Annual Report and Accounts 2021

BancoBNI
Europa

MANAGEMENT REPORT

MESSAGE FROM THE BOARD OF DIRECTORS

Dear Shareholder,

The year 2021 was also marked by the COVID-19 Pandemic and the continuation of the negative economic and social effects, with unprecedented impacts, at a national and global level, on the main economic indicators, on the relative contribution of the economic sectors to the Domestic Product and on public order, with the activation of the state of emergency, which implied border closures and severe limitations on internal mobility. In this context, and with a health situation more under control due to the mass vaccination against Covid-19, the year 2022 looked challenging and promising until the outbreak of war in Ukraine, which shook the financial markets and affected the entire economy, accelerating the rise in commodity prices, escalating inflation and pressure on interest rates.

It has been in this particularly complex environment that Banco BNI Europa has maintained its activity, which has continued to be strongly marked by business containment and the continuous search for a new shareholder solution that would lead the Bank to a revitalization of its business strategy.

The year 2021 was thus marked by the continuation of the transformation of Banco BNI Europa's activity and structure, which had already resulted in the discontinuation of business lines, including the Puzzle card and the consumer credit products of this brand, as well as investments in representative credit platforms, a rebalancing of commercial activity towards products with a more conservative risk profile, the introduction of measures aimed at reducing the deposits collected, the reduction of human resources and strong measures to reduce operating costs, while continuing to make significant efforts to identify and attract a new capital investor.

Alongside Banco BNI Europa's new reality, the financial markets continued to be affected by levels of instability and volatility, leaving little room for investments in portfolios of public and corporate debt securities of Eurozone issuers with adequate risk and return levels.

Accordingly, Banco BNI Europa's activity in 2021 continued to be affected by the profound change in business strategy, in order to maintain the balance sheet volume at adequate levels in relation to capital requirements, the maintenance of strategic partnerships, the containment of investments in credit representative assets, the management of the deposit base and its funding cost, the focus on the continuous promotion of a solid internal control system, risk management adjusted to the Bank's new reality and the improvement of financial performance, as well as the improvement of information and business support systems, remained unchanged.

Despite the limiting macroeconomic scenario and the unfavourable context of Banco BNI Europa, the Bank continued to promote the conditions for the continuity of its activity and the development of a new strategy to transform its activity supported by a new shareholder, and with the involvement of the current shareholder, continued the process of identifying and attracting a new capital investor, In June 2021, an agreement was reached for the sale of 100% of Banco BNI Europa's capital. This agreement was revoked by the parties in November 2021, and in December 2021 a sale agreement was formalized with a credit institution headquartered in Brazil, called Banco Master.

In the context of Banco BNI Europa's sale process that the sole shareholder carried out, during 2021, capital increases totalling 17.5 million euros, and in 2022, it reinforced its top management, in close connection with the Banco Master, with the aim of promoting the strategic reorientation and operational optimization, which are crucial to the development of Banco BNI Europa's future activity.

In spite of the challenges posed by the current domestic and global conjuncture, evidencing scenarios of difficulty and uncertainty, and the strategic reorientation to be operated, it is Banco BNI Europa's intention to continue to assert itself as a Bank of reference, through the introduction of innovation and the filling of segments and offers targeted at customers with needs that are not being met by the other financial operators in the market.

I. VISION, MISSION AND VALUES

VISION:

BNI Europa wants to be a model of financial sustainability, operational efficiency and image in the domestic and international markets. This will enable us to contribute towards the success of the initiatives of our Customers, Shareholders and Employees, offering innovative and competitive solutions, and to expand our activity to new business segments, establishing solid partnerships.

MISSION:

We are a benchmark Bank, with strong knowledge of the financial sector and the markets in which we operate. We create value for our Customers, Partners, Shareholders and Employees, by offering innovative Products and Services, and are guided by high standards of conduct and corporate principles of transparency and rigor.

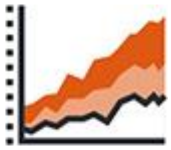
VALUES:

Customer-Focus

We create products centred on our customers' needs, fully committed to exceeding their expectations to ensure their satisfaction and loyalty.

Trust

Our customers are our most important asset. We build relationships for the future, based on confidence, business sustainability, confidentiality and transparency.



Rigor

We do business in an ethical, conscientious, responsible and professional manner.

Innovation

We are geared towards innovation, constantly creating new tools, methodologies and products and services, which put us at the cutting edge of the financial market.

Team Work

We respect people. We share the responsibility of improving our performance in order to achieve the defined objectives, for the success of all.

II. CODE OF CONDUCT AND PROFESSIONAL ETHICS

Banco BNI Europa sees itself as a respected benchmark bank in the Portuguese financial system for the quality of the services it offers to customers, for its cooperative and transparent relationship with the regulatory authorities and for its healthy relationship with all its employees.

Our strategy – geared towards the customer and capital efficiency – will help achieve this goal, bolstered by standards which position us as a proactive partner, and by solid principles in relation to our customers.

In this context, Banco BNI Europa's Code of Corporate Conduct and Professional Ethics is a declaration of the ethical values and professional standards which all members of the Board of Directors and all employees promise to follow, without exception, to achieve a structural goal: to sustain and strengthen our reputation for integrity, fairness with our partners and assumption of calculated risks.

As such, the Board of Directors and other employees comply meticulously with the legislation, rules and regulations of the countries where they operate, together with internal regulations and policies in effect. Banco BNI Europa is also committed to upholding a transparent, cooperative relationship with regulators.

Banco BNI Europa makes the following commitments to its customers and the financial system:

- Integrity
- General obligation of confidentiality
- Equal treatment
- Prioritizing of customer interests
- Technical confidence, diligence and transparency
- Cooperation with customers
- Fair, respectful, discreet and non-discriminatory treatment of customers
- Combating money laundering
- Prohibition on the use of confidential information
- Avoiding conflicts of interest
- Market defence

As a means of ensuring compliance with its duties, the Bank has established a model of governance and internal control that is proportional and appropriate to the regulation of the financial sector and the size and complexity of the activity performed, which are based on policies, regulations and procedure manuals on relevant matters such as the Prevention and Management of Conflicts of Interest and the Reporting of Irregularities, which, like the Code of Professional Conduct and Ethics, are subject to a periodic review process according to their degree of relevance.

The Code of Professional Conduct and Ethics is made available to all new employees and is available on the Bank's institutional website.

III. MAIN INDICATORS AND HIGHLIGHTS

The year 2021, although still conditioned by the failure to close the sale of Banco BNI's stake in Banco BNI Europa, Banco BNI Europa's sole shareholder, to the KWG Group, was marked by significant developments in the efforts and initiatives to identify a new capital investor.

The strategic options adopted after the KWG Group's decision was made known were centred firstly on a profound review of the strategic options previously followed, and on a focus on lower risk products and services, so as to privilege the preservation of the Bank's capitalisation.

In this context, the Business Plans drawn up after this event were based on stabilized strategic principles, successively adjusted in line with the evolution of the economic climate and the specific guidelines that were imposed on Banco BNI Europa, which generally translated into the implementation of a Restructuring Plan involving i) organic reorganization, ii) the reduction of the workforce, iii) the strengthening of capitalisation, iv) the rebalancing of commercial activity, v) the reduction of operating costs and elimination of discontinued and/or suspended assets, vi) the management of regulatory and macroeconomic impacts, and vii) the strengthening of the process of identifying a new capital investor.

In April 2021, and already after a capital increase of 4 000 thousand euros (m€) carried out on February 24, the 2021-2022 Business Plan was approved, which not only affirmed and maintained the assumptions and guidelines established in the previous Business Plans, but also assumed and gave a more conservative character to the measures previously adopted, through:

- A reinforced set of capitalisation measures,
- the general suspension of all credit granting activities (with the exception of the FLEX product only), and the adoption of more restrictive risk appetite levels,
- the sale of indirect lending portfolios (securitized and non-securitized)
- the divestment of the remaining portfolio of securities held to maturity,
- the reduction of the customer recourse position and of the interest rates on time deposits offered,
- the further reduction of operating costs, and

- of a strong and increased involvement and streamlining of the process of identifying new capital investors.

As part of the process for the sale of a qualified shareholding participation in Banco BNI Europa ("the Bank"), on 30 June 2021 the Investment Agreement was formalized between the Bank's sole shareholder and another Equity Investor (Altarius/Audentia), to which the Bank was also a party, and which established the terms of the option to purchase the capital held by the sole shareholder in Banco BNI Europa's share capital by Altarius/Audentia. Following this agreement, two capital increases were carried out by the sole shareholder, respectively in the amounts of EUR 4,000 m€ on 30 June 2021 and EUR 1,000 m€ on 1 July 2021.

In the context of this contract, and in compliance with a request from the Bank of Portugal, dated April 30, 2021, for the Bank to update its 2021-2022 Business Plan, this update was prepared and, after a series of updates and submission of interim versions to the regulator, was approved on October 8, 2021:

- the consideration of a set of new credit products, already in alignment with Altarius/Audentia,
- of the phased sale, according to market expectations, of part of the indirectly granted credit portfolios,
- the rescheduling and redefinition of planned capitalisation measures, and
- the gradual re-dynamization of credit and deposit-taking activities.

At the same time, the Bank became aware that on 21 September 2021, Altarius/Audentia filed with the Bank of Portugal the authorisation process for the acquisition of the stake held by Banco BNI in the share capital of Banco BNI Europa.

However, and despite the authorisation process having been submitted to the Bank of Portugal, on 18 November 2021 it was agreed between the sole shareholder and Altarius/Audentia that a Termination Agreement would be signed, in which the parties formalised the cessation of Altarius/Audentia's efforts to acquire the entire share capital of Banco BNI Europa.

It is in this context and following the initiatives of the sole shareholder to identify a new capital investor that, on November 26, 2021, a share purchase and sale agreement ("SPA") was formalized for 100% of the Bank's share capital and voting rights between the sole shareholder and a credit institution based in Brazil, called Banco Master. Under the terms of the SPA, Banco Master performed a technical, legal and financial due diligence to the Bank, which was concluded on December 10, 2021, having paid the contractually established down payment on December 13, 2021, and informed Banco de Portugal of such event.

In view of the SPA, the sole shareholder proceeded, on 13 December 2021, to a capital increase of 8 500 m€, thus meeting the conditions for the Banco Master to have proceeded, on 25 March 2022, with the formalization with the Bank of Portugal of the authorisation process for the acquisition of Banco BNI Europa's share capital.

As a result of the completion of the SPA, the Bank proceeded to a new update of its Business Plan 2021-2022, having for this purpose, in December 2021, adjusted a limited set of assumptions, essentially through:

- of the disregard of the set of new credit products, previously introduced in alignment with Altarius/Audentia,
- of the new rescheduling and redefinition of the planned capitalisation measures,
- the consideration of new and more demanding internal prudential indicators; and
- the punctual and limited revision of other business projections, based on the most recent and updated activity data.

This Business Plan update, called Readjusted Business Plan 2021-2022, was approved by the Board of Directors of Banco BNI Europa and its shareholder on December 13, 2021, and submitted to the Bank of Portugal on December 15, 2021.

The Business Plan 2022-2024 approved by the Board of Directors of Banco BNI Europa and its shareholder on 16 February 2022, once again maintained all the assumptions previously made, and the changes introduced were reflected:

- the introduction of projections and estimates for the years 2023 and 2024, based on the same strategic options detailed above,

- in the consideration of adjusted capitalisation measures in the time horizon of the 2022-2024 Business Plan,
- in reinvestment and possible reinforcement of the Bank's activity support structure, in order to provide it with the technical and human resources indispensable for its current activity and prepare it for the new activity and business lines to be introduced by the new capital investor, and
- in restraining the introduction of new activities and business lines, awaiting the new strategic guidelines to be determined by the new capital investor.

The conclusion and success of the acquisition process of Banco BNI Europa is of decisive importance for the development of the Bank's future activity and relies on the strong involvement and commitment of the Board of Directors and all of the Bank's employees, in close articulation with the sole shareholder and with Banco Master.

It should be noted that, in parallel with all the initiatives and events that occurred, the Bank maintained its focus on the continuous promotion of a solid internal control system, on risk management and on the improvement of financial performance, on improving information and business support systems, as well as on responding to the growing regulatory requirements and the challenges posed by the COVID-19 pandemic.

Finally, we would like to highlight the significant increase in the Bank's capitalisation, which after having amounted to a total of 7 450 m€ in 2020, rose to a total of 17 500 m€ in 2021.

The main business indicators in 2021 are detailed in the **Financial Information** section in **Chapter VII – Banco BNI Europa Background**, which reflect the aforementioned detailed reality:

Balance Sheet Indicators

Figures in thousands of euros

Business	2016	2017	2018	2019	2020	2021
Total Net Assets	**362.034**	**509.474**	**421.666**	**396.020**	**305.233**	**215.948**
Turnover (1)	534.657	762.797	631.397	644.422	519.267	327.289
Loans to Customers (2)	48.135	125.882	177.509	143.853	112.079	79.659
Customer Funds	264.765	309.765	266.739	261.452	241.214	175.003
Own Portfolio (3)	206.234	313.119	163.199	168.930	78.399	7.770
Off-balance-sheet	15.523	14.031	23.950	70.187	87.574	64.856
Number of Employees (4)	43	57	73	95	65	39
Number of Customers	8.316	11.731	16.930	21.644	12.585	12.585
Turnover per Employee	12.434	13.382	8.649	6.783	7.989	8.392
Transformation Ratio (5)	18%	41%	67%	55%	46%	46%

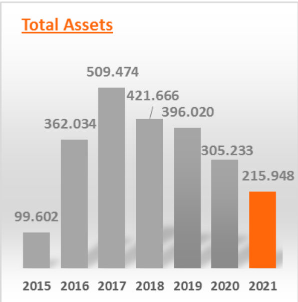
(1) Includes Loans to Customers as per note 2, Customer Funds as per note 3, Own Portfolio and Off-Balance Sheet Assets.

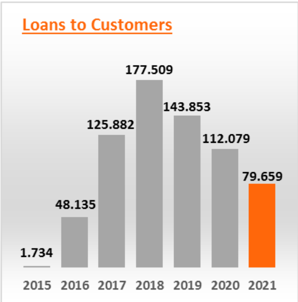
(2) Includes Loans to Customers and Bonds whose underlying assets are loans.

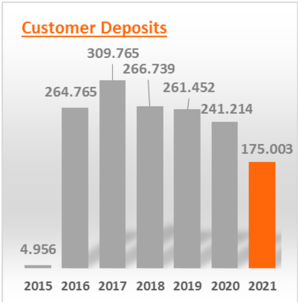
(3) Includes financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost, not including financial assets already appearing under the item "Loans to customers".

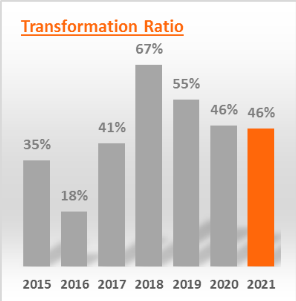
(4) Internal workforce.

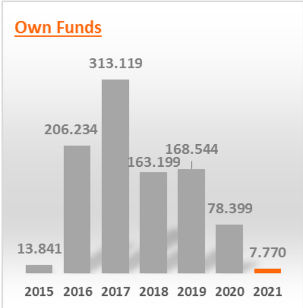
(5) Calculated based on the item "Loans to customers" as per note 2, and on customer funds.

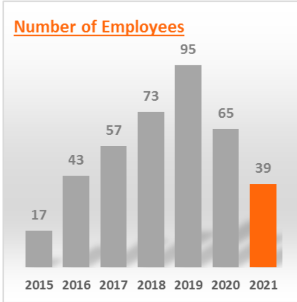










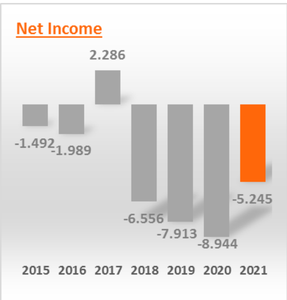


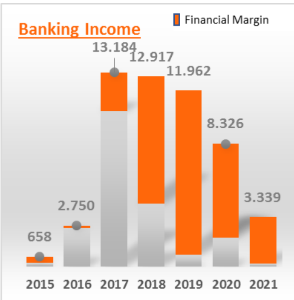
Outcome Indicators

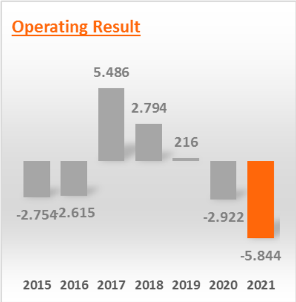
Figures in thousands of euros

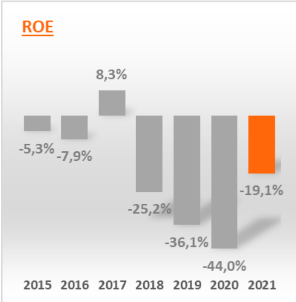
Business	2016	2017	2018	2019	2020	2021
Financial Margin	146	2.646	8.625	11.198	6.383	3.140
Net Fees	351	237	803	466	592	263
Financial Transaction Results	2.213	10.291	3.834	345	2.039	-35
Other Operating Results	38	10	-345	-47	-689	-28
Banking Income	2.750	13.184	12.917	11.962	8.326	3.339
Banking Income per Employee	64	231	177	126	128	86
Operating Costs(1)	5.365	7.698	10.123	11.746	11.248	9.184
Operating Result	-2.615	5.486	2.794	216	-2.922	-5.844
Cost to Income	195%	58%	78%	98%	135%	275%
Loan Impairment	4	524	10639	10626	6.382	436
Impairment of Other Assets	127	2070	128	142	1.808	-422
Cost of Risk (pb)	0	55	599	739	569	55
Result for the Year	**-1.989**	**2.286**	**-6.556**	**-7.913**	**-8.944**	**-5.245**
ROA	-0,5%	0,5%	-1,5%	-2,0%	-2,5%	-2,4%
ROE	-7,9%	8,3%	-25,2%	-36,1%	-44,0%	-19,1%

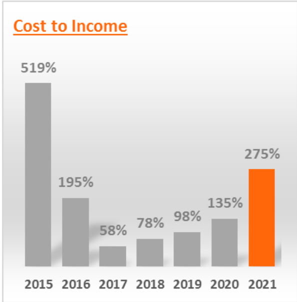
(1) Includes capitalised income and expenses in projects with future economic benefits.






Operating Result
5.486
2.794
216
-2.754
-2.615
-2.922
-5.844
2015 2016 2017 2018 2019 2020 2021

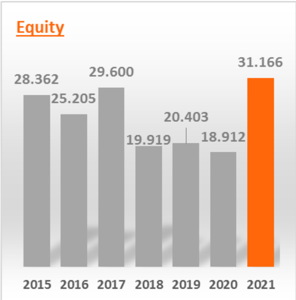

ROE
8,3%
-5,3%
-7,9%
-25,2%
-36,1%
-44,0%
-19,1%
2015 2016 2017 2018 2019 2020 2021

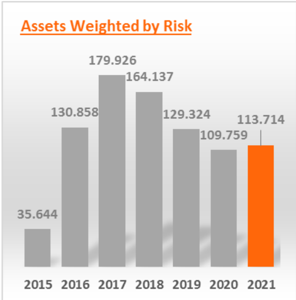

Cost to Income
519%
195%
58%
78%
98%
135%
275%
2015 2016 2017 2018 2019 2020 2021

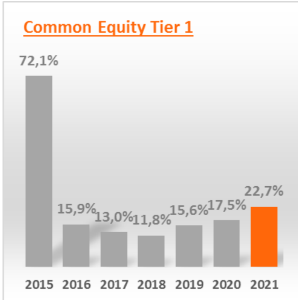
Capital Indicators

Figures in thousands of euros

Business	2016	2017	2018	2019	2020	2021
Capital and Prudential Indicators						
Own Equity	25.205	29.600	19.919	20.403	18.912	31.166
Own Funds	20.830	23.303	19.424	20.133	19.186	25.776
Risk Weighted Assets (RWA)	130.858	179.926	164.137	129.322	109.759	113.714
Solvency Ratio	**15,9%**	**13,0%**	**11,8%**	**15,6%**	**17,5%**	**22,7%**
Common Equity Tier 1 (CRD IV/CRR phasing in)	15,9%	13,0%	11,8%	15,6%	17,5%	22,7%
Common Equity Tier 1 (CRD IV/CRR fully implem	14,7%	12,8%	7,4%	9,0%	7,8%	21,1%







The regular monitoring and appreciation of financial information by the Board of Directors is based on Management Financial Statements (MFS). The MFS are elaborated based on the Financial Statements prepared in accordance with International Accounting Standards (IAS), in compliance with the provisions of note 1 of the Annex to the Accounts on December 31 of 2021. To this end, a set of accounting reclassifications were made to the Financial Statements prepared in accordance with IAS, essentially at balance sheet level, with the balance sheet financial indicators presented above coming from the MFS. These accounting reclassifications aim to restate the assets, liabilities and income statement accounts in accordance with the nature of the assets underlying the financial instruments and operations held by Banco BNI Europa, highlighting the following reallocations:

- from the IAS item of debt securities to the MFS item of customer loans of bonds whose underlying assets are credits (Reclassification 1),
- the cash and cash equivalents item of bonds whose underlying assets are credits from the IAS item of debt securities to the MFS item of cash and cash equivalents at other credit institutions (Reclassification 2),

- the derivative financial instruments registered in the IAS item of hedge derivatives for the MFS item for which the coverage of these financial instruments is intended (Other reclassifications),

Amongst other reclassifications carried out within above-described scope.

The reconciliation between the balances of the IAS Balance Sheet items, which appear in the Financial Statements and respective annex presented below, and those included in the MFS items can be presented as follows:

BNI – BANCO DE NEGÓCIOS INTERNACIONAL (EUROPA), S.A.

Reconciliation between Balance Sheet prepared in accordance with the IAS and prepared for the MFS on 31 December 2021

Figures in thousands of euros

	IAS	Reclassification 1	Reclassification: Reclassification 2	Other Reclassif.	MFS
Assets					
Cash and cash equivalents in central banks	96.612	-	-	-	96.612
Cash on hand at other credit institutions	9.890	-	(9.890)	-	-
Investments and cash on hand at other credit institutions	-	-	17.939	(0)	17.938
Own porfolio	-	-	-	7.770	7.770
Held-for-trading financial assets	-	-	-	-	-
Not held for trading financial assets mandatorily at fair value through profit or loss	4.028	-	-	(4.028)	-
Other financial assets at fair value through other comprehensive income	-	-	-	-	-
Financial assets at amortized cost					
Investments at credit institutions	6.435	-	(6.435)	-	-
Loans to customers	72.336	7.323	-	-	79.659
Debt Securities	12.510	(7.323)	(1.614)	(3.573)	-
Hedging derivates	169	-	-	(169)	-
Tangible assets	400	-	-	(400)	-
Intagible assets	1.712	-	-	(1.712)	-
Tangible and intangible assets	-	-	-	2.112	2.112
Current tax assets	2	-	-	(2)	-
Deferred tax assets	10.206	-	-	(10.206)	-
Taxes	-	-	-	10.208	10.208
Other assets	1.648	-	-	-	1.648
Total Assets	**215.948**	**-**	**(0)**	**-**	**215.947**
Liabilities					
Financial liabilities at fair value through profit or loss					
Held-for-trading financial liabilities	6	-	-	(6)	-
Financial liabilities measured at amortised cost					
Central Bank resources	12	-	-	-	12
Resources at other credit institutions	5.635	-	-	-	5.635
Resources from customers and other loans	175.003	-	-	-	175.003
Hedging derivatives	810	-	-	(810)	-
Provisions	890	-	-	-	890
Current tax liabilities	91	-	-	-	91
Taxes	-	-	-	-	-
Other liabilities	2.335	-	-	816	3.151
Total Liabilities	**184.782**	**-**	**-**	**-**	**184.782**
Equity					
Capital	67.500	-	-	-	67.500
Revaluation reserves	-	-	-	-	-
Other reserves and retained earnings	(31.089)	-	-	-	(31.089)
Net result for the year	(5.245)	-	-	-	(5.245)
Total Equity	**31.166**	**-**	**-**	**-**	**31.166**
Total Liabilities and Equity	**215.948**	**-**	**-**	**-**	**215.948**

III. CORPORATE BOARDS

At the General Meetings held on 21 March 2016, 15 June 2016 and 27 March 2017, the shareholders appointed the Bank's new corporate bodies for the 2016-2019 four-year period, which have remained in office, with the exception of the former Chairman of the Board of Directors, Pedro Nuno Munhão Pinto Coelho, who resigned from his position and ceased his duties on 28 February 2021.

On March 16, 2022, Banco BNI Europa submitted to the Bank of Portugal the Fit & Proper process of the governing bodies for the next term of office, which is currently under assessment by the regulator.

On 31 December 2021, the corporate bodies were composed as follows:

GENERAL MEETING OF SHAREHOLDERS

Pedro Miguel Patrício Raposo	(Chairman)
Marta Guerreiro Pereira Rosa	(Secretary)

BOARD OF DIRECTORS

António Miguel Maurício Rola Costa *	(Member)
Nuno Luís do Rosário Martins	(Member)

EXECUTIVE COMMITTEE

António Miguel Maurício Rola Costa	(Member)
Nuno Luís do Rosário Martins	(Member)

* By communication received by the Bank on February 25, 2022, António Miguel Maurício Rola Costa submitted his resignation as a member of the board of directors, which will take effect on April 1, 2022.

SUPERVISORY BOARD

Telmo Francisco Salvador Vieira	(Chairman)
João Carlos Espanha Pires Chaves	(Member)
Isabel Paiva, Miguel Galvão & Associados SROC Lda.	(Member)
(Represented by Isabel Gomes de Novais Paiva)	
José Luís Guerreiro Nunes	(Alternate Member)

The General Assembly held on October 7, 2020 appointed the Statutory Auditor and alternate for the 2020-2023 mandate.

STATUTORY AUDITOR

Mazars & Associados – SROC, S.A.	(Statutory Auditor)
(Represented by Fernando Jorge Marques Vieira - Statutory Auditor n.º 564)	
Pedro Miguel Pires de Jesus – Statutory Auditor n.º 1930	(Alternate Statutory Auditor)

IV. MACROECONOMIC BACKGROUND

GENERAL CONTEXT

The year 2021 started out full of optimism. It was expected to be the year of reopening and return to normality, but a heightened dose of reality cooled spirits. Despite the success of vaccination in the developed world, the emergence of new variants of COVID-19 and new confinements and restrictions on free movement between countries have delayed the desired reopening. The realization of the difficulties in re-establishing logistical and industrial capacity, which had been virtually shut down by 2020, eventually materialized the threat of inflation and constrained expectations of low interest rates. The escalating energy prices strongly conditioned the economies.

In 2021, the world economy grew 5,9%, in contrast to the -3,1% drop in 2020, while inflation closed at 4,1% versus 3,2% in 2020. Despite the turbulence and consequent cooling of initial expectations, the year was positive and, although more moderate, the optimistic tone was maintained. The economies continued on the road to recovery, more aware of the difficulties, but with a positive feeling about the future. The outlook for temporary inflation prevailed and the expectation of a reversal with the normalization of supply channels and the full reopening of economies. Stock markets reached historic highs fuelled by the unprecedented liquidity of the rescue packages and lack of alternatives for those seeking a return.

The year 2022 started with similar expectations as 2021, with reopening and normalization of economic activities, until February 24, 2022, literally turned everything "upside down". The conflict in Ukraine has changed the world geopolitical landscape. The possible ramifications, the duration and to what degree the conflict may escalate cast doubts that the markets view negatively and have not hidden the fact. Quantifying the magnitude of the impact is a complicated task, as any forecast is subject to a high degree of uncertainty. Russia and Ukraine together accounted for more than a quarter of the world's wheat exports, which are not easy to replace. The price of energy and grain immediately skyrocketed, putting tremendous inflationary pressure on top of the existing one. Still recovering from the Covid era, which seems forgotten by the smokescreen of the war conflict, the global economy will surely try to try to minimize the effects of this conflict as best it can, but not rid itself of undesirable side effects.

The management of available resources will not be easy and points, if the conflict does not escalate, to stagflation in the world economy. The feeling of risk aversion will dominate the markets until the conflict ends, leading to high volatility in the markets in general and a flight to less risky assets. An earning season with downward revisions is increasingly expected. Demand for sovereign debt should remain high, especially American and German.

UNITED STATES' ECONOMY

After in 2020 the US economy closed with the worst economic performance since 1946, it entered 2021 a under the largest wave of fiscal and monetary stimulus packages ever seen. The economy grew 5,7%, unemployment fell from 8,1% to 5,4%, with private consumption up 7,9%, which was reflected in import growth of 14% versus export growth of 4,6%.

Massive liquidity was constrained by disruptions in distribution channels, ultimately helping to materialize inflation that rose from 1,2% in 2020 to 4,7% in 2021. Rising inflation put immense pressure on the Federal Reserve (Fed), with markets spending the year looking for signs of possible interest rate hikes and tapering.

The 2-year American sovereign debt went from 0.12% in 2020 to 0.73% in 2021, while the 10-year went from 0.92% to 1.51%. Ignoring signs from the real economy, U.S. equity markets hit record highs in 2021, thanks to stimulus and with the low interest rate picture leaving little choice for those looking for returns. The Dow Jones, S&P500 and NASDAQ closed 2021 with annual gains of 18.73%, 26.89% and 21.39%, respectively.

The main impact of the Ukrainian conflict on the U.S. is expected to be political, the U.S. is not as energy dependent on Russia as Europe, so it will feel the inflation in energy prices indirectly and will have to deal with the general discontent of the population with rising fuel prices and inflation in general. The political pressure on the Biden administration will be tremendous and widely exploited by the Republicans.

Markets are pricing in 6 interest rate hikes by the FED in 2022, and these expectations are quite volatile. The expectation of temporary inflation seems to fall by the wayside and the scenario of prolonged inflation may gain more strength.

EUROPEAN AND EUROZONE AREA ECONOMY

The European economy did not have in 2021, the great reopening expected at the beginning of the year. Despite the overall success of the vaccination campaign in the European Union, uncertainty dominated the economic outlook, with new variants of COVID-19 ultimately reintroducing lockdowns and restrictions on travel within Europe.

The Recovery and Resilience Mechanism, also known as the "European Bazooka", fuelled solid economic growth, with the Eurozone (EA) up 5,1% versus -6,4 in 2020, having the unemployment recovery being more modest, staying in 7,3% versus 7,7% on the year before. Exports were up 9,3% versus a 7% increase in imports.

The constraints in the distribution channels and subsequent inflationary pressure also materialized in Europe, with inflation rising from 0,3% in 2020 to 2,6% in 2021, with, however, the European Central Bank (ECB) claiming to have greater room for manoeuvre than the FED. The ECB repeats the talk of temporary inflation, but inflation is forecast to rise to 3,2% in 2022, with a decline only in 2023 to 1,8%. The normalization of the European Central Bank's monetary policy should thus lead to an increase in interest rates in the Eurozone in 2022, with a rise expected in the 3rd quarter. The main European stock markets, like the American ones, took advantage of the massive injection of liquidity, with the Euro Stoxx 50 closing 2021 up 20,99%, the German DAX 15,79% and the French CAC 28,85%. The German sovereign debt at 2 and 10 years went from -0,72% and -0,57% in 2020 to -0,64% and -0,18% in 2021.

The scenario for the European economy has completely changed with the conflict in Ukraine, the first major impact being the shock in energy prices, namely oil and natural gas, the increase in cereal prices and the humanitarian crisis of Ukrainian refugees. Natural gas consumption has a more seasonal impact in northern Europe and, with rising temperatures, more manageable. Energy and cereal dependence will have to be rethought and will have long-term impacts. Added to this is the expected increase in spending on rearmament and military modernization, to the detriment of other investments, in order to reposition the European defensive capacity. Inflation control will be in the forefront, with the market pricing in at least two ECB rate hikes by the end of the year. Economic growth remains positive, albeit, lower for 2022, and it is complicated in the current context to have a high degree of reliability in the estimates.

PORTUGUESE ECONOMY

According to the National Statistics Institute (INE), the Portuguese economy will grow 4,9% in 2021, versus a drop of -8,4% in 2020, a figure not seen since 1990. Unemployment fell to 6,6% versus 7% in 2020. Inflation reached 0,9% versus -0,1% in 2020, far from the European average. This growth relied mainly on domestic consumption growth after the big contraction in 2020 and a strong recovery in exports. The great return of tourism has not yet materialized due to the appearance of the new COVID-19 variants, which have traded rounds on reopening.

Portugal benefited, in August 2021, from a pre-financing, from the European "bazooka", of 2,2 billion Euros, of the 16,6 billion Euros destined for Portugal, of which almost 14 billion Euros will be non-refundable.

Last year was also marked by the lead of the State Budget for 2022 (OE2022), in October, which resulted in the fall of the government and the scheduling of early elections.

In this scenario, the budget deficit should be around 3% of the Gross Domestic Product (GDP), according to statements by the Governor of the Bank of Portugal, well below the expected 4,3% and a substantial improvement compared to the 5,8% seen in 2020, which puts Portugal on the right track of fiscal control and strengthens its credibility with the European Union.

In January 2022, a continuity government will emerge from these elections, reinforced with an absolute majority, which should give the country governing stability for the next 4 years and tranquillity in the implementation of the Recovery and Resilience Program (RRP).

Before the conflict in Ukraine, the growth estimate for the Portuguese economy was 5,8%, 0,5% more than in 2021, with inflation forecasted at 1,8% by the end of 2022 and unemployment falling to 6%. In the current context, it will be difficult to maintain these estimates, with inflation especially felt in fuels putting pressure on the government.

ANGOLAN ECONOMY

According to IMF figures, the Angolan economy contracted by -5,4% in 2020 and fell by -0,7% in 2021, while inflation rose from 22,3% to 24,4%. The local currency, the Kwanza, on the other hand, lost -20,5% versus the Euro in 2021, closing at 632,42 Kwanza per Euro.

The collapse of oil prices in 2020, contracted investment in exploration and Angola faced difficulties in raising production in 2021, remaining a sector with strong constraints.

According to S&P, the drop in oil production and the slow Covid-19 vaccination process justify the more negative forecast for the country's economy in 2021. Vaccination against Covid-19 should have reached 60% of the population by 2021, with 95% expected to be reached by the end of 2022. The Angolan government predicted to come out of recession in 2022, with a forecasted economic growth of the non-oil economy of 5.2%, while the oil economy will continue to contract, at around -10,6%, taking the expansion of the overall economy to around 2,4%. IMF data pointed to inflation falling to 14,9%.

BRAZILIAN ECONOMY

The Brazilian economy had a strong recovery in 2021, after the -3,9% drop in 2020, and the IMF expects a 4,7% rise. Consumption grew 3,4%, industrial production 4,1%, exports 5,4% and imports over 6,7%. Unemployment reached 13,8%, while inflation soared from 3,2% to 8,3%. Rising energy prices, drought, constraints in supply chains, and the pandemic are named as the main culprits for inflation. To this background the Brazilian Central Bank (BCB) responded with a sharp rise in the SELIC, the Brazilian economy's reference interest rate, raising it from 2% to 9,25%.

The Brazilian stock market, in counter-cycle with the American and European stock markets, fell 12% in 2021.

For 2022, the IMF predicted a modest growth of the Brazilian economy of 0,3%, pressured by the rise in interest rates to contain inflation, which should close the year at 5,3% and unemployment at 13,1%. Thus, 2022 will be a year of strong political challenges, with parliamentary elections on October 2 and with the consequences of the conflict in Europe still quite unpredictable and could complicate the fight against inflation, which is already at high levels.

COVID-19

As set out in **note 46** of the Annex to the Accounts for December 31, 2021, COVID-19, originating from the SARS-CoV-2 virus (Coronavirus) and appearing in late 2019, but with a marked worldwide spread in 2020, led to the declaration of a pandemic situation by the World Health Organization on March 11, 2020. Following the evolution of the pandemic, on March 18, 2020, the President of the Republic of Portugal decreed, for the first time, a state of emergency, which was renewed and was in force for a substantial part of 2020 and also for the 1st half of 2021.

The COVID-19 pandemic forced the implementation, worldwide, of mandatory containment and containment measures, which led to the negative economic impacts previously highlighted, with sharp drops in activity globally and forcing countries to resort to extraordinary measures to support the economy, with significant impacts on their public accounts, due to the use of expansionary monetary and fiscal policies.

These measures involved, in 2020 and 2021, the implementation of various moratoria, public and private, and the adherence of the Bank's customers to them proved to be negligible, and no other support measures, practiced by the Bank, in the context of the pandemic, can be highlighted.

As in 2020, in 2021 the Board of Directors continued to take all necessary measures within its reach, to mitigate the risks of spreading the pandemic and protect its employees and customers, while ensuring the continuity of the Bank's normal activity.

UKRAINIAN CONFLICT

Banco BNI Europa does not have or had any direct or indirect exposure to Russian, Ukrainian or Belarusian assets or credits. The Bank immediately implemented the regulatory and sanction measures required by the regulator and is diligently monitoring the evolution of the situation.

V. BACKGROUND OF THE PORTUGUESE BANKING SECTOR

According to the Banco de Portugal report ("Sistema Bancário Português: Desenvolvimentos Recentes"), the fundamentals of the Portuguese banking sector in the first 9 months of 2021 are in line with the improvements expected after the adverse impacts resulting from the outbreak of the COVID-19 pandemic in 2020.

Since December 31, 2020, total Portuguese banking assets (abp) grew from 411,8 billion Euros to 440,7 billion Euros, an increase of more than 7%, although loans to customers (net of impairments) reduced their weight in abp, from 57,6% to 55,8% respectively, confirming the containment of lending activity.

Bearing in mind that opposed to the fall in annualized nominal GDP of the Portuguese Republic from 214,3 billion Euros at the end of 2019 to 200,1 billion Euros at the end of 2020, the recovery to 207,8 billion Euros at the end of September 2021 did not prevent the growth of banking assets in relation to annualized nominal GDP, which from the end of 2019 to September 2021 increased its relative weight from 182,1% to 212,6%.

The interbank market also reduced its already small share (from 4,2% of abp to 3.4%), replaced primarily by funding from Central Banks (from 7,8% of abp to 9,2%), which continued to gain weight in the pandemic period, after reducing from 6,3% to 4,4% of abp between 2017 and 2019. Customer deposits remained a stable source of funding for this sector, reducing inexpressibly from 68% of abp to 67,7% in the first 9 months of 2021.

Consequently, the transformation ratio reduced from 84,7% at the end of 2020 to 82,5% at September 30, 2021.

The liquidity of the financial sector continued to improve, with highly liquid assets consolidating their weight in banking sector assets, rising from 23,1% of abp to 25,6%, an effect that was naturally accompanied by an improvement in the liquidity coverage ratio (LCR), which rose from 245,9% to 257,7%, a ratio that has continued to improve systematically since 2017.

Asset quality shows improvement, with non-performing loans, net of impairments, falling from 6,5 billion Euros to 5,8 billion Euros in the first 9 months of 2021, an effect that was accompanied by a relevant improvement in the non-performing loan ratio (NPL) reducing from 4,9% to 4,0% in this period, and the NPL impairment coverage ratio increasing from 55,0% to 55,7%.

The profitability of the banking sector has also recovered to pre-pandemic levels, with the first 9 months of 2021 confirming the expected recovery, recording net profits of 2,0 billion Euros by September 30, 2021, with a general improvement in efficiency and profitability indicators.

The capitalisation of the banking sector, after the growth of total Own Funds from 16,9% of abp in 2019 to 18,0% in 2020, remained stable in the first 9 months of 2021 at 17,8%, which coupled with a reduction in the average risk weights of this sector from 48,6% of abp to 45,7% in the first 9 months of 2021, contributed to the consolidation of the capitalisation of this sector.

VI. BANCO BNI EUROPA BACKGROUND

BUSINESS IN 2021

Weaknesses in the Angolan economy since 2014 led to a redefinition of the Bank's strategy at the end of 2015 to focus on making BNI's business autonomous from the business channelled by Banco de Negócios Internacional, S.A. (Banco BNI), an Angolan financial institution and sole shareholder of Banco BNI Europa. This strategic overhaul steered business towards the European market and to niche markets in Portugal, with the creation of new business areas for this purpose, whose products and services have been launched over the past few years. These new market offerings involved products and services supplied on its own and in partnership, which are innovative and provide added value vis-à-vis the current banking and financial market.

Due to the context described in **Chapter III - Main Indicators and Highlights**, in 2020 and 2021 the offer of consumer credit and credit cards (essentially corresponding to the Puzzle brand) was discontinued and the offer of the reverse mortgage product (only marketed in Spain) was strongly contained. In terms of credit platforms, investment in platforms whose underlying is also consumer credit and unsecured credit was also suspended in detriment of platforms whose underlying are lower risk credit products with guarantees. The investment in the Flex product was maintained and the transactional banking activity was developed, with emphasis on the correspondence banking activity.

In view of the greater containment of activity, the interest rates offered to new deposits and renewals of existing deposits were also revised globally, sharply downward, in an effort to manage balance sheet risk and a balanced adjustment of its assets and liabilities.

Internally, given the need for restructuring carried out in 2020 and, guaranteed compliance with regulatory requirements, the Bank had a decrease in internal capacity, after having gone from 95 to 62 employees in 2020, there was a further reduction to 39 employees at the end of 2021, with significant organizational restructuring measures.

In terms of Information Technology, the Bank maintained its investment in improving the systems already available and in partnerships with reference entities in digital banking with innovative solutions, while also resizing its infrastructure to the level of activity resulting from the restructuring carried out in 2020, and which continued in 2021.

At the corporate level, 2021 was marked by even lower investment in this business segment, in line with the strategy and guidelines described in **Chapter III - Main Indicators and Highlights**, a trend that is expected to continue in the future.

In terms of dissemination of the brand, Banco BNI Europa, together with its shareholder Banco BNI, and within the scope of the long-term partnership previously established, continued to be present at the Alvalade XXI stadium as sponsor of soccer matches of the NOS League, in addition to having permanent static advertising at the stadium and at the Sporting Clube de Portugal academy.

2022 BUSINESS PROSPECTS

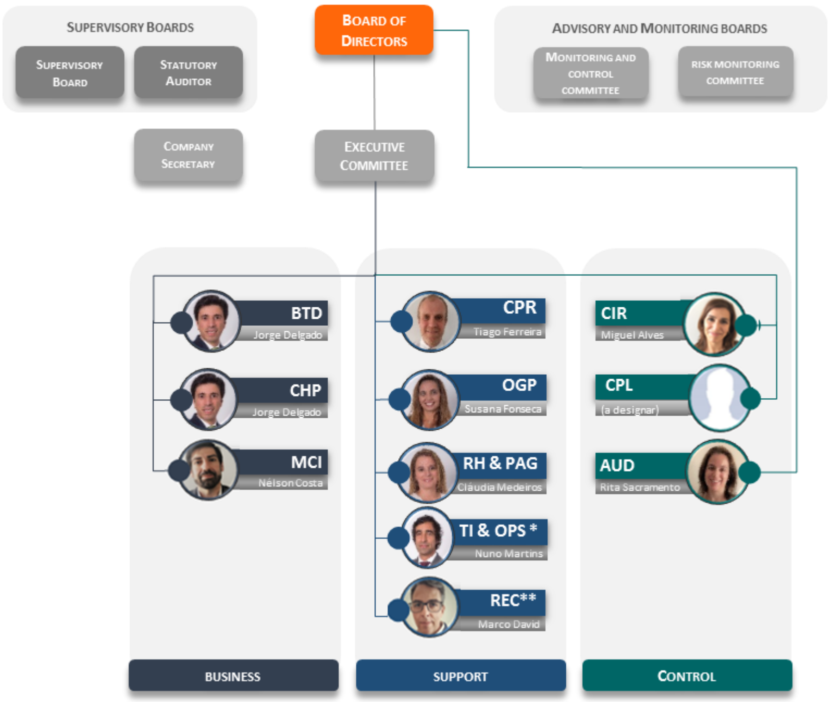
As a result of the strategy and guidelines described in **Chapter III - Main Indicators and Highlights**, the 2022-2024 Business Plan maintained all the assumptions previously made and that are reflected in the activity developed in 2021, and the only changes introduced are

- the introduction of projections and estimates for the years 2023 and 2024, based on the same strategic options previously detailed and currently in force,
- in the consideration of adjusted capitalisation measures in the time horizon of the 2022-2024 Business Plan
- In reinvestment and possible reinforcement of the support structure for the Bank's activity, in order to provide it with the technical and human resources indispensable for its current activity and prepare it for the new activity and business lines to be introduced by the new capital investor, and
- in the containment of the introduction of new activities and business lines, awaiting the new strategic guidelines to be determined by the new capital investor.

The management of the Bank's balance sheet and activity will thus continue to be based on containment and reduction measures, pending the expected successful conclusion of Banco Master's equity stake in the Bank and the formalization and implementation of a new strategic orientation and corresponding Business Plan.

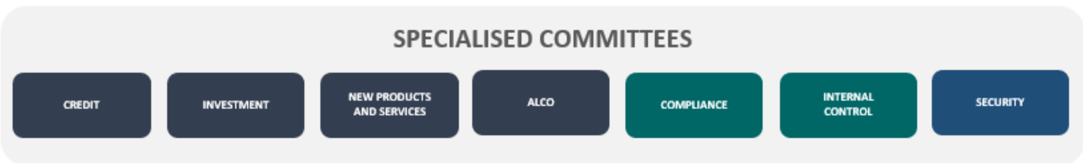
ORGANIZATIONAL AND HUMAN STRUCTURE

In response to the growth challenges of its business, Banco BNI Europa's organizational structure underwent several upgrades. As of today's date, it has the following structure:



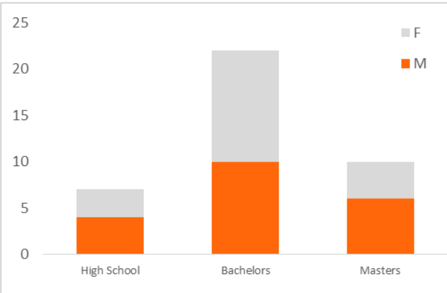
AUD - Internal Audit & Investigations
BTD - Transactional Banking and Deposits
CHP - Mortgage Credit
CIR - Risk Internal Control
CPL - Compliance & Legal
CPR - Accounting, Planning and Reporting
MCI - Markets & Investments
OGP - Organization and Project Management
REC - Collections & Recoveries
RH & PAG - Human Resources & Facilities and General Support
TI & OPS - Information Technology and Operations
*Function assumed on an interim basis in accumulation with the function of executive director
** Function assumed on an interim basis

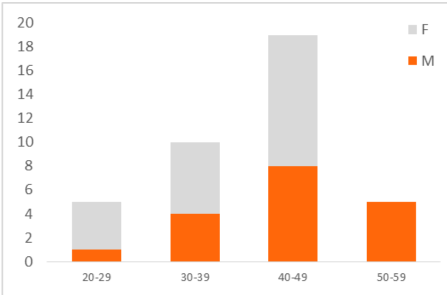
At the Committee level, the organically established Committees are presented below:



At the end of 2021, the internal staff is composed of 39 employees, with the following breakdown by professional categories, age, gender, and academic qualifications:

	2015	2016	2017	2018	2019	2020	2021
Directors	4	4	3	3	3	3	2
Heads of business areas	2	6	6	6	6	3	2
Heads of support areas	2	4	5	7	7	5	4
Heads of control areas	2	3	5	3	4	2	2
Technicians	6	19	32	45	64	48	27
Secretarial staff	1	2	2	2	2	3	1
Trainees	0	5	4	7	9	1	1
Total	**17**	**43**	**57**	**73**	**95**	**65**	**39**





During 2021, the Bank had the collaboration of some external resources, which carried out activities on the Bank's premises or on the premises of service providers. Due to changes made to the Bank's business plan and organizational structure, and after a substantial reduction of these resources in 2020, in 2021 functions previously developed internally were outsourced, in order to partially offset the reduction from 65 internal employees to 39 in 2021:

	2015	2016	2017	2018	2019	2020	2021
Transactional Banking and Deposits	0	0	0	1	4	2	2
Accounting, Planning and Reporting	1	2	3	0	0	1	1
Information Technologies	1	3	5	4	7	1	1
Internal Audit	0	2	1,5	1,3	2,0	1	0
Compliance and Legal	0	0	0	0	0	0	1
Internal Risk and Control	1	0	0	1	0	0	1
Operations	0	0	0	1	1	0	0
Organization and Project Management	0	0	0	1	0	0	2
Human Resources & Facilities and General Support	1	0	0	0	0	0	1
Mortgage Loans	0	0	0	1	1	0	0
Call Center	0	4	11	19	12	0	0
Debt Recovery	0	0	1	1	1	0	1
Total	**4**	**10**	**21**	**30**	**28**	**5**	**10**

Contributing directly to the implementation of the Bank's strategy and, ultimately, to the success of its activity, the Human Resources & Facilities and General Support (HRPAG) area also sought to raise employee motivation and enhance talent attraction and retention.

The Bank continued to promote a digital offer of content to support its teams remotely, from information security to content related to the well-being and remote management of teams. The performance management process continued to focus on the development of skills, fostering the culture and the personal development plan mandatory for the exercise of functions.

In 2021, the concern was particularly focused on providing specific training of a regulatory nature, particularly in the field of credit commercialization, data protection, the scope of persons directly involved in the activity of insurance agents, the code of conduct and professional ethics and the prevention of money laundering and financing of terrorism. The provision of training includes face-to-face, online and/or e-learning formats, with internal or external delivery.

The cost of training incurred in 2021 amounted to 20 thousand euros, corresponding to about 1.179 hours of training.

Throughout 2021, some initiatives were disclosed through the Internal Communication channel, such as the adhesion and/or renewal of protocols.

FINANCIAL INFORMATION

Considering the facts referred to in **Chapter III - Main Indicators and Highlights** regarding the assumptions and guidelines set out in the business plans described and the restrained development of activity by virtue of the framework presented, and in particular the need to restrict business to meet regulatory capital requirements, the evolution of Banco BNI Europa's activity in 2021 reflects a new and expressive contraction of assets, particularly in terms of investment in assets representing credit and also in terms of the own portfolio, the latter due to a number of sales of securities made in the second quarter of 2021.

Balance Sheet Indicators

Figures in thousands of euros

	Dec 2020	Dec 2019	Change Absolute	Change %
Assets				
Cash and Cash Equivalents in Central Banks	87.008	37.842	49.167	130%
Investments and Cash on Hand at Credit Institutions (*)	10.366	19.128	-8.762	-46%
Loans to Customers	81.373	82.263	-890	-1%
Own Portfolio	112.955	238.270	-125.315	-53%
Tangible Assets	1.471	2.601	-1.130	-43%
Intangible Assets	2.284	4.909	-2.625	-53%
Taxes	8.777	6.532	2.244	34%
Other Assets (**)	998	4.475	-3.477	-78%
Total Assets	**305.233**	**396.020**	**-90.787**	**-23%**
Liabilities				
Central Bank Resources	14	25.003	-24.989	-100%
Credit Institution Resources	43.938	86.011	-42.073	-49%
Customer Funds	235.336	254.831	-19.496	-8%
Provisions	207	170	36	21%
Taxes	137	177	-40	-22%
Other liabilities	6.689	9.423	-2.734	-29%
Total Liabilities	**286.321**	**375.616**	**-89.296**	**-24%**
Equity				
Total Equity	**18.912**	**20.403**	**-1.491**	**-7%**

(*) Includes the items Cash and Cash Equivalents in other credit institutions, financial assets held for trading, other financial assets at fair value through other comprehensive income, financial assets not held for trading mandatorily at fair value through profit and loss, investments in credit institutions and balances of the accounting heading of other assets relative to collateral and investments (note 29 of the Annex).

(**) Includes the accounting item of other assets, less the balances related to collateral and investments (note 29 of the Annex) included in this item.

The reduction of 89 285 m€ observed in total assets, which stood at 215 948 m€, particularly felt in terms of the Own Portfolio (-100 446 m€), due to the sale of almost all of this portfolio, resulted in the application of the proceeds of the sale, essentially, in Cash and Deposits at Central Banks (+9 603 m€) and Investments and Deposits with Credit Institutions (+10 443 m€), as well as in the reduction of liabilities, in terms of Deposits from Credit Institutions (-38 303 m€) and Customer Deposits (-60 332 m€).

These are expected effects and variations resulting from the application of the strategic guidelines detailed in **Chapter III - Main Indicators and Highlights**, in an effort directed towards greater efficiency in the Bank's capital management and reduction of balance sheet risk.

After in 2020 the credit granting activity reflected the strategic decisions of i) discontinuation of the Puzzle products offer, including the Puzzle Credit Card and respective support APP, ii) suspension of the offer of the Inverse mortgage product in the Spanish market, iii) moderate investment in the Flex product - mortgage credit, iv) disinvestment in platforms whose underlying is consumer credit and not guaranteed, and v) contained investment in platforms whose underlying is guaranteed credit, in the year 2021 the implementation of these decisions was continued, except only for one-off investments in the inverse mortgage product in the Spanish market.

The reduction observed in tangible assets (-1 071 m€, identical to that observed in 2020) is essentially due to the depreciation of assets carried over from 2020, and there were no new relevant investments in 2021, as was the case with the reduction observed in intangible assets (-572 m€), although in this case and in 2020, the reduction of -2 625 m€ was strongly influenced by the recognition of impairment for assets essentially allocated to the activity of granting credit through cards (puzzle card), due to the discontinuation of this activity.

The increase in the item Taxes (1 432 m€) is essentially due to deferred tax assets resulting from the loss verified in 2021. It should be remembered that after the Bank joined in 2020 the regime provided for in Law 98/2019, of 4 September, regarding the immediate tax deductibility of impairments, the new impairment losses on credit recognized since 2020 became immediately deductible. Accordingly, 4 288 m€ of this item's amount originates in temporary differences, and the remaining 5 918 m€ in accumulated tax losses, whose deduction period ends between 2026 and 2033.

In terms of liabilities, there was a further generalized reduction in all liability headings, with a particular focus on customer resources.

Outcome Indicators

Figures in thousands of euros

	Dec 2021	Dec 2020	Change Absolute	Change %
Banking Product	**3.339**	**8.326**	**-4.986**	**-60%**
Financial Margin	3.140	6.383	-3.243	-51%
Fees	263	592	-330	-56%
Financial Transaction Results	-35	2.039	-2.074	-102%
Other Results	-28	-689	661	-96%
Operating Costs	**-9.184**	**-11.248**	**2.064**	**-18%**
Staff Costs	-3.601	-4.490	889	-20%
General Administrative Costs	-3.740	-4.543	803	-18%
Amortization and Depreciation	-1.843	-2.215	372	-17%
Operating Result	**-5.844**	**-2.922**	**-2.922**	**-100%**
Provisions and Impairement	**-707**	**-8.226**	**7.518**	**-91%**
Loan Impairement	-436	-6.382	5.945	-93%
Impairement for other Financial Assets	422	-1.808	2.230	-123%
Other Provisions	-693	-36	-657	>200%
Result Before Taxes	**-6.552**	**-11.148**	**4.596**	**41%**
Taxes	**1.306**	**2.204**	**-898**	**41%**
Current Taxes	-123	-137	14	10%
Deferred Taxes	1.429	2.341	-912	-39%
Net Income	**-5.245**	**-8.944**	**3.699**	**-41%**

The year 2021 was marked by significant variations in all income indicators, with substantial changes, both in value and relative variation.

With a reduction of € 4 986 m (-60%) compared to 2020, banking product recorded significant reductions in its main components, particularly the financial margin, which fell € 3,243 m (-51%).

This decline is, as in 2020, a direct reflection of the containment measures followed in 2021, of discontinuation and suspension of investment in most credit products, as well as the sharp reduction in the own portfolio.

Bearing in mind that the strong growth in the Income from Financial Operations item in 2020 was essentially originated from the sale of a significant part of the own portfolio, and although in 2021 almost all of the remaining portfolio was sold, which contributed around +0,832 m€ to this item, this contribution was absorbed, almost entirely by the product of the sale of a set of credit platforms that gave rise to price losses (reflected in this item) and impairment gains (reflected in the impairment items) and which justifies the small value compared to 2020, as there are no other effects to highlight in this item.

In terms of Other Results, after the Bank had registered a set of one-off costs in 2020, the contained value for 2021 reflects the reduced expression of this type of cost.

It should also be noted that, in 2019, Financial Margin represented 94% of the Bank's Banking Product, a weight that was reduced to 77% in 2020, but which returned to 94% at the end of 2021.

The reduction in operating costs (18%) was felt, similarly, at the level of personnel costs (-20%), general administrative expenses (-18%) and amortization and depreciation (-17%). The cost containment and reduction measures showed very visible results in this period - higher than those observed in 2020, when the reductions achieved were respectively 13%, 4% and 20%, and 4% overall.

Results referring to interest from financial instruments measured at amortized cost and financial assets at fair value through other comprehensive income (and that are part of the own portfolio), are recognized in the financial margin headings, using the effective rate method. In this context, interest is recognized on a time proportion basis.

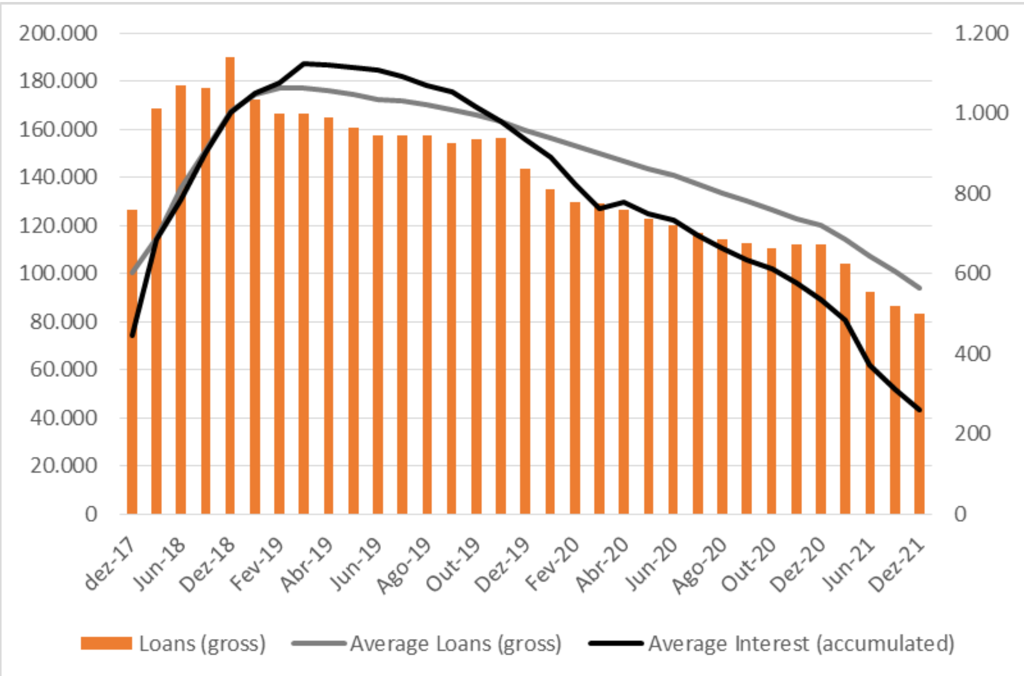
The Bank estimates the impairment for its loan portfolio as detailed in **Note 37** of the Notes to the Accounts as at December 31, 2021. As in previous years, the loan portfolio in 2021 remained mostly classified in stage 1, with an increase in stage 2 loans and a reduction in stage 3 loans, largely due to the implementation of the policy of staging obligations related to investments in credit platforms.

As a result of the effort directed towards greater efficiency of the Bank's capital management, which conditioned the lending activity, the average gross credit decreased significantly compared to 2020 (94 058 m€ in 2021, reducing from 120 141 m€ in 2020).

As a consequence of the aforementioned containment measures introduced in the successive Business Plans, detailed in **Chapter III - Main Indicators and Highlights**, there was a joint reduction in financial margin and loan impairment in 2021 vis-à-vis 2020, and, in this context, the (net) loan impairment recorded in 2021 was reduced vis-à-vis 2020 (reduction of 5 945 m€ in 2021 and 3 500 m€ in 2020).

As a result of the effort directed towards a greater efficiency in the Bank's capital management, and which conditioned the loan granting activity, the average gross loan reduced significantly from 2020 (94 058 m€ in 2021, to reduce from 120 141 m€ in 2020).

Monthly changes in Gross credit, Average gross credit and Interest on loans:



(1) Includes credit granted through structured bonds.

(2) The non-linear evolution of Credit Interest results from the volatility in the expectations of interest receipts from these structured bonds.

Capital Indicators

Figures in thousands of euros

	Dec 2021	Dec 2020	Change Absolute	%
Weighted Assets	113.714	109.759	3.955	4%
Total Assets	215.948	305.233	-89.285	-29%
Weighted Assets/Total Assets	52,7%	36,0%		
Common Equity Tier I	25.776	19.186	6.590	34%
Phasing in Common Equity Tier I Ratio	22,7%	17,5%		
Total of Own Funds	25.776	19.186	6.590	34%
Phasing in Solvency Ratio	22,7%	17,5%		

In terms of capital indicators, and despite the efforts directed towards greater efficiency in the management of the Bank's capital, namely by maintaining interest rate hedging derivatives and other initiatives to manage Risk Weighted Assets (RWA), including the reduction of loans with higher capital requirements, there was an increase in RWA, from 109 759 m€ in 2020 to 113 714 m€ in 2021.

This increase was centred on the increase in the risk weight (RW) of the credit granted through platforms to 150%, determined by the Bank of Portugal, which was responsible for nearly 18 200 m€ of the observed increase (corresponding to the difference between the value calculated, based on the application of the RW determined by the Supervisor to the balance sheet exposures relative to credit granted through platforms and the equivalent RW applied on December 31, 2020, and without which, a reduction of over 14 000 m€ of RWA would have been observed).

In terms of own funds, the increase of 6 590 m€ is essentially the result of capital increases throughout 2021 (+17 500 m€) and the decrease in the write-off of intangible assets (+1 083 m€), reduced by the negative effect of the loss for the 2021 financial year (-5 245 m€) and the decrease in impairment in phasing-in, eligible for an increase in own funds (-6 518 m€).

Consequently, the solvency ratio observed improved significantly from 17.5% at December 31, 2020 to 22.7% at December 31, 2021.

BUSINESS AREAS ACTIVITIES

After the significant organizational changes made in 2020, in 2021 no changes were made to the organic structure in the Bank, and the same Areas that were carried over from the end of 2020 were maintained.

Markets and Investments

The Markets and Investments area (MCI) focuses on treasury management and own portfolio investment management, institutional investor relations and Peer-to-Peer (P2P) platform connections for attracting deposits and investments in securities whose underlying are credits are originated by P2P platforms. The own portfolio investment policy follows the premises of geographic diversification and the limits proposed and approved by the Board of Directors.

In 2021, MCI intensified the effort to readjust the loan investment portfolio started in 2020, in a context of more meticulous capital management, which resulted, in addition to the sale of almost all its own securities portfolio, in the sale of loans originated by P2P platforms (securitised and non-securitised). This readjustment of the loan portfolio also results from the monitoring of the portfolio's performance and from the optimization of capital consumption, with priority having been given to platforms with better performance and lower capital consumption.

By maintaining the investment through these platforms, the Bank endeavored to manage resources efficiently, without disruptions and negative financial effects, while maintaining an adequate level of return in relation to risk and a high level of diversification, not only geographically but also by product, even though in terms of regulatory requirements, these were aggravated by increasing the RW to 150% and establishing a substantially more conservative treatment framework for Large Risks, requirements determined by the Bank of Portugal.

Aiming at reducing the cost of funding and establishing a balanced structure of assets and liabilities, the Bank reduced its exposure to deposits raised in Germany and Holland, giving preference to deposits raised in Portugal and ceased funding from the Bank of Portugal. It should be noted that most of the Bank's deposits are characterized by the impossibility of early repayment, a relevant aspect that allows the Bank to have greater stability of its funding, particularly in terms between 1 and 5 years.

MCI also acts with the objective of ensuring efficient liquidity management, participating in the money market through the negotiation of borrowing and lending operations and currency swaps in three currencies: EUR, USD and GBP.

For 2022, and as part of a more restrictive balance sheet risk management policy, a further reduction of investments in credit representative financial instruments is planned. On the other hand, and in line with the 2022-2024 Business Plan, a slight increase in investment in the capital market securities portfolio, mainly short term, is expected. Also in line with the 2022-2024 Business Plan, it is expected to recover the dynamics of deposit-taking, in order to ensure the maintenance of a balanced structure of assets and liabilities.

Additionally, the Bank considers resuming funding from the Bank of Portugal whenever necessary, in accordance with internally defined limits and available collateral for this purpose, in order to ensure efficient liquidity management.

Transactional Banking and Deposits

The Transactional Banking and Deposits area (BTD) was created in 2020 by merging 3 business areas, namely Digital Platforms, Corporate and Payment Means, together with 1 support area: Marketing.

Under the new Business Plan 2020-2022, a number of business lines and related activities were suspended, so the area is now focused on:

- In the support to Private and Corporate clients of the Bank,
- Attracting and managing client deposits, particularly via Term Deposits,
- In the management of the Puzzle consumer credit portfolio,
- In the management of transactional products and deposits, means of payment, consumer credit and corporate credit, and

- In the maintenance and evolution of business support applications and digital platforms.

As a result of the reduction of more than 50% of existing resources during 2021, there was a need to reorganize in order to minimize the impact on its activity.

In line with the new business plan in terms of liquidity management and funding costs, and following the reduction of term deposit rates in December 2020, term deposit rates were reduced in 2021. The combination of both initiatives largely contributed to a reduction in the deposit base, in line with expectations, also favouring an improvement in the cost of funding.

The year was also marked by the end of the moratoria on consumer credit, with BTD ensuring the necessary communication around this process with the impacted Puzzle customers.

Lastly, business applications were updated to support activities related to online payment execution and access to payment accounts as part of the account information and payment initiation services under the PSD2.

For 2022 it is expected that the area's activity will remain at contained levels, maintaining operations and customer support, as well as preparing the internal means for the implementation of the commercial strategy that may be defined by the future shareholder.

Mortgage Credit

The Mortgage Loans area (CHP) is responsible for the development, management, and marketing of mortgage-backed loan products, having in its portfolio two distinct solutions: FLEX Credit and Reverse Mortgage, available in Portugal and Spain, respectively.

As in the previous year, 2021 was also marked by considerable periods of interruption in the origination activity as a result of the context experienced by the Bank, which, together with the adoption of more restrictive risk appetite levels, contributed to moderate growth in the mortgage loan portfolio.

Additionally, the area's activity, as well as its response capacity, was considerably conditioned by the reorganization that CHP faced during the period.

The Reverse Mortgage product, marketed in Spain and aimed at clients over 65 years old seeking solutions to obtain liquidity to supplement their pensions, remained suspended throughout most of the year, as a result of the redefinition of the Bank's strategy, as well as the insufficiency of adequate means to support the origination activity.

The FLEX Credit portfolio, a multi-functionality credit solution, secured by mortgage, aimed at customers seeking solutions for the transfer and consolidation of credits, or simply the financing of personal projects, showed growth of around 25% despite all the constraints faced, in particular the reduction in the Bank's risk appetite.

For 2022 no relevant changes are expected in the performance of CHP, with the focus remaining on the origination of FLEX Credit and on the management of the existing portfolio, as well as on the preparation of internal means for the implementation of the commercial strategy that will be defined by the future shareholder.

Credit Recovery

The objective of the Credit Recovery area (REC) is to reverse the defaults registered in the Bank's own credit products, namely Puzzle Credit and FLEX Credit.

The area maintains the objective of ensuring the maintenance of a ratio of overdue loans at acceptable and controllable levels, in order to prevent the increase of impairment and reduce the recognition of write-offs in credit operations with customers, seeking to recover more liquidity and contribute to solutions that generate operations with less risk.

The area maintained the internal call-center for the management of Early and Late Collections, ensuring that the entire recovery process is managed internally, as well as the implementation of pre-legal and litigation actions. In Early Collections, we highlight the average settlement of 88,3% in clients with up to 30 days of late payment (DPD; 87,1% in 2020) and 42,0% in clients with 31 to 90 DPD (34,1% in 2020), and in Late Collections 91 -180 DPD the average recovery rates are around 19,9% (20,7% in 2020). With regard to pre-legal and litigation actions, 732 injunctions were submitted in 2019, 114 injunctions in 2020, but none in 2021 due to the COVID-19 pandemic, representing a total volume of 2,1 M€ (2019 and 2020).

For 2022 the focus of the area will remain on actions that promote the recovery of default at its initial moment, contributing to recovery at a still recent stage and to raise the awareness of customers with regard to the payment obligation.

With regard to pre-litigation and litigation processes, the actions already started will be continued and the guideline of seeking, through the means available to the Bank, the recovery of the amounts in default will be maintained, with the prospect that the level of success may be increased with new executive actions, namely through new injunctions.

OTHER INFORMATION

During the year 2021, and up to the present date, the following events arising from the activity are highlighted, among others:

- The General Meetings held in 2020 and 2021 were held for appraisal and approval:
    - Internal Policy for the Selection and Assessment of the Suitability of the Members of the Supervisory Bodies and Holders of Key Functions of BNI Europa and respective Annex I, Annex II and Annex III,
    - Bylaws,
    - Organic Statute,
    - Remuneration Policy,
    - Irregularities' Reporting Policy, and
    - Four share capital increases, February 2021, June 2021, July 2021 and January 2022, in the amounts of 4 000 m€, 4 000 m€, 1 000 m€ and 8 500 m€ respectively.
- In terms of strengthening the Internal Control Environment and System and Internal Governance, among others:
    - Various improvements were made to the Internal Control Framework, namely:
        - Publication of the Ad-Hoc procedure Acting of the Internal Control Interlocutors,
        - Publication of the Ad-Hoc procedure Net Risk Assessment, Monitoring and Reporting,

        - Publication of procedure Ad-Hoc Identification, Management and Report of Operational Risk Events,
        - Publication of the Internal Control Policy, revised in accordance with Notice 3/2020 of the Bank of Portugal, and
        - Update of the Internal Control Committee Regulation.
    - Internal regulations were issued and reviewed, complying with the provisions of the EBA Guidelines on Management of Non-Producing Exposures and Restructured Exposures (ENP/ER) - EBA/GL/2018/06 - namely:
        - Review of the Strategy and Management of Non-Producing Exposures and Operational Plan, and
        - Process Manual Operationalizing Write-Off or Debt Forgiveness.
    - Internal regulations were issued and revised, in compliance with Bank of Portugal Notice 03/2020, of which we highlight the following:
        - Publication of 10 Regulations regarding Internal Control, Legal and Compliance, Credit, among others,
        - Publication of 5 Ad-Hoc procedures in the scope of Internal Control, Reporting and Suppliers and Service Providers,
        - Publication of 3 Thematic Manuals regarding AML, Human Resources and Account Opening, and
        - Preparation and Review of Policies, namely on Credit Risk, Legal and Compliance, Internal Control, Human Resources, AML and Suppliers and Service Providers.
    - Issue and revision of several Manuals, Processes and Forms, totalizing 177 documents.
    - Issue and review of Policies and Plans, with a total of 25 documents.
- Transfer of the Data Protection sub-area of the Compliance and Legal area to the Organization and Project Management area in November 2021.
- Appointment, in November 2021, of a new head of the Risk Function.
- Appointment, in January 2022, of a new person responsible for the "Information Security Officer" function.

VII. RISK MANAGEMENT AND INTERNAL CONTROL

The Bank's Board of Directors is in charge of defining, implementing and periodically reviewing the Internal Control System to ensure that it is suited to the nature, size and complexity of the business and is properly aligned with the Bank's risk profile, with the goals of safeguarding:

- business continuity, by efficiently allocating resources and executing operations, effectively monitoring and controlling risk, carefully assessing assets and liabilities and securely controlling access to information and communication systems,
- existence of accounting and management information, both financial and non-financial, which is complete, reliable and timely so as to support decision-making and control processes; and
- compliance with the legal stipulations, internal directives and ethical rules and conduct as regards relations with customers, counterparties of operations, shareholders and the supervisors/regulators.

The Internal Control System's core functions – Risk Management, Compliance and Internal Audit – are equipped with the material and human resources needed to fulfil its mission with the independence, standards and effectiveness required for the Bank to properly conduct its business.

The Compliance and Legal area (CPL) represents the Compliance function, and is responsible for promoting the Bank's and its employees' compliance with the laws, regulations, Code of Ethics and Conduct and applicable norms, as well as preventing and combating the practice of money laundering and terrorism financing crimes, through:

- support to the Bank's Board of Directors in the implementation of a compliance policy, with the aim of fostering a culture of compliance in the Bank,
- monitoring and evaluation of internal control procedures for the prevention of money laundering and the financing of terrorism, the centralization of information in this area and its communication to the competent authorities,
- providing information to the Board of Directors on any indications of violations of legal and regulatory obligations, rules of conduct and customer relationship rules or other

duties that may impute, to the Bank or its employees, sanctions and/or administrative offenses and/or may represent a reputational risk or asset damage,

- actions aimed at the adoption of appropriate measures to stop possible non-compliance and prevent the occurrence of similar situations and maintenance of the respective registry,
- promoting the quality and effectiveness of customer complaint handling, periodic monitoring of the quality of these procedures and reporting to the Board of Directors, the Executive Committee and the Supervisory Board on the number, nature and implications of customer complaints,
- promoting training for the Bank's employees with the aim of fostering a more present control culture as well as increasing their understanding of compliance risk, namely in those matters considered to be of higher risk,
- ensure the execution of the Internal Control Interlocutor's functions,
- participation in the approval process of new products, from a legal and regulatory compliance perspective, and monitoring the risks inherent to the implementation and commercialization of products and services,
- follow-up and monitor the proper application of governance procedures on the marketing of products, through the development of periodic analysis of these procedures and the preparation of proposals addressed to the Board of Directors and other members of senior management with a view to changing the procedures in place if there are current or potential risks of legal or regulatory non-compliance,
- monitoring the assessment of the Bank's Compliance Risk, carrying out control actions with the objective of assessing the degree of compliance with legal and regulatory requirements and the recommendations of the supervisory authorities, as well as with the Code of Ethics and Conduct and internal regulations, and proposing the implementation of new standards, advising the various areas on possible issues relating to compliance with the elements listed,
- conducting compliance tests with the legal and regulatory provisions, through a structured program of compliance verification, regularly reviewed and adapted to the processes with the highest compliance risk,

- Documentation of policies, means and procedures aimed at disseminating a Compliance culture, preparation and approval of the regulatory framework, ensuring that it is appropriate to the General Data Protection Regulation, participation in the implementation of structuring projects, integrating the respective working groups,
- Contribution to the definition and implementation of the Bank's Internal Control System, prior analysis of operations with related parties and others involving the assumption of relevant compliance risks and
- Promotion of training actions for employees on Compliance issues, namely prevention and combat of money laundering, Bank values and rules of conduct.

The Internal Control and Risk area (CIR) represents the Bank's Risk Management function, and is responsible for identifying, assessing, monitoring, controlling and reporting on the various categories of risks relevant to the activity carried out, with the aim of obtaining a substantiated understanding of their nature and magnitude. This function is performed independently from the risk-taking areas. The scope of its action includes active participation in the management of limits and in decisions that significantly alter the Bank's risk profile, and it is assured full access to all activities, documents, information and controls considered relevant to the exercise of its functions, as well as having direct access to the management and supervisory bodies.

The Bank has internal rules governing the management and control of business risks, as laid out in policies and manuals, duly incorporated into the powers of the management and control boards. Whenever necessary the areas, in articulation with the Organization and Projects area, promote the revision of policies and procedures, which are scrutinized by the supervisory body under the Normative Management Policy and approved by the administration body and communicated to the Bank's structural bodies.

In addition to systematic risk management and implemented controls, and in accordance with the regulations in force, the Bank promotes stress testing and scenarios for the main risks on the balance sheet, as well as quantifying the economic capital for the most relevant risks.

Internal Control Committees (ICC) are held with a frequency appropriate to the Bank's activity, usually monthly, with the presence of members of the Board of Directors and of the management bodies most involved in this area, as well as the Supervisory Board. These committees have associated regulations that promote the best standard practices for such forums, including the formalization, validation and approval of meeting minutes and following of a pre-determined agenda, notwithstanding the discussion of other matters that require attention.

Compliance Committees are also held, subject to rules established in specific internal regulations, constituted for the purpose of monitoring the Bank's activity, in order to ensure proper compliance with the objectives and duties of the Compliance function and held at least quarterly. The operation of the Committee is based on a general and annual program of activities that includes the dates of the meetings, describes the work of a regular nature to be carried out and defines the scope of the results to be obtained. As in the case of the ICC, there are minutes that are validated and approved by all Committee members, as well as respect for a pre-set agenda and debate on other unplanned matters that require attention, observing the general terms of operation outlined above.

Like the IAC, the Asset and Liability Management Committee (ALCO) is also held, subject to rules and standards defined in specific regulations, where members of the Board of Directors meet, as well as the heads of the management bodies that are more related to this particular component of the Bank's activity, as well as the Supervisory Board. The frequency of this Committee is also adequate to the Bank's activity, being at least quarterly or more regularly if necessary. As with other committees, there are minutes that are validated and approved by all committee members, as well as respect for a pre-set agenda and discussion of other unplanned matters that require attention.

In addition to the committees mentioned above, the Bank has implemented a Risk Monitoring Committee (CAR), in force since 2019, and a Credit Committee (CC), which, under their own regulations and obeying the member operating criteria underlying the committees, are forums for internal debate between the management/administration body, control functions and other areas. Both the CAR and the CC meet as often as required, usually monthly or biweekly. The Supervisory Board also participates in these forums, whenever this body deems it necessary for the fulfilment of its activities of supervision of the Bank's activity and risks.

Given the development of its activity, the main risks to which the Bank is exposed, as identified by the Board of Directors, are considered to remain, and are presented in greater detail below.

CREDIT RISK

General Principals

This risk materializes in the losses recorded in the credit portfolio, due to the inability of borrowers (or their guarantors, when they exist), to comply with their credit obligations. The control and mitigation of credit risk are ensured through a solid and reliable structure of risk analysis, assessment and monitoring and models, which are supported by internal systems.

Since this is a relevant risk for the Bank, there is a constant search for the acquisition and applicability of the best local and international practices. During 2020, we sought to provide the Credit Risk and Models and Reporting sub-areas and the Risk Control function with tools whose objective is to provide greater capacity for the early detection of warning signs of portfolio default, to enrich the collateral management and monitoring processes, and to strengthen the management of non-performing and restructured exposures.

Banco BNI Europa presents a credit risk exposure at the end of 2021, according to a management perspective, comprising the following items:

- Credit in the form of loans granted directly to the respective borrower(s) or in the form of receivables that give the Bank the right to hold cash-flows from credit granted directly by other entities,
- Credit in the form of structured bonds, whose underlying assets are credit granted directly or receivables on credit granted that may be owned entirely or in part, and
- Investments and Cash on Hand at Credit Institutions and Central Bank.

Quantitative data as of December 31, 2021

On December 31, 2021, the exposure to credit risk shows an amount of 198 million euros (excluding impairments) which reflects a decrease of 31%, when compared to 2020. It should be noted that considering only the exposure relative to credit risk arising from operations with direct clients or through structured bonds, this is 95 million euros (gross of impairments), also reflecting a reduction of 29% in relation to 2020.

The detail of the exposure to credit risk is presented in the following table, together with the value of the respective Impairments:

Figures in thousands of euros

Item	Exposure	Impairment	Impairment Rate	Net Exposure
Credit granted directly	77.783	5.446	7,0%	72.337
Underlying structured bond credit	17.189	4.679	27,2%	12.510
Cash Equivalents and Investments at Credit Institutions and Central Banks	113.681	95	0,1%	113.586
Total Balance Sheet	**208.653**	**10.220**	**4,9%**	**198.433**
Total Non-Balance Sheet	**33.288**	-	**0,0%**	

The information presented in the table above was prepared according to the credit portfolios, with the reconciliation with the accounting figures as follows:

figures in thousands of euros

Credit in Structured Bonds		Of which: liquidity, accrued interest and other values				Of which:			
Description	Accounting - Gross Value	Cash included in the Bond	Bonds' Interest	Deferred Expenses	Total liquidity, accrued interest and other values	Credits sold from the Portfolio	Gross Credit included in the Bond	Impairment	Net Amount
Fintex Auxmoney	5.899	497	22	-	518	1.360	4.021	2.091	3.808
Fintex Upgrade	2.000	206	9	48	263	640	1.096	714	1.286
Crosslend - Lendable	2.705	196	18	61	276	-	2.429	1.117	1.587
Crosslend - Market Finance	3.452	627	1	-	628	-	2.824	48	3.405
Funding Circle - Camomile	1.955	87	9	12	108	-	1.848	540	1.415
Prodigy Finance	379	-	3	-	3	-	376	166	213
	16.391	1.614	62	121	1.796	2.000	12.594	4.677	11.714
	Note 22				Note 22	Note 22	Note 22	Note 22	Note 22
Corporate Bonds	798	-	-	-	-	-	798	3	795
	17.189	1.614	62	121	1.796	2.000	13.392	4.680	12.509
	Note 22				Note 22	Note 22	Note 22	Note 22	Note 22

The summary of the gross amount, impairment and net amount per structured obligation, as of December 31, 2021 can be presented as follows:

figures in thousands of euros

		Impairment:			
Description	Accounting - Gross Value	From Credit included on the Bond	From Sold Credits	Total	Net Amount
Fintex Auxmoney	5.899	731	1.360	2.091	3.808
Fintex Upgrade	2.000	74	640	714	1.286
Crosslend - Lendable	2.705	1.117	-	1.117	1.587
Crosslend - Marketinvoice	3.452	48	-	48	3.405
Funding Circle - Camomile	1.955	540	-	540	1.415
Prodigy Finance	379	166	-	166	213
	16.391	2.677	2.000	4.677	11.714

Structured bonds, whose underlying asset is credit in the total amount of 16 391 thousand euros, include about 4 677 thousand euros of impairment associated with the credits included in them.

The balances in credit institutions and investments in central banks are analyzed as follows:

Figures in thousands of euros

Item	Cash Equivalents and Investments at Credit Institutions and Central Banks		
	Gross Exposure	Impairment	Net Exposure
Cash and cash equivalents at Central Banks	96.612	-	96.612
Cash and cash equivalents at Credit Institutions	9.890	75	9.815
Investments at Credit Institutions	6.530	19	6.511
Margin Call	650	2	648
Total	**113.682**	**96**	**113.586**

The amount related to Margin Call corresponds to the collateral ceded in the scope of the derivative negotiation with Haitong Bank.

Accordingly, on 31 December 2021, cash and cash equivalents and investments in credit institutions and Central Banks amounted to 114 million euros, which represents an increase of 16% compared to December 2020.

In terms of off-balance sheet accounts, with regard to commitments to third parties associated with the granting of loans, Banco BNI Europa records 33 million euros, with this commitment being associated with the reverse mortgage.

- ## Segment Analysis

Total loans and advances to customers, including investments through structured bonds, are 94 million euros as at December 31, 2021, and are composed of loans granted directly to customers and investments in credit assets through structured bonds, covering mortgage loans, consumer loans, corporate loans and invoice discounting. The breakdown of loans and impairments based on this segment view is as follows:

Credit Segments	Credit	Total Impairment	Impairment Rate
Total Credit	**94.971.028**	**10.124.821**	**10,66%**
Residential	62.553.365	1.365.032	2,18%
Consumer	14.372.219	5.230.645	36,39%
SME	13.741.436	3.052.554	22,21%
Factoring	4.304.007	476.590	11,07%

The mortgage credit represents two products (both on direct credit to customers): Flex credit and Reverse Mortgage. The total accumulated amount of credits granted in this segment is 63 million euros, broken down as follows:

Credit Segments	Credit	Impairment	Impairment Rate
Total Residential	**62.553.365**	**1.365.032**	**2,18%**
Flex Family	25.740.160	1.099.259	4,27%
Reverse Mortgage	36.813.205	265.774	0,72%

From the standpoint of average LTV and maturity, in average terms, the Flex loan portfolio has an average LTV of 45,1% and an average maturity of 18,0 years and the reverse mortgage has an average LTV of 34,8% and an average maturity of 17,2 years.

The consumer, corporate and invoice discounting segments aggregate the two realities, credit granted directly and investment in credit through structured bonds.

Consumer loans are only for private customers and are divided by products as follows:

Credit Segments	Credit	Impairment	Impairment Rate
Total Consumer	**14.372.219**	**5.230.645**	**36,39%**
Puzzle Family	3.385.266	1.140.683	33,70%
Online Banking	3.862	1.047	27,11%
P2P Platforms	10.983.092	4.088.915	37,23%

The breakdown of the Corporate credit is as follows:

Credit Segments	Credit	Impairment	Impairment Rate
Total SME	**13.741.436**	**3.052.554**	**22,21%**
Internal Products	1.096.802	62.649	5,71%
P2P Platforms	12.644.634	2.989.905	23,65%

The factoring segment only reflects the corporate credit and has the following breakdown:

Credit Segments	Credit	Impairment	Impairment Rate
Total Factoring	**4.304.007**	**476.590**	**11,07%**
Edebex	851.607	429.062	50,38%
Market Finance	3.452.400	47.528	1,38%

It is important to note that loans to individuals represent 81% of total credit, with the remaining 19% corresponding to loans to companies (including factoring), to which must be added a distribution in different segments that allows for a quite adequate diversity, in terms of risk and maturities.

In terms of non-productive exposures (ENP), in the sense of the provisions of the EBA guidelines on the publication of non-productive or deferred exposures (EBA/GL/2018/10) of December 17, 2018, Banco BNI Europa shows an amount of 7 million euros, which represents 10,79% of total loans and advances to customers. The table below shows the distribution of the portfolio of loans and advances to customers between productive exposure (PE) and non-productive exposure (NPE). It should be noted that, as regards the loan portfolios arising from the business activity with credit platforms, in particular in the structured bonds component (investment in notes that are issued by credit securitization vehicles, whose underlying assets are loans acquired by the latter from platforms), the ratio is calculated taking into consideration the observation of each of the respective underlying assets, in the spirit of the look through approach.

Credit Performance	Credit	Total Impairment	Impairment Rate
Total Credit	**94.971.028**	**10.124.821**	**10,66%**
Productive Exposures	87.817.778	6.041.558	6,88%
Non-Productive Exposures	7.153.250	4.083.263	57,08%

The credit impairment recorded in the balance sheet totals 10 million euros, corresponding to a reduction of 1,7% compared to 2020, which stems from:

- write-downs and evolution of the performance and quality of customer risk,
- developments and recalibrations of the risk parameters of the impairment calculation models, and
- *Write-off of non-performing loans*.

The process of assessment and quantification of impairment on Banco BNI Europa's loan portfolio is defined in policy and the calculation methodology formalised in the Impairment Manual, in accordance with the provisions of IFRS 9 - Financial Instruments.

As at 31 December 2021, the breakdown of the total impairment recorded in the income statement, by client loan portfolio classification stage, is as follows:

Imparidade por Stage	Stage 1	Stage 2	Stage 3	Total
Total Imparidade - Crédito Vivo	**3.461.494**	**2.580.064**	**4.083.263**	**10.124.821**
Residential	605.628	421.813	337.591	1.365.032
Consumer	2.172.629	1.904.183	1.153.833	5.230.645
SME	635.709	254.068	2.162.777	3.052.554
Factoring	47.528	0	429.062	476.590

In addition to the Impairment calculation, the Bank also maintains a recurring process of assessing the quality of its credit portfolio, seeking to i) maintain an adequate risk diversification, ii) ensure the compliance with the limits set for the control of concentration risk and iii) evaluate the profitability indicators of its operations.

In the following tables, it is highlighted other credit quality indicators that the Bank considers when monitoring the credit risk.

Parameters	Volume (EUR)
Overdue Credit Exposure > 90 days	7.067.897
Overdue Credit Exposure > 30 days	10.494.381
Reestructured Exposures	879.267
Non-Productive Exposures	7.153.250
Credit Impairment	10.124.821

Parameters	Ratio
Overdue Credit > 90 days / Customer Credit (gross)	7,44%
Overdue Credit > 30 days / Customer Credit (gross)	11,05%
Restructured Credit/ Customer Credit (gross)	0,93%
ENP Ratio	10,79%

The following impairment coverage ratios are highlighted:

Impairment Coverage Rate *(gross warranties ratio)*	31/dez/20	31/dez/21
Coverage of Overdue Credit > 90 days	143,25%	120,18%
Coverage of Overdue Credit > 30 days	96,48%	80,38%
ENP Coverage	141,54%	90,43%

Investments in credit assets are regularly monitored and subject to risk control processes carried out by the Internal Control and Risk, Business and Credit Recovery areas in order to reduce the value of non-performing loans.

COUNTRY RISK

Country risk is linked to changes or specific political, economic or financial disturbances, in locations where counterparties operate, which can put full compliance of their contractual obligations at risk, despite their willingness to comply.

As regards the distribution by country of the exposures in Banco BNI Europa's credit portfolio (excluding cash and investments and including hedges), it is presented in the following table.

Country	Net Exposure	%
Spain	35.990	42,4%
Portugal	28.541	33,6%
Luxembourg	11.622	13,7%
Germany	6.879	8,1%
Cape Verde	852	1,0%
France	413	0,5%
The Netherlands	326	0,4%
Ireland	213	0,3%
Italy	10	0,0%
Others	-	0,0%
Total Credit	**84.846**	**100,0%**

The highest concentration is in Spain, with 42,4% of the exposures at the reference date of 31 December 2021, followed by Portugal, where the Bank is exposed to 33,6% of its portfolio. The exposure to Portugal arises from the granting of mortgage loans and consumer credit from the brands developed by Banco BNI Europa, while the exposure to Spain arises mainly from the mortgage lending activity (Inverse Mortgage). Among the remaining concentrations, we also highlight Luxembourg with 13,7%, deriving from a structured bond loan portfolio, Germany with 8,1% deriving from consumer and SME loans and Cape Verde related to the financing of a company owned by the Cape Verde state.

These 5 positions, which represent a total of 98,9%, are indicative of the geographic diversity that Banco BNI Europa imprints on its activity.

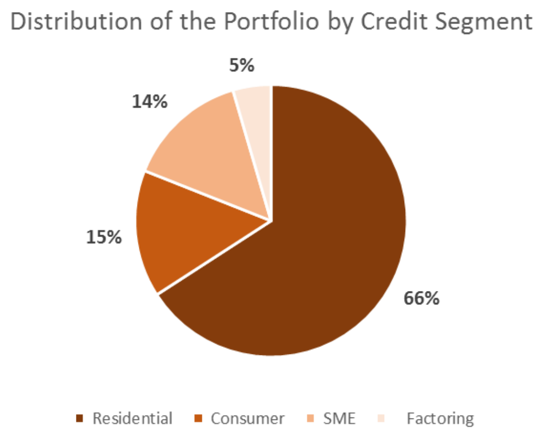
CONCENTRATION RISK

Concentration risk results from the potential capacity of a certain exposure or group of exposures to cause significant losses that jeopardize the Bank's solvency. Concentration risk may be associated with credit, liquidity, market or operational risk. This risk may arise from inadequate diversification policies and practices.

Although Banco BNI Europa's activity is still relatively recent, diversification has been a concern since its inception. Accordingly, the Bank has been promoting adequate diversification levels for its investments, both in terms of Financial Institutions and through the granting of loans and advances to customers, acquisition of credit granted by third parties and investments in investment portfolios.

As shown in the table referring to Country Risk, one can see that the Bank's loan portfolio is diversified among several countries, namely Portugal, Spain, Luxembourg, Germany and Cape Verde, among others.

With regard to the type of loans, and in accordance with what was referred to for Credit Risk, it can be seen that the total loans to customers, including investments through structured bonds, are distributed in a very diversified manner. In fact, the chart below shows that mortgage loans represent 66% of the portfolio, while consumer and SME loans correspond to 15% and 14%, respectively. The remaining 5% are associated with invoice discounting operations (factoring).



On the liability side, Banco BNI Europa's major source of funding are retail customers, individuals and institutional, from different geographies, given that the Bank raises deposits in a considerable diversity of countries in Europe.

Deposits are split between Individuals (90%) and Companies (10%), with the former typically much more stable than the latter. As far as the types of deposits are concerned, they are split between 77% term deposits and 23% demand deposits, which also generates more stability in BNIE's balance sheet. As far as the level of concentration is concerned, the top 5 deposits account for 4,6% of total deposits, so it can be considered a granular portfolio.

LIQUIDITY RISK

Liquidity risk results from the Bank's potential inability to fund its assets, to meet its liabilities on the due dates, potential difficulties in liquidating positions in portfolio and the inability to access funding under acceptable market conditions (spreads).

The Bank has internal processes for the management of liquidity risk that allow its identification, assessment and control, contemplating specific procedures for monitoring the maturity of contractual commitments. During 2021, the Bank continued to boost its market positioning with regard to the diversification of funding sources, namely through:

- Promotion of competitive offers for term deposits, through appropriate media, with high visibility in the market,
- Use of the Eurosystem, the funding mechanism promoted by the European Central Bank, and
- Access, if necessary, to intra-day credit at Banco de Portugal.

The management of the referred to sources of funding is essentially ensured by the Markets and Investments area and by the corporate and individual borrowing areas, always in articulation with the Internal Control and Risk function.

Reference should be made to the existence of a Liquidity Contingency Plan, promoted and monitored in articulation with the Internal Control and Risk function, integrating several procedures which allow Banco BNI Europa to seek funding in a more adverse situation.

MARKET RISK

Market risk is characterized by the likelihood of negative impacts on the results or on capital due to unfavourable changes in the market price of trading portfolio instruments caused by changes in stock prices, the price of commodities, interest rates or exchange rates. This risk is primarily associated with short-term positions in debt and capital instruments, currencies, commodities and derivatives.

At the reference date of this report, Banco BNI Europa had no portfolio of held-for-trading financial assets. Even so, the Bank monitors market movements and their respective impacts on its portfolio of Available-for-Sale Assets, using Value-at-Risk (VaR) calculation methods and setting limits for this risk measure.

FOREIGN EXCHANGE RISK

Foreign exchange risk involves the likelihood of negative impacts on the results or on capital due to unfavourable changes in exchange rates, caused by changes to the prices of instruments with open positions in foreign currency, or due to a change in the institution's competitive position because of major fluctuations in exchange rates.

As of December 31, 2021, in addition to operations denominated in euros, Banco BNI Europa has positions in US dollars (USD) and British pounds (GBP).

The Bank does not hold financial investments that may depreciate due to the effect of the exchange rate variation. On the other hand, it is Banco BNI Europa's policy not to keep materially relevant foreign exchange positions open, hedging operations or positions whenever the internally established risk level is exceeded. For this purpose, the Bank resorts to currency hedges contracted with financial counterparties, i.e. other financial sector entities that assume this risk in return for a remuneration for the risk assumed.

INTEREST RATE RISK

Interest rate risk in the banking portfolio is characterized by the likelihood of negative impacts on the results or on capital due to unfavourable changes in interest rates, staggered maturities or dates for adjusting interest rates, the lack of a perfect correlation between interest rates received and paid for various instruments, or the existence of embedded options in financial instruments on or off the balance sheet.

The Bank's strategy aims to approach the balance sheet with a balanced mismatch between liabilities and assets, and in the most representative currencies, seeking to ensure that interest rate sensitive assets have equivalent counterparts in liabilities. As a result of this mismatch, the impact on Banco BNI Europa's economic value of a 1 b.p. variation in the yield curve results in an economic loss of 8,3 thousand euros.

As regards Banco BNI Europa's banking portfolio, it should be noted that the Macaulay duration gap stood at 3,1 years as at 31 December 2021, as a result of Assets with a duration of 4,2 years and Liabilities of 1.4 years.

RISK OF NON-COMPLIANCE WITH LAWS, NORMS AND REGULATIONS

This risk involves the Bank's need to operate in accordance with the laws, rules, norms, regulations and domestic and international agreements governing its business, which must be safeguarded to avoid legal or regulatory penalties, financial losses or the loss of reputation through non-compliance with laws, regulations, codes of conduct, good practices, etc.

The Bank has been duly structured from an organizational and functional standpoint to ensure compliance with the regulatory requirements, with internal rules and policies addressing this risk, both in terms of the areas in charge of fulfilling obligations and in terms of the Compliance function, which is responsible for monitoring and safeguarding this risk.

Given the reinforcement of procedures and controls implemented throughout 2020 and 2021, and although the reduction in human resources has affected the control functions, the Board of Directors believes that the Bank has the necessary and sufficient means to adequately manage this risk, considering the existing level of activity.

INTERNAL CONTROL

Banco BNI Europa's Internal Control Function promotes and ensures the maintenance of an adequate Internal Control System and Environment, as well as a sustained risk culture, among the Bank's various organizational units. For this purpose, all processes are subject to risk identification, according to the risk matrix in use, and to the respective controls implemented to mitigate them.

In addition, the Bank has a repository of all identified deficiencies and improvement opportunities, which is monitored on a continuous basis within the Internal Control Function and the various areas where they apply. This monitoring results in a report that is shared on a monthly basis with the management and supervisory bodies, being subject of further debate within the Internal Control Committee, which took place on a monthly basis throughout 2021.

In order to increase the awareness for the Internal Control subjects, each area of the Bank appoints an employee who is in charge of all communication flows with the Internal Control Function, covering wide topics, such as risks, controls, identification of incidents (deficiencies, improvement opportunities and operational/reputational risks). It also covers subjects like regulations, norms and processes or new products/services, projects and/or initiatives, as well as quality control aspects.

Banco BNI Europa has an internal application where all the Bank's processes and regulations are safeguarded, being properly associated with the respective risks and controls. This application allows the communication between the various areas and the Internal Control Function, namely through the referred interlocutors for matters of Internal Control, which keeps their traceability.

During 2021, the Bank carried out the Internal Control Report, under the scope of Notice no. 3/2020 of the Bank of Portugal, in December 2021. In this area, there are procedures in place and formalised in the Internal Control Manual which is based on the principles and responsibilities for ensuring an adequate control environment. All the Bank's structures are involved in identifying deficiencies or aspects to be improved that contribute to the efficiency of its operation and to limiting operational risks.

Throughout 2021, through an action plan, the Bank monitored the implementation of activities related to the adoption of Notice no. 3/2020 and Instruction no. 18/2020, which made its Internal Control System more robust.

This action plan had an impact on the Bank's organizational structure and on its risk management and internal control system, with the intervention of multidisciplinary teams, led by the Risk Management Function (in the Internal Control sub-area), and was also closely monitored by the Management and Supervisory Bodies.

At the end of 2021, the aforementioned plan had an implementation level of 91%, with the remaining obligations included in measures to be implemented throughout 2022.

VIII. CORPORATE GOVERNANCE

According to the Bank's articles of association, its corporate bodies are the General Meeting of Shareholders, the Board of Directors, the Executive Committee, the Supervisory Board and the Statutory Auditor.

GENERAL MEETING OF SHAREHOLDERS

At the General Meeting of Shareholders, the shareholders decide on matters attributed by law or by the articles of association, together with all other issues not entrusted to other corporate boards.

The competencies of the General Meeting of Shareholders are those resulting from the law and those foreseen in the Articles of Association:

- Eleger:
  - The Chair of the General Meeting;
  - The members of the Board of Directors;
  - The members of the Supervisory Board; and
  - The Statutory Auditor.
- Constitute the Remuneration Committee and elect its members;
- Deciding on the Remuneration Policy of the Statutory Bodies;
- Assessing the Board of Directors' report, and discussing and voting on the balance sheet, the accounts and other legally required documentation;
- Deciding on the allocation of profits for the year;
- Deciding on any amendments to the articles of association and capital increases; and
- Handling all other matters for which it has been summoned, or for which it has been legally empowered.

VOTING RIGHTS

The Bank's capital is represented, as at December 31, 2021, by 13.500.000 ordinary shares with a par value of five euros each.

Pursuant to the Articles of Association, voting rights are assigned at the rate of one vote for every two hundred shares held, and shareholders holding fewer shares than the number required to confer voting rights may group together to make up the minimum required and be represented by any group member. There are no restrictions on voting rights.

COMPANY MANAGEMENT

The management and representation are exercised by the Board of Directors, which is composed of a minimum number of three members and a maximum of fifteen, including, in the case of the existence of non-executive members, at least one member which is eligible as independent under the applicable corporate law, being elected at the General Meeting of Shareholders for periods of four years and re-eligible.

The decisions of the Board of Directors are made by a majority of votes, with the Chairman having the quality vote.

The Board of Directors is in charge of exercising management and representation powers of the company, and carry out all acts needed to pursue the activities of its corporate purpose, namely:

- Managing the business of the Company and perform all acts and operations related to the corporate purpose that are not part in the attributed competence to other Company bodies;
- Representing the Company, in and out of court, as a plaintiff or defendant, authorized to withdraw, comprise and confess in any proceeding, as well as engaging in arbitration agreements;
- Acquiring, selling or, in any way, disposing or encumbering rights, namely those related to shareholdings, movable and immovable property;
- Establishing the administrative and technical organization of the Company and its internal functioning norms;
- Appointing proxies, judicial or others, with the powers deemed fit, including the power to appoint substitutes;

- Proceeding, by co-option, to the replacement of the Board Members definitively absent, keeping the mandate of the co-opted members until the end of the period for which the replaced directors have been elected, without prejudice of ratifying it on the following General Meeting of Shareholders;
- Exercising other powers attributed by law or by the General Meeting of Shareholders; and
- Defining the Bank's general policies.

To ensure its regular functioning, the Board of Directors delegates the day-to-day management of the Company to an Executive Committee, comprised of a minimum of three members, under the limits established in the decision that granted this delegation.

COMPANY OVERSIGHT

The Company's oversight is allocated to the Supervisory Board and to the Statutory Auditor.

Supervisory Board

Supervision of corporate business is exercised under the terms of the law by a Supervisory Board, composed of three effective members and one alternate. The members of the Supervisory Board, including its Chairman, are elected by the General Meeting for a four-year term, and may be re-elected.

The following are the attributions of the Supervisory Board:

- Overseeing the process of preparing and disclosing financial information;
- Overseeing the effectiveness of the internal control, internal audit and risk management systems;
- Receiving notifications of irregularities submitted by shareholders, company employees or other individuals;
- Overseeing the legal revision of the accounts; and
- Assessing and overseeing the independence of the statutory auditor, namely when providing additional services to the company.

STATUTORY AUDITOR

The Statutory Auditor is responsible for inspecting the Company's accounts, either through an individual statutory auditor or a firm with the status of Portuguese statutory auditor, being appointed by the General Meeting of Shareholders upon proposal of the Supervisory Board, for a four-year term, and subject for re-election. The Statutory Auditor must carry out all analyses and checks needed for the revision and certification of the accounts.

COMPANY SECRETARY

The Company has a secretary appointed by the Board of Directors, whose active duty meets with the term of office of the Board of Directors. The secretary's powers are those provided for by law.

RELATIONSHIPS BETWEEN THE COMPANY AND THE MANAGEMENT

There were no business dealings in 2020 between the Company and its managers.

IX. REMUNERATION POLICY

In order to comply with legal and regulatory requirements, the Board of Directors proposed to the General Meeting the approval of the Remuneration Policy ("PR") and subsequent changes that are included in the documentation supporting the agenda of the meetings held on March 21, 2016, July 15, 2016, March 26, 2017, December 7, 2018, April 6, 2020 and February 26, 2021. The information contained in this section also complies with the disclosure requirements set out in articles 46 and 47 of Bank of Portugal Notice no. 3/2020.

The amount of fixed remuneration paid to the Management Bodies in 2021 was 420.718 euros (616.760 euros in 2020). In the same period, the remuneration of the Supervisory Body amounted to 120.000 euros (87.300 euros in 2020).

In the 2021 fiscal year, the Management and Supervisory Bodies were not attributed any amounts by way of variable remuneration. In this financial year, there were also no deferred remunerations not paid, nor deferred remunerations paid or subject to reductions resulting from adjustments made according to the individual performance of the Management and Supervisory Bodies.

			Fixed Remuneration		Variable Remuneration
			Gross Amounts	**Net Amounts**	**Gross Amounts**
Pedro Nuno Munhão Pinto Coelho	Chairman of the Board of Directors/Chairman of the Executive Committee	Parcial Year	70.387	48.661	0
António Miguel Maurício Rola Costa	Member of the Board of Directors/Member of the Executive Committee	Full year	177.050	88.168	0
Nuno Luís do Rosário Martins	Member of the Board of Directors/Member of the Executive Committee	Full year	177.005	88.652	0
		Total Board of Directors	**424.442**	**225.481**	**0**

			Fixed Remuneration	Variable Remuneration
			Fees	**Gross Amounts**
Telmo Francisco Salvador Vieira	Chairman of the Supervisory Board	Full Year	48.000	0
Isabel Gomes de Novais Paiva*	Member of the Supervisory Board	Full Year	36.000	0
João Carlos Espanha Pires Chaves	Member of the Supervisory Board	Full Year	36.000	0
		Total Supervisory Board	**120.000**	**0**

** on behalf of Isabel Paiva, Miguel Galvão & Associados SROC Lda*

The fixed remuneration component of the Management Boards, despite of being a pecuniary compensation, can also include benefits in kind, namely the food allowance and insurance, as well as contributions to the pension fund and other benefits, if approved by the responsible body.

The combined remuneration of internal employees, recorded as staff costs and broken down by business area, is shown in the following table:

Figures in euros

Area	Gross Remuneration		
	Fixed	Variable	Total
Business Units	520.120	0	520.120
Support Areas	886.971	6.894	893.865
Control Areas	578.903	0	578.903
Total	**1.985.994**	**6.894**	**1.992.888**

The amounts detailed on the table below include the remuneration of 12 employees whose professional activity has a significant impact on the risk profile of the Bank (“CISPR”). The aggregated remuneration of these 12 CISPR were:

Figures in euros

Category	Gross Remuneration		
	Fixed	Variable	Total
Holders of positions with significant impact on the risk profile	702.539	0	702.539
Total	**702.539**	**0**	**702.539**

Thus, no CISPR benefited from variable remuneration or any allocation of shares, options, benefits in kind or deferred remuneration (paid or to be paid in the future). Nor were any allowances paid or awarded for the hiring or severance pay of any CISPR.

None of the CISPR or member of the statutory bodies received a remuneration equal or above 1 million euros.

Due to the Bank's size, there is no Remunerations Committee. The RP is submitted by the Board of Directors to the approval of the General Meeting of Shareholders. The RP seeks to guarantee that the remunerations paid by the Bank are adjusted to the objectives of the Bank's activities, its risk strategy, the culture and corporate value and the long-term interests of the Bank and its shareholders. The Board of Directors (or the Executive Committee through delegation of powers) has the power to establish the remuneration of the CISPR.

The Bank also provides to the Management Boards and to the CISPR a set of working tools, including the use of a service vehicle and/or reimbursement of travel expenses incurred in service, the use of remote work means, including a laptop, and the use of mobile communications and/or reimbursement of communication costs incurred in service.

The fixed remuneration is established based on different salary levels, considering the level of responsibility, market practices and complexity associated with each function.

The maximum limit of the variable remuneration component is fixed as a percentage of the fixed remuneration component or by an absolute value and cannot exceed the value of the fixed remuneration component.

The attribution of a variable remuneration component aims to motivate and reward employees who demonstrate high levels of performance, in addition to what is required, and who contribute to the strengthening of relations with customers and investors. It is also for employees that generate results for the Bank, increase shareholder value and ensure compliance with internal control rules, through a compliance assessment of previously defined objectives and through the existence of competence profiles associated with each function. The definition of objectives is carried out in accordance to the Bank's strategic objectives and its annual and multi-annual fulfilment, upon previously determined timeframes that are adequate to the Bank's maturity stage.

X. FUTURE OUTLOOK

The factors mentioned in **Chapter V - Macroeconomic Environment**, and especially the conflict that erupted in Ukraine, accentuate an even greater degree of uncertainty compared to what is usually expected at the beginning of each year - including the recent years of the COVID-19 pandemic.

The impossibility of establishing not only a forecast of the evolution of the main economic indicators for 2021, but also a reference framework for this purpose, accentuates the character of uncertainty that prevails.

With the main national and international organizations and institutions currently revising their economic estimates for 2022, replacing the projections and estimates previously presented and which have lost all relevance, the evolution of the war in Ukraine and the measures, not only economic but mainly political and warlike, that Russia, the European Community, the United States of America, China and other economic blocks directly affected by this conflict will adopt, are awaited with increased anxiety worldwide.

Although the possibility of recovering the world economic order that prevailed prior to this conflict is always admissible, the economic sanctions imposed on Russia, the response measures that Russia has announced, and the complex movements of the main world powers do not point in that direction.

While in the predominant COVID-19 pandemic scenario, a perspective was always maintained of a temporary reduction of economic activity and subsequent resumption of national and international economic relations in similar fashion to that prior to this scenario, the escalating conflict in Ukraine is densifying the threat of stagflation (high inflation and low - or negative - growth), of increased unemployment, of rationing and suspension of economic relations and activities, the re-establishment and recovery of which appear to be very difficult - at least in the short and medium term.

As always, Banco BNI Europa's Board of Directors keeps this context under permanent review so as to, if necessary, adjust the business model and risk matrix in accordance with the changes in the market from the point of view of demand, the risk/return ratio and the risk profile adopted in the Bank's management.

As regards the outlook for Banco BNI Europa, and in view of the actions and processes currently underway, the Board of Directors is convinced that, supported by the current sole shareholder, in articulation with the Banco Master, the Bank will pursue a trajectory of consolidation of its balance sheet risk, with the essential purpose of preserving the Bank's capitalisation, with recourse to lower risk operations (mainly mortgages) and the continuation of the discontinuation and suspension of the commercialization of higher risk products, awaiting a foreseeable change in this course and the definition of a new strategy with the successful conclusion of the sale of the Bank's share capital currently in progress.

Nevertheless, and even within this framework of activity, the Bank will not cease to seek to promote essential and distinctive values of its activity and positioning in the financial sector, through a continued and articulated focus on differentiation in relation to the market, on maintaining brand awareness and reputation, based on efficient processes in customer relations.

XI. SUBSEQUENT DEVELOPMENTS

Governance

- By communication received by the Bank on February 25, 2022, António Miguel Maurício Rola Costa submitted his resignation as a member of the board of directors, which will take effect on April 1, 2022.

- During March 2022, and according to indications from its sole shareholder, Banco BNI Europa hired three coordinating directors to monitor the activity of the Bank's areas and prepare the business strategy to be implemented in the context of the sale process of Banco BNI Europa to Banco Master.

- On March 16, 2022, the Bank submitted to the Bank of Portugal a Fit & Proper process for the appointment of the governing bodies for the next mandate, a process that is currently under appreciation by the Bank of Portugal.

Business Plan 2022-2024

- On February 16, 2022 the Bank and the sole shareholder approved the Business Plan 2022-2024, which was submitted to the Bank of Portugal on the same date. This Plan was prepared based on the Bank's most recent financial position at the date of preparation, and considered:
    - the introduction of projections and estimates for the years 2023 and 2024 (based on the same strategic options previously assumed),
    - capitalisation measures adjusted to the time horizon of the 2022-2024 Business Plan,
    - the reinvestment and possible reinforcement of the Bank's activity support structure, in order to provide it with the technical and human resources indispensable for the current activity and prepare it for the new activity and business lines to be introduced by the new capital investor,

- the maintenance of the suspension of unsecured credit products, namely consumer credit products and credit cards,
- the continuation of mortgage-backed lending activity, albeit exclusively for the FLEX product and subject to more restrictive risk criteria and shorter average maturities
- the maintenance of more limited correspondent banking services, and
- the adequacy of customer resources to the needs of the activity and liquidity management, also including through short-term treasury investments.

Shareholder Control

- Under the terms of the SPA signed between Banco BNI, Banco BNI Europa's sole shareholder, and Banco Master, on March 25, 2022, Banco Master has filed with the Bank of Portugal the process for the acquisition of the entire share capital of Banco BNI Europa. This process is now at the appraisal stage for subsequent decision by the Bank of Portugal and the European Central Bank.

Covid-19 Pandemic

- As mentioned in **note 46**, the Board of Directors believes that the financial statements for 2021 already reflect all materially relevant effects that can be anticipated in this context, with the impacts described in that note.
- Although more than a year has passed since the outbreak of the pandemic, and it is still not possible to reliably determine and quantify the future effects of this pandemic, the Bank's Board of Directors considers that the going concern principle, underlying the preparation of the financial statements for 2021, remains valid since, based on its Business Plan 2022-2024 and measures contained therein, the Bank has the resources necessary to continue operations and business for the foreseeable future.

War in Ukraine

- The Board of Directors believes that the financial statements for 2021 already reflect all materially relevant effects that it is already possible to identify from this conflict.
- While it is not possible to reliably determine and quantify the future effects of this war, the Bank's Board of Directors believes that the going concern principle underlying the preparation of the FY 2021 financial statements remains valid as, based on its 2022-2024 Business Plan and measures therein, the Bank has the resources necessary to continue operations and business for the foreseeable future.

XII. PROPOSAL FOR ALLOCATION OF PROFITS

The Board of Directors proposes to the General Meeting that the negative net result for the year ended December 31, 2021, amounting to -5.245.346,54 euros (five million two hundred and forty-five thousand, three hundred and forty-six euros and fifty-four cents), be applied to the following item:

- Retained Earnings: -5.245.346,54 euros (five million two hundred forty-five thousand, three hundred forty-six euros and fifty-four cents).

XIII. ACKNOWLEDGEMENTS

The Board of Directors would like to thank everybody who collaborated with the Bank in 2021, especially its employees, suppliers, service providers, partners and other governance bodies.

XIV. OTHER INFORMATIONS

Under the terms of Article 64 of Bank of Portugal Notice no. 3/2020, the Bank will ensure full disclosure of this report and accounts to the public on its website, in https://bnieuropa.pt/o-banco-bni-europa/informacao-financeira/, within a maximum of 30 days after approval by the competent corporate body.

Lisbon, 30 March 2022

_________________________	_________________________
Nuno Luis Martins	Miguel Rola Costa
(Member)	(Member)

FINANCIAL STATEMENTS

BNI – BANCO DE NEGÓCIOS INTERNACIONAL (EUROPA), S.A.

Balance Sheet on 31 December 2021 and 2020

	Notes	Dec 2021 Euros	Dec 2020 Euros
Assets			
Cash and cash equivalents in central banks	15	96.611.880	87.008.402
Cash on hand at other credit institutions	16,12	9.889.671	2.006.923
Other financial assets at fair value through profit or loss	17		
Financial assets not held for trading mandatorily at fair value through profit or loss	18	4.027.720	-
Other financial assets at fair value through other comprehensive income	19	-	410.547
Financial assets at amortised cost			
Investments at credit institutions	20,12	6.434.871	3.474.876
Loans to customers	21,12	72.336.244	81.372.743
Debt securities	22,12	12.509.587	112.955.273
Hedging derivates	23	169.391	-
Tangible assets	24	400.315	1.471.431
Intangible assets	25	1.712.045	2.284.225
Current tax assets	26	2.353	-
Deferred tax assets	27	10.205.892	8.776.578
Other assets	28,12	1.647.825	5.471.786
Total Assets		**215.947.794**	**305.232.784**
Liabilities			
Financial liabilities at fair value through profit or loss	17		
Held-for-trading financial liabilities	18	6.151	1.340
Finacial liabilities at amortized cost			
Central banks' resources	29	12.094	14.338
Resources of other credit institutions	30	5.635.080	43.937.991
Resources from customers and other loans	31	175.003.419	235.335.583
Hedging derivatives	23	810.211	2.694.993
Provisions	12	890.401	206.754
Current tax liabilities	26	90.655	137.044
Other liabilities	32	2.334.117	3.992.812
Total Liabilities		**184.782.128**	**286.320.855**
Equity			
Capital	33	67.500.000	50.000.000
Revaluation reserves	34	-	916
Other reserves and retained earnings	35	(31.088.987)	(22.144.921)
Net result for the year		(5.245.347)	(8.944.066)
Total Capital		**31.165.666**	**18.911.929**
Total Liabilities and Equity		**215.947.794**	**305.232.784**

THE CHARTERED ACCOUNTANT

THE BOARD OF DIRECTORS

The attached explanatory notes are an integral part of the financial statements

BNI – BANCO DE NEGÓCIOS INTERNACIONAL (EUROPA), S.A.

Income Statement on 31 december 2021 and 2020

	Notes	Dec 2021 Euros	Dec 2020 Euros
Interest and similar income	4	8.032.123	13.480.484
Interest and similar expenses	4	4.892.151	7.097.108
Strict financial margin	4	**3.139.972**	**6.383.376**
Income from capital instruments		-	-
Financial margin		**3.139.972**	**6.383.376**
Income from services and fees	5	380.056	754.047
Service and commission expenses	5	117.510	161.747
Asset and liability results at fair value through profit or loss	6	22.910	1.546.141
Currency revaluation results	7	23.130	480.817
Result of derecognition of financial assets and liabilities at amortized cost	8	(80.696)	12.152
Results from assets measured at fair value through other comprehensive income	6	(533)	-
Other operating income	8	(27.970)	(688.953)
Banking product		**3.339.359**	**8.325.833**
Staff costs	9	3.601.366	4.490.188
Gastos gerais administrativos	10	3.739.578	4.542.965
Amortisation and depreciation	11	1.842.818	2.215.050
Operating costs		**9.183.762**	**11.248.203**
Operating result		**(5.844.403)**	**(2.922.370)**
Impairment of financial assets at amortized cost	12	436.419	6.381.631
Impairment of other assets (net)	12	(422.489)	1.807.675
Other provisions	12	693.345	36.455
Impairments and provisions		**707.275**	**8.225.761**
Result before taxes		**(6.551.678)**	**(11.148.131)**
Current taxes	13	122.717	137.044
Deferred taxes	13	(1.429.048)	(2.341.109)
Taxes		**(1.306.331)**	**(2.204.065)**
Net result for the year		**(5.245.347)**	**(8.944.066)**
Basic earning per share	14	(1,04)	(1,04)
Diluted earnings per share	14	(1,04)	(1,04)

THE CHARTERED ACCOUNTANT

THE BOARD OF DIRECTORS

The attached explanatory notes are an integral part of the financial statements

BNI – BANCO DE NEGÓCIOS INTERNACIONAL (EUROPA), S.A.

Statement of Changes in Equity on 31 December 2021 and 2020

	Total Equity	Capital	Fair Value Reserves	Other Reserves and Results Carried Forward – Legal Reserves	Other Reserves and Results Carried Forward – Results	Other Reserves and Results Carried Forward – Total	Net Result For the Year
31 December 2019	**20.403.201**	**42.550.000**	**(1.878)**	**228.619**	**(14.460.127)**	**(14.231.508)**	**(7.913.413)**
Allocation of income							
Legal reserve	-	-	-	-	-	-	-
Results carried forward	-	-	-	-	(7.913.413)	(7.913.413)	7.913.413
Capital increase	7.450.000	7.450.000	-	-	-	-	-
Revaluation reserves resulting from valuation at fair value	3.605	-	3.605	-	-	-	-
Deferred tax reserves resulting from the valuation at fair value	(811)	-	(811)	-	-	-	-
Net result for the year	(8.944.066)	-	-	-	-	-	(8.944.066)
31 December 2020	**18.911.929**	**50.000.000**	**916**	**228.619**	**(22.373.540)**	**(22.144.921)**	**(8.944.066)**
Allocation of income							
Legal reserve	-	-	-	-	-	-	-
Results carried forward	-	-	-	-	(8.944.066)	(8.944.066)	8.944.066
Capital increase	17.500.000	17.500.000	-	-	-	-	-
Revaluation reserves resulting from valuation at fair value	(1.182)	-	(1.182)	-	-	-	-
Deferred tax reserves resulting from the valuation at fair value	266	-	266	-	-	-	-
Net result for the year	(5.245.347)	-	-	-	-	-	(5.245.347)
31 December 2021	**31.165.666**	**67.500.000**	**0**	**228.619**	**(31.317.606)**	**(31.088.987)**	**(5.245.347)**

THE CHARTERED ACCOUNTANT

THE BOARD OF DIRECTORS

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BNI – BANCO DE NEGÓCIOS INTERNACIONAL (EUROPA), S.A.

Comprehensive Income Statement on 31 December 2021 and 2020

	Dec 2021 Euros	Dec 2020 Euros	dez 2019 Euros
Items subject to reclassification to results			
Change in the fair value of financial assets:			
Change in the year	(1.448)	3.605	12.502
Disposal of financial assets in the year	-	-	113.509
Tax effect	266	(811)	(28.353)
Other comprehensive income for the year after taxes	(1.182)	2.794	97.658
Net result for the year	(5.245.347)	(8.944.066)	(7.913.413)
Total comprehensive income for the year	**(5.246.529)**	**(8.941.272)**	**(7.815.755)**

THE CHARTERED ACCOUNTANT

THE BOARD OF DIRECTORS

The attached explanatory notes are an integral part of the financial statements

BNI – BANCO DE NEGÓCIOS INTERNACIONAL (EUROPA), S.A.

Cash Flow Statement on 31 December 2021 and 2020

	Notes	Dec 2021 Euros	Dec 2020 Euros
Cash flow from operating activities			
Interest, fees and other income received		9.945.876	15.458.530
Interest, fees and other income paid		(5.788.249)	(7.039.548)
Payments to suppliers and employees		(8.090.065)	(10.192.849)
Other payments and receipts		2.818.729	9.697.085
		(1.113.709)	**7.923.218**
Change to operating assets and liabilities			
Loans to customers - amortized cost		6.640.692	3.009.262
Debt securities - amortized cost		98.689.163	116.156.900
Deposits by credit institutions and central banks		(38.274.613)	(66.982.525)
Customer funds		(59.584.118)	(19.794.913)
Derivados		189.065	(343.998)
		7.660.189	**32.044.726**
Cash flow net of operating activities, before income tax		**6.546.480**	**39.967.944**
Income tax paid		(171.460)	(80.728)
		6.375.020	**39.887.216**
Cash flow from investment activities			
Investments at credit institutions		(3.029.755)	-
Other financial assets at fair value through other comprehensive income		408.832	38.186
Acquisitions of tangible and intangible assets		5.966	(276.503)
Sale of tangible and intangible assets		199.999	106.990
Financial assets not held for trading mandatorily at fair value through profit or loss		(3.973.836)	1.875.985
Cash flow net of investment activities		**(6.388.794)**	**1.744.658**
Cash flow from financing activities			
Capital raise		17.500.000	7.450.000
Cash flow net of financing activities		**17.500.000**	**7.450.000**
Net change in cash and cash equivalents		17.486.226	49.081.874
Cash and cash equivalents at the start of the year		89.015.325	39.933.451
Cash and cash equivalents at the end of the year		**106.501.551**	**89.015.325**
Cash and cahs equivalents include:			
Cash and cash equivalents in central banks	15	96.611.880	87.008.402
Cash on hand at credit institutions	16	9.889.671	2.006.923
Total		**106.501.551**	**89.015.325**

THE CHARTERED ACCOUNTANT

THE BOARD OF DIRECTORS

The attached explanatory notes are an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTORY NOTE

BNI – Banco de Negócios Internacional (Europa), S.A. ("Bank" or "Banco BNI Europa") is a public limited company with head office in Portugal at Av. Eng. Duarte Pacheco, CC das Amoreiras Torre 1 - Piso 7, established through a public deed on 2 June 2009. The Bank derived from a change in name and company mission of BIT – TITANIUM, Consultoria de Banca e Seguros, S.A. which was transformed into a Bank through the public deed of 9 April 2012. When the company was established its core business was the provision of strategic and economic consultancy services for the banking and insurance sectors, provision of accountancy services, corporate consultancy and management, technical support for the establishment, development, expansion and modernization of financial and non-financial companies, promotion, marketing and prospecting of financial markets, and the company also had the capacity to take part in the establishment of or acquire holdings in companies that had missions different to the above, in consortia.

At this time, Banco BNI Europa's corporate purpose is limited to the banking business, including all supplementary, related and similar transactions compatible with this business and allowed by law. The Bank entered into the banking business on 16 July 2014.

NOTE 1

BASIS OF PRESENTATION

Under the provisions of Regulation (EC) N.º 1606/2002 of the European Parliament and of the Council of 19 July 2002, as transposed into Portuguese legislation through Decree Law n.º 35/2005 of 17 February and the Bank of Portugal's Notice n.º 5/2015 of 20 December, the Bank's financial statements have been prepared in accordance with International Accounting Standards ("IAS"), as adopted by the European Union.

These International Accounting Standards entail the application of International Financial Reporting Standards (IFRS) to individual financial statements, as adopted, at any given time, by the European Union Regulation and following the conceptual framework for preparing and presenting financial statements subject to these norms.

The IFRS include accounting standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and their predecessor bodies.

The Bank's financial statements for the year ended December 31, 2021 were prepared in accordance with IAS, which include the IFRS in force as adopted in the European Union until December 31, 2021, with the most recent changes and those expected for the coming years detailed in note 43.

These financial statements were approved in a meeting of the Board of Directors on March 30, 2022. The Board of Directors expects that they will be approved at the General Meeting without significant changes.

The financial statements are expressed in Euros and have been prepared under the historical cost convention, with the exception of assets and liabilities recorded at fair value. Note 43 details the fair value of financial assets and liabilities recorded in the Balance Sheet at amortized cost. The sums shown in the financial statements and respective notes may present small divergences resulting from rounding to the unit.

Preparing the financial statements according to the IAS requires the Bank to make judgements and estimates, and to use assumptions affecting the application of accounting policies and the amounts of income, costs, assets and liabilities. Any changes to these assumptions or differences vis-à-vis reality may impact current estimates and judgements. Areas involving a higher degree of judgement or complexity, or which use significant assumptions or estimates in preparing the financial statements, have been analysed in Note 3.

The financial statements were prepared in accordance with the going concern principle since the Board of Directors believes that, despite the constraints described in note 46, the Bank has the means and capacity to continue to develop its activity in the foreseeable future. For this judgment, the Board of Directors took into consideration the various information at its disposal on current conditions and future projections of profitability, cash-flows and capital. We point out that as a result of the contract entered into in December 2017 between the majority shareholder of Banco BNI Europa and an equity investor, in November 2019 the indispensable license to carry out this transaction was granted by the competent authorities, which delayed the deadlines for the achievement of the business metrics set out in the Business Plan approved for the three-year period 2019-2021 and imposed the redefinition of this Plan, through the new Business Plan 2020-2024. Moreover, it was only in early 2020 that it was possible to meet all the conditions contractually agreed in 2017 between the parties involved in this transfer, which, although met, did not prevent the Capital Investor from taking the definitive decision not to honour the contract entered into with Banco BNI, Banco BNI Europa's sole shareholder.

In this context, Banco BNI Europa's Board of Directors and its sole shareholder undertook a series of revisions to the approved Business Plan in order to adjust it to the new reality and, in parallel, has been developing actions to proceed with the transaction of the sole shareholder's participation in Banco BNI Europa's share capital to a new capital investor.

It is the expectation of Banco BNI Europa's Board of Directors that the transaction for the sale of the Bank's share capital currently underway will be completed in 2023, with future business development prospects depending on the completion of this transaction.

In this context, the accounting policies are consistent with those used in the preparation of the financial statements for the year 2020 and elements contained in this report and accounts for that year, with no restatement of any disclosures previously made and with no changes to be considered.

NOTE 2

MAIN ACCOUNTING POLICIES

The accounting policies used by the Bank in the preparation of its financial statements as at December 31, 2021 are consistent with those used in the preparation of the financial statements as at December 31, 2020.

We present below the significant accounting policies used in the preparation of the financial statements as of December 31, 2021. The information included in the notes to the financial statements of the comparative year corresponds to that disclosed in the prior year.

2.1 FINANCIAL ASSETS (IFRS 9)

Financial assets are recorded in accordance with IFRS 9. Asset adjustments on the date of transition to IFRS 9 were recognized in equity as of January 1, 2018.

2.1.1 CLASSIFICATION, INITIAL RECOGNITION AND SUBSEQUENT MEASURING

At the time of initial recognition, financial assets are classified into one of the following categories:

- Financial assets at amortized cost;
- Financial assets at fair value through other comprehensive income; or
- Financial assets at fair value through profit or loss.

This classification is done taking the following into account:

- The Bank's business model for managing financial assets;
- The characteristics of the financial assets' contractual cash flows, assessing the pattern of their occurrence on specific dates and which correspond only to payments of principal and interest on the amounts due (SPPI – *Solely Payments of Principal and Interest*).

When assessing whether the contractual cash flows correspond only to the receipt of principal and interest (SPPI), the principal component corresponds to the fair value of the financial asset at the date of initial recognition, and the interest component corresponds to the consideration for the temporal application of capital, for the credit and liquidity risks associated to this application and for the profit objectives intended for the effect of developing this activity.
Also in this context, and in the analysis of the financial instruments that generate the flows for which the contractual cash flows are evaluated, the original contractual conditions of the financial instrument are considered, namely for the eventuality of the occurrence of events that

may modify the periodicity and the values of the cash flows in such a way that they do not comply with the SPPI conditions, namely:

- prepayment or maturity extension provisions, including embedded derivatives,
- provisions that may prevent or limit the right to access or claim the cash flows,
- contingent events that may modify the timing or value of cash flows, including the respective agreed remuneration,
- provisions that allow leverage.

A financial contract or instrument with prepayment provisions may comply with the SPPI conditions, namely if the amount of the prepayment corresponds to the unpaid amounts of principal and interest, in this case on the principal amount outstanding (accrued amount), as well as if it includes a reasonable compensation for the advanced payment (administrative and operational costs indispensable for this purpose).

Similarly, an advanced payment may comply with SPPI conditions if:

- the contract or financial instrument that originated it was acquired or originated at a premium or discount to the contractual nominal value,
- the prepayment essentially corresponds to the nominal amount of the contract plus the contractual interest accrued and unpaid, eventually increased by reasonable compensation for the prepayment, and
- the fair value of the prepayment is immaterial on initial recognition.

2.1.1.1 BUSINESS MODEL

The framework of a financial instruments in terms of the business model is the first step in its classification, by analyzing its purpose. IFRS 9 lays out three different business models:

- Hold to collect contractual cash flows (Hold to Collect);
- Hold to collect contractual cash flows and sell (Hold to Collect & Sell);
- Trading.

The business model should reflect how the Bank manages a set of assets to achieve its goals. This activity considers a combined perspective and does not depend on management's intentions for financial instruments from an individual standpoint.

The analysis is done based on logic scenarios considered plausible and likely to occur, thereby excluding the so-called "worst case" or "stress case" scenarios.

The business model concept is wide-ranging, not merely dependent on one exclusive factor. Furthermore, there may be more than one business model in effect at an entity, since the financial investment portfolio can be managed heterogeneously.

2.1.1.2 HOLD TO COLLECT CONTRACTUAL CASH FLOWS (HOLD TO COLLECT)

Hold to Collect portfolios have the following distinguishing features:

- Their purpose is contractual cash flows reception;
- The assets are measured to the amortized cost (SPPI) positions;
- The provided sales information is relevant, being the strategy evaluation and/or the expectation of future sales determinant to the confirmation of the business model (it should not be expected significant or frequent sales of financial instruments in this business model).

To determine the origin of the asset's contractual cash flows, it is necessary to consider the following factors:

i) Frequency and value of the sales in previous periods;

ii) If the disposable assets were close to maturity;

iii) The caused associated to the disposal;

iv) The expectations of future sales.

The sales of financial instruments that arise from a significant increase of credit risk or that are executed to close to maturity, for a value close to the balance sheet value, do not jeopardize the business model, regardless of the frequency and magnitude of the sales.

The Bank's Hold to Collect & Sell portfolios are classified according to one of the following costing methods, considering the result of SPPI tests:

- Amortized Cost (in the event of SPPI positions)

The assets detained for the collect of contractual cash flows are exclusively managed to the obtainment of payments until de maturity of the instrument in question, being measured at the amortized cost.

- Fair Value through results (“FVTPL”) (in the event of non SPPI positions)

Despite the posteriorly defined business model on SPPI Test, it is detected contract clauses that result in cash flows that surpass the interest and capital payment, the instrument will be classified to the fair value, directly transitioning to results.

2.1.1.3 HOLD TO COLLECT CONTRACTUAL CASH FLOWS AND SELL (HOLD & SELL)

Hold to Collect & Sell portfolios have the following distinguishing features:

- They represent a higher and more frequent sales volume;
- The goal is broken down into the collection of contractual cash flows and the collection of cash flows through the instrument’s sale.

One scenario that may sustain the business model in question involves managing liquidity on a daily basis to sustain a given interest yield or even to match the duration of financial assets with the liabilities which they finance.

Comparing to the Hold to Collect business model, Hold to Collect & Sell typically involves a higher frequency and volume of sales, since the disposal is considered an integral part of the business model, and not a sporadic event. IFRS 9 has no threshold for the frequency or value of sales for classification in a given model.

The Bank’s Hold to Collect & Sell portfolios are classified according to one of the following costing methods, considering the result of SPPI tests:

- Fair value through other comprehensive income ("FVTOCI"), with recycling of results (in the case of SPPI positions)

  Financial asset portfolios, belonging to a business model simultaneously based on collecting contractual cash flows and their sale (via approval within the scope of SPPI tests), should be measured at fair value through other comprehensive income (FVTOCI).
- Fair value through profit/loss ("FVTPL") (in the case of non-SPPI positions)

Much like the Hold to Collect model, regardless of whether the instrument/portfolio falls under the business model in question, any failure in SPPI testing will result in measurement at FVTPL.

2.1.1.4 TRADING

Trading portfolios have the following features:

- Their goal is to attain cash flows through the disposal of assets;
- Assets are held for trading or managed per their fair value;
- Based on the assets' fair value or management of these assets to realize their fair value.

Financial assets held for trading are measured at fair value through profit/loss (FVTPL). The entity manages its portfolio with the purpose to attain cash flows through its sale, with underlying decisions being based on the assets' fair value. As a rule, this management entails proactive buying and selling of the instruments in question.

The Bank may also choose, in an irrevocable manner at the time of initial recognition, to account for any financial asset at fair value with variation in the results, if this designation significantly reduces or eliminates any inconsistency in valuation or recognition (accounting discrepancies) which would otherwise appear in the valuation of financial assets and liabilities or recognition of corresponding gains or losses. When such accounting discrepancies exist, this option may be exercised regardless of the business model employed or characteristics of contractual cash flows.

2.1.1.5 BUSINESS MODEL DETERMINATION CRITERIA

The Bank has established criteria for classifying its business under business models.

The re-appreciation of the defined business model will be conducted case-by-case, in the event of cumulative verification of the quantitative thresholds to evaluate if the sales are materially significant or frequent in the portfolios managed according to the Hold to Collect business model.

In addition to infrequent sales, insignificant sales and the sale of assets approaching maturity, sales arising from a higher asset credit risk or deterioration in the issuer's creditworthiness are considered potentially compatible with the hold to collect business model, when in line with the Bank's investment policy.

In analyzing the Bank's sales, to weigh up the consistency of the business model, the following specific situations are taken into account:

- Credit securitization: securitization transactions of financial debt instruments, which originate accounting unrecognition, are taken into account in testing sales, since they are comparable with actual sales;

- Regulatory imposition: sales made by regulatory imposition are taken into account for this test on past sales;

- Risk management: the risk management of financial debt instruments may cause certain assets to have to be sold to meet the Bank's predefined approved risk limits. Similar to the above situations, these sales are considered for testing on past sales. However, since there may be a significant time gap between the time of deciding on the sale and the actual sale of financial debt instruments, the financial instruments and respective quantity to be sold per the Bank's risk management must be determined at the time of deciding on the sale.

The qualitative criteria employed are based on portfolio management goals and strategies. These criteria aim to assess how to monitor the portfolio's performance, and whether fair value is a focal point of this monitoring. If it is, this factor indicates that the hold to collect model is not suited to this portfolio.

Another aspect to consider involves the risks associated with the portfolio in question. If the risks are typical of a credit portfolio, the hold to collect model may be appropriate; if there are more risks derived from market variables (beyond interest or exchange rates), this model may be less appropriate.

The evaluation and compensation of managers in determining the business model is also considered. Managers have a fixed and potential variable component as the basis of their remuneration. The compatibility of portfolio managers' compensation is assessed within the hold to collect business model, where a remuneration policy is considered compatible with a hold to collect business model when the fixed component accounts for a high percentage of total remuneration, and the variable component is not indexed to fair value performance or gains in the portfolio. Similarly, in the criteria for assessing manager performance, the portfolio's fair value performance is not considered relevant.

2.1.1.6 BANCO BNI EUROPA'S BUSINESS MODEL

In this regard, the Bank's business is focused on credit investment, whether through its own origination, investments in securities representing credit or the acquisition of credit originated by third parties. In addition, part of this business is dedicated to generating cash flows through maturity, while the remainder can be used to obtain gains (Hold to Collect and Hold to Collect & Sell).

At the same time, the Bank has its own securities portfolio whose goal is to contribute towards capital and liquidity management. This portfolio may be composed of sovereign and/or corporate securities and may be used to obtain cash flows through maturity and/or obtain gains.

In view of the above criteria, the different portfolios associated with different business models are as follows:

1) Credit and balances receivable (Hold to Collect)
    a. Securities portfolio
    b. Credit portfolio
2) Hold to Collect & Sell
    a. Securities portfolio
    b. Credit portfolio
3) Trading

Different areas are in charge of determining the business model, in accordance with the type of portfolio.

FINANCIAL ASSETS AT AMORTIZED COST

An asset is classified in this category if it meets all of the following conditions:

- The financial asset is held under a business model with the main goal to hold assets to collect their contractual cash flows; and

- Its contractual cash flows occur on specific dates and correspond only to principal and interest payments for the amount due (SPPI).

This category includes Investments at credit institutions, credit to customers and debt securities (sovereign bonds, corporate bonds and commercial paper).

Financial assets at amortized cost are initially recognized at fair value, plus transaction costs, and subsequently measured at amortized cost. These assets are subject to impairment losses for expected credit losses.

Interest from financial assets at amortized cost is recognized under the item “Interest and similar income” based on the effective interest rate method. Gains or losses generated at the time of unrecognition are recorded under the item "Results from the unrecognition of financial assets and liabilities at amortized cost".

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

An asset is classified in this category if it meets all of the following conditions:

- The asset is held under a business model with the goal to collect contractual cash flows and sell that financial asset;
- Its contractual cash flows occur on specific dates and correspond only to principal and interest payments for the amount due (SPPI).

Debt instruments at fair value through other comprehensive income are initially recognized at fair value, plus transaction costs, and subsequently measured at fair value. Changes in fair value are recorded against other comprehensive income; then, at the time of disposal, cumulative gains or losses in other comprehensive income are reclassified to results.

Debt instruments in this category are subject to impairment tests for expected credit losses. The estimated impairment losses are recognized in the results against other comprehensive income.

The interest, premiums or discounts of financial assets at fair value through other comprehensive income are recognized under the item “Interest and similar income” based on the effective interest rate method.

Equity instruments at fair value through other comprehensive income are initially recognized at fair value plus transaction costs and subsequently measured at fair value. Changes in fair value are recorded against other comprehensive income. Dividends are recognized in income when the right to receive them is attributed.

No impairment is recognized for equity instruments at fair value through other comprehensive income, and the respective gains or losses recorded in other comprehensive income are transferred to retained earnings upon unrecognition.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS

A financial asset is classified under this item if the business model for its management or the characteristics of its contractual cash flows do not meet the conditions for assets measured at amortized cost or at fair value through other comprehensive income.

The Bank classifies “Financial assets at fair value through profit/loss" in the following items:

i) Held-for-trading financial assets;

ii) Financial assets not held for trading at fair value through profit/loss;

iii) Financial assets at fair value through profit/loss.

These assets are initially recognized at fair value, with associated transaction costs recognized in the results at the initial moment. Underlying changes in fair value are recognized in profit/loss.

The accrual of interest and calculated premium/discount are recognized under the item “Interest and similar income", based on the effective interest rate, together with accrued interest from derivatives. Dividends are recognized in the results when the right to receive the dividends is attributed.

As of December 31, 2021, the financial assets held for trading correspond solely to the investment units held in the Fasanara II fund (Euros 4.027.720), which invests mainly in invoice discounting receivables (factoring and other receivables of a similar nature), and are valued (level 3 - see note 41) using the net asset value (NAV) reports published quarterly by the management entity.

RECLASSIFICATION BETWEEN CATEGORIES OF FINANCIAL ASSETS

Financial assets are only reclassified between categories if their business management model is changed.

The reclassification is done prospectively as of the reclassification date.

The reclassification of equity instruments measured at fair value through other comprehensive income and financial assets designated at fair value through profit or loss is not allowed.

MODIFICATION AND DERECOGNITION OF FINANCIAL ASSETS

The Bank only unrecognizes a financial asset when:

- The contractual rights to cash flows from the financial asset have expired;
- The contractual rights to receive cash flows from the financial asset are transferred;
- Risks and benefits are transferred. This assessment is done by comparing the Bank’s exposure before and after the transfer.

IMPAIRMENT LOSSES

CONCEPT OF CREDIT IMPAIRMENT AND AMOUNTS RECEIVABLE

In accordance with International Financial Reporting Standard 9 ("IFRS 9"), Banco BNI Europa recognizes a provision for expected credit losses in relation to a financial asset which is:

- Measured at amortized cost or at fair value through other comprehensive income; or
- An account receivable from leasing; or
- An asset resulting from a contractual agreement; or
- A commitment to grant credit; or
- A financial guarantee agreement which is not measured at fair value.

The Bank applies the impairment requirements for recognizing and measuring a loss allowance for financial assets that are measured at fair value through other comprehensive income, and the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset in the Balance Sheet.

MEASUREMENT OF EXPECTED CREDIT LOSSES

As provided for in IFRS 9, at each reporting date, Banco BNI Europa measures the expected credit loss (ECL) related to a financial instrument in order to consider:

- Expected credit losses over 12 months, if the credit risk associated with the financial instrument has not risen significantly since its initial recognition; or
- Expected credit losses over the instrument's duration, if the credit risk associated with the financial instrument has risen significantly since its initial recognition; or
- Expected credit losses if the financial instrument enters default.

For this purpose, the definition of default corresponds to the concept of default that comes from the EBA GL/2016/07 guidance on the application of the definition of default under Article 178 of Regulation (EU) N.º 578/2013. Therefore, the identification of default is made at the borrower level, based on criteria for counting days in arrears and for classifying clients with an improbability, or reduced probability, of payment, with detailed indicators being established for each of these criteria to determine the exposures in default.

Given that the measurement of expected credit losses is closely tied to the significant increase in credit risk (SICR), each financial instrument must be allocated to a stage, which dictates the applicable measurement. In this way, expected losses according to stages are defined as follows:

- Stage 1 - the ECL used is 12 months, with interest recognized based on the effective interest on the gross book value. The 12-month ECL is determined by expected credit losses resulting from default events which may occur in the 12 months following the reporting date. This does not entail shortcomings in money expected over the 12-month period, but instead the loss of all credit of an asset weighted by the likelihood that the loss will occur in the coming 12 months.
- Stage 2 – the ECL is recognized over its lifetime, with interest recognized in the same way as in stage 1. The lifetime ECL is defined as the expected losses resulting from all possible default events over the financial instrument's expected lifetime. Expected credit losses mean the average weighted credit losses, with the probably of default as the weighting factor.
- Stage 3 - For these assets, the ECL is recognized over its lifetime, with interest recognized based on the net balance sheet interest (i.e. net of impairment).

In the specific case of Platforms whose credit rights of the Bank are represented by debt securities (securitized Platform), if the book value of the debt securities is found to be lower than the estimated value of credits, liquidity and other rights held by the Platform, ECL is recognized corresponding to the entire difference.

In addition, the stage assigned to the securitized debt securities of the Platform results from the consideration of i) the distribution by stages, and their relative weight, of the receivables held by the Platform, ii) the holistic profitability of the Platform and iii) the estimated future profitability of the Platform.

With regard to Restructured Credit, the Bank will, as soon as facts that justify it occur, identify and mark, in its information systems, the credit contracts of a customer in financial difficulties, whenever there are changes to the terms and conditions of these contracts, resulting from the identification of "financial difficulties of the customer", these credits being classified in stage 3 and subject to cure periods as follows:

- If the situation that led to the stage 3 classification is related to a restructuring due to financial difficulties, the cure period to be applied before a potential stage 2 classification is 12 months;
- If the situation that led to the stage 3 classification is not related to a restructuring due to financial difficulties, the cure period to be applied before a potential stage 2 classification is 3 months.

At the level of the reverse mortgage loan portfolio, the inexistence of regular payments of principal or interest conditions the calculation of the probability of default of this portfolio. To overcome this conditioning, a specific methodology was implemented to calculate the expected loss of this portfolio, based on the expected loss on maturity of these contracts, regardless of the existence of a significant increase in credit risk, based on estimation methodology for this purpose.

DISCOUNT RATES

The discount rate applied in the calculation of impairment is determined by the interest rate charged by Banco BNI Europa, for a given credit operation, on the date of granting or renewal (in the case of revolving types), that is, the effective original rate of the contract.

For variable rate loans, the effective interest rate should be composed of the last indexer refixing, plus the spread applied on the granting date, while for fixed rate loans, the original rate of the contract should be considered. For discount purposes, the Bank will use the nominal rate.

CREDIT AGREEMENT TERMINATION POLICIES

In an invariant manner to the type of credit, Banco BNI Europa will adopt a resolution policy that will consist of changing the Customer's entire exposure to overdue credit as soon as any of the exposures that a common risk entity, individually, meets the criteria defined for such. In other

words, as soon as one of the loans or exposures held by a customer is in a situation of resolution of the respective credit contract, this measure will be applied at the Customer level, and the entire exposure held by this Customer at the Bank will be considered overdue.
Depending on the type of credit, the above policy will be applied if any of the following conditions are met:

- Consumer credit: After 120 days of default;
- Credit card: After 120 days of default;
- Mortgage loan: After 120 days of default, not applicable to the Reverse Mortgage;
- Loans to Small and Medium-sized Enterprises (SMEs): After 90 days of default;
- Unauthorized bank overdraft: After 90 days of default.

In the particular case of loans whose maturity coincides with the single payment of capital, accompanied or not by the respective interest (bullet loans, with payment of interest at the start of the period to maturity or at maturity), the loan becomes past due as soon as a borrower defaults, as there is no notion of instalment.

The process of resolution of the credit contracts with a customer will coincide with the termination of the commercial relationship between Banco BNI Europa and the Customer, and the latter will be blocked in the core banking system, so as to ensure that no future risk positions are taken with this entity or group of entities, save for the verification of criteria to be defined in commercial policies.

CREDIT WRITE-OFF POLICY

A loan is written off from the assets when it is considered wholly irrecoverable (i.e., without economic value) and the impairment recorded covers 100% of the total value of the exposure, regardless of whether all the bank's contractual rights relating to the respective cash flows have expired. Before writing off the loans, it should be ensured that all collection efforts regarded as appropriate are made.

In accordance with the different products which Banco BNI Europa allows in its credit portfolios, the different write-off policies are indicated below, i.e. the unrecognizing of the respective assets:

- Consumer credit and credit card: On principle, these assets will not undergo judicial proceedings, given their relatively low amounts and maturities. As such, they will be unrecognized either one year after their entire amount is overdue, or by decision of the business area, in both cases ensuring that they are indeed irrecoverable.
- Mortgage loans and company loans (SME or corporate): Unless a business area can demonstrate that a completely overdue position is entirely irrecoverable, all non-performing credit should undergo judicial proceedings. As such, the credit will be unrecognized either one year after a response from the judicial proceedings verifying their recoverability, or one year after justifying the unsuccessful enforcement of the verdict of the judicial proceedings in question.
- Credit originated via Platforms: Generally speaking, credit in litigation is managed by the platforms themselves as part of the service they provide, for which Banco BNI Europa pays a fee. However, some of these platforms may have repurchase agreements with investors in non-performing loans, allowing the systematic recovery of part of the overdue credit. Even so, these portfolios may have some type of specific procedure for a particular platform, whose policy entails the unrecognition of assets either immediately after their sale or one year after they are considered irrecoverable, as indicated by the platform itself. For portfolios without repurchase agreements, in general, the asset is unrecognized one year after entering into default.

It should be noted that the majority of platforms opt for a business model where the originated assets go to the institutional investors with which they are related, through vehicles, which may take different forms (such as securitization funds) with or without specific behaviours, structured bonds, being either open or closed, among others. Due to this preference in business models normally found in platforms, the process for unrecognizing individual assets is managed by the vehicle itself, where Banco BNI Europa only records the movements in the valuation of these vehicles, duly impacted by this unrecognition.

These policies are reviewed regularly by Banco BNI Europa to ensure their suitability concerning the standard practices in various business lines, particularly with regard to related platforms.

In January 2021, a policy for staging obligations representing indirect loans was implemented, revised to its final version in June 2021, which was applied to the financial statements for December 31, 2021. This policy establishes a methodology for analysing the underlying assets of these bonds, and based on criteria based on the distribution and relative weight of exposures in stages 1, 2 or 3, and the historical profitability of these assets, defines the stage in which the bond should be classified.

In June 2021, this policy was revised, and while maintaining the same basic criteria, the trigger levels were changed, resulting in more conservative classifications of these obligations, as well as now providing measures for derecognition of impairment if, from the analysis performed, it appears that the obligation is classified in stage 3. This revised policy was applied in the financial statements for June 30, 2021 and following.

PURCHASED AND ORIGINATED IMPAIRED FINANCIAL ASSETS

Purchased and originated credit impaired (POCI) loans are assets with objective evidence of credit impairment at the time of their initial recognition. An asset is credit impaired if one or more events have occurred with a negative impact on the asset's future estimated cash flows.

Reversal of credit impairment consists of reducing or cancelling, in a given reporting period, impairment amounts recorded in previous periods. The amount resulting from the reversal may not be higher than the previously recorded cumulative impairment amounts.

The Bank may reverse impairment amounts under the following circumstances:

- Payment, by the customer (without access to a new credit from the bank) of overdue interest and/or principal;
- When specific provisions are reduced;
- Improvement in risk class corresponding to the quality table;
- When new collateral is obtained or existing collateral increases in value;
- By increasing the value of collateral already existing and given as guarantee, provided that its valuation is less than 1 year old and has been performed by an independent appraiser (in the case of real estate); and

- In the case of real estate project financing, when the value of the project underlying the financing improves the LTV, or more favourable conversion factors are applied to the collateral issued by the Bank underlying the project.

COLLATERAL

In assessing the risk of a transaction or set of transactions, aspects associated with credit risk mitigation are taken into account, in accordance with internal rules and procedures. Relevant collateral essentially entails the following:

- Real estate, where the value considered corresponds to the last available appraisal;
- Financial pledges, where the value considered corresponds to the value on the last day of the month, in the case of listed assets or the amount of the pledge, in the case of cash.

Periodic reassessments of the collateral are performed with defined periodicities, and in the specific case of the reverse mortgage loan portfolio, additional monitoring procedures are carried out on the properties received as collateral and the respective borrowers.

IMPAIRMENT CALCULATION ON A COLLECTIVE BASIS

The loan portfolios are still in a situation of recent development, but even so, Banco BNI Europa recommends the application of a model for calculating impairment on a collective basis. To this end, in a forward-looking exercise, this section describes the model to be applied, in addition to the particularity of the calculations to be applied when the loan portfolios are recent.

DETERMINATION OF STAGES

On the origination date (initial recognition), all financial instruments are in stage 1 since all of their contractual agreements will have a probability of future default (even when quite low). For the following reporting dates, procedures must be determined so that each financial asset can be allocated to one of the stages (as described below).

Stage 1	Stage 2	Stage 3
Financial assets which have not had a significant increase in credit risk from the time of their initial recognition, or which have low credit risk on the reporting date. This stage includes loans which are meeting their payment deadlines (DPD<=30) and have no other factor of higher credit risk.	Financial assets which have had a significant increase in credit risk from the time of their initial recognition (except for those with low credit risk on the reporting date), but which have no objective evidence of impairment.	Financial assets with objective evidence of impairment on the reporting date.

RECLASSIFICATION FROM STAGE 1 TO 2

A financial instrument's reclassification from stage 1 to stage 2 is justified by a significant increase in credit risk, by comparison with the credit risk assumed at the time of initial recognition.

A significant increase in credit risk (SICR), at any given time, means that a financial instrument has at least one of the following characteristics:

1. Credit in default in the banking system; or
2. Asset in default for 30-90 days; or
3. Downgrade of two levels in the customer rating compared to the time of origination (internal or external).

If an asset's credit risk is considered low (e.g. investment grade), it may be allocated to stage 1 for its entire lifespan, for the sake of simplification.

RECLASSIFICATION FROM STAGE 2 TO 3

An asset's reclassification from stage 2 to stage 3 (i.e default) is justified by objective evidence of impairment. This evidence is defined as:

1. Over 90 days in default; or
2. Credit in serious default in the banking system (credit status higher than '003').
3. Insolvent customers.

Once classified as stage 3, an asset can never be reclassified as stage 1.

Assets resulting from major restructuring, once classified as stage 2 or stage 3, cannot return to stage 1 (i.e. they can never return to "cured" status), and a minimum period of time for verification that there are no new events of default, called the cure period, is also complied with, prior to the possible reclassification from stage 3 to stage 2.

INDIVIDUAL IMPAIRMENT CALCULATION CRITERIA

Credit with the following characteristics is analysed individually:

- Exposure exceeding €1.000.000;
- Exposure exceeding €100.000 when in stage 2.

For credit originating in platforms in stage 2 with exposure exceeding €100.000, a credit background check is requested from the platform, addressing issues such as estimated settlement time, justification for the delay, lost given default (LGD) and others.

All exposures that do not meet at least one of the above criteria will be subject to impairment calculation on a collective basis. The credit portfolios shall be grouped considering similar risk characteristics which are sufficiently granular to allow for an adequate assessment of changes in credit risk and thus of the impact on the estimate of expected credit losses for this segment.

In the case of exposures above 1.000.000 euros which, after individual analysis, have no evidence of impairment, they are subject to impairment on a collective basis.

2.2 FINANCIAL LIABILITIES

An instrument is classified as a financial liability when a contractual obligation exists to settle it by means of cash or another financial asset, regardless of its legal form.

Non-derivative financial liabilities include resources from central banks and credit institutions, and resources from customers and other loans.

These financial liabilities are recorded (i) initially at fair value, minus transaction costs incurred, and (ii) subsequently at their amortized cost, based on the effective rate method.

2.3 DERIVATIVE FINANCIAL INSTRUMENTS

The Bank designates derivatives and other financial instruments to hedge interest rate risk and foreign exchange risk arising from financing and investment activities since December 2018. Derivatives which do not qualify for hedge accounting are recorded as trading derivatives. Hedging derivatives are recorded at fair value, with revaluation gains and losses recognized according to the hedge accounting model used by the Bank. A hedging relationship exists when:

- At the inception date of the relationship there is formal documentation of the hedge, including, identification of the hedged instrument and of the hedge, the nature of the risk being hedged and the effectiveness assessment;
- The hedge is expected to be highly effective;
- The effectiveness of the hedge can be reliably measured;
- the hedge is assessed on an ongoing basis and is determined to be highly effective throughout the reporting period;
- When there is an economic relationship between the hedged instrument and the hedging instrument that is unaffected by the effect of credit risk.
- The effectiveness of the hedge can be measured on the inception date and during the existence of the hedge; and
- For hedges of a forecast transaction, the hedge is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative financial instrument is used to hedge foreign exchange arising from monetary assets or liabilities, no hedge accounting model is applied. Any gain or loss associated with the derivative is recognized in the income statement, as are changes in the exchange rate risk of the underlying monetary items.

2.4 NETTING OF FINANCIAL INSTRUMENTS

Financial assets and liabilities are shown on the balance sheet at their net value when the legal option exists to offset the recognized amounts, with the intention to settle them at their net value, or to realize the asset and settle the liability simultaneously.

2.5 TANGIBLE ASSETS

Tangible assets are recorded at acquisition cost, minus any respective cumulative depreciation and impairment losses. The cost includes expenses not directly attributable to the assets' acquisition.

Any subsequent tangible asset costs are only recognized if it is likely that the assets will result in future economic benefits to the Bank. All maintenance and repair expenses are recognized as a cost, in accordance with the principle of accrual-based accounting.

Depreciation for tangible assets is calculated using the straight-line method at the following rates, which reflect the assets' expected useful life:

	Number of years
Real estate:	
Works in rented properties	5

	Number of years
Equipment:	
Furniture and materials	4 to 8
Machinery and tools	5 to 8
IT equipment	3 to 7
Interior fittings	5
Safety equipment	5 to 8
Other equipment	5 to 8

When evidence exists of an asset's potential impairment, IAS 36 requires an estimate of its recoverable value, with recognition of an impairment loss whenever an asset's net value exceeds its recoverable value. Impairment losses are recognized in the income statement and are reversed in subsequent annual reports when the reasons for their initial impairment cease to exist. As such, the new depreciated amount will not be higher than the accounted amount, if impairment losses for the asset have not been assigned, considering the depreciations it would have undergone.

The recoverable amount is calculated as the highest amount between its net sale price and its use amount, the latter was calculated based on the current future estimated cash flow obtained from the continuous use of the asset and its sale at the end of its lifespan.

2.6 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets or groups for disposal (groups of assets for collective disposal in a single transaction, and directly associated liabilities which include at least one non-current asset) are classified as held for sale when their balance sheet value is recovered primarily through a sales transaction (including those acquired exclusively for the purpose of sale), the assets or groups for disposal are available for immediate sale and the likelihood of sale is high.

Assets received as payment in exchange for credit recovery, which may correspond to real estate, equipment and other assets received as payment in kind, are recorded, upon initial recognition, at the lower of their fair value less expected costs to sell and the balance sheet value of the credit granted which is being recovered The unrealized losses determined for these assets are recorded in the results. Regular assessments are obtained, giving rise to impairment losses, whenever the resulting value of these assessments is less than the book value. Potential gains from assets received in kind for debt recovery are not recognized on the balance sheet.

2.7 INTANGIBLE ASSETS

Costs incurred for software acquisition, production and development are capitalized, together with any additional expenses incurred by the bank for their implementation. These costs are amortized on a linear basis over the assets' expected useful life, which normally ranges from 3 to 8 years.

In cases where the requirements outlined in the International Accounting Standard 38 – Intangible Assets are fulfilled, the direct internal costs incurred in software development, from which future economic gains are expected beyond the financial year, are capitalized and recorded as intangible assets.

All other charges related to IT services are recognized as costs when incurred.

When there is indication that an asset may be impaired, the IAS 36 – Asset Impairment demands that the recoverable value is estimated, being recognized an impairment loss whenever the net value of an asset exceeds its recoverable value. The losses for impairment are recognized in the results demonstrations for the assets registered at cost.

The recoverable value is determined as the highest between the net fair value and the use value, calculated based on the current value of the estimated future cash flows that are expected to be obtained from the continuous use of the asset and its disposal at the end of its lifespan.

2.8 LEASES

The Bank adopted IFRS 16 – Leases on 1 January 2019, replacing IAS 17 – Leases, that was applicable until 31 December 2018. The Bank did not adopt in advance any of the IFRS 16 requirements.

This standard establishes new requirements concerning the scope, classification/recognition and measure of leases. In the tenant's point of view, the standard defines a single model for accounting the lease contracts, which results in the recognition of direct use asset and a lease liability for all the lease contracts, except those with a duration inferior to 12 months or for leases on assets with reduced value where the tenant can choose the exemption of recognition set on IFRS 16, and, in that case, shall recognize the lease payments associated to such contracts as expenses.

The Bank chose not to apply this standard to the short-term lease contracts, inferior or equal to 1 year and to the lease contracts where the subjacent assets have low value, considering for this purpose the amount of 5.000 Euros, being used the option of not applying this standard to leases of intangible assets.

DEFINITION OF LEASE

The new definition of lease entails the focus on the identified asset control, i.e., a contract consists or not in a lease if it transmits the right to control the use of an identifies asset, i.e., substantially obtaining all the economic benefits of its use and the right to guide the use of this identified target, during a certain period in exchange of a retribution.

IMPACTS ON THE BANK'S POINT OF VIEW (TENANT)

The Bank recognizes for all leases, except the leases with duration inferior to 12 months or leases regarding reduced unit value assets:

a) An asset on use right, initially measured at cost, considering the Net Present Value (NPV) of the lease passive, along with the payments (fixed and/or variable) deducted from received lease incentives, penalties for termination (if reasonably accurate), as well as eventual cost estimates to be supported by the tenant with the disassemble and removal of the subjacent assets and/or the restoration of the place where it is set. Subsequently, it is measured according with the cost model (subject to depreciation/amortization according with the lease duration of each contract and impairment tests).

b) A lease liability, initially registered considering the Net Present Value (NPV), which includes:
    (i) Fixed payments, with the deduction of the lease incentives to receive;
    (ii) Variable lease payments that depend of an index or rate, initially measured and using the index or rate at the contract beginning rate;
    (iii) The amounts that should be paid by the tenant as residual value guarantees;
    (iv) The price of exercising a purchase option, if the tenant is reasonably right of exercising that option;
    (v) Payments of sanctions of ending the lease if the lease duration reflects the exercise of the lease termination option by the tenant.

Considering that it is not possible to easily determine the interest rate implied on the lease (paragraph 26 of IFRS 16), the lease payments are deducted according to the incremental risk rate of tenant financing, which includes the no risk interest rate curve (swap curve), adding a Bank's risk spread, applied over the medium weighted duration of each lease contract. For term contracts it is considered that date as the lease end date, for other non-term contracts it is evaluated the duration on which it will have enforceability. In the enforceability evaluation are considered the particular clauses of the contracts, as well as current legislation regarding Urban Leases.

Subsequently, it is measured as follows:

a) Considering the rise of the subscribed amount in order to reflect the interest;
b) Considering the decrease of the subscribed amount in order to reflect lease payments;
c) The subscribed amount is measured in order to reflect any re-evaluations or alterations in the lease, as well as to embody the fixed lease payments in substance and the revision of the lease duration.

The Bank re-evaluates a lease liability and calculates the adjustment related with the asset under use right whenever:

a) There is a change to the lease duration, or in the evaluation of a subjacent asset purchase option, the lease liability is re-measured, discounting the revised lease payments and using a revised discount rate;
b) There is a change to the amounts to be paid under residual value guarantee, or the future lease payments emerging from an alteration index or rate used to determine such payments, the lease liability is re-measured, discounting the revised lease payments using an unaltered discount rate (unless the lease payments alteration emerges from a variable interest rates alteration, in which case it shall be used a revised discount rate);
c) A lease contract is altered but the lease alteration is not accounted as a distinct lease, the lease liability is re-measured, discounting the revised lease payments using a revised discount rate.

The assets under use right are depreciated since the entering into enforcement until the end of the subjacent asset lifespan, or until de end of the lease duration, if it is previous. If the lease transfers the property of the subjacent asset, or if the asset's cost under the use right reflects the Bank's exercise of a purchase option, the asset under use right shall be depreciated/amortized since the entering into enforcement until the end of the subjacent asset lifespan. The depreciation starts in the date of the lease's beginning.

The register of lease contracts in the income statement affects the following items:

- Financial margin, for the interest expense related to lease liabilities that, whenever available, is based on the implicit interest rate communicated by the lessor, or, in the absence of this information, is based on the market interest rate applied in financing contracts of similar nature;
- Other administrative expenses, for the amounts related to short-term lease contracts, lease contracts of low value assets and indirect lease contract expenses, namely insurance benefits, administrative charges levied by the lessee and specific taxes on the leased assets; and

- Depreciation and amortization for the year, at cost of depreciation of assets under right of use.

2.9 INCOME TAXES

Income taxes include current taxes and deferred taxes. Income taxes are recognized in the results, except when related to items recognized directly under equity, in which case they are also recorded against equity.

Tax is recognized in each financial year's report based on management estimates of the annual average tax rate forecast for the entire financial year.

Current taxes are those expected to be paid based on the taxable profit calculated according to tax rules in force and using the approved (or substantially approved) tax rate.

Deferred taxes are calculated, based on the balance sheet, against the temporary differences between the book values of assets and liabilities and their tax base, using the approved or substantially approved tax rate on the balance sheet date, which is expected to apply at the time the temporary differences are reversed.

Deferred tax assets and liabilities are recognized for all the taxable time differences, of the differences resulting from the initial recognition of assets or liabilities that do not affect either the accounting or the tax profit. Deferred tax assets are recognized only insofar as expected tax profits in the future are able to absorb the deductible time differences.

In 2020, the Bank joined the regime foreseen in Law 98/2019, of September 4, regarding impairments. This law established the new applicable regime, optional until 2024, the limit year for adhesion to this regime, and irreversible from the year of adhesion, for the treatment of impairment losses, including those recorded in previous taxation periods and not yet accepted for tax purposes.

As a result of joining this regime, new credit impairment losses recognized since 2020 are now immediately deductible and not subject to the verification of deductibility conditions foreseen in the IRC Code.

2.10 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

2.10.1 PROVISIONS

Provisions are recognized when:

(i) the Bank has a present, legal or constructive obligation;

(ii) demand for its payment is likely, and

(iii) a reliable estimate of the obligation's value can be made.

When the discount effect is material, the provision corresponds to the present value of expected future payments, discounted at a rate which takes the obligation's associated risk into account.

2.10.2 CONTINGENT ASSETS

Contingent assets are not recognized in the Bank's financial statements, being released when it is probable the existence of a future resources' economic inflow.

2.10.3 CONTINGENT LIABILITIES

The contingent liabilities are not recognized in the Bank's financial statements, being included in the IAS 37 and released whenever there is a not remote possibility of existing resources exit including financial benefits.

The Bank records a contingent liability when:

a) It is a possible obligation arising from past events and which existence only will be confirmed by the occurrence or non-occurrence of one or more future uncertain events not fully under the Bank's control; or
b) It is a present obligation arising from past events, but not accounted because:
    (i) It is not likely that an ex-flow of resources incorporating economic benefits is demanded to liquidate the obligation, or
    (ii) The amount of the obligation cannot be measured with sufficient reliability.

The contingent liabilities identified are reported, unless that it is remote the possibility of a resources ex-flow that include economic benefits.

2.11 FINANCIAL GUARANTEES

Financial guarantees are defined as contractual agreements requiring the issuer to make payments to compensate the holder for losses incurred for breaches of the contractual terms of debt instruments, namely the payment of principal and/or interest.

Financial guarantees are initially recognized at their fair value. Subsequently these guarantees are measured by the greater of (i) the initially recognized fair value, or (ii) the amount of any obligation arising from the guaranteed agreement, measured as of the balance sheet date. Any change in the value of an obligation associated with financial guarantees is recognized in the results.

Financial guarantees normally have a defined maturity and a periodic fee charged in advance, which varies depending on the counterparty risk, amount and period of the contract. On that basis, the fair value of the guarantees at the date of their initial recognition is approximately equivalent to the amount of the initial commission received considering that the conditions agreed upon are market conditions. Thus, the amount recognized at the contract date equals the amount of the initial commission received, which is recognized in the income statement over the period to which it relates. Subsequent commissions are recognized in the income statement in the period to which they relate.

2.12 CAPITAL INSTRUMENTS

An instrument is classified as a capital instrument when there is no contractual obligation for its settlement by means of cash or another financial asset, regardless of its legal form, with a residual interest in the assets of an entity after deducting all of its liabilities.

Any costs directly attributable to the issuance of capital instruments are recorded against equity as a deduction from the issuance amount. Amounts paid and received for the purchase and sale of capital instruments are recorded in equity, net of transaction costs.

Distributions made on behalf of capital instruments are subtracted from equity as dividends, when declared.

2.13 INTEREST RECOGNITION

Results concerning interest from financial instruments measured at amortized cost and from financial assets at fair value through other comprehensive income are recognized under the items "interest and similar income" or "interest and similar costs", using the effective rate method. The effective interest rate is the rate which precisely discounts estimated future payments or receipts during the financial instrument's expected lifetime or, when appropriate, a shorter time period, for the financial asset's or liability's balance sheet net present value.

The effective interest rate is set at the initial recognition of the financial assets or liabilities and is not subsequently revised.

To calculate the effective interest rate, future cash flows are estimated based on all the financial instrument's contractual terms and conditions, but not considering any future credit losses. This calculation includes fees comprising an integral part of the effective interest rate, transaction costs and all prizes and discounts directly related to the transaction. In the case of financial assets or groups of similar financial assets for which impairment losses have been recognized, the interest recorded in "interest and similar income" is determined based on the interest rate used to measure the impairment loss.

Interest income recognized in profit/loss associated with contracts classified in stage 1 or 2 is determined using the effective interest rate of each contract against its gross book value. For financial assets included in stage 3, interest is recognized in profit/loss based on its net book value.

2.14 RECOGNITION OF INCOME FROM CAPITAL INSTRUMENTS

Income from capital instruments (dividends) are recognized when the right to receive the payment is established.

2.15 RECOGNITION OF INCOME FROM SERVICES AND FEES

Income from services and fees is recognized in the following manner:

a) Income from services and fees obtained from the performance of a significant act is recognized in the results once the significant act is complete;

b) Income from services and fees obtained as the services are being provided is recognized in the results in its corresponding period; and
c) Income from services and fees comprising an integral part of a financial instrument's effective interest rate is recognized in the results using the effective interest rate method.

2.16 EARNINGS PER SHARE

Base earnings per share are calculated by dividing the net profits by the weighted average number of ordinary shares outstanding during the period.
Diluted earnings per share are calculated by adjusting the effect of all dilutive potential ordinary shares to the weighted average number of ordinary shares outstanding and to net income.

2.17 CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents are amounts recorded in the balance sheet with a maturity of less than three months from the date of acquisition/contracting, including cash, cash on hand at central banks and cash on hand at credit institutions.

2.18 TRANSACTIONS IN FOREIGN CURRENCY

Transactions in foreign currency are converted into euros using the transaction date's exchange rate.

Monetary assets and liabilities expressed in foreign currency are converted into euros using the exchange rate in effect on the balance sheet date. Exchange differences resulting from this conversion are recognized in the results.

Non-monetary assets and liabilities recorded at historical cost, expressed in foreign currency, are converted using the transaction date's exchange rate. Non-monetary assets and liabilities expressed in foreign currency, recorded at fair value, are converted at the exchange rate in effect on the date the fair value is determined.

The resulting exchange differences are recognized in the results, except with regard to differences involving shares classified as financial assets through other comprehensive income, which are recorded in equity.

Exchange rates used by the Bank for exchange purposes on 31 December 2021 and 2010:

	2021	**2020**
USD	1,1326	1,2271
GBP	0,84028	0,89903

2.19 EMPLOYEE BENEFITS

The Bank recognizes, as expenses, short-term benefits for employees working in the respective accounting period, then as a liability after subtracting the amount already paid.

PROFIT-SHARING AND BONUS PLANS

The Bank recognizes the expected expense of payments for profit-sharing and bonuses when it has a present, legal or constructive obligation to make these payments as a result of past occurrences and is able to make a reliable estimate of the obligation.

OBLIGATIONS WITH HOLIDAYS, VACATION ALLOWANCES AND CHRISTMAS BONUSES

In accordance with legislation in force in Portugal, employees are entitled to one month of holidays and one month of holiday allowances per year, a right which is acquired in the year prior to their payment. In addition, employees are entitled to one month of Christmas bonuses per year, a right which is acquired over the course of the year and settled in December of each calendar year. Therefore, these responsibilities are recorded in the period in which employees acquire the respective right, regardless of the date of payment.

The Bank is subject to the General Social Security Scheme and has no defined benefit plan, meaning there are no pensions, invalidity or survivor payments to pay its employees.

NOTE 3

MAIN ESTIMATES AND JUDGEMENTS USED IN PREPARING THE FINANCIAL STATEMENTS

The IAS establish a series of accounting procedures and require the Board of Directors to make the judgments and estimates needed to decide which the most appropriate accounting procedure is. The main accounting estimates and judgments used in the Bank's application of the accounting principles are discussed in this note in order to provide a better understanding of how their application affects the Bank's results as reported and their disclosure.

A wide-ranging description of the main accounting policies used by the Bank is provided in **Note 2** to the financial statements.

Considering that, in certain situations, there are alternatives to the accounting procedure adopted by the Board of Directors, the results reported by the Bank could have been different if a different procedure had been chosen.

The Board of Directors considers the choices taken are appropriate and that the financial statements accurately reflect the Bank's financial position and the result of its operations in all materially relevant aspects.

3.1 TAX ON PROFITS, CURRENT AND DEFERRED

In order to determine the value of income taxes, a number of interpretations and estimates are required. There are various transactions and calculations for which the determination of the final value of the tax payable is uncertain during the normal business cycle.

Other interpretations and estimates could result in a different level of income taxes, current and deferred, recognized in the year and are disclosed in notes 26 and 27.

This aspect assumes added relevance for the purposes of the analysis of the recoverability of deferred tax assets, including not only those generated by tax losses, but also those generated by temporary differences through impairment losses recorded in the loan portfolios included in structured bonds and, only with effect up to 31 December 2019 and following the adhesion to the regime recommended by Law no. 98/2019 of 4 September (note 2.9), in the portfolio related to direct loans. The Bank considers projections of future taxable income based on a set of assumptions, including the estimate of pre-tax income, adjustments to taxable income and its interpretation of tax legislation. Accordingly, the recoverability of deferred tax assets depends on the Board of Directors' strategy, namely the ability to generate the estimated taxable income.

Following the changes introduced by Law no. 27-A/2020, of July 24, regarding the Supplementary Budget for 2020, the period for carrying forward tax losses in Portugal is now 14 years for the losses of 2014, 2015 and 2016 and 7 years for the tax losses of 2017, 2018 and 2019. Tax losses ascertained in 2020 and 2021 have a 12-year carry forward period, and may be deducted until 2032 and 2033, respectively. The limit for deduction of tax losses is changed from

70% to 80%, when the difference results from the deduction of tax losses ascertained in the tax years 2020 and 2021.

The Tax Authorities are entitled to review the Bank's calculation of its annual taxable earnings, for a period of four years or up to twelve years in case there are tax losses brought forward. Thus, it is possible that there may be corrections to the taxable income, resulting mainly from differences in the interpretation of tax legislation. However, the Board of Directors of the Bank is confident that there will be no material corrections to the income taxes recorded in the financial statements.

3.2 FAIR VALUE OF THE DERIVATIVE FINANTIAL INSTRUMENTS AND OTHER ASSETS AND LIABILITIES AT FAIR VALUE

Fair value is based on market listed prices when available and, in its absence, is determined on the basis of the prices for recent similar arm's length transactions or else using valuation methods based on discounted future cash flows considering market conditions, the effect of time, the yield curve and volatility factors. These methods may require the use of assumptions or judgments in estimating the fair value.

Consequently, the use of different methods or different assumptions or judgments in applying a given model may lead to valuations different from those reported and indicated in Notes 17, 18 e 19.

3.3 IMPAIRMENT LOSSES ON FINANCIAL ASSETS AT AMORTISED COST AND AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Bank performs a periodic review in order to assess the existence of impairment for expected losses on financial assets, as referred to in note 2.1.1.6, namely due to a significant increase in credit risk, breach of contractual conditions, loan restructuring, deterioration of the financial situation, among other aspects considered in the risk analysis of these assets. The credit evaluation process, in order to determine if an impairment loss should be recognized, incorporates several estimates and judgments. The use of alternative methods and different assumptions and estimates may result in a different level of impairment losses for expected credit losses as recognized and indicated in Notes 12, 21 and 22.

3.4 IMPAIRMENT LOSSES ON INTANGIBLE ASSETS

The expenses generated with the productions and development of software generated internally, over which it is expected to generate future economic benefits beyond one financial period, are capitalized, as the necessary additional expenses supported by the Bank to it implementation and operations, according to Paragraph 66 of IAS 38 – Intangible Assets. These expenses include costs with the Bank's employees that work on such projects, as well as the costs with used and consumed materials, directly related with these projects.

Whenever there are signs of impairment, the Bank conducts impairment tests to these assets, based on the requirements set on IAS 36 – Assets' Impairment. On the determination of the use value of the impairment test conducted on the intangible assets currently in use, named "Cards 1st phase" (note 25), the Bank's Board of Directors reviewed the assumptions and judgments considered at the date of the impairment test, and due to the non-implementation of the transaction scheduled for 2020, proceeded to record impairment for this intangible asset.

NOTE 4

STRICT FINANCIAL MARGIN

This item is composed by:

	Dec 2021 Euros	Dec 2020 Euros
Interest and similar income:		
Cash equivalents at central banks	-	-
Investments at credit institutions	660	42.888
Interest from financial assets at amortized cost		
Loans to customers	5.165.889	5.425.522
Debt securities	1.626.311	5.499.717
interest on overdue credit	18.097	51.077
Other financial assets at fair value through other comprehensive income	33.472	28.407
Interest from hedging derivatives	1.185.816	2.180.004
Commission income associated with amortised cost	1.878	252.870
	8.032.124	**13.480.484**
Interest and similar expenses		
Central banks resources	420.102	52.450
Credit institution resources	1.041	462.717
Interest on customer deposits	2.185.453	2.977.371
Interest from hedging derivatives	1.432.986	2.629.040
Other loans	68.812	73.475
Commissions paid associated with amortized cost	587.919	706.842
Commissions for credit operations	195.839	195.212
	4.892.151	**7.097.108**
Strict Financial Margin	**3.139.972**	**6.383.376**

Interest and similar income of Euros 8.032.124 (December 31, 2020: Euros 13.480.484) is mainly composed of income associated with the loan portfolio, in the amount of Euros 5.165.889 (December 31, 2020: Euros 5.499.717) and income, in the form of interest, on bond investments, in the amount of Euros 1.626.311 (December 31, 2020: Euros 5.499.217). It should be noted that the item "Loans to customers" benefits from the strategy of focusing on granting credit through its own structures and through P2P platforms. Essentially due to the sale of the public debt securities held in 2020 and 2021 (notes 6 and 22), the interest on debt securities was substantially reduced in 2021 and started to be mainly originated in corporate debt securities.

Interest and similar expenses of Euros 4.892.151 (December 31, 2020: Euros 7.097.198) are mainly comprised of interest on customer funds from time deposits and demand deposits in the amount of Euros 2.185.453 (December 31, 2020: Euros 2.977.371), by commissions paid associated with amortized cost, mainly paid to partners in loan origination, in the amount of Euros 587.929 (December 31, 2020: Euros 706.842) and by interest from central bank resources in the amount of Euros 420.102 (December 31, 2020: Euros 52.450). Note that the decrease in interest on deposits from customers is related to the decrease in interest rates and in the volume of deposits in 2021 and 2020.

Hedging derivatives relating to debt securities and loans and advances to customers (detailed in note 23) also make a relevant contribution to interest and similar income and interest and similar charges. Due to the increase in reference interest rates in 2021, the spread between interest income and interest expense on these financial instruments decreased between December 31, 2020 and December 31, 2021, from Euros -449.036 (Euros 2.180.004 less Euros 2.629.040) to Euros -247.170 (Euros 1.185.816 less Euros 1.432.986).

NOTE 5

SERVICE AND COMMISSION INCOME

This item includes:

	Dec 2021 Euros	Dec 2020 Euros
Service and Commission Income:		
For commitments accepted	6.028	70.972
For services rendered	328.485	594.829
Documentary Operations	45.544	88.246
	380.056	**754.047**
Service and Commission Expenses:		
Other financial instruments' operations	-	20.031
For third part banking services	117.510	141.716
	117.510	**161.747**
Net Service and Commission Income	**262.546**	**592.300**

The item Income from services and commissions, in the amount of Euros 380.056 (December 31, 2020: Euros 754.047) suffered a significant reduction compared to the same period last year as a result of the decrease in the item **Services Rendered**, as this item includes essentially commissions with transfers of operations ordered by clients of Banco de Negócios Internacional, S.A. which are conditioned in compliance with supervisory measures for this purpose. The item **For commitments accepted** includes commissions associated with guarantees provided under credit lines, which were terminated in 2021, there being no credit line in force at 31 December 2021.

The Charges for services and commissions, in the amount of Euros 117.510 (December 31, 2020: Euros 161.747), are mainly composed of banking services provided by third parties, in the amount of Euros 117.510 (December 31, 2020: Euros 141.716), which refer mainly to maintenance and service costs related to accounts opened with correspondent banks and financial counterparties.

NOTE 6

FINANCIAL ASSET AND LIABILITY RESULTS AT FAIR VALUE

This item includes:

	Dec 2021 Euros	Dec 2020 Euros
Gains on assets measured at fair value through other comprehensive income:		
Fixed income	(533)	-
	(533)	**-**
	(533)	**-**

	Dec 2021 Euros	Dec 2020 Euros
Gains in asset and liability results at fair value through profit or loss		
Trading Derivatives	11.616	199.340
Fixed Income	34.120	4.959.847
Hedging Derivatives	4.611.361	2.597.503
	4.657.097	**7.756.690**
Losses in asset and liability results at fair value through profit or loss		
Trading Derivatives	16.426	237.922
Variable Income	6.400	-
Hedging Derivatives	4.611.362	5.972.627
	4.634.188	**6.210.549**
	22.910	**1.546.141**

The gains and losses recognized in 2020 and 2019 under the caption **trading derivatives** refer to the results realized in the management of the Bank's foreign exchange position through these financial instruments.

The gains recognized in 2020 under the heading **fixed income** relate essentially to the capital gain realized on the sale of Italian sovereign debt securities.

Gains and losses recognized in 2021 in the item **hedging derivatives** refer to the results of the revaluation of hedging derivatives of reverse mortgage loan contracts. The gains and losses recognized in 2020 in the item **hedging derivatives** refer to the results of the revaluation of hedging derivatives of reverse mortgage loan contracts and Italian sovereign debt securities. The net loss recognized in 2020 corresponds essentially to the loss realized on hedging derivatives of Italian sovereign debt securities, sold in 2020, and these hedging derivative contracts were also terminated in 2020.

NOTE 7

CURRENCY REVALUATION RESULTS

This item records a gain of Euros 23.130 (December 31, 2020 Euros 480.817), relating to results arising from foreign exchange transactions carried out and results relating to the process of currency revaluation of monetary assets and liabilities denominated in foreign currency in accordance with the accounting policy described in note 2.18.

	Dec 2021 Euros	Dec 2020 Euros
Gains in exchange rate revaluation	577.783.352	614.804.946
	577.783.352	**614.804.946**
Losses in exchage rate revaluation	577.760.221	614.324.128
	577.760.221	**614.324.128**
	23.130	**480.817**

The net gains recorded in 2021 and 2020 are essentially due to the spot foreign exchange transactions carried out by the Bank within the scope of the management of its foreign exchange position.

NOTE 8

RESULTS FROM THE DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES AT AMORTISED COST AND OTHER OPERATING INCOME

RESULTS FROM THE UNRECOGNITION OF FINANCIAL ASSETS AND LIABILITIES AT AMORTIZED COST

	Dec 2021 Euros	Dec 2020 Euros
Result of derecognition of financial assets and liabilities at amortized cost		
Debt Securities		
Losses	831.502	12.152
Gains	(859.108)	-
Result of derecognition of non-financial assets	(53.090)	-
	(80.696)	**12.152**

This item records the gains and losses arising from the sale of sovereign and corporate debt securities, with the gains corresponding essentially to gains realized on the sale of sovereign debt and, in the case of corporate debt, to the loss before impairment, as detailed below:

	Sale Value	Losses with financial assets	Impairment (Replacement)	+/- net sales value
Corporate Debt				
Assetz Capital	3.630.653	(119.911)	237.722	117.811
Fellow Finance	379.602	(90.112)	30.808	(59.304)
Linked Finance	1.687.510	(103.071)	156.328	53.257
Lendrock	2.526.906	(540.546)	483.429	(57.117)
	8.224.670	**(853.639)**	**908.287**	**54.648**

Sovereign bonds, and especially Corporate bonds, were sold due to the need not to breach internal limits on regulatory ratios and the implications of holding them at this level.

OTHER OPERATING INCOME

This item is composed by:

	Dec 2021 Euros	Dec 2020 Euros
Other operating income:		
Reimbursement of expenses	58.401	61.726
Prior period adjustments	24.118	1.441
Others	435.882	152.655
	518.400	**215.821**
Other operating costs:		
Indirect taxes	(345.765)	(753.215)
Others	(200.605)	(151.559)
	(546.371)	**(904.774)**
	(27.970)	**(688.953)**

The Other operating income item includes **Reimbursement of expenses** in the amount of Euros 58.401 (December 31, 2020: Euros 61.726) related to the re-invoicing of expenses (mainly to Banco de Negócios Internacional, S.A.), as well as **Other** income, in the amount of Euros 435.882 (December 31, 2020: Euros 152.655) related mainly to net gains realized on the sale of P2P bonds and other bonds, credit recovery, the provision of counterpart management services and the correction of supplier invoicing - credit notes.

The Other operating costs item includes **indirect taxes** in the amount of Euros 345.765 (December 31, 2020: Euros 753.215). The most relevant cost refers to the stamp tax assumed by the Bank on behalf of customers in the amount of Euros 143.322 (December 31, 2020: Euros 417.825). The contribution on the banking sector, had a cost of Euros 131,212 (December 31, 2020: Euros 310,108). The item **Other** costs, in the amount of Euros 200.605 (December 31, 2020: Euros 151.559) mainly relates, in 2021, to contributions to the Deposit Guarantee Fund and Resolution Fund, in the amount of Euros 62.034 and losses on write-offs in the amount of Euros 53.090. In 2020 it mainly refers to contributions to the Deposit Guarantee Fund and Resolution Fund, in the amount of Euro 74.898 and losses with write-offs in the amount of Euro 39,368.

NOTE 9

STAFF COSTS

This item includes:

	Dec 2021 Euros	Dec 2020 Euros
Remuneration	2.793.566	3.593.353
Mandatory social charges	624.973	786.625
Remuneration and capitalised charges	-	(125.716)
Other charges	182.827	235.926
	3.601.366	**4.490.188**

The Bank maintained a set of ongoing projects until 2020, which relied on a significant internal effort to support their implementation, supported by internal manpower, and without which the projects could not be implemented and generate future economic benefits. In this sense, and in accordance with the provisions of IAS 38, the amount of Euro 125.716 was capitalized in 2020, relating to personnel costs of internal employees, in proportion to the time allocated to each project and necessary to put these intangible assets into operation. In 2021 no projects were developed under these terms.

The item **Other charges**, in the amount of Euros 182.827 (December 31, 2020: Euros 235.926), is composed of occupational accident insurance and health insurance expenses, cafeteria expenses and occupational medicine expenses.

The headcount of employees in the Bank's service at December 31, 2021 and 2020, broken down by major professional categories, was as follows:

	Dec 2021	Dec 2020
Administration	2	3
Heads of business areas	2	3
Heads of support areas	4	5
Heads of control areas	2	2
Technicians	27	48
Secretarial Staff	1	3
Trainees	1	1
	39	**65**

The amount of remuneration, including related charges, attributed to the Bank's management and supervisory bodies for the years ended December 31, 2021 and 2020 was as follows:

	Dec 2021 Euros	Dec 2020 Euros
Management Body		
Pedro Nuno Munhão Pinto Coelho	87.033	296.530
António Miguel Maurício Rola Costa	218.688	218.688
Nuno Luís do Rosário Martins	218.641	218.641
Supervisory Board		
Telmo Francisco Salvador Vieira	48.000	35.100
Isabel Paiva, Miguel Gaivão & Associados	36.000	26.100
João Carlos Espanha Pires Chaves	36.000	26.100
	644.363	**821.160**

NOTE 10

GENERAL ADMINISTRATIVE COSTS

This item includes:

	Dec 2021 Euros	Dec 2020 Euros
Water, power and fuel	48.795	50.117
Printing and current consumption material	3.900	29.304
Other third-party supplies	-	-
Hygiene and cleaning material	18.606	22.395
Books and technical documentation	-	960
Fast wearing tools and utensils	1.163	5.049
Rents and leases	61.883	54.019
Communication and shipping costs	285.851	388.894
Travel, stays and representation	5.312	45.091
Advertising and publishing	120.470	200.714
Conservation and repair	13.307	5.762
Staff training	7.169	12.350
Insurance	11.592	15.562
Judicial, Litigation and Notarial Services	55.180	88.941
Security and surveillance	20.305	19.857
IT	88.691	155.951
Information	44.802	28.477
Data Bank	415.834	124.189
Other specialized services	1.932.065	2.110.711
Other third-party services	604.655	1.184.624
	3.739.578	**4.542.965**

The item **Other specialized services** in the amount of Euros 1.932.065 (December 31, 2020: Euros 2.110.711) refers mainly to software maintenance costs in the amount of Euros 742.224 (December 31, 2020: Euros 913.899), consulting costs in the amount of Euros 441.270 (December 31, 2020: Euros 572.262), costs for legal services in the amount of Euros 374.832 (December 31, 2020: Euros 153.136) and costs for audit and accounting services in the amount of Euros 224.372 (December 31, 2020: Euros 88.961).

The **Other third party services** item in the amount of Euro 604.655 (December 31, 2020: Euro 1.184.624) includes mainly software licensing costs in the amount of Euro 458.755 (December 31, 2020: Euro 560.283) and consulting services in the amount of Euro 28.830 (December 31, 2020: Euro 71.513).

The **Rents and leases** item in the amount of Euro 61.883 (December 31, 2020: Euro 54.019) were significantly reduced compared to prior years following the adoption of IFRS 16 - Leases. In this context, the cost with rents of premises/headquarters, vehicles and IT equipment, started to be recognized through the depreciation of leased assets, which amounts to Euro 675.160 and Euro 806.332 at the end of 2021 and 2020 respectively (note 11).

The fees invoiced (excluding VAT) by the Bank's Statutory Audit Firm were as follows:

	Dec 2021 Euros	Dec 2020 Euros
Mazars		
Legal review services	85.500	28.000
Reliability assurance services	20.200	10.000
PricewaterhouseCoopers (PwC)		
Legal review services	-	18.585
Reliability assurance services	-	24.675
	105.700	**81.260**

The Reliability Assurance Services essentially refer to the assessment of the adequacy of the process for quantifying the impairment of the loan portfolio (Bank of Portugal Instruction no. 18/2018) and self-assessment report (Bank of Portugal Notice no. 3/2020).

NOTE 11

AMORTISATION AND DEPRECIATION

This item includes:

	Dec 2021 Euros	Dec 2020 Euros
Tangible Assets:		
Real estate:		
Works in rented properties	120.713	110.378
Equipment:		
Furniture and materials	22.934	32.457
Machinery and tools	1.381	1.453
IT equipment	4.739	23.309
Interior fittings	43.719	43.719
Security equipment	1.824	4.599
Other equipment	646	691
Leased assets (IFRS 16):		
Cars	104.687	153.708
Facilities	475.949	557.733
IT equipment	94.524	94.891
	871.117	**1.022.938**
Intangible Assets:		
Software	971.700	1.192.112
	971.700	**1.192.112**
	1.842.818	**2.215.050**

The depreciation of tangible assets increased significantly compared to 2018, due to the implementation of IFRS 16 on January 1, 2019. Leased assets (IFRS 16) amounted to Euros 675.160 and Euros 806.332 as of December 31, 2021 and 2020, respectively.

NOTE 12

IMPAIRMENT AND PROVISIONS

The Impairments and provisions item amounted to Euro 12.631.640 (December 31, 2020: Euro 23.962.058).

The movements in impairments and provisions are analysed as follows:

	Impairment							Provisions		
	Cash on hand at credit institutions	Financial assets at amortized cost - loans to customers	Financial assets at amortized cost - debt securities	Financial assets at amortized cost - Investments in Credit Institutions	Other Assets	Intagible Assets	Total	Off balance sheet Exposure	Risk and Fees	Total
At 1 January 2019	29.239	6.504.856	6.250.482	37.229	32.321	380.441	13.234.568	-	166.553	166.553
Movement in the period:										
Allocation	77.247	5.172.873	11.210.115	-	131.688	-	16.591.924	-	90.420	90.420
Reversals	(99.581)	(2.373.358)	(4.078.836)	(27.149)	(6.651)	-	(6.585.574)	-	(86.676)	(86.676)
Exchange rate differences	883	1.226	100.196	-	-	-	102.306	-	-	-
Utilization	-	(3.598.798)	(235.462)	-	-	-	(3.834.260)	-	-	-
	(21.451)	(798.056)	6.996.013	(27.149)	125.037	-	6.274.395	-	3.744	3.744
At 31 December 2019	7.788	5.706.800	13.246.495	10.080	157.358	380.441	19.508.963	-	170.297	170.297
At 1 January 2020	7.788	5.706.800	13.246.495	10.080	157.358	380.441	19.508.962	-	170.297	170.297
Movement in the period:										
Allocation	65.301	4.342.466	5.432.802	15.044	110.889	1.906.592	11.873.094	-	112.698	112.698
Reversals	(69.456)	(1.221.517)	(2.172.769)	-	(22.579)	(197.467)	(3.683.788)	-	(76.242)	(76.242)
Exchange rate differences	(3.632)	(3.289)	(288.734)	-			(295.654)	-		-
Utilization	-	(3.266.868)		-		(380.441)	(3.647.309)	-		-
	(7.787)	(149.207)	2.971.300	15.044	88.310	1.328.684	4.246.343	-	36.455	36.455
At 31 December 2020		5.557.592	16.217.795	25.124	245.668	1.709.125	23.755.305	-	206.752	206.752

In the year under review there were written off financial assets at amortized cost - loans and advances to customers in the amount of Euros 3.296.695 (December 31, 2019: 3.834.261) relating to the products Business Credit, Puzzle, CreditShelf, Funding Circle, Lendico, Edebex and Market Finance.

Following the implementation of the policy of staging obligations related to investments in credit platforms (note 2), in 2021, financial assets were written off at amortized cost - debt securities in the amount of Euros 10.921.383, which are essentially at the origin of the reduction of Impairments and Provisions in 2021, related mainly to Upgrade (Euros 5.249.697), Auxmoney (Euros 3.872.330) and Lendable (Euros 1.538.421) products.

The appropriations to Provisions for Risks and charges for the years 2020 and 2021 refer essentially to i) the estimated costs with fines and costs related to the administrative infraction proceeding resulting from an inspection carried out by the Supervisor, of which a sentence has already been received, ii) the estimated costs with the possible additional tax assessment for the years 2019 to 2021 and iii) charges with events and operational failures.

NOTE 13

TAXES

Income tax expense in the period breaks down as follows:

	Dec 2021 Euros	Dec 2020 Euros
Current Taxes:		
For the period	90.655	137.044
Corrections related to previous years	32.062	-
	122.717	**137.044**
Deferred taxes:		
Changes in year (Note 27)	(1.429.048)	(2.341.110)
	(1.429.048)	**(2.341.110)**
Taxes	**(1.306.331)**	**(2.204.065)**

The Bank is subject to Corporation Tax (IRC) and the corresponding surtax. The tax rate adopted to calculate the tax amount on the Bank's financial statements is as follows:

	Dec 2021 Euros	Dec 2020 Euros
Tax rate	21,00%	21,00%
Minicipal surtax	1,50%	1,50%
State Surtax:		
- Taxable Profit between €1,5 million and €7.5 million	3,00%	3,00%
- Taxable Profit between €7,5 million and €35 million	5,00%	5,00%
- Taxable Profit in excess of €35 million	9,00%	9,00%
Weighted average rate applicable to the Bank	22,50%	22,50%

In Portugal, annual income declarations are subject to review and possible adjustment by the tax authorities for a period of 4 years. Should tax losses be presented, income declarations may be subject to review by the tax authorities up to the period in which these tax losses may be used. This means that taxable income may still be adjusted, due mainly to differences in the interpretation of tax law. However, the Bank's Management is confident that there will be no significant adjustments to taxes on income recorded in the financial statements.

As mentioned in note 2.9 and note 3.1, the Bank periodically assesses the probability of recovering tax losses by carrying out reviews of the execution level of the Business Plan and the main critical variables and estimates underlying it. The deferred tax asset recognized and related to tax losses are detailed in note 27.

The reconciliation of the amount of tax for the year is as follows:

	Dec 2021		Dec 2020	
	%	Euros	%	Euros
Result before taxes		(6.551.678)		(11.148.131)
Tax calculated based on tax rate	21,00%	1.375.852	21,00%	2.341.108
Use of tax losses	0,00%	-	0,00%	-
Establishment/(Reversal) of deferred taxes	21,81%	1.429.048	21,00%	2.341.109
Asset variations	0,00%	-	0,00%	-
Prior period adjustments	0,00%	-	-0,01%	(1.157)
Non tax deductible impairment	-20,54%	(1.345.530)	-19,81%	(2.208.890)
Non deductible costs	-0,40%	(25.914)	-1,43%	(159.598)
Excess/(shortfall) of estimate for taxes	-0,41%	(26.874)	-0,01%	(1.157)
Capital gains and losses for tax/accounting purposes	0,42%	27.720	0,00%	-
Tax benefits	0,00%	-	0,27%	29.696
Municipal Surtax	0,00%	-	0,00%	-
State Surtax	0,00%	-	0,00%	-
Autonomous taxation	-1,95%	(127.971)	-1,23%	(137.044)
	19,94%	**1.306.331**	**19,77%**	**2.204.065**

NOTE 14

EARNINGS PER SHAR

Earnings per share are calculated as follows:

	Dec 2021 Euros	Dec 2020 Euros
Net Income	(5.245.347)	(8.944.066)
Average Number of Shares	9.906.718	8.639.868
Earnings per share (base)	**(0,53)**	**(1,04)**
Earnings per share (diluted)	**(0,53)**	**(1,04)**

Basic earnings per share is calculated by dividing net income by the weighted average number of ordinary shares outstanding during the year. Four capital increases totalling Euros 17.500.000 were carried out in fiscal 2021 and two capital increases totalling Euros 7.450.000 were carried out in fiscal 2020, as detailed in note 33.

Diluted earnings per share is calculated by adjusting the effect of all dilutive potential ordinary shares to the weighted average number of ordinary shares outstanding and net income.

As of December 31, 2021 and 2020, there were no dilutive potential ordinary shares issued by the Bank, therefore diluted earnings per share is equal to basic earnings per share.

NOTE 15

CASH AND CASH EQUIVALENTS AT CENTRAL BANKS

Cash and Cash Equivalents at Central Banks includes liquid amounts and others of a similar nature, such as notes and coins which are legal tender in the country or abroad.

This item breaks down as follows:

	Dec 2021 Euros	Dec 2020 Euros
Cash and cash equivalents		
Cash in national currency	32.717	33.224
Cash in foreign currency	4.865	4.490
Current accounts at Banco de Portugal	95.001.106	85.259.588
Total cash and cash equivalents	**95.038.689**	**85.297.302**
Deposits at the Bank of Portugal not available		
Allocated to minimum reserves at Central Banks	711.400	1.515.500
Allocated to other purposes	861.792	195.599
Total minimum reserves	**1.573.192**	**1.711.099**
	96.611.880	**87.008.402**

Cash in national currency and Cash in foreign currency items, in the total amount of Euros 37.582 (December 31, 2020: Euros 37.714), correspond to banknotes, coins and other valuables held in safe deposit boxes.

The item **Current accounts at Bank of Portugal** includes the balance to meet the legal minimum cash reserve requirements in the amount of Euros 711.440 (December 31, 2020: Euros 1.515.500), calculated based on the amount of deposits and other effective liabilities, as well as immediately available deposits subject to the positive coefficient defined by the Eurosystem in the amount of Euros 81.140.000 (December 31, 2020: Euros 161.550.000).

The rules on constituting cash reserves, under the guidelines of the European System of Central Banks (Euro Zone), requires a balance to be maintained in deposits with the Central Bank equivalent to 1% of the average value of deposits and other liabilities, over each period in which reserves are constituted. This rate is different for countries outside the Euro Zone.

On 31 December 2021 the amount deposited at the Bank of Portugal includes the amount of Euros 1.308.963 (31 December 2020: Euros 1.446.752), corresponding to a SICOI (interbank clearing system) guarantee.

NOTE 16

CASH ON HAND AT OTHER CREDIT INSTITUTIONS

Esta rubrica é analisada como segue:

	Dec 2021 Euros	Dec 2020 Euros
Current Accounts in Portugal	5.051.890	1.067.552
Current Accounts Abroad	4.837.781	939.372
Impairment (Note 12)	-	-
	9.889.671	**2.006.923**

The item **Current accounts in Portugal** refers to accounts that the Bank has in seven credit institutions in the country, and the item **Current accounts abroad** refers to accounts in four credit institutions abroad, headquartered in the Eurozone, by type of currency:

	Dec 2021 Euros	Dec 2020 Euros
Current Accounts in the country		
In Euros	397.510	427.527
In Dollars	4.164.800	592.216
In Pounds Sterling	489.580	47.808
	5.051.890	**1.067.552**

	Dec 2021 Euros	Dec 2020 Euros
Current Accounts Abroad		
In Euros	4.259.644	348.142
In Dollars	353.664	207.191
In Pounds Sterling	224.473	384.039
	4.837.781	**939.372**
Impairment	-	-
	9.889.671	**2.006.923**

NOTE 17

OTHER FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

As outlined in the accounting policy in Note 2.1.1, the **Other financial assets and liabilities at fair value through profit or loss** are stated at their market value, and the respective fair value recorded against profit or loss, as per Note 6.

In the item **Financial assets held for trading** (note 18) are recorded the currency swaps contracted by the Bank, with a positive value, as well as the participation units of the Fasanara II fund, which invests essentially in credits through invoice discounting (factoring and other credits of a similar nature).

In the item ***Financial liabilities held for trading*** are registered the exchange rate swaps contracted by the Bank, with a negative value.

An ***exchange rate swap*** is a contract between two parties consisting of the exchange of currencies at a forward exchange rate. It is an agreement to exchange cash flows in which one of the parties pays interest on the principal amount in one currency, in exchange for receiving interest on the principal amount in other currency. At the end of the operation, the principal amount in foreign currency is paid and the principal amount in domestic currency is received. Its purpose is to hedge and manage liquidity in foreign currency inherent in receivables and payments in foreign currency, by eliminating uncertainty as regards the future of a given exchange rate.

NOTE 18

FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADE

The item **Financial assets and liabilities held for trading** includes the currency swaps contracted by the Bank, with positive or negative fair value at the date of the financial statements, as well as the units of the Fasanara II fund, which invests essentially in invoice discounting (factoring and other credits of a similar nature).

As at December 31, 2021, the Financial assets held for trading correspond only to the investment units held in the Fasanara II fund (Euros 4.027.720) , which are valued (level 3 - see note 41) using the net asset value (NAV) reports published quarterly by the management entity.

At December 31, 2021 and 2020, the **Financial liabilities held for trading** corresponded solely to the currency swaps contracted by the Bank, and showed the following fair value:

	Dec 2021 Euros	Dec 2020 Euros
Currency swaps		
Negative fair value	(6.151)	(1.340)
	(6.151)	**(1.340)**

The total national amount of currency swaps as of December 31, 2021 and 2020 was Euros 7.286.696 and Euros 17.936.095, respectively.

An ***exchange rate swap*** is a contract between two parties consisting of the exchange of currencies at a forward exchange rate. It is an agreement to exchange cash flows in which one of the parties pays interest on the principal amount in one currency, in exchange for receiving interest on the principal amount in other currency. At the end of the operation, the principal amount in foreign currency is paid and the principal amount in domestic currency is received. Its purpose is to hedge and manage liquidity in foreign currency inherent in receivables and payments in foreign currency, by eliminating uncertainty as regards the future of a given exchange rate.

NOTE 19

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As of December 31, 2020, the balance of this item consists of bonds issued by the Emirate of Abu Dhabi, which were fully repaid in 2021.

As described in the accounting policy mentioned in note 2.1.1.6, financial assets through profit or loss through other comprehensive income are presented at their market value, with the respective fair value recorded against fair value reserves, as per note 34.

NOTE 20

INVESTMENTS AT CREDIT INSTITUTIONS

This item is broken down as shown below:

	Dec 2021 Euros	Dec 2020 Euros
Investments at Credit Institutions	6.529.755	3.500.000
Millenium BCP, S.A.	3.500.000	3.500.000
Banque J. Safra Sarasin (Luxembourg) SA	3.029.755	-
Interest receivable	366	-
	6.530.120	**3.500.000**
Imparment (Note 12)	(95.249)	(25.124)
	6.434.871	**3.474.876**

The staggering of this item by contractual maturity dates is presented as follows:

	Dec 2021 Euros	Dec 2020 Euros
Until 3 months	300.000	300.000
From 3 months to 1 year	6.230.120	3.200.000
	6.530.120	**3.500.000**

As at December 31, 2021, the item of Investments at Credit Institutions includes three term deposits totalling Euros 3.500.000, which were pledged as collateral to Millennium BCP in order to ensure the fulfilment of the Bank's obligations related with its payment clearing service, as well as two loans with Banque J. Safra Sarasin (Luxembourg) SA, amounting to Euros 2.500.000 and US Dollars 600.000. The increase in the impairment coverage rate, from 0,7% on December 31, 2020 to 1,4% at December 31, 2021, which remains at very low levels, stems from the increase in the average contractual term of this item and the characteristics of the Banks detailed above.

As of December 31, 2020, the item of Investments at Credit Institutions is composed only by the three term deposits, in the total amount of Euros 3.500.000, pledged as collateral to Banco Millennium BCP, in the same terms as at December 31, 2021.

NOTE 21

FINANCIAL ASSETS AT AMORTISED COST - LOANS TO CUSTOMERS

This item is analysed as follows:

	Dec 2021 Euros	Dec 2020 Euros
Loans falling due:		
Internal		
Corporate		
Loan Accounts	257.215	280.040
Overdrafts on Current Accounts	752	882
Personal Clients		
Overdrafts on Current Accounts	0	90
Residential	3.264.268	2.507.514
Other Loans	24.078.928	21.933.884
External		
Corporate		
Overdrafts on Current Accounts	13	10
Other Loans	9.333.301	19.034.360
Personal Clients		
Residential	34.334.771	35.269.854
	71.269.250	**79.026.634**
Interest Receivable	934.726	1.189.413
Overdue Credit	3.701.609	2.642.613
	75.905.585	**82.858.661**
Value adjustments of assets subject to hedging operations	179.993	2.260.330
Commissions at Amortized Cost	1.696.613	1.811.346
	77.782.192	**86.930.336**
Impairment and credit provisions (Note 12)		
Internal	(2.260.903)	(1.861.723)
External	(3.185.044)	(3.695.869)
	(5.445.948)	**(5.557.593)**
Country Risk Provisions	-	-
	72.336.244	**81.372.744**

The amount recorded under **External - Other loans**, refers to the loan portfolio acquired via platforms, namely Market Invoice, Edebex, Lendico, CreditShelf, Raize and Funding Circle.

The amount recorded under **External - Housing** refers to the Reverse Mortgage product, marketed only in Spain, and the amount recorded under **Internal - Housing** refers to the Flex product, but only for the contracts of this product granted for the purpose of housing loans.

In the context of the Reverse Mortgage product, the Bank adopted a policy of managing the interest rate risk of the banking book (IRRBB), identifying the need to hedge the IRRBB associated with the loans granted under this product, having contracted for this purpose, in 2019, four interest rate risk (IRS) hedging contracts with the counterpart Haitong Bank, and which it maintained in 2020 and 2021.

The IRS were negotiated without the early amortization option, given the strong impact that would have on the spread. Considering that it is expected that the credits are maintained, at least, until de medium lifespan of the debtors, it is predicted that the possibility of early amortization is reduced, being more efficient to not contract such option. If a debtor amortizes early, the Bank may request the sale of part of the swap in the proportion of the early amortization, subject to market value of that instrument and the corresponding gains or losses, which would also allow to maintain hedge ratio level. For each position it was considered the defined maturity by the respective medium lifespan table of the Spanish INE, which is also used to manage the characteristics of this product.

In the formalization of hedging accountancy, the following aspects were verified:

- Hedge relation type;
- Risk management goals and strategy associated with the hedge operation’s execution, according to the set risk hedge policies;
- Description of the hedge risk;
- Identification and description of the hedged and hedging financial instruments;

- Hedge performance evaluation method and periodicity in its execution.

It is concluded that there is fair value hedge efficacy.

The details of the Bank's contracted hedge derivatives is on Note 23.

The estimate parameters of the Default Probability (DP) and Loss given the default (LGD) is the following:

Type of Credit (Segment)	Probability of Default			Loss Given Default		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Credit Granted Directly	**4,84%**	**46,99%**	**100,00%**	**37,03%**	**46,69%**	**47,03%**
Residential	5,42%	52,39%	100,00%	30,71%	43,26%	38,03%
Consumer	7,73%	37,07%	100,00%	49,54%	60,63%	77,22%
SME	1,51%	25,38%	100,00%	68,78%	64,00%	83,55%
Factoring			100,00%			69,29%
Underlying Credit in Structured Bonds	**1,98%**	**28,25%**	**100,00%**	**56,34%**	**60,01%**	**73,30%**
Residential						
Consumer	1,78%	36,00%	100,00%	67,97%	73,73%	91,09%
SME	1,32%	36,78%	100,00%	60,00%	60,00%	75,45%
Factoring	3,03%	0,01%	100,00%	20,00%	20,00%	20,00%
Balances and Cash Equivalents	**0,06%**			**40,56%**		
Total	**4,17%**	**44,26%**	**100,00%**	**39,88%**	**48,63%**	**50,86%**

NOTE 22

FINANCIAL ASSETS AT AMORTISED COST - DEBT SECURITIES

The following item is analysed as follows:

	Dec 2021 Euros	Dec 2020 Euros
Debt Securities		
National Public Issuers	-	28.453.479
Corporate Public Issuers	798.272	2.001.220
Foreign Public Issuers	-	47.534.172
Foreign Corporate Issuers	16.390.565	51.184.195
Impairment (Note 12)	(4.679.250)	(16.217.795)
	12.509.587	**112.955.272**

The item "Foreign corporate issuers" includes structured bonds, whose underlying assets are receivables, in the amount of Euros 16.390.565 (December 31, 2020: Euros 51.184.195), of which EUR 12.594.443 relates to outstanding loans, EUR 1.796.115 relates to liquidity, accrued interest and other amounts and EUR 2.000.007 to sold receivables. These bonds are impaired in the amount of EUR 4.676.664 (December 31, 2020: EUR 16.217.795), of which EUR 2.676.657 corresponds to the impairment of the credits included in the bond and EUR 2.000.007 to the impairment of the bond (December 31, 2020: EUR 4.740.528 and EUR 11.477.267, respectively). On the other hand, the bonds recorded under the caption "Corporate Issuers" are impaired by Euros 2.586 only as of December 31, 2021 (they are not impaired as at December 31, 2020).

Concerning the interest rate risk management, the Bank contracted an IRS for the Italian sovereign bonds exposure coverage. The proceeding for reduction of the liquid position in percentage of the own funds was done through fair value hedge of the Italian sovereign bond at a fixed rate measured at the amortized cost (BTS 4.75 09/01/2028) using an interest rate swap.

In the formalization of the hedge accounting, the following aspects were verified:

- Economic relationship: the security will pay a fixed annual coupon of 4.75%, while the derivative will pay the 6-month EURIBOR +384 bps;
- Hedge ratio: the BTPS 4.75 09/01/2028 security and interest rate derivative have the same characteristics;
- Hedge effectiveness: the hedge relationship meets the risk management goals.

Following the sale of Italian sovereign debt securities in 2020 (note 6), the hedged securities were sold, and the hedging IRS contract was also terminated in 2020.

The details of the hedge derivatives contracted by the Bank can be found in note 23.

NOTE 23

HEDGE DERIVATIVES

Regarding the risk management of the interest rate, considering the Bank's business strategy in credit concession manly with fixed rate and the high probability of a rise in the interest rates, it was verified the need to reduce the variation of the liquid position in percentage of the own capital to a shock of 200 bps to the value established by the regulatory authority (20%).
With this in mind, the Bank has contracted the derivatives presented in the table below, for the interest rate risk of the client's credit portfolio (Reverse Mortgage Spain) and the Italian sovereign debt (notes 22 and 23), ending in 2020.

Hedge Derivatives on 31st December 2021:

Hedge	At Fair Value of: Hedged Assets	Hedge Derivative	Net Fair Value Positive	Negative	Interest Rate
Reverse Mortgage Credit	8.635.115	9.237.796	-	602.681	5,95%
Reverse Mortgage Credit	4.276.309	4.475.187	-	198.877	5,95%
Reverse Mortgage Credit	7.140.877	6.971.486	169.391	-	5,95%
Reverse Mortgage Credit	4.806.671	4.815.323	-	8.652	5,95%
	24.858.973	**25.499.792**	**169.391**	**810.211**	

Hedge Derivatives on 31st December 2020:

Hedge	At Fair Value of: Hedged Assets	Hedge Derivative	Net Fair Value Positive	Negative	Interest Rate
Reverse Mortgage Credit	8.145.608	9.432.939	-	1.287.332	5,95%
Reverse Mortgage Credit	4.034.771	4.619.028	-	584.257	5,95%
Reverse Mortgage Credit	6.739.855	7.151.963	-	412.108	5,95%
Reverse Mortgage Credit	4.536.735	4.948.032	-	411.296	5,95%
	23.456.969	**26.151.962**	**-**	**2.694.993**	

On 31st December 2021 and 2020, the hedge derivatives fair value is depicted has shown below:

	Dec 2021 Euros	**Dec 2020 Euros**
Hedge Derivatives - Customer Loans		
Positive Fair Value	169.391	-
Negative Fair Value	(810.211)	(2.694.993)
National Value	24.858.973	23.456.969

NOTE 24

TANGIBLE ASSETS

The following item is analysed as follows:

	Dec 2021 Euros	Dec 2020 Euros
Acquisition Value:		
Real Estate		
Works in rented properties	420.476	528.868
Equipment		
Furniture and materials	252.981	259.152
Machinery and tools	19.553	19.553
IT equipment	109.577	108.642
Interior fittings	164.690	164.690
Safety equipment	60.569	62.066
Other equipment	15.284	15.941
Assets under Operational Lease - Adoption of IFRS16		
Vehicles	343.817	453.934
Facilities	990.489	1.736.324
IT equipment	318.944	320.245
Ongoing Tangibles		
Ongoing Tangible Assets	-	-
	2.696.380	**3.669.415**
Accrued Depreciation:	(2.296.066)	(2.197.984)
	400.315	**1.471.431**

Due to the application of the IFRS 16, the tangible assets review includes, in 2021 e 2020, the assets under lease.

The divestitures focused on a group of informatics equipment.

The movements in **Tangible assets** during the year ending on 31 December 2021, are as follows:

	Balance at 1 January 2021 Euros	Acquisitions / Allocations Euros	Sales/ Disposals/ Euros	Balance at 31 December 2021 Euros
Acquisition Value:				
Real Estate				
Works in rented properties	528.868	3.993	(112.385)	420.476
	-			
Equipment	-			
Furniture and materials	259.152	-	(6.170)	252.981
Machines and tools	19.553	-	0	19.553
IT equipment	108.642	586	349	109.577
Interior fittings	164.690	-	-	164.690
Safety equipment	62.066	-	(1.497)	60.569
Other equipment	15.940	-	(657)	15.284
Ongoing	-	-	-	-
Assets under Operational Lease - Adoption of IFRS16				-
Vehicles	453.934	-	(110.117)	343.817
Facilities	1.736.324	-	(745.835)	990.489
IT equipment	320.245	-	(1.301)	318.944
	3.669.415	**4.579**	**(977.614)**	**2.696.380**

	Balance at 1 January 2021 Euros	Acquisitions / Allocations Euros	Sales/ Disposals/ Euros	Balance at 31 December 2021 Euros
Accrued Depreciation:				
Real Estate				
Works in rented properties	310.249	120.713	(111.985)	318.977
Equipment	-			
Furniture and materials	152.919	22.934	(2.958)	172.895
Machines and tools	15.010	1.381	0	16.392
IT equipment	98.336	4.739	(81)	102.995
Interior fittings	94.580	43.719	(0)	138.300
Safety equipment	52.762	1.824	(2.631)	51.956
Other equipment	13.454	646	(657)	13.444
Assets under Operational Lease - Adoption of IFRS16				
Vehicles	339.556	104.687	(214.015)	230.228
Facilities	951.183	475.949	(440.086)	987.046
IT equipment	169.934	94.524	(623)	263.835
	2.197.984	**871.117**	**(773.036)**	**2.296.066**
	1.471.431	**(866.538)**	**(204.578)**	**400.315**

The movements in **Tangible assets** during the year ending on 31 December 2020, are as follows:

	Balance at 1 January 2020 Euros	Acquisitions / Allocations Euros	Sales/ Disposals/ Euros	Balance at 31 December 2020 Euros
Acquisition Value:				
Real Estate				
Works in rented properties	435.591	93.277	-	528.868
	-			
Equipment	-			
Furniture and materials	241.560	17.592	-	259.152
Machines and tools	18.458	1.095	-	19.553
IT equipment	106.380	2.921	(659)	108.642
Interior fittings	164.690	-	-	164.690
Safety equipment	58.735	3.331	-	62.066
Other equipment	16.214	-	(274)	15.940
Ongoing	-	-	-	-
Assets under Operational Lease - Adoption of IFRS16				-
Vehicles	525.173	65.867	(137.107)	453.934
Facilities	1.889.358	-	(153.034)	1.736.324
IT equipment	320.245	-	-	320.245
	3.776.405	**184.083**	**(291.074)**	**3.669.415**

	Balance at 1 January 2020 Euros	Acquisitions / Allocations Euros	Sales/ Disposals/ Euros	Balance at 31 December 2020 Euros
Accrued Depreciation:				
Real Estate				
Works in rented properties	199.872	110.377	-	310.249
Equipment	-			
Furniture and materials	120.461	32.458	-	152.919
Machines and tools	13.557	1.453	-	15.010
IT equipment	75.028	23.309	-	98.336
Interior fittings	50.861	43.719	-	94.580
Safety equipment	48.163	4.599	-	52.762
Other equipment	13.038	691	(274)	13.454
Assets under Operational Lease - Adoption of IFRS16				
Vehicles	185.848	153.708	-	339.556
Facilities	393.450	557.733	-	951.183
IT equipment	75.043	94.891	-	169.934
	1.175.321	**1.022.938**	**(274)**	**2.197.984**
	2.601.084	**(838.854)**	**(290.799)**	**1.471.431**

NOTE 25

OTHER INTANGIBLE ASSETS

The following item is analysed as follows:

	Dec 2021 Euros	Dec 2020 Euros
Intangible Assets:		
Software in use	8.214.354	8.157.022
Software in development	-	63.298
	8.214.354	**8.220.320**
Accrued Amortization:	(5.198.670)	(4.226.969)
Impairment	(1.303.640)	(1.709.125)
	1.712.045	**2.284.225**

During the 2020 fiscal year the following projects/intangible assets were completed, and as such moved from software in progress to software in use:

- Datawarehouse – phase 2;
- Financa – TG2;
- Helios;
- Swift.

During the 2019 financial year, the Bank performed an impairment test on the internally developed intangible asset called "Cards - Phase 1", based on the criteria recommended in International Accounting Standard 36 - Impairment of Assets (IAS 36).

In determining the value in use, the Bank's Board of Directors considered the appropriate assumptions and judgments, and these conclusions were reviewed in 2020, due to the suspension of the activity related to these assets, and impairment was recorded corresponding to the entire net balance of amortizations of these assets, corresponding to the items detailed below, "Cards 1st phase", "Puzzle fits" and "POS point of sale".

Given that the Bank keeps these assets, available to be reactivated and reused, and should the new capital investor reactivate these products, these assets continue to be depreciated and the impairment set up restored, in order to maintain the null net value of these assets pending a definitive decision on the future reuse of these assets.

Therefore, the value of acquisition of intangible assets is analyzed as follows:

	Dec 2021 Euros	Dec 2020 Euros
Intangible Assets:		
Software in use	**8.214.354**	**8.157.022**
Oracle	34.510	34.510
Exictos	2.059.544	2.059.544
Outros (Lmsis, Mainroad, Microsoft)	204.840	224.530
Wolters	39.500	39.500
Saving Global	51.141	51.141
Homebanking	435.341	435.341
Meios de Pagamento	425.588	425.588
Raisin Austria	15.432	15.432
Savedo	7.469	7.469
Lendico	18.041	18.041
Edebex	5.869	5.869
Solução AML	466.521	466.521
Crédito Online	634.575	634.575
FATCA	23.745	23.745
Edebex DBC	20.483	20.483
Puzzle Fits	171.791	171.791
Nova CRC	61.349	61.349
POS POINT OF SALE	115.788	115.788
AML Migração	49.042	49.042
DATAWAREHOUSE	114.474	114.474
Factoring	52.062	52.062
Instant Payments	329.124	329.124
Cards 1ª phase	1.932.350	1.932.350
Cards 2ª phase	63.298	-
Puzzle 2.0	158.771	158.771
PSD2	179.545	165.821
Puzzle Portal	110.388	110.388
SWIFT Alliance Connect Bronze	115.620	115.620
HELIOS	253.688	253.688
Financa Target2	64.465	64.465
Software in development	**-**	**63.298**
Cards 2ª phase	-	63.298
	8.214.354	**8.220.320**

As stated in Note 9, work on these projects has demanded significant internal efforts for support implementation, and this task has fallen primarily to internal manpower, without whom the projects could not have been implemented. In this regard, in accordance with the provisions of IAS 38, an amount of Euro 125.716 was capitalized in 2020 relating to internal employees' personnel costs, in proportion to the time allocated to each project, and no amount was capitalized in 2021.

Movements in **Intangible assets**, during the year ended 31 December 2021, are as follows:

	Balance at 1 January 2021 Euros	Acquisitions/ Allocations Euros	Transfers. Euros	Disposals/w rite-offs Euros	Balance at 31 December 2021 Euros
Acquisition Value:					
Software					
In use	8.157.022	13.724	63.298	(19.690)	8.214.354
Under way	63.298	-	(63.298)	-	(0)
	8.220.320	**13.724**	**-**	**(19.690)**	**8.214.354**
Accrued Amortizations:					
Software in use	4.226.969	971.700	-	-	5.198.670
	3.993.350	**(957.976)**	**-**	**(19.690)**	**3.015.685**
Impairment					
Software in use (Note 13)	1.709.125	-	-	(405.485)	1.303.640
	2.284.225	**(957.976)**	**-**	**385.796**	**1.712.045**

Movements in **Intangible assets**, during the year of 2020, are as follows:

	Balance at 1 January 2020 Euros	Acquisitions/ Allocations Euros	Transfers. Euros	Disposals/write-offs Euros	Balance at 31 December 2020 Euros
Acquisition Value:					
Software					
In use	7.686.322	471.822	-	(1.123)	8.157.022
Under way	637.936	45.817	-	(620.455)	63.298
	8.324.258	**517.639**	**-**	**(621.578)**	**8.220.320**
Accrued Amortizations:					
Software in use	3.034.857	1.192.112	-	-	4.226.969
	5.289.401	**(674.473)**	**-**	**(621.578)**	**3.993.350**
Impairment					
Software in use (Note 13)	380.441	1.906.592	-	(577.908)	1.709.125
	4.908.960	**(2.581.065)**	**-**	**(43.670)**	**2.284.225**

NOTE 26

CURRENT TAX ASSETS AND LIABILITIES

The Current tax assets and liabilities are analysed as follows:

	Dec 2021 Euros	Dec 2020 Euros
Income tax stated in balance sheet		
Assets	2.353	-
Liabilities	(90.655)	(137.044)
Current tax stated in profit and loss (Note 13)	122.717	137.044

Current tax recorded in the income statement, in the amount of Euro 122.717 (December 31, 2020: Euro 137,044) refers to corporate income tax (IRC).

During 2021, the tax charge paid amounted to Euro 142.299 (2020: Euro 175.247), mainly related to corporate income tax.

The estimate for income tax was calculated in accordance with the tax criteria prevailing at the balance sheet date (see note 13).

NOTE 27

DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities recognized in the balance sheet, together with movements in the period are as follows:

	Deferred Taxes						
	Assets					Liabilities	
	Tax losses	Impairment of credit portfolio	Impairment of intangible assets	Provisions	Fair value reserve - Financial assets	Fair value reserve - Financial assets	Total
At 31 December 2019	**1.528.565**	**4.789.002**	**85.599**	**32.569**	**545**	**-**	**6.436.280**
Movements in 2020:							
Increase / (Reversal) through results:	3.069.223	(1.041.018)	298.954	13.950	-	-	2.341.109
Increase / (Reversal) through capital:	-	-	-	-	(811)	-	(811)
At 31 December 2020	**4.597.788**	**3.747.984**	**384.553**	**46.519**	**(266)**	**-**	**8.776.578**
Movements in 2021:							
Increase / (Reversal) through results:	1.320.566	135.895	(91.234)	63.821	-	-	1.429.048
Increase / (Reversal) through capital:	-	-	-	-	266	-	266
At 31 December 2021	**5.918.354**	**3.883.879**	**293.319**	**110.340**	**(0)**	**-**	**10.205.892**

Deferred tax assets relating to tax losses carried forward and tax credits are recognized when there is a reasonable expectation of future taxable profits. Uncertainty about the recoverability of tax losses carried forward is considered when determining deferred tax assets.

The Bank calculated deferred tax based on the tax rate approved or substantially approved at the balance sheet date and which is expected to be applied when the temporary differences are reversed.

On December 31, 2021 and 2020, the deferred tax asset related to tax losses carried forward, by expiration date, breaks down as follows:

			2021	2020
Year of Generation	**Year of Expiry**	**Available Tax Loss**	**Deferred Tax Asset**	**Deferred Tax Asset**
2014	2026	2.111.147	443.341	486.803
2015	2027	2.440.824	512.573	512.573
2016	2028	2.487.756	522.429	522.746
2019	2026	1.134.146	238.171	238.122
2020	2032	10.688.589	2.244.604	2.837.545
2021	2033	9.320.177	1.957.237	-
		28.182.639	**5.918.354**	**4.597.788**

The assessment of the recoverability of deferred tax assets was based on the Business Plan for the period 2022-2024 and the assumptions made therein, notwithstanding the fact that the tax losses generated in the years 2014 to 2016 and in the years of 2020 and 2021 may be used within a period of 12 years (2026, 2027, 2028, 2032 and 2033, respectively).

The expectation of generating future taxable income arises from the Business Plan for the period 2022-2024 and essentially from the expectation of the sale of the participation in Banco BNI Europa by its sole shareholder and subsequent development of new activity that will enable the recovery of deferred tax assets.

The Board of Directors believes that the fulfilment of the assumptions assumed in the Business Plan approved for the period 2022-2024 presents a considerable degree of uncertainty and includes capital increases provided for in the referred Business Plan or, alternatively, the continuity of financial support from the current sole shareholder, which is conditioned by the specific constraints of the Angolan economy. However, the distant expiry date of the recoverability of these assets contributes to support the maintenance of the registration of these assets and the verification of compliance with the assumptions set out in the Business Plan 2022-2024.

In assessing the recoverability of deferred tax assets, the estimated impacts of the Covid-19 pandemic on the economy and, consequently, on the Bank's future business have already been considered, which, although still of an unpredictable nature, developments over the past year and available economic data, already allow estimates in this area to be considered.

NOTE 28

OTHER ASSETS

This item is analysed as follows:

	Dec 2021 Euros	Dec 2020 Euros
Public Administrative Sector	-	-
Other Accounts Receivable	182.839	209.399
Collateral	1.004.137	4.473.719
Deferred Expenses	566.593	815.911
Other Interest and Similar Income	-	-
Other Accounts Receivable	7.836	92.264
Other Operations for Settlement	103.575	126.160
	1.864.980	**5.717.454**
Impairment of other Assets (Note 12)	(217.155)	(245.668)
	1.647.825	**5.471.786**

The **Other Accounts Receivable**, in the amount of Euros 182.839 (December 31, 2020: Euros 209.399), include invoices issued for the re-invoicing of expenses incurred on behalf of third parties, invoices issued for the re-invoicing of vehicles and vehicle insurance and expenses with debt recovery processes, charged to customers.

The item **Collateral** in the amount of Euros 1.004.137 (December 31, 2020: Euros 4.473.719) includes collateral assigned to Haitong Bank in the amount of Euros 650.000 (December 31, 2020: Euros 2,610,000), within the scope of derivative trading with this counterparty and the amount of Euros 245.111 (December 31, 2020: Euros 1.717.062) related to the deposit of collateral of the Mastercard and Visa card networks, and the investments in the Labour Compensation Fund, in the amount of Euros 69,613 (December 31, 2020: Euros 61,386). As of December 31, 2020, also includes an amount of Euros 85.271 related to the Warehouse account with Fellow Finance, held by bond subscriptions and redemptions accounts in progress.

The item **Deferred expenses** in the amount of Euros 566.593 (December 31, 2020: Euros 815,911) includes, essentially, Euros 93.756 (December 31, 2020: Euros 173.607) related to the deferral of costs related to commissions payable to Raisin and Savedo platforms, Euros 42.373 (December 31, 2020: Euros 91.082) related to software licenses and operational maintenance costs, Euros 52.119 (December 31, 2020: Euros 71.186) related to insurance and Euros 377.648 (December 31, 2020: Euros 453.448) related to miscellaneous deferrals.

The item **Other operations for settlement** in the amount of Euros 103.575 (December 31, 2020: Euros 126.160), refers to credit reimbursements to be made in the first days of 2021.

The item **Impairment of other assets** includes an impairment loss of Euro 217.155 (December 31, 2020: Euro 245.668) related to invoices overdue for more than 6 months, credit recovery expenses and collaterals deposited (see note 11).

NOTE 29

CENTRAL BANK RESOURCES

This item is analysed as follows:

	Dec 2021 Euros	Dec 2020 Euros
Central Banks Resources		
Loans	-	14.338
	-	**14.338**

As of December 31, 2020, the Bank has financial assets (sovereign debt securities) - see note 22 - eligible for discount with the European System of Central Banks, of which Euros 28.268.480 (Euros 26.713.676 after haircut), were available and undrawn from the pool with the European Central Bank to collateralize resources. Since all these financial assets were sold in 2021, as of

December 31, 2021, the Bank did not have any assets eligible for discounting with the European System of Central Banks.

NOTE 30

DEPOSITS FROM OTHER CREDIT INSTITUTIONS

This item is analysed as follows:

	Dec 2021 Euros	Dec 2020 Euros
Credit Institutions Resources		
Deposits	5.635.032	43.909.645
Interest Payable	48	28.346
	5.635.080	**43.937.991**

Credit institutions resources item includes demand deposits amounting to Euros 5.105.278 (December 31, 2020: Euros 7.722.968) held by five credit institutions and term deposits amounting to Euros 529.755 (December 31, 2020: Euros 36.215.023) held by one credit institution.

The breakdown of funds from credit institutions by contractual maturity dates is as follows:

	Dec 2021 Euros	Dec 2020 Euros
Sight	5.105.278	7.722.968
Until 3 months	529.802	32.143.357
From 3 months to 6 months	-	2.662.441
From 6 months to 9 months	-	909.016
From 9 months to 12 months	-	500.208
	5.635.080	**43.937.991**

NOTE 31

DEPOSITS BY CUSTOMERS AND OTHER LOANS

This item is analysed as follows:

	Dec 2021 Euros	Dec 2020 Euros
Deposits		
Current Accounts		
Residents	29.597.909	25.169.089
Non-Residents	4.555.792	2.530.306
	34.153.701	**27.699.395**
Term Deposits		
Residents	87.770.155	128.122.061
Non-Residents	48.526.099	74.212.617
	136.296.254	**202.334.678**
Interest Payable	4.553.464	5.301.510
	175.003.419	**235.335.583**

The staggering of deposits by contractual maturity is presented as follows:

	Dec 2021 Euros	Dec 2020 Euros
Sight	34.530.877	27.785.969
Until 3 months	33.472.148	31.107.996
From 3 months to 1 year	61.453.136	78.932.908
More than 1 year	45.547.258	97.508.710
	175.003.419	**235.335.583**

NOTE 32

OTHER LIABILITIES

This item is analysed as follows:

	Dec 2021 Euros	Dec 2020 Euros
Public Administrative Sector	194.540	203.612
Suppliers	310.909	464.900
Other Accounts Payable	7.178	203.200
Charges Payable for Holidays and Holidays Allowances	225.177	315.681
Other Personnel Costs	53.480	74.974
Other Payable Costs	791.474	1.069.509
Other Operations for Settlement	751.361	1.660.935
	2.334.117	**3.992.812**

The item **Public Administration Sector**, totalling Euros 194.540 (December 31, 2020: Euros 203.612), includes the amount of Euros 138.855 (December 31, 2020: Euros 129.603) related to withholding income tax (IRS and IRC) and stamp tax, as well as the amount of Euros 55.684 (December 31, 2020: Euros 74.009) related to mandatory social security contributions.

The item **Other Payable Costs** payable includes the amount of Euros 791.474 (December 31, 2020: Euros 1.069.509) related to the specialization of performance incentives in the amount of Euros 263.080 (December 31, 2021: Euros 357.492) and charges not yet invoiced, namely, consultancy (Euros 153.750 and Euros 159.746 as of December 31, 2021 and 2020, respectively), auditing (Euros 14.323 and Euros 82.902 as of December 31, 2021 and 2020, respectively), software maintenance (Euros 54.912 and Euros 53.223 as of December 31, 2021 and 2020, respectively), lawyers (Euros 119.370 and Euros 26.865 as of December 31, 2021 and 2020, respectively), among other smaller charges.

The caption **Other Operations for Settlement** amounts to Euro 751.361 (December 31, 2020: Euro 1,660,935), which is essentially composed of the following transactions, on December 31, 2021 and 2020, respectively:

i) Liabilities associated with leases - adoption of IFRS 16 - Euros 318.516 and Euros 1.079.281,

ii) Foreign exchange transactions pending settlement - Euros 48.917 and Euros 286.462,

iii) Other operations, mainly clearing systems - Euros 47.947 and Euros 133.009.

The **Other Accounts Payable**, in the amount of Euros 7.178 (December 31, 2020: Euros 203.200), is mainly (Euros 198.950) composed of balances payable to creditors for documentary credit operations in progress.

NOTE 33

CAPITAL

As of December 31, 2019 the share capital amounted to Euro 42.550.000, represented by 8.510.000 shares with a nominal value of 5 Euros.

During 2020 and 2021, two capital increase operations amounting to Euros 7.450.000 and four capital increase operations amounting to Euros 17.500.000, respectively, were carried out by the current sole shareholder Banco de Negócios Internacional, S.A., on the following dates and for the following amounts:

Date	Amount
Capital as of 31/12/2019	42.550.000,00
Capital raise at 27/02/2020	4.450.000,00
Capital raise at 20/07/2020	3.000.000,00
Capital as of 31/12/2020	50.000.000,00
Capital raise at 24/02/2021	4.000.000,00
Capital raise at 30/06/2021	4.000.000,00
Capital raise at 01/07/2021	1.000.000,00
Capital raise at 13/12/2021	8.500.000,00
Capital as of 31/12/2021	67.500.000,00

As of December 31, 2021, the Bank's share capital amounted to Euros 67.500.000, represented by 13.500.000 shares, and was fully subscribed and paid up.

As of December 31, 2021, the share capital was fully owned by Banco de Negócios Internacional, S.A..

NOTE 34

REVALUATION RESERVES

This item includes the negative amount of 916 Euros on December 31, 2020, resulting from valuation at fair value of securities (bonds) acquired and recorded under Financial assets at fair value through other comprehensive income (as per note 2.1.1.6 and note 19) including the corresponding deferred tax. These securities amortized in 2021, so this item does not show any amount on December 31, 2021.

The movements in this item are analysed as follows:

	Fair Value Reserve	Deferred Tax	Total
31 December 2019	**(2.423)**	**545**	**(1.878)**
Movement on the Period	3.605	(811)	2.794
31 December 2020	**1.182**	**(266)**	**916**
Movement on the Period	(1.182)	266	(916)
31 December 2021	-	-	-

NOTE 35

RESERVES AND RESULTS CARRIED FORWARD

This item is analysed as follows:

	Dec 2021 Euros	Dec 2020 Euros
Legal Reserve	228.619	228.619
Profit/(Loss) Carried Forward	(31.317.606)	(22.373.540)
	(31.088.987)	**(22.144.921)**

At December 31, 2021, **Results Carried Forward** amounted to negative results of Euros 31.088.987 (December 31, 2020: negative amount of Euros 22.373.540). This amount originates from the negative results approved in previous years, in the total amount of Euros 37.146.984, less the coverage of losses by Banco de Negócios Internacional S.A., in 2012 and 2014, in the total amount of Euros 6.057.997.

NOTE 36

RISK MANAGEMENT

Banco BNI Europa is exposed to the following main risks in the development of its activity:

Credit

The management of credit risk promotes the systematic monitoring of the life cycle of operations carried out, e.g., identifying, measuring and monitoring them through to their full liquidation. The Bank assesses its exposures on a case-by-case basis, identifying the real and potential risks, seeking to ensure profitability levels in line with the respective counterparty and operational risks, and well as through online and automated procedures, depending on the type of product and target market in question. These decisions are made in according with the Lending Policy, which defines the models for accepting production in each business area, as well as the respective arrangements for delegating powers for lending decisions.

In the credit requests submitted by corporate and mortgage customers, products that are part of the bank's current strategy, the analysis is made on a case-by-case basis, with a level of scrutiny and depth on the entire credit and customer environment, in order to make decisions on a duly informed basis.

The credit portfolio is systematically monitored through the monitoring of customers' financial capacity to service their debt, of their availability with the Bank and the verification of timely compliance with their obligations and the monitoring of warning signs. In the specific case of the Portuguese market, the use of information from the Bank of Portugal's Central Credit Register is a very common practice. In the case of credit granted in other jurisdictions, Banco BNI Europa identifies, collects and processes information which permits the establishment of quality indicators and alert signals, which are subsequently analysed on a recurrent basis by the areas involved in the management of these loan portfolios.

Resulting from its mortgage lending activity, the Bank has real estate properties as collateral for credit operations, both in the Flex product granted in the Portuguese market and for reverse mortgage loans granted in Spain. Accordingly, about these operations, Banco BNI Europa has the necessary means to ensure the correct valuation of these properties, as well as the maintenance and monitoring of the respective market value throughout the life of the respective credits.

In terms of credit protection, the most representative instrument in the granting of credit by Banco BNI Europa is the use of credit insurance, provided by Euler-Hermes, specifically for the invoice discounting operation practised in Belgium, France and Portugal, through the Edebex platform.

As of the reference date, 10,79% of the loans and advances to customers portfolio is recorded as credit operations at risk (in accordance with the EBA guidelines on the publication of non-performing or deferred exposures (EBA/GL/2018/10)). The impairments recorded as of December 31, 2021 on the outstanding loan portfolio, not taking into consideration Cash and Deposits with Credit Institutions and Central Banks, were approximately €10 million, representing 10,66% of the total outstanding loan portfolio as of that date.

Assets recorded in the Hold-to-Collect-and-Sale portfolio are measured at fair value through counterpart of the own capital. These may be recognized on the trade date or on the effective date on which the instrument is transferred, whilst the financial margin must be recognized using the effective trade method.

As a result, the interest margin is not determined only by the accrued coupons, but also through recognition of the associated premium/discount, plus the respective transaction costs. Transaction costs are deemed to be all the costs needed to acquire the financial instrument.

Considering the balance sheet structure on December 31, 2021 and 2020, the credit risk is limited to the main financial counterparties with which the Bank has a relationship, and risk monitoring is carried out based on information available in the main market information media.

Market

Market risk reflects the potential loss that may be incurred by a given portfolio as a result of unfavourable movements in the market price of the instruments in the trading portfolio, caused by fluctuations in share prices, commodity prices, interest rates, exchange rates.

At the reference date of this report, Banco BNI Europa has no positions recorded in a trading book.

Foreign Exchange

Foreign exchange risk consists of the probability of the occurrence of negative impacts on income or capital, due to adverse movements in exchange rates.

On 31 December 2021, Banco BNI Europa's exposure to this risk was essentially associated with the exchange rate exposure presented below; this risk is monitored on a daily basis and is hedged as a question of internal policy.

31st December 2021

Assets	EUR	USD	GBP	Total
Cash and cash equivalents in central banks	96.607	5	-	96.612
Cash on hand at other credit institutions	4.644	4.459	712	9.815
Financial assets available for disposal	5.983	528	-	6.511
Loans to customers	78.864	1.286	4.696	84.846
Other financial assets at fair value through profit or loss	4.028	-	-	4.028
Total Assets	**190.125**	**6.278**	**5.409**	**201.812**
Liabilities				
Central banks resources	12	-	-	12
Resources of other credit institutions	2.254	3.379	1	5.635
Resources from customers and other loans	172.641	2.362	0	175.003
Total Liabilities	**174.908**	**5.741**	**2**	**180.651**
GAP (Assets - Liabilities)	**15.218**	**537**	**5.407**	**21.162**

31st December 2020

Figures in thousands of euros

Assets	EUR	USD	GBP	Total
Cash and cash equivalents in central banks	87.004	4	-	87.008
Cash on hand at other credit institutions	773	796	431	2.000
Financial assets available for disposal	-	411	-	411
Investments at credit institutions	3.490	-	-	3.490
Loans to customers	154.458	26.158	11.367	191.982
Other financial assets at fair value through profit or loss	-	-	-	-
Total Assets	**245.724**	**27.369**	**11.797**	**284.891**

Liabilities				
Central banks resources	14	-	-	14
Resources of other credit institutions	11.745	32.192	1	43.938
Resources from customers and other loans	234.215	1.118	2	235.336
Total Liabilities	**245.974**	**33.310**	**3**	**279.288**

GAP (Assets - Liabilities)	**(250)**	**(5.941)**	**11.794**	**5.603**

It should be noted that Banco BNI Europa has recourse to Foreign Exchange Swap lines, contracting of Futures and natural hedges so as to ensure non-exposure to material exchange rate risks in the operations it conducts in currencies other than the Euro. These instruments are contracted with financial sector entities, financial counterparties that work with the Bank.

Liquidity

Banco BNI Europa's liquidity management policy is set at the highest level of the management structure. The Balance Sheet funding structure is based on systematic assessment of assets and liabilities, the respective maturities and also the optimization of funding costs.

As of December 31, 2021 and 2020, the forecast cash flows of the financial instruments, in relation to the residual maturity, depending on the contractual one, are as follows:

31st December 2021

Figures in thousands of euros

Assets	Non-Sensitive	Until 3 Months	From 3 to 12 Months	From 1 to 5 Years	More than 5 Years	Total
	Euros	Euros	Euros	Euros	Euros	Euros
Cash and cash equivalents in central banks	96.612	-	-	-	-	96.612
Cash on hand at other credit institutions	9.815	-	-	-	-	9.815
Investments at credit institutions	199	299	6.013	-	-	6.511
Loans to customers	1.704	6.047	20.463	33.054	23.578	84.846
Other financial assets at fair value through profit or loss	4.028	-	-	-	-	4.028
Total Assets	**112.358**	**6.346**	**26.475**	**33.054**	**23.578**	**201.812**
Liabilities						
Central banks resources	12	-	-	-	-	12
Resources of other credit institutions	5.105	530	-	-	-	5.635
Resources from customers and other loans	34.531	33.472	61.453	45.547	-	175.003
Total Liabilities	**39.648**	**34.002**	**61.453**	**45.547**	**-**	**180.651**
GAP (Assets - Liabilities)	**72.710**	**(27.656)**	**(34.978)**	**(12.493)**	**23.578**	**21.162**

31st December 2020

Figures in thousands of euros

Assets	Non-Sensitive	Until 3 Months	From 3 to 12 Months	From 1 to 5 Years	More than 5 Years	Total
Cash and cash equivalents in central banks	87.008	-	-	-	-	87.008
Cash on hand at other credit institutions	2.000	-	-	-	-	2.000
Financial assets available for disposal	-	-	411	-	-	411
Investments at credit institutions	-	299	3.191	-	-	3.490
Loans to customers	4.563	43.707	34.578	67.482	41.652	191.982
Other financial assets at fair value through profit or loss	-	-	-	-	-	-
Total Assets	**93.572**	**44.006**	**38.180**	**67.482**	**41.652**	**284.891**
Liabilities						
Central banks resources	-	14	-	-	-	14
Resources of other credit institutions	7.723	32.143	4.072	-	-	43.938
Resources from customers and other loans	27.699	31.195	78.933	97.509	-	235.336
Total Liabilities	**35.422**	**63.352**	**83.005**	**97.509**	**-**	**279.288**
GAP (Assets - Liabilities)	**58.149**	**(19.346)**	**(44.825)**	**(30.027)**	**41.652**	**5.603**

Interest rate

On 31 December 2021 and 2020, financial instruments sensitive to interest rate risk exposure are presented as follows:

31 December 2021

Assets	Non-Sensitive Euros	Until 3 Months Euros	From 3 to 12 Months Euros	From 1 to 5 Years Euros	More than 5 Years Euros	Total Euros
Cash and cash equivalents in central banks	96.612	-	-	-	-	96.612
Cash on hand at other credit institutions	9.815	-	-	-	-	9.815
Investments at credit institutions	199	299	6.013	-	-	6.511
Loans to customers	1.704	6.047	20.463	33.054	23.578	84.846
Other financial assets at fair value through profit or loss	4.028	-	-	-	-	4.028
Total Assets	**112.358**	**6.346**	**26.475**	**33.054**	**23.578**	**201.812**
Liabilities						
Central banks resources	12	-	-	-	-	12
Resources of other credit institutions	5.105	530	-	-	-	5.635
Resources from customers and other loans	34.531	33.472	61.453	45.547	-	175.003
Total Liabilities	**39.648**	**34.002**	**61.453**	**45.547**	**-**	**180.651**
GAP (Assets - Liabilities)	**72.710**	**(27.656)**	**(34.978)**	**(12.493)**	**23.578**	**21.162**

31 December 2020

Figures in thousands of euros

Assets	Non-Sensitive	Until 3 Months	From 3 to 12 Months	From 1 to 5 Years	More than 5 Years	Total
Cash and cash equivalents in central banks	87.008	-	-	-	-	87.008
Cash on hand at other credit institutions	2.000	-	-	-	-	2.000
Financial assets available for disposal	-	-	411	-	-	411
Investments at credit institutions	-	299	3.191	-	-	3.490
Loans to customers	4.563	43.707	34.578	67.482	41.652	191.982
Other financial assets at fair value through profit or loss	-	-	-	-	-	-
Total Assets	**93.572**	**44.006**	**38.180**	**67.482**	**41.652**	**284.891**
Liabilities						
Central banks resources	12	-	-	-	-	12
Resources of other credit institutions	34.531	33.472	61.453	45.547	-	175.003
Resources from customers and other loans	5.105	530	-	-	-	5.635
Total Liabilities	**39.648**	**34.002**	**61.453**	**45.547**	**-**	**180.651**
GAP (Assets - Liabilities)	**53.923**	**10.004**	**(23.274)**	**21.935**	**41.652**	**104.240**

NOTE 37

IMPAIRMENT OF LOANS PORTFOLIO

QUALITATIVE DISCLOSURE

A - Credit risk management policy

The credit risk management process at Banco BNI Europa follows the policies set out in this chapter. These also define the philosophy underlying the activities involved in this process.

Creating an appropriate credit risk management environment

- Define, review and periodically approve Banco BNI Europa's Strategy, General Credit Risk Management Policies and Credit Risk Appetite;
- Implement the Credit Risk strategy and develop processes and procedures to identify, quantify, monitor and control this risk, through indicators suited to the portfolios and products marketed by Banco BNI Europa;
- Manage the credit risk involved in all products and business areas;
- Ensure that the methodologies used, in particular with regard to forecasting models, are developed and implemented in accordance with best practices; and
- Ensure that all staff members are able to perform the functions entrusted to them, in compliance with Banco BNI Europa's ethical and professional principles.

Ensure adequate controls over credit risk management

- Establish a system that complies with the independence requirements for credit risk management; and
- Ensure that the credit risk management function is being effectively managed and monitored.

Operate through clear credit granting processes

- Define credit risk approval criteria in a way that is clear for the entire organization, by keeping up to date the "Lending Handbook", dealing with delegation of decision-making powers between different lending areas;
- Define and communicate clearly the processes and hierarchical levels for approval/granting of new credit and changes to existing credit;
- Ensure that concentration levels in the loans portfolio match the strategy defined by the Board of Directors; and
- Keep updated and adequate the "Related Parties Transactions Control Policy", in order to implement principles of independence and impartiality in granting and assigning credit to companies related to Banco BNI Europa, and also to its employees.

Create and maintain an appropriate system of credit risk monitoring

- Ensure a continuous process of monitoring of the loans portfolio and verify that impairment is at adequate levels;
- Subject all Customers/Counterparties/Issuers and all operations to a credit risk assessment based on risk assessment models suited to the loans portfolio (risk profile, product size and characteristics), or through case-by-case analysis, as applicable, taking risk acceptance characteristics into account; and
- Consider foreign market conditions and monitor trends in key economic indicators, such as unemployment rates, GDP, interest rates and stock market indexes, in order to perceive the potential effects on the operations of Banco BNI Europa and the extent to which they might limit its risk appetite, in order to optimize the Bank's economic and financial performance.

Recover overdue credit effectively and swiftly

- Ensure that recovery processes under way are monitored and that recovery procedures are differentiated by customer segment and type of product, whether promoted internally, or through external specialist firms; and

- Ensure periodic monitoring of the performance of credit recovery indicators, along with LGD parameters, in view of their relevance in determining credit impairment, and consequently in Banco BNI Europa's results.

Ensure that operations are compliant with Portuguese law and regulations issued by the Bank of Portugal

- Ensure that lending operations and internal rules are compliant with the law and the regulations;
- In particular, with the Bank of Portugal Notice no. 4/2017, of 22nd September 2017, Bank of Portugal Notice no. 3/2018, of 1 February 2018 and the Bank of Portugal Recommendation on new consumer credit contracts.

Power to approve lending

- The Bank has lending rules, duly approved by the Board of Directors, set out in the "Lending Handbook", and lending is subject to a procedure that requires periodic review, being the minimum at least once a year;
- The "Lending Handbook" lays down the guiding principles for lending, through procedures and rules to be applied in each phase of the life cycle of operations. The Handbook is published on the Bank's intranet, and so is available to all staff in general, and in particular to all those dealing closely with customers and with active lending operations.

The Lending Handbook addresses:

- ✓ The information/documents needed for a credit application, with a special focus on all the information/documents needed to apply the subsequent procedures entailed by analysis of the customer risk and the risk of the operations involved;
- ✓ The level of detail required in all analyses of credit applications, together with the information/documents needed for a correct assessment of customer risk and the risk of the operations in question, in particular with regard to solvency analysis, in order to support the decision-making processing, leading to approval or rejection;

- ✓ Delegation of powers, illustrated in the specific grid, established on the basis of the lines of authority relevant and most appropriate to the types of credit currently making up the Bank's loans portfolio;

B - Credit write-off policy

As a general principle, derecognition of debt is applied when the situation is assessed and it is understood that removing the asset from the balance sheet is more economically efficient than retaining it. A receivable is written off from assets when its recovery is considered to have little, or no, probability of occurring and the recorded LGD covers 100% of the total value of the exposure.

C - Impairment reversal policy

Reversal of credit impairment consists of reducing or cancelling, in a given reporting period, the impairment amounts recorded in previous periods. The amount resulting from reversal should not be greater than the accrued impairment amounts recorded previously, and the Bank may reverse impairment amounts on the following terms:

- Payment, by the customer (without recourse to a new credit from the Bank) of overdue interest and/or capital;
- When specific provisions are reduced;
- Improvement in risk class corresponding to the quality table;
- When new collateral is obtained or existing collateral increases in value;
- Through accrual of the value of existing collateral securing the credit, provided the valuation made has been effected in the past year by an independent evaluator (in the case of real estate property); and
- In the case of loans for property development projects, when the value of the project underlying the finance improves the LTV or when more favourable conversion factors are applied to guarantees for the project issued by the Bank.

D – Conversion policy for debts in debtor's capital (if applicable)

Not applicable

E – Description of restructuring measures applied and respective associated risks, together with procedures for controlling and monitoring these risks

In relation to Restructured credit, Banco BNI Europa complies with the requirements of Commission Implementing Regulation (EU) 2015/227, of 9th January 2015, complemented by the EBA guidelines on the same matter, EBA/GL/2018/10, of 17th December 2018. In accordance with these guidelines, the Bank will identify and flag, in its IT systems, as soon as grounds for this occur, the credit agreements of a customer in a situation of financial difficulties, whenever modifications are made to the terms and conditions of these contracts, resulting from the identification of "customer financial difficulties".

The definitions of what should be understood as modifications to the terms and conditions of contracts, and as events falling within the definition of economic difficulties, may be found in the necessary detail in those EBA guidelines. At the reference date, Banco BNI Europa had a restructured and immaterial credit portfolio, representing 0,59% of total credit portfolio.

F – Description of the evaluation process and collateral management

Evaluators Selection Policy

Whenever necessary, Banco BNI Europa uses independent external appraisers to obtain the valuation of any collateral to be obtained or to update the value of the collateral associated with the loans on the balance sheet. In this regard, the Bank integrates in its internal policies requirements to solicit different commercial proposals with the aim of promoting comparability between different offers, maintaining a proximity with the service market in this area.

Accordingly, the criteria for contracting services ensure:

- That the evaluator is independent;
- That the evaluator is accredited by the Securities Market Commission (CMVM); and
- That the evaluation methods used are prudent and appropriate for the state and type of asset to be valued.

As required by Circular 54/2014/DSC of the Bank of Portugal, the Bank makes the external evaluation report on the property available to its customers, whenever the evaluation costs are supported by them.

Reevaluation periodicity

The periodicity of collateral valuation must be carried out in accordance with the rules defined by the supervisor, namely in compliance with the deadlines and procedures established in Notice no. 5/2006 of Banco de Portugal, of 11 June 2006, and in number 3 of article 208, of Regulation (EU) No. 575/2013 (CRR), of the European Parliament and of the Council, of June 26, 2013, revised by Regulation (EU) No. 2019/876 (CRR2) of May 20, 2019.

The valuation of the properties to be received as collateral for financing must be carried out prior to their acceptance (as a condition of the financing to be granted) and the registration of the credit.

Mortgaged property must be re-evaluated:

a) Whenever a substantial decrease in the value of the property may have occurred, according to credible and sustained information obtained by Banco BNI Europa; and

b) At least every 3 years, for loans exceeding 5% of the Bank's Own Funds or 3 million euros of exposure.

Collaterals Recording

All relevant information relating to guarantees received as collateral is recorded through processes instituted in Banco BNI Europa, supported by processes and a technological application designed for this purpose.

Collaterals Valuation

In order to analyse the suitability of collateral valuations, the age of the valuation supporting the value currently assigned to each collateral received by Banco BNI Europa must be taken into consideration. Accordingly, whenever applicable, the Bank has recent valuations, in line with the periods defined in Notice no. 6/2006 of the Bank of Portugal, of 11 June 2006.

It is Banco BNI Europa's policy to keep valuations up to date and to value collateral in accordance with such valuations, avoiding the application of generic haircuts.

G – Nature of the main judgments, estimates and hypotheses used in determining impairment

In this matter, Banco BNI Europa complies with the requirements of IFRS 9 – Financial instruments. The internal policies and procedures defined by Banco BNI Europa for the purpose of calculating impairment are conservative and appropriate to the loans portfolio. The policies, procedures and methodologies will evolve in line with macro-economic trends, the characteristics of the portfolio and in line with the risk policies adopted according with the Bank's strategy.

H – Description of impairment calculation methods, including how portfolios are segmented to reflect the different characteristics of credits

Under IFRS 9 - Financial instruments, accounts receivable from non-significant customers may be included in stages representing similar credit risk characteristics and may be assessed for the purposes of determining impairment using collective analyses models. In addition, Banco BNI Europa may increase the granularity of this segmentation, by using outputs generated from stochastic models such as Ratings and/or Scores.

As a result of this segmentation, Banco BNI Europa applies an appropriate methodology for obtaining estimates of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) parameters (when applicable), based on the quantity and solidity of the internal data available. In particular, in cases where there is a lack of sufficiently solid information for developing models with a more advance estimation capability, the Bank uses extrapolation methods to obtain the curves reflecting the relevant PD and LGD, on the basis of information obtained from the market or from the originator itself, duly substantiated, and including appropriate prudence levels. In cases where the information available so permits, Banco BNI Europa develops more advanced models, where the estimates of PD, LGD and EAD parameters (when applicable) are obtained based on observable samples of internal data, and complemented by prospective scenarios for the macroeconomic context, in order to comply with the point-in-time approach required by the applicable standards and regulations.

Nevertheless, Banco BNI Europa includes in its Impairment Manual a set of criteria that allow the identification of the positions at risk that must be individually analysed in order to determine a more adequate level of impairment for those particular contexts.

I –Evidence of impairment indication by credit segments

Accordingly with the applicable good practices, Banco BNI Europa must ensure that expected losses are identified promptly and that the associated impairments are recognized in the accounts, adopting conservative standards for evidence of impairment, appropriate to each type of credit or customer.

In accordance with Circular no. 62/2018 of the Bank of Portugal, Banco BNI Europa considers the following events as evidence of a significant increase in lending risk:

- Credit with payments of capital, interest, commissions or other expenses more than 30 days past due;
- Credit restructured due to the debtor's financial difficulties;
- Credit where the debtor meets at least two of the following criteria, when this occurs in a posterior moment to the initial recognition of the operation:
    - (i) Recording of at least one overdue credit in the Central Credit Register;
    - (ii) Inclusion on list of cheque users presenting risks or with protested/uncharged effects;
    - (iii) Debts to the Tax Authorities, Social Security or employees, with default;
    - (iv) Other signs that trigger internal alert levels.

In the same way, Banco BNI Europa considers the following events as indicatives of an impairment situation:

- Credit with payments of capital, interest, commissions or other expenses more than 90 days past due;

- Existence of a low probability of the debtor completely fulfill its credit obligations to the institution, being the debt recovery dependent on the triggering of any guarantees received by the creditor. For example:
- received by the creditor. For example:

(i) The institution has activated guarantees, including sureties;

(ii) The institution has started judicial proceedings to collect the debt;

(iii) The debtor's recurrent income sources are no longer available for the payments of reimbursement instalments (e.g. loss of an important client or tenant, continuous loss or significant reduction in turnover/operating cash flow);

(iv) The debtor presents a significantly inappropriate financial structure, or inability to obtain additional funding (e.g. negative own capital, reduction in own capital of 50% in a given reporting period due to losses);

(v) The institution no longer collects interest (even if partially or subject to conditions);

(vi) The institution directly cancelled the whole debt or part of the debt of a debtor (write-off of asset/pardon of debt), outside the scope of a restructuring operation carried out according to the terms established in paragraph 16 of Circular 62/2018 of the Bank of Portugal;

(vii) The credit institution or the institution leading the consortium of creditors, as applicable, initiates bankruptcy/insolvency proceedings against the debtor;

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

(ix) Overdue debts to the Tax or Social Security authorities or employees, subject to State enforced legal or seizure proceeding;

(x) The debtor has declared bankruptcy or insolvency;

(xi) A third party has initiated bankruptcy or insolvency proceedings against the debtor;

* Restructured operations due to the debtor's financial difficulties, when is verified one of the following situations:

  (i) The restructuring is based on an inappropriate payments plan. Among other issues, it is considered not to exist an appropriate payment plan in the event of repeated default on the plan, if the operation has been restructured to avoid default or is based on expectations not supported by macroeconomic forecasts;

  (ii) The restructured credits include contractual clauses that extend reimbursement of the operation, in particular by setting a waiting period of more than 2 years for reimbursement of capital;

  (iii) Credits restructured due to the debtor's financial difficulties which, during the cure period, are restructure once more due to the debtor's financial difficulties or with capital or interest payments more than 30 days overdue.

J – Indication of thresholds set for individual analysis

When applying an impairment evaluation through an individual analysis, Banco BNI Europa applies the following criteria:

* Credit exposure higher than 1.000.000 Euros, regardless of the credit's stage; or
* Credit exposure higher than 100.000 Euros, when the credit is in stage 2 or stage 3;
* Any level of credit exposure or credit stage, if the expert judgment of the business unit that accompanies the segment on which the client is inserted is critical, therefore resulting in a relevant contribution to a most consistent calculus of the impairments value. An example of this situations could be the process of collateral's execution associated with credit lines in which the value to receive is inferior to the estimative of the collective impairment model.

This analysis is performed on at least a quarterly basis and may be triggered on a monthly basis whenever relevant information so requires. The analysis is carried out in an autonomous document, with a version referring to the credit products registered individually in the Bank's core system and a version allocated to the credits underlying the Bonds issued by the SPVs, credits identified through the look through approach. All exposures that do not meet at least one of the above criteria will be subject to impairment calculation on a collective basis. The credit portfolios must be grouped considering similar risk characteristics that are sufficiently granular to allow for the adequate evaluation of changes in credit risk and, thus, the impact on the estimate of expected credit losses for this segment.

In the case of exposures above 100.000 euros which, after individual analysis, have no evidence of impairment, they are subject to impairment on a collective basis.

K - Internal risk rating policy, specifying the treatment of a borrower classified as in default

Banco BNI Europa still does not have an internal risk rating model, considering the absence of historical data which would allow its modelling. Even so, whenever possible, the Bank makes use of predictive information available in the form of data supplied by platforms for originating credit with which it deals, and that have implemented models of this type in their loan's portfolio management processes.

Borrowers in default situation, regarding products that were launched by Banco BNI Europa on the Portuguese market, are handled by an external credit recovery firm with recognized experience in this sector. When the loans contracted by these borrowers have been obtained or granted through platforms based in jurisdictions outside Portugal, the platforms in question have internal resources or else external contractors equipped with full credit recovery processes, suited to the products or type of lending in question. It should be noted that the existence of these resources, together with their suitability to the product or type of lending in question, is one of the requirements considered in the due diligence process undertaken prior to establishing a partnership with any loan originator platform.

L – General description of how the current value of future cash flows is calculated when determining impairment losses assessed individually and collectively

Whenever it is necessary to calculate the current value of future cash flows, in particular in models for obtaining estimates for LGD parameters that are going to be used in the calculus of impairment on portfolios subjected to collective analysis, Banco BNI Europa applies a discount rate equal to the original contract rate. In the cases where the Bank has recourse to estimates provided by the historical data basis from the platforms with which it deals, an assessment is carried out to ensure that the methods used consider levels of prudence according to, or even more conservative than those applicable when the calculations can be carried out with a more significant quantity of data available.

In situations where Banco BNI Europa applies an impairment calculation based on an individual analysis, the evaluation model follows the recommendations of Circulars nos. 6/2018 and 62/2018 of the Bank of Portugal, of 15th February 2018 and 15th November 2018, respectively, adopting the practices prescribed by the regulator and established in IFRS 9, as per the Impairment Handbook approved by the Board of Directors.

M – Description of emerging periods used for different segments and justification of their adequacy

In the applicable cases, Banco BNI Europa applies an emerging period of twelve months, in order to obtain PD estimates, in particular with regard to contracts at stage 1, i.e. with a low credit risk. Similarly to the previous item, whenever the Bank uses parameters supplied by credit originating platforms, an evaluation is carried out to ensure that conservative levels of prudence are adopted in calculating those estimates.

N – Detailed description of the costs associated with the credit risk, including disclosure of the PD, EAD, LGD and cure rate

In line with what was presented in the section on Risk Management and Internal Control, total impairment calculated at the reference date is 10.218 thousand euros, broken down into 8.122 thousand euros referring to the outstanding credit portfolio, 2.000 thousand euros referring to the disposal of loans in structured bonds and 96 thousand euros referring to debt securities and liquid assets in ICs and central banks.

The detail of exposure to credit risk (not including hedges and deferred commissions) is presented in the table below, together with the value of the respective Impairments:

Item	Exposure	Impairment	Impairment Rate
Credit granted directly	77.782	5.446	7,0%
Underlying structured bond credit	17.189	4.679	27,2%
Cash Equivalents and Investments at Credit Institutions and Central Banks	113.680	93	0,1%
Total Balance Sheet	**208.651**	**10.218**	**4,9%**
Total Non-Balance Sheet	**33.288**	**-**	**0,0%**

The information presented in the table above was prepared based on the credit portfolios, and the reconciliation with the amounts expressed in the accounting is as follows:

Figures in thousands of euros

Item	Credit in Structured Bonds Accounting	Credit in Structured Bonds Adjustment	Credit in Structured Bonds Management Informat.
Outstanding Loans	12 714	-	12 714
Liquidity, accrued interest and outstanding amounts	1 676	-	1 676
Sold Credit	2 000	(2 000)	-
Total	**16 391**	**(2 000)**	**14 391**

Figures in thousands of euros

Description	Credit in Structured Bonds						
	Gross Amount	Liquidity	Sold Credit	Pending Amounts	Gross Credit Amount	Incurred Interest	Impairment
Auxmone	5 878	497	1 360	-	4 021	22	2 091
Camomile	1 946	87	-	-	1 859	9	540
Lendable	2 687	196	-	-	2 490	18	1 117
Market Finance	3 452	627	-	-	2 824	1	48
Prodigy Finance	376	-	-	1	375	3	166
Upgrade	1 990	206	640	-	1 144	9	714
Total	**16 329**	**1 614**	**2 000**	**1**	**12 714**	**62**	**4 677**

Figures in thousands of euros

Item	Credit Granted Directly Accounting	Credit Granted Directly Adjustment	Credit Granted Directly Management Information
Outstanding Credit	70.719	-	70.719
Interest Receivable	934	-	934
Overdue Loans	4.252	-	4.252
Reverse Mortgage Coverage	180	(180)	-
Deferred Commissions	2.452	(2.346)	-
Other Items	(756)	756	-
Total	**77.782**	**(1.770)**	**75.906**

The impairment on structured bonds whose underlying asset is credit, in the global amount of 4.676.664 euros, includes 2.676.657 euros of impairment associated to the credits included in them, so the remaining amount corresponds to the underlying impairment of the structured bond.

Cash and deposits at credit institutions and investments at central banks are analysed as follows:

Figures in thousands of euros

	Cash Equivalents and Investments at Credit Institutions and Central Banks		
Item	**Gross Exposure**	**Impairment**	**Net Exposure**
Cash and cash equivalents at Central Banks	96.612	-	96.612
Cash and cash equivalents at Credit Institutions	9.890	75	9.815
Investments at Credit Institutions	6.530	19	6.511
Margin Call	650	2	648
Total	**113.682**	**95**	**113.586**

Thus, on December 31, 2021, cash and cash equivalents and investments in credit institutions and Central Banks amounted to 113.586 thousand euros, which represents an increase of 16% compared to December 2020.

The distribution of the impairment calculated on the outstanding credit portfolio (including direct credit and credit as an underlying asset of bonds), according to the types of credit that make it up, is shown below. For the scope of the analyses of the portfolio of loans as underlying assets of structured bonds we have also chosen not to consider the associated liquidity, although we have considered the interest accrued on loans.

Impairment - Direct Credit Granted				
Type of Credit	**Balance (€)**	**Impairment (€)**	**Average Weighted PD**	**Average Weighted LGD**
Residential	**60.191.334**	**1.365.688**	**14,27%**	**30,02%**
Flex	24.595.335	1.094.801	14,43%	30,14%
Reverse Mortgage	35.151.147	265.774	n/a	n/a
Employees	444.852	5.114	4,94%	23,68%
Consumer	**3.123.404**	**1.141.981**	**51,62%**	**59,65%**
Puzzle	2.562.656	937.630	53,05%	57,41%
Puzzle Restructured	362.690	191.281	61,03%	85,87%
Online Banking	2.612	602	25,90%	86,03%
Puzzle Training	195.446	12.468	15,78%	40,07%
SME	**11.742.301**	**2.508.840**	**33,25%**	**66,51%**
DEMP	2.101.633	73.456	44,41%	36,85%
Lendico	1.310.705	467.171	49,72%	65,81%
Creditshelf	23.968	1.940	11,73%	61,06%
Funding Circle - DE	8.305.996	1.966.273	27,90%	74,15%
Factoring	**851.607**	**429.062**	**100,00%**	**50,38%**
Edebex	851.607	429.062	100,00%	50,38%
Total	**75.908.646**	**5.445.571**	**19,70%**	**37,12%**

Impairment - Underlying Credit in Structured Bonds				
Type of Credit	**Balance (€)**	**Impairment (€)**	**Average Weighted PD**	**Average Weighted LGD**
Consumer	**8.253.709**	**2.088.908**	**28,28%**	**76,03%**
Auxmoney	4.042.848	731.361	19,90%	66,15%
Upgrade	1.159.697	73.882	7,26%	88,00%
Prodigy Finance	397.646	166.436	65,08%	50,58%
Lendable	2.653.518	1.117.229	44,71%	89,67%
SME	**1.867.093**	**540.221**	**36,03%**	**67,32%**
Camomille	1.867.093	540.221	36,03%	67,32%
Factoring	**2.828.956**	**47.528**	**8,40%**	**20,00%**
Market Invoice	2.828.956	47.528	8,40%	20,00%
Total	**12.949.758**	**2.676.657**	**25,05%**	**62,54%**

The impairment calculation is conducted on a collective basis, in all credit portfolios, considering that there are credits for calculation application on individual basis, on a case-by-case analysis.

O – Conclusions concerning sensitivity analyses of the impairment value and changes in the main assumptions

Considering a 20% increase in the PD and LGD parameters, in order to obtain a measure of the sensitivity of impairment to a scenario of reasonable adversity, impairment increases from 8.122 thousand euros to 9.209 thousand euros, representing a variation of 13.40%.

The results obtained with application of the 20% shock on risk parameters for calculation of impairment are presented below.

Impairment - Direct Credit Granted				
Type of Credit	Balance (€)	Impairment (€)	Average Weighted PD	Average Weighted LGD
Residential	**60.191.334**	**1.498.115**	**16,13%**	**35,86%**
Flex	24.595.335	1.490.751	16,32%	36,00%
Reverse Mortgage	35.151.147			
Employees	444.852	7.364	5,93%	28,42%
Consumer	**3.123.404**	**1.367.357**	**53,59%**	**70,21%**
Puzzle	2.562.656	1.120.572	54,96%	67,66%
Puzzle Restructured	362.690	228.710	63,06%	100,00%
Online Banking	2.612	696	26,64%	100,00%
Puzzle Training	195.446	17.379	18,36%	48,08%
SME	**11.742.301**	**2.890.165**	**34,14%**	**78,08%**
DEMP	2.101.633	90.870	44,59%	44,22%
Lendico	1.310.705	559.810	52,05%	77,23%
Creditshelf	23.968	2.288	11,90%	72,98%
Funding Circle - DE	8.305.996	2.237.198	28,73%	86,80%
Factoring	**851.607**	**511.821**	**100,00%**	**60,10%**
Edebex	851.607	511.821	100,00%	60,10%
Total	**75.908.646**	**6.267.458**	**21,40%**	**44,08%**

Impairment - Underlying Credit in Structured Bonds				
Type of Credit	**Balance (€)**	**Impairment (€)**	**Average Weighted PD**	**Average Weighted LGD**
Consumer	**8.253.709**	**2.278.105**	**29,02%**	**86,52%**
Auxmoney	4.042.848	771.955	20,48%	76,35%
Upgrade	1.159.697	92.088	7,94%	100,00%
Prodigy Finance	397.646	200.522	65,75%	60,70%
Lendable	2.653.518	1.213.539	45,73%	100,00%
SME	**1.867.093**	**602.233**	**36,46%**	**78,00%**
Camomille	1.867.093	602.233	36,46%	78,00%
Factoring	**2.828.956**	**61.653**	**9,08%**	**24,00%**
Market Invoice	2.828.956	61.653	9,08%	24,00%
Total	**12.949.758**	**2.941.990**	**10,52%**	**69,18%**

Quantitative Disclosure

At the reference date of 31 December 2021, the credit portfolio stood as shown in the following tables:

Type of Credit	Balance (€)	Fair Value of Collateral (€)	Impairment (€)	Net Value (€)	Weight on Net Value
Impairment - Direct Credit Granted	**75.908.646**	**61.357.188**	**5.445.571**	**9.105.887**	**46,99%**
Loans falling Due	68.416.019	60.421.481	1.464.052	6.530.487	33,70%
Overdue Credit	7.492.627	935.707	3.981.519	2.575.401	13,29%
Impairment - Underlying Credit in Structured Bo	**12.949.758**	**0**	**2.676.657**	**10.273.101**	**53,01%**
Loans falling Due	9.948.004	0	265.382	9.682.622	49,96%
Overdue Credit	3.001.754	0	2.411.275	590.479	3,05%
Total	**88.858.405**	**61.357.188**	**8.122.228**	**19.378.989**	**100,00%**

The credit on the balance sheet benefits from mortgage and financial collateral in the amount of 61.357 thousand euros.

a) Details of exposures and impairment constituted

a1) By credit quality

31st December 2021

Type of Credit	Balance (€)	Falling Due Balance (€)	*Of which restructured (€)*	Overdue Balance (€)	*Of which restructured (€)*	Impairment (€)
Direct Credit Granted	**75.908.646**	**68.416.019**	**219.607**	**7.492.627**	**121.205**	**5.445.571**
Residential	60.191.334	59.255.087	0	936.247	0	1.365.688
Consumer	3.123.404	1.884.122	219.607	1.239.282	121.205	1.141.981
SME	11.742.301	7.276.811	0	4.465.491	0	2.508.840
Factoring	851.607	0	0	851.607	0	429.062
Underlying Credit in Structured Bonds	**12.949.758**	**9.948.004**	**143.056**	**3.001.754**	**581.342**	**2.676.657**
Residential	0	0	0	0	0	0
Consumer	8.253.709	6.085.192	143.056	2.168.517	581.342	2.088.908
SME	1.867.093	1.182.533	0	684.560	0	540.221
Factoring	2.828.956	2.680.279	0	148.677	0	47.528
Total	**88.858.405**	**78.364.024**	**362.663**	**10.494.381**	**702.547**	**8.122.228**

31st December 2020

Type of Credit	Balance (€)	Falling Due Balance (€)	*Of which restructured (€)*	Overdue Balance (€)	*Of which restructured (€)*	Impairment (€)
Direct Credit Granted	**82.858.660**	**74.856.402**	**440.760**	**8.002.258**	**82.249**	**5.557.593**
Residential	56.520.244	55.440.971	0	1.079.273	0	629.614
Consumer	4.911.011	3.640.862	440.760	1.270.150	82.249	1.306.010
SME	20.574.842	15.774.570	0	4.800.272	0	3.191.950
Factoring	852.564	0	0	852.564	0	430.019
Underlying Credit in Structured Bonds	**35.520.743**	**30.711.291**	**977.607**	**4.809.452**	**769.798**	**4.740.528**
Residential	0	0	0	0	0	0
Consumer	24.008.784	20.297.359	213.346	3.711.425	769.798	3.696.622
SME	9.665.815	8.621.295	764.261	1.044.519	0	988.628
Factoring	1.846.144	1.792.637	0	53.508	0	55.278
Total	**118.379.404**	**105.567.693**	**1.418.367**	**12.811.710**	**852.047**	**10.298.120**

a2) By days of default

31st December 2021

Type of Credit	Performing Loans (€)		Non-performing Loans (€)	
	Without risk evidence	With risk evidence	≤ 90 dpd	> 90 dpd
Direct Credit Granted	**65.551.033**	**3.583.584**	**2.192.281**	**4.581.747**
Residential	56.790.245	2.168.356	795.580	437.153
Consumer	1.548.260	270.015	188.276	1.116.853
SME	7.212.529	1.145.212	1.208.425	2.176.135
Factoring	0	0	0	851.607
Underlying Credit in Structured Bonds	**9.761.907**	**374.864**	**328.691**	**2.484.295**
Residential	0	0	0	0
Consumer	5.927.410	299.677	231.696	1.794.926
SME	1.159.614	75.056	72.510	559.913
Factoring	2.674.883	131	24.485	129.457
Total	**75.312.941**	**3.958.449**	**2.520.973**	**7.066.043**

Type of Credit	Performing Impairment (€)		Non-performing Impairment (€)	
	Without risk evidence	With risk evidence	≤ 90 dpd	> 90 dpd
Direct Credit Granted	**779.744**	**749.000**	**604.743**	**3.312.083**
Residential	605.843	421.892	229.910	108.043
Consumer	80.999	73.040	114.455	873.486
SME	92.902	254.068	260.378	1.901.492
Factoring	0	0	0	429.062
Underlying Credit in Structured Bonds	**146.158**	**118.233**	**215.682**	**2.196.584**
Residential	0	0	0	0
Consumer	118.465	104.673	167.281	1.698.489
SME	10.604	13.560	43.506	472.551
Factoring	17.089	0	4.895	25.544
Total	**925.902**	**867.233**	**820.425**	**5.508.668**

31st December 2020

Type of Credit	Performing Loans (€)		Non-performing Loans (€)	
	Without risk evidence	With risk evidence	≤ 90 dpd	> 90 dpd
Direct Credit Granted	**73.518.597**	**3.301.476**	**828.345**	**5.210.243**
Residential	54.672.176	912.303	410.658	525.107
Consumer	3.175.915	296.062	336.452	1.102.582
SME	15.670.506	2.093.111	81.235	2.729.990
Factoring	0	0	0	852.564
Underlying Credit in Structured Bonds	**29.091.209**	**1.079.937**	**2.058.949**	**3.290.649**
Residential	0	0	0	0
Consumer	20.063.598	812.877	609.830	2.522.478
SME	7.234.974	267.059	1.449.119	714.663
Factoring	1.792.637	0	0	53.508
Total	**102.609.806**	**4.381.413**	**2.887.294**	**8.500.892**

Type of Credit	Performing Impairment (€)		Non-performing Impairment (€)	
	Without risk evidence	With risk evidence	≤ 90 dpd	> 90 dpd
Direct Credit Granted	**953.486**	**717.760**	**315.968**	**3.570.379**
Residential	325.616	120.600	59.276	124.122
Consumer	215.053	85.370	207.951	797.636
SME	412.816	511.791	48.741	2.218.602
Factoring	0	0	0	430.019
Underlying Credit in Structured Bonds	**859.984**	**344.708**	**645.942**	**2.889.893**
Residential	0	0	0	0
Consumer	748.769	296.636	409.100	2.242.117
SME	95.917	48.072	236.842	607.797
Factoring	15.299	0	0	39.979
Total	**1.813.470**	**1.062.468**	**961.910**	**6.460.272**

b) Details of credit portfolio by segment and year of lending

31st December 2021

Type of Credit	2016 and prior			2017		
	# Operations	Balance (€)	Impairment (€)	# Operations	Balance (€)	Impairment (€)
Direct Credit Granted	**3**	**47**	**6**	**116**	**926.129**	**340.927**
Residential	0	0	0	0	0	0
Consumer	3	47	6	61	51.339	45.087
SME	0	0	0	55	874.791	295.840
Factoring	0	0	0	0	0	0
Underlying Credit in Structured Bonds	**140**	**468.505**	**325.470**	**524**	**1.187.435**	**421.770**
Residential	0	0	0	0	0	0
Consumer	140	468.505	325.470	524	1.187.435	421.770
SME	0	0	0	0	0	0
Factoring	0	0	0	0	0	0
Total	**143**	**468.551**	**325.476**	**640**	**2.113.564**	**762.697**

Type of Credit	2018			2019		
	# Operations	Balance (€)	Impairment (€)	# Operations	Balance (€)	Impairment (€)
Direct Credit Granted	**972**	**15.520.100**	**3.022.994**	**869**	**31.564.021**	**1.111.622**
Residential	47	6.060.098	196.351	264	28.315.040	526.458
Consumer	649	851.050	488.235	564	1.079.071	290.506
SME	255	7.774.880	1.917.038	34	2.152.374	286.968
Factoring	21	834.072	421.370	7	17.535	7.691
Underlying Credit in Structured Bonds	**1.363**	**6.737.663**	**1.275.762**	**415**	**1.727.200**	**606.127**
Residential	0	0	0	0	0	0
Consumer	1.280	5.010.298	758.781	409	1.587.472	582.887
SME	83	1.727.365	516.981	6	139.728	23.240
Factoring	0	0	0	0	0	0
Total	**2.335**	**22.257.763**	**4.298.755**	**1.284**	**33.291.221**	**1.717.750**

Type of Credit	2020			2021		
	# Operations	Balance (€)	Impairment (€)	# Operations	Balance (€)	Impairment (€)
Direct Credit Granted	**668**	**16.476.862**	**592.656**	**229**	**11.421.488**	**377.365**
Residential	217	15.388.580	299.173	207	10.427.616	343.707
Consumer	448	1.078.035	284.647	21	63.862	33.501
SME	3	10.247	8.837	1	930.009	157
Factoring	0	0	0	0	0	0
Underlying Credit in Structured Bonds	**0**	**0**	**0**	**403**	**2.828.956**	**47.528**
Residential	0	0	0	0	0	0
Consumer	0	0	0	0	0	0
SME	0	0	0	0	0	0
Factoring	0	0	0	403	2.828.956	47.528
Total	**668**	**16.476.862**	**592.656**	**632**	**14.250.443**	**424.893**

c) Details of gross lending exposure and impairment assessed individually and collectively, by segment, sector and geographical region

c1) By Segment

31st December 2021

Type of Credit (Segment)	Balance (€)	Individual Analysis		Collective Analysis	
		Balance (€)	Impairment (€)	Balance (€)	Impairment (€)
Direct Credit Granted	**75.908.646**	**3.584.938**	**894.401**	**72.323.708**	**4.551.170**
Residential	60.191.334	1.430.454	224.291	58.760.880	1.141.397
Consumer	3.123.404	0	0	3.123.404	1.141.981
SME	11.742.301	1.425.748	305.742	10.316.553	2.203.098
Factoring	851.607	728.736	364.368	122.871	64.694
Underlying Credit in Structured Bonds	**12.949.758**	**0**	**0**	**12.949.758**	**2.676.657**
Residential	0	0	0	0	0
Consumer	8.253.709	0	0	8.253.709	2.088.908
SME	1.867.093	0	0	1.867.093	540.221
Factoring	2.828.956	0	0	2.828.956	47.528
Total	**88.858.405**	**3.584.938**	**894.401**	**85.273.466**	**7.227.827**

31st December 2020

Type of Credit (Segment)	Balance (€)	Individual Analysis		Collective Analysis	
		Balance (€)	Impairment (€)	Balance (€)	Impairment (€)
Direct Credit Granted	**82.858.660**	**3.288.456**	**1.204.235**	**79.570.204**	**4.353.358**
Residential	56.520.244	540.218	118.014	55.980.026	511.599
Consumer	4.911.011	0	0	4.911.011	1.306.010
SME	20.574.842	2.019.502	721.852	18.555.340	2.470.098
Factoring	852.564	728.736	364.368	123.828	65.651
Underlying Credit in Structured Bonds	**35.520.743**	**1.135.307**	**132.401**	**34.385.436**	**4.608.126**
Residential	0	0	0	0	0
Consumer	24.008.784	0	0	24.008.784	3.696.622
SME	9.665.815	1.135.307	132.401	8.530.508	856.226
Factoring	1.846.144	0	0	1.846.144	55.278
Total	**118.379.404**	**4.423.763**	**1.336.636**	**113.955.640**	**8.961.484**

c2) By activity sector

31st December 2021

Type of Credit (Business Sector)	Balance (€)	Individual Analysis		Collective Analysis	
		Balance (€)	Impairment (€)	Balance (€)	Impairment (€)
Direct Credit Granted	**75.908.646**	**3.584.938**	**894.401**	**72.323.708**	**4.551.170**
Agriculture	115.314	0	0	115.314	74.234
Commerce	3.960.531	147.600	73.800	3.812.931	741.721
Industry	1.301.631	221.136	110.568	1.080.495	280.463
Services	7.216.432	1.785.748	485.742	5.430.684	1.171.374
Personal	63.314.738	1.430.454	224.291	61.884.284	2.283.378
Others	0	0	0	0	0
Underlying Credit in Structured Bonds	**12.949.758**	**0**	**0**	**12.949.758**	**2.676.657**
Agriculture	0	0	0	0	0
Commerce	0	0	0	0	0
Industry	0	0	0	0	0
Services	0	0	0	0	0
Personal	8.253.709	0	0	8.253.709	2.088.908
Others	4.696.049	0	0	4.696.049	587.749
Total	**88.858.405**	**3.584.938**	**894.401**	**85.273.466**	**7.227.827**

31st December 2020

Type of Credit (Business Sector)	Balance (€)	Individual Analysis		Collective Analysis	
		Balance (€)	Impairment (€)	Balance (€)	Impairment (€)
Direct Credit Granted	**82.858.660**	**3.288.456**	**1.204.235**	**79.570.204**	**4.353.358**
Agriculture	263.327	0	0	263.327	90.512
Commerce	7.582.388	700.350	322.091	6.882.038	723.572
Industry	3.004.102	343.390	232.822	2.660.712	471.883
Services	10.577.540	1.704.498	531.307	8.873.042	1.249.780
Personal	61.431.255	540.218	118.014	60.891.037	1.817.610
Others	49	0	0	49	0
Underlying Credit in Structured Bonds	**35.520.743**	**1.135.307**	**132.401**	**34.385.436**	**4.608.126**
Agriculture	0	0	0	0	0
Commerce	0	0	0	0	0
Industry	0	0	0	0	0
Services	0	0	0	0	0
Personal	24.008.784	0	0	24.008.784	3.696.622
Others	11.511.959	1.135.307	132.401	10.376.652	911.504
Total	**118.379.404**	**4.423.763**	**1.336.636**	**113.955.640**	**8.961.484**

Investments made by Banco BNI Europa related to factoring present fairly diverse business sectors and are stated in the item "Others".

c3) By geographic location

The distribution shows the geographical areas whose exposure, in BNI Europa's global portfolio, exceeds the amount of € 1.000.000. The jurisdictions that fall short of this amount are encompassed in the 'Other' category in the following tables.

31st December 2021

Type of Credit (Geographical Area)	Balance (€)	Individual Analysis		Collective Analysis	
		Balance (€)	Impairment (€)	Balance (€)	Impairment (€)
Direct Credit Granted	**75.908.646**	**3.584.938**	**894.401**	**72.323.708**	**4.551.170**
Germany	9.268.942	511.394	243.629	8.757.547	2.145.870
Spain	36.081.210	0	0	36.081.210	265.938
The Netherlands	0	0	0	0	0
Portugal	28.428.230	1.430.454	224.291	26.997.775	2.036.236
Others	2.130.266	1.643.090	426.480	487.175	103.127
Underlying Credit in Structured Bonds	**12.949.758**	**0**	**0**	**12.949.758**	**2.676.657**
Germany	4.042.848	0	0	4.042.848	731.361
Spain	0	0	0	0	0
Great Britain	5.482.474	0	0	5.482.474	1.164.757
Ireland	0	0	0	0	0
The Netherlands	1.867.093	0	0	1.867.093	540.221
United States of America	1.159.697	0	0	1.159.697	73.882
Others	397.646	0	0	397.646	166.436
Total	**88.858.405**	**3.584.938**	**894.401**	**85.273.466**	**7.227.827**

31st December 2020

Type of Credit (Geographical Area)	Balance (€)	Individual Analysis		Collective Analysis	
		Balance (€)	Impairment (€)	Balance (€)	Impairment (€)
Direct Credit Granted	**82.858.660**	**3.288.456**	**1.204.235**	**79.570.204**	**4.353.358**
Germany	18.385.580	618.983	382.357	17.766.597	2.176.317
Spain	36.090.566	0	0	36.090.566	176.730
The Netherlands	1.007.606	276.021	198.514	731.585	262.973
Portugal	25.641.533	800.914	207.050	24.840.619	1.654.674
Others	1.733.376	1.592.539	416.314	140.837	82.664
Underlying Credit in Structured Bonds	**35.520.743**	**1.135.307**	**132.401**	**34.385.436**	**4.608.126**
Germany	9.363.898	0	0	9.363.898	1.100.213
Spain	4.000.228	0	0	4.000.228	442.442
Great Britain	11.498.152	1.135.307	132.401	10.362.845	1.876.793
Ireland	2.660.725	0	0	2.660.725	147.030
The Netherlands	3.045.044	0	0	3.045.044	604.334
United States of America	4.065.367	0	0	4.065.367	277.721
Others	887.329	0	0	887.329	159.593
Total	**118.379.404**	**4.423.763**	**1.336.636**	**113.955.640**	**8.961.484**

d) Details in the value of collaterals subjacent to the credit portfolios in the segments of Residential, Consumer and SME

The values presented in the first board of this chapter resume the values of real guarantees associated with the mentioned segments by value of evaluation on the reference date of 31 December 2020. The second board identifies the total amount of credit exposures protected by these collaterals, also segmented by evaluation value.

31st December 2021

Valuation Amount Range (€)	Residential		Consumer		SME	
	# Property	Total Amount (€)	# Real Collateral	Total Amount (€)	# Real Collateral	Total Amount (€)
Subtotals	**649**	**194.509.940**	**0**	**0**	**1**	**506.000**
[€ 0; € 100.000]	75	6.125.720	0	0	0	0
] € 100.000; € 250.000]	343	55.161.859	0	0	0	0
] € 250.000; € 500.000]	141	47.594.095	0	0	0	0
] € 500.000; € 1.000.000]	61	42.954.731	0	0	1	506.000
] € 1.000.000; € 2.000.000]	25	32.725.685	0	0	0	0
] € 2.000.000; +[	4	9.947.850	0	0	0	0

31st December 2020

Valuation Amount Range (€)	Residential		Consumer		SME	
	# Loans	Covered Balance (€)	# Loans	Covered Balance (€)	# Loans	Covered Balance (€)
Subtotals	**564**	**186.361.083**	**0**	**0**	**1**	**506.000**
[€ 0; € 100.000]	66	5.414.483	0	0	0	0
] € 100.000; € 250.000]	267	43.950.844	0	0	0	0
] € 250.000; € 500.000]	129	43.757.719	0	0	0	0
] € 500.000; € 1.000.000]	72	51.192.311	0	0	1	506.000
] € 1.000.000; € 2.000.000]	27	35.067.145	0	0	0	0
] € 2.000.000; +[	3	6.978.582	0	0	0	0

e) LVT Ratio of exposures covered by real guarantees in the Residential, Consumer and SME segments

31st December 2021

LTV range at reference date (%)	Residential		Consumer		SME	
	# Loans	Balance (€)	# Loans	Balance (€)	# Loans	Balance (€)
Subtotals	**720**	**60.207.344**	**0**	**0**	**1**	**249.046**
[0%; 20%]	33	2.818.174	0	0	0	0
] 20%; 35%]	146	18.297.748	0	0	0	0
] 35%; 50%]	162	19.633.061	0	0	0	0
] 50%; 65%]	138	7.649.337	0	0	1	249.046
] 65%; 80%]	227	10.840.650	0	0	0	0
] 80%; +[	14	968.375	0	0	0	0

31st December 2020

LTV range at reference date (%)	Residential		Consumer		SME	
	# Loans	Balance (€)	# Loans	Balance (€)	# Loans	Balance (€)
Subtotals	**628**	**56.437.996**	**0**	**0**	**1**	**260.695**
[0%; 20%]	33	3.049.137	0	0	0	0
] 20%; 35%]	150	21.157.781	0	0	0	0
] 35%; 50%]	146	17.187.367	0	0	0	0
] 50%; 65%]	112	5.842.472	0	0	1	260.695
] 65%; 80%]	165	7.943.433	0	0	0	0
] 80%; +[	22	1.257.806	0	0	0	0

NOTE 38

RELATED PARTY TRANSACTIONS

All business and operations conducted by the Bank with related parties in a control or group relationship are cumulatively concluded under normal market conditions for similar operations and are part of the Bank's current activity.

On 31 December 2021 and 2020, the list of related parties was as follows:

Shareholders
BNI - Banco de Negócios Internacional, S.A.
Nuno Fernando Teixeira Ferreira da Silva*

Company Bodies	
Pedro Nuno Munhão Pinto Coelho	Chairman of the Board of Directors and of Executive Committee**
António Miguel Maurício Rola Costa	Member of the Board of Directors and of Executive Committee
Nuno Luís do Rosário Martins	Member of the Board of Directors and of Executive Committee
Telmo Francisco Salvador Vieira	Chairman of the Supervisory Board
João Carlos Espanha Pires Chaves	Member of the Supervisory Board
Isabel Gomes de Novais Paiva	Member of the Supervisory Board
José Luís Guerreiro Nunes	Alternate Member of the Supervisory Board

* ceased to be a related party in 2020
** ceased functions in 2021

As of December 31, 2021 and 2020, the Bank's balances with related parties, as well as transactions with these entities for the periods ended in fiscal 2021 and 2020, are as follows:

	Dec 2021				
	Balance Sheet		Off-Balance Sheet	Income Statement	
	Assets Euros	Liabilities Euros		Costs Euros	Income Euros
BNI – Banco de Negócios Internacional, S.A.	22.755	245.150	-	117.919	99.633
	22.755	**245.150**	**-**	**117.919**	**99.633**

	Dec 2020				
	Balance Sheet		Off-Balance Sheet	Income Statement	
	Assets Euros	Liabilities Euros		Costs Euros	Income Euros
BNI – Banco de Negócios Internacional, S.A.	106.964	14.120.411	14.000.000	178.300	440.599
	106.964	**14.120.411**	**14.000.000**	**178.300**	**440.599**

The main transactions carried out with related parties are derived from the placement and deposit of funds by Banco BNI Europa, and the corresponding remuneration, together with investments by BNI - Banco de Negócios Internacional, S.A. and the corresponding cost.

NOTE 39

FAIR VALUE

On 31 December 2021 and 2020, the fair value of financial assets and liabilities stated on the Balance Sheet at amortized cost is analysed as follows:

	Dec 2021	
	Book Value Euros	Fair Value Euros
Financial Assets:		
Cash and Cash equivalents in Central Banks	96.611.880	96.611.880
Balances at Credit Institutions	9.889.671	9.889.671
Financial assets at fair value through profit or loss	4.027.720	4.027.720
Investments at Credit Institutions	6.434.871	6.434.871
Financial Assets at amortised cost - Debt Securities	72.336.244	71.059.374
Financial Assets at amortised cost - Customer Loans	12.509.587	12.605.290
Financial Liabilities:		
Resources from other Credit Institutions	5.635.080	5.635.080
Resources from other Customers and other Loans	175.003.419	175.003.419
Central Bank Resources	12.094	12.094

	Dec 2020	
	Book Value Euros	Fair Value Euros
Financial Assets:		
Cash and Cash equivalents in Central Banks	87.008.402	87.008.402
Balances at Credit Institutions	2.006.923	2.006.923
Investments at Credit Institutions	3.474.876	3.474.876
Financial Assets at amortised cost - Debt Securities	81.372.743	81 715 720
Financial Assets at amortised cost - Customer Loans	112.955.273	113 656 072
Financial Liabilities:		
Resources from other Credit Institutions	43.937.991	43.937.991
Resources from other Customers and other Loans	235.335.583	235.335.583
Central Bank Resources	14.338	14.338

The main methods and conditions used in estimating the fair value of financial assets and liabilities stated on the balance sheet, in 2021 and 2020, at the amortized cost, are analysed as follows:

- Use of the main risk parameters of the impairment calculation at amortized cost, mainly:
  - Marginalization of the PD curves to stage 1 (utilization through the totality of amortizations instead of the first 12 months) and stage 2;
  - Growing LGD estimates through time;
  - Individual use of the integral financial plans of each credit contract.
- Calculation of the original return rate for contract, based on the risk parameters applied to the origination date and on the purchase/pair origination (fair value = initial amount);
- Application of the annual risk-free interest rates, based on the publicly available estimates.

NOTE 40

ENCUMBERED ASSETS AND UNENCUMBERED ASSETS

The Bank does not have a policy of encumbering its assets but may do so on a case-by-case basis, as long as approved by the Board of Directors.

In accordance with Bank of Portugal Instruction no. 28/2014 of 23 December and in compliance with the guidelines published by the EBA on 27 June 2014, under the title "Guidelines on the disclosure of encumbered and unencumbered assets", the following information must be provided:

	Dec 2021			
	Encumbered Assets		Unencumbered Assets	
Bank's Assets	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Equity instruments	-	-	4.027.720	4.027.720
Debt securities	-	-	12.509.587	12.700.993
Other assets	6.037.785	6.037.785	193.372.702	192.095.832
Total Assets	**6.037.785**	**6.037.785**	**209.910.009**	**208.824.545**

	Dec 2020			
	Encumbered Assets		Unencumbered Assets	
Bank's Assets	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Debt Securities	27.949.503	28 650 302	85.005.770	85 005 770
Other Assets	6.839.374	6.839.374	185.438.137	185 781 114
Total Assets	**34.788.877**	**35 489 677**	**270.443.907**	**270 786 884**

As mentioned in note 29, the Bank had sovereign debt securities available as collateral for rediscount operations with the European Central Bank, which amounted to Euros 28.268.479 as of December 31, 2020 and were sold in 2021, there being no asset available as collateral as at December 31, 2021.

These financial assets (sovereign debt securities) are eligible and were available for discounting and collateralization of financing operations with the European System of Central Banks.

The other encumbered assets, which as of December 31, 2021 amounted to 6.037.785 Euros (December 31, 2020: 6.839.374 Euros) are made up as follows:

- Three term investments, in the amount of 3.500.000 Euros, which were given as financial pledge to ensure the fulfilment by the Bank of the assumed responsibilities, associated with means of payment services
- Collaterals given to Visa and Mastercard in the amount of 1.717.062 Euros also associated with means of payment services.
- Deposits in the Bank of Portugal in the amount of 1.446.752 Euros, regarding the guarantee of the SICOI (Interbanking Compensation System);
- Provided guarantee concerning the rental of the headquarter building's facilities, in the amount of 175.560 Euros

NOTE 41

FAIR VALUE OF THE SECURITIES PORTFOLIO AND OTHER SECURITIZED CREDITS

The fair value of financial instruments is estimated whenever possible using listed prices from active markets. A market is regarded as active and liquid when counterparties act with equal knowledge and carry out transactions on a regular basis. For financial instruments for which there is no active market, due to the lack of liquidity and the absence of regular transactions, valuation methods and techniques are used to estimate the fair value. Financial instruments have been classified by levels in accordance with IFRS 13.

On 31 December 2021 and 2020, the detail of this item is the following:

31 December 2021

	Level 1	Level 2	Level 3
Assets	Market or Listed Value	Valuation model with observable market parameters	Valuation model with observable market parameters
Other financial assets at fair value through other comprehensive income	-	-	4.027.720
Financial assets at amortized cost - Debt securities	795.686	-	11.713.901
	795.686	**-**	**15.741.621**

31 December 2020

	Level 1	Level 2	Level 3
Assets	Market or Listed Value	Valuation model with observable market parameters	Valuation model with observable market parameters
Other financial assets at fair value through other comprehensive income	410.547	-	
Financial assets at amortized cost - Debt securities	77.988.873	-	34.966.400
	78.399.420	**-**	**34.966.400**

The following requirements were used in the above table:

1) Market values (Level 1): this column includes financial assets valued on the basis of listed prices in active markets;
2) Market analysis (Level 2): this column includes financial instruments valued on the basis of internal models using observable market inputs;
3) Others (Level 3): this column includes financial instruments valued using variables not observable in markets. This level includes unlisted shares and participation units in investment funds.

Movement in financial assets valued using methods with non-observable market parameters (level 3 in the fair value hierarchy) during the period ended on 31 December 2021 and 2020 are analysed as follows:

	Loans to Customers
Balance at 31 December 2019	**72.553.176**
Acquisitions	4.496.427
Outflows by Maturity	(7.598.061)
Outflows by Settlement	(27.901.940)
Inflows	-
Outflows	-
Variation in Value	(6.583.202)
Balance at 31 December 2020	**34.966.400**
Acquisitions	6.766.631
Outflows by Maturity	(9.075.000)
Outflows by Settlement	(17.034.720)
Inflows	-
Outflows	-
Variation in Value	118.309
Balance at 31 December 2021	**15.741.621**

NOTE 42

SOLVABILITY

The Bank uses the standardized method to calculate capital requirements for credit risks and to cover operational risk.

The Bank's equity is determined in accordance with the applicable regulatory standards, in particular Directive 2013/36/EU and Regulation (EU) No 575/2013 of the European Parliament and of the Council (CRD IV/CRR). The equity determined in accordance with Directive 2013/36/EU and Regulation (EU) No 575/2013 of the European Parliament and of the Council includes tier 1 equity and tier 2 equity. Tier 1 includes common equity tier 1 (*common equity tier 1* - CET 1) and additional tier 1 equity. Common equity tier 1 includes:

i) Paid up share capital, issue premiums, reserves and retained earnings; and
ii) Deductions related to own shares, goodwill, intangible assets, deferred tax assets from tax losses, unrealized gains/losses in assets valued at fair value and deposits with interest rates above the threshold set by the Bank of Portugal.

Deductions are also considered in relation to holdings of more than 10% in financial institutions and insurance companies, in this case in respect of the amount in excess of the upper limits of 10% and 15% of the common equity tier 1, when analysed individually and in aggregate, respectively.

Tier 2 includes subordinated debt and other adjustments on the terms established by the Regulation.

The legislation in force contemplates a transition period between capital requirements calculated according to national legislation and those calculated according to Community legislation in order to phase out the non-inclusion/exclusion of items previously considered (phased-out) and the inclusion/deduction of new items (phased-in). The phased-in transition period ran until the end of 2017 for most items, except for the deduction related to deferred taxes generated prior to January 1, 2014, whose period extends until the end of 2023.

Concerning the introduction of IFRS 9, a transition period of 5 years was established for expected credit losses, except for losses recorded at stage 3.

These transitional provisions, to be phased in until the end of 2022, in the context of measures adopted by the European Union to deal with the potential impacts of the COVID-19 pandemic, were extended until the end of 2024 for the new impairment recorded since 1 January 2020.

There are also some changes to the calculation of weighted assets in comparison to the way they are calculated under the Basel II regulatory framework, notably the 250% weighting of deferred tax assets from temporary differences and holdings of more than 10% in financial institutions and insurance companies which are within the limits established for the non-deduction to common equity tier 1 (instead of 0% and 100%, respectively).

Under the new prudential framework, institutions are required to report common equity tier 1, tier 1 and total ratios of no less than 4.5%, 6% and 8% respectively, in addition to a conservation buffer of 2.5%, although benefiting from a transitional period that run until the end of 2018. However, the Bank of Portugal has determined that institutions should report a common equity tier 1 ratio of no less than 7% during the transitional period, as a way to ensure appropriate compliance with the future capital requirements.

Figures for equity and equity requirements, determined using the CRD IV/CRR methods referred above, are as follows:

	Dec 2021 Euros	Dec 2020 Euros
Capital	67.500.000	50.000.000
Retained Earnings and Net Result for the Year	(36.334.334)	(31.088.987)
Regulatory Accruals/(Deductions)	(5.389.398)	275.258
Common Equity Tier 1	**25.776.268**	**19.186.271**
Tier 1 Equity	**25.776.268**	**19.186.271**
Tier 2 Equity	-	-
Total Equity	**25.776.268**	**19.186.271**
RWA		
Credit risk	99.966.042	90.718.673
Market risk	-	739.040
Operational risk	13.747.593	18.301.018
Total	**113.713.635**	**109.758.731**
Capital Ratios		
CET1 ratio	22,67%	17,48%
Tier 1 ratio	22,67%	17,48%
Tier 2 ratio	0,00%	0,00%
Total Capital ratio	22,67%	17,48%

NOTE 43

IFRS DISCLOSURES – NEW STANDARDS ON 31 DECEMBER 2020

We present below a summary of new standards and amendments to the IFRS standards in force, through summary notes on the main impacts of the amendments published by the International Accounting Standards Board (IASB) and their respective endorsement status by the European Union, with reference to December 31, 2021.

1. Amendment to the Standards that became effective January 1, 2020:

1.1 IFRS 16

"Covid-19-related rent subsidization"

In the face of the global pandemic caused by the new coronavirus (COVID-19), lessors have been providing benefits to lessees in respect of lease rentals, which can take different forms, such as the reduction, forgiveness or deferral of contractual rentals.

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

Tenants who elect to apply this exemption, count the change to rental payments, as variable rental income in the period(s) in which the event or condition leading to the payment reduction occurs.

The practical expedient is applicable only when all the following conditions are met:

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

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

European Union Endorsement Regulation: Regulation (EU) No. 2020/1434, of October 9.

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

1.2 IFRS 4

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

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

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

European Union Endorsement Regulation: Regulation (EU) No. 2020/2097, of December 15.

Effective date: Annual periods beginning on or after January 1, 2021.

1.3 IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

"Reform of reference interest rates-phase 2"

As the process of reference interest rate reform ("IBOR reform") is still ongoing in the different financial markets, the changes to the standards introduced by the IASB in this second phase address issues that arise in accounting for financial instruments indexed to these rates due to the replacement of a reference interest rate with an alternative one, and provide for the application of exemptions such as:

i) Changes in hedge designation and documentation;

ii) Recycling of amounts accumulated in the cash flow hedge reserve;

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

iv) Changes in hedging relationships for groups of instruments;

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

vi) Update the effective interest rate, without recognizing gains or losses, for financial instruments measured at amortized cost with changes in contractual cash flows as a result of the reform of reference interest rates, a situation that also applies to lease liabilities which are indexed to a reference interest rate.

European Union Endorsement Regulation: Regulation (EU) No. 2021/25, of January 13.

Effective date: Annual periods beginning on or after January 1, 2021.

Impact for the Bank: No significant impacts arising from the adoption of these amendments on the Bank's financial statements were found.

2. Changes to the standards published by the IASB and already endorsed by the European Union:

2.1 IAS 16

"Income earned before start-up"

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

With this amendment, IAS 16 - "Property, plant and equipment" prohibits the deduction of amounts received as consideration, for items sold that resulted from the production in the test phase of tangible fixed assets ("outputs"), from the carrying amount of those assets.

The consideration received for the sale of the outputs obtained during the testing phase of the tangible fixed assets must be recognized in income for the year, in accordance with the applicable rules, as well as the directly related expenses

This amendment is of retrospective application, without restatement of comparatives.

Regulation of Endorsement by the European Union: Regulation (EU) No. 2021/1080, of June 28.

Effective date: Annual periods beginning on or after January 1, 2022.

2.2 IFRS 3

"Reference to the Conceptual Framework"

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

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

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

This amendment is of prospective application.

Regulation of Endorsement by the European Union: Regulation (EU) No. 2021/1080, of June 28.

Effective date: Annual periods beginning on or after January 1, 2022.

2.3 IAS 37

"Onerous contracts - costs of fulfilling a contract"

This standard is part of the narrow scope amendments ("narrow scope amendments") published by the IASB in May 2020.

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

i) the incremental costs to fulfil the contract such as direct labour and materials;

ii) the allocation of other expenses that are directly related to the performance of the contract, such as the allocation of the depreciation expenses of a given tangible fixed asset used to perform the contract.

This amendment should be applied to contracts which, at the beginning of the first annual reporting period to which the amendment is applied, still include unfulfilled contractual obligations, with no need for restatement of the comparative. Any impact should be recognized against retained earnings at that same date.

Regulation of Endorsement by the European Union: Regulation (EU) No. 2021/1080, of June 28

Effective date: Annual periods beginning on or after January 1, 2022.

2.4 IFRS 16

"Leases - COVID-19 related rent subsidies after June 30, 2021"

The amendment extends the application date of the amendment to IFRS 16 - 'Leases - Rental subsidies related to COVID-19' from June 30, 2021 to June 30, 2022. The conditions of application of the practical expedient are maintained, being:

i) If the lessee is already applying the 2020 practical expedient, it must continue to apply it to all leases with similar characteristics, and on comparable terms;

ii) If the lessee has not applied the practical expedient to the 2020 eligible rent subsidies, it may not apply the extension to the 2020 amendment.

This amendment is applied retrospectively with the impacts reflected as an adjustment to the opening balance of retained earnings for the annual reporting period in which the lessee first applies this amendment.

Regulation of Endorsement by the European Union: Regulation (EU) No. 2021/1421, of August 30.

Effective date: Annual periods beginning on or after April 1, 2021, early adoption being permitted, contingent on the adoption of the first amendment to IFRS 16.

2.5 Annual Improvement Cycle 2018-2020

"**IFRS 1 - Subsidiary as a first-time adopter of IFES**"

Subsidiaries that become first-time adopters of IFRS after their parent, and that choose to measure their assets and liabilities based on the carrying amounts expressed in the parent's consolidated financial statements, may measure cumulative translation differences for all transactions denominated in foreign currencies at the amounts that would be determined in the parent's consolidated financial statements based on the parent's date of transition to IFRS.

This improvement is of prospective application.

Regulation of Endorsement by the European Union: Regulation (EU) No. 2021/1080, of June 28.

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

"**IFRS 9 - Derecognition of financial liabilities - costs incurred to be included in the "10 percent change" test**"

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

This improvement is of prospective application.

European Union Endorsement Regulation: Regulation (EU) No. 2021/1080, of June 28.

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

"**IFRS 16 - Lease Incentives**"

The improvement introduced corresponds to the amendment of illustrative example 13 accompanying IFRS 16, in order to eliminate an inconsistency in the accounting treatment of incentives granted by the lessor to the lessee.

This improvement is of prospective application.

European Union Endorsement Regulation: Regulation (EU) No. 2021/1080, of June 28.

Effective date: Annual periods beginning on or after January 1, 2022.

“**IAS 41 - Fair Value Measurement and Taxation**”

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

This improvement is of prospective application

Regulation of Endorsement by the European Union: Regulation (EU) No. 2021/1080, of June 28.

Effective date: Annual periods beginning on or after January 1, 2022.

2.6 IFRS 17

"Insurance Contracts (issued 18.05.2017); including amendments to IFRS 17 (issued 25.06.2020)"

IFRS 17 replaces IFRS 4 - "Insurance Contracts", the standard that has been in force on an interim basis since 2004. IFRS 17 is applicable to all entities that issue insurance contracts, reinsurance contracts and investment contracts with discretionary participation features.

For fixed-fee service contracts, whose primary purpose is to provide services, entities have the option to account in accordance with IFRS 17 or IFRS 15. As provided in IFRS 4, financial guarantee contracts are permitted to be included in the scope of IFRS 17, provided the entity has explicitly classified them as insurance contracts. Insurance contracts in which the entity is the policy holder are not within the scope of IFRS 17 (except for reinsurance ceded).

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

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

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

i) Scope;

ii) Level of aggregation of insurance contracts;

iii) Recognition;

iv) Measurement;

v) Modification and derecognition;

vi) Presentation of the Statement of Financial Position;

vii) Recognition and measurement of the income statement; and

viii) Disclosures.

The main changes introduced to IFRS 17 refer to:

- expected recovery of cash flows from the acquisition of assets by insurance contracts;
- contractual service margin attributable to investment services;
- exclusion from scope of certain credit card (or similar) contracts, as well as some financing contracts;
- presentation of insurance assets and liabilities in the statement of financial position in portfolios rather than groups;
- applicability of the risk mitigation option, when using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss to mitigate financial risks;
- accounting policy option to change estimates made in prior interim periods when applying IFRS 17;
- inclusion of income tax payments and receipts specifically attributable to the policy holder under the terms of the insurance contract (as to cash flow compliance); and
- practical transition arrangements.

IFRS 17 is retrospective with exemptions provided for the transition date.

Regulation of Endorsement by the European Union: Regulation (EU) No. 2021/2036, of November 19.

Effective date: Annual periods beginning on or after January 1, 2023.

Impact for the Bank: No significant impacts resulting from the adoption of these changes on the Bank's financial statements were found.

3. Changes to the standards published by the IASB not yet endorsed by the European Union:

3.1 IAS 1

“Classification of liabilities as current or non-current”

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

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

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

i) cash or other economic resources; or

ii) the entity's own equity instruments.

This amendment is retrospective.

European Union Endorsement Regulation: Pending endorsement.

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

3.2 IAS 1

"Disclosure of accounting policies"

The disclosure requirements for accounting policies are now based on the definition of "material" rather than "significant".

Information relating to an accounting policy is considered material if, in its absence, users of the financial statements would not be able to understand other financial information included in those financial statements.

Immaterial information regarding accounting policies need not be disclosed.

IFRS Practice Statement 2, was also amended to clarify how the concept of "material" applies to the disclosure of accounting policies.

European Union Endorsement Regulation: Pending endorsement.

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

3.3 IAS 8

"Disclosure of accounting estimates"

Introduction of the definition of accounting estimate and how it is distinguished from changes in accounting policies.

Accounting estimates are now defined as monetary amounts subject to measurement uncertainty that are used to achieve the objective(s) of an accounting policy.

European Union Endorsement Regulation: Pending endorsement.

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

3.4 IFRS 12

"Deferred tax related to assets and liabilities associated with a single transaction"

IAS 12 now requires entities to record deferred tax on certain specific transactions when their initial recognition gives rise to equal amounts of taxable temporary differences and deductible temporary differences.

The subject transactions relate to the recording of:

i) Right-of-use assets and lease liabilities;

ii) Provisions for dismantling, restoration or similar liabilities with the corresponding amounts recognized as part of the cost of the related asset, when at the date of initial recognition they are not relevant for tax purposes.

These temporary differences are not within the scope of the exemption of initial recognition of deferred taxes.

The cumulative effect of the initial application of this amendment is recognized as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) of the earliest comparative period presented.

European Union Endorsement Regulation: Pending endorsement.

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

3.5 IFRS 17

"Initial application of IFRS 17 and IFRS 9 - comparative information"

This amendment applies only to insurance companies in their transition to IFRS 17, allowing the adoption of an "overlay" in the classification of a financial asset for which the insurer does not apply retrospectively, under IFRS 9. The amendment aims to avoid temporary accounting mismatches between financial assets and liabilities of insurance contracts, regarding the comparative information that must be presented upon initial application of IFRS 17, and is expected:

i) Its individual application for each financial asset;

ii) The presentation of the comparative information as if the classification and measurement requirements of IFRS 9 had been applied to the financial asset, however without the requirement to apply the impairment requirements of IFRS 9;

iii) the requirement to use reasonable and supportable information available at the transition date to determine how the insurer expects that financial asset to be classified in accordance with the classification in IFRS 9.

European Union Endorsement Regulation: Pending endorsement

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

Impact for the Bank: No significant impacts are expected to arise from the future adoption of these amendments on the Bank's financial statements.

NOTE 44

CONTINGENT LIABILITIES

Operations not included in the balance sheet are as follows:

	Dec 2021 Euros	Dec 2020 Euros
Commitments given to third parties		
Revocable commitments	-	14.000.000
Irrevocable commitments	63.040.104	70.909.459
Assets pledged as collateral		
Securities		
Refinancing operations with the European Central Bank	-	27.949.503
Collateral VISA EUROPA, MASTERCARD	270.111	1.717.062
Deposits	5.592.114	4.946.752

The reduction of irrevocable commitments between December 31, 2020 and December 31, 2021 is originated from the reduction of credit activity, mainly from the reverse mortgage product, reflecting the potential additional financing commitments that may occur taking into consideration the characteristics of this product.

In February 2022 the Bank became aware of the existence of a set of administrative lawsuits pending with the Bank of Portugal, 4 in summary form and 2 in common form, all of which are in judicial secret, and about which no additional information is available to enable the Bank to understand the issues involved and the respective risks, and thus quantify any provision for this purpose. Thus, the Bank will review this classification in the future depending on the information that comes to its attention.

NOTE 45

SEGMENT REPORTING

The segment reporting presented follows the requirements of IFRS 8. The segments presented correspond to the segments used for management purposes by the Executive Board.

The Bank operates in the Portuguese market and in markets with the best prospects for returns and growth.

The business carried on includes the following segments: i) Own portfolio and liquidity, ii) Corporate, iii) Private customers and iv) Mortgage lending.

31st December 2021

	Own portfolio and liquidity			Companies			Individuals			Mortgage loans			Total			Total
Assets	Portugal	EU	Rest of the World	Portugal	EU	Rest of the World	Portugal	EU	Rest of the World	Portugal	EU	Rest of the World	Portugal	EU	Rest of the World	
Cash & Disposals BC	96.611.880	-	-	-	-	-	-	-	-	-	-	-	96.611.880	-	-	96.611.880
Cash and Disposals OIC	11.500.644	4.823.898	-	-	-	-	-	-	-	-	-	-	11.500.644	4.823.898	-	16.324.542
Loans and advances to Customers	407.253	7.326.197	-	7.794	929.852	852.242	2.549.370	(755.720)	78	25.705.735	35.482.834	-	28.670.153	42.983.162	852.320	72.505.635
Securities Portfolio	795.686	15.741.621	-	-	-	-	-	-	-	-	-	-	795.686	15.741.621	-	16.537.307
Tangible and Intang.	472.243	-	-	31.967	-	-	841.104	-	-	767.046	-	-	2.112.360	-	-	2.112.360
Other Assets	13.496.187	-	-	(31.967)	-	-	(841.104)	-	-	(767.046)	-	-	11.856.070	-	-	11.856.070
Total Assets	**123.283.894**	**27.891.716**	**-**	**7.794**	**929.852**	**852.242**	**2.549.370**	**(755.720)**	**78**	**25.705.735**	**35.482.834**	**-**	**151.546.793**	**63.548.681**	**852.320**	**215.947.794**
Liabilities																
Deposits from Central Banks	12.094	-	-	-	-	-	-	-	-	-	-	-	12.094	-	-	12.094
OIC's Resources	-	-	5.635.080	-	-	-	-	-	-	-	-	-	-	-	5.635.080	5.635.080
Client Deposits	-	48.792.483	-	6.168.242	1.492.750	1.219.479	113.215.574	1.544.045	2.570.847	-	-	-	119.383.816	51.829.277	3.790.326	175.003.419
Other Liabilities	4.112.017	19.237	281	-	-	-	-	-	-	-	-	-	4.112.017	19.237	281	4.131.535
Total Liabilities	**4.124.111**	**48.811.719**	**5.635.361**	**6.168.242**	**1.492.750**	**1.219.479**	**113.215.574**	**1.544.045**	**2.570.847**	**-**	**-**	**-**	**123.507.927**	**51.848.514**	**9.425.687**	**184.782.128**
Equity	-	-	31.165.666	-	-	-	-	-	-	-	-	-	**-**	**-**	**31.165.666**	**31.165.666**

31st December 2020

	Own portfolio and liquidity			Companies			Individuals			Mortgage loans			Total			Total
Assets	Portugal	EU	Rest of the World	Portugal	EU	Rest of the World	Portugal	EU	Rest of the World	Portugal	EU	Rest of the World	Portugal	EU	Rest of the World	
Cash & Disposals BC	87.008.402	-	-	-	-	-	-	-	-	-	-	-	87.008.402	-	-	87.008.402
Cash and Disposals OIC	4.548.800	932.999	-	-	-	-	-	-	-	-	-	-	4.548.800	932.999	-	5.481.799
Loans and advances to Custon	172.284	16.925.352	-	26.000	-	811.857	4.494.600	(664.052)	79	19.939.575	39.667.049	-	24.632.458	55.928.349	811.936	81.372.743
Securities Portfolio	30.454.700	82.500.573	410.547	-	-	-	-	-	-	-	-	-	30.454.700	82.500.573	410.547	113.365.820
Tangible and Intang.	1.149.725	-	-	56.613	-	-	1.442.269	-	-	1.107.049	-	-	3.755.656	-	-	3.755.656
Other Assets	16.680.689	173.607	-	(56.613)	-	-	(1.442.269)	-	-	(1.107.049)	-	-	14.074.757	173.607	-	14.248.364
Total Assets	**140.014.600**	**100.532.531**	**410.547**	**26.000**	**-**	**811.857**	**4.494.600**	**(664.052)**	**79**	**19.939.575**	**39.667.049**	**-**	**164.474.774**	**139.535.527**	**1.222.483**	**305.232.784**
Liabilities																
Deposits from Central Banks	14.338	-	-	-	-	-	-	-	-	-	-	-	14.338	-	-	14.338
OIC's Resources	5.878.547	-	38.059.444	-	-	-	-	-	-	-	-	-	5.878.547	-	38.059.444	43.937.991
Client Deposits	48	73.861.901	-	9.599.841	36.163	539.097	145.887.082	2.333.197	3.076.655	-	1.600	-	155.486.971	76.232.860	3.615.752	235.335.583
Other Liabilities	7.031.603	1.340	-	-	-	-	-	-	-	-	-	-	7.031.603	1.340	-	7.032.943
Total Liabilities	**12.924.536**	**73.863.241**	**38.059.444**	**9.599.841**	**36.163**	**539.097**	**145.887.082**	**2.333.197**	**3.076.655**	**-**	**1.600**	**-**	**168.411.459**	**76.234.200**	**41.675.196**	**286.320.855**
Equity	-	-	18.911.929	-	-	-	-	-	-	-	-	-		**-**	**18.911.929**	**18.911.929**

The item "Loans and advances to customers" includes loans and advances to customers and bonds whose underlying assets are loans.

The item "securities portfolio" includes Financial Assets at Fair Value through Profit or Loss, Financial Assets at Fair Value through Other Comprehensive Income and Financial Assets at Amortized Cost, excluding financial assets already included in the item of Loans and advances to Customers.

31st December 2021

	Own Portfolio and Liquidity	Corporate	Personal Clients	Mortgage Lending	Total
Financial Margin					
Interest and similar income	4.013.621	85.416	415.982	3.517.104	8.032.123
Interest and similar charges	(3.224.123)	(17.750)	(1.459.881)	(190.398)	(4.892.151)
Internal transfer cost	(1.036.381)	35.214	1.624.636	(623.469)	-
Commission income	197.176	298	31.569	33.503	262.546
Results from financial operations	(35.189)	-	-	-	(35.189)
Other operating income	(27.970)	-	-	-	(27.970)
Banking product	(112.866)	103.178	612.307	2.736.740	3.339.359
Personnel costs	(830.119)	(45.170)	(1.382.543)	(1.343.535)	(3.601.366)
Other administrative expenses	(1.036.638)	(44.573)	(1.510.886)	(1.147.482)	(3.739.578)
Depreciation and amortization	(411.984)	(27.888)	(733.777)	(669.169)	(1.842.818)
Operating expenses	(2.278.740)	(117.630)	(3.627.206)	(3.160.185)	(9.183.762)
Operating Income	(2.391.606)	(14.452)	(3.014.899)	(423.445)	(5.844.403)
Provisions and Impairments	(594.715)	68.302	554.304	(735.166)	(707.275)
Income Before Taxes	(2.986.322)	53.850	(2.460.595)	(1.158.611)	(6.551.678)

31st December 2020

	Own Portfolio and Liquidity	Corporate	Personal Clients	Mortgage Lending	Total
Financial Margin					
Interest and similar income	10.720.177	68.528	359.853	2.331.926	13.480.484
Interest and similar charges	(5.448.261)	(41.813)	(1.607.034)	-	(7.097.108)
Internal transfer cost	(1.443.691)	93.275	2.067.013	(716.597)	-
Commission income	537.831	8.299	30.228	15.942	592.300
Results from financial operations	2.039.110	-	-	-	2.039.110
Other operating income	(688.953)	-	-	-	(688.953)
Banking product	5.716.212	128.290	850.060	1.631.271	8.325.833
Personnel costs	(1.136.997)	(133.175)	(1.947.009)	(1.273.007)	(4.490.188)
Other administrative expenses	(1.140.750)	(61.498)	(2.271.772)	(1.068.946)	(4.542.965)
Depreciation and amortization	(678.097)	(33.390)	(850.636)	(652.927)	(2.215.050)
Operating expenses	(2.955.844)	(228.063)	(5.069.417)	(2.994.879)	(11.248.203)
Operating Income	2.760.368	(99.773)	(4.219.357)	(1.363.608)	(2.922.370)
Provisions and Impairments	(5.927.997)	(83.439)	(2.071.378)	(142.946)	(8.225.761)
Income Before Taxes	(3.167.630)	(183.212)	(6.290.735)	(1.506.555)	(11.148.131)

NOTE 46

COVID-19

COVID-19, originating from the SARS-CoV-2 virus (Coronavirus) and emerging in late 2019, but with a marked and worldwide spread in 2020, led to the declaration of a pandemic situation by the World Health Organization on March 11, 2020. Following the evolution of the pandemic, on March 18, 2020 the President of the Republic of Portugal decreed, for the first time, a state of emergency, which was renewed and was in force for a substantial part of the year 2020, and is currently in force.

The COVID-19 pandemic forced the implementation, worldwide, of containment and mandatory containment measures in view of the spread of the disease, with successive renewals of the state of emergency, confinement of a substantial part of the population of the affected countries and conditioning of economic activity.

As expected, these measures brought about negative economic impacts, with strong drops in activity on a global level and obliging countries to resort to extraordinary measures to support the economy, with significant impacts on the respective public accounts, owing to recourse to expansionary monetary and budgetary policies.

The European Community, through a set of packages of extraordinary measures, and the European Central Bank, namely through emergency public debt purchase and liquidity support programs, participated in the collective effort of the main international institutions to face the pandemic.

Despite these measures, the International Monetary Fund (IMF) estimated that the COVID-19 pandemic will have caused the world economy to contract by 3,5%, while at the national level it is estimated that the Portuguese economy will have presented a GDP contraction of 7,6% in 2020. For 2021, the most recent forecasts from the Bank of Portugal point to a GDP growth of 3,9%.

In terms of measures to support the economy, in 2020, credit moratoria stood out, namely through Decree Law no. 10-J/2020 of March 26, which established a credit moratorium, the first public moratorium, to support families and companies in the new pandemic context, establishing exceptional measures to protect credits by deferring the fulfilment of responsibilities under the conditions set out in this legislation.

Subsequently, and through Decree Law 26/2020, of June 16, it introduced changes to the public moratorium, mainly with regard to the period of validity (initially set until September 30, 2021, it was extended until March 31, 2021), the deadline for adhesion (extended until June 30, 2020) and the scope of beneficiaries and operations covered.
Following this, and through Decree-Law 78-A/2020, of September 29, the public moratorium period was again extended to September 30, 2021, for beneficiaries who had already adhered to this regime.

At the same time, the Portuguese Banking Association instituted two private moratoria, one relating to mortgage loans and the other to non-mortgage loans.

The adhesion of the Bank's customers to these moratoria proved to be insignificant, and of the Bank's overall loan portfolio in 2020, only a proportion of customers, representing less than 5% of this overall volume, adhered to these moratoria, with no other support measures by the Bank in the context of the pandemic.

On a regulatory level, a number of measures were adopted to combat the effects of the pandemic, including:

- Clarifications issued by the EBA on 25 March 2020 on the application of prudential rules on default, restructuring and IFRS 9, and by the IASB on 27 March 2020 on the accounting for expected losses, both in the context of measures approved to combat the effects of the pandemic;

- Guidance issued by the EBA on April 2, 2020, and subsequently updated, regarding public and private moratoria applied to credit transactions in the context of the pandemic;
- Guidance (EBA/GL/2020/12) on disclosure regarding the transitional regime to reduce the impact of the introduction of IFRS 9 on own funds.

In terms of the reflection of the impacts of the COVID19 pandemic on the impairment of loan portfolios, the Bank carried out, at the reference date and December 31, 2020, a risk staging adjustment according to three distinct factors:

- Results of the financial difficulty gauging questionnaires sent to customers with moratoria in force;
- Variation of the indebtedness, with OIC's, of customers with delinquency in force; and
- Credit origination rating in comparison with the average for each product, within the scope of the moratoria granted at the level of the credit platforms.

An adjustment to the impairment calculation model was also incorporated taking into consideration forward-looking macroeconomic information, thus reflecting the effects expected by Banco de Portugal in terms of the change in the probabilities of default in the consumer credit, mortgage credit and corporate sectors in the context of the pandemic. Together, both effects generated an increase in impairment of around 150.000 euros, owing to the deterioration of the probability of portfolio default, both by direct adjustment and worsening of the stage associated with some customers.

It should be noted that the volume of loans associated with moratoria in force, on December 31, 2020, represented approximately 5,52% of the individual loan portfolios and 1,42% of the Bank's corporate loan portfolios, there being no value in this area in the balance sheet on December 31, 2021, which illustrates the reduced potential impact that the Bank considers for positions with these characteristics.

In terms of the Bank's financial statements and financial situation, the main impacts were at the level of:

- of impairment, with a change in the impairment estimation model and worsening of the main factors included in this model in order to prevent possible aggravated losses essentially arising from the end of the moratorium period;
- of loans to clients, whose total and residual maturities of operations in progress were extended in proportion to the moratoria and also at the level; and
- of Own Funds, which due to the amendment of the CRR and the introduction of the new regime (quick fix) included in the new article 473 A of the CRR, resulted in a more beneficial impact in the context of the transitional regime to reduce the impact of the introduction of IFRS 9 on own funds. As of December 31, 2020, around 21% of the impairment recorded in stages 1 and 2 benefited from this new regime, and 79% maintained the rules and deadlines previously in place in this respect.

It should be noted that the volume of loans associated with moratoria in force, as at 31 December 2020, represented approximately 5,52% of the individual loan portfolios and 1,42% of the Bank's corporate loan portfolios, there being no value in this area on the balance sheet as at 31 December 2021, which illustrates the reduced potential impact that the Bank considers for positions with these characteristics.

Banco BNI Europa revised its policies and procedures, as well as adopting concrete measures to ensure compliance with the provisions of Decree-Law 70-B/2021 of 6 August (DL 70-B).

In the context of exposures with active moratorium, with the publication of DL 70-B, the Bank integrated all exposures covered by the procedures under the Default Risk Action Plan (PARI), as set out in DL 70-B, which covered 65 credit contracts, with a total of 103 borrowers, and an overall outstanding principal of Euros 3.837.666, in an attempt to assess the economic and financial conditions of the borrowers.

From this financial capacity assessment procedure, and with a view to the regular compliance and maintenance of the loans by the borrowers, Banco BNI Europa proposed - and the borrowers accepted - restructuring measures to 25 borrowers, representing 17 loans, with a total value of Euros 1.233.719.

Despite the fact that, still in 2020 and due to the COVID-19 pandemic, changes were introduced in the impairment estimation model which worsened the impairment estimates and respective accounting recognition, and bearing in mind that the COVID-19 pandemic introduced an increased level of uncertainty in the projections and the need to take into consideration the impact on the Bank's operations, its profitability, capital and liquidity, it appears, however, that the most recent economic and financial indicators and the performance of the loan portfolio do not indicate worsening performance to be highlighted. In this sense, these effects will remain under closer monitoring, in order to minimize any negative impacts not currently anticipated.

Although more than a year has passed since the outbreak of the pandemic, and it is still not possible to reliably determine and quantify the future effects of this pandemic, the Bank's Board of Directors considers that the going concern principle, underlying the preparation of the financial statements for the year 2021, remains valid since, based on the Business Plan 2022-2024 approved on 16 February 2022 and measures contained therein, the Bank has the necessary resources to continue operations and business for the foreseeable future, noting that the referred Business Plan 2022-2024 foresees a set of measures to strengthen the Bank's capitalisation and equity, in articulation with the Sole Shareholder and the new Capital Investor, and which include a share capital increase of Euros 3.500.000 in June 2022.

NOTE 47

SUBSEQUENT EVENTS

Governance

- Through a communication received by the Bank on 25 February 2022, António Miguel Maurício Rola Costa submitted his resignation as a member of the board of directors, which will take effect as from 1 April 2022.

- During March 2022, and according to the indications of its sole shareholder, Banco BNI Europa hired three coordinating directors to monitor the activity of the Bank's areas and prepare the business strategy to be implemented in the context of the sale process of Banco BNI Europa to Banco Master.

- On March 16, 2022, the Bank submitted to the Bank of Portugal the Fit & Proper process for the appointment of the governing bodies for the next term of office, a process that is currently being assessed by the Bank of Portugal.

Business Plan 2022-2024

- On February 16, 2022 the Bank and the sole shareholder approved the Business Plan 2022-2024, which was submitted to the Bank of Portugal on the same date. This Plan was prepared based on the most recent financial position of the Bank at the date of its preparation, and considered:

    - the introduction of projections and estimates for the years 2023 and 2024 (based on the same strategic options previously assumed),

    - adjusted capitalisation measures over the time horizon of the 2022-2024 Business Plan,

    - the reinvestment and possible reinforcement of the Bank's activity support structure, in order to provide it with the technical and human resources indispensable for the current activity and prepare it for the new activity and business lines to be introduced by the new capital investor,

    - the maintenance of the suspension of unsecured credit products, namely consumer credit products and credit cards,

    - the continuation of mortgage-backed lending activity, albeit exclusively for the FLEX product and subject to more restrictive risk criteria and shorter average maturities

    - the maintenance of more limited correspondent banking services, and

    - the adequacy of customer resources to the needs of the activity and liquidity management, also including through short-term treasury investments.

Shareholder control

- Under the terms of the SPA signed between Banco BNI, Banco BNI Europa's single shareholder, and Banco Master, on March 25, 2022, Banco Master has filed with the Bank of Portugal the acquisition process of Banco BNI Europa's total share capital. This process is now being appraised for a later decision by the Bank of Portugal and the European Central Bank.

Covid-19 Pandemic

- As mentioned in **note 46**, the Board of Directors believes that the financial statements for the year 2021 already reflect all the materially relevant effects that can be anticipated in this context, with the impacts described in that note.
- Although it has been more than a year since the outbreak of the pandemic and it is still not possible to reliably determine and quantify the future effects of the pandemic, the Bank's Board of Directors believes that the going concern basis underlying the preparation of the FY 2021 financial statements remains valid as, based on its 2022-2024 Business Plan and measures therein, the Bank has the resources necessary to continue operations and business for the foreseeable future.

War in Ukraine

- The Board of Directors believes that the financial statements for the year 2021 already reflect all materially relevant effects that it is already possible to identify from this conflict.
- While it is not possible to reliably determine and quantify the future effects of this war, the Bank's Board of Directors believes that the going concern principle underlying the preparation of the FY 2021 financial statements remains valid as, based on its Business Plan 2022-2024 and measures therein, the Bank has the resources necessary to continue operations and business for the foreseeable future.

STATUTORY AUDIT REPORT

REPORT AND OPINION OF THE SUPERVISORY BOARD

Dear Shareholder,

Under the terms of the law and of the mandate that has been granted to us, we present the report of the developed supervisory activity and we give our opinion about the Management Report and Accounts presented by the Board of Directors of BNI – Banco de Negócios Internacional (Europa) (“Banco” or “BNIE”) regarding the period that ended on December 31st, 2021.

1. Board Activity Report

BNIE's activity during 2021 was strongly conditioned by the business containment that had already begun in the previous year, with the Board of Directors having kept the Bank operational and acting within the constraints imposed by capital requirements, while seeking to identify a new capital investor, which came about in June 2021. However, the agreement then signed was revoked in November, but in December 2021 a contract was formalized for the sale of the shares with another entity, a credit institution based in Brazil, Banco Master.

These events gave rise to a sequence of Business Plans to allow the Bank to adapt to the various changes that took place during the year. This caused instability at BNIE, which resulted in high staff turnover.

This required increased supervisory action by the Supervisory Board, increased by the additional requirements of Notice 3/2020 and the continued absence of non-executive directors. It should also be noted that the Board of Directors and the Supervisory Board remain in office even though their term of office will end in December 2019. A Fit and Proper process was initiated in March 2021, which was abandoned at the end of the year, with the filing of a new process with the Bank of Portugal in March 2022.

We monitored Banco BNI Europa's regular activity with the frequency and to the extent we deemed adequate. We verified the regularity of the bookkeeping and respective documentation, we carried out the inspections we deemed necessary, we supervised compliance with the law and the statutes, and we became aware of the acts of the Board of

Directors, issuing an opinion on extraordinary and specific operations with a potential impact on the Bank's economic and financial balance.

In several meetings of the Supervisory Board, also participated, by invitation, and according to the topics under analysis, directors and employees of the Bank with key functions, including those responsible for internal control and risk functions, representatives of SROC and also Consultants, The Supervisory Board was in close contact with the Board of Directors, as well as with employees with key functions.

The Supervisory Board closely monitored the activity of the Risk Management, Compliance and Internal Audit areas, devoting particular attention to matters of combating money laundering and terrorism financing.

It should also be noted that one of the aspects of the direct and permanent contact between this Board and the Board of Directors included the provision by the latter of constant information on all relevant interactions between BNIE and the Bank of Portugal, which included access to correspondence exchanged with the supervisor. The Supervisory Board was vigilant as to the impact of supervisory actions by the supervisor, evaluating and monitoring, the supply of the shortcomings detected and the corrective measures.

The Supervisory Board closely followed the Bank's efforts to implement the provisions of Bank of Portugal Notice no. 3/2020, a process that was periodically monitored,

In particular, and as regards the activity of the Supervisory Board, the preparation and approval of the following opinions deserves to be highlighted in 2021:

a) Report on the communication of irregularities;
b) Report on the implementation of the Remuneration Policy;
c) Opinion on the Internal Control System for the Prevention of Money Laundering and Terrorist Financing;
d) Opinion on the adequacy and effectiveness of the internal control system (one opinion for the year ending December 2020 and another for the period from January 1 to November 30, 2021)

In addition to these, several Policies were considered that were sent to us by the different areas of the Bank.

2. **The Financial Statements**

We have also monitored the work performed by Mazars & Associados, Sociedade de Revisores Oficiais de Contas, S.A. ("Mazars") and we have reviewed the Legal Certification of Accounts, dated March 31, 2022. The referred Certification includes a reserve relating to the uncertainty associated to the recovery of deferred taxes, which depends on the future achievement of positive taxable results. Given that the current business plan only covers the period 2022-2024, it is not possible to conclude on the recoverability of deferred taxes, which mostly expire in the period between 2026 and 2032. The Legal Certification of Accounts also includes two emphases, one drawing attention to the contract for the sale of shares by the sole shareholder to another credit institution, which occurred in November 2021, and whose authorisation process with the Bank of Portugal was submitted on March 25, 2022, and another concerning the possible consequences of the conflict in Eastern Europe. The paragraph on relevant auditing matters refers to credit impairment losses and provisions, and the paragraph on other matters mentions the issue that there were only two directors for most of 2021, one of whom resigned in 2022, and the Bank is awaiting approval of the Fit and Proper process submitted to the Bank of Portugal to proceed with the election of new governing bodies.

We have also received from Mazars the Additional Report to the Supervisory Body, in compliance with the provisions of numbers 1, 2 and 6 of article 24 of Decree-Law No. 148/2015 of September 9 and number 1 of article 63 of the Statute of the Order of Statutory Auditors, approved by Law No. 140/2015 of September 7, which transpose into national law what is established in Regulation (EU) No. 537/2014, of the European Parliament and of the Council, of April 16, 2014, which seems complete and clarifying to us.

In the course of our work we found that:

a) The Balance Sheet, the Income Statement, the Statement of Changes in Equity, the Statement of Comprehensive Income, the Cash Flow Statement and the Notes to the financial statements provide an adequate understanding of Banco BNI Europa's financial position, results, changes in equity and cash flows;

b) The accounting policies and valuation criteria adopted are appropriate

c) The Management Report provides a sufficient description of the business evolution and situation of Banco BNI Europa, highlighting the most significant aspects and relevant subsequent events;

d) The proposed appropriation of net income does not conflict with the applicable legal and statutory provisions.

3. Opinion

Accordingly, taking into consideration the information received from the Board of Directors and Services and the conclusions in the Legal Certification of Accounts, the Supervisory Board is of the opinion that the General Meeting:

i) Approve the Management Report for the year ended December 31, 2021;

ii) Approves the accounts for that year;

iii) Approves the proposal for the application of net income contained in the Management Report of the Board of Directors;

Finally, we would like to express our thanks to the Board of Directors, all employees of the Bank that we contacted, given your precious contribution, as well as to SROC due to their provided explanations every time it was needed. The thanks is extended to the Bank of Portugal, as the supervisor, given their presented suggestions, which contributed to the work of the Supervisory Board.

Lisbon, March 31st, 2022

The Chairman of the Supervisory Board

Telmo Francisco Salvador Vieira

Member

Isabel Paiva

Member

João Espanha

SUMMARY OF THE SELF-EVALUATION REPORT

This summary is presented under the terms of Article 60 of Banco de Portugal Notice no. 3/2020 ('Notice').

The Self-Evaluation Report ('Report') prepared under the provisions of Article 54 of Banco de Portugal Notice no. 3/2020. No. 3/2020 of Banco de Portugal ('Notice'), in force since July 16, 2020, and Instruction no. 18/2020 of Banco de Portugal ('Instruction') contains the results of the assessment carried out by Banco BNI Europa ('Bank' or 'BNIE') regarding the adequacy and effectiveness of the organizational culture in force, its governance and internal control systems, including remuneration practices and policies and the other matters addressed in the Notice, with reference to January 31, 2021.

This report includes a description of the activities specifically developed, in progress, and planned for 2021, aimed at ensuring full compliance with the provisions of the Notice in the Instruction.

This process had an impact on the Bank's organizational structure and on its Risk Management and Internal Control systems, which led the Bank to decide for the intervention of multidisciplinary teams, led by the Internal Control Functions, in particular by the Risk Management Function (in the Internal Control sub-area), and was also closely monitored by the Bank's Management and Supervisory Bodies. Finally, the project was also supported by a specialized external consulting firm (KPMG) in the implementation and set up of the Notice and Instruction.

In this context, the development of the following activities stands out:

- Preparation of a gap analysis of the adequacy and alignment of the Bank's Governance and Internal Control Systems in relation to the provisions of the Notice;
- Definition and review of action plans to resolve the gaps identified in the application of the Notice and the respective prioritization, proposed actions and associated timings;
- Analysis and redesign of the powers of the Board of Directors and the Supervisory Board in the light of the provisions of the Notice;
- Review of the changes to be made to the Bank's Regulations;

- Development and review of the model for grading internal control deficiencies under the provisions of the Notice;
- Carrying out a proof of concept of the grading model defined by the Bank for a sample of open recommendations from previous periods, as well as the grading of the recommendations identified in the reference period, against the new benchmark defined by the Bank under the Notice; and
- Preparation of the first self-assessment report under the terms of the Notice and the Instruction.

Prior to this implementation, an Extraordinary Internal Control Committee was held, attended by the Management and Supervisory Bodies, the heads of the Internal Control Functions and other persons responsible for this process, and the main impacts of the Notice at macro and micro level were presented, as well as the gap analysis of the level of implementation of the regulations. The gap analysis of the Notice and the Instruction consisted in defining a level of compliance for each article of the Notice and Instruction and, for cases of partial or total non-compliance, the definition of a person responsible for implementation and the suggestion of an action plan. In general, the total gaps that existed were due to new requirements imposed by the Notice and the partial gaps stemmed mainly from internal regulations that needed to be updated to meet the Notice requirements.

Of the action plans defined to implement the identified gaps, the following points are highlighted as a result of the gap analysis, broken down by implementation status as of January 31, 2021:

Status	Tasks
Implemented	• Review and publication of a set of internal regulations; • IT developments in the Internal Control and Risk Management System; • Defined a model for grading the risk level of deficiencies duly appreciated by the Internal Control Committee and approved by the Board of Directors Committee and approved by the Board of Directors; • Review of the classification in the risk level of deficiencies, in accordance with the new defined matrix, for all deficiencies open or with an action plan in progress.

Status	Tasks
On-going	- Publication on the Bank's website of a set of policies: - Policy of Control of Transactions with related parties; - Policy of prevention and management of conflicts of interest; - Policy of communication of irregularities; - Remuneration Policy; - Code of ethics and conduct. - Publication of the Risk Management and Internal Audit Function Regulations; - Revision of the Organic Statutes, of the Regulatory Management Policy and of the Internal Policy for the Selection and Evaluation of the Suitability of Members of the Management Bodies, Supervisory Body and Holders of Essential Functions.
To be finished	- Review/redefinition of the decision-making circuits by redesigning the powers of the corporate bodies, as well as communication between the Board of Directors, Supervisory Board, Control Functions and Committees supporting the Board of Directors; - Drafting of new regulations and review of the relevant existing internal regulations in light of the requirements of the Notice; - Preparation, review and mapping of processes in order to substantiate the matters recommended by the Notice; - Strengthening the processes of production, obtaining and processing of data and information circuits that ensure the requirements defined in Articles 29 and 30 of the Notice that ensure the quality of the information that supports the Bank's internal decisions and information, information to the public and information submitted to the supervisor; - Planning of the independent audits recommended by the Notice; - Operationalization of the ICT Risk Management Function; -Implementation of the computerized irregularity reporting system.

The Report also includes a description of the current organizational structure, lists the relevant changes to the internal organization of the institution that occurred in the period to which the document refers, and describes the organizational structure of each of the internal control functions, the responsibilities and reporting lines of each area.

The publication of the Notice required the definition of a deficiency classification matrix according to dimensions that mirror the reality of each financial institution. In this sense, the

Bank developed a model for classification of the risk of deficiencies that was subsequently applied for the reclassification of the deficiencies that remained in progress. Thus, and as at the reference date of the Report, 148 deficiencies remain in progress, 20 with a "high" F3 rating, 62 with a "moderate" F2 rating and 66 with a "low" F1 rating.

As part of the preparation of the Report, annual independence reports were also prepared for those responsible for risk management, compliance and internal audit, pursuant to articles 27, 28 and 32, respectively, of the Notice, and which are included in the Report. In these self-assessment reports, each function described its composition and the respective managers confirmed the independence of the functions, with no record of any incidents that might compromise it. Additionally, each report identifies which deficiencies are still open in relation to each function, the degree of implementation of the measures aimed at their correction and an indication of the expected deadline for their definitive resolution.

The Report includes the assessment of the Bank's Supervisory and Management Bodies, pursuant to Articles 56 and 57 of the Notice, on the effectiveness of the organizational culture in force in the institution and its systems of governance and internal control:

— For the preparation of the Supervisory Board's self-assessment report on the adequacy and effectiveness of the organizational culture, and with regard to the work performed by the body, the activity developed in conjunction with the Board of Directors and the Risk Monitoring Committee, with the FCI and other units of the Bank, the external auditors, the cumulative evidence collected, the monitoring of the work performed by the external auditor and the internal control functions, and in the reports and activities developed by the supervisor were taken into consideration. Given the deficiencies identified, also presented in the Report, the Supervisory Board reflects that there is still relevant improvement work to be done by the control areas, in order to remedy the deficiencies definitively and more quickly. Thus, the Supervisory Board concludes, recognizing the need to develop an additional set of procedures for the full adoption of the Notice, by the adequacy and effectiveness of the organizational culture in force in the Bank. Additionally, based on the information reviewed and work performed, (i) the quality of performance of internal control functions, including outsourced operational tasks, and the independence of each function is adequate, (ii) that the CPL function should improve its procedures for detection and prevention of deficiencies, (iii) that the resources of the Internal Audit function should be strengthened, and (iv) that the processes for preparation of prudential and financial reports are reliable. Finally, it concludes that the public disclosure duties arising from applicable legislation and regulations are reliable and that all those arising from the legislation in question and relating to the matters in the Notice were adequately complied with in the reporting period.

— The Board of Directors prepares its assessment of the adequacy and effectiveness of the Bank's organizational culture and governance and internal control systems, also identifying and analysing the set of existing deficiencies, the actions taken by the three functional areas and the gaps that resulted from the analysis of compliance with the requirements of the Notice. In this way, the Board of Directors concludes that the internal control functions have acted and are acting independently and that the adequacy and effectiveness of the organizational culture and its systems of governance and internal control are sufficiently adequate, given the requirements defined in the Notice and taking into account the complex and adverse context through which the Bank's organizational structure has passed. However, a number of issues are listed that should be highlighted due to their relevance but which in no way call into question the sufficiency of the adequacy of the organizational culture, such as the fact that there are shortcomings on the part of the areas responsible for the deficiencies, there is difficulty in meeting deadlines for implementation of the deficiencies and the reopening of measures given as implemented, there is a high number of deficiencies identified by entities outside the Bank, lack of human resources directly allocated to the sub-area of Information Technology Risk and Continuity, and the fact that the Internal Audit Function has difficulty in responding to all requests during the reporting period.

Lisbon, April 20th, 2021

Supervisory Board

mazars

Statutory auditor's report

(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail)

Report on the audit of the financial statements

Qualified Opinion

We have audited the accompanying financial statements of **BNI – Banco de Negócios Internacional (Europa), S.A.** (hereinafter also referred to as «Bank»), which comprise the balance sheet as at 31 December 2021 (showing a total of 215 947 794 Euros and a total net equity of 31 165 666 Euros, including a net loss of 5 245 347 Euros), and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter referred to in the section "Basis for qualified opinion" the accompanying financial statements give a true and fair view, in all material respects, of the financial position of **BNI – Banco de Negócios Internacional (Europa), S.A** as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), as adopted in the European Union.

Basis for qualified opinion

As mentioned in Note 27 of the Notes to the financial statements, the Bank's balance sheet as at 31 December 2021 includes Deferred Tax Assets in the global amount of 10 205 892 Euros, of which approximately 38% relate to temporary differences associated with the impairment losses in the loan portfolio and around 58% result from tax losses generated in previous years and in the year ended 31 December 2021, whose recoverability depends directly on the future generation of positive taxable results. In assessing the recoverability of these deferred tax assets, the Board of Directors has considered the last Business Plan approved for the period 2022-2024 and the assumptions made therein, which include the expectation of obtaining authorization from the regulatory entities, of the sale of the qualified shareholding in the Bank's share capital to another Credit Institution. In this circumstance, and given that the said Business Plan does not have a sufficient time horizon to demonstrate the recoverability of these assets, whose use almost entirely expires between 2026 and 2033, it is not possible for us to conclude, on the present date, with the necessary level of comfort, on the recoverability of the deferred tax assets recorded in the Bank's Balance Sheet, as at 31 December 2021.

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by "Ordem dos Revisores Oficiais de Contas" (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section below. We are independent of the Bank in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matter

As disclosed in the Management Report (chapter III - "Main indicators and highlights"), within the scope of the sale process of the qualified shareholding in the Bank's capital, it was formalized, on 26 November 2021 a share purchase agreement ("SPA"), between the Bank's sole shareholder and another Credit Institution (Banco Master), which established the terms for the purchase of the Bank's capital, in which Banco Master made the respective down payment provided for in the contract, on 10 December 2021. Additionally, and as described in chapter XII of the Management Report ("Subsequent Events"), on 25 March 2022, Banco Master instructed the authorization process to acquire the total capital of the Bank in the Bank of Portugal, which is being assessed for later decision from the Bank of Portugal and the European Central Bank, assuming this process of acquisition of the Bank a decisive importance for the development of the future activity of the Bank.
As mentioned by the Board of Directors in its Management Report (chapter V- "Macroeconomic Framework") and Note 47 ("Subsequent Events") of the Notes annexed to the Bank's financial statements, on this date it is not possible to anticipate the consequences that the current conflict situation in Eastern Europe and the consequent economic sanctions imposed may have on the economy at national and global level, and consequently it is not possible to reliably estimate the impact this situation may have on the Bank's future financial situation. However, it should be noted that the Bank does not hold exposures to the Russian Federation, Belarus and Ukraine, so there was no need to change the business plan, and its continuity plan has been maintained, even though the regulatory and sanctioning measures required by the regulator have been implemented immediately, with the Bank having been diligently monitoring developments.

Our opinion is not modified in relation to this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "Basis for qualified opinion" section, we believe that the matters described below are the relevant audit matters to be communicated in this report:

Impairment losses on credit portfolio granted to customers and debt securities	
Description of the relevant audit matter	Audit approach and response
As presented in Notes 12, 21 and 22 of the Notes to the financial statements, the headings Loans to customers and Debt securities include impairment losses in the amount of 5.4 million euros and 4.7 million euros, respectively, as at 31 December 2021. Impairment on debt securities is associated with bonds at amortized cost, whose underlying assets are credits granted through platforms. According to Note 3 of the Notes to the financial statements ("Main estimates and judgments used in the preparation of the financial statements"), the losses represent the Management Body's best estimate of the expected losses on its financial assets at cost amortized. These impairments are determined through individual analysis for credits with certain specificities and through collective analysis for other credits that are not subject to individual analysis. In loans granted to large customers, the value of impairments is mostly calculated individually. Individual impairments require a judgment of value from the Management Body in determining the best estimate of future cash flows related to these credits.Impairments calculated based on the collective analysis are determined considering data and assumptions subject to value judgments made by the Management Body. Following the pandemic context that the world is going through, motivated by COVID-19, a set of moratoriums on mortgage and nonmortgage credits, both to individuals and companies were introduced. This measure, together with the lines of support for the economy, led to an increase in the complexity of identifying significant increases in credit risk and default indicators. • Under these circumstances, changes were implemented to the internal impairment analysis models, in order to incorporate the new pandemic reality , namely: (i) introduction of additional	To respond to the identified risks, among the Audit procedures performed, we highlight the following ones: • Assessment and testing of the design and operational effectiveness of the controls instituted in the process of quantifying impairments on the Bank's loan portfolio. These controls include those related to the identification of impaired loans, tolerance levels, accounting records made in relation to the quantified impairment of the customer loan portfolio and the granting of moratoria in the specific context of the COVID-19 pandemic; • Carrying out substantive tests on the Bank's impairment model, on a sample basis, with a view to critically reviewing the established model. These Audit procedures included the evaluation of the criteria and methodology adopted in determining the risk and collective impairment parameters, using the extraction of information used in the model (inputs), reexecution of calculations, review of the sensitivity analysis carried out by the Bank, in relation to critical underlying assumptions, review and testing of key risk parameters, as well as available forward-looking information and its update via the estimated economic effects of the COVID-19 pandemic; • This review also aimed to ensure the alignment of the established model with the requirements of International Financial Reporting Standard N. º 9 (IFRS 9); • For impairments calculated individually, analyses were carried out in the process established at the Bank, with regard to the timely identification of potentially impaired loans and for a sample of loans granted to customers, we carried out our individual analysis, having verified whether the loss event (impairment recognition point) was identified at the appropriate time,

indicators to identify significant increases in credit risk; (ii) monitoring of customers in moratorium in order to assess their ability to meet their responsibilities at the end of the moratoriums; and (iii) updating the macroeconomic scenarios, used in the model, in order to incorporate the potential economic effects of the pandemic. Considering that these moratoriums ended at the end of 2021, Decree-Law No. 70-B/2021 of August 6 was published, which established protection measures for bank customers with credit agreements covered by moratoriums. In this way, the Bank reviewed its policies and procedures and adopted additional concrete measures, including: (i) verifying with moratorium customers their financial capacity in order to identify situations of risk of non-compliance; (ii) submission of restructuring proposals to clients with contracts at risk of non-compliance and (iii) introduction of a 90-day protection after the end of the public moratorium for customers who are part of the "PERSI" process. Considering the materiality and subjective nature of impairments in the loan portfolio granted to customers, this matter was considered as relevant in the scope of our Audit.	analyzing the estimated cash-flow projections used in the calculation of the respective impairments (including the respective LGD); • Assessment of the staging policy of the bonds, which represent the credit granted indirectly, namely with regards to the assumptions and triggers for the change of defaults staging defined and any eventual need to derecognize these assets; • Evaluation of the Bank's compliance with the measures introduced by Decree-Law No. 70-B/2021 of August 6, with regard to the end of the moratoriums; and • Critical assessment of the adequacy of disclosures contained in the Notes to the Bank's financial statements, related to this matter, based on the requirements of the applicable accounting regulation (IFRS).

Contingent provisions and liabilities	
Description of the relevant audit matter	Audit approach and response
As presented in Note 12 of the Notes to the financial statements, the Items of Disparities and Provisions includes an amount for Provisions of 890 399 Euros, with reference to December 31, 2021 (206 752 Euros to December 31, 2020), which includes the estimates of the Management Body to meet: (i) costs of fines and costs related to the proceedings of ordination resulting from inspection action carried out by the Supervisor; (ii) costs with any tax corrections of previous years; and (iii) charges for operational events and failures. In addition, and as disclosed in the	In order to respond to the identified risks, among the audit procedures performed, we highlight the following: • Detailed analysis of the provision item, reflected accountably; • Analysis and evaluation of responses to external confirmation requests made with legal advisors and Banco de Portugal; • Analysis of the correspondence exchanged between the Bank and Banco de Portugal; • Inquiries to the Management Body, to the Bank's legal advisors and to Banco de Portugal itself

Note 44 ("Contingent Liabilities"), of the Notes to the financial statements, the Bank became aware of the existence of a set of pending of administrative proceedings from Banco de Portugal, which are under secret of justice, and there is still no additional information that allows the Bank to understand the issues involved and their associated risks.

As provided for in the accounting policies, disclosed in Note 2.10.3 "Contingent Liabilities", of the Notes to the financial statements, and it is not possible for the Management Body to measure with sufficient reliability the amounts of any obligations arising from these processes, the Bank classified them as Contingent Liabilities, disclosing them in the above-mentioned Note.

Considering the materiality of the provision item and the subjectivity and complexity with which the judgments made by the Management Body are based in its assessment of the probability of materialization and in the quantification of the amounts of any obligations arising from these processes, this matter was considered relevant, in the context of our Audit.

about the nature and relevance of the ongoing administrative proceedings;

• Critical assessment of the reasonableness of the amounts provisioned arising from the Bank's assessment of the main administrative proceedings initiated, as well as the Bank's assessment of the remaining ongoing administrative proceedings, including the accounting treatment given to them, under the application of IAS 37; and

• Review of their disclosures on contingent provisions and liabilities made in the Notes to the financial statements, based on the requirements of the applicable accounting regulation (IFRS).

Other matters

As disclosed in Chapter IV of the Management Report ("Governing Bodies"), the Chairman of the Bank's Board of Directors submitted his resignation from his position and ceased all functions he held at the Bank on February 28, 2021. From that date, the Board of Directors became composed of only two members. In addition, on 25 February 2022, one of the two members of the Board of Directors submitted his resignation from his position, which takes effect from 1 April 2022, and on 16 March 2022 a new Fit & Proper process for the appointment of the governing bodies for the next term of office was submitted to Banco de Portugal, which awaits approval by Banco de Portugal, as also disclosed in chapter XII of the Management Report ("Subsequent Events") and also in Note 47 ("Subsequent Events") of the Notes to the financial statements.

In this circumstance, the Bank is, on this date, in breach of Article 15 of the General Regime of Credit Institutions and Financial Corporations.

Responsibilities of management and the supervisory body for the financial statements

Management is responsible for:

- the preparation of financial statements that give a true and fair view of the Bank's financial position, financial performance and cash flows in accordance with the International Financial Reporting Standards (IFRS), as adopted in the European Union.
- the preparation of the management report in accordance with applicable laws and regulations.
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Bank's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Entity's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also :

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor’s report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes their public disclosure.
- provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence and communicate them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate the threats, or the safeguards applied.

Our responsibility also includes the verification that the information contained in the management report is consistent with the financial statements.

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Report on other legal and regulatory requirements

On the management report

Pursuant to article 451.º, n.º 3, al. (e) of the Portuguese Companies' Code, except for the possible effects of the matter referred to in the section "Basis for the qualified opinion" of the Report on the audit of the financial statements, it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment over the Bank, we have not identified any material misstatements.

On the additional matters provided in article 10 of the Regulation (EU) nº 537/2014

Pursuant to article 10 of the Regulation (EU) nº 537/2014 of the European Parliament and of the Council, of 16 April 2014, in addition to the key audit matters mentioned above, we also report the following:

- We were appointed as auditors of the Bank for the first time in the unanimous written deliberation held on 7 October 2020 for an audit mandate between 2020 and 2023.
- Management has confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism, and we designed audit procedures to respond to the possibility of material misstatement in the financial statements due to fraud. As a result of our work we have not identified any material misstatement on the financial statements due to fraud.
- We confirm that our audit opinion is consistent with the additional report that we prepared and delivered to the supervisory body of the Bank on 31 March 2022.

  We declare that we have not provided any prohibited services as described in article 77.º, number 8, of the Ordem dos Revisores Oficiais de Contas statutes, and we have remained independent from the Bank in conducting the audit.

Lisbon, 31 March 2021

Mazars & Associados, Sociedade de Revisores Oficiais de Contas, S.A. Represented by Fernando Jorge Marques Vieira (Statutory Auditor nº 564)

(This report is a translation of a report originally issued in Portuguese. Therefore, according to Portuguese Institute of Statutory Auditors instructions, the report is not to be signed)