

Amounts in the financial statements are expressed in thousands of euros, rounded to the nearest thousand. These statements were prepared on the basis of historical cost, except for financial assets and liabilities recorded at fair value, namely, assets and liabilities held for trading (including derivatives), assets and liabilities at fair value through profit or loss, financial assets at fair value through comprehensive income and real estate properties registered as investment property. The main accounting policies applied by the Group are detailed below.

9.2.2 Comparative Information

The adoption of IFRS 9 determined changes in the classification and valuation of certain financial assets, according to the following chart. It should be noted that the figures for 31 December 2017, are presented solely for comparative purposes. In relation to the same period of the previous year, the Bank applied the exception that allows restatement of comparative information with respect to changes in classification and measurement (including impairment).

Assets	IAS 39			IFRS 9
	31-12-2017	Reclassifications	Remeasurement	01-01-2018
Cash and balances with central banks	10,168			10,168
Balances with other credit institutions	3,298			3,298
Applications with credit institutions	200			200
Financial assets held for trading	23,199			23,199
Other financial assets at fair value through profit or loss	26,441	13,999	218	40,658
Financial assets available for sale	15,700	(16,072)		(372)
Financial assets at fair value through other comprehensive income	-	2,073	590	2,663
Credit to Clients	283			283
Non-current assets and disposal groups classified as held for sale	7,433			7,433
Investment Properties	6,991			6,991
Other tangible assets	84			84
Intangible assets	721			721
Current income tax assets	166			166
Deferred income tax assets	248			248
Other assets	3,133		(18)	3,115
Total Assets	98,065	-	789	98,854

Liabilities	IAS 39			IFRS 9
	31-12-2017	Reclassifications	Remeasurement	01-01-2018
Deposits from other credit institutions	8,590			8,590
Deposits from customers and other loans	48,651			48,651
Non-current liabilities held for sale	3,776			3,776
Provisions	3,144			3,144
Current income tax liabilities	78			78
Deferred income tax liabilities	64		(63)	1
Other subordinated liabilities	2,182			2,182
Other liabilities	4,358			4,358
Total Liabilities	70,843	-	(63)	70,780

Equity	IAS 39			IFRS 9
	31-12-2017	Reclassifications	Remeasurement	01-01-2018
Share Capital	135,198			135,198
Revaluation reserves	221			221
Other reserves and retained earnings	(102,081)		852	(101,229)
Net Profit / (Loss) for the period	(6,116)			(6,116)
Total Equity	27,222	-	852	28,074
Total Liabilities and Equity	98,065	-	789	98,854

9.2.3 New Standards and Interpretations Applicable in 2018 Reporting Annual Period

IFRS Disclosures

New standards on 31 December 2018:

1. Impact of the adoption of the amendments to the standards that came into effect on 1 January 2018:

- i) IFRS 15 (new), ‘Revenue from contracts with customers’. This new standard applies only to contracts with customers to provide goods or services and requires an entity to recognise revenue when the contractual obligation to deliver the goods or services is satisfied and by the amount that reflects the consideration the entity is expected to be entitled to, following a five-step approach.

IFRS 15 specifies how and when revenue is recognised but does not impact income recognition related to financial instruments under the scope of IFRS 9. The new requirements replace several other IFRS standards and interpretations that governed

revenue recognition under IFRS and provides a single, principles-based five-step model to be applied to all contracts with customers. The Standard also requires entities to provide users of financial statements with more informative and relevant disclosures. IFRS 15 did not have a material impact on the Group’s consolidated financial statements.

The Group applies the five-step revenue recognition model to the recognition of Commissions and Fee Income, under which income must be recognised when control of goods and services is transferred, hence the contractual performance obligations to the customer has been satisfied.

Accordingly, after a contract with a customer has been identified in the first step, the second step is to identify the performance obligation – or a series of distinct performance obligations – provided to the customer.

The Group must examine whether the service is capable of being distinct and is effectively distinct within the context of the contract. A promised service is distinct if the customer can benefit from the service either on its own or together with other resources that are readily available to the customer, and the promise to transfer the service to the customer is separately identifiable from other promises in the contract.

The amount of income is measured based on the contractually agreed transaction price for the performance obligation defined in the contract. If a contract includes variable consideration, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer. Income is recognised in profit and loss when the identified performance obligation has been satisfied.

The Group provides asset management services that may entitle to asset management and performance fees and constitute a single performance obligation. The asset management and performance fee components are variable considerations such that at each reporting date the Group estimates the fee amount to which it will be entitled in exchange for transferring the promised services to the customer.

The benefits arising from the asset management services are simultaneously received and benefited by the customer over time. The Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation, subject to the removal of any uncertainty as to whether it is highly probable that a significant reversal in the cumulative amount of revenue recognised would occur or not.

For the management fee component this time period corresponds to the end of the monthly or quarterly service period. For performance fees this time period corresponds to when

any uncertainty related to the performance component has been fully removed.

The following Commissions and Fee Income is predominantly earned from services that are received and consumed by the customer over time: Rendered Services of administration, custodian and securities deposit, Guarantees provided and Custodian Commissions. Commissions and Fee Income predominantly earned from providing services at a point in time or transaction-type services include Securities transactions fees and Trading & Brokerage Commissions.

Expenses that are directly related and incremental to the generation of Commissions and Fee Income are presented net in Commissions and Fee Income (note 25). This includes income and associated expense where the Group contractually owns the performance obligation (i.e. as Principal) in relation to the service that gives rise to the revenue and associated expense. In contrast, it does not include situations where the Group does not contractually own the performance obligation and is acting as agent. The determination of whether the Group is acting as principal or agent is based on the contractual terms of the underlying service arrangement.

The gross Fee and Commissions Income and Expense amounts are disclosed in Note 25 and the impact has been limited to the presentation of enhanced disclosures, including a disaggregation of the Group's revenue types prior to deduction of associated expenses, as stated in Note 25.

ii) Amendments to IFRS 15 'Revenue from contracts with customers'. These amendments refer to additional guidance for determining the performance obligations in a contract, the timing of revenue recognition from a license of intellectual property, the review of the indicators for principal versus agent classification, and to new practical expedients to simplify transition.

The amendments to the above standards had no relevant impact on the presented financial statements.

iii) IFRS 9 (new), 'Financial instruments'. IFRS 9 replaces the guidance in IAS 39, regarding: (i) the classification and measurement of financial assets and liabilities; (ii) the recognition of credit impairment (through the expected credit losses model); and (iii) the hedge accounting requirements for recognition and classification.

The application of IFRS 9 is mandatory in annual reporting periods beginning on or after 1 January 2018 and the new standards have retrospective application since that date.

However, the respective comparative balances were not restated.

The impacts on the consolidated financial statements of the Group following the adoption of this new standard were computed with reference to 1st January 2018 based on the information available at the time and on a set of underlying assumptions. The adoption of IFRS 9 resulted in an increase of the Group's net worth on 1 January 2018 of approximately 646 thousand euros. This impact is primarily a result from the revaluation of equity instruments at its fair value and from amendments to the classification of financial assets through the business model of the Group, as per the summary presented in the table below.

Description	IFRS 9 adoption impact*				01-01-2018
	31-12-2017	Classification and Measurement	Credit Impairment	Hedge Accounting	
Share Capital	135,198	-	-	-	135,198
Other Equity Instruments	-	-	-	-	-
Revaluation Reserves	221	(211)	-	-	10
Other Reserves and Retained Earnings	(102,081)	856	(4)	-	(101,229)
Net Profit / Loss	(6,116)	-	-	-	(6,116)
Total Equity	27,222	645	(4)	-	27,863

(*) gross amounts

Classification and measurement – Financial Assets

The IFRS 9 foresees the classification of the financial assets according to three criteria:

- (1) The business model under which the financial assets are managed;
- (2) The type of financial instruments meaning
 - (i) Financial derivative instruments;
 - (ii) Equity instruments;
 - (iii) Debt financial instruments;

(3) The contractual cash flow characteristics of the debt financial instruments (which represent solely payments of principal and interests).

In this context, the main categories of the financial assets under the IFRS 9 may be summarised as follows:

- A debt financial instrument that (1) is managed within a business model whose objective

is to hold financial assets and collect all their contractual cash flows and (2) gives rise, on specified dates, to contractual cash flows that are solely payments of principal and interests on the principal amount outstanding – must be measured at amortised cost, unless the instrument is designated at fair value through profit or loss under the fair value option – “Hold to Collect”.

- A debt financial instrument that (1) is managed within a business model whose objective is achieved either through the collection of the contractual cash flows either through the sale of the financial assets and (2) contain contractual terms which give rise to cash flows that are solely payments of principal and interests on the principal amount outstanding – must be measured at fair value through equity (“FVTOCI”), unless it is designated at fair value through profit or loss under the fair value option – “Hold to Collect & Sale”.
- All other debt financial instruments must be measured at its fair value through profit or loss (“FVPL”).

The more significant differences on the classification of the financial assets compared with the IAS 39 classification refer to equity instruments and can be summarised as follows:

From / To	IFRS9				
	Debit instruments			Equity instruments	
	Hold to collect	Hold to collect & Sale	Fair Value through Profit or Loss	Fair Value through Profit or Loss	Fair Value through Other Comprehensive Income
IAS39					
Debit instruments					
Available for sale	-	-	-	-	-
Loans and receivables	-	-	-	-	-
Held to maturity	-	-	-	-	-
Fair Value through Profit or Loss	-	-	-	-	-
Equity instruments					
Available for sale					
From which measured at:					
- Cost	-	-	-	-	2,073
- Fair value	-	-	-	13,757	-
Fair Value through Profit or Loss	-	-	-	-	-
	-	-	-	13,757	2,073

The Group’s business models were assessed according to a wide set of indicators. For this purpose, amongst which the following are highlighted: its business plan, the main KPI’s but also the current risk management policies. In order to assess the frequency and materiality of the sales within the scope of the business model “Hold to Collect”, quantitative thresholds were established given past experience. The expected sales for the financial assets classified in this business model do not exceed the thresholds established by the Group.

Concerning the other financial instruments, specifically the equity instruments and the derivatives, these are classified at fair value through profit or loss. For the equity instruments, there is an irrevocable option to designate that all the fair value changes be recognised in other comprehensive income, in which case, only dividends are recognised in profit or loss, as the gains and losses are not reclassified in profit or loss even when upon derecognition/sale.

As at 1 January 2018, the amount of 13,757 thousand euros corresponds to the book value and the amount of 2,073 thousand euros corresponds to the book value plus the fair value change in the amount of 388 thousand euros. On the same reference date, the Bank had in its portfolio supplementary capital subscriptions (“prestações acessórias”) and shares in the amount of 774 thousand euros which according to the IFRS 9 criteria, are not subject to reclassification and therefore are not presented in the above table.

As at 1 January 2018, the impact on the Group’s equity of the new requirements of IFRS 9 on the classification and measurement of the financial assets amount to 852 thousand euros. This is largely explained by the measurement of the financial assets at its fair value at that date. The remaining amendments implied a reclassification of the recognised amounts in the item revaluation reserves to the item retained earnings in the amount of 211 thousand euros.

Classification and measurement – Financial Liabilities

The IFRS 9 did not introduce any significant changes on the measurement of financial liabilities, as compared to the requirements already foreseen in the IAS 39, except for the mandatory recognition of the fair value changes of the financial liabilities arising from changes in the credit risk of the entity itself. These changes are to be recognised in equity, instead of in profit or loss, as required under IAS 39, unless this accounting procedure leads to an “accounting mismatch”. No subsequent reclassifications of these changes into profit or loss are allowed, not even upon the repurchase of these liabilities.

As at 31 December 2017, the Group did not have financial liabilities previously classified under the fair value option established in IAS 39 and therefore no impacts were identified in the adoption of IFRS 9.

Credit Impairment

The IFRS 9 introduced the concept of expected impairment losses which is significantly different from the incurrent losses concept in accordance with IAS 39, therefore anticipating the credit losses recognition on the institutions’ financial statements. The IFRS 9 determines that the impairment concept based on expected losses be applied to all financial assets, except for the financial assets measured at fair value through profit or loss and for the equity instruments measured at fair value through equity.

The following are also included by the expected losses concept of the IFRS 9: the financial assets measured at amortised cost, the debt instruments measured at fair value through equity, the off-balance sheet exposures, the financial leasing, the other receivables, the financial guarantees and credit commitments not valued at fair value.

This conceptual amendment is introduced together with new classification and measurement criteria for expected losses on credit impairment. It’s required that the financial assets subject to impairment be classified by different stages according to its credit risk evolution since the initial recognition date and not according to its credit risk at the reporting date:

- Stage 1: the financial assets should be classified at stage 1 whenever a significant increase in credit risk will not occur since the date of its initial recognition. For these assets, the expected loss on credit impairment that result from default events within 12 months after the reporting date, must be recognised in the profit or loss for the period;
- Stage 2: includes the financial assets in which a significant increase in the credit risk has occurred since the date of its initial recognition. For these financial assets, the expected losses on credit impairment are recognised throughout the lifetime of the assets (“lifetime”).

However, the interest will continue to be calculated on the asset's gross amount;

- Stage 3: the assets classified at this stage present on the reporting date objective evidence of impairment, as a result of one or more events that already occurred resulting in a loss. In this case, the expected loss on credit impairment during the expectable residual lifetime of the financial assets will be recognised in the profit or loss for the period. The interest is calculated on the net book value of the assets.

In generic terms, the impairment losses determined on the assets classified under stages 1 and 2 replace to a large extent the collective assessment of the recognised impairment for the financial assets in accordance with the IAS 39. On the other hand, the impairment losses determined on the assets classified under stage 3 replace to a large extent the individual and collective assessment of the recognised impairment for the already impaired financial assets in accordance with the IAS 39.

The measurement of the expected losses is the result of the product between (i) the probability of default (PD) of the financial instrument, (ii) the loss given default (LGD) and (iii) the exposure at default date (EAD), discounted to the reporting date by using the effective interest rate of the contract.

As previously mentioned, the main difference between the impairment losses measured for financial assets classified under stages 1 and 2 is the respective time horizon in the PD calculation. The expected losses for the financial assets under stage 1 will be calculated with resource to a 12-month PD whereas the expected losses under stage 2 use a lifetime-PD. The calculation of the expected loss for the financial assets under stage 3 was leveraged in the already existing procedures for the estimation of impairment developed in order to comply with the IAS 39. These procedures were updated in order to reflect the new requirements

of the IFRS 9, namely considering point in time and forward-looking information.

The Bank has used external information disclosed by the rating agency Moody's or market data, such as CDS spreads or Bond Yields (adopted methodology for the debt instruments), for the segments with no available information but where it is possible to determine the external rating of the borrower.

For the reduced proportion of its segments with no detailed historical information and/or loss experience, the Group has adopted a simplified measurement approach, which can differ from the above mentioned. Specifically, and in relation to the item "Other Receivables" (derived from invoiced amounts), which relate mainly to revenues from custodian fees, a simplified measurement approach has been chosen and an historical analysis was conducted throughout the last 6 years, in order to calculate the PD.

Considering the size and characteristics of the customer loan exposures (an overall 100% of impairment – Stage 3 – Individual Analysis), it hasn't deemed as necessary to proceed with the development of new methodologies, nor were identified any impacts on the transition date of IFRS 9.

The additional impairment according to the IFRS 9 by reference to 1st January 2018 is detailed as follows:

(values expressed in thousand euros)

	Gross Book Value	Stage 1	Stage 2	Stage 3	POCI (*)	Additional Impairment (recognised at 01.01.2018)
Debit instruments recognised on the amortised cost (**)	648	648	-	-	-	4
Other receivables	648	648	-	-	-	4
Financial Assets measured at FVOCI	73	73	-	-	-	-
Public Debt (**)	73	73	-	-	-	-(***)
Off-Balance Sheet Exposure	-	-	-	-	-	-
Total	721	721	-	-	-	4 (***)

(*) Purchased or originated credit-impairment ('POCI') financial assets.

(**) Including the respective off-balance sheet exposures.

(***) Estimated impairment loss Eur 6.00

(values expressed in thousand euros)

Financial Assets measured at FVOCI				
Gross Book Value	Impairment Loss			
	Stage 1	Stage 2	Stage 3	POCI (*)
Portuguese Public Debt				
PGB 4,45 06/15/18:				
Rating 11 (**)	73	-	-	-
Total	73	-	-	-

(*) Purchased or originated credit-impairment ('POCI') financial assets.

(**) ICAI's Rating Scale

Note: Estimated impairment loss Eur 6.00

Concerning the loans and advances to customers portfolio, and given the size and characteristics of the exposures (100% of impairment in general – Stage 3 – Individual Analysis), the Group has not developed new methodologies, or either identified any impacts on the transition date of the IFRS 9. In the future, if the Group intends to originate

a new credit portfolio it will have to develop a model to determine the upcoming losses. This model should incorporate forward-looking macroeconomic scenarios and its occurrence probability.

Since the new model of the expected losses calculation incorporates point in time and forward looking information, it is expected that the impairment amounts recognised under the IFRS 9 are more volatile when compared to the amounts recognised under the IAS 39.

Governance

In addition to the IFRS 9 implementation, the Bank has established and implemented a range of new governance controls and procedures in several areas that contribute to a more efficient monitoring of the underlying risks under the IFRS 9 requirements.

In addition, and within the credit risk management, the Bank has instructed the Risk Management Committee to accompany the expected losses calculation procedure within the IFRS 9 framework. This Committee is composed of senior representatives from the following departments (i) Financial Department, (ii) Accounting Department, and (iii) Risk Department, being responsible for the review and approval of the main inputs and assumptions used in the expected credit losses calculation. The Committee also assesses the adequacy of the overall results of the expected losses included in the Group's financial statements.

Regulatory Capital

According to the prudential rules of Basel III for the IRB portfolios, in case the credit losses recorded in the accounts become less than the losses determined according to the prudential requirements, this difference should be deducted from the Tier 1 Capital. However, if the accounting losses amount exceeds the expected losses calculated as per the Basel III requirements, this surplus shall be added to the Tier 2 Capital.

With the adoption of the IFRS 9, expected losses models are being used for accounting purposes, but also for prudential purposes.

In both models (accounting and prudential), the expected losses are calculated through the product of the PD, LGD and EAD. However, some differences exist between the prudential rules and the rules established under the IFRS 9, which might result in significant differences in the estimated impairment losses, namely:

- (1) The PDs calculated according to the prudential rules are based in long term averages by reference to a complete economic cycle. However, the PDs calculated according to the IFRS 9 requirements are based on current conditions and adjusted with forward looking information;
- (2) The PDs determined according to the prudential rules consider the default probability within the next 12 months multiplied by the residual maturity of the contract. However, the PDs calculated under the IFRS 9 consider the PDs over the next 12 months or for the lifetime of the financial asset, whether the same are classified under stages 1 or 2, respectively;
- (3) The calculation of the prudential LGDs takes into consideration a negative economic cycle (however plausible). Therefore, the LGDs calculated under the IFRS 9 are based in the current conditions, adjusted with forward looking information.

The Group doesn't have IRB portfolios, and therefore there are no impacts following the differences described above.

On 12 December 2017 the European Union, through the Regulation (EU) no. 2017/2395 of European Parliament, which amends the Regulation (EU) no. 575/2013, has established a transitional regime with the purpose of reducing the impact of the adoption of the IFRS 9 in the own funds of the financial institutions. It also modified the managing of large exposures of certain public sector risk positions provided that such positions are expressed in the domestic currency of any Member State.

The above mentioned regulation allows the financial institutions to derogate this transitional regime, so the Group decided not to apply the transitional regime.

The impacts on the capital ratio of the Bank from the adoption of IFRS 9 are described in the following table:

(values expressed in thousand euros)

Available Capital	31-12-2017	01-01-2018 (without transitional period (fully implemented))
Common Equity Tier 1 capital	26,556	27,247
Tier 1 capital	26,556	27,247
Total Own Funds	26,556	27,247
Risk Weighted Assets (RWAs)	80,989	81,274
Capital Ratios (%)		
Common Equity Tier 1 capital (% of value at risk exposure)	32.8%	33.5%
Tier 1 (% of value at risk exposure)	32.8%	33.5%
Total Own Funds (% of value at risk exposure)	32.8%	33.5%
Leverage Ratios		
Total Leverage Ratio	34.3%	35.1%
Leverage Ratio	34.3%	35.1%

Hedge Accounting

The new hedge accounting model of the IFRS 9 aims not only to simplify the creation and maintenance process of hedge relationships, but also to line up the accounting of these relationships with the risk management activities of each institution, broaden the eligibility to a larger number of hedge instruments and hedge, but also types of risk.

The new standard still doesn't preview rules for the hedge accounting denominated by macro-hedging, as these are yet under definition by the IASB. Due to this restriction

of the IFRS 9, and concerning the hedge accounting, the institutions are allowed to choose to maintain the accounting principles of the IAS 39 (only for the hedge accounting) up to the completion of the macro-hedging project by the IASB.

With reference from 1 January 2018 on, the Group is not applying hedge accounting.

Disclosures

The IFRS 9 requires a rather extensive range of additional disclosure, in particular concerning the credit risk and the expected losses calculation. The Group has been continuously analysing the available information in order to identify potential additional information needs, and has simultaneously implemented a collection and reporting process of the necessary data in order to comply with these new requirements.

iv) IFRS 4 (amendment), “Insurance contracts (Applying IFRS 4 with IFRS 9)”. This amendment allows companies that issue insurance contracts the option to recognise in Other Comprehensive Income, rather than Profit or Loss the volatility that could arise when IFRS 9 is applied before the new insurance contract standard is issued. Additionally, an optional temporary exemption from applying IFRS 9 until 2021 is granted to companies whose activities are predominantly connected with insurance, being applicable at the consolidated level.

The amendments to the above standards had no impact on the presented financial statements.

v) IFRS 2 (amendment), ‘Classification and measurement of share-based payment transactions’. This amendment clarifies the measurement basis for cash-settled share-based payments and the accounting for modifications to a share-based payment plan that change the classification from cash-settled to equity-settled. It also introduces an exception to the principles of IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority.

The amendments to the above standards had no impact on the presented financial statements.

vi) IAS 40 (amendment), ‘Transfers of Investment property’. This amendment clarifies when assets are transferred to, or from investment properties, evidence of the change in use is required. A change of management intention alone is not enough to support a transfer.

The amendments to the above standards had no impact on the presented financial statements.

vii) Annual Improvements 2014 – 2016. The 2014-2016 annual improvements impacts: IFRS 1, IFRS 12 and IAS 28, as follows.

IFRS 1, ‘First time adoption of IFRS’. This improvement eliminates the short-term exemptions foreseen for IFRS 7, IFRS 10 and IAS 19 because they are no longer applicable.

IFRS 12, ‘Disclosure of interests in other entities’. This improvement intends to clarify the scope of IFRS 12 with respect to interests in entities within the scope of IFRS 5 and that the only exemption refers to the disclosure of summarised financial information for those entities.

IAS 28, ‘Investments in associates and joint ventures’. This improvement clarifies that investments in associates or joint ventures held by a venture capital organisation are allowed to be measured at fair value in accordance with IFRS 9, on a standalone basis. This improvement also clarifies that an entity that it is not an investment entity but holds investments in associates and joint ventures that are investment entities, is entitled to retain the fair value measurement of the associate’s and joint venture’s interest in its own subsidiaries.

The amendments to the above standards had no relevant impact on the presented financial statements.

viii) IFRIC 22 (new), ‘Foreign currency transactions and advance consideration’. An Interpretation of IAS 21 ‘The effects of changes in foreign exchange rates’, it refers to the determination of the “date of transaction” when an entity either pays or receives consideration in advance for foreign currency denominated contracts. The date of transaction determines the exchange rate used to translate the foreign currency transactions.

The amendments to the above standards had no impact on the presented financial statements.

2. Published standards (new and amendments), with mandatory application for annual reporting periods that begin on or after 1 January 2019, that the European Union has already endorsed:

i) IFRS 16 (new), ‘Leases’ (effective for annual periods beginning on or after 1 January 2019). This new standard replaces IAS 17 with a significant impact on the accounting by lessees who are now required to recognise a lease liability reflecting future lease payments and a “right-of-use asset” for all lease contracts, except for certain short-term leases (12 months or less) and for low-value assets. The definition of a lease contract also changed, being based on the “right to control the use of an identified asset”. The application of IFRS 16 may be retrospective or retrospective modified.

A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There will be only minor changes to the current accounting for lessors. The standard also requires entities to provide users of financial statements with more informative and relevant disclosures.

The Group has analysed the impact of the initial application of IFRS 16 in a Group-wide

implementation program. Only two leases refer to buildings, being one the Group’s registered office building, at Rua Barata Salgueiro, in Lisbon, Portugal, and the other a warehouse in Cacém, Portugal, which the bank has ceased in March 2019 with no financial impact. Other category is company cars, although in this case and as at 31 December 2018, do involve very low-value assets as most company cars contracts had already passed initial contracted tenor (typically 4 years), being extended for very short-term periods (typically 3 months).

The Group will apply the practical expedient in IFRS 16 to contracts that were identified as leases applying IAS 17, “Leases”, and IFRIC 4, “Determining whether an Arrangement contains a Lease”, on transition.

The Group has chosen to apply the modified retrospective transition approach, without restatement of comparative figures. Under the modified retrospective approach, the Group can choose on a lease by lease basis to either (i) measure the right-of-use asset at the same amount as the lease liability, or (ii) to measure the right-of-use asset retrospectively using the transition discount rate.

For approach (ii), the resulting difference between the right-of-use asset and the lease liability will be recognised as an adjustment to the opening balance of retained earnings on transition. On initial application the Group will apply approach (i) to leases classified as operating leases under IAS 17.

The expected impact upon adoption on 1 January 2019 will result in an approximately 1,730 thousand euros increase of in the balance sheet related to the recognition of right of use and corresponding liabilities arising from the lease agreement of the Bank’s Headquarters building at Rua Barata Salgueiro, in Lisbon, Portugal, for a residual term of 56 months, with future rents updated at an annual interest rate of 5%. This will lead to an overall increase in total Group’s Risk Weighted Assets on 1 January

2019 in the same amount of approximately 1,730 thousand euros, thus reducing both Common Tier 1 and Total Capital Ratios from 94.3% to 91.6% - circa -2.7% impact on these ratios.

ii) IFRS 9 (amendment), 'Prepayment features with negative compensation' (effective for annual periods beginning on or after 1 January 2019). The amendment introduces the possibility to classify certain financial assets with negative compensation features at amortised cost, provided that specific conditions are fulfilled, instead of being classified at fair value through profit or loss.

No significant impacts to the financial statements are to be expected from the amendments to the above standards.

iii) IFRIC 23 (new), 'Uncertainty over income tax treatment' (effective for annual periods beginning on or after 1 January 2019). This interpretation is still subject to endorsement by the European Union. This is an interpretation of IAS 12 - 'Income tax' and refers to the measurement and recognition requirements to be applied when there is uncertainty as to the acceptance of an income tax treatment by the tax authorities. In the event of uncertainty as to the position of the tax authority on a specific transaction, the entity shall make its best estimate and record the income tax assets or liabilities under IAS 12, and not under IAS 37 - 'Provisions, contingent liabilities and contingent assets', based on the expected value or the most probable value. The application of IFRIC 23 may be retrospective or retrospective modified.

Due to the current tax situation of Bison Account (notes 14 and 15), the amendments to the above standards no impact on the presented financial statements are expected.

3. Standards (new and amendments) and issued interpretations, whose application is mandatory for annual reporting periods

beginning on or after 1 January 2018, but not yet endorsed by the European Union:

i) IAS 19 (amendment), 'Plan amendment, Curtailment or Settlement' (effective for annual periods beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. This amendment requires an entity to: i) use updated assumptions to determine the current service cost and net interest for the remaining period after amendment, reduction or settlement of the plan; and ii) recognise in the income statement as part of the cost of past services, or as a gain or loss in the settlement, any reduction in the excess of coverage, even if the excess of coverage had not been previously recognised, due to the impact of the asset ceiling. The impact on asset ceiling is recognised in Other Comprehensive Income, not being allowed to recycle it through profit for the year.

Although the Group is still analysing the impacts to these standards and interpretations, no impacts to the financial statements are to be expected.

ii) IAS 28 (amendment), 'Long-term interests in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. The amendment clarifies that long-term investments in associates and joint ventures (components of an entity's investments in associates and joint ventures), that are not being measured through the equity method, are to be measured in accordance with IFRS 9. The long-term investments in associates and joint ventures are subject to the expected credit loss impairment model, prior to being added, for impairment test purposes, to the whole investment in associates and joint ventures, when impairment indicators exist.

Although the Group is still analysing the impacts to these standards and interpretations, no significant impacts to the financial statements are to be expected.

iii) IFRS 3 (amendment), 'Definition of a business' (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to endorsement by the European Union. The amendment revises the definition of a business in order to account for business combinations. The new definition requires that an acquisition include an input, as well as a substantial process that jointly generate outputs. Outputs are now defined as goods and services rendered to customers, that generate investment income and other income, and exclude returns as lower costs and other economic benefits for shareholders. Optional 'concentration tests' for the assessment if one transaction is the acquisition of an asset or a business combination, are allowed.

Although the Group is still analysing the impacts to these standards and interpretations, no significant impacts to the financial statements are to be expected.

iv) IAS 1 and IAS 8 (amendment), 'Definition of material' (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to endorsement by the European Union. The amendment revises the concept of material. Includes clarifications as to obscured information, its effect being similar to the omission or distortion of information; and also clarifications as to the term 'primary users of general purpose financial statements', defined as 'existing or potential investors, lenders and other creditors' that rely on general purpose financial statements to obtain a significant part of the information that they need.

Although the Group is still analysing the impacts to these standards and interpretations, no significant impacts to the financial statements are to be expected.

v) Annual Improvements 2015 - 2017, (generally effective for annual periods beginning on or after 1 January 2019). These improvements are still subject to endorsement by the European Union. The 2015-2017 annual improvements impact: IAS 23, IAS 12, IFRS 3 and IFRS 11.

Although the Group is still analysing the impacts to these standards and interpretations, no significant impacts to the financial statements are to be expected.

vi) Conceptual framework, 'Amendments to references in other IFRS' (effective for annual periods beginning on or after 1 January 2020). These amendments are still subject to endorsement by the European Union. As a result of the publication of the new Conceptual Framework, the IASB introduced changes to the text of various standards and interpretations, like: 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 characteristics of financial information. These amendments are retrospective, except if impractical.

Although the Group is still analysing the impacts to these standards and interpretations, no significant impacts to the financial statements are to be expected.

vii) IFRS 17 (new), 'Insurance contracts' (effective for annual periods beginning on or after 1 January 2021). This standard is still subject to endorsement by the European Union. This new standard replaces IFRS 4 and applies to all entities issuing insurance contracts, reinsurance contracts

and investment contracts with discretionary participation characteristics. IFRS 17 is based on the current measurement of technical liabilities at each reporting date. The current measurement can be based on a complete “building block approach” or “premium allocation approach”. The recognition of the technical margin is different depending

on whether it is positive or negative. IFRS 17 is of retrospective application.

Although the Group is still analysing the impacts to these standards and interpretations, no significant impacts to the financial statements are to be expected.

Summary table of new standards:

Description	Amendment	Effective Date
1. Standards (new and amendments) and interpretations effective as at 1 January 2018		
• IFRS 15 – Revenue from contracts with customers	Revenue recognition for the provision of goods or services, following a five step approach	01-01-2018
• Amendments to IFRS 15 - Revenue from contracts with customers	Identification of performance obligations, timing of revenue recognition from licenses of IP, change to principle versus agent guidance, and new practical expedients on transition	01-01-2018
• IFRS 9 – Financial instruments	New standard for the accounting of financial instruments	01-01-2018
• IFRS 4 – Insurance contracts (application of IFRS 4 with IFRS 9)	Temporary exemption, for insurance companies only, from applying IFRS 9 for annual periods beginning before 1 January 2021. Specific regime for the assets under IFRS 4 that qualify as financial assets at fair value through profit and loss in IFRS 9 and as financial assets at amortised cost in IAS 39, being allowed to classify the measurement difference in Other comprehensive income	01-01-2018
• IFRS 2 – Share-based payments	Measurement of cash-settled share-based payments, accounting for modifications and classification as equity-settled share-based payments when employer withholds tax	01-01-2018
• IAS 40 – Investment property	Clarification that evidence of the change in use is required, when assets are transferred to, or from the investment properties category	01-01-2018
• Annual improvements to IFRS 2014 - 2016	Various clarifications: IFRS 1, IFRS 12 and IAS 28	01-01-2018
• IFRIC 22 - Transactions in foreign currency and advanced consideration	Exchange rate to be applied when consideration is received or paid in advance	01-01-2018

Description	Amendment	Effective Date
2. Standards (new and amendments) that come into effect, on or after 1 January 2019, already endorsed by the EU		
• IFRS 16 – Leases	New definition of lease. New accounting of lease contracts by lessees. No major changes to lessor lease accounting.	01-01-2019
• IFRS 9 – Financial instruments	Accounting treatment options for financial assets with negative compensation features	01-01-2019
• IFRIC 23 – Uncertainty over income tax treatments	Clarifies how the recognition and measurement requirements of IAS 12 'Income taxes' are applied where there is uncertainty over income tax treatments	01-01-2019

Description	Amendment	Effective Date
3. Standards (new and amendments) and interpretations that come into effect, on or after 1 January 2019, but not yet endorsed by the EU		
• IAS 19 – Employee benefits	Requirement to use updated assumptions for the calculation of remaining responsibilities, with impact on income statement except for any reduced excess under “asset ceiling” accounting treatment	01-01-2019
• IAS 28 – Investments in associates and joint ventures	Clarification regarding long-term investments in associates and joint ventures that are not being measured through the equity method	01-01-2019
• IFRS 3 – Business combinations	Revision of the definition of business	01-01-2020
• IAS 1 – Presentation of financial statements; IAS 8 – Accounting policies, changes in accounting estimates and errors	Revision of the definition of material	01-01-2020
• Annual improvements to IFRS 2015 – 2017	Clarifications: IAS 23, IAS 12, IFRS 3, IFRS 11	01-01-2019
• Conceptual framework - Amendments to references to other IFRS	Amendments to some IFRS regarding cross reference and clarification about the application of the new definitions of asset / liability and expense / income	01-01-2020
• IFRS 17 – Insurance contracts	New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics.	01-01-2021

9.2.4 Use of Estimates for the Preparation of the Financial Statements

The preparation of the financial statements requires the Group's Management to produce estimates and adopt assumptions that affect the disclosed value of assets and liabilities, revenues and costs and the contingent liabilities. In making these estimates, the Management used its judgment, together with the available information on the date the financial statements were prepared. Consequently, the actually realised future amounts may differ from the estimates made.

The use of such estimates is more significant in the following situations:

Going concern principle

The financial statements were prepared on a going-concern basis, for the reasons set out in Management Report Chapter 06 – Outlook of the Management Report and other notes from this annex.

Fair value of financial instruments

When the fair value of the financial instruments cannot be determined through the active market prices (marked to market), these are determined using valuation techniques that include mathematical models (marked to model). Input data for these models are, whenever possible, observable market data. When this is not possible, a degree of judgment is required to establish fair values, particularly regarding liquidity levels, correlation and volatility.

Impairment in loans and advances to customers

The Group carries out a valuation of its loan portfolio, on a regular basis, in order to assess the existence of evidence of impairment.

In this context, the identified customers with non-performing loans and whose outstanding

total liabilities are considered to represent a significant exposure for the Group, are assessed on an individual basis in order to evaluate the needs for the impairment losses recognition.

These estimations are based on assumptions about a number of factors that may change in the future and, as a result, alter impairment amounts.

Loans assessed on an individual basis, for which the existence of an objective evidence of impairment has not been identified, are grouped together, according to similar risk characteristics, and collectively assessed for impairment purposes.

Whenever a loan is considered as non-performing, and after all efforts upon recovery have been made, its impairment loss is estimated at 100% of the total loan amount and it is assured the respective accounting write-off through the loss value. The loan is thus written-off from the total asset.

If reversals on loans write-off occur, the recovered amount is credited into the income statement under the item "Loans impairment net of recoveries and reversals".

Deferred tax assets

Deferred tax assets are recognised for unused tax losses, to the extent that it is likely that there will be positive results for tax purposes in the legally established future period. To this end, judgments are made to determine the amount of deferred tax assets that may be recognised. These are based on the level of expected future results for tax purposes according to economic and financial forecasts under uncertainty conditions as regards the assumptions used. If these estimates are not borne out, there is a risk that material

adjustments might have to be made to the deferred tax assets in future reporting periods.

Valuation of real estate assets

The valuation service is provided by external independent companies, registered with the Portuguese Securities Market Commission ("CMVM" - Comissão do Mercado de Valores Mobiliários) and with the appropriate qualifications, recognised competence and professional experience to perform their duties. Their reports comply with the requirements set down by CMVM, BoP and the Insurance Companies Regulator ("ASF" – *Autoridade de Supervisão de Seguros e Fundos de Pensões*), as well as with the criteria defined by the European Accounting Standards and the guidelines of renown International Institutions, such as RICS and TEGoVA.

The valuation procedures imply the compilation of precise and accurate information, as well as of updated documentation, through an inspection of the real estate property and surrounding area, from local authorities and other bodies, market analysis, transactions, the supply and demand relationship and the development outlooks. The processing of this information, areas, usages and market prices, allows for the adoption of the base values for the calculation, through the application of methods and its comparison.

The comparative market method is always used either directly or as a basis for development cash flows, updated at the valuation date at rates that incorporate the project risk. The replacement cost method is also directly used in the valuation of real estate properties in continuous use and has an essential contribute in the mentioned development scenarios.

All the reports are analysed and validated by the internal technical team.

The realisation value of these assets depends on the future trend of real estate market conditions.

The real estate assets reported in non-current assets held for sale are presented in note 12.

Assessment of discontinued units

Discontinued units, classified in non-current assets held for sale (see note 2.14) are measured at the lowest value between the net book value and the fair value less the sales costs.

Provisions and contingent liabilities

Description on the nature of these estimations is depicted in note 2.17.

9.2.5 Consolidation Principles

The consolidated financial statements include the accounts of *Bison Account* and the entities under its control (named "subsidiaries"). Such entities include investment funds in which the Group, through a significant judgement, determines that such entities under control and consequently included in the consolidated financial statements.

Subsidiaries are all the entities over which the Group exercises control. The Group exercises control over an entity when it is exposed to, or has rights over, the variable returns generated by the entity, as a result of its involvement with the entity, and where it also has the ability to affect these variable returns through the influence that it exerts over the relevant aspects of the entity's business activities.

Subsidiaries are consolidated as from the date on which the Group acquires control. These are excluded from consolidation as from the date on which the Group ceases to exercise such control.

Whenever applicable, the subsidiary's accounts are adjusted to reflect the accounting policies of the Group.

Balances and transactions between Group's entities, resulting from intra-group transactions, are eliminated on the consolidation process. Unrealised losses are also eliminated, except if they constitute an impairment loss on the transferred asset.

The correspondent value to the third parties' interests in the subsidiaries is presented in the "Non-controlling interests" item and included in Equity. When less than 100% control is acquired, and in applying the purchase method, the non-controlling interests may be measured at fair value or at the proportion of the fair value of the acquired assets and liabilities. This option is selected for each transaction individually.

Subsequent sales or acquisitions of holdings to or from non-controlling interests, where there is no change of control, do not result in the recognition of gains, losses or goodwill. The difference between the transaction value and the book value of this traded holding is recognised in equity.

9.2.6 Business Combinations and Goodwill

The Group uses the purchase method to account for the acquisition of subsidiaries. The acquisition cost corresponds to the fair value, on the transaction date, of the delivered assets, of the liabilities assumed and of the issued equity instruments, added by any costs directly attributable to the transaction. The identifiable assets, liabilities and contingent liabilities of the acquired entity are measured at their fair value, as at the acquisition date. Costs directly attributable to the acquisition are recognised on the profit and loss statement for the reporting period.

Goodwill corresponds to the difference between the acquisition cost and the proportion acquired by the Group of the fair value of the identified assets, liabilities and contingent liabilities.

Whenever the fair value exceeds the acquisition cost (negative goodwill), the difference is recognised in the "profit or loss" item. Costs directly attributable to the acquisition are recognised in the profit and loss statement for the reporting period. When, on the date on which control is acquired, the Group already has a previously acquired holding, the fair value of this holding is included in the calculation of the goodwill or negative goodwill.

When the acquisition cost exceeds the fair value of the assets, liabilities or contingent liabilities, the positive goodwill is recorded as a balance sheet asset and is not amortised. However, it is subject to annual impairment tests and thus reflects possible impairment losses.

For the purposes of the impairment test, the calculated goodwill is allocated to each of the Cash Generating Units (CGU) that benefited from the business combination transaction. The goodwill allocated to each Unit is subject to an impairment test, conducted on annual basis or whenever there is an indication that impairment may exist.

The goodwill impairment is determined through calculation of the recoverable amount for each CGU or CGU group that the goodwill relates to. When the recoverable amount for the CGU is less than the reported amount, impairment is recognised.

Impairment losses on goodwill cannot be reversed in future periods.

Financial holdings in jointly controlled companies are consolidated using the equity method. The classification of financial investments in jointly controlled companies is determined on the basis of the existence of shareholder agreements that reflect and regulate the joint control.

9.2.7 Investments in Associates

Classified as associates are all entities over

which the Group has the power to exercise a significant influence over its financial and operating policies, but not control, and which are neither subsidiaries, nor joint ventures, or holdings owned through investment funds, venture capital funds or Banks (seed capital) that were initially accounted as financial instruments at fair value through profit or loss.

The Group considers that significant influence exists whenever it, directly or indirectly, holds more than 20%, but less than 50%, of the voting rights and is represented in the management board.

Investments in associates are recorded in the Group's consolidated financial statements using the equity method, since the time the Group first acquires a significant influence to the time until this significant influence is extinguished. The balance sheet value of investments in associates includes the respective goodwill value determined on acquisitions. This value is reported net of any impairment losses.

The investment is initially reported at acquisition cost, increased or decreased by the recognition of subsequent variations in the percentage holding of the associate's equity. Any negative goodwill is immediately recognised in the profit or loss statement. Any dividends distributed by the associates reduce the value of the investment made by the Group.

The value of the investment is subject to an annual impairment analysis.

As well as for the procedure for the subsidiaries, the associate's accounts are adjusted, whenever applicable, to reflect the Group's accounting policies.

9.2.8 Joint Ventures

Joint ventures are considered to be investments in entities in which the Group shares control with other party. This control share is formalised

in a contractual agreement in which strategic, financial and operational business decision-making requires unanimous agreement between the parties that share control.

The Group's interests in joint ventures are recognised using the equity method.

There are no non-controlling interests under this consolidation method.

9.2.9 Foreign Currency Transactions

Foreign currency transactions are recorded on the basis of the foreign exchange rates contracted on the transaction date. Monetary assets and liabilities expressed in foreign currency are converted into euros at the exchange rate prevailing on the balance sheet date. Non-monetary items, valued at fair value, are converted on the basis of the prevailing exchange rate on the last valuation date. Non-monetary items, kept at historical cost, are reported at the original exchange rate. Foreign currency exchange differences resulting from the conversion are recognised as gains or losses for the period in the income statement, except for those resulting from non-monetary financial instruments classified as available for sale. These latter are counter-entered in a specific equity item until the asset is disposed of.

9.2.10 Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include domestic and foreign currency, in cash, on-demand deposits with central banks, on-demand deposits with other banks in Portugal and abroad and cheques drawn on other banks.

9.2.11 Financial Instruments

9.2.11.1 Accounting policy adopted until 31 December 2017 (IAS 39)

9.2.11.1.1 Accounting policy adopted until 31 December 2017 (IAS 39)

The purchase and sale of financial assets which imply the delivery of assets in accordance with deadlines set by regulations or market conventions, are recognised at the transaction date, i.e., at the date on which the commitment to purchase or sell is established. Derivative financial instruments are similarly recognised on the transaction date.

The classification of financial instruments on the initial recognition date depends on their characteristics and on the purchase intention. All financial instruments are initially measured at fair value plus costs directly attributable to the purchase or issuance, except in the case of assets and liabilities at fair value through profit or loss, where such costs are directly recognised in the income statement for the year.

9.2.11.1.2 Subsequent measurement of financial instruments

Financial assets held for trading

Financial assets and liabilities held for trading are those that have been acquired with an intention to sell in the short term and make profits from price fluctuations or through the trader's margin. This includes all derivative financial instruments that are not accounted for as hedging operations.

After initial recognition, the gains and losses generated by subsequent measurement at fair value are recognised in the income statement for the year. In the case of derivatives, positive fair values are recorded in assets and negative fair values in liabilities. Interests and dividends or charges are recorded in the corresponding profit/loss accounts when their right to payment has been established.

Financial liabilities held for trading also include short-selling of securities. These transactions are reported in the balance sheet at fair value,

with subsequent changes in fair value reported in the income statement for the year, under the item "Income from assets and liabilities valued at fair value through profit or loss".

Financial assets and liabilities at fair value through profit or loss

These items include financial assets and liabilities, irrevocably classified by the Group on initial recognition at fair value through profit or loss, in accordance with the option available under IAS 39 (fair value option), provided that the conditions for such recognition are met, namely:

- i. The recognition eliminates or significantly reduces inconsistencies between the measurement of financial assets and liabilities and the recognition of the corresponding gains or losses (accounting mismatch);
- ii. The financial assets and liabilities are part of a group of assets or liabilities, or both, that is managed and whose performance is assessed on a fair value basis, in accordance with a properly documented investment and risk management strategy; or
- iii. The financial instrument incorporates one or more embedded derivatives, except when the embedded derivatives do not significantly modify the contract cash flows, or when it is clear, with little or no analysis, that the embedded derivatives cannot be separated.

After initial recognition, the gains and losses generated by subsequent measurement of the fair value of financial assets and liabilities are reflected in the net profit for the period in the item "Income from assets and liabilities valued at fair value through profit or loss".

The Group classifies almost the entire securities portfolio that is part of its banking activity as financial assets at fair value through profit or loss. Management and assessment of the performance of this portfolio is based on fair value, with the exception of strategic

shareholdings and securities for which it is not possible to obtain reliable valuations.

Financial assets available for sale

Instruments that can be disposed of in response to, or in anticipation of, liquidity needs or changes in interest rates, changes in exchange rates or changes in their market price, and that the Bank has not classified in any of the other categories, are classified under this item.

Following initial recognition, these assets are subsequently measured at fair value. Alternatively, acquisition cost is maintained when it is not possible to reliably determine a fair value. The correspondent gains and losses are reflected in the "Revaluation Reserves" item until they are sold (or until the impairment losses recognition), at which point the accumulated value is transferred to profit and loss statement for the period to the "Income from financial assets available for sale" item.

The interests inherent to the financial assets are calculated in accordance with the effective interest rate method and recognised in the profit and loss statement in the "Interest and similar income" item. Dividends are recognised in the profit and loss statement when the right to payment is established, in the "Income from equity instruments" item. For debt instruments issued in foreign currency, foreign exchange differences are recognised as profit or loss for the year under the "Income from foreign exchange revaluation" item.

Financial assets available for sale are analysed when there are objective evidence of impairment, namely when there is a significant or prolonged decline in fair values, below their cost price. Determining the degree of decline that may be considered "significant or prolonged" involves making judgments. In this context, the Group considers that a decline in the fair value of an equity instrument of 30% or more, or a decline that lasts more than one

year, may be considered significant or prolonged.

Financial assets held to maturity

Financial assets held to maturity include the financial investments with fixed or determinable payments and with fixed maturities, over which there is an intention and capacity to hold them to maturity.

Subsequent to initial recognition, they are measured at amortised cost, using the effective interest rate method, less impairment losses. Calculation of the amortised cost takes into consideration the premium or discount on the acquisition date and other charges directly imputable to the purchase as part of the effective interest rate. The amortisation is recognised in the income statement under the "Interest and similar income" item.

Impairment losses are recognised in the income statement under the "Impairment of other financial assets net of reversals and recoveries" item.

Loans and receivables

Are financial assets with fixed or determinable payments, non-listed on an active market, which have not been acquired or originated with the purpose of selling in the short term (held for trading) or classified as financial assets at fair value through profit or loss on its initial recognition.

These assets are initially recognised at the disbursed value, which includes all transaction-related costs, such as charged fees, that do not have the nature of service provision. They are subsequently measured at amortised cost, using the effective interest rate method, and subjected to impairment tests.

The amortised cost is calculated by taking into account earnings or costs directly imputable to the origination of the asset as part of the

effective interest rate. Amortisation of these earnings or costs is recognised in the income statement under the “Interest and similar income” item or the “Interest and similar costs” item. Impairment losses are recognised in the income statement under the “Credit impairment net of reversals and recoveries” item.

The Group records in this item the securitised loans that are not traded in an active market. If traded in an active market, these would be classified as financial assets available for sale.

Resources of other credit institutions, Resources from customers and other loans, Liabilities represented by securities and Other subordinated liabilities

These financial liabilities, which essentially include resources of credit institutions, customer deposits and debt issues not designated as financial liabilities at fair value through profit or loss and whose contractual terms result in an obligation to deliver funds or financial assets to the holder, are initially recognised at the value of the consideration received net of direct transaction costs. They are subsequently valued at amortised cost, using the effective interest method. Amortisation is recognised in the income statement under the “Interest and similar costs” item.

Fair value of financial assets and liabilities

As stated above, the financial instruments reported as Financial Assets and Liabilities held for trading, at fair value through profit or loss, or as financial assets available for sale, are valued at fair value.

Under the IFRS 13, the fair value of a financial instrument corresponds to the amount for which a financial asset or liability may be sold or settled between independent and informed parties interested in pursuing the conclusion of the transaction under normal market conditions.

The Group determines the fair value of its financial assets and liabilities held for trading, at

fair value through profit or loss or available for sale in accordance with the following criteria:

- Prices of an active market, or
- Valuation methods and techniques, when there is no active market, with the following underlying: (i) valuation techniques, which include the prices of recent transactions of equivalent instruments and (ii) other valuation methods normally used by the market (discounted cash flow, option valuation models, etc.).

Floating rate assets (e.g. shares), and derivative instruments they underpin, for which it is not possible to obtain reliable valuations are kept at acquisition cost, less any impairment losses.

Derivative financial instruments

As part of its normal business activity, the Bank uses a number of derivative financial instruments both for satisfying its customers’ needs and also for managing its own interest rate risk positions or other market risks. These instruments involve different degrees of credit risk (maximum potential book loss due to potential default by counterparties on their respective contractual obligations) and of market risk (maximum potential loss due to change in the value of a financial instrument as a result of interest rate, exchange rate or price fluctuations).

The notional amounts of derivatives operations are used to calculate the flows to be exchanged in contractual terms, possibly in net terms. Although these constitute the most common measure of volume in these markets, they do not correspond to any quantification of the credit or market risk of the operations concerned. For interest rate or exchange rate derivatives, the credit risk is measured by the replacement cost at current market prices, for the contracts in which a position of potential gain is held (positive market value), in the event of the counterparty’s default.

Derivatives embedded in other financial instruments are separated from the host instrument whenever their associated risks and characteristics are not too closely related to those of the host contract and the totality of the instrument is not designated on initial recognition as being at fair value through profit or loss (fair value option).

Income from subsequent measurement of fair value is recognised in the profit and loss statement for the period, simultaneously with the income from measurement at fair value of the hedged instrument in the “Income from assets and liabilities valued at fair value through profit or loss” item.

The Bank only holds derivative financial instruments for trading, as these instruments do not meet the requirements to be considered hedging instruments.

9.2.11.1.3 Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of financial assets) is derecognised when:

1. The entitlement rights to receive cash flows from the asset expire;
2. The entitlement rights to receive cash flows have been transferred, or an obligation has been accepted to pay the receivable cash flows in full, with no significant delay, to third parties in the context of a pass-through agreement;
3. The risks and benefits of the assets have been substantially transferred, or the risks and benefits have not been transferred or retained, but control over the asset has been transferred.

If the rights to receive the cash flows have been transferred or when a pass-through agreement

has been signed, where not all the risks and benefits of the asset have been substantially transferred or retained and control over the asset has not been transferred, the financial asset is recognised to the extent of continued involvement. This is measured at the lesser between the original value of the asset and the maximum value of the payment which could be claimed from the Group.

When continued involvement takes the form of a purchase option over the transferred asset, the extent of the continued involvement is the value of the asset which may be repurchased, except in the case of a sale option measurable at fair value. For this latter case, the value of the continued involvement is limited to the lower of the fair value of the asset and the exercise price of the option.

Financial liabilities

A financial liability is derecognised when the underlying obligation expires or is cancelled. When an existing financial liability is replaced by another with the same counterparty, but on substantially different terms from those initially established, or if the initial terms are substantially changed, such replacement or modification is dealt with as a derecognition of the original liability and the recognition of a new liability and any difference between their values is recognised in the net profits for the year.

Short-selling of securities are considered as financial liabilities held for trading. These operations are reported on the balance sheet at fair value, with subsequent variations in fair value reported in the income statement for the year, under the item “Income from assets and liabilities valued at fair value through profit or loss”.

9.2.11.1.4 Impairment of financial assets

Financial assets at amortised cost

The Group regularly assesses whether or not there is objective evidence of impairment in financial assets reported at amortised cost. These assets include investments in credit institutions, instruments held to maturity, customer loans and amounts receivables. Any identified impairment losses are entered with a counter-entry in the income statement.

Whenever, in a subsequent reporting period, there is a downfall in the amount of the estimated impairment loss, the amount previously recognised is reversed through the adjustment of the account of impairment losses. The amount of the reversal is directly recognised in the income statement, in the same item.

A loan, or a portfolio of customer loans, defined as a set of credits with similar risk characteristics, is impaired whenever:

- There is objective evidence of impairment resulting from one or more events which occurred after initial recognition; and
- When this event (or events) has an impact on the recoverable value of future cash flows from the loan or portfolio of customer loans, and which measurement may be reasonably estimated.

The existence of impairment losses in individual terms is assessed by means of a case-by-case analysis of the customers' situation with a total credit exposure considered to be significant. For each customer, the Group assesses, on each balance sheet date, the existence of objective evidence of impairment. This assessment takes into account the following factors:

- The customer's economic and financial situation;
- The customer's overall exposure and the

existence of a default situation within the Group or in the financial system;

- Commercial information on the customer;
- Analysis of the business sector in which the customer operates, when applicable; and
- The links between the customer and the group to which it belongs, when applicable, and, thus, the analysis of the group regarding the above mentioned variables in terms of the customer individually considered.

In determining impairment losses on an individual basis, the following factors are taken into account:

- The economic and financial feasibility of the customer generating sufficient cash flows to meet the debt service in the future;
- The value of the associated real guarantees and the estimated recoverable amount and estimated recovery period; and
- The customer's assets in liquidation or bankruptcy situations and the existence of preferential creditors.

Loans analysed on an individual basis, for which impairment has been determined as being below the IBNR (Incurred But Not Reported) of the portfolio, are grouped according to their similar risk characteristics and assessed collectively for impairment.

Loans analysed on an individual basis for which an impairment loss is estimated are not included in this collective assessment.

Whenever an impairment loss is identified in individually assessed customer loans, the loss amount is determined by the difference between the book value of that loan and the present value of its estimated future cash flows, discounted at the original interest rate of the

contract. The loans to customers presented on the balance sheet date, is reduced by using an impairment losses account, and its amount recognised in the profit and loss statement under the "Impairment of loans net of recoveries and reversals" item. For loans with floating interest rate, the discount rate used to determine any impairment loss is the effective annual rate set in the contract.

The calculation of the present value of estimated future cash flows from collateralised loans reflects the cash flows which may result from the recovery and disposal of the collateral, less the costs involved in any such recovery and sale.

Financial Assets available for sale

In addition to any of the abovementioned signs of impairment for financial assets reported at amortised cost, the IAS 39 also provides for the following specific signs of impairment in equity instruments:

- Information on significant changes with adverse impact on the technological, market, economic or legal environment in which the issuer operates, where these suggest that the investment cost will not be fully recovered;
- A significant or prolonged decline in market value below cost price.

At each balance sheet date, the financial assets available for sale are analysed for any objective evidence of impairment, namely when there is a significant or prolonged decline in fair values, below cost price. Determining the degree of decline that may be considered "significant or prolonged" requires judgments. The Group considers that a decline in the fair value of an equity instrument equal to 30% or more or a decline for more than 1 year may be considered significant or prolonged.

Whenever there is objective evidence of impairment, accumulated losses which have been recognised in reserves are transferred to

costs for the year, in the form of impairment losses. These are reported under the "Impairment of other assets net of reversals and recoveries" item.

Impairment losses on equity instruments cannot be reversed. This means that any potential gains originated after the recognition of impairment losses are reported under the "Fair value reserve" item. If any additional losses are subsequently determined, impairment is still deemed to exist and these losses are reflected in the profit or loss statement for the reporting period.

The Group also carries out periodic analyses of impairment in financial assets recognised at cost, namely unlisted equity instruments whose fair value cannot be reliably measured. The recoverable value corresponds to the best estimate of the receivable future flows from the asset, discounted at a rate which properly reflects the risk associated with the asset's holding.

The value of the impairment loss is directly recognised in the income statement for the year. Impairment losses on these assets also cannot be reversed.

9.2.11.2 Accounting policy in place after adoption of IFRS 9

9.2.11.2.1 Initial recognition and measurement of financial instruments

The purchase and sale of financial assets which imply the delivery of assets in accordance with deadlines set by regulations or market conventions, are recognised at the transaction date, i.e., at the date on which the commitment to purchase or sell is established. Derivative financial instruments are similarly recognised on the transaction date.

The classification of financial instruments on the initial recognition date depends on their characteristics and on the purchase intention.

All financial instruments are initially measured at fair value plus costs directly attributable to the purchase or issuance, except in the case of assets and liabilities at fair value through profit or loss, where such costs are directly recognised in the income statement for the year.

9.2.11.2.2 Subsequent measurement of financial instruments

The Group classifies financial assets in line with the classification and measurement requirements of IFRS 9 where financial assets are classified based on both the business model used for managing the financial assets and the contractual cash flow characteristics of the financial asset (known as Solely Payments of Principal and Interest or “SPPI”). There are three business models available:

- **Hold to Collect** - A debt financial instrument that (i) is managed under a business model whose purpose is to keep the financial assets in the portfolio and receive all of its contractual cash flows and (2) has contractual cash flows on specific dates that correspond exclusively to the payment of principal and interest on the outstanding capital - shall be measured at amortised cost, unless it is designated at fair value through profit or loss under the fair value option.
- **Hold to Collect and Sell** - A debt financial instrument that (i) is managed under a business model whose purpose is achieved either through the receipt of contractual cash flows or through the sale of financial assets and (2) contemplating contractual clauses that give rise to cash flows which correspond exclusively to the payment of principal and interest on the outstanding capital - should be measured at fair value through equity (“FVTOCI”), unless it is designated at fair value through profit or loss under the fair value option.
- **Others** - All other financial instruments that do not meet the “Hold to Collect” or “Hold to

Collect and Sell” criteria should be measured at fair value through profit or loss (“FVPL”).

The assessment of business model requires judgment based on facts and circumstances at the date of the adoption on January 1, 2018 and upon initial measurement. As part of this assessment, the Group considers quantitative factors (e.g., the expected frequency and volume of sales) and qualitative factors such as how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group’s key management personnel.

In addition to taking into consideration the risks that affect the performance of the business model and the financial assets held within that business model, in particular, the way in which those market and credit risks are managed; and how managers of the business are compensated (e.g., whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected). This assessment results in an asset being classified in either a Hold to Collect, Hold to Collect and Sell or Other business model.

If the Group holds a financial asset either in a Hold to Collect or a Hold to Collect and Sell business model, then an assessment at initial recognition to determine whether the contractual cash flows of the financial asset are Solely Payments of Principal and Interest on the principal amount outstanding at initial recognition is required to determine the classification. Contractual cash flows, that are SPPI on the principal amount outstanding, are consistent with a basic lending arrangement.

Interest in a basic lending arrangement is consideration for the time value of money and the credit risk associated with the principal amount outstanding during a particular period of time. It can also include consideration for other basic lending risks (e.g., liquidity risk) and costs (e.g., administrative costs) associated

with holding the financial asset for a particular period of time; and a profit margin that is consistent with a basic lending arrangement.

Financial Assets at Fair Value through Profit or Loss

Financial assets are classified at fair value through profit or loss if they are held in the other business model because they are either held for trading or because they do not meet the criteria for Hold to Collect or Hold to Collect and Sell. In addition, it includes financial assets that meet the criteria for Hold to Collect or Hold to Collect and Sell business model, but the financial asset fails SPPI or where the Group designated the financial assets under the fair value option.

Financial assets classified as Financial Assets at fair value through profit or loss are measured at fair value with realised and unrealised gains and losses included in Net gains (losses) on financial assets/liabilities at fair value through profit or loss. Interest on interest earning assets such as trading loans and debt securities and dividends on equity instruments are presented in Interest and Similar Income.

Financial assets classified at fair value through profit or loss are recognised or derecognised on trade date at one of the following captions, being trade date is the date on which the Group commits to purchase or sell the asset:

Trading Assets – Financial assets are classified as held for trading if they have been originated, acquired or incurred principally for the purpose of selling or repurchasing them in the near term, or they form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Trading assets include debt and equity securities, derivatives held for trading purposes, and trading loans.

Non-Trading Financial Assets Mandatory at Fair Value through Profit and Loss –The Group assigns any non-trading financial asset that does not fall into the Hold to Collect nor Hold to Collect and Sell business models into the Other business model and classifies them as Non-Trading Financial Assets mandatory at Fair Value through Profit and Loss. This includes predominately shares of entities which are held and managed on a fair value basis. Additionally, any financial asset that falls into the Hold to Collect or Hold to Collect and Sell business models for which the contractual cash flow characteristics are not SPPI is classified by the Group as Non-Trading Financial Assets Mandatory at Fair Value through Profit and Loss.

Financial Assets Designated at Fair Value through Profit or Loss – Certain financial assets that would otherwise be measured subsequently at amortised cost or at fair value through other comprehensive income, may be designated at Fair Value through Profit or Loss if the designation eliminates or significantly reduces a measurement or recognition inconsistency. The use of the fair value option under IFRS 9 is limited.

Financial Assets at Fair Value through Other Comprehensive Income

A financial asset shall be classified and measured at Fair Value through Other Comprehensive Income (“FVOCI”), if the financial asset is held in a Hold to Collect and Sell business model and the contractual cash flows are SPPI, unless designated under the fair value option.

Under FVOCI, a financial asset is measured at its fair value with any changes being recognised in Other Comprehensive Income (“OCI”) and is assessed for impairment under the IFRS 9 expected credit loss model where provisions are recorded through profit or loss are recognised based on expectations of potential credit losses. The foreign currency translation

effect for FVOCI assets is recognised in profit or loss, as is the interest component by using the effective interest method. The amortisation of premiums and accretion of discounts are recorded in net interest income. Realised gains and losses are reported in net gains (losses) on financial assets at FVOCI. Generally, the weighted-average cost method is used to determine the cost of FVOCI financial assets.

Financial assets classified as FVOCI are recognised or derecognised on trade date. Trade date is the date on which the Group commits to purchase or sell the asset.

Financial Assets at Amortised Cost

A financial asset is classified and subsequently measured at amortised cost if the financial asset is held in a Hold to Collect business model and the contractual cash flows are SPPI.

Under this measurement category, the financial asset is measured at fair value at initial recognition. Subsequently the carrying amount is reduced for principal payments, plus or minus the cumulative amortisation using the effective interest method. The financial asset is assessed for impairment under the IFRS 9 expected credit loss model where provisions are recognised based on expectations of potential credit losses. Financial assets measured at amortised cost are recognised on a settlement date basis.

Financial Assets at Amortised Cost include predominately Loans at amortised costs and receivables presented in Other Assets.

Modification of Financial Assets

When the terms of a financial asset are renegotiated or modified and the modification does not result in derecognition, a gain or loss is recognised in the income statement as the difference between the original contractual cash flows and the modified cash flows discounted

at the original effective interest rate. The modified financial asset will continue to accrue interest at its original recognition caption.

Noncredit related or commercial renegotiations where an obligor has not experienced a significant increase in credit risk since origination, and has a readily exercisable right to early terminate the financial asset, results in derecognition of the original agreement and recognition of a new financial asset based on the newly negotiated commercial terms.

For credit related modifications (i.e., those modifications due to significant increase in credit risk since inception) or those where the obligor does not have the readily exercisable right to early terminate, the Group assesses whether the modified terms result in the financial asset being significantly modified and therefore derecognised.

This assessment includes a quantitative assessment of the impact of the change in cash flows from the modification of contractual terms and additionally where necessary a qualitative assessment of the impact of the change in the contractual terms. Where these modifications are not concluded to be significant, the financial asset is not derecognised and is accounted for as a modification as described above.

If the changes are concluded to be significant, the old financial asset is derecognised and a new financial asset is recognised. Where a modification results in a new financial asset being recognised, the date of the modification is the date of initial recognition of the new financial asset. The Group then recognises a credit loss allowance based on 12-month expected credit losses at each reporting date of the financial statements.

However, if following a modification that results in a derecognition of the original financial asset, there is evidence that the new financial asset is credit-impaired on initial recognition, then the

new financial asset should be recognised as an originated credit-impaired financial asset and initially classified in Stage 3.

9.2.11.2.3 Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of financial assets) is derecognised when:

4. The entitlement rights to receive cash flows from the asset expire; or
5. The entitlement rights to receive cash flows have been transferred, or an obligation has been accepted to pay the receivable cash flows in full, with no significant delay, to third parties in the context of a pass-through agreement; and
6. The risks and benefits of the assets have been substantially transferred, or the risks and benefits have not been transferred or retained, but control over the asset has been transferred.

If the rights to receive the cash flows have been transferred or when a pass-through agreement has been signed, where not all the risks and benefits of the asset have been substantially transferred or retained and control over the asset has not been transferred, the financial asset is recognised to the extent of continued involvement. This is measured at the lesser between the original value of the asset and the maximum value of the payment which could be claimed from the Group.

When continued involvement takes the form of a purchase option over the transferred asset, the extent of the continued involvement is the value of the asset which may be repurchased, except in the case of a sale option measurable at fair value. For this latter case, the value of the continued involvement is limited to the lower of

the fair value of the asset and the exercise price of the option.

Financial liabilities

A financial liability is derecognised when the underlying obligation expires or is cancelled. When an existing financial liability is replaced by another with the same counterparty, but on substantially different terms from those initially established, or if the initial terms are substantially changed, such replacement or modification is dealt with as a derecognition of the original liability and the recognition of a new liability and any difference between their values is recognised in the net profits for the year.

Short-selling of securities are considered as financial liabilities held for trading. These operations are reported on the balance sheet at fair value, with subsequent variations in fair value reported in the income statement for the year, under the item "Income from assets and liabilities valued at fair value through profit or loss".

9.2.11.2.4 Impairment of Financial Assets

The impairment requirements of IFRS 9 apply to all credit exposures that are measured at amortised cost or FVOCI, to off-balance sheet lending commitments such as loan commitments and financial guarantees and other assets. For purposes of the impairment policy below, these instruments are referred to as "Financial Assets".

The determination of impairment losses and allowance moves from an incurred credit loss model whereby credit losses are recognised when a defined loss event occurs under IAS 39, to an expected credit loss model under IFRS 9, where allowances are taken upon initial recognition of the Financial Asset, based on expectations of potential credit losses at the time of initial recognition.

Staged Approach to the Determination of Expected Credit Losses

IFRS 9 introduces a three stage approach to impairment for Financial Assets that are not credit-impaired at the date of origination or purchase. This approach is summarised as follows:

- **Stage 1:** the Group recognises a credit loss allowance at an amount equal to 12-month expected credit losses. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after initial recognition.
- **Stage 2:** includes financial assets for which there has been a significant increase in credit risk since the date of its initial recognition. For these financial assets, an expected credit loss (ECL) is calculated and expected lifetime impairment losses are recognised. However, interest will continue to be calculated, based on the gross amount of the asset. Impairment for credit losses is higher at this stage due to the increase in credit risk and the impact of the consideration of a longer time period, compared to the 12 months period considered in stage 1.
- **Stage 3:** the assets classified in this stage, at the reporting date, bear objective evidence of impairment as a result of one or more events that have already occurred that resulted in a loss. In this case, the expected loss of credit impairment during the expected residual life of the financial assets will be recognised in profit or loss. The interest is calculated based on the net asset value of the assets.

Significant Increase in Credit Risk

Under IFRS 9, when determining whether the credit risk (i.e., risk of default) of a Financial Asset has increased significantly since initial recognition, the Group considers reasonable

and supportable information that is relevant and available without undue cost or effort.

This includes quantitative and qualitative information based on the Group's historical experience, credit risk assessment and forward-looking information (including macro-economic factors). The assessment of significant credit deterioration is key in determining when to move from measuring an allowance based on 12-month ECLs to one that is based on lifetime ECLs (i.e., transfer from Stage 1 to Stage 2).

The Group's framework for determining if there has been a significant increase in credit risk aligns with the internal Credit Risk Management ("CRM") process and covers rating related and process related indicators (note 33).

Credit-impaired Financial Assets in Stage 3

The Group has aligned its definition of credit-impaired under IFRS 9 to when a Financial Asset has defaulted for regulatory purposes.

The determination of whether a Financial Asset is credit-impaired and therefore in Stage 3 focusses exclusively on default risk, without taking into consideration the effects of credit risk mitigants such as collateral or guarantees. Specifically, a Financial Asset is credit-impaired and in Stage 3 when:

- The Group considers the obligor is unlikely to pay its credit obligations to the Group; or
- Contractual payments of either principal or interest by the obligor are past due by more than 90 days.

For Financial Assets considered to be credit-impaired, the ECL allowance covers the amount of loss the Group is expected to suffer. The estimation of ECLs is done on a case-by-case basis. This estimate includes the use of discounted cash flows that are adjusted for scenarios.

Forecasts of future economic conditions when calculating ECLs are considered. The lifetime expected losses are estimated based on the probability-weighted present value of the difference between the contractual cash flows that are due to the Group under the contract; and the cash flows that the Group expects to receive.

Write-Offs

The Group reduces the gross carrying amount of a Financial Asset when there is no reasonable expectation of recovery. Write-offs can relate to a Financial Asset in its entirety, or to a portion of it, and constitute a derecognition event. The Group considers all relevant information in making this determination, including but not limited to:

- Foreclosure actions taken by the Group which have not been successful or have a high probability of not being successful,
- Collateral liquidation which has not, or will not lead to further considerable recoveries,
- Situations where no further recoveries are reasonably expected.

Write-offs can take place before legal actions against the borrower to recover the debt have been concluded, and a write-off does not involve the Group forfeiting its legal right to recover the debt.

Collateral for Financial Assets Considered in the Impairment Analysis

IFRS 9 requires cash flows expected from collateral and other credit risk mitigants to be reflected in the ECL calculation. The following are key aspects with respect to collateral and guarantees:

- Eligibility of collateral, i.e. which collateral should be considered in the ECL calculation;
- Collateral evaluation, i.e. what collateral (liquidation) value should be used;

- Projection of the available collateral amount over the life of a transaction.

Critical Accounting Estimates – The accounting estimates and judgments related to the impairment of Financial Assets is a critical accounting estimate because the underlying assumptions used can change from period to period and may significantly affect the Group's results of operations.

In assessing assets for impairments, management judgment is required, particularly in projecting future economic information and scenarios in particular where circumstances of economic and financial uncertainty, when developments and changes to expected cash flows can occur both with greater rapidity and less predictability. The actual amount of the future cash flows and their timing may differ from the estimates used by management and consequently may cause actual losses to differ from reported allowances.

For those non-homogeneous loans in Stage 3 the determination of the impairment allowance often requires the use of considerable judgment concerning such matters as local economic conditions, the financial performance of the counterparty and the value of any collateral held, for which there may not be a readily accessible market.

The determination of the expected credit losses in Stages 1 and 2 and for homogeneous loans in Stage 3 is calculated using statistical expected loss models. The model incorporates numerous estimates and judgments. The Group performs a regular review of the model and underlying data and assumptions. The probability of defaults, loss recovery rates and judgments concerning ability of borrowers in foreign countries to transfer the foreign currency necessary to comply with debt repayments, amongst other things, are incorporated into this review.

9.2.12 Non-Current Assets Held for Sale

Non-current assets are classified as held for sale whenever it is determined that their balance sheet value will be recovered through sale. This condition is only met when such a sale is highly likely and the asset is available for immediate sale in its current condition. The sale transaction should take place within a maximum period of one year following classification in this item. An extension of the period during which the sale must be completed does not exclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances outside the Bank's control and if the commitment to sell the asset is maintained.

The Group records the financial holdings held with the intention and expectation of disposal within the short term (1 year) as non-current assets held for sale. In this item, the Group also recognises properties received in payment of own credit.

The assets recognised in this category are measured at the lower of their acquisition cost and their fair value, determined on the basis of expert independent valuations, less costs incurred in the sale, or at their sale price already agreed with a third party. These assets are not amortised.

Should the assets classified into this category no longer meet the requirements for immediate sale, they are reclassified into the "Investment properties" item, in case of properties, and into the "Investments in subsidiaries and associates" item, in case of financial holdings.

The principles underpinning the use of estimates are applied to the valuation of real estate properties (see note 9.2.4).

9.2.13 Property, Plant and Equipment

The "Property, Plant and Equipment" item includes tangible assets such as properties for own use, vehicles and other equipment

Properties used by the Group for its own business purposes are classified as properties for own use. Properties for own use are valued at historic cost and are revalued in accordance with the applicable legal provisions, less any subsequent depreciations.

The remaining tangible fixed assets are recorded at their cost, less subsequent depreciation and impairment losses. Repair and maintenance costs and other expenses associated with their use are recognised as costs when they occur.

Tangible assets are depreciated on a linear basis, according to their expected useful life, which is:

Properties - [10 – 50] years
Vehicles - [3 - 4] years
Other equipment - [2 – 15] years

A tangible asset is derecognised when sold or when no future economic benefits are expected to accrue from its use or sale. On the derecognition date, the gain or loss calculated as the difference between the net sale value and the net book value is recognised in the "Other operating income" item.

9.2.14 Intangible Assets

The "Intangible assets" item essentially correspond to software, and are recorded at acquisition cost, less accumulated depreciation and impairment losses. Depreciations are recorded on a linear basis, over the estimated useful life of the assets, which is currently set between 3 and 8 years.

Intangible assets may include capitalised internal expenditure, namely associated with in-house software development. For this purpose, these expenses are only capitalised from the point at which the conditions stipulated in standard IAS 38 are met, namely the requirements inherent to the development phase.

9.2.15 Investment properties

The real estate properties recorded in the investment properties category are initially recognised at acquisition cost, including transaction costs, and are subsequently revalued at fair value. The valuations of such properties are carried out by independent expert appraisers registered with CMVM. The fair value of the investment properties reflects market conditions at the balance sheet date. Any changes are recognised in the profit and loss statement for the year.

Investment properties are derecognised when they are disposed of or when future economic benefits are no longer expected to occur from its ownership. On disposal the difference between the net disposal value and the recorded value of the asset is recognised in results in the divestment period.

9.2.16 Income Taxes

The expenses or income recognised as income taxes correspond to the sum of current tax on earnings expense or income and deferred tax on earnings expense or income.

Current tax is calculated on the basis of the prevailing tax rate.

The Group reports as deferred tax liabilities or deferred tax assets those amounts relating to the recognition of taxes payable/ taxes recoverable in the future and which result from unrealised tax losses and temporary taxable/

deductible differences, particularly those related to provisions, revaluations of securities and derivatives that are only taxable at the time of realisation, the tax regime for pension liabilities and other employee benefits and non-taxable capital gains for reinvestment.

Deferred tax assets and deferred tax liabilities are calculated and assessed on an annual basis, using the tax rates expected to be in force at the date of reversal of the temporary differences. In practice, these are the rates approved or substantially approved at the balance sheet date. Deferred tax liabilities are always reported. Deferred tax assets are only recorded to the extent that it is likely that there will be sufficient future taxable income to allow their use.

It should be noted that the Bank met the requirements for the special scheme for the conversion of deferred tax assets ("special scheme") into tax credits, as provided for in Law no. 61/2014, of 26 August. After having signed up for this scheme and following the calculation of a net loss for 2015, the Bank believes it meets the requirements for converting the mentioned deferred tax asset into a tax credit, under article 6 of the special scheme.

In 2016, and for the purposes of the preceding paragraph, the Bank converted deferred tax assets in the amount of 442 thousand euros

into tax credits, maintaining the amount of 313 thousand euros in deferred tax assets. At the same time, it set up a special reserve in favour of the State in the amount of the tax credit, plus a margin of 10%, which therefore totalled 486 thousand euros (see note 22).

As a result from the negative net loss incurred in the reporting year 2016, the Bank proceeded in 2017 with the conversion of the deferred tax assets into tax credits in the amount of 65 thousand euros, maintaining the amount of 248 thousand euros in deferred tax assets.

At the same time, it set up a special reserve in favour of the State in the amount of the tax credit, plus a margin of 10%, which therefore totalled 71 thousand euros (see note 22).

Finally, as a result from net loss incurred in the financial year of 2017, the Bank proceeded, in 2018, with the deferred tax assets conversion into tax credits in an amount of 55 thousand euros. Simultaneously, the Bank created a special reserve in favour of the State equivalent to the tax credit plus a margin of 10%, in the amount of 60 thousand euros (see note 22). As at 31 December 2018, the Bank maintains the amount of 193 thousand euros recorded as deferred tax assets.

The creation of a special reserve requires the simultaneous setting up of conversion rights attributed to the State.

In this context, the Bank has proceeded with an issue of 404,669 conversion rights in favour of the Portuguese State relating to 2015, and separately issued 83,109 and 70,162 conversion rights relating to 2016 and 2017 financial years, respectively. These rights were registered with the Central Securities Depository (Central de Valores Mobiliários / Interbolsa) as at 11 December 2017 and 6 September 2018, respectively.

Under the above mentioned scheme, such conversion rights correspond to securities which entitle the State the right to claim from the Bank the issue and free delivery of ordinary shares, following the share capital increase through the incorporation of the reserve amount. However under the terms set out by the Ministerial Order no. 293-A/2016, as at 18 November, a compulsory acquisition right of the conversion rights from the State is granted to the Bank's shareholder.

In case the shareholder doesn't exercise the compulsory acquisition right of the conversion rights issued and allocated to the Portuguese

State within the deadline established for this purpose, on the financial year in which the State exercises these rights, it will require the Bank the respective share capital increase through the incorporation of the special reserve amount and consequent issue and free delivery of ordinary shares representative of the Bank's share capital.

Income Taxes (current or deferred) are booked in the profit and loss statement for the year, except in those cases in which the transactions that gave rise to the tax have been booked in other equity items. In these situations, the corresponding tax is also booked against equity, without affecting the profit or loss for the year.

9.2.17 Provisions and Contingent Liabilities

A provision is set up whenever there is a present obligation (legal or constructive) resulting from past events for which future disbursement of resources is likely and this disbursement can be reliably determined. The provision is the Bank's best estimate of the amounts that will have to be disbursed in order to settle the liability at the balance sheet date. If the time effect of the cost of the money is significant, the provisions are discounted using a pre-tax interest rate that reflects the specific risk of the liability. In these cases, the provision increase over time is recognised under financial costs.

Where future disbursement of resources is not likely, a contingent liability is recognised. Contingent liabilities are subject only to disclosure, unless the possibility of their being materialised is remote. This rule does not apply to contingent liabilities associated with the acquisition of businesses, as these are recognised in accordance with IFRS 3.

9.2.18 Recognition of Income and Costs

Income and costs are generally recognised according to the timing of the operations concerned, in accordance with the accrual concept, i.e. they are recorded as they are generated, independently of when they are collected or paid. Income is recognised to the extent that it is likely that the economic benefits associated with the transaction will flow to the Group and the amount of income can be reliably measured.

For financial instruments measured at amortised cost and for financial instruments classified as "Financial assets available for sale", interests are recognised using the effective interest method. This is the rate that exactly discounts the set of future cash receipts and payments expected until maturity, or until the next repricing date, for the currently recorded net amount of the financial asset or liability. When the effective interest rate is calculated, future cash flows are estimated considering the contractual terms and all other income or costs directly attributable to the contracts.

9.2.19 Recognition of Dividends

Dividends are recognised whenever the Group is virtually certain to receive them, insofar as they are duly and formally recognised by the competent bodies of its subsidiaries, in conformity with paragraph 30 of IAS 18, corroborated by the provisions of paragraph 33 of IAS 37, on virtually certain assets, and by the fact that there are no provisions in IAS 10 on subsequent events, that contradict this framework. Moreover, the provisions of BoP's Notice no. 18/2004/DSB do not oppose any such approach.

9.2.20 Income from fees and Commissions

The Group charges fees to their customers for providing a broad range of services. These include fees for the provision of ongoing services, for which customers are usually debited on a periodic basis, or fees charged for carrying out a specific significant act.

Fees charged for services provided during a given period are recognised over the length period of the service. Fees related to the performance of a significant act are recognised at the moment the act in question occurs.

The fees and charges associated with financial instruments are included in the effective interest rate of such instruments.

From the adoption of IFRS 15 (note 2.3.), no relevant impacts arose to the Group's Financial Statements

9.2.21 Voluntary Changes in Accounting Policies

During 2018 financial year, there were no voluntary changes in accounting policies in relation to those considered in the preparation of the financial information for the previous financial year, as presented in the comparative statements.

9.2.22 Accrual-Based Accounting

The Group applies the accrual-based accounting principle to most of the items in its financial statements. Thus, income and costs are recognised as they are generated, regardless of when they are actually paid or received.

9.3 Group Entities

The Group is comprised of the following entities:

31-12-2018					
Entity	Consolidation %	Consolidation Method	Net Assets	Equity	Net Profit / (Loss)
Bison Account, S.A*	100.00%	Integral	100,357	56,538	(9,418)
Banif US Real Estate	100.00%	Integral	-	-	-
Art Invest	88.92%	Integral	419	299	(120)
Turirent	100.00%	Integral	8,736	8,395	552

* Previously named Banif Banco de Investimento, S.A.

31-12-2017					
Entity	Consolidation %	Consolidation Method	Net Assets	Equity	Net Profit / (Loss)
Bison Account, S.A*	100.00%	Integral	92,855	23,875	(6,779)
Profile **	100.00%	Integral	7,915	5,021	166
Banif International Asset Management	100.00%	Integral	1,716	571	(4)
Banif Multi Fund	100.00%	Integral	227	205	(14)
Banif US Real Estate	100.00%	Integral	-	-	(8,299)
Art Invest	88.92%	Integral	541	419	(27)
Turirent	100.00%	Integral	7,175	6,594	(106)
MCO2	25.00%	Equity Method	166	166	(159)

* Previously named Banif Banco de Investimento, S.A. ** Previously named Banif Gestão de Activos, S.A.

In 2018, the holdings in Profile, Banif International Asset Management, Banif Multi Fund and MCO2 were sold to Oitante (notes 10 and 26), in the context of a carve-out transaction included in the sale and purchase agreement closed on 11 August 2016 with Bison Financial. Under this agreement, it was established that, when the sale and purchase was completed, the Bank's holdings listed above would no longer be part of the Bank's asset base and Oitante would dispose of these holdings.

The following Group entities submit audited accounts: Bison Account and Turirent.

The Management Board of Bison Account believes that the value of the assets and liabilities held by the non-audited entities in the Group are correctly recognised in the consolidated accounts.

Banif US Real Estate and Art Invest are not audited because there is no statutory requirement for this. These entities are all undergoing voluntary liquidation and await formal closure of the process, which is expected for 2019 regarding Banif US Real Estate and already occurred, in 25 February 2019, regarding Art Invest, with no relevant impact on the financial statements of Bison Account.

9.4 Segment Reporting

The Group only reports by segment in its individual accounts as this is where the Group's relevant business activity lies. Thus, the following information pertains to the Bank's individual accounts.

In the Bank's segment report, as at 31 December 2018, the primary reporting is based on business areas. These include Investment Banking, Sales & Trading, Wealth Management, Client Management and other activities. Within the segment "other activities", the activity with the higher weight is the Treasury segment.

The division amongst the various business processes took into account the nature of the processes, the similarities between them, the organisation and the management processes in place at the Bank.

The reports used by management are essentially based on accounting data. There are no differences between the measurements of income, losses, assets and liabilities in the segments.

Following the acquisition of Bison Account by Bison Financial on July 9, 2018, a profound structural reorganisation was undertaken, compromising the comparability of Operating Results and, in particular, Operating Costs, including Provisions and Impairment, between 2018 and 2017.

During the last quarter of 2018, the Bank implemented a new organisational structure and implemented business segments presentation.

Thus the business segments reported by the Bank in 2018 and in 2017 include the following business activities, being its activities only distinguished at Operating Income Level:

- Investment Banking: Corporate Finance; Structuring of Equity and Bond issuances; Origination and management of Commercial Paper programs;
- Sales & Trading: Brokerage;
- Wealth Management: Investment Advisory; Discretionary Management;

- Client Management: Corporate & Private Banking; Depository Bank for Funds;
- Others: Other activities not included in the above segments, including Treasury, which comprises Proprietary portfolio management,

including Legacy portfolios (funds and shares), Financial Holdings for sale and Properties for Sale.

All costs are allocated at on the “Others” segment.

Business segments as at 31 December 2018:

	Investment Banking	Sales & Trading	Wealth Management	Client Management	Others	Total
Interest Income	-	-	-	17	221	238
Interest Expenses	-	-	-	(183)	(222)	(405)
Net Interest Income	-	-	-	(166)	(1)	(167)
Dividend income	390	-	-	-	-	390
Fee and commission income	171	95	-	1,291	553	2,110
Fee and commissions expense	-	(29)	-	(122)	(10)	(161)
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	-	-	-	-	(2,078)	(2,078)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	-	-	-	-	-	-
Exchange differences, net	-	-	-	-	3	3
Other operating income, net	-	-	-	-	(222)	(222)
Total Operating Income, net	561	66	-	1,004	(1,756)	(125)
Staff expenses	-	-	-	-	(5,715)	(5,715)
Other administrative expenses	-	-	-	-	(3,196)	(3,196)
Depreciation	-	-	-	-	(598)	(598)
Provisions or reversal of provisions	-	-	-	-	321	321
Impairment or reversal of impairment on financial assets	-	-	-	-	1	1
Impairment or reversal of impairment on non-financial assets	-	-	-	-	41	41
Profit or Loss before Income Tax from Continuing Operations	561	66	-	1,004	(10,902)	(9,271)
Taxes	-	-	-	-	(147)	(147)
Profit or Loss after Tax from Continuing Operations	561	66	-	1,004	(11,049)	(9,418)
Profit or Loss after tax from discontinued operations	-	-	-	-	-	-
Profit / (Loss) for the year	561	66	-	1,004	(11,049)	(9,418)

Business segments as at 31 December 2017:

	Investment Banking	Sales & Trading	Wealth Management	Client Management	Others	Total
Interest Income	(4)	3	-	54	63	116
Interest Expenses	-	-	-	145	(694)	(549)
Net Interest Income	(4)	3	-	199	(631)	(433)
Dividend income	215	-	-	-	99	314
Fee and commission income	324	107	136	1,914	36	2,517
Fee and commissions expense	(2)	(143)	(65)	(27)	(10)	(247)
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	-	41	-	-	(696)	(655)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	-	-	-	-	126	126
Exchange differences, net	-	-	-	-	(144)	(144)
Other operating income, net	(2)	(4)	(39)	(61)	(323)	(429)
Total Operating Income, net	531	4	32	2,025	(1,543)	1,049
Staff expenses	-	-	-	-	(3,579)	(3,579)
Other administrative expenses	-	-	-	-	(2,691)	(2,691)
Depreciation	-	-	-	-	267	267
Provisions or reversal of provisions	-	-	-	-	(823)	(823)
Impairment or reversal of impairment on financial assets	-	-	-	-	(638)	(638)
Impairment or reversal of impairment on non-financial assets	-	-	-	-	82	82
Profit or Loss before Income Tax from Continuing Operations	531	4	32	2,025	(9,505)	(6,913)
Taxes	(3)	(27)	(8)	(13)	(121)	(172)
Profit or Loss after Tax from Continuing Operations	528	(23)	24	2,012	(9,626)	(7,085)
Profit or Loss after tax from discontinued operations	-	-	-	-	306	306
Profit / (Loss) for the year	528	(23)	24	2,012	(9,320)	(6,779)

The interest figures reported in the business segments include intra-segment interests pertaining to funding costs and/or the application of raised funds.

Geographic segments

Almost all the Group's business activity is carried out in Portugal. The business outside Portugal has no material impact at the Group's context.

9.5 Cash, Cash Balances at Central Banks and Other Demand Deposits

This item breaks down as follows:

	31-12-2018	31-12-2017
Cash	-	1
On-Demand Deposits with Bank of Portugal	1,867	10,167
On-Demand Deposits in Portugal		
Currency EUR	28,823	934
Currency AUD	-	1
Currency USD	101	53
Others currencies	95	1
Abroad		
Currency EUR	1,233	716
Currency USD	56	1,334
Currency CAD	-	89
Currency GBP	3	36
Currency CHF	1	127
Others currencies	29	7
Term Deposits in Portugal	3,257	200
	35,465	13,666

The “Demand Deposits with Bank of Portugal” item includes the deposits set up to meet the Eurosystem’s Minimum Reserve Requirements. The minimum reserve corresponds to 1% of deposits and debt securities with maturities of up to 2 years, excluding any liabilities to other institutions subject to, but not exempt from, the same minimum reserve requirement

and the liabilities to the European Central Bank and to National Central Banks participating in the euro area.

The remaining amounts recorded under this item are available for movement.

9.6 Financial Assets Held for Trading

This item is composed of debt instruments and equity instruments, which are overall classified as held for trading, as detailed as follows:

Details of the Securities Portfolio as at 31 December 2018:

Name and Type of Security	Currency	Amount	Price	Valuation Criteria	Book Value
1 - Debt Instruments					162
Issued by residents					
Portuguese Public Debt					
CONSOLIDADO/1943	EUR	1	0.67	Fair Value	-
CONSOLIDADO/1942	EUR	0	0.74	Fair Value	-
OBRIGAÇÕES DO TESOURO 2.2 10/17/22	EUR	150,000	1.08	Fair Value	162
2 - Equity Instruments					-
Issued by residents					
BEIRA VOUGA 88 S.A.	EUR	5,190	0.00	Fair Value	-
BEIRA VOUGA 88 S.B.	EUR	5,190	0.00	Fair Value	-
KENDALL, PINTO BASTO & Cª LDA	EUR	264,470	0.00	Fair Value	-
PRODIS	EUR	33	0.25	Fair Value	-
INCAL	EUR	100	0.00	Fair Value	-
G.A.P. - S.G.P.S.	EUR	16	0.00	Fair Value	-
S.P.E. PORTADOR	EUR	29	0.00	Fair Value	-
GREGORIO & COMP.	EUR	100	0.00	Fair Value	-
F.N.MARGARINAS	EUR	5	0.00	Fair Value	-
FIACO	EUR	10	0.00	Fair Value	-
FONCAR - IND.COM.TEXTIL	EUR	3	0.00	Fair Value	-
COPINAQUE	EUR	40	0.00	Fair Value	-
AMADEU GAUDENCIO	EUR	320	0.00	Fair Value	-
TRANSBEL - TRANSP.TRANS.INTERNAC.	EUR	5	0.00	Fair Value	-
NUNO MESQUITA PIRES, SA	EUR	90	0.00	Fair Value	-
FNACINVEST - S.G.P.S.	EUR	180	0.00	Fair Value	-
BANIF - BANCO INT. FUNCHAL, S.A.	EUR	565,574	0.00	Fair Value	-
BEIRA VOUGA 95 (AÇÕES)	EUR	1,509	0.00	Fair Value	-
S.P.E. NOMINATIVAS	EUR	122	0.00	Fair Value	-
BUCIQUEIRA - S.G.P.S., S.A.	EUR	10	0.00	Fair Value	-
Total					162

Details of the Securities Portfolio as at 31 December 2017:

Name and Type of Securities	Currency	Quantity	Price	Valuation Criteria	Balance Sheet Value
1 - Debt instruments					23,199
Issued by residents of Portuguese Public Debt					
CONSOLIDADO/1943	EUR	1	0.64	Fair Value	-
CONSOLIDADO/1942	EUR	0	0.74	Fair Value	-
OBRIGAÇÕES DO TESOURO 2.2 10/17/22	EUR	150,000	1.09	Fair Value	164
BILHETES DO TESOURO 0 07/20/2018	EUR	2,000,000	1.00	Fair Value	2,003
PORTB 0 01/19/18	EUR	5,000,000	1.00	Fair Value	5,001
PORTB 0 01/19/18	EUR	4,000,000	1.00	Fair Value	4,001
PORTB 0 09/21/18	EUR	12,000,000	1.00	Fair Value	12,030
2 - Equity Instruments					-
Issued by residents					
BEIRA VOUGA 88 S.A.	EUR	5,190	0.00	Fair Value	-
BEIRA VOUGA 88 S.B.	EUR	5,190	0.00	Fair Value	-
KENDALL, PINTO BASTO & Cª LDA	EUR	264,470	0.00	Fair Value	-
PRODIS	EUR	33	0.25	Fair Value	-
INCAL	EUR	100	0.00	Fair Value	-
G.A.P. - S.G.P.S.	EUR	16	0.00	Fair Value	-
S.P.E. PORTADOR	EUR	29	0.00	Fair Value	-
GREGORIO & COMP.	EUR	100	0.00	Fair Value	-
F.N.MARGARINAS	EUR	5	0.00	Fair Value	-
FIACO	EUR	10	0.00	Fair Value	-
FONCAR - IND.COM.TEXTIL	EUR	3	0.00	Fair Value	-
COPINAQUE	EUR	40	0.00	Fair Value	-
AMADEU GAUDENCIO	EUR	320	0.00	Fair Value	-
TRANSBEL - TRANSP.TRANS.INTERNAC.	EUR	5	0.00	Fair Value	-
NUNO MESQUITA PIRES, SA	EUR	90	0.00	Fair Value	-
FNACINVEST - S.G.P.S.	EUR	180	0.00	Fair Value	-
BANIF SA	EUR	565,574	0.00	Fair Value	-
BEIRA VOUGA 95 (AÇÕES)	EUR	1,509	0.00	Fair Value	-
S.P.E. NOMINATIVAS	EUR	122	0.00	Fair Value	-
BUCIQUEIRA - S.G.P.S., S.A.	EUR	10	0.00	Fair Value	-
BUCIQUEIRA - S.G.P.S., S.A.	EUR	2	0.00	Fair Value	-
Issued by non-residents					
T.P. BFN 1987	EUR	2	1.00	Fair Value	-
T.P. BFN 87 2a	EUR	2	1.40	Fair Value	-
AMERICAN INTERNATIONAL - CW21	USD	1	18.12	Fair Value	-
Total					23,199

As at 31 December 2018, and pursuant to paragraph c), paragraph 2, of Instruction no. 18/2005 of Bank of Portugal, no securities in the portfolio are due within one year.

The Treasury Bonds above identified as “OBRIGAÇÕES DO TESOURO 2.2 10/17/22”. in the amount of 162 thousand euros are pledged to the investor compensation system. As at 31 December 2018, the Bank is not using the intraday credit line.

9.7 Non-Trading Financial Assets Mandatorily at Fair Value Through Profit or Loss

The details of this item, as at 31 December 2018, are as follows:

Name and Type of Security	Currency	Amount	Price	Valuation Criteria	Book Value
Equity Instruments					14,955
Issued by residents					
GALERIAS NAZONI	EUR	750	0.00	Fair Value	-
SEA ROAD	EUR	200,000	0.00	Fair Value	-
FLORESTA ATLÂNTICA - SGFII (CL B)	EUR	40,000	48.54	Fair Value	1,942
Issued by non-residents					
SHOTGUN PICTURES	EUR	10,000	0.00	Fair Value	-
FINE ART	USD	18,169	9.43	Fair Value	171
DISCOVERY PORTUGAL REF, SICAV-FIS	EUR	12,742	985.41	Fair Value	12,556
PREFP-PAN EUROPEAN REAL STATE FUND	EUR	2,733	30.13	Fair Value	82
JP MORGAN EUROPEAN PROPERTY FUND	EUR	3	1,244.36	Fair Value	3
FINE ART FUND (CP)	USD	12,645	9.41	Fair Value	119
PRADERA EUROPEAN RETAIL FUND CLASS1	EUR	300,000	0.12	Fair Value	36
GREFF GLOBAL REAL ESTATE FUND A	EUR	599	53.14	Fair Value	32
JPM GREATER CHINA PROP FUND CAY LP	USD	207,141,363	0.00	Fair Value	-
BELMONT RX SPC FI SEP08	USD	2	10.25	Fair Value	0
BELMONT RX SPC FI DEC08	USD	406	31.38	Fair Value	13
Total					14,955

The details of this item, as at 31 December 2017, are as follows:

Name and Type of Security	Currency	Amount	Price	Valuation Criteria	Book Value
Debt Instruments					73
Issued by residents					
PGB 4,45 06/15/18	EUR	70,000	1.02	Fair Value	73
Equity Instruments					39,975
Issued by residents					
GALERIAS NAZONI	EUR	750	0,00	Fair Value	-
SEA ROAD	EUR	200,000	0,00	Fair Value	-
FINPRO SCR, SA	EUR	407,461	0,00	Fair Value	-
BANIF IMOPREDIAL	EUR	3,784,630	4.37	Fair Value	16,537
BANIF IMOGEST	EUR	200,735	17.76	Fair Value	3,564
PORTO NOVO F.I.I.F.	EUR	20,788	51.61	Fair Value	1,073
FLORESTA ATLÂNTICA - SGFII (CL B)	EUR	40,000	56.53	Fair Value	2,261
BANIF CAPITAL INFRASTRUCTURE FUND	EUR	1,635	0.00	Fair Value	-
FLORESTA ATLÂNTICA - SGFII, SA	EUR	10,125	11.68	Fair Value	118
FINPRO SCR, SA	EUR	763,363	0.00	Fair Value	-
BANIF IMOGEST	EUR	9,447	17.76	Fair Value	168
BANIF PROPRETY	EUR	887	753.98	Fair Value	669
Issued by non-residents					
SHOTGUN PICTURES	EUR	10,000	0.00	Fair Value	-
GED SUR FCR-CL A	EUR	100	56.85	Fair Value	6
GED SUR FCR-CL B	EUR	49,900	56.85	Fair Value	2,837
FINE ART	USD	18,169	10.77	Fair Value	163
GED SUR CAPITAL S.A., SGEGR	EUR	30,000	1.02	Fair Value	31
DISCOVERY PORTUGAL REF, SICAV-FIS	EUR	12,742	945.49	Fair Value	12,048
PREFF-PAN EUROPEAN REAL STATE FUND	EUR	2,733	73.67	Fair Value	201
JP MORGAN EUROPEAN PROPERTY FUND	EUR	3	7,407.98	Fair Value	20
FINE ART FUND (CP)	USD	12,645	10.77	Fair Value	114
PRADERA EUROPEAN RETAIL FUND CLASS 1	EUR	300,000	0.15	Fair Value	45
DB GLOBAL MASTERS FUND - 04/05	EUR	2,416	8.30	Fair Value	20
DB GLOBAL MASTERS FUND - 07/07	EUR	2,833	6.07	Fair Value	17
GREFF GLOBAL REAL ESTATE FUND A	EUR	599	82.41	Fair Value	49
JPM GREATER CHINA PROP FUND CAY LP	USD	207,141,363	0.00	Fair Value	21
BELMONT RX SPC FI SEP08	USD	2	12.71	Fair Value	-
BELMONT RX SPC FI DEC08	USD	406	38.27	Fair Value	13
DB GLOBAL MASTERS FUND-V 13-07	EUR	57	5.76	Fair Value	-
Total					40,048

The main assumptions used in the valuation of the unlisted equity instruments are:

- Units in Investment Funds – market price based on the last NAV available for units in investment funds acquired up to the date of that price; historical cost for investments (regarding only balances as of 31 December 2017) made between the date of the last market price available and the date of the financial statements;
- Securities received in lieu – record of 100% impairment on the balance sheet value if there are no prospects of recoverability. The prospects of recoverability are determined on the basis of individual internally conducted analyses.

On 9 July 2018, several assets held by the Bank were sold to Oitante in the context of a carve-out transaction, agreed in the sale and purchase agreement entered on 11 August 2016 with Bison Financial. Under the terms of this agreement, it was established that by the time the purchase and sale of the Bank's entire capital was completed, these assets would not be part of the balance sheet of the Bank, and Oitante was entrusted with the disposal of these holdings. (note 26)

9.8 Financial Assets at Fair Value Through Other Comprehensive Income

The details of this item, as at 31 December 2018, were as follows:

Name and Type of Security	Currency	Amount	Price	Valuation Criteria	Book Value
Debt Instruments					35,069
Issued by residents					
PORTUGUESE OT'S PGB3.85 04/15/21	EUR	70,000	1.09	Fair Value	78
IGCP EPE/VAR OB 20210812	EUR	814,000	1.05	Fair Value	862
IGCP EPE/VAR OB 20220412	EUR	207,000	1.05	Fair Value	218
IGCP EPE/VAR OB 20211130	EUR	1,824,000	1.05	Fair Value	1,920
IGCP EPE/VAR OB 20220802	EUR	438,000	1.04	Fair Value	459
REP PORTUGUESA/VAR OB 20221205	EUR	342,000	1.03	Fair Value	351
PORTUGAL, REPUB/VAR BD 20250723	EUR	4,866,000	1.02	Fair Value	5,006
Issued by non-residents					
ITALIA/0.35 BTP20200615	EUR	5,000,000	1.00	Fair Value	4,996
SPGB 0.35 07/30/23	EUR	5,000,000	1.00	Fair Value	5,012
RENEPL 1 3/4 06/01/23	EUR	3,000,000	1.03	Fair Value	3,128
CABKSM 1.125 01/12/23	EUR	5,000,000	0.98	Fair Value	4,952
SANTAN 1.375 12/14/22	EUR	3,000,000	1.03	Fair Value	3,086
CSI FINANCIAL P/0.7 MTN 20191023	EUR	5,000,000	1.00	Fair Value	5,000
Equity Instruments					3,468
Issued by residents					
ASCENDI OPERADORA BLA	EUR	63	15.96	Amortised Cost	1
ASCENDI OPERADORA CP	EUR	63	15.56	Amortised Cost	1
ASCENDI OPERADORA NT	EUR	97	221.22	Amortised Cost	21
ASCENDI BEIRAS LITORAL E ALATA	EUR	32,460	34.11	Amortised Cost	1,107
ASCENDI COSTA DE PRATA	EUR	14,129	16.42	Amortised Cost	232
ASCENDI NORTE	EUR	54,199	22.89	Amortised Cost	1,240
ASCENDI COSTA DE PRATA	EUR	16,345	1.00	Amortised Cost	-
ASCENDI NORTE	EUR	663,007	1.00	Amortised Cost	663
ASCENDI BEIRA LITORAL	EUR	72,539	1.00	Amortised Cost	73
Issued by non-residents					
Floresta Atlântica - SGFII, SA	EUR	10,125	12.81	Fair Value	130
Total					38,537

The valuation of the ASCENDI Capital Instruments detailed in the previous table corresponds to the value of the acquisition offer made by an unrelated party and accepted by the Group.

The details of this item, as at 31 December 2017, were as follows:

Name and Type of Security	Currency	Amount	Price	Valuation Criteria	Book Value
Equity Instruments					2,093
Issued by residents					
ASCENDI OPERADORA BLA	EUR	63	1.00	Amortised Cost	-
ASCENDI OPERADORA CP	EUR	63	1.00	Amortised Cost	-
ASCENDI OPERADORA NT	EUR	97	1.00	Amortised Cost	-
ASCENDI BEIRAS LITORAL E ALATA	EUR	32,460	35.51	Amortised Cost	1,153
ASCENDI COSTA DE PRATA	EUR	14,129	6.90	Amortised Cost	98
ASCENDI NORTE	EUR	54,199	4.00	Amortised Cost	217
ASCENDI COSTA DE PRATA	EUR	16,345	1.00	Amortised Cost	16
ASCENDI NORTE	EUR	541,996	1.00	Amortised Cost	542
ASCENDI BEIRA LITORAL	EUR	67,444	1.00	Amortised Cost	67
Total					2,093

As at 31 December 2018, and pursuant to paragraph c), paragraph 2, of Instruction no. 18/2005 of Bank of Portugal, no securities in the portfolio are due within one year.

As at 31 December 2018, the Bank is not using the intraday credit line.

The main assumptions used in the valuation of the unlisted equity instruments are:

- Units in Investment Funds – market price based on the last NAV available for units in investment funds acquired up to the date of that price; historical cost for investments (regarding only balances as of 31 December

2017) made between the date of the last market price available and the date of the financial statements;

- Securities received in lieu – record of 100% impairment on the balance sheet value if there are no prospects of recoverability. The prospects of recoverability are determined on the basis of individual internally conducted analyses.

9.9 Financial Assets at Amortised Cost

This item breaks down as follows:

	31-12-2018	31-12-2017
Domestic Loans		
Corporates		
Other Loans	50	93
Overdrafts and on demand deposits	315	322
Individuals		
Overdrafts and on demand deposits	-	9
External Loans		
Individuals		
Others	9,961	9,537
	10,327	9,961
Overdue Loans and Interests	1,068	1,404
	11,395	11,365
Securities Portfolio	-	3,264
	11,395	14,629
Impairment	(11,132)	(14,346)
	263	283

Principal and overdue accrued interests in arrears break down as follows:

Term (months)	Amount	
	31-12-2018	31-12-2017
< = a 03m	-	-
> 03m < = 06m	-	-
> 06 < = 09m	-	-
> 09m < = 12m	-	-
> 12m < = 15m	1	-
> 15m < = 18m	-	121
> 18m < = 24m	-	173
> 24m < = 30m	1	-
> 30m < = 36m	176	6
> 36m < = 48m	-	2
> 48m < = 60m	890	1,103
> 60m	-	-
Total	1,068	1,404

As at 31 December 2018, the details of the securities portfolio classified into this item are as follows:

Name and Type of Security	Currency	Amount	Price	Valuation Criteria	Gross Value	Net Value
Debt Instruments						
BANIF FINANCE LTD 3 12/31/19	EUR	3,825,000	0.00	Amortised Cost	-	-
Total					0	0

As at 31 December 2017, the details of securities portfolio are as follows:

Name and Type of Security	Currency	Amount	Price	Valuation Criteria	Gross Value	Net Value
Debt Instruments						
BANIF FINANCE LTD 3 12/31/19	EUR	3,825,000	0.00	Amortised Cost	-	-
CIELO GRANDE VIEW BILOXI 240	USD	2,609,479	0.00	Amortised Cost	2,176	-
ATC FORT MYERS	USD	1,305,149	0.00	Amortised Cost	1,088	-
Total					3,264	-

Note 9.2.4 details the policy adopted by the Group in relation to the classification of securities in this category.

The Group considers restructured loans to be those loans in relation to which there have been changes in contractual conditions, particularly in terms of extensions to the repayment period, the introduction of grace periods or the capitalisation of interest, due to the financial difficulties of the borrower, regardless of whether or not there have been delays in the payment of principal and interests.

9.10 Non-Current Assets and Disposal Groups Classified as Held for Sale

This item breaks down as follows:

	31-12-2018	31-12-2017
Discontinued units	-	7,430
Real Estate Properties received in lieu of payment	3	3
	3	7,433

In 2018, the holdings in Profile, Banif International Asset Management, Banif Multi Fund and MCO2 were sold to Oitante (notes 3 and 26), in the context of a carve-out transaction included in the sale and purchase agreement closed on 11 August 2016 with Bison Financial. Under this agreement, it was established that, when the sale and purchase was completed, the Bank's holdings listed above would no longer be part of the Bank's asset base and Oitante would dispose of these holdings.

Therefore, all the assets and liabilities held by the abovementioned entities, as at 31 December 2017, were carried on the Bank's consolidated balance sheet in the "Non-Current Assets and Disposal Groups Classified as Held for Sale" items and were sold on 9 July 2018. Also under IFRS 5, the contribution made by the operations at these entities is carried in the "Profit/loss from discontinued operations" item.

For the discontinued units, the non-current assets and liabilities held for sale, as at 31 December 2017 are detailed below:

31-12-2017	Banif Capital	Banif International Asset Management	Banif Multifund	Profile	MCO2	Total
Cash and balances with central banks	-	-	-	-	-	-
Balances with other credit institutions	-	-	-	3,230	-	3,230
Financial assets held for trading	-	-	-	-	-	-
Other financial assets at fair value through profit or loss	-	-	-	-	-	-
Financial assets available for sale	-	-	-	-	-	-
Applications with credit institutions	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-
Held-to-maturity investments	-	-	-	-	-	-
Assets with repurchase agreement	-	-	-	-	-	-
Hedge derivatives	-	-	-	-	-	-
Non-current assets held for sale	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-
Other tangible assets	-	-	-	5	-	5
Intangible assets	-	-	-	1	-	1
Investments in subsidiaries, associates and joint ventures	-	-	-	-	-	-
Current income tax assets	-	-	-	12	-	12
Deferred income tax assets	-	-	-	338	-	338
Other Assets	-	5	17	3,779	42	3,843
Total Assets	-	5	17	7,366	42	7,430
Deposits from central banks	-	-	-	-	-	-
Financial liabilities held for trading	-	-	-	-	-	-
Other financial liabilities at fair value through profit or loss	-	-	-	-	-	-
Deposits from other credit institutions	-	-	-	-	-	-
Deposits from customers and other loans	-	-	-	-	-	-
Liabilities represented by securities	-	-	-	-	-	-
Financial liabilities associated to transferred assets	-	-	-	-	-	-
Hedge derivatives	-	-	-	-	-	-
Non-current liabilities held for sale	-	-	-	-	-	-
Provisions	-	-	-	-	-	-
Current income tax liabilities	-	-	-	116	-	116
Deferred income tax liabilities	-	-	-	-	-	-
Equity instruments	-	-	-	-	-	-
Other subordinated liabilities	-	-	-	-	-	-
Other liabilities	-	971	22	2,667	-	3,660
Total Liabilities	-	971	22	2,783	-	3,776

The changes over the 2018 and 2017 financial years were:

Description	Balance as at 31-12-2017			Changes from year 2018			Balance as at 31-12-2018		
	Gross Amount	Impairment	Net Amount	Disposals	Increase / (Reduction)	Impairment Increase	Gross Amount	Impairment	Net Amount
Discontinued units	7,430	-	7,430	(7,430)	-	-	-	-	-
Foreclosed Real Estate Properties	3	-	3	-	-	-	3	-	3
Total	7,433	-	7,433	(7,430)	-	-	3	-	3

Description	Balance as at 31-12-2016			Changes from year 2017			Balance as at 31-12-2017		
	Gross Amount	Impairment	Net Amount	Disposals	Increase/ (Reduction)	Impairment Increase	Gross Amount	Impairment	Net Amount
Discontinued units	5,440	-	5,440	(454)	2,444	-	7,430	-	7,430
Foreclosed Real Estate Properties	3	-	3	-	-	-	3	-	3
Total	5,443	-	5,443	(4,404)	-	-	7,433	-	7,433

The contribution of the discontinued units, disposes on 9 July 2018, is detailed in the following table:

Entity	31-12-2018	31-12-2017
Profile	-	7,366
Banif Capital	-	0
Banif International Asset Management	-	5
Banif Multi Fund	-	17
MCO2	-	42
	-	7,430

Throughout the 2017 financial year, the Group completed the sale of its financial holding in Banif Capital and obtained a gain of 272 thousand euros, considering the balance sheet value at the disposal date.

The Profit/Loss from the discontinued units, as at 31 December 2017, can be seen in the following table:

31-12-2017	Banif Capital	Banif International Asset Management	Banif Multifund	Profile	MCO2	Total
Interest and similar income	1	-	-	-	-	1
Interest expense and similar charges	-	-	-	-	-	-
Net Interest Income	1	-	-	-	-	1
Equity instruments income	-	-	-	-	-	-
Fees and commissions income	401	-	-	3,349	-	3,750
Fees and commissions expenses	(1)	-	-	(240)	-	(240)
Income from assets and liabilities valued at fair value through profit or loss	2	-	-	-	-	2
Income from financial assets available for sale	-	-	-	-	-	-
Income from currency revaluation	-	118	(14)	-	-	104
Income from other assets disposal	16	-	-	-	-	16
Other operating income	10	-	-	(95)	(40)	(125)
Net Operating Income	430	118	(14)	3,014	(40)	3,509
Personnel expenses	(152)	-	-	(1,668)	-	(1,820)
General and administrative expenses	(108)	(122)	-	(925)	-	(1,156)
Depreciation and amortization	-	-	-	(13)	-	(13)
Provisions net of refunds and write-offs	-	-	-	-	-	-
Value adjustments related to loans to customers and other accounts receivable	-	-	-	-	-	-
Debtors (net of reversals and write-offs)	-	-	-	-	-	-
Impairment of other financial assets net of reversals and recoveries	-	-	-	-	-	-
Impairment of other assets net of reversals and recoveries	335	-	-	(165)	-	171
Negative consolidation differences	-	-	-	-	-	-
Profit / (Loss) from associates and joint-ventures (equity method)	-	-	-	-	-	-
Profit / (Loss) before income taxes	505	(4)	(14)	243	(40)	690
Income Taxes	(15)	-	-	(79)	-	(94)
Current	(15)	-	-	(116)	-	(131)
Deferred	-	-	-	37	-	37
Profit / (Loss) after income taxes and before non-controlling interests	490	(4)	(14)	164	(40)	596

The profit/loss from the discontinued unit Banif Capital is influenced, in an amount of 335 thousand euros, associated to the adjustment of the impairment reversal recorded by the Bank relating to this holding and as a result of its sale. This value is registered in the "Other operating income" item in the consolidated accounts.

As at 31 December 2018 and 2017, the Group only held a single property, which has been received for its residual value in lieu of payment. For the purposes of determining any impairment of real estate properties classified as non-current assets held for sale, valuations are carried out by independent specialist surveyors, in accordance with the criteria and

methodologies generally accepted for the purpose. These include analyses using the cost method and market method. Fair value is defined as the amount that could reasonably be expected of a transaction between an interested purchaser and seller, with fairness between the two, neither being obliged to sell or purchase and both being aware of all relevant factors on a given date. The last valuation of the real estate property classified in this category occurred in December 2016. Furthermore, in December 2017, Furthermore, in December 2017, the Bank hired the services of a Real Estate Broker to sell this property and based the intended transaction price on the last valuation amount, which fits the mentioned values of the comparative market analysis made by the broker.

9.11 Investment Property

As at 31 December 2018 and 2017, this item breaks down as follows:

Category	31-12-2017	Changes from year 2018			31-12-2018
		Acquisitions	Disposals	Revaluations	
Real Estate Properties	6,991	-	-	703	7,694
	6,991	-	-	703	7,694

Category	31-12-2016	Changes from year 2017			31-12-2017
		Acquisitions	Disposals	Revaluations	
Real Estate Properties	6,949	-	-	42	6,991
	6,949	-	-	42	6,991

The properties held by the subsidiary Turirent – Fundo de Investimento Imobiliário Fechado and carried as investment properties, as at 31 December 2018 and 2017, are registered at fair value and were valued by independent appraisers registered with CMVM in November 2018 and November 2017 respectively. The fair value of these investment properties reflect the market conditions at the balance sheet date, and the respective changes are recognised in the profit and loss income statement for the period.

In terms of fair value hierarchy, these properties fall within level 3, given the following assumptions:

- Level 1 inputs are “quoted, unadjusted prices for identical assets or liabilities in active markets”; thus, if prices are quoted in an active market (that is, if there is a level 1 input), the Group uses these quotes without making any adjustments to the fair value measurement of the same;
- Level 2 inputs are those that are not prices quoted in an active market (level 1) but are directly or indirectly observable;

- Level 3 inputs are those that are not based on observable market data and are determined on the basis of assumptions made by the management structures; level 3 inputs should, however, reflect the assumptions that would be used by market participants in determining the price of an asset.

During 2018 the majority of the legal actions brought against Turirent ended with a favorable decision for the Fund.

9.12 Property, Plant and Equipment

Following the classification of the entities to the “Non-Current Assets and Disposal Groups Classified as Held for Sale” caption, as detailed in note 10, the tangible assets belonging to these entities were reclassified from the tangible assets item to the “Non-Current Assets and Disposal Groups Classified as Held for Sale” balance sheet’s caption.

Thus, as at 31 December 2018, the Group’s sole tangible assets were those owned by Bison Account. The table below shows its breakdown and the changes over the reporting period:

Description	31-12-2017			Changes from year 2018			31-12-2018			
	Gross Amount	Amortization	Net Amount	Acquisitions	Write-offs		Amortization for the year	Gross Amount	Amortization	Net Amount
					Gross Amount	Amortization				
Other Tangible Assets										
Real Estate Properties										
Work on leasehold real estate properties	40	4	36	-	-	-	36	40	40	-
	40	4	36	-	-	-	36	40	40	-
Equipment										
Office furniture and material	424	407	17	-	-	-	1	424	408	17
Machinery and tools	97	96	1	2	-	-	2	99	99	-
IT equipment	1,482	1,467	15	34	(3)	1	22	1,513	1,490	24
Inner facilities	54	45	9	6	-	-	5	60	50	10
Transport equipment	33	32	1	-	-	-	-	33	33	-
Security equipment	23	23	-	-	-	-	-	23	23	-
Other equipment	56	51	5	-	-	-	5	56	56	-
	2,169	2,121	48	42	(3)	1	37	2,208	2,158	51
	2,209	2,125	84	42	(3)	1	73	2,248	2,198	51

Changes over the previous period were:

Description	31-12-2016			Changes from year 2017				31-12-2017			
	Gross Amount	Amortization	Net Amount	Acquisitions	Write-offs		Transfers	Amortization for the year	Gross Amount	Amortization	Net Amount
					Gross Amount	Amortization					
Other Tangible Assets											
Real Estate Properties											
Work on leasehold real estate properties	411	192	219	-	(371)	(192)	-	4	40	4	36
	411	192	219	-	(371)	(192)	-	4	40	4	36
Equipment											
Office furniture and material	424	391	33	-	-	-	-	17	424	407	17
Machinery and tools	97	93	4	-	-	-	-	3	97	96	1
IT equipment	1,501	1,470	31	3	(22)	(22)	-	19	1,482	1,467	15
Inner facilities	658	582	76	-	(604)	(545)	-	8	54	45	9
Transport equipment	120	115	5	-	(87)	(83)	-	-	33	32	1
Security equipment	23	23	-	-	-	-	-	-	23	23	-
Other equipment	56	46	10	-	-	-	-	5	56	51	5
	2,879	2,719	160	3	(713)	(650)	-	52	2,169	2,121	48
	3,290	2,911	379	3	(1,084)	(842)	-	56	2,209	2,125	84

There are no tangible fixed assets held under financial leasing or operational leasing regimes.

9.13 Intangible Assets

As at 31 December 2018, the Group's intangible assets solely comprised the intangible assets owned by Banif - Banco de Investimento, SA.

Description	31-12-2017			Changes from year 2018		31-12-2018		
	Gross Amount	Amortization	Net Amount	Acquisitions	Amortization	Gross Amount	Amortization	Net Amount
Intangible Assets								
Software	8,307	7,586	721	140	525	8,447	8,111	335
	8,307	7,586	721	140	525	8,447	8,111	335

Changes over the previous period were:

Description	31-12-2016			Changes from year 2017		31-12-2017		
	Gross Balance	Amortization	Net Balance	Acquisitions	Amortization	Gross Balance	Amortization	Net Balance
Intangible Assets								
Software	8,176	7,063	1,113	131	523	8,307	7,586	721
	8,176	7,063	1,113	131	523	8,307	7,586	721

9.14 Current Tax Assets and Liabilities

As at 31 December 2018 and 2017, current tax assets and liabilities were as follows:

Description	31-12-2018	31-12-2017
	Current Income Tax Assets	
Corporate Income Tax Receivable	204	148
Others	0	19
	204	166
Current Income Tax Liabilities		
Corporate Income Tax Payable	(95)	(78)
	109	88

The current and deferred taxes accounted in the profit and loss for the year are detailed in the following table:

	31-12-2018	31-12-2017
Profit / (Losses) before income tax	(11,028)	(6,540)
Income Tax Rate	21.00%	21.00%
Additional Tax over Income Tax	1.50%	1.50%
Assessed Corporate Income Tax		
Autonomous Taxation	95	78
Banking Sector Tax	52	94
Total Current Income Tax	147	172
Deferred Income Tax	-	-
Total Tax Burden	147	172

9.15 Deferred Tax Assets and Liabilities

As at 31 December 2018 and 2017, the Group's deferred tax assets and liabilities pertain solely to Bison Account and break down in the following way:

	31-12-2018	31-12-2017
Deferred tax assets	193	248
Deferred tax liabilities	(130)	(64)
	63	184

Deferred tax assets

Regarding deferred tax assets, recorded amounts are fully related with conversion scheme of deferred tax assets into tax credits, performed according to Portuguese law and explained as follows.

On 21 November 2014, the Bank verified to have met the requirements for the special scheme for the conversion of deferred tax assets ("special scheme") into tax credits.

These tax assets result from the non-deduction of expenses and negative equity changes due to impairment losses on loans and post-employment benefits or long-term employee benefits, as provided for in Law no. 61/2014, of 26 August.

Thus, as a result of the net loss in the 2015 financial year, the Bank recorded deferred tax assets, in the amount of 755 thousand euros,

for the balance of impairment losses on non-performing non-mortgage loans, that were above the limits established for in BoP's Notice no. 3/95. The referred amount was covered by the special scheme.

After having signed up for this scheme and following the calculation of a net loss for 2015, the Bank believes it meets the requirements for converting the said deferred tax asset into a tax credit, under article 6 of the special scheme.

Thus in 2016, and for the purposes of the preceding paragraph, the Bank converted deferred tax assets in the amount of 442 thousand euros into tax credits. The Bank simultaneously set up a special reserve in favour of the State in an amount equivalent to the tax credit plus a margin of 10%, totalling 486 thousand euros (see note 22). As at 31 December 2016, the Bank maintained the amount of 313 thousand euros recorded as deferred tax assets.

As a result from net loss incurred in the financial year of 2016, the Bank proceeded, in 2017, with the deferred tax assets conversion into tax credits in an amount of 65 thousand euros. Simultaneously, the Bank created a special reserve in favour of the State equivalent to the tax credit plus a margin of 10%, in the amount of 71 thousand euros (see note 22). As at 31 December 2017, the Bank maintains the amount of 248 thousand euros recorded as deferred tax assets.

Finally, as a result from net loss incurred in the financial year of 2017, the Bank proceeded, in 2018, with the deferred tax assets conversion into tax credits in an amount of 55 thousand euros. Simultaneously, the Bank created a special reserve in favour of the State equivalent to the tax credit plus a margin of 10%, in the amount of 60 thousand euros (see note 22). As at 31 December 2018, the Bank maintains the amount of 193 thousand euros recorded as deferred tax assets.

The creation of a special reserve requires the constitution of conversion rights attributed to the Portuguese State.

In this context, the Bank has proceeded with an issue of 404,669 conversion rights in favour of the Portuguese State relating to 2015, and separately issued 83,109 and 70,162 conversion rights relating to 2016 and 2017 financial years, respectively. These rights were registered with the Central Securities Depository (Central de Valores Mobiliários / Interbolsa) as at 11th December 2017 and 6th September 2018, respectively.

Under the above mentioned scheme, such conversion rights correspond to securities which entitle the State the right to claim from the Bank the issue and free delivery of ordinary shares, following the share capital increase through the incorporation of the reserve amount. However under the terms set out by the Ministerial Order no. 293-A/2016, as at 18 November, a compulsory acquisition right of the conversion rights from the State is granted to the Bank's shareholder.

In case the shareholder doesn't exercise the compulsory acquisition right of the conversion rights issued and allocated to the Portuguese State within the deadline established for this purpose, on the financial year in which the State exercises these rights, it will require the Bank the respective share capital increase through the incorporation of the special reserve amount and consequent issue and free delivery of ordinary shares representative of the Bank's share capital.

Deferred tax liabilities

As at 31 December 2018 and 2017, recorded deferred tax liabilities are fully related to revaluation reserves of proprietary securities portfolio.

Tax losses

As provided for in article 52, no. 8 of the Corporate Tax Code (IRC), an entity may lose the right to deduct tax losses from previous years if there is a change in the ownership of more than 50% of its share capital or of a majority of the voting rights.

Following the resolution measure applied to Banif, SA, which was the entity that owned 100% of BBI's share capital until 20 December 2015, there was a change in the ownership of more than 50% of BBI's share capital.

As a result, BBI submitted an application, within the legal deadline, to be allowed to maintain the tax losses determined for the reporting periods between 2012 and 2014, in the terms of article 52, no. 12, of the Corporate Tax Code (IRC).

Following the acquisition process of the Bank by Bison Financial, that was concluded with the signing of the closing certificate on 9th July 2018, for the entire quota capital of the Bank and its shareholder credits, there was a new change in the ownership of more than 50% of the Bank's share capital.

Again, and as a result, the bank applied, within the legal deadline, to be allowed to maintain the tax losses determined for the eligible reporting periods finishing in 2017, under the terms of article 52, no. 12, of the Corporate Tax Code (IRC).

Considering the Bank's current situation and the lack of reasonable expectations regarding the existence of future taxable profits, no deferred tax assets are recognised for tax losses.

The table below details the tax losses, and the potential deferred tax asset associated with these tax losses, that the Group did not account for in its financial statements:

Tax Period	Reportable Tax Losses	Potential Deferred Taxes	Carry Forward Period (Years)	Carry Forward Last Year
2014	59,838	12,566	12	2026
2015	17,092	3,589	12	2027
2016	8,951	1,880	12	2028
2017	5,341	1,122	5	2022
	91,222	19,157		

Temporary differences

Similarly, the Bank is not recognising any deferred taxes on the temporary differences between the accounting base and the tax base of the assets, and is only accounting deferred tax liabilities on securities revaluation reserves.

9.16 Other Assets

This item breaks down as follows:

	31-12-2018	31-12-2017
Sundry Debtors		
Debtors	3,639	3,601
Tax Credit	55	507
Income Receivable	-	39
Expenses with deferred charges	314	229
Other active transactions pending regularisation	-	441
	4,008	4,817
Impairment losses on other assets	(1,312)	(1,684)
	2,696	3,133

As at 31 December 2018, in the "Sundry debtors" caption includes the following main amounts:

- Margin deposited with Clearnet in the amount of 1,409 thousand euros, compared to 1,442 thousand euros recorded as at 31 December 2017.;
- Tax receivable by Banif US Real Estate in the amount of 1,107 thousand euros (fully impaired);
- Other debtors: 1,123 thousand euros, referring mainly to custodian bank investment funds' service fees. In 2019, an overall amount corresponding to approximately 75% of these outstanding amounts has already been collected.

Impairment losses in other assets are essentially related with:

- Tax receivable by Banif US Real Estate Fund, in the amount of 1,107 thousand euros, due to low expectation of recovery;
- The remaining amount of 205 thousand euros refers to custodian bank investment funds' service fees with a low expectation of recovery, that on 31 December 2018 were already due, and customers' invoicing also with a low expectation of recovery.

The reduction in the balance of the item "Sundry debtors - Tax Credit" arises from the receipt by the Bank of the amounts of the special regime (Note 15) for the years 2015 and 2016.

9.17 Deposits and Liabilities from Other Credit Institutions and Other Clients

Changes over the year were as follows:

	31-12-2018	31-12-2017
From credit institutions in Portugal		
Short term deposits	142	3,441
Term deposits	4,840	5,135
	4,982	8,576
From credit institutions abroad		
Deposits	-	14
From other clients		
On demand deposits	18,037	13,518
Term deposits	14,028	10,904
	32,066	24,422
Interest on Term Deposits	-	26
Loans	-	24,203
	37,047	57,241

9.18 Liabilities Included in Disposal Groups Classified as Held for Trade

Given the ongoing processes related to the disposal of the financial holdings, namely Profile, Banif International Asset Management, Banif Multi Fund and MCO2, as detailed in note 10, the Group reclassified in 2016 the total liabilities of these companies, less any intragroup operations, to the “non-current liabilities held for sale” item.

The breakdown of the contribution of each of the discontinued unit as at 31 December 2018 and 2017 is as follows:

	31-12-2018	31-12-2017
Profile	-	2,783
Banif International Asset Management	-	971
Banif Multi Fund	-	22
	-	3,776

9.19 Impairment, Provisions and Contingent Liabilities

Changes over the year were as follows:

Description	Balance as at 31-12-2017	Reinforcements	Applications and Others	Reinstatements	Exchange Rate Differences	Balance as at 31-12-2018
Assets						
Financial assets available for sale	9,101	53	(9,074)	(47)	-	34
Loans and advances to clients	14,346	14	(3,605)	(96)	473	11,132
Non-current assets held for sale	-	-	-	-	-	-
Other assets	1,684	61	(403)	(30)	-	1,312
	25,131	129	(13,081)	(173)	473	12,478
Liabilities						
Guarantees and other commitments	2,270	-	-	(53)	-	2,216
Fiscal contingencies and other provisions	874	130	(66)	(397)	-	540
	3,144	130	(66)	(451)	-	2,757
	28,274	258	(13,147)	(624)	473	15,234

Changes over the previous period were:

Description	Balance as at 31-12-2016	Reinforcements	Applications and Others	Reinstatements	Exchange Rate Differences	Balance as at 31-12-2017
Assets						
Financial assets available for sale	10,628	1,008	(1,984)	(424)	(127)	9,101
Loans and advances to clients	16,089	319	-	(206)	(1,856)	14,346
Non-current assets held for sale	1,623	-	(1,623)	-	-	-
Other assets	712	1,535	25	(564)	(24)	1,684
	29,052	2,862	(3,582)	(1,194)	(2,008)	25,131
Liabilities						
Guarantees provided and other commitments	2,293	-	-	(23)	-	2,270
Fiscal contingencies and other provisions	1,150	211	(98)	(389)	-	874
	3,443	211	(98)	(412)	-	3,144
	32,495	3,073	(3,680)	(1,606)	(2,008)	28,274

The guarantees provided correspond to the following nominal amounts recorded in off-balance-sheet accounts of guarantees and sureties, as at 31 December 2018 and 2017:

	31-12-2018	31-12-2017
Guarantees and Sureties:		
Financial Guarantees	1,174	1,402
Performance Guarantees	2,104	2,259
	3,278	3,661

Contingent liabilities originated by the Resolution Fund

The Resolution Fund is a legal person governed by public law with administrative and financial autonomy, created by Decree-Law no. 31-A / 2012 of 10 February, which is governed by the Legal Framework of Credit Institutions and Financial Companies (Regime Geral das

Instituições de Crédito e Sociedades Financeiras - "RGICSF") and by its own regulation, whose mission is to provide financial assistance for the resolution measures implemented by the Bank of Portugal, acting as the national resolution authority, and to perform all other functions conferred by law in the execution of such measures.

The Bank, like most financial institutions operating in Portugal, is one of the institutions participating in the Resolution Fund, making contributions that result from the application of a rate defined annually by the Bank of Portugal based essentially on the amount of its liabilities. In 2018, the periodic contribution made by the Bank amounted to 25 thousand Euros, calculated on the basis of a contribution rate of 0.0291%.

Resolution measure applied to Banco Espírito Santo, S.A.

As part of its responsibility as a supervisory and resolution authority for the Portuguese financial sector, Banco de Portugal decided, on 3 August 2014, to apply to Banco Espírito Santo, SA ("BES") a resolution under the number 5 of Article 145g of RGICSF, which consisted in transferring the majority of its activity to a transition bank, named Novo Banco, S.A. ("Novo Banco"), specially created for this purpose.

In order to realise the share capital of Novo Banco, the Resolution Fund, as sole shareholder, has provided 4,900 million Euros, from which 365 million euros corresponded to its own financial resources. A loan was also granted by a banking syndicate to the Resolution Fund, amounting to 700 million euros, and the participation of each credit institution was weighted according to several factors, including its size. The remaining amount (3,900 million euros) was originated by means of a repayable loan, granted by the Portuguese State.

Following the implementation of this resolution measure, on 7 July 2016, the Resolution Fund stated that it would analyse and evaluate the steps to be taken following the publication of the report on the results of the independent evaluation exercise, carried out to estimate the level of credit recovery for each class of creditors in the hypothetical scenario of BES's normal insolvency proceedings on 3 August 2014. Under the applicable law, if it is concluded that creditors whose claims have not

been transferred to Novo Banco assume a loss in excess of the amount that would have been hypothetically assessed if BES had entered into liquidation proceedings immediately prior to the application of the resolution measure, these creditors are entitled to receive the excess from the Resolution Fund.

On 31 March, 2017, Banco de Portugal announced that the Lone Star Fund was selected for the purchase of Novo Banco, which was completed on 17 October, 2017, through the injection of a new share capital increase of 750 million euros from the new shareholder, following which a new capital injection of 250 million euros will be implemented within a period of up to three years. This operation provoked that Novo Bank ceased to be a transition bank, with the Lone Star Fund now holding 75% of Novo Banco and the Resolution Fund the remaining 25%, although without corresponding voting rights.

On 26 February 2018, the European Commission published the non-confidential version of the decision approving the State aid that underlies the process of sale of Novo Banco, which includes a contingent capitalisation mechanism, under which the Resolution Fund, as a shareholder, may be required to make additional capital injections in the event that certain conditions related to the performance of a restricted set of Novo Banco assets and the evolution of the bank's capital levels materialised.

This mechanism is activated annually, based on the annual accounts of Novo Banco, certified by the respective auditor, and the possibility of intra-annual assessments is foreseen only in the event of failure from Novo Banco to comply with prudential requirements. For the purposes of this mechanism, differences in the valuation of assets (positive or negative) are considered in relation to their book value, net of impairment, as of 30 June, 2016 (approximately 7.9 billion euros, according to the information provided by Novo Banco). Thus, economic

losses or gains, resulting from, for example, the sale of assets or the restructuring of credits, as well as impairments, or reversals, recorded by Novo Banco in accordance with accounting standards, as well as costs associated with the maintenance of assets in Novo Banco's balance sheet, are relevant for this purpose.

Under the aforementioned mechanism, on 24 May, 2018, the Resolution Fund paid 791,695 thousand euros to Novo Banco with reference to the accounts for 2017, using its own financial resources resulting from contributions paid directly or indirectly by the banking sector, complemented by a loan from the Portuguese State, in the amount of 430 million euros, under the framework agreement between the Portuguese State and the Resolution Fund. According to information provided by Novo Banco as at 31 December 2017, the net value of the assets covered by the perimeter of the contingent capitalisation mechanism was approximately 5.4 billion euros.

In the interim report of Novo Banco with reference to 30 June, 2018, it is stated that, on that date, an amount receivable from the Resolution Fund under the contingent capitalisation mechanism of 726,369 thousand euros (according to the information provided, this amount has a net value of the assets included in the perimeter of the contingent capitalisation mechanism of around 4.9 billion euros) is due. It is also stated that since this amount depends on the losses occurring on all the assets included in the perimeter of the said contingent capitalisation mechanism and on the regulatory ratios in force at the time of their determination, this amount is provisional and requires further update with reference on 31 December 2018.

This mechanism is effective until 31 December 2025 (it may be extended until 31 December 2026) and is limited to an absolute maximum amount of 3,890 million euros.

Resolution measure applied to Banif - Banco Internacional do Funchal, S.A.

On 19 December, 2015, Banco de Portugal decided to declare that Banif - Banco Internacional do Funchal, SA ("Banif") was "at risk or in a situation of insolvency" and decided to initiate an urgent resolution action of the institution in the form of a partial or total divestment of its business, which materialised in the sale on 20 December, 2015 to Banco Santander Totta SA ("Santander Totta") of rights and obligations, constituting assets, liabilities, off-balance sheet items and assets under management of Banif for 150 million euros.

Most of the assets that were not disposed of, were transferred to an asset management vehicle named Oitante, S.A. ("Oitante"), created specifically for this purpose, which has, as sole shareholder, the Resolution Fund. Oitante issued debt obligations amounting to 746 million euros, a guarantee was provided by the Resolution Fund and a counter-guarantee by the Portuguese State.

This operation involved an estimated public support of 2,255 million euros to cover future contingencies, which was financed by the Resolution Fund and 487 million euros directly by the Portuguese State.

On 21 July, 2016, the Resolution Fund made a payment to the State, amounting to 163,120 thousand euros, as early partial repayment of the resolution measure applied to Banif, allowing the outstanding amount to be reduced from 489 million euros to 353 million euros.

At of this date, the conclusions of the independent assessment exercise carried out to estimate the level of credit recovery for each class of creditors in the hypothetical scenario of Banif's normal insolvency proceedings on 20 December 2015 are not yet known. As above referred for the BES case, should it be concluded that creditors entail a loss in excess than that they would have hypothetically had

should Banif had entered into liquidation proceedings immediately prior to the application of the resolution measure, these creditors are entitled to receive the difference from the Resolution Fund.

Responsibilities and Financing of the Resolution Fund

Following the resolution measures applied to BES and Banif and the agreement to sell Novo Banco to Lone Star, the Resolution Fund contracted the loans above referred to and assumed liabilities and contingent liabilities resulting from:

- Effects of the application of the principle that no creditor of the credit institution under resolution may incur in higher losses than it would should it had entered into liquidation;
- Negative effects arising from the resolution process, resulting in additional responsibilities or contingencies for Novo Banco that must be neutralised by the Resolution Fund;
- Legal proceedings against the Resolution Fund;
- Guarantee provided to the obligations issued by Oitante. This guarantee is counter-guaranteed by the Portuguese State;
- Contingent capitalisation mechanism associated with the process of selling Novo Banco to Lone Star.

In order to preserve financial stability by promoting the conditions that provide predictability and stability to the contributory effort for the Resolution Fund, the Portuguese Government has reached an agreement with the European Commission to change the terms of the financing granted by the Portuguese State and by the participating banks to the Resolution Fund. To this end, new text was added to the financing agreements to the Resolution Fund, which introduced a set of changes on repayment plans, payment rates, and other terms and conditions underlying such loans, so that they are adjusted to the ability of

the Resolution Fund to fully meet its obligations on the basis of its regular revenues, i.e. without further charges to the banks participating in the Resolution Fund, special contributions or any other extraordinary contribution.

According to Resolution Fund information published on 31 March 2017, the review of the terms of the financing granted by the Portuguese State and the participating banks aimed at ensuring the sustainability and financial balance of the Resolution Fund, based on a stable, predictable and affordable charge for the banking sector. Based on this review, the Resolution Fund considered that full payment of its liabilities and its remuneration were assured, without the need for recourse to special contributions or any other extraordinary contributions from the banking sector.

Notwithstanding the possibility provided for in the applicable legislation for the collection of special contributions, due to the renegotiation of the conditions of the loans granted to the Resolution Fund by the Portuguese State and by a banking syndicate in which the Bank is included, and the public notices made by the Resolution and by the Office of the Minister of Finance, these consolidated financial statements reflect the Board of Directors' expectation that no special contributions or any other extraordinary contributions will be required from the Bank for financing the Resolution Fund.

Any changes in this regard may have relevant implications in the Bank's consolidated financial statements.

9.20 Debt Securities Issued

This item breaks down as follows:

	31-12-2018	31-12-2017
Debt issued	15,000	15,000
Debt bought back	(15,000)	(12,822)
Interest	-	4
	-	2,182

In 2007, 15,000 perpetual subordinated bonds with a nominal value of 1,000 euros were issued. The interest on these book-entry and bearer bonds were paid quarterly, from the issue date, on 28 February, 28 May, 28 August and 28 November of each year (“Interest Payment Dates”). The bonds were subject to an optional early redemption and the first payment was made on 28 August 2007 and the last payment made on the early redemption date(s), if such occurred.

Interest up to, but not including, 28 May 2017 (First Early Redemption Date at the Issuer’s Option) was calculated on the basis of the 3-month Euribor rate on the second “target business day” immediately prior to the start date of each interest period, plus 1.35% p.a.

and, from this date onwards, at the 3-month Euribor rate plus 2.35% p.a. (step-up of 1.00%).

The Bank had the option to fully or partially redeem the bonds on any interest payment date from and including 28 May 2017 (first redemption date at the issuer’s option) onwards. To do so, the Bank needed to provide bondholders a minimum of 30 days and a maximum of 60 days’ prior notice (this notice is irrevocable). Bonds are redeemed at par plus any accrued interest (if any) on the date selected for redemption. The BoP must give its prior approval to the exercise of this redemption option. The Bank has already bought back the amount of 12,822 thousand euros until the end of 2017 and bought back the remaining 2,178 thousand euros in November 2018, fully reimbursing these bonds.

9.21 Other Liabilities

This item breaks down as follows:

	31-12-2018	31-12-2017
Creditors and other resources	2,557	3,114
Payable charges	1,114	789
Revenues with deferred income	2	3
Other passive transactions pending regularisation	283	452
	3,956	4,358

As at 31 December 2018, the “Creditors and other resources” caption includes the unsettled adjustments to customers in the amount of 1,174 thousand euros, amounts payable to Portuguese Tax Authority related to withheld taxes and VAT mainly, in the amount of 477 thousand euros and amounts due to suppliers, in the amount of 414 thousand euros.

The payable charges are mostly made up by accruals of employee-related costs (holiday additional pay and other subsidies) and other related expenses. On the first quarter of 2019, the amounts due and payable to suppliers were made in the expected dates.

9.22 Equity

As at 31 December 2018 and 2017, the Equity item had the following breakdown:

	31-12-2018	31-12-2017
Share capital	176,198	135,198
Securities Revaluation Reserves	450	221
Reserves and Retained Earnings		
Legal Reserve	3,300	3,300
Other Reserves	16,043	16,969
Rights issued and attributable to the Portuguese Government 2015 (REIAD) (note 15)	486	486
Rights issued and attributable to the Portuguese Government 2016 (REIAD) (note 15)	71	71
Rights issued and attributable to the Portuguese Government 2017 (REIAD) (note 15)	60	-
IFRS 9 Adjustments	852	-
Retained Earnings	(129,860)	(122,907)
Net Profit / (Loss) for the year	(11,028)	(6,116)
	56,573	27,223

On 27 June 2017, the Bank's share capital was increased by 3,000 thousand euros, through the partial conversion of some claims held by the single shareholder - Oitante, SA. Through this operation, a total of 600,000 new shares were issued, with a nominal value of 5 euros each.

On 31 October 2017, another share capital increase of the Bank was made in the amount of 6,000 thousand euros, through the partial conversion of some claims held by the single shareholder - Oitante, S.A. Through this operation, a total of 1,200,000 new shares were issued, with a nominal value of 5 euros each.

As a result of the mentioned share capital increases, the Bank's share capital as at 31 December 2017 amounted to 135,198 thousand euros, represented by 27,039,674 shares, with a nominal value of 5 euros each.

On 9 July 2018, Bison Financial bought the whole of the Bank's share capital, in the amount of 135,198 thousand euros and represented by

27,039,674 shares with a nominal value of 5 euros each, to the previous shareholder, Oitante.

On 20 July 2018, Bison Financial completed a share capital increase of the Bank in an amount of 41,000 thousand Euros, to 176,198 thousand Euros, with a consequent issuance of 8.20 million new shares with a nominal value of 5.00 Euros each.

As a result, the Bank's share capital as at 31 December 2018 amounted to 176,198 thousand euros, represented by 35,239,674 shares, with a nominal value of 5 euros each.

As at 31 December 2018, the Group complies with the minimum capital requirements and has a Core Tier 1 ratio of 94.3% and a Total Core Ratio of 94.3% (as at 2017, the Core Tier 1 ratio was 32.8% and the Total Core Ratio was 32.8%). The revaluation reserves relate entirely to the securities portfolio classified as financial assets at fair value through other comprehensive income.

The changes on revaluation reserves were the following:

Revaluation Reserves	
Balance as at 31-12-2016	754
Reserves emerging from the valuation at fair value of the financial assets	(298)
Reserves recognised in the profit and loss account from the disposal of assets	(235)
Balance as at 31-12-2017	221
Reserves emerging from the valuation at fair value of the financial assets	229
Reserves recognised in the profit and loss account from the disposal of assets	-
Balance as at 31-12-2018	450

9.23 Interest Income and Expense

This item breaks down as follows:

	31-12-2018	31-12-2017
Interests and similar income		
Interests on financial assets at amortised cost	18	88
Interests on financial assets held for trading	10	6
Interests on financial assets mandatorily at fair value through profit or loss or through other comprehensive income	210	22
	238	116
Interests and similar charges		
Interests on deposits from other clients	183	318
Interests on deposits and liabilities from other credit institutions	183	194
Interests on other subordinated liabilities	39	35
	405	547

9.24 Dividend Income

This item breaks down as follows:

	31-12-2018	31-12-2017
Ascendi	222	215
Fine Art Fund	-	81
Others	-	18
Floresta Atlântica	117	-
MCO2	51	-
	390	314

9.25 Fee and Commission Income and Expense

This item breaks down as follows:

	31-12-2018	31-12-2017
Commission Income		
Rendered services of administration, custodian and securities	386	334
Securities transactions	95	106
Guarantees provided	39	82
Other rendered services	277	370
Other Commission Income		
Custodian Commissions	1,086	1,378
Trading & Brokerage Commissions	55	235
	1,939	2,505
Commission Expenses		
Banking Services provided by third parties	181	228
Securities transactions	18	42
Other commission expenses	5	18
	204	288

As explained in note 4, the Group only reports by segments in its individual accounts, and the following information refers to the Bank's individual accounts.

According to IFRS 15, this item may be presented as follows:

31-12-2018	Investment Banking	Sales & Trading	Wealth Management	Client Management	Others	Total
Fee and commission income	171	95	-	1,481	363	2,110
Fee and commission expense	-	(29)	-	(118)	(15)	(161)
Net Commissions	171	66	-	1,364	348	1,949

31-12-2017	Investment Banking	Sales & Trading	Wealth Management	Client Management	Others	Total
Fee and commission income	324	107	136	1,914	36	2,517
Fee and commission expense	(2)	(143)	(65)	(27)	(10)	(247)
Net Commissions	322	(36)	71	1,887	26	2,270

9.26 Profit / (Loss) on Financial Operations

This item breaks down as follows:

	31-12-2018	31-12-2017
Gains on Financial Transactions		
Gains on other financial assets valued at fair value through profit or loss	711	199
Gains on financial assets and liabilities held for trading	53	71
Gains on other financial assets	-	189
Gains on foreign exchange differences	171	464
	934	922
Losses on Financial Transactions		
Losses on other financial assets valued at fair value through profit or loss	3,210	742
Losses on financial assets and liabilities held for trading	64	92
Losses on other financial assets	0	64
Losses on foreign exchange differences	168	607
	3,441	1,504
Profit / (Loss) from assets and liabilities valued at fair value through profit or loss	(2,510)	(565)
Profit / (Loss) from other financial assets	0	125
Profit / (Loss) from foreign exchange differences	3	(143)

The foreign exchange position, by currency, as at 31 December 2018 is presented in note 33.

On 9 July 2018, several assets held by the Bank were sold to Oitante in the context of a carve-out transaction, agreed in the sale and purchase agreement entered on 11 August 2016 with Bison Financial. Under the terms of this agreement, it was established that by the time the purchase and sale of the Bank's entire capital was completed, these assets would not be part of the balance sheet of the Bank, and Oitante was entrusted with the disposal of these holdings. (note 7)

These assets were sold by the Bank to Oitante, settled through the account maintained by Oitante with Bison Account, including an average discount of 12% on its respective the book value, resulting in a net loss of 3,319 thousand euros, which can be summarised as follows:

Participation	Book Value as of carve-out date	Sale Amount	Carve-out net loss
Banif Imopredial	16,645	14,638	(2,007)
Banif Imogest	3,805	3,346	(459)
GED Sur FCR - CL B	2,792	2,455	(337)
Porto Novo FIIF	1,123	988	(135)
Banif Global Private Equity Fund	-	-	-
Banif Property	673	591	(81)
GED Sur Capital SA, SGEGR	25	22	(3)
PROFILE - SGFIM, SA	2,137	1,879	(258)
BAP	-	-	-
MCO2	38	33	(5)
BIAM	284	250	(34)
	27,522	24,203	(3,319)

9.27 Other Operating Income

This item breaks down as follows:

	31-12-2018	31-12-2017
Other operating income and revenue	1,046	1,221
Other operating charges and expenses	(671)	(480)
Other charges	(112)	(477)
	263	264

9.28 Staff Expenses

This item breaks down as follows:

	31-12-2018	31-12-2017
Remuneration of management and supervisory board members	697	398
Remuneration of employees	2,675	2,343
Compulsory social security charges:		
Charges relating to remuneration	835	633
Charges with pension funds	68	50
Other social security charges	42	22
Dismissal Charges	1,205	5
Other personnel costs	194	129
	5,715	3,580

In 2018 and following the acquisition by Bison Financial, the Bank restructured its organisational chart and conducted significant dismissals of employees related to legacy business, and hired new staff in accordance with the new business plan orientations, thus strongly increasing dismissal charges amounts whilst maintaining a net steady number of employees.

The Bank and its employees contribute to a defined contribution pension fund managed by Real Vida Pensões, granting its members individualised acquired rights.

9.29 Other Administrative Expenses

This item breaks down as follows:

	31-12-2018	31-12-2017
IT	1,001	766
Information services	475	645
Retainers and fees	472	498
Rentals and leases	347	152
External advisers and external auditors	386	200
Other specialised services	120	224
Travel, accommodation and representation	64	15
Communications	52	60
Water, energy and fuel	45	44
Advertising and publications	32	1
Consumables	29	27
Maintenance and repair	21	21
Training	15	22
Insurance	14	14
External evaluations	13	-
Transport	11	5
Cleaning	6	-
Legal, litigation and notary expenses	4	1
	3,196	2,695

Details of the total fees invoiced by the Statutory Auditor of Bison Account for the financial years ending 31 December 2018 and 2017 are as follows, according to the nature of provided service:

	31-12-2018	31-12-2017
Statutory audits account	79	75
Other reliability assurance services	54	88
Tax advisory services	-	-
	133	163

Note: VAT not included.

The “Other reliability assurance services” item includes fees related to the review of the Bank’s internal control system, the review of procedures and measures related to the safeguarding of client assets and with the certification under the special regime applied to deferred tax assets.

The increase in 2018 in the “Rentals and leases” caption is related to the change of the

head offices of Bison Account to a more business prominent area of Lisbon, relocating from Avenida José Malhoa n° 22 to Rua Barata Salgueiro n° 3.

The increase in 2018 in the “External advisers and external auditors” caption is due to extraordinary consultancy services hired related to MIFID II, GDPR and other relevant regulation.

9.30 Profit/(Loss) from Discontinued Operations

The contribution by subsidiary to the profit/loss of the entities classified as discontinued units is as follows:

	31-12-2018	31-12-2017
Profile	(1,252)	164
Banif Multi Fund	(203)	(14)
Banif International Asset Management	4	(4)
Banif Capital	-	490
MCO2	-	(40)
	(1,452)	596

The details of profit/loss of the entities classified as discontinued units is presented in notes 3, 10 and 26.

9.31 Off-Balance Sheet Responsibilities

The breakdown for off-balance sheet responsibilities, with reference to 31 December 2018 and 2017, is as follows:

	31-12-2018	31-12-2017
Guarantees provided	3,278	3,661
Encumbered Assets	1,971	5,238
Commitments to third parties (of which)		
Irrevocable Commitments	297	78
Revocable Commitments	-	93
	5,546	9,070

The breakdown for contingencies and commitments to third parties, but not recognised in the Financial Statements, with reference to 31 December 2018 and 2017, is as follows:

	31-12-2018	31-12-2017
Portuguese Republic Securities	162	5,238
Deposits	1,809	-
	1,971	5,238

The Emergency Liquidity Assistance was cancelled with effect on 6th January 2017, which explains the changes on the assets pledged as collateral presented in the above table.

9.32 Earnings Per Share

Basic earnings per share may be presented as follows:

	31-12-2018	31-12-2017
Net Profit / (Loss) for the year (expressed in euros)	(11,028,038)	(6,116,000)
Weighted average number of issued ordinary shares	31,139,674	25,747,619
Basic earnings per share (expressed in euro per share)	(0.35)	(0.24)

9.33 Risks of Financial and Non-Financial Instruments

9.33.1 Risk Management Policies and Main Risks

Risk is managed according to strategies and policies defined by the Board of Directors ("BoD") and by the Board Member responsible for risk management ("CRO"). Daily management of risks is delegated to the Director responsible for the daily risk management.

In functional terms, the management and monitoring of risk at Bison Account is centralised in the Risk Department ("RID"). This unit is independent of the departments that originate risk and has all the organisational and functional autonomy and access to

all activities and necessary information it needs to carry out its duties. Its main function is the implementation an integrated risk management system that is appropriate to the Bank's nature and risk profile.

The RID takes an active role in influencing the decision-making process by issuing analyses, opinions, guidelines and recommendations on any transactions that involve risk taking and ensures that information is regularly reported to the BoD, governing bodies and other key members of the management team, with the aim of ensuring a better understanding and monitoring of the main risks faced by the Group.

a) Credit Risk

Credit risk is the likelihood of negative impacts on results or equity that arise from the inability of counterparty to meet its financial commitments to the Bank, including possible restrictions on the transfer of payments from abroad. This risk is manifested in the possibility of negative changes to the economic value of a given instrument, following the deterioration of the credit risk quality of the counterparty (e.g. external ratings).

At BB Group, the credit risk underlying its business activity results principally from the securities portfolio, mostly composed by bonds, treasury exposure to financial institutions and, to a lesser extent, guarantees provided and loans made to clients.

During the year, the Group had no loan activity (as at 31 December 2018, the net loans portfolio was worth 0.26% of Total Assets, compared to 0.29%, as at 31 December 2017). This is due, on one hand, to the transitional phase in which the Bank was in the first half of the year (pending the outcome of the sale of its share capital), and on the other, by the strategic decision, after the entry of the new shareholder, of not contemplate credit grant to customers in its business model. The credit risk inherent in the Bank's securities portfolio is controlled through the preparation of specific reports that include an analysis of

the portfolio by credit quality. This is based on the external ratings attributed by the main international agencies but also on internally developed monitoring methodologies. The analysis is also performed taking in consideration the exposure limits approved by the BoD, namely concentration risk.

Impairment

Credit Risk ultimately materialises in the impairment losses carried by the Group. These are the best estimates of losses at the given reference date and may, or may not, become actual losses.

IFRS 9, which came into effect as of January 2018, introduced the concept of expected loan losses, that differs significantly from the concept of incurred losses provided for in IAS 39, as it brings forward the recognition of loan losses in an institution's financial statements. IFRS 9 stipulates that the concept of impairment based on expected losses should be applied to all financial assets except financial assets measured at fair value through profit or loss and equity instruments measured at fair value through equity.

Loans Impairment

A loan is considered to be impaired if one or more events occur that imply that the recoverable value will be lower than the book value. If there is objective evidence of an event causing an impairment loss, the amount of such a loss should be calculated as being the difference between the balance sheet value and the present value of the estimated future cash flows (excluding losses caused by an event that have not yet occurred).

Given the size and nature of the exposures to client loans (most of which are 100% impaired - Stage 3 - Individual analysis), it wasn't necessary to proceed with the development of new impairment methodologies, following the introduction

of IFRS 9. Thus, the calculation of impairment losses is essentially carried out on an individual or on a case-by-case basis, taking into consideration the specificities of the operation and the best estimate of the recoverable amount (loan and guarantees) on the valuation date, taking into account the guidelines in BoP Circular Letter no. 62/2018 and Law no. 16/2015, dated 24 February.

The level of individual impairment stipulated for any one-off analysis of an operation is calculated prudently. This approach takes into account the contract, the client's economic and financial situation and the collateral given in guarantee. The present cash flows built into the estimate of future recoverability that results from applying these factors are updated, at the contracted rate.

The best estimate of the recoverable values is based on reasonable supposition and is supported by observable and documented data, at the impairment measurement date, relating to the client's ability to make payments or to the need to resort to enforcement or receive payment in kind, in the form of collateral. The present cash flows are updated on the basis of the estimate of future recoverability that results from applying these factors.

The balance sheet value to be considered covers all the amounts carried in the balance sheet for the loan in question, namely, principal outstanding, principal overdue, interest accrued and interest overdue. The estimated future cash flows included in the calculation refer to the contractual amounts of the loans, adjusted for any amounts that are not expected to be recovered and for the time period over which it is foreseeable that such cash flows will occur.

Financial assets (bonds) and others assets impairment

The IFRS 9 concept of expected losses also covers financial assets at amortised cost, debt instruments measured at fair value through equity,

off-balance sheet exposures, financial leasing, other receivables, financial guarantees and loan commitments not measured at fair value.

This conceptual change is accompanied by a new set of classification and measurement criteria for expected losses arising from loan impairment. Financial assets subject to impairment must be classified by different stages, which depend on the change in the credit risk as from the initial recognition date and not as a function of the credit risk at the reporting date:

- Stage 1: the financial assets should be classified at stage 1 whenever a significant increase in credit risk will not occur since the date of its initial recognition;
- Stage 2: includes the financial assets in which a significant increase in the credit risk has occurred since the date of its initial recognition;
- Stage 3: the assets classified at this stage present on the reporting date objective evidence of impairment, as a result of one or more events that already occurred resulting in a loss.

In general terms, the impairment losses determined on the assets classified under stages 1 and 2 replace to a large extent the collective assessment of the recognised impairment for the financial assets in accordance with the IAS 39. The impairment losses calculated for the assets classified as stage 3 replace to a large extent the individual and collective assessment of the recognised impairment for the already impaired financial assets in accordance with the IAS 39.

The measurement of the expected losses is the result of the product between (i) the probability of default (PD) of the financial instrument, (ii) the loss given default (LGD) and (iii) the exposure at default date (EAD), discounted to the reporting date by using the effective interest rate of the contract.

As mentioned above, the main difference between the impairment losses measured for financial assets classified as stage 1 or 2 is the respective time horizon in the PD calculation. The expected losses for the financial assets under stage 1 will be calculated with resource to a 12-month PD whereas the expected losses under stage 2 use a lifetime-PD. The calculation of the expected loss for the financial assets under stage 3 was leveraged in the already existing procedures for the estimation of impairment developed in order to comply with the IAS 39. These procedures were updated in order to reflect the new requirements of the IFRS 9, namely considering point in time and forward-looking information.

For those segments for which no information is available, but for which it is possible to determine the external rating for the debtor, the Bank uses the external information disclosed by the rating agency Moody's or market data, such as CDS spreads or Bond Yields (adopted methodology for the debt instruments), for the segments with no available information but where it is possible to determine the external rating of the borrower.

For the small number of segments for which there is no historical data and/or experience of loss, Bison Account takes a simplified measurement approach that may differ from that described above. More specifically, and in relation to the item "Other Receivables" (derived from invoiced amounts), which in case of Bison Account are mainly revenues from custodian fees, a simplified measurement approach has been chosen and an historical analysis was conducted throughout the last 6 years, in order to calculate the PD.

Financial assets by accounting item

For the purposes of the analysis of Bison Account's credit risk at the consolidated level it was considered the securities portfolio, the loans to clients (including off-balance sheet commitments) and the Cash and Applications in Credit Institutions.

The financial assets, by balance sheet item, had the following credit risk exposure, as at 31 December 2018 and 2017:

(values expressed in thousand euros)

	31-12-2018				31-12-2017			
	Gross Exposure ¹	Impairment	Collateral ²	Effective Exposure ³	Gross Exposure ¹	Impairment	Collateral ²	Effective Exposure ³
Cash, cash balances at central banks and other demand deposits	35,465	-	-	35,465	13,666	-	-	13,666
Financial assets held for trading	162	-	-	162	23,199	-	-	23,199
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	35,103	34	-	35,069	-	-	-	-
Financial assets at amortised cost - Loans and advances	11,395	11,132	267	(4)	14,629	14,346	276	7
Other assets	4,007	1,312	-	2,696	4,817	1,684	-	3,133
Sub-Total	86,132	12,477	267	73,388	56,311	16,030	276	40,005
Guarantees provided and Commitments	3,278	2,216	-	1,062	8,899	2,269	-	6,630
Irrevocable Credit Lines	56	-	-	56	78	-	-	78
Sub-Total	3,334	2,216	-	1,118	8,977	2,269	-	6,708
Total Credit Risk Exposure	89,466	14,693	267	74,507	65,288	18,299	276	46,713

¹Gross Exposure: Refers to the gross balance sheet value.

²Collateral: Value of the collateral associated with an operation limited to its net value.

³Effective Exposure: Refers to the gross exposure less impairment and the mitigation effect that is deemed as a reducer of the credit risk. It does not include sureties or other low value collateral.

As at 31 December 2018, the loans to clients' value, net of impairment, totaled approximately 263 thousand euros. On that date, the collateral coverage ratio stood at about 101.4% (collateral - mortgages).

Concerning off-balance sheet commitments, it should be mentioned the amount of 3.3 million euros, which pertains to guarantees provided by the Bank (as at December 2017, this figure amounted to 8.9 million euros). This includes pledged assets in the amount of 241 thousand euros.

Note that as at 31 December 2018, the net client loans portfolio is immaterial (0.26% of total net assets). The value of this portfolio decreased 7.1% when compared to 31 December 2017, mostly justified by the write-offs that occurred during the 2018 exercise.

The detail of the Loans to Clients caption, according to the impairment risk categories, is as follows:

(values expressed in thousand euros)

	31-12-2018		01-01-2018	
	Gross Exposure	Impairment	Gross Exposure	Impairment
Stage 1	0	0	9	0
Stage 2	-	-	-	-
Stage 3	1,433	1,170	5,084	4,809
Total	1,433	1,170	5,093	4,810

Detail of Debt instruments – Impairment:

(values expressed in thousand euros)

Financial Assets measured at FVOCI	ISIN	31-12-2018					01-01-2018			
		Gross Book Value	Stage 1	Stage 2	Stage 3	POCI (*)	Impairment	Gross Book Value	Stage 1	Impairment
Debt instruments		78	78	-	-	-	-	73	73	-
Portuguese Public Debt										
PORTUGUESE OT'S PGB3.85 04/15/21	PTOTEYOE0007	78	78				-	73	73	-
IGCP EPE/VAR OB 20210812	PTOTVHOE0007	862	862				-			
IGCP EPE/VAR OB 20220412	PTOTVJOE0005	218	218				-			
IGCP EPE/VAR OB 20211130	PTOTVIOE0006	1,920	1,920				1			
IGCP EPE/VAR OB 20220802	PTOTVKOE0002	459	459				-			
REP PORTUGUESA/VAR OB 20221205	PTOTVLOE0001	351	351				-			
PORTUGAL, REPUB/VAR BD 20250723	PTOTVMOE	5,006	5,006				3			
Foreign Public Debt										
ITALIA/0.35 BTP 20200615	IT0005250946	4,996	4,996				10			
SPGB 0.35 07/30/23	ES0000012B62	5,012	5,012				4			
Other Debt Instruments										
RENEPL 1 3/4 06/01/23	XS1423826798	3,128	3,128				2			
CABKSM 1.125 01/12/23	XS1679158094	4,952	4,952				4			
SANTAN 1.375 12/14/22	XS1330948818	3,086	3,086				1			
CSI FINANCIAL P/0.7 MTN 20191023	XS1899053273	5,000	5,000				4			
Total		35,069	35,069	-	-	-	29	73	73	-

(*)Purchased or originated credit-impairment ('POCI') financial assets

Concentration of credit risk by business sector:

As at 31 December 2018:

(values expressed in thousand euros)

	31-12-2018					
	Net Balance Sheet Exposure	Collateral			Effective Exposure ¹	
Services	3,128	4%	-	0%	3,128	4%
Construction	-	0%	-	0%	-	0%
Industry	3,339	4%	-	0%	3,339	4%
Public Sector	19,065	21%	-	0%	19,065	21%
Other sectors	15,218	17%	267	100%	14,951	18%
Financial institutions and insurance companies	48,633	54%	-	0%	48,633	55%
Private clients	-	0%	-	0%	-	0%
Total	89,383	100%	267	100%	89,116	100%

¹Effective Exposure: Refers to the Balance Sheet Net Exposure less the mitigation effect that is deemed an actual reducer of the credit risk. It does not include sureties or other low valued collateral. It does not include the item "Other Assets".

The "Other sectors" item mainly (98%) comprises the securities items.

As at 31 December 2017:

(values expressed in thousand euros)

	31-12-2017					
	Net Balance Sheet Exposure	Collateral			Effective Exposure ¹	
Services	-	0%	-	0%	-	0%
Construction	-	0%	-	0%	-	0%
Industry	2,094	3%	-	0%	2,094	3%
Public Sector	23,272	29%	-	0%	23,272	29%
Other sectors	40,099	51%	276	100%	39,823	51%
Financial institutions and insurance companies	13,815	17%	-	0%	13,815	17%
Private clients	9	0%	-	0%	9	0%
Total	79,289	100%	276	100%	79,013	100%

¹Effective Exposure: Refers to the Balance Sheet Net Exposure less the mitigation effect that is deemed an actual reducer of the credit risk. It does not include sureties or other low valued collateral. It does not include the item "Other Assets".

Concentration of credit risk by geographical region:

As at 31 December 2018:

(values expressed in thousand euros)

	31-12-2018					
	Net Balance Sheet Exposure	Collateral			Effective Exposure ¹	
Mainland Portugal	65,581	73%	267	100%	65,314	73%
European Union	18,498	21%	-	0%	18,498	21%
North America	290	0%	-	0%	290	0%
Rest of the World	5,013	6%	-	0%	5,013	6%
Total	89,383	100%	267	100%	89,116	100%

¹Effective Exposure: Refers to the Balance Sheet Net Exposure less the mitigation effect that is deemed an actual reducer of the credit risk. It does not include sureties or other low valued collateral. It does not include the item "Other Assets".

As at 31 December 2017:

(values expressed in thousand euros)

	31-12-2017					
	Net Balance Sheet Exposure	Collateral			Effective Exposure ¹	
Mainland Portugal	73,615	93%	276	100%	73,339	93%
European Union	4,964	6%	-	0%	4,964	6%
Latin America	-	0%	-	0%	-	0%
North America	639	1%	-	0%	639	1%
Rest of the World	71	0%	-	0%	71	0%
Total	79,289	100%	276	100%	79,013	100%

The following tables provide the breakdown of all the financial assets by credit quality. The rating notations are mapped from external ratings assigned by the main international agencies, Moody's, Fitch and S&P. Ratings were attributed using the Basel standard methodology, by selecting the worst of the two best ratings, where different ratings have been attributed to the same asset. Loan or securities positions that have no external rating attributed by any of the three main international agencies are classified as "Not Rated".

Exposures that have no external rating total 27 million euros. These are mostly accounted for by the “Other financial assets at fair value through profit or loss” portfolio, which amounted to about 14.9 million euros as at 31 December 2018. This item pertains to investment in unit funds.

Breakdown of financial assets by credit quality, by balance sheet item, as at 31 December 2018:

(values expressed in thousand euros)

31-12-2018					
	High Grade	Standard Grade	Sub-Standard Grade	Not Rated	Total
Deposits and applications with Credit Institutions	13,025	-	19,126	3,314	35,465
Financial assets held for trading	-	162	-	-	162
Other financial assets at fair value through profit or loss	-	-	-	14,955	14,955
Financial assets available for sale	3,086	26,983	-	8,468	38,537
Loans and advances to clients	-	-	-	263	263
Derivatives	-	-	-	-	-
Total	16,111	27,145	19,126	27,001	89,383
In %	18.0%	30.4%	21.4%	30.2%	100%

Note: Net balance sheet exposure. It does not include the item “Other Assets”.

As at 31 December 2017, this was as follows:

(values expressed in thousand euros)

31-12-2017					
	High Grade	Standard Grade	Sub-Standard Grade	Not Rated	Total
Deposits and applications with Credit Institutions	3,194	-	304	10,168	13,666
Financial assets held for trading	-	23,036	164	-	23,199
Other financial assets at fair value through profit or loss	-	-	-	26,441	26,441
Financial assets available for sale	-	-	73	15,627	15,700
Loans and advances to clients	-	-	-	283	283
Derivatives	-	-	-	-	-
Total	3,194	23,036	541	52,518	79,289
In %	4.0%	29.1%	0.7%	66.2%	100%

Note: Net balance sheet exposure. It does not include the item “Other Assets”.

Classification

High Grade	[AAA to A-]
Standard Grade	[BBB+ to BBB-]
Sub-Standard Grade	< = BB+
Not Rated	NR

Regarding the credit quality, the table below presents the main credit quality ratios for Bison Account, on an individual basis, with reference to 31 December 2018 and 2017:

Credit Quality	31-12-2018	31-12-2017
Total Impairment / Loans to customers	81.7%	94.4%
Restructured credit / Loans to customers	81.5%	23.3%
NPL > 90 d / Loans to customers	99.99%	29.5%

Note: calculated in accordance with Instruction 22/2011 from Bank of Portugal

b) Market risk

Market risk is defined as the likelihood of the occurrence of negative impacts on results or on equity, due to unfavorable movements in the market price of instruments in the trading portfolio caused, namely, by fluctuations in interest rates, exchange rates, listed share prices or commodity prices. Market risk primarily derives from short-term positions in debt and equity securities, currencies, commodities and derivatives.

Market risk at Bison Banks arises mainly from the exposures in securities held in the trading portfolio as the Bank’s policy is not engage in derivatives’ trading. Taking into account the business areas in which operates, the main market risks to which Bison Account is subject are those resulting from variations in the interest rates, exchange rates and securities market prices.

The Bank uses the Value-at-Risk (VaR) methodology as its main market risk indicator to estimate potential losses under adverse market conditions. The system selected for this purpose, Bloomberg, is used to analyse the portfolio risk broken down by various explanatory factors. RID is responsible for monitoring the thresholds set by the BoD for the trading portfolio VaR and for its respective calculation performed on a daily basis, using the historical model.

The following tables detail the VaR calculated for the BB’s trading portfolio. As at 31 December 2018, this amounted to approximately 161 thousand euros in absolute terms and was largely comprised of fixed income securities (Portuguese public debt).

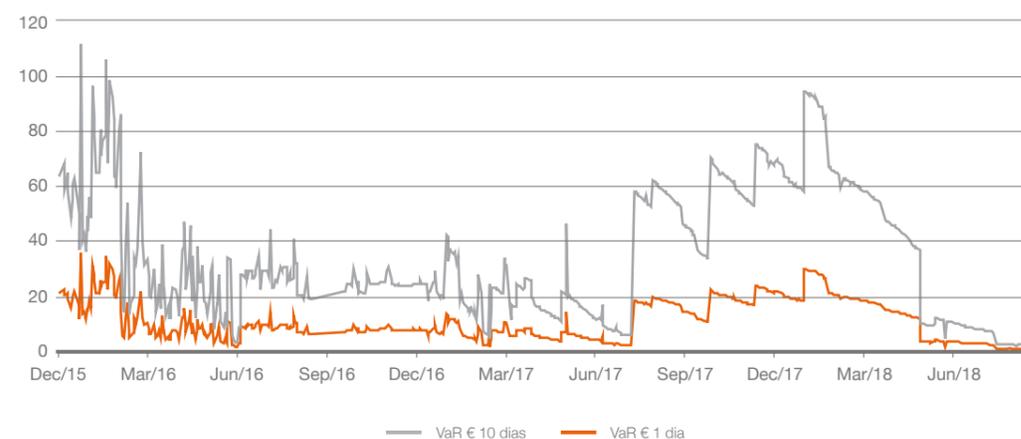
	Portfolio Value		
	Total €th	Long Pos. €th	Short Pos. €th
31-12-2017	23,199	23,199	-
31-12-2018	161	161	-

The Bloomberg specialised software was used to calculate this risk metric. The VaR was calculated using the historical model, for 10-day and 1-day horizons, with a 99% confidence interval and based on a 2-year observation period, in line with international good practices.

As at 31 December 2018, the 10-day VaR for the trading portfolio was about 2.9 thousand euros, corresponding to 1.76% of the portfolio's net market value. As per the 1-day VaR, this stood at around 0.006 thousand euros, representing 0.56% of the portfolio's net market value.

	VaR 10 days		VaR 1 day	
	€th	%	€th	%
31-12-2017	63.3	0.27%	0.001	0.09%
31-12-2018	2.9	1.76%	0.006	0.56%

The chart below shows the daily variation in the VaR over the last three years.



Source: Bloomberg.

	Date	VaR 10 days		Date	VaR 1 day	
		€th	%		€th	%
Minimum	20-08-18	2.04	1.2%	20-08-18	0.90	0.6%
Average	-	37.0	0.45%	-	11.7	0.14%
Maximum	18-01-18	94.1	0.29%	18-01-18	29.8	0.09%

Throughout the year, the VaR of the trading portfolio remained within the established target limits. It reached its minimum level for the year on 20 August (2.04 thousand euros - 10 days) and its maximum on 18 January (94.1 thousand euros - 10-day VaR).

c) Foreign Exchange Risk

Foreign Exchange risk represents the risk of fluctuations in value of financial assets expressed in foreign currency due to changes in exchange rates.

The Bank systematically monitors its overall exposure to exchange rate risk. For this purpose, there is a calculation daily routine of the foreign currency position on the main currencies. This covers spot positions arising mainly from trading of the securities portfolio as well as the changes in the Company's net profit/loss (potential or realised) resulting from the conversions of the balances of each account using the ECB fixing.

The following table summarises the foreign exchange position, by currency, as at 31 December 2018:

Currency	Long Position	Short Position
USD	258	-
GBP	-	5
CHF	31	-
BRL	-	-
SEK	4	-
NOK	2	-
AUD	-	-
JPY	-	-
HKD	-	-
Others	-	-
CAD	-	2
PLN	-	6
Total	295	13

As at 31 December 2017, this was as follows:

Currency	Long Position	Short Position
USD	223	-
GBP	-	7
CHF	107	-
BRL	-	-
SEK	4	-
NOK	2	-
AUD	1	-
JPY	-	-
HKD	-	-
Others	-	-
CAD	-	2
PLN	-	6
Total	337	15

As at 31 December 2018, the largest exposure was in USD. These long positions were worth around 258 thousand euros (83.4% of the total). The remaining currency positions were insignificant. When compared to 31 December 2017, Bison Account's foreign exchange position was 12% lower, mostly due to the lower exposure to CHF.

d) Interest Rate Risk

Interest rate risk is defined as the likelihood of the occurrence of financial losses (to profit/loss or to equity) arising from adverse movements in interest rates, considering the institution's balance sheet structure. This type of risk is assessed on a systematic and long-term basis. The assessment addresses the exposures of the banking book as a function of re-fixing periods, in line with the Basel's and the BoP's.

Exposure control reports are produced on a regular basis, which include the calculation of the assets and liabilities by maturity dates, in overall terms. Additionally, a separate analysis is conducted on the banking and trading portfolio, by major currencies, highlighting the potential mismatch in the rate re-fixing periods of assets and liabilities.

The breakdown of financial assets and liabilities by interest rate re-fixing periods, as at 31 December 2018 is as follows:

(values expressed in thousand euros)

	Residual Maturities								Total Sensitive	Total
	Non Sensitive	Up to 3 Months	3-6 Months	6-12 Months	1-3 Years	3-5 Years	5-10 Years	> 10 Years		
31-12-2018										
Assets										
Money market / liquidity	31,307	1,223	-	2,034	-	-	-	-	3,257	35,465
Loans	213	-	-	-	50	-	-	-	50	263
Debt Securities & Derivatives MtM	-	6,327	2,489	5,000	5,074	16,340	-	-	35,231	35,231
Shares & Funds	26,914	-	-	-	-	-	-	-	-	26,914
Other Assets	3,386	-	-	-	-	-	-	-	-	3,386
Total Assets	61,819	7,550	2,489	7,034	5,124	16,340	-	-	38,538	100,357
Liabilities										
Money market / Loro accounts	135	-	-	-	-	-	-	-	-	135
Term Deposits	33	10,978	4,690	2,795	378	-	-	-	18,841	18,874
On-demand Deposits	18,405	-	-	-	-	-	-	-	-	18,405
Subordinated Debt	-	-	-	-	-	-	-	-	-	-
Other Liabilities	6,404	-	-	-	-	-	-	-	-	6,404
Equity	56,538	-	-	-	-	-	-	-	-	56,538
Total Liabilities + Equity	81,516	10,978	4,690	2,795	378	-	-	-	18,841	100,357
GAP	(19,697)	(3,428)	(2,201)	4,239	4,746	16,340	-	-	19,679	-
Cumulative GAP	--	(3,428)	(5,629)	(1,390)	3,356	19,697	19,697	19,697	--	--

Note: Values net of Impairment.

As at 31 December 2018, 62% of Bison Account's assets and 81% of its liabilities and equity were not sensitive to interest rate risk and were not affected by changes in interest rates, by re-fixing scales.

As at 31 December 2017, this was as follows:

(values expressed in thousand euros)

	Residual Maturities								Total Sensitive	Total
	Non Sensitive	Up to 3 Months	3-6 Months	6-12 Months	1-3 Years	3-5 Years	5-10 Years	> 10 Years		
31-12-2017										
Assets										
Money market / liquidity	13,361	-	-	200	-	-	-	-	200	13,561
Loans	190	-	-	-	93	-	-	-	93	283
Debt Securities & Derivatives MtM	-	9,002	73	14,033	-	164	-	-	23,272	23,272
Shares & Funds	48,871	-	-	-	-	-	-	-	-	48,871
Other Assets	6,868	-	-	-	-	-	-	-	-	6,868
Total Assets	69,290	9,002	73	14,233	93	164	-	-	23,565	92,855
Liabilities										
Money market / Loro accounts	3,441	-	-	-	-	-	-	-	-	3,441
Term Deposits	40	38,007	2,235	-	-	-	-	-	40,242	40,282
On-demand Deposits	16,004	-	-	-	-	-	-	-	-	16,004
Subordinated Debt	4	2,178	-	-	-	-	-	-	2,178	2,182
Other Liabilities	7,071	-	-	-	-	-	-	-	-	7,071
Equity	23,875	-	-	-	-	-	-	-	-	23,875
Total Liabilities + Equity	50,435	40,185	2,235	-	-	-	-	-	42,420	92,855
GAP	18,855	(31,183)	(2,161)	14,233	93	164	-	-	(18,855)	-
Cumulative GAP		(31,183)	(33,344)	(19,111)	(19,018)	(18,855)	(18,855)	(18,855)	--	--

Note: Values net of Impairment.

The table below presents an analysis of the banking portfolio's sensitivity to interest rate risk, based on the reporting tables to the supervisory authority. This analysis is based on a standard 200 basis points shock to the interest rate and the consequent impact on the Bank's total equity and its annual net interest income.

(values expressed in thousand euros)

31-12-2018					
Remaining Term	Assets	Liabilities	Off-Balance Sheet		Position
	(+)	(-)	(+)	(-)	(+/-)
Overnight	1,223	-	-	-	1,223
> 1 day and <= 1 month	5,006	1,394	-	-	3,612
> 1 and <= 3 months	1,322	9,584	-	-	(8,263)
> 3 and <= 6 months	2,489	4,690	-	-	(2,201)
> 6 and <= 9 months	-	125	-	-	(125)
> 9 and <= 12 months	7,034	2,670	-	-	4,364
> 12 months and <= 1.5 years	5,046	378	-	-	4,668
> 1.5 and <= 2 years	-	-	-	-	-
> 2 and <= 3 years	78	-	-	-	78
> 3 and <= 4 years	3,086	-	-	-	3,086
> 4 and <= 5 years	13,092	-	-	-	13,092
> 5 and <= 6 years	-	-	-	-	-
> 6 and <= 7 years	-	-	-	-	-
> 7 and <= 8 years	-	-	-	-	-
> 8 and <= 9 years	-	-	-	-	-
> 9 and <= 10 years	-	-	-	-	-
> 10 and <= 15 years	-	-	-	-	-
> 15 and <= 20 years	-	-	-	-	-
> 20 years	-	-	-	-	-
	38,376	18,841	-	-	
	Net Worth	Weighted exposure			-1,549

(values expressed in thousand euros)

Remaining Term	Assets	Liabilities	Off-Balance Sheet		Position	Interest Margin
	(+)	(-)	(+)	(-)	(+/-)	Weighted exposure
Overnight	1,223	-	-	-	1,223	24
> spot and <= 1 month	5,006	1,394	-	-	3,612	67
> 1 and <= 2 months	1,322	4,883	-	-	(3,561)	(60)
> 2 and <= 3 months	-	4,702	-	-	(4,702)	(74)
> 3 and <= 4 months	218	2,912	-	-	(2,695)	(38)
> 4 and <= 5 months	1,920	567	-	-	1,353	16
> 5 and <= 6 months	351	1,211	-	-	(859)	(9)
> 6 and <= 7 months	-	-	-	-	-	-
> 7 and <= 8 months	-	125	-	-	(125)	(1)
> 8 and <= 9 months	-	-	-	-	-	-
> 9 and <= 10 months	5,000	-	-	-	5,000	19
> 10 and <= 11 months	2,034	2,670	-	-	(636)	(1)
> 11 and <= 12 months	-	-	-	-	-	-
	17,074	18,464	-	-		(58)

Sensitivity analysis of the impact of a 200 basis point change in the interest rate curve, by relevant currencies, as at 31 December 2018 and 2017:

		31-12-2018	31-12-2017
EUR	Impact on Net Worth	(1,551)	130
	Own Funds	56,260	26,556
	Impact on Own Funds, in %	-3%	0%
	Impact on Net Interest Income, at 12 months	(81)	(689)
	Net Interest Income	(167)	(431)
	Impact on Net Interest Income annual, in %	48%	160%
USD	Impact on Net Worth	-	-
	Own Funds	56,260	26,556
	Impact on Own Funds, in %	0%	0%
	Impact on Net Interest Income, at 12 months	24	-
	Net Interest Income	(167)	(431)
	Impact on Net Interest Income annual, in %	-14%	0%
TOTAL	Impact on Net Worth	(1,549)	130
	Own Funds	56,260	26,556
	Impact on Own Funds, in %	-3%	0%
	Impact on Net Interest Income, at 12 months	(58)	(689)
	Net Interest Income	(167)	(431)
	Impact on Net Interest Income annual, in %	35%	160%

The results of the sensitivity analysis indicate that a rise in market rates will have a negative impact on the Net Interest Income and on Total Equity.

e) Liquidity Risk

Liquidity risk is defined as the likelihood of the occurrence of negative impacts arising from the institution's inability to immediately dispose of liquid funds to fulfil its financial obligations in a timely manner and if such is assured under reasonable conditions. In the Group, liquidity levels are adapted as a function of the amounts and deadlines of the commitments made and of the resources obtained, through the identification of gaps.

In order to maximise the management component of the structural risks of the balance sheet, there is an operational unit within the Bank (Treasury Department – "TED"), whose main objective is to set and implement financial policies, particularly in terms of liquidity and treasury management.

The execution of daily liquidity management is carried out by TED using online access to the BoP account and access under request on line or swift to other correspondent bank accounts accordingly to the counterparties' limits approved. The Operations Department controls the balances of other accounts

(namely Clearstream or those held with Other Credit Institutions) and reports these to the TED on a daily basis. These accounts provide the basis for management of intra-day treasury.

The TED constantly monitors its liquidity evolution (there is an intraday monitoring of the liquidity position and daily liquidity tables are produced), monitoring real-time inflows and outflows to ensure that it is at all times in a position to meet its obligations, whether contractual or regulatory.

Deposit (demand and term) concentration levels are also monitored on a daily basis, as is the total balance of the clients' accounts with higher exposure to Bison Account. Bison Account's liquidity position increased substantially after the 41 million euros capital increase made in July 2018. At the end of 2018 liquidity were mostly invested in OICs through the money market and an investment portfolio of HQLA (High Quality Liquid Assets), which compute for the calculation of the LCR (Liquidity Coverage Ratio).

These changes in the liquidity structure were reflected in the evolution of the liquidity ratios, namely the LCR (Liquidity Coverage Ratio) and the NSFR (Net Stable Funding Ratio), which end the year at levels substantially above the regulatory minimums.

	31-12-2018	31-12-2017
LCR	381.2%	291.3%
Liquidity buffer	20,259	28,031
Net liquidity outflow	5,314	9,622
NSFR	143.4%	91.7%

The breakdown of financial assets and liabilities by residual maturity term, as at 31 December 2018, is as follows:

(values expressed in thousand euros)

	Residual Maturities								Total Interest Rate	Total
	Non Sensitive	Up to 3 Months	3-6 Months	6-12 Months	1-3 Years	3-5 Years	5-10 Years	> 10 Years		
31-12-2018										
Assets										
Money market / liquidity	32,208	1,223	-	2,034	-	-	-	-	3,257	35,465
Loans	213	-	-	-	50	-	-	-	50	263
Debt Securities	-	-	-	5,000	7,857	17,369	5,006	-	35,231	35,231
Shares & Investment Funds	18,423	-	-	-	-	-	-	-	-	18,423
Other Assets	11,045	-	-	-	-	-	-	-	-	11,045
Total Assets	61,890	1,223	-	7,034	7,907	17,369	5,006	-	38,538	100,428
Liabilities										
Money market/ Loro accounts	135	-	-	-	-	-	-	-	-	135
Term Deposits	33	10,978	4,690	2,795	378	-	-	-	18,841	18,874
On-demand Deposits	18,037	-	-	-	-	-	-	-	-	18,037
Subordinated Debt	-	-	-	-	-	-	-	-	-	-
Other Liabilities	6,808	-	-	-	-	-	-	-	-	6,808
Equity	56,573	-	-	-	-	-	-	-	-	56,573
Total Liabilities + Equity	81,587	10,978	4,690	2,795	378	-	-	-	18,841	100,428
GAP	(19,697)	(9,755)	(4,690)	4,239	7,529	17,369	5,006	-	19,679	-
Cumulative GAP	---	(9,755)	(14,446)	(10,206)	(2,678)	14,691	19,697	19,697	---	---
Total Structural GAP	(19,697)	(9,755)	(4,690)	4,239	7,529	17,369	5,006	-	19,679	-
Acumulated GAP	---	(9,755)	(14,446)	(10,206)	(2,678)	14,691	19,697	19,697	---	---

Note: Values net of Impairment.

The most significant liquidity gap registered in the “up to 3 months’ interval” is managed by through an intervention on the liabilities side. As per the remaining amount of the Term Deposits, the Bank acts preventively through its sales force, promoting with its clients the renewal of term deposits.

As at 31 December 2017 this was as follows:

(values expressed in thousand euros)

	Residual Maturities								Total Interest Rate	Total
	Non Sensitive	Up to 3 Months	3-6 Months	6-12 Months	1-3 Years	3-5 Years	5-10 Years	> 10 Years		
31-12-2017										
Assets										
Money market / liquidity	13,466	-	-	200	-	-	-	-	200	13,666
Loans	190	-	-	-	93	-	-	-	93	283
Debt Securities	-	9,002	73	14,033	-	164	-	-	23,272	23,272
Shares & Investment Funds	42,067	-	-	-	-	-	-	-	-	42,067
Other Assets	18,777	-	-	-	-	-	-	-	-	18,777
Total Assets	74,500	9,002	73	14,233	93	164	-	-	23,565	98,065
Liabilities										
Money market / Loro accounts	3,441	-	-	-	-	-	-	-	-	3,441
Term Deposits	40	38,007	2,235	-	-	-	-	-	40,242	40,282
On-demand Deposits	13,518	-	-	-	-	-	-	-	-	13,518
Subordinated Debt	2,182	-	-	-	-	-	-	-	-	2,182
Other Liabilities	11,420	-	-	-	-	-	-	-	-	11,420
Equity	27,222	-	-	-	-	-	-	-	-	27,222
Total Liabilities + Equity	57,823	38,007	2,235	-	-	-	-	-	40,242	98,065
GAP	16,677	(29,005)	(2,162)	14,233	93	164	-	-	(16,677)	-
Cumulative GAP	---	(29,005)	(31,167)	(16,934)	(16,841)	(16,677)	(16,677)	(16,777)	---	---
Total Structural GAP	18,855	(29,005)	(2,161)	14,233	93	164	-	(2,178)	(18,855)	-
Acumulated GAP	---	(29,005)	(31,166)	(16,933)	(16,840)	(16,677)	(16,677)	(18,855)	---	---

Note: Values net of Impairment.

Encumbrance of Assets:

(values expressed in thousand euros)

31-12-2018				
Assets	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	441	-	98,715	-
Equity instruments	-	-	18,423	18,423
Debt securities	241	241	34,990	34,990
Other assets	-	-	9,780	-

(values expressed in thousand euros)

31-12-2018		
Collateral received	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	-	-
Equity instruments	-	-
Debt securities	-	-
Other collateral received	-	-
Own debt securities issued other than own covered bonds or ABSs	-	-

(values expressed in thousand euros)

Encumbered assets, encumbered collateral received and matching liabilities	Matching liabilities, contingent liabilities and securities lent	Assets, collateral received and own debt securities issued than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	-	1,650

(values expressed in thousand euros)

31-12-2017				
Assets	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	5,236	-	92,827	-
Equity instruments	-	-	42,067	42,067
Debt securities	5,236	5,236	18,034	18,034
Other Assets	-	-	18,777	-

(values expressed in thousand euros)

31-12-2017		
Collateral received	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	-	-
Equity instruments	-	-
Debt securities	-	-
Other collateral received	-	-
Own debt securities issued other than own covered bonds or ABSs	-	-

(values expressed in thousand euros)

Encumbered assets, encumbered collateral received and matching liabilities	Matching liabilities, contingent liabilities and securities lent	Assets, collateral received and own debt securities issued than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	4,634	5,236

The Bank's encumbered assets concern to regulatory/prudential requirements, particularly as regards intra-day loans, the investor compensation scheme and the deposit guarantee fund. Total encumbered assets only account for 0.4% of the Bank's total assets.

9.33.2 Capital Risk

Own Funds and Capital Ratios

Prudential Ratios as at 31 December 2018

(values expressed in thousand euros)

	31-12-2018	31-12-2017
<i>As per the rules CRD IV / CRR phasing in</i>		
Common Equity Tier 1 capital	56,260	26,556
Total Own Funds	56,260	26,556
Risk Weighted Assets (RWAs)	59,649	80,989
<i>Common Equity Tier 1 Ratio</i>	<i>94.3%</i>	<i>32.8%</i>
<i>Total Ratio</i>	<i>94.3%</i>	<i>32.8%</i>
<i>Leverage Ratio</i>	<i>54.6%</i>	<i>34.3%</i>
<i>As per the rules CRD IV / CRR fully implemented</i>		
Common Equity Tier 1 capital	56,260	26,601
Total Own Funds	56,260	26,601
Risk Weighted Assets (RWAs)	59,649	80,989
<i>Common Equity Tier 1 Ratio</i>	<i>94.3%</i>	<i>32.8%</i>
<i>Total Ratio</i>	<i>94.3%</i>	<i>32.8%</i>
<i>Leverage Ratio</i>	<i>54.6%</i>	<i>34.4%</i>

Note: The leverage ratio is calculated between the Tier 1 capital figure and the total value of the balance sheet assets and off-balance sheet items. Unlike for the calculation of the risk-weighted assets, these are not subject to weighting coefficients.

Source: COREP.

As at 31 December 2018, the Common Equity Tier 1 capital (CET 1), calculated using the CRD IV/CRR rules applicable in 2018, totaled 56.3 million euros, which corresponded to a CET 1 ratio of 91.5%. The strong improvement in the Common Equity Tier 1 ratio was the result of a 111.8% growth in the CET1 Funds, as a result of the €41 million capital increase (see note 22) and 24.1% decrease in the risk-weighted assets.

BB does not publish own fund ratios calculated on a different basis from the one established in Regulation (EU) no. 575/2013 (CRR) and there are no differences between the accounting base and the prudential base used to calculate the respective ratios.

Accounting details of Own Funds, as at 31 December 2018

(values expressed in thousand euros)

	PHASING IN		FULL	DIF
	31-12-2018	31-12-2018	31-12-2018	
Own Funds				
Share Capital	176,198	176,198	-	-
Reserves and Retained Earnings	(109,047)	(109,047)	-	-
Net Income	(11,028)	(11,028)	-	-
Securities Revaluation Reserves	450	450	-	-
Deductions	-	-	-	-
Intangible Assets	(260)	(260)	-	-
Other Deductions: Prudent valuation on the Regulation 2016/101 of 26 October 2015	(54)	(54)	-	-
Total Own Funds and Common Equity Tier 1 Capital	56,259	56,259	56,259	-

Breakdown of Own Funds as at 31 December 2018

(values expressed in thousand euros)

	31-12-2018	31-12-2017
Own Funds	56,260	26,556
Tier 1 Capital	56,260	26,556
Common Equity Tier 1 Capital	56,260	26,556
Capital Instruments eligible as CET1 Capital	176,198	135,198
Paid up capital instruments	176,198	135,198
(-) Own CET1 instruments	-	-
Retained earnings	(120,076)	(108,197)
Previous years retained earnings	(109,047)	(102,081)
Profit or loss eligible	(11,028)	(6,116)
Accumulated other comprehensive income	450	221
Other reserves	-	-
Minority interest given recognition in CET1 capital	-	-
Transitional adjustments due to additional minority interests	-	-
(-) Additional value adjustments	(54)	(63)
(-) Other intangible assets	(260)	(559)
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-	-
(-) Defined benefit pension fund assets	-	-
(-) Excess of deduction from AT1 items over AT1 capital (deducted in CET1)	-	(112)
(-) Amount exceeding the 15% threshold	-	-
Other transitional adjustments to CET1 Capital	-	68
Additional Tier 1 Capital	-	-
Instruments issued by subsidiaries that are given recognition in AT1 Capital	-	-
Transitional adjustments due to additional recognition in AT1 Capital of instruments issued by subsidiaries	-	-
Tier 2 Capital	-	-
Capital instruments and subordinated loans eligible as T2 Capital	-	-
Paid up capital instruments and subordinated loans	-	-
Instruments issued by subsidiaries that are given recognition in T2 Capital	-	-
Transitional adjustments due to additional recognition in T2 Capital of instruments issued by subsidiaries	-	-
(-) T2 instruments of financial sector entities where the institution has a significant investment	-	-
Other transitional adjustments to T2 Capital	-	-

Own Fund Requirements

To calculate own fund requirements, the Group uses the standard method to determine credit risk-weighted positions, according to the prudential rules in effect at the reference date. Regarding the operational risk, the Group uses the basic indicator method and as regards to the market risk, it uses the standard method. Whenever necessary for the purposes of determining capital requirements, it is considered 8% of the amounts of the risk-weighted positions according to the Regulation (EU) no. 575/2013 (CRR).

(values expressed in thousand euros)

	31-12-2018		31-12-2017		
	RWAs	Minimum capital requirements	RWAs	Minimum capital requirements	
Credit Risk (excluding CCR)					
Art 438 (c)(d)	of which: standardised approach	53,144	4,252	66,060	5,285
Art 438 (c)(d)	of which: Internal ratings based approach (IRB Basic)	-	-	-	-
Art 438 (c)(d)	of which: Internal ratings advanced approach (IRB Advanced)	-	-	-	-
Art 438 (d)	of which: IRB actions according to the weighted method by simple risk or IMA (Internal Models Approach)	-	-	-	-
Art 107	CCR	-	-	-	-
	of which: market value (MM)	-	-	-	-
	of which: original method of exposure	-	-	-	-
	of which: standardised approach	-	-	-	-
Art 438 (c)(d)	of which: Internal Model Approach	-	-	-	-
	of which: total risk exposure for contributions to the Default Fund of a CCP	-	-	-	-
	of which: Credit Valuation Adjustment	-	-	-	-
Art 438 (e)	Settlement / Delivery Risk	-	-	-	-
Art 449 (o)(i)	Banking Book Securitisation Exposure (net)	-	-	-	-
	of which: IRB approach	-	-	-	-
	of which: Supervisory Formula Method (SFM)	-	-	-	-
	of which: Internal Model Approach	-	-	-	-
	of which: standardised approach	-	-	-	-
Art 438 (e)	Market Risk	-	-	-	-
	of which: standardised approach	365	29	1,632	131
	of which: Internal Models Approach (IMA)	-	-	-	-
Art 438 (e)	Large Exposures	-	-	-	-
Art 438 (f)	Operational Risk	-	-	-	-
	of which: basic indicator approach method	6,139	491	13,282	1,063
	of which: standardised approach	-	-	-	-
	of which: advanced measurement approach method	-	-	-	-
Art 437 (2), Art 48 and Art 60	Amounts inferior to the minimum threshold for deduction (subject to RW of 250%)	-	-	104	8
Art 500	Threshold Adjustment	-	-	-	-
Total		59,649	4,772	80,974	6,477

As at 31 December 2018, the risk-weighted assets totaled 59.6 million euros (on a phased-in basis) and accounted for 59.4% of the total net assets.

Credit risk is by far the most significant form of risk as it accounts for 89% of all risk-weighted assets. As at 31 December 2018, the operational risk is the second most relevant and accounts for about 10% of the total.

	31-12-2018		31-12-2017	
Own Funds Requirements	4,772	100%	6,479	100%
For Credit Risk, Counterparty Credit Risk and Free Deliveries	4,252	89%	5,285	82%
Standardised Approach	4,252	89%	5,285	82%
Standardised Approach exposure classes excluding securitisation positions	4,252	89%	5,285	82%
Central governments or central banks	-	0%	-	0%
Regional governments or local authorities	-	0%	-	0%
Public sector entities	-	0%	-	0%
Multilateral Development Banks	-	0%	-	0%
International Organisations	-	0%	-	0%
Institutions	943	20%	94	1%
Corporates	690	14%	55	1%
Retail Portfolio	6	0%	7	0%
Secured by mortgages on real estate property	-	0%	-	0%
Exposures in default	-	0%	-	0%
Items associated with particular high risks	-	0%	-	0%
Covered bonds	-	0%	-	0%
Claims on institutions and corporates with a short-term credit assessment	-	0%	-	0%
Collective investments undertakings (CIU)	1,611	34%	3,668	57%
Equity	277	6%	177	3%
Other items	723	15%	1,284	20%
Securitisation Positions in the Standardised Approach (SA)	-	0%	-	0%
Internal Ratings Based Approach	-	0%	-	0%
Own Funds requirements for adjustment risk of credit valuation	-	0%	-	0%
Settlement / Delivery Risk	-	0%	-	0%
Own Funds requirements for position, foreign exchange and commodities risk	29	1%	131	2%
Standardised Approach	29	1%	131	2%
Debt Instruments	4	0%	104	2%
Equity Securities	-	0%	-	0%
Foreign exchange risks	25	1%	27	0%
Commodities risks	-	0%	-	0%
Internal Models Approach	-	0%	-	0%
Own Funds requirements for operational risk	491	10%	1,063	16%
Basic Indicator Approach	491	10%	1,063	16%
Standardised Approach	-	0%	-	0%
Advanced Measurement Approaches	-	0%	-	0%
Own Funds requirements related to large risk exposures in the trading book	-	0%	-	0%
Other Own Funds requirements	-	0%	-	0%

Note: As at 31 December 2018 and 2017, BB had no securitisation or derivative exposures in its portfolio.

As provided for in Part III, Title II, Chapter 2 of the CCR, Bison Account uses the standard method to determine its own funds requirements for covering credit risk. These requirements are used to calculate the prudential solvency ratio.

This methodology implies a weighting of the Bison Account's assets through a set of pre-defined weighting factors. For some classes of assets, these weighting factors depend on the existence (or not) of external ratings (ratings) and on the best or worst credit quality indicated by these same ratings. In accordance with the provisions laid down in Part III, Title II, Chapter 2, Section 4 of the CCR, the ratings that Bison Account uses to classify its assets for the purposes of obtaining risk weighting factors are provided by the Moody's, Standard & Poor's and Fitch ratings agencies (see breakdown of financial assets by credit quality).

External credit assessment institutions (ECAI) are consulted for the following risk classes: companies, central governments or central banks, Institutions and collective investment undertakings.

Assessment and Internal Capital Adequacy

In compliance with the prudential regulations currently in force, Bison Account engages in an internal capital adequacy self-assessment process (ICAAP). The main objective of this process is to ensure that the risks to which institutions are exposed (Pillar 1 and Pillar 2 risks) are properly assessed and that the institution's internal capital is suitable to the risk profile established in the Bank's Risk Appetite Statement.

As a result of this process, the Bank is provided with an overview of the evolution of its own funds and of the Pillar II internal requirements. It is also assessed its resilience on the baseline and stress scenarios, thus fulfilling one of the main purposes of the process.

The BoD is solely responsible for the internal capital adequacy self-assessment process (ICAAP). The following BB's internal organisational structure is designed to meet its responsibilities set forth in Instruction no. 3/2019:

- Risk Department
- Risk Management Committee
- ALCO (Asset and Liability Committee)

The Risk Department (RID) is responsible for the risk management. Its responsibilities include amongst others, the calculation and continuous monitoring of the Bank's capital absorption, namely: a) define the levels of risk that BB is willing to assume; Identify, quantify and monitor the various risks taken; b) calculate the capital consumption by different risks to which the Bank is exposed; c) ensure the development and regulatory report of the ICAAP exercise.

The Risk Management Committee is coordinated by the RID, which is responsible for the monitoring of overall risk levels and for the definition, in coordination with BoD, of the Internal Economic Capital model that underpins the ICAAP exercise. With regard to the ICAAP, it is responsible for presenting and analysing the current and forecast capital position and for proposing mitigation measures, when necessary.

The ALCO Committee has several functions, including the business area dimension (for example, propose guidelines for the commercial strategy).

Leverage Ratio

The leverage ratio is the ratio between the capital (Tier 1, in the numerator) and the total accounting exposure, both on and off-balance sheet (total value of the assets on the balance sheet and the off-balance sheet exposures weighted by credit risk factors, in the denominator). The ratio is calculated according to the prevailing regulatory standards, namely the requirements of Regulation (EU) no. 575/2013, as updated by the European Commission Delegated Regulation (EU) no. 2015/62, of 10 October 2014, and of the European Commission Implementing Regulation (EU) no. 2016/200, of 15 February 2016.

The minimum reference level is 3% (Pillar 1 compulsory minimum requirement). This level is mandatory as of 1 January 2018. This straightforward and transparent ratio is designed to prevent excessive balance sheet growth in relation to the available capital.

(values expressed in thousand euros)

	31-12-2018	31-12-2017
Own Funds and Total Exposure Measurement (phasing-in)		
Tier 1 Capital	56,260	26,556
Total Exposure for the purpose of leverage ratio	102,950	77,355
Leverage Ratio	55%	34%
Decision on the transitional provisions and on the amount of derecognised fiduciary items		
EU-23	Decision on the transitional provisions towards the definition of Own Funds Measure	Transitional definition
EU-24	Amount of the derecognised fiduciary items as per article 429, no 11, of Regulation (EU) no 575/2013	

As at 31 December 2018, the Group's leverage ratio was 55% for both in the phasing-in and in the fully implemented stages. This is a significantly higher value than the minimum prudential ratio. This performance results from the increase in Own Funds, following the share capital increases in the amount of 41 million euros made in July. The ratio is monitored on a quarterly basis.

(values expressed in thousand euros)

	CRR Leverage Ratio Exposures (31-12-18)
On-Balance Sheet Exposures (excluding derivatives and SFTs)	
On-Balance Sheet Items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	99,930
(Asset amounts deducted in determining Tier 1 capital)	(314)
Total On-Balance Sheet Exposures (excluding derivatives, SFTs and fiduciary assets)	99,616
Risk exposures arising from Derivative Instruments	
Replacement cost associated with derivatives transactions	-
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	-
Exposure determined under Original Exposure Method	-
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
(Exempted CCP leg of client-cleared trade exposures)	-
Adjusted effective notional amount of written credit derivatives	-
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
Total derivatives exposures	-
SFT Exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
Counterparty credit risk exposure for SFT assets	-
Agent transaction exposures	-
EU-15a (Exempted CCP leg of client-cleared SFT exposure)	-
Total securities financing transaction exposures	-
Off-Balance Sheet Exposures	3,334
(Exposures exempted in accordance with Article 429 (7) and (14) of Regulation (EU) No 575/2013)	
(Intragroup exposures (solo basis) exempted in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	-
(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	-

Own Funds Prudential Reserves

As per the BoP decision, the counter-cyclical reserve percentage applicable to the loan exposure in the Portuguese non-financial private sector, which prevailed in 2018, was 0% of the total amount of positions at risk. Thus, the Bison Account's specific counter-cyclical reserve remained at 0%, as the relevant loan risk positions are all located within the national territory.

Limit to Large Exposures

As at 31 December 2018, the Bank was compliant with the large exposures limit stipulated in Article 395 of the European Parliament and Council Regulation (EC) no. 575/2013, of 26 June 2013. The previous breach was mitigated in July with the €41 million capital increase carried out by the new Bank's Shareholder.

9.34 Fair Value of the Securities Portfolio and Other Financial Instruments

The fair value of financial instruments is always estimated, where possible, through reference to active market prices. A market is deemed active and liquid when it is used by equally knowledgeable counterparts and transactions are carried out in a regular manner. For those financial instruments for which there are no active market, due to a lack of liquidity or of regular transactions, valuation methods and techniques are employed to determine the fair value. The financial instruments were classified into levels according to the hierarchy stipulated in IFRS 13.

Financial instruments carried on the balance sheet at fair value.

As at 31 December 2018 and 2017, this item breaks down as follows:

31-12-2018	Valuation Techniques			
	Market Value or Market Price	Market Analysis	Others	Total
Assets				
Financial assets held for trading	162	-	-	162
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	14,955	14,955
Financial assets at fair value through other comprehensive income	35,069	-	3,468	38,537
Liabilities				
Financial liabilities held for trading	-	-	-	-

31-12-2017	Valuation Techniques			
	Market Value or Market Price	Market Analysis	Others	Total
Assets				
Financial assets held for trading	23,199	-	-	23,199
Non-trading financial assets mandatorily at fair value through profit or loss	73	-	39,975	40,048
Financial assets at fair value through other comprehensive income	-	-	2,093	2,093
Liabilities				
Financial liabilities held for trading	-	-	-	-

In the development of the table above, the following assumptions were used:

- 1) Market values (Level 1): financial instruments valued on the basis of active market prices were placed in this column;
- 2) Market analysis (Level 2): financial instruments valued on the basis of internal models using observable market inputs were placed in this column;
- 3) Others (Level 3): Financial instruments valued on the basis of non-observable market variables were placed in this column. This level includes bonds and investment funds units.

No changes have been made to the valuation criteria, in relation to 2017, with regard to financial assets that are classified under the market analysis valuation technique.

In the in-house models for the valuation of financial instruments for trading and at fair value through profit or loss, market interest rates are calculated on the basis of information published by Bloomberg. The maturities of up to one year are indexed to the interbank money market rates, while, the maturities of more than one year are indexed through prices of interest rate swaps. The interest rate curve thus obtained is further adjusted against the values of short-term interest rate futures. Interest rates for specific maturities are determined using interpolation methods. The same interest rate curves are also used for forecasting non-deterministic cash flows, such as reference rates.

The interest rates used to calculate the interest rate curve with reference as at 31 December 2017 and 2016, for the EUR and the USD currencies, are as follows:

Maturity	EUR		USD	
	31-12-2018	31-12-2017	31-12-2018	31-12-2017
1 day	-0.468%	-0.346%	2.378%	1.429%
7 days	-0.435%	-0.378%	2.411%	1.480%
1 month	-0.409%	-0.368%	2.503%	1.564%
2 months	-0.380%	-0.340%	2.614%	1.622%
3 months	-0.356%	-0.329%	2.808%	1.694%
6 months	-0.303%	-0.271%	2.876%	1.837%
1 year	-0.183%	-0.186%	3.005%	2.107%
2 years	-0.174%	-0.150%	2.639%	2.078%
3 years	-0.070%	0.011%	2.574%	2.169%
4 years	0.060%	0.173%	2.555%	2.211%
5 years	0.198%	0.313%	2.559%	2.244%
6 years	0.337%	0.441%	2.580%	2.277%
7 years	0.469%	0.561%	2.609%	2.311%
8 years	0.594%	0.674%	2.639%	2.341%
9 years	0.708%	0.781%	2.669%	2.370%
10 years	0.812%	0.887%	2.698%	2.398%
20 years	1.168%	1.414%	2.792%	2.535%
30 years	1.325%	1.495%	2.823%	2.542%

Financial instruments at cost or amortised cost

As at 31 December 2018 and 2017, the detail of this item is as follows:

31-12-2018	Balance Sheet Value	Fair Value
Cash, cash balances at central banks and other demands	35,465	35,465
Financial assets at amortised cost	263	263
Other assets	2,696	2,696
Deposits	4,982	4,982
Debt securities issued	-	-
Other liabilities	3,956	3,956

31-12-2017	Balance Sheet Value	Fair Value
Cash, cash balances at central banks and other demands	13,666	13,666
Financial assets at amortised cost	283	283
Other assets	3,133	3,133
Deposits	8,590	8,590
Debt securities issued	2,182	797
Other liabilities	4,358	4,358

For the financial instruments carried on the balance sheet at amortised cost, the Bank calculates the respective fair value using valuation techniques.

The presented fair value may not correspond to the realised value of these financial instruments in a sales or liquidation scenario and has not been determined with this specific purpose.

The valuation techniques used by the Bank seek to make use of the market conditions applicable to similar operations at the reference date for the financial statements, namely the value of the respective cash flows, discounted using the interest rates deemed most appropriate.

For floating rate and very short-term loans not in default, the balance sheet value is deemed to be the best approximation of fair value.

9.35 Balances and Transactions with Related Parties

Transactions with related parties are analysed in accordance with the criteria applicable to similar third-party transactions and are conducted under normal market conditions. These transactions are subject to the approval by the Board of Directors.

Due to the significant change both in the shareholder structure (note 22) and in the Board of Directors, figures presented below are presented as follows:

	31-12-2018	31-12-2017	31-12-2018	31-12-2017
	Key Management Staff		Shareholders	
Deposits	-	-	730	24,514
Other Liabilities	-	-	-	14
Interest Expenses	-	-	7	-
Fees and Commissions Income	-	-	-	193
Personnel Costs	862	398	-	-

The related parties are the following:

Key Members of Management and Supervisory Board:

Li Jun Yang
Evert Derks Drok
Pedro Manuel Ortigão Correia
Francisco Alexandre Valente de Oliveira
André Filipe Ventura Rendeiro
António Manuel Gouveia Ribeiro Henriques
Bernardo Maya Múrias Afonso
Joaquim António Pereira Cadete
Carla Sofia Pereira Dias Rebelo
Issuf Ahmad
Elsa Cristina Costa Pires Santana Ramalho
Ernesto Jorge de Macedo Lopes Ferreira
Ting Wang

Group Entities until 9 July 2018

Oitante
Banif Imobiliária
Vegas Altas
Banca Pueyo

WIL
BIAM
Profile
Banif Multi Fund
MCO2
Pabyfundo
Banif US Real Estate
Art Invest
Imogest
Banif Renda Habitação
Banif Gestão Imobiliária
Gestarquipark
Banif Real Estate Polska
Tiner Polska
Imopredial
Pedidos Liz
Banif Property
Turirent
Porto Novo
GCC Lisboa

Aplicação Urbana XIII
Aplicação Urbana XIV
Citation
Banif Portugal Crescimento

Group Entities from 9 July 2018 on
Bison Capital Holding Company Limited
Bison Capital Financial Holdings (Hong Kong) Limited
Banif US Real Estate
Art Invest
Turirent

9.36 Events After the Balance Sheet Date

As at the date of approval of these financial statements by the Group's Board of Directors, there had been no events subsequent to 31 December 2018, the reference date for the Financial Statements, which would require adjustments or modifications to the figures carried for assets or liabilities, under the terms of IAS 10 – Events after the balance sheet.

Following the application of the resolution measure to Banif by decision of the BoP of 20 December 2015, the ownership of the share capital of Banif was transferred to Oitante, whose share capital is held by the Resolution Fund.

In the especially complex context marked by the significant consequences of the resolution measure applied to the former Banif group all efforts were applied to ensure the stabilisation of the Bank's activity, and the completion of the sale of the Bank to the new shareholder, Bison Financial, which was concluded on 9 July 2018 (note 22), in collaboration with Oitante. A new strategic orientation has been implemented in order to restructure the Bank's balance sheet and sell non-strategic assets.

Nevertheless, the financial statements remain presented under the going-concern principle as new business plan and strategy is still being implemented along with major business changes and change to business continuity

principle is expected to be concluded only during 2019.

In 25 February 2019, Art Invest finished its liquidation process and is no longer a subsidiary of Bison Account. No relevant impacts arose from this event.

10 Individual Financial Statements

Bison Account, S.A. | Individual Balance Sheet Statement as at 31 December 2018 and 2017

(Amounts expressed in thousand euros)

	Notes	31-12-2018		31-12-2017	
		Gross Amount	Provisions, Impairment Depreciation	Net Amount	Net Amount
Cash, cash balances at central banks and other demand deposits	4	34,563	-	34,563	-
Cash and balances with central banks	4	-	-	-	10,168
Balances with other credit institutions	4	-	-	-	3,193
Applications with credit institutions	4	-	-	-	200
Financial assets held for trading	5	162	-	162	23,199
Non-trading financial assets mandatorily at fair value through profit or loss	6	23,445	-	23,445	-
Other financial assets at fair value through profit or loss	6	-	-	-	32,872
Financial assets available for sale	6	-	-	-	16,072
Financial assets at fair value through other comprehensive income	7	38,601	(64)	38,537	-
Financial assets at amortised cost	8	1,433	(1,170)	263	283
Non-current assets and disposal groups classified as held for sale	9	3	-	3	2,460
Property, Plant and Equipment	10	2,248	(2,198)	51	84
Intangible assets	11	8,447	(8,111)	335	721
Current tax assets	13	204	-	204	166
Deferred tax assets	14	193	-	193	248
Other assets	15	2,839	(240)	2,600	3,189
Total Assets		112,140	(11,783)	100,357	92,855
Deposits and Liabilities from other credit institutions	16			4,982	8,590
Deposits from other clients	16			32,434	51,137
Provisions	17			2,757	3,078
Current tax liabilities	13			95	78
Deferred tax liabilities	14			130	63
Debt securities issued	18			-	2,182
Other liabilities	19			3,422	3,852
Total Liabilities				43,819	68,980
Capital	20			176,198	135,198
Revaluation Reserves	20			449	220
Other reserves	20			(110,692)	(104,764)
Profit or loss attributable to owners of the parent	20			(9,418)	(6,779)
Total Equity				56,538	23,875
Total Equity and Total Liabilities				100,357	92,855
The Certified Accountant					The Board of Directors

Bison Account, S.A. | Individual Income Statement as at 31 December 2018 and 2017

(Amounts expressed in thousand euros)

	Notes	31-12-2018	31-12-2017
Interest Income	21	238	116
Interest Expenses	21	(405)	(549)
Net Interest Income		(167)	(433)
Dividend Income	22	390	314
Fee and commission income	23	2,110	2,517
Fee and commission expense	23	(161)	(247)
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	24	(2,078)	(655)
Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	24	(0)	126
Exchange differences, net	24	3	(144)
Other operating income, net	25	(222)	(429)
Total Operating Income, Net		(125)	1,049
Staff expenses	26	(5,715)	(3,580)
Other administrative expenses	27	(3,196)	(2,691)
Depreciation	10,11	(598)	(579)
Provisions or reversal of provisions	17	321	267
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	17	1	(1,461)
Impairment or reversal of impairment on non-financial assets	17	41	82
Profit or Loss before Tax from Continuing Operations		(9,271)	(6,913)
Taxes			
Current Taxes	13	(147)	(172)
Profit or Loss after Tax From Continuing Operations		(9,418)	(7,085)
Attributable to minority interest [non-controlling interests]		-	-
Profit or loss after tax from discontinued operations	28	-	306
Profit (Loss) for the year		(9,418)	(6,779)
Average weighed number of ordinary issued shares		31,139,674	25,747,619
Earnings per share (Euro per share)	30	(0.30)	(0.26)
The Certified Accountant		The Board of Directors	

Bison Account, S.A. | Individual Comprehensive Income Statement as at 31 December 2018 and 2017

(Amounts expressed in thousand euros)

	Notes	31-12-2018	31-12-2017
Net Profit / (Loss) for the period	20	(9,418)	(6,779)
Items that will not be reclassified to profit or loss			
Gains / (Losses) at fair value on financial assets available for sale	20	545	(469)
Deferred income taxes	20	(123)	(64)
Items that may be reclassified to profit or loss			
Gains / (losses) at fair value on financial assets available for sale	20	23	-
Deferred income taxes	20	(5)	-
Total Comprehensive Income, net of tax		(8,977)	(7,312)
The Certified Accountant		The Board of Directors	

Bison Account, S.A. | Individual Statement of Changes in Equity as at 31 December 2018 and 2017

(Amounts expressed in thousand euros)

	Notes	Share Capital	Other Equity Instruments	Revaluation reserves (net of deferred taxes)	Other reserves and retained earnings	Net profit / (Loss) for the period	Non-controlling interests	Total Equity
Balances as at 31-12-2016	20	126,198	-	753	(98,973)	(5,791)	-	22,187
Application of net profit / (loss) from the previous period								
Transfer to other reserves and retained earnings		-	-	-	-	-	-	-
Share capital increase	20	9,000	-	-	-	-	-	9,000
Other transactions		-	-	-	(5,791)	5,791	-	-
Comprehensive income		-	-	(533)	-	(6,779)	-	(7,312)
Balances as at 31-12-2017	20	135,198	-	220	(104,764)	(6,779)	-	23,875
Application of net profit / (loss) from the previous period	20							
Transfer to other reserves and retained earnings		-	-	-	(6,779)	6,779	-	-
Share capital increase	20	41,000	-	-	-	-	-	41,000
Other transactions - IFRS 9 Adjustment	20	-	-	(211)	852	-	-	641
Comprehensive income	20	-	-	440	-	(9,418)	-	(8,977)
Balances as at 31-12-2018	20	176,198	-	449	(110,692)	(9,418)	-	56,538
The Certified Accountant								The Board of Directors

	31-12-2018	31-12-2017
Operating Activity		
Operating income		
Net profit / (loss) for the period	(9,418)	(6,116)
Credit impairment	(38)	(112)
Impairment losses	(4)	(1,555)
Provisions for the period	(321)	(299)
Depreciations for the period	598	579
Tax appropriation for the period	147	172
Derivatives (net)	-	-
Recognised dividends	(390)	(314)
Interest paid on subordinated liabilities	39	35
Other interest	(126)	(1)
	(9,513)	(7,610)
Changes to Operating Assets and Liabilities:		
Changes to Operating Assets and Liabilities:		
(Increase) / Decrease in Financial Assets held for trading	23,037	(12,758)
(Increase) / Decrease in Financial Assets at fair value through profit and loss	23,682	1,859
Financial assets at fair value through other comprehensive income	(35,467)	-
(Increase) / Decrease in non-current assets held for sale	-	9,732
(Increase) / Decrease in financial assets at amortised cost	58	250
Non-current assets and disposal groups classified as held for sale	2,484	2,414
Other assets	605	5,986
Increase / (Decrease) in Deposits	(22,313)	(30,605)
Increase / (Decrease) in Other subordinated liabilities	(2,178)	-
Increase / (Decrease) in Other liabilities	(430)	(250)
Income taxes	(113)	-
Others	-	641
	(10,636)	(22,731)
Operating Cash Flows	(20,149)	(30,341)
Investing Activity		
Disposal of subsidiaries and associated companies	-	-
Acquisition of Tangible Assets	(40)	-
Disposal / write-offs of Tangible Assets	-	240
Acquisition of Intangible Assets	-	(131)
Disposal / write-offs of Intangible Assets	(140)	(42)
Dividends received	390	314
Others	(20)	(312)
Cash flows from investing activity	190	69
Financing Activity		
Share Capital Increase	41,000	9,000
Reimbursement of other equity instruments	-	-
Reimbursement of other subordinated liabilities	-	-
Interest paid on subordinated liabilities	(39)	(35)
Cash flows from financing activity	40,961	8,965
Total	21,002	(21,307)
Changes in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	13,561	34,773
Cash and cash equivalents at the end of the period	34,563	13,466
	21,002	(21,307)
Balance Sheet value of Cash Equivalents items as at 31 December		
Cash	-	1
On-demand deposits at Central Banks	1,867	10,167
On-demand deposits at Other Credit Institutions	32,696	3,298
	34,563	13,466
The Certified Accountant	The Board of Directors	

10.1 General Information

Bison Account, S.A. ("Bank" or "Bison Account"), formerly named, until 23 November 2018, Banif – Banco de Investimento, S.A. ("BBI") resulted from the demerger, on 15 December 2000, of Ascor Dealer Sociedade Financeira de Corretagem, S.A.. The demerger also led to the setting up of a new brokerage firm known as Banif Ascor – Sociedade Corretora, S.A..

On 9 July 2018, Bison Capital Financial Holdings (Hong Kong) Limited ("Bison Financial") bought the whole of the Bank's share capital, in the amount of 135,198 thousand euros to the previous shareholder, Oitante, S.A. ("Oitante"), vehicle incorporated under the resolution measure decided by the Bank of Portugal to Banif - Banco Internacional do Funchal, S.A..

Bison Financial is a Hong Kong based financial holding, fully owned by Bison Capital Holding Company Limited.

On 20 July 2018, Bison Financial completed a share capital increase of the Bank in an amount of 41,000 thousand Euros, to 176,198 thousand Euros, which is the current share capital position of the bank on 31 December 2018. Bison Financial owns 100% of the Bank's shares.

The Bank's registered office is at Rua Barata Salgueiro, R/C, in Lisbon, Portugal.

On 29 March 2019, the Bank's Board of Directors reviewed and approved the Financial Statements and the Annex to the Consolidated Financial

Statements as at 31 December 2018. It also gave its general approval to the Management Report, which, together with the Financial Statements, will be submitted to the Annual General Meeting of Shareholders for approval.

Following the conclusion of the sale process, the Board of Directors approved a business plan for the three-year period 2019-2021 and a significant capitalisation took place by the new shareholder during 2018, as reflected on the evolution of capital ratios and figures (note 31). In this context, relying on the success of the referred business plan and taking in consideration the cooperation with the new shareholder and the agreed future investments, the Board of Directors considers that the Bank has a solid base to execute the three-year growth plan.

As referred in section 6 of the Management Report, Bison Account is committed to a core transformational programme, focused on leveraging business network and enhancing customer experience. This transformation is grounded on two strategic pillars: revitalising economic, business and operating models and enabling connective financial platforms.

This transformation, of both internal and external impacts, thrives to deliver value through products and services innovation, physical and digital blended channels and key process automation. Bison Account's core transformational program is top priority for all senior executives and staff.

10.2 Summary of the Main Accounting Policies

10.2.1 Basis of Presentation of Accounts

The Bank's individual financial statements were prepared in accordance with the accounting

policies defined by the Bank of Portugal through the provisions of Notice no. 5/2015,

which establishes that, as from January 1, 2016, all institutions under its supervision must prepare the financial statements financial statements on an individual basis and on a consolidated basis in accordance with International Financial Reporting Standards (“IAS / IFRS”), as adopted at any time by European Union Regulation and respecting the conceptual framework for the preparation and presentation of financial statements fits those standards. As of January 1, 2016, the Bank’s individual financial statements were prepared in accordance with the International Financial Reporting Standards (“IAS / IFRS”) adopted by the European Union, replacing the Adjusted Accounting Standards established by the Bank of Portugal. (“BoP”).

Amounts in the financial statements are expressed in thousands of euros, rounded to the nearest thousand. These statements were prepared on the basis of historical cost, except for financial assets and liabilities recorded at fair value, namely, assets and liabilities held for trading (including derivatives), assets and liabilities at fair value through profit or loss, financial assets at fair value through comprehensive income and real estate properties registered as investment property.

The main accounting policies applied by the Bank are detailed below.

10.2.2 Comparative Information

The adoption of IFRS 9 determined changes in the classification and valuation of certain financial assets, according to the following chart. It should be noted that the figures for 31 December 2017, are presented solely for comparative purposes. In relation to the same period of the previous year, the Bank applied the exception that allows restatement of comparative information with respect to changes in classification and measurement (including impairment).

Assets	IAS 39			IFRS 9
	31-12-2017	Reclassifications	Remeasurement	01-01-2018
Cash and balances with central banks	10,168			10,168
Balances with other credit institutions	3,193			3,193
Applications with credit institutions	200			200
Financial assets held for trading	23,199			23,199
Other financial assets at fair value through profit or loss	32,872	13,999	218	47,089
Financial assets available for sale	16,072	(16,072)		-
Financial assets at fair value through other comprehensive income	-	2,073	590	2,663
Credit to Clients	283			283
Non-current assets and disposal groups classified as held for sale	2,460			2,460
Property, Plant and Equipment	84			84
Intangible assets	721			721
Current income tax assets	166			166
Deferred income tax assets	248			248
Other assets	3,189		(18)	3,171
Total Assets	92,855	-	789	93,644

Liabilities	IAS 39			IFRS 9
	31-12-2017	Reclassifications	Remeasurement	01-01-2018
Deposits from other credit institutions	8,590			8,590
Deposits from customers and other loans	51,137			51,137
Provisions	3,078			3,078
Current income tax liabilities	78			78
Deferred income tax liabilities	63		(63)	-
Other subordinated liabilities	2,182			2,182
Other liabilities	3,852			3,852
Total Liabilities	68,980	-	(63)	68,917

Equity	IAS 39			IFRS 9
	31-12-2017	Reclassifications	Remeasurement	01-01-2018
Share Capital	135,198			135,198
Revaluation reserves	220			220
Other reserves and retained earnings	(104,764)		852	(103,912)
Net Profit / (Loss) for the period	(6,779)			(6,779)
Total Equity	23,875	-	852	24,727
Total Liabilities and Equity	92,855	-	789	93,644

10.2.3 New Standards and Interpretations Applicable in 2018 Reporting Annual Period

1. Impact of the adoption of the amendments to the standards that came into effect on 1 January 2018:

i) IFRS 15 (new), ‘Revenue from contracts with customers’. This new standard applies only to contracts with customers to provide goods or services and requires an entity to recognise revenue when the contractual obligation to deliver the goods or services is satisfied and by the amount that reflects the consideration the entity is expected to be entitled to, following a five-step approach.

IFRS 15 specifies how and when revenue is recognised but does not impact income recognition related to financial instruments under the scope of IFRS 9. The new requirements replace several other IFRS standards and interpretations that governed revenue recognition under IFRS and provides a single, principles-based five-step model to be applied to all contracts with customers. The Standard

also requires entities to provide users of financial statements with more informative and relevant disclosures. IFRS 15 did not have a material impact on the Bank’s financial statements.

The Bank applies the five-step revenue recognition model to the recognition of Commissions and Fee Income, under which income must be recognised when control of goods and services is transferred, hence the contractual performance obligations to the customer has been satisfied. Accordingly, after a contract with a customer has been identified in the first step, the second step is to identify the performance obligation – or a series of distinct performance obligations – provided to the customer.

The Bank must examine whether the service is capable of being distinct and is effectively distinct within the context of the contract. A promised service is distinct if the customer can benefit from the service either on its own

or together with other resources that are readily available to the customer, and the promise to transfer the service to the customer is separately identifiable from other promises in the contract.

The amount of income is measured based on the contractually agreed transaction price for the performance obligation defined in the contract. If a contract includes variable consideration, the Bank estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer. Income is recognised in profit and loss when the identified performance obligation has been satisfied.

The Bank provides asset management services that may entitle to asset management and performance fees and constitute a single performance obligation. The asset management and performance fee components are variable considerations such that at each reporting date the Bank estimates the fee amount to which it will be entitled in exchange for transferring the promised services to the customer.

The benefits arising from the asset management services are simultaneously received and benefited by the customer over time. The Bank recognizes revenue over time by measuring the progress towards complete satisfaction of that performance obligation, subject to the removal of any uncertainty as to whether it is highly probable that a significant reversal in the cumulative amount of revenue recognised would occur or not.

For the management fee component this time period corresponds to the end of the monthly or quarterly service period. For performance fees this time period corresponds to when any uncertainty related to the performance component has been fully removed.

The following Commissions and Fee Income is predominantly earned from services that are received and consumed by the customer over

time: Rendered Services of administration, custodian and securities deposit, Guarantees provided and Custodian Commissions. Commissions and Fee Income predominantly earned from providing services at a point in time or transaction-type services include Securities transactions fees and Trading & Brokerage Commissions.

Expenses that are directly related and incremental to the generation of Commissions and Fee Income are presented net in Commissions and Fee Income (note 23). This includes income and associated expense where the Bank contractually owns the performance obligation (i.e. as Principal) in relation to the service that gives rise to the revenue and associated expense. In contrast, it does not include situations where the Bank does not contractually own the performance obligation and is acting as agent. The determination of whether the Bank is acting as principal or agent is based on the contractual terms of the underlying service arrangement.

The gross Fee and commission Income and Expense amounts are disclosed in Note 23 and the impact has been limited to the presentation of enhanced disclosures, including a disaggregation of the Bank's revenue types prior to deduction of associated expenses, as stated in Note 23.

ii) Amendments to IFRS 15 'Revenue from contracts with customers'. These amendments refer to additional guidance for determining the performance obligations in a contract, the timing of revenue recognition from a license of intellectual property, the review of the indicators for principal versus agent classification, and to new practical expedients to simplify transition.

The amendments to the above standards had no relevant impact on the presented financial statements.

iii) IFRS 9 (new), 'Financial instruments'. IFRS 9 replaces the guidance in IAS 39, regarding: (i) the classification and measurement of financial assets and liabilities; (ii) the recognition of credit impairment (through the expected credit losses model); and (iii) the hedge accounting requirements for recognition and classification.

The application of IFRS 9 is mandatory in annual reporting periods beginning on or after 1 January 2018 and the new standards have retrospective application since that date. However, the respective comparative balances were not restated.

Description	IFRS9 adoption impact (*)				01-01-2018
	31-12-2017	Classification and Measurement	Credit Impairment	Hedge Accounting	
Share Capital	135,198	-	-	-	135,198
Other Equity Instruments	-	-	-	-	-
Revaluation Reserves	221	(211)	-	-	10
Other Reserves and Retained Earnings	(102,081)	856	(4)	-	(101,229)
Net Profit / Loss	(6,116)	-	-	-	(6,116)
Total Equity	27,222	645	(4)	-	27,863

(*) gross values

Classification and measurement – Financial Assets

The IFRS 9 foresees the classification of the financial assets according to three criteria:

- (1) The business model under which the financial assets are managed;
- (2) The type of financial instruments meaning
 - (i) Financial derivative instruments;
 - (ii) Equity instruments;
 - (iii) Debt financial instruments;
- (3) The contractual cash flow characteristics of the debt financial instruments (which represent solely payments of principal and interests).

The impacts on the financial statements of the Bank following the adoption of this new standard were computed with reference to 1st January 2018 based on the information available at the time and on a set of underlying assumptions. The adoption of IFRS 9 resulted in an increase of the Bank's net worth on 1 January 2018 of approximately 646 thousand euros. This impact is primarily a result from the revaluation of equity instruments at its fair value and from amendments to the classification of financial assets through the business model of the Bank, as per the summary presented in the table below.

In this context, the main categories of the financial assets under the IFRS 9 may be summarised as follows:

- A debt financial instrument that (1) is managed within a business model whose objective is to hold financial assets and collect all their contractual cash flows and (2) gives rise, on specified dates, to contractual cash flows that are solely payments of principal and interests on the principal amount outstanding – must be measured at amortised cost, unless the instrument is designated at fair value through profit or loss under the fair value option – "Hold to Collect".

- A debt financial instrument that (1) is managed within a business model whose objective is achieved either through the collection of the contractual cash flows either through the sale of the financial assets and (2) contain contractual terms which give rise to cash flows that are solely payments of principal and interests on the principal amount outstanding – must be measured at fair value through equity (“FVTOCI”), unless it is designated at fair value through profit or loss under the fair value option – “*Hold to Collect & Sale*”.
- All other debt financial instruments must be measured at its fair value through profit or loss (“FVPL”).

The Bank business models were assessed according to a wide set of indicators. For this purpose, amongst which the following are highlighted: its business plan, the main KPI's but also the current risk management policies.

The more significant differences on the classification of the financial assets compared with the IAS 39 classification refer to equity instruments and can be summarised as follows:

	IFRS9				
	Debt Instruments			Equity Instruments	
From / To	Hold to collect	Hold to collect & Sale	Fair Value through Profit or Loss	Fair Value through Profit or Loss	Fair Value through Other Comprehensive Income
IAS39	Debit instruments				
	Available for sale	-	-	-	-
	Loans and receivables	-	-	-	-
	Held to maturity	-	-	-	-
	Fair Value through Profit or Loss	-	-	-	-
		-	-	-	-
	Equity instruments				
	Available for sale				
	Of which measured:				
	- At cost	-	-	-	-
- At fair value	-	-	-	13,757	-
Fair Value through Profit or Loss	-	-	-	-	-
	-	-	-	13,757	2,073

In order to assess the frequency and materiality of the sales within the scope of the business model “Hold to Collect”, quantitative thresholds were established given past experience. The expected sales for the financial assets classified in this business model do not exceed the thresholds established by the Bank.

Concerning the other financial instruments, specifically the equity instruments and the derivatives, these are classified at fair value through profit or loss. For the equity instruments, there is an irrevocable option to designate that all the fair value changes be recognised in other comprehensive income, in which case, only dividends are recognised in profit or loss, as the gains and losses are not reclassified in profit or loss even when upon derecognition/sale.

As at 31 December 2017, the amount of 13,757 thousand euros corresponds to the book value and the amount of 2,073 thousand euros corresponds to the book value plus the fair value change in the amount of 388 thousand euros. On the same reference date, the Bank had in its portfolio supplementary capital subscriptions (“prestações acessórias”) and shares in the amount of 774 thousand euros which according to the IFRS 9 criteria, are not subject to reclassification and therefore are not presented in the above table.

As at 1 January 2018, the impact on the Bank’s equity of the new requirements of IFRS 9 on the classification and measurement of the financial assets amount to 852 thousand euros. This is largely explained by the measurement of the financial assets at its fair value at that date. The remaining amendments implied a reclassification of the recognised amounts in the item revaluation reserves to the item retained earnings in the amount of 211 thousand euros.

Classification and measurement – Financial Liabilities

The IFRS 9 did not introduce any significant changes on the measurement of financial liabilities, as compared to the requirements already foreseen in the IAS 39, except for the mandatory recognition of the fair value changes of the financial liabilities arising from changes in the credit risk of the entity itself. These changes are to be recognised in equity, instead of in profit or loss, as required under IAS 39, unless this accounting procedure leads to an “accounting mismatch”. No subsequent reclassifications of these changes into profit or loss are allowed, not even upon the repurchase of these liabilities.

As at 1 January 2018, the Bank did not have financial liabilities previously classified under the fair value option established in IAS 39 and therefore no impacts were identified in the adoption of IFRS 9.

Credit Impairment

The IFRS 9 introduced the concept of expected impairment losses which is significantly different from the incurrent losses concept in accordance with IAS 39, therefore anticipating the credit losses recognition on the institutions’ financial statements. The IFRS 9 determines that the impairment concept based on expected losses be applied to all financial assets, except for the financial assets measured at fair value through profit or loss and for the equity instruments measured at fair value through equity.

The expected losses concept of the IFRS 9 impacts captions such as financial assets measured at amortised cost, the debt instruments measured at fair value through equity, the off-balance sheet exposures, the financial leasing, the other receivables, the financial guarantees and credit commitments not valued at fair value.

This conceptual amendment is introduced together with new classification and measurement criteria for expected losses on credit impairment. It’s required that the financial assets subject to impairment be classified by different stages according to its credit risk evolution since the initial recognition date and not according to its credit risk at the reporting date:

- Stage 1: the financial assets should be classified at stage 1 whenever a significant increase in credit risk will not occur since the date of its initial recognition. For these assets, the expected loss on credit impairment that result from default events within 12 months after the reporting date, must be recognised in the profit or loss for the period;
- Stage 2: includes the financial assets in which a significant increase in the credit risk has occurred since the date of its initial recognition. For these financial assets, the expected losses on credit impairment are recognised throughout the lifetime of the assets (“lifetime”).

However, the interest will continue to be calculated on the asset's gross amount;

- Stage 3: the assets classified at this stage present on the reporting date objective evidence of impairment, as a result of one or more events that already occurred resulting in a loss. In this case, the expected loss on credit impairment during the expectable residual lifetime of the financial assets will be recognised in the profit or loss for the period. The interest is calculated on the net book value of the assets.

In generic terms, the impairment losses determined on the assets classified under stages 1 and 2 replace to a large extent the collective assessment of the recognised impairment for the financial assets in accordance with the IAS 39. On the other hand, the impairment losses determined on the assets classified under stage 3 replace to a large extent the individual and collective assessment of the recognised impairment for the already impaired financial assets in accordance with the IAS 39.

The measurement of the expected losses is the result of the product between (i) the probability of default (PD) of the financial instrument, (ii) the loss given default (LGD) and (iii) the exposure at default date (EAD), discounted to the reporting date by using the effective interest rate of the contract.

As previously mentioned, the main difference between the impairment losses measured for financial assets classified under stages 1 and 2 is the respective time horizon in the PD calculation. The expected losses for the financial assets under stage 1 will be calculated with resource to a 12-month PD whereas the expected losses under stage 2 use a lifetime-PD. The calculation of the expected loss for the financial assets under stage 3 was leveraged in the already existing procedures for the estimation of impairment developed in order to comply with the IAS 39. These procedures were updated in order to reflect the new requirements

of the IFRS 9, namely considering point in time and forward-looking information.

The Bank has used external information disclosed by the rating agency Moody's or market data, such as CDS spreads or Bond Yields (adopted methodology for the debt instruments), for the segments with no available information but where it is possible to determine the external rating of the borrower.

For the reduced proportion of its segments with no detailed historical information and/or loss experience, the Bank has adopted a simplified measurement approach, which can differ from the above mentioned. Specifically, and in relation to the item "Other Receivables" (derived from invoiced amounts), which relate mainly to revenues from custodian fees, a simplified measurement approach has been chosen and an historical analysis was conducted throughout the last 6 years, in order to calculate the PD.

Considering the size and characteristics of the customer loan exposures (an overall 100% of impairment – Stage 3 – Individual Analysis), it hasn't deemed as necessary to proceed with the development of new methodologies, nor were identified any impacts on the transition date of IFRS 9.

The additional impairment according to the IFRS 9 by reference to 1st January 2018 is detailed as follows:

(values expressed in thousand euros)

	Gross Book Value	Stage 1	Stage 2	Stage 3	POCI (*)	Additional Impairment (recognised at 01.01.2018)
Debit instruments recognised on the amortised cost (**)	648	648	-	-	-	4
Other receivables	648	648	-	-	-	4
Financial Assets measured at FVOCI	73	73	-	-	-	-
Public Debt (***)	73	73	-	-	-	-(***)
Off-Balance Sheet Exposure	-	-	-	-	-	-
Total	721	721	-	-	-	4 (***)

(*) Purchased or originated credit-impairment ('POCI') financial assets.

(**) Including the respective off-balance sheet exposures.

(***) Estimated impairment loss Eur 6.00

(values expressed in thousand euros)

Financial Assets measured at FVOCI					
	Gross Book Value	Impairment Loss			
		Stage 1	Stage 2	Stage 3	POCI (*)
Portuguese Public Debt					
PGB 4,45 06/15/18:					
Rating 11 (**)	73	-	-	-	-
Total	73	-	-	-	-

(*) Purchased or originated credit-impairment ('POCI') financial assets.

(**) ICAI's Rating Scale.

Note: Estimated impairment loss Eur 6.00

Concerning the loans and advances to customers portfolio and given the size and characteristics of the exposures (100% of impairment in general – Stage 3 – Individual Analysis), the Bank has not developed new methodologies, or either identified any impacts on the transition date of the IFRS 9. In the future, if the Bank intends to originate a new credit portfolio it will have to develop a model to determine the upcoming losses. This model should incorporate forward-looking macroeconomic scenarios and its occurrence probability.

Since the new model of the expected losses calculation incorporates point in time and forward looking information, it is expected that the impairment amounts recognised under the IFRS 9 are more volatile when compared to the amounts recognised under the IAS 39.

Governance

In addition to the IFRS 9 implementation, the Bank has established and implemented a range of new governance controls and procedures in several areas that contribute to a more efficient monitoring of the underlying risks under the IFRS 9 requirements.

In addition, and within the credit risk management, the Bank has instructed the Risk Management Committee to accompany the expected losses calculation procedure within the IFRS 9 framework. This Committee is composed of senior representatives from the following departments (i) Financial Department, (ii) Accounting & Planning Department, and (iii) Risk Department, being responsible for the review and approval of the main inputs and assumptions used in the expected credit losses calculation. The Committee also assesses the adequacy of the overall results of the expected losses included in the Bank's financial statements.

Regulatory Capital

According to the prudential rules of Basel III for the IRB portfolios, in case the credit losses recorded in the accounts become less than the losses determined according to the prudential requirements, this difference should be deducted from the Tier 1 Capital. However, if the accounting losses amount exceeds the expected losses calculated as per the Basel III requirements, this surplus shall be added to the Tier 2 Capital.

With the adoption of the IFRS 9, expected losses models are being used for accounting purposes, but also for prudential purposes. In both models (accounting and prudential), the expected losses are calculated through the product of the PD, LGD and EAD. However, some differences exist between the prudential rules and the rules established under the IFRS 9, which might result in significant differences in the estimated impairment losses, namely:

- (1) The PDs calculated according to the prudential rules are based in long term averages by reference to a complete economic cycle. However, the PDs calculated according to the IFRS 9 requirements are based on current conditions and adjusted with forward looking information;
- (2) The PDs determined according to the prudential rules consider the default probability within the next 12 months multiplied by the residual maturity of the contract. However, the PDs calculated under the IFRS 9 consider the PDs over the next 12 months or for the lifetime of the financial asset, whether the same are classified under stages 1 or 2, respectively;
- (3) The calculation of the prudential LGDs takes into consideration a negative economic cycle (however plausible). Therefore, the LGDs calculated under the IFRS 9 are based in the current conditions, adjusted with forward looking information.

The Bank doesn't have IRB portfolios, and therefore there are no impacts following the differences described above.

On 12 December 2017 the European Union, through the Regulation (EU) no. 2017/2395 of European Parliament, which amends the Regulation (EU) no. 575/2013, has established a transitional regime with the purpose of reducing the impact of the adoption of the IFRS 9 in the own funds of the financial institutions.

It also modified the managing of large exposures of certain public sector risk positions provided that such positions are expressed in the domestic currency of any Member State. The above mentioned regulation allows the financial institutions to derogate this transitional regime, so the Bank decided not to apply the transitional regime.

The impacts on the capital ratio of the Bank from the adoption of IFRS 9 are described in the following table:

(values expressed in thousand euros)

Available Capital	31-12-2017	01-01-2018 (without transitional period (fully implemented))
Common Equity Tier 1 capital	23,200	23,890
Tier 1 capital	23,200	23,890
Total Own Funds	23,200	23,890
Risk Weighted Assets (RWAs)	71,364	71,649
Capital Ratios (%)		
Common Equity Tier 1 capital (% of value at risk exposure)	32.5%	33.3%
Tier 1 (% of value at risk exposure)	32.5%	33.3%
Total Own Funds (% of value at risk exposure)	32.5%	33.3%
Leverage Ratios		
Total Leverage Ratio	32.2%	23.2%
Leverage Ratio	32.2%	23.2%

Hedge Accounting

The new hedge accounting model of the IFRS 9 aims not only to simplify the creation and maintenance process of hedge relationships, but also to line up the accounting of these relationships with the risk management activities of each institution, broaden the eligibility to a larger number of hedge instruments and hedge, but also types of risk.

The new standard still doesn't preview rules for the hedge accounting denominated by macro-hedging, as these are yet under definition by the IASB. Due to this restriction of the IFRS 9, and concerning the hedge accounting, the institutions are allowed to choose to maintain the accounting principles of the IAS 39 (only for the hedge accounting) up to the completion of the macro-hedging project by the IASB.

With reference from 1 January 2018 on, the Bank is not applying hedge accounting.

Disclosures

The IFRS 9 requires a rather extensive range of additional disclosure, in particular concerning the credit risk and the expected losses calculation. The Group has been continuously analysing the available information in order to identify potential additional information needs and has simultaneously implemented a collection and reporting process of the necessary data in order to comply with these new requirements.

iv) IFRS 4 (amendment), ‘Insurance contracts (Applying IFRS 4 with IFRS 9)’. This amendment allows companies that issue insurance contracts the option to recognise in Other Comprehensive Income, rather than Profit or Loss the volatility that could arise when IFRS 9 is applied before the new insurance contract standard is issued. Additionally, an optional temporary exemption from applying IFRS 9 until 2021 is granted to companies whose activities are predominantly connected with insurance, being applicable at the consolidated level.

The amendments to the above standards had no impact on the presented financial statements.

v) IFRS 2 (amendment), ‘Classification and measurement of share-based payment transactions’. This amendment clarifies the measurement basis for cash-settled share-based payments and the accounting for modifications to a share-based payment plan that change the classification from cash-settled to equity-settled. It also introduces an exception to the principles of IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority.

The amendments to the above standards had no impact on the presented financial statements.

vi) IAS 40 (amendment), ‘Transfers of Investment property’. This amendment clarifies when assets are transferred to, or from investment properties, evidence of the change in use is required. A change of management intention alone is not enough to support a transfer.

The amendments to the above standards had no impact on the presented financial statements.

vii) Annual Improvements 2014 – 2016. The 2014-2016 annual improvements impacts: IFRS 1, IFRS 12 and IAS 28, as follows.

IFRS 1, ‘First time adoption of IFRS’. This improvement eliminates the short-term exemptions foreseen for IFRS 7, IFRS 10 and IAS 19 because they are no longer applicable.

IFRS 12, ‘Disclosure of interests in other entities’. This improvement intends to clarify the scope of IFRS 12 with respect to interests in entities within the scope of IFRS 5 and that the only exemption refers to the disclosure of summarised financial information for those entities.

IAS 28, ‘Investments in associates and joint ventures’. This improvement clarifies that investments in associates or joint ventures held by a venture capital organisation are allowed to be measured at fair value in accordance with IFRS 9, on a standalone basis. This improvement also clarifies that an entity that it is not an investment entity but holds investments in associates and joint ventures that are investment entities, is entitled to retain the fair value measurement of the associate’s and joint venture’s interest in its own subsidiaries.

The amendments to the above standards had no relevant impact on the presented financial statements.

viii) IFRIC 22 (new), ‘Foreign currency transactions and advance consideration’. An Interpretation of IAS 21 ‘The effects of changes in foreign exchange rates’, it refers to the determination of the “date of transaction” when an entity either pays or receives consideration in advance for foreign currency denominated contracts. The date of transaction determines the exchange rate used to translate the foreign currency transactions.

The amendments to the above standards had no impact on the presented financial statements.

2. Published standards (new and amendments), with mandatory application for annual reporting periods that begin on or after 1 January 2019, that the European Union has already endorsed:

i) IFRS 16 (new), ‘Leases’ (effective for annual periods beginning on or after 1 January 2019). This new standard replaces IAS 17 with a significant impact on the accounting by lessees who are now required to recognise a lease liability reflecting future lease payments and a “right-of-use asset” for all lease contracts, except for certain short-term leases (12 months or less) and for low-value assets. The definition of a lease contract also changed, being based on the “right to control the use of an identified asset”. The application of IFRS 16 may be retrospective or retrospective modified

A lessee is obliged to recognise an asset representative of his right to use that represents his right to dispose of the underlying leased asset and a lease liability representing his obligation to make payments in respect of the lease. There will be only minor changes to the current accounting for lessors. The standard also requires entities to provide users of financial statements with more informative and relevant disclosures.

The Bank has analysed the impact of the initial application of IFRS 16 in a Bank-wide implementation program. Only two leases refer to buildings, being one the Bank’s registered office building, at Rua Barata Salgueiro, in Lisbon, Portugal, and the other a warehouse in Cacém, Portugal, which the bank has ceased in March 2019 with no financial impact. Other category is company cars, although in this case and as at 31 December 2018, do involve very low-value assets as most company cars contracts had already passed initial contracted tenor (typically 4 years), being extended for very short-term periods (typically 3 months).

The Bank will apply the practical expedient in IFRS 16 to contracts that were identified as leases applying IAS 17, “Leases”, and IFRIC 4, “Determining whether an Arrangement contains a Lease”, on transition.

The Bank has chosen to apply the modified retrospective transition approach, without restatement of comparative figures. Under the modified retrospective approach, the Bank can choose on a lease by lease basis to either (i) measure the right-of-use asset at the same amount as the lease liability, or (ii) to measure the right-of-use asset retrospectively using the transition discount rate.

For approach (ii), the resulting difference between the right-of-use asset and the lease liability will be recognised as an adjustment to the opening balance of retained earnings on transition. On initial application the Bank will apply approach (i) to leases classified as operating leases under IAS 17.

The expected impact upon adoption on 1 January 2019 will result in an approximately 1,730 thousand euros increase of in the balance sheet related to the recognition of right of use and corresponding liabilities arising from the lease agreement of the Bank’s Headquarters building at Rua Barata Salgueiro, in Lisbon, Portugal, for a residual term of 56 months, with future rents updated at an annual

interest rate of 5%. This will lead to an overall increase in total Group's Risk Weighted Assets on 1 January 2019 in the same amount of approximately 1,730 thousand euros, thus reducing both Common Tier 1 and Total Capital Ratios from 94.3% to 91.6% - circa -2.7% impact on these ratios.

ii) IFRS 9 (amendment), 'Prepayment features with negative compensation' (effective for annual periods beginning on or after 1 January 2019). The amendment introduces the possibility to classify certain financial assets with negative compensation features at amortised cost, provided that specific conditions are fulfilled, instead of being classified at fair value through profit or loss.

No significant impacts to the financial statements are to be expected from the amendments to the above standards.

iii) IFRIC 23 (new), 'Uncertainty over income tax treatment' (effective for annual periods beginning on or after 1 January 2019). This interpretation is still subject to endorsement by the European Union. This is an interpretation of IAS 12 - 'Income tax' and refers to the measurement and recognition requirements to be applied when there is uncertainty as to the acceptance of an income tax treatment by the tax authorities. In the event of uncertainty as to the position of the tax authority on a specific transaction, the entity shall make its best estimate and record the income tax assets or liabilities under IAS 12, and not under IAS 37 - 'Provisions, contingent liabilities and contingent assets', based on the expected value or the most probable value. The application of IFRIC 23 may be retrospective or retrospective modified.

Due to the current tax situation of Bison Account (notes 13 and 14), the amendments to the above standards no impact on the presented financial statements are expected.

3. Standards (new and amendments) and issued interpretations, whose application is mandatory for annual reporting periods beginning on or after 1 January 2018, but not yet endorsed by the European Union:

i) IAS 19 (amendment), Plan amendment, Curtailment or Settlement' (effective for annual periods beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. This amendment requires an entity to: i) use updated assumptions to determine the current service cost and net interest for the remaining period after amendment, reduction or settlement of the plan; and ii) recognise in the income statement as part of the cost of past services, or as a gain or loss in the settlement, any reduction in the excess of coverage, even if the excess of coverage had not been previously recognised, due to the impact of the asset ceiling. The impact on asset ceiling is recognised in Other Comprehensive Income, not being allowed to recycle it through profit for the year.

Although the Bank is still analysing the impacts to these standards and interpretations, no impacts to the financial statements are to be expected.

ii) IAS 28 (amendment), 'Long-term interests in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. The amendment clarifies that long-term investments in associates and joint ventures (components of an entity's investments in associates and joint ventures), that are not being measured through the equity method, are to be measured in accordance with IFRS 9. The long-term investments in associates and joint ventures are subject to the expected credit loss impairment model, prior to being added, for impairment test purposes, to the whole investment in associates and joint ventures, when impairment indicators exist.

Although the Bank is still analysing the impacts to these standards and interpretations, no significant impacts to the financial statements are to be expected.

iii) IFRS 3 (amendment), 'Definition of a business (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to endorsement by the European Union. The amendment revises the definition of a business in order to account for business combinations. The new definition requires that an acquisition include an input, as well as a substantial process that jointly generate outputs. Outputs are now defined as goods and services rendered to customers, that generate investment income and other income, and exclude returns as lower costs and other economic benefits for shareholders. Optional 'concentration tests' for the assessment if one transaction is the acquisition of an asset or a business combination, are allowed.

Although the Bank is still analysing the impacts to these standards and interpretations, no significant impacts to the financial statements are to be expected.

iv) IAS 1 and IAS 8 (amendment), 'Definition of material' (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to endorsement by the European Union. The amendment revises the concept of material. Includes clarifications as to obscured information, its effect being similar to the omission or distortion of information; and also clarifications as to the term 'primary users of general purpose financial statements', defined as 'existing or potential investors, lenders and other creditors' that rely on general purpose financial statements to obtain a significant part of the information that they need.

Although the Bank is still analysing the impacts to these standards and interpretations, no significant impacts to the financial statements are to be expected.

v) Annual Improvements 2015 - 2017, (generally effective for annual periods beginning on or after 1 January 2019). These improvements are still subject to endorsement by the European Union. The 2015-2017 annual improvements impact: IAS 23, IAS 12, IFRS 3 and IFRS 11.

Although the Bank is still analysing the impacts to these standards and interpretations, no significant impacts to the financial statements are to be expected.

vi) Conceptual framework, 'Amendments to references in other IFRS' (effective for annual periods beginning on or after 1 January 2020). These amendments are still subject to endorsement by the European Union. As a result of the publication of the new Conceptual Framework, the IASB introduced changes to the text of various standards and interpretations, like: 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 characteristics of financial information. These amendments are retrospective, except if impractical.

Although the Bank is still analysing the impacts to these standards and interpretations, no significant impacts to the financial statements are to be expected.

vii) IFRS 17 (new), 'Insurance contracts' (effective for annual periods beginning on or after 1 January 2021). This standard is still subject to endorsement by the European Union. This new standard replaces IFRS 4 and applies to all entities issuing insurance contracts, reinsurance contracts and

investment contracts with discretionary participation characteristics. IFRS 17 is based on the current measurement of technical liabilities at each reporting date. The current measurement can be based on a complete “building block approach” or “premium allocation approach”.

The recognition of the technical margin is different depending on whether it is positive or negative. IFRS 17 is of retrospective application.

Although the Bank is still analysing the impacts to these standards and interpretations, no significant impacts to the financial statements are to be expected.

Summary table of new standards:

Description	Amendment	Effective Date
1. Standards (new and amendments) and interpretations effective as at 1 January 2018		
• IFRS 15 – Revenue from contracts with customers	Revenue recognition for the provision of goods or services, following a five step approach.	01-01-2018
• Amendments to IFRS 15 - Revenue from contracts with customers	Identification of performance obligations, timing of revenue recognition from licenses of IP, change to principle versus agent guidance, and new practical expedients on transition.	01-01-2018
• IFRS 9 – Financial instruments	New standard for the accounting of financial instruments	01-01-2018
• IFRS 4 – Insurance contracts (application of IFRS 4 with IFRS 9)	Temporary exemption, for insurance companies only, from applying IFRS 9 for annual periods beginning before 1 January 2021. Specific regime for the assets under IFRS 4 that qualify as financial assets at fair value through profit and loss in IFRS 9 and as financial assets at amortised cost in IAS 39, being allowed to classify the measurement difference in Other comprehensive income.	01-01-2018
• IFRS 2 – Share-based payments	Measurement of cash-settled share-based payments, accounting for modifications and classification as equity-settled share-based payments when employer withholds tax.	01-01-2018
• IAS 40 – Investment property	Clarification that evidence of the change in use is required, when assets are transferred to, or from the investment properties category	01-01-2018
• Annual improvements to IFRS 2014 - 2016	Various clarifications: IFRS 1, IFRS 12 and IAS 28	01-01-2018
• IFRIC 22 - Transactions in foreign currency and advanced consideration	Exchange rate to be applied when consideration is received or paid in advance	01-01-2018

Description	Amendment	Effective Date
2. Standards (new and amendments) that come into effect, on or after 1 January 2019, already endorsed by the EU		
• IFRS 16 – Leases	New definition of lease. New accounting of lease contracts by lessees. No major changes to lessor lease accounting.	01-01-2019
• IFRS 9 – Financial instruments	Accounting treatment options for financial assets with negative compensation features.	01-01-2019
• IFRIC 23 – Uncertainty over income tax treatments	Clarifies how the recognition and measurement requirements of IAS 12 'Income taxes' are applied where there is uncertainty over income tax treatments.	01-01-2019

Description	Amendment	Effective Date
3. Standards (new and amendments) and interpretations that come into effect, on or after 1 January 2019, but not yet endorsed by the EU		
• IAS 19 – Employee benefits	Requirement to use updated assumptions for the calculation of remaining responsibilities, with impact on income statement except for any reduced excess under 'asset ceiling' accounting treatment.	01-01-2019
• IAS 28 – Investments in associates and joint ventures	Clarification regarding long-term investments in associates and joint ventures that are not being measured through the equity method	01-01-2019
• IFRS 3 – Business combinations	Revision of the definition of business	01-01-2020
• IAS 1 – Presentation of financial statements; IAS 8 – Accounting policies, changes in accounting estimates and errors	Revision of the definition of material.	01-01-2020
• Annual improvements to IFRS 2015 – 2017	Clarifications: IAS 23, IAS 12, IFRS 3, IFRS 11	01-01-2019
• Conceptual framework - Amendments to references to other IFRS	Amendments to some IFRS regarding cross reference and clarification about the application of the new definitions of asset / liability and expense / income	01-01-2020
• IFRS 17 – Insurance contracts	New accounting for insurance contracts, reinsurance contracts and investment contracts with discretionary participation characteristics.	01-01-2021

10.2.4 Use of Estimates for the Preparation of the Financial Statements

The preparation of the financial statements requires the Bank's Management to produce estimates and adopt assumptions that affect the disclosed value of assets and liabilities, revenues and costs and the contingent liabilities. In making these estimates, the Management used its judgment, together with the available information on the date the financial statements were prepared. Consequently, the actually realised future amounts may differ from the estimates made.

The use of such estimates is more significant in the following situations:

Going concern principle

The financial statements were prepared on a going-concern basis, for the reasons set out in Management Report Chapter 06 – Outlook of the Management Report and other notes from this annex.

Fair value of financial instruments

When the fair value of the financial instruments cannot be determined through the active market prices (marked to market), these are determined using valuation techniques that include mathematical models (marked to model). Input data for these models are, whenever possible, observable market data. When this is not possible, a degree of judgment is required to establish fair values, particularly regarding liquidity levels, correlation and volatility.

Impairment in loans and advances to customers

The Group carries out a valuation of its loan portfolio, on a regular basis, in order to assess the existence of evidence of impairment.

In this context, the identified customers with non-performing loans and whose outstanding total liabilities are considered to represent a significant exposure for the Group, are assessed on an individual basis in order to evaluate the needs for the impairment losses recognition.

These estimations are based on assumptions about a number of factors that may change in the future and, as a result, alter impairment amounts.

Loans assessed on an individual basis, for which the existence of an objective evidence of impairment has not been identified, are grouped together, according to similar risk characteristics, and collectively assessed for impairment purposes.

Whenever a loan is considered as non-performing, and after all efforts upon recovery have been made, its impairment loss is estimated at 100% of the total loan amount and it is assured the respective accounting write-off through the loss value. The loan is thus written-off from the total asset.

If reversals on loans write-off occur, the recovered amount is credited into the income statement under the item "Loans impairment net of recoveries and reversals".

Deferred tax assets

Deferred tax assets are recognised for unused tax losses, to the extent that it is likely that there will be positive results for tax purposes in the legally established future period. To this end, judgments are made to determine the amount of deferred tax assets that may be recognised. These are based on the level of expected future results for tax purposes according to economic and financial forecasts under uncertainty conditions as regards the assumptions used.

If these estimates are not borne out, there is a risk that material adjustments might have to be made to the deferred tax assets in future reporting periods.

Valuation of real estate assets

The valuation service is provided by external independent companies, registered with the Portuguese Securities Market Commission ("CMVM" - Comissão do Mercado de Valores Mobiliários) and with the appropriate qualifications, recognised competence and professional experience to perform their duties. Their reports comply with the requirements set down by CMVM, BoP and the Insurance Companies Regulator ("ASF" – Autoridade de Supervisão de Seguros e Fundos de Pensões), as well as with the criteria defined by the European Accounting Standards and the guidelines of renown International Institutions, such as RICS and TEGoVA.

The valuation procedures imply the compilation of precise and accurate information, as well as of updated documentation, through an inspection of the real estate property and surrounding area, from local authorities and other bodies, market analysis, transactions, the supply and demand relationship and the development outlooks. The processing of this information, areas, usages and market prices, allows for the adoption of the base values for the calculation, through the application of methods and its comparison.

The comparative market method is always used either directly or as a basis for development cash flows, updated at the valuation date at rates that incorporate the project risk. The replacement cost method is also directly used in the valuation of real estate properties in continuous use and has an essential contribute in the mentioned development scenarios.

All the reports are analysed and validated by the internal technical team.

The realisation value of these assets depends on the future trend of real estate market conditions.

The real estate assets reported in non-current assets held for sale are presented in note 9.

Assessment of discontinued units

Discontinued units, classified in non-current assets held for sale (see note 10.2.9) are measured at the lowest value between the net book value and the fair value less the sales costs.

Provisions and contingent liabilities

Description on the nature of these estimations is depicted in note 2.13.

10.2.5 Foreign Currency Transactions

Foreign currency transactions are recorded on the basis of the foreign exchange rates contracted on the transaction date. Monetary assets and liabilities expressed in foreign currency are converted into euros at the exchange rate prevailing on the balance sheet date. Non-monetary items, valued at fair value, are converted on the basis of the prevailing exchange rate on the last valuation date. Non-monetary items, kept at historical cost, are reported at the original exchange rate.

Foreign currency exchange differences resulting from the conversion are recognised as gains or losses for the period in the income statement, except for those resulting from non-monetary financial instruments classified as available for sale. These latter are counter-entered in a specific equity item until the asset is disposed of.

10.2.6 Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include domestic and foreign currency, in cash, on-demand

deposits with central banks, on-demand deposits with other banks in Portugal and abroad and cheques drawn on other banks.

10.2.7 Investments in Subsidiaries and Associates

The caption “Investments in subsidiaries and associates” refers to holdings in the capital stock of companies held by the Bank on a durable basis, for which it holds or controls a majority of the voting rights (subsidiaries) or exercises significant influence (associated companies). It is considered that there is significant influence whenever the Bank holds, directly or indirectly, more than 20% of the voting rights. Investments in subsidiaries and associates are recorded at acquisition cost, less any impairment losses.

Investments in subsidiaries considered as discontinued units are classified as Non-Current Assets Held for Sale and measured in accordance with the accounting policy presented in note 10.2.9.

10.2.8 Financial Instruments

10.2.8.1 Accounting policy adopted until 31 December 2017 (IAS 39)

10.2.8.1.1 Initial recognition and measurement of financial instruments

The purchase and sale of financial assets which imply the delivery of assets in accordance with deadlines set by regulations or market conventions, are recognised at the transaction date, i.e., at the date on which the commitment to purchase or sell is established. Derivative financial instruments are similarly recognised on the transaction date.

The classification of financial instruments on the initial recognition date depends on their characteristics and on the purchase intention.

All financial instruments are initially measured at fair value plus costs directly attributable to the purchase or issuance, except in the case of assets and liabilities at fair value through profit or loss, where such costs are directly recognised in the income statement for the year.

10.2.8.1.2 Subsequent measurement of financial instruments

Financial assets held for trading

Financial assets and liabilities held for trading are those that have been acquired with an intention to sell in the short term and make profits from price fluctuations or through the trader’s margin. This includes all derivative financial instruments that are not accounted for as hedging operations.

After initial recognition, the gains and losses generated by subsequent measurement at fair value are recognised in the income statement for the year. In the case of derivatives, positive fair values are recorded in assets and negative fair values in liabilities. Interests and dividends or charges are recorded in the corresponding profit/loss accounts when their right to payment has been established.

Financial liabilities held for trading also include short-selling of securities. These transactions are reported in the balance sheet at fair value, with subsequent changes in fair value reported in the income statement for the year, under the item “Income from assets and liabilities valued at fair value through profit or loss”.

Financial assets and liabilities at fair value through profit or loss

These items include financial assets and liabilities, irrevocably classified by the Bank on initial recognition at fair value through profit or loss, in accordance with the option available under IAS 39 (fair value option), provided that the conditions for such recognition are met, namely:

- i. The recognition eliminates or significantly reduces inconsistencies between the measurement of financial assets and liabilities and the recognition of the corresponding gains or losses (accounting mismatch);
- ii. The financial assets and liabilities are part of a group of assets or liabilities, or both, that is managed and whose performance is assessed on a fair value basis, in accordance with a properly documented investment and risk management strategy; or
- iii. The financial instrument incorporates one or more embedded derivatives, except when the embedded derivatives do not significantly modify the contract cash flows, or when it is clear, with little or no analysis, that the embedded derivatives cannot be separated.

After initial recognition, the gains and losses generated by subsequent measurement of the fair value of financial assets and liabilities are reflected in the net profit for the period in the item “Income from assets and liabilities valued at fair value through profit or loss”.

The Bank classifies almost the entire securities portfolio that is part of its banking activity as financial assets at fair value through profit or loss. Management and assessment of the performance of this portfolio is based on fair value, with the exception of strategic shareholdings and securities for which it is not possible to obtain reliable valuations.

Financial assets available for sale

Instruments that can be disposed of in response to, or in anticipation of, liquidity needs or changes in interest rates, changes in exchange rates or changes in their market price, and that the Bank has not classified in any of the other categories, are classified under this item.

Following initial recognition, these assets are subsequently measured at fair value.

Alternatively, acquisition cost is maintained when it is not possible to reliably determine a fair value. The correspondent gains and losses are reflected in the “Revaluation Reserves” item until they are sold (or until the impairment losses recognition), at which point the accumulated value is transferred to profit and loss statement for the period to the “Income from financial assets available for sale” item.

The interests inherent to the financial assets are calculated in accordance with the effective interest method and recognised in the profit and loss statement in the “Interest and similar income” item. Dividends are recognised in the profit and loss statement when the right to payment is established, in the “Income from equity instruments” item. For debt instruments issued in foreign currency, foreign exchange differences are recognised as profit or loss for the year under the “Income from foreign exchange revaluation” item.

Financial assets available for sale are analysed when there are objective evidence of impairment, namely when there is a significant or prolonged decline in fair values, below their cost price. Determining the degree of decline that may be considered “significant or prolonged” involves making judgments. In this context, the Bank considers that a decline in the fair value of an equity instrument of 30% or more, or a decline that lasts more than one year, may be considered significant or prolonged.

Financial assets held to maturity

Financial assets held to maturity include the financial investments with fixed or determinable payments and with fixed maturities, over which there is an intention and capacity to hold them to maturity.

Subsequent to initial recognition, they are measured at amortised cost, using the effective interest rate method, less impairment losses. Calculation of the amortised cost takes into consideration the premium or discount on the

acquisition date and other charges directly imputable to the purchase as part of the effective interest rate. The amortisation is recognised in the income statement under the “Interest and similar income” item.

Impairment losses are recognised in the income statement under the “Impairment of other financial assets net of reversals and recoveries” item.

Loans and receivables

Are financial assets with fixed or determinable payments, non-listed on an active market, which have not been acquired or originated with the purpose of selling in the short term (held for trading) or classified as financial assets at fair value through profit or loss on its initial recognition.

These assets are initially recognised at the disbursed value, which includes all transaction-related costs, such as charged fees, that do not have the nature of service provision. They are subsequently measured at amortised cost, using the effective interest rate method, and subjected to impairment tests.

The amortised cost is calculated by taking into account earnings or costs directly imputable to the origination of the asset as part of the effective interest rate. Amortisation of these earnings or costs is recognised in the income statement under the “Interest and similar income” item or the “Interest and similar costs” item. Impairment losses are recognised in the income statement under the “Credit impairment net of reversals and recoveries” item.

The Bank records in this item the securitised loans that are not traded in an active market. If traded in an active market, these would be classified as financial assets available for sale.

Resources of other credit institutions, Resources from customers and other loans, Liabilities represented by securities and Other subordinated liabilities.

These financial liabilities, which essentially include resources of credit institutions, customer deposits and debt issues not designated as financial liabilities at fair value through profit or loss and whose contractual terms result in an obligation to deliver funds or financial assets to the holder, are initially recognised at the value of the consideration received net of direct transaction costs. They are subsequently valued at amortised cost, using the effective interest method. Amortisation is recognised in the income statement under the “Interest and similar costs” item.

Fair value of financial assets and liabilities

As stated above, the financial instruments reported as Financial Assets and Liabilities held for trading, at fair value through profit or loss, or as financial assets available for sale, are valued at fair value.

Under the IFRS 13, the fair value of a financial instrument corresponds to the amount for which a financial asset or liability may be sold or settled between independent and informed parties interested in pursuing the conclusion of the transaction under normal market conditions. The Bank determines the fair value of its financial assets and liabilities held for trading, at fair value through profit or loss or available for sale in accordance with the following criteria:

- Prices of an active market, or
- Valuation methods and techniques, when there is no active market, with the following underlying: (i) valuation techniques, which include the prices of recent transactions of equivalent instruments and (ii) other valuation methods normally used by the market (discounted cash flow, option valuation models, etc.).

Floating rate assets (e.g. shares), and derivative instruments they underpin, for which it is not possible to obtain reliable valuations are kept at acquisition cost less any impairment losses.

Derivative financial instruments

As part of its normal business activity, the Bank uses a number of derivative financial instruments both for satisfying its customers’ needs and also for managing its own interest rate risk positions or other market risks. These instruments involve different degrees of credit risk (maximum potential book loss due to potential default by counterparties on their respective contractual obligations) and of market risk (maximum potential loss due to change in the value of a financial instrument as a result of interest rate, exchange rate or price fluctuations).

The notional amounts of derivatives operations are used to calculate the flows to be exchanged in contractual terms, possibly in net terms. Although these constitute the most common measure of volume in these markets, they do not correspond to any quantification of the credit or market risk of the operations concerned. For interest rate or exchange rate derivatives, the credit risk is measured by the replacement cost at current market prices, for the contracts in which a position of potential gain is held (positive market value), in the event of the counterparty’s default.

Derivatives embedded in other financial instruments are separated from the host instrument whenever their associated risks and characteristics are not too closely related to those of the host contract and the totality of the instrument is not designated on initial recognition as being at fair value through profit or loss (fair value option).

Income from subsequent measurement of fair value is recognised in the profit and loss statement for the period, simultaneously with the income from measurement at fair value of the hedged instrument in the “Income from assets and liabilities valued at fair value through profit or loss” item.

The Bank only holds derivative financial instruments for trading, as these instruments

do not meet the requirements to be considered hedging instruments.

10.2.8.1.3 Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of financial assets) is derecognised when:

1. The entitlement rights to receive cash flows from the asset expire;
2. The entitlement rights to receive cash flows have been transferred, or an obligation has been accepted to pay the receivable cash flows in full, with no significant delay, to third parties in the context of a pass-through agreement;
3. The risks and benefits of the assets have been substantially transferred, or the risks and benefits have not been transferred or retained, but control over the asset has been transferred.

If the rights to receive the cash flows have been transferred or when a pass-through agreement has been signed, where not all the risks and benefits of the asset have been substantially transferred or retained and control over the asset has not been transferred, the financial asset is recognised to the extent of continued involvement. This is measured at the lesser between the original value of the asset and the maximum value of the payment which could be claimed from the Bank.

When continued involvement takes the form of a purchase option over the transferred asset, the extent of the continued involvement is the value of the asset which may be repurchased, except in the case of a sale option measurable at fair value. For this latter case, the value of the continued involvement is limited to the

lower of the fair value of the asset and the exercise price of the option.

Financial liabilities

A financial liability is derecognised when the underlying obligation expires or is cancelled. When an existing financial liability is replaced by another with the same counterparty, but on substantially different terms from those initially established, or if the initial terms are substantially changed, such replacement or modification is dealt with as a derecognition of the original liability and the recognition of a new liability and any difference between their values is recognised in the net profits for the year.

Short-selling of securities are considered as financial liabilities held for trading. These operations are reported on the balance sheet at fair value, with subsequent variations in fair value reported in the income statement for the year, under the item “Income from assets and liabilities valued at fair value through profit or loss”.

10.2.8.1.4 Impairment and value corrections associated with loans and advances to customers and amounts receivable from other debtors

Bank of Portugal’s Notice no. 5/2015, of 7 December, which took effect as of 1 January 2016, instructs all entities under its supervision to prepare their financial statements on an individual and consolidated basis in accordance with the International Financial Reporting Standards (IAS/IFRS), as adopted, at any given time, by European Union regulations. In preparing and presenting their financial statements, such entities are to comply with the conceptual framework embedded in these standards. Thus, and as of 1 January 2016, the Bank’s individual financial statements were prepared in accordance with the International Financial Reporting Standards (IAS/IFRS) adopted by the European Union. The Bank has been using these standards for the preparation and presentation of its consolidated financial

statements since 2005. Up to and including 31 December 2015, the Bank’s individual financial statements had been prepared in accordance with the Adjusted Accounting Standards (“NCA” - Normas de Contabilidade Ajustadas) issued by the Bank of Portugal. When the Bank of Portugal’s Notice no. 5/2015 came into effect, the Bank of Portugal’ Notices no. 1/2005, of 21 February, and no. 3/95, of 30 June, were revoked.

The Bank assesses whether there is evidence of impairment in a financial asset or group of financial assets, as stipulated in Bank of Portugal’s Instruction no. 7/2005. A financial asset is impaired if, and only if, there is evidence that the occurrence of an event (or events) will have a measurable impact on expected future cash flows from that asset or group of assets. Expected losses as a result of future events, irrespective of the likelihood of their occurrence, are not recognised.

Whenever, in a subsequent period, there is a decrease in the impairment losses attributed to an event, the amount previously recognised is reversed by an adjustment of the impairment losses account. The amount of the reversal is recognised directly in the income statement.

10.2.8.2 Accounting policy in place after adoption of IFRS 9

10.2.8.2.1 Initial recognition and measurement of financial instruments

The purchase and sale of financial assets which imply the delivery of assets in accordance with deadlines set by regulations or market conventions, are recognised at the transaction date, i.e., at the date on which the commitment to purchase or sell is established. Derivative financial instruments are similarly recognised on the transaction date.

The classification of financial instruments on the initial recognition date depends on their characteristics and on the purchase intention. All financial instruments are initially measured at fair value plus costs directly attributable to the purchase or issuance, except in the case of assets and liabilities at fair value through profit or loss, where such costs are directly recognised in the income statement for the year.

10.2.8.2.2 Subsequent measurement of financial instruments

The Bank classifies financial assets in line with the classification and measurement requirements of IFRS 9 where financial assets are classified based on both the business model used for managing the financial assets and the contractual cash flow characteristics of the financial asset (known as Solely Payments of Principal and Interest or “SPPI”). There are three business models available:

- Hold to Collect - A debt financial instrument that (i) is managed under a business model whose purpose is to keep the financial assets in the portfolio and receive all of its contractual cash flows and (2) has contractual cash flows on specific dates that correspond exclusively to the payment of principal and interest on the outstanding capital - shall be measured at amortised cost, unless it is designated at fair value through profit or loss under the fair value option.
- Hold to Collect and Sell - A debt financial instrument that (i) is managed under a business model whose purpose is achieved either through the receipt of contractual cash flows or through the sale of financial assets and (2) contemplating contractual clauses that give rise to cash flows which correspond exclusively to the payment of principal and interest on the outstanding capital - should be measured at fair value through equity (“FVTOCI”), unless it is designated at fair value through profit or loss under the fair value option.

- Other - All other financial instruments that do not meet the “Hold to Collect” or “Hold to Collect and Sell” criteria should be measured at fair value through profit or loss (“FVPL”).

The assessment of business model requires judgment based on facts and circumstances at the date of the adoption on January 1, 2018 and upon initial measurement. As part of this assessment, the Bank considers quantitative factors (e.g., the expected frequency and volume of sales) and qualitative factors such as how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank’s key management personnel.

In addition to taking into consideration the risks that affect the performance of the business model and the financial assets held within that business model, in particular, the way in which those market and credit risks are managed; and how managers of the business are compensated (e.g., whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected). This assessment results in an asset being classified in either a Hold to Collect, Hold to Collect and Sell or Other business model.

If the Bank holds a financial asset either in a Hold to Collect or a Hold to Collect and Sell business model, then an assessment at initial recognition to determine whether the contractual cash flows of the financial asset are Solely Payments of Principal and Interest on the principal amount outstanding at initial recognition is required to determine the classification. Contractual cash flows, that are SPPI on the principal amount outstanding, are consistent with a basic lending arrangement.

Interest in a basic lending arrangement is consideration for the time value of money and the credit risk associated with the principal amount outstanding during a particular period of time. It can also include consideration for other basic lending risks (e.g., liquidity risk) and

costs (e.g., administrative costs) associated with holding the financial asset for a particular period of time; and a profit margin that is consistent with a basic lending arrangement.

Financial Assets at Fair Value through Profit or Loss

Financial assets are classified at fair value through profit or loss if they are held in the other business model because they are either held for trading or because they do not meet the criteria for Hold to Collect or Hold to Collect and Sell. In addition, it includes financial assets that meet the criteria for Hold to Collect or Hold to Collect and Sell business model, but the financial asset fails SPPI or where the Bank designated the financial assets under the fair value option.

Financial assets classified as Financial Assets at fair value through profit or loss are measured at fair value with realised and unrealised gains and losses included in Net gains (losses) on financial assets/liabilities at fair value through profit or loss. Interest on interest earning assets such as trading loans and debt securities and dividends on equity instruments are presented in Interest and Similar Income.

Financial assets classified at fair value through profit or loss are recognised or derecognised on trade date, at one of the following captions, being trade date the date on which the Bank commits to purchase or sell the asset.

Trading Assets – Financial assets are classified as held for trading if they have been originated, acquired or incurred principally for the purpose of selling or repurchasing them in the near term, or they form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Trading assets include debt and equity securities, derivatives held for trading purposes, and trading loans.

Non-Trading Financial Assets Mandatory at Fair Value through Profit and Loss – The Bank assigns any non-trading financial asset that does not fall into the Hold to Collect nor Hold to Collect and Sell business models into the Other business model and classifies them as Non-Trading Financial Assets mandatory at Fair Value through Profit and Loss. This includes predominately shares of entities which are held and managed on a fair value basis. Additionally, any financial asset that falls into the Hold to Collect or Hold to Collect and Sell business models for which the contractual cash flow characteristics are not SPPI is classified by the Bank as Non-Trading Financial Assets Mandatory at Fair Value through Profit and Loss.

Financial Assets Designated at Fair Value through Profit or Loss – Certain financial assets that would otherwise be measured subsequently at amortised cost or at fair value through other comprehensive income, may be designated at Fair Value through Profit or Loss if the designation eliminates or significantly reduces a measurement or recognition inconsistency. The use of the fair value option under IFRS 9 is limited.

Financial Assets at Fair Value through Other Comprehensive Income

A financial asset shall be classified and measured at Fair Value through Other Comprehensive Income (“FVOCI”), if the financial asset is held in a Hold to Collect and Sell business model and the contractual cash flows are SPPI, unless designated under the fair value option.

Under FVOCI, a financial asset is measured at its fair value with any changes being recognised in Other Comprehensive Income (“OCI”) and is assessed for impairment under the IFRS 9 expected credit loss model where provisions are recorded through profit or loss are recognised based on expectations of potential credit losses. The foreign currency translation effect for FVOCI assets is recognised in profit or loss, as is the interest component by using

the effective interest method. The amortisation of premiums and accretion of discounts are recorded in net interest income. Realised gains and losses are reported in net gains (losses) on financial assets at FVOCI. Generally, the weighted-average cost method is used to determine the cost of FVOCI financial assets.

Financial assets classified as FVOCI are recognised or derecognised on trade date. Trade date is the date on which the Bank commits to purchase or sell the asset.

Financial Assets at Amortised Cost

A financial asset is classified and subsequently measured at amortised cost if the financial asset is held in a Hold to Collect business model and the contractual cash flows are SPPI.

Under this measurement category, the financial asset is measured at fair value at initial recognition. Subsequently the carrying amount is reduced for principal payments, plus or minus the cumulative amortisation using the effective interest method. The financial asset is assessed for impairment under the IFRS 9 expected credit loss model where provisions are recognised based on expectations of potential credit losses. Financial assets measured at amortised cost are recognised on a settlement date basis.

Financial Assets at Amortised Cost include predominately Loans at amortised costs and receivables presented in Other Assets.

Modification of Financial Assets

When the terms of a financial asset are renegotiated or modified and the modification does not result in derecognition, a gain or loss is recognised in the income statement as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. The modified financial asset will continue to accrue interest at its original recognition caption.

Noncredit related or commercial renegotiations where an obligor has not experienced a significant increase in credit risk since origination, and has a readily exercisable right to early terminate the financial asset, results in derecognition of the original agreement and recognition of a new financial asset based on the newly negotiated commercial terms.

For credit related modifications (i.e., those modifications due to significant increase in credit risk since inception) or those where the obligor does not have the readily exercisable right to early terminate, the Bank assesses whether the modified terms result in the financial asset being significantly modified and therefore derecognised.

This assessment includes a quantitative assessment of the impact of the change in cash flows from the modification of contractual terms and additionally where necessary a qualitative assessment of the impact of the change in the contractual terms. Where these modifications are not concluded to be significant, the financial asset is not derecognised and is accounted for as a modification as described above.

If the changes are concluded to be significant, the old financial asset is derecognised and a new financial asset is recognised. Where a modification results in a new financial asset being recognised, the date of the modification is the date of initial recognition of the new financial asset. The Bank then recognises a credit loss allowance based on 12-month expected credit losses at each reporting date of the financial statements.

However, if following a modification that results in a derecognition of the original financial asset, there is evidence that the new financial asset is credit-impaired on initial recognition, then the new financial asset should be recognised as an originated credit-impaired financial asset and initially classified in Stage 3.

10.2.8.2.3 Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of financial assets) is derecognised when:

1. The entitlement rights to receive cash flows from the asset expire; or
2. The entitlement rights to receive cash flows have been transferred, or an obligation has been accepted to pay the receivable cash flows in full, with no significant delay, to third parties in the context of a pass-through agreement; and
3. The risks and benefits of the assets have been substantially transferred, or the risks and benefits have not been transferred or retained, but control over the asset has been transferred.

If the rights to receive the cash flows have been transferred or when a pass-through agreement has been signed, where not all the risks and benefits of the asset have been substantially transferred or retained and control over the asset has not been transferred, the financial asset is recognised to the extent of continued involvement. This is measured at the lesser between the original value of the asset and the maximum value of the payment which could be claimed from the Bank.

When continued involvement takes the form of a purchase option over the transferred asset, the extent of the continued involvement is the value of the asset which may be repurchased, except in the case of a sale option measurable at fair value. For this latter case, the value of the continued involvement is limited to the lower of the fair value of the asset and the exercise price of the option.

Financial liabilities

A financial liability is derecognised when the underlying obligation expires or is cancelled. When an existing financial liability is replaced by another with the same counterparty, but on substantially different terms from those initially established, or if the initial terms are substantially changed, such replacement or modification is dealt with as a derecognition of the original liability and the recognition of a new liability and any difference between their values is recognised in the net profits for the year.

Short-selling of securities are considered as financial liabilities held for trading. These operations are reported on the balance sheet at fair value, with subsequent variations in fair value reported in the income statement for the year, under the item "Income from assets and liabilities valued at fair value through profit or loss".

10.2.8.2.4 Impairment of financial assets

The impairment requirements of IFRS 9 apply to all credit exposures that are measured at amortised cost or FVOCI, to off-balance sheet lending commitments such as loan commitments and financial guarantees and other assets. For purposes of the impairment policy below, these instruments are referred to as "Financial Assets".

The determination of impairment losses and allowance moves from an incurred credit loss model whereby credit losses are recognised when a defined loss event occurs under IAS 39, to an expected credit loss model under IFRS 9, where allowances are taken upon initial recognition of the Financial Asset, based on expectations of potential credit losses at the time of initial recognition.

Staged Approach to the Determination of Expected Credit Losses

IFRS 9 introduces a three stage approach to impairment for Financial Assets that are not credit-impaired at the date of origination or purchase. This approach is summarised as follows:

- **Stage 1:** the Group recognises a credit loss allowance at an amount equal to 12-month expected credit losses. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, assuming that credit risk has not increased significantly after initial recognition.
- **Stage 2:** includes financial assets for which there has been a significant increase in credit risk since the date of its initial recognition. For these financial assets, an expected credit loss (ECL) is calculated and expected lifetime impairment losses are recognised. However, interest will continue to be calculated, based on the gross amount of the asset. Impairment for credit losses is higher at this stage due to the increase in credit risk and the impact of the consideration of a longer time period, compared to the 12 months period considered in stage 1.
- **Stage 3:** the assets classified in this stage, at the reporting date, bear objective evidence of impairment as a result of one or more events that have already occurred that resulted in a loss. In this case, the expected loss of credit impairment during the expected residual life of the financial assets will be recognised in profit or loss. The interest is calculated based on the net asset value of the assets.

Significant Increase in Credit Risk

Under IFRS 9, when determining whether the credit risk (i.e., risk of default) of a Financial Asset has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes quantitative and qualitative information based on the Bank's historical experience, credit risk assessment and forward-looking information (including macro-economic factors). The assessment of significant credit deterioration is key in determining when to move from measuring an allowance based on 12-month ECLs to one that is based on lifetime ECLs (i.e., transfer from Stage 1 to Stage 2).

The Bank's framework for determining if there has been a significant increase in credit risk aligns with the internal Credit Risk Management ("CRM") process and covers rating related and process related indicators (note 33).

Credit-impaired Financial Assets in Stage 3

The Bank has aligned its definition of credit-impaired under IFRS 9 to when a Financial Asset has defaulted for regulatory purposes.

The determination of whether a Financial Asset is credit-impaired and therefore in Stage 3 focusses exclusively on default risk, without taking into consideration the effects of credit risk mitigants such as collateral or guarantees. Specifically, a Financial Asset is credit-impaired and in Stage 3 when:

- The Bank considers the obligor is unlikely to pay its credit obligations; or
- Contractual payments of either principal or interest by the obligor are past due by more than 90 days.

For Financial Assets considered to be credit-impaired, the ECL allowance covers the amount of loss the Bank is expected to suffer. The estimation of ECLs is done on a case-by-case basis. This estimate includes the use of discounted cash flows that are adjusted for scenarios.

Forecasts of future economic conditions when calculating ECLs are considered. The lifetime expected losses are estimated based on the

probability-weighted present value of the difference between the contractual cash flows that are due to the Bank under the contract and the cash flows that the Bank expects to receive.

Write-Offs

The Bank reduces the gross carrying amount of a Financial Asset when there is no reasonable expectation of recovery. Write-offs can relate to a Financial Asset in its entirety, or to a portion of it, and constitute a derecognition event. The Bank considers all relevant information in making this determination, including but not limited to:

- Foreclosure actions taken by the Bank which have not been successful or have a high probability of not being successful,
- Collateral liquidation which has not, or will not lead to further considerable recoveries,
- Situations where no further recoveries are reasonably expected.

Write-offs can take place before legal actions against the borrower to recover the debt have been concluded, and a write-off does not involve the Bank forfeiting its legal right to recover the debt.

Collateral for Financial Assets Considered in the Impairment Analysis

IFRS 9 requires cash flows expected from collateral and other credit risk mitigants to be reflected in the ECL calculation. The following are key aspects with respect to collateral and guarantees:

- Eligibility of collateral, i.e. which collateral should be considered in the ECL calculation;
- Collateral evaluation, i.e. what collateral (liquidation) value should be used;
- Projection of the available collateral amount over the life of a transaction.

Critical Accounting Estimates – The accounting estimates and judgments related to the impairment of Financial Assets is a critical accounting estimate because the underlying assumptions used can change from period to period and may significantly affect the Bank’s results of operations.

In assessing assets for impairments, management judgment is required, particularly in projecting future economic information and scenarios in particular where circumstances of economic and financial uncertainty, when developments and changes to expected cash flows can occur both with greater rapidity and less predictability. The actual amount of the future cash flows and their timing may differ from the estimates used by management and consequently may cause actual losses to differ from reported allowances.

The determination of the expected credit losses in Stages 1 and 2 is calculated using statistical expected loss models. The model incorporates numerous estimates and judgments. The Bank performs a regular review of the model and underlying data and assumptions. The probability of defaults and loss recovery rates amongst other criteria, are incorporated into this determination.

10.2.9 Non-Current Assets Held for Sale

Non-current assets are classified as held for sale whenever it is determined that their balance sheet value will be recovered through sale. This condition is only met when such a sale is highly likely and the asset is available for immediate sale in its current condition. The sale transaction should take place within a maximum period of one year following classification in this item. An extension of the period during which the sale must be completed does not exclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or

circumstances outside the Bank’s control and if the commitment to sell the asset is maintained.

The Bank records the financial holdings held with the intention and expectation of disposal within the short term (1 year) as non-current assets held for sale. In this item, the Bank also recognises properties received in payment of own credit.

The assets recognised in this category are measured at the lower of their acquisition cost and their fair value, determined on the basis of expert independent valuations, less costs incurred in the sale, or at their sale price already agreed with a third party. These assets are not amortised.

Should the assets classified into this category no longer meet the requirements for immediate sale, they are reclassified into the “Investment properties” item, in case of properties, and into the “Investments in subsidiaries and associates” item, in case of financial holdings.

The principles underpinning the use of estimates are applied to the valuation of real estate properties (see note 10.2.4).

10.2.10 Property, Plant and Equipment

The “Property, Plant and Equipment” item includes tangible assets such as properties for own use, vehicles and other equipment.

Properties used by the Bank for its own business purposes are classified as properties for own use. Properties for own use are valued at historic cost and are revalued in accordance with the applicable legal provisions, less any subsequent depreciations.

The remaining tangible fixed assets are recorded at their cost, less subsequent depreciation and impairment losses. Repair and maintenance costs and other expenses associated with their use are recognised as costs when they occur.

Tangible assets are depreciated on a linear basis, according to their expected useful life, which is:

Properties - [10 – 50] years
Vehicles - [3 - 4] years
Other equipment - [2 – 15] years

A tangible asset is derecognised when sold or when no future economic benefits are expected to accrue from its use or sale. On the derecognition date, the gain or loss calculated as the difference between the net sale value and the net book value is recognised in the “Other operating income” item.

10.2.11 Intangible Assets

The “Intangible assets” item essentially correspond to software, and are recorded at acquisition cost, less accumulated depreciation and impairment losses. Depreciations are recorded on a linear basis, over the estimated useful life of the assets, which is currently set between 3 and 8 years.

Intangible assets may include capitalised internal expenditure, namely associated with in-house software development. For this purpose, these expenses are only capitalised from the point at which the conditions stipulated in standard IAS 38 are met, namely the requirements inherent to the development phase.

10.2.12 Income Taxes

The expenses or income recognised as income taxes correspond to the sum of current tax on earnings expense or income and deferred tax on earnings expense or income.

Current tax is calculated on the basis of the prevailing tax rate.

The Group reports as deferred tax liabilities or deferred tax assets those amounts relating to the recognition of taxes payable / taxes recoverable in the future and which result from

unrealised tax losses and temporary taxable/deductible differences, particularly those related to provisions, revaluations of securities and derivatives that are only taxable at the time of realisation, the tax regime for pension liabilities and other employee benefits and non-taxable capital gains for reinvestment.

Deferred tax assets and deferred tax liabilities are calculated and assessed on an annual basis, using the tax rates expected to be in force at the date of reversal of the temporary differences. In practice, these are the rates approved or substantially approved at the balance sheet date. Deferred tax liabilities are always reported. Deferred tax assets are only recorded to the extent that it is likely that there will be sufficient future taxable income to allow their use.

It should be noted that the Bank met the requirements for the special scheme for the conversion of deferred tax assets (“special scheme”) into tax credits, as provided for in Law no. 61/2014, of 26 August. After having signed up for this scheme and following the calculation of a net loss for 2015, the Bank believes it meets the requirements for converting the mentioned deferred tax asset into a tax credit, under article 6 of the special scheme.

In 2016, and for the purposes of the preceding paragraph, the Bank converted deferred tax assets in the amount of 442 thousand euros into tax credits, maintaining the amount of 313 thousand euros in deferred tax assets. At the same time, it set up a special reserve in favour of the State in the amount of the tax credit, plus a margin of 10%, which therefore totalled 486 thousand euros (note 20).

As a result from the negative net loss incurred in the reporting year 2016, the Bank proceeded in 2017 with the conversion of the deferred tax assets into tax credits in the amount of 65 thousand euros, maintaining the amount of 248 thousand euros in deferred tax assets. At the same time, it set up a special reserve in favour

of the State in the amount of the tax credit, plus a margin of 10%, which therefore totalled 71 thousand euros (note 20).

Finally, as a result from net loss incurred in the financial year of 2017, the Bank proceeded, in 2018, with the deferred tax assets conversion into tax credits in an amount of 55 thousand euros. Simultaneously, the Bank created a special reserve in favour of the State equivalent to the tax credit plus a margin of 10%, in the amount of 60 thousand euros (see note 20). As at 31 December 2018, the Bank maintains the amount of 193 thousand euros recorded as deferred tax assets.

The creation of a special reserve requires the simultaneous setting up of conversion rights attributed to the State.

In this context, the Bank has proceeded with an issue of 404,669 conversion rights in favour of the Portuguese State relating to 2015, and separately issued 83,109 and 70,162 conversion rights relating to 2016 and 2017 financial years, respectively. These rights were registered with the Central Securities Depository (Central de Valores Mobiliários / Interbolsa) as at 11 December 2017 and 6 September 2018, respectively.

Under the above mentioned scheme, such conversion rights correspond to securities which entitle the State the right to claim from the Bank the issue and free delivery of ordinary shares, following the share capital increase through the incorporation of the reserve amount. However under the terms set out by the Ministerial Order no. 293-A/2016, as at 18 November, a compulsory acquisition right of the conversion rights from the State is granted to the Bank’s shareholder.

In case the shareholder doesn’t exercise the compulsory acquisition right of the conversion rights issued and allocated to the Portuguese State within the deadline established for this purpose, on the financial year in which the

State exercises these rights, it will require the Bank the respective share capital increase through the incorporation of the special reserve amount and consequent issue and free delivery of ordinary shares representative of the Bank’s share capital.

Income Taxes (current or deferred) are booked in the profit and loss statement for the year, except in those cases in which the transactions that gave rise to the tax have been booked in other equity items. In these situations, the corresponding tax is also booked against equity, without affecting the profit or loss for the year.

10.2.13 Provisions and Contingent Liabilities

A provision is set up whenever there is a present obligation (legal or constructive) resulting from past events for which future disbursement of resources is likely and this disbursement can be reliably determined. The provision is the Bank’s best estimate of the amounts that will have to be disbursed in order to settle the liability at the balance sheet date. If the time effect of the cost of the money is significant, the provisions are discounted using a pre-tax interest rate that reflects the specific risk of the liability. In these cases, the provision increase over time is recognised under financial costs.

Where future disbursement of resources is not likely, a contingent liability is recognised. Contingent liabilities are subject only to disclosure, unless the possibility of their being materialised is remote. This rule does not apply to contingent liabilities associated with the acquisition of businesses, as these are recognised in accordance with IFRS 3.

10.2.14 Recognition of Income and Costs

Income and costs are generally recognised according to the timing of the operations concerned, in accordance with the accrual

concept, i.e. they are recorded as they are generated, independently of when they are collected or paid. Income is recognised to the extent that it is likely that the economic benefits associated with the transaction will flow to the Bank and the amount of income can be reliably measured.

For financial instruments measured at amortised cost and for financial instruments classified as “Financial assets available for sale”, interests are recognised using the effective interest method. This is the rate that exactly discounts the set of future cash receipts and payments expected until maturity, or until the next repricing date, for the currently recorded net amount of the financial asset or liability. When the effective interest rate is calculated, future cash flows are estimated considering the contractual terms and all other income or costs directly attributable to the contracts.

10.2.15 Recognition of Dividends

Dividends are recognised whenever the Bank is virtually certain to receive them, insofar as they are duly and formally recognised by the competent bodies of its subsidiaries, in conformity with paragraph 30 of IAS 18, corroborated by the provisions of paragraph 33 of IAS 37, on virtually certain assets, and by the fact that there are no provisions in IAS 10 on subsequent events, that contradict this framework. Moreover, the provisions of BoP’s Notice no. 18/2004/DSB do not oppose any such approach.

10.2.16 Income and Charges for Services and Commissions

The Bank charges fees to their customers for providing a broad range of services. These include fees for the provision of ongoing services, for which customers are usually debited on a periodic basis, or fees charged for carrying out a specific significant act.

Fees charged for services provided during a given period are recognised over the length period of the service. Fees related to the performance of a significant act are recognised at the moment the act in question occurs.

The fees and charges associated with financial instruments are included in the effective interest rate of such instruments.

From the adoption of IFRS 15 (note 2.3.), no relevant impacts arose to the Bank's Financial Statements.

10.2.17 Voluntary Changes in Accounting Policies

During 2018 financial year, there were no voluntary changes in accounting policies

10.3 Segment Reporting

In the Bank's segment report, as at 31 December 2018, the primary reporting is based on business areas, which includes Investment Banking, Sales & Trading, Wealth Management, Client Management and other activities. Within the segment "other activities", the activity with the higher weight is the Treasury segment.

The division amongst the various business processes considered the nature of the processes, the similarities between them, the organisation and the management processes in place at the Bank.

The reports used by management are essentially based on accounting data.

There are no differences between the measurements of income, losses, assets and liabilities in the segments.

Following the acquisition of Bison Account by Bison Financial on 9 July 2018, deep structural reorganisation was performed, comprising

in relation to those considered in the preparation of the financial information for the previous financial year, as presented in the comparative statements.

10.2.18 Accrual-Based Accounting

The Bank applies the accrual-based accounting principle to most of the items in its financial statements. Thus, income and costs are recognised as they are generated, regardless of when they are actually paid or received.

the comparability of Operating Income and, specially, Operating Cost, including Provisions and Impairment, between 2018 and 2017.

During the last quarter of 2018, the Bank reorganised its structure and implemented a cost accounting approach, to be implemented in 2019, abandoning previous followed business segments presentation.

Thus the business segments reported by the Bank in 2018 and in 2017 include the following business activities, being its activities only distinguished at Operating Income Level:

- Investment Banking: Corporate Finance; Structuring of Equity and Bond issuances; Origination and management of Commercial Paper programs;
- Sales & Trading: Brokerage;
- Wealth Management: Investment Advisory; Discretionary Management;

- Client Management: Corporate & Private Banking; Depositary Bank for Funds;
- Others: Other activities not included in the above segments, including Treasury, which comprises Proprietary portfolio management,

including Legacy portfolios (funds and shares), Financial Holdings for sale and Properties for Sale.

All costs are allocated at on the "Others" segment.

Business segments as at 31 December 2018:

	Investment Banking	Sales & Trading	Wealth Management	Client Management	Others	Total
Interest and Income	-	-	-	17	221	238
Interest Expenses	-	-	-	(183)	(222)	(405)
Net Interest income	-	-	-	(166)	(1)	(167)
Dividend Income	390	-	-	-	-	390
Fee and commission income	171	95	-	1,291	553	2,110
Fee and commission expense	-	(29)	-	(122)	(10)	(161)
Gains or losses on financial assets and liabilities designated at fair value	-	-	-	-	(2,078)	(2,078)
Gains or losses on derecognition of financial assets and liabilities	-	-	-	-	-	-
Exchange differences, net	-	-	-	-	3	3
Other operating income, net	-	-	-	-	(222)	(222)
Total Operating Income, Net	561	66	-	1,004	(1,756)	(125)
Staff expenses	-	-	-	-	(5,715)	(5,715)
Other administrative expenses	-	-	-	-	(3,196)	(3,196)
Depreciation	-	-	-	-	(598)	(598)
Provisions or reversal of provisions	-	-	-	-	321	321
Impairment or reversal of impairment on financial assets	-	-	-	-	1	1
Impairment or reversal of impairment on non-financial assets	-	-	-	-	41	41
Profit or Loss before Tax from Continuing Operations	561	66	-	1,004	(10,902)	(9,271)
Taxes	-	-	-	-	(147)	(147)
Profit or Loss after Tax from Continuing Operations	561	66	-	1,004	(11,049)	(9,418)
Profit or Loss after tax from discontinued operations	-	-	-	-	-	-
Profit / (Loss) for the Year	561	66	-	1,004	(11,049)	(9,418)

Business segments as at 31 December 2017:

	Investment Banking	Sales & Trading	Wealth Management	Client Management	Others	Total
Interest and Income	(4)	3	-	54	63	116
Interest Expenses	-	-	-	145	(694)	(549)
Net Interest income	(4)	3	-	199	(631)	(433)
Dividend Income	215	-	-	-	99	314
Fee and commission income	324	107	136	1,914	36	2,517
Fee and commission expense	(2)	(143)	(65)	(27)	(10)	(247)
Gains or losses on financial assets and liabilities designated at fair value	-	41	-	-	(696)	(655)
Gains or losses on derecognition of financial assets and liabilities	-	-	-	-	126	126
Exchange differences, net	-	-	-	-	(144)	(144)
Other operating income, net	(2)	(4)	(39)	(61)	(323)	(429)
Total Operating Income, Net	531	4	32	2,025	(1,543)	1,049
Staff expenses	-	-	-	-	(3,579)	(3,579)
Other administrative expenses	-	-	-	-	(2,691)	(2,691)
Depreciation	-	-	-	-	267	267
Provisions or reversal of provisions	-	-	-	-	(823)	(823)
Impairment or reversal of impairment on financial assets	-	-	-	-	(638)	(638)
Impairment or reversal of impairment on non-financial assets	-	-	-	-	82	82
Profit or Loss before Tax from Continuing Operations	531	4	32	2,025	(9,505)	(6,913)
Taxes	(3)	(27)	(8)	(13)	(121)	(172)
Profit or Loss after Tax from Continuing Operations	528	(23)	24	2,012	(9,626)	(7,085)
Profit or Loss after tax from discontinued operations	-	-	-	-	306	306
Profit / (Loss) for the Year	528	(23)	24	2,012	(9,320)	(6,779)

The interest figures reported in the business segments include intra-segment interests pertaining to funding costs and/or the application of raised funds.

Geographic segments

Almost all the Bank's business activity is carried out in Portugal. The business outside Portugal has no material impact at the Bank's context.

10.4 Cash, Cash Balances at Central Banks and Other Demand Deposits

This item breaks down as follows:

	31-12-2018	31-12-2017
Cash	-	1
On-Demand Deposits with Bank of Portugal	1,867	10,167
	1,867	10,168
Other Demand Deposits In Portugal		
Currency EUR	29,110	1,200
Currency AUD	-	1
Currency USD	3,158	53
Others currencies	129	1
Abroad		
Currency EUR	212	546
Currency USD	56	1,334
Currency CAD	-	89
Currency GBP	3	36
Currency CHF	22	127
Others currencies	7	7
	32,696	3,393
	34,563	13,561

The "Demand Deposits with Bank of Portugal" item includes the deposits set up to meet the Eurosystem's Minimum Reserve requirements. The minimum reserve corresponds to 1% of deposits and debt securities with maturities of up to 2 years, excluding any liabilities to other institutions subject to, but not exempt from, the same minimum reserve requirement and the liabilities to the European Central Bank and to National Central Banks participating in the euro area.

The amounts recorded under this item are available for movement.

10.5 Financial Assets Held for Trading

This item is composed of debt instruments and equity instruments, which are detailed as follows:

Details of the Securities Portfolio as at 31 December 2018:

Name and Type of Security	Currency	Amount	Price	Valuation Criteria	Book Value
1 - Debt Instruments					162
Issued by residents					
Portuguese Public Debt					
CONSOLIDADO/1943	EUR	1	0.67	Fair Value	-
CONSOLIDADO/1942	EUR	0	0.74	Fair Value	-
OBRIGAÇÕES DO TESOURO 2.2 10/17/22	EUR	150,000	1.08	Fair Value	162
2 - Equity Instruments					-
Issued by residents					
BEIRA VOUGA 88 S.A.	EUR	5,190	0.00	Fair Value	-
BEIRA VOUGA 88 S.B.	EUR	5,190	0.00	Fair Value	-
KENDALL, PINTO BASTO & Cª LDA	EUR	264,470	0.00	Fair Value	-
PRODIS	EUR	33	0.25	Fair Value	-
INCAL	EUR	100	0.00	Fair Value	-
G.A.P. - S.G.P.S.	EUR	16	0.00	Fair Value	-
S.P.E. PORTADOR	EUR	29	0.00	Fair Value	-
GREGORIO & COMP.	EUR	100	0.00	Fair Value	-
F.N.MARGARINAS	EUR	5	0.00	Fair Value	-
FIACO	EUR	10	0.00	Fair Value	-
FONCAR - IND.COM.TEXTIL	EUR	3	0.00	Fair Value	-
COPINAQUE	EUR	40	0.00	Fair Value	-
AMADEU GAUDENCIO	EUR	320	0.00	Fair Value	-
TRANSBEL - TRANSP.TRANS.INTERNAC.	EUR	5	0.00	Fair Value	-
NUNO MESQUITA PIRES, S.A.	EUR	90	0.00	Fair Value	-
FNACINVEST - S.G.P.S.	EUR	180	0.00	Fair Value	-
BANIF - BANCO INT. FUNCHAL, S.A.	EUR	565,574	0.00	Fair Value	-
BEIRA VOUGA 95 (ACÇÕES)	EUR	1,509	0.00	Fair Value	-
S.P.E. NOMINATIVAS	EUR	122	0.00	Fair Value	-
BUCIQUEIRA - S.G.P.S., S.A.	EUR	10	0.00	Fair Value	-
Total					162

Details of the Securities Portfolio as at 31 December 2017:

Name and Type of Securities	Currency	Amount	Price	Valuation Criteria	Book Value
1 - Debt Instruments					23,199
Issued by residents of Portuguese Public Debt					
CONSOLIDADO/1943	EUR	1	0.64	Fair Value	-
CONSOLIDADO/1942	EUR	0	0.74	Fair Value	-
OBRIGAÇÕES DO TESOURO 2.2 10/17/22	EUR	150,000	1.09	Fair Value	164
BILHETES DO TESOURO 0 07/20/2018	EUR	2,000,000	1.00	Fair Value	2,003
PORTB 0 01/19/18	EUR	5,000,000	1.00	Fair Value	5,001
PORTB 0 01/19/18	EUR	4,000,000	1.00	Fair Value	4,001
PORTB 0 09/21/18	EUR	12,000,000	1.00	Fair Value	12,030
2 - Equity Instruments					-
Issued by residents					
BEIRA VOUGA 88 S.A.	EUR	5,190	0.00	Fair Value	-
BEIRA VOUGA 88 S.B.	EUR	5,190	0.00	Fair Value	-
KENDALL, PINTO BASTO & Cª LDA	EUR	264,470	0.00	Fair Value	-
PRODIS	EUR	33	0.25	Fair Value	-
INCAL	EUR	100	0.00	Fair Value	-
G.A.P. - S.G.P.S.	EUR	16	0.00	Fair Value	-
S.P.E. PORTADOR	EUR	29	0.00	Fair Value	-
GREGORIO & COMP.	EUR	100	0.00	Fair Value	-
F.N.MARGARINAS	EUR	5	0.00	Fair Value	-
FIACO	EUR	10	0.00	Fair Value	-
FONCAR - IND.COM.TEXTIL	EUR	3	0.00	Fair Value	-
COPINAQUE	EUR	40	0.00	Fair Value	-
AMADEU GAUDENCIO	EUR	320	0.00	Fair Value	-
TRANSBEL - TRANSP.TRANS.INTERNAC.	EUR	5	0.00	Fair Value	-
NUNO MESQUITA PIRES, S.A.	EUR	90	0.00	Fair Value	-
FNACINVEST - S.G.P.S.	EUR	180	0.00	Fair Value	-
BANIF S.A.	EUR	565,574	0.00	Fair Value	-
BEIRA VOUGA 95 (ACÇÕES)	EUR	1,509	0.00	Fair Value	-
S.P.E. NOMINATIVAS	EUR	122	0.00	Fair Value	-
BUCIQUEIRA - S.G.P.S., S.A.	EUR	10	0.00	Fair Value	-
BUCIQUEIRA - S.G.P.S., S.A.	EUR	2	0.00	Fair Value	-
Issued by non-residents					
T.P. BFN 1987	EUR	2	1.00	Fair Value	-
T.P. BFN 87 2a	EUR	2	1.40	Fair Value	-
AMERICAN INTERNATIONAL - CW21	USD	1	18.12	Fair Value	-
Total					23,199

As required under subparagraph c), no. 2, of the Bank of Portugal's Instruction no. 18/2005, as at 31 December 2018, there are not any securities that will come to maturity within one year.

The Treasury Bonds above identified as "OBRIGACOES DO TESOURO 2.2 10/17/22". in the amount of 162 thousand euros are pledged to the investor compensation system. As at 31 December 2018, the Bank is not using the intraday credit line.

10.6 Non-Trading Financial Assets Mandatorily at Fair Value Through Profit or Loss

The details of this item, as at 31 December 2018, were as follows:

Name and Type of Security	Currency	Amount	Price	Valuation Criteria	Book Value
Equity Instruments					23,445
Issued by residents					
GALERIAS NAZONI	EUR	750	0.00	Fair Value	-
SEA ROAD	EUR	200,000	0.00	Fair Value	-
TURIRENT	EUR	14,291	587.47	Fair Value	8,395
FLORESTA ATLÂNTICA - SGFII (CL B)	EUR	40,000	48.54	Fair Value	1,942
ART INVEST	EUR	312,900	0.85	Fair Value	266
Issued by non-residents					
SHOTGUN PICTURES	EUR	10,000	0.00	Fair Value	-
DISCOVERY PORTUGAL REF, SICAV-FIS	EUR	13,054	961.89	Fair Value	12,556
PREFP-PAN EUROPEAN REAL STATE FUND	EUR	1,152	71.47	Fair Value	82
JP MORGAN EUROPEAN PROPERTY FUND	EUR	3	9,471.29	Fair Value	3
FINE ART FUND (CP)	USD	12,645	10.77	Fair Value	119
PRADERA EUROPEAN RETAIL FUND CLASS1	EUR	396	80.28	Fair Value	36
GREFF GLOBAL REAL ESTATE FUND A	EUR	599	53.14	Fair Value	32
JPM GREATER CHINA PROP FUND CAY LP	USD	207,141,363	0.00	Fair Value	-
BELMONT RX SPC FI SEP08	USD	2	11.74	Fair Value	0
BELMONT RX SPC FI DEC08	USD	406	35.93	Fair Value	13
Total					23,445

On 5 December 2018 Bison Account increased Turirent's equity by the amount of 1,250 thousand euros in order to finish the buildings construction in plot 8 and 9 in Camarate and increase the fund's liquidity.

The details of this item, as at 31 December 2017, were as follows:

Name and Type of Security	Currency	Amount	Price	Valuation Criteria	Book Value
Debt Instruments					73
Issued by residents					
PGB 4,45 06/15/18	EUR	70,000	1.02	Fair Value	73
Equity Instruments					46,778
Issued by residents					
GALERIAS NAZONI	EUR	750	0.00	Fair Value	-
SEA ROAD	EUR	200,000	0.00	Fair Value	-
FINPRO SCR, SA	EUR	407,461	0.00	Fair Value	-
BANIF IMOPREDIAL	EUR	3,784,630	4.37	Fair Value	16,537
BANIF IMOGEST	EUR	200,735	17.76	Fair Value	3,564
PORTO NOVO F.I.I.F	EUR	20,788	51.61	Fair Value	1,073
FLORESTA ATLÂNTICA - SGFII (CL B)	EUR	40,000	56.53	Fair Value	2,261
BANIF CAPITAL INFRASTRUCTURE FUND	EUR	1,635	0.00	Fair Value	-
FLORESTA ATLÂNTICA - SGFII SA	EUR	10,125	11.68	Fair Value	118
FINPRO SCR, SA	EUR	763,363	0.00	Fair Value	-
BANIF IMOGEST	EUR	9,447	17.76	Fair Value	168
BANIF PROPERTY	EUR	887	753.98	Fair Value	669
TURIRENT	EUR	12,166	542.00	Fair Value	6,594
ART INVEST	EUR	312,900	1.19	Fair Value	372
Issued by non-residents					
SHOTGUN PICTURES	EUR	10,000	0.00	Fair Value	-
GED SUR FCR-CL A	EUR	100	56.85	Fair Value	6
GED SUR FCR-CL B	EUR	49,900	56.85	Fair Value	2,837
GED SUR CAPITAL S.A, SGEOR	EUR	30,000	1.02	Fair Value	31
DISCOVERY PORTUGAL REF, SICAV-FIS	EUR	12,742	945.49	Fair Value	12,048
PREFP-PAN EUROPEAN REAL STATE FUND	EUR	2,733	73.67	Fair Value	201
JP MORGAN EUROPEAN PROPERTY FUND	EUR	3	7,407.98	Fair Value	20
FINE ART FUND (CP)	USD	12,645	10.77	Fair Value	114
PRADERA EUROPEAN RETAIL FUND CLASS1	EUR	300,000	0.15	Fair Value	45
DB GLOBAL MASTERS FUND - 04/05	EUR	2,416	8.30	Fair Value	20
DB GLOBAL MASTERS FUND - 07/07	EUR	2,833	6.07	Fair Value	17
GREFF GLOBAL REAL ESTATE FUND A	EUR	599	82.41	Fair Value	49
JPM GREATER CHINA PROP FUND CAY LP	USD	207,141,363	0.00	Fair Value	21
BELMONT RX SPC FI SEP08	USD	2	12.71	Fair Value	-
BELMONT RX SPC FI DEC08	USD	406	38.27	Fair Value	13
DB GLOBAL MASTERS FUND-V 13-07	EUR	57	5.76	Fair Value	-
Total					46,851

The main assumptions used in the valuation of the unlisted equity instruments are:

- Units in Investment Funds – market price based on the last NAV available for units in investment funds acquired up to the date of that price; historical cost for investments (regarding only balances as of 31 December 2017) made between the date of the last market price available and the date of the financial statements;
- Securities received in lieu – record of 100% impairment on the balance sheet value if there are no prospects of recoverability. The prospects of recoverability are determined on the basis of individual internally conducted analyses.

On 9 July 2018, several assets held by the Bank were sold to Oitante in the context of a carve-out transaction, agreed in the sale and purchase agreement entered on 11 August 2016 with Bison Financial. Under the terms of this agreement, it was established that by the time the purchase and sale of the Bank's entire capital was completed, these assets would not be part of the balance sheet of the Bank, and Oitante was entrusted with the disposal of these holdings. (note 24)

10.7 Financial Assets at Fair Value Through Other Comprehensive Income

The details of this item, as at 31 December 2018, were as follows:

Name and Type of Security	Currency	Amount	Price	Valuation Criteria	Book Value
Debt Instruments					35,069
Issued by residents					
PORTUGUESE OT'S PGB3.85 04/15/21	EUR	70,000	1.09	Fair Value	78
IGCP EPE/VAR OB 20210812	EUR	814,000	1.05	Fair Value	862
IGCP EPE/VAR OB 20220412	EUR	207,000	1.05	Fair Value	218
IGCP EPE/VAR OB 20211130	EUR	1,824,000	1.05	Fair Value	1,920
IGCP EPE/VAR OB 20220802	EUR	438,000	1.04	Fair Value	459
REP PORTUGUESA/VAR OB 20221205	EUR	342,000	1.03	Fair Value	351
PORTUGAL, REPUB/VAR BD 20250723	EUR	4,866,000	1.02	Fair Value	5,006
Issued by non-residents					
ITALIA/0.35 BTP20200615	EUR	5,000,000	1.00	Fair Value	4,996
SPGB 0.35 07/30/23	EUR	5,000,000	1.00	Fair Value	5,012
RENEPL 1 3/4 06/01/23	EUR	3,000,000	1.03	Fair Value	3,128
CABKSM 1.125 01/12/23	EUR	5,000,000	0.98	Fair Value	4,952
SANTAN 1.375 12/14/22	EUR	3,000,000	1.03	Fair Value	3,086
CSI FINANCIAL P/0.7 MTN 20191023	EUR	5,000,000	1.00	Fair Value	5,000
Equity Instruments					3,468
Issued by residents					
ASCENDI OPERADORA BLA	EUR	63	15.96	Amortised Cost	1
ASCENDI OPERADORA CP	EUR	63	15.56	Amortised Cost	1
ASCENDI OPERADORA NT	EUR	97	221.22	Amortised Cost	21
ASCENDI BEIRAS LITORAL E ALTA	EUR	32,460	34.11	Amortised Cost	1,107
ASCENDI COSTA DE PRATA	EUR	14,129	16.42	Amortised Cost	232
ASCENDI NORTE	EUR	54,199	22.89	Amortised Cost	1,240
ASCENDI COSTA DE PRATA	EUR	16,345	1.00	Amortised Cost	-
ASCENDI NORTE	EUR	663,007	1.00	Amortised Cost	663
ASCENDI BEIRA LITORAL	EUR	72,539	1.00	Amortised Cost	73
Issued by non-residents					
Floresta Atlântica - SGFII, SA	EUR	10,125	12.81	Fair Value	130
Total					38,537

The details of this item, as at 31 December 2017, were as follows:

Name and Type of Security	Currency	Amount	Price	Valuation Criteria	Book Value
Equity Instruments					2,093
Issued by residents					
ASCENDI OPERADORA BLA	EUR	63	1.00	Amortised Cost	-
ASCENDI OPERADORA CP	EUR	63	1.00	Amortised Cost	-
ASCENDI OPERADORA NT	EUR	97	1.00	Amortised Cost	-
ASCENDI BEIRAS LITORAL E ALATA	EUR	32,460	35.51	Amortised Cost	1,153
ASCENDI COSTA DE PRATA	EUR	14,129	6.90	Amortised Cost	98
ASCENDI NORTE	EUR	54,199	4.00	Amortised Cost	217
ASCENDI COSTA DE PRATA	EUR	16,345	1.00	Amortised Cost	16
ASCENDI NORTE	EUR	541,996	1.00	Amortised Cost	542
ASCENDI BEIRA LITORAL	EUR	67,444	1.00	Amortised Cost	67
Total					2,093

As of December 31, 2018, and under the terms of paragraph c), paragraph 2, of Instruction n° 18/2005 of the BoP, no securities in portfolio mature within one year.

As of December 31, 2018, the Bank is not using the intraday credit facility.

The main assumptions used in the valuation of the unlisted equity instruments are:

- Units in Investment Funds – market price based on the last NAV available for units in investment funds acquired up to the date of that price; historical cost for investments

(regarding only balances as of 31 December 2017) made between the date of the last market price available and the date of the financial statements;

- Securities received in lieu – record of 100% impairment on the balance sheet value if there are no prospects of recoverability. The prospects of recoverability are determined on the basis of individual internally conducted analyses.

10.8 Financial Assets at Amortised Cost

This item breaks down as follows:

	31-12-2018	31-12-2017
Domestic Loans		
Corporates		
Other Loans	50	93
Overdrafts and on demand deposits	315	322
Individuals		
Overdrafts and on demand deposits	-	9
External Loans		
Individuals		
Others	-	-
	365	424
Overdue Loans and Interests	1,068	1,404
	1,433	1,828
Securities Portfolio		
	-	3,265
	1,433	5,093
Impairment		
	(1,170)	(4,810)
	263	283

During 2017, Bison Account forgave the credit to Banif US Real Estate, in the amount of 1,988 thousand dollars, and during that year used a provision in the amount of 1,684 thousand euros, from which 710 thousand euros relate to reinforcements for the year. The amount of debt of said entity was derecognised in accordance with the accounting policy described in note 2.8.1.3.

This entity entered into Liquidation on 2 September, 2014, and following recent contacts with the liquidator agent and hers legal consultants, the completion of the Liquidation process is expected in 2019 and no further material impacts to the Bank are expected.

Principal and overdue accrued interests in arrears break down as follows:

Term (months)	Amount	
	31-12-2018	31-12-2017
< = a 03m	-	-
> 03m < = 06m	-	-
> 06 < = 09m	-	-
> 09m < = 12m	-	-
> 12m < = 15m	1	-
> 15m < = 18m	-	120
> 18m < = 24m	-	173
> 24m < = 30m	1	-
> 30m < = 36m	176	6
> 36m < = 48m	-	2
> 48m < = 60m	890	1,103
> 60m	-	-
Total	1,068	1,404

As at 31 December 2018, the details of the securities portfolio classified into this item are as follows:

Name and Type of Security	Currency	Amount	Price	Valuation Criteria	Gross Value	Net Value
Debt Instruments						
BANIF FINANCE LTD 3 12/31/19	EUR	3,825,000	0.00	Amortised Cost	-	-
Total					0	0

As at 31 December 2017, the details of securities portfolio are as follows:

Name and Type of Security	Currency	Amount	Price	Valuation Criteria	Gross Value	Net Value
Debt Instruments						
BANIF FINANCE LTD 3 12/31/19	EUR	3,825,000	0.00	Amortised Cost	-	-
CIELO GRANDE VIEW BILOXI 240	USD	2,609,479	0.00	Amortised Cost	2,176	-
ATC FORT MYERS	USD	1,305,149	0.00	Amortised Cost	1,088	-
Total					3,264	-

Note 10.2.8 details the policy adopted by the Bank in relation to the classification of securities in this category.

The Bank considers restructured loans to be those loans in relation to which there have been changes in contractual conditions, particularly in terms of extensions to the repayment period, the introduction of grace periods or the capitalisation of interest, due to the financial difficulties of the borrower, regardless of whether or not there have been delays in the payment of principal and interests.

10.9 Non-Current Assets and Disposal Groups Classified as Held for Sale

This item breaks down as follows:

	31-12-2018	31-12-2017
Real Estate Properties received in lieu of payment	3	3
Real Estate Properties	-	-
Subsidiaries and Associates	-	2,571
Impairments on Subsidiaries and Associates	-	(114)
	3	2,460

In 2016, the Bank classified the Profile, Banif Capital, Banif International Asset Management, Banif Multi Fund and MCO2 units as discontinued units as a result of the sale and purchase agreement concluded on August 11, 2016, which provided for the sale of these participations to Oitante. This agreement established that on the date of its conclusion, the above-identified Bank's holdings do not remain Bank's assets.

To this extent, the total assets and liabilities of the entities referred to above as at 31 December 2017 are presented in the Bank's balance sheet under "Non-current assets and disposal groups classified as held for sale" and were disposed of on 9 July 2018 in accordance with IFRS 5, the contribution of the operations of those entities was presented under "Discontinued operations" in accordance with the requirements of this accounting standard.

The changes over the 2018 and 2017 financial years were:

Description	Balance as at 31-12-2017			Changes from year 2018				Balance as at 31-12-2018		
	Gross Amount	Impairment	Net Amount	Acquisitions	Disposals	Increase / (Reduction)	Impairment Increase	Gross Amount	Impairment	Net Amount
Discontinued units	2,571	(114)	2,457	-	(2,457)	-	-	-	-	-
Foreclosed Real Estate Properties	3	-	3	-	-	-	-	3	-	3
Total	2,574	(114)	2,460	-	(2,457)	-	-	3	-	3

Description	Balance as at 31-12-2016			Changes from year 2017				Balance as at 31-12-2017		
	Gross Amount	Impairment	Net Amount	Acquisitions	Disposals	Increase / (Reduction)	Impairment Increase	Gross Amount	Impairment	Net Amount
Discontinued units	14,067	(5,491)	8,576	-	(9,339)	928	34	2,571	(114)	2,457
Foreclosed Real Estate Properties	3	-	3	-	-	-	-	3	-	3
Total	14,070	(5,491)	8,579	-	(9,339)	928	34	2,574	(114)	2,460

Gross amount of discontinued entities, disposed on 9 July 2018 (note 24) is as follows:

Entity	31-12-2018	31-12-2017
Profile*	-	2,137
BIAM	-	277
MCO2	-	156
	-	2,571

* Previously named Banif Gestão de Activos

As at 31 December 2018, the Bank only held a single property, which has been received for its residual value in lieu of payment. For the purposes of determining any impairment of real estate properties classified as non-current assets held for sale, valuations are carried out by independent specialist surveyors, in accordance with the criteria and methodologies generally accepted for the purpose. These include analyses using the cost method and market method.

Furthermore, in December 2017, the Bank hired the services of a Real Estate Broker to sell this property and based the intended transaction price on the last valuation amount, which fits the mentioned values of the comparative market analysis made by the broker.

Fair value is defined as the amount that could reasonably be expected of a transaction between an interested purchaser and seller, with fairness between the two, neither being obliged to sell or purchase and both being aware of all relevant factors on a given date. The last valuation of the real estate property classified in this category occurred in December 2016.

10.10 Property, Plant and Equipment

The changes over the period in the “Other tangible assets” item were the following:

Description	31-12-2017			Changes from year 2018			31-12-2018			
	Gross Amount	Amortization	Net Amount	Acquisitions	Write-offs		Amortization for the year	Gross Amount	Amortization	Net Amount
					Gross Amount	Amortization				
Other Tangible Assets										
Real Estate Properties										
Work on leasehold real estate properties	40	4	36	-	-	-	36	40	40	-
	40	4	36	-	-	-	36	40	40	-
Equipment										
Office furniture and material	424	407	17	-	-	-	1	424	408	17
Machinery and tools	97	96	1	2	-	-	2	99	99	-
IT equipment	1,482	1,467	15	34	(3)	1	22	1,513	1,490	24
Inner facilities	54	45	9	6	-	-	5	60	50	10
Transport equipment	33	32	1	-	-	-	-	33	33	-
Security equipment	23	23	-	-	-	-	-	23	23	-
Other equipment	56	51	5	-	-	-	5	56	56	-
	2,169	2,121	48	42	(3)	1	37	2,208	2,158	51
	2,209	2,125	84	42	(3)	1	73	2,248	2,198	51

The changes over the previous period were the following:

Description	31-12-2016			Changes from year 2017			31-12-2017			
	Gross Amount	Amortization	Net Amount	Acquisitions	Write-offs		Amortization for the year	Gross Amount	Amortization	Net Amount
					Gross Amount	Amortization				
Other Tangible Assets										
Real Estate Properties										
Work on leasehold real estate properties	411	192	219	-	(371)	(192)	4	40	4	36
	411	192	219	-	(371)	(192)	4	40	4	36
Equipment										
Office furniture and material	424	391	33	-	-	-	17	424	407	17
Machinery and tools	97	93	4	-	-	-	3	97	96	1
IT equipment	1,501	1,470	31	3	(22)	(22)	19	1,482	1,467	15
Inner facilities	658	582	76	-	(604)	(545)	8	54	45	9
Transport equipment	120	115	5	-	(87)	(83)	-	33	32	1
Security equipment	23	23	-	-	-	-	-	23	23	-
Other equipment	56	46	10	-	-	-	5	56	51	5
	2,879	2,719	160	3	(713)	(650)	52	2,169	2,121	48
	3,290	2,911	379	3	(1,084)	(842)	56	2,209	2,125	84

There are no tangible fixed assets held under financial leasing or operational leasing arrangements.

10.11 Intangible Assets

The changes over the period in the “Intangible Assets” item were the following:

Description	31-12-2017			Changes from year 2018		31-12-2018		
	Gross Amount	Amortization	Net Amount	Acquisitions	Amortization	Gross Amount	Amortization	Net Amount
Intangible Assets								
Software	8,307	7,586	721	140	525	8,447	8,111	335
	8,307	7,586	721	140	525	8,447	8,111	335

The changes over the previous period were the following:

Description	31-12-2016			Changes from year 2017		31-12-2017		
	Gross Amount	Amortization	Net Amount	Acquisitions	Amortization	Gross Amount	Amortization	Net Amount
Intangible Assets								
Software	8,176	7,063	1,113	131	523	8,307	7,586	721
	8,176	7,063	1,113	131	523	8,307	7,586	721

10.12 Investments in Subsidiaries, Associates and Joint Ventures

As at 31 December 2018, the Bank has no holdings classified in this category, since that during the year 2016, and following the signing of the purchase and sale agreement between the Bank’s previous shareholder and its Prominent Buyer, the Bank reclassified its holdings to non-current assets held for sale, as detailed in note 9.

10.13 Current Tax Assets and Liabilities

As at 31 December 2018 and 2017, current tax assets and liabilities were as follows:

	31-12-2018	31-12-2017
Current Income Tax Assets		
Special Payment on Account (“Pagamento Especial por conta”)	153	148
Withholding Property Taxes (“Retenções prediais”)	51	19
	204	166
Current Income Tax Liabilities	(95)	(78)
Estimated Income Tax	(95)	(78)
	109	88

The reconciliation between the nominal tax rate and the effective income tax rate for 2018 and 2017 is as follows:

	31-12-2018	31-12-2017
Profit / (Loss) before Income Taxes	(9,271)	(6,913)
Corporate Income Tax and other Income Taxes	(2,086)	(1,555)
Statutory Income Tax Rate	21.00%	21.00%
Additional over Statutory Income Tax Rate	1.50%	1.50%
Autonomous Taxation	95	78
Banking Sector Tax	52	94
Total Current Income Tax	147	172
Deferred Income Tax	-	-
Total Tax Burden	147	172

10.14 Deferred Tax Assets and Liabilities

As at 31 December 2018 and 2017, the Bank's deferred tax assets and liabilities break down in the following way:

	31-12-2018	31-12-2017
Deferred tax assets	193	248
Deferred tax liabilities	(130)	(64)
	63	184

Deferred tax assets

Regarding deferred tax assets, recorded amounts are fully related with conversion scheme of deferred tax assets into tax credits, performed according to Portuguese law and explained as follows.

On 21 November 2014, the Bank verified to have met the requirements for the special scheme for the conversion of deferred tax assets ("special scheme") into tax credits and adhered the special scheme. These tax assets result from the non-deduction of expenses and negative equity changes due to impairment losses on loans and post-employment benefits or long-term employee benefits, as provided for in Law no. 61/2014, of 26 August.

Thus, as a result of the net loss in the 2015 financial year, the Bank recorded deferred tax assets, in the amount of 755 thousand euros, for the balance of impairment losses on non-performing non-mortgage loans, that were above the limits established for in the BoP's Notice no. 3/95. The referred amount was covered by the special scheme.

After having signed up for this scheme and following the calculation of a net loss for 2015, the Bank believes it meets the requirements for converting the said deferred tax asset into a tax credit, under article 6 of the special scheme.

Thus in 2016, and for the purposes of the preceding paragraph, the Bank converted deferred tax assets in the amount of 442 thousand euros into tax credits. The Bank simultaneously set up a special reserve in favour of the State in an amount equivalent to the tax credit plus a margin of 10%, totalling 486 thousand euros (see note 20). As at 31 December 2016, the Bank maintained the amount of 313 thousand euros recorded as deferred tax assets.

As a result from a net loss incurred in the financial year of 2016, the Bank proceeded, in 2017, with the deferred tax assets conversion into tax credits in an amount of 65 thousand euros. Simultaneously, the Bank created a special reserve in favour of the State equivalent to the tax credit plus a margin of 10%, in the amount of 71 thousand euros (see note 20). As at 31 December 2017, the Bank maintains the amount of 248 thousand euros recorded as deferred tax assets.

Finally, as a result from net loss incurred in the financial year of 2017, the Bank proceeded, in 2018, with the deferred tax assets conversion into tax credits in an amount of 60 thousand euros. Simultaneously, the Bank created a special reserve in favour of the State equivalent to the tax credit plus a margin of 10%, in the

amount of 61 thousand euros (see note 20). As at 31 December 2018, the Bank maintains the amount of 193 thousand euros recorded as deferred tax assets.

The creation of a special reserve requires the constitution of conversion rights attributed to the State.

In this context, the Bank has proceeded with an issue of 404,669 conversion rights in favour of the Portuguese State relating to 2015, and separately issued 83,109 and 70,162 conversion rights relating to 2016 and 2017 financial years, respectively. These rights were registered with the Central Securities Depository (Central de Valores Mobiliários / Interbolsa) as at 11th December 2017 and 6th September 2018, respectively.

Under the above mentioned scheme, such conversion rights correspond to securities which entitle the State the right to claim from the Bank the issue and free delivery of ordinary shares, following the share capital increase through the incorporation of the reserve amount. However under the terms set out by the Ministerial Order no. 293-A/2016, as at 18 November, a compulsory acquisition right of the conversion rights from the State is granted to the Bank's shareholder.

In case the shareholder doesn't exercise the compulsory acquisition right of the conversion rights issued and allocated to the Portuguese State within the deadline established for this purpose, on the financial year in which the State exercises these rights, it will require the Bank the respective share capital increase through the incorporation of the special reserve amount and consequent issue and free delivery of ordinary shares representative of the Bank's share capital.

Deferred tax liabilities

As at 31 December 2018 and 2017, recorded deferred tax liabilities are fully related to

revaluation reserves of proprietary securities portfolio.

Tax losses

As provided for in article 52, no. 8 of the Corporate Tax Code (IRC), an entity may lose the right to deduct tax losses from previous years if there is a change in the ownership of more than 50% of its share capital or of a majority of the voting rights.

Following the resolution measure applied to Banif, SA, which was the entity that owned 100% of the Bank's share capital until 20 December 2015, there was a change in the ownership of more than 50% of the Bank's share capital.

As a result, the Bank submitted an application, within the legal deadline, to be allowed to maintain the tax losses determined for the reporting periods between 2012 and 2014, in the terms of article 52, no. 12, of the Corporate Tax Code (IRC).

Following the acquisition process of the Bank by Bison Financial, that was concluded with the signing of the closing certificate on 9th July 2018, for the entire quota capital of the Bank and its shareholder credits, there was a new change in the ownership of more than 50% of the Bank's share capital.

Again, and as a result, the bank applied, within the legal deadline, to be allowed to maintain the tax losses determined for the eligible reporting periods finishing in 2017, under the terms of article 52, no. 12, of the Corporate Tax Code (IRC).

Considering the Bank's current situation and the lack of reasonable expectations regarding the existence of future taxable profits, no deferred tax assets are recognised for tax losses.

The table below details the tax losses, and the potential deferred tax asset associated with these tax losses, that the Bank did not account for in its financial statements:

Tax Period	Reportable Tax Losses	Potential Deferred Taxes	Carry forward Period (Years)	Carry forward Last Year
2014	59,838	12,566	12	2026
2015	17,092	3,589	12	2027
2016	8,951	1,880	12	2028
2017	5,341	1,122	5	2022
	91,222	19,157		

Temporary differences

Similarly, the Bank is not recognising any deferred taxes on the temporary differences between the accounting base and the tax base of the assets, and is only accounting deferred tax liabilities on securities revaluation reserves.

10.15 Other Assets

This item breaks down as follows:

Other Assets	31-12-2018	31-12-2017
Sundry Debtors		
Margin Account	1,409	1,442
Debtors	1,062	1,064
Tax Credit	55	507
Income Receivable	-	40
Expenses with deferred charges	314	217
Foreign exchange transactions pending regularization	-	-
Other active transactions pending regularisation	-	575
	2,839	3,845
Impairment losses on other assets	(240)	(656)
	2,600	3,189

As at 31 December 2018, the “Margin Account” caption refers to the margin account deposited with Clearnet in the amount of 1,409 thousand euros, compared to 1,442 thousand euros recorded on 31 December 2017, and the caption “Debtors” refers essentially to commissions for providing the service of depository bank of investment funds. In 2019, an overall amount corresponding to approximately 75% of these outstanding amounts has already been collected.

Impairment losses on other assets are essentially related to commissions for the provision of the service of depository bank of investment funds whose expectation of collection is reduced and at 31 December 2018 they were already past due, along with invoicing customers whose expectation of collection is also reduced.

The reduction in the balance of the item “Sundry debtors - Tax Credit” arises from the receipt by the Bank of the amounts of the special regime (Note 14) for the years 2015 and 2016.

10.16 Deposits and Liabilities from Other Credit Institutions and Other Clients

This item breaks down as follows:

Deposits from other credit institutions	31-12-2018	31-12-2017
From credit institutions in Portugal		
Short term deposits	142	3,441
Term deposits	4,840	5,135
	4,982	8,576
From credit institutions abroad		
Deposits	-	13
	4,982	8,590
Deposits		
On demand	18,405	16,004
Term deposits	14,028	10,904
Interest on Term Deposits	-	26
Loans	-	24,203
	32,434	51,137
	37,415	59,727

10.17 Impairment, Provisions and Contingent Liabilities

The changes over the year were as follows:

Description	Balance as at 31-12-2017	Reinforcements	Applications and Others	Reinstatements	Exchange Rate Differences	Balance as at 31-12-2018
Assets						
Financial assets at fair value through other comprehensive income	9,474	53	(9,446)	(17)	-	65
Financial assets at amortised cost	4,810	14	(3,601)	(52)	-	1,170
Financial assets held for trading	114	5	(86)	(32)	-	0
Other assets	656	61	(403)	(74)	-	240
	15,054	133	(13,537)	(175)	-	1,475
Liabilities						
Guarantees and other commitments	808	-	-	(53)	-	755
Fiscal contingencies and other provisions	2,270	130	-	(397)	-	2,001
	3,078	130	-	(451)	-	2,756
	18,132	263	(13,537)	(626)	-	4,231

The changes over the previous period were:

Description	31-12-2016	Reinforcements	Applications	Reinstatements	Exchange Rate Differences	31-12-2017
Assets						
Financial assets available for sale	10,947	1,063	(1,984)	(424)	(127)	9,474
Loans and advances to customers	6,233	1,029	(1,684)	(206)	(562)	4,810
Non-current assets available for sale	5,491	29	(5,071)	(335)	-	114
Other assets	878	481	(142)	(563)	1	656
	23,549	2,602	(8,881)	(1,528)	(688)	15,054
Liabilities						
Fiscal contingencies and other provisions	1,150	145	(98)	(389)	-	808
Guarantees provided and other commitments	2,293	-	-	(23)	-	2,270
	3,443	145	(98)	(412)	-	3,078
	26,992	2,747	(8,979)	(1,940)	(688)	18,132

The guarantees provided correspond to the following nominal amounts recorded in off-balance-sheet accounts:

	31-12-2018	31-12-2017
Guarantees provided (of which:)		
Guarantees and sureties	3,278	3,661
	3,278	3,661

As at 31 December 2018 and 2017, the breakdown for guaranties and sureties is as follows:

	31-12-2018	31-12-2017
Financial Guarantees	1,174	1,402
Performance Guarantees	2,104	2,259
	3,278	3,661

Contingent liabilities originated by the Resolution Fund

The Resolution Fund is a legal person governed by public law with administrative and financial autonomy, created by Decree-Law no. 31-A / 2012 of 10 February, which is governed by the Legal Framework of Credit Institutions and Financial Companies (Regime Geral das Instituições de Crédito e Sociedades Financeiras - "RGICSF") and by its own regulation, whose mission is to provide financial assistance for the resolution measures implemented by the Bank of Portugal, acting as the national resolution authority, and to perform all other functions conferred by law in the execution of such measures.

The Bank, like most financial institutions operating in Portugal, is one of the institutions participating in the Resolution Fund, making contributions that result from the application of

a rate defined annually by the Bank of Portugal based essentially on the amount of its liabilities. In 2018, the periodic contribution made by the Bank amounted to 25 thousand Euros, calculated on the basis of a contribution rate of 0.0291%.

Resolution measure applied to Banco Espírito Santo, S.A.

As part of its responsibility as a supervisory and resolution authority for the Portuguese financial sector, Banco de Portugal decided, on 3 August 2014, to apply to Banco Espírito Santo, SA ("BES") a resolution under the number 5 of Article 145g of RGICSF, which consisted in transferring the majority of its activity to a transition bank, named Novo Banco, S.A. ("Novo Banco"), specially created for this purpose.

In order to realise the share capital of Novo Banco, the Resolution Fund, as sole shareholder, has provided 4,900 million Euros, from which 365 million euros corresponded to its own financial resources. A loan was also granted by a banking syndicate to the Resolution Fund, amounting to 700 million euros, and the participation of each credit institution was weighted according to several factors, including its size. The remaining amount (3,900 million euros) was originated by means of a repayable loan, granted by the Portuguese State.

Following the implementation of this resolution measure, on 7 July 2016, the Resolution Fund stated that it would analyse and evaluate the steps to be taken following the publication of the report on the results of the independent evaluation exercise, carried out to estimate the level of credit recovery for each class of creditors in the hypothetical scenario of BES's normal insolvency proceedings on 3 August 2014. Under the applicable law, if it is concluded that creditors whose claims have not been transferred to Novo Banco assume a loss in excess of the amount that would have been hypothetically assessed if BES had entered into liquidation proceedings immediately prior to the application of the resolution measure, these creditors are entitled to receive the excess from the Resolution Fund.

On 31 March, 2017, Banco de Portugal announced that the Lone Star Fund was selected for the purchase of Novo Banco, which was completed on 17 October, 2017, through the injection of a new share capital increase of 750 million euros from the new shareholder, following which a new capital injection of 250 million euros will be implemented within a period of up to three years. This operation provoked that Novo Bank ceased to be a transition bank, with the Lone Star Fund now holding 75% of Novo Banco and the Resolution Fund the remaining 25%, although without corresponding voting rights.

On 26 February 2018, the European Commission published the non-confidential version of the decision approving the State aid that underlies the process of sale of Novo Banco, which includes a contingent capitalisation mechanism, under which the Resolution Fund, as a shareholder, may be required to make additional capital injections in the event that certain conditions related to the performance of a restricted set of Novo Banco assets and the evolution of the bank's capital levels materialised.

This mechanism is activated annually, based on the annual accounts of Novo Banco, certified by the respective auditor, and the possibility of intra-annual assessments is foreseen only in the event of failure from Novo Banco to comply with prudential requirements. For the purposes of this mechanism, differences in the valuation of assets (positive or negative) are considered in relation to their book value, net of impairment, as of 30 June, 2016 (approximately 7.9 billion euros, according to the information provided by Novo Banco). Thus, economic losses or gains, resulting from, for example, the sale of assets or the restructuring of credits, as well as impairments, or reversals, recorded by Novo Banco in accordance with accounting standards, as well as costs associated with the maintenance of assets in Novo Banco's balance sheet, are relevant for this purpose.

Under the aforementioned mechanism, on 24 May, 2018, the Resolution Fund paid 791,695 thousand euros to Novo Banco with reference to the accounts for 2017, using its own financial resources resulting from contributions paid directly or indirectly by the banking sector, complemented by a loan from the Portuguese State, in the amount of 430 million euros, under the framework agreement between the Portuguese State and the Resolution Fund. According to information provided by Novo Banco as at 31 December 2017, the net value of the assets covered by the perimeter of the contingent capitalisation mechanism was approximately 5.4 billion euros.

In the interim report of Novo Banco with reference to 30 June, 2018, it is stated that, on that date, an amount receivable from the Resolution Fund under the contingent capitalisation mechanism of 726,369 thousand euros (according to the information provided, this amount has a net value of the assets included in the perimeter of the contingent capitalisation mechanism of around 4.9 billion euros) is due. It is also stated that since this amount depends on the losses occurring on all the assets included in the perimeter of the said contingent capitalisation mechanism and on the regulatory ratios in force at the time of their determination, this amount is provisional and requires further update with reference on 31 December 2018.

This mechanism is effective until 31 December 2025 (it may be extended until 31 December 2026) and is limited to an absolute maximum amount of 3,890 million euros.

Resolution measure applied to Banif - Banco Internacional do Funchal, S.A.

On 19 December, 2015, Banco de Portugal decided to declare that Banif - Banco Internacional do Funchal, SA (“Banif”) was “at risk or in a situation of insolvency” and decided to initiate an urgent resolution action of the institution in the form of a partial or total divestment of its business, which materialised in the sale on 20 December, 2015 to Banco Santander Totta SA (“Santander Totta”) of rights and obligations, constituting assets, liabilities, off-balance sheet items and assets under management of Banif for 150 million euros.

Most of the assets that were not disposed of, were transferred to an asset management vehicle named Oitante, S.A. (“Oitante”), created specifically for this purpose, which has, as sole shareholder, the Resolution Fund. Oitante issued debt obligations amounting to 746 million euros, a guarantee was provided by the Resolution Fund and a counter-guarantee by the Portuguese State.

This operation involved an estimated public support of 2,255 million euros to cover future contingencies, which was financed by the Resolution Fund and 487 million euros directly by the Portuguese State.

On 21 July, 2016, the Resolution Fund made a payment to the State, amounting to 163,120 thousand euros, as early partial repayment of the resolution measure applied to Banif, allowing the outstanding amount to be reduced from 489 million euros to 353 million euros.

At of this date, the conclusions of the independent assessment exercise carried out to estimate the level of credit recovery for each class of creditors in the hypothetical scenario of Banif’s normal insolvency proceedings on 20 December 2015 are not yet known. As above referred for the BES case, should it be concluded that creditors entail a loss in excess than that they would have hypothetically had should Banif had entered into liquidation proceedings immediately prior to the application of the resolution measure, these creditors are entitled to receive the difference from the Resolution Fund.

Responsibilities and Financing of the Resolution Fund

Following the resolution measures applied to BES and Banif and the agreement to sell Novo Banco to Lone Star, the Resolution Fund contracted the loans above referred to and assumed liabilities and contingent liabilities resulting from:

- Effects of the application of the principle that no creditor of the credit institution under resolution may incur in higher losses than it would should it had entered into liquidation;
- Negative effects arising from the resolution process, resulting in additional responsibilities or contingencies for Novo Banco that must be neutralised by the Resolution Fund;
- Legal proceedings against the Resolution Fund;

- Guarantee provided to the obligations issued by Oitante. This guarantee is counter-guaranteed by the Portuguese State;
- Contingent capitalisation mechanism associated with the process of selling Novo Banco to Lone Star.

In order to preserve financial stability by promoting the conditions that provide predictability and stability to the contributory effort for the Resolution Fund, the Portuguese Government has reached an agreement with the European Commission to change the terms of the financing granted by the Portuguese State and by the participating banks to the Resolution Fund. To this end, new text was added to the financing agreements to the Resolution Fund, which introduced a set of changes on repayment plans, payment rates, and other terms and conditions underlying such loans, so that they are adjusted to the ability of the Resolution Fund to fully meet its obligations on the basis of its regular revenues, i.e. without further charges to the banks participating in the Resolution Fund, special contributions or any other extraordinary contribution.

According to Resolution Fund information published on 31 March 2017, the review

of the terms of the financing granted by the Portuguese State and the participating banks aimed at ensuring the sustainability and financial balance of the Resolution Fund, based on a stable, predictable and affordable charge for the banking sector. Based on this review, the Resolution Fund considered that full payment of its liabilities and its remuneration were assured, without the need for recourse to special contributions or any other extraordinary contributions from the banking sector.

Notwithstanding the possibility provided for in the applicable legislation for the collection of special contributions, due to the renegotiation of the conditions of the loans granted to the Resolution Fund by the Portuguese State and by a banking syndicate in which the Bank is included, and the public notices made by the Resolution and by the Office of the Minister of Finance, these consolidated financial statements reflect the Board of Directors’ expectation that no special contributions or any other extraordinary contributions will be required from the Bank for financing the Resolution Fund.

Any changes in this regard may have relevant implications in the Bank’s financial statements.

10.18 Debt Securities Issued

This item breaks down as follows:

	31-12-2018	31-12-2017
Other subordinated liabilities		
Debt issued	-	15,000
Debt buybacked	-	(12,822)
Interests	-	4
	-	2,182

In 2007, 15,000 Subordinated Perpetual Bonds were issued at the value of 1,000 Euros each. Interest on these bearer obligations were paid on a quarterly basis as from the Issue Date, on 28 February, 28 May, 28 August and 28 November of each year (“Interest Payment Dates”), subject to the occurrence of the Optional Reimbursement event, the first payment being made on August 28, 2007 and the last payment due on the early repayment date(s), should it occur.

The interest until May 28, 2017 (First Redemption Date by Option of the Issuer) was calculated based on the 3-month Euribor, quoted on the second “Target Business Day” immediately prior to the start date of each interest period, plus 1.35% per annum and as

of that date based on the 3-month Euribor plus 2.35% per annum (1.00% Step-Up).

The Bank had the option to repay the Notes, in whole or in part, on any Interest Payment Date, starting on May 28, 2017, including (First Issuance Date of the Issuer’s Option), upon minimum notice of 30 days and a maximum of 60 days, to the holders of the Notes (such notice being irrevocable), at par, together with accrued interest (if any) until the date fixed for reimbursement. The exercise of this optional refund is subject to the prior consent of the BOP. The Bank repurchased the amount of 12,822 thousand euros until 31 December 2017 and repurchased the remaining amount of 2,178 thousand euros and fully amortised these securities in November 2018.

10.19 Other Liabilities

This item breaks down as follows:

As at 31 December 2017 the “Other subordinated liabilities” item pertains to the following issue:

	31-12-2018	31-12-2017
Creditors and other resources	2,696	2,501
Other passive transactions pending regularisation	249	614
Payable charges	477	737
Revenues with deferred income	-	-
	3,422	3,852

As at December 31, 2018, creditors and other resources included amounts to be settled to customers in the amount of 1,174 thousand euros, amounts payable to the Portuguese Tax Authority related to withholding of taxes at source and VAT, amounting to 477 thousand euros and amounts due to suppliers, in the amount of 414 thousand euros.

The charges payable mainly refer to undue charges payable to employees (holiday and Christmas allowances) and other charges. Payments to suppliers were performed on respective due dates during the first quarter of 2019.

10.20 Equity

As at 31 December 2018 and 2017, the Equity caption had the following breakdown:

	31-12-2018	31-12-2017
Share capital	176,198	135,198
Other equity instruments	-	-
Securities Revaluation Reserves	449	220
Reserves and Retained Earnings	-	-
Legal Reserve	3,300	3,300
Other Reserves	14,226	14,286
Rights issued and attributable to the Portuguese Government 2015 (REAIID) (note 14)	486	486
Rights issued and attributable to the Portuguese Government 2016 (REAIID) (note 14)	71	71
Rights issued and attributable to the Portuguese Government 2017 (REAIID) (note 14)	60	-
Other transactions - IFRS 9 Adjustments	852	-
Retained Earnings	(129,687)	(122,908)
Net Profit / (Loss) for the year	(9,418)	(6,779)
	56,538	23,875

On 27 June, 2017, the share capital of the Bank was increased by 3,000 thousand euros, by partial conversion of some of the credits held by the sole shareholder - Oitante, SA. In this operation, 600,000 new shares were issued with the nominal value of 5 euros each.

On 31 October, 2017, a further capital increase of the Bank, amounting to 6,000 thousand euros was completed by partially converting some of the credits held by the sole shareholder - Oitante, SA. With this operation, 1,200,000 new shares were issued with a par value of 5 euros each.

As a result of these capital increases, the Bank’s share capital at 31 December 2017 amounted to 135,198 thousand euros, represented by 27,039,674 shares with a par value of 5 euros each.

On 9 July, 2018, Bison Financial acquired the entire share capital of the Bank, amounting to 135,198 thousand euros and represented by 27,039,674 shares, with a nominal value of 5 euros each, to the former shareholder, Oitante, S.A..

On 20 July, 2018, Bison Financial concluded a capital increase of 41,000 thousand euros to 176,198 thousand euros, by issuing 8.20 million new shares with a nominal value of 5 euros each.

As a result, the Bank’s share capital at 31 December 2018 amounted to 176,198 thousand euros, represented by 35,239,674 shares, with a nominal value of 5 euros each.

At 31 December 2018, the Bank meets the minimum capital requirements with a Core Tier 1 ratio of 93.3% and 93.3% Core Total (in 2017 the

Core Tier 1 ratio was 32.6% and 32.6% in Core Total).

The revaluation reserves are fully related to the portfolio of securities classified as financial assets at fair value through other comprehensive income.

The changes on revaluation reserves were the following:

Revaluation Reserves	
Balance as at 31-12-2016	753
Reserves emerging from the valuation at fair value of the financial assets	(298)
Reserves recognised in the profit and loss account from the disposal of assets	(235)
Balance as at 31-12-2017	220
Reserves emerging from the valuation at fair value of the financial assets	229
Reserves recognised in the profit and loss account from the disposal of assets	-
Balance as at 31-12-2018	449

10.21 Interest Income and Expense

This item breaks down as follows:

	31-12-2018	31-12-2017
Interests and similar income		
Interests on financial assets at amortised cost	18	88
Interests on financial assets held for trading	9	6
Interests on financial assets mandatorily at fair value through profit or loss and through other comprehensive income	210	22
	238	116
Interests and similar charges		
Interests on deposits from other clients	183	320
Interests on deposits and liabilities from other credit institutions	182	194
Interests on other subordinated liabilities	39	35
	405	549

10.22 Dividend Income

This item breaks down as follows:

	31-12-2018	31-12-2017
Ascendi	222	215
Fine Art Fund	-	81
Others	-	18
Banif Global Private Equity Fund	-	-
Floresta Atlântica	117	-
MCO2	51	-
Belmont Asset Based Lending (USD)	-	-
	390	314

10.23 Fee and Commission Income and Expense

This item breaks down as follows:

	31-12-2018	31-12-2017
Commissions Income		
Rendered Services of administration, custodian and securities deposit	355	334
Securities transactions	143	106
Guarantees provided	39	87
Other rendered services	309	370
Structuring of Transactions	-	-
Other commission income		
Custodian Commission	1,086	1,378
Trading and Brokerage commission	171	235
Others	7	7
	2,110	2,517
Commission Expenses		
Banking services provided by third parties	143	192
Securities transactions	6	42
Other commission expenses	12	13
	161	247

According to IFRS 15, this item may be presented as follows:

31-12-2018	Investment Banking	Sales & Trading	Wealth Management	Client Management	Others	Total
Fee and commission income	171	95	-	1,481	363	2,110
Fee and commission expense	-	(29)	-	(118)	(15)	(161)
Net Commissions	171	66	-	1,364	348	1,949

31-12-2017	Investment Banking	Sales & Trading	Wealth Management	Client Management	Others	Total
Fee and commission income	324	107	136	1,914	36	2,517
Fee and commission expense	(2)	(143)	(65)	(27)	(10)	(247)
Net Commissions	322	(36)	71	1,887	26	2,270

The value of the fees in 2018 had an inferior performance compared to 2017 due mainly to the Reduction of custodian fees, due to the decrease in the number of funds and the volume of asset funds.

10.24 Profit / (Loss) on Financial Operations

This item breaks down as follows:

	31-12-2018	31-12-2017
Gains on Financial Transactions		
Gains on other financial assets valued at fair value through profit or loss	711	61
Gains on financial assets and liabilities held for trading	40	71
Gains on derecognition of financial assets and liabilities not measured at fair value through profit or loss	-	190
Gains on foreign exchange differences	171	463
	922	791
Losses on Financial Transactions		
Losses on other financial assets valued at fair value through profit or loss	2,765	727
Losses on financial assets and liabilities held for trading	64	60
Losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss	-	64
Losses on foreign exchange differences	168	607
	2,997	1,458
Profit / (Loss) from assets and liabilities valued at fair value through profit or loss	(2,078)	(655)
Profit / (Loss) from derecognition of financial assets and liabilities not measured at fair value	-	126
Profit / (Loss) from foreign exchange differences	3	(144)

The foreign exchange position, by currency, as at 31 December 2018 and 31 December 2017 is presented in note 30.

On 9 July 2018, several assets held by the Bank were sold to Oitante in the context of a carve-out transaction, agreed in the sale and purchase agreement entered into on 11 August 2016 with Bison Financial. Under the terms of this agreement, it was established that by the time the purchase and sale of the Bank's entire

capital was completed, these assets would not be part of the balance sheet of the Bank, and Oitante was entrusted with the disposal of these holdings. (note 6)

These assets were sold by the Bank to Oitante, settled through the account maintained by Oitante with Bison Account, including an average discount of 12% on its respective book value, resulting in a net loss of 3,319 thousand euros, which can be summarised as follows:

Participation	Book value on carve-out date	Sell Amount	Net Carve-out Loss
Banif Imopredial	16,645	14,638	(2,007)
Banif Imogest	3,805	3,346	(459)
GED Sur FCR - CL B	2,792	2,455	(337)
Porto Novo FIIF	1,123	988	(135)
Banif Global Private Equity Fund	-	-	-
Banif Property	673	591	(81)
GED Sur Capital SA, SGEGR	25	22	(3)
PROFILE - SGFIM, SA	2,137	1,879	(258)
BAP	-	-	-
MCO2	38	33	(5)
BIAM	284	250	(34)
	27,522	24,203	(3,319)

10.25 Other Operating Income

This item breaks down as follows:

	31-12-2018	31-12-2017
Other operating income and revenue	241	294
Other operating charges and expenses	(381)	(290)
Other charges	(82)	(433)
	(222)	(429)

10.26 Staff Expenses

This item breaks down as follows:

	31-12-2018	31-12-2017
Remuneration of management and supervisory board members	697	398
Remuneration of employees		
Monthly remuneration	1,626	1,467
Holiday and Christmas allowances	480	327
Lunch allowance	92	110
Other additional remuneration	477	439
	3,371	2,741
Compulsory social security charges:		
Charges relating to remuneration	835	633
Charges with pension funds	68	50
Other social security charges	42	22
	944	705
Other personnel costs	1,400	134
	5,715	3,580

In 2018 and following the acquisition by Bison Financial, the Bank restructured its organisational chart and conducted significant dismissals of employees related to legacy business and hired new staff in accordance with the new business plan orientations, thus strongly increasing dismissal charges amounts whilst maintaining a net steady number of employees.

The Bank and its employees contribute to a defined contribution pension fund managed by Real Vida Pensões, granting its members individualised acquired rights.

10.27 Other Administrative Expenses

This item breaks down as follows:

	31-12-2018	31-12-2017
IT	1,001	766
Information	475	645
Retainers and fees	472	498
Rentals and leases	437	152
External advisers and external auditors	386	197
Other specialised services	120	224
Travel, accommodation and representation	64	15
Communications	52	60
Water, energy and fuel	45	43
Advertising and publications	32	1
Consumables	29	27
Maintenance and Repair	21	21
Training	15	22
Insurance	14	14
External evaluations	13	-
Transport	11	5
Cleaning	6	-
Legal, litigation and notary expenses	4	1
	3,196	2,691

Details of the total fees invoiced by the Statutory Auditor for the financial years ending 31 December 2018 and 2017 are as follows, per type of service provided:

	31-12-2018	31-12-2017
Statutory audits account	79	75
Other reliability assurance services	54	88
Tax advisory services	0	-
	133	163

Note: The amounts presented above do not include VAT

The “Other assurance services” item includes fees related to the review of the Bank’s internal control system, the review of procedures and measures related to the safeguarding of client assets and with the certification under the special regime of deferred tax assets.

The increase in “Rentals and leases” caption in 2018 relates to the change of Bison Account’s

Headquarters to a more prominent business area in Lisbon, moving from Avenida José Malhoa n° 22 to Rua Barata Salgueiro n° 3.

The increase in “External advisers and external auditors” caption in 2018 arises from extraordinary contractual advisory services related to MiFID II, GDPRD and other relevant regulations’ implementation.

10.28 Profit / Loss from Discontinued Units

The Profit/Loss from discontinued units breaks down as follows:

	31-12-2018	31-12-2017
Other assets’ Impairment net of reversals and recoveries	-	306
	-	306

10.29 Off-Balance Sheet Responsibilities

The breakdown for contingencies and commitments to third parties but not recognised in the Financial Statements, with reference to 31 December 2018 and 2017, is as follows:

	31-12-2018	31-12-2017
Guarantees provided	3,278	3,661
Assets given as guarantee	241	5,238
Commitments to third parties (of which)		
Irrevocable commitments	56	78
Revocable commitments	-	93
Values managed by the institution	-	-
	3,575	9,070

The detail of the encumbered assets with third parties, not disclosed in the Financial Statements, with reference to 31 December 2018 and 2017, is as follows:

	31-12-2018	31-12-2017
Millennium BCP Deposits	200	200
Bank of Portugal Deposits	200	200
Cleernet Margin Deposits	1,409	1,442
Portuguese Republic Securities	162	5,238
	1,971	7,080

Emergency Liquidity Assistance was cancelled on 6 January 2017, which explains the variation of the encumbered assets in the table above.

10.30 Earnings per Share

Basic earnings per share:

	31-12-2018	31-12-2017
Net Profit / (Loss) for the year expressed in euros	(9,417,615)	(6,779,344)
Weighted average number of issued ordinary shares	31,139,674	25,747,619
Basic earnings per share (expressed in euro per share)	(0.30)	(0.26)

10.31 Risks of Financial and Non-Financial Instruments

10.31.1 Risk Management Policies and Main Risks

Risk is managed according to strategies and policies defined by the Board of Directors and by the Board Member responsible for risk management (CRO). Daily management of risks is delegated to the Director responsible for the daily risk management.

In functional terms, the management and monitoring of risk at Bison Account is centralised in the Risk Department (RID). This unit is independent of the departments that originate risk and has all the organisational and functional autonomy and access to all activities and necessary information it needs to carry out its duties. Its main function is the implementation of an integrated risk management system that is appropriate to the Bank's nature and risk profile.

The RID takes an active role in influencing the decision-making process by issuing analyses, opinions, guidelines and recommendations on any transactions that involve risk taking and ensures that information is regularly reported to the Board of Directors, governing bodies and other key members of the management team, with the aim of ensuring a better understanding and monitoring of the main risks faced by the Bank.

a) Credit Risk

Credit risk is the likelihood of negative impacts on results or equity that arise from the inability of counterparty to meet its financial commitments to the Bank, including possible restrictions on the transfer of payments from abroad. This risk is manifested in the possibility of negative changes to the economic value of a given instrument, following the deterioration

of the credit risk quality of the counterparty (e.g. external ratings).

Credit risk is Bison's main financial risk, which underlies in its business activity and arises mainly from the securities portfolio, mostly composed by bonds, treasury exposure to financial institutions and, to a lesser extent, guarantees provided and loans made to clients.

During the year, the Bank had no loan activity (as at 30 December 2018, the net loans portfolio was worth 0.26% of Total Assets, compared to 0.29%, as at December 2017). This is due, on the one hand, to the transitional phase in which the Bank was in the first half of the year (pending the outcome of the sale of its share capital), and on the other, by the strategic decision, after the entry of the new shareholder, of not contemplate credit grant to customers in its business model.

The credit risk inherent in the Bank's securities portfolio is controlled through the preparation of specific reports that include an analysis of the portfolio by credit quality. This is based on the external ratings attributed by the main international agencies but also on internally developed monitoring methodologies. The analysis is also performed taking in consideration the exposure limits approved by the BoD, namely concentration risk.

Impairment

Credit Risk ultimately materialises in the impairment losses carried by the Bank. These are the best estimates of losses at the given reference date and may, or may not, become actual losses.

IFRS 9, which came into effect as of January 2018, introduced the concept of expected loan losses, which differs significantly from the concept of incurred losses provided for in IAS 39, as it brings forward the recognition of loan losses in an institution's financial statements. IFRS 9 stipulates that the concept of impairment based on expected losses should be applied to all financial assets except financial assets measured at fair value through profit or loss and equity instruments measured at fair value through equity.

Loans Impairment

Given the size and nature of the exposures to client loans (most of which are 100% impaired - Stage 3 - Individual analysis), it wasn't necessary to proceed with the development of new impairment methodologies, following the introduction of IFRS 9. Thus, the calculation of impairment losses is essentially carried out on an individual or on a case-by-case basis, taking into consideration the specificities of the operation and the best estimate of the recoverable amount (loan and guarantees) on the valuation date, taking into account the guidelines in Banco de Portugal Circular Letter no. 62/2018 and Law no. 16/2015, dated 24 February.

The level of individual impairment stipulated for any one-off analysis of an operation is calculated prudently. This approach takes into account the contract, the client's economic and financial situation and the collateral given in guarantee. The present cash flows built into the estimate of future recoverability that results from applying these factors are updated, at the contracted rate.

The best estimate of the recoverable values is based on reasonable supposition and is supported by observable and documented data, at the impairment measurement date, relating to the client's ability to make payments or to the need to resort to enforcement or receive payment in kind, in the form of collateral. The

present cash flows are updated on the basis of the estimate of future recoverability that results from applying these factors.

The balance sheet value to be considered covers all the amounts carried in the balance sheet for the loan in question, namely, principal outstanding, principal overdue, interest accrued and interest overdue. The estimated future cash flows included in the calculation refer to the contractual amounts of the loans, adjusted for any amounts that are not expected to be recovered and for the time period over which it is foreseeable that such cash flows will occur.

Financial assets (bonds) and others assets impairment

The IFRS 9 concept of expected losses also covers financial assets at amortised cost, debt instruments measured at fair value through equity, off-balance sheet exposures, financial leasing, other receivables, financial guarantees and loan commitments not measured at fair value.

This conceptual change is accompanied by a new set of classification and measurement criteria for expected losses arising from loan impairment. Financial assets subject to impairment must be classified by different stages, which depend on the change in the credit risk as from the initial recognition date and not as a function of the credit risk at the reporting date:

- Stage 1: the financial assets should be classified at stage 1 whenever a significant increase in credit risk will not occur since the date of its initial recognition;
- Stage 2: includes the financial assets in which a significant increase in the credit risk has occurred since the date of its initial recognition;
- Stage 3: the assets classified at this stage present on the reporting date objective evidence of impairment, as a result of one or more events that already occurred resulting in a loss.

In general terms, the impairment losses determined on the assets classified under stages 1 and 2 replace to a large extent the collective assessment of the recognised impairment for the financial assets in accordance with the IAS 39. The impairment losses calculated for the assets classified as stage 3 replace to a large extent the individual and collective assessment of the recognised impairment for the already impaired financial assets in accordance with the IAS 39.

The measurement of the expected losses is the result of the product between (i) the probability of default (PD) of the financial instrument, (ii) the loss given default (LGD) and (iii) the exposure at default date (EAD), discounted to the reporting date by using the effective interest rate of the contract.

As mentioned above, the main difference between the impairment losses measured for financial assets classified as stage 1 or 2 is the respective time horizon in the PD calculation. The expected losses for the financial assets under stage 1 will be calculated with resource to a 12-month PD whereas the expected losses under stage 2 use a lifetime-PD. The calculation of the expected loss for the financial assets under stage 3 was leveraged in the already existing procedures for the estimation of impairment developed in order to comply with the IAS 39. These procedures were updated in order to reflect the new requirements of the IFRS 9, namely considering point in time and forward-looking information.

For those segments for which no information is available, but for which it is possible to determine the external rating for the debtor, the Bank uses the external information disclosed by the rating agency Moody's or market data, such as CDS spreads or Bond Yields (adopted methodology for the debt instruments), for the segments with no available information but where it is possible to determine the external rating of the borrower.

For the small number of segments for which there is no historical data and/or experience of loss, the Bank takes a simplified measurement approach that may differ from that described above. More specifically, and in relation to the item "Other Receivables" (derived from invoiced amounts), which in case of the Bank are mainly revenues from custodian fees, a simplified measurement approach has been chosen and an historical analysis was conducted throughout the last 6 years, in order to calculate the PD.

Financial assets by accounting item

For the purposes of the analysis of Bison Account's credit risk it was considered the securities portfolio, the loans to clients (including off-balance sheet commitments) and Cash and Applications in Credit Institutions.

The financial assets, by balance sheet item, had the following credit risk exposure, as at 31 December 2018 and 2017:

(values expressed in thousand euros)

	31-12-2018				31-12-2017			
	Gross Exposure ¹	Impairment	Collateral ²	Effective Exposure ³	Gross Exposure ¹	Impairment	Collateral ²	Effective Exposure ³
Cash, cash balances at central banks and other demand deposits	34,563	-	-	34,563	13,561	-	-	13,561
Financial assets held for trading	162	-	-	162	23,199	-	-	23,199
Financial assets at fair value through other comprehensive income	35,069	64	-	35,005	-	-	-	-
Financial assets at amortised cost - Loans and advances	1,433	1,170	267	(4)	5,093	4,810	276	7
Other assets	2,839	240	-	2,600	3,845	656	-	3,189
Sub-Total	74,068	1,474	267	72,327	45,698	5,466	276	39,956
Guarantees provided and Commitments	3,278	2,216	-	1,062	8,899	2,269	-	6,630
Irrevocable Credit Lines	56	-	-	56	78	-	-	78
Sub-Total	3,334	2,216	-	1,118	8,977	2,269	-	6,708
Total Credit Risk Exposure	77,401	3,690	267	73,445	54,676	7,736	276	46,664

¹ Gross Exposure: Refers to the gross balance sheet value.

² Collateral: Value of the collateral associated with an operation limited to its net value.

³ Effective Exposure: Refers to the gross exposure less impairment and the mitigation effect that is deemed as a reducer of the credit risk. It does not include sureties or other low value collateral.

At 31 December 2018, the amount of credit granted to customers, net of impairment, amounted to approximately 241 thousand euros. At that date the coverage ratio per collateral was around 101.4% (real collateral - Mortgages).

Concerning off-balance sheet commitments, it should be mentioned the amount of 3.3 million euros, which pertains to guarantees provided by the Bank (as at December 2017, this figure amounted to 8.9 million euros). This includes pledged assets in the amount of 241 thousand euros.

As at 31 December 2018, the loans to clients' value, net of impairment, totalled approximately 263 thousand euros. On that date, the collateral coverage ratio stood at about 101.4% (collateral - mortgages).

The detail of the Loans to Clients according to the Impairment risk categories is as follows:

(values expressed in thousand euros)

	31-12-2018		01-01-2018	
	Gross Exposure	Impairment	Gross Exposure	Impairment
Stage 1	-	-	9	-
Stage 2	-	-	-	-
Stage 3	1,433	1,170	5,084	4,809
Total	1,433	1,170	5,093	4,810

Note that as at 31 December 2018, the net client loans portfolio is immaterial (0.26% of total net assets). The value of this portfolio decreased 71.9% when compared to 31 December 2017, mostly justified by the write-offs that occurred during the 2018 exercise.

Detail of Debt instruments – Impairment:

(values expressed in thousand euros)

Financial Assets measured at FVOCI	ISIN	31-12-2018						01-01-2018		
		Gross Book Value	Stage 1	Stage 2	Stage 3	POCI (*)	Impairment	Gross Book Value	Stage 1	Impairment
Debt instruments										
Portuguese Public Debt										
PORTUGUESE OT'S PGB3.85 04/15/21	PTOTEYOE0007	78	78	-	-	-	-	73	73	-
IGCP EPE/VAR OB 20210812	PTOTVHOE0007	862	862	-	-	-	-	-	-	-
IGCP EPE/VAR OB 20220412	PTOTVJOE0005	218	218	-	-	-	-	-	-	-
IGCP EPE/VAR OB 20211130	PTOTVIOE0006	1,920	1,920	-	-	-	1	-	-	-
IGCP EPE/VAR OB 20220802	PTOTVKOE0002	459	459	-	-	-	-	-	-	-
REP PORTUGUESA/VAR OB 20221205	PTOTVLOE0001	351	351	-	-	-	-	-	-	-
PORTUGAL, REPUB/VAR BD 20250723	PTOTVMOE	5,006	5,006	-	-	-	3	-	-	-
Foreign Public Debt										
ITALIA/0.35 BTP 20200615	IT0005250946	4,996	4,996	-	-	-	10	-	-	-
SPGB 0.35 07/30/23	ES0000012B62	5,012	5,012	-	-	-	4	-	-	-
Other Debt Instruments										
RENEPL 1 3/4 06/01/23	XS1423826798	3,128	3,128	-	-	-	2	-	-	-
CABKSM 1.125 01/12/23	XS1679158094	4,952	4,952	-	-	-	4	-	-	-
SANTAN 1.375 12/14/22	XS1330948818	3,086	3,086	-	-	-	1	-	-	-
CSI FINANCIAL P/0.7 MTN 20191023	XS1899053273	5,000	5,000	-	-	-	4	-	-	-
Total		35,069	35,069	-	-	-	29	73	73	-

(*) Purchased or originated credit-impairment ('POCI') financial assets.

Concentration of credit risk by business sector:

As at 31 December 2018:

(values expressed in thousand euros)

	31-12-2018					
	Net Balance Sheet Exposure		Collateral		Effective Exposure ¹	
Services	3,128	3%	-	0%	3,128	3%
Construction	-	0%	-	0%	-	0%
Real Estate Activities	-	0%	-	0%	-	0%
Industry	3,339	3%	-	0%	3,339	3%
Public Sector	19,065	20%	-	0%	19,065	20%
Other sectors	23,708	24%	267	100%	23,441	25%
Retail Sales	-	0%	-	0%	-	0%
Financial institutions and insurance companies	47,731	49%	-	0%	47,731	49%
Private clients	0	0%	-	0%	-	0%
Total	96,971	100%	267	100%	96,704	100%

Notes: ¹ Effective Exposure: Refers to the Balance Sheet Net Exposure less the mitigation effect that is deemed an actual reducer of the credit risk. It does not include sureties or other low value collateral. It does not include the item "Other Assets".

The "Other sectors" item mainly (98.9%) comprises the securities items.

As at 31 December 2017:

(values expressed in thousand euros)

	31-12-2017					
	Net Balance Sheet Exposure		Collateral		Effective Exposure ¹	
Services	-	0%	-	0%	-	0%
Construction	-	0%	-	0%	-	0%
Real Estate Activities	-	0%	-	0%	-	0%
Industry	2,093	2%	-	0%	2,093	2%
Public Sector	23,272	27%	-	0%	23,272	27%
Other sectors	46,903	55%	276	100%	46,627	55%
Retail Sales	-	0%	-	0%	-	0%
Financial institutions and insurance companies	13,710	16%	-	0%	13,710	16%
Private clients	9	0%	-	0%	9	0%
Total	85,987	100%	276	100%	85,711	100%

Notes: ¹ Effective Exposure: Refers to the Balance Sheet Net Exposure less the mitigation effect that is deemed an actual reducer of the credit risk. It does not include sureties or other low value collateral. It does not include the item "Other Assets".

Concentration of credit risk by geographical region:

As at 31 December 2018:

(values expressed in thousand euros)

	31-12-2018					
	Net Balance Sheet Exposure		Collateral		Effective Exposure ¹	
Services	3,128	3%	-	0%	3,128	3%
Construction	-	0%	-	0%	-	0%
Real Estate Activities	-	0%	-	0%	-	0%
Industry	3,339	3%	-	0%	3,339	3%
Public Sector	19,065	20%	-	0%	19,065	20%
Other sectors	23,708	24%	267	100%	23,441	25%
Retail Sales	-	0%	-	0%	-	0%
Financial institutions and insurance companies	47,731	49%	-	0%	47,731	49%
Private clients	-	0%	-	0%	-	0%
Total	96,971	100%	267	100%	96,704	100%

Notes: ¹Effective Exposure: Refers to the Net Balance Exposure less the mitigation effect that is deemed an actual reducer of the credit risk. It does not include sureties or other low value collateral. It does not include the item "Other Assets".

As at 31 December 2017:

(values expressed in thousand euros)

	31-12-2017					
	Net Balance Sheet Exposure		Collateral		Effective Exposure ¹	
Services	-	0%	-	0%	-	0%
Construction	-	0%	-	0%	-	0%
Real Estate Activities	-	0%	-	0%	-	0%
Industry	2,093	2%	-	0%	2,093	2%
Public Sector	23,272	27%	-	0%	23,272	27%
Other sectors	46,903	55%	276	100%	46,627	55%
Retail Sales	-	0%	-	0%	-	0%
Financial institutions and insurance companies	13,710	16%	-	0%	13,710	16%
Private clients	9	0%	-	0%	9	0%
Total	85,987	100%	276	100%	85,711	100%

Notes: ¹Effective Exposure: Refers to the Net Balance Exposure less the mitigation effect that is deemed an actual reducer of the credit risk. It does not include sureties or other low value collateral. It does not include the item "Other Assets".

The following tables provide the breakdown of all the financial assets by credit quality. The rating notations are mapped from external ratings assigned by the main international agencies, Moody's, Fitch and S&P. Ratings were attributed using the Basel standard methodology, by selecting the worst of the two best ratings, where different ratings have been attributed to the same asset. Loan or securities positions that have no external rating attributed by any of the three main international agencies are classified as "Not Rated".

Exposures that have no external rating total 35.5 million euros. These are mostly accounted for by the "Other financial assets at fair value through profit or loss" portfolio, which amounted to about 23.4 million euros as at 31 December 2018. This item pertains to investment in unit funds.

Breakdown of financial assets by credit quality, by balance sheet item, as at 31 December 2018:

(values expressed in thousand euros)

31-12-2018	31-12-2018				
	High Grade	Standard Grade	Sub-Standard Grade	Not Rated	Total
Deposits and applications with Credit Institutions	12,124	-	19,126	3,314	34,563
Financial assets held for trading	-	162	-	-	162
Other financial assets at fair value through profit or loss	-	-	-	23,445	23,445
Financial assets available for sale	3,086	26,983	-	8,468	38,537
Loans and advances to clients	-	-	-	263	263
Derivatives	-	-	-	-	-
Total	15,210	27,145	19,126	35,491	96,971
In %	15.7%	28.0%	19.7%	36.6%	100%

Notes:
Net Balance sheet exposure. It does not include the item "Other Assets".

As at 31 December 2017, this was as follows:

(values expressed in thousand euros)

31-12-2017					
	High Grade	Standard Grade	Sub-Standard Grade	Not Rated	Total
Deposits and applications with Credit Institutions	3,090	-	304	10,167	13,561
Financial assets held for trading	-	23,036	163	-	23,199
Other financial assets at fair value through profit or loss	-	-	-	32,872	32,872
Financial assets available for sale	-	-	73	15,999	16,072
Loans and advances to clients	-	-	-	283	283
Derivatives	-	-	-	-	-
Total	3,090	23,036	540	59,321	85,987
In %	3.6%	26.8%	0.6%	69.0%	100%

Notes:

Net Balance sheet exposure. It does not include the item "Other Assets".

Classification	
High Grade	[AAA to A-]
Standard Grade	[BBB+ to BBB-]
Sub-Standard Grade	< = BB+
Not Rated	NR

Regarding the credit quality, the table below presents the main credit quality ratios for BB, on an individual basis, with reference to 31 December 2018 and 2017:

Credit Quality	31-12-2018	31-12-2017
Total Impairment / Loans to customers	81.7%	94.4%
Restructured credit / Loans to customers	81.5%	23.3%
NPL > 90 d / Loans to customers	99.99%	29.5%

b) Market Risk

Market risk is defined as the likelihood of the occurrence of negative impacts on results or on equity, due to unfavourable movements in the market price of instruments in the trading portfolio caused, namely, by fluctuations in interest rates, exchange rates, listed share prices or commodity prices. Market risk primarily derives from short-term positions in debt and equity securities, currencies, commodities and derivatives.

Market risk at Bison Account arises mainly from the exposures in securities held in the trading portfolio as the Bank's policy is not engage in derivatives' trading. Taking into account the business areas in which operates, the main market risks to which Bison Account is subject are those resulting from variations in the interest rates, exchange rates and securities market prices.

Bison Account's trading activity in the recent years remained low. The bank's trading activity was small during the first half of the year of 2018

as the VAR values shows, and after the entry of the new shareholder, in the second half, it was made a strategic decision of not have trading activity.

The bank uses the Value-at-Risk (VaR) methodology as its main market risk indicator to estimate potential losses under adverse market conditions. The system selected for this purpose, Bloomberg, is used to analyse the portfolio risk broken down by various explanatory factors. RID is responsible for monitoring the thresholds set by the BoD for the trading portfolio VaR and for its respective calculation performed on a daily basis, using the historical model.

The following tables detail the VaR calculated for the Bison Account's trading portfolio. As at 31 December 2018, this amounted to approximately 161 thousand euros in absolute terms and was largely comprised of fixed income securities (Portuguese public debt).

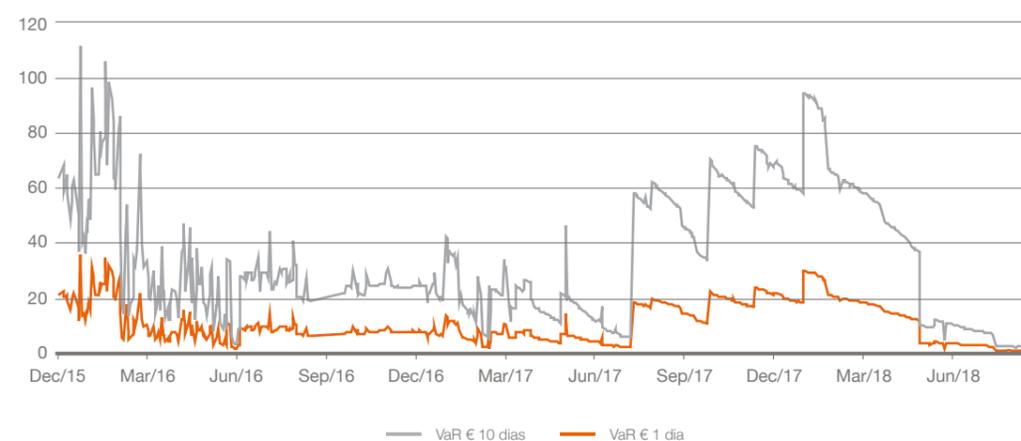
	Portfolio Value		
	Total €th	Long Pos. €th	Short Pos. €th
31-12-2017	23,199	23,199	-
31-12-2018	161	161	-

The Bloomberg specialised software was used to calculate this risk metric. The VaR was calculated using the historical model, for 10-day and 1-day horizons, with a 99% confidence interval and based on a 2-year observation period, in line with international good practices.

As at 31 December 2018, the 10-day VaR for the trading portfolio was about 2.9 thousand euros, corresponding to 1.76% of the portfolio's net market value. As per the 1-day VaR, this stood at around 0.006 thousand euros, representing 0.56% of the portfolio's net market value.

	VaR 10 days		VaR 1 day	
	€th	%	€th	%
31-12-2017	63,3	0.27%	0,001	0.09%
31-12-2018	2,9	1.76%	0,006	0.56%

The chart below shows the daily variation in the VaR over the last three years.



Source: Bloomberg.

	Date	VaR 10 days		Date	VaR 1 day	
		€th	%		€th	%
Minimum	20-08-18	2,04	1.2%	20-08-18	0,90	0.6%
Average	-	37,0	0.45%	-	11,7	0.14%
Maximum	18-01-18	94,1	0.29%	18-01-18	29,8	0.09%

Throughout the year, the VaR of the trading portfolio remained within the established target limits.

It reached its minimum level for the year on 20 August (2.04 thousand euros - 10 days) and its maximum on 18 January (94.1 thousand euros - 10-day VaR).

c) Foreign Exchange Risk

Foreign Exchange risk represents the risk of fluctuations in value of financial assets expressed in foreign currency due to changes in exchange rates.

The Bank systematically monitors its overall exposure to exchange rate risk. For this

purpose, there is a calculation daily routine of the foreign currency position on the main currencies.

This covers spot positions arising mainly from trading of the securities portfolio as well as the changes in the Company's net profit/

loss (potential or realised) resulting from the conversions of the balances of each account using the ECB fixing.

The following table summarises the foreign exchange position, by currency, as at 31 December 2018:

Currency	Long Position	Short Position
USD	258	-
GBP	-	5
CHF	31	-
BRL	-	-
SEK	4	-
NOK	2	-
AUD	-	-
JPY	-	-
HKD	-	-
Others	-	-
CAD	-	2
PLN	-	6
Total	296	13

Note:
Net Position.

As at 31 December 2017, this was as follows:

Currency	Long Position	Short Position
USD	223	-
GBP	-	7
CHF	107	-
BRL	-	-
SEK	4	-
NOK	2	-
AUD	1	-
JPY	-	-
HKD	-	-
Others	-	-
CAD	-	2
PLN	-	6
Total	338	15

Note:
Net Position.

As at 31 December 2018, the largest exposure was in USD. These long positions were worth around 258 thousand euros (83.4% of the total). The remaining currency positions were insignificant. When compared to 31 December 2017, Bison Banks's foreign exchange position was 12% lower, mostly due to the lower exposure to CHF.

d) Interest Rate Risk

Interest rate risk is defined as the likelihood of the occurrence of financial losses (to profit/loss or to equity) arising from adverse movements in interest rates, considering the institution's

balance sheet structure. This type of risk is assessed on a systematic and long-term basis. The assessment addresses the exposures of the banking book as a function of re-fixing periods, in line with the Basel's and the Bank of Portugal's.

Exposure control reports are produced on a regular basis, which include the calculation of the assets and liabilities by maturity dates, in overall terms. Additionally, a separate analysis is conducted on the banking and trading portfolio, by major currencies, highlighting the potential mismatch in the rate re-fixing periods of assets and liabilities.

The breakdown of financial assets and liabilities by interest rate re-fixing periods, as at 31 December 2018, is as follows:

(values expressed in thousand euros)

	Residual Maturities								Total Sensitive	Total
	Non Sensitive	Up to 3 Months	3-6 Months	6-12 Months	1-3 Years	3-5 Years	5-10 Years	> 10 Years		
31-12-2018										
Assets										
Money market / liquidity	32,208	1,223	-	2,034	-	-	-	-	3,257	35,465
Loans	213	-	-	-	50	-	-	-	50	263
Debt Securities & Derivatives MtM	-	6,327	2,489	5,000	5,074	16,340	-	-	35,231	35,231
Shares & Funds	18,423	-	-	-	-	-	-	-	-	18,423
Other Assets	11,045	-	-	-	-	-	-	-	-	11,045
Total Assets	61,890	7,550	2,489	7,034	5,124	16,340	-	-	38,538	100,428
Liabilities										
Money market / Loro accounts	135	-	-	-	-	-	-	-	-	135
Term Deposits	33	10,978	4,690	2,795	378	-	-	-	18,841	18,874
On-demand Deposits	18,037	-	-	-	-	-	-	-	-	18,037
Subordinated Debt	-	-	-	-	-	-	-	-	-	-
Other Liabilities	6,808	-	-	-	-	-	-	-	-	6,808
Equity	56,573	-	-	-	-	-	-	-	-	56,573
Total Liabilities + Equity	81,587	10,978	4,690	2,795	378	-	-	-	18,841	100,428
GAP	(19,697)	(3,428)	(2,201)	4,239	4,746	16,340	-	-	19,679	-
Cumulative GAP	---	(3,428)	(5,629)	(1,390)	3,356	19,697	19,697	19,697	--	--

Note: Values net of Impairment

As at 31 December 2018, 62% of Bison Account's assets and 81% of its liabilities and equity were not sensitive to interest rate risk and were not affected by changes in interest rates, by re-fixing scales.

As at 31 December 2017, this was as follows:

(values expressed in thousand euros)

31-12-2017	Residual Maturities								Total Sensitive	Total
	Non Sensitive	Up to 3 Months	3-6 Months	6-12 Months	1-3 Years	3-5 Years	5-10 Years	> 10 Years		
Assets										
Money market / liquidity	13,466	-	-	200	-	-	-	-	200	13,666
Reverse Repos	-	-	-	-	-	-	-	-	-	-
Loans	190	-	-	-	93	-	-	-	93	283
Debt Securities & Derivatives MtM	-	9,002	73	14,033	-	164	-	-	23,272	2,272
Shares & Funds	42,067	-	-	-	-	-	-	-	-	42,067
Other Assets	18,777	-	-	-	-	-	-	-	-	18,777
Total Assets	74,500	9,002	73	14,233	93	164	-	-	23,565	98,065
Liabilities										
Money market / Loro accounts	3,441	-	-	-	-	-	-	-	-	3,441
Term Deposits	40	38,007	2,235	-	-	-	-	-	40,242	40,282
On-demand Deposits	13,518	-	-	-	-	-	-	-	-	13,518
Subordinated Debt	4	2,178	-	-	-	-	-	-	2,178	2,182
Other Liabilities	11,420	-	-	-	-	-	-	-	-	11,420
Equity	27,222	-	-	-	-	-	-	-	-	27,222
Total Liabilities + Equity	55,645	40,185	2,235	-	-	-	-	-	42,420	98,065
GAP	18,855	(31,183)	(2,161)	14,233	93	164	-	-	(18,855)	--
Cumulative GAP		(31,183)	(33,344)	(19,111)	(19,018)	(18,855)	(18,855)	(18,855)	--	--

Note: Values net of Impairment

The table below presents an analysis of the banking portfolio's sensitivity to interest rate risk, based on the reporting tables reported to the supervisory authority. This analysis is based on a standard 200 basis points shock to the interest rate and the consequent impact on the Bank's total equity and its annual net interest income, on an individual basis.

(values expressed in thousand euros)

31-12-2018 Remaining Term	Assets	Liabilities	Off-Balance Sheet		Position
	(+)	(-)	(+)	(-)	(+/-)
Overnight	1,223	-	-	-	1,223
> 1 day and <= 1 month	5,006	1,394	-	-	3,612
> 1 and <= 3 months	1,322	9,584	-	-	(8,263)
> 3 and <= 6 months	2,489	4,690	-	-	(2,201)
> 6 and <= 9 months	-	125	-	-	(125)
> 9 and <= 12 months	7,034	2,670	-	-	4,364
> 12 months and <= 1.5 years	5,046	378	-	-	4,668
> 1.5 and <= 2 years	-	-	-	-	-
> 2 and <= 3 years	78	-	-	-	78
> 3 and <= 4 years	3,086	-	-	-	3,086
> 4 and <= 5 years	13,092	-	-	-	13,092
> 5 and <= 6 years	-	-	-	-	-
> 6 and <= 7 years	-	-	-	-	-
> 7 and <= 8 years	-	-	-	-	-
> 8 and <= 9 years	-	-	-	-	-
> 9 and <= 10 years	-	-	-	-	-
> 10 and <= 15 years	-	-	-	-	-
> 15 and <= 20 years	-	-	-	-	-
> 20 years	-	-	-	-	-
	38,376	18,841	-	-	
Net Worth	Net Worth	Weighted exposure			(1,549)

(values expressed in thousand euros)

Remaining Term	Assets	Liabilities	Off-Balance Sheet		Position	Interest Margin
	(+)	(-)	(+)	(-)	(+/-)	Weighted exposure
Overnight	1,223	-	-	-	1,223	24
> spot and <= 1 month	5,006	1,394	-	-	3,612	67
> 1 and <= 2 months	1,322	4,883	-	-	(3,561)	(60)
> 2 and <= 3 months	-	4,702	-	-	(4,702)	(74)
> 3 and <= 4 months	218	2,912	-	-	(2,695)	(38)
> 4 and <= 5 months	1,920	567	-	-	1,353	16
> 5 and <= 6 months	351	1,211	-	-	(859)	(9)
> 6 and <= 7 months	-	-	-	-	-	-
> 7 and <= 8 months	-	125	-	-	(125)	(1)
> 8 and <= 9 months	-	-	-	-	-	-
> 9 and <= 10 months	5,000	-	-	-	5,000	19
> 10 and <= 11 months	2,034	2,670	-	-	(636)	(1)
> 11 and <= 12 months	-	-	-	-	-	-
	17,073	18,463	-	-		(58)

Sensitivity analysis of the impact of a 200 basis points change in the interest rate curve, by relevant currencies, as at 31 December 2018 and 2017:

(values expressed in thousand euros)

		31-12-2018	31-12-2017
EUR	Impact on Net Worth	(1,551)	130
	Own Funds	56,260	26,556
	Impact on Own Funds, in %	-3%	0%
	Impact on Net Interest Income, at 12 months	(81)	(689)
	Net Interest Income	(167)	(431)
	Impact on Net Interest Income annual, in %	48%	160%
USD	Impact on Net Worth	-	-
	Own Funds	56,216	26,556
	Impact on Own Funds, in %	0%	0%
	Impact on Net Interest Income, at 12 months	24	-
	Net Interest Income	(167)	(431)
	Impact on Net Interest Income annual, in %	-14%	0%
TOTAL	Impact on Net Worth	(1,549)	130
	Own Funds	56,260	26,556
	Impact on Own Funds, in %	-3%	0%
	Impact on Net Interest Income, at 12 months	(58)	(689)
	Net Interest Income	(167)	(431)
	Impact on Net Interest Income annual, in %	35%	160%

The results of the sensitivity analysis indicate that a rise in market rates will have a negative impact on the Net Interest Income and on Total Equity.

e) Liquidity Risk

Liquidity risk is the likelihood of negative impacts arising from the inability of the institution to immediately dispose of liquid funds for the timely fulfilment of its financial obligations and whether this is done on reasonable terms. At the Bank, the liquidity levels are adjusted according to the amounts and terms of the commitments assumed and the resources obtained, depending on the identification of gaps.

In order to maximise the management component of the structural risks of the balance sheet, there is an operational unit within the Bank (Treasury Department - TED), whose main objective is to set and implement financial policies, particularly in terms of liquidity and treasury management.

The execution of daily liquidity management is carried out by Treasury Department (“TED”) using online access to the Bank of Portugal account and access under request on line or swift to other correspondent bank accounts accordingly to the counterparties’ limits approved. The Operations Department controls the balances of other accounts (namely Clearstream or those held with Other Credit Institutions) and reports these to the TED on a daily basis. These accounts provide the basis for management of intra-day treasury.

The TED constantly monitors its liquidity evolution (there is an intraday monitoring of the liquidity position and daily liquidity tables are produced), monitoring real-time inflows and outflows to ensure that it is at all times in a position to meet its obligations, whether contractual or regulatory.

Liquidity projections are also made to plan the short- and medium-term financing strategy. In prospective terms, a weekly report with liquidity projection maps is produced, which simulate 3 distinct scenarios - i) Base, ii) Conservative and iii) Stress - to predict the evolution of the Bank’s

liquidity situation in the timeframe of 3 months are also produced. Depending on the estimated evolution on the treasury position, there are three alert levels to the Bank’s BoD.

Deposit (demand and term) concentration levels are also monitored on a daily basis, as is the total balance of the clients’ accounts with higher exposure to Bison Account.

Bison Account’s liquidity position increased substantially after the 41 million euros capital increase made in July 2018. At the end of 2018 liquidity were mostly invested in OICs through the money market and an investment portfolio of HQLA (High Quality Liquid Assets), which compute for the calculation of the LCR (Liquidity Coverage Ratio).

These changes in the liquidity structure were reflected in the evolution of the liquidity ratios, namely the LCR (Liquidity Coverage Ratio) and the NSFR (Net Stable Funding Ratio), which end the year at levels substantially above the regulatory minimums.

	31-12-2018	31-12-2017
LCR	381.2%	291.3%
Liquidity buffer	20,259	28,031
Net liquidity outflow	5,314	9,622
NSFR	143.4%	91.7%

The breakdown of financial assets and liabilities by residual maturity term, as at 31 December 2018, is as follows:

(values expressed in thousand euros)

	Residual Maturities								Total Interest Rate	Total
	Non Sensitive	Up to 3 Months	3-6 Months	6-12 Months	1-3 Years	3-5 Years	5-10 Years	> 10 Years		
31-12-2018										
Assets										
Money market / liquidity	31,307	1,223	-	2,034	-	-	-	-	3,257	34,563
Loans	213	-	-	-	50	-	-	-	50	263
Debt Securities	-	-	-	5,000	7,857	17,369	5,006	-	35,231	35,231
Shares & Investment Funds	26,914	-	-	-	-	-	-	-	-	26,914
Other Assets	3,386	-	-	-	-	-	-	-	-	3,386
Total Assets	61,819	1,223	-	7,034	7,907	17,369	5,006	-	38,538	100,357
Liabilities										
Money market / Loro accounts	135	-	-	-	-	-	-	-	-	135
Term Deposits	33	10,978	4,690	2,795	378	-	-	-	18,841	18,874
On-demand Deposits	18,405	-	-	-	-	-	-	-	-	18,405
Subordinated Debt	-	-	-	-	-	-	-	-	-	-
Other Liabilities	6,404	-	-	-	-	-	-	-	-	6,404
Equity	56,538	-	-	-	-	-	-	-	-	56,538
Total Liabilities + Equity	81,516	10,978	4,690	2,795	378	-	-	-	18,841	100,357
GAP	(19,697)	(9,755)	(4,690)	4,239	7,529	17,369	5,006	-	19,697	-
Cumulative GAP	---	(9,755)	(14,446)	(10,206)	(2,678)	14,691	19,697	19,697	--	--

Note: Values net of Impairments

The most significant liquidity gap registered in the “up to 3 months’ interval” is managed by through an intervention on the liabilities side. As per the remaining amount of the Term Deposits, the Bank acts preventively through its sales force, promoting with its clients the renewal of term deposits.

As at 31 December 2017, this was as follows:

(values expressed in thousand euros)

31-12-2017	Residual Maturities								Total Interest Rate	Total
	Non Sensitive	Up to 3 Months	3-6 Months	6-12 Months	1-3 Years	3-5 Years	5-10 Years	> 10 Years		
Assets										
Money market / liquidity	13,361	-	-	200	-	-	-	-	200	13,561
Loans	190	-	-	-	93	-	-	-	93	283
Debt Securities	-	9,002	73	14,033	-	164	-	-	23,272	23,272
Shares & Investment Funds	48,871	-	-	-	-	-	-	-	-	48,871
Other Assets	6,868	-	-	-	-	-	-	-	-	6,868
Total Assets	69,290	9,002	73	14,233	93	164	-	-	23,565	92,855
Liabilities										
Money market / Loro accounts	3,441	-	-	-	-	-	-	-	-	3,441
Term Deposits	40	38,007	2,235	-	-	-	-	-	40,242	40,282
On-demand Deposits	16,004	-	-	-	-	-	-	-	-	16,004
Subordinated Debt	2,182	-	-	-	-	-	-	-	-	2,182
Other Liabilities	7,071	-	-	-	-	-	-	-	-	7,071
Equity	23,875	-	-	-	-	-	-	-	-	23,875
Total Liabilities + Equity	52,613	38,007	2,235	-	-	-	-	-	40,242	92,855
GAP	16,677	(29,005)	(2,162)	14,233	93	164	-	-	(16,677)	
Cumulative GAP	---	(29,005)	(31,167)	(16,934)	(16,841)	(16,677)	(16,677)	(16,677)	--	--

Note: Values net of Impairments

Encumbrance of Assets:

(values expressed in thousand euros)

31-12-2018				
Assets	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	441	-	98,715	-
Equity instruments	-	-	18,423	18,423
Debt securities	241	241	34,990	34,990
Other assets	-	-	9,780	-

(values expressed in thousand euros)

31-12-2018		
Collateral received	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	-	-
Equity instruments	-	-
Debt securities	-	-
Other collateral received	-	-
Own debt securities issued other than own covered bonds or ABSs	-	-

(values expressed in thousand euros)

Encumbered assets, encumbered collateral received and matching liabilities	Matching liabilities, contingent liabilities and securities lent	Assets, collateral received and own debt securities issued than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	-	1,650

(values expressed in thousand euros)

31-12-2017				
Assets	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets of the reporting institution	5,236	-	92,827	-
Equity instruments	-	-	42,067	42,067
Debt securities	5,236	5,236	18,034	18,034
Other Assets	-	-	18,777	-

(values expressed in thousand euros)

31-12-2017		
Collateral received	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received by the reporting institution	-	-
Equity instruments	-	-
Debt securities	-	-
Other collateral received	-	-
Own debt securities issued other than own covered bonds or ABSs	-	-

(values expressed in thousand euros)

Encumbered assets, encumbered collateral received and matching liabilities	Matching liabilities, contingent liabilities and securities lent	Assets, collateral received and own debt securities issued than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	4,634	5,236

The Bank's encumbered assets concern to regulatory/prudential requirements, particularly as regards intra-day loans, the investor compensation scheme and the deposit guarantee fund. Total encumbered assets only account for 0.4% of the Bank's total assets.

10.31.2 Capital Risk

Own Funds and Capital Ratios

Prudential Ratios as at 31 December 2018

	31-12-2018	31-12-2017
<i>As per the rules CRD IV / CRR phasing in</i>		
Common Equity Tier 1 capital	56,216	23,200
Total Own Funds	56,216	23,200
Risk Weighted Assets (RWAs)	60,245	71,364
<i>Common Equity Tier 1 Ratio</i>	93.3%	32.5%
<i>Total Ratio</i>	93.3%	32.5%
<i>Leverage Ratio</i>	54.6%	32.2%
<i>As per the rules CRD IV / CRR fully implemented</i>		
Common Equity Tier 1 capital	56,216	23,244
Total Own Funds	56,216	23,244
Risk Weighted Assets (RWAs)	60,245	71,379
<i>Common Equity Tier 1 Ratio</i>	93.3%	32.6%
<i>Total Ratio</i>	93.3%	32.6%
<i>Leverage Ratio</i>	54.6%	32.2%

Note: The leverage ratio is calculated between the Tier 1 capital figure and the total value of the balance sheet assets and off-balance sheet items. Unlike for the calculation of the risk-weighted assets, these are not subject to weighting coefficients.

Source: COREP.

As at 31 December 2018, the Common Equity Tier 1 capital (CET1), calculated using the CRD IV/CRR rules applicable in 2018, totalled 56.2 million euros, which corresponded to a CET1 ratio of 93.3%. The strong improvement in the Common Equity Tier 1 ratio was the result of a 142.3% growth in the CET1 Funds, as a result of the Euros 41 million capital increase (see note 19) and 15.6% decrease in the risk-weighted assets.

Bison Account does not publish own fund ratios calculated on a different basis from the one established in Regulation (EU) no. 575/2013 (CRR) and there are no differences between the accounting base and the prudential base used to calculate the respective ratios.

Accounting details of Own Funds, as at 31 December 2018

(values expressed in thousand euros)

	PHASING IN	FULL	DIF
	31-12-2018	31-12-2017	
Own Funds			
Share Capital	176,198	176,198	-
Reserves and Retained Earnings	(110,692)	(110,692)	-
Net Income	(9,418)	(9,418)	-
Securities Revaluation Reserves	449	449	0
Deductions	-	-	-
Intangible Assets	(260)	(260)	-
Other Deductions: Prudent valuation on the Regulation 2016/101 of 26 October 2015	(62)	(62)	-
Total Own Funds and Common Equity Tier 1 Capital	56,215	56,215	0

Breakdown of Own Funds as at 31 December 2018

(values expressed in thousand euros)

	31-12-2018	31-12-2017
Own Funds	56,216	23,200
Tier 1 Capital	56,216	23,200
Common Equity Tier 1 Capital	56,216	23,200
Capital Instruments eligible as CET1 Capital	176,198	135,198
Paid up capital instruments	176,198	135,198
(-) Own CET1 instruments	-	-
Retained earnings	(120,109)	(111,543)
Previous years retained earnings	(110,692)	(104,764)
Profit or loss eligible	(9,418)	(6,779)
Accumulated other comprehensive income	449	220
Other reserves	-	-
Minority interest given recognition in CET1 capital	-	-
Transitional adjustments due to additional minority interests	-	-
(-) Value adjustments due to the requirements for prudent valuation	(62)	(72)
(-) Other intangible assets	(260)	(559)
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-	-
(-) Defined benefit pension fund assets	-	-
(-) CET1 instruments of financial sector entities where the institution has a significant investment	-	(112)
(-) Amount exceeding the 15% threshold	-	-
Other transitional adjustments to CET1 Capital	-	68
Additional Tier 1 Capital	-	-
Instruments issued by subsidiaries that are given recognition in AT1 Capital	-	-
Transitional adjustments due to additional recognition in AT1 Capital of instruments issued by subsidiaries	-	-
Tier 2 Capital	-	-
Capital instruments and subordinated loans eligible as T2 Capital	-	-
Paid up capital instruments and subordinated loans	-	-
Instruments issued by subsidiaries that are given recognition in T2 Capital	-	-
Transitional adjustments due to additional recognition in T2 Capital of instruments issued by subsidiaries	-	-
(-) T2 instruments of financial sector entities where the institution has a significant investment	-	-
Other transitional adjustments to T2 Capital	-	-

Own Fund Requirements

To calculate own fund requirements, the Bank uses the standard method to determine credit risk-weighted positions, according to the prudential rules in effect at the reference date. Regarding the operational risk, the Bank uses the basic indicator method and as regards to the market risk, it uses the standard method. Whenever necessary for the purposes of determining capital requirements, it is considered 8% of the amounts of the risk-weighted positions according to the Regulation (EU) no. 575/2013 (CRR).

(values expressed in thousand euros)

		31-12-2018		31-12-2017	
		RWAs	Minimum capital requirements	RWAs	Minimum capital requirements
Credit Risk (excluding CCR)					
Art 438 (c)(d)	of which: standardised approach	53,795	4,304	60,595	4,848
Art 438 (c)(d)	of which: Internal ratings based approach (IRB Basic)	-	-	-	-
Art 438 (c)(d)	of which: Internal ratings advanced approach (IRB Advanced)	-	-	-	-
Art 438 (d)	of which: IRB actions according to the weighted method by simple risk or IMA (Internal Models Approach)	-	-	-	-
Art 107	CCR	-	-	-	-
	of which: market value (MM)	-	-	-	-
	of which: original method of exposure	-	-	-	-
Art 438 (c)(d)	of which: standardised approach	-	-	-	-
	of which: Internal Model Approach	-	-	-	-
	of which: total risk exposure for contributions to the Default Fund of a CCP	-	-	-	-
	of which: Credit Valuation Adjustment	-	-	-	-
Art 438 (e)	Settlement / Delivery Risk	-	-	-	-
Art 449 (o)(i)	Banking Book Securitisation Exposure (net)	-	-	-	-
	of which: IRB approach	-	-	-	-
	of which: Supervisory Formula Method (SFM)	-	-	-	-
	of which: Internal Model Approach	-	-	-	-
	of which: standardised approach	-	-	-	-
Art 438 (e)	Market Risk	-	-	-	-
	of which: standardised approach	365	29	1,632	131
	of which: Internal Models Approach (IMA)	-	-	-	-
Art 438 (e)	Large Exposures	-	-	-	-
Art 438 (f)	Operational Risk	-	-	-	-
	of which: basic indicator approach method	6,084	487	8,443	675
	of which: standardised approach	-	-	-	-
	of which: advanced measurement approach method	-	-	-	-
Art 437 (2), Art 48 and Art 60	Amounts inferior to the minimum threshold for deduction (subject to RW of 250%)	-	-	694	55
Art 500	Threshold Adjustment	-	-	-	-
	Total	60,245	4,820	71,364	5,709

As at 31 December 2018, the risk-weighted assets totalled 60.2 million euros (on a phased-in basis) and accounted for 60% of the total net assets.

Credit risk is by far the most significant form of risk as it accounts for 89% of all risk-weighted assets. As at 31 December 2018, the operational risk is the second most relevant and accounts for about 10% of the total.

(values expressed in thousand euros)

	31-12-2018		31-12-2017	
Own Funds Requirements	4,820	100%	5,709	100%
For Credit Risk, Counterparty Credit Risk and Free Deliveries	4,304	89%	4,903	86%
Standardised Approach	4,304	89%	4,903	86%
Standardised Approach exposure classes excluding securitisation positions	4,304	89%	4,903	86%
Central governments or central banks	-	0%	-	0%
Regional governments or local authorities	-	0%	-	0%
Public sector entities	-	0%	-	0%
Multilateral Development Banks	-	0%	-	0%
International Organisations	-	0%	-	0%
Institutions	928	19%	93	2%
Corporates	690	14%	55	1%
Retail Portfolio	6	0%	7	0%
Secured by mortgages on real estate property	-	0%	-	0%
Exposures in default	-	0%	-	0%
Items associated with particular high risks	-	0%	-	0%
Covered bonds	-	0%	-	0%
Claims on institutions and corporates with a short-term credit assessment	-	0%	-	0%
Collective investments undertakings (CIU)	2,290	48%	4,212	74%
Equity	277	6%	177	3%
Other items	111	2%	360	6%
Securitisation Positions in the Standardised Approach (SA)	-	0%	-	0%
Internal Ratings Based Approach	-	0%	-	0%
Own Funds requirements for adjustment risk of credit valuation	-	0%	-	0%
Settlement / Delivery Risk	-	0%	-	0%
Own Funds requirements for position, foreign exchange and commodities risk	29	1%	131	2%
Standardised Approach	29	1%	131	2%
Debt Instruments	4	0%	104	2%
Equity Securities	-	0%	-	0%
Foreign exchange risks	25	1%	27	0%
Commodities risks	-	0%	-	0%
Internal Models Approach	-	0%	-	0%
Own Funds requirements for operational risk	487	10%	675	12%
Basic Indicator Approach	487	10%	675	12%
Standardised Approach	-	0%	-	0%
Advanced Measurement Approaches	-	0%	-	0%
Own Funds requirements related to large risk exposures in the trading book	-	0%	-	0%
Other Own Funds requirements	-	0%	-	0%

Note: As at 31 December 2018 and 2017, BB had no securitisation or derivative exposures in its portfolio.

As provided for in Part III, Title II, Chapter 2 of the CCR, the Bank uses the standard method to determine its own funds requirements for covering credit risk. These requirements are used to calculate the prudential solvency ratio.

This methodology implies a weighting of the Bank's assets through a set of pre-defined weighting factors. For some classes of assets, these weighting factors depend on the existence (or not) of external ratings (ratings) and on the best or worst credit quality indicated by these same ratings. In accordance with the provisions laid down in Part III, Title II, Chapter 2, Section 4 of the CCR, the ratings that the Bank uses to classify its assets for the purposes of obtaining risk weightings factors are provided by the Moody's, Standard & Poor's and Fitch ratings agencies (see breakdown of financial assets by credit quality).

External credit assessment institutions (ECAI) are consulted for the following risk classes: companies, central governments or central banks, Institutions and collective investment undertakings.

Assessment and Internal Capital Adequacy

In compliance with the prudential regulations currently in force, Bison Account engages in an internal capital adequacy self-assessment process (ICAAP). The main objective of this process is to ensure that the risks to which institutions are exposed (Pillar 1 and Pillar 2 risks) are properly assessed and that the institution's internal capital is suitable to the risk profile established in the Bank's Risk Appetite Statement.

As a result of this process, the Bank is provided with an overview of the evolution of its own funds and of the Pillar II internal requirements. It is also assessed its resilience on the baseline and stress scenarios, thus fulfilling one of the main purposes of the process.

The BoD is solely responsible for the internal capital adequacy self-assessment process (ICAAP). The following Bank's internal organisational structure is designed to meet its responsibilities set forth in Instruction no. 3/2019:

- Risk Department
- Risk Management Committee
- ALCO (Asset and Liability Committee)

The Risk Department (RID) is responsible for the risk management. Its responsibilities include amongst others, the calculation and continuous monitoring of the Bank's capital absorption, namely: a) define the levels of risk that BB is willing to assume; Identify, quantify and monitor the various risks taken; b) calculate the capital consumption by different risks to which the Bank is exposed; c) ensure the development and regulatory report of the ICAAP exercise.

The Risk Management Committee is coordinated by the RID, which is responsible for the monitoring of overall risk levels and for the definition, in coordination with BoD, of the Internal Economic Capital model that underpins the ICAAP exercise. With regard to the ICAAP, it is responsible for presenting and analysing the current and forecast capital position and for proposing mitigation measures, when necessary.

The ALCO Committee has several functions, including the business area dimension (for example, propose guidelines for the commercial strategy).

Leverage Ratio

The leverage ratio is the ratio between the capital (Tier 1, in the numerator) and the total accounting exposure, both on and off-balance sheet (total value of the assets on the balance sheet and the off-balance sheet exposures weighted by credit risk factors, in the denominator). The ratio is calculated according to the prevailing regulatory standards, namely the requirements of Regulation (EU) no. 575/2013, as updated by the European Commission Delegated Regulation (EU) no. 2015/62, of 10 October 2014, and of the European Commission Implementing Regulation (EU) no. 2016/200, of 15 February 2016.

The minimum reference level is 3% (Pillar 1 compulsory minimum requirement). This level is mandatory as of 1 January 2018. This straightforward and transparent ratio is designed to prevent excessive balance sheet growth in relation to the available capital.

	31-12-2018	31-12-2017
Own Funds and Total Exposure Measurement (phasing-in)		
Tier 1 Capital	56,216	23,200
Total Exposure for the purpose of leverage ratio	102,871	72,136
Leverage Ratio	54.6%	32.2%
Decision on the transitional provisions and on the amount of derecognised fiduciary items		
EU-23	Decision on the transitional provisions towards the definition of Own Funds Measure	Transitional definition
EU-24	Amount of the derecognised fiduciary items as per article 429, no 11, of Regulation (EU) no 575/2013	

As at 31 December 2018, Bison Account's leverage ratio was 54.6% for both in the phasing-in and in the fully implemented stages. This is a significantly higher value than the minimum prudential ratio. This performance results from the increase in Own Funds, following the share capital increases in the amount of 41 million euros made in July. The ratio is monitored on a quarterly basis.

	CRR Leverage Ratio Exposures (2018)
On-Balance Sheet Exposures (excluding derivatives and SFTs)	
On-Balance Sheet Items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	99,860
(Asset amounts deducted in determining Tier 1 capital)	-322
Total On-Balance Sheet Exposures (excluding derivatives, SFTs and fiduciary assets)	99,538
Risk exposures arising from Derivative Instruments	
Replacement cost associated with derivatives transactions	0
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	0
Exposure determined under Original Exposure Method	0
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
(Exempted CCP leg of client-cleared trade exposures)	0
Adjusted effective notional amount of written credit derivatives	0
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
Total derivatives exposures	0
SFT Exposures	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	0
(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
Counterparty credit risk exposure for SFT assets	0
Agent transaction exposures	0
EU-15a (Exempted CCP leg of client-cleared SFT exposure)	0
Total securities financing transaction exposures	-
Off-Balance Sheet Exposures	3,334
(Exposures exempted in accordance with Article 429 (7) and (14) of Regulation (EU) No 575/2013)	
(Intragroup exposures (solo basis) exempted in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	0
(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	0

Own Funds Prudential Reserves

As per the Bank of Portugal decision, the counter-cyclical reserve percentage applicable to the loan exposure in the Portuguese non-financial private sector, which prevailed in 2018, was 0% of the total amount of positions at risk. Thus, the Bison Account's specific counter-cyclical reserve remained at 0%, as the relevant loan risk positions are all located within the national territory.

Limit to Large Exposures

As at 31 December 2018, the Bank was compliance with the large exposures limit stipulated in Article 395 of the European Parliament and Council Regulation (EC) no. 575/2013, of 26 June 2013. The previous breach was mitigated in July with the Euros 41 million capital increase carried out by the new Bank's Shareholder.

10.32 Fair Value of the Securities Portfolio and Other Financial Instruments

The fair value of financial instruments is always estimated, where possible, through reference to active market prices. A market is deemed active and liquid when it is used by equally knowledgeable counterparts and transactions are carried out in a regular manner. For those financial instruments for which there are no active market, due to a lack of liquidity or of regular transactions, valuation methods and techniques are employed to determine the fair value. The financial instruments were classified into levels according to the hierarchy stipulated in IFRS 13.

Financial instruments carried on the balance sheet at fair value

As at 31 December 2018 and 2017, this item breaks down as follows:

	Valuation Techniques			
31-12-2018	Market Value or Market Price			
Assets	Market Value or Market Price	Market Analysis	Others	Total
Assets				
Financial assets held for trading	162	-	-	162
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	23,445	23,445
Financial assets at fair value through other comprehensive income	35,069	-	3,468	38,537
Liabilities				
Financial liabilities held for trading	-	-	-	-

	Valuation Techniques			
31-12-2017	Market Value or Market Price			
Assets	Market Value or Market Price	Market Analysis	Others	Total
Assets				
Financial assets held for trading	23,199	-	-	23,199
Non-trading financial assets mandatorily at fair value through profit or loss	73	-	46,778	46,851
Financial assets at fair value through other comprehensive income	-	-	2,093	2,093
Liabilities				
Financial liabilities held for trading	-	-	-	-

In the development of the table above, the following assumptions were used:

- 1) Market values (Level 1): financial instruments valued on the basis of active market prices were placed in this column;
- 2) Market analysis (Level 2): financial instruments valued on the basis of internal models using observable market inputs were placed in this column;
- 3) Others (Level 3): Financial instruments valued on the basis of non-observable market variables were placed in this column. This level includes bonds and investment funds units.

No changes have been made to the valuation criteria, in relation to 2017, with regard to financial assets that are classified under the market analysis valuation technique.

In the in-house models for the valuation of financial instruments for trading and at fair value through profit or loss, market interest rates are calculated on the basis of information published

by Bloomberg. The maturities of up to one year are indexed to the interbank money market rates, while, the maturities of more than one year are indexed through prices of interest rate swaps. The interest rate curve thus obtained is further adjusted against the values of short-term interest rate futures. Interest rates for specific maturities are determined using interpolation methods. The same interest rate curves are also used for forecasting non-deterministic cash flows, such as reference rates.

The interest rates used to calculate the interest rate curve with reference as at 31 December 2018 and 2017, for the EUR and the USD currencies, are as follows:

Maturity	EUR		USD	
	31-12-2018	31-12-2017	31-12-2018	31-12-2017
1 day	-0.468%	-0.346%	2.378%	1.429%
7 days	-0.435%	-0.378%	2.411%	1.480%
1 month	-0.409%	-0.368%	2.503%	1.564%
2 months	-0.380%	-0.340%	2.614%	1.622%
3 months	-0.356%	-0.329%	2.808%	1.694%
6 months	-0.303%	-0.271%	2.876%	1.837%
1 year	-0.183%	-0.186%	3.005%	2.107%
2 years	-0.174%	-0.150%	2.639%	2.078%
3 years	-0.070%	0.011%	2.574%	2.169%
4 years	0.060%	0.173%	2.555%	2.211%
5 years	0.198%	0.313%	2.559%	2.244%
6 years	0.337%	0.441%	2.580%	2.277%
7 years	0.469%	0.561%	2.609%	2.311%
8 years	0.594%	0.674%	2.639%	2.341%
9 years	0.708%	0.781%	2.669%	2.370%
10 years	0.812%	0.887%	2.698%	2.398%
20 years	1.168%	1.414%	2.792%	2.535%
30 years	1.325%	1.495%	2.823%	2.542%

Financial instruments at cost or amortised cost

As at 31 December 2018 and 2017 the detail of this item is as follows:

31-12-2018	Balance Sheet Value	Fair Value
Cash and balances with central banks	1,867	1,867
Balances with other credit institutions	32,696	32,696
Loans and advances to customers and other receivables	263	263
Other assets	2,600	2,600
Deposits from other credit institutions	4,982	4,982
Deposits from customers and other loans	32,434	32,434
Other subordinated liabilities	-	-
Other liabilities	3,422	3,422

31-12-2017	Balance Sheet Value	Fair Value
Cash and balances with central banks	10,168	10,168
Balances with other credit institutions	3,193	3,193
Loans and advances to customers and other receivables	283	283
Other assets	3,189	3,189
Deposits from other credit institutions	8,590	8,590
Deposits from customers and other loans	51,137	51,137
Other subordinated liabilities	2,182	2,182
Other liabilities	3,852	3,852

For the financial instruments carried on the balance sheet at amortised cost, the Bank calculates the respective fair value using valuation techniques.

The presented fair value may not correspond to the realised value of these financial instruments in a sales or liquidation scenario and has not been determined with this specific purpose.

The valuation techniques used by the Bank seek to make use of the market conditions applicable to similar operations at the reference date for the financial statements, namely the value of the respective cash flows, discounted using the interest rates deemed most appropriate.

For floating rate and very short-term loans not in default, the balance sheet value is deemed to be the best approximation of fair value.

10.33 Balances and Transactions with Related Parties

Transactions with related parties are analysed in accordance with the criteria applicable to similar third-party transactions and are conducted under normal market conditions. These transactions are subject to the approval by the Board of Directors.

Due to the significant change both in the shareholder structure (note 19) and in the Board of Directors, figures presented below are presented as follows:

- Both 31 December 2018 and 2017 balances and transactions regarding Key Management Staff refer to all below disclosed “Key Members of Management and Supervisory Board”, either in functions or not as at 31 December 2018;

- Regarding Shareholders’ balances and transactions, figures as of 31 December 2017 refer to Oitante group entities, listed below as “Group Entities until 9 July 2018”, whilst figures as of 31 December 2018 refer to Bison Financial group entities, listed below as “Group Entities from 9 July 2018 on”.

	31-12-2018	31-12-2017	31-12-2018	31-12-2017
	Key Management Staff		Shareholders	
Deposits	-	-	730	24,514
Other Liabilities	-	-	-	14
Interest Expenses	-	-	7	-
Fees and commissions income	-	-	-	193
Personnel Costs	862	398	-	-

The related parties are the following:

**Key Members of Management
and Supervisory Board:**

Li Jun Yang
Evert Derks Drok
Pedro Manuel Ortigão Correia
Francisco Alexandre Valente de Oliveira
André Filipe Ventura Rendeiro
António Manuel Gouveia Ribeiro Henriques
Bernardo Maya Múrias Afonso
Joaquim António Pereira Cadete
Carla Sofia Pereira Dias Rebelo
Issuf Ahmad
Elsa Cristina Costa Pires Santana Ramalho
Ernesto Jorge de Macedo Lopes Ferreira
Ting Wang

Group Entities until 9 July 2018

Oitante
Banif Imobiliária
Vegas Altas
Banca Pueyo
WIL
BIAM
Profile
Banif Multi Fund
MCO2

Pabyfundo
Banif US Real Estate
Art Invest
Imogest
Banif Renda Habitação
Banif Gestão Imobiliária
Gestarquipark
Banif Real Estate Polska
Tiner Polska
Imopredial
Pedidos Liz
Banif Property
Turirent
Porto Novo
GCC Lisboa
Aplicação Urbana XIII
Aplicação Urbana XIV
Citation
Banif Portugal Crescimento

Group Entities from 9 July 2018 on

Bison Capital Holding Company Limited
Bison Capital Financial Holdings (Hong Kong)
Banif US Real Estate
Art Invest
Turirent

In the especially complex context marked by the significant consequences of the resolution measure applied to the former Banif group all efforts were applied to ensure the stabilisation of the Bank's activity, and the completion of the sale of the Bank to the new shareholder, Bison Financial, which was concluded on 9 July 2018 (note 19), in collaboration with Oitante. A new strategic orientation has been implemented in order to restructure the Bank's balance sheet and sell non-strategic assets.

Nevertheless, the financial statements remain presented under the going-concern principle as new business plan and strategy is still being implemented along with major business changes and change to business continuity principle is expected to be concluded only during 2019.

On 25 February 2019, Art Invest finished its liquidation process and is no longer a subsidiary of Bison Account. No relevant impacts arose from this event.

10.34 Events After the Balance Sheet Date

As at the date of approval of these financial statements by the Bank's Board of Directors, there had been no events subsequent to 31 December 2018, the reference date for the Financial Statements, which would require adjustments or modifications to the figures carried for assets or liabilities, under the terms of IAS 10 – Events after the balance sheet.

Following the application of the resolution measure to Banif by decision of the BoP of 20 December 2015, the ownership of the share capital of Banif was transferred to Oitante, whose share capital is held by the Resolution Fund.

11

Corporate Governance Report



The following information on corporate governance complies with the requirements set out in subparagraph b) of no. 2 of article 70 of the Portuguese Companies Code (*“Código das Sociedades Comerciais”*) and in article 3 of Law no. 28/2009, of 19 June (updated with DL 157/2014 of 24 October). This information was also sought to be compliant with recent regulatory developments, namely with: the EBA guidelines on internal governance (EBA/GL/2017/11), General Regime of Credit Institutions and Financial Companies (*“RGIC”*); Notice n.º 5/2008 from Banco de Portugal, published on 1 July 2008, on internal control; Notice n.º 10/2011 from Banco de Portugal, published on 9 July 2012, on remuneration practices and policies.

Bison Account, S.A. shall be referred in this document as “Bison Account”, “Bank” or “Company”.

11.1 Corporate Governance Structure and Practices

11.1.1 Governance Structure

The Company is structured according to the Latin Model (Reinforced), as per subparagraph a) of no. 1 of article 278 of the Portuguese Companies Code (*“Código das Sociedades Comerciais”*). Management of the Company is entrusted to a Board of Directors (article 18 and subsequent of the Articles of Association) composed of a minimum of 3 and a maximum of 15 members.

Members are elected for four-year terms of office and may be re-elected. The Board of Directors is appointed by the General Meeting, as stipulated in no. 1 of article 18 of the Articles of Association and no. 1 of article 391 of the Portuguese Companies Code (*“Código das Sociedades Comerciais”*).

Supervision of the Company is entrusted to a Supervisory Board and a statutory auditor (articles 23 and 24 of the Articles of Association), as per subparagraph b) of no. 1 of article 413 of the Portuguese Companies Code (*“Código das Sociedades Comerciais”*).

The Supervisory Board, composed of three sitting members and one alternate, is elected by the General Meeting, as per no. 1 of article 415 of the Portuguese Companies Code (*“Código das Sociedades Comerciais”*).

The Statutory Auditor is also appointed by the General Meeting, on the recommendation of the Supervisory Board, as stipulated in no. 1 of article 24 of the Articles of Association and no. 1 of article 446 of the Portuguese Companies Code (*“Código das Sociedades Comerciais”*).

The day-to-day management of the Company may be delegated to an Executive Committee composed of members drawn from the Board of Directors, as provided for in no. 1 of article 22 of the Articles of Association and no. 3 of article 407 of the Portuguese Companies Code (*“Código das Sociedades Comerciais”*). No Executive Committee has yet been appointed for the 2018-2021 term of office.

11.2 General Meeting

11.2.1 Identification of the Members of the Board of the General Meeting

In accordance with no. 1 of article 12 of the Company's Articles of Association, the Board of the General Meeting is composed of a chair and one or two company secretaries. The members of the Board of the General Meeting identified below were appointed to the following positions for the 2018-2021 period:

Chairman: Luís Manuel Baptista Branco

Company Secretary: Afonso Maria Pita Negrão Cardoso de Menezes

11.2.2 Start and end dates for the terms of office

The abovementioned members of the Board of the General Meeting were appointed at the General Meeting held on August 3, 2018, for the 2018-2021 four-year term of office, which ends on 31 December 2021.

11.2.3 Mandatory advance blocking of shares, for the purposes of participating in the General Meeting

Under article 15 of the Company's Articles of Association, any shareholder entitled to at least one vote, by law and as per the articles, may attend the General Meeting and discuss and vote on the agenda points. Each 100 (one hundred) shares corresponds to 1 (one) vote at the General Meeting.

Under the same article, a shareholder's right to participate in, and vote at, General Meetings, once all legal requirements have been met, depends on the shareholder having sufficient book-entry shares in their own name to entitle them to one vote at least 6 (six) days before the date set for the meeting in question. These

shares must remain on the Company's share register in this name until the General Meeting has closed.

It is also the case that any of the Company's shares transferred to a new owner in the 5 (five) days preceding the date initially set for the General Meeting will not entitle the new owner to participate in the General Meeting.

11.2.4 Rules that apply to the blocking of shares if the General Meeting is suspended

Under no. 3 of article 15 of the Articles of Association, shareholders must keep their shares in their name on the Company's share register until the General Meeting has closed.

11.2.5 Number of shares required for each vote

Under the provisions of no. 2 of article 15 of the company's Articles of Association, each block of 100 (one hundred) shares entitles the holder to 1 (one) vote.

Under no. 1 of article 17 of the Articles of Association, shareholders who own fewer than the number of shares required by the articles for participation in the General Meeting may form groups to make up this minimum number. This group may be represented by any one of the members of the group or by any other shareholder with voting rights. Any such arrangement should be indicated in a letter sent to the Chairman of the Board of the General Meeting.

11.2.6 Indication of shareholders with special rights and a description of these rights

As at 31 December 2018, there were no shareholders with special rights.

11.2.7 Articles of association rules that provide for the possibility of non-voting shares or those that stipulate that voting rights above a certain number shall not count, when such votes are cast by a single shareholder or by shareholders related to this shareholder

No. 2 of article 4 of the Articles of Association stipulates that the Company may issue any kind of shares, namely preference shares. These may or may not be redeemable and such redemption may be exercised at nominal value or at nominal value plus a premium, as decided by the competent body.

There are no statutory rules limiting the number of voting rights that may be counted in a vote.

11.2.8 Articles of association rules on the exercise of voting rights, including constitutive and decision-making quorums or systems for decoupling equity rights

The Articles of Association rules on the exercise of voting rights, and specifically as regards constitutive and decision-making quorums, are in line with the provisions of the Portuguese Companies Code ("*Código das Sociedades Comerciais*"). Parity exists between the Articles of Association (as per article 11 and subsequent of the Articles of Association) and the legal framework (as per articles 383 and 386 of the Portuguese Companies Code ("*Código das Sociedades Comerciais*"). There are no Articles of Association rules pertaining to the decoupling of equity rights.

11.2.9 Articles of association rules on the exercise of voting rights via postal voting

Under no. 5 of article 17 of the Articles of Association, shareholders may exercise their right to vote by post, in the following terms:

- a) The postal ballot must be received by the Company by 5 p.m. on the business day immediately preceding the date set for the General Meeting. If it is not received by this time, it may not be accepted;
- b) The postal ballot should indicate the agenda points to which it refers and, where appropriate, to the specific decision proposal to which it relates. For decision proposals submitted after the postal ballot was filled out, the vote will count as a vote against the proposal;
- c) The fact that the Company may provide a standardised postal ballot for each General Meeting does not invalidate any postal vote that does not make use of such a postal ballot, provided that the manner in which the vote is to be cast is understandable and unequivocal;
- d) The postal ballot should be addressed to the Chairman of the Board of the General Meeting, who will check its authenticity and ensure that it remains confidential until the vote actually takes place;
- e) Postal votes will count towards the constitutive quorum required for the General Meeting for which they are issued and, unless indicated otherwise, they will also count, in the same manner, for any second convening of the same meeting.

11.2.10 Exercising the right to vote by electronic means

There is no provision for exercising the right to vote by electronic means.

11.2.11 Any restrictions on the right to vote, such as voting restrictions that depend on the shareholder holding a certain number or percentage of shares, deadlines for exercising voting rights, or systems for decoupling equity rights

Without prejudice to the information in the previous points, namely point 11.2.5, there are no restrictions on voting rights.

11.2.12 Role played by the General Meeting in the remuneration policy for the Company as a whole and for the members of the management body and other managers in particular

Pursuant to Article 26 no. 1, of the Articles of Association, the remuneration of the members of the corporate and statutory bodies shall be fixed by the General Meeting or by a Remuneration Commission composed of three members elected by the General Assembly.

Currently, the remuneration of the members of the corporate and statutory bodies of Bison Account is defined by the General Meeting.

According to Article 115-H of the Legal Framework for Credit Institutions and Financial Companies ("RGICSF" – Regime Geral das Instituições de Crédito e Sociedades Financeiras) only major credit institutions, as measured by size, internal organisation and the nature, scope and complexity of the work undertaken, are obliged to establish a remuneration committee.

Although the Bison Account is not such an institution, on October 11, 2018, further to the discussions held among the board members and with Bank of Portugal regarding the proposed governance model of the Company, the Board of Directors took the stance that, pursuant to Decree-Law no. 298/92, as amended from time to time, and EBA

Guidelines on internal governance – EBA/GL/2017/11, it would be convenient to commence the improvement process of the governance structures.

As such, even though there is still no Executive Committee established, it was decided to commence this process with the creation of a specialized remuneration committee called "Nomination and Remuneration Committee", and with the respective regulations.

On December 21, 2018 the Board of Directors decided to move ahead with the Nomination and Remuneration Committee and as such on February 8 2019, the members of the Nomination and Remuneration Committee were appointed by the Board of Directors.

In accordance with no. 1 of article 2 of Law no. 28/2009, of 19 June (with the updates of the DL n.º 157/2014, de 24/10), a statement on the remuneration policy for the management and supervisory bodies is submitted to the General Meeting for consideration.

Moreover, and following a proposal from the Board of Directors, the General Meeting may decide to distribute profits to company staff and employees (article 26, no. 4, of the Articles of Association).

11.2.13 The General Meeting's role in the approval of the main features of the retirement benefits system for members of the management and supervisory bodies and for other managers, within the meaning of no. 3 of article 248-B of the Securities Code (C.V.M.)

The General Meeting may, at any time, grant the right to retirement and survivors' pensions or to supplementary retirement and survivors' pensions, establishing, in doing so, the corresponding system or delegating the powers for this to the Nomination and

Remuneration Committee (article 26, no. 6, of the Articles of Association).

11.2.14 Rules applying to any changes to the Company's Articles of Association

There are no specific rules in the Articles of Association regarding any changes to these same articles. Any changes would be made within the relevant legal framework, namely that provided by the Portuguese Companies Code ("*Código das Sociedades Comerciais*").

11.2.15 Qualifying holdings in the Company's share capital

In 2018, and after obtaining authorization from the European Central Bank, the process of acquisition of the Company by Bison Capital Financial Holdings (Hong Kong) Limited was successfully concluded on 9 July, 2018.

On July 16, 2018, Bison Capital Financial Holdings (Hong Kong) Limited, as the sole shareholder of the Bank, resolved as follows:

- To increase the share capital of the Bank in the amount of € 41,000,000.00 (forty-one million Euros), of € 135,198,370.00 (one hundred and thirty-five million, one hundred and ninety-eight thousand, three hundred and seventy Euros) to € 176,198,370.00 (one hundred and seventy-six million, one hundred and ninety-eight thousand, three hundred and seventy Euros), through new entries in cash by the Sole Shareholder, with the consequent issuance of 8,200,000 (eight million and two hundred thousand) new shares, with the nominal value of € 5.00 (five Euros) each.

At 31 December, 2018, the shares of Bison Account, in a total of 35,239,674 shares, with a nominal value of 5 Euros each, representing 100% of the share capital in the Company, in the total amount of 176,198,370.00 Euros, were held by the sole shareholder Bison Capital Financial Holdings (Hong Kong) Limited.

At the reporting date, Bison Capital Financial Holdings (Hong Kong) Limited continues to be Bison Account's sole shareholder.

11.3 Board of Directors

11.3.1 Identification of the members of the Board of Directors

As at the reporting date, the Board of Directors of Bison Account had the following members:

- Yang Lijun, who also uses Lijun Yang (Chairman)
- Evert Derks Drok (Vice-Chairman)
- António Manuel Gouveia Ribeiro Henriques (Director)
- Pedro Manuel Ortigão Correia (Director)
- Francisco Alexandre Valente de Oliveira (Director)

- André Filipe Ventura Rendeiro (Director)

11.3.2 Start and end dates of the respective terms of office

On August 3, 2018, Bison Capital Financial Holdings (Hong Kong) Limited, acting as sole shareholder of the Bank, resolved, in light of the individual and collective assessment reports made available by the Company, to appoint as

members of the Board of Directors for the period from 2018 to 2021, the following individuals:

Board of Directors

- Yang, Lijun;
- Evert Derks Drok;
- Pedro Manuel Ortigão Correia;
- Francisco Alexandre Valente de Oliveira

On August 10, 2018, pursuant to article 19, paragraph 1, of the Company's Articles of Association, the Board of Directors resolved to appoint Yang, Lijun as Chairman and Evert Drok as Vice-Chairman of the Company's Board of Directors for the period from 2018 to 2021.

On October 30, 2018, Bison Capital Financial Holdings (Hong Kong) Limited, acting as sole shareholder, in light of the individual and collective assessment reports made available by the Company, appointed, with effects on November 19 2018, André Filipe Ventura Rendeiro, as member of the Company's Board of Directors for the period of 2018 to 2021.

On 5 December, 2018, Bison Capital Financial Holdings (Hong Kong) Limited, acting as sole shareholder of Bison Account, resolved in light of the individual and collective assessment reports made available by the Company, appointed, with immediate effects, António Manuel Gouveia Ribeiro Henriques, as member of the Company's Board of Directors for the period of 2018 to 2021.

Given the abovementioned changes, the Board of Directors currently has the following members:

- **Yang Lijun, who also uses Lijun Yang** (Chairman) – appointed on August 3, 2018 with effects at the same date
- **Evert Derks Drok** (Vice-Chairman) – appointed on August 3, 2018 with effects at the same date
- **António Manuel Gouveia Ribeiro Henriques** (Director) – appointed on December 5, 2018

with effects at the same date

- **Pedro Manuel Ortigão Correia** (Director) – appointed on August 3, 2018 with effects at the same date
- **Francisco Alexandre Valente de Oliveira** (Director) – appointed on August 3, 2018 with effects at the same date
- **André Filipe Ventura Rendeiro** (Director) – appointed on October 30, 2018 with effects at November 19, 2018.

11.3.3 Powers of the management body, particularly as regards decisions to increase the share capital

The powers of the Board of Directors are stipulated in article 20 of the Articles of Association. This article states that the Board of Directors has exclusive and full powers to represent the Company and is responsible for ensuring the management of its business. Therefore, it has the power to decide on any company-related issue that does not fall within the exclusive competence of another body, in law or under the Articles of Association. Thus, it has the power to:

- Engage in any operations relating to its corporate purpose;
- Represent the Company in and out of court, as plaintiff or defendant, lodge and pursue actions, admit, withdraw, settle and submit to arbitration;
- Acquire, dispose of or, in any way, encumber any assets or rights, whether movable or immovable, including own or other bonds, as well as holdings in other companies;
- Appoint representatives;
- Decide upon the timeliness and conditions of bond issues and the issue of other debt securities by the Company.

There are no provisions in the Articles of Association for the Board of Directors to decide on a Company's share capital increase (as stipulated in article 456 of the Portuguese Companies Code ("*Código das Sociedades Comerciais*").

11.3.4 Rules governing the appointment and replacement of members of the Board of Directors

Under the Articles of Association, the Board of Directors is composed of a minimum of three and a maximum of fifteen members, as decided by the General Meeting. Alternate directors may be elected, up to a number equal to a third of the existing number of elected sitting directors (article 18, nos. 1 and 2, of the Articles of Association). Members of the Board of Directors are appointed by the General Meeting for four-year terms of office and they may be re-elected.

The articles also stipulate that (article 19, no. 1), in the first meeting it holds in each term of office, the Board of Directors shall appoint its own Chairman and one or two Vice-Chairmen from amongst its own members.

The Articles of Association state that, in case of a director fail to attend three consecutive or non-consecutive meetings of the Board of Directors in a calendar year, without providing justification that is acceptable to this Board, that shall constitute a definitive fault, which shall be declared by the Board of Directors and shall determine the replacement of the Director in question, under the legal terms (article 21, no. 6, of the Articles of Association).

The Articles of Association do not specify the means of replacing members of the Board of Directors. Any such replacement will take place in accordance with the terms of article 393 of the Portuguese Companies Code ("*Código das Sociedades Comerciais*").

There is no formal policy in place for rotating duties between members of the Board of Directors.

The Regulations of the Board of Directors of Bison Account, were reviewed and updated at a meeting of that body, dated August 10, 2018, and are available for consultation on the Company's website.

This document sets out the guiding principles underpinning the Board of Directors' work, the basic rules governing the way it is organised and operates and the standards of conduct expected of its members. These regulations complement the pertinent legal and statutory provisions.

11.3.5 Positions that each member of the management body hold in other companies

Positions that members of the Board of Directors hold in other companies:

Yang Lijun, who also uses Lijun Yang (Chairman)

- By reference to December 31, 2018, she was a member of a corporate body in a company, aside from Bison Account, as follows:
 - Director of Bison Capital Financial Holdings (Hong Kong) Limited

Evert Derks Drok (Vice-Chairman)

- By reference to December 31, 2018, he was a member of corporate bodies in companies, aside from Bison Account, as follows:
 - Chairman of the Supervisory Board of Flow Traders NV;
 - Member of the Supervisory Board of Lievens Holding BV.

António Manuel Gouveia Ribeiro Henriques (Director)

- By reference to December 31, 2018, he is not a member of any corporate body in any company, aside from Bison Account.

Pedro Manuel Ortigão Correia (Director)

- By reference to December 31, 2018, he is not a member of any corporate body in any company, aside from Bison Account.

Francisco Alexandre Valente de Oliveira (Director)

- By reference to December 31, 2018, he is not a member of any corporate body in any company, aside from Bison Account.

André Filipe Ventura Rendeiro (Director)

- By reference to December 31, 2018, he was not a member of any corporate body in any company, aside from Bison Account.

11.3.6 Number of meetings held and the attendance record for each member of the Board of Directors

In 2018 were held 58 meetings of the Board of Directors of the Company and minutes were drawn up for each of these meetings.

Of the 58 meetings held in 2018, 35 were held under the previous mandate and 23 corresponded to the meetings held under the new mandate of 2018-2021.

The attendance of each member of the Board of Directors at board meetings was as follows:

Board of Directors - Meetings held from January to July 2018 (under the mandate of 2015-2017):

Member	Nr. of attendance	Representation
António Manuel Gouveia Ribeiro Henriques (Chairman) (has ceased functions in August 3, 2018)	35	-
Bernardo Maya Múrias Afonso (Vice-Chairman) (has ceased functions in August 3, 2018)	35	-
Joaquim António Pereira Cadete (Director) (has ceased functions in the end of June 2018)	27	-

Board of Directors - Meetings held from August to December 2018 (under the mandate of 2018-2021):

Member	Nr. of attendance	Representation
Yang Lijun (Chairwoman) (started on August 3, 2018)	22	-
Evert Derks Drok (Vice-Chairman) (started on August 3, 2018)	20	-
António Manuel Gouveia Ribeiro Henriques (Director) (started on December 5, 2018)	2	-
Pedro Manuel Ortigão Correia (Director) (started on August 3, 2018)	21	-
Francisco Alexandre Valente de Oliveira (Director) (started on August 3, 2018)	23	-
André Filipe Ventura Rendeiro (Director) (started on November 19, 2018)	6	-

11.4 Executive Committee and Other Committees**11.4.1 Composition and rules applicable to the Executive Committee**

Under article 22, no. 1, of the Articles of Association, the Board of Directors may delegate to an Executive Committee the day-to-day management of the company, and the resolution shall determine the limits of the delegation.

There are no specific provisions in the articles regarding the appointment or replacement of Executive Committee members.

As of the date of this Report, no Executive Committee has been formed from the members of the Board of Directors of Bison Account.

11.4.2 Other Committees and Meetings held**a. Functional Committees**

In accordance with the current Terms of Reference for the Functional Committees for Bison Account, as established in the internal procedures the Bank operates the committees listed below. These committees have specific purposes and are subject to differing operating rules, as established in the abovementioned Rule.

Functional Committees - Meetings held in 2018:

Committees	No. of Meetings
ALCO and Proprietary Committees	7
Budget Committee	3
Compliance Committee	2
Depositary Committee	2
Business Committee	1
Wealth Management Committee	9
Process and Quality Committee	0
Risk Management Committee	2

b. Governance Committees

On October 11, 2018, further to the discussions held among the board members and with Bank of Portugal regarding the proposed governance model of the Company, the Board of Directors took the stance that, pursuant to the EBA Guidelines on internal governance – EBA/GL/2017/11, it would be convenient to commence improvement process of the governance structure and the governance committees. Even though there is still no Executive Committee established, it was decided to commence this process, and to proceed with the creation of specialized Committees:

i) Nomination and Remuneration Committee

On December 21, 2018, further to the meeting held on October 11 the board decided to move ahead with the Nomination and Remuneration Committee.

The mission of the Nomination and Remuneration Committee (the “Committee”) shall be to advise and support the Board of Directors and the General Meeting in relation to matters of nominations, appraisals and remunerations of (i) the members of the Board of Directors and Supervisory Board, (ii) the Top Management (the persons at the highest hierarchical level in charge of effectively managing the day-to-day operation), (iii) the Control Functions Heads (namely Risk, Internal Audit and Compliance) of the Bank, as well as (iv) other employees holding essential functions or whose total remuneration is at the same level of remuneration as the foregoing, as defined by the Board of Directors.

The Committee shall also have the task of promoting the implementation of the internal policies relating to the Selection and Evaluation of the Adequacy of Members of the Board of Directors and the Supervisory Board and of the Bank’s Essential Function Holders (the “Selection and Evaluation Policy”) and ensures its full effectiveness.

The Committee also monitors the application and revision of the Regulation on the Prevention, Communication and Healing of Conflicts of Interest, including transactions with related parties of the Bank, referred to in the aforementioned “Selection and Evaluation Policy”.

The Committee is composed of a minimum of three and a maximum of five members, appointed by the Board of Directors, from amongst Non-Executive Directors and members of the Supervisory Board (to be indicated by this body).

On February 8, 2019, the members of the Nomination and Remuneration Committee were appointed by the Board of Directors as follows:

- Yang Lijun
- Evert Derks Drok

The following member was indicated by the Supervisory Board:

- Issuf Ahmad

The first meeting of this Committee was held on 8 February, 2019.

ii) Risk and Compliance Committee

On December 21, 2018, further to the meeting held on October 26 and to all the inputs received, the Board of Directors approved to set up the Risk and Compliance Committee and approved the content of the Regulations of this Committee.

The mission of the Risk and Compliance Committee (the “Committee”) shall be to advise and support, in the exercise of its supervisory function, the Board of Directors in decision-making processes related to risk management, compliance and internal control.

Its main scope is to contribute to the design and implementation in the Bank of an adequate risk management strategy, effective risk and compliance management systems and internal control, reporting regularly its conclusions and recommendations to the Board of Directors in the exercise of its supervisory function.

The Committee is composed of a minimum of three and a maximum of five members, appointed by the Board of Directors, from amongst Non-Executive Directors and members of the Supervisory Board (to be indicated by this body).

On February 8, 2019, the members of the Risk and Compliance Committee were appointed by the Board of Directors as follows:

- Evert Derks Drok
- Yang Lijun

The following member was indicated by the Supervisory Board:

- Ernesto Jorge de Macedo Lopes Ferreira

The first meeting of this Committee was held on 15 February, 2019.

11.5 Supervisory Board

11.5.1 Identification of the members of the Supervisory Board

As at the reporting date, the Supervisory Board of Bison Account had the following members:

- Issuf Ahmad (Chairman)
- Ernesto Jorge de Macedo Lopes Ferreira (Member)
- Wang, Ting (Member)
- Bu, Fan (Alternate Member)

11.5.2 Start and end dates for the term of office

The members of the Supervisory Board, listed in the previous point 11.5.1, were appointed by resolution of the sole shareholder, Bison Capital Financial Holdings (Hong Kong) Limited, of 21 August, 2018, for the period 2018 to 2021, following the individual and collective valuation reports made available by the Company and following the prior authorization granted by the Bank of Portugal.

The abovementioned sitting members took office on 21 August, 2018.

11.5.3 The rules governing the appointment and replacement of members of the Supervisory Board

The Supervisory Board has three sitting members and one alternate member (article 23, no. 1, of the Articles of Association).

The Supervisory Board should be constituted in accordance with the legal provisions governing incompatibility and its members must have adequate training and experience for the sector in which the company operates. The majority of its members, including its chairman, should be considered independent.

Pursuant to the Legal Framework for Credit Institutions and Financial Companies (“RGICSF” – *Regime Geral das Instituições de Crédito e Sociedades Financeiras*) (article 31) and taking into account the latest guidelines issued by the EBA (European Banking Authority) on the matter, in terms of best practices, the majority of the members of the supervisory body should be independent, within the meaning of article

414 of the Portuguese Companies Code (“*Código das Sociedades Comerciais*”).

The independence requirement is designed to prevent the risk of members of the management and supervisory bodies being subjected to the undue influence of other persons or entities, thus ensuring that said members are able to discharge their duties impartially.

The Chairman of the Supervisory Board will be appointed by the General Meeting or, where this is not the case, by the members of the Supervisory Board themselves (article 414-B of the Portuguese Companies Code (“*Código das Sociedades Comerciais*”).

The Articles of Association do not specify the means of replacing members of the Supervisory Board. Any such replacement will take place in accordance with the terms of article 415 of the Portuguese Companies Code (“*Código das Sociedades Comerciais*”).

The Regulations of the Supervisory Board of Bison Account are available for consultation on the Company’s website.

This document sets out the guiding principles for this body and the basic rules governing the way it is organised and operates.

11.5.4 Positions that each member of the Supervisory Board hold in other companies

Positions that members of the Supervisory Board hold in other companies:

Issuf Ahmad (Chairman)

By reference to December 31, 2018, he was a member of corporate bodies in companies, aside from Bison Account, as follows:

- Member of the General and Supervisory Board of IP – Infraestruturas de Portugal, S.A.

- Chairman of the General Meeting of Profile – Sociedade Gestora de Fundos de Investimento Mobiliário SA.

Ernesto Jorge de Macedo Lopes Ferreira (Member)

- By reference to December 31, 2018, he was a member of corporate bodies in companies, aside from Bison Account, as follows:
 - Chairman of the General Assembly of Banif Imobiliária, SA;
 - Chairman of the General Assembly of WIL – Projectos Turísticos, SA.
 - Secretary of the General Assembly of Oitante, S.A.;
 - Member of the Supervisory Board of Profile – Sociedade gestora de Fundos Mobiliários, S.A. (suspended mandate for one year due to personal reasons).

Wang Ting (Vogal)

- By reference to December 31, 2018, she is not a member of any corporate body in any company, aside from Bison Account.

11.5.5 The Supervisory Board’s annual assessment of the external auditor and submitting a proposal to the General Meeting to dismiss the external auditor, where warranted

The Supervisory Board assesses the external auditor each year.

On recommendation of the Supervisory Board, the current external auditor was appointed by the General Meeting on 21 August, 2018, for the 2018-2021 period, in accordance with no. 4 of article 25 of the Articles of Association.

11.5.6 The inclusion in the annual report on the work done by the Supervisory Board of a description of its supervisory work and mention of any constraints on this work. Publication of these reports on the Company’s website, together with the accounts documents

The annual reports produced by the Supervisory Board include a description of its supervisory work and mention of any constraints affecting this work (where these exist). These reports are published on the Company’s website, together with the accounts documents.

The attendance of each member of the Supervisory Board at the meetings was as follows:

Supervisory Board – Total of 27 meetings held in 2018

Member	Attendance	Representation
Issuf Ahmad	27	-
Elsa Cristina Costa Pires Santana Ramalho (a)	13	-
Ernesto Jorge de Macedo Lopes Ferreira	27	-
Wang Ting (b)	14	-

(a) Resigned on 9 July, 2018, attending last meeting on 9 July, 2018

(b) Elected on 21 August, 2018, attending first meeting on 24 August, 2018

11.5.8 Statutory Auditor of the Company

On recommendation of the Supervisory Board, the Statutory Auditor of the Company, identified below, was appointed by the General Meeting on 30 October, 2018, for the period of 2018-2019, pursuant to paragraph 1 of article 446 of the Commercial Companies Code and in accordance with no. 1 of article 24 of the Articles of Association:

11.5.7 Number of meetings held and the attendance record for each member of the Supervisory Board

The Company’s Supervisory Board met 27 times in 2018. Minutes were drawn up for each of these meetings.

The Company’s Supervisory Board met 27 times in 2018. Minutes were drawn up for each of these meetings.

- Pricewaterhouse Coopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda, listed at Ordem dos Revisores Oficiais de Contas under the number 183 and registered at CMVM under the number 20161485.

11.6 Internal Control

11.6.1 The Company's internal control and risk management systems, particularly as regards the procedure for reporting financial information

Last year, the Company continued to focus on developing its Internal Control System. It built synergies with the operating risk and process improvement teams to achieve the following objectives:

- Establishing the level of the organisation's control environment, by instilling discipline and structure at the heart of the Internal Control Function and disseminating this culture throughout the organisation;
- Reducing risk levels and encouraging operational effectiveness and efficiency;
- Ensuring that all reported information is objective, reliable and correct;
- Complying with all legal and regulatory standards.

The methodology for implementing Internal Control is based on international principles and a framework that is designed to ensure the attainment of five main component outcomes:

- Control Environment – Establishing the degree to which the Company influences staff awareness of control, imposing discipline and structure.
- Risk Assessment – Identifying and analysing relevant risks (internal and external) so organisational objectives may be achieved and a suitable basis for risk management can be set up.
- Control Activities – Based on appropriate policies and procedures, with the objective of ensuring that the ground rules established

for management are followed and that these policies and procedures allow the proper identification of the risks inherent in the Company's business activities.

- Information and Communication – Ensuring the identification, capture and reporting of pertinent and relevant information that allows decisions to be taken and ensures that the implementation of these is appropriate.
- Monitoring – Assessing the performance and quality of Internal Control.

In 2018, work continued on ensuring the independence of the Internal Control model used to record and monitor the mitigation measures implemented in response to internal control shortcomings. Such shortcomings are identified through the review and control interventions of external auditors, supervisory entities and bodies with control responsibilities.

In working towards the objectives set for the Internal Control Function, the Company continued to focus on a number of internal control initiatives in 2018. These initiatives, which contributed decisively to a substantial improvement in the robustness of the internal control system, are:

- The structuring and deployment of an Action Plan for the implementation of corrective measures for all high risk points or those pertaining to the Safekeeping Of Clients' Assets;
- The design of a risk identification, control and mitigation model and the application of this to the Company's various business units;

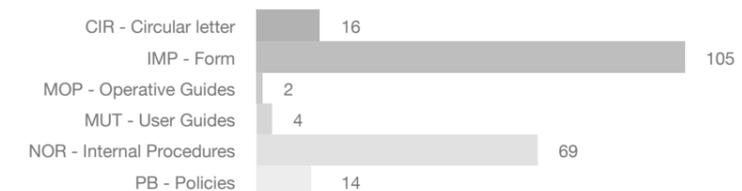
- The clarification, through internal regulations, of the assignments and activities to be carried out by the control functions (Audit, Risk and Compliance).
- The reporting of the changing status of corrective actions to both the Management and Supervisory bodies.

A total of 22 Internal Control Points (ICP) - 6 high-risk, 15 medium-risk and 1 low-risk - were closed from 2017 to 2018, leading to a significant improvement in ICP resolution, as can be seen in the table below: 0 high risk, 21 medium risk and 6 low risk as of 2018.

ICP Internal Control Report							
Risk	2016	2017	2018	Var. 2016 - 2018	Var. 2017 - 2018	% Var. 2016 - 2018	% Var. 2017 - 2018
High	28	6	0	-28	-6	-100%	-100%
Medium	65	36	21	-44	-15	-68%	-42%
Low	19	7	6	-13	-1	-68%	-14%
Total	112	49	27	-85	-22	-76%	-45%

Furthermore, several Banks rules and procedures were reviewed and approved during the year 2018. This is another key aspect of the ongoing improvements being made to the internal control environment.

Documents published in 2018



In 2018, 210 of these documents were published on the Internal Documents Management System (DONE). Most of these documents were mainly generated as a result of the changes in the name, headquarters and capital of the Bank.

11.6.2 Responsibilities of the management and supervisory bodies regarding the setting up and operation of the Company’s internal control and risk management systems, including the operational assessment of these systems and their adjustment to the Company’s needs.

The Board of Directors and the Supervisory Board understand the key role they play in organising Risk Management and Internal Control Systems. These bodies provide the human and technological resources required to create an internal control environment that is proportional and appropriate to the business risks involved.

The management bodies maintain regular and periodic oversight of the changes in, and mitigation of, the shortcomings identified in the Company’s Internal Control System. They do this by organising and participating in regular meetings with the Company’s various departments. These meetings, which focus on the identification, monitoring, quantification and management of risks, allow management to implement corrective measures that are commensurate with the proper running of the Company.

Each year, the Supervisory Board assesses the effectiveness of the adjustment of the Internal Control System to the Company’s needs. It publishes this assessment in its own report, which also includes recommendations for improvements, where it believes these are warranted.

11.6.3 Management and supervisory body responsibilities for internal governance issues

The management and supervisory bodies have overall responsibility for ensuring there is a governance framework in place that matches the Company’s structure and business activity and the risks it faces. These

bodies should regularly evaluate the efficiency and effectiveness, at both the individual and collective level, of their work, their governance practices and procedures and the operation of the various committees. The committees in question, and their meeting records, are covered in point 11.4.2 above.

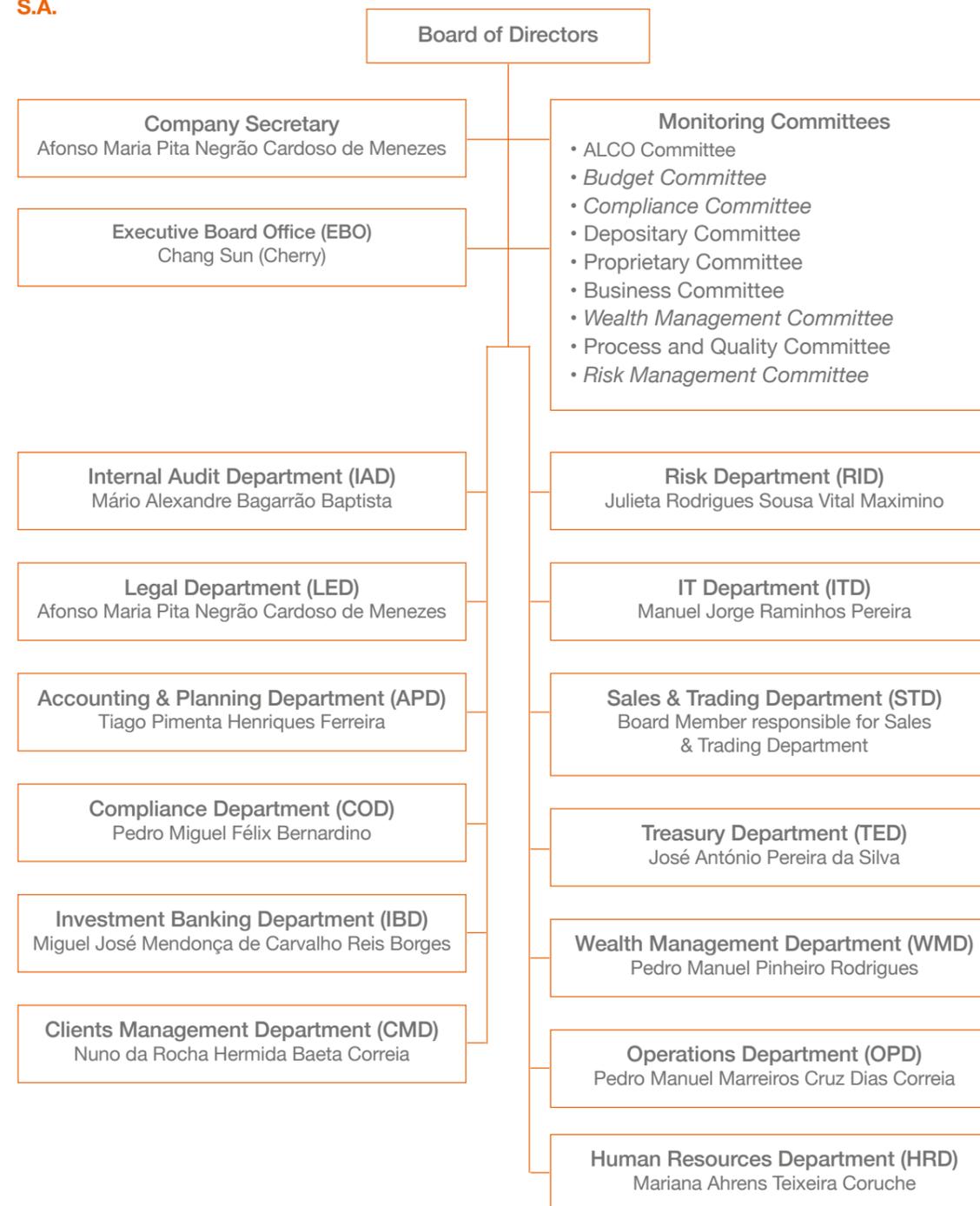
The structure and implementation of the internal governance framework are reviewed periodically and never less than once a year. Particular attention is paid to any changes in internal or external factors that may affect the institution.

In 2018, this oversight resulted in 4 changes to the administrative and operational structures comprising Bank’s Macrostructure.

The current Macrostructure is as follows:

Organisational Chart of the Bison Account,

S.A.



The management and supervisory bodies also have overall responsibility for ensuring there is a governance framework in place at all subsidiaries that is appropriate to their structure and business activity and the risks they face. In July 2018 the Bank ceased to have any subsidiary.

Of the measures taken during the year 2018, on internal governance, the two new specialized committees, the Nominating and Compensation Committee and the Risk and Compliance Committee, which are the result of the EBA guidelines on internal government - EBA / GL / 2017/11. These new Committees, composed of non-executive members of the Board of Directors and members of the Supervisory Board, are better described in section 11.4.2 - b. of this Report.

The shareholder also reviewed the following internal policy in 2018: Remuneration Policy for the Members of the Management and Supervisory Bodies of the Bank.

In 2018, as a result of the change of Bank's shareholder and consequent rebranding of the Bank, several documents were updated, namely the macro-structure and organic and functional structure of the Bank.

11.6.4 Holders of Key Functions

Under article 33A of the Legal Framework for Credit Institutions and Financial Companies ("RGICSF" – *Regime Geral das Instituições de Crédito e Sociedades Financeiras*), credit institutions are obliged to identify those functions whose holders, whilst not members of the management or supervisory bodies, are engaged in work that results in them having a significant influence over the management of the credit institution.

The functions referred to in the previous point include, at the very least, the credit institution's heads of compliance, internal audit, control

and risk management. At Bison Account, these functions are as follows:

11.6.4.1 Compliance Function

The Compliance Department, ("COD"), is a top-line structure in Bison Account's organizational hierarchy.

The Bank relies on an independent, permanent and effective Compliance Function that is charged with controlling compliance with all legal requirements and duties that are incumbent on the Bank.

The major project carried out by COD was the implementation of the anti-money laundering and counter-terrorist financing system and also the rebranding project.

The COD's Director as Head of Compliance and is also responsible for the compliance control function, coordinating internal financial crime procedures (Anti-Financial Crime Officer), and the Bank's internal control system and managing the handling of complaints. The Head of Compliance is also the Data Protection Officer. COD, operates independently of the Board of Directors and of all other Departments, must have free and unhindered access to any information they may require for the proper performance of their duties.

COD's main accountability is complying with applicable legal and regulatory requirements, professional and industry standards as well as with its corporate principles and values, stated on its Code of Conduct, the Bison Account Basics, is key for Bison Account.

The Compliance Function has been delivered the accountability of maintaining compliance with all those principles and values.

The Compliance Function is a governance function responsible to:

- **Promote an ethics-based culture:** the role of Compliance is to assist management to promote a corporate culture based on ethics;
- **Deliver compliance solutions:** Compliance is accountable to bring expertise to the management and maintenance of policies, practical guidance, training, controls and processes relating to compliance risks;
- **Provide assurance:** the role of Compliance, as part of the second line of defense, encompasses the impact assessment of the legal developments as well as the assurance that compliance risks within the scope of the function are appropriately identified, evaluated and managed.

The ecosystem based on Compliance Risk Universe set a clear vision of the scope of the compliance function and increase the robustness of the internal control system.

Head of Compliance, Education, Training and Career Path

Name: Pedro Miguel Félix Bernardino

Position: Head of Compliance | Anti-Financial Crime Officer | Data Protection Officer
Education, Training and Career Path: Pedro Bernardino holds a Law Degree from Law School of the Catholic University of Portugal, and various Post-Graduations. In terms of work experience, Pedro worked as a Trainee Lawyer, as a Jurist, as a Compliance Officer, as a Head of Compliance, as a Data Protection Officer and, since August, 2018, is Head of Compliance, Anti-Financial Crime Officer and Data Protection Officer at Bison Account.

11.6.4.2 Risk Management Function

The Risk Department ("RID"), is responsible for day-to-day risk management. Its mission is based on the following:

- Advising the Board of Directors on the drawing up of risk/risk strategy policies that align with the Bank's business and strategic objectives such as Risk Appetite Statement (RAS). Supporting management in the attainment of its objectives, by independently assessing and overseeing management of both risk and controls. In doing this, it aims to help add value and improve management practices;
- Developing practices that drive the identification, assessment, follow up and control of the different types of risks that are accepted and that underlie the Bank's activity. In this way, it helps build risk knowledge and enhances overall risk exposure management;
- Proposing, reviewing and overseeing the drawing up and implementation of risk policies in close collaboration with the other business units, ensuring that these are coherent and aligned with the strategic risk objectives established by Senior Management;
- Providing information in support of the risk management and decision taking processes and reporting the relevant prudential information to the Regulator and the Supervisory Authority.

In functional terms, the management and monitoring of Bison Account's risk is tasked to the RID, a body that reports to the Board of Directors. The department works independently of the functional areas that are subject to assessment and it has all the hierarchical and functional autonomy it might need.

Its main function is to develop and implement an integrated risk monitoring system that is appropriate to the nature of the risks the Institution faces and its risk profile, thus ensuring that risk taking stays within the previously established tolerances.

The RID takes an active role in influencing the decision-making process by issuing analyses, opinions, guidelines and recommendations on any operations that involve risk taking,

participating actively on the various Committees and reporting regularly to the management bodies, so these may better understand and monitor the risks in question.

RID's risk management work involves:

- a) Fostering the development of a risk management system by encouraging compliance with current policies and the risk control procedures defined by the management bodies;
- b) Participating, in those areas in which it has competences, in the designing of internal policies, guidelines and procedures and ensuring that these are effectively implemented and that there is full compliance with the legal provisions that govern Bison Account's activity. This includes reporting facts and situations that deviate from the established norms and targets;
- c) Overseeing and implementing regulatory changes that are relevant to the department's work and coordinating such changes with established policies and procedures;
- d) Designing systematised policies and procedures that establish risk management criteria and both global and specific objectives, for all areas of risk to which the Bank is exposed to;
- e) Defining and proposing appropriate limits for the management of the different risks determined to be material, in close collaboration with the Business Originating Areas and the Treasury Department;
- f) Participating in the development of an integrated risk, asset and liability management system (ALM), in close collaboration with the Treasury Department and the various Business Areas;
- g) Contributing to an efficient allocation of the available capital;
- h) Identifying, measuring, monitoring and reporting the risks underlying the Bank's business activity;

- i) Controlling the development of the various risks on an ongoing basis as well as compliance with the prevailing policies, applicable limits and regulations;
- j) Establishing a risk measurement process that ensures the integrity of the risk measurements;
- k) Calculating the capital consumption of the various risks to which the Bank is exposed, including the regulatory capital requirements under the Basel Agreement (Pillar I), self-assessment of risk and calculation of economic capital (Pillar II);
- l) Monitoring the Bank's risk profile, in accordance with the risk management policy and the business objectives (strategic objectives and the tolerance/appetite for risk), and the risk and solvency capacity, as defined by the management body;
- m) Independently monitoring the Institution's aggregated risk limits, checking that these align with the Risk Appetite Statement;
- n) Monitor compliance with the risk limits for the various types of risk, particularly those defined in the "Limit Management Policy";
- o) Monitoring risk exposures (in both absolute terms and in terms of the main indicators that have been established) and the respective use/consumption of capital.

In addition to the CRO, the Bank has appointed a Head of Risk.

Head of Risk, Education, Training and Career Path:

Name: Julieta Rodrigues de Sousa Vital Maximino
Position: Director of Risk Department / Head of Risk Education, Training and Career Path:
Julieta Vital Maximino took a (pre-Bologna) degree in Management at the Faculty of Economics, University of Oporto (1995), specialising in economics and finance.

In March 2017, she returned to the Bank to become Head of Risk. Between April 2016

and March 2017, she was Head of the Global Risk Department at Oitante, SA. Between 2012 and 2015, she worked in the Global Risk Department's Strategic Risk Management Office at the former Banif Financial Group. Her main role was to coordinate the team responsible for calculating capital requirements for the group's exposure to credit risk, namely: 1) Calculation of the Risk Weighted Assets (RWA) for credit risk; 2) Preparation of the prudential reports, specifically COREP as well as; 3) Participation in Funding and Capital Plan and Stress Test exercises, in the form of the calculation of credit risk RWA; and 4) Preparation of Management Information System Reports for the Banif Financial Group.

From 2004 to 2010, she worked as a Senior Equity Analyst in Bank's Equity Research Department, where she was responsible for analysing a number of sectors.

Between 2002 and 2003 she worked on Milleniumbcp's factoring department as a commercial analyst. She started her career in 1995 at Título – Sociedade Corretora, S.A. (Finibanco Group), as an analyst in the equity research department, where she remained until 2000.

11.6.4.3 Internal Audit Function

The aim of the audit function is to support the Board of Directors in the attainment of its objectives, by independently assessing and overseeing systems, controls and internal governance. In doing this, it aims to help add value and improve Bank management practices.

The main tasks carried out by the area are:

- Carrying out systematic audits in line with the approved plan, with the aim of validating the effectiveness of the risk management processes. More specifically, such audits check if:
- The organisational objectives support and align with the Institution's mission;

- All major risks are properly identified and correctly assessed;
- Appropriate responses to these risks have been selected and implemented and these responses align (or seek to align) the Institution's risk profile with its risk appetite, as established by Senior Management;
- Sufficient relevant information on risks is gathered, compiled and disseminated throughout the organisation in a manner that is reliable and timely enough to allow Senior Management to respond effectively and in good time;
- Assessing the level of trust, integrity and reliability of the financial, operational and risk information and the information systems;
- Checking the active and passive security of the hardware and of backups. Assessing the organisational controls for the development, production and access to the software comprising the applications used;
- Assessing the degree of compliance with the prevailing standards, particularly those that have a larger impact on the organisation.

Audit Plan

The DAI's Annual Work Plan sets out the general guidelines for the department's work and underpins the comprehensive and risk-oriented assessment of the Bank's business activity, processes and systems. The plan is drawn up on the basis of:

- The identification of what can be audited and the staff;
- The regulations on audits, specifically the Bank of Portugal Notice no. 5/2008 and Instruction no. 15/2007 and the Securities Code, amongst others;
- The risk tables and the corresponding Bank's functional areas;
- The DAI's organisational and functional structure;

- The results of audits that have been carried out in previous years;
- The observance of the recommendations in the SAS GRC application;
- The following documents: “Basel Committee on Banking Supervision/The Internal Audit Function in Banks” and “The International Standards for the Professional”.

The department’s working procedures are systematised in the following documents:

- Principles, Strategy and Methodology (internal audit manual), which is used to establish the strategy and procedures implemented by the department;
- The Organisational and Functional Structure of the Internal Audit Department (including the principles underpinning the work);
- Internal procedures, as these pertain to the department’s audit work, the circulation of reports and the follow-up of recommendations.

Audits are carried out on the various entities within the organisation and cover all the different business units.

Form, Flows and Hierarchical Reporting Schedule for the Internal Audit Department

- The audit reports produced by the DAI are sent directly to the Chairman and are also made available for all other members of the Board of Directors and the Supervisory Board;
- All major risk situations identified through the audit work, whether completed or ongoing, for which the nature of the situation and/or the potential or real risk involved require special attention are reported to the Chairman, Board of Directors and the Supervisory Board;
- Every six months, the DAI sends a report on its work to Bank’s Chairman, Board of Directors and to its Supervisory Board. This report also covers the main internal control shortcomings that have been identified by the department but have yet to be resolved.

Head of Internal Audit, Education, Training and Career Path

Name: Mário Alexandre Bagarrão Baptista

Position: Director of the Internal Audit Department / Head of Internal Audit Education, Training and Career Path: Mário Alexandre Bagarrão Baptista holds a Degree in Accounting Sciences from the Luzwell University (São Paulo - Brazil), an MBA in Corporate Finance from the São Paulo University (2004) and an Executive MBA from AESE/IESE (2007-2009). He started working in external auditing in Brazil in 1991 and by 2005 he held the function of Senior Manager (BDO and Nexia International). He joined the Pestana Group in Portugal in 2005, as an assistant to the Board of Directors, with responsibility for controlling investments in Africa. In May 2006, he joined Banif - Banco de Investimento, SA (now Bison Account S.A.) as head of the internal audit function. He remained in this function until 2012. From 2013 to 2015 he worked at PSCIM S.A. (formerly Banif Gestão de Activos – SGFIM S.A.) as the Financial Controller for real estate investment funds. In July 2015, he moved to Banif Imobiliária, S.A., where he worked in the department responsible for controlling the real estate asset portfolios. In March 2017, he returned to the Bank to become Head of Compliance until August 2018, when he became Head of Internal Audit.

11.6.5 Training

In 2018, Bison Account ran a number of training courses/sessions designed to provide staff with the technical competences they need to perform their jobs properly and to ensure full compliance with the legal requirements in this area.

This training sessions and courses addressed a number of different issues. The training that involved all of the Bank’s employees was as follows:

- i. Risk Management under Basel III & IV;

- ii. Operating Risk and Internal Control
- iii. The Markets in Financial Instruments Directive (DMIF II or MIFID II);

Specific training sessions were also run for certain Departments, as a function of their particular responsibilities, namely Olympic.

The total number of hours in 2018 was 3.600 with an average of 61 hours per employee, more than the mandatory by law (35h).

11.7 Remuneration

11.7.1 Description of the remuneration policy for the management and supervisory bodies, as set out in article 2 of Law no. 28/2009 of 19 June

At the General Meeting held on May 30, 2018, the sole shareholder approved the revised version of the Remuneration Policy of the Members of the Management and Supervisory Bodies of the Bank and its Annex. This revision was carried out in accordance with articles 1 and 2 of Law no. 28/2009, of 19 June, article 5 of the Bank of Portugal Notice no. 10/2011, of 29 December, and articles 115-C, no. 4, and 115-D of the Legal Framework for Credit Institutions and Financial Companies (“RGICSF” – *Regime Geral das Instituições de Crédito e Sociedades Financeiras*). The Policy in question has been published on the Company’s website and may be found in the “Corporate Governance” area, in “Regulations and Policies”.

A clarification session was also held on March 2018. This session, which focused on issues arising from the new EBA and internal governance guidelines, were attended by members of the Management and Supervisory Bodies and the holders of key functions.

11.7.2 Annual remuneration paid to each member of the Company’s Management and Supervisory bodies on an individual basis, including both fixed and variable remuneration

Annual remuneration paid to each member of the Company’s Management and Supervisory bodies on an individual basis (2018):

(Amounts in euros)

Board of Directors	Total Remuneration
Annual remuneration paid to Members of the Board of Directors	
1 Bernardo Maya Múrias Afonso	79,976,88 €
2 António Manuel Gouveia Ribeiro Henriques	48,544,65 €
3 Joaquim António Pereira Cadete	63,000,00 €
4 Evert Derks Drok	41,163,56 €
5 Li Jun Yang	49,413,57 €
6 André Filipe Ventura Rendeiro	14,019,56 €
7 Francisco Alexandre Valente de Oliveira	74,094,17 €
8 Pedro Manuel Ortigão Correia	74,094,17 €

1- Bernardo Afonso - ceased functions on August 2018 | 2- António Henriques - ceased functions on August 2018 - and restarted on December 2018 | 3- Joaquim Cadete - ceased functions on June 2018 | 4- Evert Derks Drok - started functions on August 2018 | 5- Li Jun Yang - started functions on August 2018 | 6- André Filipe Ventura Rendeiro - started functions on November 2018 | 7- Francisco Alexandre Valente de Oliveira - started functions on August 2018 | 8- Pedro Manuel Ortigão Correia - started functions on August 2018

(Amounts in euros)

Supervisory Board	Total Remuneration
Annual remuneration paid to Supervisory Board	
1 Issuf Ahmad	51,392,98 €
2 Ernesto Jorge de Macedo Lopes Ferreira	34,262,00 €
3 Ting Wang	16,340,11 €
4 Elsa Cristina Costa Pires Santana Ramalho	17,050,00 €

1- Issuf Ahmad - ceased and restarted functions on August 2018 | 2- Ernesto Ferreira - ceased and restarted functions on August 2018 | 3- Ting Wang - started functions on August 2018 | 4- Elsa Santana Ramalho - ceased functions on July 2018

11.7.3 Information in compliance with the provisions of no. 4 of article 16 of the Bank of Portugal Notice no. 10/2011

a. Decision-making process applied to the setting of the remuneration policy, including, where appropriate, the term of office and composition of the remuneration

committee, the identification of any external consultants whose services were used in setting the remuneration policy and any additional services provided by such

consultants to the Company or to members of the management or supervisory bodies;

This information may be found in the form of the Statement on Remuneration Policy of the Bank, more specifically in point II (Process for the defining and approval of the remuneration policy), which states:

“Under article 29 of the Articles of Association, the General Meeting, or a Remuneration Committee to which the General Meeting has delegated this responsibility, shall set the remuneration of the members of the corporate and statutory bodies.”

No. 4 of article 115-C of the Legal Framework for Credit Institutions and Financial Companies (“RGICSF” – Regime Geral das Instituições de Crédito e Sociedades Financeiras) stipulates that “the management body or the remuneration committee, where there is one, shall submit the remuneration policy for the employees detailed in paragraph a) no. 2, to the General Meeting, for approval, each year” (members of the management and supervisory bodies).

As mentioned above, at 11.4.2 b., a Nominating and Remuneration Committee was set up. This Committee will have overall responsibility for preparing decisions on remuneration. These will include the responsibilities that article 7 of the Bank of Portugal Notice no. 10/2011 and article 115-H of the Legal Framework for Credit Institutions and Financial Companies (“RGICSF” – Regime Geral das Instituições de Crédito e Sociedades Financeiras) attribute to the remuneration committee.

The Remuneration Policy, and the implementation thereof, will be reviewed annually by the remuneration committee provided for under article 115-H of the Legal Framework for Credit Institutions and Financial Companies (“RGICSF” – Regime Geral das Instituições de Crédito e Sociedades Financeiras).

b. As regards the variable component of the remuneration: the various components that go into this, the proportion that is deferred and the proportion that has already been paid;

No Variable Remuneration was paid to Executive Directors in 2018.

c. How the current remuneration policy is structured to allow alignment of the interests of members of the Board of Directors with the long-term interests of the Company and how it discourages excessive risk-taking as well as information on the criteria used in performance assessment;

This information may be found in the form of the Statement on Remuneration Policy approved by the General Meeting on 2018, more specifically in point I (General Principles), which states:

“The main objectives of this Remuneration Policy for the Bank management and supervisory bodies are to help Bank attract, motivate and retain top-quality professionals who offer significant potential, to align the interests of the members of corporate structures with those of the Company, the shareholders and other stakeholders, to stimulate and reward relevant individual contributions and good collective performance, to encourage a healthy and prudent management of risk and to discourage the taking of risks that are greater than those acceptable to the credit institution. More specifically, this Remuneration Policy seeks to help align the interests of the members of the management body with the Company’s long-term interests and discourage excessive risk-taking through the following measures, described in full below...”

d. Regarding the remuneration of Executive Directors:

i. Institutional bodies charged with assessing individual performance;

According to the Remuneration Policy approved at the General Meeting held on 2018, and as set out in point I of that document (General Principles), the annual assessment of the performance of members of the Executive Committee will be the responsibility of the appropriate committee appointed by the Board of Directors (which will be the Nomination and Remuneration Committee) or, in the absence of such a committee, by the Supervisory Board). This assessment is based on long-term performance and allows for adjustments that take into account the various types of current and future risk, the cost of Bison Account's own funds and its liquidity requirements.

- ii. Pre-set criteria used in assessing performance and on which the entitlement to variable remuneration is based;

This information may be found in the Statement on Remuneration Policy, more specifically in point II.ii of that document. As stated in this point, the criteria for determining variable remuneration are applied to the performance of the Executive Body and not to each individual Director. In line with this Policy, variable remuneration is designed to recognise and reward the contribution made by the Executive Members of the Board of Directors and also their collective performance.

- iii. Relative importance of the variable and fixed components of the remuneration paid to Executive Directors and the upper limits for each component;

The information in question may be found in the Statement on Remuneration Policy, more specifically in point II of that document, which states that: a) most of the total remuneration package should consist of fixed remuneration, and this should account for between 65% and 100% of the total remuneration received by members of the management body. This leaves sufficient flexibility for setting the variable component, as required under article 115-F of the *Legal Framework for Credit Institutions and Financial Companies* ("RGICSF" – *Regime*

Geral das Instituições de Crédito e Sociedades Financeiras). This variable component will have a ceiling that is also established in the aforementioned Policy; b) variable remuneration should account for a smaller fraction of the total remuneration package. It may be no more than 35% of this package and have a ceiling, as established in the aforementioned Policy.

- iv. Information regarding the deferred payment of the variable component of remuneration, specifying the relevant deferral period;

This question is not applicable as there is no variable component to the remuneration for 2018.

- v. Manner in which the payment of the variable remuneration is subject to the continuing good performance of the institution over the deferral period;

This question is not applicable as there is no variable component to the remuneration for 2018.

- vi. Criteria underpinning the payment of Variable Remuneration in shares, and also those regarding the keeping of company shares that the Executive Directors have had access to, any possible share contracts, including hedging or risk transfer contracts, pertaining to these shares, the corresponding limit and its relation to the total annual remuneration value;

Given the fact that there is no variable component to remuneration, Bison Account did not have, nor did it plan to have, any share allocation plans for members of the management or supervisory bodies in 2018.

- vii. Criteria used in awarding the variable component of remuneration in the form of options and the deferral period and the option price;

Given the fact that there is no variable component to remuneration, Bison Account did not have, nor did it plan to have, any share purchase options for members of the management or supervisory bodies in 2018.

- viii. Main parameters and rationale for any annual bonus scheme or any other non-monetary benefits;

There are no annual bonuses or other non-monetary benefits of relevance.

- ix. Remuneration paid in the form of profit-sharing and/or bonus payments and the reasons for said bonuses or profit sharing being awarded;

No remuneration is paid in the form of profit-sharing and/or bonuses.

- x. Compensation paid or owed to former Executive Members of the Management Body, in relation to contract termination during the reporting year;

In 2018, no amounts/compensation were paid, or owed, in respect of contract termination, to former Executive Members of the Management Body.

- xi. Legal instruments pursuant to article 10 of the Bank of Portugal Notice no. 10/2011;

Without prejudice to the applicable legal framework, there are no specific legal mechanisms in place designed to ensure that no compensation or indemnification, including payments pertaining to the duration of a period of prior notice or a non-compete clause, is paid in those cases in which members of the management body have been removed from office or where their contract is terminated because of poor performance of their duties.

- xii. Amounts paid by companies that are related by control or by Group membership in 2018

The follow amount was paid by Oitante S.A. to one of the Executive Directors (António Manuel Gouveia Ribeiro Henriques) in 2018: €44.564, 71.

- xiii. Main features of supplementary pension or early retirement schemes and whether or not these were put to the General Meeting for discussion;

Five of the Directors of the Bank are or were covered by Pension Funds that are supplementary to the Social Security Pension Scheme (André Filipe Ventura Rendeiro, Francisco Alexandre Valente de Oliveira, Pedro Manuel Ortigão Correia, António Manuel Gouveia Ribeiro Henriques, Joaquim António Pereira Cadete). These directors are or were members of the Defined Contribution Plan set up by the Bank pension fund and managed by Real Vida Pensões – Sociedade Gestora de Fundos de Pensões, S.A.. This fund is supplementary to the Social Security System. As their participation in this fund is identical to that of all other employees participating in the Fund, the matter has not been referred to the General Meeting for approval.

- xiv. Estimated value of relevant non-monetary benefits that are deemed to be remuneration but that have not been covered by the situations above;

There are no relevant non-financial benefits that could be considered remuneration.

- xv. Mechanisms that prevent members of the management body from taking out remuneration or liability insurance, or any other risk coverage mechanisms that would tend to undermine the risk alignment effects embedded in their remuneration arrangements;

There are no mechanisms in place for this purpose.

- xvi. Inclusion of any variable component in the remuneration of Non-Executive Directors;

The remuneration paid to the Directors of Bison Account in 2018 did not include any variable component (understood as a component dependent on the Company's performance).

11.7.4 Remuneration of employees who are not members of management or supervisory bodies and are referred to in Article 115-C no. 2 b) c) d) and (e) of the Regime Geral das Instituições de Crédito e Sociedades Financeiras:

a. Employees covered

Point 11.7.4 covers Bison Account employees who (i) are heads of the Company's top-line bodies, to the extent that they carry out professional duties that might impact on the institution's risk profile, and those who (ii) belong to the institution's management structure and work in the areas of auditing, compliance or risk. There is a couple of employees "whose total remuneration package places them on the same remuneration scale as the members of the management or supervisory bodies" who are not already covered by one of the other preconditions.

b. Process used in setting the remuneration policy and the identification of any external consultants whose services were employed in setting the remuneration policy and any additional services provided by such consultants to the Company or to members of the management or supervisory bodies

The Remuneration Policy for Bank Employees is drawn up or renewed on an annual basis by the Board of Directors, following a recommendation from the Human Resources Department. It is based on sector remuneration practices for similar functions, the objectives and incentives system, annual performance assessment, career progression factors and employee conduct, as reported by line managers or through formal records, such as disciplinary events, critical incidents or instances of outstanding merit.

No use was made of any experts, consultants or external entities. The institution's own remuneration practices and those of the financial sector and other Portuguese banks that operate in both the national and international markets were taken into consideration.

c. Regarding the variable component of the remuneration: the various components that go into this, the proportion that is deferred and the proportion that has already been paid

The Remuneration Policy for Bank Employees stipulates that variable remuneration should be paid through a scheme that is aligned with the performance assessment system and is based on clear objectives and on both quantitative and qualitative criteria that have been applied proportionally as a function of each employee's job description. Up to 50% of such remuneration may be paid in cash; the remainder should take the form of financial instruments.

d. How the current remuneration policy is structured to allow alignment of the interests of members of the management body with the long-term interests of the company and how it discourages excessive risk-taking as well as information on the criteria used in performance assessment.

The Remuneration Policy for Bank Employees establishes the concept of a total remuneration package that is composed of a fixed remuneration component and a variable remuneration component. Fixed remuneration comprises the main part of the remuneration package for all employees. Variable remuneration is designed to reward each employee's performance and attainment of specific objectives. Fixed and variable remuneration represent >75% and <25% of the total remuneration, respectively.

The annual amount of variable remuneration, defined at the beginning of each year by the Board of Directors, shall vary according to fulfilment of the individual and collective

objectives of the unit in which the employee works, in accordance with the system of targets and the approved performance assessment model, the Company's overall results and the future outlook.

Variable remuneration is calculated on the basis of pre-determined criteria and there is no incentive for employees to take excessive risks.

The Remuneration Policy for Bank Employees thus envisages that the Board of Directors may allocate variable remuneration to employees. Any such allocation is at the discretion of this management body. In the event of the allocation of variable remuneration, the fixed remuneration is guaranteed to continue to account for a significantly larger proportion of the total remuneration package.

e. Competent bodies for assessing individual performance

The competent body for assessing those members of staff responsible for the Company's top-line structures is the management body itself, in the form of the Director responsible for the area in question. For those staff members not in this group, but who do work in the areas of audit, compliance or risk, the criteria are written into the Company's current performance assessment process, as implemented by the various line management structures.

f. Pre-set criteria used in assessing performance and on which the entitlement to variable remuneration is based

Any variable remuneration awarded to an employee is the result of a discretionary decision taken by the Board of Directors and is based on an individual performance assessment that makes use of pre-defined objective criteria. This does not grant or constitute a vested right and it is for the Board of Directors to decide to allocate the variable remuneration and determine the amount allocated.

g. How the payment of the variable remuneration is subject to the continuing good performance of the institution

Given the reduced importance of the variable component in the Company's remuneration policy, there is no need to defer payment of the same.

h. Criteria used in awarding the variable component of remuneration in the form of options, the deferral period and the option price

The Remuneration Policy for Bank Employees does not provide for variable remuneration paid in the form of options.

i. Main parameters and principles of any annual bonus scheme or any other non-monetary benefits

There is no other annual bonus scheme besides the performance bonus, which has been detailed in the preceding points. The other benefits provided to the Company's employees are set out in the Remuneration Policy for Bank Employees and are as follows:

- i. Medical Assistance Services (Health Insurance);
- ii. Workers compensation insurance, as required by law;
- iii. Pension Fund, in the terms established in the Constitutive Contract.

11.7.5 Disclosure of quantitative information, in compliance with the stipulations of article 17 of the Bank of Portugal Notice no. 10/2011

- i. Total annual employee earnings and the number of beneficiaries

Other employees

(Amounts in euros)

Total remunerations 2018	Total
	3 195 464,31 €

Note: The number of beneficiaries that receives a fixed remuneration in 2018 amounted to 59 on 31st December. This equates to all Bison Account employees, with the exception of the members of the corporate bodies. The amount stated above excludes compensation for employment terminations and health insurance.

- ii. Amounts and types of variable remuneration in the remuneration package, separated into monetary remuneration, shares, share-linked instruments and other types of remuneration

A total of 63.564 Euros was paid in variable remuneration to Company employees under the PPR Scheme.

- iii. Amount of deferred remuneration not paid, separated into vested and non-vested amounts.

This point is not applicable as there is no deferred variable remuneration.

- iv. Annual amounts of deferred remuneration owed, paid or subject to reduction following adjustments made as a result of individual employee performance.

This point is not applicable as there is no deferred variable remuneration.

- v. Number of new hirings in the period in question

There were 28 new hiring's in 2018.

- vi. Amounts relating to payments made or owed as a result of early termination of work contracts, the number of beneficiaries of any such payments and the highest payment for any single employee

11 contracts were terminated by mutual agreement. The compensation payment was 947,586.38 Euros.

viii. Employee Numbers

The table below shows the total number of Bison Account employees, as at 31.12.2018, by

Number of employees by department	
	2018
Wealth Management	4
Client Management	8
Investment Banking	4
Sales & Trading	2
Treasury	2
Accounting & Planning	2
Audit	1
Compliance	3
Risk	2
HR	2
Legal	1
Operations	7
IT	8
EBO	10
License without payment	3
	59

ix. Remuneration of the Statutory Auditor

With regard to the Company's supervisory structure, the total fees charged by the Statutory Auditor for the reporting periods ending 31 December, 2018 and 2017, were as follows (broken down by service provision):

(Amounts in thousand Euro)	31-12-2018	31-12-2017
Statutory audit of accounts	79	75
Other reliability assurance services	54	88
Tax advisory services	-	-
	133	163

Note: Amounts do not include VAT

The "Other reliability assurance services" item includes fees pertaining to the audit of the Bank's internal control system, the audit of the procedures and measures in place for safeguarding clients' assets and certification under the special scheme applicable to deferred tax assets.

Total annual employee earnings, by business area

Other Employees

(Amounts in euros)

Total Annual Amounts	Remuneration Fixed	Variable Remuneration
Positions of Control (Compliance)	156,375,47	0.00

Other Employees

(Amounts in euros)

Total Annual Amounts	Remuneration Fixed	Variable Remuneration
Positions of Control (Risk Management)	137,188,45	0.00

Other Employees

(Amounts in euros)

Total Annual Amounts	Remuneration Fixed	Variable Remuneration
Positions of Control (Auditing)	25,559,19	0.00

12

Other Information

Disclosure required under article 447 of the Portuguese Companies Code (*Código das Sociedades Comerciais*)

Disclosure on shares and bonds required under article 447 of the Portuguese Companies Code (*Código das Sociedades Comerciais*), with reference to 31 December, 2018, including all share and bond transactions carried out during the period in question.

Board of Directors

Disclosure on shares and bonds required under article 447 of the Portuguese Companies Code (*Código das Sociedades Comerciais*), with reference to 31 December, 2018, including all share and bond transactions carried out during the period in question.

Li Jun Yang (Chairman)

At the reporting date, she did not hold, either directly or through any related parties, any securities issued by the Bank (including shares and/or financial instruments related to these) and/or by any companies with which it is in a controlling or group relationship.

Evert Derks Drok (Vice-Chairman)

At the reporting date, he did not hold, either directly or through any related parties, any securities issued by the Bank (including shares and/or financial instruments related to these) and/or by any companies with which it is in a controlling or group relationship.

António Manuel Gouveia Ribeiro Henriques (Member)

At the reporting date, he did not hold, either directly or through any related parties, any securities issued by the Bank (including shares and/or financial instruments related to these) and/or by any companies with which it is in a controlling or group relationship.

Pedro Manuel Ortigão Correia (Member)

At the reporting date, he did not hold, either directly or through any related parties, any securities issued by the Bank (including shares and/or financial instruments related to these) and/or by any companies with which it is in a controlling or group relationship.

Francisco Alexandre Valente de Oliveira (Member)

At the reporting date, he did not hold, either directly or through any related parties, any securities issued by the Bank (including shares and/or financial instruments related to these) and/or by any companies with which it is in a controlling or group relationship.

André Filipe Ventura Rendeiro (Member)

At the reporting date, he did not hold, either directly or through any related parties, any securities issued by the Bank (including shares and/or financial instruments related to these) and/or by any companies with which it is in a controlling or group relationship.

Supervisory Board

Issuf Ahmad (Chairman)

At the reporting date, he did not hold, either directly or through any related parties, any securities issued by the Bank (including shares and/or financial instruments related to these) and/or by any companies with which it is in a controlling or group relationship.

Ernesto Jorge de Macedo Lopes Ferreira (Member)

At the reporting date, he did not hold, either directly or through any related parties, any securities issued by the Bank (including shares and/or financial instruments related to these) and/or by any companies with which it is in a controlling or group relationship.

Ting Wang (Member)

At the reporting date, he did not hold, either directly or through any related parties, any securities issued by the Bank (including shares and/or financial instruments related to these) and/or by any companies with which it is in a controlling or group relationship.

List of Shareholders with reference to 31 December, 2017

Holder	%
Bison Capital Financial Holdings (Hong Kong) Limited	100%

Information on own shares under article 324 of the Portuguese Companies Code (Código das Sociedades Comerciais)

In 2018, there were no transactions of own shares pursuant to no. 2 of article 324 of the Portuguese Companies Code (Código das Sociedades Comerciais). As at 31 December, 2018, the company did not hold any of its own shares.

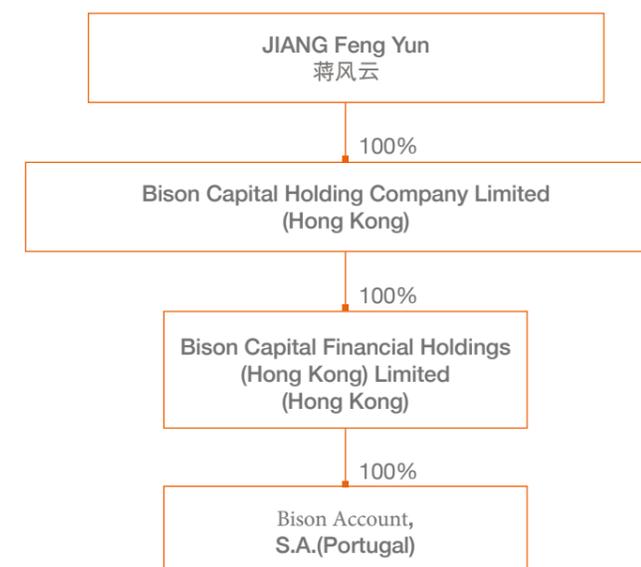
Disclosure regarding shares and bonds issued by companies in the Bison Holdings Group's perimeter traded and/or held, during 2018, by companies in the same perimeter.

The following information details the shares and bonds of companies within Bison Holdings Group's perimeter traded and/or held by companies within the same Group, during the period in question.

	31-12-2017	Movements			31-12-2018
	Amount	Transaction	Date	Amount	Amount
Bison Capital Financial Holdings (Hong Kong), Limited					
<u>Shares</u>					
Bison Account, S.A.	0	Acquisition and Share Capital Increase	09/07/2018 and 24/07/2018	27 039 674 + 8 200 000	35 239 674
<u>Bonds</u>					
Bison Account, S.A.	0	Acquisition and Early Redemption	09/07/2018 and 15/11/2018	726 000 - 726 000	0
<u>Pledge</u>					
Bison Account, S.A.	0	Money Pledge if favour of Bison Account	31/12/2018	730 404	730 404

Shareholdings Diagram:

Bison Account, S.A. Shareholding Structure





Statutory Audit Report

(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail)

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Bison Account, S.A. (the Bank), which comprise the consolidated statement of financial position as at 31 December 2018 (which shows total assets of Euro 100,558 thousand and total shareholders' equity of Euro 56,573 thousand including a net loss of Euro 11,028 thousand), the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Bison Account, S.A. as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section below. In accordance with the law, we are independent of the Bank and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

As mentioned in note 1 of the notes to the consolidated financial statements and chapter 6 of the Bank's Management Report, the sale to Bison Capital Financial Holdings (Hong Kong) Limited of all the share capital and shareholder credits over the Bank, previously held by Oitante, S.A., took place on 9 July 2018. Following the completion of the sale process, the Board of Directors approved a business plan for the three-year period 2019-2021, and the new shareholder accomplished a significant capital increase during 2018, visible in the evolution of the Bank's capital ratios presented in note 33 of the notes to the consolidated financial statements. Under these circumstances, the Bank's consolidated financial statements for the financial year ended on 31 December 2018 were prepared based on the going concern principle, foreseeing future success in the compliance with the aforesaid business plan, the cooperation of the new shareholder and the future investments that were agreed upon.

*PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.
Sede: Palácio Sottomayor, Rua Sousa Martins, 1 - 3º, 1069-316 Lisboa, Portugal
Receção: Palácio Sottomayor, Avenida Fontes Pereira de Melo, nº16, 1050-121 Lisboa, Portugal
Tel +351 213 599 000, Fax +351 213 599 999, www.pwc.pt
Matriculada na CRC sob o NUPC 506 628 752, Capital Social Euros 314.000
Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485*

However, following the entry of the new shareholder and the definition of a new strategic model, the Bank started to implement an internal reorganisation project during the second semester of 2018, aimed at strengthening its management and internal control structure, which significantly conditioned its operational activity and capacity to generate business, that embodied a partial achievement of the delineated objectives to be developed up to the present date.

Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the “Material uncertainty relating to going concern” section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	Summary of the Audit Approach
<p><i>Fair value of financial instruments not listed in an active market</i></p> <p><u><i>Measurement and disclosure related with the fair value of financial instruments not listed in an active market presented in accompanying notes 2.2, 2.3, 2.4, 2.11, 7, 8, 26, 33 and 34 of the Bank's consolidated financial statements</i></u></p> <p>Due to its relevance in the context of the Bank's consolidated financial statements and the associated degree of judgment, the fair value measurement of financial instruments not quoted in an active market was considered a key audit matter for the purpose of our work. As at 31 December 2018, the amount of financial instruments not quoted in an active market, classified in levels 2 and 3 of the fair value hierarchy presented in the statement of financial position of the Bank under the headings of “Non-trading financial assets mandatorily at fair value through profit or loss” and “Financial assets at fair value through other comprehensive income” amounted to amount to Euro 18,423 thousand. These financial instruments consist of (i) debt instruments whose business model is "hold to collect and sale," or trading and (ii) equity instruments.</p> <p>The implementation of IFRS 9 - Financial Instruments ("IFRS 9") on January 1, 2018 by the Bank implied the introduction of a set of new requirements with an impact on the classification of financial assets essentially resulting from (i) the</p>	<p>The audit procedures we have undertaken included the identification and understanding of the processes and key-controls instituted by the Bank to identify, measure and monitor market risk, as well as to define the methodologies, data and assumptions used to determine fair value of the financial instruments.</p> <p>In the specific scope of the IFRS 9 implementation on January 1, 2018, we followed the action plan developed by the Bank and, among others, we developed the following procedures:</p> <ul style="list-style-type: none">• meetings with Management and with the main responsables for the action plan in order to understand and follow the schedule, scope and depth of the work to be carried out by the Bank's different areas;• understanding of the Bank's governance process, namely the key controls implemented on the revision and approval of the main assumptions and judgments used in the definition of the Bank's business models and in the analysis of the characteristics of the

Key Audit Matter

business model under which financial assets are managed; and (ii) the characteristics of contractual cash flows of debt financial instruments (representing only payments of principal and interest). The impacts on the Bank's consolidated financial statements arising from the adoption of this new norm were estimated by reference to January 1, 2018, based on the information available at that date and the assumption of a set of assumptions, which are presented in accompanying notes 2.2, 2.3 and 2.11 of the Bank's consolidated financial statements.

For financial instruments actively traded and for which quotations or other market indicators are available, the Bank establishes fair value based on their closing price or quotation as at the balance sheet date, which is an objective exercise (level 1 of the fair value hierarchy). However, when such observable market data is not available, fair value is determined using estimates (levels 2 and 3 of said hierarchy), namely through the application of measurement models that based on discounted cash flow techniques which usually involve a high degree of judgment by Management in the definition of the assumptions and inputs to be used. The Bank measures financial instruments classified in level 2 by internal models using observable market data. On the other hand, for the measurement of financial instruments classified in level 3 prices are provided by counterparties and are determined mostly by parameters not observable in the market.

In this context, changes in the assumptions used in measurement techniques used by Management may give rise to material impacts on the determination of the fair value of the financial instruments recognized in the Bank's consolidated financial statements.

Losses from the carve-out operation regarding the sale of the total Bank's capital

Measurement and disclosures related to losses on the sale of assets transmitted following the sale of the Bank's entire share capital, as presented in the accompanying notes 2.11, 2.12, 3, 7, 10 and 26 of the Bank's consolidated financial statements

In July 2018, following the sale of the total Bank's equity as well as shareholders credits to Bison Capital Financial Holdings (Hong Kong) Limited, the Bank transferred to Oitante, S.A. a set of assets, identified in Note 26, as counterpart to the extinction of the

Summary of the Audit Approach

- contractual cash flows of debt financial instruments;
- analysis of the methodological documents for the adoption of IFRS 9 prepared by the Bank and revision of its adherence to the principles of the mentioned norm;
 - review, on a sample basis, of the combined application of the contractual cash flow characteristics of the financial assets as well as the Bank's business models, based on the analysis of the available supporting documentation; and
 - Review of the impact on the Bank's equity as of 1 January 2018 regarding the adoption of IFRS 9.

For the instruments whose measurement consisted substantially of unobservable data, our procedures also included the evaluation of the models developed by the Bank and the data and assumptions used are adequate, having for that purpose compared the figures that can be observed with the market information collected from external and independent sources where available.

Our audit procedures also included a review of the disclosures on financial instruments and in particular on fair value hierarchy, included in the notes to the consolidated financial statements, taking into account the applicable accounting standards.

In the scope of our audit, we performed, among others, the following procedures:

Key Audit Matter	Summary of the Audit Approach
<p>amount owed by the Bank (“transaction”). Under the terms established between Oitante, S.A. and the new shareholder of the Bank, and following the sale agreement signed by the parties, the sale value of these assets amounted to Euro 24,203 thousand euros.</p> <p>In accordance with IFRS, this transaction entailed the derecognition of these assets, previously recorded in the Bank’s financial statement as "Other financial assets at fair value through profit or loss" and "Non-current assets and disposal groups classified as held for sale”, and the corresponding liabilities, at the date of the referred transaction. In these circumstances, the Bank’s consolidated net income for the year ended 31 December 2018 includes, before taxes, a negative contribution of Euro 3,319 thousand, resulting from the capital losses realized on the sale of these assets.</p> <p>To the extent that the referred transaction constitutes a relevant one-off event, and because of its relevance in the context of the Bank’s financial statements, this was a key audit matter of our work.</p>	<ul style="list-style-type: none"> • Identification and understanding of key controls established by the Bank to identify and monitor unusual transactions; • Meetings and reviews with the management and supervisory bodies of the prepared documentation that supports the losses recognized in 2018 as result of the assets transference operation to Oitante, S.A. regarding sale of the total Bank’s capital. • Obtaining and analyzing documentation related to the transaction; and • Analysis of the accounting treatment and impact of this transaction in the terms set forth in IFRS. <p>The auditing procedures also included a review of the disclosures related to losses on the sale of assets transmitted as a result of the sale of the Bank’s share capital, as set out in the notes accompanying notes to the Bank’s consolidated financial statements, taking into account the applicable accounting standards.</p>

Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for:

- a) the preparation of the consolidated financial statements, which present fairly the consolidated financial position, the financial performance and the consolidated cash flows of the Group in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;
- b) the preparation of the Management Report, in accordance with the applicable law and regulations;
- c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- d) the adoption of appropriate accounting policies and criteria; and
- e) the assessment of the Group’s ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Group’s ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Group's financial information.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those 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 resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit and we remain solely responsible for our audit opinion;

- g) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- h) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the consolidated financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and
- i) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Management report is consistent with the consolidated financial statements.

Report on other legal and regulatory requirements

Management report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Management report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Management report is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment about the Bank, no material misstatements were identified.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

- a) We were first appointed auditors of Bison Account, S.A. in the Shareholders' General Meeting of 9 May 2014 for the financial year ended on 31 December of that year, having remained in functions until the current period. Our last appointment occurred by written decision of the sole shareholder dated 30 October 2018 for the period from 2018 to 2019;
- b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the consolidated financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the consolidated financial statements. Based on the work performed, we have not identified any material misstatement in the consolidated financial statements due to fraud.
- c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Group's supervisory board as of 26 April 2019.

- d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors (“Estatutos da Ordem dos Revisores Oficiais de Contas”) and that we remain independent of the Bank in conducting our audit.

26 April 2019

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Cláudia Sofia Parente Gonçalves da Palma, R.O.C.

(This is a translation, not to be signed)



Statutory Audit Report

(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail)

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Bison Account, S.A. (the Bank), which comprise the statement of financial position as at 31 December 2018 (which shows total assets of Euro 100,357 thousand and total shareholders' equity of Euro 56,538 thousand including a net loss of Euro 9,418 thousand), the statement of income, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Bison Account, S.A. as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and recommendations issued by the Institute of Statutory Auditors. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section below. In accordance with the law we are independent of the Entity and we have fulfilled our other ethical responsibilities in accordance with the ethics code of the Institute of Statutory Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

As mentioned in note 1 of the notes to the financial statements and chapter 6 of the Bank's Management Report, the sale to Bison Capital Financial Holdings (Hong Kong) Limited of all the share capital and shareholder credits over the Bank, previously held by Oitante, S.A., took place on 9 July 2018. Following the completion of the sale process, the Board of Directors approved a business plan for the three-year period 2019-2021, and the new shareholder accomplished a significant capital increase during 2018, visible in the evolution of the Bank's capital ratios presented in note 31 of the notes to the financial statements. Under these circumstances, the Bank's financial statements for the financial year ended on 31 December 2018 were prepared based on the going concern principle, foreseeing future success in the compliance with the aforesaid business plan, the cooperation of the new shareholder and the future investments that were agreed upon.

PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda.
Sede: Palácio Sottomayor, Rua Sousa Martins, 1 - 3º, 1069-316 Lisboa, Portugal
Receção: Palácio Sottomayor, Avenida Fontes Pereira de Melo, nº16, 1050-121 Lisboa, Portugal
Tel +351 213 599 000, Fax +351 213 599 999, www.pwc.pt
Matriculada na CRC sob o NUPC 506 628 752, Capital Social Euros 314.000
Inscrita na lista das Sociedades de Revisores Oficiais de Contas sob o nº 183 e na CMVM sob o nº 20161485

However, following the entry of the new shareholder and the definition of a new strategic model, the Bank started to implement an internal reorganisation project during the second semester of 2018, aimed at strengthening its management and internal control structure, which significantly conditioned its operational activity and capacity to generate business, that embodied a partial achievement of the delineated objectives to be developed up to date.

Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the “Material uncertainty relating to going concern” section we have determined the matters described below to be the key audit matters to be communicated in our report.

<i>Key Audit Matter</i>	<i>Summary of the Audit Approach</i>
<p><i>Fair value of financial instruments not listed in an active market</i></p> <p><u><i>Measurement and disclosure related with the fair value of financial instruments not listed in an active market presented in accompanying notes 2.2, 2.3, 2.8, 6, 7, 24, 31 and 32 of the Bank's financial statements</i></u></p> <p>Due to its relevance in the context of the Bank's financial statements and the associated degree of judgement, the fair value measurement of financial instruments not quoted in an active market was considered a key audit matter for the purpose of our work. As at 31 December 2018, the amount of financial instruments not quoted in an active market, classified in levels 2 and 3 of the fair value hierarchy presented in the statement of financial position of the Bank under the headings of “Non-trading financial assets mandatorily at fair value through profit or loss” and “Financial assets at fair value through other comprehensive income” amounted to Euro 26,913 thousand. These financial instruments consist of (i) debt instruments whose business model is "hold to collect and sale," or trading and (ii) equity instruments.</p> <p>The implementation of IFRS 9 - Financial Instruments ("IFRS 9") on January 1, 2018 by the Bank implied the introduction of a set of new requirements with an impact on the classification of</p>	<p>The audit procedures we have undertaken included the identification and understanding of the processes and key-controls instituted by the Bank to identify, measure and monitor market risk, as well as to define the methodologies, data and assumptions used to determine fair value of the financial instruments.</p> <p>In the specific scope of the IFRS 9 implementation on January 1, 2018, we followed the action plan developed by the Bank and, among others, we developed the following procedures:</p> <ul style="list-style-type: none">• meetings with Management and with the main responsables for the action plan in order to understand and follow the schedule, scope and depth of the work to be carried out by the Bank's different areas;• understanding of the Bank's governance process, namely the key controls implemented on the revision and approval of the main assumptions and judgments used in the definition of the Bank's business models and in

Key Audit Matter

financial assets essentially resulting from (i) the business model under which financial assets are managed; and (ii) the characteristics of contractual cash flows of debt financial instruments (representing only payments of principal and interest). The impacts on the Bank's financial statements arising from the adoption of this new norm were estimated by reference to January 1, 2018, based on the information available at that date and the assumption of a set of assumptions, which are presented in accompanying notes 2.2, 2.3 and 2.8 of the Bank's financial statements.

For financial instruments actively traded and for which quotations or other market indicators are available, the Bank establishes fair value based on their closing price or quotation as at the balance sheet date, which is an objective exercise (level 1 of the fair value hierarchy). However, when such observable market data is not available, fair value is determined using estimates (levels 2 and 3 of said hierarchy), namely through the application of measurement models that based on discounted cash flow techniques which usually involve a high degree of judgment by Management in the definition of the assumptions and inputs to be used. The Bank measures financial instruments classified in level 2 by internal models using observable market data. On the other hand, for the measurement of financial instruments classified in level 3 prices are provided by counterparties and are determined mostly by parameters not observable in the market.

In this context, changes in the assumptions used in measurement techniques used by Management may give rise to material impacts on the determination of the fair value of the financial instruments recognized in the Bank's financial statements.

Summary of the Audit Approach

- the analysis of the characteristics of the contractual cash flows of debt financial instruments;
- analysis of the methodological documents for the adoption of IFRS 9 prepared by the Bank and revision of its adherence to the principles of the mentioned norm;
 - review, on a sample basis, of the combined application of the contractual cash flow characteristics of the financial assets as well as the Bank's business models, based on the analysis of the available supporting documentation; and
 - Review of the impact on the Bank's equity as of 1 January 2018 regarding the adoption of IFRS 9.

For the instruments whose measurement consisted substantially of unobservable data, our procedures also included the evaluation of the models developed by the Bank and the data and assumptions used are adequate, having for that purpose compared the figures that can be observed with the market information collected from external and independent sources where available.

Our audit procedures also included a review of the disclosures on financial instruments and in particular on fair value hierarchy, included in the notes to the financial statements, taking into account the applicable accounting standards.

Losses from the carve-out operation regarding the sale of the total Bank's capital

Measurement and disclosures related to losses on the sale of assets transmitted following the sale of the Bank's entire share capital, as presented in the accompanying notes 2.8, 2.9, 6, 9 and 24 of the Bank's financial statements

In July 2018, following the sale of the total Bank's equity as well as shareholders credits to Bison Capital Financial Holdings (Hong Kong) Limited, the Bank

In the scope of our audit, we performed, among others, the following procedures:

Key Audit Matter	Summary of the Audit Approach
<p>transferred to Oitante, S.A. a set of assets, identified in Note 24, as counterpart to the extinction of the amount owed by the Bank (“transaction”). Under the terms established between Oitante, S.A. and the new shareholder of the Bank, and following the sale agreement signed by the parties, the sale value of these assets amounted to Euro 24,203 thousand euros.</p> <p>In accordance with IFRS, this transaction entailed the derecognition of these assets, previously recorded in the Bank’s financial statement as "Other financial assets at fair value through profit or loss" and "Non-current assets and disposal groups classified as held for sale". In these circumstances, the Bank’s net income for the year ended 31 December 2018 includes, before taxes, a negative contribution of Euro 3,319 thousand, resulting from the capital losses realized on the sale of these assets.</p> <p>To the extent that the referred transaction constitutes a relevant one-off event, and because of its relevance in the context of the Bank’s financial statements, this was a key audit matter of our work.</p>	<ul style="list-style-type: none"> • Identification and understanding of key controls established by the Bank to identify and monitor unusual transactions; • Meetings and reviews with the management and supervisory bodies of the prepared documentation that supports the losses recognized in 2018 as result of the assets transference operation to Oitante, S.A. regarding sale of the total Bank’s capital. • Obtaining and analyzing documentation related to the transaction; and • Analysis of the accounting treatment and impact of this transaction in the terms set forth in IFRS. <p>The auditing procedures also included a review of the disclosures related to losses on the sale of assets transmitted as a result of the sale of the Bank’s share capital, as set out in the notes accompanying notes to the Bank’s financial statements, taking into account the applicable accounting standards.</p>

Responsibilities of management and supervisory board for the financial statements

Management is responsible for:

- a) the preparation of the financial statements, which present fairly the financial position, the financial performance and the cash flows of the Entity in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;
- b) the preparation of the Management Report, in accordance with the applicable law and regulations;
- c) the creation and maintenance of an appropriate system of internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- d) the adoption of appropriate accounting policies and criteria; and
- e) the assessment of the Entity’s ability to continue as a going concern, disclosing, as applicable, events or conditions that may cast significant doubt on the Entity’s ability to continue its activities.

The supervisory board is responsible for overseeing the process of preparation and disclosure of the Entity's financial information.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- a) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those 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 resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- f) communicate with those charged with governance, including the supervisory board, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;

- g) of the matters we have communicated to those charged with governance, including the supervisory board, we determine which one's were the most important in the audit of the financial statements of the current year, these being the key audit matters. We describe these matters in our report, except when the law or regulation prohibits their public disclosure; and
- h) confirm to the supervisory board that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes verifying that the information included in the Management report is consistent with the financial statements.

Report on other legal and regulatory requirements

Management report

In compliance with paragraph 3 e) of article No. 451 of the Portuguese Company Law, it is our opinion that the Management report has been prepared in accordance with applicable requirements of the law and regulation, that the information included in the Management report is consistent with the audited financial statements and, taking into account the knowledge and assessment about the Entity, no material misstatements were identified.

Additional information required in article No. 10 of the Regulation (EU) 537/2014

In accordance with article No. 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, and in addition to the key audit matters referred to above, we also provide the following information:

- a) We were first appointed auditors of Bison Account, S.A. in the Shareholders' General Meeting of 9 May 2014 for the financial year ended on 31 December of that year, having remained in functions until the current period. Our last appointment occurred by written decision of the sole shareholder dated 30 October 2018 for the period from 2018 to 2019;
- b) The management has confirmed to us it has no knowledge of any allegation of fraud or suspicions of fraud with material effect in the financial statements. We have maintained professional scepticism throughout the audit and determined overall responses to address the risk of material misstatement due to fraud in the financial statements. Based on the work performed, we have not identified any material misstatement in the financial statements due to fraud;
- c) We confirm that our audit opinion is consistent with the additional report that was prepared by us and issued to the Entity's supervisory board on 26 April 2019; and

- d) We declare that we did not provide any prohibited non-audit services referred to in paragraph 8 of article No. 77 of the by-laws of the Institute of Statutory Auditors (“Estatutos da Ordem dos Revisores Oficiais de Contas”) and that we remain independent of the Entity in conducting our audit.

26 April 2019

PricewaterhouseCoopers & Associados
- Sociedade de Revisores Oficiais de Contas, Lda.
represented by:

Cláudia Sofia Parente Gonçalves da Palma, R.O.C.

(This is a translation, not to be signed)

REPORT AND OPINION OF THE SUPERVISORY BOARD

Financial Year of 2018

Introduction

1. In compliance, namely, with the provisions of Article 420, paragraph 1, subparagraph g), of the Portuguese Companies Act (PCA), the Supervisory Board (SB) of Bison Account, S.A.(Bank) prepared this Report and Opinion on the report, accounts and proposals submitted by the Bank's Board of Directors (BoD) concerning the financial year ended on 31 December 2018, including the supervisory activity developed by the SB during the same financial year. The change of ownership of the shares representing the Bank's share capital took place on 9 July 2018, from Oitante, S.A. to Bison Capital Financial Holdings (Hong Kong) Limited, entirely owned by Bison Capital Holding Company Limited ("Bison"), and the corporate name changed from BBI – Banif Banco de Investimento, S.A. to Bison Account, S.A. on 23 November 2018.

Shortly after acquiring the position of control of the Bank, the new shareholder strengthened the Bank's solvency and liquidity by increasing the share capital by 41,000,000.00 euros, which rose to 176,198,370.00 euros from 24 July 2018 (publication date of the act). However, due to considerable losses accumulated in the past, the Bank's consolidated equity is very much below the share capital, standing at 56.6 million euros at the end of 2018, with the Bank's consolidated assets amounting to 100.6 million euros on the same date.

2. The SB is composed of three permanent members and one alternate, which is part of the Bank's supervisory body along with the Audit Firm (SROC, in Portugal) as the Bank's statutory auditor, pursuant to the provisions of Article 23 of the Articles of Association and Article 413, paragraph 1, subparagraph b) of the PCA.

The BoD was previously composed of three executive members with a three-year term of office, and after the entry of the new shareholder increased to five executive and two non-executive members, with a four-year term of office. The SB also changed to a four-year term of office, so the current members of both governing bodies have been elected for the term of office 2018-2021. The Audit Firm was re-elected for a two-year period, for a third term of office 2018-2019 (first elected for the term of office of 2014 and then for 2015-2017).

The expansion of the size of the management body and the integration of non-executive members therein was accompanied by the creation of two specialised committees, one for issues related to Nominations and Remunerations and the other for Risk Management and Compliance. These committees are composed of non-executive members of the BoD and

Bison Account, S.A.

Registered Office: Rua Barata Salgueiro, nº 33, Piso 0, 1250-042 Lisboa – Portugal

Telephone: (+351) 213 816 200 | Fax: (+351) 213 816 201

Share Capital: EUR 171,198,370

Lisbon Companies Registration Office

Single Registration and Legal Person Number: 502 261 722

www.bisonaccount.com

complemented by members of the SB, the majority of whom are independent. The committees are chaired by an independent member in order to ensure independence in their performance.

The chairman, Issuf Ahmad, and the member of the SB, Ernesto Jorge de Macedo Lopes Ferreira, took office on 24 June 2016 to complete a three-year term of office 2015-2017, and were re-elected on 21 August 2018 for a second four-year term of office 2018-2021, together with the new member Ting Wang and the alternate Fan Bu.

The two non-executive members (chairperson and deputy chairperson) and two executive members of the Business area took office on 3 August 2018. Among the remaining executive members, the member responsible for the Risk area (CRO) took office on 19 November 2018, and the member responsible for the area of Information Technology and Operations took office on 5 December 2018. Despite the provisions of the Bank's Articles of Association and internal governance system, the Executive Committee for Management of the Bank has not yet been constituted, as it was awaiting authorisation by the Portuguese Central Bank (Bank of Portugal: BoP) of the candidate for the position of Executive Chairman of the Board of Directors (CEO) to perform this duty. The authorisation has just been granted, on 22 April 2019.

Activity Conducted

3. During the performance of its duties, the SB held twenty-seven meetings in the period from January to December 2018. The SB held fourteen meetings from 22 August 2018 onwards with the current members in office since 21 August 2018.

Various Supervisory Board meetings were also attended, upon invitation and according to the topics under discussion, by directors, representatives of the Audit Firm and heads of internal control functions and other areas of the Bank, such as Accounting, Information and Technology, Human Resources, Legal and Business. The SB maintained ongoing communication with the BoD and holders of control functions and also attended, on its own initiative, various weekly meetings of the BoD. In performing the supervision of the control functions and of the statutory audit, it held regular meetings with the heads of the Risk, Compliance and Internal Audit departments and with the representatives of the Audit Firm. The Chairman of the Supervisory Board is additionally Chairman of the Nomination and Remuneration Committee, which also includes two non-executive members of the BoD (the Chairperson and the Deputy Chairperson), and the independent member of the Supervisory Board is also a member of the Risk and Compliance Committee.

The SB supervised the performance of the internal control functions, appraising and discussing with the heads of the control departments and their employees the plans and the

periodic reporting on the performance of Risk Management and Compliance, as well as the independent performance of internal auditing.

4. On 16 May 2018, the SB issued its report on the supervisory activity during 2017 and opinion on the management report, accounts and proposals submitted by the Bank's BoD in relation to this same year.

The SB appraised the adequacy and effectiveness of the Bank's internal control system, in force on 31 May 2018, culminating in the issue of the respective opinion on 26 June 2018, in conformity with the BoP Notice no. 5/2008, of 25 June.

The opinion on the quality of the Bank's internal control system in 2018 for prevention of money laundering and terrorist financing was issued on 15 April 2019, as an integral part of the report on the topic pursuant to the terms defined in Banco de Portugal Instruction no. 5/2019.

5. During the period before the constitution of the Nomination and Remuneration Committee, the SB assessed the holders of control functions regarding their adequacy to perform their duties, and successively assessed the individual and collective aptitude of the members of the Bank's management and supervisory bodies, drafting the corresponding reports in accordance with the Legal Framework of Credit Institutions and Financial Companies (RGICSF) and the "*Policy on Selection and Assessment of Members of the Management and Supervisory Bodies and of Key Function Holders*" in force at the time.
6. The SB also performed its duty of supervision of the Bank's management, supervising and constructively challenging the Bank's administration, in particular concerning matters related to risk management, internal control, compliance, internal governance, accountability, internal auditing, articulating with the non-executive members of the Board of Directors, according with the RGICSF, the Companies Act (CSC) and guidelines of the European Banking Authority (EBA).

Assessment of the Independence of the Audit Firm and Services Provided

7. Pursuant to the "Regulations for Provision of Services by the Statutory Auditor" and the Supervisory Board's Regulations, the SB appraised the independence of the Audit Firm, which submitted a statement to the SB confirming its independence and that of the employees involved in the statutory audit of the examined entity: the Bank.

The SB approved in advance other services carried out by the Audit Firm beyond the scope of the statutory audit, based on duly substantiated proposals and subsequent assessment if the provision of those services does not pose a threat to the independence of the statutory auditor.

As the term of office 2015-2017 came to an end, the SB proposed that the Audit Firm should continue to provide statutory audit services for the years 2018 and 2019, taking into account the proposal submitted by the Audit Firm, its performance in the ending term of office and the safeguarding of independence.

Appraisal of the Annual Report, the Statutory Audit and the Independence of the Audit Firm

8. The SB appraised the Annual Report submitted by the BoD, on an individual and consolidated basis, concerning the year ended on 31 December 2018. This included the Management Report, the Individual and Consolidated Financial Statements and corresponding Annex, the Proposal for Appropriation of Net Income and the Corporate Governance Report.

The SB appraised the main accounting policies and changes occurred under the IAS/IFRS, as well as the records and disclosures made in the financial statements and all other instruments presenting accounts concerning the year ended on 31 December 2018.

9. For the year ended on 31 December 2018, the Bank recorded a negative net income of 9.4 million euros (-11.0 million euros on a consolidated basis), compared to the negative net income of 6.8 million euros in 2017 (-6.1 million euros on a consolidated basis).

The deterioration of the net income in 2018 was largely due to the effect of the transfer involving a loss of 3.3 million euros (carve-out) of non-strategic assets to the previous shareholder, and due to the Bank's internal restructuring process with impact on staff costs (integration in the first half of the year of employees assigned to related parties followed by rescissions by mutual agreement and recruitment of technical staff in the market in the second half of the year) and administrative expenses (information and technology and use of external services in the restructuring process), which as a whole increased by 2.6 million euros.

The (negative) consolidated net income of 2018 decreased by 4.9 million euros, which, compared to the net income of the individual accounts, had a significant impact of around 2 million euros in the negative variation of the earnings of the discontinued operations.

A further relevant fact of major impact on the Bank's capitalisation and liquidity involves the share capital increase of 41 million euros carried out by the new shareholder, right after the closing of the purchase operation.

Net interest income became positive from the end of the third quarter of the year, but still with rather low values and earnings net of tax and fees actually decreased. It should be noted that

the reversal of the evolution of net income towards more strongly positive figures depends on the success of the business plan drawn up by the Bank's new Board of Directors.

10. The SB monitored the statutory audit of the individual and consolidated accounts and appraised the respective findings, as well as the corresponding Legal Certifications of Accounts, and also paid attention to the threats to the statutory auditor's independence.

The SB also appraised the “Additional Report for the Supervisory Board” issued by the Statutory Auditor on 26 April 2019, according to the provisions of Article 24, paragraphs 1, 2 and 6 of Decree-Law 148/2015, of 9 September, and Article 63, paragraph 1 of the Legal Framework of Portuguese Statutory Auditors (EOROC), approved by Law 140/2015, of 7 September, which transposes into the Portuguese legal system the provisions of Regulation (EU) 537/2014 of the European Parliament and of the Council of 16 April 2014. This Report is the outcome of the statutory auditor's audit of the Bank's individual and consolidated accounts concerning the year ended on 31 December 2018. It covers a series of topics and information that were discussed in general terms during meetings with the Supervisory Board and addressed in other documents appraised by the Supervisory Board, namely accounting and financial matters concerning the legal review of accounts, verification and monitoring of the statutory auditor's independence and extra services provided to the Bank.

11. Regarding the duration of the statutory auditor engagement, PricewaterhouseCoopers – Sociedade de Revisores Oficiais de Contas, Lda. was appointed at the general meeting of shareholders held on 9 May 2014 for the year ended on 31 December 2014, then for the second time at the general meeting of shareholders held on 22 September 2015 for the three-year period 2015-2017 and now again by deliberation of 30 October 2018, for the two-year period 2018-2019.

Pursuant to article 54 of EOROC, for entities of public interest (which is the Bank's case), the maximum period of time for audit engagement is two or three terms of office, depending on whether they are four or three years respectively, which can be exceptionally extended to up to a maximum of ten years by the competent body (general meeting of shareholders), under substantiated proposal of the supervisory body (Supervisory Board).

12. For the purposes of the provisions of Article 452, paragraph 2 of the PCA, the SB states its agreement with the legal certifications of the individual and consolidated accounts for the year ended on 31 December 2018, issued on 26 April 2019, which do not contain any reservation to the accounts, but express material uncertainty related to going concern.

The SB also examined the Bank's Consolidated Accounts, relative to the same financial year, in accordance with the provisions of Article 508-D, paragraph 1 of the PCA.

Proposed Appropriation of Net Income

13. The Board of Directors proposes the recognition of the net income for the financial year, of the negative value of 9,417,615.42 euros (nine million, four hundred and seventeen thousand, six hundred and fifteen euros and forty-two cents) in Retained Earnings.

Opinion on the Annual Report

14. As a result of the activities carried out, the SB issues a favourable opinion on the approval of the Annual Report, which includes the Management Report, the Individual and Consolidated Financial Statements and respective Annex, as well as the Corporate Governance Report, concerning the financial year ended on 31 December 2018, confirmed by the BoD.

These documents of presentation of financial information were appraised by the BoD at the meeting held on 24 April 2019, attended by all the members of the BoD and the SB. During this meeting, the SB presented the findings of the statutory audit and explained how it contributed to the integrity of the process of preparation and disclosure of financial information, as well as the role of the SB in the process.

15. Thus, considering the information received from the BoD and other bodies and departments of the Bank, and the conclusions presented in the Legal Certifications of Accounts on the Individual and Consolidated Financial Information issued on 26 April 2019, we are of the opinion that the Bank's General Meeting should approve:
 - a) The Annual Report for the financial year ended on 31 December 2018, which includes the Management Report, the Financial Statements and corresponding Annex, on an individual and consolidated basis, and the Corporate Governance Report, as well as the Report and Opinion of the Supervisory Board and the Legal Certification of Accounts; and
 - b) The Proposal for Appropriation of Net Income.

An overall appraisal of the Bank's management and supervision should also be done, pursuant to Article 376, paragraph 1, subparagraph c) of the PCA, taking into account the analysis made by the Nomination and Remuneration Committee.

The Supervisory Board would like to express its gratitude to the Bank's employees, to the members of the Board of Directors and to the Statutory Audit team for all the collaboration provided in performing their duties, as well as the attention given by Bank of Portugal during the performance of its supervision.

Lisbon, 26 April 2019

Issuf Ahmad, Chairman

Ernesto Ferreira, Member

Ting Wang, Member



Rua Barata Salgueiro, n° 33 - Floor 0
1250-042 Lisbon, Portugal
www.bisonaccount.com