BANCO BAI EUROPA

FINANCIAL STATEMENTS 2021

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BANKING IS NO LONGER A PLACE YOU GO.

IT'S SOMETHING YOU DO.

MAIN INDICATORS

thousand Euro	2019	2020	2021	Year-on-year change
Total Net Assets	822 765	586 404	667 493	+13,8%
Average Net Assets	952 441	728 075	616 504	-15,3%
Turnover	845 326	605 204	750 451	+24,0%
Turnover per employee	19 212	12 608	11 912	-5,5%
Loans and advances to customers	79 163	82 231	119 190	+44,9%
Loans and advances to other credit institutions	39 167	35 857	65 622	+83,0%
Deposits from other credit institutions	556 718	312 187	349 469	+11,9%
Deposits from customers	170 278	174 929	216 169	+23,6%
Transformation Ratio	16,3%	24,2%	32,7%	+8,4 p.p.
Impairment/Loans and advances to customers ratio	3,3%	4,1%	1,1%	-3,0 p.p.
Volume of documentary credit confirmations	249 922	244 451	223 166	-8,7%
Net interest income	8 327	6 750	5 524	-18,2%
Net operating income	12 753	9 595	9 573	-0,2%
Fixed costs	6 843	6 528	7 968	+22,1%
Fixed costs per employee	156	136	126	-7,0%
Fixed costs/Net interest income	82%	97%	144%	+47,5 p.p.
Net operating income per employee	290	200	152	-24,0%
Cost-to-income	53,7%	68,0%	83,2%	+15,2 p.p.
Profit/(Loss) for the period	2 929	170	2 423	+1 321,5%
Return on total assets (ROA)	0,4%	0,0%	0,4%	+0,3 p.p.
Return on equity (ROE)	3,4%	0,2%	2,7%	+2,5 p.p.
Own funds	84 910	89 271	87 713	-1,7%
Solvency ratio (CET 1)	25,5%	25,5%	20,2%	-5,3 p.p.
Number of customers	412	839	1 080	+28,7%
Number of employees	44	48	63	+31,3%

***Note:** The efficiency, solvency and credit quality indicators presented above follow the methodology indicated by Bank of Portugal in Instruction No. 16/2004 of 16 August and Instruction No. 3/2015 of 15 January.*

MESSAGE FROM **THE BOARD OF DIRECTORS**

The year 2021 was marked by the first year of the Strategic and Business Plan (2021-2025 PEN) of Banco BAI Europa (BAIE or Bank), which was characterised by a clear change in business dynamics, representing the achievement of a relevant milestone. Despite the fact that it was still a challenging year for the main markets in which BAIE operates, Portugal (strong recovery after a historical record of the largest economic recession) and Angola (anaemic growth after a long recessionary period), it was possible to achieve significant growth in turnover, both in the portfolios of loans and advances to customers and to other credit institutions and in deposits from customers, thus underpinning the intended diversification of the Bank's funding base.

It should also be noted that our expectation is that the first three years of implementation of the PEN will be the most challenging, due to the broad scope of the areas of activity, not only in the implementation of structural changes and new projects, but also in the consolidation of changes that were already underway, namely in the growth of the team of employees and the strengthening of its leadership ability, the implementation of a new commercial system, the review of the offer, the full restructuring of digital channels and the extension of digital transformation to internal processes, both at the technological level and at the level of operational efficiency and the consolidation of the cultural transformation process.

We are confident that the conclusion of this period of strong investment in human and technological resources will also allow us to achieve other intended business objectives, such as improved profitability and a more significant expansion of the customer base and consequently diversification of counterparties and sources of funding.

As the Bank's team is a key player in the successful implementation of its strategy, reality shows that the process of transformation of the organisational culture that has been implemented over the past years and the investment in its human capital, are fundamental aspects that have enabled us to face the various business challenges and ambitions with confidence. Agility, proactivity, strong teamwork dynamics and customer focus are essential skills for various organisations to successfully respond to disruptive changes in markets and societies.

In regard to the 2022 expectations, after a period of strong post-pandemic economic recovery in which GDP in Portugal grew 4.9% (2021), the end of the first quarter of 2022 is once again being unexpectedly impacted by a strong uncertainty. The conflict between Russia and Ukraine could have extremely damaging economic and social consequences on a global scale, but likely to have a greater impact on Europe.

Prior to the onset of the military conflict, the economic situation in the Eurozone appeared moderately optimistic for the coming quarters, namely the recovery from the impact of the Omicron variant, the gradual improvement of the various activity bottleneck indicators and the strengthening of the implementation momentum of the Recovery and Resilience Plans. However, a high level of uncertainty is rapidly being generated in relation to the unfolding of the conflict and, consequently, deterioration of consumer and investor confidence, together with a significant increase in the prices of the main raw materials, namely oil and gas, which, in terms of the Angolan economy, has opened up more optimistic prospects, insofar as there will be greater support for the recovery of activity, compared to its timid performance in 2021.

Against this background and notwithstanding the importance of implementing strategic initiatives, the Bank has the imperative duty to maintain high standards of accuracy in the management of its business risks, with particular attention to credit risk, namely in the robustness of identification, classification, assessment and mitigation practices.

The commitment of all employees, who demonstrate responsibility, diligence and competence in the performance of their duties, is greatly appreciated. The professionalism and dedication demonstrated by this team makes it possible to fulfil our goals and objectives and to implement the proposed strategy.

It is also noted and appreciated the trust that the Customers have placed in the Bank, which encourages us to continue to provide a differentiated, value-added service, especially aimed at further development of trade and economic relations between Portugal and Angola.

We also thank the support and special collaboration of the Parent Company in Angola, which has greatly contributed to the success of our business and with which we hope to continue to count on, as well as the collaboration of the Angolan banks and other institutional customers to which BAIE provides services as a correspondent bank in Portugal.

1 2021 MACROECONOMIC **FRAMEWORK**

2021 MACROECONOMIC **FRAMEWORK**

I. GLOBAL ECONOMIC GROWTH

The year 2021 witnessed a significant recovery from the losses accumulated in 2020, when the COVID-19 pandemic triggered one of the deepest recessions in living memory. This improvement was supported by accommodating monetary conditions, support measures for businesses and households, the implementation of the COVID-19 vaccination plans and the easing of mobility restrictions.

In accordance with the October update of the World Economic Outlook, the International Monetary Fund (IMF) the global economy is projected to grow 5.9% in 2021, with the bloc of advanced economies growing 5.2%, and the bloc of emerging economies growing 6.4%. If this projection is confirmed, 2021 will be the year of greatest growth in the global economy since 1973. For 2022, the growth outlook for the global economy is 4.9%.

World Economic Outlook

The International Monetary Fund (IMF) the global economy is projected to grow 5.9% in 2021, with the bloc of advanced economies growing 5.2%, and the bloc of emerging economies growing 6.4%.

This optimism, which is widespread in the projections of most international institutions, faces some risks to materialise. In particular, the IMF identifies some in its report: (i) emergence of new genetic mutations in the COVID-19 virus; (ii) disparity among countries in vaccine access and vaccination rates; (iii) disruptions in the supply chain; (iv) increase in global inflation and consequent tightening on monetary conditions.

The Eurozone economy recovered from the pandemic recession more swiftly than initially expected, influenced by the reopening of the economy and consequent recovery of services dependent on personal contact. In its autumn update, the European Commission revised upwards its projections for economic growth in the Eurozone, anticipating real GDP growth of 5% in 2021. The Commission also expects robust growth for the next two years, with real GDP rising by 4.25% in 2022 and 2.4% in 2023.

European Comission

In its autumn update, the European Commission revised upwards its projections for economic growth in the Eurozone, anticipating real GDP growth of 5% in 2021.

This optimism will be driven by domestic demand components, in particular consumer spending and investment, which are expected to benefit from favourable monetary conditions and the implementation of the NextGenerationEU (NGEU) recovery plan. This plan has an allocation of Euro 800 billion in the form of loans and grants and is designed to support reforms and investments by EU countries in improving the resilience of the economy and climate and digital transition.

In the United States of America (USA), The Conference Board forecasts real growth in the North American economy of 5.6% in 2021. For 2022 and 2023, growth is forecast at 3.5% and 2.9%, respectively.

The US Government aid to support household income and investment was of an unparalleled dimension, with the approval of one of the largest stimulus packages ever to the US economy, totalling 1.9 trillion dollars (The American Rescue Plan Act). Among the measures approved in this package are direct support for families with lower incomes, more funds for local and state governments, purchase of vaccines and reopening of schools. In November, a USD 1.2 trillion infrastructure investment package was approved, the impact of which may begin to be felt in the 2022 growth[1].

The American Rescue Plan Act

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[1] Although another relevant social and ecological investment package (Build Back Better) is being discussed, The Conference Board did not include in its projections a scenario of a hypothetical approval of this package.

II. UNEMPLOYMENT, INFLATION AND MONETARY POLICY

The Eurozone unemployment rate stood at 7.3% in October 2021, the lowest since the current pandemic began. Spain (14.5%), Italy (9.4%) and France (7.6%) were the countries with the highest unemployment rates in the bloc, while the lowest rates were recorded in Germany (3.3%) and the Netherlands (2.9%).

Eurozone

The Eurozone unemployment rate stood at 7.3% in October 2021, the lowest since the current pandemic began.

With the easing of the measures restricting mobility, influenced by the macroeconomic policy stimuli, the demand for goods grew significantly, and was not matched by supply in various business segments. This scenario, combined with the significant increase in the prices of energy raw materials and the base effect of the resetting of the standard VAT rate in Germany, created inflationary pressures that culminated, in November 2021, in the highest year-on-year inflation in the last 30 years in the Euro Zone. The year-on-year change in the Harmonised Price Index for the Eurozone was 4.9% that month, with the largest increase seen in energy costs (27.5%).

However, the European Central Bank (ECB) has viewed these inflationary pressures as transitory, with the medium-term inflation outlook remaining below the monetary policy target. More specifically, that central bank assumes that inflation may have peaked in 2021 and should decelerate by 2023 to a level consistent with its monetary policy mandate.

European Central Bank (ECB)

the European Central Bank assumes that inflation may have peaked in 2021 and should decelerate by 2023 to a level consistent with its monetary policy mandate.

The ECB also changed the definition of its inflation target, which is now a symmetric rate of 2% over the medium term, replacing the previous definition that imposed the inflation target as close to, but below, 2%. This move allows the ECB more flexibility in maintaining the current accommodating monetary conditions, even if inflation temporarily exceeds its target.

Regarding monetary policy, the ECB kept its benchmark interest rate unchanged, and expressed that it was unlikely that there would be an interest rate hike in the next two years. At the same time, at its December meeting, the ECB announced that its Euro 1.85 trillion Pandemic Emergency Purchase Programme (PEPP) would be completed in March, but that the reinvestment period may be extended to the end of 2024. The end of the PEPP should be offset by an acceleration of monthly net purchases from the Asset Purchase Programme (APP) to Euro 40 billion, a purchase programme that should be maintained for as long as the ECB deems necessary.

In the USA, the labour market has also evolved favourably, mainly in the services sector. The unemployment rate at the end of the year was 3.9%, an improvement on the 6.7% recorded in the same period of the previous year. However, the inflation rate followed an upward trend, reaching 6.8% in November, a maximum since 1982.

In the first half of the year, the US Federal Reserve (Fed) considered inflationary pressures as transitory and naturally associated with the process of reopening the economy. However, the apparent greater robustness of the labour market and the high risk of a strong persistence of inflation gave the Fed room to anticipate the start of the normalisation process of monetary policy.

In November, the Fed began tapering[2], with a USD 15 billion monthly reduction in its bond purchases, doubling that pace from December (i.e., reducing monthly bond purchases by USD 30 billion). In the minutes relating to the December meeting, the Fed shows greater concern about the evolution of inflation, informing what is being discussed among the members of the Federal Open Market Committee (FOMC): (i) anticipation of the rise in interest rates compared to what was previously forecast and; (ii) beginning of the process of reducing the size of its balance sheet, in a timing consistent with interest rate rises.

[2] Tapering means the gradual reduction of monetary stimuli implemented in the financial system

III. FINANCIAL MARKETS

Similar to the trend in financial markets after the first quarter of the previous year, 2021 continued to be characterised by higher returns from riskier assets. Despite the optimism of the markets, there were some periods of higher volatility associated with the emergence of new variants of the COVID-19 virus and expectations of an early normalisation of the Fed's monetary policy. Expectations regarding the Fed's actions gave strength to the US dollar, with the DXY index appreciating 6.7%. Consequently, there was an appreciation of the North American currency against the Euro of approximately 7.43% during the year.

In the interbank market, the year 2021 was characterised by the stability of Euribor rates around the historic lows reached at the end of 2020. The 3- and 12-month Euribor rates ended the year at -0.572% and -0.501%, respectively. Euribor is expected to remain at these levels for the next two years, as the ECB is likely to keep monetary conditions accommodation for some time.

In the fixed-rate market, financing costs remained at historically low levels in early 2021. It should be noted that in January, Portugal managed for the first time to finance its 10-year sovereign debt with negative interest rates and issued 500 million with an interest rate of -0.012%. However, throughout the year, with expectations of (persistent) inflation rate growth, there were some periods of instability in the yields and spreads of sovereigns with higher debt levels, including Portugal.

On the equity market, the European indices showed significant gains. The PSI-20 closed 2021 up 13.7%, its best annual performance since 2017. The main US stock market indices recorded their third consecutive year of considerable annual returns. The S&P 500 reported its highest performance in three straight years since 1999.

Despite the positive developments in the markets, there are some risks that could jeopardise global financial stability. The IMF[3] has identified three main vulnerabilities, which are intrinsically linked to the stimulus macroeconomic policies that were taken to address the effects of the pandemic crisis: (i) high levels of indebtedness of governments and companies; (ii) high probability of a correction in the value of some financial assets, whose prices increased sharply with the expansionary monetary conditions and (iii) abrupt reversal of capital flows to emerging economies when interest rates in advanced economies rose.

IV. OIL MARKET

In 2021, oil prices reached 2018 highs, with the price of Brent crude exceeding USD 85 per barrel. In average terms the price of Brent crude rose 69% from 2020, making it the largest annual advance since 2009. The rise in oil prices has been based on the following factors: (i) increased investor demand for the raw material, motivated by better prospects in economic activity as a result of the acceleration of the vaccination process; (ii) the reopening of international air space and improved industrial activity in the main consumer countries; (iii) the gradual easing of production by the members of OPEC (Organisation of Petroleum Exporting Countries) and its allies, which implied lower growth in supply than in demand.

For 2022, there is a consensus among many analysts that the price of oil will continue to rise. These prospects are underpinned by: (i) increased global demand for oil, leveraged by the projected global economic growth; (ii) increased demand from European and Asian countries, driven by high gas prices; (iii) controlled supply, considering that OPEC members are having difficulties in meeting current production targets.

However, the oil market also faces some risks that could negatively impact the evolution of crude prices: (i) weakened economic growth due to supply chain disruption; (ii) the emergence of new variants entailing a return to widespread mobility restrictions; (iii) widespread correction in asset prices, including oil, as global monetary conditions come under pressure and (iv) the increase in Iranian supply in the market, which has the potential to influence a return to a scenario where supply outstrips demand.

[3] October 2021 update of the Global Financial Stability Report.

V. DEVELOPMENT OF THE ANGOLAN ECONOMY

The context of rising prices in the oil sector helped macroeconomic stabilisation in several areas. In a year in which oil production in the country faced serious constraints, the price variation effect more than offset the quantity variation in oil tax revenues. Until November 2021, oil revenues grew 44% compared to the same period in the previous year, despite the fact that 13% fewer barrels of oil were produced.

Until November 2021

Until November 2021, oil revenues grew 44% compared to the same period in the previous year, despite the fact that 13% fewer barrels of oil were produced.

Net International Reserves record a 14% rise in 2021, ending the year at USD 9.9 billion. In turn, Gross International Reserves, which include short-term bonds, stood at USD15.6 billion, which covered approximately 11 months of future imports. Notwithstanding the positive context related to the price of crude oil, the country's external position also benefited from the allocation of Special Drawing Rights, of about USD 1 billion, and received the last tranches of the disbursement agreed in the Extended Fund Facility (EFF) programme.

In the foreign exchange market, with the change in the structure of the foreign exchange sales market, oil companies and other exporters have been negotiating the sale of foreign exchange directly with banks and are therefore the main providers of foreign exchange in the market. Within this framework, the BNA has had very little intervention in the market, assuming that it will only intervene to correct distortions that may arise occasionally.

This change, which also benefited from the economic environment, is coinciding with a period of greater stabilisation in the foreign exchange market. According to the BNA, the foreign exchange market is normalised as there have been no records, at the commercial banks, of foreign exchange operations pending due to difficulties in accessing foreign currency, a situation that has contributed to the strengthening of the Kwanza. It should be noted that the Angolan currency appreciated about 18% against the dollar during the year.

Preliminary data from the tax accounts indicate that the public debt ratio (Government and public entities) stood at 84.8% of GDP in September 2021. At the end of 2021, the Government expected the debt stock to fall to 82.1% of GDP. This reduction in the public debt ratio is very positive, particularly since the IMF had estimated a ratio of 135% in 2020, the year in which sovereign debt was downgraded by the three main rating agencies. With the positive trend in tax consolidation indicators and a more favourable economic context, Moody's upgraded the rating from Caa1 to B3, maintaining the outlook as stable[4].

Moody's

With the positive trend in tax consolidation indicators and a more favourable economic context, Moody's upgraded the rating from Caa1 to B3, maintaining the outlook as stable.

In December 2021, the IMF Executive Board completed the sixth review of the EFF. The Executive Board's assessment was positive and allowed the disbursement of the last tranche of the funding, totalling the allocation of USD 4.5 billion earmarked for this programme[5].

The IMF also updated its projections for the Angolan economy, highlighting the forecast of a slight rise in real GDP (0.1 percent) in 2021. After 5 consecutive years of economic recession, this return to positive growth, albeit tenuous, is supported by the context of higher oil prices and the lifting of the restrictions on mobility resulting from the pandemic. These factors helped boost the non-oil sector, whose growth may have offset the contraction in the oil sector.

[4] The outlook for the rating's trend will continue to depend on the success of the implementation of the IMF financial assistance programme, the strengthening of measures that ensure the effective diversification of the Angolan economy, the potential adoption of a second financial assistance programme and also on the development of the oil sector worldwide, especially the price of oil and the maintenance of exchange rate stability of the Kwanza against the main benchmark currencies.

[5] The final allocation for the programme differed from that originally planned as a result of an additional disbursement of approximately USD 765 million to mitigate the impact of the COVID-19 pandemic.

On a less positive note, inflation continued to follow the upward trend already evident in previous years, with the year-on-year change in the consumer price index standing at 26.9% in November. Domestic constraints on the supply of goods in the economy have been an important component with regard to the acceleration in price growth.

In order to control inflation, the BNA adopted a contractionary conduct[6], which entailed a considerable reduction in the liquidity levels of the banking sector and also a limitation on the growth of monetary aggregates. However, this tightening of monetary conditions has not yet produced the expected results in terms of easing inflation. Controlling inflation is thus expected to be one of the biggest challenges facing the Angolan economy next year.

On the other hand, and with regard to the health context resulting from the COVID-19 pandemic, Angola is not in the front line in terms of access to vaccines against COVID-19. The country's vaccination plan is directly dependent on the COVAX programme and on donations received from countries with which it has solid trade relations. The vaccination process in Angola has been slow, with only 12% of the population fully vaccinated (second dose) at the end of 2021. It will be important that the vaccination rate in the country grows to levels closer to those recorded in advanced economies, in order to reduce the probability that the effects of the pandemic will again limit the growth of the non-oil sector.

For 2022, the IMF Outlook suggests an improvement in the main macroeconomic indicators: (i) real GDP growth of 4%, driven by the implementation of growth-oriented structural reforms; (ii) gradual slowdown in inflation, associated with the expected slowdown in world food inflation and the BNA's continued tight monetary stance; (iii) continued decline in the public debt/GDP ratio, maintaining the main social and health expenditures.

Inflation

In order to control inflation, the BNA adopted a contractionary conduct, which entailed a considerable reduction in the liquidity levels of the banking sector and also a limitation on the growth of monetary aggregates.

[6] The benchmark rate was increased from 15.5% to 20%, while the rates on the standing absorption (7-day) and marginal lending (overnight) facilities were also increased to 15 % and 25 % respectively. The foreign currency reserve requirement ratio rose from 17% to 22%. For the national currency, compliance with reserves for deposits in State accounts now has a coefficient of 100%, compared with the previous 22%.

VI. DEVELOPMENT OF THE PORTUGUESE ECONOMY

The greater control over the pandemic and the successful vaccination process[7] have contributed to the recovery of Portuguese economic activity in 2021. After the historic recession of 7.6% in the year of the pandemic, the Banco de Portugal anticipates GDP growth[8] of 4.8% in 2021. This optimism extends to 2022 and 2023, where GDP is expected to grow by 5.8% and 3.1%, respectively.

Private consumption was one of the pillars of the recovery in 2021, with the Banco de Portugal assigning a growth forecast of 5% in that year. This increase in consumption is sustained by the positive developments in the labour market and the reduction in savings that has been accumulated by families since the beginning of the pandemic. Maintaining these assumptions, the Portuguese central bank expects household consumption to continue to grow robustly in the coming years.

It should be noted that one of the most notable developments in the Portuguese economy has been the evolution of the labour market, which has partly benefited from extraordinary measures to support the maintenance of jobs, namely the simplified lay-offs and the support for gradual recovery. The statistics released by INE for November 2021 indicated an unemployment rate of 6.3%, 0.9 p.p. below the homologous period. Additionally, the number of employees grew by 3.1%

Also, in terms of domestic demand, investment was also an important component for GDP growth in 2021, with gross fixed capital formation expected to grow by 4.9%. For 2022 and 2023, the Banco de Portugal forecasts investment growth of 7.2% and 6.6%, respectively. This optimism towards investment, both public and private, is supported by the start of the implementation of the Recovery and Resilience Plan (PRR), which falls under the Resolution and Resilience Mechanisms of NextGenerationEU support.

The PRR has a budget allocation of Euro 16.6 billion, of which Euro 13.9 billion is in the form of outright grants. Portugal has already received an advance of approximately Euro 2.2 billion from the PRR in 2021 and should receive the remainder by 2026, subject to compliance with several targets.

Regarding exports, Banco de Portugal estimates that these will have grown by 9.6% in 2021, benefiting from the rapid recovery of exports of goods, a figure that should have already exceeded the pre-pandemic level by the end of the year. Exports of services, particularly in the tourism sector, have started to recover since the second quarter of the year, reflecting the lifting of restrictions on international mobility. The recent worsening of the pandemic in Europe implies a more contained evolution of tourism flows in early 2022. However, the Banco de Portugal expects a more optimistic scenario from the second quarter of 2022, and the sector's revenues could reach pre-pandemic levels by 2023. The Banco de Portugal forecasts growth in exports of goods and services for 2022 and 2023 of 12.7% and 7.8%, respectively.

In the tax sector, data on Portuguese public accounts until September[9] point to an accumulated tax deficit of 2.5% of GDP, which represents a reduction of 2.6 p.p. compared to the same period in the previous year and may anticipate a probable compliance with the target set in the General State Budget (4.3% of GDP). The inflow of one-off revenues in the third quarter and the strong recovery of economic activity, which allowed for greater tax collection, are the justifications for a deficit much lower than anticipated. It is also important to highlight that, until September, expenditure on support for families and businesses was Euro 5 billion, which compares with the Euro 1.5 billion that were budgeted under this caption for 2021.

In September, Moody's upgraded the rating of the Portuguese public debt from Baa3 to Baa2, justified by the improvement in long-term growth prospects, implementation of structural reforms and expectations of a reduction in the debt burden in coming years. The public debt, calculated using the Maastricht method, stood at Euro 269.8 billion in November, which could represent 126.5% of GDP[10].

Inflation, measured by the average annual variation of the consumer price index, was 2.8%, following the zero-variation recorded in 2020. This evolution was mainly influenced by the growth in energy prices (11.2%). Despite the sharp growth in prices, inflation in Portugal was the second lowest among the Euro Zone countries. The Banco de Portugal, in line with the ECB's view, expects temporary inflationary pressures, which will converge to levels consistent with the ECB's monetary policy target.

The economic scenario presented for the development of the Portuguese economy over the next few years appears to be quite optimistic. Although the optimism of the Banco de Portugal is in line with that of other institutions, both national and international, there are some risks that may imply a less positive evolution: (i) a new worsening of the pandemic situation, resulting in more restrictive measures, which may reduce the confidence of economic agents and delay the recovery of some sectors of activity; (ii) coordination of monetary, fiscal and regulatory policies that may affect the development of the economy[11]; (iii) weak implementation of projects associated to the PRR and in the implementation of the associated reforms.

[7] By the end of 2021, Portugal was the country, along with the United Arab Emirates, with the highest complete vaccination rate in the world.

[8] The projections mentioned in this chapter are based on the December Economic Bulletin of the Banco de Portugal.

[9] Quarterly National Accounts by Institutional Sector - 3rd quarter 2021, INE.

[10] Accounts assuming that the November debt reported by the Banco de Portugal remains unchanged and that nominal GDP was as anticipated by the Ministry of Finance in September.

[11] This coordination will be difficult when the following objectives become conflicting: the need for economic recovery, controlling inflation and preserving financial stability.

VII. FRAMEWORK OF THE PORTUGUESE BANKING SECTOR

The progress made in financial stability requirements by the Portuguese banks in the years before the pandemic crisis was fundamental in ensuring that the banks were well prepared to support the economy's financing needs.

The stock of credit granted by banks to non-financial companies[12] grew by 4.7% year-on-year in November 2021. Although growth was transversal across all size segments, it is important to highlight the deceleration in the growth of credit granted to micro and small companies, whose growth was the slowest since April 2020, the month after which credit facilities were made available to support companies within the scope of the pandemic. In the case of Retail loans, mortgages grew by 4.4% in November 2021, while the growth in consumer credit was 2.2%, consistent with the increase in consumption associated with the lifting of restrictions on mobility.

In terms of liabilities, in a context where the savings rate increased considerably with the onset of the pandemic, deposits continued to increase significantly. Deposits, both for Retail and Corporate segments, were at historic highs at the end of November. The stock of corporate deposits grew by 15.8% year-on-year. The amount of deposits that Retail customers held in banks grew by 7.1%. It should be noted that, with the current context of very low interest rates, the weight of demand deposits has been increasing as opposed to term deposits.

Regarding the banking sector's performance and soundness indicators for 2021, on which Banco de Portugal reported up to the third quarter of the year, there was an improvement across all the dimensions considered:

- The non-performing loans (NPL) ratio, gross and net of impairments, stood at 4% and 1.8% respectively, continuing the downward trajectory that started in mid-2016. This improvement is due to sales and a reduction in non-performing loans, an increase in cash and deposits at central and other banks, and an increase in the NPL coverage ratio for impairment, particularly in the business sectors most affected by the pandemic. Despite the improvement observed, it is important to note that the end of the credit moratoria, which ran until December 2021, may place some uncertainty over the evolution in the quality of the sector's credit portfolio.
- Liquidity indicators have evolved very positively, benefiting from the increase in funding from central banks. It should be noted that, until September 2021, the amount of funds obtained from the ECB was Euro 40.6 billion, compared to Euro 32.2 billion in 2020. The transformation ratio extended the previous downward trajectory that began in 2010, settling at 85.2%. At the same time, the liquidity coverage ratio increased to 257.7%, comfortably above the regulatory minimum of 100%. It should be noted that most major banks issued Minimum Required Eligible Liabilities (MREL) in the course of 2021, amounting to about Euro 3.5 billion[13].
- Following the significant improvement recorded in 2020, the sector's solvency levels stabilised in the period under review, with Common Equity Tier 1 (CET1) capital standing at 15.2%. The recommendation for non-distribution of results will have contributed to the strengthening of solvency levels observed in the post-pandemic period. The leverage ratio, although showing a favourable trend (-0.3 p.p. to 7.2%) in the period under analysis, continues to be above 3%, a regulatory compliance requirement that came into force in June 2021.
- In the first nine months of the year, the sector's net profit increased to Euro 1,475 million, compared to Euro 441 million in the same period of 2020. Return on Assets (ROA) was 0.5%, i.e., 0.4 p.p. higher than the same period last year, while Return on Equity (ROE) increased by 3.8 p.p. to 5.4%. The recovery in profitability was mainly due to the rise in net operating income and the decrease in provision and impairment charges, as a result of the easing of containment measures and the upturn in economic activity. At the same time, the decline in the cost-to-income ratio reflected an improvement in the efficiency of the sector.

Notwithstanding the improvement in the banking system's indicators and the favourable outlook for the development of economic activity, there are a number of risks to the sector's performance. In the December 2021 Financial Stability Report, the Banco de Portugal identified the following: (i) possibility of deterioration in asset quality, due to the uncertainty of a potential increase in interest rates; (ii) market risk associated with the devaluation of financial assets held in banks' portfolios and sensitive to interest rates; (iii) ability to maintain current levels of profitability, with the focus on increasing efficiency through digitalisation becoming increasingly relevant; (iv) risks associated with the digitalisation process of banking activity, including cybersecurity, and the transition to a sustainable economy.

[12] Information concerning the assets and liabilities of banks is taken from the balance sheet statistics of monetary financial institutions. At the time the report was prepared, the available information reported up to November 2021.

[13] The MREL requirement is defined in accordance with the Bank Recovery and Resolution Directive (BRRD2), aiming to ensure that banks are provided with sufficient own funds and eligible liabilities to ensure their ability to absorb losses and recapitalise in adverse scenarios.

million Euro	2019	2020	1Q 2021	2Q 2021	3Q 2021
Balance sheet data					
Total assets	390 297	411 812	423 336	435 666	440 729
Loans and advances to customers	232 583	237 178	238 756	243 843	246 109
Liabilities	354 084	375 773	386 874	398 724	403 269
Deposits from customers	267 179	279 908	285 905	295 618	298 477
Deposits from central banks	17 294	32 300	38 280	40 490	40 702
Equity	36 213	36 038	36 463	36 942	37 460
Equity / Total assets	9,3%	8,8%	8,6%	8,5%	8,5%
Deposits from customers / Total assets	68,5%	68,0%	67,5%	67.9%	67.7%
Liquidity indicators					
Transformation Ratio	87,1%	84,7%	83,5%	82,5%	82,5%
Funding gap	-34 596	-42 730	-47 148	-51 775	-52 368
Liquidity coverage ratio (LCR)	218,5%	245,9%	265,9%	255,3%	257,7%
Solvency and leverage indicators					
Solvency ratio (CET 1)	14,3%	15,3%	15,2%	15,3%	15,2%
RWAs	193 600	185 800	187 000	189 400	187 700
RWAs (in % of total assets)	49,6%	45,1%	44,2%	43,5%	42,6%

Source: *Summary of Banking Sector Indicators - 2021 | 3rd Quarter, Associação Portuguesa de Bancos (Portuguese Banking Association)*

million Euro	2019	2020	2020 (Jan-Sep)	2021 (Jan-Sep)
Income statement data				
Net interest income	6 450	6 172	4 614	4 579
Net commissions	2 963	2 833	2 056	2 216
Net gains/ (losses) on financial operations	208	122	82	588
Net operating income	9 641	9 366	6 858	7 431
Operating costs	5 710	5 410	3 982	3 963
Impairment losses	1 655	2 851	2 059	793
Profit/(loss) before tax	2 871	757	871	2 148
Net profit/(loss)	1 752	195	441	1 475
Net interest income (in % of BP)	66,9%	65,9%	67,3%	61,6%
Cost-to-income ratio	59,2%	57,8%	58,1%	53,3%
Profitability ratios				
ROE	4,8%	0,5%	1,6%	5,4%
ROA	0,4%	0,0%	0,1%	0,5%

Source: *Summary of Banking Sector Indicators - 2021 | 3rd Quarter, Associação Portuguesa de Bancos (Portuguese Banking Association)*

LEGAL AND REGULATORY **FRAMEWORK** 2

LEGAL AND REGULATORY **FRAMEWORK**

The banking activity necessarily involves the assumption of risks, which, if not properly managed, may jeopardise the sustainability of an institution with damaging consequences for the stability of the entire financial structure. Accordingly, the financial sector is necessarily subject to a myriad of regulatory requirements of a prudential and behavioural nature in order to promote the adoption of processes and procedures that are in line with the objectives of preserving financial stability and protecting the interests of depositors and other bank customers.

Since the major global financial crisis that began in 2008, the legislative power and the various regulatory bodies have embarked on a journey to transform the legal framework reporting on banking activity. The framework put in place underwent a thorough legal and regulatory reform aimed at strengthening the transparency, stability and soundness of all financial institutions.

During 2020, there was the added challenge posed by the pandemic, which deeply affected economic activity in Portugal and the rest of the world. The banking activity was also deeply affected by the solutions provided in response to the pandemic crisis, namely the issue of moratoria and the successive reporting requirements to the supervisory authorities. In 2021, global activity began to recover, although conditioned by the emergence of new variants of the virus and by fears associated with inflationary pressures related to the rise in the price of energy and the scarcity of raw materials.

As 2021 is also a year marked by the fight against the pandemic and the contingencies caused by its measures, Banco BAI Europa, S.A. (BAIE or Bank) was had to develop a set of measures in order to assess the impact and extent of the legislation issued in this context, particularly the use of remote working during much of the first quarter.

Nevertheless, in addition to the contingencies caused by the economic and pandemic situation, throughout 2021 there were major regulatory developments and legislative changes impacting BAIE's activity, which among which we highlight the following:

LEGISLATIVE CHANGES

INSTRUCTION No. 2/2021
issued by the Banco de Portugal

Defines low and high-risk factors for money laundering and terrorist financing and specific simplified or strengthened identification and due diligence measures.

INSTRUCTION No. 4/2021
issued by the Banco de Portugal

Instruction on the management and reporting, by payment service providers, of operational and security risks.

INSTRUCTION No. 13/2021
issued by the Banco de Portugal

Amendment to Instruction No. 54/2012, of 15 January 2013, which regulates the operation of the Trans-European Automated Real-time Gross Settlement Express Transfer system (TARGET2 - PT).

INSTRUCTION No. 14/2021
issued by the Banco de Portugal

Regulates the reporting of statistical information to Banco de Portugal.

BEST PRACTICES
on videoconferencing

Best practices on the alternative procedure for the proof of identity through videoconferencing.

LAW No. 70/2021,
issued by National Assembly

Stamp duty exemption on restructuring or refinancing operations of credit in moratorium.

CIRCULAR LETTER NO. CC/2020/00000061
issued by the Banco de Portugal

Good practices in the preparation of institutions for reforms in benchmark interest rates.

CIRCULAR LETTER NO. CC/2021/00000056
issued by the Banco de Portugal

Review of the EBA Guidelines on Sound Remuneration Policies (EBA/GL/2021/04).

Additionally, also within the scope of the entry into force of Notice No. 3/2020 of the Banco de Portugal, during 2021, the BAIE continued with the gap analysis project, in order to fully comply with it.

3 BUSINESS MODEL

BUSINESS MODEL

The Bank's business strategy aims to develop activity in specific market segments, **seeking to adopt the quality of services provided to its customers as a differentiating line. The implementation of this strategic guideline should be based on the adoption of a conservative risk profile** that will ensure the continuity of the Bank's business, in terms of profitability and solvency, under any circumstances.

BUSINESS AREAS
BAIE'S

CORPORATE BANKING	RETAIL BANKING	INSTITUTIONAL BANKING
Area dedicated to supporting resident companies managing their treasury needs and those carrying out export and investment operations, mainly in Africa.	Area dedicated to providing savings solutions for resident and non-resident customers, with focus on the affluent segment, while developing a digital strategy.	Service provided as a correspondent and intermediary to other banks outside the Eurozone, namely institutions in Portuguese-speaking Africa.

1. *CORPORATE BANKING*

Dedicated to promoting trade flows between Africa and Europe, BAIE **has specialised**, since its establishment in Portugal, **in trade finance solutions to support its corporate customers**. The Bank's Corporate Banking area is structured as shown below.

COMMERCIAL BANKING

BAIE offers solutions to **support international trade to companies' resident in Portugal**, seeking that they benefit from the know-how in trade finance and experience with the Angolan market acquired since the bank was founded.

In terms of segmentation, the Bank has a **special focus on exporting SMEs**, while also providing a **diversified offer for large companies and non-exporting SMEs**.

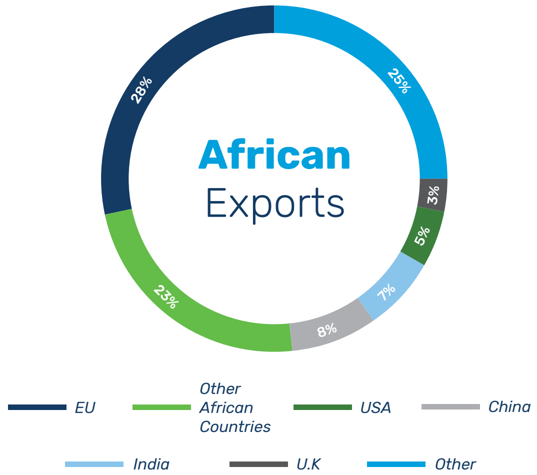
STRUCTURED CREDIT

Organisation of **specialised financial solutions for corporate customers**, namely the creation and/or participation in structured operations, particularly in the form of a banking syndicate.

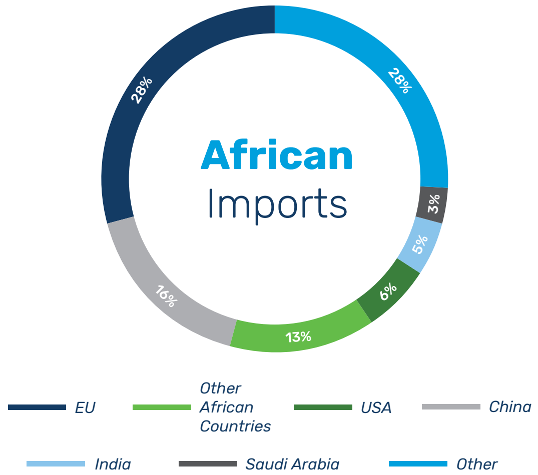
1.1. INTERNATIONAL TRADE

The European Union is Africa's number one trading partner for goods, with 28% of both exports and imports in 2020.

TRADE FLOWS:
EUROPEAN UNION - AFRICA



Source: UN



Source: UN

PORTUGAL'S EXPORTS TO AFRICA

In 2020, the largest exporter of EU goods to Africa was France (Euro 22 billion), with Portugal (Euro 3 billion) ranked 7th. In addition, Portugal (20.0%) had the third largest share of exports to Africa in its total exports to countries outside the EU.

Country	Euro million	% Africa Outside the EU
France	22 453	11,3
Germany	20 151	3,5
Spain	15 575	14,9
The Netherlands	15 568	7,7
Italy	14 998	7,1
Belgium	11 074	8,5
Portugal	3 081	20,0
Poland	2 916	4,7
Sweden	2 611	4,0
(...)	(...)	(...)
Luxembourg	156	6,6

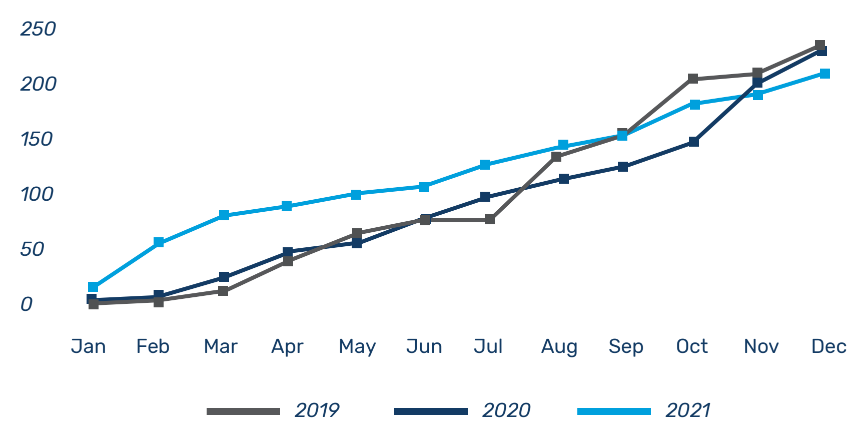
Source: *Eurostat - Comext DS - 018995*

1.2. BAIE'S OFFER

BAIE focuses on niche companies, resident in Portugal or other European Union countries, which carry out export and investment operations in Portuguese-speaking Africa and other African countries.

The Bank has developed a specific set of tools and solutions to support its customers' import and export business, such as:

- Documentary credits: advice, negotiation and confirmation of letters of credit;
- Letters of credit: confirmation of letters of credit;
- Irrevocable credit facilities: Issue of irrevocable credit facilities under letters of credit opened by correspondent banks;
- Discount of letters of credit: Advance payment of the amount of the letter of credit to the exporter before the maturity date;
- Financing: Granting a short-term credit to the importing bank (the issuing bank) which issued a letter of credit to an exporter (the recipient of the letter of credit);
- Transfer of the funds from the credit to the exporter as payment, upon presentation of the required regulatory documentation;
- Documentary payments: Intermediation and document management related to trade finance operations;
- Bank guarantee: Provision of bank guarantees to its customers to ensure that payments are made with the least possible risk;
- Guarantee advisory and reissue: advisory and reissue of guarantees through the presentation of counter-guarantees accepted under the terms of a trade finance transaction.



1.3. NEXT STEPS

NEW MARKETS

BAIE closely follows the activity of its corporate customers, anticipating solutions, according to their international expansion needs.

The main focus of BAIE is the Portuguese-speaking African market. However, the Bank is prepared to expand its business wherever its customers are doing business.

SUPRANATIONAL ORGANISATIONS

Joining trade finance programmes with multilateral institutions is part of BAIE's strategy to find the necessary solutions for

Considering the risk profile, the Bank has taken on exposures in trade finance transactions with this type of international organisation.

STRUCTURED FINANCING

Over the last few years, and particularly in 2021, BAIE has been participating in structured operations abroad, in partnership with African financial institutions, in order to respond to local opportunities through syndicated financing and trade finance agreements.

2. RETAIL BANKING

BAIE segments its customer base into retail, affluent, premium and employees of the BAI Group, focusing on the offer of savings solutions for resident and non-resident customers, namely residents in Angola, BAI customers or employees.

The Bank's main target is affluent customers who, depending on their profile, show greater interest in this type of product.

The Bank is also developing a digital strategy to attract customers, namely through remote account opening (digital onboarding), restructuring of Internet Banking (BAI Europa Directo) and the development of an App.

On 17 January 2022, BAIE reached a very important milestone within this strategy, with the release of the online account opening, 100% digital.

Accordingly, our customers can open an account in just five steps:

1 Contact gathering and confirmation of requirements

2 Acceptance of Pre-contractual Documentation

3 Collection of identification and supporting data

4 Video call for identity validation

5 Document signing

MAIN SERVICES

BAIE provides a wide range of services in the Retail Banking segment, tailored to the needs of its customers, among which we highlight the following:

- **Current Account** with no minimum amount required
- **Term Deposits** with competitive rates
- **VISA Debit card** for managing your daily life, with *contactless* functionality
- **Direct Debits** for periodic payments upon prior authorization
- **BAI Europa Direto** Ckeck your accounts and carry out various operations online

3. INSTITUTIONAL BANKING

As part of its Institutional Banking activity, BAIE focuses on providing services to financial institutions based in Portuguese-speaking Africa, which allows banks to **manage their treasury and financial flows more efficiently**. In addition, BAIE plays the role of **local and regional service provider to these institutional partners**.

Within this scope, BAI Europa's offer focuses on the provision of trade finance, trade payments, FX (forex) and interbank money market solutions to institutional customers.

The Institutional Banking activity also ensures the promotion of the Bank's financing capacity in foreign markets, with other financial and multilateral institutions, establishing partnerships to support trade finance activity, thereby supporting the effort to internationalise European companies in Africa.

Within the Correspondent Banking segment, BAIE offers several products, from international payment services to trade finance solutions tailored to the customer's needs, developed according to the experience acquired in the African and European markets, complementing the offer of Corporate Banking solutions.

THE BAIE FIGURES IN 2021

9 Institutional CUSTOMERS

137 RMAS ESTABLISHED WITH OTHER COUNTERPARTIES WORLDWIDE

MAIN SERVICES

Among the different services provided by BAI Europa, in the Institutional Banking segment, we highlight the following:

- **Current Accounts** with respective account services in EUR and foreign currencies to handle payments and other commercial transactions
- **Participant of SEPA,** TARGET 2 (Euro) and EBA Step 1, as well as all local currency clearing systems in our home market
- **Foreign exchange** and spot operations via Bloomberg and Reuters
- **Savings solutions** (Money market placements)
- **Financing**
- **Online Banking**

BUSINESS DEVELOPMENT 4

BUSINESS **DEVELOPMENT**

COMMERCIAL BANKING AND CORRESPONDENT BANKING DEPARTMENT (DCC)

Within the scope of the 2021-2025 Strategic and Business Plan (PEN), the redesign of the business areas was formalised, which led to the creation of the Commercial and Correspondent Banking Department (DCC) and its three functional units – Retail Banking Unit (UBP), Corporate Banking Unit (UBE) and Institutional Banking Unit (UBI). The organisation of the business units by segment aims to promote customer orientation, leading to the promotion of cross-selling between customers – Retail, Corporate, Institutional – and the creation of synergies between the Commercial Banking and Trade Finance offer, increasing the attraction of business opportunities.

In order to materialise the creation of this new structure, the process of allocating headcounts to the business areas was initiated, and a new Sales Manager, two Business Managers (Lisbon and Oporto) and an Institutional Banking Manager were hired.

The decision was also taken to move forward with the refurbishment of the Oporto office, with the objective of standardising its layout with the one in Lisbon, confirming a strong investment in the northern region of the country, which will allow adequate support to be given to Corporate and Retail customers in this market.

RETAIL BANKING UNIT (UBP)

In 2021, this unit continued its strategy of increasing the Retail customer base on a transactional offer basis – current account, debit and credit card, and term deposit-taking in order to guarantee the diversification of the strategy of raising stable funding to provide sustainability to the growth model in the corporate network.

Following the definition of criteria for segmentation of the Retail customer base, a strategy of priority approach to Affluent and Premium customers (Portugal and Angola) was defined and a segment of Employees of the BAI Group was created in order to extend the offer to all employees of the Group (Portugal, Angola and Cape Verde).

After the introduction of cross segment approach criteria with a view to attracting senior managers and managers from BAIE customer companies, the first approaches were made via commercial systematics with a view to establishing a strengthening of the existing relationship through regular contacts with the private customer base in a logic of outbound contact. This approach allowed for an increase in cross-selling indicators, adherence to internet banking and strengthening of the regularisation process of customer documentation under the KYC process.

This strategy made it possible to achieve a 17% growth in the term deposit-taking (Euro 62.51 million against Euro 53.37 million in 2020) as well as to achieve a 92% penetration rate in internet banking and the placement of 249 debit cards.

CORPORATE BANKING UNIT (UBE)

The commercial approach to the Corporate segment was based, on the one hand, on a strategy of increasing the customer base with a view to achieving greater sector diversification, and on the other hand, on strengthening the involvement with customers with whom the Bank already had a commercial relationship.

After establishing segmentation criteria for the Company's customer base, Exporting SMEs (turnover < Euro 50 million) were defined as the primary target segment and non-exporting SMEs and large companies as a secondary target segment.

In terms of the offer, there was a boost in the proposal for trade finance lines with a view to attracting customers and providing services to the business sector, specifically to companies resident in Portugal that have business or investment lines in Angola.

There was also a strong focus on disbursement credit facilities in the form of mutual loans, in order to provide greater stability to the credit portfolio, broadening the sectorial scope and the maturities of the operations, which also allowed the first steps to be taken towards broadening the offer and reducing the high concentration on a small number of customers.

The corporate loan portfolio reached the amount of Euro 87.99 million, which represents a growth of Euro 27.45 million compared to the 2020 YE (Euro 60.54 million) and a turnover of Euro 102.0 million in pre-financing letters of credit.

INSTITUTIONAL BANKING UNIT (UBI)

The creation of a structure for the follow-up and onboarding of new institutional customers and proactive monitoring of the relationship led to a road show, during the 4th quarter, which enabled 30 face-to-face meetings to be held in Luanda and Maputo. With this initiative, two fundamental goals enshrined in the BAIE's strategic plan were achieved: the strengthening of the Portugal/Angola relationship and the taking of the first steps in the strategy of transition to new markets and geographical areas. A plan of action was also implemented that allowed proposals to be drawn up for the allocation of trade finance limits to a total of 12 banks in Angola and 2 banks in Mozambique.

In addition, important steps were taken towards securing new partnerships with multilateral entities with a view to joining Trade Finance Facility Programmes, and contacts were made to open an account in USD with a North American bank, with the aim of improving clearing services in USD.

Another of the priorities set was the importance of institutional relationships in the strategy for attracting funding, seeking to diversify sources and optimise their cost. BAIE strengthened its relationship with Raisin, which continues to be one of the main sources of term deposit-taking, and maintained, within the scope of the contacts established with correspondent banks, an approach to the taking of funds (Interbank Money Market, term deposits and demand deposits).

In 2021, a volume of Euro 222.6 million in Letters of Credit was confirmed; 80,286 foreign payment orders were issued, and two new partnerships were established with banks in Angola.

TREASURY AND STRUCTURED CREDIT DEPARTMENT (DTE)

TREASURY MANAGEMENT UNIT (UGT)

Liquidity is a fundamental basis for BAIE's management and remained solid in 2021, as in previous years. UGT implemented the outlined strategy, achieving the planned goals which include efficient management of available liquidity, management of financial assets and liabilities, interest rate and exchange rate risk management.

UGT plays an important role in the BAIE's liquidity management through maintaining the defined liquidity ratios and, together with the Institutional area, maintaining a constant effort to diversify funding sources.

Since 2015, when the Basel III standards came into force, BAIE has had a Liquidity Coverage Ratio above the minimum required. As at 31 December 2021, the LCR was 297% (in December 2020 it was 307%).

In this financial year, in June 2021, the NSFR (Net Stable Funding Ratio), a ratio between the available and required amount of stable funding, came into effect. In this context, in the course of 2021, BAIE was able to increase stable funding, with customer deposits increasing by 23.6% and deposits from institutional customers increasing by 11.9%.

During 2021, the Bank maintained a bond portfolio with a reduced duration (which translates into a low interest rate risk) and reduced credit risk (76% of the bond portfolio has an investment grade rating).

STRUCTURED CREDIT UNIT (UCE)

Throughout the year, the ECU acted as Arranger or Mandated Lead Arranger on international financing transactions in Africa for more than USD 60 million. In Europe, the Bank participated in two primary market transactions in Schuldschein format for Euro 10 million.

At the end of 2021, BAIE, under the Portugal - Angola Convention, was designated as Agent Bank for a financing transaction for the Angolan Ministry of Finance of approximately Euro 112 million.

5

HUMAN CAPITAL AND SUSTAINABILITY (ESG = E+S+G)

HUMAN CAPITAL **AND SUSTAINABILITY**

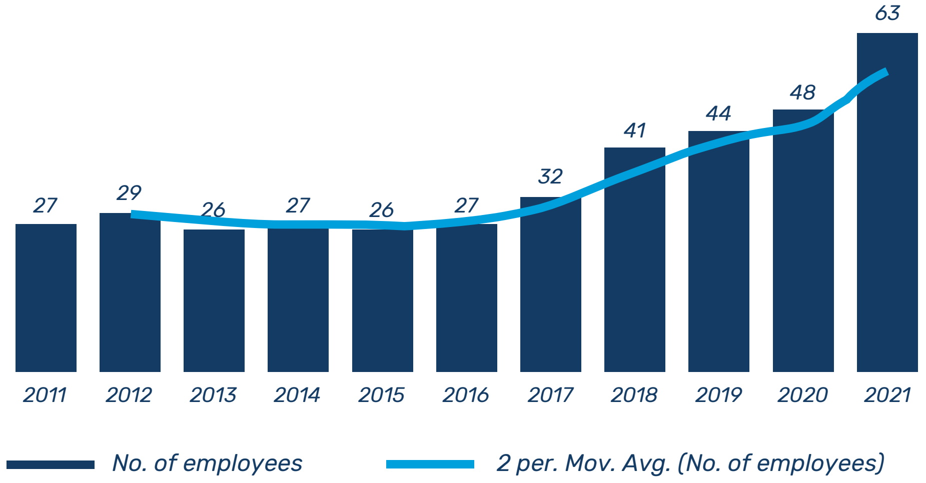
HUMAN CAPITAL DEVELOPMENT

In 2021, BAI Europa began the implementation of the strategic plan based on five strategic axes, one of them being the focus on Human Capital and Social Impact. In a year which continued to be marked by the COVID-19 pandemic, the Bank maintained its strategy of Human Capital development and cultural transformation with the objective of contributing to the development of its employees, meeting shareholder expectations and being a benchmark in the provision of a tailor-made, quality service.

For this strategy to be successful, it was necessary to strengthen internal communication, team building dynamics and leadership development of the Team, with a special focus on its managers. Newsletters were published on a quarterly basis to inform of the evolution of the strategic and business plan, and on two separate occasions all the employees and governing bodies of the Bank were brought together. The Bank's Kick Off took place in March, remotely and by video call, where the strategic plan of BAIE for the next five years and the future Board of Directors were made known to the employees. Furthermore, in June, ensuring all the safety measures suggested by the Directorate General of Health (DGS), a face-to-face activity was held.

BAIE ended the 2021 financial year with 63 employees, a growth of 31% compared to 2020.

NUMBER OF EMPLOYEES
BAIE 2021

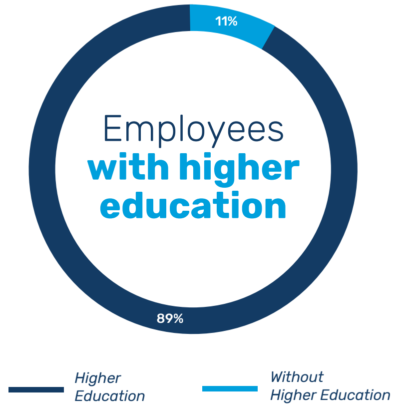


The majority of hiring were in the business, control and technology areas, representing 73% of the entries, whereas the exits observed were in the technology and control areas, with a representation of 80%.

DISTRIBUTION OF EMPLOYEES
BY GENDER

EMPLOYEES WITH
PERMANENT WORK CONTRACTS

EMPLOYEES WITH
HIGHER EDUCATION



These movements contributed towards ending 2021 with an average age of employees of 37 years old and a team made up of 37% female and 63% male members.

Of the total of 63 employees, 92% have permanent work contracts, 89% have higher education qualifications and there are employees of 6 different nationalities.

ENVIRONMENTAL (E)

Environmental - BAIE is taking its first steps in this field, having participated for the first time in 2021 in green bond emissions. The BAIE will be on the lookout for opportunities to finance operations aimed at a low-emission economy and combating climate change.

Although supervisors have already started to incorporate ESG factors into their agendas, ESG risk assessment is still at an early stage. BAIE will work throughout 2022 on adopting the approaches required to assess and monitor ESG risks. There is an awareness that this will be ongoing work over the coming years as these concepts naturally mature in the wider financial industry.

There are currently a number of challenges in integrating ESG risks in institutions, at the level of their management and monitoring, with the EBA highlighting the following:

- Level of uncertainty: the timing and effect of policies and regulations, the implementation of which is largely the responsibility of EU Member States, are difficult to foresee, as are the timing and effect of physical risks.

- Insufficient data: the scarcity of relevant, comparable, reliable and user-friendly data is another major challenge that limits the understanding of the potential impacts of ESG risks on financial asset performance. Whereas ESG-related data for large companies is increasingly accessible, such data for counterparts such as SMEs, regional governments and companies in emerging or developing markets is scarcer. Moreover, it remains a challenge to transform the available ESG data into a reliable forecast about the future financial performance of a counterparty. Currently, much of this data is only available on an annual basis (i.e., in sustainability reports), which can make an accurate assessment of ESG risks even more difficult, as these can increase or decrease significantly over the one-year time horizon. It will therefore be important that ESG-related reporting becomes more consistent and coherent by companies to help improve the quality and availability of ESG data. There are already some initiatives in this direction, notably the publication by the European Commission, of the Directive with its proposed Corporate Sustainability Reporting, which now requires more granular ESG-related disclosures from a wider range of companies. On the financial institutions' side, the EBA published earlier this year the technical standards for implementing Pillar 3 disclosures on ESG risks, which will standardise disclosures related to ESG risks.

- **Methodological constraints:** most risk management models are based on historical data to estimate current or future risks, and ESG factors are not usually reflected in such data. In this regard, it is difficult to consider ESG in the calculation of risk parameters such as the probability of default (PD) of borrowers or the loss given default (LGD) using existing methodologies. Other methodological constraints include translating ESG risks into financial risks, understanding what their impact is on the resilience of business models and in the lack of a harmonised definition of the full range of sustainability-oriented activities.

- **Incompatibility between the time horizon of traditional management tools and the timeframe for the materialisation of ESG risks:** Climate scenarios generally analyse the impacts of possible options adopted by the end of the 21st century. The transition to a carbon neutral economy is planned to take place gradually over the next 30 years. On the other hand, the time horizon for the strategic planning of institutions and risk management structures are traditionally much shorter, meeting the requirements and pressure from shareholders and the macroeconomic factors available.

- **Multi-factor impact of ESG risks on institutions:** Given that ESG risks can impact different categories of financial risks, the financial position of institutions can be affected in different ways. For instance, environmental deterioration in areas where some economic activities (e.g., agriculture, construction) operate can lead to higher losses in case an institution is exposed to these activities through loans or securities. The much-needed transition to a more sustainable economy in general and a carbon-neutral economy in particular, may also negatively affect existing business models. Credit losses or losses in the market value of financial assets translate into impacts on the capital adequacy of institutions and hence on their soundness. In addition, when credit rating agencies include ESG risks, the credit ratings of companies that are more vulnerable to the level of ESG risk may be revised downwards resulting in higher risk weights on the affected exposures. Ultimately, where ESG risks negatively influence the valuation value of collateral, this may increase LGD. In extreme situations, ESG risks can also cause a capital outflow, for example following a natural disaster. Regarding capital and funding costs, it is likely that investors and depositors will increasingly begin to discriminate against institutions that disregard the negative effects of ESG factors.

- **Non-linearity:** Most ESG risks, particularly those related to environmental risks, are non-linear in nature. Both physical and transitional risks can create complex chain reactions and cascading effects, which in turn can generate unpredictable environmental impacts, geopolitical, social and economic dynamics.

In 2021, a decision was also taken that all new lease agreements for the Bank's vehicle fleet could only cover plug-in, hybrid/plug-in or electric vehicles.

SOCIAL (S)

As in previous years, BAIE's Events Committee, via CEB, developed activities that promote team spirit and well-being within and outside the organisation guided by BAIE's core values. In this context, social events and other on and offline activities were promoted, always following the DGS rules in force at each moment, as well as a food collection in partnership with the Food Bank, in which 77 kilos of non-perishable basic foodstuffs were collected.

In 2021, BAIE supported direct and indirect taxes and mandatory contributions with social security and banking sector representing about 40% of its net interest income.

GOVERNANCE (G)

1. INTERNAL GOVERNANCE STRUCTURE

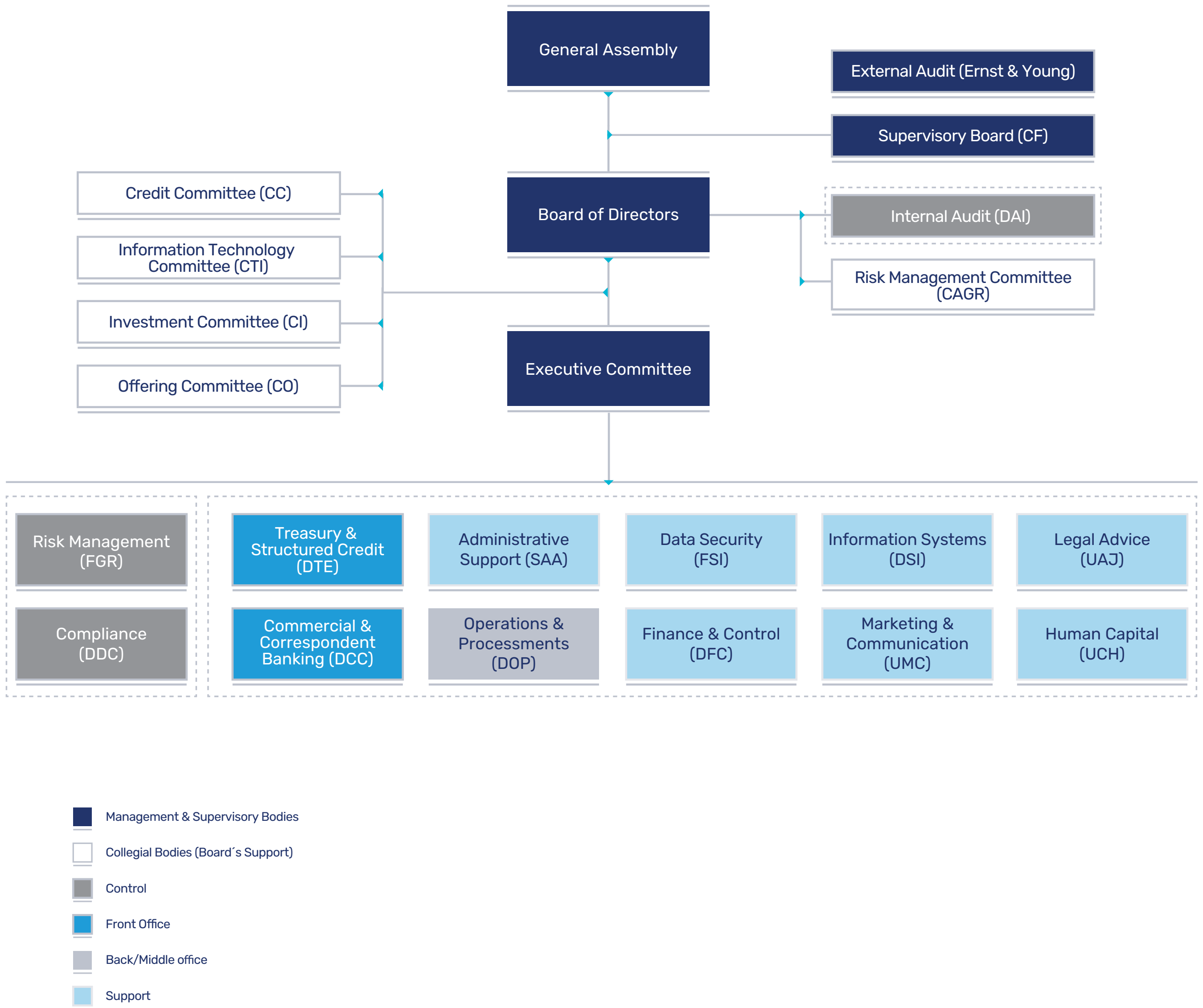
BAIE has developed its activity in order to combine good corporate governance criteria, including technical expertise and duties of care, loyalty and transparency, with procedures aimed at achieving the goals of good corporate governance, including the segregation of duties and the implementation of strict management, financial and risk controls and their monitoring.

BAIE's internal governance structure is outlined based on several factors, namely the environment in which the Bank operates, its business strategy, its conduct and organisational culture, as well as the size, nature and complexity of its activity.

Based on these factors, the Bank's organisational structure has been designed to ensure the existence of adequate resources for the execution of the Bank's business strategy, as well as for the identification, assessment, follow-up, control and monitoring of the financial and non-financial risks to which the Bank is exposed in the course of its activities.

The Bank's internal organisation is portrayed in the organisational chart below and described in specific regulations, called "Organisational Structure".

ORGANISATIONAL STRUCTURE



1.1. CORPORATE BODIES

BAIE's corporate bodies are the General Meeting of Shareholders, the Board of Directors and the Supervisory Board, and minutes are taken of all the meetings of these bodies. The term of office of the members of the corporate bodies is four years and they may be re-elected.

The composition of BAIE's corporate bodies elected by the General Meeting of Shareholders and approved by Banco de Portugal is available on the BAIE website (http://www.bancobaieuropa.pt).

1.1.1. GENERAL MEETING

The board of the General Meeting consists of a Chairman and the company secretary. The General Meeting is convened by its Chairman, with at least thirty days' notice, and may validly deliberate on first convening, provided that shareholders representing more than 40% of the share capital are present or represented.

Decisions at the General Meeting are taken by an absolute majority of the votes cast, except when the articles of association require a qualified majority of votes, in which case such decisions can only be taken after the Board of Directors has given its prior opinion.

1.1.2. BOARD OF DIRECTORS

The Board of Directors is currently composed of three executive directors and three non-executive directors, one of whom is independent. They took up their functions on 8 October 2021 after being authorised by the Banco de Portugal.

All directors in office have adequate technical skills and professional experience to perform their duties, complying with duties of care and loyalty and strict compliance with the law, in the interest and with a view to the sustainability of BAIE.

The day-to-day management of the Bank was delegated by the Board of Directors to an Executive Committee (CE). The Executive Members have been allocated specific responsibilities for monitoring the different departments that comprise the Bank's organisational structure. The distribution of portfolios considers the different qualifications and the personal and professional experience of each of the directors.

The Board of Directors meets in accordance with the frequency set by the Board itself and at least once every quarter. Decisions are taken by majority vote. In the event of a tie, or if the Board of Directors is composed of an even number of members, the Chairman of the Board of Directors has the casting vote.

The powers, composition and modus operandi of the Board of Directors are detailed in the relevant regulations approved by the General Meeting, in addition to the legal provisions and the Bank's articles of association.

1.1.3. EXECUTIVE COMMITTEE

The Executive Committee is composed of three executive directors appointed by the Board of Directors from among its members, including a Chairman (CEO), all elected by the General Meeting.

The Executive Committee meets at least once a month, except in August, or whenever it is convened by its Chairman or by any of its members.

Decisions of the Executive Committee are taken by majority vote. In the event of a tied vote, the Chairman shall have a casting vote.

The directors who comprise the Executive Committee ensure that all information concerning their activity is provided to the other members of the Board of Directors, who, in turn, are responsible for the general monitoring of the former's performance.

The powers, composition and modus operandi of the Executive Committee are detailed in the relevant regulation approved by the General Meeting, in addition to the legal provisions and the Bank's articles of association.

1.1.4. SUPERVISORY BOARD

The Company is supervised by a Supervisory Board elected by the General Meeting and composed of three full members and one alternate.

Currently, the members of the Supervisory Board appointed for the previous term of office are in office, and the authorisation process underway with the Banco de Portugal for the members of the Supervisory Board appointed for the 2021-2024 term of office is awaiting completion.

The Supervisory Board meets as often as determined by its members, with a minimum frequency of quarterly. Decisions are taken by majority vote.

The powers, composition and modus operandi of the Supervisory Board are detailed in the relevant regulation approved by the General Meeting, in addition to the legal provisions and the Bank's articles of association.

1.1.5. STATUTORY AUDITOR

BAIE's accounts are audited by a statutory auditor or a firm of statutory auditors appointed by the General Meeting.

1.2. OTHER COLLEGIATE BODIES

1.2.1. RISK MANAGEMENT MONITORING COMMITTEE

The Risk Management Monitoring Committee (CAGR) is composed of the executive directors, the independent non-executive member of the Board of Directors, who chairs this committee, the directors of the Risk Management Function (FGR), the Compliance Department (DdC), the Internal Audit Department (DAI) and the Information Security Function (FSI), and at least one member of the Supervisory Board.

This committee is responsible for the permanent monitoring of the financial and non-financial risk management system. As a monitoring body, this committee has no decision-making powers.

The meetings take place ordinarily every two months and extraordinarily whenever convened by its Chairman or, in his absence, by another director of the Committee.

The powers, composition and modus operandi of the Risk Management Supervisory Committee are detailed in the relevant regulation approved by the Board of Directors.

1.2.2. CREDIT COMMITTEE

The Credit Committee (CC) is a decision-making body that comprises all the directors who make up the Executive Committee, the Director of the FGR and the Coordinator of the Credit Risk Unit (URC). It is chaired by the director responsible for the FGR.

This committee has the responsibility of approving the highest level of credit operations and meets, as a rule, on a weekly basis or whenever convened by the Managing Director of the FGR or by any of the executive directors.

The decisions of this committee are approved with the favourable vote of the majority of the executive directors who are part of it and the non-opposition of the director responsible for the control functions.

The director in charge of control functions has the power of veto over the operations presented for analysis by the Credit Committee.

The powers, composition and modus operandi of the Credit Committee are detailed in the relevant regulation approved by the Board of Directors.

1.2.3. INFORMATION TECHNOLOGY COMMITTEE

The Information Technology Committee (CTI) is a collegiate decision-making and monitoring body made up of all the directors who comprise the Executive Committee and the directors of the Information Systems Department (DSI) and the FSI. The directors of the FGR and the DdC are also present at the meetings, and it is their responsibility to advise this body on the priority of initiatives aimed at responding to relevant deficiencies detected in the internal control system, as well as on the mitigation and control of risks arising from the Bank's activity. It is chaired by the Chief Executive Officer, the director responsible for the information systems areas.

The Information Technologies Committee is responsible, in particular, for supervising the strategic plan for information technologies, defining and approving priorities in terms of implementing technological programmes and projects in line with the BAIE's business strategy, including those arising from legal and regulatory obligations or which support the mitigation of relevant risks, as well as monitoring and defining mitigation actions for information security and information technology risk events.

The powers, composition and modus operandi of the Information Technologies Committee are detailed in the relevant regulation approved by the Board of Directors.

1.2.4. INVESTMENT COMMITTEE

The Investment Committee (CI) is a collegiate decision-making and monitoring body composed of all the members of the Executive Committee, the manager of the department in which the Treasury Management Unit (UGT) is integrated and the manager of the FGR. The Chairman is the director responsible for the business areas.

The CI is responsible, namely, for analysing and approving investment strategies in accordance with future expectations in relation to macroeconomic scenarios, as well as approving/vetting new investment options in accordance with the Bank's risk profile approved by the Board of Directors.

The powers, composition and functioning of this body are detailed in the relevant regulation approved by the Board of Directors.

1.2.5. OFFER COMMITTEE

In the last quarter of 2021, the Offer Committee (CO) was implemented, a collegiate decision-making and monitoring body composed of all the members of the Executive Committee, the directors of the Commercial Banking and Correspondent Department (DCC), the FGR, the DdC and the heads of the Marketing and Communication Unit (UMC) and Legal Support Unit (UAJ). The Chairman is the director responsible for the business areas.

The CO is responsible for analysing and recommending to the Executive Committee the launch of new products, as well as monitoring the life cycle of the portfolio of products and services.

2. CORPORATE GOVERNANCE PRACTICES

2.1. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Bank's internal control system is based on the three lines of defence model, allocating powers and responsibilities for governance and risk management as follows:

- First line of defence, consisting of the business-generating areas and the support areas, which are primarily responsible for identifying, assessing, monitoring and controlling the risks they incur while carrying out their activities;

- Second line of defence, consisting of the risk management and compliance functions (FGR and DdC), which interact with the first line of defence with a view to the adequate identification, evaluation, monitoring and control of the risks inherent to the activity carried out by the business and support areas;

- Third line of defence, consisting of the internal audit function (DAI), which is responsible for carrying out independent analyses, carried out according to the risk to the other lines
- of defence.

2.2. REMUNERATION

The General Meeting shall be responsible for setting the remuneration of the members of the corporate bodies, including social security arrangements and other benefits or complementary benefits.

The Board of Directors defines and approves the remuneration policy of the heads of control functions and other employees.

The Bank's remuneration policy takes into consideration, inter alia:
(i) the involvement of the FGR in the definition of appropriate measures for risk-adjusted performance;
(ii) the DAI's analysis of the effects of the remuneration policy on the Bank's risk profile; and
(iii) the assessment by the DdC of compliance with legislation and regulations, as well as with the Bank's internal policies and risk culture.

To this end, a joint document is drawn up annually, which reflects the evolution of the relevant indicators over the last five years, as well as the analysis regarding the impact of the remuneration policy on the Bank's solvency and conservative risk profile.

Each year, the Supervisory Board reviews the adequacy and compliance with the remuneration policy for the Bank's corporate bodies and employees, including those with control functions. As a result of this analysis, an opinion is issued which, together with the joint document issued by the risk management and compliance functions (2nd line of control), accompany the proposal for the remuneration policy of the Board of Directors and the Supervisory Board, which is subject to approval at the General Meeting.

In accordance with the EBA/GL/2015/22 guidelines, we present below the Remuneration Policy for the members of the management and supervisory bodies of Banco BAI Europa applicable to 2021:

Policy Definition
The Bank's remuneration policy was defined with the objective of defining rules, clear and aligned with the Bank´s culture, considering the specific features of the Bank's activity, in particular its small size and the nature of its business activity which is characterised by the provision of services within a narrow and traditional range resulting in an activity of little complexity and focused on pre-defined market niches.

The remuneration policy provides specific rules for the Bank's various employees, distinguishing between:
a) Members of the management and supervisory boards;
b) Employees who, by the nature of their duties, are considered by Commission Delegated Regulation (EU) No. 604/2014, of 4 March 2014, as having a significant impact on the Bank's risk profile, which in the case of BAIE are considered to be responsible for the control functions, as well as the other heads of department, to whom the Bank as a whole designates as Management Team;
c) Employees who have direct contact with customers within the scope of marketing deposits and products, as well as the employees responsible for the management and supervision of these business areas;
d) Other employees.

With respect to paragraphs a) and b), where remuneration with a variable component is payable, the following criteria for deferred payment shall apply:
I. If the total amount of the variable component of the remuneration awarded for a full financial year does not exceed Euro 50 thousand, it may be paid fully in cash;
II. Should the variable component of the annual remuneration awarded exceed Euro 50 thousand, the following criteria for deferred payment shall also apply:

1. The amount corresponding to 40% of the variable component is deferred, and this amount is increased to 60% when it exceeds Euro 150 thousand;
2. The deferral is made over a three-year period, which is the minimum period legally established given the nature of the Bank's business and economic cycles, characterised by short and medium term operations;
3. The part of the variable component not subject to deferral is paid in the following year;
4. If there are no situations of reduction of the variable remuneration, the part of the variable remuneration subject

to deferral is paid over the next 3-year period, in 3 annual instalments corresponding to 1/3 of its value.

5. Whenever the amount of the variable remuneration exceeds Euro 50 thousand, the deferred and not deferred components shall comprise, in equal proportions, financial instruments and cash.

Policy Approval

It is the responsibility of the Board of Directors (CA) to ensure that the remuneration policy is defined, maintained and applied in accordance with the Bank's culture and governance processes, as well as the adequacy of remuneration practices to the capital structure and risk profile assumed by BAIE, in order to promote a healthy and prudent management of the risks.

Decisions concerning the remuneration of the Bank's employees are approved annually by the CA.

On an annual basis, under the terms of Article No. 115-C of the General Regime for Credit Institutions and Financial Companies (*Regime Geral das Instituições de Crédito e Sociedades Financeiras*), the Supervisory Board (CF) assesses the adequacy and compliance with the remuneration policy of the Bank's corporate bodies and its employees, issuing an opinion to that effect.

The remuneration of the members of the corporate bodies is approved annually at the General Meeting of Shareholders (AG). To this end, together with the opinion of the Supervisory Board and the joint opinion of the heads of the Audit, Compliance and Risk Management Functions, the Board of Directors shall submit a statement to the shareholders, accompanied by the provision of information that allows shareholders to assess the overall cost of the remuneration and incentive structure and the extent to which risk-taking is encouraged and controlled.

The annual decisions of the Board of Directors regarding remunerations of employees, as well as the preparation of the statement of remuneration to be submitted to the AG, are always preceded by an assessment that considers, in particular:

a) If the implementation of the policy remains adequate to the Bank's risk profile;
b) The identification of staff members whose professional activities may have a significant impact on the Bank's risk profile, considering the qualitative and quantitative criteria set out in Commission Delegated Regulation (EU) No. 604/2014, of 4 March 2014;
c) If the allocation and payment of variable remuneration is compatible with the maintenance of a solid equity position.

A General Meeting of the Bank's shareholders will be held on 23 March 2022 to approve the remuneration of the corporate bodies for 2021. In 2021, the Bank's Board of Directors did not propose, to the same body, the payment of variable remuneration relating to the 2020 financial year.

Executive Directors

The fixed remuneration of executive directors is determined based on the following considerations:

(i) individual skills;
(ii) the level of responsibilities of each director;;
(iii) the position held in the Board of Directors;
(iv) the length of service in the Group.

The variable remuneration shall depend on the following factors:

(i) individual and Bank performance;
(ii) economic aspects;
(iii) extent of risks assumed;
(iv) compliance with the standards applicable to the Bank's business activity;
(v) the level of responsibilities of each director.

The performance evaluation of the Bank's executive directors is the responsibility of the General Meeting.

The allocation of the variable remuneration is performed annually based on that assessment and on the proposal presented by the Board of Directors. The corresponding calculation shall allow for adjustments to be made considering the different types of current and future risks, as well as the profitability and adequacy of the Bank's equity and liquidity.

With the aim of maintaining a prudent balance between fixed and variable remuneration components, the amounts of fixed remuneration of executive directors should be sufficient; and the percentage that corresponds to variable remuneration over fixed annual remuneration should be relatively low, not exceeding 35%. The amount corresponding to 50% of the total variable component of the remuneration is paid in cash and the remainder in kind, whenever the respective amount exceeds Euro 50 thousand. If the total amount of the variable component of the remuneration awarded for a full financial year does not exceed Euro 50 thousand, notwithstanding the deferral procedures defined, it may be paid fully in cash. In 2021, the Bank did not pay variable remuneration in kind.

Non-Executive Directors

The fixed remuneration of non-executive directors is determined based on the following considerations:

(i) the position held in the Board of Directors;
(ii) individual skills;
(iii) the length of service in the Group.

Fixed remuneration is paid 12 times a year. Non-executive directors do not receive a variable remuneration.

Supervisory Board

The members of the Supervisory Board receive a fixed remuneration, determined according to the position held in this body and considering the size and complexity of the Bank's business activity.

Fixed remuneration is paid 12 times a year.

The members of the Supervisory Board do not receive a variable remuneration.

The remuneration policy for members of the corporate bodies and employees with a significant impact on the Bank's risk profile is disclosed on BAIE's website.

2.3. ASSESSMENT AND SELECTION OF MEMBERS OF THE CORPORATE BODIES AND EMPLOYEES PERFORMING KEY FUNCTIONS

The rules for selection and assessment of members of the management and supervisory bodies, as well as employees who perform key functions, are defined and approved at the General Meeting.

Whenever necessary, the DdC proposes to the Board of Directors adjustments or changes to the Policy for Selection and Assessment of Suitability of Members of the Management and Supervisory Bodies and of Employees Performing Key Functions. It is the responsibility of the Board of Directors to approve the respective proposal for revision of the Policy and, in turn, to submit it for approval to the General Meeting.

Any non-approval by the Board of Directors of the proposed revision to the Policy must be duly substantiated.

About the selection of new members for the management or supervisory body, it is the responsibility of the Board of Directors to define the necessary competencies and skills to ensure that there is sufficient expertise in the relevant body, sufficient availability of time and independence of its members, considering, as far as possible, the principle of balanced representation of men and women.

The assessment of the candidates is carried out, among several ways, through the mandatory intervention of an independent evaluator.

Regarding the selection of employees who perform key functions, it is the responsibility of the Board of Directors to define the competencies and skills required to ensure the adequate performance of the respective functions, as well as to assess the candidate(s), namely through an independent evaluator.

Members of the management and supervisory bodies and those responsible for the performance of key functions (risk management, internal audit and compliance) are subject to a simplified assessment, duly documented.

The procedure for assessing the suitability of the members of the management and supervisory bodies is based on criteria of suitability, honesty and integrity, professional qualifications, independence and availability. The adequacy is reassessed by an independent evaluator every two years, or whenever facts occur that change the content of the assessment previously carried out.

The assessment of those responsible for performing key functions is carried out on an annual basis, or whenever supervening facts occur that change the content of the previously carried out assessment, and is based on criteria of technical knowledge, Banco BAI Europa, S.A. Financial Statements 2021 responsibility, availability for teamwork, communication skills, initiative (aimed at introducing improvements in the performance of functions), leadership and perception of business risks. In addition, those responsible for performing key functions are covered by the performance management system applicable to all the Bank's employees.

2.4. TRAINING OF THE MEMBERS OF THE GOVERNING BODIES AND EMPLOYEES PERFORMING KEY FUNCTIONS

The Bank provides the members of the Board of Directors, the members of the Supervisory Board and the holders of essential functions with access to adequate training activities relevant to the performance of their duties.

The Bank will provide the new members appointed to the governing bodies with information that is essential for the performance of their duties within a maximum of one month after they take office, as well as training activities that must be completed within six months from the date they take office.

The training plan is defined annually by the Board of Directors and includes induction and training objectives for the members of the corporate bodies. This plan is updated in line with legal and regulatory changes, changes in governance, strategic changes, new products and market developments.

2.5. SUCCESSION OF MEMBERS OF THE GOVERNING BODIES AND EMPLOYEES PERFORMING KEY FUNCTIONS

The succession policy for members of the management and supervisory bodies and for employees performing key functions is approved by the General Meeting. The Board of Directors is responsible for preparing and managing the succession plan at the various planning stages, namely in defining profiles, selecting high-potential employees and identifying potential candidates.

The Board of Directors is also responsible for submitting succession proposals (planned or unforeseen) to the shareholders, whenever the respective nomination falls within the competence of the General Meeting.

In drawing up the succession plan, the Board of Directors shall define the skills and competencies necessary to ensure, in particular, the existence of adequate expertise to perform the function concerned, availability and independence, considering, as far as possible, the principle of balanced representation of men and women.

The Board of Directors ensures the reassessment of the succession plan, based on a prior opinion of the Supervisory Board. The reassessment should take place once a year, preferably during the third quarter of each year, and whenever justified.

2.6. PREVENTION OF SITUATIONS OF CONFLICTS OF INTEREST

In situations involving conflicts of interest, the Bank will always act so as to ensure that its institutional interest prevails over the personal interests of its shareholders, directors, employees or third parties. Should a situation of conflict of interest involving its customers arise, the Bank shall act so as to ensure transparent and equitable treatment for its customer, considering the duty of loyalty towards them.

The Bank has established a set of internal procedures to prevent and control potential situations of conflicts of interest, which are set out in an internal policy and norm (Policy on the Prevention of Conflicts of Interest and Related Party Standard).

2.7. TRANSACTIONS WITH RELATED PARTIES

The Bank's regulations on related parties establish rules regarding the definition, identification, execution and approval of transactions with related parties, their monitoring and disclosure, as well as the powers and responsibilities of the different parties involved in related party transactions.

The conclusion of transactions with related parties depends on favourable prior opinions from the Supervisory Board and the risk management and compliance functions (FGR and DdC), as well as approval by a qualified majority of at least two thirds of the members of the Board of Directors.

2.8. WHISTLEBLOWING

The Bank has in place a whistleblowing policy that establishes specific, independent, autonomous and adequate internal procedures for the receipt, treatment and filing of reports of serious irregularities in the Bank related to its administration, accounting organisation, internal supervision and serious indications of breaches of the duties enshrined in applicable legislation, regulations, instructions and internal rules, namely the General Regime for Credit Institutions and Financial Companies and Regulation (EU) No. 575/2013, of the European Parliament and of the Council, of 26 June, as well as reports of irregularities related to potential violations of Law 83/2017, of 18 August, its regulations and/or policies, procedures and controls concerning the prevention of money laundering and terrorist financing.

The notification of irregularities may be made anonymously, always guaranteeing the right of defence of those involved, the protection of personal data and the confidentiality of the reports.

2.9. DISCLOSURE OF INFORMATION

It is the responsibility of the Board of Directors to define and approve the information disclosure policy, as well as to assess the adequacy of the information to be disclosed, its verification and frequency.

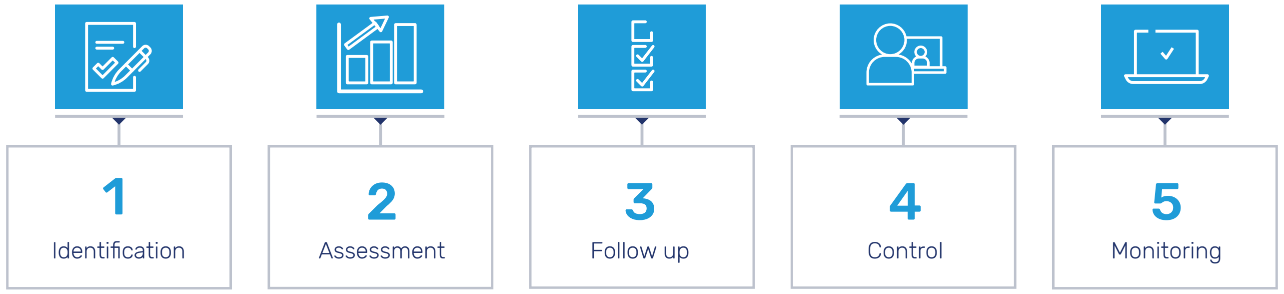
In defining, implementing and reviewing the disclosure policy, the Board of Directors considers the inputs of the relevant areas, including the FGR and the DdC, in order to ensure an adequate process in terms of relevance, reserve, confidentiality and frequency in the disclosure of information.

6 RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT **AND INTERNAL CONTROL**

RISK MANAGEMENT SYSTEM

BAIE's Risk Management System (SGR) comprises an integrated set of permanent processes that ensure an appropriate understanding of the nature and magnitude of the risks underlying the activity performed, thus enabling the adoption of an appropriate strategy and compliance objectives, with the Board of Directors responsible for ensuring its implementation. Accordingly, the SGR allows for the identification, assessment, control and monitoring of all material risks to which the Bank is exposed, both internally and externally, in order to ensure that they remain at the level previously defined by the Board of Directors and that they will not significantly affect the institution's financial position:



BAIE's Risk Management System was defined according to the size, nature and complexity of the Bank's activity, aiming to incorporate the strategic guidelines and the level of risk appetite defined by the Board. According to the current Bank's risk management model, the following are considered material risks:

I. FINANCIAL RISKS:

a. Credit Risk (includes Concentration Risk);

b. Liquidity and Financing Risk (includes Concentration Risk);

c. Interest Rate Risk;

d. Exchange Rate Risk (includes Concentration Risk);

II. NON-FINANCIAL RISKS:

a. Strategy Risk;

b. Operational Risk;

c. Information Security and Information Technology Risk;

d. Compliance Risk;

e. Reputation Risk.

Pension fund risk and market risk were not considered material in the context of the BAIE. The former due to its applicability to a rather reduced number of employees and the latter due to the fact that the Bank does not have an investment strategy based on a trading portfolio, and therefore does not take market risk into account.

RISK PROFILE

In defining the Bank's strategic guidelines, the Board of Directors has set as its overall objective the adoption of a conservative risk profile for the material risks assumed by the Bank, thus ensuring the continuity of the business in terms of profitability and solvency under all circumstances. This profile was defined considering, among others, the Bank's level of capital and liquidity, the macroeconomic framework in which it operates and its strategic and business objectives.

The Risk Appetite Statement (RAS) reflects the risk appetite guidelines for each of the material risks identified as part of the risk self-assessment as well as the quantitative metrics by which the Bank will monitor its risk profile.

The FGR is responsible for the follow-up and monitoring of the risk profile and the communication of the main findings and conclusions. It is also responsible for supporting the Board of Directors in the assessment of the action measures implemented whenever there is a breach of the limits defined that significantly impacts the Bank's activity, or in the periodic updating of those limits.

FINANCIAL RISK MANAGEMENT

As mentioned above, the financial risks considered material to the BAIE are credit risk (includes concentration risk), liquidity and financing risk (includes concentration risk), interest rate risk and exchange rate risk.

CREDIT RISK

Credit risk is defined as the probability of negative impacts on profit/(or loss) or equity due to the inability of a counterparty to meet its financial commitments to the institution. An integral part of this risk is the credit concentration risk that results from borrowing or investing funds of a relevant amount in a small number of borrowers/counterparties and/or risk groups, or in a few business sectors.

The Board of Directors has defined as a goal the adoption of a low risk appetite for credit risk, ensuring for this purpose a strict management of this risk supported by the delimitation of the nature of the positions at risk and of the number of products and counterparties, the definition of conservative limits and a delegation of credit powers with the need for executive directors to intervene in credit granting operations to non-financial entities or to entities for which no limits have been defined.

• Credit risk management at the granting stage
No specific criteria are established for credit granting, since all credit operations are analysed on an individual basis at the time of decision making. The basic principle is that credit is only granted to companies that present an acceptable financial position and an ability to generate cash flows that can be easily foreseen and reliably measured, in order to comply with the debt service requirements. In addition, the Credit Committee meets on a weekly basis, where the highest-level operations are approved and which involve the assumption of risk on amounts relevant to the BAIE's balance sheet. This Committee includes all the executive directors of the Board of Directors. The director responsible for controlling functions has the power to veto operations submitted for analysis by the Credit Committee.

• Credit risk management at the exposure monitoring phase
The Risk Management Unit (UGR) incorporated in the FGR is responsible for controlling credit risk through the calculation of indicators operating within the policies and guidelines established by the Board of Directors.

The FGR monitors the credit risk exposures and checks whether they are within the established limits, as well as evaluates the adequacy and efficiency of the measures taken to correct any deficiencies in the respective credit risk management system.

LIQUIDITY AND FINANCING RISK

Liquidity and financing risk is defined as the probability of negative impacts on profit/(or loss) or equity resulting from the Bank not having liquid funds to meet its financial obligations when they fall due. An integral part of this risk is the risk of liquidity and financing concentration, which results from the concentration of sources of liquidity in a reduced number of counterparties or geographies.

The Board of Directors has defined as a goal the adoption of a low-risk appetite for liquidity and financing risk, ensuring for that purpose the management of this risk based on the maintenance of a prudent net position in order to guarantee compliance with financial obligations upon maturity.

Regarding the risk of liquidity and financing concentration, given the framework of the Financial Group of which BAIE is inserted, the Bank has defined as a goal the adoption of a moderate risk appetite in view of the concentration of liquidity sources in Angola. The management of liquidity risk overlaps with interest rate risk management, so that the hedging between assets and liabilities in relation to maturity terms or possible interest rate repricing should only be performed after the defined liquidity limits are met.

INTEREST RATE RISK

Interest rate risk is defined as the probability of negative impacts on net interest income due to adverse movements in interest rates caused by maturity mismatches of assets and liabilities, repricing of related interest rates or the absence of a perfect correlation between the rates received and paid on the different instruments.

The Bank's goal is to adopt a low-risk appetite for interest rate risk, ensuring the management of this risk in order to reduce the sensitivity of net interest income to changes in interest rates and, consequently, preserving the economic value of the balance sheet. For this purpose, in variable rate operations, only market benchmark rates are accepted as indexing factors, namely Euribor and Libor. Fixed rate operations with maturities over 12 months will not be carried out.

EXCHANGE RATE RISK

Exchange rate risk is defined as the probability of negative impacts on profit/(or loss) or equity due to adverse movements in the exchange rates of balance sheet items caused by changes in those rates that are used in the translation into the functional currency or by changes in the Bank's foreign currency position due to significant changes in exchange rates. An integral part of this risk is the exchange concentration risk, which results from concentrating the balance sheet in foreign currencies.

BAIE has defined as a goal the adoption of a low-risk appetite for exchange rate risk, ensuring for this purpose the management of this risk so as to maintain the exposure to exchange rate risk within conservative limits considering the size and financial structure of the Bank. Regarding the exchange rate concentration risk, the net exchange position limit provided for in Article No. 351 of the CRR must be complied with on a permanent basis.

NON-FINANCIAL RISK MANAGEMENT

As stated above, the non-financial risks considered material to the BAIE are operational risk, information security and information technology risk, strategy risk, reputation risk and compliance risk.

OPERATIONAL RISK

Operational risk is defined as the risk of negative impacts on profit/(or loss) or equity arising from failures in the analysis, processing or settlement of operations, internal and external fraud, the use of resources or services under a subcontracting arrangement, inefficient internal decision-making processes, insufficient or inadequate human resources or the inoperability of infrastructures. A characteristic of operational risk is its dispersion, being present in all the Bank's activities.

BAIE has defined as a goal the adoption of a low-risk appetite for operational risk, ensuring the management of this risk so as to guarantee that adequate internal controls are in place to mitigate, to the greatest extent possible, any negative impacts on profit/(or loss) or equity.

INFORMATION SECURITY AND INFORMATION TECHNOLOGY RISK

Information security and information technology risk is defined as the risk of negative impacts on profit/(or loss) or equity due to the pursuit of a maladjusted strategy in this area, namely the non-adaptability of the information systems to new needs, their inability to prevent unauthorised access, to ensure data integrity or to ensure business continuity in case of failure. In addition, the management of this risk ensures compliance with the guidelines on subcontracting, particularly cloud services.

The Bank has defined as a goal the adoption of a low-risk appetite for Information Security and IT risk, ensuring the management of this risk through the inventory of the Bank's IS/IT assets and identification of the threats to which they are exposed. Mitigation mechanisms were created in order to avoid the event of severe incidents with transversal impact in highly critical IS/IT assets (including incidents related to cybersecurity) and guaranteeing reduced levels of unavailability of highly critical IS/IT assets, mitigating the negative impacts on profit/(or loss) or equity. For this purpose, a structural unit responsible for information security should be defined, independent from the structural unit that manages the information systems.

STRATEGY RISK

Strategy risk is defined as the risk of negative impacts on profit/(or loss) or equity arising from inadequate strategic decisions, a poor internal governance model or the inability to respond to changes in the surrounding environment, as well as changes in the Bank's business environment.

BAIE has defined as a goal the adoption of a low-risk appetite for strategy risk, ensuring a balance between the risk taken and the return generated. In addition, the Bank takes a conservative position in terms of compliance with all regulatory capital limits, and therefore decisions on the Bank's strategic guidance and on its business model should not overly expose it to the intended risk profile.

REPUTATION RISK

Reputation risk is defined as the risk of negative impacts on profit/(or loss) or equity arising from a negative perception of the institution's public image, whether substantiated or not, by customers, suppliers, financial analysts, employees, investors, the media or public opinion in general. This risk may affect the Bank's ability to establish new relationships with its customers, business counterparties, employees or investors. It could also affect the ability to maintain currently existing relationships and could even lead not only to direct and immediate financial losses, but also to legal proceedings, deterioration of the customer portfolio, difficulty in obtaining funds or the loss of key employees from the Bank.

The Board of Directors has defined as a goal the adoption of a moderate risk appetite for reputation risk, ensuring the management of this risk by monitoring the perception of stakeholders, including customers, employees, other financial institutions, suppliers, the media and the general public.

COMPLIANCE RISK

Compliance risk is defined as the risk of negative impacts on profit/(or loss) or equity, arising from breaches or non-compliance with laws, regulations, specific determinations, contracts, rules of conduct and of relationships with customers, established practices or ethical principles, which may materialise in legal sanctions, limitation of business opportunities, reduction in the potential for expansion or in the impossibility of requiring compliance with contractual obligations.

The Bank has defined a low-risk appetite for compliance risk, ensuring the management of this risk in order to guarantee compliance with the legal and regulatory obligations to which it is exposed, including the obligations of prevention of money laundering and financing of terrorism, and to act in accordance with the code of conduct, mitigating the negative impacts on profit/(or loss) or equity.

COMPLIANCE

The Compliance Department is responsible for managing compliance risk in BAIE, acting in an unbiased, independent and extensive manner in relation to the Bank's processes and activities.

The Compliance Department has the mission of ensuring the prevention and mitigation of compliance risks, which materialise in fines, reputational and financial impacts, as a consequence of non-compliance with regulations, laws and the code of conduct.

Also ensures the evaluation of compliance and effectiveness of the procedures adopted by the Bank, issuing opinions and producing studies at the request of the different areas and departments, where it assesses and identifies the associated risks. And also prepares proposals for correction and lists potential mitigating factors for the risks identified, carrying out a permanent analysis of the control and compliance environment.

It is also the responsibility of the DdC to participate in the development of internal control procedures for the prevention of money laundering and the financing of terrorism, both for monitoring and evaluating them and for centralising information from all business areas and reporting to the relevant authorities as required by law.

In order to guarantee independence, the DdC, together with the FGR, report to the same director (who must not accumulate responsibilities in business units and support areas, with the exception of the FSI and the UAJ) and are the second line of defence of the internal governance model, interacting with the first line functions (other departments) in order to adequately identify, assess, monitor and control the risks inherent to the activity carried out by the first line functions.

INTERNAL AUDIT

The main mission of BAIE's Internal Audit Function (FAI), ensured by the Internal Audit Department (DAI), is to protect the Bank and contribute to the sustainable development of its activities and to the adequacy and effectiveness of its organisational culture, governance and internal control systems, and their individual components. To this end, the DAI carries out systematic, disciplined, independent and objective risk-based assessment aimed at identifying opportunities for improvement.

The department's responsibilities include managing the database of deficiencies, which includes not only those detected internally, but also those identified by third parties, including supervisory authorities. It is also the responsibility of the DAI to ensure compliance with the established procedures and control mechanisms and to guarantee the maintenance of the processes for which it is responsible during changes in activity.

The annual and multi-annual internal audit plan is prepared according to an approach based on the risks to which the Bank is exposed. This plan is approved by the Board of Directors and the Supervisory Board and is monitored by these bodies so as to observe its implementation status.

The DAI represents the third line of defence in the Bank's internal governance model, carrying out independent and risk-focused analysis. Their actions and related findings are directly reported to the Board of Directors and to the Supervisory Board. The ordinary meetings of the Board of Directors have their own agenda item for the DAI to make presentations it deems relevant.

It should also be noted that the DAI is governed by the international standards for the professional practice of internal auditing issued by The Institute of Internal Auditors (IIA).

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FINANCIAL ANALYSIS

FINANCIAL ANALYSIS

A brief financial analysis of BAIE's activity in 2021 is provided below.

INCOME STATEMENT

Euro	31-Dec-21	31-Dec-20	Year-on-year change
Interest and similar income	7 553 778	10 238 925	-26,2%
Interest and similar expense	(2 029 408)	(3 489 072)	-41,8%
Net Interest Income (NII)	**5 524 370**	**6 749 853**	**-18,2%**
Financial Operations (FO)	1 453 445	1 279 184	+13,6%
Gross Profit (NII+FO)	**6 977 815**	**8 029 037**	**-13,1%**
Net fee and commission income/(expense) (NFCIE)	4 090 048	3 893 204	+5,1%
Other Operating Income/(expense) (OPIE)	(1 494 964)	(2 327 226)	-35,8%
Net Operating Income (NOI=NII+NFCIE+OPIE)	**9 572 899**	**9 595 015**	**-0,2%**
Fixed Costs (FC)	(7 260 665)	(5 768 828)	+25,9%
EBITDA (NOI-FC)	**2 312 234**	**3 826 187**	**-39,6%**
Depreciation for the period (D)	(707 398)	(759 124)	-6,8%
Net provisions and impairment	1 763 566	(2 136 948)	-182,5%
Profit/(loss) before tax	**3 368 402**	**930 115**	**+262,1%**
Taxes	(945 307)	(759 655)	+24,4%
Profit/(loss) for the period	**2 423 095**	**170 460**	**+1321,5%**
Cost to income [(FC+D)/NOI]	83,2%	68,0%	+22,3 p.p

In a financial year marked by the recovery of the economy and markets, worldwide, through the gradual easing of restrictions, combined with significant vaccination rates in the final months of the year, in 2021 BAIE's **profit before tax** amounted to Euro 3,368 thousand, which represents a significant growth of 262% compared to the profit before tax of 2020, as well as the **net profit for the period**, which reached Euro 2,423 thousand, representing an increase of about 1.322% when compared to the value for the same period last year.

Net interest income reached Euro 5,524 thousand, which represents a decrease of -18% compared to 2020, with the lower volume of credit assets (loans, securities and interbank money market) recorded until August 2021 contributing to this decrease, a trend that was only reversed from September 2021 onwards. Additionally, a further contribution to this reduction resulted from the fact that in 2020 the Bank adapted its investment portfolio in response to the policy of the US Federal Reserve (Fed), with attractive yields during part of 2020, with the effect dissipating in the 2nd half of 2020 due to the Central Banks' repurchase programmes. Regarding the liability margin, there was a year-on-year decrease, not only due to the volume variable (the average portfolio of term deposits fell 25% year-on-year), but also to the price variable (average interest rates were lower in 2021). In 2020, the Bank felt the need to adopt a more aggressive pricing strategy given the need to comply with the net stable funding ratio (NSFR), which became mandatory from June 2021. Therefore, the need to adapt the Bank's balance sheet to this new reality meant that retail funding had to be raised in a short timeframe.

Income from financial operations increased by 14% year-on-year, driven by the increase in realised gains/(losses) in the portfolio of financial assets at fair value (Euro +275 thousand compared to 2020), due to the sales of a set of bonds, which took place in July and October 2021, respectively. On the other hand, there was a reduction in income from foreign exchange operations (Euro -101 thousand compared to 2020).

Net commissions reached Euro 4,090 thousand, a slight increase of approximately 5% compared to that observed in 2020. Although there was a -4% reduction in commissions received for processing operations, as a result of a lower volume of payment orders (-14% down year-on-year), commissions from documentary credits grew by approximately 6% year-on-year, essentially due to the increase in average commissions (in %) per operation (compared with 2020, operations of longer duration were carried out over the course of 2021), as the volume of CDE confirmations fell by approximately 9% year-on-year.

In 2021, **other operating income** decreased compared to the net expense occurred in the previous year (-36%), explained by the following effects: i) recovery of credit written off from non-expectable assets (Euro +238 thousand compared to 2020); ii) the value of the contribution to the Single Resolution Fund was approximately Euro 367 thousand less than the same period last year and; iii) the value of the extraordinary contribution to the banking sector was approximately Euro 286 thousand less than the previous year.

In 2021, **fixed costs** increased by 26%, compared to the same period of the previous year, due to the variation in the following items:

i) **General and administrative expenses** (+7%), due to an increase of Euro 95 thousand in expenses with projects and external advisory (including recruitment and selection processes). Additionally, the remote working system, very active throughout 2021, resulted in an increase of Euro 94 thousand in IT costs;

ii) **Staff costs** (+42%), due to the growth in the Bank's human capital structure during the period, defined in the Bank's strategic plan (62 employees at year-end 2021, compared to 48 employees at year-end 2020), as well as a very significant increase in variable remuneration in 2021.

Regarding net provisions and impairment, the item presents a decrease of -183% in 2021, explained by the following effects: (i) the year 2020 was marked by the adverse impact of the updating of the risk factors triggered by the effect of the pandemic crisis on economies, with significant increases in impairment in exposure to sovereign risk in Angola; (ii) in 2021, there were successive reversals of impairment of financial assets, justified by the review of the risk factors inherent in the credit operations of non-resident customers and by the decrease in liquidity with another Financial Institution; (iii) in 2021, there was a very significant reversal of provisions, relating to contingencies for stamp duty.

Although the net operating income remained in line with that recorded in the same period of the previous year (approximately Euro 9,573 thousand in 2021), the cost-to-income ratio had a deterioration of about 22 p.p. due to the significant increase in the cost structure (Euro +1,440 thousand compared to 2020), reflecting BAIE's investment in the strategic and business plan.

BALANCE SHEET

Euro	31-Dec-21	31-Dec-20	Year-on-year change
Financial Assets:			
Cash and cash equivalents	137 325 731	217 262 428	-36,8%
Other loans and advances to credit institutions	163 757 086	112 349 030	+45,8%
Loans and advances to customers	119 190 273	82 230 868	+44,9%
Financial assets not held for trading mandatorily measured at fair value through profit or loss	555 199	546 394	+1,6%
Financial assets at fair value through other comprehensive income	213 998 510	139 026 724	+53,9%
Other financial assets at amortised cost	26 000 459	27 197 909	-4,4%
Other financial assets at fair value through profit or loss	313 715	294 405	+6,6%
Total Financial Assets	**646 182 741**	**561 661 780**	**+14,2%**
Non-financial assets	6 352 024	7 496 487	-15,3%
Total Assets	**667 492 997**	**586 404 245**	**+13,8%**
Financial Liabilities:			
Deposits from credit institutions	349 468 936	312 187 232	+11,9%
Deposits from customers	216 169 146	174 929 100	+23,6%
Other financial liabilities	313 715	294 405	+6,6%
Total Financial Liabilities	**565 951 797**	**487 410 737**	**+16,1%**
Other non-financial liabilities	10 565 573	9 654 578	+9,4%
Share capital	40 000 000	40 000 000	0,0%
Revaluation reserves	1 322 377	2 549 660	-48,1%
Other reserves and retained earnings	47 230 154	46 618 809	+1,3%
Profit/(Loss) for the period	2 423 095	170 460	+1321,5%
Total Liabilities and Equity	**667 492 997**	**586 404 245**	**+13,8%**

In 2021, there is considerable growth in BAIE's balance sheet (+14%), driven by the growth in the value of the following items: i) portfolio of loans and advances to customers (Euro +36,959 thousand compared to 2020); ii) portfolio of other loans and advances to credit institutions (Euro +29,765 thousand compared to 2020) and iii) portfolio of financial assets at fair value through other comprehensive income Euro +74,972 thousand compared to 2020).

The increase in the volume of BAIE's loan portfolios, in line with the guidelines of the strategic and business plan, was reflected in the improvement of the Bank's overall transformation ratio, from 24.2% in 2020 to 32.7%. This improvement was slightly higher in the customer transformation ratio (+8 p.p. against 2020), although the transformation ratio to credit institutions also grew (+7 p.p. year-on-year).

Additionally, the growth in BAIE's balance sheet is also due to a greater appetite for operations in the interbank money market (loans and advances and deposits from credit institutions), after the lower demand recorded in 2020 caused by the Fed's expansionary monetary policy.

In the 2020 financial year, the portfolio of financial assets at fair value through other comprehensive income was necessarily changed in terms of profile (previously mostly composed of sovereign issues and multilateral development banks). Due to the decrease in the market benchmark interest rate in USD, which led to a zero-lower bound in the euro and dollar markets, BAIE's management decided to initiate a programme for purchasing investment grade bond issues, with a diversified asset allocation in sectors such as finance, energy, consumer, telecommunications, technology and health. Investment in these issues was one of the main short-term response strategies of the Bank's management to the deterioration of risk premiums in the sovereign debt market since they have implicitly higher yields. In 2021, the profile of the portfolio did not change significantly compared with the previous year. However, in November, the BAIE acquired US T-Bills in the amount of USD 75,000 thousand with the aim of maximising the increase of deposits from credit institutions in that period.

Regarding the structure of liabilities, there was an increase in the volume of deposits from credit institutions (+ 12%) and from customers (+ 24%) in 2021, reflecting BAIE's growth strategy. The evolution of these items is very significant, since the transformation of this liquidity into financial assets (in line with the Bank's risk profile) allows for the sustainable growth of the Bank's net operating income. Additionally, in the prudential sphere, as mentioned above, increased resources are a key aspect for BAIE to maintain stable funding levels in line with regulatory requirements (NSFR).

The solvency indicator stood at 20.2%, down from 25.5% in the previous year. This variation is explained by the increase in BAIE's activity, whose impact on the level of risk-weighted assets causes pressure on this indicator. However, the solvency ratio remains comfortably above the regulatory minimum limit.

Furthermore, ROE showed significant growth, increasing by 2.5 p.p. (2.7% in 2021, compared with 0.2% in 2020). This reflects BAIE's efforts throughout this financial year to manage its resources more efficiently and, consequently, to increase the return on its equity.

PROPOSAL FOR THE APPROPRIATION OF NET PROFITS

In accordance with the legal and statutory provisions, the Board of Directors proposes that net profit in the amount of Euro 2,423,095 for 2021 be applied as follows:

Share Capital increase by profit generate in exercise	2.000.000 EUR
Transfer to Retained Earnings	180.785 EUR
Transfer to Legal Reserves	242.310 EUR

OTHER INFORMATION

(i) Subsequent events. Subsequent events are disclosed in the Notes to the Financial Statements, namely in Note 35 (Subsequent events).

(ii) In compliance with legal regulations, the Board of Directors expressly confirms that:
- The Bank does not hold and has not disposed of or acquired treasury shares;
- There were no transactions between the Bank and its Directors;
- The Bank has no branches; and
- The Bank has no overdue debts to the State, namely to Social Security and the Portuguese Tax Authorities.

(III) The structures of the Board of Directors and of the Executive Committee underwent changes in 2021, as disclosed in Note 26 (Staff costs - Annual remuneration paid to members of the corporate bodies).

NOTES TO THE MANAGEMENT REPORT

1. In compliance with Article No. 447 of the Portuguese Commercial Companies Code (*Código das Sociedades Comerciais*), it is hereby declared that, with the exception of the Chairman of the Board of Directors Luís Lélis and the executive director Omar José Mascarenhas de Morais Guerra, each holding one (1) share, none of the members of the Board of Directors and Supervisory Board hold shares in the share capital of the Bank.

2. As at 31 December 2021 and in accordance with Article No. 478 of the Portuguese Commercial Companies Code (*Código das Sociedades Comerciais*), the following shareholders hold more than one-tenth of the share capital of the Bank:

	No. of Shares	%
Banco Angolano de Investimentos, S.A.	7.999.999	99,99995

Lisbon, 18 March 2022

THE BOARD OF DIRECTORS

LUÍS LÉLIS

Chairman of the Board of Directors

OMAR GUERRA

Chairman of the Executive Committee - CEO

INOKCELINA DOS SANTOS

Member of the Board of Directors

HENRIQUE GONÇALVES

Member of the Executive Committee

CÉSAR GONÇALVES

Member of the Board of Directors

NUNO LEAL

Member of the Executive Committee

FINANCIAL STATEMENTS

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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021 AND 2020

(Amounts expressed in Euro)	Notes	31-Dec-21 Amount before impairment and amortisation	31-Dec-21 Impairment and amortisation	31-Dec-21 Net value	31-Dec-20
Assets					
Cash and deposits at central banks	3	69 738 598	-	69 738 598	84 537 660
Loans and advances to credit institutions repayable on demand	4	67 658 162	(71 029)	67 587 133	132 724 768
Financial assets not held for trading mandatorily measured at fair value through profit or loss	5	555 199	-	555 199	546 394
Other financial assets at fair value through profit or loss	6	313 715	-	313 715	294 405
Financial assets at fair value through other comprehensive income	7, 20	213 998 510	-	213 998 510	139 026 724
Financial assets at amortised cost					
Other loans and advances to credit institutions	8, 18	164 306 194	(549 108)	163 757 086	112 349 030
Loans and advances to customers	9, 18	120 573 499	(1 383 226)	119 190 273	82 230 868
Other financial assets at amortised cost	10	11 051 549	(9 322)	11 042 227	9 951 931
Other property, plant and equipment a nd right-of-use assets	11	4 946 338	(2 053 978)	2 892 360	2 929 951
Intangible assets	12	1 546 903	(1 013 890)	533 013	25 931
Investments in subsidiaries and associates	13	3 949	-	3 949	-
Current tax assets	14, 28	-	-	-	451 343
Deferred tax assets	14, 28	579 600	-	579 600	622 559
Other assets	15, 18	17 965 771	(664 437)	17 301 334	20 712 681
Total Assets		**673 237 987**	**(5 744 990)**	**667 492 997**	**586 404 245**

The following notes form an integral part of these financial statements

The Certified Accountant

The Board of Directors

(Amounts expressed in Euro)	Notes	31-Dec-21	31-Dec-20
Liabilities			
Other financial liabilities at fair value through profit or loss	6	313 715	294 405
Deposits from other credit institutions	16	349 468 936	312 187 232
Deposits from customers and other loans	17	216 169 146	174 929 100
Provisions	18	2 969 217	4 597 984
Current tax liabilities	14, 28	385 782	8
Deferred tax liabilities	14, 28	224 850	640 367
Other liabilities	19	6 985 724	4 416 220
Total Liabilities		**576 517 370**	**497 065 316**
Equity			
Share capital	20	40 000 000	40 000 000
Revaluation reserves	20	1 322 377	2 549 660
Other reserves	20	8 690 394	8 673 348
Retained earnings	20	38 539 760	37 945 461
Net profit/ (loss) for the period	20	2 423 095	170 460
Total Equity		**90 975 626**	**89 338 929**
Total Liabilities + Total Equity		**667 492 997**	**586 404 245**

The following notes form an integral part of these financial statements

The Certified Accountant

The Board of Directors

INCOME STATEMENT
FOR THE PERIODS ENDED 31 DECEMBER 2021 AND 2020

(Amounts expressed in Euro)	Notes	31-Dec-21	31-Dec-20
Interest and similar income - effective rate	21	7 553 778	10 238 925
Interest and similar expense	21	(2 029 408)	(3 489 072)
Net interest income	**21**	**5 524 370**	**6 749 853**
Fees and commissions income	22	5 089 898	4 924 650
Fees and commissions expense	22	(999 850)	(1 031 446)
Net gains/ (losses) arising from financial assets at fair value through other comprehensive income	23	441 236	274 792
Net gains/ (losses) arising from financial assets mandatorily measured at fair value through profit or loss	24	16 155	(92 629)
Net gains/ (losses) arising from foreign exchange differences	2.3	996 054	1 097 021
Net gains/ (losses) arising from the sale of other assets	11	-	(839)
Other operating income/ (expense)	25	(1 494 964)	(2 326 387)
Net operating income		**9 572 899**	**9 595 015**
Staff costs	26	(4 398 113)	(3 102 093)
General administrative expenses	27	(2 862 552)	(2 666 735)
Depreciation for the period	11, 12	(707 398)	(759 124)
Provisions net of reversals and recoveries	18	1 157 362	(704 060)
Impairment on financial assets not measured at fair value through profit or loss			
Financial assets at fair value through other comprehensive income	18	(203 942)	(262 765)
Financial assets at amortised cost			
Impairment on loans and advances net of reversals and recoveries	18	1 298 397	(820 780)
Impairment on other financial assets net of reversals and recoveries	18	(478 503)	47 743
Impairment on non-financial assets	18	(9 748)	(397 086)
Profit before tax		**3 368 402**	**930 115**
Taxes	28	(945 307)	(759 655)
Current	28	(902 348)	(689 435)
Deferred	14, 28	(42 959)	(70 220)
Profit after tax		**2 423 095**	**170 460**
Net profit/ (loss) for the period		**2 423 095**	**170 460**
Earnings per share		**0,30**	**0,02**

The following notes form an integral part of these financial statements

The Certified Accountant *The Board of Directors*

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED 31 DECEMBER 2021 AND 2020

(Amounts expressed in Euro)	Notes	31-Dec-21	31-Dec-20
Net profit/ (loss) for the period		**2 423 095**	**170 460**
Items that will not be reclassified into the income statement			
Accumulated actuarial gains and losses on long-term benefits	20	440 882	530 427
Items that may be reclassified into the income statement			
Changes in fair value of debt instruments at fair value through other comprehensive income	20	(1 642 802)	2 978 624
Tax effect	14, 20	415 518	(611 066)
Profit/ (loss) not included in the income statement		**(786 402)**	**2 897 985**
Comprehensive income for the period		**1 636 693**	**3 068 445**

The following notes form an integral part of these financial statements

The Certified Accountant *The Board of Directors*

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIODS ENDED 31 DECEMBER 2021 AND 2020

(Amounts expressed in Euro)	Notes	Share capital	Retained earnings
Balance as at 1 January 2020		**40 000 000**	**34 779 054**
Appropriation of 2019 profits into retained earnings and legal reserve		-	2 635 984
Revaluation reserves	20	-	-
Accumulated actuarial gains and losses on long-term benefits	20	-	530 427
Net profit for 2020		-	-
Balance as at 31 December 2020		**40 000 000**	**37 945 465**
Appropriation of 2020 profits into retained earnings and legal reserve		-	153 413
Revaluation reserves	20	-	-
Accumulated actuarial gains and losses on long-term benefits	20	-	440 882
Net profit for 2021	20	-	-
Balance as at 31 December 2021		**40 000 000**	**38 539 760**

(Amounts expressed in Euro)	Legal reserve	Revaluation reserves	Net profit/ (loss) for the period	Total Equity
Balance as at 1 January 2020	**8 380 462**	**182 102**	**2 928 871**	**86 270 485**
Appropriation of 2019 profits into retained earnings and legal reserve	292 887	-	(2 928 871)	-
Revaluation reserves	-	2 367 558	-	2 367 558
Accumulated actuarial gains and losses on long-term benefits	-	-	-	530 427
Net profit for 2020	–	-	170 460	170 460
Balance as at 31 December 2020	**8 673 348**	**2 549 660**	**170 460**	**89 338 929**
Appropriation of 2020 profits into retained earnings and legal reserve	17 047	-	(170 460)	-
Revaluation reserves	-	(1 227 283)	-	(1 227 283)
Accumulated actuarial gains and losses on long-term benefits	-	-	-	440 882
Net profit for 2021	-	-	2 423 095	2 423 095
Balance as at 31 December 2021	**8 690 394**	**1 322 377**	**2 423 095**	**90 975 625**

The following notes form an integral part of these financial statements

The Certified Accountant

The Board of Directors

CASH FLOW STATEMENT

FOR THE PERIODS ENDED 31 DECEMBER 2021 AND 2020

(Amounts expressed in Euro)	Notes	31-Dec-21	31-Dec-20
Operating activities			
Interest, commissions and other income received	21 e 22	12 669 105	14 978 858
Interest, commissions and other expense paid	21 e 22	(2 830 846)	(4 944 721)
Income from foreign exchange and other financial operations	2.3	996 054	1 097 021
Payments to employees and suppliers	26 e 27	(7 847 606)	(5 477 890)
Net cash flow arising from operating activities before changes in assets and liabilities		**2 986 708**	**5 653 267**
Decreases/(increases) in:			
Other financial assets at amortised cost	10	(1 099 334)	21 590 918
Other loans and advances to credit institutions	8	(51 777 229)	255 804 503
Loans and advances to customers	9	(34 227 306)	(3 664 165)
Other assets	13, 15	(2 257 359)	(1 393 087)
Net cash flows arising from operating assets		**(89 361 228)**	**272 338 169**
Increases/(decreases) in:			
Deposits from other credit institutions and central banks	16	37 139 554	(244 039 918)
Deposits from customers	17	40 822 307	4 516 597
Other liabilities	19	2 286 039	855 008
Net cash flows arising from operating liabilities		**80 270 900**	**(238 668 313)**
Income tax payment		14 e 28	(224 876)
Other taxes and contributions paid		25	(1 785 773)
Gross cash flow from operating activities		**(2 010 649)**	**(2 578 966)**
Investing activities			
Income arising from financial assets at fair value through other comprehensive income	23	441 236	274 792
Income arising from financial assets at fair value through profit or loss	24	-	-
Acquisitions of financial assets at fair value through other comprehensive income, net of disposals	7	(73 148 551)	4 056 999
Acquisitions of financial assets at fair value through other comprehensive income, net of disposals	6	(11 960)	(63 851)
Acquisition of tangible and intangible assets, net of disposals	11 e 12	1 084 540	-
Dividends received		-	2 596
Net cash flows arising from investing activities		**(71 634 735)**	**4 270 536**
Financing activities			
Payments on lease liabilities	19	(144 448)	(249 242)
Net cash flows arising from investing activities		(144 448)	(249 242)
Net changes in cash and cash equivalents		(79 916 452)	40 765 451
Cash and cash equivalents at the beginning of the period	3 e 4	217 313 212	176 547 761
Cash and cash equivalents at the end of the period	**3 e 4**	**137 396 760**	**217 313 212**

The following notes form an integral part of these financial statements

The Certified Accountant

The Board of Directors

NOTES TO THE FINANCIAL STATEMENTS 9

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

1. INTRODUCTION

Banco BAI Europa, S.A. (hereinafter referred to as BAIE or Bank) was incorporated on 26 August 2002 under authorisation granted by Ministerial Order of the Minister of State and Finances, of 10 May 2002, succeeding to the Portuguese branch, Banco Angolano de Investimentos, S.A. (BAI). The company has its head office in Lisbon and its corporate object is the performance of banking activities.

BAI´s branch in Portugal was incorporated in Lisbon under Decree-Law No. 298/92, of 31 December (General Regime for Credit Institutions and Financial Companies - RGICSF), and had its establishment authorised by the Minister of Finance through Ordinance 4/97, of 7 January, with a share capital of PTE 3,500,000,000 converted into Euro 17,457,926 fully subscribed through capital originated from BAI.

BAI is a private capital bank with head office in Luanda, Angola. BAI was incorporated on 13 November 1996 with the corporate object of performing banking activities, in accordance with the terms defined by Banco Nacional de Angola (BNA). Its business activity started on 4 November 1997. On 4 May 2008, BAI changed the abbreviation of its legal entity name from Limited Liability Company (S.A.R.L) to Limited Company (S.A.). On 11 January 2011, BAI changed its corporate name from Banco Africano de Investimentos, S.A. to Banco Angolano de Investimentos, S.A. BAIE is part of BAI Group.

The Bank currently operates through its head office and a branch in Lisbon and an office in Oporto.

BAIE´s activity is subject to the supervision of Banco de Portugal, and it is considered a financial institution in accordance with RGICSF.

2. BASIS OF PRESENTATION AND MAIN ACCOUNTING POLICIES

These financial statements were prepared in order to comply with the legislation in force and were prepared on an individual basis.

2.1 BASIS OF PRESENTATION

In accordance with Regulation (EC) No. 1606/2002 from the European Parliament and of the Council, of 19 July 2002 and Regulation No. 5/2015 of Banco de Portugal, of 7 December, BAIE's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU). IFRS comprise standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies.

These financial statements relate to the period ended 31 December 2021 and were prepared in accordance with the principle of going concern, as well as with the IFRS in force, as adopted in the European Union until that date.

The Bank has adopted the IFRS and interpretations of mandatory application for periods beginning on or after 1 January 2021. The accounting policies adopted are consistent with those followed in the preparation of the financial statements for the previous period.

These financial statements were approved by the Board o f Directors of the Bank on 18 March 2022 and are pending approval from the General Meeting of Shareholders. However, the Board of Directors believes that these will be approved without amendments.

2.2 USE OF ESTIMATES IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The preparation of financial statements requires that the Bank´s management establishes assumptions and perform estimates that affect assets, liabilities, income and expenses, which will be analysed below.

Impairment losses in Loans and advances to customers and in other assets
The Bank performs monthly assessments on the existence of objective evidence of impairment, using for that purpose estimates over recoverable cash flows including the ones originated by possible recoveries and collaterals completion (Note 2.4.1.3). This process includes factors such as probability of default, credit ratings, the value of the collaterals associated to each operation, recovery rates and the cash flow estimates, either from future cash flows or the time of their receipt.

Income taxes
The Bank recognised deferred tax assets based on the assumption that future taxable income will exist and based on tax legislation in force or legislation already published for future application, as well as the requirements set in IAS 12 (Note 14). Probable future amendments to tax legislation may influence the amounts expressed in the financial statements regarding deferred taxes.

In 2018, the Bank adopted IFRS 9 – Financial Instruments, which replaced IAS 39. This standard significantly changed the way impairment is calculated since, for this purpose, it now considers an expected loss model. In this respect, there are no transitional arrangements providing the tax treatment to be given to transition adjustments to IFRS 9, and therefore, the treatment given resulted from BAIE's interpretation of the application of the general rules of the Corporate Income Tax Code.

Fair value of derivatives and unlisted financial assets
Fair value of derivative financial instruments and unlisted financial assets (i.e., not traded in active markets) was estimated based on techniques and financial theories using market assumptions or third parties' assumptions (Note 33). Results achieved may differ according to the assumptions considered.

Employee benefits and other Liabilities arising from retirement and survival pensions and the income generated by the Pensions Funds to cover those liabilities are estimated using actuarial boards, pensions and wages growing assumptions and pension future income assumptions (Note 30). These assumptions are based on BAIE's expectations at the balance sheet date and for the period over which liabilities will be settled.

Impairment and measurement of assets at fair value through other comprehensive income
The Bank determines the existence of impairment losses in their debt instruments at fair value through other comprehensive income considering all the reasonable, reliable and duly supported information available at each reporting date, including forward looking information.

Evaluations are obtained through market prices (mark-to-market) or valuation models (mark-to-model), which require the use of certain assumptions or judgement in the calculation of fair value estimates.

The Bank's assets and liabilities fair value is measured according to the following hierarchy, in accordance with IFRS 13 - Fair Value:

Listed market prices (Level 1)
This category includes Financial Instruments with listed market price available in official markets and entities that regularly disclose transaction prices for these instruments traded in liquid markets.

The priority in prices used is given to those observed in official markets, and where there is more than one official market the option falls on the main market where these financial instruments are traded.

The Bank considers as market prices those disclosed by independent entities (namely Bloomberg and Reuters), assuming they act in their own economic interest and that such prices are representative of an active market, using, whenever possible, prices provided by more than one entity (for a given asset and/or liability). In the revaluation process of financial instruments, the Bank reviews the different prices in order t o select the one that is most representative for the instrument under analysis.

Under this category are included, among others, the following financial instruments:
i) Derivatives traded on an organised market;
ii) Shares listed on the stock exchange market;
iii) Open-end securities funds listed on the stock exchange market;
iv) Closed-end funds whose underlying assets are only financial instruments listed on the stock exchange market;
v) Bond securities with more than one provider whose instruments are listed on the stock exchange market.

Valuation methods with observable prices/parameters in the market (Level 2)
In this category, financial instruments valued using internal models are considered, such as discounted cash flow models and option valuation models, which involve the use of estimates and require judgments that vary according to the complexity of the products being valued. Nevertheless, the Bank uses as inputs in its models' observable variables in active markets, such as interest rate curves, credit spreads, volatility and indexes on prices.

Under this category are included, among others, the following financial instruments:
i) Bonds not listed on stock exchange market;
ii) Derivatives (OTC) over the counter; and
iii) Commercial paper in which there are observable inputs in the market, namely yield curves and credit spread, applicable to the issuing entity.

Valuation methods with parameters not observable in the market (Level 3)
This level includes valuations determined through the use of internal valuation models or quotes provided by third parties but whose parameters are not observable in the market. The basis and assumptions for the calculation of fair value are in accordance with the IFRS 13 principles.

Under this category are included, among others, the following financial instruments:
i) Debt securities valued using inputs not observable in the market;
ii) Shares not listed on the stock exchange market;
iii) Closed-end real estate funds;
iv) Hedge Funds;
v) Private equities; and
vi) Restructuring Funds.

Alternative methodologies and the use of different assumptions and estimates could result in a different level of impairment losses recognised with a consequent impact in the income statement of the Bank.

Provisions
The measurement of provisions is based on the principles defined in IAS 37 – Provisions and Contingent Liabilities, regarding the best estimate of the expected cost, the most probable outcome of the actions in progress and considering the risks and uncertainties inherent to the process.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are not probable. Provisions are derecognised through their use for the obligations for which they were initially recognised or for the cases that the situations were no longer observed (Note 18).

2.3 TRANSACTIONS IN FOREIGN CURRENCY (IAS 21)

These financial statements are expressed in the functional currency, Euro, since it is the currency used in the main business environment where the bank operates.

The assets and liabilities denominated in foreign currency are accounted on the basis of the multi-currency system, in other words, in their respective denomination currency.

Assets and liabilities denominated in foreign currency are translated into Euro based on the following:

i) Monetary assets and liabilities expressed in foreign currency are translated into the functional currency at the exchange rate published at the balance sheet date;
ii) Non-monetary assets and liabilities expressed in foreign currency and recorded at historical cost are translated to the functional currency at the exchange rate published on the date of the transaction; and
iii) Non-monetary assets and liabilities recorded at fair value are translated into the functional currency at the exchange rate published on the date when the fair value is determined.

Exchange rate differences resulting from translation of the net positions are recognised in the income statement, under the balance Net gains/ (losses) arising from foreign exchange differences.

The spot position in a given currency corresponds to the net balance of assets and liabilities expressed in that currency, plus the amounts of spot operations pending settlement and forward operations maturing in the following two business days.

The forward position in a given currency corresponds to the net balance of forward operations pending settlement, except for those maturing in the following two business days.

The translation of income and expense in foreign currency is performed on a monthly basis at the exchange rate prevailing at the end of each month.

The foreign exchange rates used in the functional currency translation process of assets, liabilities, income and expenses expressed in foreign currency, are the exchange rates disclosed by the European Central bank, designated as fixing rates.

With the purpose of mitigating its foreign exchange exposure, BAIE may use derivative financial instruments as "currency forwards" and "currency swaps". The accounting policies used to record these transactions are described in Note 2.4.6. As of 31 December 2021, BAIE does not hold any derivative financial instrument.

2.4 DERIVATIVE FINANCIAL INSTRUMENTS (IFRS 9)

Financial instruments are recognised on their trade date, which is the date on which the Bank becomes part of the contract and are classified by considering its underlying purpose, under the categories described below.

On initial recognition, financial assets are classified in one of the following categories:
i) Financial assets at amortised cost
ii) Financial assets at fair value through other comprehensive income; or
iii) Financial assets at fair value through profit or loss.

The classification is made considering the following aspects:
i) The Bank's business model for financial asset management; and
ii) The contractual cash flow characteristics of the financial asset.

2.4.1 LOANS AND ADVANCES TO CUSTOMERS (FINANCIAL ASSETS AT AMORTISED COST)

2.4.1.1 MEASUREMENT, INITIAL AND SUBSEQUENT RECOGNITION

Loans and other receivables includes all financial assets corresponding to the supply of cash, goods or services to a debtor. This concept includes the typical credit granting to customers, as well as the creditor positions resulting from operations with third parties under the institution´s business activities except operations with credit institutions.

Loans and advances to customers are initially recognised at fair value plus any directly attributable transaction costs and fees and are subsequently measured at amortised cost using the effective interest method, less impairment losses.
In summary, revenue arising from fees for services rendered that are directly associated with loan operations is recognised on straight-line basis over their term.

The Bank writes-off credits to the assets of operations whenever it considers then to be irrecoverable and whose impairment is registered by the total amount of the operation.

2.4.1.2 DERECOGNITION

Loans and advances to customers are derecognised from the balance sheet when:
(i) the contractual rights of the Bank to their respective cash flows have expired; or
(ii) the Bank transferred substantially all the associated risks and rewards of ownership; or
(iii) notwithstanding the fact that the Bank may have retained part, but not substantially all the associated risks and rewards of ownership, control over the assets was transferred and
(iv) the changes to the contractual conditions of a financial asset originated a substantial variation in the present value of the cash flows, i.e., the new contractual conditions discounted using the initial contract interest rate resulted in a change of, at least 10%, of the remaining present value of cash flows of the original financial asset.

2.4.1.3 IMPAIRMENT LOSSES

Impairment losses identified are recorded in the income statement being subsequently reversed, if there is a reduction of the estimated impairment loss, in a subsequent period.

IFRS 9 establishes a new asset impairment model based on expected credit losses, which replaces the incurred loss model followed by IAS 39, which considers the expected losses throughout the life of financial instruments. Thus, macroeconomic factors are considered when determining ECL, as well as other forward-looking information, whose changes have impact in expected losses.

Collective analysis
Instruments that are subject to impairment calculations are divided in three stages considering its credit risk level, as follows:

- **Stage 1:** no significant increase in credit risk since its initial recognition. In this case, impairment losses will correspond to expected credit losses resulting from default events that may occur within 12 months after the reporting date;

- **Stage 2:** instruments in which there is a significant increase in credit risk since its initial recognition, however no objective evidence of impairment exists. In this case, impairment losses will correspond to expected credit losses resulting from default events that may occur over the expected residual life of the instrument;

- **Stage 3:** instruments for which there is objective evidence of impairment losses as a consequence of events that resulted in losses. In this case, impairment losses will correspond to expected credit losses over the expected residual life of the instrument.

It should be noted that BAIE also considered the following assumptions for the purpose of calculating impairment losses on loans and advances to customers:

- **Default contamination:** the contamination is performed by customer number, being considered in default all the operations of a customer for which one of the operations is considered in default;
- **Cure period:** a cure period of 6 months is considered for contracts that were in default and a period of 12 months is considered for contracts that were forborne.

The calculation of impairment losses in accordance with IFRS 9 is complex and requires decisions from Management, estimates and assumptions, particularly in the following areas:

- Assessment of the existence of a significant increase in credit risk since the initial recognition; and
- Incorporation of forward-looking information in ECL calculation.

ECL Calculation

ECL correspond to unbiased weighted estimates of credit losses that will be determined as follows:

- Financial assets without signs of impairment at the reporting date: the actual value of the difference between the contractual cash flows and the cash flows that BAIE expects to receive;
- Financial assets with signs of impairment at the reporting date: difference between the gross book value and the actual value of the estimated cash flows;
- Unused credit commitments: the actual value of the difference between the contractual cash flows that would result if the commitment is used and the cash flows that BAIE expects to receive;
- Financial guarantees: the actual value of expected reimbursement payments deducted from the amounts that BAIE expects to recover.

Definition of default

Under IFRS 9, the Bank considered the recommendations of EBA "Final Report on Guidelines on default definition (EBA-GL-2016-07)", issued on 28 September 2016.

Significant increase in credit risk

Under IFRS 9, in order to determine if a significant increase in credit risk has occurred (risk of default) since the financial instrument´s initial recognition, BAIE considers as relevant information all the information available and without costs and/or excessive effort, including either quantitative and qualitative information or an analysis based in BAI Europa´s history, expert judgement and forward looking.

Accordingly, considering the Bank's activity, it was defined that a significant increase in credit risk takes place when any of the following situations occurs since initial recognition: i) default between 30 and 90 days; ii) more than 2 non-performing payments in the last 12 months; iii) credit overdue in the Central Credit Register (CRC) between 2 and 3 months; iv) debts to the Tax Authorities; v) credit overdue for more than 3 months and/or written-off at the CRC in the last 3 reporting periods; vi) credit renegotiated in CRC; vii) credit forborne due to financial difficulties; viii) PERSI (Retail); and ix) Deceased (Retail).

In addition, in the process of monitoring a significant increase in credit risk, the Bank also considers the following qualitative factors: i) management problems; (ii) high investments; (iii) high competition / low margins; iv) concentration of turnover on a small number of customers; v) loss of concessions or representations; vi) economic group with difficulties; vii) evidence of forbearance in the financial system; viii) problems with suppliers; ix) worsening of the economic and financial situation; (x) high concentration in a market; xi) employer company (Retail); and (xii) Divorce (Retail).

BAI Europa monitors the effectiveness of the criteria used for the identification of significant increase in credit risk through regular assessments in order to confirm that:

- The criteria allow to identify significant increases in credit risk before the exposure enters in default;
- The criteria is not in line with the moment where the customer is 30 days overdue;
- The average time between the identification of the significant increase in credit risk and the default is reasonable;
- The exposures usually do not change directly from the calculation of the 12-month ECL for a situation where they show signs of impairment;
- There is no unjustified volatility in the impairment value of transfers between the 12-month ECL value and the lifetime ECL value.

Inputs for the measurement of ECL

The main inputs used for measuring ECLs in a collective basis include the following parameters:

- Probability of Default – PD;
- Loss Given Default – LGD; and
- Exposure at Default – EAD.

These parameters are obtained using market references adjusted in order to reflect the forward-looking information, when applicable.

The EAD represents the expected exposure if the exposure and/or customer go into default. BAIE obtains the EAD values from the counterparty's current exposure and potential changes to its current value in accordance with the contractual conditions, including amortisation and prepayments. For commitments and financial guarantees, the value of EAD includes both the amount of credit used and the expectation of the future potential value that may be used in accordance with the contract.

The EAD calculation is performed differently per Stage:

- **Stage 1 and 3:** corresponds to the sum of outstanding loans, overdue loans, accrued interest and any off-balance sheet loans (to which, as mentioned above, and depending on the product segment considered, a credit conversion factor is applied), after deducting any existing financial collateral associated with the credit operation (pledges of deposits made with BAI Europe and credit insurance guaranteed by the Portuguese Government);

- **Stage 2:** corresponds to the expected projection over the residual maturity of the contract, i.e., the sum of outstanding loans, overdue loans, accrued interest and any off-balance sheet loans (to which a credit conversion factor is applied, depending on the product segment considered), after deducting any existing financial collateral associated with the credit operation (pledges of deposits made with BAI Europe and credit insurance guaranteed by the Portuguese Government). Given the need to calculate the expected loss for the lifetime of the contract, future amortisations are deducted from the exposure considering the financial plan of each contract, in 12-month buckets.

Forward-looking information

Under IFRS 9, BAI Europa includes forward looking information both in its assessment of the significant increase in credit risk and in the measurement of the ECL, namely for probability of default calculation purposes. The Bank includes projections of relevant macroeconomic variables based on external data (Moody's) into the measurement of the ECL, without using internal parameters for this purpose. This approach represents a forecast of what is more likely to occur and will be in line with other data used by BAIE for other purposes, such as strategic planning and budgeting.

Individual analysis

The individual analysis corresponds to the impairment calculation of individual contracts, instead of the one used in the collective analysis. The contracts eligible for this analysis have the following individual analysis criteria: i) exposure with country risk; ii) exposures above Euro 1 million. All contracts that have the following characteristics are removed from the segments to which they are aggregated, and an individual impairment rate is applied, depending on the internal considerations regarding the associated risk.

The determination of the impairment loss estimates results from the difference between the book value and the estimated recoverable amount of the credit, considering the recovery expectation of the amounts owed, the existing guarantees and, if possible, the recovery costs. For the customers to whom no impairment is attributed in the individual analysis, the Bank applies the impairment calculated through the collective model.

POCI Assets

Purchased or originated credit impaired (POCI) are assets in default at the initial recognition, which can be originated according to one of the following criteria: (i) New financial assets originated after changes in the contractual conditions that result in the derecognition of the original asset and in the recognition of a new asset; (ii) New customer contracts in default.

The calculation of the ECL for assets classified as POCI is based in the following principles:

- **Impairment at initial recognition (inception):** on inception, POCI assets are not impaired. The gross book value of POCI assets at inception corresponds to the net book value before its recognition as POCI. Therefore, at inception, the ECL of a POCI asset should be zero and the respective fair value is determined in accordance with a proxy of Net Carrying Amount (i.e., gross carrying amount deducted from the initial ECL).

- **Impairment in subsequent periods:** the ECL for POCI assets is always calculated in a lifetime perspective (from the moment an asset is recognised as POCI, can never be allocated to stage 1). Considering that the ECL, at inception, is incorporated in the value of the POCI asset, the amount recognised as ECL corresponds only to the amounts related to the ECL changes since the initial recognition.

In 2021 and 2020, there were no assets classified as POCI.

2.4.2 OTHER FINANCIAL ASSETS AT AMORTISED COST

2.4.2.1 MEASUREMENT AND RECOGNITION

The Bank measures a financial asset at amortised cost if it meets, simultaneously, the following requirements and is not recorded at fair value through profit or loss (FVTPL) by choice (use of the Fair Value Option):

- The financial asset is held in a business model whose main purpose is to hold the asset to collect its contractual cash flows (HTC – Held to collect); and
- its contractual cash flows occur on specific dates and correspond solely to payments of principal and interest on the principal amount outstanding (SPPI - Solely Payments of Principal and Interest).

These financial assets are initially recorded at fair value and subsequently measured at amortised cost. Interest is calculated based on the effective interest rate method and recognised in Net Interest Income. Impairment losses are recognised in the income statement when identified.

2.4.2.2 IMPAIRMENT LOSSES

IFRS 9 introduced the calculation of expected impairment losses for all financial assets. BAIE's policy is to regularly assess the objective existence of impairment of its Financial Assets. Impairment losses identified are recorded in the income statement being subsequently reversed, if there is a reduction of the estimated impairment loss, in a subsequent period.

Inputs for the measurement of ECL

The inputs for the measurement of ECL of these assets are:

- Probability of Default – PD;
- Loss Given Default – LGD; and
- Exposure at Default – EAD.

These parameters are also obtained using market references. In the calculation of the ECL, the PDs made available by a rating agency are used, and its maturity is adjusted to the residual maturity of each asset, in the case of Loans and advances to credit institutions repayable on demand. In case of Other financial assets its maturity is adjusted through the allocation of a 12-month PD.

The EAD represents the accumulated balance of the financial asset (deposits or other debtors) or the sum of the nominal value of the security, the amount of accrued interest and the premium to be amortised (premium paid on the acquisition of the security less the amount already amortised), less the discount to be amortised (the total value of the discount obtained on the acquisition of the security less the amount already amortised).

Allocation to Stages

The inputs for the measurement of ECL of these assets are:

- **Stage 1:** assets that do not meet the criteria to be considered in Stages 2 and 3;
- **Stage 2:** assets which simultaneously meet 2 or more criteria indicative of deterioration in the quality of the asset;
- **Stage 3:** assets with a "D" rating (default) assigned by a rating agency.

BAI Europa does not have an internal rating scale, i.e., it does not have a scale of internal risk grades to apply to its assets in order to ascertain the deterioration of their quality. Thus, it is considered as evidence of deterioration in the quality of a financial asset, the simultaneous occurrence of two or more conditions described below:

- Failure to pay coupons or capital repayments on the established dates (only for debt securities);
- A significant decrease (above 20% in the 12 months prior to the reference date) and continuous (negative variation in the quotation value considering as reference the dates of 12, 6 and 2 months prior to the reference date) of its quotation price;
- The absence of quotation evidence for the security, in the active market (in case of being a listed asset);
- Unfavourable market information.

2.4.3 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

2.4.3.1 VALUATION AND RECOGNITION

A financial asset is measured at fair value through other comprehensive income (FVOCI) if both of the following conditions are met and if is not designated at fair value through profit or loss (FVTPL) by option (use of Fair value option):

- The financial asset is held within a business model whose objective is to both collect contractual cash flows and the sale of that financial asset (HTC and Sell – Held to collect and Sell); and
- The contractual cash flows occur on specified dates and correspond solely to payments of principal and interest on the principal amount outstanding (SPPI).

The financial assets at fair value through other comprehensive income are initially accounted at fair value, including all expenses or income associated with the transactions and subsequently measured at fair value. The changes in fair value are accounted for against Fair value reserves.

a) Debt instruments

On the sale, or if impairment is determined, the accumulated gains or losses recognised in fair value reserves are recognised in the income statement under Net gains / (losses) arising from assets and liabilities at fair value through other comprehensive income or under Impairment losses from other financial assets, respectively. Interest income from debt instruments is recognised in Net interest income based on the effective interest rate, including a premium or discount when applicable.

b) Equity instruments

At the initial recognition of an equity instrument that is not held for trading, the Bank may irrevocably choose to classify it as at fair value through other comprehensive income (FVOCI). This option is exercised on a case-by-case basis, instrument by instrument. This option is only available for financial instruments that comply with the definition of equity instruments provided for in IAS 32, and cannot be used for financial instruments whose classification as an equity instrument under the scope of the issuer is made under the exceptions provided for in paragraphs 16A and 16D of IAS 32.

In accordance with IFRS 9, no impairment is recognised in equity instruments recorded at fair value through other comprehensive income, being the corresponding accumulated gains or losses recognised in the fair value reserve transferred into Retained earnings when its sale occurs.

Dividends are recognised in the income statement when the right to receive the dividends is attributed.

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

All financial assets that are not measured according to the criteria described above, at amortised cost or at fair value through other comprehensive income (FVOCI), are measured at fair value through profit or loss (FVTPL).

Additionally, at initial recognition, the Bank may irrevocably designate a financial asset, which otherwise meets the requirements to be measured at amortised cost or FVOCI, such as FVTPL, if the designation significantly eliminates the accounting mismatch that would otherwise exist (Fair Value Option).

a) Financial assets and liabilities held for trading

The financial assets and liabilities acquired or issued with the purpose of sale or re-acquisition on the short term, namely bonds, treasury bills or shares, or that are part of a financial instruments portfolio and for which there is evidence of a recent pattern of short-term profit taking, or that can be included in the definition of derivative (except in the case of a derivative classified as hedging) are classified as trading. The dividends associated to these portfolios are accounted in Gains arising from trading and hedging operations. The interest from debt instruments is recognised as Net interest income.

Trading derivatives with a positive fair value are included in the financial assets held for trading and the trading derivatives with negative fair value are included in the Financial liabilities held for trading.

In 2021 and 2020, the Bank had no financial assets and/or liabilities held for trading.

b) Financial assets not held for trading mandatorily at fair value through profit or loss

This category includes assets for which the main purpose of the business model is to hold the assets to collect their contractual cash flows and debt instruments that are mandatorily classified at fair value through profit or loss due to non-compliance with the SPPI criteria.

At inception, IFRS 9 allows that an entity makes an irrevocably selection (instrument by instrument) in order to present as comprehensive income, the subsequent fair value changes from an equity instrument. This option only applies to instruments not held for trading.

c) Other financial assets and liabilities at fair value through profit and loss (Fair value Option)

The designation of other financial assets and liabilities at fair value through profit and loss (Fair Value Option) is performed whenever at least one of the following requirements is fulfilled:

- The financial assets and liabilities are managed, evaluated and reported internally at its fair value;
- The designation eliminates or significantly reduces the accounting mismatch of the transactions; and
- The financial assets and liabilities include embedded derivatives that significantly change the cash flows of the original contracts (host contracts).

Considering that the transactions performed by the bank in the normal course of business are fulfilled at market prices, the financial assets and liabilities at fair value through profit or loss are initially accounted at their fair value, with the expenses or income related to the transactions being recognised in profit or loss at the initial moment and subsequent fair value changes under IFRS 9, according to the following:

- The amount related to the fair value change attributable to changes in the credit risk of the liability is presented in OCI; and
- The remaining amount of the fair value change is presented in the income statement.

The accrual of interest and the premium/discount (when applicable) is recognised in Net Interest Income based on the effective interest rate of each transaction, as well as the accrual of interest on the derivatives associated to financial instruments classified in this category.

2.4.5 OTHER FINANCIAL LIABILITIES

This category includes all financial liabilities that are not recognised as financial liabilities at fair value through profit and loss, namely deposits from other financial institutions (Note 16) and from customers (Note 17).

These financial liabilities are initially recognised at fair value, accrued of possible commissions included in the effective interest rate and accrued of all incremental expenses directly attributable to the transaction. Subsequently, these financial assets are measured at amortised cost using the effective interest rate method.

2.4.6 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised on the trade date at fair value and subsequently at fair value. Fair value is obtained through market prices listed in active markets, including recent market transactions and valuation models, namely discounted cash flows models and option valuation models. Derivatives are considered assets when its fair value is positive and liabilities when its fair value is negative.

Certain embedded derivatives in other financial instruments, as debts instruments for which profitability is indexed to share prices or share indexes, are bifurcated, and treated as separate derivatives, when its risk and economical features are not clearly related to the host contract, and the latter not measured at fair value with changes through profit or loss. These embedded derivatives are measured at fair value with subsequent changes recognised in the income statement.

Derivatives are also recorded in off-balance sheet accounts by its theoretical value (notional value).

As at 31 December 2021 and 2020, BAIE does not own any derivative financial instrument.

2.4.7 RECLASSIFICATIONS BETWEEN FINANCIAL INSTRUMENTS CATEGORIES

Reclassifications of financial assets can only occur when the entity changes its business model used in the management of financial assets, which it is expected to be very unusual. In this case, all financial assets affected must be reclassified. The reclassification must be applied prospectively from the date of reclassification, and any gains, losses (including gains or losses from impairment) or interest previously recognised should not be restated.

IFRS 9 does not allow the reclassification of investments in equity instruments measured at fair value through OCI or when the fair value option was exercised for financial assets and liabilities. Reclassifications of financial liabilities are not allowed.

There were no reclassifications of Financial Assets in 2020 and 21.

2.5 GUARANTEES PROVIDED AND IRREVOCABLE COMMITMENTS

Liabilities with guarantees provided and irrevocable commitments are recorded in off-balance sheet accounts by its value at risk. Interest, commissions and other income are recorded in the income statement over the useful life of the operations (Note 29).

Impairment losses on guarantees provided and irrevocable commitments are calculated in accordance with IFRS 9 (similarly to the underlying assets - Note 2.4.1.3.), and are recorded against profit or loss, being subsequently reversed through profit or loss if the amount of the estimated impairment loss decreases in a later period.

2.6 INTANGIBLE ASSETS (IAS 16)

The Bank´s other tangible assets are recorded at acquisition cost less accumulated depreciation and impairment losses. Depreciation is calculated through the straight-line method, according to the useful life expected by the Bank, as shown below:

	Number of years
Rented buildings	10
Equipment	3 a 5
Other property, plant and equipment	4 a 12

The acquisition cost includes expenses which are directly attributable to the acquisition of assets. Repairs and maintenance expenses are recognised as costs as they are incurred under the balance General and administrative expenses.

According to IAS 16, these assets are subjected to impairment tests whenever there is an indication that its net book value exceeds its recoverable amount, being the difference, if exists, recognised in the income statement. The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use.

The accounting policy concerning the right-of-use is disclosed in Note 2.15 IFRS 16 - Leases. Impairment losses on property, plant and equipment are recognised in profit or loss for the period, with no objective signs of impairment identified in 2021.

2.7 INTANGIBLE ASSETS (IAS 38)

This balance includes the costs incurred with the acquisition, development and implementation of software to be used in the Bank´s activity (Note 12).

Intangible assets are booked at acquisition cost less accumulated amortisation and impairment losses. Depreciations are calculated on a straight-line basis over the expected useful life of the asset, usually three years.

Software maintenance costs are charged to the income statement when incurred.

The bank does not recognise internally developed intangible assets.

Any impairment losses are recognised in profit or loss for the period, with no objective signs of impairment identified in 2021.

2.8 INCOME TAXES (IAS 12)

BAIE is subject to the tax regime of the Corporate Income Tax Code (CIRC) and Tax Benefits Code (EBF).

Income tax recognised in profit or loss comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly to reserves in which case it is recognised in reserves. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

According to Law No. 98/2019, of 4 September, which established the tax regime of credit impairment and provisions for guarantees for tax periods beginning on or after 1 January 2019, the Bank joined the definitive regime provided in Articles No. 2 and 3 of the Law under review, hence the new regime has already been considered in the estimation of current and deferred taxes.

Deferred taxes are calculated under the liability method based on the balance sheet date, in respect of temporary differences between the accounting values of assets and liabilities and its tax base, using the rates of tax approved or substantially approved at the balance sheet date. Tax credits and tax losses carried forward are also recorded as deferred tax assets.

In accordance with IAS 12, deferred tax liabilities are recognised for all taxable temporary differences, except for differences related to goodwill not deductible for tax purposes, differences resulting from the initial recognition of assets and liabilities that do not affect accounting and tax profit, differences that do not result from business combinations and differences related to investments in subsidiaries, which are not expected to be reversed. Under the same standard, deferred tax assets are recognised only to the extent when it is probable that future taxable profits will be available to absorb deductible temporary differences for taxation purposes or tax losses carried forward.

It should be noted that the taxable profit or tax loss calculated by the Bank may be subject to adjustments by the tax authorities within four years. In years in which there are deductions or use of tax credits, the period for the tax authorities to make adjustments depends on the exercise of such right, particularly five or twelve years, according to the year, in the case of tax losses.

At this date, in accordance with the Portuguese legislation, tax losses generated in periods beginning in or after 2014 can be carried forward for a period of 12 years and those generated in 2017 and following years can be deducted up to 70% of the tax income generated during that period.

Deferred taxes regarding temporary differences arising at the initial recognition of assets and liabilities related to transactions that do not affect the accounting result or the taxable profit are not recognised.

Deferred tax assets related to financial investments in associates are also not recognised since it is not probable that the difference will reverse in a predictable future.

The main situations that originate temporary differences on BAIE are related to provisions/temporary non-deductible impairments, financial assets at fair value through other comprehensive income and long-term employee benefits.

Deferred taxes are calculated, using the tax rates enacted or substantively enacted at the balance sheet date and that are expected to be applied when the temporary difference is reversed.

2.9 EMPLOYEE BENEFITS (IAS 19)

Liabilities with employee benefits are recognised in accordance with IAS 19 – Employee benefits. The main employee benefits are retirement and survival pensions, post-employment health charges, other long term and short-term benefits:

2.9.1 RETIREMENT AND SURVIVAL PENSIONS AND POST-EMPLOYMENT HEALTH CHARGES

In accordance with the Pension Plan attached to the subscription contract to the *Fundo de Pensões da Ocidental - Sociedade Gestora de Fundos de Pensões, S.A.*, BAIE acknowledges the responsibility to pay to its employees covered by the Vertical Collective Labour Agreement for the Portuguese Banking Sector (ACTV) or to their families, cash benefits for old age or disability retirement, early retirement or survival. These benefits currently consist of an increasing percentage of the employee's years of service in the Bank, applied to his/her salaries. To this extent, the plan is classified as a defined benefit plan.

With the publishing of Decree-Law 1-A/2011, of 3 January, under the Vertical Collective Labour Agreement (ACTV) for the banking sector, the employees in active age on 4 January 2011 began to be covered, as from that date, by the Social Security General Regime (SSGR) only for old age retirement benefit and in cases of maternity, paternity and adoption, whose charges the Bank no longer bears. Considering the complementarity character predicted in the ACTV rules, the bank continues to guarantee the difference between the amounts paid under the Social Security General Regime and those estimated under the referred Agreement.

BAIE determines, on an annual basis, the total amount of these responsibilities, through calculations performed by independent actuaries, using the "Unit Credit Projected" method and actuarial assumptions considered appropriate (Note 30). The amount of liabilities includes benefits with post-employment medical care (*Serviços de Assistência Médico-social – SAMS*), besides the benefits with retirement and survival pensions.

The actuarial assumptions consider the pensions and salaries growth expectations and are based in mortality tables used by other institutions operating in the Portuguese financial market. The discount rate used to update the liability is determined by reference to interest rates associated with high quality corporate bonds, in the currency in which the liabilities are settled, and with a similar maturity to the average date of termination of liabilities.

In terms of sensitivity analysis of changes in the discount rate and their impact on total past service liabilities, the methodology of using assumptions remained stable, without changes in the method used.

Until 4 January 2011, the liabilities were exclusively financed by one pension fund, being the amount corresponding to the difference between the actual amount of liabilities and the fair value of the fund´s assets at the balance sheet date, if applicable, adjusted by the deferred actuarial gains and losses, either positive or negative, recognised under Other liabilities or Other assets, respectively. The value of the pension fund corresponds to the fair value of its assets at the balance sheet date. Concerning the application of the above-mentioned decree-law 1-A/2011, the defined benefit plan for employees covered by the ACTV regarding old age retirement, become to be financed by the pension fund in the part regarding past service cost until 4 January 2011, and by the Social Security in the remaining part regarding past services cost after that date. Thus, from 2011 onwards, the current service cost and the annual increase of liabilities for past services have reduced and the bank, since the beginning of that year started to support an additional charge corresponding to a fee (*Taxa Social Única – TSU*) of 23.75% over the generality of retributions paid to its employees covered by the ACTV.

Actuarial gains and losses are recognised in equity under the balance Retained Earnings and disclosed in Other Comprehensive Income Statement.

Accruals with past service responsibilities, namely the ones related to the passage of employees to early retirement, are recognised as expenses in the income statement in the period to which they occur.

In addition, Notice 12/2001 from Banco de Portugal requires a full financing of pension liabilities in payment and a level of financing of 95% of past services liabilities of active employees.

The costs with Bank employees include the following costs regarding liabilities with retirement pensions:
• current service cost (cost for the period);
• interest regarding all liabilities; and
• expected return of the pension fund.

2.9.2 OTHER LONG-TERM BENEFITS

Pursuant to clause No. 74 of the ACTV, the Bank has taken the responsibility of granting to its employees who are covered by this scheme and in active service, an end-of-career bonus corresponding to 1.5 times their effective monthly remuneration, on the date of their retirement due to disability or alleged disability.

The Bank determines, on an annual basis, the present value of past liabilities with seniority awards through evaluations performed by independent qualified actuaries using the Project Unit Credit method. The actuarial assumptions used (demographic and financial) consider expectations, at the balance sheet date, for the salary growth and a mortality table suitable to the bank´s population. The discount rate is determined by reference to interest rates associated with low-risk corporate bonds with a similar maturity to the date of termination of liabilities. These assumptions are equal to the ones used in the retirement pension's liability calculation.

For accounting purposes, the Bank registers the amount of the liabilities calculated as an expense (Note 18) against the income statement. Payments made to employee are deducted from the provision recorded.

The costs with bank employees include the following costs regarding seniority awards liabilities:

• Current service cost (cost for the period); and
• Interest expense.

2.9.3 SHORT-TERM BENEFITS

Short-term benefits (retribution and charges with retributions) are recorded by the undiscounted amount under Staff costs (Note 26) in the period to which they relate in accordance with the accrual principle.

2.10 PROVISIONS AND CONTINGENT LIABILITIES (IAS 37)

Provisions are recognised when (i) the Bank has a present obligation (legal or constructive), (ii) it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation (iii) as a result of past events and (iv) a reliable estimate can be made of the amount of the obligation.

When the probability of an outflow of resources or the estimation on the amount of the obligation cannot be reliably estimated, we are in the presence of a contingent liability which should only be subject to disclosure, unless the probability of occurrence is remote.

Provisions are reviewed at the end of each reporting date and adjusted to reflect the best estimate, being reversed against the income statement in proportion to the payments that are not likely.

Provisions cease from being recognised when they are used for settling the liabilities for which they were initially set up or reversed in cases where those liabilities are no longer observed (Note 18).

As there were no Contingent Liabilities in 2021 and 2020, these are not disclosed.

2.11 ASSETS RECEIVED AS PAYMENT IN EXCHANGE FOR CREDITS RECOVERY

Assets received as payment in exchange for credits recovery, namely real estate, equipment and other assets received as payment, are classified in the balance Other Assets and are recorded, in its initial recognition, by the lower between its fair value net of selling costs and the book value of the credit object of recovery.

Subsequently, these assets are recorded by the lower between its initial amount and the corresponding present fair value net of selling costs and are not depreciated. Unrealised gains or losses generated are recognised in the income statement. Regular assessments are performed, which give rise to impairment losses whenever the amount determined in those assessments is lower than the book value. Subsequent reversal of these unrealised losses is limited to the initial amount of the assets received as payment in exchange for credits recovery.

Potential gains in assets received as payment in exchange for credits recovery are not recognised in the balance sheet.

No assets of this nature were recorded in the 2021 and 2020 financial years.

2.12 RECOGNITION OF REVENUE FROM SERVICES AND COMMISSIONS (IFRS 15)

IFRS 15 redefines revenue recognition principles and is applicable to all contracts with customers that are not contracts under other standards.

IFRS 15 establishes a five-step model (identifying the contract with a customer, identifying performance obligations in the contract, determining the transaction price, allocating the transaction price and recognising revenue) to depict the revenue arising from contracts with customers and requires the recognition of such revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for services rendered to the customer.

Revenue from services and commissions is recognised in accordance with the following criteria:
• When obtained as services are rendered, they are recognised in the income statement in the period to which they relate;
• When they result from services rendered, they are recognised in the income statement when the service is completed; and
• When they form an integral part of the effective interest rate of a financial instrument, the income resulting from services and commissions is recorded in Net interest income.

Many of the Bank's sources of revenue (for example, interest income, gains and losses on financial instruments) are outside the scope of IFRS 15, and therefore the recognition of these flows has not changed with the adoption of IFRS 15. The revenue of the Bank generated under IFRS 15 refer to income from services and commissions (Note 24).

2.13 CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months maturity from the trade date, including cash and deposits with banks.

2.14 IFRS 16 - LEASES

IFRS 16 introduced a single lease accounting model in the Balance Sheet. Accordingly, the Bank, as a lessee, is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accounting as a lessor remains unchanged due to the accounting policies already in place, and the Bank did not carry out leasing operations as a lessor in 2021 and 2020.

A. Lease definition
The new lease definition entails a focus on control of the identified asset, i.e., a contract is, or contains a lease, if it gives the right to control the use of an identified asset (underlying asset) for a certain period of time in exchange of consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use.

B. Lessee accounting
From the lessee's perspective, the Bank previously classified leases as operating or finance leases based on an overall assessment of whether the lease transfers substantially all the risks and rewards of ownership of the underlying assets. Currently, in accordance with IFRS 16, the Bank recognises right-of-use assets and lease liabilities for some classes of assets - i.e., these leases are recognised in the Bank's balance sheet.

The Bank recognises a right-of-use asset and a lease liability at the inception of the lease.

Right-of-use assets
The right-of-use asset is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities.

The Bank records right-of-use assets under Other tangible assets, i.e., on the same item line as the underlying assets of the same nature that are its property.

Lease liabilities
The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined, at the Bank's incremental borrowing rate.

The Bank generally uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and reduced by the lease payments made. It is remeasured (remeasurements are treated as adjustments to the right-of-use assets) to reflect changes in future lease payments resulting from a change in an index or rate, in the amounts expected to be payable under residual value guarantees, or, if appropriate, in the assessment of whether a call or put option is reasonably certain to be exercised or an exit option is reasonably certain not to be exercised.

The Bank records lease liabilities under Other liabilities in the statement of financial position.

Judgement used in determining the lease term
The Bank has used judgement to determine the lease term of

some contracts in which it is the lessee, which include put and exit options. The Bank determines the lease term as the non-cancellable period during which it has the right to use an underlying asset together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The assessment of whether the Bank will exercise such options will have an impact on the lease term, which will significantly affect the amount of the lease liabilities and the right-of-use assets recognised.

The Bank has the option to lease the assets for additional periods, particularly in property rental contracts. The Bank uses judgement in assessing whether it is reasonably certain to exercise the put option, i.e., it considers all relevant factors that create an economic incentive to exercise it or not.

Previously, the Bank classified property leases as operating leases in accordance with IAS 17. Some leases include options to extend the lease for additional periods after the end of the non-cancellable period. Some leases also provide for additional rent payments due to changes in the consumer price index.

In the transition to leases classified as operating leases in accordance with IAS 17, the lease liabilities were measured at the present value of the remaining lease payments, discounted at the Bank's incremental borrowing rate as at 1 January 2019.

Currently, right-of-use assets are measured at the amount equivalent to the lease liability, adjusted for the amount of any prepaid or accrued lease payments - the Bank has adopted this approach for all other leases.

C. Lessor accounting
In accordance with IFRS 16, lessors will continue to classify leases as finance or operating and will not involve significant changes from those defined in IAS 17.

2.15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (IAS 28)

significant influence. When the share of the losses in an associate exceeds the value of the investment in the associate, the Bank recognises additional losses if it has assumed commitments or made payments on behalf of the associate.

Investments in associates or joint ventures are recorded in the financial statements at historical cost less any impairment losses.

This item includes the 17% shareholding and voting rights in a company in which BAIE exercises significant influence. This asset is stated at historical cost (Note 13).

The shareholding is expressed in foreign currency and translated into the functional currency at the exchange rate prevailing at the date of acquisition (Note 2.3).

The recoverable amount of investments in associates is reviewed whenever there is evidence of impairment. Impairment losses are determined based on the difference between the recoverable value of investments and their book value. Impairment losses identified are recorded in the income statement being subsequently reversed, if there is a reduction of the estimated impairment loss, in a subsequent period.

Dividends received from associated companies are recorded under Income from equity instruments.

2.16 SUBSEQUENT EVENTS

The Bank analyses events occurring after the balance sheet date, i.e., favourable and/or unfavourable events occurring between the balance sheet date and the date on which the financial statements were authorised for issue. Within this context, two types of events can be identified:

- Those that provide evidence of conditions existing at the balance sheet date (adjusting events after the balance sheet date); and
- Those that provide information on conditions arising after the balance sheet date (non-adjusting events after the balance sheet date).

Events occurring after the date of the financial statements that are not considered adjustable events, if significant, are disclosed in the notes to the financial statements (Note 35).

3. CASH AND DEPOSITS AT CENTRAL BANKS

This balance is analysed as follows:

(Amounts expressed in Euro)	31-Dec -21	31-Dec-20
Cash	209 273	148 869
Deposits repayable on demand at Banco de Portugal	69 529 325	84 388 791
	69 738 598	**84 537 660**

The balance Deposits repayable on demand at Banco de Portugal corresponds to mandatory deposits intended to satisfy the Minimum Reserve System of the European System of Central Banks (SBCE), which at 31 December 2021 amount to Euro 5,544,200 (31 December 2020: Euro 4,707,200).

These deposits are remunerated at the reference interest rate defined by the European Central Bank (ECB) for the main refinancing operations of the Euro system (MRO) up to the amount required to meet the requirements of the Minimum Reserve System. The balance of deposits recorded exceeding the Minimum Reserve System requirements is remunerated at the reference interest rate defined by ECB for the deposit facility (DF).

After this date, with the introduction of a two-tier remuneration system (tiering), excess reserves are now exempt from remuneration (exempt tier) up to the amount that results from the product between the balance required to comply with the Minimum Reserves System and a multiplier.

As at 31 December 2021, the multiplier set by the ECB is 6. Since 18 September 2019, the benchmark interest rate for the MRO and DF is 0.00% and -0.50%, respectively.

4. LOANS AND ADVANCES TO CREDIT INSTITUTIONS REPAYABLE ON DEMAND

This balance is analysed as follows:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Loans and advances to credit institutions in Portugal		
Deposits repayable on demand	65 062 952	125 079 504
Loans and advances to credit institutions abroad		
Deposits repayable on demand	2 595 210	3 468 428
Cheques to be settled	-	4 227 620
Impairment losses (Notes 18 and 32)	(71 029)	(50 784)
	67 587 133	**132 724 768**

5. FINANCIAL ASSETS NOT HELD FOR TRADING MANDATORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

This balance is analysed as follows:

(Amounts expressed in Euro)	31-Dec -21	31-Dec-20
Equity instruments		
Issued by national private entities	54 869	74 860
Issued by foreign private entities	46 633	43 042
Debt instruments		
Issued by foreign private entities	296 840	281 290
Other – investment funds		
Issued by foreign private entities	156 857	147 202
	555 199	**546 394**

As mentioned in Note 2.4.4, as from 1 January 2018, through the adoption of IFRS 9, financial assets that are not measured at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

In 2021, no dividends were earned relating to financial assets mandatorily measured at fair value through profit or loss.

In 2020, income relating to dividends from financial assets mandatorily measured at fair value through profit or loss in the amount of Euro 2,596 was recorded under Net gains/(losses) arising from financial assets mandatorily measured at fair value through profit or loss (Note 24).

The item Other - investment funds – Issued by foreign private entities relates to investment in a private equity investment fund (Note 33).

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

This balance is analysed as follows:

	31-Dec-21		31-Dec-20	
(Amounts expressed in Euro)	Assets	Liabilities	Assets	Liabilities
Other financial assets at fair value through profit or loss				
Investment funds				
Non-resident	313 715	-	294 405	-
Other financial liabilities at fair value through profit or loss				
Structured financial resources	-	(313 715)	-	(294 405)
	313 715	**(313 715)**	**294 405**	**(294 405)**

The financial resource presented under the balance Other financial liabilities at fair value through profit or loss is related and pledges in full the underlying asset (units in a non-resident investment fund).

The gain and loss in 2021 related to financial assets and liabilities at fair value through profit or loss, resulting from fair value variations occurred in the Fund, amounted to Euro 6,750 and Euro -6,750, respectively.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

Financial assets at fair value through other comprehensive income are analysed as follows:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Financial assets at fair value through other comprehensive income		
Debt instruments		
Issued by national public entities	8 698 791	8 815 300
Issued by national private entities	40 772 817	28 329 512
Issued by foreign public entities	92 600 239	22 448 171
Issued by foreign private entities	71 259 984	78 743 554
Interest receivable	680 637	708 042
Acquisition fee deferral	(13 958)	(17 855)
	213 998 510	**139 026 724**

As at 31 December 2020, part of debt instruments, in the amount of Euro 1,031,003, namely Portuguese public debt, were included in the pool of assets eligible for collateral for Eurosystem monetary policy operations, using contingent liquidity facilities or intraday credit granting (Notes 29 and 33). In 2021, the Bank has no financial instruments in the pool of eligible assets for Eurosystem operations.

Within the scope of BAIE's responsibilities to the Deposit Guarantee Fund (FGD), the Bank holds a nominal value of securities pledged to the Fund, for the purpose of replacing part of the obligation to pay the annual contribution to the FGD through the provision of an irrevocable commitment (Note 29 and 32). As at 31 December 2021 and 2020, the value of these securities amounts to Euro 21,772.

Income relating to dividends from financial assets at fair value through other comprehensive income, as well as realising gains/losses on transactions are recorded under Income from financial assets at fair value through other comprehensive income (Note 23). In 2021 and 2020, the Bank did not receive dividends from assets at fair value through other comprehensive income.

As at 31 December 2021 and 2020, the Bank has no equity instruments accounted for under Financial assets at fair value through other comprehensive income.

Impairment related to financial assets at fair value through other comprehensive income is recognised in equity, similarly to what happens with the fair value reserve of those assets (Note 18).

As at 31 December 2021, the item Acquisition fee deferral refers to the payment of a fee on the acquisition of a bond, which is deferred over the useful life of the financial instrument.

8. FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES TO CREDIT INSTITUTIONS

This balance is analysed as follows:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Loans and advances to credit institutions in Portugal		
Deposits	8 829 242	32 597 180
Subordinated loans and advances	3 248 773	3 665 089
Interest receivable	8 531	11 728
Loans and advances to credit institutions abroad		
Very short-term loans and advances	13 243 864	11 816 478
Deposits	73 282 712	28 522 533
Loans and advances	65 622 285	35 856 898
Interest receivable	223 662	65 377
Deferred commissions	(152 875)	(70 933)
Total gross amount	**164 306 194**	**112 464 350**
Impairment (Notes 18 and 32)	(549 108)	(115 320)
Total net of impairment	**163 757 086**	**112 349 030**

The amount corresponding to Subordinated loans and advances is a set of collateral deposits (Note 29), which refers to the indirect representation of another institution in the SEPA credit transfer payments and SEPA direct debit systems, both STEP2.

Very short-term loans and advances have a maximum maturity of 2 business days.

The loan amount relates to two financings to a South African bank, two financings to two Nigerian banks and five financings to Turkish banks.

Changes in impairment during 2021 and 2020 are disclosed in Note 18.

9. FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES TO CUSTOMERS

This balance is analysed as follows:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Loans not represented by securities		
Domestic loans		
Loans and advances	76 440 242	60 534 756
Current account loans	1 700 000	1 746 898
Foreign loans		
Loans and advances	35 989 960	21 599 885
Current account loans	759 315	293 375
Loans and overdue interest	6 018 755	1 643 946
Interest receivable	427 496	556 789
Prepaid interest	(98 646)	(2 246)
Commissions associated with amortised cost	(663 623)	(598 804)
Total gross amount	**120 573 499**	**85 774 599**
Impairment for loans and advances to customers (Notes 18 and 32)	(1 383 226)	(3 543 731)
Total net of impairment	**119 190 273**	**82 230 868**

Changes in impairment for loans and advances to customers during 2021 and 2020 are disclosed in Note 18.

In the evolution of Loans and advances to customers, the weight of financing granted under the COVID-19 lines, which benefit from a State guarantee, amounts to Euro 150,056. The amount of loans to customers in arrears is presented in the sub-chapter "Impact of the COVID-19 pandemic" of Note 32.

The item overdue loans and interest mainly includes a loan overdue as at 31 December 2021, which was repaid in early 2022.

As at 31 December 2021 and 2020, this balance has the following structure by business sector:

(Amounts expressed in Euro)	31-Dec-21		31-Dec-20	
Trade and repair	24 727 088	20,5%	12 260 826	14,3%
Construction	22 563 247	18,7%	9 865 507	11,5%
Real estate activities	22 243 153	18,4%	19 535 593	22,8%
Other business services	18 473 424	15,3%	12 381 416	14,4%
Financial activities and insurance	12 305 111	10,2%	14 560 962	17,0%
Public administration (regional and local)	5 771 416	4,8%	4 583 978	5,3%
Transportation and storage	4 923 152	4,1%	1 829 044	2,1%
Food, beverage and tobacco industries	4 308 332	3,5%	6 208 333	7,1%
Accommodation, catering and similar	3 838 707	3,2%	1 874 109	2,2%
Other activities and retail	1 754 642	1,5%	2 719 094	3,2%
	120 908 272	**100,0%**	**85 818 860**	**100,0%**

Note: includes overdue credit and interest, except for interest receivable, monthly commissions and prepaid interest.

O montante referente a "Outros serviços empresariais" é relativo a actividades das sedes sociais e de consultoria para a gestão.

10. OTHER FINANCIAL ASSETS AT AMORTISED COST

Other financial assets at amortised cost are analysed as follows:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Securities issued by residents		
Debt instruments		
From other national public entities	2 057 000	2 057 000
From other residents	8 999 248	7 899 914
Interest receivable	13 200	13 512
Prepaid interest	48	48
Deferred charges expenses	(17 946)	(6 974)
Total gross amount	**11 051 549**	**9 963 499**
Impairment (Notes 18 and 32)	(9 322)	(11 568)
Total net of impairment	**11 042 227**	**9 951 931**

As at 31 December 2021 and 2020, Debt instruments - From other national public entities refers to a bond issue of Portuguese public debt.

As at 31 December 2020 and 2021, Debt instruments – From other residents refers to investments in commercial paper issues that the Bank subscribed in the primary market.

11. OTHER TANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

The changes in these balances during 2021 were as follows:

	31-Dec-20						Sales			31-Dec-21		
(Amounts expressed in Euro)	Gross amount	Accumulated amortisation and impairment	Net amount	Acquisitions	Amortisation for the period	Write-offs	Gross amount	Accumulated amortisation and impairment	Net amount	Gross amount	Accumulated amortisation and impairment	Net amount
Properties in use												
Leasehold improvements	847 433	(207 886)	639 547	-	(84 744)	-	-	-	-	847 433	(292 630)	554 803
Equipment				-								
Furniture and material	188 144	(59 822)	128 322	-	(22 495)	-	-	-	-	188 144	(82 317)	105 827
Machinery and tools	4 395	(2 899)	1 496	10 344	(2 986)	-	-	-	-	14 739	(5 885)	8 854
IT equipment	668 141	(557 209)	110 932	350 173	(122 544)	-	-	-	-	1 018 314	(679 754)	338 560
Indoor facilities	19 860	(12 397)	7 463	-	(990)	-	-	-	-	19 860	(13 387)	6 473
Safety equipment	10 588	(7 421)	3 167	-	(2 399)	-	-	-	-	10 588	(9 820)	768
Other equipment	11 693	(698)	10 995	-	-	-	-	-	-	11 693	(698)	10 995
Right-of-use assets												
Real Estate	2 370 458	(549 340)	1 821 118	35 305	(274 669)	(36 189)	-	-	-	2 369 574	(787 820)	1 581 754
Vehicles	349 203	(142 292)	206 911	172 951	(95 536)	(56 161)	-	-		465 993	(181 667)	284 326
Assets under construction	-	-	-	-	-	-	-	-	-	-	-	-
	4 469 915	**(1 539 964)**	**2 929 951**	**568 774**	**(606 363)**	**(92 350)**	**-**	**-**	**-**	**4 946 338**	**(2 053 978)**	**2 892 360**

Right-of-use assets corresponds essentially to leased properties, namely the Bank's headquarters in Lisbon and a representative office in Porto, and a residual number of vehicles. These assets are amortised according to the lease term of each contract, as described in the accounting policy of Note 2.15.

The changes in these balances during 2020 were as follows:

	31-Dec-19						Sales			31-Dec-20		
(Amounts expressed in Euro)	Gross amount	Accumulated amortisation and impairment	Net amount	Acquisitions	Amortisation for the period	Write-offs	Gross amount	Accumulated amortisation and impairment	Net amount	Acquisitions	Amortisation for the period	Write-offs
Properties in use												
Leasehold improvements	826 835	(123 722)	703 113	20 598	(84 164)	-	-	-	-	847 433	(207 886)	639 547
Equipment			-									
Furniture and material	173 910	(38 082)	135 828	14 234	(21 740)	-	-	-	-	188 144	(59 822)	128 322
Machinery and tools	4 395	(2 283)	2 112	-	(616)	-	-	-	-	4 395	(2 899)	1 496
IT equipment	649 828	(438 043)	211 785	25 301	(125 317)	(6 988)	-	-	-	668 141	(557 209)	110 932
Indoor facilities	19 860	(11 407)	8 453	-	(990)	-	-	-	-	19 860	(12 397)	7 463
Safety equipment	10 588	(4 403)	6 185	-	(3 018)	-	-	-	-	10 588	(7 421)	3 167
Other equipment	11 693	(698)	10 995	-	-	-	-	-	-	11 693	(698)	10 995
Right-of-use assets												-
Real Estate	2 359 779	(272 798)	2 086 981	10 679	(276 542)	-	-	-	-	2 370 458	(549 340)	1 821 118
Vehicles	319 042	(78 320)	240 722	65 392	(99 203)	(35 231)	-	-	-	349 203	(142 292)	206 911
Assets under construction	-	-	-	-	-	-	-	-	-	-	-	-
	4 375 930	**(969 756)**	**3 406 174**	**136 205**	**(611 590)**	**(42 219)**	**-**	**-**	**-**	**4 469 915**	**(1 539 964)**	**2 929 951**

12. INTANGIBLE ASSETS

The changes in these balances during 2021 were as follows

(Amounts expressed in Euro)	31-Dec-20 Gross amount	31-Dec-20 Accumulated amortisation and impairment	31-Dec-20 Net amount	Acquisitions	Amortisation for the period
Automatic data-processing system (software)	628 168	(602 237)	25 931	918 735	(101 035)
	628 168	**(602 237)**	**25 931**	**918 735**	**(101 035)**

(Amounts expressed in Euro)	31-Dec-21 Gross amount	31-Dec-21 Accumulated amortisation and impairment	31-Dec-21 Net amount
Automatic data-processing system (software)	1 546 903	(1 013 890)	533 013
	1 546 903	**(1 013 890)**	**533 013**

In 2021, the amount of acquisitions is essentially due to the investment made under the BAIE's strategic plan.

The changes in these balances during 2020 were as follows:

(Amounts expressed in Euro)	31-Dec-19 Gross amount	31-Dec-19 Accumulated amortisation and impairment	31-Dec-19 Net amount	Acquisitions	Amortisation for the period
Automatic data-processing system (software)	628 168	(454 703)	173 465	-	(147 534)
	628 168	**(454 703)**	**173 465**	**-**	**(147 534)**

(Amounts expressed in Euro)	31-Dec-20 Gross amount	31-Dec-20 Accumulated amortisation and impairment	31-Dec-20 Net amount
Automatic data-processing system (software)	628 168	(602 237)	25 931
	628 168	**(602 237)**	**25 931**

13. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

This balance is analysed as follows:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Investments in subsidiaries and associates		
Exemplary Sparrow – *Sociedade Imobiliária, Lda.*	3 949	-
	3 949	**-**

As at 31 December 2021 and 31 December 2020, the statutory financial data (unaudited financial statements) of the joint venture, acquired in 2021, were as follows:

(Amounts expressed in Euro)	Head Office	% holding	31-Dec-21 Assets	31-Dec-21 Liabilities	31-Dec-21 Net position	31-Dec-21 Income
Exemplary Sparrow – *Sociedade Imobiliária, Lda.*	Lisboa	56.41%	4 311	-	4 311	(313)
			4 311	**-**	**4 311**	**(313)**

In 2021, BAIE did not receive any dividends from the entity Exemplary Sparrow - *Sociedade Imobiliária, Lda.*

14. TAX ASSETS AND LIABILITIES

This balance is analysed as follows:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Current tax assets		
Income tax receivable (IRC)	-	451 343
Deferred tax assets		
Arising from temporary differences		
In liabilities	579 600	622 559
	579 600	**1 073 902**
Current tax liabilities		
Income tax payable (IRC)	(385 782)	(8)
Deferred tax liabilities		
Arising from temporary differences		
In assets	(224 850)	(640 367)
	(610 632)	**(640 375)**

a) The amount of income tax payable and/or receivable (IRC) for 2021 and 2020 is presented as follows:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Corporate Income Tax (IRC)	(788 855)	(520 572)
Payments on account	481 314	983 031
Additional payments on account	22 815	85 689
	(284 726)	**548 148**
Surcharge	(52 199)	(35 457)
Autonomous taxation	(48 857)	(61 348)
Income tax (payable)/receivable	**(385 782)**	**451 343**

During 2021, the changes in deferred taxes were as follows:

(Amounts expressed in Euro)	31-Dec-20 Opening balance	Reserves	Profit/(or loss) (Note 28)	31-Dec-21 Closing balance
Deferred tax assets				
Financial assets mandatorily measured at fair value through profit or loss (Note 21)	117 093	-	886	117 979
Impairment (Note 18)	460 588	-	(66 210)	394 378
Provisions for other risks (Note 18)	-	-	27 514	27 514
End-of-career bonus (ACTV)	6 914	-	132	7 046
Pension funds and post-employment benefits	37 964	-	(5 281)	32 683
	622 559	**-**	**(42 959)**	**579 600**
Deferred tax liabilities				
Financial assets at fair value through other comprehensive income (Note 20)	(640 367)	415 517	-	(224 850)
	(640 367)	**415 517**	**-**	**(224 850)**
	(17 808)	**415 517**	**(42 959)**	**354 750**

During 2020, the changes in deferred taxes were as follows:

(Amounts expressed in Euro)	31-Dec-19 Opening balance	Reserves	Profit/(or loss) (Note 28)	31-Dec-20 Closing balance
Deferred tax assets				
Financial assets mandatorily measured at fair value through profit or loss (Note 21)	94 594	-	22 499	117 093
Impairment (Note 18)	482 665	-	(22 077)	460 588
Provisions for other risks (Note 18)	63 686	-	(63 686)	-
End-of-career bonus (ACTV)	8 021	-	(1 107)	6 914
Pension funds and post-employment benefits	43 812	-	(5 849)	37 964
	692 779	**-**	**(70 220)**	**622 559**
Deferred tax liabilities				
Financial assets at fair value through other comprehensive income (Note 21)	(29 301)	(611 066)	-	(640 367)
	(29 301)	**(611 066)**	**-**	**(640 367)**
	663 478	**(611 066)**	**(70 220)**	**(17 808)**

The expected recovery periods for deferred tax assets and liabilities are as follows:

(Amounts expressed in Euro)	31-Dez-21	31-Dez-20
Deferred tax assets		
For more than 12 months	579 600	622 559
Deferred tax liabilities		
For more than 12 months	(224 850)	(640 367)
	354 750	**(17 808)**

15. OTHER ASSETS

This balance is analysed as follows:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Discount of credit letters	15 023 188	17 284 219
Debtors and other investments		
Other investments		
FGCT Contributions	13 697	9 378
Government sector		
Value added taxes (VAT) receivable	313 572	659 772
Other (a)	425 000	425 000
Other sundry debtors (b)	857 114	795 111
Other income receivable		
Documentary credits	128 196	56 673
Insurance	52 211	39 042
Other administrative costs (c)	403 733	313 860
Pension liabilities and other benefits (Notes 2.9.1 and 30)		
Retirement pensions		
Past service liabilities	(2 520 976)	(2 843 497)
Pension fund assets	3 415 292	3 352 332
Post-employment benefits	(145 256)	(161 033)
Interbank transactions	-	1 409 799
Total gross amount	**17 965 771**	**21 340 656**
Impairment (Note 18)	(664 437)	(627 975)
Total net of impairment	**17 301 334**	**20 712 681**

(a) The balance Government sector - Other relates mainly to an amount receivable from the Tax Authorities resulting from an auctioning procedure for the acquisition of a property purchased to a customer as a payment for a credit transaction to a customer following a tax foreclosure process for the payment of Municipal Property Tax (IMI) relating to that same property. The balance of Euro 425,000 corresponds to the property's acquisition value net of IMI payable and its default interest and estimated fines. Impairment in the amount of Euro 425,000 mainly respects to an estimate of eventual loss in the collection of this asset.

(b) The balance Other sundry debtors includes the amount of Euro 857,114, which refers to an amount receivable, through an advance payment made within an ongoing legal process. Impairment in the amount of Euro 172,771 mainly respects to an estimate of eventual loss in the collection of this asset.

(c) The balance of Other administrative costs refers to deferred invoices from suppliers.

As at 31 December 2021, the amount corresponding to the equity value of the pension fund is higher than the liability that the Bank assumes for past services by Euro 749,060 (Euro 347,002 as at 31 December 2020).

16. DEPOSITS FROM CENTRAL BANKS AND OTHER CREDIT INSTITUTIONS

This balance is analysed as follows:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Deposits from national credit institutions		
Repayable on demand	24 191	-
Deposits from credit institutions abroad		
Repayable on demand	67 341 380	35 338 122
Very short-term	-	38 301 687
Term deposits	281 869 744	238 487 976
Interest payable	233 621	59 447
	349 468 936	**312 187 232**

The amount of Euro 30,198,801 (31 December 2020: Euro 41,849,683) included in the balance Deposits from credit institutions abroad – term deposits, is collaterising liabilities with loans and advances to customers, other loans and advances to credit institutions, open documentary credits and irrevocable credit facilities (Note 29).

17. DEPOSITS FROM CUSTOMERS

This balance is analysed as follows:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Deposits repayable on demand		
Other residents	38 714 626	29 405 441
Non-residents	45 166 846	50 933 555
Term deposits		
Other residents	33 921 253	20 146 815
Non-residents	97 412 596	68 089 758
Cheques from customers to clear	-	5 817 445
Interest payable	953 825	536 086
	216 169 146	**174 929 100**

The amount of Euro 3,084,056 (31 December 2020: Euro 926,994) included in the balance Deposits from customers, is collaterising liabilities with loans and advances to customers and irrevocable credit facilities (note 29).

18. PROVISIONS AND IMPAIRMENT

The changes in these balances during 2021 were as follows:

(Amounts expressed in Euro)	31-Dec-20 Opening balance	Charge for the period	Adjustments /(Reversals)	Transfers	Recoveries / (Charge-off)	31-Dec-21 Closing balance
Impairment						
Loans and advances to credit institutions repayable on demand (Note 4)	50 784	561 920	(541 675)	-	-	71 029
Financial assets at fair value through other comprehensive income (Note 7 and Note 20)	343 953	305 729	(101 787)	-	-	547 894
Other financial assets at amortised cost (Note 10)	11 568	56 353	(58 599)	-	-	9 322
Other loans and advances to credit institutions (Note 8)	115 319	1 044 021	(610 232)	-	-	549 108
Loans and advances to customers (Note 9)	3 543 729	2 374 942	(3 673 339)	-	(862 106)	1 383 226
Impairment for other assets (Note 15)	627 973	81 816	(45 352)	-	-	664 437
	4 693 327	**4 424 781**	**(5 030 984)**	**-**	**(862 106)**	**3 225 016**
Provisions						
Bank guarantees and letters of credit	372 963	381 326	(335 498)	-	-	418 791
Off-balance sheet liabilities	52 085	34 401	(64 095)	-	-	22 391
Other	4 172 936	1 168 404	(2 341 900)	-	(471 405)	2 528 035
	4 597 984	**1 584 131**	**(2 741 493)**	**-**	**(471 405)**	**2 969 217**
	9 291 311	**6 008 912**	**(7 772 477)**	**-**	**(1 333 311)**	**6 194 233**

The changes in these balances during 2020 were as follows:

(Amounts expressed in Euro)	31-Dec-19 Opening balance	Charge for the period	Adjustments /(Reversals)	Transfers	Recoveries / (Charge-off)	31-Dec-20 Closing balance
Impairment						
Loans and advances to credit institutions repayable on demand (Note 4)	10 588	42 690	(2 679)	185	-	50 784
Financial assets at fair value through other comprehensive income (Note 7 and Note 20)	81 187	283 970	(21 205)	-	-	343 953
Other financial assets at amortised cost (Note 10)	42 321	11 568	(42 321)	-	-	11 568
Other loans and advances to credit institutions (Note 8)	199 712	29 307	(113 513)	(185)	-	115 319
Loans and advances to customers (Note 9)	2 712 758	2 172 856	(1 352 074)	-	10 191	3 543 729
Impairment for other assets (Note 15)	203 684	531 234	106 944	-	-	627 973
	3 250 251	**3 071 625**	**(1 638 736)**	**-**	**-**	**4 693 327**
Provisions						
Bank guarantees and letters of credit	373 342	243 355	(243 734)	-	-	372 963
Off-balance sheet liabilities	15 358	62 907	(26 180)	-	-	52 085
Other	3 791 859	667 713	-	-	(286 636)	4 172 936
	4 180 559	**973 975**	**(269 914)**	**-**	**(286 636)**	**4 597 984**
	7 430 810	**4 045 600**	**(1 908 650)**	**-**	**(276 445)**	**9 291 311**

The charge for the period and reversals of impairment and provisions occurred in 2021 and 2020 result from the Bank's normal course of business.

The decrease in Impairment - Loans and advances to customers is mainly due to the settlement of stage 3 exposures and improvements in the perception of risk by a number of counterparties.

The balance Provisions – Off-balance sheet liabilities refers to provisions for bank guarantees, letters of credit and irrevocable credit facilities.

The balance Provisions – Other refers to provisions for administrative offences, administrative and judicial proceedings and tax contingencies. The significant decrease in 2021 results from relevant amounts provisioned in previous years, which were reversed in 2021.

19. OTHER LIABILITIES

This balance is analysed as follows:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Creditors and other contributions		
Government sector		
Tax withholding	194 560	55 262
Social security contributions	88 504	56 891
Other contributions	1 058	375
Third-party collections	2 002	1 159
Other health services contributions (SAMS)	18 145	11 332
Sundry creditors (a)	241 760	857 271
Expenses payable		
Staff costs		
Holiday allowance and other allowances (b)	256 498	190 073
Charges with deferred variable remuneration (c)	613 860	200 110
Other expenses payable	456 535	309 312
Rents payable (d)	1 916 337	2 060 785
Revenue with deferred income		
From guarantees provided (Note 29)	21 309	5 285
From documentary credits (Note 29)	252 279	292 300
Long-term benefits – end-of-career bonus	31 317	30 729
Interbank transactions pending settlement (e)	2 891 560	345 336
	6 985 724	**4 416 220**

a) As at 31 December 2021 and 2020, the amount disclosed under Sundry creditors concerns essentially to amounts payable to suppliers, without seniority. The most material amounts are related to external consultants, having been settled on the first working day of 2022.

b) In accordance with the Portuguese legislation in force, employees are entitled to one month of vacation and one month of vacation allowance each year, which is acquired in the year prior to its payment. Thus, this liability is recorded in the period in which the employees acquire that right, regardless of the date of its payment.

c) The balance Charges with deferred variable remuneration includes the amounts of variable remuneration payable to members of the Board of Directors and Management, as defined in the Bank's Remuneration Policy (Note 26).

d) As at 31 December 2021, Rents payable refers to the amount of lease liabilities recognised under IFRS 16 and as described in accounting policy of Note 2.14.

Lease liabilities, presented by residual term, are as follows:

(Amounts expressed in Euro)	Real Estate	Vehicles	Total
Maturity of lease liabilities			
Below 1 year	-	-	-
1 to 5 years	-	302 871	302 871
Above 5 years	1 613 466	-	1 613 466
Total Lease Liabilities in the Statement of Financial Position as at 31 December 2021	**1 613 466**	**302 871**	**1 916 337**

During 2021, the changes in deferred taxes were as follows:

(Amounts expressed in Euro)	
31 December 2020	**2 060 785**
Additions	172 951
Disposals	1 559
Accrued interest	91 517
Payments	(410 485)
31 December 2021	**1 916 337**

e) As at 31 December 2021, the amount of operations pending settlement relates essentially to balances in the interbank clearing system, which are settled on the first following working day.

20. EQUIT

(Amounts expressed in Euro)	31-Dec -21	31-Dec-20
Share capital	**40 000 000**	**40 000 000**
Revaluation reserves		
Financial assets measured at fair value through other comprehensive income		
Debt instruments (Note 7)		
Credit risk adjustment of financial assets at fair value through	999 332	2 846 075
other comprehensive income (IFRS 9) (Note 7)	547 894	343 952
Deferred tax reserves (Note 14)		
Arising from temporary differences		
Financial assets measured at fair value through other comprehensive income	(224 849)	(640 367)
Revaluation reserves	**1 322 377**	**2 549 660**
Legal reserve	8 690 394	8 673 348
Retained earnings		
Approved	35 184 130	33 597 541
Changes in accounting policies		
IFRS1 Transition adjustments - NCA (in 2006)	830 264	830 264
Elimination of corridor rule IAS 19 (in 2011)	14 503	14 503
Survivor and disability liability	(749 709)	(749 709)
Entry into force of Notice No. 5/2015 of Banco de Portugal (in 2016)	1 057 407	2 490 579
IFRS9 Transition adjustments	(627 117)	(627 117)
IFRS9 Transition adjustments - Tax impact	141 657	141 657
Accumulated actuarial gains and losses (Notes 2.10.1 and 30)	439 511	(1 371)
Adjustment of accounting errors (in 2012)	2 249 114	2 249 114
Other reserves and retained earnings	**38 539 760**	**37 945 461**
	47 230 154	**46 618 809**
Profit/(Loss) for the period	**2 423 095**	**170 460**
	90 975 626	**89 338 929**

The share capital, fully subscribed and paid up, is represented by 8,000,000 ordinary shares, with a nominal value of Euro 5 each. As at 31 December 2021, *Banco Angolano de Investimentos, S.A.*, a credit institution resident in Angola, holds 99.99% of the Bank's capital.

In accordance with Article No. 97 of the General Regime for Credit Institutions and Financial Companies (*Regime Geral das Instituições de Crédito e Sociedades Financeiras – RGICSF*), approved by the Decree-Law No. 298/92, of 31 December and subsequent amendments, the Bank must allocate no less than 10% of net profits for each financial year to a legal reserve, up to a limit equal to the value of the share capital or the sum of free reserves established and retained earnings, if higher.

In 2021, the change in revaluation reserves was as follows:

(Amounts expressed in Euro)	31-Dec-21
Opening balance as at 31 December 2020	**2 549 660**
Changes in fair value	(1 571 951)
Disposals	(274 792)
Deferred taxes recognised in the period in reserves	415 518
Credit risk adjustment of financial assets at fair value through other comprehensive income (Note 18)	203 942
Closing balance as at 31 December 2021	**1 322 377**

In 2020, the change in revaluation reserves was as follows:

(Amounts expressed in Euro)	31-Dec-20
Opening balance as at 31 December 2019	**182 102**
Changes in fair value	2 990 651
Disposals	(274 792)
Deferred taxes recognised in the period in reserves	(611 066)
Credit risk adjustment of financial assets at fair value through other comprehensive income (Note 18)	262 765
Movement in the 2019 financial year	**2 549 660**
Closing balance as at 31 December 2020	**2 549 660**

21. NET INTEREST INCOME

Net interest income is detailed as follows:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Interest and similar income from		
Financial assets at amortised cost		
Other loans and advances to credit institutions	1 297 481	3 513 535
Loans and advances to customers	3 713 436	3 824 771
Of which: commissions received at amortised cost	*590 219*	*520 870*
Other financial assets at amortised cost	108 629	156 721
Financial assets at fair value through other comprehensive income	2 434 232	2 743 898
	7 553 778	**10 238 925**
Interest and similar expense from		
Financial liabilities measured at amortised cost		
Deposits from other credit institutions	(452 819)	(2 507 931)
Deposits from customers	(1 134 612)	(780 155)
Interest expense over assets (a)	(331 584)	(98 252)
Interest on leases (b)	(56 201)	(63 911)
Commissions paid at amortised cost from		
Comissão Gestão Carteira AFJORI (c)	(46 372)	(34 931)
Loans and advances to customers	(7 820)	(4 432)
	(2 029 408)	**(3 489 072)**
Net interest income	**5 524 370**	**6 749 853**

a) Balance regarding interest from bank deposits repayable on demand with *Banco de Portugal* that exceed the requirements of Minimum Reserves. This remainder is remunerated at the rate defined by the ECB for the permanent deposit facility (Note 3).

b) The balance Interest on leases refers to interest expense related to lease liabilities recognised under IFRS 16, as mentioned in accounting policy of Note 2.14.

c) Management fee related to the portfolio of financial assets measured at fair value through other comprehensive.

The variation that occurred between 2020 and 2021 in Net interest income with financial institutions, both from investments and resources, is essentially due to the effect of the change in the Fed's monetary policy, which adopted a more expansionary monetary policy in the second half of 2020.

22. FEES AND COMMISSIONS INCOME/ EXPENSE

This balance is analysed as follows:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Fees and commissions income:		
On guarantees provided	3 133 862	2 901 584
On commitments assumed with third parties	4 672	176
On services rendered	1 951 364	2 022 890
	5 089 898	**4 924 650**
Fees and commissions expense:		
On services rendered by third parties	(996 956)	(938 574)
Other commissions paid	(2 894)	(92 872)
	(999 850)	**(1 031 446)**
	4 090 048	**3 893 204**

The balance on guarantees provided includes income from services and commissions associated with guarantees and securities provided and open documentary credits (Note 29).

As at 31 December 2021, the balance Other commissions paid refers to an annual performance fee paid to a credit institution for the management of part of the Bank's portfolio of financial assets at fair value through other comprehensive income.

23. NET GAINS/ (LOSSES) ARISING FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE

Net gains/ (losses) arising from financial assets at fair value through other comprehensive income is analysed as follows:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Net gains/ (losses) arising from financial assets at fair value through other comprehensive income (IFRS 20)		
Debt instruments		
Resident	155 704	39 305
Non-resident	285 532	235 488
	441 236	**274 792**

In 2021 and 2020, Net gains/ (losses) arising from financial assets at fair value through other comprehensive income are mostly related to gains on the disposal of debt instruments.

24. NET GAINS/ (LOSSES) ARISING FROM FINANCIAL ASSETS MANDATORILY MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

This balance is analysed as follows:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Net gains/ (losses) arising from financial assets measured at fair value through profit or loss (Note 33)		
Equity instruments		
Resident	-	(9 237)
Non-resident	-	(83 089)
Debt instruments		
Non-resident	15 628	4 773
Other – investment funds		
Resident	-	-
Non-resident	527	(5 076)
	16 155	**(92 629)**

In 2021, the Bank had no dividends on financial assets mandatorily measured at fair value through profit or loss. In 2020, the amount reached Euro 2,596.

In 2021, the fair value of the financial assets at fair value through profit or loss, which are measured using methods not observable in the market, is Euro 527 (Note 33).

25. OTHER OPERATING INCOME/ (EXPENSE

This balance is analysed as follows:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Other operating income		
Recovery of bad debts	261 715	23 900
Income from services rendered	10 599	18 301
Other operating income	18 495	26 154
	290 809	**68 355**
Other operating expense		
Contributions	(2 420)	(58 370)
Contributions to the Deposit Guarantee Fund	(235)	(235)
Contributions to the Single Resolution Fund	(332 943)	(545 715)
Contributions to the Resolution Fund	(280 750)	(434 843)
Value added tax (VAT)	(390 469)	(299 157)
Extraordinary contribution over the banking sector	(743 622)	(1 029 163)
Other indirect taxes and fees	(29 680)	(23 544)
Other charges and operating expenses	(5 654)	(3 715)
	(1 785 773)	**(2 394 742)**
Other operating income/ (expense)	**(1 494 964)**	**(2 326 387)**

Expenses incurred under Contributions to the Resolution Fund (CFR), to the Single Resolution Fund (CFUR) and Extraordinary contribution over the banking sector are recognised in expenses at the moment the liability is generated (application of IFRIC 21 - Levies).

The caption Extraordinary contribution over the banking Sector is estimated according to the terms of the Decree-Law 55-A/2010. The determination of the amount payable focuses on: (i) the annual average liability recorded in the balance sheet deducted from core capital (Tier 1) and supplementary capital (Tier 2) and deposits covered by the Deposit Guarantee Fund; and (ii) the notional amount of derivative financial instruments.

The caption Contribution to the Resolution Fund corresponds to the mandatory periodic contributions paid to the Fund, in accordance with Decree-Law No 24/2013. The periodic contributions are determined using a base rate, established by the Bank of Portugal, to be applied in each year and which may be adjusted to the credit institution's risk profile. The periodic contributions focus on the liabilities of the member credit institutions, in accordance with Article No. 10 of the referred Decree-Law, deducted from the liability elements that are part of the Tier 1 and Tier 2 capital and from the deposits covered by the Deposit Guarantee Fund.

Contributions to the Single Resolution Fund corresponds to the annual ex-ante contribution made by the Bank to support the implementation of resolution measures at European Union level. The Single Resolution Fund was established by Regulation (EU) No. 806/2014 (the "Fund Regulation") and is financed by ex-ante contributions made annually and individually by all credit institutions within the Banking Union system.

Contributions to the Single Resolution Fund consider the annual target level as well as the size and risk profile of the institutions. The Single Resolution Fund applies the methodology set out in the Commission Delegated Regulation (EU) No. 2015/63 and Regulation (EU) No. 806/2014 of the European Parliament and of the Council, for determining *ex-ante* contributions.

The annual contribution to the Fund is based on the liabilities of the institutions, excluding own funds and hedged deposits and considering adjustments arising from derivatives and intra-group liabilities, and on a risk adjustment factor that depends on the institution's risk profile. In accordance with Article No. 67 (4) of the Fund Regulation and the intergovernmental agreement on the transfer and pooling of contributions to the Single Resolution Fund, *ex-ante* contributions are collected by the national resolution authorities and transferred to the Single Resolution Fund until 30 June of each year.

26. STAFF COSTS

This balance is analysed as follows:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Remunerations of the Management and supervisory boards	966 234	694 500
Remunerations of the employees	2 367 548	1 646 342
Mandatory social security charges	949 697	667 093
Obligations with pension plans:		
ACTV pension plans (Defined benefit) (Note 30)	47 251	34 829
Directors Pension Plan	23 028	12 600
Other staff costs	44 355	46 729
	4 398 113	**3 102 093**

The number of Bank employees is detailed as follows:

	31-Dec-21		31-Dec-20	
	Average for the period	End of the period	Average for the period	End of the period
Executive directors	3	3	3	3
Non-executive directors	1	3	1	2
Senior management	12	9	9	9
Other middle management and employees	50	54	37	39
Total	**66**	**69**	**50**	**53**

Annual remuneration paid to members of the corporate bodies

In accordance with the provisions of Article No. 47 of Banco de Portugal Notice 3/2020 and Article No. 450 of Regulation (EU) No. 575/2013, of the European Parliament and of the Council, of 26 June, the individual remuneration of members of the corporate bodies is presented below:

	31-Dec-21					
	Gross remuneration paid			Expenses with remunerations		
(Amounts expressed in Euro)	Fixed	Variable	Total	Fixed	Variable	Total
EXECUTIVE DIRECTORS						
António Manuel Pinto Duarte [a] (Vice-Chairman)	153 550	6 066	**159 616**	153 550	-	**153 550**
Omar José Mascarenhas de Morais Guerra [a] [b] (Chief Executive Officer)	194 012	5 866	**199 878**	194 012	50 000	**244 012**
Henrique Manuel Forte Carvalho da Carvalho da Silva [a] (Member)	125 349	4 799	**130 148**	125 349	-	**125 349**
Henrique José Camejo Gonçalves [b] [c] (Member)	71 104	-	**71 104**	71 104	50 000	**121 104**
Nuno Alexandre de Almeida Leal [b] [d] (Member)	61 469	-	**61 469**	61 469	50 000	**111 469**
NON-EXECUTIVE DIRECTORS						
Luís Filipe Rodrigues Lelís [b] (Chairman of the Board of Directors)	18 750	-	**18 750**	18 750	-	**18 750**
José Alberto Vasconcelos Tavares Moreira [a] (Chairman)	-	-	**-**	-	-	**-**
César Abel Rodrigues Gonçalves [e] (Member - Independent Member)	15 000	-	**15 000**	15 000	-	**15 000**
Inokcelina Ben` África Correia dos Santos [b] (Member)	60 000	-	**60 000**	60 000	-	**60 000**
SUPERVISORY BOARD						
Henrique Marçal [a] [b] (Chairman)	45 000	-	**45 000**	45 000	-	**45 000**
Pedro Cabrita [a] [b] (Member)	36 000	-	**36 000**	36 000	-	**36 000**
João Augusto [a] [b] (Member)	36 000	-	**36 000**	36 000	-	**36 000**
	818 255	**16 731**	**832 965**	**816 234**	**150 000**	**966 234**

(a) Mandate 2017/2020 (appointed on 16 May 2017)

(b) Mandate 2021/2024 (appointed on 5 April 2021, beginning on 8 October 2021)

(c) Prior to the appointment received remuneration with the Head of the Internal Audit Function

(c) Prior to the appointment he received remuneration amounting to Euro 93,006 for services rendered as an external consultant and the fees paid are included in the item General and administrative expenses (Note 27)

(e) Mandate 2021/2024 (appointed on 23 June 2021, beginning on 8 October 2021)

	31-Dec-20					
	Gross remuneration paid			Expenses with remunerations		
(Amounts expressed in Euro)	Fixed	Variable	Total	Fixed	Variable	Total
EXECUTIVE DIRECTORS						
António Manuel Pinto Duarte (a) (Vice-Chairman)	171 500	17 500	**189 000**	171 500	-	**171 500**
Omar José Mascarenhas de Morais Guerra (a) (b) (Chief Executive Officer)	168 000	17 066	**185 066**	168 000	-	**168 000**
Henrique Manuel Forte Carvalho da Carvalho da Silva (a) (Member)	140 000	14 133	**154 133**	140 000	-	**140 000**
Henrique José Camejo Gonçalves (b) (c) (Member)	-	-	-	-	-	-
Nuno Alexandre de Almeida Leal (b) (d) (Member)	-	-	-	-	-	-
NON-EXECUTIVE DIRECTORS						
Luís Filipe Rodrigues Lelís (b) (Chairman of the Board of Directors)	-	-	-	-	-	-
José Alberto Vasconcelos Tavares Moreira (a) (Chairman)	12 000	-	**12 000**	12 000	-	**12 000**
César Abel Rodrigues Gonçalves (e) (Member - Independent Member)	42 000	-	**42 000**	42 000	-	**42 000**
Inokcelina Ben` África Correia dos Santos (b) (Member)	42 000	-	**42 000**	42 000	-	**42 000**
SUPERVISORY BOARD						
Henrique Marçal (a) (b) (Chairman)	36 000	-	**36 000**	36 000	-	**36 000**
Pedro Cabrita (a) (b) (Member)	30 000	-	**30 000**	30 000	-	**30 000**
João Augusto (a) (b) (Member)	30 000	-	**30 000**	30 000	-	**30 000**
	673 520	**48 700**	**720 200**	**671 500**	-	**671 500**

(a) Mandate 2017/2020 (appointed on 16 May 2017)

(b) Mandate 2021/2024 (appointed on 5 April 2021, beginning on 8 October 2021)

(c) Prior to the appointment received remuneration with the Head of the Internal Audit Function

(c) Prior to the appointment he received remuneration amounting to Euro 93,006 for services rendered as an external consultant and the fees paid are included in the item General and administrative expenses (Note 27)

(e) Mandate 2021/2024 (appointed on 23 June 2021, beginning on 8 October 2021)

In 2021, additional cash remuneration not included in the remuneration disclosed above was also paid to directors Omar Guerra and Nuno Leal in the amounts of Euro 12,917 (Euro 12,600 in 2020) and Euro 10,111 (Euro 0 in 2020), respectively, relating to a supplementary retirement plan under a defined contribution scheme, under the terms indicated below, in the form of acquisition, on behalf of the beneficiary, of participation units of a pension fund.

Additionally, during 2021, non-cash remuneration not included in the remuneration previously disclosed, was also paid to director Omar Guerra. In accordance with the Personal Income Tax Code (CIRS), these amounts are classified as income in kind, and correspond to Euro 31,728 through the exercise of a call option of a motor vehicle at the end of the respective lease agreement.

Remuneration expenses presented above do not include the mandatory social security charges paid by the Bank, which generally correspond to amounts resulting from rates ranging from 16.4% to 23.75%, applied over remuneration paid to corporate bodies. In addition, the Bank supports costs with medical expenses – SAMS for one of the members of the Board of Directors, which correspond to a rate of 6.5% applied to the remunerations paid.

With exception of two members of the Board of Directors, the Bank does not undertake any commitments regarding retirement or disability pensions, early retirement or survival, advances, loans or guarantees of any sort to the members of the Boards of Directors and Supervisory Board. The Bank undertakes the commitment for retirement or disability, early retirement or survival of Omar Guerra and Nuno Leal, under the terms agreed in the scope of the ACTV (Note 30).

After 2015, executive directors with an employment agreement suspended with the Bank and who, by virtue of this quality, benefit from the pension plan applicable to most of the Bank's employees covered by social security by ACTV (Note 28), are entitled to a supplementary pension benefit under a defined contribution plan for which the Bank contributes with 7% of the total amount of remuneration paid in the previous year. These contributions are made through the acquisition of investment units of the pension fund, on behalf of the beneficiary, which finances the Bank's responsibilities for the retirement pensions of its employees, under the terms agreed within the ACTV, or another pension fund available on the market.

In accordance with Article No. 47 of Banco de Portugal Notice No. 3/2020 and Article No. 450 of Regulation (EU) No. 575/2013, of the European Parliament and of the Council, of 26 June, the following the aggregate remuneration of employees who perform control functions, namely, the risk management function, compliance and internal audit, is presented below:

	2021					
	Gross remuneration paid			Expenses with remunerations		
(Amounts expressed in Euro)	Fixed	Variable	Total	Fixed	Variable	Total
Aggregate remuneration of employees who perform control functions under Notice 5/2008	216 658	13 000	**229 658**	216 658	13 000	**229 658**

	2020					
	Gross remuneration paid			Expenses with remunerations		
(Amounts expressed in Euro)	Fixed	Variable	Total	Fixed	Variable	Total
Aggregate remuneration of employees who perform control functions under Notice 5/2008	183 686	26 700	**210 386**	179 617	-	**179 617**

In accordance with Article No. 47 of Banco de Portugal Notice 3/2020 and Article No. 450 of Regulation (EU) No. 575/2013, of the European Parliament and of the Council, of 26 June, it is presented below the aggregate remuneration of employees who perform top management functions, except those responsible for control functions (indicated above), and who are indicated in BAIE's remuneration policy as having a significant impact on the Bank's risk profile.

	2021					
	Gross remuneration paid			Expenses with remunerations		
(Amounts expressed in Euro)	Fixed	Variable	Total	Fixed	Variable	Total
Aggregate remuneration of senior management employees who do not perform control functions but have a significant impact on the Bank's risk profile	397 546	106 000	**503 546**	397 546	106 000	**503 546**

	2020					
	Gross remuneration paid			Expenses with remunerations		
(Amounts expressed in Euro)	Fixed	Variable	Total	Fixed	Variable	Total
Aggregate remuneration of senior management employees who do not perform control functions but have a significant impact on the Bank's risk profile	371 577	71 667	**443 244**	380 700	-	**380 700**

Deferred variable remuneration is detailed in Note 19.

27. GENERAL AND ADMINISTRATIVE EXPENSES

This balance is analysed as follows:

(Amounts expressed in Euro)	31-Dec -21	31-Dec-20
Specialised services	2 316 250	2 112 144
Communication	179 003	181 195
Insurance	113 317	101 879
Training	32 932	62 794
Rental costs	59 223	47 429
Water, energy and fuel	54 696	47 033
Travel, accommodation and representation costs	53 008	41 904
Maintenance and repair	33 886	38 321
Consumables	7 274	23 766
Advertising costs	4 001	8 320
Other	8 962	1 950
	2 862 552	**2 666 735**

In 2021, Specialised services presents a significant increase over the same period of last year, mainly due to the need for advisory services and IT support tools for the implementation of new products and other projects of a legal and regulatory nature.

In compliance with Article No. 66-A (1)(b) of the Portuguese Commercial Companies Code, the total fees invoiced in 2021 by the Statutory Auditors Firm, *Ernst & Young Audit & Associados - SROC, S.A.*, are detailed as follows:

(Amounts expressed in Euro)	2021	2020
Audit services:		
Statutory Audit of Annual Accounts	89 900	55 000
Reliability Assurance Services (Impairment Report)	16 500	15 000
Other services	7 500	7 500
	113 900	**77 500**

As at 31 December 2021 and 2020, in addition to the Statutory Audit, the audit services include the review of the interim financial statements (June), the Process of Quantification of Impairment of the Loan Portfolio as at 30 June and 31 December (Instruction No. 18/2018 of Banco de Portugal which revokes Notice No. 5/2013) and the review of the financial reporting for the purposes of the Statutory Audit of BAIE's parent company.

In 2020, the audit services included the review of the Internal Control System, under the scope of Notice No. 5/2008, of the Banco de Portugal.

Costs incurred for these services are recorded under Specialised services.

28. INCOME TAXES

The nominal tax rate is detailed as follows:

	31-Dec-21	31-Dec-20
Corporate Income Tax (IRC)	21,0%	21,0%
Municipal Surcharge	1,5%	1,5%
State Surcharge	3% a 9%	3% a 9%

The amount of current taxes refers to the sum of tax related to the taxable profit for the period, if applicable, the tax rate in force on the balance sheet date, municipal and state surcharges (if applicable) and autonomous taxes.

The State Surcharge is an additional rate only applicable to the taxable income exceeding Euro 1,500,000. Pursuant to Article No. 87-A of CIRC, as amended by Law No. 114/2017 29/12, in 2019 and 2018, taxable income exceeding Euro 1,500,000 and up to Euro 7,500,000 is levied at an additional rate of 3% and taxable income exceeding Euro 7,500,000 and up to Euro 35,000,000 is levied at an additional rate of 5%, taxable income exceeding Euro 35,000,000 is levied at a rate of 9%.

The Municipal Surcharge is a tax established under Law No. 73/2013, of 3 September, which is levied on taxable profit subject to and not exempt, and the rates for 2021 financial year were disclosed through Circular Letter No. 20237 of 27 January 2022.

During 2021 and 2020, costs with income taxes recognised in profit or loss, as well as the tax burden, measured by the ratio between tax credits and profit for the period before that charge, are presented below:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Current taxes		
For the period	(889 911)	(617 377)
Changes related to previous periods	(12 437)	(72 058)
Deferred taxes		
Record and reversal of temporary differences (Note 14)	(42 959)	(70 220)
Total income tax expense	**(945 307)**	**(759 655)**
Profit/ (loss) before tax	3 368 402	930 115
Effective tax rate	**28,1%**	**81,7%**

In 2021, the negative variation of 53.6 p.p. concerning the effective tax rate is related to the reversal of relevant amounts provisioned in previous years, which had been taxed under Corporate Income Tax.

The reconciliation between the nominal tax rate and the effective tax rate in 2021 and 2020 is presented as follows:

	31-Dec-21		31-Dec-20	
(Amounts expressed in Euro)	Rate	Tax	Rate	Tax
Profit/ (loss) before tax		3 368 402		930 115
Tax based on the nominal rate – First tax level	0,0%	-	0,0%	-
Tax based on the nominal rate – Tax level above	-21,0%	(707 364)	-21,0%	(195 325)
Changes in equity not reflected on the net profit	0,0%	1 616	0,2%	1 616
Extraordinary contribution over the banking sector	-4,6%	(156 161)	-23,2%	(216 124)
Provisions and adjustments of asset values	-10,4%	(351 761)	-14,8%	(137 856)
Other taxable income and expenses	-5,9%	(200 107)	-1,1%	(10 073)
Pension funds and other benefits	0,1%	2 823	0,5%	4 428
Taxable provisions in previous taxable periods	20,0%	674 708	6,1%	56 682
Tax benefits	0,2%	5 463	0,0%	256
Elimination of international double taxation	0,0%	1 325	0,2%	1 737
Autonomous taxation and surcharges	-4,8%	(160 454)	-13,2%	(122 719)
Changes related to previous periods	-0,4%	(12 437)	-7,7%	(72 058)
Deferred taxes:				
Financial assets mandatorily measured at fair value through profit or loss	0,0%	886	2,4%	22 499
Provisions for overdue loans and non-deductible write-offs	-2,0%	(66 210)	-2,4%	(22 077)
Provisions for other risks	0,8%	27 514	-6,8%	(63 686)
ACTV end-of-career bonus	0,0%	133	-0,1%	(1 107)
Pension funds and post-employment benefits	-0,2%	(5 281)	-0,6%	(5 849)
	(28,1%)	**(945 307)**	**(81,7%)**	**(759 655)**

29. OFF-BALANCE SHEET ITEMS

This balance is analysed as follows:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Contingent liabilities		
Guarantees and commitments (a)	9 318 246	910 088
Open documentary credits (a)	62 510 317	90 655 885
Guarantees granted (Notes 6, 7 and 9)	3 270 544	4 665 860
Securities	500	500
Import documentary credits	1 990 217	-
Commitments to third parties		
Forward contracts on deposits	28 253 576	-
Irrevocable credit facilities (a)	45 351 259	31 864 560
Commitments from third parties		
Irrevocable credit facilities	30 902 349	29 473 605
Assets and guarantees received as collateral (Notes 16 and 17)	188 678 357	146 635 664
Exchange transactions to be settled	3 002 158	3 600 155
	373 277 522	**307 806 317**

(a) Balances identified are subject to the accounting of impairment, calculated in accordance with the disclosed in Note 2.5 (2021: Euro 117,179,822 and 2020: Euro 123,430,533). Commitments to third parties – Irrevocable credit facilities refer to credit facilities granted irrevocably to customers, which are not being drawn.

The amount shown under Commitments from third parties - Irrevocable credit facilities refer to credit facilities granted to the Bank.

As at 31 December 2021 and 2020, Assets and guarantees received as collateral is analysed as follows:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Collaterals (Notes 8, 16 and 17)	33 596 572	43 017 083
Pledge and security deposits	6 391	12 362 063
Mortgages (Real estate and land)	54 795 747	25 812 324
Commitments and other personal guarantees	100 279 647	65 390 194
	188 678 357	**146 635 664**

Collaterals received relate to term deposits made with the Bank and are valued by the respective amounts presented in the balance sheet. Mortgages on real estate and land are recorded at the value of the valuations carried out by independent specialised technicians, in compliance with the requirements of the Banco de Portugal Circular Letter No. 6/2018, which replaced the revoked Circular Letter No. 2/2014/DSP, regarding the seniority of the valuations. Pledges and security deposits of equity and debt securities relate to guarantees received to cover the risk of credit transactions to customers, which are valued at net book value. Commitments and other personal guarantees also relate to guarantees received to cover the risk of credit transactions to customers and are valued at the value of the liability to be covered, which is outstanding on the reference date.

30. EMPLOYEE BENEFITS

As described in Note 2.10.1, the Bank grants to its employees covered by the ACTV or to their families, cash benefits for old age retirement or disability, early retirement or survival, under the terms agreed within the ACTV attached to the subscription contract to the Pension Fund of Ocidental - Sociedade Gestora de Fundos de Pensões, S.A.

With the release of Decree-Law No. 1-A / 2011, of 3 January, the employees covered by the ACTV who were active on 4 January 2011, are now covered by the General Social Security System (RGSS), for the benefit of old age retirement and in cases of maternity, paternity and adoption leaves, whose costs the Bank no longer must bear. Accordingly, the defined benefit plan for the employees covered by the ACTV relating to the old age retirement benefit, is now financed by the Pension Fund, for the liabilities for services rendered up to that date, and by the Social Security, for the responsibilities for services rendered after that date. However, as of 4 January 2011, liabilities for death and disability, survival, as well as for old-age supplementary pension remain as liabilities of the Pension fund, with the purpose to match the retirement of the participants in the Pension Fund to the values of the current pension plan.

With the release of Decree-Law No. 167-E/2013 and Ordinance No. 378-G /2013, the normal retirement age in the RGSS was changed, becoming variable and depending now on the evolution of the average life expectancy (65 years). This amendment means that the retirement pension to be paid by BAIE, between the age of 65 (in case of disability) and the new normal retirement age by the Social Security, will not be deducted from the Social Security pension.

The calculation of the amount of liabilities for past services of Bank employees is made in accordance with IAS 19.

Ocidental - Sociedade Gestora de Fundos de Pensões, S.A., is the entity responsible for preparing the actuarial valuations necessary for the calculation of pension and retirement pension liabilities, as well as for managing the pension fund.

The actuarial valuation method used is the Projected unit credit.

As at 31 December 2021 and 2020 employees and pensioners who benefit from pension plans financed by the pension fund are:

	31-Dec -21	31-Dec-20
Employees – workforce	8	8
Pensioners	1	1
Old age retirement pensioners	3	2
Former employees	20	21

As at 31 December 2021 and 2020, the main actuarial and financial assumptions used for calculating pension liabilities are:

	Assumptions		Verified	
	31-Dec -21	31-Dec-20	31-Dec -21	31-Dec-20
Verified financial assumptions:				
Fund income rate	1,35%	0,87%	1,35%	0,87%
Wage growth rate	2,00%	2,00%	2,00%	2,00%
Technical interest rate	1,35%	0,87%	1,35%	0,87%
Pension growth rate	1,50%	1,50%	1,50%	1,50%
Verified demographic assumption:				
Mortality table	TV88/90	TV88/90		
Disability table	SuisseRe 2001	SuisseRe 2001		
Normal retirement age	65 years	65 years		
Percentage of married couples	80,00%	80,00%		

Under the ACTV Pension Plan, the actuarial study that was the basis for the accounting records, as at 31 December 2021 and 2020, includes the total service period in the banking sector of all BAIE's employees on those dates. For the population consisting of the Fund's former employees, the period considered for the purpose of calculating liabilities was the service period in BAIE. The duration of the fund's liabilities in December 2021 is 24.7 years.

In addition, the Bank recognises liabilities for post-employment medical care (SAMS) and long-term employee benefits (ACTV seniority premium). The amount of liabilities with SAMS and seniority premiums is as follows:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Past service liabilities with medical care - SAMS (Notes 15 and 19)	145 256	161 033
Changes in loss/ (gains) for the period	(15 777)	(18 305)
Past service liabilities with seniority premium – ACTV (Notes 15 and 19)	31 317	30 729
Changes in loss/ (gains) for the period	588	(4 920)

The financial coverage of past service liabilities is as follows:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Total past liabilities		
Liabilities with the payment of pensions	285 652	289 623
Liabilities with past services of active employees	2 235 325	2 553 874
	2 520 976	**2 843 497**

As at 31 December 2021, the sensitivity analysis to changes in the technical interest rate and its impact in terms of past total liabilities under IAS 19 is as follows:

(Amounts expressed in Euro)	- 0,25%	+ 0,25%
Impact on liabilities of the change in the discount rate	(158 338)	146 584
Total	**(158 338)**	**146 584**

Pension fund assets are as follows:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Pension fund assets		
Opening balance	3 352 332	3 283 643
Net income from pension funds	89 114	105 694
Pension funds contributions	-	-
Retirement pensions paid by the pension fund	(12 916)	(23 846)
Survival pensions paid by the pension fund	(13 238)	(13 159)
Commissions	-	-
Closing balance	3 415 292	3 352 332
Of which: on-hold balance for Complementary Plan	-	-
	3 415 292	**3 352 332**
Coverage level according to actuarial report	141,8%	123,4%
Minimum liability level to be covered [95% of (b) + 100% of (a)]	2 409 210	2 715 803
Required value to be transferred to the pension funds	-	-

In 2021 and 2020, there were no contributions to the Pension Fund. The increase in liabilities was partially offset by the increase in the Fund's net income.

In addition to the ACTV Pension Plan, BAIE granted to its employees a supplementary pension until 30 June 2005, provided for in the Complementary Plan to ACTV. Under this plan, workers bound on that date are entitled to a supplementary retirement and survival's pension, calculated based on the length of service provided in BAIE and the salary received up to that date. Considering that according to the Collective Membership Agreement these liabilities should be transferred to an individual membership or to another pension fund that complies with the legislation in force, in 2010 the respective individual memberships were transferred in the amount corresponding to Euro 93,633.

As at 31 December 2021 and 2020, the financial statements included the following items related to the coverage of pension liabilities:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Total liabilities		
Total liabilities for pensions payable	285 652	289 623
Total liabilities for past services	2 235 325	2 553 874
	2 520 976	**2 843 497**
Pension fund assets (Note 19)	3 415 292	3 352 332
Provision for liabilities with retirement pensions (Note 19)	2 520 976	2 843 497
Actuarial gains/ (losses) recognised in retained earnings (Note 20):		
Annual change	440 882	530 427
Accumulated amount (Note 30)	439 511	(1 371)

In the composition of the pension fund assets there are no: i) assets being used by the Bank; and ii) securities issued by the Bank.

The amounts reflected in staff costs (Note 26) with the Bank's retirement pensions liabilities in 2021 and 2020 are as follows:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Net financial costs:		
Current service expense	33 554	22 190
Interest expense	24 623	35 682
Expected income from pension fund assets	2 776	14 917
Contributions from employees	-	8 126
Total	**60 953**	**80 916**

The changes during 2021 and 2020, in the present value of liabilities for past services, were as follows:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Liabilities at the beginning of the period	**2 843 496**	**3 262 279**
Current service expense	33 554	22 190
Interest expense	24 623	35 682
Expected income from pension fund assets	2 776	14 917
Actuarial gains/ (losses) recognised under retained earnings (Note 20)	(440 882)	(530 427)
Retirement pensions paid by the pension fund	(12 916)	(23 846)
Survival pensions paid by the pension fund	(13 238)	(13 159)
Net income of the Fund	89 114	105 694
Commissions	-	-
Liabilities at the end of the period	**2 520 976**	**2 843 496**

The actuarial deviations occurred in 2021 and 2020 were recorded as follows:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Actuarial gains/ (losses)		
Relating to differences between assumptions and actual values	(440 882)	(530 427)
Total	**(440 882)**	**(530 427)**

As at 31 December 2021 and 2020, the items comprising the value of the pension fund assets are as follows:

	31-Dec-21	31-Dec-20
Liquidity	4,16%	5,01%
Bonds	62,04%	63,68%
Shares	29,24%	27,30%
Real estate and hedge funds	4,56%	4,01%
Total	**100,00%**	**100,00%**

31. RELATED PARTIES

Under IAS 24, BAIE's related parties are companies controlled by the BAI Group, directors of BAI Group companies, the associated company Founton Ltd (BAIE's financial holding sold during 2019) and other entities with a significant influence over BAIE, namely companies of the Sonangol Group, BAI's reference shareholder, BAIE's parent company.

As at 31 December 2021, the Bank's statement of financial position, income statement and off-balance sheet items include the following balances with related entities:

(Amounts expressed in Euro)	Associates	Corporate bodies of BAI Group	Companies from BAI Group	Other related parties	Total
Assets					
Other loans and advances to credit institutions (Note 8)	-	-	52 041	-	52 041
Financial assets mandatorily measured at fair value through profit or loss (Note 5)	-	-	296 840	54 869	351 709
Loans and advances to customers (Note 9)	-	246 212	2 250 986	9 171 583	11 668 781
Investments in subsidiaries and associates (Note 13)	-	-	-	-	-
Other Assets (Letters of Credit)	-	-	14 063 983	-	14 063 983
Liabilities					
Deposits from credit institutions (Note 16)	-	-	213 693 053	-	213 693 053
Deposits from customers (Note 17)	9	9 650 449	979 235	12 738 060	23 367 753
Other liabilities (Note 19)	-	40 734	5 087	8 215	54 036
Off-balance sheet items (Note 29)					
Guarantees and commitments	-	-	2 754 724	-	2 754 724
Open documentary credits	-	-	48 777 856	-	48 777 856
Assets and guarantees received as collateral	-	-	19 875 796	50 000	19 925 796
Irrevocable credit facilities					
Granted	-	42 500	10 000	50 000	102 500
Provided	-	-	30 902 349	-	30 902 349
Total	**9**	**9 979 895**	**333 661 949**	**22 072 727**	**365 714 580**
Income					
Interest and similar income (Note 21)	-	3 610	148 776	359 845	512 231
Fees and commission income (Note 22)	-	533	2 791 254	5 701	2 797 488
Expenses					
Interest and similar expense (Note 21)	-	(56 895)	(394 524)	(10 619)	(462 038)
Financial assets mandatorily measured at fair value through profit or loss (Note 24)	-	-	13 173	-	13 173
General and administrative expenses (Note 27)	-	-	-	(48 224)	(48 224)
Fees and commission income (Note 22)	-	(3)	(500)	-	(503)
Loan impairment net of reversals and recoveries (Note 18)	-	(19 597)	2 841	129 063	112 307
Total	**-**	**(72 352)**	**2 561 020**	**435 766**	**3 421 523**

As at 31 December 2020, the Bank's statement of financial position, income statement and off-balance sheet items include the following balances with related entities:

(Amounts expressed in Euro)	Associ-ates	Corporate bodies of BAI Group	Companies from BAI Group	Other related parties	Total
Assets					
Other loans and advances to credit institutions (Note 8)	-	-	41 565	-	41 565
Financial assets mandatorily measured at fair value through profit or loss (Note 5)	-	-	274 267	74 860	349 127
Loans and advances to customers (Note 9)	-	288 900	2 175 000	13 186 059	15 649 959
Investments in subsidiaries and associates (Note 13)	-	-	-	-	-
Other Assets (Letters of Credit)	-	-	17 284 219	-	17 284 219
Liabilities					
Deposits from credit institutions (Note 16)	-	-	242 737 595	-	242 737 595
Deposits from customers (Note 17)	-	8 516 248	1 545 794	21 342 279	31 404 321
Off-balance sheet items (Note 29)					
Guarantees and commitments	-	-	353 304	-	353 304
Open documentary credits	-	-	69 048 007	-	69 048 007
Assets and guarantees received as collateral	-	-	16 185 530	11 272 224	27 457 754
Irrevocable credit facilities					
Granted	-	42 500	-	79 000	121 500
Provided	-	-	-	-	-
Total	**-**	**8 847 648**	**369 645 281**	**45 954 422**	**404 447 351**
Income					
Interest and similar income (Note 21)	-	4 845	498 127	586 914	1 089 886
Fees and commission income (Note 22)	-	1 483	3 656 987	33 057	3 691 527
Expenses					
Interest and similar expense (Note 21)	-	(79 076)	(2 322 471)	(242 491)	(2 644 038)
Financial assets mandatorily measured at fair value through profit or loss (Note 24)	-	-	8 850	-	8 850
Fees and commission income (Note 22)	-	-	-	(42 735)	(42 735)
General and administrative expenses (Note 26)	-	-	325	(5 069)	(4 744)
Loan impairment net of reversals and recoveries (Note 17)	-	(59 197)	198 040	(26 961)	111 882
Total	**-**	**(131 945)**	**2 039 858**	**302 715**	**2 210 628**

As mentioned in Note 2.3. and in the Income Statement, Net gains/ (losses) arising from foreign exchange differences concern essentially results arising from foreign exchange transactions with BAI Group entities.

Balances and transactions with other related parties refer essentially to companies in the Sonangol group, BAI's key shareholder, BAIE's parent company.

32. FINANCIAL INSTRUMENTS: DISCLOSURES (IFRS 7)

In addition to other disclosures already made in this context throughout some of the previous notes, below we present additional information required under IFRS 7 and, in what concerns credit risk, the mandatory disclosures under IFRS 9 and Circular Letter No. 2018/00000062, which replaces the CL No. 2/14/DSP, of 26 February.

Own funds (regulatory capital)

The legislation incorporating the Capital Accord (Basel III) entered into force on 1 January 2014 through the legislative package established by Regulation (EU) No. 575/2013 (CRR) of the European Parliament and the Council and Directive 2013/36/EU of the European Parliament and the Council (CRD IV), both approved on 26 June, and the latter still required to be transposed into national legislation by Decree-Law No. 157/2014 of 24 October. Additionally, Regulation (EU) No. 2019/876 of the European Parliament and the Council introduced amendments to the Capital Requirements Regulation (CRR) during 2019.

The risk management system adopted by BAIE is described in the Management Report, a document that is issued together with these financial statements.

The Bank of Portugal issued guidelines on the transition requirements regarding the implementation of IFRS 9. These guidelines allowed a choice between two approaches for recognising the impact on regulatory capital of the adoption of the standard:

i) Transition period of the total impact over a period of 5 years, based on the following percentages for some components: 5% in 2018, 15% in 2019, 30% in 2020, 50% in 2021 and 75% in 2022;

ii) Recognition of the full impact on the date of adoption.

The Bank decided to adopt the second approach, therefore, the impact of the adoption of IFRS 9 on the Bank's regulatory capital was fully recognised at the date of adoption of IFRS 9 (1 January 2018).

Under Notice No. 10/2017 and of the CRR, the Bank's own funds and capital requirements are presented as follows:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Total own funds (1+2+3+4)	**87 623 462**	**89 270 767**
1. Base Own funds (Tier 1)	**87 623 462**	**89 270 767**
Base Own funds Core (Common Equity Tier 1 - CET 1)	**87 623 462**	**89 270 767**
Paid-up share capital (Note 20)	40 000 000	40 000 000
Legal reserve (Note 20)	8 690 394	8 673 348
Unrealised losses on financial assets at fair value through other comprehensive income	(31 562 351)	(19 123 179)
Unrealised losses on financial assets at fair value through other comprehensive income	32 561 683	21 969 254
Adjustment for credit risk – Securities at FVOCI (IFRS 9)	547 894	343 952
Adjustments of Base Own funds Core (CET 1) due to prudential filters	(215 185)	(138 602)
Deferred tax assets that depend on future profitability	(579 600)	(373 535)
Retained earnings (Note 20)	38 100 248	37 946 831
Net intangible assets (Note 12)	(533 013)	(25 931)
Actuarial losses with liabilities related to pensions (Notes 20 and 30)	439 511	(1 371)
Other transitional adjustments	173 880	-
2. Complementary Own funds (Tier 2)	**-**	**-**
Provisions for general credit risks (Note 18)	-	-
3. Risks covered by own funds	**-**	**-**
4. Deduction from total own funds	**-**	**-**
Net value of real estate acquired in loan repayment over 2 years ago.	-	-

a) *Profit/ (loss) for the period for 2021 and 2020 will only be eligible for own funds after the date of issue of the respective limited review report by the Statutory Auditor of the Bank. In 2021, the Bank did not issue a half-yearly report, so the profit/ (loss) for this period is not eligible for own funds.*

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Total own funds	87 623 462	89 270 767
Requirements for credit risk (on-balance and off-balance sheet) and operational risk	407 616 813	350 376 290
Total own funds ratio	21,5%	25,5%
Base own funds ratio (Tier 1)	21,5%	25,5%
Common equity Tier 1 ratio (CET 1)	21,5%	25,5%

During 2021 and 2020, the Bank complied with all capital requirements defined by the banking supervision entity, Banco de Portugal, in accordance with applicable laws and regulations.

MARKET RISK

Market risk arises from changes in the price of instruments resulting from changes in interest rates, exchange rates, stock prices or commodity prices. In the Bank's current balance sheet management strategy, the asset that is most vulnerable to market changes is the credit portfolio and other securities (Notes 7 and 10) which are classified either as financial assets at fair value through other comprehensive income or as other financial assets measured at amortised cost. The risk analysis of these financial instruments is carried out from a credit risk perspective instead from a market risk perspective, considering that the position adopted for these assets is done from an investment perspective and does not aim for the generation of capital gains with anticipated sale. In addition, there is a portfolio of equity securities that represents a portion without any significant expression of the total assets of the Bank. Consequently, its monitoring does not require the development of a specific risk management model.

As a result of the legislative amendments incorporating the Basel III Capital Accord (Regulation (EU) No. 575/2013 (CRR) of the European Parliament and of the Council of 26 June, complemented by the Commission's Delegated Regulation (EU) 2015/61 of 10 October 2014), after 1 October 2015, it became mandatory the constitution of a high quality liquid assets (HQLA) portfolio to meet the short-term liquidity coverage ratio (LCR), that is, to cover net cash requirements for a 30-day period, and the HQLA portfolio cannot be less than the amount corresponding to 25% of the total expected cash outflows for that period. With the introduction of this prudential liquidity requirement, the Bank has invested in eligible assets for this purpose, thus extending the securities portfolio classified as Financial Assets at Fair Value through Other Comprehensive Income (FAFVOCI).

In the most recent exercise performed by BAIE, market risk is not considered material, as the Bank does not have a trading book investment strategy, thus not considering the market risk.

LIQUIDITY AND FINANCING RISK

Liquidity and financing risk is defined as the probability of negative impacts on profit/(or loss) or equity resulting from the Bank not having liquid funds to meet its financial obligations when they fall due. An integral part of this risk is the risk of liquidity and financing concentration, which results from the concentration of sources of liquidity in a reduced number of counterparties or geographies.

BAIE assumes a low-risk appetite, ensuring for this purpose the management of this risk based on the maintenance of a prudent net position, in order to guarantee the fulfilment of the financial obligations at maturity. Regarding the risk of liquidity and financing concentration, given the framework of the financial group in which BAIE is inserted, the Board defined the objective of adopting an appetite for moderate risk in view of the concentration of sources of liquidity in Angola.

The management of liquidity risk overlaps with interest rate risk management, so that the hedging between assets and liabilities in relation to maturity terms or possible interest rate repricing should only be performed after the defined liquidity limits are met.

Liquidity risk is managed on a daily basis by the Market Room based on maps produced daily with information on liquidity gaps for different time horizons, the Bank's LCR and NSFR (Net Stable Funding Ratio) and monitored daily by the FGR. On a monthly basis, the FGR presents the results of its daily monitoring at the CAGR.

Although the NSFR is only mandatory from June 2021 onwards, BAIE developed throughout 2020 initiatives to increase its long-term resources to ensure compliance with this ratio on a permanent basis.

As at 31 December 2021, the contractual residual terms of the financial instruments are as follows:

(Amounts expressed in Euro)	Below 3 months	3 months to 1 year	1 to 5 years	Above 5 years or undetermined	Total
Assets					
Cash and deposits at central banks	69 738 598	-	-	-	69 738 598
Loans and advances to credit institutions repayable on demand	67 587 133	-	-	-	67 587 133
Financial assets mandatorily measured at fair value through profit or loss	-	-	182 510	372 689	555 199
Other financial assets at fair value through profit or loss	-	-	-	313 715	313 715
Financial assets at fair value through other comprehensive income	69 224 910	15 110 460	93 796 837	35 866 303	213 998 510
Other loans and advances to credit institutions	62 014 443	-	35 942 188	65 800 454	163 757 085
Loans and advances to customers	15 536 016	18 620 529	57 870 587	27 163 141	119 190 273
Other financial assets at amortised cost	23 952 379	-	2 048 080	-	26 000 459
	308 053 479	**33 730 989**	**189 840 202**	**129 516 302**	**661 140 973**
Liabilities					
Other financial liabilities at fair value through profit or loss	-	-	-	(313 715)	(313 715)
Deposits from central banks	-	-	-	-	-
Deposits from other credit institutions	(349 468 936)	-	-	-	(349 468 936)
Deposits from customers	(117 752 005)	(51 169 684)	(47 247 457)	-	(216 169 146)
Lease liabilities – IFRS 16 (Note 19	-	-	-	(1 916 337)	(1 916 337)
	(467 220 941)	**(51 169 684)**	**(47 247 457)**	**(2 230 052)**	**(567 868 134)**
Foreign exchange operations pending settlement (net flow)	(2 158)	-	-	-	(2 158)
Difference / Gap	**(156 169 619)**	**(17 438 695)**	**142 592 745**	**127 286 250**	**93 270 681**
Difference / Accumulated Gap	**(156 169 619)**	**(176 608 314)**	**(34 015 570)**	**93 270 681**	

As at 31 December 2020, the contractual residual terms of the financial instruments are as follows:

(Amounts expressed in Euro)	Below 3 months	3 months to 1 year	1 to 5 years	Above 5 years or undetermined	Total
Assets					
Cash and deposits at central banks	84 537 659	-	-	-	84 537 659
Loans and advances to credit institutions repayable on demand	132 692 744	-	-	-	132 692 744
Financial assets mandatorily measured at fair value through profit or loss	-	-	174 189	372 205	546 394
Other financial assets at fair value through profit or loss	-	-	-	294 405	294 405
Financial assets at fair value through other comprehensive income	13 205 149	11 669 985	98 684 091	15 467 499	139 026 724
Other loans and advances to credit institutions	60 949 314	15 535 109	35 864 608	-	112 349 030
Loans and advances to customers	2 578 943	26 063 999	45 536 332	8 051 593	82 230 867
Other financial assets at amortised cost	25 138 856	-	2 059 053	-	27 197 909
	319 102 664	**53 269 093**	**182 318 272**	**24 185 702**	**578 875 732**
Liabilities					
Other financial liabilities at fair value through profit or loss	-	-	-	(294 405)	(294 405)
Deposits from central banks	-	-	-	-	-
Deposits from other credit institutions	(312 155 208)	-	-	-	(312 155 208)
Deposits from customers	(105 484 067)	(35 319 363)	(34 125 671)	-	(174 929 101)
Lease liabilities – IFRS 16 (Note 19		-	-	(2 060 785)	(2 060 785)
	(417 639 275)	**(35 319 363)**	**(34 125 671)**	**(2 355 190)**	**(489 439 499)**
Foreign exchange operations pending settlement (net flow)	(155)	-	-	-	(155)
Difference / Gap	**(102 764 386)**	**17 949 730**	**148 192 602**	**21 830 511**	**85 208 458**
Difference / Accumulated Gap	**(102 764 386)**	**(84 814 565)**	**63 377 946**	**85 208 458**	

CURRENCY RISK

Within the current currency risk management policy, exchange position limits are established and therefore the various currency exchange positions in the Bank's balance sheet and its currency performance in the market are monitored on a daily basis. Considering the exposure limits established, liquidity needs per currency, and the performance of the various currencies in the market, foreign exchange positions are hedged economically, either through trading in the spot currency market or through the use of derivative financial instruments.

Exchange rate risk is managed by the Market Room and monitored by the FGR, both on a daily basis. On a monthly basis, the FGR presents the results of this monitoring at the CAGR.

As at 31 December 2021, the breakdown by currency of financial instruments is as follows:

(Amounts expressed in Euro)	Euro	USD	Other	Total
Assets				
Cash and deposits at central banks	69 697 578	40 657	363	69 738 598
Loans and advances to credit institutions repayable on demand	13 081 210	53 073 854	1 432 069	67 587 133
Financial assets mandatorily measured at fair value through profit or loss	55 444	203 491	296 265	555 199
Other financial assets at fair value through profit or loss	-	313 715	-	313 715
Financial assets at fair value through other comprehensive income	65 452 330	148 546 181	-	213 998 510
Other loans and advances to credit institutions	13 060 845	150 696 240	-	163 757 086
Loans and advances to customers	93 068 504	26 121 770	-	119 190 273
Other financial assets at amortised cost	26 000 459	-	-	26 000 459
Investments in subsidiaries and associates	3 949	-	-	3 949
	280 420 318	**378 995 907**	**1 728 698**	**661 144 923**
Liabilities				
Other financial liabilities at fair value through profit or loss	-	(313 715)	-	(313 715)
Deposits from other credit institutions	(16 309 448)	(331 768 411)	(1 391 078)	(349 468 936)
Deposits from customers	(163 440 532)	(52 600 696)	(127 919)	(216 169 146)
Lease liabilities – IFRS 16 (Note 19)	(1 916 337)	-	-	(1 916 337)
	(181 666 317)	**(384 682 821)**	**(1 518 996)**	**(567 868 134)**
Spot foreign exchange transactions pending settlement (net amount)	1 500 000	(1 502 158)	-	(2 158)
	1 500 000	**(1 502 158)**	**-**	**(2 158)**
Difference/ Gap (Open foreign exchange position)	**N/A**	**(7 189 072)**	**209 701**	**(6 979 371)**

As at 31 December 2020, the breakdown by currency of financial instruments is as follows:

(Amounts expressed in Euro)	Euro	USD	Other	Total
Assets				
Cash and deposits at central banks	84 490 630	46 686	344	84 537 659
Loans and advances to credit institutions repayable on demand	45 837 741	82 763 620	4 091 654	132 692 744
Financial assets mandatorily measured at fair value through profit or loss	74 860	190 244	281 290	546 394
Other financial assets at fair value through profit or loss	-	294 405	-	294 405
Financial assets at fair value through other comprehensive income	45 542 836	93 483 888	-	139 026 724
Other loans and advances to credit institutions	1 086 471	111 262 559	-	112 349 030
Loans and advances to customers	61 048 038	21 182 830	-	82 230 868
Other financial assets at amortised cost	27 197 909	-	-	27 197 909
	265 278 213	**309 224 232**	**4 373 288**	**578 875 733**
Liabilities				
Other financial liabilities at fair value through profit or loss	-	(294 405)	-	(294 405)
Deposits from other credit institutions	(43 668 123)	(264 528 586)	(3 958 499)	(312 155 208)
Deposits from customers	(126 310 684)	(48 490 509)	(127 908)	(174 929 101)
Lease liabilities – IFRS 16 (Note 19)	(2 060 785)	-	-	(2 060 785)
	(172 039 592)	**(313 313 500)**	**(4 086 407)**	**(489 439 499)**
Spot foreign exchange transactions pending settlement (net amount)	1 800 000	(1 800 155)	-	(155)
	1 800 000	**(1 800 155)**	**-**	**(155)**
Difference/ Gap (Open foreign exchange position)	**N/A**	**(5 889 423)**	**286 881**	**(5 602 542)**

INTEREST RATE RISK

Interest rate risk occurs whenever there is a mismatch between assets and liabilities, or financial instruments recorded off-balance sheet sensitive to changes in interest rate levels. For the purpose of monitoring, in addition to using the prudential approach defined by Banco de Portugal in its Instruction No. 3/2020, of 14 December, the Bank developed a model of analysis (internal approach) that performs on a monthly basis the measurement of interest rate risk by applying the discount factors to daily net cash flows (gap/position), which means, to its specific residual repricing period, for all financial instruments considered by BAIE as sensitive to interest rate effect.

In terms of the approach suggested by the Bank of Portugal, for each materially relevant currency (in the case of BAI Europa, Euro and US dollars) the gaps of the various interest rate positions and their respective discount factor of parallel shocks are calculated (+/- 200 basis points) in the interest rate curve, in the net interest income and in the Bank's own funds. Cash flows in Euro and US dollars are discounted based on Bloomberg's risk-free yield curves with an impact of +/- 200 basis points on the rates over those periods. However, with respect to the BAIE internal model, parallel shock is only applied in yield curves of +200 basis points since it is the shock that the BAIE considers more plausible to occur in the current context of interest rates.

When applying its internal model for measuring interest rate risk, BAIE does not take off-balance-sheet items into account, since 83% of the off-balance-sheet liabilities relate to confirmed documentary credits and 68% of the off-balance-sheet assets relate to guarantees received (of which 41% were provided to cover documentary credits). In view of the above, and given the nature of its off-balance sheet items, the Bank considers that these instruments are not subject to interest rate risk.

In its internal model for measuring interest rate risk, BAIE also does not consider the elements that are included in the balance sheet items Other Assets and Other Liabilities because it considers that those are not transactions subject to interest rate risk.

The Bank's internal regulations establish prudent exposure limits, which do not allow the existence of significant amounts of medium and long-term fixed rate operations.

The interest rate risk is monitored by the UGR, which on a monthly basis presents the results at the CAGR.

As at 31 December 2021, the financial instruments subject to interest rate risk, by type of rate (fixed or variable) by currency, are as follows:

	EUR		USD (In EUR)		Other currencies (In EUR)	Total (In EUR)
(Amounts expressed in Euro)	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate		
Total Assets	**163 157 186**	**105 273 213**	**258 391 196**	**134 148 206**	**1 519 873**	**662 489 673**
Cash and deposits at central branks	69 697 578	-	40 657	-	363	69 738 598
Loans and advances to credit institutions repayable on demand	13 013 214	-	53 073 854	-	1 500 065	67 587 133
Other loans and advances to credit institutions **	13 600 000	-	98 004 591	52 622 285	-	164 226 876
Securities portfolio *	46 411 358	29 838 148	95 914 539	52 796 044	-	224 960 090
Loans and advances to customers **	13 328 833	75 435 065	860 000	28 729 877	-	118 353 774
Other assets	7 106 202	-	10 497 555	-	19 444	17 623 201
Total Liabilities	**(183 796 159)**	**-**	**(385 842 170)**	**-**	**(1 518 987)**	**(571 157 317)**
Deposits from other credit institutions and customers *	(178 902 342)	-	(384 029 296)	-	(1 518 996)	(564 450 635)
Other liabilities	(4 893 817)	-	(1 812 874)	-	9	(6 706 682)
Total Off-balance sheet	**86 361 472**	**-**	**(13 494 991)**	**-**	**-**	**72 866 482**
Off-balance sheet	86 361 472	-	(13 494 991)	-	-	72 866 482

** Excludes interest receivable/payable. ** Excludes interest receivable, impairment and deferred income.*

As at 31 December 2021, the impact of the +2% parallel shock on yield curves on the economic value of financial instruments subject to interest rate risk, using BAIE's internal approach and the approach provided for in Instruction No. 3/2020 of Banco de Portugal (BdP Approach), is as follows:

	+200 bp	
Currency	BdP Approach	Internal Approach
EUR	(2 651 183)	(2 887 157)
USD *	2 621 858	2 422 999
Total	**(1 340 254)**	**(464 158)**

** Amounts expressed in EUR*

In accordance with Instruction No. 3/2020 of the Banco de Portugal, the analysis of interest rate risk does not include the following accounting items: Other tangible assets and right-of-use assets; Intangible assets; Current and deferred tax assets; Other financial liabilities at fair value through profit or loss; Provisions and Current and deferred tax liabilities.

As at 31 December 2021 and 2020, the outcome of the application of the standard shock (BdP Approach, Instruction No. 3/2020), in the economic value and the expected net interest income for one year, is as follows:

Outcome of the application of the standard shock by the Supervisor	31-Dec-21	31-Dec-20
Change in the economic value of the banking portfolio resulting from a parallel rise in the yield curve after the supervisor's standard shock	(1 340 254)	(2 170 932)
Change in the economic value of the banking portfolio resulting from a parallel decline in the yield curve after the supervisor's standard shock	(1 825 772)	1 099 934
Expected net interest income at 1 year without interest rate changes	2 351 729	3 307 956
Change in expected 1-year net interest income resulting from a parallel rise in the yield curve after the supervisor's standard shock	3 096 261	2 390 527
Change in expected 1-year net interest income resulting from a parallel decline in the yield curve after the supervisor's standard shock	(3 047 560)	(2 322 795)

As at 31 December 2021, the analysis of the impact on the Bank's economic value of a 2% parallel rise in benchmark interest rates is as follows:

(Amounts expressed in Euro)	BdP approach, Instruction No. 3/2020		Internal approach
31-Dec-21	Prior Model (Without shock)	Post Model (Shock + 2%)	(Shock + 2%)
Overnight	20 026 195	49 994 164	(12 369 618)
Greater than overnight and until 1 month	48 785 131	48 731 055	50 427 503
Greater than 1 month and up to 3 months	99 913 470	106 208 611	160 897 345
Greater than 3 month and up to 6 months	13 592 169	16 739 514	30 056 335
Greater than 6 month and up to 9 months	(10 455 242)	(10 355 044)	(8 085 866)
Greater than 9 month and up to 12 months	(10 285 448)	(10 193 904)	(9 630 205)
Greater than 12 month and up to 1.5 years	(26 300 249)	(25 965 096)	(19 470 378)
Greater than 1.5 years and up to 2 years	(49 931 790)	(56 838 676)	(56 363 751)
Greater than 2 years and up to 3 years	(37 848 168)	(36 069 016)	(36 265 187)
Greater than 3 years and up to 4 years	(1 286 673)	(1 401 115)	(1 012 566)
Greater than 4 years and up to 5 years	3 951 471	3 539 019	3 999 681
Greater than 5 years and up to 6 years	6 075 312	5 509 451	6 155 514
Greater than 6 years and up to 7 years	8 413 119	7 421 438	8 556 424
Greater than 7 years and up to 8 years	1 152 907	995 722	1 180 992
Greater than 8 years and up to 9 years	932 759	781 723	955 712
Greater than 9 years and up to 10 years	5 301 516	4 343 300	5 266 816
Greater than 10 years and up to 15 years	2 665 956	2 009 620	2 590 596
Greater than 15 years and up to 20 years	(721)	(469)	-
Greater than 20 years	-	-	-
Net position	**74 701 713**	**105 450 296**	**126 889 348**
31-Dec-20			
Overnight	109 351 130	108 524 611	105 451 184
Greater than overnight and until 1 month	(7 466 922)	(6 472 688)	(11 253 839)
Greater than 1 month and up to 3 months	30 298 545	30 424 946	39 984 134
Greater than 3 month and up to 6 months	(36 699 003)	(37 157 941)	(28 044 317)
Greater than 6 month and up to 9 months	(10 061 693)	(11 466 171)	(12 110 175)
Greater than 9 month and up to 12 months	(9 899 854)	(10 258 922)	(10 739 771)
Greater than 12 month and up to 1.5 years	(12 057 254)	(12 859 849)	(5 286 873)
Greater than 1.5 years and up to 2 years	(1 087 669)	(2 703 072)	(8 095 770)
Greater than 2 years and up to 3 years	3 570 744	1 426 607	5 037 305
Greater than 3 years and up to 4 years	(417 783)	(1 956 610)	9 074 971
Greater than 4 years and up to 5 years	12 449 738	11 111 347	10 422 566
Greater than 5 years and up to 6 years	(1 004 218)	(1 392 853)	625 666
Greater than 6 years and up to 7 years	1 683 018	1 114 108	1 401 766
Greater than 7 years and up to 8 years	1 989 958	1 375 957	1 625 526
Greater than 8 years and up to 9 years	1 653 306	1 051 512	1 244 840
Greater than 9 years and up to 10 years	2 326 154	1 613 852	1 959 403
Greater than 10 years and up to 15 years	5 303 224	2 426 488	3 102 055
Greater than 15 years and up to 20 years	389 645	25 570	35 059
Greater than 20 years	-	-	-
Net position	**90 320 436**	**74 826 891**	**104 433 729**

ENCUMBERED AND NON-ENCUMBERED ASSETS

As at 31 December 2021 and 2020, in compliance with the guidelines of the European Banking Authority (EBA/GL/2014/3) and Instruction No. 28/2014 of Banco de Portugal, dated 15 January 2015, the following table presents the information related to:

i) Bank assets which are encumbered and non-encumbered (Model A)

31-Dec-21 (Amounts expressed in Euro)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non- encumbered assets
Assets	3 270 544	3 270 544	667 075 882	661 330 892
Equity instruments (Notes 5 and 6)	-	-	572 074	572 074
Debt securities (Notes 5,7 and 10)	21 772	21 772	225 325 127	225 315 805
Other assets	3 248 772	3 248 772	441 178 681	435 443 013

31-Dec-20 (Amounts expressed in Euro)	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of non-encumbered assets	Fair value of non- encumbered assets
Assets	4 665 860	4 665 860	585 809 680	579 318 103
Equity instruments (Notes 5 and 6)	-	-	559 509	559 509
Debt securities (Notes 5,7 and 10)	1 000 772	1 000 772	148 270 741	148 259 173
Other assets	3 665 088	3 665 088	436 961 575	430 481 566

ii) Collateral received (Model B)

	31-Dec-21		31-Dec-20	
(Amounts expressed in Euro)	Fair value of the encumbered collateral received or debt securities issued	Fair value of the encumbered collateral received or debt securities issued and encumbered	Fair value of the encumbered collateral received or debt securities issued	Fair value of the encumbered collateral received or debt securities issued and encumbered
Collateral received	88 398 710	88 398 710	81 245 470	81 245 470
Equity instruments	6 391	6 391	25 548 427	25 548 427
Other assets	88 392 319	88 392 319	55 697 043	55 697 043

iii) There are no encumbered assets, encumbered collateral received and associated liabilities in accordance with Model C.

iv) Information related to the importance of the encumbrance on assets (Model D)

The institution's level of encumbrance on assets, as measured by the relative weight of the assets encumbered in the Bank's total assets, is less than 1%. Collateral received from customers is not reflected in the Bank's balance sheet and is not available for encumbrance since the bank is not authorised to sell those assets or providing them again as collateral, except in the event of default by the owner of the security deposit.

CREDIT RISK AND CONCENTRATION CREDIT RISK

Overall, the credit risk on the Bank's assets is represented by three large groups of credit operations, namely: i) exposure to credit institutions, mainly in the interbank money market; ii) loans represented (or not) by securities; and iii) financial assets at fair value through other comprehensive income.

MAXIMUM EXPOSURE TO CREDIT RISK

(Amounts expressed in Euro)	31-Dec-21		
Description	Gross exposure [1]	Provisions and impairment	Effective exposure [2]
Assets			
Loans and advances to credit institutions repayable on demand	67 658 162	71 029	67 587 133
Financial assets mandatorily at fair value through profit or loss	555 199	-	555 199
Other financial assets at fair value through profit or loss	313 715	-	313 715
Financial assets at fair value through other comprehensive income (3)	213 998 510	-	213 998 510
Other loans and advances to credit institutions	164 306 194	549 108	163 757 086
Loans and advances to customers	120 573 499	1 383 226	119 190 273
Other financial assets at amortised cost	26 074 737	74 278	26 000 459
Off-balance sheet			
Garantees and securities	9 318 246	418 791	8 899 455
Commitments to third parties	45 351 259	22 391	45 328 868
Total	**648 149 521**	**2 518 823**	**645 630 698**

(Amounts expressed in Euro)	31-Dec-20		
Description	Gross exposure [1]	Provisions and impairment	Effective exposure [2]
Assets			
Loans and advances to credit institutions repayable on demand	132 775 552	50 784	132 724 768
Financial assets mandatorily at fair value through profit or loss	546 394	-	546 394
Other financial assets at fair value through profit or loss	294 405	-	294 405
Financial assets at fair value through other comprehensive income (3)	139 026 724	-	139 026 724
Other loans and advances to credit institutions	112 464 350	115 319	112 349 031
Loans and advances to customers	85 774 598	3 543 731	82 230 867
Other financial assets at amortised cost	27 247 718	49 809	27 197 909
Off-balance sheet			
Garantees and securities	910 088	372 963	537 125
Commitments to third parties	31 864 560	52 085	31 812 475
Total	**530 904 389**	**4 184 691**	**526 719 697**

[1] Gross exposure: Balance sheet value before provisions and impairment; [2] Effective exposure: Gross exposure net of provisions and impairment; [3] In accordance with IFRS 9, the impairment calculated for these financial assets is recorded in equity (fair value reserve).

The portfolio of loans and advances to customers consists almost entirely of loans and advances to companies and public
entities (Note 9). The current credit risk management process for customers is based on the specific characteristics of the customer and the product, and of the credit cycle. Credit risk analysis are carried out based on the customer's updated financial information as well as on other additional information (management skills, future expectations, specific market performance and expectations, competitive capacity, cash flows, etc.). Periodically, customers are asked for updated financial information for the purpose of monitoring the quality of exposure risk.

In addition, maximum exposure limits are defined by:

i) Customer or by group of customers linked to each other and by emerging markets depending on the Bank's own funds (25% of own funds);

ii) Business sector and by country according to their relative weight in the Bank's total portfolio and own funds (the lower between 25% of the total loan portfolio, net of collateral deposits and the amount of own funds exceeding the minimum share capital required, Euro 17.5 million).

For exposures to credit institutions, counterparty limits are defined based on the financial information available to the credit institution, including the respective rating assigned by international agencies. On a regular basis, counterparty limits are reviewed through internal analysis based on up-to-date market financial information and its counterparties.

The portfolio of financial assets at fair value through other comprehensive income consists essentially of investment grade bonds (financial sector, telecommunications and other industries), sovereign bonds and multilateral investment grade agencies with relatively short-term residual maturities.

In 2021, the exposure and impairment of financial assets (except the portfolio of loans and advances to customers) presents the following movements:

	Stage 1			Stage 2			Stage 3			Total		
(Amounts expressed in Euro)	Exposure	EAD	Impairment	Exposure	EAD	Impairment	Exposure	EAD	Impairment	Exposure	EAD	Impairment
Loans and advances to credit institutions repayable on demand												
Balance as at 1 January 2021	**128 465 124**	**128 446 192**	**50 784**	-	-	-	-	-	-	**128 465 124**	**128 446 192**	**50 784**
Changes in cash and cash equivalents	(60 877 991)	(60 877 991)	20 245	-	-	-	-	-	-	(60 877 991)	(60 877 991)	20 245
Stage change	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2021	**67 587 133**	**67 732 842**	**71 029**	-	-	-	-	-	-	**67 587 133**	**67 732 842**	**71 029**
Other loans and advances to credit institutions												
Balanço a 1 de Janeiro 2021	**112 464 350**	**112 535 301**	**153 561**	-	-	-	-	-	-	**112 464 350**	**112 535 301**	**153 561**
Changes in investments	51 762 527	51 923 736	382 991	-	-	-	-	-	-	51 762 527	51 923 736	382 991
Stage change	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2021	**164 226 876**	**164 459 038**	**536 552**	-	-	-	-	-	-	**164 226 876**	**164 459 038**	**536 552**
Financial assets at fair value through other comprehensive income												
Balance as at 1 January 2021	**139 026 724**	**140 560 118**	**343 952**	-	-	-	-	-	-	**139 026 724**	**140 560 118**	**343 952**
Changes in financial assets	74 305 107	71 591 840	203 942	-	-	-	-	-	-	74 305 107	71 591 840	203 942
Stage change	(2 075 354)	(1 972 925)	(53 181)	2 075 354	1 972 925	53 181	-	-	-	-	-	-
Balance as at 31 December 2021	**211 256 477**	**210 179 033**	**494 713**	**2 075 354**	**1 972 925**	**53 181**	-	-	-	**213 331 831**	**212 151 958**	**547 894**
Other financial assets at amortised cost												
Balance as at 1 January 2021	**9 963 499**	**9 913 698**	**11 568**	-	-	-	-	-	-	**9 963 499**	**9 913 698**	**11 568**
Changes in financial assets	16 115 937	16 133 920	62 710	-	-	-	-	-	-	16 115 937	16 133 920	62 710
Stage change	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2021	**26 079 436**	**26 047 618**	**74 278**	-	-	-	-	-	-	**26 079 436**	**26 047 618**	**74 278**

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In 2020, the exposure and impairment of financial assets (except the portfolio of loans and advances to customers) presents the following movements:

	Stage 1			Stage 2			Stage 3			Total		
(Amounts expressed in Euro)	Exposure	EAD	Impairment	Exposure	EAD	Impairment	Exposure	EAD	Impairment	Exposure	EAD	Impairment
Loans and advances to credit institutions repayable on demand												
Balance as at 1 January 2020	**24 568 769**	**24 386 977**	**10 588**	**192 380**	**192 380**	**744**	-	-	-	**24 579 357**	**24 579 357**	**10 588**
Changes in cash and cash equivalents	112 159 214	112 159 214	39 452	-	-	-	-	-	-	112 159 214	112 159 214	39 452
Stage change	192 380	192 380	744	(192 380)	(192 380)	(744)	-	-	-	-	-	-
Balance as at 31 December 2020	**132 692 744**	**132 673 812**	**50 784**	-	-	-	-	-	-	**132 692 744**	**132 673 812**	**50 784**
Financial assets at fair value through other comprehensive income												
Balance as at 1 January 2020	**390 650 553**	**390 650 553**	**210 746**	-	-	-	-	-	-	**390 650 553**	**390 650 553**	**210 746**
Changes in financial assets	(276 041 254)	(275 970 302)	(56 535)	-	-	-	-	-	-	(276 041 254)	(275 970 302)	(56 535)
Foreign exchange differences and other movements	(2 144 950)	(2 144 950)	(650)	-	-	-	-	-	-	(2 144 950)	(2 144 950)	(650)
Balance as at 31 December 2020	**112 464 350**	**112 535 301**	**153 561**	-	-	-	-	-	-	**112 464 350**	**112 535 301**	**153 561**
Financial assets at fair value through other comprehensive income												
Balance as at 1 January 2020	**137 250 776**	**137 119 239**	**81 187**	-	-	-	-	-	-	**137 250 776**	**137 119 239**	**81 187**
Changes in financial assets	1 775 948	3 440 879	262 765	-	-	-	-	-	-	1 775 948	3 440 879	262 765
Stage change	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2020	**139 026 724**	**140 560 118**	**343 952**	-	-	-	-	-	-	**139 026 724**	**140 560 118**	**343 952**
Other financial assets at amortised cost												
Balance as at 1 January 2020	**31 559 203**	**31 559 203**	**42 321**	-	-	-	-	-	-	**31 559 203**	**31 559 203**	**42 321**
Changes in financial assets	(21 595 704)	(21 645 505)	(30 753)	-	-	-	-	-	-	(21 595 704)	(21 645 505)	(30 753)
Stage change	**9 963 499**	**9 913 698**	**11 568**	-	-	-	-	-	-	**9 963 499**	**9 913 698**	**11 568**
Balance as at 31 December 2020												

In 2021, the exposure and impairment of the portfolio of loans and advances to customers and provisions for off-balance sheet exposures, presents the following movements:

	Stage 1			Stage 2			Stage 3			Total		
(Amounts expressed in Euro)	Exposure	EAD	Impairment	Exposure	EAD	Impairment	Exposure	EAD	Impairment	Exposure	EAD	Impairment
Balance Sheet - 2020	**54 732 197**	**54 597 197**	**870 495**	**18 777 014**	**18 369 549**	**696 953**	**12 309 649**	**12 309 649**	**1 976 282**	**85 818 860**	**85 276 395**	**3 543 731**
Change in exposure	50 685 034	51 085 360	103 398	(9 348 874)	(8 903 885)	(307 624)	(6 246 747	(6 246 506)	(1 956 308)	35 089 412	116 760 252	-2 160 535
Stage improvements	3 145 427	3 165 808	4 633	(3 145 427)	(3 165 808)	(4 633)	-	-	-	-	-	-
Stage 2	3 145 427	3 165 808	4 633	(3 145 427)	(3 165 808)	(4 633)	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-	-	-	-
Stage deterioration	-	-	-	(2 003 741)	(2 005 297)	(159 239)	2 003 741	2 005 297	159 239	-	-	-
Stage 1	-	-	-	-	-	-	-	-	-	-	-	-
Stage 2	-	-	-	(2 003 741)	(2 005 297)	(159 239)	2 003 741	2 005 297	159 239	-	-	-
Balance Sheet - 2021	**108 562 658**	**108 848 364**	**978 526**	**4 278 971**	**4 294 560**	**225 457**	**8 066 643**	**8 068 440**	**179 214**	**120 908 272**	**121 211 364**	**1 383 196**

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	Stage 1			Stage 2			Stage 3			Total		
(Amounts expressed in Euro)	Exposure	EAD	Impairment	Exposure	EAD	Impairment	Exposure	EAD	Impairment	Exposure	EAD	Impairment
Balance Sheet - 2020	**32 093 213**	**1 839 389**	**35 701**	**573 214**	**126 443**	**16 942**	**296 784**	**66 963**	**66 199**	**32 963 210**	**2 032 795**	**118 842**
Change in exposure	19 699 723	3 968 227	(29 896)	1 310 499	270 999	160 341	(68 457)	290 592	(159 237)	20 941 766	4 529 817	(2 160 535)
Stage improvements	279 573	55 915	4 633	(279 573)	(55 915)	(4 633)	-	-	-	20 941 766	31 350 806	-28 792
Stage 2	279 573	55 915	4 633	(279 573)	(55 915)	(4 633)	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-	-	-	-
Stage deterioration	-	-	-	-	-	(159 239)	-	-	159 239	-	-	-
Stage 1	-	-	-	-	-	-	-	-	-	-	-	-
Stage 2	-	-	-	-	-	(159 239)	-	-	159 239	-	-	-
Balance Sheet - 2021	**52 072 509**	**5 863 530**	**10 438**	**1 604 140**	**341 527**	**13 411**	**228 327**	**357 555**	**66 201**	**53 904 976**	**33 383 601**	**90 050**

In 2020, the exposure and impairment of the portfolio of loans and advances to customers and provisions for off-balance sheet exposures, presents the following movements:

	Stage 1			Stage 2			Stage 3			Total		
(Amounts expressed in Euro)	Exposure	EAD	Impairment	Exposure	EAD	Impairment	Exposure	EAD	Impairment	Exposure	EAD	Impairment
Off-Balance Sheet Balance - 2019	**77 296 038**	**74 055 287**	**1 129 463**	**2 747 071**	**2 747 071**	**302 321**	**2 550 366**	**2 550 366**	**1 280 975**	**82 593 475**	**79 352 724**	**2 712 758**
Change in exposure	(7 746 072)	(5 047 786)	1 160 740	1 293 667	1 293 667	81 208	(1 680 366)	(1 680 366)	(410 975)	(8 132 771)	(5 434 485)	830 972
Stage improvements	-	-	-	-	-	-	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-	-	-	-
Stage deterioration	(14 817 769)	(14 410 303)	(1 419 708)	14 736 276	14 328 811	313 425	11 439 649	11 439 649	1 106 282	11 358 156	11 358 156	-
Stage 1	(14 817 769)	-	(1 419 708)	14 817 769	14 410 304	350 516	11 358 156	11 358 156	1 069 192	11 358 156	11 358 156	-
Stage 2	-	-	-	(81 493)	(81 493)	(37 091)	81 493	81 493	37 091	-	-	-
Off-Balance Sheet Balance - 2020	**54 732 197**	**54 597 197**	**870 495**	**18 777 014**	**18 369 549**	**696 953**	**12 309 649**	**12 309 649**	**1 976 282**	**85 818 860**	**85 276 395**	**3 543 731**

	Stage 1			Stage 2			Stage 3			Total		
(Amounts expressed in Euro)	Exposure	EAD	Impairment	Exposure	EAD	Impairment	Exposure	EAD	Impairment	Exposure	EAD	Impairment
Off-Balance Sheet Balance - 2019	**152 840 764**	**37 623 616**	**35 701**	**2 604**	**521**	**5**	**2 615 678**	**13 119**	**65 575**	**155 459 046**	**37 637 256**	**388 700**
Change in exposure	(120 185 076)	(35 659 932)	1 132 289	8 134	1 627	(296 488)	(2 318 894)	53 844	(1 105 659)	(122 495 835)	(35 604 561)	(269 858)
Stage improvements	-	-	-	-	-	-	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-	-	-	-
Stage deterioration	(562 475)	(124 295)	(1 419 708)	562 475	124 295	313 425	-	-	1 106 282	-	-	-
Stage 1	(562 475)	(124 295)	(1 419 708)	562 475	124 295	350 516	-	-	1 069 192	-	-	-
Stage 2	-	-	-	-	-	(37 091)	-	-	37 091	-	-	-
Off-Balance Sheet Balance - 2020	**32 093 213**	**1 839 389**	**35 701**	**573 214**	**126 443**	**16 942**	**296 784**	**66 963**	**66 199**	**32 963 210**	**2 032 795**	**118 842**

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As at 31 December 2021, the Bank has a balance in the amount of Euro 6,018,755 in overdue loans and interest in the customer loan portfolio.

With reference to 31 December 2021, in compliance with Instruction of Banco de Portugal No. 20/2019 of 15 November 2019, the following information is presented:

a) Credit quality of productive and non-productive exposures and respective provisions, for days overdue:

(Amounts expressed in Euro)

a) Detail of exposures by type and segment	Productive exposures		
		in compliance or < 30 days overdue	> 30 days overdue and < 90 days overdue
Loans and advances	**193 487 103**	**193 487 103**	**-**
Central banks	-	-	-
Governments	5 771 416	5 771 416	-
Financial institutions	80 645 473	80 645 473	-
Other financial companies	12 305 111	12 305 111	-
Non-financial companies	93 054 607	93 054 607	-
Of which SMEs	39 507 947	39 507 947	-
Retail	1 710 496	1 710 496	-
Debt securities	**224 388 078**	**224 388 078**	**-**
Central banks	-	-	-
Governments	127 236 318	127 236 318	-
Financial institutions	37 812 362	37 812 362	-
Other financial companies	5 925 664	5 925 664	-
Non-financial companies	53 413 734	53 413 734	-
Off-balance-sheet exposures	**118 941 690**	**-**	**-**
Central banks	-	-	-
Governments	21 930 150	-	-
Financial institutions	65 265 040	-	-
Other financial companies	-	-	-
Non-financial companies	29 985 773	-	-
Retail	1 760 727	-	-
Total	**536 816 871**	**417 875 181**	**-**

a) Detail of exposures by type and segment	Non-productive exposures								In default	Total
		unlikely to comply, in compliance or < 30 days overdue	> 90 days and < 180 days overdue	> 180 days and < 1 year overdue	> 1 year and < 2 years overdue	> 2 years and < 5 years overdue"	> 5 years and < 7 years overdue	> 7 years overdue		
Loans and advances	**8 066 643**	**2 047 887**	**6 018 755**	-	-	-	-	-	**8 022 496**	**201 553 746**
Central banks	-	-	-	-	-	-	-	-	-	-
Governments	-	-	-	-	-	-	-	-	-	5 771 416
Financial institutions	-	-	-	-	-	-	-	-	-	80 645 473
Other financial companies	-	-	-	-	-	-	-	-	-	12 305 111
Non-financial companies	8 022 496	2 003 741	6 018 755	-	-	-	-	-	8 022 496	101 077 104
Of which SMEs	8 022 496	2 003 741	6 018 755	-	-	-	-	-	8 022 496	47 530 444
Retail	44 146	44 146	-	-	-	-	-	-	-	1 754 642
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**224 388 078**
Central banks	-	-	-	-	-	-	-	-	-	127 236 318
Governments	-	-	-	-	-	-	-	-	-	37 812 362
Financial institutions	-	-	-	-	-	-	-	-	-	5 925 664
Other financial companies	-	-	-	-	-	-	-	-	-	53 413 734
Non-financial companies	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**228 327**	**119 170 017**
Central banks	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-
Governments	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	21 930 150
Financial institutions	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	65 265 040
Other financial companies	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-
Non-financial companies	228 327	n/a	n/a	n/a	n/a	n/a	n/a	n/a	228 327	30 214 100
Retail	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	1 760 727
Total	**8 294 970**	**2 047 887**	**6 018 755**	-	-	-	-	-	**8 250 823**	**545 111 840**

As at 31 December 2021, the off-balance sheet exposure in default relates to irrevocable credit facilities from a customer whose balance sheet exposure is classified under Stage 3.

b) Productive and non-productive exposures and related provisions:

	Gross credit					
	Productive exposures			Non-productive exposures		
(Amounts expressed in Euro)		Stage 1	Stage 2		Stage 2	Stage 3
Loans granted	**193 487 103**	**189 208 132**	**4 278 971**	**8 066 643**	**-**	**8 066 643**
Central banks	-	-	-	-	-	-
Government	5 771 416	5 771 416	-	-	-	-
Financial institutions	80 645 473	80 645 473	-	-	-	-
Financial companies	12 305 111	12 305 111	-	-	-	-
Non-financial companies	93 054 607	90 256 589	2 798 019	8 022 496	-	8 022 496
Of which SMEs	39 507 947	38 916 485	591 462	8 022 496	-	8 022 496
Retail	1 710 496	229 543	1 480 953	44 146	-	44 146
Debt securities	**224 388 078**	**222 312 724**	**2 075 354**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-
Government	127 236 318	127 020 314	216 004	-	-	-
Financial institutions	37 812 362	37 812 362	-	-	-	-
Financial companies	5 925 664	5 925 664	-	-	-	-
Non-financial companies	53 413 734	51 554 384	1 859 350	-	-	-
Off-balance sheet exposures	**118 941 690**	**117 337 549**	**1 604 140**	**228 327**	**-**	**228 327**
Central banks	-	-	-	-	-	-
Government	21 930 150	21 930 150	-	-	-	-
Financial institutions	65 265 040	65 265 040	-	-	-	-
Financial companies	-	-	-	-	-	-
Non-financial companies	29 985 773	28 660 632	1 325 140	228 327	-	228 327
Retail	1 760 727	1 481 727	279 000	-	-	-
Total	**536 816 871**	**528 858 405**	**7 958 466**	**8 294 970**	**-**	**8 294 970**

	Impairment						*Write-offs*	Collateral	
	Productive exposures			Non-productive exposures				Productive exposures	Non--productive exposures
(Amounts expressed in Euro)		*Stage 1*	*Stage 2*		*Stage 2*	*Stage 3*			
Loans granted	**1 790 086**	**1 564 629**	**225 457**	**179 214**	**-**	**179 214**	**-**	**74 129 079**	**11 074 038**
Central banks	-	-	-	-	-	-	-	-	-
Government	223 240	223 240	-	-	-	-	-	23 171 070	-
Financial institutions	586 104	586 104	-	-	-	-	-	11 319 752	-
Financial companies	459 773	459 773	-	-	-	-	-	-	-
Non-financial companies	315 031	295 205	19 826	159 239	-	159 239	-	38 755 337	11 074 038
Of which SMEs	207 371	204 547	2 824	159 239	-	159 239	-	38 755 337	11 074 038
Retail	205 938	307	205 631	19 974	-	19 974	-	882 920	-
Debt securities	**557 216**	**504 035**	**53 181**	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-
Government	394 151	389 211	4 940	-	-	-	-	-	-
Financial institutions	23 715	23 715	-	-	-	-	-	-	-
Financial companies	34 923	34 923	-	-	-	-	-	-	-
Non-financial companies	104 427	56 187	48 240	-	-	-	-	-	-
Off-balance sheet exposures	**374 981**	**361 570**	**13 411**	**66 201**	**-**	**66 201**	**-**	**11 781 185**	**144 874**
Central banks	-	-	-	-	-	-	-	-	-
Government	-	-	-	-	-	-	-	-	-
Financial institutions	351 131	351 131	-	-	-	-	-	9 291 458	-
Financial companies	-	-	-	-	-	-	-	-	-
Non-financial companies	12 289	10 248	2 041	66 201	-	66 201	-	1 042 227	144 874
Retail	11 560	190	11 370	-	-	-	-	1 447 500	-
Total	**2 722 283**	**2 430 234**	**292 048**	**245 414**	**-**	**245 414**	**-**	**85 910 265**	**11 218 912**

In 2021, the Bank did not obtain any collateral or guarantees through taking ownership and execution proceedings.

Restructured loans operations (deferred operations) were identified in accordance with Implementing Regulation (EU) 2015/1278 from the Commission of 9 July 2015, which establishes the definition of deferred Exposures (credit restructured due to financial difficulties of the customer).

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

According to the above-mentioned Regulation, the deferral measures are concessions made to a debtor who is going through or will soon be experiencing difficulties in meeting their financial commitments ("financial difficulties"). A concession may relate to one of the following actions:

(a) changes to the terms and conditions of such contracts (in particular, the extension of repayment periods, introduction of grace periods, interest capitalisation, reduction of interest rates, forgiveness of interest or capital) considering that the debtor would be unable to meet due to his financial difficulties resulting in an insufficient debt service capacity and that would not be granted if the debtor did not go through those financial difficulties;

(b) full or partial refinancing of a problematic debt contract, which would not be granted if the debtor did not go through those financial difficulties.

A customer is considered to be in financial difficulties when has unfulfilled the financial obligations to the institution or given the available information, if it is expected that the customer will unfulfilled.

The Bank's restructuring procedures include extension of initial payment terms, changing and deferring payments initially estimated, and reinforcing collateral. Restructuring practices and policies are based on criteria which, from the Bank's management point of view, indicate that payments are likely to continue. The risk associated with the restructuring measures applied relates mainly to the inability to comply with the new payment plans agreed, despite the restructuring carried out. Following a loan restructuring, the Bank continues to monitor the customer's financial situation, as well as compliance with the new financial plan, in order to anticipate / avoid possible defaults.

Loans granted to customers whose terms have been renegotiated, are no longer considered overdue and are treated as new loans after increase of guarantees or full payment of interest and other overdue charges.

Not all renegotiated loans would be fully due as of the reference date, depending on if the negotiation had or not taken place.

As at 31 December 2021, loan operations in the portfolio whose terms and conditions have been subject to renegotiation due to the customer's economic difficulties amounted to Euro 6,062,901 (see paragraphs e) and f) below). These operations are classified in Stage 3. As at 31 December 2020 they amounted to Euro 11,702,781.

Regarding the Commercial Banking and Investment Banking operations, the Credit Risk Unit (URC) of the Credit Risk Department (FGR) is responsible for ensuring: (i) the detailed and independent assessment of the credit risk inherent to each credit transaction proposed by these areas; (ii) compliance with the business strategy defined by the Board of Directors and the prudential rules established by the banking supervision entity; (iii) ongoing monitoring of credit portfolio risk; and (iv) the follow-up of recovery processes in case of default.

The approval of credit granting is the exclusive competence of the members of the Board of Directors, the Board of Directors or the Credit Committee, depending on the amounts involved, and limits of exposure per customer are planned in the internal normative regulations as well as for group of customers linked between and by business sector by geography. With regard to some credit operations in certain amounts, the Credit Committee has authorised the respective granting decision be taken jointly by the Heads of DBC and FGR (URC).

For the Market Room operations, FGR (URC) ensures the regular independent assessment of the financial situation of each counterparty (institution/entity), proposing exposure limits for each of these counterparties, for approval in the Credit Committee.

FGR (URC) confirms the valuation of guarantees associated with all exposures (financial entities and non-financial entities) during the term of those operations, as well as the registration and updating of the collaterals' amount in the IT system.

The amount of real guarantees reflects its fair value being recorded in off-balance sheet items. For purposes of impairment analysis, the amount of the credit covered by the collateral received is limited to the amount of the liability and cannot be considered for the coverage of other exposures of the customers.

FGR (URC) makes a monthly estimate of impairment losses for all exposures with credit risk. Every six months, it prepares a more detailed report of the impairments and provisions made, as well as possible write-off proposals, which are assessed and approved by the Bank's Credit Committee. This report is analysed by External Auditors, by the Supervisory Board and by Banco de Portugal.

The write-off is proposed for operations that are considered totally irrecoverable, considering the position of legal services attached to the respective litigation.

Credit and concentration risks are monitored daily by FGR (UGR) and monthly by CAGR.

QUANTITATIVE DISCLOSURES ON CREDIT RISK MANAGEMENT POLICY

a) Detail of exposures (excluding monthly commissions and advance interest) and impairment:

(Amounts expressed in Euro)		Credit in compliance				Credit in default		Impairment			
a) Detail of exposures and impairment by segment	Total exposure	< 30 days overdue (without signs)	< 30 days overdue (with signs)	> 30 days and < 90 days overdue	Of which restructured	> 90 days overdue	Of which restructured	Total impairment	In compliance < 30 days overdue	In compliance 30-90 days overdue	In default > 90 days overdue
Public administration (regional and local)	5 771 416	5 771 416	–	-	–	-	-	223 240	223 240	-	-
Construction and Commercial Real Estate (CRE)	39 398 683	37 192 126	2 206 557	-	-	6 018 755	6 018 755	80 872	80 872	-	-
Corporate	67 964 777	65 369 573	2 595 203	-	-	-	-	853 171	853 171	-	-
Other	1 754 642	229 543	1 525 099	-	44 146	-	-	225 912	225 912	-	-
Total 2021	**114 889 517**	**108 562 658**	**6 326 859**	**-**	**44 146**	**6 018 755**	**6 018 755**	**1 383 196**	**1 383 196**	**-**	**-**

(Amounts expressed in Euro)		Credit in compliance				Credit in default		Impairment			
a) Detail of exposures and impairment by segment	Total exposure	< 30 days overdue (without signs)	< 30 days overdue (with signs)	> 30 days and < 90 days overdue	Of which restructured	> 90 days overdue	Of which restructured	Total impairment	In compliance < 30 days overdue	In compliance 30-90 days overdue	In default > 90 days overdue
Public administration (regional and local)	4 583 978	4 583 981	–	-	–	-	-	344 420	344 420	-	-
Construction and Commercial Real Estate (CRE)	29 777 211	9 549 061	19 454 205	-	10 584 209	773 946	773 946	1 534 971	761 024	-	773 946
Corporate	49 608 577	40 504 027	8 234 560	-	-	870 000	-	1 364 076	494 076	-	870 000
Other	1 849 093	95 136	1 753 957	-	81 493	-	-	300 264	300 264	-	-
Total 2020	**85 818 860**	**54 732 205**	**29 442 723**	**-**	**10 665 702**	**1 643 946**	**773 946**	**3 543 731**	**1 899 784**	**-**	**1 643 946**

b) Detail of the portfolio by level of risk:

(Amounts expressed in Euro)	Exposure as at 31-12-2021				Impairment as at 31-12-2021			
b) Detail of exposures and impairment by segment	Assets without significant deterioration of credit risk (Stage 1)	Assets with significant deterioration of credit risk (Stage 2)	Assets in default (Stage 3)	Total	Assets without significant deterioration of credit risk (Stage 1)	Assets with significant deterioration of credit risk (Stage 2)	Assets in default (Stage 3)	Total
Assets in default	5 771 416	-	-	**5 771 416**	223 240	-	-	**223 240**
(Stage 3)	37 192 126	2 206 557	6 018 755	**45 417 438**	63 871	17 002	-	**80 872**
Corporate	65 369 573	591 462	2 003 741	**67 964 777**	691 108	2 824	159 239	**853 171**
Outros	229 543	1 480 953	44 146	**1 754 642**	307	205 631	19 974	**225 912**
Total 2021	**108 562 658**	**4 278 971**	**8 066 643**	**120 908 272**	**978 526**	**225 457**	**179 214**	**1 383 196**

(Amounts expressed in Euro)	Exposure as at 31-12-2021				Impairment as at 31-12-2021			
b) Detail of exposures and impairment by segment	Assets without significant deterioration of credit risk (Stage 1)	Assets with significant deterioration of credit risk (Stage 2)	Assets in default (Stage 3)	Total	Assets without significant deterioration of credit risk (Stage 1)	Assets with significant deterioration of credit risk (Stage 2)	Assets in default (Stage 3)	Total
Public administration (regional and local)	4 583 978	-	-	**4 583 978**	344 420	-	-	**344 420**
Construction and Commercial Real Estate (CRE)	9 549 061	8 869 994	11 358 156	**29 777 211**	39 557	426 222	1 069 192	**1 534 971**
Corporate	40 504 021	8 234 556	870 000	**49 608 577**	486 208	7 867	870 000	**1 364 076**
Other	95 136	1 672 464	81 493	**1 849 093**	310	262 864	37 091	**300 264**
Total 2021	**54 732 197**	**18 777 014**	**12 309 649**	**85 818 860**	**870 495**	**696 953**	**1 976 282**	**3 543 731**

As at 31 December 2021, there are customers whose exposure is classified under Stage 3, although they do not present any default or restructuring due to financial difficulties, through individual credit analysis.

Detail of the credit portfolio by segment and year of production:

(Amounts expressed in Euro)	31-Dez-21											
	Construction and CRE			Corporate			Other			Public Administration		
Year of production	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment
2011	-	-	-	-	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	2	81 557	11 330	1	3 310 966	213 321
2014	-	-	-	-	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	4	755 980	165 204	-	-	-
2016	-	-	-	1	669 728	1 090	-	-	-	-	-	-
2017	-	-	-	-	-	-	1	246 100	49 071	-	-	-
2018	2	8 643 755	3 376	1	2 044 922	155 906	-	-	-	-	-	-
2019	3	2 670 862	4 659	9	14 282 337	172 539	2	368 774	1	-	-	-
2020	1	1 554 053	2 997	12	6 726 234	165 580	-	-	-	-	-	-
2021	46	32 548 767	69 840	41	44 241 556	358 056	3	302 231	306	1	2 460 450	9 920
Total	**52**	**45 417 438**	**80 872**	**64**	**67 964 777**	**853 171**	**12**	**1 754 642**	**225 912**	**2**	**5 771 416**	**223 240**

(Amounts expressed in Euro)	31-Dez-20					
	Construction and CRE			Corporate		
Year of production	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment
2011	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	1	7 504 147	-
2015	-	-	-	-	-	-
2016	-	-	-	1	679 531	2 834
2017	-	-	-	-	-	-
2018	3	10 532 976	229 077	2	2 585 280	350 095
2019	7	8 663 602	776 506	15	18 325 064	936 006
2020	27	10 580 634	530 415	45	20 514 566	75 508
Total	**37**	**29 777 211**	**1 534 971**	**64**	**49 608 587**	**1 364 442**

(Amounts expressed in Euro)	31-Dez-20					
	Other			Public Administration		
Year of production	Number of operations	Amount	Impairment	Number of operations	Amount	Impairment
2011	-	-	-	-	-	-
2013	3	149 233	23 138	1	4 583 978	344 420
2014	-	-	-	-	-	-
2015	4	908 360	215 436	-	-	-
2016	-	-	-	-	-	-
2017	1	288 900	61 381	-	-	-
2018	-	-	-	-	-	-
2019	3	417 351	53	-	-	-
2020	2	85 250	257	-	-	-
Total	**13**	**1 849 093**	**300 264**	**1**	**4 583 978**	**344 420**

c) Detail of the gross amount of credit exposure and impairment assessed on an individual basis:

Detail of gross amount of credit exposure by geography:

(Amounts expressed in Euro)	31-Dec-21		31-Dec-20	
Country	Gross loan	Total impairment	Gross loan	Total impairment
Angola (AGO)	7 296 515	448 846	6 337 935	644 375
Portugal (PRT)	84 158 997	481 595	63 151 654	1 827 116
United States of America (USA)	3 143 210	3 208	635 645	2 781
Cayman Islands (CYM)	6 527 333	419 705	2 619 416	261 942
Spain (ESP)	-	-	44 000	123
Switzerland (CHE)	9 340 755	5 537	8 068 100	13 827
Monaco (MCO)	441 462	2 725	113 516	153
France (FRA)	5 000 000	10 766	773 946	773 946
Nigeria (NGA)	-	-	4 074 648	19 468
Belgium (BEL)	5 000 000	10 813	-	-
Total	**120 908 272**	**1 383 196**	**85 818 860**	**3 543 731**

Detail of gross amount of credit exposure by business sector, including interest receivable:

(Amounts expressed in Euro)	31-Dec-21		31-Dec-20	
Country	Gross loan	Total impairment	Gross loan	Total impairment
Financial and insurance activities	12 305 111	459 773	22 065 104	321 534
Real Estate activities	21 243 670	31 303	19 535 593	498 972
Public administration (regional and local)	5 771 416	223 240	4 583 978	344 420
Accommodation, catering and similar activities	3 838 707	162 585	1 874 109	8 198
Trade and repair	23 966 050	180 754	11 734 714	109 762
Construction	21 446 784	31 311	6 416 385	815 743
Manufacture of transportation equipment	5 000 000	10 766	-	-
Leather, wood and cork industries	520 427	1 257	1 199 935	3 006
Food, beverage and tobacco industries	4 308 333	7 301	6 208 333	26 277
Machinery and equipment	150 000	19	1 020 000	870 086
Other activities and Retail	1 754 642	225 912	1 849 093	300 264
Other business services	15 679 980	41 401	7 502 572	238 814
Transportation and storage	4 923 152	7 573	1 829 044	6 656
Total	**120 908 272**	**1 383 196**	**85 818 860**	**3 543 731**

d) Detail of the restructured credit portfolio, by restructuring measure applied:

(Amounts expressed in Euro)

	31-Dec-21					
	Performing loans			Non-performing loans		
Measure	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment
Term extension	1	44 146	19 974	1	6 018 755	-
Total	**1**	**44 146**	**19 974**	**1**	**6 018 755**	**-**

31-Dec-21		
Total		
Number of operations	Exposure	Impairment
2	6 062 901	19 974
2	**6 062 901**	**19 974**

(Amounts expressed in Euro)

	31-Dec-20					
	Crédito em cumprimento			Crédito em incumprimento		
Measure	Number of operations	Exposure	Impairment	Number of operations	Exposure	Impairment
Term extension	3	10 665 702	332 336	4	773 946	773 946
Total	**3**	**10 665 702**	**332 336**	**4**	**773 946**	**773 946**

31-Dec-20		
Total		
Number of operations	Exposure	Impairment
7	11 439 649	1 106 282
7	**11 439 649**	**1 106 282**

e) Changes in inflows and outflows in the restructured credit portfolio:

(Amounts expressed in Euro)	31-Dec-21	31-Dec-20
Opening balance	11 702 781	-
Restructured loans for the period	-	11 439 649
Accrued interest of the restructured credit portfolio	122 121	263 132
Settlement of restructured loans (partial or total)	5 639 880	-
Closing balance	**6 185 023**	**11 702 781**

f) Detail of the fair value of the collateral underlying the loan portfolio by segment in 2021:

(Amounts expressed in Euro)

	31-Dec-21			
	Construction and CRE			
	Real Estate		Other real collateral	
Fair value	Number of operations	Amount	Number of operations	Amount
< 0,5 M€	-	-	-	-
>= 1 M€ e < 5 M€	1	2 207 400	-	-
>= 5 M€ e < 10 M€	2	10 459 400	-	-
>= 10 M€ e < 20 M€	2	27 597 655	-	-
Total	**5**	**40 264 455**	**-**	**-**

(Amounts expressed in Euro)

	31-Dec-21			
	Corporate			
	Real Estate		Other real collateral	
Fair value	Number of operations	Amount	Number of operations	Amount
< 0,5 M€	1	424 400	1	135 000
>= 1 M€ e < 5 M€	2	6 078 770	-	-
>= 5 M€ e < 10 M€	-	-	-	-
>= 10 M€ e < 20 M€	-	-	-	-
Total	**3**	**6 503 170**	**1**	**135 000**

(Amounts expressed in Euro)

	31-Dec-21			
	Other			
	Real Estate		Other real collateral	
Fair value	Number of operations	Amount	Number of operations	Amount
< 0,5 M€	-	-	1	441 460
>= 1 M€ e < 5 M€	-	-	-	-
>= 5 M€ e < 10 M€	-	-	-	-
>= 10 M€ e < 20 M€	-	-	-	-
Total	**-**	**-**	**1**	**441 460**

f) Detail of the fair value of the collateral underlying the loan portfolio by segment in 2020:

(Amounts expressed in Euro)	31-Dec-20			
	Construction and CRE			
	Real Estate		Other real collateral	
Fair value	Number of operations	Amount	Number of operations	Amount
< 0,5 M€	-	-	-	-
>= 1 M€ e < 5 M€	3	8 999 024	-	-
>= 5 M€ e < 10 M€	2	16 375 300	-	-
>= 10 M€ e < 20 M€	-	-	-	-
Total	**5**	**25 374 324**	**-**	**-**

(Amounts expressed in Euro)	31-Dec-20			
	Corporate			
	Real Estate		Other real collateral	
Fair value	Number of operations	Amount	Number of operations	Amount
< 0,5 M€	1	438 000	1	135 000
>= 1 M€ e < 5 M€	-	-	-	-
>= 5 M€ e < 10 M€	-	-	-	-
>= 10 M€ e < 20 M€	-	-	-	-
Total	**1**	**438 000**	**1**	**135 000**

In 2021, there were no significant changes in the quality of the collateral underlying the credit portfolio, resulting from a deterioration in its value or from any changes in internal standards or procedures.

g) Loan-to-value (LTV) ratio by segment

(Amounts expressed in Euro)	31-Dec-21				
	Construction and CRE				
Ratio	Number of Properties	Total exposure	Performing loans	Non-performing loans	Impairment
No associated collateral	n.a.	26 223 768	26 223 768	-	58 432
With other real collaterals	n.a.	-	-	-	-
LTV <60%	4	9 574 915	9 574 915	-	19 302
LTV >= 60% e < 80%	2	9 618 755	3 600 000	-	7 537
LTV >= 80% e < 100%	-	-	-	-	-
LTV >= 100%	-	-	-	-	-
Total	**6**	**45 417 438**	**39 398 683**	**-**	**80 872**

(Amounts expressed in Euro)	31-Dec-20				
	Construction and CRE				
Ratio	Number of Properties	Total exposure	Performing loans	Non-performing loans	Impairment
No associated collateral	n.a.	14 985 212	14 211 265	773 946	1 269 536
With other real collaterals	n.a.	-	-	-	-
LTV <60%	2	4 065 733	4 065 733	-	18 151
LTV >= 60% e < 80%	3	10 726 267	10 726 267	-	247 283
LTV >= 80% e < 100%	-	-	-	-	-
LTV >= 100%	-	-	-	-	-
Total	**5**	**29 777 211**	**29 003 265**	**773 946**	**1 534 971**

(Amounts expressed in Euro)	31-Dec-21				
	Corporate				
Ratio	Number of Properties	Total exposure	Performing loans	Non-performing loans	Impairment
No associated collateral	n.a.	64 664 036	64 664 036	-	691 822
With other real collaterals	n.a.	150 000	150 000	-	19
LTV <60%	2	1 147 000	1 147 000	-	2 091
LTV >= 60% e < 80%	1	2 003 741	2 003 741	-	159 239
LTV >= 80% e < 100%	-	-	-	-	-
LTV >= 100%	-	-	-	-	-
Total	**3**	**67 964 777**	**67 964 777**	**-**	**853 171**

(Amounts expressed in Euro)	31-Dec-20				
	Corporate				
Ratio	Number of Properties	Total exposure	Performing loans	Non-performing loans	Impairment
No associated collateral	n.a.	49 328 577	48 458 577	870 000	1 363 363
With other real collaterals	n.a.	150 000	150 000	-	86
LTV <60%	1	130 000	130 000	-	627
LTV >= 60% e < 80%	-	-	-	-	-
LTV >= 80% e < 100%	-	-	-	-	-
LTV >= 100%	-	-	-	-	-
Total	**1**	**49 608 577**	**48 738 577**	**870 000**	**1 364 076**

IMPACT OF THE COVID-19 PANDEMIC

Due to the pandemic, the Portuguese Government has developed support programs to the economy that allow companies to access credit on favourable terms. This support has been made available in a phased manner and distributed in specific lines for the different business sectors. These lines are guaranteed by the Portuguese State in 90% in the case of credit granted to micro and small companies and in 80% in the case of larger companies.

As at 31 December 2021, the exposures subject to moratorium, under Decree-Law No. 10-J/2020 of 26 March (which introduced exceptional credit protection measures for families, companies, private charities and other local economy entities), are detailed as follows:

(Amounts expressed in Euro)

Detail of exposures by segment	Gross amount								
		Performing				Non-performing			
			Of which: with grace period for interest and principal	Of which: forbearance	Stage 2		Of which: with grace period for interest and principal	Of which: forbearance	Of which: unlikely to pay (less than 90 days)
Moratorium	**889 034**	**889 034**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Retail	-	-	-	-	-	-	-	-	-
Non-financial companies	889 034	889 034	-	-	-	-	-	-	-

(Amounts expressed in Euro)

Detail of impairment by segment	Impairment								
		Performing				Non-performing			
			Of which: with grace period for interest and principal	Of which: forbearance	Stage 2		Of which: with grace period for interest and principal	Of which: forbearance	Of which: unlikely to pay (less than 90 days)
Moratorium	**(181)**	**(181)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Retail	-	-	-	-	-	-	-	-	-
Non-financial companies	(181)	(181)	-	-	-	-	-	-	-

As at 31 December 2020, exposures subject to a moratorium are detailed as follows:

(Amounts expressed in Euro)

Detail of exposures by segment	Gross amount								
		Performing				Non-performing			
			Of which: with grace period for interest and prin-cipal	Of which: forbear-ance	Stage 2		Of which: with grace period for interest and prin-cipal	Of which: forbear-ance	Of which: unlikely to pay (less than 90 days)
Moratorium	**33 040 726**	**27 121 261**	**5 404 428**	**-**	**15 226 519**	**5 919 465**	**5 919 465**	**-**	**5 919 465**
Retail	-	-	-	-	-	-	-	-	-
Non-financial companies	33 040 726	27 121 261	5 404 428	-	15 226 519	5 919 465	5 919 465	-	5 919 465

(Amounts expressed in Euro)

Detail of impairment by segment	Impairment								
		Performing				Non-performing			
			Of which: with grace period for interest and prin-cipal	Of which: forbear-ance	Stage 2		Of which: with grace period for interest and prin-cipal	Of which: forbear-ance	Of which: unlikely to pay (less than 90 days)
Moratorium	**(554 947)**	**(530 085)**	**(22 684)**	**-**	**(303 554)**	**(24 862)**	**(24 862)**	**-**	**(24 862)**
Retail	-	-	-	-	-	-	-	-	-
Non-financial companies	(554 947)	(530 085)	(22 684)	-	(303 554)	(24 862)	(24 862)	-	(24 862)

As at 31 December 2021, exposures subject to a moratorium are detailed as follows:

(Amounts expressed in Euro)	Non-financial companies		
Detail of exposures by industry	Moratorium	Forbearance measures due to Covid-19	Credit originated under the economic support measures as a State guarantee
Real estate activities	-	-	-
Financial and insurance activities	-	-	-
Accommodation, catering and similar activities	-	-	-
Trade	-	-	-
Construction	-	-	-
Manufacturing	-	150 056	-
Other business services	-	-	-
Transportation and storage	889 034	-	-
Total	**889 034**	**150 056**	**-**

As at 31 December 2020, exposures subject to a moratorium are detailed as follows:

(Amounts expressed in Euro)	Non-financial companies		
Detail of exposures by industry	Moratorium	Forbearance measures due to Covid-19	Credit originated under the economic support measures as a State guarantee
Real estate activities	8 980 470	-	-
Financial and insurance activities	7 504 147	-	-
Accommodation, catering and similar activities	1 925 548	-	-
Trade	3 119 180	122 365	-
Construction	3 084 958	773 946	-
Manufacturing	-	-	150 056
Other business services	7 427 625	-	-
Transportation and storage	998 797	-	-
Total	**33 040 726**	**896 311**	**150 056**

As at 31 December 2021, all exposures subject to a moratorium have residual maturities between 3 and 6 months. During the moratorium period, the Bank developed monitoring procedures for customers inherent to these exposures.

33. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (IFRS 13)

The Bank does not disclose the difference between the book value and the fair value of the financial assets measured at amortised cost, because these financial instruments do not have an active market available and understand that the respective price conditions (applied interest rates) do not differ significantly from market rates, as well as financial instruments of increased maturity are subject to variable remuneration rates and fixed rate instruments have a maturity of less than 6 months. Thus, the Net Present Value (alternative valuation technique for calculation of fair value) corresponds, in general, to the amount presented in the balance sheet.

The information below provides a breakdown of each item of all financial assets and liabilities measured at fair value by type of valuation method:

(Amounts expressed in Euro)

31-Dec-21	Level 1	Level 2	Level 3	Total
Financial assets not held for trading mandatorily measured at fair value through profit or loss (Note 5)				
Equity instruments	-	-	101 502	101 502
Debt instruments	-	296 840	-	296 840
Investment funds	-	-	156 857	156 857
Other financial assets at fair value through profit or loss				
Investment funds (Note 6)	-	-	313 715	313 715
Financial assets at fair value through other comprehensive income (Note 7)				
Debt instruments	214 012 468	-	-	214 012 468
Total	**214 012 468**	**296 840**	**572 074**	**214 881 382**
Other financial liabilities at fair value through profit or loss				
Structured financial resources received (Note 6)	-	-	(313 715)	(313 715)
Total	**-**	**-**	**(313 715)**	**(313 715)**

(Amounts expressed in Euro)

31-Dec-20	Level 1	Level 2	Level 3	Total
Financial assets not held for trading mandatorily measured at fair value through profit or loss (Note 5)				
Equity instruments	-	-	117 902	117 902
Debt instruments	-	281 290	-	281 290
Investment funds	-	-	147 202	147 202
Other financial assets at fair value through profit or loss				
Investment funds (Note 6)	-	-	294 405	294 405
Financial assets at fair value through other comprehensive income (Note 7)				
Debt instruments	133 949 776	5 094 803	-	139 044 579
Total	**133 949 776**	**5 376 093**	**559 509**	**139 885 378**
Other financial liabilities at fair value through profit or loss				
Structured financial resources received (Note 6)	-	-	(294 405)	(294 405)
Total	**-**	**-**	**(294 405)**	**(294 405)**

As at 31 December 2021, the exposures of financial instruments accounted by the level 1 valuation method are as follows:

(Amounts expressed in Euro)	31-Dec-21 Securities (level 1)	
Grade	Exposure (accrued interest included)	Impairment
Prime	67 509 017	2 242
High grade	20 609 939	3 065
Upper medium grade	35 359 178	10 082
Lower medium grade	41 520 003	35 682
Non Investment grade	-	-
Speculative	10 415 263	89 315
Highly Speculative	-	-
Substantial risks	-	-
Extremely speculative	-	-
Unrated	38 758 646	407 510
Total	**214 172 046**	**547 894**

There were no transfers between levels of classification since the nature of the financial instruments did not have significant changes.

The Bank's assets and liabilities at fair value are accounted in accordance with the hierarchy defined in IFRS 13 - Fair Value, which is detailed in Note 2.2.

The movement of financial assets valued using methods with parameters not observable in the market (level 3) in 2021 and 2020 can be analysed as follows:

(Amounts expressed in Euro)	31-Dec-21			
	Financial assets at fair value through profit or loss	Other financial assets at fair value through profit or loss	Other financial liabilities at fair value through profit or loss	Total
Opening balance	265 104	294 405	(294 405)	265 104
Acquisitions	-	-	-	-
Exits by maturity	-	-	-	-
Exits by settlements	-	-	-	-
Transfer by acquisitions	-	-	-	-
Transfer by exits	-	-	-	-
Fair value change (Note 24)	(22 618)	(5 254)	5 254	(22 618)
Exchange rate revaluation	15 873	24 564	(24 564)	15 873
Closing balance	**258 359**	**313 715**	**(313 715)**	**258 359**

(Amounts expressed in Euro)	31-Dec-20			
	Financial assets at fair value through profit or loss	Other financial assets at fair value through profit or loss	Other financial liabilities at fair value through profit or loss	Total
Opening balance	383 863	336 977	(336 977)	383 863
Acquisitions	-	-	-	-
Exits by maturity	-	-	-	-
Exits by settlements	(51 978)	-	-	(51 978)
Transfer by acquisitions	-	-	-	-
Transfer by exits	-	-	-	-
Fair value change (Note 24)	(45 841)	(14 095)	14 095	(45 841)
Exchange rate revaluation	(20 940)	(28 477)	28 477	(20 940)
Closing balance	**265 104**	**294 405**	**(294 405)**	**265 104**

Assets classified as level 3 under the Financial assets at fair value through profit or loss category include investment units in a Private Equity fund in the amount of Euro 156,857 (31 December 2020: Euro 147,202).

Assets classified as level 3 under the category of Other financial assets at fair value through profit or loss relate exclusively to financial investments in a Private Equity fund in the amount of Euro 313,715 (31 December 2020: Euro 294,405), which are directly related and guaranteed by Other financial liabilities at fair value through profit or loss, which use that fund as underlying asset, in the same amount, as referred in Note 5.

As at 31 December 2021 and 2020, the fair value of assets and liabilities is the result of the quotation provided by the respective management companies, which assess the assets and liabilities of these funds using internal methodologies that incorporate several assumptions and parameters not observable in the market, we consider that it is not reasonable to carry out a sensitivity analysis to the main variables underlying the quotations calculated by these entities.

34. RECENTLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS

34.1 VOLUNTARY POLICY CHANGES

During the period there were no voluntary changes in accounting policies, compared to those considered in the preparation of the previous year financial information.

34.2 ACCOUNTING STANDARDS AND INTERPRETATIONS APPLICABLE TO THE 2021 PERIOD

The following standards, interpretations, amendments and revisions endorsed by the European Union have mandatory application for the first time in the financial year beginning 1 January 2021:

Standard / Interpretation	Description
Amendments to IFRS 16 Leases: COVID-19-Related Rent Concessions beyond 30 June 2021	On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. A lessee that makes this election accounts for any qualifying change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification. Initially, the practical expedient applied to payments originally due by 30 June 2021, however, due to the prolonged impact of the pandemic, on 31 March 2021, it was extended to payments originally due by 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. The practical expedient can be applied only if all the following conditions are met: • the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; • any reduction in lease payments affects only payments due on or before 30 June 2022; and • there is no substantive change to other terms and conditions of the lease.
Amendments to IFRS 4 - Insurance Contracts Deferral of IFRS 9	This amendment refers to the temporary accounting consequences that result from the difference between the effective date of IFRS 9 - Financial Instruments and the future IFRS 17 - Insurance Contracts. Specifically, the amendment made to IFRS 4 postpones until 1 January 2023 the expiry date of the temporary exemption from applying IFRS 9 in order to align the effective date of the latter with that of the new IFRS 17. The temporary exemption referred to is of optional application and only available to entities whose activities are predominantly insurance related.
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	The amendments are the results of the second phase of the IASB project that deals with the accounting implications of the IBOR reform and allow for exemptions related to the reform of the benchmark for benchmark interest rates by an alternative interest rate (Risk-Free Rate (RFR)). The amendments include the following practical expedients: • A practical expedient that requires contractual changes or changes in cash flows that are directly required by the reform to be treated in the same way as a floating interest rate change, equivalent to a movement in the market interest rate; • Allow changes required by reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; • Provide temporary operational relief to entities that must comply with the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These standards and changes had no material impact on the Bank's financial statements.

34.3 STANDARDS, INTERPRETATIONS, AMENDMENTS AND REVISIONS THAT WILL COME INTO EFFECT IN FUTURE FINANCIAL YEARS

The following standards, interpretations, amendments and revisions with mandatory application in future financial years have, up to the date of approval of these financial statements, been endorsed by the European Union:

Standard / Interpretation	Applicable in the European Union for financial years beginning on or after	Description
Amendments to IFRS 3 Reference to the Conceptual Framework	**01 January 2022**	This amendment updates the references to the Framework in the text of IFRS 3 and no changes have been made to the accounting requirements for business combinations. It also clarifies the accounting treatment to be adopted for liabilities and contingent liabilities under IAS 37 and IFRIC 21, incurred separately as opposed to those included in a business combination. The amendment shall be applied prospectively.
Amendments to IAS 16 Proceeds before Intended Use	**01 January 2022**	Clarifies the accounting treatment given to any proceeds obtained from the sale of items resulting from the test phase production of property, plant and equipment, prohibiting their deduction from the acquisition cost of the assets. The entity recognises the proceeds from the sale of such products and the costs of their production in profit or loss.
Amendments to IAS 37 Onerous Contracts – Costs of fulfilling a contract	**01 January 2022**	This amendment specifies that in assessing whether a contract is onerous, only costs directly related to the fulfilment of the contract can be considered, such as incremental costs related to direct labour and materials and the allocation of other directly related expenses such as the allocation of depreciation expenses of property, plant and equipment used to fulfil the contract. General and administrative expenses do not relate directly to a contract and are excluded unless they are explicitly charged to the counterparty in accordance with the contract. This amendment should be applied to contracts which, at the beginning of the first annual reporting period to which the amendment is applied, still include unfulfilled contractual obligations, without there being a need to restate the comparative.
Amendments to IFRS 1 Subsidiary as a first-time adopter of IFRS (included in the annual improvements for the 2018-2020 cycle)	**01 January 2022**	This improvement clarifies that when the subsidiary chooses to measure its assets and liabilities at the amounts included in the parent company's consolidated financial statements (assuming no adjustment to the consolidation process has occurred), the measurement of the cumulative translation differences of all foreign operations can be made at the amounts that would be recorded in the consolidated financial statements, based on the parent company's date of transition to IFRS.

Amendments to IFRS 9 Derecognition of financial liabilities – Fees in the '10 per cent' test for derecognition of financial liabilities (included in the annual improvements for the 2018-2020 cycle)	**01 January 2022**	This improvement clarifies which fees an entity should include when assessing whether the terms of a financial liability are materially different from the terms of the original financial liability. This improvement clarifies that under derecognition tests performed on renegotiated liabilities, only fees paid or received between the borrower and the lender should be included, including fees paid or received by either the borrower or lender on the other's behalf.
Amendments to IAS 41 Taxation in fair value measurement (included in the annual improvements for the 2018-2020 cycle)	**01 January 2022**	This improvement removes the requirement to exclude taxation cash flows when measuring the fair value of biological assets, ensuring consistency with the principles of IFRS 13 - Fair Value.
IFRS 17 Insurance Contracts	**01 January 2023**	IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The Bank has not early applied any of these standards in the financial statements for the twelve months period ended 31 December 2021. No material impacts on the financial statements are expected as a result of its adoption.

34.4 STANDARDS AND INTERPRETATIONS ALREADY ISSUED BUT NOT YET ENDORSED BY THE EUROPEAN UNION

The following standards, interpretations, amendments and revisions with mandatory application in future financial years have not, to the date of approval of these financial statements, been endorsed by the European Union:

Standard / Interpretation	Description
Amendments to IAS 1 Presentation of Financial Statements – Classification of liabilities as current and non-current	This amendment intends to clarify the classification of liabilities as current or non-current balances depending on the rights that an entity must defer its settlement, at the end of each reporting period. The classification of liabilities is not affected by the entity's expectations (the assessment should determine whether a right exists but should not consider whether the entity will exercise that right), or by events that occur after the reporting date, such as the breach of a covenant. However, if the right to defer settlement for at least twelve months is subject to compliance with certain conditions after the balance sheet date, those criteria do not affect the right to defer settlement for the purpose of classifying a liability as current or non-current. This amendment also includes a new definition of "settlement" of a liability and is of retrospective application.
Amendments to IAS 8 Definition of Accounting Estimates	The amendment clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Additionally, it clarifies how an entity uses measurement techniques and inputs to develop accounting estimates.
Amendments to IAS 1 Disclosure of accounting policies	These amendments are intended to assist the entity in disclosing 'material' accounting policies, previously referred to as 'significant' policies. However due to the inexistence of this concept in IFRS standards, it was decided to replace it by the concept "materiality", a concept already known to users of financial statements. In assessing the materiality of accounting policies, the entity must consider not only the size of transactions but also other events or conditions and the nature of these.
Amendments to IAS 12 Deferred tax related to assets and liabilities arising from a single transaction	The amendments clarify that payments settling a liability are tax deductible, however it is a matter of professional judgement whether such deductions are attributable to the liability that is recognised in the financial statements or to the related asset. This is important in determining whether there are temporary differences in the initial recognition of the asset or liability. According to these amendments, the initial recognition exception is not applicable to transactions that originated equal taxable and deductible temporary differences. It is only applicable if the recognition of a leasing asset and a leasing liability gives rise to taxable and deductible temporary differences that are not the same.
Amendments to IFRS 17 Insurance Contracts – Initial application of IFRS 17 and IFRS 9 – Comparative information	This amendment to IFRS 17 relates to the presentation of comparative information for financial assets on initial application of IFRS 17. The amendment adds a transition option that allows an entity to apply an 'overlay' in classifying a financial asset in the comparative period(s) presented in initially applying IFRS 17. The 'overlay' allows all financial assets, including those held in relation to non-contract activities within the scope of IFRS 17 to be classified, on an instrument-by-instrument basis, in the comparative period(s) based on a reasonable expectation of how these assets would be classified on initial application of IFRS 9.

These standards have not yet been endorsed by the European Union and so have not been applied by the Bank for the twelve months ended 31 December 2021. No material impacts on the financial statements are expected as a result of its adoption.

35. SUBSEQUENT EVENTS

Subsequent to the balance sheet date and before the Financial Statements were authorised for issue, there were no subsequent events impacting the Bank's financial statements as at 31 December 2021.

The Bank estimates a recovery of the Portuguese economy in 2022, which may be conditioned by increased tension in the conflict between Russia and Ukraine.

The Bank does not have direct exposures to Russia or Ukraine nor does it intermediate financial operations to or from Russia or Ukraine, and it continuously monitors events between Russia and Ukraine.

10 STATUTORY AUDITORS' REPORT

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Statutory and Auditor's Report

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Banco BAI Europa S.A. (the Bank), which comprise the Statement of Financial Position as of 31 December 2021 (showing a total of 667.492.997 euros and a total equity of 90.975.626 euros, including a net profit for the year of 2.423.095 euros), the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of the Banco BAI Europa, S.A. as of 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and other technical and ethical standards and guidelines as issued by the 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 Institute of Statutory Auditors´ code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

The key audit matters in the current year audit are the following:

1. Expected credit losses on credit loans

Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
Loans and Advances to Customers, as described in Note 9 to the Financial Statements, as of 31 December 2021, presents an amount of 119.190 thousand of euros (82.231 thousand of euros as of 31 December 2020), corresponding to credit to customers, net impairment, amounting to 1.383 thousands of euros as of 31 December 2021 (3.543 thousands of euros as of 31 December 2020). The detail of the accounting policies, methodologies, concepts and assumptions used are disclosed in the accompanying notes of the financial statements (Note 2.4.1, Note 9 and Note 18). The impairment losses in loans to customers represents the Bank's management best estimate of the expected loss of the credit portfolio to clients with reference to 31 December 2021. For the calculation of this estimate, Bank's management established assumptions, used external models (ECAIs), interpreted concepts and devised a model for calculation expected loss. In addition to the complexity of the models described, their use requires processing of a significant amount of data that is not always available in the Bank's central systems, such as information on risk parameters. The use of alternative approaches, models or assumptions may have a material impact on the estimated losses value. In view of the degree of subjectivity and complexity that the estimate of losses involves and the materiality of its value, we consider this theme as key audit matter.	We carried out the identification and evaluation of the audit risk which led to the definition of the audit approach to respond to the risk of material misstatement. This approach included (i) an overall response with effect on the way the audit was conducted and (ii) a specific response that resulted in the design and subsequent implementation of additional procedures that included testing of substantify controls and procedures, including: • Analytical review procedures regarding the evolution of credit impairment losses levels, comparing it with the same period and with the expectations formed, which are to highlight the understanding of the variations occurred in the credit portfolio and changes in the assumptions and methodologies on impairment losses; • We have obtained an understanding of the internal control procedures in the process of calculation impairment losses and the methodology of calculation of impairment losses, regarding the attribution of responsibilities in the performance of these functions and methodologies applied. • We selected a sample of clients subject to individual analysis of impairment losses, for evaluation of the assumptions used by management in the quantification of the impairment loss. This analysis included the following: (i) the validation of information with business models, with the economic and financial situation of debtors and with collateral assessment reports; (ii) inquiry with the Bank's experts to determine the defined recovery strategy and (iii) confirm the assumptions applied; • With the support of internal risk specialists, we evaluated the reasonableness of the parameters used in the calculation of the impairment losses, highlighting the following procedures performed: i) understanding of the methodology formalized and approved by management and comparison with the one effectively used; ii) evaluation of changes to models to determine parameters to reflect the expected loss; iii) analysis of the changes made during the financial year 2020 to the risk parameters (PD, LGD and EAD); (iv) on a sampling basis, comparison of the data used in the clearance of risk parameters with source information; and v) inquiries to the experts responsible for the models, in particular on the methodology of incorporating prospection information in the context of the current Covid-19 pandemic;

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Description of the most significant assessed risks of material misstatement	Summary of our response to the most significant assessed risks of material misstatement
	▸ We have obtained the understanding and evaluated the design of the ECL model, recomputed the calculation, compared parameters used with the results of the ECL model, through the reconciliations prepared by the Bank, with the source information, evaluated the assumptions used to fill gaps in the data, compared the parameters used with the results of the estimation models, compared the results with the values in the financial statements; ▸ Analysis of disclosures included in the accompanying notes of the financial statements, based on the requirements of international financial reporting standards and accounting records.

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for:

- the preparation of financial statements that presents a true and fair view of the Bank´s financial position, financial performance and cash flows in accordance with International Financial Reporting Standards as endorsed by the European Union;
- the preparation of the Management Report, the Corporate Governance Report, the non-financial information and remunerations report in accordance with the 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, matters related to going concern that may cast significant doubt on the Bank´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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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;

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- 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 our 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;
- from the matters communicated with those charged with governance, including the supervisory body, we determine 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 public disclosure about the matter; and
- we also provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility includes the verification of the consistency of the Management Report with the financial statements, and the verifications under nr. 4 and nr. 5 of article 451 of the Commercial Companies Code in matters of corporate governance, as well as the verification that the non-financial statement and the remunerations report have been presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, paragraph e) of the Commercial Companies Code, 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 misstatement. As referred to in article 451, nr. 7 of the Commercial Companies Code this opinion is not applicable to the non-financial statement included in the Management Report.

On additional items set out in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council, of 16 April 2014, and 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 shareholders' general meeting held on the 16th of May 2017 for a mandate from 2017 to 2020. We were appointed in the shareholders' general meeting held on the 5th of April 2021 for a mandate from 2021 to 2024.
- Management has confirmed 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 scepticism 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 to the financial statements due to fraud;

- We confirm that our audit opinion is consistent with the additional report that we have prepared and delivered to the supervisory body of the Bank on this date;
- We declare that we have not provided any prohibited services as described in article 77, nr. 8, of the Statute of the Institute of Statutory Auditors, and we have remained independent of the Bank in conducting the audit; and
- We declare that, in addition to the audit, we provided the Bank with the following services as permitted by law and regulations in force:
    - Procedures for issuing the semi-annual evaluation report of the process of quantifying the impairment of the Bank's credit portfolio pursuant to Banco de Portugal Instruction 5/2013, republished by Banco de Portugal Instruction 18/2020; and
    - Assessment of the adequacy and effectiveness of the internal control system of Banco BAI Europa S.A., in relation to the prevention of money laundering and terrorist financing in accordance with Banco de Portugal notice No. 2/2018.

Lisbon, 23 March 2022

Ernst & Young Audit & Associados – SROC, S.A.
Sociedade de Revisores Oficiais de Contas
Represented by:

(Signed)

Silvia Maria Teixeira da Silva - ROC n.º 1636
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BAI BANCO BAI EUROPA

Banco BAI Europa, SA, sociedade anónima com sede na Rua Tierno Galvan, Torre 3, 12° Piso, em Lisboa,
registada na Conservatória do Registo Comercial de Lisboa com o número único de matrícula e de pessoa colectiva 505 274 922.
Capital Social EUR 40.000.000,00.