Annual Report and Accounts 2022

MANAGEMENT REPORT

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Shareholder, Dear Stakeholders,

2022 is a turning point.

After a long period of low inflation and interest rates close to zero or even negative in the main economic blocs, strongly marked over the last two years by the pandemic which tested the resilience of families, companies, states themselves and the social structure and organization as we knew it, with the financial system playing a decisive role, both in responding to the crisis and in the ability to find solutions for families and companies, the year 2022 presented a substantial change in the macroeconomic framework on a global scale.

The interruption of some of the globalization circuits, together with the start of a war in Europe, with repercussions on both the energy and food sectors, created a combined effect with a strong impact on supply, generating chain inflationary pressures. As an immediate consequence, there were changes in interest rate policy by the main central banks. With a positive impact on the sector's profitability, after this long period of negative interest rates with a difficult framework for its activity, the extent and speed of this rise in rates presents strong challenges at the same time. In fact, after years of massive liquidity injection, the sheer scale of the interest rate hike in such a short period will have an impact on the solvency of families and companies, once again putting the soundness of the financial system to the test.

The Portuguese economy, based on a strong post-pandemic tourism boom, continued growth in the real estate market, and the resilience of consumption explained by the performance of the labor market, the impact of public support measures and the use of savings accumulated during the pandemic, has maintained a strong pace of recovery with GDP growth of 6.8% in 2022, but with the highest inflation rate for 20 years and the first signs of a slowdown at the end of the year.

It was in this once again challenging context that we at BNI Europa began a turning point.

At the beginning of the second half of the year, the new board of directors took office, with a mandate for the financial years 2022 to 2025. Since taking office, we have tried to get to know and analyze all of the Bank's activity and its organizational, functional and internal control structures, in order to address the specific deficiencies and needs detected and identify new business development opportunities that will enable the Bank to be sustainable and profitable in the short/medium term.

The market analysis, together with the analysis of the bank's business model over the last few years, has led, on the one hand, to the identification of new market segments with clear opportunities for a bank with our characteristics and, on the other, to the identification of opportunities and weaknesses in the existing model. The transition from a model based on a digital banking business matrix to a relational banking business model based on a digital platform seeks to maintain and improve the products and services offered to Portuguese families, to present new solutions for families who choose Portugal to live and invest, for exporting companies, particularly to and from Portuguese-speaking countries, and to support and encourage the modernization of our companies and new economy businesses.

It was on this principle of action that, progressively throughout 2022, the Bank developed new initiatives, created new business segments and accelerated the reduction of exposure that began in 2021 in some existing areas, revamping some of the activities carried out, complemented by more dynamic management of cash surpluses, while also restructuring the portfolio investment model. We also began the process of obtaining a license from the Portuguese Securities Market Commission to develop the capital markets segment, including the activities of receiving and transmitting orders, custody and custodian bank.

With the clear aim of revamping the bank's activity, an organizational restructuring was also carried out. Priority was given to resolving the internal control issues identified and strengthening the Bank's control environment, in compliance with the Guidelines and Practices recommended for this purpose and keeping the focus on the continuous promotion of a solid internal control system, risk management and improving financial performance, improving information and business support systems, as well as responding to growing regulatory demands.

The management of the Bank's balance sheet and activity was thus based on recovery and growth measures, with the aim of making it profitable and sustainable. It was possible to grow while maintaining the cost structure. The strengthening of the bank's capitalization, together with a significant improvement in its results - a 52% reduction in losses compared to the previous year and 60% compared to the budget - led to a capital ratio of 26.6% at the end of 2022. We have significantly improved the bank's risk profile, allowing us to look to 2023 with optimism.

In the foreseeable context of reduced growth and economic activity, the evolution of interest rates and the possible impact on the solvency of companies and families, we have reinforced our special focus on people, on the current team and on the ability to attract new staff to meet the challenges we have set ourselves for 2023: Progressive reinforcement of the structure supporting the Bank's activity, in order to provide it with the technical and human resources indispensable for the projected activity and prepare it for the new activities and business lines; significant investment in the internal control system, with priority given to the area of money laundering and information technology risk management; improvement of the Bank's profitability indicators and maintenance of its capitalization, until the decision is taken on the entry of a new shareholder.

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

COSTUMER FOCUS

We create products centered 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 of 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 and terrorist financing
- Prohibition on the use of confidential information
- Avoiding conflicts of interest
- Defense of the market

In order to ensure compliance with its duties, the Bank has set up a governance and internal control model that is proportionate and appropriate to the regulations of the financial sector and to the size and complexity of the activity carried out. These 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 depending on 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

Following the sole shareholder's initiatives to identify a new capital investor for the Bank, on November 26, 2021, the share purchase agreement ("SPA") was formalized, relating to 100% of the Bank's share capital and voting rights, between the sole shareholder and a Credit Institution based in Brazil, called Banco Master, S.A. (“Banco Master”).

In accordance with the SPA:

- Banco Master carried out a technical, legal and financial due diligence on the Bank, which was completed on December 10, 2021, and made the down payment provided for in the SPA on December 13, 2021, and also on this date,
- the sole shareholder carried out a capital increase of 8,500m€ in December 2021;
- on March 25, 2022, Banco Master formalized with the Bank of Portugal the authorization process for the acquisition of Banco BNI Europa's share capital.

The authorization process for the acquisition of Banco BNI Europa's share capital by Banco Master is still underway at the Bank of Portugal.

Following the SPA signed in December, a new Business Plan 2022-2024 was prepared and approved by Banco BNI Europa's Board of Directors and its sole shareholder on February 16, 2022.

On July 1, 2022, the new Board of Directors of Banco BNI Europa, made up of 3 executive directors, took office for the 2022-2025 term.

Since taking office, the new Board of Directors has sought to understand and analyze all of the Bank's activities and its organizational, functional and internal control structures, in order to address the specific deficiencies and needs detected and identify new business development opportunities that will enable the Bank to be sustainable and profitable in the short/medium term.

It was with this in mind that, progressively over the course of 2022, the Bank developed new initiatives, namely through i) more dynamic management of cash surpluses, with investments in its own portfolio of public debt securities and corporate debt (including commercial paper); ii) the creation of the corporate and institutional banking segment; iii) new types of loans to individuals with mortgage guarantees; iv) redynamization of the trade finance activity; and v) the start of the process of obtaining a license from the Securities Market Commission (CMVM) to develop the capital markets segment, including the activities of receiving and transmitting orders, custody and custodian bank. As part of this, the organization was also restructured, as detailed below in the **Organizational and Human Structure section**.

In addition to adjusting the Bank's Organizational and Human Structure, this restructuring was carried out with the aim of minimizing and remedying identified internal control issues and strengthening the Bank's control environment, in compliance with the Guidelines and Practices recommended for this purpose and maintaining the focus on the continuous promotion of a solid internal control system, risk management and the improvement of financial performance, the improvement of information and business support systems, as well as responding to growing regulatory requirements.

The new Board of Directors has prepared a new Business Plan for the three-year period 2023-2025, which is pending approval by the Sole Shareholder, based on the development of the above-mentioned initiatives, enhancing the relationship with the direct client, as well as the inclusion of relevant investments in systems and resources in order to strengthen the Bank's internal control environment.

The Business Plan 2023-2025 proposed by the Board of Directors is based on the following principles:

- growth in activity, albeit in a controlled manner, with a view to the Bank's sustainability, as well as the transition to the new shareholder;
- commercial dynamization, based on the direct customer, with the introduction of new activities and business lines, in a contained and phased manner, focusing on the corporate area, loans to individuals and small businesses with mortgage guarantees, deposit-taking and the creation of a new capital markets area;
- maintaining the previously initiated process of divestment in the granting of indirect credit, carried out through platforms;
- more dynamic management of cash surpluses, with a securities portfolio of Eurozone public debt instruments, eligible for access to euro system liquidity facilities, corporate bonds and short-term commercial paper issues;
- reinvestment and progressive reinforcement of the structure supporting the Bank's activity, in order to provide it with the technical and human resources essential for the projected activity and prepare it for the new activity and business lines to be introduced by the new capital investor; and

- significant investment in technical and human resources in the internal control system, with priority given to investments in the area of money laundering and information technology risk management, including cyber security.

The conclusion and success of the acquisition of Banco BNI Europa continues to be of decisive importance for the development and growth of the Bank's future activity.

The Bank's capitalization continued to be strengthened, after having reached a total of 17,500m€ in 2021, in 2022 it reached 3,500m€.

The main activity indicators in 2022, detailed in the **Financial Information** section of **Chapter VII - Banco BNI Europa Context**, reflect the reality detailed above

Balance Sheet Indicators

Figures in thousands of euros

Business	2016	2017	2018	2019	2020	2021	2022
Total Net Assets	**362,034**	**509,474**	**421,666**	**396,020**	**305,233**	**215,948**	**177,061**
Turnover (1)	534,657	762,797	631,397	644,422	519,267	327,289	314,077
Loans to Customers (2)	48,135	125,882	177,509	143,853	112,079	79,659	92,748
Customer Funds	264,765	309,765	266,739	261,452	241,214	175,003	128,129
Own Portfolio (3)	206,234	313,119	163,199	168,930	78,399	7,770	34,346
Off-balance-sheet	15,523	14,031	23,950	70,187	87,574	64,856	58,854
Number of Employees (4)	43	57	73	95	65	39	50
Number of Customers	8,316	11,731	16,930	21,644	12,585	9,809	8,219
Turnover per Employee	12,434	13,382	8,649	6,783	7,989	8,392	6,282
Transformation Ratio (5)	18%	41%	67%	55%	46%	46%	72%

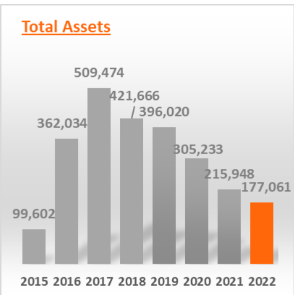
(1) Includes Loans to Customers as per note 2, Customer Funds as per note 3, Own Portfolio and Off-Balance Sheet Assets.

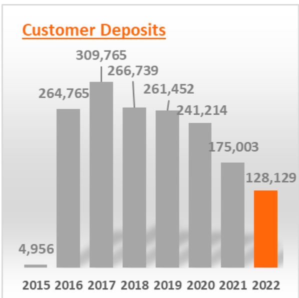
(2) Includes Loans to Customers and Bonds whose underlying assets are loans.

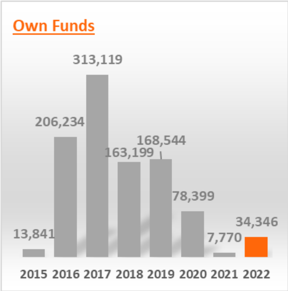
(3) Includes financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost, not including financial assets already appearing under the item "Loans to customers".

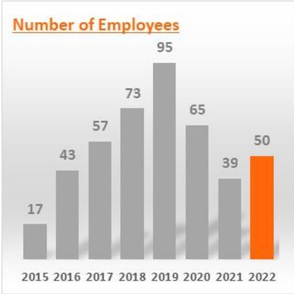
(4) Internal workforce.

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







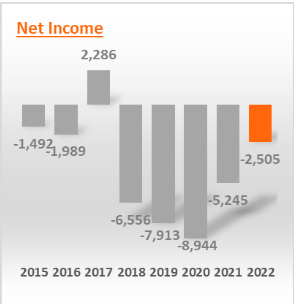


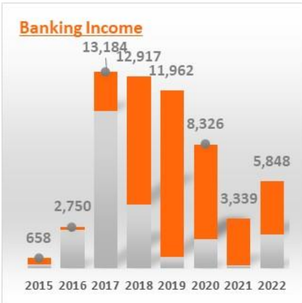
Outcome Indicators

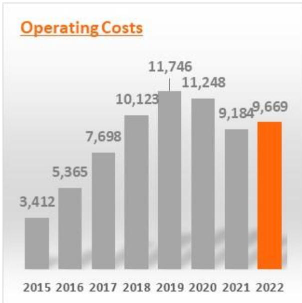
Figures in thousands of euros

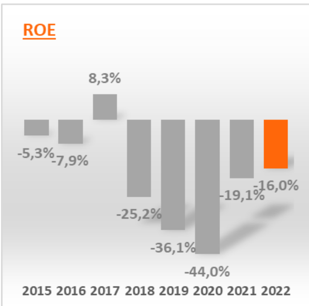
Business	2016	2017	2018	2019	2020	2021	2022
Financial Margin	146	2,646	8,625	11,198	6,383	3,140	3,611
Net Fees	351	237	803	466	592	263	103
Financial Transaction Results	2,213	10,291	3,834	345	2,039	-35	1,984
Other Operating Results	38	10	-345	-47	-689	-28	150
Banking Income	2,750	13,184	12,917	11,962	8,326	3,339	5,848
Banking Income per Employee	64	231	177	126	128	86	117
Operating Costs (1)	5,365	7,698	10,123	11,746	11,248	9,184	9,669
Operating Result	-2,615	5,486	2,794	216	-2,922	-5,844	-3,821
Cost to income	195%	58%	78%	98%	135%	275%	165%
Loan Impairment	4	524	10639	10626	6382	436	-1,272
Impairment of Other Assets	127	2070	128	142	1808	-422	-270
Cost of Risk (pb)	0	55	599	739	569	55	-137
Result for the Year	**-1,989**	**2,286**	**-6,556**	**-7,913**	**-8,944**	**-5,245**	**-2,505**
ROA	-0.5%	0.5%	-1.5%	-2.0%	-2.5%	-2.4%	-1.4%
ROE	-7.9%	8.3%	-25.2%	-36.1%	-44.0%	-19.1%	-7.9%

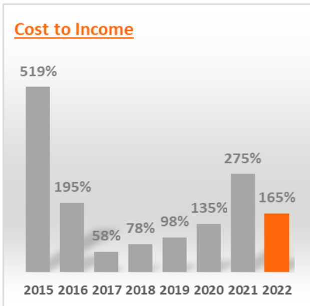
(1) Includes capitalized income and expenses in projects with future economic benefits.







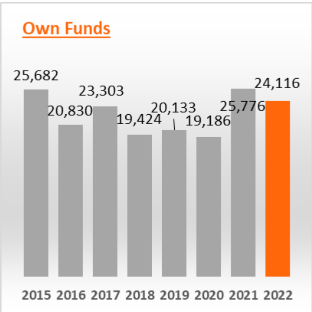


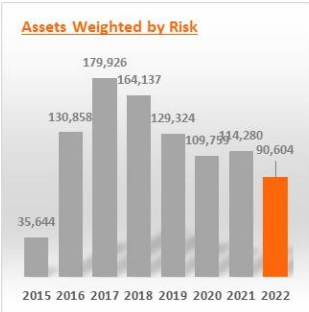


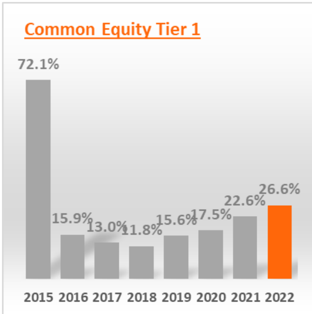
Capital Indicators

Figures in thousands of euros

Business	2016	2017	2018	2019	2020	2021	2022
Capital and Prudential Indicators							
Own Equity	25,205	29,600	19,919	20,403	18,912	31,166	32,160
Own Funds	20,830	23,303	19,424	20,133	19,186	25,776	24,116
Risk Weighted Assets (RWA)	130,858	179,926	164,137	129,322	109,759	114,280	90,604
Solvency Ratio	**15.9%**	**13.0%**	**11.8%**	**15.6%**	**17.5%**	**22.6%**	**26.6%**
Common Equity Tier 1 (CRD IV/CRR phasing in)	15.9%	13.0%	11.8%	15.6%	17.5%	22.6%	26.6%
Common Equity Tier 1 (CRD IV/CRR fully implemented)	14.7%	12.8%	7.4%	9.0%	7.8%	20.8%	25.6%







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 2022.

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:

Figures in thousands of euros

	NIC	Reclassification 1	Reclassification: Reclassification 2	Other Reclassif.	DFG
Assets					
Cash and cash equivalents in central banks	22,931	-	-	-	22,931
Cash on hand at other credit institutions	1,859	-	(1,859)	-	-
Investments and cash on hand at other credit institutions	-	-	8,773	-	8,773
Own porfolio	-	-	-	34,346	34,346
Not held for trading financial assets mandatorily at fair value through profit or loss	4,025	-	-	(4,025)	-
Financial assets at amortized cost					
Investments at credit institutions	6,375	-	(6,375)	-	-
Loans to customers	90,909	1,897	-	(58)	92,748
Debt Securities	32,700	(1,897)	(540)	(30,263)	(0)
Hedging derivates	4,598	-	-	-	4,598
Tangible assets	822	-	-	(822)	-
Intagible assets	1,174	-	-	(1,174)	-
Tangible and intangible assets	-	-	-	1,996	1,996
Current tax assets	2	-	-	(2)	-
Deferred tax assets	10,464	-	-	(10,464)	-
Taxes	-	-	-	10,467	10,467
Other assets	1,202	-	-	-	1,202
Total Assets	**177,061**	**-**	**0**	**-**	**177,061**
Liabilities					
Financial liabilities measured at amortised cost					
Resources from other credit institutions	7,170	-	-	-	7,170
Resources from customers and other loans	128,129	-	-	-	128,129
Provisions	584	-	-	-	584
Current tax liabilities	103	-	-	(103)	-
Deferred tax liabilities	34			(34)	-
Taxes	-	-	-	136	136
Other liabilities	8,882	-	-	-	8,882
Total Liabilities	**144,901**	**-**	**-**	**-**	**144,901**
Equity					
Capital	71,000	-	-	-	71,000
Revaluation reserves	-	-	-	-	-
Other reserves and retained earnings	(36,334)	-	-	-	(36,334)
Net result for the year	(2,505)	-	-	-	(2,505)
Total Equity	**32,160**	**-**	**-**	**-**	**32,160**
Total Liabilities and Equity	**177,061**	**-**	**-**	**-**	**177,061**

IV. CORPORATE BOARDS

At General Meetings held on March 21, 2016, June 15, 2016 and March 27, 2017, the Shareholders appointed the Bank's governing bodies for the four-year period 2016-2019, including 3 directors, who remained in office until the following dates:

- Pedro Nuno Munhão Pinto Coelho – February 8, 2021
- António Miguel Maurício Rola Costa – March 31, 2022
- Nuno Luís do Rosário Martins – June 30, 2022

On March 16, 2022, Banco BNI Europa submitted to the Bank of Portugal the Fit & Proper process for the governing bodies for the 2022-2025 term of office and, on June 28, 2022, the regulator communicated the prior authorization for the exercise of the members of the proposed governing bodies.

On July 1, 2022, the Sole Shareholder appointed the members of the governing bodies for the 2022-2025 term, having reappointed all the members of the Board of the General Meeting and the Supervisory Board, maintaining the composition of these governing bodies, and appointing the following new members to the Board of Directors:

- Vítor José Barosa Carvalho (Chairman)
- João Paulo Brunet (Member)
- Bruno Miguel Esperança Batista (Member).

On March 30, 2022 and by resolution of the Board of Directors, the Executive Committee ceased to function, and in the period between April 1 and June 30, 2022 the Board of Directors of Banco BNI Europa had only one member, Nuno Luís do Rosário Martins. On July 29, 2022 and by resolution of the Board of Directors, it was decided to resume the functioning of the Executive Committee, made up of the same new members of the Board of Directors appointed on July 1, 2022.

On September 20, 2022, the Sole Shareholder appointed João Paulo Brunet as Vice-Chairman of the Board of Directors for the remainder of the current 2022-2025 term of office, and the regulator is currently assessing this appointment.

On September 20, 2022, the Sole Shareholder decided to set up the Remuneration Committee and appoint its members. This Committee has not yet met, so its duties and responsibilities have not yet been defined.

All the members of the governing bodies remain in office at the present time and, therefore, on December 31, 2022, the Bank's governing bodies were as follows:

GENERAL MEETING OF SHAREHOLDERS

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

BOARD OF DIRECTORS

Vítor José Barosa Carvalho	(Chairman)
João Paulo Brunet	(Member)
Bruno Miguel Esperança Batista	(Member)

EXECUTIVE COMMITTEE

Vítor José Barosa Carvalho	(Chairman)
João Paulo Brunet	(Member)
Bruno Miguel Esperança Batista	(Member)

SUPERVISORY BOARD

Telmo Francisco Salvador Vieira	(Chairman)
João Carlos Espanha Pires Chaves	(Member)
Isabel Gomes de Novais Paiva	(Member)
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. (Represented by Pedro Miguel Pires de Jesus – ROC n.º 1930)	(Statutory Auditor)
Luis Filipe Soares Gaspar – ROC n.º 1003	(Alternate Statutory Auditor)

V. MACROECONOMIC BACKGROUND

GENERAL CONTEXT

After the years marked by the pandemic, 2022 was the year of uncertainty and inflation. The conflict in Ukraine, which began on February 24, 2022, has accentuated the problems in the logistics and industrial production chains inherited from the years of the pandemic. The strategic importance of Russia as an exporter of crude oil and natural gas, and, together with Ukraine, as exporters of cereals, has led to a rise in energy and food prices, returning to levels of inflation that the world was no longer used to.

The significant increase in inflation in the United States and Europe forced the central banks to react, with the US Federal Reserve (FED) making the first move to increase benchmark interest rates and reduce bond purchase programs (*tapering*). Central bank interventions had an immediate impact on interest rate curves, with a greater impact in the short and medium term. The capital markets experienced a year of great volatility, with the EUR/USD exchange rate reaching an all-time low of 0.9565 US Dollars per Euro on September 28, 2022.

Despite initial fears of a global recession, economies proved more resilient than initially anticipated, supported by strong private consumption, which expanded strongly after the years of lockdown, with a particular focus on the tourism sector. The labor market also remained robust and investment levels increased, which combined with a less severe winter and the economic slowdown, allowed the energy markets to recover more quickly from the shock of the conflict in Ukraine.

However, the changes in monetary policy have begun to have an impact on the world economy, with a slowdown in consumption, inflation and an increase in savings.

Inflation seemed to have peaked and began to show signs of reversing towards the end of the year. According to IMF data, inflation rose from 4.7% in 2021 to 8.8% in 2022, with falls projected to 6.6% and 4.3% in 2023 and 2024 respectively.

After 6% growth in the world economy in 2021, the IMF estimates growth of 3.4% in 2022, followed by a reduction to 2.9% in 2023 and recovery to 3.1% in 2024.

The major uncertainties for 2023 will continue to be the evolution of the conflict in Ukraine, the real behavior of inflation, the evolution of the debt markets in this new scenario of reduced support and the consequences of the recent intervention in a European bank.

After fears of recession throughout 2022, the year ended with better expectations at this level, and current prospects for 2023 are optimistic, despite all the uncertainty that remains.

UNITED STATES' ECONOMY

The US economy faced a turbulent 2022, marked by high inflation rates, tighter monetary policies and increases in FED interest rates. As in the rest of the world, the United States of America (USA) experienced a significant increase in the prices of consumer goods, from food to fuel and building materials.

Inflation in the US exceeded the Fed's target of 2%, reaching a rate of 9.1% in June 2022, the highest since 2008. Inflation was driven by several factors, including the disruption of the global supply chain due to the COVID-19 pandemic, labor shortages and subdued demand following the lockdowns of 2020 and 2021.

The Federal Reserve raised interest rates four times in 2022, with the aim of curbing inflation, which reached a maximum of 4.5% at the November meeting.

The US dollar had a year of strong appreciation, with the Dollar Index (DXY) rising 8.21% in 2022, +6.23% against the Euro.

The yield on 2-year US sovereign debt went from 0.21% in 2021 to 4.77% in 2022, while the 10-year yield went from 1.51% to 3.88%.

The US stock markets were heavily penalized, especially technology stocks, with the NASDAQ falling 33.10% in 2022, followed by the S&P500, down 19.44%, and the Dow Jones losing 8.78%.

However, IMF projections indicate that real GDP will have grown by 2% in 2022, followed by 1.4% in 2023 and 1.0% in 2024.

EUROPEAN AND EUROZONE AREA ECONOMY

The macroeconomic context in Europe in 2022 was particularly affected by the conflict in Ukraine. The heavy involvement of the European economy with the belligerent economies has disrupted trade flows and increased uncertainty in the financial markets. As a result, many European companies faced higher costs and lower demand, which slowed economic growth across Europe. The energy crisis was especially complicated for countries dependent on Russian gas, which left the German economy under severe pressure in particular.

As a result, inflation rose sharply in Europe and peaked at 10.6% in October 2022. The European Central Bank followed the FED's example, raising benchmark interest rates, albeit at a slower pace than the American supervisor. The deposit facility rate, which had remained negative at -0.5% since December 2019, increased to 0% in July 2022, and continued to rise progressively, standing at 2% in December 2022. After peaking in October, inflation showed signs of slowing down and stood at 8.6% in December 2022, according to Eurostat data.

Interest rate rises have had a significant impact, particularly on the cost of credit and reductions in investment and consumption in Europe, especially in the second half of 2022. The combined effect of rising interest rates and reduced asset purchases by central banks put pressure on the correction of risk premiums and the consequent devaluation of financial markets, contributing to volatility in the sovereign and corporate debt markets.

With regard to projections for the following years and according to Eurostat, inflation is expected to fall from an average of 8.4% in 2022 to 5.6% in 2023, with a further drop in 2024 to 2.5%.

Despite the major challenges, there have also been some positive developments in the European economy, most notably the reduction in unemployment to 6.7% in 2022, a historic low.

Despite fears of recession, the Eurozone countries ended the year recording economic growth, according to Eurostat, of 3.5% in 2022, with a slowdown projected for 2023, to growth of 0.9%, followed by a slight recovery in 2024, to 1.5%.

PORTUGUESE ECONOMY

According to Bank of Portugal projections, the Portuguese economy is expected to grow by 1.5% in 2023, following growth of 6.8% in 2022, followed by growth levels close to 2% in 2024 and 2025. The country has benefited from a strong recovery in tourism, much higher than expected.

Inflation in Portugal reached 9.6% in December 2022, and is expected to fall gradually to 5.8% in 2023, 3.3% in 2024 and 2.1% in 2025. Although GDP growth has been revised upwards for 2022, it has been revised downwards for 2023.

High inflation has a negative impact on activity and income, especially for the neediest families. The ECB has begun a process of normalizing monetary policy in response to high inflation in the Eurozone, which has been reflected in the cost of financing for companies and households.

In 2022, the budget deficit decreased and is below the Eurozone average. Public debt as a percentage of GDP, although high, maintained a downward trend and this favorable evolution is expected to continue in the coming years.

Since the second quarter of 2022, economic activity has slowed down sharply after the recovery period from the pandemic crisis. This slowdown is visible in various indicators, and the recent evolution of the Portuguese economy has been conditioned by the effects of the war in Ukraine, in particular the impacts of the energy crisis in Europe and the rise in benchmark interest rates.

The resilience of consumption is explained by the performance of the labor market, the impact of public support measures and the use of savings accumulated during the pandemic. Nominal private consumption increased by 12.8% in 2022, well above the change in disposable income, and the savings rate fell to 4.4%.

However, the sharp rise in Euribor rates in the second half of 2022, the main index for mortgage loans in Portugal, will strongly affect the disposable income of Portuguese families in 2023, putting downward pressure on consumption.

ANGOLAN ECONOMY

The Angolan economy recovered in 2022, supported by rising oil prices and increased production.

Inflation has shown some signs of slowing down, falling from 25.8% in 2021 to 21.7% in 2022. The signs of cooling inflation worldwide, particularly in the area of food, lead the IMF to project a sharp drop in inflation in Angola, to 11.8% in 2023 and 9.9% in 2024. Reducing inflation to 11% is one of the main objectives of the National Bank of Angola (BNA), set out in the state budget, and will continue to be based on a restrictive monetary policy.

The local currency, the Kwanza, closed 2022 at 544.64 Kwanzas per Euro, compared to 632.42 Kwanzas in 2021, an appreciation of almost 14% against the Euro.

The unemployment rate is expected to remain above 30% in 2023: despite growth, the economy shows no signs of being able to absorb the growing working population, which increased by more than 700,000 people in 2022.

The IMF estimates that the Angolan economy will grow by 2.9% in 2022, after 0.8% growth in 2021 and 4 years of recession between 2016 and 2020. According to IMF estimates, the Angolan economy should grow by 3.4% and 3.9% in 2023 and 2024 respectively. If these prospects materialize, Angola could regain its position as the 3rd largest economy in Sub-Saharan Africa, with Nigeria and South Africa in 1st and 2nd place respectively.

VI. BACKGROUND OF THE PORTUGUESE BANKING SECTOR

In the second half of 2022, the ECB's change in monetary policy, which put an end to negative interest rates, allowed banks to improve profitability indicators in their core business, namely in terms of net interest income generated from lending and investment in debt instruments with indexed interest rates.

The national banking sector's balance sheet was 467.6 billion euros on December 31, 2022, compared to 473.4 billion at the end of 2021, a reduction of 5.8 billion euros.

The banks' main sources of funding continued to be customer deposits and the issue of debt securities, with a reduction in funding from the Euro system. The rate hikes by the ECB and the end of the long-term liquidity programs (TLTRO), with the adjustment made to the remuneration of the TLTRO in the following periods, led several banks to repay the funds taken from the Euro system early.

The liquidity coverage ratio (LCR) of Portuguese banks fell from 260% at the end of 2021 to 253.9% in the 3rd quarter of 2022, remaining comfortably above the minimum ratio required by regulation, as was the case with the solvency ratio, which fell from 18% to 17.1% in the same period, and with the leverage ratio (LR), which fell from 7% to 6.3%.

The banking sector's deposits amounted to 356.4 billion euros and debt securities issues to 51.1 billion euros, 76% and 11% of liabilities respectively. Of these issues, around 72% were in resident banks' own portfolios and 28% with other investors.

Deposits from individuals and companies at banks increased by 15.1 billion euros, despite the fact that deposits from individuals slowed down for the second year running. Statistically, demand deposits accounted for half of the volume of individual deposits with national banks.

On the other hand, banks' assets were essentially made up of loans, 301.2 billion euros (64%) and debt securities, 125.5 billion euros (27%). The interest rate rises and their impact on market rates began to constrain the use of mortgage loans, which slowed down in the second half of the year, while consumer credit increased. In 2022 there was a decrease in exposure to national public and financial debt, from 74.1 billion euros to 67.3 billion euros, and an increase in exposure to foreign public debt, from 31.1 billion to 33.8 billion euros.

VII. BANCO BNI EUROPA BACKGROUND

BUSINESS IN 2022

In 2022, in the context of what is described in **Chapter III - Main Indicators and Highlights**, the process of discontinuing the consumer credit and credit card products (essentially corresponding to the Puzzle brand) and the reverse mortgage product (only marketed in Spain) was maintained, and investment in credit platforms was also suspended.

In 2022, in the context of the new management, the Bank resumed its broader investment in its own portfolio of public debt securities and corporate debt (including commercial paper) and boosted its lending activity, namely through loans to companies and new types of loans to individuals with mortgage guarantees, as well as reviving its trade finance activity. In addition, the process of licensing with the CMVM for the provision of custody, reception and transmission of orders and depositary bank services was initiated.

Internally, given the new business approach, 2022 marks a reversal in the process of reducing the Bank's human resources, with the number of employees increasing from 39 to 50. The reinforcement of the staff follows the organizational restructuring, with investment in the business areas, control areas and support areas.

In terms of Information Technology, the Bank continued to invest in improving the systems already available and in partnerships with reference entities in digital banking with innovative solutions, and has intensified its investment in mechanisms and systems for controlling and managing the risk of information technology and cyber security.

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

On January 25, 2023, Banco BNI Europa became a member of the Portuguese Business Association, with the aim of establishing partnerships and promoting the Bank's services to Portuguese companies, especially companies with foreign trade relations (export and import), with a focus on the Brazilian and Angolan markets.

2023 BUSINESS PROSPECTS

As a result of the strategy and guidelines described in **Chapter III - Main Indicators and Highlights**, the 2023-2025 Business Plan is now geared towards growth and diversification of the activity carried out.

In addition to the growth of the activities already carried out, the main innovations introduced by the 2023-2025 Business Plan are essentially based on:

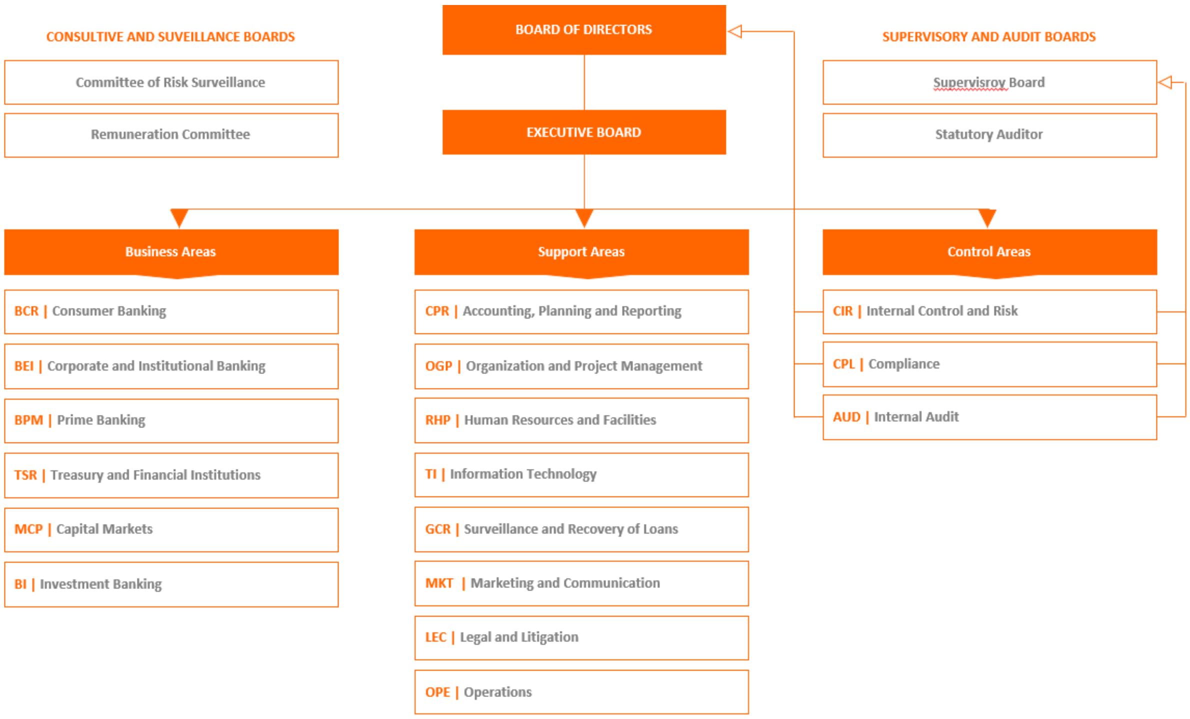
- the start of providing investment services to clients in 2023, with the provision of transactions, custody and other services related to securities to clients, and
- within the scope of trade finance and Prime Banking, through financial products and services with a high degree of customization and of an evolutionary nature.

To this end, the Bank's organizational structure is to be strengthened, accompanied by greater investment in initiatives to strengthen risk management and control, with a special focus on the aforementioned information technology and cyber security risks and the prevention of money laundering and terrorist financing, and the provision of support resources for the development of the projected activity.

The management of the Bank's balance sheet and activity is thus no longer based on containment and reduction measures, but on recovery and growth measures, in order to make the Bank profitable and sustainable.

ORGANIZATIONAL AND HUMAN STRUCTURE

As a result of the need to respond to the challenges of business growth, Banco BNI Europa's organizational structure has been updated in line with the strategic guidelines defined for the Bank, and is currently configured as follows:

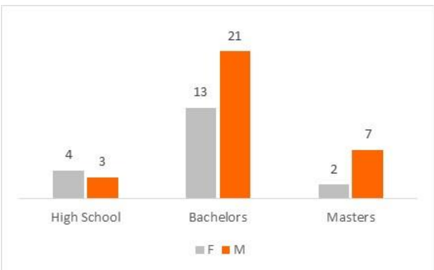


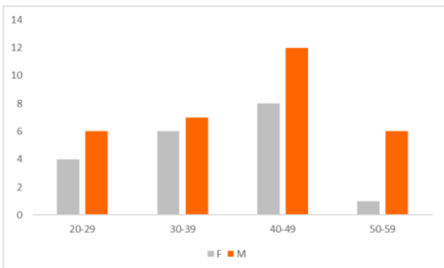
The constitution of the Remuneration Committee was resolved by the Sole Shareholder on September 20, 2022, however the definition of the duties and responsibilities of this committee is still pending and it has not met to date.

Banco BNI Europa also has the following organizational committees:

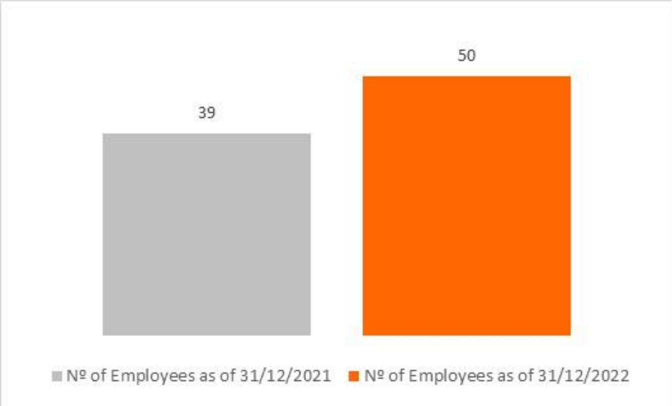
ORGANIZATIONAL COMMITTEES						
LOANS	INVESTMENT	NEW PRODUCTS AND SERVICES	ALCO	COMPLIANCE	INTERNAL CONTROL	SECURITY

At the end of 2022, the internal staff is made up of 50 employees, and the breakdown by professional category, age, gender and educational qualifications is as follows:





In 2022, the process of consolidating the skills of the teams continued, using internal mobility and external recruitment, which resulted in an increase in the number of staff:



Contributing directly to the implementation of the Bank's strategy, the Human Resources and Assets (HRP) area also sought to increase employee motivation and boost the attraction and retention of talent, through capacity-building initiatives that promote growth both in terms of human capital and the organization itself.

With regard to the Bank's talent management strategy, the process of identifying and assessing the following characteristics stands out: technical and behavioral performance, motivation and ambition, and, above all, commitment to the Bank.

The focus on young talent has been reinforced by promoting curricular and professional internships in various areas, with the expectation of later integration into the Bank.

Faced with the current challenges of reconciling work and family life, Banco BNI Europa has maintained flexible approaches, having implemented a work system called "Hybrid System - Flex Day", which consists of the possibility of remote working up to 4 times a month, preferably once a week.

The performance management process has continued to focus on the personal and professional growth of employees, which is why training remains a priority for the Bank, ensuring that fundamental skills are acquired in the respective areas of activity, with special attention always being paid to transversal training and that which is compulsory for all employees.

In 2022, the focus was particularly on providing specific training of a technical and/or regulatory nature, specifically in the areas of corporate governance, credit marketing, data protection, for people directly involved in the activity of insurance agents, and the prevention of money laundering and terrorist financing. Training is available in face-to-face, online and/or e-learning formats, and can be held internally or externally.

The cost of training incurred in 2022 amounted to 33,000 euros, corresponding to around 1,284 hours of training.

In terms of internal communication, a number of initiatives were carried out throughout the year to promote transversal and effective communication within the organization, fostering alignment and greater involvement among the Bank's employees, helping to strengthen the organizational culture.

FINANCIAL INFORMATION

Considering the facts referred to in **Chapter III - Key Indicators and Highlights** with regard to the assumptions and guidelines established in the business plan described, the evolution of Banco BNI Europa's activity in 2022 reflects this strategic change in the allocation of assets and in the Bank's profitability indicators.

Balance Sheet Indicators

Figures in thousands of euros

	Dec 2022	Dec 2021	Change Absolute	Change %
Assets				
Cash and Cash Equivalents in Central Banks	22,931	96,612	-73,681	-76%
Investments and Cash on Hand at Credit Institut	8,773	16,325	-7,551	-46%
Loans to Customers	92,748	72,336	20,412	28%
Own Portfolio	34,346	16,537	17,809	108%
Tangible Assets	822	400	421	105%
Intangible Assets	1,174	1,712	-538	-31%
Taxes	10,467	10,208	259	3%
Hedging derivatives	4,598	169	4,428	>200%
Other Assets	1,202	1,648	-446	-27%
Total Assets	**177,061**	**215,948**	**-38,887**	**-18%**
Liabilities				
Central Bank Resources	0	12	-12	-100%
Credit Institution Resources	7,170	5,635	1,534	27%
Customer Funds	128,129	175,003	-46,875	-27%
Provisions	584	890	-306	-34%
Taxes	103	91	12	13%
Other liabilities	8,915	3,150	5,765	183%
Total Liabilities	**144,901**	**184,782**	**-39,881**	**-22%**
Equity				
Total Equity	**32,160**	**31,166**	**995**	**3%**

(*) Includes the items Cash and Cash Equivalents at other credit institutions, Investments in Credit Institutions and balances under the accounting item Customer Loans relating to Cash and Cash Equivalents of securitized P2P credit platforms.

The reduction of €38,887k in total assets, which stood at €177,061k on December 31, 2022, is essentially due to the reduction in customer deposits. In 2022, funding through international deposit platforms was reduced, which has higher charges than direct funding.

It should be remembered that the Bank ended 2021 with extremely high liquidity ratios, with regulatory LCR ratios above 800% and NSFR ratios above 220% (regulatory minimum limit of 100% in both cases), in addition to a conservative transformation ratio of less than 46%.

Throughout 2022, the Bank managed and adjusted its liquidity position, containing deposit-taking costs, which resulted in a controlled reduction in deposits, and optimizing liquidity ratios, which still remained at very robust levels, with the LCR close to 530% (as at September 30, 2022, the Portuguese banking sector had a ratio of 253.9%), NSFR at 158% and the transformation ratio improved to 72% (as at September 30, 2022, the Portuguese banking sector had a ratio of 79%).

The increase in loans to customers (€20,366k) includes significant changes in composition: loans granted through platforms (securitized and un-securitized) fell from €15,065k in 2021 to €4,317k in 2022, a reduction of €10,748k and more than 71%, while loans granted directly, essentially through mortgage-backed products, increased by €31,114k.

The increase in its own portfolio (€26,479 m) comes mainly from Italian, Spanish and Portuguese public debt securities (€22,157 m), with the remainder relating to the increase in investment in corporate debt.

The increase in tangible assets (€421k) is essentially due to the increase in assets under operating leases. The reduction in the intangible assets item fell (-€538k), although there was an increase in investment in these assets of €120k in 2022 and a net reduction in the respective impairment of €287k, the change in accumulated amortization of €944k outweighed these effects and is at the root of the reduction observed.

The increase in the Taxes item (259 m€) essentially originates from deferred tax assets resulting from the loss recorded in 2022, and this item originates, in €4,063k of its amount, from deferred tax assets from temporary differences, and the remainder, €6,402k, in deferred tax assets from accumulated tax losses, which, due to the entry into force of the 2023 State Budget, no longer have a deduction deadline.

In terms of liabilities, in addition to the aforementioned reduction in customer funds, we would highlight the increase in other liabilities, centered on the increase in counterparty margin accounts with Banco BNI Europa.

Results Indicators

Figures in thousands of euros

	Dec 2022	Dec 2021	Change	
			Absolute	%
Banking Product	**5,848**	**3,339**	**2,509**	**75%**
Financial Margin	3,611	3,140	471	15%
Fees	103	263	-159	-61%
Financial Transaction Results	1,984	-35	2,019	-5737%
Other Results	150	-28	178	-637%
Operating Costs	**-9,669**	**-9,184**	**-485**	**5%**
Staff Costs	-3,357	-3,601	244	-7%
General Administrative Costs	-4,859	-3,740	-1,120	30%
Amortization and Depreciation	-1,453	-1,843	390	-21%
Operating Result	**-3,821**	**-5,844**	**2,023**	**35%**
Provisions and Impairement	**1,194**	**-707**	**1,901**	**-269%**
Loan Impairement	1,272	-436	1,708	-391%
Impairement for other Financial Assets	270	422	-153	-36%
Other Provisions	-348	-693	345	-50%
Result Before Taxes	**-2,627**	**-6,552**	**3,924**	**60%**
Taxes	**122**	**1,306**	**-1,184**	**91%**
Current Taxes	-103	-123	20	16%
Deferred Taxes	225	1,429	-1,204	-84%
Net Income	**-2,505**	**-5,245**	**2,740**	**-52%**

The year 2022 was marked by significant variations in all profit indicators, with substantial changes in both value and relative variation. These variations enabled Banco BNI Europa to less than halve the loss for the year recorded in 2021.

With an increase of €2,509 m (+75%) compared to 2021, Operating Income recorded recoveries in its main components, including Net Interest Income, which increased by €471 m (+15%). The increases in lending activity and in the own securities portfolio, combined with the reduction in the cost of funding, are at the root of this change.

The strong growth in the gains recorded under Net gains on Financial Transactions in 2022 (€2,019 m), due to the partial closure of derivatives positions, contributed to the increase in Net Operating Income.

The increase in operating costs (5%) came from general administrative costs (30%). The increase in general administrative costs is essentially due to the aforementioned measures to strengthen the environment and internal control mechanisms, with the hiring of specialized consultants, services and platforms for this purpose, which is reflected in this item.

On the other hand, despite the growth in human resources in 2022, this growth (11 employees) occurred essentially in the second half of the year and has not yet compensated for the average number of employees during 2021, which is the reason for a further reduction in staff costs.

Interest income on financial instruments measured at amortized cost is recognized under net interest income using the effective interest rate method. In this context, interest is recognized on a time-proportional basis.

The Bank estimates impairment for its loan portfolio as detailed in **note 35** of the Notes to the Accounts for 31 December 2022. As in previous years, in 2022 the loan portfolio remained mostly classified in stage 1, with an increase in loans classified in stage 2 and a further reduction in loans in stage 3

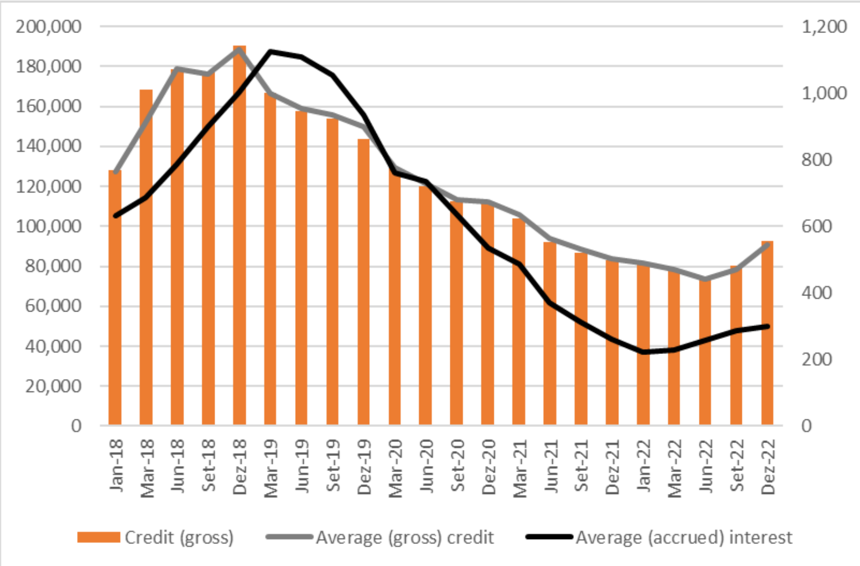
The impairment gain for loans (€1,272 million) in 2022 is mainly due to two one-off effects: i) the sale of a lending platform (Lendable), which led to an impairment recovery of €852 million; and ii) extraordinary loan recoveries on two other lending platforms (Lendico and Edebex), which led to an impairment recovery of €410 million.

The impairment gain on other financial assets (270 m€) arises solely from the net impairment of intangible assets, offset against amortization for the year, thus having zero impact on the results for the year.

Despite the increase in loans and advances to customers in 2022, the reversal of the downward trend that had been taking place only occurred in the second half of 2022, and average gross loans fell further compared to 2021 (from €94,058 m in 2021 to €79,625 m in 2022), which, given the growth in interest during this period, attests to the improvement in the quality and profitability of the loan portfolio.

The following graph shows the reversal, in 2022, of the downward trends in the loan portfolio and the interest on this portfolio, albeit at different times: although the growth in the portfolio only started in the second half of the year, the increase in interest since the beginning of 2022 reflects an improvement in the performance of this portfolio.

Monthly evolution of gross loans, average gross loans and interest on loans:



(1) Includes credit granted through structured bonds.

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

Capital Indicators

Figures in thousands of euros

	Dec 2022	Dec 2021	Change Absolute	Change %
Weighted Assets	90,604	114,280	-23,676	-21%
Total Assets	177,061	215,948	-38,887	-18%
Weighted Assets/Total Assets	51.2%	52.9%		
Common Equity Tier I	24,116	25,776	-1,660	-6%
Phasing in Common Equity Tier I Ratio	26.6%	22.6%		
Total of Own Funds	24,116	25,776	-1,660	-6%
Phasing in Solvency Ratio	26.6%	22.6%		

In terms of capital indicators, the improvement in the quality of the loan portfolio, with the replacement of less profitable loans with a higher risk weighting by lower risk loans with higher profitability, combined with investment in a portfolio of low-risk securities and improved capital requirements to cover operational risk (among other initiatives to manage Risk Weighted Assets - RWA), were determining factors in the significant reduction (21%) of RWA, from €114,280 thousand in 2021 to €90,604 thousand in 2022.

It should be emphasized that since 2021, and as determined by the Bank of Portugal, the risk weight (RW) of loans granted through credit platforms has been increased to 150%, and the continued reduction of this credit in the Bank's assets was one of the factors that contributed most to the aforementioned improvement in the quality of the loan portfolio.

In terms of own funds, the reduction of €1,660k stems not only from the loss for the year (€2,505k), but also from the decrease in phasing-in impairment, eligible for addition to own funds (€2,717k), effects that were partially offset by the share capital increase in 2022 (€3,500k), in addition to other minor effects (€62k).

As a result of these changes, the observed solvency ratio improved from 22.6% on 31 December 2021 to 26.6% on 31 December 2022.

BUSINESS AREA ACTIVITY

As mentioned in the **Organizational and Human Structure** section, at the end of 2022 the Bank undertook a new organizational restructuring, which resulted in an increase in the Bank's Areas

These changes were more significant in terms of the Business Areas, with the creation of the new areas of:

- Corporate and Institutional Banking (CIB),
- Prime Bank (PMB),
- Marketing and Communication (MKT),
- Capital Markets (CPM) and
- Investment Banking (IB),

The first three will start their activity in 2022, and the last two are expected to start their activity in 2023, through the provision of investment services to clients.

By merging the former Transactional Banking and Deposits (TBD) and Mortgage Credit (MC) areas, the Consumer Banking (CRB) area was also created, which continued the business carried out by TBD and MC.

Still in terms of Business Areas, the Markets and Investments Area (MIA) changed its name to Treasury and Financial Institutions (TFI).

Consumer Banking

The Consumer Banking Area (CBA) was created in 2022 as a result of the reorganization of the Commercial Areas and is responsible for managing private customers in the retail segment.

The Area is responsible for managing customers in the digital channel, the channel of credit intermediaries and partners, managing products and services, and managing digital business support platforms, namely Homebanking, the mobile app and the credit origination platform.

During 2022, the CBA Area continued to focus on the growth of the mortgage loan portfolio, with an increase of around 57% and origination of 150% compared to the previous year, made possible by the improvement in the bank's capital situation.

Throughout the year, as in the previous year, the commercialization of the Inverse Mortgage and Puzzle Personal Loans product was suspended, as a result of the Bank's redefinition of its strategy, with the Area continuing to provide support to the respective clients with these contracted products.

On the liabilities side, efforts were made throughout the year and especially in the last quarter to increase the deposit customer base, with a natural focus on one of the Bank's anchor products: term deposits. As a result of the continuous increase in reference rates by the ECB, Banco BNI Europa was one of the first banks in Portugal to update its offer with adjustments to remuneration rates, providing attractive solutions in this type of product.

The digital channel continued to play a major role, with the vast majority of customers opting either for digital onboarding using video conferencing or for remote contracting and management of products and services.

The bank's context, although the main financial indicators were improving markedly compared to previous years, continued not to allow for the necessary investment to thoroughly update the various business applications.

However, by 2023 significant improvements are expected in terms of the usability of some of the customer interaction tools, as well as various developments in credit contracting solutions with a view to automating a number of activities.

Growth in the mortgage-backed loan portfolio is also expected to continue in 2023. The distribution of this solution will be centered on the indirect channel, with expansion of the network of brokers and partners expected over the next year.

In 2023, investment will also be stepped up in communication campaigns aimed at increasing the deposit customer base, with the clear objective of maintaining the Term Deposits offer as one of the benchmarks in the domestic market.

In line with the strategy of strengthening the involvement of the Bank's private customer base, a new offer of Solutions Packages will be launched at the beginning of the year, and it is also planned to extend the current insurance offer during 2023.

Prime Banking

The Prime Banking (PB) area was created at the end of 2022, with the main focus on creating a banking relationship and proximity to its customers, through the assignment of dedicated account managers. The internal structure was organized and customers were re-segmented on the basis of customers with the following characteristics:

- Private customers with financial involvement in Term Deposits and/or who have financial assets that fulfill the internal segmentation requirements;
- Private customers taking out home loans, who, due to the volume of loans taken out and/or their property and financial assets, fulfill the conditions for segmentation with the assistance of a dedicated manager;
- Clients who subscribe to the Prime Plan and/or who, due to their financial involvement in resources or credit, meet the Prime Plan subscription criteria;
- Investment companies that take out Mortgage Credit to make property investments in Portugal;
- Small and Medium-sized Enterprises (SME) involved in financial investments.

For 2023, the main focus of the Prime Banking area will be the development of the following activities:

- Collection and management of deposits from private and corporate clients, via Term Deposits, with direct contact with their client portfolio through dedicated managers;
- Raising funds off-balance from individuals and companies;
- Collection and management of the Prime Home Loans portfolio;
- Raising and managing mortgage loans with companies.

Corporate and Institutional Banking

The Corporate and Institutional Banking (CIB) area was created at the end of 2022, with the aim of promoting a global service to clients in the corporate segment.
Focusing on a specialized offer to support each client's international activity, based on customized import and export trade finance solutions, the Bank supports its clients' international flows.

In this business area, the Bank also provides its Corporate Customers with short and medium-long term structured financing solutions, as well as instruments for the daily management of their treasuries. In 2022, this area began managing Customers based on international trade support solutions. The offer is based on high standards of service to our Clients, through the promotion and diversification of a range of products and services, including, among others, the promotion of products associated with the import aspect/cash support for payments to suppliers, as well as financing products to support exports/cash support for the anticipation of Client revenues.

As far as lending is concerned, the Bank promotes a conservative policy, favoring operations associated with Trade Finance, International Trade and operations to support companies' trade flows, as well as operations to support property investment in Portugal, based on conservative Loan to Value levels.

As a result of the dynamization of these operations, the Bank has been reinforcing the level of resources with corporate clients, as well as with financial counterparties through the issue of confirmed letters of credit, justified by the profile of operations with our clients.

On the other hand, the business area has been developing a series of contacts with institutional clients with a view to diversifying sources of funding.

In 2023, the Bank's ambition is to develop its offer and maintain a high level of dynamism in attracting new customers, with the focus on becoming a benchmark in supporting companies' international activity, expanding the capacity to structure trade finance operations in new geographies, as well as supporting commercial flows, namely treasury lines to support customer prepayments and support for payments to suppliers, as well as structuring financing operations related to protocol lines, such as projects based on the RRP (Recovery and Resilience Plan).

In this line of business, the Bank is increasingly intended to be an active player in the promotion and development of the Portuguese economy, particularly in digitalization, energy transition and sustainability projects.

Treasury and Financial Institutions

The Treasury and Financial Institutions (TFI) area focuses on managing the treasury and own investment portfolio and liaising with Peer-to-Peer (P2P) deposit-taking platforms. The investment policy for the own securities portfolio follows geographic diversification assumptions and limits proposed and approved by the Board of Directors.

TFI is also responsible for managing the divestment process in lending through P2P platforms (securitized and non-securitized), and in 2022 it intensified its efforts to readjust and reduce this portfolio, in a context of more careful capital management.

With the aim of reducing the cost of funding and establishing a balanced asset and liability structure, the Bank reduced its exposure to deposits raised in Germany and the Netherlands, favoring deposits raised in Portugal, and continued not to borrow from the Bank of Portugal. It should be noted that the majority of the Bank's deposits raised through P2P platforms are characterized by the impossibility of early repayment, a relevant aspect that allows the Bank to have greater stability in its funding, particularly in terms of maturities between 1 and 5 years.

The year 2022 also marked the redynamization of investment in the Bank's own securities portfolio, with an investment of close to 22 million euros in Italian, Spanish, Greek and Portuguese medium-term public debt securities, as well as, to a lesser extent, an increase in investment in corporate debt securities (short and medium term). This investment allows the Bank to have a line for access to euro system credit of approximately 21 million euros by 31 December 2022.

TFI also works to ensure efficient liquidity management, participating in the money market by negotiating borrowing and lending operations and currency swaps in three currencies: EUR, USD and GBP, and managing interest rate and exchange rate risk.

Credit Management and Monitoring

The Credit Management and Monitoring Area (CMM), formerly known as Credit Recovery (REC), a change that resulted from the organizational restructuring of 2022, aims to ensure the recovery of amounts in irregular situations, in order to prevent and minimize the entry of customers in default, in its own credit products and ensure compliance with the regulatory standards of PARI (Action Plan for the Risk of Default) and PERSI (Extrajudicial Procedure for the Settlement of Default Situations).

The Area's aim is to ensure that the ratio of overdue loans (to the total loan portfolio) remains at controlled and adjusted levels, presenting the most appropriate solutions to clients so that they can regularize defaulted amounts and contribute to recovering loans and reducing Non-Performing Loans (NPL) indicators.

During 2022, the management of defaults (Early and Late Collections) will be carried out by this internal area, whose main responsibility is to ensure contact with all customers with defaulted amounts in order to guarantee the regularization of payments and support all the administrative tasks inherent in recovery.

With regard to the Litigation client portfolio, CMM ceased to handle it at the end of 2022 and its management was transferred to the Legal and Litigation Area, created with the organizational restructuring of 2022.

As for the performance of the amounts recovered, in Early Collections, 89.4% of customers in default between 1 and 30 days in arrears had their balances regularized, surpassing the effectiveness levels of 2021, 88.3%.

For customers who were 31 to 90 days in arrears, the average regularization was 43.9%. With regards to Late Collections, 91 to 180 days in arrears, the level of recovery rose to 21.3 %, also managing to exceed the 20.7 % of 2021.

With regards to pre-litigation processes, although no new injunctions were submitted in 2022, the services of an external recovery company were subcontracted to deal with customers who are more than 180 days in arrears, presenting regularization solutions with the aim of reducing the volume of customers who will be subject to injunctions.

For 2023, the CMM aims to make a decisive contribution to one of the Bank's objectives, namely reducing the level of NPLs.

OTHER INFORMATIONS

In the course of 2022, and to date, the following events arising from the activity stand out, among others:

- The General Meeting of Shareholders held in 2022 analyzed and approved:
  - Internal Policy for Selecting and Assessing the Suitability of Members of BNI Europa's Management Bodies, Supervisory Bodies and Key Function Holders, Annex I, Annex II and Annex III,
  - Articles of Association,
  - Organizational Structure,
  - Remuneration Policy,
  - Application for registration with the CMVM as a Financial Intermediary, and
  - Share capital increase, September 2022, in the amount of €3,500 m.

- In terms of strengthening the Internal Government System, among other aspects:
  - Improvements were made to the Internal Control Framework, namely in the issuing, review and approval of procedures, in compliance with the EBA Guidelines and/or Bank of Portugal Instructions, such as:
    - Updating the Internal Audit Function Regulations
    - Updating the Internal Audit Procedures Manual
    - Updating the Risk Management Function Regulations
    - Updating the Credit Committee Regulations
    - Publication of the Credit Portfolio Monitoring and Control Process,
    - Publication of the ICAAP and ILAAP Reporting Process.
  - Issuing and revising various manuals, processes and forms, totaling 143 documents.
  - Issuing and revising Policies, Regulations, Statutes and Plans, totaling 21 documents.

- Transfer of the Data Protection sub-area from the Organization and Project Management area to the Compliance area in October 2022.
- Appointment of a new Compliance Officer in June 2022.

- Appointment, in November 2022, of a new Regulatory Compliance Officer and AML Officer.
- Appointment of a new Risk Management Officer in December 2022.

VIII. RISK MANAGEMENT AND INTERNAL CONTROL

The Bank's Board of Directors is responsible for defining, implementing and periodically reviewing the Internal Control System, in order to ensure that it is appropriate to the nature, size and complexity of its business, and that it is duly aligned with the Bank's risk profile, with the objectives of safeguarding:

- business continuity through efficient allocation of resources and execution of operations, effective monitoring and control of risks, prudent assessment of assets and liabilities, and security and access control in information and communication systems,
- the existence of complete, reliable and timely financial and non-financial accounting and management information to support decision-making and control processes, and
- compliance with legal provisions, internal guidelines and rules of ethics and conduct in relations with clients, counterparties to transactions, shareholders and supervisors/regulators.

The relevant functions of the Internal Control System - Risk Management, Compliance and Internal Audit - are equipped with adequate human and material resources to fulfill their mission, and have the independence, status and effectiveness required to correctly carry out the Bank's current activity.

The Internal Control and Risk area (ICR) represents the Risk Management function and has the following responsibilities:

a. Ensuring that all risks to which the organization is or may be exposed are properly identified, assessed, monitored and controlled, and that they are duly reported to this function by all structural units;

b. Providing the management body with relevant information on risks;

c. Advise the management and supervisory bodies before taking decisions involving the assumption of significant risks, with a view to ensuring a timely and appropriate assessment of their impact on the institution's overall risk;

d. Assisting in determining the Bank's risk appetite and assessing the soundness and sustainability of the strategy, ensuring that it translates into appropriate risk limits;

e. Developing and implementing timely warning mechanisms for deviations from or breaches of risk tolerance limits;

f. Participating in the approval process for new products and services, by previously assessing the risks associated with their launch and the Bank's ability to manage these risks;

g. Previously analyzing transactions with related parties, identifying and adequately assessing the inherent real or potential risks for the institution;

h. Ensure that all decision-making support systems associated with credit granting processes are duly documented and up-to-date, proving to be adequate for the defined risk appetite and in view of the results demonstrated in terms of performance;

i. Ensure the adequacy and updating of an Internal Reporting structure to monitor the different types of risk managed by the area, including the Internal Control system;

j. Assuming responsibility to the management body for adopting guidelines for appropriate management of the risk associated with subcontracting, managing and supervising the risks of subcontracting agreements, within the Internal Control framework, and supervising the documentation of agreements;

k. Promote actions to increase the focus on an appropriate Risk Culture;

l. Evaluating, monitoring, promoting and ensuring the maintenance of the Internal Control System, namely:

    i. Ensure the existence of adequate controls to mitigate the risks identified in each process and monitor their effectiveness;

    ii. Ensure the maintenance of the historical repository of all the Bank's deficiencies, requesting the respective follow-up with the Internal Control Interlocutors ("ICI") defined for remedial actions; and

    iii. Preparing the applicable regulatory reports.

m. Ensure the execution of the ICI's functions, namely:

    i. Promote the necessary support to ensure the proper execution of the ICI's functions and responsibilities, including the adequate allocation of human and technical resources for this purpose, and an efficient and effective management model, responding to all related needs;

ii. Promote actions that increase the focus on the need to maintain the effectiveness of the controls implemented, evolve existing controls or create controls to deal with the risks to which the Bank is subject; and

iii. Delegate reporting to the Internal Control Function and interaction with the Organization and Project Management, Compliance and Internal Audit areas on Internal Control matters to the ICI.

n. Ensure control of the various risks relevant to the Bank, namely Credit Risk, Counterparty Credit Risk, Market Risk, Liquidity Risk, Interest Rate Risk, Exchange Rate Risk, Operational Risk, Information and Communication Technology Risk, Concentration Risk, Business Model Risk, Compliance Risk, Internal Governance Risk and Reputation Risk;

o. Developing and keeping up to date a control structure on the appropriate regulatory and internal limits, in accordance with the defined risk management strategy, and ensuring appropriate internal reporting in terms of detail, granularity, periodicity and recipients, guaranteeing that this contributes to the correct performance of the management and supervisory functions of the governing bodies;

p. Defining and implementing a program of stress tests on the most relevant aspects of the Bank's activity, paying particular attention to the business activities that are most representative of the Bank's business model, respecting the guidelines indicated by the regulators as well as good practices regarding risk management, validating and publishing the results obtained, and advising the management body;

q. Documenting the policies, means and procedures aimed at defining, implementing and monitoring a Risk Management System, ensuring that all internal regulations associated with the risk management framework are up to date;

r. Ensuring that policies and procedures to support the risk management system and their application in the institution are developed and submitted for approval by the management body, after prior opinion by the supervisory body;

s. Promoting the adoption of appropriate guidelines for proper data quality management, with particular emphasis on those used in regulatory reporting and management information, ensuring the construction, adaptation and updating of appropriate data structures to safeguard the data needed to feed the internal reporting and model development processes; and

t. Promoting the handling of detected cases of suspected fraud that require more in-depth analysis by the Compliance and Internal Audit functions (in the latter case, specifically for cases that may involve internal fraud).

The Compliance area (CPL) is responsible for promoting compliance by the Bank and its employees with laws, regulations, the Code of Ethics and Conduct and applicable rules, as well as preventing and combating money laundering and terrorist financing offenses, through:

a. Supporting the Bank's Board of Directors in the implementation of a Compliance Policy, with the aim of boosting a culture of compliance at the Bank, namely:

   i. Ensuring compliance with the legal and regulatory standards that guide the Bank's activity;

   ii. Ensuring that internal rules and procedures are adapted to legislative and regulatory changes that have an impact on the Bank's activity, publicizing them and advising the various areas of the Bank on their implementation;

   iii. Advising on the implications of regulation on the strategies of the business lines;

   iv. Collaborating on proposals for public consultations on legislation with an impact on the Bank;

   v. Developing, promoting and implementing a culture of compliance at the Bank;

   vi. Advising the Board of Directors, the Executive Committee and the Bank's other bodies on the scope and implications of the Bank's Compliance Policy;

   vii. Ensuring the existence and standardization of compliance solutions to be adopted by the Bank's different bodies; and

   viii. Promoting the necessary actions to ensure compliance with the Code of Conduct by all the Bank's employees.

b. Monitoring and evaluating internal control procedures for the prevention of money laundering and terrorist financing, centralizing information and reporting to the competent authorities, namely:

    i. Identifying, assessing, reporting and proposing and/or implementing measures to mitigate the risks of money laundering and terrorist financing associated with the activities carried out by the Bank;

    ii. Ensuring the preparation and maintenance of the Policy for the Prevention of Money Laundering and Terrorist Financing, the Sanctions Policy and the Policy for the Establishment and Maintenance of Correspondence Relationships; and

    iii. Ensuring compliance with the principles for managing the risks of money laundering, terrorist financing and market abuse defined in the Code of Conduct.

c. Providing information to the Board of Directors on any indications of violation of legal and regulatory obligations, rules of conduct and rules of customer relations or other duties that may result in the Bank or its employees being subject to sanctions and/or administrative offenses and/or may represent a reputational risk or a risk of damage to assets;

d. Identify, adopt or propose the adoption of appropriate measures to put an end to any non-compliance and prevent the occurrence of similar situations, and keep a record thereof;

e. Ensuring the quality and effectiveness of the handling of customer complaints, periodically monitoring the quality of these procedures and keeping the Board of Directors, the Executive Committee and the Supervisory Board informed of the number, nature and implications of customer complaints;

f. Promote the training of the Bank's employees in order to foster a more present control culture and increase understanding of compliance risk, particularly in matters considered to be higher risk, working with Human Resources on the following tasks:

    i. Ensuring that the function's employees maintain up-to-date technical competence in compliance matters, in particular by identifying training needs;

    ii. Ensuring that the Bank's employees are aware of the legal and regulatory duties applicable to the activities carried out by the Bank, namely by promoting and carrying out mandatory training courses (AML) and others;

iii. Providing training (directly or indirectly) to all areas of the Bank, as well as promoting awareness-raising actions, whenever necessary, on the prevention of money laundering and terrorist financing;

iv. Ensuring that the Bank's employees are adequately trained in data protection, providing training where necessary; and

v. Participate in training programs and other curricular enrichment activities that enable them to obtain and develop the knowledge, skills and experience necessary not only to perform the Compliance function itself, but also to understand the Bank's business in its various aspects.

g. Ensuring the execution of the Internal Control Interlocutor's ("ICI") duties, namely:

i. Promote the necessary support to ensure the proper execution of the ICI's functions and responsibilities;

ii. Ensure an efficient and effective management model and provide the function with the human and technical resources to do so;

iii. ICI reports to the Internal Control Function and interacts with OGP, CPL and AUD on Internal Control matters, with the following duties and responsibilities being highlighted:

- Reporting detected Internal Control Events, following them up (where applicable) and ensuring that they are remedied;
- Report Operational Risk events in a timely manner, ensuring their follow-up and promoting their remediation;
- Reporting Process Risks and Controls, ensuring that they are up to date and ensuring that they are periodically assessed;
- Report Reputational Risks and Breaches whenever applicable;
- Report the relevant suppliers/service providers and ensure that the reported list is up to date;
- Communicate the need to map processes as well as the need to update those already in place;

- Communicating the need to create and revise regulations;
- Communicate developments planned or underway in their area of activity that may constitute Projects or Initiatives;
- In the course of audits, liaise with AUD to ensure that requests are answered in a timely manner; and
- Communicate to the CPL the applicable regulations to be analyzed, as well as ensuring that the applicable regulations are analyzed and implemented.

h. Participate in the approval process for new products, from a compliance and regulatory perspective, and monitor the risks inherent in the implementation and marketing of products and services;

i. Follow up and monitor the application of governance procedures on the marketing of products, by carrying out periodic analyses of these procedures and making proposals 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;

j. The Compliance function is also responsible for monitoring the Bank's compliance risk assessment, carrying out control actions with the aim of assessing the degree of compliance with legal and regulatory requirements and the recommendations of the supervisory authorities, as well as the Code of Conduct and internal regulations, and proposing the implementation of new standards, advising the various areas on any issues relating to compliance with the elements listed;

k. Carrying out tests of compliance with legal and regulatory provisions, through its own structured compliance verification program, which is regularly reviewed and adapted to the processes with the greatest compliance risk;

l. Document the policies, means and procedures aimed at disseminating a culture of compliance, namely:

   i. A manual with operational rules for performing the role;

   ii. Policies and procedures that form part of the internal control system for the prevention of money laundering and terrorist financing;

iii. Drawing up and keeping up to date the Customer Ombudsman's Procedures Manual, the Complaints Handling Policy and the information to be made available to the public (namely on the Bank's website).

iv. Drawing up (where necessary) and approving the regulatory framework (manuals, policies...), ensuring that it is in line with the Data Protection Regulation;

v. Preparing the information to be provided to the Attorney General's Office, as well as to the Judicial Authorities and/or Criminal Police Bodies in response to requests or on the Bank's initiative, namely to report entities or operations suspected of constituting money laundering and terrorist financing crimes;

vi. Participating in the implementation of structuring projects, as part of the respective working groups; and

vii. Contributing to the definition and implementation of the Bank's Internal Control System.

In carrying out its duties, the Internal Audit area will have the following responsibilities:

a. The exercise of the Internal Audit Function, carrying out its mission in accordance with international auditing principles and ensuring the continuous assessment of the effectiveness of the internal control system implemented.

b. Recommending the use of best practices from a risk perspective based on an assessment of the effectiveness of the risk management systems implemented.

c. Drawing up and updating a multi-annual plan of audit actions to examine and assess the adequacy and effectiveness of the various components of the institution's organizational system and culture, governance and internal control systems, as well as the internal control system as a whole of the respective components individually considered, including governing bodies and their support committees.

d. Drawing up an annual audit action plan for approval by the Board of Directors and the Audit Board.

e. Promoting the carrying out of audits in accordance with the Annual Internal Audit Plan and others requested on a case-by-case basis by the Board of Directors or the Supervisory Board, carried out in an independent and objective manner, and ensuring that:

i. All of BNI Europa's activities, operations and processes may be subject to evaluation by the AUD;
ii. All risks are duly identified, documented and managed;
iii. The necessary controls for risk mitigation are correctly implemented;
iv. The various governance bodies interact adequately and effectively;
v. Operations are recorded correctly and operational, financial and management information is accurate, reliable and timely;
vi. The interests and assets of the Bank and its customers are duly safeguarded;
vii. The Bank's employees carry out their duties in accordance with the Bank's policies, rules, internal procedures and applicable legislation and regulations; and
viii. Adequate procedures are in place to prevent fraud, irregularities and errors.

f. Issuing recommendations based on the results of the evaluations carried out and verifying compliance with them; and promoting continuous monitoring of the deficiencies identified, with a periodicity appropriate to the associated risk, in order to guarantee that the measures aimed at correcting them are adequate and implemented in a timely manner.

g. Maintaining an information base with the deficiencies detected during audit tests or in the course of its activity, as well as the respective recommendations and their importance rating.

h. Periodically report to the Bank's Board of Directors and the Supervisory Board on the level of compliance with the Annual Internal Audit Plan and the activities carried out.

i. Communicate to all members of the Institution's governing bodies any irregularity that is detected during the course of an audit, whether related or not.

j. Ensure that the human resources assigned to the internal audit function are adequate and sufficient. Whenever the AUD does not have specialists to carry out audits, the head of AUD may propose that the management body hire specialists in this area.

k. Ensuring the internal evaluation of the performance of the internal audit function, which should have the participation of the Supervisory Board, in order to promote the improvement of the quality of the function.

l. Promoting and participating in periodic independent evaluations, to be carried out by an entity external to the institution, regarding the institution's conduct and values.

m. Helping to ensure that internal audit work is coordinated with external audit work, avoiding duplication and maximizing coverage of material risks.

n. Ensure the execution of the functions of the Internal Control Interlocutor ("ICI"), namely:

   i. Promote the necessary support to ensure the proper execution of the ICI's functions and responsibilities;

   ii. Ensuring an efficient and effective management model and providing the Area with sufficient human and technical resources for this purpose;

   iii. Delegate reporting to the Internal Control Function and interaction with the OGP and CPL on Internal Control matters to the ICI, with the following duties and responsibilities being highlighted:

      - Report Internal Control Events detected, following them up (where applicable) and ensuring that they are remedied;
      - Timely reporting of Operational Risk events, ensuring their follow-up and promoting their remediation;
      - Reporting Process Risks and Controls, ensuring that they are up to date and ensuring that they are periodically assessed;
      - Reporting Reputational Risks and Breaches whenever applicable;
      - Report the relevant suppliers/service providers and ensure that the reported list is up to date;
      - Communicate the need to map processes as well as the need to update those already in place;
      - Communicating the need to create and revise regulations;
      - Communicate developments planned or underway in its Area of Activity that may constitute Projects or Initiatives; and

- Communicate to the CPL the applicable regulations to be analyzed, as well as ensuring that the applicable regulations are analyzed and implemented.

o. Ensure that internal auditors have the knowledge, qualifications and other skills necessary to carry out their responsibilities effectively and efficiently.

p. Promote a policy of continuous professional training in order to meet the demands arising from the constant evolution of the financial system in which the Bank is integrated, as well as the risks to which it is subject.

q. Promote an appropriate training program tailored to fulfilling the responsibilities of the Internal Audit Function, taking into account training obtained internally and externally.

r. Support professional training initiatives proposed by internal auditors, whenever they are relevant and within the scope of the internal audit activity.

s. In order to ensure that their role is carried out effectively, the head of the Internal Audit Function also has the responsibility of ensuring that there is a manual and operating rules for the performance of the function.

In addition, Internal Control Committees (ICC) are held at intervals appropriate to the Bank's activity, usually monthly, with the presence of members of the Board of Directors and the management bodies most involved in this matter, as well as the Supervisory Board. This Committee has an associated Regulation, which promotes the usual best practices for holding these forums, including the formalization, validation and approval of minutes, as well as respect for a previously set agenda, notwithstanding the debate on other issues that require attention.

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

Like the JRC, the Asset and Liability Management Committee (ALCO) is also set up and is subject to rules and regulations defined in specific regulations. It brings together members of the Board of Directors, as well as heads of management bodies that are more closely related to this particular component of the Bank's activity, as well as the Supervisory Board. The frequency of this Committee is also appropriate to the Bank's activity, being at least quarterly or more regularly if necessary. As with the other Committees, there are minutes which are validated and approved by all Committee members, as well as respect for a previously set agenda and discussion of other unplanned matters which require attention.

In addition to the committees mentioned above, the Bank has implemented a Risk Monitoring Committee (RMC), 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.

The RMC presents itself as a generalized forum for risk analysis, whose competencies include the assessment of policies, methodologies and control of global risks, as well as being the body where regulatory reports such as the Internal Capital Adequacy Self-Assessment Exercise (ICAAP) and the Recovery Plan are presented. To this end, RMC meets as often as required, with the participation of the Supervisory Board.

As well as being a forum for debate, in 2022 the CC also became the main body for approving new credit operations, with powers delegated by the EC. The CC is also responsible for monitoring credit risk, particularly in matters such as non-performing exposures, impairment, recovery or credit restructuring. Like the RMC, the CC meets as often as required to consider these issues.

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 2022 the aim was to strengthen the team and give it more experience and know-how.

Banco BNI Europa presents a credit risk exposure at the end of 2022, 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, 2022

On December 31, 2022, the exposure to credit risk shows an amount of 159 million euros (excluding impairments) which reflects a decrease of 20%, when compared to 2021. The main driver of this reduction was cash and cash equivalents and investments in central banks and other financial institutions, whose current exposure is 31 million euros, representing a drop of 73% compared to 2021. 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 134 million euros (gross of impairments), also reflecting an increase of 41% in relation to 2021.

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	Gross Exposure	Impairment	Impairment Rate	Net Exposure
Credit granted directly	95,486	4,577	4.8%	90,909
P2P Structured Bond Credit	3,722	1,343	36.1%	2,379
Debt Securities	34,403	57	0.2%	34,346
Cash Equivalents and Investments at OIC's and Central Banks	31,188	24	0.1%	31,164
Total Balance Sheet	**164,799**	**6,001**	**3.6%**	**158,798**
Total Non-Balance Sheet	**14,729**	-	**0.0%**	

Loans and advances to credit institutions and investments in central banks are analyzed as follows:

Figures in thousands of euros

	Cash Equivalents and Investments at OIC's and Central Banks		
Item	Gross Exposure	Impairment	Net Exposure
Cash and cash equivalents in central banks	22,933	-	22,933
Cash and cash equivalents in OICs	1,859	5	1,853
Investments in OICs	6,396	18	6,377
Total	**31,188**	**24**	**31,164**

Thus, on December 31, 2022, cash and cash equivalents and investments in credit institutions and Central Banks amounted to 31 million euros, which, as mentioned above, represents a reduction of 73% compared to December 2021.

In terms of off-balance sheet accounts, Banco BNI Europa recorded 15 million euros in commitments to third parties associated with loans, this commitment being associated with reverse mortgages.

Segment Analysis

Total loans and advances to customers, including investments through structured bonds, are 99,2 million euros as at December 31, 2022, 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	**99,208,093**	**5,920,197**	**5.97%**
Residential	73,074,152	1,530,049	2.09%
Consumer	4,702,364	2,023,340	43.03%
SME	20,974,453	2,134,988	10.18%
Factoring	457,123	231,820	50.71%

The mortgage credit represents two products (both on direct credit to customers): Flex credit, Reverse Mortgage and Prime Mortgage. The total accumulated amount of credits granted in this segment is 73 million euros, broken down as follows:

Credit Segments	Credit	Impairment	Impairment Rate
Total Residential	**73,074,152**	**1,530,049**	**2.09%**
Flex Family	38,902,163	1,258,634	3.24%
Reverse Mortgage	30,059,194	256,252	0.85%
Prime Mortgage	4,112,796	15,163	0.37%

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	**4,702,364**	**2,023,340**	**43.03%**
Puzzle Family	2,088,328	1,213,181	58.09%
Online Banking	3,739	1,645	44.01%
P2P Platforms	2,610,297	808,514	30.97%

The breakdown of the corporate credit is as follows:

Credit Segments	Credit	Impairment	Impairment Rate
Total SME	**20,974,453**	**2,134,988**	**10.18%**
Internal Products	16,080,048	254,227	1.58%
P2P Platforms	4,894,406	1,880,761	38.43%

The invoice discounting segment is entirely made up of exposure to the Edebex portfolio, as can be seen below:

Credit Segments	Credit	Impairment	Impairment Rate
Total Factoring	**457,123**	**225,303**	**49.29%**
Edebex	457,123	225,303	49.29%

It is important to note that loans to individuals represent 79% of total credit, with the remaining 21% 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 6,83% 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).

Credit Performance	Credit	Balance Sheet Impairment	Impairment Rate
Total Credit	**99,208,093**	**5,920,197**	**5.97%**
Productive Exposures	92,217,942	1,904,338	2.07%
Non-Productive Exposures	6,990,150	4,015,859	57.45%

It should be noted that the amount of non-performing exposures, in terms of amount and as a percentage of total loans, shows a significant reduction compared to 2021, when exposure amounted to 7.2 million euros, which represented 10.79% of total loans to customers.

The credit impairment recorded on the balance sheet amounts to 5.9 million euros in 2022, corresponding to a 40% reduction compared to 2021, which is the result of:

- amortization and the evolution of performance and quality of customer risk;
- recovery of defaulting customers;
- development and recalibration of risk parameters in impairment calculation models;
- Write-off of non-performing loans; and
- Disposal of credit investment portfolios in the form of structured bonds.

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

As at 31 December 2022, the breakdown of the total impairment recorded in the income statement, by client loan portfolio classification stage, is as follows:

Imparidade by Stage	Stage 1	Stage 2	Stage 3	Total
Total Impairment - Credit	**1,001,627**	**902,711**	**4,015,859**	**5,920,197**
Residential	853,102	130,775	546,171	1,530,049
Consumer	41,415	622,317	1,359,608	2,023,340
SME	107,110	149,619	1,878,259	2,134,988
Factoring	0	0	231,820	231,820

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	5,158,949
Overdue Credit Exposure > 30 days	6,316,972
Reestructured Exposures	365,500
Non-Productive Exposures	6,990,150
Non-Performing Loans	5,615,429
Credit Impairment	5,920,212

Parameters	Ratio
Overdue Credit > 90 days / Customer Credit (gross)	5.20%
Overdue Credit > 30 days / Customer Credit (gross)	6.37%
Restructured Credit/ Customer Credit (gross)	0.37%
ENP Ratio	6.83%

The following impairment coverage ratios are highlighted:

Impairment Coverage Rate *(gross warranties ratio)*	31-Dec-22	31-Dec-21
Coverage of Overdue Credit > 90 days	114.76%	143.25%
Coverage of Overdue Credit > 30 days	93.72%	96.48%
ENP Coverage	84.69%	141.54%

Investments in credit assets are regularly monitored and subject to risk control processes carried out by the Internal Control and Risk, Business and Credit Management and Monitoring and Legal Area, 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), it is presented in the following table.

Country	Net Exposure	%
Portugal	62,887,575	49.3%
Spain	36,881,811	28.9%
Italy	15,915,526	12.5%
Luxemburg	6,393,917	5.0%
Germany	2,231,487	1.7%
Greece	2,102,942	1.6%
Brazil	515,902	0.4%
Cape Verde	455,286	0.4%
France	215,517	0.2%
Others	33,923	0.0%
Total Credit	**127,633,886**	**100.0%**

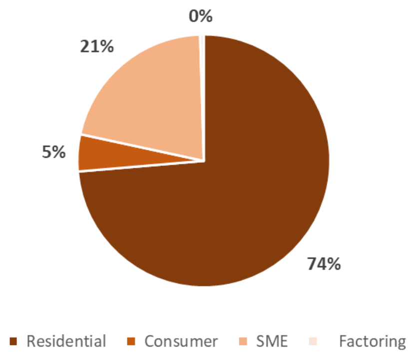
The highest concentration is in Portugal, with 49,3% of the exposures at the reference date of 31 December 2022, followed by Spain, where the Bank is exposed to 28,9% of its portfolio. The exposure to Portugal arises from the granting of mortgage loans and consumer credit from the brands developed by Banco BNI Europa, while the exposure to Spain arises mainly from the mortgage lending activity (Inverse Mortgage). Among the remaining concentrations, we also highlight Italy, with 12,5% resulting from investment in sovereign debt securities

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.

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 much diversified manner. In fact, the chart below shows that mortgage loans represent 74% of the portfolio, while consumer and SME loans correspond to 21%. The remaining 5% is divided between consumer credit and 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.

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) acceptable financing.

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 the 2022 financial year, the Bank continued to boost its position in the market in terms of diversifying sources of financing, namely by publicizing competitive offers for term deposits through appropriate media with high visibility in the market.

The management of these sources of funding is essentially carried out by the Treasury and Financial Institutions area and by the business areas that seek to boost funding from companies and individuals, always in conjunction with the Internal Control and Risk function.

It is also important to note that the Bank has a Liquidity Contingency Plan, which was reviewed during 2022, monitored by the Risk Management function, integrating various procedures and mechanisms that allow Banco BNI Europa to identify warning indicators in good time and act preventively on them.

MARKET RISK

Market risk is characterized by the likelihood of negative impacts on earnings or capital due to unfavorable movements in the market price of the instruments in the trading portfolio, caused by fluctuations in share prices, commodity prices, interest rates, exchange rates, etc. Market risk is mainly associated with short-term positions in debt and equity securities, currencies, commodities and derivatives.

At the reference date of this report, Banco BNI Europa had no financial assets held for trading in its portfolio.

FOREIGN EXCHANGE RISK

Foreign exchange risk involves the likelihood of negative impacts on the results or on capital due to unfavorable 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).

It is part of Banco BNI Europa's policy not to maintain materially relevant open foreign exchange positions, but to hedge operations or positions whenever the internally established level of risk is exceeded. To this end, the Bank may use currency hedges contracted with financial counterparties.

INTEREST RATE RISK

Interest rate risk in the banking book is characterized by the likelihood of negative impacts on results or capital due to adverse movements in interest rates, due to maturity mismatches or interest rate reset periods, the absence of perfect correlation between the rates received and paid on the different instruments, or the existence of options embedded in financial instruments on the balance sheet or off-balance sheet items.

The Bank's strategy aims for a balance sheet approach with balanced mismatches between liabilities and assets, and in the most representative currencies, seeking to ensure that interest rate-sensitive assets have equivalent counterparts in liabilities.

The fixed-rate investments made for the Bank's own portfolio have short durations (less than 2 years), which mitigate the interest rate risk of these instruments. On December 31, 2022, the remuneration of part of the credit granted through the Reverse Mortgage product is re-fixed over a period of more than 3 years, and this is the only product under these conditions. For this exposure, and in order to hedge the interest rate risk, the Bank has contracted a portfolio of interest rate derivatives (interest rate swaps).

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 2022.

In order to raise awareness of Internal Control issues, each area of the Bank appoints an employee who is responsible for all dialogue with the Internal Control Function, covering a range of topics, from risks, controls, identification of incidents (deficiencies, opportunities for improvement and operational/reputational risks) to regulations, standards and processes or new products/services, projects and/or initiatives, as well as quality control aspects.

Banco BNI Europa has an internal application which safeguards all the Bank's processes and regulations, duly associated with the respective risks and controls. This application allows communication between the various areas and the Internal Control functions, namely through the aforementioned Internal Control interlocutors, maintaining their traceability.

During 2022, the Bank carried out its Annual Self-Assessment Report, in accordance with Bank of Portugal Notice 3/2020, in December 2022. In this area, there are procedures established and formalized in the Internal Control Manual, which sets out the principles and responsibilities for ensuring an adequate control environment. All the Bank's structures are involved in identifying deficiencies or aspects for improvement that contribute to the efficiency of its operation and to limiting operational risks.

IX. 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:

- To elect:
  - 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, 2022, by 14.200.000 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.

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 2022 between the Company and its Managers.

X. 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 ("RP") 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, and September 20, 2022. 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 2022, was 391.528 euros (420.718 euros in 2021). In the same period, the remuneration of the Supervisory Body amounted to 187.200 euros (120.000 euros in 2021).

In the 2022 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. 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.

			Fixed Remuneration **Gross Amounts**
Vitor José Barosa Carvalho	(a) Chairman	Parcial Year	85,982
António Miguel Maurício Rola Costa	(b) Member	Parcial Year	44,969
Bruno Miguel Esperança Batista	(a) Member	Parcial Year	69,075
João Paulo Jabour Brunet	(a) Member	Parcial Year	86,963
Nuno Luís do Rosário Martins	(c) Member	Full year	104,539
		Total Board of Directors	**391,528**

(a) Includes remuneration earned as an employee up to the date of resignation as a member of the Board of Directors on July 1, 2022

(b) Includes remuneration earned as an employee after resigning as a member of the Board of Directors on March 31, 2022

(c) Includes remuneration earned as an employee after leaving office as a member of the Board of Directors on June 30, 2022

			Fixed Remuneration
			Fees
Telmo Francisco Salvador Vieira	Chairman	Full year	72,000
Isabel Gomes de Novais Paiva	Member	Full year	57,600
João Carlos Espanha Pires Chaves	Member	Full year	57,600
		Total Supervisory Board	**187,200**

The aggregate remuneration of internal employees, recorded as personnel costs, by area of activity is shown in the following table:

Figures in euros

Area	**Gross Remuneration**		
	Fixed	**Variable**	**Total**
Business Units	565,785	36,900	602,685
Support Areas	807,439	91,490	898,929
Control Areas	488,139	15,800	503,939
Total	**1,861,363**	**144,190**	**2,005,553**

The amounts detailed on the table below include the remuneration of 13 employees whose professional activity has a significant impact on the risk profile of the Bank ("CISPR"). The aggregated remuneration of these 13 CISPR were:

Figures in euros

Holders of positions with a significant impact on the risk profile	**Number of Holders**	**Gross Remuneration**		
		Fixed	**Variable**	**Total**
Business Units	4	195 766	14 200	209 966
Support Areas	5	333 037	42 550	375 587
Control Areas	4	245 441	8 000	253 441
Total	**13**	**774 244**	**64 750**	**838 995**

The information presented in the table above includes the categories of employees stipulated in Article 115 C.2 of the General Regime of Credit Institutions and Financial Companies, in accordance with the breakdown contained in the Annual Self-Assessment Report on the Adequacy and Effectiveness of Organizational Culture and Governance and Internal Control Systems, reported on November 30, 2022.

Accordingly, no CISPR was granted any shares, options, benefits in kind or deferred remuneration (paid or to be paid in the future). Nor were any allowances paid or allocated for the hiring or severance pay of any CISPRs.

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

Given that the Remuneration Committee appointed by the Sole Shareholder has not taken up its duties to date, 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 fulfillment, upon previously determined timeframes that are adequate to the Bank's maturity stage.

XI. FUTURE OUTLOOK

The factors mentioned in **Chapter V - Macroeconomic Environment**, and the most recent situations in the financial markets, including the European bank, inflationary pressure and the rise in interest rates that has taken place to date, not forgetting the conflict in Ukraine and the escalation of diplomatic tensions at international level that have arisen from this conflict, accentuate a degree of uncertainty that has increased significantly since the beginning of 2022.

While in the predominant COVID-19 pandemic scenario that prevailed in 2020 and 2021, there was always a prospect of a temporary reduction in economic activity and a subsequent resumption of national and international economic relations in a similar way to before this scenario, the questions that have arisen about the banking sector and the more recent effects of the conflict in Ukraine continue to increase the threat of recession or very low levels of growth, rising unemployment, and high pressure on household income with inflation and rising interest rates.

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 growth and consolidation of its balance sheet risk, with the essential purpose of preserving the Bank's capitalization, making it profitable and sustainable, by carrying out operations in line with the institution's risk appetite and continuing to discontinue and suspend the marketing of non-strategic products. The appointment of a new shareholder structure will inevitably have an impact on the strategy to be followed, but the Board of Directors believes that this strategy will not be disruptive compared to the path embarked upon by the Bank's new management.

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.

XII. SUBSEQUENT EVENTS

Business Plan 2023-2025

- On March 29, 2023, the Board of Directors approved the 2023-2025 Business Plan, which is currently under review by the Sole Shareholder. This Plan was prepared on the basis of the Bank's most recent financial position at the time of its preparation, and takes into account a set of assumptions better specified in section III. MAIN INDICATORS AND HIGHLIGHTS.

XIII. 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, 2022, amounting to -2.505.217,47 euros (two million five hundred and five thousand two hundred and seventeen euros and forty-seven cents), is fully applied to retained earnings.

XIV. ACKNOWLEDGEMENTS

The Board of Directors would like to thank everybody who collaborated with the Bank in 2022, especially its employees, suppliers, service providers, partners and other governance bodies.

XV. OTHER INFORMATION

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 2023

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Bruno Miguel Batista

(Member)

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João Paulo Brunet

(Member)

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Vitor Barosa Carvalho

(President)

FINANCIAL STATEMENTS

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

Balance Sheet on 31 December 2022 and 2021

	Notes	Dec 2022 Euros	Dec 2021 Euros
Assets			
Cash and cash equivalents in central banks	15	22,931,049	96,611,880
Cash on hand at other credit institutions	16,12	1,853,436	9,815,100
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	4,025,240	4,027,720
Financial assets at amortised cost			
Investments at credit institutions	19,12	6,379,825	6,509,442
Loans to customers	20,12	90,909,048	72,336,244
Debt securities	21,12	32,699,600	12,509,587
Hedging derivates	22	4,597,782	169,391
Tangible assets	23	821,724	400,315
Intangible assets	24	1,174,472	1,712,045
Current tax assets	25	2,353	2,353
Deferred tax assets	26	10,464,482	10,205,892
Other assets	27,12	1,202,070	1,647,825
Total Assets		**177,061,081**	**215,947,794**
Liabilities			
Financial liabilities at fair value through profit or loss	17		
Held-for-trading financial liabilities		-	6,151
Finacial liabilities at amortized cost			
Central banks' resources	28	-	12,094
Resources of other credit institutions	29	7,169,572	5,635,080
Resources from customers and other loans	30	128,128,703	175,003,419
Hedging derivatives	22	-	810,211
Provisions	12	584,274	890,401
Current tax liabilities	25	102,745	90,655
Deferred tax liabilities	25	33,585	
Other liabilities	31	8,881,752	2,334,117
Total Liabilities		**144,900,631**	**184,782,128**
Equity			
Capital	32	71,000,000	67,500,000
Other reserves and retained earnings	33	(36,334,333)	(31,088,987)
Net result for the year		(2,505,217)	(5,245,347)
Total Capital		**32,160,450**	**31,165,666**
Total Liabilities and Equity		**177,061,081**	**215,947,794**

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 2022 and 2021

	Notes	Dec 2022 Euros	Dec 2021 Euros
Interest and similar income	4	7,315,862	8,032,123
Interest and similar expenses	4	3,704,774	4,892,151
Strict financial margin	**4**	**3,611,088**	**3,139,972**
Financial margin		**3,611,088**	**3,139,972**
Income from services and fees	5	211,867	380,056
Service and commission expenses	5	108,762	117,510
Asset and liability results at fair value through profit or loss	6	2,356,652	22,910
Currency revaluation results	7	12,156	23,130
Result of derecognition of financial assets and liabilities at amortized cost	8	(385,223)	(80,696)
Results from assets measured at fair value through other comprehensive income	6	-	(533)
Other operating income	8	150,226	(27,970)
Banking product		**5,848,004**	**3,339,359**
Staff costs	9	3,357,046	3,601,366
General administrative expenses	10	4,859,347	3,739,578
Amortisation and depreciation	11	1,452,612	1,842,818
Operating costs		**9,669,005**	**9,183,762**
Operating result		**(3,821,001)**	**(5,844,403)**
Impairment of financial assets at amortized cost	12	(1,272,042)	436,419
Impairment of other assets (net)	12	(269,544)	(422,489)
Other provisions	12	348,062	693,345
Impairments and provisions		**(1,193,524)**	**707,275**
Result before taxes		**(2,627,477)**	**(6,551,678)**
Current taxes	13	102,745	122,717
Deferred taxes	13	(225,005)	(1,429,048)
Taxes		**(122,260)**	**(1,306,331)**
Net result for the year		**(2,505,217)**	**(5,245,347)**
Basic earning per share	14	(0.18)	(0.53)
Diluted earnings per share	14	(0.18)	(0.53)

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 2022 and 2021

	Total Equity	Capital	Fair Value Reserves	Other Reserves and Results Carried Forward			Net Result For the Year
				Legal Reserves	Results Carried Forward	Total	
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 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)**
Allocation of income							
Legal reserve	-	-	-	-	-	-	-
Results carried forward	-	-	-	-	(5,245,347)	(5,245,347)	5,245,347
Capital increase	3,500,000	3,500,000	-	-	-	-	-
Net result for the year	(2,505,217)	-	-	-	-	-	(2,505,217)
31 December 2022	**32,160,450**	**71,000,000**	**0**	**228,619**	**(36,562,953)**	**(36,334,333)**	**(2,505,217)**

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.

Comprehensive Income Statement on 31 December 2022 and 2021

	Dec 2022 Euros	Dec 2021 Euros
Items subject to reclassification to results		
Change in the fair value of financial assets:		
Change in the year	-	(1,448)
Tax effect	-	266
Other comprehensive income for the year after taxes	-	(1,182)
Net result for the year	(2,505,217)	(5,245,347)
Total comprehensive income for the year	**(2,505,217)**	**(5,246,529)**

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 2022 and 2021

	Notes	Dec 2022 Euros	Dec 2021 Euros
Cash flow from operating activities			
Interest, fees and other income received		7,235,637	9,945,876
Interest, fees and other income paid		(6,534,002)	(5,788,249)
Payments to suppliers and employees		(7,458,635)	(8,090,065)
Other payments and receipts		950,122	2,818,729
		(5,806,878)	**(1,113,709)**
Change to operating assets and liabilities			
Loans to customers - amortized cost		(23,697,189)	6,640,692
Debt securities - amortized cost		(18,954,359)	98,689,163
Deposits by credit institutions and central banks		1,532,610	(38,274,613)
Customer funds		(44,423,240)	(59,584,118)
Derivatives		7,058,680	189,065
		(78,483,498)	**7,660,189**
Cash flow net of operating activities, before income tax		**(84,290,376)**	**6,546,480**
Income tax paid		(90,655)	(171,460)
		(84,381,031)	**6,375,020**
Cash flow from investment activities			
Investments at credit institutions		158,404	(3,029,755)
Other financial assets at fair value through other comprehensive income		-	408,832
Acquisitions of tangible and intangible assets		(1,049,888)	5,966
Sale of tangible and intangible assets		-	199,999
Financial assets not held for trading mandatorily at fair value through profit or loss		130,019	(3,973,836)
Cash flow net of investment activities		**(761,465)**	**(6,388,794)**
Cash flow from financing activities			
Capital raise		3,500,000	17,500,000
Cash flow net of financing activities		**3,500,000**	**17,500,000**
Net change in cash and cash equivalents		(81,642,496)	17,486,226
Cash and cash equivalents at the start of the year		106,501,551	89,015,325
Cash and cash equivalents at the end of the year		**24,859,055**	**106,501,551**
Cash and cash equivalents include:			
Cash and cash equivalents in central banks	15	22,931,049	96,611,880
Cash on hand at credit institutions	16	1,853,436	9,889,671
Total		**24,784,485**	**106,501,551**

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, 2022 were prepared in accordance with IAS, which include the IFRS in force as adopted in the European Union until December 31, 2022, with the most recent changes and those expected for the coming years detailed in note 41.

These financial statements were approved in a meeting of the Board of Directors on March 29, 2023. 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 39 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 analyzed in Note 3.

The financial statements have been prepared on a going concern basis, as the Board of Directors believes that the Bank has the means and capacity to continue to carry out its business in the foreseeable future.

In making this judgment, the Board of Directors has taken into account the various information it has on current conditions and future projections of profitability, cash-flows and capital, with emphasis on the information relating to the sole shareholder's initiatives to identify a new capital investor for the Bank, following which, on November 26, 2021, the share purchase agreement ("SPA"), relating to 100% of the Bank's share capital and voting rights, was formalized between the Bank's sole shareholder and a Credit Institution based in Brazil, called Banco Master, S. A. ("Banco Master").

Following the SPA signed in December, a new Business Plan 2022-2024 was prepared and approved by Banco BNI Europa's Board of Directors and its sole shareholder on February 16, 2022.

On July 1, 2022, the new Board of Directors of Banco BNI Europa, made up of 3 executive directors, took office for the 2022-2025 term.

Since taking office, the new Board of Directors has sought to understand and analyze all of the Bank's activities and its organizational, functional and internal control structures, in order to address the specific deficiencies and needs detected and identify new business development opportunities that will enable the Bank to be sustainable and profitable in the short/medium term.

The Board of Directors of Banco BNI Europa expects that the transaction to sell the Bank's share capital, which is currently underway, will be completed in 2023.

In this context, the accounting policies remain consistent with those used in the preparation of the financial statements for 2021 and the elements contained in this report and accounts for that year, with no restatement of any disclosures previously made and no changes to be highlighted.

NOTE 2

MAIN ACCOUNTING POLICIES

The accounting policies used by the Bank in the preparation of its financial statements as at December 31, 2022 are consistent with those used in the preparation of the financial statements as at December 31, 2021.

We present below the significant accounting policies used in the preparation of the financial statements as of December 31, 2022. 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:

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

b) If the disposable assets were close to maturity;

c) The caused associated to the disposal;

d) 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 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.

In May 2021, the debt securities that the Bank had registered in this asset class were amortized and repaid, and no other assets were registered in this category afterwards.

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, 2022, the financial assets held for trading correspond solely to the investment units held in the Fasanara II fund (Euros 4.025.240), which invests mainly in invoice discounting receivables (factoring and other receivables of a similar nature), and are valued using the net asset value (NAV) reports published quarterly by the management entity (level 3 – see note 39).

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 into 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

Irrespective of the type of credit, Banco BNI Europa will adopt a resolution policy which will consist of changing the Client's entire exposure to overdue credit as soon as one of the credits or exposures held by a Client is in a situation where the respective credit agreement is terminated. This measure will be applied at client level, and all exposure held by that client at the Bank will be considered past due.

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 or credit recovery addressed to the Executive Committee, and in any case ensuring that they are indeed irrecoverable.
- Mortgage loans and company loans (SME or corporate): Unless the business area demonstrates that a given fully overdue position is totally irrecoverable, all credits that are already fully overdue and possibly not recovered after execution of the guarantees received for this purpose, including mortgage guarantees, should be subject to judicial treatment, so that their de-recognition should take place either one year after the response to this judicial treatment, which determines that it is irrecoverable, or one year after the failure to execute the verdict resulting from the judicial treatment referred to has been justified.

- 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. For these portfolios, although there may be some kind of specific treatment for a particular platform, the policy is to derecognize the assets either immediately after the sale of the assets in question, or one year after they are deemed to be uncollectible, as indicated by the platform itself. For portfolios without repurchase agreements, the asset is generally derecognized one year after the start of the 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 behaviors, 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 these 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 and 2022. This policy establishes a methodology for analyzing 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 de-recognition 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 favorable 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.

It is defined as a significant increase in the credit risk (SICR) of a financial instrument at any given time if it has at least one of the following characteristics, taking into account the materiality levels defined for this purpose:

1. Credit in default in the banking system; or
2. Asset in default for 30-90 days.

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 an asset has been classified in stage 3, it can only be classified in stage 1 again if the debtor settles all overdue credit and interest, without resorting to a significant restructuring process, and after a minimum period of 12 months has elapsed since the settlement (cure period), without having incurred any new default during this period.

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

As per note 35, credit with the following characteristics is analyzed individually:

- Exposure exceeding 500.000 euros;
- Exposure exceeding 100.000 euros 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 500.000 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 that do not qualify for hedge accounting are recorded as trading derivatives. Hedging derivatives are recorded at fair value and gains or losses resulting from revaluation are recognized in accordance with the hedge accounting model adopted 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

IFRS 16, which came into force on January 1, 2019, established new requirements regarding the scope, classification/recognition and measurement of leases. From the lessee's point of view, the standard defines a single model for accounting for lease contracts, which results in the recognition of an asset under a right of use and a lease liability for all lease contracts, with the exception of leases with a period of less than 12 months or for leases relating to low-value assets, where the lessee may opt for the exemption from recognition provided for in IFRS 16, in which case it must recognize the lease payments associated with these 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

A contract constitutes or contains a lease if it conveys the right to control the use of an identified asset, i.e. obtaining substantially all the economic benefits of using it, and the right to direct the use of that identified asset, for a certain period of time in exchange for consideration.

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 an 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 an 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 a 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 GARANTEES

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 guarantee 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 of 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 2022 e 2021:

	2022	2021
USD	1,0666	1,1326
GBP	0,88693	0,84028

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 25 and 26.

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. 24-D/2022, of December 30, regarding the State Budget for 2023, the carry forward of tax losses in Portugal no longer has a deduction deadline, and the annual deduction limit for tax losses has been raised to 65%.

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 e 18.

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, 20 e 21.

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 24), 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. In addition, in 2022 the assumptions and judgments considered for other assets were also reviewed, as a result of their expected discontinuation in 2023 or 2024, and the Bank recorded impairment for these intangible assets.

NOTE 4

STRICT FINANCIAL MARGIN

This item is composed by:

	Dec 2022 Euros	Dec 2021 Euros
Interest and similar income:		
Cash equivalents at central banks	5,422	-
Investments at credit institutions	118,916	660
Interest from financial assets at amortized cost		
Loans to customers	5,123,907	5,165,889
Debt securities	714,991	1,626,311
Interest on overdue credit	51,933	18,097
Other financial assets at fair value through other comprehensive income	17,400	33,472
Interest from hedging derivatives	1,243,953	1,185,816
Commission income associated with amortised cost	39,341	1,877
	7,315,862	**8,032,123**
Interest and similar expenses:		
Central banks resources	194,617	420,102
Credit institution resources	10,019	1,041
Interest on customer deposits	1,207,677	2,185,453
Interest from hedging derivatives	1,444,404	1,432,986
Other loans	61,275	68,812
Commissions paid associated with amortized cost	733,845	587,919
Commissions for credit operations	52,937	195,839
	3,704,774	**4,892,151**
Strict Financial Margin	**3,611,088**	**3,139,972**

The item Interest and similar income, amounting Euros 7.315.862 (December 31, 2021: Euros 8.032.123), is mainly composed of income associated with the loan portfolio, in the amount of Euros 5.123.907 (December 31, 2021: Euros 5.165.889), credit-linked hedging derivatives, in the amount of Euros 1.243 953 (December 31, 2021: Euros 1.185.816) and interest income from investments in bonds, in the amount of Euros 714.991 (December 31, 2021: Euros 1.626.311).

This income includes interest from P2P lending platforms, which in relation to interest from Loans and advances to customers amounted to Euros 485.427 in December 31, 2022 (Euros 1.183.333 in December 31, 2021) and interest on debt securities amounted to Euros 425.309 in December 31, 2022 (Euros 1.385.298 in December 31, 2021). The Bank continued to divest from P2P lending platforms, resulting in a reduction in interest from these assets.

The item Interest and similar expenses, amounting Euros 3.704.774 (December 31, 2021: Euros 4.892.151) is mostly made up of interest on customer funds, relating to term and demand deposits, in the amount of Euros 1.207.677 (December 31, 2021: Euros 2.185.453), for commissions paid associated with the amortized cost, essentially paid to partners in the collection of credit, in the amount of Euros 733.845 (December 31, 2021: Euros 587.929) and interest on central bank resources, in the amount of Euros 194.617 (December 31, 2021: Euros 420.102), in this case still due to the negative interest rates for deposits with the Bank of Portugal that were in force until July 2022. It should be noted that the decrease in interest on customer funds is related to the decrease in the volume of deposits in 2022 and 2021. In 2022, the Bank made a gradual and contained increase in the interest rates offered to customers which had no significant impact on this item.

Hedging derivatives relating to debt securities and loans to customers (detailed in note 22) 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 and 2022, the negative differential between the yield and the interest charge on these financial instruments narrowed again between December 31, 2021 and December 31, 2022, from Euros -247.170 (Euros 1.185.816 deducted from Euros 1.432.986) to Euros -200.451 (Euros 1.243.953 deducted from Euros 1.444.404). In the last 2 months of 2022, this differential became positive, but still insufficient to allow for a greater reduction than the one detailed above.

NOTE 5

SERVICE AND COMMISSION INCOME

This item includes:

	Dec 2022 Euros	Dec 2021 Euros
Services and Commissions Income:		
Documentary Operations	19,121	-
For commitments accepted	-	6,028
For services rendered	144,555	328,485
Other commissions received	48,191	45,544
	211,867	**380,056**
Services and Commissions Expenses:		
Other financial instruments' operations	7,500	-
For third part banking services	101,262	117,510
	108,762	**117,510**
Net Services and Commissions Income	**103,105**	**262,546**

The item Income from services and commissions, in the amount of Euros 211.867 (December 31, 2021: Euros 380.056) 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 since 2021 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, 2022 and 31 December, 2021.

The Charges for services and commissions, in the amount of Euros 108.762 (December 31, 2021 Euros 117.510), are mainly composed of banking services provided by third parties, in the amount of Euros 101.262 (December 31, 2021: Euros 117.510), 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 2022 Euros	Dec 2021 Euros
Losses on assets measured at fair value through other comprehensive income:		
Fixed income	-	(533)
	-	**(533)**
	-	**(533)**

	Dec 2022 Euros	Dec 2021 Euros
Gains in asset and liability results at fair value through profit or loss		
Trading Derivatives	7,176	11,616
Securities issued by non-residents	121,547	34,120
Hedging derivatives - fair value of the derivative	14,910,860	4,611,361
	15,039,582	**4,657,097**
Losses in asset and liability results at fair value through profit or loss		
Trading Derivatives	1,026	16,426
Variable Income	-	6,400
Hedging derivatives - fair value of the derivative	12,681,904	4,611,362
	12,682,930	**4,634,188**
	2,356,652	**22,910**

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

The gains recognized under **securities issued by non-residents** essentially relate to gains on the Fasanara investment unit (Note 17).

Gains and losses recognized in 2022 and 2021 under the item **hedging derivatives** essentially refer to the results of the revaluation of credit contract hedging derivatives, with the exception of part of the gains recognized in 2022 under this heading, in the amount of Euros 2.329.000, which refers to capital gains made on the partial sale of derivatives hedging reverse mortgage credit agreements.

NOTE 7

CURRENCY REVALUATION RESULTS

This item records a gain of Euros 12.156 (December 31, 2021 Euros 23.130), 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.

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 2022 Euros	Dec 2021 Euros
Result of derecognition of financial assets and liabilities at amortized cost		
Debt Securities		
Losses	-	831,502
Gains	(529,145)	(859,108)
Result of derecognition of non-financial assets	143,923	(53,090)
	(385,223)	**(80,696)**

This item records the gains and losses arising from the sale of sovereign and corporate debt securities, with the item **Gains of 2021**, corresponding essentially to gains realized on the sale of sovereign debt. The heading Losses corresponds essentially to the losses before impairment made on the sale of corporate debt, solely related to P2P credit platforms.

Derecognition gains on non-financial assets relate to gains realized on the termination of operating lease contracts, of which Euros 122.148 relate to gains made at the end of the lease of the Bank's head office premises which ran from 2017 to 2022.

OTHER OPERATING INCOME

This item is composed by:

	Dec 2022 Euros	Dec 2021 Euros
Other operating income:		
Reimbursement of expenses	86,696	58,401
Prior period adjustments	-	24,118
Others	446,123	435,882
	532,819	**518,400**
Other operating costs:		
Indirect taxes	(152,950)	(345,765)
Others	(229,643)	(200,605)
	(382,593)	**(546,371)**
	150,226	**(27,970)**

The Other operating income item includes **Reimbursement of expenses** in the amount of Euros 86.696 (December 31, 2021: Euros 58.401) 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 446.122 (December 31, 2021: Euros 435.882) referring essentially to recoveries of overdue loans and interest (Euros 354.874 in 2022 and Euros 22.469 in 2021), cancellation of excessive estimates of bonus costs to be paid in 2021, of Euros 357.492, and income from sponsorship management services for Euros 24.000 in 2022 e 2021.

The Other operating costs item includes **indirect taxes** in the amount of Euros 152.950 (December 31, 2021: Euros 345.765). The most relevant cost refers to the stamp tax assumed by the Bank on behalf of non-resident customers in the amount of Euros 107.474 (December 31, 2021: 143.322). The contribution on the banking sector had a cost of Euros 35.857 (December 31, 2021: Euros 131.212 The item **Other** costs, in the amount of Euros 229.643 (December 31, 2021: Euros 200.605) includes, in 2022, losses on the sale of unsecured credit through P2P platforms and write-offs of credit agreements, in the amount of Euros 99.533, contributions to the Deposit Guarantee Fund and Resolution Fund, in the amount of Euros 6.316. In 2021 it mainly refers to contributions to the Deposit

Guarantee Fund and Resolution Fund, in the amount of Euros 62.034 and losses with write-offs in the amount of Euros 53.090.

NOTE 9

STAFF COSTS

This item includes:

	Dec 2022 Euros	Dec 2021 Euros
Remuneration	2,616,371	2,793,566
Mandatory social charges	576,258	624,973
Other charges	164,417	182,827
	3,357,046	**3,601,366**

The item **Other charges**, in the amount of Euros 164.471 (December 31, 2021: Euros 182.827), 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, 2022 and 2021, broken down by major professional categories, was as follows:

	Dec 2022	Dec 2021
Administration	3	2
Heads of business areas	4	2
Heads of support areas	5	4
Heads of control areas	3	2
Technicians	28	27
Secretarial Staff	1	1
Trainees	6	1
	50	**39**

The amount of remuneration, including related charges, attributed to the Bank's management and supervisory bodies for the years ended December 31, 2022 and 2021, was as follows:

	Dec 2022 Euros	Dec 2021 Euros
Management Body		
Vitor José Barosa Carvalho	85,982	-
João Paulo Jabour Brunet	86,963	-
Bruno Miguel Esperança Batista	69,075	-
Pedro Nuno Munhão Pinto Coelho	-	87,033
Nuno Luís do Rosário Martins	104,539	218,688
António Miguel Maurício Rola da Costa	44,969	218,641
Supervisory Board		
Telmo Francisco Salvador Vieira	72,000	48,000
Isabel Paiva, Miguel Gaivão & Associados	57,600	36,000
João Carlos Espanha Pires Chaves	57,600	36,000
	578,728	**644,363**

NOTE 10

GENERAL ADMINISTRATIVE COSTS

This item includes:

	Dec 2022 Euros	Dec 2021 Euros
Other specialized services	2,378,539	1,932,065
Other third-party services	951,693	604,655
Communication and shipping costs	539,817	285,851
Data Bank	292,320	415,834
Advertising and publishing	144,907	120,470
Travel, stays and representation	109,692	5,312
Judicial, Litigation and Notarial Services	97,658	55,180
Rents and leases	73,217	61,883
IT	55,872	88,691
Water, power and fuel	52,580	48,795
Information	51,015	44,802
Security and surveillance	34,960	20,305
Staff training	22,996	7,169
Hygiene and cleaning material	17,974	18,606
Insurance	15,751	11,592
Conservation and repair	9,713	13,307
Printed matter and current consumables	7,439	3,900
Other third-party supplies	2,106	-
Fast-wearing tools and utensils	1,099	1,163
	4,859,347	**3,739,578**

The item **Other specialized services** in the amount of Euros 2.378.539 (December 31, 2021: Euros 1.932.065) refers mainly to software maintenance costs in the amount of Euros 629.882 (December 31, 2021: Euros 742.224), consulting costs in the amount of Euros 757.856 (December 31, 2021: Euros 441.270), costs for legal services in the amount of Euros 381.362 (December 31, 2021: Euros 374.832), costs with payment service providers of Euros 288.536 (December 31, 2021: Euros 90.074) and costs for audit and accounting services in the amount of Euros 188.733 (December 31, 2021: Euros 224.372).

The **Other third-party services** item in the amount of Euros 951.693 (December 31, 2021: Euros 604.655essentially includes human resources outsourcing costs of Euros 417.736 (December 31, 2021:

Euros 35.592), software licensing costs in the amount of Euros 302.064 (December 31, 2021: Euros 458.755) and consulting services in the amount of Euros 127.905 (December 31, 2021: Euros 28.830).

The item **communication and shipping costs** amounted to Euros 539.817 (December 31, 2021: Euros 285.851) essentially includes the costs of the data management, provision, protection and hosting infrastructures used by the Bank's various IT systems.

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

	Dec 2022 Euros	Dec 2021 Euros
Mazars		
Legal review services	86,838	85,500
Reliability assurance services	16,421	20,200
	103,259	**105,700**

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. 5/2013, altered by the Bank of Portugal Instruction no. 18/2018).

NOTE 11

AMORTISATION AND DEPRECIATION

This item includes:

	Dec 2022 Euros	Dec 2021 Euros
Tangible Assets:		
Real estate:		
Works in rented properties	63,077	120,713
Equipment:		
Furniture and materials	22,214	22,934
Machinery and tools	898	1,381
IT equipment	2,335	4,739
Interior fittings	26,390	43,719
Security equipment	1,907	1,824
Other equipment	646	646
Leased assets (IFRS 16):		
Cars	135,407	104,687
Facilities	186,618	475,949
IT equipment	69,149	94,524
	508,641	**871,117**
Intangible Assets:		
Software	943,971	971,700
	943,971	**971,700**
	1,452,612	**1,842,818**

NOTE 12

IMPAIRMENT AND PROVISIONS

The movements in impairments and provisions are analyzed as follows:

	Impairment							Provisions		
	Cash on hand at credit institutions (Note 16)	Financial assets at amortized cost - loans to customers (Note 20)	Financial assets at amortized cost - debt securities (Note 21)	Financial assets at amortized cost - Investments in OIC (Note 19)	Other Assets (Note 27)	Intagible Assets (Note 24)	Total	Exposições off balance	Risk and Fees	Total
At 1 January 2021	7,282	5,557,592	16,217,795	17,842	245,668	1,709,125	23,755,305	-	206,752	206,752
Movement in the period:										
Allocation	67,289	2,170,890	1,492,649	117,260	16,571	-	3,864,659	-	733,134	733,134
Reversals	-	(761,402)	(2,525,914)	(124,354)	(33,574)	(405,485)	(3,850,730)	-	(39,789)	(39,789)
Exchange rate differences	-	(1,346)	416,102	9,931	-	-	424,687	-	-	-
Utilization	-	(1,519,787)	(10,921,383)	-	(11,510)	-	(12,452,681)	-	(9,698)	(9,696)
	67,289	(111,645)	(11,538,545)	2,836	(28,513)	(405,485)	(12,014,064)	-	683,647	683,649
At 31 December 2021	74,571	5,445,948	4,679,250	20,678	217,155	1,303,640	11,741,241	-	890,399	890,401
At 1 January 2022	74,571	5,445,948	4,679,250	20,678	217,155	1,303,640	11,741,241	-	890,399	890,401
Movement in the period:										
Allocation	-	1,336,323	362,779	48,228	57,429	116,277	1,921,036	240	374,014	374,254
Reversals	(69,246)	(1,504,410)	(1,391,072)	(54,645)	(40,412)	(402,838)	(3,462,622)	-	(26,192)	(26,192)
Exchange rate differences	-	(370)	29,377	-	-	-	29,007	-	-	-
Utilization	-	(700,361)	(2,280,281)	4,234	(48,504)	-	(3,024,912)	-	(654,189)	(654,189)
	(69,246)	(868,818)	(3,279,196)	(2,183)	(31,487)	(286,560)	(4,537,491)	240	(306,367)	(306,127)
At 31 December 2022	5,325	4,577,130	1,400,054	18,495	185,668	1,017,079	7,203,751	240	584,032	584,274

Following the implementation in 2021, of the policy of staging obligations related to investments in credit platforms (note 2), in 2022 financial assets were written off at amortized cost - debt securities in the amount of Euros 2.280.281 (Euros 10.921.383 in 2021).

In the notes to the accounts for 2021, the impairment relating to Loans and advances to credit institutions was included in the heading financial assets at amortized cost - Investments in CIUs which, in the table above, has been reallocated to the corresponding heading.

NOTE 13

TAXES

Income tax expense in the period breaks down as follows:

	Dec 2022 Euros	Dec 2021 Euros
Current Taxes:		
For the period	102,745	90,655
Corrections related to previous years	-	32,062
	102,745	**122,717**
Deferred taxes:		
Changes in year (Note 26)	(225,005)	(1,429,048)
	(225,005)	**(1,429,048)**
Taxes	**(122,260)**	**(1,306,331)**

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 2022 Euros	Dec 2021 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 26.

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

	Dec 2022		Dec 2021	
	%	Euros	%	Euros
Result before taxes		(2,627,477)		(6,551,678)
Tax calculated based on tax rate	21.00%	551,770	21.00%	1,375,852
Use of tax losses	0.00%	-	0.00%	-
Establishment/(Reversal) of deferred taxes	8.56%	225,005	21.81%	1,429,048
Asset variations	0.00%	-	0.00%	-
Prior period adjustments	-5.63%	(147,846)	0.00%	-
Non tax deductible impairment	-9.63%	(252,948)	-20.54%	(1,345,530)
Non deductible costs	-7.95%	(208,933)	-0.40%	(25,914)
Excess/(shortfall) of estimate for taxes	0.00%	-	-0.41%	(26,874)
Capital gains and losses for tax/accounting purposes	0.97%	25,525	0.42%	27,720
Tax benefits	1.30%	34,222	0.00%	-
Municipal Surtax	0.00%	-	0.00%	-
State Surtax	0.00%	-	0.00%	-
Autonomous taxation	-3.98%	(104,535)	-1.95%	(127,971)
Tax (IRC)	**4.65%**	**122,260**	**19.94%**	**1,306,331**

NOTE 14

EARNINGS PER SHAR

Earnings per share are calculated as follows:

	Dec 2022 Euros	Dec 2021 Euros
Net Income	(2,505,217)	(5,245,347)
Average Number of Shares	13,678,356	9,906,718
Earnings per share (base)	**(0.18)**	**(0.53)**
Earnings per share (diluted)	**(0.18)**	**(0.53)**

Basic earnings per share is calculated by dividing net income by the weighted average number of ordinary shares outstanding during the year. A capital increase was carried out in 2022, for a total amount of Euros 3.500.000, and in 2021 four capital increases were carried out for a total amount of Euros 17.500.000, as detailed in note 32.

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, 2022 and 2021, 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

The item 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 2022 Euros	Dec 2021 Euros
Cash and cash equivalents		
Cash in national currency	30,478	32,717
Cash in foreign currency	5,166	4,865
Current accounts at Banco de Portugal	22,153,135	95,001,106
Total cash and cash equivalents	**22,188,779**	**95,038,689**
Deposits at the Bank of Portugal not available		
Allocated to minimum reserves at Central Banks	760,600	711,400
Allocated to other purposes	- 18,330	861,792
Total minimum reserves	**742,270**	**1,573,192**
	22,931,049	**96,611,880**

The items **Cash in national currency and Cash in foreign currency** items, in the total amount of Euros 35.644 (December 31, 2021: Euros 37.582), 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.

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.

On 31 December, 2021, the amount deposited at the Bank of Portugal includes the amount of Euros 1.308.963, corresponding to a SICOI (interbank clearing system) guarantee. In 2022, this amount was waived and the pool of securities at the Bank of Portugal was partially used as a guarantee for this purpose.

NOTE 16

CASH ON HAND AT OTHER CREDIT INSTITUTIONS

This item is analyzed as follows:

	Dec 2022 Euros	Dec 2021 Euros
Current Accounts in Portugal	677,283	5,051,890
Current Accounts Abroad	1,181,478	4,837,781
Impairment (Note 12)	(5,325)	(74,571)
	1,853,436	**9,815,100**

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 2022 Euros	Dec 2021 Euros
Current Accounts in the country		
In Euros	349,282	397,510
In Dollars	315,249	4,164,800
In Pounds Sterling	12,753	489,580
	677,283	**5,051,890**

	Dec 2022 Euros	Dec 2021 Euros
Current Accounts Abroad		
In Euros	1,166,492	4,259,644
In Dollars	13,884	353,664
In Pounds Sterling	1,102	224,473
	1,181,478	**4,837,781**
Impairment	(5,325)	(74,571)
	1,853,436	**9,815,100**

In the notes to the accounts for 2021, the impairment relating to Loans and advances to credit institutions was included in the heading financial assets at amortized cost - Investments in CIUs which, in the table above, has been reallocated to the corresponding heading.

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.

The item **Financial assets not mandatorily held for trading at fair value through profit or loss** refers to units in the Fasanara II fund, which invests essentially in invoice discounting credits (factoring and other credits of a similar nature).

In the item **Financial assets held for trading** are recorded the currency 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 NOT HELD FOR TRADING MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

On December 31, 2022 and 2021, this item corresponds solely to the units held in the Fasanara II fund (Euros 4.025.240 e Euros 4.027.720, respectively), which are valued (level 3 - see note 39) using the net asset value (NAV) reports published quarterly by the management entity.

NOTE 19

INVESTMENTS AT CREDIT INSTITUTIONS

This item is broken down as shown below:

	Dec 2022 Euros	Dec 2021 Euros
Investments at Credit Institutions	6,390,962	6,529,755
Millenium BCP, S.A.	3,500,000	3,500,000
Banque J. Safra Sarasin (Luxembourg) SA	1,203,356	3,029,755
Novo Banco, S.A.	1,687,605	-
Interest receivable	7,359	366
	6,398,321	**6,530,120**
Imparment (Note 12)	(18,495)	(20,678)
	6,379,825	**6,509,442**

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

	Dec 2022 Euros	Dec 2021 Euros
Until 3 months	6,398,321	300,000
From 3 months to 1 year	-	6,230,120
	6,398,321	**6,530,120**

As at December 31, 2021, the item of Investments at Credit Institutions includes three term deposits, totaling Euros 3.500.000, which were pledged as collateral to Millennium BCP in order to ensure the fulfillment of the Bank's obligations related with clearing SEPA transfers outside Portugal. The increase in the impairment coverage rate, from 1,46% at December 31, 2021 to 0,37% at December 31, 2022, which remains at very low levels, stems from the decrease in the average contractual term of this item and the characteristics of the Banks detailed above.

In the notes to the accounts for 2021, the impairment relating to Loans and advances to credit institutions was included in the heading financial assets at amortized cost - Investments in CIUs which, in the table above, has been reallocated to the corresponding heading.

NOTE 20

FINANCIAL ASSETS AT AMORTISED COST - LOANS TO CUSTOMERS

This item is analyzed as follows:

	Dec 2022 Euros	Dec 2021 Euros
Loans falling due:		
Internal		
Corporate		
Loan Accounts	14,781,216	257,215
Overdrafts on Current Accounts	53	752
Personal Clients		
Overdrafts on Current Accounts	(2)	0
Residential	7,463,761	3,264,268
Other Loans	35,500,629	24,078,928
External		
Corporate		
Overdrafts on Current Accounts	138	13
Other Loans	3,985,068	9,333,301
Personal Clients		
Residential	33,990,188	34,334,771
	95,721,052	**71,269,250**
Interest Receivable	1,077,371	934,726
Overdue Credit	2,396,322	3,701,609
	99,194,745	**75,905,585**
Value adjustments of assets subject to hedging operations	(4,805,982)	179,993
Commissions at Amortized Cost	1,097,415	1,696,613
	95,486,178	**77,782,192**
Impairment and credit provisions (Note 12)		
Internal	(2,598,775)	(2,260,903)
External	(1,978,355)	(3,185,044)
	(4,577,130)	**(5,445,948)**
	90,909,048	**72,336,244**

The amount recorded under **External - Other loans**, relates to the portfolio of unsecured loans acquired via platforms.

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 2021 and 2022.

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 22.

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	**2.85%**	**50.92%**	**100.00%**	**18.95%**	**26.23%**	**38.35%**
Residential	2.77%	58.10%	100.00%	15.13%	20.08%	30.46%
Consumer	9.75%	53.60%	100.00%	55.78%	58.06%	93.16%
SME	2.54%	24.14%	100.00%	30.37%	47.31%	62.92%
Factoring			100.00%			50.71%
Underlying Credit in Structured Bonds	**1.18%**	**14.29%**	**100.00%**	**61.16%**	**48.88%**	**96.54%**
Consumer	1.64%	21.35%	100.00%	64.13%	73.00%	97.79%
SME	0.24%		100.00%	55.15%		94.00%
Balances and Cash Equivalents	**0.05%**			**36.57%**		
Total	**2.15%**	**49.77%**	**100.00%**	**24.13%**	**26.94%**	**40.18%**

NOTE 21

FINANCIAL ASSETS AT AMORTISED COST - DEBT SECURITIES

The following item is analyzed as follows:

	Dec 2022 Euros	Dec 2021 Euros
Debt Securities		
National Public Issuers	2,144,302	-
Corporate Public Issuers	8,220,862	798,272
Foreign Public Issuers	20,012,574	-
Foreign Corporate Issuers	3,721,915	16,390,565
Corrections to the value of hedged assets	-	-
Impairment (Note 12)	(1,400,054)	(4,679,250)
	32,699,600	**12,509,587**

The item "Foreign corporate issuers" includes structured bonds, whose underlying assets are receivables, in the amount of Euros 3.721.920 (December 31, 2021: Euros 16.390.565), of which EUR 3.168.497 relates to outstanding loans and EUR 553.423 relates to liquidity, accrued interest and other amounts. These bonds are impaired in the amount of Euros 1.343.072 (December 31, 2021: Euros 4.676.664).

The bonds recorded under "National corporate issuers" include commercial paper in the amount of Euros 3.693.295 in 2022 (Euros 798.272 in 2021), with the remainder relating to other obligations, and show impairment of Euros 19.311 in 31 December 31, 2021 (December 31, 2021: Euros 2.586).

The bonds recorded under "National public issuers" refer only to Portuguese public debt securities with a maturity of less than 3 years, and are impaired by Euros 3.639.

The bonds recorded under "Foreign public issuers" refer to Italian (Euros 15.932.849), Greek (Euros 2.107.106) and Spanish (Euros 1.972.119) public debt securities, with a maturity of less than 3 years, and are impaired by Euros 37.676.

NOTE 22

HEDGE DERIVATIVES

Regarding the risk management of the interest rate, considering the Bank's business strategy in credit concession with fixed rate, the Bank has contracted the derivatives presented in the table below, to hedge the interest rate risk of the loans and advances to customers' portfolio.

Hedge Derivatives on 31st December 2022:

Hedge	At Fair Value of: Hedged Assets	Hedge Derivative	Net Fair Value: Positive	Negative	Interest Rate
Fixed Rate Credit	9,148,904	7,258,447	1,890,457	-	5.95%
Fixed Rate Credit	4,530,749	3,381,075	1,149,674	-	5.95%
Fixed Rate Credit	4,149,910	2,790,025	1,359,885	-	5.95%
Fixed Rate Credit	612,622	414,857	197,766	-	5.95%
	18,442,186	**13,844,404**	**4,597,782**	-	

Hedge Derivatives on 31st December 2021:

Hedge	At Fair Value of: Hedged Assets	Hedge Derivative	Net Fair Value: Positive	Negative	Interest Rate
Fixed Rate Credit	8,635,115	9,237,796	-	602,681	5.95%
Fixed Rate Credit	4,276,309	4,475,187	-	198,877	5.95%
Fixed Rate Credit	7,140,877	6,971,486	169,391	-	5.95%
Fixed Rate Credit	4,806,671	4,815,323	-	8,652	5.95%
	24,858,973	**25,499,792**	**169,391**	**810,211**	

On 31st December 2022 and 2021, the hedge derivatives fair value is depicted has shown below:

	Dec 2022 Euros	Dec 2021 Euros
Hedge Derivatives - Customer Loans		
Positive Fair Value	4,597,782	169,391
Negative Fair Value	-	(810,211)
National Value	18,442,186	24,858,973

NOTE 23

TANGIBLE ASSETS

The following item is analyzed as follows:

	Dec 2022 Euros	Dec 2021 Euros
Acquisition Value:		
Real Estate		
Works in rented properties	424,140	420,476
Equipment		
Furniture and materials	253,817	252,981
Machinery and tools	19,553	19,553
IT equipment	109,577	109,577
Interior fittings	164,690	164,690
Safety equipment	60,569	60,569
Other equipment	15,284	15,284
Assets under Operational Lease - Adoption of IFRS16		
Vehicles	809,561	343,817
Facilities	257,313	990,489
IT equipment	267,565	318,944
Ongoing Tangibles		
Ongoing Tangible Assets	-	-
	2,382,068	**2,696,380**
Accrued Depreciation:	(1,560,344)	(2,296,066)
	821,724	**400,315**

Due to the application of the IFRS 16, the tangible assets review includes the assets under lease.

Disposals included a range of IT equipment.

The movements in **Tangible assets** during the year ending on 31 December, 2022, are as follows:

	Balance at 1 January 2022 Euros	Acquisitions / Allocations Euros	Sales/ Disposals/ Euros	Balance at 31 December 2022 Euros
Acquisition Value:				
Real Estate				
Works in rented properties	420,476	7,471	(3,806)	424,141
Equipment				
Furniture and materials	252,981	835	-	253,817
Machines and tools	19,553	-	0	19,553
IT equipment	109,577	-	-	109,577
Interior fittings	164,690	-	-	164,690
Safety equipment	60,569	-	-	60,569
Other equipment	15,284	-	-	15,283
Ongoing	-	-	-	-
Assets under Operational Lease - Adoption of IFRS16				-
Vehicles	343,817	465,743	-	809,561
Facilities	990,489	-	(733,176)	257,313
IT equipment	318,944	-	(51,380)	267,565
	2,696,380	**474,050**	**(788,361)**	**2,382,068**

	Balance at 1 January 2022 Euros	Acquisitions / Allocations (Note 11) Euros	Sales/ Disposals/ Euros	Balance at 31 December 2022 Euros
Accrued Depreciation:				
Real Estate				
Works in rented properties	318,977	63,077		382,053
Equipment				
Furniture and materials	172,895	22,214	-	195,109
Machines and tools	16,392	898	-	17,290
IT equipment	102,995	2,335	-	105,330
Interior fittings	138,300	26,390	-	164,690
Safety equipment	51,956	1,907	-	53,863
Other equipment	13,444	646	-	14,090
Assets under Operational Lease - Adoption of IFRS16				
Vehicles	230,228	135,407	-	365,635
Facilities	987,046	186,618	(1,087,893)	85,771
IT equipment	263,835	69,149	(156,470)	176,514
	2,296,066	**508,641**	**(1,244,362)**	**1,560,344**
	400,316	**(34,591)**	**456,001**	**821,724**

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 (Note 11) 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**

NOTE 25

OTHER INTANGIBLE ASSETS

The following item is analyzed as follows:

	Dec 2022 Euros	Dec 2021 Euros
Intangible Assets:		
Software in use	8,251,047	8,214,354
Software in development	83,145	-
	8,334,192	**8,214,354**
Accrued Amortization:	(6,142,641)	(5,198,670)
Impairment (Note 12)	(1,017,079)	(1,303,640)
	1,174,472	**1,712,045**

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.

Movements under Intangible assets in the year ended December 31, 2022 are as follows:

	Balance at 1 January 2022 Euros	Acquisitions /Allocations Euros	Transfers Euros	Disposals/write-offs Euros	Balance at 31 December 2022 Euros
Acquisition Value:					
Software					
In use	8,214,354	36,693	-	-	8,251,047
Under way	(0)	83,145	-	-	83,145
	8,214,354	**119,838**	**-**	**-**	**8,334,192**
Accrued Amortizations:					
Software in use	5,198,670	943,971	-	-	6,142,641
	3,015,685	**(824,134)**	**-**	**-**	**2,191,551**
Impairment					
Software in use (Note 13)	1,303,640	116,277	-	(402,838)	1,017,079
	1,712,045	**(940,411)**	**-**	**402,838**	**1,174,472**

The movements under Intangible assets during 2021 were as follows:

	Balance at 1 January 2021 Euros	Acquisitions /Allocations Euros	Transfers Euros	Disposals/write-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**

NOTE 25

CURRENT TAX ASSETS AND LIABILITIES

The Current tax assets and liabilities are analyzed as follows:

	Dec 2022 Euros	Dec 2021 Euros
Income tax stated in balance sheet		
Assets	2,353	2,353
Liabilities	(102,745)	(90,655)
Current tax stated in profit and loss (Note 13)	102,745	122,717

Current tax recorded in the income statement, in the amount of Euros 117.338 (December 31, 2021: Euros 122.717) refers to corporate income tax IRC.

During 2022, the tax charge paid amounted to Euros 92.445 (2021: Euros 142.299), 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 26

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 2020	**4,597,788**	**3,747,984**	**384,553**	**46,519**	**(266)**	**-**	**8,776,578**
Movements in 2021:							
Increase / (Reversal) through results (note 13):	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**
Movimentos em 2022:							
Increase / (Reversal) through results (note 13):	483,257	(77,809)	(64,476)	(82,382)	-	(33,585)	225,005
Increase / (Reversal) through capital:	-	-	-	-	-	-	-
At 31 December 2022	**6,401,611**	**3,806,070**	**228,843**	**27,958**	**(0)**	**(33,585)**	**10,430,897**

Deferred tax assets relating to tax losses carried forward 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 on the basis of 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.

The assessment of the recoverability of deferred tax assets was based on the Business Plan for the period 2023-2025 and the assumptions made therein, also taking into account that, due to the entry into force of the 2023 State Budget, accumulated tax losses no longer have a deduction deadline.

The expectation of generating future taxable income arises from the Business Plan for the period 2023-2025, and 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 2023-2025 has uncertainties associated with the macroeconomic context and the current situation of changing the Bank's shareholder structure. However, the fact that there is no longer an expiry date for 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 2023-2025.

NOTE 27

OTHER ASSETS

This item is analyzed as follows:

	Dec 2022 Euros	Dec 2021 Euros
Public Administrative Sector	348,921	-
Other Accounts Receivable	188,513	182,839
Collateral	301,897	1,004,137
Deferred Expenses	487,155	566,593
Other Interest and Similar Income	-	-
Other Accounts Receivable	7,836	7,836
Other Operations for Settlement	53,415	103,575
	1,387,738	**1,864,980**
Impairment of other Assets (Note 12)	(185,667)	(217,155)
	1,202,070	**1,647,825**

The **Other Accounts Receivable**, in the amount of Euros 188.513 (December 31, 2021: Euros 182.839), includes 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 301.897 (December 31, 2021: Euros 1.004.137) in 2022 refers to the deposit of collateral from international card networks. As of December 31, 2021 this item includes collateral assigned to Haitong Bank in the amount of Euros 650.000, within the scope of derivative trading with this counterparty.

The item **Deferred expenses** in the amount of Euros 487.155 (December 31, 2021: Euros 566.593) includes Euros 243.045 (December 31, 2021: Euros 327.522), within the scope of the multi-year sponsorship of Sporting Clube de Portugal, Euros 42.427 (December 31, 2021: Euros 93.756) on the deferral of costs relating to commissions payable to deposit-taking platforms, Euros 69.747 (December 31, 2021: Euros 42.373) related to software licenses and operational maintenance costs and Euros 70.257 (December 31, 2021: Euros 52.119) related to insurance.

The item **Other operations for settlement** in the amount of Euros 56.377 (December 31, 2021: Euros 103.575), refers to credit reimbursements to be made in the first days of 2022.

The item **Impairment of other assets** includes an impairment loss of Euros 185.667 (December 31, 2021: Euros 217.155 related to invoices overdue for more than 6 months and credit recovery expenses (see note 12).

NOTE 28

CENTRAL BANK RESOURCES

This item is analyzed as follows:

	Dec 2022 Euros	Dec 2021 Euros
Central Banks Resources		
Interest payable	-	12,094
	-	**12,094**

The balance of interest payable in December 31, 2021 arises from the negative interest rate on deposits with the European Central Bank.

As of December 31, 2022, the Bank has financial assets (including sovereign debt securities and corporate – see note 22) eligible for discount with the European System of Central Banks, and were available and undrawn from the pool with the European Central Bank to collateralize resources.

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

NOTE 29

DEPOSITS FROM OTHER CREDIT INSTITUTIONS

This item is analyzed as follows:

	Dec 2022 Euros	Dec 2021 Euros
Credit Institutions Resources		
Deposits	7,167,643	5,635,032
Interest Payable	1,929	48
	7,169,572	**5,635,080**

Credit institutions resources item includes demand deposits amounting to Euros 4.151.892 (December 31, 2021: Euros 5.105.278 held by 6 credit institutions and term deposits amounting to Euros 3.017.680 (December 31, 2021: Euros 529.755) held by two credit institutions.

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

	Dec 2022 Euros	Dec 2021 Euros
In Sight	4,151,892	5,105,278
Until 3 months	3,017,680	529,802
	7,169,572	**5,635,080**

NOTE 30

DEPOSITS BY CUSTOMERS AND OTHER LOANS

This item is analyzed as follows:

	Dec 2022 Euros	Dec 2021 Euros
Deposits		
Current Accounts		
Residents	23,776,957	29,597,909
Non-Residents	3,751,040	4,555,792
	27,527,997	**34,153,701**
Term Deposits		
Residents	73,194,477	87,770,155
Non-Residents	25,304,241	48,526,099
	98,498,718	**136,296,254**
Interest Payable	2,101,988	4,553,464
	128,128,703	**175,003,419**

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

	Dec 2022 Euros	Dec 2021 Euros
In Sight	36,890,563	34,530,877
Until 3 months	17,155,361	33,472,148
From 3 months to 1 year	43,021,384	61,453,136
More than 1 year	31,061,394	45,547,258
	128,128,703	**175,003,419**

NOTE 31

OTHER LIABILITIES

This item is analyzed as follows:

	Dec 2022 Euros	Dec 2021 Euros
Public Administrative Sector	238,092	194,540
Suppliers	549,144	310,909
Other Accounts Payable	6,923	7,178
Charges Payable for Holidays and Holidays Allowances	321,400	225,177
Other Personnel Costs	76,333	53,480
Other Payable Costs	1,350,718	791,474
Other Operations for Settlement	1,807,004	751,361
Derivatives margin accounts	4,530,000	-
Deferred income	2,139	-
	8,881,752	**2,334,117**

The item **Public Administration Sector**, totaling Euros 238.092 (December 31, 2021: Euros 194.540), includes the amount of Euros 176.924 (December 31, 2021: Euros 138.855) related to withholding income tax (IRS and IRC) and stamp tax, as well as the amount of Euros 61.165 (December 31, 2021: Euros 55.684) related to mandatory social security contributions.

The item **Other Payable Costs** refers essentially to accrued costs payable to suppliers and service providers, and includes specialization of performance incentives in the amount of Euros 179.690 (December 31, 2021: Euros 263.080) and charges not yet invoiced.

The caption **Other Operations for Settlement**, which is essentially made up of the following operations, on December 31, 2022 and 2021, respectively:

i) Liabilities associated with leases - adoption of IFRS 16 – Euros 612.360 and Euros 318.516,

ii) Foreign exchange transactions pending settlement – Euros 48.917, only on December 31, 2021,

iii) Other operations, essentially resulting from operations carried out by clients and in the process of financial settlement in clearing systems including transfers and payments, which saw an increase due to a higher level of transactions of this nature – Euros 1.015.675 and Euros 47.947.

The **Derivatives margin account**, in the amount of Euros 4.530.000, only on December 31, 2022, refers to the collateral received from Haitong Bank, as part of the derivatives negotiation with this counterparty.

NOTE 32

CAPITAL

As of December 31, 2020 the share capital amounted to Euros 50.000.000, represented by 10.000.000 shares with a nominal value of 5 Euros.

During 2021 and 2022, four capital increase operations amounting to Euros 17.500.000 and one capital increase operation amounting Euros 3.500.000, 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 31/12/2020	50,000,000.00
Share Capital increase on 24/02/2021	4,000,000.00
Share Capital increase on 30/06/2021	4,000,000.00
Share Capital increase on 01/07/2021	1,000,000.00
Share Capital increase on 13/12/2021	8,500,000.00
Capital as of 31/12/2021	67,500,000.00
Share Capital increase on 29/09/2022	3,500,000.00
Capital as of 31/12/2022	71,000,000.00

As of December 31, 2022, the Bank's share capital amounted to Euros 71.000.000, represented by 14.200.000 shares, and was fully subscribed and paid up, and was fully owned by Banco de Negócios Internacional, S.A.

NOTE 33

RESERVES AND RESULTS CARRIED FORWARD

This item is analyzed as follows:

	Dec 2022 Euros	Dec 2021 Euros
Legal reserve	228,619	228,619
Retained earnings	(36,562,952)	(31,317,606)
	(36,334,333)	**(31,088,987)**

The item **Results Carried Forward** originates from the negative results approved in previous years, in the total amount of Euros 42.392.330, deducted from the coverage of losses made by Banco de Negócios Internacional S.A., in 2012 and 2014, in the total amount of Euros 6.057.997.

NOTE 34

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, i.e. 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, 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 procedures for delegating powers and issuing opinions for decision-making.

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 and other public information databases is an indispensable practice for assessing clients' creditworthiness.

Resulting from its mortgage lending activity, the Bank has real estate properties as collateral for credit operations, both in the Flex and Prime Mortgage products, granted in the Portuguese market, and for reverse mortgage loans granted in Spain. Accordingly, with regard to 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.

As of December 31, 2022, 6,83% of the customer loan 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, on the outstanding loan portfolio, not taking into consideration Cash and Deposits with Credit Institutions and Central Banks, were approximately 5,9 million euros, representing 5,78% of the total outstanding loan portfolio on the date.

Market

Market risk reflects the potential loss that may be incurred by a given portfolio as a result of unfavorable 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 2022, Banco BNI Europa's exposure to this risk was essentially associated with the exchange rate exposure presented below.

Figures in thousands of euros

Assets	EUR	USD	GBP	Total
Cash and cash equivalents in central banks	22,928	5	-	22,933
Cash on hand at other credit institutions	1,511	328	14	1,853
Financial assets available for disposal	3,490	2,887	-	6,377
Loans to customers	123,024	585	-	123,609
Other financial assets at fair value through profit or loss	4,025	-	-	4,025
Total Assets	**154,979**	**3,806**	**14**	**158,798**
Liabilities				
Central banks resources	-	-	-	-
Resources of other credit institutions	4,784	2,384	1	7,170
Resources from customers and other loans	126,487	1,641	0	128,129
Total Liabilities	**131,272**	**4,025**	**2**	**135,298**
GAP (Assets - Liabilities)	**23,707**	**(219)**	**12**	**23,500**

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**

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, 2022 and 2021, the forecast cash flows of the financial instruments, in relation to the residual maturity, depending on the contractual one, are as follows.

31st December 2022

Figures in thousands of euros

Assets	At sight	Up to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
	Euros	Euros	Euros	Euros	Euros	Euros
Cash and cash equivalents in central banks	1,271	21,662	-	-	-	22,933
Cash on hand at other credit institutions	1,853	-	-	-	-	1,853
Investments in Credit Institutions	-	6,377	-	-	-	6,377
Loans to customers	1,393	4,690	6,515	36,244	74,767	123,609
Other financial assets at fair value through profit or loss	4,025	-	-	-	-	4,025
Total Assets	**8,542**	**32,730**	**6,515**	**36,244**	**74,767**	**158,798**

Liabilities						
Resources of other Credit Institutions	4,152	3,018	-	-	-	7,170
Resources from customers and other loans	27,844	26,202	43,021	31,061	-	128,129
Total Liabilities	**31,996**	**29,220**	**43,021**	**31,061**	**-**	**135,298**

GAP (Assets - Liabilities)	**(23,453)**	**3,510**	**(36,506)**	**5,183**	**74,767**	**23,500**

31st December 2021

Figures in thousands of euros

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**

Interest rate

On 31 December 2022 and 2021, financial instruments sensitive to interest rate risk exposure are presented as follows, according to the time remaining for the refixing of the respective interest rate:

31st December 2022

Figures in thousands of euros

Assets	Non-Sensible Euros	Up to 3 months Euros	From 3 to 12 months Euros	From 1 to 5 years Euros	Over 5 years Euros	Total Euros
Cash and cash equivalents in central banks	1,271	21,662	-	-	-	22,933
Cash on hand at other credit institutions	1,853	-	-	-	-	1,853
Investments in Credit Institutions	-	6,377	-	-	-	6,377
Loans to customers	482	23,944	24,557	46,858	27,768	123,609
Other financial assets at fair value through profit or loss	-	-	-	-	4,025	4,025
Total Assets	**3,606**	**51,984**	**24,557**	**46,858**	**31,794**	**158,798**
Liabilities						
Resources of other credit institutions	5,152	2,018	-	-	-	7,170
Resources from customers and other loans	29,246	46,597	40,324	11,961	-	128,129
Total Liabilities	**34,398**	**48,615**	**40,324**	**11,961**	**-**	**135,298**
GAP (Assets - Liabilities)	**(30,792)**	**3,369**	**(15,768)**	**34,897**	**31,794**	**23,500**

31st 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**

NOTE 35

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 Credit Risk Management, Credit Granting and Credit Risk Appetite Policies;
- 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 Credit Granting Policy, 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 "Credit Granting Policy", and lending is subject to a procedure that requires periodic review, being the minimum at least once a year;
- The "Credit Granting Policy" lays down the guiding principles for lending, through procedures and rules to be applied in each phase of the life cycle of operations. The Policy 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 "Credit Granting Policy" 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, de-recognition 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 none probability of occurring and the recorded LGD covers 100% of the total value of the exposure.

C - Impairment reversion 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 favorable 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 Credit Recovery and Restructuring and Non-Performing Exposure Management and Restructured Exposure Policies include the application of these guidelines within the framework of the Bank's activity.

As of December 31, 2022, Banco BNI Europa holds an immaterial portfolio of restructured loans, which represents 0.37% of the total loan 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 the Bank of 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.

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

a) 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 analyze 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), on the basis of 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 on the basis of 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 analyzed 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:
  - (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 canceled 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 payments 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:

a) Credit exposure higher than 500.000 euros, regardless of the stage of the credit (with the exception of the Reverse Mortgage product, whose minimum limit is 1.000.000 euros);

b) Credit exposure higher than 100.000 Euros, when the credit is in stage 2 or stage 3;

c) 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 superior or 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. 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 loans 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 or by the legal department, in the case of litigation procedures. 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.

L – General description of how the current value of future cash flows are 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 Circular nº 62/2018 of the Bank of Portugal, of 15th November 2018, 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 6.001 thousand euros, broken down into 4.577 thousand euros referring to the customer loan portfolio, 1.400 thousand euros referring to debt securities, including structured bonds and 24 thousand euros referring to investments and cash and cash equivalents in ICO.

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:

Figures in thousands of euros

Item	Gross Exposure	Impairment	Impairment Rate
Credit granted directly	95,486	4,577	4.8%
P2P Structured Bond Credit	3,722	1,343	36.1%
Debt Securities	34,403	57	0.2%
Cash Equivalents and Investments at OIC's and Central Bank	31,188	24	0.1%
Total Balance Sheet	**164,799**	**6,001**	**3.6%**
Total Non-Balance Sheet	**14,729**	**-**	**0.0%**

Loans and advances to credit institutions and central bank investments are analyzed as follows:

Figures in thousands of euros

	Cash Equivalents and Investments at OIC's and Central Banks		
Item	**Gross Exposure**	**Impairment**	**Net Exposure**
Cash and cash equivalents in central banks	22,933	-	22,933
Cash and cash equivalents in OICs	1,859	5	1,853
Investments in OICs	6,396	18	6,377
Total	**31,188**	**24**	**31,164**

Thus, on December 31, 2022 cash and cash equivalents and investments in credit institutions and central banks amounted to 31 million euros, which represents a decrease of 73% compared to December 2021.

For the purposes of the analysis carried out on the following pages on the loan portfolio, the following summary table is presented for reconciliation purposes with the information provided in other chapters of the report:

Figures in thousands of euros

	Credit Granted Directly		
Item	**Accounting**	**Adjustment**	**Management Information**
Outstanding Credit	95,015	-	95,015
Interest Receivable	1,077	-	1,077
Overdue Loans	6,317	-	6,317
Reverse Mortgage Coverage	(4,806)	4,806	-
Deferred Commissions	3,053	(3,053)	-
Other Items	(1,448)	1,448	-
Total	**99,208**	**3,201**	**102,409**

Below is a breakdown of the impairment calculated on the outstanding loan portfolio (including direct loans and loans as underlying assets for bonds), according to the Types of Loans that make it up.

Impairment - Direct Credit Granted				
Type of Credit	Balance (€)	Impairment (€)	Average Weighted PD	Average Weighted LGD
Residential	76,801,125	1,531,444	11.48%	28.85%
Consumer	2,029,645	1,214,435	66.37%	78.55%
SME	19,910,342	1,599,425	14.46%	34.88%
Factoring	457,123	231,820	100.00%	50.71%
Total	99,198,235	4,577,125	13.61%	31.18%

Impairment - Underlying Credit in Structured Bonds				
Type of Credit	Balance (€)	Impairment (€)	Average Weighted PD	Average Weighted LGD
Consumer	2,149,789	808,389	38.98%	76.95%
SME	1,061,269	534,558	53.63%	75.94%
Total	3,211,059	1,342,948	43.82%	76.62%

Impairment is calculated on a collective basis, across all loan portfolios, and there are criteria for applying calculations on an individual, case-by-case basis.

O – Conclusions concerning sensitivity analyses of the impairment value and changes in the main assumption

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 5.920 thousand euros to 6.549 thousand euros, representing a variation of 10,6%.

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	76,801,125	1,693,322	12.84%	34.38%
Consumer	2,029,645	1,291,991	67.51%	85.32%
SME	19,910,342	1,909,553	15.21%	41.50%
Factoring	457,123	275,131	100.00%	60.19%
Total	99,198,235	5,169,997	14.83%	36.97%

Impairment - Underlying Credit in Structured Bonds				
Type of Credit	Balance (€)	Impairment (€)	Average Weighted PD	Average Weighted LGD
Consumer	2,149,789	829,594	39.27%	85.50%
SME	1,061,269	549,896	53.65%	82.49%
Total	3,211,059	1,379,490	44.02%	84.51%

Quantitative Disclosure

At the reference date of 31 December 2022 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	**99,198,235**	**87,242,209**	**4,577,125**	**7,378,901**	**79.80%**
Loans falling Due	94,188,936	85,641,485	1,587,764	6,959,687	75.26%
Overdue Credit	5,009,299	1,600,725	2,989,361	419,214	4.53%
Impairment - Underlying Credit in Structured Bonds	**3,211,059**	**0**	**1,342,948**	**1,868,111**	**20.20%**
Loans falling Due	1,903,386	0	96,856	1,806,530	19.54%
Overdue Credit	1,307,673	0	1,246,092	61,581	0.67%
Total	**102,409,294**	**87,242,209**	**5,920,072**	**9,247,012**	**100.00%**

The credit on the balance sheet benefits from mortgage and financial collateral in the amount of 87.242 thousand euros.

a) Details of exposures and impairment constituted

a1) By credit quality

31st December 2022

Type of Credit	Balance (€)	Falling Due Balance (€)	*Of which restructured (€)*	Overdue Balance (€)	*Of which restructured (€)*	Impairment (€)
Direct Credit Granted	**99,198,235**	**94,188,936**	**97,754**	**5,009,299**	**156,304**	**4,577,125**
Residential	76,801,125	75,200,304	0	1,600,821	0	1,531,444
Consumer	2,029,645	860,765	97,754	1,168,880	143,187	1,214,435
SME	19,910,342	18,127,867	0	1,782,475	13,118	1,599,425
Factoring	457,123	0	0	457,123	0	231,820
Underlying Credit in Structured Bonds	**3,211,059**	**1,903,386**	**65,568**	**1,307,673**	**43,908**	**1,342,948**
Residential	0	0	0	0	0	0
Consumer	2,149,789	1,364,331	65,568	785,458	43,908	808,389
SME	1,061,269	539,055	0	522,215	0	534,558
Factoring	0	0	0	0	0	0
Total	**102,409,294**	**96,092,321**	**163,322**	**6,316,972**	**200,212**	**5,920,072**

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**

a2) By days of default

31st December 2022

Type of Credit	Performing Loans (€)		Non-performing Loans (€)	
	Without risk evidence	With risk evidence	≤ 90 dpd	> 90 dpd
Direct Credit Granted	**91,055,848**	**2,526,958**	**1,710,937**	**3,904,492**
Residential	73,899,606	1,108,462	927,153	865,904
Consumer	711,868	86,557	88,304	1,142,917
SME	16,444,374	1,331,939	695,480	1,438,548
Factoring	0	0	0	457,123
Underlying Credit in Structured Bonds	**1,790,231**	**46,106**	**122,578**	**1,252,143**
Residential	0	0	0	0
Consumer	1,296,951	46,106	76,804	729,928
SME	493,280	0	45,774	522,215
Factoring	0	0	0	0
Total	**92,846,079**	**2,573,064**	**1,833,515**	**5,156,635**

Type of Credit	Performing Impairment (€)		Non-performing Impairment (€)	
	Without risk evidence	With risk evidence	≤ 90 dpd	> 90 dpd
Direct Credit Granted	**1,001,627**	**307,834**	**530,510**	**2,737,154**
Residential	854,470	130,783	330,719	215,472
Consumer	40,048	27,432	51,601	1,095,355
SME	107,110	149,619	148,190	1,194,506
Factoring	0	0	0	231,820
Underlying Credit in Structured Bonds	**12,846**	**6,952**	**91,749**	**1,231,400**
Residential	0	0	0	0
Consumer	12,204	6,952	66,505	722,728
SME	642	0	25,244	508,673
Factoring	0	0	0	0
Total	**1,014,473**	**314,786**	**622,259**	**3,968,554**

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**

b) Details of credit portfolio by segment and year of lending.

Type of Credit	2017 and prior			2018		
	# Operations	Balance (€)	Impairment (€)	# Operations	Balance (€)	Impairment (€)
Direct Credit Granted	**112**	**279,355**	**84,345**	**611**	**9,438,378**	**2,010,642**
Residential	0	0	0	47	5,352,071	194,104
Consumer	95	62,498	60,992	374	542,363	493,318
SME	17	216,857	23,352	190	3,543,944	1,323,220
Factoring	0	0	0	0	0	0
Underlying Credit in Structured Bonds	**352**	**1,999,319**	**1,259,671**	**461**	**1,211,740**	**83,276**
Residential	0	0	0	0	0	0
Consumer	285	938,050	725,113	461	1,211,740	83,276
SME	67	1,061,269	534,558	0	0	0
Factoring	0	0	0	0	0	0
Total	**464**	**2,278,674**	**1,344,016**	**1,072**	**10,650,118**	**2,093,918**

Type of Credit	2019			2020		
	# Operations	Balance (€)	Impairment (€)	# Operations	Balance (€)	Impairment (€)
Direct Credit Granted	**740**	**28,517,052**	**1,005,610**	**455**	**14,344,601**	**613,839**
Residential	244	27,250,327	413,438	189	13,760,005	337,733
Consumer	461	809,578	360,350	262	584,594	276,106
SME	7	24	2	4	1	0
Factoring	28	457,123	231,820	0	0	0
Underlying Credit in Structured Bonds	**0**	**0**	**0**	**0**	**0**	**0**
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	0	0	0
Total	**740**	**28,517,052**	**1,005,610**	**455**	**14,344,601**	**613,839**

Tipo de Crédito	2021			2022		
	# Operations	Balance (€)	Impairment (€)	# Operations	Balance (€)	Impairment (€)
Direct Credit Granted	**183**	**8,835,437**	**406,432**	**399**	**37,783,412**	**456,258**
Residential	158	7,793,343	263,113	381	22,645,379	323,055
Consumer	16	29,344	22,773	2	1,267	897
SME	9	1,012,750	120,545	16	15,136,767	132,306
Factoring	0	0	0	0	0	0
Underlying Credit in Structured Bonds	**0**	**0**	**0**	**0**	**0**	**0**
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	0	0	0
Total	**183**	**8,835,437**	**406,432**	**399**	**37,783,412**	**456,258**

c) Details of gross lending exposure and impairment assessed individually and collectively, by segment, sector and geographical region

c1) By Segment

31st December 2022

Type of Credit (Segment)	Balance (€)	Individual Analysis		Collective Analysis	
		Balance (€)	Impairment (€)	Balance (€)	Impairment (€)
Direct Credit Granted	**99,198,235**	**19,805,145**	**656,923**	**79,393,090**	**3,920,201**
Residential	76,801,125	4,662,976	164,269	72,138,149	1,367,175
Consumer	2,029,645	0	0	2,029,645	1,214,435
SME	19,910,342	14,773,433	308,287	5,136,909	1,291,139
Factoring	457,123	368,736	184,368	88,387	47,452
Underlying Credit in Structured Bonds	**3,211,059**	**0**	**0**	**3,211,059**	**1,342,948**
Residential	0	0	0	0	0
Consumer	2,149,789	0	0	2,149,789	808,389
SME	1,061,269	0	0	1,061,269	534,558
Factoring	0	0	0	0	0
Total	**102,409,294**	**19,805,145**	**656,923**	**82,604,149**	**5,263,149**

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**

c2) By activity sector

31st December 2022

Type of Credit (Business Sector)	Balance (€)	Individual Analysis		Collective Analysis	
		Balance (€)	Impairment (€)	Balance (€)	Impairment (€)
Direct Credit Granted	**99,198,235**	**19,805,145**	**656,923**	**79,393,090**	**3,920,201**
Agriculture	13,706	0	0	13,706	3,623
Commerce	1,717,547	147,600	73,800	1,569,947	452,038
Industry	2,737,918	2,234,683	113,392	503,236	163,563
Services	15,898,294	12,759,886	305,463	3,138,408	719,367
Personal	74,717,974	617,223	149,876	74,100,752	2,580,840
Others	4,112,796	4,045,754	14,392	67,042	771
Underlying Credit in Structured Bonds	**3,211,059**	**0**	**0**	**3,211,059**	**1,342,948**
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	2,149,789	0	0	2,149,789	808,389
Others	1,061,269	0	0	1,061,269	534,558
Total	**102,409,294**	**19,805,145**	**656,923**	**82,604,149**	**5,263,149**

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**

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 euros. The jurisdictions that fall short of this amount are encompassed in the 'Other' category in the following tables.

31st December 2022

Type of Credit (Geographical Area)	Balance (€)	Individual Analysis		Collective Analysis	
		Balance (€)	Impairment (€)	Balance (€)	Impairment (€)
Direct Credit Granted	**99,198,235**	**19,805,145**	**656,923**	**79,393,090**	**3,920,201**
Germany	3,570,775	108,354	90,215	3,462,421	1,249,072
Spain	35,288,816	1,012,682	120,539	34,276,134	256,254
The Netherlands	0	0	0	0	0
Portugal	58,878,647	17,306,866	224,482	41,571,780	2,374,295
Others	1,459,998	1,377,243	221,687	82,755	40,579
Underlying Credit in Structured Bonds	**3,211,059**	**0**	**0**	**3,211,059**	**1,342,948**
Germany	1,624,022	0	0	1,624,022	594,753
Spain	0	0	0	0	0
Great Britain	0	0	0	0	0
Ireland	0	0	0	0	0
The Netherlands	1,061,269	0	0	1,061,269	534,558
United States of America	0	0	0	0	0
Others	525,767	0	0	525,767	213,636
Total	**102,409,294**	**19,805,145**	**656,923**	**82,604,149**	**5,263,149**

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**

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 2022. The second board identifies the total amount of credit exposures protected by these collaterals, also segmented by evaluation value.

31st December 2022

Valuation Amount Range (€)	Residential		Consumer		SME	
	# Property	Total Amount (€)	# Real Collateral	Total Amount (€)	# Real Collateral	Total Amount (€)
Subtotals	**884**	**246,418,404**	**0**	**0**	**3**	**124,200**
[€ 0; € 100.000]	98	7,877,957	0	0	0	0
] € 100.000; € 250.000]	489	81,779,708	0	0	0	0
] € 250.000; € 500.000]	200	66,727,995	0	0	0	0
] € 500.000; € 1.000.000]	69	48,176,481	0	0	3	124,200
] € 1.000.000; € 2.000.000]	24	32,042,172	0	0	0	0
] € 2.000.000; +[	4	9,814,090	0	0	0	0

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

e) LVT Ratio of exposures covered by real guarantees in the Residential, Consumer and SME segments

31st December 2022

LTV range at reference date (%)	Residential		Consumer		SME	
	# Loans	Balance (€)	# Loans	Balance (€)	# Loans	Balance (€)
Subtotals	**999**	**76,772,489**	**0**	**0**	**2**	**1,803,673**
[0%; 20%]	40	2,918,832	0	0	0	0
] 20%; 35%]	163	15,995,729	0	0	0	0
] 35%; 50%]	221	23,305,094	0	0	0	0
] 50%; 65%]	224	15,233,492	0	0	2	1,803,673
] 65%; 80%]	326	18,101,000	0	0	0	0
] 80%; +[	25	1,218,342	0	0	0	0

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

NOTE 36

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 2022 and 2021 the list of related parties was as follows:

Shareholders

BNI - Banco de Negócios Internacional, S.A.

Corporate Bodies

Vítor Barosa Carvalho	Chairman of the Board of Directors and of Executive Committee 1)
Bruno Miguel Batista	Member of the Board of Directors and of Executive Committee 1)
João Paulo Jabour Brunet	Member of the Board of Directors and of Executive Committee 1)
António Miguel Maurício Rola Costa	Member of the Board of Directors and of Executive Committee 2)
Nuno Luís Rosário Martins	Member of the Board of Directors and of Executive Committee 3)
Telmo Francisco Salvador Vieira	Chairman of the Supervisory Board
Isabel Gomes de Novais Paiva	Member of the Supervisory Board
João Carlos Espanha Pires Chaves	Member of the Supervisory Board
José Luís Guerreiro Nunes	Alternate Member of the Supervisory Board

1) In office since 01.07.2022
2) Left office on 31.03.2022
3) Left office on 30.06.2022

As of December 31, 2022 and 2021 the Bank's balances with related parties, as well as transactions with these entities for the periods ended in the fiscal year of 2022 and 2021 are as follows:

	Dec 2022				
	Balance Sheet		Off-Balance Sheet	Income Statement	
	Assets Euros	Liabilities Euros		Costs Euros	Income Euros
BNI – Banco de Negócios Internacional, S.A.	26,986	259,747	-	116,318	64,198
	26,986	**259,747**	**-**	**116,318**	**64,198**

	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**

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 37

FAIR VALUE

On 31 December 2022 and 2021, the fair value of financial assets and liabilities stated on the Balance Sheet at amortized cost is analyzed as follows:

	Dec 2022	
	Book Value Euros	Fair Value Euros
Financial Assets:		
Cash and Cash equivalents in Central Banks	22,931,049	22,931,049
Balances at Credit Institutions	1,853,436	1,853,436
Financial assets at fair value through profit or loss	4,025,240	4,025,240
Investments at Credit Institutions	6,379,825	6,379,825
Financial Assets at amortised cost - Customer Loans	90,909,048	89,223,305
Financial Assets at amortised cost - Debt Securities	32,699,600	32,677,861
Financial Liabilities:		
Resources from other Credit Institutions	7,169,572	7,169,572
Resources from other Customers and other Loans	128,128,703	128,128,703

	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	9,815,100	9,815,100
Financial assets at fair value through profit or loss	4,027,720	4,027,720
Investments at Credit Institutions	6,509,442	6,509,442
Financial Assets at amortised cost - Customer Loans	72,336,244	71,059,374
Financial Assets at amortised cost - Debt Securities	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

The main methods and conditions used in estimating the fair value of financial assets and liabilities stated on the balance sheet at the amortized cost, in 2022, are analyzed 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.
- For Level 1 or 2 securities under IFRS 13 (note 39), use of market bids from the main relevant market counterparties.

NOTE 38

ENCUMBERED AND UNENCUMBERED ASSETS

As mentioned in note 28, the Bank had sovereign debt securities and corporate available as collateral for rediscount operations with the European Central Bank, which amounted to, in December 31, 2022 and 2021, Euros 22.156.876 and Euros 3.014.063, respectively.

These financial assets are eligible and were available for discounting and collateralization of financing operations with the European System of Central Banks, and apart from these assets, the Bank's policy is not to encumber its assets, but may do so on a case-by-case basis, provided it is approved by the Board of Directors.

Pursuant to Bank of Portugal Instruction no. 28/2014, of December 23, and in compliance with the guidelines published by the EBA on June 27, 2014, under the title "Guidelines on the disclosure of encumbered assets and unencumbered assets", the following information must be provided:

	Dec 2022			
	Encumbered Assets		Unencumbered Assets	
Bank's Assets	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Equity instruments	-	-	4,025,240	4,025,240
Debt securities	-	-	32,699,600	32,656,121
Other assets	4,678,692	4,678,692	135,657,549	133,971,805
Total Assets	**4,678,692**	**4,678,692**	**172,382,389**	**170,653,167**

	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**

Debt securities eligible and available for discounting and collateralization of financing operations with the European System of Central Banks are included in the Unencumbered Assets section.

Other encumbered assets, which as of December 31, 2022 amounted to Euros 4,678,692 (December 31, 2021: 6,037,785), are as follows:

- Three term investments, in the amount of 3.500.000 Euros, which were given as financial pledge to ensure the fulfillment by the Bank of the assumed responsibilities, associated with means of payment services;
- Collaterals given to Mastercard in the amount of Euros 260.862 also associated with means of payment services;
- Deposits in the Bank of Portugal in the amount of Euros 742.270, corresponding to guarantees for payment systems;
- Provided guarantee concerning the rental of the headquarter building's facilities, in the amount of Euros 175.560.

NOTE 39

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 2022 and 2021, the detail of this item is the following:

31 December 2022

Assets	Market or Listed Value	Valuation model with observable market parameters	Valuation model with non-observable market parameters
Financial assets not held for trading mandatorily at fair value through profit or loss	-	-	4,025,240
Financial assets at amortized cost - Debt securities	22,119,201	8,201,551	2,378,848
	22,119,201	**8,201,551**	**6,404,088**

31 December 2021

	Level 1	Level 2	Level 3
Assets	Market or Listed Value	Valuation model with observable market parameters	Valuation model with non-observable market parameters
Financial assets not held for trading mandatorily at fair value through profit or loss	-	-	4,027,720
Financial assets at amortized cost - Debt securities	795,686	-	11,713,901
	795,686	**-**	**15,741,621**

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 structured bonds whose underlying asset is credit, unlisted shares and 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 2022 and 2021 are analyzed as follows:

	Loans to Customers
Balance at 31 December 2020	**34,966,400**
Acquisitions	6,766,631
Outflows by Maturity	(9,075,000)
Outflows by Settlement	(17,034,720)
Variation in Value	118,309
Balance at 31 December 2021	**15,741,621**
Outflows by Maturity	(3,357,335)
Outflows by Settlement	(5,797,478)
Variation in Value	(182,720)
Balance at 31 December 2022	**6,404,088**

NOTE 40

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 analyzed 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, with the exception of 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 2022 Euros	Dec 2021 Euros
Capital	71,000,000	67,500,000
Retained Earnings and Net Result for the Year	(38,839,550)	(36,334,334)
Regulatory Accruals/(Deductions)	(8,044,610)	(5,389,398)
Common Equity Tier 1	**24,115,840**	**25,776,268**
Tier 1 Equity	**24,115,840**	**25,776,268**
Tier 2 Equity	-	-
Total Equity	**24,115,840**	**25,776,268**
RWA		
Credit risk	81,867,002	99,966,042
Market risk	-	-
Operational risk	8,736,849	13,747,593
Total	**90,603,852**	**113,713,635**
Capital Ratios		
CET1 ratio	26.62%	22.67%
Tier 1 ratio	26.62%	22.67%
Tier 2 ratio	0.00%	0.00%
Total Capital ratio	26.62%	22.67%

NOTE 41

IFRS DISCLOSURES – NEW STANDARDS ON 31 DECEMBER 2022

Below is a summary of the new standards and changes to the IFRS standards in force, through summary notes on the main impacts of the changes published by the International Accounting Standards Board (IASB) and their respective endorsement status by the European Union, with reference to December 31, 2022.

Amendment to the Standards that became effective January 1, 2022:

1.1 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.

1.2 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 Conceptual Framework in the text of IFRS 3, with regard to the identification of an asset or liability within the scope of a business combination, without introducing changes to the accounting requirements for recording business combinations.

This amendment also clarifies that in the application of the purchase method, contingent liabilities and liabilities must be analyzed in the light of IAS 37 and/or IFRIC 21 and not in accordance with the definition of liabilities in the Conceptual Framework, and that the acquiree's contingent assets cannot be recognized 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.

1.3 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 the entity should consider when assessing whether a contract is onerous or not. Only costs directly related to fulfilling the contract are accepted, and these may include: a) the incremental costs of fulfilling the contract, such as direct labor and materials; and b) the allocation of other costs that are directly related to fulfilling the contract, such as the allocation of the depreciation costs 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 contractual obligations to be met, without the comparative being restated. Any impact should be recognized against retained earnings on the 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.

1.4 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 for applying the practical expedient are maintained, whereby: i) if the tenant is already applying the 2020 practical expedient, it must continue to apply it to all leases with similar characteristics, and under comparable conditions; and ii) if the tenant 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, with early adoption permitted in 2021, contingent on the adoption of the first amendment to IFRS 16 - 'COVID-19 related rent subsidies', in 2020.

Impact on the Bank: There were no significant impacts resulting from the adoption of these changes on the Bank's financial statements.

1.5 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 de-recognition 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.

Impact on the Bank: There were no significant impacts resulting from the adoption of these changes on the Bank's financial statements**.**

2. Amendments to standards and new standards effective on or after January 1, 2023:

2.1 IAS 1

Disclosure of accounting policies

Changes to the disclosure requirements for accounting policies, which are now based on the definition of "material" rather than "significant".

Information relating to an accounting policy is considered material if, without it, users of the financial statements would not be able to understand other financial information included in those same financial statements.

Immaterial information regarding accounting policies need not be disclosed.

IFRS Practice Statement 2 has also been amended to clarify how the concept of "material" applies to the disclosure of accounting policies.

European Union Endorsement Regulation: Regulation (EU) No. 2022/357, of March 2**.**

Effective date: Annual periods beginning on or after January 1, 2023.

2.2 IAS 8

Disclosure of accounting estimates

Introduction of the definition of an accounting estimate and how it differs from changes in accounting policies.

Accounting estimates are now defined as monetary values subject to measurement uncertainty, used to achieve the objective(s) of an accounting policy.

European Union Endorsement Regulation: Regulation (EU) No. 2022/357, of March 2**.**

Effective date: Annual periods beginning on or after January 1, 2023.

2.3 IFRS 17

Insurance contracts

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 profit-sharing features if they are also issuers of insurance contracts. IFRS 17 does not apply to policyholders.

Under IFRS 17, issuers of insurance contracts need to assess whether the policyholder can benefit from a particular service as part of a claim or whether that service is independent of the claim/risk event, and separate out the non-insurance component, which will have to be dealt with under other standards. (ex.: IFRS 15 or IFRS 9).

According to IFRS 17, entities have to identify portfolios of insurance contracts on initial recognition and divide them into at least the following groups: i) contracts that are onerous on initial recognition; ii) contracts that do not present a significant possibility of subsequently becoming onerous; and iii) remaining contracts in the portfolio. IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty related to insurance contracts.

IFRS 17 provides that an entity recognizes income as it provides insurance services (and not when it receives the premiums) and 3 | Amendments to standards and new standards, effective on or after 1 January 2023 provides information on the gains from the insurance contract that the entity expects to recognize in the future.

IFRS 17 provides for three measurement methods for accounting for different types of insurance contracts: i) “General measurement model” (“GMM”); ii) “Premium allocation approach” (“PAA”); and iii) “Variable fee approach” (“VFA”).

As part of the application of IFRS 17, entities must disclose qualitative and quantitative information on: a) the amounts recognized in their financial statements relating to insurance contracts; b) the significant judgments, and changes thereto, used in the application of IFRS 17; and c) the nature and extent of the risks arising from insurance contracts..

IFRS 17 is of retrospective application with exemptions foreseen for the transition date.

European Union Endorsement Regulation: Regulation (EU) No. 2021/2036, of November 19.

Effective date: Annual periods beginning on or after January 1, 2023.

2.4 IAS 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.

Subject transactions refer to the recording of: i) right-of-use assets and lease liabilities; and ii) provisions for dismantling, restoration or similar liabilities with the corresponding amounts recognized as part of the cost of the related asset, when on the date of initial recognition they are not relevant for tax purposes.

These temporary differences are not within the scope of the exemption from initial recognition of deferred taxes.

The cumulative effect of the initial application of this change 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: Regulation (EU) No. 2022/1392, of August 11

Effective date: Annual periods beginning on or after January 1, 2023.

2.5 IFRS 17

Initial application of IFRS 17 and IFRS 9 - comparative information

This amendment applies only to insurance entities 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 aim of the amendment is to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, with regard to the comparative information that must be presented when IFRS 17 is initially applied:

a) Your individual application for each financial asset;

b) The presentation of comparative information as if the classification and measurement requirements of IFRS 9 had been applied to the financial asset, but without the requirement to apply the impairment requirements of IFRS 9; and

c) The obligation to use reasonable and supported information available at the transition date in order to determine how the insurer expects that financial asset to be classified, in accordance with the IFRS 9 classification.

European Union Endorsement Regulation: Regulation (EU) No. 2022/1491 of September 8

Effective date: Annual periods beginning on or after January 1, 2023.

Impact on the Bank: No significant impacts are expected from the future adoption of these changes on the Bank's financial statements**.**

3. Changes to the standards published by the IASB not yet endorsed by the European Union:

3.1 IAS 1

Non-current liabilities with covenants

This amendment clarifies that liabilities are classified as current or non-current balances depending on an entity's right to defer payment beyond 12 months after the financial reporting date.

If an entity expects, and has the right at the reporting date, to refinance or roll over a liability negotiated under a line of credit for at least twelve months after the reporting period, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period of time.

However, if the entity does not have the discretionary right to refinance or roll over (for example, there is no agreement to refinance), the entity should classify the liability as a current liability.

The amendment to IAS 1 clarifies that the covenants that an entity is obliged to meet on or before the reporting date affect the classification of a liability as current or non-current, even if their verification by the creditor only occurs after the reporting date (e.g. when the covenant is based on the financial position at the reporting date).

When an entity classifies liabilities resulting from financing contracts as non-current and these liabilities are subject to covenants, it is required to disclose information that allows investors to assess the risk of these liabilities becoming repayable within 12 months, such as:

a) the book value of liabilities;

b) the nature of the covenants and the compliance dates; and

c) the facts and circumstances that indicate that the entity may have difficulties in complying with the covenants on the due dates..

This amendment applies retrospectively.

European Union Endorsement Regulation: Pending endorsement.

Effective date: Annual periods beginning on or after January 1, 2024.

3.2 IFRS 16

Lease liabilities in sale and leaseback transactions

This amendment to the leases standard introduces guidance on the subsequent measurement of lease liabilities related to sale and leaseback transactions that qualify as a "sale" in accordance with the principles of IFRS 15 – 'Revenue from contracts with customers', with a greater impact when some or all of the lease payments are variable lease payments that do not depend on an index or a rate.

When subsequently measuring lease liabilities, seller-lessees should determine "lease payments" and "revised lease payments" in such a way that they do not recognize gains/(losses) in relation to the right of use they retain.

This amendment applies retrospectively.

European Union Endorsement Regulation: Pending endorsement.

Effective date: Annual periods beginning on or after January 1, 2024.

Impact on the Bank: No significant impacts are expected from the future adoption of these changes on the Bank's financial statements.

NOTE 42

CONTINGENT LIABILITIES

Operations not included in the balance sheet are as follows:

	Dec 2022 Euros	Dec 2021 Euros
Commitments given to third parties		
Revocable commitments	54,603,421	63,040,104
Assets pledged as collateral		
Securities		
Refinancing operations with the European Central Bank	25,170,939	-
MASTERCARD collateral	260,862	270,111
Deposits	4,242,270	5,592,114

The reduction of irrevocable commitments between December 31, 2021, and December 31, 2022, is originated in 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.

The heading Refinancing operations with the European Central Bank refers to financial assets (including sovereign and corporate debt securities – note 21) eligible for discounting with the European System of Central Banks, and which were available and not used in a pool with the European Central Bank to collateralize resources.

In March 2023, the Bank became aware of the existence of two administrative offense proceedings pending with the Bank of Portugal, one in summary form and the other in common form, the latter related to a partnership project with a third-party entity, from 2017 to 2019, for which complete information is not available to enable the Bank to understand the risks and quantify any provision for this purpose. In this way, the Bank will review this classification in the future depending on the information that comes to its attention.

NOTE 43

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 greater prospects for profitability and growth in the segments in which it operates.

In 2022, and following the organizational restructuring carried out in the last quarter of 2022, the Bank redefined the areas in which it operates, according to the following segments:

Treasury - management of treasury and own investment portfolio and liaison with Peer-to-Peer (P2P) platforms for taking deposits and granting credit (in the divestment phase), secured or unsecured, originated by P2P platforms.

Corporate - global service to clients in the corporate and institutional segments, with a focus on supporting each client's international activity and on short and medium-long term structured financing solutions, as well as instruments for the daily management of their treasuries.

Prime - service to customers in the individual and sole proprietor segments, in a close relationship with these customers, through the assignment of dedicated account managers.

Customers in this segment have significant volumes in terms of:

- Financial involvement, in Term Deposits or financial assets;
- Mortgage loans and/or real estate assets;
- Customers subscribed to the Prime Plan or with transactional levels included in this Plan;
- Real estate investments in Portugal through investment companies, using mortgage loans;
- Relevant financial investments by small and medium-sized companies (SME).

Consumer – management of private customers in the retail segment, including, in addition to those not included in the Prime segment, digital channels and credit intermediaries and partners, and management of digital business support platforms, in particular Homebanking services, the mobile app and the credit origination platform.

In 2021, the Bank did not carry out any activity in the Prime segment, so the breakdown of the main assets, liabilities and income items by business lines and geographical markets in 2022 and 2021 is as follows:

December 31, 2022

Balance sheet by business segment

	Treasury	Corporate	Prime	Consumer	Not categorized	Total
Assets						
Cash & Disposals BC	22,931,049	-	-	-	-	22,931,049
Cash and Disposals OIC	8,773,229	-	-	-	-	8,773,229
Loans and advances to Customers	4,318,116	4,776,799	15,263,029	68,389,983	0	92,747,928
Securities Portfolio	34,346,396	-	-	-	-	34,346,396
Tangible and Intang.	-	-	-	-	1,996,196	1,996,196
Other Assets	83,461	-	-	260,862	11,324,581	11,668,905
Total Assets	**70,452,251**	**4,776,799**	**15,263,029**	**68,650,845**	**13,320,778**	**177,061,081**
Liabilities						
OIC's Resources	7,169,572	-	-	-	-	7,169,572
Client Deposits	24,344,690	2,617,340	49,549,576	51,617,098	-	128,128,703
Other Liabilities	4,530,000	-	-	-	5,072,756	9,602,756
Total Liabilities	**36,044,262**	**2,617,340**	**49,549,576**	**51,617,098**	**5,072,756**	**144,901,031**
Equity	-	-	-	-	**32,160,450**	**32,160,450**

Balance sheet by geographical area

	Portugal	EU	Rest of the World	Total
Assets				
Cash & Disposals BC	22,931,049	-	-	22,931,049
Cash and Disposals OIC	5,851,332	2,921,897	-	8,773,229
Loans and advances to Custor	56,762,177	34,428,540	1,557,212	92,747,928
Securities Portfolio	10,342,214	28,601,964	(4,597,782)	34,346,396
Tangible and Intang.	1,996,196	-	-	1,996,196
Other Assets	11,324,581	344,324	-	11,668,905
Total Assets	**109,207,549**	**66,296,724**	**(3,040,570)**	**177,061,081**
Liabilities				
OIC's Resources	-	-	7,169,572	7,169,572
Client Deposits	97,622,006	26,972,168	3,534,529	128,128,703
Other Liabilities	9,583,671	18,177	908	9,602,756
Total Liabilities	**107,205,676**	**26,990,346**	**10,705,009**	**144,901,031**
Equity	-	-	**32,160,450**	**32,160,450**

December 31, 2021

Balance sheet by business segment

	Treasury	Corporate	Consumer	Total
Assets				
Cash & Disposals BC	96,611,880	-	-	96,611,880
Cash and Disposals OIC	16,324,542	-	-	16,324,542
Loans and advances to Custor	7,733,450	1,789,888	62,982,296	72,505,635
Securities Portfolio	16,537,307	-	-	16,537,307
Tangible and Intang.	472,243	31,967	1,608,150	2,112,360
Other Assets	13,496,187	(31,967)	(1,608,150)	11,856,070
Total Assets	**151,175,609**	**1,789,888**	**62,982,296**	**215,947,794**
Liabilities				
Central Banks Resources	12,094	-	-	12,094
OIC's Resources	5,635,080	-	-	5,635,080
Client Deposits	48,792,483	8,880,471	117,330,466	175,003,419
Other Liabilities	4,131,535	-	-	4,131,535
Total Liabilities	**58,571,192**	**8,880,471**	**117,330,466**	**184,782,128**
Equity	**31,165,666**	**-**	**-**	**31,165,666**

Balance sheet by geographical area

	Portugal	EU	Rest of the World	Total
Assets				
Cash & Disposals BC	96,611,880	-	-	96,611,880
Cash and Disposals OIC	11,500,644	4,823,898	-	16,324,542
Loans and advances to Custor	28,670,153	42,983,162	852,320	72,505,635
Securities Portfolio	795,686	15,741,621	-	16,537,307
Tangible and Intang.	2,112,360	-	-	2,112,360
Other Assets	11,856,070	-	-	11,856,070
Total Assets	**151,546,793**	**63,548,681**	**852,320**	**215,947,794**
Liabilities				
Central Banks Resources	12,094	-	-	12,094
OIC's Resources	-	-	5,635,080	5,635,080
Client Deposits	119,383,816	51,829,277	3,790,326	175,003,419
Other Liabilities	4,112,017	19,237	281	4,131,535
Total Liabilities	**123,507,927**	**51,848,514**	**9,425,687**	**184,782,128**
Equity	**-**	**-**	**31,165,666**	**31,165,666**

Given that the Bank's organizational restructuring was carried out in the last quarter of 2022, an analytical process for allocating results, essentially in terms of the operating costs of the control, support and governing bodies areas, to the business areas (Treasury, Corporate, Prime and Consumer) has not yet begun in 2022.

For the purposes of the following table, the operating costs of the control, support and corporate bodies' areas have been allocated to the business areas on the basis of interest and similar income.

Income statement by business segment

December 31, 2022

	Treasury	Corporate	Prime	Consumer	Not categorized	Total
Financial Margin						
Interest and similar income	1,401,790	155,330	91,694	5,666,975	73	7,315,862
Interest and similar charges	(614,744)	(28)	(668,587)	(2,421,408)	(8)	(3,704,774)
Commission income	(125)	1,405	21,095	85,332	(4,601)	103,105
Results from financial operations	2,040,959	53,821	7,734	(118,930)	0	1,983,585
Other operating income	191,185	(124)	(635)	(40,200)	(0)	150,226
Banking product	3,019,066	210,404	(548,699)	3,171,769	(4,535)	5,848,004
Personnel costs	(694,676)	(96,674)	(48,956)	(2,516,740)	-	(3,357,046)
Other administrative expenses	(1,105,481)	(92,606)	(59,005)	(3,602,254)	-	(4,859,347)
Depreciation and amortization	(282,372)	(30,441)	(17,970)	(1,121,829)	-	(1,452,612)
Operating expenses	(2,082,529)	(219,721)	(125,931)	(7,240,823)	-	(9,669,005)
Operating Income	936,536	(9,318)	(674,630)	(4,069,054)	(4,535)	(3,821,001)
Provisions and Impairments	1,650,014	(33,809)	(123,127)	(204,734)	(94,820)	1,193,524
Income Before Taxes	2,586,550	(43,127)	(797,757)	(4,273,789)	(99,355)	(2,627,477)

December 31, 2021

	Treasury	Corporate	Consumer	Total
Financial Margin				
Interest and similar income	4,013,621	85,416	3,933,086	8,032,123
Interest and similar charges	(3,224,123)	(17,750)	(1,650,278)	(4,892,151)
Internal transfer cost	(1,036,381)	35,214	1,001,167	-
Commission income	197,176	298	65,073	262,546
Results from financial operations	(35,189)	-	-	(35,189)
Other operating income	(27,970)	-	-	(27,970)
Banking product	(112,866)	103,178	3,349,047	3,339,359
Personnel costs	(830,119)	(45,170)	(2,726,078)	(3,601,366)
Other administrative expenses	(1,036,638)	(44,573)	(2,658,368)	(3,739,578)
Depreciation and amortization	(411,984)	(27,888)	(1,402,946)	(1,842,818)
Operating expenses	(2,278,740)	(117,630)	(6,787,391)	(9,183,762)
Operating Income	(2,391,606)	(14,452)	(3,438,344)	(5,844,403)
Provisions and Impairments	(594,715)	68,302	(180,862)	(707,275)
Income Before Taxes	(2,986,322)	53,850	(3,619,206)	(6,551,679)

The item 'Loans and advances to customers' includes loans and advances to customers and bonds whose underlying assets are loans and advances to customers.

The "securities portfolio" item 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 the financial assets already included in the Loans and advances to customers item.

NOTE 44

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.

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.

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 fulfillment 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 regards 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.

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 difficulties questionnaires sent to customers with moratoriums in force;
- Variation in indebtedness to ICOs of clients with moratoria in force; and
- Credit origination rating compared to the average for each product, within the scope of the moratoriums granted at credit platform level.

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.

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.

Although more than two years have 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 2022 remains valid since, based on the Business Plan 2023-2025, approved by the Board of Directors on March 29, 2023 and under consideration by the Supervisory Board and the Sole Shareholder, and the measures contained therein, the Bank has the necessary resources to continue its operations and business in the foreseeable future, and it should be noted that the aforementioned Business Plan 2023-2025 provides for a series of measures to strengthen the Bank's capitalization and own funds, in conjunction with the Sole Shareholder and the new Equity Investor..

NOTE 45

SUBSEQUENT EVENTS

Business Plan 2023-2025

- 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 capitalization 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.
- Progressively over the course of 2022, the Bank began to develop new activities that were not foreseen in the 2022-2024 Business Plan, namely through i) the creation of its own portfolio of public debt securities and corporate debt (including Commercial Paper), ii) the granting of

credit to companies, iii) new types of credit to individuals with mortgage guarantees and iv) the reinvigoration of trade finance activity.

- On March 29, 2023, the Board of Directors approved the 2023-2025 Business Plan, which is currently under review by the Sole Shareholder. This Plan was prepared on the basis of the Bank's most recent financial position at the time of its preparation.
- The 2023-2025 Business Plan provides for a further broadening of the scope of the activities carried out: in addition to maintaining most of the activities already carried out, including those introduced in 2022, it also provides for the start of providing investment services to customers in 2023 and the diversification and expansion of financial services and loans to companies and Prime Banking, through financial products and services with a high degree of customization.

STATUTORY AUDIT REPORT

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 2022 (showing a total of 177 061 081 Euros and a total net equity of 32 160 450 Euros, including a net loss of 2 505 217 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 the 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 2022, 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 26 of the Notes to the financial statements, the Bank's balance sheet as at 31 December 2022 includes Deferred Tax Assets in the global amount of 10 464 482 Euros (of which approximately 36% relate to temporary differences associated with the impairment losses in the loan portfolio and around 61% result from tax losses generated in previous years and in the year ended 31 December 2022), 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 for the period from 2023-2025 and the assumptions made therein, being a transitory plan until obtaining authorization from the regulatory entities, for the sale of the qualified shareholding in the Bank's share capital and subsequent development of new activity.

However, the Board of Directors understands that the implementation of these assumptions presents uncertainties associated with the macroeconomic context and the current situation of change in the Bank's shareholder structure. In this circumstance, 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 2022.

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.

Mazars & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
Sede Social: Centro Empresarial Torres de Lisboa, Rua Tomás da Fonseca, Torre G, 5º andar, 1600-209 Lisboa - Portugal
Inscrição n.º 51 na OROC - Registada na CMVM sob o n.º 20161394 - NIPC 502 107 251 - Capital Social 186.580,00 € - CRC Lisboa

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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, named Banco Master, S.A. («Banco Master»). In the SPA, the terms of the purchase were established, with Banco Master proceeding to pay the respective contractually stipulated deposit on 10 December 2021. On 25 March 2022, Banco Master formalized in the Bank of Portugal, the authorization process for the acquisition of the entire share capital of the Bank, which is, at this date, still under analysis by the regulator, assuming this process a decisive importance for the development and growth of the Bank's future activity.

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 granted to customers and debt securities	
Description of the relevant audit matter	Audit approach and response
As presented in Notes 12, 20 and 21 of the Notes to the financial statements, the headings Loans to customers and Debt securities include impairment losses in the amount of 4.6 million euros and 1.4 million euros, respectively, as at 31 December 2022. 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 process of quantification of impairment losses includes several estimates and judgements, representing the Management´s best estimate of the expected losses on its financial assets. These impairments are determined through	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; • Carrying out substantive tests on the Bank's impairment model, on a sample basis, with a view to critically review the established model. These Audit procedures included the evaluation of the criteria and methodology

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 judgment from Management 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 judgments made by Management. Following the pandemic context that began in 2020, caused by COVID-19, a set of measures were introduced into the financial system, including moratoriums on mortgage and non-mortgage credits, both for individuals and companies. This measure, together with the lines of support for the economy, led to an increase in complexity in identifying significant increases in credit risk and default indicators. Additionally, Russia's invasion of Ukraine on 24 February 2022, continues to have devastating impacts worldwide, namely the rapid and sharp rises in the inflation rate and in reference interest rates, which bring with them increased uncertainty regarding the economic and social impacts that they could have on the businesses, as well as on families. In these circumstances, changes have been implemented to the Bank's internal impairment analysis models, namely: (i) introduction of additional indicators for identifying significant increases in credit risk; (ii) closer monitoring of customers, in order to assess their ability to cope with a possible increase in their effort rate; and (iii) updating the macroeconomic scenarios, used in the model, in order to incorporate potential economic effects. Considering the materiality and subjective nature of impairments in the credit portfolio granted to customers, this matter was considered as relevant within the scope of our Audit.	adopted in determining the risk and collective impairment parameters, using the extraction of information used in the model (inputs), re-execution 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 and more recently those resulting from the conflict in Eastern Europe; • 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, analysing 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 staging defined and any eventual need to derecognise these assets; and • Critical assessment of the adequacy of the disclosures contained in the Notes to the Bank's financial statements related to this matter, based on the requirements of the applicable accounting standards (IFRS).

Other matters

On 30 March 2022 and by decision of the Board of Directors, the Bank's Executive Committee ceased functioning, and in the period between 1 April and 30 June 2022 the Bank's Board of Directors was composed by only one member. On 29 July 2022 and by deliberation of the Board of Directors, it was decided to resume the functioning of the Executive Committee, made up of the new members of the Board of Directors, appointed on 1 July 2022. In this circumstance, during the period between 1 April and 30 June 2022, the Bank was not complying with the article 15º ("Composition of the management body") of the General Regime of Credit Institutions and Financial entities.

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.

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. However, it is important to consider the information referred to in the third paragraph of the "Other matters" section.

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 2023.
- We declare that we did not provide any prohibited services under the terms of article 77, number 8, of the Statutes of the Portuguese Institute of Statutory Auditors and that we maintained our independence from the Bank during the audit.

Lisbon, 31 March 2023

Mazars & Associados, Sociedade de Revisores Oficiais de Contas, S.A.
Represented by Pedro Miguel Pires de Jesus (Statutory Auditor n.º 1930 e registered in CMVM with the n.º 20190019)

(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)

REPORT AND OPINION OF THE SUPERVISORY BOARD

__Report and Opinion of the Supervisory Board__

(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail)

Dear Shareholder,

In accordance with the law and our mandate, we hereby present our report on our supervisory activity and our opinion on the Management Report and the financial statements presented by the Board of Directors of BNI - Banco de Negócios Internacional (Europa) ("the Bank" or "BNIE") for the year ended December 31, 2022.

Board activity report

The year 2022 saw significant changes at BNIE. In December 2021, a share sale agreement was formalized with a credit institution based in Brazil, Banco Master, and the process of authorizing the sale of BNIE's share capital is underway with the Bank of Portugal.

Following the contract, the Board of Directors and BNIE's sole shareholder approved a Business Plan adjusted to BNIE's transition situation, which, although restrictive in terms of activity, in order to avoid further capital increases by the current shareholder, made it possible to maintain the regulatory ratios throughout 2022.

During the first part of the year, the Board of Directors continued to consist of two members and, following the resignation of one of the board members, it operated from April 1, 2022 with just one board member, until three new executive board members took office, starting on July 1, 2022. The new Board initiated a series of changes aimed at boosting the Bank's activity within the constraints imposed by capital requirements.

During 2022, there continued to be a high turnover of staff, which, combined with the continued absence of non-executive board members, required the Supervisory Board to take even greater supervisory action.

We monitored Banco BNI Europa's regular activity as often and as extensively as we deemed appropriate. We checked the regularity of the bookkeeping and the respective documentation, carried out audits to the extent deemed necessary, ensured compliance with the law and the articles of association and took note of the actions of the Board of Directors.

At various meetings of the Supervisory Board, Board Members and employees of the Bank with key functions, namely those responsible for internal control and risk, representatives of the SROC and consultants, also took part by invitation, depending on the topics under analysis. 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 activities of the Risk Management, Compliance and Internal Audit areas, regularly participated as a guest on various committees, paid particular attention to anti-money laundering and counter-terrorist financing matters, including the iterations relating to the new AML platform that the Bank intends to acquire, and monitored the work of the independent audit of the internal audit function.

It should also be noted that one of the aspects of the direct and permanent contact between this Board and the existing Boards of Directors during the year included providing the latter with timely information on relevant interactions between BNIE and Banco de Portugal, which included access to correspondence exchanged with the supervisor. The Supervisory Board was vigilant with regard to the impact of supervisory actions by the supervisor, assessing and following up on any shortcomings detected and corrective measures.

In particular, and with regard to the activity of the Supervisory Board, the following opinions should be drawn up and approved in 2022:

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 for the period from December 1, 2021 to November 30, 2022.

In addition to these, various Policies sent to us by the different areas of the Bank were assessed, various prior opinions were issued on the Bank's documentation, regulations and reports before they were approved by the Board of Directors and assessments were carried out as part of the fit&proper processes and the replacement of those responsible for control functions.

The financial statements

We also monitored the work carried out by Mazars & Associados, Sociedade de Revisores Oficiais de Contas, S.A. ("Mazars") and assessed the Legal Certification of Accounts, dated March 31, 2023. This Certification includes a reserve relating to the uncertainty associated with the recovery of deferred taxes, which depends on the future achievement of positive taxable results. The Legal Certification of Accounts also includes an emphasis drawing attention to the contract for the sale of shares by the sole shareholder to Banco Master, which took place in 2021, and whose authorization process by the Bank of Portugal is underway. The Legal Certification of Accounts also includes a paragraph on relevant audit matters (credit impairment losses). We also received from Mazars the Additional Report to the Supervisory Body, in compliance with the provisions of paragraphs 1, 2 and 6 of article 24 of Decree-Law no. 148/2015 of September 9 and paragraph 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 the provisions of Regulation (EU) no. 537/2014 of the European Parliament and of the Council of April 16, 2014, which we find complete and enlightening.

As part 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 Statement of Cash Flows and the Notes to the Financial Statements provide an adequate understanding of the financial position of Banco BNI Europa, its results, changes in equity and cash flows;

b) the accounting policies and valuation criteria adopted are appropriate;

c) the Management Report provides sufficient information on the evolution of Banco BNI Europa's business and situation, highlighting the most significant aspects and subsequent relevant events;

d) the proposed appropriation of profits does not contravene the applicable legal and statutory provisions.

Opinion

Accordingly, taking into account the information received from the Board of Directors and Services and the conclusions contained in the Legal Certification of Accounts, the Supervisory Board is of the opinion that the General Meeting:

i) Approve the Management Report for the financial year ending December 31st, 2022;

ii) Approve the Financial Statements for that financial year;

iii) Approve the proposal for the allocation of profits contained in the Board of Directors' Management Report;

Finally, we would like to express our thanks to the Board of Directors, to all the Bank's employees with whom we had contact, for their valuable cooperation and also to the SROC for the clarifications provided whenever necessary.

Lisbon, March 31, 2023

Chairman of the Supervisory Board	Member	Member
Telmo Francisco Salvador Vieira	Isabel Paiva	João Espanha

SUMMARY OF THE SELF-EVALUATION REPORT

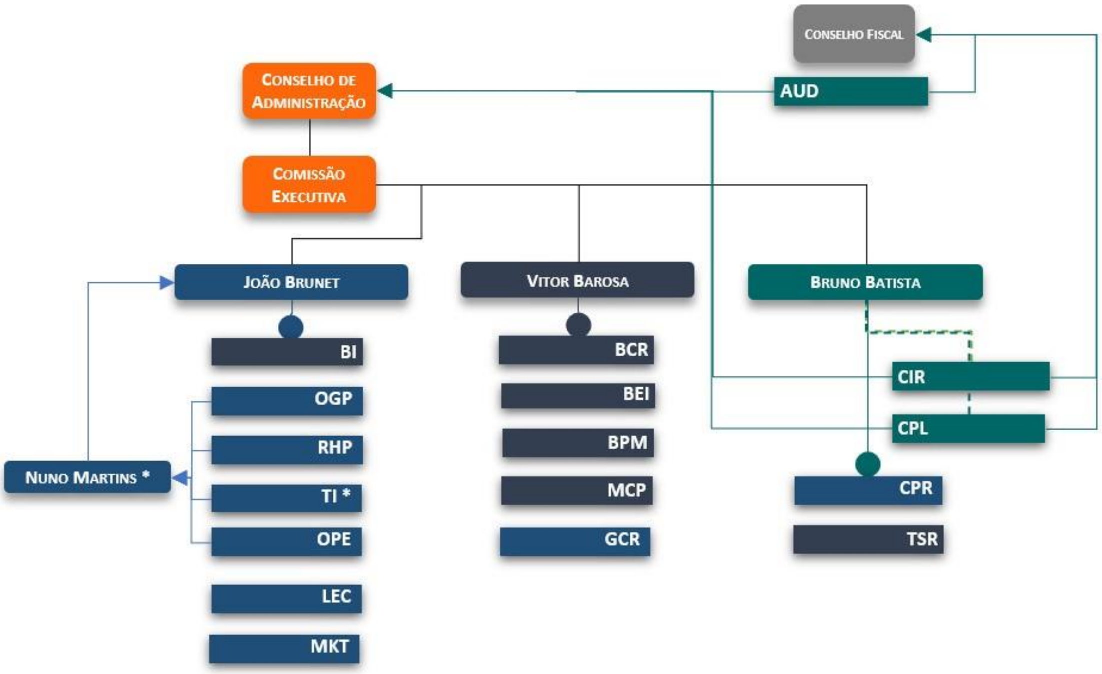
SUMMARY OF THE SELF-ASSESSMENT REPORT

(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail)

The Self-Assessment Report ('Report') prepared under the terms of Article 54 of Bank of Portugal Notice nº. 3/2020 ('Notice'), in force since 16 January 2020, and Instruction nº 18/2020 of the Bank of 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 other matters dealt with in the Notice, with reference to the period from December 1, 2021 to November 30, 2022.

This report includes a description of the activities specifically developed, underway and planned for December 2022 and the year 2023, aimed at ensuring full compliance with the provisions of the Notice and the Instruction.

During the period in question, the Bank's business was restructured with a new management team, and there was a change in the Bank's organizational structure, which is now represented by the following organizational chart:



This organizational chart was designed to take into account the new lines of business that the Bank intends to develop, the reinforcement made to the Bank's team and a greater segregation of the business areas with greater evidence of those responsible for each activity.

There have also been a number of changes to the staff, in particular the following:

- the former Head of the Risk Management Function resigned with effect from October 1, 2022, and the current Head of the Risk Management Function of Banco BNI Europa began his contractual relationship with the Bank on December 2, 2022 and his appointment became effective on December 14, 2022;
- the previous Head of the Compliance Function resigned with effect from December 31, 2021, and the current Head of Banco BNI Europa's Compliance Function began her contractual relationship with the Bank on April 29, 2022 and her appointment became effective on June 14, 2022;
- there was some instability in the staffing of the internal control functions in 2022, particularly in the CIR and CPL areas, with relevant people leaving and periods with a reduced team;

- The Monitoring and Control Committee continues to be suspended, given that the Bank does not yet have a non-executive board member.

The Report identifies 22 employees whose professional activities have a significant impact on Banco BNI Europa's risk profile. In addition, Banco BNI Europa considers the members of the Board of Directors and the Supervisory Board to have a material impact on the institution's risk profile.

Status as of November 30, 2022

At the end of November 2022, the Bank largely complied with the requirements set out in Notice 3/2020. The partial gaps that existed stemmed from the complexity of the requirements under the Notice, of which the Bank defined the following as priorities for the coming year:

- Approval of the Succession Policy, which will comply with a large part of the points in article 5 of the Notice, with only final approval at the General Shareholders' Meeting remaining, since it has already been approved internally by the Board of Directors;

- An independent assessment of the conduct and values of the institution and its management and supervisory bodies will be carried out in 2023, its implementation having been postponed due to changes to the Bank's management team in 2022 and it was agreed that a joint assessment of the two bodies would be carried out;

- Project aimed at adopting measures and recommendations related to the risk of information and communication technologies and data governance. Within the scope of this project, in 2023, the processes for obtaining, producing and processing data, relating to articles 29 and 30 of the Notice, will undergo significant developments.

As far as the Instruction is concerned, all the requirements have already been met as of the reference date.

…

On the reference date of the Report, there were 93 deficiencies in progress and, of these, 9 are being validated by Internal Audit. In terms of risk level distribution, the most representative are F2 deficiencies, corresponding to a percentage of 38%. The main body reporting deficiencies is the Bank of Portugal (45%), followed by Audit and Inspection (27%) and External Audit (9%).

In terms of risk category, there is a significant concentration on ICT risk, for which specific determinations were issued by the Bank of Portugal in 2022, and operational risk.

As part of the preparation of the Report, the annual independence reports of the Heads of the risk management, compliance and internal audit functions were also drawn up, under the terms of articles 27, 28 and 32 of the Notice, respectively, and are included in the Report. In these self-assessment reports, each function has described its composition and the respective heads have confirmed the independence of the functions, without any incidents being recorded that compromise this. In addition, each report identifies which deficiencies are open for each function, the degree of implementation of the measures aimed at correcting them and an indication of the deadline for their definitive resolution.

The Report includes the assessment of the Bank's Supervisory and Management Bodies, under the terms of Articles 56 and 57 of the Notice, on the effectiveness of the organizational culture in force at the institution and its governance and internal control systems:

— In drawing up **the Supervisory Board**'s self-assessment report on the suitability and effectiveness of the organizational culture, and with regard to the work carried out by the body, account was taken of the activity carried out in conjunction with the Board of Directors and the Risk Monitoring Committee, with the FCI and other units of the Bank, with the external auditors, the cumulative evidence gathered, the monitoring of the work carried out by the external auditor and the internal control functions, and the reports and activities carried out by the supervisor. Notwithstanding the deficiencies identified, also presented in the Report, and the need to develop an additional set of procedures to fully implement the provisions of the Notice, the SB concluded that the organizational culture in force at the bank and its internal control systems were adequate and effective. Furthermore, taking into account the context in which the Bank carried out its activity in the reference period, it considers that the assessment of the state of implementation of the measures defined in the reference period to correct the deficiencies detected, including the deficiencies in the Bank's internal control system and accounting system reported by the statutory auditor, or identified by other external entities, including supervisory authorities, is reasonable. It also concludes on the quality of performance and adequate independence of the Bank's internal control functions, including outsourced operational tasks, although there is still a need for significant improvement work to be carried out by the control areas in order to remedy the deficiencies definitively and more quickly. Finally, it concludes that the public disclosure duties resulting from the applicable legislation and regulations are reliable and that all those resulting from the legislation in question and relating to the matters in the Notice were adequately complied with in the reference period.

— The **Board of Directors** draw attention to the context in which the Bank operated during the period in question, noting the influence of the following factors:

- Sale process of the Bank's qualified participation with a new agreement for the total sale of shares of the current shareholder, Banco BNI (Angola), signed in December 2021;

- Beginning of the mandate of a new Board of Directors (2022-2025), with changes to the management team and the appointment of new Board Members, who took office on July 1, 2022;
- Need to modify the strategy designed for 2022, with a redefinition of the business plan and new coordination of resources for this purpose.

It also mentions that the current Board of Directors does not include non-executive members, with the risk management function reporting directly to the Board of Directors. As part of the qualified acquisition process, there is a process in the Bank of Portugal for new governing bodies, including non-executive members, at least one of whom is independent, and the segregation of duties between the Chairman of the Board of Directors and the Chief Executive Officer. Its assessment of the adequacy and effectiveness of the Bank's organizational culture and governance and internal control systems also identifies and analyses the existing deficiencies, the actions taken by the three functional areas and the gaps resulting from the analysis of compliance with the requirements of the Notice. In this way, the Board of Directors concludes that, without prejudice to the gaps which have not been implemented and which have generated deficiencies with regard to a number of new aspects defined by the Notice, the F3 and F4 deficiencies or others which in aggregate raise the Bank's risk profile and the need for occasional staff reinforcements, particularly in the internal control function, the adequacy and effectiveness of the organizational culture and its governance and internal control systems, including the Bank's remuneration practices and policies, are sufficient in view of the requirements defined in the Notice and the size and complexity of the Bank's activity.

Lisbon, March 31, 2023

The Supervisory Board

Telmo Vieira - Chairman | Isabel Paiva - Member | João Espanha - Member