

Pillar 3 Report 2019

Disclosure of information in the scope of
Article 431 of Regulation (EU) No. 575/2013
of the European Parliament and of the Council

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Foreword

This report is prepared in accordance with the regulatory requirements set out in Part VIII of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, of 26 June 2013 (CRR or Regulation (EU) No. 575/2013) on the disclosure of information of prudential relevance (Pillar III), and the guidelines of EBA (EBA/GL/2016/11), of 4 August 2017, on the requirements of such disclosure, as a complement to the information required in the scope of the annual financial statements.

On this basis, the information disclosed in this report complies with the requirements set out in the CRR, for Finantipar, S.A. (on a consolidated basis) whilst "parent institution in the EU" (hereinafter "Finantipar") and for Banco Finantia, S.A. (on sub-consolidated basis, hereinafter "Banco Finantia") regarding the information specified in articles 437, 438, 440, 442, 450, 451 and 453) and is structured in accordance with Title II and Title III of Part VIII of the CRR, as follows:

- 1** Scope of application (article 436)
- 2** Risk management objectives and policies (article 435)
- 3** Own funds (article 437)
- 4** Capital requirements (article 438)
- 5** Exposure to counterparty credit risk (article 439)
- 6** Capital buffers (article 440)
- 7** Indicators of global systemic importance (article 441)
- 8** Credit risk adjustments (article 442)
- 9** Unencumbered assets (article 443)
- 10** Use of ECAs (article 444)
- 11** Exposure to market risk (article 445)
- 12** Operational risk (article 446)
- 13** Exposures in equities not included in the trading book (article 447)
- 14** Exposure to interest rate risk on positions not included in the trading book (article 448)
- 15** Exposure to securitization positions (article 449)
- 16** Remuneration policy (article 450)
- 17** Leverage (article 451)
- 18** Use of the IRB Approach to credit risk (article 452)
- 19** Use of credit risk mitigation techniques (article 453)
- 20** Use of the Advanced Measurement Approaches to operational risk (article 454)
- 21** Use of Internal Market Risk Models (article 455)

The information disclosed in this report was prepared with reference to 31 December 2019 and applies to the Finantipar consolidation perimeter, including all its subsidiaries (referred to in this report as "Group" or "Finantipar Group").

Banco Finantia is an institution controlled by Finantipar and is the entity that conducts the Group's business activities, directly or through its subsidiaries, following its own strategy, which is incorporated at Finantipar consolidated level.

Finantipar Group disclosure policy

Finantipar Group's Disclosure Policy has approved by the Board of Directors was drafted in accordance with article 431.^o, n.^o 3, first paragraph and article 434.^o, n.^o 1 in Part VIII of Regulation (EU) No. 575/2013. This Policy aims to ensure that the disclosure requirements laid down in Part VIII of CRR, are subject (at least) to the same level of verification and internal procedures than the management information disclosed in the Annual Report and Accounts and to establish the internal controls and procedures in place to assess their appropriateness. In this context, the Board of Directors and heads of department are responsible to establish and maintain an adequate and efficient internal control system to support information disclosures, including the disclosure requirements laid down in Part VIII of CRR, ensuring as well their appropriateness and verification.

Statement

The Board of Directors of Finantipar and the Board of Directors of Banco Finantia certify that the present document was prepared with reference to 31 December 2019 and that the procedures deemed necessary for the public disclosure of the information have been carried out and that, to the best of their knowledge, all the information disclosed is true and reliable.

For the proper purposes, the information reported in this document, with reference to 31 December 2019, suffered during the year of 2020 influence of the outbreak caused by Covid-19 that spread globally, and in which the measures enacted for its containment caused severe impacts on financial markets, severely affecting economic activity worldwide.

The Board of Directors of Finantipar and the Board of Directors of Banco Finantia are monitoring the evolution of the situation, and as of this date, there are no stable data to assess the short and medium term impacts on the Group's activity and risk profile.

1 Scope of application (Article 436)

1.1 Finantipar Group

Finantipar is a limited liability company, incorporated on 15 June 1992, with its registered office in Portugal, at Rua General Firmino Miguel, no. 5, in Lisbon. Finantipar and its subsidiaries ("Group" or "Finantipar Group") have as corporate object the pursue of all activities related with financial transactions and services permitted to credit institutions, with special focus in the areas of capital markets, corporate and investment banking, corporate finance (including mergers and acquisitions), wholesale financing and private banking. Subsidiaries have branches and/or representative offices in Portugal, Spain, United Kingdom, Brazil, United States of America, Malta and Netherlands.

Finantipar's corporate purpose is to provide economic and financial advisory services, having continued its activity during 2019, including holding a majority stake in Banco Finantia.

By virtue of having a controlling stake in Banco Finantia, Finantipar constitutes the "parent company" of the Group and is subject to the supervision of the Banco de Portugal based on its consolidated financial situation.

In this sense, the present report has as its focus the description and the disclosure of aspects related to the activity developed by Banco Finantia. However, since this report must be carried out on a consolidated basis, from a quantitative perspective, the analyses presented are at the Finantipar level.

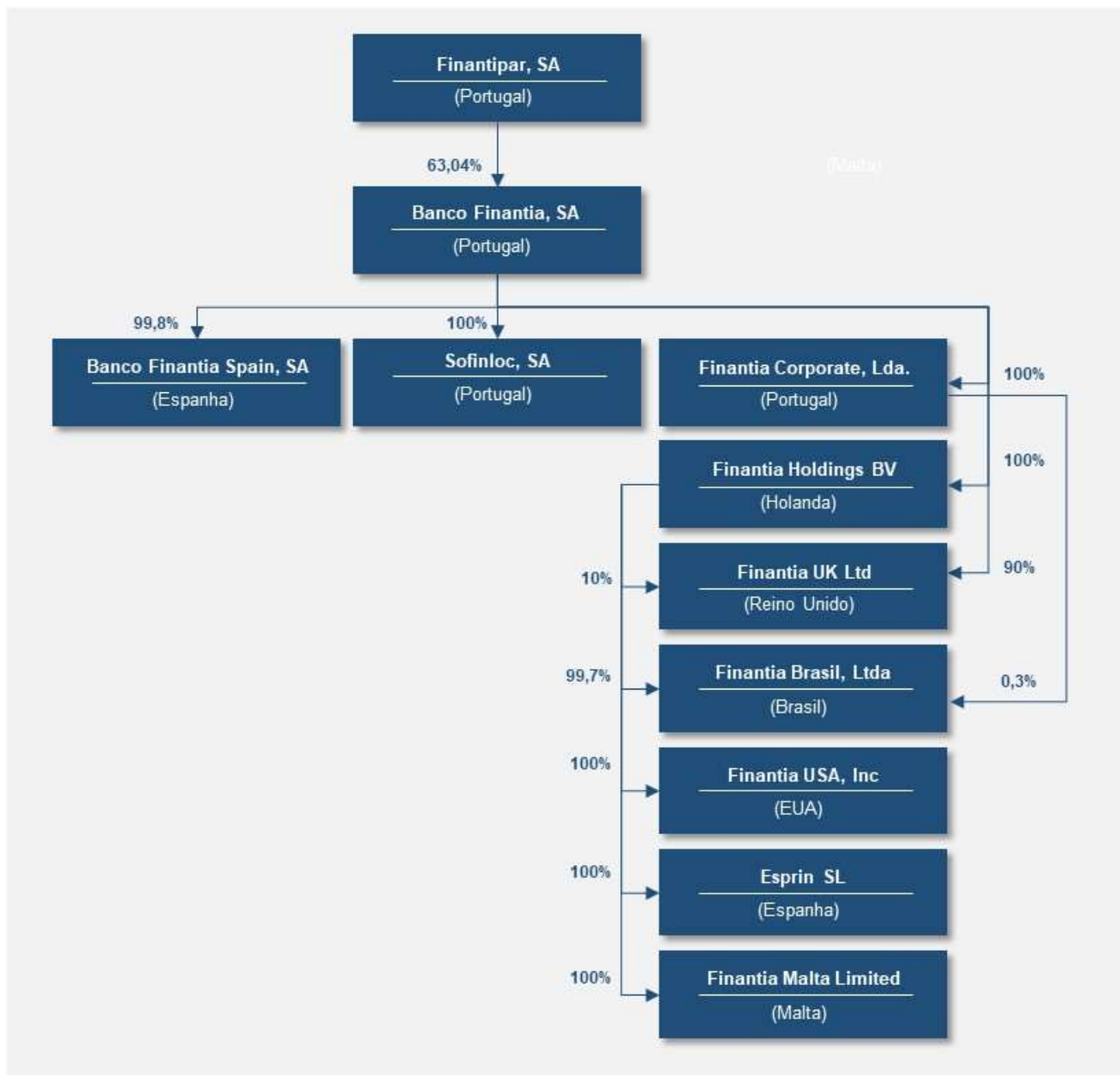
The following organizational chart identifies the entities that comprise the Group, as well as the jurisdictions where they have their registered offices. Of these entities, only Banco Finantia and Banco Finantia Spain, S.A. ("Banco Finantia Spain") carry out a banking activity.

There are no differences at the consolidation base level for accounting and prudential purposes, with all the entities included in the consolidation perimeter being consolidated using the full consolidation method.

Pursuant to paragraph c) of article 436 of the CRR, it is informed that there are no current or foreseeable significant legal or factual impediments to a timely transfer of own funds or prompt repayment of liabilities between the parent company and its subsidiaries.

Organizational Chart of the Finantipar Group

(31 December 2019)



The following changes that occurred in 2019 in the Group's structure are highlighted:

- > Finantipar Finance Limited, which had its liquidation process underway since 2018, was extinguished on June 11, 2019;
- > The merger by incorporating Finantia Malta into Finantia PH was completed in February 2019 and the company changed its name to Finantia Malta Limited as of April 2019; and
- > Finantia USA, Ltd. changed its name to Finantia USA, Inc.

1.2 Description of the activity developed by the various Group entities

Banco Finantia, S.A.

Banco Finantia is an independent bank, with 30 years of domestic and international experience, and a reference institution in Portugal in the areas of investment and private banking. Throughout the 30 years, Banco Finantia was always solid and profitable, presenting capital ratios above sector average – in 31 December 2019 its Common Equity Tier 1 (CET1) ratio was 23.9%.

It operates in two important niche markets:

1) Corporate & Investment Banking - Capital markets, fixed-income products to companies and investors, corporate loans, financial restructurings and financial advisory services focusing on cross-border Mergers and Acquisitions;

2) Private Banking - quality personalized services, for affluent and wealthy customers.

Banco Finantia focuses, geographically, on Portugal, Spain, and Brazil and on the Commonwealth of Independent States (CIS) countries, having as its main operating units banks in Portugal and Spain, broker-dealers in the United Kingdom and the United States, and auxiliary subsidiaries in Brazil and Malta.

In July 2019, Banco Finantia implemented a new corporate governance structure for the 2019-2021 three-year mandate, commonly known as the Anglo-Saxon model, composed of a board of directors, comprising an audit committee, and a statutory auditor.

Banco Finantia Spain, S.A.

Banco Finantia Spain develops its activity in the market segment of Private Banking and Capital Markets and has invested significantly on the provision of Private Banking and Personal Banking services to its customers.

Given its experience, discretion and independent posture, Banco Finantia Spain is in a privileged position to offer Private Banking services to its customers. The products and services offered include the discretionary management of portfolios and the trading of shares, bonds and investment funds; investment advice on bonds, shares and investment funds; deposits; and the custodianship of securities. The strategy is to continue to invest in this activity area.

Sofinloc, S.A.

Sofinloc is dedicated exclusively to the activity of recovery and management of non-performing loans.

Finantia Corporate Lda.

Finantia Corporate, Lda. is wholly owned by Banco Finantia and is an auxiliary services company which object is to provide investment, administrative, technical and consultancy services and general business support to Group companies.

Finantia Holdings BV

Finantia Holdings, with registered office in Holland, is wholly owned by Banco Finantia and has as its object the management of holdings as an indirect form of carrying out economic activities.

Finantia UK Limited

Finantia UK engages in intermediation activities and operates in the areas of Capital Markets (fixed income) and of Financial Advisory in Corporate Banking and in syndicated loans for professional customers, following the strategic guidelines established for the Group.

Finantia Brasil Ltda.

Finantia Brasil is an auxiliary services company whose activity involves the representation of Banco Finantia in Brazil, establishing commercial contacts and transmitting relevant information for the purpose of generating business for the Group. The Company is, indirectly, wholly owned by Banco Finantia.

Finantia USA, Inc.

Finantia USA Inc., is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and a member of the Financial Industry Regulatory Authority ("FINRA"). Finantia USA Inc., is 100% owned by Finantia Holdings BV, which is a subsidiary of Banco Finantia. Finantia USA Inc. acts as broker for institutional customers in the acquisition of foreign securities.

Esprin SL

Esprin – Española de Promociones, having as its object of management and administration of securities representative of the capital of other entities. This company is, indirectly, wholly owned by Banco Finantia.

Finantia Malta Limited

Finantia Malta Limited (formerly named Finantia PH Limited) develops its activity in the Capital Markets segment (fixed income), maintaining an own portfolio, in accordance with the strategic guidelines established for the Group.

2 Risk management objectives and policies (Article 435)

2.1 Statement on the adequacy of the risk management systems

The Board of Directors of Finantipar and the Board of Directors of Banco Finantia confirm that the risk management system implemented, as well as the processes and measures to ensure that the defined risk limits are met, is adequate to ensure the correct development of the business strategy, taking into account the profile and size of the Group.

2.2 Statement of the General Risk profile and its relation with the Business Strategy

The Group's risk management policies are based on a conservative approach, reflected in its robust capital ratios and liquidity position. As fundamental principle underlying the management and formulation of risk strategies is the understanding of the risks to which the institution is exposed and the implementation of a comprehensive risk appetite structure for the Group.

On that basis, the Group has established the five fundamental principles that outline its risk appetite, and that guide its activity, business model and business strategy:

- > **Solvency principle:** the Group undertakes to maintain an adequate level of capital to accommodate unexpected losses, both under normal and adverse conditions, in order to be perceived as a solid and robust entity;
- > **Liquidity principle:** the Group undertakes to maintain a stable financing structure and sufficient liquidity to meet its financial obligations, ensuring its continuity even under stress scenarios;
- > **Profitability principle:** the Group undertakes to provide its shareholders with a return adequate to the risks assumed;
- > **Sustainability principle:** the Group considers that it is of strategic importance to maintain sustainable levels of activity and exposure to risk, whilst preserving its image and reputation and engaging in social contribution actions. With this objective, the Group works on the proper definition, communication and implementation of its risk strategy and appetite; and
- > **Business continuity principle:** the Group commits to develop and implement a business continuity plan to ensure the ability to operate on an ongoing basis and limit losses in the event of severe business disruption. Such continuity plan will establish an Emergency Committee lead by an Executive Board Member, ensure legal/regulatory and market requirements and shall be tested at least annually.

As of 31 December 2019 and 2018, Finantipar and Banco Finantia's capital ratios can be analysed as follows:

	million euros, except for %	
Finantipar	Dec-19	Dec-18
Common Equity Tier 1 capital	395.2	323.8
Tier 1 capital	404.1	333.6
Total capital	425.4	346.6
Risk weighted exposures (RWA)	1,948.7	1,772.4
Ratio CET1	20.3%	18.3%
Ratio Tier 1	20.7%	18.8%
Ratio Total Capital	21.8%	19.6%

	million euros, except for %	
Banco Finantia	Dec-19	Dec-18
Common Equity Tier 1 capital	459.9	369.9
Tier 1 capital	459.9	369.9
Total capital	459.9	369.9
Risk weighted exposures (RWA)	1,924.8	1,758.5
Ratio CET1	23.9%	21.0%
Ratio Tier 1	23.9%	21.0%
Ratio Total Capital	23.9%	21.0%

2.3 The Strategies and management processes of those risks

Risk Management Model

Finantipar whilst "parent company" is subject to supervision on a consolidated basis and, as such, is responsible for providing information on all the elements that are necessary for the supervision and maintenance of the Finantipar Group's (the "Group") internal control system. Regarding Risk Management, Finantipar is responsible for establishing and monitoring the Group's Risk Management Model, as summarized below.

In addition to the regulatory perspective, the Group also evaluates risks and financial resources from an economic perspective, through the Internal Capital Adequacy Assessment Process ("ICAAP") and the Internal Liquidity Adequacy Assessment Process (ILAAP).

The management of Finantipar rests with its Board of Directors, which has delegated the broader powers of the day-to-day management of the company to a managing director.

Finantipar's risk management corresponds, globally, to the risk management of Banco Finantia and of its subsidiaries. Finantipar monitors the evolution of the various risks through the reports produced by Banco Finantia and its subsidiaries and the respective implications on Finantipar's results and ratios.

It is the responsibility of the Board of Directors of Banco Finantia to approve and periodically review the strategies and policies regarding the assumption, management and control of the risks to which the Group is or may be subject and to regularly monitor the activity of the Risk Management Function. In this context, the Board of Directors of Banco Finantia is responsible, amongst others, for the approval of the Risk Appetite Framework (RAF).

The management of Banco Finantia is the responsibility of its Board of Directors ("BoD"), which has delegated the broader powers of the day-to-day management of Banco Finantia to three managing directors (MD).

The MD chair internal committees whose role is to monitor the management of the main areas of the Bank. Banco Finantia's committees allows for a continuous flow of information between the heads of departments and the directors of Banco Finantia, as well as of the Board of Directors of Finantipar.

The overall risk management of Banco Finantia is the responsibility of the MD. The Finance and Risk Committee has as main function the global risk monitoring.

The MD are further responsible for the implementation and maintenance of an adequate and efficient internal control system based on an appropriate and effective risk management system.

The Finance and Risk Committee, which meets monthly and includes two MD, is responsible for assessing and monitoring the various risks to which the Bank and, by extension, Finantipar are exposed, with special incidence on the limits and tolerances of the RAF.

Risk Management is the responsibility of the Risk Department (RD), centralized and independent, which is in charge of the management, analysis and control of all Group risks.

The RD guarantees that the Risk Management Function: (i) ensures the effective application of the risk management system, through the continuous monitoring of its adequacy and effectiveness, as well as of the measures taken to correct any weaknesses; (ii) provides advice to the management and supervisory bodies; (iii) prepares and submits periodic risk management reports that enable the management body to monitor the various risks to which the Bank is subject; (iv) prepares the ICAAP and actively participates in the preparation of the RAF; and (v) promotes the integration of risk principles into the institution's daily activities, ensuring that significant business aspects are included in the risk management framework.

The Bank recognizes that the definition and assessment of adequate capital levels to support the risk profile, as well as the appropriate controls, are essential elements for the implementation of a sustainable business strategy. The planning of the evolution and behaviour of internal capital is crucial to ensure its continued adequacy for the risk profile, strategic objectives and business objectives.

The Bank's risk management model is based on an integrated set of processes, duly planned, reviewed and documented, aimed at ensuring an appropriate understanding of the nature and magnitude of the risks underlying its activity, enabling an adequate implementation of the respective strategy and compliance with the objectives.

This model is based on processes of identification, assessment, monitoring and control of all the risks subjacent to the Bank's activity, which are supported by appropriate and clearly defined

policies and procedures to ensure that the established objectives are achieved and that the necessary measures are taken to adequately respond to previously identified risks. In this manner, the risk management model covers all products, activities, processes and systems, considering all the risks underlying its activity and taking into account its size and complexity, as well as the nature and magnitude of the risks.

The risk management model respects the principles recognized and accepted at international and national level and are in line with Notice 5/2008 of the Banco de Portugal and with the “Guidelines on Internal Governance under Directive 2013/36/EU” (EBA/GL/2017/01) issued by the European Banking Authority (EBA).

Risk management has an active influence on the decision-making of the EC and of the Finance and Risk Committee of the Bank.

In short, the risk management system ensures:

- > An adequate identification, evaluation, monitoring, control and mitigation of all material risks to which the Group is exposed to;
- > The adequacy of internal capital to the risk profile, business model and strategic planning; and
- > The integration of the risk management process into the Group's culture and decision-making process.

Risk Profile

The risk profile of the Group is determined through the analysis of the adherence of the risk matrices to the Group's reality and the subsequent listing and description of the risks to which it is exposed, taking into account the applicable legislation on the risk management system and the activity developed by the Group.

For such, the Group considers in its internal evaluation the following risk categories: credit, market, interest rate, credit spread, foreign exchange rate, liquidity, and the non-financial risks (namely operational, compliance, reputation and strategy risks).

The evolution of the Group's risk profile is monitored through a number of indicators, in particular those established under the RAF, making it possible to guarantee that decisions that may affect the Group's risk exposure do not exceed the institution's risk appetite levels.

All risk categories contributing to the Group's risk profile are analysed, discussed and monitored monthly by the Finance and Risk Committee from the perspective of the exposure levels (and possible measures to increase effectiveness and risk mitigation), ICAAP and RAF, which are reported to the BD.

Credit risk

Credit risk derives from the possibility that a counterparty defaults or the credit quality of a given financial instrument degrades. The Group's objective is to maintain a high-quality asset portfolio, based on a prudent credit policy. The Group is also constantly concerned to diversify its own portfolio, as a way to mitigate the credit concentration risk.

The Group developed an expected credit loss model (ECL), in accordance with IFRS 9 requirements, where the ECL corresponds to the weighted average of the credit losses, using as weighting factor the probability of occurrence of default events.

A credit loss is the difference between the cash flows due to an entity in accordance with the agreed contract, and the cash flows that the entity expects to receive, discounted at the original effective interest rate. To calculate expected cash flows, consideration should be given to amounts that may be generated by collateral or any other risk mitigant.

On that basis, impairment is measured as: (i) Expected credit losses for 12 months: corresponding to the expected losses resulting from possible default events of the financial instrument in the 12 months following the reporting date and (ii) Expected credit losses over the useful life of the instrument: corresponding to the expected losses that may occur from a default event over the entire useful life of a financial instrument.

The method of calculating impairment is based on the classification of the instruments into three stages, taking into account the changes in the credit risk of the financial asset since its initial recognition, as follows:

- 1) Stage 1: where the ECL is recognized for 12 months;
- 2) Stage 2: where the ECL is recognized over the useful life of the assets; and
- 3) Stage 3: where ECL is recognized over the useful life of the asset, with its respective PD being 100%.

The Group recognizes that within the scope of its risk management model, the definition and evaluation of adequate capital levels to support the risk profile are essential elements for the implementation of a sustainable business strategy. Thus, the planning of the internal capital evolution and the maintenance of appropriate levels of capital in relation to the economic capital requirements (ascertained in the internal capital adequacy assessment process - ICAAP) are crucial to ensure the continuous adequacy of the risk profile to the Group's strategic objectives.

Market risk

Market risk consists of the probability of negative impacts on results or capital due to unfavourable movements in the market price of the trading book instruments.

The Group adopted the strategy of managing the market risk associated with its trading book (fixed income) in a conservative manner, through the definition of prudent exposure limits and holding periods, as well as through its the daily monitoring.

Interest Rate Risk

Interest rate risk – Interest Rate Risk in the Banking Book (IRRBB) – derives from the probability of negative impacts caused by unfavourable changes in interest rates as a result of maturity mismatches between assets and liabilities.

The Group adopted the strategy of minimizing the interest rate risk associated with its fixed-rate assets through the use of hedging instruments of this type of risk (usually IRS – Interest Rate

Swaps), thereby maintaining a balanced structure between assets and liabilities in terms of fixed-rate mismatch.

The Group monitors the distribution of its fixed-rate assets over time intervals, net of the corresponding fixed-rate liabilities and hedging instruments used.

Considering the nature and characteristics of the Group's business, as well as the processes implemented for the monitoring and mitigation of interest rate risk, the Group also analyses the behaviour of VaR ("Value at Risk") related to interest rate risk. VaR is calculated using the historical simulation approach, based on a one year rate history, a one-day holding period, and a 99% confidence interval. This model is validated with back tests.

Within the scope of ICAAP, the Group has been applying the VaR methodology for the allocation of economic capital to interest rate risk. The economic capital requirements for this risk are calculated through the historical simulation, based on a ten-year historical rate, a one-year holding period and a 99.9% confidence interval.

Credit spread risk

Credit Spread Risk in the Banking Book (CSRBB) - refers to the risk arising from changes in the price of a financial asset subject to credit risk that are not explained either by the IRRBB or by the default risk / jump to default risk.

The adoption of control measures through the monitoring of securities spreads, the monitoring of fair value reserves, and the analysis of historical price series together with the monitoring of the limit for economic capital for CSRBB within the scope of the RAF, allows a timely management of this risk, reducing its impact on the Group's risk profile.

Within the scope of ICAAP, the Group has been applying the VaR methodology for allocating economic capital to the CSRBB. The economic capital requirements for this risk are calculated through historical simulation, net of classic credit risk, based on a ten-year history of rates, a one-year holding period and a 99.9% confidence interval.

Foreign Exchange Rate Risk

Foreign exchange rate risk is characterized by the probability of negative impacts due to unfavourable changes in foreign exchange rates and adverse changes in the price of foreign currency instruments.

It is the Group's policy to operate only with assets and liabilities denominated in EUR or USD (positions in other currencies are sporadic and insignificant).

The Group adopted the strategy of minimizing the foreign exchange rate risk associated with its assets and liabilities. Thus, foreign exchange rate risk is regularly hedged in order to ensure a comfortable foreign currency exposure margin against the pre-established limits, and said exposure is monitored on a daily basis, both for the on sight position and for the forward position.

Within the scope of ICAAP, the Group has been applying the VaR methodology for the allocation of economic capital to foreign exchange rate risk. The economic capital requirements for this risk

are calculated through the historical simulation, based on a ten-year historical rate, a one-year holding period and a 99.9% confidence interval.

Liquidity Risk

Liquidity risk is defined as the possibility of a financial institution defaulting on its maturity dates due to its inability to liquidate assets, obtain financing or refinance liabilities on a timely basis.

In liquidity risk management, and in the scope of the Internal Liquidity Adequacy Assessment Process (ILAAP) the Group aims to ensure a stable and robust liquidity position, through the holding of liquid assets, the control of liquidity gaps and the monitoring of a liquidity buffer, which allow to balance contractual financial outflows in stress situations.

Liquidity risk management is carried out in a way to keep all liquidity levels within the pre-established limits, in accordance with two main parameters: (i) cash flow management, through the daily calculation of financial flows and treasury balances over an extensive time horizon, allowing for the maintenance of a positive cash balance over normal and stress temporal horizons and (ii) inventory management, with the daily calculation of liquidity metrics in order to ensure their maintenance within the pre-established limits determined by the Group.

The Financial Markets Department monitors the Group's liquidity risk on a daily basis in the two aforementioned aspects. The Risk Management Department is responsible for the periodic analysis of the Group's liquidity risk management, preparing a monthly report to the Finance and Risk Committee.

The metrics monitored by the Group and that are used to measure liquidity risk in the context of balance sheet management include, amongst others, the LCR (Liquidity Coverage Ratio) and the NSFR (Net Stable Funding Ratio) prudential ratios, as well as a broad set internal ratios related to liquidity mismatches, concentration of major counterparties, distribution of repayment flows of the main liabilities, collateral of the repos operations, asset liquidity characteristics and immediate liquidity.

Non-financial Risks

Non-financial risks for the Group include operational risk, compliance risk, reputation risk and strategy risk. These risks consist of the likelihood of negative impacts on the results or on capital arising, essentially, (i) for operational risk, from operational failures, inadequacy of information and technology systems, conduct errors or model weaknesses, (ii) for compliance risk, from non-compliance with laws and regulations, (iii) for reputation risk, from a negative perception of the institution's public image, and (vi) for strategy risk, from inadequate plans and strategic decisions.

The management of non-financial risks has been gaining increasing relevance in the Group. In this context, advanced tools and methods have been developed, focused on the identification, evaluation, monitoring and control of these types of risks. Among others, these tools include risk matrices and controls, heat-maps and spider-charts, with inputs derived from an extensive and comprehensive process of self-assessment specifically directed at non-financial risks. This process serves as a basis for the definition of action plans for non-financial risks.

In addition to the maintenance of risk matrices, the Group maintains an organized process of collecting and performance on the various categories of non-financial risks, as well as recording

the resulting information in a database of non-financial risks. This database includes, amongst others, records of the (i) events, (ii) possible associated losses, and (iii) corrective and/or mitigating measures implemented.

In the scope of ICAAP, and although there are no relevant historical losses, the Group has been using the Basic Indicator Approach (BIA) methodology to quantify operational risk and internally developed methodologies to quantify compliance, reputation and strategy risks.

During the course of 2019, several training actions were carried out in the area of non-financial risks, namely training on Prevention of Money Laundering, GDPR and Cybersecurity, among others. For 2020, the Bank will continue to focus on training as a form of reducing non-financial risks.

2.4 Structure and organization of the relevant risk management unit

The Board of Directors is globally responsible for the risk management function, in accordance with Notice 5/2008 of the Banco de Portugal and the EBA "Guidelines on Internal Governance under Directive 2013/36/EU" da EBA (EBA/GL/2017/11).

The Group's risk management is under the responsibility of the Risk Department, that is responsible for:

- > Ensuring the effective implementation of the risk management system by continuously monitoring the adequacy and effectiveness of the risk management system and the adequacy and effectiveness of the measures taken to correct any weaknesses of that system;
- > Providing advice to the Board of Directors, the Audit Committee, the Finance and Risk Committee, and other areas of the Group;
- > Preparing and submitting to the Board of Directors, the Audit Committee and the director to which it reports hierarchically periodic reports on risk management, indicating whether adequate measures have been taken to correct any weaknesses;
- > Defining the criteria and methodologies for assessing and quantifying the risks to which the Group is exposed;
- > Preparing monthly information for the Finance and Risk Committee, namely the Finance and Risk Committee Report, which is subsequently submitted to the Board of Directors;
- > Carrying out the appropriate continuous monitoring of situations identified with regard to corrective and prospective measures, and opportunities for improvement in the risk management scope to ensure that the necessary corrective measures are taken and that same are properly managed;
- > Leading the ICAAP to ensure that the Group has the internal capital appropriate to its risk profile, preparing the annual report on ICAAP and keeping the Finance and Risk Committee informed of the ICAAP updates on a monthly basis;
- > Leading the preparation and monitoring of the RAF;
- > Perform an independent validation of ILAAP methodologies and results;
- > Promoting the integration of the risk principles into the institution's daily activities, ensuring that there are no significant business aspects not included in the risk management framework; and
- > Actively participating in the definition and review of the institution's strategic management of capital and liquidity.

The head of the risk management function reports functionally to the Board of Directors and to the Audit Committee. The functional reporting comprises a set of interactions that provide said management and supervisory bodies with an adequate knowledge, and allow for the monitoring and evaluation of the risk management function's activity. Complementing the functional reporting, the risk management function reports hierarchically to a director with executive functions.

The Group confers on the head of the risk management function the necessary powers to perform the functions independently, granting access to the relevant information. The risk management function is independent of the other functional areas of Banco Finantia subject to assessment, namely of the commercial areas, thereby granting it the conditions to perform its competencies in an objective and autonomous manner. In addition, at the level of the remuneration policy of its employees, the Group has implemented some specificities applicable to employees exercising control functions, designated Key Function Holders. The determination of the remuneration of these employees, which includes the head of the risk management function, is subject to certain rules and procedures that aim to guarantee the performance of their duties in an objective manner and to safeguard its effective independence.

The interaction process of the risk management function with the other structure units is of fundamental importance to the execution of its activities and attributions in the scope of risk management and internal control (in the latter case, in the interaction with the Internal Audit area and with the Compliance Function). In addition, the risk management function participates in a number of internal risk-related forums, including the Finance and Risk Committee and other periodic meetings, in which the heads and representatives of the various Group areas participate, thereby enhancing the interaction between the risk management function and the other structure units.

It is the responsibility of the Risk Department to control the limits and tolerances defined in the Group's RAF, approved by the Board of Directors. It is also responsible for drawing up proposals for changes to limits and tolerances, supervising the quality of the calculation of the metrics in light of the parameters provided to the Risk Department by the other structure units, monitoring the evolution of the Bank's risk profile through the RAF metrics and for providing timely advice to the management and supervisory bodies about possible deviations in the adequacy of the risk assumed by the institution in light of its risk appetite.

The purpose of the RAF is to determine risk appetite and it is an integral part of the Group's strategic planning process, thus evidencing the link between the strategy and the risk appetite. It provides a common structure regarding the activity of the entire Group for the communication to, and the understanding and evaluation by top management and by the management and supervisory bodies of the types of risks and of the respective levels to be assumed, explicitly defining the limits and tolerances within which the management of the business must operate. The RAF constitutes a holistic approach that includes policies, controls and systems through which the risk appetite is established, communicated and monitored. In this manner, in addition to defining limits and tolerances to risk, the RAF clarifies the actions to be taken in the event of those being exceeded and establishes the responsibilities and the roles of those responsible for the implementation and maintenance of same.

The risk indicator control schedule (dashboard) established by the RAF is updated on a monthly basis and is included in the Finance and Risk Committee Report, which is submitted monthly to the Finance and Risk Committee, the Board of Directors of Finantipar and the Board of Directors of Banco Finantia, which include the members of the Audit Committee, for analysis and follow-

up. The RAF dashboard presents several risk metrics to which the institution is exposed, as well as their respective limits and tolerances. These metrics are aggregated into groups, including solvency, liquidity, profitability, credit risk, credit spread and interest rate risk and foreign currency risk and non-financial risks.

2.5 Scope and nature of the reporting and mediation systems of risks

The risk measurement and reporting systems in the Group are supported by information universes that are an integral part of the Group's information management system. These information universes are centralized in the Group's information management tool, Business Objects, where all the information is constantly updated, historically maintained and available to the end user.

The two major information universes are BFM (Bank Fusion Midas) and MIS. The former serves the accounting purpose, whilst the latter collects and processes the information resulting from the normal operations of the Group's activity. These operations are recorded by the Front-Office, Middle-Office and Operations' teams through the TOMS (Bloomberg), Kondor+ (Thomson Reuters) and BFM interfaces.

2.6 Risk coverage and mitigation policies

The Group's risk management system, including the hedging and risk mitigation policies and the strategies and processes to control their effectiveness, aims to ensure that the risks to which the Group is exposed remain at the level defined by the management body and do not significantly affect the Group's financial position, thereby enabling the proper implementation of the strategy, the meeting of the objectives and the taking of the necessary actions to respond to the risks.

Hence, within the scope of the risk management system, the Group acts to ensure, on a timely basis, the prevention of undesired or unauthorized situations and the detection of these situations should they occur, so that the immediate adoption of corrective risk mitigation measures is possible. In this context, the Group established its RAF, whereby it defined the overall and specific objectives with regard to the risk profile and the degree of risk tolerance, as well as the escalation process in the event limits or tolerances are exceeded.

Coverage and risk mitigation policies and strategies and the processes to control their effectiveness are continuously monitored, both by the Risk Management Department in the scope of the regular exercise of its functions, or monthly by the Finance and Risk Committee, covering all the categories of risk to which the Group is exposed.

Credit risk

The Group seeks to minimize credit risk through a careful analysis, applying strict standards of credit analysis to its debtors and counterparties, as well as a systematic monitoring of the economic environment and other aspects that may contribute to the deterioration of the quality of the credit granted.

In addition, the Group seeks to mitigate credit risk through the diversification of the loan portfolio - by geographical area, counterparties, sectors of activity, entity types and instrument types. Credit Risk Management policies and procedures are subject to periodic review, being ratified by the competent body.

Exposure to credit risk is only possible after a credit limit is assigned to the risk entity. It is the responsibility of the Credit Department to analyse and prepare its opinion, proposing a limit, which is then approved according to the procedures formalized in the institution. It should be noted that credit exposures above 40 million euros or in derogation from the opinion issued by the person responsible for Credit will have to obtain the approval of the Board of Directors.

Compliance with these limits is monitored daily by the Risk Management Department, that is also responsible for monitoring the geographical concentration by country and region. The Finance and Risk Committee monitors monthly compliance with the limits and with the composition of the portfolio.

Being the main risk to which the Group is exposed, specific indicators were set up in the scope of the RAF to monitor it against the respective limits and tolerances approved by the Board of Directors. Thus, from the RAF dashboard, on a monthly basis, the Finance and Risk Committee monitors several metrics related to credit risk, namely impaired assets, non-performing exposures (NPE) and concentration risk, amongst others that are reported to the Board of Directors in line with the risk management function.

Market risk

Although the trading book is of minor importance (see chapter 11), the Group has a market risk mitigation policy, based on several measures to mitigate this risk in order to reduce the potential for negative impact from a residual risk perspective, in particular the definition of aggregate exposure limits and holding periods.

Interest rate risk

Interest rate risk coverage is ensured through the contracting of interest rate derivative financial instruments, which allow for the matching of maturities and average refixing periods of the rates of these assets with those resulting from the liabilities.

The systematic monitoring of the distribution of assets and liabilities is carried out in accordance with their rate refixing periods, proceeding regularly to the hedging of risks in case they come close to the limits defined by the Board of Directors and formalized within the scope of the RAF, through the use of appropriate instruments (currently interest rate swaps).

The interest rate risk metric subject to the limit mentioned in the RAF is based on the calculation of the impact on the consolidated net equity, measured as a percentage of own funds, of the variation of 200 basis points in the yield curves in EUR and USD (or above 200 basis points as a result of the outlier test), considering the temporal bands in Instruction 03/2020 of the Banco de Portugal.

Concerning interest rate risk, an analysis is also carried out of the interest rate mismatch (gap analysis), a methodology used to measure the risk resulting from the temporal mismatch of the maturities of the fixed-rate assets, liabilities and off-balance-sheet instruments of the Group, distributed by time buckets. This analysis is carried out monthly by the Risk Department and monitored monthly in the Finance and Risk Committee.

Hedge effectiveness is the extent to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or in the cash

flows of the hedging instrument. The effectiveness of the interest rate risk hedging strategies is assessed monthly in the Finance and Risk Committee.

Credit spread risk

Credit Spread Risk in the Banking Book (CSRBB) mitigation is ensured by monitoring the structure of the banking portfolio, by balancing investment grade (IG) exposures and non-investment grade (HY) exposures. This diversification in terms of credit quality is complemented by diversification in the sectors of economic activity, in countries, and also by geographic regions, which allow occasional increases in the CSRBB in part of the portfolio will not lead to the spread of other duly diversified parts.

The adoption of control measures through the monitoring of securities spreads, the monitoring of fair value reserves, and the analysis of historical price series together with the monitoring of the limit for economic capital for CSRBB within the scope of the RAF, allows for control the low level of these risks, making its impact in line with the Group's risk profile.

The Financial and Risk Committee assess the effectiveness of the credit spread risk reduction strategies monthly.

Foreign Exchange Rate Risk

The foreign exchange rate position is systematically monitored, with the foreign exchange rate risk being regularly hedged if it comes close to the limits defined by the Board of Directors and formalized in the scope of the RAF, through the use of appropriate instruments (e.g. spots, forwards, swaps).

For foreign exchange rate risk, the Risk Department calculates the foreign exchange position daily, both from a regulatory and accounting perspective. All analyses produced are sent to various members of the Finance and Risk Committee. The information prepared for the monthly meeting of the Finance and Risk Committee, in addition to the RAF dashboard, includes a specific schedule dedicated to the foreign exchange rate position.

Liquidity risk

In the scope of defining its liquidity management policies, the Group adopts conservative rules, in order to be able to sustain the normal development of its activities, minimizing liquidity risk. The liquidity risk management in the Group is carried out in a global and centralized manner, in line with the ILAAP, being the responsibility of the Financial Markets Department, with the second line of defence control being exercised by the Risk Department, and with monthly monitoring by the Finance and Risk Committee.

Being a critical risk for the Group, specific indicators for its monitoring were defined in the RAF together with the respective limits and tolerances approved by the Board of Directors. Thus, from the RAF dashboard, on a monthly basis, the Finance and Risk Committee monitors a number of liquidity risk metrics, both in terms of immediate liquidity, as well as of the concentration and stability of financing sources, amongst others.

In addition, the Finance and Risk Committee monitors, monthly, several other liquidity metrics, safeguarding the continued and constant compliance with the Group's internal liquidity policies.

Non-financial Risks

The non-financial risks of the Group are essentially associated with operational failures, inadequacy of information and technology systems, conduct errors, model weaknesses (operational risk), regulatory non-compliance (compliance risk), inadequate definition or implementation of strategic decisions (strategy risk) and negative perception of its public image (reputation risk) that may surge as a result of the development of its activity.

Non-financial risks are continuously monitored and controlled, with various mitigation measures being adopted in order to reduce the potential negative impact of these risks from a residual risk perspective.

To monitor operational risk, there are established mechanisms for regular communication on operational risk events associated with operational, information systems, conduct and model risks, which include a description of the risk as well as its classification into three grades (high, medium and low).

These mechanisms aim to minimize operational risk events and related losses, allowing for a close follow-up of these events and a fast acting on their resolution and the introduction of risk mitigation measures to avoid future occurrences of the same events and potential associated losses.

Additionally, it is intended to monitor the net losses associated with operational risk events through the definition of limits and tolerances for this metric in the RAF, permitting, in this manner, to mitigate the Group's operational risk. The RAF dashboard is reported monthly to the Finance and Risk Committee.

The Group objective is the minimization of non-compliance breaches and related losses, complying with laws, regulations and guidelines relevant to its nature and business activity, bearing in mind that risk mitigation measures and controls must be adequate to the inherent level of compliance risk subjacent to the activities of the Group. The Group maintains a close track on its internal policies and is focused in strengthening the effectiveness of controls in order to avoid compliance breaches. The Group maintains an updated compliance risk database which includes the registry of compliance tables, eventual breaches, and time of resolution and implementation of mitigation measures.

In addition, there are complementary risk mitigation measures, in order to strengthen the compliance risk monitoring process.

The above mentioned monitoring is complemented by the monitoring of the response time to high- and medium-level non-compliance, measured by the period between the identification of a non-compliance and the preparation of an action plan by the Compliance Department for the structural resolution thereof, through the definition of limits and tolerances for this metric in the RAF, allowing, in this manner, for the mitigation of the Group's compliance risk. The RAF dashboard is reported monthly to the Finance and Risk Committee.

To monitor strategy risk, there are established mechanisms, described below, with the objective of mitigating the risk of exposure to the risk of inadequate definition or implementation of strategic decisions. To this end, the Group, on the one hand, monitors the evolution of the commercial activities developed and the main indicators, based on the strategic plan "Strategic Planning Finantipar Group" and the resulting business plan, and, on the other hand, identifies aspects that

may cause adverse impacts on said activities, and which call for the adoption of adequate measures. These indicators include, amongst others, the loan portfolio, the funding, the capital and the net interest income margin, in respect of which the Group is focused on sustainable growth, and the shareholder structure, in respect of which the Group is focused on stability. The evolution of these indicators is monitored through the analysis of the management accounts as well as of the regular schedules that are reported monthly to the Finance and Risk Committee. Possible strategy risk events are reported to the Finance and Risk Committee on a monthly basis.

Additionally, it is intended to monitor the profitability of the Group's assets through the definition of limits and tolerances for this metric in the RAF, allowing, in this manner, for the mitigation of the Group's strategy risk. The RAF dashboard is reported monthly to the Finance and Risk Committee.

To monitor reputation risk, there are established mechanisms, described below, with the objective of mitigating the risk of a negative perception of the Group's public image. To this end, the Group monitors the evolution of that image, as well as the evolution of the assessment of any vulnerabilities that may negatively affect same, and which call for the adoption of adequate measures. In particular, press releases and public opinion, in general, cyber-attack attempts/occurrences and complaints from customers and counterparts. Possible reputation risk events are reported to the Finance and Risk Committee on a monthly basis, which is complemented by the non-financial risks report.

Additionally, it is intended to monitor the variation of customer deposits through the definition of limits and tolerances for this metric in the RAF, allowing, in this manner, for the mitigation of the Group's reputation risk. The RAF dashboard is reported monthly to the Finance and Risk Committee.

2.7 Information on the governance system

The information required by paragraph a) of no. 2, article 435, is indicated in the following table.

Number of positions held by members of the management body of Finantipar as at 31 December 2019:

Member of the Board of Directors	Group Companies	Non-Group Companies
Eduardo de Almeida Catroga	-	1
João Carlos Rodrigues Sabido Silva	-	1
Sandra Paulino Guerreiro Matos Chaves	-	-

As regards the disclosure of the information referred to in paragraph b) and c) of no. 2 of article 435 of Regulation (EU) 575/2013, the "Policy for the Selection and Adequacy Assessment of Members of the Management Body, of the Supervisory Body and of Key Function Holders " of the Group, establishes that the members of the management body shall meet the necessary requirements of repute, professional qualification, independence and availability, considering the

nature, size and complexity of the activity and the demands and responsibilities associated with the specific functions to be carried out.

On the other hand, in the scope of the individual assessment of members of the management and supervisory bodies, a collective assessment of the body as a whole must be made, in order to verify whether the body itself, considering its composition, collectively possesses the qualification and professional experience in relevant areas, and an adequate independence and sufficient availability to fulfil its legal and statutory functions.

With regard to the diversification policy of the members of the corporate bodies, chapter "4.1.2. Requirements of collective adequacy" of the "Policy for the Selection and Adequacy Assessment of Members of the Management Body, of the Supervisory Body and of Key Function Holders " of the Group, that can be consulted at <https://www.finantia.pt/pt/outra-informacao-obrigatoria>, establishes that "diversity in the composition of the management and supervisory bodies, namely diversity of gender, professional values and generational diversity, to improve the performance of the respective body and to ensure a better balance in its composition, should be promoted.", document.

Regarding paragraph d) of no. 2 of article 435, and despite the fact that a risk committee has not been formally established, as this is only mandatory for significant institutions in terms of size, internal organization and nature, scope and complexity of their activities, the functions assigned to the risk committee are performed by the Audit Committee of Banco Finantia, under the terms of article 115º-L of the General Regime for Credit Institutions and Financial Companies, as Banco Finantia, including its subsidiaries, is the entity that carries out the Group's operational activities.

Finantipar, in turn, as the parent company, monitors the evolution of the risk profile and control through the reports produced by Banco Finantia and the respective implications for the Group, and is responsible for establishing and monitoring the Risk Management Model of the Group.

Thus, the ultimate responsibility for the strategies and policies relating to the Group's risk assumption, management, and control rest with the Board of Directors of Banco Finantia.

The Finance and Risk Committee is composed of two managing directors and includes the heads of the following departments: Financial Markets, Corporate Banking, Accounting, Consolidation and Financial Information, Risk, Credit and Compliance. Further to an invitation from the Chairman of the Finance and Risk Committee, the managing director of Finantipar and the heads of other other departments may also participate in the meeting.

The Finance and Risk Committee meets monthly, and a report is distributed covering all aspects of the Group's financial activity/risks (including of Finantipar). Minutes are kept of the meetings and filed in the Intranet. All members of the Committee, members of the Board of Directors and of the Audit Committee and the Compliance, Audit and Risk departments have access to the minutes.

The heads of the various departments that take part are responsible to inform members of their respective departments of any decisions taken that are relevant to the performance of their duties.

In chapter 2.4 of this Report, a detailed description of the flow of risk information to the management body is also presented.

3 Own funds (article 437)

Own funds are calculated in accordance with the prudential framework established by Regulation (EU) No. 575/2013 (CRR) and Directive 2013/36/EU (CRD IV), both issued by the European Parliament and Council, on 26 June 2013 ("Basel III").

3.1 Reconciliation of the own funds elements

Elements of own funds	thousand euros, except for %	
	Finantipar	Banco Finantia
Share capital	19,507	150,000
Share premium	18,208	12,849
Retained earnings	276,706	284,507
Fair value reserves	9,966	14,706
Minority interests in CET1	73,725	122
Intangible assets	(1,012)	(424)
Treasury shares	(12)	(38)
Requirements for prudent valuation (AVA)	(1,893)	(1,869)
Common Equity Tier 1 capital	395,195	459,853
Instruments issued by subsidiaries that are given recognition in AT1 Capital	8,882	15
Tier 1 capital	404,077	459,868
Instruments issued by subsidiaries that are given recognition in T2 Capital	21,317	35
Total capital	425,394	459,903
RWA	1,948,724	1,924,785
CET1 (%)	20.3%	23.9%
Tier 1 (%)	20.7%	23.9%
Total Capital (%)	21.8%	23.9%

3.2 Description of the main characteristics of the own funds instruments

Own funds comprise Tier 1 capital and Tier 2 capital.

Tier 1 capital consist of the sum of the core capital - Common Equity Tier 1 ("CET1") and the additional Tier 1 capital (AT1 Capital). As of 31 December 2019, additional tier 1 (AT1) and tier 2 (T2) only includes minority interests.

Both Tier 1 own funds and Total own funds complies with the minimum prudential requirements established by Banco de Portugal based on the results of the Supervisory Review and Evaluation Process (SREP).

The following table presents the breakdown of own funds as at 31 December 2019:

thousand euros

Own Funds as at December 2019

	Finantipar	Banco Finantia
Own Funds	425,394	459,903
Tier 1 Capital	404,077	459,868
Common Equity Tier 1 Capital	395,195	459,853
Capital instruments eligible as CET1 Capital	37,703	162,812
Paid up capital instruments	19,507	150,000
Share premium	18,208	12,849
(-) Own CET1 instruments	(12)	(38)
Retained earnings	9,145	94,938
Previous years retained earnings	(14,402)	58,981
Eligible year results	23,547	35,957
Accumulated other comprehensive income	9,966	14,706
Other reserves	267,561	189,569
Minority interest given recognition in CET1 capital	73,725	122
Transitional adjustments due to additional minority interests	0	0
Adjustments to CET1 due to prudential filters	(1,893)	(1,869)
(-) Goodwill	(588)	0
(-) Other intangible assets	(424)	(424)
Additional Tier 1 Capital	8,882	15
Instruments issued by subsidiaries that are given recognition in AT1 Capital	8,882	15
Tier 2 Capital	21,317	35
Instruments issued by subsidiaries that are given recognition in T2 Capital	21,317	35

The analysis of the table demonstrates that a large part of the own funds is comprised of capital, retained earnings and reserves.

The following table presents a description of the main characteristics of own funds instruments issued, in accordance with paragraphs (b) and (c) of article 437 of Regulation (EU) 575/2013.

Capital Instruments main features template - Finantipar ⁽¹⁾		Shares
1	Issuer	Finantipar, S.A.
2	Unique identifier (eg, CUSIP, ISIN or Bloomberg identifier to private placement)	PTFNA0AN0006
3	Governing law(s) of the instrument	Portuguese
<i>Regulatory treatment</i>		
4	Transitional CRR rules	Common Equity Tier 1 Capital
5	Post-transitional CRR rules	Common Equity Tier 1 Capital
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Individual basis
7	Instrument type	Ordinary shares
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	The amount recognised in regulatory capital and the issue amount are identical.
9	Nominal amount of instrument	
9a	Issue price	
9b	Redemption price	
10	Accounting classification	Paid up capital instruments
11	Original date of issuance	15/06/1992
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates, and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Dividend
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Total
20b	Fully discretionary, partially discretionary or mandatory (in terms of amt)	Total
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into Se convertíveis, especificar em que tipo de instrumento p	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger (s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	
36	Non-compliant transitioned features	
37	If yes, specify non-compliant features	

⁽¹⁾ Show "N/A" if the question is not relevant.

Capital Instruments main features template - Banco Finantia ⁽¹⁾
Shares

1	Issuer	Banco Finantia, S.A.
2	Unique identifier (eg, CUSIP, ISIN or Bloomberg identifier to private placement)	PTFBIOAN0012
3	Governing law(s) of the instrument	Portuguese
<i>Regulatory treatment</i>		
4	Transitional CRR rules	Common Equity Tier 1 Capital
5	Post-transitional CRR rules	Common Equity Tier 1 Capital
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Individual basis
7	Instrument type	Ordinary shares
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	The amount recognised in regulatory capital and the issue amount are identical.
9	Nominal amount of instrument	
9a	Issue price	
9b	Redemption price	
10	Accounting classification	Paid up capital instruments
11	Original date of issuance	31/07/1987
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates, and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
<i>Coupons / dividends</i>		
17	Fixed or floating dividend/coupon	Dividend
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Total
20b	Fully discretionary, partially discretionary or mandatory (in terms of amt)	Total
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger (s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	
36	Non-compliant transitioned features	
37	If yes, specify non-compliant features	

⁽¹⁾ Show "N/A" if the question is not relevant.

In accordance with paragraphs d) and e) of article 437 of Regulation (EU) 575/2013, the following table is presented, in which the applied filters, deductions, and elements not deducted from own funds are disclosed:

thousand euros

	(A) Amount at disclosure date		(B) Regulation (EU) No 575/2013 article reference
	Finantipar	Banco Finantia	
Common Equity Tier 1 capital: instruments and reserves			
1 Capital instruments and the related share premium accounts	37,715	162,849	26 (1), 27, 28, 29
of which: Instrument type 1	37,715	162,849	EBA list 26 (3)
of which: Instrument type 2	0	0	EBA list 26 (3)
of which: Instrument type 3	0	0	EBA list 26 (3)
2 Retained earnings	9,145	94,938	26 (1) (c)
3 Accumulated other comprehensive income (and other reserve, to include unrealised gains and losses under the applicable accounting standards)	277,526	204,275	26 (1)
3a Funds for general banking risk	0	0	26 (1) (f)
4 Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	0	0	486 (2)
5 Minority interests (amount allowed in consolidated CET1)	73,725	122	84
5a Independently reviewed interim profits net of any foreseeable charge or dividend	0	0	26 (2)
6 Common Equity Tier 1 (CET1) capital before regulatory adjustments	398,112	462,184	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7 Additional value adjustments	(1,893)	(1,869)	34, 105
8 Intangible assets (net of related tax liability)	(1,012)	(424)	36 (1) (b), 37
9 Empty set in the EU			
10 Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met)	0	0	36 (1) (c), 38
11 Fair value reserves related to gains or losses on cash flow hedges	0	0	33(1) (a)
12 Negative amounts resulting from the calculation of expected loss amounts	0	0	36 (1) (d), 40, 159
13 Any increase in equity that results from securitised assets (negative amount)	0	0	32 (1)
14 Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	0	33(1) (b)
15 Defined-benefit pension fund assets	0	0	36 (1) (e), 41
16 Direct and indirect holdings by an institution of own CET1 instruments	(12)	(38)	36 (1) (f), 42
17 Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution	0	0	36 (1) (g), 44
18 Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	0	0	36 (1) (h), 43, 45, 46, 49 (2) (3), 79
19 Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	0	0	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79
20 Empty set in the EU			
20a Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0	0	36 (1) (k)
20b of which: qualifying holdings outside the financial sector	0	0	36 (1) (k) (i), 89 to 91
20c of which: securitisation positions	0	0	(b), 258
20d of which: free deliveries	0	0	36 (1) (k) (iii), 379 (3)
21 Deferred tax assets arising from temporary difference (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	0	0	36 (1) (c), 38, 48 (1) (a)
22 Amount exceeding the 15% threshold	0	0	48 (1)
23 of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0	0	36 (1) (i), 48 (1) (b)
24 Empty set in the EU			
25 of which: deferred tax assets arising from temporary difference			36 (1) (c), 38, 48 (1) (a)
25a Losses for the current financial year	0	0	36 (1) (a)
25b Foreseeable tax charges relating to CET1 items	0	0	36 (1) (l)
27 Qualifying AT1 deductions that exceed the AT1 capital of the institution	0	0	36 (1) (j)
28 Total regulatory adjustments to Common Equity Tier 1 (CET1)	(2,917)	(2,331)	
29 Common Equity Tier 1 (CET1) capital	395,195	459,853	

Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	0	0	51, 52
31	of which: classified as equity under applicable accounting standards	0	0	
32	of which: classified as liabilities under applicable accounting standards	0	0	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	0	0	486 (3)
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	8,882	15	85, 86
35	of which: instruments issued by subsidiaries subject to phase-out	0	0	486 (3)
36	Additional Tier 1 (AT1) capital before regulatory adjustments	8,882	15	
Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 instruments	0	0	52 (1) (b), 56 (a), 57
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to artificially inflate the own funds of the institution	0	0	56 (b), 58
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	0	0	56 (c), 59, 60, 79
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	0	0	56 (d), 59, 79
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013	0	0	
42	Qualifying T2 deductions that exceed the T2 capital of the institution	0	0	56 (e)
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	0	0	
44	Additional Tier 1 (AT1) capital	8,882	15	
45	Tier 1 capital (T1 = CET1 + AT1)	404,077	459,868	
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	0	0	62, 63
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	0	0	486 (4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party	21,317	35	87, 88
49	of which: instruments issued by subsidiaries subject to phase-out	0	0	486 (4)
50	Credit risk adjustments	0	0	62 (c) & (d)
51	Tier 2 (T2) capital before regulatory adjustment	21,317	35	
Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans	0	0	63 (b) (i), 66 (a), 67
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to artificially inflate the own funds of the institution	0	0	66 (b), 68
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	0	0	66 (c), 69, 70, 79
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	0	0	66 (d), 69, 79
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013	0	0	
57	Total regulatory adjustments to Tier 2 (T2) capital	0	0	
58	Tier 2 (T2) capital	21,317	35	
59	Total capital (TC = T1 + T2)	425,394	459,903	
60	Total risk-weighted assets	1,948,724	1,924,785	
Capital ratios and buffers				
61	Common Equity Tier 1	20.3%	23.9%	92 (2) (a), 465
62	Tier 1	20.7%	23.9%	92 (2) (b), 465
63	Total capital	21.8%	23.9%	92 (2) (c)
64	Institution-specific buffer requirement	2.5%	2.5%	CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	2.5%	2.5%	
66	of which: countercyclical buffer requirement	0.0%	0.0%	
67	of which: systemic risk buffer requirement			
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer			CRD 131
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	20.7%	23.9%	CRD 128
69	[non-relevant in EU regulation]			
70	[non-relevant in EU regulation]			
71	[non-relevant in EU regulation]			

Amounts below the thresholds for deduction (before risk-weighting)	
72 Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70
73 Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	36 (1) (i), 45, 48
74 Empty set in the EU	
75 Deferred tax assets arising from temporary difference (amount below 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met)	36 (1) (c), 38, 48
Applicable caps on the inclusion of provisions in Tier 2	
76 Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	62
77 Cap on inclusion of credit risk adjustments in T2 under standardised approach	62
78 Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	62
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	62
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)	
80 Current cap on CET1 instruments subject to phase-out arrangements	484 (3), 486 (2) & (5)
81 Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	484 (3), 486 (2) & (5)
82 Current cap on AT1 instruments subject to phase-out arrangements	484 (4), 486 (3) & (5)
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	484 (4), 486 (3) & (5)
84 Current cap on T2 instruments subject to phase-out arrangements	484 (5), 486 (4) & (5)
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	484 (5), 486 (4) & (5)

4 Capital Requirements (article 438)

4.1 Summary of the method used to assess the adequacy of internal capital

In addition to the regulatory perspective, the Group also evaluates risks and financial resources available (Risk Taking Capacity "RTC") from an economic perspective, by conducting the internal capital adequacy self-assessment exercise (ICAAP) envisaged in Pillar 2 of Basel III and in line with Instruction No. 15/2007 from Banco de Portugal.

The risks and the RTC are estimated on a going concern basis to ensure that the Group is able, at all times, to liquidate all its liabilities in a timely manner.

To quantify the risks, the Group has developed a number of internal capital requirement calculations that estimate the maximum potential loss over a one-year period, with a 99.9% confidence interval. These methodologies cover all categories of risk to which the Group is exposed, except for the market and operational risks, for which regulatory requirements are used.

The Group has assumed a conservative perspective for the economic capital requirements, considering the higher between the regulatory and the internal capital requirements, by risk category.

The ICAAP results are continuously monitored to ensure that the Group's capital is sufficient to cover the risks, incurred or potential, and are reported monthly to the Finance and Risk Committee. From the analysis of the results, it can be concluded that the Group has a solid and robust capital position, presenting a coverage ratio substantially above the internal minimum level defined in the RAF.

The aforementioned monthly capital adequacy analysis is supplemented at the end of each year by a prospective analysis of the economic capital requirements and of the financial resources

available, over a three-year horizon, in the scope of the annual ICAAP exercise and of the preparation of the Group's Funding and Capital Plan.

The above-mentioned monitoring is supplemented by the performance of stress tests, which cover all categories of risk to which the Group is exposed, except for market risk from its trading book, which is considered immaterial.

The stress tests aim to provide a better understanding of the Group's risk profile, allowing for the assessment of the internal capital and of the capacity to absorb shocks, and to facilitate the detection of vulnerabilities in the Group's exposure to different risk categories.

Two types of stress tests are performed:

- > Sensitivity analyses, carried out regularly - consist of assessing the impact on the Group's financial condition resulting from the application of shocks to risk parameters (including, amongst others, PD, LGD, ratings, credit spreads, interest rates and foreign exchange rates).
- > Scenario analyses, carried out annually - consist of assessing the impact on the Group's financial condition resulting from the application of simultaneous and consecutive shocks to several factors that affect the business plan.

The results of the stress tests reinforce the conclusion that the Group has a solid and robust capital position. The scenario analyses performed as of 31 December 2019 resulted in a coverage ration always above the minimum internal level defined in RAF.

4.2 Credit risk – own funds minimum requirements

The Group applies the Standardised Approach in the calculation of the capital requirements for credit risk, in accordance with the prudential rules in force at the reference date, according to article 112, Title II, Part III, Chapter 2.

Under this method, exposures (elsewhere also “positions at risk”) are classified according to the counterparty, by risk classes. The exposure value of an asset element corresponds to its net carrying amount after making the adjustments for specific credit risk, additional value adjustments and other own funds' reductions, related to the asset element.

To calculate the amounts of the risk weighted assets ("RWA"), risk weighting coefficients are applied to all exposures, unless deducted from own funds. The application of risk weighting coefficients is based on the risk class to which the exposure is allocated and on its credit quality. Credit quality is determined by reference to ECAI (External Credit Assessment Institutions) credit assessments. Whenever necessary to determine capital requirements, 8% of the risk-weighted exposure amounts is considered.

An external credit assessment may only be used to determine the risk-weighting coefficient of an exposure if it has been issued by an ECAI or has been approved by an ECAI in accordance with Regulation (EC) No. 1060/2009. EBA publishes on its website the list of ECAIs authorized under no. 4 of article 2 and no. 3 of article 18 of Regulation (EC) No. 1060/2009.

Under EBA guidelines (in line with paragraph c) to f) of article 438), the capital requirements and the corresponding RWA exposures on a quarterly basis, as presented in the following table,

provide an overview of the denominator used in the calculation of the capital requirements as at 31 December 2019:

Finantipar		RWAs		thousand euros
		Dec-19	Sep-19	Minimum capital requirements
1 Credit risk (excluding CCR)		1,742,399	1,786,986	139,392
Art. 438. ^o (c) (d)	2 Of which the standardised approach	1,742,399	1,786,986	139,392
Art. 438. ^o (c) (d)	3 Of which the foundation IRB (FIRB) approach	-	-	-
Art. 438. ^o (c) (d)	4 Of which the advanced IRB (AIRB) approach	-	-	-
Art. 438. ^o (d)	5 Of which equity IRB under the simple risk-weighted approach or the IMA	-	-	-
Art.107. ^o	6 CCR	91,826	100,410	7,346
Art.438 ^o (c) (d)	7 Of which mark to market	90,073	98,728	7,206
Art.438 ^o (c) (d)	8 Of which original exposure	-	-	-
	9 Of which the standardised approach	-	-	-
	10 Of which internal model method (IMM)	-	-	-
Art.438 ^o (c) (d)	11 Of which risk exposure amount for contributions to the default fund of a CCP	-	-	-
Art.438 ^o (c) (d)	12 Of which, credit value adjustment (CVA)	1,753	1,682	140
Art.438^o (e)	13 Settlement risk	-	-	-
Art.449^o (o) (i)	14 Securitisation exposures in the banking book (after the cap)	-	-	-
	15 Of which IRB approach	-	-	-
	16 Of which IRB supervisory formula approach (SFA)	-	-	-
	17 Of which internal assessment approach (IAA)	-	-	-
	18 Of which standardised approach	-	-	-
Art.438^o (e)	19 Market risk	18,676	23,698	1,494
	20 Of which the standardised approach	18,676	23,698	1,494
	21 Of which IMA	-	-	-
Art.438^o (e)	22 Large exposures	-	-	-
Art.438^o (f)	23 Operational risk	95,822	102,099	7,666
	24 Of which basic indicator approach	95,822	102,099	7,666
	25 Of which standardised approach	-	-	-
	26 Of which advanced measurement approach	-	-	-
Art.437^o (2), Art. 48^o e Art.60^o	27 Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Art. 500.^o	28 Floor adjustment	-	-	-
	29 Total	1,948,724	2,013,193	155,898

Template 4: EU OV 1 - General information about RWAs, suggested by the EBA Guidelines (EBA/GL/2016/11)

thousand euros

Banco Finantia			RWAs		Minimum capital requirements
			Dec-19	Sep-19	Dec-19
	1	Credit risk (excluding CCR)	1,720,135	1,761,948	137,611
Art. 438. ^o (c) (d)	2	Of which the standardised approach	1,720,135	1,761,948	137,611
Art. 438. ^o (c) (d)	3	Of which the foundation IRB (FIRB) approach	-	-	-
Art. 438. ^o (c) (d)	4	Of which the advanced IRB (AIRB) approach	-	-	-
Art. 438. ^o (d)	5	Of which equity IRB under the simple risk-weighted approach or the IMA	-	-	-
Art.107. ^o	6	CCR	91,826	100,410	7,346
Art.438 ^o (c) (d)	7	Of which mark to market	90,073	98,728	7,206
Art.438 ^o (c) (d)	8	Of which original exposure	-	-	-
	9	Of which the standardised approach	-	-	-
	10	Of which internal model method (IMM)	-	-	-
Art.438 ^o (c) (d)	11	Of which risk exposure amount for contributions to the default fund of a CCP	-	-	-
Art.438 ^o (c) (d)	12	Of which, credit value adjustment (CVA)	1,753	1,682	140
Art.438^o (e)	13	Settlement risk	-	-	-
Art.449^o (o) (i)	14	Securitisation exposures in the banking book (after the cap)	-	-	-
	15	Of which IRB approach	-	-	-
	16	Of which IRB supervisory formula approach (SFA)	-	-	-
	17	Of which internal assessment approach (IAA)	-	-	-
	18	Of which standardised approach	-	-	-
Art.438^o (e)	19	Market risk	18,676	23,698	1,494
	20	Of which the standardised approach	18,676	23,698	1,494
	21	Of which IMA	-	-	-
Art.438^o (e)	22	Large exposures	-	-	-
Art.438^o (f)	23	Operational risk	94,147	100,683	7,532
	24	Of which basic indicator approach	94,147	100,683	7,532
	25	Of which standardised approach	-	-	-
	26	Of which advanced measurement approach	-	-	-
Art.437^o (2), Art. 48^o e Art.60^o	27	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Art. 500.^o	28	Floor adjustment	-	-	-
	29	Total	1,924,785	1,986,738	153,983

Template 4: EU OV 1 - General information about RWAs, suggested by the EBA Guidelines (EBA/GL/2016/11)

As it can be verified, there was stability in the evolution of the RWA and in its structure between September and December 2019.

With another level of risk disaggregation, as at 31 December 2019, the amount of the risk-weighted exposure amounts can be analysed below:

thousand euros, except for %

Risk weighted exposures (RWA)	Finantipar		Banco Finantia	
	RWA	8% of RWA	RWA	8% of RWA
CREDIT AND COUNTERPARTY RISK				
Central governments or central banks	208,803	16,704	208,044	16,644
Regional governments or local authorities	6,223	498	6,161	493
Institutions	320,371	25,630	317,968	25,437
Corporates	1,266,176	101,294	1,247,140	99,771
Retail	193	15	193	15
Multilateral development banks	-	-	-	-
Defaulted exposures	13,343	1,067	13,343	1,067
Equity exposures	-	-	-	-
Other exposures	17,363	1,389	17,359	1,389
Securitisation positions	-	-	-	-
sub-total	1,832,473	146,598	1,810,208	144,817
RISK EXPOSURES AMOUNT FOR POSITION, FOREIGN EXCHANGE AND COMMODITIES				
Position risk	18,676	1,494	18,676	1,494
Foreign exchange risk	-	-	-	-
Commodities risk	-	-	-	-
sub-total	18,676	1,494	18,676	1,494
OPERATIONAL RISK (OpR)				
OpR Basic indicator approach	95,822	7,666	94,147	7,532
sub-total	95,822	7,666	94,147	7,532
Credit valuation adjustment - CVA				
Standardised method	1,753	140	1,753	140
sub-total	1,753	140	1,753	140
TOTAL	1,948,724	155,898	1,924,785	153,983

This table presents the capital requirements as at 31 December 2019, calculated in accordance with prudential rules in force at that date and with the risk classes detailed in accordance with article 112 of the CRR.

4.3 Market risk - Minimum requirements for own funds

The Group only uses the standard method on the trading book, with no trading book sub-portfolio being covered by the Internal Models method.

The risks of the trading book are assessed in accordance with the provisions of Regulation (EU) No. 575/2013, with the respective requirements being set out in the previous table, namely in the position risk, according to article 92, in number 3, paragraphs (b) and (c).

As regards foreign exchange rate risk, the standard method for calculating the respective minimum fund requirements is also used, with the calculation of the minimum requirements for commodity risk not being applicable to its activity.

5 Exposure to counterparty credit risk (article 439)

Credit risk consists of the likelihood of negative impacts on results or capital due to the inability of a counterparty to meet its financial commitments to the Group, including possible restrictions on the transfer of payments from abroad.

The Group has sought to minimize credit risk through a careful analysis, based on strict credit analysis standards of its debtors and counterparties, as well as a systematic monitoring of the economic environment and other aspects that may contribute to the deterioration of the quality of the credit granted.

The main sources of credit risk are on-balance sheet and off-balance sheet operations, covering the most diverse financial instruments, namely credit, trade finance, swaps, bonds, guarantees or interbank transactions.

It is fundamental to identify, measure, monitor and control credit risk, considering not only individual or transactional credit risk, but also in overall portfolio terms and its correlations with risks of another nature.

Credit risk is sought to be mitigated through the diversification of the loan portfolio - by geographical area, counterparties and sectors of activity.

Credit Risk Management policies and procedures are subject to periodic review, being ratified by the competent body. These policies are contained in the Credit Risk Management Manual and in the Manual for the Identification, Evaluation, Monitoring and Control of Risks.

Exposure to credit risk is only possible after a credit limit is assigned to the risk entity. It is the responsibility of the Credit Department to analyse and prepare its opinion, proposing a limit. For the approval of the proposal, the signature of two managing directors of Banco Finantia is required and may require the approval of all members of the Board of Directors, depending on the requested limit amount. Compliance with these limits is monitored daily by the Risk Department, which is also responsible for monitoring the geographical concentration, by countries and regions. The Finance and Risk Committee monitors both the compliance with the limits and the composition of the portfolio on a monthly basis.

The instruments belonging to the banking portfolio are subject to prudential capital requirements for credit risk.

Counterparty credit risk derives from the risk of default of a particular counterparty on a transaction before the final settlement of its respective financial flows.

Hence, policies aimed at securing guarantees and establishing credit reserves is based on the monitoring and analysis of the counterparty risk associated with a set of financial transactions involving financial instruments. This analysis aims to determine the need for a margin deposit/reimbursement, to cover all or part of this risk, with the collateral being cash or securities to be deposited in a so-called "Margin Account".

Policies relating to the risks of unfavourable correlation consist of a constant effort to diversify counterparties, including regional diversification, to mitigate the effects of a possible contagion in the financial markets. In particular, the Group established an important metric to monitor the

degree of counterparty diversification in Money Market and Repos operations, with this being the weight of the largest Repos and MM counterparties. This metric has been included in the RAF and its monthly monitoring in the Finance and Risk Committee ensures that the granularity of the counterparties complies with the limit and tolerance approved by the Board of Directors, which allows for the mitigation of the risks of unfavourable correlation amongst the Group's counterparties.

5.1 Methodologies used to allocate internal capital

The allocation of economic capital for counterparty credit risk is the responsibility of the Risk Department. The requirement determined by the internal model is compared with the regulatory requirement and the larger of the two is used to allocate economic capital to counterparty credit risk. The internal model under the ICAAP for counterparty credit risk, which takes into account the concept of future potential exposure (FPE), was developed by the Risk Department. This model is based on historical simulations and was approved by the Board of Directors. The counterparty credit exposure limits are set in EUR and are monitored based on the respective net exposure by counterparty.

Counterparty credit risk limits are set at EUR and are monitored based on the respective net counterparty exposures plus potential future exposures.

5.2 Net credit risk related to derivative instruments

The information related to positive gross amount of the contracts calculated according to the fair value, the benefits in terms of remuneration, current credit risk after remuneration, guarantees held and the net credit risk related to derivative instruments is presented in the financial statements of Finantipar and Banco Finantia, namely in Note 27 (Activity risk management) – (<http://finantipar.finantia.com/> and https://www.finantia.pt/pt/banco-finantia_pt/informacao-financeira/).

5.3 Measures for the exposure amount

The Measures for the exposure amount according to the methods defined in Part III, Title III, Chapter 6, sections 3 to 6, depending on the method applicable, namely for repurchase operations and credit derivatives are subject to prudential capital requirements for counterparty credit risk.

For these operations, the exposure is determined using the mark-to-market valuation method, defined in article 274 of the CRR, which consists of adding to the market value of the operation, when positive, its potential future appreciation, which results from the multiplication of the notional by a prudential factor in function of the type of contract.

As at 31 December 2019, the amount of the risk-weighted exposure amount for derivative financial instruments can be analysed as follows:

thousand euros

Derivative financial instruments	Finantipar			Banco Finantia		
	Institutions	Corporates	TOTAL	Institutions	Corporates	TOTAL
Original risk exposure	23,105	-	23,105	23,105	-	23,105
Credit risk mitigation techniques	-	-	-	-	-	-
Adjusted risk exposure	23,105	-	23,105	23,105	-	23,105
Amount of the risk-weighted exposure amount	10,235	-	10,235	10,235	-	10,235

The Credit Valuation Adjustment (CVA) is applied to all transactions of this type under Part III, Title VI of the CRR. The CVA reflects the current market value of the counterparty's credit risk for the institution calculating it.

The following table presents a comprehensive overview of the methods used to calculate the regulatory exposure of Counterparty Credit Risk (CCR) and the main parameters used by each method, as well as the risk-weighted exposures, as at 31 December 2019.

thousand euros

Finantipar and Banco Finantia	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
Mark to market		181,568	99,265			280,832	100,308
Total							100,308

Template 25: EU CCR1 suggested by the EBA Guidelines (EBA/GL/2016/11)

The following table presents an overview of the impact of the offsetting and collateral held in exposures for which the exposure amount is valued in accordance with Part III, Title II, Chapter 6 of the CRR, as at 31 December 2019.

thousand euros

Finantipar and Banco Finantia	Gross positive fair value or net carrying amount ⁽¹⁾	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	5,140		5,140		5,140
SFT	655,617		655,617		655,617
Total	660,757		660,757		660,757

⁽¹⁾ corresponds to the positive amount of the contracts calculated in terms of the fair value and the value of the contract operation calculated in terms of amortized cost.

Template 31: EU CCR5-A suggested by the EBA Guidelines (EBA/GL/2016/11)

The following table presents the exposure to counterparty risk by asset classes and asset weighting coefficients, as at 31 December 2019. An analysis of the table reveals that counterparty risk is concentrated in the exposure class of “institutions”.

thousand euros

Finantipar and Banco Finantia												Total	Of which unrated
Exposures classes	Risk weight												
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others		
1 Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
2 Regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-
3 Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-
4 Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-	-	-	-
5 International Organisations	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Institutions	-	-	-	-	134,548	145,772	-	-	512	-	-	-	280,832
7 Corporates	-	-	-	-	-	-	-	-	-	-	-	-	-
8 Retail	-	-	-	-	-	-	-	-	-	-	-	-	-
9 Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Other items	-	-	-	-	-	-	-	-	-	-	-	-	-
11 Total	-	-	-	-	134,548	145,772	-	-	512	-	-	-	280,832

Template 28: EU CCR3 suggested by the EBA Guidelines (EBA/GL/2016/11)

thousand euros

Finantipar and Banco Finantia												Total	Of which unrated
Exposures classes	Risk weight												
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others		
1 Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
2 Regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-
3 Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-
4 Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-	-	-	-
5 International Organisations	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Institutions	-	-	-	-	26,910	72,886	-	-	512	-	-	-	100,308
7 Corporates	-	-	-	-	-	-	-	-	-	-	-	-	-
8 Retail	-	-	-	-	-	-	-	-	-	-	-	-	-
9 Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
10 Other items	-	-	-	-	-	-	-	-	-	-	-	-	-
11 Total	-	-	-	-	26,910	72,886	-	-	512	-	-	-	100,308

Template 28: EU CCR3 suggested by the EBA Guidelines (EBA/GL/2016/11)

The RWA and the corresponding exposure amount of transactions subject to capital requirements for CVA according to Part III, Title VI is presented in the following table:

thousand euros

Finantipar and Banco Finantia	Exposure value	RWAs
1 Total portfolios subject to the advanced method		
2 (i) VaR component (including the 3× multiplier)		
3 (ii) SVaR component (including the 3× multiplier)		
4 All portfolios subject to the standardised method	23,105	1,753
EU4 Based on the original exposure method		
5 Total subject to the CVA capital charge	23,105	1,753

Template 26: EU CCR2 suggested by the EBA Guidelines (EBA/GL/2016/11)

For purposes of calculating capital requirements, the Group uses the standardised approach. The exposure value is the value used to calculate the risk-weighted exposure. The RWA corresponds to the capital requirement for CVA multiplied by the factor presented in article 92 in number 4, paragraph b) of the CRR.

6 Capital buffers (article 440)

The countercyclical buffer corresponds to an additional reserve consisting of Tier 1 (CET1) capital, which aims to protect the banking sector in periods when systemic cyclical risk increases due to excessive credit growth. When risks materialize or decrease, this additional reserve of own funds ensures that the banking sector has greater capacity to absorb losses and remain solvent, without interrupting the granting of credit to the real economy.

The General Regime of Credit Institutions and Financial Companies (Title VII-A - Section III) establishes the legal basis for the implementation of the countercyclical buffer in Portugal. In this scope, the Banco de Portugal is responsible for defining and disclosing, on a quarterly basis, the percentage of the countercyclical reserve applicable to all credit institutions and investment companies with credit exposures over the domestic non-financial private sector. The percentage shall be defined between 0% and 2.5% (of the total amount of exposures), except when exceptional circumstances justify the definition of a higher percentage.

The reserve percentage for each institution, i.e. the "institution-specific countercyclical reserve percentage", is a weighted average of the countercyclical reserve percentages applicable in the countries where the institution's credit exposures are located. The percentages of countercyclical reserve up to 2.5% shall be mutually and automatically reciprocal, if defined by other EU/EEA Member States. If defined by third country authorities, reserve percentages up to 2.5% shall be recognized, provided that the table for the definition of the countercyclical reserve of the third country is considered by the Banco de Portugal as equivalent. If the countercyclical reserve percentages fixed by other EU/EEA Member States or third countries are higher than 2.5%, the Banco de Portugal shall decide on their recognition on a case-by-case basis.

As reported by the Banco de Portugal on 24 September 2019, and following a decision of the respective Board of Directors, the percentage of countercyclical reserve applicable to exposures and credit to the domestic non-financial private sector for the 4th quarter remains at 0% of the amount of the total exposure (<https://www.bportugal.pt/page/reserva-contraciclica>).

As at 31 December 2019, the specific countercyclical buffer is 0%, as demonstrated below:

Finantipar		thousand euros, except for %
Total risk exposure amount		1,948,724
Institution specific countercyclical buffer rate		0.00%
Institution specific countercyclical buffer requirement		-
<small>Template suggested by Delegated Regulation (EU) 2015/1555</small>		
Banco Finantia		thousand euros, except for %
Total risk exposure amount		1,924,785
Institution specific countercyclical buffer rate		0.00%
Institution specific countercyclical buffer requirement		-
<small>Template suggested by Delegated Regulation (EU) 2015/1555</small>		

7 Indicators of global systemic importance (article 441)

Not applicable as Finantipar and Banco Finantia are not institutions identified as Global Systemically Important Institutions (G-SII) under article 131 of Directive 2013/36/EU.

8 Credit risk adjustments (article 442)

Definitions, for accounting purposes, of “past due credit”, “impaired credit” and “default credit”

The Group classifies as past due credit the capital instalments and accrued interest amounts unpaid after their due date. At the date of the termination of the contracts, all capital instalments, due or past due, are considered past due.

The Group regularly assesses the existence of objective evidence of impairment in its loan portfolio. A loan, or a loan portfolio, defined as a group of loans with similar risk characteristics, is impaired when: (i) there is objective evidence of impairment resulting from one or more events that occurred after its initial recognition and (ii) when this event (or events) has an impact on the recoverable amount of the future cash flows from that loan, or loan portfolio, that can be reliably estimated.

Any instruments that show a default (delay) of more than 90 days in the payment of principal or interest, regardless of the amount owed, are considered in default.

Since 1 January 2018, in this scope are also considered all the general principles defined under IFRS 9 and the guidelines regarding credit impairment calculation established by Banco de Portugal’s Carta Circular 2018/00000062 of 15 November 2018, whenever applicable.

Description of the type of value adjustments and of provisions associated with exposures objet of impairment

IFRS 9 establishes a new set of rules for the accounting and recognition of financial instruments, based on three pillars: classification and measurement of financial assets, recording of impairment and hedge accounting.

Requires that all financial assets, for measurement purposes, be classified in one of the following categories: 1) Financial assets at amortized cost; 2) Financial assets at fair value through other comprehensive income (FVOCI); and 3) Financial assets at fair value through profit or loss.

The requirements of IFRS 9 determine that the recognition of expected losses, whether assessed on an individual or collective basis, take into account all reasonable, reliable and reasoned information that is available on each reporting date, including information in a forward looking perspective.

The Group recognizes impairment losses for financial assets measured at amortized cost and at fair value through other comprehensive income, as well as for other exposures that have an associated credit risk, such as bank guarantees and irrevocable commitments.

IFRS 9 introduces the Expected Credit Loss (ECL) model, in lieu of the incurred loss model (IAS39). The ECL corresponds to the weighted average of the credit losses, using as weighting

factor the probability of occurrence of default events. A credit loss is the difference between the cash flows due to an entity in accordance with the agreed contract, and the cash flows that the entity expects to receive, discounted at the original effective interest rate. To calculate expected cash flows, consideration should be given to amounts that may be generated by collateral or any other risk mitigant.

Impairment is measured as: i) Expected credit losses for 12 months – expected losses resulting from possible default events of the financial instrument in the 12 months following the reporting date. It does not represent the loss of expected cash flows over the next 12 months, instead it is the effect of any credit loss on an asset weighted by the likelihood that such loss will occur in the next 12 months; and ii) Expected credit losses over the useful life of the instrument – expected losses that may occur from a default event over the life of a financial instrument. As the expected credit losses consider the amounts and the payment periods, the credit loss also occurs when there is a considerable delay in payments, even when the entity estimates the full receipt of the amounts. The ECL over the useful life of the asset represents the expected credit losses that result from all possible default events over the life of the financial instrument. The useful life of the instrument is understood as the maximum contractual period during which the Group is exposed to the credit risk related to that operation.

In this context, the determination of impairment is based on the classification of the instruments into 3 stages, considering the changes in the credit risk of the financial asset since its initial recognition. The stages are defined as follows:

Stage 1: all operations for which there is no significant increase in credit risk since their initial recognition or that have a low credit risk at the reporting date are classified in this stage. For these assets, credit losses expected for 12 months are recognized and interest receivable is calculated on the gross book value of the asset using the effective interest rate method;

Stage 2: all operations in which there is a significant increase in credit risk since their initial recognition but do not, at the reporting date, evidence impairment are classified in this stage. For these assets, the credit loss recognized is that expected over the useful life of the instrument, but the interest receivable is calculated on the gross book value of the asset using the effective interest rate method;

Stage 3: includes instruments that present evidence of impairment at the reporting date. For these assets, the credit loss recognized is that expected over the useful life of the asset and the interest receivable is calculated on the book value net of the provision for credit, using the effective interest rate method.

According to IFRS 9, the transition from expected credit losses for 12 months to expected credit losses over the useful life is based on the concept of a significant increase in credit risk for the remaining life of the asset when compared with the credit risk at the time of its acquisition/origination.

The significant increase in credit risk (SICR) is determined according to a set of both quantitative and qualitative criteria. Several approaches may be used to assess whether there has been a significant increase in credit risk, but the following elements should always be considered: i) the change in the risk of non-compliance since the initial recognition; ii) the expected life of the instrument; and iii) adequate support information that is available at no cost or significant effort, which may affect credit risk.

The main criteria used by the Group to assess whether there is a significant increase in credit risk are mainly based on the evolution of the external rating attributed to the issuer, based on the limits established internally in the rating migration matrix to capture significant credit risk deteriorations, significant negative fair value changes observed in the market, existence of signs of impairment and existence of depreciative market information.

The credit risk of a financial instrument is assessed without taking into account its collateral; this means that a financial instrument may not be considered as having a low credit risk simply because this is mitigated by its collateral. The collateral is only considered for the calculation of its recoverable amount.

All financial instruments subject to impairment losses are considered under the expected credit loss measurement model (ECL).

The ECL model considers as inputs: i) information for the construction of future cash flows; ii) information regarding the stage of the instrument; and iii) forward-looking and point-in-time information on the expected loss.

The future cash flows as well as the “Exposure at Default” (EAD) of each financial instrument are calculated based on contractual and system information, namely, maturity date, coupon periodicity, coupon rate and amortized cost.

The EAD represents the expected exposure if the exposure goes into default. The Group derives the EAD values from the counterparty's current exposure and from potential changes to its current value as a result of contractual conditions, including amortizations and prepayments.

The expected forward-looking and point-in-time loss is determined based on the market-based curve spreads considered for each instrument. The methodology developed by the Group is based on the construction of the temporal structure of the Default Probabilities (PD) implicit in the market curves, in this manner incorporating forward-looking and point-in-time information, given that it reflects the current economic environment as well as future market expectations. This information is made available by entity or segmented based on currency, economic sector and rating. If a specific curve is not available for the instrument, a generic curve is assigned according to the asset segment analysed.

The Loss Given Default (LGD) rate corresponds to the percentage of debt that will not be recovered in the event of customer default. The calculation of the LGD is made based on internal historical and market information, considering the cash flows associated with the contracts from the moment of default until their settlement or until there are no relevant recovery expectations.

The Group has IT tools that support the calculation and management of the parameters considered in the ECL model for almost the entire credit portfolio and for the main risk segments. These tools are integrated in the monitoring and risk management process and are developed and calibrated according to the experience and strategy adopted.

Estimates of expected credit losses – Individual analysis

All instruments that are classified as stage 1 with signs of impairment and for which a SICR indicator exists and all the instruments classified in stage 2 or stage 3 are subject to individual analysis.

For instruments classified as stage 1 that show evidence of impairment and for which a SICR indicator exists, it is determined whether or not there is a significant increase in credit risk and, consequently, whether the instrument should be transferred to stage 2 or stage 3.

Estimates of expected credit losses – Collective analysis

Operations that are not subject to an individual impairment analysis are grouped taking into account their risk characteristics and subject to a collective impairment analysis.

The expected credit losses are estimates of credit losses that are determined as follows: i) financial assets with no signs of impairment at the reporting date: the present value of the difference between the contractual cash flows and the cash flows that the Group expects to receive; and ii) financial assets with impairment at the reporting date: the difference between the gross accounting value and the present value of the estimated cash flows.

The main inputs used to measure the expected credit losses on a collective basis include the following variables: i) Probability of Default – PD; ii) Loss Given Default – LGD; and iii) Exposure at Default – EAD.

When financial asset are credit impaired, after all recovery measures being taken in accordance with Group's policies and when the recovery expectations are significantly reduced, the Group recognizes a credit written off against assets in the period in which it is considered irrecoverable in whole or in part, with the gross carrying amount of a financial asset being reduced by the amount of such annulment, and coming to represent the estimated recovery amount. Credits written off are recorded as off-balance sheet items. Subsequent recoveries of credit written off are recognized in profit against decrease of credit impairment during the period.

Within the scope of IFRS 9 transition period, the Group decided not to apply the the transitional period arrangements for mitigating the impact of the introduction of IFRS 9 on own funds under n.8 of article 473a of Regulation (EU) No 575/2013.

Indication of value adjustments and of amounts recovered recorded directly in the income statement, relating to the financial period in question and to the prior financial period

Recoveries of loans previously written off from assets are recognized in the income statement though the reduction of the amount of the impairment losses for the period. During the 2019 financial year, the Group and the Bank recovered Euros 5,640 thousand (2018: Euros 4,989 thousand) related to loans previously written off.

Concentration risk

Concentration risk is taken into account in the process of approving exposure limits for a group of counterparties, there being maximum amounts for these limits, based on the type of counterparty and its rating.

Country and sector exposure control is carried out by the Financial Markets Department and the Risk Management Department at least monthly, and the results are reported to the Finance and Risk Committee.

As at 31 December 2019, the total of the original exposures, after the accounting offsetting and broken down by risk classes can be analysed as follows:

thousand euros

Exposures classes	Finantipar		Banco Finantia	
	Original exposure, after accounting offsets	Original exposure (average over the period)	Original exposure, after accounting offsets	Original exposure (average over the period)
Central governments or central banks	520,134	543,133	513,644	536,666
Regional governments or local authorities	60,695	60,725	60,383	60,412
Institutions	637,371	702,852	634,196	700,528
Corporates	1,227,014	1,143,663	1,207,965	1,128,206
Retail	258	365	258	365
Exposures in default	31,263	25,489	31,263	25,489
Other items	17,453	16,387	17,449	16,325
TOTAL	2,494,188	2,492,615	2,465,159	2,467,991

Note: the average value of the "Original exposure" corresponds to the value of the semiannual positions of the respective year.
This framework is intended to respond to the template 6 CRB-A to the EBA's new guidelines (EBA/GL/2016/11)

The amount of the original position is the exposure amount before impairment, without considering the effect of existent mitigants.

The following table presents the total amount and the average amount of the net exposures over the period by risk classes:

thousand euros

Finantipar	Net value of exposures at the end of the period	Average net exposures over the period
Central governments or central banks	520,074	550,103
Regional governments or local authorities	60,693	58,234
Institutions	637,367	746,566
Corporates	1,226,269	1,111,046
<i>Of which: SMEs</i>	-	-
Retail	257	419
<i>Of which: SMEs</i>	-	-
Exposures in default	13,343	8,516
Other exposures	17,436	16,521
Total standardised approach	2,475,438	2,491,405
Total	2,475,438	2,491,405

Note: the net value of exposures corresponds to the net exposure to value adjustments and provisions.
The average value of the net exposure corresponds to the value of the quarterly positions of the respective year.
Template 7: EU CCB-B suggested by the EBA Guidelines (EBA/GL/2016/11)

thousand euros

Banco Finantia	Net value of exposures at the end of the period	Average net exposures over the period
Central governments or central banks	513,583	543,627
Regional governments or local authorities	60,381	57,770
Public sector entities	-	-
Institutions	634,192	744,617
Corporates	1,207,233	1,094,868
<i>Of which: SMEs</i>	-	-
Retail	257	419
<i>Of which: SMEs</i>	-	-
Exposures in default	13,343	8,516
Other exposures	17,433	16,428
Total standardised approach	2,446,422	2,466,245
Total	2,446,422	2,466,245

Note: the net value of exposures corresponds to the net exposure to value adjustments and provisions.

The average value of the net exposure corresponds to the value of the quarterly positions of the respective year.

Template 7: EU CCB-B suggested by the EBA Guidelines (EBA/GL/2016/11)

As at 31 December 2019, the Group had no exposure to any country above 10% of the total net value of the exposures. The geographical distribution (by geographical zone) of exposures broken down by risk classes can be analysed as follows:

thousand euros, except for %

Exposures classes	Finantipar					
	European Union	Europe (Non-EU)	North & Central America	South America	Asia & Middle East & Oceania	Africa
Central governments or central banks	305,399	11,087	35,324	34,453	79,233	54,578
Regional governments or local authorities	60,693	-	-	-	-	-
Public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
Institutions	411,608	3,008	56,924	21,511	121,626	22,690
Corporates	223,232	161,167	224,996	296,107	243,002	77,765
Retail	257	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-
Exposures in default	2,906	-	-	9,303	1,134	-
Equity exposures	-	-	-	-	-	-
Other exposures	17,430	-	6	-	-	-
Total Net Value	1,021,525	175,262	317,250	361,374	444,995	155,032
% of Total Net Value	41.3%	7.1%	12.8%	14.6%	18.0%	6.3%

This framework is intended to respond to the template CRB-C to the EBA's new guidelines (EBA/GL/2016/11)

thousand euros, except for %

Exposures classes	Banco Finantia					
	European Union	Europe (Non-EU)	North & Central America	South America	Asia & Middle East & Oceania	Africa
Central governments or central banks	298,909	11,087	35,324	34,453	79,233	54,578
Regional governments or local authorities	60,381	-	-	-	-	-
Public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
Institutions	409,976	3,008	55,381	21,511	121,626	22,690
Corporates	207,495	161,167	221,697	296,107	243,002	77,765
Retail	257	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-
Exposures in default	2,906	-	-	9,303	1,134	-
Equity exposures	-	-	-	-	-	-
Other exposures	17,426	-	6	-	-	-
Total Net Value	997,351	175,262	312,408	361,374	444,995	155,032
% of Total Net Value	40.8%	7.2%	12.8%	14.8%	18.2%	6.3%

This framework is intended to respond to the template CRB-C to the EBA's new guidelines (EBA/GL/2016/11)

As at 31 December 2018, the geographical distribution (by geographical zone) of exposures broken down by risk classes can be analysed as follows:

thousand euros, except for %

Exposures classes	Finantipar					
	Dec-18					
	European Union	Europe (Non-EU)	North & Central America	South America	Asia & Middle East & Oceania	Africa
Central governments or central banks	359,081	30,988	33,089	44,875	69,692	40,994
Regional governments or local authorities	50,887	-	-	-	-	-
Public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
Institutions	416,461	48,789	51,367	37,161	139,857	27,061
Corporates	132,878	124,850	119,344	263,638	215,044	49,480
Retail	781	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-
Exposures in default	5,101	-	-	1,305	-	-
Equity exposures	-	-	-	-	-	-
Other exposures	13,511	-	874	-	-	-
Total Net Value	978,701	204,627	204,674	346,980	424,593	117,535
% of Total Net Value	43.0%	9.0%	9.0%	15.2%	18.6%	5.2%

This framework is intended to respond to the template CRB-C to the EBA's new guidelines (EBA/GL/2016/11)

thousand euros, except for %

Exposures classes	Banco Finantia					
	Dec-18					
	European Union	Europe (Non-EU)	North & Central America	South America	Asia & Middle East & Oceania	Africa
Central governments or central banks	352,873	30,988	33,089	44,875	69,692	40,994
Regional governments or local authorities	49,974	-	-	-	-	-
Public sector entities	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
Institutions	416,461	48,789	51,367	37,161	139,857	27,061
Corporates	124,349	124,850	116,365	263,638	215,044	49,480
Retail	781	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-
Exposures in default	5,101	-	-	1,305	-	-
Equity exposures	-	-	-	-	-	-
Other exposures	13,384	-	874	-	-	-
Total Net Value	962,923	204,627	201,695	346,980	424,593	117,535
% of Total Net Value	42.6%	9.1%	8.9%	15.4%	18.8%	5.2%

This framework is intended to respond to the template CRB-C to the EBA's new guidelines (EBA/GL/2016/11)

The breakdown by sector of activity can be analysed as follows:

thousand euros, except for %

Exposures classes	Finantipar				
	Sovereigns	Financial Corporates	Others Corporates	Households	Others
Central governments or central banks	520,074	-	-	-	-
Regional governments or local authorities	60,693	-	-	-	-
Multilateral development banks	-	-	-	-	-
Institutions	-	637,367	-	-	-
Corporates	-	240,896	985,372	-	-
Retail	-	-	-	257	-
Exposures in default	5,671	-	4,765	2,906	-
Equity exposures	-	-	-	-	-
Other exposures	-	-	15,057	-	2,379
Total original exposure	586,438	878,263	1,005,195	3,164	2,379
% of total original exposure	23.7%	35.5%	40.6%	0.1%	0.1%

This framework is intended to respond to the template 9 CRB-D to the EBA's new guidelines (EBA/GL/2016/11)

thousand euros, except for %

Exposures classes	Banco Finantia				
	Sovereigns	Financial Corporates	Others Corporates	Households	Others
Central governments or central banks	513,583	-	-	-	-
Regional governments or local authorities	60,381	-	-	-	-
Multilateral development banks	-	-	-	-	-
Institutions	-	634,192	-	-	-
Corporates	-	234,229	973,004	-	-
Retail	-	-	-	257	-
Exposures in default	5,671	-	4,765	2,906	-
Equity exposures	-	-	-	-	-
Other exposures	-	-	15,057	-	2,376
Total original exposure	579,636	868,421	992,826	3,164	2,376
% of total original exposure	23.7%	35.5%	40.6%	0.1%	0.1%

This framework is intended to respond to the template 9 CRB-D to the EBA's new guidelines (EBA/GL/2016/11)

The residual maturity (RM) broken down by the various asset classes can be analysed as follows:

thousands of euros, except for %

Exposure classes	Finantipar				
	On demand	RM <1 year	1 year < RM < 5 years	RM > 5 years	No stated maturity
Central governments or central banks	36,786	16,849	40,439	425,999	-
Regional governments or local authorities	-	28,403	21,289	11,000	-
Multilateral development banks	-	-	-	-	-
Institutions	25,957	319,667	189,649	102,094	-
Corporates	-	56,114	488,516	681,602	36
Retail	-	58	200	-	-
Exposures in default	-	-	-	-	13,343
Equity exposures	-	-	-	-	-
Other exposures	73	17,363	-	-	-
Total standardised approach	62,817	438,454	740,093	1,220,695	13,380
% for total original exposure	2.5%	17.7%	29.9%	49.3%	0.5%

Template 10: EU CRB-E suggested by the EBA Guidelines (EBA/GL/2016/11)

thousands of euros, except for %

Exposure classes	Banco Finantia				
	On demand	RM <1 year	1 year < RM < 5 years	RM > 5 years	No stated maturity
Central governments or central banks	36,786	16,621	38,097	422,078	-
Regional governments or local authorities	-	28,403	20,978	11,000	-
Multilateral development banks	-	-	-	-	-
Institutions	25,957	319,667	188,017	100,551	-
Corporates	-	51,948	476,903	678,346	36
Retail	-	58	200	-	-
Exposures in default	-	-	-	-	13,343
Equity exposures	-	-	-	-	-
Other exposures	73	17,359	-	-	-
Total standardised approach	62,817	434,056	724,194	1,211,975	13,380
% for total original exposure	2.6%	17.7%	29.6%	49.5%	0.5%

Template 10: EU CRB-E suggested by the EBA Guidelines (EBA/GL/2016/11)

The following table provides a breakdown of the exposures by risk classes, in default and performing, and the credit risk adjustments as at 31 December 2019.

Finantipar	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					
Central governments or central banks	-	520,134	61	-	-	847	520,074
Regional governments or local authorities	-	60,695	2	-	-	-	60,693
Public sector entities	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-
Institutions	-	637,371	4	-	-	1,863	637,367
Corporates	-	1,227,014	745	-	-	433	1,226,269
Of which: SMEs	-	-	-	-	-	-	-
Retail	-	258	1	-	-	4	257
Of which: SMEs	-	-	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-	-
Of which: SMEs	-	-	-	-	-	-	-
Exposures in default	31,263	-	17,920	-	-	(15,563)	13,343
Items associated with particularly high risk	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-
Claims on institutions and corporates with a shortterm credit assessment	-	-	-	-	-	-	-
Collective investments undertakings	-	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-	-
Other exposures	-	17,453	17	-	-	-	17,436
Total standardised approach	31,263	2,462,925	18,749	-	-	(12,416)	2,475,438
Total	31,263	2,462,925	18,749	-	-	(12,416)	2,475,438
Of which: Loans	2,920	154,242	659	-	-	(5,745)	156,504
Of which: Debt securities	21,636	1,834,078	13,803	-	-	(6,659)	1,841,912
Of which: Offbalance-sheet exposures	-	26,473	10	-	-	(12)	26,463

Template 11: EU CR1-A suggested by the EBA Guidelines (EBA/GL/2016/11)

Banco Finantia	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					
Central governments or central banks	-	513,644	61	-	-	844	513,583
Regional governments or local authorities	-	60,383	2	-	-	-	60,381
Public sector entities	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-
Institutions	-	634,196	4	-	-	1,863	634,192
Corporates	-	1,207,965	732	-	-	443	1,207,233
Of which: SMEs	-	-	-	-	-	-	-
Retail	-	258	1	-	-	4	257
Of which: SMEs	-	-	-	-	-	-	-
Secured by mortgages on immovable property	-	-	-	-	-	-	-
Of which: SMEs	-	-	-	-	-	-	-
Exposures in default	31,263	-	17,920	-	-	(15,563)	13,343
Items associated with particularly high risk	-	-	-	-	-	-	-
Covered bonds	-	-	-	-	-	-	-
Claims on institutions and corporates with a shortterm credit assessment	-	-	-	-	-	-	-
Collective investments undertakings	-	-	-	-	-	-	-
Equity exposures	-	-	-	-	-	-	-
Other exposures	-	17,449	17	-	-	-	17,433
Total standardised approach	31,263	2,433,896	18,736	-	-	(12,410)	2,446,422
Total	31,263	2,433,896	18,736	-	-	(12,410)	2,446,422
Of which: Loans	2,920	162,069	3,131	-	-	(5,753)	161,858
Of which: Debt securities	21,636	1,826,917	27,438	-	-	(6,653)	1,821,116
Of which: Offbalance-sheet exposures	-	26,473	10	-	-	(12)	26,463

Template 11: EU CR1-A suggested by the EBA Guidelines (EBA/GL/2016/11)

The analysis of the exposures by risk classes, in default and performing by type of counterparty is presented in the following tables:

thousands of euros

Finantipar	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
	Defaulted exposures	Non-defaulted exposures					
Sovereigns	-	580,829	63	-	-	(3,209)	580,766
Financial Corporates	5,671	878,486	223	-	-	1,856	883,934
Others Corporates	22,672	1,000,972	18,449	-	-	(8,614)	1,005,195
Households	2,920	258	14	-	-	(3,211)	3,164
Others	-	2,379	-	-	-	762	2,379
Total	31,263	2,462,925	18,749	-	-	(12,416)	2,475,438

This framework is intended to respond to the template 12 CR1-B to the EBA's new guidelines (EBA/GL/2016/11)

thousands of euros

Banco Finantia	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
	Defaulted exposures	Non-defaulted exposures					
Sovereigns	-	574,027	63	-	-	(3,213)	573,965
Financial Corporates	5,671	868,644	223	-	-	1,856	874,092
Others Corporates	22,672	988,591	18,436	-	-	(8,607)	992,826
Households	2,920	258	14	-	-	(3,211)	3,164
Others	-	2,376	-	-	-	766	2,376
Total	31,263	2,433,896	18,736	-	-	(12,410)	2,446,422

This framework is intended to respond to the template 12 CR1-B to the EBA's new guidelines (EBA/GL/2016/11)

The geographical breakdown of the following table presents the materially significant geographical areas, considering all the countries in respect of which the Group has exposure.

thousands of euros

Finantipar	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
	Defaulted exposures	Non-defaulted exposures					
European Union	2,920	1,018,782	177	-	-	(2,586)	1,021,525
Europe (Non-EU)	1,800	175,361	1,899	-	-	599	175,262
North & Central America	-	317,508	258	-	-	203	317,250
South America	25,409	352,164	16,199	-	-	(8,402)	361,374
Asia & Middle East & Oceania	1,134	443,922	61	-	-	(2,364)	444,995
Africa	-	155,188	155	-	-	134	155,032
Total	31,263	2,462,925	18,749	-	-	(12,416)	2,475,438

Template 13: EU CR1-C suggested by the EBA Guidelines (EBA/GL/2016/11)

thousands of euros

Banco Finantia	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
	Defaulted exposures	Non-defaulted exposures					
European Union	2,920	994,595	164	-	-	(2,579)	997,351
Europe (Non-EU)	1,800	175,361	1,899	-	-	599	175,262
North & Central America	-	312,667	258	-	-	203	312,408
South America	25,409	352,164	16,199	-	-	(8,402)	361,374
Asia & Middle East & Oceania	1,134	443,922	61	-	-	(2,364)	444,995
Africa	-	155,188	155	-	-	134	155,032
Total	31,263	2,433,896	18,736	-	-	(12,410)	2,446,422

Template 13: EU CR1-C suggested by the EBA Guidelines (EBA/GL/2016/11)

Impaired positions and the exposures by days in arrears can be analysed as follows:

thousands of euros

Finantipar and Banco Finantia	Gross carrying values					
	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
Loans	263	14	1	3	8	4,690
Debt securities	-	-	-	-	-	26,543
Total exposures	263	14	1	3	8	31,233

Template 14: EU CR1-D suggested by the EBA Guidelines (EBA/GL/2016/11)

Forborne positions can be analysed as follows:

thousands of euros

Banco Finantia and Finantipar	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne		On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures	
		Of which defaulted	Of which impaired					
Loans and advances	92	84	84	84	0	-11	0	0
<i>Central banks</i>	0	0	0	0	0	0	0	0
<i>General governments</i>	0	0	0	0	0	0	0	0
<i>Credit institutions</i>	0	0	0	0	0	0	0	0
<i>Other financial corporations</i>	0	0	0	0	0	0	0	0
<i>Non-financial corporations</i>	0	0	0	0	0	0	0	0
<i>Households</i>	92	84	84	84	0	-11	0	0
Debt Securities	1,598	0	0	0	0	0	0	0
Loan commitments given	0	0	0	0	0	0	0	0
Total	1,690	84	84	84	0	-11	0	0

Template 1: Credit quality of forborne exposures, suggested by the EBA Guidelines (EBA/GL/2018/10)
According to the amounts presented in the FINREP (template 18 and 19)

The following table presents a general summary of productive and non-productive exposures, and credit risk adjustments, by type of exposure.

thousands of euros

Finantipar	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted	
Loans and advances	284,128	284,114	15	7,827	4,907	10	3	22	163	485	2,238	7,827
<i>Central banks</i>	36,786	36,786	0	0	0	0	0	0	0	0	0	0
<i>General governments</i>	18,595	18,595	0	0	0	0	0	0	0	0	0	0
<i>Credit institutions</i>	121,058	121,058	0	0	0	0	0	0	0	0	0	0
<i>Other financial corporations</i>	46,494	46,494	0	0	0	0	0	0	0	0	0	0
<i>Non-financial corporations</i>	60,936	60,936	0	4,907	4,907	0	0	0	0	0	0	4,907
<i>Of which SMEs</i>	0	0	0	0	0	0	0	0	0	0	0	0
Households	258	243	15	2,920	0	10	3	22	163	485	2,238	2,920
Debt securities	1,834,078	1,834,078	0	21,636	5,671	1,134	0	14,831	0	0	0	21,636
<i>Central banks</i>	0	0	0	0	0	0	0	0	0	0	0	0
<i>General governments</i>	488,917	488,917	0	5,671	5,671	0	0	0	0	0	0	5,671
<i>Credit institutions</i>	280,069	280,069	0	0	0	0	0	0	0	0	0	0
<i>Other financial corporations</i>	407,138	407,138	0	2,795	0	0	0	2,795	0	0	0	2,795
<i>Non-financial corporations</i>	657,955	657,955	0	13,170	0	1,134	0	12,036	0	0	0	13,170
Off-balance-sheet exposures	148,775			0								0
<i>Central banks</i>	55,653			0								0
<i>General governments</i>	4,850			0								0
<i>Credit institutions</i>	60,101			0								0
<i>Other financial corporations</i>	24,680			0								0
<i>Non-financial corporations</i>	3,491			0								0
Households	0			0								0
Total	2,266,982	2,118,192	15	29,463	10,578	1,144	3	14,853	163	485	2,238	29,463

Template 3: Credit quality of performing and non-performing exposures by past due days, suggested by the EBA Guidelines (EBA/GL/2018/10)
According to the amounts presented in the FINREP (template 18 and 19)

It can be verified that of the total gross exposure of Euros 2,296,445 thousand, only about 1.3% is related to non-productive exposures.

thousands of euros

Banco Finantia	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted	
Loans and advances	284,128	284,113	15	7,827	4,907	10	3	22	163	485	2,238	7,827
<i>Central banks</i>	36,786	36,786	0	0	0	0	0	0	0	0	0	0
<i>General governments</i>	18,595	18,595	0	0	0	0	0	0	0	0	0	0
<i>Credit institutions</i>	121,057	121,057	0	0	0	0	0	0	0	0	0	0
<i>Other financial corporations</i>	46,494	46,494	0	0	0	0	0	0	0	0	0	0
<i>Non-financial corporations</i>	60,936	60,936	0	4,907	4,907	0	0	0	0	0	0	4,907
<i>Of which SMEs</i>	0	0	0	0	0	0	0	0	0	0	0	0
<i>Households</i>	258	243	15	2,920	0	10	3	22	163	485	2,238	2,920
Debt securities	1,805,281	1,805,281	0	21,636	5,671	1,134	0	14,831	0	0	0	21,636
<i>Central banks</i>	0	0	0	0	0	0	0	0	0	0	0	0
<i>General governments</i>	482,342	482,342	0	5,671	5,671	0	0	0	0	0	0	5,671
<i>Credit institutions</i>	276,895	276,895	0	0	0	0	0	0	0	0	0	0
<i>Other financial corporations</i>	400,471	400,471	0	2,795	0	0	0	2,795	0	0	0	2,795
<i>Non-financial corporations</i>	645,573	645,573	0	13,170	0	1,134	0	12,036	0	0	0	13,170
Off-balance-sheet exposures	148,775			0								0
<i>Central banks</i>	55,653			0								0
<i>General governments</i>	4,850			0								0
<i>Credit institutions</i>	60,101			0								0
<i>Other financial corporations</i>	24,680			0								0
<i>Non-financial corporations</i>	3,491			0								0
<i>Households</i>	0			0								0
Total	2,238,184	2,089,394	15	29,463	10,578	1,144	3	14,853	163	485	2,238	29,463

Template 3: Credit quality of performing and non-performing exposures by past due days, suggested by the EBA Guidelines (EBA/GL/2018/10)
According to the amounts presented in the FINREP (template 18 and 19)

It can be verified that of the total gross exposure of Euros 2,267,647, only about 1.3% is related to non-productive exposures.

The following table presents a general summary of the credit quality of non-productive exposures and respective impairments, provisions and valuation adjustments by portfolio and exposure class:

thousands of euros

Finantipar	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
	Of which stage 1	Of which stage 2	Of which stage 3	Of which stage 2	Of which stage 3	Of which stage 1	Of which stage 2	Of which stage 3	Of which stage 2	Of which stage 3					
											Of which stage 1	Of which stage 2			
Loans and advances	284,128	277,625	6,504	7,827	0	7,827	-647	-520	-127	-2,472	0	-2,472	-30,724	0	0
Central banks	36,786	36,786	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	18,595	18,595	0	0	0	0	-41	-41	0	0	0	0	0	0	0
Credit institutions	121,058	121,058	0	0	0	0	-156	-156	0	0	0	0	0	0	0
Other financial corporations	46,494	46,494	0	0	0	0	-80	-80	0	0	0	0	0	0	0
Non-financial corporations	60,936	54,448	6,489	4,907	0	4,907	-389	-263	-127	-2,459	0	-2,459	0	0	0
Of which SMEs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Households	258	243	15	2,920	0	2,920	-1	-1	0	-14	0	-14	-30,724	-1	0
Debt securities	1,834,078	1,800,566	33,522	21,636	0	21,636	-156	-156	0	-13,648	0	-13,648	0	0	0
Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	488,917	488,917	0	5,671	0	5,671	0	0	0	0	0	0	0	0	0
Credit institutions	280,069	262,220	17,849	0	0	0	0	0	0	0	0	0	0	0	0
Other financial corporations	407,138	407,138	0	2,795	0	2,795	-37	-37	0	-2,501	0	-2,501	0	0	0
Non-financial corporations	657,955	642,282	15,673	13,170	0	13,170	-118	-118	0	-11,146	0	-11,146	0	0	0
Off-balance-sheet exposures	148,775	148,775	0	0	0	0	25	25	0	0	0	0	0	0	0
Central banks	55,653	55,653	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	4,850	4,850	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit institutions	60,101	60,101	0	0	0	0	16	16	0	0	0	0	0	0	0
Other financial corporations	24,680	24,680	0	0	0	0	9	9	0	0	0	0	0	0	0
Non-financial corporations	3,491	3,491	0	0	0	0	0	0	0	0	0	0	0	0	0
Households	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	2,266,982	2,226,956	40,026	29,463	0	29,463	-778	-651	-127	-16,120	0	-16,120	-30,724	0	0

Template 4: Performing and non-performing exposures and related provisions, suggested by the EBA Guidelines (EBA/GL/2018/10)
According to the amounts presented in the FNRFP (template 18 and 19)

thousands of euros

Banco Finantia	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
	Of which stage 1	Of which stage 2	Of which stage 3	Of which stage 2	Of which stage 3	Of which stage 1	Of which stage 2	Of which stage 3	Of which stage 2	Of which stage 3					
											Of which stage 1	Of which stage 2			
Loans and advances	284,128	277,624	6,504	7,827	0	7,827	-647	-520	-127	-2,472	0	-2,472	-30,724	0	0
Central banks	36,786	36,786	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	18,595	18,595	0	0	0	0	-41	-41	0	0	0	0	0	0	0
Credit institutions	121,057	121,057	0	0	0	0	-156	-156	0	0	0	0	0	0	0
Other financial corporations	46,494	46,494	0	0	0	0	-80	-80	0	0	0	0	0	0	0
Non-financial corporations	60,936	54,448	6,489	4,907	0	4,907	-389	-263	-127	-2,459	0	-2,459	0	0	0
Of which SMEs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Households	258	243	15	2,920	0	2,920	-1	-1	0	-14	0	-14	-30,724	-1	0
Debt securities	1,805,281	1,771,759	33,522	21,636	0	21,636	-143	-143	0	-13,648	0	-13,648	0	0	0
Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	482,342	482,342	0	5,671	0	5,671	0	0	0	0	0	0	0	0	0
Credit institutions	276,895	259,046	17,849	0	0	0	0	0	0	0	0	0	0	0	0
Other financial corporations	400,471	400,471	0	2,795	0	2,795	-37	-37	0	-2,501	0	-2,501	0	0	0
Non-financial corporations	645,573	629,900	15,673	13,170	0	13,170	-105	-105	0	-11,146	0	-11,146	0	0	0
Off-balance-sheet exposures	148,775	148,775	0	0	0	0	25	25	0	0	0	0	0	0	0
Central banks	55,653	55,653	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	4,850	4,850	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit institutions	60,101	60,101	0	0	0	0	16	16	0	0	0	0	0	0	0
Other financial corporations	24,680	24,680	0	0	0	0	9	9	0	0	0	0	0	0	0
Non-financial corporations	3,491	3,491	0	0	0	0	0	0	0	0	0	0	0	0	0
Households	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	2,238,184	2,198,158	40,026	29,463	0	29,463	-765	-638	-127	-16,120	0	-16,120	-30,724	0	0

Template 4: Performing and non-performing exposures and related provisions, suggested by the EBA Guidelines (EBA/GL/2018/10)
According to the amounts presented in the FNRFP (template 18 and 19)

The following table presents the collateral obtained by taking possession:

thousands of euros

Banco Finantia and Finantipar	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	0	0
Other than PP&E	0	0
<i>Residential immovable property</i>	0	0
<i>Commercial Immovable property</i>	0	0
<i>Movable property (auto, shipping, etc.)</i>	0	0
<i>Equity and debt instruments</i>	0	0
<i>Other</i>	0	0
Total	0	0

Template 9: Collateral obtained by taking possession and execution processes, suggested by the EBA Guidelines (EBA/GL/2018/10)

Adjustments for specific and general credit risk

The evolution of the Bank's individual and collective impairment during 2019, with each caption broken down, is presented as follows:

- > Opening balance: Impairment stock as at 1 January 2019;
- > Increases due to amounts allocated to provisions for losses estimated on loans during the period:
 - Impairment constituted due to the contracting of new loans;
 - Impairment increases due to changes in the type of analysis (collective or individual);
 - Impairment increases due to a deterioration from the initial recognition.
- > Reductions due to amounts used against accumulated credit risk adjustments:
 - Impairments annulled due to settlement/amortization of loans;
 - Impairment decreases due to changes in the type of analysis (collective or individual);
 - Impairment decreases due to an improvement from the initial recognition;
- > Decreases due to amounts used against accumulated credit risk adjustments: represents the application of the Group's credit write-off policy;
- > Closing Balance: Impairment Stock as at 31 December 2019.

thousands of euros

Finantipar	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
1 Opening balance	13,608	-
2 Increases due to amounts set aside for estimated loan losses during the period	43,254	-
3 Decreases due to amounts reversed for estimated loan losses during the period	(30,849)	-
4 Decreases due to amounts taken against accumulated credit risk adjustments	(1,381)	-
5 Transfers between credit risk adjustments	-	-
6 Impact of exchange rate differences	224	-
7 Business combinations, including acquisitions and disposals of subsidiaries	-	-
8 Other adjustments	(7,932)	-
9 Closing balance	16,923	-
10 Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	5,640	-
11 Specific credit risk adjustments directly recorded to the statement of profit or loss	9,819	-

Template 16: EU CR2-A suggested by the EBA Guidelines (EBA/GL/2016/11)

thousands of euros

Banco Finantia	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
1 Opening balance	13,598	-
2 Increases due to amounts set aside for estimated loan losses during the period	43,239	-
3 Decreases due to amounts reversed for estimated loan losses during the period	(30,841)	-
4 Decreases due to amounts taken against accumulated credit risk adjustments	(1,381)	-
5 Transfers between credit risk adjustments	-	-
6 Impact of exchange rate differences	224	-
7 Business combinations, including acquisitions and disposals of subsidiaries	-	-
8 Other adjustments	(7,929)	-
9 Closing balance	16,910	-
10 Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	5,640	-
11 Specific credit risk adjustments directly recorded to the statement of profit or loss	5,755	-

Template 16: EU CR2-A suggested by the EBA Guidelines (EBA/GL/2016/11)

The table below details the changes in the total loans and debt securities in default:

thousands of euros

Finantipar and Banco Finantia	Gross carrying value defaulted exposures
1 Opening balance	18,635
2 Loans and debt securities that have defaulted or impaired since the last reporting period	14,130
3 Returned to non-defaulted status	-
4 Amounts written off	(3,302)
5 Other changes	-
6 Closing balance	29,463

Template 17: EU CR2-B suggested by the EBA Guidelines (EBA/GL/2016/11)

9 Unencumbered assets (article 443)

The encumbered assets comprise mostly assets recognized in the balance sheet provided as collateral in repo operations. In 2018 and 2019, the Group increased the number of active counterparties in the repo market, having also increased the average maturity of the operations, thereby contributing to the diversification of its funding sources. Since 2016, there has been no funding from the European Central Bank.

As at 31 December 2019, the composition of the encumbered and unencumbered assets is as follows:

thousands of euros

Finantipar	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets	836,600		1,350,332	
Equity instruments	-	-	-	-
Debt securities	836,600	837,043	1,019,716	1,226,427
Other assets	-		330,616	

This framework is intended to respond to the EBA's new guidelines (EBA/GL/2014/03)

thousands of euros

Banco Finantia	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets	836,600		1,320,728	
Equity instruments	-	-	-	-
Debt securities	836,600	837,043	990,931	1,197,591
Other assets	-		329,797	

This framework is intended to respond to the EBA's new guidelines (EBA/GL/2014/03)

As at 31 December 2019, the detail of the collateral received is as follows:

thousands of euros

Finantipar	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	6,757	-
Equity instruments	-	-
Debt securities	6,757	-
Other collateral received	-	-
Own debt securities issued other than own covered bonds or ABSs	-	-

This framework is intended to respond to the EBA's new guidelines (EBA/GL/2014/03)

thousands of euros

Banco Finantia	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	6,757	-
Equity instruments	-	-
Debt securities	6,757	-
Other collateral received	-	-
Own debt securities issued other than own covered bonds or ABSs	-	-

This framework is intended to respond to the EBA's new guidelines (EBA/GL/2014/03)

As at 31 December 2019, liabilities associated with encumbered assets received were as follows:

thousands of euros

Finantipar	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	655,617	843,357

This framework is intended to respond to the EBA's new guidelines (EBA/GL/2014/03)

thousands of euros

Banco Finantia	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	655,617	843,357

This framework is intended to respond to the EBA's new guidelines (EBA/GL/2014/03)

In the Group, the main reason for the encumbrance of assets arises from financing needs, namely through repos transactions over securities from its own portfolio.

Asset encumbrance can also be triggered for several reasons, namely:

- > Due to the existence of the initial margin or trading margin underlying derivative financial instrument transactions;
- > Due to the existence of legal requirements such as the assets pledged to the Deposits Guarantee Fund and the Investors Compensation Scheme;
- > Due to the financing needs of the activity.

In relation to the main sources of encumbrance, the following additional information is disclosed:

- > Derivative transactions:

Collateral is transferred under Credit Support Annexes (CSA) existing between Group companies and various counterparties in the scope of International Standard Swaps and Derivatives Association (ISDA) standard contracts. Each CSA constitutes an operation under the ISDA agreement, celebrated between the Group and the respective counterparty, under which terms the party that at any time is obligated to provide collateral transfers the money or securities (as agreed) to the counterparty. There is a legally effective ownership change of the money or securities transferred.

In the CSA, which are subject to negotiation between the parties, the conditions applicable with respect to collateral are established, namely (i) the periodicity of the valuation of the market value of the derivative operations contracted between the parties; (ii) the threshold (iii) the Independent Amount and (iv) the Minimum Transfer Amount.

- > Sale transactions with repurchase agreement:

In the case of transactions under Global Master Repurchase Agreements (GMRA) between Group companies and counterparties, the parties agree that in case one of the parties has a Net Exposure in relation to the other party, said party may request a margin transfer in an amount at least equal to the value of the Net Exposure. The need for an Initial Margin may also be established.

10 Use of ECAs (article 444)

As mentioned above, the Group uses the Standardised Approach in the calculation of capital requirements for credit risk coverage.

On that basis, the risk-weighted exposure amounts are determined based on weighting coefficients as defined in the CRR. The application of these weighting coefficients is based on the class to which the exposure is allocated and its credit quality. Credit quality can be determined based on credit assessments from external rating agencies (ECAs), or of credit assessments from export credit agencies (ECA).

As regards the banking portfolio, i.e. for all risk classes except retail, the Group uses the credit ratings of three internationally recognized rating agencies.

When only one credit assessment, established by a recognized ECAI, is available for a given exposure, this valuation is used to determine the applicable risk-weighting coefficient. When there are two credit assessments, established by recognized ECAIs, with different risk weighting coefficients, the highest risk-weighting coefficient is applied. When there are more than two credit assessments, established by recognized ECAIs, the two lowest risk weighting coefficients serve as the reference. If the two risk weighting coefficients are different, the highest is applied. If they are identical, that risk-weighting coefficient is applied.

When a credit assessment exists for a given issue or credit line, in which the exposure is included, that credit assessment is used to determine the applicable risk-weighting coefficient. When there is no credit assessment directly applicable to a particular exposure, but there is a credit assessment for a given issue or credit line, in which the exposure is not included, or a general credit assessment of the issuer, such credit assessment is used in the cases defined in article 139 of the CRR.

The following table indicates the exposure values, after the conversion factor and after the credit risk reduction associated with each level of credit quality:

thousands of euros

Finantipar												
Exposure classes	Risk weight										Total	Of which unrated
	0%	10%	20%	25%	50%	75%	100%	150%	250%	Deducted		
Central governments or central banks	258,302	-	-	56,612	30,987	-	170,851	-	3,323	-	520,074	6,046
Regional government or local authorities	29,577	-	31,115	-	-	-	-	-	-	-	60,693	16,336
Institutions	300	6,624	178,986	-	256,620	-	155,601	-	-	-	598,131	28,960
Corporates	9,000	-	2,336	-	4,738	-	1,103,905	106,290	-	-	1,226,269	116,452
Retail	-	-	-	-	-	257	-	-	-	-	257	257
Exposures in default	-	-	-	-	-	-	13,343	-	-	-	13,343	-
Other items	73	-	-	-	-	-	17,363	-	-	-	17,436	2,306
Total	297,252	6,624	212,437	56,612	292,345	257	1,461,063	106,290	3,323	-	2,436,203	170,359

Template 20: EU CR5 suggested by the EBA Guidelines (EBA/GL/2016/11).

thousands of euros

Banco Finantia												
Exposure classes	Risk weight										Total	Of which unrated
	0%	10%	20%	25%	50%	75%	100%	150%	250%	Deducted		
Central governments or central banks	254,224	-	-	54,269	30,987	-	170,851	-	3,253	-	513,583	6,046
Regional government or local authorities	29,577	-	30,804	-	-	-	-	-	-	-	60,381	16,025
Institutions	300	6,624	178,985	-	255,078	-	153,970	-	-	-	594,956	27,328
Corporates	9,000	-	2,336	-	4,738	-	1,084,869	106,290	-	-	1,207,233	107,079
Retail	-	-	-	-	-	257	-	-	-	-	257	257
Exposures in default	-	-	-	-	-	-	13,343	-	-	-	13,343	-
Other items	73	-	-	-	-	-	17,359	-	-	-	17,433	2,303
Total	293,174	6,624	212,125	54,269	290,803	257	1,440,392	106,290	3,253	-	2,407,187	159,039

Template 20: EU CR5 suggested by the EBA Guidelines (EBA/GL/2016/11).

This table shows the risk-weighted exposure amount for which no rating recognized by an ECAI exists or for which a specific risk-weighting coefficient is applied depending on its risk class.

11 Exposure to market risk (article 445)

The concept of market risk reflects the potential loss that can be recorded by a given book as a result of changes in interest rates and foreign exchange rates, and/or the prices of the different financial instruments that comprise it. For purposes of profitability analysis, and risk quantification and control, the trading book is characterized by positions held by the Group which purpose is to obtain short-term gains through sale or appreciation.

The following table presents the risk-weighted exposures (RWA) and the capital requirements for market risk as at 31 December 2019:

Finantipar	thousands of euros			
	Dec/19		Jun/19	
	RWA	Capital requirements	RWA	Capital requirements
Outright products				
Interest rate risk (general and specific)	18,676	1,494	15,932	1,275
Equity risk (general and specific)	-	-	-	-
Foreign exchange risk	-	-	9,913	793
Commodity risk	-	-	-	-
Options				
Simplified approach	-	-	-	-
Delta-plus method	-	-	-	-
Scenario approach	-	-	-	-
Securitisation (specific risk)	-	-	-	-
Total	18,676	1,494	25,846	2,068

Template 34: EU MR1 suggested by the EBA Guidelines (EBA/GL/2016/11)

Banco Finantia	thousands of euros			
	Dec/19		Jun/19	
	RWA	Capital requirements	RWA	Capital requirements
Outright products				
Interest rate risk (general and specific)	18,676	1,494	15,932	1,275
Equity risk (general and specific)	-	-	-	-
Foreign exchange risk	-	-	9,909	793
Commodity risk	-	-	-	-
Options				
Simplified approach	-	-	-	-
Delta-plus method	-	-	-	-
Scenario approach	-	-	-	-
Securitisation (specific risk)	-	-	-	-
Total	18,676	1,494	25,841	2,067

Template 34: EU MR1 suggested by the EBA Guidelines (EBA/GL/2016/11)

12 Operational risk (article 446)

Description of the calculation methodology of capital requirements

The Group calculates the capital requirements for operational risk using the basic indicator method, using the methodology described in Regulation (EU) No. 575/2013.

Accounting elements considered to calculate the relevant indicator (Basic indicator method)

The relevant indicator for the calculation of capital requirements for operational risk is the sum of the financial margin with the operating income, on which the factor of 15% of the average of the last three years is applied in order to calculate the amount of the requirements.

The accounting captions in the income statement that form an integral part of the relevant indicator are as follows:

- + Interest and similar income
- Interest and similar charges
- + Income from equity instruments
- + Income from services and commissions
- Charges with services and commissions
- + Results of financial operations
- + Other operating income

	thousands of euros	
Operational risk	Finantipar	Banco Finantia
Relevant indicator		
2019	48,432	47,678
2018	50,630	49,276
2017	54,254	53,682
Own funds requirements for operational risk (A)	7,666	7,532
RWA of operational risk (A)/8%	95,822	94,147

13 Exposures in equities not included in the trading book (article 447)

As at 31 December 2019, the Group holds an immaterial position in shares in the banking portfolio.

14 Exposure to interest rate risk on positions not included in the trading book (article 448)

The interest rate risk of the banking portfolio arises from differences between the assets and liabilities of the banking portfolio in terms of the nature of the interest rate (fixed or variable), maturity and interest rate resetting periods, consubstantiating the possibility of losses arising from changes in the interest rate due to these differences.

Interest rate risk is measured by analysing the temporal mismatch of the maturities of assets, liabilities and fixed-rate off-balance sheet instruments, through their distribution by time buckets. These analyses are prepared monthly. On these mismatches, at least four times a year, sensitivity analyses (shocks) are applied with regard to market interest rate changes.

For the specialized financing portfolio, assumptions are used regarding the level of prepayments, payment delays and non-payment situations. For the remaining instruments, contractual maturities and resetting periods are used, with no potential early repayments or renewals being considered.

The interest rate risk of the banking portfolio is calculated using a Value-at-Risk (VaR) model, using the historical simulation method. This risk is subject to periodic control, through the calculation of the VaR and of the temporal mismatch. Interest rate risk is hedged, by decision of the Finance and Risk Committee; through appropriate instruments (currently interest rate swaps).

Each risk is analysed independently of the other risks, and no risk mitigation is considered due to the imperfect correlation between the different types of risk.

The following tables present the analysis of the interest rate risk in the banking portfolio from the internal perspective based on model mismatch maps:

Finantipar		thousands of euros, except for %		
		Impact		
		31/12/2019	31/12/2018	
Total capital impact of a 200 bp shock in interest rates:	Amount	200	-53 327	-12 402
		-200	+65 857	+17 023
	% Total capital	200	-10.72%	-3.02%
		-200	13.24%	4.15%

"+ 200" = upward 200 basis point parallel rate shock

"- 200" = downward 200 basis point parallel rate shock

By currency, the above shocks are split as follows: USD between 67% to 68% and EUR between 32% to 33%.

thousands of euros, except for %

Banco Finantia		Impact		
		31/12/2019	31/12/2018	
Total capital impact of a 200 bp shock in interest rates:	Amount	+ 200	-51 282	-11 641
		- 200	+63 525	+16 123
	% Total capital	+ 200	-11.04%	-2.98%
		- 200	13.68%	4.12%

"+ 200" = upward 200 basis point parallel rate shock

"- 200" = downward 200 basis point parallel rate shock

By currency, the above shocks are split as follows: USD between 70% to 71% and EUR between 29% to 30%.

15 Exposure to securitization positions (article 449)

As at 31 December 2019 there is no exposure to securitization positions (2018: Euros 11,371 thousand). The Group did not participate in the issue of securitization operations.

16 Remuneration policy (article 450)

As regards the remuneration policies and practices of Finantipar and Banco Finantia, the Group generally meets the requirements established in a manner appropriate to its size and internal organization, as well as to the nature, scope and complexity of the activities carried out.

The information on the remuneration policies and practices required by article 450 of Regulation (EU) No. 575/2013 is detailed and disclosed in Part II. Remuneration, pages 12-16 of the "Report on the Structure and the Corporate Governance Practices of Finantipar" and in Part II. Remuneration, pages 22-34 of the "Report on the Structure and the Corporate Governance Practices of Banco Finantia" (annex and an integral part of the Annual Report and Accounts for 2019 of each of the companies), which can be accessed at <http://finantipar.finantia.com/> and https://www.finantia.pt/pt/banco-finantia_pt/informacaoofinanceira/ respectively, supplemented by the following information:

(i) For purposes of the disclosure of information within the scope of paragraph a) of no. 1 of article 450, the Remuneration Committee of Finantipar was appointed at the General Shareholders Meeting of Finantipar held on 28 April 2017 for the triennium 2017/2019 having in the course of the current mandate held a meeting on July 13, 2017 to define the fixed remuneration of the managing director, where it also decided that non-executive directors would not receive any remuneration.

The Remuneration Committee of Banco Finantia was appointed at the General Shareholders Meeting of the Bank held on 27 November 2017 for the triennium 2017/2019, where by deliberation of the General Shareholders Meeting of Banco Finantia held on 31 May 2019, the mandate was changed for the triennium 2019/2021. Banco Finantia's Remuneration Committee met 3 (three) times in 2019.

Banco Finantia's Remuneration Committee undertakes annually an independent analysis of the remuneration policy and practices adopted by the institution, in compliance with the provisions of paragraph 6 of article 115-C of the General Regime for Credit Institutions and Financial

Companies (“RGICSF”) and the Notice no. 10/2011 of the Bank of Portugal, of 9 January. The responsible for internal control functions participated in the evaluation process of the policies and procedures adopted by Banco Finantia relating to remuneration, and the Remuneration Committee of Banco Finantia submitted to the General Shareholders Meeting the main conclusions of the evaluation carried out, where it considers that the remuneration policy complies with the legislation and regulations in force, is being effectively applied in the institution and is adequate and proportional to the size, internal organization, nature, scope and complexity of the activities carried out by the institution, and is coherent, not encouraging excessive and imprudent risk taking.

As regards the aggregate quantitative data on the remuneration of persons having a significant impact on the risk profile of Banco Finantia, as of 31 December 2019, the institution identified the members of the management and supervisory bodies and employees with essential functions, thereby including the persons responsible for the internal control functions, the person responsible for the Financial Markets Department and the person responsible for the Accounting, Consolidation and Financial Information Department.

The information requested in points (i) and (vi) of paragraph h) of no. 1 of article 450 of Regulation (EU) No. 575 / 2013 for members of the management and supervisory bodies is detailed in the “Report on the Structure and the Corporate Governance Practices of Finantipar”, in Part II. Remuneration, Chapter B.1 Remuneration Policy of the Members of the Management and Supervisory Bodies, in pages 12-16 and in the “Report on the Structure and the Corporate Governance Practices of Banco Finantia” in Part II. Remuneration, Chapter 2. Remuneration Policy of the Members of the Management and Supervisory Bodies, in pages 22-34. No stock or option attribution programme is in force for the employees of Banco Finantia.

As for the employees identified as key function holders, on 31 December 2019, these included the responsible for the internal control functions, that under the terms of the Bank of Portugal Notice 5/2008 includes the persons responsible for the Internal Audit, Compliance function and Risk Management, as well as the person responsible for the Financial Markets department and the person responsible for the Accounting, Consolidation and Financial Information department. Employees identified as key function holders in the year 2019 earned altogether an aggregate fixed remuneration of € 369,528.43, and an aggregate amount of € 72,000 of variable remuneration was also paid in 2019, relating to 2018.

17 Leverage (article 451)

The calculation of the regulatory leverage ratio is done in accordance with article 429 of Regulation (EU) No. 575/2013, as amended by Delegate Act No. 62/2015, of 10 October 2014.

The leverage ratio is defined as the proportion of tier 1 capital divided by the exposure measure, consisting of on-balance sheet and off-balance sheet assets considered after some adjustments, associated, namely, with intra-group exposures, with securities financing transactions (SFTs), with values deducted from the numerator of the total capital ratio and with off-balance sheet elements, which aim to adequately address the different risk profiles of these exposures (in SFTs and derivatives add-ons are considered for future risks, whilst in the remaining off-balance sheet elements different conversion in credit ratios are applied according to the inherent risk of each exposure).

Capital and total exposure measure			Finantipar	Banco Finantia
20	Tier 1 capital		404,077	459,868
21	Leverage ratio total exposure measure		2,221,493	2,192,477
Leverage ratio				
22	Leverage ratio		18.2%	21.0%

This framework is intended to respond to the template of Commission Implementation Regulation (EU) 2016/200

In calculating this ratio, the current regulatory standards are complied with, namely the provisions of Regulation (EU) 575/2013, as updated by Commission Delegated Regulation (EU) 2015/62, of 10 October, by Commission Implementing Regulation (EU) 2016/200, of 15 February and by Commission Implementing Regulation (EU) 2016/428, of 23 March, all of the European Commission.

The following tables present the breakdown of total exposure (ratio denominator) and the reconciliation of the total exposure measure with the relevant information disclosed in published financial statements.

CRR leverage ratio exposures			Finantipar	Banco Finantia
On-balance sheet exposures (excluding derivatives and SFTs)				
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)		2,175,168	2,145,564
2	(Asset amounts deducted in determining Tier 1 capital)		(1,012)	(424)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)		2,174,156	2,145,140
Derivative exposures				
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)		5,140	5,140
5	Add-on amounts for PFE associated with all derivatives transactions (markto-market method)		17,965	17,965
EU-				
5	Exposure determined under Original Exposure Method		-	-
	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant			
6	to the applicable accounting framework		-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)		-	-
8	(Exempted CCP leg of client-cleared trade exposures)		-	-
9	Adjusted effective notional amount of written credit derivatives		-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		-	-
11	Total derivatives exposures		23,105	23,105
SFT exposures				
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions		6,624	6,624
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)		-	-
14	Counterparty credit risk exposure for SFT assets		-	-
15	Agent transaction exposures		-	-
EU-				
15a	(Exempted CCP leg of client-cleared SFT exposure)		-	-
16	Total securities financing transaction exposures		6,624	6,624
Other off-balance sheet exposures				
17	Off-balance sheet exposures at gross notional amount		17,607	17,607
18	(Adjustments for conversion to credit equivalent amounts)		-	-
19	Other off-balance sheet exposures		17,607	17,607
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)				
EU-				
19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))		-	-
EU-				
19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))		-	-

This framework is intended to respond to the template of Commission Implementation Regulation (EU) 2016/200

The following table presents the reconciliation of the total exposure measure with the relevant information disclosed in published financial statements:

	thousands of euros	
Summary reconciliation of accounting assets and leverage ratio exposures	Finantipar	Banco Finantia
1 Total assets as per published financial statements	2,186,932	2,157,328
Adjustment for entities which are consolidated for accounting purposes but are outside the scope		
2 of regulatory consolidation	-	-
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in		
3 accordance with Article 429(13) of Regulation (EU) No 575/2013)	-	-
4 Adjustments for derivative financial instruments	17,965	17,965
5 Adjustment for securities financing transactions (SFTs)	-	-
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance		
6 sheet exposures)	17,607	17,607
(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in		
EU-6a accordance with Article 429(7) of Regulation (EU) No 575/2013)	-	-
(Adjustment for exposures excluded from the leverage ratio total exposure measure in		
EU-6b accordance with Article 429(14) of Regulation (EU) No 575/2013)	-	-
7 Other adjustments	(1,012)	(424)
8 Leverage ratio total exposure measure	2,221,493	2,192,477

This framework is intended to respond to the template of Commission Implementation Regulation (EU) 2016/200

The Group does not face a risk of excessive leverage, taking into account the level of its leverage ratio as at 31 December 2019 (18.2% and 21.0%, respectively for Finantipar and for Banco Finantia) and the defined regulatory minimum (3%). The leverage ratio is monitored on a monthly basis to verify whether corrective measures are required, with this being one of the metrics monitored under the RAF, through the validation of the maintenance of the current levels within the limits and tolerances defined by the Board of Directors.

That laid down in article 429, no. 11, of the CRR is not applicable to the Group.

18 Use of the IRB approach to credit risk (article 452)

Not applicable. The Group and its subsidiaries do not calculate the risk-weighted exposure amounts in accordance with the IRB Method.

19 Use of credit risk mitigation techniques (article 453)

"Credit risk mitigation" is a technique used to reduce the credit risk associated with one or more exposures held by the institution, the most common being "real credit protection" and "personal credit protection".

"Real credit protection" is a credit risk mitigation technique in which the reduction of the credit risk on an institution's exposure results from the institution's right - in the event of counterparty default or the occurrence of other specified credit events related to the counterparty - to liquidate, to obtain transfer or possession, to withhold certain assets or amounts, to reduce the exposure amount to the amount corresponding to the difference between the amount of the exposure and the amount of a claim on the institution, or replace it with that amount, whilst "personal credit protection" consists of a credit risk mitigation technique in which the reduction of the credit risk on an institution's exposure results from the obligation assumed by a third party to pay a certain amount in case of default of the borrower or the occurrence of other specified credit events;

The Group uses credit risk mitigation techniques to mitigate exposure to this risk, namely through collateral, such as cash deposits, eligible financial instruments, and other assets, as well as personal guarantees. Although some of the guarantees received may not be eligible as risk mitigation under the CRR, economically they effectively reduce the credit risk to which the Group is exposed.

The existence of guarantees is an element of consideration in the analysis of the credit risk of the investments made, being considered a risk mitigation element.

With respect to transactions with derivative financial instruments, the Group uses standard agreements as a way to mitigate credit risk, establishing the contractual relations with its counterparties through the signing of framework contracts in which the obligations are clearly defined.

In relation to interest rate risk hedging, this is ensured through the contracting of interest rate derivative instruments, which allow for the matching of maturities and average rate resetting periods of those assets with those resulting from the liabilities of the corresponding securitization operations.

The systematic monitoring of the distribution of assets and liabilities is carried out according to their rate resetting periods, and the risks that exceed the limits defined by the Finance and Risk Committee are regularly covered, through the use of appropriate instruments (currently interest rate swaps).

The foreign exchange position is systematically monitored, and the foreign exchange rate risk that exceeds the limits set by the Finance and Risk Committee is regularly hedged, using appropriate instruments (e.g. spots, forwards, and swaps).

The following table presents the book value of the exposures for which the Group uses risk mitigation techniques:

Finantipar and Banco Finantia	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	thousands of euros	
					Exposures secured by credit derivatives	
1 Total loans	6,642	45,878	39,236	-	-	-
2 Total debt securities	-	-	-	-	-	-
2a Total collateral	-	-	-	-	-	-
3 Total exposures	6,642	45,878	39,236	-	-	-
4 Of which defaulted	-	-	-	-	-	-

Template 18: EU CR3 suggested by the EBA Guidelines (EBA/GL/2016/11)

The following table demonstrates the effect of the prudential mitigation of collateral and the capital requirement, by risk class, as at 31 December 2018, applied under Part III, Title II, Chapter 4 of the CRR.

thousands of euros

Exposure classes	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWA	RWA density
Institutions	45,878	-	6,642	-	-	0%

Template 19: EU CR4 suggested by the EBA Guidelines (EBA/GL/2016/11)

The table above does not include derivative financial instruments, repurchase transactions, loan or securities or commodities transactions, long-settlement transactions and margin-lending transactions subject to Part III, Title II, Chapter 6 or subject to article 92, no. 3, paragraph f) of the CRR.

The exposures before credit conversion factors (CCF) and credit risk mitigation techniques (CRM) correspond to the exposure net of the value of adjustments and provisions. The RWA density, expressed as a percentage, results from the risk-weighted total exposures over the exposures after the application of CCF and CRM.

20 Use of the advanced measurement approaches to operational risk (article 454)

Not applicable. The Group and its subsidiaries do not use the Advanced Measurement Approaches provided for in articles 321 to 324 of the CRR in calculating their own funds requirements for operational risk.

21 Use of internal market risk models (article 455)

Not applicable. The Group and its subsidiaries do not use internal market risk models when calculating their capital requirements.

TRANSLATION NOTE

The above translation is a free translation of the original document issued in the Portuguese language. In the event of discrepancies or misinterpretations, the original version shall prevail.